

MOODY'S | Better decisions

Second Quarter 2021 Earnings Call

July 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, tax agreements 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 '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 & 2Q 2021 Results



Rob Fauber

President and Chief Executive Officer

Executive Summary

- » Strong quarterly financial results: MCO revenue of \$1.6 billion, up 8%; adjusted diluted EPS¹ of \$3.22, up 15%
- » Continuation of favorable MIS and MA market conditions and drivers:
 - Robust leveraged finance issuance, opportunistic refinancing and increased M&A activity
 - Strong recurring revenue growth across multiple MA products and solutions
- » Growing revenue, paired with expense discipline, drove adjusted operating margin expansion; cost efficiency initiatives to fund key 2021 investments
- » Innovations and enhancements create opportunities for strategic growth
- » Updated FY 2021 guidance²: MCO revenue growth raised to low-double-digits; adjusted diluted EPS¹ raised to \$11.55 - \$11.85²

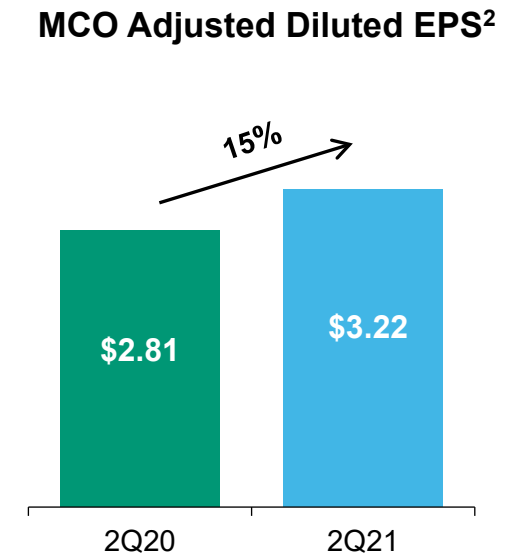
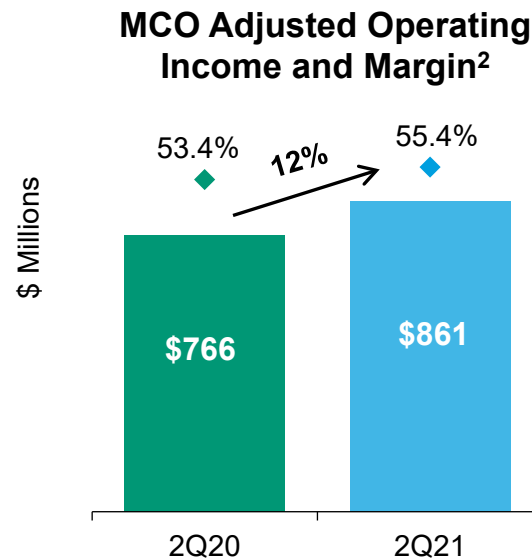
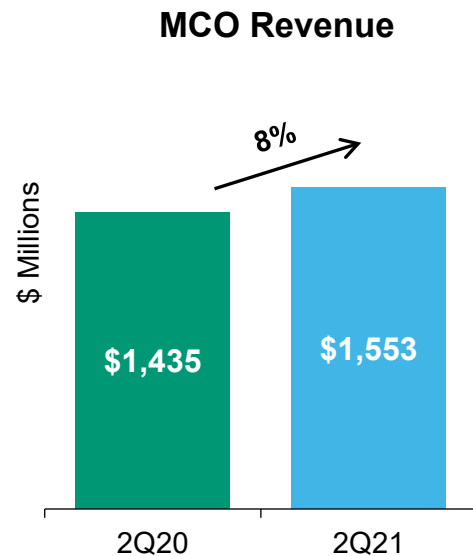
1. Refer to the Appendix for a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

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



2Q 2021: Revenue Growth and Expense Discipline Drove Significant Margin and EPS Expansion

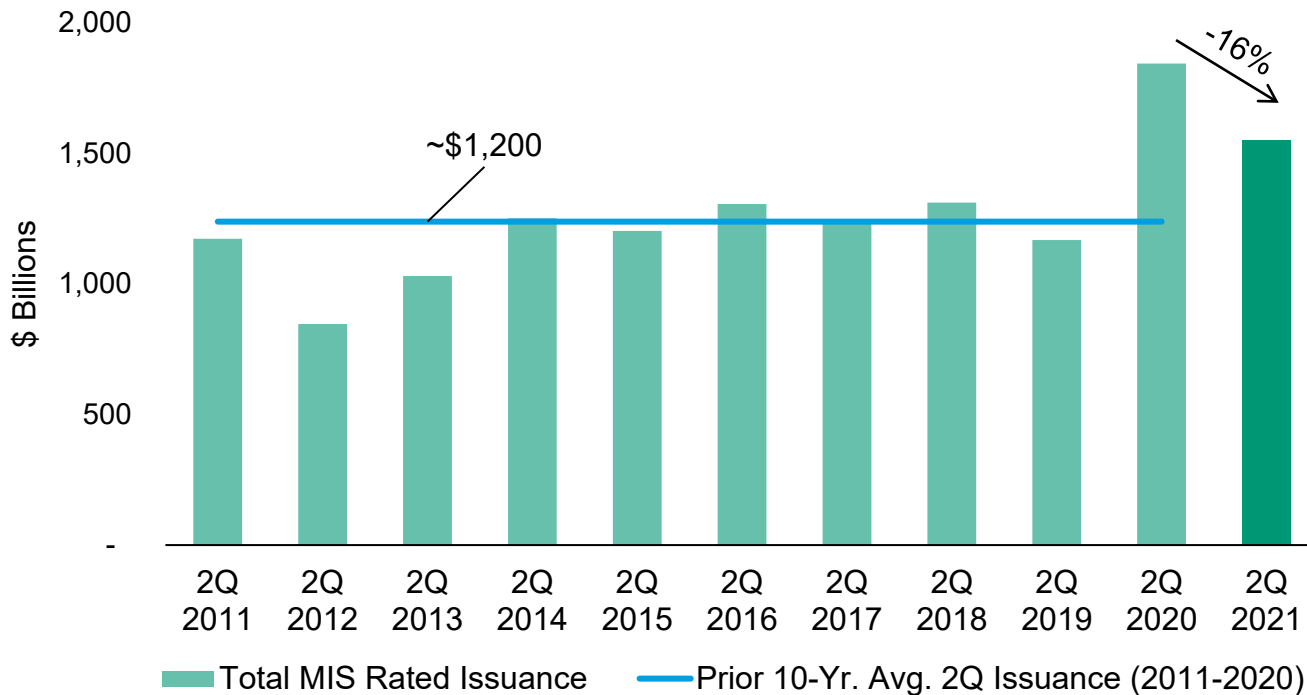
- » MCO revenue increased 8%, including 4% growth from MIS and 15% growth from MA
 - MA organic constant currency growth¹ of 8%
- » Adjusted operating income² up 12%; adjusted operating margin² of 55.4%, up 200 bps
- » Adjusted diluted EPS² of \$3.22, up 15%



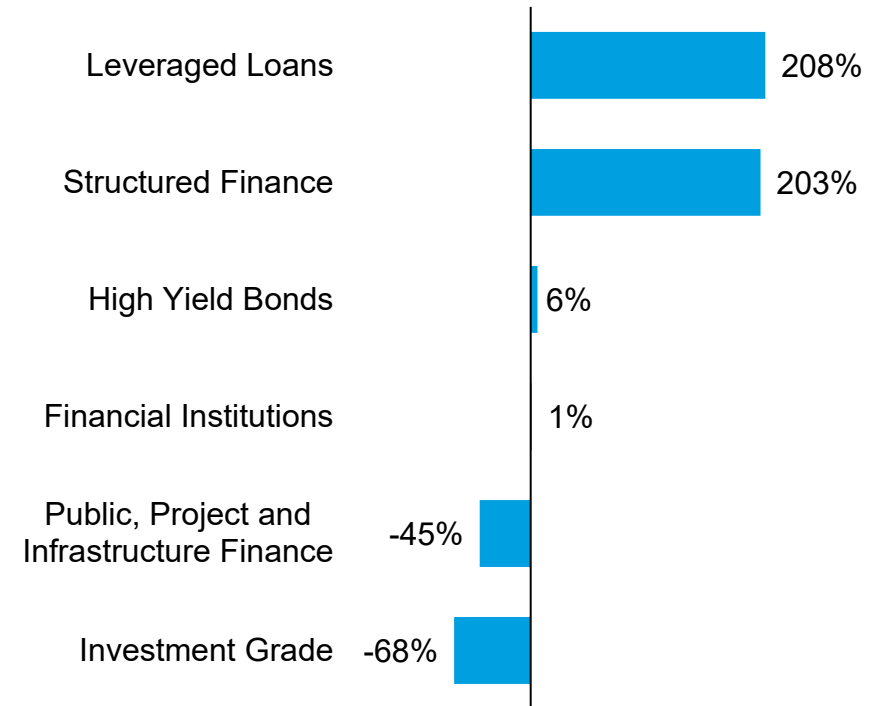
1. MA organic constant currency growth as defined in the reconciliation tables in the Appendix.
2. Adjusted operating income, adjusted operating margin and adjusted diluted EPS are non-GAAP measures.
Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and U.S. GAAP.

