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# Second Quarter 2022 Earnings Call

July 26, 2022

# Introduction



**Shivani Kak**

Head of Investor Relations

# Disclaimer

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for Moody's business and operations that involve a number of risks and uncertainties. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements. Stockholders and investors are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements in this release are made as of the date hereof, and Moody's undertakes no obligation (nor does it intend) to publicly supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise, except as required by applicable law or regulation. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Moody's is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to the impact of general economic conditions, including inflation, on worldwide credit markets and economic activity and its effect on the volume of debt and other securities issued in domestic and/or global capital markets; the global impacts of each of the crisis in Ukraine and COVID-19 on volatility in the U.S. and world financial markets, on general economic conditions and GDP in the U.S. and worldwide, on global relations, on Moody's own operations and personnel; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including regulation, credit quality concerns, changes in interest rates, inflation and other volatility in the financial markets; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government actions affecting credit markets, international trade and economic policy, including those related to tariffs, tax agreements and trade barriers; the impact of MIS's withdrawal of its credit ratings on Russian entities and of Moody's suspension of commercial operations in Russia; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the level of success of new product development and global expansion; the impact of regulation as an NRSRO, the potential for new U.S., state and local legislation and regulations; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to our rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries to which Moody's may be subject from time to time; provisions in U.S. legislation modifying the pleading standards and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to credit rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services and the expansion of supervisory remit to include non-EU ratings used for regulatory purposes; uncertainty regarding the future relationship between the U.S. and China; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of Moody's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if Moody's fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which Moody's operates, including data protection and privacy laws, sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; the impact of mergers, acquisitions, such as our acquisition of RMS, or other business combinations and the ability of Moody's to successfully integrate acquired businesses; currency and foreign exchange volatility; the level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions. These factors, risks and uncertainties as well as other risks and uncertainties that could cause Moody's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements are described in greater detail under "Risk Factors" in Part I, Item 1A of Moody's annual report on Form 10-K for the year ended December 31, 2021, and in other filings made by Moody's from time to time with the SEC or in materials incorporated herein or therein. Stockholders and investors are cautioned that the occurrence of any of these factors, risks and uncertainties may cause Moody's actual results to differ materially from those contemplated, expressed, projected, anticipated or implied in the forward-looking statements, which could have a material and adverse effect on Moody's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for Moody's to predict new factors, nor can Moody's assess the potential effect of any new factors on it.

# 2Q 2022 Highlights

## Rob Fauber

President and Chief Executive Officer



# Key Takeaways

- 1 2Q 2022 financial results: MCO revenue of \$1.4B; Adjusted Diluted EPS of \$2.22<sup>1</sup>
- 2 MIS business fundamentals remain firmly intact despite short-term cyclical volatility
- 3 MA delivered strong growth with revenue up 18% on heightened customer demand
- 4 Organic Annualized Recurring Revenue<sup>2</sup> (ARR) growth of 9%, accelerating to low-double-digits<sup>3</sup> for FY 2022
- 5 Updated FY 2022 guidance<sup>3</sup>: MCO revenue decreasing in the high-single-digits; Adjusted Diluted EPS of \$9.20 - \$9.70

1. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

2. Organic ARR for the quarter ending June 30, 2022. Refer to the Appendix for the definition of and further information on Organic ARR. Both ARR and Organic ARR exclude the impact of foreign currency translation.

3. Guidance as of July 26, 2022. Refer to Table 10 – “2022 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2022” from July 26, 2022, for a complete list of guidance, reconciliations between adjusted and organic measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.



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# Questions and Answers

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**Rob Fauber**

President and Chief Executive Officer



**Mark Kaye**

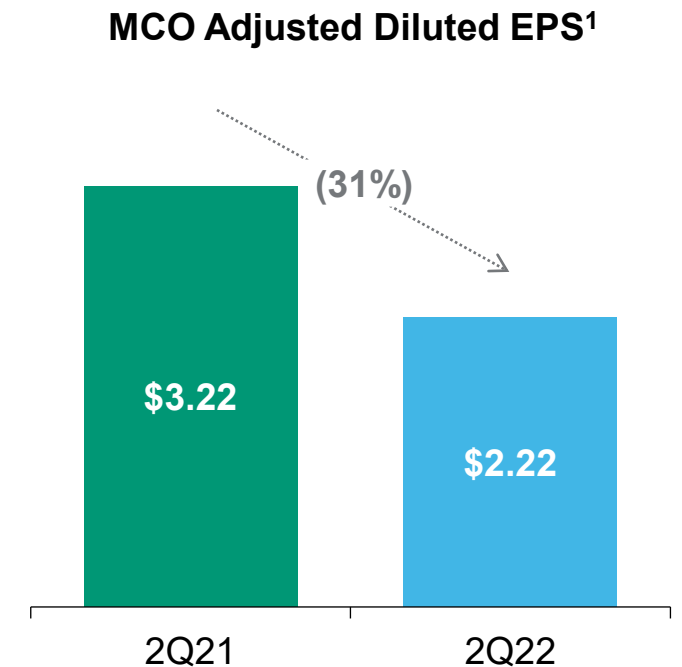
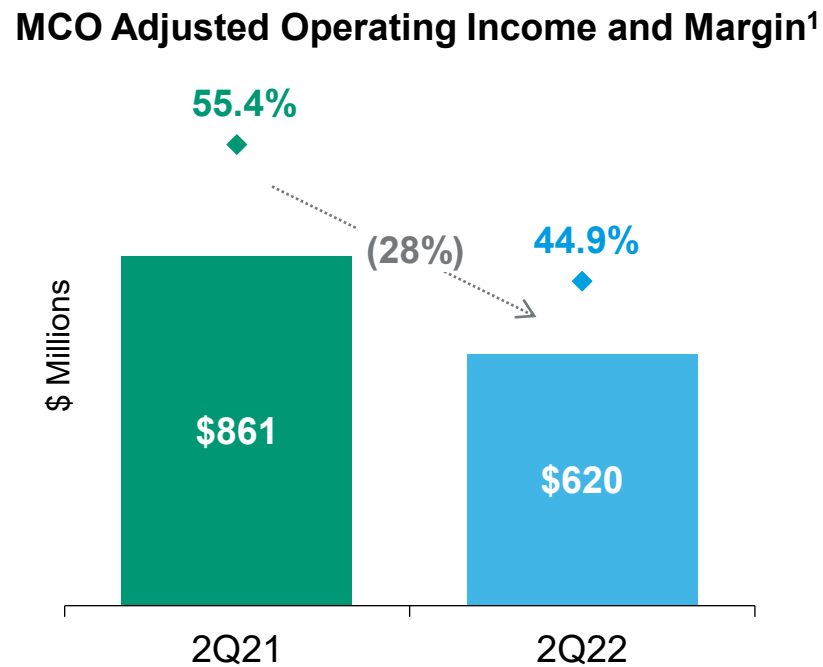
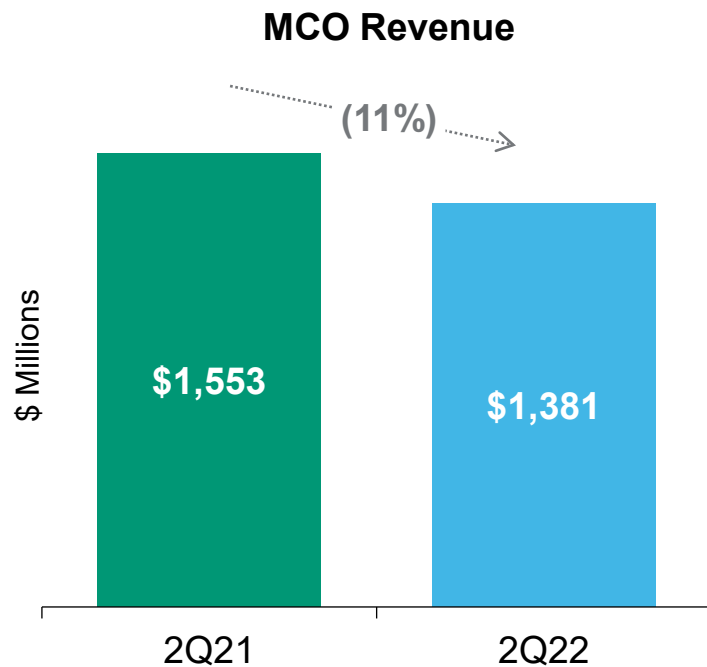
Chief Financial Officer



# Supplemental Information

# MCO: Financial Results Reflect Cyclical Volatility in the Debt Issuance Markets

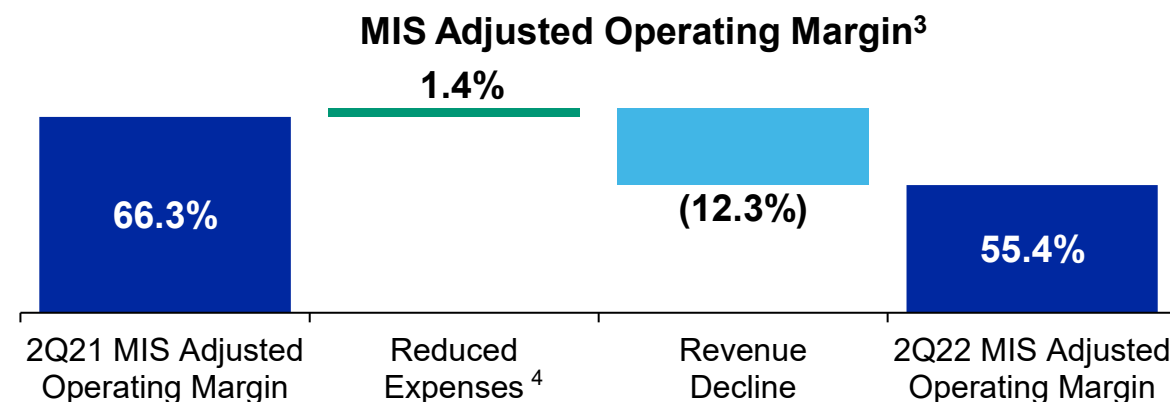
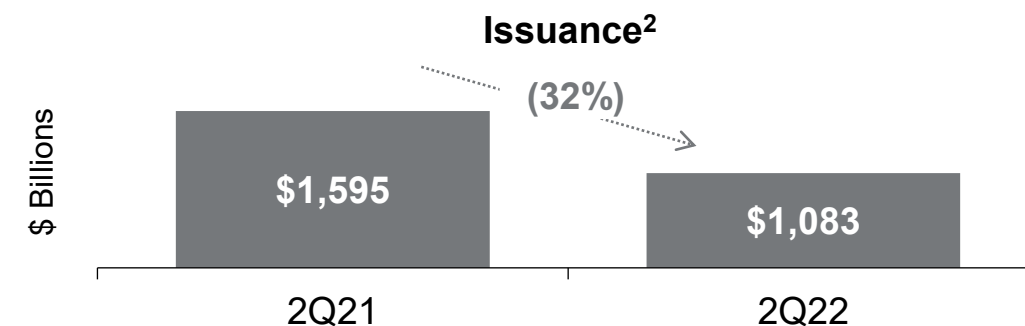
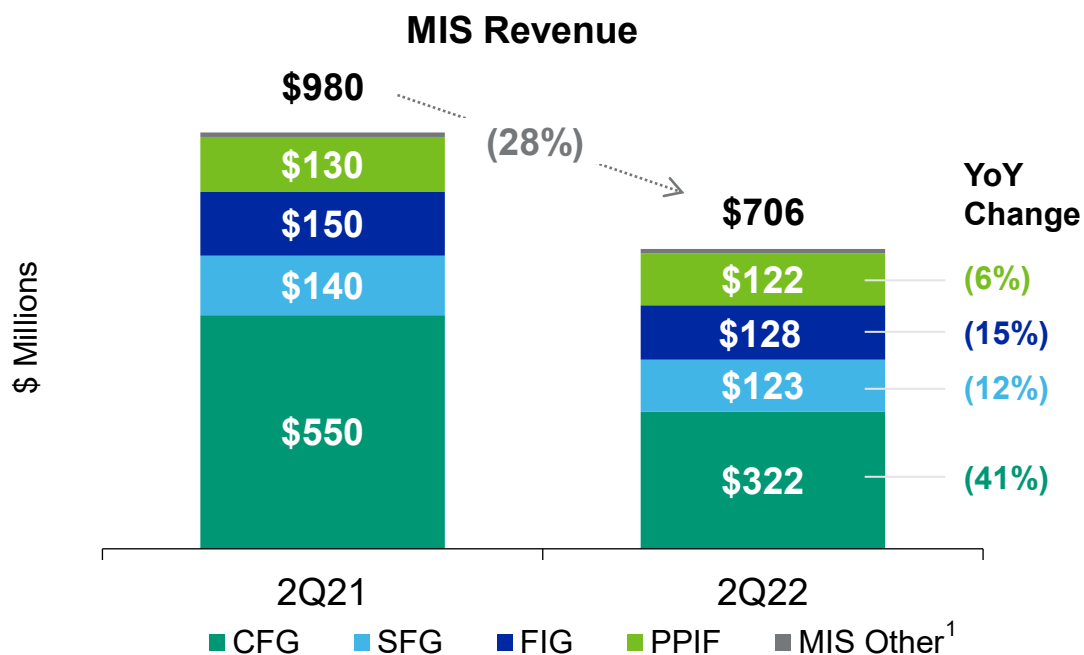
- » MCO revenue contracted 11% from 2Q21, which was the highest second quarter on record
  - MA revenue growth of 18%; organic constant currency<sup>1</sup> (organic C\$) growth of 8%
  - MIS revenue decreased 28% vs. a rated issuance decline of 32%
- » Adjusted Diluted EPS<sup>1</sup> of \$2.22



