

Midlincoln Research

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Company: MSCI Inc.
Ticker: NYSE: MSCI
Rating: Neutral
12 m TP \$550
Downside 4%
Analyst: Ovanes Oganisian

MSCI is the Global Leader

Executive Summary

MSCI is the global leader in equity indexing (ACWI, World, EM), with expanding franchises in ESG & Climate analytics, risk/portfolio analytics, and private assets data. Structural tailwinds from ETF penetration, climate disclosure, and private markets digitization support mid-high single digit organic growth. However, shares trade at a premium versus peers, and competitive intensity from FTSE Russell (LSEG) and low-cost providers (Solactive) caps pricing power outside flagship families. Our blended approach (DCF + peer multiples) suggests fair value below spot; therefore, we rate MSCI Hold.

MSCI remains a high-quality, wide-moat platform with durable cash generation. Our base-case valuation suggests limited near-term upside at current levels; we maintain Hold with a \$550 target. We would revisit a more constructive stance on evidence of accelerating organic growth (>10%), rising futures monetization, or a more attractive entry point.

Metric	2025E
Last Price	~\$571
EPS 2025E	\$16.5
EPS Growth y-o-y	+6%
P/E 2025E	~34.5x
Market Capitalisation	~\$45B
Revenue	~\$3.3B
Revenue Growth (YoY)	+6–7%
EV/EBITDA	~25x
Dividend Yield	~1.3%
Beta Assumption	1.0
ROE 2025E	~16%
P/B 2025E	~5.5x
Free Cash Flow	~\$1.2B

Financials
US

Business Overview

- Index (benchmark licensing & asset-based fees)
- Analytics (risk models, Barra, factor/optimizer, performance attribution)
- Sustainability & Climate (ESG ratings, screening, climate VaR)
- All Other — Private Assets (Burgiss performance/benchmarking, CA datasets)

Client base spans major asset managers, asset owners, banks/brokers, insurers, sovereigns and wealth platforms.

Geographic Revenue Mix (FY24/Q2'25 run-rate)

Region	Americas	EMEA	APAC
Revenue Mix	45%	39%	16%

Note: Mix based on recent investor presentation run-rate.

Revenue by Segment (FY2024 GAAP)

Segment	Revenue (\$m)	Mix
Index (derived)	1,596.1	56%
Analytics	675.1	24%
Sustainability & Climate	326.6	11%
All Other — Private Assets	258.3	9%

Note: Total operating revenue FY24 \$2,856m; Index derived as residual (Total – other segments).

Client Type Mix (qualitative snapshot)

Asset Managers (largest cohort), followed by Banks/Brokers, Asset Owners and Wealth/Other platforms. Flagship ETFs drive asset-based fees; subscriptions dominate Analytics and ESG.

Key KPIs & Unit Economics

- Assets benchmarked to MSCI equity indexes: ~\$16.9T
- Recurring subscriptions: >70% of total revenue; high gross retention; positive price/mix
- Asset-based fees sensitivity: primarily equity AUM linked to MSCI indexes (ETF & non-ETF); basis points trend modestly down over time
- Adjusted EBITDA margin: high-60s to low-70s at group level; Index highest margin, Private Assets lowest

Cost Framework & Assumptions

Cost of revenues includes data/content ingestion and market-data royalties; Operating expenses are dominated by people (R&D, sales & marketing, G&A) and technology hosting. For forecasting we assume:

- Personnel inflation 4–5% in 2025 moderating to 3–4% thereafter
- Net hiring concentrated in Climate, private-assets, and engineering
- Vendor/data costs grow with product breadth; partial offsets from AI-enabled productivity
- Capitalized software consistent with prior years

Forecasts (Base Case)

Revenue CAGR '25–'29: ~7.5%; Index +7% (AUM beta + pricing + futures), Analytics +8%, ESG & Climate +9%, Private Assets +10% (normalizing from Burgiss step-up). Group EBIT margin: ~50% mid-cycle. Tax: 20%. Net share count ~79–80m (buybacks offset SBC).

DCF Valuation (10-yr explicit)

Top-line fades from 9% to 5%; EBIT margin ~50%; WACC 8%; terminal growth 3%. Net debt ~\$4.0B. Equity value ≈ \$30.4B, or ~\$384/share. Sensitivities:

- +50 bps WACC → ~\$350/share
- –50 bps WACC → ~\$424/share
- Terminal growth ±50 bps → ± ~\$25/share

Comparables (FY25E / Next-12-mo)

Company	Ticker	P/E	EV/EBITDA	Sales Growth
MSCI	MSCI US	34–38x	24–26x	6–9%
S&P Global	SPGI US	29–31x	21–23x	6–8%
Moody's	MCO US	28–30x	20–22x	6–8%
LSEG (FTSE Russell)	LSEG LN	24–26x	17–19x	5–7%

Competitive Landscape & Vanguard/FTSE Angle

FTSE Russell (LSEG) is the most credible large-cap competitor with strong U.S. small-cap (Russell 2000) and UK benchmarks. Vanguard and others track FTSE for certain global products, demonstrating client willingness to alternate between benchmark families. Solactive competes on cost/customization in long-tail and thematic indexes; this constrains pricing at the margin but has limited impact on MSCI's flagship franchises. S&P Global overlaps in indexes and provides competing analytics/data bundles.

Risks & Upside Scenarios

Downside: (1) Multiple compression from slower growth or equity bear market; (2) Share shifts to FTSE/Solactive in core exposures; (3) Regulatory or reputational shocks to ESG; (4) Private assets normalization post-Burgiss.

Upside: (1) Stronger equity/ETF inflows and futures volume; (2) Pricing power in climate and factor; (3) Successful cross-sell between Index, Analytics and Private Assets; (4) M&A accretion.

Conclusion & Rating

MSCI remains a high-quality, wide-moat platform with durable cash generation. Our base-case valuation suggests limited near-term upside at current levels; we maintain Hold with a \$550 target. We would revisit a more constructive stance on evidence of accelerating organic growth (>10%), rising futures monetization, or a more attractive entry point.

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