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MOODY'S



# Fourth-Quarter and Full-Year 2014 Earnings Call

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February 6, 2015

# Overview

**SALLI SCHWARTZ**  
GLOBAL HEAD OF INVESTOR RELATIONS

# Agenda

## **1. Fourth-Quarter and Full-Year 2014 Results**

Ray McDaniel, President and Chief Executive Officer

## **2. Financial and Operating Highlights**

Linda Huber, Executive Vice President and Chief Financial Officer

## **3. 2015 Outlook**

Ray McDaniel, President and Chief Executive Officer

## **4. Q&A**

Ray McDaniel, President and Chief Executive Officer

Linda Huber, Executive Vice President and Chief Financial Officer

Michel Madelain, President and Chief Operating Officer, Moody's Investors Service

Mark Almeida, President, Moody's Analytics

# Disclaimer

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for Moody's business and operations that involve a number of risks and uncertainties. Moody's outlook for 2015 and other forward-looking statements in this release are made as of February 6, 2015, and the Company disclaims any duty to supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors, risks and uncertainties include, but are not limited to, the current world-wide credit market disruptions and economic slowdown, which is affecting and could continue to affect the volume of debt and other securities issued in domestic and/or global capital markets; other matters that could affect the volume of debt and other securities issued in domestic and/or global capital markets, including credit quality concerns, changes in interest rates and other volatility in the financial markets; the level of merger and acquisition activity in the U.S. and abroad; the uncertain effectiveness and possible collateral consequences of U.S. and foreign government initiatives to respond to the current world-wide credit market disruptions and economic slowdown; concerns in the marketplace affecting Moody's credibility or otherwise affecting market perceptions of the integrity or utility of independent credit agency ratings; the introduction of competing products or technologies by other companies; pricing pressure from competitors and/or customers; the level of success of new product development and global expansion; the impact of regulation as an NRSRO, the potential for new U.S., state and local legislation and regulations, including provisions in the Financial Reform Act and anticipated regulations resulting from that Act; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to Moody's rating opinions, as well as any other litigation to which the Company may be subject from time to time; provisions in the Financial Reform Act legislation modifying the pleading standards, and EU regulations modifying the liability standards, applicable to credit rating agencies in a manner adverse to credit rating agencies; provisions of EU regulations imposing additional procedural and substantive requirements on the pricing of services; the possible loss of key employees; failures or malfunctions of Moody's operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; the outcome of those Legacy Tax Matters and legal contingencies that relate to the Company, its predecessors and their affiliated companies for which Moody's has assumed portions of the financial responsibility; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate acquired businesses; currency and foreign exchange volatility; the level of future cash flows; the levels of capital investments; and a decline in the demand for credit risk management tools by financial institutions; and other risk factors as discussed in the Company's annual report on Form 10-K for the year ended December 31, 2013 and in other filings made by the Company from time to time with the Securities and Exchange Commission.

# 1. Fourth-Quarter and Full-Year 2014 Results

**RAY MCDANIEL**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

# Fourth-Quarter 2014 Results and Comparison to Fourth-Quarter 2013

## Moody's Corporation

» Revenue	↑ 13% to \$878 million
» Expense	↑ 14% to \$533 million
» Operating Income	↑ 11% to \$345 million
» Adjusted Operating Income	↑ 11% to \$372 million
» Operating Margin	• 39.3%
» Adjusted Operating Margin	• 42.4%
» GAAP EPS	↑ 19% to \$1.12
	↑ 32% from the prior year period's non-GAAP EPS*

\* 4Q13 Non-GAAP EPS excluded a \$0.09 benefit from the resolution of a legacy tax matter.