Robust Leveraged Loan and Structured Finance Issuance Growth

Historical MIS Rated Issuance¹ – Second Quarters



2Q 2021 Year-Over-Year Issuance¹ Growth

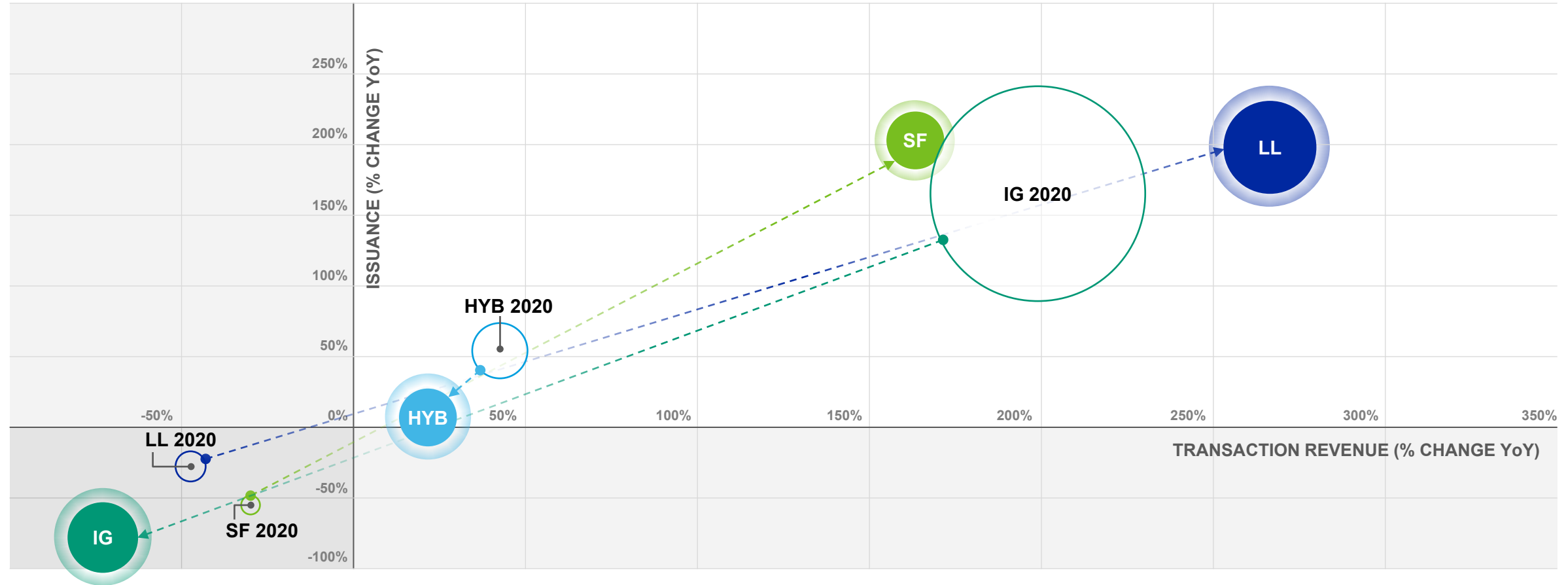
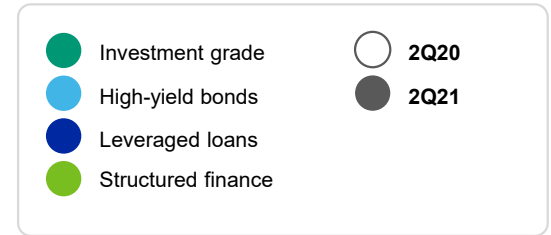


- » Overall issuance volumes remained above the prior 10-year average despite a moderation in investment grade, financial institutions and PPIF activity
- » Ongoing momentum in corporate speculative grade and structured finance issuance

1. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.
 Note: MIS rated issuance, excludes sovereign debt issuance. Issuance figures displayed in billions, except for year-over-year growth calculations.

Favorable Issuance Mix Drove Revenue Growth

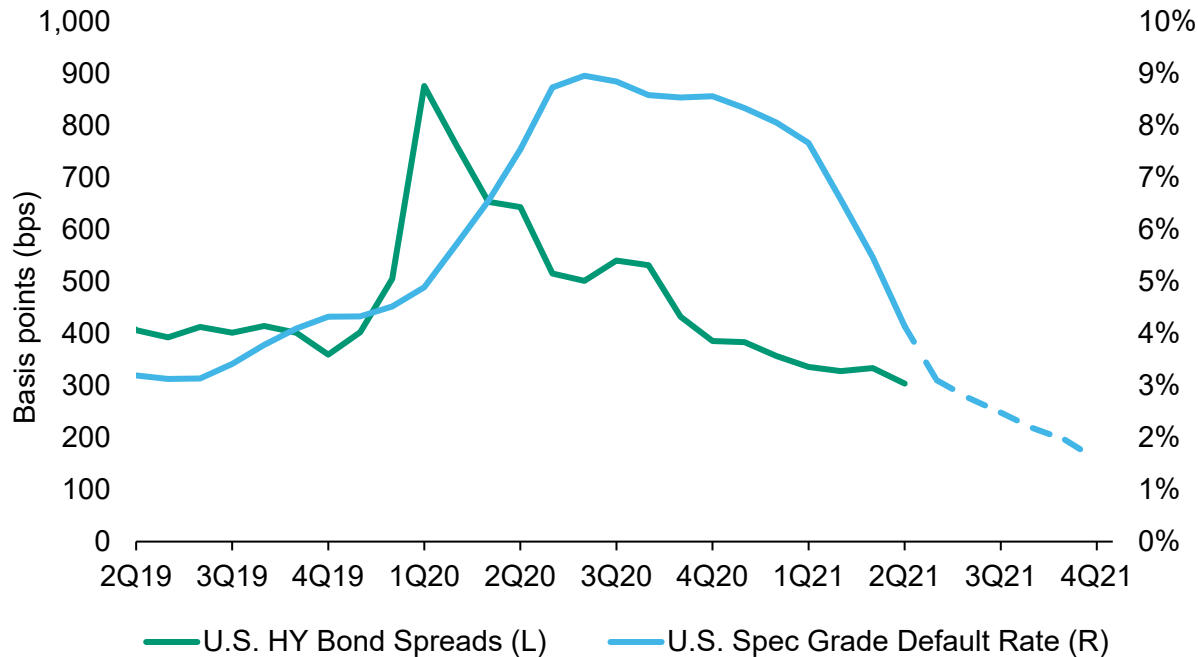
Larger number of infrequent high yield bond and leveraged loan issuers accessed the market in 2Q 2021



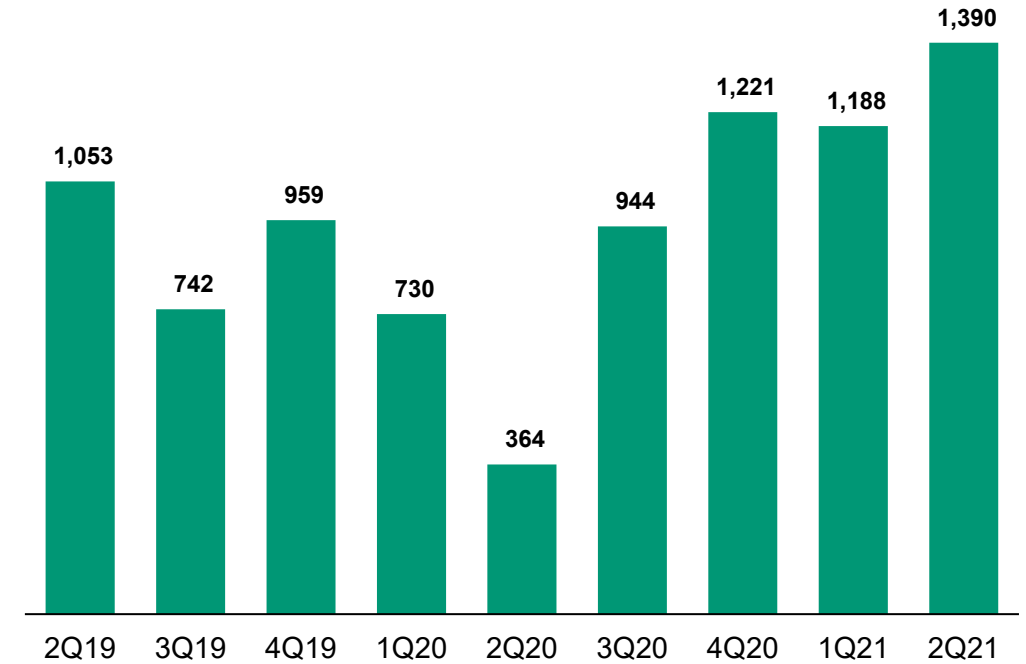
Note: IG = Investment Grade. | HYB = High Yield Bonds. | SF = Structured Finance. | LL = Leveraged Loans.

