

MOODY'S

First Quarter 2024 Earnings Call

May 2, 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.

1Q 2024 Highlights



Rob Fauber

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Key Takeaways

- 1 Moody's achieved exceptional results**
Revenue growth of 21% and Adjusted Diluted EPS¹ increased 13% to \$3.37 in 1Q 2024
- 2 MIS's revenue grew 35% and delivered strong operating leverage**
Issuance² increased 36%; Adjusted Operating Margin of 64.6%
- 3 MA's ARR³ grew 10%; affirming full year ARR guidance⁴**
Revenue increased 8%; Adjusted Operating Margin of 29.7%
- 4 Executing on strategic investments**
Focused on our digitalization initiatives, platforming strategy, product innovation, and Gen AI roadmap
- 5 Updated select full year guidance metrics⁴**
Positive underlying updates for select MCO and MIS metrics; MA revenue guidance update primarily reflects strengthened USD

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

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. ARR: Annualized Recurring Revenue. ARR growth as of March 31, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

4. Guidance as of May 2, 2024. Refer to Table 11 – “2024 Outlook” in the press release titled “Moody's Corporation Reports Results for First Quarter 2024” from May 2, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

Agency of Choice Delivers 35% Revenue Growth¹

Poised to Capitalize on Stronger Issuance

Best-in-class Rating Agency

- 12x Winner: Institutional Investor's Award for Best Credit Rating Agency
- Recognized with 100+ major global awards over last 5 years²

Strong Global Coverage

- Leading leveraged finance franchise
- Comprehensive Emerging and Domestic credit market presence

Enhanced Offerings

- Private Credit teams with deep knowledge across interconnected asset classes
- Expertise and offerings in Transition Finance

1. Year-over-year quarterly growth.
2. From March 31, 2019, to March 31, 2024.

Constructive Start to the Year

Key Factors to Watch



RATES & CENTRAL BANK ACTIONS

- Major global central bank rate cuts in 2H 2024 still likely, but timing and extent more uncertain
- Inflation expectations, wage growth and supply chain trends
- Central bank balance sheet reduction



POLITICS & POLICY

- Election results shaping policy priorities
- Government investment and industrial policies
- Trade, climate, tax and regulatory policies
- Geopolitical tensions and risks



INVESTMENT DRIVERS

- Global growth remains positive, pace varies across countries
- Climate, infrastructure, technology and cyber investment
- Ample dry powder at private equity firms

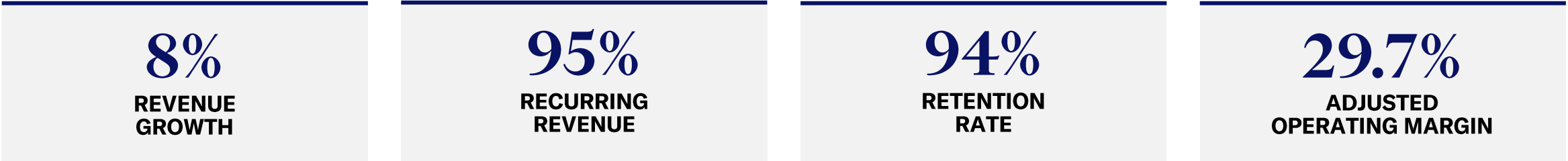


CREDIT MARKETS & SPREADS

- Liquidity, sentiment and credit spreads
- Credit performance and default rates
- Growth in private credit markets

Moody's Analytics First Quarter Performance

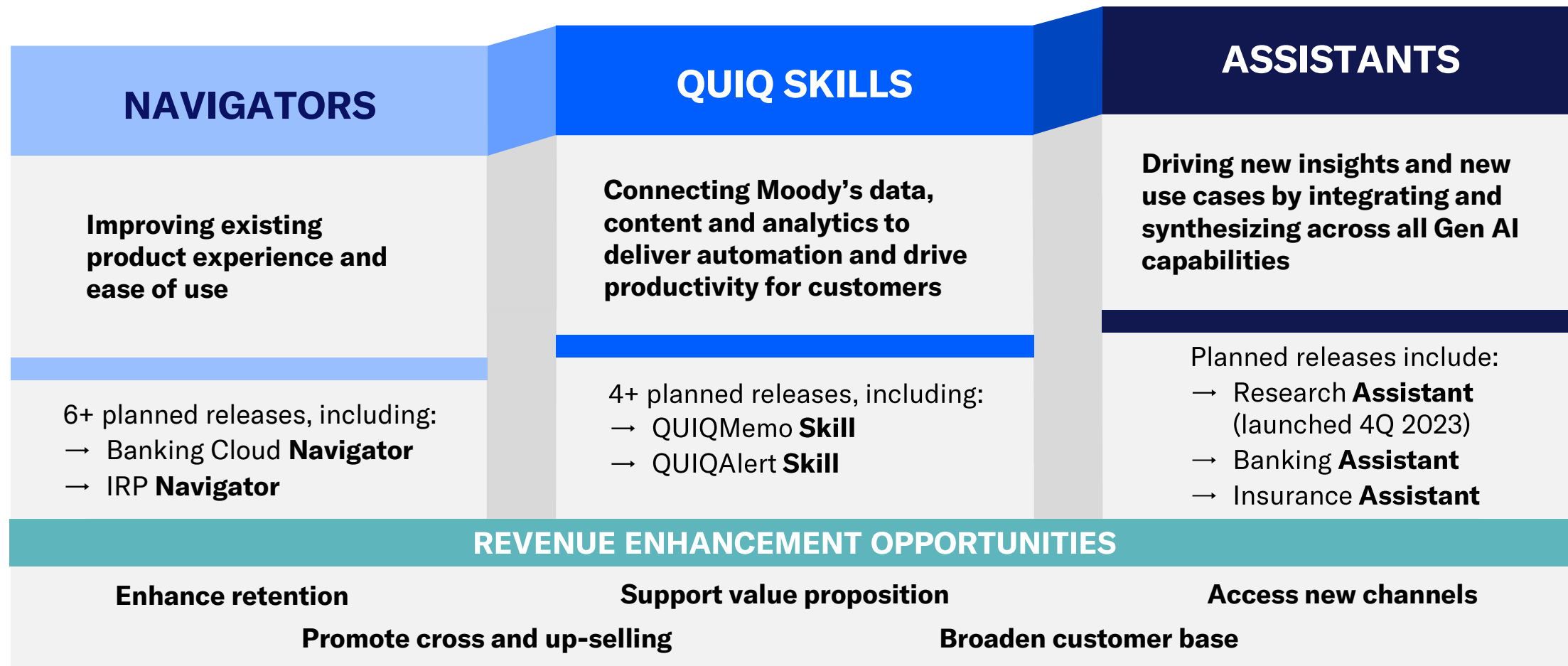
65th Consecutive Quarter of Revenue Growth



1. ARR: Annualized Recurring Revenue. ARR growth as of March 31, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

Leading the Way: Customer Gen AI Roadmap

New Class of Products to Accelerate Growth



Note: IRP = Moody's RMS' Intelligent Risk Platform for models and risk analytics.

