THIRD QUARTER 2026 EARNINGS CALL

EARNINGS CALL TRANSCRIPT

October 21, 2026

MOODY'S

MANAGEMENT DISCUSSION SECTION

Operator: Good day, everyone, and welcome to the Moody's Corporation Third Quarter 2026 Earnings Call. At this time, I would like to inform you that this conference is being recorded and that all participants are in a listen-only mode. At the request of the company, we will open the conference up for questions and answers following the presentation. This call is scheduled to last approximately one hour.

I will now turn the call over to Shivani Kak, Head of Investor Relations. Please go ahead.

Shivani Kak

Head of Investor Relations, Moody's Corporation

Thank you, and – thank you for joining us today. I'm Shivani Kak, Head of Investor Relations at Moody's. This morning, we reported our third quarter 2026 results. The press release and today's presentation are posted at ir.moodys.com.

We'll reference non-GAAP or adjusted measures. Please see the tables in our earnings release for reconciliations to US GAAP.

Today's remarks may include forward-looking statements under the Private Securities Litigation Reform Act of 1995. Please see the safe harbor language in our earnings release and the risk factors and MD&A in our most recent Form 10-K and other SEC filings, available on our website and the SEC's website. These factors could cause actual results to differ materially from those expressed or implied.

Members of the media may be listening in on a listen-only basis. And with that, I'll turn over to Rob.

Robert Fauber

President, Chief Executive Officer & Director, Moody's Corporation

Thanks, Shivani, and hello, everybody. Thanks for joining us today.

Moody's delivered another quarter of strong profitability and earnings growth with disciplined execution and healthy cash generation amidst an increasingly complex operating environment. And I want to start with a few key takeaways.

So, first, Moody's top $2 billion in revenue for the third straight quarter, and we built on a record quarter from last year. Overall, rated issuance declined 2%, yet we delivered adjusted operating margin of 52.6% and adjusted diluted EPS growth of 6%. And I think this really illustrates the resilience of Moody's franchise and our ability to perform across a range of market environments, even as market conditions became more uneven during the quarter.

Now, second, the investment agenda is intact, and I acknowledge that issuance can be volatile from quarter to quarter. And amidst a mixed backdrop, MIS delivered its second strongest third quarter on record, and financing activity tied to AI infrastructure remained very strong in the quarter while, on the other hand, Leveraged Finance activity moderated against the strong prior year comp and more selective issuance environment. And MIS delivered an adjusted operating margin of 64.4%. I think that's proof of our disciplined cost management preserving the operating leverage in the business.

In MA, ARR grew approximately 8%. That was in line with our high-single digit outlook, driven by healthy retention and strong recurring revenue growth. And we continue to see some encouraging momentum across several growth areas. That includes lending, insurance, KYC, private credit, and AI-enabled solutions. And we expanded MA's adjusted operating margin by 100 basis points versus last year to 35.3%. And we're on track to achieve our full year target.

Finally, the quarter reinforced the measured approach that we've been taking to guidance throughout the year. And following a very strong second quarter, you'll all recall, we chose not to raise guidance in July, recognizing challenging issuance comps and some question marks about the global macro environment in the second half of the year. And as the third quarter unfolded, strength in some markets was offset by softness in others. And to that end, we are reaffirming our full year guidance metrics, and we'll talk about the puts and takes to that guidance later in the call.

So, let me move to ratings. While issuance activity moderated during the quarter, my broader view of the funding deep currents has not changed.

And for several years now, we've discussed this very significant capital investment requirement across the global economy. That's across AI infrastructure and data centers, power generation and transmission, renewable energy and carbon transition, defense and security, transportation infrastructure.

The world continues to require substantial amounts of investment capital, and those long-term funding requirements are creating durable opportunities for debt financing and capital formation. We continue to see evidence of that in many parts of the market, particularly in sectors tied to AI infrastructure and power investment, where issuance increased approximately fourfold from the third quarter of last year.

Meanwhile, certain markets, most notably Leveraged Finance, were softer than the very strong issuance levels of a year ago. And overall issuance reflected that dynamic. But the broader forces driving global capital needs remain in place. That said, our results reflect much more than just AI related transactions, and I want to spotlight a couple examples.

First, in private credit, the number of rated deals grew by more than 40% year-over-year, and market innovation continues. Good example of that is a deal called AMAPS 6. That's a broadly diversified, actively managed, multi-asset credit vehicle from Apollo. And that deal allocates across five evergreen strategies, and we rated billions of dollars of debt out of this vehicle, showcasing our analytical depth in complex private credit related structures.

Second, in emerging markets, we're acquiring a minority stake in PhilRatings. That's our sixth domestic credit rating agency affiliate in Asia Pac. It gives us a leading position in the Philippines, where more than $100 billion of infrastructure investment is planned by 2030. And Southeast Asia's domestic bonds outstanding are more than twice the size of cross-border holdings and growing, and this investment enhances our very strong position in domestic debt markets around the world.

Now, as markets evolve, our analytical frameworks are evolving with them. And our new cross-sector digital infrastructure methodological framework integrates corporate and project finance analytical approaches to assess an asset class characterized by distinct business models, financing structures, and credit profiles. And this is critical to how Moody's ensures analytical rigor and consistency across AI infrastructure build-outs.

