

MSCI Inc.
Form 10-Q
July 02, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the quarterly period ended May 31, 2010

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 001-33812

MSCI INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of Incorporation)

13-4038723
(I.R.S. Employer Identification Number)

Wall Street Plaza, 88 Pine Street
New York, NY
(Address of Principal Executive Offices)

10005
(Zip Code)

Registrant's telephone number, including area code: (212) 804-3900

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes
No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
x

(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 29, 2010, there were 117,796,084 shares of the Registrant's class A common stock, \$0.01 par value, outstanding and no shares of Registrant's class B common stock, \$0.01 par value, outstanding.

MSCI INC.
FORM 10-Q

FOR THE QUARTER ENDED MAY 31, 2010

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AVAILABLE INFORMATION

MSCI Inc. files annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (the "SEC"). You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, NE, Washington, DC 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains an internet site that contains annual, quarterly and current reports, proxy and information statements and other information that issuers (including MSCI Inc.) file electronically with the SEC. MSCI Inc.'s electronic SEC filings are available to the public at the SEC's internet site, www.sec.gov.

MSCI Inc.'s internet site is www.msccbarra.com. You can access MSCI Inc.'s Investor Relations webpage at www.msccbarra.com/about/ir. MSCI Inc. makes available free of charge, on or through its Investor Relations webpage, its proxy statements, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. MSCI Inc. also makes available, through its Investor Relations webpage, via a link to the SEC's internet site, statements of beneficial ownership of MSCI Inc.'s equity securities filed by its directors, officers, 10% or greater shareholders and others under Section 16 of the Exchange Act.

MSCI Inc. has a Corporate Governance webpage. You can access information about MSCI Inc.'s corporate governance at www.msccbarra.com/about/company/governance. MSCI Inc. posts the following on its Corporate Governance webpage:

- Charters for our Audit Committee, Compensation Committee and Nominating and Governance Committee;
- Corporate Governance Policies; and
- Code of Ethics and Business Conduct.

MSCI Inc.'s Code of Ethics and Business Conduct applies to all directors, officers and employees, including its Chief Executive Officer and its Chief Financial Officer. MSCI Inc. will post any amendments to the Code of Ethics and Business Conduct and any waivers that are required to be disclosed by the rules of either the SEC or the New York Stock Exchange, Inc. ("NYSE") on its internet site. You can request a copy of these documents, excluding exhibits, at no cost, by contacting Investor Relations, Wall Street Plaza, 88 Pine Street, New York, NY 10005; (212) 804-1583. The information on MSCI Inc.'s internet site is not incorporated by reference into this report.

PART I

Item 1. Condensed Consolidated Financial Statements

MSCI INC.
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
 (in thousands, except share and per share data)

	As of	
	May 31,	November
	2010	30,
	2009	
	(unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 152,148	\$ 176,024
Short-term investments	61,399	295,304
Trade receivables (net of allowances of \$740 and \$847 as of May 31, 2010 and November 30, 2009, respectively)	92,530	77,180
Deferred taxes	23,334	24,577
Prepaid and other assets	32,975	29,399
Total current assets	362,386	602,484
Property, equipment and leasehold improvements (net of accumulated depreciation of \$30,256 and \$26,498 at May 31, 2010 and November 30, 2009, respectively)	25,387	29,381
Goodwill	441,623	441,623
Intangible assets (net of accumulated amortization of \$156,928 and \$148,589 at May 31, 2010 and November 30, 2009, respectively)	111,634	120,189
Other non-current assets	6,901	6,592
Total assets	\$ 947,931	\$ 1,200,269
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 534	\$ 1,878
Accrued compensation and related benefits	35,200	65,088
Other accrued liabilities	23,289	30,502
Current maturities of long term debt	8,245	42,088
Deferred revenue	181,906	152,944
Total current liabilities	249,174	292,500
Long term debt, net of current maturities	62,325	337,622
Deferred taxes	36,712	40,080
Other non-current liabilities	23,286	23,011
Total liabilities	371,497	693,213
Commitments and Contingencies (see Note 9)		
Shareholders' equity:		
Preferred stock (par value \$0.01; 100,000,000 shares authorized; no shares issued)	—	—
Common stock (par value \$0.01; 500,000,000 class A shares and 250,000,000 class B shares authorized; 105,701,071 and 105,391,919 class A shares issued and 105,019,494 and 104,781,404 class A shares outstanding at May 31, 2010 and November 30, 2009,	1,057	1,054

respectively; no class B shares issued and outstanding at May 31, 2010 and November 30, 2009, respectively)		
Treasury shares, at cost (681,577 and 610,515 shares at May 31, 2010 and November 30, 2009, respectively)	(21,618)	(19,168)
Additional paid in capital	465,384	448,747
Retained earnings	135,598	84,013
Accumulated other comprehensive loss	(3,987)	(7,590)
Total shareholders' equity	576,434	507,056
Total liabilities and shareholders' equity	\$947,931	\$1,200,269

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share data)

	Three Months Ended May 31,		Six Months Ended May 31,	
	2010 (unaudited)	2009 (unaudited)	2010 (unaudited)	2009 (unaudited)
Operating revenues	\$ 125,170	\$ 109,375	\$ 246,850	\$ 215,290
Cost of services	30,463	29,269	59,754	58,204
Selling, general and administrative	40,177	34,052	77,638	68,768
Amortization of intangible assets	4,277	6,428	8,555	12,857
Depreciation and amortization of property, equipment and leasehold improvements	3,556	2,972	6,949	6,023
Total operating expenses	78,473	72,721	152,896	145,852
Operating income	46,697	36,654	93,954	69,438
Interest income	(343)	(220)	(751)	(341)
Interest expense	8,991	4,904	13,427	10,542
Other expense (income)	98	(2)	(510)	880
Other expense (income), net	8,746	4,682	12,166	11,081
Income before provision for income taxes	37,951	31,972	81,788	58,357
Provision for income taxes	13,884	12,354	30,203	22,015
Net income	\$ 24,067	\$ 19,618	\$ 51,585	\$ 36,342
Earnings per basic common share	\$ 0.23	\$ 0.19	\$ 0.48	\$ 0.35
Earnings per diluted common share	\$ 0.22	\$ 0.19	\$ 0.48	\$ 0.35
Weighted average shares outstanding used in computing earnings per share				
Basic	105,345	100,359	105,290	100,324
Diluted	106,003	100,371	105,923	100,330

See Notes to Unaudited Condensed Consolidated Financial Statements

MSCI INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in thousands)

	Six Months Ended May 31,	
	2010	2009
	(unaudited)	
Cash flows from operating activities		
Net income	\$ 51,585	\$ 36,342
Adjustments to reconcile net income to net cash provided by operating activities:		
Share based compensation	10,486	16,714
Amortization of intangible assets	8,555	12,857
Depreciation of property, equipment and leasehold improvements	6,949	6,023
Amortization of debt origination fees	3,429	716
Foreign currency loss	50	616
Unpaid interest rate swap expense	700	—
Loss on sale or disposal of property, equipment and leasehold improvements, net	—	274
Excess tax benefits from share-based compensation	(1,463)	—
Provision for bad debts	322	376
Amortization of discount on U.S. Treasury securities	(548)	(144)
Amortization of discount on long-term debt	500	82
Deferred taxes	(4,583)	(10,950)
Changes in assets and liabilities:		