

S&P Global: A Quality Compounder Unfairly Punished By The Market

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About this article

Ticker: **SPGI**

Analyst rating: BUY

Price at publication: **\$419.32**

Last price: **\$417.46**

Change since publication: **-0.44%**

S&P 500 change since publication: **3.17%**

Days since publication: **16**

Summary

S&P Global is rated Buy after a 30% price drop, with AI disruption risks overstated.

Market Intelligence faces moderate risk from AI, but SPGI's proprietary data protect Capital IQ Pro, and high switching costs and clients' regulatory and compliance risks protect software products.

Ratings and indices face much lower AI risk. These wonderful businesses gush cash with minimal reinvestment required and contribute the lion's share of operating income.

At an FWD non-GAAP PE of ~20 with projected double-digit EPS growth, SPGI offers an attractive PEGY of 1.54x and trades at a discount to competitors and its own history.



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S&P Global Inc. ([SPGI](#)) has recently suffered a precipitous price decline, down 30% from its 52-week high and 23% year-to-date. This is largely attributable to concerns that AI will disrupt some of its businesses, especially in the Market Intelligence segment.

In spite of the market panic, the vast majority of S&P's revenue seems defensible in the face of AI disruption, as I will describe in this article. In particular, the Indices and Ratings segments have extremely strong moats arising from regulatory frameworks, proprietary data, and industry standardization. These segments make up the majority of S&P's revenue and the lion's share of its operating profit.

Currently trading at a forward non-GAAP PE around 20, with earnings expected to grow double digits for the foreseeable future, S&P Global is a quality compounder now trading at a reasonable price, and I recommend a buy.

Businesses and Their AI Risk

S&P Global breaks its business down into five segments whose key metrics for 2025 are outlined below. The Mobility segment is set to be spun off in 2026, so I won't be analyzing it in this article.

| Segment | Revenue (\$m) | % of Total Revenue | Operating Income (\$m) | Operating Margin | 2-Yr Revenue Growth CAGR |
|---------------------|---------------|--------------------|------------------------|------------------|--------------------------|
| Market Intelligence | 4,902 | 32.0% | 991 | 20.2% | 6.0% |
| Ratings | 4,549 | 29.7% | 3,013 | 66.2% | 19.7% |
| Energy | 2,299 | 15.0% | 943 | 41.0% | 8.7% |
| Mobility | 1,747 | 11.4% | 378 | 21.6% | 8.5% |
| Indices | 1,839 | 12.0% | 1,271 | 69.1% | 14.9% |

The largest segment in terms of revenue is Market Intelligence, but the two key segments are Ratings and Indices, given their extraordinary operating margins, which make them the largest contributors to operating income. Recently, they have also been the fastest-growing segments.

I will analyze each of the segments (except Mobility) in turn, assessing how at risk they are from AI disruption.

Market Intelligence

Market Intelligence is comprised of three sub-segments: Data, Analytics & Insights (provision of financial market data through desktop apps or APIs), Enterprise Solutions (software for running large financial institutions), and Credit & Risk Solutions (access to information from S&P's debt ratings segment).

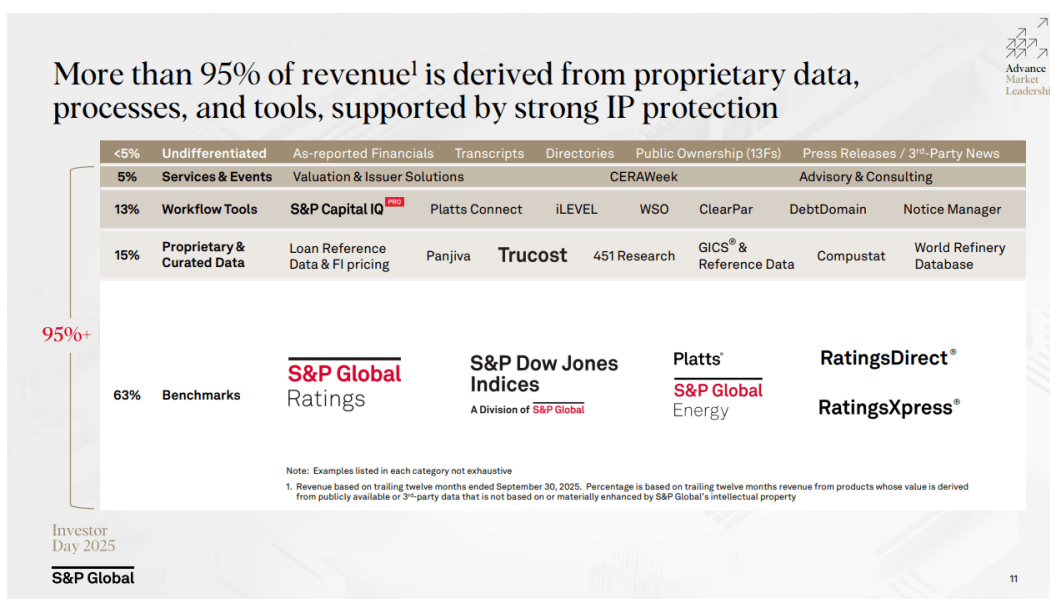
Data, Analytics & Insights

Data, Analytics & Insights is perhaps the most “disruptable” part of S&P's business. The software in this segment is not so difficult to code in the age of AI. For example, Capital IQ Pro is S&P's financial data and analytics platform for investment professionals, similar to the Bloomberg Terminal. Analysts on recent earnings calls have questioned whether financial institutions will even need these interfaces in the future or if they will simply ask an LLM to parse an earnings report or run a screener. No doubt they will, but to present this as a risk to S&P Global is to misunderstand the value they are providing with their products. The moat comes not in the platform or the software, but in the data itself.