So, taken together, these deep currents are translating into strong growth in new rating relationships. First time mandates increased 40% in the third quarter, that's the highest quarterly total in five years. And this is notable because it really demonstrates the continued importance, relevance, and value of a Moody's rating in a rapidly changing world.

Now, this leads me to our annual refinancing study, which highlights the – really the sheer magnitude of debt coming due over the next several years. And that outstanding debt must ultimately be refinanced, and that creates substantial and highly visible foundation for future issuance activity. And while markets will inevitably experience periods of volatility, this refinancing cycle remains an important structural driver of long-term transaction volumes.

Over the next four years, refinancing needs across the US and EMEA top $5 trillion for the second straight year. And while there is a modest decline from last year, it reflects a combination of FX and maturity extensions, primarily in Leveraged Finance. However, Investment Grade maturities grew about 5%, with the US leading the way at approximately 11% growth and pull-forward activity generally stayed within historical norms.

So, recent issuance also carries tenors longer than four years. So, the strength of the last several years will show up beyond the standard four-year window. In fact, the US five-year view provides additional useful context, and refinancing needs grew approximately 4% to about 3.5 trillion. And the former peak maturity year in 2028, that's now 2031. So, reach out to our Investor Relations team if you're interested in a copy of these reports.

And as you've likely heard me say, but I want to say it again, analytical rigor, robust methodologies, and ratings quality are and will remain our North Star. And Moody's Ratings are the benchmark standard for pricing credit risk, and we hold the line on ratings integrity even on marquee transactions. And we've seen several recent transactions priced closer to our assessment when our rating diverges from the market or isn't present, reinforcing the credibility of our methodologies and analytical approach with investors.

So for Moody's Ratings, I think the through line is clear, markets will ebb and flow. But the multi-year funding needs are intact, and Moody's is the agency of choice for issuers and investors alike. All right.

So now, let me turn to Moody's Analytics. And we delivered another solid quarter driven by continued momentum across several of our core growth areas, that includes lending, insurance, KYC, private markets, and AI-enabled solutions.

And we were pleased to be named number one in the Chartis RiskTech100 for the fifth consecutive year, with a record 18 category wins across credit, insurance, data, and AI. And while I get that awards are not the objective, we do view this as valuable external validation of the strength of our capabilities.

And I want to spotlight a few of our fastest growing areas. I'm going to start with insurance, where ARR grew 10% this past quarter. So Christina and I recently attended Rendez-Vous in Europe, and our conversations increasingly centered on how Moody's can help address the industry's biggest challenges, including reducing the protection gap, bringing more alternative capital into the market, and delivering better real-time insights and productivity to the industry. And this led to some great discussions about our new offerings in casualty, in cat bonds, in our AI-enabled Intelligent Risk Platform, and more.

The fastest growth areas in insurance this past quarter were cat risk and casualty solutions. In cat modeling, we continue to drive adoption of our IRP, our high-definition model suite, and our Risk Data Lake, all of which offer the ability to deliver upsell with existing customers, as well as bring in new customers to the platform.

And a great example of this is with a top three US auto and property insurer. They wanted to unify their hurricane, earthquake and wildfire risk workflows into a single environment. And so, they adopted our IRP, which integrates third-party and in-house models along with our high-definition models, including wildfire, allowing us to more than double the ARR with this customer. And perhaps more importantly, it represents further adoption by one of the leading primary insurers, paving the way for greater penetration into the primary market beyond reinsurers and brokers.

Another great win in the quarter was with a top-tier global reinsurance broker who signed a new five-year agreement that included adoption of our full global model suite. That drove nearly 14% ARR growth with this customer and demonstrated the opportunities for substantial growth with existing customers through broader adoption of our platform capabilities and our models.

In banking, growth was driven by the Lending Suite, which grew ARR by 12% and remains one of our most compelling growth opportunities. One example was a major new bank logo in Mexico, rounding out our footprint across the country's top five banks. The bank is deploying Moody's Lending Suite as it automates the entire end-to-end credit process, with our origination-to-monitoring platform as the foundation and giving us a flagship reference account for further Latin American expansion.

Now, turning to KYC and compliance. We continue to see good momentum, particularly in the public sector. In this past quarter, we expanded our relationship with a fast-growing supply chain analytics company, signing a five-year reseller agreement that will extend Orbis penetration into multiple government agencies.

Another example, a new federal agency in Germany is deploying our data and compliance solutions to power investigative and intelligence workflows.

We also renewed an agreement with the European Commission to support the next generation of Arachne, its risk scoring and data mining platform designed to help protect EU funds against fraud and financial risk.

And collectively, these examples show how we're monetizing our data and analytics into use cases like national security, defense, fraud, and beyond. And we see further opportunities across the public sector, both in the US and Europe.

Now, turning to AI. Our AI-enabled screening capabilities enabled us to displace an incumbent with a large and sophisticated bank. Screening is a prime space for agentic tools, coupled with Moody's decision-grade data. For example, a top five US commercial bank adopted our compliance solution to reduce false positives and improve screening effectiveness and efficiency.

Now, zooming out, customers are adopting AI across every way they access Moody's, through MCP-enabled interfaces and APIs into their own AI platforms, through AI built into our applications, and through partner platforms where they already work.

And some of our largest and most sophisticated customers are bringing Moody's data and research directly into their own AI platforms through MCPs, and adoption is accelerating. So it is early days, but in just the last three months, users have more than quadrupled and usage is up more than tenfold. And particularly important, analysts using the MCP are reaching 3 times more content on a working day, while still accessing it in our own platforms. Those are our research MCPs.

