Moody's | Better decisions

Third Quarter 2020 Earnings Call

October 29, 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 Brexit and uncertainty as companies transition away from LIBOR; 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.

Chief Executive Officer Transition

- Rob Fauber named Chief Executive Officer, effective January 1, 2021
  - Has joined the company's Board of Directors, effective immediately
- Ray McDaniel to become non-executive Chairman of the Board, effective January 1, 2021
  - Hank McKinnell, Moody's current Chairman, will remain on the Board as a Director
  - The Board will name one of its independent directors to serve as Lead Independent Director
- Chief Operating Officer role to be retired; no other management changes

Overview and 3Q 2020 Results

Ray McDaniel

President and Chief Executive Officer

Executive Summary

» Strong 3Q 2020 results: MCO revenue growth of 9%; adjusted diluted EPS of $2.69, up 25%[1]

» Credit markets buoyed by proactive monetary stimulus and anticipated future fiscal expenditure

» Issuance driven by continued opportunistic refinancing and balance sheet fortification

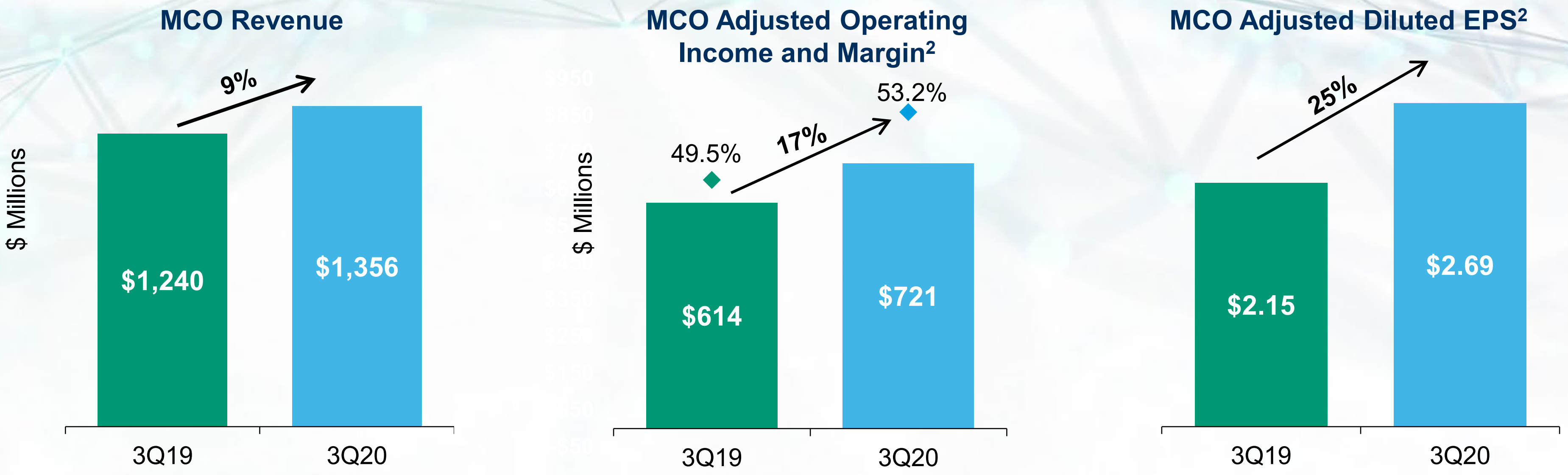
» Increased integration of our capabilities and data to better address customer needs

» Significantly raised and narrowed our FY 2020 adjusted diluted EPS guidance to $9.95 – $10.15[2]

1. Refer to the Appendix for a reconciliation between all adjusted measures mentioned throughout this presentation and GAAP.
2. Guidance as of October 29, 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.

3Q 2020: Strong Margin Expansion Driving EPS Growth

- » MCO revenue increased 9%, driven by 11% growth from MIS and 7% growth from MA
  - – MA organic constant currency growth of 8%[1]
- » Adjusted operating income up 17%; adjusted operating margin of 53.2% up 370 bps[2]
- » Adjusted diluted EPS of $2.69, up 25%[2]



1. MA organic constant currency growth as defined in the reconciliation tables in the Appendix.
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.

3Q 2020 Credit Market Update

Buoyant credit markets despite ongoing real economy disruption from COVID-19

Real Economy

COVID-19 Pandemic

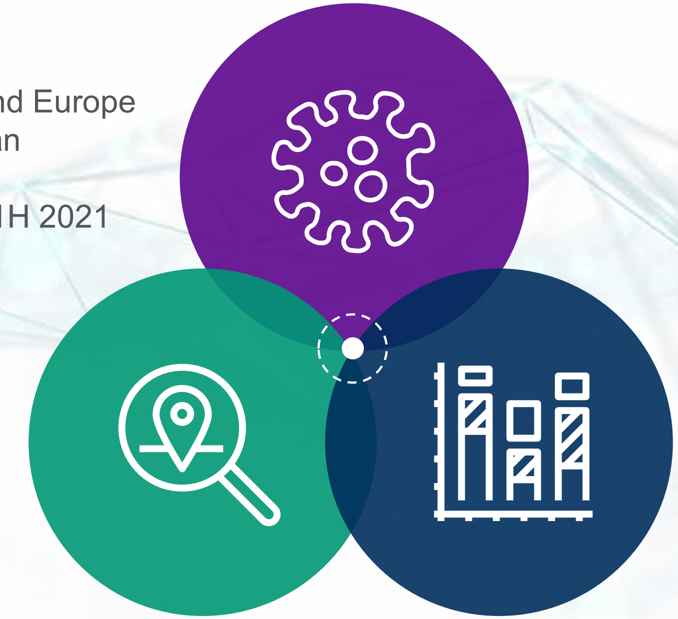
- New cases of COVID-19 increased in the U.S. and Europe
- Policy responses: some U.S. states and European countries rolled back re-opening measures
- Vaccine / treatment timing unclear; optimism for 1H 2021

Geopolitical Impact

- U.S. – China frictions remained elevated
- U.S. election season in heightened focus
- Continued international travel restrictions
- Oil prices recovered from lows but subdued

Macroeconomic Response

- U.S. Fed and other central bank actions are accommodative
- Fiscal stimulus measures in the E.U.
- Additional fiscal stimulus in the U.S. delayed
- Many businesses have fully utilized PPP funding
- Some industries resuming furloughs (travel, entertainment, etc.)