Capital IQ Pro covers 99% of global market cap, making it more comprehensive than most other solutions. Although AI tools may make it easier to cleanse messy publicly available data, S&P Global has a massive head start. Moreover, Capital IQ Pro covers not just public but also private companies. S&P has built relationships over decades with third-party data providers that collect information on private companies. They put this together with information gleaned from press releases and regulatory disclosures to build one of the largest databases of private company data in the world. Some of this private market data even comes from events that S&P itself hosts. On the Q1 2026 earnings call, CEO Martina Cheung shared the following:

We also generate unique proprietary data from our events, including our private markets events. The With Intelligence team collects insights through engagement with LPs [Limited Partners] that help GPs [General Partners] target more accurately based on fund, strategy, sector and regional capital commitments.

At the 2025 Investor Day, they shared that more than 95% of its revenue is derived from data that is proprietary.



S&P Global 2025 Investor Day Presentation

S&P, given they are agnostic on the interface clients use, has agreements with ChatGPT, Microsoft (MSFT) Co-Pilot, Anthropic's Claude, and others that allow subscribers to run S&P's data through the LLMs. The LLM companies are not allowed to train on S&P's data, only to query it.

Enterprise Solutions

This sub-segment is also, on the face of it, vulnerable to AI disruption, given the greater ease with which it is possible to develop software in the age of AI.

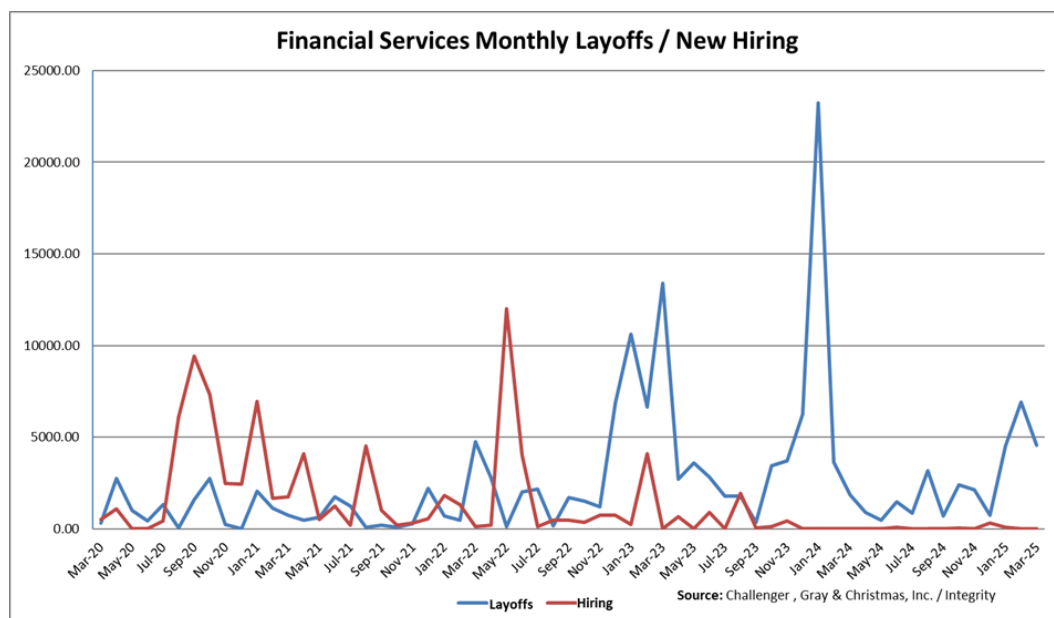
The software provided in this segment is diverse: Wall Street Office for loan administration, reporting, and compliance; iLEVEL for portfolio management; ClearPar for the administration of loan trades; and Enterprise Data Manager for bringing together and cleaning data from across an organisation. It's certainly possible for competitors to take market share in these areas. But one thing S&P does have protecting its entrenched position is that this software is deeply embedded into the workflows of the largest financial institutions in the world. It's critical that the data it holds and uses is protected from improper use (either outside or inside the organisation), is correctly interpreted, and is reliable for reporting and compliance purposes.

These highly regulated financial institutions are unlikely to re-orchestrate hundreds of workflows and re-huse their critical data unless they are sure the alternative is going to be an order of magnitude better than the status quo. Migrations to a new provider take years and cost millions. In other words, this type of software benefits from high switching costs.

Credit & Risk Solutions

This sub-segment contains the distribution channels for S&P's credit rating, e.g., RatingsDirect and RatingsXpress. It also houses a few other offerings that help customers assess and manage risks. Some of these offer proprietary data, which is the real product. Some are mission-critical, and the viability and compliance of firms are based on them producing the right answers, meaning any competitor has a high bar to surpass to displace them.

For Market Intelligence overall, the greatest threat to revenue growth and margin expansion in my estimation is not competitors “eating the lunch” of S&P Global's products, but that AI productivity challenges the seat-based model of SaaS. As employees of S&P's clients get more productive, fewer new hires are required. This [trend](#) has already been observed in financial services. This [chart](#) from Integrity Research Associates shows that layoffs in the financial sector have exceeded new hires for a long time.



Challenger, Gray & Christmas, Inc. / Integrity

Although not all of S&P's software solutions are seat-based, the most prominent, Capital IQ Pro, is. It's possible that there will be an “air pocket” while pricing transitions from seat-based to usage-based models. Recently, management has talked about “enabling [value-based](#) pricing discussions,” suggesting they are sticking to the seat-based pricing model but raising prices in line with the value of AI-enabled features.

The [Q1 2026](#) earnings call offered evidence of this. CEO Martina Cheung shared the following:

Perhaps maybe one other example I would provide is in the quarter: two financial clients who are just subscribing to our data at renewal, were opting to get that data available in an AI-ready format, and were willing to pay in the range of 35% to 45% on the renewal increase to get the AI access.

I'm confident that S&P will find a way to price to value, but there may be a period of transition.

Ratings

The second largest segment by revenue, but by far the largest by Operating Income, is Ratings. Fortunately for SPGI shareholders, it is also perhaps the most insulated from AI.

S&P Global is one of [eleven](#) Nationally Recognized Statistical Rating Organizations (NRSRO). This designation was created back in the 1970s when the SEC needed a way of determining the creditworthiness of bond issuers.

