



MOODY's | Decode risk.  
Unlock opportunity.

# Second Quarter 2023 Earnings Call

July 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. These 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 or development of competing products or technologies; 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.



# 2Q 2023 Highlights

**Rob Fauber**

President and Chief Executive Officer



# Key Takeaways

- 1** **Growth resumed in MIS**, as rated issuance and revenue **increased** on constructive market conditions; 2023 guidance revised upwards
- 2** MA delivered **10% ARR<sup>1</sup> growth**; introducing additional revenue-related disclosures on the Decision Solutions businesses
- 3** **2023 Adjusted EPS<sup>2</sup> forecast raised to \$9.75 – \$10.25** on stronger-than-expected revenue growth; effective cost control measures enable accelerated investments
- 4** **Embracing** the power of **Generative AI** across the firm; powered by Microsoft and anchored by Moody's proprietary data, analytics and research

1. ARR: Annualized Recurring Revenue. ARR growth as of June 30, 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 July 25, 2023. Refer to Table 10 – “2023 Outlook” in the press release titled “Moody's Corporation Reports Results for Second Quarter 2023” from July 25, 2023, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

# Moody's: Helping Customers Accelerate Value Creation in an Era of Exponential Risk

Moody's

Ratings	Research & Insights	Data & Information	Decision Solutions
Agency of Choice	Premier fixed income research business	Unparalleled database on companies & credit	Banking   Insurance   KYC
			SaaS businesses serving mission-critical Banking, Insurance and KYC workflows

We help Banks, Insurers, Investors, Corporations and Governments

What do we do?	Issue, Originate, Select & Underwrite	Identify, Measure, Monitor & Manage Risk	Verify, Comply, Plan & Report
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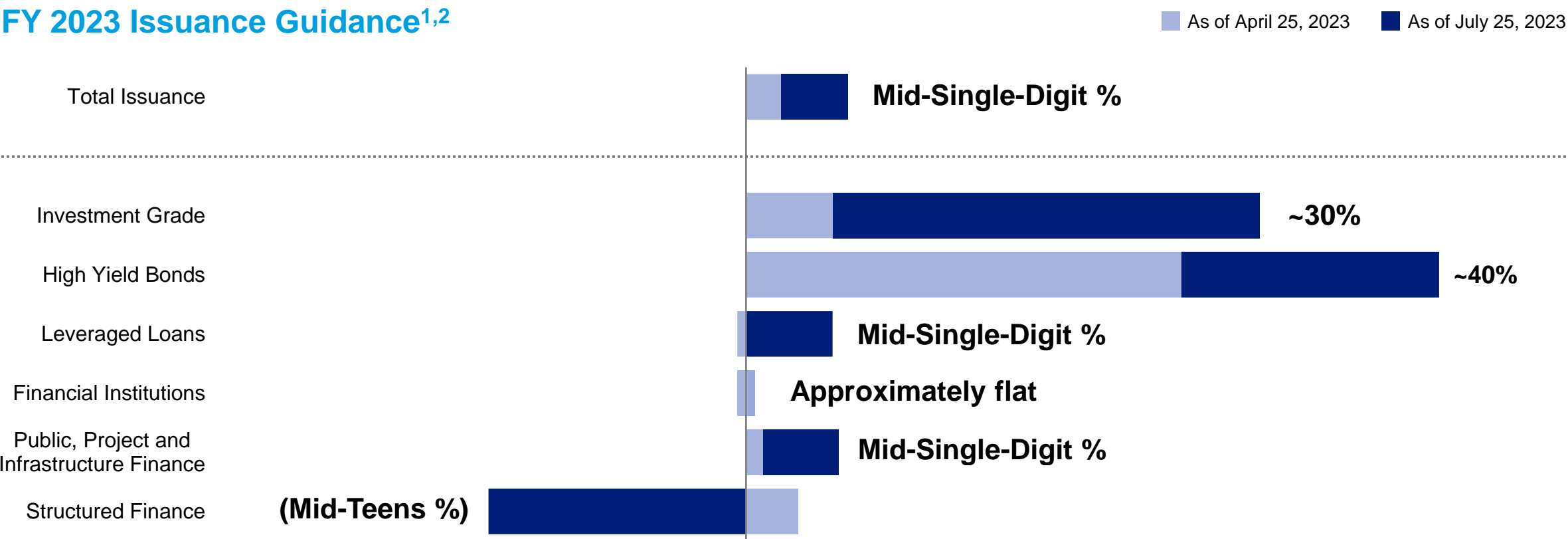
Leveraging an unrivaled set of data, analytics & domain expertise across

How do we do this?	Credit Companies	Properties Securities	People Economies	Climate ESG
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Note: KYC = Know Your Customer | SaaS = Software as a Service | ESG = Environmental, Social & Governance.

# Constructive Markets Underpin Guidance Uplift

Investment Grade Issuance Grew in 2Q 2023



1. Guidance as of July 25, 2023. Refer to Table 10 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2023” from July 25, 2023, for a complete list of guidance, 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.



# Strengthening our Position in the Markets of Tomorrow



## Emerging Markets

- » **Global Footprint:** Closed on acquisition of SC Riesgo to further grow Moody's Local in Latin America
- » **Agency of Choice:** Highly successful Emerging Markets Summit<sup>1</sup> with audiences from 90+ countries



## Digital Finance

- » **Trusted Insights:** Leading analytical views on the digitalization of financial markets
- » **Future Ready:** Aligned with market developments in distributed ledger technology and digital assets



