MSCI THIRD QUARTER 2017

Earnings Presentation

November 2, 2017

FORWARD – LOOKING STATEMENTS

- **Forward-Looking Statements – Safe Harbor Statements**
  - This earnings presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including without limitation, our full-year 2017 guidance. These forward-looking statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these statements. In some cases, you can identify forward-looking statements by the use of words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or “continue,” or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond our control and that could materially affect our actual results, levels of activity, performance or achievements.
  - Other factors that could materially affect actual results, levels of activity, performance or achievements can be found in MSCI’s Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission (“SEC”) on February 24, 2017 and in quarterly reports on Form 10-Q and current reports on Form 8-K filed or furnished with the SEC. If any of these risks or uncertainties materialize, or if our underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI projected. Any forward-looking statement in this earnings presentation reflects MSCI’s current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to MSCI’s operations, results of operations, growth strategy and liquidity. MSCI assumes no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise, except as required by law.

OTHER INFORMATION

- Percentage changes and totals in this earnings presentation may not sum due to rounding.
- Percentage changes refer to the comparable period in 2016, unless otherwise noted.
- YTD 2016 and YTD 2017 refer to nine months ended September 30, 2016 and nine months ended September 30, 2017, respectively.
- Gross sales include both recurring subscription and non-recurring sales as reported in Table 6: Sales and Aggregate Retention Rate by Segment (unaudited) of the press release reporting MSCI's financial results for third quarter 2017.
- Foreign currency exchange rate fluctuations are calculated to be the difference between the current period results as reported compared to the current period results recalculated using the foreign currency exchange rates in effect for the comparable prior period. We do not provide the impact of foreign currency fluctuations on our asset-based fees tied to average AUM, of which approximately two-thirds are invested in securities denominated in currencies other than the U.S. dollar, and accordingly, any such impact is excluded from the disclosed foreign currency adjusted variances.
- On August 1, 2016, MSCI closed the sale of its Real Estate occupiers benchmarking business. Unless indicated otherwise, reported financial results and operating metrics have not been updated to exclude the results of this business.
- Based on accounting guidance, all stock-based compensation excess tax benefits and tax shortfalls are recognized in the provision for income taxes in the statement of income as discrete items, beginning in first quarter 2017 on a prospective basis. Previously, these discrete amounts were recorded in additional paid in capital on the statement of financial condition.
- Beginning in first quarter 2017, adjusted EPS does not include an adjustment for amortization expense associated with capitalized software development costs. For periods prior to first quarter 2017, the amortization associated with capitalized software development was included as an adjustment to adjusted net income and adjusted EPS as it was not material.

Q3'17 – CONTINUED STRONG EXECUTION[1]

REVENUE GROWTH	**Growth in Operating Revenues**	+11.7%
OPERATIONAL EFFICIENCY	**Increase in Operating Expenses / Adj. EBITDA Expenses**	+5.0% / +5.8%
	Growth in Operating Income / Adj. EBITDA	+20.6% / +17.6%
	Operating Margin / Adj. EBITDA Margin Improvement	+350 bps / +260 bps
	Lower Effective Tax Rate	(360 bps)
CAPITAL OPTIMIZATION	**Lower Diluted Share Count**	(3.8%)
	Decreased Leverage[2]	(0.5x)
	Growth in Diluted EPS / Adj. EPS	+36.8% / +29.9%

Building Shareholder Value

MSCI

[1]Percentage and other changes refer to third quarter 2016 unless otherwise noted.

[2]Leverage = Total Debt / Trailing Twelve Months Adjusted EBITDA.

POWER OF THE INTEGRATED FRANCHISE

Integration Within:

Integration Within	
Clients	**Client Investment Opportunities and Challenges**
Content	**Research and Product Development**
	Models / Methodologies
	Derived Data / **Algorithms**
Applications & Services	**Content-Enabling Applications / Services**
	Better / More Efficient Client Investment Decisions

MSCI

Integrated Franchise Helping to Deliver Strong Financial Performance

MSCI POSITIONING – MEETING THE NEEDS OF A CHANGING MARKET

	Market Trend	MSCI Strategy
Content	Larger asset managers with capabilities across asset classes, markets and strategies Focus on lower cost and outcome oriented strategies	Broad and **innovative content** required to develop a relevant, global and **sustainable** investment strategy by client
Applications	Technology increasingly providing efficiency and differentiation	Innovative and **flexible technology** platform that scales for MSCI and clients
Services	Outsourcing of non-core functions and fewer external vendors	Outstanding **service offerings**

MSCI

MSCI Strategy Well Positioned to Address Changing Market

RESEARCH & CONTENT DEVELOPMENT

What Our Clients Need Help With…

Equity Portfolios

- Active Management – Portfolio Benchmarking
- Passive Management – Replicable Indexes
- Portfolio Construction Tools
- Risk Attribution
- Sustainable Investing (ESG)

Indexes
(Market Cap, Factor & ESG)
Fundamental / Historical Data

Fixed Income / Alternative Portfolios

- Fixed Income Risk Analytics
- Hedge Fund Risk Transparency
- Real Estate Performance Attribution
- Private Equity Risk

Position Level Risk Models
Exposure / Risk Reporting
Indexes & Market Information
Performance Attribution

Multi-Asset Class Portfolios

- Performance Attribution
- Risk Measurement and Analytics
- Asset Allocation Tools

Single-Security Analytics
Pre-Payment Models
Risk Models

…And the Content that Addresses Their Problems

Factor Models in Single / Multi-Asset Class(es)
Stress-Testing, Scenario and Value-at-Risk Models
Performance Attribution Models Across Asset Classes
Environmental, Social and Governance Research and Ratings

MSCI

World-Class Research & Content Development

RESEARCH & CONTENT DEVELOPMENT – CLIENT CASE STUDIES

Client Case Studies	Client Challenges	Research / Content Driven Solution

#1: Large Asset Owner	Client wants to develop a defensive equity allocation strategy within overall global equity allocation	• Develop a custom multi-factor index to meet client's specifications
		• Employ various MSCI capabilities including:
		  ◦ Factor Indexes
		  ◦ Optimization library
		  ◦ Equity risk model
		  ◦ ESG ratings

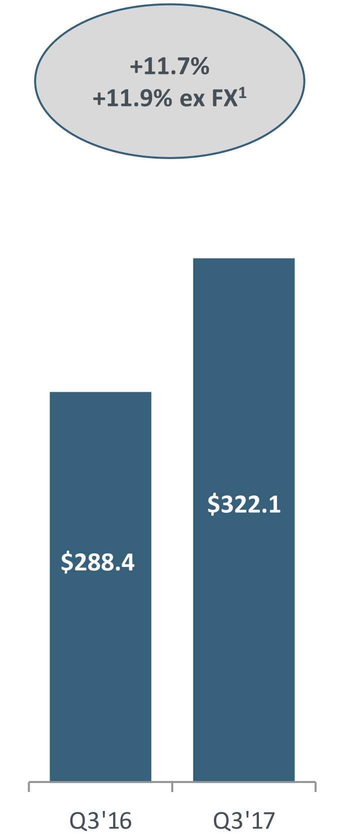
#2: Large Asset Manager	Client wants a tool for fixed income portfolio construction, performance attribution, and risk management across multiple locations globally	• Develop an offering to meet client requirements:
		  ◦ Model client portfolios with comprehensive and accurate pricing models and curves
		  ◦ Construct portfolios using a fixed income factor model
		  ◦ Calculate performance and risk attribution using a consistent methodology

#3: Large Asset Manager	Client wants to incorporate ESG ratings and data into its investment process, including across its equity and fixed income investment teams	• MSCI ESG content used by client to guide company evaluations of ESG risks and opportunities • Client selected MSCI as key partner for ESG integration • Client is also launching specific ESG products

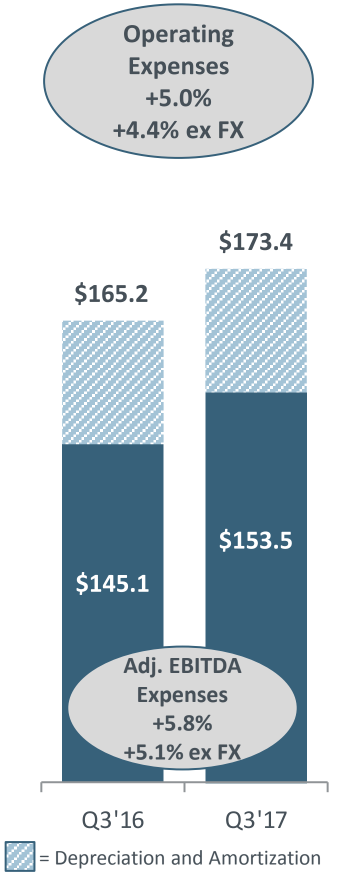
Q3'17 FINANCIAL SUMMARY

(US$ in millions, except for EPS)

