Moody's | Better decisions

Second Quarter 2020 Earnings Call

July 30, 2020

Introduction

Shivani Kak

Head of Investor Relations

Disclaimer

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for the business and operations of Moody's Corporation (the "Company") 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 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, the impact of COVID-19 on volatility in the U.S. and world financial markets, on general economic conditions and GDP growth in the U.S. and worldwide, and on the Company's own operations and personnel. Many other factors could cause actual results to differ from Moody's outlook, including 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 Moody's Investors Service's rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries 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 currently, or in the future could be, amplified by the COVID-19 outbreak and 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, 2019, its quarterly report on Form 10-Q for the quarter ended March 31, 2020, 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.

Overview and
2Q 2020 Results

Ray McDaniel
President and Chief Executive Officer

Executive Summary

» Strong 2Q 2020 results: revenue growth of 18%; adjusted diluted EPS of $2.81, up 36%[1]

» Steadfast in our commitment to corporate social responsibility and sustainability stewardship

» Fiscal and monetary stimulus mitigating fundamental risks due to COVID-19

» Innovations and enhancements across multiple products and platforms in-line with long-term strategic priorities

» 2Q 2020 outperformance driving improved FY 2020 guidance: adjusted diluted EPS raised to $8.80 – $9.20[2]

1. Refer to the Appendix for a reconciliation between all adjusted measures mentioned throughout this presentation and GAAP .
2. Guidance as of July 30, 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 as well as assumptions used by the Company with respect to its guidance.

Corporate Social Responsibility Commitment

Employees

- Employee safety and wellbeing remains our primary priority
  - Aligning return-to-office plans with guidance from relevant local authorities
- Adapting best practices and feedback from work-from-home experience to design our future model
- Focusing on equality, diversity and inclusion:
  - Anti-racism awareness and training campaigns
  - Named to DiversityInc's "Top 50 Companies for Diversity"

Communities

- Over $10M of in-kind contributions through free access to products and services
- Committing $1M to promote equal justice and advancement of the Black community
  - Empowering Black-owned businesses and developing employment opportunities

Customers and Policymakers

- Increased engagement with customers to understand their needs
- Ongoing dialogue with governments to provide data and insights relevant to stimulus and economic recovery measures
- Tools and information provided to increase market transparency and empower decision makers

Environmental Sustainability Program Enhancements[1]

Carbon Neutrality

- Committed to remaining carbon neutral on an annual basis
- Offsetting greenhouse gas (GHG) emissions retroactively to September 2000[2]

Renewable Energy

- Beginning 2020: procure 100% renewable electricity

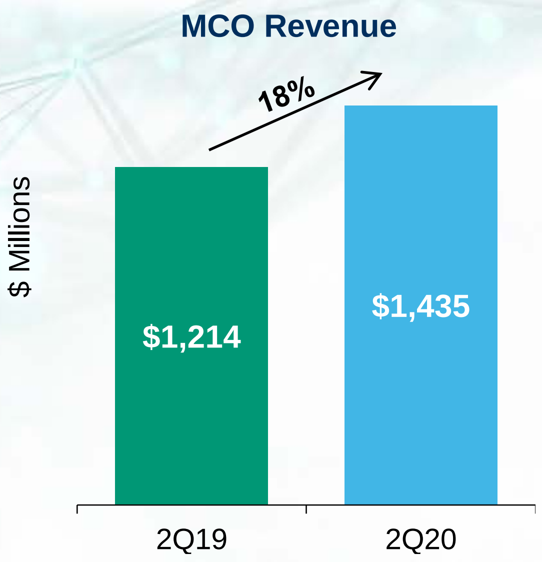
Science-based Targets

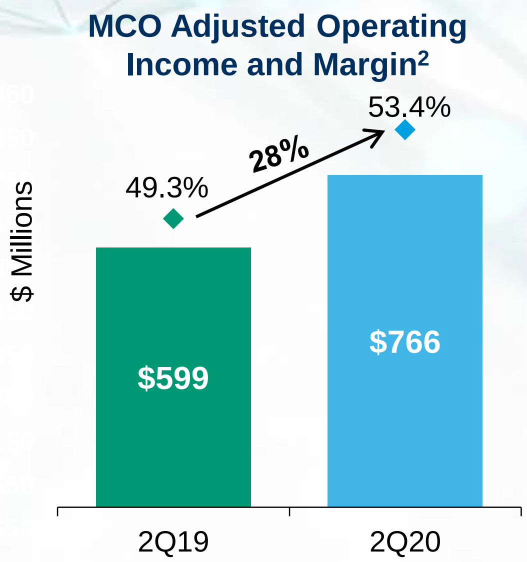
- Validated by the Science Based Targets initiative[3]

1. Please see Moody's press release "Moody's Announces Environmental Sustainability Commitments" published on July 28, 2020 for more details.
2. To be completed by 2040 through the purchase of verified carbon offsets.
3. The Science Based Targets initiative is a collaboration between CDP, UNGC, World Resources Institute (WRI), and the World Wide Fund for Nature (WWF), that is seeking to reduce corporate GHG emissions.

2Q 2020: Strong Revenue Growth with Margin Expansion

- MCO revenue increased 18%, driven by 27% growth from MIS and 5% growth from MA
  - MA organic growth of 6%[1]
- Adjusted operating income up 28%; adjusted operating margin up 410 bps[2]
- Adjusted diluted EPS of $2.81, up 36%[2]





1. MA organic growth as defined in Table 10 in the July 30, 2020 press release.
2. 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.

2Q 2020 Credit Market Update

COVID-19 disrupts real economy, credit markets buoyed by stimulus

Real Economy

COVID-19 Pandemic

- New cases of COVID-19 increased in the U.S., while declining in Europe and parts of Asia
- Optimism around vaccine success due to positive early data
- Policy responses: some U.S. states rolled back re-opening measures

Geopolitical Impact

- U.S. – China frictions escalated
- U.S. election season in focus
- New international travel restrictions
- Oil price recovery

Macroeconomic Response

- IMF: Worldwide 2020 GDP revised lower by 190 bps to -4.9% in June
- U.S. Fed committed to purchasing up to $750 billion of corporate debt
- Ongoing dovish monetary policy by U.S. Fed and other central banks
- Fiscal stimulus in the E.U.

