



MOODY'S

# Moody's Investor Presentation

4Q 2017 – Select Slides for Raymond James Institutional Investors Conference, Orlando

March 6, 2018

# Overview of Moody's Corporation

## MOODY'S INVESTORS SERVICE



Independent provider of credit rating opinions and related information for over 100 years



MIS provides ratings in more than 120 countries



Ratings relationships with:

- ~5,000 non-financial corporate issuers
- ~4,000 financial institutions issuers
- ~18,000 public finance issuers
- ~11,000 structured finance transactions
- ~1,000 infrastructure and project finance issuers

## MOODY'S



Leading global provider of credit rating opinions, insight and tools for financial risk measurement and management

Revenue of  
\$4.2 billion

Operating Income  
of \$1.8 billion



## MOODY'S ANALYTICS



Research, data and software for financial risk analysis and related professional services



Customers in 155 countries



10,500 institutional customers; business with 84 of top 100 global banks

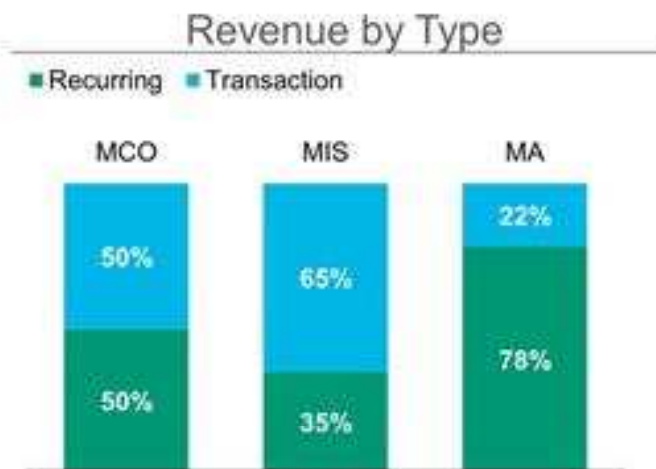
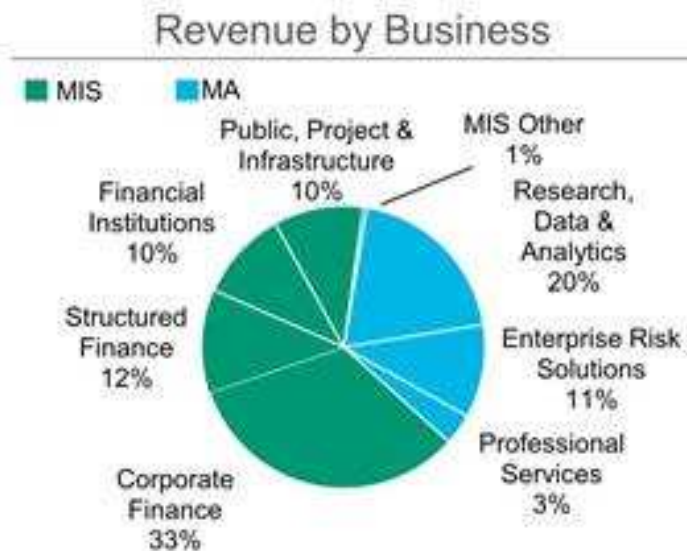
Note: All data is as of December 31, 2017.

# Moody's Mission: To be the World's Most Respected Authority Serving Risk-Sensitive Financial Markets



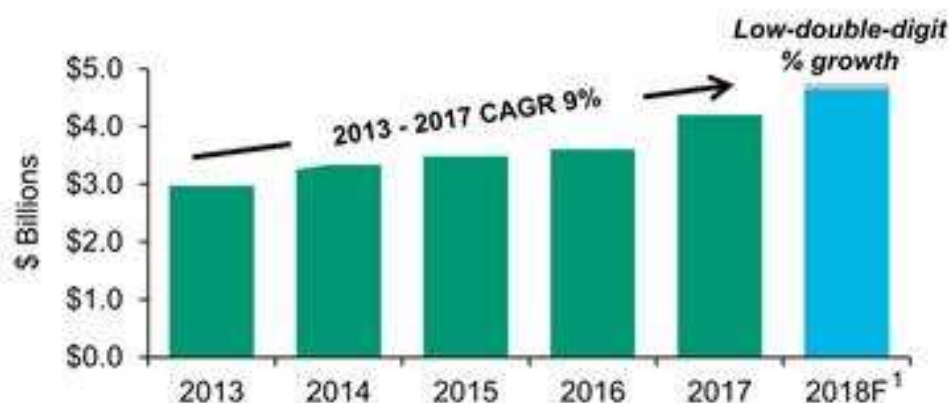
- » **Defend and enhance our core ratings & research businesses**
  - Ratings: predictive, predictable and transparent
  - Research: timely and insightful
- » **Pursue strategic growth opportunities**
  - Leverage the brand to extend our reach in financial markets
  - More broadly occupy credit / financial risk management and information vertical
  - Extend both thought leadership footprint and presence as a recognized standard
  - Move upstream in emerging financial markets

