

# The BIClings

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your  
statements



# Company Overview

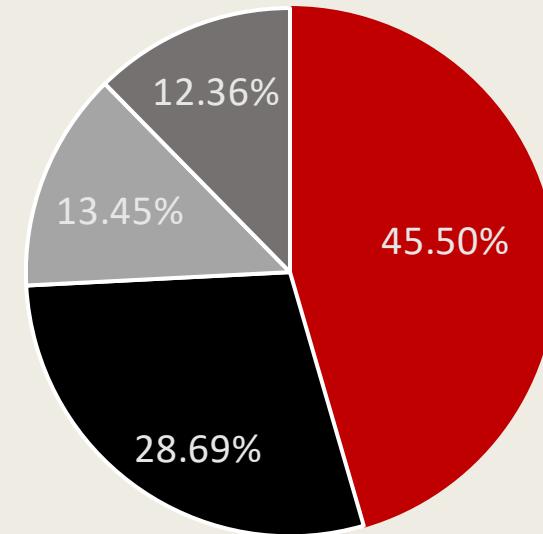
- Ticker symbol: (SPGI)
- S&P dates all the way back to 1888
- Headquarters: Manhattan, New York City
- Operates in over 35 countries
- Market Cap: \$75 Billion
- Revenue 2019: \$6.6 Billion

**S&P GLOBAL**

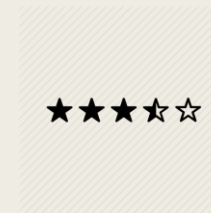


# What does S&P Global do?

- S&P Global benefits from one of the widest moats in financial services.
- The company provides ratings, benchmarks, analytics and data to the capital and commodity markets worldwide.
- Capital markets include asset managers, investment and commercial banks, and insurance companies.
- Commodity markets include producers, traders and intermediaries within energy, petrochemicals, metals and agriculture.



■ Ratings ■ Market Intelligence ■ Indices ■ Platts



*Douglas Peterson*



- President and CEO (2013)
- Joined SPGI in 2011 as President of S&P Ratings
- Prior roles include CEO of Citigroup Japan, Chief Auditor of Citigroup and Country Manager for Costa Rica and Uruguay.
- global expansion, customer orientation, technology, innovation, operational excellence and people.



Ewout Steenbergen  
Vice President and CFO  
(2016)

- VP and CFO of Voya Financial
- CFO and Chief Risk Officer for ING Asia-Pacific



John Berisford  
President, S&P Global  
Ratings (2015)

- Senior Vice President, Human Resources of PepsiCo.



Martha Cheung  
President, S&P Global  
Market Intelligence (2019)

- Head of Global Risk Services
- Joined S&P in 2010 as Vice President of Operations



Martin Fraenkel  
President, S&P Global  
Platts (2016)

- Global Head of Content
- Joined S&P Global Platts in 2015



Alex Maturri  
Chief Executive Officer,  
S&P Indices (2012)

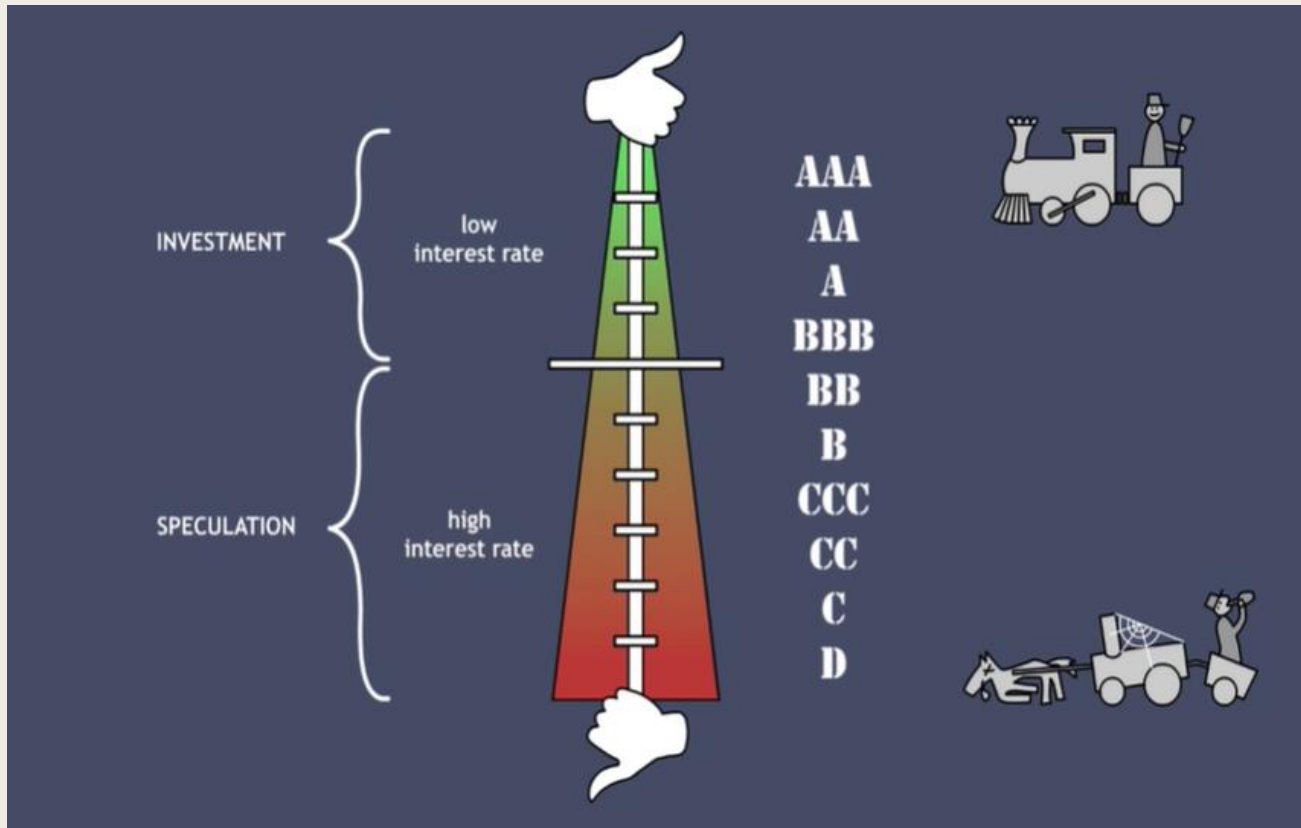
- Executive Managing Director of S&P Indices



# Business Breakdown

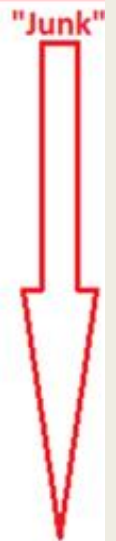


# S&P GLOBAL Ratings



Credit Rating Scales by Agency, Long-Term

Moody's	S&P	Fitch	
Aaa	AAA	AAA	Prime
Aa1	AA+	AA+	High grade
Aa2	AA	AA	
Aa3	AA-	AA-	
A1	A+	A+	Upper medium grade
A2	A	A	
A3	A-	A-	
Baa1	BBB+	BBB+	Lower medium grade
Baa2	BBB	BBB	
Baa3	BBB-	BBB-	
Ba1	BB+	BB+	Non-investment grade speculative
Ba2	BB	BB	
Ba3	BB-	BB-	
B1	B+	B+	Highly speculative
B2	B	B	
B3	B-	B-	
Caa1	CCC+	CCC	Substantial risk
Caa2	CCC		Extremely speculative
Caa3	CCC-		Default imminent with little prospect for recovery
Ca	CC	CC	
C	C	C	
/	D	D	In default
/			



# Competitive Advantage

## ■ Intangible Assets

Dominates ratings for bond issuances, with SP having ratings on 49% compared to Moody's 34% and Fitch 13%.

Rates \$48 Trillion of global debt.

## ■ Switching Costs

Ratings from S&P are being required by institutional investors.

Fear of switching credit ratings agencies receiving a lower rating.

## ■ Network effect

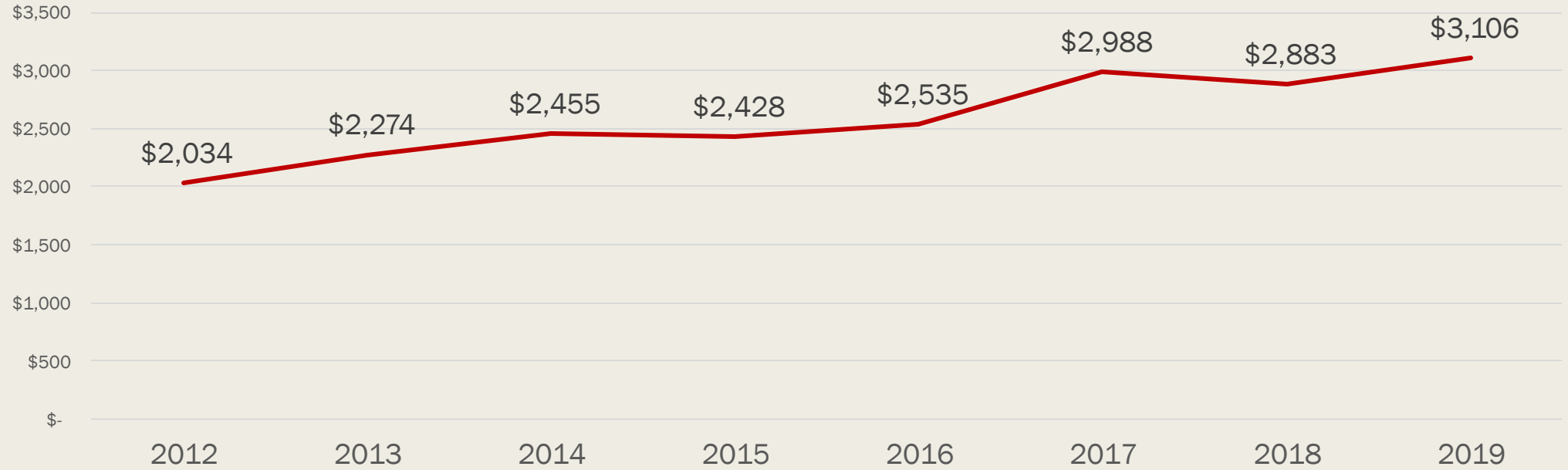
Strong network of issuers and investors.

The more issuers that rely on S&P for its credit rating, the broader acceptance it achieves from investors. Vice versa, the more investors that accept S&P's ratings, the more issuers rely on the S&P stamp of approval.



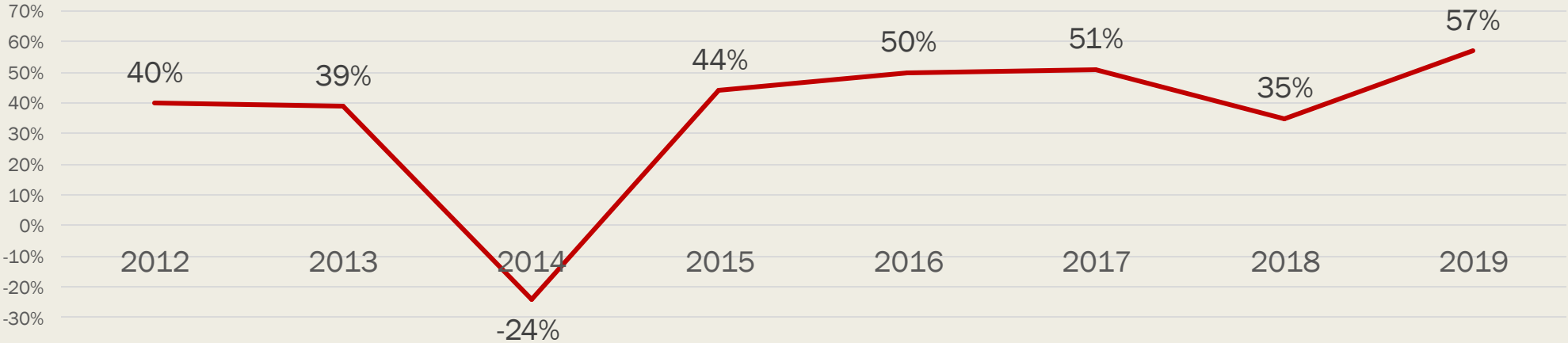


## Ratings Revenue



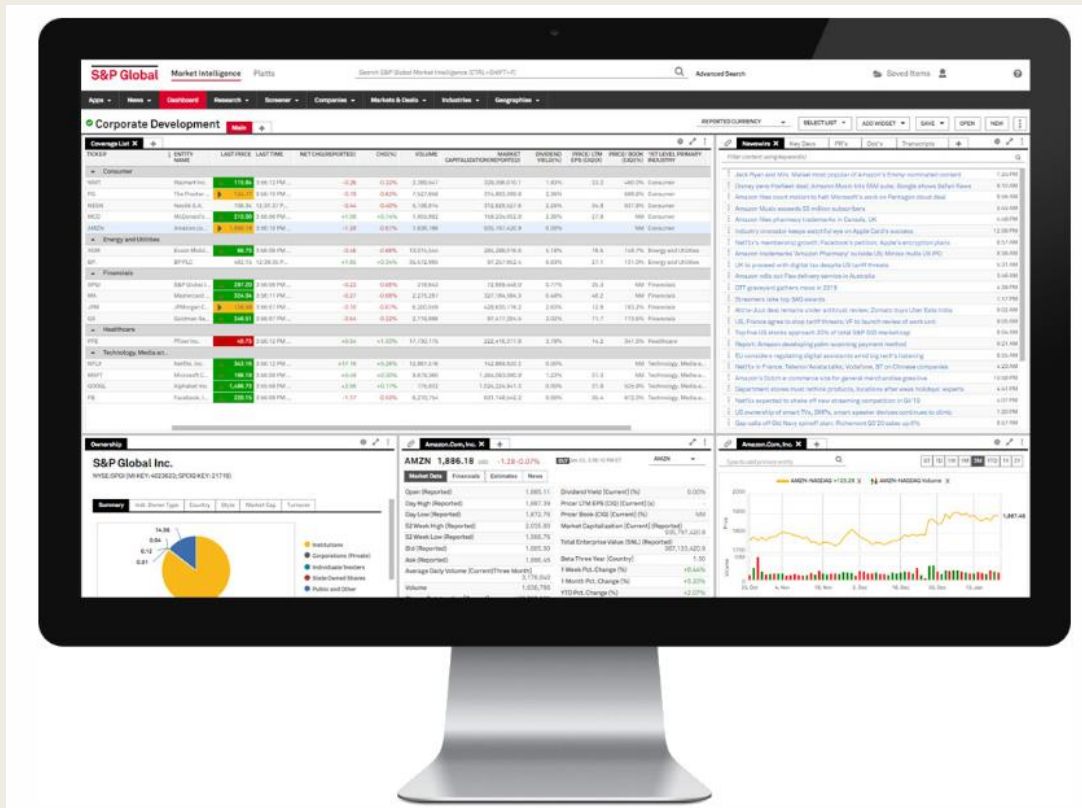
CAGR	7-years	5-years	1-year
Ratings revenue	6.23%	4.82%	7.73%

