

# **S&P Global Inc. (SPGI) Q2 2024 Earnings Call Transcript**

Seeking Alpha - Earnings Call Transcripts

July 30, 2024 Tuesday

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**Length:** 10733 words

**Byline:** SA Transcripts

**Body**

S&P Global Inc. (SPGI)

Q2 2024 Earnings Conference Call

July 30, 2024, 08:30 AM ET

Company Participants

Mark Grant - SVP of IR

Doug Peterson - President & CEO

Chris Craig - Interim CFO

Martina Cheung - President, S&P Global Ratings

Conference Call Participants

Ashish Sabadra - RBC Capital Markets

Manav Patnaik - Barclays

George Tong - Goldman Sachs

Faiza Alwy - Deutsche Bank

Heather Balsky - Bank of America

Toni Kaplan - Morgan Stanley

Alex Kramm - UBS

Scott Wurtzel - Wolfe Research

Thomas Roesch - William Blair

Owen Lau - Oppenheimer

Craig Huber - Huber Research Partners

Andrew Steinerman - JPMorgan

Jeffrey Meuler - Baird

Jeffrey Silber - BMO Capital Markets

Russell Quelch - Redburn Atlantic

Surinder Thind - Jefferies

Presentation

Operator

Good morning, and welcome to S& P Global's Second Quarter 2024 Earnings Conference Call. I'd like to inform you that this call is being recorded for broadcast. All participants are in a listen-only mode. We will open the conference to questions and answers after the presentation and instruction will follow at that time. To access the webcast and slides, go to investor.spglobal.com. [Operator Instructions]

I would now like to introduce Mr. Mark Grant, Senior Vice President of Investor Relations for S&P Global. Sir, you may begin.

Mark Grant

Good morning and thank you for joining today's S& P Global's second quarter 2024 earnings call. Presenting on today's call are Doug Peterson, President and Chief Executive Officer; and Chris Craig, Interim Chief Financial Officer. For the Q&A portion of today's call, we will also be joined by Martina Cheung, President of S&P Global Ratings.

We issued a press release with our results earlier today. In addition, we have posted a supplemental slide deck with additional information on our results and guidance. If you need a copy of the release and financial schedules, or the supplemental deck, they can be downloaded at investor.spglobal.com.

The matters discussed in today's conference call, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including projections estimates and descriptions of future events. Any such statements are based on current expectations and current economic conditions and are subject to risks and uncertainties that may cause actual results to differ materially from results anticipated in these forward-looking statements. Additional information concerning these risks and uncertainties can be found in our filings with the U.S. Securities and Exchange Commission, including our most recently filed Form 10-K.

In today's earnings release and during the conference call, we're providing non-GAAP adjusted financial information. This information is provided to enable investors to make meaningful comparisons of the company's operating performance between periods and to view the company's business from the same perspective as management. The earnings release contains financial measures calculated in accordance with GAAP that corresponds to the non-GAAP measures we're providing and the press release and the supplemental deck contains reconciliations of such GAAP and non-GAAP measures. The financial metrics we'll be discussing today refer to non-GAAP adjusted metrics unless explicitly noted otherwise.

I would also like to call your attention to certain European regulations. Any investor who has or expects to obtain ownership of 5% or more of S&P Global should contact Investor Relations to better understand the potential impact of this legislation on the investor and the company. We are aware that we have some media representatives with us on the call. However, this call is intended for investors, and we would ask that questions from the media be directed to our Media Relations team whose contact information can be found in the release.

At this time, I would like to turn the call over to Doug Peterson. Doug?

Doug Peterson

Thank you, Mark. S&P Global delivered an incredible first half in 2024 as the second quarter saw accelerated revenue growth, significant margin expansion, and the highest quarterly adjusted EPS in our company's history. Total revenue increased 16%, excluding the divestiture of engineering solutions. Transaction revenue in our ratings division continues to drive significant outperformance at more than 60% growth. The revenue from all our subscription products across the company also increased 8% year-over-year in the second quarter despite some of the market headwins that are common across our industry this year. We delivered 450 basis points of margin expansion year-over-year and 30% growth in EPS as we captured market demand and contained our expense growth.

As you saw last month, we also announced our CEO succession plan which I'll discuss in a moment. We've been cultivating more than just our leaders at S&P Global and we're pleased with the product innovation coming to the market in the second quarter. The June release of CapIQ Pro included significant enhancements, and we launched new benchmarks and commodity insights. We continue to accelerate our deployment of generative AI and launch new capabilities both at the division and enterprise level. We also continue to optimize our portfolio of businesses and products, with Visible Alpha closing in the second quarter and the recent signing of an agreement to divest Fincentric, which we expect to close in the third quarter. We're excited that we get to cover key developments in each of our five strategic pillars this quarter, beginning with our customers.

S&P Global rated more than $1 trillion of billed issuance in the second quarter. Growth was diversified across public and private markets, as private market participants increasingly turned to S&P Global for expertise in assessing credit risk. Revenue from rating services in the private markets increased more than 70% year-over-year in the second quarter. We continue to create new products from the combined data sets and solutions of S&P Global and IHS Market to create incremental value for our customers.

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In the second quarter, we achieved nearly $200 million of annualized run rate revenue synergies. As Chris will discuss in a moment, this puts us ahead of the pace to achieve the $350 million in revenue synergies we're targeting in 2026. It's remarkable that we're able to deliver these strong results despite the well-known market headwinds that continue to impact pockets of our business. Our diverse customer base and broad product portfolio provide for more stable financial performance for the company overall, as headwinds can often be offset by tailwinds.

As an example, while renewal rates were slightly lower than last year in market intelligence this quarter, renewal rates were slightly higher than last year in commodity insights. These market dynamics are not unexpected, and the financial impact was largely included in our initial guidance. Despite macroeconomic cyclicality, we continue to find ways to help our customers achieve their goals using our differentiated data and product offerings. This ability to align our product innovation and investment with customer needs was further demonstrated in the second quarter by the acceleration in revenue growth from our private market solutions and our sustainability and energy transition offerings.

Turning back to billed issuance, it increased 54% year-over-year in the second quarter. We continue to see tight credit spreads contributing to favorable market conditions. We also saw modest improvement in some of the important macroeconomic indicators, particularly in North America, that have lent strength to the issuance environment. We continue to see particular strength in bank loans and structured finance, along with robust growth in high-yield investment-grade bonds.

