COMPANY PROFILE

S&P Global Inc.

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TABLE OF CONTENTS

COMPANY OVERVIEW

&P Global Inc. (S&P Global or “the company”) is a benchmarks, ratings, analytics, data and research provider. The company offers serving the capital, commodity and commercial markets. It offers its products and services through third-party and other distribution channels. S&P Global caters its services to asset managers, investment and commercial banks, insurance companies, exchanges, trading firms and issuers, commodities markets including producers, traders and intermediaries within energy, metals, petrochemicals and agriculture markets. The company conducts its business operations in the US, Canada, Asia-Pacific, Europe, the Middle East and Africa, and Latin America. S&P Global is headquartered in New York City, New York, the US.

The company reported revenues of (US Dollars) US$6,063 million for the fiscal year ended December 2017 (FY2017), an increase of 7.1% over FY2016. In FY2017, the company’s operating margin was 43%, compared to an operating margin of 59.5% in FY2016. In FY2017, the company recorded a net margin of 24.7%, compared to a net margin of 37.2% in FY2016.

The company reported revenues of US$1,609.0 million for the second quarter ended June 2018, an increase of 2.7% over the previous quarter.

KEY FACTS

Head Office	S&P Global Inc. 55 Water Street New York New York New York New York USA
Phone	1 212 4381000
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Web Address	www.spglobal.com
Revenue / turnover (USD Mn)	6,063.0
Financial Year End	December
Employees	20,400
New York Stock Exchange Ticker	SPGI

SWOT ANALYSIS

S&P Global Inc. (formerly McGraw Hill Financial, Inc.) (S&P Global or “the company”) is a benchmarks, ratings, analytics, data and research provider serving the capital, commodity and commercial markets. Established credit rating business, diverse end-user market, and extensive recurring revenue growth provides significant competitive advantages and drive the revenue growth at the company. However, geographical concentration of revenue could hamper its operating results. Data analytics technology, strategic acquisitions, and debt and passive investing to boost business are likely to offer growth opportunities to the company. However, increasing competition, regulatory changes, and foreign currency fluctuations could hamper its growth prospects.

Strength	**Weakness**
Diverse end-user market exposure Established credit rating business and strong recognition Continued growth with significant recurring revenue	Geographic Concentration
Opportunity	**Threat**
Strategic Acquisitions Maturing debt and passive investing to boost business Data Analytics driving the IT market	Foreign currency fluctuation Intense competition could result in loss of market share Regulatory changes across the Americas and Europe likely to increase compliance costs

Strength

Diverse end-user market exposure

The company’s business operations expose the company to diverse end markets. The company's diversified business operations enable it to cater to a larger audience enhancing the addressable market. For instance, the company’s capital market clients include asset managers, investment banks, commercial banks, insurance companies, exchanges, and issuers. Its clients in commodities market include producers, traders and intermediaries within energy, metals, petrochemicals and agriculture; and the commercial markets include professionals and corporate executives within automotive, financial services, insurance and marketing / research information services. Furthermore, the clients for S&P Ratings include investors; corporations; governments; municipalities; commercial and investment banks; insurance companies; asset managers; and other debt issuers. Market and Commodities Intelligence serves asset managers; investment banks; investors; brokers; financial advisors; insurance companies; investment sponsors; companies’ back-office functions, including compliance, operations, risk, clearance, and settlement; and producers, traders, and intermediaries within energy, metals and agriculture markets. The company’s diversified end market exposure offers more avenues for revenues and growth. It also reduces the company's exposure to risk associated with a particular market and facilitates a strong positive global image for the company.

Established credit rating business and strong recognition

S&P Global's credit rating agency, S&P Ratings, has well-established position in various markets and enjoys strong market recognition. With offices in over 25 countries around the world, S&P Ratings has established itself as a significant part of the world's financial infrastructure and played a leading role for over 150 years in providing investors with information and independent benchmarks for their investment and financial decisions as well as access to the capital markets. As of December 2017, S&P Global had more than one million credit ratings outstanding on entities and securities across diversified industries. In addition, S&P Ratings has a strong brand image which is well recognized globally. S&P Ratings was recognized as the best international rating agency by industry associations. Established credit rating business and strong recognition provides significant competitive advantages and enables the company to drive further revenue growth from these segments.

Continued growth with significant recurring revenue

The company witnessed a continuous growth in the last few years. Its revenue grew at a compound annual growth rate (CAGR) 6.6% during FY2013-17 periods to reach US$6,063 million in FY2017. Strong growth in the revenues was driven by increase in revenues of Ratings, and Indices segment. Revenue growth at Market and Commodities Intelligence was favorably impacted by growth in annualized contract values in the market intelligence desktop products from the company’s new and existing customers. There was also a rise in total revenue of the data feed products within Data Management Solutions. Continous demand for market data and price assessment products within all commodity sectors, including petroleum led to the revenue growth of the segment. During FY2017, S&P Global generated 63% of its revenues from subscriptions which are recurring. Subscription-based business model delivers recurring revenue which can be effectively leveraged to drive top line and bottom line growth. Continued growth with significant recurring revenue contributes positively to the overall growth of the company.

Weakness

Geographic Concentration

The company derives significant portion of its revenues from the US and European markets which are witnessing slow growth. Though McGraw-Hill has global presence, spanning across North America, Latin America, Europe, the Middle East, Africa, and Asia, it is highly dependent on the US and European markets for majority of its revenues. The company generated 60% of its total revenues from the US and 24% of its revenues from European region in FY2017. This demonstrates geographic concentration, which increases its business risk by making it vulnerable to economic and political uncertainties occurring in these regions. S&P Global is exposed to adverse trends in the US and European markets. The US economy has been struggling over the last few years. Due to the debt crisis, the US region has been facing an economic slowdown in addition to the rise in inflation. The sluggish economic growth would hamper the company's revenue growth potential.