# Full-Year 2014 Performance and Comparison to Full-Year 2013

## Moody's Corporation

» Revenue	↑ 12% to \$3.3 billion
– MIS	↑ 9% to \$2.3 billion
– MA	↑ 19% to \$1.1 billion
» Expenses	↑ 9% to \$1.9 billion
» Operating Income	↑ 17% to \$1.4 billion
» Adjusted Operated Income	↑ 16% to \$1.5 billion

## Full-Year 2014 Performance and Comparison to Full-Year 2013 (continued)

- » Operating Margin • 43.2% (↑ 170 basis points)
- » Adjusted Operating Margin • 46.0% (↑ 130 basis points)
- » GAAP EPS ↑ 28% to \$4.61
- » Non-GAAP EPS\* ↑ 15% to \$4.21

\*Full-year 2014 non-GAAP EPS excluded a \$103 million non-cash, pre-tax gain, or \$0.37 per share, resulting from Moody's acquisition of a controlling interest in ICRA Ltd. (ICRA) in the second-quarter, as well as a \$0.03 benefit from the resolution of a legacy tax matter in the third-quarter. Full-year 2013 non-GAAP EPS excluded a litigation settlement charge of \$0.14 in the first-quarter and a legacy tax benefit of \$0.09 in the fourth-quarter.



## 2. Financial and Operating Highlights

**LINDA HUBER**

EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

# Fourth-Quarter 2014 Results and Comparison to Fourth-Quarter 2013

## Moody's Corporation Revenue

- » Total Global ↑ 13% at \$878 million
  - Foreign currency transaction unfavorably impacted revenue by 3%
  
- » U.S. ↑ 15% to \$479 million
  
- » Non-U.S. ↑ 10% to \$399 million
  - 45% of Total Global
  
- » Recurring Revenue 
  - \$444 million
  - 51% of Total Global

# Fourth-Quarter 2014 Results and Comparison to Fourth-Quarter 2013 (continued)

## MIS Revenue by Geography

- » Total MIS
  - ↑ 7% to \$565 million
    - Includes results from ICRA
    - Foreign currency transaction unfavorably impacted revenue by 3%
  
- » U.S.
  - ↑ 14% to \$344 million
  
- » Non-U.S.
  - ↓ 2% to \$221 million
    - 39% of Total MIS





# Fourth-Quarter 2014 Results and Comparison to Fourth-Quarter 2013 (continued)

## MA Revenue by Geography

- » Total MA ↑ 23% to \$312 million
  - Foreign currency transaction unfavorably impacted revenue by 3%
  - Excluding revenue from acquisitions, MA revenue grew 18%
  
- » U.S. ↑ 15% to \$135 million
  
- » Non-U.S. ↑ 30% to \$177 million
  - 57% of Total MA



# Fourth-Quarter 2014 Results and Comparison to Fourth-Quarter 2013 (continued)

## MA Revenue by Line of Business

### » ERS: \$120 million

- Global                                   ↑ 42%
- U.S.                                        ↑ 10%
- Non-U.S.                                ↑ 65%
- TTM\* Revenue                        ↑ 25%
- TTM\* Sales                             ↑ 16%

### » Professional Services: \$43 million

- Global                                   ↑ 28%
- U.S.                                        ↑ 56%
- Non-U.S.                                ↑ 18%

\*Trailing twelve months.



# Fourth-Quarter 2014 Results and Comparison to Fourth-Quarter 2013 (continued)

## Moody's Corporation

- » Total Expense ↑ 14% to \$533 million
  - Foreign currency transaction favorably impacted expense by 2%
  
- » Operating Margin • 39.3%
  
- » Adjusted Operating Margin • 42.4%
  
- » Effective Tax Rate • 28.1%

## Fourth-Quarter 2014 Results and Comparison to Fourth-Quarter 2013 (continued)

- » Beginning in the fourth quarter of 2014, Moody's consolidated ICRA's results of operations on a three-month lag
- » In the fourth-quarter, ICRA contributed approximately \$12 million of revenue to MIS
- » Details on changes to line of business revenue reporting made subsequent to our acquisition of a majority stake of ICRA can be found in our fourth-quarter and full-year 2014 earnings press release