1Q 2024 Results & FY 2024 Outlook



Noémie Heuland

CHIEF FINANCIAL OFFICER

Unique Business Model Driving Shareholder Value



Growing Adjusted Diluted EPS

Low-double-digit CAGR^{1,2}



Investing Strategically

\$60M incremental investments planned for 2024³



Returning Capital to Shareholders

~80% of Free Cash Flow^{2,4}

Note: Adjusted Diluted EPS and Free Cash Flow are non-GAAP measures. Refer to the Appendix for definitions.

1. Adjusted Diluted EPS Compound Annual Growth Rate (CAGR) from FY2022 to the mid-point of Moody's FY2024 guidance.
2. Guidance as of May 2, 2024. Refer to slide 14 for a complete list of guidance. Refer to Table 11 – "2024 Outlook" in the press release titled "Moody's Corporation Reports Results for First Quarter 2024" from May 2, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
3. As announced during Moody's Fourth Quarter and Full Year 2023 Earnings Call on February 13, 2024.
4. Estimated return determined by dividing the aggregate of Moody's FY2024 forecast for dividends and share repurchases by the midpoint value of Moody's FY2024 Free Cash Flow guidance as of May 2, 2024.

1Q 2024 Financial Results

MCO

\$1.8B

MCO Revenue

21%

**MCO Revenue
Growth¹**

50.7%

**MCO Adjusted
Operating Margin²**

\$3.37

**MCO Adjusted
Diluted EPS²**

30%

**MCO Free Cash Flow
Growth^{1,2}**

MA

8%

**MA Revenue
Growth¹**

10%

**MA ARR
Growth^{1,3}**

29.7%

**MA Adjusted
Operating Margin**

MIS

35%

**MIS Revenue
Growth¹**

36%

**Rated Issuance
Growth^{1,4}**

64.6%

**MIS Adjusted
Operating Margin**

1. Year-over-year quarterly growth.

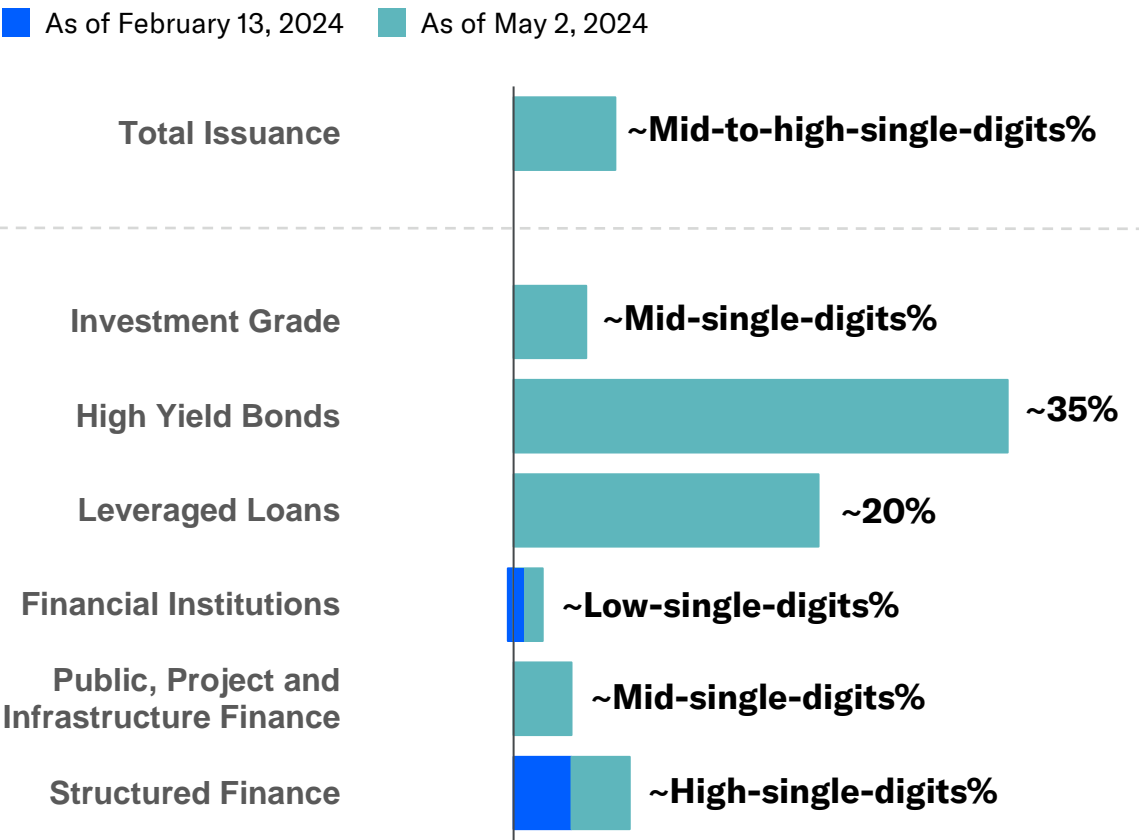
2. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

3. ARR: Annualized Recurring Revenue. ARR growth as of March 31, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

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

Strong Start, Broader Market Uncertainties Remain

FY 2024 Issuance Guidance^{1,2}



Considerations Informing our View

- Rated ~37% of full year 2024 expected issuance during 1Q 2024
- Positive market conditions; strong investor demand; and historically tight credit spreads
- Heightened refinancing levels and improving M&A activity
- Rate and election uncertainties in 2H 2024
- ~170 First Time Mandates (FTMs) recorded during 1Q 2024; expecting 500 – 600 by year-end

1. Guidance as of May 2, 2024. Refer to Table 11 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2024” from May 2, 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.

Full Year 2024 Guidance¹

OUTLOOK AS OF MAY 2, 2024

Revenue	Increase in the high-single to low-double-digit % range
Operating Expenses	Increase in the mid-to-high-single-digit % range
Adjusted Operating Margin ²	44% - 46%
Interest Expense, Net	\$240 - \$260 million
Effective Tax Rate	22% - 24%
Diluted EPS	\$9.55 - \$10.15
Adjusted Diluted EPS ²	\$10.40 - \$11.00
Operating Cash Flow	\$2.3 - \$2.5 billion
Free Cash Flow ²	\$1.9 - \$2.1 billion
Share Repurchases ³	Approximately \$1 billion
<hr/>	
MA Revenue ⁴	Increase in the high-single-digit % range
MA ARR ⁵	Increase in the low-double-digit % range
MA Adjusted Operating Margin	30% - 31%
<hr/>	
MIS Revenue	Increase in the high-single to low-double-digit % range
MIS Adjusted Operating Margin	56% - 58%

1. Guidance as of May 2, 2024. Refer to Table 11 – “2024 Outlook” in the press release titled “Moody's Corporation Reports Results for First Quarter 2024” from May 2, 2024, 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.
4. MA Revenue guidance primarily updated to reflect expected FX headwinds.
5. ARR: Annualized Recurring Revenue. ARR growth as of March 31, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

