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#1

# Third Quarter 2023 Earnings Call

October 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 impacts of the Russia - Ukraine military conflict and more recently the military conflict in Israel and surrounding areas, 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 actions; 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 and/or emerging technologies and products; 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 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.



# 3Q 2023 Highlights

**Rob Fauber**

President and Chief Executive Officer



# Key Takeaways

- 1 MCO reported revenue growth of 15% and adjusted diluted EPS<sup>1</sup> grew 31%; FY 2023 adjusted diluted EPS<sup>2</sup> guidance remains \$9.75 to \$10.25**
- 2 MA delivered 13% revenue growth and quarterly adjusted operating margin result of 33.6%; ARR<sup>3</sup> grew by 10%**
- 3 MIS revenue grew 18%; FY 2023 revenue is now expected to grow in the mid-to-high-single-digit percentage range; 21% increase in 5-year U.S. refunding walls<sup>4</sup>**
- 4 Robust product pipeline to drive growth, including GenAI-enabled *Research Assistant***

1. Adjusted Diluted EPS is a non-GAAP measure. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

2. Guidance as of October 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Third Quarter 2023” from October 25, 2023, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

3. ARR: Annualized Recurring Revenue. ARR growth as of September 30, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

4. Amounts reflect total MIS-rated U.S. non-financial corporate bond and loan maturities as defined in Moody’s Investors Service’s refunding needs reports (2018 – 2023).

# Business Investments & Innovation Fuel Growth

## Ratings

Increased Emerging  
Debt Markets  
Presence: VIS Rating  
(Vietnam)

Published Cyber  
Survey on 1,700+  
issuers with BitSight

## Research & Insights

Previewing *Research Assistant* with 150+ customers

Expanded *CreditView* coverage to include 12k unrated companies

## Data & Information

Enhanced Orbis database with 250,000 BitSight cybersecurity scores

Launched *NewsEdge* API

## Decision Solutions

Launched *Sanctions360*

Integrated climate risk analytics across Banking workflow solutions

Launched *CreditLens Monitor*

Founded Cybersecurity Steering Group for insurance industry

# Investing in GenAI



## Internal Innovation

Analysis, summarization, coding and content generation



## Customer Engagement

Positive feedback and recognition of differentiated value



Microsoft

## Strategic Partnerships

Making great progress with Microsoft to enable next-gen solutions; engaging with other leading cloud and software players



