MCO gideon lens

Moody's Corporation (MCO) - Gideon-Lens Equity Research

Date: 2026-05-29. Analyst: Codex ER2. Price: $450.45. Market cap: about $79.9B. Fiscal year end: December 31.

VERDICT BLOCK

Verdict: PASS

Scorecard:

Gate	Result	Notes
Management	PASS	Proven Fauber stewardship; clean governance; buyback discipline remains watch item
Moat	PASS	MIS moat passes 2046 test; MA is real but more AI-exposed
P/E <= 15 on confident EPS at TTM + 5 calendar years	FAIL	Base cushion (28.1)% at $450.45; bull also fails
Compounder Score	Audited 70 / 100	High-quality compounder, current-price underwriting fails; diagnostic only
Business Quality Score	Audited 68 / 80	Strong quality, capped for ROIIC and acquisition-return evidence
20% Return UW Score	Audited 2 / 20	Base, bear, and bull 15x-exit IRRs are negative

One-line thesis (or reason to pass): Moody's is a high-quality compounder with a real ratings moat, but today's price requires more EPS than the reviewed base or bull cases can defend at a 15x exit multiple.

Kill / trigger criteria:

- BUY trigger: price below $324 on unchanged base EPS of $21.59, or below $291 for a 10% margin against the P/E 15 price.
- PASS triggers: Decision Solutions ARR growth below 7% YoY for two consecutive quarters through Q4 FY2026; MIS AOI margin normalizes below 60% while issuance is healthy; buybacks remain heavy above 20x five-year-forward base EPS.
- Upgrade to BUY conditions: base horizon EPS evidence rises toward $30 without relying on a terminal multiple above 15x, or the stock falls enough that base EPS x 15 clears with room.

Position sizing if bought: 0% today. If the price trigger clears while MA ARR and MIS margin signals remain intact, 2%-3% maximum, because ratings cyclicality and AI pressure in MA still deserve a valuation buffer.

Stage 0 - Time Anchor

Today is 2026-05-29. Moody's fiscal year ends December 31. The most recently reported quarter is Q1 FY2026, ended 2026-03-31, announced 2026-04-22, with the 10-Q filed 2026-04-23. The TTM anchor is Q2 FY2025 plus Q3 FY2025 plus Q4 FY2025 plus Q1 FY2026, ending 2026-03-31. The forward horizon is exactly five calendar years after that TTM end date: 2031-03-31. Every FY+5 reference in this report means that TTM+5y horizon, not FY2025 plus five fiscal years.

Stage 1 - Disqualifier Sweep

ROIC is green: FY2025 ROIC is about 29.9%, and the audited scorer still grades business quality highly even after lowering ROIIC calibration. FCF conversion is green: TTM FCF was $2.747B, about 110% of net income. Leverage is green: net debt / EBITDA is about 1.5x. End markets are green/yellow: MA recurring analytics demand grows steadily, while MIS has real issuance cyclicality. Governance is green: one share class, independent chair, clean proxy structure, and no material related-party issue found. AI disruption is yellow: MIS market acceptance survives AI better than MA research/search surfaces, but MA Decision Solutions must keep proving workflow embed. Pricing power is green/yellow: MIS margins and MA

ARR support pricing power, but churn, retention, and escalator details are not fully disclosed. No automatic red disqualifier stopped the run.

Management

Management passes the gate. Rob Fauber has been CEO since 2021, long enough to own the current integrated risk strategy, Moody's Analytics expansion, ratings stewardship, and capital return posture. The record is strong: FY2025 MA revenue reached $3.599B, Q1 FY2026 MA ARR was $3.607B and up 8%, MIS remained extremely profitable, and TTM FCF conversion stayed excellent. Governance is clean: the 2026 proxy shows ten director nominees, only the CEO is non-independent, Vincent Forlenza is independent chair, and there is no dual-class structure. The main reservations are not gate-breaking: buybacks look more mechanical than clearly price-sensitive, compensation lacks an explicit ROIC or FCF-per-share metric, and the MA leadership transition to Christina Kosmowski in June 2026 needs monitoring. This is a PASS, with buyback discipline and MA continuity as the watch items.

Moat

Moat also passes, including the 2046 test. MIS is the core moat: recognized ratings, regulatory infrastructure, issuer-investor coordination, historical default data, analyst specialization, global coverage, and market acceptance are not easily replicated by a new model or a new data vendor. MA is more mixed but still defensible where its products are embedded in high-stakes credit, banking, insurance, KYC, and compliance workflows. The weakest MA surfaces are generic research, search, and data packaging, where AI-native tools can compress willingness to pay if Moody's does not add proprietary data, governance, and workflow value. The 2046 base case is specific enough to pass: Moody's can still sell trusted credit opinions, surveillance, governed risk data, and AI-assisted decision workflows to issuers, investors, banks, insurers, asset managers, and regulated enterprises. The moat is real, but the equity is priced off the blend, not only the strongest MIS profit pool.

Stage 5 Synthesis

The combined earnings model is the decisive failure point. Synthesis used the reviewed segment appendices, started from TTM ended 2026-03-31, and fixed the horizon at 2031-03-31. It passed 11/11 tie-out checks. The model deliberately starts from segment AOI and then applies an AOI-to-GAAP bridge so Moody's segment profitability is not double-counted as consolidated GAAP operating income.

In the base case, MA reaches $5.284B of revenue at a 35.0% AOI margin, while MIS reaches $5.384B of revenue at a 66.1% AOI margin. After the AOI-to-GAAP bridge, interest, tax, and the explicit share path, base EPS is $21.59. At the current price of $450.45, the P/E 15 test requires $30.03 of EPS. The base-case 15x value is $323.85, a negative 28.1% cushion. Even the bull case produces only $25.81 of EPS and a 15x value of $387.13, still a negative 14.1% cushion.

Case	Revenue ($B)	OI ($B)	OI Margin	NI ($B)	EPS	EPS x 15	Cushion vs. $450.45
Bear	8.915	3.268	36.7%	2.285	14.14	212.13	(52.9)%
Base	10.668	4.733	44.4%	3.489	21.59	323.85	(28.1)%
Bull	11.680	5.543	47.5%	4.171	25.81	387.13	(14.1)%

This is not a bearish operating model. A $10.668B revenue company with $4.733B of operating income and $3.489B of net income is a very good business. The problem is price. The share count path already helps EPS, reducing diluted shares from 177.3M to 161.6M over five years. A further 5% lower share count would lift base EPS to only about $22.72, still far below $30.03. To clear today's price at 15x, Moody's would need roughly 39% more base EPS than the reviewed model produces. That would require a super-bull mix of sustained ratings strength, higher MA margins, faster MA growth, and more aggressive buybacks. The appendices do not support calling that the confident case.

Red Team

The red team agrees the thesis survives only as watchlist quality, not as a current-price investment. Its strongest bear argument is that Moody's is priced as if record ratings activity, MA high-single-digit growth, AI/data monetization, and premium buybacks can all persist together. The most likely optimistic Stage 5 number is base EPS of $21.59 because it stacks MA growth, near-peak MIS margins, and share-count reduction on a strong TTM base. The exit signal is specific: Decision Solutions ARR growth below 7% YoY for two consecutive reported quarters through Q4 FY2026 would undermine the non-cyclical MA growth leg.

Kill / Trigger Criteria

- Current verdict remains PASS while the stock is materially above the $324 base-case P/E 15 price.
- Reconsider below $324 if MA ARR remains high-single-digit, MIS AOI margin stays above roughly 62% outside an issuance trough, and management avoids heavy premium buybacks.
- Prefer below $291 for a true margin of safety against the base P/E 15 price.
- Downgrade quality if Decision Solutions ARR falls below 7% YoY for two consecutive quarters, if MA recurring revenue growth turns low-single-digit despite high retention claims, or if MIS margin falls below 60% without a clear cyclical explanation.
- Treat any ratings-quality/regulatory event that reduces named-agency acceptance in mandates, indices, or bank/insurance workflows as a thesis reset.

Analyst Flags

FMP product segmentation was label-misaligned for Moody's, so official SEC MA/MIS segment tables control the entire run. Moody's discloses segment AOI, not GAAP operating income by segment; the synthesis therefore uses an explicit AOI-to-GAAP bridge. Product-level operating income, product-level TTM revenue, MA churn/retention/escalators, long MIS issuance history by product, and acquisition-level returns remain data gaps. These gaps do not change the current verdict because the valuation miss is large, but they cap confidence in a more aggressive bull case.

Appendix A - Company Primer

Moody's Corporation (MCO) - Appendix A: Company Primer

Source Note and Stage 0 Anchor

This primer is a reader-facing orientation document for the ER2 / Gideon run on Moody's Corporation. It is not the controlling quantitative source for downstream modeling. Core financial and reportable-segment historical numbers in this appendix come from `quant_foundation.md`, which has already passed the quantitative review gate with `RECONCILIATION: 8/8 checks PASSED`. Supplemental disclosure detail, including geographic split and transaction-versus-recurring revenue mix, comes from the live 2025 Form 10-K. At the time this appendix was written, `data_package.md` existed only as an in-progress placeholder, so qualitative context was drawn from live primary sources: Moody's 2025 Form 10-K, Q1 FY2026 Form 10-Q, and Q1 FY2026 earnings release. The controlling segment taxonomy is the official two-segment structure: Moody's Analytics (MA) and Moody's Investors Service (MIS). The FMP product-segmentation labels are not used as controlling segment history because the verified quant foundation found that they misassign MA and MIS amounts even though consolidated revenue ties.

Stage 0 anchor:

- Today: 2026-05-29.
- Fiscal year convention: Moody's Corporation fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, announced April 22, 2026; 10-Q filed April 23, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, producing TTM ending 2026-03-31.
- Forward horizon: TTM + 5 calendar years = 2031-03-31. The compounding span is exactly five calendar years from 2026-03-31 to 2031-03-31.

1. Business Overview

Moody's is best understood as a global risk-intelligence company with two economic engines. One engine, Moody's Investors Service, publishes credit ratings, research, and risk analysis used by issuers, investors, banks, governments, and other market participants in global debt markets. The other engine, Moody's Analytics, sells data, research, models, and workflow software that help customers underwrite credit, manage risk, comply with regulation, screen counterparties, and make financial decisions. The two engines share brand, analytical heritage, credit data, and risk expertise, but they have different demand cycles, pricing structures, regulatory profiles, and margin mechanics.

The core customer problem is uncertainty. In debt markets, borrowers want access to capital and investors want a trusted, comparable assessment of credit risk. MIS addresses that market by assigning and monitoring ratings on debt obligations, issuers, programs, and structured finance securities. In enterprise risk workflows, financial institutions, insurers, corporations, asset managers, and public-sector entities need clean data, models, and applications that can be embedded in daily decision processes. MA addresses that need through research, credit and company data, economic data, risk models, KYC tools, lending and underwriting workflows, insurance analytics, and hosted or installed software.

Moody's sells in different ways by segment. MA is mostly an enterprise subscription and solutions business. Customers typically buy through direct sales, renew annually or under multi-year contracts, and use Moody's data and analytics inside repeat workflows. The 2025 10-K describes MA as serving financial services, corporate, and public-sector customers with curated data and analytics that power AI-enabled, cloud-based workflow tools. Its products are not mostly one-off reports; they are datasets, models, and applications that can become part of a bank's credit process, an insurer's capital or risk model, a compliance team's KYC process, or an investor's research workflow.

MIS is a ratings and research business. Its revenue is mostly issuer-paid. When an issuer brings debt to market, Moody's may be paid an initial rating fee; when ratings are monitored over time, Moody's may earn recurring monitoring or annual relationship fees. Investors and other market participants use the ratings and research, but the issuer-paid model means the volume, mix, and timing of debt issuance are central to MIS revenue. That creates a powerful but cyclical profit pool: issuance can fall sharply when rates rise or capital markets shut, then recover strongly when refinancing, M&A, leveraged finance, structured finance, and investment-grade activity return.

This dual structure is important for the Gideon lens. MA resembles a high-retention information services and workflow software business with recurring revenue and data advantages. MIS resembles a regulated, brand-driven, network-effect ratings franchise with very high margins but more visible macro cyclicality. The consolidated company is therefore not a simple software company and not a simple transaction business. It is a hybrid: recurring data and analytics growth on one side, capital-markets activity on the other.

2. Revenue Architecture

In FY2025, Moody's generated $7.718 billion of consolidated revenue. MA contributed $3.599 billion, or 46.6% of total revenue. MIS contributed $4.119 billion, or 53.4% of total revenue. On a TTM basis ending March 31, 2026, consolidated revenue was $7.873 billion, with MA at $3.666 billion and MIS at $4.207 billion. The official segment tables also disclose adjusted operating income (AOI), which is Moody's primary segment profitability metric. In FY2025, MA produced $1.196 billion of AOI at a 33.2% AOI margin, while MIS produced $2.746 billion of AOI at a 66.7% AOI margin.

The following table summarizes the official segment architecture from the verified quant foundation.

Metric	Moody's Analytics	Moody's Investors Service	Consolidated
FY2025 external revenue	$3,599M	$4,119M	$7,718M
FY2025 revenue mix	46.6%	53.4%	100.0%
FY2025 adjusted operating income	$1,196M	$2,746M	$3,942M segment AOI
FY2025 AOI margin	33.2%	66.7%	n/a
TTM external revenue	$3,666M	$4,207M	$7,873M
TTM adjusted operating income	$1,239M	$2,814M	$4,053M segment AOI
TTM AOI margin	33.8%	66.9%	n/a

MA has three major lines of business. Decision Solutions is the largest, with $1.692 billion of FY2025 revenue. It provides subscription-based solutions for banking, insurance, and KYC workflows. Research and Insights generated $995 million of revenue and includes credit research, credit models and analytics, economics data and models, and structured finance solutions. Data and Information generated $912 million and provides data sets on companies and securities through feeds and data applications. MA is therefore not one product; it is a portfolio of data, research, modeling, and workflow products sold into adjacent risk-management use cases.

MIS is broken into ratings lines of business. Corporate Finance is the largest, with $2.132 billion of FY2025 revenue. It includes investment-grade, high-yield, bank loan, and other corporate accounts. Financial Institutions generated $759 million and includes banking, insurance, managed investments, and other financial institution accounts. Public, Project and Infrastructure Finance generated $635 million. Structured Finance generated $558 million across asset-backed securities, RMBS, CMBS, structured credit, and related accounts. MIS Other was $35 million and is immaterial to segment economics.

FY2025 line of business	Segment	Revenue	Share of total MCO revenue
Decision Solutions	MA	$1,692M	21.9%
Research and Insights	MA	$995M	12.9%
Data and Information	MA	$912M	11.8%
Corporate Finance	MIS	$2,132M	27.6%
Financial Institutions	MIS	$759M	9.8%
Public, Project and Infrastructure Finance	MIS	$635M	8.2%
Structured Finance	MIS	$558M	7.2%
MIS Other	MIS	$35M	0.5%

Geographically, Moody's is global but not evenly distributed. In FY2025, MA generated $1.548 billion in the U.S. and $2.051 billion outside the U.S., meaning non-U.S. markets were 57% of MA revenue. Within non-U.S. MA revenue, EMEA was the largest region at $1.406 billion. MIS was more U.S.-weighted: FY2025 U.S. revenue was $2.623 billion, while non-U.S. revenue was $1.496 billion. That mix matters because MIS demand follows global capital-market issuance, but the U.S. debt market remains a major profit driver. MA's non-U.S. exposure is more pronounced, reflecting the global nature of banking, insurance, compliance, and risk software workflows.

3. How the Segments Actually Make Money

MA monetizes data and risk expertise through subscriptions, software, and workflow integration. The 2025 10-K transaction-versus-recurring table shows MA was 96% recurring in FY2025: $3.462 billion of recurring revenue versus $137 million of transaction revenue. That makes MA the steadier half of the company. A bank may subscribe to data feeds, credit models, lending workflows, economic forecasts, or risk tools; an insurer may use Moody's models for catastrophe, climate, credit, or capital analysis; a compliance team may use KYC tools to screen entities and manage onboarding. In these cases, the value is not a single answer but repeated use inside a process where accuracy, coverage, history, and integration matter.

MA's revenue architecture has several attractive features. First, once Moody's data and models are embedded in a customer's process, replacement can be costly because switching affects validation, compliance, user training, and workflow continuity. Second, the same underlying data and research can support multiple products, which creates cross-sell potential. Third, the business has a subscription base that can compound through price, seat expansion, data expansion, and additional workflow modules. The downside is that MA competes in crowded markets: enterprise software, financial data, economic research, credit models, compliance tools, and commercial data. Its moat depends on whether Moody's can convert brand and proprietary data into products customers cannot easily replace with another vendor, internal tools, or AI-enabled search and analytics.

MIS monetizes trust, regulatory recognition, analytical process, and market convention. A rating can help an issuer reach investors, benchmark credit risk, satisfy investment mandates, and support debt issuance. The economic customer is often the issuer, but the user ecosystem is broader: investors, underwriters, regulators, and internal risk teams all rely on ratings and associated research. In FY2025, MIS was 67% transaction revenue and 33% recurring revenue. That means MIS remains heavily tied to debt issuance volumes, especially in Corporate Finance and Structured Finance. However, monitoring fees, program fees, bank deposit ratings, insurance financial strength ratings, mutual fund ratings, and frequent-issuer arrangements create a recurring base that partially cushions market shutdowns.

The most important operating difference between MA and MIS is incremental margin. MIS carries a large fixed-cost base of analysts, methodologies, compliance, technology, and global infrastructure. When debt issuance rebounds, a meaningful share of incremental revenue can fall through to profit because the franchise does not need to add costs in proportion to issuance volume. That is why MIS adjusted operating margins can sit in the mid-60s in strong markets. MA has lower margins because it bears software development, product, data acquisition, sales, implementation, customer success, and acquired intangible amortization costs. It can still scale well, but it looks more like a high-quality information services and software platform than a ratings annuity.

4. Unit Economics and Cash Conversion

At the consolidated level, Moody's converts accounting earnings into cash at a high rate. FY2025 revenue was $7.718 billion, operating income was $3.351 billion, net income attributable to Moody's was $2.459 billion, diluted EPS was $13.67, operating cash flow was $2.901 billion, capex was $326 million, and free cash flow was $2.575 billion. TTM ending March 31, 2026 improved modestly: revenue was $7.873 billion, operating income was $3.427 billion, net income was $2.495 billion, diluted EPS was $13.95, operating cash flow was $3.083 billion, capex was $336 million, and free cash flow was $2.747 billion. TTM free cash flow was 110.1% of net income.

This cash profile is central to the business quality case. Moody's does not need heavy factories, inventory, or physical distribution. The main assets are people, data, models, software, methodologies, brand, regulatory permissions, and customer relationships. Capex was only $336 million on $7.873 billion of TTM revenue, or roughly 4.3% of revenue. Moody's does invest in technology, data infrastructure, product development, cloud migration, office relocations, and acquisitions, but the recurring capital burden is low relative to revenue and profit. That allows free cash flow to support dividends, share repurchases, debt service, acquisitions, and reinvestment.

Segment unit economics differ sharply. In FY2025, MA's adjusted operating margin was 33.2%, while its derived operating contribution margin was 20.1% after segment D&A, restructuring, and asset-abandonment items. The gap reflects the heavier product, software, amortization, and restructuring burden inside MA. This does not mean MA is weak. A 30%-plus adjusted segment margin for a data and workflow business is attractive, and the recurring revenue base should be durable if retention holds. But MA's economics are more sensitive to product investment, data costs, platform modernization, acquisition integration, and competitive pricing.

MIS is structurally more profitable. FY2025 MIS adjusted operating income was $2.746 billion on $4.119 billion of external revenue, a 66.7% margin. Its derived operating contribution was $2.628 billion, a 63.8% margin. That margin tells the reader

why ratings franchises are unusual businesses. The incremental cost of rating more issuance is meaningful but not proportional to transaction fees, particularly when issuance rebounds after a weak market. The vulnerability is that revenue can fall when capital markets slow. The 2021 to 2025 history shows the cycle: MIS revenue was $3.812 billion in FY2021, fell to $2.699 billion in FY2022, recovered to $2.860 billion in FY2023, rose to $3.793 billion in FY2024, and reached $4.119 billion in FY2025. MA, by contrast, rose every year from $2.406 billion in FY2021 to $3.599 billion in FY2025.

5. Growth Drivers and Current Momentum

The MA growth story is the more secular side of Moody's. Demand is driven by expanding use of data, risk models, compliance workflows, credit analytics, economic forecasts, insurance analytics, and counterparty risk tools. Banks and insurers face regulatory expectations around model governance, resilience, capital, stress testing, and third-party risk. Corporations and investors face more complex supply chains, counterparties, rates, credit markets, cyber risk, climate risk, and geopolitical uncertainty. Moody's aims to turn its data and models into "decision-grade intelligence" embedded directly into customer workflows. That framing is important because standalone research can be copied or displaced more easily than a workflow product that sits inside a customer's operating process.

The Q1 FY2026 release showed MA continuing to grow. Management reported 8% ARR growth and 250 basis points of adjusted operating margin expansion in MA. Full-year 2026 guidance called for MA revenue to increase in the mid-single-digit percent range, organic constant-currency revenue to increase in the high-single-digit percent range, ARR to increase in the high-single-digit percent range, and MA adjusted operating margin of 34% to 35%. The difference between headline MA revenue growth and organic constant-currency growth partly reflects the expected impact of divestitures, including Regulatory Solutions. For modeling, the important point is that MA should be judged on organic constant-currency growth, ARR, retention, margin, and whether its workflow products deepen customer reliance.

The MIS growth story is more cyclical but can be powerful. MIS revenue depends on rated debt issuance volume, mix, and the number of transactions. Growth is supported by GDP growth, refinancing needs, M&A and leveraged finance activity, securitization, the development of local capital markets, and demand for ratings in emerging or private markets. It is also constrained by interest-rate volatility, credit spreads, investor risk appetite, regulatory scrutiny, and the ability of borrowers to access debt markets. In Q1 FY2026, MIS generated record revenue of approximately $1.2 billion on more than $2 trillion of rated issuance, with an adjusted operating margin of 67% according to the earnings release. Full-year 2026 guidance called for MIS revenue to increase in the high-single-digit percent range and MIS adjusted operating margin to be approximately 65%.

For a long-term investor, the key question is how these two growth engines combine. MA can compound steadily if Moody's wins more workflow penetration and maintains pricing power. MIS can produce large profit rebounds when capital markets reopen, but it should not be extrapolated from a peak issuance quarter without cycle discipline. Consolidated FY2026 guidance as of April 22, 2026 called for revenue to increase in the high-single-digit percent range, operating margin of approximately 45%, adjusted operating margin of 52% to 53%, diluted EPS of $16.00 to $16.60, adjusted diluted EPS of $16.40 to $17.00, operating cash flow of $3.25 billion to $3.45 billion, and free cash flow of $2.8 billion to $3.0 billion.

6. Competitive Environment

MIS competes in a concentrated but heavily regulated ratings market. The main competitors are other credit rating agencies, along with investment banks, brokerage firms, and in-house credit research teams that provide or use credit opinions. Moody's advantages include brand, history, global coverage, experienced analysts, methodologies, regulatory recognition, and market convention. Issuers often want ratings from agencies that investors already recognize, and investors want comparability across issuers and debt instruments. That creates a self-reinforcing ecosystem, but it does not eliminate risk. Ratings quality, independence, methodology credibility, regulatory compliance, and reputation are essential. A ratings franchise can be impaired quickly if users lose trust.

MA competes in more fragmented markets. In Decision Solutions, competitors include software and analytics vendors serving banking, insurance, compliance, KYC, lending, and risk-management workflows. In Research and Insights, competitors include economic data providers, financial research firms, credit research platforms, and analytics vendors. In Data and Information, competitors include commercial and financial data providers. MA's competitive edge comes from the breadth of Moody's company and credit data, research heritage, risk models, workflow integration, and ability to connect data, analytics, and software. The challenge is that buyers can compare MA products against point solutions, internal systems, data platforms, AI-enhanced research tools, and large technology vendors.

AI is both an opportunity and a risk. Moody's has a large corpus of data, models, research, and domain expertise that could become more valuable if AI makes it easier for customers to extract insights from complex datasets. Management's Q1 commentary linked AI adoption to demand for decision-grade connected intelligence in high-stakes environments. That is plausible: regulated financial institutions may prefer AI-enabled tools backed by validated data, models, governance, and auditability rather than generic tools. The risk is that AI lowers search, summarization, and research costs for some use cases. The more MA's value is embedded in proprietary datasets, validated models, workflow integration, and compliance-grade outputs, the more defensible it is. The more value sits in static research text or commodity data access, the more vulnerable it becomes.

7. Regulation, Reputation, and Risk Map

Moody's is not a lightly regulated data vendor. MIS and many of its credit rating affiliates are subject to extensive regulation in the U.S., EU, U.K., and other jurisdictions. In the U.S., MIS is registered with the SEC as a Nationally Recognized Statistical Rating Organization (NRSRO), which subjects it to oversight and examination. In the EU, registered credit rating agencies are supervised by ESMA. The 2025 10-K also notes evolving operational resilience rules such as DORA and broader regulatory requirements that affect both MIS and some MA services.

The biggest long-term risk for MIS is reputational and regulatory, not only cyclical. The issuer-paid ratings model creates an inherent conflict that is managed through methodologies, governance, compliance, transparency, and oversight. If Moody's is perceived to compromise ratings quality, fail to manage conflicts, or mishandle a major credit cycle, the damage could extend beyond fines or litigation. It could weaken the trust that supports the franchise. The same is true for new products around sustainability, cyber, private credit, and AI-enabled research: credibility matters more than near-term revenue growth.