Refinancing activity was very strong in the quarter as we saw a pull forward of issuance from investment-grade issuers refinancing 2024 maturities, as well as speculative-grade issuers refinancing 2024 and future-year maturities. This leaves some uncertainty around the back half as we wait to see how much of the out-year refinancings get pulled into 2024. This continues to inform our view that the second half will be softer than the first half in terms of billed issuance and transaction revenue in our ratings business. With the timing and likelihood of any rate cuts in the U.S. market still uncertain, our base case still assumes a modest year-over-year decline in issuance in the fourth quarter.

Turning to Vitality, newer enhanced products generated $375 million in the second quarter. This represents 11% of our total revenue and an improvement from the 10% we reported last quarter. Key contributors to our Vitality Index are unchanged from last quarter as we see strong demand for CARFAX listings and the CARFAX Banking and Insurance Group. We also see strong growth in energy transition and climate products from our Commodity Insights Division and Sustainable Bonds from Ratings.

As you'll recall from last quarter, key contributors from our pricing valuations and reference data, as well as several thematic and factor-based indices, matured out of the Vitality Index at the end of the year. We're encouraged by the continued acceleration and the pace of innovation of S&P Global and look forward to maintaining our Vitality Index at or above the 10% target. As we look to examples of that innovation, a common thread running through many of the products we're bringing to market is our enterprise expertise in generative AI.

In the second quarter, we launched ChatAI on Platts Connect. Launched as a new platform combining Platts Dimensions Pro with IHS Connect, the Platts Connect platform provides access to a truly massive amount of data, research, and insights to power the global commodity markets. With the depth and breadth of information in the platform, we new users would need an intuitive way to navigate and find the information that would be critical to their daily workflows.

ChatAI is a powerful customer tool developed through a partnership of Kensho and Commodity Insights that uses generative AI models to provide real-time responses to conversational user queries to help them quickly find the necessary data to make informed, faster decisions. In addition to this AI-powered interface, Commodity Insights continues to bring new benchmark Price Assessments to market. Our Platts team introduced five daily Price Assessments for beef and four daily Price Assessments for poultry, as well as a new report with up-to-date coverage of the protein's market. These continue to broaden and strengthen our position in agriculture commodities. We also continue to scale new functionality in our differentiated energy transition offerings. We significantly enhanced our global integrated energy model in the second quarter, which now enables modeling and scenario building for energy demand in over 140 countries using deep data sets going back more than 30 years.

With our enterprise focus on artificial intelligence, we've continued to develop internal tools, including new functionality in the S&P Spark Assist platform we introduced earlier this year. Approximately 14,000 of our people are using Spark Assist internally after just a few short months. As we shared with you last quarter, this platform is designed to be cost effective, vendor agnostic, highly scalable, and secure by design. By encouraging collaboration across the enterprise, we're able to quickly iterate on time-saving use cases and share those developments across the company. We're already seeing users leverage S&P Spark Assist to optimize code, rewrite configuration files for software migrations, and summarize complex documents. We've also used it to aggregate and digest feedback and ideas that we receive through our employee engagement surveys in town halls, empowering leadership to more effectively act on what matters the most to our people.

We believe this crowd-sourced approach to developing tools shortens the time to discover and develop new applications using GenAI models. Leveraging LLMs from multiple sources allows us to benefit from the rapid innovation taking place across the technology ecosystem without being locked into a single vendor.

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Lastly, the June release of CapIQ Pro brought powerful enhancements to the platform that we believe will strengthen our competitive position and create meaningful value for our customers. We fully integrated the fixed income data from IHS market, which brings data on more than 19 million government agency and corporate fixed income securities and makes it readily available through the CapIQ Pro platform. This was a tremendous undertaking made possible through the merger that will benefit our existing customers and help potential customers more easily see the incredible value in CapIQ Pro. The June release also included a complete reimagining of the charting and visualization capabilities within CapIQ Pro, deploying the technology and expertise that came to us through the Chart IQ acquisition.

Back to the theme of generative AI. We also introduced transcript summarization within CapIQ Pro. This new tool was built organically and not only provides a quick summary of earnings calls, it also organizes topics and sentiment and empowers the user to immediately click through and find the direct quotes behind the summaries. And it's built on a foundation of Scribe developed by Kensho four years ago. I want to take a moment to discuss an important acquisition that closed in second quarter.

Visible Alpha is well known and highly respected among both our customers and our investors. And we're excited to see the progress the market intelligence team has already made since closing the deal in May. Visible Alpha compiles highly detailed financial models via direct feed from over 200 contributing brokers. With over 6,000 contributing analysts including most of the analysts joining us on this call, Visible Alpha has the most detailed and comprehensive consensus estimates available anywhere in the world. We frequently hear from customers that they could not do their jobs without it. S&P Global's position as a trusted partner across the financial markets is opening doors for visible health and private equity, banking and consulting, and driving further penetration and asset management and research.

Leveraging the strength of S&P Global's relationships, brand and commercial teams, we've already seen a 5% increase in number of contributing brokers in just the last three months. In addition, we've generated over 150 sales leads and closed 10 deals already. We've seen numerous opportunities to leverage the Visible Alpha Platform in conjunction with the differentiated datasets throughout S&P Global to create unique, deep sector content. We look forward to sharing new developments in the coming quarters.

Now, turning to a very exciting announcement we made in the second quarter that fittingly comes under our four strategic pillars, Lead and Inspire. In June, we announced that I will be retiring from my role as President and CEO of S&P Global effective November 1st. Martina Cheung, the President of Ratings and Sponsor of Sustainable1, will become the 11th CEO of S&P Global since we were listed on the New York Stock Exchange over 90 years ago. We are very pleased to see our succession plan work the way it was designed, with development of strong internal leaders resulting in a unanimous decision from our board of directors. I'm focused on delivering strong results over the next few months as I work with Martina on a comprehensive transition plan before she takes over November.

As you might have seen, I'll stay on the board until the next shareholders meeting and on as an advisor until the end of 2025. Martina has already joined the board of directors and is working hard to get ready for November. We will have more to say on the transition next quarter, but it's been wonderful to see the outpouring of support and appreciation for Martina from customers, employees, and shareholders.