Credit Markets

Investment Grade Bonds

- Record issuance volumes[1]
- Liquidity-driven capital raising
- Opportunistic refinancing driven by effective yields lower than pre-pandemic for many issuers
- M&A pipeline limited, though indications of improvement

High Yield Bonds

- Continued strength
- Significant spread tightening from March, with spreads now approximately in line with historical averages (U.S. HY ~500 bps)
- Appetite for risk assets evidenced by continued equity market strength

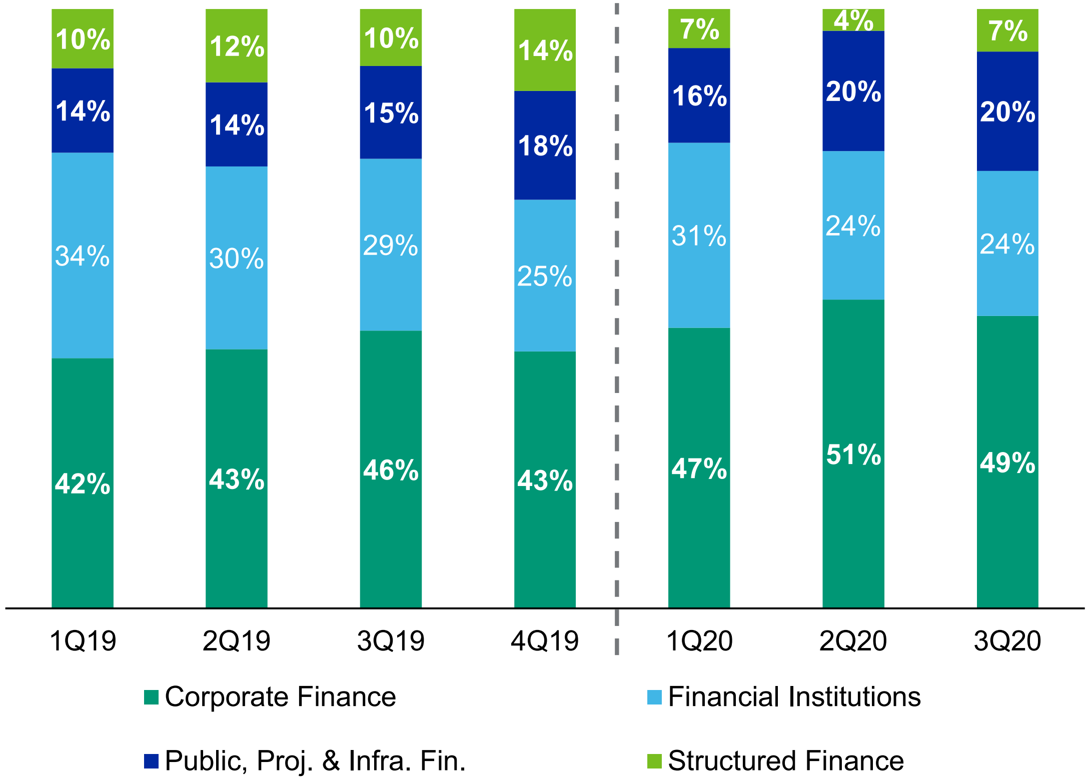
Leveraged Loans

- Improving, but relatively weak
- Demand for floating rate debt limited
- Modest M&A pipeline

1. MIS rated issuance.

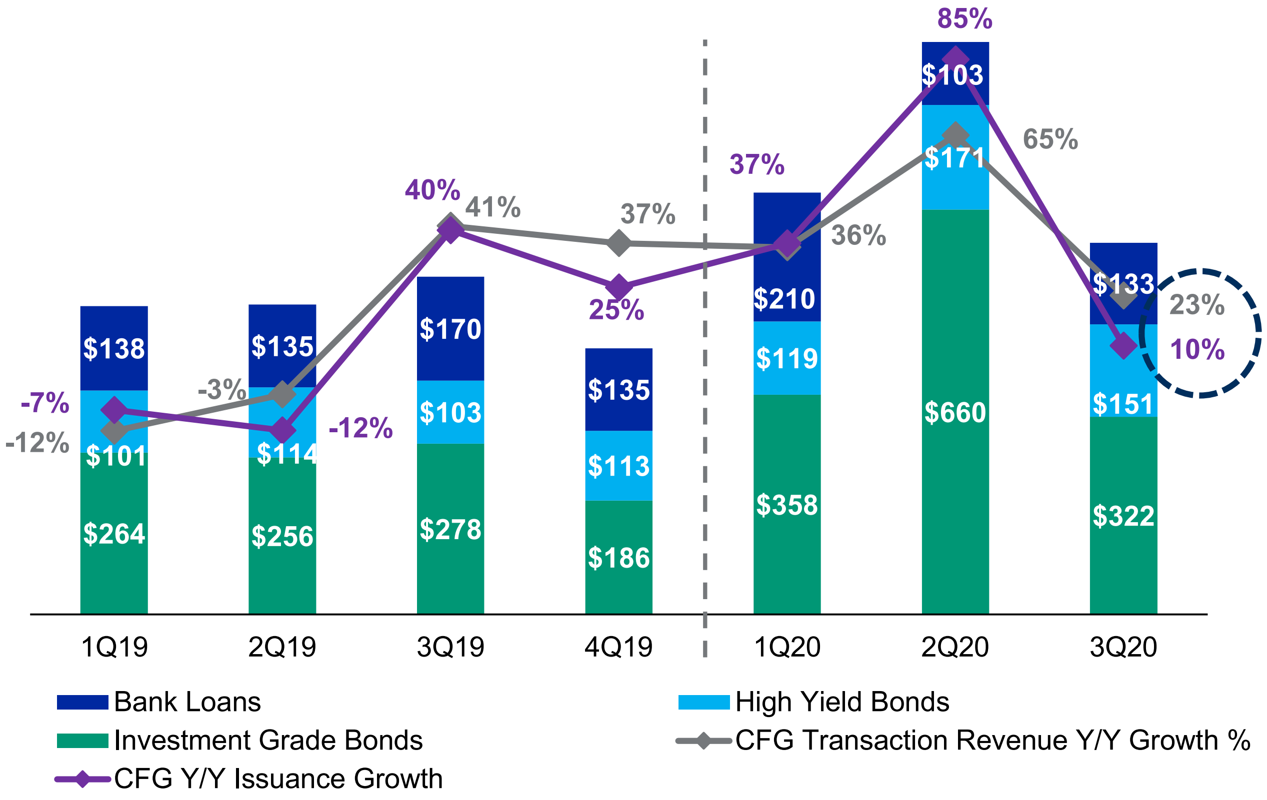
CFG Spotlight: Issuance-driven Revenue Growth