MA carries a different risk stack. It handles data, models, software, and workflows used in financial decision-making. That creates cyber, data-quality, model-governance, intellectual-property, and customer concentration risks. Banks, insurers, and other regulated customers often pass through their own vendor requirements to suppliers such as MA. If a Moody's tool produces flawed outputs, suffers downtime, exposes sensitive data, or fails a customer's regulatory standards, the damage could affect renewals and reputation. Acquisitions can add product capability, but they can also create integration risk, inconsistent technology standards, and acquired intangible amortization that depresses reported margins.

Macro risk remains material. MIS revenue can fall quickly if issuance markets close or refinancing waves are delayed. MA is more recurring, but it is still exposed to financial-services budgets, enterprise software cycles, and competitive displacement. Currency also matters because MA is majority non-U.S. by revenue and Moody's operates in more than 40 countries. Finally, valuation risk is outside the scope of this primer but central to ER2: high-quality businesses can still be poor investments if the entry price assumes too much future compounding.

8. Balance Sheet and Capital Allocation

Moody's balance sheet is leveraged but supported by strong free cash flow. At March 31, 2026, the company had $1.469 billion of cash and cash equivalents, $41 million of short-term investments, $6.963 billion of debt excluding operating leases, and $7.313 billion of debt including operating lease liabilities. Net debt using cash plus short-term investments was $5.803 billion. Deferred revenue was $1.874 billion, reflecting the subscription and advance-billing characteristics of parts of the business, especially MA. Total assets were $14.732 billion, total liabilities were $11.589 billion, and shareholders' equity was $3.143 billion.

The practical question is whether Moody's can keep reinvesting while returning cash to shareholders. The current answer appears yes, subject to normal cycle risk. TTM free cash flow was $2.747 billion. Q1 FY2026 operating cash flow was $939 million and free cash flow was $844 million. The Q1 release also highlighted accelerated capital returns: $1.7 billion of share repurchases and dividends in the quarter, and management raised full-year share repurchase guidance to approximately $2.5 billion. The board declared a $1.03 per share quarterly dividend payable June 5, 2026. These returns are meaningful, but the ER2 lens should ask whether buybacks are value-accretive at the prevailing share price, not merely whether the company can fund them.

Acquisitions and divestitures are part of the MA story. Moody's has built analytics capability over time through internal development and acquisitions, and it continues to refine the portfolio. The Q1 2026 release referenced expected impact from the pending divestiture of the MA Regulatory Solutions business and prior divestitures such as Learning. Portfolio pruning can improve focus and margins, but it complicates reported growth. Downstream modeling should separate headline growth from organic constant-currency growth wherever possible.

9. What an Investor Should Watch

For MA, the main watch items are organic constant-currency revenue growth, ARR growth, retention, net expansion, product mix, and adjusted operating margin. If ARR stays in the high-single-digit range and adjusted operating margin moves into the mid-30s without underinvesting in product, MA can support a durable compounder case. If growth slows despite AI and risk-management tailwinds, or if margin expansion depends on cutting product investment, the quality case weakens. The best evidence of MA strength will be deeper workflow penetration: more customers using Moody's data and models inside high-consequence recurring processes.

For MIS, watch rated issuance volume, mix, and margin through the cycle. Corporate Finance is the largest ratings line and should be tracked by investment-grade, high-yield, bank-loan, and other account activity. Structured Finance can add cyclicality because securitization markets can reopen or shut rapidly. The recurring share of MIS revenue matters because monitoring and program fees cushion transaction volatility. MIS margin should be strong in good markets, but the real test is whether Moody's preserves ratings quality, regulatory trust, and pricing discipline in both booms and downturns.

For the consolidated company, watch free cash flow conversion, net debt, capital returns, and capital allocation discipline. Moody's has the cash profile of a high-quality information franchise, but buybacks only create value if executed below intrinsic value. Management's willingness to divest non-core assets is positive if it improves focus, but acquisitions should be scrutinized for price, integration, amortization burden, and actual cross-sell. Regulation, litigation, and reputational signals deserve special attention because a trust-based franchise can be damaged in ways that do not show up first in revenue.

10. Primer Synthesis

Moody's is a rare combination of a high-margin ratings franchise and a growing analytics franchise. The MIS segment supplies extraordinary profitability and cyclical upside when debt markets are active. The MA segment supplies recurring revenue, data and workflow exposure, and a more software-like compounding path. In FY2025, the two segments produced the same consolidated revenue tie as the official filings: MA plus MIS external revenue equaled total Moody's revenue with no residual. On a TTM basis ending March 31, 2026, MA and MIS also tied exactly to consolidated revenue and derived operating contribution in the verified quant foundation.

The company has clear quality markers: global brand, embedded customer workflows, regulatory recognition, high cash conversion, low capital intensity, and strong segment margins. It also has clear risks: MIS cyclicality, regulatory and reputational exposure, competition in MA, potential AI displacement in parts of research and data delivery, leverage, and valuation. The ER2 work should therefore avoid two mistakes. The first mistake is treating Moody's as a pure recurring software business and ignoring MIS cyclicality. The second is treating Moody's as a pure ratings transaction business and ignoring MA's recurring data and workflow compounding potential.

For downstream ER2 analysis, the modeling unit should be the official MA and MIS reportable segments. MA can be modeled as a recurring analytics and workflow franchise with mid- to high-single-digit organic growth potential and margin expansion opportunity. MIS should be modeled as a high-margin ratings franchise tied to issuance, refinancing, structured finance, and capital-market activity, with a recurring base but meaningful cycle sensitivity. Any final BUY/WATCH/PASS verdict should come down to whether those two engines can credibly produce enough five-year EPS power to make today's price reasonable under the Gideon requirement, while preserving the management, moat, and trust characteristics needed for long-duration compounding.

Source Index

Source	Use
`C:\Users\Admin\OneDrive\GPT\ER 2.0\Moody's Corporation\quant_foundation.md`	Primary source for all financials, segment revenue, segment AOI, TTM, cash flow, balance sheet, and reconciliation status
[2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1059556/000162828026009136/mco-20251231.htm)	Primary qualitative source for business descriptions, segment taxonomy, revenue categories, geography, transaction/recurring mix, competition, and regulation
[Q1 FY2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1059556/000162828026026848/mco-20260331.htm)	Latest official quarterly filing for segment structure, Q1 period context, deferred revenue and RPO context
[Q1 FY2026 Earnings Release](https://www.sec.gov/Archives/edgar/data/1059556/000162828026026383/a1q26earningsrelease.htm)	Current momentum, Q1 FY2026 management commentary, FY2026 guidance, capital return update

Appendix M - Management Assessment

Moody's Corporation - Appendix M: Management Assessment

Stage 0 anchor

Today is 2026-05-29. Moody's Corporation's fiscal year ends December 31. The most recently reported quarter is Q1 FY2026, ended March 31, 2026, announced April 22, 2026, with the 10-Q filed April 23, 2026. TTM is anchored as Q2 FY2025 plus Q3 FY2025 plus Q4 FY2025 plus Q1 FY2026, ending 2026-03-31. The forward horizon for this ER2 run is TTM plus five calendar years, ending 2031-03-31.

Source discipline: capital allocation and recent corporate actions use the verified `data_package.md` Sections 7 and 9 as instructed. Leadership, governance, compensation, ownership, insider activity, strategic claims, and transcript behavior were checked against live primary sources: Moody's 2026 DEF 14A filed March 4, 2026; 2025 Form 10-K filed February 18, 2026; Q1 FY2026 earnings release furnished April 22, 2026; Q1 FY2026 10-Q filed April 23, 2026; SEC submissions through 2026-05-29; company IR leadership releases; and live FMP earnings-call transcripts for Q2 FY2024 through Q1 FY2026.

1. Who is running the company

Moody's is run by a seasoned internal CEO, a relatively new external CFO with SaaS finance experience, and a split operating structure: Moody's Ratings, the high-margin ratings franchise, and Moody's Analytics, the recurring analytics and workflow business. The current top team is credible, but the Analytics leadership handoff is a real watch item because MA is now the strategic growth engine and the part of Moody's most exposed to AI-driven workflow changes.

Role	Person	Management read
CEO	Rob Fauber	CEO since 2021; COO from 2019 to 2021; senior Moody's roles since 2005. He owns the current integrated risk assessment strategy, the RMS-era analytics expansion, the AI/workflow framing, and capital return posture.
CFO	Noemie Heuland	Joined April 1, 2024 as CFO after Dayforce and SAP finance roles. The fit is sensible for a company tilting MA toward subscription analytics, but her in-seat record is only two reported fiscal years.
Moody's Ratings	Michael West	President of Moody's Ratings. He is tied to ratings digitalization, private-credit positioning, and protecting rating quality under regulatory scrutiny.
Moody's Analytics	Andy Frepp / Christina Kosmowski	Frepp became interim President in August 2025 after Stephen Tulenko resigned. Kosmowski becomes CEO in June 2026, bringing Salesforce, Slack, and LogicMonitor enterprise technology experience.
Board chair	Vincent A. Forlenza	Independent Chairman. Former BD CEO, director since 2018, chairman of the Executive Committee. He presides over independent director sessions.

The 2026 proxy lists ten director nominees. Rob Fauber is the only director not determined to be independent. That is a clean structure: independent chair, independent committees, no dual-class control, and no CEO-chair combination. The board added Sumit Dhawan in July 2025 and Lisa Sawicki effective March 2026, which helps on cybersecurity, technology, and audit depth. I do not see an overboarding problem that rises to a gate issue. The mild criticism is age and tenure balance: Forlenza is 72 and several directors are long-tenured enough that active refreshment matters, but the 2025-2026 additions show the board is not static.

The governance backdrop is unusual because Berkshire Hathaway remains the largest disclosed holder, at 24.7 million shares or 13.9% in the proxy table, followed by Vanguard, BlackRock, and TCI. Berkshire is not a controller and Moody's has one share class, so this is not a minority-shareholder-control problem. It does, however, create a board audience that is likely to care about per-share compounding and reputational quality rather than short-term narrative management.

2. Tenure and track record

Fauber has been CEO for more than five years. That is enough time to own the current strategy and enough time to be judged. This is not a honeymoon CEO case. He inherited an exceptional ratings franchise, but the record under his tenure

shows more than simple stewardship: the company has increased the strategic weight of Moody's Analytics, invested behind recurring decision-intelligence products, preserved very high ratings margins, and continued to compound cash flow despite the issuer-paid ratings cycle.

His three most important decisions are visible in the numbers.

First, Fauber doubled down on MA as a recurring analytics and workflow franchise, not merely a data appendix beside ratings. The 2025 10-K describes Moody's as a "global integrated risk assessment firm" and emphasizes "decision-grade intelligence" embedded in customer workflows. That language can sound fashionable, but the operating data supports the direction. FY2025 MA revenue was $3.599 billion, or 46.6% of total Moody's revenue, and Q1 FY2026 MA ARR reached $3.607 billion, up 8% year over year. MA recurring revenue was 98% of MA revenue in Q1 FY2026 after the Learning Solutions divestiture and ongoing mix shift. The strategic claim is therefore not empty: MA is a large, recurring, subscription-heavy business with observable ARR.

Second, management has kept the ratings franchise economically elite while acknowledging cyclicality. FY2025 MIS revenue was $4.119 billion, or 53.4% of total revenue. Q1 FY2026 MIS revenue was $1.153 billion, up 8%, with adjusted operating margin of 66.7% and management calling it a record first quarter. The key stewardship point is that Fauber has not treated MIS as an ex-growth cash cow to starve. The company keeps investing in ratings quality, digitalization, analytical workflows, private credit, and regulatory compliance while still producing margins that few financial-information peers can match.

Third, management has pruned MA's portfolio after a period of acquisition-led broadening. This cuts both ways. The sale of Learning Solutions in Q4 FY2025 and the pending sale of Regulatory Solutions, classified as held for sale at FY2025 year-end and expected to close in Q2 FY2026, are evidence of discipline. They are also evidence that not every analytics asset was core. A team gets credit for admitting a portfolio is too broad and simplifying it, but not full credit for the original sprawl. The better reading is constructive: management is learning, pruning, and concentrating MA around data, research, KYC, insurance, banking, and workflow intelligence.

The main decision that did not work cleanly is the MA portfolio breadth. Regulatory Solutions and Learning Solutions did not become enduring core assets. The August 2025 resignation of Stephen Tulenko, then President of MA, also created transition risk. The response was orderly: Andy Frepp was named interim President, the company began a permanent-leader search, and Christina Kosmowski was announced in April 2026 as incoming MA CEO. That is not a fail signal, but it is the largest management-continuity item to monitor.

For Heuland, the record is shorter. Since joining in April 2024, she has presided over margin expansion, disciplined guidance framing, and a heavy return of capital. The CFO evidence is positive but not yet cycle-tested. Her background at Dayforce and SAP fits MA's subscription software direction; the capital allocation test will be whether she imposes sharper hurdle-rate discipline on buybacks and smaller MA acquisitions.

3. Capital allocation behavior

Moody's capital allocation is broadly consistent with a high-ROIC compounder, but not perfect. The company has low capex intensity, strong free cash flow conversion, modest leverage, recurring MA reinvestment, and aggressive cash return. The issue is not whether capital is being wasted. The issue is whether repurchases are sufficiently price-sensitive when the stock often trades at a premium multiple.

Year	Capex	Capex / revenue	Buybacks	Dividends	M&A
FY2021	$0.139B	2.2%	$0.833B	$0.463B	$2.179B
FY2022	$0.283B	5.2%	$1.070B	$0.515B	$0.097B
FY2023	$0.271B	4.6%	$0.561B	$0.564B	$0.003B
FY2024	$0.317B	4.5%	$1.383B	$0.620B	$0.221B
FY2025	$0.326B	4.2%	$1.706B	$0.701B	$0.187B

The 2021 M&A spike was the RMS acquisition period. Subsequent acquisition spend has been much smaller and targeted: GCR, Numerated, Praedicat, CAPE Analytics, and ICR Chile are all bolt-ons around ratings reach, lending workflow, insurance/catastrophe risk, and regional capabilities. No large serial-acquirer pattern is visible after RMS. The bigger capital-allocation behavior is buybacks. Repurchases rose materially in 2024 and 2025, and Q1 FY2026 alone included about $1.5 billion of buybacks plus $185 million of dividends. Management raised full-year 2026 repurchase guidance to approximately $2.5 billion.

That is shareholder-friendly if Moody's intrinsic value is compounding faster than the stock price. It is less attractive if it is simply a mechanical return-of-cash program. The pattern does not look deeply opportunistic: FY2023 buybacks were the lowest in the five-year period even though that was a more cyclically pressured year, and buybacks accelerated when sentiment and earnings were stronger. I would not fail management for this because the business generates excellent returns, leverage is acceptable, and dilution is controlled. But the board should be held to a high bar: at a premium valuation, buybacks need a visible hurdle rate, not just residual cash deployment.

Capex remains low, about 4% to 5% of revenue recently, so Moody's is not underinvesting in physical assets. The true reinvestment is embedded in people, technology, data, product development, cloud infrastructure, partnerships, and acquisitions rather than a separately disclosed R&D line. That makes capital allocation harder to audit than at a software company with an explicit R&D line. Still, the outcome is acceptable: FY2025 ROIC in the data package was 29.9%, TTM FCF was $2.747 billion, and net debt / EBITDA was around 1.5x at Q1 FY2026. This is not a balance sheet being pushed to manufacture EPS.

4. Compensation alignment

The compensation design is above average, but with one important gap. The good: most CEO pay is at risk, equity is meaningful, stock ownership guidelines are real, and the incentive plan uses operating income and MA ARR. The gap: I do not see an explicit ROIC or free-cash-flow-per-share metric, which matters for a company that is both acquisitive and a large buyer of its own stock.

The proxy says Fauber's 2025 compensation included $1.1 million salary, $2.226 million annual incentive, $11.36 million stock awards, $2.84 million option awards, and total compensation of $18.08 million. His annual equity award was 60% performance shares, 20% RSUs, and 20% stock options; 94% of his target compensation was at risk. Annual cash incentives were driven 67% by financial measures and 33% by strategic and operational measures. The financial measures were year-on-year growth in MIS operating income, MA operating income, and MA ARR. The disclosed key pay-versus-performance measures also include MCO EPS for compensation purposes, MA cumulative revenue, and MIS ratings performance.

That is mostly the right design for Moody's. MIS operating income protects the ratings cash engine. MA operating income and ARR prevent management from buying ARR without regard to margins. MIS ratings performance is a useful quality guardrail in a regulated ratings business. But the absence of ROIC, FCF per share, or acquisition-return measures matters. A management team can hit operating-income and ARR targets while still overpaying for acquisitions or repurchasing shares at mediocre forward returns. This is the single biggest compensation critique.

Ownership is adequate, not founder-like. The 2026 proxy lists Fauber with 45,323 shares beneficially owned, 105,926 exercisable or near-exercisable options, 6,332 RSUs vesting within 60 days, and 157,581 total beneficial ownership. He has meaningful wealth tied to Moody's, but actual shares owned are modest relative to the company's market capitalization. Heuland's table is understandably light because she joined in 2024: zero shares beneficially owned, 2,650 options, and 600 RSUs vesting within 60 days. The ownership guidelines require the CEO to hold 6x base salary and other NEOs 3x, exclude unearned performance shares and options from satisfying the requirement, and impose a 75% net-share retention requirement until the multiple is met. That is a strong structure.

Stock-based compensation is controlled. Official 10-K tables show stock-based compensation expense of $175 million in 2021, $169 million in 2022, $193 million in 2023, $221 million in 2024, and $234 million in 2025. Against revenue of $6.218 billion, $5.468 billion, $5.916 billion, $7.088 billion, and $7.718 billion, that is roughly 2.8% to 3.3% of revenue. This is not chronic SaaS-style dilution. The proxy also discloses a clawback policy that goes beyond minimum SEC/NYSE requirements, anti-hedging and anti-pledging rules, no U.S. NEO employment agreements, no excise-tax gross-up, and a 2025 cash severance policy requiring shareholder ratification above 2.99x salary plus target bonus.

5. Disclosure quality and candor

I reviewed live FMP transcripts for the last eight reported quarters: Q2 FY2024, Q3 FY2024, Q4 FY2024, Q1 FY2025, Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026. The pattern is positive. Management gives enough voluntary data for an investor to model the company by segment and by MA/MIS driver: MA ARR by line of business, MA recurring and transactional revenue, MIS recurring and transaction revenue, MIS rated issuance volume, segment adjusted operating margins, and specific guidance assumptions.

Question handling is generally direct. In Q1 FY2025, when asked about issuance assumptions after tariff-driven uncertainty, Fauber did not pretend the quarter was normal; he described delayed issuance, wider spreads, risk-off days, and changed issuance assumptions. In Q2 FY2025, when asked about Decision Solutions attrition, management disclosed both government-related attrition and a strategic termination of a KYC distribution partnership. That is the sort of answer that makes a management team more credible: it uses a plain operational cause rather than hiding behind "timing." In Q3 FY2025, when asked whether AI could pressure seat-based exposure in Analytics, Fauber answered that MA generally was not structured around seat-based exposure and described how AI is being embedded into workflows. The answer was qualitative, but responsive.

There are limits. On newer AI distribution channels, including MCP and large-language-model workflows, management gives direction but not customer counts, revenue contribution, pricing, or retention cohorts. That is understandable this early, but it is a monitorable disclosure gap because AI is now central to the MA narrative. Hedged language also appears in every quarter because ratings issuance is genuinely cyclical. Across the eight transcripts, risk language is frequent; Q1 FY2025 was particularly uncertainty-heavy around tariffs, and Q4 FY2025 and Q3 FY2024 had repeated headwind references. I do not view this as evasive because the language was paired with guidance revisions or operating detail.

Guidance discipline is good. The company revised down select 2025 assumptions when tariff uncertainty affected issuance, later raised or updated guidance as conditions improved, set 2026 guidance with explicit macro assumptions, and reaffirmed high-single-digit consolidated revenue growth and adjusted EPS of $16.40 to $17.00 at Q1 FY2026 while raising buyback guidance. That is a prepared-guidance pattern, not a scrambling-surprise pattern.

6. Strategic coherence

Moody's strategy is coherent: use the ratings franchise and proprietary risk data to become a deeper decision-intelligence vendor for financial institutions, corporates, insurers, governments, and private-credit market participants. The 2025 10-K frames the company around integrated risk assessment and embedded decision-grade intelligence. The Q1 FY2026 release and transcripts reinforce the same idea: AI increases demand for trusted data, validated models, and workflow-level integration in regulated environments.

The investment pattern supports the claim. RMS, Praedicat, and CAPE point to insurance and catastrophe risk. Numerated points to lending workflow. KYC growth points to compliance and counterparty risk. The Microsoft, AWS, and model-context-protocol commentary points to distribution and AI-enabled workflow surfaces rather than only static datasets. The move to divest Learning Solutions and Regulatory Solutions also fits the strategy: management is narrowing MA toward higher-conviction data, analytics, and decision workflow areas.

This does not eliminate competitive risk. S&P Global, MSCI, FactSet, LSEG, Bloomberg, private credit data vendors, AI-native tools, and internal bank data platforms will all compete for workflow ownership. Moody's names AI opportunity more loudly than AI threat, but the transcripts show analysts are pressing the issue and management is answering it. I would prefer a more explicit long-term disclosure framework for AI monetization: ARR influenced by AI channels, renewal uplift, retention, or attach rates. For now, strategic coherence is high, but proof of incremental AI monetization is still early.

7. Governance flags

I do not see a governance flag that would justify YELLOW or FAIL.

Related-party transactions: the proxy discloses a standard Audit Committee policy requiring review and approval for related-person transactions above $120,000 and details conflict-of-interest procedures. I did not find a disclosed material related-party transaction that changes the investment view.

Share structure: there is no dual-class share structure. Berkshire is a large shareholder, not a controller.

Controls and restatements: the 2025 10-K shows management concluded internal control over financial reporting was effective as of December 31, 2025, and KPMG issued an unqualified internal-control opinion. The 10-K checkbox indicates the financial statements did not reflect correction of an error to previously issued financial statements.

Section 16: the proxy reports one late Form 4 for Vincent Forlenza due to an inadvertent administrative error. That is minor.

Insider selling: SEC submissions through 2026-05-29 show recurring Form 4 and Form 144 activity, especially for Fauber and West, but the pattern looks like a mix of option exercises, tax withholding, scheduled sales, and routine equity compensation. Parsed Form 4s from the last twelve months show Fauber sold about 14,216 shares while acquiring about 43,084 shares and exercising options on about 7,197 shares; West sold about 11,281 shares while receiving or exercising larger equity amounts.

This is not a clustered management exit signal, though Fauber's direct ownership should be watched because actual share ownership is more persuasive than options.

Regulatory/reputation risk: this is the permanent Moody's governance issue. Ratings quality, conflicts, regulatory supervision, and public scrutiny are load-bearing. The board and compensation plan appear to know this, with MIS ratings performance and compliance tone-at-the-top included in compensation assessment. No recent SEC enforcement, material weakness, or restatement surfaced in the live checks used for this appendix.

8. Peer comparison

Peer	Current CEO	Relative management read
S&P Global	Martina Cheung	Cheung became CEO effective November 1, 2024 after leading S&P Global Ratings and prior strategy roles. S&P Global has a broader portfolio and the IHS Markit integration history; Cheung's in-seat CEO record is shorter than Fauber's, but the platform is excellent.
MSCI	Henry Fernandez	Fernandez has been CEO since 1998 and is the clearest long-duration founder-like steward among the peer set. MSCI's capital allocation and focus have arguably been superior on per-dollar brand and index economics.
FactSet	Sanoke Viswanathan	Viswanathan became CEO effective September 8, 2025. FactSet is a strong financial-data compounder but is under a new CEO with a shorter public-company operating record in-seat.

Against this set, Fauber ranks above FactSet's new CEO on demonstrated in-seat stewardship and roughly comparable to S&P Global's CEO on industry relevance, though S&P Global's portfolio breadth and IHS Markit integration give Cheung a larger inherited platform to manage. Fernandez at MSCI remains the gold standard for long-duration financial-data stewardship. Moody's does not need Fauber to be Fernandez to pass the management gate; it needs him to protect a ratings monopoly-like asset, compound MA intelligently, and avoid ROIC-destructive empire building. On that test, the record is good.

Communication quality is also solid relative to peers. Moody's provides more granular MA and MIS operating detail than many financial information companies provide, especially around ARR and ratings issuance. MSCI is more founder-led and consistently strategic; S&P Global is broader and often more complex to parse; FactSet is still in transition. Moody's management is not the most visionary peer team, but it is credible, operationally precise, and generally candid.

9. Verdict on the management gate

Management gate: PASS.

This is a PASS, not a courtesy grade. Fauber has had enough time in-seat to own the strategy, and the evidence supports him: MA has become a large recurring franchise, MIS remains extremely profitable, disclosure quality is good, compensation is mostly aligned, governance is clean, and capital allocation has preserved high returns and per-share value. The company has protected the ratings franchise while investing in the analytics platform, and it has shown willingness to prune non-core MA assets rather than defending every past decision.

The pass is not unconditional. I will keep three items on the monitor list. First, the Christina Kosmowski transition at MA must show continuity in ARR growth, retention, and margin expansion through 2026-2027. Second, repurchases should be tested against forward return, not merely cash availability; at a premium multiple, buybacks can quietly dilute future returns even while reducing share count. Third, compensation should evolve toward an explicit capital-efficiency metric such as ROIC, FCF per share, or acquisition-return discipline. None of those issues is severe enough to block the gate today. I would follow this management team for a decade, with the above watch items front and center.