Turning to our financial results, with strong growth across every division, we continue to meet increasing market demand while maintaining expense discipline. We saw accelerating revenue growth in the quarter, and on a trailing 12-month basis, we have expanded our operating margin by 300 basis points.

Now let me turn to Chris Craig, our interim CFO, to review the financial results. Chris, over to you.

Chris Craig

Thank you, Doug. We finished the second quarter of 2024 with exceptional performance across the entire company, with three of five divisions achieving double-digit growth in both revenue and operating profit. Reported revenue grew by 14% year-over-year to a record $3.5 billion in the second quarter. And while parts of our market-driven businesses benefited from the tailwinds Doug highlighted earlier, we are also seeing strong performance across strategic investment areas, which I'll touch on shortly.

Adjusted diluted earnings per share increased 30% year-over-year to $4.04. This was driven by a combination of our strong revenue growth, margin expansion of 450 basis points, and a 2% reduction in fully diluted share count.

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Now, turning to strategic investment areas, where I'm pleased to report we saw growth accelerate across all initiatives. Sustainability and Energy Transition revenue grew 23% to $87 million in the quarter, driven by strong demand for Commodity Insights Energy Transition Advisory Services and subscription offerings. Our Sustainable1 team continues to expand the company's sustainability and energy transition offerings, while leveraging cross-divisional industry expertise to provide our customers with broader solutions.

In Private Market Solutions, revenue increased by 26% to $134 million. Growth was driven by debt, bank loan, and CLO ratings, and demand for our private market solutions within market intelligence, which includes products like Qval and iLEVEL. For revenue synergies, we exited the second quarter with an annualized run rate of $199 million. During the quarter, we recognized $54 million in revenue synergies, which came from a mix of cross-sell activity and revenue generated from new products.

Turning to our divisions, Market Intelligence revenue increased 7% in the second quarter. Desktop grew 6% or 2% when excluding the impact from the Visible Alpha acquisition. Growth in the quarter was impacted by the continued softness in the financial services end market that we've highlighted previously. Nevertheless, we're focused on adding value for our customers by improving performance and introducing new content and capabilities, including the recent integration of markets' fixed income securities data.

Data Advisory Solutions grew 6%, driven by expanded coverage and continued investment in the high-growth areas of our market data and valuations and industry and company data product offerings. Enterprise solutions grew 11% as loan platforms such as ClearPar and our primary markets group were beneficiaries of stronger equity and debt capital market activity in the quarter. For modeling purposes, it's important to note that the enterprise solutions business line includes Fincentric.

Credit and risk solutions grew 5% due to demand for our RatingsExpressed and RatingsDirect distribution platforms in North America and Europe. RatingsDirect is also benefiting from user adoption of Capital IQ Pro. Adjusted expenses increased 6% year-over-year, primarily driven by an increase in compensation and the impact of the Visible Alpha acquisition. Partially offset by reduction in expenses associated with headcount and outside services. Operating profit increased 9% and operating margin increased 60 basis points to 32.9%. Trailing 12-month margins expanded 90 basis points to 33.3%.

Now turning to Ratings where we saw exceptional revenue growth of 33% which exceeded our internal expectations. Transaction revenue grew by 63% in the second quarter, fueled by increased bank loan and bond issuance. Non-transaction revenue increased 9%, primarily due to an increase in annual fee revenue and an increase in new mandates, particularly from the return of high-yield issuers. Adjusted expenses increased 8%, driven by higher compensation, including incentives, as well as investments in strategic initiatives. This resulted in a 52% increase in operating profit and an 810 basis point increase in operating margin to 65.8%. For the trailing 12 months, Ratings margin expanded 570 basis points to 60.9%.

And now, turning to Commodity Insights, revenue increased 12%, driven by strong performance across all business lines, with price assessments and Energy and Resources Data and Insights both growing at double digits. Notably, this marks the fifth consecutive quarter of double-digit growth in our Price Assessments business.

Price Assessments and Energy and Resources Data and Insights grew 11% and 12% respectively. Both businesses benefited from strong performance in crude and refined products. In addition, we continue to see favorable commercial conditions across both segments, including strong subscription sales across Middle East, Africa, and Asia. Advisory and Transactional services had an exceptional quarter, with revenue growing 32% or 27% when excluding the impact from the World Hydrogen Leaders acquisition. This is driven by strong trading volumes across key sectors in global trading services and a pickup in consulting activity, particularly for energy transition-related initiatives.

Upstream Data and Insights revenue grew by 5% year-over-year, benefiting from meaningful contribution from organic investments, including our Upstream Energy Transition offerings, as well as continued improvement in retention rates. For the full year, we expect low single-digit growth for Upstream.

Adjusted expenses increased 8% due to higher compensation costs, ongoing investments in growth initiatives, and the acquisition of World Hydrogen Leaders. Operating profit for Commodity Insights increased 16%, and operating margin improved by 170 basis points to 47.3%. Trailing 12-month margin increased by 130 basis points to 46.8%.

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Now, turning to Mobility. Revenue increased 8% year-over-year, or 9% when excluding the impact of the divestiture of the after-sales business. Dealer revenue increased 11% year-over-year, driven by new business growth in products such as new car listings and continued success in CARFAX. Manufacturing declined modestly by 1%, driven by a decrease in one-time transaction revenue, particularly in our recall business, which can fluctuate based on the level of recall activity in any given period. This was partially offset by another strong quarter of subscription sales.

Financials & Other increased 13% as the business line benefited from historically high underwriting volumes. Adjusted expenses increased 7% due to planned investments in strategic growth initiatives, partially offset by a reduction in incentive compensation expense. This resulted in operating profit increasing by 10% for the quarter, and operating margin improving by 60 basis points to 40.9%. Trailing 12-month margin contracted by 10 basis points to 38.8%.

Now, turning to S&P Dow Jones indices. Revenue increased 12%, primarily due to strong growth in asset-linked fees, which benefited from higher AUM and growth in our data and custom subscriptions offerings. Asset-linked fees were up 16%, driven by market appreciation and inflows. Impressively, the Global ETF market saw record inflows in excess of $300 billion on a trailing 12-month basis, highlighting the continued shift to passive investing and opportunities for future growth.

