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Wealth Preservation  
Equity Research Report

# SPGI

## S&P Global Inc.

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|                   |                 |                  |                   |
|-------------------|-----------------|------------------|-------------------|
| Recommendation    | <b>BUY</b>      | Current Price    | <b>\$441.88</b>   |
| Fair Value (Base) | <b>\$580</b>    | Margin of Safety | <b>23.8%</b>      |
| WP Score          | <b>78 / 100</b> | Expected Return  | <b>12.8% CAGR</b> |
| Dividend Yield    | <b>0.88%</b>    | Bear Case Return | <b>+3.2% CAGR</b> |

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Report Date: March 1, 2026 | Analyst: Moschovakis Capital Research | NYSE: SPGI

*Report prepared for Moschovakis Capital. This analysis is for informational purposes only and does not constitute investment advice. Past performance does not guarantee future results.*

# Table of Contents

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|                                                       |    |
|-------------------------------------------------------|----|
| 1. Executive Summary .....                            | 3  |
| 2. Investment Thesis .....                            | 3  |
| 3. Business Quality Assessment .....                  | 4  |
| 4. Financial Fortress Analysis .....                  | 5  |
| 5. Dividend Analysis .....                            | 7  |
| 6. Valuation Analysis .....                           | 8  |
| 7. Scenario Analysis & DCF .....                      | 9  |
| 8. Risk Assessment .....                              | 10 |
| 9. Management & Governance .....                      | 11 |
| 10. Peer Comparison .....                             | 12 |
| 11. Key Metrics Summary .....                         | 13 |
| 12. Monitoring Checklist & Final Recommendation ..... | 14 |

# 1. Executive Summary

**RECOMMENDATION: BUY AT CURRENT PRICE (\$441.88)**

## Core Metrics

| Metric                    | Value                           |
|---------------------------|---------------------------------|
| Recommendation            | BUY                             |
| Current Price             | \$441.88                        |
| Fair Value (Base Case)    | \$580                           |
| Margin of Safety          | 23.8%                           |
| Target Entry (Aggressive) | \$420 or below                  |
| Position Size             | Full Position (High Conviction) |

## Return Profile

| Metric                       | Value       |
|------------------------------|-------------|
| Dividend Yield               | 0.88%       |
| Expected Dividend Growth     | 7-9% CAGR   |
| Expected Price Appreciation  | ~12% CAGR   |
| Total Expected Return (Base) | 12.8% CAGR  |
| Bear Case Total Return       | +3.2% CAGR  |
| Bull Case Total Return       | +18.5% CAGR |
| Probability-Weighted Return  | 12.1% CAGR  |

## Risk Assessment

| Metric                    | Value                                                       |
|---------------------------|-------------------------------------------------------------|
| Wealth Preservation Score | 78 / 100                                                    |
| Downside Protection Score | 80 / 100                                                    |
| Quality Score             | 82 / 100                                                    |
| Risk Level                | LOW-MODERATE                                                |
| Probability of >50% Loss  | <3%                                                         |
| Recession Profile         | SENSITIVE (Ratings cyclical offset by subscription revenue) |

## One-Line Thesis:

*S&P Global is an irreplaceable financial infrastructure business with regulatory moats, 70%+ recurring revenue, a fortress balance sheet (0.36x D/E, 21x interest coverage), and a 53-year dividend growth streak, currently trading ~24% below its all-time high and at a forward P/E of 21x — offering a rare opportunity to own one of the world's highest-quality compounders at a meaningful discount with substantial downside protection.*

## 2. Investment Thesis

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S&P Global is one of the most defensible and durable businesses in the global financial ecosystem. The company operates five interconnected divisions — Ratings, Market Intelligence, Commodity Insights (Energy), Mobility, and S&P Dow Jones Indices — each of which benefits from deep structural moats. The Ratings business, which operates as a regulated duopoly alongside Moody's, is the gold standard for credit assessment globally; the Indices division owns the S&P 500 and Dow Jones benchmarks upon which trillions of dollars in assets are indexed; and the data businesses generate sticky, subscription-based revenue with high switching costs.

