Moody's | Better decisions

First Quarter 2021 Earnings Call

April 28, 2021

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. Stockholders and investors are cautioned not to place undue reliance on these 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 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; 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; U.S. legislation modifying the pleading standards and EU regulations modifying the liability standards applicable to credit rating agencies in a manner adverse to credit rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services and the expansion of supervisory remit to include non-EU ratings used for regulatory purposes; 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, 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 & 1Q 2021 Results

Rob Fauber

President and Chief Executive Officer

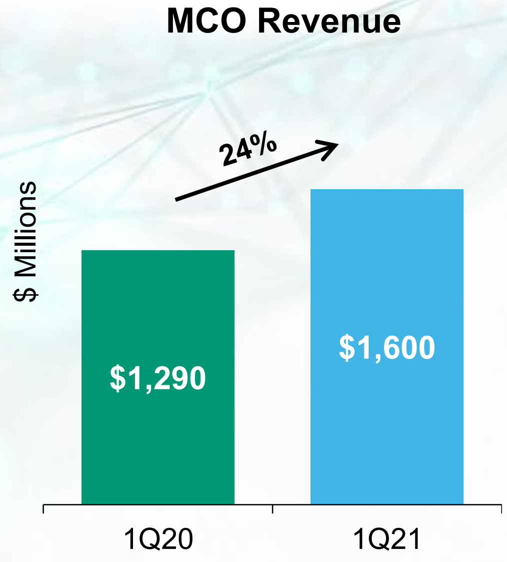
Executive Summary

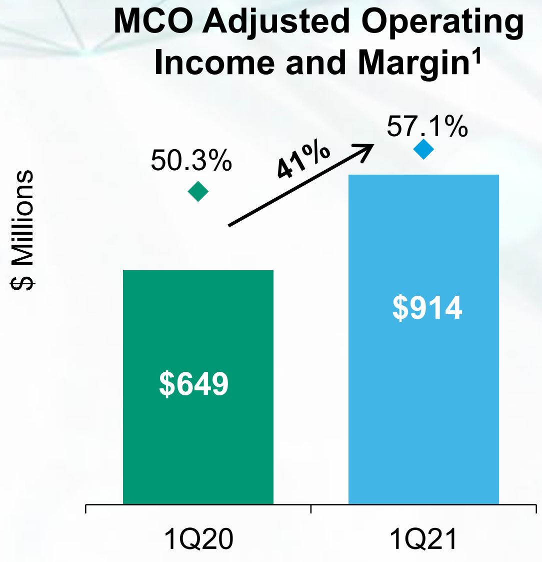
- » Strong quarterly financial results: MCO revenue of $1.6 billion, up 24%; adjusted diluted EPS of $4.06, up 49%[1]
- » MIS revenue growth accelerated by robust leveraged finance issuance, opportunistic refinancing and increased M&A activity
- » MA's focus on recurring revenue continues to deliver strong growth across multiple products and solutions, notably credit research and data feeds, KYC, insurance and asset management
- » Innovations and enhancements across multiple products, in-line with key strategic investments
- » Updated FY 2021 guidance[2]: MCO revenue growth increased to high-single-digits; adjusted diluted EPS range raised and narrowed to $11.00 – $11.30[2]

1. Refer to the Appendix for a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP.
2. Guidance as of April 28, 2021. Refer to Table 12 – "2021 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

1Q 2021: Revenue Growth Drove Significant Margin and EPS Expansion

- MCO revenue increased 24%, driven by 30% growth from MIS and 14% growth from MA
- Adjusted operating income up 41%; adjusted operating margin of 57.1%, up 680 bps[1]
- Adjusted diluted EPS of $4.06, up 49%[1]