Credit Markets

Investment Grade Bonds

- Record 2Q 2020 issuance volumes[1]
- Continued liquidity-driven capital raising
- Limited M&A pipeline

High Yield Bonds

- Strength throughout 2Q 2020
- Significant spread tightening
- Increased appetites for risk assets evidenced by strong equity market performance

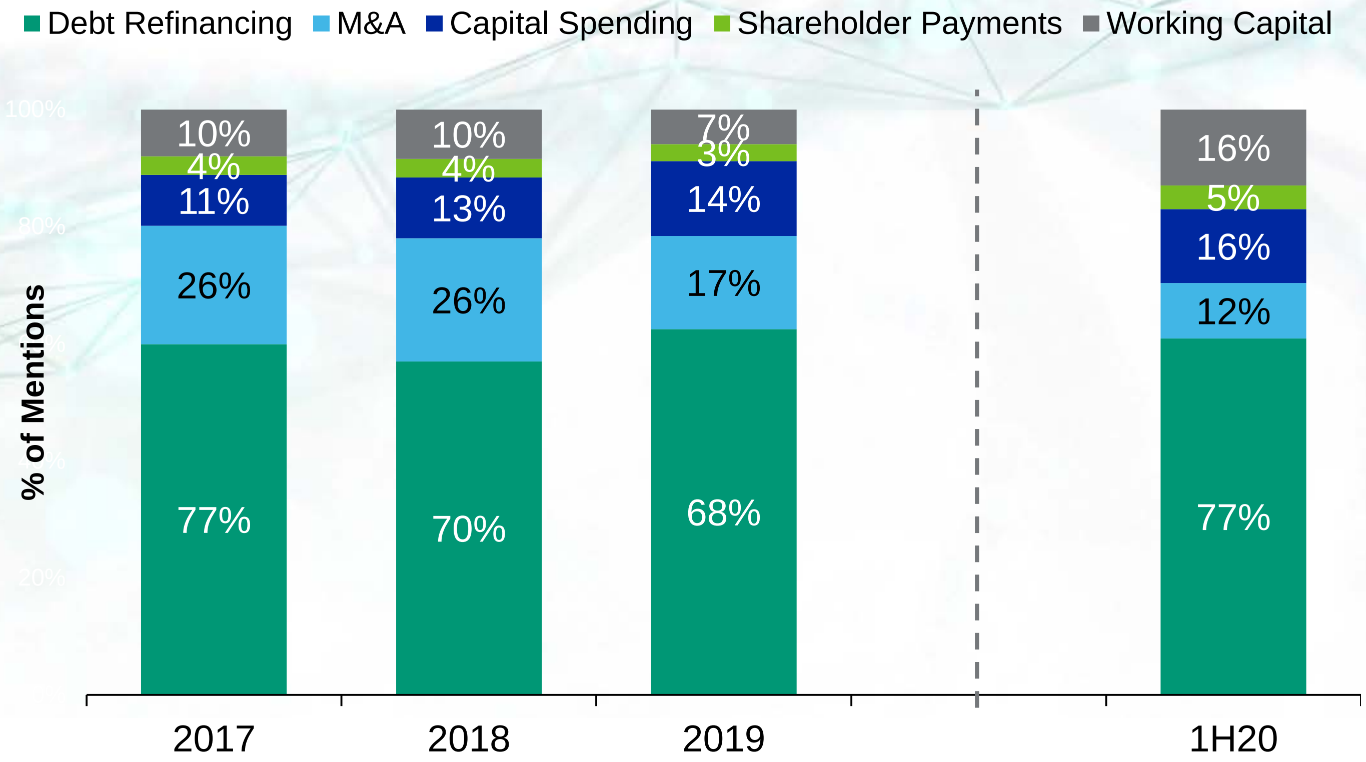
Leveraged Loans

- Market re-opened but remained weak
- Leveraged M&A limited
- Continued fund outflows
- Less demand for floating rate

1. MIS rated issuance.

Liquidity and Refinancing Prominent Drivers of Issuance in 1H 2020, While M&A Declined

Uses of Funds from USD Investment Grade Bonds[1]



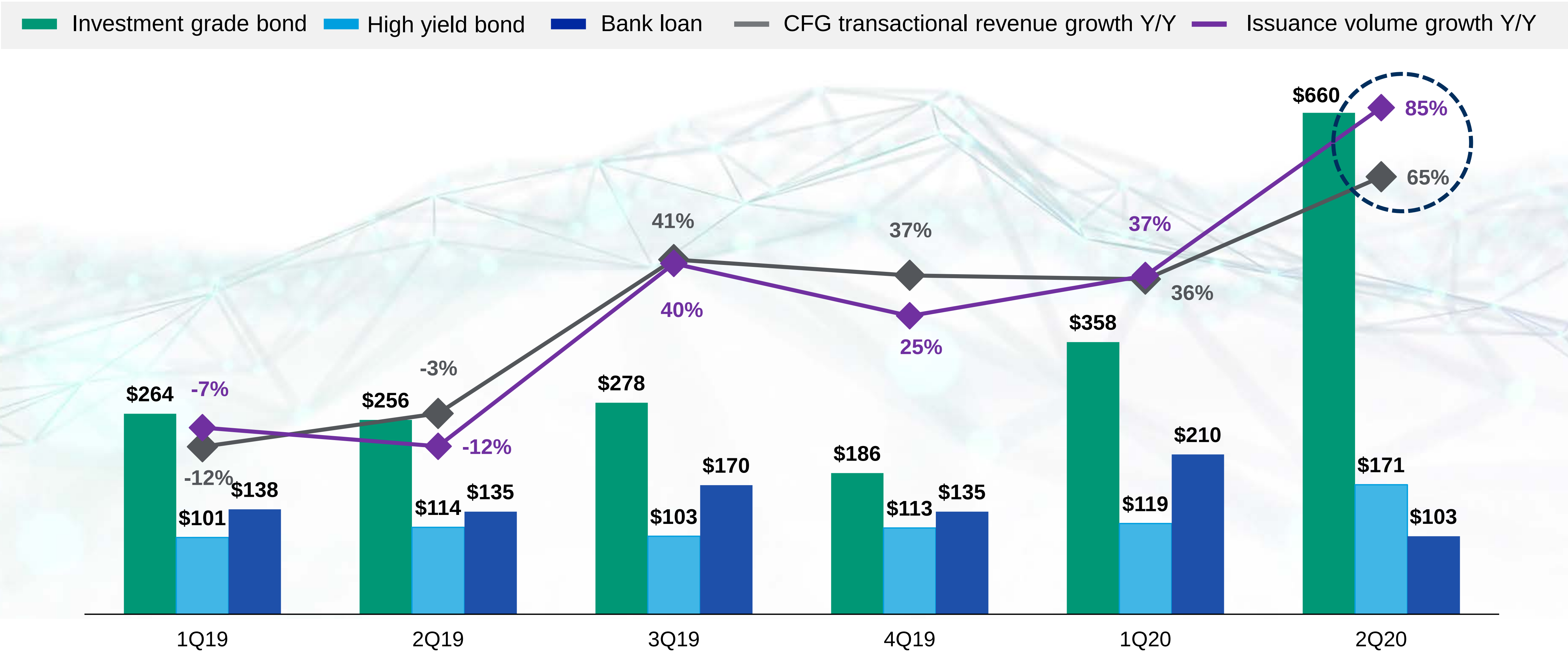
2Q 2020 Investment Grade Issuance Drivers:

