MOODY'S CORPORATION THIRD QUARTER 2025 EARNINGS CONFERENCE CALL

WEDNESDAY, OCTOBER 22, 2025

ROB FAUBER, NOÉMIE HEULAND, AND SHIVANI KAK

SHIVANI KAK

Thank you. Good morning and thank you for joining us today. I'm Shivani Kak, Head of Investor Relations.

This morning, Moody's released its results for the third quarter of 2025 and updated guidance for select metrics. The earnings press release and the presentation to accompany this teleconference are both available on our website at ir.moodys.com.

During this call, we will also be presenting non-GAAP or adjusted figures. Please refer to the tables at the end of our earnings press release filed this morning for reconciliations between all adjusted measures referenced during this call and US GAAP. I call your attention to the Safe Harbor language, which can be found towards the end of our earnings release.

Today's remarks may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In accordance with the Act, I also direct your attention to the Management's Discussion and Analysis section and the risk factors discussed in our annual report on Form 10-K for the year ended December 31, 2024, and in other SEC filings made by the company, which are available on our website and on the SEC's website.

These, together with the Safe Harbor statement, set forth important factors that could cause actual results to differ materially from those contained in any such forward-looking statements. I would also like to point out that members of the media may be on the call this morning in a listen-only mode.

Rob, over to you.

ROB FAUBER

Thanks, Shivani, and thanks, everybody for joining today's call. This morning, I'm going to start with the highlights from Moody's strong third quarter results and I'm going to provide some insights from our latest refunding wall studies, as well as examples of how we're winning in the deep currents that we're operating in. But let me give you the punchline.

We delivered record quarterly revenue. We're raising our full year guidance across almost all metrics and we continue to drive significant innovation throughout the firm all at the same time. Now, following our prepared remarks, Noémie and I, as always, will be glad to take your questions. So, with that, let's get to the results.

We finished the third quarter on a high note. Markets closed with the busiest September on record and Moody's notched a new record of our own. We exceeded $2 billion in quarterly revenue for the first time ever in our history, and that was up 11% from the third quarter last year. Moody's Adjusted

Operating Margin was almost 53% in the third quarter, up over 500 basis points from a year ago, demonstrating the tremendous operating leverage that we've created in our business.

We delivered Adjusted Diluted EPS of $3.92 in the third quarter. That was up 22% from last year, and that's particularly impressive given the tough comp in the third quarter of 2024, when we posted 32% year-over-year growth, on top of the 31% growth in the third quarter 2023.

To put this in perspective, we have more than doubled Adjusted Diluted EPS from the same quarter just three years ago, consistently strengthening the earnings power of the firm year after year after year. All of this while investing to harness the immense opportunities in the deep currents that we have talked about over the past several years.

Now, on to the highlights for our Ratings business. MIS delivered 12% revenue growth for the quarter and surpassed $1 billion of quarterly revenue for the third consecutive quarter, setting an all-time record. Our position as the Agency of Choice enabled us to capitalize on a healthy issuance environment and record tight spreads. The strategic investments we've made in technology, analytical tools and talent are equipping us to meet surges in issuance volume and capital markets innovation.

Now, looking forward, the issuance pipeline is robust. Demand is solid, with spreads hovering around near record lows, and the refi walls continue to build. Additionally, demand for debt financing remains strong in areas that we've consistently spotlighted over the past year or two. That includes private credit, AI-powered data center expansion, infrastructure development, and transition finance. You can see this coming through in some of the marquee deals that we rated in the quarter.

First, we were the sole rating agency on a first-of-its-kind emerging market CLO in APAC for the International Finance Corporation, which is a member of the World Bank Group. That was a very innovative financing vehicle for frontier markets. Second, our Corporate ABS team rated a more than $1 billion dollar data center securitization, also the first transaction of its kind, which is backed by three high quality, newly constructed data centers and their related leases. And third, we rated the largest Asian corporate bond ever issued, at almost $18 billion, with much of the proceeds being used for data center investment. All of these are notable examples of deep currents driving demand for debt financing.

While those deep currents are driving new issuance, refunding needs continue to grow as well. Our most recently published refunding study shows that refunding needs over the next four years are projected to surpass $5 trillion. That represents a compound annual growth rate of 10% from 2018 to 2025. That number is approximately double the dollar volume seen in 2018, and this gives us some real confidence in the medium-term growth trajectory for MIS. Now, there is typically a lot of interest in these reports on this call so let me just share a few key findings with you.

