Moody's

News

MOODY'S CORPORATION THIRD QUARTER EARNINGS CONFERENCE CALL

THURSDAY, OCTOBER 29, 2020

RAY MCDANIEL, MARK KAYE, ROBERT FAUBER, SHIVANI KAK

Shivani Kak:

Thank you. Good morning everyone, and thanks for joining us on this teleconference to discuss Moody's third quarter 2020 results, as well as our outlook for full year 2020. I am Shivani Kak, Head of Investor Relations. This morning, Moody's released its results for the third quarter of 2020, as well as our outlook for full year 2020. The earnings press release and a presentation to accompany this teleconference are both available on our website at ir-dot-moodys-dot-com.

Ray McDaniel, Moody's President and Chief Executive Officer, will lead this morning's conference call. Also making prepared remarks on the call this morning is Mark Kaye, Moody's Chief Financial Officer.

During this call, we will also be presenting non-GAAP, or adjusted, figures. Please refer to the tables at the end of our earnings press release filed this morning for a reconciliation between all adjusted measures referenced during this call and GAAP.

I call your attention to the "Safe Harbor" language, which can be found toward the end of our earnings release. Today's remarks may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In accordance with the Act, I also direct your attention to the "Management's Discussion and Analysis" section and the risk factors discussed in our Annual Report on form 10-K for the year ended December 31, 2019, our quarterly report on Form 10-Q for the quarter ended March 31, 2020 and in other SEC filings made by the Company, which are available on our website and on the SEC's website. These, together with the "Safe Harbor" statement, set forth important factors that could cause actual results to differ materially from those contained in any such forward-looking statements.

I would also like to point out that members of the media may be on the call this morning in a listen-only mode.

Before we begin, we would like to comment on the succession plan that was announced last week. Ray McDaniel will retire as President and CEO of Moody's on December 31st after nearly 34 years with the company, including over 15 years as CEO. We are very pleased that the Board has appointed Rob Fauber, Moody's Chief Operating Officer, as Ray's successor. Ray will remain on the Moody's Board upon his retirement and will assume the role of Chairman, effective January 1st.

I'll now turn the call over to Ray.

Ray McDaniel:

Thank you, Shivani, and good morning everyone. Before we discuss the company's performance, I want to take a moment to reflect on the leadership succession plan. As Shivani mentioned, I will be retiring from Moody's at the end of the year and, with the unanimous approval of the Board of Directors, Rob Fauber will succeed me as President and CEO. I will continue to serve on the Moody's Board, where I will assume the role of Chairman. Rob has now joined the Board, and we will work closely together, as well as with senior leadership and our fellow Directors, to ensure a smooth and successful transition.

Leaving a job you love and people you respect is not easy, especially at such a great company. I'd like to thank our employees for their unyielding commitment to quality and rigor and for upholding Moody's purpose to bring clarity, knowledge and fairness to an interconnected world. It has been a privilege working with you all.

While it is difficult to leave, I am confident that this is the right time in the company's evolution for this transition to take place. Moody's is stronger now than ever before, and the company is well-positioned for the future. Rob's impressive record of achievement during his 15 years at the company, combined with his deep knowledge of our businesses and the needs of our customers, make him the ideal leader to take Moody's into its next chapter.

You all know Rob well. Since joining Moody's in 2005, he has shown himself to be an innovative, strategic and results-oriented leader and someone who cares deeply about our people. He has grown with the company and served in a number of leadership roles – most recently as Chief Operating Officer where he has overseen both MIS and MA, as well as Strategy and Marketing for the Corporation. I am confident that he will continue to maximize our strengths, and champion collaboration, innovation and efficiency across the company. Moody's future is in excellent hands.

And with that let me turn the call over to Rob to say a few words.

Robert Fauber:

Thank you, Ray.

It has been a privilege to work alongside Ray and to have benefited from his mentorship over the past 15 years. I'm also proud to be able to call him a friend.