- Liquidity / working capital
- Opportunistic refinancing driven by lower effective yields
- Lower M&A related issuance

1. Percent of mentions for each respective period in bond issue or bank loan program tranche documents. Excludes issues of less than $25 million and general corporate purposes. An issue can have multiple purposes and, as a result, percentages do not sum to 100%.

Source: Moody's Analytics.

Record 2Q 2020 Issuance, Mix Shift



Note: MIS rated issuance. Issuance figures displayed in billions.

Managing Ratings in Turbulent Times

Transparency and relevance of credit ratings through the cycle

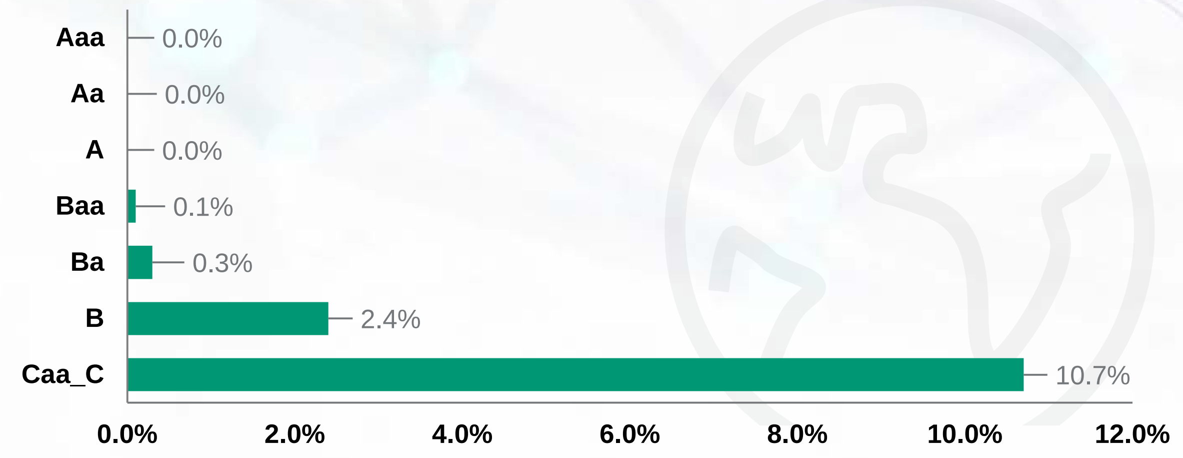
- Order sectors by degree of exposure
- Order issuers by vulnerability within each sector
- Reassess all ratings in the most vulnerable sectors
- Reassess ratings of the most vulnerable issuers in the moderately vulnerable sectors
- Monitor credit profiles associated with all other ratings and reassess those with special situations that merit prompt reconsideration
- Coordinate analytical views and sequencing of rating actions
- Take account of government policy measures designed to soften the effects of coronavirus

Top 10 sectors most affected by COVID-19[1]

Mar 1 – June 30, 2020

SECTOR	% DOWNGRADED WITHIN SECTOR
Transportation: Consumer	88
Hotel, Gaming & Leisure	78
Automotive	44
Retail	41
Services: Consumer	36
Energy: Oil & Gas	36
Advertising, Printing & Publishing	33
Consumer goods: Durable	33
Aerospace & Defense	33
Services: Business	29

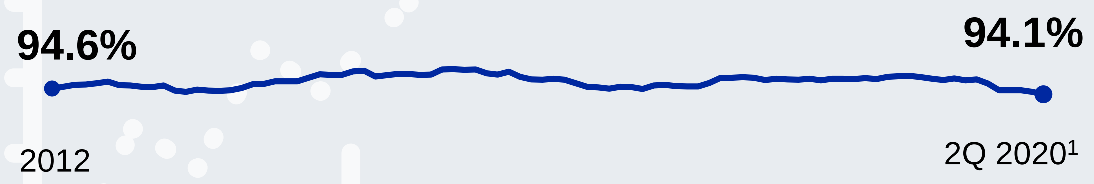
Global corporate default rates ended June 2020[2]



1. Includes all publicly-rated nonfinancial corporate entities; excludes subsidiaries and project finance-related corporations.
2. Trailing twelve months; Source: Moody's Investors Service.

MA Sales Outlook Resilient Amid COVID-19 Disruption

Retention remains strong



YTD 2020 ACTUALS

~96%	~91%	~90%
Research[2]	ERS	BvD

» Customer engagement is high through virtual interactions

» Valuable content and insights support strong retention

» Elevated usage of credit and economic research persists

	Current Outlook	Prior Outlook
✓	No change	✓ Existing contractual obligations being met by MA and Customers
Stable	Renewal yield[3] outlook better than prior expectations	↓ Renewal yield[3] might be affected
Improving	Adapting to virtual sales environment; in person meetings resuming in certain countries	↓ Social distancing preventing face to face selling efforts

» Sales grew in 2Q; pipeline outlook is improving

» Face-to-face interactions resuming in some parts of the world

» Continue to expect longer sales cycles than 9-12 month historical average

1. Trailing twelve months; includes BvD from 2019 onward.
2. Reflects RD&A excluding BvD.
3. Incorporates retention and pricing components of recurring business growth.

