Moody's

News

MOODY'S CORPORATION FOURTH QUARTER AND FULL YEAR 2021 EARNINGS CONFERENCE CALL

THURSDAY, FEBRUARY 10, 2021

ROB FAUBER, MARK KAYE, SHIVANI KAK

Shivani Kak:

Good morning and thank you for joining us to discuss Moody's fourth quarter 2021 results and our guidance. I'm Shivani Kak, Head of Investor Relations. This morning, Moody's released its results for the fourth quarter of 2021, and our outlooks for full year 2022 and the medium-term. The earnings press release and the presentation to accompany this teleconference are both available on our website at ir.moodys.com.

Rob Fauber, Moody's President and Chief Executive Officer, will lead this morning's conference call. Also making prepared remarks on the call this morning is Mark Kaye, Moody's Chief Financial Officer.

During this call, we will be presenting non-GAAP, or adjusted figures. Please refer to the tables at the end of our earnings press release filed this morning for a reconciliation between all adjusted measures referenced during this call and U.S. GAAP.

I call your attention to the "Safe Harbor" language, which can be found toward the end of our earnings release. Today's remarks may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In accordance with the Act, I also direct your attention to the "Management's Discussion and Analysis" section and the risk factors discussed in our Annual Report on form 10-K for the year ended December 31, 2020 and in other SEC filings made by the Company, which are available on our website and on the SEC's website. These, together with the "Safe Harbor" statement, set forth important factors that could cause actual results to differ materially from those contained in any such forward-looking statements.

I would also like to point out that members of the media may be on the call this morning in a listen-only mode.

I will now turn the call over to Rob Fauber.

Rob Fauber:

Thanks, Shivani. Good morning everyone and thank you for joining today's call.

I'm going to begin by summarizing Moody's full year 2021 financial results, and then I'll provide an overview of our business and strategic direction. Following my commentary, Mark Kaye will provide further details on our fourth quarter 2021 results and share our outlook for 2022 and new medium-term financial targets. After our prepared remarks, we'll be happy to take your questions.

Our employees' resilience, commitment, and hard work produced exceptional results in 2021. I am proud to share that -- for the first time -- we surpassed $6 billion dollars in revenue, with record revenues from both MIS and MA. Adjusted diluted EPS grew at 21% in 2021.

Over the past several years, we have invested to build our businesses serving high growth risk assessment markets. In 2021, to seize the really attractive opportunity in front of us, we made substantial investments, particularly in the fourth quarter. Across the firm, we are introducing a range of new products and solutions to help customers identify, manage and measure risk and unlock opportunity -- and the pace is accelerating. And we're balancing these investments with capital returns and seek to return approximately $2 billion to our stockholders this year in the form of dividends and share repurchases.

For 2022, we project Moody's revenue to increase in the high-single-digit percent range, driven by continued strong growth from MA and robust global debt issuance levels for MIS.

I'm also pleased to announce that in response to investor feedback, we are introducing new medium-term guidance, including Moody's Corporation revenue to grow by at least 10 percent on an average annualized basis and adjusted operating margin to be in the low-50s percent range. Recent acquisitions, combined with organic investments, put us in an excellent position to deliver on our integrated risk assessment strategy and achieve these targets.

Finally, I'd like to remind you that Moody's will be hosting our next Investor Day on March 10th, 2022, in New York City. During the event, we'll be showcasing key aspects of our business. I look forward to meeting many of you in person, and for those who are unable to attend, there will also be a virtual option.

Turning to full year results, both MIS and MA revenue grew by 16%. MIS rated over six trillion dollars of issuance and generated over 1,100 new mandates – equivalent to almost 5 new mandates every working day of the year. This, combined with MA's 56th consecutive quarter of revenue growth, helped us achieve our second successive year of 20 plus percent adjusted EPS growth.

2021 was *really* a year we accelerated our strategy to be the world's leading integrated risk assessment business, including investing for growth, purposeful innovation, and delivering for our stakeholders.