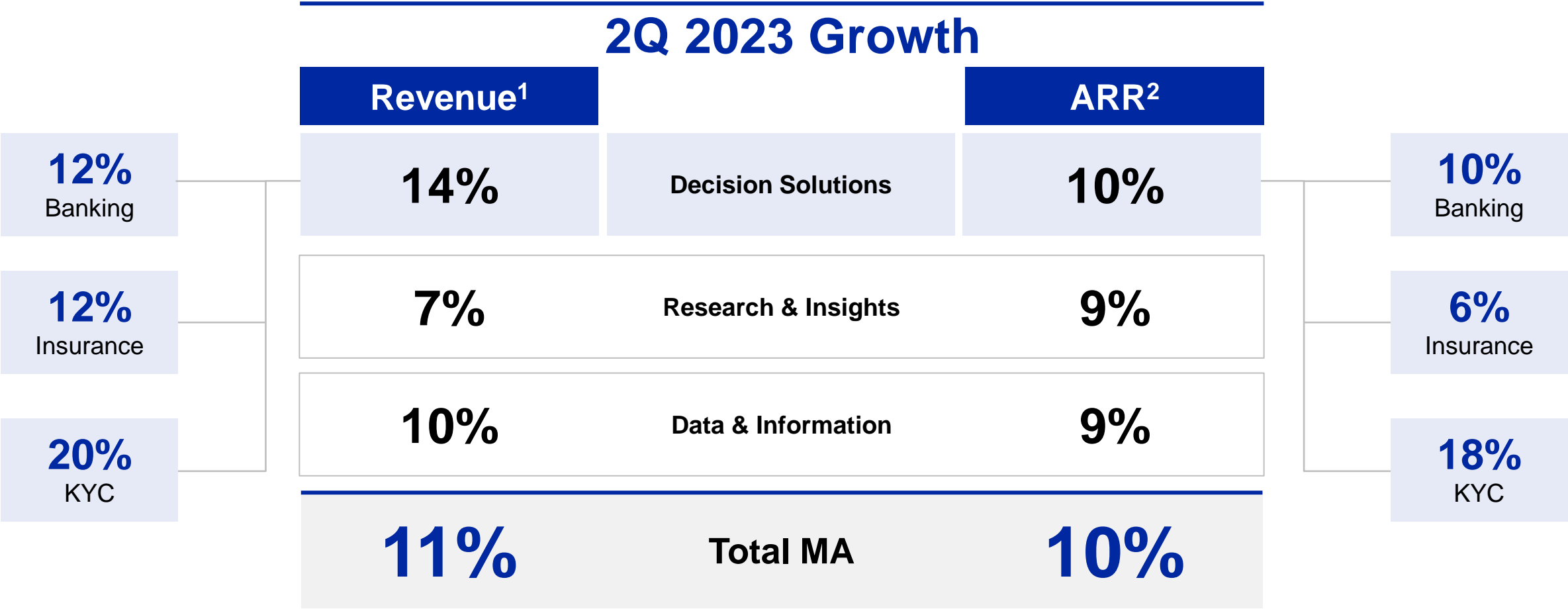
## Sustainable Finance

- » **Thought Leadership:** Groundbreaking research on the impacts of ESG on credit
- » **Voice of the Market:** Global insights on sector transitions and related credit risks

1. Moody's Emerging Markets Summit, May 2023.



# Incremental Disclosures Improve Investor Insight



1. Refers to reported quarterly revenue growth from 2Q 2022 to 2Q 2023.  
2. ARR: Annualized Recurring Revenue. ARR growth as of June 30, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

# Exponential Risk Leads to Significant Insurance Opportunity

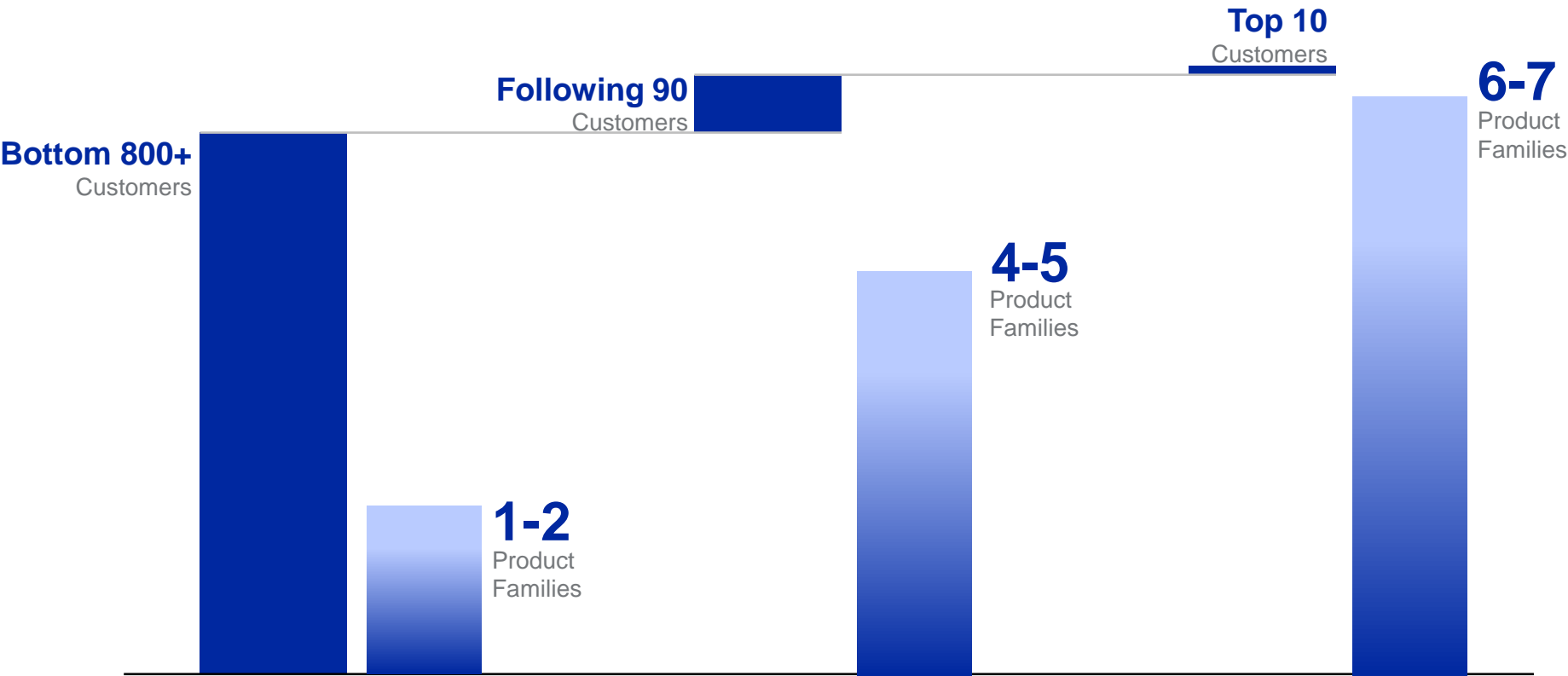


1. Estimated CAM as of June 30, 2023. Sources: Moody's estimates and company annual reports.

# Delivering Award-Winning Workflow Solutions with Significant Expansion Opportunity from Cross-Selling



Average number of MA product families<sup>1</sup> used by 900+<sup>2</sup> Insurance customers



1. Refers to the average number of related products. As of June 30, 2023.  
2. As of December 31, 2022.



# Extensive Suite of AI Products and Capabilities

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## QUIQspread

- » Employs AI and Machine Learning for **digitizing financial data** from public and private companies in a user-friendly interface that allows an analyst to review and approve the machine output; analyst corrections are fed back into the AI model
- 

## AI Review

- » Utilizes **AI and Machine Learning** on our proprietary datasets to significantly accelerate and improve the quality of KYC decisions, reducing false positives by **>80%** and onboarding times for new customers **from hours to seconds**
- 

