

Price: \$325

Target: \$423

Upside: 30%

BUY: S&P Global Inc. (NYSE:SPGI)

Financials Sector

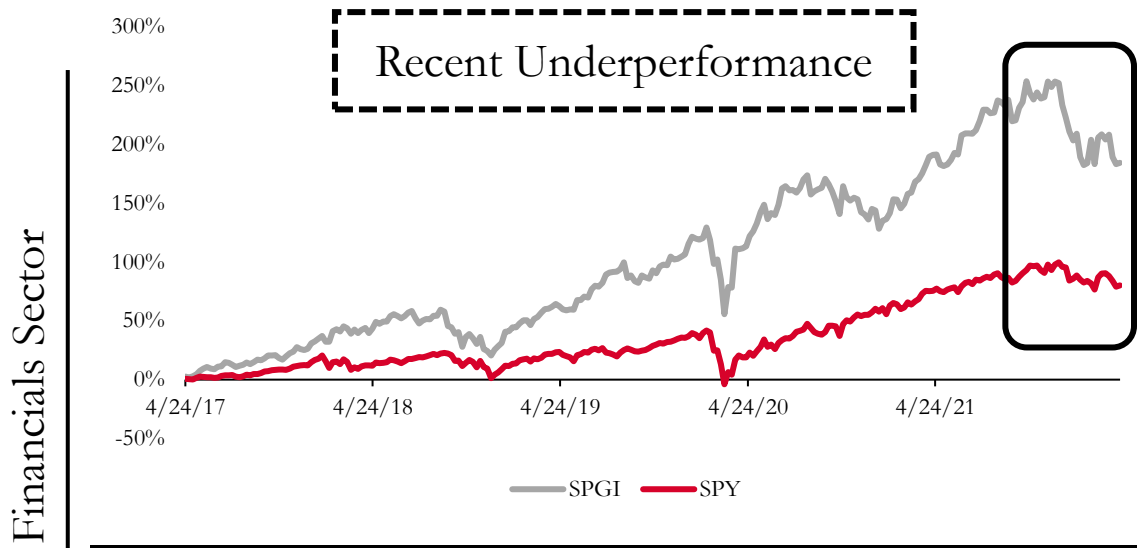
Sector Head: Travis Maguire

Lead Analyst: Eamon Dillon

Executive Summary



Stock Performance vs. SPY



Company Information

Current Share Price	\$360
52 Week Range	\$356.95 – \$484.21
Market Capitalization	\$130.3B
Beta	0.98
Price Target	\$423
Predicted Upside	30%

Company Overview

Segment Breakdown

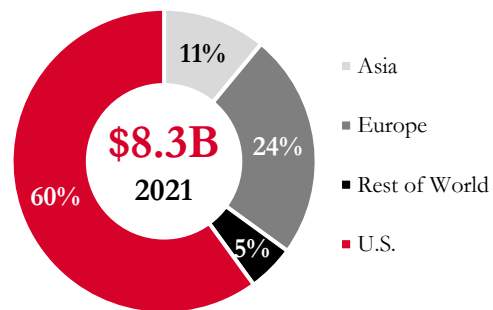
Ratings	Market Intelligence	Indices	Mobility	Commodity Insights	Engineering Solutions
Leading global credit rating agency	Data, analytics, and trade processing for financial industry	Financial benchmark indices for a variety of assets	Automotive mobility forecasts and census data	Data and insights for commodity classes and energy prices	Supports product design and issues engineering standards

Revenue Breakdown

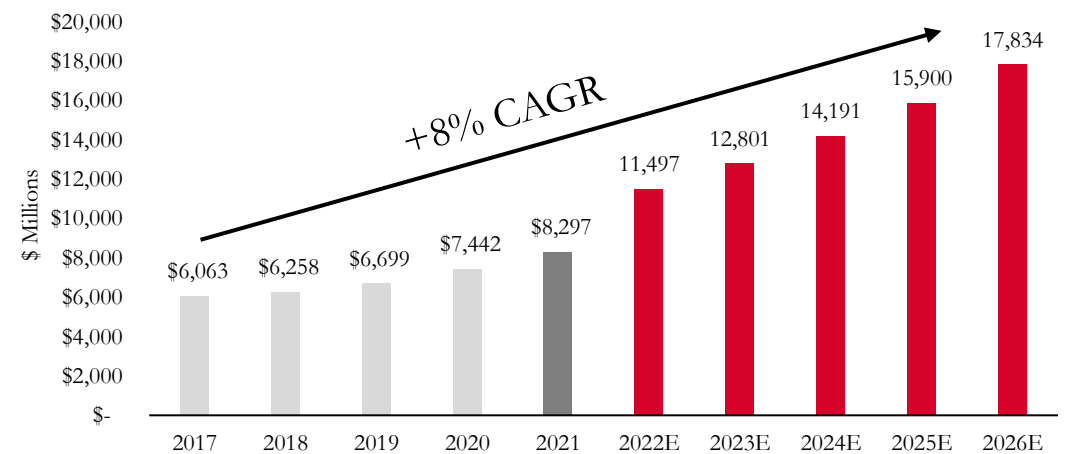
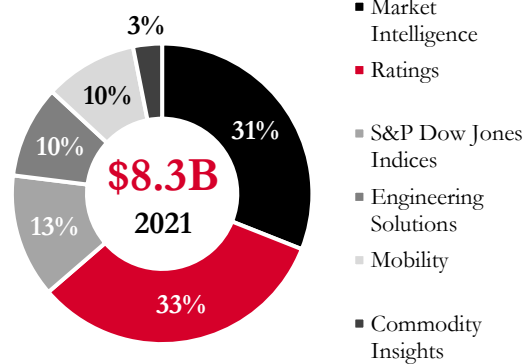
Revenue Projection