During the year, we made a series of acquisitions to enhance our capabilities and further build out our offerings. The largest of these acquisitions, RMS, gives us a world-class insurance data and analytics franchise, as well as sophisticated weather and disaster modeling capabilities. This allows us to serve a wide spectrum of customers, helping them better understand the physical risks posed by climate change – which is an important part of our broader ESG offerings.

We also made investments to build out our ratings presence in important international markets. In 2021, we began offering local credit ratings in Brazil as part of the continued expansion of our Moody's Local business across Latin America. And, just last week, we announced our intent to acquire a majority stake in GCR Ratings, the leading credit rating agency in Africa, giving us an *unmatched* presence across the continent and really positioning us for the future.

In 2021, we expanded our suite of award-winning offerings with more than 15 meaningful product launches.

This includes PortfolioStudio, our new cloud-native software-as-a-service credit portfolio management tool, which provides a single and powerful view of risk. As part of our broader ecosystem of risk, finance and lending solutions, it enables our customers to identify, measure and manage portfolio risks and returns by combining best-in-class Moody's models, scenarios and content with business applications for financial institutions.

We also launched the next generation of Supply Chain Catalyst, providing our customers with an enterprise-wide view of their critical supply relationships.

Supply Chain Catalyst combines our Orbis database with customer's internal data to deliver an integrated view of risk across multiple tiers of the supply chain, taking into account factors like financial health, sustainability, and reputational risk.

Finally, we continue to focus on serving our people, our customers, and our communities. Our DE&I initiatives have received great external recognition, helping to distinguish Moody's as an employer of choice – and that's never been more important than right now. In addition to the accolades you see on the slide, we were just notified of our inclusion in the Bloomberg Gender-Equality Index for the second year in a row. And for the 11th year running, we are very proud to have received a perfect score from the Corporate Equality Index.

On top of these awards, we have achieved recognition from customers for our products and services. Among many other awards, we were named Best Credit Rating Agency by Institutional Investor for the 10th straight year and were ranked #2 overall in the Chartis Risk Tech 100.

Switching to our segment results, beginning with MIS, favorable market conditions contributed to our strongest year yet, in terms of both revenue and rated issuance.

Investment grade supply moderated off a record 2020, however volumes were still substantial.

Meanwhile, the leveraged loan market rebounded sharply, bolstered by low default rates, an uptick in private equity buyouts, and increased investor appetite for floating rate debt amid higher inflation.

Strong leveraged loan volumes also supported very strong CLO growth. More broadly, structured finance issuance rebounded, due to ongoing favorable market conditions, including tight spreads, that drove both new CLO and refinancing activity, as well as CMBS and RMBS issuance, in particular.

As we consider issuance drivers and factors for the year ahead… Broadly speaking, the economy has demonstrated resilience to the impact of Omicron: GDP is growing, companies are performing well, and jobs creation continues. All of which underpin business, investor and consumer confidence.

But there are headwinds: inflation remains elevated amid supply chain constraints and tight labor markets, although we expect price pressures to abate over the

course of the year. Still, uncertainty around the future path of interest rates may invite occasional bouts of market volatility, as we recently witnessed.

Historically, a rising interest rate environment, when associated with robust economic activity, has been positive for MIS. And it is worth noting that even with the potential for interest rates increases this year, overall financing rates will remain at very modest levels from a historical perspective. We forecast that tight spreads, M&A transactions, ongoing refinancing needs, and disintermediation will support global debt activity -- above medium-term historical levels -- with issuance slightly moderating versus record levels in 2021.

Mark will provide details on MIS' 2022 issuance expectations for specific asset classes later in the call.

Now, moving to Moody's Analytics.

In 2021, MA's revenue grew by 16%. We also meaningfully increased the mix of recurring revenue, which now represents 93% of MA's total revenue. Underpinning this performance were:

- 9% organic revenue growth, supported by a 95% retention rate;
- over 2,000 new customer accounts added through a combination of global sales execution and acquisitions;
- and, targeted investments in high priority markets

This momentum gives us the confidence to capitalize on the strong demand and market opportunities across MA by continuing to invest both organically and inorganically.

