

MOODY'S

Second Quarter 2024 Earnings Call

July 23, 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 any restructuring programs; 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.

2Q 2024 Highlights



Rob Fauber

PRESIDENT AND CHIEF EXECUTIVE OFFICER

Key Takeaways

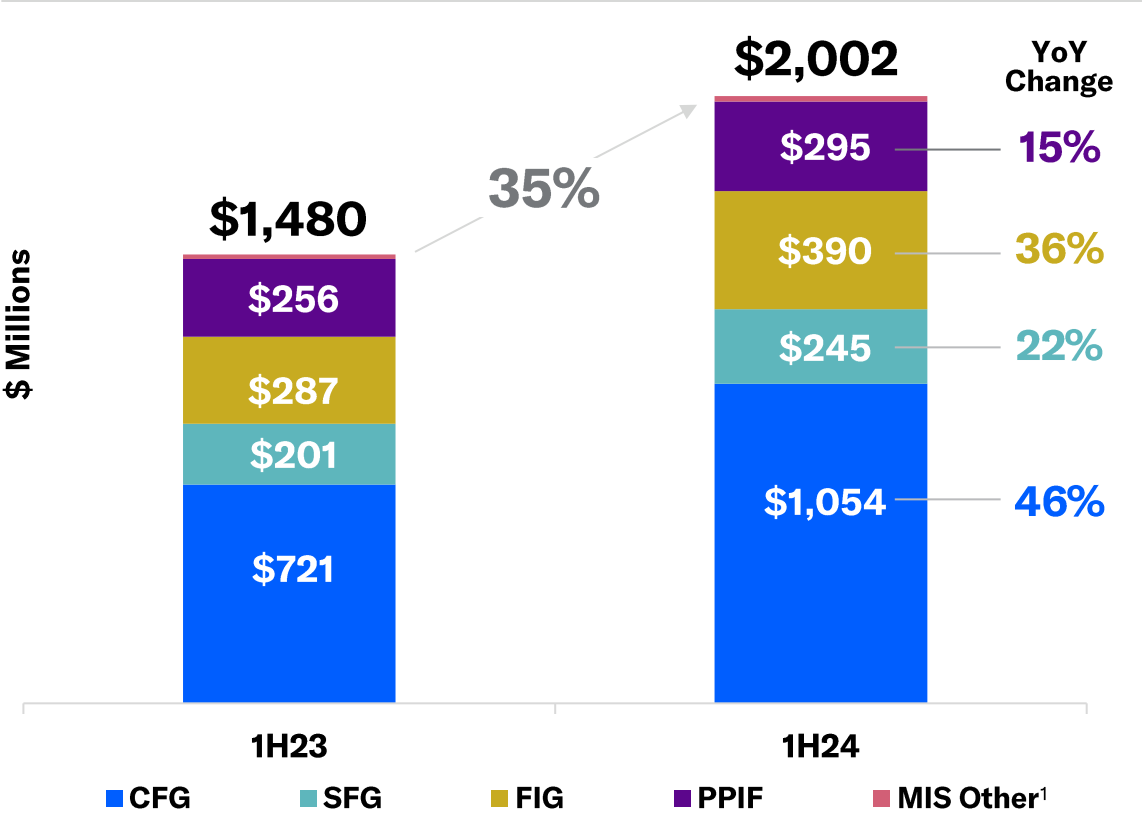
1. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.
2. Guidance as of July 23, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2024” from July 23, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
3. ARR: Annualized Recurring Revenue. ARR growth as of June 30, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

- 1 Moody’s achieved outstanding results**
2Q revenue grew 22%; Adjusted Operating Margin¹ up 590 bps to 49.6%; Adjusted Diluted EPS¹ increased 43% to \$3.28
- 2 MIS generated significant operating leverage**
2Q revenue grew 36%; Adjusted Operating Margin up 730bps to 63.2%; raising full year guidance² for all metrics
- 3 MA delivered double-digit ARR³ growth for the 7th consecutive quarter**
ARR³ and revenue grew 10% and 7%, respectively; Adjusted Operating Margin of 28.5%; widening ARR guidance²
- 4 Increasing select MCO full year guidance² metrics**
Expanding anticipated Share Repurchase to \$1.3 billion; raising Adjusted Diluted EPS¹ and narrowing range to \$11.00 - \$11.40
- 5 Business Highlights**
Product innovation, key investments and strategic partnerships expected to spur growth and position MCO for long-term success

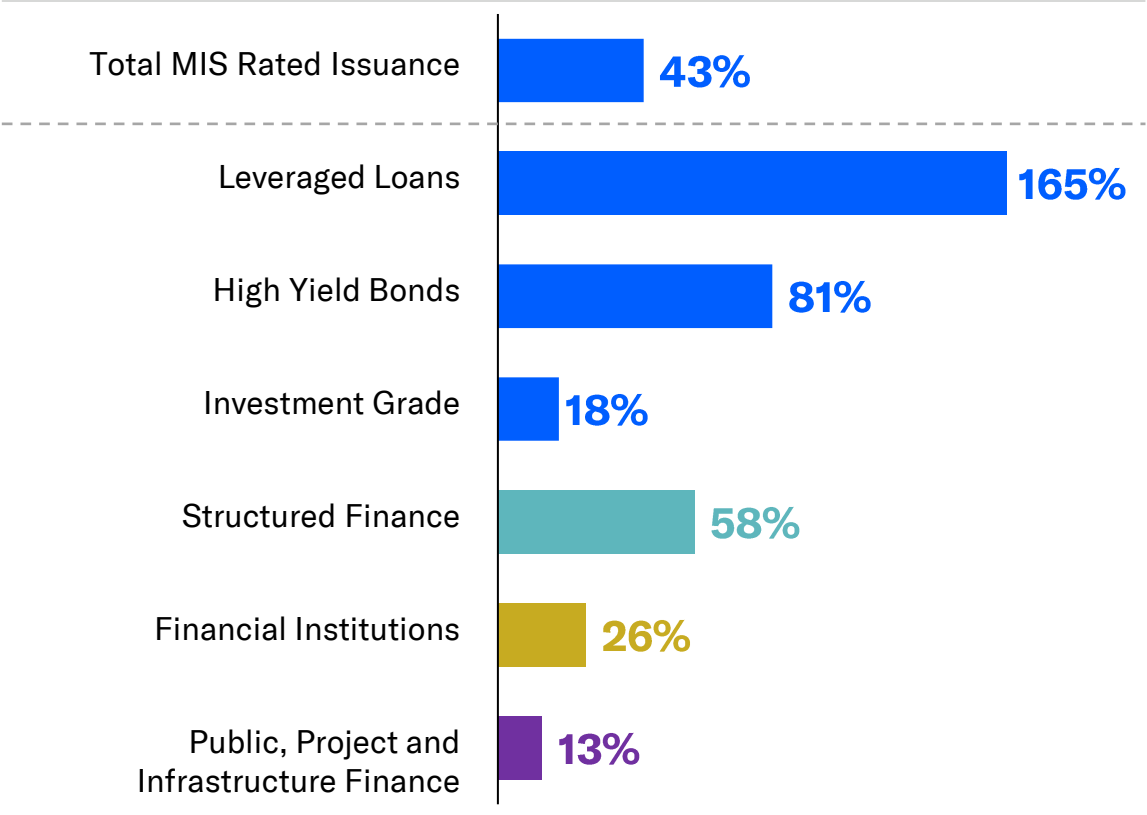
MIS: Agency of Choice Delivering Impressive First Half Results

Transactional Revenue Growth of 56% Outpaces Issuance

REVENUE



ISSUANCE²



1. MIS Other revenue was approximately \$15 million and \$18 million in the half year ended June 30, 2023, and June 30, 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.

Moody's Analytics Strong First Half Performance

8%

REVENUE GROWTH¹

95%

RECURRING REVENUE

94%

RETENTION RATE

29.1%

ADJUSTED OPERATING MARGIN

10% ARR² GROWTH

18%

KYC

14%

INSURANCE

9%

BANKING

10%

**Data &
Information**

6%

**Research
& Insights**

**Decision
Solutions**

1. Year-over-year growth for the six months ended June 30.

2. ARR: Annualized Recurring Revenue. ARR growth as of June 30, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

2Q Business Highlights

Innovation

Investments

Partnerships

Banking



Lending
Automated Credit
Memo



Portfolio Monitoring
CRE Early
Warning

KYC



Asset Managers
Sanctioned
Securities Screening



Banks
European Union:
Regulatory Reporting

Orbis

500M+
ORGANIZATIONS

GCR
RATINGS

Leading Domestic
Rating Agency in Africa



Second Party Opinion

200+
OPINIONS

MSCI 

Zillow Rentals


Google Cloud

 **Diligent**

2Q 2024 Results & FY 2024 Outlook



Noémie Heuland

CHIEF FINANCIAL OFFICER

2Q 2024 Financial Results

MCO

\$1.8B

MCO Revenue

22%

**MCO Revenue
Growth¹**

49.6%

**MCO Adjusted
Operating Margin²**

\$3.28

**MCO Adjusted
Diluted EPS²**

19%

**MCO Free Cash Flow
Growth^{2,3}**

MA

7%

**MA Revenue
Growth¹**

10%

**MA ARR
Growth^{1,4}**

28.5%

**MA Adjusted
Operating Margin**

MIS

36%

**MIS Revenue
Growth¹**

47%

**Rated Issuance
Growth^{1,5}**

63.2%

**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.

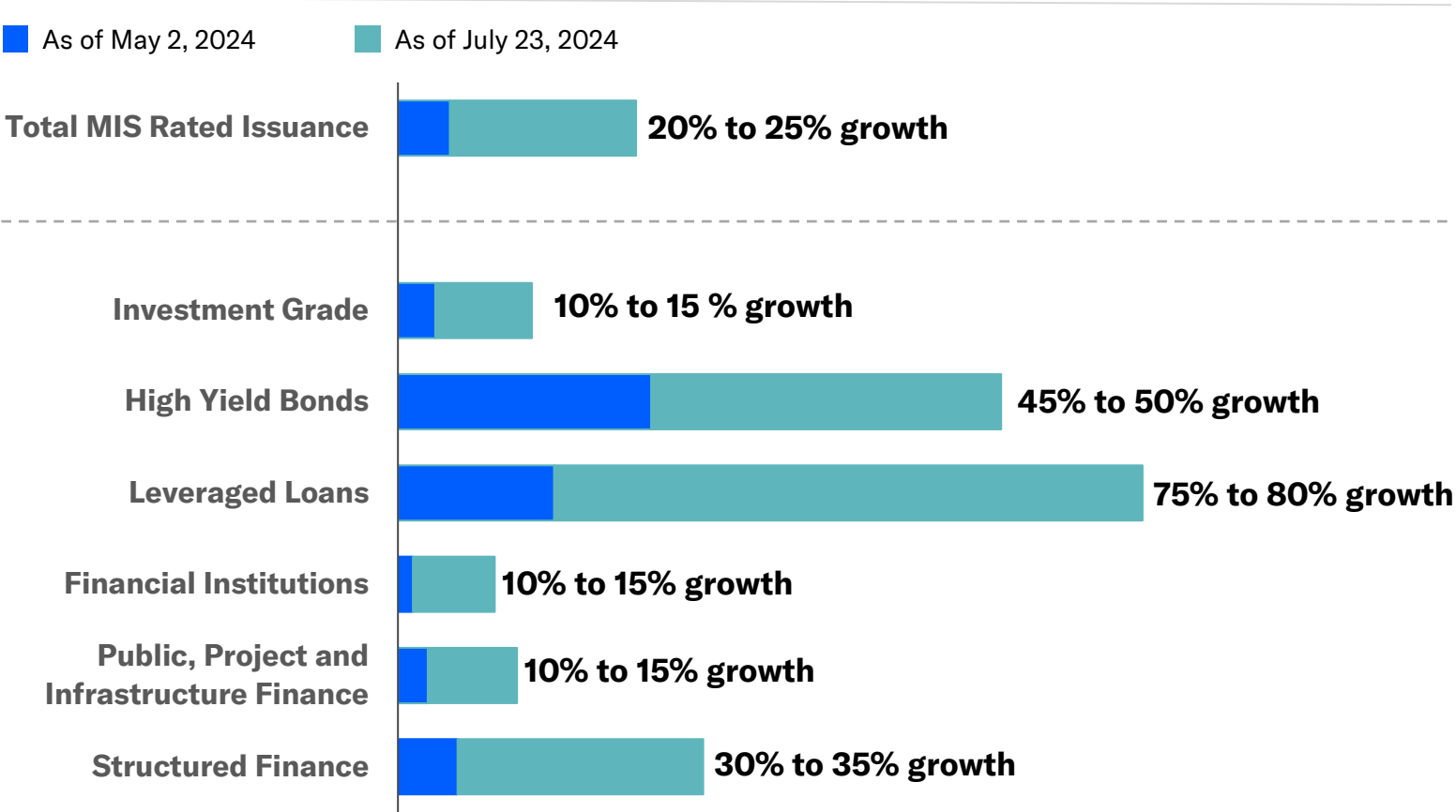
3. Year-over-year growth for the six months ended June 30.