Questions and Answers



Rob Fauber

PRESIDENT AND CHIEF EXECUTIVE OFFICER



Noémie Heuland

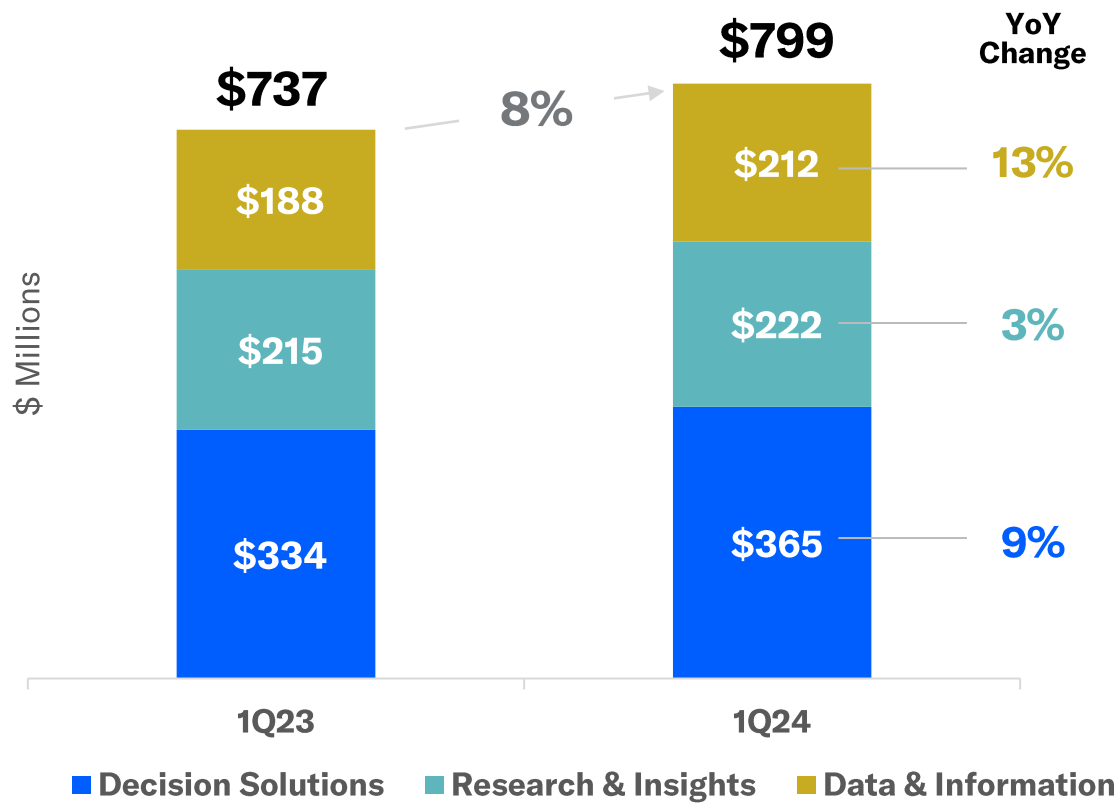
CHIEF FINANCIAL OFFICER

The background of the slide is a solid dark blue. Overlaid on this are several sets of thin, light blue wavy lines that create a sense of motion and depth. These lines are most prominent in the upper left and lower right corners, where they form complex, overlapping patterns that resemble stylized waves or a topographical map. The lines are more sparse in the center of the slide, where the text is located.