First, non-financial corporate refinancing walls in both the U.S. and EMEA grew 6% over the upcoming four-year maturity horizon. Overall, investment-grade maturities are up 5%, while speculative grade maturities are up 7%. Notably, within spec grade, U.S. bond maturities have increased by more than 20%. In EMEA, spec grade bonds and loans each rose by approximately 20%. All this points to a favorable backdrop for future issuance and the mix is especially encouraging given that spec grade issuance tends to be more accretive to our revenue profile. So, for those interested in exploring the full reports, they're available on moodys.com or through our Investor Relations team.

Now, beyond the refunding walls, we remain well positioned to meet the evolving market needs in Private Credit. That's a theme we've consistently highlighted on prior calls. Private Credit continues to be a growth driver for Ratings. In the third quarter, the number of Private Credit-related deals grew almost 70%.

Notably, direct lending remains the smallest portion of our Private Credit-related activity, while fund finance and securitization are leading the way in both deal counts and issuance volumes. Revenue tied to private credit grew over 60% in the third quarter across multiple MIS business lines, albeit off a relatively small but expanding base.

We're also seeing a growing number of private deals returning to the public debt markets for refinancing. According to Bloomberg's LevFin Insights, issuers are realizing material savings on average something like 200 basis points, but in some cases, as much as 400 basis points when compared to private market rates.

As I've mentioned before, this dynamic effectively acts as a deferred maturity wall as we see unrated private direct lending deals refi into the rated BSL market. As this market continues to grow, we continue to invest in experienced analytical teams and methodological rigor to ensure ratings quality.

Now, turning to Moody's Analytics, we delivered strong results again this quarter. Revenue growth was 9% year-over-year, including 11% in Decision Solutions. ARR is now nearly $3.4 billion, that's up 8% versus last year and we are delivering margin improvement ahead of our plans from just earlier this year.

Our cross-MA initiatives are yielding results, delivering a 34.3% adjusted operating margin, up 400 basis points versus last year. As a result, we are increasing our full-year margin outlook for MA to approximately 33% and we believe this puts us solidly on track to meet our medium-term margin commitments.

Now, we're continuing to invest in scalable solutions across high-growth end-markets while at the same time simplifying the product suite and optimizing our organizational structure. So, one example of that simplification: in the third quarter, we entered into a definitive agreement to sell our learning solutions business to Fitch.

We had a good run with our learning business, we felt it no longer fit the profile of where we're seeking to invest in scalable recurring revenue businesses. In parallel with these portfolio simplification efforts, we remain very focused on the deep currents driving demand for our analytics offerings.

In MA, that includes an increasing focus on physical climate risk, and enhancing and expanding our solutions to help customers embed AI more deeply into their workflows. On a recent trip to Asia where we celebrated 40 years of Moody's in the region, I heard firsthand about two customers who are investing in our physical risk solutions to understand the impact of extreme weather events, and both of these are outside of the insurance sector.

First, one of the largest banks in Japan, and for that matter, the world is using the RMS models that are traditionally used by our property and casualty insurance customers to understand physical climate risk across lending and portfolio management.

Second, we recently won a multiyear deal with an Asian regulatory agency to deliver physical climate risk data to 11 banks and insurers. This marks the first time globally that a regulator has purchased Moody's climate solutions on behalf of its financial sector. This initiative enables the integration of physical risk analytics into regulatory reporting and core business functions and also establishes a precedent for further regional adoption and collaboration.

Now, on AI, you've heard me talk before about the very encouraging engagement that we have with a number of large banks who are interested in leveraging our data and models in their internal AI-enabled workflows. While these discussions have taken time to move through banks' risk governance frameworks, we're now seeing some tangible momentum.

In the third quarter, we signed over $3 million in new business with a tier 1 U.S. bank, which included solutions to automate credit memo creation and to deploy early warning systems across its real estate portfolios.

These solutions are driving meaningful efficiency gains for our customers, they're accelerating time to decision, and delivering a competitive edge. This is a powerful example of how Moody's is uniquely positioned to bring together proprietary data, advanced analytics, software, and now GenAI capabilities and agents into our customers' mission-critical workflows. Now, these agentic capabilities are just one part of a broader investment strategy, one that's focused on unlocking the full potential of our data and analytics estate.