## NewsEdge

- » Generates real-time signal and sentiment outputs on **nearly 1 million news stories a day**, expediting risk evaluation and decision-making
- » Categorizes, indexes and databases - leveraging **proprietary Machine Learning and Natural Language Processing**



# Moody's is Positioned to Win in a Generative AI World



## Moody's Data Estate

Decades of Extensive, Proprietary and Historically Indexed **Data, Analytics and Research Content**



## Moody's CoPilot

Moody's GenAI Engine to Leverage **Large Language Models**



**Exceptional Insights**

**On Demand**

**Accelerates Value in Era of Exponential Risk**



## Questions and Answers

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**Rob Fauber**

President and Chief Executive Officer



**Mark Kaye**

Chief Financial Officer

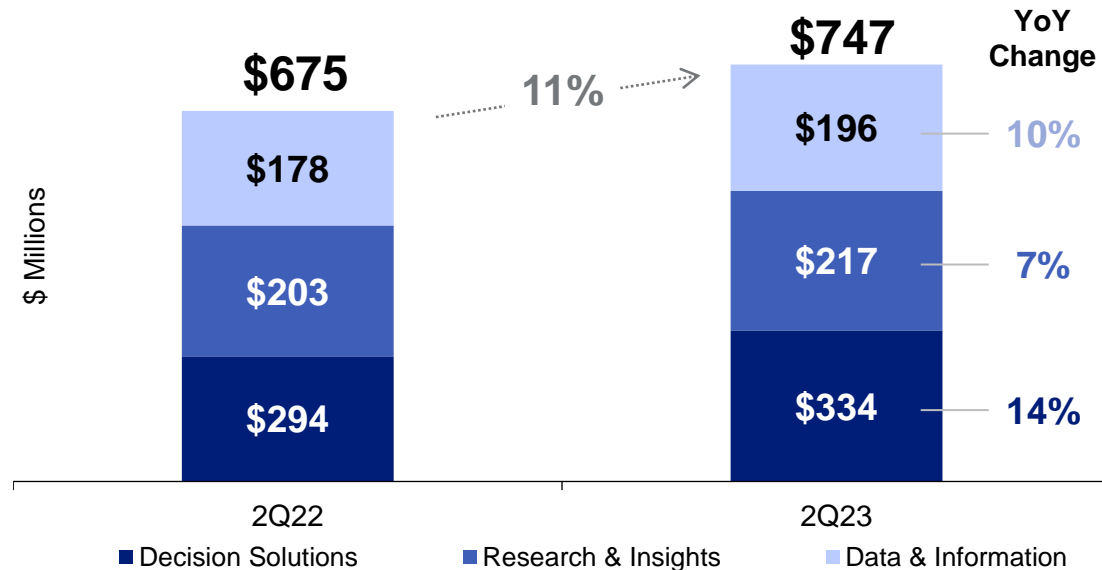


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# Supplemental Information

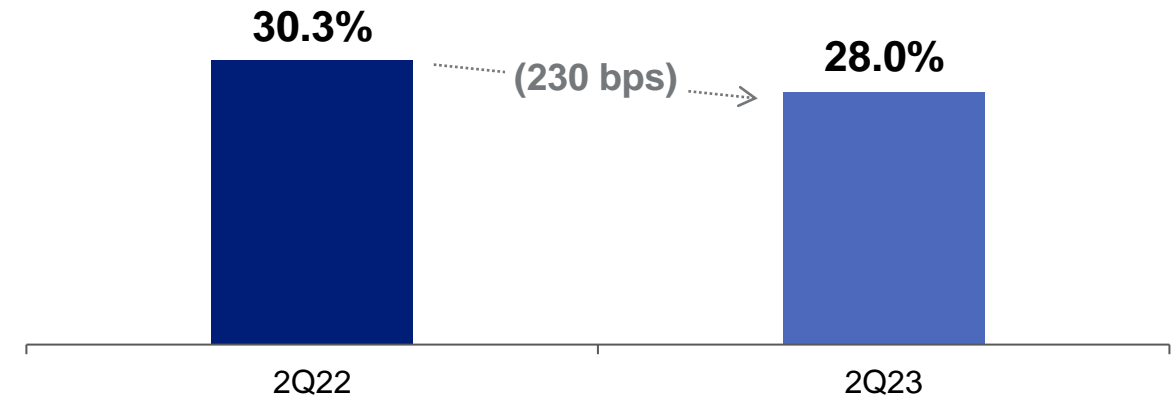
# MA: Growth Driven by Robust Customer Demand

## MA Revenue<sup>1</sup>



- » **DS:** Revenue grew 14% on continued strong customer demand for Banking, Insurance and KYC solutions; ARR growth of 10%
- » **R&I:** Demand for economic research and predictive default models contributed to revenue growth of 7%; ARR growth of 9%
- » **D&I:** Revenue increased 10% with particularly strong demand related to credit rating data feeds; ARR growth of 9%

## MA Adjusted Operating Margin<sup>2</sup>



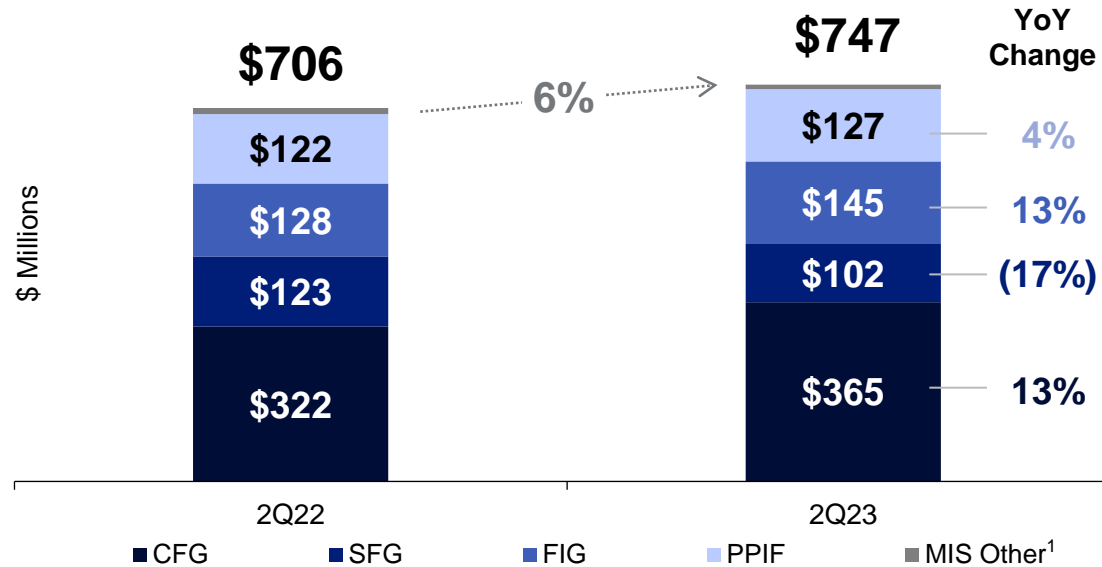
- » MA's adjusted operating margin reflected an increase in strategic sales deployment and product development investments
- » Full year 2023 adjusted operating margin guidance revised to 30% - 31% on increased strategic investments in product development and innovation

1. Moody's reclassified certain immaterial revenue relating to structured finance solutions from the Decision Solutions LOB to the Research & Insights LOB.

