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**RiskTech100**  
**2024**

#1

# Fourth Quarter and Full Year 2023 Earnings Call

February 13, 2024

# 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 general economic conditions (including significant government debt and deficit levels, and 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 the military conflict in Israel and the 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 jurisdictions in which we operate, including the EU; 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 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, 2023, 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.



# 4Q and Full Year 2023 Highlights

**Rob Fauber**

President and Chief Executive Officer



# Key Takeaways

1. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.
2. ARR: Annualized Recurring Revenue. ARR growth as of December 31, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.
3. Guidance as of February 13, 2024. Refer to slide 11 for a complete list of guidance. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Fourth Quarter and Full Year 2023” from February 13, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
4. Estimated return to stockholders of \$1.6B includes approximately \$1 billion of Share Repurchases (see guidance on slide 11) and approximately \$600 million of Dividends (based on the first quarter dividend declared on February 5, 2024, and historical practice for estimating full-year amounts).
5. Adjusted Diluted EPS growth of 24% from 2022 to 2024 based on 2024 guidance midpoint.

- 1 Moody’s delivered **FY revenue growth of 8%** and **Adjusted Diluted EPS<sup>1</sup> of \$9.90**; embraced Gen AI across the organization and accelerated the pace of innovation
- 2 **MA achieved ARR<sup>2</sup> of \$3.0B, up 10%**, with strong growth from all business lines; FY 2024 revenue<sup>3</sup> and ARR<sup>3</sup> expected to grow approximately 10% and in the low-double-digit percent range, respectively
- 3 **MIS revenue grew 6% in FY 2023** as debt markets continued to improve; FY 2024 revenue<sup>3</sup> expected to grow in the high-single to low-double-digit percent range
- 4 Prioritizing **organic investment opportunities across the business in 2024**; expecting to return approximately **\$1.6B<sup>3,4</sup>** to stockholders
- 5 FY 2024 guidance<sup>3</sup>: **Adjusted Diluted EPS range of \$10.25 to \$11.00 – a 24% increase from 2022<sup>5</sup>**; Effective Tax Rate range of 22% to 24%, compared to 16.9% in 2023

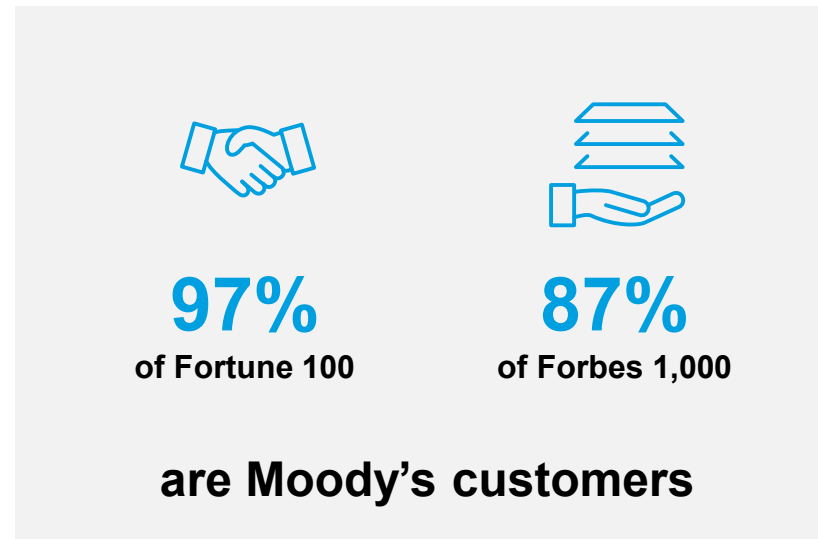
# Highlights for 2023



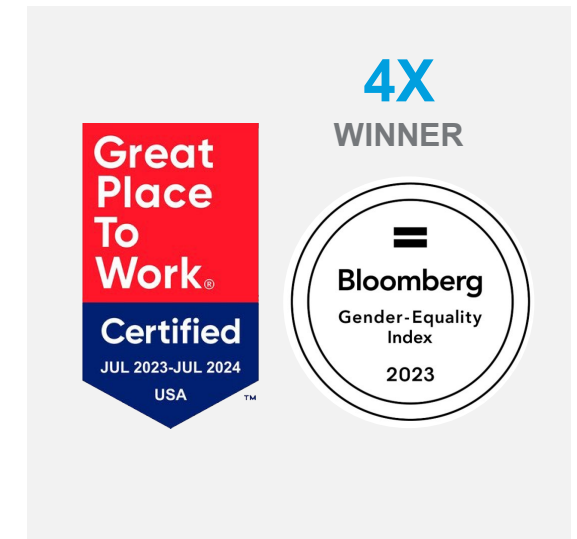
## Recognition



## Relationships



## People



1. Represents year over year growth as of December 31, 2023.  
2. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.



# Delivering for our customers

Invested to  
strengthen our  
core business  
and accelerate  
future growth

## Ratings

**Strengthened  
thought leadership:**

- » Increased presence in Emerging Debt Markets
- » Published market leading research on the digitalization of financial markets
- » Elevated Private Credit strategy to become the Agency of Choice

## Research & Insights

**Accelerated pace  
of innovation:**

- » Expanded coverage by 3x in flagship research product
- » Debuted first Gen AI-enabled product

## Data & Information

**Increased depth and  
utility of our vast  
data estate:**

- » Integrated predictive credit analytics
- » Incorporated industry-leading cyber risk analytics
- » Expanded and enriched news and research collection

## Decision Solutions

**Delivered best-in-  
class workflow  
solutions:**

- » Launched sanctions-related risk and company verification solutions
- » Integrated climate analytics into solutions for banks and insurers

## Foundational Investments



Platform Engineering



Gen AI Innovation



Data Estate

# Our Strategy to Drive Growth



## Landing New Customers

Increase growth contribution from Corporate and Government Entities

- » **14%**<sup>1</sup> new sales growth
- » **~30%**<sup>2</sup> of MA ARR

Build on Agency of Choice  
**22%**<sup>3</sup> revenue growth from Moody's Local



## Expanding Core Relationships

Leverage MA's strong Financial Services customer base

- » **95%**<sup>4</sup> Retention Rate
- » **108.5%**<sup>4</sup> Net Expansion Rate

Maximize thought leadership  
**~90K** global participants in Moody's events



## Innovating and Embracing Market Trends

Gen AI Innovation

Digitization and Transformation Trends across industries

Increased customer focus on **Third Party Risk Management**

Growth in **Private Credit** sector

1. Represents 2-year CAGR of new sales to Corporate and Government Entities as of December 31, 2023.

2. Corporate and Government Entities represent approximately 30% of MA ARR as of December 31, 2023.

3. Represents year over year organic revenue growth for Moody's Local as of December 31, 2023.

4. Retention Rate and Net Expansion Rate as of December 31, 2023, among Moody's Analytics Financial Services customers. Refer to the Appendix for the definition of and further information on Net Expansion Rate.



# Accelerating Organic Investments in Three Key Areas to Deliver on Medium Term Targets

~\$60M

Incremental  
Strategic  
Investments

## Gen AI

- » **External:** deliver market-leading suite of Gen AI-enabled solutions
- » **Internal:** establish new tools and drive employee adoption to improve efficiency and productivity

## New Products & Enhanced Offerings

- » Develop products that serve **new use cases**, including customer and supplier risk; **expand our addressable market** beyond core financial services customers
- » Enhance offerings for **Private Credit, digital finance** and **transition finance** to meet market demand

## Platforming & Modernizing

- » Platform our data and engineering capabilities to **strengthen interoperability**, ensure resilience, and assemble and deliver products faster
- » Accelerate the **digitization and automation** of internal ratings workflows to enhance analyst efficiency and insight

# Expecting Improved Issuance Growth in 2024

## Macro Assumptions Informing Guidance



### Macroeconomics & Policy

- » Global growth prospects
- » Geopolitical risks
- » Energy, trade, climate, and regulatory policies