Although there are eleven NRSROs, there is effectively an oligopoly of three: Moody's ([MCO](#)), Fitch, and S&P. These provide [90%-95%](#) of all global credit ratings. This has been the state of affairs for decades since Fitch went on an acquisition spree in the late 1990s. Because they provide an internationally recognised seal of approval, lenders will accept a lower return on debt rated by them. On billion-dollar loans, this can amount to tens of millions in interest payments every year, so the borrower (who pays for the credit rating) actually saves money by using the Big Three, even if the credit rating itself is costly.

The spread between the coupon on bonds rated by the big three and those rated by other agencies (or not rated) is difficult to calculate because substantially all bonds in developed markets are rated by the big three. However, [this study](#) looked at local government bonds in China and found a 200 basis point spread. Another data point comes from a BDO study conducted for Moody's, which found that corporate issuers with bonds rated by Moody's as well as Fitch or S&P got a [65bps discount](#) on their interest rate compared to bonds rated by only Fitch or S&P. If a double rating saves 65bps, the savings vs. no Big Three rating should be much greater.

Because of the twin moats of regulation and brand trust, a competitor would have to acquire a lengthy track record of outperformance in ratings to challenge the incumbents. I struggle to see any competitors achieving this, even in the age of AI. In fact, I think the more likely outcome is that these companies will implement AI tools to improve their efficiency and increase their already staggering margins.

I think the ultimate test of the moats of this business, both regulatory and reputational, came in the aftermath of the Great Financial Crisis. All the big three were complicit in giving healthy ratings to securities that contained dodgy loans that later defaulted. All three failed in the duty they were bound to perform, playing a part in the near collapse of the global financial system. The moats remained intact.

Indices

As you might expect, S&P Global is the proprietor of the S&P 500 Index and many other indices. How do they make money from this?

Firstly, any ETF that tracks an S&P-owned index pays a fee to S&P Global for the use of the name and for the information upon which the index calculation is based. The majority of the payment is calculated as a percentage of AUM. This is very small (only [0.03%](#) for the SPY ETF, for example), but given the vast amounts of AUM involved, it adds up to a substantial sum for S&P Global.

S&P also has a profit-sharing agreement with the CME Group ([CME](#)). CME owns a 24% stake in the S&P 500 Index with SPGI and has the right to operate the exchange for its derivatives. SPGI receives a portion of the profits from those equity index derivatives.

Finally, S&P sells subscriptions to financial institutions that use the historical data on their many indices for benchmarking, portfolio construction, and academic research.

This is a wonderful business for several reasons. Very little reinvestment is required to keep it going - they just need to rebalance occasionally and add or remove companies from indices based on set criteria. Revenue is tied to the increasing amount of worldwide financial assets invested in index funds. Every time a portion of a paycheck goes into an IRA, the AUM of the index fund increases, and so does S&P's revenue. It also means that when markets appreciate, that benefits this segment's revenue.

Revenue, therefore, can go down as well as up, but the subscriptions revenue stream offers some stability, and the CME revenue actually increases during times of volatility, so Indices revenue has less downside than the market itself.

In 2022, the S&P ended the year down 19%, but the [average AUM](#) of S&P-related ETFs increased 5%. The year-end AUM was down 12%, but revenue is based on the average figure, not the year-end figure. Thus, in a year when the S&P 500 declined substantially, the Indices segment grew, boosted by greater trading in derivatives and inflows into ETFs.

During the Great Financial Crisis, S&P Global was a division of McGraw-Hill, and Indices was not its own sub-segment. It was part of the S&P Investment Services segment, which was basically Indices plus Capital IQ Pro. I have managed to piece together the revenue for this sub-segment from 2006 to 2011.

| Year | Investment Services Revenue (\$m) | Y-n-Y Change | S&P 500 Return |
|------|-----------------------------------|--------------|----------------|
| 2006 | 673 | — | |
| 2007 | 782 | 16.3% | 3.5% |
| 2008 | 899 | 14.9% | -38.5% |
| 2009 | 862 | -4.1% | 23.5% |
| 2010 | 918 | 6.5% | 12.8% |
| | Total Return | 36.5% | -11.3% |

The table shows that over the period, Investment Services revenue grew 36.5%, while the S&P 500 was down 11.3%.

Is this segment vulnerable to AI? Again, for me the answer is no. SPGI's customers use the S&P 500 and other indices simply because they are the benchmarks. This is a network effect moat, whereby the more well-known the index is, the more useful it is to investors who feel comfortable putting their money in it, to index fund operators who attract investors with the name of the ETF, and to portfolio managers who benchmark themselves against it. And the more AUM is behind it, the more liquid the derivatives are, which benefits traders.

It's instructive here to use a mental model often referenced by Warren Buffett and Charlie Munger: If I gave you unlimited money to go and build a competitor to the S&P 500, could you do meaningful harm to the business? I think experience has answered this question empirically. It is fundamentally not that hard or expensive (with or without AI) to create a competitor to the S&P 500. The problem is that the incumbent already has the name recognition, the trust, and the comparability to other indices, and crucially, its own history, that your new index lacks. Even if you gave your index away for free, no one would be interested.

Energy

The Energy segment contains some businesses that are not dissimilar to the other segments. For example, S&P owns Platts, which is the company that creates the benchmarks for a number of commodities, including crude oil.

This is still a very manual process. Platts employees literally ring around oil buyers, sellers, and brokers throughout the day and ask them about the deals they are doing: where, how much, at what price, what sort of oil, etc. Then at a fixed time during the day, through a process too complicated to get into here, Platts publishes an oil price based on the data it has collected. This price is used as a benchmark for deals around the world, so a buyer might agree to buy some crude oil for “Platts + \$2” per barrel.

This oil price is not to be confused with the prices we see on trading screens. Those are the prices of futures contracts, whereas the Platts price is what real physical oil is trading hands for today.