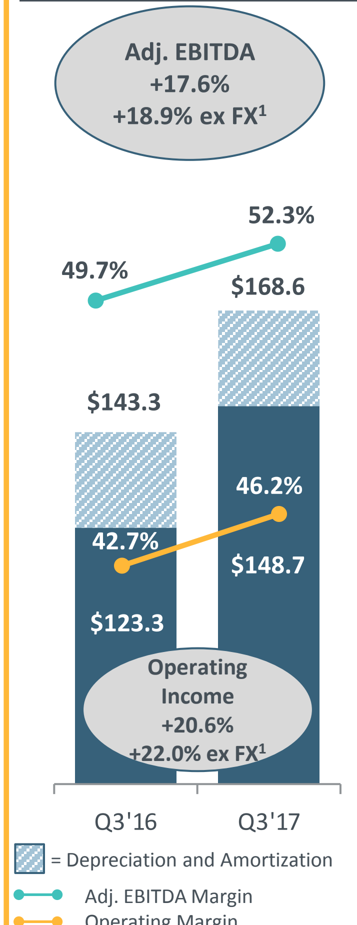
Operating Revenue



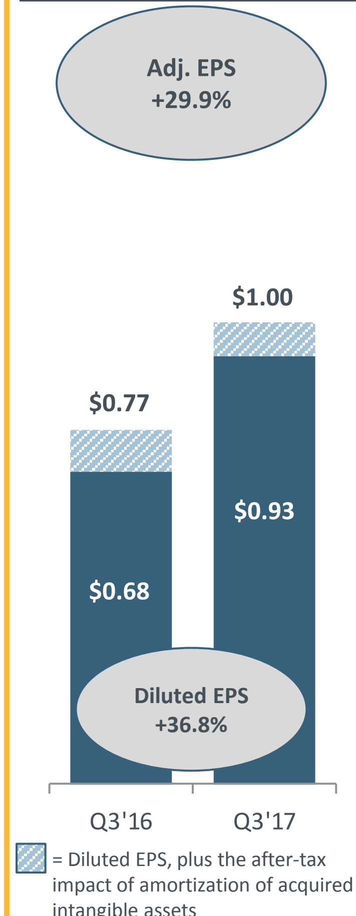
Operating Expenses



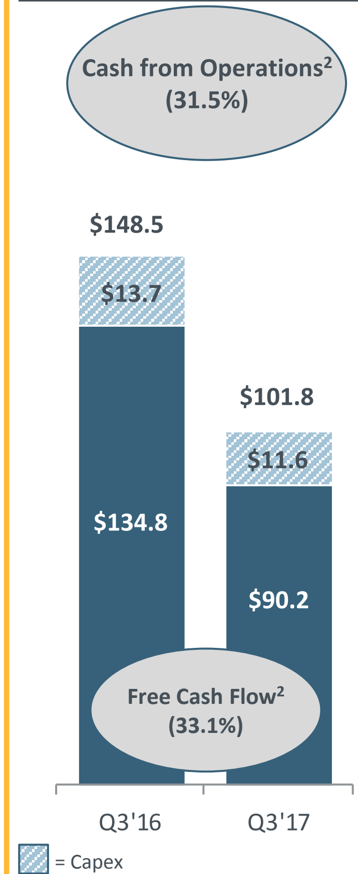
Operating Income



Earnings Per Share



Cash Generation



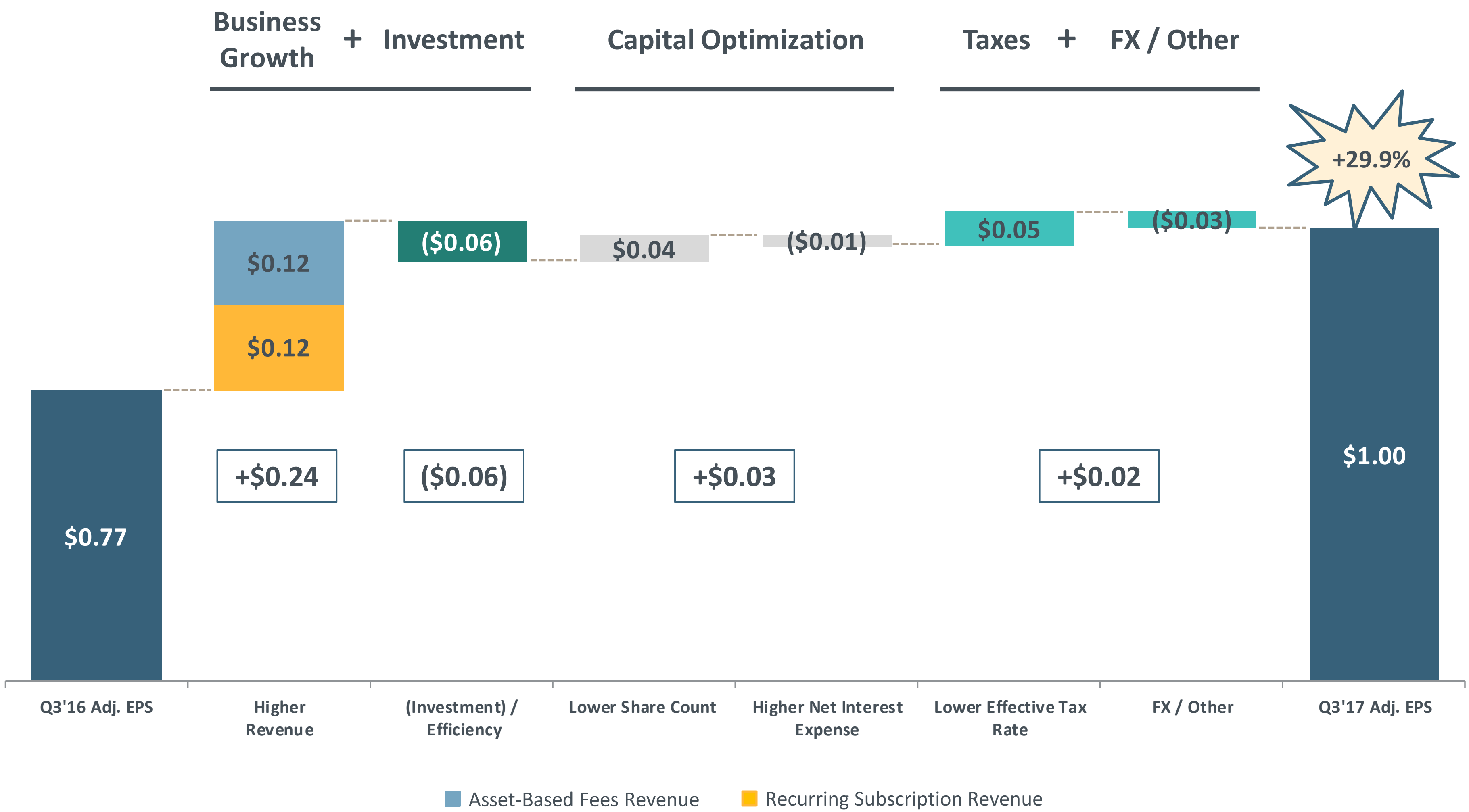
Strong Financial Performance Across Key Metrics

MSCI

[1]MSCI does not provide the impact of foreign currency fluctuations on our asset-based fees tied to average AUM, of which approximately two-thirds are invested in securities denominated in currencies other than the U.S. dollar, and accordingly, the impact of any such fluctuation is excluded from the disclosed foreign currency adjusted variances.

[2]Cash provided by operations and free cash flows for Q3'17 were both lower than the prior period primarily as a result of higher income taxes payments, including the impact of refunds received in Q3'16, and higher interest payments.