Continued Innovation Driving Value Through New Products and Solutions

ESG & Climate Offerings

- Partnered with Euronext on the new Euronext ESG80 index powered by Vigeo Eiris (VE) data
- Launched an enhanced SPO[1] service for Green, Social and Sustainability-linked bonds
- Integrated VE and 427 content into multiple platforms within MA, including moodys.com and the REIS commercial real estate portal

Credit Sentiment and Adverse Media

The Moody's Accelerator launched Pulse, a suite of machine learning-enabled tools for gauging the impact of news sentiment on a chosen company or sector (e.g., COVID-19, credit)

CECL - Impairment Analytics

» New capabilities were added to ImpairmentStudio platform allowing customers to take into account demographic and epidemiological factors associated with COVID-19 and the efficacy of government relief programs

Insurers' Capital Monitoring

» Launched SolvencyWatch, a new solution leveraging Moody's award-winning modeling capabilities to provide insurers improved valuation of their assets and liabilities

Commercial Real Estate (CRE)

» REIS data linked to Commercial Mortgage Metrics (CMM) to streamline CRE credit scoring

Compliance & KYC[2]

» Integration of BvD + RDC compliance and KYC data underway; company and risk profile databases continue to expand

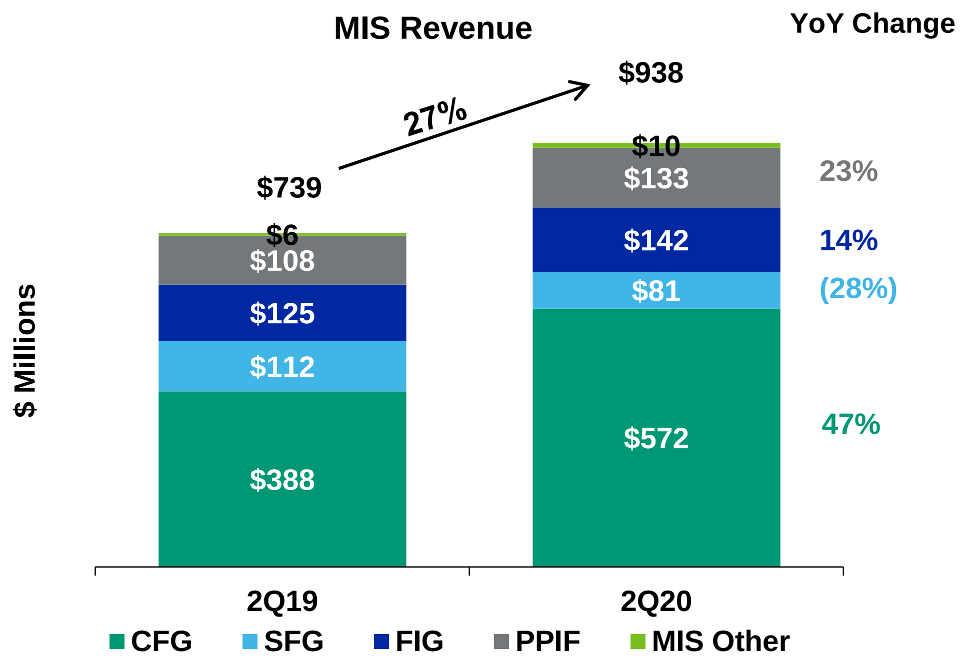
1. SPO = Second Party Opinion.
2. KYC = Know Your Customer.