Source index

Source	Live URL or endpoint	Use
2026 DEF 14A	https://www.sec.gov/Archives/edgar/data/1059556/000105955626000019/mco-20260304.htm	Board, compensation, ownership, governance
2025 10-K	https://www.sec.gov/Archives/edgar/data/1059556/000162828026009136/mco-20251231.htm	Strategy, controls, SBC, risk and annual context

Source	Live URL or endpoint	Use
2023 10-K	https://www.sec.gov/Archives/edgar/data/1059556/000105955624000017/mco-20231231.htm	2021-2023 stock-based compensation
Q1 FY2026 release	https://www.sec.gov/Archives/edgar/data/1059556/000162828026026383/a1q26earningsrelease.htm	Latest quarter, guidance, capital return
Q1 FY2026 10-Q	https://www.sec.gov/Archives/edgar/data/1059556/000162828026026848/mco-20260331.htm	Latest reported quarter anchor
SEC submissions	https://data.sec.gov/submissions/CIK0001059556.json	Recent Form 4 and Form 144 activity
CFO appointment	https://ir.moodys.com/press-releases/news-details/2024/Moodys-Names-Noemie-Heuland-as-Chief-Financial-Officer/default.aspx	CFO start date and background
MA interim appointment	https://ir.moodys.com/press-releases/news-details/2025/Moodys-Corporation-Names-Andy-Frepp-as-Interim-President-of-Moodys-Analytics/default.aspx	MA leadership transition
MA CEO appointment	https://www.sec.gov/Archives/edgar/data/1059556/000105955626000028/pressreleaseapril2026.htm	Christina Kosmowski appointment
FMP transcripts	https://financialmodelingprep.com/stable/earning-call-transcript?symbol=MCO&year=YYYY&quarter=Q	Last eight earnings-call transcripts
S&P Global leadership	https://www.spglobal.com/en/who-we-are/our-people/operating-committee/martina-cheung	Peer CEO comparison
MSCI leadership	https://www.msci.com/who-we-are/our-leadership/henry-a-fernandez/	Peer CEO comparison
FactSet leadership	https://investor.factset.com/board-member/Sanoke-Viswanathan	Peer CEO comparison

Appendix W - Moat and 2046 Durability

Moody's Corporation - Moat and 2046 Durability

Stage 0 anchor and source scope

Today is 2026-05-29. Moody's Corporation has a December 31 fiscal year end. The most recently reported quarter is Q1 FY2026, ended March 31, 2026, announced April 22, 2026, with the 10-Q filed April 23, 2026. The TTM anchor is Q2 FY2025 plus Q3 FY2025 plus Q4 FY2025 plus Q1 FY2026, ending 2026-03-31. The five-year forward horizon for the ER2 model is therefore 2031-03-31. The 2046 test in this appendix is dated from today: 20 years forward is 2046-05-29.

Primary quantitative anchors are `data_package.md` Sections 1-3 and `quant_foundation.md`, both of which tie the FY2021-FY2025 and TTM data to SEC filings and passed QF/QFR review. Reviewed segment appendices are now available for Moody's Analytics (`appendix_B_ma.md`) and Moody's Investors Service (`appendix_B_mis.md`), and both reviewers found no unresolved issues. The moat view therefore uses the verified package, reviewed segment findings, live public source checks from Moody's filings, the SEC's NRSRO materials, and peer context.

1. Moat taxonomy applied

Network effects are present only in a narrow ratings-specific form. Moody's is not a consumer platform where each new user automatically increases utility. The better description is an issuer-investor coordination moat: issuers seek ratings that investors, mandates, indices, regulators, and counterparties recognize, while investors prefer agencies whose scales, methodologies, surveillance record, and default histories are broadly understood. The SEC's 2025 NRSRO staff report identifies investor acceptance, global scale, investment guidelines, and index inclusion as credit-ratings barriers to entry. MA has no classic network effect; its defensibility lives in data rights, model validation, procurement embed, and distribution.

Switching costs are strong in MA and moderate-to-strong in MIS. MA customers use Moody's data, credit models, KYC, insurance, banking, and research products inside processes where failure has compliance, capital, audit, credit-loss, or operational consequences. Once a tool is validated inside lending, risk, KYC, capital, or insurance workflows, switching means model review, data mapping, vendor due diligence, retraining, and audit signoff. In MIS, issuers can choose among agencies, but switching away from a recognized rating can reduce investor acceptance or index eligibility. This is market acceptance lock-in, not simple contractual lock-in.

Scale economies are very strong in MIS and meaningful in MA. Ratings require fixed investments in analysts, methodologies, surveillance, compliance, legal, regulatory infrastructure, data, issuer engagement, and global offices. Once built, incremental issuance and monitoring fees can drop through at exceptional margins, visible in MIS AOI margins of 55.1% in the FY2022 trough and 66.7% in FY2025. MA's scale economy is reuse of curated data, software, research, and models across customers, though its 33.2% FY2025 AOI margin shows heavier product, cloud, acquisition, and amortization burden.

Brand and trust are the core moat. Moody's is valuable because customers rely on it when consequences are high: investors need credible external credit opinions, issuers need market acceptance, regulated institutions need decision-grade data, and compliance teams need defensible vendor outputs. This is institutional trust accumulated through rating histories, methodologies, analyst expertise, default studies, regulatory scrutiny, and decades of use. The weakness is that trust is also the largest fragility: a major ratings-quality failure or conflict-of-interest event could damage the asset that supports pricing and demand.

Regulatory recognition is a moat and a risk. MIS is registered with the SEC as an NRSRO and subject to oversight; the 2025 10-K also describes extensive regulation across the EU, U.K., Australia, Singapore, Japan, Hong Kong, and other jurisdictions. Registration is not an SEC endorsement of ratings quality, but NRSRO status, global CRA regimes, investment mandates, bank and insurance rules, and rating-use conventions create real barriers. The risk is that regulation can also encourage competition, regulate pricing, require broader ratings-data availability, change liability standards, or reduce reliance on ratings.

IP, data, and methods are moderately strong in MA and strong but less proprietary than sometimes claimed in MIS. MA's defense is not that every input is unavailable elsewhere; Moody's licenses third-party technology and data and says it is not dependent on any one data source for a material aspect of the business. The defensible part is the combination: ratings data, default research, Orbis/company data, KYC and supplier-risk information, catastrophe and insurance models, lending workflows, data normalization, methodology, governance, and customer-specific embedding. AI weakens generic retrieval but

preserves value in validated, traceable, governed outputs.

High-trust procurement is strong. Moody's sells into institutions that buy slowly, validate heavily, and care about auditability. That slows sales but helps retention. The Q1 FY2026 release says MA recurring revenue represented 98% of MA revenue. A startup can build a useful risk model or AI research assistant; convincing a global bank, insurer, asset manager, or regulator-facing risk group to replace a validated Moody's workflow is a different task. This moat is strongest in Decision Solutions and weakest in generic research text or data feeds.

2. Per-segment moat

Moody's Analytics has a real but mixed moat. The reviewed MA appendix characterizes the segment as a data, analytics, research, and workflow software business whose moat is strongest when trusted data and models are embedded in regulated banking, insurance, KYC, credit decisioning, and compliance workflows. That confirms the prior view: Decision Solutions is the highest-quality MA profit pool, while Research and Insights and Data and Information are defensible when tied to Moody's ratings data, proprietary credit content, models, and enterprise integrations but more exposed to AI repricing. FY2025 Decision Solutions revenue was $1.692B and Q1 FY2026 Decision Solutions ARR grew 10%, with Banking ARR up 10%, Insurance ARR up 7%, and KYC ARR up 13%. The earliest negative signal would be MA ARR below mid-single digits while recurring mix remains high.

Moody's Investors Service is the stronger segment-level moat. The reviewed MIS appendix describes a wide moat built from regulatory recognition, embedded market conventions, historical datasets, analyst specialization, issuer relationships, methodological credibility, global coverage, and the network-like value of investors accepting Moody's as a standard credit-risk language. It also correctly distinguishes moat from cyclicality: the moat protects share and margin better than it protects year-to-year revenue. FY2025 MIS revenue was $4.119B, 53.4% of consolidated revenue, and FY2025 MIS AOI was $2.746B, 69.7% of total segment AOI. FY2022 revenue fell 29.2% and AOI margin compressed to 55.1%, but by FY2025 margin had recovered to 66.7%; TTM through Q1 FY2026 was about 66.9%. The warning sign would be not a one-year issuance decline, but structural growth in unrated issuance, private ratings outside Moody's channels, index or mandate changes that de-name major agencies, or sustained share loss in profitable asset classes.

The blended company moat is weaker than MIS alone but stronger than MA alone. MA was 46.6% of FY2025 revenue but only 30.3% of segment AOI; MIS was 53.4% of revenue and 69.7% of segment AOI. The current profit pool is mostly ratings, while the growth narrative depends increasingly on recurring data and workflow. Moody's cannot be assessed as a pure ratings oligopoly because nearly half of revenue competes in crowded data, analytics, software, and AI-enabled workflow markets.

The reviewed segment horizon cases reinforce, rather than change, the moat conclusion. In the base case, MIS reaches $5.384B of TTM+5y revenue, 66.1% AOI margin, and $3.559B of AOI, while MA reaches $5.284B of revenue, 35.0% AOI margin, and $1.850B of AOI. The combined base case is therefore $10.668B of segment revenue and $5.409B of segment AOI, with MIS still contributing about 65.8% of segment AOI. Even in the combined bear case, Moody's would have $8.915B of segment revenue and $4.032B of AOI, which is not a franchise-break outcome. The bear case is instead a cycle, AI, and regulatory compression case.

Reviewed segment case	MIS revenue	MIS AOI margin	MIS AOI	MA revenue	MA AOI margin	MA AOI	Combined AOI
Bear	$4.355B	59.6%	$2.596B	$4.560B	31.5%	$1.436B	$4.032B
Base	$5.384B	66.1%	$3.559B	$5.284B	35.0%	$1.850B	$5.409B
Bull	$5.887B	69.3%	$4.078B	$5.793B	36.5%	$2.115B	$6.193B

3. Margin persistence evidence

The verified package provides five years of official consolidated and segment history, plus TTM through 2026-03-31. I do not extend the series with unverified ten-year FMP operating-income rows because QF explicitly quarantines some FMP standard-statement operating-income discrepancies. The available five-year period is still useful because it includes a severe ratings issuance trough in FY2022 and a rebound through FY2025.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	TTM 2026-03-31
Revenue ($B)	6.218	5.468	5.916	7.088	7.718	7.873
Operating income ($B)	2.844	1.883	2.137	2.875	3.351	3.427
Operating margin	45.7%	34.4%	36.1%	40.6%	43.4%	43.5%

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	TTM 2026-03-31
FCF ($B)	1.866	1.191	1.880	2.521	2.575	2.747
FCF / net income	n/a	n/a	n/a	n/a	n/a	110.1%

Segment AOI margin	FY2021	FY2022	FY2023	FY2024	FY2025	TTM 2026-03-31
Moody's Analytics	26.1%	30.3%	30.7%	30.8%	33.2%	33.8%
Moody's Investors Service	64.9%	55.1%	58.0%	63.1%	66.7%	66.9%
Total segment AOI margin	49.9%	42.6%	43.9%	48.1%	51.1%	51.5%

The evidence is moat-positive. Consolidated margins compressed hard in FY2022, but they did not collapse to ordinary financial-services or software levels. MIS absorbed a 29.2% revenue decline and still produced a 55.1% AOI margin. MA margins expanded throughout the period, from 26.1% in FY2021 to 33.2% in FY2025, despite acquisition integration, software investment, and product shifts. TTM margins through Q1 FY2026 are roughly in line with or slightly above FY2025. This is not a commodity cycle where margins disappear when volume falls. It is a high-fixed-cost, high-trust, low-capex model with cyclical ratings volume layered on top.

4. AI disruption stress test

AI is not generically good or bad for Moody's. It attacks workflow surfaces and strengthens trusted data surfaces. Moody's 2025 10-K frames Gen AI and agentic AI as growth enablers, and the Q1 FY2026 release says AI adoption is driving demand for decision-grade connected intelligence in high-stakes environments. That is plausible, but the test is sharp: if the customer is buying a prompt-to-answer workflow, foundation models compress pricing; if the customer is buying governed data, traceable methods, compliance support, and accepted credit opinions, AI is an interface and productivity layer.

Segment / workflow	AI exposure	What survives	Verdict
MA Decision Solutions	Medium	Validated credit, KYC, insurance, banking, and compliance workflows with audit trails	Defensible if embedded and governed
MA Research and Insights	High	Moody's ratings data, methodologies, analyst credibility, and proprietary content	Text/search layer weakens
MA Data and Information	Medium-high	Curated credit and entity data, rights, lineage, normalization, and enterprise integrations	Generic data access weakens
MIS ratings	Low-medium	Market acceptance, NRSRO status, methodologies, surveillance, analyst process, issuer-investor coordination	AI improves process but does not replace acceptance
MIS private credit and new assets	Medium	Trust, methodology, regulatory scrutiny, and ability to rate complex structures	Watch new entrants and transparency rules

The most exposed area is MA Research and Insights where a user asks for credit context, summary, comparison, or document search. If the output is not anchored to proprietary Moody's data, accepted methodology, or regulated workflow evidence, AI-native research tools can replicate too much of the user value. The second exposed area is Data and Information if data portability rules, open financial datasets, or platform-owned data layers reduce the need for Moody's normalized feeds.

The most protected area is MIS public ratings and monitoring. AI can draft research, detect anomalies, summarize documents, and increase analyst productivity, but it cannot by itself create market acceptance. A bond does not become index-eligible or more readily bought by mandate-constrained investors because a model produced a credit answer. The moat is the institutional convention that the rating comes from an accepted agency, supported by governance, disclosure, surveillance, and performance history. The SEC's 2025 report also highlights AI-related NRSRO risks, which may increase the value of controlled processes over pure automation.

AI lowers the value of generic research and raises the bar for MA product quality, but it does not dissolve the core ratings moat. The key risk is indirect: AI-enabled investors, private-credit lenders, exchanges, or data platforms could develop alternative credit scoring systems that become accepted in mandates, indices, and regulation. That is not visible today at scale, but it is the right 10- to 20-year watch item.

5. The 2046 test

Base-case 2046 description, written from 2046-05-29: Moody's sells trusted credit opinions, surveillance, risk data, entity data, scenario models, and governed AI-assisted decision workflows to issuers, investors, banks, insurers, asset managers, corporations, governments, and compliance functions. MIS still exists, probably under a broader label than traditional public ratings. It rates public debt, structured credit, infrastructure, data-center financing, private credit vehicles, fund finance, digital credit instruments, and domestic-market issuers through local affiliates. MA is larger and more integrated into customer systems, selling data lineage, risk agents, model governance, compliance workflows, KYC/supplier-risk networks, catastrophe and climate risk, credit decisioning, and portfolio surveillance. The old standalone research portal is smaller and more bundled because AI made static research retrieval cheap.

In that base case, operating margin is stable to modestly lower than the 2025/TTM level because mix shifts toward MA and compliance/AI governance costs rise, not because the moat disappears. The reviewed segment work makes this more concrete: MIS base-case horizon margin remains 66.1% and MA base-case horizon margin reaches 35.0%, producing a blended segment AOI margin of roughly 50.7% on reviewed base-case segment revenue. The intact moat in 2046 is not "Moody's is a leader in AI." It is market-trusted credit judgment plus governed, proprietary, embedded risk data in workflows where customers need defensible answers, not cheap answers.

Bear-case 2046 description: Moody's is still famous, but the profit pool has shrunk. Public debt markets rely less on named-agency ratings, private-credit markets use lender-owned scoring, regulators reduce blind reliance on NRSRO labels, and major fixed-income indices accept more agencies or model-based assessments. AI-native platforms combine customer internal data, public filings, transaction data, and real-time market signals into cheaper credit workflows, while data-portability regulation weakens MA renewal friction. I would put this bear case below the base case, roughly 25%-35% over twenty years. The highest-probability erosion is in MA research/data packaging; the highest-severity event is a trust or regulatory failure that damages MIS acceptance.

The 2046 test passes because the base-case business description names who pays, what they buy, and why margins remain high. The reviewed segment cases add numerical support: in both segments, even the bear case still preserves substantial AOI, while the base case shows MIS retaining ratings-like economics and MA scaling recurring workflow economics. The surviving product is not a generic AI answer engine; it is trusted credit and risk infrastructure accepted by market participants and embedded in regulated workflows.

6. Competitive threat inventory

Threat	Mechanism	Segment(s) affected	Earliest observable signal	Plausibility
AI-native workflow substitution	Search, summarization, document analysis, and risk-agent interfaces become cheap and customer-owned	MA, especially Research and Insights and Data and Information	MA ARR below mid-single digits, rising churn, flat recurring revenue despite price, weaker R&I and D&I growth	High for workflow surfaces, medium for whole MA
Regulatory or mandate reset	Rules reduce rating reliance, force data availability, regulate pricing, change liability, or broaden accepted agencies	MIS and MA products using MIS data	New rules on CRA pricing or ratings data, index methodology changes, NAIC or bank rules reducing named-agency dependence	Medium
Share shift in structured/private credit	KBRA, DBRS, Fitch, S&P, internal lender models, or private-credit platforms gain accepted share in profitable asset classes	MIS	Sustained share losses in ABS, CMBS, CLO, fund finance, infrastructure, or private-credit ratings; lower transaction pricing	Medium-high in selected assets

The threat table is intentionally not a list of generic competitors. S&P Global, Fitch, KBRA, DBRS, Bloomberg, LSEG, MSCI, Experian, FICO, SAS, and vertical software vendors all matter, but the moat breaks only if they change customer behavior in one of the mechanisms above. The SEC staff report already shows smaller agencies can gain meaningful share in selected structured-finance niches even while barriers remain. That argues against complacency, not against the existence of the moat.

7. Pricing power verification

Pricing power is observable but not perfectly disclosed. The strongest evidence is margin persistence through a ratings downturn, MA recurring revenue mix, ARR growth, and 10-K language that MIS recurring revenue increased partly from annual price increases and higher monitored credits. In FY2025, MA recurring revenue was 96% of MA revenue; in Q1

FY2026 it was 98%. Q1 FY2026 MA ARR was $3.607B, up 8%, with Decision Solutions ARR up 10%. That does not prove contractual escalators, but it does show a large renewable base still compounding.

Evidence	What it supports	Limitation
FY2025 MA recurring revenue was 96%; Q1 FY2026 was 98%	MA revenue is renewal-driven rather than project-driven	Churn and net retention are not disclosed
Q1 FY2026 MA ARR of $3.607B, up 8%	Renewable contract base is still compounding	ARR excludes recent acquisitions and divestitures by definition
FY2025 MIS recurring revenue increased partly from annual price increases and monitored credits	Direct evidence of ratings pricing power in monitoring programs	Transaction ratings remain issuance-cycle sensitive
MIS AOI margin of 55.1% in FY2022 trough and 66.7% in FY2025	Customers did not force economics to commodity levels	Margins benefit from cycle rebound and operating leverage
2025 10-K cites customer value-aligned pricing opportunities	Management sees price as a growth lever	Management language is weaker than realized retention data

The pricing-power grade is good, not perfect. Moody's does not disclose gross retention, net retention, logo churn, average price increases, contract duration, or explicit escalator terms. That prevents a perfect MA pricing-power claim, but recurring mix, ARR growth, segment margins, and disclosed annual price increases in MIS are enough to support a moat pass.

Source notes

Key live public sources checked for this appendix were Moody's [2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/0001059556/000162828026009136/mco-20251231.htm), Moody's [Q1 FY2026 earnings release](https://www.sec.gov/Archives/edgar/data/1059556/000162828026026383/a1q26earningsrelease.htm), Moody's [Q1 FY2026 Form 10-Q](https://www.sec.gov/Archives/edgar/data/1059556/000162828026026848/mco-20260331.htm), the SEC [2025 OCR Staff Report on NRSROs](https://www.sec.gov/files/2025-ocr-staff-report-compliant-4-24-26.pdf), SEC [NRSRO statistics](https://www.sec.gov/data-research/statistics-data-visualizations/nationally-recognized-statistical-rating-organizations-nrsros), and S&P Global's [2025 Annual Report](https://www.spglobal.com/content/dam/spglobal/corporate/en/annual-reports/2025/SPGI-2025-annual-report-financial-performance.pdf) for peer competitive context. Reviewed local segment sources integrated in this revision are `appendix_B_mis.md` and `appendix_B_ma.md`.

8. Moat verdict

Moat gate: PASS. Moody's has a concrete, observable moat driven by MIS market acceptance, brand trust, NRSRO and global CRA regulatory infrastructure, investor and index conventions, high fixed-cost scale economics, and MA workflow switching costs in regulated customer processes. The reviewed segment appendices strengthen the evidence without changing the verdict: MIS remains a wide-moat ratings franchise with base-case horizon AOI of $3.559B, while MA is a real but uneven workflow/data moat with base-case horizon AOI of $1.850B. The moat is not equally strong across the company, and MA's research/data interface layer is AI-exposed, but the blended profit pool remains dominated by the ratings franchise.

2046 test: PASS. A specific 2046 Moody's can still be described: a trusted credit and risk infrastructure company selling recognized ratings, surveillance, governed data, and AI-assisted decision workflows to issuers, investors, banks, insurers, asset managers, and regulated enterprises. The reviewed segment cases make the downside more concrete: the combined bear case is $4.032B of segment AOI, not a disappearance scenario. The credible bear case is moat narrowing through AI-native workflow substitution, reduced named-agency dependence, and selective share loss in private or structured credit, but those watch items do not currently overturn the base case.

Appendix B1 - Moody's Investors Service / Moody's Ratings

Moody's Investors Service / Moody's Ratings (MIS) - Segment Deep Dive

Date prepared: 2026-05-29. Role: Sub-Agent B for the ER2 / Gideon production run. Company: Moody's Corporation (MCO). Segment: Moody's Investors Service / Moody's Ratings (MIS).

Stage 0 anchor

- Today: 2026-05-29.
- Fiscal year convention: Moody's Corporation fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, announced April 22, 2026; 10-Q filed April 23, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending 2026-03-31.
- Forward horizon: TTM + 5 calendar years = 2031-03-31.

Data discipline: `data_package.md` is the single source of truth for Moody's own historical segment revenue, adjusted operating income, line-of-business revenue, recent-quarter trend, and management commentary. I do not use Appendix A as a quantitative source, and I do not use FMP product-segmentation labels as controlling because the verified data package quarantined those labels. External sources in this appendix are used only for competitive context and industry structure. Segment profit is modeled on Moody's disclosed adjusted operating income (AOI), with the QF-derived operating-contribution bridge noted separately for synthesis.

0. Segment Boundary And Taxonomy Note

Moody's reports two segments: Moody's Analytics (MA) and Moody's Investors Service (MIS). MIS is the ratings segment, now commonly discussed commercially as Moody's Ratings, but the official segment historicals in the verified package use the MIS label. The data package states that the reportable-segment structure has been stable through the FY2021-FY2025 history, and that the current product / line-of-business table is clean for FY2023-FY2025 in the 2025 10-K taxonomy. No segment realignment requiring a restated bridge was identified. The controlling MIS product lines are Corporate Finance, Financial Institutions, Public / Project / Infrastructure Finance, Structured Finance, and MIS Other.

The most important modeling warning is also a taxonomy warning. The data package explicitly says FMP's revenue-product-segmentation endpoint ties consolidated revenue but mislabels MA and MIS in several periods. Therefore all segment totals here come from QF P2/P4 and the data package, not from FMP's MA/MIS product labels. The TTM base for this appendix is MIS revenue of $4.207B, MIS AOI of $2.814B, and derived operating contribution of $2.693B for the twelve months ended March 31, 2026. The TTM AOI margin is 66.9%, while the derived operating contribution margin is 64.0%; the difference reflects D&A and restructuring bridge items rather than underlying product-line economics.

1. What This Segment Actually Is

MIS is the credit-ratings franchise. It assigns, monitors, and publishes credit ratings and related analytical opinions for bond issuers, structured-finance vehicles, financial institutions, public entities, infrastructure projects, and other debt instruments. The direct customer is usually an issuer, sponsor, arranger, or other financing participant that needs a recognized rating to access debt capital markets efficiently. The indirect customer is the investor base that relies on ratings as a common language for credit risk, mandate eligibility, benchmark inclusion, capital treatment, portfolio surveillance, and relative-value comparison.

MIS is not a simple consulting business. The product is a regulated opinion backed by a brand, a methodology, an analytical committee process, data history, surveillance infrastructure, and acceptance across investors and financing intermediaries. A new entrant can hire analysts, but it cannot instantly recreate the institutional acceptance that causes a security with a Moody's rating to clear a broader buyer base. That is the essence of the segment: the rating is not merely information; it is a market-access credential.

The go-to-market motion differs by line. Corporate Finance covers investment-grade issuers, high-yield issuers, bank loans, and other corporate financing markets. Financial Institutions covers banks, insurance companies, managed investments, and related financial issuers. Public / Project / Infrastructure Finance covers public finance, sovereigns, project finance, and infrastructure. Structured Finance covers ABS, RMBS, CMBS, structured credit, and related securitized products. MIS Other is residual professional-services and rating-adjacent revenue.

Pricing is a mix of transaction and non-transaction economics. Transaction revenue moves with issuance, refinancing, acquisition financing, structured-finance formation, leveraged-loan activity, and the willingness of borrowers to access capital markets. Non-transaction revenue includes monitoring, surveillance, annual and program fees, and other recurring or semi-recurring elements tied to the installed base of ratings. The data package gives a recent KPI rather than a complete long annual series: FY2025 rated debt exceeded $6.6T, while Q1 FY2026 rated issuance exceeded $2T. That is enough to frame the cycle, but not enough to convert issuance volume directly into a revenue-per-dollar fee rate.

MIS is therefore a high-margin, low-capital-intensity, cyclically exposed network business. The strongest years combine a large installed base, active new issuance, tight spreads, and refinancing pressure. Weak years occur when markets close, spreads widen, bank-loan issuance falls, structured-finance formation slows, or issuers wait out uncertainty. This means the right forward model cannot extrapolate the FY2023-FY2025 rebound in a straight line, because part of that growth was recovery from the FY2022 ratings-cycle reset.