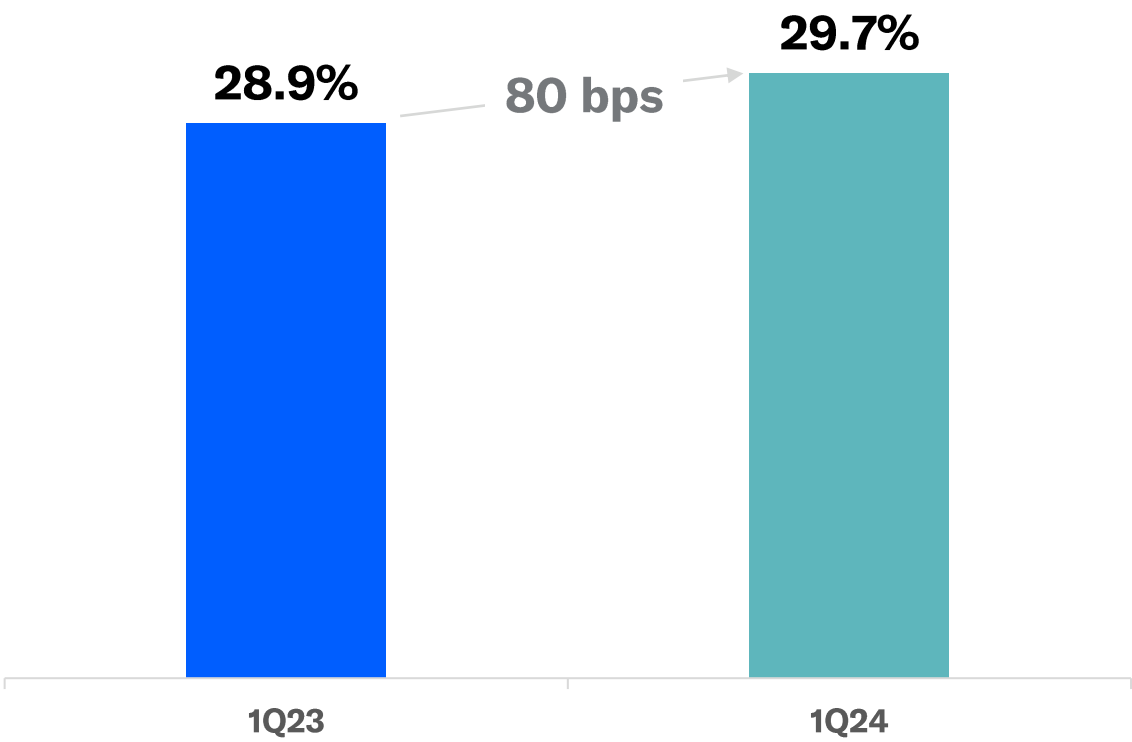
Supplemental Information

MA: Quarterly Performance

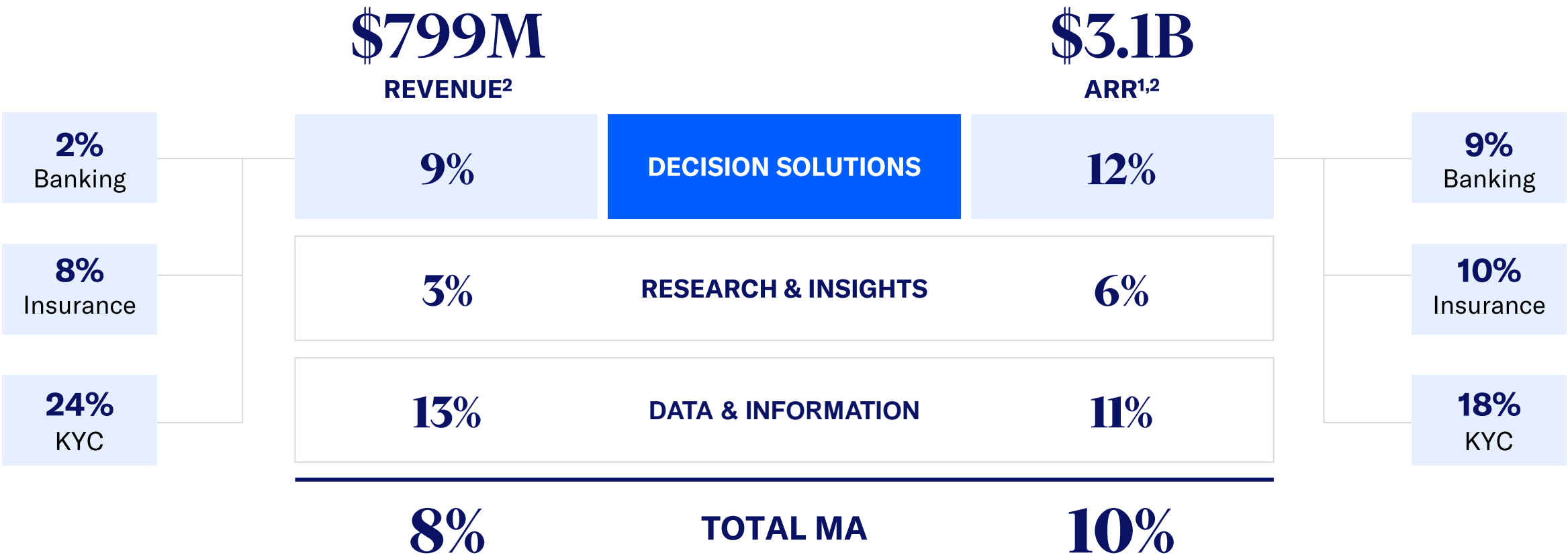
Revenue



Adjusted Operating Margin



MA: ARR¹ Growth Sustained at 10%

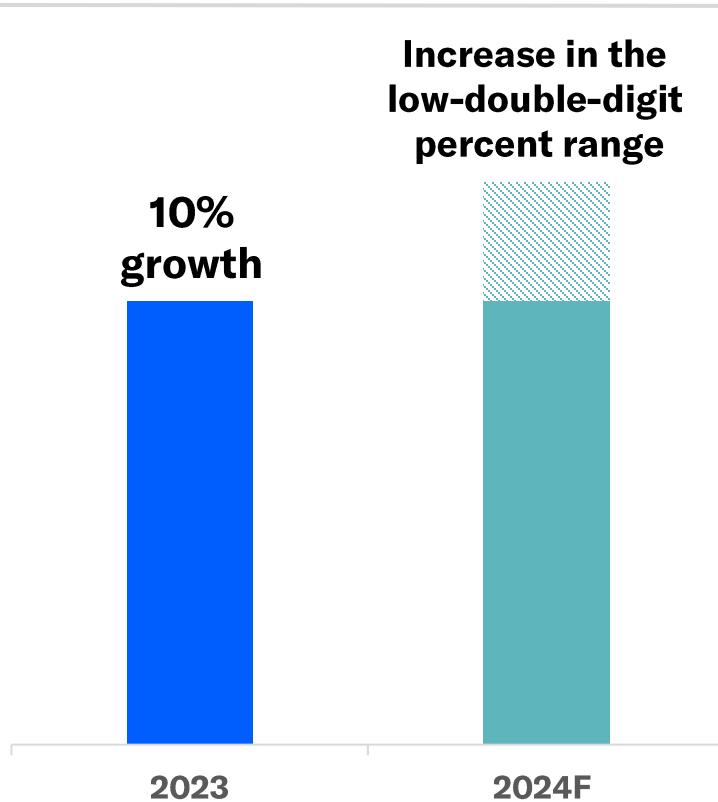


1. ARR: Annualized Recurring Revenue. ARR growth as of March 31, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.
2. Percentages represent year-over-year quarterly growth.