Financials Sector

Geographically



Segment



Industry Overview

Industry Trends

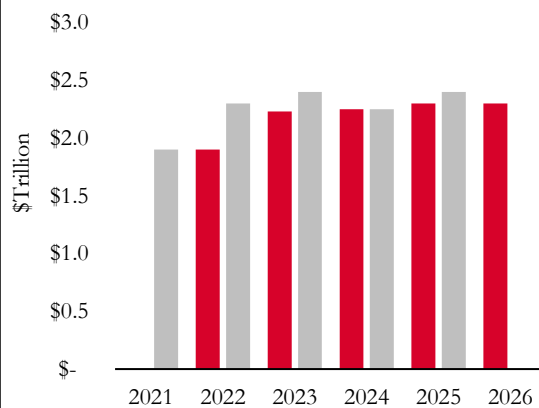
\$20 billion addressable market with **10% average market growth**

Increased usage of ESG overlays in investment decisions with **ESG-focused exchanges rising 53%**

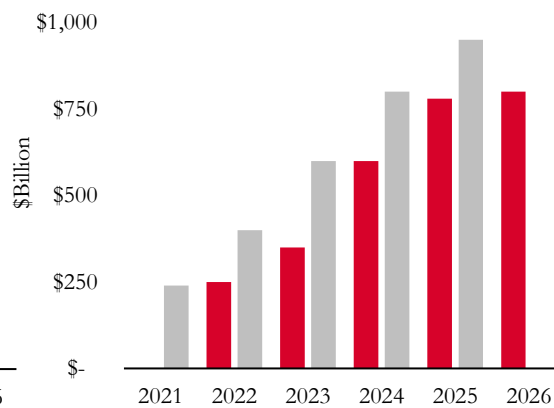
\$1.9 trillion has moved from active to passive investing strategies over the last 10 years

Global Debt Maturities

Corporate Debt



High Yield Debt

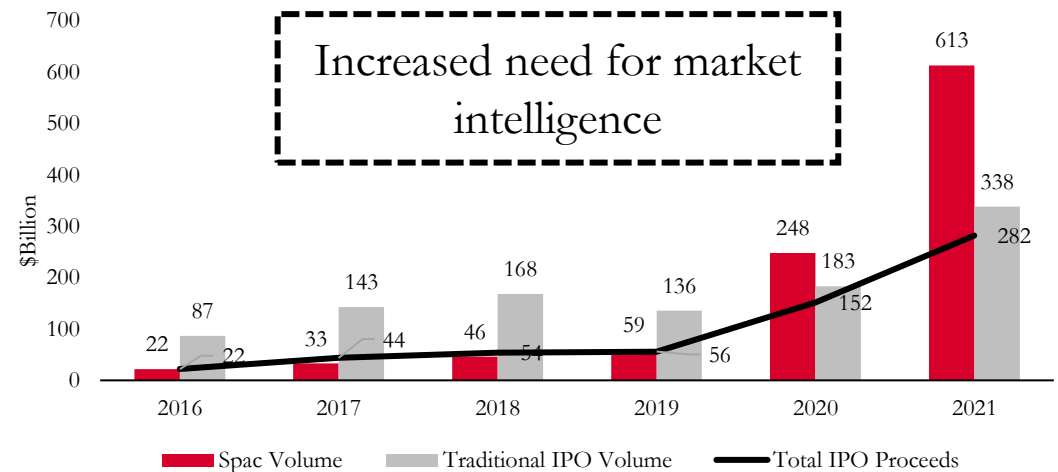


Financials Sector

Competitors



Increasing Global Capital Market

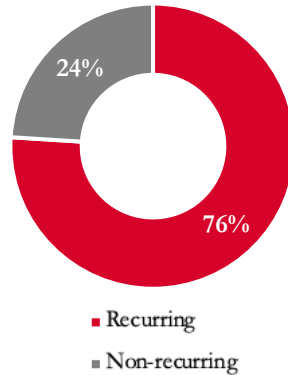


Stable and Predictable Revenue

Organic Growth

1 of 10 US Public based companies with 5%+ organic growth and 45%+ EBITDA margins