## Product Launches

Launching *Research Assistant* in December; insurance POCs



## 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**



# Decision Solutions: KYC Spotlight

## Top Performer in a Fast-Growing Market

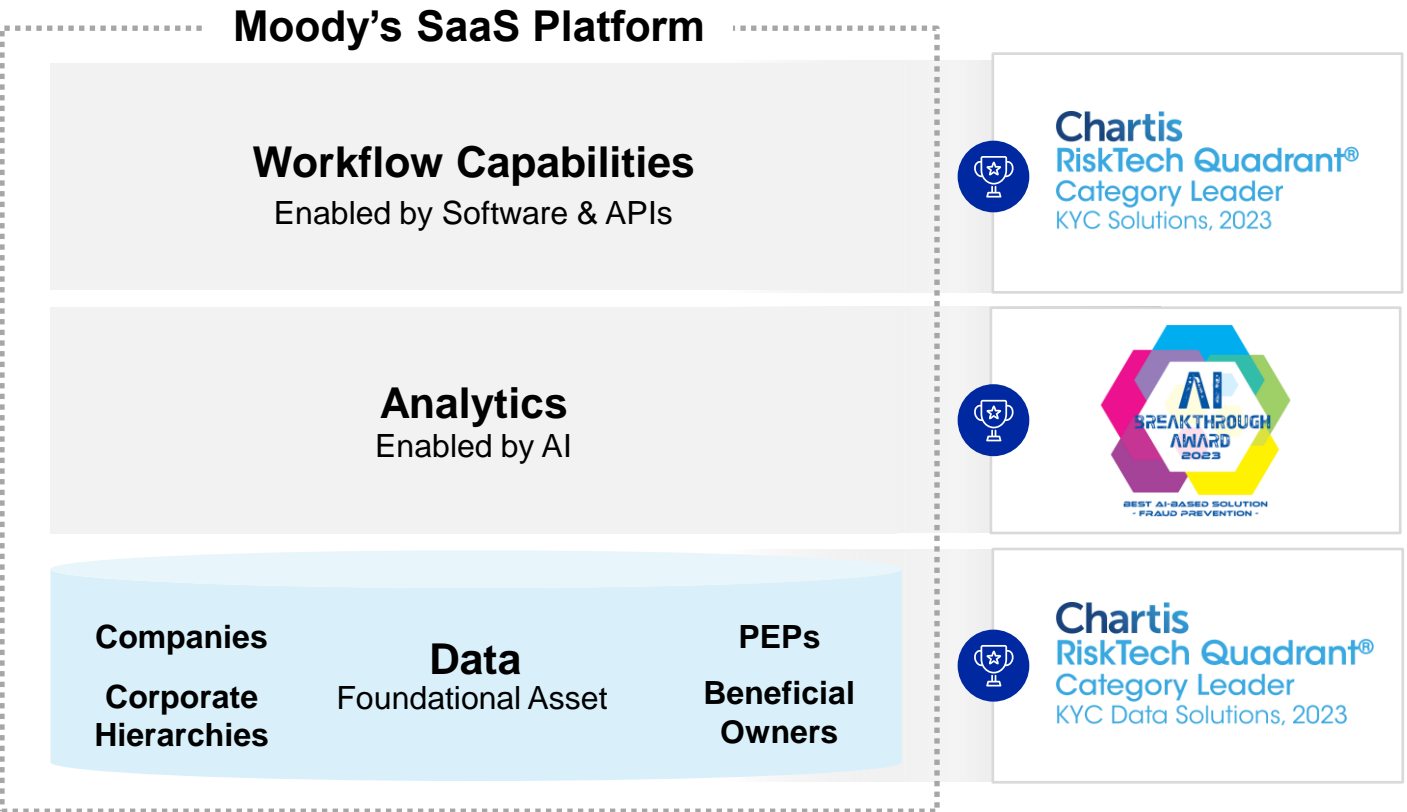


1. ARR: Annualized Recurring Revenue. ARR as of September 30, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

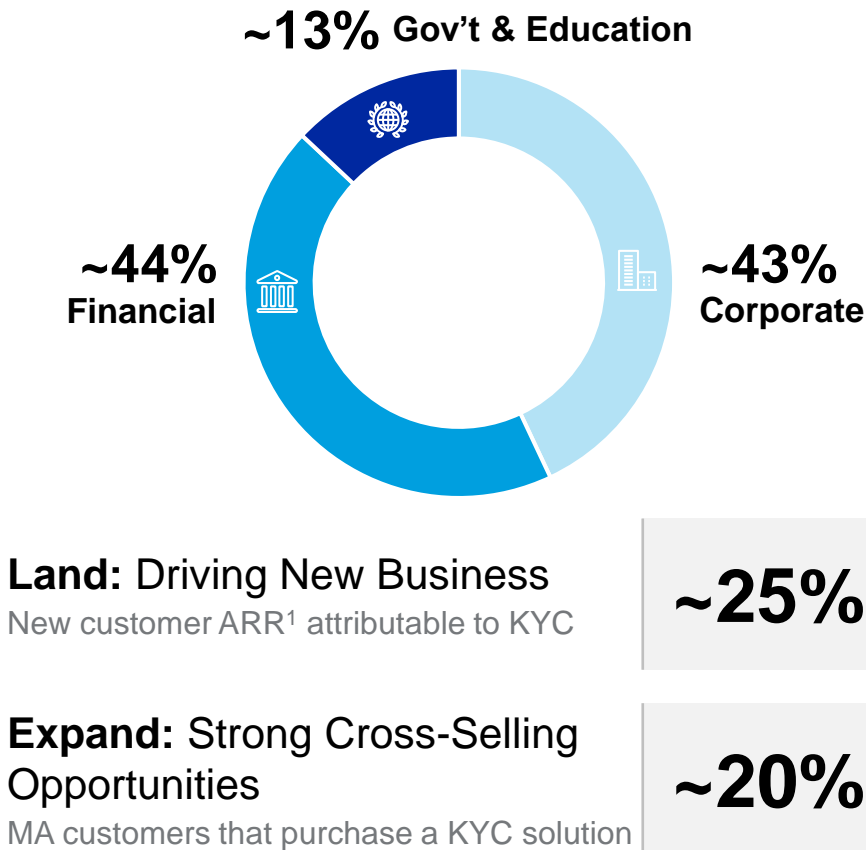


# KYC: Land & Expand Strategy in Action

## Unparalleled Value Proposition



## ARR<sup>1</sup> Mix by Customer Segment<sup>2</sup>

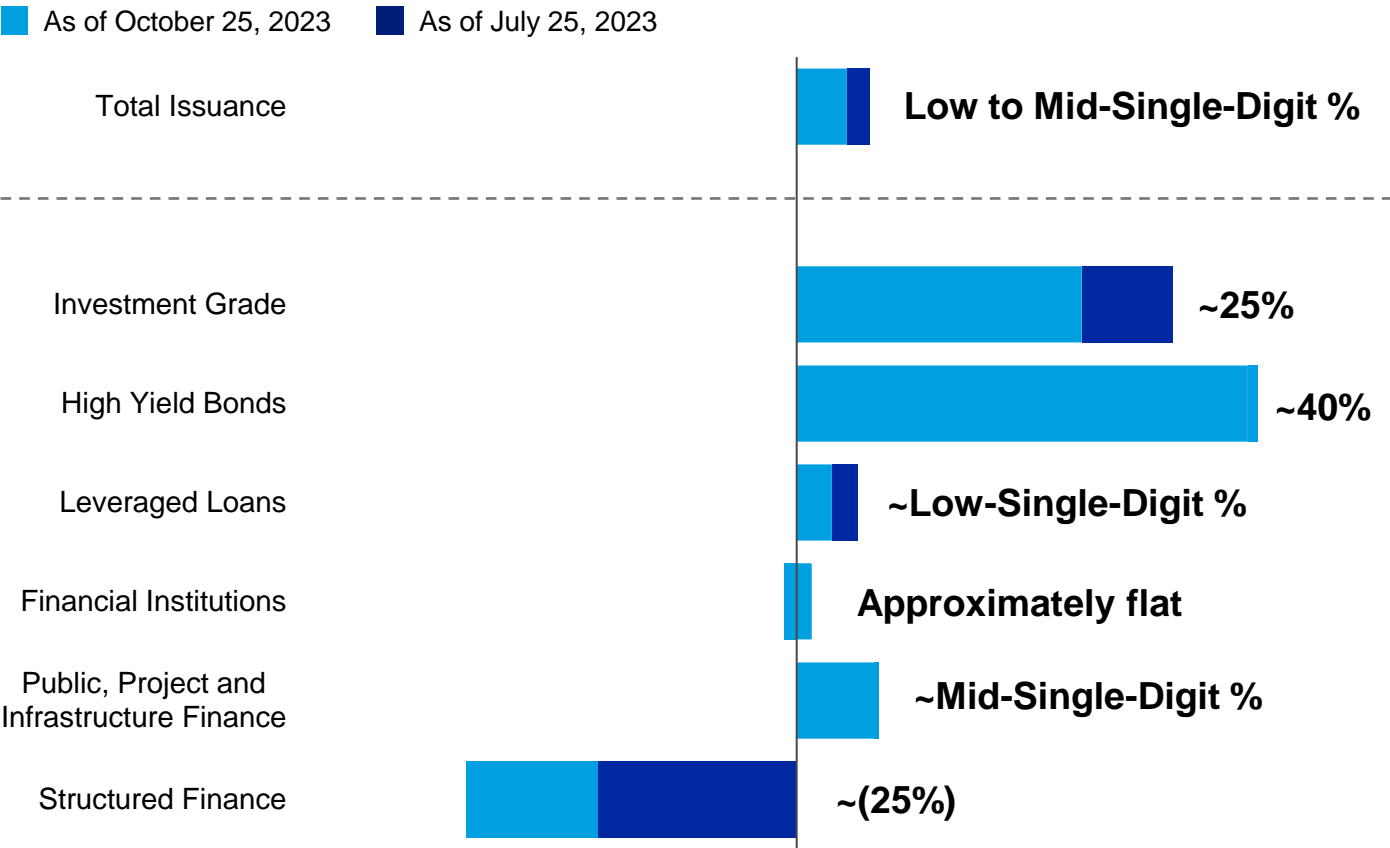


1. ARR: Annualized Recurring Revenue. ARR as of September 30, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

2. Corporate customer segment includes Professional Services.

# MIS: Updated FY2023 Issuance Guidance

## FY2023 Issuance Guidance<sup>1,2</sup>



## 2023 Issuance Factors



### Macroeconomics & Policy

- » Global GDP: recession or recovery
- » Geopolitical risks
- » Energy, trade, climate, and regulatory policies