4. ARR: Annualized Recurring Revenue. ARR growth as of June 30, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

5. 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 First Half Issuance; Raising Guidance

FY 2024 MIS RATED ISSUANCE GUIDANCE^{1,2}



CONSIDERATIONS INFORMING OUR VIEW

- Positive market conditions; strong investor demand; and tight credit spreads driving opportunistic issuance activity ahead of potential volatility later in the year
- Heightened refinancing levels and improving M&A activity
- Rate, election and geopolitical uncertainties remain
- 380 First Time Mandates (FTMs) recorded during 1H 2024; expecting 600 – 700 total for 2024 by year-end

1. Guidance as of July 23, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2024” from July 23, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.
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 & MA Full Year 2024 Guidance¹

AS OF MAY 2, 2024

AS OF JULY 23, 2024

MOODY'S INVESTORS SERVICE

Revenue Growth

HSD to LDD % range

High-teens % range

Adjusted Operating Margin

56% - 58%

58% - 59%

MOODY'S ANALYTICS

Revenue Growth

HSD % range

No Change

ARR Growth²

LDD % range

HSD to LDD % range

Adjusted Operating Margin

30% - 31%

No Change

Note: HSD = High-single-digit. LDD = Low-double-digits.

1. Guidance as of July 23, 2024. Refer to Table 12 – "2024 Outlook" in the press release titled "Moody's Corporation Reports Results for Second Quarter 2024" from July 23, 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. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.

MCO Full Year 2024 Guidance¹

AS OF MAY 2, 2024

AS OF JULY 23, 2024

MOODY'S CORPORATION

Revenue Growth	HSD to LDD % range	Low-teens % range
Operating Expense	MSD to HSD % range	HSD % range
Adjusted Operating Margin ²	44% to 46%	46% to 47%
Diluted EPS	\$9.55 - \$10.15	\$9.95 - \$10.35
Adjusted Diluted EPS ²	\$10.40 - \$11.00	\$11.00 - \$11.40
Share Repurchases ³	Approximately \$1B	Approximately \$1.3B
Free Cash Flow ²	\$1.9B - \$2.1B	\$2.0B - \$2.2B

Note: MSD = Mid-single-digit. HSD = High-single-digit. LDD = Low-double-digits.

1. Guidance as of July 23, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody's Corporation Reports Results for Second Quarter 2024” from July 23, 2024, for a complete list of guidance, as well as assumptions used by the Company with respect to its guidance.

2. 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.

Questions and Answers



Rob Fauber

PRESIDENT AND CHIEF EXECUTIVE OFFICER



Noémie Heuland

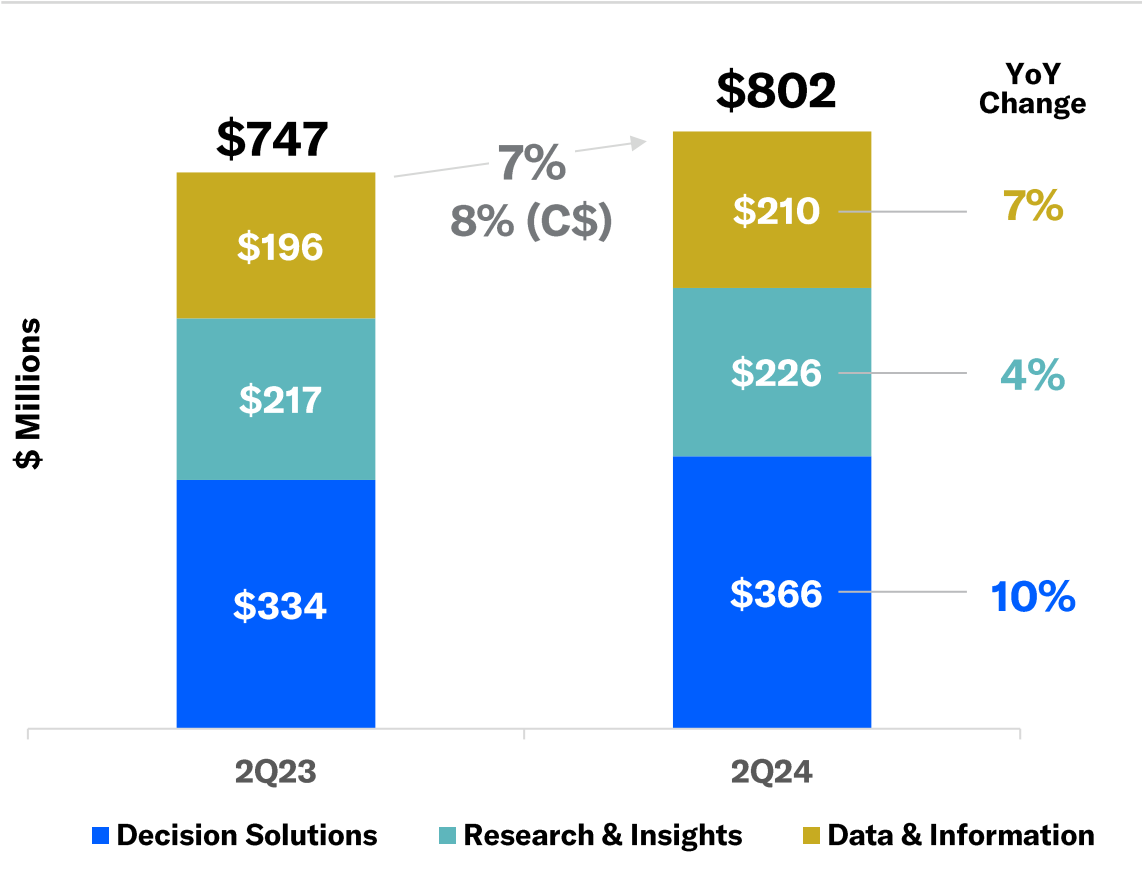
CHIEF FINANCIAL OFFICER

The background of the slide is a dark blue color. It features abstract, wavy, light blue lines that create a sense of movement and depth. These lines are concentrated in the upper left and right areas, with some lines extending towards the center. The overall effect is modern and professional.

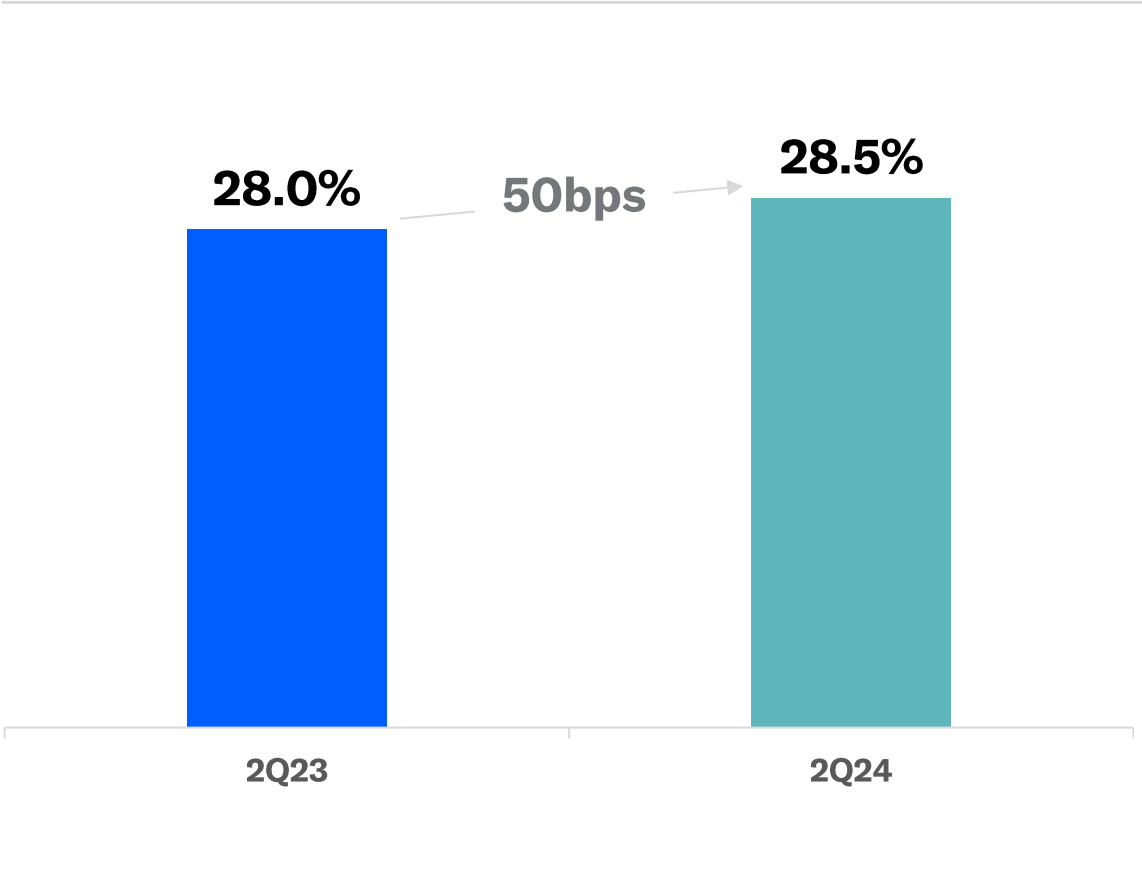
Supplemental Information

MA: Quarterly Performance

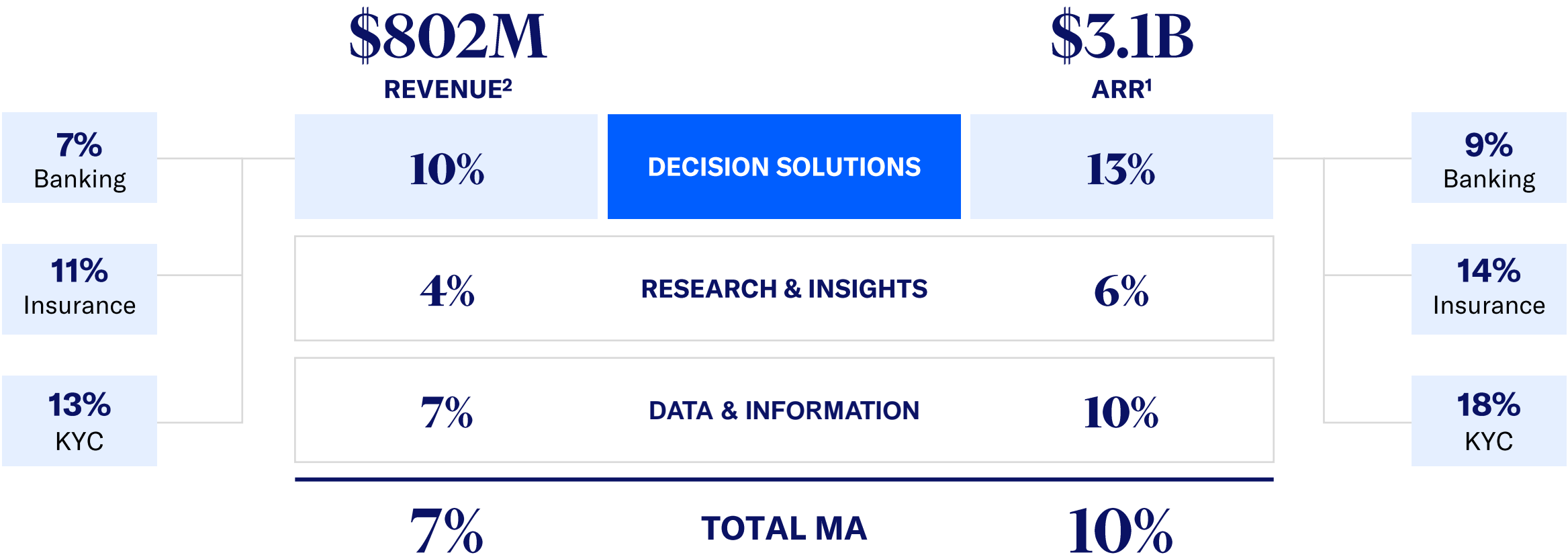
REVENUE



ADJUSTED OPERATING MARGIN



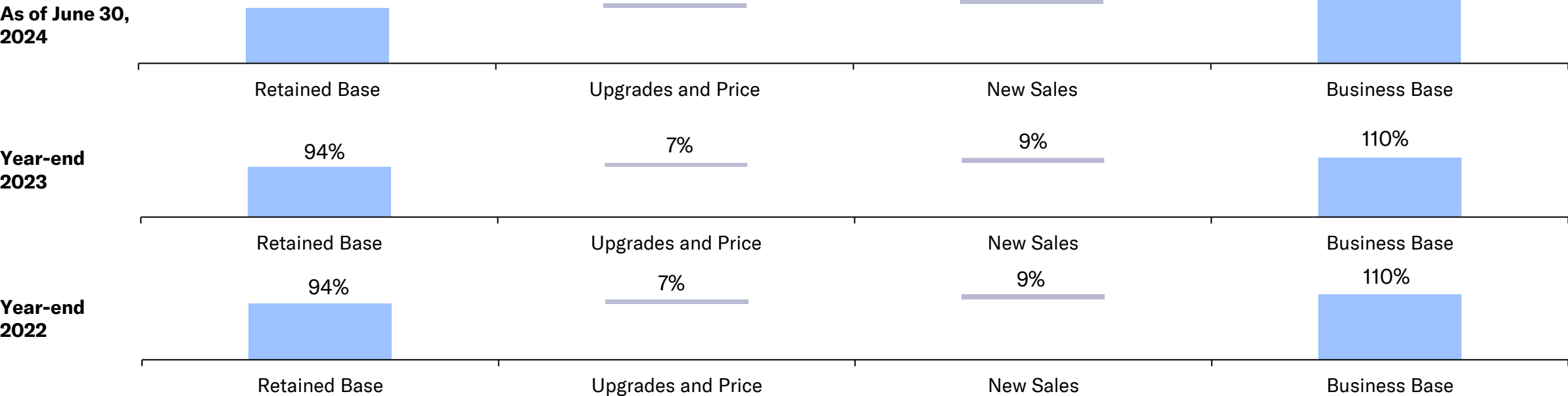
MA: ARR¹ Growth Sustained at 10%



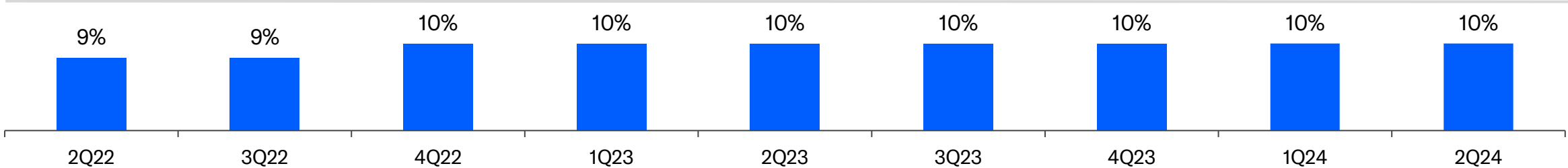
1. ARR: Annualized Recurring Revenue. ARR growth as of June 30, 2024. Refer to the Appendix for the definition of and further information on ARR. ARR excludes the impact of foreign currency translation.
2. Percentages represent year-over-year quarterly growth.