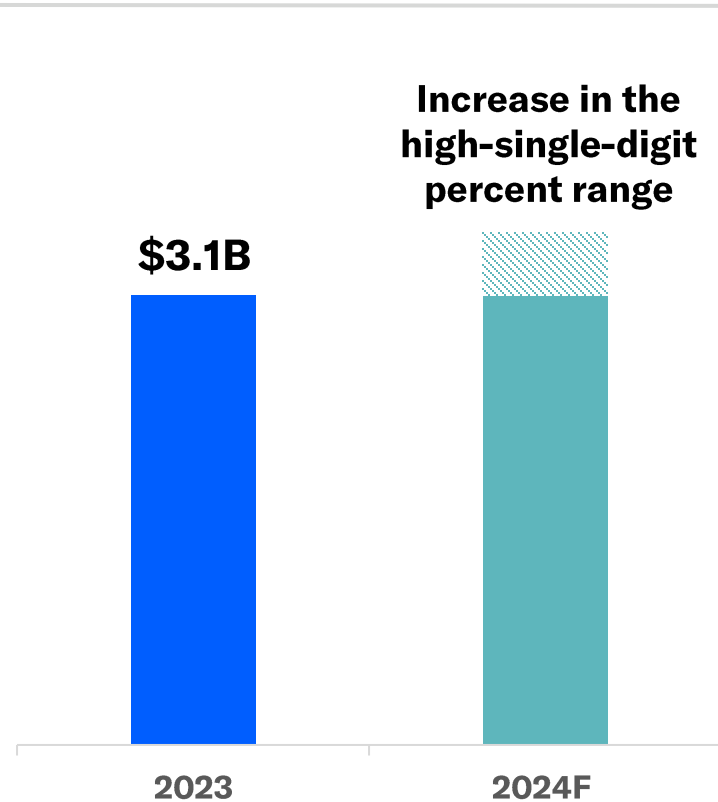
MA: Full Year 2024 Guidance¹

Affirming ARR² guidance; updating revenue guidance primarily due to FX headwinds

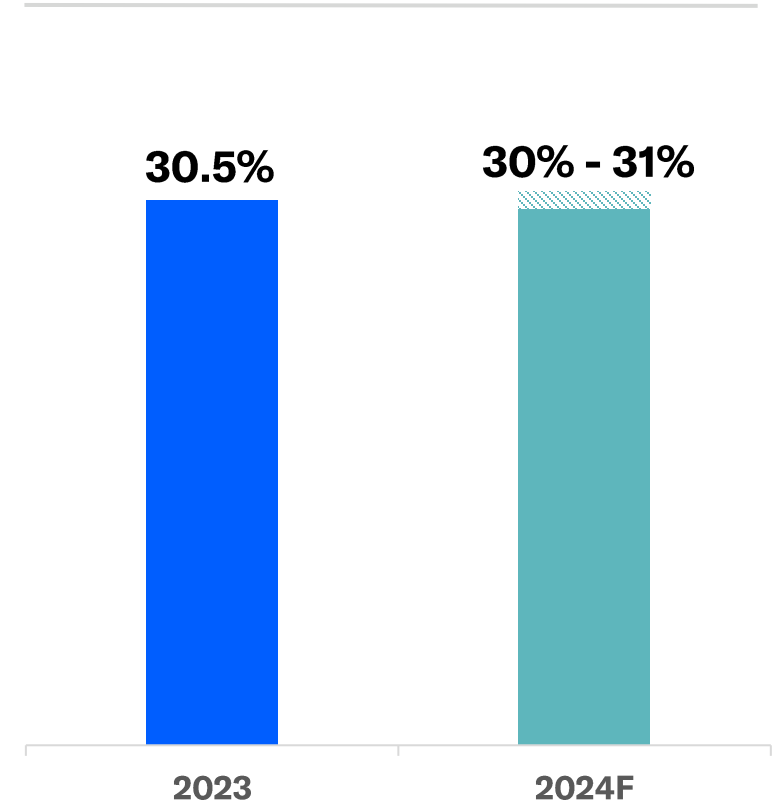
ARR²



Revenue



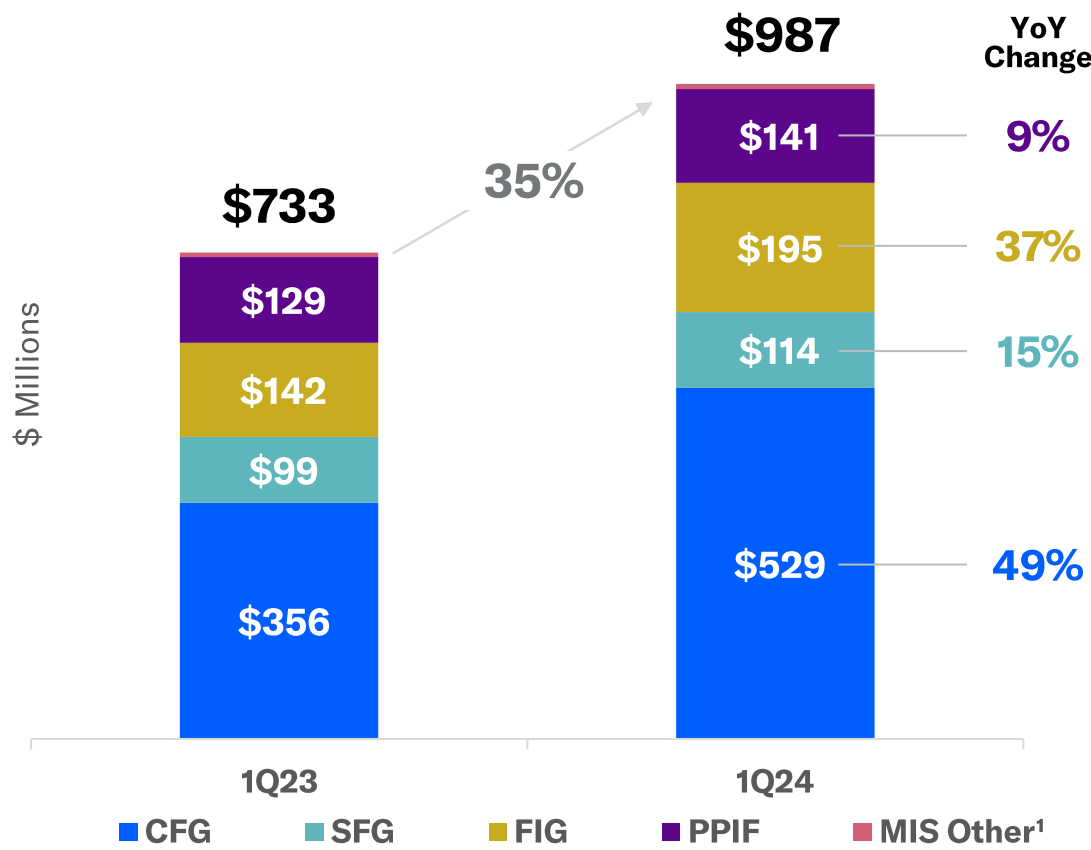
Adjusted Operating Margin



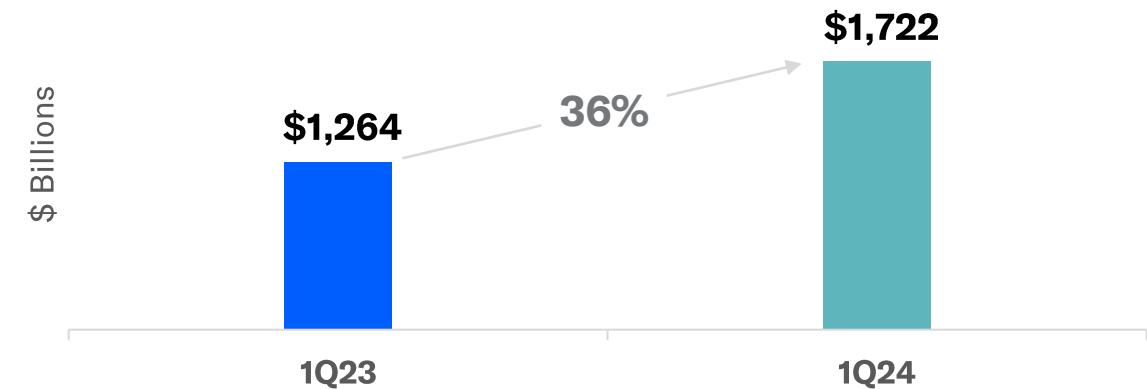
1. Guidance as of May 2, 2024. Refer to Table 11 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2024” from May 2, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
2. ARR: Annualized Recurring Revenue. ARR growth as of March 31, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