We are not only investing in how we build intelligent, AI-powered workflows, but also in how we package and deliver our proprietary data and analytics, embedding them directly into our customers' internal systems and our partners' platforms.

As we've discussed on recent calls, partnerships are an important part of this strategy and we are embedding our data into partner ecosystems, extending our reach while preserving the depth of our domain expertise. This approach not only scales our impact, it also deepens customer integration, it improves retention, and will help continue to drive durable growth across our portfolio.

A prime example this quarter is our partnership with Salesforce, where we continue to see strong growth from our integrated suite of connectors, that includes company firmographic data, news and other content. This supports third-party risk management and compliance monitoring among other functions, bringing Moody's unique data and intelligence directly into Salesforce workflows with great success.

We're now expanding our partnership to make available our proprietary, GenAI-ready data and analytics within Salesforce's Agentforce 360 and, in addition, Moody's will make available on AgentExchange our new agentic AI sales tool that I think I've talked about on prior earnings calls. That elevates sales teams by automating lead prioritization and delivering predictive insights leveraging our data. This is one part of our broader AI strategy.

So, zooming out, there are a few dimensions to that AI strategy. The first is our foundational AI agent builder platform that all of our employees can use to reimagine workflows and increase productivity. As we've highlighted before, we are delivering efficiencies in engineering and customer support, and we are now setting our sights on sales, product development and a variety of corporate functions as well as ratings workflows.

The second dimension is our AI studio factory, which is a platform designed for agentic product development. And the third is our recently announced Agentic Solutions, enabling us to commercialize smart APIs, MCP servers and domain-specific agents that leverage our vast proprietary data and content estate and deep subject matter expertise.

Switching gears, we also continue to invest in growing our ratings footprint in emerging markets. This past quarter, we signed a definitive agreement to acquire a majority interest in MERIS, the leading ratings agency in Egypt. This transaction will deepen Moody's presence in the Middle East and Africa, giving us a very strong first mover advantage across all of the regions' domestic debt markets.

You've heard me say this before, these are generational investments as emerging markets, including China, are expected to account for more than 60% of global GDP by 2029. To that end, of the approximately $30 trillion of debt outstanding in those markets, only about 10% is cross border. That means that the remaining ~90% is issued locally and rated locally and that's why these domestic market investments are so important.

So, before I hand over to Noémie for more details on the numbers, a few key takeaways. This past quarter, we delivered strong growth, significant operating leverage, and we have good momentum heading into next year. And of course, just a quick shout out all my teammates for the fantastic work this quarter, helping deliver one of the strongest quarters in Moody's history.

Noémie, over to you.

NOÉMIE HEULAND

Thanks, Rob, and hello everyone. Our Q3 was outstanding. We showcased the full force of our earnings power. We are lifting both our top and bottom line guidance and we're proving we can invest for growth and expand margins at the same time. So let's dive right in.

Starting with MIS, revenue grew 12%, a very strong result, especially given the typical softness in Q3. All Ratings' lines of business contributed to the growth, supported by the constructive issuance environment.

The largest increase came from leverage finance activity, followed by financial institutions, driven by heightened issuance from infrequent issuers, including fund finance and BDCs. Issuance totaled nearly $1.8 billion, marking the highest third quarter on record. This reflects a combination of factors we've previously discussed, including historically tight spreads, strong investor demand, and the announced rate cut near quarter end, as well as a pickup in M&A activity.

MIS transaction revenue rose 14%, slightly trailing the 15% growth in issuance due to a high volume of repricing activity this quarter. As noted before, simpler and less complex bank loan repricing typically yield lower revenue and are less favorable from a mix perspective.

MIS recurring revenue increased 8% year-over-year, reflecting the impact of ongoing pricing initiatives, portfolio expansion, and sustained monitoring fees. Foreign exchange contributed to a favorable 1% uplift, consistent with the benefit seen in the second quarter.

Now, some color on Q3 transactional revenue by asset class. Corporate Finance transaction revenue increased by 13%, supported by a 29% rise in bank loan revenue compared to 58% issuance growth. This issuance surge was largely driven by repricing activity, which rebounded following subdued levels in Q2.

Speculative Grade revenue rose 43%, marking the strongest quarter for rated issuance since 2021. This was fueled by positive investor sentiment and robust market access for these issuers.

Investment Grade revenue declined 17% year over year, reflecting a 6% drop in issuance.