And we're doing just that. In 2021, with a purposeful acceleration in the fourth quarter, we invested to enhance and fast track the launch of several product offerings:

For instance, in the 4th quarter, we acquired PassFort and invested to accelerate our integration, with the goal of significantly advancing the development of our customer screening and onboarding capabilities. By digitizing and automating the KYC & AML process for our customers, we are providing a streamlined workflow along with data from our ORBIS and GRID databases. We are building an efficient, and effective, interconnected suite of tools that deliver a stronger value proposition for customers, in what is still a relatively fragmented market.

We also continue to build product capabilities in Commercial Real Estate. I've previously talked about a product launched in Q3, CreditLens for CRE, - which is our SaaS workflow platform built on the latest Cloud technology and tailored to the specific needs of CRE lenders. In the fourth quarter, we accelerated the roadmap for enhancements to the platform including the overall user experience.

We also expedited the launch of our portfolio monitoring solution for CRE investors, integrating and building upon our acquisition of RealXDdata in September. This solution, "CRE Portfolio Manager", was recently made available to customers in North America.

Last, we invested in the ongoing SaaS conversion of our Banking software products, which supports growth among our existing customers and will help deepen our penetration of the mid-sized financial institutions sector. We expect that this conversion will raise our recurring sales growth rate to low double digits% in 2022 and low-teens in 2023.

At 24% overall sales growth, including a 20% increase in our organic recurring sales, we demonstrated significant traction with customers in these three segments. This strong sales growth, along with our financial capacity, gave us confidence to invest opportunistically in the fourth quarter in these areas.

For the broader MA business, we are making foundational investments which will support both revenue growth and operating efficiency. In the fourth quarter, we made investments in integrating RMS, which I'll touch on shortly, as well as fine-tuning our sales capabilities to deepen customer penetration, expand cross selling, and refine our go-to-market approach.

As you can see on this slide, our organic recurring revenue growth rate has steadily improved, and we anticipate it will continue to do so, and contribute towards our goal of achieving total revenue growth in the low-to-mid teens percent range within five years. This focus on organic recurring revenue expansion is at the core of our business strategy for MA.

There are also other drivers that underpin our medium-term outlook:

- We are redoubling our focus on customer satisfaction to support our strong retention rates and help us support recurring revenue growth;

- Our product enhancements enable us to increase revenue per customer from cross-selling, upgrades and pricing opportunities;

- The continued transition to SaaS in our Enterprise Risk Solutions segment provides the opportunity for revenue uplift from existing customers, as well as the opportunity to add new customers;

- And we are also prioritizing the development of products and solutions for existing and new customers to further tailor our solutions to their unique needs.

Last year on our 4th quarter earnings call, we talked about the use cases we are serving across what was at the time, a $35 billion addressable market opportunity.

We have since expanded that to $40 billion by adding RMS. Given the demand to assess a wide range of risks, many of these markets are growing quickly, which, as you can see on the right, translated into 4 areas in MA where we generated over $100m in organic recurring revenue with double-digit growth rates.

This leads me to our acquisition of RMS. Though it is early in the integration process, in meeting with a number of C-suite executives at insurance and reinsurance companies, I am excited about the opportunity to serve the insurance industry with a broader array of risk assessment offerings -- as well as leveraging RMS's world class data, models and expertise to meet our customers' growing needs around disaster and climate risk.

We have aligned and cross-trained our sales teams and the SaaS migration is ongoing. Most importantly, feedback from RMS and Moody's insurance customers has been overwhelmingly positive. They are excited about us jointly providing more comprehensive offerings for both the asset and liability sides of the balance sheet.

And we are identifying opportunities for new products that evaluate weather and climate risks to take to the broader Moody's customer base, particularly in CRE and CMBS and banks.

To bring this to life, I want to highlight a recent example of a large P&C insurer, which has been a customer of both RMS – and to a lesser extent MA -- for years. I met with them recently, to talk about how we can be even more of a strategic partner for them.