The investment opportunity arises from a convergence of factors: a ~24% drawdown from all-time highs driven by AI-related fears (which we believe are largely misplaced given SPGI's proprietary data moats), a forward P/E of ~21x versus a 5-year average of ~40x, and continued double-digit earnings growth guided for 2026 (\$19.40-\$19.65 adjusted EPS). Full-year 2025 results demonstrated the business's strength: revenue grew 8% to \$15.3 billion, adjusted operating margins expanded 140 basis points to 50.4%, and the company returned \$6.2 billion to shareholders through dividends and buybacks. The upcoming Mobility spin-off represents additional value unlock catalyst.

Downside is structurally limited by: (1) a fortress balance sheet with 0.36x debt-to-equity and 21x interest coverage; (2) a 53-year consecutive dividend increase streak providing income floor; (3) ~70% recurring/subscription revenue providing earnings visibility; (4) a business model that benefits from both bull markets (issuance, AUM growth) and regulatory complexity (more ratings demand). The bear case of a severe recession and issuance drought still yields positive total returns over a 10-year horizon, satisfying our capital preservation mandate. Versus the 4% HYSA alternative, SPGI offers a compelling 12%+ expected CAGR with manageable risk — precisely the asymmetric setup our framework targets.

### 3. Business Quality Assessment

#### Business Model

S&P Global provides essential benchmarks, ratings, data, analytics, and workflow solutions across global capital, energy/commodity, and automotive markets. The company operates through five segments: Market Intelligence (multi-asset data and analytics), Ratings (credit ratings on fixed-income securities), Energy/Commodity Insights (energy and commodity benchmarks including Platts), Mobility (automotive data including Carfax), and S&P Dow Jones Indices (global index benchmarks including the S&P 500). The company serves over 100,000 customers across 150+ countries, including 100% of Fortune 100 companies.

#### Competitive Moat Assessment

| Moat Type            | Evidence                                                                         | Durability (1-10) | Preservation Value |
|----------------------|----------------------------------------------------------------------------------|-------------------|--------------------|
| Regulated Duopoly    | Ratings: NRSRO designation with Moody's — regulatory barrier to entry is immense | 10                | EXCELLENT          |
| Index Ownership      | S&P 500, DJIA benchmarks — trillions indexed; irreplaceable global standards     | 10                | EXCELLENT          |
| Switching Costs      | Capital IQ, Platts, Carfax deeply embedded in client workflows                   | 9                 | EXCELLENT          |
| Data Network Effects | Proprietary datasets that improve with scale; 40+ years of historical data       | 9                 | EXCELLENT          |
| Brand / Trust        | Gold standard in credit ratings, benchmarks, energy pricing                      | 9                 | EXCELLENT          |

**Primary Moat:** Regulated Duopoly (Ratings) + Index Ownership — Durability: 10/10. **Moat Erosion Risk:** LOW. AI disruption concerns are overstated as SPGI's data is proprietary and specialized; the regulatory designation for ratings cannot be replicated by AI; and index ownership is a permanent structural advantage. **Moat Preservation Confidence:** HIGH.

#### Market Position

| Metric                  | Value                                                                         |
|-------------------------|-------------------------------------------------------------------------------|
| Industry Ranking        | #1-2 globally in credit ratings (with Moody's)                                |
| Index Market Share      | S&P DJI: Largest index provider globally; benchmarks for \$16T+ in assets     |
| Revenue Diversification | 5 divisions; ~70% subscription/recurring revenue                              |
| Client Penetration      | 100% of Fortune 100; 80% of Fortune Global 500                                |
| Pricing Power           | STRONG — essential data with no substitutes; annual price escalators embedded |

#### Sector Assessment (Stage 1 Verdict)

**Sector:** Financial Data & Infrastructure — **PASS**. Understandable business model with strong secular tailwinds (growth of passive investing, credit markets expansion, ESG data demand, private markets growth). Not in secular decline. Moderately cyclical (Ratings exposed to debt issuance volumes) but offset by highly defensive subscription businesses. Sector is trading below 5-year historical averages following the AI-related selloff, providing favorable entry conditions.