## Capital Allocation

- » On December 16, 2014, increased quarterly dividend by 21% to \$0.34 per share of common stock
- » During 2014, returned \$236.0 million to shareholders via dividend payments
- » During 4Q14, repurchased 4.6 million shares at a total cost of \$440.3 million and issued approximately three hundred thousand shares under employee stock-based compensation plans
- » For full-year 2014, repurchased 13.8 million shares at a total cost of \$1.2 billion, or an average of \$88.41 per share, and issued 4.9 million shares under employee stock-based compensation plans
- » As of December 31, 2014, shares outstanding totaled 204.4 million
  - 4% decline from December 31, 2013
- » As of December 31, 2014, \$1.6 billion of share repurchase authority remaining
  - Inclusive of incremental \$1 billion share repurchase program authorized by the Board in the fourth-quarter of 2014

## Balance Sheet and Free Cash Flow

- » As of December 31, 2014, Moody's had:
  - \$2.5 billion of outstanding debt
  - \$1.0 billion of additional debt capacity under revolving credit facility
  - Cash, cash equivalents and short-term investments of \$1.7 billion
    - » Approximately 75 percent of our cash holdings were maintained outside the US
- » Full-year 2014 free cash flow was \$944 million, up \$59.5 million from 2013

## 3. 2015 Outlook

**RAY MCDANIEL**  
PRESIDENT AND CHIEF EXECUTIVE OFFICER

# MCO 2015 Full-Year Financial Outlook

- » Revenue
  - ↑ mid-single-digit % range
    - On a constant dollar basis would be approximately 300 basis points higher
- » Expense
  - ↑ mid-single-digit % range
    - On a constant dollar basis would be approximately 300 basis points higher
- » Operating Margin
  - Approximately 43%
- » Adjusted Operating Margin
  - Approximately 46%
- » Effective Tax Rate
  - Approximately 32% to 33%
- » EPS
  - \$4.55 to \$4.65

## MCO 2015 Full-Year Financial Outlook (continued)

- » Share Repurchase
  - Approximately \$1 billion (subject to available cash, market conditions and other ongoing capital allocation decisions)
- » Capital Expenditures
  - Approximately \$110-\$115 million
- » Depreciation and Amortization
  - Approximately \$120 million
- » Incremental Compliance and Regulatory Expense
  - Approximately \$5 million
- » Free Cash Flow
  - Approximately \$1 billion

# MIS 2015 Full-Year Financial Outlook

- » Global                   ↑ mid-single-digit % range
- » U.S.                      ↑ mid-single-digit % range
- » Non-U.S.                ↑ mid-single-digit % range
- » Corporate Finance     ↑ mid-single-digit % range
- » Structured Finance    ↑ mid-single-digit % range
- » Financial Institutions   ↑ mid-single-digit % range
- » Public, Project & Infrastructure   ↑ high-single-digit % range





## 4. Q&A Session

- » Ray McDaniel

President and Chief Executive Officer, Moody's Corporation

- » Linda Huber

Executive Vice President and Chief Financial Officer, Moody's Corporation

- » Michel Madelain

President and Chief Operating Officer, Moody's Investors Service

- » Mark Almeida

President, Moody's Analytics

# Investor Day 2015

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Save the Date

## Moody's Investor Day 2015

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**Wednesday, September 30, 2015**

Moody's Corporation is holding its annual Investor Day. Located in New York, this event will feature presentations from our management team and showcase important aspects of our business.

Additional details to follow.