In addition to MCPs, though, we're making AI available in our own applications. So in insurance, for example, we're embedding AI into underwriting, exposure management and portfolio workflows in the IRP. Our Risk Data Refinery turns unstructured submissions into analytics-ready data with around 95% first pass accuracy. Customers can cut slip interpretation time by as much as 80% to 90%, and statement of values preparation by up to 75%. And that means less time wrangling data and faster underwriting decisions.

And building on this, we're also investing in the demand in growing markets and deepening our bench of strategic partnerships. And I want to just give you two examples from the quarter.

So, first, in private credit, our Allvue partnership pairs Moody's forward-looking models with Allvue's loan level private credit data. And we believe that this gives us the best view of credit risk in the private markets. And in turn, that gives lenders and investors an independent view of emerging borrower stress, helping support underwriting, portfolio monitoring, valuation and risk oversight.

And second, in casualty insurance, Moody's and Lloyd's of London are partnering to combine our data and models with Lloyd's historical market data to pinpoint which signals predict casualty and financial lines risk, where exposure is concentrated, and when underwriting cycles are turning. And this is really the same playbook that we've run in other insurance lines, but now applied to a large, underpenetrated casualty market and with one of the most important players in the global insurance industry.

So, before I turn it over to Noémie, Christina just marked her first 100 days leading MA, and she's brought a real sense of urgency and ambition. She spent a lot of time on the road with customers. She's challenging us to think differently and moving quickly on the foundational changes that I believe can unlock the next phase of growth.

So, big picture, even as the operating environment we face keeps evolving, the examples that I shared reinforce our confidence in the opportunities ahead. Substantial financing needs underpin ratings, demand for our decision-grade intelligence underpins Moody's Analytics, and AI is amplifying the value of the trusted data, insights, and analytical context that's at the heart of everything we do.

So, Noémie, over to you.

Noémie C. Heuland
Chief Financial Officer, Moody's Corporation

Thank you, Rob, and hello everyone. Let me start with Moody's Analytics.

Moody's Analytics delivered 3% reported revenue growth versus last year, and that's 8% on an organic constant currency basis. Recurring organic constant currency revenue grew 9%, and that now represents about 99% of total MA revenue.

Transactional revenue declined 76% year-over-year, primarily reflecting the Learning Solutions divestiture.

We ended the quarter with $3.7 billion in annualized recurring revenue, ARR, and that's up approximately 8% year-over-year, and we're on track to meet our full year guidance. Retention was very strong at 95% on a trailing

12-month basis, and that reflects the mission critical nature of our solutions and the durability of our customer relationships, underpinned by trust and delivery of outcomes.

Decision Solutions ARR grew 10%, and that's very consistent with the prior quarter, and that represents about 44% of MA ARR. Within Decision Solutions, KYC ARR grew 12%, and that's driven by healthy demand across KYC data use cases, as you just heard from Rob. Insurance ARR grew nearly 10%, driven by strong demand for catastrophic data and modeling solutions, and particularly strong retention across the portfolio.

Banking ARR grew 8% with strategic growth areas such as lending up 12% versus last year and leading performance, while more mature parts of the portfolio were growing at a more measured pace, which is consistent with our prior commentary.

Research and Insights reported revenue growth of 3%, reflects a tough Q3 comparison as the prior year period benefited from revenue recognition on large on-prem contract renewals. ARR grew about 6%, supported by Moody's OneView, which brings our research, data, and AI-powered research assistant together in a single platform. CreditView customers moving to OneView are getting a richer, more integrated solution, and that added value is translating into an uplift at renewal. And OneView is also expanding our research to customers who haven't used it before.

In Q3, a large quantitative trading firm with more than $1 trillion in AUM, already a Moody's data customer, converted a research trial into a multi-year agreement to access OneView research by API. It's a strong validation of our proof-of-value approach, and it shows the opportunity to bring our research into quantitative investment workflows.

Data and information ARR grew 7%, reflecting demand for ratings data feeds and the data estate, including Orbis. We also signed a new deal with SAP to launch Moody's Supplier Intelligence for Ariba, embedding our data directly into supplier onboarding, assessment, and monitoring within SAP. This win displaces a competitor and establishes Moody's as a strategic intelligence partner to SAP, with potential to expand across its global customer base.

Along the same lines, we signed a multi-year private markets data distribution partnership with one of the world's largest asset managers, embedding Moody's company intelligence, including Orbis, into its next-generation private market platform. This expands the reach of our data across the private markets ecosystem and creates opportunities for future growth.

And we also expanded our relationship with a global technology customer deepening its use of Orbis for lead identification and enrichment. The relationship has grown 2.5x in under two years, with Moody's data now embedded in its global sales workflow.

So, across these examples, the pattern we are observing is very consistent. Customers are increasingly embedding Moody's data and analytics into their core workflows, that strengthen our position in day-to-day decision making and creates opportunities to deepen and expand those relationships over time.

Turning to profitability. MA-adjusted operating margin was 35.3%, and that's up 100 basis points year-over-year. We're seeing the benefits of simplifying the portfolio, consolidating our technology platforms, and beginning to capture efficiencies from AI, helping us manage head count growth while continuing to invest in priority areas like our data estate and technology. And importantly, we're doing both - funding growth and expanding margin.