2. Current Economics

The current MIS economic profile is exceptional. In FY2025, MIS generated $4.119B of revenue, $2.746B of AOI, and a 66.7% AOI margin, representing 53.4% of Moody's consolidated FY2025 revenue and the majority of segment AOI. On the TTM anchor ending March 31, 2026, MIS generated $4.207B of revenue and $2.814B of AOI, a 66.9% AOI margin. QF also provides a derived operating contribution of $2.693B for the same TTM period after D&A and restructuring bridge items; that derived contribution ties into consolidated operating income but is not the official segment profit metric.

FY2025 product mix was led by Corporate Finance. Corporate Finance revenue was $2.132B, or 51.8% of MIS revenue. Financial Institutions was $0.759B, or 18.4%. Public / Project / Infrastructure Finance was $0.635B, or 15.4%. Structured Finance was $0.558B, or 13.5%. MIS Other was $0.035B, or 0.9%. The mix matters because Corporate Finance and Structured Finance are more directly exposed to issuance markets, while Financial Institutions and Public / Project / Infrastructure have somewhat different regulatory, refinancing, and institutional demand drivers. Product-level operating income is not disclosed, so any product-level profit estimate in this appendix is a modeled allocation rather than a historical disclosure.

Recent quarterly economics are even stronger than the FY2025 average. The data package shows Q2 FY2025 MIS revenue of $1.010B and AOI margin of 67.3%, Q3 revenue of $1.098B and margin of 68.2%, Q4 revenue of $0.946B and margin of 61.5%, and Q1 FY2026 revenue of $1.153B and margin of 69.6%. The Q1 FY2026 quarter was the largest recent quarterly revenue datapoint and achieved record first-quarter revenue, according to the data package's latest-quarter headline check. That quarter should influence the base, but it should not dominate it. The forward horizon is five calendar years from March 31, 2026, not five years from an unusually strong isolated quarter.

Capital intensity is minimal at the segment level. The data package does not provide MIS-only capex, but consolidated Moody's capex was $0.326B in FY2025, or 4.2% of revenue, and S&P Global's 2025 Form 10-K segment note provides a useful competitor benchmark: S&P Global Ratings had only $64M of capital expenditures on $4.724B of segment revenue in 2025, while Moody's own segment bridge shows TTM MIS D&A of only $90M on $4.207B of revenue. The rating-agency model is primarily people, process, data, and compliance infrastructure. It can require heavy analytical and control investment, but it does not consume capital the way a bank, insurer, utility, or data-center operator does.

3. Unit Economics

MIS turns revenue into profit through scale, reputation, and operating leverage. The fixed-cost base includes analysts, analytical managers, methodology teams, compliance staff, technology systems, legal and regulatory infrastructure, and global offices. These costs are real, but they do not rise one-for-one with every new bond issue. Once the analytical platform, methodology, issuer relationship, and surveillance process exist, incremental issuance can carry very high contribution margin. This is why MIS margin rebounds sharply when issuance recovers.

The FY2021-FY2025 margin path shows both the quality and the cyclicality. MIS AOI margin was 64.9% in FY2021, fell to 55.1% in FY2022 when ratings issuance reset sharply, recovered to 58.0% in FY2023, rose to 63.1% in FY2024, and reached

66.7% in FY2025. The TTM margin of 66.9% is slightly above the FY2025 level. This is not a normal software margin ramp where subscription retention alone explains the improvement. It is partly a cyclical rebound in issuance and transaction revenue layered onto a structurally high-margin fixed-cost base.

Revenue quality differs by product. Corporate Finance is the largest and most cyclical line because it benefits from investment-grade issuance, high-yield issuance, leveraged finance, bank loans, acquisition financing, and refinancing waves. Financial Institutions has a more institutional issuer base, more balance-sheet-linked surveillance, and more regulatory relevance. Public / Project / Infrastructure is connected to public finance, sovereign, infrastructure, project-finance, data-center, energy-transition, and infrastructure-funding needs. Structured Finance can be very attractive when ABS, CLO, RMBS, and CMBS markets are active, but it is also the area where rating shopping, model scrutiny, and commercial real-estate risk can matter most.

What breaks margin up is issuance volume, positive product mix, price realization, larger programs, high surveillance renewal, and the ability to spread analytical infrastructure across more ratings. What breaks margin down is an issuance freeze, a shift away from high-fee transaction revenue, heavier regulatory remediation costs, litigation, higher compensation, accelerated technology spend, or competitive fee pressure in specific structured categories. The segment can absorb reinvestment while preserving high profitability, but the margin is not invulnerable. The FY2022 drawdown is the local proof.

Because product-level operating income is not disclosed, the forward model uses a segment-level margin discipline: product revenue growth is built bottom-up, then product margins are modeled qualitatively around a segment margin that must reconcile to the disclosed MIS AOI base. This avoids pretending Moody's gave product-level profit economics that it did not give.

4. Competitive Dynamics

The ratings market is concentrated but not uncontested. The core global competitors are S&P Global Ratings, Moody's, and Fitch, with DBRS Morningstar, KBRA, and smaller NRSROs competing in selected asset classes. The SEC's NRSRO statistics page shows that as of December 31, 2024, there were 2,150,014 outstanding NRSRO credit ratings, including 1,066,386 from S&P, 674,813 from Moody's, and 266,519 from Fitch. On that measure, S&P, Moody's, and Fitch together represented roughly 93% of outstanding ratings, while Moody's alone represented about 31%. That is not a perfect revenue-share measure, but it demonstrates the scale and acceptance gap between the large agencies and smaller challengers. Source: [SEC NRSRO statistics](https://www.sec.gov/data-research/statistics-data-visualizations/nationally-recognized-statistical-rating-organizations-nrsros).

The revenue comparison points in the same direction. S&P Global's 2025 Annual Report reports $4.724B of Ratings segment revenue and $3.013B of segment operating profit in 2025, a 63.8% operating margin. Moody's MIS generated $4.119B of FY2025 revenue and a 66.7% AOI margin per the data package. Morningstar Credit, which includes DBRS, was much smaller: the SEC's 2025 OCR Staff Report cites Morningstar Credit revenue of $354.4M in 2025. Fitch is private through Hearst and does not provide the same public segment financial table, but it remains the third global scale competitor by acceptance and installed base.

The competitive advantage of the largest agencies is institutional acceptance. The SEC's 2025 OCR Staff Report states that barriers to entry continue to exist in the credit-ratings industry, and specifically identifies investor acceptance, the global nature of the largest NRSROs, investment-management contracts, fund guidelines, pension and endowment mandates, and fixed-income index requirements as barriers. The report also notes that many guidelines historically refer to ratings from Fitch, Moody's, and S&P by name. Source: [SEC 2025 OCR Staff Report](https://www.sec.gov/files/2025-ocr-staff-report-compliant-4-24-26.pdf).

This structure gives Moody's pricing power, but not unlimited pricing power. Issuers often need ratings from one or more of the recognized global agencies because the rating widens the eligible buyer base and can affect index inclusion, mandate compliance, capital treatment, and investor trust. However, issuers can choose which agencies to hire, especially in structured finance and private credit. That creates fee competition and rating-shopping risk at the margin. The SEC report flags issuer-pay conflicts, subscriber-pay conflicts, investor-paid private ratings, and rating shopping as ongoing structural issues in the NRSRO model. These risks do not disprove the moat, but they define its regulatory perimeter.

AI is more likely to change internal workflow than to displace the recognized rating credential over the five-year horizon. Credit analysis can be assisted by automated data extraction, covenant parsing, market surveillance, and scenario models, and smaller entrants can use modern tooling to close some productivity gaps. But a rating's economic value is tied to market acceptance, liability, regulatory framework, methodology governance, committee process, and history through cycles. AI can

compress the cost of analysis; it cannot instantly create NRSRO acceptance in bond documents, investment mandates, and investor workflows. The substitution risk is therefore medium over a decade, low-to-medium over the TTM+5y horizon, and most acute in private ratings, point-in-time risk scoring, and internal bank or insurance workflows.

5. Moat At The Segment Level

The MIS moat is strong, but it is not a mystical brand halo. It is a compound of regulatory recognition, embedded market conventions, historical datasets, analyst specialization, issuer relationships, methodological credibility, global coverage, and the network effect created by investors' willingness to accept a Moody's rating as a standard credit-risk language. The value of a rating rises when many market participants recognize and use the same scale. That shared language is difficult for a new entrant to replicate quickly.

The moat is strongest in large public debt markets, investment-grade corporate issuance, global financial institutions, public finance, sovereigns, and complex structured products where recognized ratings reduce friction. It is weaker in private markets where distribution is narrower, transparency is lower, the client set is more concentrated, and sponsors can shop among rating providers. It is also weaker where ratings are used mainly as an internal input rather than as a market-access credential.

Durability over five years looks high. Moody's remains one of the named large agencies in market infrastructure, and the TTM base already includes continued momentum after a record FY2025 issuance backdrop. The five-year bear case below still assumes the franchise grows modestly in revenue from the TTM base, not because every year is good, but because the installed base and long-term funding needs create some recurring floor. The risk is not that the business disappears. The risk is that investors overpay for a peak-cycle margin and issuance base.

Durability over ten years is more conditional. The SEC's 2025 OCR Staff Report highlights private credit, credit estimates, commercial real estate, AI, DeFi, NAIC due diligence, and conflicts of interest as active monitoring areas. Those are not abstract issues. If private credit keeps growing outside public markets, if regulators reduce blind reliance on agency ratings, or if issuers increasingly use cheaper alternative providers for private instruments, some incremental growth can move away from Moody's core public-ratings economics. Conversely, if private credit, infrastructure, data-center financing, energy transition, and structured credit all require recognized ratings to scale, the same trends can extend the addressable market.

My segment-level moat verdict is therefore: wide moat, high current profitability, durable enough for a five-year base case, but with a meaningful cycle-normalization overlay. The moat protects share and margin better than it protects year-to-year revenue. That distinction matters for a Gideon model, because the company can be a high-quality compounder and still fail a valuation test if the starting price capitalizes the bull case.

6. Historical Growth Rates

The table below reproduces the dollar-disclosed historical window from the data package. Moody's provides FY2023-FY2025 product / LOB revenue in the current taxonomy. Because the disclosure window has three fiscal-year data points but only two year-to-year intervals, the CAGR column is a two-interval CAGR across the three-year disclosure window. No back-solved product dollars are used.

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	FY2023-FY2025 CAGR	Most recent YoY	Data package cite
MIS total	$2.860B [data_package Sec. 3 MIS Revenue row]	$3.793B [data_package Sec. 3 MIS Revenue row]	$4.119B [data_package Sec. 3 MIS Revenue row]	20.0% [calc from Sec. 3 MIS Revenue row]	8.6% [data_package Sec. 3 MIS YoY row]	data_package Sec. 3 Moody's Investors Service table
Corporate Finance	$1.404B [data_package Sec. 4 Corporate Finance row]	$1.950B [data_package Sec. 4 Corporate Finance row]	$2.132B [data_package Sec. 4 Corporate Finance row]	23.2% [calc from Sec. 4 Corporate Finance row]	9.3% [calc from Sec. 4 Corporate Finance row]	data_package Sec. 4 MIS Corporate Finance row
Financial Institutions	$0.545B [data_package Sec. 4 Financial Institutions row]	$0.727B [data_package Sec. 4 Financial Institutions row]	$0.759B [data_package Sec. 4 Financial Institutions row]	18.0% [calc from Sec. 4 Financial Institutions row]	4.4% [calc from Sec. 4 Financial Institutions row]	data_package Sec. 4 MIS Financial Institutions row
Public / Project / Infrastructure Finance	$0.476B [data_package Sec. 4 PPIF row]	$0.564B [data_package Sec. 4 PPIF row]	$0.635B [data_package Sec. 4 PPIF row]	15.5% [calc from Sec. 4 PPIF row]	12.6% [calc from Sec. 4 PPIF row]	data_package Sec. 4 MIS Public / Project / Infrastructure Finance row
Structured Finance	$0.405B [data_package Sec. 4 Structured Finance row]	$0.518B [data_package Sec. 4 Structured Finance row]	$0.558B [data_package Sec. 4 Structured Finance row]	17.4% [calc from Sec. 4 Structured Finance row]	7.7% [calc from Sec. 4 Structured Finance row]	data_package Sec. 4 MIS Structured Finance row
MIS Other	$0.030B [data_package Sec. 4 MIS Other row]	$0.034B [data_package Sec. 4 MIS Other row]	$0.035B [data_package Sec. 4 MIS Other row]	8.0% [calc from Sec. 4 MIS Other row]	2.9% [calc from Sec. 4 MIS Other row]	data_package Sec. 4 MIS Other row

Internal arithmetic check: the most recent YoY values tie within 2% for every row. MIS total: $3.793B x 1.086 = $4.119B. Corporate Finance: $1.950B x 1.093 = $2.131B, which rounds to $2.132B. Financial Institutions: $0.727B x 1.044 = $0.759B. Public / Project / Infrastructure Finance: $0.564B x 1.126 = $0.635B. Structured Finance: $0.518B x 1.077 = $0.558B. MIS Other: $0.034B x 1.029 = $0.035B. The historical table is therefore arithmetically usable, but it should be interpreted as a rebound-period history rather than a normalized long-cycle CAGR.

The segment's FY2023-FY2025 growth rates are flattered by the 2022 trough. MIS revenue fell 29.2% in FY2022, then recovered from $2.860B in FY2023 to $4.119B in FY2025. A base case that simply carries a 20% recent CAGR for five more years would be analytically unserious. The normalized question is how much of the $4.207B TTM base can grow through issuance cycles, pricing, surveillance fees, and long-term funding needs.

7. Management Guidance

The table below lists every MIS-relevant piece of management commentary from data_package Sec. 6, plus the explicit FY2026 segment guide. The quoted excerpts are the short verbatim snippets already included in the verified data package; the modeling interpretation is mine.

Fiscal period / call date	Data package row	Short verbatim excerpt	Topic	Modeling interpretation
Q2 FY2025 / 2025-07-23	data_package Sec. 6 MIS row 1	"April issuance air pocket"	Issuance volatility	Ratings revenue can pause quickly when market access shuts, so bear case needs a genuine issuance-freeze path.
Q2 FY2025 / 2025-07-23	data_package Sec. 6 MIS row 2	"cautiously optimistic"	Second-half setup	Management saw improving demand but did not present the cycle as risk-free.
Q3 FY2025 / 2025-10-22	data_package Sec. 6 MIS row 3	"issuance pipeline is robust"	Market demand	The base case can include refinancing, infrastructure, private credit, and data-center financing as demand anchors.
Q3 FY2025 / 2025-10-22	data_package Sec. 6 MIS row 4	"invest for growth and expand margins"	Operating leverage	Healthy issuance can fund reinvestment while preserving margin, but this is cycle-dependent.
Q4 FY2025 / 2026-02-18	data_package Sec. 6 MIS row 5	"busiest fourth quarter in our history"	Ratings cycle	FY2025 exit momentum was unusually strong and should be normalized in the base case.
Q4 FY2025 / 2026-02-18	data_package Sec. 6 MIS row 6	"$6.6 trillion of debt"	Rated issuance	FY2025 rated issuance was a high base, making double-digit extrapolation risky.
Q1 FY2026 / 2026-04-22	data_package Sec. 6 MIS row 7	"long-term funding needs"	Demand durability	Infrastructure, technology, private credit, and energy-transition financing support through-cycle growth.
Q1 FY2026 release / 2026-04-22	data_package Sec. 6 MIS row 8	"record revenues of $1.2 billion"	Latest-quarter performance	Q1 FY2026 supports near-term momentum but also raises the normalization bar.
Q1 FY2026 release / 2026-04-22	data_package Sec. 6 guidance anchor	MIS high-single-digit revenue growth	FY2026 guide	The FY+1 anchor supports high-single-digit growth in 2026, not a five-year double-digit CAGR.

The key synthesis from management is balanced. MIS has long-term demand supports, and the latest guidance remained high-single-digit for FY2026. But management also called out timing volatility and showed in real time how issuance can pause. The base case therefore grows off the TTM base at a mid-single-digit rate by product, not at the FY2023-FY2025 rebound CAGR.

8. Forward Growth Assumptions

The TTM segment base is disclosed, but TTM product-level revenue is not. To build a product-level rollup without fabricating disclosed quarterly product numbers, I allocate the $4.207B TTM MIS revenue base using FY2025 product mix from the data package. This produces a modeled TTM starting base of $2.178B for Corporate Finance, $0.775B for Financial Institutions, $0.649B for Public / Project / Infrastructure Finance, $0.570B for Structured Finance, and $0.036B for MIS Other. These are model allocation bases, not separately disclosed TTM product revenues.

Base case assumptions:

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM to TTM+5y	Justification
Corporate Finance	23.2%	9.3%	Segment guide high-single-digit; Q1 Corporate Finance +12%	5.5%	Corporate is the largest line and should benefit from refinancing walls and long-term funding needs, but FY2025 was a strong rebound year and bank-loan weakness can recur.
Financial Institutions	18.0%	4.4%	Segment guide high-single-digit; no product guide	4.0%	The bank and insurance base is durable, but latest annual YoY already slowed and the line is less likely to compound at rebound-period rates.
Public / Project / Infrastructure Finance	15.5%	12.6%	Segment guide high-single-digit; no product guide	5.0%	Infrastructure, public finance, data-center, and energy-transition funding support growth, while municipal and sovereign cycles keep the long-run rate below recent YoY.
Structured Finance	17.4%	7.7%	Segment guide high-single-digit; no product guide	5.0%	CLO and ABS activity support growth, but CMBS and rating-shopping risk argue against carrying the recent rebound CAGR.
MIS Other	8.0%	2.9%	Segment guide high-single-digit; no product guide	2.0%	Small residual line grows slowly and has little bearing on the segment valuation.

Bull case assumptions:

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM to TTM+5y	Justification
Corporate Finance	23.2%	9.3%	Segment guide high-single-digit; Q1 Corporate Finance +12%	7.5%	Bull case assumes refinancing walls, AI-related investment-grade issuance, private credit takeout activity, and tight spreads keep corporate issuance healthy for longer.
Financial Institutions	18.0%	4.4%	Segment guide high-single-digit; no product guide	5.5%	Bull case assumes banks, insurers, and managed-investment vehicles increase rated funding and surveillance demand without a major credit event.
Public / Project / Infrastructure Finance	15.5%	12.6%	Segment guide high-single-digit; no product guide	6.5%	Bull case assumes infrastructure, energy transition, public finance, and data-center financing stay active and need recognized ratings.
Structured Finance	17.4%	7.7%	Segment guide high-single-digit; no product guide	7.5%	Bull case assumes strong CLO and ABS formation, recovery in securitization, and limited fee pressure from competing NRSROs.
MIS Other	8.0%	2.9%	Segment guide high-single-digit; no product guide	2.5%	Small residual line grows modestly with the broader ratings franchise.

Bear case assumptions:

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Corporate Finance	23.2%	9.3%	Segment guide high-single-digit; Q1 Corporate Finance +12%	0.5%	Bear case assumes the current issuance base proves close to cyclical peak, with refinancing delays, wider spreads, and weaker leveraged finance.

Product	FY2023-FY2025 historical CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM to TTM+5y	Justification
Financial Institutions	18.0%	4.4%	Segment guide high-single-digit; no product guide	1.0%	Bear case still gives modest growth because surveillance and regulated financial issuers remain, but new issuance contribution is muted.
Public / Project / Infrastructure Finance	15.5%	12.6%	Segment guide high-single-digit; no product guide	2.0%	Bear case assumes infrastructure demand persists but public finance and project timing slow in a higher-rate or risk-off environment.
Structured Finance	17.4%	7.7%	Segment guide high-single-digit; no product guide	-0.5%	Bear case assumes CMBS stress, weaker securitization, fee competition, and rating-shopping pressure offset CLO and ABS growth.
MIS Other	8.0%	2.9%	Segment guide high-single-digit; no product guide	0.0%	Residual services line is held flat because it is immaterial and not separately guided.

The base case implies segment revenue CAGR of about 5.1% from the TTM base. That is below the FY2026 high-single-digit guide because the guide applies to the near year and begins from a strong but still active issuance environment, while the five-year model should absorb at least one softer market window. It is also far below the FY2023-FY2025 rebound CAGR, because that historical period began from the post-2022 ratings trough. The bull case reaches about 6.9% segment CAGR, still not the 20% rebound rate. The bear case grows revenue only 0.7% annually from the TTM base, representing a cycle-normalization path rather than a franchise failure.

9. Forward Operating Margin Assumptions

Current segment margin is high: FY2025 MIS AOI margin was 66.7%, and TTM AOI margin was 66.9%. Product-level operating profit is not separately disclosed. The table below therefore uses modeled product margins that reconcile to segment-level AOI, not claimed historical product margins. The current margin evidence is segment-level only unless otherwise stated.

Product	Current margin evidence	Bear TTM+5y AOI margin	Base TTM+5y AOI margin	Bull TTM+5y AOI margin	Margin mechanism
Corporate Finance	Product OI not disclosed; segment TTM AOI margin 66.9%	60.0%	67.5%	70.5%	Highest scale line gets strong leverage in base and bull; bear reflects issuance freeze and mix shift away from transaction fees.
Financial Institutions	Product OI not disclosed; segment TTM AOI margin 66.9%	61.0%	65.5%	68.5%	Durable surveillance supports margin, but specialized coverage and regulatory complexity limit upside.
Public / Project / Infrastructure Finance	Product OI not disclosed; segment TTM AOI margin 66.9%	60.0%	64.0%	67.0%	Infrastructure demand helps, while public-sector and project timing can be less fee-rich than corporate transaction spikes.
Structured Finance	Product OI not disclosed; segment TTM AOI margin 66.9%	58.0%	66.0%	70.0%	Bull assumes CLO and ABS operating leverage; bear assumes CMBS stress, model scrutiny, and rating-shopping pressure.
MIS Other	Product OI not disclosed; segment TTM AOI margin 66.9%	20.0%	25.0%	30.0%	Residual professional-services line is modeled below segment margin and is immaterial to the rollup.
Segment weighted average	TTM MIS AOI margin 66.9%; FY2025 66.7%	59.6%	66.1%	69.3%	Weighted result from product revenue mix and modeled margins.

The base case margin of 66.1% is slightly below the TTM margin and FY2025 margin, even though revenue grows. That is deliberate. The TTM margin includes a powerful issuance rebound and Q1 FY2026 margin of 69.6%. A five-year base case should include ongoing investment in controls, technology, methodology, and analytical capacity. The base case still assumes excellent economics, but it does not bank on permanent peak utilization.

The bear case margin decline is material, from 66.9% TTM to 59.6% at TTM+5y. The mechanism is operating deleverage. Analysts, compliance, surveillance, and methodology infrastructure cannot be removed instantly when issuance slows. If transaction revenue weakens for multiple years, the business still remains profitable, but the margin can move closer to FY2022's 55.1% trough than today's near-67% run rate. I do not model a return to the FY2022 trough because the installed base is larger, surveillance revenue persists, and the five-year endpoint is not assumed to be the exact trough quarter.

The bull case margin of 69.3% is above TTM, but not heroic. It assumes sustained transaction activity, strong Corporate Finance and Structured Finance mix, improved price realization, and productivity from analytical tooling. It does not assume that AI removes a large share of the analyst base. For a regulated ratings business, over-automating the process could increase governance and reputation risk. AI is better treated as productivity support and surveillance leverage than as a reason to model software-like incremental margins.

10. Segment Rollup

The rollup is built from the modeled TTM product base, product CAGRs, and product AOI margins above. The horizon endpoint is TTM+5y ending 2031-03-31, exactly five calendar years after the TTM anchor ended 2026-03-31. Segment totals below are AOI-based because AOI is Moody's disclosed segment profitability metric. For consolidated synthesis, QF P4 shows TTM derived operating contribution of $2.693B versus MIS AOI of $2.814B, a 95.7% bridge ratio. If the synthesis needs a GAAP contribution estimate, it should apply the QF bridge consistently across segments rather than reinterpret product-level AOI here.

Case	Product	Modeled TTM base revenue	CAGR TTM to TTM+5y	TTM+5y revenue (2031-03-31)	TTM+5y AOI margin	TTM+5y AOI
Bear	Corporate Finance	$2.178B	0.5%	$2.233B	60.0%	$1.340B
Bear	Financial Institutions	$0.775B	1.0%	$0.815B	61.0%	$0.497B
Bear	Public / Project / Infrastructure Finance	$0.649B	2.0%	$0.716B	60.0%	$0.430B
Bear	Structured Finance	$0.570B	-0.5%	$0.556B	58.0%	$0.322B
Bear	MIS Other	$0.036B	0.0%	$0.036B	20.0%	$0.007B
Base	Corporate Finance	$2.178B	5.5%	$2.846B	67.5%	$1.921B
Base	Financial Institutions	$0.775B	4.0%	$0.943B	65.5%	$0.618B
Base	Public / Project / Infrastructure Finance	$0.649B	5.0%	$0.828B	64.0%	$0.530B
Base	Structured Finance	$0.570B	5.0%	$0.727B	66.0%	$0.480B
Base	MIS Other	$0.036B	2.0%	$0.039B	25.0%	$0.010B
Bull	Corporate Finance	$2.178B	7.5%	$3.126B	70.5%	$2.204B
Bull	Financial Institutions	$0.775B	5.5%	$1.013B	68.5%	$0.694B
Bull	Public / Project / Infrastructure Finance	$0.649B	6.5%	$0.889B	67.0%	$0.595B
Bull	Structured Finance	$0.570B	7.5%	$0.818B	70.0%	$0.573B
Bull	MIS Other	$0.036B	2.5%	$0.040B	30.0%	$0.012B

Case	Sum of product revenue (2031-03-31)	Segment TTM+5y AOI	Segment TTM+5y AOI margin	Segment revenue CAGR	Arithmetic check
Bear	$4.355B	$2.596B	59.6%	0.7%	Product revenue and AOI sum to segment total
Base	$5.384B	$3.559B	66.1%	5.1%	Product revenue and AOI sum to segment total
Bull	$5.887B	$4.078B	69.3%	6.9%	Product revenue and AOI sum to segment total

The base case is the most useful handoff for the combined ER2 model. It says MIS can add roughly $1.177B of revenue and $0.745B of AOI over five years from the TTM base. That is meaningful compounding, but it is not an aggressive reacceleration thesis. It reflects a franchise that can keep taking price, retain recognized status, and benefit from structural debt issuance, while still normalizing away from the strongest parts of the 2025 rebound.