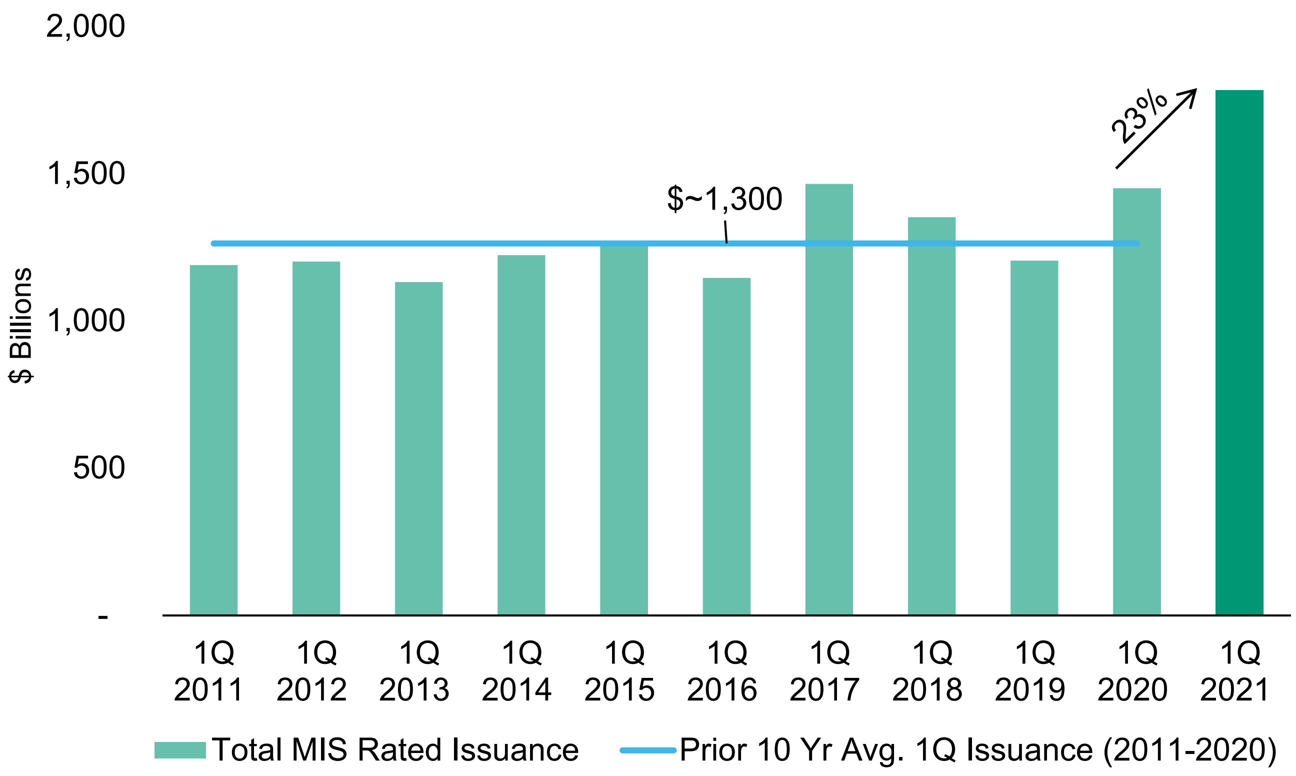




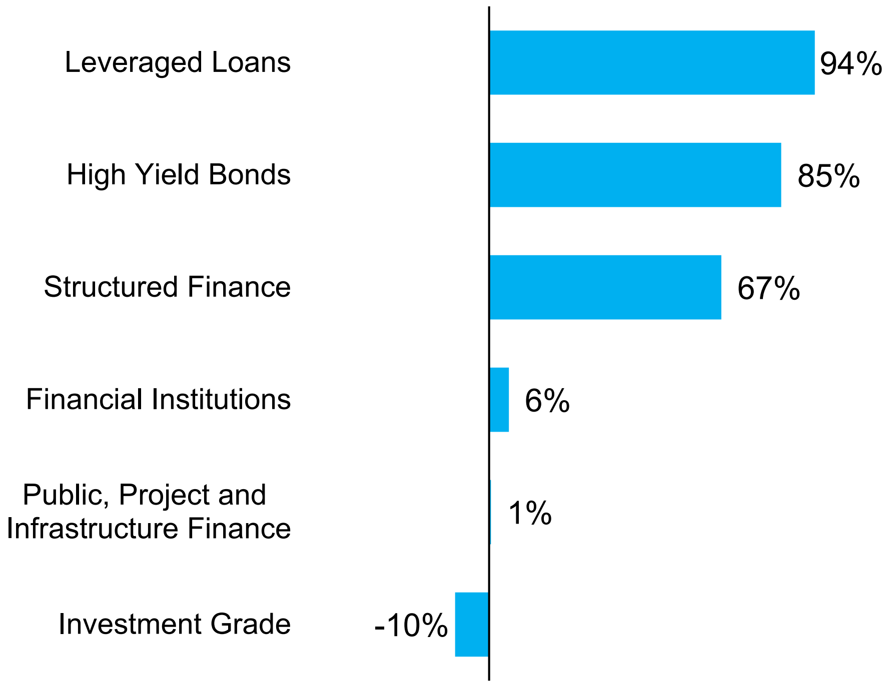
1. Adjusted operating income, adjusted operating margin and adjusted diluted EPS are non-GAAP measures. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and U.S. GAAP.

Leveraged Loans and High Yield Bonds Led the Strongest First Quarter Issuance in a Decade

MIS Rated Issuance – Historical First Quarters



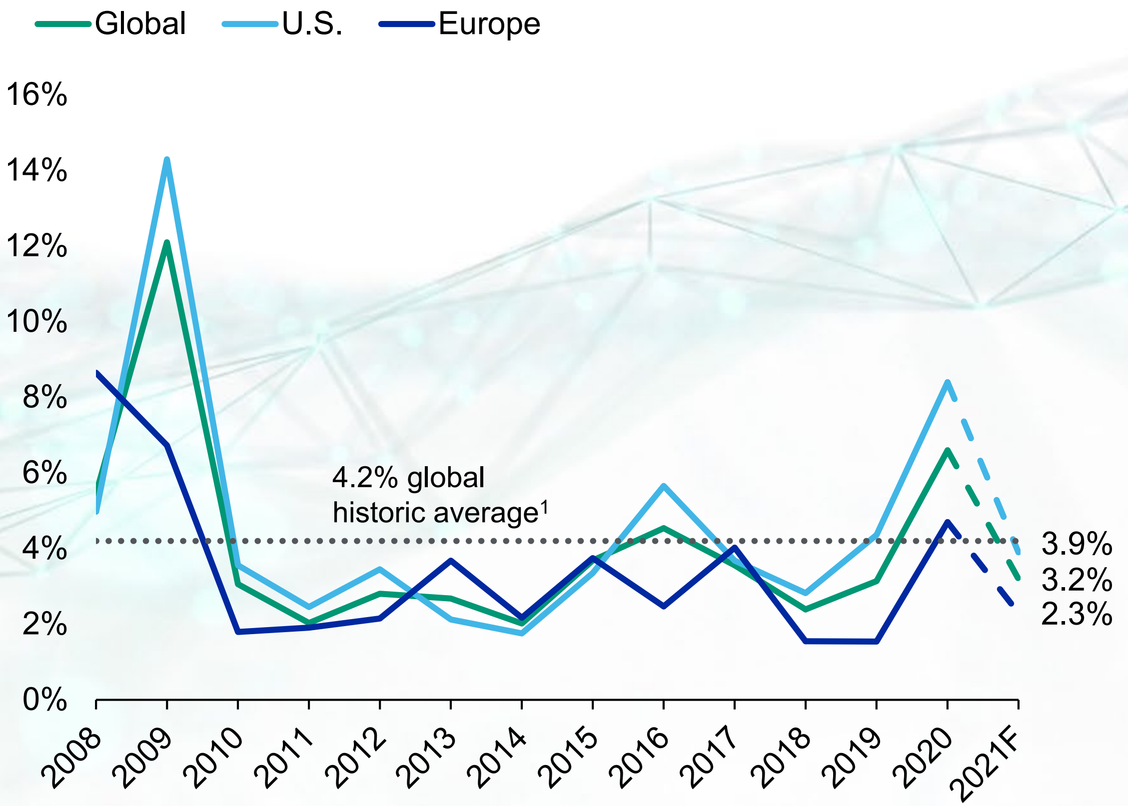
1Q 2021 Issuance Year-Over-Year Growth



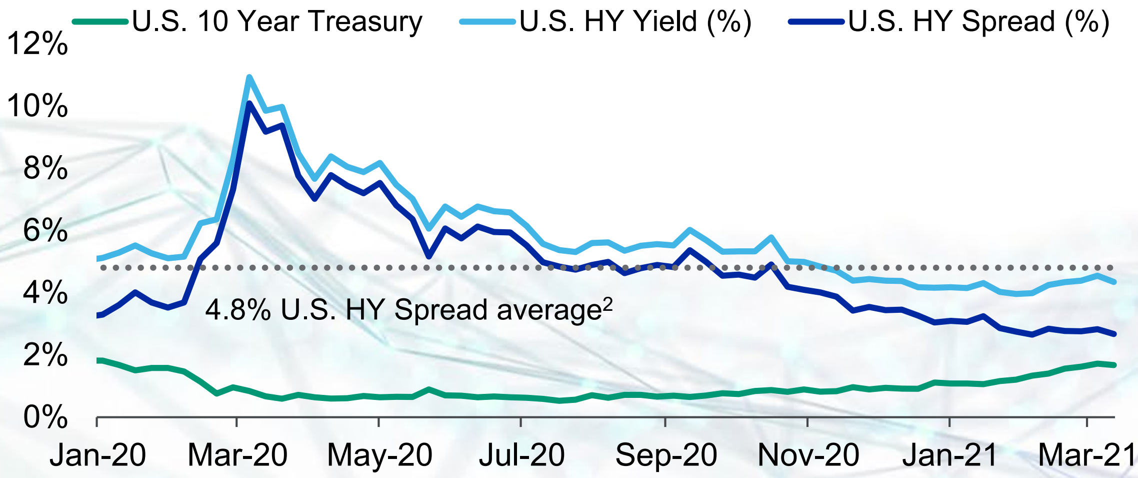
Note: MIS rated issuance, excludes sovereign debt issuance. Issuance figures displayed in billions, except for year-over-year growth calculations.

