

RiskMetrics Group Inc
Form 425
March 01, 2010

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Subject Company:
RiskMetrics Group, Inc.
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The following slides were used in
connection with a webcast for
investors hosted by MSCI Inc. and
RiskMetrics Group, Inc. on March
1, 2010:

MSCI BARRA
[GRAPHIC OMITTED]

[GRAPHIC OMITTED]
RiskMetrics Group

March 1, 2010
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This presentation does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any vote or approval. MSCI will file with the Securities and Exchange Commission ("SEC") a registration statement on Form S-4 that will include a proxy statement of RiskMetrics that also constitutes a prospectus of MSCI. MSCI and RiskMetrics also plan to file other documents with the SEC regarding the proposed transaction. A definitive proxy statement/prospectus will be mailed to stockholders of RiskMetrics. INVESTORS AND SECURITY HOLDERS OF RISKMETRICS ARE URGED TO READ THE PROXY STATEMENT/PROSPECTUS AND OTHER DOCUMENTS THAT WILL BE FILED WITH THE SEC CAREFULLY AND IN THEIR ENTIRETY WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN

Investors and stockholders will be able to obtain free copies of the proxy statement/prospectus and other documents containing important information about MSCI and RiskMetrics, once such documents are filed with the SEC, through the website maintained by the SEC at <http://www.sec.gov>. Copies of the documents filed with the SEC by MSCI will be available free of charge on MSCI's internet website at www.msci.com or by contacting MSCI's Investor Relations Department at MSCI Inc., Attn: Investor Relations, 88 Pine Street, 2nd Floor, New York, NY 10005 (1-866-447-7874). Copies of the documents filed with the SEC by RiskMetrics will be available free of charge on RiskMetrics internet website at www.riskmetrics.com or by contacting RiskMetrics' Investor Relations Department at sarah.cohn@riskmetrics.com (1-212-354-4643).

MSCI, RiskMetrics, their respective directors and certain of their executive officers may be deemed to be participants in the solicitation of proxies from the stockholders of RiskMetrics in connection with the proposed transaction. Information about the directors and executive officers of RiskMetrics is set forth in its proxy statement for its 2009 annual meeting of stockholders, which was filed with the SEC on April 29, 2009. Information about the directors and executive officers of MSCI is set forth in its proxy statement for its 2010 annual meeting of stockholders, which was filed with the SEC on February 23, 2010. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained in the proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available.

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This presentation contains forward-looking statements. These statements relate to future events or to future financial performance and involve known and unknown risks, uncertainties and other factors that may cause MSCI's, RiskMetrics' and the combined company's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these terms or other comparable terminology. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors that are, in some cases, beyond MSCI's, RiskMetrics' and the combined company's control and that could materially affect actual results, levels of activity, performance, or achievements. Such risks, uncertainties and factors include, but are not limited to: the risk that a condition to closing of the proposed merger may not be satisfied; the risk that a regulatory approval that may be required for the proposed merger is not obtained or is obtained subject to conditions that are not anticipated; the failure to consummate or delay in consummating the proposed merger for other reasons; the combined company's ability to achieve the synergies and value creation contemplated by the proposed merger; the combined company's ability to promptly and effectively integrate the businesses of RiskMetrics and MSCI; and the diversion of management time on merger-related issues.

Other factors that could materially affect MSCI's, RiskMetrics' and the combined company's actual results, levels of activity, performance or achievements can be found in MSCI's Annual Report on Form 10-K for the fiscal year ended November 30, 2009 and filed with the SEC on January 29, 2010, in RiskMetrics' December 31, 2009 Annual Form 10-K which was filed with the SEC on February 24, 2010 and in their respective quarterly reports on Form 10-Q and current reports on Form 8-K. If any of these risks or uncertainties materialize, or if MSCI's or RiskMetrics' underlying assumptions prove to be incorrect, actual results may vary significantly from what MSCI or RiskMetrics projected. Any forward-looking statement in this release reflects MSCI's or RiskMetrics' current views with respect to future events and is subject to these and other risks, uncertainties and assumptions relating to MSCI's or RiskMetrics' operations, results of operations, growth strategy and liquidity. MSCI and RiskMetrics assume no obligation to publicly update or revise these forward-looking statements for any reason, whether as a result of new information, future events, or otherwise.