Issuance by Line of Business



CFG Issuance Volume and Transaction Revenue

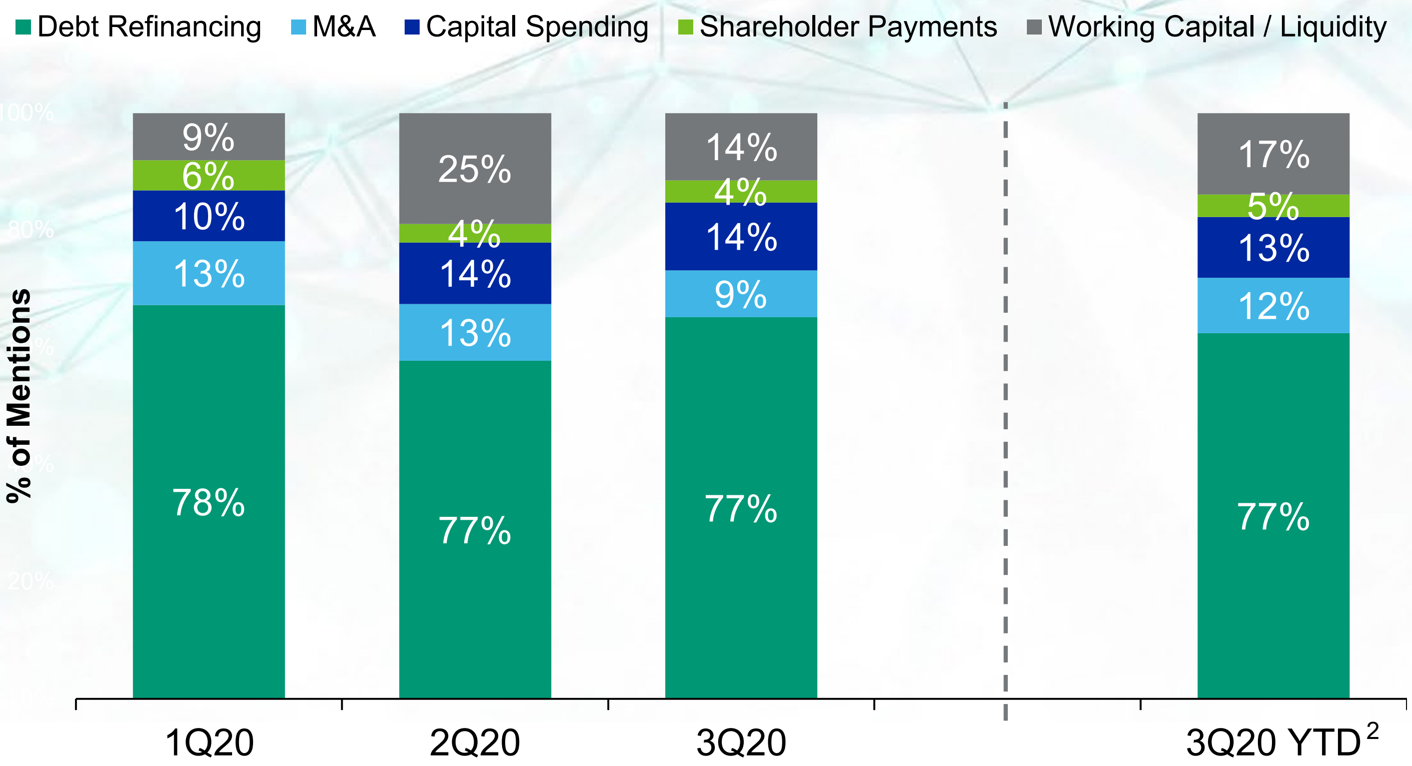
($ Billions)



Note: MIS rated issuance.

Use of Proceeds: Refinancing and Balance Sheet Fortification

Uses of Funds from USD Bonds[1]



YTD 2020[2] Issuance Drivers:

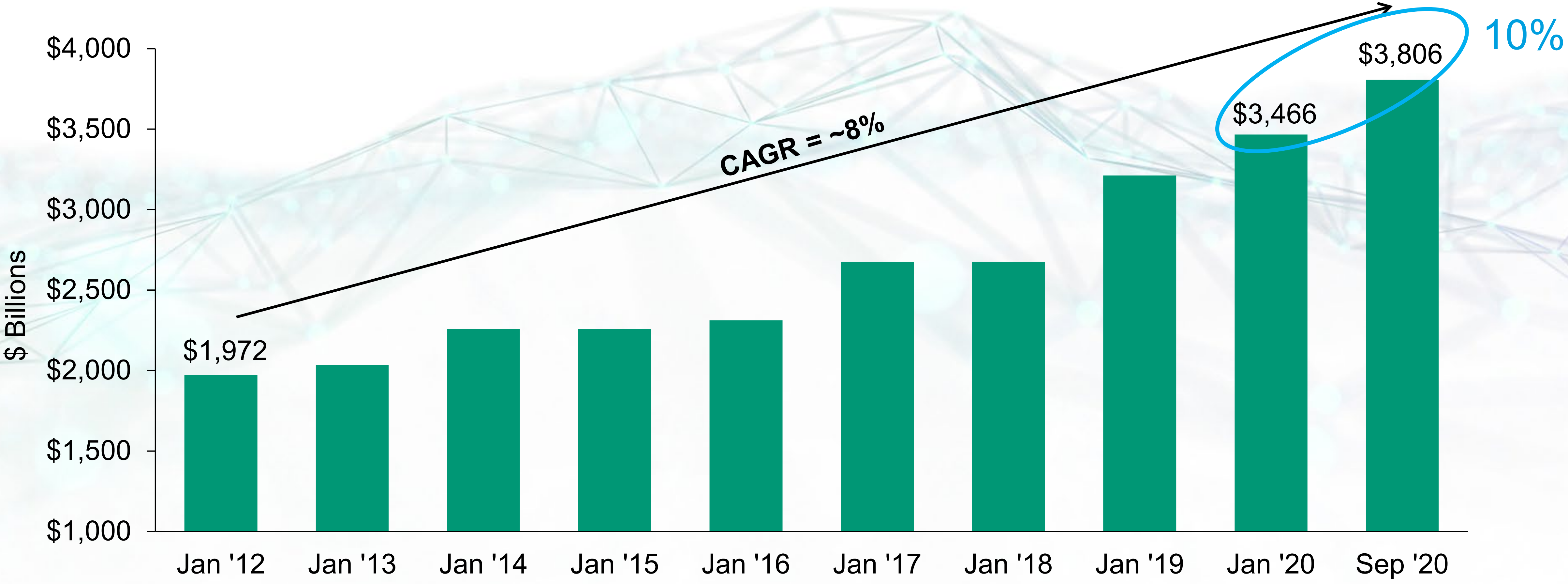
- Opportunistic refinancing driven by lower effective yields
- Liquidity and working capital
- Lower M&A related issuance

1. Includes investment grade and high yield bonds. 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%.
2. YTD through September 30, 2020.

Source: Moody's Analytics.

Refunding Needs Continue to Build

Next Four Years North America and EMEA Total Refunding Needs[1] as of:

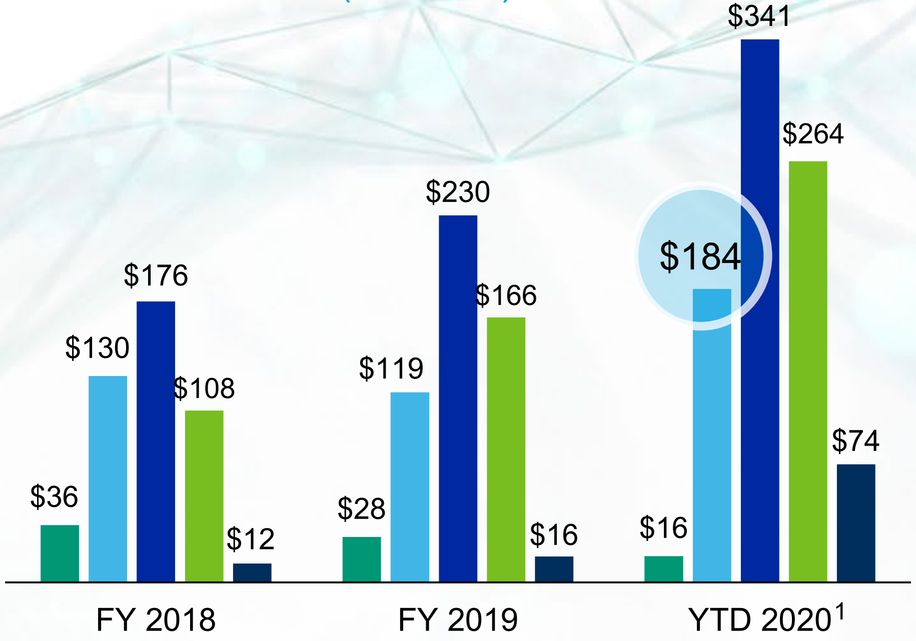


1. Amount reflects total maturities as defined in Moody's Investors Service's U.S., Canada and EMEA refunding needs reports January 2012 – October 2020.
Note: Data represents U.S., Canadian and European MIS rated non-financial corporate bonds & loans. Canadian data not available before 2015.