Improving Default Outlook and Tight Spreads Create Supportive Issuance Environment

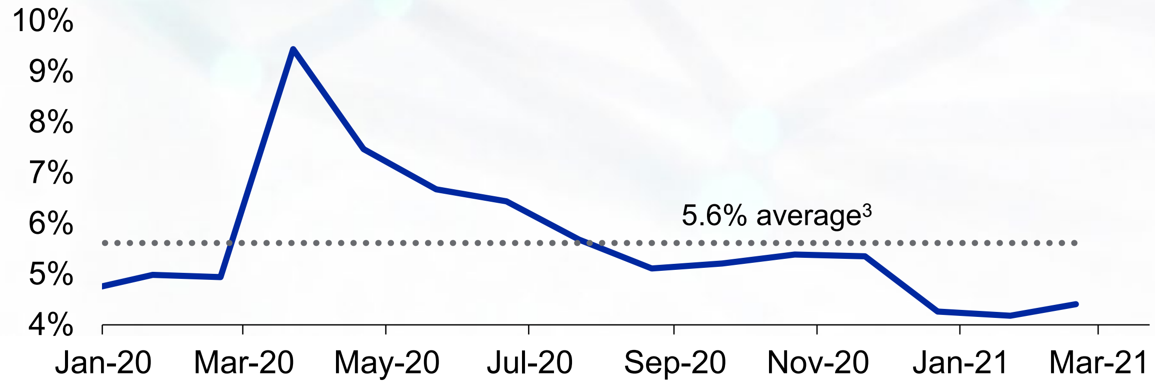
Default Rates for Speculative-Grade Corporate Rated Issuance[1]



High Yield Bond Spreads[2]



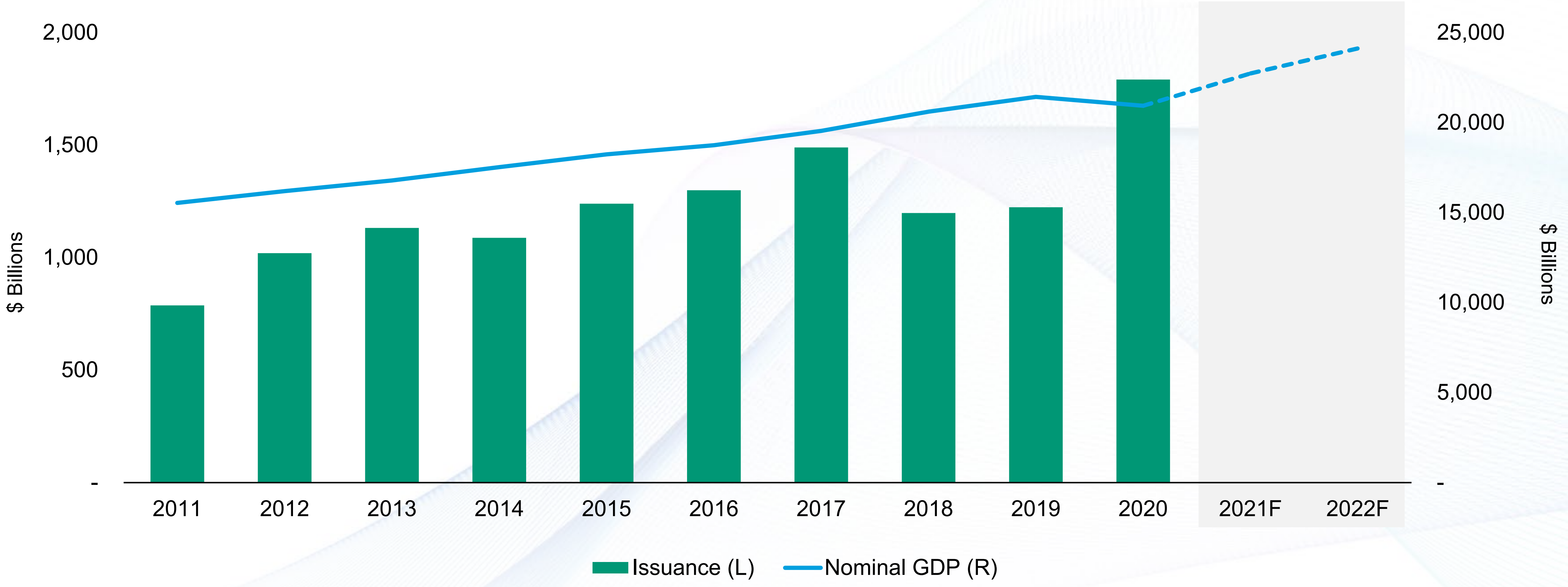
Institutional Loan Yields[3]



1. Source: Moody's Investors Service "March 2021 Default Report".
2. Source: Bloomberg.
3. Source: Refinitiv PLC. Monthly – Average yield. Deal Size >$100M to $500M.

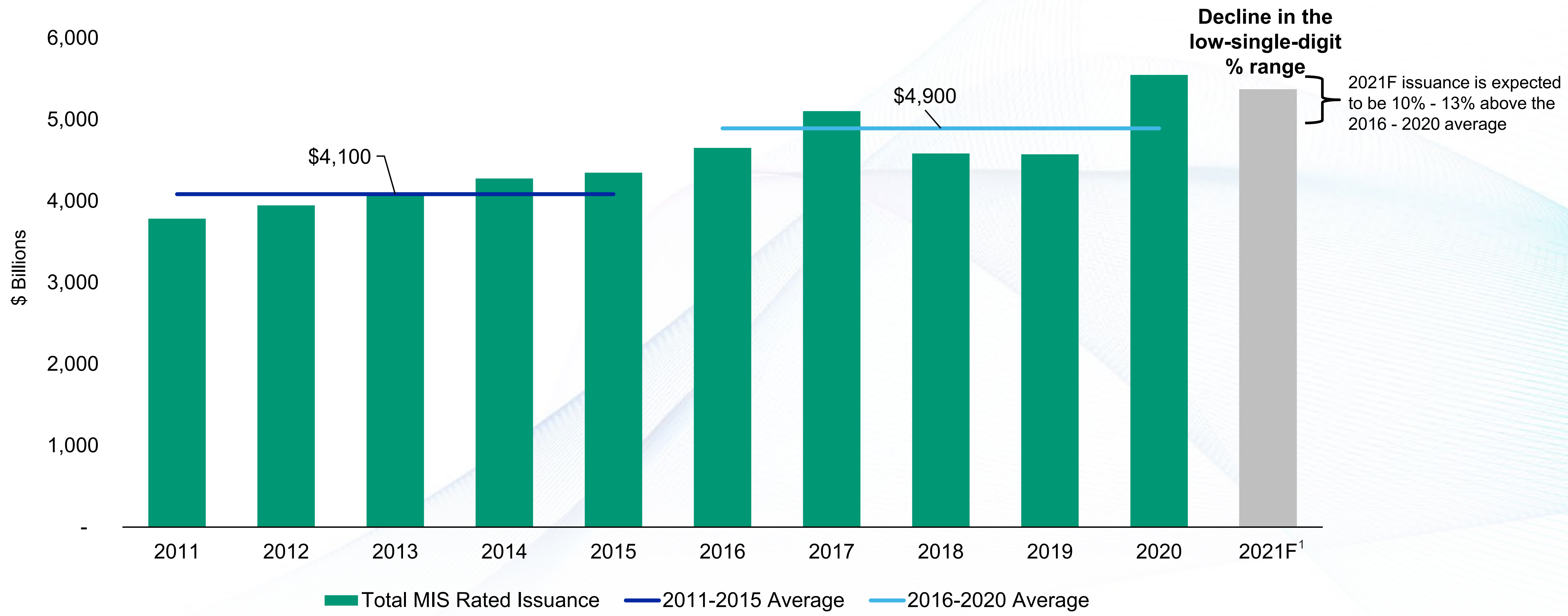
GDP Growth Supports Long-Term Issuance Expansion

U.S. Corporate Issuance[1] and Nominal GDP[2]



1. MIS rated issuance, excludes sovereign debt issuance. Issuance figures displayed in billions.
2. Nominal GDP data for 2011-2020 from the St. Louis Federal Reserve FRED database. Nominal GDP estimates for 2021 and 2022 based on real GDP growth estimates plus inflation estimates as of April 28, 2021 from Moody's Investors Service and consensus estimates.