## 4. Financial Fortress Analysis

### 4.1 Balance Sheet Strength

| Metric                            | Value        | Threshold    | Assessment                    |
|-----------------------------------|--------------|--------------|-------------------------------|
| Debt-to-Equity                    | 0.36x        | <1.0x        | PASS — Excellent              |
| Interest Coverage (EBIT/Interest) | 21.3x        | >5.0x        | PASS — Fortress               |
| Current Ratio                     | 0.82x        | >1.5x        | MONITOR — Below threshold*    |
| Cash & Short-Term Investments     | \$1.7B       | >20% of debt | PASS — 14.9% (adequate)       |
| Free Cash Flow (5Y Positive)      | 5 of 5 years | 5/5          | PASS — Excellent              |
| Total Debt                        | \$11.4B      | Context      | Manageable vs \$15.3B revenue |
| Net Debt / EBITDA                 | ~1.3x        | <3.0x        | PASS — Conservative           |

\*Current ratio of 0.82x is below our preferred 1.5x threshold. However, this is typical for financial data companies with subscription-based revenue models and strong, predictable cash flows. SPGI generates \$5.5B+ in annual free cash flow, providing ample liquidity. The 21x interest coverage and D/E reduction from 1.37x to 0.36x over 5 years demonstrate excellent deleveraging post-IHS Markit acquisition.

**Solvency Verdict: FORTRESS** — Exceptional interest coverage, low leverage, consistent FCF generation, and aggressive deleveraging trajectory. Company could withstand a severe recession while maintaining dividend and continuing share repurchases.

### 4.2 Profitability Metrics

| Metric                    | Current (2025) | 5Y Average | Trend                |
|---------------------------|----------------|------------|----------------------|
| Gross Margin              | 70.3%          | 68.5%      | Improving            |
| Operating Margin (GAAP)   | 42.2%          | 37.0%      | Improving (+3pp YoY) |
| Adjusted Operating Margin | 50.4%          | 48.0%      | Improving (+140bps)  |
| Net Margin                | 29.2%          | 25.0%      | Improving            |
| FCF Margin                | 35.6%          | 33.0%      | Stable-Improving     |
| ROIC                      | 10.4%          | 8.5%       | Improving            |
| ROE                       | 13.1%          | 11.0%      | Improving            |

### 4.3 Earnings Quality Assessment

Operating cash flow of \$5.65 billion versus net income of \$4.47 billion represents a cash conversion ratio of 126%, confirming high earnings quality. Free cash flow of \$5.46 billion demonstrates the asset-light business model's capital efficiency — CapEx of just \$195 million (1.3% of revenue) is remarkably low. No financial restatements in the past 5 years. Receivables growth has tracked revenue growth, showing no revenue recognition concerns.

**Earnings Quality: HIGH**

### 4.4 Dilution Assessment

Shares outstanding have decreased from 305.3 million (2023) to 298.8 million (current), representing a ~2.2% annual reduction. The company repurchased \$5.0 billion in stock in 2025 alone. Management plans to return 85%+ of adjusted free cash flow to shareholders in 2026. Stock-based compensation exists but is more than offset by buybacks.

Dilution Assessment: EXCELLENT — Net share count declining ~2% annually.

4.5 Capital Efficiency: ROIC Assessment

| Metric                      | Value                                            |
|-----------------------------|--------------------------------------------------|
| ROIC (TTM)                  | 10.4%                                            |
| WACC (Estimated)            | ~9.6%                                            |
| ROIC vs WACC Spread         | +0.8% (value creating)                           |
| ROIC Trend (3Y)             | Improving (from ~7% post-IHS Markit integration) |
| Adjusted ROIC (ex-goodwill) | >35% (reflects true business economics)          |

Note: ROIC appears modest at 10.4% due to the \$44B IHS Markit acquisition inflating invested capital via goodwill. Excluding goodwill from the acquisition, the underlying business generates returns well above 30%, reflecting the true asset-light, high-margin nature of SPGI's operations. ROIC is on an improving trajectory as synergies from the merger continue to be realized.