1. Refer to the Appendix for the definition of organic constant currency (organic C\$) revenue, as well as reconciliations between all organic constant currency (organic C\$) and adjusted measures mentioned throughout this presentation and U.S. GAAP.



# MIS: Significantly Lower Issuance Amid Market Uncertainty

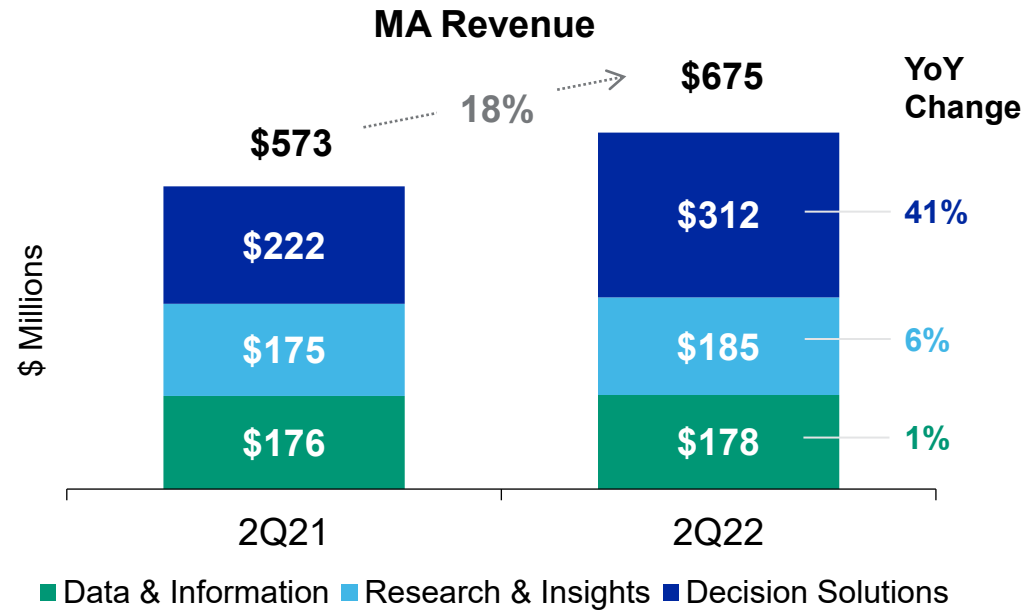


- » Geopolitical concerns, rising yields and elevated market uncertainty adversely affected issuance across all asset classes
- » Following a record prior-year period, leveraged finance – especially high yield bond activity – was dampened, in part due to increasingly hawkish monetary policy and the possibility for multiple rate increases

- » Decline in transaction revenue negatively impacted Adjusted Operating Margin; partially offset by lower incentive compensation accruals

1. MIS Other revenue was approximately \$10 million and \$11 million in the quarters ended June 30, 2021, and June 30, 2022, respectively.  
 2. MIS-rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.  
 3. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.  
 4. Reduced expenses primarily reflected lower incentive compensation accruals and performance-based equity compensation.

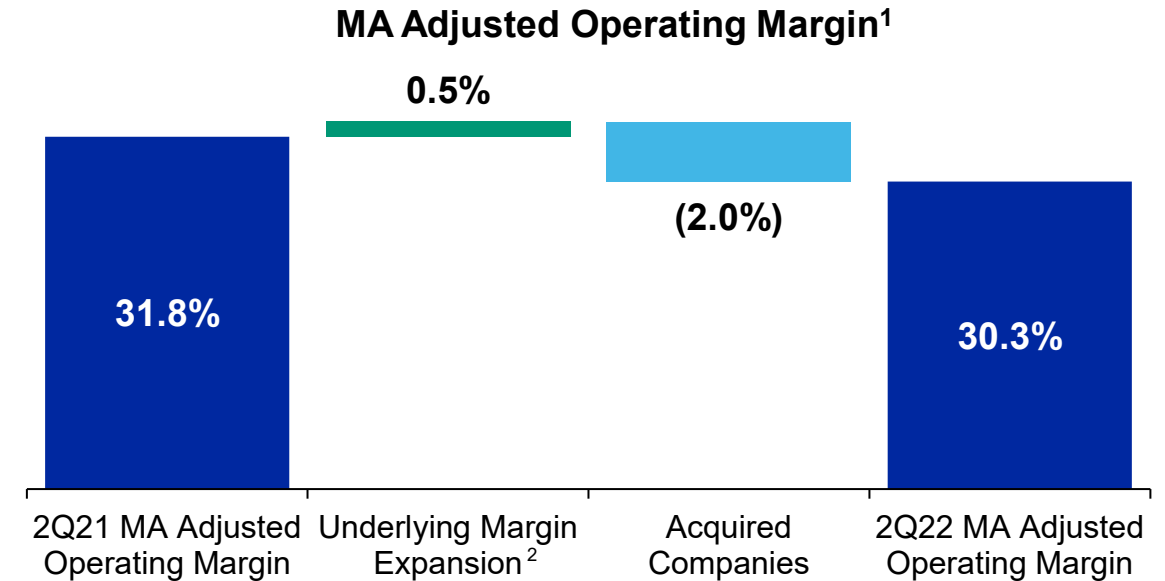
# MA: Delivering Exceptional Value in Uncertain Times



- » **D&I:** Organic C\$<sup>1</sup> growth of 8% on best-in-class retention rates and robust sales of private company data and credit ratings feeds
- » **R&I:** Constant currency (C\$)<sup>1</sup> growth of 8% on consistently high retention rates and strong sales of credit research, analytics and models
- » **DS:** Organic C\$<sup>1</sup> growth of 8% driven by ongoing demand for KYC and Compliance products

1. Foreign exchange negatively impacted Data & Information, Research & Insights and Decision Solutions by 7%, 2% and 4%, respectively. Refer to the Appendix for the definition of organic constant currency (organic C\$) revenue and constant currency (C\$) revenue, as well as reconciliations between all organic constant currency (organic C\$), constant currency (C\$) and adjusted measures mentioned throughout this presentation and U.S. GAAP.

2. Underlying expansion excluded the impact of recent acquisitions completed within the last twelve months.



- » MA comprised 49% of MCO revenue in the second quarter, up from 37% in the prior-year period
- » Recurring revenue proportion of 94%, up 1% from prior-year period, contributed to underlying margin expansion of 50bps

# MCO: Updated Assumptions

## Macroeconomic Assumptions Underpinning 2022 Outlook<sup>1</sup>

### GDP Growth<sup>2</sup>

1.5% - 2.5% United States  
 1.5% - 2.5% Euro area  
 2.0% - 3.0% Global

### Credit Spreads

Benchmark rates to continue to rise; U.S. high yield interest rate spreads to fluctuate around 500 bps, with periodic volatility






### Inflation & Unemployment

Global inflation levels to remain elevated (U.S.: 6.5% - 7.5%; Euro area: 6.0% - 8.0%); U.S. unemployment rate to rise to ~3.7% by year-end






### Default Rates

Global high yield default rate to rise to 2.5% - 3.5% by year-end

### TAILWINDS

- Continued, though slowing, global GDP growth 
- \$4T+ of refinancing needs between 2022 and 2025 
- Despite expected interest rate increases, investor demand remains for higher-rated credits 
- Widened credit spreads remain below historical highs 
- Strong credit performance and low default rates 

### HEADWINDS

-  Recessionary concerns influencing consumer and business behavior
-  Expectation for USD to maintain its strength throughout 2022
-  Global inflation at a 40-year high; hawkish Central Bank policies leading to interest rate increases
-  Russia-Ukraine crisis impacting commodity prices, supply chains and market sentiment
-  Lower issuance demand due to high cash levels on corporate balance sheets

Source: Default rate and unemployment assumptions sourced from Moody's Investors Service "June 2022 Default Report", published July 15, 2022. High yield spreads, GDP and inflation assumptions as of July 26, 2022, from Moody's Investors Service.  
 1. Guidance as of July 26, 2022. Refer to Table 10 – "2022 Outlook" in the press release titled "Moody's Corporation Reports Results for Second Quarter 2022" from July 26, 2022, for a complete list of guidance, reconciliations between adjusted and organic measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.  
 2. GDP Growth represents real GDP.

