

## News

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### MOODY'S CORPORATION UPDATES FULL YEAR 2016 GUIDANCE

- FY 2016 GAAP EPS guidance of \$4.70 to \$4.80
- FY 2016 non-GAAP EPS guidance of \$4.55 to \$4.65

**NEW YORK, NY** – September 28, 2016 – Moody's Corporation (NYSE: MCO) today updated its guidance for the full year ending December 31, 2016.

Full year 2016 GAAP EPS is currently expected to be \$4.70 to \$4.80, which now includes an anticipated non-cash foreign exchange gain of approximately \$0.18 related to a subsidiary reorganization, offset in part by an approximate \$0.04 restructuring charge associated with cost management initiatives. Excluding these items, the Company expects full year 2016 non-GAAP EPS of \$4.55 to \$4.65. The Company expects to record the foreign exchange gain in its fourth quarter results and the restructuring charge in its third quarter results.

"Increased issuance activity combined with a greater impact from our cost savings initiatives has resulted in a modestly improved outlook," said Raymond McDaniel, President and Chief Executive Officer of Moody's. "Excluding the impact of the specific items noted above, we expect 2016 EPS of \$4.55 to \$4.65."

To reflect the Company's current view of business conditions as well as the impact of the aforementioned foreign exchange gain and restructuring charge, the Company is updating certain components of Moody's 2016 revenue and expense guidance.

Full year global MIS revenue is still expected to decrease in the low-single-digit-percent range, while US revenue is now expected to be approximately flat and public, project and infrastructure finance revenue is now expected to increase approximately 10%.

The effective tax rate is now expected to be 31% to 31.5%, including an approximate one percentage point favorable change due to the foreign exchange gain noted above which is not taxable.

A full summary of Moody's guidance as of September 28, 2016 is included in the table at the end of this press release. Moody's outlook for 2016 is based on assumptions about many geopolitical conditions and macroeconomic and capital market factors, including interest rates, foreign currency exchange rates, corporate profitability and business investment spending, mergers and acquisitions, consumer borrowing and securitization, and the amount of debt issued. These assumptions are subject to uncertainty, and results for the year could differ materially from our current outlook. Our guidance assumes foreign currency translation at August 31, 2016 exchange rates. Specifically, our forecast reflects exchange rates for the British pound (£) of \$1.31 to £1 and for the euro (€) of \$1.11 to €1.

Moody's will host its Investor Day conference today in New York City.

The event will start at 8:30 a.m. Eastern Time and is expected to conclude at 12:00 p.m. The event will feature presentations from Moody's management team and showcase important aspects of the business. A copy of the presentation will be posted on Moody's Investor Relations website, <http://ir.moody.com>, at the start of the event.

In-person attendance is by invitation only; however, the event will be webcast live and can be accessed on Moody's Investor Relations website at <http://ir.moody.com>. The event will also be accessible through a live conference call. Individuals within the U.S. and Canada can access the call by dialing 1-855-309-1713 toll-free. Other callers should dial 804-419-7747. Please dial into the call by 8:20 a.m. Eastern Time. The participant access code for the call is 61523561.

A replay of the event will be available approximately one week following the event on Moody's Investor Relations website, <http://ir.moody.com>, until 11:59 p.m. Eastern Time, December 28, 2016.

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## **ABOUT MOODY'S CORPORATION**

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Moody's is an essential component of the global capital markets, providing credit ratings, research, tools and analysis that contribute to transparent and integrated financial markets. Moody's Corporation (NYSE: MCO) is the parent company of Moody's Investors Service, which provides credit ratings and research covering debt instruments and securities, and Moody's Analytics, which offers leading-edge software, advisory services and research for credit and economic analysis and financial risk management. The corporation, which reported revenue of \$3.5 billion in 2015, employs approximately 10,800 people worldwide and maintains a presence in 36 countries. Further information is available at [www.moody.com](http://www.moody.com).

## **"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995**

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Certain statements contained in this release 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. Moody's outlook for 2016 and other forward-looking statements in this release are made as of September 28, 2016, and the Company disclaims any duty to supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the current world-wide credit market disruptions and economic slowdown, which is affecting and could continue to affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including regulation, credit quality concerns, changes in interest rates and other volatility in the financial markets such as that due to the UK's referendum vote whereby the UK citizens voted to withdraw from the EU; 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 initiatives to respond to the current world-wide credit market disruptions and economic slowdown; concerns in the marketplace affecting our credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings; the introduction of competing products or technologies by other companies; 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, including provisions in the Financial Reform Act and regulations resulting from that Act; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to our rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries to which the Company may be subject from time to time; provisions in the Financial Reform Act 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; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate acquired businesses; currency and foreign exchange volatility; 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 the Company's annual report on Form 10-K for the year ended December 31, 2015, 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.

## 2016 Outlook:

Moody's outlook for 2016 is based on assumptions about many geopolitical conditions and macroeconomic and capital market factors, including interest rates, foreign currency exchange rates, corporate profitability and business investment spending, merger and acquisition activity, consumer borrowing and securitization, and the amount of debt issued. These assumptions are subject to some degree of uncertainty, and results for the year could differ materially from our current outlook. Moody's guidance assumes foreign currency translation at August 31, 2016 exchange rates. Specifically, our forecast reflects exchange rates for the British pound (£) of \$1.31 to £1 and for the euro (€) of \$1.11 to €1.

