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Unlock opportunity.

**Institutional
Investor**
2022 GLOBAL FIXED INCOME RESEARCH
#1 BEST CREDIT RATING AGENCY
MOODY'S

 **RiskTech
100 2023**
#1

First Quarter 2023 Earnings Call

April 25, 2023

Introduction

Shivani Kak

Head of Investor Relations



Disclaimer

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. Such statements involve estimates, projections, goals, forecasts, assumptions and uncertainties that could cause actual results or outcomes to differ materially from those contemplated, expressed, projected, anticipated or implied in the 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 document are made as of the date hereof, and Moody's 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, 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 current economic conditions, including capital market disruptions, inflation and related monetary policy actions by governments in response to inflation, on worldwide credit markets and on economic activity, including on the volume of mergers and acquisitions, and their effects on the volume of debt and other securities issued in domestic and/or global capital markets; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government initiatives and monetary policy to respond to the current economic climate, including instability of financial institutions, credit quality concerns, and other potential impacts of volatility in financial and credit markets; the global impact of the Russia - Ukraine military conflict on volatility in world financial markets, on general economic conditions and GDP in the U.S. and worldwide, on global relations and on the Company's own operations and personnel; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including regulation, increased utilization of technologies that have the potential to intensify competition and accelerate disruption and disintermediation in the financial services industry, as well as the number of issuances of securities without ratings or securities which are rated or evaluated by non-traditional parties; 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; the impact of MIS's withdrawal of its credit ratings on countries or entities within countries and of Moody's no longer conducting commercial operations in countries where political instability warrants such action; 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; uncertainty regarding the future relationship between the U.S. and China; the possible loss of key employees and the impact of the global labor environment; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the timing and effectiveness of our restructuring programs, such as the 2022 - 2023 Geolocation Restructuring Program; currency and foreign exchange volatility; 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, such as our acquisition of RMS, or other business combinations and the ability of Moody's to successfully integrate acquired businesses; 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 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, 2022, 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. Forward-looking and other statements in this document may also address our corporate responsibility progress, plans, and goals (including sustainability and environmental matters), and the inclusion of such statements is not an indication that these contents are necessarily material to investors or required to be disclosed in the Company's filings with the Securities and Exchange Commission. In addition, historical, current, and forward-looking sustainability-related statements may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions that are subject to change in the future.

1Q 2023 Highlights

Rob Fauber

President and Chief Executive Officer



Key Takeaways

- 1 MA delivered **ARR¹ growth of 10%** as robust demand continues for **MA's mission-critical data, analytics, and solutions**
- 2 **Strong investment grade activity** driven by high-quality issuers; **MIS adjusted operating margin of 56.8%** reflects recent actions taken to improve **operational leverage**
- 3 **Balancing expense efficiency** initiatives with ongoing **organic investment in high-growth markets, technology, and innovation**
- 4 **Raising FY 2023 adjusted diluted EPS** guidance² range to **\$9.50 - \$10.00**; **long-term MIS revenue growth fundamentals remain intact**

1. ARR: Annualized Recurring Revenue. ARR growth as of March 31, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

2. Guidance as of April 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2023” from April 25, 2023, for a complete list of guidance, reconciliations between adjusted and constant currency (C\$) measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

MCO: First Quarter 2023 Financial Results



\$1.5B
MCO Revenue



\$656M
MCO Adjusted
Operating Income¹



\$2.99
MCO Adjusted
Diluted EPS¹

(3%)

MCO revenue
contraction from
1Q22



MA revenue grew

6%

MA ARR² increased

10%



MIS revenue declined

(11%)

Rated issuance contracted

(13%)



44.6%
MCO Adjusted
Operating Margin¹

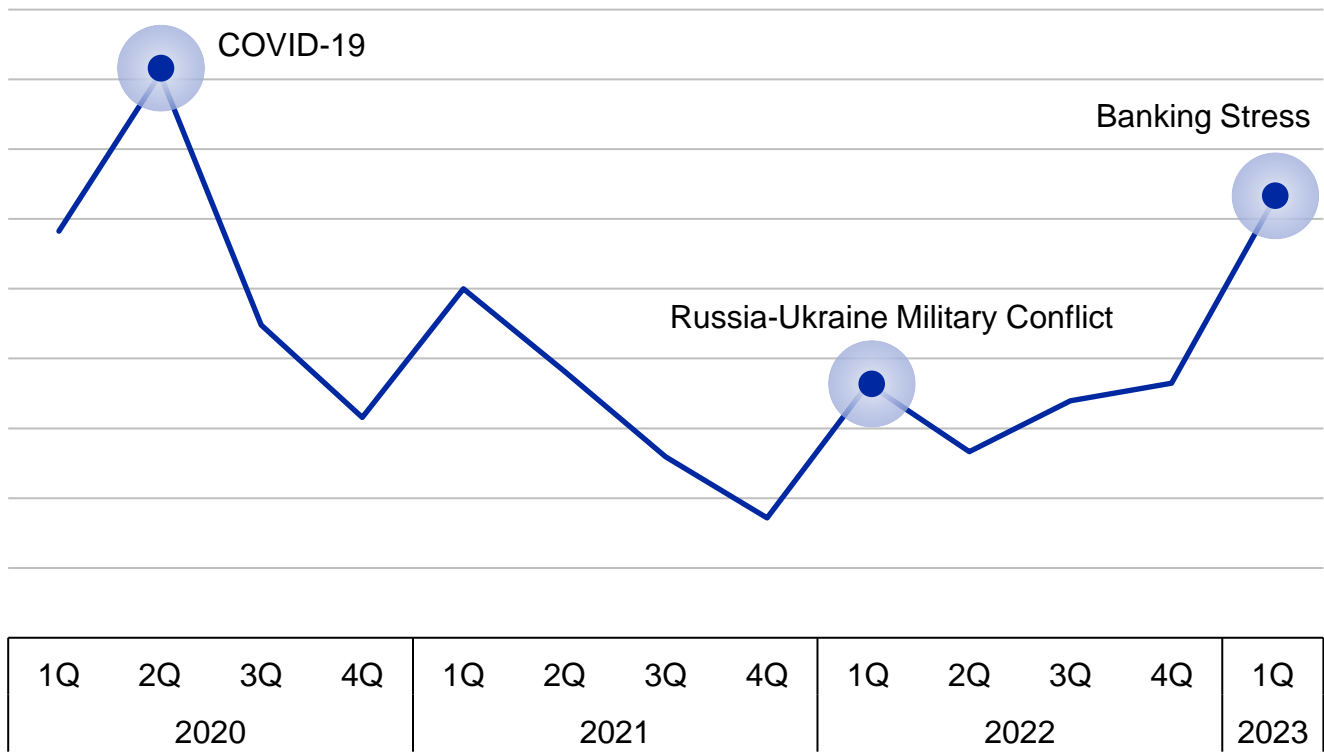
1. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

2. ARR growth as of March 31, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

MCO: Providing Clarity in Times of Uncertainty

Stakeholders consistently turn to Moody's during periods of macroeconomic and geopolitical uncertainty

Moody's.com Visits



Note: Average number of daily customer visits to [moodys.com](https://www.moodys.com) per quarter.