Under Ray's leadership, Moody's has experienced the strongest growth in its history. During his tenure, Ray implemented important enhancements to the company's business, including growing and strengthening the ratings and research business, expanding the company's international presence, and building the company's data and analytics businesses. He has positioned the company for continued global growth and success and, as we look forward, I believe we have an enormous opportunity. In this rapidly changing world, understanding and managing risk is more important than ever, and we are focused on offering our customers solutions that leverage integrated data and technology grounded in our history of insights and analytical excellence.

I thank Ray for his mentorship and support, and look forward to working with him, the Board and the entire Moody's team to continue providing trusted insights and standards to help decision-makers act with confidence. We have an exciting journey ahead.

With that I will turn it back over to Ray.

Raymond McDaniel:

Thanks Rob for your gracious words, and congratulations again.

I'll now move on to provide a general update on the business, including Moody's third quarter 2020 financial results. Mark Kaye will then provide further details on our third quarter performance, and also comment on our revised outlook for 2020. After our prepared remarks, we will be happy to respond to your questions.

I want to commend our employees on their hard work during these trying times. Your dedication and focus on delivering best in class customer service helped Moody's achieve strong third quarter revenue growth of 9 percent and adjusted diluted earnings per share growth of 25 percent. Both Moody's Investors Service and Moody's Analytics performed well despite the difficult environment, exhibiting the resiliency of our organization and the relevance of our products, insights and solutions.

Underlying this performance were highly active credit markets, which continued to benefit from fiscal and monetary stimulus, coupled with issuers looking to opportunistically refinance debt and fortify their cash positions.

And we continue to innovate and integrate our award-winning suite of products, in response to increasing customer demands for easy-to-use, unified solutions.

Finally, given our outperformance year-to-date, we have significantly raised and narrowed our full-year 2020 adjusted diluted EPS guidance range to $9.95 to $10.15.

Looking at third quarter 2020 results, Moody's total revenue increased 9 percent, with 11 percent growth from MIS and 7 percent growth from MA.

Moody's adjusted operating income of $721 million dollars was up 17 percent from the prior-year period. Solid revenue growth from our two businesses outpaced the relatively small increase in operating expenses, driving 370 basis points of adjusted operating margin expansion. Third quarter adjusted diluted EPS of $2.69 was up 25 percent.

Turning to the credit markets and, as I've talked about on prior calls, this year we've experienced a dichotomy between the real economy and the credit markets.

The real economy remained in flux as resurgent COVID-19 cases within certain parts of the U.S. and Europe caused these areas to begin rolling back re-opening measures. While frictions between China and the U.S. continued to escalate in the third quarter, the geopolitical environment remained largely the same, but with increased focus on the upcoming outcome of the U.S. elections in November.

Meanwhile, incremental macroeconomic responses were mixed with the implementation of new stimulus measures in certain jurisdictions and uncertainty or lack of actions in others.

This is in stark contrast to the credit markets, where fixed rate bond issuance reached new records as issuers bolstered their balance sheets and opportunistically refinanced debt. The M&A pipeline showed positive indicators of recovery among investment grade issuers, however activity was still muted in comparison to the prior year. Leveraged loans also showed signs of improvement, but remained relatively weak in comparison to bonds as demand for floating rate debt was limited.

I'd now like to go into more detail on corporate finance, which was a key contributor to MIS's strong performance.

The chart on the left shows the percentage of MIS's total rated issuance by line of business over the last seven quarters, with corporate finance issuance in 2020 increasing to approximately 50 percent.

As shown on the right-hand side of the slide, activity for this sector grew 10 percent year-over-year. Favorable mix, with more infrequent issuers coming to market, resulted in a 23 percent increase in non-financial corporate, or CFG, transaction revenue. Over the years, we have purposefully oriented ourselves toward more transaction-based pricing agreements. Our data shows that this strategy creates greater value over time, and you can see that positive dynamic in this quarter.

As I noted earlier, refinancing and liquidity issuance were the main drivers this quarter, similar to the trend we observed in the second quarter. As spreads tightened and overall yields declined, refinancing took on a more opportunistic tone, while activity related to shareholder payments and M&A continued to lag.

While refinancing was a key issuance driver this quarter, the refunding needs over the next four years for North American and European issuers increased 10 percent year-to-date to approximately $3.8 trillion dollars.