Building on a Foundation of Strong Customer Retention

MA ARR¹ GROWTH ATTRIBUTION



MA ARR¹ GROWTH BY QUARTER



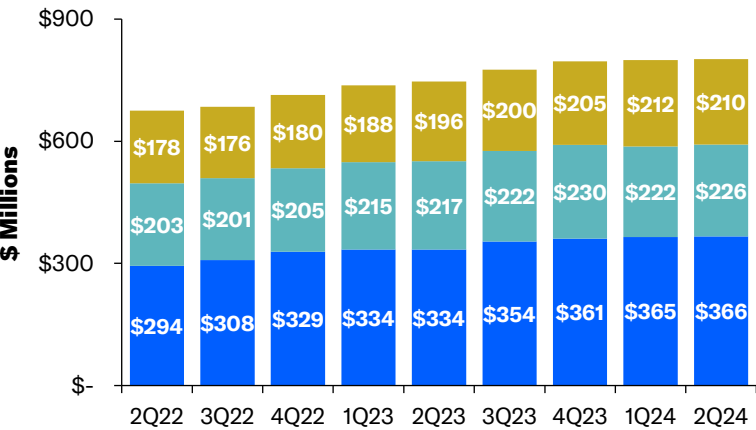
Note: Upgrades and price include increases (or decreases) in value of products sold to legacy customers within the retained base. New sales includes sales of incremental products to both existing and new customers.

1. 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.

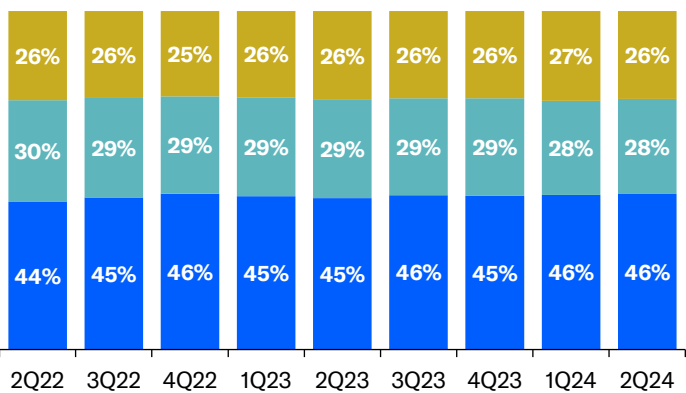
Moody's Analytics: Financial Overview

Decision Solutions Research & Insights Data & Information

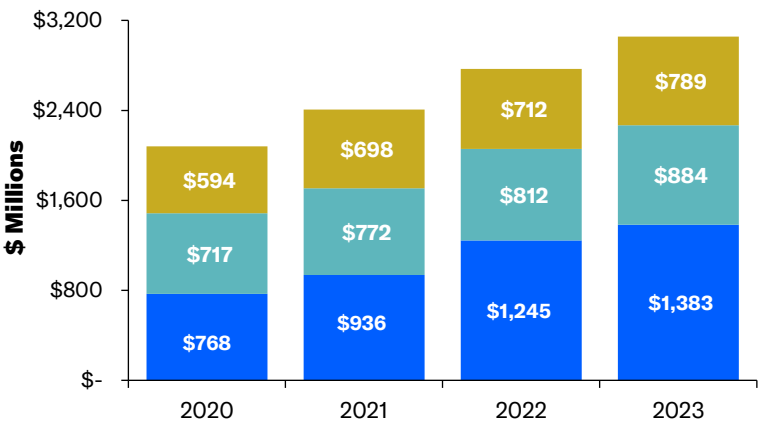
Revenue: Mix by Quarter



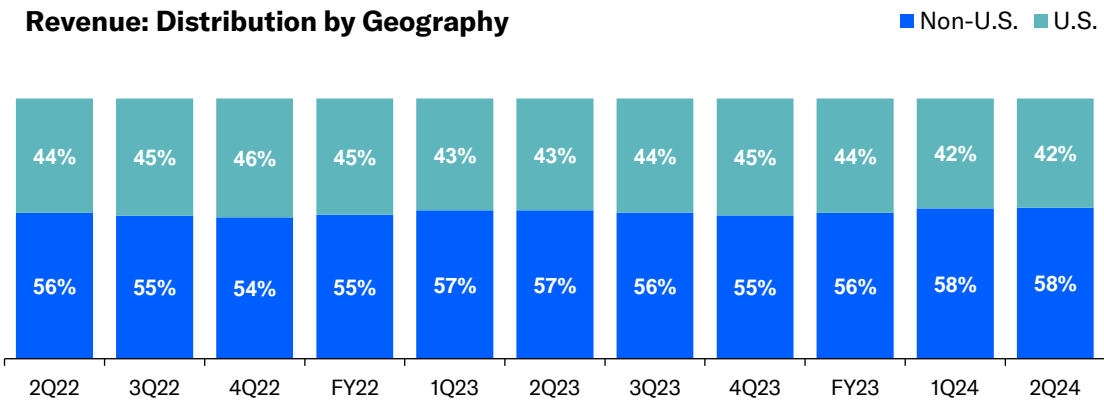
Revenue: Distribution by Line of Business



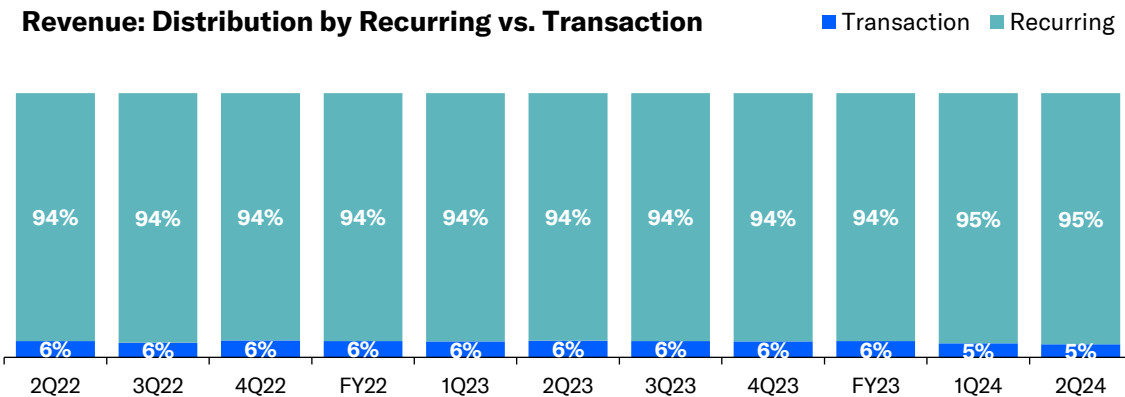
Revenue: Mix by Year



Revenue: Distribution by Geography



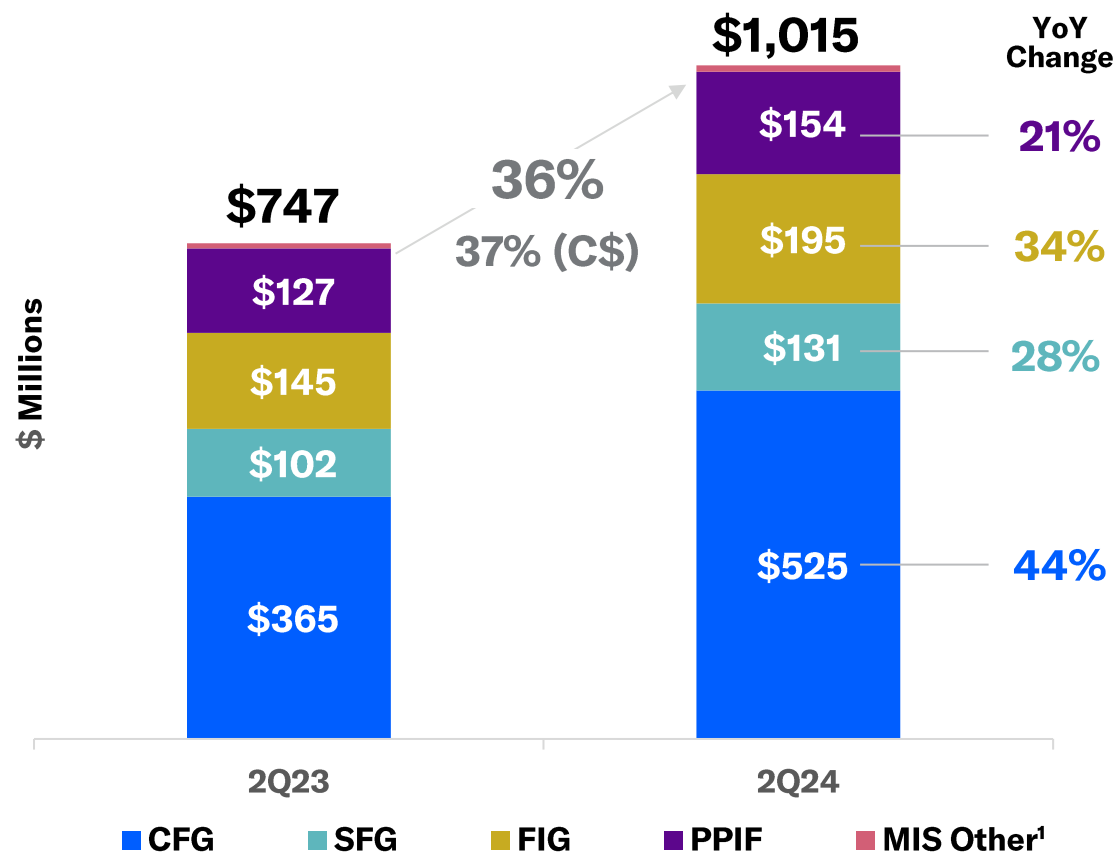
Revenue: Distribution by Recurring vs. Transaction



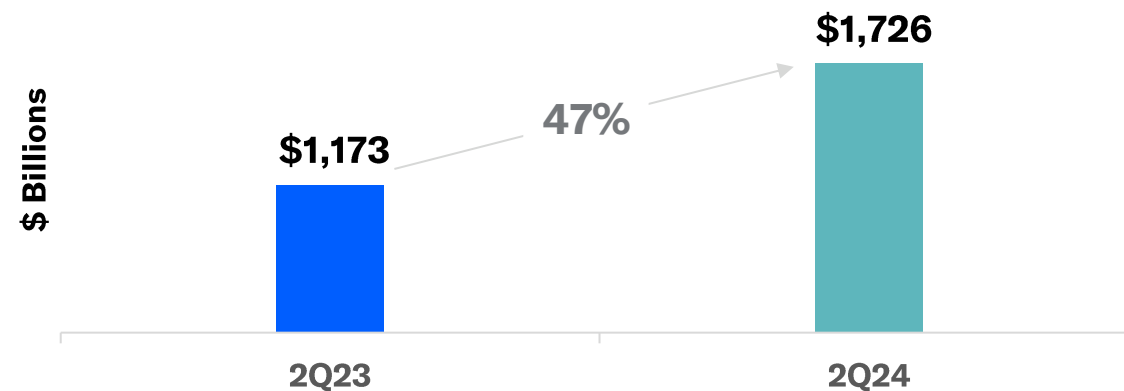
Note: Percentages have been rounded and may not total to 100%.