# Ratings Operating Margin



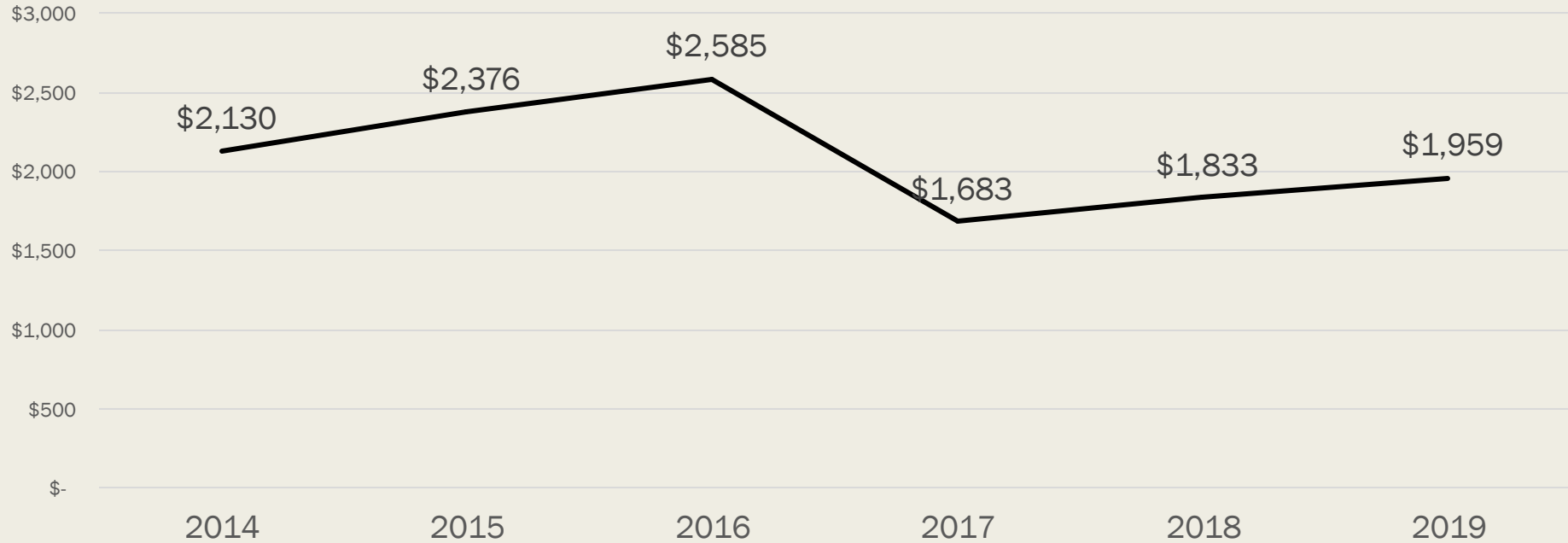
# S&P GLOBAL

## Market Intelligence



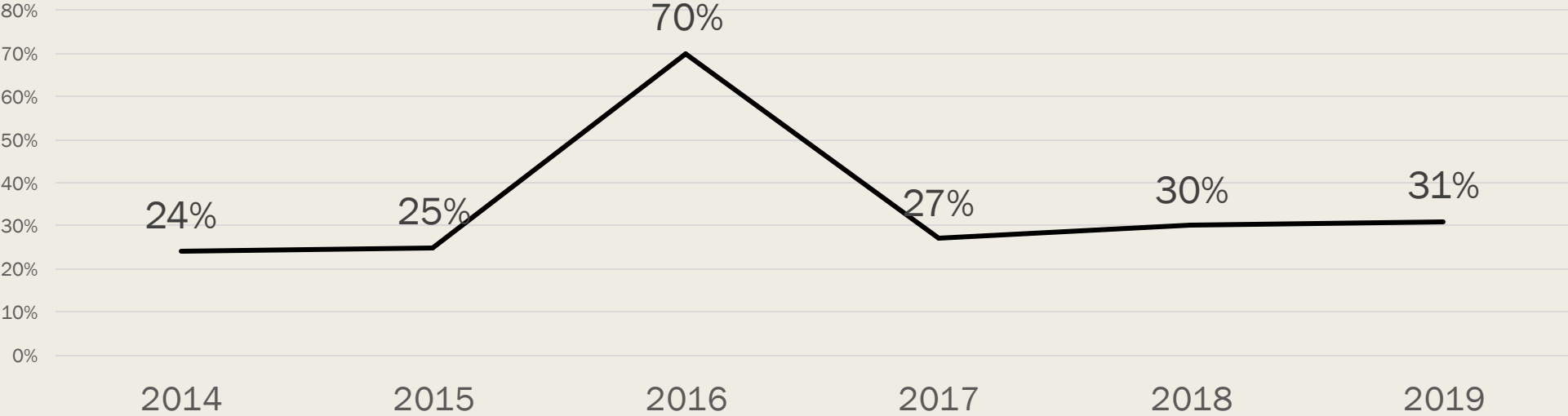
- Provides research and analytical capabilities on multiple asset classes through desktop services.
- Designed to help investment professionals, government agencies, corporations and universities make better investment decisions.
- Benefits from valuable intangible assets and switching costs.

## Market Intelligence Revenue



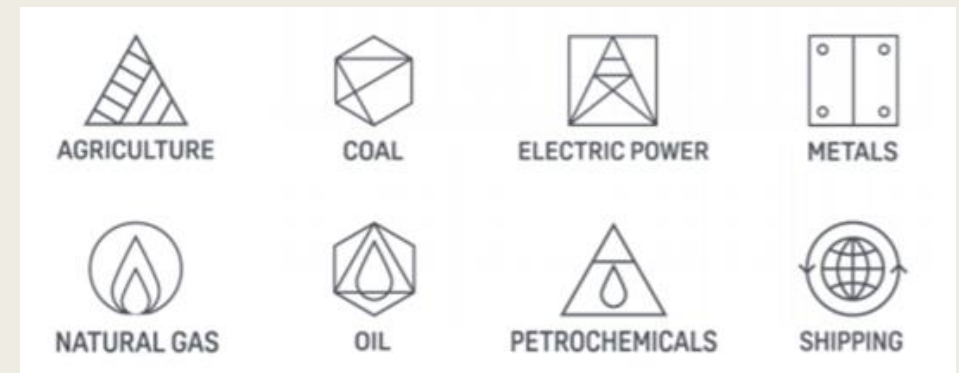
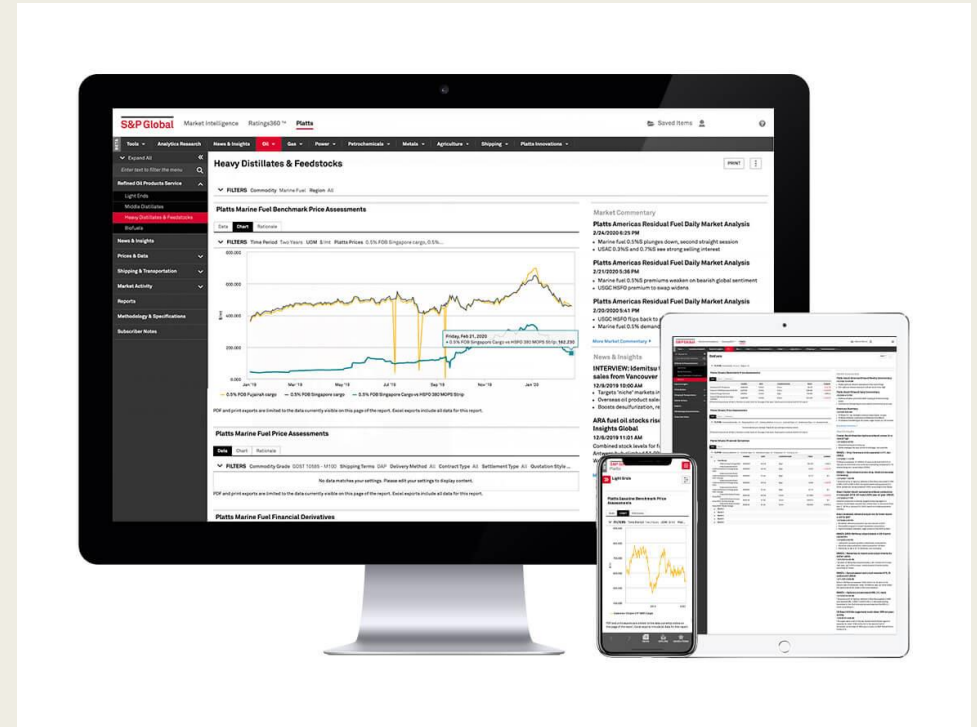
CAGR	5-year	3-year	1-year
Market Intelligence revenue	-1.66%	-8.83%	6.87%

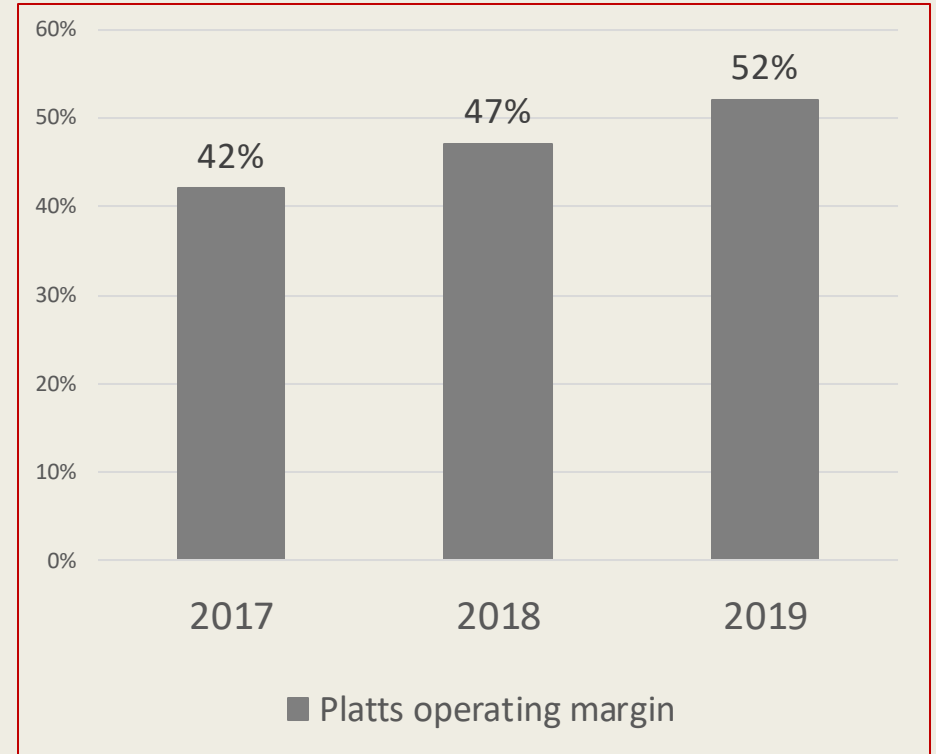
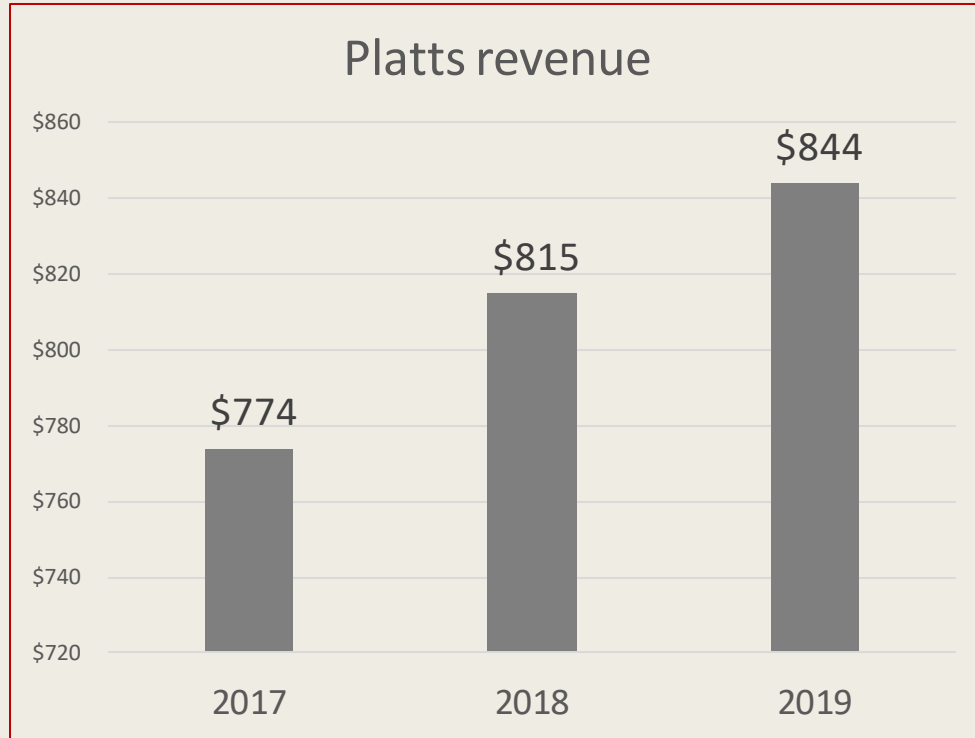
# Market Intelligence Operating Margin