Constructive Go-Forward Market Conditions: Lower Defaults, Tighter Spreads and Accelerating M&A

U.S. HY Bond Spreads^{1,2} and U.S. Spec Grade Default Rate^{1,3}



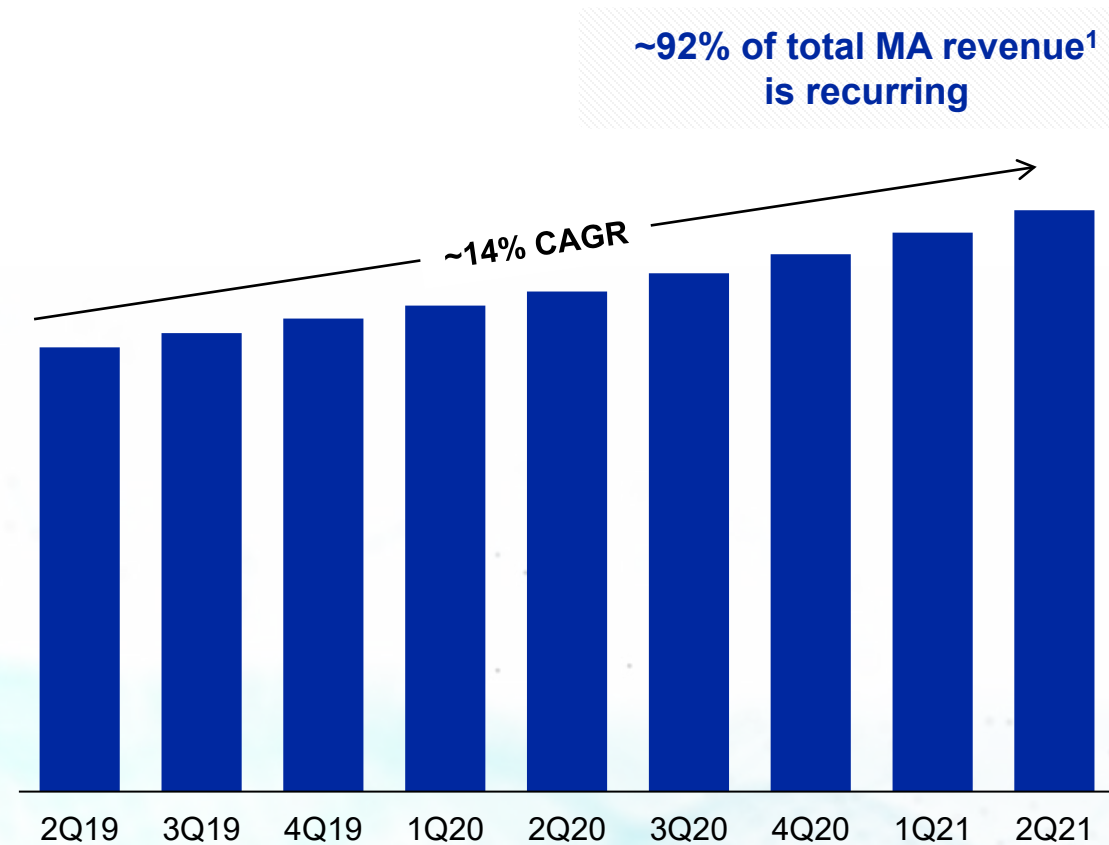
Global M&A Announced Transactions (\$B)^{1,4,5}



1. Reported data through June 30, 2021.
2. Bond spreads as of the last day of each month. Source: St. Louis Fed Database.
3. Trailing twelve month U.S. speculative grade corporate default rates. Dashed lines represent forecast. Source: Moody's Investors Service "June 2021 Default Report" published July 11, 2021.
4. Source: Bloomberg.
5. Global M&A announced transactions include transactions funded by, or expected to be funded by, any combination of debt, equity or cash.

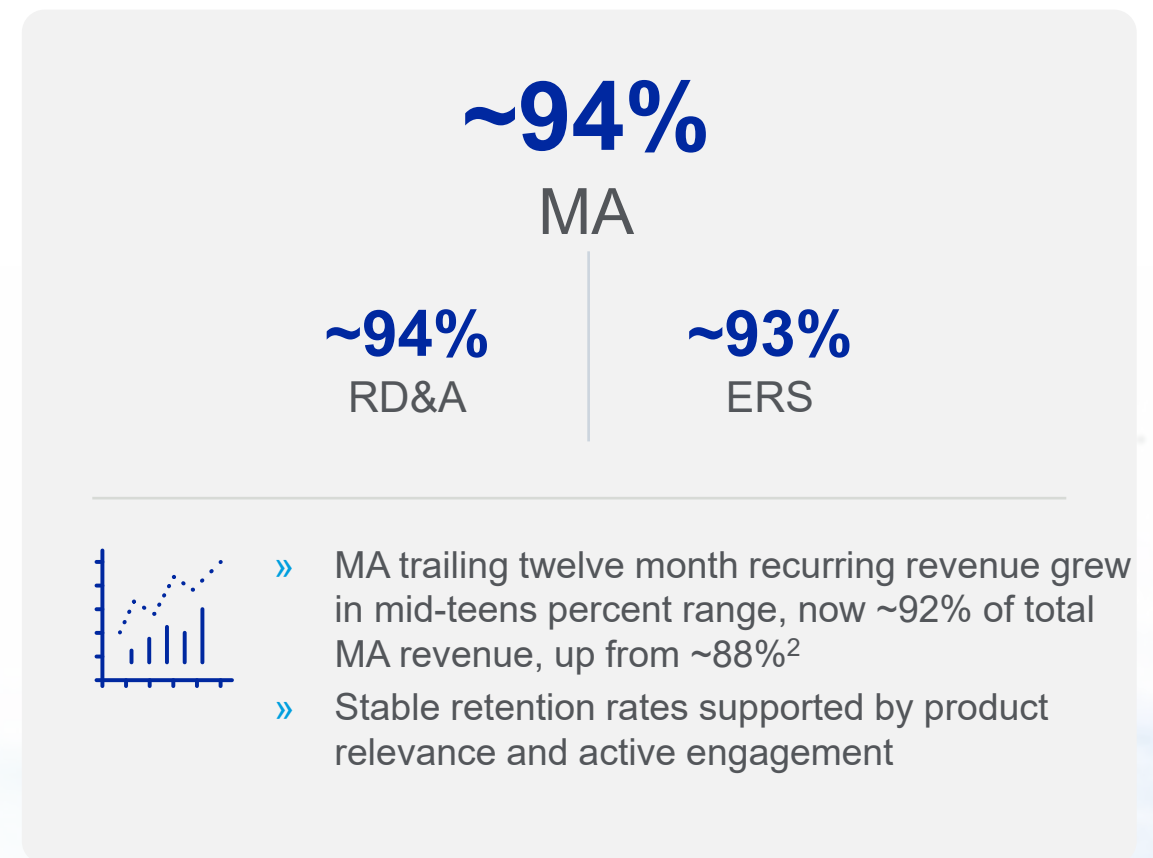
Strong MA Recurring Revenue Growth and Stable Retention Rates

MA Recurring Revenue¹



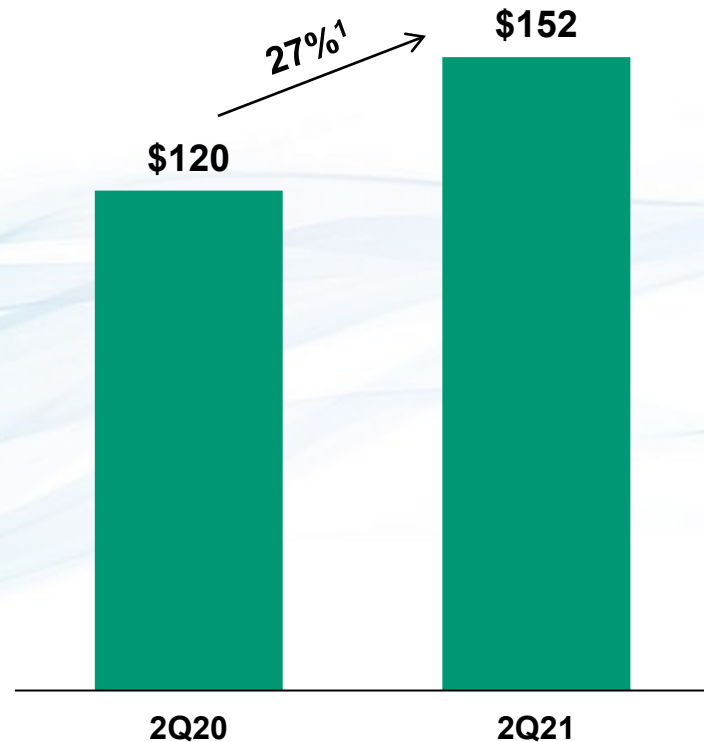
1. Trailing twelve months as of June 30, 2021.
2. For trailing twelve month period ended June 30, 2020.