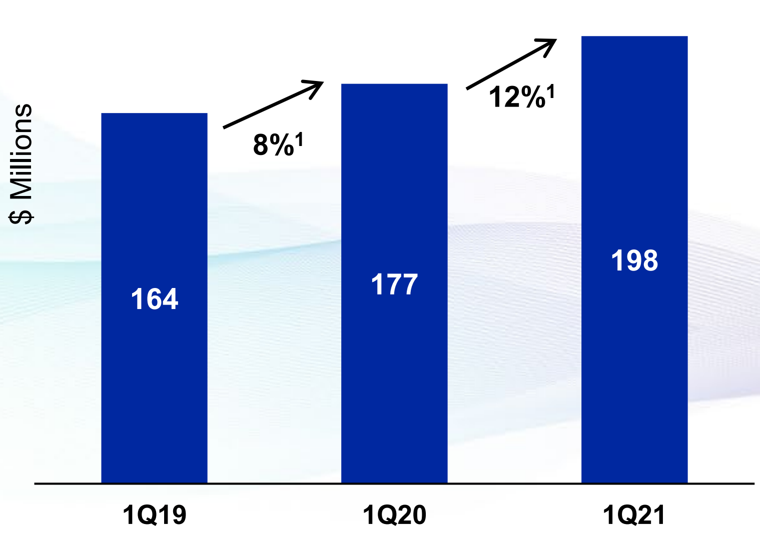
FY 2021 Issuance Outlook Above Historical Levels



1. Guidance as of April 28, 2021. Refer to Table 12 – "2021 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.
Note: MIS rated issuance, excludes sovereign debt issuance. Issuance figures displayed in billions.

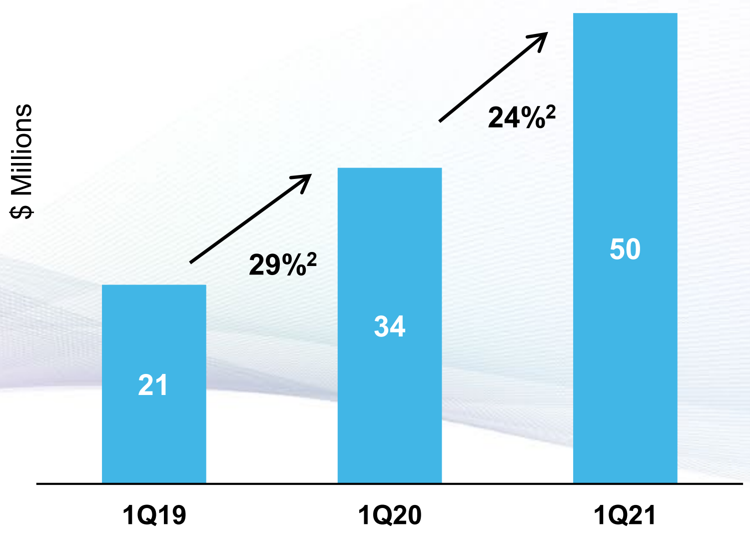
Strong MA Organic Revenue Growth Across Multiple Products and Solutions

Credit Research and Data Feeds



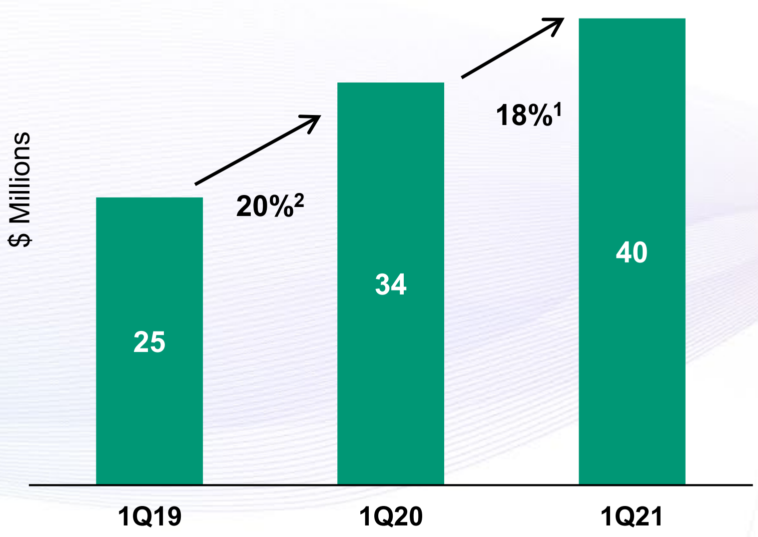
Strong retention rates for credit research and continued demand for data feeds drove growth

KYC and Compliance



Growth reflected heightened awareness of resiliency risk, with ongoing demand for KYC and supply chain solutions

Insurance and Asset Management



Contributions from asset management products and IFRS17 solutions

1. No impact from M&A.
2. All growth percentages are organic. Organic revenue growth as defined in the reconciliation tables in the Appendix. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and U.S. GAAP.

Strategic Focus: Collaborate, Modernize and Innovate

ESG & Climate Offerings

- Climate adjusted transition and physical risk scores launched for ~37,000 companies
- Continued partnership with Euronext to power the CAC 40 ESG® Index
- MIS launched ESG scores for all rated sovereign issuers

RiskTech 100 2021
Moody's Analytics
Climate Risk
★ Climate Risk Category Winner

Automated Financial Spreading

- QUIQspread: Next generation financial spreading tool used by global banks
- Creates significant efficiencies for customers by automating and reducing spreading time

American Financial Technology[1]
Awards Winner 2020
Best Artificial Intelligence (AI) Technology Initiative
Moody's Analytics

Sentiment Analysis and Scoring Capabilities

- AI enabled media monitoring and analysis
- Machine learning generates adverse, neutral or positive sentiment
- Leveraged across Moody's products and solutions: e.g., Coronavirus IntelliPulse tool and Credit Sentiment Score

AI
Award Winner

Technology Infrastructure

- New platform to enable agile culture and rapid prototyping
- Significant increase in business feature deployments

Red Hat Innovation Awards Honorable Mention April 19, 2021

1. Part of WatersTechnology.

Invest with Intent: Successful Integration of Recent M&A

RDC

- High quality data paired with automation and machine learning reduces false positives
- GRID database integrated with Orbis data, enabling more holistic risk identification

Acquire Media

- Enriched screening and surveillance solutions for KYC
- NewsEdge™ content integrated into MA's sentiment analysis tools – faster early warning and monitoring capabilities

Catylist

- Expansion of Catylist into new markets enhances commercial real estate data coverage and quality
- Launched combined go-to-market activities with REIS to create a Moody's CRE Solutions unit

ZM Financial

- Joining treasury, accounting and financial management capabilities under one combined system
- Pairing ZM's ALM[1] and loan pricing tools with MA's CECL[2], capital planning and balance sheet software