Q3’17 VS. Q3’16 ADJUSTED EPS BRIDGE



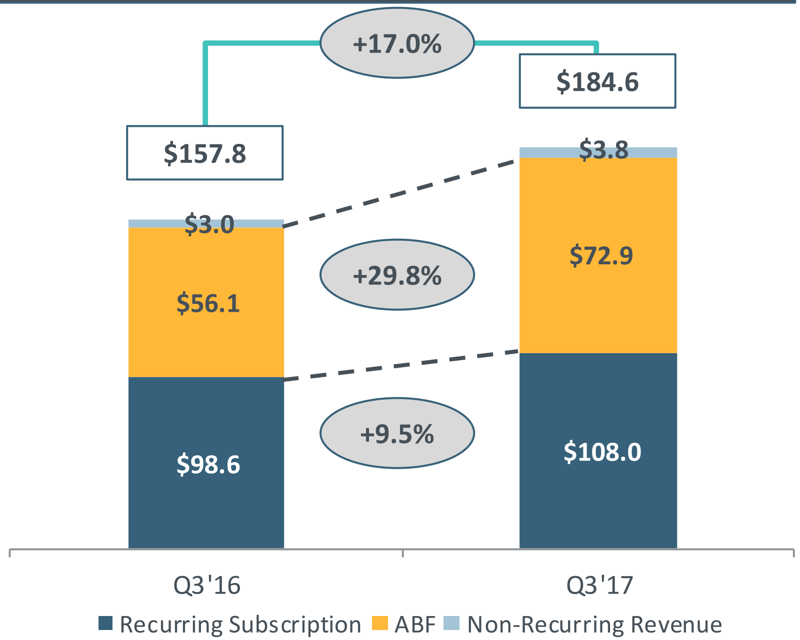
MSCI

Continued Strong Execution Driving Adjusted EPS Growth

INDEX SEGMENT

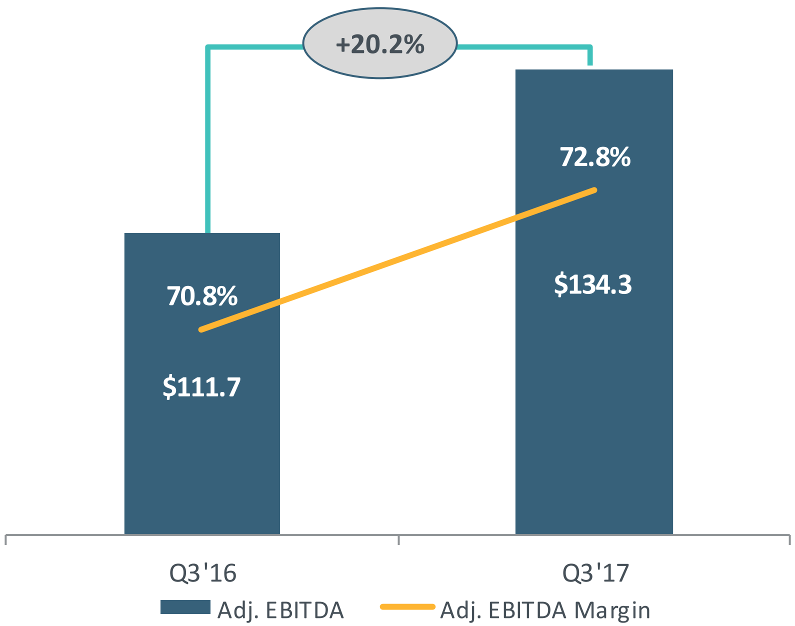
(US$ in millions)

Operating Revenue



- Asset-based fees (ABF) revenue growth across all products:
  - 35.4% increase in ETF related revenue
  - 15.0% increase in non-ETF passive products revenue
  - 47.2% increase in exchange-traded futures & options products revenue
- Strong growth in recurring subscription revenue mainly driven by core products, newer products, including factor indexes, as well as custom index products

Adj. EBITDA & Adj. EBITDA Margin (%)



- Increase in margin driven by strong asset-based fees revenue growth
- Continue to invest and innovate to enhance existing products
- Focus on efficiency and productivity

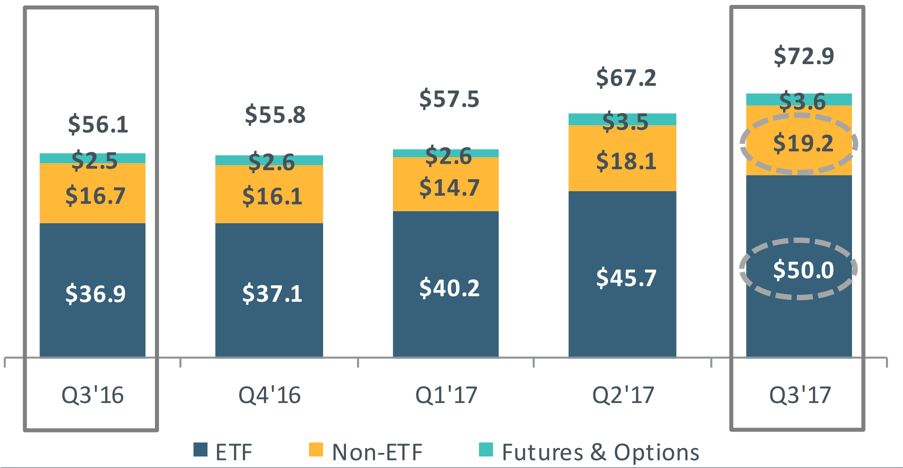
MSCI

Strong Top-Line and Adjusted EBITDA Growth

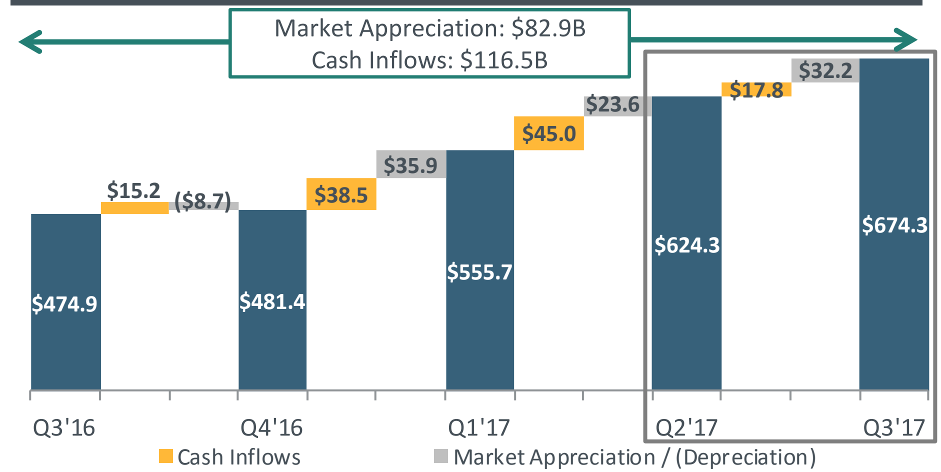
INDEX SEGMENT – ASSET-BASED FEES DETAIL

(US$ in millions, except AUM in billions and Average BPS)

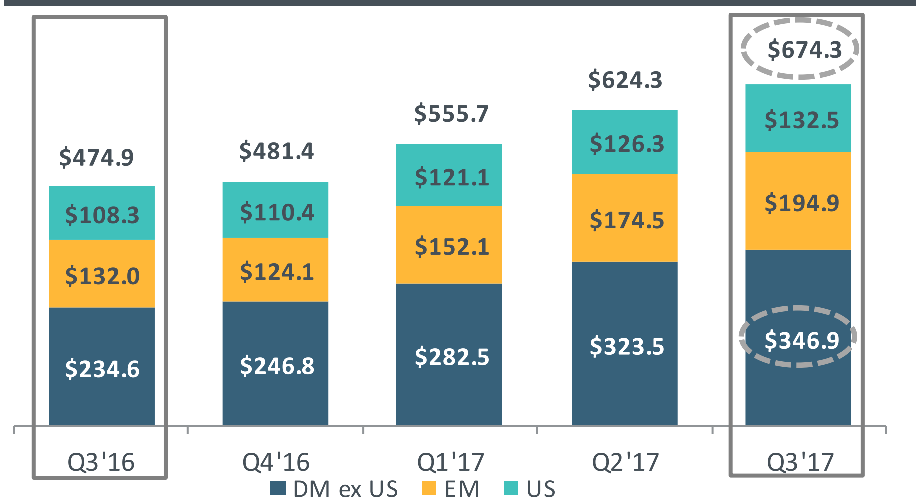
Quarterly Asset-Based Fees Revenue Trend



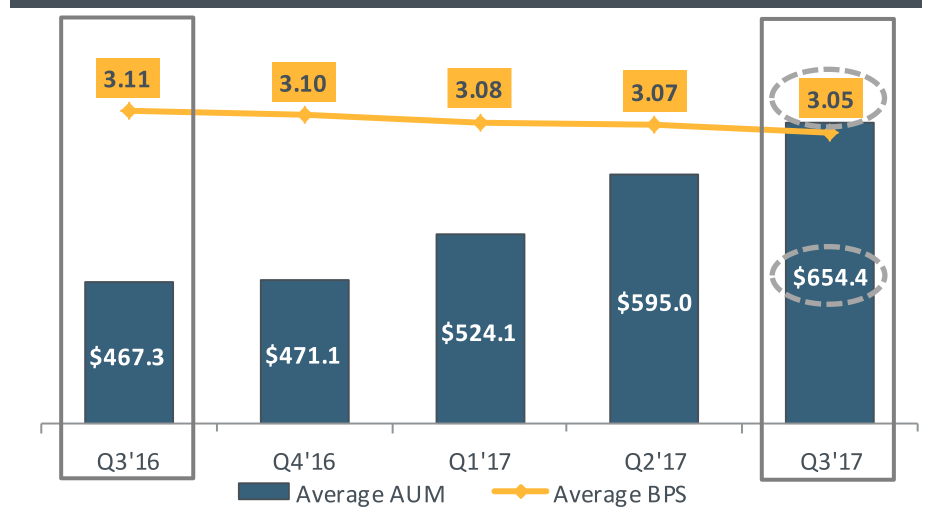
Quarter-End AUM & Market Movement of ETFs Linked to MSCI Indexes



Quarter-End AUM by Market Exposure[1] of ETFs Linked to MSCI Indexes



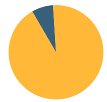
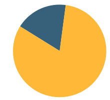
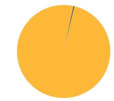
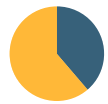
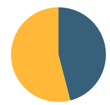
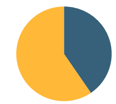
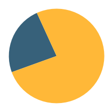
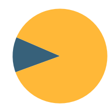
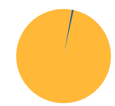
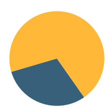
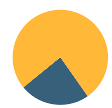
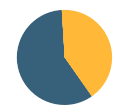
Quarterly Avg. AUM and Avg. BPS[2] of ETFs Linked to MSCI Indexes



[1]US = ETFs linked to MSCI indexes the majority of whose weight is comprised of securities in MSCI Developed Market (DM) countries, primarily or exclusively in the US.
DM ex US = ETFs linked to MSCI indexes the majority of whose weight is comprised of securities in MSCI DM countries other than the US.
EM = ETFs linked to MSCI indexes the majority of whose weight is comprised of securities that are not in MSCI DM countries.
Prior periods have been reclassified to conform to the current period classification.
[2]Average BPS based on Run Rate and period–end AUM in ETFs linked to MSCI Indexes.