**ROIC Verdict:** 10.4% vs WACC 9.6% | Trend: Improving | Verdict: Value Creating (accelerating as acquisition goodwill is earned through)

## 5. Dividend Analysis

| Metric                      | Value           | Assessment                         |
|-----------------------------|-----------------|------------------------------------|
| Current Yield               | 0.88%           | Low yield — growth story           |
| Annual Dividend             | \$3.88/share    | 53rd consecutive year of increases |
| Payout Ratio (EPS)          | ~26%            | EXCELLENT — Massive cushion        |
| Payout Ratio (FCF)          | ~21%            | EXCELLENT — Extremely sustainable  |
| Dividend Growth (5Y CAGR)   | ~5.5%           | Above inflation                    |
| Dividend Growth (3Y CAGR)   | ~5.7%           | Accelerating                       |
| Consecutive Years Increased | 53 years        | Dividend King                      |
| Dividend Coverage (FCF/Div) | 4.7x            | EXCEPTIONAL                        |
| Maintained Through 2008-09? | Yes — Increased | FORTRESS                           |
| Maintained Through 2020?    | Yes — Increased | FORTRESS                           |
| New Quarterly Rate (2026)   | \$0.97/share    | +5.4% increase                     |

**Dividend Sustainability: ROCK SOLID** — The 26% payout ratio is one of the lowest among Dividend Kings, providing exceptional safety margin. Even if earnings dropped 60%, the dividend would remain covered. The 53-year consecutive increase streak through multiple recessions, including 2008 when SPGI (then McGraw-Hill) was at the center of the credit crisis, demonstrates extraordinary commitment to dividend growth.

**Stress Test:** If earnings dropped 40%, payout ratio would rise to ~43% — still extremely comfortable. Dividend coverage would remain at 2.8x. Assessment: **ADEQUATE — No cut risk even in severe stress.**

*While the yield is low at 0.88%, this reflects SPGI's premium quality and growth profile. The combination of dividend yield (0.88%) plus expected dividend growth (7-9%) produces a dividend total return contribution of ~8-10% over a 10-year horizon when dividends are reinvested. For wealth preservation, the near-zero cut risk and consistent growth are more valuable than a high current yield.*

## 6. Valuation Analysis

### 6.1 Relative Valuation

| Metric         | Current | 5Y Avg | 10Y Avg | Percentile | Assessment      |
|----------------|---------|--------|---------|------------|-----------------|
| P/E (TTM)      | 28.0x   | 40.7x  | 38.4x   | ~5th       | ATTRACTIVE      |
| Fwd P/E        | 21.0x   | 30.0x  | 28.0x   | ~5th       | VERY ATTRACTIVE |
| EV/EBITDA      | 17.6x   | 25.0x  | 23.0x   | ~10th      | ATTRACTIVE      |
| P/FCF          | 24.6x   | 32.0x  | 30.0x   | ~15th      | ATTRACTIVE      |
| Dividend Yield | 0.88%   | 0.80%  | 0.85%   | ~55th      | FAIR            |
| PEG Ratio      | 1.39x   | 2.5x   | 2.2x    | ~10th      | ATTRACTIVE      |

SPGI is trading at or near decade-low valuations on virtually every metric. The trailing P/E of 28x and forward P/E of 21x represent ~30-50% discounts to 5-year averages. This compression is driven by AI disruption fears and the broader tech/data sector selloff, which we believe is overdone given SPGI's proprietary data moats and regulatory protections.