The bear case is not a catastrophic franchise break. It is a cycle and regulatory bear case: revenue rises only $0.148B over five years and margin compresses by more than 700 bps. This could happen if spreads widen, high-yield and leveraged-loan markets soften, structured finance weakens, NAIC and other regulators reduce blind reliance on ratings, or rating shopping

increases in private markets. The segment would still generate almost $2.6B of AOI at the endpoint, which shows how resilient the business is, but equity upside would likely be poor if the market paid for much more.

The bull case is a controlled upside scenario. It gives MIS $5.887B of TTM+5y revenue and $4.078B of AOI, with a 69.3% margin. It needs sustained issuance and favorable mix, especially in Corporate Finance and Structured Finance. It does not require a new business line or a permanent double-digit revenue CAGR. The bull case is plausible only if FY2025-Q1 FY2026 momentum proves not to be a near-term cyclical crest.

11. Key Risks And Wildcards

Bear risk - issuance cycle. The biggest risk is that the TTM base is too close to peak-cycle activity. The data package shows FY2025 rated debt above $6.6T and Q1 FY2026 issuance above $2T. If refinancing windows close or spreads widen, Corporate Finance and Structured Finance can slow quickly. The Q2 FY2025 management excerpt about an "April issuance air pocket" is the operational reminder.

Bear risk - regulatory and reputation pressure. Ratings remain regulated opinions in a market shaped by conflicts of interest. The SEC's 2025 OCR Staff Report discusses issuer-pay and subscriber-pay conflicts, private-rating conflicts, and rating-shopping concerns. A major ratings failure, methodology controversy, or enforcement action would not need to destroy the franchise to harm pricing, costs, and margin.

Bear risk - private credit and lower-transparency markets. Private credit can be opportunity and threat. If private-credit markets require recognized ratings, Moody's can benefit. If they rely on private assessments, bespoke investor-paid ratings, internal models, or less transparent alternatives, incremental growth may be more competitive and less public-market-like. The SEC report specifically flags private credit and private ratings as areas of increased risk and examination focus.

Base risk - product mix. The forward model assumes Corporate Finance remains the anchor and Structured Finance grows at a healthy but normalized rate. If Corporate Finance growth underperforms because issuers refinance less, reduce leverage, or use bank/private markets instead, the base case loses both revenue and margin. If Structured Finance grows but at lower pricing because of competition, the revenue/margin mix could also disappoint.

Base risk - AI and analytical productivity. AI should help Moody's process information, monitor issuers, and package surveillance. But it can also help banks, asset managers, insurers, and alternative data providers build internal credit tools. The key risk is not that AI instantly replaces an NRSRO rating; it is that more credit work becomes internal, private, or workflow-embedded, reducing the need for some incremental public ratings products over time.

Bull wildcard - infrastructure, data centers, and energy transition. Management's Q1 FY2026 commentary points to long-term funding needs across infrastructure, technology, private credit, and energy transition. If these financing needs remain large and require public or broadly distributed debt, Moody's can capture both transaction fees and surveillance economics.

Bull wildcard - operating leverage plus price realization. The segment already has near-67% TTM AOI margin. If issuance stays active and Moody's improves contract terms, automates low-value analytical work, and keeps regulatory costs controlled, the bull case margin above 69% is possible. The ceiling is not infinite, but a business with this fixed-cost structure can still surprise positively when volumes are strong.

[DATA GAP: product-level operating income is not disclosed below MIS.] [DATA GAP: TTM product-level revenue is not disclosed; this appendix allocates the verified TTM MIS base by FY2025 product mix.] [DATA GAP: long annual MIS rated-issuance volume by product is not included in the data package.] [DATA GAP: product-level FY2026 guidance is not disclosed beyond segment guide and selected recent-quarter growth comments.] These are not fatal gaps because the segment model uses verified segment revenue/AOI as the base and treats product-level profitability as modeled.

Case	Segment TTM+5y Revenue (2031-03-31)	Segment TTM+5y AOI Margin	Segment TTM+5y AOI	Probability
Bear	$4.355B	59.6%	$2.596B	25%
Base	$5.384B	66.1%	$3.559B	55%
Bull	$5.887B	69.3%	$4.078B	20%

Appendix B2 - Moody's Analytics

Moody's Analytics (MA) - Segment Deep Dive

Prepared: 2026-05-29. Company: Moody's Corporation (MCO). Segment: Moody's Analytics (MA). Fiscal year end: December 31. This appendix is written under the ER2 / Gideon production framework and uses `data_package.md` as the controlling source for Moody's historical segment data, product revenue, recent trends, and management commentary. External sources are used only for competitive context and peer framing.

Stage 0 Anchor Used

- Today: 2026-05-29.
- Fiscal year convention: Moody's Corporation fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, announced April 22, 2026; 10-Q filed April 23, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending 2026-03-31.
- Forward horizon: TTM + 5 calendar years = 2031-03-31. Every "TTM+5y" or "horizon" figure in this appendix means that exact five-year period, not FY2025 plus five fiscal years.

0. Segment Boundary + Taxonomy Note

Moody's Analytics is one of Moody's two reportable segments. The data package says the reportable-segment structure has been stable through the FY2021-FY2025 history, with no segment realignment requiring a restated bridge in the latest filings. MA's official revenue lines are Decision Solutions, Research and Insights, and Data and Information. The current 10-K product and LOB table is clean for FY2023-FY2025 only; product-level dollars before FY2023 are a true disclosure gap in the current data package. The data package also quarantines FMP's product segmentation labels because the FMP endpoint ties consolidated revenue but mislabels MA/MIS allocation versus official SEC segment tables. This appendix therefore uses official QF/data-package MA totals and official 10-K MA product lines only.

There are two modeling boundaries to call out at the front. First, Moody's discloses segment adjusted operating income, not GAAP operating income by product line, so "segment operating margin" in the forward tables means the disclosed segment AOI margin unless explicitly labeled "derived operating contribution." Second, the TTM base is disclosed at the MA segment level, not at the Decision Solutions, Research and Insights, or Data and Information product level. For the product-level forward rollup, I allocate the $3.666B TTM MA revenue base by FY2025 disclosed product mix. That allocation is a modeling convenience, not a disclosed historical product TTM figure. [DATA GAP: MA product-level TTM revenue is not disclosed; product TTM base is allocated from FY2025 disclosed mix to TTM segment revenue.]

1. What This Segment Actually Is

Moody's Analytics is the data, analytics, research, and workflow software business inside Moody's. Its customers include banks, insurers, corporates, asset managers, public-sector bodies, and other risk-sensitive institutions that need credit data, financial entity data, models, research, compliance workflows, insurance-risk analytics, and decisioning tools. The segment is not a single workstation business. It is a portfolio of subscription data, analytical models, and embedded workflow products that sit inside credit, compliance, insurance, KYC, and enterprise risk processes.

Decision Solutions is the growth engine and the largest MA product line. The data package defines it as banking, insurance, KYC, credit decisioning, compliance, and risk workflows. In practice, this line is where Moody's tries to turn data and models into daily operating systems. Examples include lending decisioning, bank risk tools, insurance risk data and analytics, know-your-customer workflows, and compliance-oriented decisioning. The customer buys not merely raw data but an outcome: faster onboarding, safer credit decisions, insurance risk classification, sanctions or entity screening, or portfolio monitoring. That matters because workflow products tend to be stickier than standalone datasets once a bank or insurer has embedded them into approval, monitoring, or regulatory control processes.

Research and Insights is the analytical content and research layer. The data package names research, CreditView or Moody's View, models, EDF-X, and related analytical tools. This line monetizes Moody's analytical heritage beyond the MIS ratings franchise. A bank, asset manager, insurer, or corporate treasury function may use Moody's research and default-risk tools to

interpret credit conditions, monitor counterparties, build watchlists, and support internal credit memos. The line benefits from Moody's brand and credit domain depth, but its growth profile is closer to mature subscription analytics than to a new workflow category.

Data and Information is the data-feed and decision-grade dataset line. The data package describes it as data feeds, Orbis and company data, ratings data, and related datasets. This is the raw material layer for many modern risk workflows: entity reference data, company data, ratings data, ownership links, and other structured data that customers can consume through feeds, platforms, and increasingly AI-enabled interfaces. The key question for this line is whether data provenance and coverage remain differentiating as customers use general-purpose AI systems. Management's argument, as captured in the data package, is that some data "can't be synthesized from public sources." That does not prove pricing power by itself, but it describes the defense: audited provenance, lineage, coverage, and confidence in regulated workflows.

Pricing is predominantly subscription and recurring. The data package reports MA recurring revenue share at 96% in Q2 FY2025, 96% in Q3, 97% in Q4, and 98% in Q1 FY2026. It also reports MA total ARR of $3.607B at Q1 FY2026, up 8%, with Decision Solutions ARR up 10%, Research and Insights ARR up 7%, and Data and Information ARR up 6%. The go-to-market model therefore looks like enterprise sales, renewals, cross-sell, and workflow expansion rather than purely usage-driven transaction volume. This is strategically important for Moody's because it balances the more cyclical MIS ratings business with a recurring analytics base.

2. Current Economics (FY2025 and TTM)

The core economics are attractive but not software-pure. In FY2025, MA revenue was $3.599B, up 9.2%, with adjusted operating income of $1.196B and AOI margin of 33.2% according to data package Section 3. In the TTM period ending 2026-03-31, MA revenue was $3.666B and MA AOI was $1.239B, implying a TTM AOI margin of 33.8%. The QF P4 bridge referenced in the data package also gives TTM MA derived operating contribution of $734M after D&A, restructuring, asset-abandonment, and the Q1 FY2026 indirect tax reserve. That derived figure is useful for consolidated tie-outs, but the segment's official profitability measure remains AOI.

The product mix is balanced but increasingly led by Decision Solutions. FY2025 Decision Solutions revenue was $1.692B, equal to 47.0% of MA revenue. Research and Insights was $0.995B, or 27.6%. Data and Information was $0.912B, or 25.3%. The three lines are not equally dynamic. Decision Solutions grew 11.6% in FY2025 and carries the strongest ARR signal. Research and Insights grew 7.5%, while Data and Information grew 6.9%. The last four quarters reinforce the hierarchy: the data package shows Decision Solutions revenue growth of +13%, +11%, +12%, and +7% from Q2 FY2025 through Q1 FY2026; KYC revenue growth was +22% in Q2 and +17% in Q1 FY2026, while MA organic constant-currency revenue growth ran +7%, +6%, +6%, and +6% across the same quarters.

The segment is asset-light in capex terms but investment-heavy in people, product, data, and acquisitions. The data package states that Moody's does not separately disclose R&D the way a software company would and that product development, engineering, analytical tooling, and AI investment are embedded in compensation, technology, capex, and acquired intangibles. Company-level capex was about 4.2% of revenue in FY2025 and TTM capex was $336M against consolidated TTM revenue of $7.873B. MA itself also carries a meaningful acquired-intangible burden because RMS, CAPE Analytics, Praedicat, Numerated, and related assets sit in or support MA. That burden explains the large difference between TTM MA AOI of $1.239B and derived operating contribution of $734M.

The recent corporate action setup matters for current economics. The data package says Moody's entered into an agreement in December 2025 to sell the MA Regulatory Solutions business, classified the related assets and liabilities as held-for-sale at FY2025 year-end, and expected the divestiture to close in Q2 FY2026. Management's Q1 FY2026 guidance incorporated the expected impact of that divestiture. This means the appendix should not model Regulatory Solutions as a separate long-term growth engine. It also means the high-single-digit MA guide is already management's cleaned-up near-term view, not a pre-divestiture headline that needs a manual haircut.

3. Unit Economics

MA's unit economics come from the interaction of data assets, software workflows, analytical expertise, and enterprise renewals. The strongest unit economics should exist where Moody's owns or curates hard-to-replicate data, packages it into decisioning workflows, and sells it under multi-year or recurring contracts. Decision Solutions has the best combination of those traits because KYC, banking, insurance, and compliance workflows are expensive for customers to rip out once implemented. The buyer is typically paying to reduce operating risk, regulatory risk, underwriting mistakes, fraud, compliance misses, or credit losses. In those use cases, the product can be priced as mission-critical infrastructure rather than as a

discretionary information tool.

Revenue converts to profit through three levers. The first is renewal and seat or entity expansion. A 98% recurring revenue mix means the segment starts each year with a high retained base. Even mid-single-digit price and expansion can compound when churn is low. The second is product reuse. A dataset, model, or risk engine can be sold into multiple workflows once built, so incremental gross profit can be high if customers expand across modules. The third is cross-sell across the Moody's estate. Ratings relationships, credit research, company data, insurance risk analytics, and KYC workflows all point at overlapping risk officers, chief credit officers, compliance leaders, treasury teams, and portfolio managers.

Costs break in a less glamorous way than the recurring revenue story might imply. MA needs expensive analytical talent, product engineering, data acquisition, cloud infrastructure, security, implementation, customer success, and regulatory-grade support. A data product sold into a regulated bank or insurer cannot be run like a cheap SaaS app with minimal service cost. The segment also absorbs acquisition integration and data refresh costs. QF shows MA D&A of $399M on a TTM basis, versus MA AOI of $1.239B. That level of D&A is not a cash operating cost in the narrow period sense, but it is a reminder that part of MA's growth has been bought through acquisitions and must be defended through continued product investment.

The margin history is encouraging. MA AOI margin rose from 26.1% in FY2021 to 30.3% in FY2022, 30.7% in FY2023, 30.8% in FY2024, and 33.2% in FY2025. TTM AOI margin was 33.8%. The improvement says scale and mix are working. It also sets a discipline on the forward model: a base case can assume further modest margin expansion if Decision Solutions scales and divested businesses reduce drag, but it should not assume a leap to pure-software margins. MA is a data and workflow franchise with strong recurring revenue, not a clean 85% gross-margin application-software company where every incremental dollar drops through.

The main margin break risks are clear. First, AI can raise product expectations and require investment before it yields price. Management's "agent ready intelligence" and "AI-ready data sets" language supports demand, but it also implies that customers expect new functionality. Second, KYC and financial-crime workflows can be competitive; if LexisNexis Risk Solutions, LSEG, S&P Global, or specialist vendors use AI to narrow product gaps, renewal price may compress. Third, D&A and restructuring are not imaginary in consolidated tie-outs. If Moody's keeps buying growth assets or restructuring MA, the AOI view may overstate owner earnings at the segment level.

4. Competitive Dynamics

MA competes across several overlapping markets rather than one neat category. In financial data, research, ratings-adjacent analytics, and workflow tools, S&P Global Market Intelligence, LSEG Data & Analytics, FactSet, MSCI, Bloomberg, and private credit-risk platforms are relevant competitors. In KYC, entity data, financial-crime, fraud, and identity workflows, RELX's LexisNexis Risk Solutions, LSEG, Dun & Bradstreet, Experian, TransUnion, and specialized compliance vendors compete. In insurance analytics, Verisk, CoreLogic-related datasets, catastrophe-model vendors, and internal insurer analytics teams are relevant. In regulatory and compliance workflow, Wolters Kluwer and other specialized software vendors matter, though Moody's pending Regulatory Solutions divestiture reduces the need to treat that submarket as a long-term MA pillar.

Peer scale confirms that MA is large, but not unassailable. S&P Global's 2025 annual report reports Market Intelligence revenue of $4.902B, with most revenue from subscriptions and recurring variable arrangements, making it one of the cleanest direct peers for MA's financial data and workflow mix: [S&P Global 2025 annual report](https://www.spglobal.com/content/dam/spglobal/corporate/en/annual-reports/2025/SPGI-2025-annual-report-financial-performance.pdf). FactSet's FY2025 10-K reports annual subscription value plus professional services of about $2.371B and a client retention rate greater than 95%, showing the durability of subscription financial workflow platforms: [FactSet FY2025 Form 10-K](https://www.sec.gov/ixviewer/doc/action?doc=Archives/edgar/data/1013237/000101323725000141/fds-20250831.htm). LSEG's 2025 annual report reports Data & Analytics revenue excluding recoveries of about GBP3.978B, a much larger multi-asset data and workflow base: [LSEG 2025 annual report](https://www.lseg.com/content/dam/lseg/en_us/documents/annual-report/lseg-annual-report-2025.pdf). MSCI's 2025 10-K reports Analytics operating revenue of $714M and a high adjusted EBITDA margin, relevant to MA's risk models and analytics competition: [MSCI 2025 Form 10-K](https://www.sec.gov/Archives/edgar/data/1408198/000140819826000011/msci-20251231.htm).

The KYC and insurance sides add different competitors. RELX's 2025 Form 20-F describes a Risk segment with revenue of GBP3.485B and strong growth, including Fraud and Identity, Business Services, and Insurance businesses that overlap with financial crime, identity, entity, and risk workflows: [RELX 2025 Form 20-F](https://www.sec.gov/Archives/edgar/data/929869/000110465926017277/relx-20251231x20f.htm). Verisk's 2025 annual

report reports Insurance segment revenue of $3.073B, including underwriting and claims analytics, making it relevant to Moody's insurance risk analytics and RMS heritage: [Verisk 2025 annual report](https://www.verisk.com/496732/siteassets/media/corporate-social-responsibility/downloads/verisk-2025-annual-report.pdf).

No single public source in the data package provides a reliable MA market-share percentage across all of these markets, and the segment boundaries are too broad for a clean share estimate. The best market-share context is relative scale and category position. MA's TTM revenue of $3.666B places it below LSEG Data & Analytics and S&P Global Market Intelligence in broad financial data and workflow scale, above MSCI Analytics alone, and roughly comparable in revenue scale to large risk-data franchises when considering relevant submarkets. It is a top-tier player, not the only scaled player.

The competitive question is not whether Moody's has competitors. It clearly does. The question is whether the most attractive parts of MA are protected by data provenance, workflow integration, regulatory trust, and credit-domain specialization. Decision Solutions has the strongest case because banking, insurance, and KYC workflows are operationally embedded. Research and Insights is protected by Moody's credit brand and analytical history, but customers can also use S&P, Fitch, MSCI, Bloomberg, FactSet, and internal research. Data and Information is protected where data is proprietary or hard to verify, but generic public-company data is more exposed to price pressure and AI-assisted aggregation.

AI is both a demand driver and a substitution risk. Management's data-package quotes emphasize "AI-ready data sets," "agent ready intelligence," and data that cannot be synthesized from public sources. The positive interpretation is that enterprise AI makes trusted data more valuable because models need permissioned, clean, auditable inputs. The negative interpretation is that AI lowers the interface value of many legacy data products, allows customers to query multiple sources through common agents, and shifts differentiation back to raw data ownership and workflow integration. In the forward model, AI supports MA growth but does not justify a sudden acceleration because the data package explicitly says GenAI solutions are not material yet.

5. Moat At The Segment Level

MA has a real segment-level moat, but it is uneven by product line. The strongest moat component is trusted, decision-grade data and models embedded in regulated workflows. A bank that has built onboarding, KYC, credit decisioning, or counterparty monitoring around Moody's data and models faces validation, governance, implementation, and training costs if it switches. In insurance, RMS and related risk analytics can become part of underwriting, portfolio management, and risk-transfer workflows. In data feeds, entity identifiers, ownership relationships, ratings data, and historical time series can be embedded into internal systems where continuity matters.

The second moat component is the Moody's brand and analytical authority. Ratings and credit research are not the same product as MA, but the brand gives MA a credibility halo in credit, default risk, and financial risk analytics. This matters when a customer is using tools to support regulated decisions or board-level risk conversations. A niche vendor may have a clever model, but Moody's can often sell a broader institutional assurance layer: data, methods, research, support, and enterprise governance.

The third moat component is portfolio breadth. MA can bundle or cross-sell across Decision Solutions, Research and Insights, and Data and Information. A compliance team may care about KYC and entity data; a credit team may care about research, default models, and counterparty data; an insurance team may care about risk models and hazard data. The same enterprise account can expand across modules. The data package's Q1 FY2026 ARR base of $3.607B and 98% recurring revenue share support the view that customers have already embedded MA in recurring workflows.

The moat is not absolute. Research and Insights faces credible substitution from S&P, Fitch, Bloomberg, FactSet, MSCI, and internal models. Data and Information is vulnerable where the data is commoditized, public, or easy to ingest from multiple vendors. Decision Solutions is more defended, but it competes in fast-moving markets where specialist vendors may be more focused. KYC and financial-crime workflows are particularly competitive because identity, sanctions, entity graph, and fraud data providers all want the same budget. In insurance, Verisk and other dedicated insurance data vendors are formidable.

Over a five-to-ten-year horizon, the durability question is whether Moody's can convert its proprietary data and credit expertise into AI-native workflows before AI-native competitors commoditize the interface. The segment's best defense is not a chatbot; it is a workflow where the answer must be traceable, auditable, permissioned, and tied to a trusted data lineage. If Moody's wins that transition, MA can maintain high-single-digit growth and modest margin expansion. If it loses the interface and becomes a background data vendor, growth could decelerate toward mid-single digits and margins could flatten or decline.

6. Historical Growth Rates - Data Package Controlled

All historical Moody's figures below are reproduced from the data package. Product dollar disclosures are only available for FY2023-FY2025 in the current 10-K taxonomy. The CAGR column is therefore a two-year annualized rate over the three disclosed annual observations, labeled as the disclosed FY2023-FY2025 window. No pre-FY2023 product dollars are back-solved. MA total has a five-year reportable-segment history in the data package, but this product table uses the same FY2023-FY2025 window for comparability with the product rows.

Product / sub-segment	FY-3 rev	FY-2 rev	FY-1 rev	FY2023-FY2025 CAGR	Most recent YoY	Data package cite
MA total	$3.056B [DP sec. 3 MA revenue row]	$3.295B [DP sec. 3 MA revenue row]	$3.599B [DP sec. 3 MA revenue row]	8.5% [calc from DP sec. 3 MA revenue row]	8% Q1 FY2026 [DP sec. 5 MA Q1 row]	DP sec. 3 MA table; DP sec. 5 MA quarterly row
Decision Solutions	$1.383B [DP sec. 4 MA DS row]	$1.516B [DP sec. 4 MA DS row]	$1.692B [DP sec. 4 MA DS row]	10.6% [calc from DP sec. 4 MA DS row]	7% Q1 FY2026 revenue; 10% Q1 ARR [DP sec. 5 line/KPI table]	DP sec. 4 MA Decision Solutions row; DP sec. 5 KPI table
Research and Insights	$0.884B [DP sec. 4 MA R&I row]	$0.926B [DP sec. 4 MA R&I row]	$0.995B [DP sec. 4 MA R&I row]	6.1% [calc from DP sec. 4 MA R&I row]	7% Q1 FY2026 ARR [DP sec. 4 KPI table]	DP sec. 4 MA Research and Insights row; DP sec. 4 KPI table
Data and Information	$0.789B [DP sec. 4 MA D&I row]	$0.853B [DP sec. 4 MA D&I row]	$0.912B [DP sec. 4 MA D&I row]	7.5% [calc from DP sec. 4 MA D&I row]	6% Q1 FY2026 ARR [DP sec. 4 KPI table]	DP sec. 4 MA Data and Information row; DP sec. 4 KPI table

Arithmetic tie-out checks:

- MA total: $3.295B x 1.092 = $3.598B, which ties FY2025 revenue of $3.599B within rounding.
- Decision Solutions: $1.516B x 1.116 = $1.692B, which ties the FY2025 data-package figure.
- Research and Insights: $0.926B x 1.075 = $0.995B, which ties the FY2025 data-package figure.
- Data and Information: $0.853B x 1.069 = $0.912B, which ties the FY2025 data-package figure.

The historical takeaway is not simply that MA grew. It is that growth has been consistent and broad, with Decision Solutions above the segment average, Research and Insights more mature, and Data and Information in the middle. The Q1 FY2026 pattern is also important: MA segment revenue was up 8%, organic constant-currency revenue was up 6%, recurring revenue share was 98%, and total ARR was $3.607B, up 8%. Those figures argue for a base case near high-single-digit revenue growth, but not for an aggressive double-digit segment CAGR unless Decision Solutions keeps carrying the mix and AI-enabled data products create measurable incremental ARR.

7. Management Guidance - Quoted From Data Package Section 6

The data package provides the relevant MA management quotes from live-fetched Q2 FY2025 through Q1 FY2026 transcripts and releases. The following table reproduces every MA-relevant guidance or commentary item in that section and interprets it for modeling. I do not re-fetch transcripts in this appendix.

Fiscal period / call date	Speaker	Data-package excerpt	Topic	Modeling interpretation
Q2 FY2025 / 2025-07-23	Robert Fauber, CEO	"GenAI solutions are not material yet"	GenAI monetization	Do not model GenAI as a separate large near-term revenue line; let AI show up through ARR retention, product attach, and pricing.
Q2 FY2025 / 2025-07-23	Robert Fauber, CEO	"new onboarding agent"	Agentic workflow	AI-enabled workflow supports Decision Solutions, especially KYC/onboarding, but evidence is qualitative rather than a disclosed ARR line.
Q3 FY2025 / 2025-10-22	Robert Fauber, CEO	"ARR is now nearly $3.4 billion"	Subscription base	The subscription base is already large, making high-single-digit compounding credible but making sudden acceleration harder.
Q3 FY2025 / 2025-10-22	Robert Fauber, CEO	"mission-critical workflows"	Workflow embedding	Supports a moat and renewal argument for Decision Solutions and parts of Research and Insights.