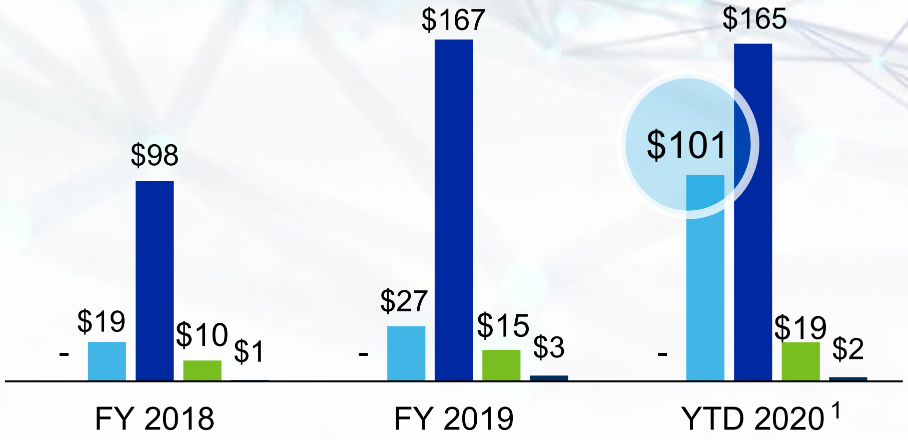
Increased Issuance Volume Offsets Impact of Longer Average Maturities

- 1-2 years
- 3-5 years
- 6-10 years
- 11-30 years
- Long term

U.S. Investment Grade Bond Issuance by Maturity Length
($ Billions)



U.S. High Yield Bond Issuance by Maturity Length
($ Billions)



	FY 2018	FY 2019	YTD 2020[1]	FY 2018	FY 2019	YTD 2020[1]
TOTAL ISSUANCE ($B)	**$462**	**$561**	**$880**	**$128**	**$212**	**$287**
AVG. MATURITY[2]	12.0	12.4	14.5	8.6	8.4	7.5

1. YTD through September 30, 2020. | 2. Proxy calculation uses weighted average years of tenor. | Source: Moody's Investors Service. | Note: Data represents tenors on Moody's rated debt in U.S.

Subscription Sales Resilient Through COVID-19 Disruption

Continued demand for insights and analytics

YTD 2020 RETENTION		
~94% Total MA	~96%	Research[1]
	~92%	ERS
	~90%	BvD

- Strong retention
- Softer demand for lower margin, one-time sales
- Robust subscriptions sales growth expected to continue

	2020 OUTLOOK	2021 OUTLOOK
Retention	**Positive** Retention holding at ~94% despite initial concerns	**Positive** Retention expected to remain stable
Subscription Sales Growth	**Positive** Renewal yield[2] outlook better than prior expectations	**Positive** Renewal yields[2] expected to remain at existing levels
Pipeline	**Stable** Social distancing challenged sales efforts, but strong pipeline execution	**COVID-19 Related Impact** Healthy new renewable sales pipeline; Softness in one-time project sales pipeline

1. Reflects RD&A excluding BvD. | 2. Incorporates retention and pricing components of recurring business growth.

Newly Integrated Capabilities Help Customers Make Better Decisions

Leveraging interoperability to create new solutions

CUSTOMER NEEDS

Early warning tools to identify credit deterioration

Incorporating ESG and climate information to enhance understanding of credit

CAPABILITIES & DATA

- Credit Sentiment Score
- CreditEdge
- RiskCalc

- moodys.com
- Vigeo Eiris
- Four Twenty Seven

NEW INTEGRATED SOLUTIONS

Credit Sentiment Score and AI powered news feed added to CreditEdge and RiskCalc solutions

CreditView users can access ESG and climate resources from affiliates Vigeo Eiris and Four Twenty Seven

Investing with Intent

Recent investments accelerate strategic growth priorities

BUSINESS ADJACENCIES

Know Your Customer

Acquire Media

- Enhances KYC business
- Curated news and workflow solutions enable the creation of early warning and real-time insights

ESG

ESG Solutions Group

- Brings together Moody's portfolio of premier ESG assets
- Creates unified solutions and accelerates innovation to drive new products and research

REGIONAL EXPANSION

Asia Pacific

- **MARC**: Minority investment in a Malaysian domestic rating agency
- Created the **Commercial Strategies Group in China** to focus on growth opportunities for MA
  - Facilitates development of new products and insights
  - Better align with market opportunities, as well as local regulatory requirements

Latin America

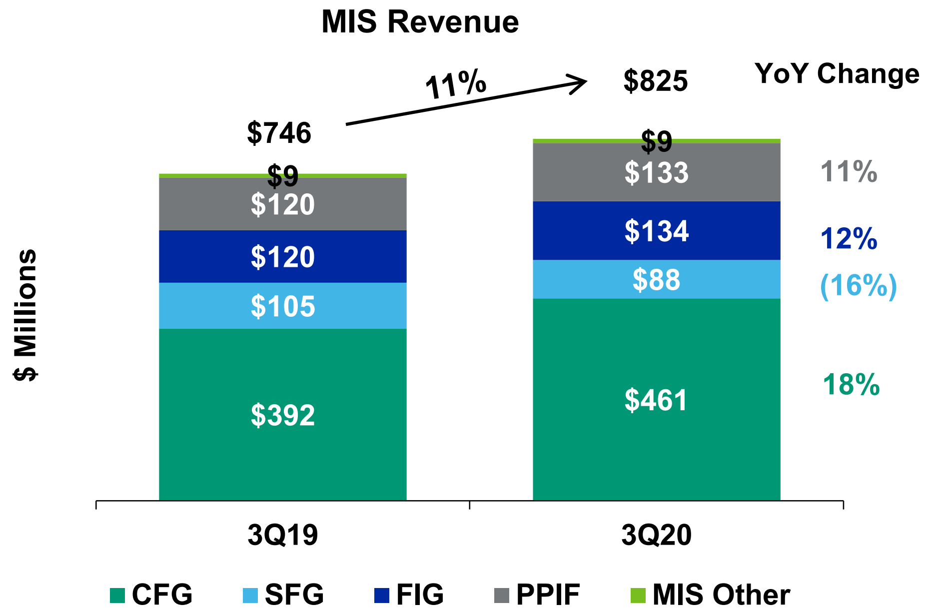
- Expansion of **Moody's Local** in Uruguay and Argentina