Recurring Revenue

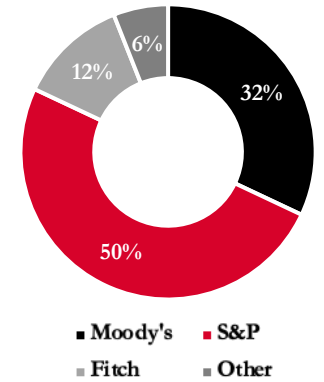


S&P Global and Moody's Ratings Duopoly

S&P's market share grew in 2020 while Moody's and Fitch decreased

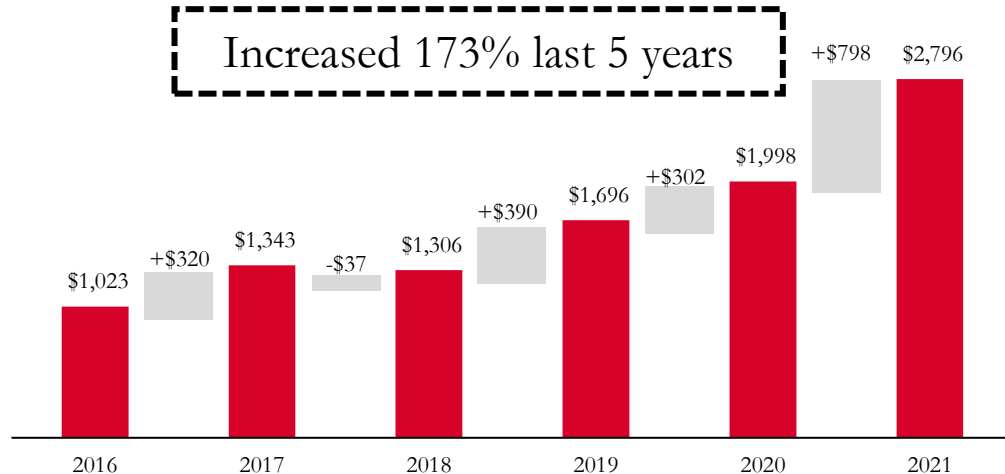
High barriers to entry due to regulations and cemented brand status

Market Share



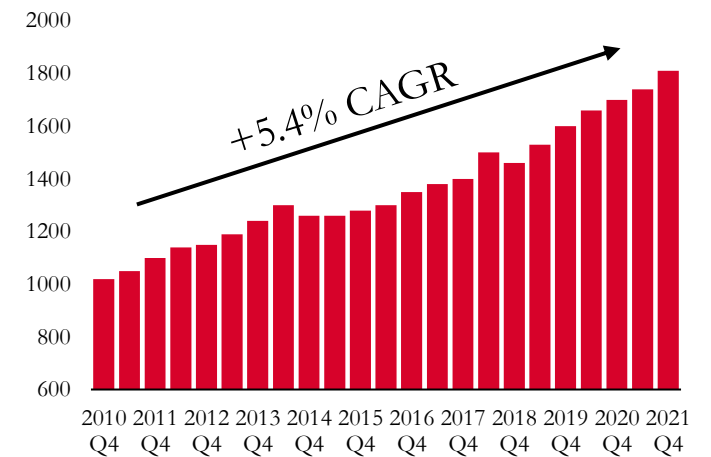
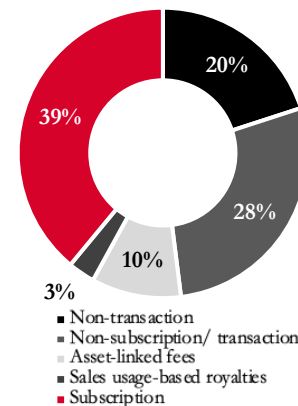
Indices' ETF Assets Under Management

Increased 173% last 5 years



Subscription Based Revenue

2021 Revenue



IHS Markit Merger

IHS Markit (\$INFO)

Global information, research, analytics, and technology provider acquired in 2022 for \$44 billion

Global Scale and Service

Deeper Insights and Expertise

Extensive Data and Content

ESG Opportunities

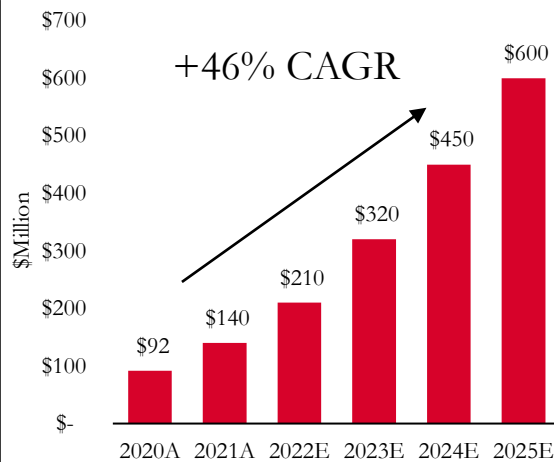
Sustainable 1

57% YOY Revenue Growth

Corporate Sustainability Assessment

Carbon Registry, Agricultural Data

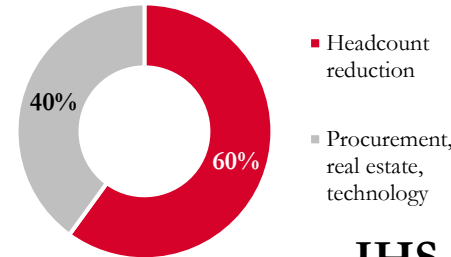
Financials Sector



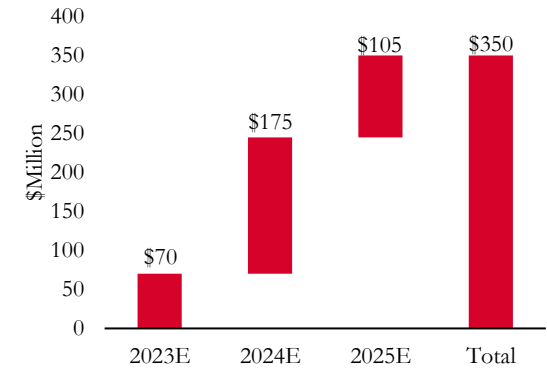
Synergies

Cost

\$600M with 80% realized by 2023



Revenue



IHS Automotive

Supply and demand forecasting for **95% of the automobile industry**

R.L. Polk's national database tracks all new/used cars and trucks in the US by VIN and owner demographic