### Inflation Rates & Central Bank Actions

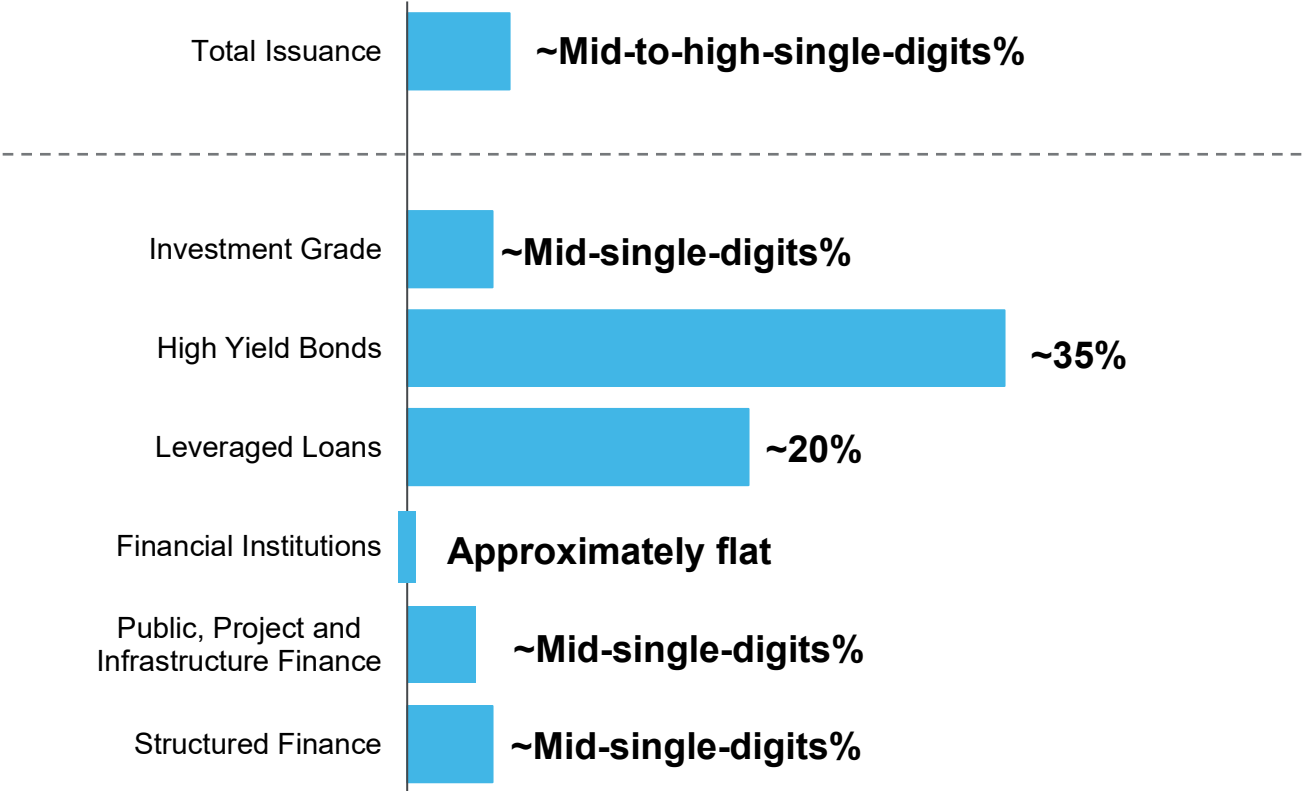
- » Inflation expectations, supply chain, and job and wage trends
- » Timing of central bank rate actions and adjustment of other policies



### Credit Markets

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

## FY2024 Issuance Guidance<sup>1</sup>










1. As of February 13, 2024

# Financial Outlook

## MCO Full Year 2024 Guidance<sup>1</sup>

|  |   |
|--|---|
| <b>Revenue</b>                               | Increase in the high-single to low-double-digit % range |
| <b>Operating Expenses</b>                    | Increase in the mid-to-high-single-digit % range        |
| <b>Adjusted Operating Margin<sup>2</sup></b> | 44% - 46%   |
| <b>Interest Expense, Net</b>                 | \$240 - \$260 million                                   |
| <b>Depreciation &amp; Amortization</b>       | Approximately \$450 million                             |
| <b>Effective Tax Rate</b>                    | 22% - 24%   |
| <b>Diluted EPS</b>                           | \$9.45 - \$10.20  |
| <b>Adjusted Diluted EPS<sup>2</sup></b>      | \$10.25 - \$11.00                                       |
| <b>Free Cash Flow<sup>2</sup></b>            | \$1.9 - \$2.1 billion                                   |
| <b>Share Repurchases<sup>3</sup></b>         | Approximately \$1 billion                               |
| <b>MA Revenue</b>                            | Increase of approximately 10%                           |
| <b>MA ARR<sup>4</sup></b>                    | Increase in the low-double-digit % range                |
| <b>MA Adjusted Operating Margin</b>          | 30% - 31%   |
| <b>MIS Revenue</b>                           | Increase in the high-single to low-double-digit % range |
| <b>MIS Adjusted Operating Margin</b>         | 55.5% - 57.5%   |

## Medium Term Guidance<sup>3,5,6</sup>

|   |  |
|---|--|
|  MCO Revenue                   | > <b>At least 10% growth</b>               |
|  MA Revenue                    | > <b>Low-to-mid-teens % growth</b>         |
|  MIS Revenue                   | > <b>Mid-to-high-single-digit % growth</b> |
|  MCO Adjusted Operating Margin | > <b>Low-50s % range</b>                   |
|  MA Adjusted Operating Margin  | > <b>Mid-30s % range</b>                   |
|  MIS Adjusted Operating Margin | > <b>Low-60s % range</b>                   |
|  MCO Adjusted Diluted EPS      | > <b>Low-double-digit % growth</b>         |

Note: Medium-term guidance refers to a time period within 5 years. Growth refers to average annualized growth over the time period. Assumes full year 2022 as the base year.

- Guidance as of February 13, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Fourth Quarter and Full Year 2023” from February 13, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
- 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.
- Subject to available cash, market conditions, M&A opportunities and other ongoing capital allocation decisions.
- ARR: Annualized Recurring Revenue. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.
- Refer to slide 33 in the Appendix for details and assumptions with respect to medium-term guidance.
- Assumes no material change in effective tax rate, foreign exchange rates, leverage profile and/or capital allocation policy.