Delivering trusted thought-leadership, timely insights, and best-in-class products and solutions



Generating demand for Moody's offerings, including credit ratings, research, and economic models, as well as KYC, banking, and insurance solutions

MA: ARR Growth Accelerating Amid Heightened Customer Demand for Integrated Solutions to Better Identify, Measure, and Manage Risk

PRODUCT UTILIZATION¹

+49%

Asset Liability Management

+27%

Screening & Risk Monitoring

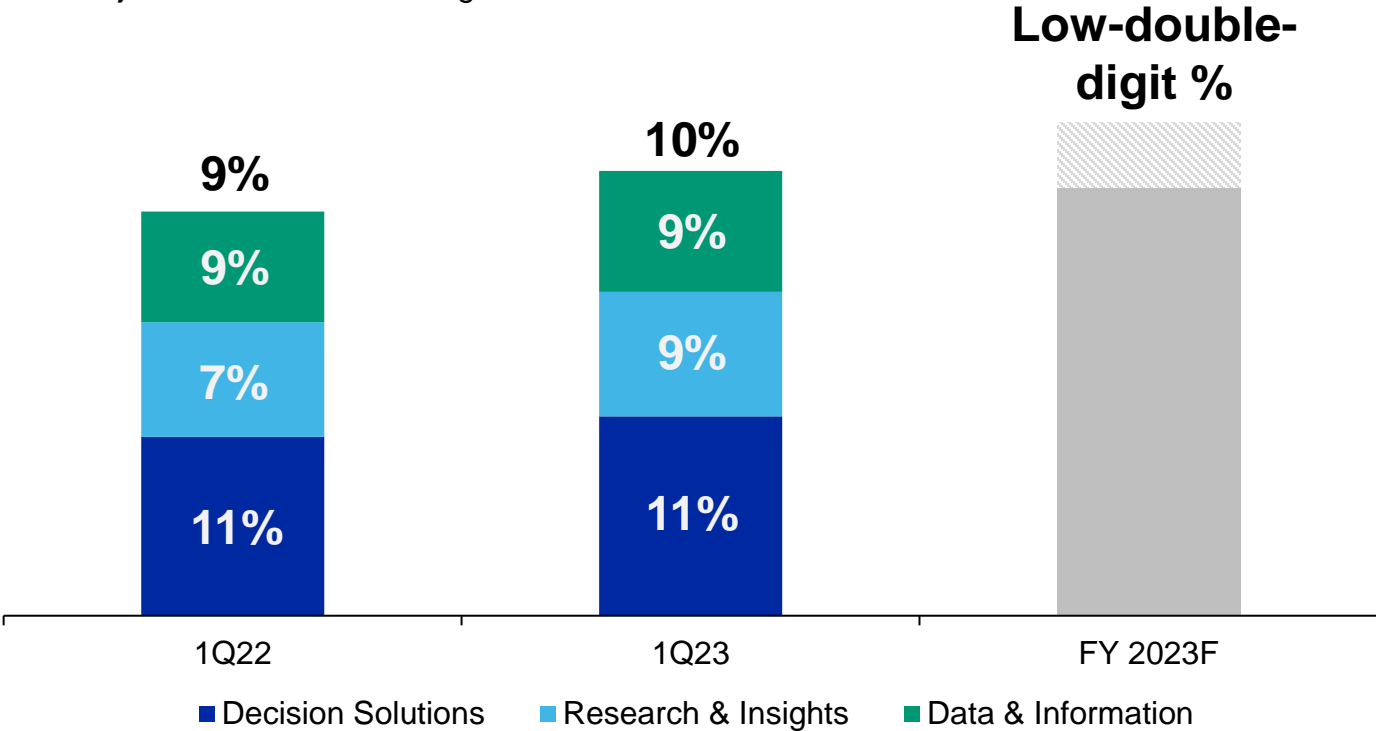
CUSTOMER ENGAGEMENT¹

2.5x

YoY increase in in-person meetings

Reaffirming Low-Double-Digit ARR^{2,3} Growth

Projected ARR Growth Range



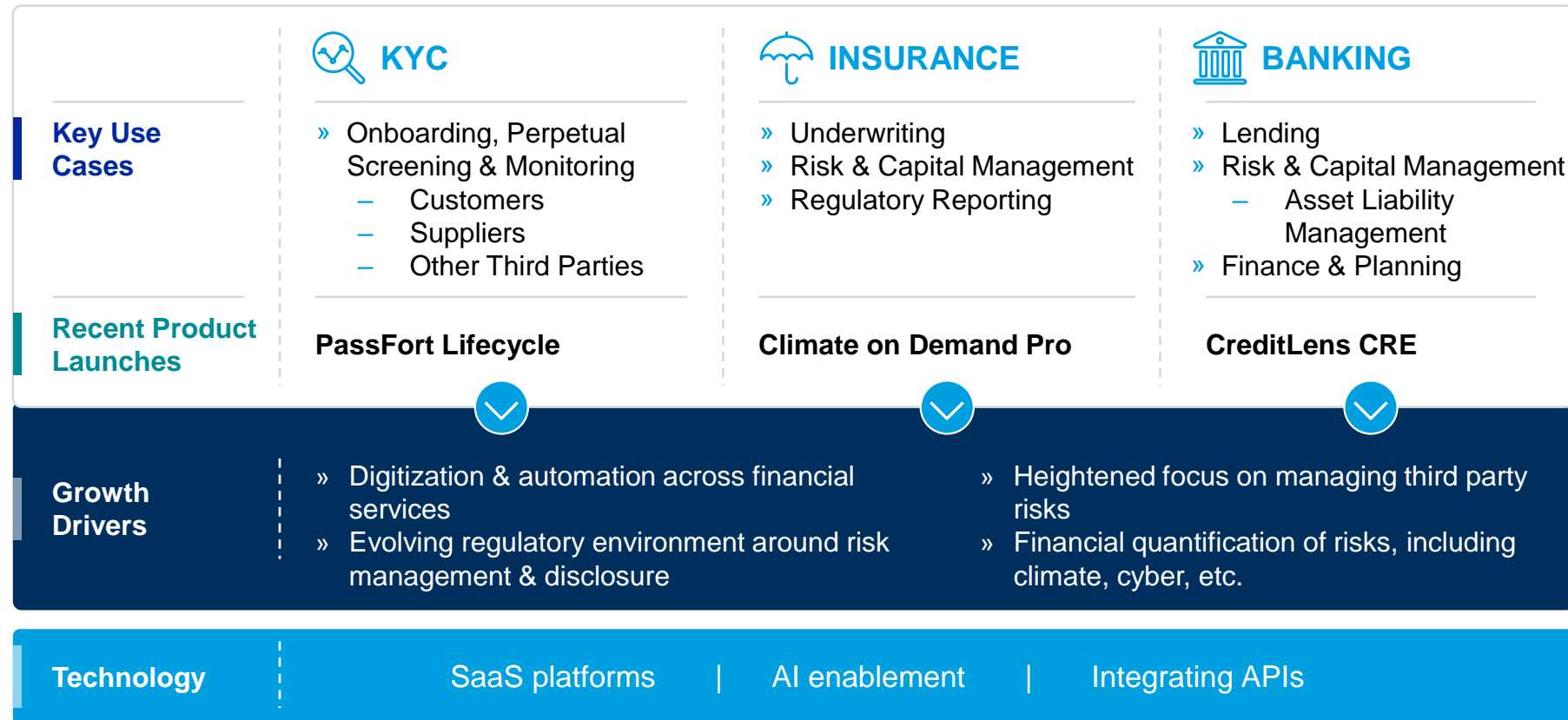
1. Product utilization and meeting activity growth metrics are on a trailing twelve month basis as of March 31, 2023, and March 31, 2022.