Fiscal period / call date	Speaker	Data-package excerpt	Topic	Modeling interpretation
Q4 FY2025 / 2026-02-18	Robert Fauber, CEO	"data can't be synthesized from public sources"	Data moat	Supports the idea that proprietary data remains valuable in AI workflows, especially when provenance matters.
Q4 FY2025 / 2026-02-18	Robert Fauber, CEO	"AI-ready data sets"	AI demand	AI increases demand for clean, permissioned, structured data, but the revenue impact should be modeled through existing product lines.
Q1 FY2026 / 2026-04-22	Noemie Heuland, CFO	"key growth engine for MA"	Decision Solutions	Decision Solutions should carry the highest forward CAGR and receive the strongest bull-case upside.
Q1 FY2026 / 2026-04-22	Robert Fauber, CEO	"agent ready intelligence"	Enterprise AI	Supports a durable pipeline, but not a step-function growth assumption without signed ARR evidence.

The explicit Q1 FY2026 guidance anchor is high-single-digit MA organic constant-currency revenue growth for FY2026, with Moody's consolidated revenue and MIS also guided in the high-single-digit range. The release incorporated the expected pending divestiture of MA Regulatory Solutions. For the segment model, that means the near-term guide is not merely a gross pre-divestiture number; it is the best current management anchor for the cleaned-up MA trajectory. The base case should sit close to high-single-digit growth, the bear case should test mid-single-digit deceleration, and the bull case should require Decision Solutions and AI-ready data to sustain or exceed recent ARR growth for longer.

8. Forward Growth Assumptions - TTM To 2031-03-31

The forward model starts with TTM MA revenue of $3.666B. Because product-level TTM revenue is not disclosed, the product base is allocated by FY2025 product mix: Decision Solutions 47.0%, Research and Insights 27.6%, and Data and Information 25.3%. That produces a modeling base of $1.723B for Decision Solutions, $1.014B for Research and Insights, and $0.929B for Data and Information. The segment total remains the disclosed TTM MA revenue, and the product allocation is used only to make the bottom-up forecast reconstructable.

Product	TTM revenue base	FY2025 mix used	Disclosure status	Data package cite
Decision Solutions	$1.723B	47.0%	Model allocation from FY2025 mix	DP sec. 4 MA DS row; DP sec. 0a TTM MA KPI row
Research and Insights	$1.014B	27.6%	Model allocation from FY2025 mix	DP sec. 4 MA R&I row; DP sec. 0a TTM MA KPI row
Data and Information	$0.929B	25.3%	Model allocation from FY2025 mix	DP sec. 4 MA D&I row; DP sec. 0a TTM MA KPI row
MA total	$3.666B	100.0%	Disclosed segment TTM revenue	DP sec. 0a KPI table; QF P4 referenced by DP

Base Case Growth

The base case assumes MA remains a high-quality recurring analytics business but does not receive a sudden AI step-change. Decision Solutions grows faster than the segment because KYC, insurance, banking, and decisioning workflows remain the strongest growth vectors. Research and Insights compounds in the mid-single digits because credit research and analytical tools are sticky but mature. Data and Information grows slightly below MA average because proprietary data and AI-ready packaging help, while generic data pressure limits pricing.

Product	FY2023-FY2025 CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM->TTM+5y	Justification
Decision Solutions	10.6%	7% revenue; 10% ARR	MA high-single-digit; DS ARR +10%	9.0%	DS remains the MA growth engine, but Q1 revenue growth slowed to 7%, so base assumes ARR growth converts with some normal deceleration.

Product	FY2023-FY2025 CAGR	Latest YoY	Mgmt FY+1 guide	Base CAGR TTM->TTM+5y	Justification
Research and Insights	6.1%	7% ARR	MA high-single-digit; R&I ARR +7%	6.5%	Credit workflow stickiness and model usage support growth near recent ARR, without assuming major share gains versus S&P, Bloomberg, MSCI, or FactSet.
Data and Information	7.5%	6% ARR	MA high-single-digit; D&I ARR +6%	6.0%	AI-ready datasets help retention and pricing, but data aggregation and vendor competition keep the line slightly below segment average.

The base case produces MA TTM+5y revenue of $5.284B, a 7.6% segment CAGR. This is modestly below the FY2023-FY2025 product window because MA is already a $3.7B TTM revenue business and because Q1 FY2026 organic constant-currency growth was 6%. It is also close enough to high-single-digit management guidance to be plausible if Decision Solutions keeps compounding.

Bear Case Growth

The bear case assumes AI raises investment needs but weakens the interface value of legacy research and data products, while competition in KYC, entity data, insurance analytics, and financial data compresses upsell. It does not assume a collapse, because the recurring base is strong and MA is embedded in regulated workflows. It does assume the segment's growth decelerates toward mid-single digits once renewal pricing and cross-sell normalize.

Product	FY2023-FY2025 CAGR	Latest YoY	Mgmt FY+1 guide	Bear CAGR TTM->TTM+5y	Justification
Decision Solutions	10.6%	7% revenue; 10% ARR	MA high-single-digit; DS ARR +10%	5.5%	KYC and banking workflows stay sticky, but competition and divestiture noise reduce net new expansion and limit price.
Research and Insights	6.1%	7% ARR	MA high-single-digit; R&I ARR +7%	3.5%	Mature research tools face substitution from broader data platforms, internal models, and AI-assisted research aggregation.
Data and Information	7.5%	6% ARR	MA high-single-digit; D&I ARR +6%	3.5%	Proprietary data remains useful, but generic data and feed pricing are pressured as customers consolidate vendors.

The bear case produces MA TTM+5y revenue of $4.560B, a 4.5% segment CAGR. That is below current management guidance but not catastrophic. It is the case where the segment is still good, but no longer clearly a high-single-digit compounder.

Bull Case Growth

The bull case assumes Moody's wins the AI transition by becoming a preferred supplier of permissioned, traceable, risk-grade data and by embedding "agent ready intelligence" into high-value workflows. Decision Solutions remains the center of gravity, KYC stays double-digit, insurance and banking analytics expand, and Research and Insights plus Data and Information see better packaging and pricing from AI-ready data.

Product	FY2023-FY2025 CAGR	Latest YoY	Mgmt FY+1 guide	Bull CAGR TTM->TTM+5y	Justification
Decision Solutions	10.6%	7% revenue; 10% ARR	MA high-single-digit; DS ARR +10%	11.5%	DS sustains and slightly exceeds recent ARR growth as KYC, insurance, banking, and AI-enabled onboarding compound.
Research and Insights	6.1%	7% ARR	MA high-single-digit; R&I ARR +7%	8.0%	Credit research and models become more valuable inside AI-assisted workflows, lifting attach and renewal price.
Data and Information	7.5%	6% ARR	MA high-single-digit; D&I ARR +6%	7.5%	AI-ready, proprietary, traceable datasets command better packaging and strategic customer demand.

The bull case produces MA TTM+5y revenue of $5.793B, a 9.6% segment CAGR. This is not impossible, but it requires visible continuation of double-digit Decision Solutions ARR growth and evidence that AI is creating incremental paid use cases rather than simply raising product expectations.

9. Forward Operating Margin Assumptions

MA's disclosed profitability base is segment AOI. FY2025 AOI margin was 33.2%, and TTM AOI margin was 33.8%. Product-level operating profit is not separately disclosed. [DATA GAP: Product-level operating income below the MA segment is not separately disclosed; product margins below are model assumptions used to reconstruct segment AOI.]

The base case assumes margin expands to 35.0% by TTM+5y. That is a 120 bp improvement from TTM. The mechanism is mix toward Decision Solutions, recurring ARR scale, divestiture of lower-priority Regulatory Solutions assets, and better operating leverage in data and software infrastructure. The assumption is intentionally moderate because MA must continue spending on AI, data quality, implementation, security, and sales capacity.

The bear case assumes margin falls to 31.5%. That is a 230 bp decline from TTM, driven by competitive pricing, heavier AI and product reinvestment, higher implementation/support needs, and lower operating leverage if growth slows. The bear case also implicitly assumes AOI looks healthier than GAAP contribution because D&A and restructuring remain meaningful.

The bull case assumes margin reaches 36.5%. That is a 270 bp improvement from TTM. The mechanism is not generic cost cutting; it is higher Decision Solutions mix, successful AI packaging, better renewal pricing, and scale leverage across a larger ARR base. A margin materially above the high-30s would require stronger evidence than the data package provides, because MA is not a clean software-only segment and still carries data, analytical, and integration costs.

Case	Product	TTM+5y revenue	Model AOI margin	TTM+5y AOI	Mechanism
Bear	Decision Solutions	$2.253B	32.0%	$0.721B	Sticky workflows but weaker pricing and heavier support cost.
Bear	Research and Insights	$1.204B	31.0%	$0.373B	Mature research tools absorb AI and content investment.
Bear	Data and Information	$1.103B	31.0%	$0.342B	Data feed pricing pressure offsets scale.
Base	Decision Solutions	$2.652B	35.8%	$0.949B	Mix and ARR scale drive modest leverage.
Base	Research and Insights	$1.389B	34.5%	$0.479B	Subscription renewal and model reuse support steady margin.
Base	Data and Information	$1.243B	33.9%	$0.421B	AI-ready data pricing helps but data costs remain.
Bull	Decision Solutions	$2.970B	37.5%	$1.114B	KYC, insurance, and banking workflows scale efficiently.
Bull	Research and Insights	$1.489B	35.8%	$0.533B	AI-assisted research packaging lifts attach and price.
Bull	Data and Information	$1.334B	35.1%	$0.468B	Proprietary datasets become higher-value AI inputs.

These product margins are not historical disclosures. They are a transparent way to reconstruct the segment margin under each case. The official starting point is the disclosed TTM MA AOI margin of 33.8%. The base case's 35.0% margin is the central underwriting assumption because it respects the historical improvement from 26.1% in FY2021 to 33.2% in FY2025 without assuming a venture-software margin profile.

10. Segment Rollup - Bottoms-Up Tie

The rollup below sums product revenue to MA segment revenue and computes segment AOI as the revenue-weighted product AOI. All figures are in USD billions except growth rates and margins. Rounding can create $0.001B differences.

Case	Decision Solutions rev	Research and Insights rev	Data and Information rev	Segment revenue	Segment CAGR	Weighted AOI margin	Segment AOI	Tie-out
Bear	$2.253	$1.204	$1.103	$4.560	4.5%	31.5%	$1.436	Product sum ties segment within rounding
Base	$2.652	$1.389	$1.243	$5.284	7.6%	35.0%	$1.850	Product sum ties segment within rounding

Case	Decision Solutions rev	Research and Insights rev	Data and Information rev	Segment revenue	Segment CAGR	Weighted AOI margin	Segment AOI	Tie-out
Bull	$2.970	$1.489	$1.334	$5.793	9.6%	36.5%	$2.115	Product sum ties segment within rounding

The base case is the most balanced expression of the evidence. It gives Decision Solutions more weight and assumes AI helps, but it does not capitalize management's AI language into a revenue step-change. It also assumes margin improves modestly rather than exploding. In consolidated synthesis, the distinction between AOI and derived operating contribution must remain visible. If the synthesis model needs GAAP operating income, it should apply the QF bridge consistently rather than treating this appendix's segment AOI as consolidated GAAP operating income.

Sensitivity is high to Decision Solutions because it is almost half the segment and has the widest plausible growth range. A two-point change in Decision Solutions CAGR over five years moves horizon revenue meaningfully more than a two-point change in Research and Insights. That means the key monitoring metrics are Decision Solutions ARR growth, KYC revenue growth, MA organic constant-currency growth, and recurring revenue share. If DS ARR falls from +10% to mid-single digits for multiple quarters, the base case should move toward bear. If DS ARR stays double-digit while segment organic growth reaccelerates above high-single digits, the bull case becomes more credible.

11. Key Risks And Wildcards

Bear risk: AI interface commoditization. If customers query risk data, credit research, and company information through general AI agents that can blend multiple vendor sources, MA may lose some interface control. The defensible part is proprietary, permissioned, traceable data; the vulnerable part is generic data retrieval and ordinary research summarization.

Bear risk: KYC and identity competition. KYC is attractive because it is mission-critical, but that also attracts RELX, LSEG, Dun & Bradstreet, Experian, TransUnion, and specialized financial-crime vendors. If Moody's loses product velocity or data coverage in KYC, the Decision Solutions growth premium will fade.

Bear risk: integration and D&A drag. MA's growth history includes acquisitions such as RMS and insurance/data assets. AOI can look strong while amortization, restructuring, and integration costs reduce GAAP contribution. The QF bridge's TTM MA derived operating contribution of $734M versus AOI of $1.239B is the reminder.

Base risk: mature research growth. Research and Insights is sticky but not immune to substitution. A base-case 6.5% CAGR assumes Moody's can maintain the value of credit-domain research and models despite S&P, Fitch, Bloomberg, FactSet, MSCI, and internal customer tools.

Base risk: regulatory and data trust. Moody's sells into regulated workflows, so a data-quality, model-governance, or compliance failure could hurt renewal confidence. This is not a high-frequency risk, but it is high consequence because trust is a core part of the moat.

Bull wildcard: AI-ready data monetization. If large enterprises decide that trusted, permissioned, lineage-rich datasets are the bottleneck for enterprise AI, MA's Data and Information line could reaccelerate and support better pricing. Management's "AI-ready data sets" language points in this direction, but the data package does not yet show a separate AI revenue line.

Bull wildcard: workflow bundling. If Moody's can bundle Decision Solutions, Research and Insights, and Data and Information into broader risk operating systems, the segment could sustain higher net retention than the product-level tables alone imply. This would be visible first in total ARR growth, DS ARR, and recurring revenue share rather than in headline revenue alone.

Bull wildcard: portfolio cleanup. The Regulatory Solutions divestiture and leadership transition to Christina Kosmowski could sharpen MA around higher-quality workflows. This is not enough to underwrite the bull case alone, but it supports the base-case margin expansion if execution is clean.

Segment Summary Table

Probability weights are non-uniform: base receives the highest weight because MA ARR, recurring mix, and FY2026 guidance support continued high-single-digit compounding; bear remains meaningful because AI interface risk and KYC/data competition could compress growth and margins; bull is lower because it requires sustained double-digit Decision Solutions ARR and clear paid AI/data monetization beyond current qualitative commentary.

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Bear	$4.560B	31.5%	$1.436B	25%

Case	Segment TTM+5y Revenue	Segment TTM+5y Op Margin	Segment TTM+5y Op Income	Probability
Base	$5.284B	35.0%	$1.850B	55%
Bull	$5.793B	36.5%	$2.115B	20%

Probability-weighted MA TTM+5y revenue is $5.205B, with probability-weighted AOI of about $1.800B. The segment clears the qualitative compounder bar in the base case: recurring revenue is high, ARR is growing, margin is already strong, and product mix leans toward embedded decisioning workflows. It does not clear a "price does not matter" bar. Competitive intensity, AI transition risk, and the AOI-to-derived-contribution gap all argue for valuation discipline in the consolidated Gideon synthesis.

Data Gaps Inserted

- [DATA GAP: MA product-level TTM revenue is not disclosed; product TTM base is allocated from FY2025 disclosed mix to TTM segment revenue.]
- [DATA GAP: Product-level operating income below the MA segment is not separately disclosed; product margins below are model assumptions used to reconstruct segment AOI.]
- [DATA GAP: Current-taxonomy product dollar revenue before FY2023 is not disclosed in the current 10-K package; no pre-FY2023 product dollars are back-solved.]
- [DATA GAP: MA ARR by LOB before FY2023 was not fetched or included in the data package; the appendix uses current ARR growth and FY2025 product revenue instead.]
- [DATA GAP: A current post-2022 investor day or capital markets day was not found in the data package; the model relies on last four earnings calls and FY2026 guidance.]

Appendix S - Synthesis (Combined Earnings Model)

Moody's Corporation (MCO) - Appendix S: Synthesis and Combined Earnings Model

Date prepared: 2026-05-29. Role: Sub-Agent S, ER2 / Gideon production run. Currency is USD. Amounts are in billions except per-share amounts, shares, percentages, and where explicitly noted. This appendix is the combined earnings model for Moody's Corporation, built from the verified quantitative foundation, the verified data package, and the peer-reviewed MA and MIS segment appendices. The file is intentionally arithmetic-heavy because this is the part of the ER2 process where a high-quality business can still fail the price test.

The core conclusion is simple: Moody's passes the business-quality setup in the source appendices, but the current price of $450.45 does not clear the Gideon P/E <= 15 entry test on the base-case TTM+5y EPS. The required horizon EPS is $30.03. My base case reaches $21.59 of EPS at 2031-03-31, so EPS x 15 equals $323.85 and the cushion is negative 28.1%. The bull case also fails the entry test at $25.81 of EPS and a negative 14.1% cushion. This is a valuation failure, not a franchise failure.

Method note: the segment appendices use disclosed segment adjusted operating income, or AOI, as the segment profit handoff. The quantitative foundation explains that AOI is not consolidated GAAP operating income. For the TTM anchor, MA AOI of $1.239B plus MIS AOI of $2.814B equals $4.053B, while QF's derived operating contribution is $0.734B for MA plus $2.693B for MIS, or $3.427B. That $626M difference is the bridge for D&A, restructuring, asset-abandonment, and the Q1 FY2026 indirect-tax reserve. I therefore model from AOI and subtract one explicit AOI-to-GAAP bridge. I do not start from derived operating contribution and then subtract D&A again.

1. Anchors

- Today: 2026-05-29.
- Company fiscal year convention: Moody's Corporation fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, announced April 22, 2026; 10-Q filed April 23, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026, ending 2026-03-31.
- Latest completed FY label for historical tie-out only: FY2025.
- Forward horizon: TTM + 5 calendar years = 2031-03-31.
- Compounding span: exactly 5.0 calendar years from 2026-03-31 to 2031-03-31.
- Current price: $450.45.
- Required EPS for P/E 15 at the current price: $30.03.
- TTM diluted share count: 177.3M, from the Q1 FY2026 diluted weighted-average share count in QF P6.

The anchor is TTM, not FY2025. This matters because Moody's latest reported quarter is already Q1 FY2026, and the TTM base includes Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026. All compounding rates and horizon values below are measured over exactly five calendar years from that TTM endpoint. I do not use a six-fiscal-year shortcut, and I do not rebase from FY2025 simply because the annual table is cleaner.

2. Segment-level forward assumptions

The table below reproduces the peer-reviewed segment handoffs. MA means Moody's Analytics. MIS means Moody's Investors Service, now Moody's Ratings in much of the external language. The profit metric in this table is segment AOI, because that is the disclosed segment profit measure and the metric used by the segment appendices.

Segment	TTM revenue ($B)	Bear TTM+5y rev	Base TTM+5y rev	Bull TTM+5y rev	Bear AOI margin	Base AOI margin	Bull AOI margin	Source	Notes
Moody's Analytics	3.666	4.560	5.284	5.793	31.5%	35.0%	36.5%	appendix_B_ma.md sections 8-10	Recurring analytics and workflow compounder with AI and competition risk
Moody's Investors Service	4.207	4.355	5.384	5.887	59.6%	66.1%	69.3%	appendix_B_mis.md sections 8-10	Wide-moat ratings franchise with issuance cyclicality

Two observations drive the combined model. First, MIS is still the dominant profit pool. In the base case, MIS contributes $3.559B of segment AOI versus $1.850B for MA. That is about 65.8% of total segment AOI at the horizon even though the revenue mix is much closer to balanced. Second, MA is the more visible recurring growth leg, but it carries the bigger AI-interface and competitive-platform question. The base case is therefore not a simple "ratings oligopoly at software multiples" story. It is a blended risk-infrastructure company whose profit pool remains highly ratings-weighted.

The source appendices both use product-level allocations for transparency, but the product allocations are not separately disclosed TTM product revenue. MA allocates the verified TTM segment revenue by FY2025 product mix across Decision Solutions, Research and Insights, and Data and Information. MIS allocates the verified TTM segment revenue by FY2025 product mix across Corporate Finance, Financial Institutions, Public / Project / Infrastructure Finance, Structured Finance, and MIS Other. Those allocations are useful for forward logic, but the hard anchor is the verified segment total.

3. Combined revenue build by case

There are no corporate eliminations needed at the external-revenue level because QF P4 ties MA plus MIS external revenue directly to consolidated TTM revenue. The same convention is used at the horizon. The combined case revenue is therefore the sum of MA and MIS segment revenue.

Line	Bear	Base	Bull
MA TTM+5y revenue	4.560	5.284	5.793
MIS TTM+5y revenue	4.355	5.384	5.887
Sum of segment TTM+5y revenue	8.915	10.668	11.680
Corporate eliminations	0.000	0.000	0.000
Combined TTM+5y revenue	8.915	10.668	11.680
Implied TTM to TTM+5y CAGR	2.5%	6.3%	8.2%

The base-case revenue CAGR of 6.3% is below the high-single-digit FY2026 guide and below the recent rebound growth in MIS. That is intentional. The TTM base contains a strong ratings recovery and a record Q1 FY2026 MIS revenue quarter, so a five-year model should include at least some cycle normalization. The bull case approaches an 8.2% consolidated CAGR, which requires MA to keep compounding near high-single digits and MIS issuance markets to stay healthy for longer than the base case assumes. The bear case is not a collapse. It is a low-growth ratings-cycle and MA-competition outcome where revenue still rises from the TTM base.

4. Combined operating income build by case

The operating-income build starts with the segment AOI totals and then subtracts the AOI-to-GAAP bridge. This bridge is the consolidated deduction for D&A, restructuring, asset-abandonment, and similar items that are excluded from segment AOI but included in GAAP operating income. At TTM, the bridge is $626M: $4.053B of MA plus MIS AOI less $3.427B of consolidated GAAP operating income. For the horizon, I assume the bridge remains material but does not simply compound at the same rate as revenue. D&A grows with MA software, data, and acquisition assets; restructuring normalizes below the TTM level; and the Q1 FY2026 indirect-tax reserve is not treated as a permanent annual run-rate.

Line	Bear	Base	Bull
MA TTM+5y AOI	1.436	1.850	2.115
MIS TTM+5y AOI	2.596	3.559	4.078
Sum of segment TTM+5y AOI	4.032	5.409	6.193

Line	Bear	Base	Bull
AOI-to-GAAP bridge and corporate adjustments	(0.764)	(0.676)	(0.650)
Combined TTM+5y GAAP operating income	3.268	4.733	5.543
Implied GAAP operating margin	36.7%	44.4%	47.5%

The bridge assumption is deliberately visible because it is the most common place to overstate Moody's consolidated profit. If one took the base-case segment AOI of $5.409B as GAAP operating income, base EPS would be materially inflated. That would double-count the adjustment because the segment appendices have already reported AOI, not GAAP segment profit. My base bridge of $676M is only modestly above the normalized TTM bridge after removing the $34M Q1 indirect-tax reserve, which is conservative enough to respect ongoing D&A and restructuring while not treating one unusual reserve as permanent.

The resulting base operating margin of 44.4% is almost exactly in line with the TTM GAAP operating margin of 43.5% and FY2025 margin of 43.4%, despite higher revenue. That may look restrained relative to a pure software thesis, but it is appropriate for a blended MA/MIS company. MA margin improves modestly, MIS remains extremely high margin, and the AOI bridge remains a real charge. The bear case margin falls to 36.7%, still a strong business outcome. The bull case reaches 47.5%, which would be excellent but not enough to rescue the valuation at a 15x required multiple.

5. Net income and EPS build by case

Non-operating expense is modeled from the TTM relationship between operating income and pretax income. QF P3 reports TTM operating income of $3.427B and pretax income of $3.196B, a net non-operating drag of $231M. Moody's balance sheet is not stretched, with net debt / EBITDA around 1.5x in the data package, but the forward share-repurchase path still consumes cash. I therefore use a small increase in net interest and other expense in the bear and base cases, while the bull case benefits from more cash generation. The tax rate uses recent reported rates as the anchor: FY2025 was about 21.3%, TTM was about 21.8%, and I use 22.0% in the base case.

Line	Bear	Base	Bull
Combined TTM+5y GAAP operating income	3.268	4.733	5.543
Net interest expense	(0.320)	(0.280)	(0.250)
Other income	0.020	0.020	0.020
Pre-tax income	2.968	4.473	5.313
Tax rate assumed	23.0%	22.0%	21.5%
Tax expense	(0.683)	(0.984)	(1.142)
Net income	2.285	3.489	4.171
Diluted share count at TTM+5y	161.6	161.6	161.6
EPS at TTM+5y	14.14	21.59	25.81

The same diluted share-count path is used for all three cases. That keeps the case comparison focused on operating assumptions rather than letting lower or higher buybacks obscure the business economics. This is somewhat generous to the bear case because a weaker operating path would likely reduce repurchase capacity, and somewhat conservative to the bull case because a stronger path might fund more repurchases. It is a reasonable base for the valuation gate because the base case is the case that matters for Gideon's confident P/E <= 15 test.

6. Share count path

The share count starts at 177.3M, the latest Q1 FY2026 diluted weighted-average share count from QF P6. The annual buyback assumption is $1.8B, which is close to FY2025 buybacks of $1.706B, above the five-year average distorted downward by FY2023's low repurchase year, and below the Q1 FY2026 full-year guidance of approximately $2.5B. I do not use the Q1 FY2026 pace as a permanent run-rate because Q1 was unusually heavy. Stock-based compensation issuance is estimated from FY2025 SBC of $234M divided by the assumed annual average repurchase price. This is a rough but transparent proxy for annual gross issuance.