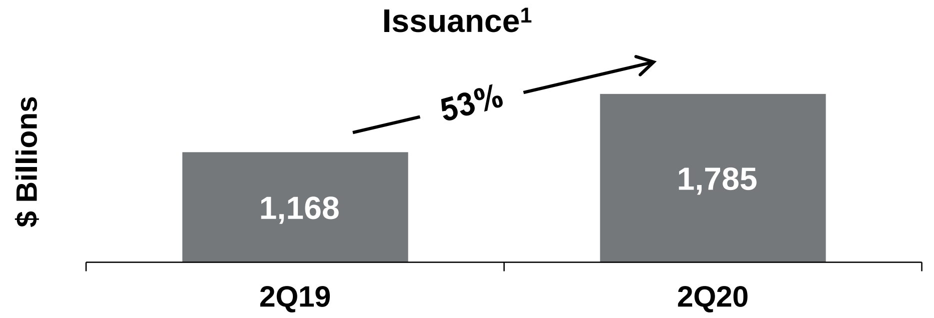
2Q 2020 Results and FY 2020 Outlook

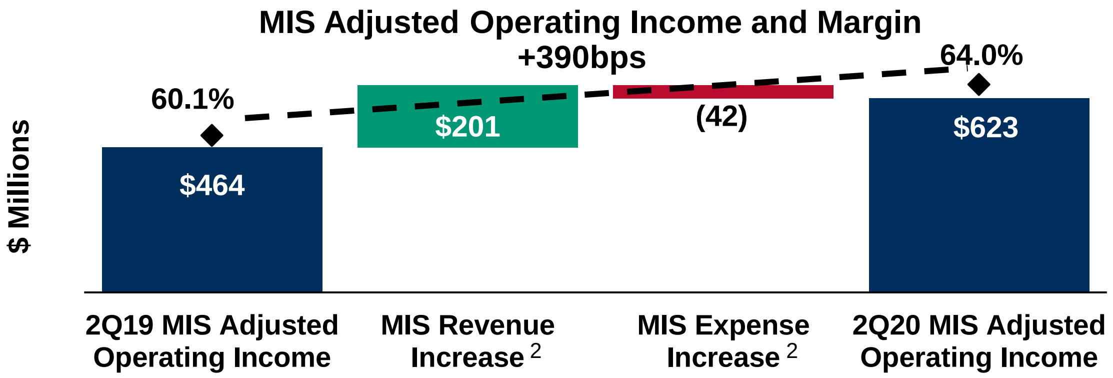
Mark Kaye

Chief Financial Officer

MIS: Robust IG Issuance Drove Results



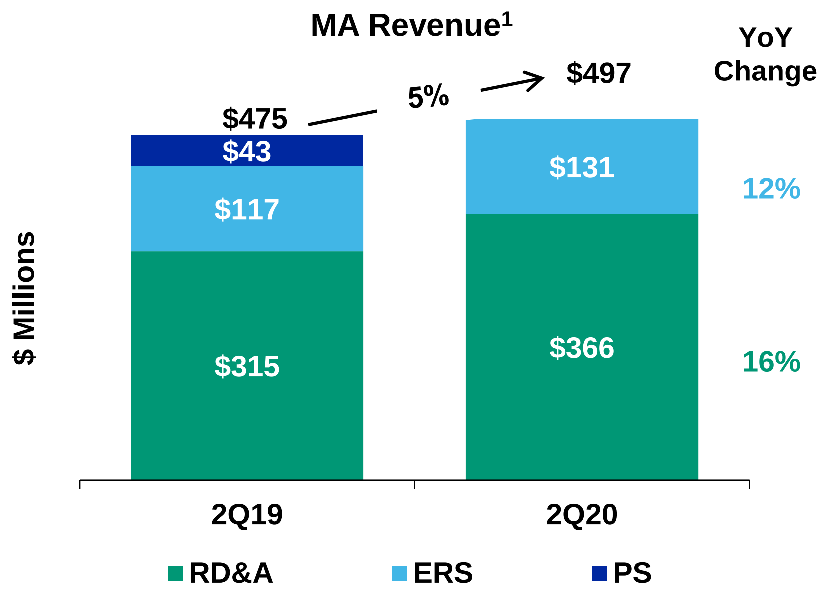


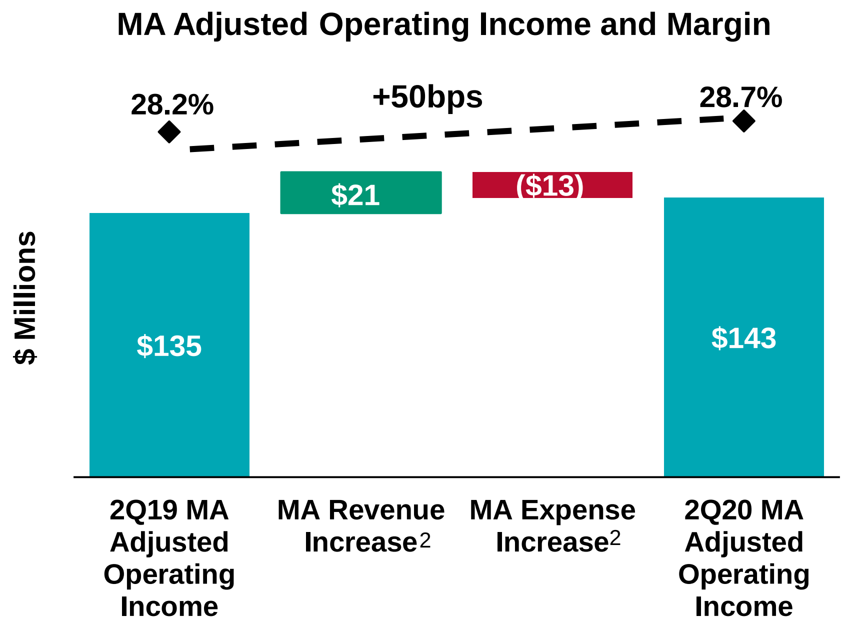


- CFG benefitted from liquidity-driven issuance and attractive refinancing rates, leading to record supply in 2Q
- SFG remains weak: lack of asset supply constraining CLO and CMBS formation
- PPIF issuance was very strong, but contributed to the less favorable issuance mix in the quarter
- Revenue growth outpaced personnel expense to drive 390 bps increase in adjusted operating margin

1. MIS rated issuance, excludes sovereign debt issuance.
2. Includes intercompany revenue and expenses.

MA: Organic Constant Currency Revenue Growth of 8%





» MA revenue grew 8%, excluding the impact of the MAKS divestiture, acquisitions and FX
  – Driven by KYC and compliance solutions, research and data feeds

» Year-over-year margin expansion enabled by:
  – Top-line growth generating operating leverage
  – Reduced marketing, travel and entertainment expense

1. Subsequent to the divestiture of MAKS in 2019, revenue from the Moody's Analytics Learning Solutions ("MALS") unit, which previous to 2020 was reported in the Professional Services line of business ("LOB"), is now being reported as part of the RD&A LOB. Prior periods have not been reclassified as the amounts were not material.
2. Includes intercompany revenue and expenses.

Macro Assumptions Underpinning Our Outlook

Base Case

Expect continuing economic recovery in 2H 2020

2020 GDP

-6% United States

-9% Euro Zone

-5% Global

Benchmark interest rates remain low; high-yield spreads peak above 650 bps

U.S. unemployment rate of ~10% by year-end

High yield default rate rising to ~9%[1]

Developments since April 30th

ACCELERATE

- Continued global fiscal support and monetary stimulus actions
- Surge of investment grade capital raising for liquidity purposes
- Rebound in high yield bond issuance amid tighter spreads
- Robust equity markets and sharp decline in VIX index
- Signs of global economic recovery

DECELERATE

- COVID-19 cases continued to increase at rapid pace in the U.S., with some states rolling back re-opening measures

1. By the end of 2020.

Sources: "June 2020 Default Report" and "Global Macro Outlook 2020-2021 (June 2020 Update)" from Moody's Investors Service.