### Inflation Rates & Central Bank Actions

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



### Credit Markets

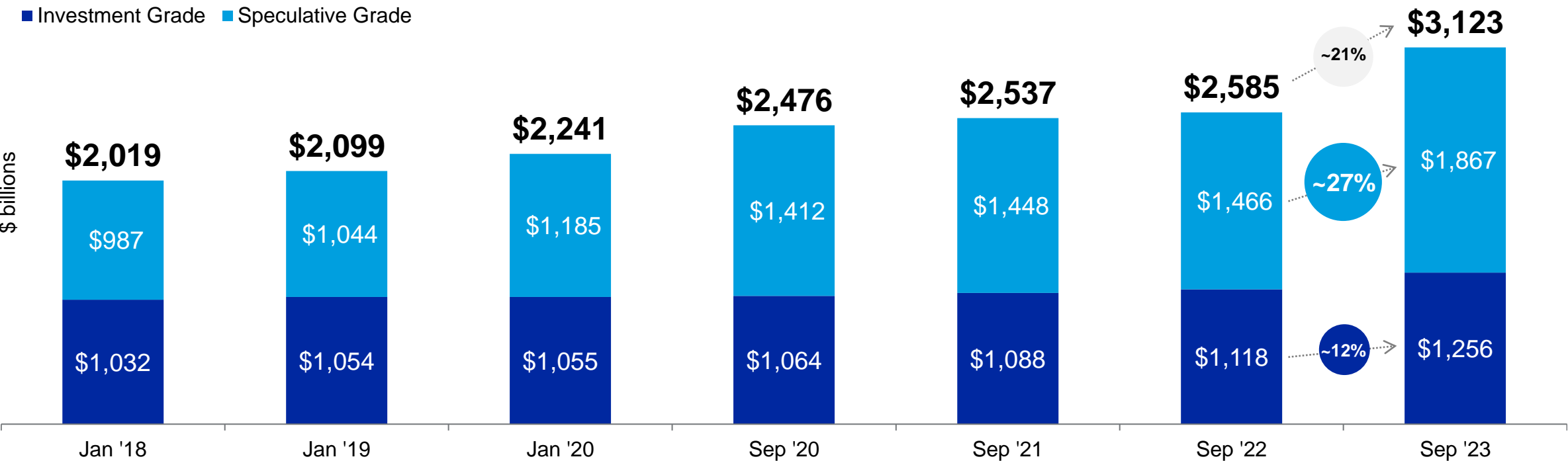
- » Liquidity, sentiment, and credit spreads
- » Credit performance and default rates

1. Guidance as of October 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Third Quarter 2023” from October 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.

# MIS: Spotlight on 5-Year U.S. Refunding Wall

~27% Growth in U.S. Speculative Grade Refinancing Needs<sup>1,2</sup>



- » Five-year U.S. refunding wall increases by more than 20% since last study, driven by speculative grade, which grew ~27%
- » U.S. refunding needs continue to be more weighted towards speculative grade issuers

1. Amounts reflect total MIS-rated U.S. non-financial corporate bond and loan (for speculative grade) maturities as defined in Moody's Investors Service's refunding needs reports (2018 – 2023).  
2. Numbers may not sum to total due to rounding.



# Questions and Answers

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**Rob Fauber**

President and Chief Executive Officer



**Caroline Sullivan**

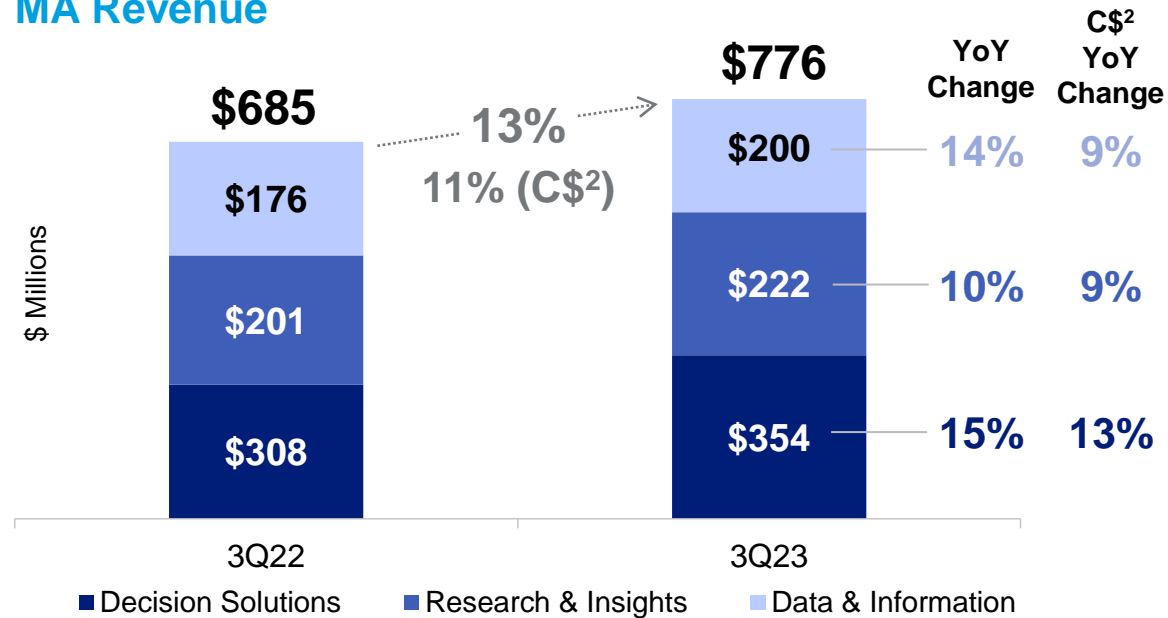
Interim Chief Financial Officer and Chief Accounting Officer

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# **Supplemental Information**