Exchange-Traded derivatives revenue grew 4%, primarily driven by strong volumes across our equity complex products. Data and custom subscriptions increased 6% year-over-year, driven by new business growth in end-of-day contracts and real-time data. Expenses increased 4% year-over-year, driven by investments in strategic growth initiatives and an increase in incentive compensation expense.

Indices operating profit increased 15% and impressively operating margin expanded by 210 basis points to 70.7%. On a trailing 12-month basis, indices operating margin expanded by 150 basis points to 69.8%. Looking at the quarter holistically, we saw broad strength across the business. Market factors like issuance volumes and asset price appreciation contributes to strong growth in our market driven businesses. And our subscription business lines benefited from the continuing investment in our differentiated data, content, and workflow capabilities. We are pleased with the profitable growth delivered by the combination of strong customer demand and disciplined execution in the quarter.

And with that, I will now turn it back to Doug to discuss our outlook for the second half of the year. Doug?

Doug Peterson

Thank you, Chris. Our financial guidance assumes Global GDP growth of 3.3%. U.S. inflation is 3% and an average price for Brent crude of $84 per barrel. We continue to see fluctuations in the market expectations for rate cuts. Though our base case still assumes there'll be one rate cut in the U.S. in the second half of 2024. While the macroeconomic indicators that help inform our guidance are very similar to last quarter, we're significantly raising our financial outlook for the full year. We're increasing our build issuance forecasts for 2024 by nearly 20 percentage points.

Given the dramatic increase in issuance in the first half, we now expect growth in build issuance to be approximately 25% compared to our prior range of 6% to 10%. In our most recent study of debt financing, we examined the volume of debt set to mature over the next several years. We're presenting this data in a slightly different way than we have in the past in the hopes it's more easily interpreted by analysts and investors. Here, we compare the amount of S&P global rated debt set to mature over the next six months, 18 months, and so on out more than seven years as of July 1st in each of the last three years. As you can see, there is very little debt set to mature over the second half of 2024, though this is consistent with what we've seen in prior years.

On a cumulative basis, the maturity walls coming over the next several years gives us confidence in the long-term strength of our business. Though the timing of that refinancing activity remains difficult to predict on a quarter-by-quarter basis, all of these factors impact our new full-year guidance calling for higher growth, stronger margins, and substantial generation of free cash. This slide illustrates our current guidance for GAAP results.

We're once again raising our enterprise outlook for the full year on all headline metrics given the strength of the second quarter and our improved outlook for the second half. We now expect revenue growth in the range of 8% to 10%, adjusted operating margin expansion of 125 basis points to 175 basis points, and adjusted diluted EPS in the range of $14.35 to $14.60, representing a $0.50 increase from our prior guidance.

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Additional details on our consolidated financial guidance can be found on our press release, but I also wanted to note that we've increased our guidance for adjusted free cash flow to approximately $4.7 billion, up $200 million from our prior guidance, and reflecting the strong results year-to-date.

Moving toward division outlook, our revenue guidance for Market Intelligence is unchanged, and we continue to expect revenue growth in the range of 6% to 7.5%. This guidance reflects the contribution from Visible Alpha, which closed in May, largely offset by the loss of revenue following the divestiture of Fincentric later this quarter. Importantly for models, Visible Alpha is reported in the desktop business line for Market Intelligence, which should accelerate on a reported basis in the second half, while Fincentric is reported in the enterprise solutions business, which should see a corresponding deceleration in the second half following the divestiture, particularly in the fourth quarter. We're raising our outlook for Ratings Business substantially, following the second quarter performance. We still expect the second half to be softer than the first, reflecting normal seasonality, but exacerbated by the level of pull forward that we believe took place thus far this year.

For the second half, the favorable market conditions and improved visibility and form a slightly more optimistic view around the third quarter in a modest year-over-year decline in both build issuance and ratings transaction revenue in the fourth quarter. Our revenue guidance for commodity insights is unchanged. We're slightly lowering and tightening the guidance range from ability revenue growth.

As we noted last quarter in this morning, the recall business has been abnormally soft year-to-date, and we expect that softness to continue in the second half. The recall business is non-recurring and difficult to predict, but the lowered outlook means that the remainder of the revenue is more predictable, recurring subscription, which gives us confidence in the tighter range of 8% to 9% revenue growth compared to the prior range of 8.5% to 10%. We've also seen significant outperformance in our indices division in the first half, and we're raising our guidance again. We now expect revenue growth in the range of 10% to 12%, up from 9% to 11%. Importantly, this guidance assumes market levels are essentially flat from levels at the end of June.

Turning to our margin outlook, for Market Intelligence, while the revenue impacts from Visible Alpha and Fincentric, are largely offsetting, the net impact is expected to be modestly dilutive to margins in 2024. As such, we're lowering the margin guidance for Market Intelligence to a range of 33% to 34%.

For Ratings, we're raising the margin guidance by 100 basis points to reflect the strong revenue outperformance, partially offset by higher expected incentive compensation expense. Commodity Insights margin guidance is unchanged.

For Mobility, given our expectations for softer revenue from the recall business, we now expect margins in the division to be slightly lower in the range of 38.5% to 39.5%, down 50 basis points from prior guidance.

Our margin expectations for Indices are unchanged despite the higher expected revenue growth as we plan to continue investing to position the business for growth through 2024 and beyond.

With that, I'd like to invite Martina Cheung, President of S&P Global Ratings and Executive Lead for Sustainable1, to join us. I'll turn the call back over to Mark for your questions. Mark?

Mark Grant

Thank you, Doug. [Operator Instructions] Operator, we will now take the first question.

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Question-and-Answer Session

Operator

Thank you. Our first question comes from Ashish Sabadra with RBC Capital Markets. Your line is open.

Ashish Sabadra

Thanks for taking my question. Congrats to both Doug and Martina. I just wanted to kick off with MI. As we think about, I was wondering if you could talk about the pipeline there. Also, if you could talk about what you're seeing on the sales cycle trend. And how do we think about the Desktop business going forward? Obviously, we see the acceleration from Visible Alpha, but just underlying growth in that business with getting all the info data there? Thanks.