# Revenue is Diversified by Business, Geography and Type

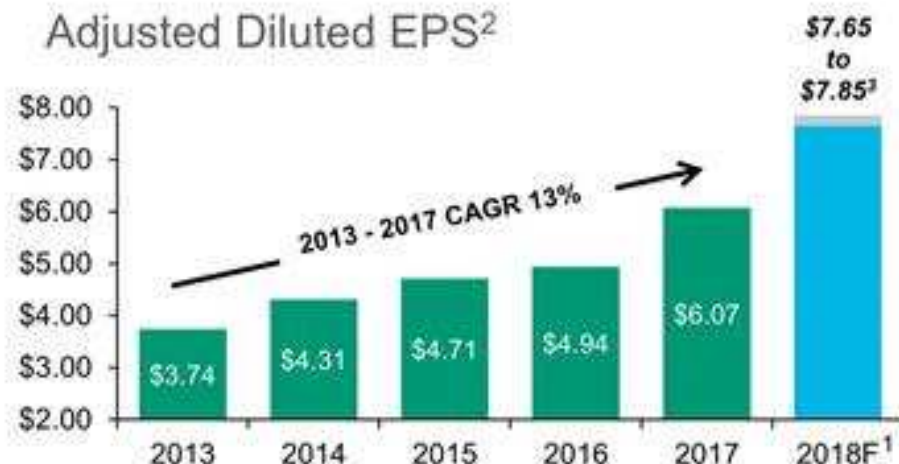


# Financial Performance

## Revenue



## Adjusted Diluted EPS<sup>2</sup>



## Operating Margin



## 5-year Average Free Cash Flow Conversion<sup>5</sup>



<sup>1</sup> Guidance as of February 9, 2018.

<sup>2</sup> Adjusted diluted EPS is an adjusted measure. See appendix for reconciliations from adjusted financial measures to U.S. GAAP.

<sup>3</sup> Includes an approximate \$0.65 benefit resulting from U.S. corporate tax reform. See appendix for reconciliations from adjusted financial measures to U.S. GAAP.

<sup>4</sup> Adjusted Operating Margin is an adjusted measure. See appendix for reconciliation from adjusted financial measures to U.S. GAAP.

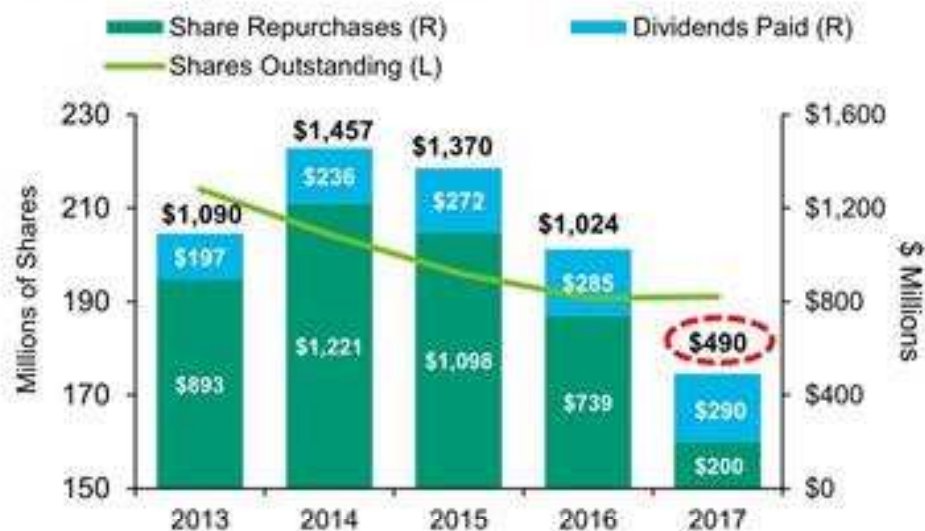
<sup>5</sup> As of February 2018, over the last five available fiscal years. Source: FactSet. Free Cash Flow is an adjusted financial measure. See appendix for reconciliation from adjusted financial measures to U.S. GAAP. Source: FactSet.