# Questions and Answers

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**Rob Fauber**

President and Chief Executive Officer



**Caroline Sullivan**

Interim Chief Financial Officer and Chief Accounting Officer



**Stephen Tulenko**

President – Moody's Analytics



**Michael West**

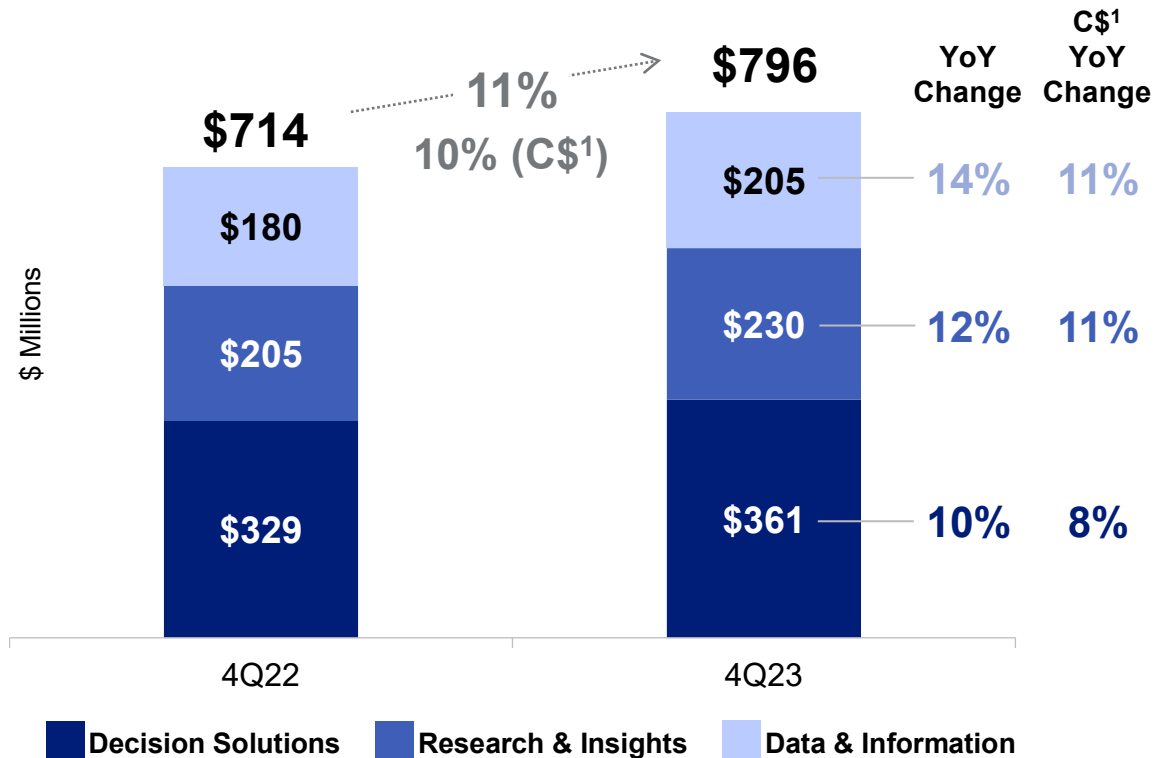
President – Moody's Investors Service

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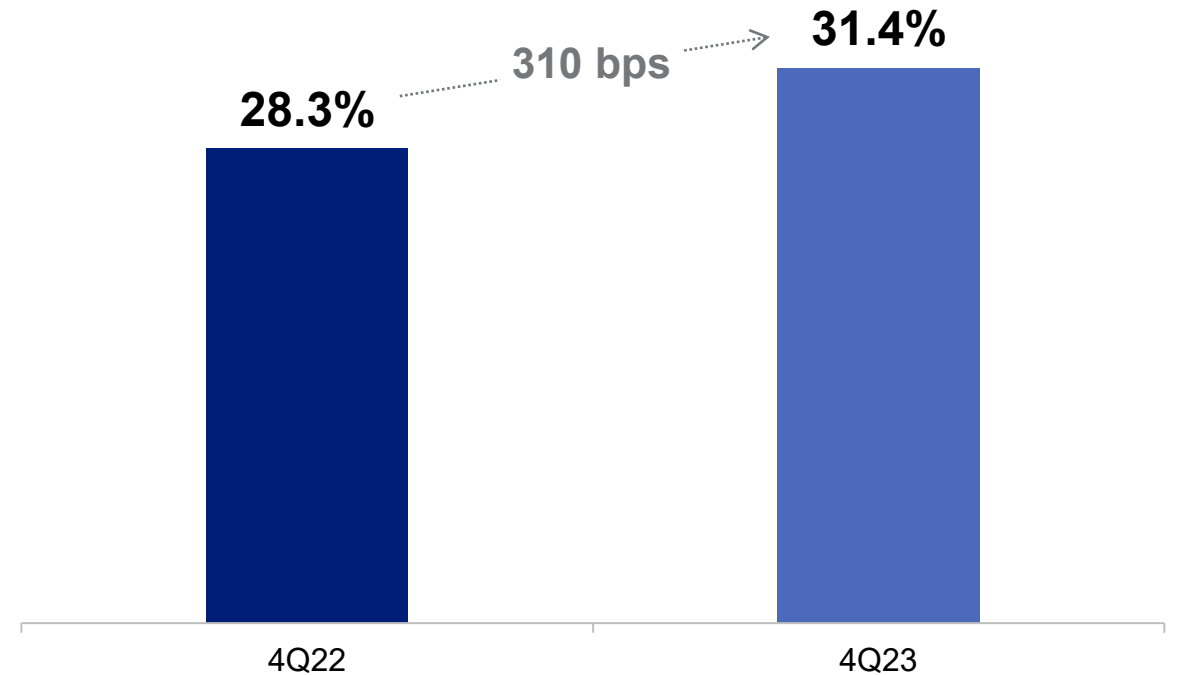
# Supplemental Information

# MA: Double-Digit Revenue Growth & Strong Margin Performance in 4Q

## MA Revenue



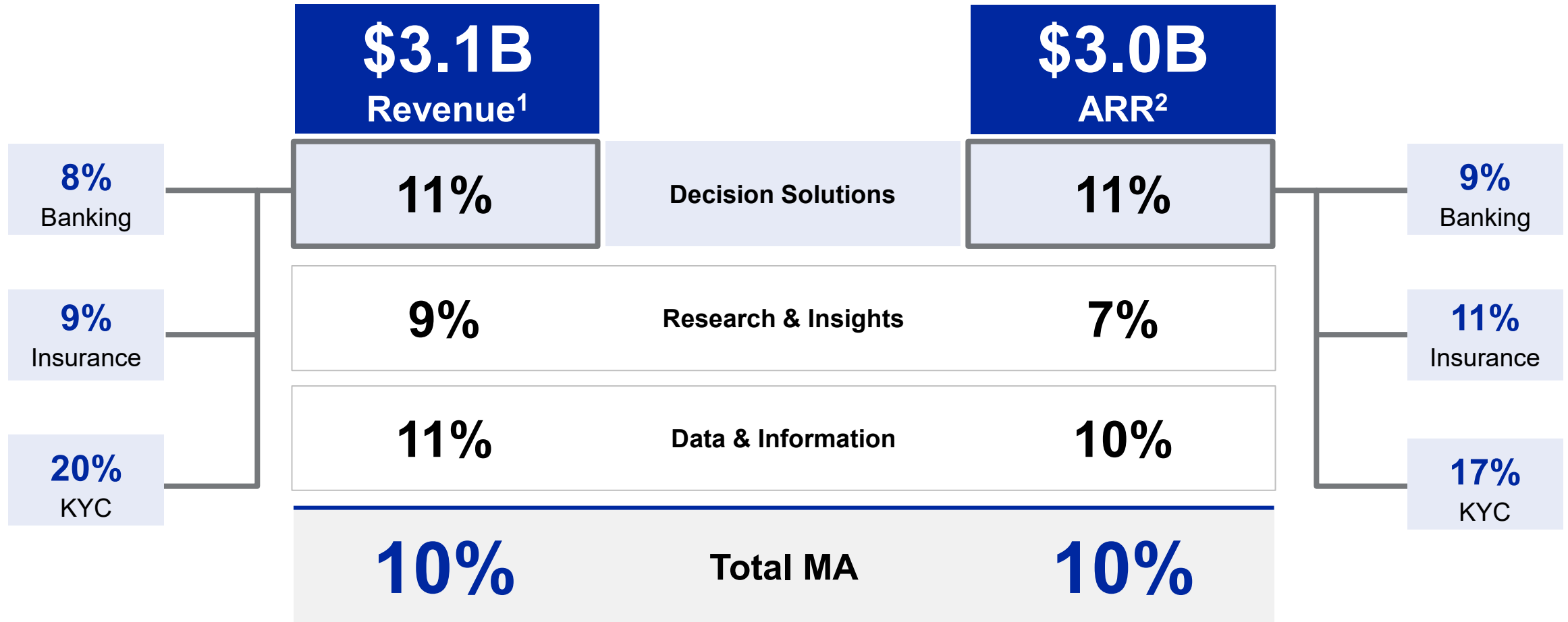
## MA Adjusted Operating Margin



1. Foreign currency exchange favorably impacted total MA, Decision Solutions, Research & Insights and Data & Information revenues by 1%, 2%, 1% and 3%, 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: Strong Growth Across All Business Lines in 2023

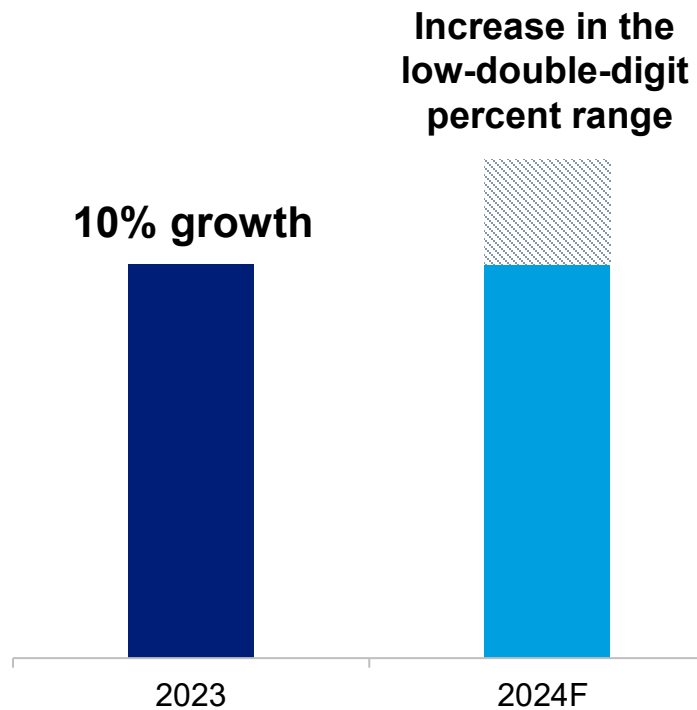


1. Percentages represent reported revenue growth from FY 2022 to FY 2023.

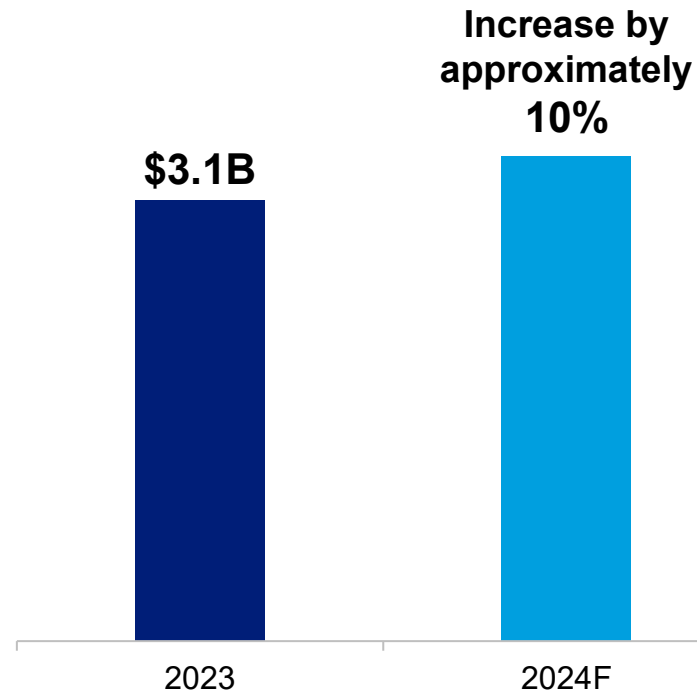
2. ARR: Annualized Recurring Revenue. ARR growth as of December 31, 2023. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