The information provided herein may include certain non-GAAP financial measures. The reconciliation of such measures to the comparable GAAP figures are included on page 16 of this presentation.

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The Preeminent Investment Decision Tools Company

MSCI BARRA

[GRAPHIC OMITTED]

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RiskMetrics Group

Industry Leader Creates preeminent provider of industry-standard tools for equity performance and portfolio and risk management across asset classes with combined revenues of \$746MM(1) and combined Adjusted EBITDA of \$314MM(2)

Comprehensive Combines highly complementary providers of risk management Risk Platform tools for asset owners, asset managers, hedge funds, and banks worldwide

Holistic Investment Tools Solution Enables seamless integration of portfolio and risk management functions across the investment process

Scalable Growth Platform Leverages combined data, analytics and software platform to accelerate growth and enhance profitability

Notes

1. Combined revenue figure reflects the sum of MSCI revenues for the fiscal year ending November 30, 2009 and RiskMetrics revenues for the fiscal year ending December 31, 2009
2. Combined Adjusted EBITDA figure reflects the sum of MSCI Adjusted EBITDA for the fiscal year ending November 30, 2009 and RiskMetrics Adjusted EBITDA for the fiscal year ending December 31, 2009. RiskMetrics Adjusted EBITDA includes all stock based compensation and one time expenses. Reconciliation of MSCI and RiskMetrics Adjusted EBITDA shown on page 16

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Significant Financial Benefits

- | | |
|-------------------|---|
| Enhanced Earnings | <input type="checkbox"/> Expected to be immediately accretive to cash earnings per share |
| Cost Synergies | <input type="checkbox"/> Estimated \$50MM of cost savings by 2012 from overlapping support functions, market data, office locations and administrative expenses |
| Revenue Synergies | <input type="checkbox"/> Potential revenue synergies through cross-selling across greatly expanded global client base |
| Capital Structure | <input type="checkbox"/> Strong combined free cash flow supports increased financial leverage
-- Capital structure rapidly delevers |
| Financial | <input type="checkbox"/> Greater scale, broader client base, enhanced growth profile and increased recurring revenue |

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A Powerful Combination...

MSCI BARRA				
[GRAPHIC OMITTED]				[GRAPHIC OMITTED] RiskMetrics Group
Complementary Products	o Equity performance indices			
	o Equity portfolio analytics			o Multi-asset class risk analytics
	o Multi-asset class risk analytics			o Corporate governance

Complementary Client Bases	Asset Owners	Asset Managers	Broker Dealers	Hedge Funds
			Mutual Funds	Banks

Powerful Brands	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]
		[GRAPHIC OMITTED]	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]

Enhanced Geographic Footprint	Revenues: \$443MM(1)		Revenues:\$303MM (1)	
	[GRAPHIC OMITTED]		[GRAPHIC OMITTED]	

Note

1. MSCI revenues for the twelve months ended November 30, 2009 and RiskMetrics revenues for the twelve months ended December 31, 2009

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.. . . With a Comprehensive Product Suite
 Complementary Front and Middle Office Diversified Platforms and Products

Equity	Fixed Income
Primarily Office Front	
Equity Indices <input type="checkbox"/> Benchmark indices to help measure performance and aid in portfolio construction and as the bases for investment products	Fixed Income Analytics <input type="checkbox"/> Fixed income risk models and software for portfolio construction and to measure risk and return
Equity Analytics <input type="checkbox"/> Equity risk models and software for portfolio construction and to measure risk and return	
ESG Data and Analytics <input type="checkbox"/> Environmental / socially responsible research and analytics	<input type="checkbox"/> Credit Analytics Portfolio credit exposure evaluation through services that include analytics, data and managed services
Multi-Asset Class	Other
	Energy and Commodity Analytics <input type="checkbox"/> Risk and derivative valuation tools to measure, manage and price risk in energy and commodities markets
Primarily Middle Office Multi-Asset Class Risk Analytics <input type="checkbox"/> Multi-asset class platform for portfolio risk analysis and performance attribution	Financial Research <input type="checkbox"/> Accounting risk research, training, due diligence accounting research services and legal risk and analysis
Multi-Asset Class Risk Analytics <input type="checkbox"/> Standard for multi-asset class financial risk measurement	Governance Services <input type="checkbox"/> Proxy research and recommendations <input type="checkbox"/> Proxy voting services Governance advice to corporations
MSCI Products	RiskMetrics Products