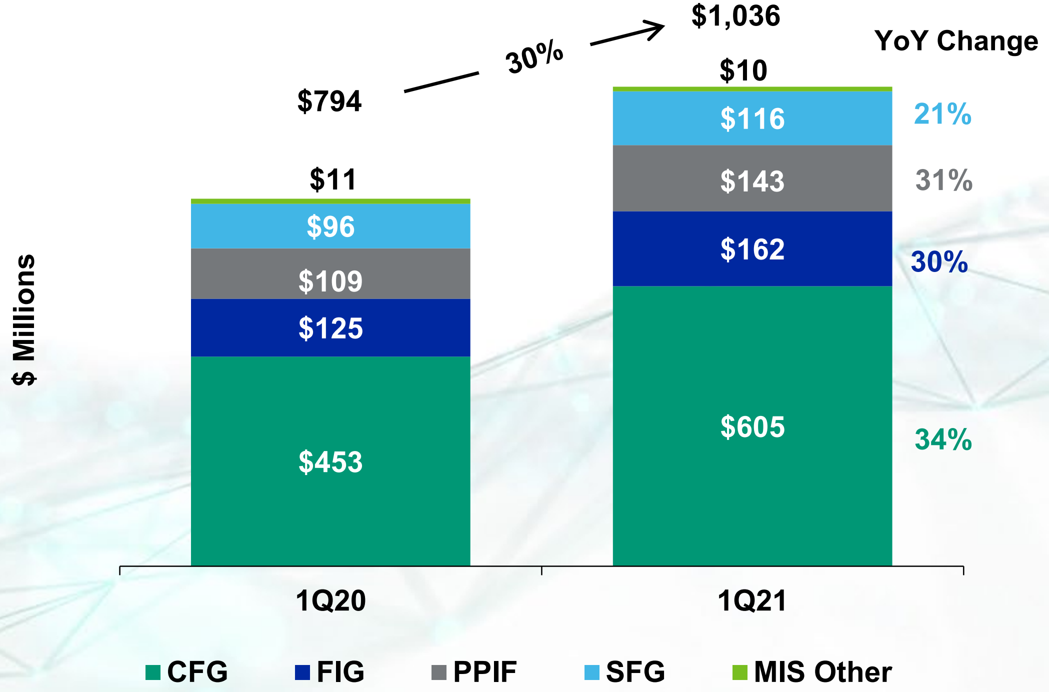
1. ALM = Asset and Liability Management.
2. CECL = Current Expected Credit Loss Model.

1Q 2021 Analysis & FY 2021 Outlook

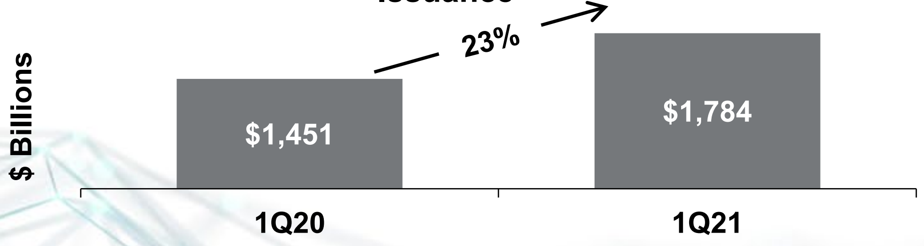
Mark Kaye
Chief Financial Officer

MIS: Robust Issuance Drove Results

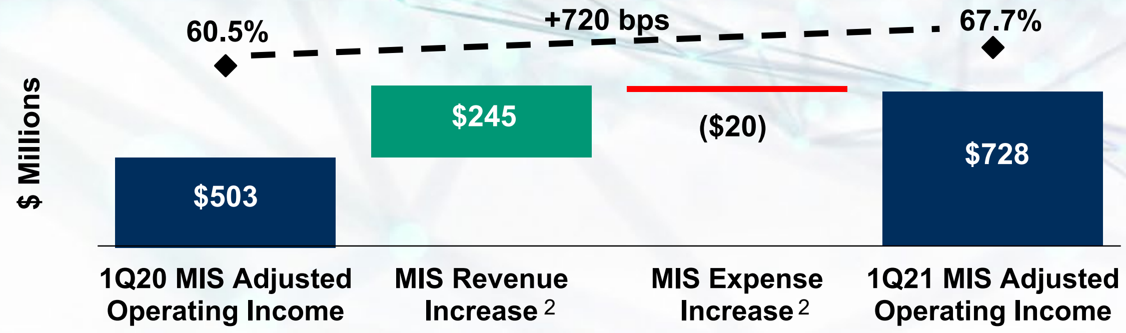
MIS Revenue



Issuance[1]



MIS Adjusted Operating Income and Margin



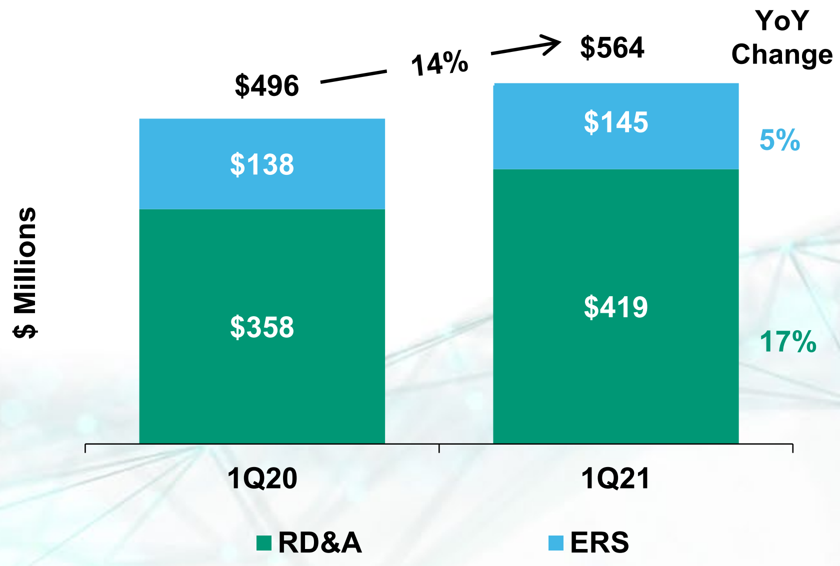
- **CFG:** Leveraged finance, M&A-related issuance and opportunistic refinancing partially offset by expected moderation in investment grade issuance
- **FIG** and **PPIF** revenue benefited from active infrequent issuers

- **SFG:** Growth across all asset classes, including a surge in CLO refinancing activity
- Revenue growth outpaced expenses to drive over 700 bps in adjusted operating margin expansion

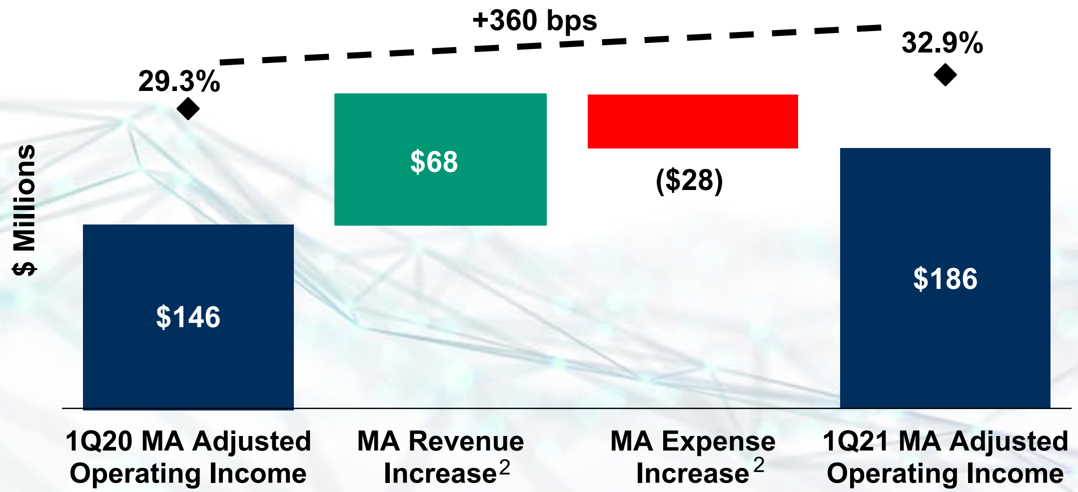
1. MIS rated issuance, excludes sovereign debt issuance.
2. Includes intercompany revenue and expenses. Changes exclude the impact of adjusting items. Please refer to the Appendix for a reconciliation between operating income and adjusted operating income.