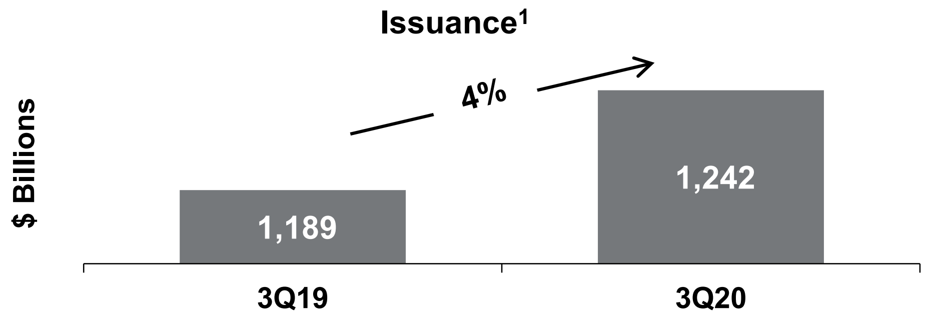
3Q 2020 Results and FY 2020 Outlook

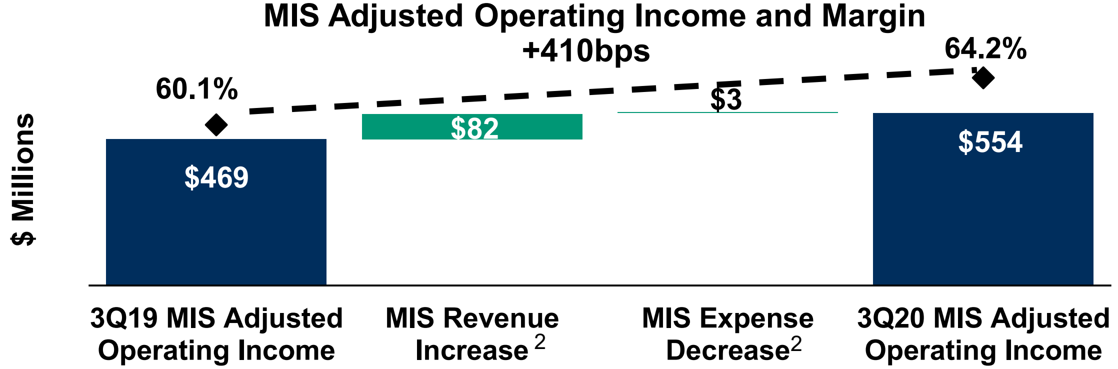
Mark Kaye

Chief Financial Officer

MIS: Favorable Revenue Mix



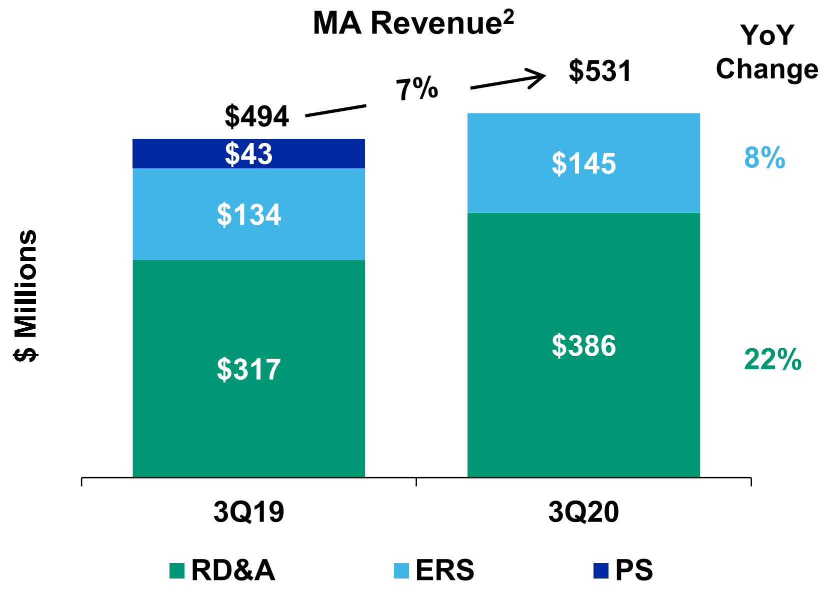


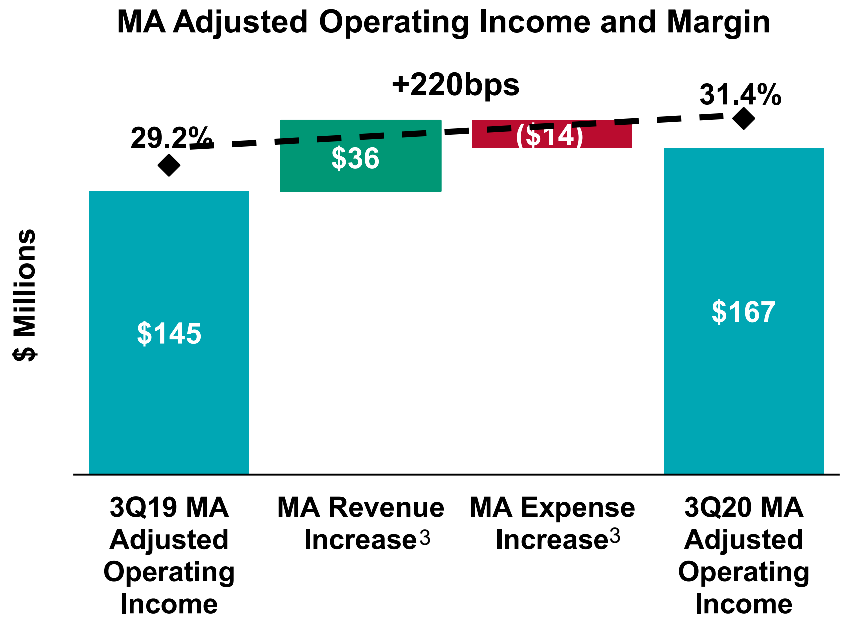


- CFG: Opportunistic refinancing, liquidity driven issuance and speculative grade strength contributed to favorable mix
- FIG: Revenue growth on active participation from infrequent issuers
- SFG: Slightly improved, but remains weak overall due to preference for fixed rate instruments
- Stronger than expected first time mandates YTD: ~540
- Revenue growth and accompanying expense discipline drove 410 bps increase in adjusted operating margin

1. MIS rated issuance, excludes sovereign debt issuance.
2. Includes intercompany revenue and expenses. Changes in expenses include the impact of adjusting items.

MA: Organic Constant Currency Revenue Growth of 8%[1]





» MA revenue grew 8%, excluding the impact of divestiture, acquisitions and FX[1]
  – RD&A: Driven by KYC and compliance solutions, research and data feeds
  – ERS: Growth from credit assessment and origination solutions, as well as insurance products

» Year-over-year margin expansion enabled by:
  – Scalable top-line growth generating operating leverage
  – Continued savings from reduced marketing, travel and entertainment expenses

1. MA organic constant currency growth as defined in the reconciliation tables in the Appendix.
2. Subsequent to the divestiture of MAKS in 2019, revenue from the Moody's Analytics Learning Solutions ("MALS") unit that 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.
3. Includes intercompany revenue and expenses. Changes in expenses include the impact of adjusting items.

