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# First Quarter 2022 Earnings Call

May 2, 2022

# Introduction

## Shivani Kak

Head of Investor Relations



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Those factors, risks and uncertainties include, but are not limited to the global impact of the crisis in Ukraine on volatility in the U.S. and world financial markets, on general economic conditions and GDP in the U.S. and worldwide, on global relations, and its potential for further worldwide credit market disruptions and economic slowdowns; the impact of MIS's withdrawal of its credit ratings on Russian entities and of Moody's suspension of commercial operations in Russia; the impact of COVID-19 on world financial markets, on general economic conditions and on Moody's own operations and personnel; future worldwide credit market disruptions or economic slowdowns, which could 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, inflation and other volatility in the financial markets and uncertainty as companies transition away from LIBOR; 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; 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; 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 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; 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 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; 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 Moody's annual report on Form 10-K for the year ended December 31, 2021, and in other filings made by Moody's 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 Moody'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 Moody's business, results of operations and financial condition. New factors may emerge from time to time, and it is not possible for Moody's to predict new factors, nor can Moody's 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.

# Overview & 1Q 2022 Results



## Rob Fauber

President and Chief Executive Officer

# Executive Summary

- 1 1Q 2022 financial results: MCO revenue of \$1.5B; adjusted diluted EPS of \$2.89<sup>1</sup>
- 2 Updated FY 2022 guidance<sup>2</sup>: MCO revenue approximately flat; adjusted diluted EPS of \$10.75 - \$11.25
- 3 MIS's business fundamentals remain firmly intact despite volatile short-term market conditions
- 4 MA delivered 23% revenue growth; introducing Annualized Recurring Revenue (ARR)<sup>3</sup>
- 5 Strong demand for integrated risk assessment offerings in times of uncertainty

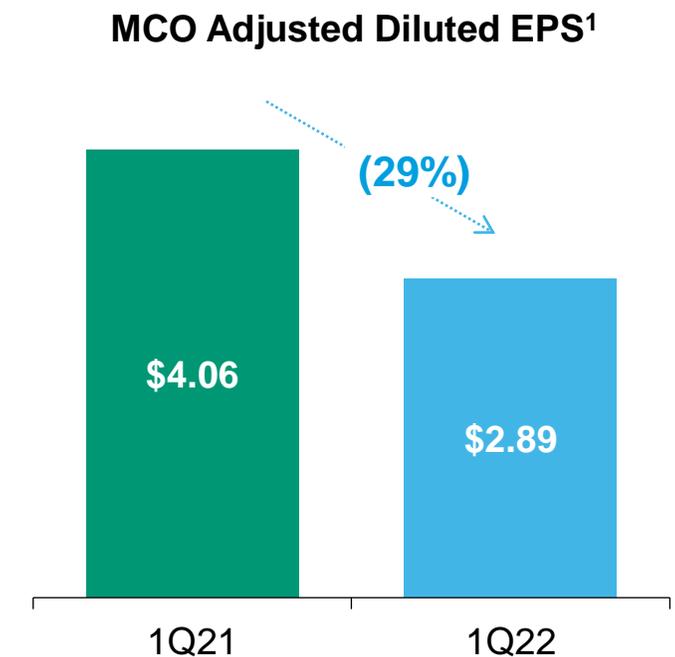
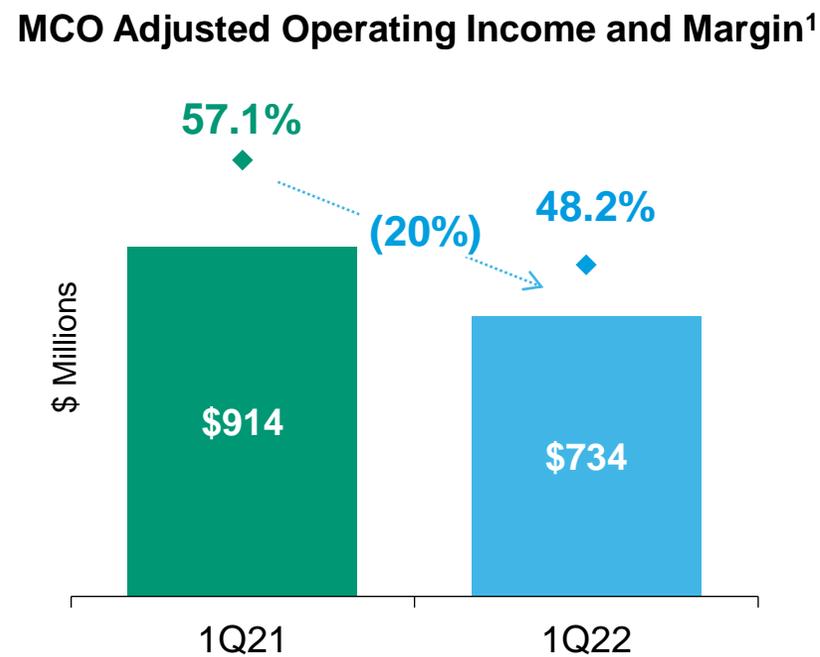
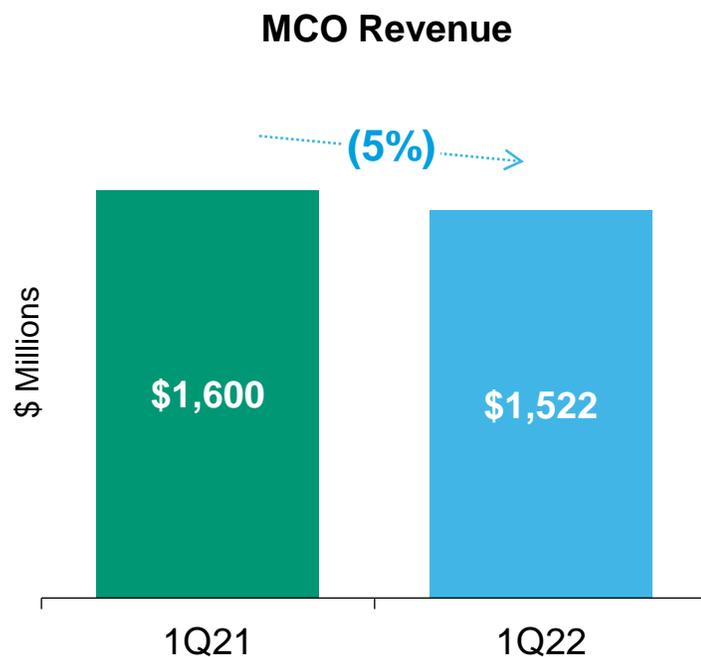
1. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

2. Guidance as of May 2, 2022. Refer to Table 13 – “2022 Outlook” in the press release for a complete list of guidance and a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

3. Refer to the Appendix for the definition of and further information on Annualized Recurring Revenue (ARR). ARR excludes the impact of foreign currency translation.

# Resilient Performance Amidst Challenging Backdrop

- » MCO revenue contracted just 5% from record first quarter 2021
  - MA revenue grew 23%
  - MIS revenue decreased 20% vs. a rated issuance decline of 25%
- » Adjusted diluted EPS<sup>1</sup> of \$2.89



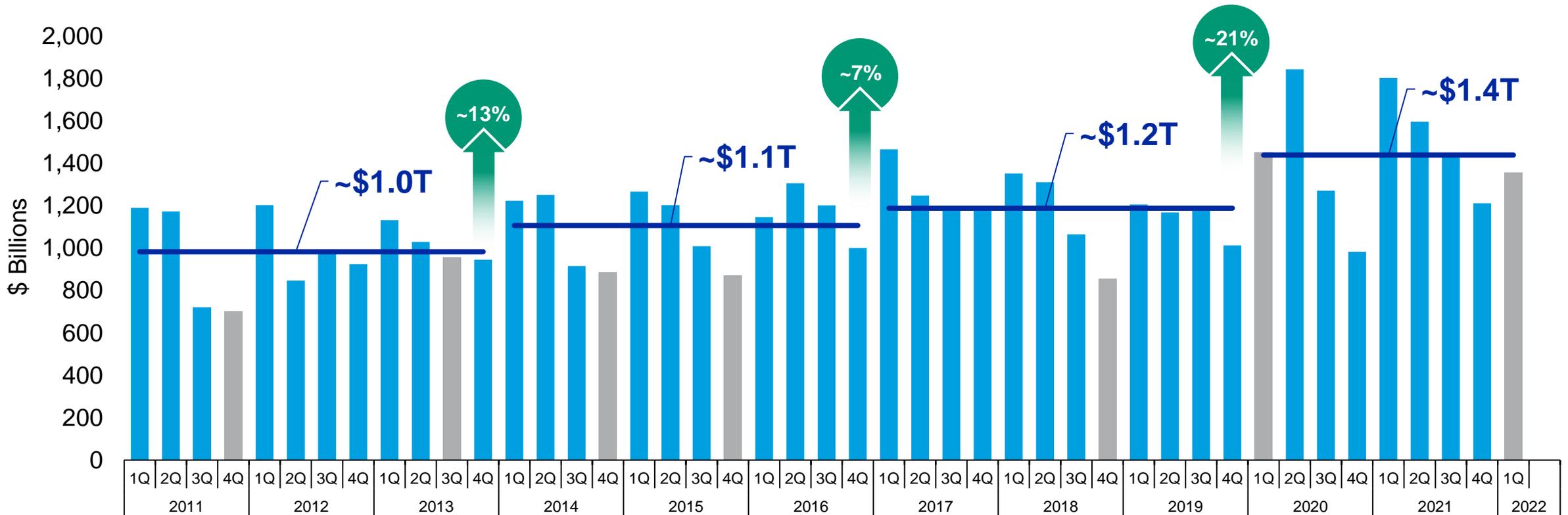
1. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.