# MCO: Updated Full Year Guidance

## Full Year 2022 Financial Outlook as of July 26, 2022<sup>1</sup>

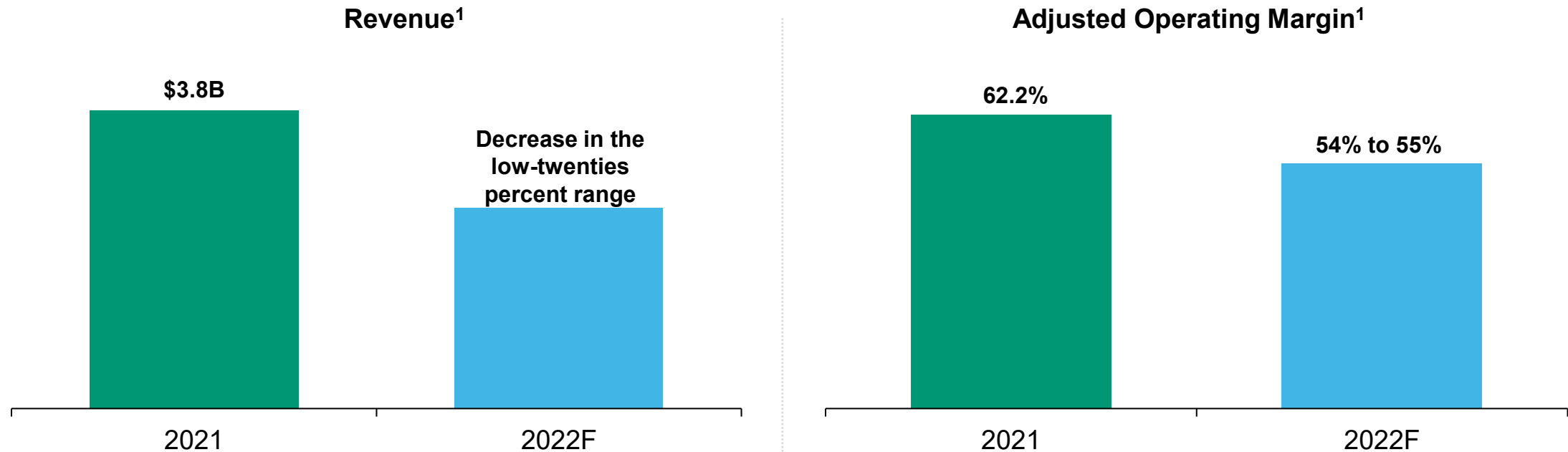
|  |   |   |                             |
|--|---|---|-----------------------------|
| <b>Revenue</b>                               | Decline in the high-single-digit percent range  | <b>Diluted EPS</b>                      | \$8.10 - \$8.60             |
| <b>Expenses</b>                              | Increase in the high-single-digit percent range | <b>Adjusted Diluted EPS<sup>2</sup></b> | \$9.20 - \$9.70             |
| <b>Adjusted Operating Margin<sup>2</sup></b> | Approximately 44%                               | <b>Free Cash Flow<sup>2</sup></b>       | \$1.4 - \$1.6 billion       |
| <b>Interest Expense, Net</b>                 | \$220 - \$240 million                           | <b>Share Repurchases<sup>3</sup></b>    | Approximately \$1.0 billion |
| <b>Effective Tax Rate</b>                    | 20.5% - 22.5%                                   |   |                             |

1. Guidance as of July 26, 2022. Refer to Table 10 – “2022 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2022” from July 26, 2022, for a complete list of guidance, reconciliations between adjusted and organic measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

2. Adjusted Operating Margin, Adjusted Diluted EPS and Free Cash Flow are non-GAAP measures. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

3. Subject to available cash, market conditions, M&A opportunities and other ongoing capital allocation decisions.

# MIS: Market Volatility Impacts Expectations for the Year



- » Cyclical market volatility expected through year-end, with issuance to remain significantly constrained
- » Projecting 700 to 800 first-time new business mandates
- » Minimal opportunistic issuance given rising rates and high cash balances
- » Infrequent issuer mix reverts to pre-pandemic levels<sup>2</sup>

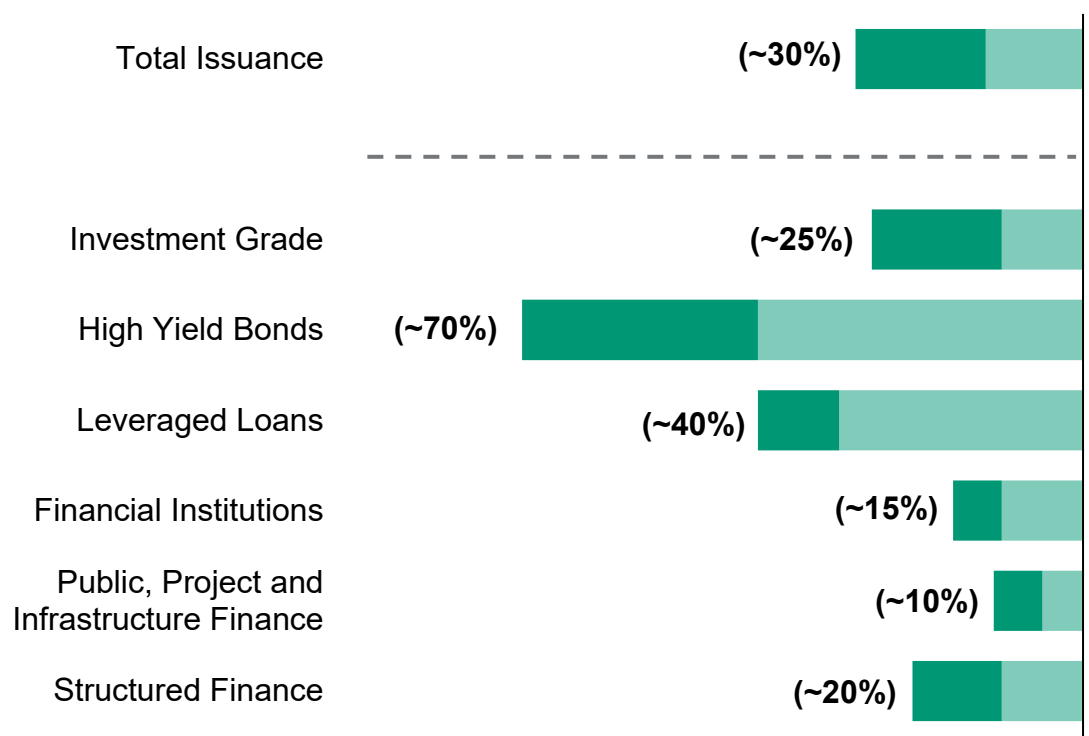
1. Guidance as of July 26, 2022. Refer to Table 10 – “2022 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2022” from July 26, 2022, for a complete list of guidance, reconciliations between adjusted and organic measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

2. Pre-pandemic levels refers to average infrequent issuer mix from 2017 through 2019.

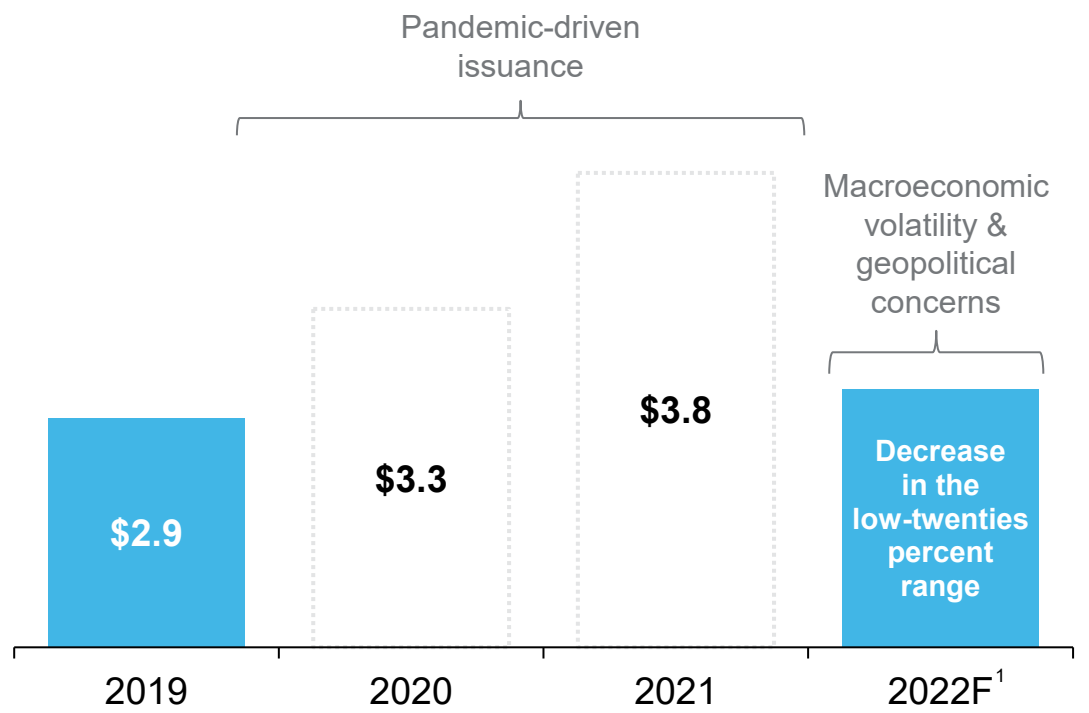
# MIS: Issuance is Projected to Remain Subdued

## FY 2022 Issuance Guidance<sup>1,2</sup>

■ As of July 26, 2022   ■ As of May 2, 2022

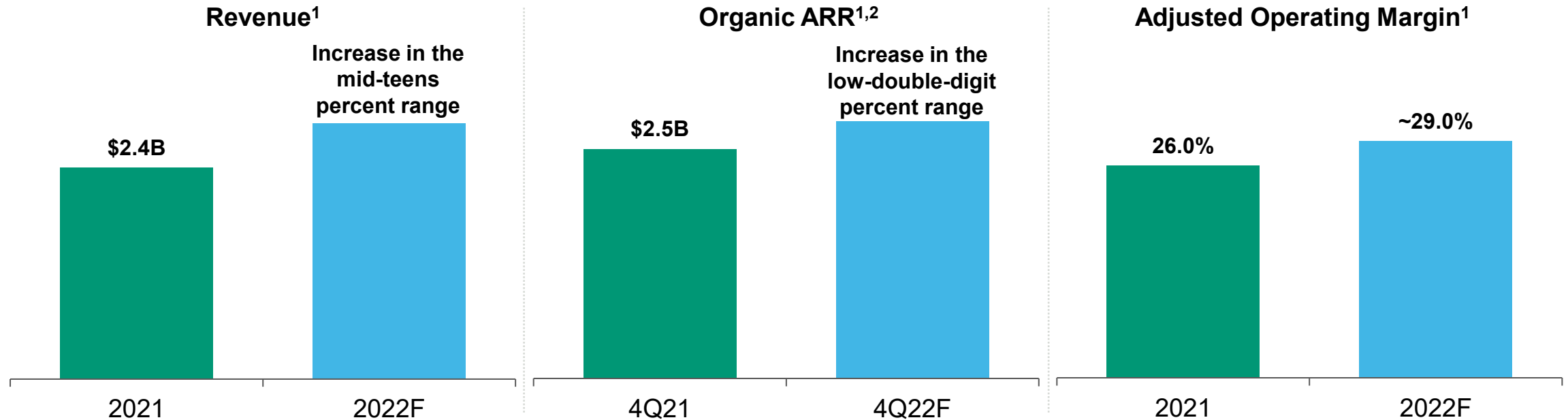


## Revenue (\$B)



1. Guidance as of July 26, 2022. Refer to Table 10 – “2022 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2022” from July 26, 2022, for a complete list of guidance, reconciliations between adjusted and organic measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.  
 2. Total issuance includes CFG, SFG, FIG and PPIF. MIS-rated issuance excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