2. Guidance as of April 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2023” from April 25, 2023, for a complete list of guidance, reconciliations between adjusted and constant currency (C\$) measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

3. ARR growth as of March 31, 2022, and March 31, 2023, respectively. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

MA Decision Solutions: Integrating Content and Capabilities Across Moody's

Workflow solutions that address key customer use cases



Decision Solutions 1Q 2023 Performance¹

11% | ARR

93% | Retention Rate

88% | Proportion of
Recurring
Revenue

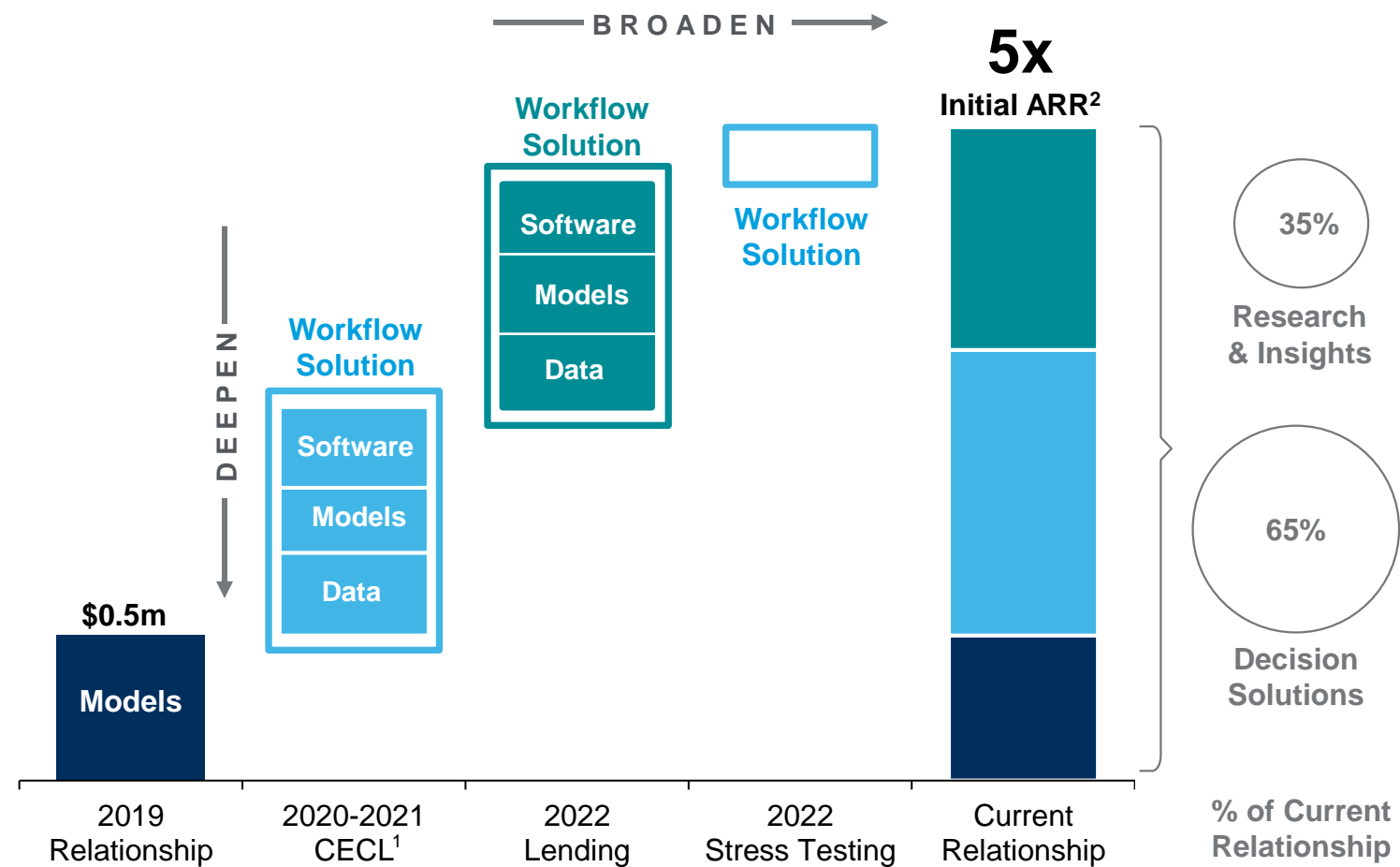
Note: SaaS = Software as a Service. AI = Artificial Intelligence. API = Application Programming Interface.

1. As of March 31, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation. Retention rate for quarter ended March 31, 2023, excludes RealXData and ZM Financial.

MA: Expanding Customer Relationships Through Workflow Solutions that Combine Data, Analytics, and Software



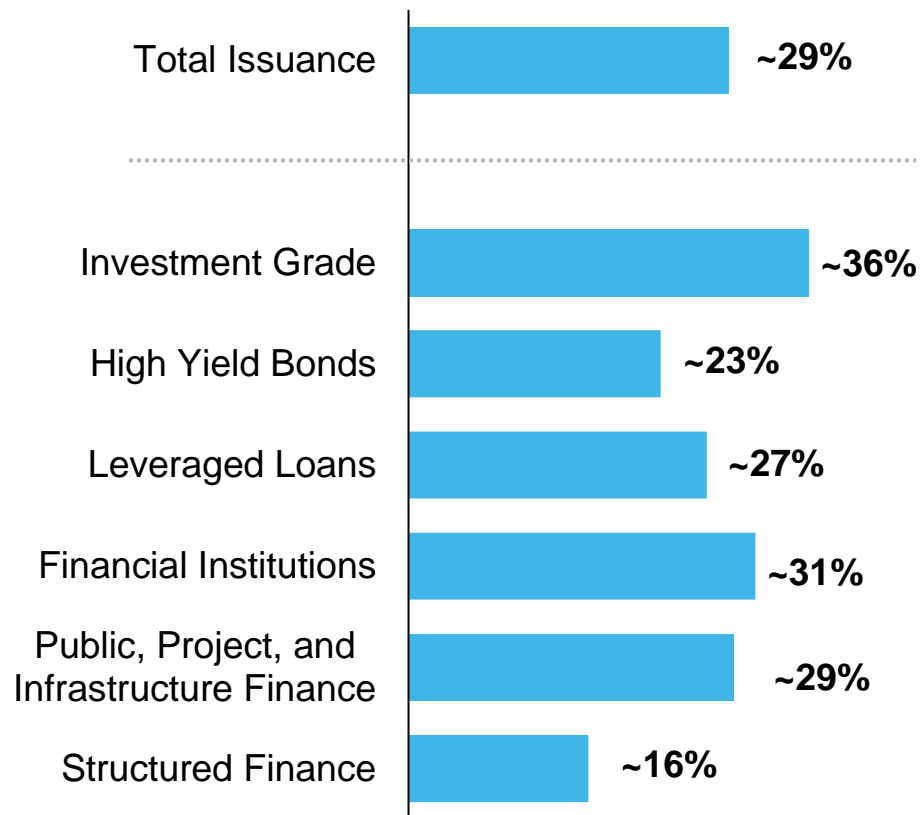
CASE STUDY: A NORTH AMERICAN BANK



1. CECL: Current Expected Credit Losses.
2. ARR reflects 2022 values, including price increases from 2019-2022.

MIS: Affirming Full Year Guidance¹

1Q23 Issuance vs. FY 2023 Outlook^{1,2}



2023 Issuance Factors



MACROECONOMICS & POLICY

- » Banking sector stress
- » Geopolitical risks
- » Energy, trade, climate, tax, and regulatory policies



INFLATION RATES & CENTRAL BANK ACTIONS

- » Inflation expectations, supply chain, and wage trends
- » Global monetary policy tightening cycle



CREDIT MARKETS

- » Liquidity, sentiment, and credit spreads
- » Credit performance and default rates
- » Private credit markets