MIS: Quarterly Performance

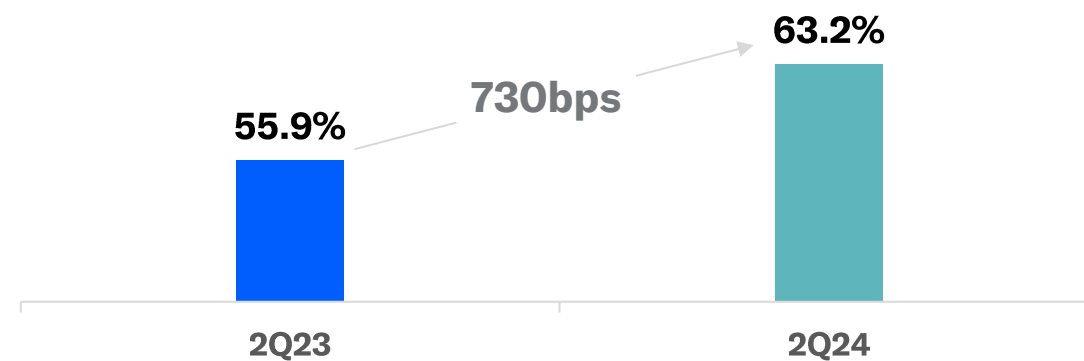
REVENUE



ISSUANCE²



ADJUSTED OPERATING MARGIN



1. MIS Other revenue was approximately \$8 million and \$10 million in the quarters ended June 30, 2023, and June 30, 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: 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 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 mid-2025; **large Euro area economies' inflation rate** to decline towards 2.0% by mid-2025
- **U.S. unemployment rate** to fluctuate around 4.0% during the year
- **Global high yield default rate** to decrease towards 3.5% - 4.0% by year-end
- **FX rates** of \$1.26 and \$1.07 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

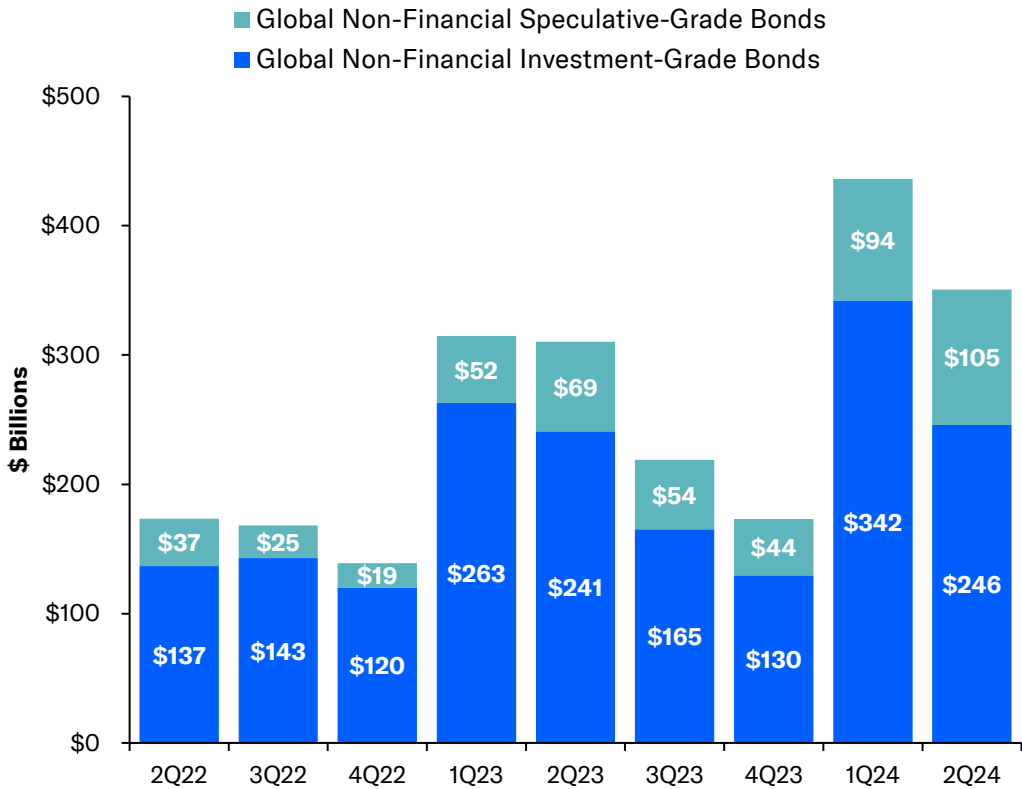
- ✗ Elevated funding costs pose potential refinancing risks for vulnerable issuers
- ✗ Geopolitical uncertainty, including the prolonged Russia-Ukraine military conflict, and the military conflict in Israel and surrounding areas
- ✗ Recessionary concerns

Sources: GDP, policy rates, high yield spreads, and inflation assumptions as of July 23, 2024, from Moody's Investors Service. Unemployment and default rate assumptions sourced from Moody's Investors Service "June 2024 Default Report", published June 15, 2024.

1. Guidance as of July 23, 2024. Refer to Table 12 – "2024 Outlook" in the press release titled "Moody's Corporation Reports Results for Second Quarter 2024" from July 23, 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.

Corporate Finance: Issuance¹ and Revenue

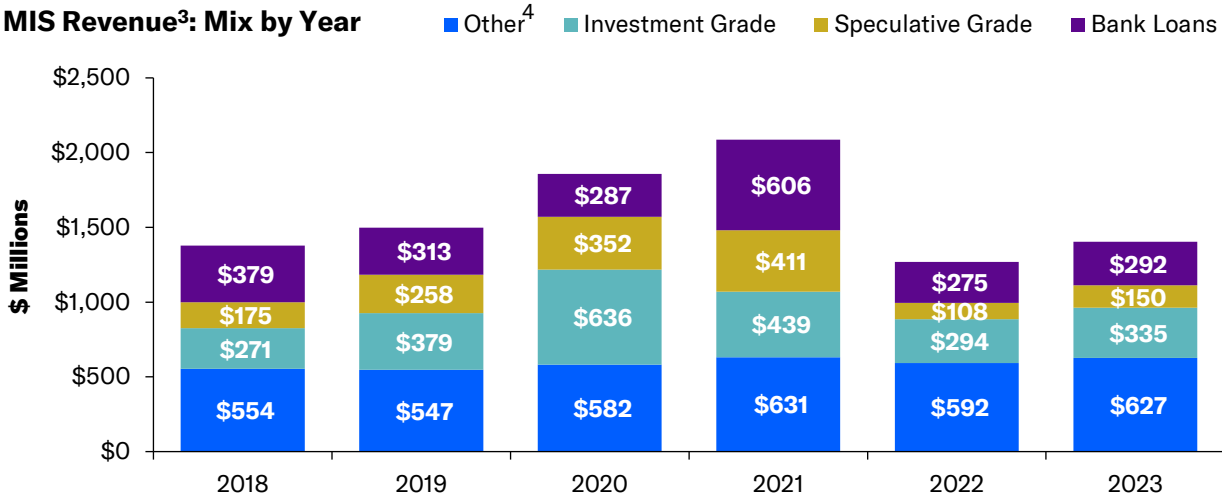
Global Issuance²: Mix by Quarter



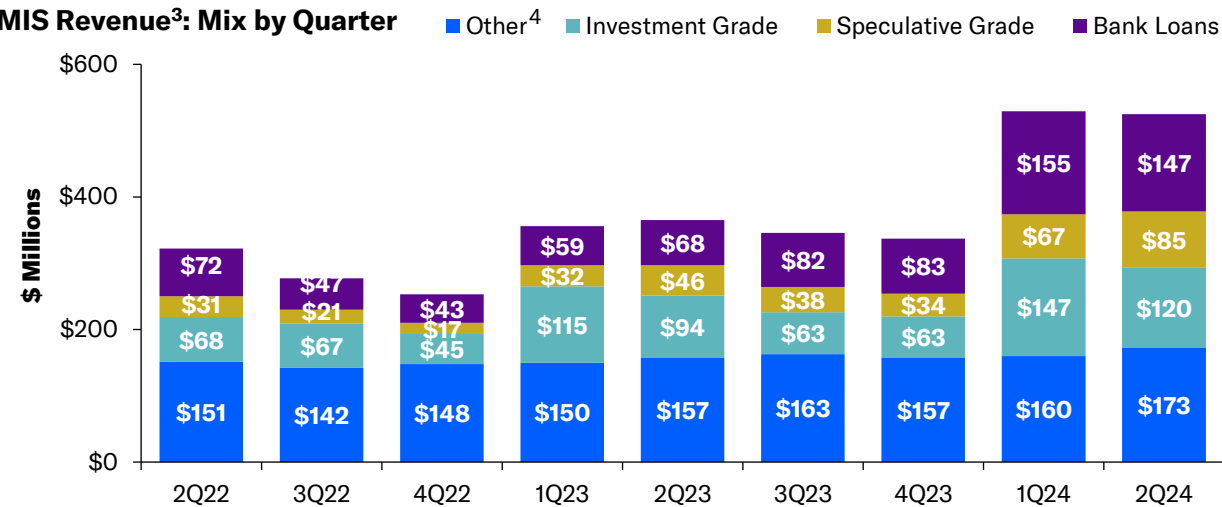
Note: Debt issuance categories do not directly correspond to Moody's revenue categorization.

1. Total estimated market issuance, unless otherwise noted.
2. Historical issuance data has been adjusted as of November 16, 2023, to conform with current information using a single-third party source (Dealogic). Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.
3. Historical data has been adjusted to conform with current information and excludes intercompany revenue. The revenue reclassification of REITs to Corporate Finance from Structured Finance is reflected starting from 2018.
4. Other includes monitoring, commercial paper, medium term notes and ICRA.