# MA: Expansion Continues, Supported by High Recurring Revenue



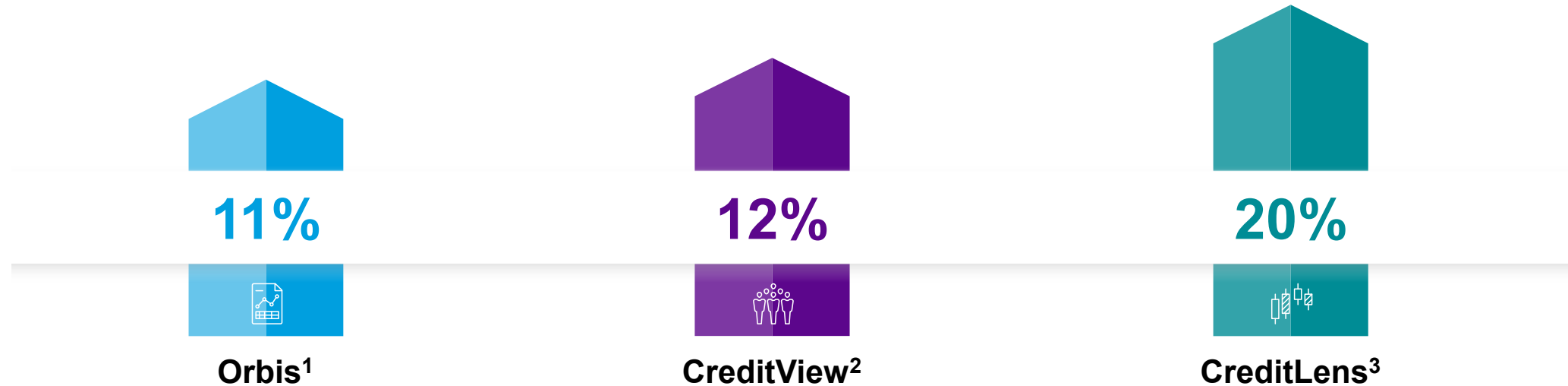
- » Mission-critical nature of products and solutions provide integrated perspectives on risk
- » Recurring revenue proportion remains in the mid-90's; Retention rates in the mid-90's percent range
- » Ongoing organic investments and strong sales pipeline support 2H 2022 growth acceleration
- » Impact of foreign currency exchange dilutes revenue by ~4%

1. Guidance as of July 26, 2022. Refer to Table 10 – “2022 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2022” from July 26, 2022, for a complete list of guidance, reconciliations between adjusted and organic measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

2. Organic ARR for the quarters ending December 31, 2021, and December 31, 2022, respectively. Refer to the Appendix for the definition of and further information on Organic ARR. Both ARR and Organic ARR exclude the impact of foreign currency translation.

# MCO: Increase in Risk Awareness Drives Product Demand

## Year-over-Year Growth in Usage

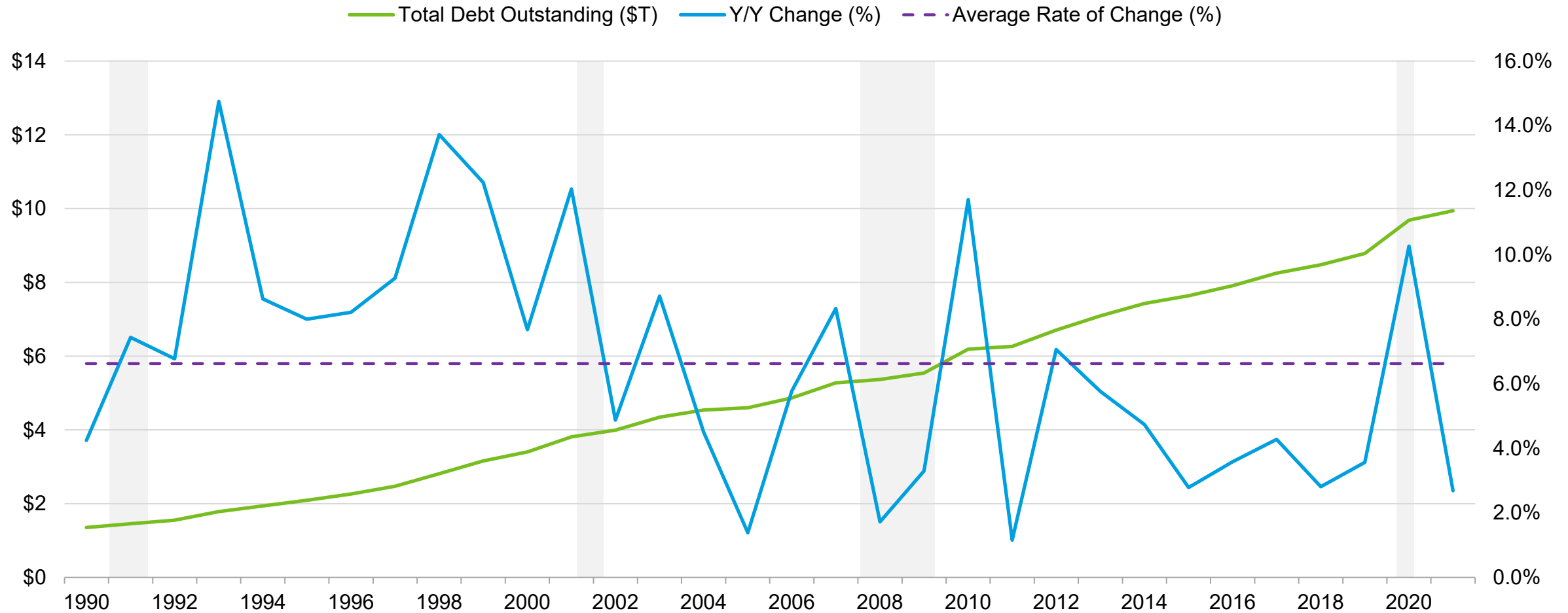


- » Moody's unparalleled insights and global analysis remain an integral element of customer risk decisions
- » Elevated market participant reliance on ratings, research, data and solutions during periods of economic stress
- » Usage and customer engagement particularly high in KYC and Compliance, Banking and Insurance markets

1. Orbis is a comprehensive database on public and private company data. Growth measures increase in active browser-based user sessions and is on a trailing twelve month basis as of June 30, 2021, and June 30, 2022.  
2. CreditView is MA's flagship solution that enables comprehensive evaluation of credit risk. Growth measures increase in active user sessions on a trailing twelve month basis as of June 30, 2021, and June 30, 2022.  
3. CreditLens is a credit lifecycle management solution. Growth measures increase in active users from June 30, 2021, to June 30, 2022.



# MIS: The Stock of U.S. Debt<sup>1</sup> Has Grown Throughout Varied Economic Conditions



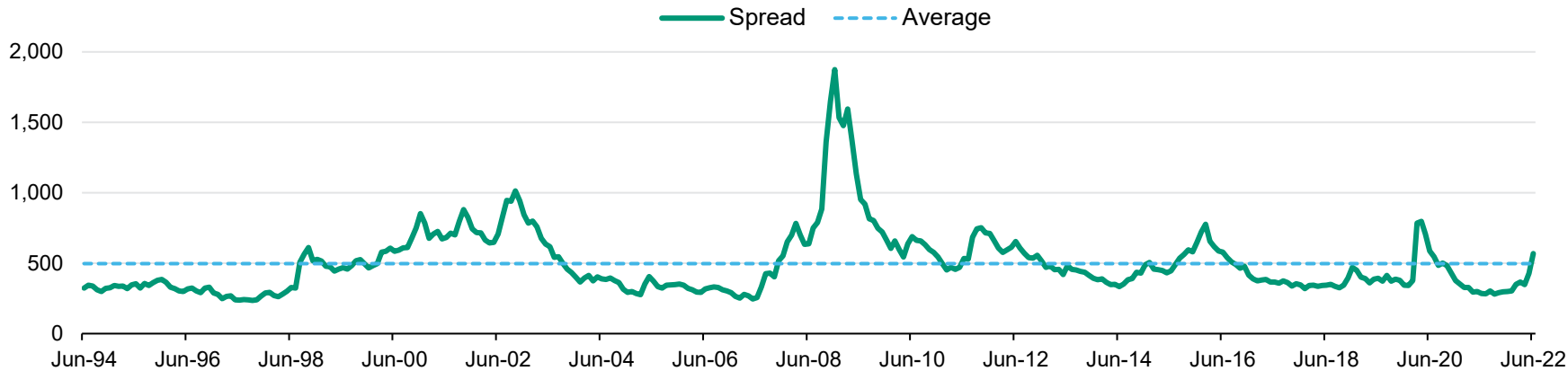
Grey bars are an approximate representation of the Gulf War Recession, Dot-com Recession, Great Recession and COVID-19 Recession, respectively.

Source: [SIFMA U.S. Fixed Income Securities Statistics](#) as of July 8, 2022.

1. Financial and non-financial corporate U.S. fixed income securities at period end.

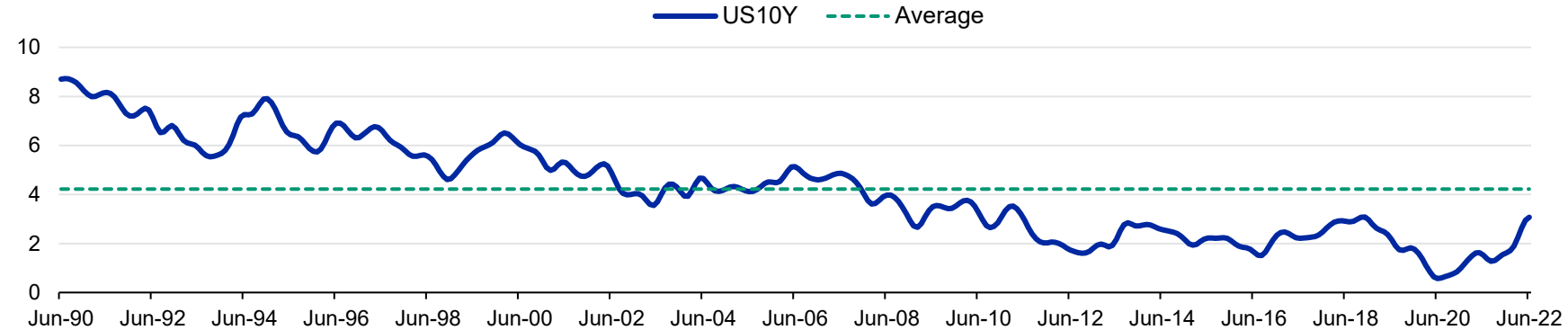
# MIS: All-in Financing Costs Remain Below Historical Highs

## U.S. High Yield Spreads<sup>1</sup> (bps)



U.S. high yield spreads have widened, but remain low relative to prior highs

## U.S. 10-year Treasury Yields (%)



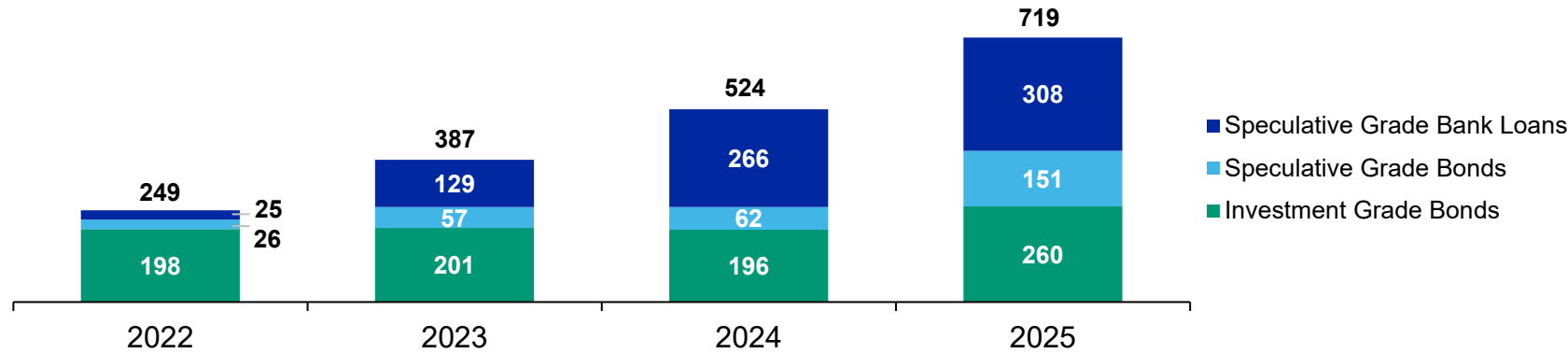
U.S. 10-year Treasury yields have increased, but remain below historical average

Sources: Bloomberg, Moody's Analytics and U.S. Board of Governors of the Federal Reserve System (FRB).