<sup>6</sup> Includes: CLGX, DNB, EXPN, FDS, INFO, MORN, MSCI, SPGI, TRI and VRSK.

# Disciplined Approach to Capital Allocation

Investing in Growth Opportunities		Return of Capital	
 <p><b>Reinvestment</b></p> <p>Invest in existing businesses to support organic growth</p>	 <p><b>Acquisitions</b></p> <p>Evaluate carefully to make sure aligned with strategy and market evolution</p>	 <p><b>Dividends</b></p> <p>Grow dividend in line with earnings; target 25% - 30% payout<sup>1</sup></p>	 <p><b>Share Repurchase</b></p> <p>Follow reinvestment, dividends and acquisitions in capital allocation prioritization</p>

## Share Repurchases and Dividends Paid



## Annualized Dividend Per Share



<sup>1</sup> Dividend payout ratio is defined as 2017 dividends per share paid/adjusted net income.

<sup>2</sup> Annualized dividend total, based on first quarter dividend declared on January 24, 2018.

# Long-Term Growth Opportunities

Three Levers to Achieve EPS Growth



**EPS**

**Low Teens % Growth Range<sup>1, 2</sup>**

Note: Long-term growth opportunities presented on this slide are on average over time.

<sup>1</sup> Assumes no material change in effective tax rate, foreign exchange rates, leverage profile and/or capital allocation policy.

<sup>2</sup> Subject to market conditions and other ongoing capital allocation decisions.

# North America and EMEA Non-Financial Corporates Have Significant Refunding Needs<sup>1</sup>

## Debt Maturities: North America Moody's-Rated Corporate Bonds and Loans



Source: MIS, February 2018.  
 Note: Data represents U.S. & Canadian MIS rated corporate bonds & loans.

## Debt Maturities: EMEA Moody's-Rated Corporate Bonds and Loans



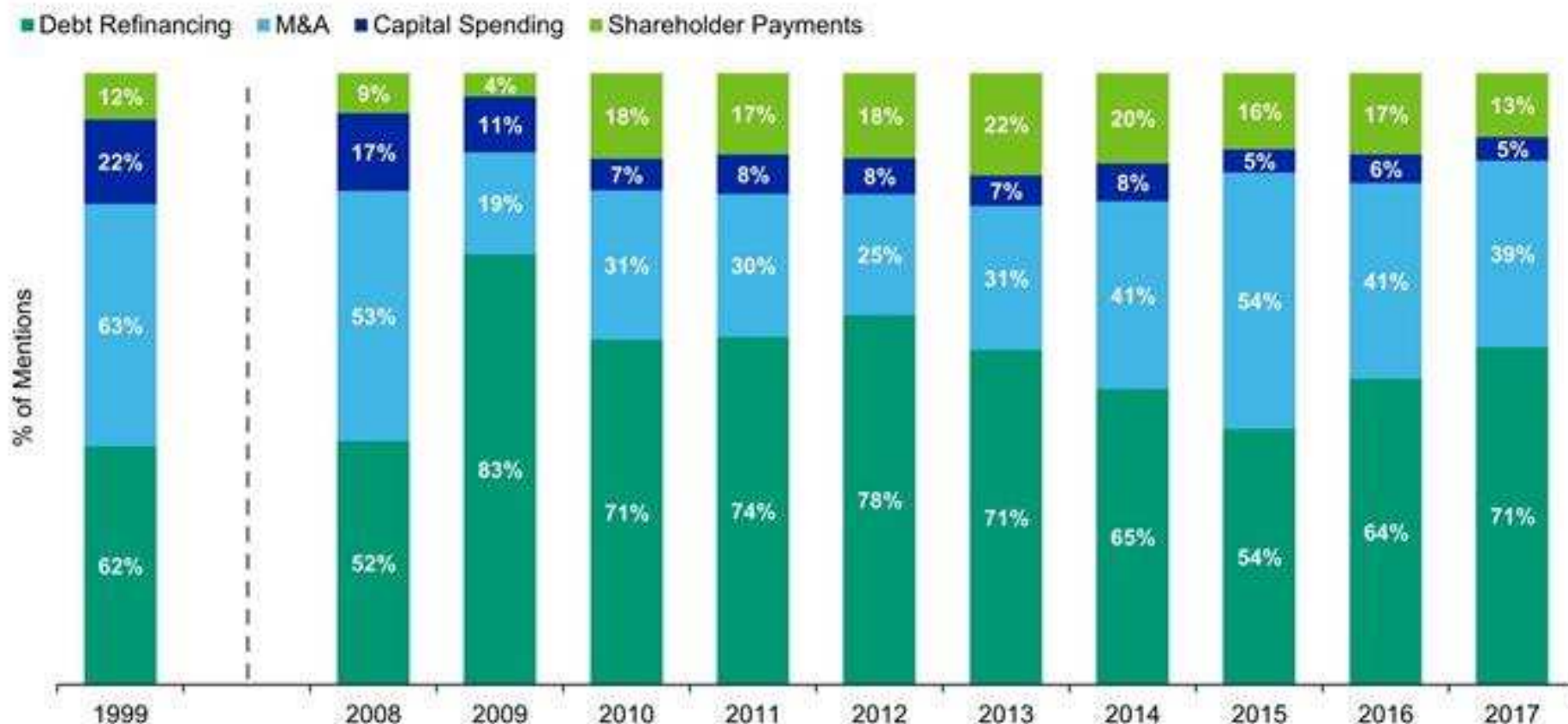
Source: MIS, July 2017.