Shifting to ratings. Rated issuance moderated in the summer, as expected, but remained very strong by historical standards. At approximately $1.7 trillion, issuance was down 2% year-over-year against a very strong comparison, while still representing the second highest third quarter level on record. Importantly, and as you heard from Rob, this headline figure masks considerable variation across asset classes with strength in Investment Grade and infrastructure financing, offset by softer Leveraged Finance activity.

Markets remained largely constructive in the third quarter, with issuers moving quickly when windows were open. Resilient investor demand, continued AI and hyperscaler-related financing, and ongoing infrastructure needs supported issuance. Credit spreads remained relatively stable through most of the quarter before widening by approximately 10% toward the end of September amid rising macro and policy uncertainty. But even with that widening, spreads remain near historical tights.

MIS revenue was $1.1 billion, down 1% in the third quarter last – or against the tough compare in the third quarter last year. Importantly, the relationship between issuance and transaction revenue this quarter reflects the mix. Issuance declined 2% while transaction revenue declined 5%. Third quarter issuance was driven by lower yielding jumbo transactions and frequent issuers, while, at the same time, higher yielding Leveraged Finance issuers significantly pulled back their issuance activities.

And you can see that clearly within Corporate Finance. High Yield and bank loan revenue declined 40% and 27%, respectively, while Investment Grade revenue increased 18% on 16% issuance growth. Investment Grade issuance reached a third quarter record, supported by AI infrastructure and hyperscaler financing. And year-to-date, jumbo corporate issuance has already surpassed the full year 2025 level.

There was a similar mix dynamics in the Financial Institutions group, where issuance came predominantly from banking issuers on frequent issuer pricing contracts. PPIF grew across projects, infrastructure, and US public finance, including data center related activity. And Structured Finance benefited from ABS, RMBS, and CMBS that was partially offset by lower CLO activity.

Recurring revenue grew 8% on new mandates, value-based pricing, and growth in monitored credits. First time mandates support future recurring revenue, like what you see this quarter. And given our performance to-date and visibility into our pipeline, we're raising our full year first time mandates outlook to a range of 900 to 950.

MIS adjusted operating margin remained strong at 64.4%, down approximately 80 basis points year-over-year. But the margin reflects continued disciplined resource allocation and technology investment while preserving investment capacity to support future growth.

Moving on to issuance outlook. Markets remain open and the pipeline is robust, supported by continued refinancing needs, M&A activity, and significant financing requirements around AI, data centers, and broader infrastructure. Against that backdrop, our overall issuance outlook remains unchanged at mid-single digit percent growth with some shifts in the underlying mix.

As you can see on slide 12, we're tempering our expectations for High Yield and Leveraged Loans, given recent weakness, while raising our expectations for Structured Finance, Financial Institutions, and PPIF.

Our guidance reflects the range of potential outcomes from here. A sustained period of volatility, wider spreads or more constrained access for sub-Investment Grade issuers could move us toward the lower end of our revenue and adjusted EPS ranges. Conversely, the pipeline remains healthy and stronger M&A execution, continued AI and infrastructure financing or an improvement in Leveraged Finance activity could provide additional upside.

Turning to guidance, we are maintaining our full year outlook for both businesses.

For MIS, we continue to expect full year revenue growth in the high-single digit percent range, supported by continued AI, data center, and GPU-related financing, with issuance trends varying across lines of businesses.

What that means for the fourth quarter is we expect issuance to decline in the mid-teens percent versus the prior year, broadly consistent with the second half cadence we discussed last quarter, following very strong year-to-date activity and reflecting more tempered expectations for Leveraged Finance.

We expect MIS revenue to decline sequentially versus the third quarter, very consistent with typical historical seasonality, while growing in the low-single digit percent range versus the prior year. And margins will follow a similar seasonal pattern as last year.

For MA, we continue to expect ARR growth in the high-single digit percent range, and adjusted operating margin of 34 to 35%. The fourth quarter remains the largest sales and renewal period of the year, and our outlook assumes continued execution against the pipeline.

At the MCO level, we're maintaining our guidance for the full year, with revenue growth in the high-single digit percent range; adjusted operating margin of 52% to 53%; and adjusted diluted EPS of $16.50 to $17, which represents 12% growth at the midpoint.

Third quarter adjusted expenses increased 2% year-over-year, reflecting disciplined cost management, thoughtful capital allocation as we continue to invest behind our growth priorities. And we continue to expect mid-single digit percent expense growth for the full year.

Our capital allocation priorities remain unchanged: investing to support growth, driving sustainable margin expansion, preserving balance sheet flexibility, and returning excess capital to shareholders. Year-to-date, we have repurchased approximately $2.6 billion worth of shares, and continue to expect up to $3 billion of repurchases for the full year.

Free cash flow was $2.2 billion year-to-date. That's up 22% year-over-year. And we remain on track to return more than 130% of free cash flow to shareholders this year.

Now, stepping back, the third quarter demonstrates the strength and consistency of our model, durable recurring growth in analytics, strong profitability in ratings, disciplined investments behind our growth priorities, and significant cash generation. That financial strength gives us the flexibility to continue investing in the business while returning meaningful capital to shareholders.