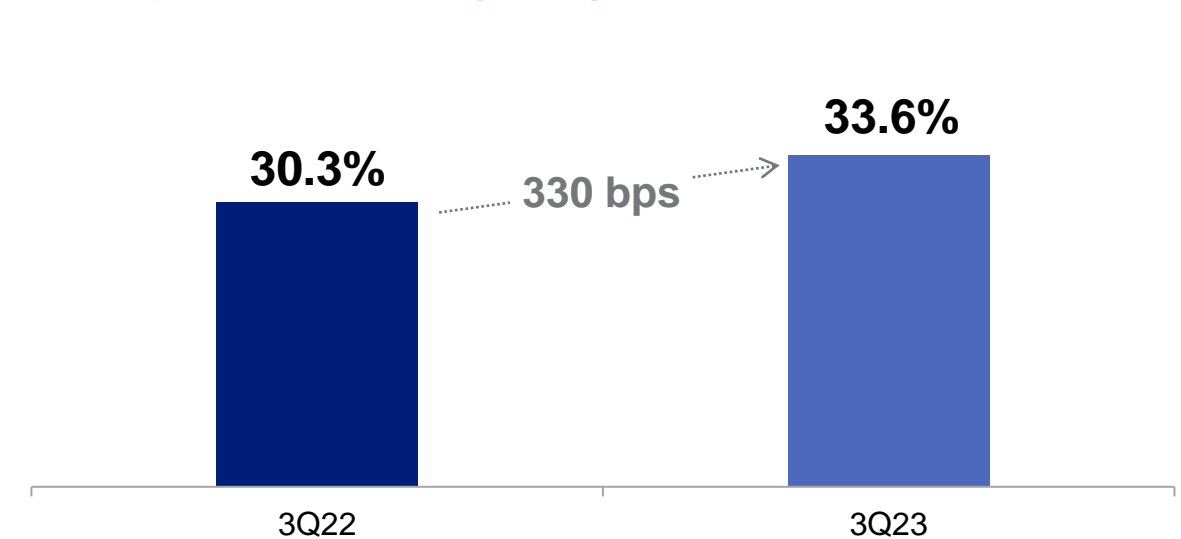
# MA: Double-Digit Revenue Growth & Strong Margin Performance

## MA Revenue



- » **DS:** Grew 15%, or 13% C\$; Banking, Insurance and Know Your Customer (KYC) growth of 18%, 7%, and 25% respectively
- » **R&I:** Grew 10%, or 9% C\$ reflecting strong new sales of CreditView and Structured Finance products to Corporate customers
- » **D&I:** Grew 14%, or 9% C\$. Underlying growth driven by continued demand for ratings data feeds

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



- » MA produced quarterly adjusted operating margin of 33.6%, supported by double-digit revenue growth and cost control initiatives
- » MA's adjusted operating margin FY guidance remains 30%-31%

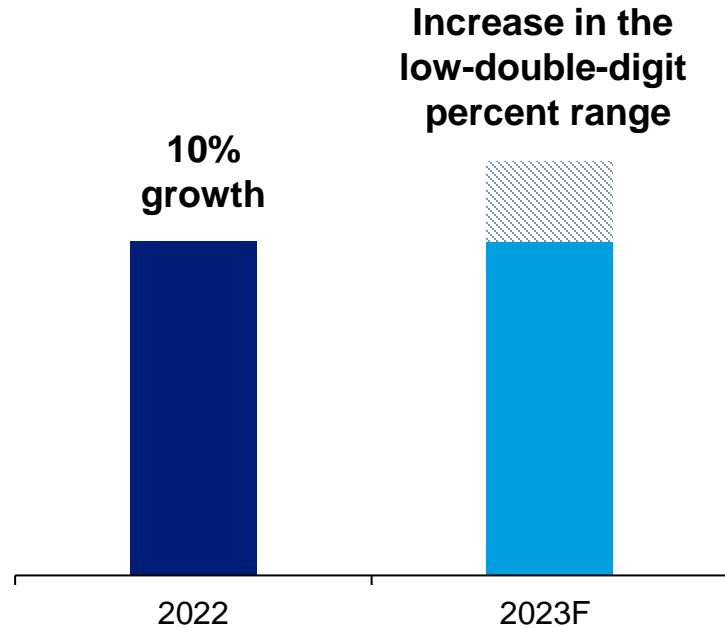
1. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

2. Foreign currency exchange favorably impacted total MA, Decision Solutions, Research & Insights and Data & Information revenues by 2%, 2%, 1% and 5%, 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.