Of that total, approximately 20 percent is forecast to mature in 2021. Furthermore, of the 2021 maturities, only about a third are in the U.S., where we have seen the greatest amount of issuance this year.

Our view is that a portion of 2020 activity represents what we think of as "contingent pull-forward", where companies issue debt to fortify their cash positions until they become more confident in the future operating environment. The extent to which this may then impact the refinancing of some 2021 maturities through cash on hand remains to be seen, and depends heavily on how the economic outlook develops.

The refinancing needs shown on this slide represent a robust base of future issuance, even though the average maturity has lengthened for investment grade.

Specifically, due to lower benchmark rates and steady spread tightening, U.S. investment grade issuers have been incentivized to lengthen the maturity of their bonds to take advantage of lower overall effective yields. This is evidenced by the higher year-to-date average investment grade maturity of 14.5 years compared to 12.4 years in 2019. This was partially the outcome of a nearly 60 percent increase year-to-date in 11 to 30-year issuance as shown by the light green bar on the left-hand chart. This was especially pronounced in the third quarter where 50 percent of investment grade issuance was longer than 10 years.

Many have asked us whether longer average bond maturities would have a dampening effect on refinancing needs in the medium-term. While this is an important trend to follow, the impact to date has been relatively muted for two primary reasons.

First, year-to-date, the increase in maturities was limited to investment grade, as speculative grade bond issuance saw a decrease in average maturity to 7.5 years due to the substantial rise in the use of medium-term maturity bonds.

Second, and perhaps more importantly, while there has been an uptick in longer-dated investment grade supply, the absolute rise in issuance volume has resulted in a significant increase in 1 to 10-year bond maturities. Specifically, investment grade issuance volumes with 1 to 10-year maturities rose by more than $160 billion dollars year-to-date as compared to full year 2019, or more than 43 percent, supporting healthy future refunding needs.

Pivoting to Moody's Analytics, the business continued to show resilience, delivering strong sales growth despite the challenging COVID-19 environment. High demand for our insights and analytics supported solid customer retention across both lines of business, and an overall retention rate of 94 percent reflects the relevance and importance of our solutions during uncertain times. Stable retention rates, together with growth in subscription sales, led to better than expected performance in the third quarter.

MA continues to successfully convert the existing sales pipeline as our salesforce and customers have adapted to the virtual working environment. The pipeline for

2021 is encouraging, especially for high margin, recurring revenue subscription products, partially offset by softness in one-time project sales. We have a busy season in the winter months and will provide our 2021 outlook early next year after we examine the sales mix and performance in the fourth quarter.

Maintaining healthy sales pipelines and strong customer retention rates requires ongoing innovation to ensure we continue delivering solutions that meet emerging customer needs.

By combining new modules with our established products, we provide our customers with the tools they need to make better decisions.

This quarter, we launched two new integrated solutions that bring our capabilities together and offer more powerful solutions. Leveraging natural language processing and machine learning, our Credit Sentiment Score provides customers with early credit-relevant warning indicators. We are pairing this tool with our corporate credit scoring products, CreditEdge and RiskCalc. Together, these capabilities deliver a solution that helps customers monitor their portfolios for potential credit deterioration.

Similarly, we have incorporated ESG and Climate assets within our flagship product, CreditView, also known as, moodys-dot-com. Using data from Vigeo Eiris and Four Twenty Seven, customers are now able to see the sustainability risk metrics of their portfolio companies along with their credit ratings, providing them with the tools and data needed to take a more holistic approach to evaluating credit decisions.

In addition to enhancing our current portfolio organically, we are also investing in the business via acquisitions and partnerships. In the past, we've spoken about our strategic growth priorities of regional expansion and business adjacencies, and we recently made a number of exciting investments in both areas.

Starting with business adjacencies, our acquisition of Acquire Media, an AI powered, curated real-time news aggregator, expands our growing KYC capabilities. The acquisition bolsters our ability to provide customers with counterparty screening and surveillance, as well as early warning signals to help them make better decisions.