Thank you. And operator, we'll now take the questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. We have reached our Q&A session. We ask that you limit yourself to one question. The option to rejoin the queue will be unavailable. [Operator Instructions] Your first question comes from the line of George Tong with Goldman Sachs. George, your line is open. Please go ahead.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

Hi, thanks. Good morning. You highlighted a more than 4x increase in MCP users and a more than 10x increase in AI usage over the last three months. Can you talk about where you're seeing the best evidence that this adoption is generating incremental revenue and incremental ARR rather than primarily supporting retention and engagement? And what needs to happen for AI to become a more meaningful contributor to MA's overall growth rate?

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. George, thanks for the question. I'm going to zoom out here and help us all think about the ways that AI is being monetized across the MA product suite because it's not really just one line item. And I know people want that, but it's increasingly embedded across everything that we do. And it shows up in customer adoption, product engagement, new sales, win-loss rates, renewals, everything, right? In many cases, this stuff is table stakes.

And I would say that we see customers consuming our AI capabilities in three ways: so it's through AI that's embedded in our own applications; it's through AI agents and workflow that we provide; and it's through direct access to Moody's intelligence via MCPs and APIs into the environments that either customers are building or platforms that they're working on.

So on the MCP side – and, look, I think I've been talking with investors. We got to start by looking at adoption and usage. And over time, we will see more and more revenue. So the number of customers paying for MCP access has more than doubled in this last quarter. It's still off of a small base. So we've made a lot of this available, but not all of the customers are able to consume the content via MCP. So a lot of customers are working on being able to take MCPs into their environment.

I can tell you that the open opportunities are up very substantially since the end of the second quarter, and about half of our pipeline by value has been created since the end of the second quarter. So we're seeing this start to come into the pipeline. And a lot of that's newly created demand. So you got to understand, they're new buying motions. Many customers want to start with a proof-of-value before they're committing. So I think we're going to see adoption and some of these revenue metrics progressively build.

I mentioned a cohort of 1,000 trial research users. And again, this is really – I think you want to look at the usage, because we'll understand how we're going to price behind that. I talked about usage has grown more than 10x in just three months. And we're seeing the users consume a lot more of our content, 3.5 times more content, 5 times more companies. But then, customers are also adopting AI inside of our workflows.

And I want to talk about insurance for a moment. So, I gave some examples in my remarks about that Risk Data Refinery, right? That's another application that sits on the IRP. It contributes to customers wanting to migrate to the IRP and contributes to new customers wanting to be on the IRP. That's where they can also access APIs, MCP interface.

We have more than 700 APIs that allow customers to embed Moody's intelligence from the IRP directly into their workflows. So, when you look at that 10% growth rate in insurance, you have to understand that the AI capabilities in the IRP are part and parcel of what is driving that 10% growth.

And let me shift to banking for a moment. So, we have something called Banking Decision Intelligence. It's really like a connected brain that unifies our risk and finance capabilities across our application suite and creates almost like an auditable digital worker for banks, right. So, this is sitting across our application stack in banking.

We've already got three live customers. We've got a fourth that's done a completed proof-of-concept. We've got a number that are in trial. We're building pipeline. And we're hearing from customers, literally they're saying to us, I had a team of analysts doing a certain kind of work, bringing information – data and information across multiple disconnected applications that would take weeks, and it's being done in minutes and hours. So, not surprisingly, there's a lot of interest from our banking customers and we're building pipeline.

In KYC, obviously, the agentic opportunity is a very real one and going after both labor productivity and effectiveness. And off of a small base, our KYC agents are growing almost three times faster than the KYC business as a whole. Again, it's small, but it's growing.

So, I guess, George, that was a long answer, but hopefully it gives you a sense of the different ways that AI is coming into the numbers. And it's not always just going to be in one line that we can call out.

George K. Tong
Analyst, Goldman Sachs & Co. LLC

Q

That's very helpful. Thank you very much.

Operator: Your next question comes from the line of Andrew Steinerman with JPMorgan. Andrew, your line is open. Please go ahead.

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Hi there. It's Andrew. Could you please review the puts and takes on Moody's assumed fourth quarter issuance, particularly talk about AI-associated and MA-associated financing? And also, a quick point on fourth quarter typically being a briefer quarter for issuance seasonally.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. Hey, Andrew. Let me just start with kind of the market environment, and I would say that, right now, we have a very healthy pipeline going into November. Obviously, we've seen treasuries widen out. We've got, concerns about sovereign deficits and a very heavy issuance calendar that we've had that I think is putting pressure on yields, but issuers with funding needs are still coming to market. And I would say, the more opportunistic issuers, and those are particularly in Leveraged Finance, have been a little more selective about in terms of timing, which is what you'd expect.

And so, the credit conditions – and we often see this, right, when there's a little bit more focus on risk, we see more differentiation in the investment grade and spec grade issuers that come to market. But I'd say, first of all, the markets are open, they're constructive. And then, I would say, just in terms of kind of puts and takes, Andrew, for the quarter, so just to remind you, we're assuming, a mid-teens year-over-year decline in issuance in the fourth quarter.

And that's because, in the fourth quarter of last year, we had some very strong activity from bank loan repricings, hyperscaler issuance very significant last fourth quarter, and banks. And some of that was not revenue mix friendly, but we have – so we have assumed a decline, a mid-teens decline, but – and we've assumed that the hyperscalers have done most of their financing for the year. So, if we see hyperscaler issuance in any size, that's going to be upside.