# MIS: 2022 Issuance Factors



# Issuance Increases Over Time, Despite Periods of Volatility

## Historical Quarterly MIS Rated Issuance<sup>1</sup>



1. MIS rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.  
 Note: Grey bars represent the sovereign crisis (4Q11), QE taper announcement (3Q13), oil price shock (4Q14), China slowdown fears (4Q15), stock market slide (4Q18), COVID-19 pandemic (1Q20) and Russia-Ukraine crisis (1Q22), respectively. Horizontal lines represent average quarterly issuance for the period.

# Medium-term Drivers Remain Strong

## GROWING GLOBAL GDP<sup>1</sup>

Expected to moderate off 2021 high with real GDP growth for the next five years expected to exceed the growth rate that prevailed prior to the COVID-19 pandemic



## INCREASING REFUNDING WALLS<sup>2</sup>

\$4T+ of refinancing needs between 2022 – 2025



## CONDUCTIVE CREDIT ENVIRONMENT<sup>1</sup>

All-in financing costs remain relatively attractive despite expected, gradual increase in U.S. 10-year Treasury yield from historic lows



## FIRST TIME MANDATES

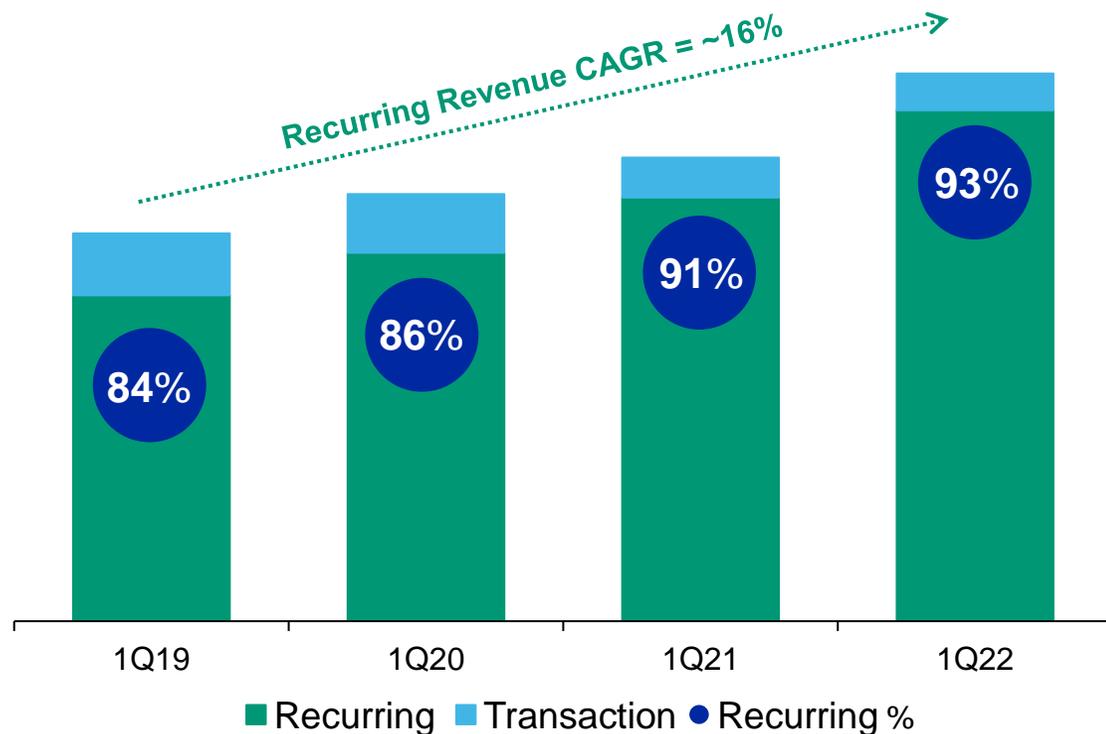
Two years of record issuance increased recurring revenue base by ~10%<sup>3</sup>, further bolstered by surge in FTMs



1. GDP and interest rate projections from Moody's Analytics forecasts. Comparing 4Q14 - 4Q19 average annual real GDP growth of 2.3% against 4Q21 - 4Q26 projected average annual real GDP growth.
2. Reflects total MIS-rated U.S. non-financial corporate bond and loan maturities, in addition to EMEA non-financial corporate and infrastructure bond and loan maturities as defined in Moody's Investors Service's refunding needs reports (2020 – 2021).
3. MIS recurring revenue growth from FY 2019 to FY 2021.

# MA: Strong Recurring Revenue Continues to Drive Growth

## TTM Recurring and Transaction Revenue<sup>1</sup>



## 1Q22 Performance Highlights



1. Trailing twelve months as of March 31, 2022.

2. Refer to the Appendix for the definition of and further information on the Organic Annualized Recurring Revenue (ARR) metric. Organic ARR excludes the impact of foreign currency translation.

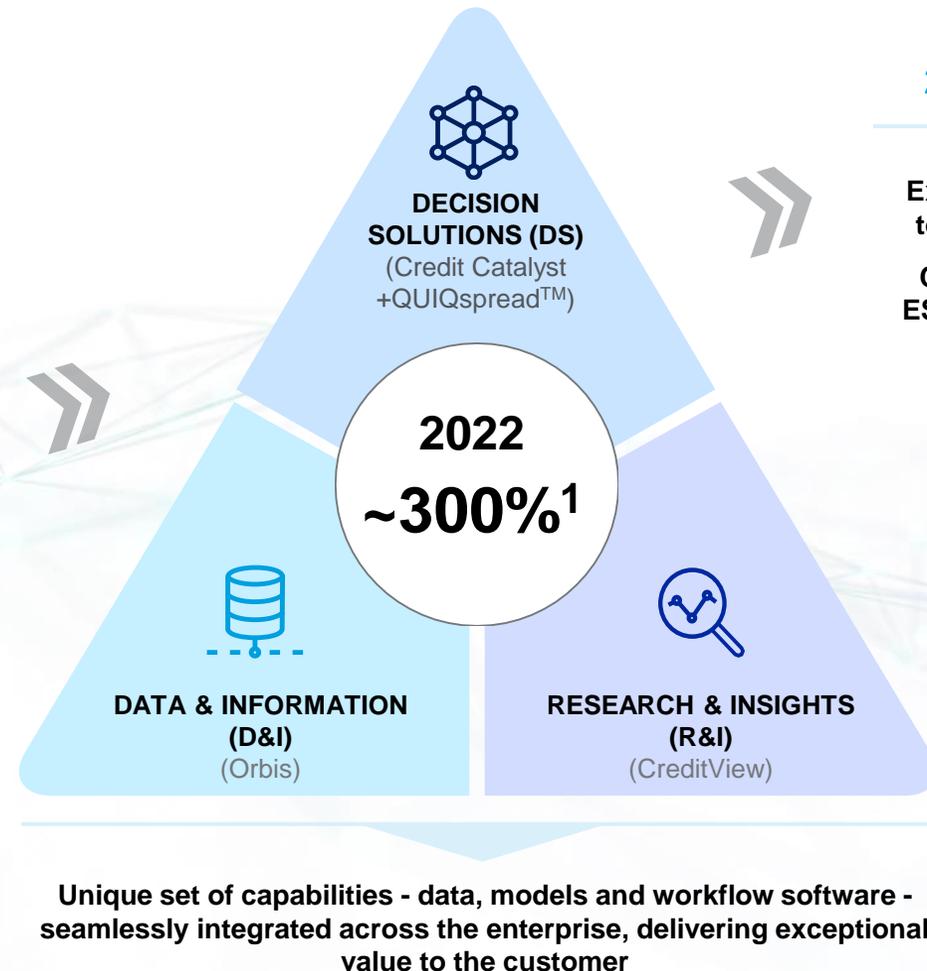
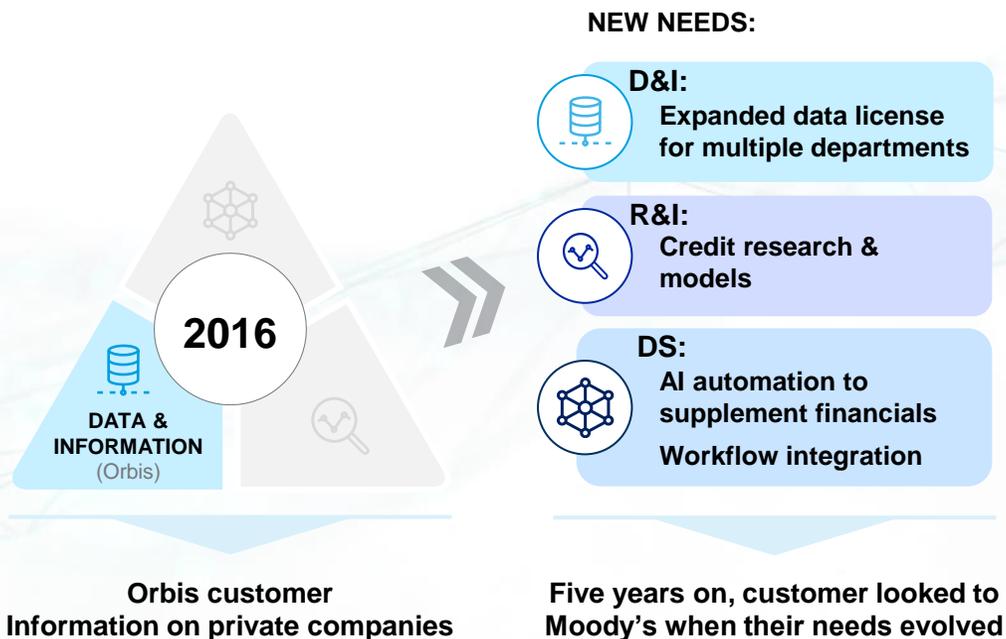
3. Refer to the Appendix for definitions of organic revenue, as well as reconciliations between all organic measures mentioned throughout this presentation and U.S. GAAP.

