Fourth Quarter and Full Year 2019 Earnings Call

February 12, 2020

Overview

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 the Company's business and operations that involve a number of risks and uncertainties. Such statements may include, among other words, "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof that convey the prospective nature of events or outcomes generally indicative of forward-looking statements. The forward-looking statements and other information in this release are made as of the date hereof (except where noted otherwise), and the Company 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, the Company is identifying examples of factors, risks and uncertainties 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, credit market disruptions or economic slowdowns, which could affect the volume of debt and other securities issued in domestic and/or global capital markets; 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 and other volatility in the financial markets such as that due to uncertainty as companies transition away from LIBOR and Brexit; 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 and trade barriers; 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, including provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and regulations resulting from Dodd-Frank; 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 inquires to which the Company may be subject from time to time; provisions in the Dodd-Frank 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; 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 the Company's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company 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 or other business combinations and the ability of the Company to successfully integrate such 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 the Company's annual report on Form 10-K for the year ended December 31, 2018, and in other filings made by the Company 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 the Company'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 the Company's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for the Company to predict new factors, nor can the Company assess the potential effect of any new factors on it.

4Q 2019 Overview and Strategy Discussion

Ray McDaniel

President and Chief Executive Officer

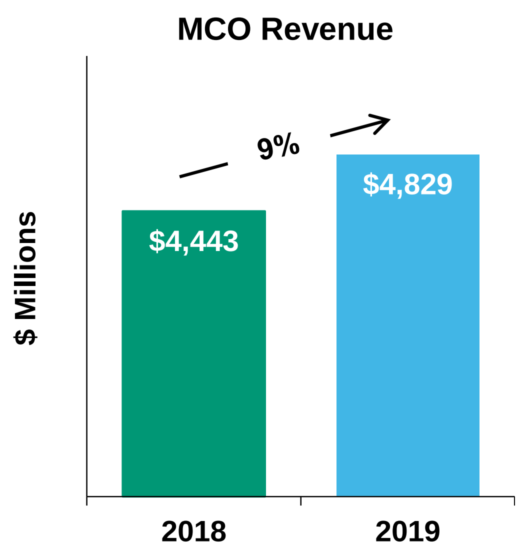
Highlights

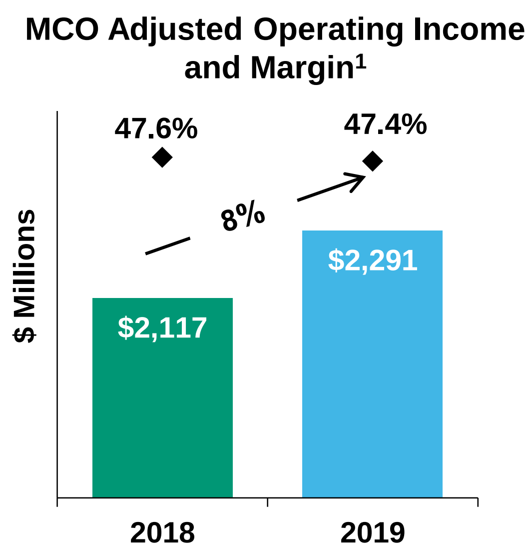
- MCO achieved 16% revenue growth in 4Q19
  - MIS revenue rebounded from prior year market disruption
  - Organic double-digit growth in MA revenue for fourth consecutive quarter
- 4Q19 adjusted operating margin of 45.3%, up 30 basis points
- FY 2020 adjusted diluted EPS guidance of $9.10 to $9.30[1,2]
- Moody's ongoing expansion into risk assessment
  - RDC acquisition positions Moody's as a leader in KYC[3] standards
- Enhanced sustainability engagement and disclosure

1. Refer to Table 12 – "2020 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP.
2. Includes the expected impact of Regulatory DataCorp (RDC) acquisition and $1.3 billion of share repurchases, subject to available cash, market conditions and other ongoing capital allocation decisions.
3. KYC = know-your-customer.

FY 2019 Results Driven by Robust Performance Across Both Business Segments

- 2019 MCO revenue increased 9%, driven by 13% growth in MA and 6% growth in MIS
- Adjusted operating income up 8%
- Adjusted diluted EPS up 12%, driven by strong business performance



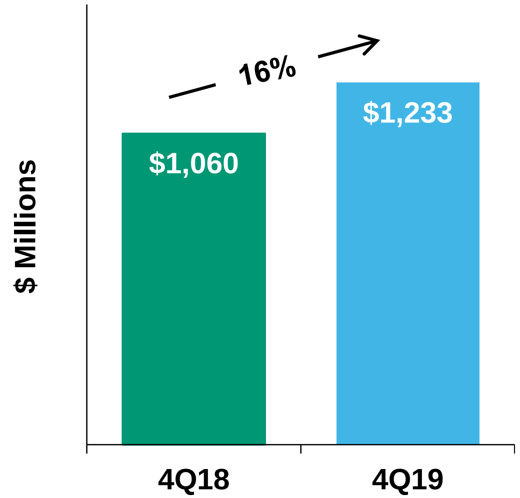


1. Adjusted operating income, adjusted operating margin and adjusted diluted EPS are non-GAAP measures. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and GAAP.

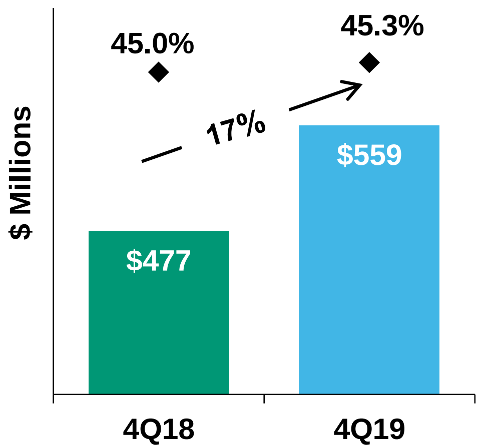
4Q 2019 Growth Led by MIS Revenue, with Cost Discipline Contributing to Margin Expansion

- 4Q19 MCO revenue increased 16%, driven by 21% growth in MIS and 10% growth in MA
- Adjusted operating income up 17%; adjusted operating margin up 30 bps
- Adjusted diluted EPS of $2.00, up 23%

MCO Revenue



MCO Adjusted Operating Income and Margin[1]



MCO Adjusted Diluted EPS[1]

1. Adjusted operating income, adjusted operating margin and adjusted diluted EPS are non-GAAP measures. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and GAAP.

4Q 2019 Issuance Activity

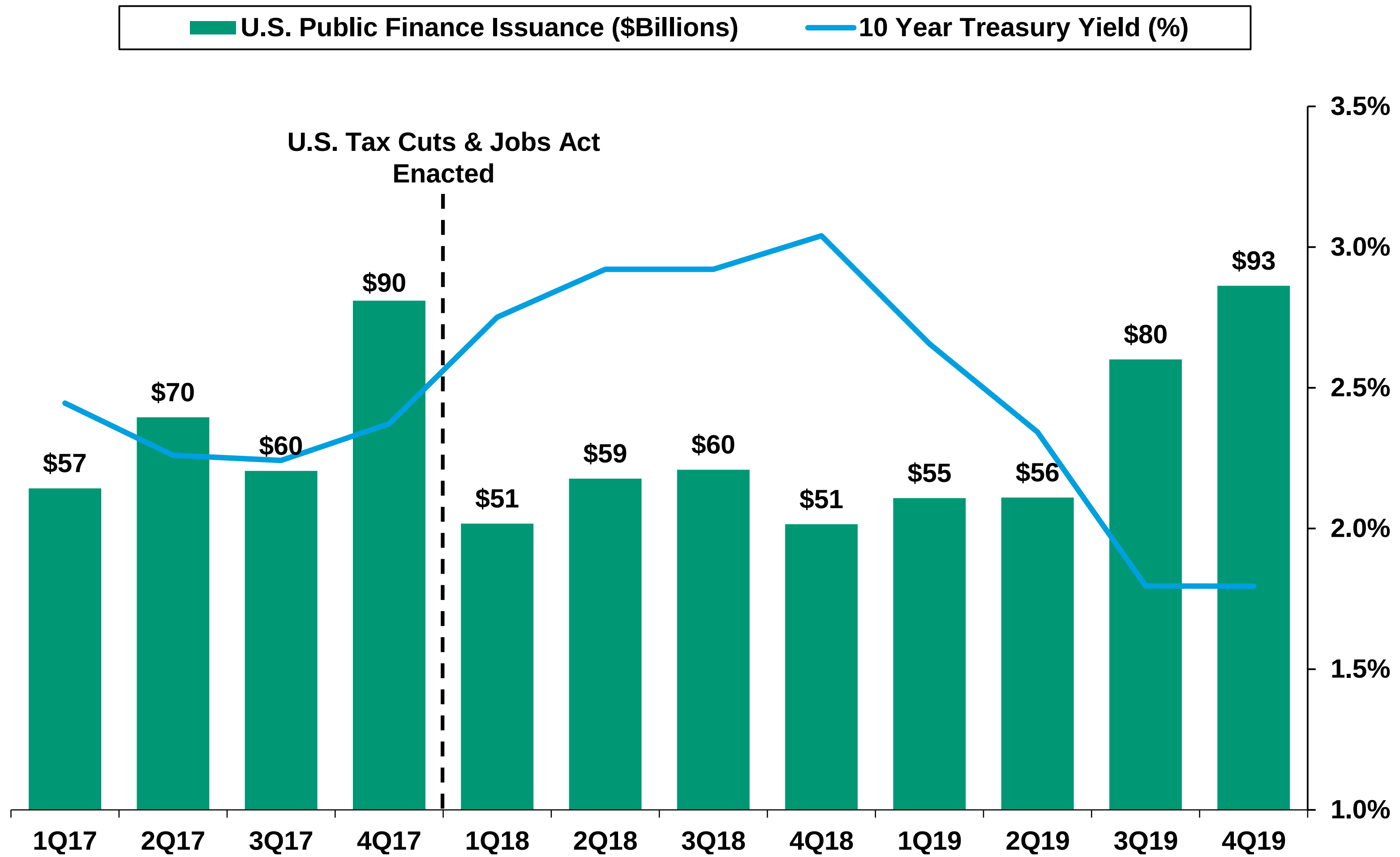
Credit market sentiment improved during 2019