Opportunity

Strategic Acquisitions

The company has been significantly expanding its presence through strategic acquisitions. In April 2018, the company acquired Kensho Technologies Inc., a company specialized in providing advanced analytics, artificial intelligence, machine learning, and data visualization solutions to leading banks, investment institutions, and national security communities. This acquisition is expected to strengthen S&P Global’s core capabilities in Artificial Intelligence (AI), natural language processing, and data analytics. By integrating Kensho’s technology capabilities, the company could bolster its ability to deliver actionable insights to transform the user experience for its clients, improve efficiency and effectiveness of its core business. By harnessing Kensho's machine learning algorithms, the company’s Market Intelligence platform users could access information on privately held companies, that are licensed from Crunchbase.

Maturing debt and passive investing to boost business

The maturing debt and passive investing is expected to boost the company’s business prospects in the medium to long term. Globally a large amount of corporate debt is maturing in the medium term. The company estimates that nearly US$9.6 trillion in rated global corporate debt needs to be refinanced between 2017 through 2021. Much of this debt will need to be rated and S&P Global will be there to help issuers and investors evaluate credit risk. In addition, there has been a massive shift in investing from actively managed funds to index-based or passive investments. This trend benefits S&P Dow Jones Indices and is being driven by investors’ search for transparent, low-cost, diversified and efficient investable products.

Data Analytics driving the IT market

Data Analytics technology enables organizations to increase their capacity to analyze how the data works at multiple stages, starting from collection processes to organizing and communication techniques, such as modeling and visualization. By harnessing the plethora of data available, the company could manage various disruptions, leverages the data to augment its competitive position relative to others across diversified field. S&P Global delivers insightful data to various asset managers, investment consultants, exchanges, corporations, energy producers and utilities, investment banks and other financial institutions. The company integrates news, market- and sector-specific data, and analytics into intelligent tools, which allows customers track performance, identify investment ideas, understand market dynamics, perform valuations, and assess credit risk. By using the insights, clients could customize and configure their tools to better assess risk, decide investment and divestment, and further measure the impact of market trends, technology, and public policy.

Threat

Foreign currency fluctuation

S&P Global operates in over 25 countries and is exposed to the fluctuations in foreign exchange rates. The company reports financials in the US dollar and therefore its revenue is exposed to the volatility of the US dollar against other functional currencies such as Chinese Yuan, Mexican peso, Swedish krona, Swiss franc, British pound, Brazelean Real, and Euro. The major elements exposed to exchange rate risks include the company's investments in overseas subsidiaries and affiliates and monetary assets and liabilities arising from business transactions in foreign currencies. In FY2017, the company registered a gain of US$93 million from foreign currency translation adjustment compared to the loss of US$132 million in FY2016 and US$111 million in FY2015. To minimize risks from currency fluctuations, the company could involve in foreign exchange hedging by entering into foreign exchange forward contracts. However, there could be no assurance that such hedging activities or measures would limit the impact of movements in exchange rates on the company's results of operations.

Intense competition could result in loss of market share

S&P Global operates in highly competitive markets. The markets for credit ratings, financial research, investment and advisory services, and index-based products are intensively competitive. S&P Ratings, S&P Capital IQ and SNL, and S&P DJ Indices compete domestically and internationally on the basis of a number of factors, including the quality of its ratings, research and advisory services, client service, reputation, price, geographic scope, range of products and technological innovation. In addition to competition from traditional content and analytics providers, S&P Global faces competition from non-traditional providers such as exchanges, asset managers, investment banks and technology-led companies that add content and analytics capabilities to their core businesses. Moreover, some of the countries in which S&P Ratings competes, governments may provide financial or other support to locally-based rating agencies and may from time to time establish official credit rating agencies, credit ratings criteria or procedures for evaluating local issuers. Some of the company's major competitors include Moody's, Fitch Group, Bloomberg, and American Credit Acceptance, among others. Competitive pressure in the marketplace and the availability of information free of cost through some sources has the potential to erode the company's market share.

Regulatory changes across the Americas and Europe likely to increase compliance costs

The financial services industry is subject to the increasing regulation in the US and abroad. The businesses conducted by S&P Ratings are in certain cases regulated under the US Credit Rating Agency Reform Act of 2006, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the US Securities Exchange Act of 1934, and/or the laws of the states or other jurisdictions in which they conduct business. In the past, the US Congress, the Securities and Exchange Commission, the European Commission, through regulators including the International Organization of Securities Commissions and the European Securities and Markets Authority, have been reviewing the role of rating agencies and the need for regulations concerning the issuance of credit ratings or the activities of credit rating agencies. Moreover, local, national and multinational bodies have considered and adopted other legislation and regulations relating to credit rating agencies from time to time. Other laws, regulations and rules relating to credit rating agencies are being considered by local, national, foreign and multinational bodies, including provisions seeking to reduce regulatory and investor reliance on credit ratings, rotation of credit rating agencies and liability standards applicable to credit rating agencies. Furthermore, the European Union Benchmark Regulation, will require S&P DJ Indices in due course to obtain registration or authorization in connection with its benchmark activities in Europe. This legislation will likely cause additional operating obligations once implemented. The adoption of any such laws, regulations or rules may increase the costs and legal risks relating to S&P Rating's rating activities.