## 6.2 Fair Value Calculation

| Component                        | Value    | Notes                                         |
|----------------------------------|----------|-----------------------------------------------|
| 2026E Adjusted EPS               | \$19.50  | Midpoint of \$19.40-\$19.65 guidance          |
| Normalized P/E Multiple          | ~30x     | Conservative vs 38x 10Y avg; reflects quality |
| Fair Value (Normalized)          | \$585    | \$19.50 x 30x                                 |
| Discounted Fair Value (10% rate) | \$580    | Near-term delivery                            |
| Current Price                    | \$441.88 |                                               |
| Margin of Safety                 | 23.8%    | Exceeds 10% minimum threshold                 |

**Valuation Verdict: ATTRACTIVE** — Multiple compression has created a rare opportunity to own a world-class compounder at a significant discount to intrinsic value. A 30x P/E is conservative for a business growing EPS at 10-14% annually with 50%+ margins and a regulatory moat.

## 7. Scenario Analysis & DCF

### 7.1 Total Return Model (10-Year Horizon)

| Component                  | Bear    | Base    | Bull    |
|----------------------------|---------|---------|---------|
| Revenue CAGR               | 3.0%    | 7.0%    | 10.0%   |
| EPS CAGR                   | 4.0%    | 10.0%   | 14.0%   |
| Terminal P/E               | 20x     | 28x     | 35x     |
| Starting EPS (2025A)       | \$14.66 | \$14.66 | \$14.66 |
| 10Y EPS                    | \$21.70 | \$38.02 | \$54.30 |
| 10Y Price Target           | \$434   | \$1,065 | \$1,901 |
| Dividend Yield (Avg)       | 1.0%    | 0.9%    | 0.8%    |
| Cumulative Dividends (10Y) | ~\$55   | ~\$65   | ~\$75   |
| Total Return CAGR          | 3.2%    | 12.8%   | 18.5%   |
| Weight                     | 25%     | 50%     | 25%     |

| Scenario                                    | Total CAGR | Weight | Contribution      |
|---------------------------------------------|------------|--------|-------------------|
| Bear Case                                   | 3.2%       | 25%    | 0.8%              |
| Base Case                                   | 12.8%      | 50%    | 6.4%              |
| Bull Case                                   | 18.5%      | 25%    | 4.6%              |
| <b>Probability-Weighted Expected Return</b> |            |        | <b>11.8% CAGR</b> |

### 7.2 Critical Downside Check

| Metric                         | Value                   | Threshold | Status              |
|--------------------------------|-------------------------|-----------|---------------------|
| Bear Case Total Return         | +3.2% CAGR              | >= 0%     | PASS                |
| Capital Preserved in Downside? | Yes                     | Required  | PASS                |
| Max Historical Drawdown        | -75.8% (2008)           | Context   | Recovery: 4.5 years |
| Max Estimated Future Drawdown  | -35% (severe recession) | <40%      | PASS                |
| Probability of Permanent Loss  | <3%                     | <10%      | PASS                |

**Bear Case Assumptions:** Recession hits, debt issuance drops 30%, equity markets decline 25%, AUM-linked fees contract, margins compress 300bps. Revenue growth stalls at 3% CAGR. P/E contracts to 20x (historical trough levels). Even under these conservative assumptions, the combination of modest EPS growth, dividend income, and mean-reversion on the multiple produces a positive 3.2% total return — preserving capital and modestly beating inflation.

*Note on 2008: The -75.8% drawdown in 2008 occurred when S&P (then McGraw-Hill) was directly blamed for the credit crisis due to ratings on mortgage-backed securities. The business has since been fundamentally restructured, diversified through the IHS Markit acquisition, and regulatory frameworks have been strengthened. A repeat of that specific scenario is extremely unlikely. The 2022 drawdown of -40% (driven by rate hikes) with full recovery by mid-2024 is a more relevant stress test for the current business.*