Douglas Peterson

Thank you, Ashish. This is Doug. First of all, thank you for the question. And let me start by mentioning that the softness that we saw was something that we expected. As you know, there were over 60,000 seats that were eliminated from banks and investment banks since the COVID cycle. We saw softness as the interest rates had gone up. They spiked in 2022 under with underlying inflation. We do see some of that business starting to come back. You saw very strong debt capital markets, equity capital markets. Some of the investment banks signaled that there was going to be a return of M&A. But we do see that within the large banks, so basically, the sell side that there is some talk about vendor consolidation, there's a slowdown in the negotiation of contracts.

So let me talk about a few of the ways we think about it. First of all, as you know, we have enterprise contracts. The enterprise contracts are not negotiated by seat. They're not negotiated every single year. We see that we have a strong opportunity to bring more and more data to the discussion as people look at vendor consolidation. As we enhance our technology, we improve all of our different products and services that we have. You heard us talk about what we've been doing with the Desktop by enhancing it with new services and new products.

But let me turn very quickly to a couple of the products themselves. As the Desktop was enhanced with Visible Alpha. Visible Alpha is a must have product and service. As I said in the prepared remarks, probably everybody on this call is using it. We've seen a great increase in people coming to the product. When we closed the deal, we had 180 contributing brokers. Now we have over 200. We also saw that with the new release of the Desktop, a really good results from the new visualization tools that we added.

Let me mention one other sub segments on Enterprise Solutions, which grew at 11%. That also was very much driven by what we saw happening with the capital markets improving. So we see, many different aspects to Market Intelligence. The last thing I want to mention is we did reiterate our guidance, which is in line with what we said earlier this year. Thanks for the question.

Operator

Thank you. Our next question comes from Manav Patnaik with Barclays. Your line is open.

Manav Patnaik

Thank you. If I could just follow up on that in Market Intelligence. Firstly, could you help us with the annualized contribution both from Visible Alpha and I guess what's lost from Fincentric? And just along those lines, what we should anticipate in terms of your continued participation in this vendor consolidation? And are there other things like Fincentric that could be cleaned up there as well?

Douglas Peterson

Yes, let me start with what we believe is really important for us is our capital allocation model. As we believe that it's really important to continually be looking at our portfolio to ensure that everything that's in part of S&P Global contributes to the whole, that helps the enterprise be stronger, that we see opportunities for some sort of consolidation either through technology, through sales cycles, through product research, etcetera. So we believe that this was both of these transactions, Visible Alpha coming in and Fincentric going out, were both really valuable overall for S&P Global.

Now when you think about the modeling that I mentioned on the prepared remarks, Visible Alpha roughly adds about 1% of growth and Fincentric basically takes out about 1% of growth. But as I mentioned also, they're in different segments. The Visible Alpha is in the desktop segment and the Fincentric is in the enterprise solution segment. So you're going to see a slightly different growth rate in each of those based on the Visible Alpha coming in and Fincentric going out.

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To the second part of your question about vendor consolidation or discussions with the different organizations, we bring incredible strength because of the data and the analytics we have across the entire platform. Not only do we have the traditional market intelligence and financial services, desktop and other solutions, we also have information, for example, which we've been investing in private credit, private markets. We have a really strong sustainability platform which is becoming more and more important. So we can bring data services, data sets from across S&P Global that make it very relevant to any discussion we're having as people look at consolidating their data relationships.

Mark's going to add to this.

Mark Grant

Yes, Hey Manav, just to make sure we're really clear here, the percentage points impact that we're talking about were to market intelligence revenue growth, not to the company as a whole. Thanks.

Operator

Thank you. Our next question comes from George Tong with Goldman Sachs. Your line is open.

George Tong

Hi, thanks. Good morning. You raised your build issuance outlook from 6% to 10% to about 25% for the full year. In terms of issuance category, where did your outlook for the year change the most for build issuance and what were the drivers?

Martina Cheung

Hi, George. It's Martina. Thanks so much for the question. I would say we saw growth in the build issuance outlook for the full year across all categories, but I would say accelerated growth in high yield and bank loan ratings. We did see very strong issuance in the first half in investment grade, but that was characterized more by an acceleration in Q1, slightly tapering off in Q2. A lot of that refinancing activity in investment grade was done last year and in Q1. So a bit of a taper off there overall. Some more modest expectations for investment grade for the full year.

High yield at BLR, very strong growth. I would say maybe a couple of sub-asset classes to highlight. CLOs is expected to have a very strong year from an issuance standpoint, for example, and a number of other sub-asset classes in structured finance that are seeing quite a bit of growth, for example, data center securitizations. Hope that helps. Thanks for the question.

Doug Peterson

Thanks, George.

Operator

Thank you. Our next question comes from Faiza Alwy with Deutsche Bank. Your line is open.

Faiza Alwy

Yes. Hi. Good morning. I wanted to ask about the index business and what you're seeing there specifically with data and subscriptions. I know at one point we had talked about sort of growth accelerating here. So just curious on what type of trends you're seeing generally in the index business and on the subscription side.

Doug Peterson

Yes. So let me start with what we're seeing thematically. As you know and as Chris mentioned in the prepared remarks, we've seen massive flows from active to passive. That continues to be a trend. And within that space, a lot of the flows go to U.S. equities. And within U.S. equities, S&P, Dow Jones indexes picks up the bulk of that. So you've seen that coming through last quarter in terms of volume. There was also some increase in the value, the AUM value. So we benefited from that with the 16% growth in the asset linked fees. As some of those fees are going to be seen on a lagged basis. So we expect that we built into our guidance the expectation that the market was going to remain flat for the rest of the year. But we would see some increases, those average flows continue to come through the rest of the year.

In terms of themes, we continue to see a lot of interest in different types of asset classes. So within even the asset class of the S&P 500 large cap U.S., we've had new partnerships with some large asset managers with new types of S&P 500 funds. The S&P 500 quality, the S&P 500 economic ETF. We also see a lot of innovation around fixed income and credit through the Cboe iBoxx emerging market bond index. We've also seen some really interesting new products coming out that bring in mid-cap using our indices, the Vanguard S&P Global 1200 ADR. So across the board, we're seeing a lot of new interest, asset classes.

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Another one which we want to mention very briefly relates to the private markets and private credit. This is an area where we have a lead. We already have strong positions in private credit indices. And we'll be building that out much more as we take advantage of this asset class, which has a lot of interest in the market. Thanks, Faiza.