INDEX CONTENT

Faster Growth

Index Content[1]	Active Focus $430m Run Rate	Passive Focus $277m Run Rate	Derivatives $22m Run Rate	CAGR % (Q3'13-Q3'17)
Factor & ESG *(11% of total Run Rate)*				29.4%
Developed Markets *(41% of total Run Rate)*				13.1%
Custom & Specialized *(19% of total Run Rate)*				11.1%
Emerging Markets *(29% of total Run Rate)*				10.6%
CAGR % (Q3'13-Q3'17)	10.3%	18.0%	24.8%	13.3%

Faster Growth

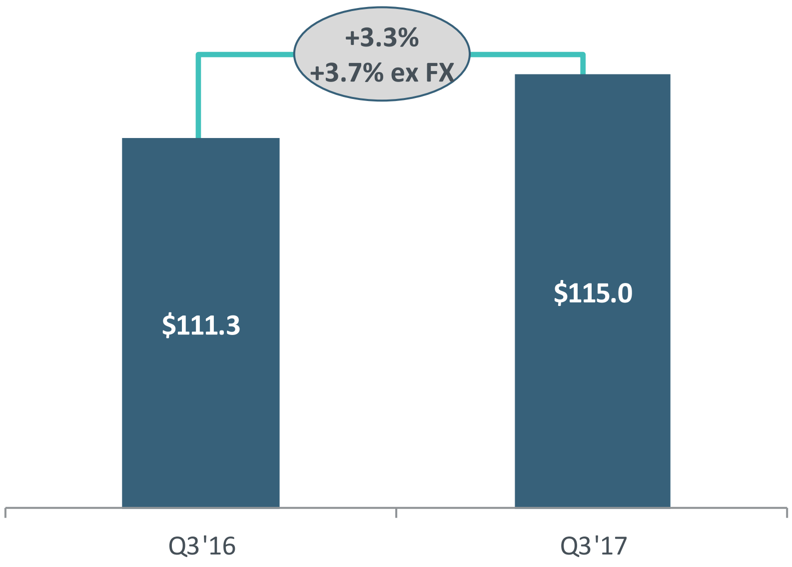
Broad Content Offering Drives Double-Digit Growth

[1]Factor and ESG: MSCI Factor indexes and MSCI ESG indexes.
Developed Markets: MSCI indexes, the majority of whose weight is comprised of securities in MSCI Developed Markets countries, excluding Factor indexes, ESG indexes, Custom indexes and Specialized packages (e.g. DM Security module, DM Sectors module, DM Usage Fees).
Custom and Specialized: MSCI Custom indexes and MSCI Specialized packages designed to meet unique investor requirements or indexes reflecting the performance of various investment themes (e.g. hedged and leveraged), excluding custom MSCI Factor indexes and custom MSCI ESG indexes.
Emerging Markets: MSCI indexes, the majority of whose weight is comprised of securities that are in MSCI Emerging Markets countries, Frontier Market countries and Stand-alone countries indexes, excluding Factor indexes, ESG indexes, Custom indexes and Specialized packages (e.g. EM Security module, EM Sectors module, EM Usage Fees).

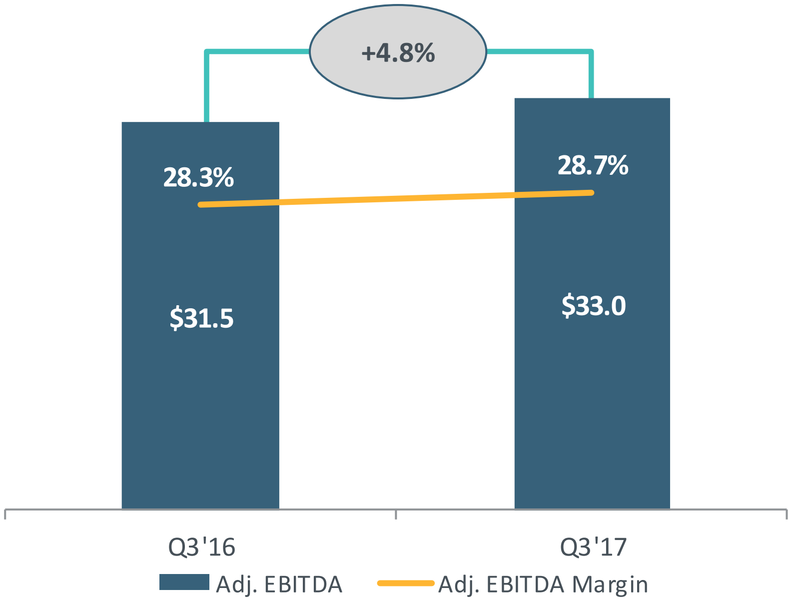
ANALYTICS SEGMENT

(US$ in millions)

Operating Revenue



Adj. EBITDA & Adj. EBITDA Margin (%)



- Higher equity and multi-asset class analytics products revenue
- Strong Recurring Net New sales:
  - Asset Manager segment strong
  - New equity analytics and fixed income capabilities driving sales
  - Lower cancels

- Continue to invest in new initiatives to drive future growth
- Repositioning and reprioritization of cost structure
- Continued focus on efficiency and productivity initiatives

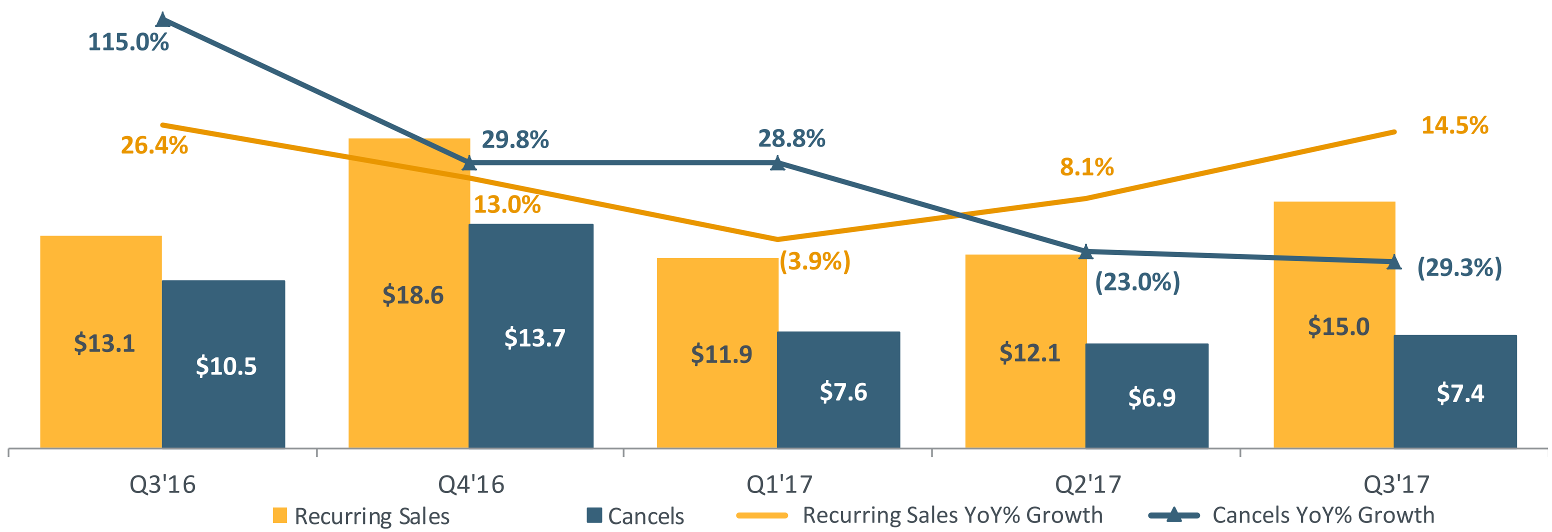
MSCI

Stable Profitability While Investing for Growth

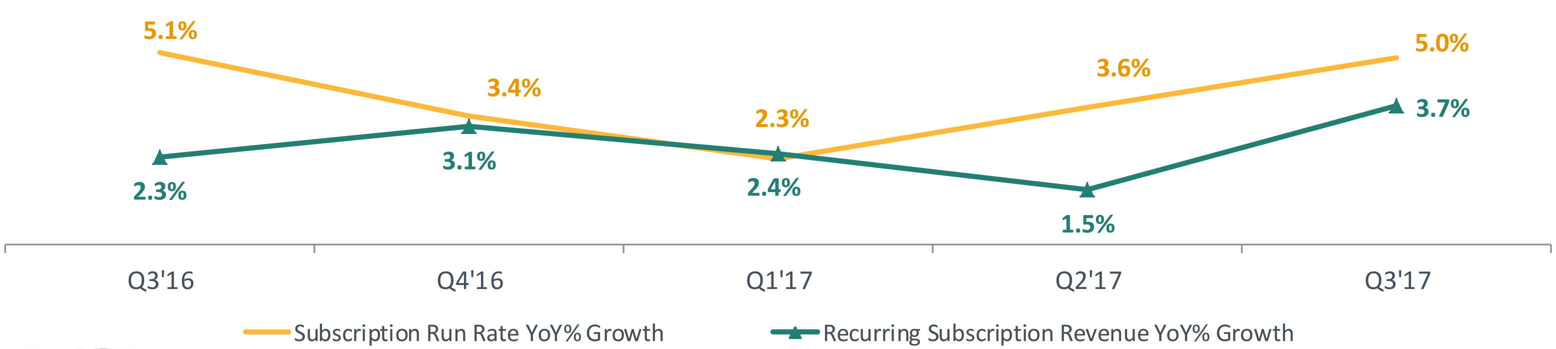
ANALYTICS KEY METRICS

(US$ in millions)