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Leverages Platform to Accelerate Growth

Businesses (2009 Revenues) (1)

Highly Scalable Platform

Equity Indices (\$260MM)	Equity Portfolio Analytics (\$123MM)	Fixed Income Portfolio Analytics (~\$15MM) (2)	Multi-Asset Class Risk Analytics (~\$186MM)(3)
--------------------------------	---	--	--

Platform

Data
Processing

Models & Research

Technology

Notes

1. MSCI revenues for the twelve months ended November 30, 2009 and RiskMetrics revenues for the twelve months ended December 31, 2009
2. Includes \$5MM of MSCI Fixed Income Analytics revenues reflected in Other Products for reporting purposes and approximately \$10MM of RiskMetrics Fixed Income Analytics revenues, which is included in Risk segment revenues for reporting purposes
3. Multi-Asset Class Risk Analytics revenues include \$38MM of MSCI Multi-Asset Class Portfolio Analytics revenues and \$159MM of RiskMetrics Risk segment revenues, excluding approximately \$10MM of RiskMetrics Fixed Income Analytics revenues included in Risk segment revenues for reporting purposes

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Identified Synergies

Compensation Expense Savings Elimination of overlapping positions across broad range of functions
 Opportunity to relocate positions to emerging market centers

Non-Compensation Expense Savings Significant savings across data centers, network, market data, occupancy, G&A and other public company expenses

Revenue Opportunities Cross-sell opportunities across combined client bases and regional footprints
 Creation of new products and product enhancements produced from best-in-breed features

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Enhanced Scale and Growth Profile

	MSCI (1)	RiskMetrics (1) (2)	Pro Forma MSCI
Revenues (\$MM)	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]
	MSCI (1)	RiskMetrics (1) (2)	Pro Forma MSCI
Revenues (\$MM)	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]
Adjusted EBITDA (\$MM)	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]

Notes

- 1 MSCI figures shown for the fiscal years ending November 30 and RiskMetrics figures shown for the fiscal years ending December 31. RiskMetrics 2007 figure is pro forma to include ISS and CFRA for the full year
- 2 RiskMetrics Adjusted EBITDA includes all stock based compensation and one time expenses. Reconciliation of Adjusted EBITDA shown on page 16

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Increased Revenue Diversification

	MSCI (1)	RiskMetrics (1) (2)	Pro Forma MSCI
Revenues (1) (\$MM)	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]	[GRAPHIC OMITTED]

	MSCI (1)	RiskMetrics (1) (2)	Pro Forma MSCI
Revenue Composition (1)			

[GRAPHIC OMITTED] [GRAPHIC OMITTED] [GRAPHIC OMITTED] Notes 1
 MSCI revenues for the twelve months ended November 30, 2009 and
 RiskMetrics revenues for the twelve months ended December 31, 2009 2
 Represents ISS segment revenues 2 Subscription revenue represents RiskMetrics
 recurring revenue as a percent
 of total revenue

	Subscription (Non-Market Based)	Asset Based Fee	Other
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Key Transaction Terms

Offer Price Per Share	\$21.75 comprised of \$16.35 of cash and 0.1802 shares of MSCI per RiskMetrics share
Structure	75% cash / 25% stock to common shareholders
Transaction Value	\$1.55Bn fully-diluted equity value (1)
RiskMetrics Shareholder Ownership	11%-13% (2)
Transaction Financing	Existing cash plus up to \$1,375MM in committed senior credit facilities comprised of \$1,275MM Term Loan B and \$100MM revolving facility
Conditions	Approval of RiskMetrics shareholders, anti-trust clearance and receipt of transaction financing
Targeted Closing	Fiscal third quarter