Factor	Market Attribute	4Q18 Sentiment	Shift	4Q19 Sentiment
Geopolitical	U.S.-China trade dispute	Heightened uncertainty	▲	Phase one trade deal agreement in principle
	Brexit	Key U.K. parliamentary vote delayed	▲	U.K. elections provide clarity of direction
	Washington gridlock	Longest government shutdown in U.S. history initiated	►	Impeachment procedures initiated
Macro	U.S. 10-Year Treasury	3.0%	▲	1.8%
	Fed rate stance	Tightening	▲	Neutral
	German 10-Year Bund	0.3%	►	-0.3%
Credit Markets	U.S. and EMEA Credit spreads	Multi-year highs at year-end	▲	Lowest levels of 2019
	High yield bond issuance	Substantially shut down, especially in December	▲	Heightened activity to cap the year
	U.S. Public Finance issuance[1]	Multi-year low on high benchmark rates	▲	Multi-year high as low benchmark rates induce taxable transactions

1. MIS rated issuance.

U.S. Public Finance Spotlight

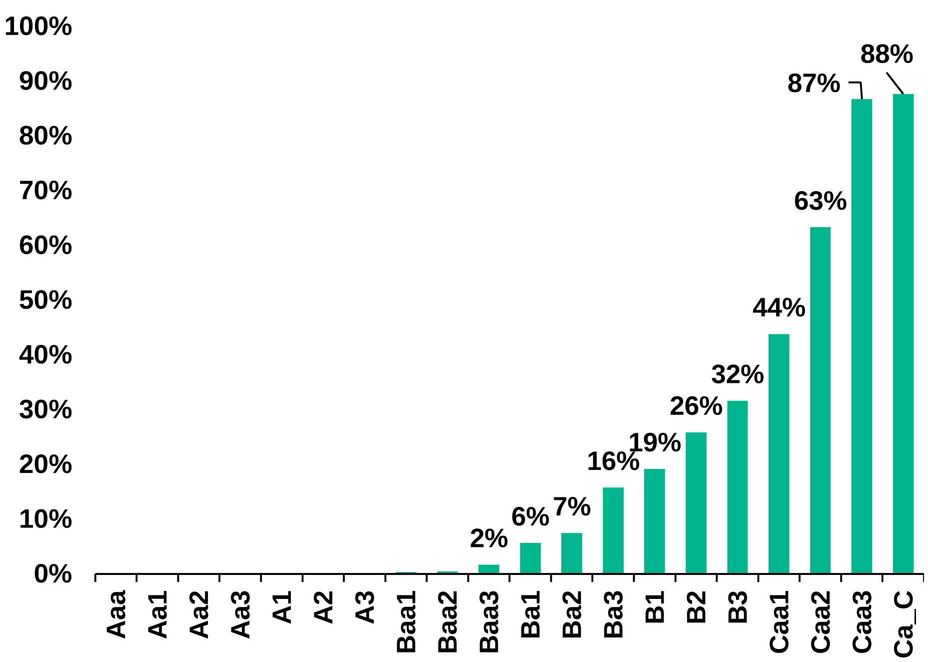
Taxable issuance has become prominent in low-rate environment



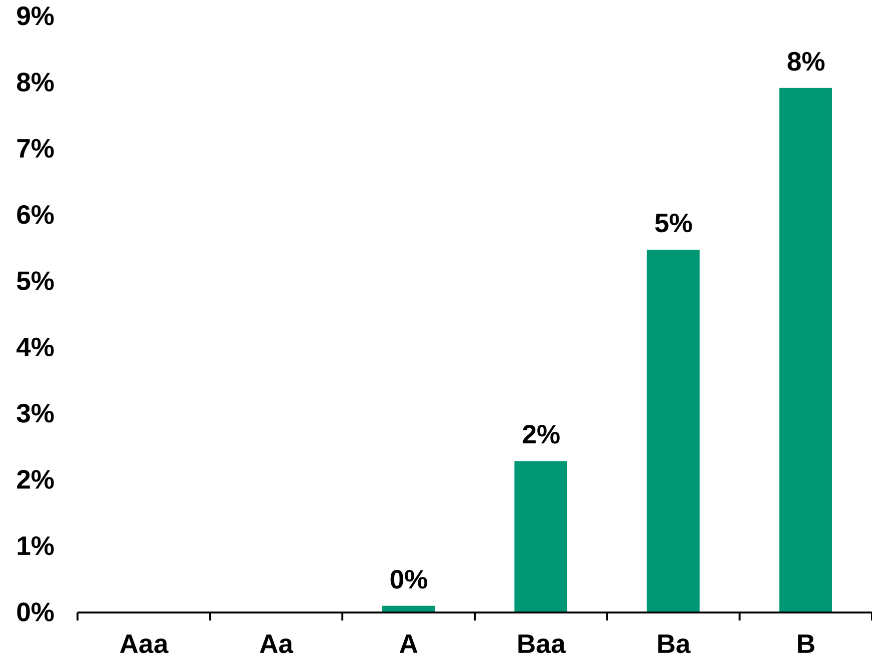
Note: MIS rated issuance. Treasury yield % per St. Louis Federal Reserve.

Rating Performance Drives Investor Confidence

Ten-Year Default Rates by Rating for 2009-2018 Cohort: Non-Financial Corporates[1]