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

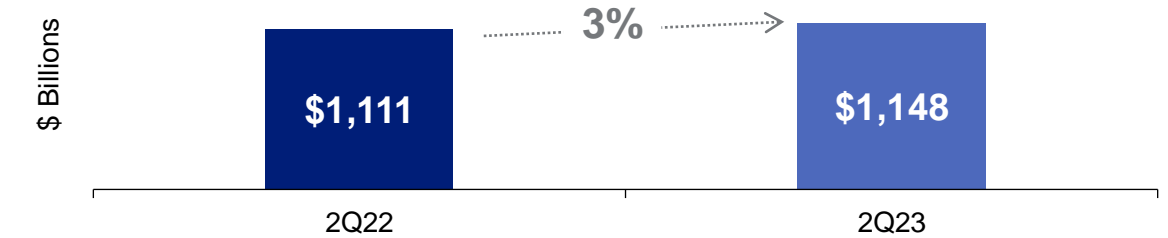
# MIS: Solid Activity in the First Half of the Year

## MIS Revenue

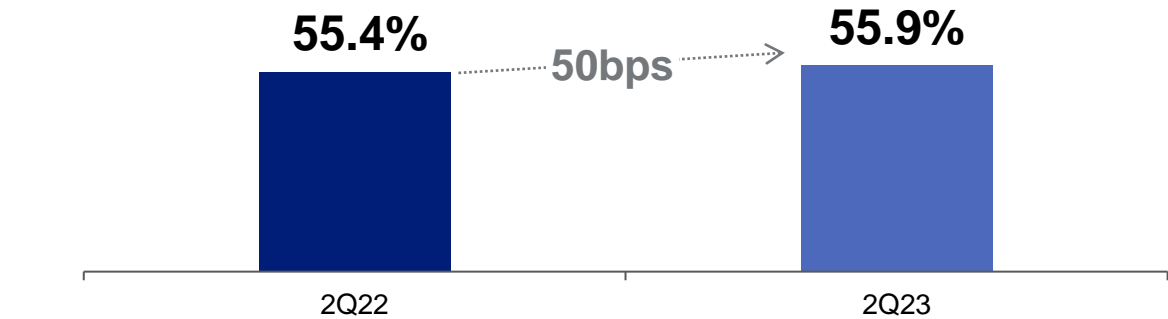


- » Ongoing demand for high-quality credits drove robust investment grade activity
- » Financial Institutions growth primarily attributable to the Insurance sector, with infrequent issuer activity positively impacting revenue
- » Rising funding costs, capital markets volatility and subdued M&A constrained Structured Finance and leverage loan activity during the quarter

## Issuance<sup>2</sup>



## MIS Adjusted Operating Margin<sup>3</sup>



- » The increase in MIS's adjusted operating margin reflected operational leverage from both heightened issuance activity and proactive expense management

1. MIS Other revenue was approximately \$11 million and \$8 million in the quarters ended June 30, 2022, and June 30, 2023, respectively.

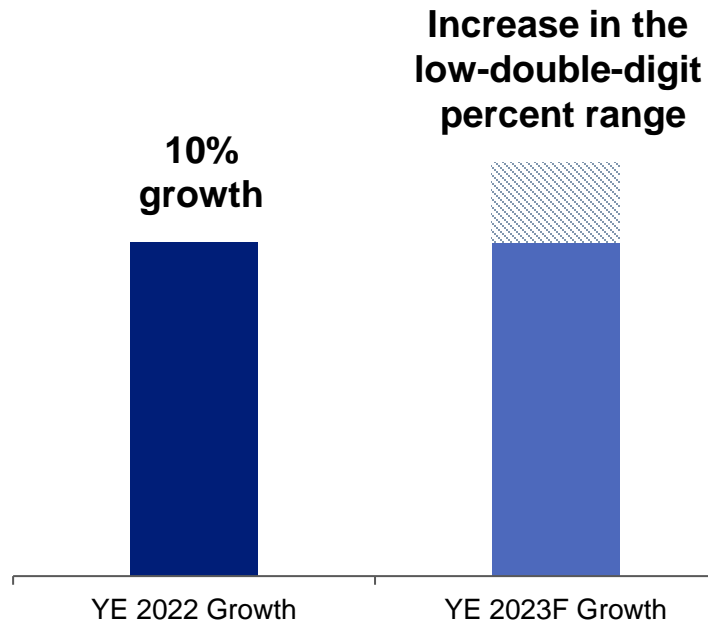
2. MIS-rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