Recurring Sales and Cancels



YoY Subscription Run Rate Growth and YoY Subscription Revenue Growth



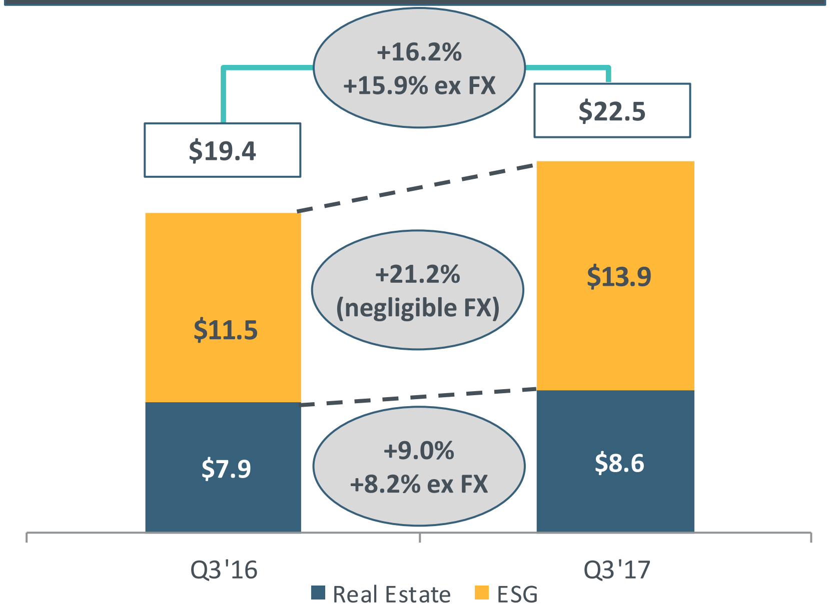
MSCI

Leading Indicators Trending Up

ALL OTHER SEGMENT

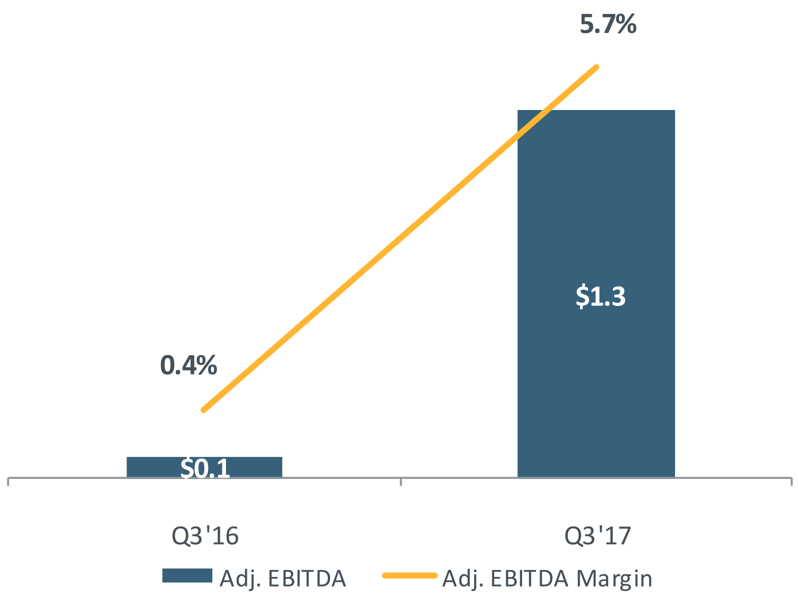
(US$ in millions)

Operating Revenue



- Strong growth driven by ESG Ratings revenue
  - Asset Managers are adopting best practices in ESG integration
  - New sales from existing clients who are broadening the use of ESG content to additional teams
- Real Estate growth driven by Market Information revenue

Adj. EBITDA & Adj. EBITDA Margin (%)



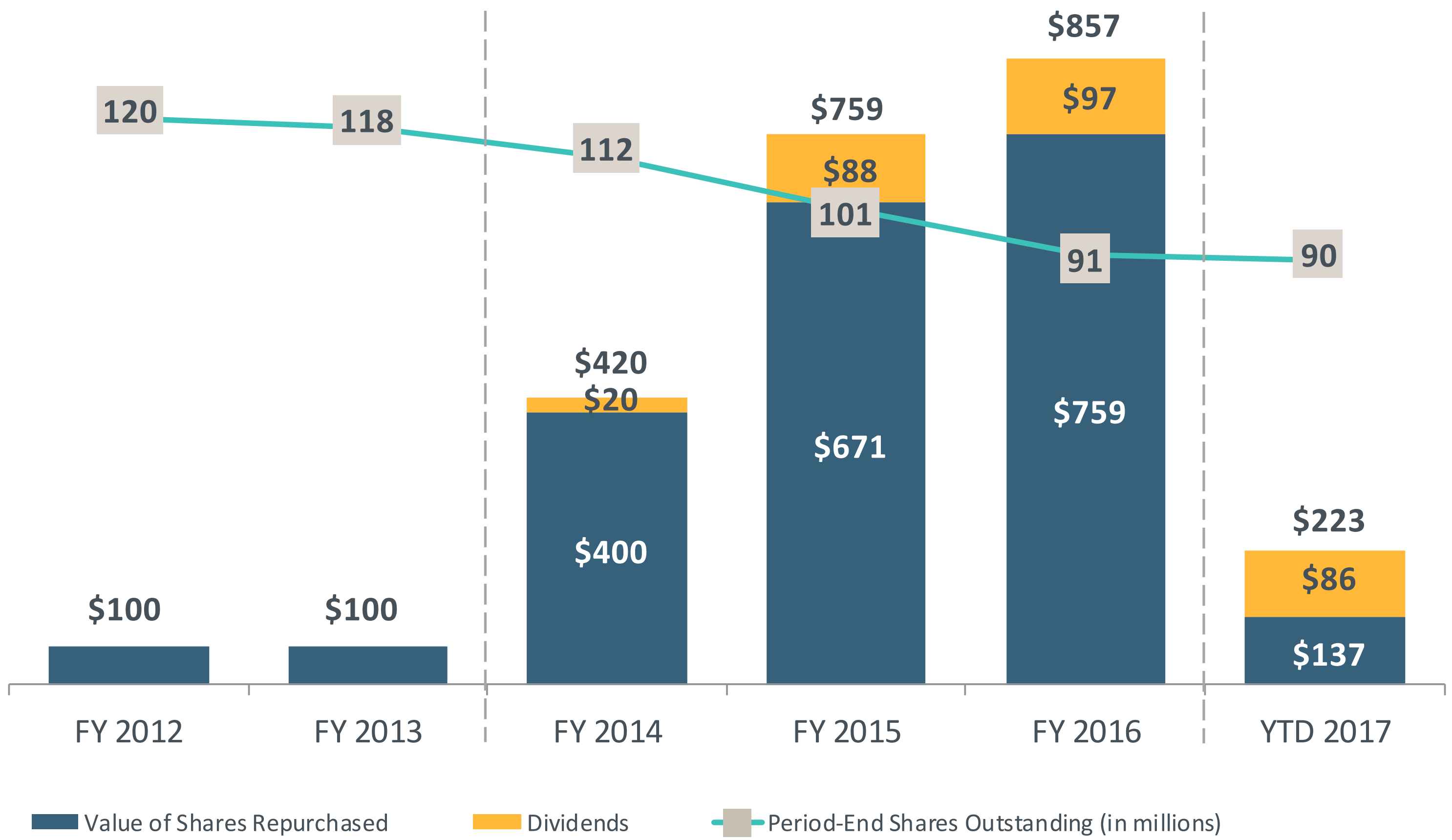
- Continued investment in ESG product line to drive growth
- Restructuring of Real Estate product line continues
  - Continued focus on efficiency and productivity initiatives

MSCI

Strong Demand for ESG; Continued Restructuring of Real Estate

STRONG TRACK RECORD OF RETURNING CAPITAL

(US$ in millions, except period-end shares)



Substantial Capital Returned; Lower Repurchases in 2017 on Lower Volatility

MSCI

BALANCE SHEET AND LIQUIDITY

(US$ in millions)

		As of September 30, 2017
Cash & Cash Equivalents		**$799.0**
Cash & Cash Equivalents in the US[1]	$373.7	
Cash & Cash Equivalents held outside of the US	$425.3	
Total Debt[2]		**$2,100.0**
5.25% $800m senior unsecured notes due 11/2024	$800.0	
5.75% $800m senior unsecured notes due 8/2025	$800.0	
4.75% $500m senior unsecured notes due 8/2026	$500.0	
$220m unsecured revolving credit facility terminating 8/2021	$0.0	
Net Debt		**$1,301.0**
Total Debt / Adj. EBITDA		**3.3x**
Net Debt / Adj. EBITDA		**2.1x**
Credit Ratings (S&P / Moody's)*		**BB+ / Ba2**

***Note: A securities rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time.**

- No change to approach to capital return
- Significant increase in quarterly cash dividend last quarter
- Focus continues to be on opportunistic repurchases on market pull backs
- Commitment to deploy capital quickly in the most efficient method to achieve the highest return for shareholders

Strong Balance Sheet

MSCI

[1]Includes approximately $125m - $150m in minimum cash balances, which MSCI seeks to maintain for general operating purposes.