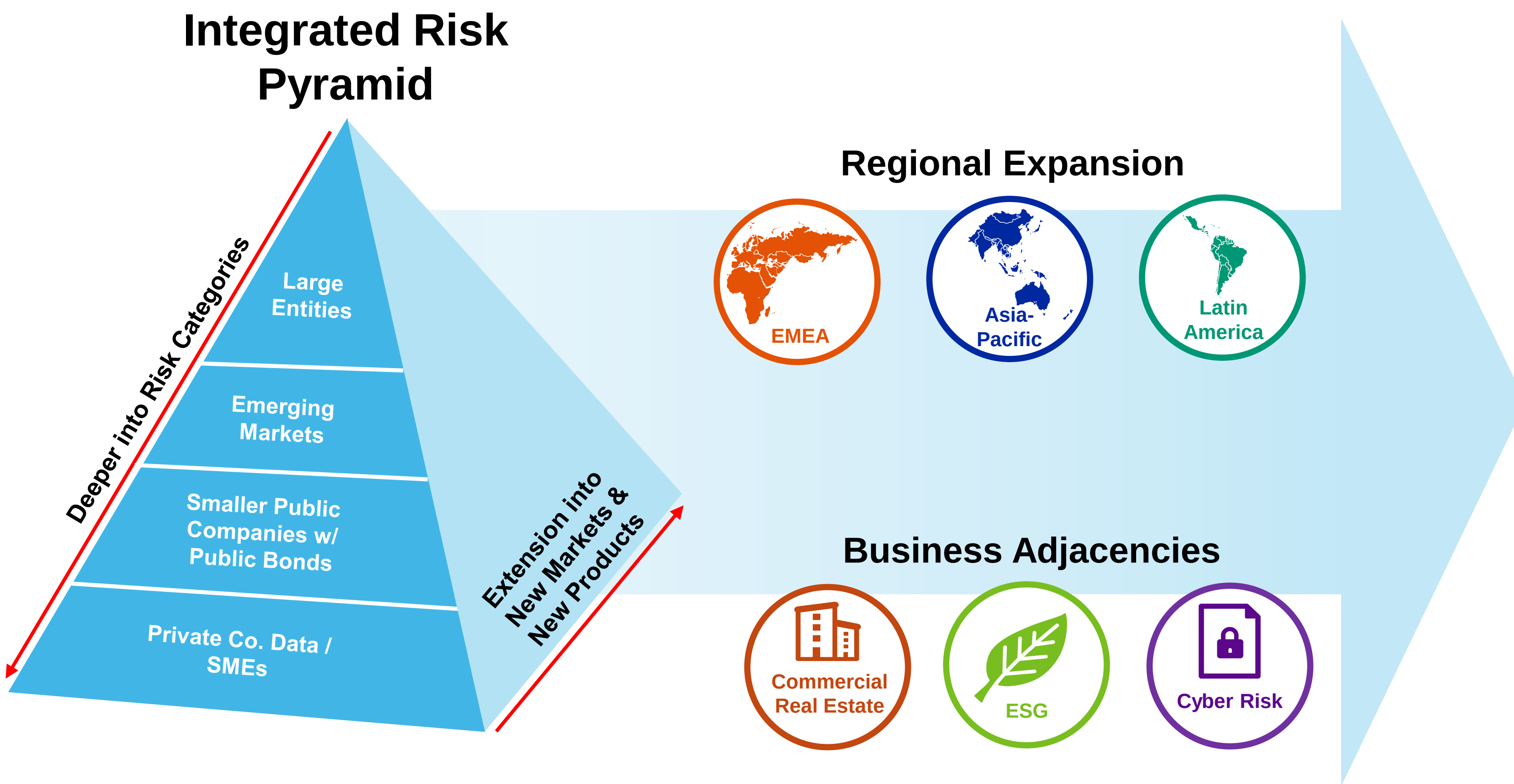
Ten-Year Cumulative 1993-2018 CLO Impairments[2]



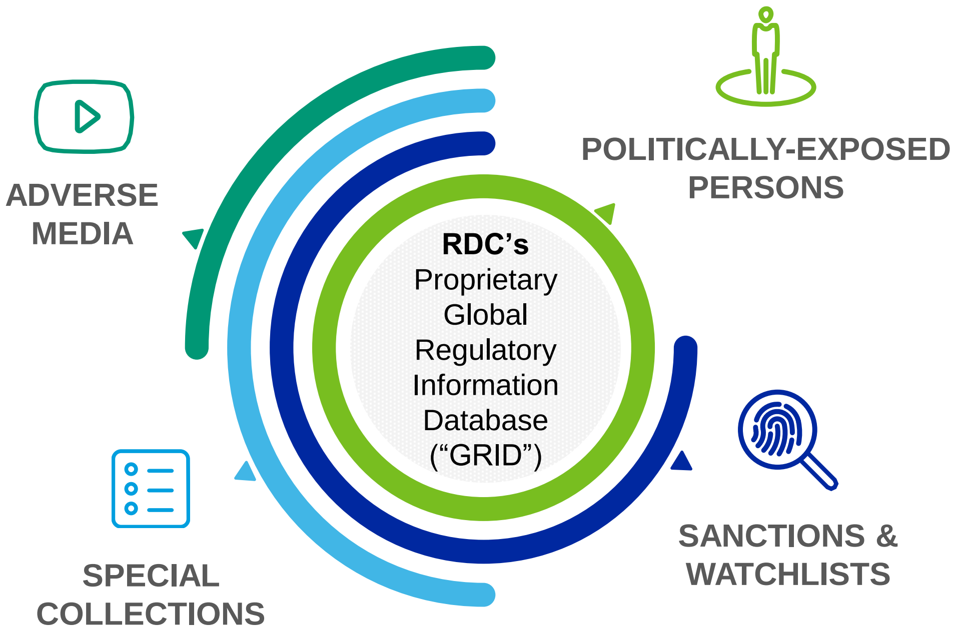
» We remain focused on analytical expertise and our credit methodologies to provide predictive, predictable and transparent ratings

1. Source: Moody's Investors Service. The data in the chart above shows the ten-year cumulative default rates by rating from January 2009, through January 2018 of fundamental Moody's rated universe globally. Rating category is based on senior unsecured rating (or equivalent) of the issuer.
2. Source: Moody's Investors Service: Global multi-year cumulative WR-adjusted impairment rates by original rating,1993-2018.

Moody's Strategic Priorities



RDC Acquisition Provides Leadership Position in the KYC Market



11M+ PROFILES

10,000 PROFILES UPDATE DAILY

300M DAILY SCREENS

- RDC's data and decision tools combined with BvD's compliance products **position MA to become a leading KYC solutions provider**
- **2019** pro forma **combined compliance product sales** of **~$150M**
- Expect combined **sales to more than double** by 2023
- The KYC space is a **$900M market with ~18% 5-yr CAGR[1]**

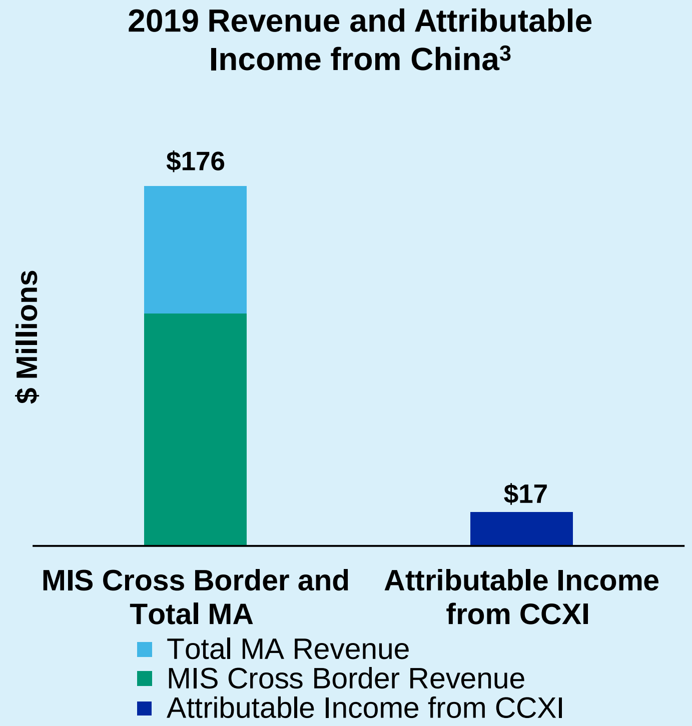
1. Source: Burton-Taylor, "AML/KYC Data & Services Global Sizing 2019", November 2019; Moody's Analytics estimates.

Greater China Spotlight

» **U.S.-China phase one bilateral trade agreement**
  - Positive for China and U.S. growth
  - Moody's continues to foster constructive relationships and partnerships with issuers, regulators and other market participants

» **In 2019 China became the 2nd largest onshore bond market**
  - $14T outstanding, up 20% from 2018[1]

» **Moody's Greater China presence continues to grow**
  - Revenue of $176M during FY 2019, up 17%[2]



1. Source: Bank for International Settlements (latest data available as of 2Q19).
2. Greater China: Mainland, Hong Kong and Macau.