MA: Strong Revenue and Margin Growth

MA Revenue



MA Adjusted Operating Income and Margin



» **RD&A:** Low-double-digit percent organic revenue[1] growth due to strong demand for KYC and compliance solutions, research and data feeds

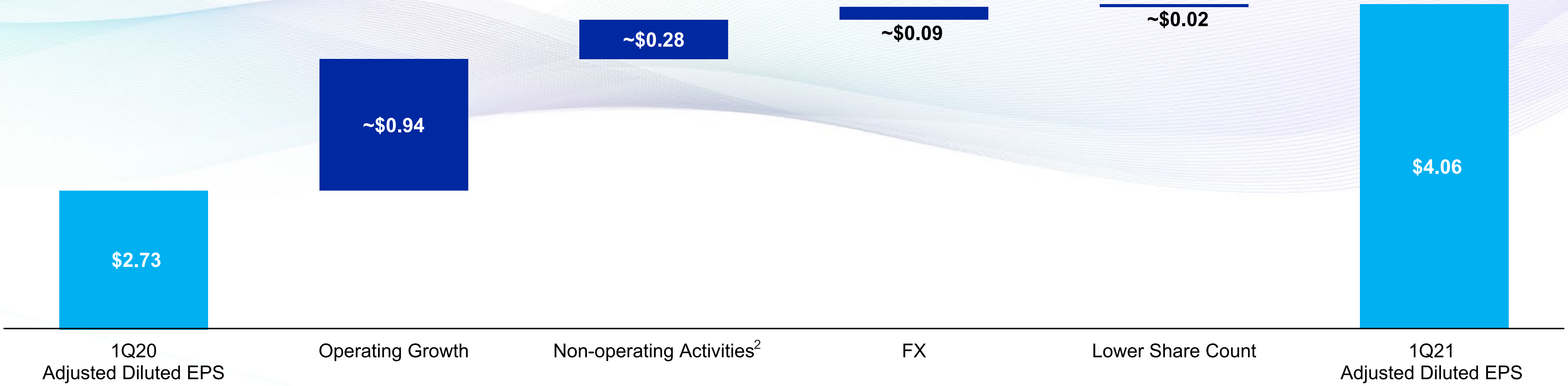
» **ERS:** Mid-teens percent growth in recurring revenue offset by an anticipated decline from one-time implementation services

» Year-over-year margin expansion enabled by:
- Growth in subscription-based revenue: 92% recurring revenue, up from 90% in 1Q 2020
- Disciplined expense management

1. RD&A organic revenue growth as defined in the reconciliation tables in the Appendix. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and U.S. GAAP.
2. Includes intercompany revenue and expenses. Changes exclude the impact of adjusting items. Please refer to the Appendix for a reconciliation between operating income and adjusted operating income.

Adjusted Diluted EPS[1]: Operating Leverage Drove 1Q Growth

- MIS operating performance drove first quarter adjusted diluted EPS growth
- Non-operating activities[2] contributed ~10% to adjusted diluted EPS growth



1. Adjusted diluted EPS is a non-GAAP measure. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and U.S. GAAP.
2. Includes non-operating income/(expense), benefits from resolution of uncertain tax positions and excess tax benefits, and non-controlling interests.

FY 2021 Corporate-Level Guidance[1]

Revenue	Increase in the high-single-digit % range
Expenses	Increase in the mid-single-digit % range
Adjusted Operating Margin[2]	Approximately 50%
Interest Expense, Net	$160 - $180 million
Effective Tax Rate	20.0% - 22.0%
Diluted EPS	$10.40 - $10.70
Adjusted Diluted EPS[2]	$11.00 - $11.30
Free Cash Flow[2]	$2.1 - $2.2 billion
Share Repurchases[3]	Approximately $1.5 billion

Macro assumptions underpinning our guidance[4]

2021 GDP

6.0% - 7.0% United States

3.5% - 4.5% Euro area

5.5% - 6.5% Global

Benchmark interest rates remain low; U.S. high yield spreads below 450 bps

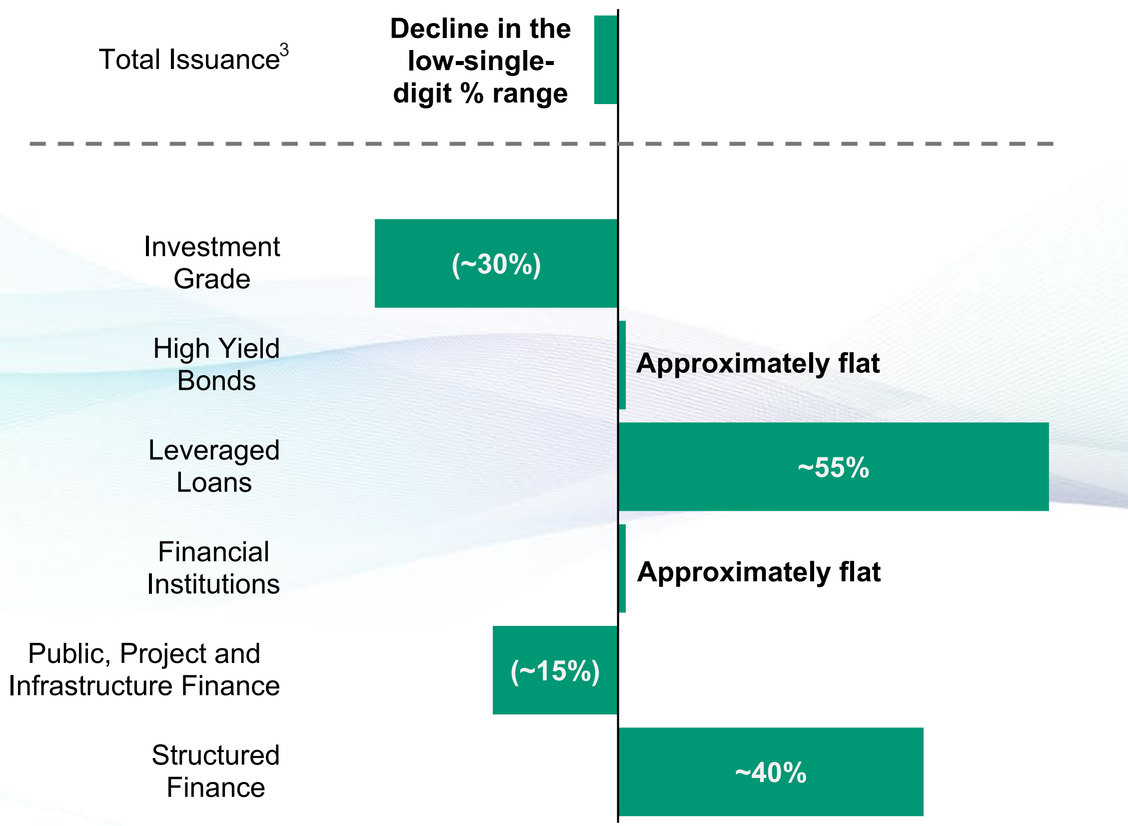
U.S. unemployment rate of 5% - 6% by year-end

Global high yield default rate falling to 3% - 4% by year-end

1. Guidance as of April 28, 2021. Refer to Table 12 – "2021 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.
2. Adjusted operating margin, adjusted diluted EPS and free cash flow are non-GAAP measures. Refer to the Appendix for a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP.
3. Subject to available cash, market conditions and other ongoing capital allocation decisions.
4. Sources: High yield spreads, default rate and unemployment assumptions as of Moody's Investors Service "March 2021 Default Report"; GDP assumption as of April 28, 2021 from Moody's Investors Service and consensus estimates.