[2]Excludes deferred financing fees of $22.6m as of September 30, 2017.

FY 2017 GUIDANCE

(US$ in millions)

Metric	Current
Operating expenses	$690 - $700
Adjusted EBITDA expenses	$605 - $615
Interest expense	$116
Effective tax rate	30.0% - 31.0%
Net cash provided by operating activities	$360 - $410
Capex	($50 - $40)
Free cash flow	$310 - $370
Dividend payout	30.0% - 40.0%

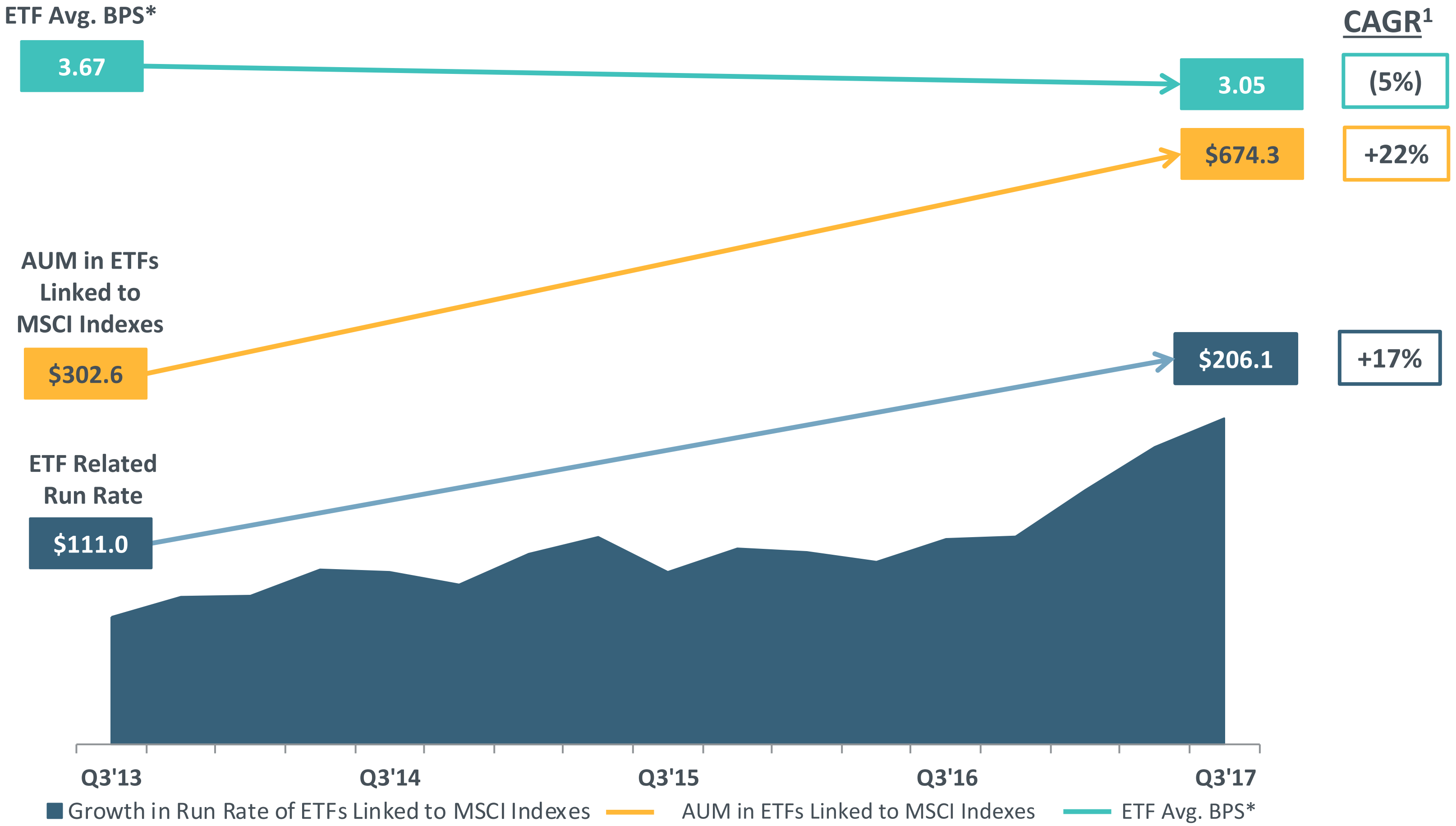
- We now expect full-year 2017 adjusted EBITDA expenses to be at the higher end of the previously announced range of $605 million to $615 million
  - Primarily reflecting higher severance in the fourth quarter associated with certain efficiency initiatives
- We now expect the effective tax rate to be at the lower end of the previously announced range of 30.0% to 31.0%

APPENDIX

Supplemental Disclosures & Reconciliation of Non-GAAP Measures to GAAP Measures

MSCI INDEX-LINKED ETFS – ATTRACTIVE PRICE VS. VOLUME TRADE-OFF

(US$ in millions, except AUM in billions and Average BPS)



Successfully Maximizing Run Rate

*Average ETF BPS based on Run Rate and period–end AUM in ETFs linked to MSCI Indexes.

[1]CAGR for the period Q3'13 to Q3'17.

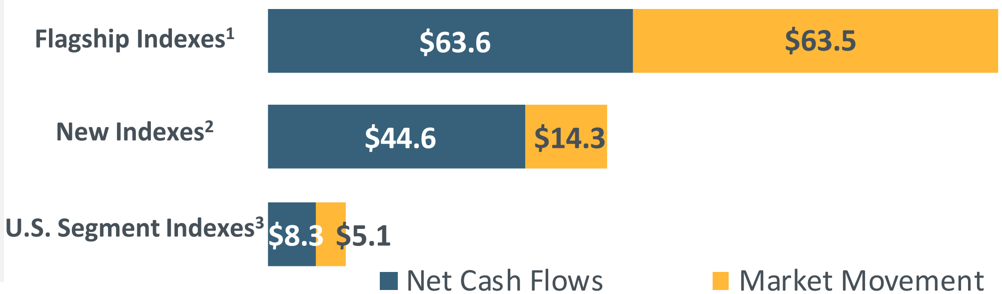
ETFS LINKED TO MSCI INDEXES – DIFFERENTIATED LICENSING

(US$ in billions)