4. Excludes Acquire Media, ZM Financial, Catylist, Cortera, RMS, RealXData, Bogard, PassFort and kompany.

# Integrated Risk Capabilities Enable Insurer To Modernize

## CASE STUDY: LARGE MULTINATIONAL INSURANCE COMPANY

To improve the speed and rigor of their underwriting process, customer turned to Moody's and streamlined their efforts by 70%



## 2022 and Beyond

Extensive opportunities to expand relationship

Currently considering ESG and other solutions

1. Represents the percent increase in sales when compared to 2016.

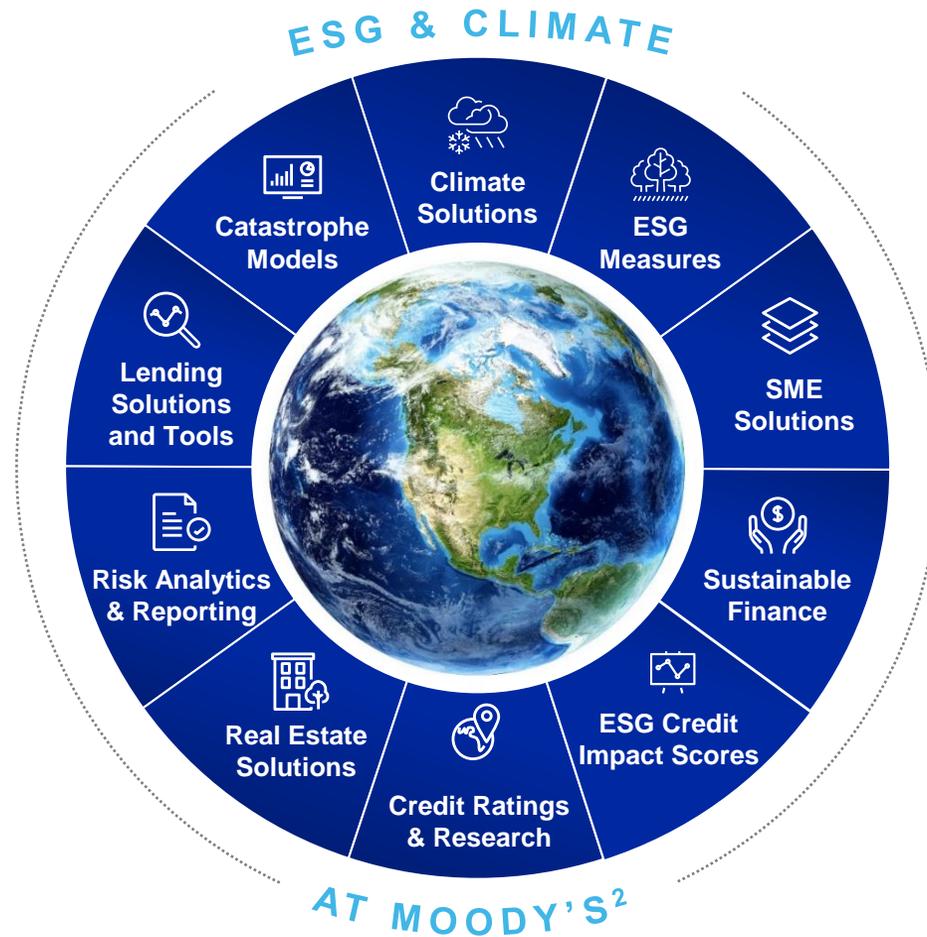
# Comprehensive Approach to ESG & Climate at MCO



**~\$170 million**  
2021 Pro-Forma Revenue<sup>1</sup>



Growth in the  
**Low-double-digit<sup>1</sup>**  
percent range in 2022



## KEY LAUNCHES:

- » Moody's ESG360<sup>TM3</sup>: Consolidated view of ESG insights delivering decision-relevant data, scores and assessments
- » New climate change models in U.S. and Japan helping assess the long-term impacts of climate change across a wide range of perils

## KEY AWARDS:

- » InsuranceERM's Risk Innovation of the Year
- » IFR's<sup>4</sup> ESG Opinion Provider of the Year
- » FinTech Breakthrough Award for ESG Score Predictor
- » Central Banking's 2022 ESG Portfolio Services Provider for Central Banks

1. Pro-forma full year 2021 revenue includes climate-related RMS revenue assuming that the acquisition of RMS had been completed at January 1, 2021. Guidance as of May 2, 2022.

2. List reflects a select number of solutions and ESG & Climate considerations from MCO and affiliate companies and is not exhaustive.

3. Launched April 2022.

4. IFR = International Financing Review.

# Increased Relevance in Times of Uncertainty

## Best-in-Class Insights and Breadth of Coverage



**200,000+**

MIS research reports readers<sup>1</sup>



**70%+ YoY Growth<sup>2</sup>**

KYC Screenings



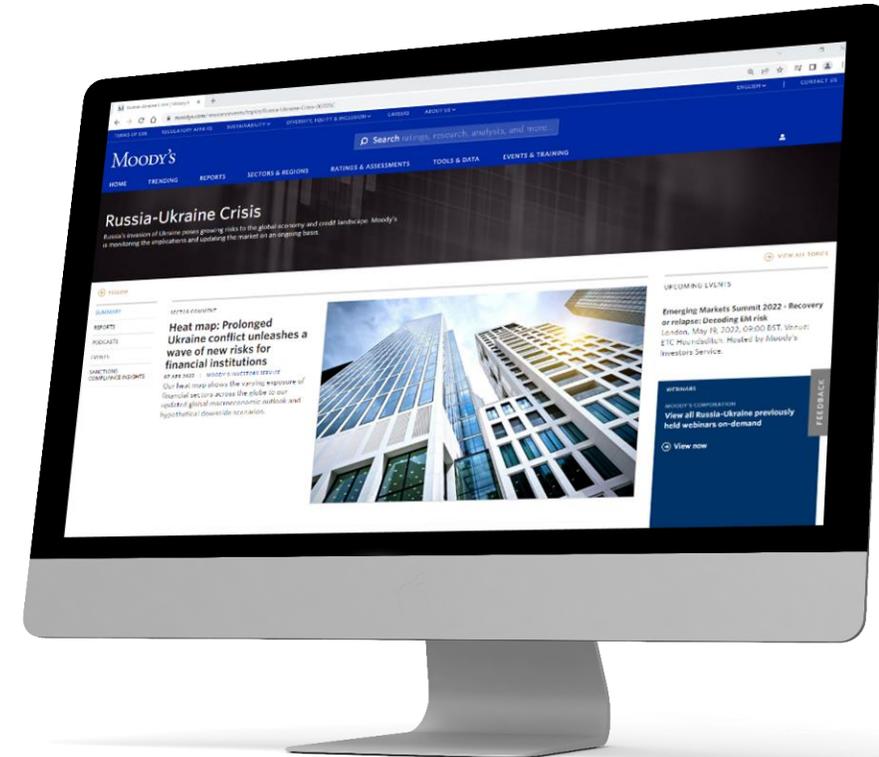
**26,000+**

total visits<sup>3</sup> to [‘Russia-Ukraine Crisis’](#) page on moodys.com



**32,000+**

attendees across 225+ live events hosted<sup>1</sup> by Moody's



1. For the period January 1, 2022 to April 30, 2022.

2. Growth represents the number of screens performed against the GRID database, which includes sanctions lists, politically exposed persons (PEPs) and watchlist data in 1Q22 compared to 1Q21.