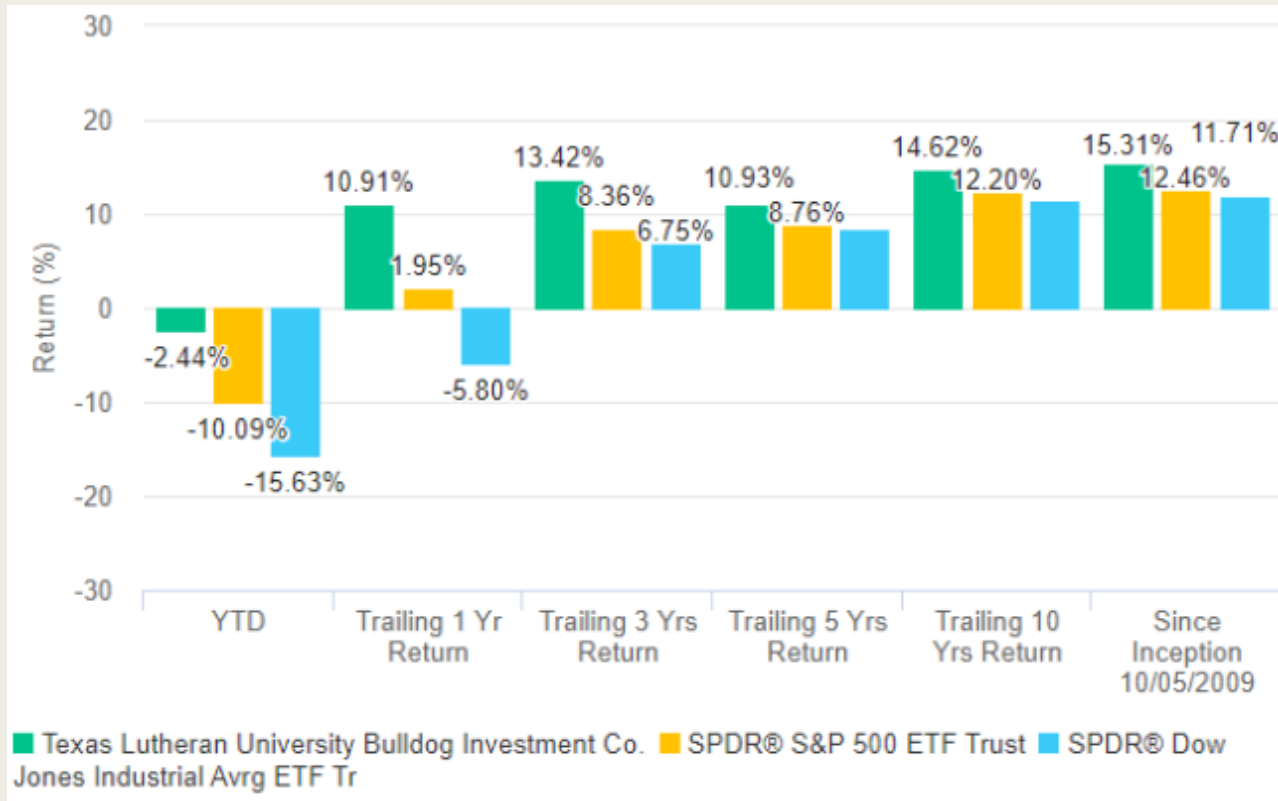
# S&P GLOBAL Platts

- Provides information and benchmark prices for the commodity and energy markets.
- Platts covers oil, natural gas, electric power, coal, shipping, petrochemicals, metals, and agriculture.
- Each day they publish news, commentary, fundamental market data and analytics, and thousands of daily price assessments that are used as benchmarks in the physical and futures markets.





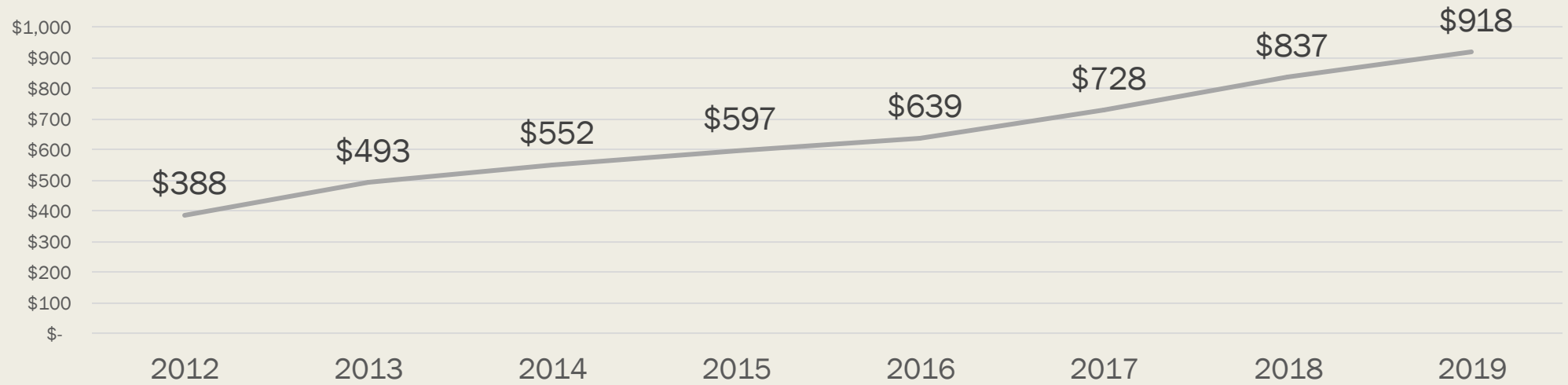
# S&P GLOBAL Indices



- The Indices segment benefits from valuable intangible assets and high switching costs.
- S&P possesses two of the most widely recognized equity benchmarks in the S&P 500 Index and the Dow Jones Industrial Average.
- Fund companies are at the mercy of benchmark providers.
- Investment managers use SP's benchmarks to create investment vehicles.
- SP charges 3 basis points on assets that are linked to its benchmarks.
- Since 2010, assets have grown from \$300 billion to more than \$1.7 trillion, a compounded annual growth rate exceeding 20%.

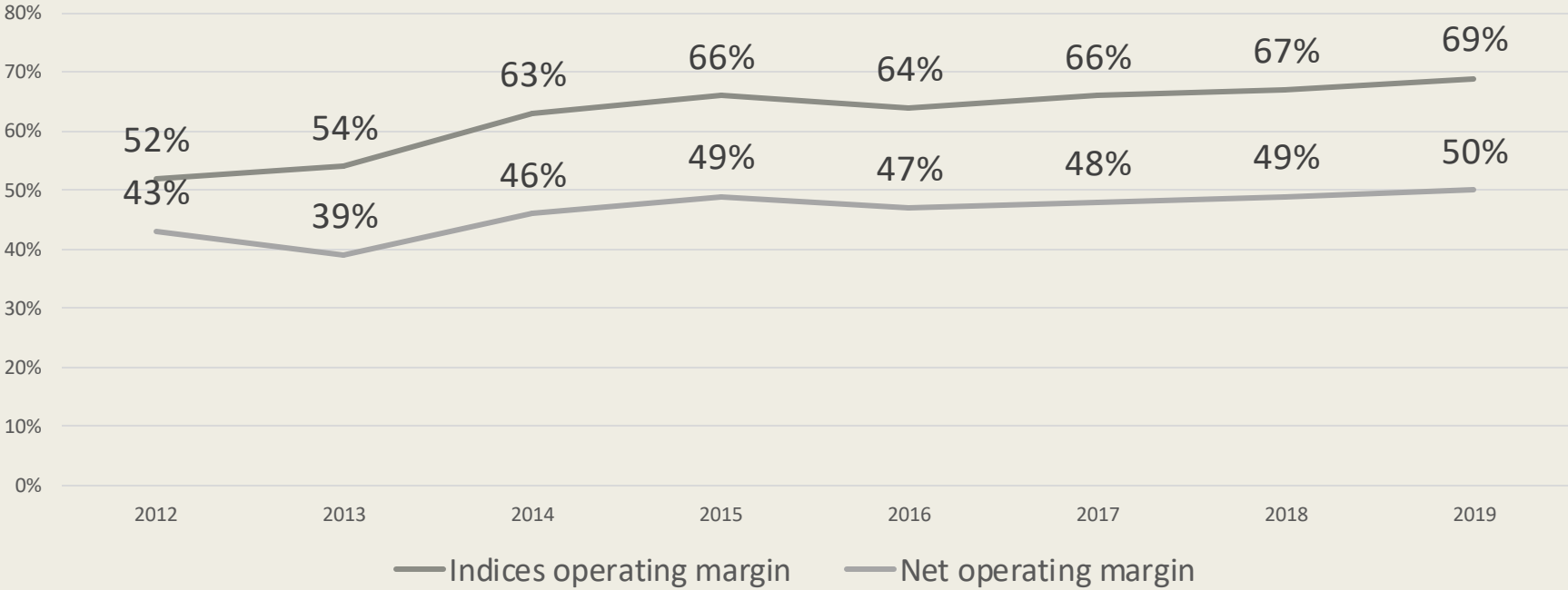


# Indices Revenue

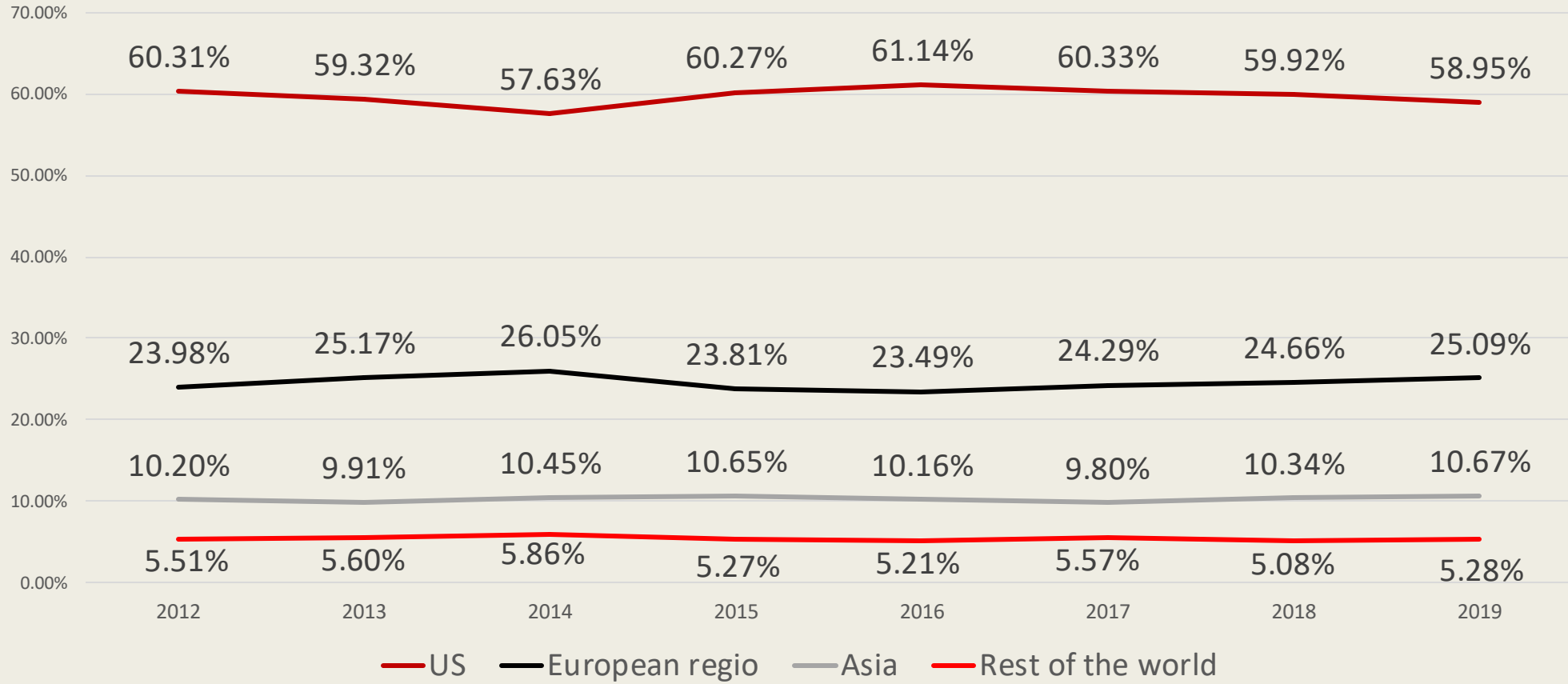


CAGR	7-year	5-year	1-year
Indices revenue	13.09%	10.71%	9.68%

# Indices Operating Margin



## Geographic Revenue





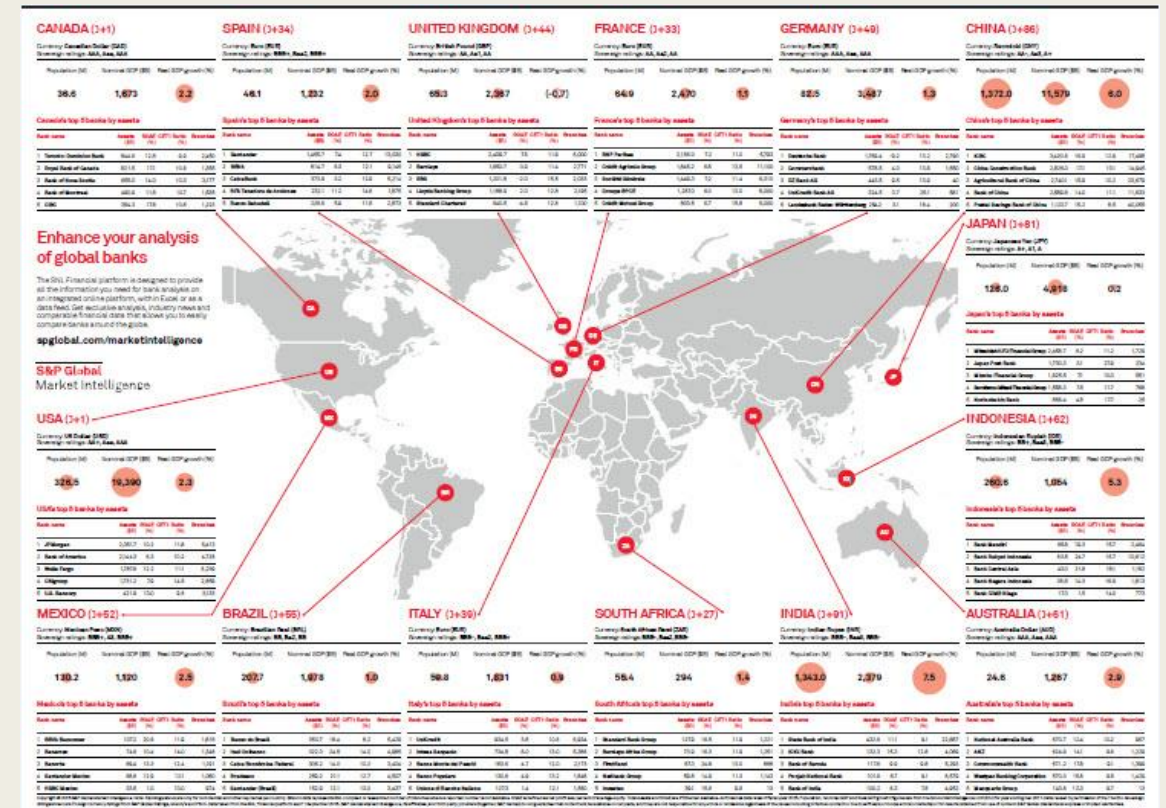
# Growth Opportunities

S&P GLOBAL

# Intelligence Platforms



- Platforms such as Market Intelligence and Platt become embedded in the lives of customers, creating switching costs
- Less exposed to overall macro environment, can be used throughout any stage of the economic cycle
- Demand for ESG ratings amongst creditors and investment firms increasing
  - Launched ESG Evaluation in 2019