We discussed how they wanted to integrate ESG considerations into a range of processes, including underwriting, investment, regulatory compliance, scenario analysis and portfolio management. Ultimately, the breadth of our offerings and

our ability to integrate them in ways that provide a more consistent view of ESG risk across the enterprise – especially for climate change -- differentiated our offerings. This cross-sell was enabled by the very deep RMS relationship combined with broader Moody's ESG capabilities.

And…it's a great example of the kinds of conversations we are having with many RMS and Moody's insurance customers - about how we can enable a consistent view of risk to support profitable growth, lower insured losses, and reduce volatility.

I will now turn the call over to Mark to provide further details on Moody's fourth quarter results, as well as our full year 2022 and medium-term outlooks

Mark Kaye:

Thank you, Rob.

In the fourth quarter, MIS revenue grew 19 percent, supported by a 28 percent increase in transaction revenue, as rated issuance rose 23 percent.

Corporate Finance was the largest contributor to revenue, growing 20 percent, supported by a 21 percent increase in issuance. This was driven by demand for leveraged loans, as issuers opportunistically refinanced debt and funded M&A. Heightened investment grade activity also contributed to growth, while high yield bonds declined, as issuers pivoted to floating rate debt.

Structured finance revenue registered its strongest quarter in a decade, as revenue and issuance grew 66 percent and 148 percent, respectively. Investors' search for yield and favorable market conditions, including historically tight spreads, drove activity across all major structured finance asset classes.

Financial institutions revenue increased 6 percent, as issuance grew 22 percent, while frequent U.S. and European bank issuers took advantage of the attractive rate and spread environment.

Public, project and infrastructure finance revenue declined 2 percent, despite a 24 percent decrease in issuance. Non-U.S. infrastructure finance activity was offset by lower U.S. public finance and EMEA sub-sovereign issuance, as financing needs were largely addressed in prior quarters.

The MIS adjusted operating margin expanded over 500 basis points to 53.6 percent. Robust business performance resulted in higher incentive compensation

which impacted the margin by approximately 200-basis points in the fourth quarter.

Moving to MA, fourth quarter revenue grew 20 percent or 7 percent on an organic constant currency basis.

RD&A revenue increased 12 percent, as we benefited from high demand for KYC and compliance solutions, as well as credit research and data feeds. Revenue was further supported by record retention rates of 96 percent, level with the prior year period.

ERS revenue was up 42 percent, fueled by the acquisition of RMS, with recurring revenue comprising 89 percent of total revenue, up from 81 percent. For full year 2021, ERS organic constant currency recurring revenue grew by 9 percent, as we executed on our strategic shift away from one-time sales.

MA's adjusted operating margin of 14.9 percent reflected the impact of recent acquisitions, higher incentive compensation and the intentional pull-forward and acceleration of select organic product investments into the fourth quarter. Excluding these three items, MA's adjusted operating margin expanded by over 100 basis points.

The increased investment in high-growth markets and product development directly supports our expectation for organic recurring revenue growth in the low-double digit percent in 2022.

This slide provides further insight into our operating expenses for both full year 2021 and our 2022 outlook, as we balance cost efficiencies with investments to accelerate future growth.

For full year 2021, operating expenses rose 13 percent. Of this, 7 percentage points were attributable to operational and transaction-related costs associated with acquisitions during the year. Organic strategic investments related to product innovation and technology initiatives, contributed another 5 percentage points.

In addition, we invested in our employees. Operating growth, which is primarily comprised of hiring, annual wage increases and other retention-oriented spending, as well as higher incentive compensation accruals, contributed to an aggregate 6 percentage point increase. This cost was directly offset through a combination of ongoing cost efficiency programs and lower severance and restructuring-related charges.

For full year 2022, we forecast expenses to increase in the low-double-digit percent range, mostly attributable to acquisitions completed within the last 12 months. We expect that incremental spending on organic strategic investments and operating growth, primarily related to merit and promotional increases as well as talent acquisition and retention, will be balanced through savings from lower incentive compensation accruals and ongoing expense discipline and efficiency initiatives.

2021 provided a unique opportunity to accelerate our investments in high-growth markets, including KYC, CRE, Banking, ESG, emerging markets, as well as technology enablement.