This sub-segment, which is called Price Assessments, makes money by selling subscriptions to these prices to commodity traders and analysts and by licensing the benchmarks to exchanges that trade derivatives based on the commodities. Thus, the first revenue stream is analogous to the proprietary data of the Market Intelligence segment, and the second to the royalty fees from CME for the trading of S&P 500 derivatives. Again, the moat around this business is that the Platts prices for various commodities are the standard upon which the entire global trading system is based. If you created an alternative to Platts and made it free, nobody would care.

Furthermore, there is even a switching cost moat. The “Platts +” language is written into many long-term contracts. Switching away from this formulation would require the renegotiation of thousands of contracts.

The Energy segment also contains Energy & Resources Data & Insights, which provides market data, news, analytics, and reports for commodities. This is analogous to Market Intelligence, and once again the value of the data resides in its proprietary nature, not so much the interface.

The rest is made up of a melange of other businesses, mostly from the IHS Markit acquisition. S&P recently agreed to a deal to sell one of these to SLB (SLB). I don't think these businesses are particularly important to the segment or the company as a whole, and divestiture is probably the best path.

Summarizing AI Risk

As you can probably tell from the tone of my article so far, I consider the risk of S&P Global's revenue or earnings being negatively affected by AI to be very low. Here is a summary of the arguments I have made above:

| Segment | Risks | Mitigations/Opportunities |
|---------------------|--|--|
| Market Intelligence | Commoditization of software | Data is the moat, not the interface |
| | Disintermediation (change of interface) | Lean into private market data |
| | Obsolescence of seat-based model | Transition to usage-based model or price to value |
| | Greater ease of data gathering/cleansing | S&P can also use AI to improve data quality |
| Ratings | Competitor uses AI to improve ratings accuracy (low probability) | Moat relies on regulation and trust. Difference in accuracy would have to be substantial and well-proven Use of AI by credit analysts can improve efficiency and increase margins |
| Indices | Competitor uses AI to create a “better index” (low probability) | Network effect of existing indices is where the value lies Anyone who creates a “better index” can make more money with a proprietary trading algorithm |
| Energy | Commoditization of software | Data is the moat, not the interface |
| | Greater ease of data gathering/cleansing | Platt's prices are built into long-term contracts |

The most important segments by far are Ratings and Indices, and both are very well insulated from AI disruption, and I think the revenue of Market Intelligence is more defensible than the market seems to think.

Prospects and Non-AI Risks

Having sized up the potential negative impacts on the business and found them minimal, the question arises: what does the business look like going forward? My answer is that I expect it to look quite similar to the past.

Indices has grown revenue at 12% a year between 2015 and 2025, and with an almost constant inflow to ETFs coming from 401(k)s and IRAs, it will take a very severe decline to knock it off its stride. As I explored earlier, even during the Great Financial Crisis, this segment's performance was far from catastrophic. In terms of margins, there is no reason why they shouldn't increase slowly over time. After all, every incremental hundred dollars into an index fund is a few incremental pennies to this segment's revenue, but zero extra expense was necessary to earn it. The chart below shows the revenue and operating margin trajectory for the Indices segment since 2013.

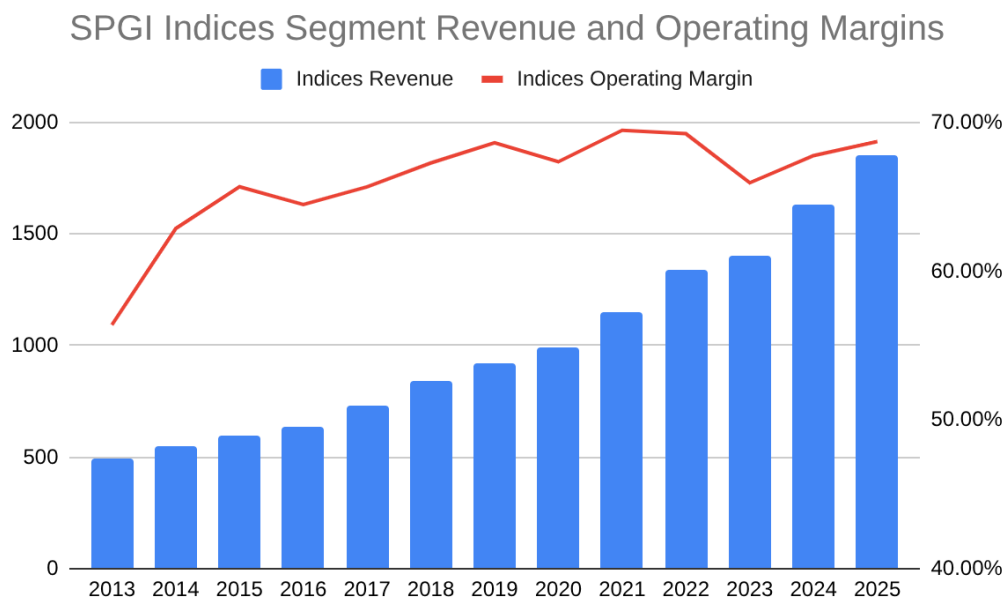


Chart by the Author (SPGI/McGraw Hill Financial Annual Reports)

Non-AI risks to Indices include a prolonged bear market such as the one between 1968 and 1982. Over the current bull market, workers have continued to allocate to stocks in the 401(k)s and IRAs through short, sharp bear markets. That sangfroid may be tested if the index doesn't make a new high for a decade, leading to the reversal of the current double tailwind of inflows and appreciation.

The Ratings segment is a little more volatile, as issuance is affected quite a lot by changes in the level of interest rates. Despite some volatility, over time this is an extremely durable business, and because it is an oligopoly, S&P has some pricing power. I expect a similar growth rate of around 7% a year over cycles going forward.