Despite the decline, overall activity remained solid, supported by several large M&A transactions. Notably, Q3 of last year was the second highest third quarter on record for investment grade, driven by significant deal volume in the energy, oil and gas sector, creating a bit challenging comp base.

In Financial Institutions, transactional revenue grew 34%, significantly above the 3% issuance growth. This was driven by the strongest volumes in a decade from infrequent issuers within the banking sector.

Public, Project, and Infrastructure Finance transactional revenue remained relatively flat , reflecting weaker activity in project finance and sovereigns. However, this was partially offset by strong performance in U.S. Public Finance, especially within the regional and muni space.

Structured Finance transactional revenue rose 10%, supported by strong activity in CLOs, especially new deals driven by growth in leveraged loan formation. This was complemented by improving activity in U.S. RMBS, underpinned by sustained investor demand and healthy deal flow.

As Rob mentioned, Private Credit continues to be an important driver of MIS revenue growth, mainly from fund finance and Business Development Companies or BDC activity.

First time mandates reached 200 in Q3, that's up 5% year over year. Growth was strong across both North America and LATAM, putting us on track to reach 700 to 750 for the full year. This momentum was partially driven by Private Credit-related mandates across financial institutions, structured finance, and private investor requested ratings in PPIF. As a reminder, though, with the growth in private credit, some issuance activity will not be captured in rated issuance figures reported by external data providers.

Now, turning to margins, MIS delivered an adjusted operating margin of 65.2%, which is an expansion of 560 basis points year-over-year. As a result, we are raising our full year guidance to a range of 63% to 64%.

Looking forward and as shown on this slide, we are updating our issuance outlook by asset class. Our forecast for the remainder of 2025 assumes continued momentum from the third quarter, even as we approach the typical and expected normal seasonal slowdown towards year-end.

We expect issuance growth to be mid-single-digit for the full year, with notable updates in investment grade, leveraged loan, and high yield bond issuance, bolstered by improving M&A activity. As previously noted, we expect spreads to remain near historic lows despite some modest widening.

Investor demand remains strong and signs of renewed M&A momentum are emerging. That's actually reflected in the uptick in our Rating Assessment Service, or RAS business, which often serves as a leading indicator for M&A. In fact, Q3 marked record quarterly revenue for RAS. This reinforces our expectation that M&A will be a positive contributor as we head into 2026. In the near term, we are raising our estimate of [rated] M&A issuance to a range of 15-20% for the full-year 2025.

Now, translating this to revenue, we now anticipate full year MIS revenue growth in the high-single-digit range and that's an upward revision from our previous outlook. Overall, we remain optimistic about issuance activity, but it's important to note that our guidance does not factor in a significant disruption like the one we've experienced earlier this year.

Risks remain with ongoing tariff and trade negotiations and the full impact of a prolonged government shutdown on market conditions is difficult to predict. That said, we believe we have accounted for the broad spectrum of the most plausible scenarios in our updated guidance.

Turning to Moody's Analytics, this business continues to deliver an impressive financial profile: [96%] recurring revenue, a 93% retention rate and consistent growth at scale. Reported revenue grew 9% year-over-year while recurring revenue grew 11%, or 8% on an organic constant currency basis.

As we've talked a lot about in recent years, we've been actively reshaping the revenue mix by downsizing low-margin services and increasingly leveraging implementation partners across regions. As a result, transactional revenue continues to decline, down 19% this quarter.

ARR growth of 8% is consistent with last quarter. You'll notice some quarter-to-quarter movement in individual line of business growth rates, often driven by large new business wins or large attrition events. Across the portfolio, though, retention rates consistently hold in the low-to-mid 90% range and supports high-single-digit ARR growth.

Now, let me double-click into each of the lines of business to give you a clearer view of the underlying dynamics. First, Decision Solutions, which includes our Banking, Insurance and KYC, delivered double-digit ARR growth this quarter, at 10%.

KYC continues to be the fastest growing part of Decision Solutions with sustained growth in the low-to-high-teens over the last several quarters. This quarter we reported 16% ARR growth and I want to highlight two recent sales in the tech sector that illustrate the appetite for our KYC solutions beyond financial services customers.

First, a large technology company signed a major deal to integrate Moody's Orbis data into its denied party screening system, helping block transactions with entities in countries of concern. This deal positions Moody's as a trusted provider of critical data for regulatory compliance and showcases our ability to address complex challenges with innovative solutions.