CARFAX provides used car vehicle history and information for dealerships and individuals

Positioned For Future Growth

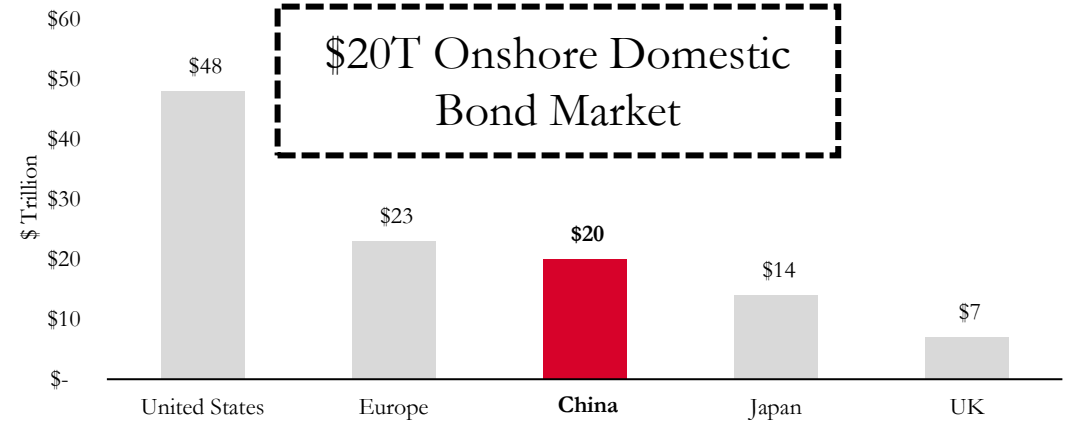
Chinese Rating Industry

Beijing tightening regulations and **opening industry to foreign firms** amidst falling trust in domestic firms

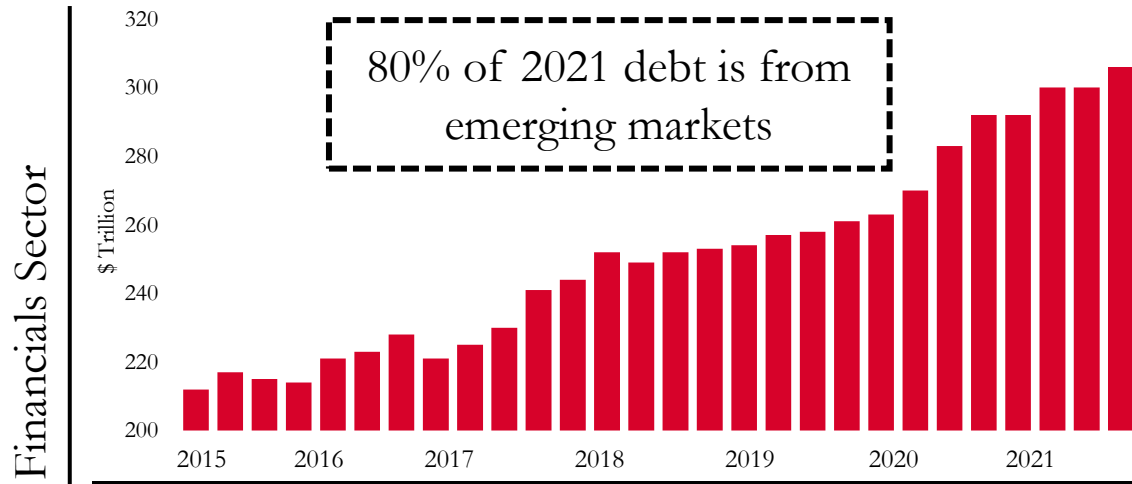
SPGI issued 57 ratings in China in 2021, up 150%, and was the **first international agency** permitted

China transition to capital economy calls for **consumer information** and **increased transparency**