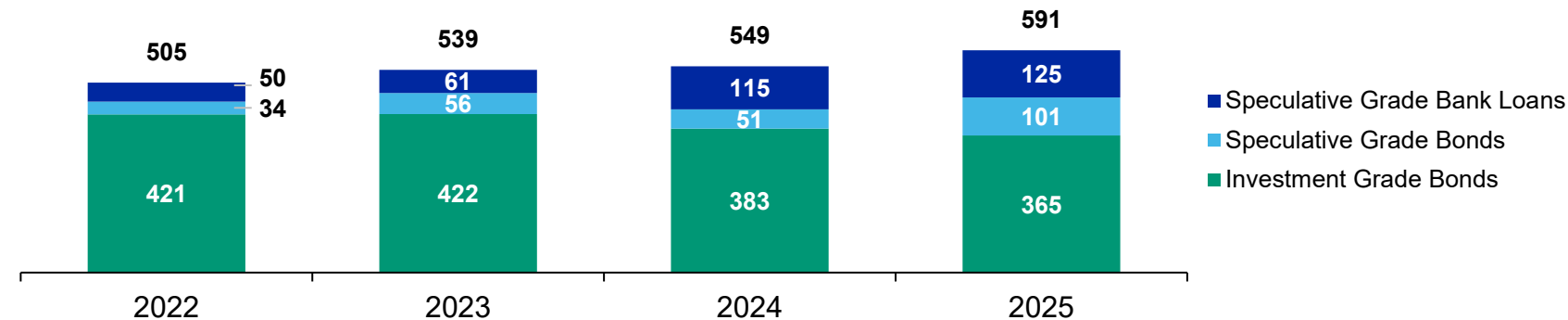
1. U.S. High Yield Spreads data available starting 1994.

# MIS: Medium-term Refunding Needs<sup>1</sup> Support Issuance Fundamentals

## Debt Maturities: U.S. Non-Financial Corporate Bonds and Loans (\$B)<sup>2</sup>



## Debt Maturities: EMEA Non-Financial Corporate Bonds and Loans (\$B)<sup>3</sup>



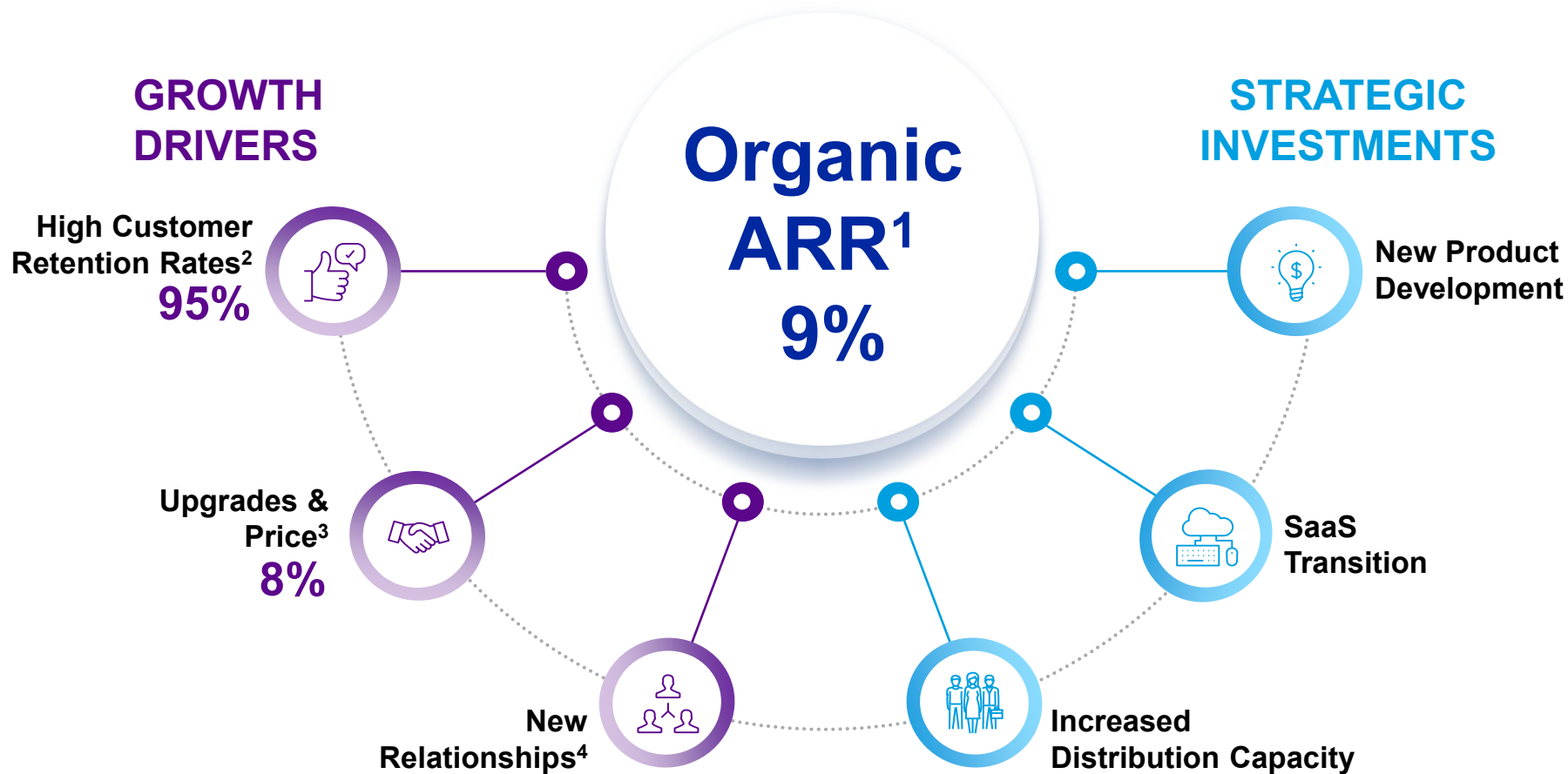
- » Refinancing needs totaling more than \$4T over the medium-term
- » U.S. refinancing needs primarily concentrated in leveraged loans and investment grade corporate bonds
- » EMEA refinancing needs driven by aggressive borrowing from investment grade companies in 2020

1. Non-financial corporates.

2. MIS-rated U.S. non-financial corporate bond and loan maturities as defined in Moody's Investors Service's refunding needs reports (2021).

3. EMEA non-financial corporate and infrastructure bond and loan maturities as defined in Moody's Investors Service's refunding needs reports (2021).