Operator

Thank you. Our next question comes from Heather Balsky with Bank of America. Your line is open.

Heather Balsky

Hi, thank you very much. I was hoping to ask about investment spend, especially given the success you're seeing in terms of your strategic investments. How are you thinking about the pace of spending going forward, especially as issuance continues to recover? Any changes in philosophy there?

Douglas Peterson

Heather, let me take that. And as you know, we always believe that it's important for us to have investment in new products, new areas, new services. You saw the benefit of many of those this quarter. Our Vitality Index, which is revenue that we start the beginning of the year with about a 10% approach to what we want to see for the percentage of our revenue, that grew this quarter to 11%. That's a very important indicator for us to see growth in the innovation, the investments we're making.

We've been investing in a couple of key areas. Private markets is one. Another relates to Sustainability & Energy Transition. Artificial intelligence is one, and there's many other subcategories that are important for us. We know that the ability to continue to have loyal customers, the ability for us to generate positive pricing is always going to be based on the value that we bring to our markets, the value we bring to our customers. So you're going to see us continuing to set aside capital to invest.

And fortunately, we've been very successful in the last few years. That doesn't mean that we are successful with everything we do, but we're very pleased with the track record we have. Thanks so much for the question, Heather.

Operator

Thank you. Our next question comes from Toni Kaplan with Morgan Stanley. Your line is open.

Toni Kaplan

Thanks so much. I wanted to ask about AI. You had a very early head start when you bought Kensho, but maybe just talk about how you're viewing the competitive position now. Have competitors closed the gap by working with Microsoft? And also maybe just talk about your opportunity to use your proprietary data within new AI products. Thanks.

Douglas Peterson

Thanks, Toni, for that. I'm going to start and then hand it over to Martina, who can give some practical applications. As you know, when we first bought Kensho six years ago, we had a vision that artificial intelligence tools were going to be used by people like us on this call to enhance our decision-making, to make us -- allow us to make decisions faster with more data. And we're seeing that play out, especially now that artificial intelligence has moved into generative AI.

As you know, we have in place a system of governance, where we have a Chief AI Officer for the Company. We have an AI Council. We have a system towards ensuring that we have the right kind of training across the entire company. We have an accelerator if we see a really good opportunity that we want to move fast on. But really at the foundation of everything is an open architecture model. We've built something called S&P Spark Assist, which is now used by over 14,000 users. S&P Spark Assist allows us to bring our models into our model garden and use it as a copilot. It means that we can be agnostic towards which model is best. We think that it's bringing us all kinds of new opportunities.

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You saw this quarter, we announced the launch of Chat AI on Platts Connect. This is a really good product. I actually use myself this quarter the transcript summaries on CapIQ Pro. Those are really valuable. But I think Martina can add some to this with applications that she's seeing on the ground in Ratings.

Martina Cheung

Yes. Great. Thanks, Doug. Thanks for the question. I would say in Ratings that we've had, like most other organizations, dozens of pilots underway. We're very excited overall about the potential for GenAI to improve quality, to create efficiency and time to market for our core Ratings business.

And one example I thought would be interesting is what you've mentioned in the past that we had focused in on a tool to help our CLO credit analyst with making sense of very complex CLO documentation. And that proved to be fortuitous, given the very, very busy year that we've seen so far in CLOs. And we're excited about this tool which we're deploying out into production for our analysts over the second half of the year and its ability to help save time for the analysts so they can focus in on the important jobs of getting the ratings done.

Just other minor point for us, more major point for Market Intelligence, but as a rating agency and with a very large pool of credit analysts using RatingsDirect on CapIQ Pro, we're super excited about the work that Market Intelligence is doing to build out a GenAI interface on RatingsDirect and CapIQ Pro, and we've been helping them do that as well. Thanks for the question.

Douglas Peterson

Thanks, Toni.

Operator

Thank you. Our next question comes from Alex Kramm with UBS. Your line is open.

Alex Kramm

Hey good morning everyone. Just wanted to come back to Market Intelligence and the performance there. And I'm particularly interested in the cyclical upside and downside. We obviously all realized that since market came in, the business is a little bit more cyclical. And when I look at this quarter, non-subscription and recurring variable, both up double digits or more than double digits. So it seems like the cyclical side is helping you a little bit already.

So can you maybe just talk about where you think you are on the more cyclical elements in that business? And what the biggest things we should still be looking for, i.e., IPO markets opening up, etcetera, to drive cyclical upside even higher, and maybe you can dimensionalize that in terms of revenue potential upsides from as markets open up. Thank you.

Douglas Peterson

Yes. Thanks, Alex. As you know, we already built in our expectation into the guidance that we gave. But when we look at some of the cyclicality that took place, we grew in the Enterprise Solutions sub segment almost 11%. And this included some revenue that came from some non-subscription revenue, things like we had strong growth in lending solutions and markets. We had very strong growth in regulatory and compliance.

And these were -- these are some of the areas that really are driven by volume. If you ask me, what are some of the key factors that we're going to be watching very closely, obviously, interest rates is number one. We gave you our expectation of one interest rate decrease of 25 basis points at the end of the year would be in the fourth quarter, more likely towards the end of the fourth quarter. We see that the markets have different views on that. In the recent earnings calls, a couple of banks show that they would have that they would have up to 3 interest rate declines this year. But we're not including any of that into our own guidance.

The other factor we're going to look at quite closely is M&A revenue and M&A activity in the investment banks. M&A is still relatively weak. It's not on a track for what we would normally have seen. It was incredibly strong in 2020, 2021. And ever since then, it's been quite weak. And so we did see some green shoots of M&A activity this quarter, but there's a lot of pent-up capital, a lot of firepower in private credit, in private equity. There's a lot of private equity that's sitting on the sidelines getting ready for exits.

There's a lot of M&A activity that's ready, we believe, from corporates. We're going to be looking at how they're going to be managing their own balance sheets and their own capital positions. So it's our view that over time, these are going to be some tailwinds that would benefit us, but that's not built into our guidance for this year. Thanks, Alex.

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Operator

Thank you. Our next question comes from Scott Wurtzel with Wolfe Research. Your line is open.