GROWTH & INVESTMENT

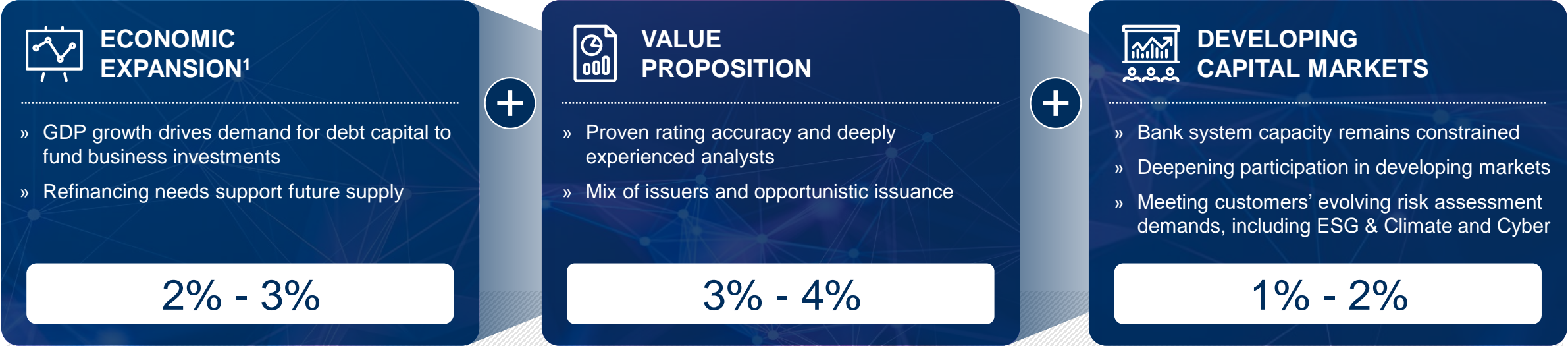
- » Global GDP: recession or recovery
- » Private equity 'dry powder'

1. Guidance as of April 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2023” from April 25, 2023, for a complete list of guidance, reconciliations between adjusted and constant currency (C\$) measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

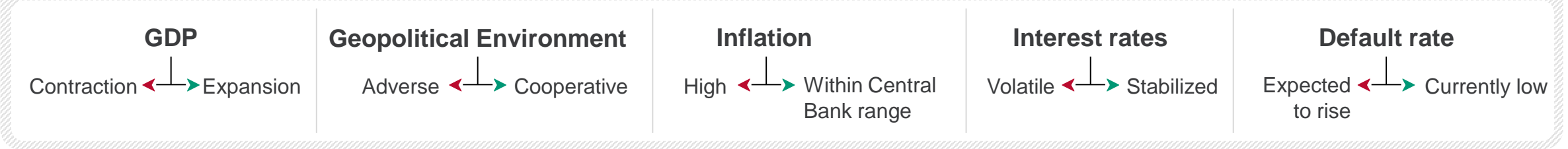
2. Total issuance includes CFG, SFG, FIG, and PPIF. MIS-rated issuance excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

MIS: Long-term Revenue Growth Drivers Intact

LONG-TERM GROWTH BUILDING BLOCKS



CYCLICAL HEADWINDS & TAILWINDS



Note: Long-term growth building blocks presented on this slide are on average, over time.

1. Economic expansion represents rate of change in global real GDP.

MCO: Updated Full Year Guidance

Full Year 2023 Financial Outlook as of April 25, 2023¹



Revenue	Increase in the mid-to-high-single-digit percent range
Expenses	Increase in the mid-single-digit percent range
Adjusted Operating Margin²	44% - 45%
Interest Expense, Net	\$275 - \$295 million
Effective Tax Rate	15% - 17%
Diluted EPS	\$8.45 - \$8.95
Adjusted Diluted EPS²	\$9.50 - \$10.00
Free Cash Flow²	\$1.4 - \$1.6 billion
Share Repurchases³	Approximately \$250 million

1. Guidance as of April 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2023” from April 25, 2023, for a complete list of guidance, reconciliations between adjusted and constant currency (C\$) measures and 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 reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.
3. Subject to available cash, market conditions, M&A opportunities, and other ongoing capital allocation decisions.

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Questions and Answers



Rob Fauber

President and Chief Executive Officer



Mark Kaye

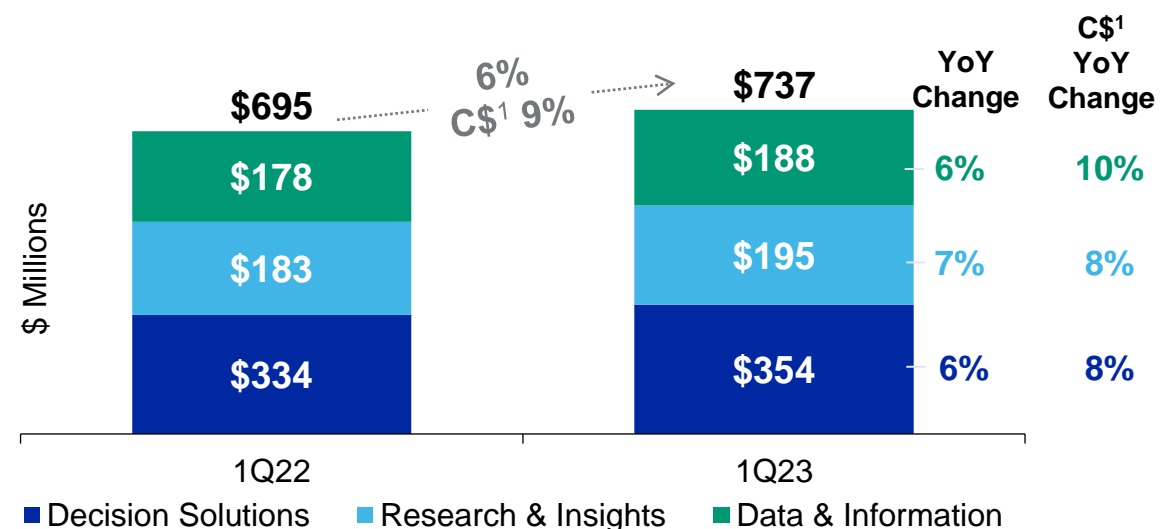
Chief Financial Officer



Supplemental Information

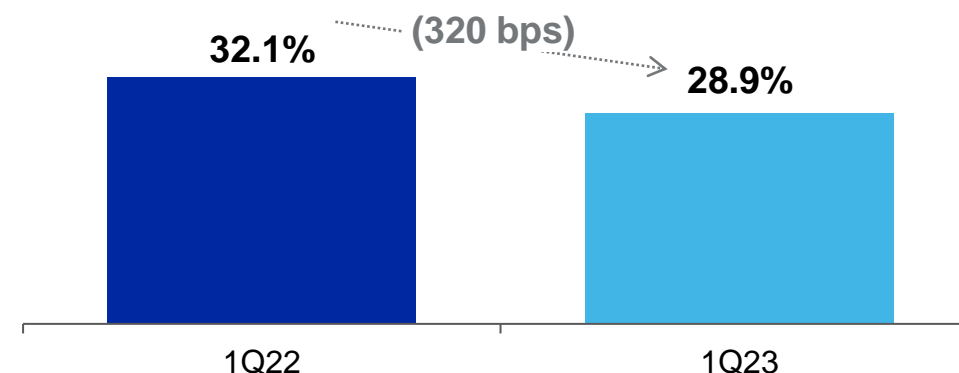
MA: Delivering Robust Growth Through Mission-Critical Products

MA Revenue



- » **DS:** C\$¹ revenue grew 8% on increased demand for KYC & compliance, lending, and insurance solutions (ARR² growth of 11%)
- » **R&I:** Growth in sales of economic models and research drove C\$¹ revenue up by 8% (ARR² growth of 9%)
- » **D&I:** C\$¹ revenue growth of 10% was driven by strong retention, and realization of increased pricing and upgrades related to credit rating data feeds (ARR² growth of 9%)