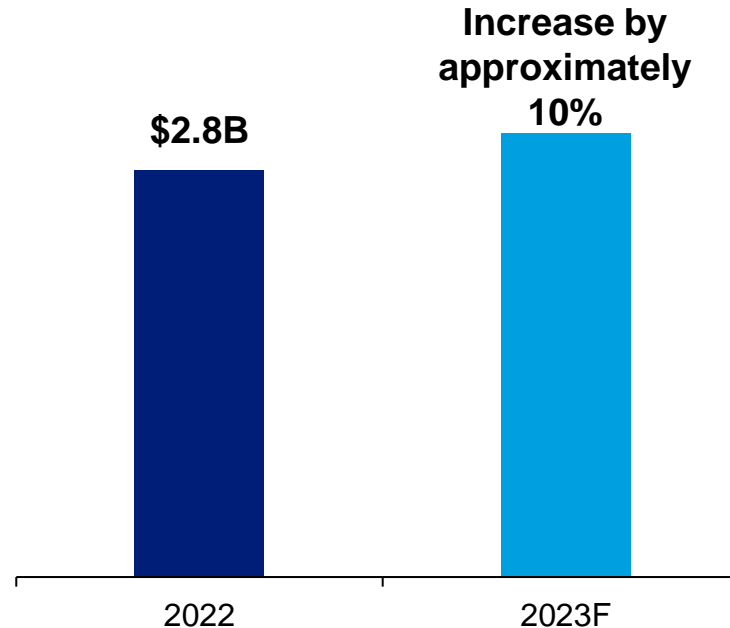


# MA Outlook: Delivering Double-Digit Growth; Capitalizing on Innovation Opportunities

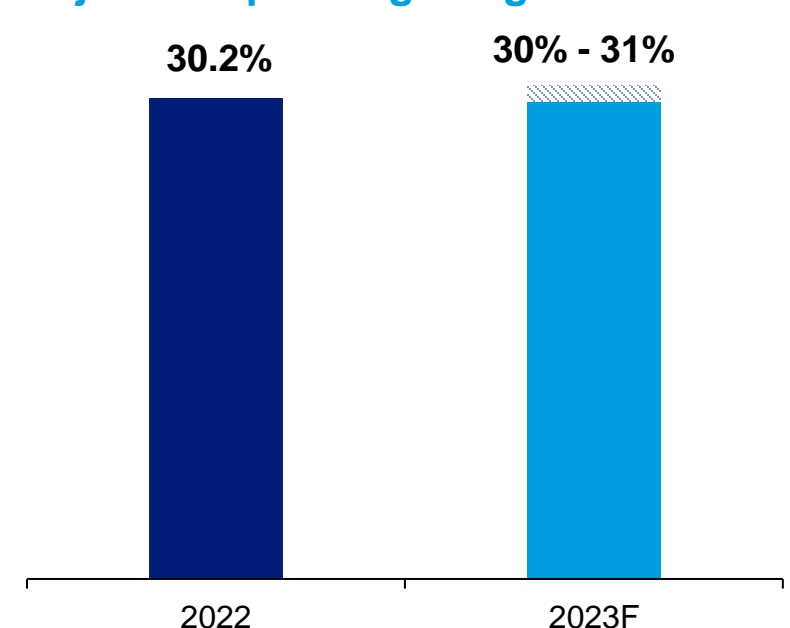
## ARR<sup>1</sup>



## Revenue<sup>1</sup>



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

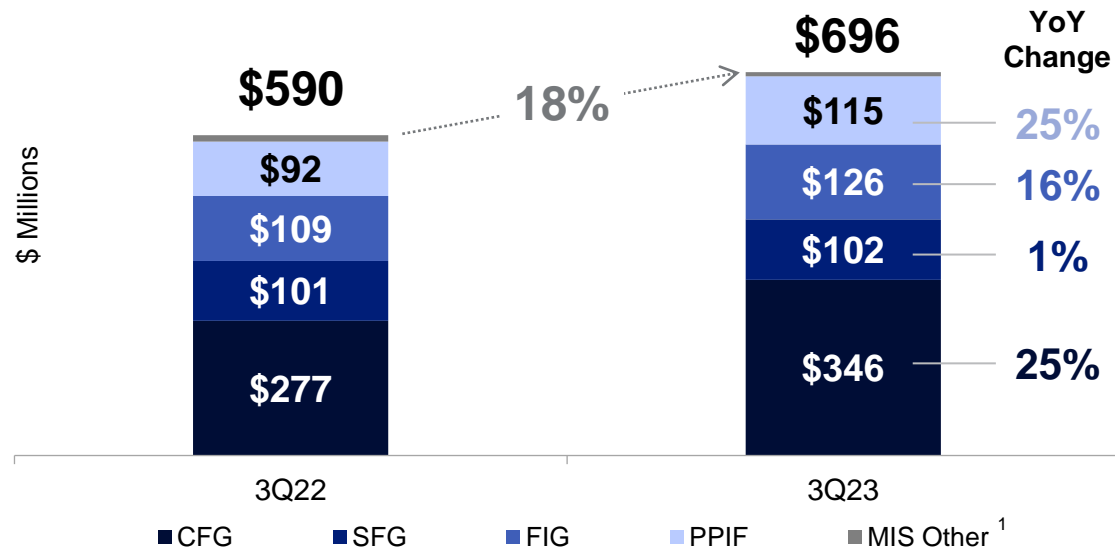


- » MA's products and solutions are deeply embedded in our customers' workflows; attractive retention rates and double-digit ARR growth
- » Continued investments in sales and product development, including in GenAI, to support future growth

1. Guidance as of October 25, 2023. Refer to Table 11 – "2023 Outlook" in the press release titled "Moody's Corporation Reports Results for Third Quarter 2023" from October 25, 2023, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

# MIS: Strong 3Q Revenue Growth and Improved Margins

## MIS Revenue



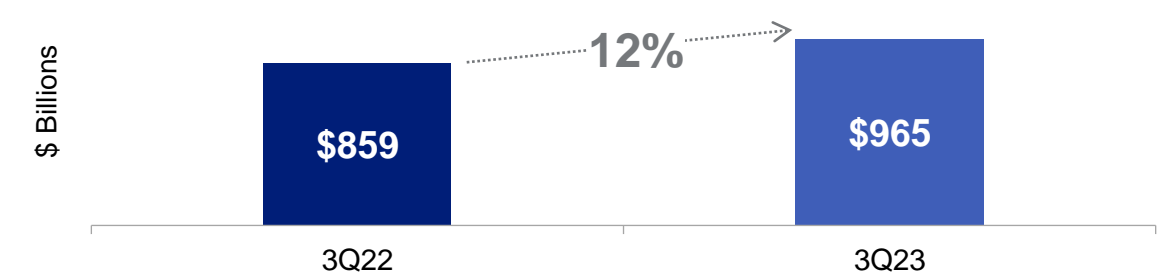
- » Leveraged Finance revenue, notably bank loans, had its strongest quarter since the start of 2022
- » Structured Finance revenue decreased in most asset classes, except for ABS, which benefited from increased asset demand
- » Financial Institutions growth primarily attributable to the Banking sector, driven by infrequent issuer activity

1. MIS Other revenue was approximately \$11 million and \$7 million in the quarters ended September 30, 2022, and September 30, 2023, respectively.

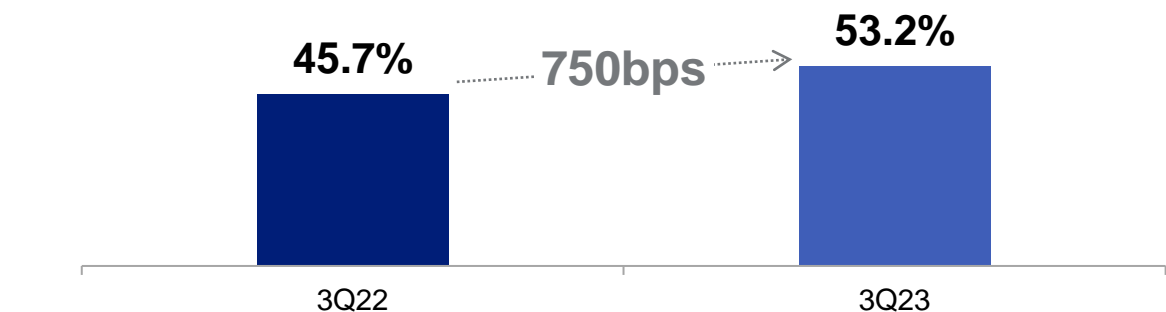
2. MIS-rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