Moreover, I think this segment is likely to benefit the most from AI. The expenses in this segment are largely staff costs, and through the use of AI for data analysis, financial modelling, summarizing earnings calls, and many other applications, these employees should become more productive. That means the company should be able to reduce operating costs or support more business with the same number of staff. Thus I expect margins in this segment to climb slowly from their already stratospheric level. The chart below shows the revenue and operating margin trajectory for the Ratings segment since 2013. (The negative operating margin in 2014 was due to a large legal settlement following the company's role in the Great Financial Crisis.)

SPGI Ratings Segment Revenue and Operating Margins

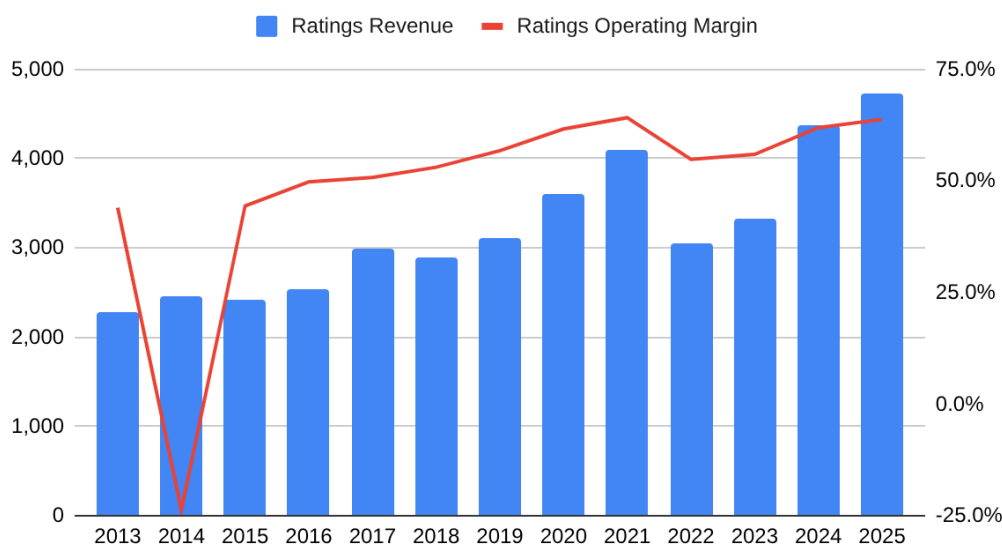


Chart by the Author (S&P Global/McGraw Hill Financial Annual Reports)

The ever-present risk for Ratings is rising interest rates. For example, in 2022, when the Fed aggressively hiked interest rates, the segment's revenue was down 25% as fewer companies wanted to take out debt. Interest rates are higher now than between 2009 and 2022 but still fairly low compared to history, so issuance should not be structurally lower. But with inflationary pressures still with us, even higher interest rates cannot be discounted.

Another risk to keep an eye on is regulatory. As much as regulations currently provide an advantage, they could easily be changed. Although I touted their survival after the financial crisis as evidence of the strength of the moat, there is no doubt the agencies are on a shorter leash than before the GFC. If they were to take umbrage with S&P Global, regulators could introduce fee caps, provide support to rivals, or even start their own public ratings agency, as was [proposed](#) in Europe after 2008.

As for the Market Intelligence segment, I am less confident of the prospects, but I don't think they will materially worsen. Growth has been sluggish in this segment, except for when it has been boosted by acquisitions. It tends to grow quite consistently between 4% and 7% per year. The acquisition of IHS Markit, which added a lot of new businesses to this segment, decreased the operating margin substantially, but the segment has seen strong margin expansion in the last few years as some synergies are realised. Management has [guided](#) continued margin expansion in 2026.

Capital Allocation

When you have a couple of wonderful businesses like S&P Global does, capital allocation as opposed to execution becomes the main test of management. Unfortunately, as of recently, some of S&P's capital allocation decisions have been questioned. Chief among these is the acquisition of IHS Markit in 2022. The ins and outs of this deal are too complicated to relitigate here, but I will quickly sum them up.

IHS Markit was a sprawling conglomerate containing dozens of businesses. The ones S&P was likely keenest on were the financial businesses, especially the indices of bonds and credit default swaps, which was something they did not have in the portfolio and, as we have covered, are great businesses. They were also interested in the finance software-related businesses, which they saw as providing more recurring revenue to smooth out the volatility of the Ratings business. Those have been integrated into Market Intelligence. The other large piece was the transportation businesses, including Carfax, which S&P made into the Mobility segment. This is now being spun off, which suggests it wasn't really the part S&P was after.

This was an all-stock deal, so the company increased the share count dramatically. The virtue of this approach was that they issued stock at a time when it was probably overvalued (about \$395 per share). But there is a strong argument to suggest that IHS Markit itself was overvalued; hence, value creation is questionable. The success of the deal relied quite heavily upon “synergies” being achieved, but instead it seems that S&P has been selling or spinning off lots of bits of the old IHS Markit that it doesn't want. The impression that is left is that S&P overpaid for a company that it only really wanted a small slice of. Perhaps defensible strategically, but not likely to create shareholder value.

I think the jury is still out on the wisdom of this acquisition, and the company is currently doing the right thing in selling off the parts of it that are deemed non-core. In addition to the spin-off of S&P Mobility, they have also made a series of small divestitures, most recently the [announced](#) sale of Upstream geoscience and petroleum engineering software to SLB. New CEO Martina Cheung has made it [clear](#) she is only interested in “tuck-in” acquisitions. Although she was heavily involved in the IHS Markit transaction, the fact that the capital allocation strategy has turned to buybacks and divestitures is encouraging.

The company's net debt is a concern to me. It's not that I worry they can't pay it off - net debt is around 1.5x EBITDA - it's simply that it would be great to have more flexibility for buybacks. As it is, with less than \$2bn cash on hand vs. nearly \$14bn in debt, the amount of buybacks is more or less limited to free cash flow, minus the amount earmarked for dividends.

Valuation

PEGY

I have made the case that S&P Global is a quality compounder with a durable business that can weather many storms and maintain decent earnings growth in the years to come. In other words, it's what Peter Lynch would call a stalwart. As such, I think the proper metric is Price-Earnings-Growth plus Yield, or PEGY ratio. Anything above 2 is expensive, and anything below 1 is very cheap.