MIS: Quarterly Performance

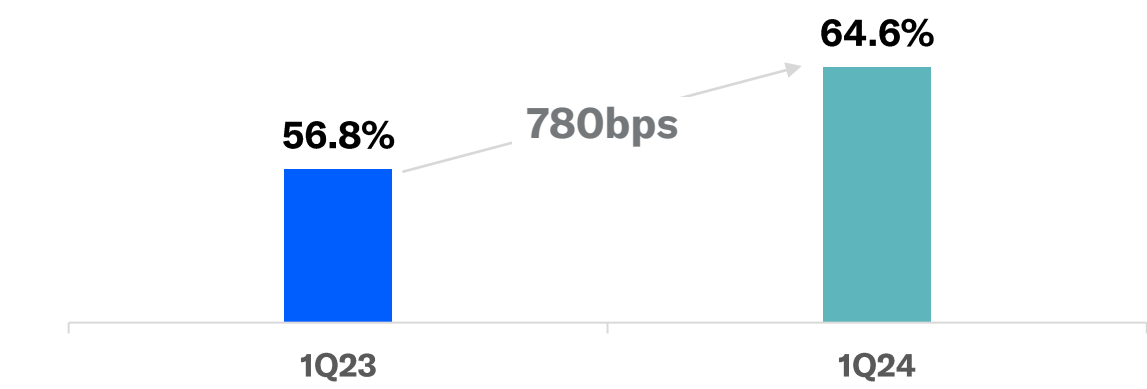
Revenue



Issuance²



Adjusted Operating Margin

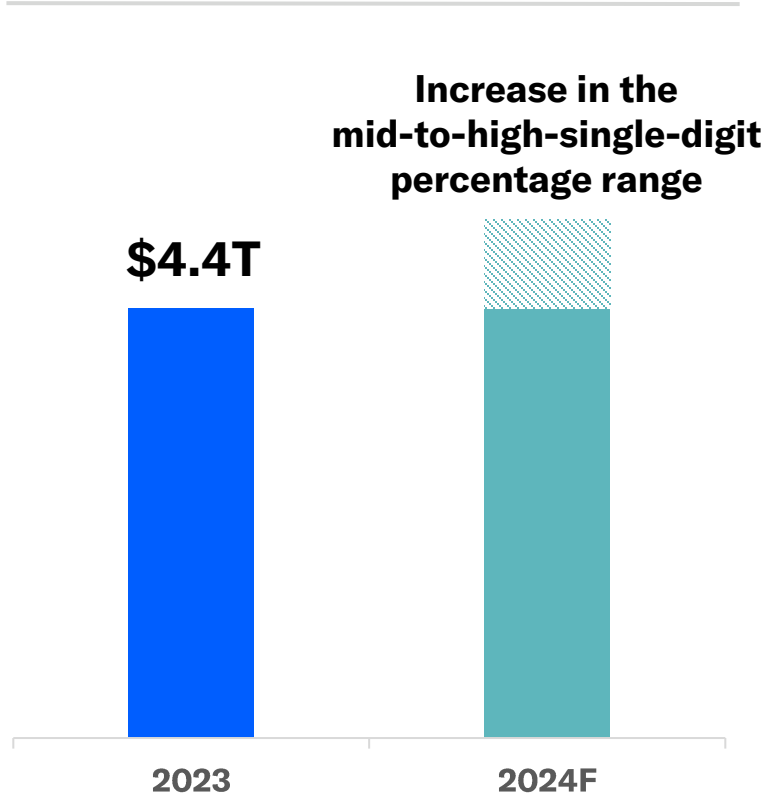


1. MIS Other revenue was approximately \$7 million and \$8 million in the quarters ended March 31, 2023, and March 31, 2024, respectively.
2. MIS-rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.

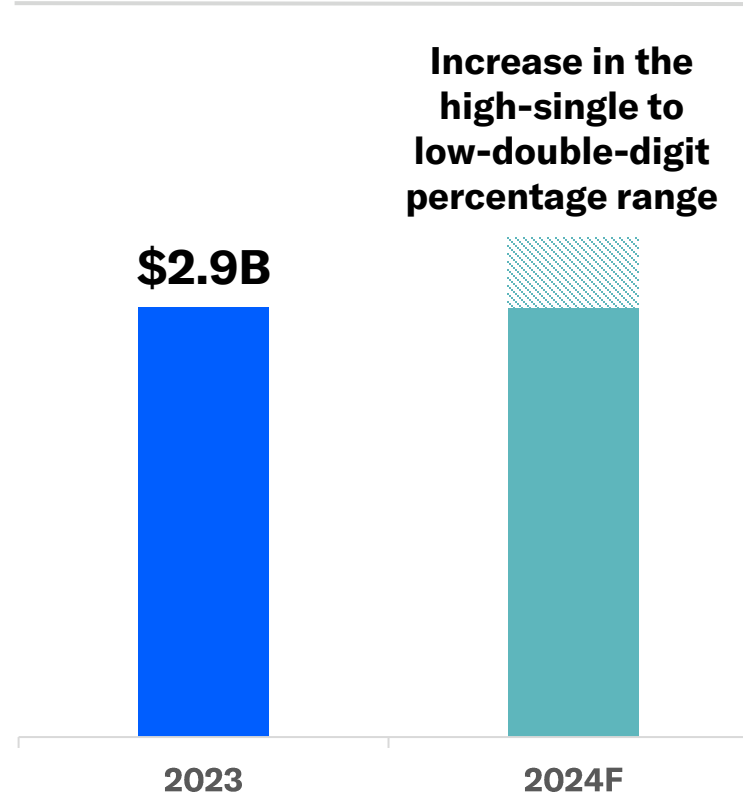
MIS: Full Year 2024 Guidance¹

Affirming rated issuance and revenue guidance; raising Adjusted Operating Margin range

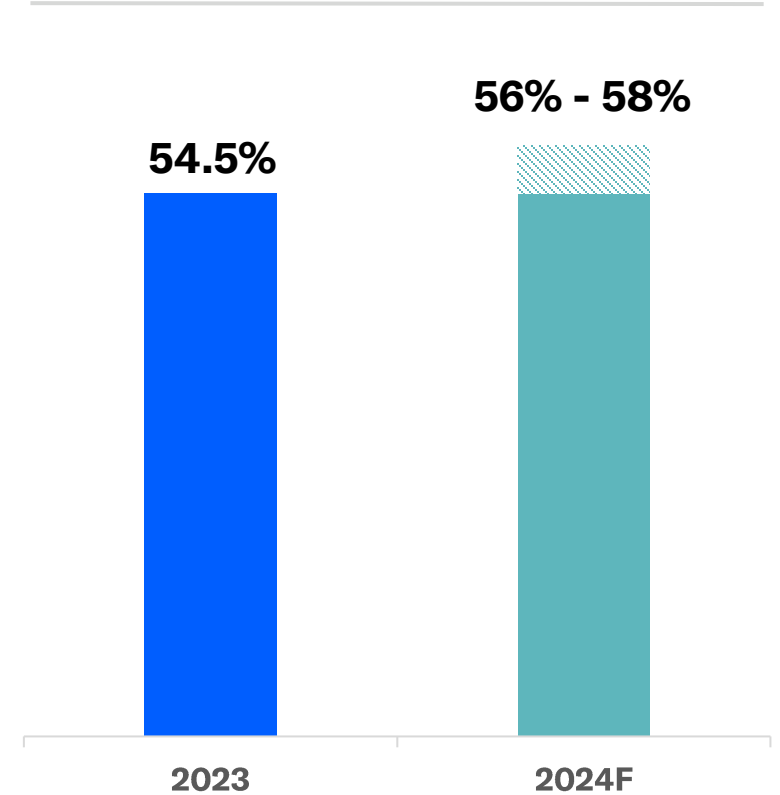
Total MIS-rated Issuance²



Revenue



Adjusted Operating Margin



1. Guidance as of May 2, 2024. Refer to Table 11 – “2024 Outlook” in the press release titled “Moody's Corporation Reports Results for First Quarter 2024” from May 2, 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 Assumptions¹

- **Real GDP²**: U.S.: 1.5% - 2.5%; Euro area: 0.5% - 1.5%; Global: 2.0% - 3.0%
- **Global policy rates** to remain elevated, with some gradual rate reductions in the second half of 2024
- **U.S. high yield spreads** to fluctuate around 350 – 450 bps, with periodic volatility
- **U.S inflation rate** to decline towards 2.0% by year-end; **large Euro area economies' inflation rate** to decline towards 2.0% by year-end
- **U.S. unemployment rate** to fluctuate around 4.0% during the year
- **Global high yield default rate** to decrease towards 3.0% - 3.5% by year-end
- **FX rates** of \$1.26 and \$1.08 for GBP/USD and EUR/USD, respectively, for the year

Tailwinds

- ✓ Central banks to cut rates as inflation eases in the latter half of the year
- ✓ ~\$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