# MA: Capitalizing on Innovation Opportunities in 2024

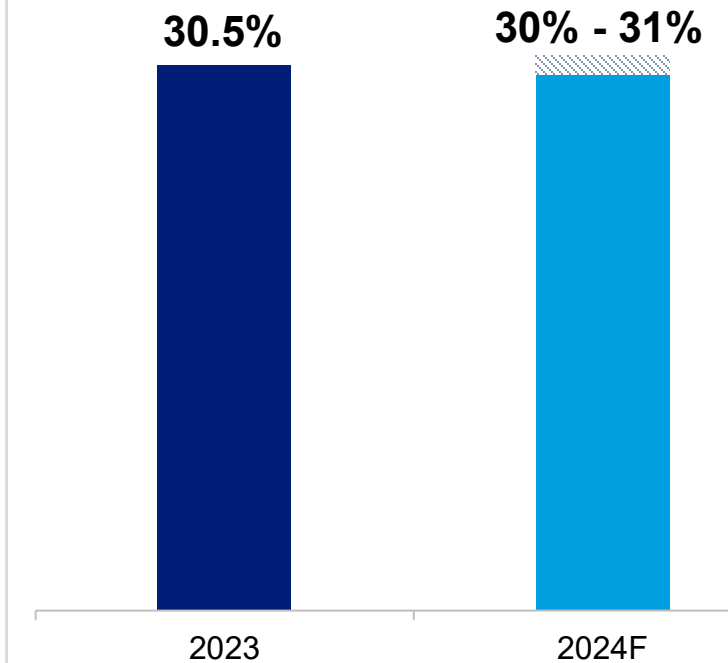
## ARR<sup>1</sup>



## Revenue<sup>1</sup>



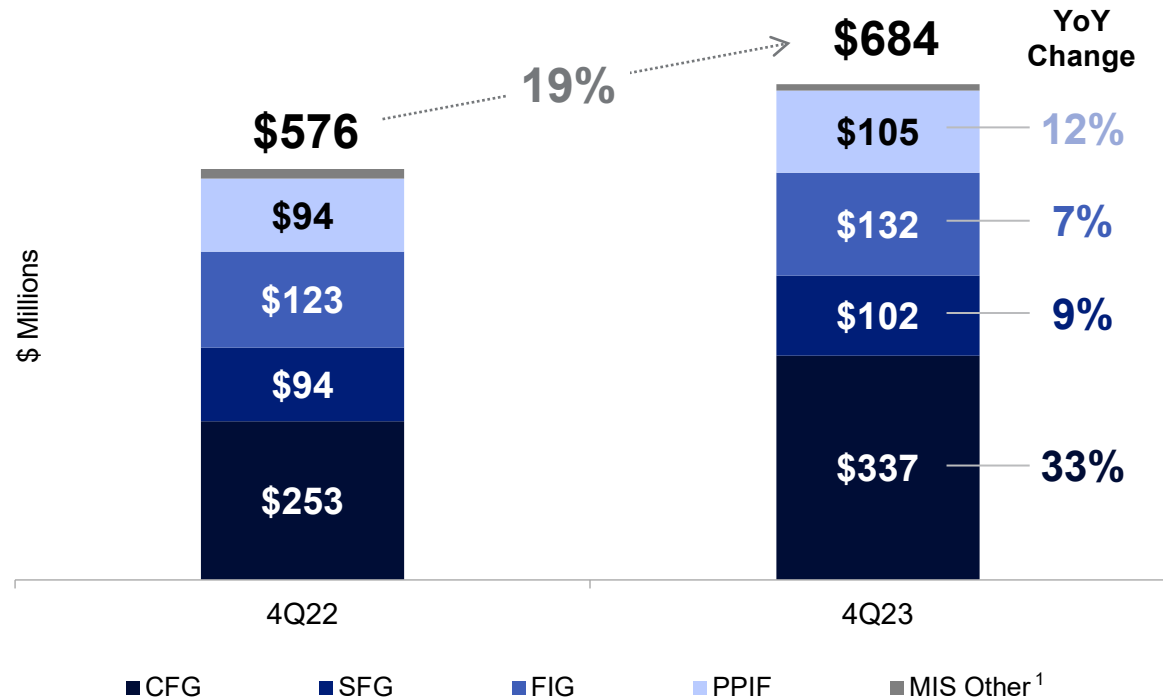
## Adjusted Operating Margin<sup>1</sup>



1. Guidance as of February 13, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Fourth Quarter and Full Year 2023” from February 13, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

# MIS: Robust 4Q Revenue Growth and Improved Margins

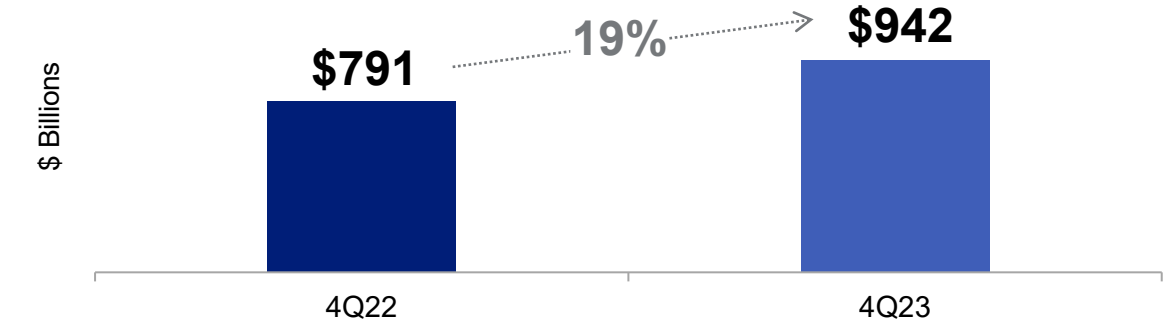
## MIS Revenue



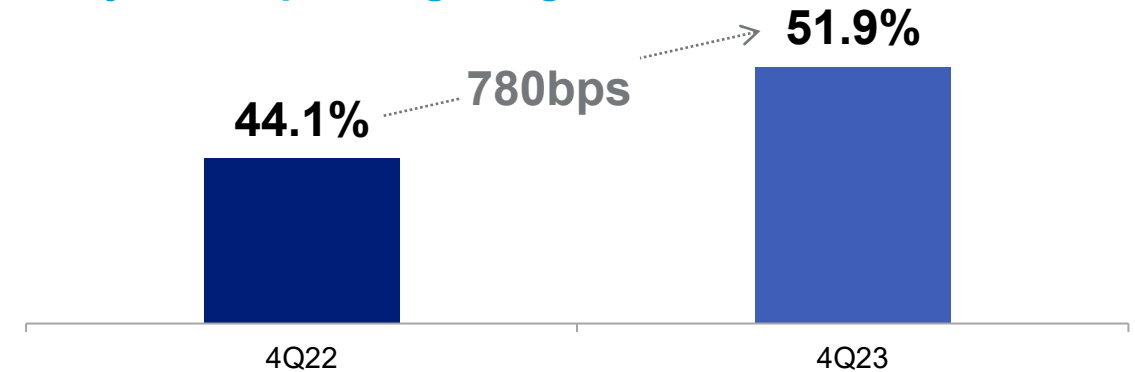
1. MIS Other revenue was approximately \$12 million and \$8 million in the quarters ended December 31, 2022, and December 31, 2023, respectively.

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.