The trailing twelve-month GAAP figure for PEG is 1.07; the non-GAAP forward metric is 1.72. But as I am a long-term investor, I like to take a longer view. I like to determine what I think the earnings growth rate will be over the next 5 or 10 years and compare that against the current PE ratio.

My model for S&P is that it can grow revenue at similar rates to the past while improving margins and buying back shares. At the 2025 investor day, management shared this as their growth model for the company:

New medium-term financial targets

Targets are average annual rates expected over the next 3-5 years

| Enterprise Targets | | | Organic Division Targets | |
|--|--|--|---|----------------------|
| S&P Global | | | S&P Global | 6% to 8% |
| 7% to 9% | 50-75 bps/year | Double-Digit | Market Intelligence | Revenue Growth (OCC) |
| <small>Organic, Constant Currency (OCC) Revenue Growth</small> | <small>Adjusted Operating Margin Expansion</small> | <small>Adjusted Diluted EPS Growth</small> | S&P Global | 6% to 9% |
| | | | Ratings | Revenue Growth (OCC) |
| | | | S&P Global | 6% to 8% |
| | | | Energy | Revenue Growth (OCC) |
| | | | S&P Dow Jones Indices | 10% to 12% |
| | | | <small>A Division of S&P Global</small> | Revenue Growth (OCC) |

Key Assumptions:
Assumes issuance volumes based on the historical average annual growth in issuance
Assumes market appreciation based on historical average annual S&P 500 returns
Target margin expansion excludes the contribution from OSTRA in all periods

Investor Day 2025
S&P Global

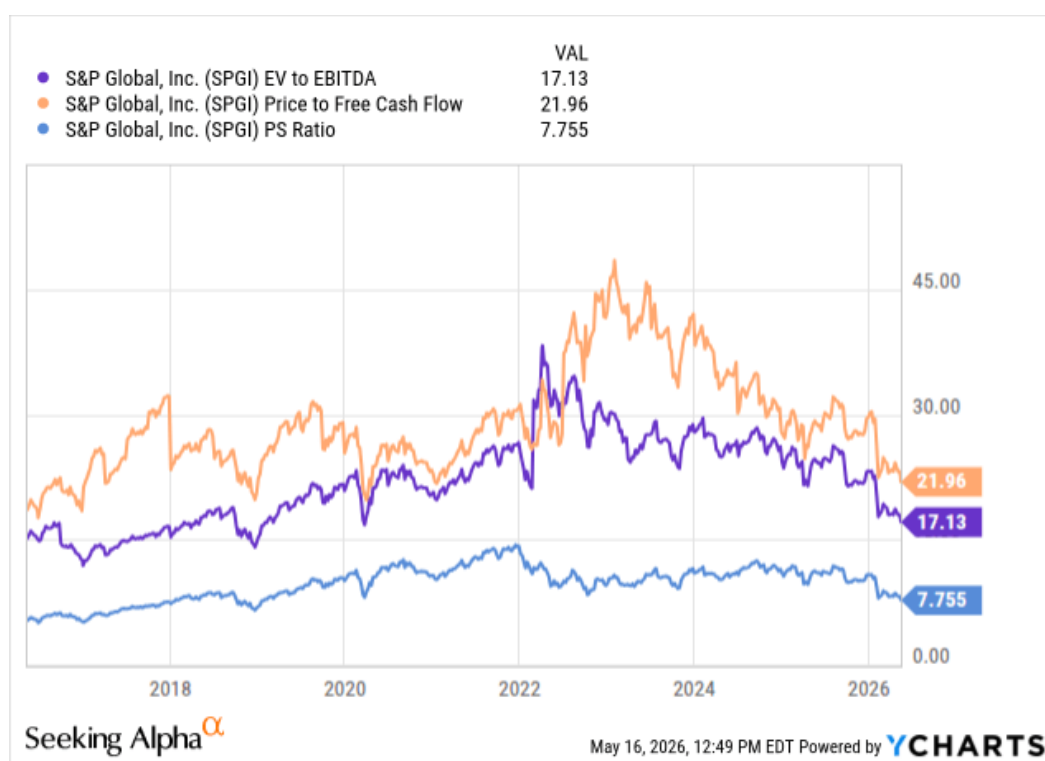
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These assumptions seem reasonable to me. The median revenue growth rate since it became McGraw Hill Financial in 2013 is around 8%. I use the median because the IHS Markit acquisition resulted in outside revenue growth in 2022. I think margin expansion is sustainable because of the realisation of synergies in Market Intelligence, divestitures of lower-margin businesses, and the application of AI to existing ones. Achieving these targets would result in a net income growth rate of around 10.5% per year.

Over the past 10 years, the company has bought back on average 2% of shares outstanding each year except in 2021, when the stock was overvalued, and in 2022, when it issued shares for the IHS Markit acquisition. With a 2% buyback, we get to EPS growth of 12.5%. Divide the current forward PE of 20.69 by that 12.5% plus the 1% dividend yield, and you get to a PEGY ratio of 1.54x. For a business of this quality, that is very attractive.

Historical Valuation

The stock is also quite cheap compared to its recent history. It's difficult to compare valuation historically on a GAAP PE ratio because the IHS Markit acquisition has played havoc with the consistency of this metric. Below I show the P/S, P/FCF, and EV/EBITDA ratios for the past 10 years. On all of these, the valuation is near or below the COVID low and not too far from 10-year lows.



Data by [YCharts](#)

It seems insiders agree that the stock is trading cheaply. [Four of them](#), including CEO Martina Cheung and CEO of S&P Dow Jones Indices Catherine Clay, have made purchases of more than \$500,000 since February this year. Overall, insiders have been [net buyers](#) over the past 12 months.