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

## Issuance<sup>2</sup>



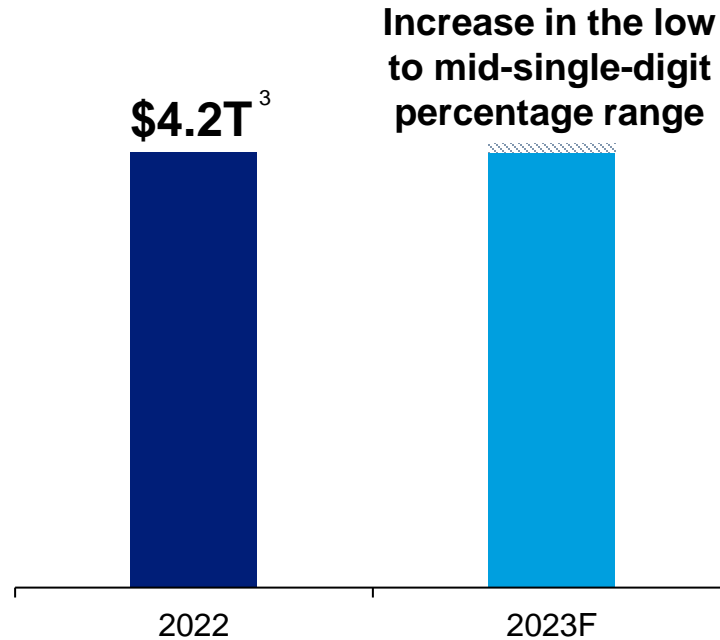
## MIS Adjusted Operating Margin<sup>3</sup>



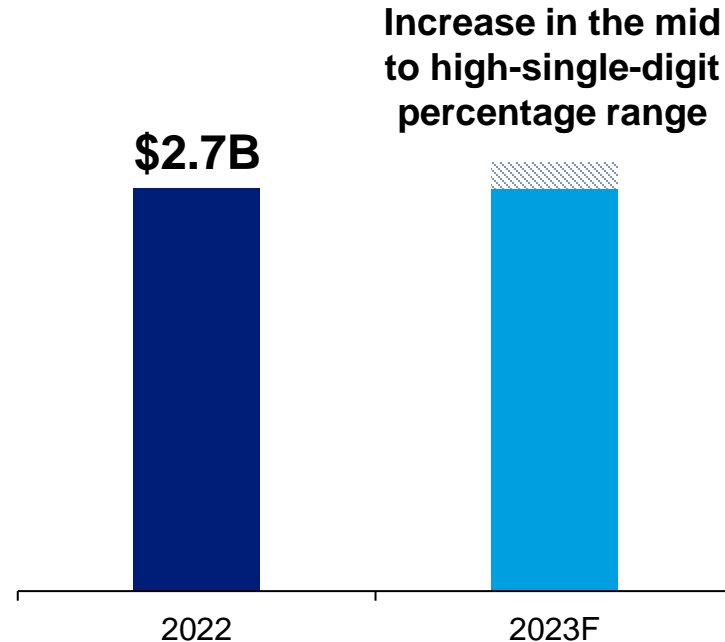
- » MIS's adjusted operating margin expanded, reflecting operational leverage from increased issuance and proactive expense management

# MIS: Updated Full Year 2023 Forecast

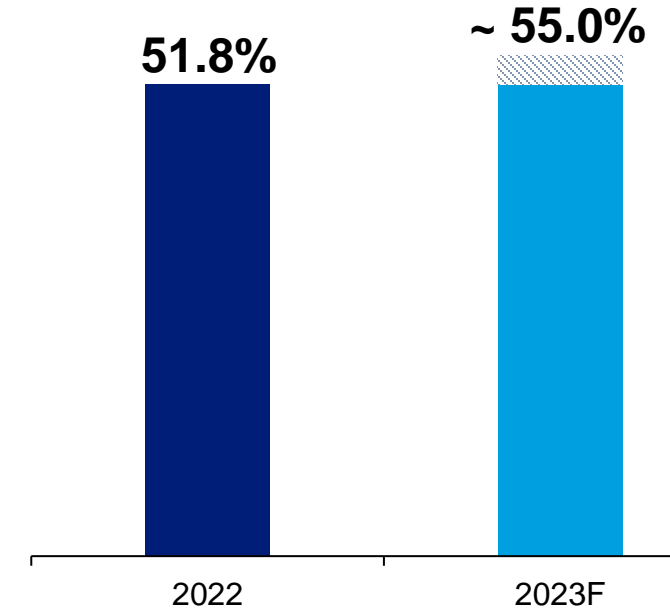
## Total MIS-rated Issuance<sup>1,2</sup>



## Revenue<sup>1</sup>



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



- » FY 2023 guidance updated to reflect market uncertainty
- » Now projecting approximately 500 first-time mandates for the year
- » Disciplined expense management: balancing operational efficiency with adequacy of resources to deliver quality mandates and ratings

1. Guidance as of October 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Third Quarter 2023” from October 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.



# MCO: Updated Full Year Guidance

## Full Year 2023 Financial Outlook as of October 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	\$250 - \$260 million
Effective Tax Rate	16% - 18%
Diluted EPS	\$8.60 - \$9.10
Adjusted Diluted EPS <sup>2</sup>	\$9.75 - \$10.25
Free Cash Flow <sup>2</sup>	Approximately \$1.8 billion
Share Repurchases <sup>3</sup>	Approximately \$500 million

1. Guidance as of October 25, 2023. Refer to Table 11 – “2023 Outlook” in the press release titled “Moody’s Corporation Reports Results for Third Quarter 2023” from October 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: Macroeconomic Assumptions

## Underpinning our Full Year 2023 Outlook

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

**Real GDP<sup>2</sup>** U.S.: 1.5% - 2.5%; Euro area: 0.0% - 1.0%; Global: Slow to about 2.5% by year-end

**Global benchmark rates** to remain elevated, with U.S. Fed funds rate above 5%, followed by the potential for rate reductions in 2Q 2024; **U.S. high yield spreads** to fluctuate around 400-450 bps, with periodic volatility

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

**FX rates** of \$1.22 and \$1.06 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% - 4% by year-end; U.S. **unemployment rate** to rise toward 3.8% by year-end

### Tailwinds

- ✓ Rates nearing their peaks for most major central banks as inflation eases
- ✓ ~\$4.4T of refinancing needs between 2024 and 2027
- ✓ 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, and more recently the military conflict in Israel and the surrounding areas