3. Visits as of April 30, 2022.

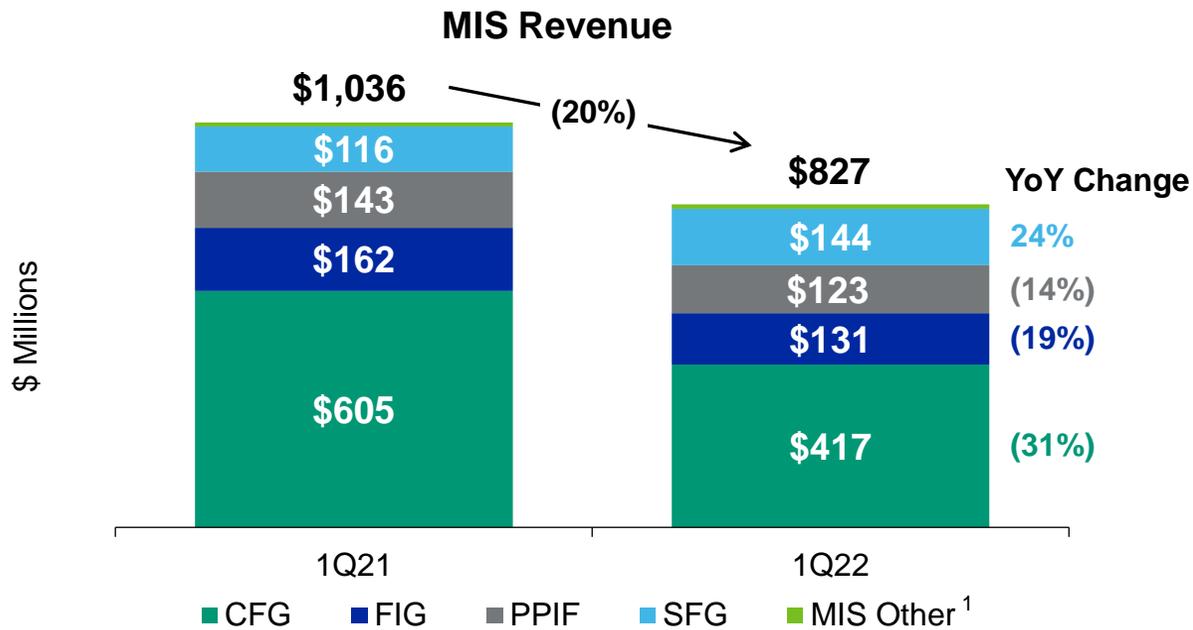
# 1Q 2022 Analysis & Updated Outlook



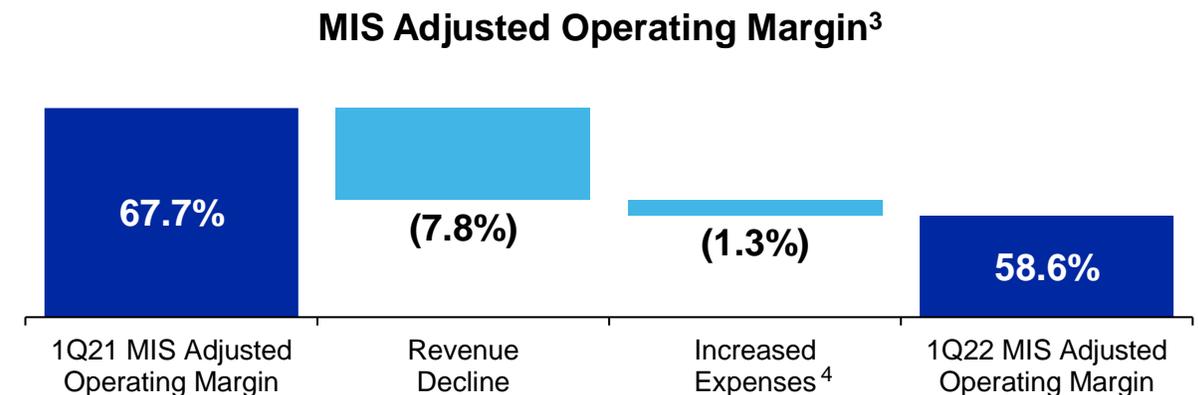
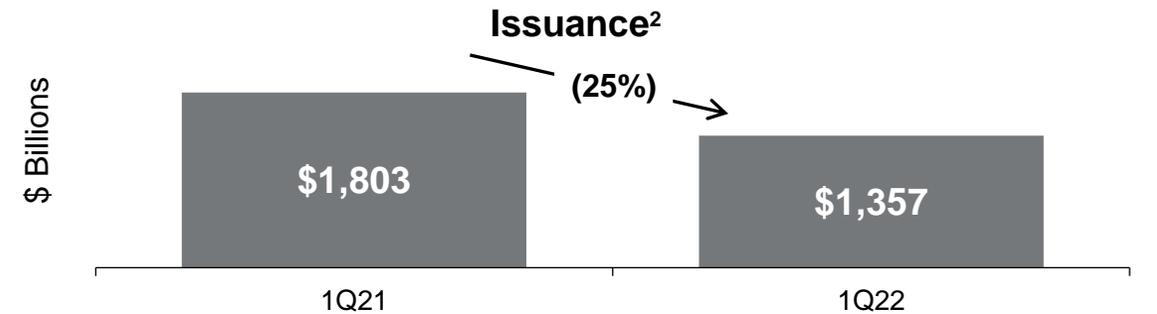
**Mark Kaye**

Chief Financial Officer

# 1Q22 MIS: Revenue Impacted by Volatile Market Conditions



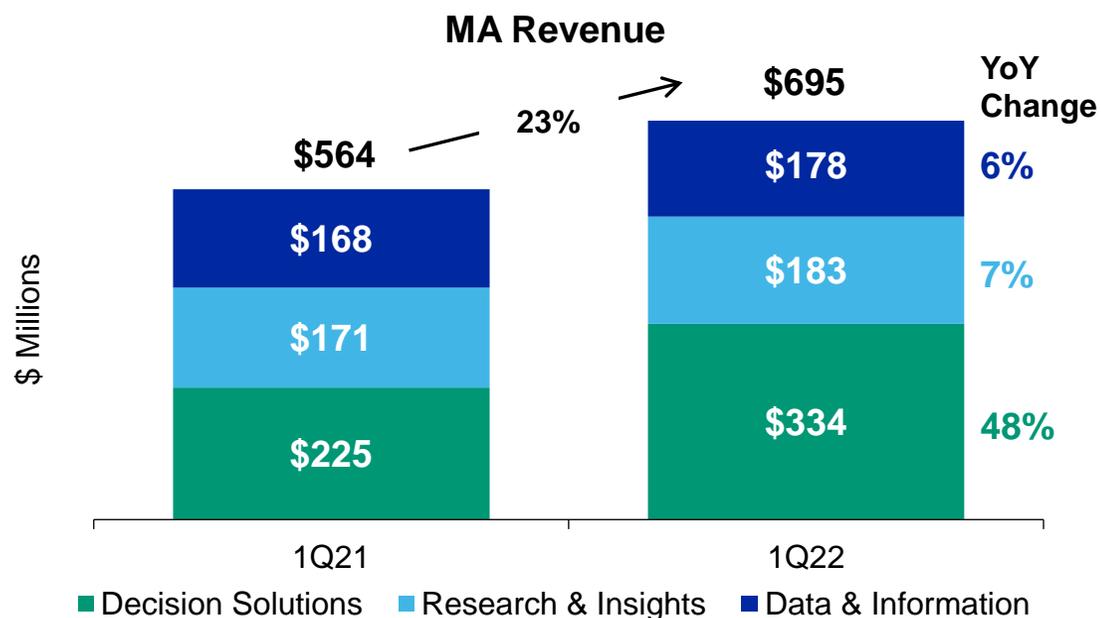
- » **CFG:** Sharp reduction in leveraged finance activity on market volatility and geopolitical uncertainty; investment grade issuance rebounded in March
- » **SFG:** Increased CMBS formation and RMBS securitization as economy 'reopened'; partially offset by decline in CLO refinancing on spread widening



- » Expenses approximately flat excluding costs attributable to the Russia-Ukraine crisis

