MSCI Inc. (MSCI)

Updated January 30th, 2025 by Quinn Mohammed

Key Metrics

Current Price:	$595	**5 Year CAGR Estimate:**	11.2%	**Market Cap:**	$49 B
Fair Value Price:	$544	**5 Year Growth Estimate:**	12.0%	**Ex-Dividend Date:**	02/14/2025
% Fair Value:	109%	**5 Year Valuation Multiple Estimate:**	-1.8%	**Payment Date:**	02/28/2025
Dividend Yield:	1.2%	**5 Year Price Target**	$959	**Years of Dividend Growth:**	10
Dividend Risk Score:	B	**Retirement Suitability Score:**	D	**Rating:**	Buy

Overview & Current Events

MSCI Inc. (MSCI), short for Morgan Stanley Capital International, is a global financial information and data solutions provider for the investment community. The company is split into four segments: Index, Analytics, ESG and Climate, and All Other – Private Assets. Virtually all (97%) of the company's revenue are recurring. Furthermore, it operates globally, with 46% of its most recent quarterly subscription run rate earned in the Americas, 38% in Europe, Middle East, and Africa (EMEA), and the remaining 16% in Asia–Pacific (APAC). MSCI was spun off from morgan Stanley in 2007. It is headquartered in New York, New York, and trades on the NYSE. MSCI is well known for its stock indexes, such as the MSCI Emerging Market Index, MSCI Frontier Markets Index, and MSCI All Country World Index. It serves nearly 7,000 clients in more than 95 countries.

On January 29th, 2025, the company announced a 13% increase to the dividend to $1.80 per share quarterly, which marked the 11th consecutive annual dividend increase.

MSCI reported fourth quarter 2024 results on January 29th, 2025, for the period ending December 31st, 2024. For the quarter, operating revenue grew 7.7% to $744 million. MSCI saw revenues improve across all its segments, with Index, Analytics, ESG and Climate, and All Other – Private Assets rising 8%, 5%, 12%, and 7%, respectively. The company produced adjusted EPS of $4.18 per share, a 14% improvement over the prior-year quarter.

For 2025, MSCI forecasts net cash provided by operating activities to be $1,525 million to $1,575 million and free cash flow of $1,400 million to $1,460 million.

Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
EPS	$2.03	$2.70	$3.31	$5.66	$6.59	$7.12	$8.86	$10.72	$14.39	$14.05	***$17.00***	***$29.96***
DPS	$0.80	$1.00	$1.32	$1.92	$2.52	$2.92	$3.64	$4.58	$5.52	$6.40	***$7.20***	***$12.69***
Shares[1]	109.9	96.5	91.9	89.7	85.5	84.5	83.5	81.2	79.8	77.7	***76.0***	***70.0***

MSCI has produced tremendous growth since it was spun off from Morgan Stanley. More recently, it has generated a 5- and 9-year EPS CAGR of 16.3% and 24.0%, respectively.

MSCI's industry is being reshaped by secular trends, including portfolio indexation and customization, private assets growth, and the global sustainability revolution. MSCI expects to benefit from these developments through its long-term growth strategy, which includes acquisitions. Due primarily to recent acquisitions, MSCI's headcount grew 6% in the last one year, up to 6,132 employees. Furthermore, 69% of its workforce is located in emerging markets, with the remaining 31% in developed markets.

The company implements its triple-crown framework to determine its capital deployment strategy and aims to generate low double digit revenue growth over the long-term, and achieve an adjusted EBITDA margin percentage in the high 50s.

Share repurchases are also likely to contribute to the bottom line. In fact, MSCI has repurchased $6 billion of its own stock since 2012. It also recently (October 28th, 2024) authorized an additional $1.5 billion share repurchase program.

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[1] In millions

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Going forward, growth becomes more difficult as the company becomes larger, but we believe MSCI still has a long runway of double-digit EPS growth. We expect that MSCI could increase its EPS by 12% annually through 2030.

Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	35.2	29.2	38.1	26.4	39.2	62.7	70.4	43.4	39.3	39.2	***35.0***	***32.0***
Avg. Yld.	1.1%	1.3%	1.0%	1.3%	1.0%	0.7%	0.6%	1.0%	1.0%	1.1%	***1.2%***	***1.3%***

MSCI has traded at a high multiple in its recent past. Over the last ten and five years, MSCI has averaged a PE ratio of 42.3 and 51.0, respectively. This is a high valuation, thus MSCI can be regarded as an expensive stock. However, MSCI has produced an impressive EPS growth track record, which is likely to moderate somewhat going forward. Currently, MSCI's PE ratio of 35.0 is above our fair value estimate of 32.0. The dividend is likely to grow at a strong rate, but the stock price is expected to keep up with this, resulting in a dividend yield of ~1.3%.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	39%	37%	40%	34%	38%	41%	41%	43%	38%	46%	***42%***	***42%***

MSCI's primary competitive advantage is its research and reputation in the investment community. It boasts an in-house team comprising of over 150 researchers who innovate and differentiate its product offerings and risk models. Its MSCI indexes have become the leaders in benchmarking for many different markets.