Retention Rates¹

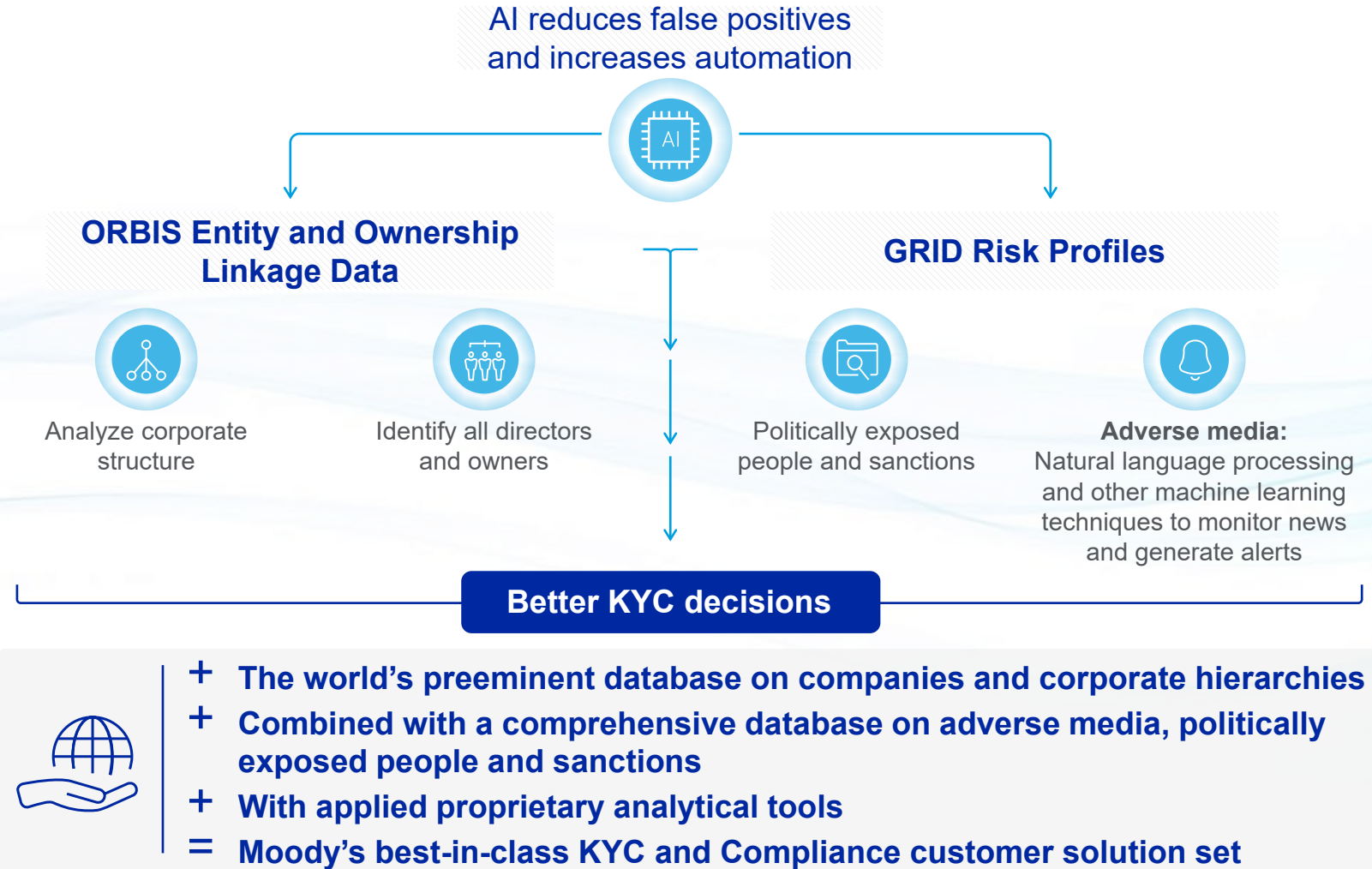


Best-in-Class KYC and Compliance Solutions Driving MA Growth

KYC and Compliance TTM Organic Revenue¹

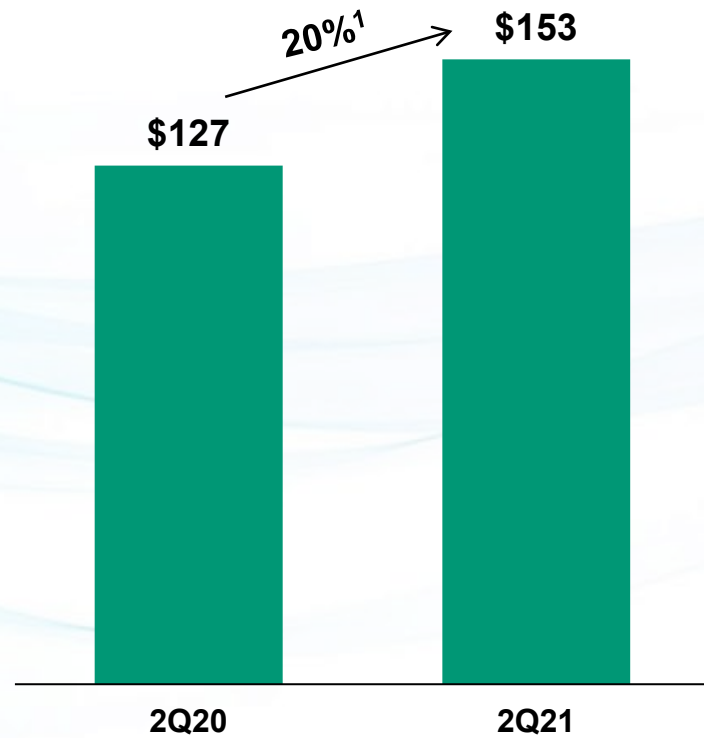


1. All growth percentages are organic. Organic revenue growth as defined in the reconciliation tables in the Appendix. Refer to the Appendix for a reconciliation between all adjusted and organic measures mentioned throughout this presentation and U.S. GAAP.



Insurance and Asset Management: Solid Momentum and Opportunity for Continued Expansion

Insurance and Asset Management TTM Organic Revenue¹



1. 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.



Orbis –
company
information



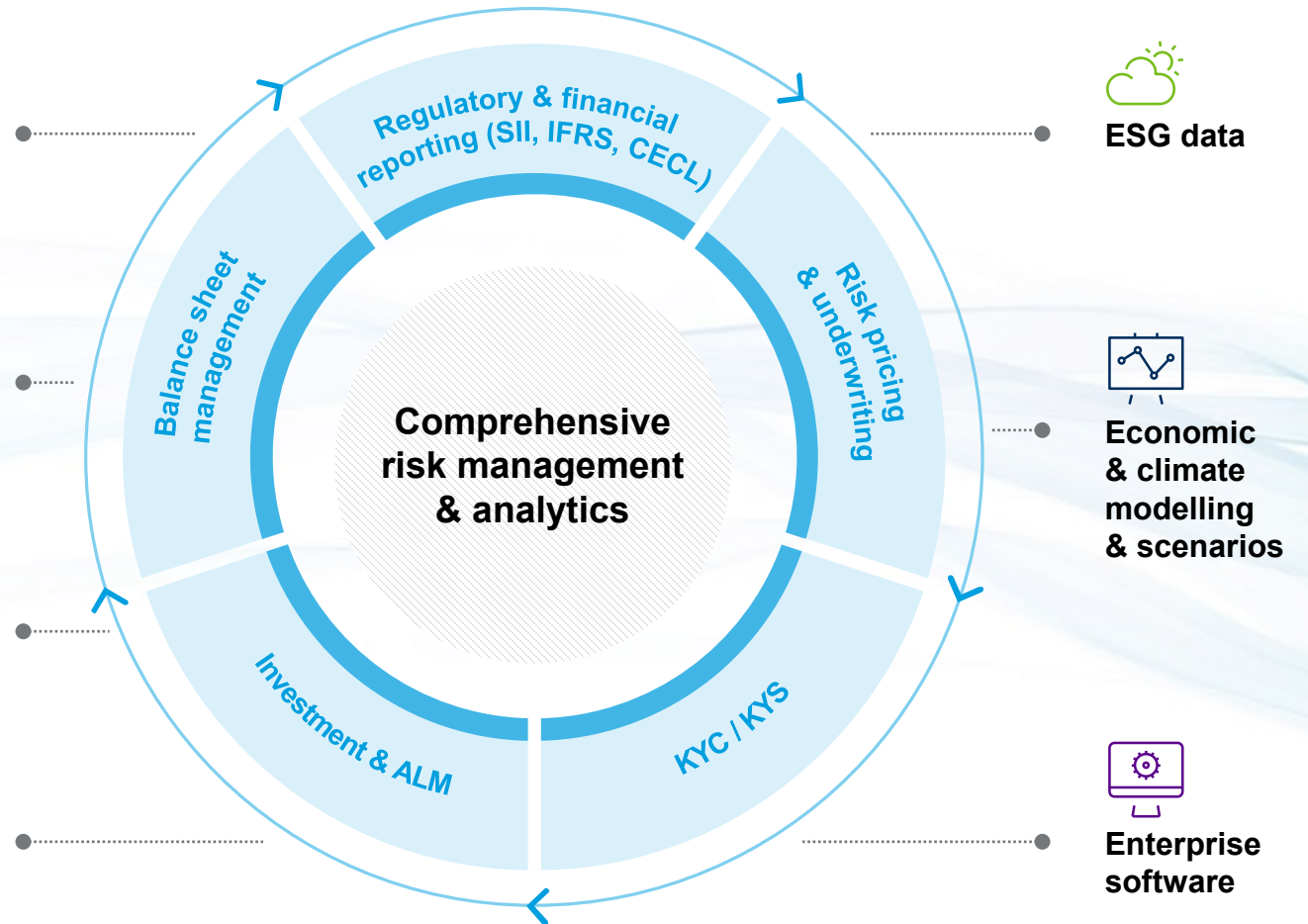
Credit research
& risk
assessment



Asset risk
analytics



Actuarial
modeling



Innovations to Support Integrated Risk Assessment



ESG Score Predictor

- » First-of-its-kind tool to deliver ESG scores on ~140 million companies
- » Ability to evaluate ESG risk across diverse portfolios
- » ESG scores developed using machine learning and integrated into multiple product solutions through APIs¹