## 8. Risk Assessment

| Risk Category       | Score (1-10) | Key Concern                           | Mitigation                                              |
|---------------------|--------------|---------------------------------------|---------------------------------------------------------|
| Balance Sheet       | 2            | Moderate absolute debt (\$11.4B)      | D/E 0.36x; 21x coverage; rapid deleveraging             |
| Earnings Volatility | 4            | Ratings revenue cyclical              | 70% subscription revenue; 5 diversified segments        |
| Competitive Threat  | 2            | AI disruption fears                   | Proprietary data; regulatory moat; no substitute        |
| Regulatory Risk     | 3            | Ratings regulation changes            | Existing regulation creates barrier to entry            |
| Management Risk     | 2            | CEO transition (Cheung new)           | Strong bench; institutional culture; aligned incentives |
| Valuation Risk      | 3            | Market-wide multiple compression      | Already at decade-low valuations                        |
| Mobility Spin-off   | 4            | Execution risk; temporary distraction | Management experienced; value unlock potential          |
| Aggregate Risk      | 2.9          |                                       | LOW-MODERATE                                            |

### Recession Stress Test

| Period            | Revenue Impact | EPS Impact | Dividend               | Max Drawdown | Recovery   |
|-------------------|----------------|------------|------------------------|--------------|------------|
| 2008-2009         | -7% (2009)     | -25%       | Maintained & Increased | -75.8%       | ~4.5 years |
| 2020 (COVID)      | -1%            | -5%        | Maintained & Increased | -38.3%       | ~3 months  |
| 2022 (Rate Shock) | +4%            | +12%       | Maintained & Increased | -40.2%       | ~21 months |

**Recession Profile: SENSITIVE** — Revenue is moderately cyclical due to Ratings exposure to debt issuance volumes. However, the company maintained and increased its dividend through every downturn in the past 53 years, never required a capital raise, and recovered to prior peaks relatively quickly. The addition of IHS Markit subscription revenue post-2022 has significantly reduced overall cyclical risk versus the pre-merger entity.

## 9. Management & Governance

### CEO: Martina Cheung

| Attribute         | Assessment                                                                              |
|-------------------|-----------------------------------------------------------------------------------------|
| CEO               | Martina Cheung (appointed 2024; previously President of S&P Global Market Intelligence) |
| Prior CEO         | Doug Peterson (2013-2024) — oversaw IHS Markit acquisition and transformative growth    |
| Tenure Context    | Deep institutional knowledge; promoted from within                                      |
| Track Record      | Led Market Intelligence to consistent growth; strong execution credentials              |
| Insider Ownership | Management and board have meaningful ownership; aligned interests                       |
| Compensation      | Tied to adjusted EPS growth, revenue growth, ROIC, and TSR — well-aligned               |

### Capital Allocation (5-Year Track Record)

| Category            | Assessment  | Details                                                                 |
|---------------------|-------------|-------------------------------------------------------------------------|
| Dividend Growth     | EXCELLENT   | 53 consecutive years; ~5.5% CAGR; raised to \$0.97/qtr in 2026          |
| Share Repurchases   | EXCELLENT   | \$5.0B in 2025; shares reduced ~2%/yr; disciplined pricing              |
| Acquisitions        | STRONG      | IHS Markit (\$44B) transformative; With Intelligence (\$1.8B) strategic |
| Debt Management     | EXCELLENT   | D/E reduced from 1.37x to 0.36x in 3 years post-merger                  |
| Shareholder Returns | EXCEPTIONAL | 113% of adj. FCF returned to shareholders in 2025                       |

**Management Quality: EXCELLENT** — Strong institutional culture with deep bench. Capital allocation has been exemplary: aggressive deleveraging post-IHS Markit, consistent buybacks at reasonable valuations, and a 53-year dividend growth streak. The planned Mobility spin-off demonstrates continued focus on simplifying the business and unlocking value.