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

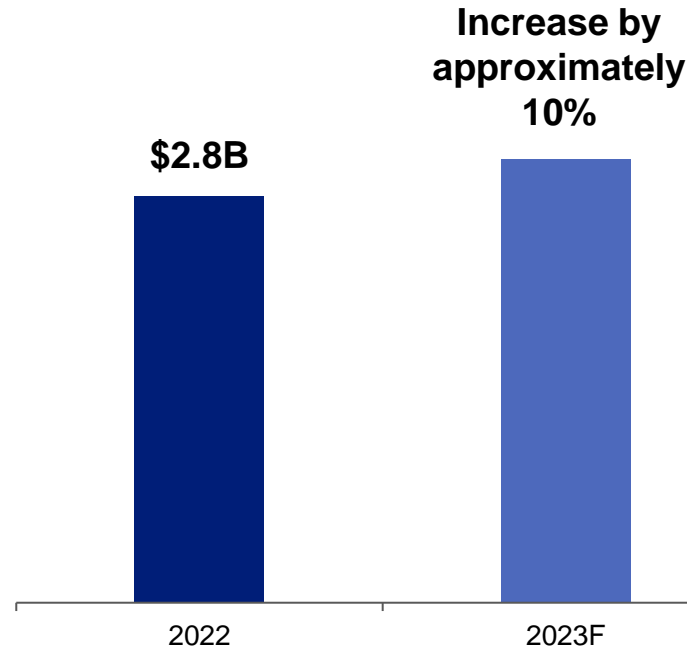


# MA: Delivering Double-digit Growth; Capitalizing on Innovation Opportunities

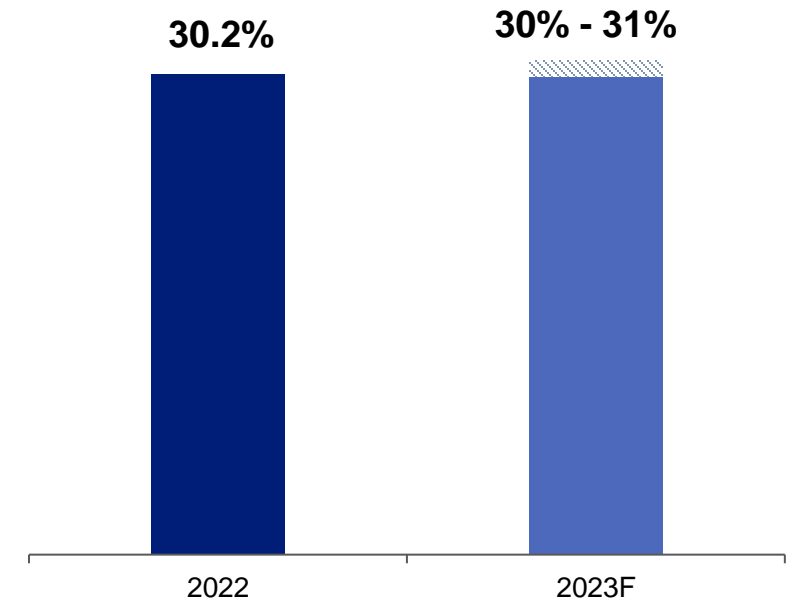
## ARR<sup>1</sup>



## Revenue<sup>1</sup>



## Adjusted Operating Margin<sup>1</sup>

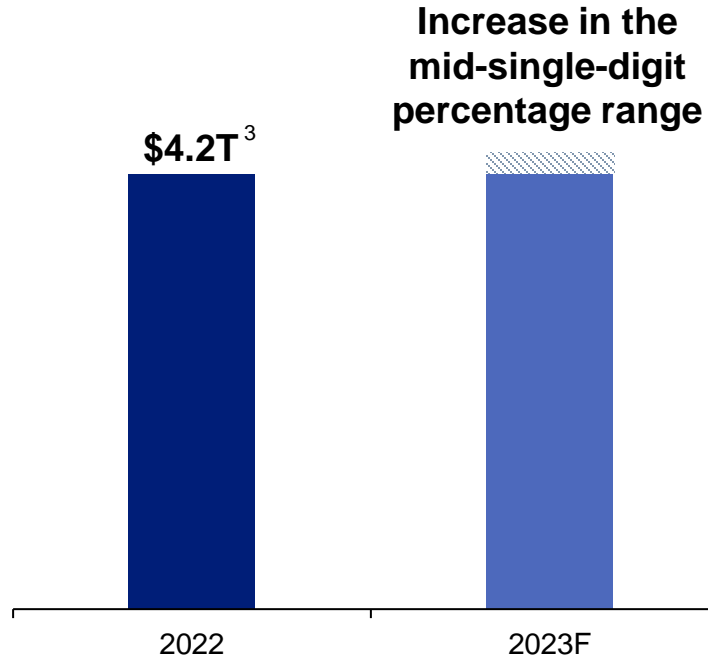


- » MA's products and solutions are deeply embedded in our customers' workflows, delivering attractive retention rates and double-digit ARR growth
- » Continued investments in sales and product development, including a strategic acceleration of innovation related to AI, will support future growth

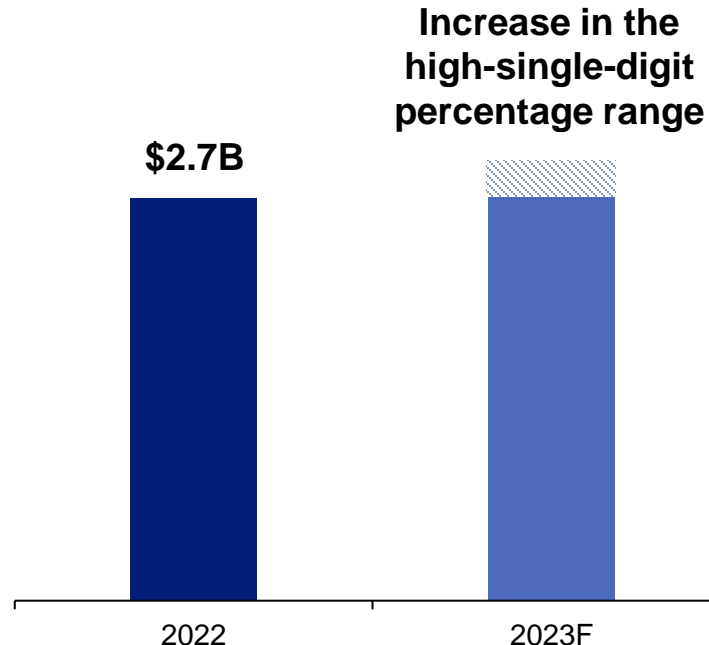
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# MIS: Full Year 2023 Forecast Raised on Constructive Market Conditions

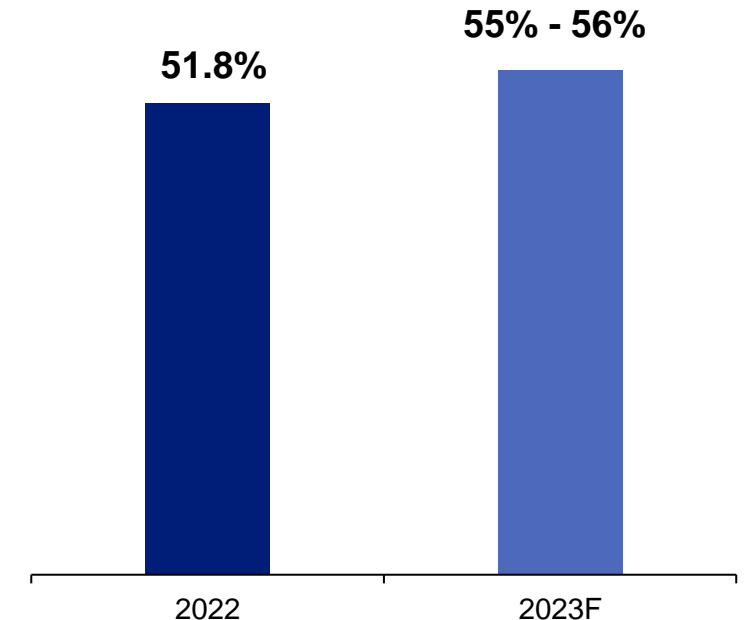
## Total MIS-rated Issuance<sup>1,2</sup>



## Revenue<sup>1</sup>



## Adjusted Operating Margin<sup>1</sup>



- » Strong 2Q performance and the improved full-year outlook reflect reduced market uncertainty around banking sector stress and the U.S. debt ceiling
- » Disciplined expense management: balancing operational efficiency with adequacy of resources to deliver quality mandates and ratings
- » Now projecting 500 to 600 first-time mandates for full year 2023

1. Guidance as of July 25, 2023. Refer to Table 10 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2023” from July 25, 2023, for a complete list of guidance, 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.