TCFD² AI Review

- » NLP³ machine learning tools to evaluate climate-related financial disclosures for each of the TCFD recommended climate risk metrics
- » Developed in partnership with TCFD to provide insight on quality of climate disclosure



MIS Credit Impact Scores

- » Thought-leading and innovative scores identify the impact key ESG risks have on a credit rating
- » Transparent and consistent framework
- » Scores continue to be rolled-out in phases across the MIS-rated universe



Human Trafficking Screening Tool

- » World's leading dataset for identifying human trafficking and modern slavery risks
- » First to market daily AI adverse media technology screens for all third- and fourth-party relationships to help customers comply with evolving human trafficking regulations

1. API = Application Programming Interface. | 2. TCFD = Task Force on Climate-Related Financial Disclosures. | 3. NLP = Natural Language Processing.

Global, Holistic ESG and Climate Solutions that Benefit our Customers

Sample customer case studies

AMERICAS

Leading Global Commercial Real Estate Investment and Services Firm

- » Integrated physical climate risk
- » Climate risk scores and data for individual properties and portfolios
- » Scalable to thousands of properties

EMEA

European Government Agency

- » Second Party Opinion for government green bond framework
- » Opinion evaluates whether use of proceeds is aligned with the government's climate and environmental agenda

APAC

Leading Regional Bank

- » Quantify the ESG and Climate risk of customers' portfolios
- » Create a robust framework including: ESG Assessments, ESG and Climate Advisory, ESG and Climate Data and ESG Score Predictor model

Recognition of Corporate Leadership and Innovation in Risk Assessment



Note: Awards list is non-exhaustive.

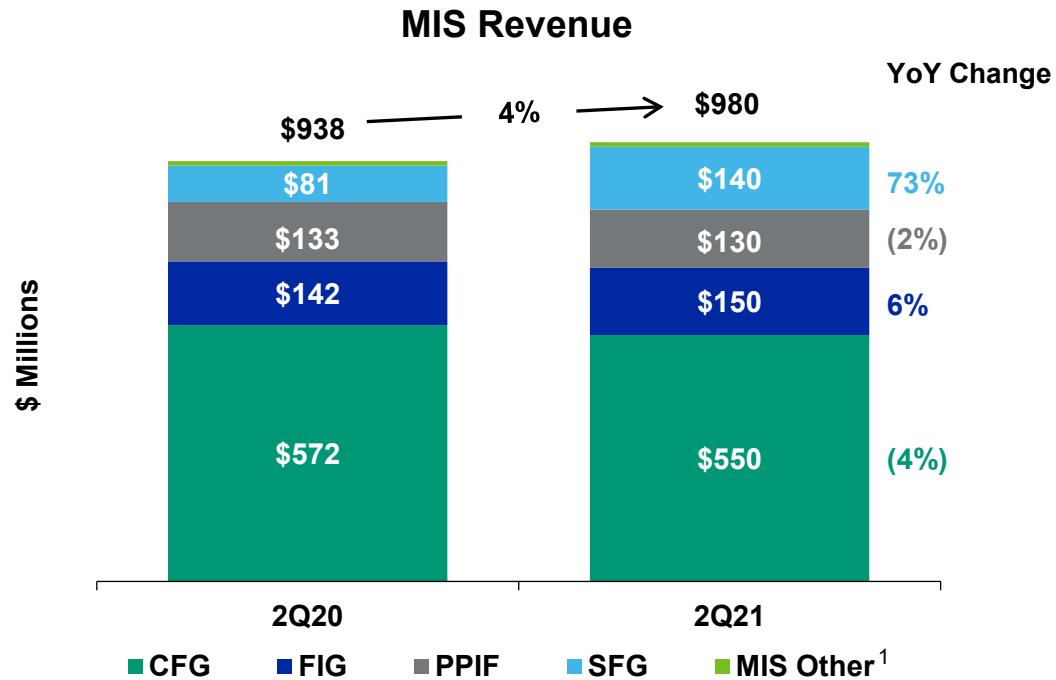
2Q 2021 Analysis & FY 2021 Outlook



Mark Kaye

Chief Financial Officer

MIS: Leveraged Finance and Structured Activity Support Growth



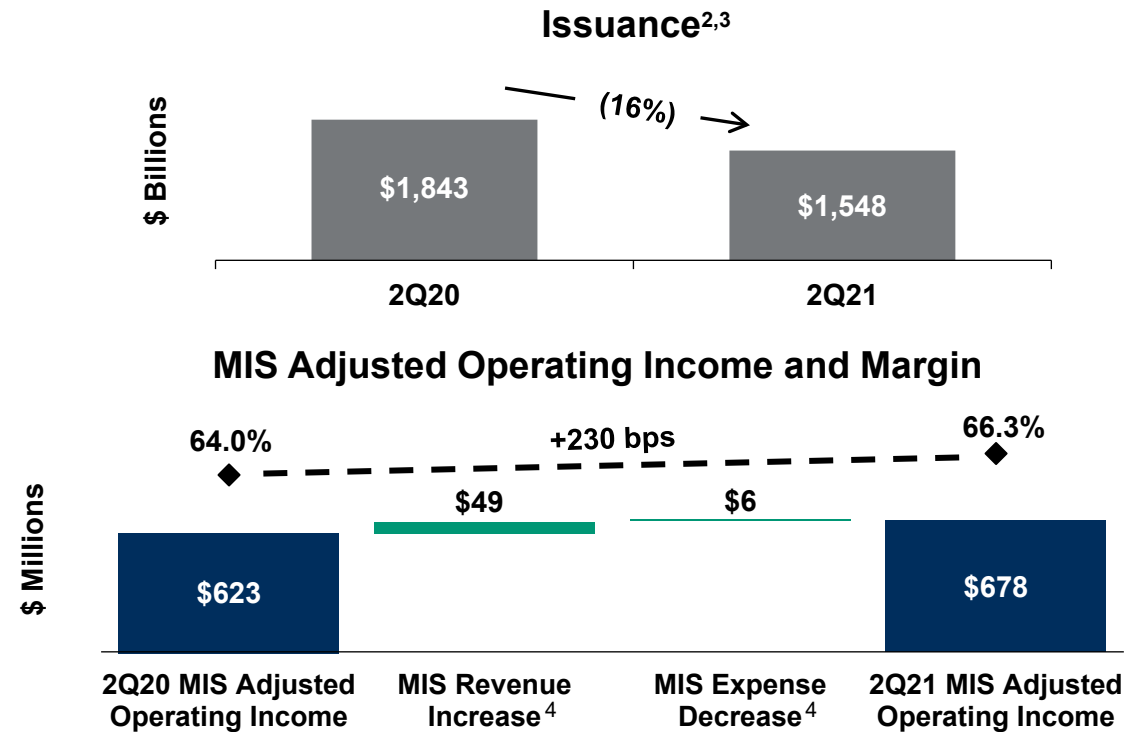
- » **CFG:** Robust bank loan supply and an improvement in M&A-related issuance offset a moderation in investment grade activity
- » **FIG:** Revenue benefited from favorable mix and opportunistic refinancing

1. 'MIS Other' revenue was approximately \$10 million in each of the quarters ended June 30, 2020 and June 30, 2021.