MIS Revenue³: Mix by Year

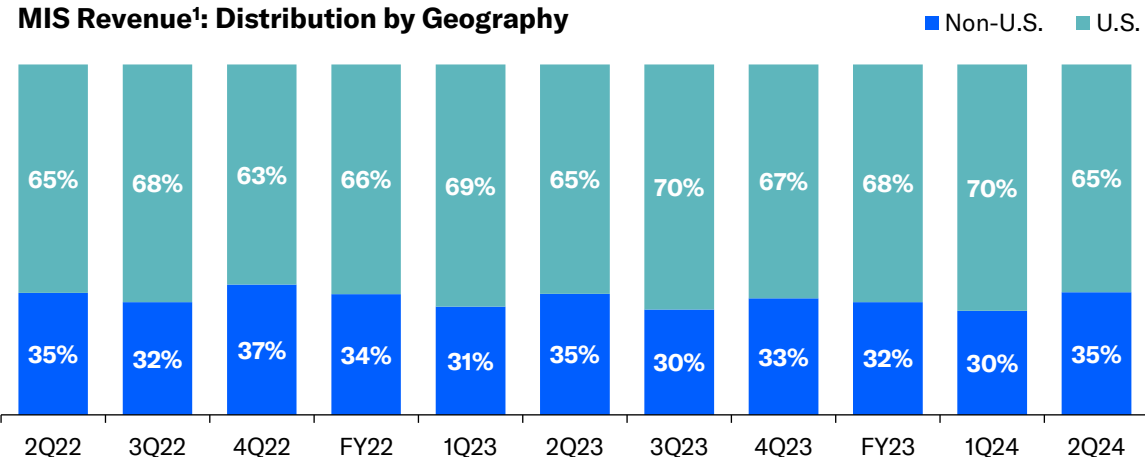


MIS Revenue³: Mix by Quarter

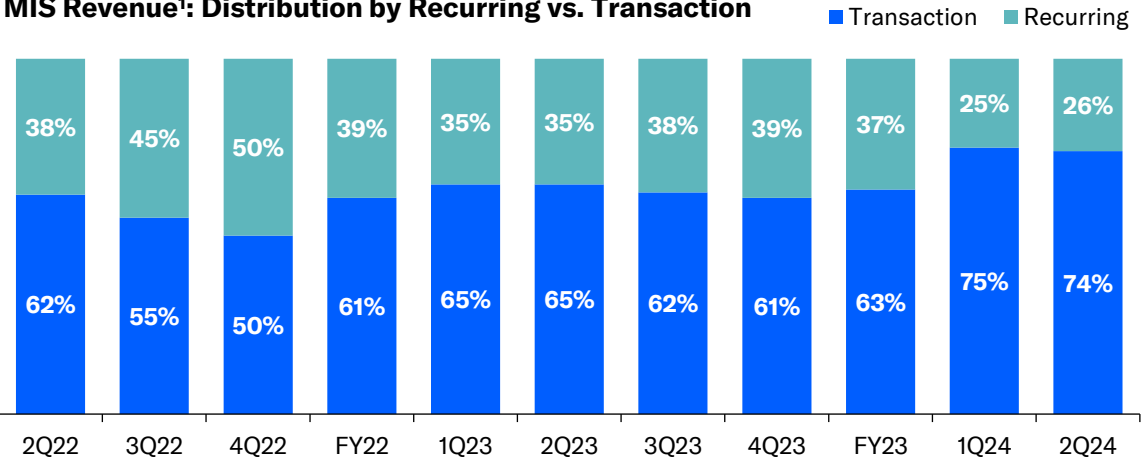


Corporate Finance: Revenue

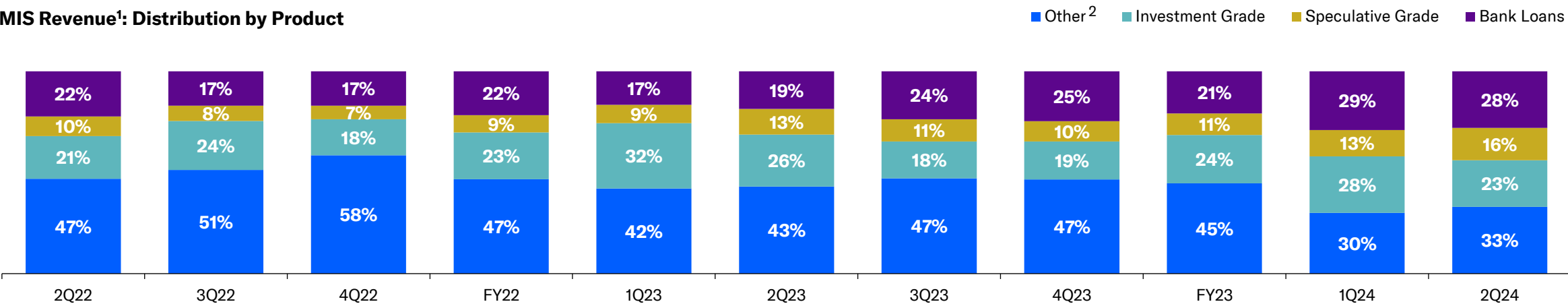
MIS Revenue¹: Distribution by Geography



MIS Revenue¹: Distribution by Recurring vs. Transaction



MIS Revenue¹: Distribution by Product



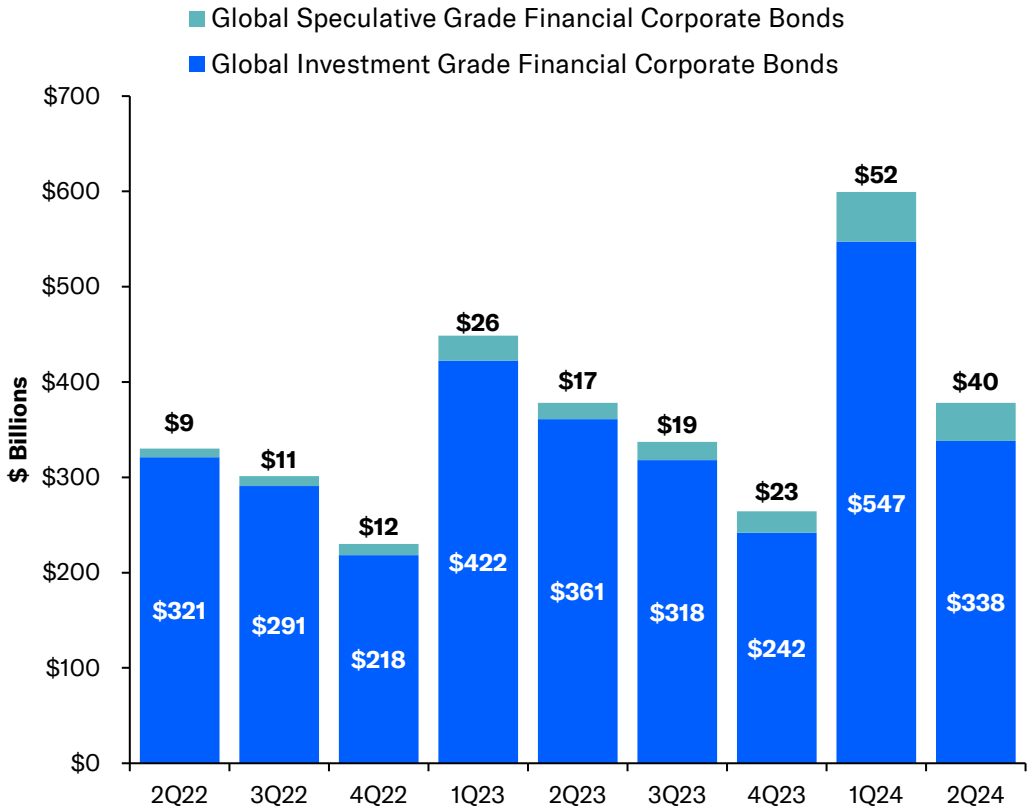
Note: Percentages have been rounded and may not total to 100%.

1. Historical data has been adjusted to conform with current information and excludes intercompany revenue.

2. Other includes monitoring, commercial paper, medium term notes and ICRA.

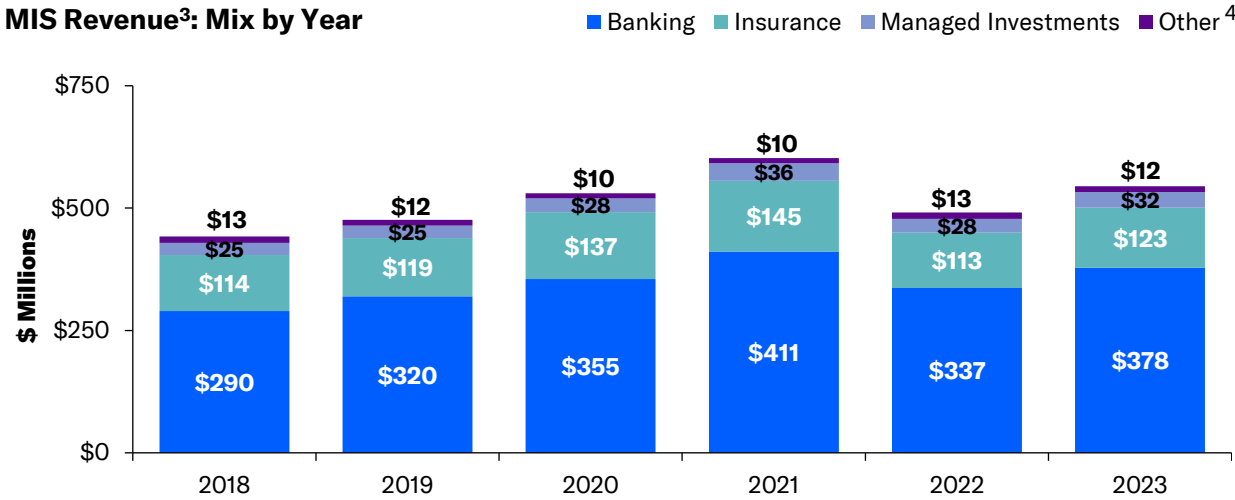
Financial Institutions: Issuance¹ and Revenue

Global Issuance²: Mix by Quarter

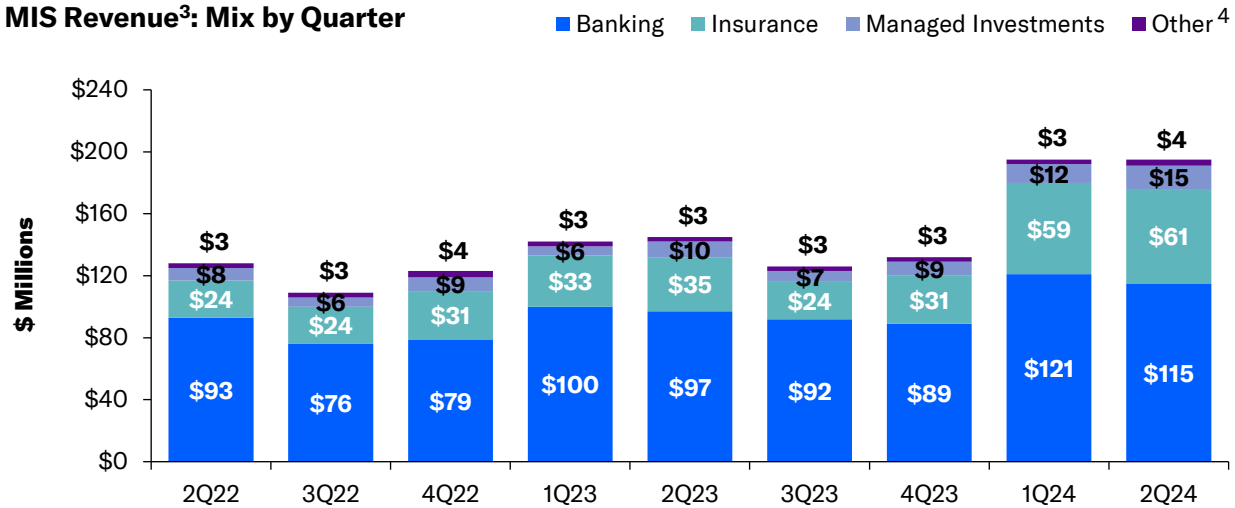


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4. Other includes monitoring, commercial paper, medium term notes and ICRA.

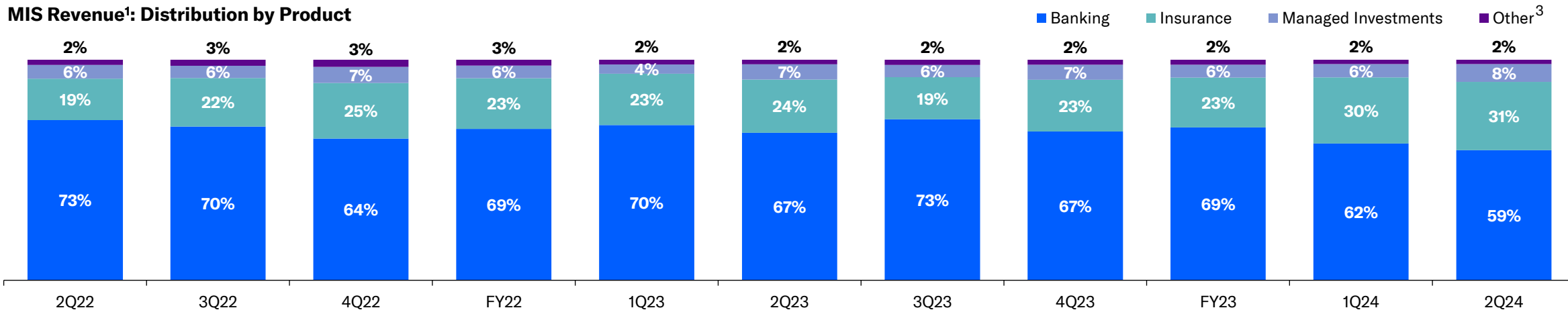
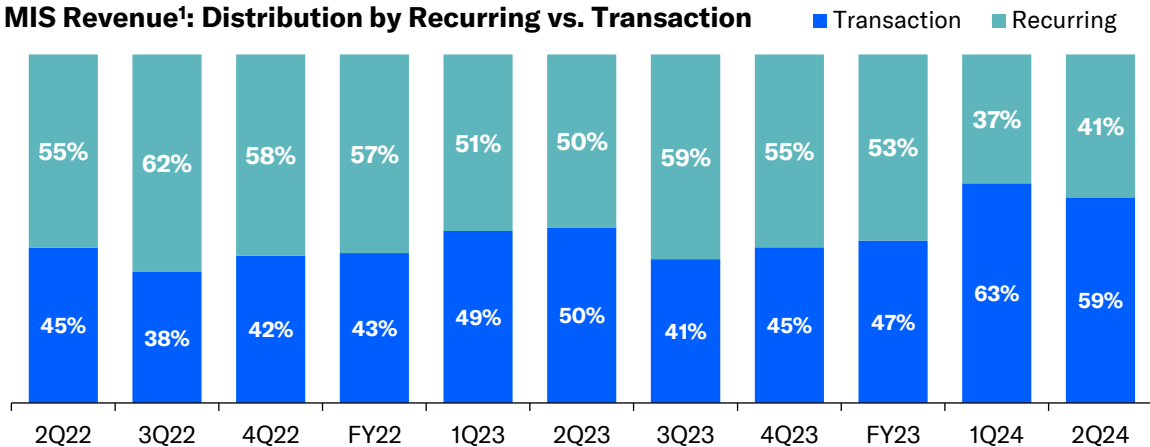
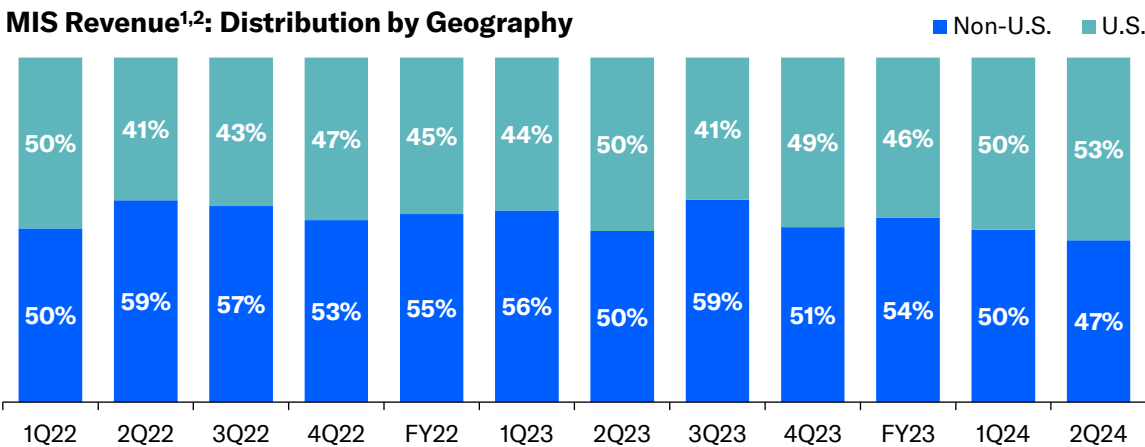
MIS Revenue³: Mix by Year