Scott Wurtzel

Hey good morning guys. Thanks for taking my question. I wanted to ask on the revenue synergy side. Obviously, it seems like you're making very good progress there against your targets. I know going back the last few quarters, we've talked about maybe a little bit more shift from cross-sell to new product development. So just wondering if you could maybe help contextualize a little bit more in terms of the synergies that were recognized during the quarter in terms of new product versus cross-sell? Thanks.

Douglas Peterson

Thank you, Scott. Let me take that and talk about what we're seeing really are important. We still mostly see cross-sell. That's the most important source of our growth, but we are now very successfully launching new products. We had over 21 products that were launched so far this year in Market Intelligence. We have 9 in the Commodity Insights area. And then we have a good pipeline between the rest of the year of another about 15 between those 2 divisions. In Indices, we've launched a series of new approach to providing custom indices using the fixed income and credit indices that were from IHS Markit. But as I said, the cross-sell has been really, really important. We probably underestimated the value and the power of the S&P Global brand. And we also probably underestimated the diversified relationships that we have.

If you think about the Financial Services business at IHS Markit, it was a Financial Services business. But at S&P Global, we've always had a very strong corporate business, government, academics, all types of financial services. It's buy side, sell side, it's sovereign wealth funds, etcetera. So we believe that we've had the opportunity to bring that very powerful set of clients, diversified clients and bring them to many, many more products and services for the financial services products. That's been one of the big upsides.

But let me just take one step back and point to a couple of things we already talked about. Adding 19.4 million prices, bond prices into CapIQ Pro, that was one of our synergy opportunities. That's something that's tangible. You can see that. We've also had in Commodity Insights a whole new set of products. We talked earlier about ChatAI, which was added to a feature. So that takes what we have from artificial intelligence layered on top of Commodity Insights platform. That platform was a merger of Platts Dimensions Pro and Connect, which was the IHS Markit platform.

So there, you can see it everywhere in the company. We're at $199 million run rate. That was $54 million in the quarter, and we're on track. We're actually ahead of track, and we're very, very pleased with that. And so keep asking, and we will keep delivering. Thank you so much.

Operator

Thank you. Our next question comes from Andrew Nicholas with William Blair. Your line is open.

Thomas Roesch

Hi, good morning. This is Tom Roesch on for Andrew. I want to -- in the first quarter, you guys talked about a number of private deals being refinanced in the public markets. I was wondering if you could provide any color on what you saw this quarter in the sense of refis coming from private to public markets. And if you kind of see that trend continuing where more that is coming from the private markets than the public? Thank you.

Martina Cheung

Hey Tom, this is Martina. Thanks for the question. It's been interesting, certainly some different trends in the two quarters. As you said, we certainly saw more in the first quarter go from private to public. We actually saw going both directions in the second quarter. Some of that we see as being more attractive pricing in the private markets compared to what might have been available in the first quarter. But I think all of this goes to the original thesis and strategy that we've had around private markets, which is, number one, we see this opportunity. We've had a very specific strategy around it. And we have continued to say since Investor Day that we will be ready to serve the debt wherever it comes, whether it's the public market or private markets.

And you see that strategy on the private side play out with the results in Q2, the 70% growth in our private market's revenues and Ratings obviously, as well as the broader public market bond rating growth that we've seen on the transaction side as well.

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So this is a good story for us. These two trends are complementary for us. We've got the right capacity. We've got the right expertise around this, and we feel good about our position to serve the debt either way going forward. Thanks for the question.

Douglas Peterson

Thanks, Tom.

Operator

Thank you. Our next question comes from Owen Lau with Oppenheimer. Your line is open.

Owen Lau

Hi, good morning. Thank you for taking my question. So for Rating, one of your competitors guided to high teens growth for the full year, and you have around 14% to 16% growth. I mean it's not that way off, but I'm curious to see if you have done any analysis to try to understand the delta and different assumptions. And also how much impact for your one run rate cut I think at the end of the fourth quarter assumption would impact your Rating revenue guidance? Thanks.

Martina Cheung

Thanks so much, Owen. As you know, we don't plan with competitors in mind if that's a clear way to say it. We feel very good about the strategy that we set out. Obviously, the over performance comes in a variety of ways. First, it is a very strong market revenues, but we've also been able to meet that demand either because we've had a specific strategy as in the case of private markets, but also in other cases where we've preserved capacity and expertise over the last couple of years, and we can handle additional volumes. So we feel very good about that.

I would say overall, our growth rate with the new guidance 14% to 16% reflects a couple of key drivers that Doug highlighted in his remarks. First is that we continue to hear totally from the market that issuers are avoiding, in particular Q4. And so that certainly has a tapering effect on the back half of the year for us overall. I would say we've also -- I think you maybe alluded to this a little bit of a tougher comp in the back half, whether it's lapping that onetime revenue from the second half of last year, but also a very, very strong Q4 from last year. And as Doug said, we'd expect a modest year-over-year decline in Q4.

But overall, if you look at the full year, we feel really good about it. It reflects growth not just on the transaction side, but on the key strategic areas, strong performance and growth as reflected in the second quarter, things like our annual fees where we continue to align the value with the economics that we have with the customer and good growth in other areas such as new mandates. So a great story for us overall, I think. Thanks for the question.

Douglas Peterson

Thanks, Owen.

Operator

Thank you. Our next question comes from Craig Huber with Huber Research Partners. Your line is open.

Craig Huber

Great. Thank you. I believe three months ago, you guys said in Market Intelligence that you've expected to perhaps see some improvements in the growth rates of Market Intelligence revenue in the second half of the year. You obviously have your guidance where you kept flat for the revenue outlook for the full year, given what's happened in the first half of the year. Do you still feel it's possible just given the new products you've cited here?

Douglas Peterson

Craig, it's possible. As you heard in a couple of questions ago, I talked about some of the potential tailwinds that we could see in the business, whether it's related to rates, to M&A activity, but we don't build the guidance based on wishful thinking. We have to build on what we see, what our expectations are. So the guidance is built right now based on what we see in the market, and that's why we've guided for the top line growth to be consistent where it was the last time we provided guidance. Thanks, Craig.

Operator

Thank you. Our next question comes from Andrew Steinerman with JPMorgan. Your line is open.

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Andrew Steinerman

Hi Doug, on MI, could you just tell us directionally how MI organic ACV growth did in the second quarter compared to the organic revenue growth? And with the possibility of acceleration, my question is, is organic ACV growth at MI accelerating?