FY 2020 Corporate-Level Guidance[1]

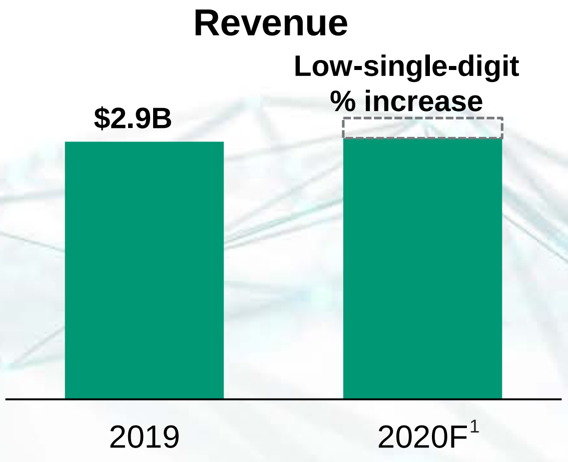
Revenue	Increase in the low-single-digit % range
Expenses	Approximately flat
Adjusted Operating Margin[2]	48% - 49%
Interest Expense, Net	$180 - $200 million
Effective Tax Rate	19.5% - 21.5%
Diluted EPS	$8.15 - $8.55
Adjusted Diluted EPS[2]	$8.80 - $9.20
Free Cash Flow[2]	$1.5 - $1.7 billion

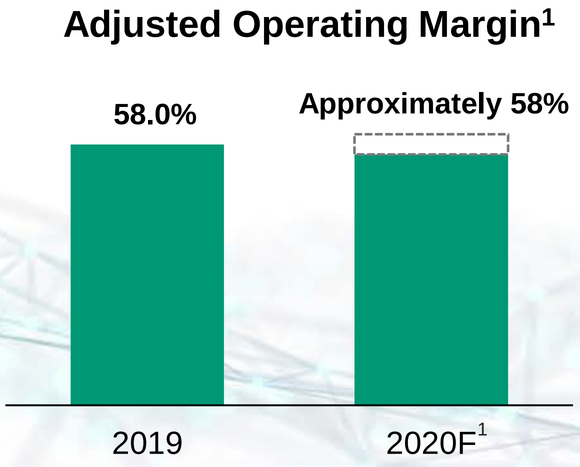
1. Guidance as of July 30, 2020. Refer to Table 12 – “2020 Outlook” in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP as well as assumptions used by the Company with respect to its guidance.
2. Adjusted operating margin, adjusted diluted EPS and free cash flow are non-GAAP measures.
   Refer to the Appendix for a reconciliation between all adjusted measures mentioned throughout this presentation and GAAP.

MIS Guidance: Strong 1H 2020 Driving Improved Outlook[1]

FY 2020 Issuance Guidance[1]

Investment Grade	**+50%**
High Yield Bonds	**+5%**
Bank Loans	**-20%**
Structured	**-40%**
Total Issuance[3]	**Low-double-digit % increase**





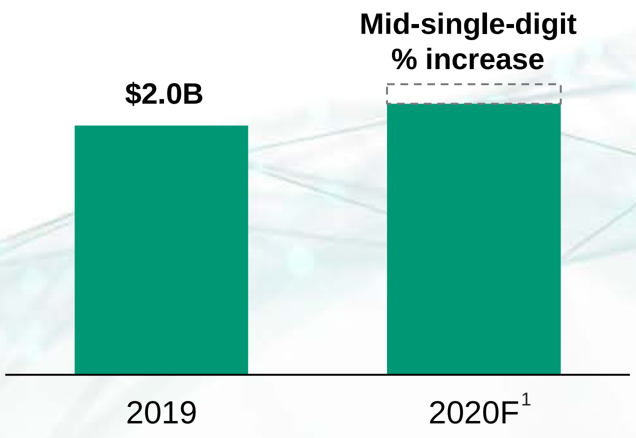
Key drivers of MIS FY 2020 outlook[1]

- Issuance[2] expected to grow in the low-double-digit percent range from $4.6T in 2019
  - Expecting issuance to slow down in 2H 2020, reflecting a mid-teens decline
- Shift in issuance mix
- Approximately 550 first time mandates
- Refinancing and liquidity driven issuance, reduced M&A activity
- Recurring revenue provides stable support
- Higher expectation for incentive compensation, though still lower year-over-year

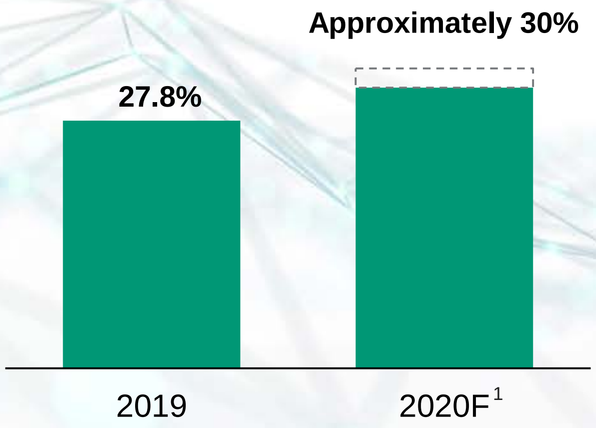
1. Guidance as of July 30, 2020. Refer to Table 12 – "2020 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP as well as assumptions used by the Company with respect to its guidance.
2. MIS rated issuance.
3. Total issuance includes CFG, SFG, FIG and PPIF. Excludes sovereign debt.

MA Guidance[1]: Top-line Growth and Margin Improvement Remain on Track

Revenue



Adjusted Operating Margin[1]



Key drivers of MA FY 2020 outlook[1]

- Strong recurring revenue mitigates COVID-19 impact
- MAKS divestiture weighs on revenue growth, partially offset by RiskFirst, ABS Suite and RDC acquisitions
  - FY revenue guidance includes an unfavorable 2% - 3% impact from inorganic activity and FX
- RD&A growth driven by strong demand for KYC and compliance solutions, followed by research and data feeds
- ERS: Strength in software and analytics sales supports steady growth; modest impact from delays of IFRS 17 and CECL implementations
- Margin improvement primarily driven by operating leverage and cost management initiatives

1. Guidance as of July 30, 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 as well as assumptions used by the Company with respect to its guidance.