Stakeholder and Sustainability Initiatives

Celebrating demonstrated success in 2019

STOCKHOLDERS

Joined the UN Global Compact (UNGC) initiative

Published updated [TCFD Report](#) and inaugural SASB Index

Recognized for the first time in FTSE4Good Index and Bloomberg Gender-Equality Index

CUSTOMERS

Investments in Vigeo Eiris, Four Twenty Seven and SynTao Green Finance

Institutional Investor #1 Global Credit Rating Agency

#4 Overall Ranking in the Chartis RiskTech100®

EMPLOYEES

100% on the Corporate Equality Index

Stonewall's Top 100 Employers for 2019

Working Mother 100 Best Companies

Working Mother Best Companies for Dads

COMMUNITIES

Verifiably carbon neutral

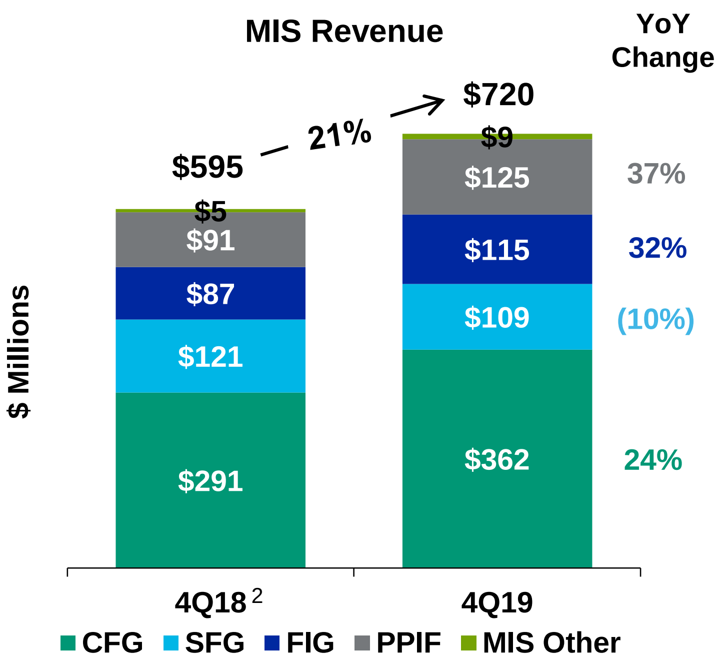
Pyxera Global Immersive Pro Bono Program

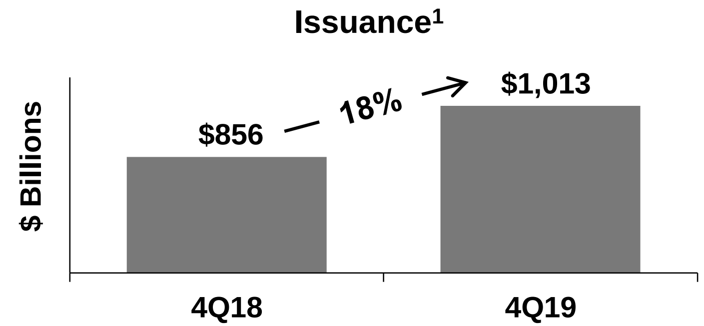
Partnerships with WeConnect International and Pathway to Prosperity

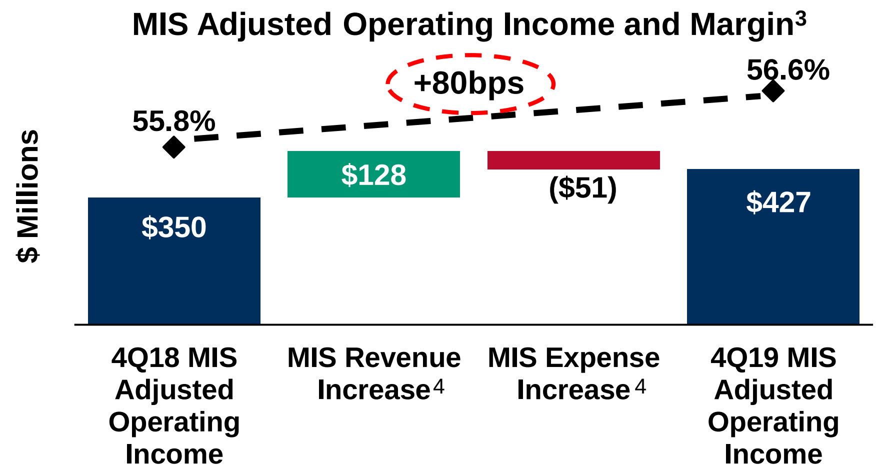
4Q 2019 Results and FY 2020 Outlook

Mark Kaye
Chief Financial Officer

MIS Growth Amid Favorable Market Conditions



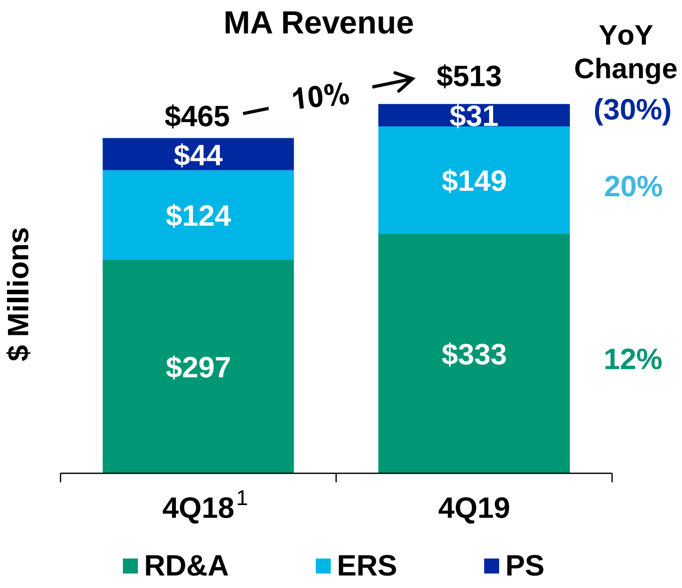


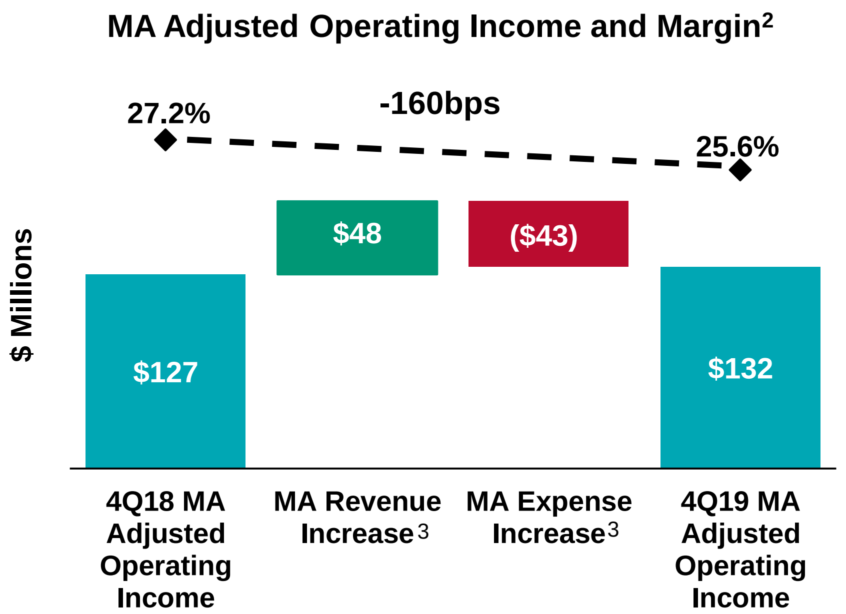


- Issuance up 18%, with transactional revenue increasing 31% due to favorable mix from infrequent issuers in CFG and FIG
  - Notable market disruption impacted prior-year comparable
- 21% revenue growth and cost discipline led to 80bps margin expansion

1. Excludes sovereign debt issuance.
2. 4Q18 CFG and SFG revenues have been restated due to the change in reporting of REITs revenue from SFG to CFG; figures for both periods reported on a consistent basis.
3. Adjusted operating income and adjusted operating margin are non-GAAP measures. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and GAAP.
4. Includes intercompany revenue and expenses.