3. A previously posted version incorrectly showed billion instead of trillion.

# MIS: Macroeconomic Assumptions

## Underpinning our Full Year 2023 Outlook

### Macroeconomic Assumptions<sup>1</sup>

**Real GDP<sup>2</sup>** U.S.: 0.5% - 1.5%; Euro area: 0.0% - 1.0%; Global 1.5% - 2.5%

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

Global high yield **default rate** to rise to 4.5% - 5.0% by year-end

**FX rates** of \$1.27 and \$1.09 for GBP/USD and EUR/USD, respectively, for the remainder of the year

Global **inflation** levels to continue to decline (U.S.: below 3% by year-end; large Euro area economies: 3% - 5% by year-end, with considerable variation among countries); U.S. **unemployment rate** to rise toward 4% by year-end

### Tailwinds

- ✓ Rates nearing their peaks for most major central banks as inflation eases
- ✓ ~\$4T of refinancing needs between 2023 and 2026
- ✓ Dry powder at private equity firms

### Headwinds

- ✗ Rising funding costs create refinancing risks for vulnerable issuers
- ✗ Recessionary concerns
- ✗ Geopolitical uncertainty, including the prolonged Russia-Ukraine military conflict

Sources: Default rate and unemployment assumptions sourced from Moody's Investors Service "June 2023 Default Report", published July 18, 2023. High yield spreads, GDP and inflation assumptions as of July 25, 2023, from Moody's Investors Service.

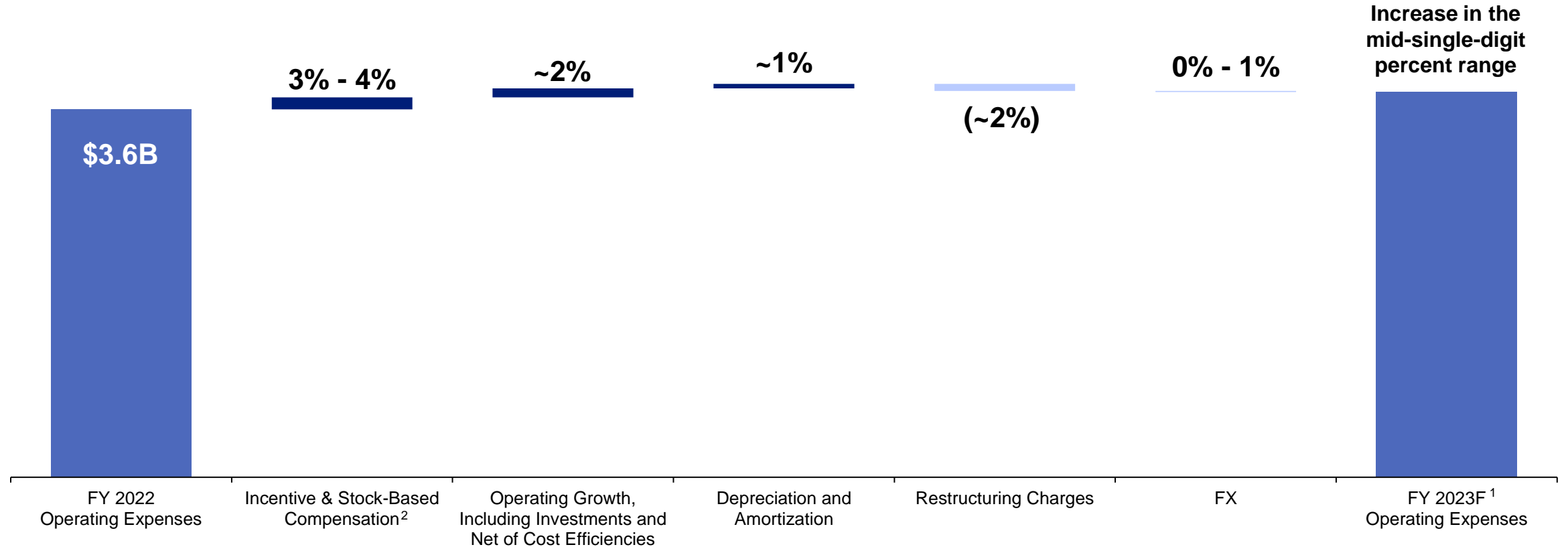
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2. GDP represents rate of change in real GDP.



# Balancing Strategic Investments with Expense Management

FY 2022 vs. FY 2023F<sup>1</sup>



1. Guidance as of July 25, 2023. Refer to Table 10 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2023” from July 25, 2023, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

2. Incentive Compensation primarily consists of annual bonuses and commissions.

# MCO: Updated Full Year Guidance

## Full Year 2023 Financial Outlook as of July 25, 2023<sup>1</sup>

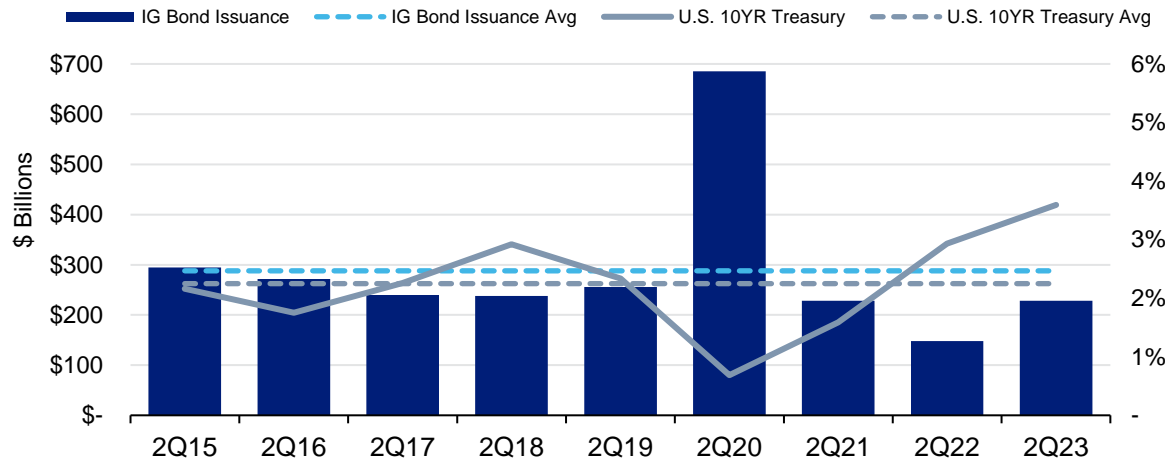


Revenue	Increase in the high-single-digit percent range
Expenses	Increase in the mid-single-digit percent range
Adjusted Operating Margin <sup>2</sup>	44% - 45%
Interest Expense, Net	\$260 - \$280 million
Effective Tax Rate	16% - 18%
Diluted EPS	\$8.70 - \$9.20
Adjusted Diluted EPS <sup>2</sup>	\$9.75 - \$10.25
Free Cash Flow <sup>2</sup>	\$1.6 - \$1.8 billion
Share Repurchases <sup>3</sup>	Approximately \$500 million