Year	Starting share count (M)	Buyback $ ($B)	Avg price assumed	Shares retired (M)	SBC issuance (M)	Ending share count (M)
2027	177.3	1.8	$455	4.0	0.5	173.9
2028	173.9	1.8	$475	3.8	0.5	170.6
2029	170.6	1.8	$500	3.6	0.5	167.4
2030	167.4	1.8	$525	3.4	0.4	164.4
2031	164.4	1.8	$550	3.3	0.4	161.6

The path retires roughly 18.0M shares over five years and issues roughly 2.3M shares through SBC, for a net reduction of about 15.7M shares. The resulting endpoint is 161.6M diluted shares. This is not a flat-share-count shortcut. It also is not an aggressive financial-engineering case. At $1.8B per year, Moody's would be returning less through buybacks than the current 2026 guide and less than a high-FCF bull case could support. Dividends would still consume meaningful cash, so the company cannot simply repurchase every dollar of free cash flow without regard to leverage, acquisitions, and reinvestment.

The key analytical point is that the repurchase path helps EPS but does not solve the valuation problem. Holding the base operating case constant, a 5% lower share count lifts base EPS to about $22.72, still below the $30.03 required EPS. A 5% higher share count lowers base EPS to about $20.56. The valuation gate is therefore not hanging on a tiny share-count rounding issue.

7. P/E 15 test

Gideon's valuation gate asks whether the base-case TTM+5y EPS can support today's price at 15x earnings. At $450.45, the required EPS is $30.03. The base case misses by a wide margin.

Case	EPS at TTM+5y	EPS x 15	Current price	Cushion %	Pass?
Bear	$14.14	$212.13	$450.45	(52.9)%	Fail
Base	$21.59	$323.85	$450.45	(28.1)%	Fail
Bull	$25.81	$387.13	$450.45	(14.1)%	Fail

The confident case that matters is the base case, not the bull case. Moody's could be a wonderful business, management could pass, the moat could pass, and the 2046 test could pass, yet the stock could still be a poor Gideon entry at today's price. That is exactly the result here. The base case requires either a much lower share price, much higher horizon EPS, or a willingness to pay more than 15x. The ER2 framework does not allow the last option to rescue a BUY.

To clear the gate at today's price, base EPS would need to be $30.03. Compared with my base EPS of $21.59, that requires about 39% more EPS at the same share count. That gap cannot be explained away with a rounding choice in the AOI bridge or the tax rate. It would require a materially more optimistic operating model, a much more aggressive buyback program, or both. The segment appendices do not support that level of confidence.

8. Reflexivity check

The forward model must tie to reported TTM financials before it is allowed to compound. The table below checks the TTM anchor and the latest completed fiscal year. For operating income, the correct comparison is segment derived operating contribution to consolidated GAAP operating income, not raw segment AOI to GAAP operating income.

Check	Segment sum	Consolidated reported	Delta	Result
TTM external revenue	7.873	7.873	0.000	Pass
TTM derived operating contribution	3.427	3.427	0.000	Pass
FY2025 external revenue	7.718	7.718	0.000	Pass
FY2025 derived operating contribution	3.351	3.351	0.000	Pass
TTM raw segment AOI	4.053	n/a	n/a	AOI only, not GAAP OI
FY2025 raw segment AOI	3.942	n/a	n/a	AOI only, not GAAP OI

The reflexivity check passes because the model starts from the verified QF construction. The TTM external revenue tie is exact: MA $3.666B plus MIS $4.207B equals consolidated revenue of $7.873B. The TTM operating-income tie is also exact

when the QF bridge is applied: MA derived operating contribution of $0.734B plus MIS derived operating contribution of $2.693B equals consolidated operating income of $3.427B. FY2025 also ties exactly through the derived bridge.

This check is important because the segment appendices are naturally written around AOI. AOI is the right way to discuss segment economics, but GAAP operating income is the right handoff into consolidated pretax income, tax, net income, and EPS. If a synthesis model skips this bridge, the valuation math becomes too optimistic.

9. In-progress FY reconciliation

Stage 0 did not treat FY2026 as effectively complete. The model is anchored to TTM ending 2026-03-31, which includes Q1 FY2026 and the prior three quarters. For completeness, I still check the Q1 FY2026 annualized run-rate against the TTM base and the first forward year implied by the base case.

Metric	Q1 FY2026 annualized	Verified TTM	Base first-forward-year run-rate	Comment
Revenue	8.316	7.873	8.366	Q1 was strong; base first year is close to annualized Q1
GAAP operating income	3.688	3.427	3.656	Q1 margin was high; base first year does not jump above Q1 annualized
Net income	2.644	2.495	n/a	Net income is not used as first-year anchor
Segment revenue, MA plus MIS	8.316	7.873	8.366	Segment revenue ties consolidated revenue

The annualized Q1 revenue run-rate is about 5.6% above TTM revenue. The base model's first-forward-year revenue run-rate is about 6.3% above TTM revenue, nearly identical to the Q1 annualized level and below management's high-single-digit FY2026 revenue guide. That supports the recency anchor. The model does not begin with an unrealistic step-up. It grows from the verified TTM base at a rate consistent with a strong Q1, management's high-single-digit guide, and a five-year assumption that includes cyclicality.

10. Sensitivity

The valuation failure is not driven by one tiny line. The variables that matter most are the level of segment operating income, especially MIS margin and MA growth, and share count. Tax rate and other income matter, but they are not large enough to change the conclusion without a much bigger operating change.

Variable changed	Downside EPS	Base EPS	Upside EPS	Read-through
MA revenue CAGR +/- 200 bps	20.79	21.59	22.45	MA growth helps, but not enough alone
MIS AOI margin +/- 200 bps	21.07	21.59	22.11	MIS margin is powerful, but 200 bps does not rescue valuation
Share count +/- 5%	20.56	21.59	22.72	Buybacks help EPS but do not close the gap
Tax rate +/- 300 bps	20.76	21.59	22.42	Tax is a secondary driver

The strongest practical sensitivity is not a single 200 bp move; it is the combined state of the ratings cycle and capital return. If MIS sustains bull-case revenue and margin while Moody's also repurchases more stock at reasonable prices, EPS could move meaningfully higher. But the bull case already includes strong MIS and MA outcomes, and even that case produces only $25.81 of EPS. To reach $30.03, Moody's would need something closer to a super-bull blend: sustained high-single-digit consolidated revenue growth, near-peak MIS margins, MA margins above the segment appendix bull case, and a more aggressive buyback path. That is not a confident base case.

The sensitivity also clarifies monitoring. The first signal to watch is MIS revenue and margin normalization after the strong 2025 and Q1 FY2026 period. The second is MA ARR and Decision Solutions growth, because MA is the part of the company meant to make the story less cyclical. The third is buyback discipline. At a premium multiple, repurchases reduce shares but can still be a mediocre use of capital if the future EPS yield is too low.

11. Combined earnings summary table

I use non-uniform probability weights: 25% bear, 55% base, and 20% bull. The base receives the highest weight because the data package, management appendix, and moat appendix all support a high-quality business with manageable leverage, clean governance, and a durable ratings franchise. Bear remains meaningful because MIS cyclicality, MA AI-interface risk, and premium buybacks are real. Bull receives a lower weight because it requires sustained strong issuance, continued MA ARR strength, and visible paid AI/data monetization beyond today's qualitative commentary.

Case	Revenue ($B)	OI ($B)	OI margin (%)	NI ($B)	EPS ($)	Probability	EPS x 15	vs. $450.45
Bear	8.915	3.268	36.7%	2.285	14.14	25%	212.13	(52.9)%
Base	10.668	4.733	44.4%	3.489	21.59	55%	323.85	(28.1)%
Bull	11.680	5.543	47.5%	4.171	25.81	20%	387.13	(14.1)%
Probability-weighted	10.432	4.529	43.4%	3.324	20.57	100%	308.58	(31.5)%

The probability-weighted EPS is lower than base EPS because the downside case is more severe than the upside case is generous. That shape makes sense for Moody's at today's starting point. The business is high quality, but the stock price already discounts a lot of that quality. When a company starts from a premium multiple, the downside to merely "good" outcomes can be larger than the upside from "very good" outcomes under a disciplined 15x terminal multiple.

The combined base case is not bearish on Moody's operations. Revenue reaches $10.668B, operating income reaches $4.733B, net income reaches $3.489B, and EPS reaches $21.59. Those are strong absolute numbers. The issue is that $21.59 of EPS, multiplied by 15, is still only $323.85. The stock price of $450.45 requires either a higher terminal multiple or a much bigger earnings base. The Gideon framework requires the earnings base to do the work at 15x, and it does not.

Tie-out checks

All 11 tie-out checks pass. The dispatch file available locally stops mid-sentence inside check 9, so checks 10 and 11 below complete the required 11-check set using the visible dispatch logic, ER2 capital-allocation discipline, and the P/E 15 gate arithmetic that this appendix must report.

#	Check	Result	Evidence
1	Reported-financial tie-out for TTM and FY2025	Pass	TTM segment revenue equals $7.873B consolidated revenue and derived OI equals $3.427B consolidated OI; FY2025 segment revenue equals $7.718B and derived OI equals $3.351B
2	NI divided by shares equals EPS	Pass	Bear $2.285B / 161.6M = $14.14; base $3.489B / 161.6M = $21.59; bull $4.171B / 161.6M = $25.81
3	Segment sum tie-out at horizon	Pass	Combined revenue equals MA plus MIS in every case, with no eliminations: $8.915B, $10.668B, and $11.680B
4	Product-to-segment rollup	Pass	MA and MIS peer-reviewed appendices state product revenue sums tie to segment totals within rounding in section 10
5	Weighted margin check	Pass	MA section 10 and MIS section 10 report weighted AOI margins that tie to segment AOI; combined model uses those AOI totals without reinterpreting product profit
6	Share count path	Pass	177.3M starting shares less 18.0M retired plus 2.3M SBC issuance equals 161.6M ending shares over exactly five years
7	Growth plausibility	Pass	MA base CAGR of 7.6% is below 1.2x its 8.5% FY2023-FY2025 segment CAGR; MIS base CAGR of 5.1% is far below 1.2x its 20.0% rebound-period CAGR
8	Historical arithmetic	Pass	Segment appendices calculate TTM base revenue x (1 + CAGR)^5 to the 2031-03-31 revenue endpoint; spot checks tie within rounding

#	Check	Result	Evidence
9	Recency anchor	Pass	Base first-forward-year revenue run-rate of $8.366B is 6.3% above TTM and close to Q1 FY2026 annualized revenue of $8.316B
10	Capital-allocation consistency	Pass	$1.8B annual buybacks are close to FY2025 $1.706B, below FY2026 guidance of about $2.5B, and plausible against TTM FCF of $2.747B before dividends
11	P/E 15 arithmetic	Pass	Required EPS is $450.45 / 15 = $30.03; base EPS x 15 is $323.85 and cushion is negative 28.1%

Check 1 detail: reported-financial tie-out

QF P4 is the governing source. MA TTM revenue of $3.666B plus MIS TTM revenue of $4.207B equals consolidated TTM revenue of $7.873B. MA derived operating contribution of $0.734B plus MIS derived operating contribution of $2.693B equals consolidated TTM operating income of $3.427B. FY2025 is also exact: MA revenue of $3.599B plus MIS revenue of $4.119B equals $7.718B, and QF P2 derived operating contribution ties to consolidated operating income of $3.351B.

Check 2 detail: EPS arithmetic

The EPS calculation uses the ending diluted share count from the explicit share path. Bear net income of $2.285B divided by 161.6M shares equals $14.14. Base net income of $3.489B divided by 161.6M shares equals $21.59. Bull net income of $4.171B divided by 161.6M shares equals $25.81. The differences between table values and raw calculations are rounding only.

Check 3 detail: segment sum at horizon

There are no external-revenue eliminations in the forward revenue build. The bear case adds MA $4.560B and MIS $4.355B to $8.915B. The base case adds MA $5.284B and MIS $5.384B to $10.668B. The bull case adds MA $5.793B and MIS $5.887B to $11.680B. Each is exactly 100% of the segment sum by construction.

Check 4 detail: product-to-segment rollup

This synthesis does not re-open product-level assumptions as if they were disclosed. It confirms the appendices' rollups. MA section 10 says Decision Solutions, Research and Insights, and Data and Information sum to the MA segment totals in bear, base, and bull. MIS section 10 says Corporate Finance, Financial Institutions, Public / Project / Infrastructure Finance, Structured Finance, and MIS Other sum to MIS segment totals in bear, base, and bull. The R reviewers reported no unresolved arithmetic issues.

Check 5 detail: weighted margin

The weighted-margin check is an AOI check, not a GAAP check. MA's product assumptions sum to segment AOI of $1.436B, $1.850B, and $2.115B at margins of 31.5%, 35.0%, and 36.5%. MIS's product assumptions sum to segment AOI of $2.596B, $3.559B, and $4.078B at margins of 59.6%, 66.1%, and 69.3%. The consolidated model then applies the AOI-to-GAAP bridge once.

Check 6 detail: share count

The five-year share count path is explicit. Starting shares are 177.3M. Annual buybacks of $1.8B at assumed average prices of $455, $475, $500, $525, and $550 retire about 18.0M shares. SBC issuance, approximated as $234M of annual SBC divided by the same annual average prices, adds about 2.3M shares. Ending diluted shares are 161.6M. The path spans five years, not six.

Check 7 detail: growth plausibility

MA's base revenue CAGR is 7.6%, below 1.2x the 8.5% FY2023-FY2025 segment CAGR and consistent with Q1 FY2026 organic constant-currency growth of 6% plus high-single-digit guidance. MIS's base revenue CAGR is 5.1%, far below 1.2x the 20.0% FY2023-FY2025 rebound-period CAGR. The model therefore does not extrapolate the ratings rebound. It also does not assume MA receives an unproven AI revenue step-change.

Check 8 detail: forward arithmetic

The segment appendices calculate each product and segment endpoint from the TTM base over exactly five years. For MA, $3.666B compounded at 7.6% reaches about $5.284B. For MIS, $4.207B compounded at 5.1% reaches about $5.384B. The bear and bull cases tie similarly within rounding. This appendix uses those peer-reviewed endpoints rather than re-solving a different segment model.

Check 9 detail: recency anchor

The base consolidated revenue CAGR is 6.3%. Applying that to the TTM revenue base gives a first-forward-year run-rate of $8.366B, only 0.6% above annualized Q1 FY2026 revenue of $8.316B. The base operating-income CAGR is 6.7%, giving a first-forward-year operating-income run-rate of $3.656B, below annualized Q1 FY2026 operating income of $3.688B. The model therefore does not start above the latest run-rate in an unsupported way.

Check 10 detail: capital allocation

The $1.8B annual buyback assumption is supported but not heroic. It is above the depressed FY2023 buyback level, close to the FY2025 level, and below the full-year FY2026 guide. TTM FCF was $2.747B, and FY2025 dividends were $0.701B. A $1.8B buyback plus a dividend growing from the FY2025 base is a meaningful use of cash, but not one that obviously requires levering the balance sheet beyond the current 1.5x net debt / EBITDA context. If buybacks are executed at much higher prices, the share-count benefit will be lower.

Check 11 detail: P/E 15 gate

The P/E 15 gate arithmetic is clean and unfavorable. Current price of $450.45 divided by 15 equals required EPS of $30.03. Base EPS of $21.59 multiplied by 15 equals $323.85. The cushion is ($323.85 - $450.45) / $450.45 = negative 28.1%. This is a fail. Because even the bull case only reaches $25.81 of EPS and $387.13 at 15x, the conclusion is robust to reasonable upside assumptions.

Key findings for the main ER2 narrative

Moody's has the business ingredients that normally attract long-duration investors: high ROIC, low capex intensity, strong FCF conversion, a dominant ratings franchise, a growing recurring analytics business, clean governance, and credible management. The management appendix passes. The moat appendix passes, including the 2046 test. The segment appendices show that both MA and MIS can plausibly grow from the TTM base while preserving high profitability.

The valuation gate is the blocker. The base case reaches $10.668B of revenue, $4.733B of GAAP operating income, $3.489B of net income, and $21.59 of EPS at 2031-03-31. Required EPS for a 15x entry at today's price is $30.03. The base cushion is negative 28.1%, and the bull cushion is still negative 14.1%. The stock therefore does not clear the Gideon P/E <= 15 bar.

The most fragile modeling assumption is not whether Moody's exists in five years. It will. The fragile assumption is whether investors can pay today's premium price and still get a 15x-underwritten return if MIS normalizes and MA grows at merely strong rather than spectacular rates. The model says no. For the thesis to upgrade on price, either the stock must fall materially or the evidence must improve enough to support a much larger base EPS number without relying on a terminal multiple above 15x.

Markdown tables verified: sections 2, 3, 4, 5, 6, 7, 10, and 11.

Appendix CS - Compounder Score

Moody's Corporation (MCO) - Compounder Score

Date prepared: 2026-05-29. Role: Sub-Agent CS, CompounderScorer. Currency is USD. Current price is $450.45. The TTM anchor is the twelve months ended 2026-03-31, built from Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026. The forward horizon is 2031-03-31, exactly five calendar years after the TTM anchor.

This score is diagnostic only. It does not override the ER2 / Gideon verdict mechanics. In particular, it does not rescue a company that fails the P/E 15 gate, and it does not convert a great business into an investable stock unless the 20% return case clears without terminal multiple expansion. Moody's is a high-quality compounder with a strong management and moat record, but the current price does not support the required return under disciplined underwriting.

1. Executive Verdict

Moody's earns a high business-quality score because the evidence supports durable high returns, strong cash conversion, clean governance, a wide-moat ratings franchise, and a growing recurring analytics business. The business is not the problem. The problem is that today's price already capitalizes much of the quality.

The synthesis appendix is the controlling valuation source. It reaches base-case TTM+5y EPS of $21.59 at 2031-03-31. At $450.45, the required EPS for a 15x P/E entry is $30.03. The base cushion is negative 28.1%, and even the bull case reaches only $25.81 of EPS, which still fails the P/E 15 test. A 20% shareholder-return case therefore cannot be underwritten from the current price without relying on a terminal multiple that is higher than the disciplined exit multiple used by ER2.

The score-implied classification is **Buy only at lower price**. That means the diagnostic rubric likes the business, but not the current underwriting setup. It should not be read as "investable now." The current-price hard veto is valuation: the 20% case requires either a materially lower entry price, much higher base EPS than the reviewed segment model supports, or terminal multiple support outside the Gideon discipline.

Score item	Score	Maximum	Interpretation
Business Quality Score	70	80	High-quality compounder with durable economics
Valuation / 20% Return Underwriting	2	20	Current price fails the 20% return setup
Compounder Score	72	100	Strong business, wrong current price
Score-implied classification	Buy only at lower price	n/a	Not investable now under this rubric
Source confidence	High	n/a	Evidence base is QF/QFR, DR, reviewed segments, management, moat, and synthesis

2. Data Source Map

The scorer used the verified ER2 evidence chain and did not re-pull live market data. The current price, TTM share count, segment bases, cash flow, leverage, management findings, moat findings, and synthesis cases are all already present in the cleared local files. FMP product segmentation remains quarantined because the QF and data package show that the endpoint mislabels MA and MIS even when consolidated revenue ties.

Topic	Source used	Reliability	Scorer use
Price and share count	quant_foundation.md P6 and synthesis anchors	High	$450.45 price and 177.3M TTM diluted shares
Market cap and EV	Calculated from price, shares, and QF net debt	High	Market cap about $79.9B and EV about $85.7B
Income statement	quant_foundation.md P3 and P4	High	TTM revenue, operating income, tax, net income, EPS
Balance sheet	quant_foundation.md P6 and data_package.md Section 8	High	Cash, debt, leases, net debt, goodwill and intangibles
Cash flow	quant_foundation.md P4 and P6, data_package.md Sections 2 and 7	High	TTM FCF, FCF conversion, buybacks, dividends, capex

Topic	Source used	Reliability	Scorer use
Segment economics	appendix_B_ma.md, appendix_B_mis.md, and synthesis	High	MA and MIS revenue, AOI, and horizon cases
Management quality	appendix_management.md	High	Management gate PASS, compensation, governance, capital allocation
Moat and durability	appendix_moat.md	High	Moat gate PASS and 2046 test PASS
Valuation synthesis	appendix_synthesis.md	High	Base EPS $21.59, required EPS $30.03, bull EPS $25.81
Data gaps	data_package.md and segment appendices	Medium-high	Product-level OI, TTM product revenue, churn and retention are not disclosed

3. Key Financial and Quality Metrics

Moody's financial quality is unusually strong. FY2025 ROIC in the verified data package is 29.9%, with the five-year series at 30.5%, 16.6%, 20.4%, 25.5%, and 29.9% from FY2021 through FY2025. The five-year median is 25.5%. That is below the rubric's highest ROIC tier but comfortably above the threshold for a strong compounder, and it includes the FY2022 ratings downturn.

Cash conversion is also strong. TTM FCF was $2.747B and TTM net income was $2.495B, giving FCF / net income of 110.1%. FY2023 through FY2025 FCF was $1.880B, $2.521B, and $2.575B. The business is not producing accounting earnings that fail to turn into cash. Capex is modest, at about 4.3% of TTM revenue. Stock-based compensation was $234M in FY2025, about 3.0% of revenue and about 9.1% of FY2025 FCF, which is a real cost but not a SaaS-style dilution problem.

The valuation metrics are the opposing force. At $450.45 and 177.3M diluted shares, market capitalization is about $79.9B. Adding net debt of about $5.8B gives enterprise value of roughly $85.7B. TTM NOPAT, using TTM operating income of $3.427B and the TTM tax rate of 21.8%, is about $2.68B. That implies EV / NOPAT of roughly 32.0x. TTM FCF yield is about 3.4%. These are not absurd multiples for a business this good, but they are not entry multiples that plausibly produce 20% annualized returns under conservative exit assumptions.

Metric	Value	Source or formula	Scoring read
Current price	$450.45	QF price snapshot	Entry price for diagnostics
Market cap	$79.9B	$450.45 x 177.3M shares	Premium equity valuation
Enterprise value	$85.7B	Market cap plus $5.803B net debt	About 32.0x TTM NOPAT
TTM revenue	$7.873B	QF P4	Official TTM anchor
TTM operating income	$3.427B	QF P4	GAAP OI after AOI bridge
TTM NOPAT	$2.679B	OI x (1 - 21.8% TTM tax rate)	Owner-earnings proxy
TTM FCF	$2.747B	QF P4	Cash conversion is strong
TTM FCF / net income	110.1%	QF P6	Earnings quality positive
FY2025 ROIC	29.9%	data_package.md Section 2	High return on capital
Five-year median ROIC	25.5%	Median of data package ROIC series	High, not perfect tier
Net debt / EBITDA	about 1.5x	data_package.md Section 8	Balance sheet acceptable
FY2025 SBC / revenue	3.0%	$234M / $7.718B	Controlled dilution cost
FY2025 SBC / FCF	9.1%	$234M / $2.575B	Real but not thesis-breaking
TTM FCF yield	3.4%	$2.747B / $79.9B	Too low for 20% underwriting

4. Rubric Scorecard

The business-quality score is high because Moody's has two real engines. MIS is the wide-moat ratings business with institutional acceptance, regulatory recognition, global scale, and very high margins. MA is a recurring analytics and workflow business with a large ARR base and strong Decision Solutions growth, though it is more exposed to AI interface and data-platform competition. The valuation score is low because the P/E 15 and 20% return tests fail decisively.

Category	Score	Maximum	Evidence
Incremental Returns on Capital	22	25	ROIC is high, cash conversion is strong, and ROIIC is attractive but cycle-influenced
Reinvestment Runway	17	20	MA ARR and MIS funding needs support growth, but MIS is cyclical and MA is competitive
Durability of Moat	14	15	MIS moat is wide, MA moat is real but uneven, 2046 test passes
Accounting and Financial Quality	9	10	Clean controls, strong FCF, moderate leverage, low SBC burden
Capital Allocation Discipline	8	10	High-return reinvestment and clean governance, capped for premium buybacks and no ROIC metric
Price and 20% Underwriting	2	20	Current price does not support 20% returns without terminal multiple help
Total	72	100	Strong compounder, not an investable current-price setup

Within incremental returns, the normalized ROIC subscore is 4 out of 5 because the five-year median adjusted ROIC is between 20% and 30%, not above 30%. ROIIC receives 6 out of 8 rather than a perfect score because the recent three-year calculation is flattered by the recovery from the FY2022 ratings trough, while the longer FY2021-FY2025 window is good but less spectacular once acquisitions are included. Unit economics, cash conversion, and non-artifact checks are strong.

Within reinvestment runway, the score is high but not maxed. Moody's can reinvest through MA workflow expansion, KYC, insurance and banking analytics, private credit, infrastructure financing, data centers, energy transition, structured finance, and public debt surveillance. The cap is that MIS revenue is issuance-cycle-sensitive and MA competes against S&P Global, LSEG, Bloomberg, FactSet, MSCI, RELX, Verisk, and AI-enabled internal customer tools. Moody's has runway, but not an unlimited runway at unchanged returns.

Within capital allocation, Moody's receives credit for low leverage, strong FCF, controlled SBC, and targeted post-RMS bolt-ons. It is capped because buybacks look more mechanical than price-sensitive. FY2023 buybacks were low in a more pressured year, while the Q1 FY2026 release raised buyback guidance to about $2.5B at a premium valuation. That may still compound per-share value over time, but it is not the same as clearly opportunistic repurchase discipline.

5. ROIIC and Reinvestment Analysis

ROIIC is attractive but must be handled carefully. Moody's reported ROIC series includes a severe FY2022 ratings trough, then a recovery in FY2023-FY2025. A simple FY2022-to-FY2025 ROIIC calculation looks extremely high because NOPAT rebounded sharply while incremental tangible reinvestment was modest. That is real evidence of operating leverage, but it is partly cyclical recovery, not pure reinvestment productivity.

Using a normalized 22% tax rate for directional NOPAT, FY2021 NOPAT was about $2.22B and FY2025 NOPAT was about $2.61B. Cumulative FY2022-FY2025 capex plus acquisitions was about $1.71B, producing a directional acquisition-inclusive ROIIC of about 23%. Excluding acquisitions, the same window would be materially higher. Using FY2022 as the trough start produces a much higher three-year ROIIC of roughly 86%, but that number should not be capitalized as a normal forward rate because the numerator benefits from ratings-cycle recovery.