By the way, we still have a healthy pipeline of broader AI and data infrastructure that we think will come to market. And to your point about trading days, I think that's a really good point, Andrew, because there are a waning number of trading days left in the year, and so you've got issuers that are starting to think about prefunding 2027 needs on maybe dips in treasuries, getting ahead of a potentially higher rate environment, and also thinking about getting in front of or having a window, where there's not as much hyperscaler debt financing in the market.

Now, on the downside, I think this is pretty obvious, but we got plenty of headline risk. We've got two wars raging around the world. We've got the US midterms could be a wild card, by the way. We may see issuance get pulled in before inauguration in Congress – a new Congress comes into session. So, we're keeping an eye on that. So, hopefully, that gives you a sense. I'm going to pause there because I'm sure we're going to get into the hyperscaler mix on issuance. But let me just pause there, okay?

Andrew C. Steinerman
Analyst, JPMorgan Securities LLC

Q

Yeah. Thank you very much, Rob.

Operator: Your next question comes from the line of Jason Haas with Wells Fargo. Jason, your line is open. Please go ahead.

Jason Haas
Analyst, Wells Fargo Securities LLC

Q

Hey, good morning and thanks for taking my question. I wanted to ask about some recent high-profile fines for some KYC and anti-money laundering lapses at some large financial institutions that made some pretty big headlines. I'm curious as to what extent that's a potential positive driver for your KYC business going forward.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. Jason, I think it's a driver for the entire market. And it's interesting because there was a little bit of a narrative that had begun to build in the market where some folks were saying, well, it's been a while since we've seen some of these sizable fines and we're making such huge investments into KYC and financial crime compliance. And some of these things we're seeing recently, I think are just a stark reminder for everybody about the critical importance of getting all of this right.

And it's – and it also goes to, Jason, it's not just about efficiency. And you've heard me say this before, the banks say this to us all the time, I've got to be more efficient and I've got to be more effective. You have to do both of those things. And so, from a KYC perspective, I mentioned that we're investing in our KYC agents, it's still early days there.

I would also say that, just in terms of our KYC business, and I know this is on the minds of some, but we have been working to migrate some customers from our old Orbis Catalyst over to our Maxsight platform. And so, I think we've been a little bit behind in that migration, so we're redoubling our efforts to be able to do that and get more and more customers onto that new Maxsight platform that'll offer us more and more monetization opportunities, as well as agentic opportunities as well.

Operator: Your next question comes from the line of Scott Wurtzel with Wolfe Research. Scott, your line is open. Please go ahead.

Scott Wurtzel
Analyst, Wolfe Research LLC

Q

Hi. Good morning, guys. Thank you for taking my question. I just wanted to talk about the banking sub-segment within DS for a second. You talked about maybe some more mature parts of banking growing at a more measured pace. Just wondering if you're thinking about any ways to sort of maybe accelerate that part of the business, whether it's on go-to-market or new product introduction? Any color around that would be great. Thanks.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. Scott, hey, thanks for the question. And you've seen a few of the moves that we've made, cleaning up that banking portfolio in particular, a few other things that you've seen around, both the learning business and the regulatory reporting business, were in that banking segment. And that's all part of our drive to really focus in on what we think are the highest growth opportunities. And that is really around lending, which is obviously building on our core strength and credit, and then risk and finance.

And so, more and more what we're hearing from companies is they want to be able to connect all of this. And that's why I mentioned, Scott, this Decision Intelligence layer that we're putting over the application suite, that's allowing banks to get really unique new insights much, much faster than they have before. And it also goes to the value proposition of, if you have one or two or three or four or five applications from Moody's, now we're able to connect those applications and give banks unique intelligence that has either been very difficult to get or is actually unique intelligence that they just haven't gotten before.

So, I think Christina's very, very focused on thinking about how we're bundling our solutions, how we think about pricing and packaging to make this all easier for our customers. The last thing I would say, Scott, is while one of our fastest growing offerings right now is our AI-enabled Lending Suite, we're also going to be working with what I'm going to call lighthouse customers, these are going to be early adopters who want to work with us where we can deploy FDEs to these customers and actually start co-building agentic solutions. So, this may be a next-generation agentic lending workflow where we co-build with them. And we've got a number of customers that we're in discussions with to be those lighthouse customers.

Scott Wurtzel
Analyst, Wolfe Research LLC

Q

Great. Thank you.

Operator: Your next question comes from the line of Craig Huber with Huber Research Partners. Craig, your line is open. Please go ahead.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Yes, good morning. Thank you. Want to ask you a question, Rob, about hyperscalers. This question comes up a lot from investors, however you want to define that. But what is your estimate for the rated debt issuance for them in 2026 in aggregate, and what percentage of global debt issuance do you think that's going to be this year? And then, my follow-on question is, I know it's early here, but for 2027, what is your thoughts here on the total debt issuance that may come out of the hyperscalers in aggregate? I mean, think it'll be – do you have a sense of what you're hearing out there? Thank you.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah, yeah. So, Craig, thanks for the question. And Andrew, this will be responsive to the second part of your question as well. And I'm going to give you most of this answer, Craig, and you're going to be able to connect the dots here. So, the good news is that we are capturing growth from the AI infrastructure build-out, just like many, many other companies that are part of this ecosystem. And at the moment, it's probably the strongest growth driver in the ratings business, albeit one of a number of these elements of this financing super cycle that we're in.