MA Continues to Deliver Double-Digit Growth



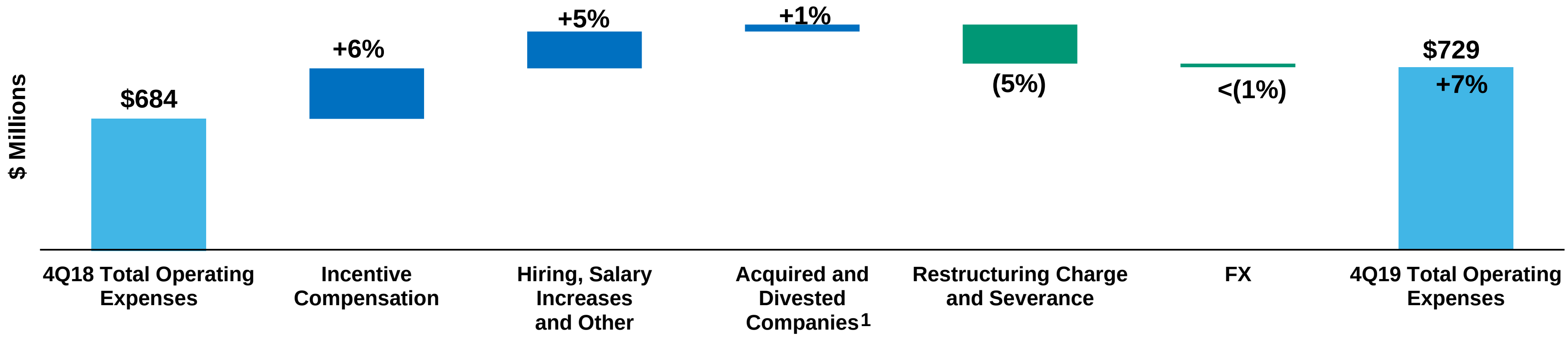


- RD&A revenue up 12%, driven by strong retention within credit research and data feeds, as well as increasing demand for compliance and KYC solutions
- 20% growth in ERS attributable to credit assessment and loan origination solutions, along with insurance products to meet IFRS 17 standards and contribution from RiskFirst
- Margins lower primarily due to severance and divestiture related expenses

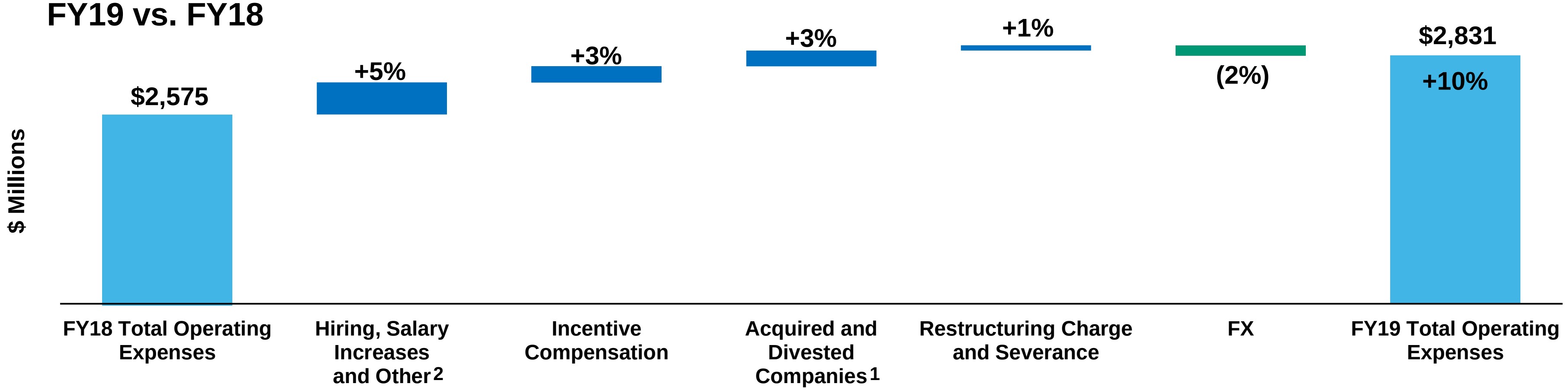
1. 4Q18 ERS and RD&A results adjusted to reflect reclassification of products between business lines; figures for both periods reported on consistent basis.
2. Adjusted operating income and adjusted operating margin are non-GAAP measures. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and GAAP.
3. Includes intercompany revenue and expenses.

Strong Operating Performance Underpinned by Disciplined Expense Management

4Q19 vs. 4Q18



FY19 vs. FY18



Note: Percentages and totals may not foot due to rounding.

1. Incremental operating expenses of acquired companies, including transaction expenses. Also includes non-tax-deductible loss related to the divestiture of MAKS and transaction expenses.
2. Includes captive insurance company settlement.

2020 Guidance Drivers

MOODY'S INVESTORS SERVICE

- **Stable** economic fundamentals and **GDP growth** in developed regions
- Relatively **tight credit spreads** with **low benchmark rates** to support **elevated refinancing** and **opportunistic** issuance
- **Global issuance** expected to **remain flat,** including **first time mandates**
- **M&A** may decline from record highs
- Issuance mix favoring **infrequent issuers**
- **Recurring revenue** and pricing initiatives support growth

MOODY'S ANALYTICS

- **Research** and **data feeds,** along with **BvD** driving **RD&A revenue** growth
- **ERS revenue** benefitting from **demand** for **IFRS 17 products and RiskFirst**
- **Core business growth** plus **MAKS divesture** to support **margin expansion**
- **Investments in RDC and other recent acquisitions** will create short-term margin **headwinds**

MOODY'S

- **Benefitting from $60M of cost savings related to the 2018-2019 restructuring program**
  - **Additional $30M of 2020 expense efficiencies** funding ESG, China and enabling technology growth initiatives
- **$1.3B of share repurchases**[1]
- FX assumptions: British pound (£): $1.31 to £1 and Euro (€): $1.11 to €1

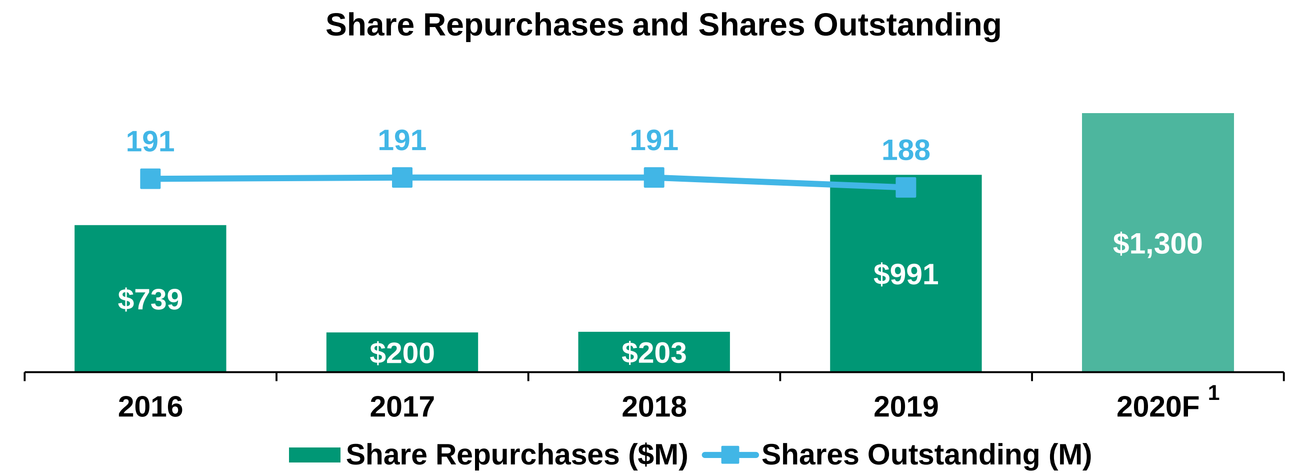
1. Subject to available cash, market conditions and other ongoing capital allocation decisions.

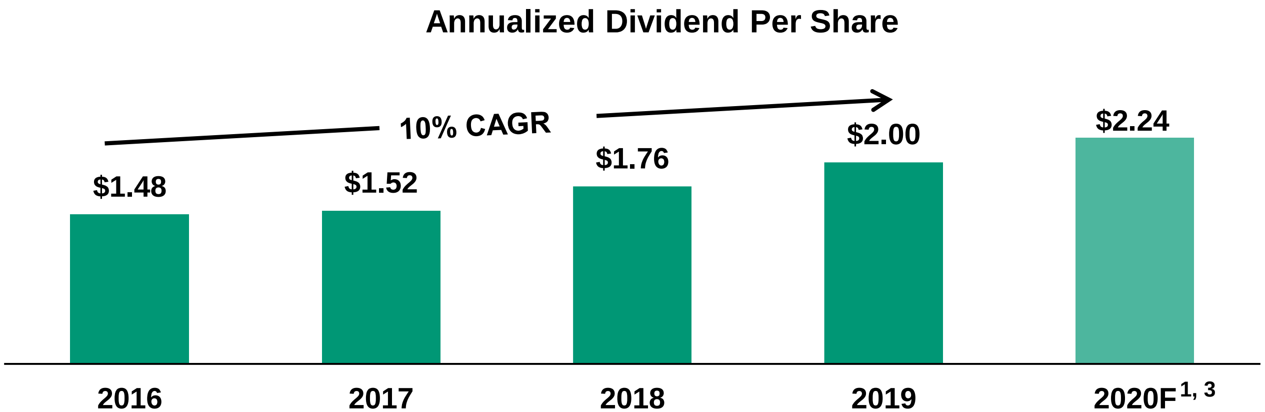
FY 2020 Corporate-Level Guidance[1]

Revenue	Increase in the mid-single digit % range
Expenses	Increase in the low-single-digit % range
Adjusted Operating Margin[1,2]	48% - 49%
Interest Expense, Net	$180 - $200 million
Effective Tax Rate	20% - 22%
Diluted EPS	$8.60 - $8.80
Adjusted Diluted EPS[1,2]	$9.10 - $9.30
Free Cash Flow[2]	$1.7 - $1.8 billion

1. Guidance as of February 12, 2020. Refer to Table 12 – “2020 Outlook” in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP.
2. Adjusted operating margin, adjusted diluted EPS and free cash flow are non-GAAP measures. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and GAAP.