Second, a global social media platform is using Moody's to strengthen fraud detection and business verification across its ecosystem. Our data helps uncover hidden ownership structures, circular directorships, and brand inconsistencies, streamlining investigations, reducing manual review, and accelerating decision-making.

Insurance delivered 8% ARR growth this quarter, and there are few dynamics worth noting given the diversity in the end markets we serve. First, growth in our life business remains strong and has been bolstered recently by customers adopting more sophisticated models and increased usage. On the property and casualty side, 2024 was a standout year for both new business and retention, with several large cross-sell wins and retention rates in the high-90s, presenting a bit of a tougher comp.

In our Banking line of business, which includes our Lending suite as well as risk, regulatory and finance solutions, we delivered ARR growth of 7% in Q3. Reported revenue was flat in the third quarter versus last year, influenced by the revenue accounting for multi-year sales of on-premise solutions.

With risk, regulatory and finance solutions growing at mid-single-digit, the headline growth rate masks the strength of our lending business, including CreditLens which continues to grow ARR at a low-to-mid-teens pace and is the largest revenue contributor. We're investing to expand our offering into a more comprehensive solution that spans the full lending workflow. This approach is resonating with our core customer base, mid-tier banks, and is increasingly enabling us to cross and upsell across our solution set.

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Next, turning to Research & Insights, we delivered ARR growth of 8%. That's an improvement as we lap last year's attrition events. Growth was further supported by strong upsell execution, fueled by our ongoing investments in CreditView, including Research Assistant and our suite of agentic solutions.

Finally, Data & Information ARR grew 7% and continues to be affected by cancellations from earlier this year. On the positive side, we still see strong pricing power, sustained demand for ratings data feeds and strong Orbis new business volume.

Moving on to margin, we delivered ahead of our initial plan so far this year with a 400 basis points improvement in Q3, and we now expect approximately 33% for the full year. This represents over 300 basis points of year-over-year margin expansion, before absorbing a headwind of about 100 basis points from the three M&A deals within the last year.

But let me be clear, we're not stopping there. This progress is rooted in programs designed to maximize investments in strategic growth areas and realize a more efficient organization footprint. We remain focused on expanding margins towards our medium-term commitment of mid-to-high 30s over the next two years.

To get there, we are prioritizing and redeploying R&D spend across our portfolio, redesigning our enterprise processes with GenAI, deploying productivity tools, and optimizing vendor relationships. We remain confident in Moody's Analytics' high-quality, predictable ARR growth, and our ability to deliver sustained margin expansion, strengthening the earnings durability.

Now, to help with modeling, I'll walk through a few additional details behind our updated outlook assumptions. You can see the MIS and MA guidance update here on slide 13. We now expect MCO revenue to grow in the high-single-digit percent range. We are reaffirming our operating expense guidance, which supports an Adjusted Operating Margin of about 51%, highlighting the strong operating leverage of our business.

At the MCO level and excluding restructuring charges, we anticipate operating expenses to increase by $10 million to $20 million quarter-over-quarter, consistent with expectations we shared in the second quarter. We also expect incentive compensation to be approximately $100 million, in line with Q3.

As demonstrated by our margin performance, particularly in MA, our efficiency program continues to deliver meaningful improvements. We have already executed over $100 million of annualized savings, helping offset annual salary increases and variable costs. We are updating our Adjusted Diluted EPS guidance range of $14.50 to $14.75, which implies roughly 17% growth at the midpoint versus last year.

One modeling note on our tax rate. In October, a statute of limitations expired related to certain pre-acquisition tax exposures Moody's assumed in a prior year M&A transaction. This will result in an one-time approximate 200 basis point favorable impact on our full year 2025 effective tax rate. Please note this benefit will be fully offset by the release of the indemnification asset, so there will be no impact to Net Income or EPS.

Turning to cash flow, we now anticipate our Free Cash Flow to be approximately $2.5 billion and we are increasing our share repurchase guidance to at least $1.5 billion. That puts us on track to return over 85% of Free Cash Flow to our shareholders this year.

To wrap it up, this quarter's results reflect the strength of our strategy and execution. We are approaching transformative shifts in technology from a position of financial strength, allowing us to invest in innovation while continuing to expand margins and grow revenue, as seen again in Q3.

And with that, operator, we're now happy to take your questions.

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