Relative Valuation

Because SPGI is a conglomerate, there is no direct comparison. But Moody's and MSCI are direct comparisons in the two most important businesses of Ratings and Indices. Ratings and Indices account for 48.5% and 20.5% of SPGI's operating income, respectively. If we prorate any expenses/benefits below the operating income line, that would mean Ratings will earn the company \$9.52 in non-GAAP net income this year, and Indices will earn \$4.02.

Moody's and MSCI are trading at forward non-GAAP PE ratios of 25.7x and 28.6x. Applying these multiples to each of S&P Global's businesses, we would get a valuation of \$244.66/share and \$114.97/share, together \$359.63/share. That means the rest of the business (Market Intelligence, Energy, and Mobility) is being valued at \$43.52, or just 7.15x the EPS it is producing for the company. One might be able to justify this by citing the conglomerate discount, but this gets harder to argue when you consider the upcoming S&P Mobility spin-off.

At the recent [analyst day](#) for the new S&P Mobility, the CFO-designate Matt Calderone presented a business with around \$700m in adjusted EBITDA at a 40% margin. At a fairly conservative valuation of 12x, this business alone could be worth about \$28 per share when spun out.

It is reasonable for SPGI to trade at a discount to Moody's and MSCI, but the discount appears to be over-extended.

Conclusion

With S&P Global 30% off its 52-week high, at first glance you might think that there was a material problem with the business. However, the closer I look at those businesses, the less worried I am about AI disrupting them. The two core businesses are some of the most profitable and reliable on planet earth. They will continue to produce massive amounts of cash flow with minimal reinvestment required.

Valuation has come down to a very reasonable level. A forward non-GAAP PE ratio of 20x is not a high price to pay for such a high-quality business that can continue to compound earnings at mid-double digits for years to come.

Therefore, I am issuing a Buy recommendation on SPGI, expecting low-to-mid teens earnings growth and a re-rating towards a mid-to-high 20s forward non-GAAP PE for a high teens return over the medium term.

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\$ in the comment.

V

veggieover

May 26, 2026, 12:43 PM

Premium Investing Group Comments (17) | + Follow

Well written article.

That said, more criticism of the company leadership is warranted due to value destructive Markit acquisition - whatever be the reasons they gave then.

ROCE cratered from 40% to 7% and hasn't recovered well and free cash flow growth (~6% CAGR) has been rather poor since the acquisition closed. Naturally, stock hasn't done well.

I still hold a large position (still the largest in my portfolio with long term capital gains) with the hope that company will be run more sensibly going forward. It's been frustrating to watch the value destruction. Hope it's temporary. *(edited)*

↪ Reply Like (1) | Liked By Analyst



Beau Marshall

May 29, 2026, 12:17 PM

Analyst Premium Comments (86) | + Follow

Analyst's Reply Thanks @veggieover. You're probably right about that. I think though what Martina Cheung has been saying recently about capital allocation is the right strategy for creating shareholder value - including at the Bernstein conference the other day. But we'll have to see if the deeds match the words over her tenure as CEO.

↪ Reply Like (1)

D

dgi123

May 19, 2026, 7:50 PM

Premium Investing Group Comments (7.47K) | + Follow

Thanks for the article. I agree that SPGI is a good buy right now. Their EPS is currently about \$18.35. This is expected to grow at about 11.5% cagr so in 4 years, their eps will be about \$28.36. If we assume a 27 year pe multiple (in line with 10 year average), we get estimated price target of \$765 and total CAGR of 16.7% which is very respectable and should easily outperform the market.

I similarly see negligible AI risk as I described in a similar post here: seekingalpha.com/...

Could you help me understand why SPGI trades at a discount relative to the more concentrated plays of MSCI and MCO?

↪ Reply Like (3) | Liked By Analyst



Beau Marshall

May 20, 2026, 6:29 AM

Analyst Premium Comments (86) | + Follow

Analyst's Reply @dgi123 I think it's mainly because MCO and MSCI are just cleaner stories. SPGI's multiple is "weighed down" by the lower margin, less durable businesses it owns. In some sense it's a conglomerate discount. It's hard for conglomerates to execute well on so many fronts, and it complicates capital allocation. You could also add for MSCI that they have a well-respected CEO who has been in place for decades - that might earn a few extra turns on the multiple.

I expect with the spin-off of S&P Mobility and perhaps a few other divestitures this valuation gap might narrow. If [SPGI](#) was just Ratings and Indices I'm sure it would get the same multiple, if not higher, than [MCO](#) and [MSCI](#).

↪ Reply 👍 Like (1)

D

dgi123

May 20, 2026, 8:05 AM

Premium Investing Group Comments (7.47K) | + Follow

[@Beau Marshall](#) Thanks for your reply. Is the overall margin that different though?

Slide 14 shows that [SPGI](#) has overall operating margin of around 50% for TTM. Slide 16 shows that it was 51.8% for specifically Q1 2026 [s29.q4cdn.com/...](#)

Slide 5 shows that [MCO](#) has overall operating margin of around 53% [s203.q4cdn.com/...](#)

[MSCI](#) operating margin is similarly at 53% based on slide 7 [ir.msci.com/...](#)

Also separate question, do you think that [SPGI](#) is more insulated from AI risk than [MCO](#) or [MSCI](#)? Obviously they're all good businesses but to me, it seems like [SPGI](#) stands out as a winner here given their size, diversity, and moat but I'm curious to hear your thoughts

↪ Reply 👍 Like (1)



Beau Marshall

May 20, 2026, 8:52 AM

Analyst Premium Comments (86) | + Follow

Analyst's Reply [@dgi123](#) Great questions. The margin differential is really more with [MSCI](#) than [MCO](#). However, the [IHS Markit](#) acquisition has negatively affected [SPGI](#)'s ROIC and other efficiency metrics by massively increasing Goodwill and Intangibles. So it looks like a less efficient business. In reality it isn't much less efficient operationally, but the acquisition was a real cost, and the low return on invested capital is perhaps evidence they overpaid. The drop in these efficiency metrics makes it look at first glance a lower quality business. That could be part of the valuation differential.