Expect to Return More than $1.7 Billion to Stockholders in 2020[1]

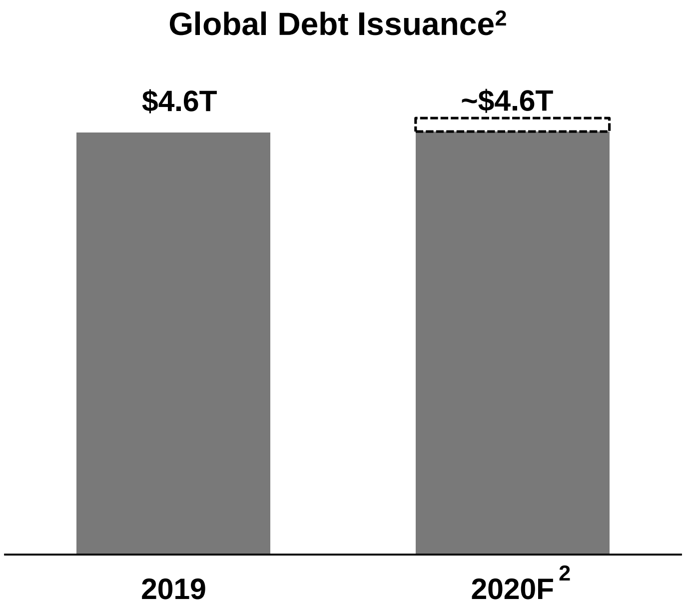


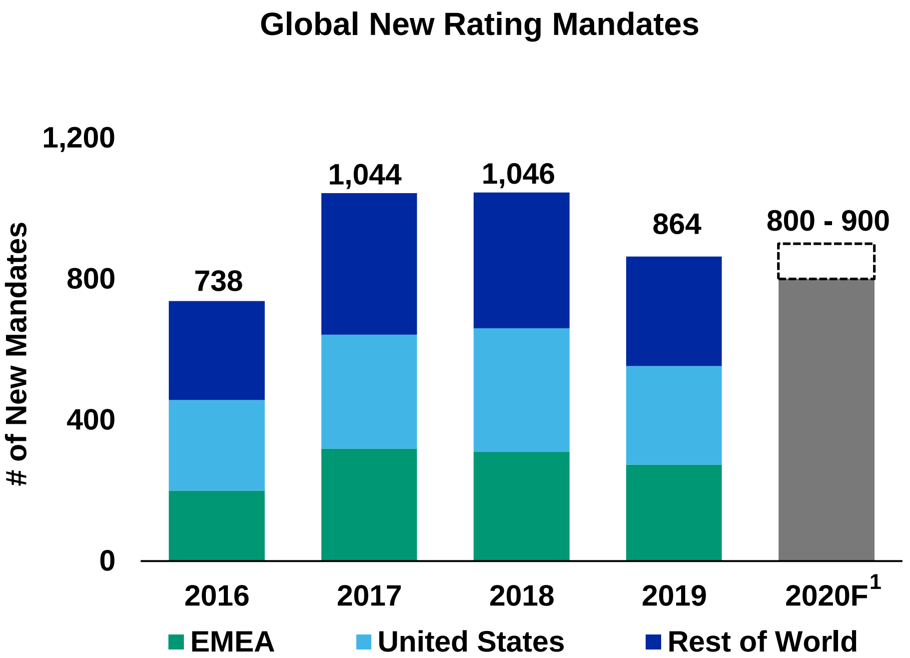


- Guiding to $1.3B of share repurchases and more than $400M of dividends in 2020[1]
- Free cash flow approximately 100% of adjusted net income in 2019[2]; expecting similar percentage in 2020[1]
- On Feb. 12, Moody's Board of Directors declared a regular quarterly dividend of $0.56, a 12% increase from prior quarterly dividend of $0.50

1. Guidance as of February 12, 2020.
2. Free cash flow and adjusted net income are adjusted financial measures; see Appendix for reconciliations between adjusted financial measures to GAAP.
3. Annualized dividend total, based on first quarter dividend declared on February 12, 2020.

Expect 2020 Issuance and First Time Mandates to be Relatively Flat[1]



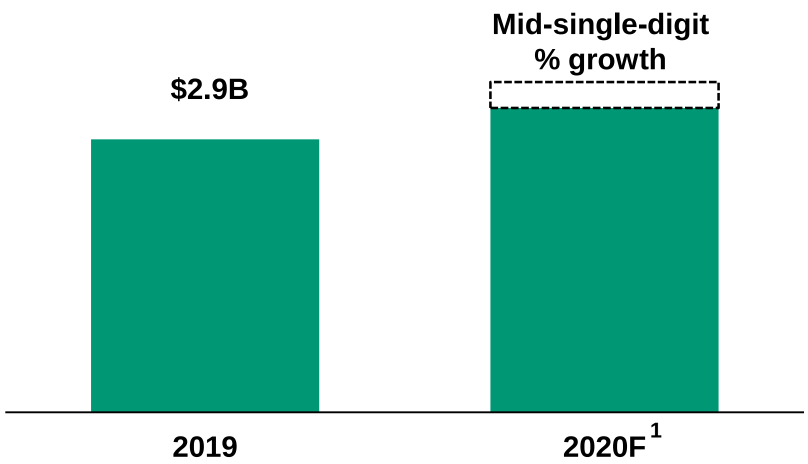


- » 2020 issuance expected to be flat, assuming:
  - \+ Sustained low interest rates and relatively tight credit spreads
  - \+ Conditions supportive of refinancing
  - – As with 2019, 2020 global economic growth below 2017-2018 levels
  - – Issuance from M&A activity likely below recent highs

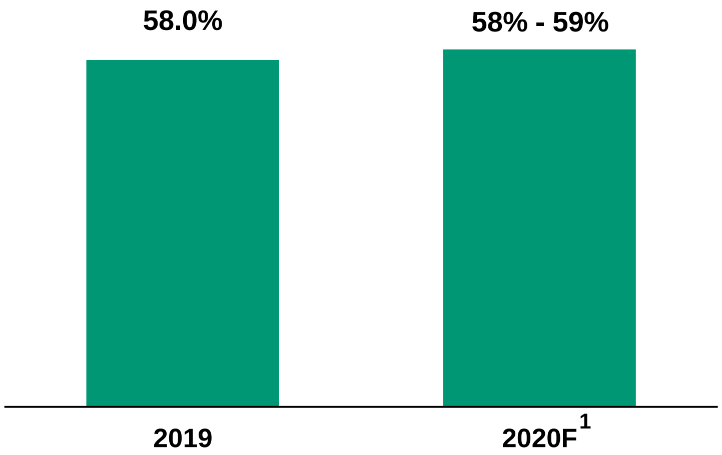
1. Guidance as of February 12, 2020.
2. Excluding sovereign debt issuance.