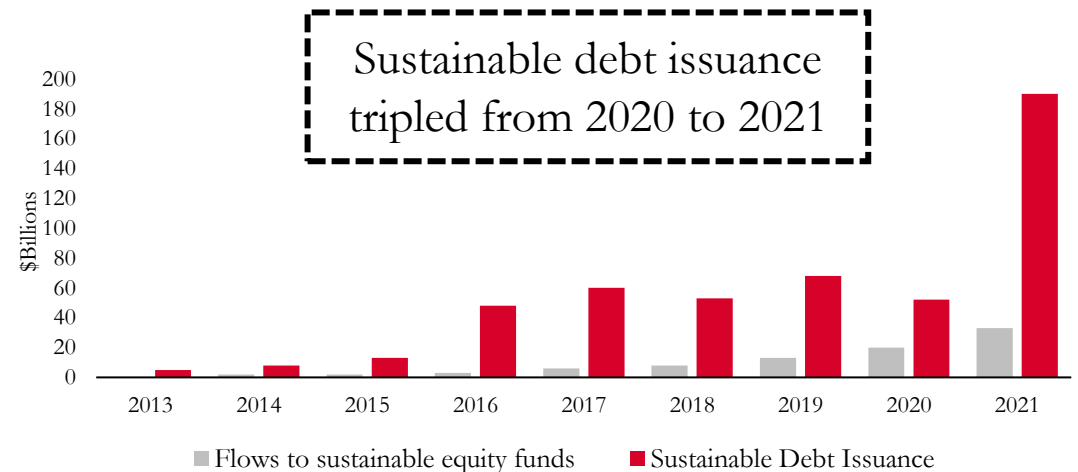
International Bond Market



Increase in Global Debt Market



Equity Flows in Emerging Economies



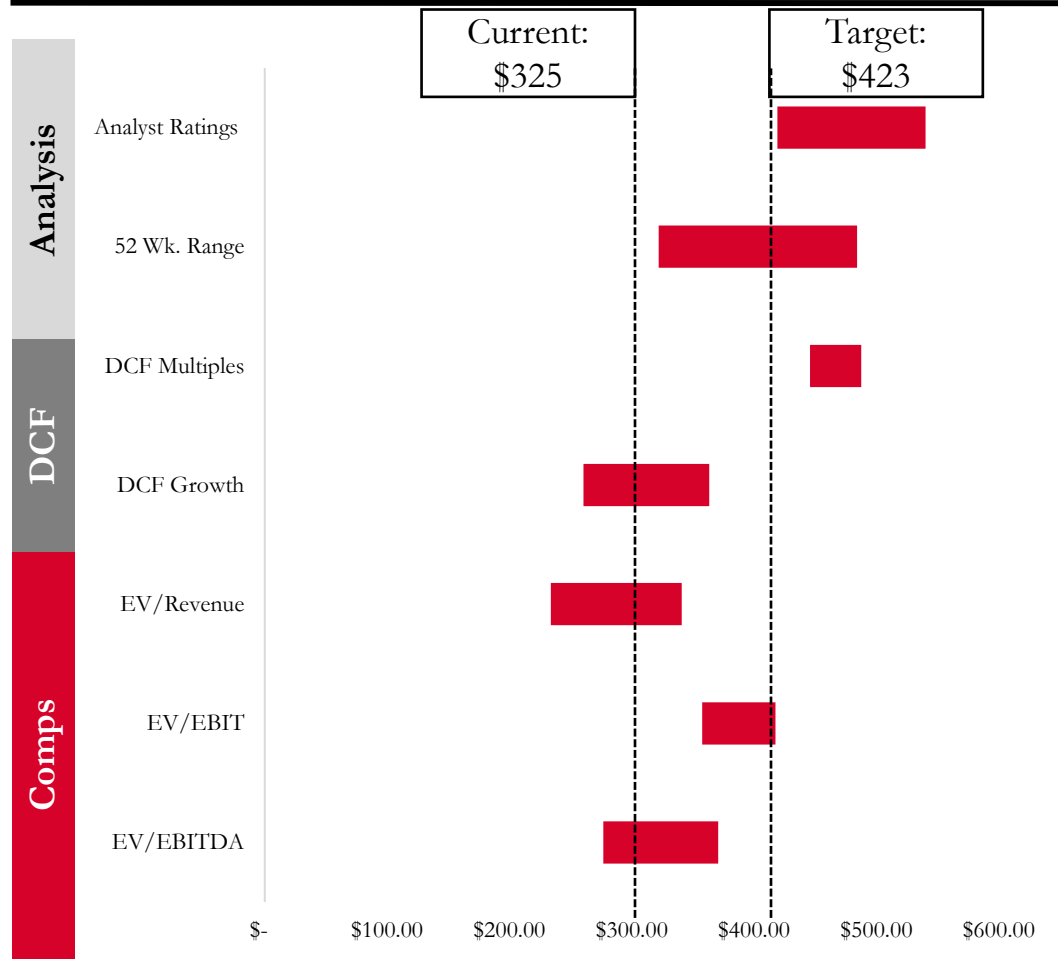
Financials Sector

Valuation

Football Field

DCF Sensitivity Analysis

Financials Sector



Gordon Growth Sensitivity Analysis

		WACC				
		7.7%	8.7%	9.7%	10.7%	11.7%
Growth Rate	\$ 402.28					
	3.5%	484.6	397.0	337.7	294.9	262.6
	3.0%	442.4	369.8	318.9	281.2	252.3
	2.5%	408.3	346.9	302.7	269.2	243.1
	2.0%	380.1	327.5	288.6	258.6	234.9
	1.5%	356.6	310.8	276.2	249.2	227.5

Multiples Sensitivity Analysis

		WACC				
		7.7%	8.7%	9.7%	10.7%	11.7%
EV/EBITDA	\$ 505.08					
	20.00x	482.1	465.0	448.7	433.1	418.4
	20.50x	491.6	474.1	457.4	441.5	426.4
	21.00x	501.1	483.1	466.1	449.9	434.4
	21.50x	510.5	492.2	474.8	458.3	442.5
	22.00x	520.0	501.3	483.5	466.6	450.5

Risks & Mitigants

Factors such as inflation, higher interest rates, and market volatility could negatively impact ratings and index segments

Global exposure to changing regimes and regulations which could increase costs of doing business

Post-merger failure to realize potential synergies across all six markets

Buy: SPGI

Price: \$325

Target: \$423

Upside: 30%

Thank You! Questions?