## Issuance<sup>2</sup>



## MIS Adjusted Operating Margin

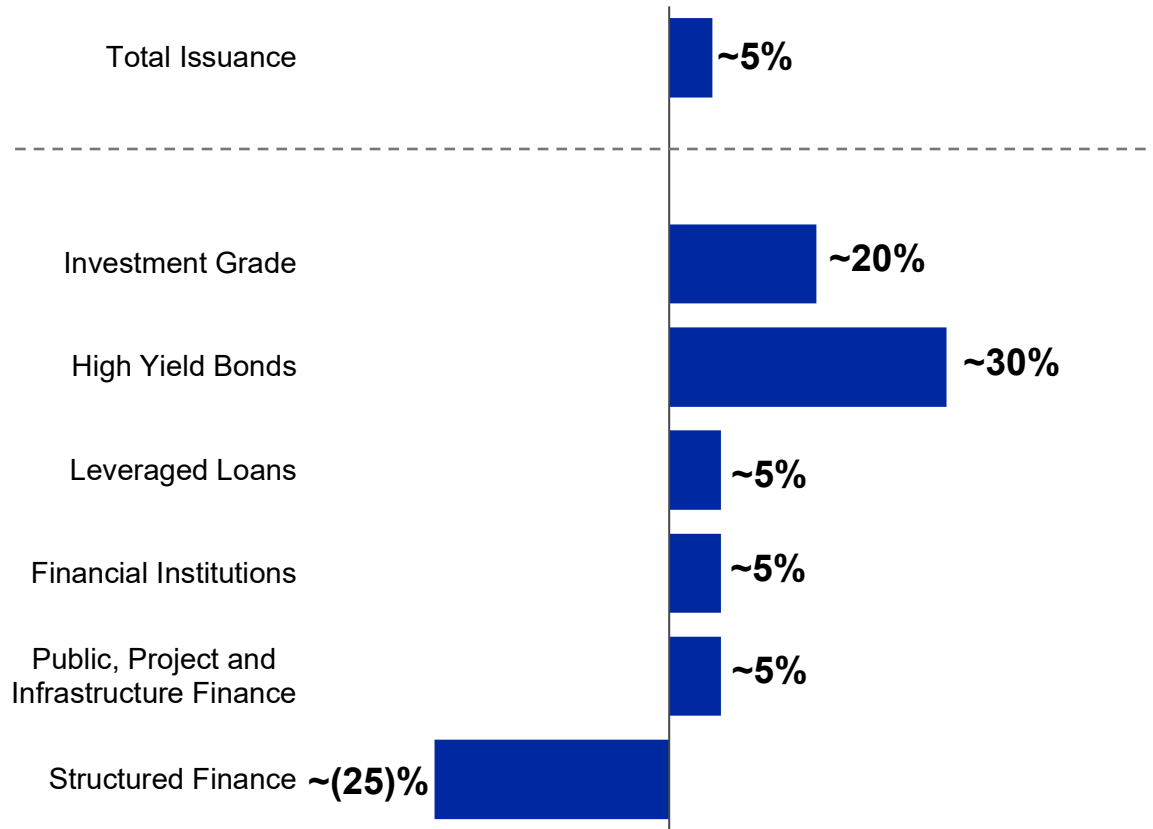




# MIS: Rebounded in 2023 Following a Weak Prior Year

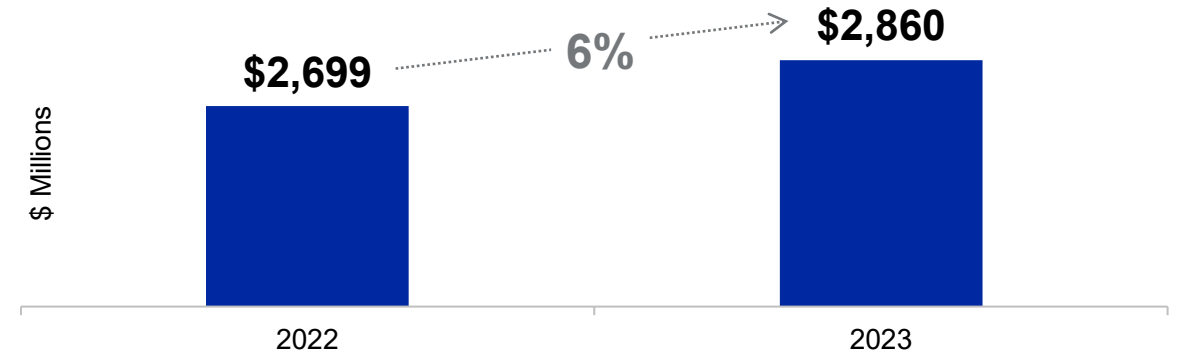
## 2023 issuance recovery driven by corporate finance

2023 vs. 2022 MIS-rated Issuance



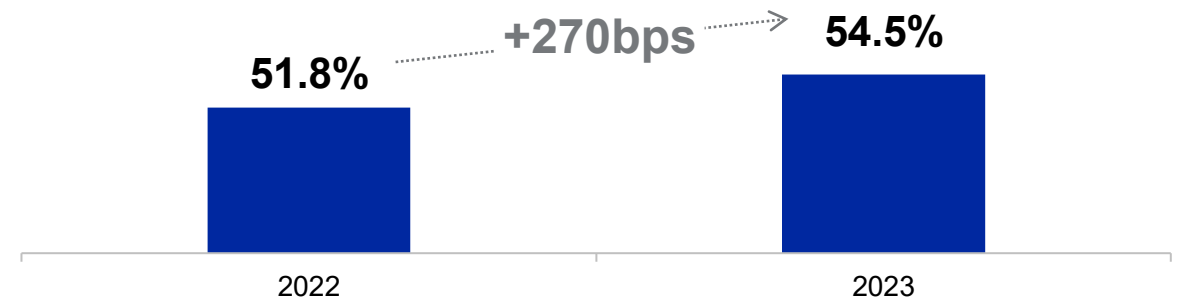
## Revenue increased in line with issuance

Revenue



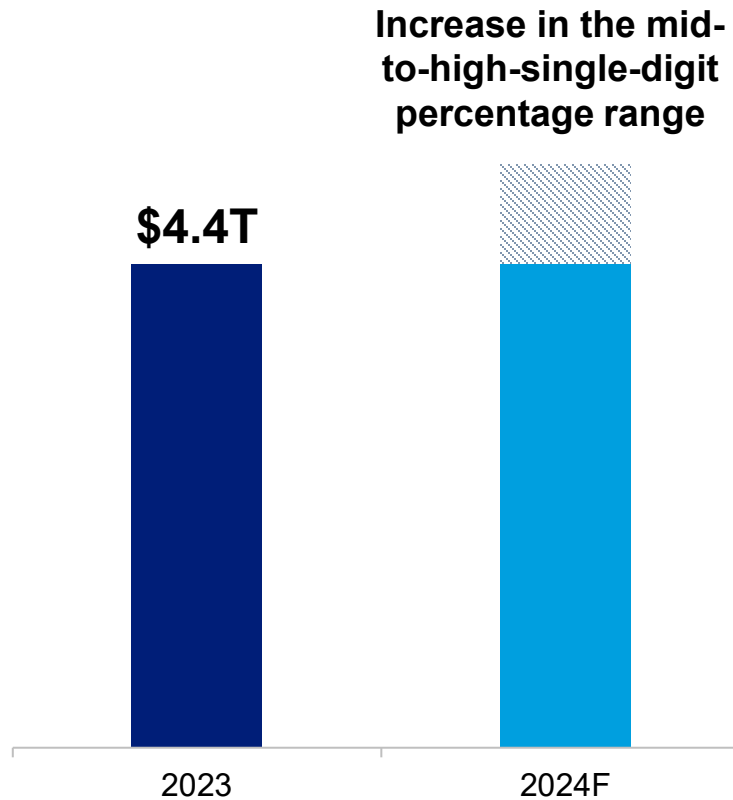
## Revenue growth drove margin expansion

Adjusted Operating Margin

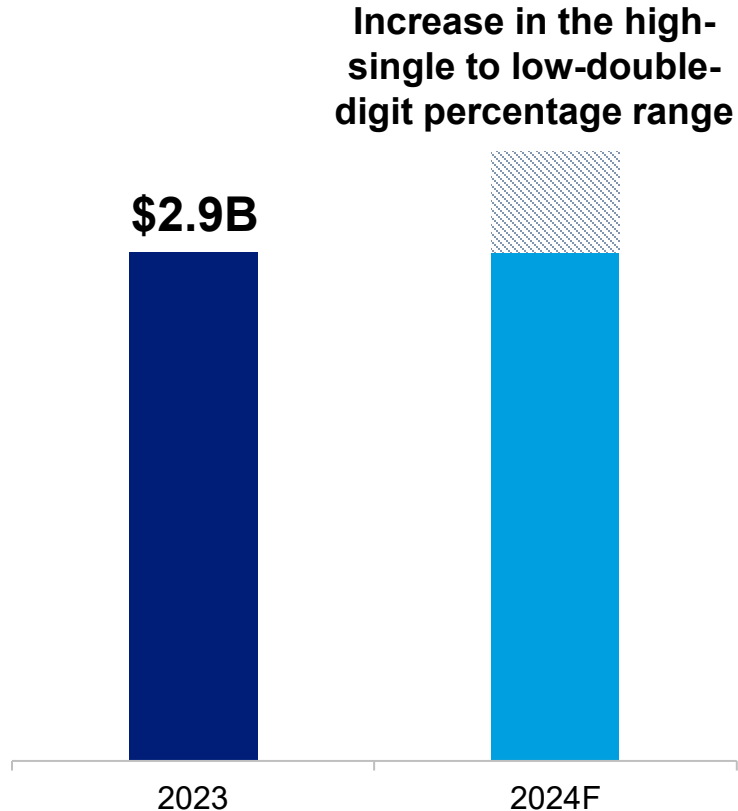


# MIS: Full Year 2024 Forecast

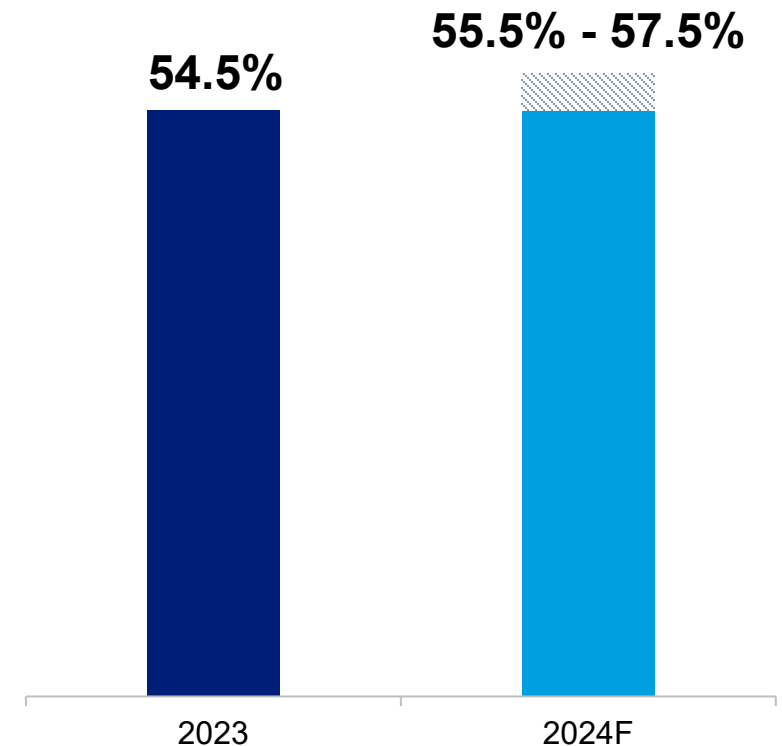
## Total MIS-rated Issuance<sup>1,2</sup>