# MA: Stable and Profitable Growth Drivers



## DEEP MARKET CURRENTS



Need for holistic approach to address emerging and integrated risks



Growing counterparty, operational and reputational risks



Increasing impact of climate change



Ongoing evolution of regulatory environment

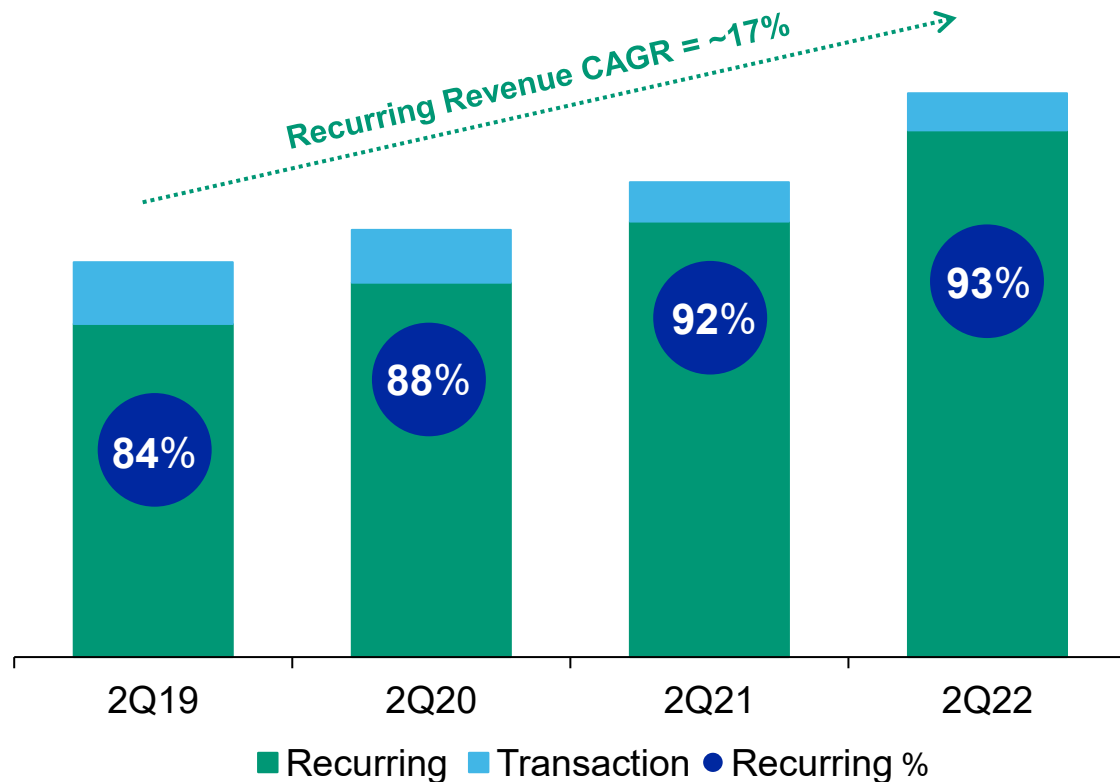


Fintech disruption & digitization

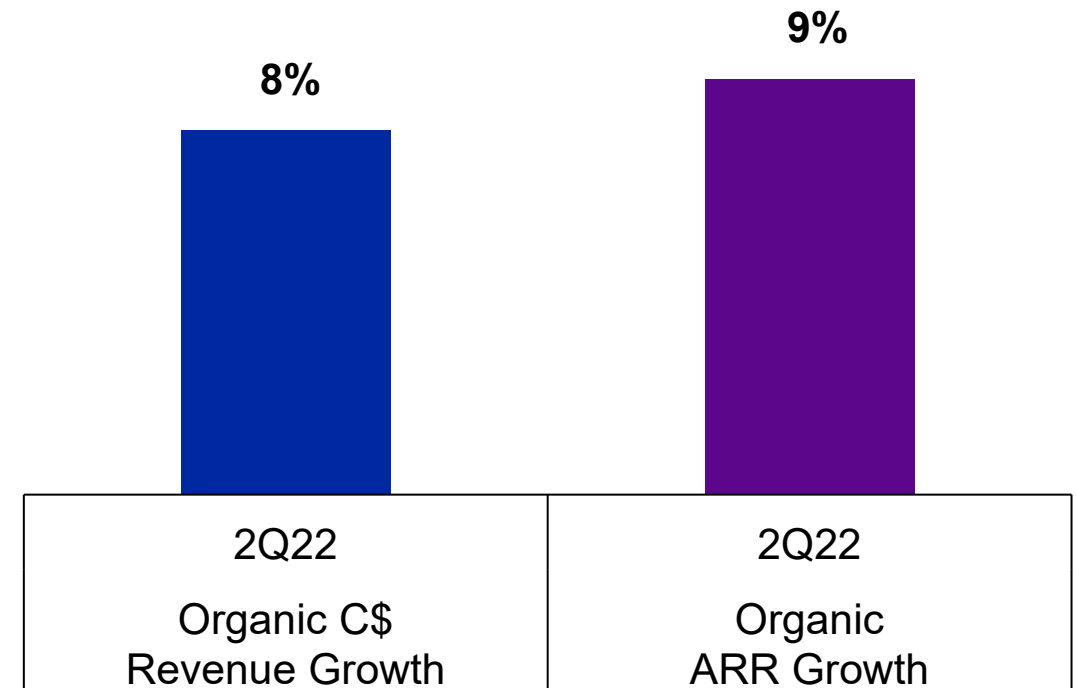
1. Organic ARR growth for the quarter ending June 30, 2022. Refer to the Appendix for the definition of and further information on Organic ARR. Both ARR and Organic ARR growth exclude the impact of foreign currency translation.
2. Retention rates for the trailing twelve months ended June 30, 2022. Excludes ZM Financial, Catylist, Cortera, RMS, RealXData, Bogard, PassFort and kompany.
3. Upgrades & Price for the trailing twelve months ended June 30, 2022. Upgrades reflect amendments to existing customer contracts.
4. New Relationships defined as new customers and sales of new product families to existing customer relationships.

# MA: Generates Strong Recurring Revenue

## TTM Recurring and Transaction Revenue<sup>1</sup>



## Organic ARR<sup>2</sup> Growth Outpaced Organic C\$<sup>3</sup> Revenue






1. Trailing twelve months as of June 30, 2022.

2. Organic ARR growth for the quarter ending June 30, 2022. Refer to the Appendix for the definition of and further information on Organic ARR. Both ARR and Organic ARR growth exclude the impact of foreign currency translation.

3. Refer to the Appendix for the definition of organic constant currency (organic C\$) revenue, as well as reconciliations between all organic constant currency (organic C\$) and adjusted measures mentioned throughout this presentation and U.S. GAAP.

# MA: Track Record of Successful M&A Delivery

| Capabilities Acquired                           | Ann't Date | Pre-Acquisition Growth <sup>1</sup> | Post-Acquisition Growth <sup>2</sup> | Target                                      | Performance   |
|---|------------|-------------------------------------|--------------------------------------|---|---|
| Climate & Natural Disaster Risk Modelling (RMS) | Aug 2021   | LSD%                                | HSD - LDD%                           | Incremental \$150M revenue by 2025          |  <b>ON TRACK</b><br>Projecting <b>MSD</b> sales growth in 2022             |
| Screening Capabilities (RDC, GRID)              | Jan 2020   | Mid-teens%                          | Mid-thirties%                        | Double sales to \$300M by 2023 <sup>3</sup> |  <b>AHEAD</b><br>Projecting to achieve <b>\$300M</b> target in <b>2022</b> |
| Private Company Data (BvD, ORBIS)               | May 2017   | ~10%                                | Mid-teens%                           | ~\$80 million in synergies by 2021          |  <b>EXCEEDED</b><br><b>Over \$85M</b> in synergies achieved by 2021       |

Note: LSD = low-single-digit; MSD = mid-single-digit; HSD = high-single-digit; LDD = low-double-digit.

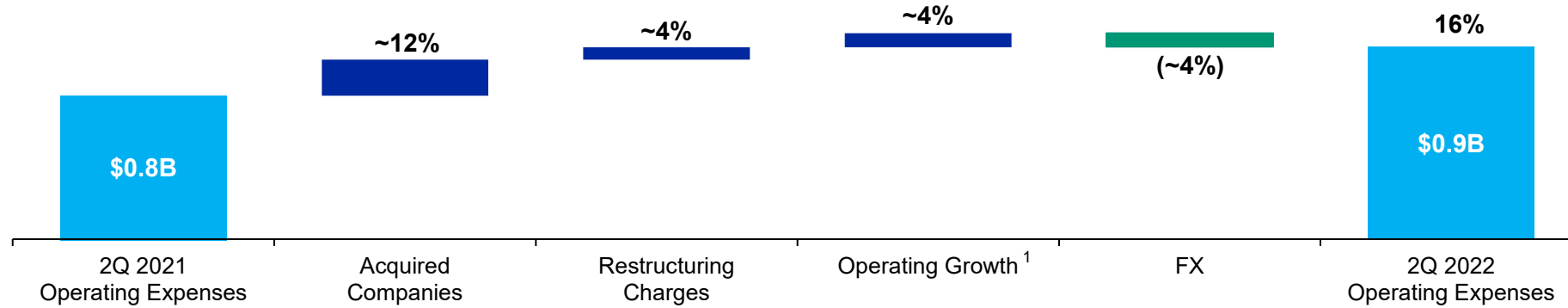
1. Approximate three-year Revenue CAGR preceding the acquisition. RMS: 2018-2020; RDC: 2017-2019; BvD: 2014-2016.

2. RMS forecasted to generate \$150M in additional revenue, implying HSD – LDD growth, on average, through 2025; RDC and BvD revenue: Trailing twelve months as of June 30, 2022.

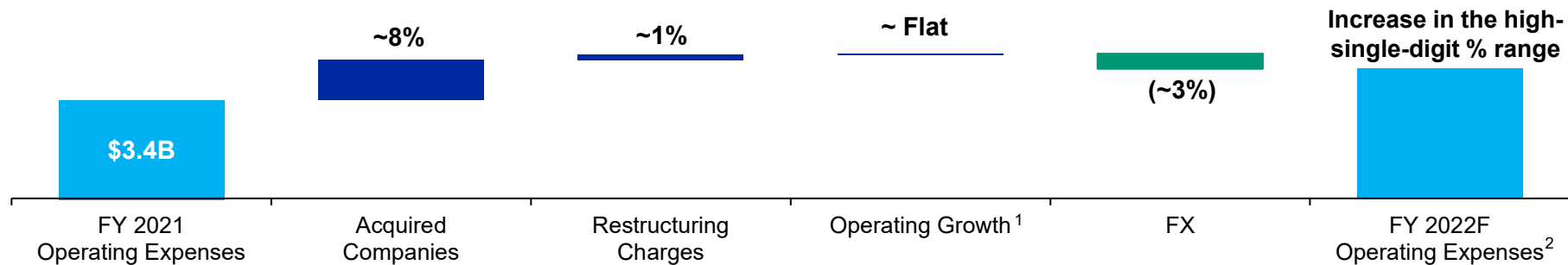
3. Target includes BvD's compliance products.

# Expense Management at MCO: Investing Prudently Through the Cycle

## 2Q 2021 vs. 2Q 2022



## FY 2021 vs. FY 2022F<sup>2,3</sup>



### 2022 - 2023 Geolocation Restructuring Program

- » Accelerates initiatives related to the utilization of lower cost locations and real estate rationalization
- » Up to \$75M in restructuring charges through 2023, including \$31M in 2Q 2022
- » Projecting \$40M to \$60M in gross annualized savings, to be partially redeployed toward strategic investments and employee retention
- » Excluding restructuring program charges, FY 2022<sup>2</sup> operating expenses expected to grow in mid-single-digit % range

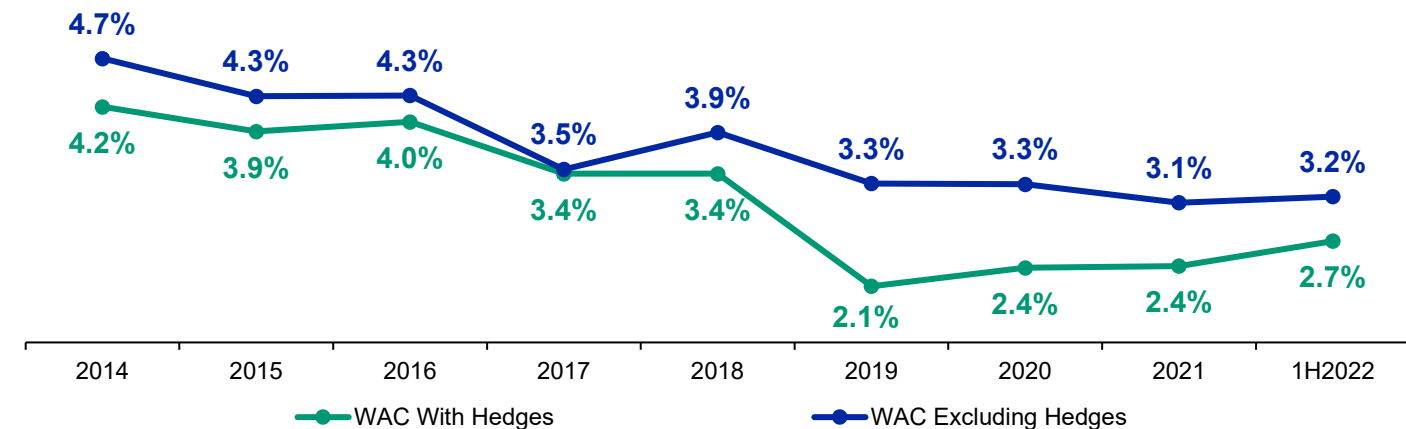
1. Operating growth includes organic investments, ongoing cost efficiencies and lower incentive compensation.