Capital Allocation Strategy

Prudent approach in uncertain times

Capital allocation goals

- Anchored around a BBB+ rating
- Ensure adequate financial flexibility
- Provide necessary capital to pursue growth opportunities
- Meet return thresholds and create long-term value for shareholders
- Manage risk

Capital allocation levers

INVESTING IN GROWTH OPPORTUNITIES

- Reinvestment
- Acquisitions

RETURN OF CAPITAL

- Dividends
- Share repurchase

Considerations around share repurchase program

- COVID-19 uncertainty
- Economic indicators
- Market volatility
- Free cash flow

Key Takeaways

» Committed to supporting key stakeholders and sustainability stewardship

» Increased relevance of Moody’s products and services in times of economic uncertainty

» Robust 2Q 2020 performance and improved full year 2020 outlook

» Upward revenue revision coupled with flat expense growth drives operating leverage

Moody's | Better decisions

Questions and Answers

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) July 30, 2020
until 3:30pm (Eastern Time) August 28, 2020

Telephone Details

- U.S. +1-888-203-1112
- Non-U.S. +1-719-457-0820
- Passcode 7108503

Webcast Details

- Go to ir.moodys.com
- Click on “Events & Presentations”
- Click on the link for “2Q 2020 Earnings Conference Call”

Moody's | Better decisions

Investor Relations
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
KYC	Know your customer
LOB	Line of business
MA	Moody's Analytics – a reportable segment of MCO which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs – 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
VE	Vigeo Eiris

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) depreciation and amortization; ii) a loss pursuant to the divestiture of MAKS; iii) restructuring; and iv) Acquisition-Related Expenses.

	Three Months Ended June 30,							
	2020				2019			
Amounts in millions	**MIS**	**MA**	**Eliminations**	**Consolidated**	**MIS**	**MA**	**Eliminations**	**Consolidated**
Revenue	**$ 973**	**$ 499**	**$ (37)**	**$ 1,435**	$ 772	$ 478	$ (36)	$ 1,214
Total Expense	**369**	**393**	**(37)**	**725**	352	415	(36)	731
Operating income	**$ 604**	**$ 106**	**$ —**	**$ 710**	$ 420	$ 63	$ —	$ 483
Add:				—				
Depreciation and amortization	**19**	**39**	**—**	**58**	18	34	—	52
Loss pursuant to the divestiture of MAKS	**—**	**—**	**—**	**—**	—	9	—	9
Restructuring	**—**	**(2)**	**—**	**(2)**	26	27	—	53
Acquisition-Related Expenses	**—**	**—**	**—**	**—**	—	2	—	2
Adjusted Operating Income	**$ 623**	**$ 143**	**$ —**	**$ 766**	$ 464	$ 135	$ —	$ 599
Operating margin	**62.1 %**	**21.2 %**		**49.5 %**	54.4 %	13.2 %		39.8 %
Adjusted operating margin	**64.0 %**	**28.7 %**		**53.4 %**	60.1 %	28.2 %		49.3 %

	Six Months Ended June 30,							
	2020				2019			
Amounts in millions	**MIS**	**MA**	**Eliminations**	**Consolidated**	**MIS**	**MA**	**Eliminations**	**Consolidated**
Revenue	**$ 1,804**	**$ 997**	**$ (76)**	**$ 2,725**	$ 1,474	$ 952	$ (70)	$ 2,356
Total Expense	**712**	**787**	**(76)**	**1,423**	688	793	(70)	1,411
Operating income	**$ 1,092**	**$ 210**	**$ —**	**$ 1,302**	$ 786	$ 159	$ —	$ 945
Add:								
Depreciation and amortization	**35**	**72**	**—**	**107**	35	67	—	102
Loss pursuant to the divestiture of MAKS	**—**	**9**	**—**	**9**	—	9	—	9
Restructuring	**(1)**	**(2)**	**—**	**(3)**	29	30	—	59
Acquisition-Related Expenses	**—**	**—**	**—**	**—**	—	3	—	3
Adjusted Operating Income	**$ 1,126**	**$ 289**	**$ —**	**$ 1,415**	$ 850	$ 268	$ —	$ 1,118
Operating margin	**60.5 %**	**21.1 %**		**47.8 %**	53.3 %	16.7 %		40.1 %
Adjusted Operating Margin	**62.4 %**	**29.0 %**		**51.9 %**	57.7 %	28.2 %		47.5 %

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) depreciation and amortization; ii) loss pursuant to the divestiture of MAKS; iii) restructuring charges; and iv) Acquisition-Related Expenses. 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. 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. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk. These expenses were excluded in prior years due to the material nature of the cumulative costs incurred over the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material.

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 June 30,		Six Months Ended June 30,	
Amounts in millions	**2020**	**2019**	**2020**	**2019**
Operating income	**$ 710**	$ 483	**$ 1,302**	$ 945
Depreciation and amortization	**58**	52	**107**	102
Loss pursuant to the divestiture of MAKS	**—**	9	**9**	9
Restructuring	**(2)**	53	**(3)**	59
Acquisition-Related Expenses	**—**	2	**—**	3
Adjusted Operating Income	**$ 766**	$ 599	**$ 1,415**	$ 1,118
Operating margin	**49.5 %**	39.8 %	**47.8 %**	40.1 %
Adjusted Operating Margin	**53.4 %**	49.3 %	**51.9 %**	47.5 %

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.

	Six Months Ended June 30,	
Amounts in millions	**2020**	**2019**
Net cash provided by operating activities	**$ 977**	$ 755
Capital additions	**(62)**	(39)
Free cash flow	**$ 915**	$ 716
Net cash used in investing activities	**$ (823)**	$ (53)
Net cash provided by (used in) financing activities	**$ 123**	$ (1,186)

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

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	**Acquisition Date**	**Q2**	**YTD**
RiskFirst	July 25, 2019	April 1, 2020 - June 30, 2020	January 1, 2020 - June 30, 2020
ABS Suite	October 1, 2019	April 1, 2020 - June 30, 2020	January 1, 2020 - June 30, 2020
Regulatory DataCorp	February 13, 2020	April 1, 2020 - June 30, 2020	February 13, 2020 - June 30, 2020
Divestiture	**Divestiture Date**		
MAKS	November 7, 2019	April 1, 2019 - June 30, 2019	January 1, 2019 - June 30, 2019

Additionally, subsequent to the divestiture of MAKS in 2019, revenue from the Moody's Analytics Learning Solutions ("MALS") unit, which previous to 2020 was reported in the Professional Services line of business ("LOB"), is now being reported as part of the RD&A LOB. Prior periods have not been reclassified as the amounts were not material. For purposes of determining organic RD&A revenue growth, MALS revenue has been excluded from 2020 RD&A revenue. Below is a reconciliation of MA's reported revenue and growth rates to its organic revenue and organic growth rates:

	Three Months Ended June 30,				Six Months Ended June 30,			
Amounts in millions	2020	2019	Change	Growth	2020	2019	Change	Growth
MA revenue	**$ 497**	$ 475	$ 22	5%	**$ 993**	$ 947	$ 46	5%
RiskFirst	**(6)**	—	(6)		**(10)**	—	(10)	
ABS Suite	**(2)**	—	(2)		**(3)**	—	(3)	
Regulatory DataCorp	**(14)**	—	(14)		**(21)**	—	(21)	
MAKS	—	(28)	28		—	(55)	55	
Organic MA revenue	**$ 475**	$ 447	$ 28	6%	**$ 959**	$ 892	$ 67	8%

	Three Months Ended June 30,			
Amounts in millions	2020	2019	Change	Growth
RD&A revenue	**$ 366**	$ 315	$ 51	**16%**
ABS Suite	**(2)**	—	(2)	
Regulatory DataCorp	**(14)**	—	(14)	
MALS	**(12)**	—	(12)	
Organic RD&A revenue	**$ 338**	$ 315	$ 23	7%

	Three Months Ended June 30,			
Amounts in millions	2020	2019	Change	Growth
ERS revenue	**$ 131**	$ 117	$ 14	**12%**
RiskFirst	**(6)**	—	(6)	
Organic ERS revenue	**$ 125**	$ 117	$ 8	7%

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) loss and tax charge pursuant to the divestiture of MAKS; iii) restructuring charges; and iv) Acquisition-Related Expenses.

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. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. 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. Acquisition-Related Expenses consist of expenses incurred to complete and integrate the acquisition of Bureau van Dijk. These expenses were excluded in prior years due to the material nature of the cumulative costs incurred over the multi-year integration effort. Acquisition-related expenses from other acquisitions were not material.

The Company excludes the aforementioned 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:

	Three Months Ended June 30,				Six Months Ended June 30,			
Amounts in millions	2020		2019		2020		2019	
Net income attributable to Moody's common shareholders		**$ 509**		**$ 310**		**$ 997**		**$ 683**
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 31		$ 27		$ 59		$ 53	
Tax on Acquisition-Related Intangible Amortization Expenses	(7)		(8)		(13)		(13)	
Net Acquisition-Related Intangible Amortization Expenses		**24**		**19**		**46**		**40**
Loss pursuant to the divestiture of MAKS		**—**		**9**		**9**		**9**
Tax charge pursuant to the divestiture of MAKS		**—**		**15**		**—**		**15**
Pre-Tax Restructuring	$ (2)		$ 53		$ (3)		$ 59	
Tax on Restructuring	1		(12)		1		(14)	
Net Restructuring		**(1)**		**41**		**(2)**		**45**
Pre-Tax Acquisition-Related Expenses	$ —		$ 2		$ —		$ 3	
Tax on Acquisition-Related Expenses	—		—		—		—	
Net Acquisition-Related Expenses		**—**		**2**		**—**		**3**
Adjusted Net Income		**$ 532**		**$ 396**		**$ 1,050**		**$ 795**

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 June 30,				Six Months Ended June 30,			
	2020		2019		2020		2019	
Diluted earnings per share attributable to Moody's common shareholders		**$ 2.69**		**$ 1.62**		**$ 5.27**		**$ 3.56**
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 0.16		$ 0.14		$ 0.31		$ 0.27	
Tax on Acquisition-Related Intangible Amortization Expenses	(0.03)		(0.04)		(0.07)		(0.06)	
Net Acquisition-Related Intangible Amortization Expenses		**0.13**		**0.10**		**0.24**		**0.21**
Loss pursuant to the divestiture of MAKS		**—**		**0.05**		**0.05**		**0.05**
Tax charge pursuant to the divestiture of MAKS		**—**		**0.08**		**—**		**0.08**
Pre-Tax Restructuring	$ (0.01)		$ 0.28		$ (0.02)		$ 0.31	
Tax on Restructuring	—		(0.07)		0.01		(0.08)	
Net Restructuring		**(0.01)**		**0.21**		**(0.01)**		**0.23**
Pre-Tax Acquisition-Related Expenses	$ —		$ 0.01		$ —		$ 0.02	
Tax on Acquisition-Related Expenses	—		—		—		(0.01)	
Net Acquisition-Related Expenses		**—**		**0.01**		**—**		**0.01**
Adjusted Diluted EPS		**$ 2.81**		**$ 2.07**		**$ 5.55**		**$ 4.14**

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

CREDIT RATINGS ISSUED BY MOODY'S INVESTORS SERVICE, INC. AND/OR ITS CREDIT RATINGS AFFILIATES ARE MOODY'S CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED BY MOODY'S (COLLECTIVELY, "PUBLICATIONS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S INVESTORS SERVICE DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S INVESTORS SERVICE CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S PUBLICATIONS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S PUBLICATIONS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES ITS PUBLICATIONS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND PUBLICATIONS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR PUBLICATIONS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND PUBLICATIONS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the rating process or in preparing its Publications.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it fees ranging from $1,000 to approximately $2,700,000. MCO and Moody's investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Director and Shareholder Affiliation Policy."

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for Japan only: Moody's Japan K.K. ("MJKK") is a wholly-owned credit rating agency subsidiary of Moody's Group Japan G.K., which is wholly-owned by Moody's Overseas Holdings Inc., a wholly-owned subsidiary of MCO. Moody's SF Japan K.K. ("MSFJ") is a wholly-owned credit rating agency subsidiary of MJKK. MSFJ is not a Nationally Recognized Statistical Rating Organization ("NRSRO"). Therefore, credit ratings assigned by MSFJ are Non-NRSRO Credit Ratings. Non-NRSRO Credit Ratings are assigned by an entity that is not a NRSRO and, consequently, the rated obligation will not qualify for certain types of treatment under U.S. laws. MJKK and MSFJ are credit rating agencies registered with the Japan Financial Services Agency and their registration numbers are FSA Commissioner (Ratings) No. 2 and 3 respectively.

MJKK or MSFJ (as applicable) hereby disclose that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MJKK or MSFJ (as applicable) have, prior to assignment of any credit rating, agreed to pay to MJKK or MSFJ (as applicable) for credit ratings opinions and services rendered by it fees ranging from JPY125,000 to approximately JPY250,000,000.

MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.