Improvement in Issuance Outlook[1,2] Driven by Leveraged Loans

FY 2021 Issuance Guidance[1,2]

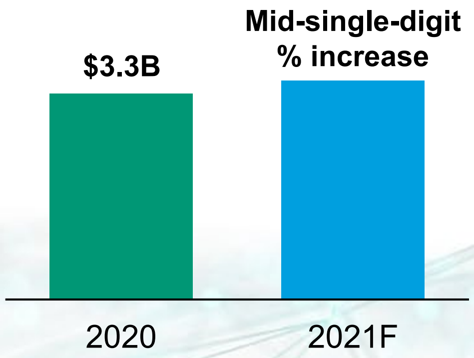


- Full year issuance expected to decline in the low-single-digit percent range
  - Impact from potential U.S. infrastructure legislation not assumed in 2021 guidance
- Forecast issuance in 2Q and 3Q to be lower on a year-over-year basis, due to tough comparables
- Refinancing and increased M&A activity have significantly raised the outlook for leveraged loans
- Growth in CLOs as loan supply increases
- 800 – 850 first time mandates

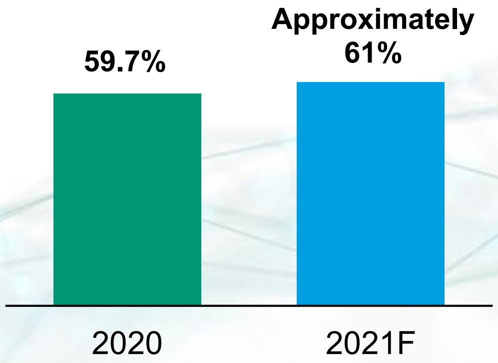
1. Guidance as of April 28, 2021. Refer to Table 12 – "2021 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.
2. MIS rated issuance.
3. Total issuance includes CFG, SFG, FIG and PPIF. Excludes sovereign debt.

FY 2021 Segment-Level Guidance[1]

MIS Revenue[1]

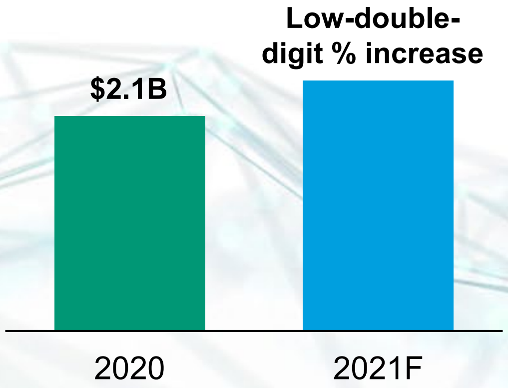


MIS Adjusted Operating Margin[1]

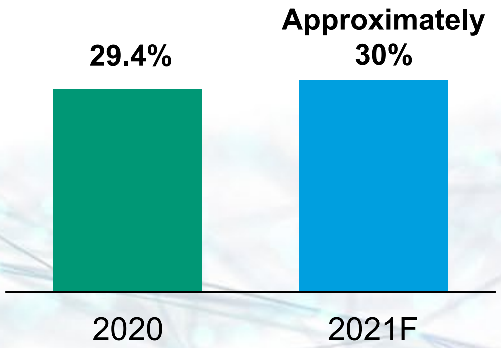


- Raised revenue guidance due to improved issuance outlook
- Continue to expect favorable issuance mix
- Margin guidance increased as higher revenue, process efficiencies and continued savings from the remote-work environment are partially offset by modestly higher estimates for incentive compensation

MA Revenue[1]



MA Adjusted Operating Margin[1]

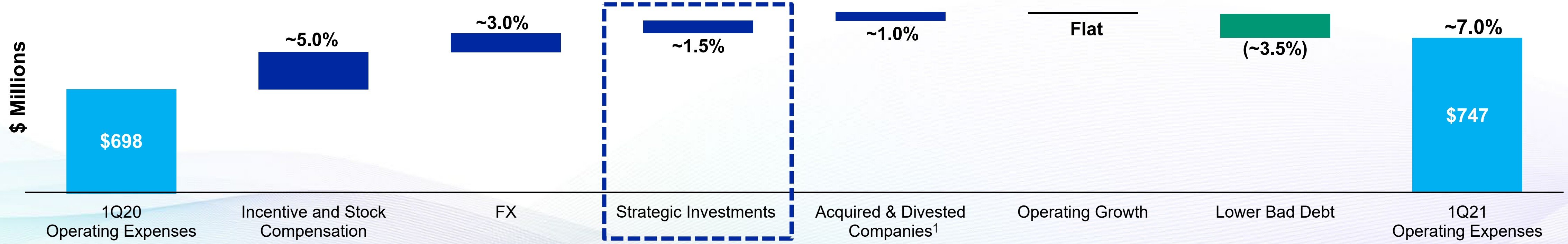


- ~93% recurring revenue; retention in the mid-90's percentage
- RD&A: Continued strength in KYC and compliance solutions, research and data feeds
- ERS: Strong growth in recurring revenue due to ongoing emphasis on subscription-based products and services
- M&A activity: Revenue growth benefit of 2% to 3% and downward impact on adjusted operating margin of 100 to 150 bps

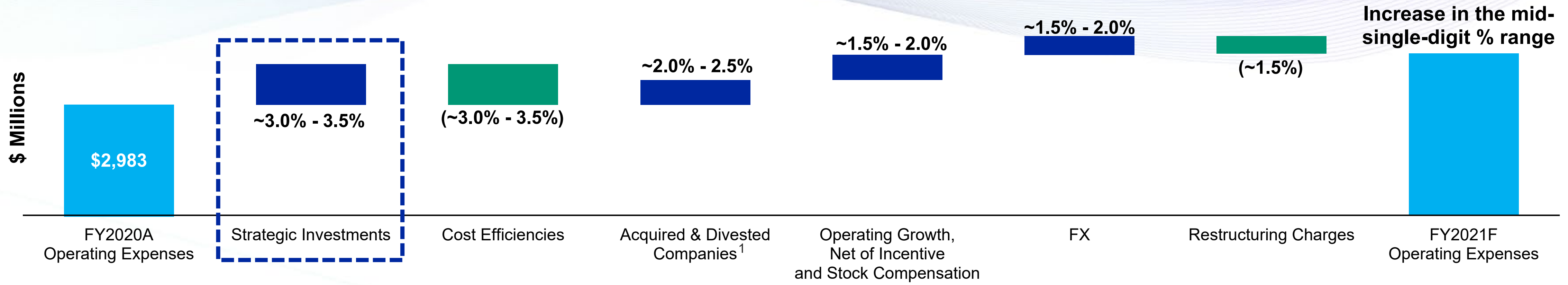
1. Guidance as of April 28, 2021. Refer to Table 12 – "2021 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

Disciplined Expense Management Enables Key Strategic Investments

1Q21 vs. 1Q20



FY21F vs. FY20



1. Includes the impact of the 1Q 2020 loss pursuant to the divestiture of MAKS.

Key Takeaways

» Solid execution coupled with robust issuance led to strong 1Q 2021 performance

» Ongoing innovation furthers our integrated risk assessment strategy and enables our customers to make better decisions

» Disciplined expense management while focusing on reinvestment into key strategic areas

» Improved full year 2021 outlook: upward revenue revision drives operating leverage and increased earnings guidance[1]

1. Guidance as of April 28, 2021. Refer to Table 12 – "2021 Outlook" in the press release for a complete list of guidance and a reconciliation between adjusted measures to U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

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Questions and Answers

Rob Fauber
President and Chief Executive Officer

Mark Kaye
Chief Financial Officer

Moody's Attendance at Upcoming Conferences

MAY
7

Credit Suisse eXtreme Services Conference

» *Mark Kaye, Chief Financial Officer*

MAY
13

Morgan Stanley Business Services One-on-One Day

» *David Platt, SVP and Chief Strategy Officer*

MAY
18

Barclays Americas Select Conference

» *Rob Fauber, President and Chief Executive Officer*

JUN
04

Autonomous Strategic Decisions Conference

» *Rob Fauber, President and Chief Executive Officer*

Replay Details

Available from 3:30pm (Eastern Time) April 28, 2021 until 3:30pm (Eastern Time) May 27, 2021

Telephone Details

» U.S. & Canada	+1-888-203-1112
» Non-U.S. & Canada	+1-719-457-0820
» Passcode	8834896

Webcast Details

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» Click on “Events & Presentations”

» Click on the link for “1Q 2021 Earnings Conference Call”

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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 two LOBs – RD&A and ERS
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
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
YoY	Year-over-year
YTD	Year-to-date

Financial Information 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) restructuring; and iii) a loss pursuant to the divestiture of MAKS.