Full-year 2016 Moody's Corporation guidance		
MOODY'S CORPORATION	Current guidance as of September 28, 2016	Last publicly disclosed guidance on July 22, 2016
Revenue	increase in the low-single-digit percent range	NC
Operating expense	increase in the mid-single-digit percent range	NC
Depreciation & amortization	Approximately \$130 million	NC
Operating margin	Approximately 41%	NC
Adjusted operating margin	Approximately 45%	NC
Effective tax rate	31% - 31.5%	32-32.5%
GAAP EPS	\$4.70 to \$4.80	\$4.55 to \$4.65 <sup>1</sup>
Non-GAAP EPS	\$4.55 to \$4.65	N/A
Capital expenditures	Approximately \$125 million	NC
Free cash flow	Approximately \$1 billion	NC
Share repurchases <sup>2</sup>	Approximately \$1 billion	NC
Full-year 2016 revenue guidance		
MIS	Current guidance as of September 28, 2016	Last publicly disclosed guidance on July 22, 2016
MIS global	decrease in the low-single-digit percent range	NC
MIS U.S.	Approximately flat	decrease in the low-single-digit percent range
MIS Non-U.S.	decrease in the low-single-digit percent range	NC
CFG	decrease in the low-single-digit percent range	NC
SFG	decrease in the high-single-digit percent range	NC
FIG	increase in the mid-single-digit percent range	NC
PPIF	increase approximately 10%	increase in the mid-single-digit percent range
MA		
MA global	increase in the mid-single-digit percent range	NC
MA U.S.	increase in the low-double-digit percent range	NC
MA Non-U.S.	increase in the low-single-digit percent range	NC
RD&A	increase in the high-single-digit percent range	NC
ERS	increase in the high-single-digit percent range	NC
PS	decrease in the low-single-digit percent range	NC
<b>NC</b> - There is no difference between the Company's current guidance and the last publicly disclosed guidance for this item. <b>N/A</b> - Not applicable. <sup>1</sup> Expected to be toward the lower end of the range. <sup>2</sup> Subject to available cash, market conditions and other ongoing capital allocation decisions		

## Non-GAAP Financial Measures:

In addition to the non-GAAP financial measures presented and reconciled in the text of this press release, the tables below reflect certain adjusted results that the SEC defines as "non-GAAP financial measures" as well as a reconciliation of each non-GAAP measure to its most directly comparable GAAP measure. Management believes that such non-GAAP financial measures, when read in conjunction with the Company's reported results, can provide useful supplemental information for investors analyzing period-to-period comparisons of the Company's performance, facilitate comparisons to competitors' operating results and provide greater transparency to investors of supplemental information used by management in its financial and operational decision-making. These non-GAAP measures, as defined by the Company, are not necessarily comparable to similarly defined measures of other companies. Furthermore, these non-GAAP measures should not be viewed in isolation or used as a substitute for other GAAP measures in assessing the operating performance or cash flows of the Company.

## Adjusted Operating Income and Adjusted Operating Margin:

The table below reflects a reconciliation of the Company's operating margin to adjusted operating margin. The Company defines adjusted operating income as operating income excluding depreciation and amortization and restructuring charges. The Company utilizes adjusted operating income because management deems this metric to be a useful measure for assessing the operating performance of Moody's, measuring the Company's ability to service debt, fund capital expenditures, and expand its business. Adjusted operating income excludes depreciation and amortization because companies utilize productive assets of different ages and use different methods of both acquiring and depreciating productive assets. Adjusted Operating Income also excludes restructuring charges as the frequency and magnitude of these charges may vary widely across periods and companies. Management believes that the exclusion of these items, detailed in the reconciliation below, allows for a more meaningful comparison of the Company's results from period to period and across companies. The Company defines adjusted operating margin as adjusted operating income divided by revenue.

	<b>Year Ended December 31, 2016</b>
Operating margin guidance	Approximately 41%
Depreciation and amortization	Approximately 4%
Restructuring	<i>Negligible impact</i>
Adjusted operating margin guidance	<u>Approximately 45%</u>

### Free Cash Flow:

The table below reflects a reconciliation of the Company's net cash flows from operating activities to free cash flow. The Company defines free cash flow as net cash provided by operating activities minus payments for capital additions. Management believes that free cash flow is a useful metric in assessing the Company's cash flows to service debt, pay dividends and to fund acquisitions and share repurchases. Management deems capital expenditures essential to the Company's product and service innovations and maintenance of Moody's operational capabilities. Accordingly, capital expenditures are deemed to be a recurring use of Moody's cash flow.

	<b>Year Ended December 31, 2016</b>
Net cash flows from operating activities guidance	Approximately \$1.1 billion
Capital additions guidance	(Approximately \$125 million)
Free cash flow guidance	<u>Approximately \$1.0 billion</u>

### Non-GAAP EPS:

The Company presents this non-GAAP measure to exclude the impact of foreign exchange gains related to the liquidation of a finance subsidiary as well as restructuring charges to allow for a more meaningful comparison of Moody's diluted earnings per share from period to period. Management believes that the exclusion of these items, detailed in the reconciliation below, allows for a more meaningful comparison of the Company's Diluted EPS from period-to-period. Below is a reconciliation of these measures to their most directly comparable U.S. GAAP amount (amounts do not total due to rounding):

	<b>Year Ended December 31, 2016</b>
Diluted EPS attributable to Moody's common shareholders-GAAP	\$4.70 to \$4.80
FX gain due to a subsidiary reorganization	(Approximately \$0.18)
Restructuring	Approximately \$0.04
Diluted EPS attributable to Moody's common shareholders - Non-GAAP	<u>\$4.55 to \$4.65</u>