## Replay Details

- » Available from 3:30pm (Eastern Time) February 6, 2015 until 3:30pm (Eastern Time) March 7, 2015
  
- » Telephone Details:
  - U.S. and Canada           +1-888-203-1112
  - Other                        +1-719-457-0820
  - Passcode                   1881175
  
- » Webcast Details:
  - Go to <http://ir.moodys.com>
  - Click on “Events & Presentations” featured on the left
  - Click on the link for “4Q 2014 Earnings Conference Call”

# Appendix

# Consolidated Statements of Operations (Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<i>Amounts in millions, except per share amounts</i>				
<b>Revenue</b>	\$ 877.5	\$ 779.2	\$ 3,334.3	\$ 2,972.5
<b>Expenses:</b>				
Operating	255.5	221.0	930.3	822.4
Selling, general and administrative	250.3	223.0	869.3	822.1
Depreciation and amortization	27.0	23.3	95.6	93.4
<b>Total expenses</b>	<b>532.8</b>	<b>467.3</b>	<b>1,895.2</b>	<b>1,737.9</b>
<b>Operating income</b>	<b>344.7</b>	<b>311.9</b>	<b>1,439.1</b>	<b>1,234.6</b>
<b>Non-operating (expense) income, net</b>				
Interest (expense) income, net	(29.3)	(23.7)	(116.8)	(91.8)
Other non-operating (expense) income, net	20.4	13.6	35.9	26.5
ICRA Gain	-	-	102.8	-
<b>Total non-operating (expense) income, net</b>	<b>(8.9)</b>	<b>(10.1)</b>	<b>21.9</b>	<b>(65.3)</b>
<b>Income before provision for income taxes</b>	<b>335.8</b>	<b>301.8</b>	<b>1,461.0</b>	<b>1,169.3</b>
Provision for income taxes	94.4	92.2	455.0	353.4
<b>Net income</b>	<b>241.4</b>	<b>209.6</b>	<b>1,006.0</b>	<b>815.9</b>
Less: net income attributable to noncontrolling interests	5.1	2.9	17.3	11.4
<b>Net income attributable to Moody's Corporation</b>	<b>\$ 236.3</b>	<b>\$ 206.7</b>	<b>\$ 988.7</b>	<b>\$ 804.5</b>
<b>Earnings per share attributable to Moody's common shareholders</b>				
Basic	\$ 1.14	\$ 0.96	\$ 4.69	\$ 3.67
Diluted	\$ 1.12	\$ 0.94	\$ 4.61	\$ 3.60
<b>Weighted average number of shares outstanding</b>				
Basic	206.5	214.3	210.7	219.4
Diluted	210.5	219.0	214.7	223.5

# Supplemental Revenue Information

## (Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<i>Amounts in millions</i>				
<b>Moody's Investors Service</b>				
Corporate Finance	\$ 263.3	\$ 242.6	\$ 1,109.3	\$ 996.8
Structured Finance	118.5	108.8	426.5	382.5
Financial Institutions	85.3	88.9	354.7	338.8
Public, Project and Infrastructure Finance	90.1	82.5	357.3	341.3
MIS Other*	7.9	3.2	18.0	12.2
Intersegment royalty	21.9	21.1	87.6	78.6
Sub-total MIS	587.0	547.1	2,353.4	2,150.2
Eliminations	(21.9)	(21.1)	(87.6)	(78.6)
Total MIS revenue	565.1	526.0	2,265.8	2,071.6
<b>Moody's Analytics</b>				
Research, Data and Analytics	149.5	135.2	571.8	519.8
Enterprise Risk Solutions	120.4	84.9	328.5	262.5
Professional Services	42.5	33.1	168.2	118.6
Intersegment revenue	3.2	3.2	13.3	12.4
Sub-total MA	315.6	256.4	1,081.8	913.3
Eliminations	(3.2)	(3.2)	(13.3)	(12.4)
Total MA revenue	312.4	253.2	1,068.5	900.9
<b>Total Moody's Corporation revenue</b>	<b>\$ 877.5</b>	<b>\$ 779.2</b>	<b>\$ 3,334.3</b>	<b>\$ 2,972.5</b>
<b>Moody's Corporation revenue by geographic area</b>				
United States	\$ 478.7	\$ 417.2	\$ 1,814.5	\$ 1,626.5
International	398.8	362.0	1,519.8	1,346.0
	<b>\$ 877.5</b>	<b>\$ 779.2</b>	<b>\$ 3,334.3</b>	<b>\$ 2,972.5</b>