I think [MCO](#) and [MSCI](#) are fractionally less at risk from AI disruption than [SPGI](#). As I wrote in the article, Ratings and Indices are the least disruptable segments, and these make up a larger proportion of the revenue of the other two names. But I think [SPGI](#)'s AI disruption risk is also low, and the valuation differential means returns are likely to be decent. If [SPGI](#) manages to provide more value through AI tools, it could even accelerate growth in the Market Intelligence segment in a way that's not available to the other two. I think what the market is pricing in right now is merely uncertainty, not risk.

↪ Reply 👍 Like (2)



BM Cashflow Detective

May 19, 2026, 12:36 PM

Premium Comments (20.69K) | + Follow

The market is currently conflating technological change with economic destruction in the case of S&P Global, even though the company's most valuable business segments are situated precisely where AI poses the least threat.

Specifically, in regulatory-embedded ratings, globally accepted benchmarks, and institutional trust built over decades.

While many investors stare nervously at chatbots, they overlook the fact that a credit rating or an index is dominant not because its software looks pretty, but because trillions in contracts, ETFs, derivatives, and compliance frameworks are built upon it; network effects of this magnitude cannot be displaced by a "smarter prompt."


Furthermore, a rare scenario is emerging, characterized by high returns on capital, minimal reinvestment requirements, and immense pricing power, whereby even moderate revenue growth translates disproportionately into free cash flow and share buybacks, particularly following the divestiture of weaker peripheral businesses.

The fact that the stock is now being valued almost as if AI were about to obliterate its economic moats, when, in reality, AI is far more likely to boost the productivity of its existing monopolistic infrastructure, is about as rational as expecting a handheld calculator to replace Goldman Sachs.

Long [SPGI](#) 📈 🤖

Ironically, the very same AI-induced panic that is currently driving weak hands out of the stock could later serve as the catalyst that causes margins to explode even further.

And should it turn out that the world continues to require ratings, indices, and trusted financial data in the future, then the "demise" of S&P Global will likely go down as one of Wall Street's most expensive clearance sales.

↪ Reply  Like (3) | *Liked By Analyst*

M

Mitra75

May 26, 2026, 8:07 AM

Premium Investing Group Comments (225) | + Follow

[@BM Cashflow Detective](#)

Great comment! I bought LSEG and [BR](#) based on the same logic. Financial infrastructure stocks...

↪ Reply  Like (1)


V

Valuestocks007

May 19, 2026, 10:59 AM

Premium Comments (16.38K) | + Follow

I have owned this since it was MHP... its been a good one over the decades!

↪ Reply  Like (3) | *Liked By Analyst*




Gary Kime

May 19, 2026, 4:39 AM

Premium Comments (5.91K) | + Follow

CHris Bloomstran is in agreement with you. He suggests that Berkshire Hathaway should take a big stake in [SPGI](#)! Nice article!

↪ Reply  Like (3) | *Liked By Analyst*



Beau Marshall

May 19, 2026, 5:20 AM

Analyst Premium Comments (86) | + Follow

Analyst's Reply [@Gary Kime](#) Thanks Gary - it's certainly the type of business favoured by Buffett historically. Whether they can take a big stake before their buying pushes the price up I don't know. Fortunately that's one of those things us retail investors don't need to worry about.

↪ Reply  Like (2)

V
Valuestocks007
May 19, 2026, 10:58 AM

Premium Comments (16.38K) | + Follow

[@Gary Kime](#) Interesting.. why not buy the whole thing Warren!

↪ Reply 👍 Like



Gary Kime
May 19, 2026, 11:51 AM

Premium Comments (5.91K) | + Follow

[@Valuestocks007](#) probably can't own [MCO](#) as well? Just an invest would be fine.

↪ Reply 👍 Like

V

Valuestocks007
May 19, 2026, 12:13 PM

Premium Comments (16.38K) | + Follow

[@Gary Kime](#) Yeah I thought about that as well.

↪ Reply 👍 Like (1)

O

Oscar's Wild
May 22, 2026, 2:27 PM

Premium Investing Group Comments (2.3K) | + Follow

[@Gary Kime](#) Very interesting. Wasn't aware of his statement.

↪ Reply 👍 Like (1)



Gary Kime
May 22, 2026, 6:46 PM

Premium Comments (5.91K) | + Follow

[@Oscar's Wild](#) He was interviewed at the annual meeting on CNBC. He stated he would be surprised if Greg wasn't more aggressive with putting the cash to work. He then suggested companies like [SPGI](#) fits Berkshire well.

↪ Reply 👍 Like (1)

O

Oscar's Wild
May 22, 2026, 6:56 PM

Premium Investing Group Comments (2.3K) | + Follow


[@Gary Kime](#) Appreciate the post up. Somehow I missed that interview. I agree with Chris's assessment of Greg.

↪ Reply 👍 Like (1)



scruffy henry
May 19, 2026, 3:22 AM

great work. Can't wait for your companion piece on [MSCI](#). (hint hint) cheers.

↪ Reply  Like (2) | *Liked By Analyst*



Beau Marshall

May 19, 2026, 4:52 AM

Analyst Premium Comments (86) | + Follow

Analyst's Reply @scruffy henry Thank you, I'll see what I can do! :)

↪ Reply  Like (1)



scruffy henry

May 19, 2026, 3:21 AM

Premium Investing Group Comments (2.37K) | + Follow

cheers, great work. can't wait for your companion piece of [MSCI](#). (hint hint)

↪ Reply  Like


C

Cobra6

May 19, 2026, 1:28 AM

Premium Comments (847) | + Follow

Thanks for the article, it is a good read :)

↪ Reply  Like (2) | *Liked By Analyst*



Beau Marshall

May 19, 2026, 4:51 AM

Analyst Premium Comments (86) | + Follow

Analyst's Reply @Cobra6 Thanks for reading!

↪ Reply  Like

Disagree with this article? [Submit your own](#). To report a factual error in this article, [click here](#). Your feedback matters to us!