Douglas Peterson

Well, we don't report on ACV. It's not a metric that we use. We report on revenue. We -- obviously, we do look at our sales pipelines. And we're very pleased with what I mentioned earlier with the opportunities we see in cross-sell with the power of the brand, with the ability to open doors for new clients. We have a very strong pipeline of innovation that's coming through. We're incredibly pleased with Visible Alpha. I can't just, I almost can gush about it, what the opportunities are there, what it means for our ability to cross-sell because of Visible Alpha.

So I think that for us to keep looking forward, this is a really powerful franchise, whether it's in the Desktop area, the data and advisory, the industry research that we're providing. It's in the Enterprise Solutions and then in the Credit & Risk Solutions. We know Credit & Risk Solutions is an area that is in growing demand because of what's happening in the volatility of the market.

So across the board, we're quite pleased with our progress. You can also see it from what we're delivering from the synergies. But we don't use ASV. That's not one of the metrics that we use for -- that we report on. Thanks, Andrew.

Operator

Thank you. Our next question comes from Jeff Meuler with Baird. Your line is open.

Jeffrey Meuler

Yes, thank you. I just want to make sure there's nothing in Mobility beyond the recall weakness or variability. I get it. The sales growth looks good. Vitality products sound good. But the reason I ask is you also lowered the segment margin guidance. And I know there's a range of products there, but I think a lot of the recall products are lower margin. So I'm just trying to confirm there wasn't a change in the subs booking trajectory or trends from the CDK ran similar impact on some of your clients or anything else? Thank you.

Christopher Craig

Thanks for your question. Well, for sure, when we look at the subscription growth, it's actually been tremendous this quarter. When you look back, 81% of the revenue is driven out of subscription growth, and that grew 10.5%. In terms of the recall activities, actually very high-margin business that comes through. So when we do see that loss and slowdown in the recall, that actually does impact margins fairly significantly.

Douglas Peterson

Thanks, Jeff.

Operator

Thank you. Our next question comes from Jeff Silber with BMO Capital Markets. Your line is open.

Jeffrey Silber

Thanks so much. I know you don't provide specific guidance by quarter, but I was wondering if you can provide any color between what you're expecting 3Q, 4Q, anything to call out? You mentioned you expect a decline in issuance in the fourth quarter, but anything else on the revenue or expense line, that will be helpful for us. Thank you.

Douglas Peterson

As you mentioned, we don't provide guidance by quarter. You already mentioned the one thing that we've seen, which relates to some issuance potentially between the third and fourth quarter. But there's nothing else. Chris, do you want to add anything?

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Christopher Craig

No, nothing else.

Douglas Peterson

Okay. Great. Thank you. Thanks, Jeff.

Operator

Thank you. Our next question comes from Russell Quelch with Redburn Atlantic. Your line is open.

Russell Quelch

Yes, hi guys. In Commodity Insights, this is the fourth quarter of double-digit top line growth. The midpoint of the guidance implies 6.7% growth for H2. So I'm wondering why you're expecting such a strong slowdown in H2 in Commodity Insights. It seems much more than a tough comp. And if I look at seasonality, it's normally the other way around in the second half is normally stronger than the first half. So can you just address that for me, please?

Douglas Peterson

Yes. Let me mention, first of all, Commodity Insights has had a really good run. It's an important area for the global markets. You see that everywhere we go, kind of every single conversation I ever have, we're talking about energy transition. We're talking about ESG. We're talking about what's happening the future of metals, mining.

As you see, we launched some new products related to egg [ph], beef and poultry benchmarks. But when you look at the overall dynamic in the business, we've had a really, really strong performance in the advisory and transaction services area. It grew at 32% in the quarter. This is an area that is -- it's more volume driven. It's transaction driven. We don't want to necessarily project for the rest of the year that, that kind of level of transaction services is going to continue. So we've guided to the level which is more of a blend of the rates coming from upstream, from price assessments, from energy resources and Data and Insight. So that's what you can see the difference that brought us back down to a level from the 8% to 9%. Thanks, Russell.

Operator

Thank you. Our final question will come from Surinder Thind with Jefferies. Your line is open.

Surinder Thind

Thank you. Just a big picture question on terms of when you put together guidance overall, how do you think about visibility in the current environment relative to maybe where it's been in years past? Is client behavior a bit more difficult to project across some of the different line items? Or how should we think about the quality of the forecast at this point?

Douglas Peterson

Well, I think that's half a year left. We believe that we've got a pretty good view on what the pipeline is for the rest of the year. As I mentioned throughout, there are certain factors which are maybe a little bit more market driven like interest rates and M&A. There's always going to be uncertainty around that. We have to work closely with our analysts that are close to the market. There's analysts that are working all the time with the buy side, the sell side. We get feedback from them. We also have relationships directly with bankers to understand what they're seeing in their pipelines of debt capital markets, equity capital markets, M&A.

So we have an informal and formal way to gather information to use for our guidance for the rest of the year, and we look very carefully at that. And it's something that we've built into this year. You see the results of that. Overall, we're incredibly pleased with where we are. But with that, Surinder, thank you very much for joining the call.

And let me wrap it up and close the call. And I want to thank everyone again for joining the call today and for your questions. I also want to thank Martina for joining us. Martina, thank you very much for being on the call. I want to congratulate her here, she's in the room, for appointment as the next CEO of S&P Global.

At the next earnings call, you're going to hear a lot more about the transition, which is starting to take place, and it's going incredibly well. I also want to thank all of our people, as always. We have tremendous people in this company that delivered a strong quarter. We've got incredible, really good initiatives that we're developing and delivering in energy transition, sustainability with private markets, with generative AI. We continue to make great progress on our synergies from the merger, and we're very pleased with all of that.

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So I also hope that everybody gets a little bit of time this summer. So enjoy some time over the summer, and I look forward to seeing everyone on the next call. Thank you all very much.

Operator

That concludes this morning's call. A PDF version of the presenter slides is available for downloading from investor.spglobal.com. Replays of the entire call will be available in about two hours. The webcast with audio and slides will be maintained on S&P Global's website for one year. The audio-only telephone replay will be maintained for one month. On behalf of S&P Global, we thank you for participating, and wish you a good day.

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