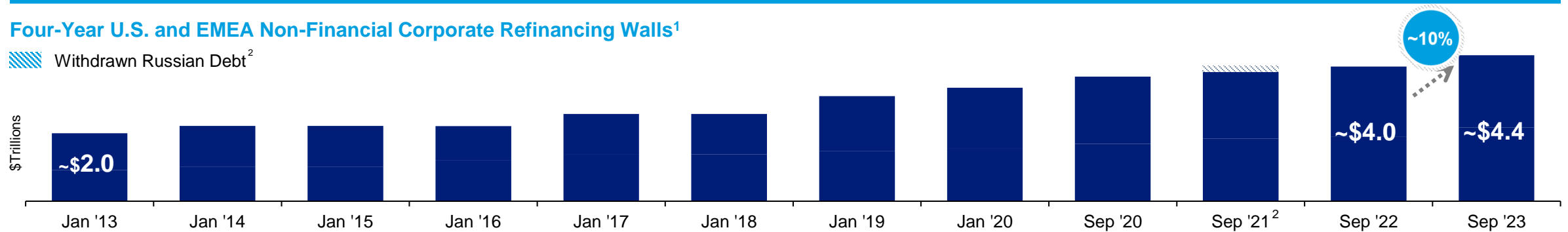
Sources: Default rate and unemployment assumptions sourced from Moody's Investors Service "August 2023 Default Report", published September 15, 2023. High yield spreads, GDP and inflation assumptions as of October 25, 2023, from Moody's Investors Service.

1. Guidance as of October 25, 2023. Refer to Table 11 – "2023 Outlook" in the press release titled "Moody's Corporation Reports Results for Third Quarter 2023" from October 25, 2023, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
2. GDP represents rate of change in real GDP.

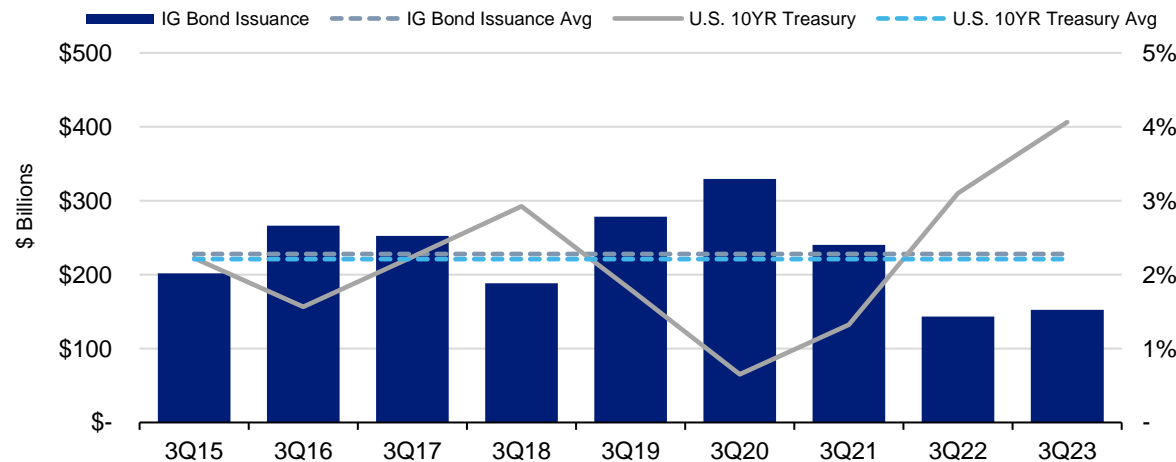
# MIS: Sustained Refinancing Demand Post Outsized 2020/2021 Issuance Surge

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

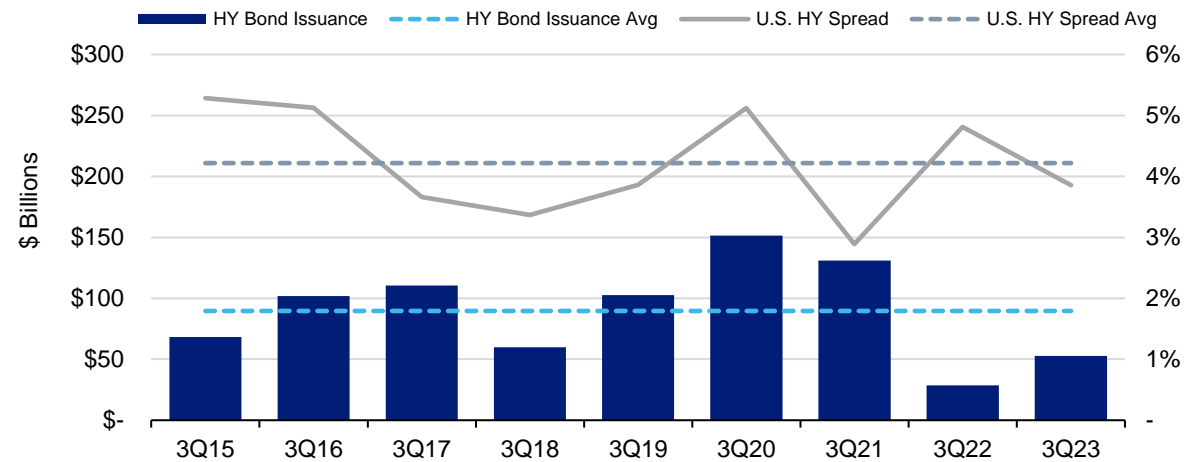
Withdrawn Russian Debt<sup>2</sup>



## MIS-Rated Q3 Non-Financial Global Corporate Investment Grade (IG) Issuance



## MIS-Rated Q3 Non-Financial Global Corporate High Yield (HY) Issuance



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

1. Amounts reflect total MIS-rated U.S. non-financial corporate bond and loan (for speculative grade) maturities, in addition to EMEA non-financial corporate and infrastructure bond and loan (for speculative grade) maturities as defined in Moody's Investors Service's refunding needs reports (2013 – 2023). Each bar represents four-year refunding needs.

2. Reflects \$0.2tn reduction in the refinancing wall starting 2021 due to Moody's withdrawal of ratings for Russian companies.