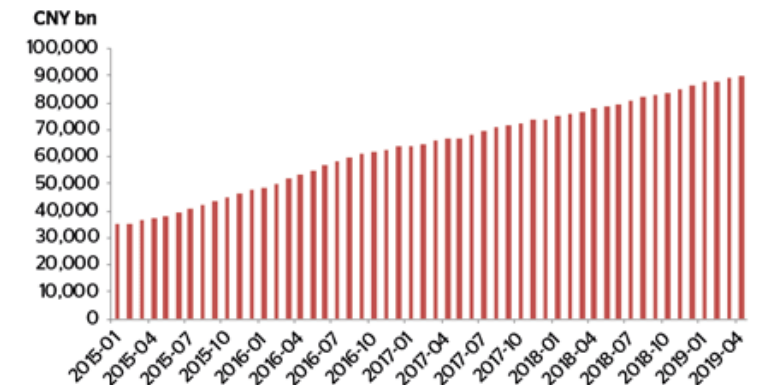
# China and Emerging Markets

- Fueling future growth by investment in Emerging Markets, especially China as it grows into one of the world's largest economies
  - 11% of revenues derived from Asia
- First-mover advantage in China vs competitors Moody's and MSCI
- Growth in bond markets and market infrastructure will lead to lots of reliance on companies like S&P

Emerging 7: the top emerging markets



Total CNY Bond Market Size



Sources: CICC FICC Research



S&P GLOBAL

# Risk Factors

# Quality and Reputation Risks

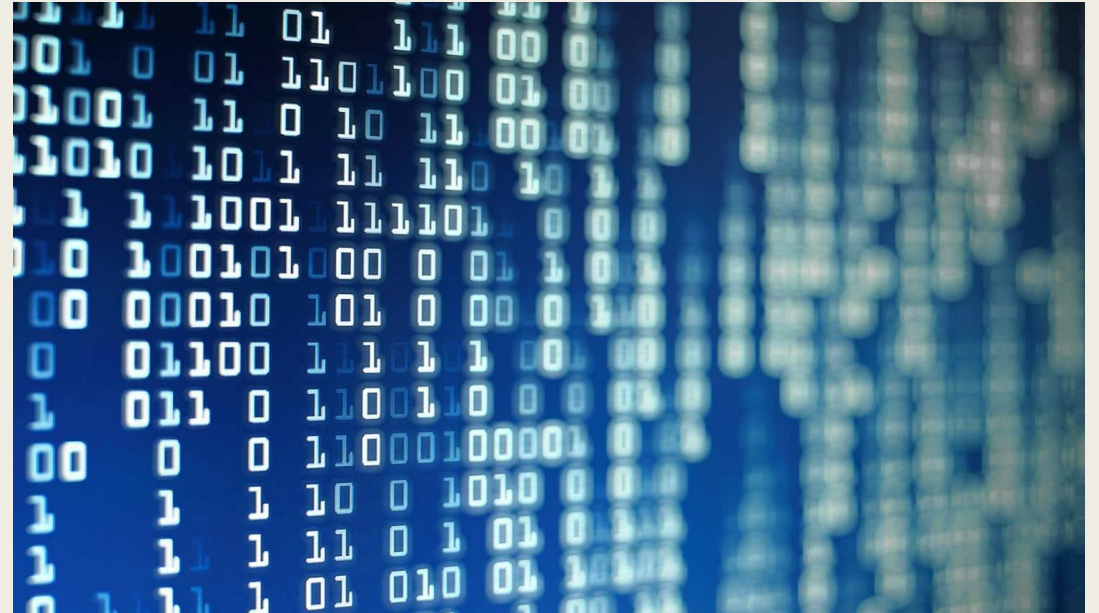
- In 2008-2009, rating agencies came under scrutiny for their handling of the ratings of subprime debt
- Despite the added scrutiny and compliance costs, it ultimately increased the barriers to entry; making it harder for new competitors to gain market share
- Increased regulatory scrutiny on ratings business which may reduce demand





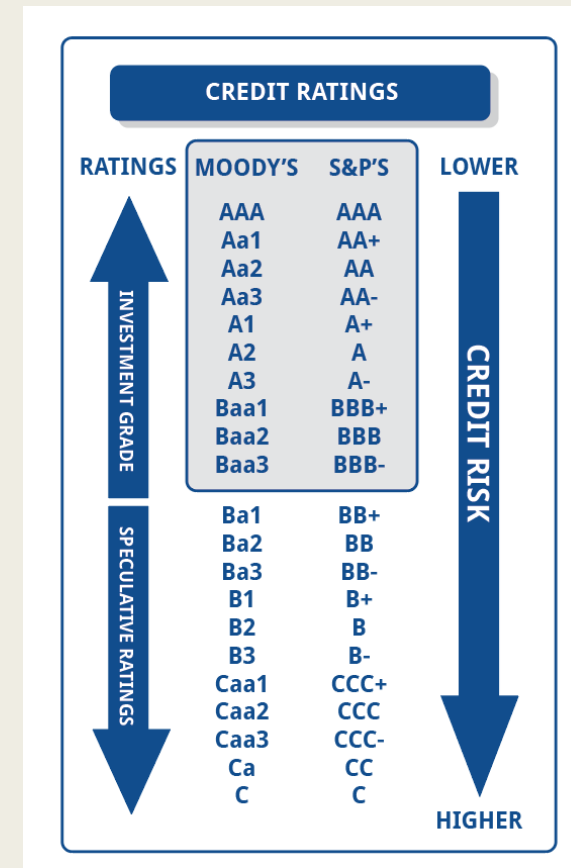
# Data Pricing Risk


- Early growth in Market Intelligence and Platts was driven in part by the low-cost flow of data from exchanges to S&P Global and similar companies
- Recently, exchanges are charging for the data to be compiled in databases like S&P's
- Increase in prices charged could significantly impair profitability



# Other Risks

- Cybersecurity risks
  - S&P Global handles sensitive and personal data
- Lower/higher volatility in financial markets
- Litigation risks (regulatory or competitive)
- Infrastructure risks
  - Ability to charge for information
  - Mistakes in ratings (2011 French downgrade)





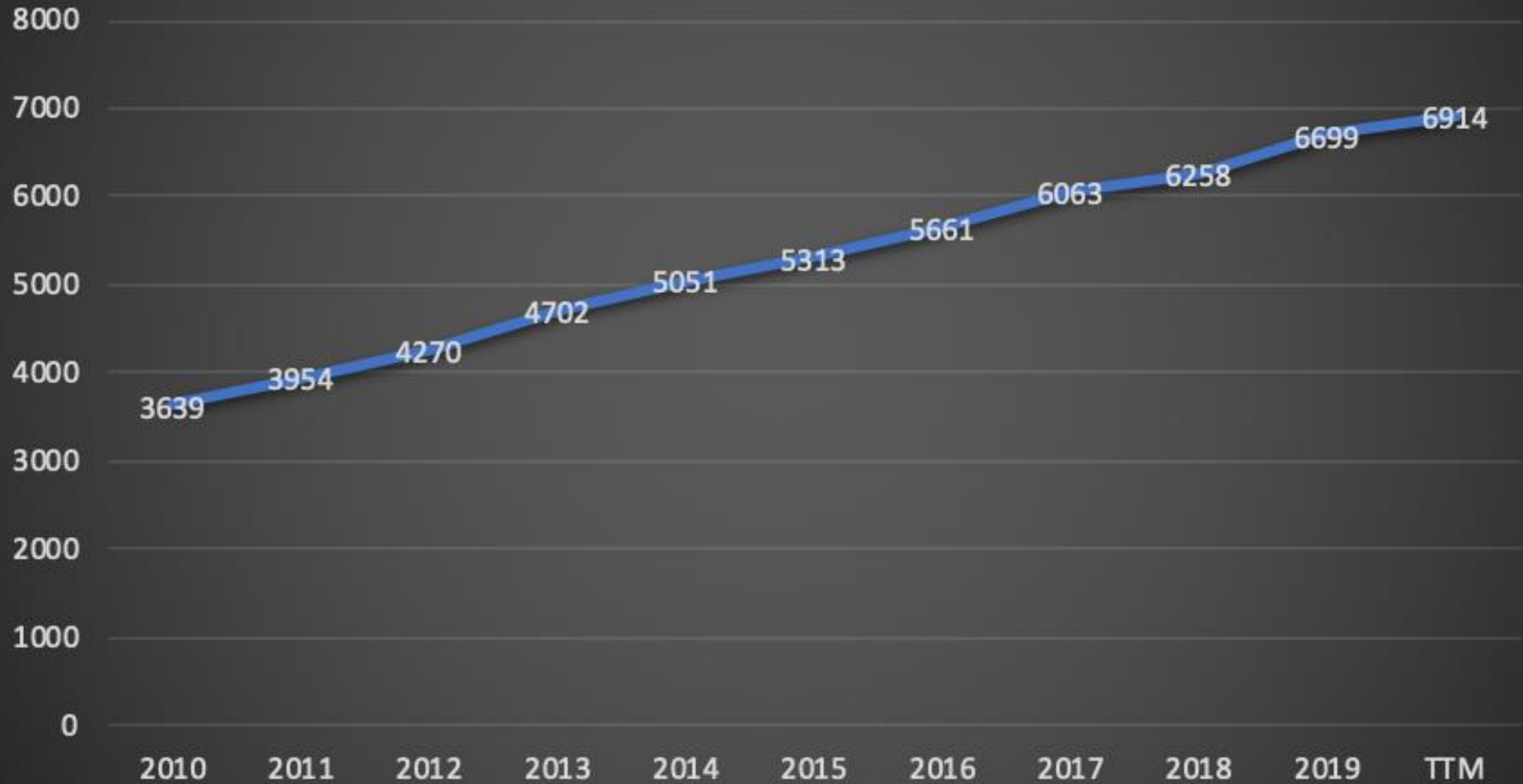
# Interpretation of Financial Statements

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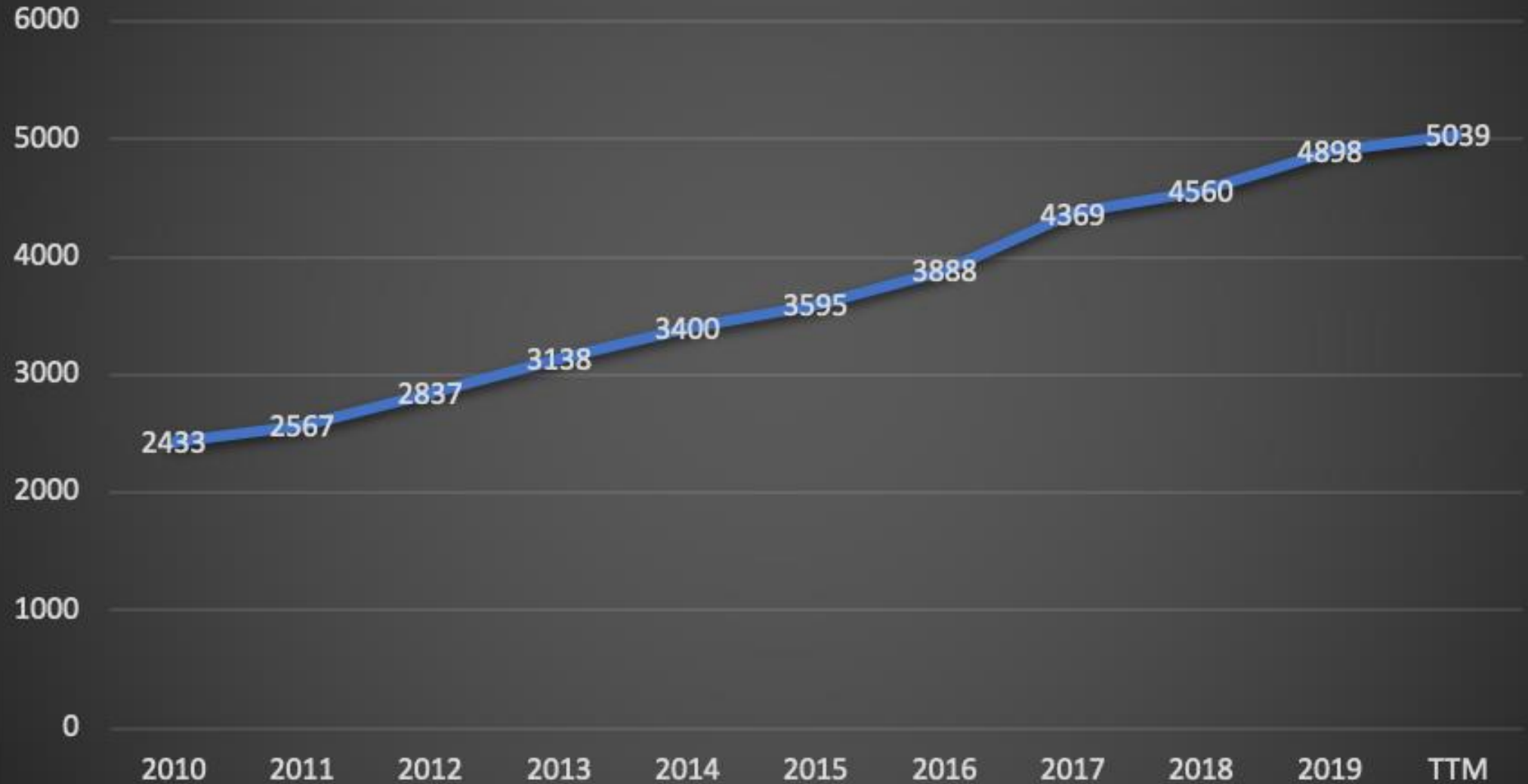
S&P GLOBAL