Notes

- 1 Reflects cash and stock consideration to RiskMetrics holders of common stock, restricted stock and options. Restricted stock and options valued at intrinsic value assuming Treasury Stock Method based on MSCI closing price of \$29.98 as of February 26, 2010
- 2 Pro forma fully-diluted ownership assuming issuance of 13.9MM - 16.3MM MSCI shares. Exact number of MSCI shares issued will depend on number of RiskMetrics options exercised prior to closing

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Capitalization Post Closing

Pro Forma Transaction Capitalization

Illustrative Sources & Uses

\$MM

Sources	
Existing Cash	642
Equity Consideration (1)	384
Transaction Debt	1,275
Total Sources	2,301
Uses	
Purchase of Equity	1,547
Repayment of Existing Debt	668
Transaction Costs	85
Total Uses	2,301

MSCI Capitalization - Pro Forma For Transaction

	Standalone MSCI 11/30/2009	Standalone RiskMetrics 12/31/2010	Illustrative Pro Forma MSCI
\$MM			
Cash	471	227	156
Total Debt	380	289	1,275
2009 Adjusted EBITDA(2)	215	99	314

Net Debt / 2009 Adjusted EBITDA			3.6x
Net Debt / 2009 Adjusted EBITDA + Run-rate Synergies (3)			3.1x
Free Cash Flow	153(4)	70	223

Note: \$100MM revolver remains undrawn

Notes

- 1 Assumes 75% cash / 25% stock consideration mix offered to all fully-diluted RiskMetrics shares. Restricted stock and options valued at intrinsic value. Assumes Treasury Stock Method and MSCI closing price of \$29.98 as of February 26, 2010
- 2 MSCI and RiskMetrics' figures for fiscal years November 30, 2009 and December 31, 2009, respectively. RiskMetrics Adjusted EBITDA includes all stock based compensation and one time expenses; reconciliation of Adjusted EBITDA shown on page 16
- 3 Assumes \$50MM of run-rate synergies
- 4 Excludes \$35MM non-recurring payable to related parties; reconciliation of free cash flow shown on page 16

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Financially Compelling to Stockholders

Illustrative Pro Forma Impact

2009 Illustrative Pro Forma Impact	MSCI	RiskMetrics	
	For the 12 Months Ended,		
(\$MM, Unless Otherwise Noted)	11/30/2009	12/31/2009	Combination Impact
Revenue	443	303	Potential revenue synergies
Operating Expenses	266	213	\$50MM run-rate synergies
Intangible Amortization Expense	26	23	Replaced by transaction intangible amortization
Operating Income	151	67	
Interest Expense, Net and Other	19	20	Replaced by new \$1.375Bn credit facility and lower cash balances
Pre-Tax Income	132	47	
Net Income	82	31	
Cash EPS Adjustment Categories			
Amortization of Intangibles			
Non-Recurring Stock Based Compensation			
Transaction-Related Non-Recurring Fees and Expenses			

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Appendix

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Powerful Combination(1)

Offices	<input type="checkbox"/> 21 offices in 15 countries	<input type="checkbox"/> 20 offices in 13 countries
Employees	<input type="checkbox"/> 878 full time employees	<input type="checkbox"/> 1,140 full time employees
Headquarters	<input type="checkbox"/> New York headquarters	<input type="checkbox"/> New York headquarters
Clients	<input type="checkbox"/> 3,100+ clients	<input type="checkbox"/> 3,500+ clients
Run Rate / ACV	<input type="checkbox"/> \$461MM	<input type="checkbox"/> \$283MM
% Subscription	<input type="checkbox"/> 84%	<input type="checkbox"/> 93%(2)