Growth in AUM in ETFs Linked to MSCI Indexes

Q3'17 vs. Q3'16

09/30/16 AUM	% of Total
$344.6	73%
$56.7	12%
$73.6	15%

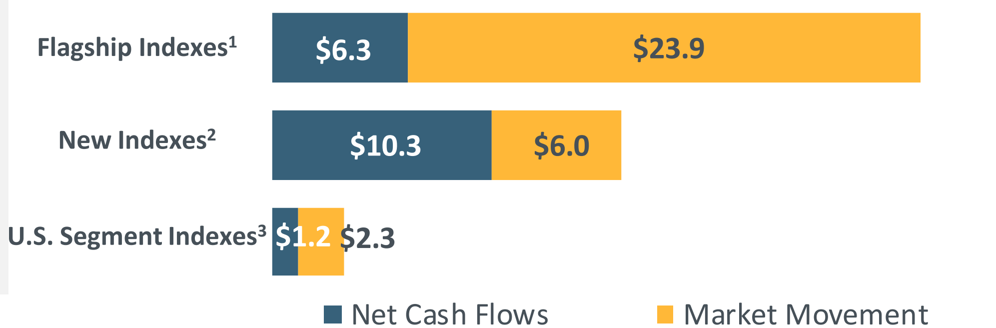


Net Growth
+37%
+104%
+18%

09/30/17 AUM	% of Total
$471.7	70%
$115.6	17%
$87.0	13%

Q3'17 vs. Q2'17

06/30/17 AUM	% of Total
$441.5	71%
$99.3	16%
$83.5	13%



Net Growth
+7%
+16%
+4%

09/30/17 AUM	% of Total
$471.7	70%
$115.6	17%
$87.0	13%

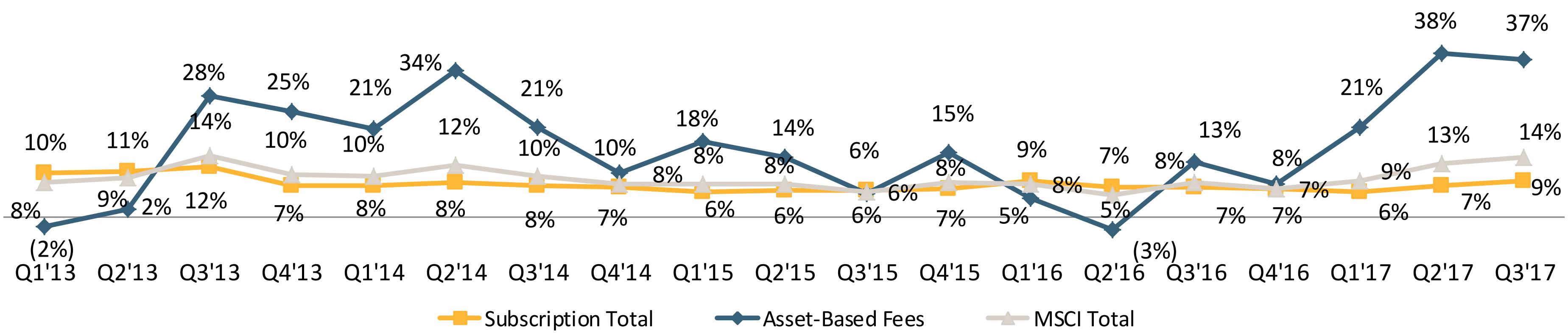
Well Positioned to Maximize Revenue through Differentiated Licensing Strategy

MSCI

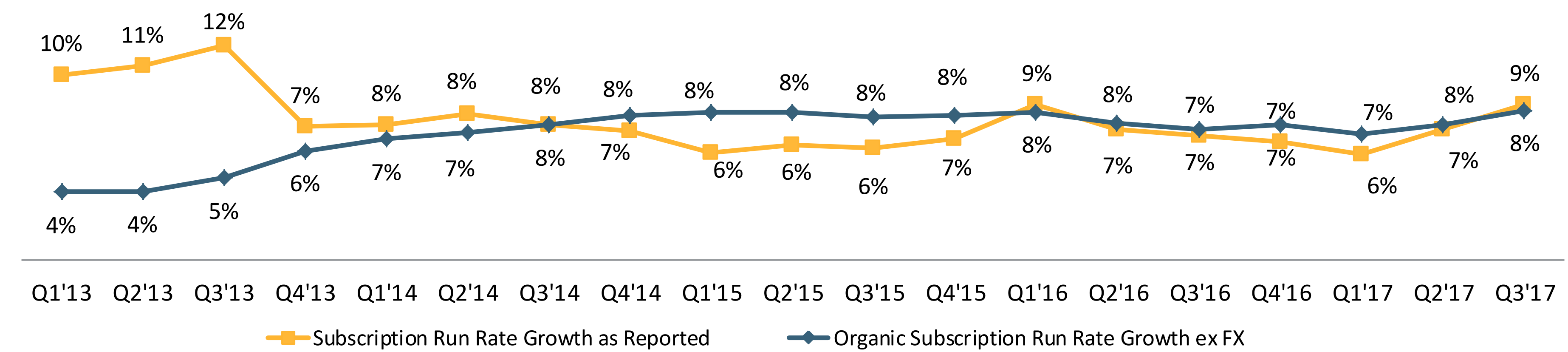
[1]Flagship Indexes, e.g., ACWI, EM, EAFE, Japan etc.
[2]New Indexes, e.g., Developed Market IMI (all market cap sizes), US Minimum Volatility etc.
[3]U.S. Segment Indexes, e.g., US REIT, US Sectors etc.

Q1’13 – Q3’17 YoY RUN RATE GROWTH TREND

YoY Run Rate Growth as Reported



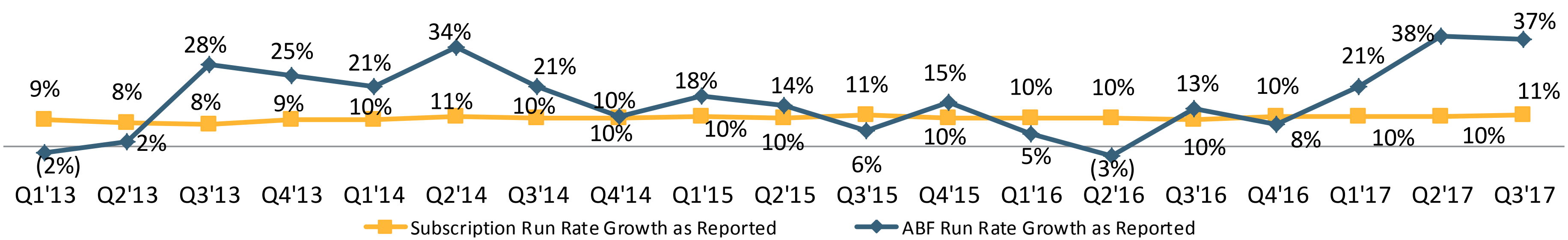
YoY Subscription Run Rate Growth as Reported vs. Organic Growth (excluding FX Impact and Acquisitions/Divestitures)



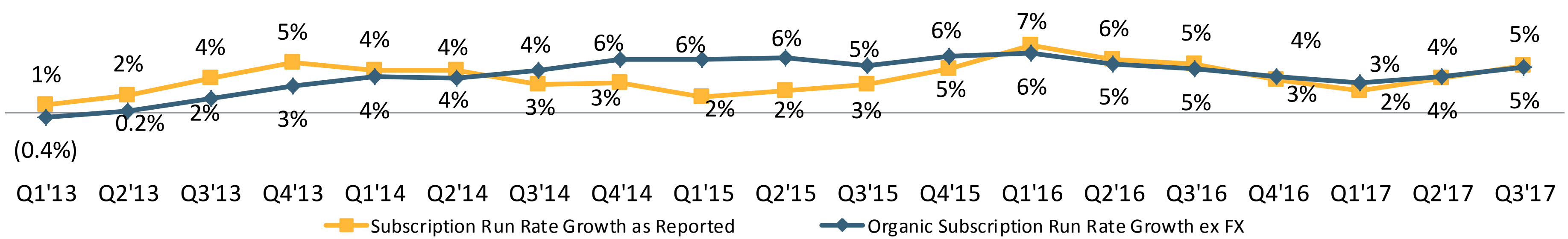
MSCI

Q1’13 – Q3’17 YoY SEGMENT RUN RATE GROWTH TREND

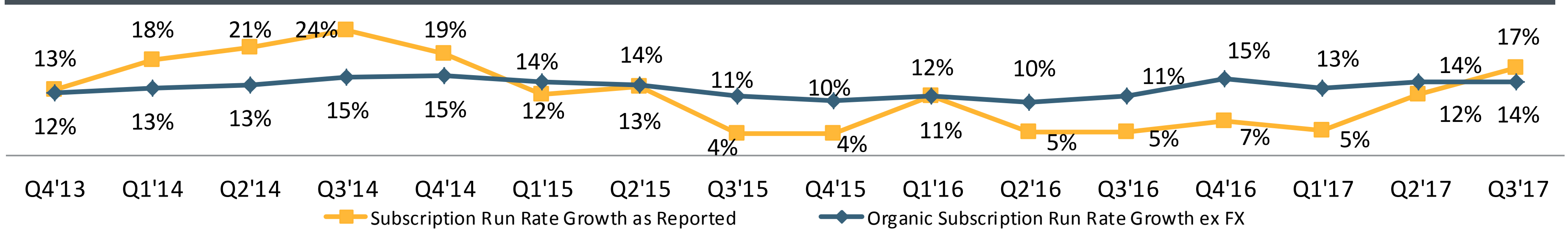
Index



Analytics



All Other



MSCI

RECONCILIATION OF ADJUSTED EBITDA TO NET INCOME

	Three Months Ended			Nine Months Ended	
In thousands	**Sep. 30, 2017**	**Sep. 30, 2016**	**June 30, 2017**	**Sep. 30, 2017**	**Sep. 30, 2016**
Index adjusted EBITDA	$ 134,299	$ 111,750	$ 129,476	$ 379,412	$ 318,317
Analytics adjusted EBITDA	33,013	31,501	31,741	94,290	95,163
All Other adjusted EBITDA	1,290	73	5,032	11,840	9,020
Consolidated adjusted EBITDA	**168,602**	**143,324**	**166,249**	**485,542**	**422,500**
Amortization of intangible assets	10,614	11,752	11,122	32,987	35,535
Depreciation and amortization of property, equipment and leasehold improvements	9,325	8,312	9,159	27,322	24,873
Operating income	**148,663**	**123,260**	**145,968**	**425,233**	**362,092**
Other expense (income), net	27,860	25,738	28,457	85,294	73,249
Provision for income taxes	35,650	32,241	36,245	100,569	96,238
Net income	**$ 85,153**	**$ 65,281**	**$ 81,266**	**$ 239,370**	**$ 192,605**