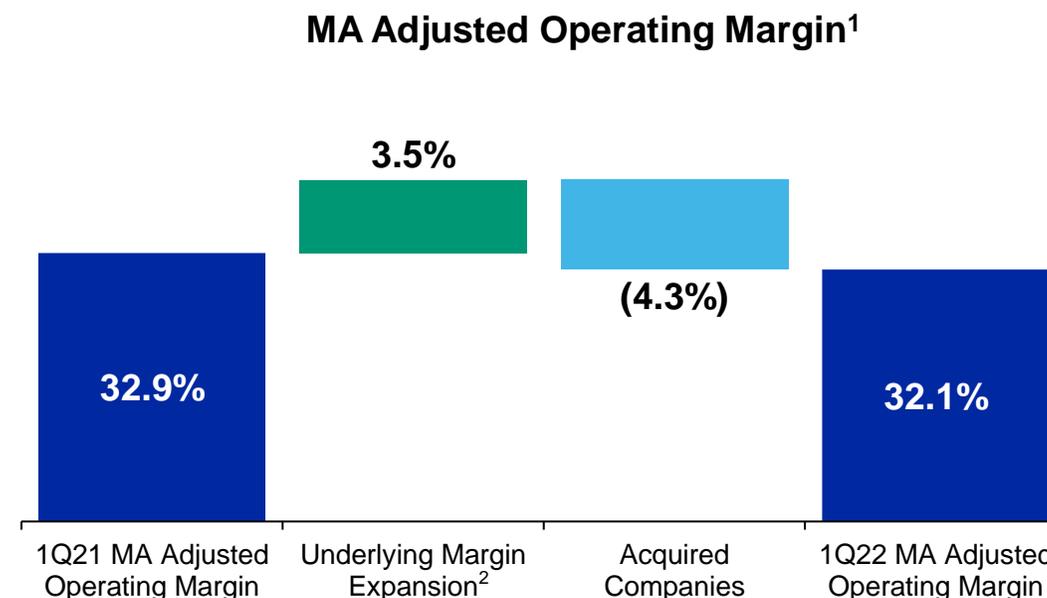
1. MIS Other revenue was approximately \$10 million and \$12 million in the quarters ended March 31, 2021, and March 31, 2022, respectively.  
 2. MIS rated issuance, excludes sovereign debt issuance. Issuance figures are subject to amendment given face amount variations that may occur following the reporting cycle.  
 3. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.  
 4. Increased expense mainly attributable to personnel-related expenses and bad debt for the Company's Russian-domiciled customers resulting from the impact of the Russia-Ukraine crisis.

# 1Q22 MA: Fifth Consecutive Quarter of Double-digit Growth



- » **DS:** Robust demand, especially for KYC and Compliance products, as well as risk and finance software solutions; organic revenue<sup>1</sup> growth of 14% and unfavorable impact of ~2% from foreign currency translation
- » **R&I:** Expansion in sales of credit research and analytics, and increasing demand for economic models; unfavorable foreign currency exchange impact of ~1%
- » **D&I:** Growth driven by new sales of company data and ratings feeds; foreign currency translation unfavorably impacted revenue growth by ~4%

1. Refer to the Appendix for definitions of organic revenue, as well as reconciliations between all organic and adjusted measures mentioned throughout this presentation and U.S. GAAP.  
 2. Underlying expansion excludes the impact of recent acquisitions completed within the last twelve months.  
 3. Excludes Acquire Media, ZM Financial, Catylist, Cortera, RMS, RealXData, Bogard, PassFort and kompany.



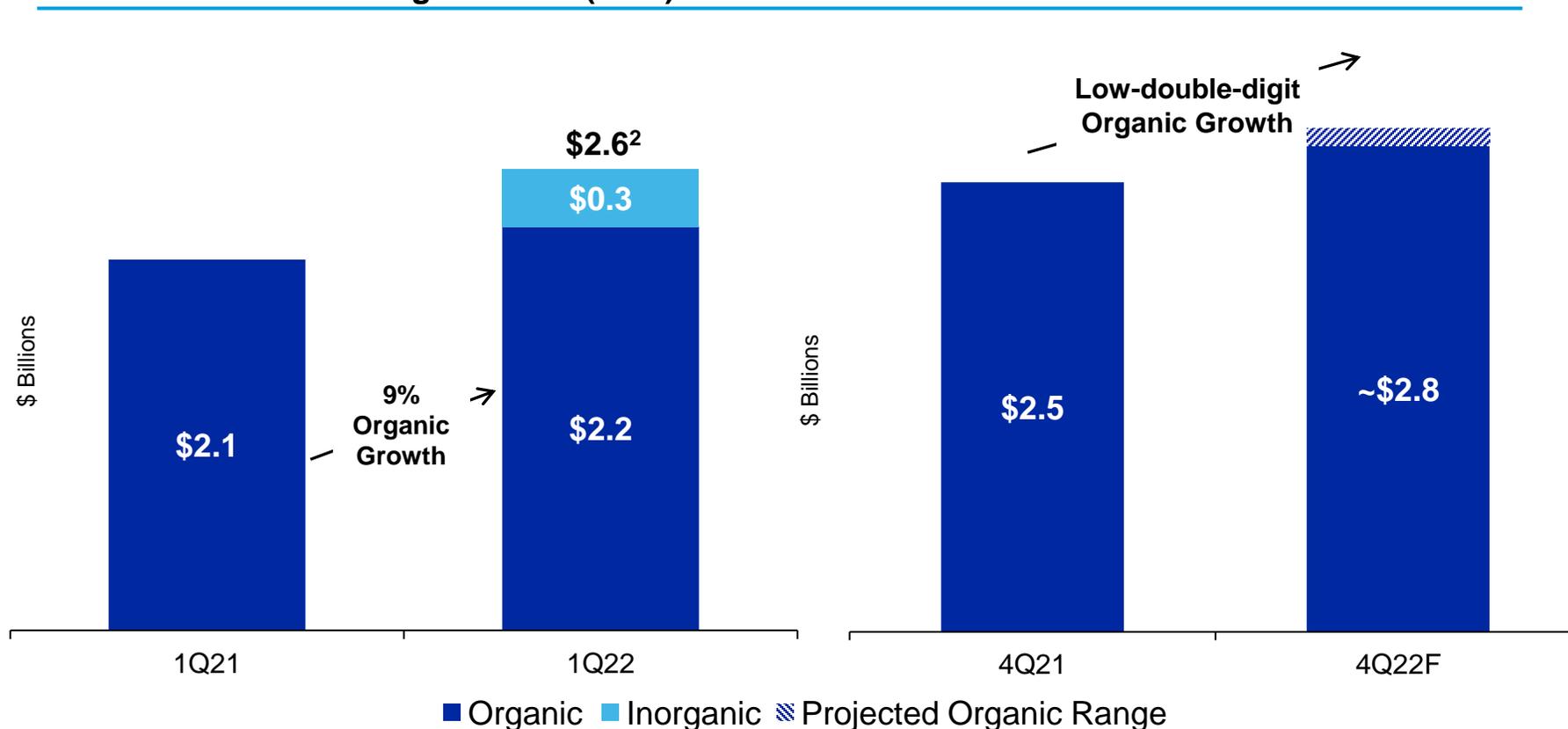
- » At least mid-90's % retention rates<sup>3</sup> across all LOBs further bolstered strong performance
- » Recurring revenue comprised 94% of total, up 2 percentage points from the prior-year period
- » Organic recurring revenue<sup>1</sup> growth of 11% drove underlying adjusted operating margin<sup>1</sup> expansion of 350 bps

# Introducing Annualized Recurring Revenue (ARR)<sup>1</sup>

Annualized run-rate of recurring revenue highlights MA's ability to generate new subscription-based customers, as well as expand its relationships with existing customers



## MA Annualized Recurring Revenue (ARR)



1. Refer to the Appendix for the definition of and further information on the Annualized Recurring Revenue (ARR) and Organic ARR metrics. Both ARR and Organic ARR exclude the impact of foreign currency translation.

2. Sum may not foot due to rounding.

# Updated FY 2022 Corporate Guidance<sup>1</sup>

<b>Revenue</b>	Approximately flat
<b>Expenses</b>	Increase in the high-single-digit percent range
<b>Adjusted Operating Margin<sup>2</sup></b>	Approximately 47%
<b>Interest Expense, Net</b>	\$200 - \$220 million
<b>Effective Tax Rate</b>	20.5% - 22.5%
<b>Diluted EPS</b>	\$9.85 - \$10.35
<b>Adjusted Diluted EPS<sup>2</sup></b>	\$10.75 - \$11.25
<b>Free Cash Flow<sup>2</sup></b>	\$1.8 - \$2.0 billion
<b>Share Repurchases<sup>3</sup></b>	At least \$1.5 billion

## Macro assumptions underpinning our guidance<sup>4</sup>



### 2022 GDP

3.5% - 4.5% United States  
2.5% - 3.5% Euro area  
3.0% - 4.0% Global



### Credit Spreads

Global benchmark rates to increase from historic lows; U.S. high yield interest rate spreads to widen, moving slightly above the historical average of ~500 bps



### Inflation

Inflation rates to remain elevated and above central bank targets in many countries