Expect MIS Revenue Growth and Margin Expansion[1]

Revenue



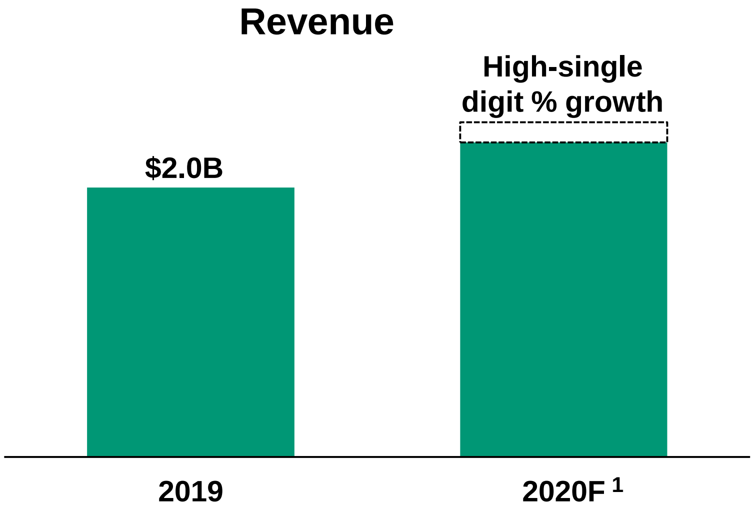
Adjusted Operating Margin[1]

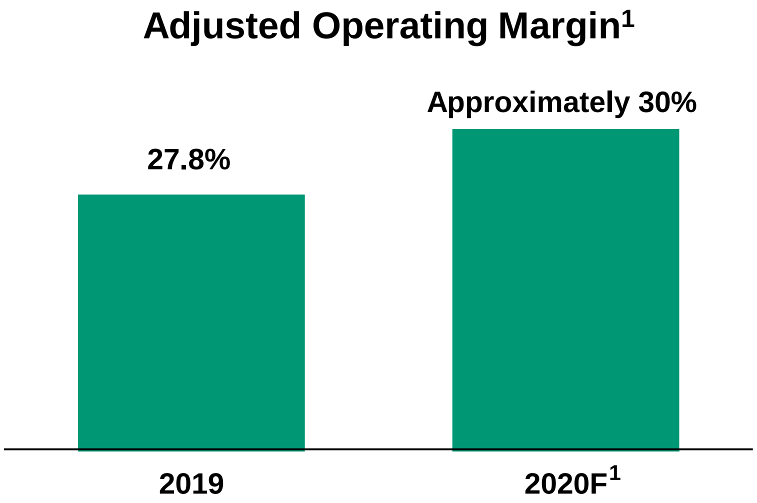


- Key drivers of MIS FY 2020 revenue outlook:
  - Strong execution of strategy enables revenue growth
  - Pricing and favorable mix from infrequent issuers overcome flat issuance and first time mandates

1. Guidance as of February 12, 2020. Refer to Table 12 – “2020 Outlook” in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP.

Expect MA Revenue Growth from Core Products and Recent Acquisitions, with Margin Expansion[1]





- Key drivers of MA FY 2020 outlook:
  - Continued strong retention rates within core research and data feeds businesses
  - ERS revenue growth enabled by products developed to meet accounting and regulatory standards
  - BvD core business performance supported by ongoing demand for compliance and KYC solutions, bolstered by RDC acquisition
  - Organic growth and MAKS divestiture will benefit adjusted operating margin

1. Guidance as of February 12, 2020. Refer to Table 12 – “2020 Outlook” in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP.

Key Takeaways

- Moody's is evolving into a more globally integrated risk assessment company to help our customers make better decisions
- RDC acquisition strengthens foothold in $900M fast-growing KYC market with potential for upside
- Strength of core businesses as well as disciplined investment and cost management will support 2020 revenue growth and margin expansion
- Guiding towards returning more than $1.7B to stockholders in 2020

Investor Day March 11, 2020

Schedule

8:15am Program begins;

Topics addressed:

- Moody’s Investors Service
- Moody’s Analytics
- Corporate objectives and business spotlights
- Financial strategy and capital allocation

1:00pm Program concludes

Moody's Attendance at Upcoming Conferences

- **Raymond James Institutional Investors Conference**
  - Wednesday, March 4th
  - Orlando, FL with Steve Tulenko

- **Barclays Americas Select Franchise Conference**
  - Tuesday, May 12th
  - London, UK with Mark Kaye

- **Morgan Stanley 1x1 Business Services Conference**
  - Thursday, May 14th
  - New York, NY with Mike West

- **Alliance Bernstein Strategic Decisions Conference**
  - Thursday, May 28th
  - New York, NY with Ray McDaniel

Q&A

Ray McDaniel
President and Chief Executive Officer

Rob Fauber
Chief Operating Officer

Mark Kaye
Chief Financial Officer

Replay Details

- Available from 3:30pm (Eastern Time) February 12, 2020 until 3:30pm (Eastern Time) March 12, 2020
- Telephone Details:
  - U.S. +1-888-203-1112
  - Non-U.S. +1-719-457-0820
  - Passcode 7297671
- Webcast Details:
  - Go to ir.moodys.com
  - Click on "Events & Presentations"
  - Click on the link for "4Q 2019 Earnings Conference Call"

Moody's

Appendix

Investor Relations
http://ir.moodys.com
ir@moodys.com

Glossary of Terms and Abbreviations

TERM	DEFINITION
CFG	Corporate finance group; an LOB of MIS
ERS	The Enterprise Risk Solutions LOB within MA, which offers risk management software solutions as well as related risk management advisory engagements services
FIG	Financial institutions group; an LOB of MIS
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 – RD&A, ERS and PS
MIS	Moody's Investors Service – a reportable segment of MCO; consists of five LOBs – SFG, CFG, FIG, PPIF and MIS Other
MIS Other	Consists of non-ratings revenue from ICRA, KIS Pricing and KIS Research. These businesses are components of MIS; MIS Other is an LOB of MIS
PPIF	Public, project and infrastructure finance; an LOB of MIS
PS	Professional Services, an LOB within MA consisting of MAKS and MALS that provides offshore analytical and research services as well as learning solutions and certification programs
RD&A	an LOB within MA that offers subscription based research, data and analytical products, including credit ratings produced by MIS, credit research, quantitative credit scores and other analytical tools, economic research and forecasts, business intelligence and company information products, and commercial real estate data and analytical tools
SFG	Structured finance group; an LOB of MIS

Adjusted Operating Income and Adjusted Operating Margin by Segment

The table below presents revenue, operating income and adjusted operating income by reportable segment. The Company defines adjusted operating income as operating income excluding: i) restructuring; ii) depreciation and amortization; iii) Acquisition-Related Expenses; iv) a non-recurring loss pursuant to the divestiture of MAKS; and v) a captive insurance company settlement.

	Three Months Ended December 31,							
	2019				2018			
Amounts in millions	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 755	$ 515	$ (37)	$ 1,233	$ 627	$ 467	$ (34)	$ 1,060
Total Expense	348	418	(37)	729	325	393	(34)	684
Operating income	$ 407	$ 97	$ —	$ 504	$ 302	$ 74	$ —	$ 376
Add:				—				
Restructuring	2	—	—	2	32	17	—	49
Depreciation and amortization	18	32	—	50	16	32	—	48
Acquisition-Related Expenses	—	—	—	—	—	4	—	4
Loss pursuant to the divestiture of MAKS	—	3	—	3	—	—	—	—
Adjusted Operating Income	$ 427	$ 132	$ —	$ 559	$ 350	$ 127	$ —	$ 477
Operating margin	53.9 %	18.8 %		40.9 %	48.2 %	15.8 %		35.5 %
Adjusted operating margin	56.6 %	25.6 %		45.3 %	55.8 %	27.2 %		45.0 %

	Year Ended December 31,							
	2019				2018			
Amounts in millions	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 3,009	$ 1,963	$ (143)	$ 4,829	$ 2,836	$ 1,743	$ (136)	$ 4,443
Total Expense	1,376	1,598	(143)	2,831	1,276	1,435	(136)	2,575
Operating income	$ 1,633	$ 365	$ —	$ 1,998	$ 1,560	$ 308	$ —	$ 1,868
Add:								
Restructuring	31	29	—	60	32	17	—	49
Depreciation and amortization	71	129	—	200	65	127	—	192
Acquisition-Related Expenses	—	3	—	3	—	8	—	8
Loss pursuant to the divestiture of MAKS	—	14	—	14	—	—	—	—
Captive insurance company settlement	10	6		16	—	—		—
Adjusted Operating Income	$ 1,745	$ 546	$ —	$ 2,291	$ 1,657	$ 460	$ —	$ 2,117
Operating margin	54.3 %	18.6 %		41.4 %	55.0 %	17.7 %		42.0 %
Adjusted operating margin	58.0 %	27.8 %		47.4 %	58.4 %	26.4 %		47.6 %

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 the operating performance of Moody's. Adjusted Operating Income excludes the impact of: i) restructuring charges; ii) depreciation and amortization; iii) Acquisition-Related Expenses; iv) a loss pursuant to the divestiture of MAKS; and v) a captive insurance company settlement. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. Depreciation and amortization are excluded because companies utilize productive assets of different ages and use different methods of acquiring and depreciating productive assets. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk and are excluded due to the material nature of these expenses (which are not expected to recur at this dollar magnitude) over the course of the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material. The loss pursuant to the divestiture of MAKS is excluded as the frequency and magnitude of divestiture activity may vary widely from period to period and across companies. The captive insurance company settlement relates to the resolution of a matter that is not expected to recur in the future at this magnitude. 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.