MIS Revenue³: Mix by Quarter



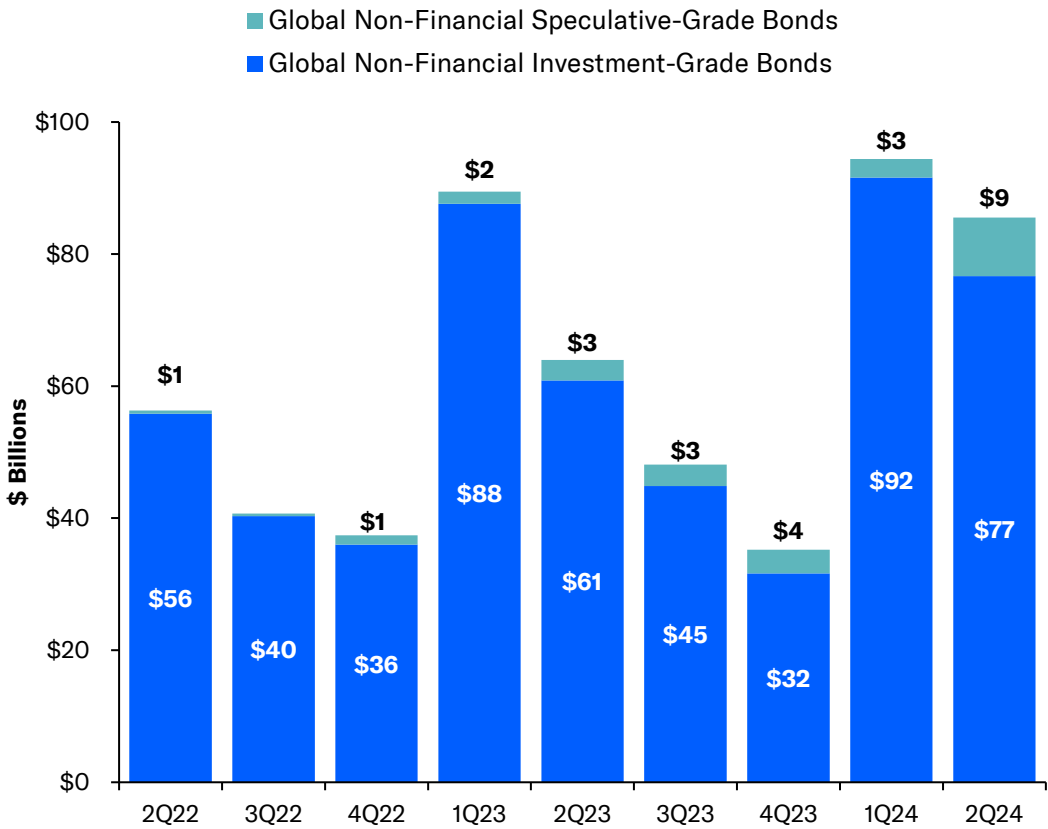
Financial Institutions: Revenue



Note: Percentages have been rounded and may not total to 100%.
1. Historical data has been adjusted to conform with current information and excludes intercompany revenue.
2. Updated on October 2024; prior version had shown 2Q24 distribution as 53% Non-U.S. and 47% U.S., in error.
3. Other includes monitoring, commercial paper, medium term notes and ICRA.

Infrastructure Issuance¹; Public, Project & Infrastructure Revenue

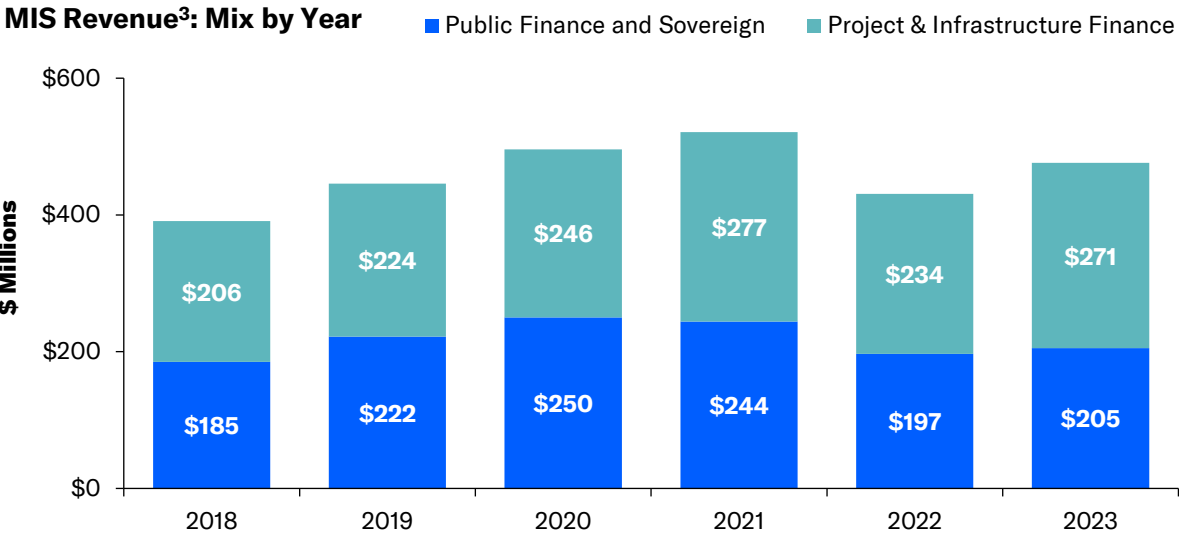
Global Issuance²: Mix by Quarter



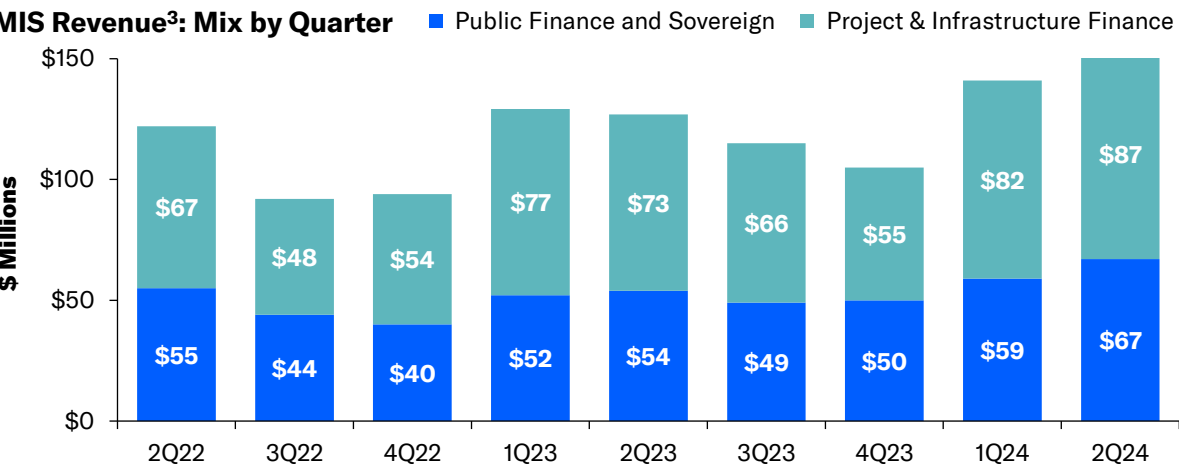
Note: Debt issuance categories do not directly correspond to Moody's revenue categorization.

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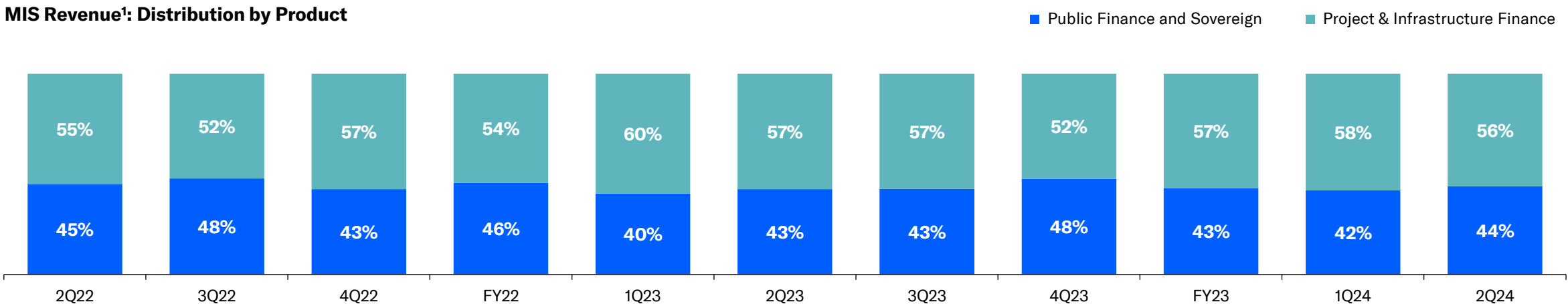
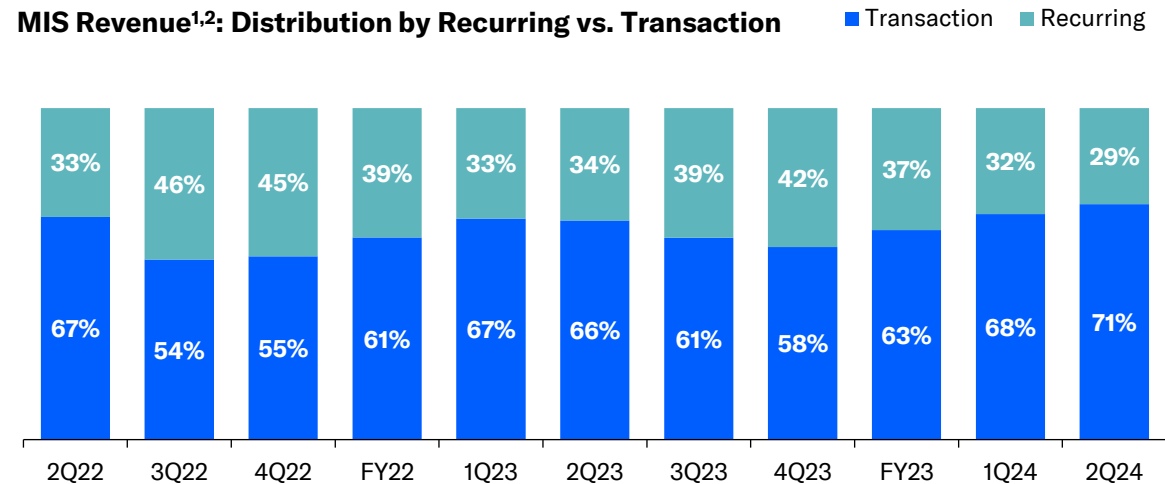
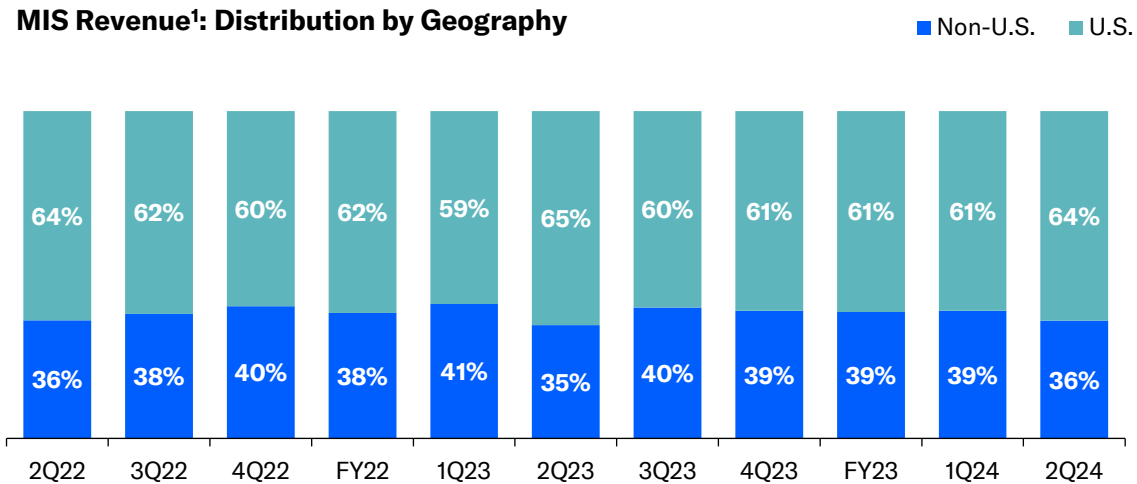
MIS Revenue³: Mix by Year