We have also made significant progress on our ESG initiatives. The formation of the ESG Solutions Group in September combines our internal capabilities with our strategic investments in Vigeo Eiris and Four Twenty Seven. The team will facilitate coordinated efforts across Moody's, as well as unify innovation and product creation.

Turning to regional expansion - we recently acquired a minority stake in MARC, a Malaysian rating agency, which strengthens Moody's presence in Southeast Asia and positions us as a leader in Islamic finance.

In China, we created the Commercial Strategies Group to help identify and capture growth opportunities for MA. The team will ensure our new product development and innovation plans align with market opportunities, as well as help support the advancement of China's domestic markets and global economy through data, analytics and insights.

Over in Latin America, we continue to build on our Moody's Local platform with the recent expansion into Argentina and Uruguay, which combines the strength and expertise of our brand with understanding of the domestic credit markets.

As we continue to invest in our capabilities to fulfill customer needs, we are also looking internally at our workplace of the future. We are excited about the level of engagement from our employees in helping to define our new working environment as their input is key in maintaining our strong culture. By leveraging our existing technological capabilities, we are confident we will not only be able to execute on expense saving opportunities, but also uphold the exceptional level of service our customers have come to expect.

I will now turn the call over to Mark Kaye to provide further details on Moody's third quarter results and our revised outlook for 2020.

Mark Kaye:

Thank you, Ray.

As Ray mentioned earlier, MIS continued to demonstrate strong operating leverage, in part through disciplined expense management. This quarter's 11 percent revenue growth outpaced the 4 percent increase in issuance due to favorable revenue mix in both the corporate and financial institutions lines of business. The largest contributor was corporate issuance, which exhibited 18 percent revenue growth as compared to a 10 percent increase in global activity, as both investment grade and speculative grade issuers bolstered their liquidity positions and opportunistically refinanced debt ahead of a potentially volatile fourth quarter.

Similarly, financial institutions revenue benefitted from favorable mix as the top line grew 12 percent, despite a 12 percent global issuance decline. This was due to a 77 percent increase in activity from infrequent U.S. bank issuers, while the larger, more frequent U.S. banks were more subdued having issued heavily in prior quarters.

In public, project and infrastructure finance, revenue rose 11 percent mostly due to a 25 percent increase in U.S. public finance activity where issuers took advantage of receptive credit market conditions and historically low all-in coupon rates.

Meanwhile, structured finance revenue declined 16 percent, compared to a 22 percent decrease in global issuance, stemming from weakness in CLO's as the lack of new loan supply and wider spreads hindered new CLO creation.

We were pleased to see an uptick in first time mandates in the third quarter through a combination of increased high yield bond issuance and early signs of a resumption in M&A activity. Overall, approximately 540 mandates have been signed year-to-date, which was ahead of our prior expectations.

MIS's significant revenue growth and ongoing expense discipline led to an expansion of adjusted operating margin by 410 basis points.

Moving over to MA, third quarter revenue grew 7 percent, or 8 percent on an organic constant currency basis.

By collaborating with customers to power their decision ecosystems, we help them measure, manage and understand risk. This is even more important in times of uncertainty and underpins our impressive mid-90s retention rates. Furthermore, MA's recurring revenue base represents 90 percent of the total, up 6 percent year-over-year, providing ballast to Moody's overall revenue mix.

Focusing first on RD&A, the growing importance of knowing your customers, suppliers and supply chain helped MA expand its KYC and compliance business this quarter. This, together with robust sales of research and data feed products, drove a 22 percent increase in revenue, or 12 percent on an organic basis.

Within ERS, revenue grew 8 percent, or 7 percent on an organic basis. Strong performance in credit assessment and loan origination solutions, such as CreditLens, drove growth, with additional support from our suite of insurance products.

In the third quarter, the MA adjusted operating margin increased 220 basis points. In conjunction with the growth in revenue, incentive compensation accruals increased but were partially offset through expense discipline and lower travel and entertainment costs.

Turning to Moody's full-year 2020 guidance.