# SPGI REVENUE



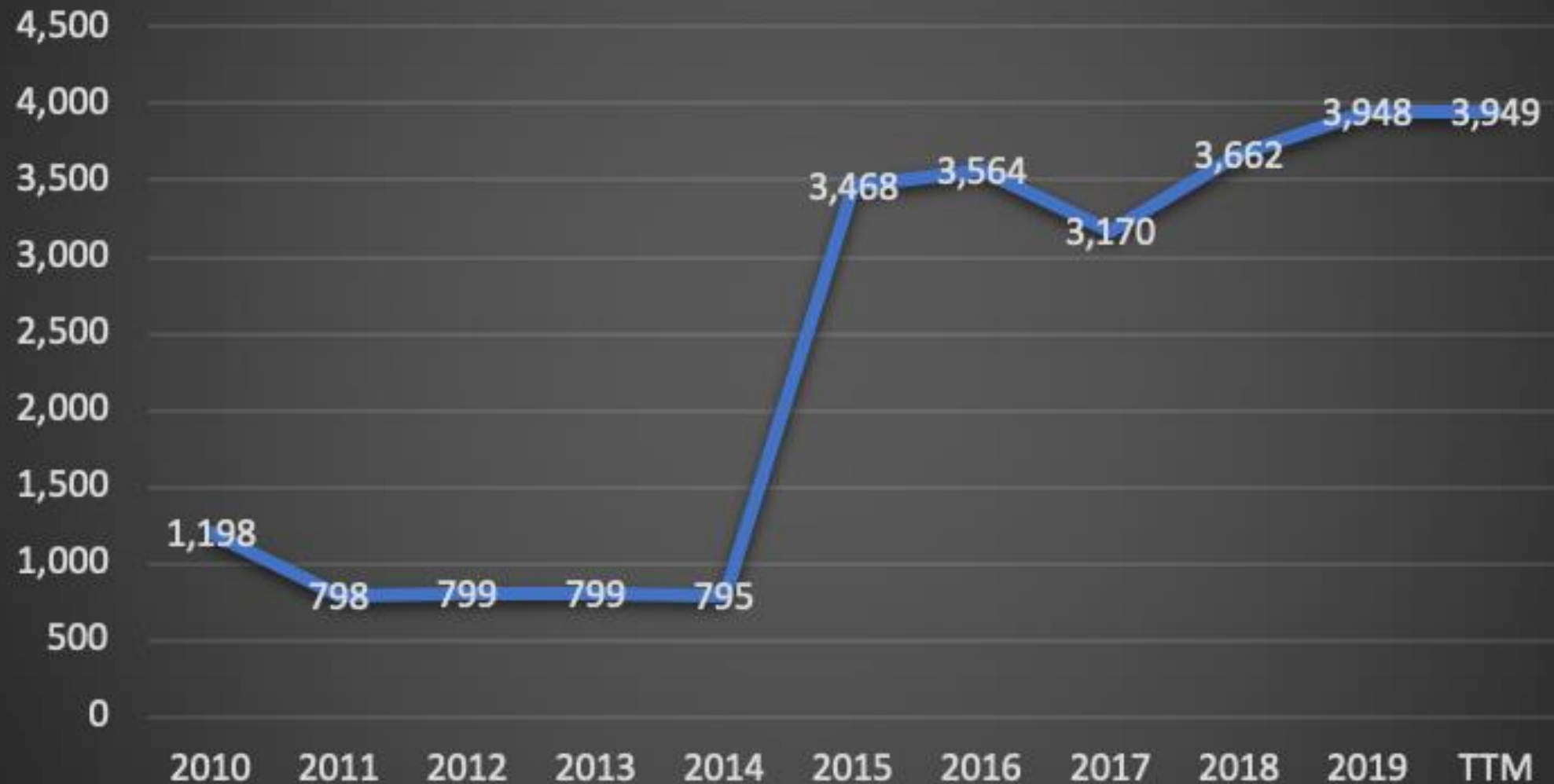
# NET INCOME



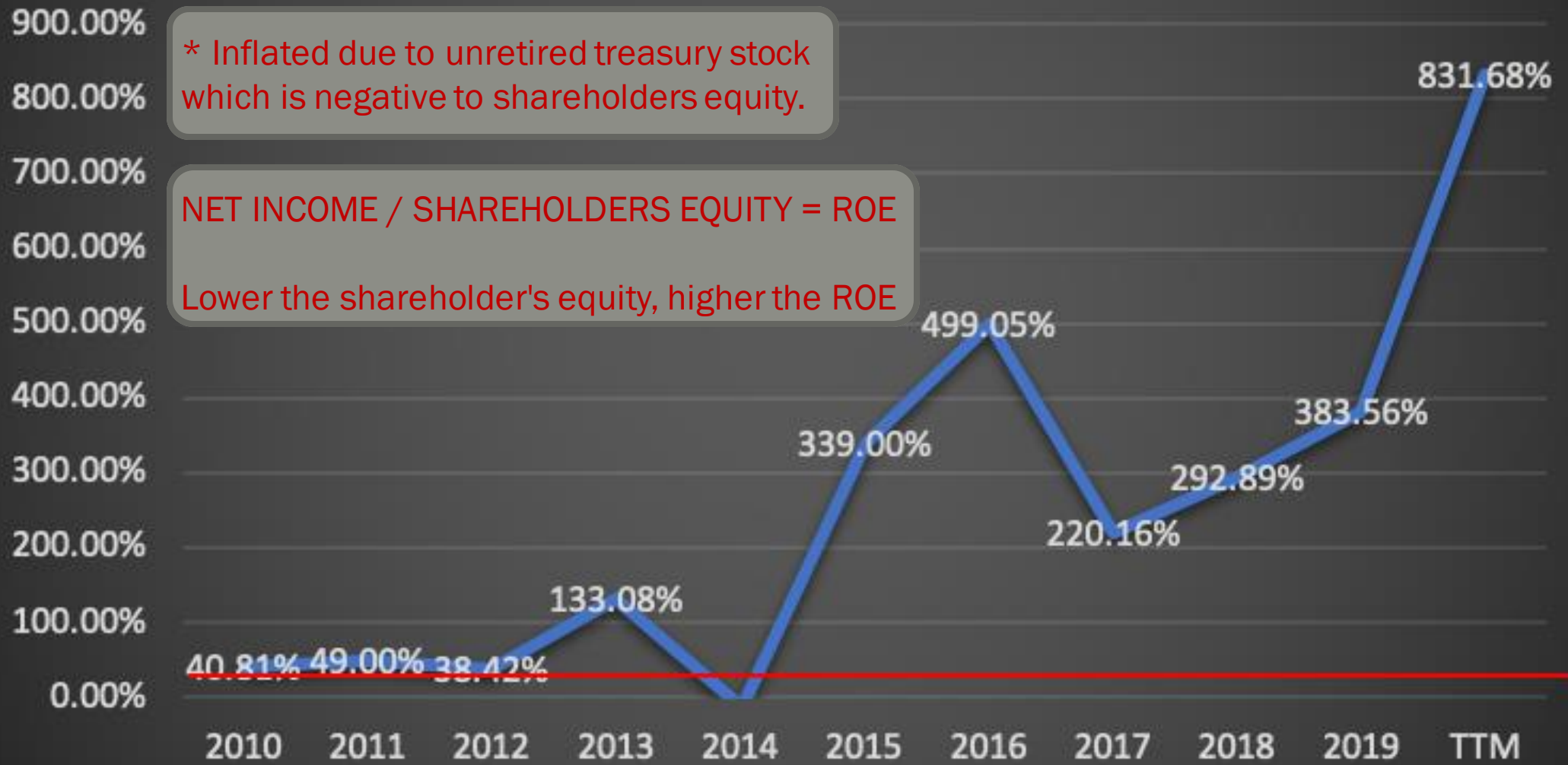
# NET PROFIT MARGIN



# LONG TERM DEBT



# ROE %





# ADJUSTED ROE

\* Added Treasury Stock back into the denominator to paint a clearer picture



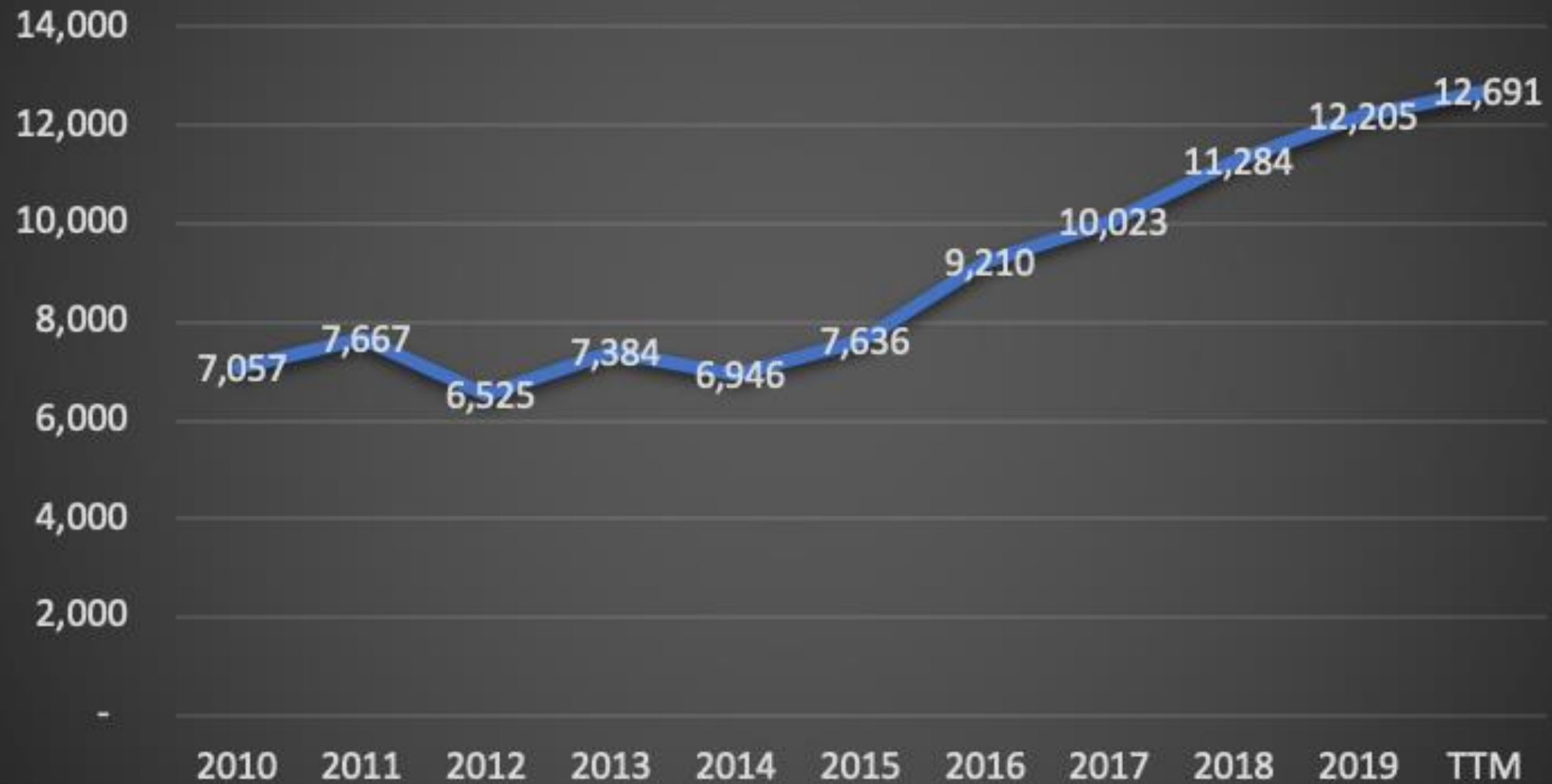
# ROIC %



# ROA %



# RETAINED EARNINGS



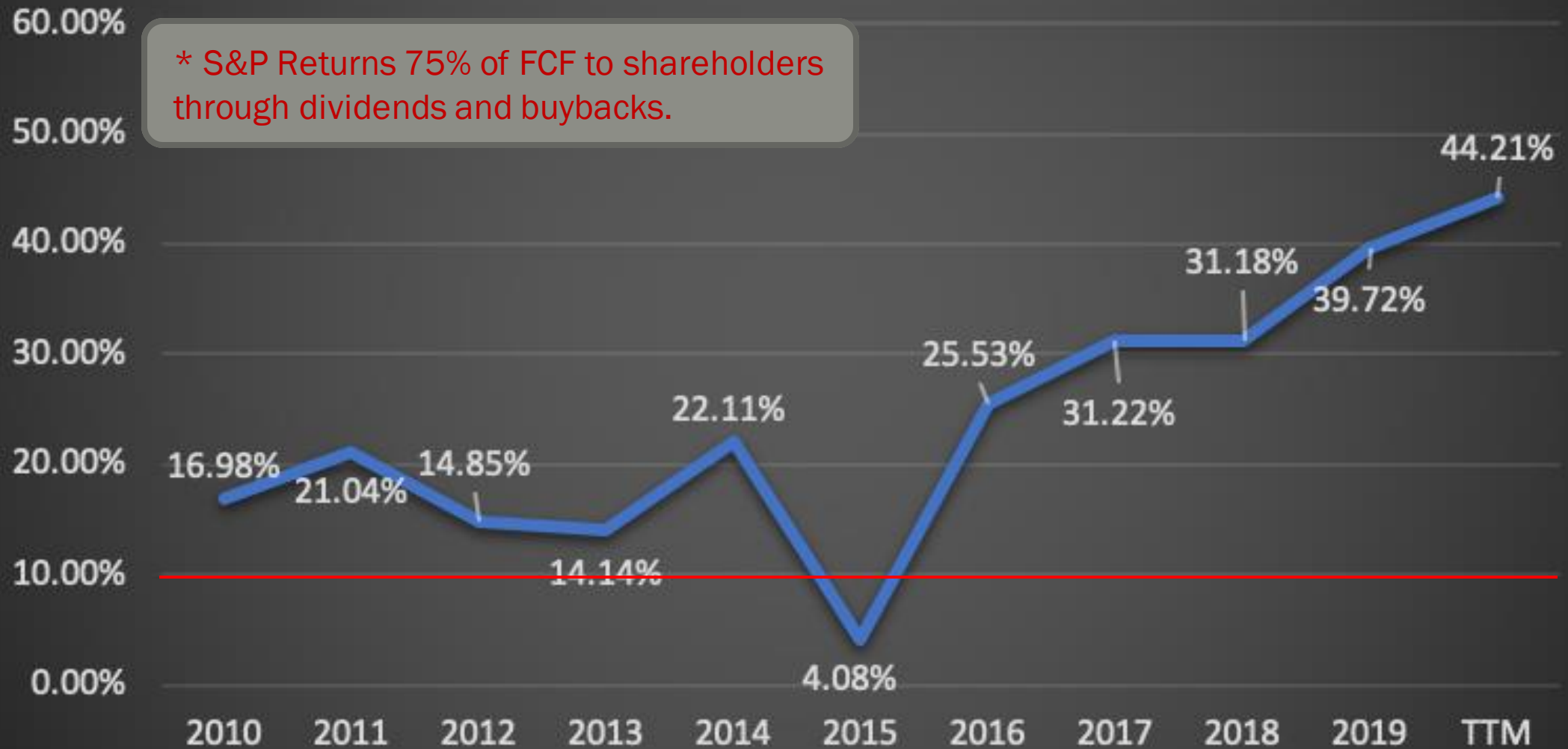
# OPERATING MARGIN



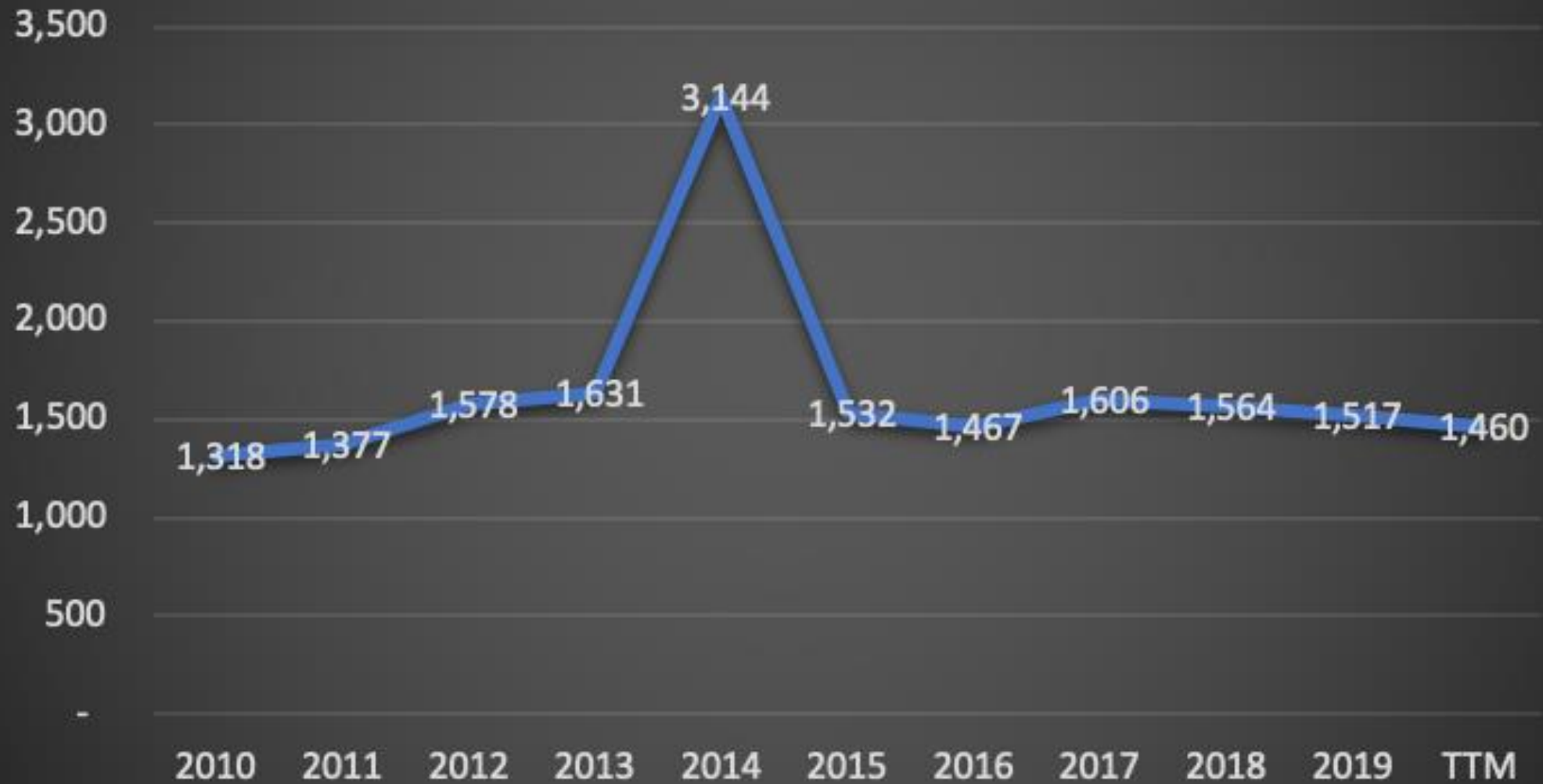
# GROSS MARGIN



# FCF MARGIN



# SGA EXPENSES





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# DEBT MATURITY ANALYSIS

# OBLIGATION RATIO

+ TOTAL DEBT	+ 3,948 mill
+ LEASES * 7	+ 133 mill * 7
+ PENSION SHORTFALL	+ 0
+ PREFERRED STOCK	+ 0
- CASH ASSETS	- 1,952 mill
<hr/>	
NET INCOME	2,540 mill

SPGI Obligation Ratio: 1.15 years

1.15 < 5 years

SPGI Passes the Threshold Strongly

CASH ASSETS AS OF MARCH 31, 2020:

**1,952 mill**

**S&P Global**

NET INCOME

2019: **2,123 mill**

2020 OUTLOOK: **2,352 mill**

YEAR	2020	2021	2022	2023	2024	THEREAFTER
AMOUNT DUE	0	0	0	0	0	3,900 mill

# Competitors

MSCI 

 **CME Group**  
A CME/Chicago Board of Trade Company

MOODY'S

FitchRatings

Company	S&P Global	Moody's	Fitch	MSCI	CME
Gross Profit Margin	73.12%	71.28%	NMF	81.07%	73.82%
Operating Margin	47.42%	42.97%	NMF	48.51%	53.16%
Net Margin	31.69%	29.45%	NMF	36.18%	43.48%