MIS Revenue³: Mix by Quarter



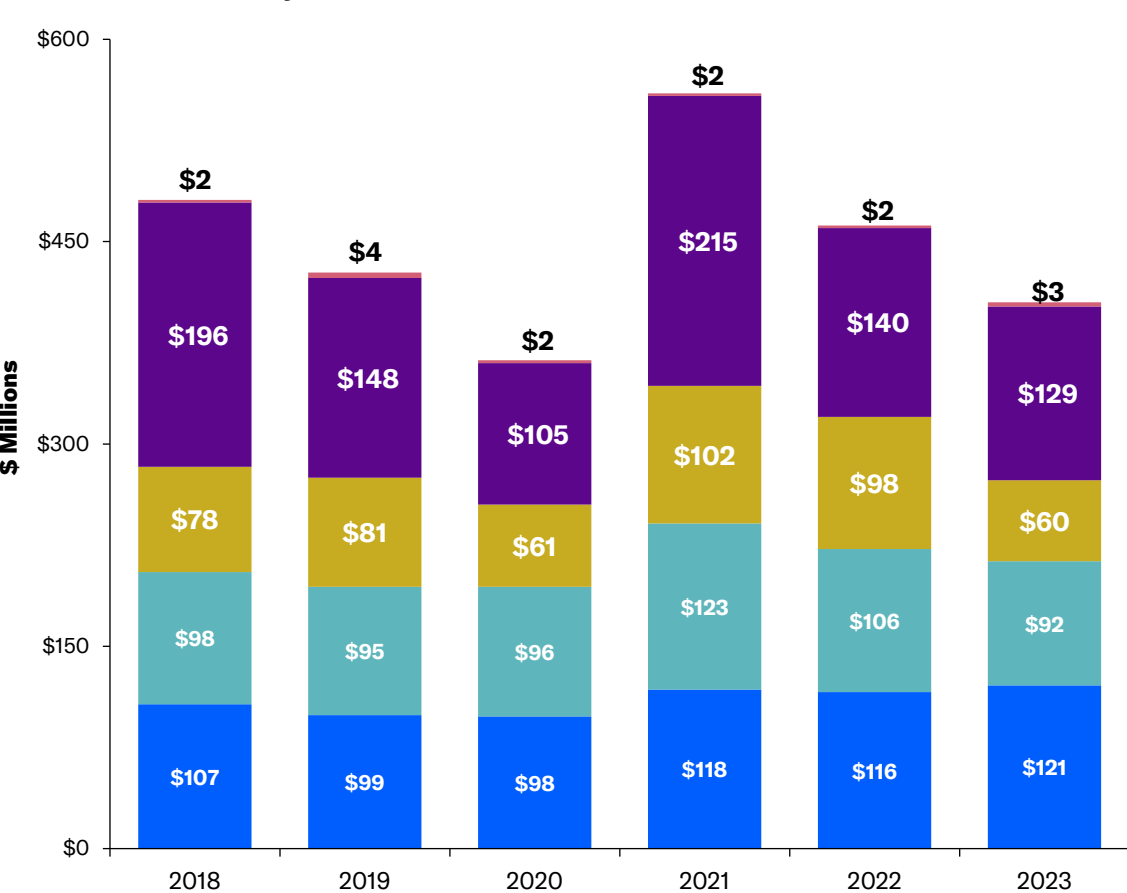
Public, Project & Infrastructure: Revenue



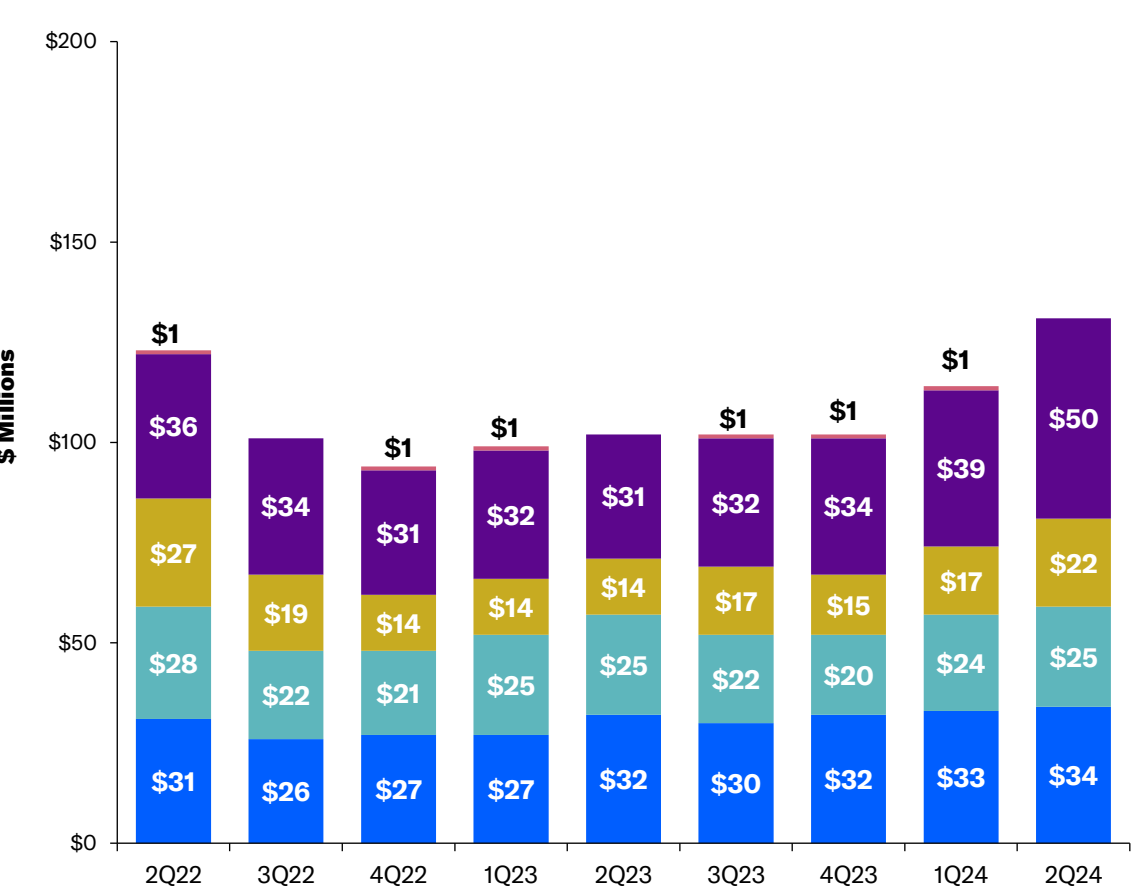
Note: Percentages have been rounded and may not total to 100%.
1. Historical data has been adjusted to conform with current information and excludes intercompany revenue.
2. Updated on October 2024; prior version had shown 2Q23 distribution as 65% Transaction and 35% Recurring and 3Q23 distribution as 62% Transaction and 38% Recurring, in error.

Structured Finance: Revenue

MIS Revenue¹: Mix by Year



MIS Revenue¹: Mix by Quarter

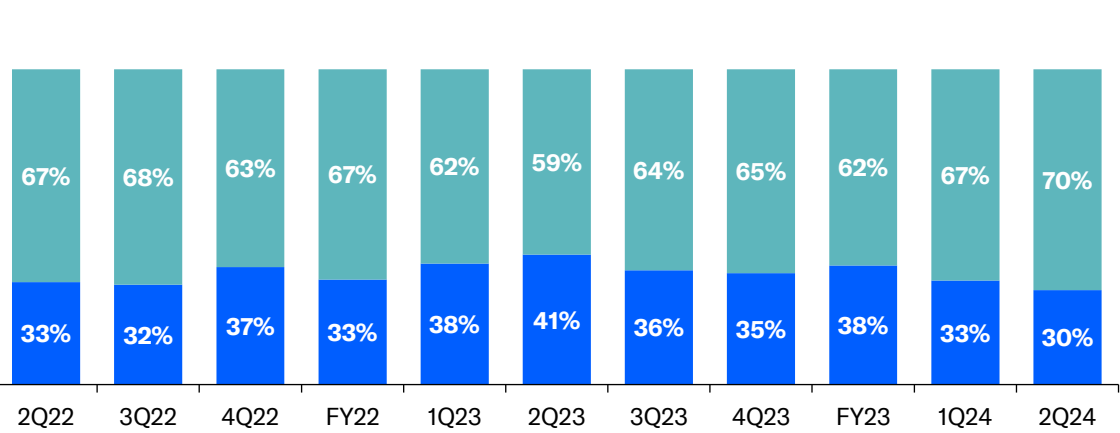


Notes: ABS (asset-backed securitization) includes asset-backed commercial paper and long-term asset-backed securities. RMBS (residential mortgage-backed securitization) includes covered bonds. CMBS (commercial mortgage-backed securities) includes commercial real estate CDOs. Structured Credit includes CLOs and CDOs.

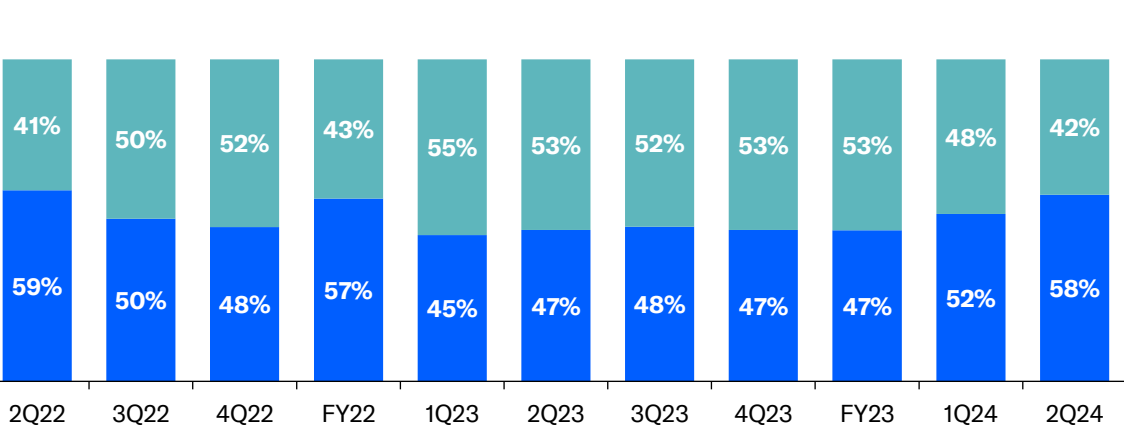
1. Historical data has been adjusted to conform with current information and excludes intercompany revenue. The revenue reclassification of REITs to Corporate Finance from Structured Finance is reflected starting from 2018.

Structured Finance: Revenue

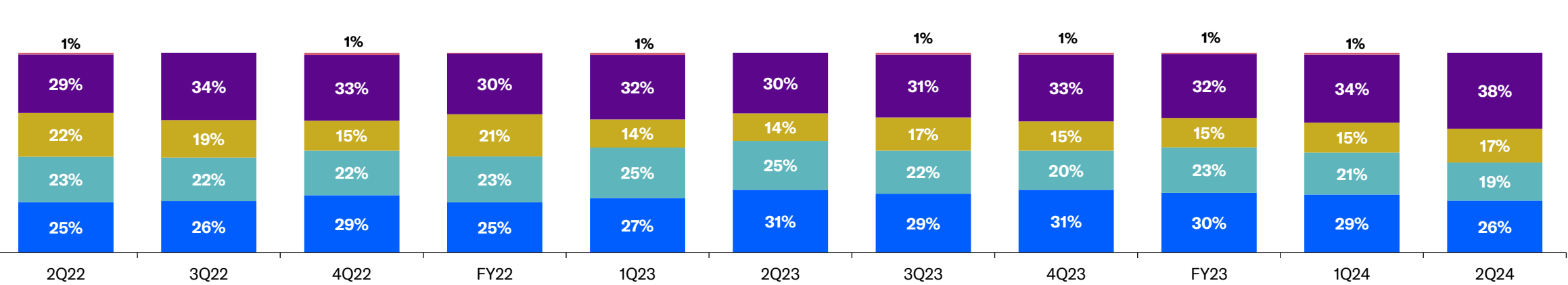
MIS Revenue¹: Distribution by Geography



MIS Revenue^{1,2}: Distribution by Recurring vs. Transaction



MIS Revenue¹: Distribution by Product

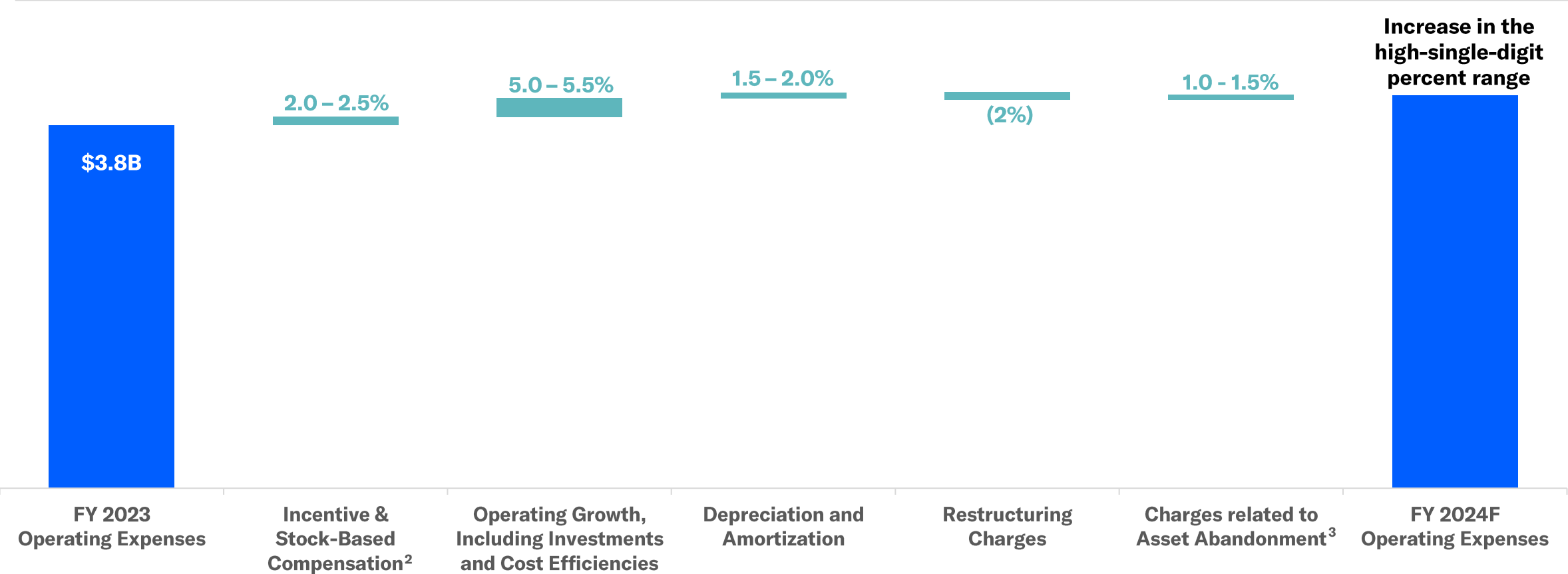


Notes: ABS (asset-backed securitization) includes asset-backed commercial paper and long-term asset-backed securities. RMBS (residential mortgage-backed securitization) includes covered bonds. CMBS (commercial mortgage-backed securities) includes commercial real estate CDOs. Structured Credit includes CLOs and CDOs. Percentages have been rounded and may not total to 100%.