FY 2020 Corporate-Level Guidance[1]

Revenue	Increase in the high-single-digit % range
Expenses	Increase in the low-single-digit % range
Adjusted Operating Margin[2]	Approximately 50%
Interest Expense, Net	$180 - $200 million
Effective Tax Rate	19.5% - 21.5%
Diluted EPS	$9.30 - $9.50
Adjusted Diluted EPS[2]	$9.95 - $10.15
Free Cash Flow[2]	Approximately $1.8 billion
Share Repurchases	Approximately $500 million

Macro assumptions underpinning our guidance[3]

2020 GDP

-6% United States

-9% Euro area

-5% Global

Benchmark interest rates remain low; U.S. high-yield spreads of ~500 bps

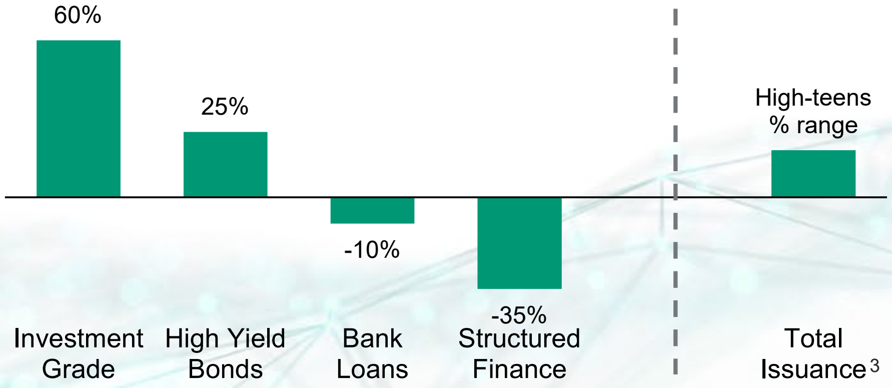
U.S. unemployment rate of ~8% by year-end

High yield default rate rising to ~8%[4]

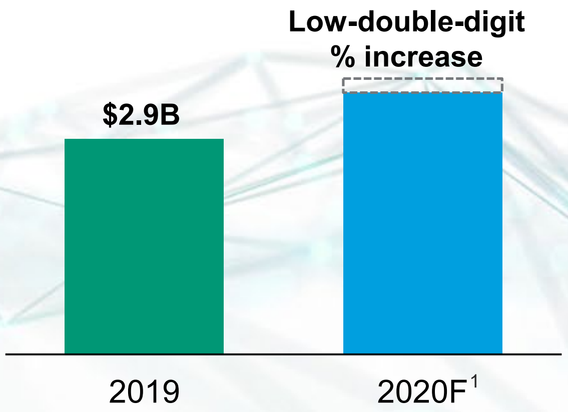
1. Guidance as of October 29, 2020. Refer to Table 12 – "2020 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to GAAP as well as assumptions used by the Company with respect to its guidance.
2. Adjusted operating margin, adjusted diluted EPS 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.
3. Sources: "September 2020 Default Report" and "Global Macro Outlook 2020-2021 (August 2020 Update)" from Moody's Investors Service.
4. Global high yield default rate. By the end of 2020.

MIS Guidance: Robust YTD Driving Improved Outlook[1]

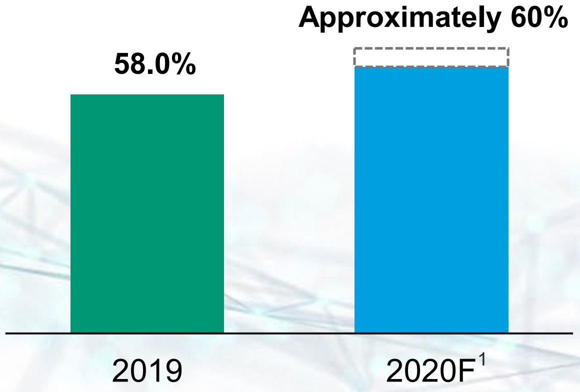
FY 2020 Issuance Guidance[1,2]



Revenue



Adjusted Operating Margin[1]

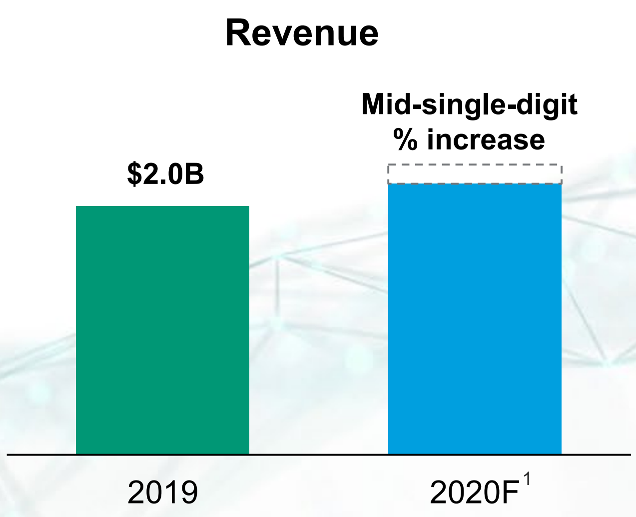


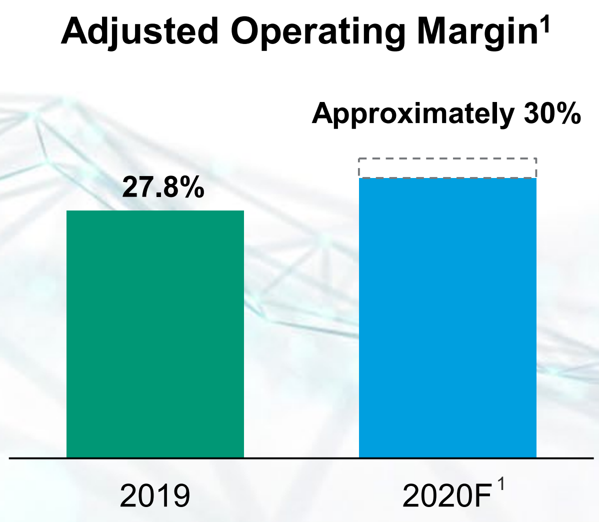
Key drivers of MIS FY 2020 outlook[1]

- Strong YTD results driving increased full-year outlook
- Issuance[2] expected to grow in the high-teens percent range from $4.6T in 2019
  - Pace of issuance likely to moderate in 4Q 2020
- Favorable issuance mix
- Approximately 600-700 first time mandates
- Refinancing and liquidity driven issuance, limited M&A activity
- Higher expectation for incentive compensation, though in-line with full year 2019

1. Guidance as of October 29, 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: Recurring Revenue Creates Stability[1]