### Default Rates

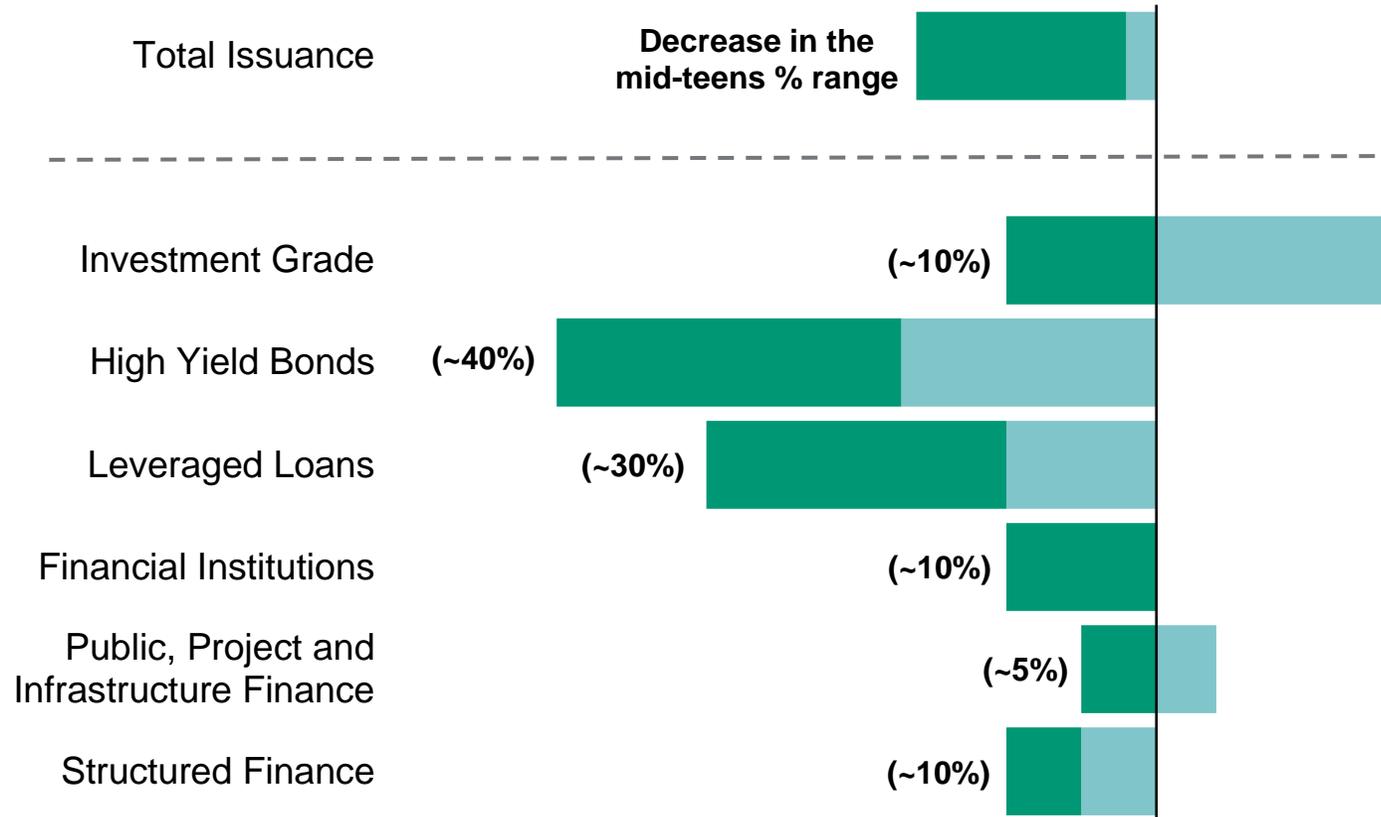
Global high yield default rate to initially decline before gradually rising to approximately 2.7% by the end of 2022

1. Guidance as of May 2, 2022. Refer to Table 13 – “2022 Outlook” in the press release for a complete list of guidance and a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.
2. Adjusted operating margin, adjusted diluted EPS and free cash flow are non-GAAP measures. Refer to the Appendix for reconciliations between all adjusted measures mentioned throughout this presentation and U.S. GAAP.
3. Subject to available cash, market conditions, M&A opportunities and other ongoing capital allocation decisions.
4. Sources: Default rate assumptions sourced from Moody’s Investors Service “March 2022 Default Report”, published April 18, 2022. High yield spreads, GDP and inflation rates assumptions as of May 2, 2022 from Moody’s Investors Service.

# Updated FY 2022 Issuance Guidance<sup>1</sup>

## FY 2022 Issuance Guidance<sup>1,2</sup>

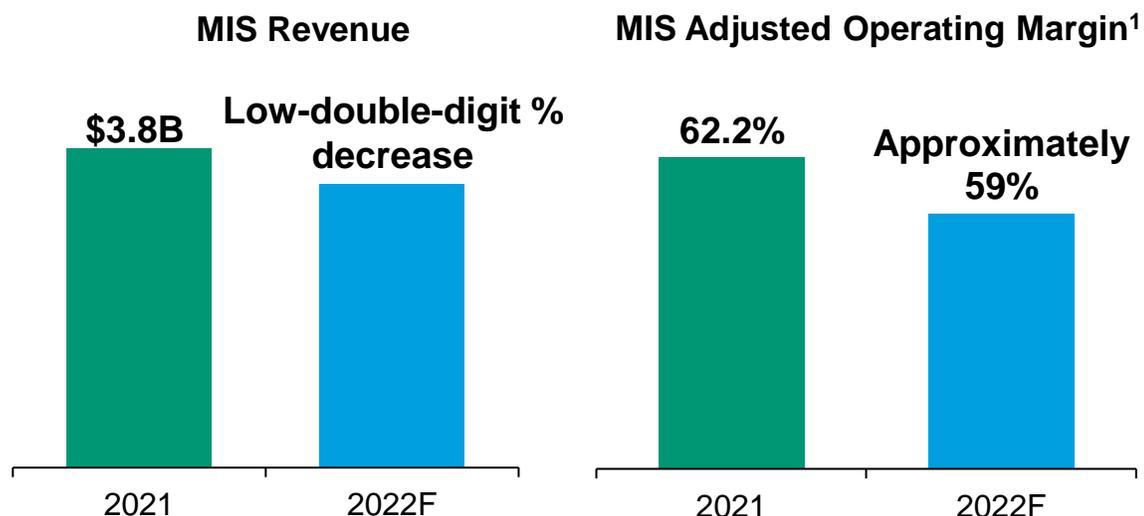
- As of Feb. 10, 2022
- As of May 2, 2022



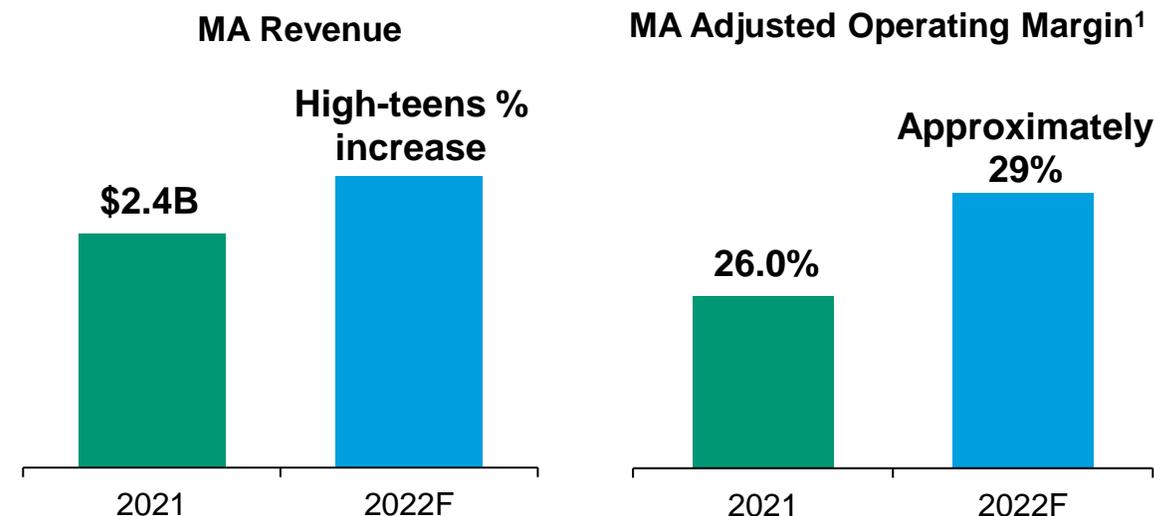
- » Rising yields, inflation concerns, a hawkish Federal Reserve and geopolitical tensions
- » Uncertainty regarding the Russia-Ukraine crisis has impacted near-term leveraged finance issuance
- » Less favorable mix as elevated volatility dampens infrequent issuer supply
- » M&A activity lower than previously expected due to decline in market sentiment
- » Projecting 850 to 950 first time mandates

1. Guidance as of May 2, 2022. Refer to Table 13 – “2022 Outlook” in the press release for a complete list of guidance and a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP, 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.  
 3. Total issuance includes CFG, SFG, FIG and PPIF. Excludes sovereign debt.