RECONCILIATION OF ADJUSTED NET INCOME AND ADJUSTED EPS TO NET INCOME AND EPS

In thousands, except per share data	Three Months Ended Sep. 30, 2017	Three Months Ended Sep. 30, 2016	Three Months Ended June 30, 2017	Nine Months Ended Sep. 30, 2017	Nine Months Ended Sep. 30, 2016
Net income	$ 85,153	$ 65,281	$ 81,266	$ 239,370	$ 192,605
Plus: Amortization of acquired intangible assets	9,270	11,752	10,119	29,919	35,535
Less: Gain on sale of investment	—	—	(771)	(771)	—
Less: Income tax effect	(2,732)	(3,873)	(3,146)	(8,850)	(11,840)
Adjusted net income	**$ 91,691**	**$ 73,160**	**$ 87,468**	**$ 259,668**	**$ 216,300**
Diluted EPS	$ 0.93	$ 0.68	$ 0.89	$ 2.61	$ 1.98
Plus: Amortization of acquired intangible assets	0.10	0.12	0.11	0.33	0.36
Less: Gain on sale of investment	—	—	(0.01)	(0.01)	—
Less: Income tax effect	(0.03)	(0.03)	(0.04)	(0.10)	(0.12)
Adjusted EPS	**$ 1.00**	**$ 0.77**	**$ 0.95**	**$ 2.83**	**$ 2.22**

RECONCILIATION OF ADJUSTED EBITDA EXPENSES TO OPERATING EXPENSES

In thousands	Three Months Ended Sep. 30, 2017	Three Months Ended Sep. 30, 2016	Three Months Ended June 30, 2017	Nine Months Ended Sep. 30, 2017	Nine Months Ended Sep. 30, 2016	Full-Year 2017 Outlook(1)
Index adjusted EBITDA expenses	$ 50,295	$ 46,001	$ 47,680	$ 145,773	$ 136,164	
Analytics adjusted EBITDA expenses	81,959	79,790	81,626	246,469	238,784	
All Other adjusted EBITDA expenses	21,241	19,318	20,534	61,609	60,409	
Consolidated adjusted EBITDA expenses	**153,495**	**145,109**	**149,840**	**453,851**	**435,357**	**$605,000 - $615,000**
Amortization of intangible assets	10,614	11,752	11,122	32,987	35,535	
Depreciation and amortization of property, equipment and leasehold improvements	9,325	8,312	9,159	27,322	24,873	80,000
Total operating expenses	**$ 173,434**	**$ 165,173**	**$ 170,121**	**$ 514,160**	**$ 495,765**	**$690,000 - $700,000**

MSCI

(1)We have not provided a line-item reconciliation for adjusted EBITDA expenses to total operating expenses for this future period because we do not provide guidance on the individual reconciling items between total operating expenses and adjusted EBITDA expenses.

RECONCILIATION OF FREE CASH FLOW TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	Three Months Ended			Nine Months Ended		Full-Year
In thousands	**Sep. 30, 2017**	**Sep. 30, 2016**	**June 30, 2017**	**Sep. 30, 2017**	**Sep. 30, 2016**	**2017 Outlook(1)**
Net cash provided by operating activities	$ 101,774	$ 148,527	$ 122,217	$ 261,005	$ 303,510	$360,000 - $410,000
Capital expenditures	(6,390)	(10,867)	(3,729)	(17,440)	(24,144)	
Capitalized software development costs	(5,164)	(2,861)	(3,306)	(10,777)	(7,949)	
Capex	(11,554)	(13,728)	(7,035)	(28,217)	(32,093)	(50,000 - 40,000)
Free cash flow	**$ 90,220**	**$ 134,799**	**$ 115,182**	**$ 232,788**	**$ 271,417**	**$310,000 - $370,000**

(1)We have not provided a line-item reconciliation for free cash flow guidance to net cash from operating activities for this future period because we do not provide guidance on the individual reconciling items between net cash from operating activities and free cash flow.

USE OF NON-GAAP FINANCIAL MEASURES

- MSCI has presented supplemental non-GAAP financial measures as part of this earnings presentation. Reconciliations are provided in slides 25-28 below that reconcile each non-GAAP financial measure with the most comparable GAAP measure. The non-GAAP financial measures presented in this earnings presentation should not be considered as alternative measures for the most directly comparable GAAP financial measures. The non-GAAP financial measures presented in this earnings presentation are used by management to monitor the financial performance of the business, inform business decision-making and forecast future results.
- "Adjusted EBITDA" is defined as net income before provision for income taxes, other expense (income), net, depreciation and amortization of property, equipment and leasehold improvements, amortization of intangible assets and, at times, certain other transactions or adjustments.
- "Adjusted EBITDA expenses" is defined as operating expenses less depreciation and amortization of property, equipment and leasehold improvements and amortization of intangible assets.
- "Adjusted net income" and "adjusted EPS" are defined as net income and diluted EPS, respectively, before the after-tax impact of the amortization of acquired intangible assets and, at times, certain other transactions or adjustments. For periods prior to first quarter 2017, the amortization associated with capitalized software development costs was included as an adjustment to adjusted net income and adjusted EPS as it was not material.
- "Capex" is defined as capital expenditures plus capitalized software development costs.
- "Free cash flow" is defined as net cash provided by operating activities, less Capex.
- We believe adjusted EBITDA and adjusted EBITDA expenses are meaningful measures of the operating performance of MSCI because they adjust for significant one-time, unusual or non-recurring items as well as eliminate the accounting effects of capital spending and acquisitions that do not directly affect what management considers to be our core operating performance in the period.
- We believe adjusted net income and adjusted EPS are meaningful measures of the performance of MSCI because they adjust for the after-tax impact of significant one-time, unusual or non-recurring items as well as eliminate the accounting effects of acquisitions that do not directly affect what management considers to be our core performance in the period.
- We believe that free cash flow is useful to investors because it relates the operating cash flow of MSCI to the capital that is spent to continue and improve business operations, such as investment in MSCI's existing products. Further, free cash flow indicates our ability to strengthen MSCI's balance sheet, repay our debt obligations, pay cash dividends and repurchase shares of our common stock.
- We believe that the non-GAAP financial measures presented in this earnings presentation facilitate meaningful period-to-period comparisons and provide a baseline for the evaluation of future results.
- Adjusted EBITDA expenses, adjusted EBITDA, adjusted net income, adjusted EPS, Capex and free cash flow are not defined in the same manner by all companies and may not be comparable to similarly-titled non-GAAP financial measures of other companies.

USE OF OPERATING METRICS

- MSCI has presented supplemental key operating metrics as part of this earnings release, including Run Rate, subscription sales and cancellations, non-recurring sales and Aggregate Retention Rate.
- Run Rate estimates at a particular point in time the annualized value of the recurring revenues under our client license agreements (“Client Contracts”) for the next 12 months, assuming all Client Contracts that come up for renewal are renewed and assuming then-current currency exchange rates, subject to the adjustments and exclusions described elsewhere in our Public Filings. For any Client Contract where fees are linked to an investment product’s assets or trading volume, the Run Rate calculation reflects, for ETFs, the market value on the last trading day of the period, for futures and options, the most recent quarterly volumes, and for other non-ETF products, the most recent client reported assets. Run Rate does not include fees associated with “one-time” and other non-recurring transactions. In addition, we add to Run Rate the annualized fee value of recurring new sales, whether to existing or new clients, when we execute Client Contracts, even though the license start date may not be effective until a later date. We remove from Run Rate the annualized fee value associated with products or services under any Client Contract with respect to which we have received a notice of termination or non-renewal during the period and determined that such notice evidences the client’s final decision to terminate or not renew the applicable products or services, even though such notice is not effective until a later date.
- Organic subscription Run Rate or revenue growth ex FX is defined as the period over period Run Rate or revenue growth, excluding the impact of changes in foreign currency and the first year impact of any acquisitions. It is also adjusted for divestitures. Changes in foreign currency are calculated by applying the end of period currency exchange rate from the comparable prior period to current period foreign currency denominated Run Rate or revenue. This metric also excludes the impact on the growth in subscription Run Rate or revenue of the acquisitions of IPD, InvestorForce, and GMI for their respective first year of operations as part of MSCI, as well as the divestiture of MSCI’s Real Estate occupiers benchmarking business which closed on August 1, 2016.
- The Aggregate Retention Rate for a period is calculated by annualizing the cancellations for which we have received a notice of termination or for which we believe there is an intention not to renew during the period, and we believe that such notice or intention evidences the client’s final decision to terminate or not renew the applicable agreement, even though such notice is not effective until a later date. This annualized cancellation figure is then divided by the subscription Run Rate at the beginning of the year to calculate a cancellation rate. This cancellation rate is then subtracted from 100% to derive the annualized Aggregate Retention Rate for the period. The Aggregate Retention Rate is computed on a product-by-product basis. Therefore, if a client reduces the number of products to which it subscribes or switches between our products, we treat it as a cancellation. In addition, we treat any reduction in fees resulting from renegotiated contracts as a cancellation in the calculation to the extent of the reduction.

MSCI