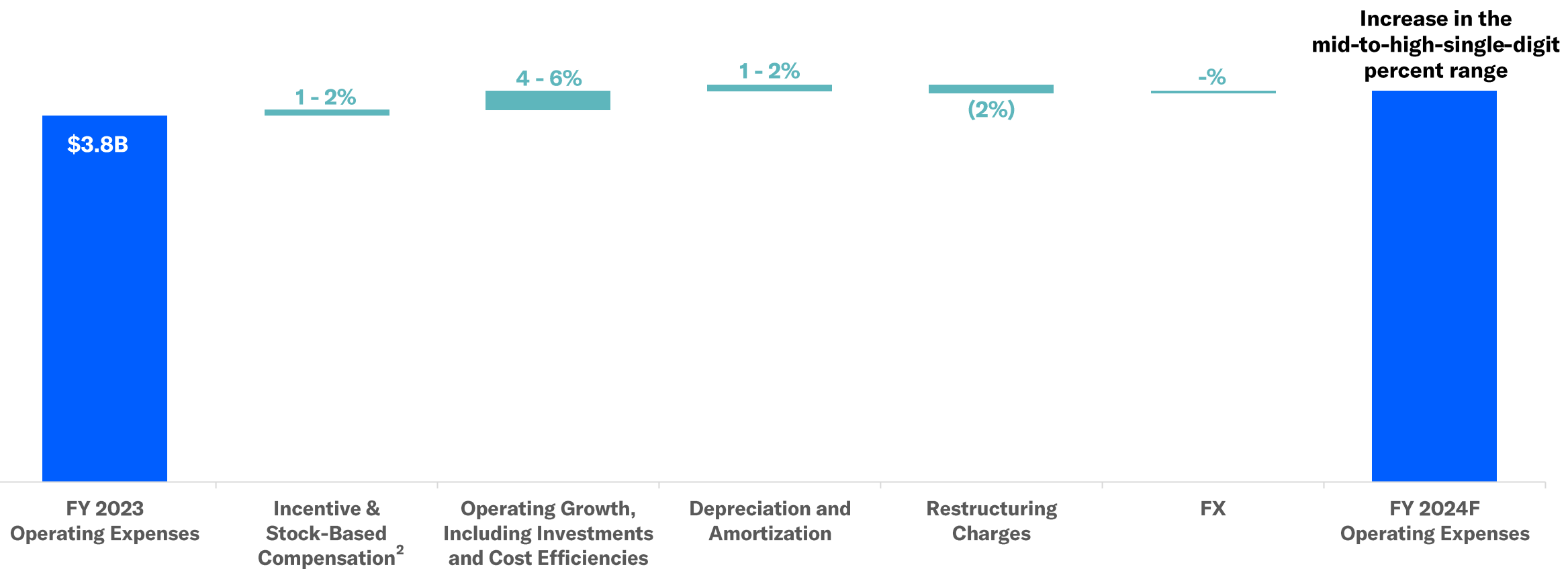
Sources: GDP, policy rates, high yield spreads, and inflation assumptions as of May 2, 2024, from Moody's Investors Service. Unemployment and default rate assumptions sourced from Moody's Investors Service "March 2024 Default Report", published April 12, 2024.

1. Guidance as of May 2, 2024. Refer to Table 11 – "2024 Outlook" in the press release titled "Moody's Corporation Reports Results for First Quarter 2024" from May 2, 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.

MCO: Expense Bridge

FY 2023 vs. FY 2024F¹



1. Guidance as of May 2, 2024. Refer to Table 11 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for First Quarter 2024” from May 2, 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.

Teleconference Details

**Dial In Replay Available from
May 2, 2024, through
June 1, 2024.**



Webcast

- Go to ir.moody's.com
- Click on “**Events & Presentations**”
- Click on the link for “**1Q 2024 Earnings Conference Call**”



Dial In

- U.S. & Canada:
+1-800-715-9871
- Non-U.S. & Canada:
+1-646-307-1963
- Passcode:
515 6491



Dial In Replay

- U.S. & Canada:
+1-800-770-2030
- Non-U.S. & Canada:
+1-647-362-9199
- Passcode:
515 6491

Moody's Attendance at Upcoming Conferences

May 7

Barclays

Americas Select Conference

May 29

Deutsche Bank

Global Financial Services Conference

May 30

Autonomous

Bernstein Strategic Decisions Conference

June 4

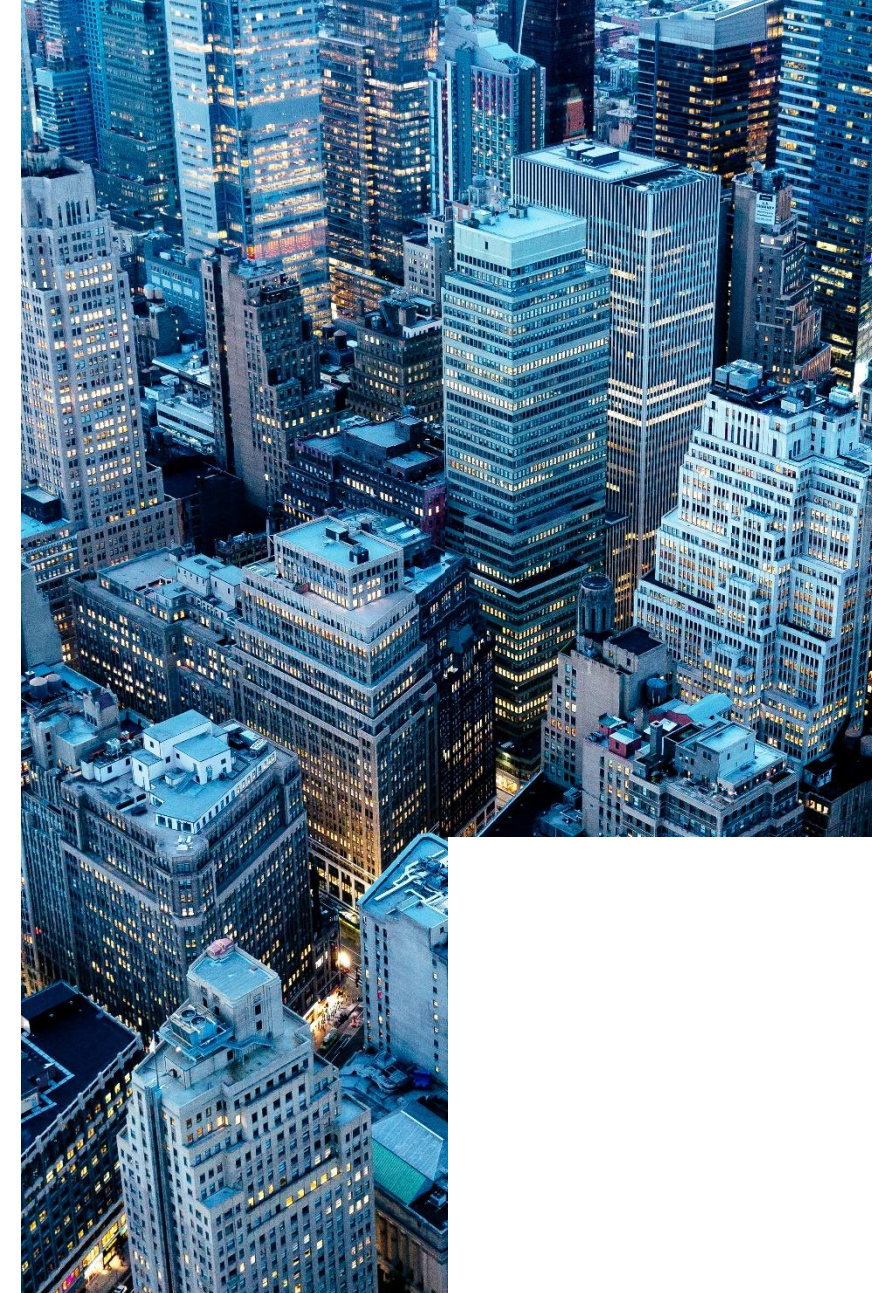
William Blair

Growth Stock Conference

June 5

Stifel

Cross Sector Conference



The background of the slide is a solid dark blue. Overlaid on this are several sets of thin, light blue wavy lines that create a sense of depth and movement. These lines are most prominent in the upper left and right corners, where they form complex, overlapping patterns that resemble stylized waves or a topographical map. The lines are more sparse in the center of the slide, where the dark blue background is more visible.