Adjusted ROE	37.10%	4.75%	NMF	NMF	8.00%
ROC	28.26%	20.87%	NMF	25.71%	7.00%
Revenue	\$ 6,699.00	\$ 4,829.00	0	\$ 1,557.80	\$ 4,868.00
Market Cap	\$ 66,624.20	\$ 45,487.76	\$ 2.27	\$ 21,869.73	\$ 71,751.78
Price to Earnings	31.79	32	NMF	39.18	33.96
Price to Sales	10.06	9.42	NMF	14.18	14.77
Free Cash Flow	\$ 2,661.00	1,606.00	0	\$ 655.75	\$ 2,427.20
\$= in millions					

# Valuations



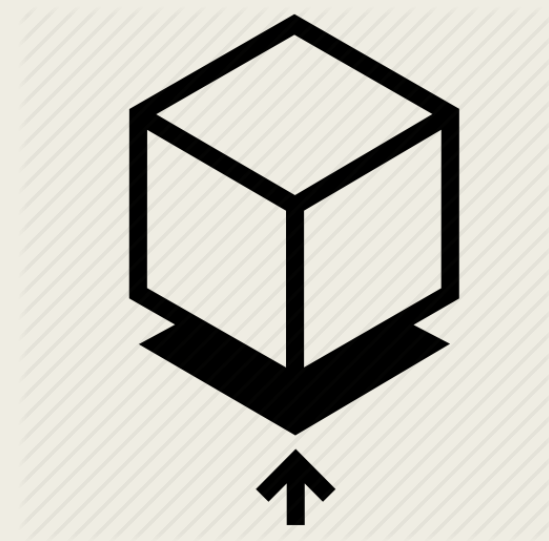
EPS	\$8.60
Growth Rate	6%
Years	10
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9%
Fair Value	\$124.71
Current Price	\$295.88
Margin of Safety	-137.25%

# *BEAR CASE*



EPS	\$8.60
Growth Rate	11%
Years	10
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9%
Fair Value	\$175.57
Current Price	\$295.88
Margin of Safety	-68.51%

# *BASE CASE*





EPS	\$8.60
Growth Rate	15%
Years	10
Terminal Growth Rate	4%
Years of Terminal Growth	10
Discount Rate	9%
Fair Value	\$231.4
Current Price	\$295.88
Margin of Safety	-27.85%

# ***BULL CASE***



## Reverse DCF

Growth Rate

18.56%

Current Price

\$295.88

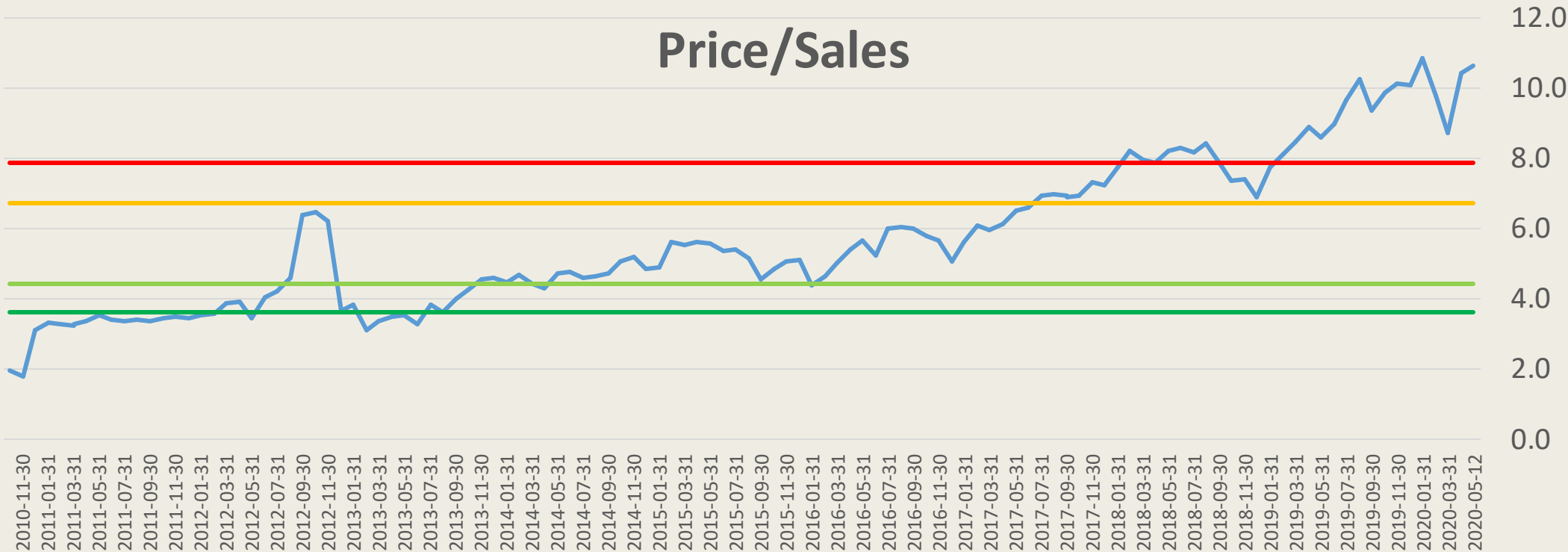
***REVERSE  
DCF***



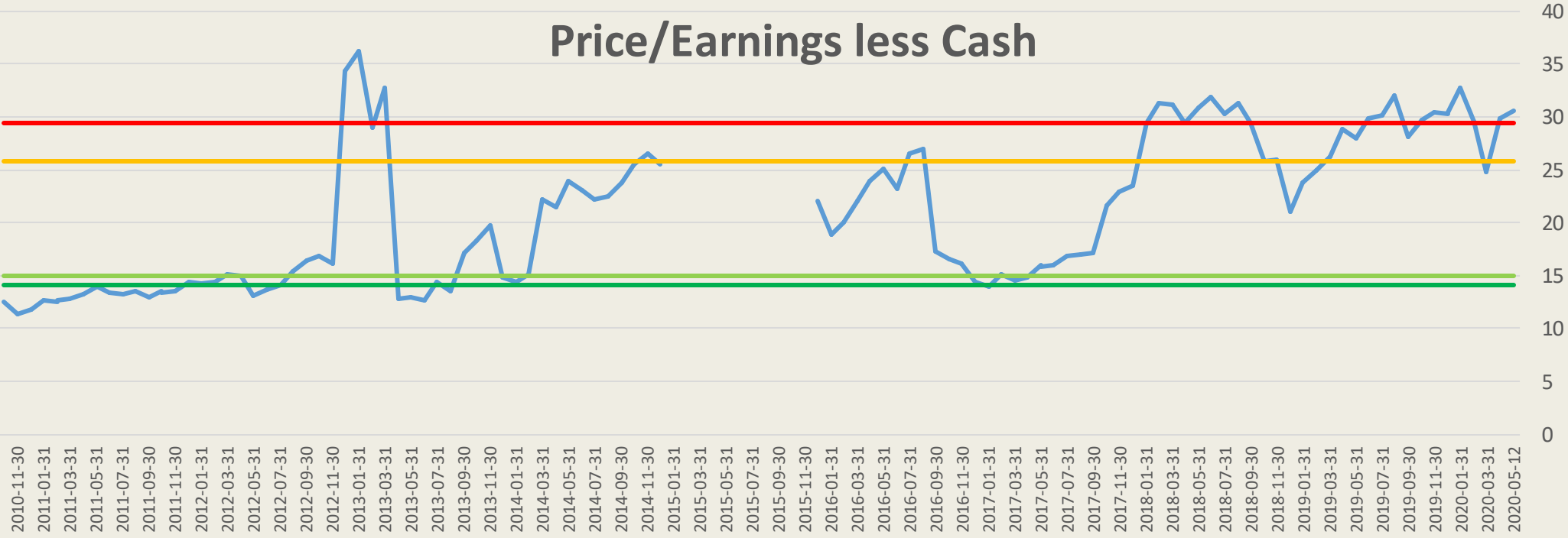
# PEG scenarios

	Bear Case (Pessimistic)	Base Case (Likely)	Bull Case (Optimistic)
Share Price	\$295.88		
Earnings Per Share (EPS; 2018)	\$8.60		
EPS Growth (in %)	6.00	11.00	15.00
PEG Ratio	5.73	3.13	2.29