1. Historical data has been adjusted to conform with current information and excludes intercompany revenue.
2. Updated on October 2024; prior version had shown 2Q23 distribution as 48% Transaction and 52% Recurring and 3Q23 distribution as 47% Transaction and 53% Recurring, in error.

MCO: Balancing Strategic Investments and Expense Management

FY 2023 vs. FY 2024F¹



Note: No material impact on FY 2024 expense forecast resulting from FX.

1. Guidance as of July 23, 2024. Refer to Table 12 – “2024 Outlook” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2024” from July 23, 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.

3. Refer to Table 5 – “Financial Information by Segment (Unaudited)” in the press release titled “Moody’s Corporation Reports Results for Second Quarter 2024” from July 23, 2024, for the definition of and further information on “Charges related to Asset Abandonment.”

Teleconference Details

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Moody's Attendance at Upcoming Conferences

Aug 12

Oppenheimer

Technology, Internet & Communications Conference

Sept 10

Goldman Sachs

Communacopia + Technology Conference

Sept 11

Barclays

Global Financial Services Conference

Sept 11

UBS

Fintech One-on-one 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 motion and depth. 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 lower left area where the text is located.

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>	June 30, 2024	June 30, 2023	Change	Growth
MA ARR				
Decision Solutions				
Banking	\$ 428	\$ 392	\$ 36	9%
Insurance	569	500	69	14%
KYC	352	298	54	18%
Total Decision Solutions	\$ 1,349	\$ 1,190	\$ 159	13%
Research and Insights	902	850	52	6%
Data and Information	854	773	81	10%
Total MA ARR	\$ 3,105	\$ 2,813	\$ 292	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.

Amounts in millions	Three Months Ended June 30,							
	2024				2023			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$802	\$1,015	\$ —	\$ 1,817	\$747	\$747	\$ —	\$ 1,494
Intersegment revenue	4	49	(53)	—	4	46	(50)	—
Total revenue	806	1,064	(53)	1,817	751	793	(50)	1,494
Operating, SG&A	576	392	(53)	915	541	350	(50)	841
Adjusted Operating Income	\$230	\$672	\$ —	\$ 902	\$210	\$443	\$ —	\$ 653
<i>Adjusted Operating Margin</i>	28.5 %	63.2 %		49.6 %	28.0 %	55.9 %		43.7 %
Depreciation and amortization	90	20	—	110	74	19	—	93
Restructuring	1	1	—	2	8	2	—	10
Charges related to asset abandonment ⁽¹⁾	15	—	—	15	—	—	—	—
Operating income				\$ 775				\$ 550
<i>Operating margin</i>				42.7 %				36.8 %

Amounts in millions	Six Months Ended June 30,							
	2024				2023			
	MA	MIS	Eliminations	Consolidated	MA	MIS	Eliminations	Consolidated
Total external revenue	\$1,601	\$2,002	\$ —	\$ 3,603	\$1,484	\$1,480	\$ —	\$ 2,964
Intersegment revenue	7	96	(103)	—	7	91	(98)	—
Total revenue	1,608	2,098	(103)	3,603	1,491	1,571	(98)	2,964
Operating, SG&A	1,140	758	(103)	1,795	1,067	686	(98)	1,655
Adjusted Operating Income	\$468	\$1,340	\$ —	\$ 1,808	\$424	\$885	\$ —	\$ 1,309
<i>Adjusted Operating Margin</i>	29.1 %	63.9 %		50.2 %	28.4 %	56.3 %		44.2 %
Depreciation and amortization	172	38	—	210	144	37	—	181
Restructuring	3	4	—	7	16	8	—	24
Charges related to asset abandonment ⁽¹⁾	15	—	—	15	—	—	—	—
Operating income				\$ 1,576				\$ 1,104
<i>Operating margin</i>				43.7 %				37.2 %

- Charges related to severance costs incurred pursuant to a reduction in staff due to the Company's decision to outsource the production of certain sustainability content utilized in our product offerings. Additionally, the Company has reduced the estimated useful lives of certain internally developed software and amortizable intangible assets that are associated with the sustainability content offerings for which production is being outsourced. The Company expects to incur approximately \$30 million in incremental amortization expense related to the change in estimated useful lives of these assets in the second half of 2024.

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; ii) restructuring charges/adjustments; and iii) charges related to asset abandonment. 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 and charges related to asset abandonment 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating income	\$ 775	\$ 550	\$ 1,576	\$ 1,104
Depreciation and amortization	110	93	210	181
Restructuring	2	10	7	24
Charges related to asset abandonment	15	—	15	—
Adjusted Operating Income	\$ 902	\$ 653	\$ 1,808	\$ 1,309
Operating margin	42.7 %	36.8 %	43.7 %	37.2 %
Adjusted Operating Margin	49.6 %	43.7 %	50.2 %	44.2 %

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>	Six Months Ended June 30,	
	2024	2023
Net cash provided by operating activities	\$ 1,461	\$ 1,212
Capital additions	(171)	(127)
Free Cash Flow	\$ 1,290	\$ 1,085
Net cash used in investing activities	\$ (191)	\$ (103)
Net cash used in financing activities	\$ (731)	\$ (624)

Adjusted Net Income and Adjusted Diluted EPS Attributable to Moody's Common Shareholders

The Company presents Adjusted Net Income and Adjusted Diluted EPS because management deems these metrics to be useful measures to provide additional perspective on Moody's operating performance. Adjusted Net Income and Adjusted Diluted EPS exclude the impact of: i) amortization of acquired intangible assets; ii) restructuring charges/adjustments; and iii) charges related to asset abandonment.

The Company excludes the impact of amortization of acquired intangible assets as companies utilize intangible assets with different estimated useful lives and have different methods of acquiring and amortizing intangible assets. These intangible assets were recorded as part of acquisition accounting and contribute to revenue generation. The amortization of intangible assets related to acquisitions will recur in future periods until such intangible assets have been fully amortized. Furthermore, the timing and magnitude of business combination transactions are not predictable and the purchase price allocated to amortizable intangible assets and the related amortization period are unique to each acquisition and can vary significantly from period to period and across companies. Restructuring charges/adjustments and charges related to asset abandonment 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 June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net Income attributable to Moody's common shareholders	\$ 552	\$ 377	\$ 1,129	\$ 878
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 48	\$ 50	\$ 97	\$ 101
Tax on Acquisition-Related Intangible Amortization Expenses	(12)	(12)	(24)	(24)
Net Acquisition-Related Intangible Amortization Expenses	36	38	73	77
Pre-tax restructuring	\$ 2	\$ 10	\$ 7	\$ 24
Tax on restructuring	(1)	(2)	(2)	(6)
Net restructuring	1	8	5	18
Pre-tax charges related to asset abandonment	\$ 15	\$ —	\$ 15	\$ —
Tax on charges related to asset abandonment	(4)	—	(4)	—
Net charges related to asset abandonment	11	—	11	—
Adjusted Net Income	\$ 600	\$ 423	\$ 1,218	\$ 973

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Diluted earnings per share attributable to Moody's common shareholders	\$ 3.02	\$ 2.05	\$ 6.16	\$ 4.77
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 0.26	\$ 0.27	\$ 0.53	\$ 0.55
Tax on Acquisition-Related Intangible Amortization Expenses	(0.07)	(0.06)	(0.13)	(0.13)
Net Acquisition-Related Intangible Amortization Expenses	0.19	0.21	0.40	0.42
Pre-tax restructuring	\$ 0.01	\$ 0.05	\$ 0.04	\$ 0.13
Tax on restructuring	—	(0.01)	(0.01)	(0.03)
Net restructuring	0.01	0.04	0.03	0.10
Pre-tax charges related to asset abandonment	\$ 0.08	\$ —	\$ 0.08	\$ —
Tax on charges related to asset abandonment	(0.02)	—	(0.02)	—
Net charges related to asset abandonment	0.06	—	0.06	—
Adjusted Diluted EPS	\$ 3.28	\$ 2.30	\$ 6.65	\$ 5.29

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

Amounts in millions	Three Months Ended June 30,				Six Months Ended June 30,			
	2024	2023	Change	Growth	2024	2023	Change	Growth
MCO revenue	\$ 1,817	\$ 1,494	\$ 323	22%	\$ 3,603	\$ 2,964	\$ 639	22%
FX impact	7	—	7		3	—	3	
Constant currency MCO revenue	<u>\$ 1,824</u>	<u>\$ 1,494</u>	<u>\$ 330</u>	<u>22%</u>	<u>\$ 3,606</u>	<u>\$ 2,964</u>	<u>\$ 642</u>	<u>22%</u>
MA revenue	\$ 802	\$ 747	\$ 55	7%	\$ 1,601	\$ 1,484	\$ 117	8%
FX impact	2	—	2		(1)	—	(1)	
Constant currency MA revenue	<u>\$ 804</u>	<u>\$ 747</u>	<u>\$ 57</u>	<u>8%</u>	<u>\$ 1,600</u>	<u>\$ 1,484</u>	<u>\$ 116</u>	<u>8%</u>
Decision Solutions revenue	\$ 366	\$ 334	\$ 32	10%	\$ 731	\$ 668	\$ 63	9%
FX impact	1	—	1		(1)	—	(1)	
Constant currency Decision Solutions revenue	<u>\$ 367</u>	<u>\$ 334</u>	<u>\$ 33</u>	<u>10%</u>	<u>\$ 730</u>	<u>\$ 668</u>	<u>\$ 62</u>	<u>9%</u>
Research and Insights revenue	\$ 226	\$ 217	\$ 9	4%	\$ 448	\$ 432	\$ 16	4%
FX impact	—	—	—		—	—	—	
Constant currency Research and Insights revenue	<u>\$ 226</u>	<u>\$ 217</u>	<u>\$ 9</u>	<u>4%</u>	<u>\$ 448</u>	<u>\$ 432</u>	<u>\$ 16</u>	<u>4%</u>
Data and Information revenue	\$ 210	\$ 196	\$ 14	7%	\$ 422	\$ 384	\$ 38	10%
FX impact	1	—	1		—	—	—	
Constant currency Data and Information revenue	<u>\$ 211</u>	<u>\$ 196</u>	<u>\$ 15</u>	<u>8%</u>	<u>\$ 422</u>	<u>\$ 384</u>	<u>\$ 38</u>	<u>10%</u>
MIS revenue	\$ 1,015	\$ 747	\$ 268	36%	\$ 2,002	\$ 1,480	\$ 522	35%
FX impact	5	—	5		4	—	4	
Constant currency MIS revenue	<u>\$ 1,020</u>	<u>\$ 747</u>	<u>\$ 273</u>	<u>37%</u>	<u>\$ 2,006</u>	<u>\$ 1,480</u>	<u>\$ 526</u>	<u>36%</u>
CFG revenue	\$ 525	\$ 365	\$ 160	44%	\$ 1,054	\$ 721	\$ 333	46%
FX impact	3	—	3		2	—	2	
Constant currency CFG revenue	<u>\$ 528</u>	<u>\$ 365</u>	<u>\$ 163</u>	<u>45%</u>	<u>\$ 1,056</u>	<u>\$ 721</u>	<u>\$ 335</u>	<u>46%</u>
SFG revenue	\$ 131	\$ 102	\$ 29	28%	\$ 245	\$ 201	\$ 44	22%
FX impact	1	—	1		1	—	1	
Constant currency SFG revenue	<u>\$ 132</u>	<u>\$ 102</u>	<u>\$ 30</u>	<u>29%</u>	<u>\$ 246</u>	<u>\$ 201</u>	<u>\$ 45</u>	<u>22%</u>
FIG revenue	\$ 195	\$ 145	\$ 50	34%	\$ 390	\$ 287	\$ 103	36%
FX impact	1	—	1		1	—	1	
Constant currency FIG revenue	<u>\$ 196</u>	<u>\$ 145</u>	<u>\$ 51</u>	<u>35%</u>	<u>\$ 391</u>	<u>\$ 287</u>	<u>\$ 104</u>	<u>36%</u>
PPIF revenue	\$ 154	\$ 127	\$ 27	21%	\$ 295	\$ 256	\$ 39	15%
FX impact	—	—	—		—	—	—	
Constant currency PPIF revenue	<u>\$ 154</u>	<u>\$ 127</u>	<u>\$ 27</u>	<u>21%</u>	<u>\$ 295</u>	<u>\$ 256</u>	<u>\$ 39</u>	<u>15%</u>
MA recurring revenue	\$ 763	\$ 700	\$ 63	9%	\$ 1,520	\$ 1,392	\$ 128	9%
FX impact	2	—	2		(1)	—	(1)	
Constant currency MA recurring revenue	<u>\$ 765</u>	<u>\$ 700</u>	<u>\$ 65</u>	<u>9%</u>	<u>\$ 1,519</u>	<u>\$ 1,392</u>	<u>\$ 127</u>	<u>9%</u>

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