\* In connection with Moody's majority ownership of ICRA Ltd. (ICRA), ratings revenue associated with ICRA is reported in each respective MIS line of business (LOB). Additionally, MIS now has a new line of business, "MIS Other" which includes ICRA's non-ratings revenue as well as non-ratings revenue associated with Moody's majority ownership of Korea Investors Service (KIS), which was formerly reported in MA's RD&A LOB. Expenses associated with ICRA's and KIS's non-ratings revenue are now reported in the MIS segment. The prior year comparative results have been reclassified to reflect this realignment.

# Supplemental Revenue Reclassification (Unaudited)

	Three Months Ended December 31, 2013			Year Ended December 31, 2013		
	As Reported	Reclassification	Reclassified	As Reported	Reclassification	Reclassified
<i>Amounts in millions</i>						
<b>Moody's Investors Service</b>						
Corporate Finance	\$ 242.6	\$ -	\$ 242.6	\$ 996.8	\$ -	\$ 996.8
Structured Finance	108.8	-	108.8	382.5	-	382.5
Financial Institutions	88.9	-	88.9	338.8	-	338.8
Public, Project and Infrastructure Finance	82.5	-	82.5	341.3	-	341.3
MIS Other	-	3.2	3.2	-	12.2	12.2
Total MIS revenue	<u>522.8</u>	<u>3.2</u>	<u>526.0</u>	<u>2,059.4</u>	<u>12.2</u>	<u>2,071.6</u>
<b>Moody's Analytics</b>						
Research, Data and Analytics	138.4	(3.2)	135.2	532.0	(12.2)	519.8
Enterprise Risk Solutions	84.9	-	84.9	262.5	-	262.5
Professional Services	33.1	-	33.1	118.6	-	118.6
Total MA revenue	<u>256.4</u>	<u>(3.2)</u>	<u>253.2</u>	<u>913.1</u>	<u>(12.2)</u>	<u>900.9</u>
<b>Total Moody's Corporation revenue</b>	<u><b>\$ 779.2</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 779.2</b></u>	<u><b>\$ 2,972.5</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 2,972.5</b></u>



# Non-Operating (Expense) Income, Net

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<i>Amounts in millions</i>				
<b>Interest (expense) / income, net:</b>				
Expense on borrowings	\$ (28.3)	\$ (26.9)	\$ (118.4)	\$ (92.3)
Income	1.6	1.5	6.7	5.5
Legacy Tax <sup>(a)</sup>	-	3.6	0.7	3.6
UTPs and other tax related liabilities	(2.6)	(1.9)	(5.8)	(8.6)
<b>Total interest (expense) income, net</b>	<b>\$ (29.3)</b>	<b>\$ (23.7)</b>	<b>\$ (116.8)</b>	<b>\$ (91.8)</b>
<b>Other non-operating (expense) income, net:</b>				
FX gain/(loss)	\$ 18.8	\$ (6.9)	\$ 20.3	\$ -
Legacy Tax <sup>(a)</sup>	-	19.2	6.4	19.2
Joint venture income (loss)	1.7	1.4	9.6	8.8
Other	(0.1)	(0.1)	(0.4)	(1.5)
<b>Other non-operating (expense) income, net</b>	<b>20.4</b>	<b>13.6</b>	<b>35.9</b>	<b>26.5</b>
ICRA Gain	-	-	102.8	-
<b>Total non-operating (expense) income, net</b>	<b>\$ (8.9)</b>	<b>\$ (10.1)</b>	<b>\$ 21.9</b>	<b>\$ (65.3)</b>