Agenda Outline

- Appendix A: Income Statement
- Appendix B: Balance Sheet
- Appendix C: Cash Flow Statement
- Appendix D: Revenue Build
- Appendix E: NWC/D&A
- Appendix F: WACC
- Appendix G: Comparable Companies
- Appendix H: DCF Analysis
- Appendix I: Sensitivity Analysis

Agenda B: Balance Sheet

S&P Global Inc. (NYSE: SPGI)			
Consolidated Balance Sheet			
<i>Figures in Millions</i>			
	FY 2019	FY 2020	FY 2021
Current assets:			
Cash and cash equivalents	\$ 2,866	\$ 4,108	\$ 6,497
Restricted cash	20	14	8
Short-term investments	28	9	11
Accounts receivable	1,577	1,593	1,650
Prepaid and other current assets	221	264	323
Total current assets	4,712	5,988	8,489
Property and equipment:			
Buildings and leasehold improvements	420	364	346
Equipment and furniture	522	507	515
Total property and equipment	942	871	861
Less: accumulated depreciation	(622)	(587)	(620)
Property and equipment, net	320	284	241
Right of use assets	676	494	426
Goodwill	3,575	3,735	3,506
Other intangible assets, net	1,424	1,352	1,285
Other non-current assets	641	684	758
Total assets	12,610	13,692	15,807
Current liabilities:			
Accounts payable	190	233	205
Accrued compensation and contributions to retirement plans	446	551	607
Income taxes currently payable	68	84	90
Unearned revenue	1,928	2,168	2,217
Liabilities held for sale	0	0	149
Other current liabilities	461	551	547
Total current liabilities	3,093	3,587	3,815
Long-term debt	3,948	4,110	4,114
Lease liabilities – non-current	620	544	492
Pension and other postretirement benefits	259	291	262
Other non-current liabilities	624	653	807
Total liabilities	8,544	9,185	9,490
Redeemable noncontrolling interest	2,268	2,781	3,429
Shareholders Equity:			
Common stock, \$1 par value: authorized - 600 million shares; issued: 294 million shares in 2021 and 2020	294	294	294
Additional paid-in capital	903	946	1,031
Retained income	12,205	13,367	15,017
Accumulated other comprehensive loss	(624)	(637)	(841)
Less: common stock in treasury - at cost: 53 million shares in 2021 and 2020	(12,299)	(13,461)	(13,469)
Total equity – controlling interests	479	509	2,032
Total equity – noncontrolling interests	57	62	75
Total equity	536	571	2,107
Total liabilities and equity	\$ 11,348	\$ 12,537	\$ 15,026

Agenda C: Cash Flow Statement

S&P Global Inc. (NYSE: SPGI)			
Cash Flow Statement			
<i>Figures in Millions</i>			
	FY 2019	FY 2020	FY 2021
Operating Activities:			
Net income	\$ 2,303	\$ 2,534	\$ 3,263
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	82	83	82
Amortization of intangibles	122	123	96
Provision for losses on accounts receivable	18	17	14
Deferred income taxes	46	(31)	13
Stock-based compensation	78	90	122
Gain on dispositions	(49)	(16)	(11)
Accrued legal settlements	0	9	0
Pension settlement charge, net of taxes	85	2	0
Loss on extinguishment of debt	57	279	0
Lease impairment charges	11	120	31
Other	25	110	58
Changes in operating assets and liabilities, net of effect of acquisitions and dispositions:			
Accounts receivable	(135)	18	(144)
Prepaid and other current assets	(81)	(85)	(86)
Accounts payable and accrued expenses	73	132	38
Unearned revenue	256	220	198
Other current liabilities	(57)	(15)	(45)
Net change in prepaid/accrued income taxes	(41)	(2)	(36)
Net change in other assets and liabilities	(17)	(21)	5
Cash provided by operating activities	2,776	3,567	3,598
Investing Activities:			
Capital expenditures	(115)	(76)	(35)
Acquisitions, net of cash acquired	(91)	(201)	(99)
Proceeds from dispositions	85	18	16
Changes in short-term investments	(10)	19	(2)
Cash used for investing activities	(131)	(240)	(120)
Financing Activities:			
Proceeds from issuance of senior notes, net	1,086	1,276	0
Payments on senior notes	(868)	(1,394)	0
Dividends paid to shareholders	(560)	(645)	(743)
Distributions to noncontrolling interest holders, net	(143)	(194)	(227)
Repurchase of treasury shares	(1,240)	(1,164)	0
Exercise of stock options	40	16	13
Employee withholding tax on share-based payments and other	(66)	(61)	(56)
Cash used for financing activities	(1,751)	(2,166)	(1,013)
Effect of exchange rate changes on cash	34	75	(82)
Net change in cash, cash equivalents, and restricted cash	928	1,236	2,383
Cash, cash equivalents, and restricted cash at beginning of year	1,958	2,886	4,122
Cash, cash equivalents, and restricted cash at end of year	2,886	4,122	6,505
Cash paid during the year for:			
Interest	162	159	130
Income taxes	\$ 659	\$ 683	\$ 883