So, from an issuance growth perspective, year-to-date, AI-related issuance has accounted for a little over half of total issuance growth. And that's AI infrastructure kind of broadly defined, I won't get into everything that's included in it, but it's not just hyperscalers. This is – goes into data centers and things related to that. Now, from a revenue standpoint, that number is closer to 40%, and that's very consistent with what we've been telling you for much of the year that a lot of this big hyperscaler issuance is obviously now frequent – has kind of a frequent issuer commercial construct to it.

So before anyone tries to turn a positive into a negative, I want to reinforce that I think we're in kind of a form of an intelligence revolution. And I have been out talking to this ecosystem, CFOs, CEOs, tech companies, very extensively over the last several months. And everything I hear from them is that there is not a demand issue. Many companies would issue more debt if they could.

So there is plenty of demand. You can see that in the remaining performance obligations with the hyperscalers, which continue to grow very substantially. And when you look at – our rating analysts have estimated there's something like $800 billion of CapEx for 2026. They expect that to grow to somewhere $1 trillion or more. So what that tells you, Craig, is we expect that there will be continued growth in the hyperscaler issuance and AI infrastructure build-out.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Rob, I'm sorry, is that $1 trillion you're talking about, you guys are thinking for next year or a few years out or...

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

That's for next year. So that...

Craig Huber
Analyst, Huber Research Partners LLC

Q

Next year.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

...think of $800 billion-ish this year of CapEx, call that $1 trillion and north of $1 trillion next year. So we expect that there will be growth in the infrastructure build-out and hyperscaler issuance investment in CapEx in 2027.

Craig Huber
Analyst, Huber Research Partners LLC

Q

Great. Thanks for the details.

Operator: Your next question comes from the line of Alex Kramm with UBS. Alex, your line is open. Please go ahead.

Alex Kramm
Analyst, UBS Securities LLC

Q

Yeah, hey. Good morning, everyone. Just can we just touch on private credit for a little bit here? There's a lot of crosscurrents. Obviously, I think issuance is struggling a little bit relative to public markets, but you've been investing in that space a lot. At the same time, I think there continue to be headlines around some of the smaller rating agencies maybe doing a lot of activity that people don't really see as correct, if that's the right word to use here. So, yeah, maybe just talk about your appetite to do more there, what you're seeing, and how your role has been evolving here over the last few quarters?

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. Alex, thanks. And we've talked about this a lot over the last number of quarters. And we had some work to do to be able to get the methodologies and the analytical resources and, frankly, the engagement model to be able to support the growth in private credit over the last several years. And I think we've done a good job of that, and you've seen that come into the rating results. But you've also heard me say, in some ways, I want to be agnostic to whether it's private credit funding or public credit funding.

It's actually interesting, Alex, if we look at this past quarter, there was a significant rotation of private credit back into the broadly syndicated loan market. We actually – there was a PitchBook stat, about $12 billion of direct lending deals refi-ed from private credit into the BSL market in the third quarter. That was the highest quarterly volume since the tracking began back in 2022. So you know what, guess what, we're going to rate that stuff, too.

And so, I'd say a few things just in terms of credit quality. We've got the same analysts rating in the public credit and private credit, right, and that makes me feel very comfortable. It's not some special different team. We have a

lot of engagement with regulators who want to understand our approaches and how we're thinking about all of this. So that's great.

And then, you've seen us do the things like the MSCI, and now the Allvue partnership. And what that's really about, Alex, is about all of these headlines are just leading investors to ask more questions about the credit risk that they are taking. And for a few years, I'd hear kind of the talking points and I'd say, yeah, but don't you want to have an independent assessment of credit? For the return that you say you're getting, do you understand how much risk you're taking?

And so, what we did with Allvue is very similar to what we did with MSCI. We had another dataset that allows us to further calibrate our credit models and be able to make those available to Allvue and other customers so that they can get an independent rigorous probability default that's mapped to a rating level to help investors. What we really want to do is start to drive the usage and utility of our tools and our credit language with investors in the private credit markets, just like we've done in the public credit markets, and ultimately be agnostic to whether it's public or private credit.

Alex Kramm
Analyst, UBS Securities LLC

Q

Fair enough. Thank you.

Operator: Your next question comes from the line of David Motemaden from Evercore. David, your line is open. Please go ahead.

David Motemaden
Analyst, Evercore Group LLC

Q

Hey, thanks. Good morning. I had a question on the insurance business, and it's interesting to hear that casualty was one of the fastest growth areas in the quarter. We're just seeing and hearing a lot of interest from third-party capital to access casualty business. So I'm wondering if you are seeing any impact of that yet in the results and how you're viewing that opportunity going forward.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. David, thanks for the question. And like a lot of the stuff where we're innovating, the casualty is still a pretty small part of the business, but we're seeing very good traction and interest. And why is that? In the US, casualty, I think, is something like 60% of gross written premiums. It's a huge part of the insurance business, but it is very immature in terms of its use of third-party data and analytics. You think about property; property has been using these sophisticated cat models for three decades. But what about casualty? We go into casualty, and people are talking about Google searches and all sorts of stuff.

So that's why we made the investment a couple years ago in that casualty analytics business. There's a strong kind of AI component to it. One of the things it does, and I think I've talked about this in the past, it's scouring law journals and medical journals and finding emerging mass torts. And guess what, we alerted our customers to the mass tort risk of addictive software back in, I think, 2018, right? And of course, we saw the Facebook settlement this year. So that's what that business is about.