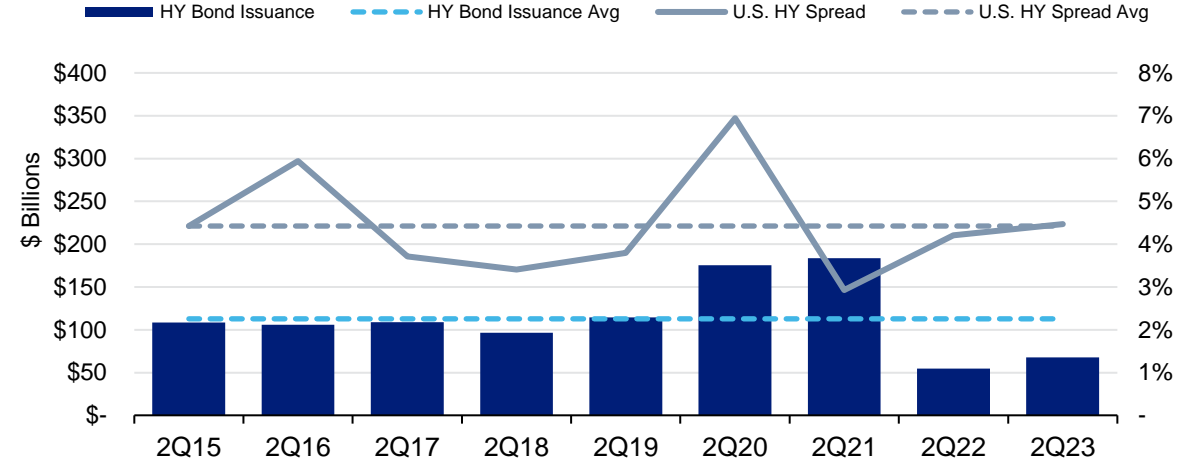
1. Guidance as of July 25, 2023. Refer to Table 10 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2023” from July 25, 2023, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
2. Adjusted Operating 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.

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

## MIS-Rated Q2 Non-Financial Global Corporate Investment Grade (IG) Issuance

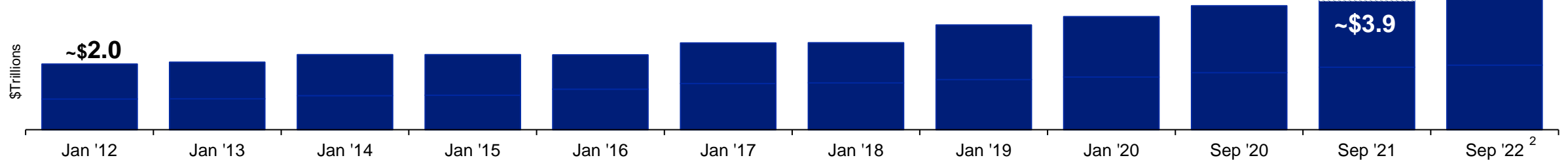


## MIS-Rated Q2 Non-Financial Global Corporate High Yield (HY) Issuance



## Four-Year U.S. and EMEA Non-Financial Corporate Refinancing Walls<sup>1</sup>

Withdrawn Russian Debt



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.

# MA: Innovation Open House



**Save the Date**

**September 14, 2023**

Moody's will hold an event on Thursday, September 14, 2023, to showcase Moody's Analytics' innovative product suite and approach to new technologies.

Additional details to follow.



# Teleconference Details



## Webcast

- » Go to [ir.moody's.com](https://ir.moody's.com)
- » Click on “Events & Presentations”
- » Click on the link for “2Q 2023 Earnings Conference Call”



## Dial In

- » U.S. & Canada: +1-888-330-2508
- » Non-U.S. & Canada: +1-240-789-2735
- » Passcode: 9302427



## Dial In Replay

- » U.S. & Canada: +1-800-770-2030
- » Non-U.S. & Canada: +1-647-362-9199
- » Passcode: 9302427

**Dial In Replay Available from July 25, 2023 through August 25, 2023**

# Moody's Attendance at Upcoming Conferences

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**Aug 9** Wells Fargo FinTech and Services Conference

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**Sep 11** Barclays Global Financial Services Conference



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# Appendix



# Glossary of Terms and Abbreviations

Term	Definition
<b>AI</b>	Artificial Intelligence
<b>CFG</b>	Corporate finance group; an LOB within MIS
<b>D&amp;I</b>	The Data & Information LOB within MA, which provides vast data sets on companies and securities via data feeds and data applications products
<b>DS</b>	The Decision Solutions LOB within MA that provides SaaS solutions supporting banking, insurance, and KYC workflows. This LOB utilizes components from the Data & Information and Research & Insights LOBs to provide risk assessment solutions
<b>ESG</b>	Environmental, Social and Governance
<b>FIG</b>	Financial institutions group; an LOB within MIS
<b>FTM</b>	First Time Mandates
<b>FX</b>	Foreign Exchange
<b>KYC</b>	Know-your-customer
<b>LLM</b>	Large Language Model
<b>LOB</b>	Line of business
<b>M&amp;A</b>	Mergers & Acquisitions
<b>MA</b>	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
<b>MIS</b>	Moody's Investors Service – a reportable segment of MCO; consists of five LOBs – CFG, FIG, PPIF, SFG and MIS Other
<b>MIS Other</b>	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
<b>PPIF</b>	Public, project and infrastructure finance; an LOB within MIS
<b>R&amp;I</b>	The Research & Insights LOB within MA, which provides models, scores, expert insights and commentary. This LOB includes credit research; credit models and analytics; economics data and models; and structured finance solutions
<b>SaaS</b>	Software-as-a-Service
<b>SFG</b>	Structured finance group; an LOB within MIS
<b>YoY</b>	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>	June 30, 2023		June 30, 2022		Change	Growth
<b><u>MA ARR</u></b>						
Decision Solutions						
Banking	\$	390	\$	355	\$ 35	10%
Insurance		497		467	30	6%
KYC		292		248	44	18%
Total DS	\$	1,179	\$	1,070	\$ 109	10%
Research and Insights		843		774	69	9%
Data and Information		759		695	64	9%
<b>Total MA ARR</b>	<b>\$</b>	<b>2,781</b>	<b>\$</b>	<b>2,539</b>	<b>\$ 242</b>	<b>10%</b>

# Financial Information by Segment

The following table 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.