Agenda D: Revenue Build

Financials Sector

S&P Global Inc. (NYSE: SPGI)								
Revenue Build								
<i>Figures in Millions</i>	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Total Revenue by Segment	6699	7442	8297	13,572	14,885	16,340	17,881	19,509
Market Intelligence	3356	3568	3,890	4,318	4,750	5,177	5,643	6,038
<i>% Growth</i>		6%	9%	11%	10%	9%	9%	7%
<i>% Total</i>	50%	48%	47%	32%	32%	32%	32%	31%
Ratings	3106	3606	4,097	4,343	4,603	4,926	5,221	5,587
<i>% Growth</i>		16%	14%	6%	6%	7%	6%	7%
<i>% Total</i>	37%	43%	49%	32%	34%	36%	38%	41%
Commodity Insights	1542	1613	1,669	1,736	1,823	1,951	2,068	2,171
<i>% Growth</i>		5%	3%	4%	5%	7%	6%	5%
<i>% Total</i>	19%	19%	20%	13%	13%	14%	15%	16%
Mobility	987	1052	1,246	1,483	1,764	2,064	2,395	2,778
<i>% Growth</i>		7%	18%	19%	19%	17%	16%	16%
<i>% Total</i>	12%	13%	15%	11%	13%	15%	18%	20%
Indices	918	1094	1,243	1,447	1,684	1,945	2,257	2,618
<i>% Growth</i>		19%	14%	16%	16%	15%	16%	16%
<i>% Total</i>	11%	13%	15%	11%	12%	14%	17%	19%
Engineering Solutions	352	367	391	418	443	472	503	534
<i>% Growth</i>		4%	7%	7%	6%	6%	6%	6%
<i>% Total</i>	4%	4%	5%	3%	3%	3%	4%	4%
Intersegment Eliminations	(147)	(153)	(164)	(173)	(183)	(194)	(206)	(218)
<i>% Growth</i>		4%	7%	6%	6%	6%	6%	6%
<i>% Total</i>	-2%	-2%	-2%	-1%	-1%	-1%	-2%	-2%
Total Revenue by Geographical Area	6699	7442	8297	9340	10556	11867	13564	15414
United States	3976	4504	5012	5627	6359	7140	8139	9360
<i>% Growth</i>		13%	11%	12%	13%	12%	14%	15%
<i>% Total</i>		61%	60%	60%	68%	76%	87%	100%
Europe	1659	1769	1995	2,274	2,570	2,853	3,195	3,514
<i>% Growth</i>		7%	13%	14%	13%	11%	12%	10%
<i>% Total</i>		21%	24%	24%	28%	31%	34%	38%
Asia	710	782	874	988	1,136	1,329	1,608	1,849
<i>% Growth</i>		10%	12%	13%	15%	17%	21%	15%
<i>% Total</i>		9%	11%	11%	12%	14%	17%	20%
Rest of World	354	387	416	451	492	546	622	690
<i>% Growth</i>		9%	7%	8%	9%	11%	14%	11%
<i>% Total</i>		5%	5%	5%	5%	6%	7%	7%
Total Revenue	6,699	7,442	8,297	11,456	12,721	14,104	15,723	17,462

Agenda E: NWC

S&P Global Inc. (NYSE: SPGI)								
Networking Capital								
<i>Figures in Millions</i>	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Current assets:								
Customer accounts receivable	1,577	1,593	1,650	2,485	2,766	3,067	3,436	3,854
Prepaid expenses and other current assets	221	264	323	412	458	508	569	638
Total current assets	1,798	1,857	1,973	2,896	3,225	3,575	4,005	4,493
Current liabilities:								
Accounts payable and accrued liabilities	636	784	812	1,143	1,272	1,410	1,580	1,772
Other current liabilities	461	551	547	800	891	988	1,107	1,241
Total current liabilities	1,097	1,335	1,359	1,943	2,163	2,398	2,687	3,014
NWC	701	522	614	953	1,062	1,177	1,319	1,479
Change in NWC		(179)	92	339	108	115	142	160

Appendix F: Capital Expenditures

S&P Global Inc. (NYSE: SPGI)								
Networking Capital								
<i>Figures in Millions</i>	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Current assets:								
Customer accounts receivable	1,577	1,593	1,650	2,485	2,766	3,067	3,436	3,854
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Current liabilities:								
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Total current liabilities	1,097	1,335	1,359	1,943	2,163	2,398	2,687	3,014
NWC	701	522	614	953	1,062	1,177	1,319	1,479
Change in NWC		(179)	92	339	108	115	142	160

Agenda G: WACC

WACC Calculation

(in millions, except per share data)

Risk free rate (U.S. 10-year T-bill)	3%
Market Return	8%
Equity risk premium	5%
Beta	0.99
Cost of Equity	7.94%

MV of Debt	4,114
Tax rate	21.52%
Cost of Debt	4.23%
Cost of debt after taxes	3.32%

Stock price	327.97
Shares outstanding	347.03
MV of equity	113,815
Weight of equity	96.51%
Weight of debt	3.49%
WACC	7.78%

A3/A- Rating	1.33%
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Damodaran spread