We ultimately invested approximately $150 million dollars to enhance our capabilities and capture new opportunities for revenue expansion across the business. We expect to sustain this level of investment in 2022, as we execute on our long-term integrated risk assessment strategy.

Finally, we also plan to invest over $50 million dollars in 2022 on our most important asset: our people. Our employees connect deeply to our mission to provide trusted insights and standards that help decision-makers act with confidence; and we want to attract and retain the best talent in order to achieve our growth ambitions.

Turning now to our corporate guidance for 2022:

Moody's outlook for the year is based on assumptions regarding many geopolitical conditions, macroeconomic and capital market factors. These include, but are not limited to, the effects of interest rates, inflation, foreign currency exchange rates, capital markets liquidity and activity in different sectors of the debt market, as well as the impact of the COVID-19 pandemic and subsequent responses by governments, regulators, businesses, and individuals.

The outlook also reflects assumptions regarding general economic conditions, the company's own operations and personnel, as well as additional items detailed in the earnings release. Our full year 2022 guidance incorporates the following macro assumptions: 2022 U.S. and Euro area GDP will each expand by approximately 3.5 to 4.5 percent, and global benchmark interest rates will gradually rise, with U.S. high-yield spreads moving slightly above the historical average of approximately 500 basis points.

By year-end, the U.S. unemployment rate will decline to about 3.5 percent and the global high-yield default rate will decrease before gradually rising to approximately 2.4 percent. Global inflation is projected to decline over the course of 2022, yet remain above central bank targets in several countries. Our guidance also assumes foreign currency translation. Specifically, our forecast for 2022 reflects U.S. exchange rates for the British pound of $1.35 and $1.14 for the euro. These assumptions are subject to uncertainty and results for the year could differ materially from our current outlook.

In 2022, we expect Moody's revenue to increase in the high-single-digit percent range and operating expenses, including the full-year impact of acquisitions, to grow in the low-double-digit percent range. Moody's adjusted operating margin is forecast to be in the range of 49 to 50 percent.

We estimate net interest expense to be between $200 and $220 million dollars and the full year 2022 effective tax rate to be between 20.5 and 22.5 percent. Diluted EPS and adjusted diluted EPS are projected to be in the range of $11.50 to $12.00, and $12.40 to $12.90, respectively.

Free cash flow is forecast to be between $2.3 and $2.5 billion dollars, and we plan to return at least $1.5 billion dollars to stockholders through share repurchases, subject to available cash, market conditions, M&A opportunities, and other ongoing capital allocation decisions. Included within this outlook is our intention to execute a $500 million dollar accelerated share repurchase program in the first half of the year.

For a full list of our guidance, please refer to Table 12 of our earnings release.

Turning now to our issuance outlook- we expect total MIS rated issuance to decrease in the low-single-digit percent range compared to record activity in the prior-year. However, 2022 activity is anticipated to remain well above the prior five-year historical average of $5.1 trillion dollars.

We project that investment grade activity will increase by approximately 15 percent, following the sharp contraction in 2021. While funding conditions for leveraged loans and high-yield bonds will remain supportive, we estimate that issuance will decline by approximately 10 percent and 15 percent, respectively. This is due to strong prior year comparables and an expected decrease in opportunistic activity, particularly in high yield bonds, as global benchmark rates rise.

We forecast a 5 percent increase in public, project and infrastructure finance activity and that financial institutions issuance will be approximately flat.

After a year of robust structured finance activity, issuance is projected to decline by approximately 5 percent.

For 2022, we estimate 900 to 1,000 first time mandates, which will contribute to both transaction revenue and future recurring revenue growth.

We expect MIS' full year revenue to increase in the low-single-digit percent range, given our new mandate estimate and strong recurring revenues base, which will offset moderating issuance. We forecast MIS' adjusted operating margin to be approximately 62 percent, in-line with the prior-year's result. This is an improvement of more than 400 basis points since 2020, due to operational efficiency and expense discipline.