<sup>1</sup> Amount reflects total maturities identified in the above sources.



# Debt Refinancing and M&A are Most Frequently Stated Uses of Proceeds

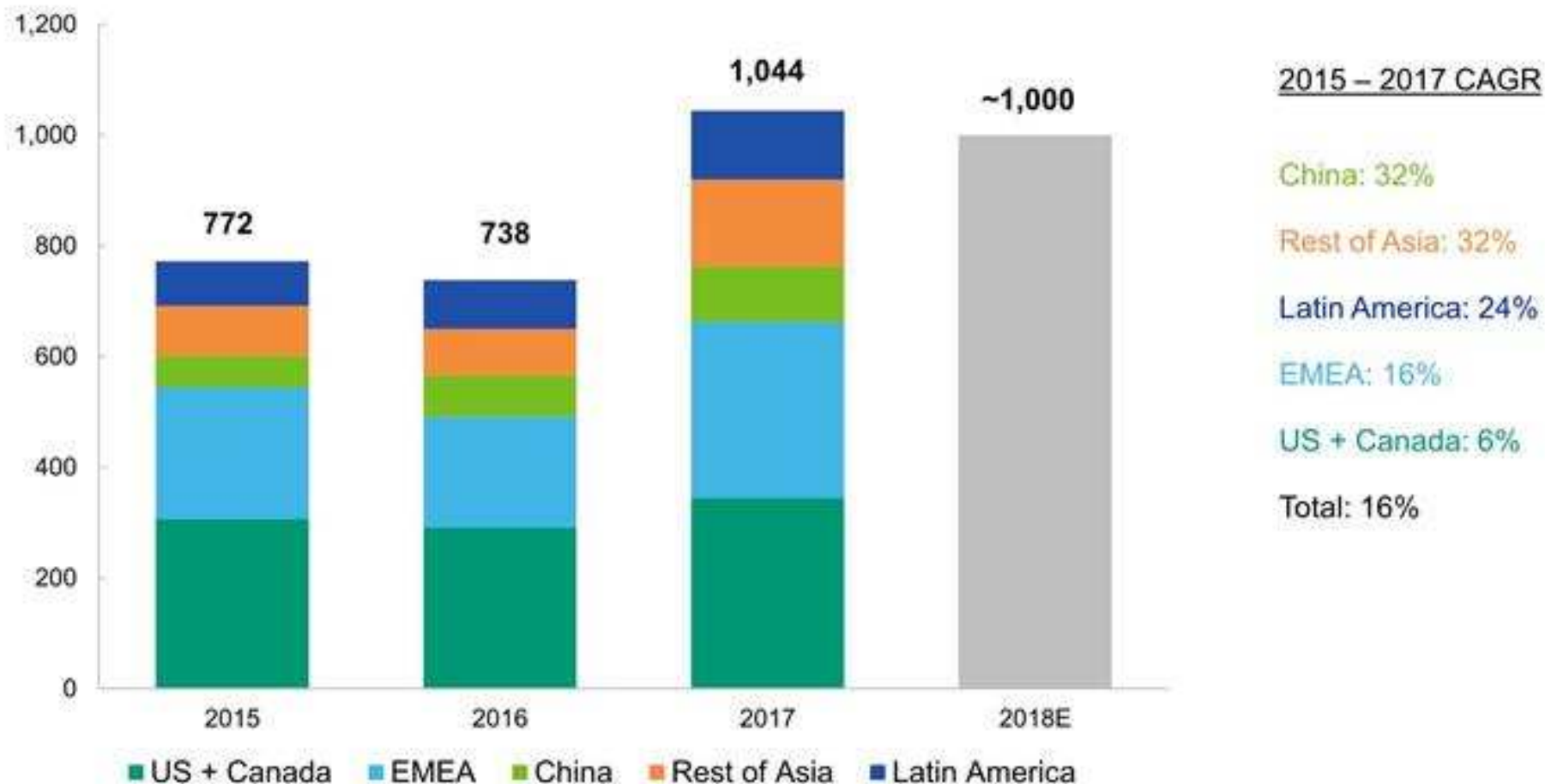
Uses of Funds from USD High Yield Bonds and Bank Loans<sup>1</sup>