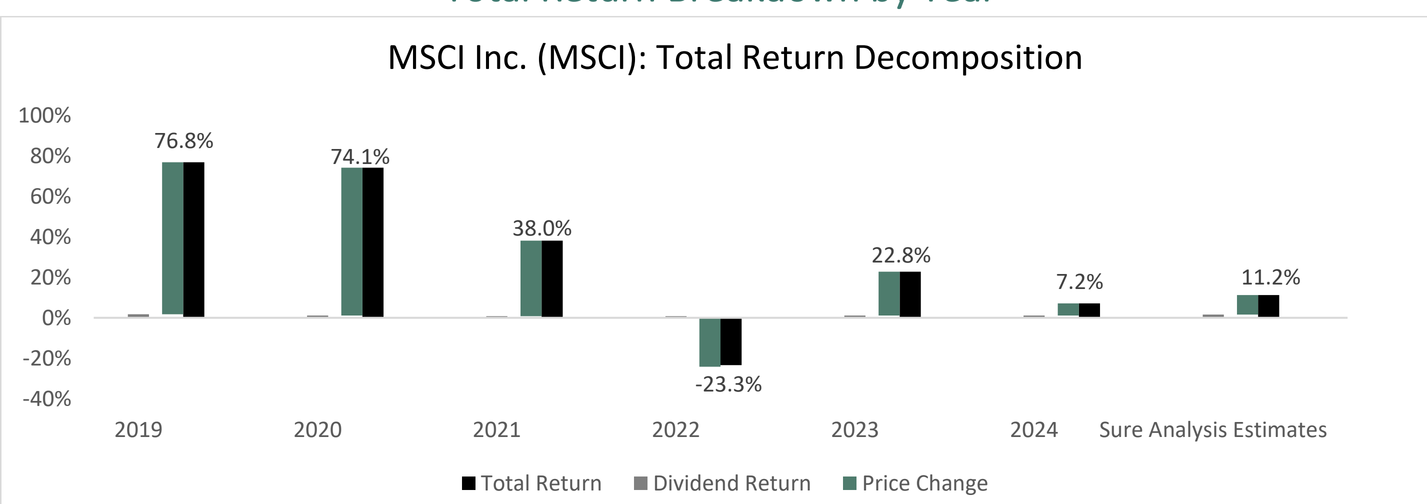
MSCI aims to maintain a total debt to adjusted EBITDA ratio of 3.0X to 3.5X. As of December 31st, 2024, the company had total debt of $4.5 billion and a leverage ratio of 2.6X, below its target. Furthermore, MSCI has no debt maturing until 2029. The company has received a Baa3 credit rating from Moody's, and BBB- from S&P and Fitch.

MSCI's business has downside protection, as nearly all of its revenue is derived from subscriptions, which its clients must continuously pay. For many of these businesses, MSCI's products are key to success. The pandemic did not pose a negative impact to the business, and the company continued earning record profits during that time.

Final Thoughts & Recommendation

We are forecasting total annual returns for MSCI of 11.2%, stemming from 12% EPS growth, and the 1.2% dividend yield, partly offset by -1.8% PE multiple compression. MSCI has produced incredible returns over the last decade, and the stock appears overvalued currently. Nevertheless, strong total returns has us reiterating MSCI as a buy.

Total Return Breakdown by Year



Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,075	1,151	1,274	1,434	1,558	1,695	2,044	2,249	2,529	2856
Gross Profit	807	899	1,000	1,147	1,263	1,404	1,685	1,844	2,082	2342
D&A Exp.	78	81	80	86	102	111	134	142	159	206
Operating Profit	404	488	580	687	756	885	1,089	1,208	1,385	1529
Op. Margin	37.6%	42.4%	45.5%	47.9%	48.5%	52.2%	53.3%	53.7%	54.8%	53.5%
Net Profit	224	261	304	508	564	602	726	871	1,149	1109
Net Margin	20.8%	22.7%	23.9%	35.4%	36.2%	35.5%	35.5%	38.7%	45.4%	38.8%
Free Cash Flow	272	400	355	564	656	760	883	1,022	1,145	1387
Income Tax	120	125	163	122	40	84	132	173	220	247

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	3,147	3,083	3,276	3,388	4,204	4,199	5,507	4,998	5,518	5445
Cash & Equivalents	778	792	890	904	1,507	1,301	1,421	993	458	406
Acc. Receivable	208	222	328	473	499	559	665	663	840	821
Goodwill & Int.	1,957	1,903	1,882	1,827	1,824	1,801	2,830	2,788	3,844	3823
Total Liabilities	2,246	2,765	2,875	3,554	4,281	4,642	5,670	6,005	6,258	6385
Accounts Payable	3	1	2	4	6	14	13	15	10	
Long-Term Debt	1,579	2,075	2,078	2,576	3,072	3,367	4,161	4,512	4,508	4511
Total Equity	901	318	401	(166)	(77)	(443)	(163)	(1,008)	(740)	(940)
LTD/E Ratio	1.75	6.53	5.18	(15.47)	(40.04)	(7.60)	(25.46)	(4.48)	(6.09)	(4.80)

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	7.4%	8.4%	9.6%	15.2%	14.8%	14.3%	15.0%	16.6%	21.8%	20.2%
Return on Equity	19.2%	42.8%	84.6%	433%						
ROIC	9.5%	10.7%	12.5%	20.8%	20.9%	20.3%	21.0%	23.2%	31.6%	30.2%
Shares Out.	109.9	96.5	91.9	89.7	85.5	84.5	83.5	81.2	79.8	79.0
Revenue/Share	9.78	11.92	13.86	15.99	18.21	20.06	24.48	27.69	31.67	36.17
FCF/Share	2.48	4.14	3.87	6.29	7.67	8.99	10.58	12.59	14.34	17.56

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.