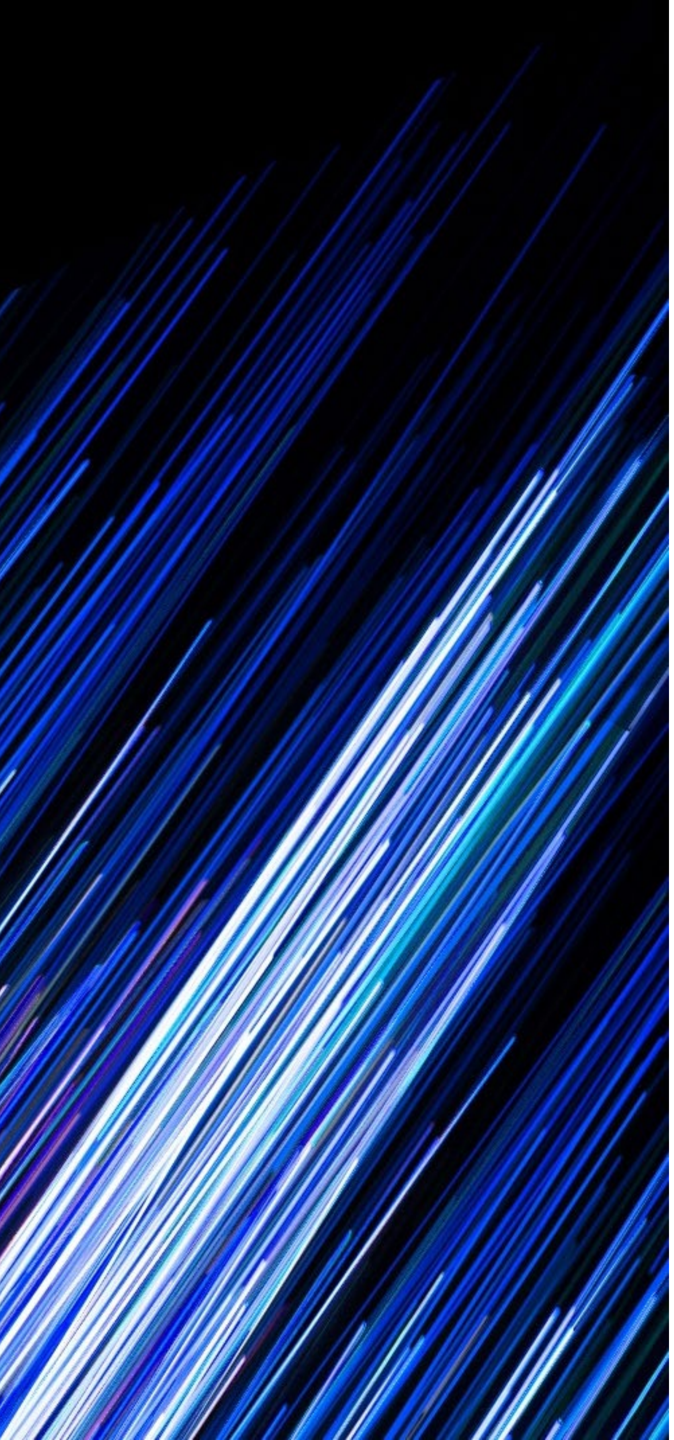
Key drivers of MA FY 2020 outlook[1]

- Strong recurring revenue mitigates COVID-19 impact
- MAKS divestiture weighs on revenue growth, partially offset by RDC, RiskFirst, ABS Suite and Acquire Media acquisitions
  - FY revenue guidance includes an approximately 2% unfavorable 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 lending 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 October 29, 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.

Key Takeaways

- Strong 3Q 2020 performance and improved full year 2020 outlook
- High demand for Moody's products and services in times of uncertainty
- Continued innovation and reinvestment into the business
- Disciplined expense management and planning for the Workplace of the Future
- Prudent capital allocation with re-introduction of 2020 share repurchase guidance



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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) October 29, 2020
until 3:30pm (Eastern Time) November 27, 2020

Telephone Details

» U.S. +1 888-203-1112
» Non-U.S. +1 719-457-0820
» Passcode 9286036

Webcast Details

» Go to ir.moodys.com
» Click on “Events & Presentations”
» Click on the link for “3Q 2020 Earnings Conference Call”

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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, a former LOB within MA that consisted of Moody's Analytics Knowledge Services (MALS) and Moody's Analytics Learning Solutions (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
YoY	Year-over-year
YTD	Year-to-date

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 loss pursuant to the divestiture of MAKS; and v) a captive insurance company settlement.

	Three Months Ended September 30,							
	2020				2019			
Amounts in millions	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 863	$ 532	$ (39)	$ 1,356	$ 781	$ 496	$ (37)	$ 1,240
Total Expense	339	414	(39)	714	340	388	(37)	691
Operating income	$ 524	$ 118	$ —	$ 642	$ 441	$ 108	$ —	$ 549
Add:								
Restructuring	13	10	—	23	—	(1)	—	(1)
Depreciation and amortization	17	39	—	56	18	30	—	48
Loss pursuant to the divestiture of MAKS	—	—	—	—	—	2	—	2
Captive insurance company settlement	—	—	—	—	10	6	—	16
Adjusted Operating Income	$ 554	$ 167	$ —	$ 721	$ 469	$ 145	$ —	$ 614
Operating margin	60.7 %	22.2 %		47.3 %	56.5 %	21.8 %		44.3 %
Adjusted operating Margin	64.2 %	31.4 %		53.2 %	60.1 %	29.2 %		49.5 %

Adjusted Operating Income and Adjusted Operating Margin by Segment (continued)

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 loss pursuant to the divestiture of MAKS; and v) a captive insurance company settlement.

	Nine Months Ended September 30,							
	2020				2019			
Amounts in millions	**MIS**	**MA**	**Eliminations**	**Consolidated**	**MIS**	**MA**	**Eliminations**	**Consolidated**
Revenue	**$ 2,667**	**$ 1,529**	**$ (115)**	**$ 4,081**	$ 2,255	$ 1,448	$ (107)	$ 3,596
Total Expense	**1,051**	**1,201**	**(115)**	**2,137**	1,028	1,181	(107)	2,102
Operating income	**$ 1,616**	**$ 328**	**$ —**	**$ 1,944**	$ 1,227	$ 267	$ —	$ 1,494
Add:								
Restructuring	**12**	**8**	**—**	**20**	29	29	—	58
Depreciation and amortization	**52**	**111**	**—**	**163**	53	97	—	150
Acquisition-Related Expenses	**—**	**—**	**—**	**—**	—	3	—	3
Loss pursuant to the divestiture of MAKS	**—**	**9**	**—**	**9**	—	11	—	11
Captive insurance company settlement	**—**	**—**	**—**	**—**	10	6	—	16
Adjusted Operating Income	**$ 1,680**	**$ 456**	**$ —**	**$ 2,136**	$ 1,319	$ 413	$ —	$ 1,732
Operating margin	**60.6 %**	**21.5 %**		**47.6 %**	54.4 %	18.4 %		41.5 %
Adjusted Operating Margin	**63.0 %**	**29.8 %**		**52.3 %**	58.5 %	28.5 %		48.2 %

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; ii) depreciation and amortization; iii) Acquisition-Related Expenses; iv) 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. 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 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 September 30,		Nine Months Ended September 30,	
Amounts in millions	**2020**	**2019**	**2020**	**2019**
Operating income	**$ 642**	$ 549	**$ 1,944**	$ 1,494
Restructuring	**23**	(1)	**20**	58
Depreciation and amortization	**56**	48	**163**	150
Acquisition-Related Expenses	**—**	—	**—**	3
Loss pursuant to the divestiture of MAKS	**—**	2	**9**	11
Captive insurance company settlement	**—**	16	**—**	16
Adjusted Operating Income	**$ 721**	$ 614	**$ 2,136**	$ 1,732
Operating margin	**47.3 %**	44.3 %	**47.6 %**	41.5 %
Adjusted Operating Margin	**53.2 %**	49.5 %	**52.3 %**	48.2 %

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.