<sup>1</sup> Percent of mentions for each respective period in bond issue or bank loan program tranche documents. Excludes issues of less than \$25 million and general corporate purposes. An issue can have multiple purposes and, as a result, percentages do not sum to 100%.  
Source: Moody's Analytics.

# Growth of New Mandates Driven by Asia

Global New Rating Mandates<sup>1</sup>



<sup>1</sup> Rated by Moody's Investors Service.  
Source: Moody's Investors Service, January 2018.

# Bureau van Dijk Acquisition

Bureau van Dijk aggregates, standardizes and distributes an extensive private company data set

- » **€3 billion acquisition closed on August 10, 2017**
- » Bureau van Dijk is a leading aggregator and distributor of private company business intelligence and data, **servicing over 6,000 unique institutions worldwide**
- » **Extends MA's reach** beyond financial institutions and insurance
- » **Adds capacity to MA's attractive RD&A business** through extensive customer base and geographic footprint
- » **Combination anticipated to deliver significant synergies.** Expect ~\$45 million in annual revenue and expense synergies by 2019, increasing to ~\$80 million by 2021<sup>1</sup>
- » **Integration proceeding according to plan** with focus on implementing controls appropriate for a unit of a listed U.S. company while delivering on strategy and business plan.

## Long History of Profitable Growth<sup>2</sup>



<sup>1</sup> Anticipated annual revenue and expense synergies, as of February 9, 2018.

<sup>2</sup> Based on IFRS.

# Why Invest in Moody's?

- » **We strive to be the world's most respected authority serving risk-sensitive financial markets**
- » **We have had strong revenue and earnings growth, as well as cash flow conversion**
  - 2013 – 2017 revenue CAGR of 9%
  - 2013 – 2017 adjusted diluted EPS<sup>1</sup> CAGR of 15%
  - 2013 – 2017 free cash flow<sup>1</sup> conversion rate of ~28%
- » **We are committed to returning capital to our shareholders**
  - 2013 – 2017 returned \$5.4 billion, or 114% of free cash flow, to shareholders via share repurchases and dividends
- » **We will selectively invest in strategic growth opportunities**
  - Leverage brand to extend our relevance in financial markets
  - Expand our product offerings and geographic influence

<sup>1</sup> Adjusted diluted EPS is an adjusted measure. See appendix for reconciliations from adjusted financial measures to U.S. GAAP.



# Appendix

# Full Year 2018 Guidance as of February 9, 2018

» <b>Revenue:</b>	Increase in the low-double-digit % range
» <b>Operating Expense:</b>	Increase in the low-double-digit % range
» <b>Operating Margin:</b>	43% - 44%
» <b>Adjusted Operating Margin<sup>1</sup>:</b>	Approximately 48%
» <b>Effective Tax Rate:</b>	22% - 23%
» <b>Earnings Per Share<sup>2</sup>:</b>	\$7.20 - \$7.40
» <b>Adjusted Earnings Per Share<sup>1,2</sup>:</b>	\$7.65 - \$7.85
» <b>Share Repurchases:</b>	Approximately \$200 million (subject to available cash, market conditions and other ongoing capital allocation decisions)
» <b>Capital Expenditures:</b>	Approximately \$120 million
» <b>Depreciation &amp; Amortization:</b>	Approximately \$200 million
» <b>Operating Cash Flow:</b>	Approximately \$1.7 billion
» <b>Free Cash Flow<sup>1</sup> :</b>	Approximately \$1.6 billion

<sup>1</sup> These metrics are adjusted measures. See appendix for reconciliations from adjusted financial measures to U.S. GAAP.