## Revenue<sup>1</sup>



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



1. Guidance as of February 13, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Fourth Quarter and Full Year 2023” from February 13, 2024, 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: Macroeconomic Assumptions

## Underpinning our Full Year 2024 Outlook

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

**Real GDP<sup>2</sup>** U.S.: 1.0% - 2.0%; Euro area: 0.5% - 1.5%;  
Global: 2.0% - 3.0%

**Global benchmark rates:** Gradual rate reductions starting in 2Q 2024;  
**U.S. high yield spreads** to fluctuate in the 400 - 500 bps range, with periodic volatility

Global high yield **default rate** to rise toward 5.0% in the first half and then ease to around 4.0% by year-end

**FX rates** of \$1.27 and \$1.10 for GBP/USD and EUR/USD, respectively, for the year

Global **inflation** levels to continue to decline (U.S.: 2.0% by year-end; large Euro area economies: around 2.0% by year-end); U.S. **unemployment rate** to average between 4.0% - 4.5% for the year

### Tailwinds

- ✓ Most central banks expected to cut rates as inflation eases
- ✓ ~\$4.4T of refinancing needs between 2024 and 2027
- ✓ Dry powder at private equity firms

### Headwinds

- ✗ Elevated funding costs pose potential refinancing risks for vulnerable issuers
- ✗ Geopolitical uncertainty, including the prolonged Russia-Ukraine military conflict, and the military conflict in Israel and surrounding areas
- ✗ Recessionary concerns

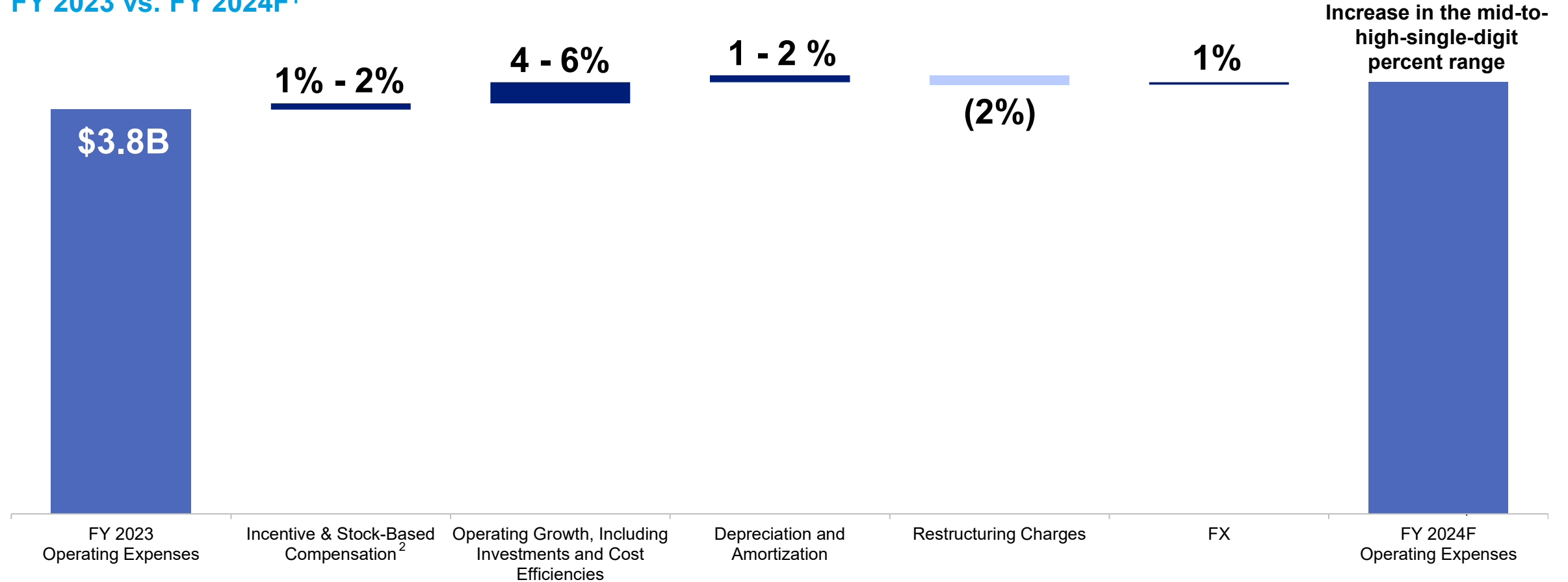
Sources: Default rate and unemployment assumptions sourced from Moody's Investors Service "December 2023 Default Report", published January 16, 2023. High yield spreads, GDP and inflation assumptions as of February 13, 2024, from Moody's Investors Service.

1. Guidance as of February 13, 2024. Refer to Table 12 – "2024 Outlook" in the press release titled "Moody's Corporation Reports Results for Fourth Quarter and Full Year 2023" from February 13, 2024, 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.



# Strategically Investing with Intent to Grow and Scale

FY 2023 vs. FY 2024F<sup>1</sup>



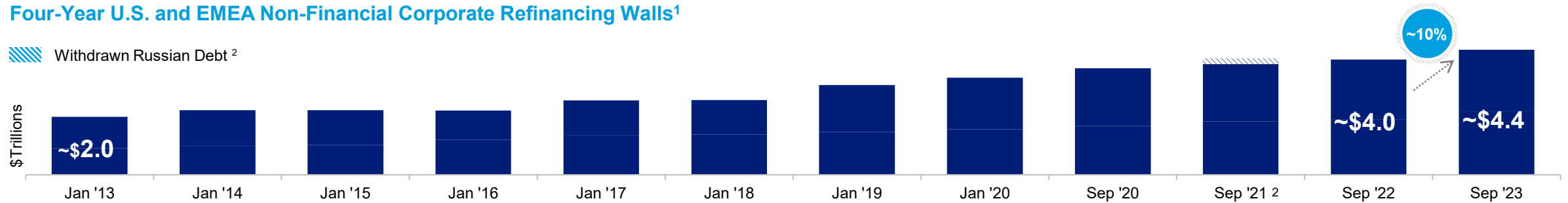
1. Guidance as of February 13, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Fourth Quarter and Full Year 2023” from February 13, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

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

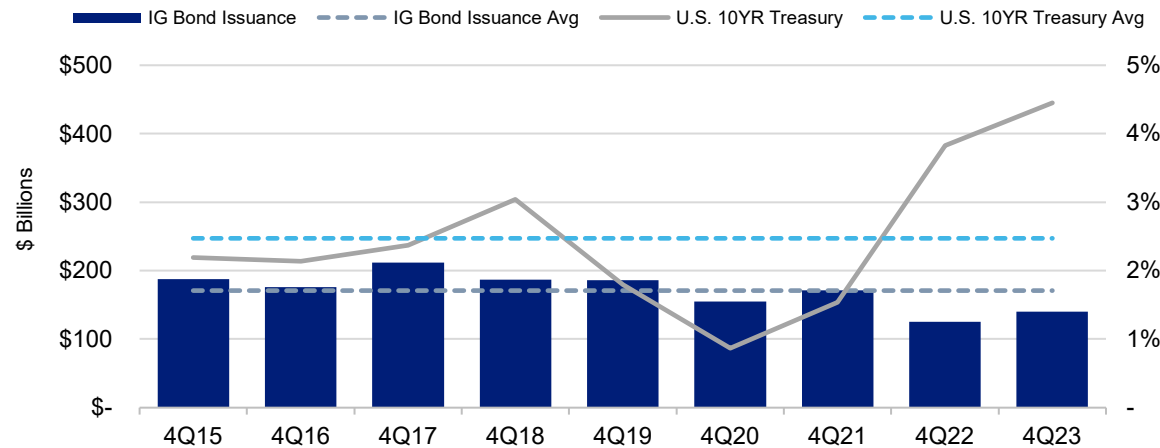
# MIS: Sustained Refinancing Demand Post Outsized 2020/2021 Issuance Surge