(a) Represent favorable resolution of legacy tax matters

# Selected Consolidated Balance Sheet Data (Unaudited)

<i>Amounts in millions</i>	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Cash and cash equivalents	\$ 1,219.5	\$ 1,919.5
Short-term investments	458.1	186.8
Total current assets	2,686.4	2,968.8
Non-current assets	1,993.7	1,426.3
Total assets	4,680.1	4,395.1
Total current liabilities	1,199.7	1,141.3
Total debt <sup>(1)</sup>	2,547.3	2,101.8
Other long-term liabilities	890.2	724.1
Total shareholders' equity	42.9	347.9
Redeemable noncontrolling interest *	-	80.0
Total liabilities, redeemable noncontrolling interest and shareholders' equity	4,680.1	4,395.1
Actual number of shares outstanding	204.4	214.0

\* Represents a noncontrolling interest related to CopalAmba. The Company exercised its call option to redeem this noncontrolling interest in the fourth quarter of 2014. Accordingly, Moody's now owns 100% of CopalAmba.

<sup>(1)</sup> Total debt consists of the following:	<u>December 31, 2014</u>	<u>December 31, 2013</u>
Series 2005-1 Notes due 2015 <sup>(a)</sup>	\$ -	\$ 310.3
Series 2007-1 Notes due 2017	300.0	300.0
2010 Senior Notes due 2020 <sup>(b)</sup>	503.8	497.8
2012 Senior Notes due 2022 <sup>(c)</sup>	496.9	496.5
2013 Senior Notes due 2024 <sup>(d)</sup>	497.5	497.2
2014 Senior Notes due 2019 <sup>(e)</sup>	450.7	-
2014 Senior Notes due 2044 <sup>(f)</sup>	298.4	-
Total debt	<u>\$ 2,547.3</u>	<u>\$ 2,101.8</u>

<sup>(a)</sup> Includes a \$10.3 million fair value adjustment on an interest rate hedge at December 31, 2013

<sup>(b)</sup> Represents \$500 million of 5.5% publicly traded Senior Notes which mature on September 1, 2020; the notes were offered to the public at 99.374% of the face amount and includes \$5.8 million relating to a fair value adjustment on an interest rate hedge at December 31, 2014

<sup>(c)</sup> Represents \$500 million of 4.5% publicly traded Senior Notes which mature on September 1, 2022; the notes were offered to the public at 99.218% of the face amount

<sup>(d)</sup> Represents \$500 million of 4.9% publicly traded Senior Notes which mature on February 15, 2024; the notes were offered to the public at 99.431% of the face amount

<sup>(e)</sup> Represents \$450 million of 2.75% publicly traded Senior Notes which mature on July 15, 2019; the notes were offered to the public at 99.838% of the face amount and includes \$1.4 million relating to a fair value adjustment on an interest rate hedge at December 31, 2014

<sup>(f)</sup> Represents \$300 million of 5.25% publicly traded Senior Notes which mature on July 15, 2044; the notes were offered to the public at 99.462% of the face amount

# Financial Information by Segment

The table below presents revenue, adjusted operating income and operating income by reportable segment. The Company defines adjusted operating income as operating income excluding depreciation and amortization. MIS and MA revenue in 2013 have been reclassified to reflect the changes noted in the supplemental revenue reclassification table. Additionally, 2013 expenses associated with this revenue have also been reclassified.