Turning to MA, we anticipate revenue will increase in the high-teens percent range, building on strong 10 percent growth in organic constant currency recurring revenue in 2021. This reflects our ongoing focus on expanding our subscription-based products and is further supported by approximately 10 percentage points attributable to previously announced acquisitions. We forecast MA's adjusted operating margin to be approximately 29 percent, inclusive of a 150 to 200 basis point headwind from recent acquisitions and foreign exchange movements.

As Rob mentioned earlier, in response to investor feedback, we are replacing our existing long-term targets with new medium-term guidance. This demonstrates our commitment to delivering multi-year value to our stakeholders, as well as our confidence in capitalizing on the growth opportunities available to us while maintaining an attractive margin profile over the next five years.

For MIS, we project revenue to increase in the low-to-mid-single digit percent range coupled with an adjusted operating margin in the low-60's percent range, as we continue to invest in meeting our customers' needs in emerging markets and evolving areas of risk, including ESG and cyber.

For MA, we are targeting revenue to grow in the low-to-mid teens percent range and an adjusted operating margin in the mid-30's percent range within five years. We expect this increase to come from organic investments in our products, solutions, and distribution capabilities, as well as operating leverage from expanding recurring revenue.

As such, over the coming five years, we project Moody's revenue to grow by at least 10 percent on an average annualized basis and adjusted operating margin to expand into the low-50's percent range. We also anticipate that adjusted diluted EPS will increase in the low double digit percent range.

Before turning the call back over to Rob, I would like to highlight a few key takeaways:

First, in 2021, Moody's delivered over $6 billion dollars in revenue and an adjusted diluted EPS growth rate above 20 percent as our customer-centric approach continued to address their evolving needs.

Second, following a record level of issuance in 2021, we expect activity to remain robust this year.

Third, MA's high recurring revenue growth and retention rates will continue to support strong financial results.

Fourth, our strategic investments in high-growth markets will strengthen our financial performance in 2022.

And finally, the introduction of medium-term targets reflects our conviction in the momentum of our business, as well as our commitment to capitalize on multiple opportunities for growth.

And with that, let me turn the call back over to Rob.

Rob Fauber:

Thank you, Mark.

Before we take questions, I would like to again recognize the efforts of all our people at Moody's.

Our entire organization remains focused on putting our customers at the center of everything we do. In 2022 and beyond, we'll continue to invest in providing our customers the solutions they want and need to manage a wider range of inter-connected risks, which will reinforce our long-term growth opportunity. I am excited for the future at Moody's.

Thank you for listening today, and as a reminder, leading up to investor day, we'll be sharing videos that spotlight various parts of Moody's. Stay tuned for that. We look forward to seeing you on March 10.

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995

Certain statements contained in this document are forward-looking statements and are based on future expectations, plans and prospects for Moody's business and operations that involve a number of risks and uncertainties. The forward-looking statements in this document are made as of the date hereof, and Moody's disclaims any duty to supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, Moody's is identifying certain factors 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 Moody's own operations and personnel; future worldwide 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, inflation 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 our rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries to which Moody's may be subject from time to time;

provisions in 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 Moody's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if Moody's fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which Moody's 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 Moody's to successfully integrate 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. Other factors, risks and uncertainties relating to our acquisition of RMS could cause our actual results to differ, perhaps materially, from those indicated by these forward-looking statements, including risks relating to the integration of RMS's operations, products and employees into Moody's and the possibility that anticipated synergies and other benefits of the acquisition will not be realized in the amounts anticipated or will not be realized within the expected timeframe; risks that the acquisition could have an adverse effect on the business of RMS or its prospects, including, without limitation, on relationships with vendors, suppliers or customers; claims made, from time to time, by vendors, suppliers or customers; changes in the U.S., Europe (primarily the U.K.), Japan, India or global marketplaces that have an adverse effect on the business of RMS. 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 Moody's annual report on Form 10-K for the year ended December 31, 2020, and in other filings made by Moody's 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 Moody'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 Moody's business, results of operations and financial condition. New factors

may emerge from time to time, and it is not possible for Moody's to predict new factors, nor can Moody's assess the potential effect of any new factors on it.