Agenda H: Comparable Companies

S&P Global Inc. (NYSE: SPGI) - Comparable Companies Analysis

In Millions

Company	Ticker	Share Price	Shares Outstanding	Market Cap.	Debt	Cash	Enterprise Value	Revenue	Net Income	LTM EPS	EBIT	EBITDA	LTM P/E	EV/Revenue	EV/EBIT	EV/EBITDA
S&P Global , Inc.	SPGI	\$ 327.97	347	113,815	4,114	6,497	111,432	8,297	3,263	9.40	4,221	4,399	34.88x	13.43x	26.40x	25.33x
Moody's Corp	MCO	\$ 285.04	185	52,590	7,413	1,811	58,192	6,128	2,214	11.78	3,101	3,193	24.20x	9.50x	18.77x	18.22x
MSCI INC	MSCI	\$ 388.89	81	31,605	4,161	1,421	34,345	2,044	726	8.70	1,018	1,197	44.70x	16.81x	33.75x	28.70x
Verisk Analytics Inc	VRSK	\$ 178.87	158	28,244	3,313	280	31,276	2,999	666	4.08	1,085	1,386	43.84x	10.43x	28.84x	22.57x
Transunion	TRU	\$ 82.72	192	15,915	6,636	1,842	20,709	2,960	1,387	1.84	647.7	973	44.96x	7.00x	31.97x	21.29x
MarketAxess Holdings Inc.	MKTX	\$ 255.52	38	9,643	615	507	9,752	698	204	6.77	89	105	37.74x	13.97x	109.61x	92.70x

Minimum					615	280	9,752	698	204	1.84	89	105	24.20x	7.00x	18.77x	18.22x
Q1					3,513	735	23,350	2,273	681	4.75	740	1,029	35.60x	9.73x	27.01x	21.61x
Median					4,138	1,616	32,811	2,979	1,057	7.74	1,051	1,291	40.79x	11.93x	30.41x	23.95x
Q3					6,017	1,835	52,230	5,346	2,007	9.23	2,597	2,741	44.49x	13.84x	33.30x	27.86x
Maximum					7,413	6,497	111,432	8,297	3,263	11.78	4,221	4,399	44.96x	16.81x	109.61x	92.70x

Comps	Valuation	EV	Debt	Cash	Equity	Shares	Per Share
EBITDA	4,399						
Min	18.22x	80,171	4,114	6,497	82,554	347	\$ 237.89
Q1	21.61x	95,071	4,114	6,497	97,454	347	\$ 280.82
Median	23.95x	105,350	4,114	6,497	107,733	347	\$ 310.44
Q3	27.86x	122,539	4,114	6,497	124,922	347	\$ 359.97
Max	92.70x	407,768	4,114	6,497	410,151	347	\$ 1,181.89
Revenue	8,297						
Min	7.00x	58,043	4,114	6,497	60,426	347	\$ 174.12
Q1	9.73x	80,727	4,114	6,497	83,110	347	\$ 239.49
Median	11.93x	98,986	4,114	6,497	101,369	347	\$ 292.10
Q3	13.84x	114,795	4,114	6,497	117,178	347	\$ 337.66
Max	16.81x	139,445	4,114	6,497	141,828	347	\$ 408.69
EBIT	4,221						
Min	18.77x	79,209	4,114	6,497	81,592	347	\$ 235.12
Q1	27.01x	114,007	4,114	6,497	116,390	347	\$ 335.39
Median	30.41x	128,343	4,114	6,497	130,726	347	\$ 376.70
Q3	33.30x	140,572	4,114	6,497	142,955	347	\$ 411.94
Max	109.61x	462,644	4,114	6,497	465,027	347	\$ 1,340.02
P/E	EPS						
Q1	35.60x	4.75					\$ 169.17
Median	40.79x	7.74					\$ 315.52
Q3	44.49x	9.23					\$ 410.46

Agenda I: DCF Analysis

S&P Global Inc. (NYSE: SPGI)								
Discounted Cash Flow Model								
<i>Figures in Millions</i>	FY 2019	FY 2020	FY 2021	FY 2022E	FY 2023E	FY 2024E	FY 2025E	FY 2026E
Free cash flow:								
Revenue	6,699	7,442	8,297	11,456	12,721	14,104	15,723	17,462
EBIT	2,930	3,228	4,164	5,828	6,260	6,941	7,737	8,593
Taxes	627	694	901	1,128	1,253	1,389	1,548	1,720
NOPAT	2,303	2,534	3,263	4,700	5,007	5,552	6,189	6,873
D&A	204	206	178	385	427	474	528	587
CapEx	(115)	(76)	(35)	(121)	(134)	(149)	(166)	(184)
Change in NWC	0	(179)	92	336	105	115	134	144
FCFF	2,622	2,995	3,384	4,869	5,464	6,059	6,749	7,500
Discount Factor				0.5	1.5	2.5	3.5	4.5
Terminal value (Gordon growth)								145,509
Terminal value (multiple)								195,473
Cash flows (Gordon growth)				4,869	5,464	6,059	6,749	153,009
Cash flows (multiple)				4,869	5,464	6,059	6,749	202,973
PV of cash flows (Gordon growth)				4,690	4,883	5,024	5,191	109,204
PV of cash flows (multiple)				4,690	4,883	5,024	5,191	144,864

Gordon growth rate method	
Enterprise value	128,993
Less: Debt	4,114
Add: Cash	6,497
Equity value	139,604
Diluted shares outstanding	347
Price per share	\$ 402.28

Multiples method	
Enterprise value	164,653
Less: Debt	4,114
Add: Cash	6,497
Equity value	175,264
Diluted shares outstanding	347
Price per share	\$ 505.08

Terminal growth rate	2.50%
Terminal multiple(EV/ EBITDA)	21.29x
WACC	7.78%

Price per share	\$ 422.84
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