## Three Months Ended December 31,

	2014				2013			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$ 587.0	\$ 315.6	\$ (25.1)	\$ 877.5	\$ 547.1	\$ 256.4	\$ (24.3)	\$ 779.2
Operating, selling, general and administrative	292.6	238.3	(25.1)	505.8	269.7	198.6	(24.3)	444.0
Adjusted operating income	<u>294.4</u>	<u>77.3</u>	<u>-</u>	<u>371.7</u>	<u>277.4</u>	<u>57.8</u>	<u>-</u>	<u>335.2</u>
Depreciation and amortization	15.0	12.0	-	27.0	11.7	11.6	-	23.3
Operating income	<u>\$ 279.4</u>	<u>\$ 65.3</u>	<u>\$ -</u>	<u>\$ 344.7</u>	<u>\$ 265.7</u>	<u>\$ 46.2</u>	<u>\$ -</u>	<u>\$ 311.9</u>
Adjusted operating margin	50.2%	24.5%		42.4%	50.7%	22.5%		43.0%
Operating margin	47.6%	20.7%		39.3%	48.6%	18.0%		40.0%

# Financial Information by Segment (continued)

	Year Ended December 31,							
	2014				2013			
	MIS	MA	Eliminations	Consolidated	MIS	MA	Eliminations	Consolidated
Revenue	\$ 2,353.4	\$ 1,081.8	\$ (100.9)	\$ 3,334.3	\$ 2,150.2	\$ 913.3	\$ (91.0)	\$ 2,972.5
Operating, selling, general and administrative	1,076.2	824.3	(100.9)	1,799.6	1,034.0	701.5	(91.0)	1,644.5
Adjusted operating income	1,277.2	257.5	-	1,534.7	1,116.2	211.8	-	1,328.0
Depreciation and amortization	49.4	46.2	-	95.6	46.7	46.7	-	93.4
Operating income	\$ 1,227.8	\$ 211.3	\$ -	\$ 1,439.1	\$ 1,069.5	\$ 165.1	\$ -	\$ 1,234.6
Adjusted operating margin	54.3%	23.8%		46.0%	51.9%	23.2%		44.7%
Operating margin	52.2%	19.5%		43.2%	49.7%	18.1%		41.5%

# Transaction and Relationship Revenue

Three Months Ended December 31,

	2014			2013		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	67%	33%	100%	69%	31%	100%
	\$ 175.7	\$ 87.6	\$ 263.3	\$ 168.3	\$ 74.3	\$ 242.6
Structured Finance	66%	34%	100%	66%	34%	100%
	\$ 78.5	\$ 40.0	\$ 118.5	\$ 71.9	\$ 36.9	\$ 108.8
Financial Institutions	32%	68%	100%	36%	64%	100%
	\$ 27.6	\$ 57.7	\$ 85.3	\$ 32.3	\$ 56.6	\$ 88.9
Public, Project and Infrastructure Finance	59%	41%	100%	57%	43%	100%
	\$ 52.8	\$ 37.3	\$ 90.1	\$ 47.1	\$ 35.4	\$ 82.5
MIS Other	49%	51%	100%	-	100%	100%
	\$ 3.8	\$ 4.1	\$ 7.9	\$ -	\$ 3.2	\$ 3.2
<b>Total MIS</b>	<b>60%</b>	<b>40%</b>	<b>100%</b>	61%	39%	100%
	\$ 338.4	\$ 226.7	\$ 565.1	\$ 319.6	\$ 206.4	\$ 526.0
<b>Moody's Analytics</b>	<b>31%</b>	<b>69%</b>	<b>100%</b>	27%	73%	100%
	\$ 95.6	\$ 216.8	\$ 312.4	\$ 69.4	\$ 183.8	\$ 253.2
<b>Total Moody's Corporation</b>	<b>49%</b>	<b>51%</b>	<b>100%</b>	50%	50%	100%
	\$ 434.0	\$ 443.5	\$ 877.5	\$ 389.0	\$ 390.2	\$ 779.2