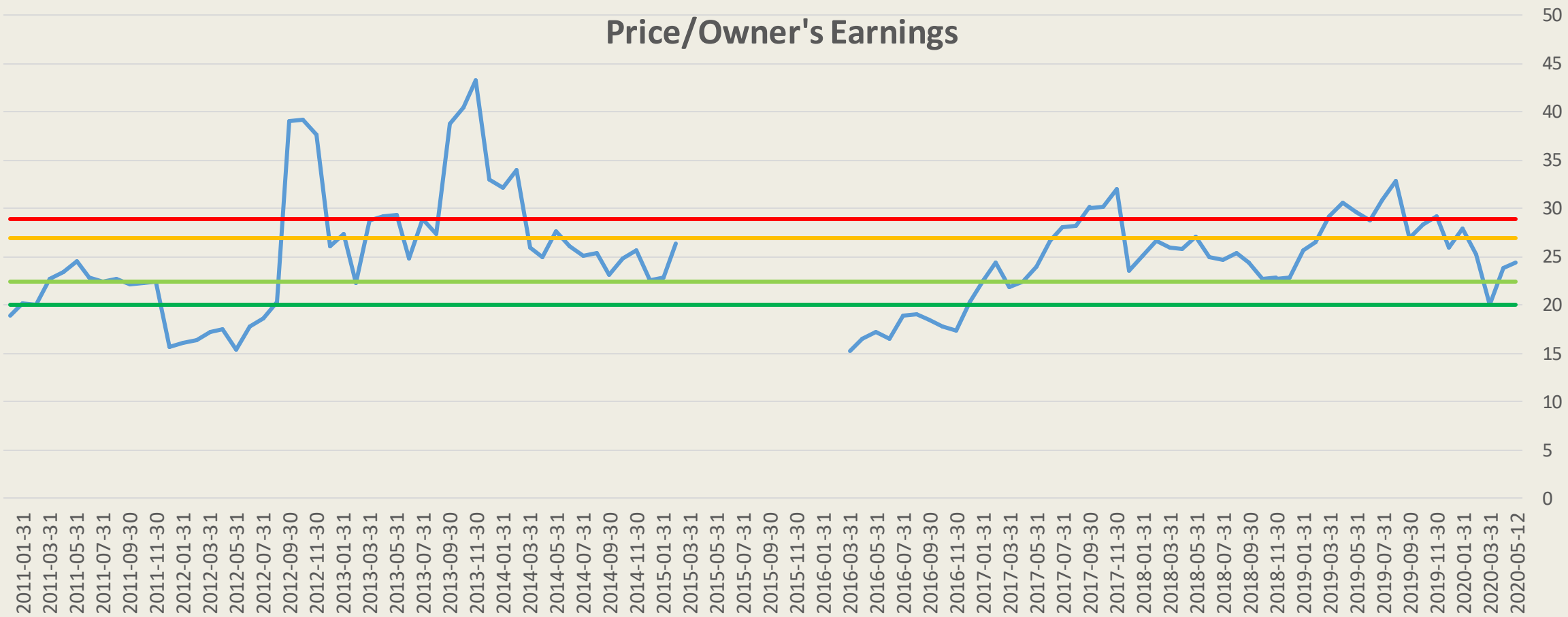
# Price/Sales



# Price/Earnings less Cash



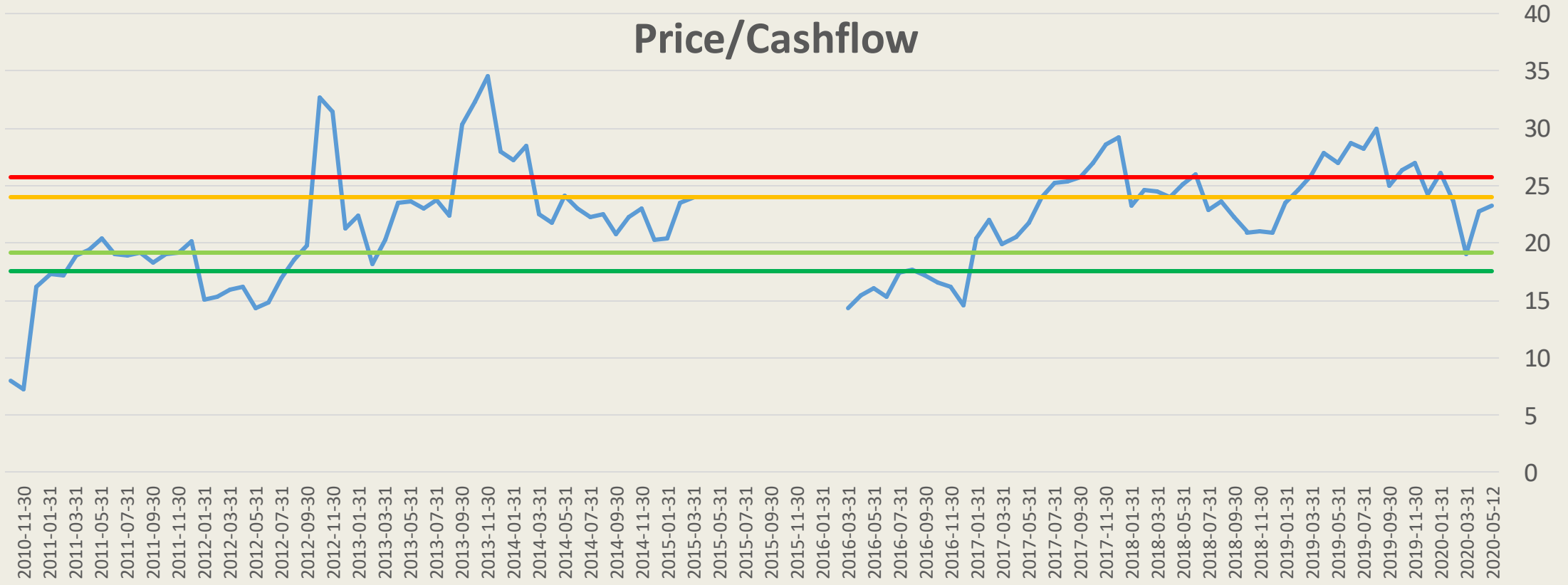
# Price/Owner's Earnings



# Price/Earnings

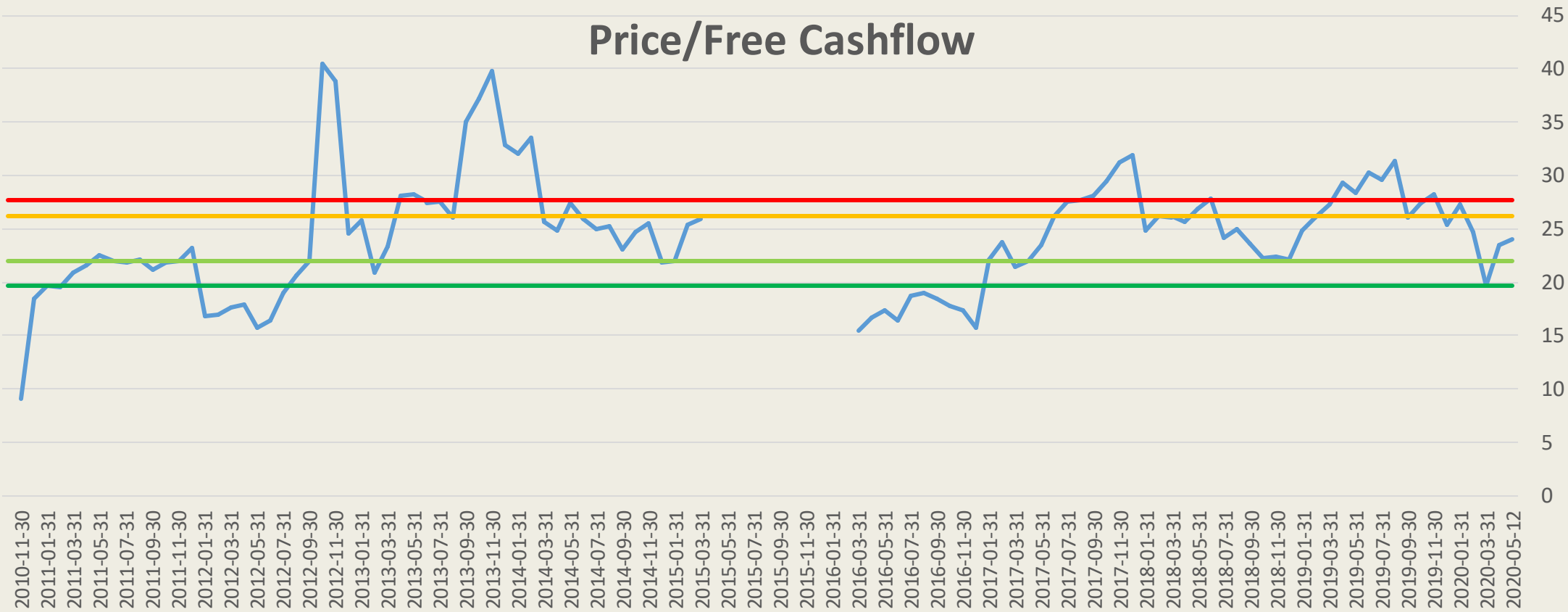


# Price/Cashflow

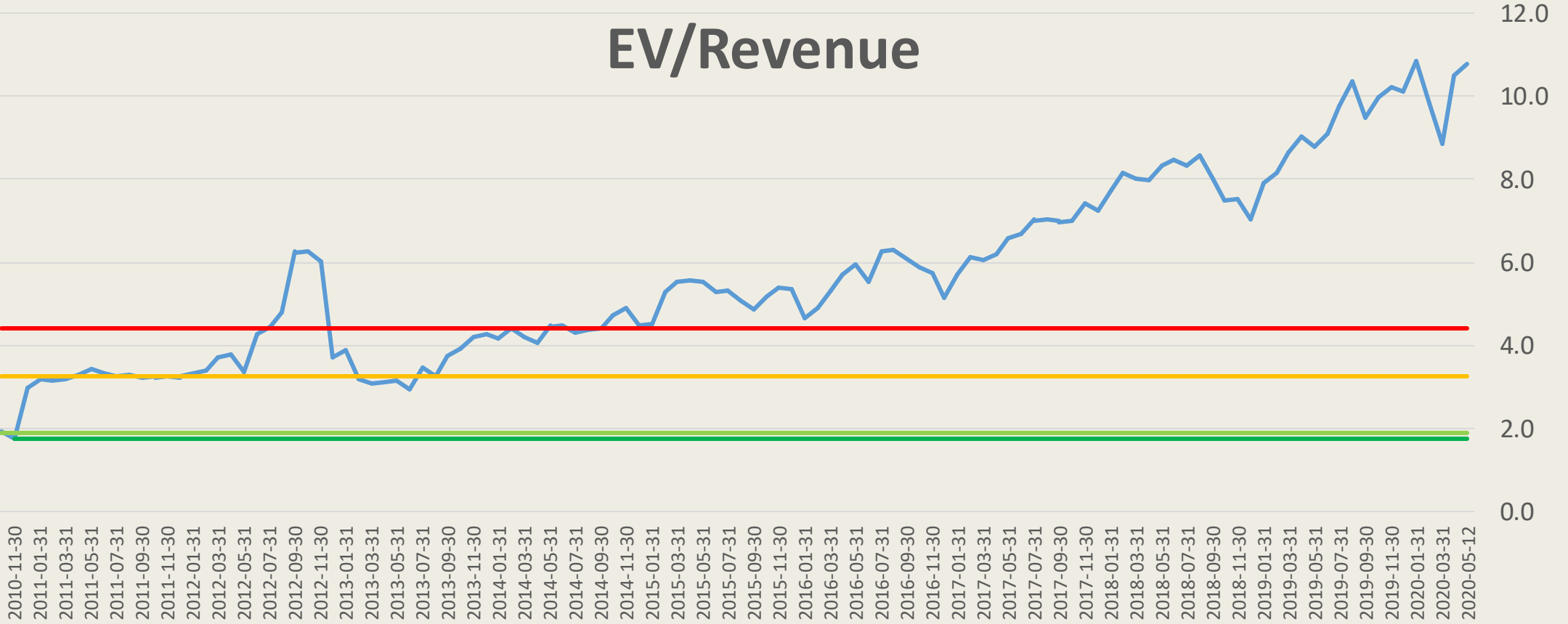


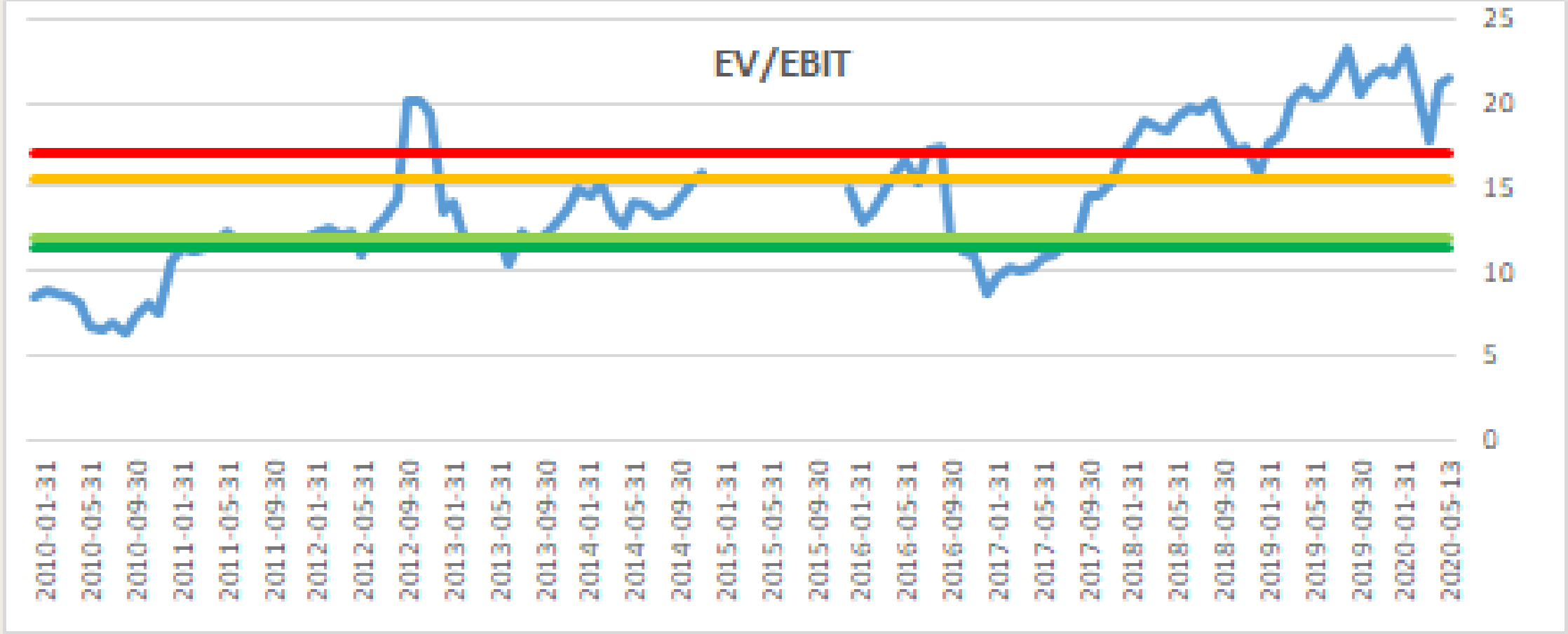


# Price/Free Cashflow

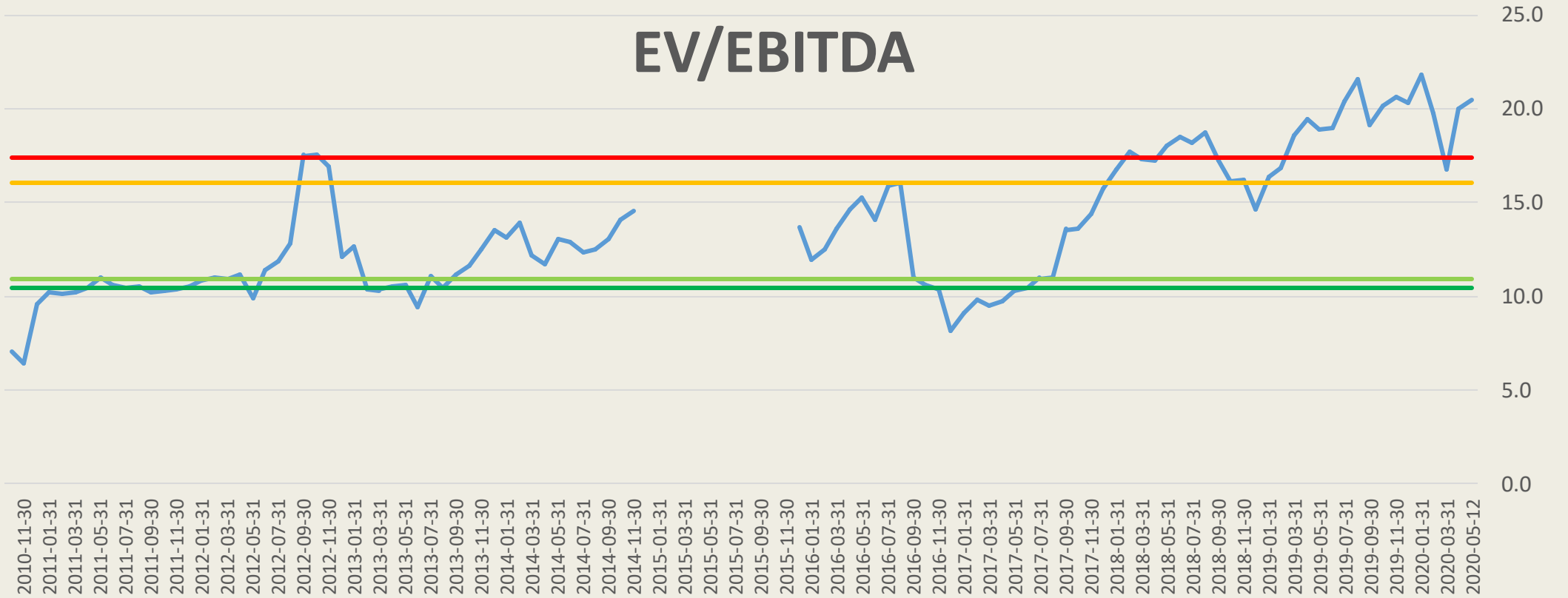


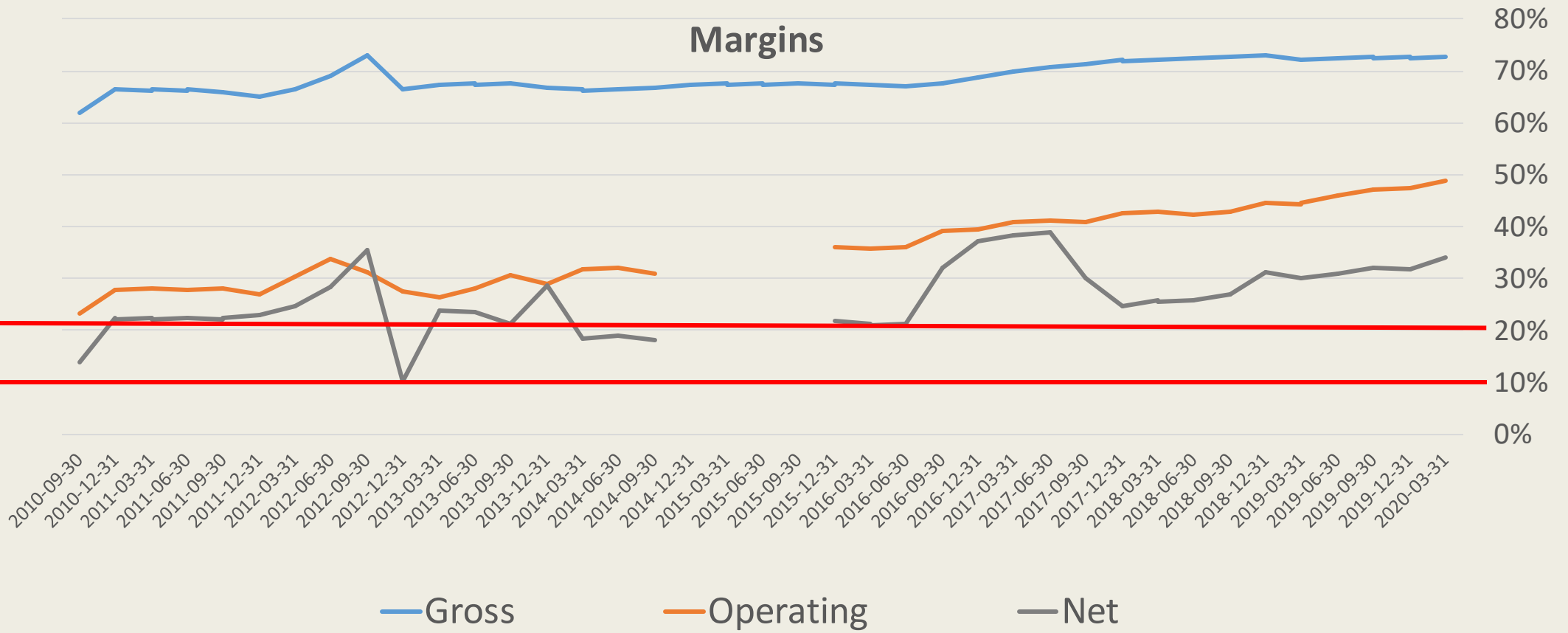
# EV/Revenue





# EV/EBITDA







# Conscious Investor



## 4 Year

	12/10	12/11	12/12	12/13	12/14	12/15	12/16	12/17	12/18	12/19	EPSttm	Years	HGROWTH	STAEGR <sup>®</sup>
<b>EPS (\$)</b>	2.650	3.000	1.510	4.910	3.880	4.210	7.940	5.780	7.730	8.600	\$9.570	4	5.49%	87.98%
<b>SPS (\$)</b>	20.052	22.630	15.950	17.989	18.570	19.974	21.857	23.870	25.133	27.455		4	7.69%	99.51%

## 6 Year

	12/10	12/11	12/12	12/13	12/14	12/15	12/16	12/17	12/18	12/19	EPSttm	Years	HGROWTH	STAEGR <sup>®</sup>
<b>EPS (\$)</b>	2.650	3.000	1.510	4.910	3.880	4.210	7.940	5.780	7.730	8.600	\$9.570	6	17.33%	85.95%
<b>SPS (\$)</b>	20.052	22.630	15.950	17.989	18.570	19.974	21.857	23.870	25.133	27.455		6	8.12%	99.54%