# Updated FY 2022 Segment-Level Guidance<sup>1</sup>



- » Market uncertainty primarily impacts 1H 2022, with issuance expected to normalize in 2H 2022
- » Issuers continue to opportunistically fulfill funding needs and capitalize on historically low rates
- » Full-year adjusted operating margin forecast to be above pre-pandemic<sup>2</sup> levels as investments are carefully balanced against ongoing cost efficiency initiatives



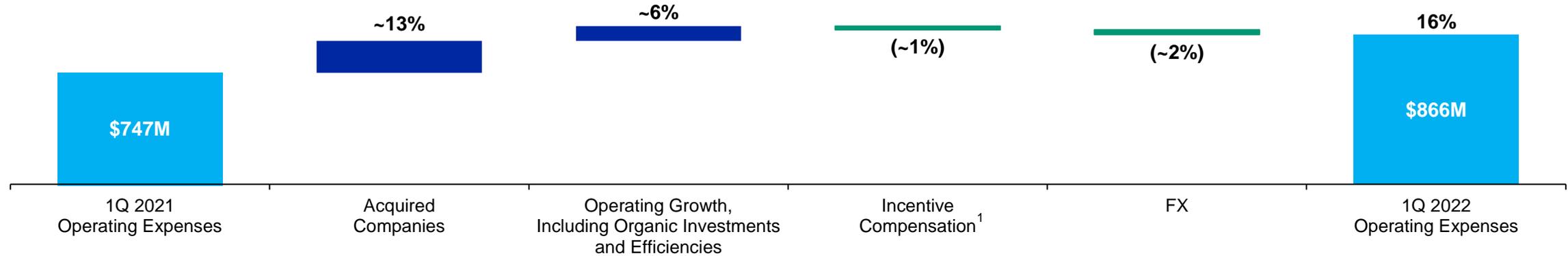
- » Heightened demand for MA's best-in-class solutions, coupled with retention rates in the mid-90's percent range
- » Increased revenue and strategic investments in high-priority areas position MA for future growth and deliver operating leverage
- » Recent acquisitions and the impact of foreign currency exchange contribute ~8% to revenue growth; dilute margins by 150 to 200 bps

1. Guidance as of May 2, 2022. Refer to Table 13 – “2022 Outlook” in the press release for a complete list of guidance and a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

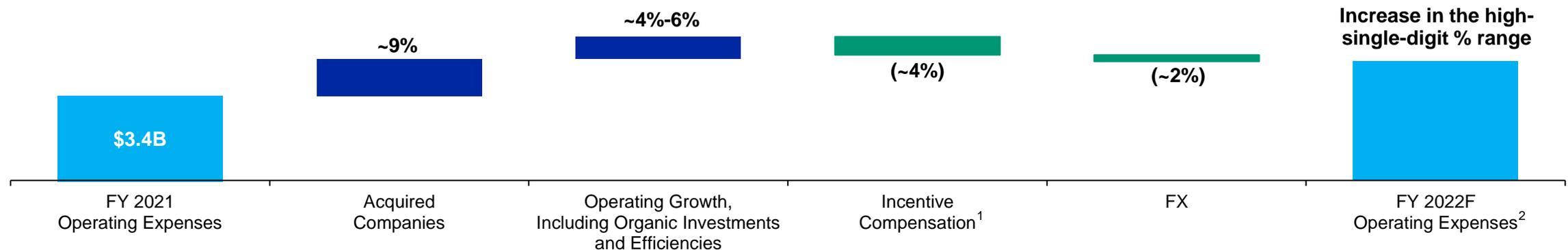
2. Pre-pandemic levels refer to MIS's adjusted operating margin for FY 2018 and FY 2019.

# Balancing Strategic Investments with Cost Management

## 1Q 2021 vs. 1Q 2022



## FY 2021 vs. FY 2022F<sup>2</sup>



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

2. Guidance as of May 2, 2022. Refer to Table 13 – “2022 Outlook” in the press release for a complete list of guidance and a reconciliation between all adjusted measures mentioned throughout this presentation and U.S. GAAP, as well as assumptions used by the Company with respect to its guidance.

# Key Takeaways

- 1 Generated over \$1.5B in revenue and adjusted diluted EPS<sup>1</sup> of \$2.89
- 2 Short-term market volatility affecting issuance levels; however, MIS fundamentals remain strong
- 3 MA's continued recurring revenue growth and high retention rates provide ballast to MCO
- 4 Introducing new ARR<sup>2</sup> metric to provide insight on progress toward medium-term targets
- 5 Strategic investments support long-term growth and return of stockholder capital

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

2. Refer to the Appendix for the definition of and further information on Annualized Recurring Revenue (ARR). ARR excludes the impact of foreign currency translation.



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# Questions and Answers

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**Rob Fauber**

President and Chief Executive Officer



**Mark Kaye**

Chief Financial Officer

# Replay Details

**Available from 3:30pm (Eastern Time) May 2, 2022  
until 3:30pm (Eastern Time) May 31, 2022**

## **Telephone Details**

- » U.S. & Canada +1-888-203-1112
- » Non-U.S. & Canada +1-719-457-0820
- » Passcode 4687337

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- » Go to [ir.moody's.com](https://ir.moody's.com)
- » Click on “Events & Presentations”
- » Click on the link for “1Q 2022 Earnings Conference Call”

# Moody's Attendance at Upcoming Conferences

**MAY**  
4

## **Credit Suisse eXtreme Ideas Conference**

» *Steve Tulenko, MA President*

**MAY**  
10

## **Barclays Americas Select Franchise Conference**

» *David Platt, Chief Strategy Officer*

**MAY**  
12

## **Morgan Stanley Business Services One-on-One Day**

» *Mark Kaye, Chief Financial Officer*

**JUN**  
1

## **Deutsche Bank Financial Services Conference**

» *David Platt, Chief Strategy Officer*

**JUN**  
2

## **Bernstein Strategic Decisions Conference**

» *Rob Fauber, Chief Executive Officer*

**JUN**  
7

## **Stifel Cross Sector Insight Conference**

» *Mark Kaye, Chief Financial Officer*

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# Glossary of Terms and Abbreviations

TERM	DEFINITION
CFG	Corporate finance group; an LOB of MIS
CRE	Commercial Real Estate
D&I	The Data & Information LOB within MA; which provides vast data sets on economies, companies, commercial properties and financial securities via data feeds and data applications products
DS	The Decision Solutions LOB within MA; which provides software and workflow tools for specific use cases (banking, insurance, KYC/KYS, CRE and structured finance solutions). This LOB utilizes components from the Data & Information and Research & Insights LOBs to provide integrated risk solutions
ESG	Environmental, Social and Governance
FIG	Financial institutions group; an LOB of MIS
KYC	Know-your-customer
LOB	Line of business
MA	Moody's Analytics – a reportable segment of MCO which provides a wide range of products and services that support financial analysis and risk management activities of institutional participants in global financial markets; consists of three LOBs – Decision Solutions, Research and Insights and Data and Information
MIS	Moody's Investors Service – a reportable segment of MCO; consists of five LOBs – CFG, FIG, PPIF, SFG and MIS Other
MIS Other	Consists of financial instruments pricing services in the Asia-Pacific region, ICRA non-ratings revenue and revenue from providing ESG research, data and assessments. These businesses are components of MIS; MIS Other is an LOB of MIS
PPIF	Public, project and infrastructure finance; an LOB of 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, and economics data and models
SFG	Structured finance group; an LOB of MIS
YoY	Year-over-year
YTD	Year-to-date

# MA LOBs – Historical Revenue and Retention Rates for 2020 - 2021

Amounts in millions	2020														
	Q1			Q2			Q3			Q4			Full Year		
	Transaction	Recurring	Total	Transaction	Recurring	Total									
Decision Solutions	\$ 49	\$ 147	\$ 196	\$ 41	\$ 154	\$ 195	\$ 49	\$ 165	\$ 214	\$ 46	\$ 183	\$ 229	\$ 185	\$ 649	\$ 834
	25%	75%	100%	21%	79%	100%	23%	77%	100%	20%	80%	100%	22%	78%	100%
Research & Insights	\$ 2	\$ 157	\$ 159	\$ 2	\$ 157	\$ 159	\$ 2	\$ 164	\$ 166	\$ 2	\$ 164	\$ 166	\$ 8	\$ 642	\$ 650
	1%	99%	100%	1%	99%	100%	1%	99%	100%	1%	99%	100%	1%	99%	100%
Data & Information	\$ 1	\$ 140	\$ 141	\$ 1	\$ 142	\$ 143	\$ 1	\$ 150	\$ 151	\$ 1	\$ 159	\$ 160	\$ 4	\$ 591	\$ 595
	1%	99%	100%	1%	99%	100%	1%	99%	100%	1%	99%	100%	1%	99%	100%
<b>Total MA revenue - external</b>	<b>\$ 52</b>	<b>\$ 444</b>	<b>\$ 496</b>	<b>\$ 44</b>	<b>\$ 453</b>	<b>\$ 497</b>	<b>\$ 52</b>	<b>\$ 479</b>	<b>\$ 531</b>	<b>\$ 49</b>	<b>\$ 506</b>	<b>\$ 555</b>	<b>\$ 197</b>	<b>\$ 1,882</b>	<b>\$ 2,079</b>
	10%	90%	100%	9%	91%	100%	10%	90%	100%	9%	91%	100%	9%	91%	100%