	Three Months Ended March 31,							
	2021				2020			
Amounts in millions	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	$ 1,076	$ 566	$ (42)	$ 1,600	$ 831	$ 498	$ (39)	$ 1,290
Total expense	366	423	(42)	747	343	394	(39)	698
Operating income	**$ 710**	**$ 143**	**$ —**	**$ 853**	**$ 488**	**$ 104**	**$ —**	**$ 592**
Add:								
Depreciation and amortization	18	41	—	59	16	33	—	49
Restructuring	—	2	—	2	(1)	—	—	(1)
Loss pursuant to the divestiture of MAKS	—	—	—	—	—	9	—	9
Adjusted Operating Income	**$ 728**	**$ 186**	**$ —**	**$ 914**	**$ 503**	**$ 146**	**$ —**	**$ 649**
Operating margin	66.0 %	25.3 %		53.3 %	58.7 %	20.9 %		45.9 %
Adjusted Operating Margin	67.7 %	32.9 %		57.1 %	60.5 %	29.3 %		50.3 %

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) restructuring; and iii) loss pursuant to the divestiture of MAKS. Depreciation and amortization are excluded because companies utilize productive assets of different estimated useful lives and use different methods of acquiring and depreciating productive assets. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. 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.

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 March 31,	
Amounts in millions	**2021**	**2020**
Operating income	**$ 853**	**$ 592**
Depreciation and amortization	59	49
Restructuring	2	(1)
Loss pursuant to the divestiture of MAKS	—	9
Adjusted Operating Income	**$ 914**	**$ 649**
Operating margin	**53.3 %**	**45.9 %**
Adjusted Operating Margin	**57.1 %**	**50.3 %**

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.

	Three Months Ended March 31,	
Amounts in millions	**2021**	**2020**
Net cash provided by operating activities	$ 676	$ 345
Capital additions	(14)	(21)
Free Cash Flow	$ 662	$ 324
Net cash used in investing activities	$ (194)	$ (772)
Net cash (used in) provided by financing activities	$ (290)	$ 765

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 acquisition activity. The following table details the period of operations excluded from each acquisition to determine organic revenue.

Acquisition	Acquisition Date	Period excluded to determine organic revenue growth
Regulatory DataCorp	February 13, 2020	January 1, 2021 - February 12, 2021
Acquire Media	October 21, 2020	January 1, 2021 - March 31, 2021
ZM Financial Systems	December 7, 2020	January 1, 2021 - March 31, 2021
Catylist	December 30, 2020	January 1, 2021 - March 31, 2021

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

	Three Months Ended March 31,			
Amounts in millions	2021	2020	Change	Growth
MA revenue	**$ 564**	**$ 496**	**$ 68**	**14%**
Regulatory DataCorp	(8)	—	(8)	
Acquire Media	(7)	—	(7)	
ZM Financial Systems	(2)	—	(2)	
Catylist	(2)	—	(2)	
Organic MA revenue	**$ 545**	**$ 496**	**$ 49**	**10%**

	Three Months Ended March 31,			
Amounts in millions	2021	2020	Change	Growth
RD&A revenue	**$ 419**	**$ 358**	**$ 61**	**17%**
Regulatory DataCorp	(8)	—	(8)	
Acquire Media	(7)	—	(7)	
Catylist	(2)	—	(2)	
Organic RD&A revenue	**$ 402**	**$ 358**	**$ 44**	**12%**

	Three Months Ended March 31,			
Amounts in millions	2021	2020	Change	Growth
ERS revenue	**$ 145**	**$ 138**	**$ 7**	**5%**
ZM Financial Systems	(2)	—	(2)	
Organic ERS revenue	**$ 143**	**$ 138**	**$ 5**	**4%**

Organic Revenue and Growth Measures – KYC and Compliance, and Insurance and Asset Management

Amounts in millions	Three Months Ended March 31,				Three Months Ended March 31,			
	2021	**2020**	**Change**	**Growth**	**2020**	**2019**	**Change**	**Growth**
KYC and Compliance Revenue	**$ 50**	$ 34	$ 16	**47%**	**$ 34**	$ 21	$ 13	**62%**
Regulatory DataCorp	**(8)**	-	(8)		**(7)**	-	(7)	
Organic KYC and Compliance Revenue	**$ 42**	$ 34	$ 8	**24%**	**$ 27**	$ 21	$ 6	**29%**

Amounts in millions	Three Months Ended March 31,				Three Months Ended March 31,			
	2021	**2020**	**Change**	**Growth**	**2020**	**2019**	**Change**	**Growth**
Insurance and Asset Management Revenue	**$ 40**	**$ 34**	$ 6	**18%**	**$ 34**	$ 25	$ 9	**36%**
RiskFirst	**-**	-	-		**(4)**	-	(4)	
Organic Insurance and Asset Management Revenue	**$ 40**	$ 34	$ 6	**18%**	**$ 30**	$ 25	$ 5	**20%**

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) restructuring charges; and iii) loss pursuant to the divestiture of MAKS.

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different estimated useful lives and have different methods of acquiring and amortizing intangible assets. These intangible assets were recorded as part of acquisition accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the timing and magnitude of business combination transactions are not predictable, and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Restructuring charges are excluded as the frequency and magnitude of these charges may vary widely across periods and companies. 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 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 March 31,			
Amounts in millions	2021		2020	
Net income attributable to Moody's common shareholders		**$ 736**		**$ 488**
Pre-tax Acquisition-Related Intangible Amortization Expenses	$ 35		$ 28	
Tax on Acquisition-Related Intangible Amortization Expenses	(8)		(6)	
Net Acquisition-Related Intangible Amortization Expenses		**27**		**22**
Pre-tax restructuring	$ 2		$ (1)	
Tax on restructuring	—		—	
Net restructuring		**2**		**(1)**
Loss pursuant to the divestiture of MAKS		**—**		**9**
Adjusted Net Income		**$ 765**		**$ 518**

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 March 31,			
	2021		2020	
Diluted earnings per share attributable to Moody's common shareholders		**$ 3.90**		**$ 2.57**
Pre-tax Acquisition-Related Intangible Amortization Expenses	$ 0.19		$ 0.15	
Tax on Acquisition-Related Intangible Amortization Expenses	(0.04)		(0.03)	
Net Acquisition-Related Intangible Amortization Expenses		**0.15**		**0.12**
Pre-tax restructuring	$ 0.01		$ (0.01)	
Tax on restructuring	—		—	
Net restructuring		**0.01**		**(0.01)**
Loss pursuant to the divestiture of MAKS		**—**		**0.05**
Adjusted Diluted EPS		**$ 4.06**		**$ 2.73**

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