2. MIS rated issuance, excludes sovereign debt issuance.

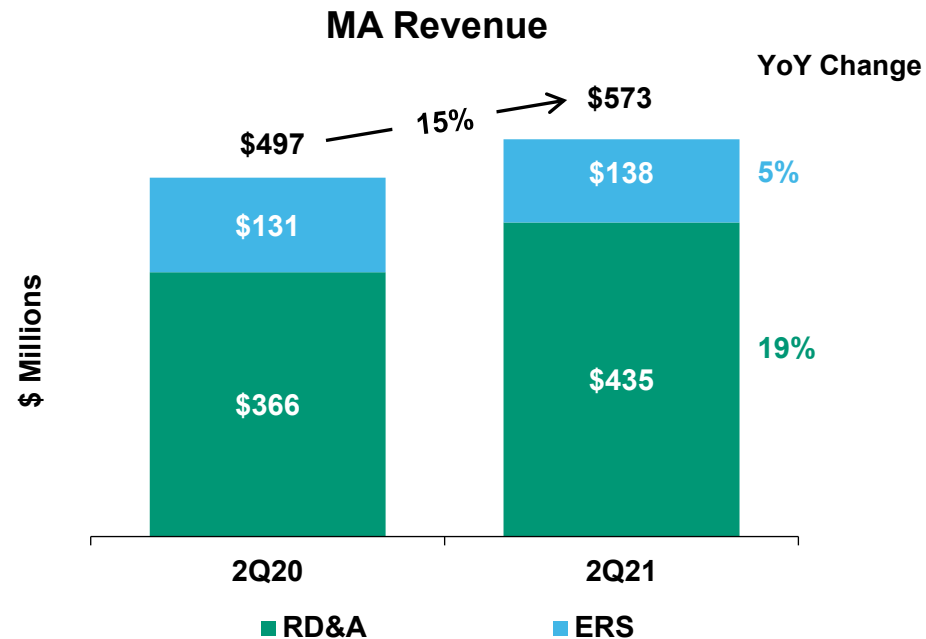
3. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

4. 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.

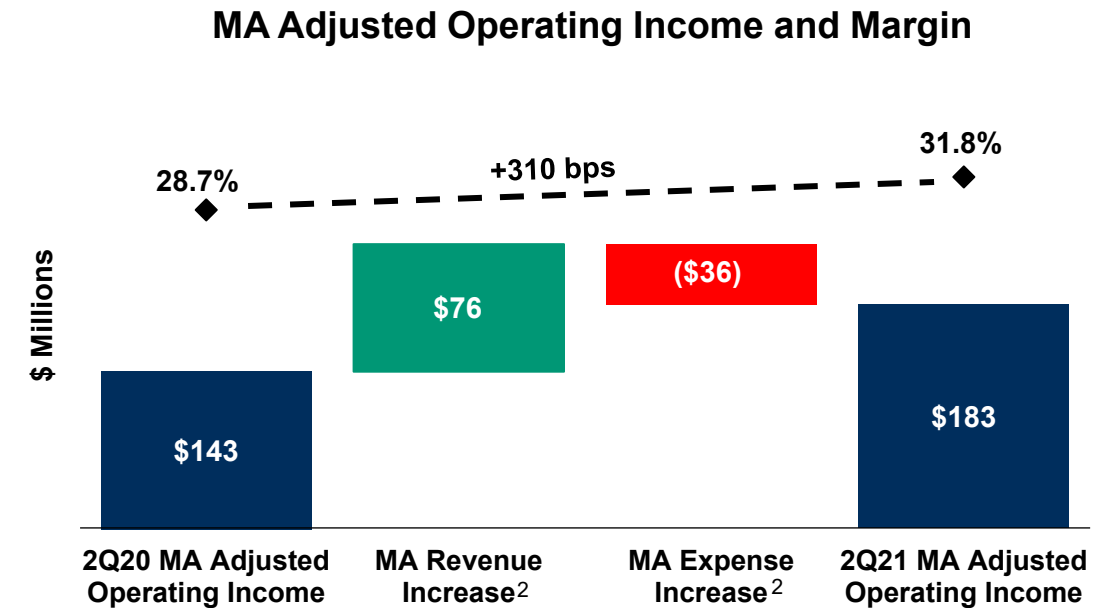


- » **SFG:** Led by sustained CLO refinancing activity and an increase in CMBS issuance amid favorable conditions
- » Revenue growth and disciplined expense management enabled over 200 bps in adjusted operating margin expansion

MA: Strong Revenue Growth and Margin Expansion



- » **RD&A:** Mid-teens organic revenue¹ increase driven by robust demand for KYC and compliance solutions, as well as growth in research and data feeds
- » **ERS:** Double-digit recurring revenue growth, partially offset by a contraction in one-time business as intentional strategic shift to subscription model continues



- » Recurring revenue now represents 93% of total MA; ERS recurring revenue now 88% of total ERS revenue, up from 80% in the prior-year period
- » Disciplined expense management continues to enable strategic reinvestment and over 300 bps in year-over-year margin expansion

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.

FY 2021 Corporate-Level Guidance^{1,2}


Revenue	Increase in the low-double-digit percent range
Expenses	Increase in the mid-single-digit percent range
Adjusted Operating Margin³	Approximately 51%
Interest Expense, Net	\$160 - \$180 million
Effective Tax Rate	20% - 22%
Diluted EPS	\$10.95 - \$11.25
Adjusted Diluted EPS³	\$11.55 - \$11.85
Free Cash Flow³	\$2.2 - \$2.3 billion
Share Repurchases⁴	Approximately \$1.5 billion

Macro assumptions underpinning our guidance⁵

2021 GDP

6.0% - 7.0% United States

4.0% - 5.0% Euro area

5.5% - 6.5% Global 

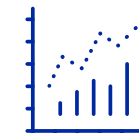
Benchmark interest rates remain low; U.S. high yield spreads to remain below the historical average of ~500 bps



U.S. unemployment rate to decline to under 5% by year-end



Global high yield default rate to fall below 2% by the end of 2021

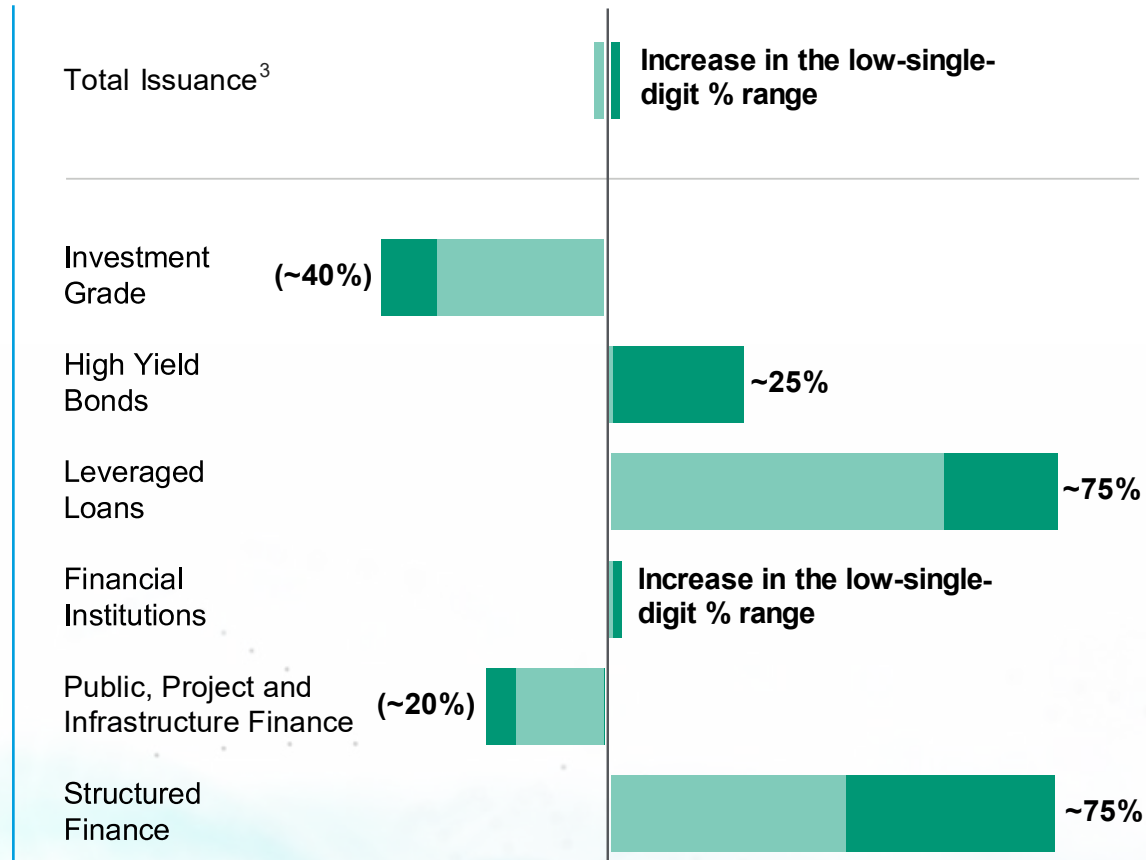


1. Guidance as of July 28, 2021. Refer to Table 12 – “2021 Outlook” in the press release for a complete list of guidance and a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.
2. Guidance as of July 28, 2021 reflects exchange rates for the British pound (£) of \$1.38 to £1 and for the euro (€) of \$1.19 to €1 for the remainder of the year.
3. 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.
4. Subject to available cash, market conditions and other ongoing capital allocation decisions.
5. Sources: High yield spreads, default rate and unemployment assumptions as of Moody’s Investors Service “June 2021 Default Report”; GDP assumption as of July 28, 2021 from Moody’s Investors Service and consensus estimates.