MA Adjusted Operating Margin¹



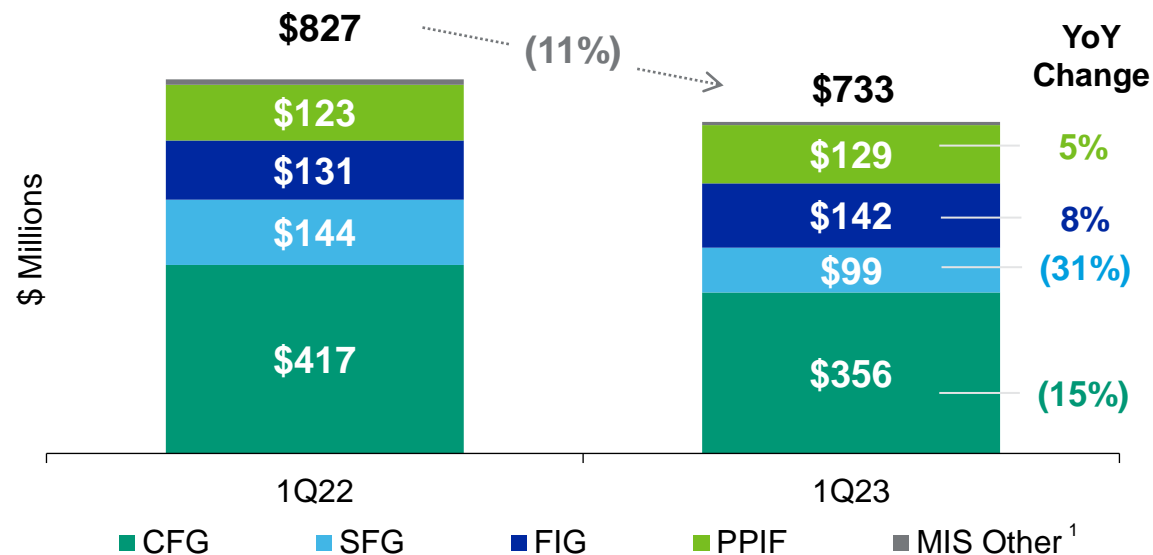
- » Year-over-year adjusted operating margin variability was influenced by a higher concentration of on-premise multi-year software renewals in the prior-year period, as well as the timing of investments
- » Making opportunistic investments in innovation, technology, and product development
- » Full year 2023 adjusted operating margin guidance remains ~31%

1. Foreign currency exchange unfavorably impacted total MA, Decision Solutions, Research & Insights and Data & Information revenues by 3%, 2%, 1%, and 4%, respectively. Refer to the Appendix for the definition of constant currency (C\$) revenue, as well as reconciliations between all C\$ and adjusted measures mentioned throughout this presentation and U.S. GAAP.

2. ARR growth as of March 31, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

MIS: Solid Activity to Start the Year, but Market Uncertainty Remains

MIS Revenue



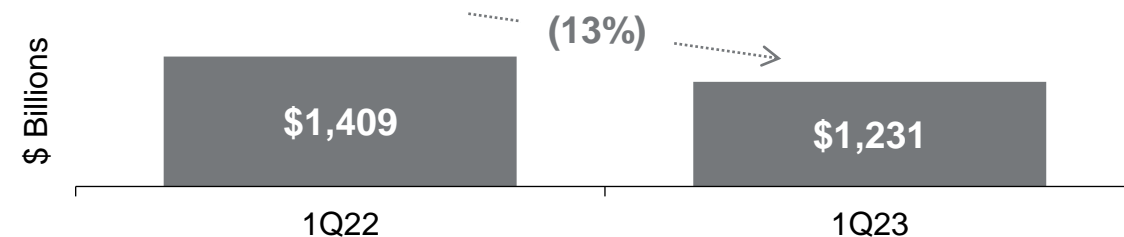
- » Demand for higher-quality credits drove strong investment grade activity in early 1Q, particularly from corporate and infrastructure finance issuers
- » Higher volume of infrequent bank issuance ahead of market volatility resulting from banking sector stress
- » Macroeconomic uncertainty constrained structured finance, leveraged loan, and high yield bond activity throughout the quarter

1. MIS Other revenue was approximately \$12 million and \$7 million in the quarters ended March 31, 2022, and March 31, 2023, respectively.

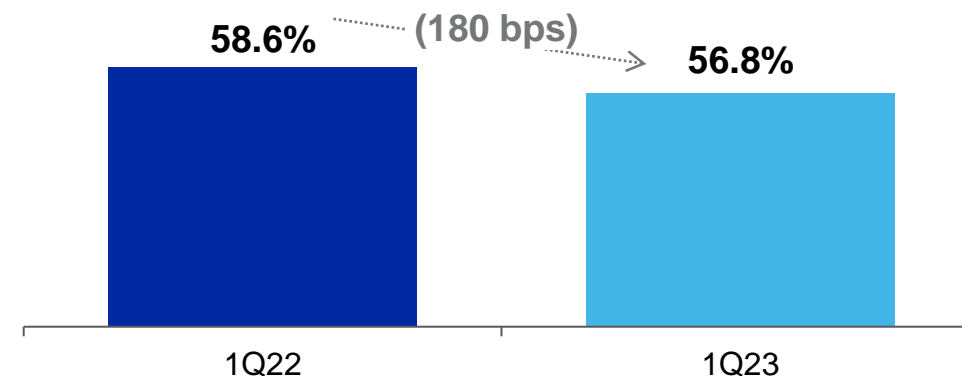
2. MIS-rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

3. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

Issuance²



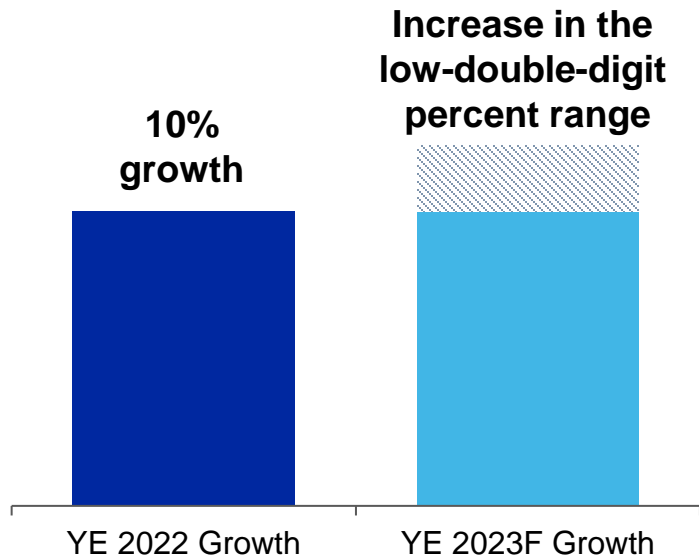
MIS Adjusted Operating Margin³



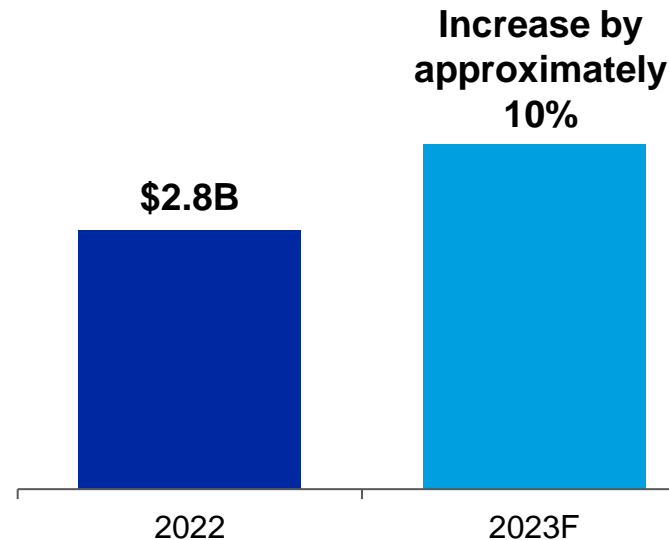
- » Margin contraction reflects lower revenue from structured and leveraged finance issuers due to ongoing cyclical market volatility