	Three Months Ended December 31,		Year Ended December 31,	
Amounts in millions	**2019**	**2018**	**2019**	**2018**
Operating income	**$ 504**	$ 376	**$ 1,998**	$ 1,868
Restructuring	**2**	49	**60**	49
Depreciation and amortization	**50**	48	**200**	192
Acquisition-Related Expenses	**—**	4	**3**	8
Loss pursuant to the divestiture of MAKS	**3**	—	**14**	—
Captive insurance company settlement	**—**	—	**16**	—
Adjusted Operating Income	**$ 559**	$ 477	**$ 2,291**	$ 2,117
Operating margin	**40.9 %**	35.5 %	**41.4 %**	42.0 %
Adjusted operating margin	**45.3 %**	45.0 %	**47.4 %**	47.6 %

Free Cash Flow

The table below reflects a reconciliation of the Company's net cash flows 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.

	Year Ended December 31,	
Amounts in millions	**2019**	**2018**
Net cash provided by operating activities	**$ 1,675**	$ 1,461
Capital additions	**(69)**	(91)
Free cash flow	**$ 1,606**	$ 1,370
Net cash provided by (used in) investing activities	**$ 36**	$ (406)
Net cash used in financing activities	**$ (1,563)**	$ (412)

Organic Revenue and Growth Measures – MA, RD&A, ERS and PS

The Company presents organic revenue and organic revenue growth because management deems this metric to be a useful measure which provides additional perspective in assessing the revenue growth excluding the inorganic revenue impacts from certain acquisitions and divestiture activity. The following table details the period of operations excluded from each acquisition/divestiture to determine organic revenue.

	Period excluded to determine organic revenue growth	
Acquisition/Divestiture	**Q4**	**Full-Year**
Omega Performance	—	January 1, 2019 - August 16, 2019
Reis	October 1, 2019 - October 14, 2019	January 1, 2019 - October 14, 2019
RiskFirst	October 1, 2019 - December 31, 2019	July 25, 2019 - December 31, 2019
ABS Suite	October 1, 2019 - December 31, 2019	October 1, 2019 - December 31, 2019
MAKS	November 8, 2018 - December 31, 2018	November 8, 2018 - December 31, 2018

Below is a reconciliation of MA's reported revenue and growth rates to its organic revenue and organic growth rates:

	Three Months Ended December 31,				Year Ended December 31,			
Amounts in millions	**2019**	**2018**	**Change**	**Growth**	**2019**	**2018**	**Change**	**Growth**
MA revenue	**$ 513**	$ 465	$ 48	**10%**	**$ 1,954**	$ 1,731	$ 223	**13%**
Omega Performance revenue	—	—	—		**(5)**	—	(5)	
Reis revenue	**(1)**	—	(1)		**(28)**	—	(28)	
RiskFirst revenue	**(5)**	—	(5)		**(7)**	—	(7)	
ABS Suite revenue	**(2)**	—	(2)		**(2)**	—	(2)	
MAKS revenue	—	(16)	16		—	(16)	16	
Organic MA revenue	**$ 505**	$ 449	$ 56	**12%**	**$ 1,912**	$ 1,715	$ 197	**11%**

	Three Months Ended December 31,			
Amounts in millions	**2019**	**2018**	**Change**	**Growth**
RD&A revenue	**$ 333**	$ 297	$ 36	**12%**
Reis revenue	**(1)**	—	(1)	
ABS Suite revenue	**(2)**	—	(2)	
Organic RD&A revenue	**$ 330**	$ 297	$ 33	**11%**

	Three Months Ended December 31,			
Amounts in millions	**2019**	**2018**	**Change**	**Growth**
ERS revenue	**$ 149**	$ 124	$ 25	**20%**
RiskFirst revenue	**(5)**	—	(5)	
Organic ERS revenue	**$ 144**	$ 124	$ 20	**16%**

	Three Months Ended December 31,			
Amounts in millions	**2019**	**2018**	**Change**	**Growth**
PS revenue	**$ 31**	$ 44	$ (13)	**(30)%**
MAKS revenue	—	(16)	16	
Organic PS revenue	**$ 31**	$ 28	$ 3	**11%**

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 the operating performance of Moody's. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of: i) amortization of acquired intangible assets; ii) Acquisition-Related Expenses; iii) restructuring charges; iv) a loss and tax charge pursuant to the divestiture of MAKS; and v) a captive insurance company settlement.

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different ages and have different methods of acquiring and amortizing intangible assets. 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. Also, management believes that excluding acquisition-related amortization expense provides additional perspective when comparing operating results from period to period, and with both acquisitive and non-acquisitive peer companies. Additionally, Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk and are excluded due to the material nature of these expenses (which are not expected to recur at this dollar magnitude) over the course of the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material. The loss and tax charge pursuant to the divestiture of MAKS are excluded as the frequency and magnitude of divestiture activity may vary widely from period to period and across companies. The captive insurance company settlement relates to the resolution of a matter that is not expected to recur in the future at this magnitude.

Furthermore, the Company excluded the impact of 2018 adjustments pursuant to U.S. Tax Reform and certain adjustments relating to the Company's non-U.S. UTPs, which resulted in significant adjustments to the provision for income taxes in the prior year. The Company excludes these items to provide additional perspective when comparing net income and diluted EPS from period to period and across companies as the frequency and magnitude of similar transactions may vary widely across periods.

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

Amounts in millions	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018		Year Ended December 31, 2019		Year Ended December 31, 2018	
Net income attributable to Moody's common shareholders		$ 359		$ 251		$ 1,422		$ 1,310
Pre-Tax Acquisition-Related Expenses	$ —		$ 4		$ 3		$ 8	
Tax on Acquisition-Related Expenses	—		(1)		—		(2)	
Net Acquisition-Related Expenses		—		3		3		6
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 26		$ 27		$ 103		$ 102	
Tax on Acquisition-Related Intangible Amortization Expenses	(6)		(7)		(24)		(23)	
Net Acquisition-Related Intangible Amortization Expenses		20		20		79		79
Pre-Tax Restructuring	$ 2		$ 49		$ 60		$ 49	
Tax on Restructuring	(1)		(12)		(15)		(12)	
Net Restructuring		1		37		45		37
Loss pursuant to the divestiture of MAKS		3		—		14		—
Tax charge pursuant to the divestiture of MAKS		(2)		—		13		—
Impact of U.S. Tax reform		—		6		—		(59)
Increase to non-U.S. UTPs		—		—		—		64
Pre-Tax captive insurance company settlement	$ —		$ —		$ 16		$ —	
Tax on captive insurance company settlement	—		—		(4)		—	
Net captive insurance company settlement		—		—		12		—
Adjusted Net Income		$ 381		$ 317		$ 1,588		$ 1,437

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)

	Three Months Ended December 31, 2019		Three Months Ended December 31, 2018		Year Ended December 31, 2019		Year Ended December 31, 2018	
Earnings per share attributable to Moody's common shareholders		$ 1.88		$ 1.29		$ 7.42		$ 6.74
Pre-Tax Acquisition-Related Expenses	$ —		$ 0.02		$ 0.02		$ 0.04	
Tax on Acquisition-Related Expenses	—		—		—		(0.01)	
Net Acquisition-Related Expenses		—		0.02		0.02		0.03
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 0.14		$ 0.14		$ 0.54		$ 0.52	
Tax on Acquisition-Related Intangible Amortization Expenses	(0.04)		(0.04)		(0.12)		(0.12)	
Net Acquisition-Related Intangible Amortization Expenses		0.10		0.10		0.42		0.40
Pre-Tax Restructuring	$ 0.01		$ 0.25		$ 0.31		$ 0.25	
Tax on Restructuring	—		(0.06)		(0.08)		(0.06)	
Net Restructuring		0.01		0.19		0.23		0.19
Loss pursuant to the divestiture of MAKS		0.02		—		0.07		—
Tax charge pursuant to the divestiture of MAKS		(0.01)		—		0.07		—
Impact of U.S. Tax reform		—		0.03		—		(0.30)
Increase to non-U.S. UTPs		—		—		—		0.33
Pre-Tax captive insurance company settlement	$ —		$ —		$ 0.08		$ —	
Tax on captive insurance company settlement	—		—		(0.02)		—	
Net captive insurance company settlement		—		—		0.06		—
Adjusted Diluted EPS		$ 2.00		$ 1.63		$ 8.29		$ 7.39

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

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