2. Guidance as of July 26, 2022. Refer to Table 10 – “2022 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2022” from July 26, 2022, for a complete list of guidance, reconciliations between adjusted and organic measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

3. May not sum to total due to rounding.

# Strategic Capital and Liquidity Management

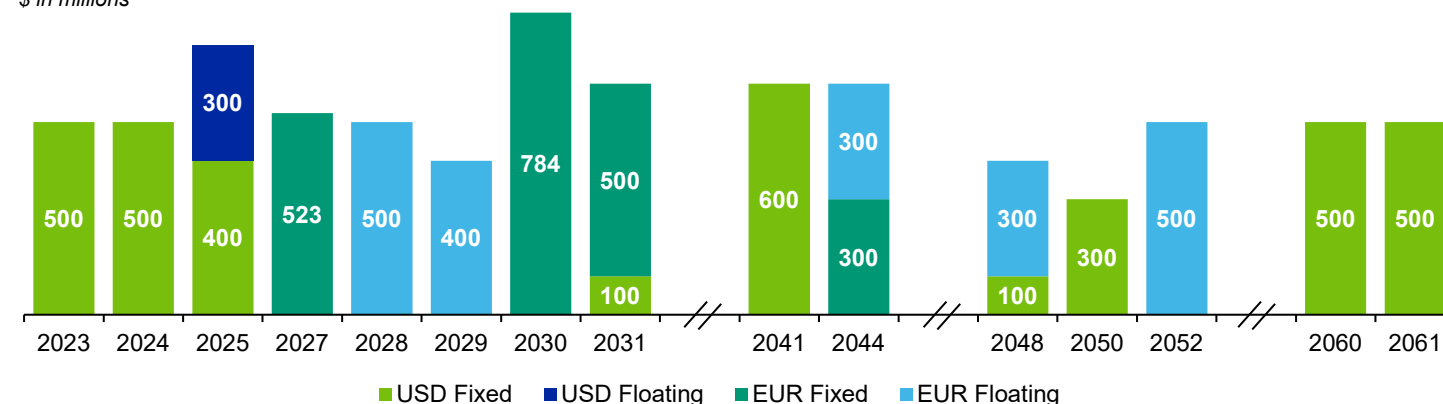
## Bond Portfolio WAC<sup>1</sup>



- » Strong liquidity with \$1.7B in cash and short-term investments, and an undrawn \$1.25B revolving credit facility<sup>2</sup>
- » 2.2x net debt to Adjusted Operating Income<sup>3</sup>
- » Leverage below maximum 4.0x total debt / EBITDA covenant<sup>4</sup>

## Balanced maturity schedule<sup>5</sup>

\$ in millions



1. WAC = Weighted Average Coupon. 2015-2021 data as of year-end.
2. See press release titled "Moody's Corporation Reports Results for Second Quarter 2022" from July 26, 2022, for Moody's sources of capital and cash flow generation.
3. Trailing twelve months Adjusted Operating Income. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.
4. Total debt (gross debt less \$100M of cash and equivalents) to EBITDA ratio threshold is normally 4.0x but elevated to 4.5x for three quarters after an acquisition of >\$500 million.
5. Certain USD denominated debt has been synthetically converted to EUR via cross-currency swaps. EUR bonds converted to USD as of June 30, 2022.



# Replay Details

**Available from 4:00PM (Eastern Time) July 26, 2022,  
until 4:00PM (Eastern Time) August 24, 2022.**

## **Telephone Details**

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# Moody's Attendance at Upcoming Conferences

AUG  
11

## **UBS Financial Services One-on-One Virtual Conference**

» *Dave Platt, Chief Strategy Officer*

SEP  
13

## **Barclays Global Financial Services Conference**

» *Steve Tulenko, MA President*

SEP  
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## **UBS FinTech One-on-One Virtual Conference**

» *Steve Tulenko, MA President*

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# Appendix

# Glossary of Terms and Abbreviations

| TERM      | DEFINITION   |
|-----------|--|
| CFG       | Corporate finance group; an LOB of MIS   |
| CRE       | Commercial Real Estate   |
| D&I       | The Data & Information LOB within MA; which provides vast data sets on companies and securities via data feeds and data applications products  |
| DS        | The Decision Solutions LOB within MA; which provides software and workflow tools for specific use cases (banking, insurance, KYC/KYS, CRE and structured finance solutions). This LOB utilizes components from the Data & Information and Research & Insights LOBs to provide integrated risk solutions                    |
| ESG       | Environmental, Social and Governance   |
| FIG       | Financial institutions group; an LOB of MIS  |
| KYC       | Know-your-customer   |
| LOB       | Line of business   |
| MA        | Moody's Analytics – a reportable segment of MCO which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs – Decision Solutions, Research and Insights and Data and Information |
| MIS       | Moody's Investors Service – a reportable segment of MCO; consists of five LOBs – CFG, FIG, PPIF, SFG and MIS Other   |
| MIS Other | Consists of financial instruments pricing services in the Asia-Pacific region, ICRA non-ratings revenue and revenue from providing ESG research, data and assessments. These businesses are components of MIS; MIS Other is an LOB of MIS  |
| PPIF      | Public, project and infrastructure finance; an LOB of MIS  |
| R&I       | The Research & Insights LOB within MA; which provides models, scores, expert insights and commentary. This LOB includes credit research, credit models and analytics, and economics data and models  |
| SFG       | Structured finance group; an LOB of MIS  |
| YoY       | Year-over-year   |
| YTD       | Year-to-date   |

# Annualized Recurring Revenue (ARR)

The Company presents Annualized Recurring Revenue (“ARR”) and Organic ARR for its MA business as supplemental performance metrics to provide additional insight on the estimated value of MA's recurring revenue contracts at a given point in time. The Company uses these metrics to manage and monitor performance of its MA operating segment and believes that ARR is a key indicator of the trajectory of MA's recurring revenue base.

The Company calculates ARR and Organic ARR by taking the total recurring contract value for each active renewable contract as of the reporting date, divided by the number of days in the contract and multiplied by 365 days to create an annualized value. The Company defines renewable contracts as subscriptions, term licenses, maintenance and renewable services. ARR excludes transaction sales, including training, one-time services and perpetual licenses. In order to compare period-over-period ARR and Organic ARR excluding the effects of foreign currency translation, the Company bases the calculation on currency rates utilized in its operating budget and holds these rates constant for the duration of all current and prior periods being reported. Additionally, Organic ARR excludes contracts related to acquisitions to provide additional perspective in assessing ARR growth excluding the impacts from certain acquisition activity.

The Company's definition of ARR may differ from definitions utilized by other companies reporting similarly named measures, and this metric should be viewed in addition to, and not as a substitute for, financial measures presented in accordance with U.S. GAAP.

| <i>Amounts in millions</i> | June 30, 2022 |       | June 30, 2021 |       | Change | Growth |
|----------------------------|---------------|-------|---------------|-------|--------|--------|
| <b>MA ARR</b>              | \$            | 2,608 | \$            | 2,084 | \$ 524 | 25%    |
| <b>Organic MA ARR</b>      | \$            | 2,276 | \$            | 2,084 | \$ 192 | 9%     |

# Financial Information by Segment

The table below presents revenue and Adjusted Operating Income by reportable segment. The Company defines Adjusted Operating Income as operating income excluding: i) depreciation and amortization; and ii) restructuring.

| <i>Amounts in millions</i>       | Three Months Ended June 30, |               |              |               |               |               |              |               |
|----------------------------------|-----------------------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|
|                                  | 2022                        |               |              |               | 2021          |               |              |               |
|                                  | MIS                         | MA            | Eliminations | Consolidated  | MIS           | MA            | Eliminations | Consolidated  |
| Total external revenue           | \$ 706                      | \$ 675        | \$ —         | \$ 1,381      | \$ 980        | \$ 573        | \$ —         | \$ 1,553      |
| Intersegment revenue             | 43                          | 1             | (44)         | —             | 42            | 2             | (44)         | —             |
| <b>Total revenue</b>             | <b>749</b>                  | <b>676</b>    | <b>(44)</b>  | <b>1,381</b>  | <b>1,022</b>  | <b>575</b>    | <b>(44)</b>  | <b>1,553</b>  |
| Operating, SG&A                  | 334                         | 471           | (44)         | 761           | 344           | 392           | (44)         | 692           |
| <b>Adjusted Operating Income</b> | <b>\$ 415</b>               | <b>\$ 205</b> | <b>\$ —</b>  | <b>\$ 620</b> | <b>\$ 678</b> | <b>\$ 183</b> | <b>\$ —</b>  | <b>\$ 861</b> |
| <i>Adjusted Operating Margin</i> | 55.4 %                      | 30.3 %        |              | 44.9 %        | 66.3 %        | 31.8 %        |              | 55.4 %        |
| Depreciation and amortization    | 21                          | 60            | —            | 81            | 18            | 42            | —            | 60            |
| Restructuring                    | 15                          | 16            | —            | 31            | —             | —             | —            | —             |
| <b>Operating income</b>          |                             |               |              | <b>\$ 508</b> |               |               |              | <b>\$ 801</b> |
| <i>Operating margin</i>          |                             |               |              | 36.8 %        |               |               |              | 51.6 %        |

# Financial Information by Segment (Continued)

The table below presents revenue and Adjusted Operating Income by reportable segment. The Company defines Adjusted Operating Income as operating income excluding: i) depreciation and amortization; and ii) restructuring.

| <i>Amounts in millions</i>       | Six Months Ended June 30, |               |              |                 |                |               |              |                 |
|----------------------------------|---------------------------|---------------|--------------|-----------------|----------------|---------------|--------------|-----------------|
|                                  | 2022                      |               |              |                 | 2021           |               |              |                 |
|                                  | MIS                       | MA            | Eliminations | Consolidated    | MIS            | MA            | Eliminations | Consolidated    |
| Total external revenue           | \$1,533                   | \$1,370       | \$ —         | \$ 2,903        | \$2,016        | \$1,137       | \$ —         | \$ 3,153        |
| Intersegment revenue             | 86                        | 3             | (89)         | —               | 82             | 4             | (86)         | —               |
| <b>Total revenue</b>             | <b>1,619</b>              | <b>1,373</b>  | <b>(89)</b>  | <b>2,903</b>    | <b>2,098</b>   | <b>1,141</b>  | <b>(86)</b>  | <b>3,153</b>    |
| Operating, SG&A                  | 694                       | 944           | (89)         | 1,549           | 692            | 772           | (86)         | 1,378           |
| <b>Adjusted Operating Income</b> | <b>\$ 925</b>             | <b>\$ 429</b> | <b>\$ —</b>  | <b>\$ 1,354</b> | <b>\$1,406</b> | <b>\$ 369</b> | <b>\$ —</b>  | <b>\$ 1,775</b> |
| <i>Adjusted Operating Margin</i> | 57.1 %                    | 31.2 %        |              | 46.6 %          | 67.0 %         | 32.3 %        |              | 56.3 %          |
| Depreciation and amortization    | 39                        | 120           | —            | 159             | 36             | 83            | —            | 119             |
| Restructuring                    | 15                        | 16            | —            | 31              | —              | 2             | —            | 2               |
| <b>Operating income</b>          |                           |               |              | <b>\$ 1,164</b> |                |               |              | <b>\$ 1,654</b> |
| <i>Operating margin</i>          |                           |               |              | 40.1 %          |                |               |              | 52.5 %          |



# Organic Constant Currency Revenue Growth (Decline)/Constant Currency Revenue Growth (Decline) – MA

Beginning in the second quarter of 2022, the Company began presenting organic constant currency revenue growth (decline) and constant currency revenue growth (decline) as its non-GAAP measure of revenue growth (decline). Previously, the Company presented organic revenue growth (decline), which only excluded the impact of certain acquisition activity. Management deems this revised measure to be useful in providing additional perspective in assessing the Company's revenue growth (decline) excluding both the impacts from inorganic revenue from certain acquisition activity and the impacts of changes in foreign exchange rates. The Company calculates the dollar impact of foreign exchange as the difference between the translation of its current period non-USD functional currency results using comparative prior period weighted average foreign exchange translation rates and current year reported results.