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

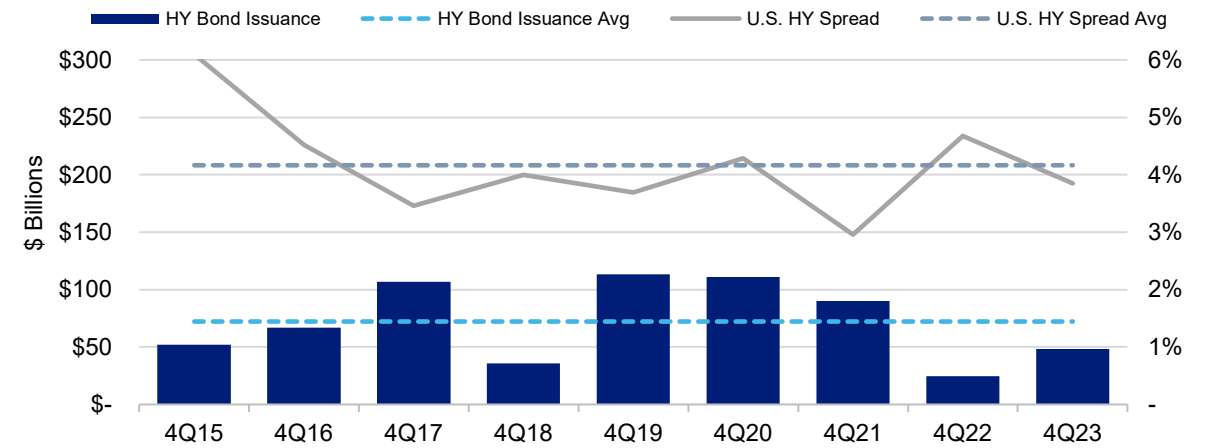
Withdrawn Russian Debt <sup>2</sup>



## MIS-Rated Q4 Non-Financial Global Corporate Investment Grade (IG) Issuance



## MIS-Rated Q4 Non-Financial Global Corporate High Yield (HY) Issuance



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

- 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.
- 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)
- » Click on “Events & Presentations”
- » Click on the link for  
“4Q and Full Year 2023 Earnings  
Conference Call”



## Dial In

- » U.S. & Canada: +1-888-330-2508
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## 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 February 13, 2024 through March 14, 2024**

# Moody's Attendance at Upcoming Conferences and Events

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**Feb 29** MA: Gen AI and AI Showcase (UK)

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**Mar 5** Raymond James Institutional Investors Conference  
RBC Global Financial Institutions Conference

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**Mar 14** Wolfe Research FinTech Forum  
Bank of America Information and Business Services Conference





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# Appendix

# Glossary of Terms and Abbreviations

| Term                            | Definition  |
|---------------------------------|---|
| <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>FIG</b>                      | Financial institutions group; an LOB within MIS   |
| <b>FTM</b>                      | First Time Mandates   |
| <b>FX</b>                       | Foreign exchange  |
| <b>Gen AI</b>                   | Generative Artificial Intelligence  |
| <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; consists of three LOBs - Decision Solutions; Research and Insights; and Data and Information   |
| <b>MIS</b>                      | Moody's Investors Service - a reportable segment of MCO; consists of five LOBs - CFG; SFG; FIG; PPIF; 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>Net Expansion Rate (NER)</b> | A supplemental performance metric to provide additional insight on the growth in subscription revenue from existing customers from one period to the next. To calculate NER, we compare the ARR from the prior year period (base ARR) to the current period's ARR (retained ARR) for the same cohort of customers. We divide the retained ARR by the base ARR to arrive at NER. NER includes the positive impacts of selling additional products, and price increases. NER also includes the negative impacts of reductions in products and/or price as well as customer attrition. NER does not include the positive impact from customers acquired during the period. |
| <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>      | <b>December 31, 2023</b> | <b>December 31, 2022</b> | <b>Change</b> | <b>Growth</b> |
|---------------------------------|--------------------------|--------------------------|---------------|---------------|
| <b><u>MA ARR</u></b>            |                          |                          |               |               |
| Decision Solutions              |                          |                          |               |               |
| Banking                         | \$ 418                   | \$ 385                   | \$ 33         | 9%            |
| Insurance                       | 533                      | 482                      | 51            | 11%           |
| KYC                             | 326                      | 279                      | 47            | 17%           |
| <b>Total Decision Solutions</b> | <b>\$ 1,277</b>          | <b>\$ 1,146</b>          | <b>\$ 131</b> | <b>11%</b>    |
| Research and Insights           | 879                      | 819                      | 60            | 7%            |
| Data and Information            | 806                      | 733                      | 73            | 10%           |
| <b>Total MA ARR</b>             | <b>\$ 2,962</b>          | <b>\$ 2,698</b>          | <b>\$ 264</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 December 31, |               |              |               |               |               |              |               |
|----------------------------------|---------------------------------|---------------|--------------|---------------|---------------|---------------|--------------|---------------|
|                                  | 2023                            |               |              |               | 2022          |               |              |               |
|                                  | MA                              | MIS           | Eliminations | Consolidated  | MA            | MIS           | Eliminations | Consolidated  |
| Total external revenue           | \$ 796                          | \$ 684        | \$ —         | \$ 1,480      | \$ 714        | \$ 576        | \$ —         | \$ 1,290      |
| Intersegment revenue             | 3                               | 48            | (51)         | —             | 3             | 45            | (48)         | —             |
| <b>Total revenue</b>             | <b>799</b>                      | <b>732</b>    | <b>(51)</b>  | <b>1,480</b>  | <b>717</b>    | <b>621</b>    | <b>(48)</b>  | <b>1,290</b>  |
| Operating, SG&A                  | 548                             | 352           | (51)         | 849           | 514           | 347           | (48)         | 813           |
| <b>Adjusted Operating Income</b> | <b>\$ 251</b>                   | <b>\$ 380</b> | <b>\$ —</b>  | <b>\$ 631</b> | <b>\$ 203</b> | <b>\$ 274</b> | <b>\$ —</b>  | <b>\$ 477</b> |
| Adjusted Operating Margin        | 31.4 %                          | 51.9 %        |              | 42.6 %        | 28.3 %        | 44.1 %        |              | 37.0 %        |
| Depreciation and amortization    | 78                              | 19            | —            | 97            | 68            | 21            | —            | 89            |
| Restructuring                    | 21                              | 15            | —            | 36            | 32            | 50            | —            | 82            |
| <b>Operating income</b>          |                                 |               |              | <b>\$ 498</b> |               |               |              | <b>\$ 306</b> |
| Operating margin                 |                                 |               |              | 33.6 %        |               |               |              | 23.7 %        |

| Amounts in millions              | Year Ended December 31, |                |              |                 |               |                |              |                 |
|----------------------------------|-------------------------|----------------|--------------|-----------------|---------------|----------------|--------------|-----------------|
|                                  | 2023                    |                |              |                 | 2022          |                |              |                 |
|                                  | MA                      | MIS            | Eliminations | Consolidated    | MA            | MIS            | Eliminations | Consolidated    |
| Total external revenue           | \$3,056                 | \$2,860        | \$ —         | \$ 5,916        | \$2,769       | \$2,699        | \$ —         | \$ 5,468        |
| Intersegment revenue             | 13                      | 186            | (199)        | —               | 8             | 174            | (182)        | —               |
| <b>Total revenue</b>             | <b>3,069</b>            | <b>3,046</b>   | <b>(199)</b> | <b>5,916</b>    | <b>2,777</b>  | <b>2,873</b>   | <b>(182)</b> | <b>5,468</b>    |
| Operating, SG&A                  | 2,132                   | 1,386          | (199)        | 3,319           | 1,937         | 1,385          | (182)        | 3,140           |
| <b>Adjusted Operating Income</b> | <b>\$ 937</b>           | <b>\$1,660</b> | <b>\$ —</b>  | <b>\$ 2,597</b> | <b>\$ 840</b> | <b>\$1,488</b> | <b>\$ —</b>  | <b>\$ 2,328</b> |
| Adjusted Operating Margin        | 30.5 %                  | 54.5 %         |              | 43.9 %          | 30.2 %        | 51.8 %         |              | 42.6 %          |
| Depreciation and amortization    | 298                     | 75             | —            | 373             | 250           | 81             | —            | 331             |
| Restructuring                    | 59                      | 28             | —            | 87              | 49            | 65             | —            | 114             |
| <b>Operating income</b>          |                         |                |              | <b>\$ 2,137</b> |               |                |              | <b>\$ 1,883</b> |
| Operating margin                 |                         |                |              | 36.1 %          |               |                |              | 34.4 %          |



# 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 December 31, |               | Year Ended December 31, |                 |
|----------------------------------|---------------------------------|---------------|-------------------------|-----------------|
|                                  | 2023                            | 2022          | 2023                    | 2022            |
| <b>Operating income</b>          | <b>\$ 498</b>                   | <b>\$ 306</b> | <b>\$ 2,137</b>         | <b>\$ 1,883</b> |
| Depreciation and amortization    | 97                              | 89            | 373                     | 331             |
| Restructuring                    | 36                              | 82            | 87                      | 114             |
| <b>Adjusted Operating Income</b> | <b>\$ 631</b>                   | <b>\$ 477</b> | <b>\$ 2,597</b>         | <b>\$ 2,328</b> |
| <b>Operating margin</b>          | <b>33.6 %</b>                   | <b>23.7 %</b> | <b>36.1 %</b>           | <b>34.4 %</b>   |
| <b>Adjusted Operating Margin</b> | <b>42.6 %</b>                   | <b>37.0 %</b> | <b>43.9 %</b>           | <b>42.6 %</b>   |