MA: Strong Customer Demand Reflected in ARR^{1,2} Growth Expectations

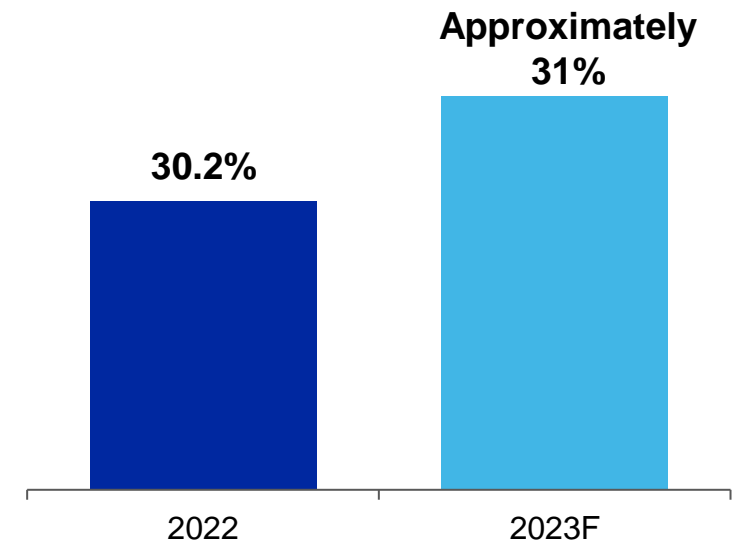
ARR^{1,2}



Revenue¹



Adjusted Operating Margin¹



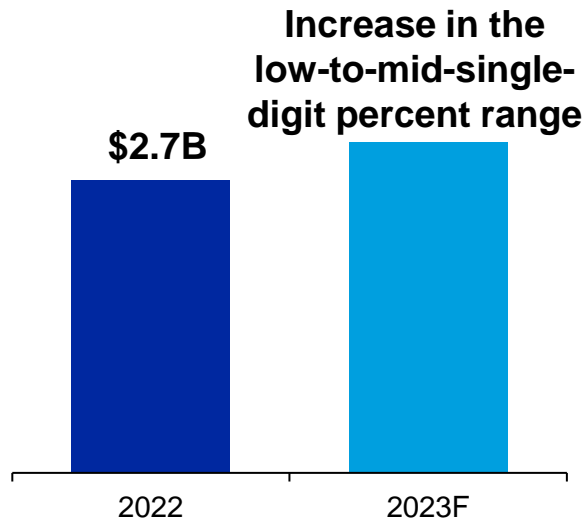
- » MA's mission critical solutions, deeply embedded in our customers' workflows, deliver both sustained retention rates in the mid-90s and double-digit ARR growth
- » Ongoing investments in innovation and technology are accelerating the interoperability of our unique and in-demand data and analytics with our SaaS solutions, improving operating leverage through more efficient delivery, as well as cross- and up-sell strategies

1. Guidance as of April 25, 2023. Refer to Table 11 – "2023 Outlook" in the press release titled "Moody's Corporation Reports Results for First Quarter 2023" from April 25, 2023, for a complete list of guidance, reconciliations between adjusted and constant currency (C\$) measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

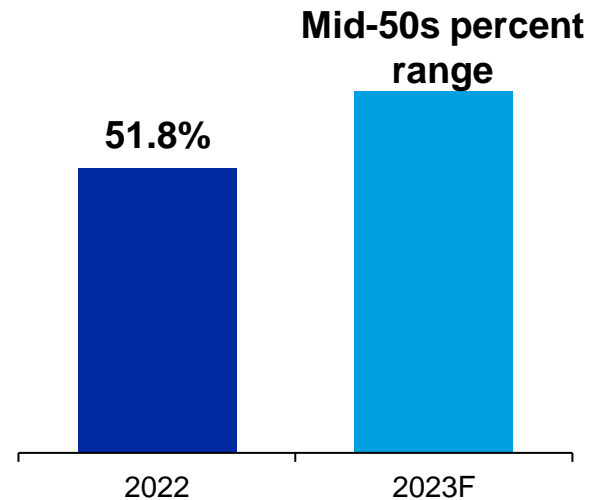
2. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

MIS: Outlook Unchanged Due to Ongoing Market Uncertainty

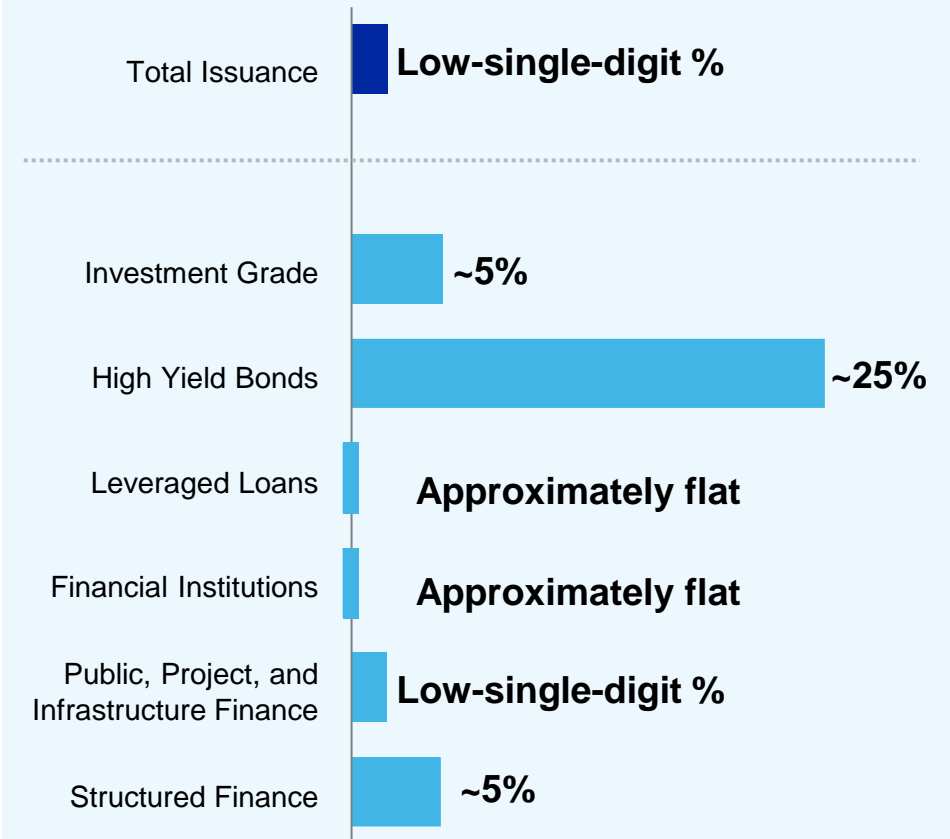
Revenue¹



Adjusted Operating Margin¹



FY 2023 Issuance Outlook^{1,2}



- » Inflationary and recessionary concerns, as well as bank stress, expected to impact capital market activity in the near-term, with a return to more normalized issuance levels in 2H 2023
- » Disciplined expense management; balancing operational efficiency with adequacy of resources to deliver quality mandates and ratings
- » Maintaining expectation for 600 to 700 first-time mandates

1. Guidance as of April 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2023” from April 25, 2023, for a complete list of guidance, reconciliations between adjusted and constant currency (C\$) measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

2. Total issuance includes CFG, SFG, FIG, and PPIF. MIS-rated issuance excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

MIS: Macroeconomic Assumptions

Underpinning our Full Year 2023 Outlook

Macroeconomic Assumptions¹



Real GDP²

0.5% - 1.5% U.S.
0.0% - 1.0% Euro area
1.5% - 2.5% Global



Benchmark Rates & Credit Spreads

Global benchmark rates to remain elevated, with U.S. Fed funds rate peaking above 5%, followed by the potential for rate reductions in early 2024; U.S. high yield spreads to average ~500 bps, with periodic volatility



Inflation & Unemployment

Global inflation levels to decline, but remain above central bank targets (U.S.: ~5% average; large Euro area economies: ~6% average, with considerable variation among countries); U.S. unemployment rate to rise toward 5% by year-end



Default Rates

Global high yield default rate to rise to ~5% by year-end



FX Rates

\$1.24 and \$1.09 for the remainder of the year for GBP/USD and EUR/USD FX rates, respectively

TAILWINDS

Incremental monetary policy tightening cycle expected to end by mid-year as inflation eases in most countries