# Transaction and Relationship Revenue (Continued)

	Year Ended December 31,					
	2014			2013		
	Transaction	Relationship	Total	Transaction	Relationship	Total
Corporate Finance	70%	30%	100%	73%	27%	100%
\$	782.0	\$ 327.3	\$ 1,109.3	\$ 723.8	\$ 273.0	\$ 996.8
Structured Finance	62%	38%	100%	60%	40%	100%
\$	264.8	\$ 161.7	\$ 426.5	\$ 231.1	\$ 151.4	\$ 382.5
Financial Institutions	35%	65%	100%	35%	65%	100%
\$	123.8	\$ 230.9	\$ 354.7	\$ 119.6	\$ 219.2	\$ 338.8
Public, Project and Infrastructure Finance	58%	42%	100%	60%	40%	100%
\$	208.9	\$ 148.4	\$ 357.3	\$ 204.3	\$ 137.0	\$ 341.3
MIS Other	21%	79%	100%	-	100%	100%
\$	3.8	\$ 14.2	\$ 18.0	\$ -	\$ 12.2	\$ 12.2
<b>Total MIS</b>	<b>61%</b>	<b>39%</b>	<b>100%</b>	62%	38%	100%
\$	<b>1,383.3</b>	\$ <b>882.5</b>	\$ <b>2,265.8</b>	\$ 1,278.8	\$ 792.8	\$ 2,071.6
<b>Moody's Analytics</b>	<b>27%</b>	<b>73%</b>	<b>100%</b>	23%	77%	100%
\$	<b>283.2</b>	\$ <b>785.3</b>	\$ <b>1,068.5</b>	\$ 203.8	\$ 697.1	\$ 900.9
<b>Total Moody's Corporation</b>	<b>50%</b>	<b>50%</b>	<b>100%</b>	50%	50%	100%
\$	<b>1,666.5</b>	\$ <b>1,667.8</b>	\$ <b>3,334.3</b>	\$ 1,482.6	\$ 1,489.9	\$ 2,972.5

# Non-GAAP Financial Measures

	<b>Three Months Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Diluted EPS - GAAP</b>	\$ 1.12	\$ 0.94
Legacy Tax	-	(0.09)
<b>Diluted EPS - Non-GAAP</b>	<u>\$ 1.12</u>	<u>\$ 0.85</u>
	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Diluted EPS - GAAP</b>	\$ 4.61	\$ 3.60
Impact of litigation settlement charge	-	0.14
ICRA Gain	(0.37)	-
Legacy Tax	(0.03)	(0.09)
<b>Diluted EPS - Non-GAAP</b>	<u>\$ 4.21</u>	<u>\$ 3.65</u>

# Adjusted Operating Income and Adjusted Operating Margin

	Three Months Ended December 31,		Year Ended December 31,	
	2014	2013	2014	2013
<b>Operating income</b>	\$ 344.7	\$ 311.9	\$ 1,439.1	\$ 1,234.6
Depreciation & amortization	27.0	23.3	95.6	93.4
<b>Adjusted operating income</b>	<b>\$ 371.7</b>	<b>\$ 335.2</b>	<b>\$ 1,534.7</b>	<b>\$ 1,328.0</b>
<b>Operating margin</b>	<b>39.3%</b>	<b>40.0%</b>	<b>43.2%</b>	<b>41.5%</b>
<b>Adjusted operating margin</b>	<b>42.4%</b>	<b>43.0%</b>	<b>46.0%</b>	<b>44.7%</b>

	Full-Year Ended December 31, 2015
<b>Operating Margin Guidance</b>	Approximately 43%
Depreciation and amortization	Approximately 3%
<b>Adjusted Operating Margin Guidance</b>	<b>Approximately 46%</b>



# Free Cash Flow

	Year Ended December 31,	
	2014	2013
<b>Net cash flows from operating activities</b>	\$ 1,018.6	\$ 926.8
Capital additions	(74.6)	(42.3)
<b>Free cash flow</b>	<u>\$ 944.0</u>	<u>\$ 884.5</u>
<b>Net cash used in investing activities</b>	\$ (564.9)	\$ (261.9)
<b>Net cash provided by (used in) financing activities</b>	\$ (1,064.5)	\$ (498.8)

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