Amounts in millions	2021														
	Q1			Q2			Q3			Q4			Full Year		
	Transaction	Recurring	Total	Transaction	Recurring	Total									
Decision Solutions	\$ 41	\$ 184	\$ 225	\$ 36	\$ 186	\$ 222	\$ 34	\$ 216	\$ 250	\$ 47	\$ 267	\$ 314	\$ 158	\$ 853	\$ 1,011
	18%	82%	100%	16%	84%	100%	14%	86%	100%	15%	85%	100%	16%	84%	100%
Research & Insights	\$ 1	\$ 170	\$ 171	\$ 3	\$ 172	\$ 175	\$ 2	\$ 175	\$ 177	\$ 2	\$ 172	\$ 174	\$ 8	\$ 689	\$ 697
	1%	99%	100%	2%	98%	100%	1%	99%	100%	1%	99%	100%	1%	99%	100%
Data & Information	\$ 1	\$ 167	\$ 168	\$ 1	\$ 175	\$ 176	\$ 1	\$ 173	\$ 174	\$ 1	\$ 179	\$ 180	\$ 4	\$ 694	\$ 698
	1%	99%	100%	1%	99%	100%	1%	99%	100%	1%	99%	100%	1%	99%	100%
<b>Total MA revenue - external</b>	<b>\$ 43</b>	<b>\$ 521</b>	<b>\$ 564</b>	<b>\$ 40</b>	<b>\$ 533</b>	<b>\$ 573</b>	<b>\$ 37</b>	<b>\$ 564</b>	<b>\$ 601</b>	<b>\$ 50</b>	<b>\$ 618</b>	<b>\$ 668</b>	<b>\$ 170</b>	<b>\$ 2,236</b>	<b>\$ 2,406</b>
	8%	92%	100%	7%	93%	100%	6%	94%	100%	7%	93%	100%	7%	93%	100%

Retention Rate <sup>1</sup>	2020	2021
Decision Solutions	92%	93%
Research & Insights	95%	96%
Data & Information	93%	95%

1. Retention rates exclude acquisitions of Regulatory DataCorp, Acquire Media, ZM Financial, Catylist, Cortera, RMS, RealXData, Bogard, and PassFort.

# Annualized Recurring Revenue (ARR)

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

The Company calculates ARR and Organic 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 transactional sales including training, one-time services and perpetual licenses. In order to compare period-over-period ARR and Organic ARR excluding the effects of foreign currency translation, the Company bases the calculation on currency rates utilized in its operating budget and holds these FX rates constant for the duration of all current and prior periods being reported. Additionally, Organic ARR excludes contracts related to certain acquisitions to provide additional perspective in assessing ARR growth excluding the impacts from certain acquisition activity.

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

<i>Amounts in millions</i>	<b>March 31, 2022</b>	<b>March 31, 2021</b>	<b>Change</b>	<b>Growth</b>
MA ARR	\$ 2,573	\$ 2,063	\$ 510	25%
Organic MA ARR	\$ 2,246	\$ 2,063	\$ 183	9%

# Financial Information by Segment

The table below presents revenue and adjusted operating income by reportable segment. The Company defines adjusted operating income as operating income excluding: i) depreciation and amortization; and ii) restructuring.

<i>Amounts in millions</i>	Three Months Ended March 31,							
	2022				2021			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$ 870	\$ 697	\$ (45)	\$ 1,522	\$1,076	\$ 566	\$ (42)	\$ 1,600
Operating, SG&A	360	473	(45)	788	348	380	(42)	686
<b>Adjusted Operating Income</b>	<b>\$ 510</b>	<b>\$ 224</b>	<b>\$ —</b>	<b>\$ 734</b>	<b>\$ 728</b>	<b>\$ 186</b>	<b>\$ —</b>	<b>\$ 914</b>
<i>Adjusted Operating Margin</i>	58.6 %	32.1 %		48.2 %	67.7 %	32.9 %		57.1 %
Depreciation and amortization	18	60	—	78	18	41	—	59
Restructuring	—	—	—	—	—	2	—	2
<b>Operating income</b>				<b>\$ 656</b>				<b>\$ 853</b>
<i>Operating margin</i>				43.1 %				53.3 %

# Adjusted Operating Income and Adjusted Operating Margin

The Company presents Adjusted Operating Income and Adjusted Operating Margin because management deems these metrics to be useful measures to provide additional perspective on Moody's operating performance. Adjusted Operating Income excludes the impact of: i) depreciation and amortization; and ii) restructuring. 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 are excluded as the frequency and magnitude of these items may vary widely across periods and companies.

Management believes that the exclusion of the aforementioned items, as detailed in the reconciliation below, allows for an additional perspective on the Company's operating results from period to period and across companies. The Company defines Adjusted Operating Margin as Adjusted Operating Income divided by revenue.

<i>Amounts in millions</i>	Three Months Ended March 31,	
	2022	2021
<b>Operating income</b>	<b>\$ 656</b>	<b>\$ 853</b>
Depreciation and amortization	78	59
Restructuring	—	2
<b>Adjusted Operating Income</b>	<b>\$ 734</b>	<b>\$ 914</b>
<b>Operating margin</b>	<b>43.1 %</b>	<b>53.3 %</b>
<b>Adjusted Operating Margin</b>	<b>48.2 %</b>	<b>57.1 %</b>

# Free Cash Flow

The table below reflects a reconciliation of the Company's net cash flow 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 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. 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.

<i>Amounts in millions</i>	<b>Three Months Ended March 31,</b>	
	<b>2022</b>	<b>2021</b>
<b>Net cash provided by operating activities</b>	<b>\$ 470</b>	<b>\$ 676</b>
Capital additions	(59)	(14)
<b>Free Cash Flow</b>	<b>\$ 411</b>	<b>\$ 662</b>
<b>Net cash used in investing activities</b>	<b>\$ (161)</b>	<b>\$ (194)</b>
<b>Net cash used in financing activities</b>	<b>\$ (352)</b>	<b>\$ (290)</b>

# Organic Revenue and Growth Measures – MA

The Company presents organic revenue and organic revenue growth (including organic recurring revenue and organic recurring revenue growth) because management deems these metrics to be useful measures to provide additional perspective in assessing the revenue growth excluding the inorganic revenue impacts from certain acquisition activity.

Below is a reconciliation of MA's reported revenue and growth rates to its organic revenue and organic growth rates:

<i>Amounts in millions</i>	Three Months Ended March 31,				Growth
	2022	2021	Change		
<b>MA revenue</b>	\$ 695	\$ 564	\$ 131		23%
Inorganic revenue from acquisitions	(79)	—	(79)		
<b>Organic MA revenue</b>	\$ 616	\$ 564	\$ 52		9%
<b>Decision Solutions revenue</b>	\$ 334	\$ 225	\$ 109		48%
Inorganic revenue from acquisitions	(77)	—	(77)		
<b>Organic Decision Solutions revenue</b>	\$ 257	\$ 225	\$ 32		14%
<b>Data and Information revenue</b>	\$ 178	\$ 168	\$ 10		6%
Inorganic revenue from acquisitions	(2)	—	(2)		
<b>Organic Data and Information revenue</b>	\$ 176	\$ 168	\$ 8		5%
<b>MA recurring revenue</b>	\$ 651	\$ 521	\$ 130		25%
Inorganic recurring revenue from acquisitions	(75)	—	(75)		
<b>Organic MA recurring revenue</b>	\$ 576	\$ 521	\$ 55		11%

# Adjusted Net Income and Adjusted Diluted Earnings per Share Attributable to Moody's Common Shareholders

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

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 are excluded as the frequency and magnitude of these items may vary widely across periods and companies.

Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

<i>Amounts in millions</i>	Three Months Ended March 31,	
	2022	2021
<b>Net income attributable to Moody's common shareholders</b>	<b>\$ 498</b>	<b>\$ 736</b>
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 51	\$ 35
Tax on Acquisition-Related Intangible Amortization Expenses	(12)	(8)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>39</b>	<b>27</b>
Pre-tax restructuring	\$ —	\$ 2
Tax on restructuring	—	—
<b>Net restructuring</b>	<b>—</b>	<b>2</b>
<b>Adjusted Net Income</b>	<b>\$ 537</b>	<b>\$ 765</b>

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

# Adjusted Net Income and Adjusted Diluted Earnings per Share Attributable to Moody's Common Shareholders (Continued)

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

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 are excluded as the frequency and magnitude of these items may vary widely across periods and companies.

Below is a reconciliation of this measure to its most directly comparable U.S. GAAP amount:

	Three Months Ended March 31,	
	2022	2021
<b>Diluted earnings per share attributable to Moody's common shareholders</b>	<b>\$ 2.68</b>	<b>\$ 3.90</b>
Pre-tax Acquisition-Related Intangible Amortization Expenses	\$ 0.27	\$ 0.19
Tax on Acquisition-Related Intangible Amortization Expenses	(0.06)	(0.04)
<b>Net Acquisition-Related Intangible Amortization Expenses</b>	<b>0.21</b>	<b>0.15</b>
Pre-tax restructuring	\$ —	\$ 0.01
Tax on restructuring	—	—
<b>Net restructuring</b>	<b>—</b>	<b>0.01</b>
<b>Adjusted Diluted EPS</b>	<b>\$ 2.89</b>	<b>\$ 4.06</b>

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

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