Amounts in millions	Three Months Ended June 30,							
	2023				2022			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$ 747	\$ 747	\$ —	\$ 1,494	\$ 675	\$ 706	\$ —	\$ 1,381
Intersegment revenue	4	46	(50)	—	1	43	(44)	—
<b>Total revenue</b>	<b>751</b>	<b>793</b>	<b>(50)</b>	<b>1,494</b>	<b>676</b>	<b>749</b>	<b>(44)</b>	<b>1,381</b>
Operating, SG&A	541	350	(50)	841	471	334	(44)	761
<b>Adjusted Operating Income</b>	<b>\$ 210</b>	<b>\$ 443</b>	<b>\$ —</b>	<b>\$ 653</b>	<b>\$ 205</b>	<b>\$ 415</b>	<b>\$ —</b>	<b>\$ 620</b>
Adjusted Operating Margin	28.0 %	55.9 %		43.7 %	30.3 %	55.4 %		44.9 %
Depreciation and amortization	74	19	—	93	60	21	—	81
Restructuring	8	2	—	10	16	15	—	31
<b>Operating income</b>				<b>\$ 550</b>				<b>\$ 508</b>
Operating margin				36.8 %				36.8 %

Amounts in millions	Six Months Ended June 30,							
	2023				2022			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$1,484	\$1,480	\$ —	\$ 2,964	\$1,370	\$1,533	\$ —	\$ 2,903
Intersegment revenue	7	91	(98)	—	3	86	(89)	—
<b>Total revenue</b>	<b>1,491</b>	<b>1,571</b>	<b>(98)</b>	<b>2,964</b>	<b>1,373</b>	<b>1,619</b>	<b>(89)</b>	<b>2,903</b>
Operating, SG&A	1,067	686	(98)	1,655	944	694	(89)	1,549
<b>Adjusted Operating Income</b>	<b>\$ 424</b>	<b>\$ 885</b>	<b>\$ —</b>	<b>\$ 1,309</b>	<b>\$ 429</b>	<b>\$ 925</b>	<b>\$ —</b>	<b>\$ 1,354</b>
Adjusted Operating Margin	28.4 %	56.3 %		44.2 %	31.2 %	57.1 %		46.6 %
Depreciation and amortization	144	37	—	181	120	39	—	159
Restructuring	16	8	—	24	16	15	—	31
<b>Operating income</b>				<b>\$ 1,104</b>				<b>\$ 1,164</b>
Operating margin				37.2 %				40.1 %

# 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 June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Operating income</b>	<b>\$ 550</b>	<b>\$ 508</b>	<b>\$ 1,104</b>	<b>\$ 1,164</b>
Depreciation and amortization	93	81	181	159
Restructuring	10	31	24	31
<b>Adjusted Operating Income</b>	<b>\$ 653</b>	<b>\$ 620</b>	<b>\$ 1,309</b>	<b>\$ 1,354</b>
<b>Operating margin</b>	<b>36.8 %</b>	<b>36.8 %</b>	<b>37.2 %</b>	<b>40.1 %</b>
<b>Adjusted Operating Margin</b>	<b>43.7 %</b>	<b>44.9 %</b>	<b>44.2 %</b>	<b>46.6 %</b>

# 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>	Six Months Ended June 30,	
	2023	2022
<b>Net cash provided by operating activities</b>	\$ 1,212	\$ 761
Capital additions	(127)	(133)
<b>Free Cash Flow</b>	<b>\$ 1,085</b>	<b>\$ 628</b>
<b>Net cash used in investing activities</b>	\$ (103)	\$ (172)
<b>Net cash used in financing activities</b>	\$ (624)	\$ (712)



# Adjusted Net Income and Adjusted Diluted EPS 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; ii) restructuring charges/adjustments; and iii) FX translation losses reclassified to earnings resulting from the Company no longer conducting commercial operations in Russia.

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 and FX translation losses resulting from the Company no longer conducting commercial operations in Russia 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.

The following is a reconciliation of these measures to their most directly comparable U.S. GAAP measures:

Amounts in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Net income attributable to Moody's common shareholders</b>	<b>\$ 377</b>	<b>\$ 327</b>	<b>\$ 878</b>	<b>\$ 825</b>
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 50	\$ 51	\$ 101	\$ 102
Tax on Acquisition-Related Intangible Amortization Expenses	(12)	(12)	(24)	(24)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>38</b>	<b>39</b>	<b>77</b>	<b>78</b>
Pre-tax restructuring	\$ 10	\$ 31	\$ 24	\$ 31
Tax on restructuring	(2)	(7)	(6)	(7)
<b>Net restructuring</b>	<b>8</b>	<b>24</b>	<b>18</b>	<b>24</b>
<b>FX losses resulting from the Company no longer conducting commercial operations in Russia</b>	<b>—</b>	<b>20</b>	<b>—</b>	<b>20</b>
<b>Adjusted Net Income</b>	<b>\$ 423</b>	<b>\$ 410</b>	<b>\$ 973</b>	<b>\$ 947</b>

Amounts in millions	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
<b>Diluted earnings per share attributable to Moody's common shareholders</b>	<b>\$ 2.05</b>	<b>\$ 1.77</b>	<b>\$ 4.77</b>	<b>\$ 4.45</b>
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 0.27	\$ 0.28	\$ 0.55	\$ 0.55
Tax on Acquisition-Related Intangible Amortization Expenses	(0.06)	(0.07)	(0.13)	(0.13)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>0.21</b>	<b>0.21</b>	<b>0.42</b>	<b>0.42</b>
Pre-tax restructuring	\$ 0.05	\$ 0.17	\$ 0.13	\$ 0.17
Tax on restructuring	(0.01)	(0.04)	(0.03)	(0.04)
<b>Net restructuring</b>	<b>0.04</b>	<b>0.13</b>	<b>0.10</b>	<b>0.13</b>
<b>FX losses resulting from the Company no longer conducting commercial operations in Russia</b>	<b>—</b>	<b>0.11</b>	<b>—</b>	<b>0.11</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 2.30</b>	<b>\$ 2.22</b>	<b>\$ 5.29</b>	<b>\$ 5.11</b>

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

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