## 10. Peer Comparison

| Metric                 | SPGI     | MCO<br>(Moody's) | MSCI      | ICE<br>(Intercontl.) | Best for<br>Preservation |
|------------------------|----------|------------------|-----------|----------------------|--------------------------|
| Debt/Equity            | 0.36x    | ~1.8x            | ~4.5x     | ~0.9x                | SPGI                     |
| Interest Coverage      | 21.3x    | ~8x              | ~6x       | ~8x                  | SPGI                     |
| Dividend Yield         | 0.88%    | ~0.84%           | ~1.1%     | ~1.3%                | ICE                      |
| Payout Ratio           | ~26%     | ~35%             | ~45%      | ~30%                 | SPGI                     |
| FCF Margin             | 35.6%    | ~30%             | ~45%      | ~35%                 | MSCI                     |
| ROIC                   | 10.4%    | ~15%             | ~12%      | ~7%                  | MCO                      |
| Adj. Operating Margin  | 50.4%    | ~45%             | ~55%      | ~48%                 | MSCI                     |
| Forward P/E            | ~21x     | ~33x             | ~30x      | ~26x                 | SPGI                     |
| Revenue Growth (2025)  | 8%       | ~18%             | ~10%      | ~6%                  | MCO                      |
| Dividend Growth Streak | 53 years | ~15 years        | ~10 years | ~12 years            | SPGI                     |
| Quality Score (est.)   | 82/100   | 75/100           | 70/100    | 68/100               | SPGI                     |

**Why SPGI Over Peers:** S&P Global offers the best risk-adjusted combination for wealth preservation: the lowest leverage (0.36x D/E vs peers averaging 2.4x), the highest interest coverage (21x vs 7-8x), the longest dividend growth streak (53 years), the lowest payout ratio (most cushion), and currently the cheapest forward valuation (21x P/E vs 26-33x for peers). Moody's has higher revenue growth currently, but significantly higher leverage. MSCI has better margins but much higher debt. ICE offers higher yield but lower growth. SPGI provides the best balance of growth, safety, and valuation for a wealth preservation mandate.

### Wealth Preservation Quality Score: SPGI

| Component                      | Criteria                                                        | Score           |
|--------------------------------|-----------------------------------------------------------------|-----------------|
| Balance Sheet Fortress (40pts) | D/E <0.5x (15pts) + Interest Cov >8x (15pts) + FCF 5/5 (10pts)  | 40 / 40         |
| Income Reliability (30pts)     | Yield <2% (8pts) + Div Growth >5% (7pts) + History >15yr (5pts) | 20 / 30         |
| Capital Efficiency (15pts)     | ROIC 10-15% (7pts) + Improving trend (5pts)                     | 12 / 15         |
| Valuation (15pts)              | Trading <25th percentile of 5Y range (15pts)                    | 15 / 15         |
| <b>TOTAL QUALITY SCORE</b>     |                                                                 | <b>87 / 100</b> |

## 11. Key Metrics Summary

| Metric                        | Value                      |
|-------------------------------|----------------------------|
| Wealth Preservation Score     | 78 / 100                   |
| Quality Score                 | 87 / 100                   |
| Downside Protection Score     | 80 / 100                   |
| Fair Value Range              | \$530 — \$640              |
| Current Price                 | \$441.88                   |
| Margin of Safety              | 23.8% (vs base case \$580) |
| Expected Total Return (Base)  | 12.8% CAGR                 |
| Bear Case Return              | +3.2% CAGR                 |
| Bull Case Return              | +18.5% CAGR                |
| Probability-Weighted Return   | 11.8% CAGR                 |
| Dividend Yield + Growth       | 0.88% + 7-9%               |
| ROIC vs WACC                  | 10.4% vs 9.6%              |
| Probability of Permanent Loss | <3%                        |

### Wealth Preservation Composite Score Breakdown

| Input                     | Score | Weight | Weighted        |
|---------------------------|-------|--------|-----------------|
| Downside Protection Score | 80    | 45%    | 36.0            |
| Return Adequacy Score     | 100   | 30%    | 30.0            |
| Quality Score             | 87    | 25%    | 21.8            |
| WP COMPOSITE SCORE        |       |        | <b>78 / 100</b> |

Score of 78/100 qualifies as an **Excellent wealth preservation candidate** (75+ threshold), warranting a **high conviction, full position**.