# Free Cash Flow

The Company defines Free Cash Flow as net cash provided by operating activities minus cash paid 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>                       | Year Ended December 31, |                   |
|--|-------------------------|-------------------|
|  | 2023                    | 2022              |
| <b>Net cash provided by operating activities</b> | \$ 2,151                | \$ 1,474          |
| Capital additions                                | (271)                   | (283)             |
| <b>Free Cash Flow</b>                            | <b>\$ 1,880</b>         | <b>\$ 1,191</b>   |
| <b>Net cash used in investing activities</b>     | <b>\$ (247)</b>         | <b>\$ (262)</b>   |
| <b>Net cash used in financing activities</b>     | <b>\$ (1,584)</b>       | <b>\$ (1,208)</b> |

# 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; iii) a gain on the extinguishment of debt; and iv) 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, the gain on extinguishment of debt, 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 December 31, |               | Year Ended December 31, |                 |
|--|---------------------------------|---------------|-------------------------|-----------------|
|  | 2023                            | 2022          | 2023                    | 2022            |
| <b>Net income attributable to Moody's common shareholders</b>                                    | <b>\$ 340</b>                   | <b>\$ 246</b> | <b>\$ 1,607</b>         | <b>\$ 1,374</b> |
| Pre-tax Acquisition-Related Intangible Amortization Expenses                                     | \$ 48                           | \$ 50         | \$ 198                  | \$ 200          |
| Tax on Acquisition-Related Intangible Amortization Expenses                                      | (12)                            | (12)          | (48)                    | (47)            |
| <b>Net Acquisition-Related Intangible Amortization Expenses</b>                                  | <b>36</b>                       | <b>38</b>     | <b>150</b>              | <b>153</b>      |
| Pre-tax restructuring  | \$ 36                           | \$ 82         | \$ 87                   | \$ 114          |
| Tax on restructuring   | (10)                            | (18)          | (22)                    | (26)            |
| <b>Net restructuring</b>   | <b>26</b>                       | <b>64</b>     | <b>65</b>               | <b>88</b>       |
| Pre-tax gain on extinguishment of debt   | \$ —                            | \$ (70)       | \$ —                    | \$ (70)         |
| Tax on gain on extinguishment of debt  | —                               | 17            | —                       | 17              |
| <b>Net gain on extinguishment of debt</b>  | <b>—</b>                        | <b>(53)</b>   | <b>—</b>                | <b>(53)</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>\$ 402</b>                   | <b>\$ 295</b> | <b>\$ 1,822</b>         | <b>\$ 1,582</b> |

| Amounts in millions  | Three Months Ended December 31, |                | Year Ended December 31, |                |
|--|---------------------------------|----------------|-------------------------|----------------|
|  | 2023                            | 2022           | 2023                    | 2022           |
| <b>Diluted earnings per share attributable to Moody's common shareholders</b>                    | <b>\$ 1.85</b>                  | <b>\$ 1.34</b> | <b>\$ 8.73</b>          | <b>\$ 7.44</b> |
| Pre-tax Acquisition-Related Intangible Amortization Expenses                                     | \$ 0.26                         | \$ 0.27        | \$ 1.08                 | \$ 1.08        |
| Tax on Acquisition-Related Intangible Amortization Expenses                                      | (0.06)                          | (0.07)         | (0.26)                  | (0.25)         |
| <b>Net Acquisition-Related Intangible Amortization Expenses</b>                                  | <b>0.20</b>                     | <b>0.20</b>    | <b>0.82</b>             | <b>0.83</b>    |
| Pre-tax restructuring  | \$ 0.20                         | \$ 0.45        | \$ 0.47                 | \$ 0.62        |
| Tax on restructuring   | (0.06)                          | (0.10)         | (0.12)                  | (0.14)         |
| <b>Net restructuring</b>   | <b>0.14</b>                     | <b>0.35</b>    | <b>0.35</b>             | <b>0.48</b>    |
| Pre-tax gain on extinguishment of debt   | \$ —                            | \$ (0.38)      | \$ —                    | \$ (0.38)      |
| Tax on gain on extinguishment of debt  | —                               | 0.09           | —                       | 0.09           |
| <b>Net gain on extinguishment of debt</b>  | <b>—</b>                        | <b>(0.29)</b>  | <b>—</b>                | <b>(0.29)</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>\$ 2.19</b>                  | <b>\$ 1.60</b> | <b>\$ 9.90</b>          | <b>\$ 8.57</b> |

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

# Constant Currency Revenue Growth

The Company presents constant currency revenue growth as its non-GAAP measure of revenue growth. Management deems this measure to be useful in providing additional perspective in assessing the Company's revenue growth 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 rates to its constant currency revenue growth measures:

| <i>Amounts in millions</i>                             | Three Months Ended December 31, |                 |               |            |
|--|---------------------------------|-----------------|---------------|------------|
|  | 2023                            | 2022            | Change        | Growth     |
| <b>MCO revenue</b>                                     | \$ 1,480                        | \$ 1,290        | \$ 190        | 15%        |
| FX impact  | (21)                            | —               | (21)          |            |
| <b>Constant currency MCO revenue</b>                   | <b>\$ 1,459</b>                 | <b>\$ 1,290</b> | <b>\$ 169</b> | <b>13%</b> |
| <b>MA revenue</b>                                      | \$ 796                          | \$ 714          | \$ 82         | 11%        |
| FX impact  | (12)                            | —               | (12)          |            |
| <b>Constant currency MA revenue</b>                    | <b>\$ 784</b>                   | <b>\$ 714</b>   | <b>\$ 70</b>  | <b>10%</b> |
| <b>Decision Solutions revenue</b>                      | \$ 361                          | \$ 329          | \$ 32         | 10%        |
| FX impact  | (5)                             | —               | (5)           |            |
| <b>Constant currency Decision Solutions revenue</b>    | <b>\$ 356</b>                   | <b>\$ 329</b>   | <b>\$ 27</b>  | <b>8%</b>  |
| <b>Research and Insights revenue</b>                   | \$ 230                          | \$ 205          | \$ 25         | 12%        |
| FX impact  | (2)                             | —               | (2)           |            |
| <b>Constant currency Research and Insights revenue</b> | <b>\$ 228</b>                   | <b>\$ 205</b>   | <b>\$ 23</b>  | <b>11%</b> |
| <b>Data and Information revenue</b>                    | \$ 205                          | \$ 180          | \$ 25         | 14%        |
| FX impact  | (5)                             | —               | (5)           |            |
| <b>Constant currency Data and Information revenue</b>  | <b>\$ 200</b>                   | <b>\$ 180</b>   | <b>\$ 20</b>  | <b>11%</b> |
| <b>MIS revenue</b>                                     | \$ 684                          | \$ 576          | \$ 108        | 19%        |
| FX impact  | (9)                             | —               | (9)           |            |
| <b>Constant currency MIS revenue</b>                   | <b>\$ 675</b>                   | <b>\$ 576</b>   | <b>\$ 99</b>  | <b>17%</b> |



# Key Assumptions Underlying our Medium-Term Targets

Moody's medium-term guidance refers to a time period within 5 years and reflects assumptions about numerous factors that could affect its business and is based on currently available information reviewed by management through and as of today's date.

These assumptions include, but are not limited to, the effects of current economic conditions, including the effects of interest rates, inflation, foreign currency exchange rates, capital markets' liquidity, and activity in different sectors of the debt markets. This outlook also reflects assumptions about global GDP growth, and the impacts resulting from changes in international conditions, including as a result of the Russia-Ukraine military conflict, and the military conflict in Israel and surrounding areas. Actual results could differ materially from Moody's outlook.

The guidance also incorporates various assumptions as of February 13, 2024, including: (a) U.S. and Euro area GDP to stagnate in the near-term, followed by economic recovery; (b) the U.S. 10-Year Treasury yield to stabilize, fluctuating modestly around current levels; (c) issuers continue to refinance maturing debt; (d) MA customer retention rates remain in-line with historical levels; and (e) pricing initiatives align with prior practices and enhancements to customer value.

## Moody's Corporation Medium-Term Guidance (as of February 13, 2024)

### Moody's Corporation

|  |                                 |
|--|---------------------------------|
| Revenue                                  | At least 10% growth             |
| Adjusted Operating Margin <sup>(1)</sup> | Low-50s percent range           |
| Adjusted Diluted EPS <sup>(1)</sup>      | Low-double-digit percent growth |

### Moody's Investors Service (MIS)

|                               |   |
|-------------------------------|---|
| MIS revenue                   | Mid-to-high-single-digit percent growth |
| MIS Adjusted Operating Margin | Low-60s percent range                   |

### Moody's Analytics (MA)

|                              |                                 |
|------------------------------|---------------------------------|
| MA revenue                   | Low-to-mid-teens percent growth |
| MA Adjusted Operating Margin | Mid-30s percent range           |

Note: Growth refers to average annualized growth over the time period. Assumes full year 2022 as the base year.

1. Moody's does not provide medium-term operating margin and diluted EPS guidance on a U.S. GAAP basis because the items that the Company excludes to derive Adjusted Operating Margin and Adjusted Diluted EPS cannot be reasonably predicted or assumed, for example the amount of amortization associated with acquired intangible assets from future M&A activity. Accordingly, the Company does not forecast these items over the medium-term. The occurrence, timing and amount of any of the items excluded from operating income to derive Adjusted Operating Income, Adjusted Operating Margin and Adjusted Diluted EPS could significantly impact the Company's medium-term U.S. GAAP results.

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