~\$4T of refinancing needs between 2023 and 2026



Dry powder at private equity firms



HEADWINDS



Stress in the global banking system highlights financial stability risks



Recessionary concerns



Ongoing geopolitical uncertainty, including resolution of the Russia-Ukraine military conflict



High cash levels on corporate balance sheets

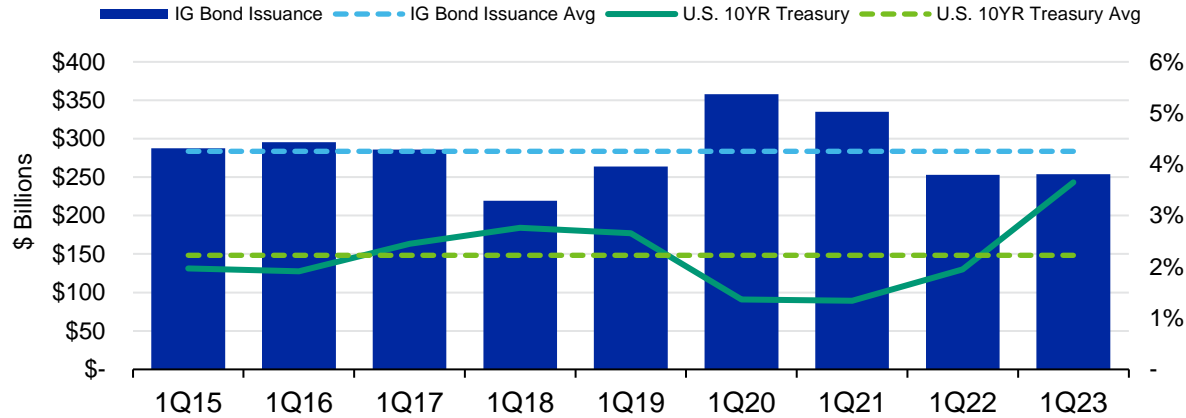
Sources: Default rate and unemployment assumptions sourced from Moody's Investors Service "March 2023 Default Report", published April 14, 2023. High yield spreads, GDP, and inflation assumptions as of April 25, 2023, from Moody's Investors Service.

1. Guidance as of April 25, 2023. Refer to Table 11 – "2023 Outlook" in the press release titled "Moody's Corporation Reports Results for First Quarter 2023" from April 25, 2023, for a complete list of guidance, reconciliations between adjusted and constant currency (C\$) measures and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

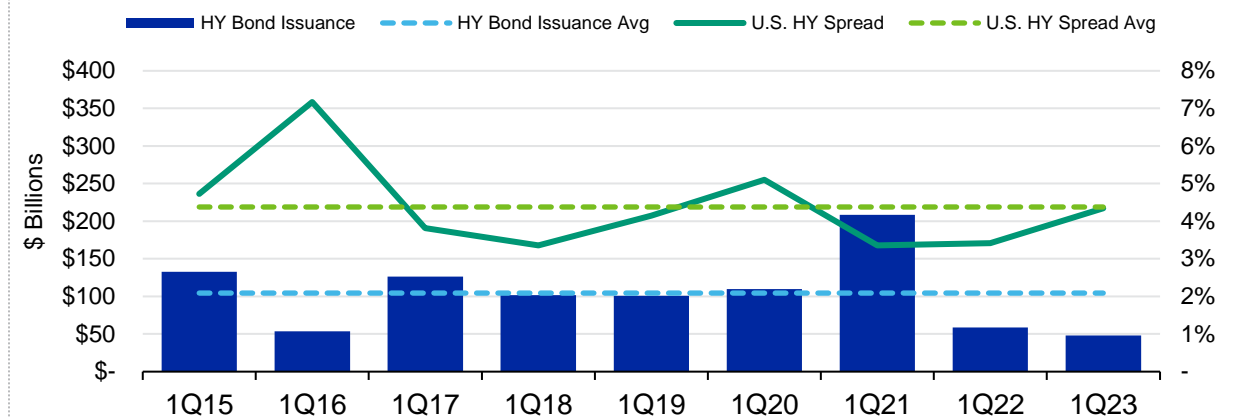
2. GDP represents rate of change in real GDP.

MIS: Following Outsized Issuance in 2020 and 2021, Refinancing Needs Remain Significant

MIS-Rated Q1 Non-Financial Global Corporate Investment Grade (IG) Issuance

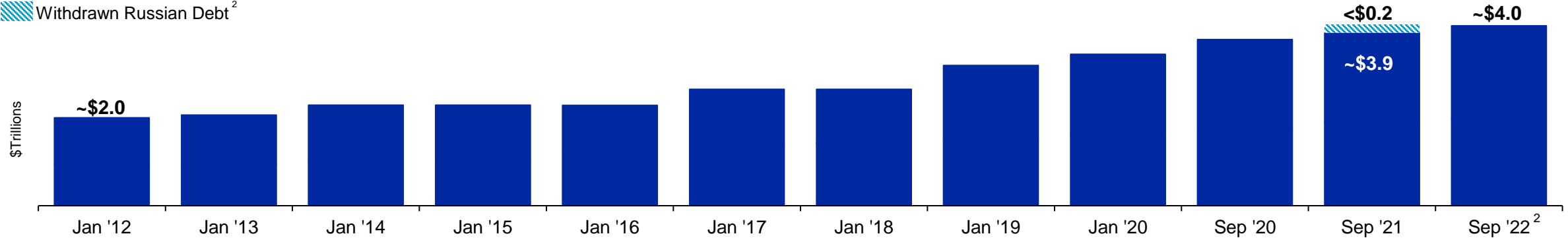


MIS-Rated Q1 Non-Financial Global Corporate High Yield (HY) Issuance



Four-Year U.S. and EMEA Non-Financial Corporate Refinancing Walls¹

Withdrawn Russian Debt²



Sources: Moody's Investors Service, Moody's Analytics, and Dealogic.

1. Amounts reflect total MIS-rated U.S. non-financial corporate bond and loan maturities, in addition to EMEA non-financial corporate and infrastructure bond and loan maturities as defined in Moody's Investors Service's refunding needs reports (2012 – 2022). Each bar represents four-year refunding needs.

2. In March 2022, Moody's withdrew the ratings of Russian companies, resulting in a reduction of the refinancing wall.

Teleconference Details



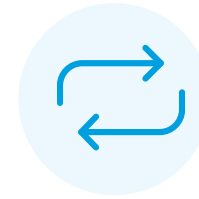
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“**1Q 2023 Earnings Conference Call**”



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- » Non-U.S. & Canada: +1-647-362-9199
- » Passcode: 9302427

Dial In Replay Available from April 25, 2023, through May 25, 2023

Moody's Attendance at Upcoming Conferences

MAY
5

Credit Suisse 5th Annual eXtreme Ideas Conference

» Tameka Alsop, Chief Administrative Officer

MAY
9

Barclays Americas Select Franchise Conference

» Keith Berry, MA General Manager – Know Your Customer

MAY
11

Morgan Stanley Business Services One-on-One Day

» Michael West, MIS – President

MAY
31

Bernstein Strategic Decisions Conference

» Rob Fauber, Chief Executive Officer

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31

Deutsche Bank Global Financial Services Conference

» Steve Tulenko, MA – President

JUNE
6

Stifel Cross Sector Insight Conference

» Tameka Alsop, Chief Administrative Officer



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Appendix

Glossary of Terms and Abbreviations

TERM	DEFINITION
CFG	Corporate finance group; an LOB within MIS
CRE	Commercial Real Estate
D&I	The Data & Information LOB within MA, which provides vast data sets on companies and securities via data feeds and data applications products
DS	The Decision Solutions LOB within MA, which provides software and workflow tools for specific use cases (banking, insurance, KYC/KYS, CRE, and structured finance solutions). This LOB utilizes components from the D&I and R&I LOBs to provide integrated risk solutions
ESG	Environmental, Social, and Governance
FIG	Financial institutions group; an LOB within MIS
KYC	Know-your-customer
LOB	Line of business
MA	Moody's Analytics – a reportable segment of MCO, which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs – DS, R&I, and D&I
MIS	Moody's Investors Service – a reportable segment of MCO; consists of five LOBs – CFG, FIG, PPIF, SFG, and MIS Other
MIS Other	Consists of financial instruments pricing services in the Asia-Pacific region, ICRA non-ratings revenue, and revenue from professional services. These businesses are components of MIS; MIS Other is an LOB of MIS
PPIF	Public, project, and infrastructure finance; an LOB within MIS
R&I	The Research & Insights LOB within MA, which provides models, scores, expert insights, and commentary. This LOB includes credit research, credit models, and analytics, and economics data and models
SFG	Structured finance group; an LOB within MIS
YoY	Year-over-year