# Teleconference Details



## Webcast

- » Go to [ir.moodys.com](https://ir.moodys.com)
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- » Click on the link for “3Q 2023 Earnings Conference Call”



## Dial In

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- » Passcode: 930 2427



## Dial In Replay

- » U.S. & Canada: +1-800-770-2030
- » Non-U.S. & Canada: +1-647-362-9199
- » Passcode: 930 2427

**Dial In Replay Available from October 25, 2023 through November 24, 2023**

# Moody's Attendance at Upcoming Conferences

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**Nov 16** J.P. Morgan's Ultimate Services Investor Conference

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**Dec 5** Goldman Sachs Financials 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>PEP</b>	Politically Exposed Person
<b>POC</b>	Proof of Concept
<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>VIS Rating</b>	Vietnam Investors Service And Credit Rating Agency Joint Stock Company
<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>	September 30, 2023	September 30, 2022	Change	Growth
<b><u>MA ARR</u></b>				
Decision Solutions				
Banking	\$ 397	\$ 362	\$ 35	10%
Insurance	511	475	36	8%
KYC	308	260	48	18%
Total Decision Solutions	\$ 1,216	\$ 1,097	\$ 119	11%
Research and Insights	853	787	66	8%
Data and Information	782	711	71	10%
<b>Total MA ARR</b>	<b>\$ 2,851</b>	<b>\$ 2,595</b>	<b>\$ 256</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 September 30,							
	2023				2022			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$ 776	\$ 696	\$ —	\$ 1,472	\$ 685	\$ 590	\$ —	\$ 1,275
Intersegment revenue	3	47	(50)	—	2	43	(45)	—
<b>Total revenue</b>	<b>779</b>	<b>743</b>	<b>(50)</b>	<b>1,472</b>	<b>687</b>	<b>633</b>	<b>(45)</b>	<b>1,275</b>
Operating, SG&A	517	348	(50)	815	479	344	(45)	778
<b>Adjusted Operating Income</b>	<b>\$ 262</b>	<b>\$ 395</b>	<b>\$ —</b>	<b>\$ 657</b>	<b>\$ 208</b>	<b>\$ 289</b>	<b>\$ —</b>	<b>\$ 497</b>
Adjusted Operating Margin	33.6 %	53.2 %		44.6 %	30.3 %	45.7 %		39.0 %
Depreciation and amortization	76	19	—	95	62	21	—	83
Restructuring	22	5	—	27	1	—	—	1
<b>Operating income</b>				<b>\$ 535</b>				<b>\$ 413</b>
Operating margin				36.3 %				32.4 %

Amounts in millions	Nine Months Ended September 30,							
	2023				2022			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$2,260	\$2,176	\$ —	\$ 4,436	\$2,055	\$2,123	\$ —	\$ 4,178
Intersegment revenue	10	138	(148)	—	5	129	(134)	—
<b>Total revenue</b>	<b>2,270</b>	<b>2,314</b>	<b>(148)</b>	<b>4,436</b>	<b>2,060</b>	<b>2,252</b>	<b>(134)</b>	<b>4,178</b>
Operating, SG&A	1,584	1,034	(148)	2,470	1,423	1,038	(134)	2,327
<b>Adjusted Operating Income</b>	<b>\$ 686</b>	<b>\$1,280</b>	<b>\$ —</b>	<b>\$ 1,966</b>	<b>\$ 637</b>	<b>\$1,214</b>	<b>\$ —</b>	<b>\$ 1,851</b>
Adjusted Operating Margin	30.2 %	55.3 %		44.3 %	30.9 %	53.9 %		44.3 %
Depreciation and amortization	220	56	—	276	182	60	—	242
Restructuring	38	13	—	51	17	15	—	32
<b>Operating income</b>				<b>\$ 1,639</b>				<b>\$ 1,577</b>
Operating margin				36.9 %				37.7 %

# 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Operating income</b>	<b>\$ 535</b>	<b>\$ 413</b>	<b>\$ 1,639</b>	<b>\$ 1,577</b>
Depreciation and amortization	95	83	276	242
Restructuring	27	1	51	32
<b>Adjusted Operating Income</b>	<b>\$ 657</b>	<b>\$ 497</b>	<b>\$ 1,966</b>	<b>\$ 1,851</b>
<b>Operating margin</b>	<b>36.3 %</b>	<b>32.4 %</b>	<b>36.9 %</b>	<b>37.7 %</b>
<b>Adjusted Operating Margin</b>	<b>44.6 %</b>	<b>39.0 %</b>	<b>44.3 %</b>	<b>44.3 %</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>	Nine Months Ended September 30,	
	2023	2022
<b>Net cash provided by operating activities</b>	\$ 1,674	\$ 1,097
Capital additions	(198)	(204)
<b>Free Cash Flow</b>	<b>\$ 1,476</b>	<b>\$ 893</b>
<b>Net cash used in investing activities</b>	\$ (193)	\$ (172)
<b>Net cash used in financing activities</b>	\$ (1,231)	\$ (957)

# 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Net income attributable to Moody's common shareholders</b>	<b>\$ 389</b>	<b>\$ 303</b>	<b>\$ 1,267</b>	<b>\$ 1,128</b>
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 49	\$ 48	\$ 150	\$ 150
Tax on Acquisition-Related Intangible Amortization Expenses	(12)	(11)	(36)	(35)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>37</b>	<b>37</b>	<b>114</b>	<b>115</b>
Pre-tax restructuring	\$ 27	\$ 1	\$ 51	\$ 32
Tax on restructuring	(6)	(1)	(12)	(8)
<b>Net restructuring</b>	<b>21</b>	<b>—</b>	<b>39</b>	<b>24</b>
<b>FX losses resulting from the Company no longer conducting commercial operations in Russia</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>20</b>
<b>Adjusted Net Income</b>	<b>\$ 447</b>	<b>\$ 340</b>	<b>\$ 1,420</b>	<b>\$ 1,287</b>

Amounts in millions	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
<b>Diluted earnings per share attributable to Moody's common shareholders</b>	<b>\$ 2.11</b>	<b>\$ 1.65</b>	<b>\$ 6.88</b>	<b>\$ 6.10</b>
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 0.27	\$ 0.26	\$ 0.81	\$ 0.81
Tax on Acquisition-Related Intangible Amortization Expenses	(0.06)	(0.06)	(0.19)	(0.19)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>0.21</b>	<b>0.20</b>	<b>0.62</b>	<b>0.62</b>
Pre-tax restructuring	\$ 0.15	\$ 0.01	\$ 0.28	\$ 0.17
Tax on restructuring	(0.04)	(0.01)	(0.07)	(0.04)
<b>Net restructuring</b>	<b>0.11</b>	<b>—</b>	<b>0.21</b>	<b>0.13</b>
<b>FX losses resulting from the Company no longer conducting commercial operations in Russia</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>0.11</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 2.43</b>	<b>\$ 1.85</b>	<b>\$ 7.71</b>	<b>\$ 6.96</b>

Note: The tax impacts in the tables above were calculated using tax rates in effect in the jurisdiction of

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