Appendix

Glossary of Terms and Abbreviations

Term	Definition
CFG	Corporate finance group; an LOB within MIS
D&I	The Data & Information LOB within MA, which provides vast data sets on companies and securities via data feeds and data applications products
DS	The Decision Solutions LOB within MA 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
FIG	Financial institutions group; an LOB within MIS
FTM	First Time Mandates
FX	Foreign exchange
Gen AI	Generative Artificial Intelligence
LOB	Line of business
M&A	Mergers & Acquisitions
MA	Moody's Analytics - a reportable segment of MCO; a global provider of: i) data and information; ii) research and insights; and iii) decision solutions, which help companies make better and faster decisions. MA leverages its industry expertise across multiple risks such as credit, market, financial crime, supply chain, catastrophe and climate to deliver integrated risk assessment solutions that enable business leaders to identify, measure and manage the implications of interrelated risks and opportunities
MIS	Moody's Investors Service - a reportable segment of MCO; MIS publishes credit ratings and provides assessment services on a wide range of debt obligations, programs and facilities, and the entities that issue such obligations in markets worldwide, including various corporate, financial institution and governmental obligations, and structured finance securities; consists of five LOBs - SFG; CFG; FIG; PPIF; and MIS Other
MIS Other	Consists of financial instruments pricing services in the Asia-Pacific region, ICRA non-ratings revenue and revenue from professional services. These businesses are components of MIS; MIS Other is an LOB of MIS
PPIF	Public, project and infrastructure finance; an LOB within MIS
R&I	The Research & Insights LOB within MA, which provides models, scores, expert insights and commentary. This LOB includes credit research; credit models and analytics; economics data and models; and structured finance solutions
SFG	Structured finance group; an LOB within MIS
YoY	Year-over-year

Annualized Recurring Revenue (ARR)

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

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

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

<i>Amounts in millions</i>	March 31, 2024	March 31, 2023	Change	Growth
MA ARR				
Decision Solutions				
Banking	\$ 424	\$ 389	\$ 35	9%
Insurance	552	500	52	10%
KYC	344	291	53	18%
Total Decision Solutions	\$ 1,320	\$ 1,180	\$ 140	12%
Research and Insights	895	843	52	6%
Data and Information	844	761	83	11%
Total MA ARR	\$ 3,059	\$ 2,784	\$ 275	10%

Financial Information by Segment

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

<i>Amounts in millions</i>	Three Months Ended March 31,							
	2024				2023			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$ 799	\$ 987	\$ —	\$ 1,786	\$ 737	\$ 733	\$ —	\$ 1,470
Intersegment revenue	3	47	(50)	—	3	45	(48)	—
Total revenue	802	1,034	(50)	1,786	740	778	(48)	1,470
Operating, SG&A	564	366	(50)	880	526	336	(48)	814
Adjusted Operating Income	\$ 238	\$ 668	\$ —	\$ 906	\$ 214	\$ 442	\$ —	\$ 656
<i>Adjusted Operating Margin</i>	29.7 %	64.6 %		50.7 %	28.9 %	56.8 %		44.6 %
Depreciation and amortization	82	18	—	100	70	18	—	88
Restructuring	2	3	—	5	8	6	—	14
Operating income				\$ 801				\$ 554
<i>Operating margin</i>				44.8 %				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.

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

<i>Amounts in millions</i>	Three Months Ended March 31,	
	2024	2023
Operating income	\$ 801	\$ 554
Depreciation and amortization	100	88
Restructuring	5	14
Adjusted Operating Income	\$ 906	\$ 656
Operating margin	44.8 %	37.7 %
Adjusted Operating Margin	50.7 %	44.6 %

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>	Three Months Ended March 31,	
	2024	2023
Net cash provided by operating activities	\$ 775	\$ 608
Capital additions	(78)	(73)
Free Cash Flow	\$ 697	\$ 535
Net cash used in investing activities	\$ (96)	\$ (63)
Net cash used in financing activities	\$ (308)	\$ (216)

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; and ii) restructuring charges/adjustments.

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different estimated useful lives and have different methods of acquiring and amortizing intangible assets. These intangible assets were recorded as part of acquisition accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Restructuring charges/adjustments are excluded as the frequency and magnitude of these items may vary widely across periods and companies.

The Company excludes the aforementioned items to provide additional perspective when comparing net income and diluted EPS from period to period and across companies as the frequency and magnitude of similar transactions may vary widely across periods.

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

Amounts in millions	Three Months Ended March 31,	
	2024	2023
Net Income attributable to Moody's common shareholders	\$ 577	\$ 501
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 49	\$ 51
Tax on Acquisition-Related Intangible Amortization Expenses	(12)	(12)
Net Acquisition-Related Intangible Amortization Expenses	37	39
Pre-tax restructuring	\$ 5	\$ 14
Tax on restructuring	(1)	(4)
Net restructuring	4	10
Adjusted Net Income	\$ 618	\$ 550

	Three Months Ended March 31,	
	2024	2023
Diluted earnings per share attributable to Moody's common shareholders	\$ 3.15	\$ 2.72
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 0.27	\$ 0.28
Tax on Acquisition-Related Intangible Amortization Expenses	(0.07)	(0.06)
Net Acquisition-Related Intangible Amortization Expenses	0.20	0.22
Pre-tax restructuring	\$ 0.03	\$ 0.08
Tax on restructuring	(0.01)	(0.03)
Net restructuring	0.02	0.05
Adjusted Diluted EPS	\$ 3.37	\$ 2.99

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

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE INVESTMENT OR FINANCIAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL.

MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK.

All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating process or in preparing its Materials.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating assigned by MOODY'S.

To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information.

NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER.

Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay to Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and Moody's Investors Service also maintain policies and procedures to address the independence of Moody's Investors Service credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at www.moodys.com under the heading "Investor Relations — Corporate Governance — Charter Documents - Director and Shareholder Affiliation Policy."

Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V., I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., and Moody's Local PA Clasificadora de Riesgo S.A. (collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization.

Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors.

Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges.

Additional terms with respect to Second Party Opinions (as defined in Moody's Investors Service Rating Symbols and Definitions): Please note that a Second Party Opinion ("SPO") is not a "credit rating". The issuance of SPOs is not a regulated activity in many jurisdictions, including Singapore. JAPAN: In Japan, development and provision of SPOs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.