Annualized Recurring Revenue (ARR)

The Company presents Annualized Recurring Revenue (“ARR”) on a constant currency organic basis for its MA business as a supplemental performance metric to provide additional insight on the estimated value of MA's recurring revenue contracts at a given point in time. The Company uses ARR to manage and monitor performance of its MA operating segment and believes that this metric is a key indicator of the trajectory of MA's recurring revenue base.

The Company calculates ARR by taking the total recurring contract value for each active renewable contract as of the reporting date, divided by the number of days in the contract and multiplied by 365 days to create an annualized value. The Company defines renewable contracts as subscriptions, term licenses, maintenance and renewable services. ARR excludes transaction sales including training, one-time services and perpetual licenses. In order to compare period-over-period ARR excluding the effects of foreign currency translation, the Company bases the calculation on currency rates utilized in its current year operating budget and holds these FX rates constant for the duration of all current and prior periods being reported. Additionally, ARR excludes contracts related to acquisitions to provide additional perspective in assessing growth excluding the impacts from certain acquisition activity.

The Company’s definition of ARR may differ from definitions utilized by other companies reporting similarly named measures, and this metric should be viewed in addition to, and not as a substitute for, financial measures presented in accordance with U.S. GAAP.

<i>Amounts in millions</i>	March 31, 2023		March 31, 2022		Change	Growth
<u>MA ARR</u>						
Decision Solutions	\$	1,234	\$	1,108	\$ 126	11%
Research and Insights		770		708	62	9%
Data and Information		748		685	63	9%
Total MA ARR	\$	2,752	\$	2,501	\$ 251	10%

Financial Information by Segment

The table below shows revenue and Adjusted Operating Income by reportable segment. Adjusted Operating Income is a financial metric utilized by the Company's chief operating decision maker to assess the profitability of each reportable segment.

<i>Amounts in millions</i>	Three Months Ended March 31,							
	2023				2022			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$ 737	\$ 733	\$ —	\$ 1,470	\$ 695	\$ 827	\$ —	\$ 1,522
Intersegment revenue	3	45	(48)	—	2	43	(45)	—
Total revenue	740	778	(48)	1,470	697	870	(45)	1,522
Operating, SG&A	526	336	(48)	814	473	360	(45)	788
Adjusted Operating Income	\$ 214	\$ 442	\$ —	\$ 656	\$ 224	\$ 510	\$ —	\$ 734
<i>Adjusted Operating Margin</i>	28.9 %	56.8 %		44.6 %	32.1 %	58.6 %		48.2 %
Depreciation and amortization	70	18	—	88	60	18	—	78
Restructuring	8	6	—	14	—	—	—	—
Operating income				\$ 554				\$ 656
<i>Operating margin</i>				37.7 %				43.1 %

Constant Currency Revenue Growth (Decline)

The Company presents constant currency revenue growth (decline) as its non-GAAP measure of revenue growth (decline). Management deems this revised measure to be useful in providing additional perspective in assessing the Company's revenue growth (decline) excluding the impacts of changes in foreign exchange rates. The Company calculates the dollar impact of foreign exchange as the difference between the translation of its current period non-USD functional currency results using comparative prior period weighted average foreign exchange translation rates and current year reported results.

Below is a reconciliation of the Company's reported revenue and growth (decline) rates to its constant currency revenue growth (decline) measures:

Amounts in millions	Three Months Ended March 31,			
	2023	2022	Change	Growth
MCO revenue	\$ 1,470	\$ 1,522	\$ (52)	(3)%
FX impact	28	—	28	
Constant currency MCO revenue	\$ 1,498	\$ 1,522	\$ (24)	(2)%
MA revenue	\$ 737	\$ 695	\$ 42	6%
FX impact	18	—	18	
Constant currency MA revenue	\$ 755	\$ 695	\$ 60	9%
Decision Solutions revenue	\$ 354	\$ 334	\$ 20	6%
FX impact	7	—	7	
Constant currency Decision Solutions revenue	\$ 361	\$ 334	\$ 27	8%
Research and Insights revenue	\$ 195	\$ 183	\$ 12	7%
FX impact	3	—	3	
Constant currency Research and Insights revenue	\$ 198	\$ 183	\$ 15	8%
Data and Information revenue	\$ 188	\$ 178	\$ 10	6%
FX impact	8	—	8	
Constant currency Data and Information revenue	\$ 196	\$ 178	\$ 18	10%
MA recurring revenue	\$ 692	\$ 651	\$ 41	6%
FX impact	17	—	17	
Constant currency MA recurring revenue	\$ 709	\$ 651	\$ 58	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 Moody's operating performance. Adjusted Operating Income excludes the impact of: i) depreciation and amortization; and ii) restructuring charges/adjustments. 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/adjustments are excluded as the frequency and magnitude of these charges may vary widely across periods and 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 March 31,	
	2023	2022
Operating income	\$ 554	\$ 656
Depreciation and amortization	88	78
Restructuring	14	—
Adjusted Operating Income	\$ 656	\$ 734
Operating margin	37.7 %	43.1 %
Adjusted Operating Margin	44.6 %	48.2 %

Free Cash Flow

The Company defines Free Cash Flow as net cash provided by operating activities minus payments for capital additions. 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. 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.

Below is a reconciliation of the Company's net cash flows from operating activities to Free Cash Flow:

<i>Amounts in millions</i>	Three Months Ended March 31,	
	2023	2022
Net cash provided by operating activities	\$ 608	\$ 470
Capital additions	(73)	(59)
Free Cash Flow	\$ 535	\$ 411
Net cash used in investing activities	\$ (63)	\$ (161)
Net cash used in financing activities	\$ (216)	\$ (352)

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 Moody's operating performance. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of: i) amortization of acquired intangible assets; and ii) restructuring charges/adjustments.

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/adjustments are excluded as the frequency and magnitude of these items may vary widely across periods and 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 these measures to their most directly comparable U.S. GAAP measures:

Amounts in millions	Three Months Ended March 31,	
	2023	2022
Net income attributable to Moody's common shareholders	\$ 501	\$ 498
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 51	\$ 51
Tax on Acquisition-Related Intangible Amortization Expenses	(12)	(12)
Net Acquisition-Related Intangible Amortization Expenses	39	39
Pre-tax restructuring	\$ 14	\$ —
Tax on restructuring	(4)	—
Net restructuring	10	—
Adjusted Net Income	\$ 550	\$ 537

Amounts in millions	Three Months Ended March 31,	
	2023	2022
Diluted earnings per share attributable to Moody's common shareholders	\$ 2.72	\$ 2.68
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 0.28	\$ 0.27
Tax on Acquisition-Related Intangible Amortization Expenses	(0.06)	(0.06)
Net Acquisition-Related Intangible Amortization Expenses	0.22	0.21
Pre-tax restructuring	\$ 0.08	\$ —
Tax on restructuring	(0.03)	—
Net restructuring	0.05	—
Adjusted Diluted EPS	\$ 2.99	\$ 2.89

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

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