- 1 All figures as of November 30, 2009 and December 31, 2009 for MSCI and RiskMetrics, respectively
- 2 Subscription revenue represents RiskMetrics recurring revenue as a percent of total revenue
- 3 MSCI revenues for the twelve months ended November 30, 2009 and RiskMetrics revenues for the twelve months ended December 31, 2009
- 4 Represents ISS segment revenues

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GAAP Reconciliation

GAAP Reconciliation

MSCI Adjusted EBITDA Reconciliation (\$MM, except per share data)

	2007	2008	2009
Adjusted EBITDA	159.1	194.8	215.1
Impairment of goodwill and intangible asset	--		-
Founders grant expense	0.8	25.6	26.6
Amortization of intangible assets	26.4	28.5	25.6
Depreciation and amortization of property and equipment	2.0	5.0	12.0
Interest, other (income) expense, net	(3.3)	26.1	19.3
Income tax expense	52.2	41.4	49.9
Net income	81.1	68.3	81.8
MSCI Free Cash Flow Reconciliation			2009
Net cash provided by operating activities			130.9
Purchased property, equipment and leasehold improvements			(13.4)
Payable to related parties			35.0
Free Cash Flow			152.5

RiskMetrics Adjusted EBITDA Reconciliation(1) (\$MM, except per share data)

	2007	2008	2009
Adjusted EBITDA	66.0	90.7	98.7
Impairment of goodwill and intangible asset	-	160.1	-
Founders grant expense	-	-	-
Amortization of intangible assets	19.1	21.8	23.4
Depreciation and amortization of property and equipment	7.4	8.8	8.3
Interest, other (income) expense, net	35.4	26.3	20.3
Income tax expense	1.7	10.7	15.6
Net income	2.4	(136.9)	31.1
RiskMetrics Free Cash Flow Reconciliation			2009
Net cash provided by operating activities			77.2
Purchase of property and equipment			(7.1)
Payable to related parties			-
Free Cash Flow			70.1

Note

1 Calculation of Adjusted EBITDA differs from that used by RiskMetrics, which excludes all stock based compensation expense and one-time items

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Illustrative Share Issuance

Illustrative Pro Forma Ownership Impact(1)

Lower Ownership Dilution Scenario (2)

Assumes All Exercisable Options are Exercised

	Units Outstanding (MM)	MSCI Share Equivalents (MM) (4)	Unit Type(s)	Option Proceeds (\$MM)	FD
(%)					
Common Shares Outstanding	63.4	11.4	Common Stock	-	
Restricted Stock	0.2	0.2	RSUs	-	
Exercisable Options	9.5	1.7	Common Stock	61.5	
Non-Exercisable Options	2.9	0.6	Options	-	
Total RiskMetrics Equity Units	76.1	13.9		61.5	
MSCI Existing Fully-Diluted Shares		107.8			
Pro Forma Fully-Diluted Shares		121.7			

Higher Ownership Dilution Scenario(3)

Assumes Only RiskMetrics CEO's

Exercisable Options are Exercised

	Units Outstanding (MM)	MSCI Share Equivalents (MM) (4)	Unit Type(s)	Option Proceeds (\$MM)	FD
(%)					
Common Shares Outstanding	63.4	11.4	Common Stock	-	
Restricted Stock	0.2	0.2	RSUs	-	
Exercisable Options	9.5	4.1	Common Stock & Options	3.3	
Non-Exercisable Options	2.9	0.6	Options	-	
Total RiskMetrics Equity Units	76.1	16.3		3.3	
MSCI Existing Fully-Diluted Shares		107.8			
Pro Forma Fully-Diluted Shares		124.1			

Notes

- 1 Based on options outstanding as of February 25, 2010
- 2 Assumes all holders of exercisable options exercise their options, paying the exercise price and receiving RiskMetrics common stock prior to closing while all holders of non-exercisable options and restricted stock roll their units into MSCI units at closing
- 3 Assumes only RiskMetrics CEO exercises his options while all other holders of options and restricted stock roll their units into MSCI units at closing
- 4 Represents shares issued on a gross basis and options on a fully-diluted treasury method basis

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