## 9 Year

	12/10	12/11	12/12	12/13	12/14	12/15	12/16	12/17	12/18	12/19	EPSttm	Years	HGROWTH	STAEGR <sup>®</sup>
<b>EPS (\$)</b>	2.650	3.000	1.510	4.910	3.880	4.210	7.940	5.780	7.730	8.600	\$9.570	9	17.50%	64.65%
<b>SPS (\$)</b>	20.052	22.630	15.950	17.989	18.570	19.974	21.857	23.870	25.133	27.455		9	5.23%	89.56%

# Safety Scenario

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Mode	Price	EPS	P/E Ratio	HGrowth	Payout	STRETD	Required Return	TARGD
Default	300.68	\$9.570	25.60	42.53%	25.2%	38.16%	10.00%	939.70
Safety	300.68	\$9.570	22.16	8.28%	0.0%	0.98%	10.00%	196.00



# Kill It Scenario

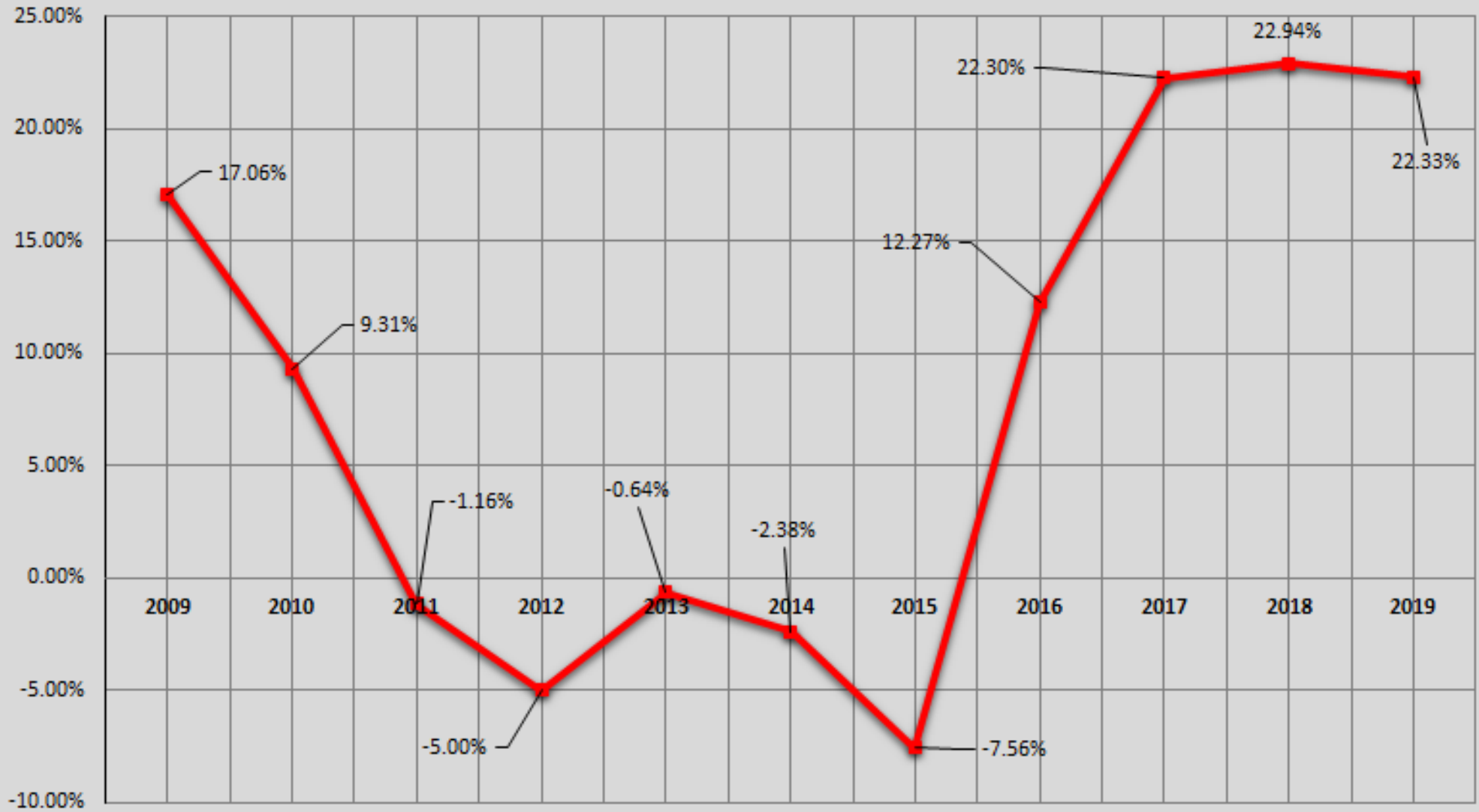
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Mode	Price	EPS	P/E Ratio	HGrowth	Payout	STRETD	Required Return	TARGD
Default	300.68	\$9.570	25.60	42.53%	25.2%	38.16%	10.00%	939.70
Kill It	300.68	\$9.570	22.00	7.39%	0.0%	0.0%	10.00%	186.72

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**Yacktman Forward ROR**

## Yacktman Forward ROR





# Recommendation

## Sell Put

Expiration Date: November 20, 2020

Strike Price: \$210

Percentage of Portfolio: 3%

Premium Limit: \$7

Lowers Cost Average To: \$203