Moody's outlook for 2020 is based on assumptions regarding many geopolitical conditions and macroeconomic and capital market factors. These include, but are not limited to, the impact of the COVID-19 pandemic, responses by governments, regulators, businesses and individuals, as well as the effects on interest rates, foreign currency exchange rates, capital markets' liquidity and activity in different sectors of the debt markets. The outlook also reflects assumptions regarding general economic conditions and GDP growth in the U.S. and Euro area, the company's own operations and personnel, and additional items as detailed in the earnings release. These assumptions are subject to uncertainty, and results for the year could differ materially from our current outlook.

Our guidance assumes foreign currency translation at end-of-quarter exchange rates. Specifically, our forecast for the remainder of 2020 reflects U.S. exchange rates for the British pound of $1.29 and for the euro of $1.17.

The guidance also assumes a previously announced restructuring program around the rationalization and exit of certain real estate leases estimated to result in total pre-tax charges of $25 to $35 million dollars. Of this total, $25 to $30 million dollars is expected to be recorded in the second half of the year, including the $23 million dollar charge incurred in the third quarter. This program is expected to result in estimated annualized savings of $5 to $6 million dollars.

For a full list of our guidance, please refer to Table 12 of our earnings release.

We have raised our full-year 2020 guidance for most key metrics as compared to the prior forecast, and now anticipate that Moody's revenue will increase in the high-single-digit percent range. Our upward revenue revision outpaces that of our operating expenses, which we now expect to increase in the low-single-digit percent range. The resulting improvement in operating leverage supports our upwardly revised adjusted operating margin guidance from a range of 48 to 49 percent to approximately 50 percent.

We are reaffirming both the net interest expense and full-year effective tax rate guidance ranges of $180 to $200 million dollars and 19.5 to 21.5 percent, respectively.

The diluted EPS forecast has been significantly raised and narrowed to a range of $9.30 to $9.50, and adjusted diluted EPS to a range of $9.95 to $10.15. Free cash flow is now expected to be approximately $1.8 billion dollars.

In prior quarterly earnings calls, we noted uncertainty surrounding the impact of the pandemic and as a result, temporarily paused share repurchases as we monitored the effects COVID-19 had on our business on a quarter-to-quarter basis. After careful evaluation, we are pleased to announce that we expect to resume share repurchases in the fourth quarter, and are providing guidance of approximately $500 million dollars in buy-backs for the year.

Our full-year 2020 guidance is underpinned by the following macro assumptions: 2020 U.S. and Euro area GDP to decline approximately 6 percent and 9 percent, respectively; the U.S. unemployment rate to end the year at approximately 8 percent; benchmark interest rates to stay low with U.S. high yield spreads of approximately 500 basis points; and the global high yield default rate to rise to approximately 8 percent by year end.

We continue to closely monitor both the macroeconomic backdrop and credit market activity as we head into the fourth quarter.

Turning to the operating segments - for MIS, with the surge in issuance year-to-date, we now anticipate full-year revenue to increase in the low-double-digit percent range with rated issuance growing in the high-teens. MIS's guidance assumes investment grade activity for the full-year increases 60 percent, up from our prior assumption of 50 percent growth; high yield issuance increases 25 percent, up from 5 percent; bank loan issuance declines 10 percent, up from a 20 percent decline; and structured issuance declines 35 percent, slightly higher than our prior expectation of a 40 percent decline.

Additionally, with the increase in first time mandates in the third quarter, we have raised our full year expectation from approximately 550 to a range of 600 to 700. As a reminder, first time mandates are an integral part of MIS's future growth, enabling us to generate incremental revenue not only through issuance, but also through future annual monitoring fees.

Given the likely contingent pull-forward activity that we have discussed, we believe that the majority of issuers that were looking to refinance or raise liquidity in 2020 have already done so. Furthermore, we anticipate that M&A, though on a positive trend compared to activity earlier in the year, will remain relatively limited in the fourth quarter.

Turning to MIS's adjusted operating margin, we are also raising our guidance by 2 percentage points to approximately 60 percent. This is driven by both year-to-date revenue growth continuing to outperform and disciplined expense management, inclusive of our incentive compensation accruals.