Improvement in Issuance Outlook^{1,2} Driven by Leveraged Loans and Structured Finance

FY 2021 Issuance Guidance^{1,2}

1Q21F
2Q21F



- » Robust 2Q 2021 results increase full year outlook¹, with total issuance² expected to grow in the low-single-digit percent range
- » Refinancing and M&A remain primary drivers given favorable environment
- » Acceleration in securitization activity as economic recovery continues
- » Increase in first time mandate guidance to 950 to 1,050
- » Anticipate activity to moderate in the second half of the year
- » Impact from potential U.S. infrastructure legislation not incorporated into outlook¹

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

2. MIS rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

3. Total issuance includes CFG, SFG, FIG and PPIF. Excludes sovereign debt.

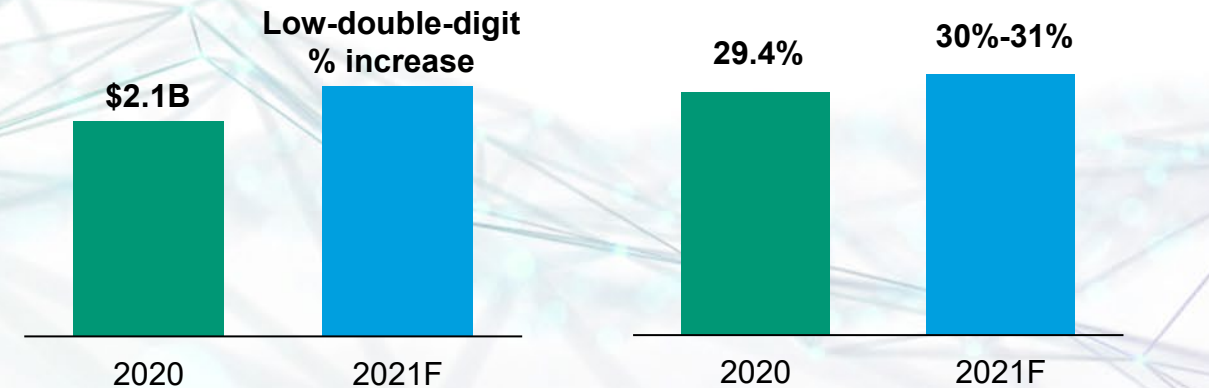
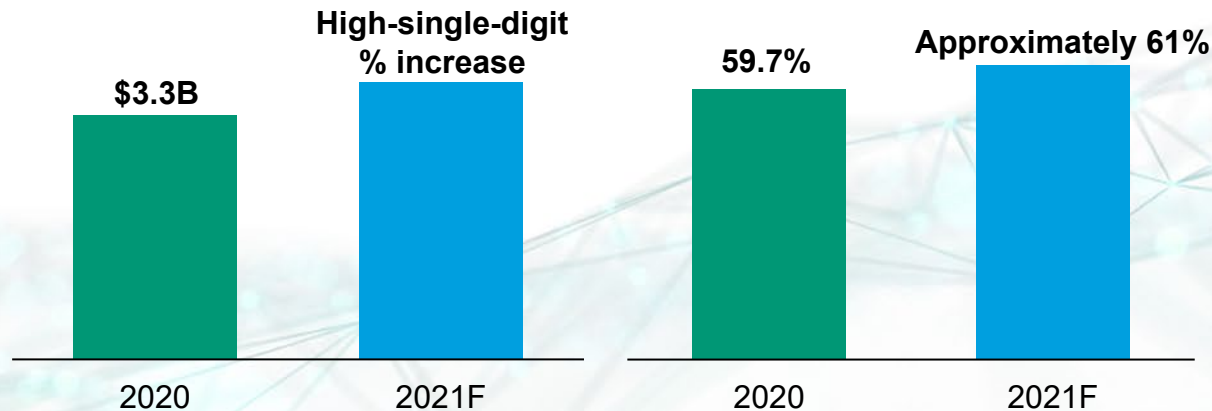
FY 2021 Segment-Level Guidance^{1,2}

MIS Revenue^{1,2}

MIS Adjusted Operating Margin^{1,2}

MA Revenue^{1,2}

MA Adjusted Operating Margin^{1,2}



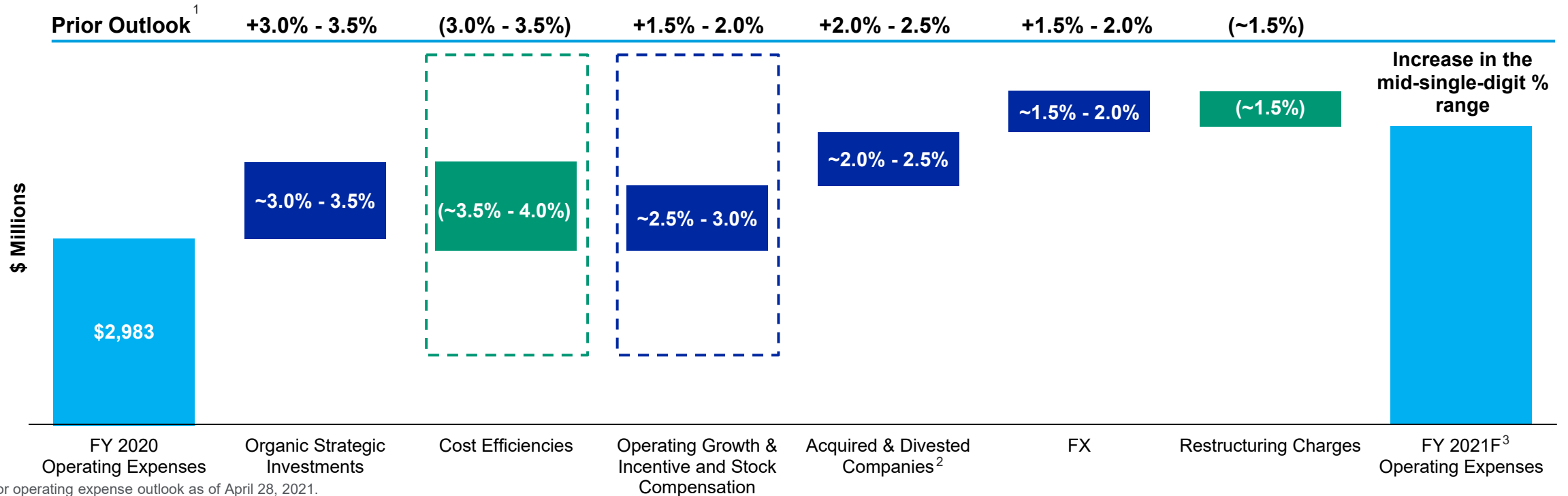
- » Revenue guidance raised primarily to reflect strong second quarter results
- » Second half growth expected to moderate, in line with prior outlook
- » Adjusted operating margin outlook continues to reflect year-over-year expansion from ongoing operating efficiency initiatives

- » Expect recurring revenue proportion and retention rates to persist through the year
- » Anticipate high-single-digit organic constant currency revenue growth
- » Continued emphasis on subscription-based products, shifting away from one-time projects and services
- » Expense discipline enabling reinvestment and ~200 bps in underlying margin expansion
- » M&A benefits revenue growth by 2%; lowers margin by 150 bps

1. Guidance as of July 28, 2021. Refer to Table 12 – “2021 Outlook” in the press release for a complete list of guidance and a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.
 2. Guidance as of July 28, 2021 reflects exchange rates for the British pound (£) of \$1.38 to £1 and for the euro (€) of \$1.19 to €1 for the remainder of the year.

Maintaining Expense Guidance; Controlled Growth Underpinned by Cost Efficiency Initiatives

- » Improved revenue outlook increases incentive and stock compensation accruals; investments in strategic initiatives to accelerate in 2H 2021
- » Ongoing effects of COVID-19 (e.g., delays to resumed customer travel) continue to lower expenses



1. Prior operating expense outlook as of April 28, 2021.

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

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

Key Takeaways

- » Constructive issuance environment supports MIS growth
- » Strong momentum in key growth areas of MA led by KYC and compliance, as well as insurance and asset management
- » Focused on delivering holistic ESG and Climate solutions
- » Expense discipline enabled operating leverage from improved revenue performance; strategic investments expected to accelerate in 2H 2021
- » Updated full year 2021 outlook: increased revenue and adjusted EPS guidance¹

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



MOODY'S | Better decisions

Questions and Answers



Rob Fauber

President and Chief Executive Officer



Mark Kaye

Chief Financial Officer

Moody's Attendance at Upcoming Conferences

AUG
10

UBS Financial Services Conference

» *Michael West, MIS President*

SEP
09

Deutsche Bank Technology Conference

» *Mona Breed, Chief Information Officer*

SEP
15

Barclays Global Financial Services Conference

» *Mark Kaye, Chief Financial Officer*

Replay Details

**Available from 3:30pm (Eastern Time) July 28, 2021
until 3:30pm (Eastern Time) August 26, 2021**

Telephone Details

- » U.S. & Canada +1-888-203-1112
- » Non-U.S. & Canada +1-719-457-0820
- » Passcode 2201987

Webcast Details

- » Go to ir.moody's.com
- » Click on “Events & Presentations”
- » Click on the link for “2Q 2021 Earnings Conference Call”

MOODY'S | Better decisions

Investor Relations
ir.moody.com
ir@moody.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
ESG	Environmental, Social and Governance
FIG	Financial institutions group; an LOB of MIS
KYC	Know-your-customer
KYS	Know-your-supplier
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, as well as 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.