And what you heard us do with Lloyd's is, Lloyd's understands there's potentially a lot of signal value in all of the company data that we have and connecting that data to be able to better understand casualty risk. So it was interesting, David. I can't remember if you were at Exceedance with us, but the casualty rooms and sessions, they were packed. And it was the same thing at Rendez-Vous.

There was so much discussion about casualty because it's a big part of the market, but people need better tools to be able to get comfortable with underwriting it. So, this is one where I feel really good about what we're bringing to this market, and the insurance industry partnering with us to be able to bring these solutions to market. So, you're going to keep hearing about this as a growth driver, I think, on future calls.

Operator: Your next question comes from the line of Owen Lau with Clear Street. Owen, your line is open. Please go ahead.

Owen Lau
Analyst, Clear Street

Q

Good morning and thank you for taking my question. Could you please talk about MA's longer-term model of selling data? So, given the pros and cons, do you think MA can get more revenue by entitling more users to get data through AI models and MCP or sell the data directly through your own channel? I know you're doing both, but I'm wondering how Moody's think about protecting the data, getting incremental revenue, but not cannibalizing your own platform. Thanks.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. Great question, Owen. So, let me think about how I want to answer this. There are different speeds of customers, right, first of all. We have to understand that. So, we have the big sophisticated financial institutions and most of them want to consume our content via MCPs in the either their own AI platforms or some of their third-party UIs they're using. And so, we're doing that, and we're doing that either via MCPs or, in some cases, through specialized agents that will be in their platform.

The good thing about that, Owen, is that, if you think about over the years, Moody's has done a great job of monetizing the expert user community, right? These are people that are analyzing fixed income portfolios or cat modeling professionals, but there's a lot of utility for our content kind of down that sophistication curve or user curve. And so, when you think about, deploying – I was just at one of the largest banks in the country, I guess it was Monday, with Christina.

And what we were talking about is, they've got 8,000 users on one of these AI surfaces and they said, look, we want to bring your content into that surface, great. Right now, we have a fraction of that that's using some of that content. And so, this gives us an opportunity to expose our content to thousands and thousands more users and get uplift in doing that. And then, thinking about elements of consumption-based pricing that we'll include in that model.

That said, I think you'll hear more from Christina about this early in 2027. I don't think we just want to have data pipes into customers. We also want to think about how we move up the value stack and, ultimately, have kind of embedded solutions with the customers that are driving very significant outcomes in terms of efficiency and effectiveness.

And so, we have a lot to offer there. You've heard some of these examples that I've been talking about. But that means, I think – I talked about that kind of FDE model of co-building with our customers because ultimately a number of customers are going to be migrating over time from software solutions to more agentic workflows, and we want to do that with our customers.

And we want to be with them with AI-enabled software. We want to be with them piping our data into their platforms. And we want to be co-building the next-generation of agentic solutions with them, all of which are ways to consume our connected intelligence.

Owen Lau
Analyst, Clear Street

Q

Thanks a lot.

Operator: Your final question comes from the line of Peter Christiansen with Citigroup. Peter, your line is open. Please go ahead.

Peter Christiansen
Analyst, Citigroup Global Markets, Inc.

Q

Thank you. Good morning. Thanks for the question. Rob, I guess, as you head into the largest renewal quarter, what are you seeing from a pricing perspective across Moody's Analytics? Are customers demonstrating a willingness to pay more for AI capabilities, workflow integration, what have you? Just wondering if you could talk about what trends you're seeing in regards to that dynamic. Thank you.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

A

Yeah. Thanks. And I know Noémie is bummed out that she did not get a chance to answer a question on this call. But – so, look, I think it all – it comes back to a couple of things. A lot of these institutions have very significant investment agendas around their AI platforms and, very critically, the data that goes into the platforms. So, there is budget for all of that.

But it comes back to you've got to prove the value of your stuff, right? And so, that's why you hear us talking about the outcomes and the efficiency and the effectiveness. And by the way, we did a really interesting brief POC with – it was with our credit MCP integrated into one of these AI services. And the answers with and without the Moody's kind of was actually shocking to me, the – how many errors there were without the Moody's credit MCP when you were querying around credit topics.

So, banks understand, financial institutions understand the value of this stuff. We're trying to make it – that's why we're trying to be very crisp about the outcomes that we think we can deliver. And if you can deliver those kinds of outcomes, those kinds of time savings, those kinds of increased effectiveness, I talked about 95% first pass accuracy and that Risk Data Refinery, institutions are going to pay for that because the ROI is very clear.

But in many cases, the customers want to test drive this first to make sure that they can confirm the business case for it. And so, the – I would say, the selling motions are a little different but I feel very good about the engagement we've got with customers, the pricing opportunity, where the customers are seeing real value.

Peter Christiansen
Analyst, Citigroup Global Markets, Inc.

Q

Thank you.

Operator: We have reached the end of the Q&A session. I will now turn the call back to Rob for closing remarks.

Robert Fauber
President, Chief Executive Officer & Director, Moody's Corporation

All right. Thanks, everybody, for joining, and we will talk to you early in the new year. All right. Take care. Bye-bye.

Operator: This concludes Moody's Corporation Third Quarter 2026 Earnings Call. As a reminder, immediately following this call, the company will post the MIS revenue breakdown under the Investor Resources section of the Moody's IR homepage. Additionally, a replay will be made available after the call on the Moody's IR website. Thank you for attending. You may disconnect.

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