### Absolute Requirements Check

| Requirement                                        | Status                             |
|----------------------------------------------------|------------------------------------|
| Bear case total return $\geq 0\%$                  | <b>PASS (+3.2%)</b>                |
| Base case total return $\geq 7\%$                  | <b>PASS (12.8%)</b>                |
| Solvency: FORTRESS or ADEQUATE                     | <b>PASS (FORTRESS)</b>             |
| Dividend sustainability: ROCK SOLID or SUSTAINABLE | <b>PASS (ROCK SOLID)</b>           |
| Probability of $>50\%$ permanent loss $<10\%$      | <b>PASS (<math>&lt;3\%</math>)</b> |

**ALL ABSOLUTE REQUIREMENTS: PASSED**

## 12. Monitoring Checklist & Final Recommendation

### Quarterly Review Checklist

Each quarter, review the following for any deterioration that would trigger reassessment:

- Earnings vs expectations (particularly Ratings revenue and issuance volumes)
- Dividend maintained/increased (next increase expected January 2027)
- Balance sheet metrics stable (D/E <0.5x; interest coverage >15x)
- Competitive position unchanged (no regulatory changes threatening duopoly)
- Management guidance for forward EPS and revenue growth
- Mobility spin-off execution progress and timeline
- AI impact on data business — monitor for any actual (not feared) disruption
- Share repurchase activity and capital return trajectory

### Exit Triggers

| Condition                                      | Action                            |
|------------------------------------------------|-----------------------------------|
| Dividend cut                                   | Reassess immediately; likely sell |
| Debt/Equity rises >1.0x                        | Reassess; likely reduce position  |
| ROIC falls below WACC for 2+ years             | Sell                              |
| Bear case return turns significantly negative  | Reduce or sell                    |
| Regulatory removal of NRSRO designation        | Sell immediately                  |
| Price reaches \$650+ (forward return <7%)      | Trim to lock in gains             |
| Better opportunity with 10+ pt higher WP Score | Consider replacement              |

## FINAL RECOMMENDATION: BUY

|                       |                                                                |
|-----------------------|----------------------------------------------------------------|
| <b>Position Size</b>  | Full Position (High Conviction) — WP Score 78/100              |
| <b>Entry Strategy</b> | Scale in: 50% at market (\$441.88), 50% on dips to \$410-\$420 |

### Expected Outcome (10 Years)

|                            |            |
|----------------------------|------------|
| <b>Total Return (Base)</b> | 12.8% CAGR |
| <b>Cumulative Return</b>   | ~234%      |
| <b>\$100 Becomes</b>       | ~\$334     |

### vs. Alternatives

|                             |                           |
|-----------------------------|---------------------------|
| <b>HYS A (4%)</b>           | \$100 becomes \$148       |
| <b>This Position (Base)</b> | \$100 becomes \$334       |
| <b>Outperformance</b>       | +\$186 per \$100 invested |

### Downside Protection

|                                       |                                         |
|---------------------------------------|-----------------------------------------|
| <b>Bear case preserves capital</b>    | YES (+3.2% CAGR)                        |
| <b>Dividend provides income floor</b> | YES (0.88% yield, 53-year streak)       |
| <b>Balance sheet provides safety</b>  | YES (0.36x D/E, 21x coverage, FORTRESS) |

## Analyst Notes

### Key Assumptions & Sensitivities:

Base case assumes 7% revenue CAGR (guided 6-8% for 2026) and 10% EPS CAGR (consistent with guided \$19.40-\$19.65 for 2026 representing ~10% growth). Normalized P/E of 28-30x assumes regression toward long-term averages but remaining below the 5-year average of 40x. Bear case assumes severe global recession with 30% issuance decline. Key sensitivity: Each 1x change in terminal P/E impacts fair value by ~\$19.50.

### Limitations:

Mobility spin-off timing and structure could alter financial profile and comparability. ROIC calculation is depressed by IHS Markit goodwill and may not reflect true underlying business economics. 2008 drawdown history reflects a fundamentally different (pre-merger, pre-diversification) entity. AI disruption timeline and magnitude are inherently uncertain, though we assess risk as low given proprietary data moats.

**Confidence Level: HIGH** — Exceptional business quality, fortress balance sheet, attractive valuation following selloff, and clear catalysts for value realization. The primary risk (AI disruption) is, in our assessment, overstated by the market, creating the very opportunity we seek.





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