<i>Amounts in millions</i>	Three Months Ended June 30,							
	2021				2020			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$1,022	\$ 575	\$ (44)	\$ 1,553	\$ 973	\$ 499	\$ (37)	\$ 1,435
Total expense	362	434	(44)	752	369	393	(37)	725
Operating income	\$ 660	\$ 141	\$ —	\$ 801	\$ 604	\$ 106	\$ —	\$ 710
Add:								
Depreciation and amortization	18	42	—	60	19	39	—	58
Restructuring	—	—	—	—	—	(2)	—	(2)
Adjusted Operating Income	\$ 678	\$ 183	\$ —	\$ 861	\$ 623	\$ 143	\$ —	\$ 766
Operating margin	64.6 %	24.5 %		51.6 %	62.1 %	21.2 %		49.5 %
Adjusted Operating Margin	66.3 %	31.8 %		55.4 %	64.0 %	28.7 %		53.4 %

Financial Information 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) depreciation and amortization; ii) restructuring; and iii) a loss pursuant to the divestiture of MAKs.

<i>Amounts in millions</i>	Six Months Ended June 30,							
	2021				2020			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$2,098	\$1,141	\$ (86)	\$ 3,153	\$1,804	\$ 997	\$ (76)	\$ 2,725
Total Expense	728	857	(86)	1,499	712	787	(76)	1,423
Operating income	\$1,370	\$ 284	\$ —	\$ 1,654	\$1,092	\$ 210	\$ —	\$ 1,302
Add:								
Depreciation and amortization	36	83	—	119	35	72	—	107
Restructuring	—	2	—	2	(1)	(2)	—	(3)
Loss pursuant to the divestiture of MAKs	—	—	—	—	—	9	—	9
Adjusted Operating Income	\$1,406	\$ 369	\$ —	\$ 1,775	\$1,126	\$ 289	\$ —	\$ 1,415
Operating margin	65.3 %	24.9 %		52.5 %	60.5 %	21.1 %		47.8 %
Adjusted Operating Margin	67.0 %	32.3 %		56.3 %	62.4 %	29.0 %		51.9 %

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) a 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.

<i>Amounts in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating income	\$ 801	\$ 710	\$ 1,654	\$ 1,302
Depreciation and amortization	60	58	119	107
Restructuring	—	(2)	2	(3)
Loss pursuant to the divestiture of MAKS	—	—	—	9
Adjusted Operating Income	\$ 861	\$ 766	\$ 1,775	\$ 1,415
Operating margin	51.6 %	49.5 %	52.5 %	47.8 %
Adjusted Operating Margin	55.4 %	53.4 %	56.3 %	51.9 %

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.

<i>Amounts in millions</i>	Six Months Ended June 30,	
	2021	2020
Net cash provided by operating activities	\$ 1,270	\$ 977
Capital additions	(44)	(62)
Free Cash Flow	\$ 1,226	\$ 915
Net cash used in investing activities	\$ (251)	\$ (823)
Net cash (used in) provided by financing activities	\$ (792)	\$ 123

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	
		Q2	YTD
Regulatory DataCorp	February 13, 2020	-	January 1, 2021 - February 12, 2021
Acquire Media	October 21, 2020	April 1, 2021 - June 30, 2021	January 1, 2021 - June 30, 2021
ZM Financial Systems	December 7, 2020	April 1, 2021 - June 30, 2021	January 1, 2021 - June 30, 2021
Catylist	December 30, 2020	April 1, 2021 - June 30, 2021	January 1, 2021 - June 30, 2021
Cortera	March 19, 2021	April 1, 2021 - June 30, 2021	March 19, 2021 - June 30, 2021

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

<i>Amounts in millions</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Change	Growth	2021	2020	Change	Growth
MA revenue	\$ 573	\$ 497	\$ 76	15%	\$ 1,137	\$ 993	\$ 144	15%
Regulatory DataCorp	—	—	—		(8)	—	(8)	
Acquire Media	(5)	—	(5)		(12)	—	(12)	
ZM Financial Systems	(3)	—	(3)		(5)	—	(5)	
Catylist	(2)	—	(2)		(4)	—	(4)	
Cortera	(3)	—	(3)		(3)	—	(3)	
Organic MA revenue	\$ 560	\$ 497	\$ 63	13%	\$ 1,105	\$ 993	\$ 112	11%

<i>Amounts in millions</i>	Three Months Ended June 30,			
	2021	2020	Change	Growth
RD&A revenue	\$ 435	\$ 366	\$ 69	19%
Acquire Media	(5)	—	(5)	
Catylist	(2)	—	(2)	
Cortera	(3)	—	(3)	
Organic RD&A revenue	\$ 425	\$ 366	\$ 59	16%

<i>Amounts in millions</i>	Three Months Ended June 30,			
	2021	2020	Change	Growth
ERS revenue	\$ 138	\$ 131	\$ 7	5%
ZM Financial Systems	(3)	—	(3)	
Organic ERS revenue	\$ 135	\$ 131	\$ 4	3%

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 to determine organic revenue and FX.

<i>Amounts in millions</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2021	2020	Change	Growth	2021	2020	Change	Growth
MA revenue	\$ 573	\$ 497	\$ 76	15%	\$ 1,137	\$ 993	\$ 144	15%
Regulatory DataCorp	-	-	-		(8)	-	(8)	
Acquire Media	(5)	-	(5)		(12)	-	(12)	
ZM Financial Systems	(3)	-	(3)		(5)	-	(5)	
Catylist	(2)	-	(2)		(4)	-	(4)	
Cortera	(3)	-	(3)		(3)	-	(3)	
Organic MA revenue	\$ 560	\$ 497	\$ 63	13%	\$ 1,105	\$ 993	\$ 112	11%
FX	(25)	-	(25)		(45)	-	(45)	
Organic constant currency MA revenue	\$ 535	\$ 497	\$ 38	8%	\$ 1,060	\$ 993	\$ 67	7%

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

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

<i>Amounts in millions</i>	Trailing Twelve Months Ended June 30,			
	2021	2020	Change	Growth
KYC and Compliance Revenue	\$ 191	\$ 120	\$ 71	59%
Regulatory DataCorp	(39)	-	(39)	
Organic KYC and Compliance Revenue	<u>\$ 152</u>	<u>\$ 120</u>	<u>\$ 32</u>	27%

<i>Amounts in millions</i>	Trailing Twelve Months Ended June 30,			
	2021	2020	Change	Growth
Insurance and Asset Management Revenue	\$ 155	\$ 127	\$ 28	22%
RiskFirst	(2)	-	(2)	
Organic Insurance and Asset Management Revenue	<u>\$ 153</u>	<u>\$ 127</u>	<u>\$ 26</u>	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) a 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:

<i>Amounts in millions</i>	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net income attributable to Moody's common shareholders	\$ 577	\$ 509	\$ 1,313	\$ 997
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 36	\$ 31	\$ 71	\$ 59
Tax on Acquisition-Related Intangible Amortization Expenses	(8)	(7)	(16)	(13)
Net Acquisition-Related Intangible Amortization Expenses	28	24	55	46
Pre-tax restructuring	\$ —	\$ (2)	\$ 2	\$ (3)
Tax on restructuring	—	1	—	1
Net restructuring	—	(1)	2	(2)
Loss pursuant to the divestiture of MAKS	—	—	—	9
Adjusted Net Income	\$ 605	\$ 532	\$ 1,370	\$ 1,050

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,	
	2021	2020	2021	2020
Diluted earnings per share attributable to Moody's common shareholders	\$ 3.07	\$ 2.69	\$ 6.98	\$ 5.27
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 0.19	\$ 0.16	\$ 0.38	\$ 0.31
Tax on Acquisition-Related Intangible Amortization Expenses	(0.04)	(0.03)	(0.09)	(0.07)
Net Acquisition-Related Intangible Amortization Expenses	0.15	0.13	0.29	0.24
Pre-tax restructuring	\$ —	\$ (0.01)	\$ 0.01	\$ (0.02)
Tax on restructuring	—	—	—	0.01
Net restructuring	—	(0.01)	0.01	(0.01)
Loss pursuant to the divestiture of MAKS	—	—	—	0.05
Adjusted Diluted EPS	<u>\$ 3.22</u>	<u>\$ 2.81</u>	<u>\$ 7.28</u>	<u>\$ 5.55</u>

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

© 2021 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR 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 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 APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S 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.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

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 \$5,000,000. 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.moody.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 JPY550,000,000.

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