<sup>2</sup> Diluted EPS and adjusted diluted EPS both include an approximate \$0.65 benefit resulting from U.S. tax reform and a \$0.20 benefit related to the tax accounting for equity compensation.

# Reconciliation of Adjusted Financial Measures to GAAP

## Adjusted Operating Income and Adjusted Operating Margin Reconciliation

<i>(in \$ millions)</i>	2012	2013	2014	2015	2016	2017 <sup>1</sup>
As Reported Operating Income	\$1,077.4	\$1,234.6	\$1,439.1	\$1,473.4	\$638.7	\$1,809.1
Operating Margin	39.5%	41.5%	43.2%	42.3%	17.7%	43.0%
<i>Add Adjustment:</i>						
Depreciation & Amortization	93.5	93.4	95.6	113.5	126.7	158.3
Acquisition-Related Expenses	-	-	-	-	-	22.5
Restructuring	-	-	-	-	12.0	-
Goodwill Impairment Charge	12.2	-	-	-	-	-
Settlement Charge	-	-	-	-	863.8	-
Adjusted Operating Income	\$1,183.1	\$1,328.0	\$1,534.7	\$1,586.9	\$1,641.2	\$1,989.9
Adjusted Operating Margin	43.3%	44.7%	46.0%	45.5%	45.5%	47.3%

## Moody's Corporation Operating Margin Guidance Reconciliation

	2018F <sup>1</sup>
Projected Operating Margin - GAAP	43% - 44%
Projected impact from Depreciation & Amortization	Approximately 4.0%
Projected impact from Acquisition-Related Expenses	Approximately 0.5%
Projected Adjusted Operating Margin	Approximately 48%

## Free Cash Flow Reconciliation

<i>(in \$ millions)</i>	2013	2014	2015	2016	2017	2018F <sup>1</sup>
Net cash flows from operating activities	\$965.6	\$1,017.3	\$1,198.1	\$1,259.2	\$747.5	~\$1,700
Less: Capital expenditures	42.3	74.6	89.0	115.2	90.6	~\$120
Free Cash Flow	\$923.3	\$942.7	\$1,109.1	\$1,144.0	\$656.9	~\$1,600

<sup>1</sup> Guidance as of February 9, 2018.

# Reconciliation of Adjusted Financial Measures to GAAP (cont.)

## Moody's Corporation Diluted EPS Reconciliation

	2013	2014	2015	2016	2017	2018F <sup>1</sup>
Diluted EPS - GAAP	\$3.60	\$4.61	\$4.63	\$1.36	\$5.15	\$7.20 - \$7.40
Legacy Tax	(0.09)	(0.03)	(0.03)	-	-	-
Impact of Litigation Settlement	0.14	-	-	\$3.59	-	-
ICRA Gain	-	(0.37)	-	-	-	-
FX Gain due to Subsidiary Liquidation	-	-	-	(\$0.18)	-	-
Restructuring	-	-	-	\$0.04	-	-
CCXI Gain	-	-	-	-	(\$0.31)	-
Acquisition-Related Expenses	-	-	-	-	\$0.10	~\$0.05
Purchase Price Hedge Gain	-	-	-	-	(\$0.37)	-
Net Acquisition-Related Intangible Amortization Expenses	\$0.09	\$0.10	\$0.11	\$0.13	\$0.23	~\$0.40
Transition tax related to U.S. tax reform	-	-	-	-	\$1.28	-
Net Impact of U.S./European tax change on deferred taxes	-	-	-	-	(\$0.01)	-
Adjusted Diluted EPS	\$3.74	\$4.31	\$4.71	\$4.94	\$6.07	\$7.65 - \$7.85

Note: Table may not sum to total due to rounding.

<sup>1</sup> Guidance as of February 9, 2018.



# MOODY'S

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