Below is a reconciliation of the Company's reported revenue and growth (decline) rates to its organic constant currency revenue growth (decline) and constant currency revenue growth (decline) measures:

| <i>Amounts in millions</i>                                    | Three Months Ended June 30, |               |              |           |
|---|-----------------------------|---------------|--------------|-----------|
|   | 2022                        | 2021          | Change       | Growth    |
| <b>MA revenue</b>   | \$ 675                      | \$ 573        | \$ 102       | 18%       |
| FX impact   | 27                          | —             | 27           |           |
| Inorganic revenue from acquisitions                           | (83)                        | —             | (83)         |           |
| <b>Organic constant currency MA revenue</b>                   | <b>\$ 619</b>               | <b>\$ 573</b> | <b>\$ 46</b> | <b>8%</b> |
| <b>Decision Solutions revenue</b>                             | \$ 312                      | \$ 222        | \$ 90        | 41%       |
| FX impact   | 11                          | —             | 11           |           |
| Inorganic revenue from acquisitions                           | (83)                        | —             | (83)         |           |
| <b>Organic constant currency Decision Solutions revenue</b>   | <b>\$ 240</b>               | <b>\$ 222</b> | <b>\$ 18</b> | <b>8%</b> |
| <b>Research and Insights revenue</b>                          | \$ 185                      | \$ 175        | \$ 10        | 6%        |
| FX impact   | 4                           | —             | 4            |           |
| <b>Constant currency Research and Insights revenue</b>        | <b>\$ 189</b>               | <b>\$ 175</b> | <b>\$ 14</b> | <b>8%</b> |
| <b>Data and Information revenue</b>                           | \$ 178                      | \$ 176        | \$ 2         | 1%        |
| FX impact   | 12                          | —             | 12           |           |
| Inorganic revenue from acquisitions                           | —                           | —             | —            |           |
| <b>Organic constant currency Data and Information revenue</b> | <b>\$ 190</b>               | <b>\$ 176</b> | <b>\$ 14</b> | <b>8%</b> |
| <b>MA recurring revenue</b>                                   | \$ 633                      | \$ 533        | \$ 100       | 19%       |
| FX impact   | 25                          | —             | 25           |           |
| Inorganic recurring revenue from acquisitions                 | (78)                        | —             | (78)         |           |
| <b>Organic constant currency MA recurring revenue</b>         | <b>\$ 580</b>               | <b>\$ 533</b> | <b>\$ 47</b> | <b>9%</b> |

# Adjusted Operating Income and Adjusted Operating Margin

The Company presents Adjusted Operating Income and Adjusted Operating Margin because management deems these metrics to be useful measures to provide additional perspective on Moody's operating performance. Adjusted Operating Income excludes the impact of: i) depreciation and amortization; and ii) restructuring. Depreciation and amortization are excluded because companies utilize productive assets of different estimated useful lives and use different methods of acquiring and depreciating productive assets. Restructuring charges are excluded as the frequency and magnitude of these items may vary widely across periods and companies.

Management believes that the exclusion of the aforementioned items, as detailed in the reconciliation below, allows for an additional perspective on the Company's operating results from period to period and across companies. The Company defines Adjusted Operating Margin as Adjusted Operating Income divided by revenue.

| <i>Amounts in millions</i>       | Three Months Ended June 30, |               | Six Months Ended June 30, |                 |
|----------------------------------|-----------------------------|---------------|---------------------------|-----------------|
|                                  | 2022                        | 2021          | 2022                      | 2021            |
| <b>Operating income</b>          | \$ 508                      | \$ 801        | \$ 1,164                  | \$ 1,654        |
| Depreciation and amortization    | 81                          | 60            | 159                       | 119             |
| Restructuring                    | 31                          | —             | 31                        | 2               |
| <b>Adjusted Operating Income</b> | <b>\$ 620</b>               | <b>\$ 861</b> | <b>\$ 1,354</b>           | <b>\$ 1,775</b> |
| <b>Operating margin</b>          | <b>36.8 %</b>               | <b>51.6 %</b> | <b>40.1 %</b>             | <b>52.5 %</b>   |
| <b>Adjusted Operating Margin</b> | <b>44.9 %</b>               | <b>55.4 %</b> | <b>46.6 %</b>             | <b>56.3 %</b>   |

# Free Cash Flow

The table below reflects a reconciliation of the Company's net cash flow from operating activities to Free Cash Flow. The Company defines Free Cash Flow as net cash provided by operating activities minus payments for capital additions. Management deems capital expenditures essential to the Company's product and service innovations and maintenance of Moody's operational capabilities. Accordingly, capital expenditures are deemed to be a recurring use of Moody's cash flow. Management believes that Free Cash Flow is a useful metric in assessing the Company's cash flows to service debt, pay dividends and to fund acquisitions and share repurchases.

| <i>Amounts in millions</i>                       | Six Months Ended June 30, |                 |
|--|---------------------------|-----------------|
|  | 2022                      | 2021            |
| <b>Net cash provided by operating activities</b> | \$ 761                    | \$ 1,270        |
| Capital additions                                | (133)                     | (44)            |
| <b>Free Cash Flow</b>                            | <b>\$ 628</b>             | <b>\$ 1,226</b> |
| <b>Net cash used in investing activities</b>     | <b>\$ (172)</b>           | <b>\$ (251)</b> |
| <b>Net cash used in financing activities</b>     | <b>\$ (712)</b>           | <b>\$ (792)</b> |

# Adjusted Net Income and Adjusted Diluted Earnings per Share Attributable to Moody's Common Shareholders

The Company presents Adjusted Net Income and Adjusted Diluted EPS because management deems these metrics to be useful measures to provide additional perspective on Moody's operating performance. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of: i) amortization of acquired intangible assets; ii) restructuring charges; and iii) FX translation losses reclassified to earnings resulting from the Company no longer conducting commercial operations in Russia.

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different estimated useful lives and have different methods of acquiring and amortizing intangible assets. These intangible assets were recorded as part of acquisition accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Restructuring charges and FX translation losses resulting from the Company no longer conducting commercial operations in Russia are excluded as the frequency and magnitude of these items may vary widely across periods and companies.

Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

| <i>Amounts in millions</i>   | Three Months Ended June 30, |               | Six Months Ended June 30, |                 |
|--|-----------------------------|---------------|---------------------------|-----------------|
|  | 2022                        | 2021          | 2022                      | 2021            |
| <b>Net income attributable to Moody's common shareholders</b>                                    | <b>\$ 327</b>               | <b>\$ 577</b> | <b>\$ 825</b>             | <b>\$ 1,313</b> |
| Pre-tax Acquisition-Related Intangible Amortization Expenses                                     | \$ 51                       | \$ 36         | \$ 102                    | \$ 71           |
| Tax on Acquisition-Related Intangible Amortization Expenses                                      | (12)                        | (8)           | (24)                      | (16)            |
| <b>Net Acquisition-Related Intangible Amortization Expenses</b>                                  | <b>39</b>                   | <b>28</b>     | <b>78</b>                 | <b>55</b>       |
| Pre-tax restructuring  | \$ 31                       | \$ —          | \$ 31                     | \$ 2            |
| Tax on restructuring   | (7)                         | —             | (7)                       | —               |
| <b>Net restructuring</b>   | <b>24</b>                   | <b>—</b>      | <b>24</b>                 | <b>2</b>        |
| <b>FX losses resulting from the Company no longer conducting commercial operations in Russia</b> | <b>20</b>                   | <b>—</b>      | <b>20</b>                 | <b>—</b>        |
| <b>Adjusted Net Income</b>   | <b>\$ 410</b>               | <b>\$ 605</b> | <b>\$ 947</b>             | <b>\$ 1,370</b> |

Note: The tax impacts in the table above were calculated using tax rates in effect in the jurisdiction for which the item relates.

# Adjusted Net Income and Adjusted Diluted Earnings per Share Attributable to Moody's Common Shareholders (Continued)

The Company presents Adjusted Net Income and Adjusted Diluted EPS because management deems these metrics to be useful measures to provide additional perspective on Moody's operating performance. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of: i) amortization of acquired intangible assets; ii) restructuring charges; and iii) FX translation losses reclassified to earnings resulting from the Company no longer conducting commercial operations in Russia.

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different estimated useful lives and have different methods of acquiring and amortizing intangible assets. These intangible assets were recorded as part of acquisition accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Restructuring charges and FX translation losses resulting from the Company no longer conducting commercial operations in Russia are excluded as the frequency and magnitude of these items may vary widely across periods and companies.

Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount

| <i>Amounts in millions</i>   | Three Months Ended June 30, |                | Six Months Ended June 30, |                |
|--|-----------------------------|----------------|---------------------------|----------------|
|  | 2022                        | 2021           | 2022                      | 2021           |
| <b>Diluted earnings per share attributable to Moody's common shareholders</b>                    | <b>\$ 1.77</b>              | <b>\$ 3.07</b> | <b>\$ 4.45</b>            | <b>\$ 6.98</b> |
| Pre-tax Acquisition-Related Intangible Amortization Expenses                                     | \$ 0.28                     | \$ 0.19        | \$ 0.55                   | \$ 0.38        |
| Tax on Acquisition-Related Intangible Amortization Expenses                                      | (0.07)                      | (0.04)         | (0.13)                    | (0.09)         |
| <b>Net Acquisition-Related Intangible Amortization Expenses</b>                                  | <b>0.21</b>                 | <b>0.15</b>    | <b>0.42</b>               | <b>0.29</b>    |
| Pre-tax restructuring  | \$ 0.17                     | \$ —           | \$ 0.17                   | \$ 0.01        |
| Tax on restructuring   | (0.04)                      | —              | (0.04)                    | —              |
| <b>Net restructuring</b>   | <b>0.13</b>                 | <b>—</b>       | <b>0.13</b>               | <b>0.01</b>    |
| <b>FX losses resulting from the Company no longer conducting commercial operations in Russia</b> | <b>0.11</b>                 | <b>—</b>       | <b>0.11</b>               | <b>—</b>       |
| <b>Adjusted Diluted EPS</b>  | <b>\$ 2.22</b>              | <b>\$ 3.22</b> | <b>\$ 5.11</b>            | <b>\$ 7.28</b> |

Note: The tax impacts in the table above were calculated using tax rates in effect in the jurisdiction for which the item relates.

# Net Debt to Adjusted Operating Income Ratio

The Company presents non-GAAP Net Debt to Adjusted Operating Income because management deems this metric to be a useful measure to provide additional perspective on Moody's: i) ability to meet its financial obligations; ii) access to liquidity; and iii) capital structure. The non-GAAP Net Debt to Adjusted Operating Income ratio is defined as the total carrying value of the Company's outstanding short- and long-term debt and finance lease liabilities less cash, cash equivalents and short-term investments, divided by the trailing twelve month Adjusted Operating Income.

The Company defines Adjusted Operating Income as operating income excluding: i) depreciation and amortization; and ii) restructuring. The presentation of non-GAAP financial measures is not intended to be considered in isolation or as a substitute for any measure prepared in accordance with U.S. GAAP. The reconciliation of these non-GAAP financial measures and the calculation of Net Debt to Adjusted Operating Income are presented in the table below:

| <i>Amounts in millions</i>                              | <b>Trailing Twelve Months<br/>June 30, 2022</b> |              |
|---|---|--------------|
| <b>Operating income</b>                                 | <b>\$</b>                                       | <b>2,354</b> |
| Depreciation and amortization                           |   | 297          |
| Restructuring   |   | 29           |
| <b>Adjusted Operating Income</b>                        | <b>\$</b>                                       | <b>2,680</b> |
| <b>Gross Debt</b>                                       | <b>\$</b>                                       | <b>7,657</b> |
| Less: Cash, cash equivalents and short term investments |   | 1,703        |
| <b>Net Debt</b>   | <b>\$</b>                                       | <b>5,954</b> |
| <b>Net Debt to Adjusted Operating Income</b>            |   | <b>2.2</b>   |

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