With over 50 quarters of consecutive growth in MA, we are pleased to reaffirm full-year 2020 revenue growth guidance in the mid-single-digit percent range. Our guidance reflects a net unfavorable impact of approximately 2 percentage points from the divestiture of MAKS and FX, partially offset by growth from targeted acquisitions including RDC, RiskFirst, ABS Suite and Acquire Media.

We expect RD&A revenue growth in the fourth quarter to again be driven by KYC and compliance solutions, as well as research and data feeds.

Similarly, continued strength in ERS from lending software and analytics, such as CreditLens and IFRS 17 solutions, support steady growth in 2020.

MA's reaffirmed adjusted operating margin guidance of approximately 30 percent is driven by operating leverage created by the ongoing transition to scalable, subscription-based products and focused expense management initiatives.

Before turning the call back over to Ray, I would like to highlight a few key takeaways.

First, we are pleased to raise key guidance metrics for the full year due to better than expected performance in the third quarter driven by the high demand for Moody's award-winning suite of products, insights and solutions.

Second, we continue to innovate and reinvest in our business to further enhance our relevance and meet our customers' evolving needs, positioning Moody's for sustainable long-term success.

Third, amidst this increasingly complex environment, we remain committed to all of our stakeholders. Our thoughtful approach to expense management, our future workplace environment and prudent capital allocation is designed to ensure ongoing operational and financial flexibility.

Before turning the call over to Ray, I am personally excited and energized by Rob Fauber's appointment as incoming President and CEO of Moody's given his impressive record of achievement and his deep knowledge of our businesses and the needs of our customers. I also want to sincerely thank Ray for his leadership, guidance and friendship over the past several years. I have thoroughly enjoyed working with, and learning from him.

And with that, let me turn the call back over to Ray.

Ray McDaniel:

Thank you, Mark.

This concludes our prepared remarks. Rob Fauber will join Mark Kaye and me in a virtual format for the question and answer session. We would be pleased to take your questions.

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

Certain statements contained in this release are forward-looking statements and are based on future expectations, plans and prospects for the business and operations of Moody's Corporation (the "Company") that involve a number of risks and uncertainties. Such statements may include, among other words, "believe", "expect", "anticipate", "intend", "plan", "will", "predict", "potential", "continue", "strategy", "aspire", "target", "forecast", "project", "estimate", "should", "could", "may" and similar expressions or words and variations thereof that convey the prospective nature of events or outcomes generally indicative of forward-looking statements. The forward-looking statements and other information in this release are made as of the date hereof and the Company 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, the Company is identifying examples of factors, risks and uncertainties 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 impact of COVID-19 on volatility in the U.S. and world financial markets, on general economic conditions and GDP growth in the U.S. and worldwide, and on the Company's own operations and personnel. Many other factors could cause actual results to differ from Moody's outlook, including 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 and other volatility in the financial markets such as that due to Brexit 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 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, including provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank") and regulations resulting from Dodd-Frank; the potential for increased competition and regulation in the EU and other foreign jurisdictions; exposure to litigation related to Moody's Investors Service's rating opinions, as well as any other litigation, government and regulatory proceedings, investigations and inquiries to which the Company may be subject from time to time; provisions in the Dodd-Frank 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; the possible loss of key employees; failures or malfunctions of our operations and infrastructure; any vulnerabilities to cyber threats or other cybersecurity concerns; the outcome of any review by controlling tax authorities of the Company's global tax planning initiatives; exposure to potential criminal sanctions or civil remedies if the Company fails to comply with foreign and U.S. laws and regulations that are applicable in the jurisdictions in which the Company operates, including data protection and privacy laws, sanctions laws, anti-corruption laws, and local laws prohibiting corrupt payments to government officials; the impact of mergers, acquisitions or other business combinations and the ability of the Company to successfully integrate such 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 currently, or in the future could be, amplified by the COVID-19 outbreak and are described in greater detail under "Risk Factors" in Part I, Item 1A of the Company's annual report on Form 10-K for the year ended December 31, 2019, its quarterly report on Form 10-Q for the quarter ended March 31, 2020, 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.