	Nine Months Ended September 30,	
Amounts in millions	**2020**	**2019**
Net cash provided by operating activities	**$ 1,488**	$ 1,196
Capital additions	**(83)**	(61)
Free cash flow	**$ 1,405**	$ 1,135
Net cash used in investing activities	**$ (853)**	$ (150)
Net cash provided by (used in) financing activities	**$ 3**	$ (1,517)

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**	**Q3**	**YTD**
RiskFirst	July 25, 2019	July 1, 2020 - July 24, 2020	January 1, 2020 - July 24, 2020
ABS Suite	October 1, 2019	July 1, 2020 - September 30, 2020	January 1, 2020 - September 30, 2020
Regulatory DataCorp	February 13, 2020	July 1, 2020 - September 30, 2020	February 13, 2020 - September 30, 2020
Divestiture	**Divestiture Date**		
MAKS	November 7, 2019	July 1, 2019 - September 30, 2019	January 1, 2019 - September 30, 2019

	Three Months Ended September 30,				Nine Months Ended September 30,			
Amounts in millions	**2020**	**2019**	**Change**	**Growth**	**2020**	**2019**	**Change**	**Growth**
MA revenue	**$ 531**	$ 494	$ 37	**7%**	**$ 1,524**	$ 1,441	$ 83	**6%**
RiskFirst	**(2)**	—	(2)		**(12)**	—	(12)	
ABS Suite	**(3)**	—	(3)		**(6)**	—	(6)	
Regulatory DataCorp	**(16)**	—	(16)		**(37)**	—	(37)	
MAKS	**—**	(28)	28		**—**	(83)	83	
Organic MA revenue	**$ 510**	$ 466	$ 44	**9%**	**$ 1,469**	$ 1,358	$ 111	**8%**

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 September 30,			
Amounts in millions	**2020**	**2019**	**Change**	**Growth**
RD&A revenue	**$ 386**	$ 317	$ 69	**22%**
ABS Suite	**(3)**	—	(3)	
Regulatory DataCorp	**(16)**	—	(16)	
MALS	**(13)**	—	(13)	
Organic RD&A revenue	**$ 354**	$ 317	$ 37	**12%**

	Three Months Ended September 30,			
Amounts in millions	**2020**	**2019**	**Change**	**Growth**
ERS revenue	**$ 145**	$ 134	$ 11	**8%**
RiskFirst	**(2)**	—	(2)	
Organic ERS revenue	**$ 143**	$ 134	$ 9	**7%**

Organic Constant Currency Revenue and Growth Measures – MA

The Company presents organic constant currency revenue and organic constant currency 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 along with the impact of foreign currency (FX) translation. The following table details the period of operations excluded from each acquisition/divestiture to determine organic revenue and FX.

	Three Months Ended September 30,			
Amounts in millions	2020	2019	Change	Growth
MA revenue	**$ 531**	$ 494	$ 37	**7%**
RiskFirst	**(2)**	-	(2)	
ABS Suite	**(3)**	-	(3)	
Regulatory DataCorp	**(16)**	-	(16)	
MAKS	**-**	(28)	28	
Organic MA revenue	**$ 510**	$ 466	$ 44	**9%**
FX	**(8)**	-	(8)	
Organic constant currency MA revenue	**$ 502**	$ 466	$ 36	**8%**

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) Acquisition-Related Expenses; ii) amortization of acquired intangible assets; iii) restructuring charges; iv) a captive insurance company settlement; and v) loss and tax charge pursuant to the divestiture of MAKS.

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 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. These intangible assets were recorded as part of acquisition accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and 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. 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 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.

The following tables are a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

Amounts in millions	Three Months Ended September 30, 2020		Three Months Ended September 30, 2019		Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
Net income attributable to Moody's common shareholders		**$ 467**		**$ 380**		**$ 1,464**		**$ 1,062**
Pre-Tax Acquisition-Related Expenses	$ —		$ —		$ —		$ 3	
Tax on Acquisition-Related Expenses	—		—		—		—	
Net Acquisition-Related Expenses		**—**		**—**		**—**		**3**
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 31		$ 24		$ 90		$ 77	
Tax on Acquisition-Related Intangible Amortization Expenses	(7)		(6)		(20)		(18)	
Net Acquisition-Related Intangible Amortization Expenses		**24**		**18**		**70**		**59**
Pre-Tax Restructuring	$ 23		$ (1)		$ 20		$ 58	
Tax on Restructuring	(5)		—		(4)		(14)	
Net Restructuring		**18**		**(1)**		**16**		**44**
Pre-Tax captive insurance company settlement	$ —		$ 16		$ —		$ 16	
Tax on captive insurance company settlement	—		(4)		—		(4)	
Net captive insurance company settlement		**—**		**12**		**—**		**12**
Tax charge pursuant to the divestiture of MAKS		**—**		**—**		**—**		**15**
Loss pursuant to the divestiture of MAKS		**—**		**2**		**9**		**11**
Adjusted Net Income		**$ 509**		**$ 411**		**$ 1,559**		**$ 1,206**

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 September 30, 2020		Three Months Ended September 30, 2019		Nine Months Ended September 30, 2020		Nine Months Ended September 30, 2019	
Diluted earnings per share attributable to Moody's common shareholders		**$ 2.47**		**$ 1.99**		**$ 7.73**		**$ 5.54**
Pre-Tax Acquisition-Related Expenses	$ —		$ —		$ —		$ 0.02	
Tax on Acquisition-Related Expenses	—		—		—		(0.01)	
Net Acquisition-Related Expenses		**—**		**—**		**—**		**0.01**
Pre-Tax Acquisition-Related Intangible Amortization Expenses	$ 0.16		$ 0.13		$ 0.47		$ 0.40	
Tax on Acquisition-Related Intangible Amortization Expenses	(0.04)		(0.04)		(0.09)		(0.09)	
Net Acquisition-Related Intangible Amortization Expenses		**0.12**		**0.09**		**0.38**		**0.31**
Pre-Tax Restructuring	$ 0.12		$ (0.01)		$ 0.10		$ 0.30	
Tax on Restructuring	(0.02)		0.01		(0.02)		(0.07)	
Net Restructuring		**0.10**		**—**		**0.08**		**0.23**
Pre-Tax captive insurance company settlement	$ —		$ 0.08		$ —		$ 0.08	
Tax on captive insurance company settlement	—		(0.02)		—		(0.02)	
Net captive insurance company settlement		**—**		**0.06**		**—**		**0.06**
Tax charge pursuant to the divestiture of MAKS		**—**		**—**		**—**		**0.08**
Loss pursuant to the divestiture of MAKS		**—**		**0.01**		**0.05**		**0.06**
Adjusted Diluted EPS		**$ 2.69**		**$ 2.15**		**$ 8.24**		**$ 6.29**

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