The right conclusion is not "ROIIC is unknowable." The right conclusion is "ROIIC is high, but the cleanest calculation is distorted by cyclicality and by the fact that product development is embedded in operating expense rather than separately disclosed R&D." This supports a strong ROIIC score, not a perfect one. It also supports the synthesis choice to use conservative segment growth and margin assumptions rather than extrapolate rebound-period rates.

ROIIC item	Estimate	Method	Interpretation
FY2021-FY2025 acquisition-inclusive ROIIC	about 23%	Delta normalized NOPAT / FY2022-FY2025 capex plus M&A	Good, not flawless tier
FY2022-FY2025 acquisition-inclusive ROIIC	about 86%	Trough-to-recovery delta normalized NOPAT / FY2023-FY2025 capex plus M&A	Strong but cycle-distorted
Five-year median ROIC	25.5%	Data package ROIC series	Supports high-return franchise

ROIIC item	Estimate	Method	Interpretation
FY2025 ROIC	29.9%	Data package calculation	Near top tier but below 30% cutoff
Reinvestment rate	about 21%	FY2022-FY2025 capex plus M&A / normalized NOPAT	Low to moderate reinvestment need
FCF conversion	about 103% five-year average	FCF / net income, FY2021-FY2025	Cash economics support earnings

The acquisition adjustment matters. Moody's Analytics has used acquisitions to extend into catastrophe risk, insurance analytics, lending workflow, KYC, and data assets. The RMS period in FY2021 was a large capital-allocation event, and later bolt-ons such as CAPE, Praedicat, Numerated, GCR, and ICR Chile are smaller but still part of the return story. The appendix therefore treats acquisition-inclusive ROIIC as the more conservative lens. Moody's still scores well under that lens, but acquisition disclosure does not provide enough granular return data to award a perfect capital-efficiency score.

6. Runway Analysis

The runway case is strong but different by segment. MIS is the current profit engine. It benefits from long-term funding needs, refinancing waves, public and private credit activity, infrastructure, data-center financing, energy transition, and the market convention that recognized ratings improve debt-market access. The MIS appendix's base case grows TTM revenue from $4.207B to $5.384B over five years, a 5.1% CAGR, while keeping a 66.1% AOI margin. That is a healthy runway for an already enormous ratings business.

MA is the growth-balancing engine. It has $3.607B of Q1 FY2026 ARR, up 8%, and recurring revenue was 98% of MA revenue in Q1 FY2026. Decision Solutions is the best evidence of reinvestment runway: it includes banking, insurance, KYC, decisioning, compliance, and risk workflows, and Q1 FY2026 Decision Solutions ARR grew 10%. The MA appendix's base case grows TTM revenue from $3.666B to $5.284B, a 7.6% CAGR, with AOI margin expanding to 35.0%.

The combined base case is therefore respectable: revenue grows from $7.873B TTM to $10.668B at the horizon, a 6.3% CAGR. That is not a tired no-growth profile. It is also not enough to make the current price work. This is the central diagnostic tension in Moody's: the runway is real, but the stock price demands either stronger-than-base compounding, a premium exit multiple, or both.

Runway driver	Positive evidence	Cap on score
MA ARR	$3.607B Q1 FY2026 ARR, up 8%	Churn and net retention not disclosed
Decision Solutions	Q1 FY2026 ARR up 10%	KYC, banking, and insurance markets are competitive
MIS funding demand	FY2025 rated debt above $6.6T and Q1 issuance above $2T	Starting point may be cyclically strong
Private credit and infrastructure	Potential new ratings and surveillance needs	Could also shift work to private/internal models
AI-ready data	Trusted data may become more valuable	AI can commoditize interface and research layers
Portfolio cleanup	Learning Solutions sold and Regulatory Solutions pending sale	Shows discipline but also prior MA sprawl

7. Moat Analysis

The moat appendix gives Moody's a PASS and the 2046 test a PASS. The scorer agrees. The core moat is not a vague brand halo. It is the combination of MIS market acceptance, NRSRO and global CRA infrastructure, investor and index conventions, methodology history, surveillance, issuer relationships, and the economic coordination function of a recognized credit rating. AI can improve analysis, but it cannot instantly create the market acceptance that causes a Moody's rating to matter in bond documents, investor mandates, indices, and regulated workflows.

MA's moat is real but uneven. Decision Solutions has the best switching costs because the tools are embedded in lending, insurance, KYC, compliance, and risk workflows where customers need auditability and defensible outputs. Research and Insights is more exposed because AI can summarize, search, and compare credit information more cheaply. Data and Information is protected where Moody's owns or curates hard-to-replicate data with provenance, but generic data access is vulnerable to aggregation and vendor consolidation.

Margin persistence supports the moat. MIS AOI margin fell to 55.1% in the FY2022 trough, but that is still an elite margin, and it recovered to 66.7% in FY2025 and 66.9% TTM. MA AOI margin rose from 26.1% in FY2021 to 33.2% in FY2025 and 33.8% TTM. A commodity business does not behave like this through a ratings downturn and a competitive analytics transition.

Moat component	Score read	Evidence
Clear source of advantage	Strong	MIS acceptance and MA workflow embedding
Pricing power	Strong but not perfect	MA ARR growth, MIS annual price increases, high margins
Competitive evidence	Strong	MIS remains one of the global rating leaders
Customer stickiness	Strong	MA recurring revenue at 98% in Q1 FY2026
Stress resilience	Strong	FY2022 MIS trough still produced 55.1% AOI margin
Disruption risk	Manageable but real	AI hits MA interface layers and private credit may evolve

8. Accounting and Capital Allocation Analysis

Accounting quality is good. QF reconciled the historicals with 8 of 8 checks passed, and QFR cleared the foundation. DR cleared the data package. The main data problem is not Moody's accounting, but vendor data quality: FMP product segmentation mislabels MA and MIS. The ER2 package correctly quarantines that endpoint and uses official SEC segment tables. The company's own disclosures are good enough to model MA, MIS, ARR, recurring mix, segment AOI, operating bridges, cash flow, leverage, governance, and compensation.

Cash flow supports earnings. TTM FCF / net income was 110.1%. The FY2021-FY2025 average FCF / net income is approximately 103%. TTM net debt / EBITDA is around 1.5x. The balance sheet is intangible-heavy, with goodwill and intangibles of about $8.14B at Q1 FY2026, but leverage is not high enough to make that a solvency risk. The issue is return-on-acquisition discipline rather than debt safety.

Capital allocation is good, not perfect. The company has preserved high ROIC, kept leverage moderate, returned cash, and pruned non-core MA assets. Management gets credit for the Learning Solutions divestiture and the pending Regulatory Solutions divestiture because they focus MA on higher-value risk data, analytics, and workflow assets. The cap is buyback discipline. At a premium multiple, a buyback can reduce share count while still offering mediocre forward returns. The management appendix explicitly flags that buybacks look more mechanical than price-sensitive and that compensation lacks an explicit ROIC or FCF-per-share metric.

Area	Verdict	Rationale
Revenue and earnings quality	Pass	Segment and consolidated data tie to official filings
Cash conversion	Pass	TTM FCF / net income of 110.1%
SBC and dilution	Pass	FY2025 SBC about 3.0% of revenue and shares declining
Balance sheet	Pass	Net debt / EBITDA about 1.5x
Disclosure quality	Pass	Segment AOI, ARR, recurring mix, issuance, and guidance disclosed
Acquisition discipline	Watch	MA has been acquisition-assisted and product-level ROI is not disclosed
Buyback discipline	Watch	Repurchases are material at a premium valuation
Governance	Pass	Management gate PASS and no material governance red flags

9. 20% Return Underwriting

The 20% underwriting result is the reason the total score is capped. The scorer uses the synthesis cases and the disciplined 15x exit P/E framework as the primary valuation check. Dividends are included as a modest helper. The base dividend starts from the current $1.03 quarterly dividend, or $4.12 annualized, and grows 6% per year for five years, producing about $23.22 of cumulative dividends. This is generous enough to acknowledge cash returns but not enough to change the conclusion.

Under the base case, horizon EPS is $21.59. At 15x, the horizon stock value is $323.85. Adding estimated cumulative dividends gives a five-year total value of about $347.07. Compared with today's $450.45 price, that implies an annualized return of about negative 5.1%. The bear case is about negative 12.4%. The bull case is still about negative 1.7% using the same 15x exit discipline and higher dividends. That is why the valuation score is 2 out of 20.

Case	Horizon EPS	Exit P/E	Horizon value	Estimated dividends	Total value	Five-year IRR
Bear	$14.14	15.0x	$212.10	$20.90	$233.00	(12.4)%
Base	$21.59	15.0x	$323.85	$23.22	$347.07	(5.1)%
Bull	$25.81	15.0x	$387.15	$25.55	$412.70	(1.7)%

The reverse DCF makes the same point. Current EV is about $85.7B and TTM NOPAT is about $2.68B. If the exit EV / NOPAT multiple is 15x and the target return is 20% over five years, required NOPAT CAGR is about 39.6%. The synthesis base case grows post-tax operating income at roughly the mid-single-digit rate, not anywhere near 39.6%. That requirement is not beatable from the reviewed evidence base.

The max buy price for a 20% annualized return under the base 15x exit P/E case, including estimated dividends, is roughly $139.50. This is not the same as the ER2 P/E 15 gate price of $323.85. The $323.85 number asks what price equals 15x base horizon EPS today. The $139.50 number asks what price would allow a 20% annualized return to that same horizon value over five years. Both numbers show the same direction: today's $450.45 is too high for this diagnostic rubric.

The cash-return score is the only positive valuation subcomponent. TTM FCF yield is 3.4%, the dividend yield is about 0.9%, and buybacks can reduce share count. But repurchases at a premium multiple cannot create a 20% return when the underlying earnings yield is low and the disciplined exit value is far below the current price.

10. Hard Veto Checklist

The hard-veto screen does not reject Moody's as a business. It rejects the current-price underwriting setup. The most important fail is that the 20% return case requires terminal multiple support. The second fail is that today's valuation leaves little room for merely good outcomes. A company can pass moat, management, and accounting tests while failing as a current purchase.

Hard veto	Status	Evidence
ROIIC below cost of capital	Pass / Watch	ROIIC is high but cycle-distorted; normalized returns remain attractive
ROIC high only because capital is artificial	Pass	ROIC including goodwill and acquisitions remains strong enough
Growth requires external financing	Pass	FCF is strong and leverage is moderate
Share count rises materially	Pass	Diluted shares fell from 187.9M in FY2021 to 179.9M in FY2025
Large acquisitions without returns	Watch	RMS-era MA expansion and bolt-ons require monitoring
FCF structurally lags earnings	Pass	TTM FCF / net income is 110.1%
Regulation, cyclicality, or leverage can impair equity	Watch	MIS cyclicality and ratings regulation are real, but leverage is manageable
20% return requires terminal multiple expansion	Fail	Base and bull fail the 15x exit P/E test
Flawless execution needed at current price	Fail	Base EPS is 28.1% below required EPS at 15x
Moat cannot be explained	Pass	MIS acceptance and MA workflow switching costs are clear
Accounting, governance, or auditor trust issue	Pass	QF/QFR/DR cleared and management gate passes
Balance sheet could wipe out equity holders	Pass	Net debt / EBITDA about 1.5x

11. Final Decision

The evidence supports a high-quality compounder. Moody's has a durable MIS ratings franchise, a recurring MA analytics business, high returns on capital, strong FCF conversion, clean governance, credible management, and a moat that plausibly lasts into 2046. The combined base case grows revenue to $10.668B and EPS to $21.59 by 2031-03-31. Those are strong business outcomes.

The evidence does not support classifying Moody's as investable now under the compounder scoring rubric. The current price requires far more earnings power than the reviewed base case supports. Even the bull case does not clear the P/E 15 gate. The valuation underwriting score is therefore deliberately low, and it should remain low unless either the stock falls materially or the evidence base changes enough to support a much higher base EPS without relying on terminal multiple expansion.

Compounder Score note: Moody's scores 72/100 because the business quality is excellent, but the current price blocks the 20% return case.

Business Quality Score note: Business quality is 70/80, supported by high ROIC, strong FCF conversion, a wide-moat ratings franchise, MA ARR growth, clean governance, and a PASS management/moat package.

20% Return UW Score note: 20% return underwriting is 2/20 because base and bull cases fail the 15x exit test, base-case IRR is negative under disciplined exit assumptions, and the reverse DCF requires unrealistic NOPAT growth.

12. Machine-Readable JSON

The authoritative machine-readable output is written separately to `compounder_score.json`. The values below summarize that file for the report reader.

JSON field	Value
total_score	72
business_quality_score	70
valuation_underwriting_score	2
classification	Buy only at lower price
clears_20pct_hurdle	false
base_case_irr	-5.1%
bear_case_irr	-12.4%
bull_case_irr	-1.7%
max_buy_price_for_20pct_irr	about $139.50
source_confidence	High

Appendix CSA - Scoring Audit

Moody's Corporation (MCO) - Scoring Audit

Date prepared: 2026-05-29. Role: Sub-Agent CSA, Scoring Auditor. Currency is USD. Current price is $450.45. The TTM anchor is 2026-03-31 and the forward horizon is 2031-03-31, exactly five calendar years after the TTM anchor.

This audit reviews `appendix_compounder_score.md` and `compounder_score.json` against the verified ER2 evidence chain: `quant_foundation.md`, `data_package.md`, the reviewed MA and MIS segment appendices, `appendix_management.md`, `appendix_moat.md`, and `appendix_synthesis.md`. The score is diagnostic only. It does not override the ER2 P/E <= 15 gate, and it must not let business quality compensate for weak current-price underwriting.

1. Original vs Audited Scores

The original markdown and JSON agree on the headline score: Business Quality 70/80, Valuation / 20% Return Underwriting 2/20, total Compounder Score 72/100, and classification `Buy only at lower price`. The JSON also gives base, bear, and bull IRRs of negative 5.1%, negative 12.4%, and negative 1.7%, plus a max buy price for 20% IRR of about $139.50 under the base 15x exit case.

I reduce the audited Business Quality score to 68/80 and leave the valuation score at 2/20. The resulting audited total is 70/100. This is still a high-quality-business score, but it is less generous about ROIIC than the original. The original 2/20 valuation score is fair, not too high, because almost every valuation subcomponent is zero and the two points are best understood as credit for real but inadequate cash returns.

Item	Original	Audited	Notes
Business Quality Score / 80	70	68	Reduced for ROIIC calibration; quality remains strong but not near-perfect.
Valuation / 20% Return UW Score / 20	2	2	Fair; only cash returns deserve credit at the current price.
Total Score / 100	72	70	Still high enough to flag quality, not high enough for current investability.
Classification	Buy only at lower price	Buy only at lower price	Current price fails; lower price could make the same business underwritable.

2. Score Reductions and Reasons

This score is reduced because the original ROIIC treatment leans too much on a cycle-flattered three-year recovery. The compounder score calculates a FY2022-FY2025 acquisition-inclusive ROIIC of roughly 86%, but the same report acknowledges that this is distorted by the ratings trough and rebound. The more conservative FY2021-FY2025 acquisition-inclusive ROIIC is about 23.2%. Under the rubric, 15%-25% maps closer to 4/8 than 6/8. The business still earns a strong incremental-return score because five-year median ROIC is 25.5%, FY2025 ROIC is 29.9%, TTM FCF / net income is 110.1%, and the model includes acquisition spend, but the ROIIC subscore should not award the 25%-35% bucket when the cleaner figure is below 25%.

No other numeric reduction is forced. The MA and MIS appendices support real runway, the moat appendix supports a PASS and 2046 PASS, the management appendix supports a PASS, and QF/QFR/DR support clean source discipline. Still, the audited score should be read with caps. MA churn, gross retention, net retention, contract escalators, product-level operating income, product-level TTM revenue, long MIS issuance history by product, and acquisition-level returns are not disclosed. Those gaps prevent a higher business-quality score.

Audited category scores are: Incremental Returns on Capital 20/25, Reinvestment Runway 17/20, Durability of Moat 14/15, Accounting and Financial Quality 9/10, and Capital Allocation Discipline 8/10. The score preserves high quality where evidence is hard: official segment profitability, FCF conversion, MA ARR, MIS margin resilience, management governance, and the reviewed synthesis. It does not award a premium for vague AI upside or for current-price buybacks.

3. Unsupported Claims

I do not find fabricated headline claims in the original score. The original scorer correctly uses the synthesis as the valuation source, quarantines FMP product-label problems, includes SBC as a real cost, and uses diluted share count rather than a

flat-share shortcut. The unsupported areas are narrower: they are not false claims, but claims that must stay capped.

MA pricing power is partly supported, not fully proven. The evidence shows Q1 FY2026 MA ARR of $3.607B, 8% ARR growth, and 98% recurring revenue, but it does not show gross retention, net retention, logo churn, explicit contractual escalators, or cohort economics. Moody's can still have a strong MA moat, especially in Decision Solutions, but it should not receive perfect pricing or stickiness credit.

Acquisition discipline is also partly supported. The data package and management appendix identify RMS-era expansion and later bolt-ons such as CAPE, Praedicat, Numerated, GCR, and ICR Chile. The appendices do not disclose asset-level returns. That means acquisition-inclusive ROIIC is directionally tested, but management does not get full acquisition-return credit. Buybacks are another cap: FY2026 repurchase guidance of about $2.5B comes when the stock trades at a premium valuation, and the management appendix says repurchases look more mechanical than price-sensitive.

4. Calculation Errors

I rechecked the most important calculations. Market cap is about $79.9B from $450.45 times 177.3M diluted shares. Adding net debt of about $5.803B gives EV of about $85.7B. TTM NOPAT is about $2.68B using TTM operating income of $3.427B and a 21.8% tax rate, so EV / NOPAT is about 32.0x. Those values agree with the original JSON and markdown within rounding.

The IRR mechanics also check. In the base case, horizon EPS of $21.59 at a 15x exit P/E gives $323.85 of horizon value. Adding estimated cumulative dividends of $23.22 gives total value of $347.07. Relative to $450.45 today, the five-year annualized return is negative 5.1%. The bear and bull cases of negative 12.4% and negative 1.7% also tie within rounding. The reverse DCF requirement of about 39.6% NOPAT CAGR is directionally and arithmetically consistent with a current EV around 32x TTM NOPAT and a 15x exit multiple.

The calculation break is a scoring calibration issue, not an arithmetic break: the acquisition-inclusive five-year ROIIC estimate of about 23.2% does not support the original 6/8 ROIIC subscore under the stated rubric. I therefore reduce the Incremental Returns category by two points.

5. Missing Data

The most important missing evidence is not consolidated accounting data. QF reconciled 8/8 checks, QFR cleared Wave 1, and the data package was reviewed and cleared for Wave 2. The missing evidence sits below the disclosed segment level.

Product-level operating income below MA and MIS is not disclosed. Product-level TTM revenue is not disclosed, so both segment appendices allocate TTM product bases from FY2025 mix. MA retention, churn, net retention, contract duration, and explicit price escalator data are not disclosed. Long annual MIS rated-issuance volume by product is not included. Acquisition-level returns are not disclosed. Moody's also does not disclose a separate R&D line; product development and AI investment are embedded in operating expense, capex, people, technology, and acquisitions.

These gaps do not invalidate the score, but they lower confidence in perfect-tier business-quality scoring. They matter because the stock is expensive. At a lower price, the same data gaps would be less dangerous. At $450.45, every incremental quality point risks being misread as valuation support, so the audit keeps the business score high but not inflated.

6. Hard-Veto and Threshold Test Audit

The hard veto is valuation, not business durability. The synthesis appendix is explicit: base TTM+5y EPS is $21.59, required EPS for a 15x entry at $450.45 is $30.03, and the base cushion is negative 28.1%. The bull case reaches only $25.81, which still fails. This means the current-price 20% return case requires either a materially lower entry price, a much higher earnings base than the reviewed segment model supports, or terminal multiple support outside Gideon discipline.

The threshold tests fail for investability now. Total score is 70/100, Business Quality is 68/80, and Valuation is only 2/20. The valuation score is far below the 15/20 threshold, base-case IRR is below 20%, bear-case IRR is negative, and the return case does require multiple support or a lower entry price. A high business-quality score cannot offset any of those failures.

7. Final 20% Hurdle Pass/Fail

Final 20% hurdle verdict: FAIL. The original valuation score of 2/20 is fair because cash returns exist, but it should not be read as a live underwriting case. TTM FCF yield is about 3.4%, the dividend yield is below 1%, and buybacks can reduce share count, but the disciplined 15x exit value plus dividends is still below today's price in base, bear, and bull cases. The max buy

price for a 20% annualized return under the base 15x case is about $139.50. The P/E 15 gate price is higher at $323.85, but both are below $450.45.

8. Dream Business / Dream Investment Classification

Audited classification: dream business, not dream investment at the current price. Moody's has a wide-moat MIS franchise, a real recurring MA analytics business, strong FCF conversion, high ROIC, low leverage, credible management, and a plausible 2046 durability case. That makes it a rare business.

It is not a dream investment today because the starting valuation eats the forward economics. The most important reason Moody's does not qualify at $450.45 is that even the bull case fails the 15x exit test. Quality can justify patience and a watchlist slot; it cannot manufacture a 20% annualized return from a negative base-case 15x-exit IRR.

9. Stage 7 Scorecard Notes

Compounder Score note: Audited score is 70/100; Moody's is a high-quality compounder, but the score is capped because current-price underwriting fails.

Business Quality Score note: Audited business quality is 68/80, supported by high ROIC, strong FCF conversion, MIS moat durability, MA ARR growth, clean governance, and PASS management/moat gates, with ROIIC and acquisition-return caps.

20% Return UW Score note: Audited 20% return underwriting is 2/20 because base, bear, and bull IRRs are negative at a 15x exit, and the only positive credit is modest cash-return support.

10. Auditor JSON

The authoritative machine-readable output is `compounder_score_audit.json`. Summary fields:


```
{
  "audited_business_quality_score": 68,
  "audited_valuation_underwriting_score": 2,
  "audited_total_score": 70,
  "audited_classification": "Buy only at lower price",
  "final_20pct_hurdle_pass": false,
  "confidence": "Medium"
}
```

Appendix RT - Red Team

Moody's Corporation (MCO) - Appendix RT: Red Team

Date: 2026-05-29 Role: Sub-Agent RT Scope: Attack the Stage 5 synthesis, audited score, and current-price underwriting.

Executive Red-Team View

This red team agrees with the synthesis verdict that Moody's is not a current-price Gideon buy. The harder red-team conclusion is that the base case may still be too generous even though it already fails the P/E <= 15 gate. The model is not arithmetically broken. The 11 tie-outs pass, the TTM anchor is correctly set to 2026-03-31, and the segment rollups are internally consistent. The vulnerability is more subtle: the base case starts from a strong and possibly cyclical TTM ratings base, gives Moody's Analytics a near high-single-digit compounder path despite visible slowing in Decision Solutions revenue growth, and assumes buybacks retire a meaningful share count at premium prices without creating a capital-allocation penalty.

The stock price is doing the opposite of what the Gideon framework requires. At $450.45, the market asks the investor to accept a premium terminal multiple, sustained ratings strength, and a successful MA AI/data transition. The audited score already says "dream business, not dream investment." I would go further: the red-team case says the investment narrative should be rewritten around a watchlist entry price and a peak-cycle-risk monitor, not around how close the model comes to clearing. It is not close. Base EPS of $21.59 at 15x is worth $323.85. The bull case of $25.81 is worth $387.13. A red team does not need to invent disaster to reject the equity; "excellent business, ordinary forward return from the wrong entry price" is enough.

1. The Most Fragile Assumption

The most fragile assumption is the Moody's Analytics Decision Solutions growth path inside MA's base case. The MA appendix models Decision Solutions at a 9.0% CAGR from the TTM base to 2031-03-31, producing $2.652B of horizon revenue for that product group and supporting MA segment revenue of $5.284B at a 35.0% AOI margin. That assumption is important because Decision Solutions is almost half of MA, is called the "key growth engine" in the data package, and is the line expected to prove that Moody's is not merely a ratings-cycle company.

The problem is that the most recent disclosed numbers do not give the red team enough comfort. Q1 FY2026 Decision Solutions revenue grew 7%, while Decision Solutions ARR grew 10%. Banking revenue declined 6% on a reported basis and rose only 3% organically, while KYC remained the strongest visible sub-line. That is a good quarter, not a broken quarter, but it is not a clean proof point for a 9% five-year revenue CAGR. The base case leans on ARR converting to revenue over time, but the direct revenue line already slowed below the modeled product CAGR. If KYC remains strong but banking and insurance do not pull their weight, the segment can look healthy in ARR while revenue growth and margin realization lag the model.

If this assumption is wrong, the EPS damage is not trivial. The MA base rollup gives $1.850B of TTM+5y AOI. The MA bear rollup gives $1.436B. Moving MA from base toward bear therefore removes about $414M of segment AOI. After a 22% tax rate and 161.6M diluted shares, that is roughly $2.00 of EPS before considering any additional AOI-to-GAAP bridge pressure. The synthesis sensitivity table says a 200 bp change in MA revenue CAGR moves EPS by about $0.80. The Decision Solutions downside is larger than a clean 200 bp scenario because it would likely come with lower mix quality, heavier AI/product spend, and lower MA margin.

The monitoring consequence is clear: do not average Decision Solutions into total MA and call it solved. If Decision Solutions ARR growth drops below 7% for two consecutive quarters before the end of FY2026, the base MA case should be cut. If that happens while MA organic constant-currency revenue remains near or below 5%, the red team would move the MA case closer to bear, not merely trim the bull case.

2. The Most-Likely-To-Be-Optimistic Stage 5 Number

The single Stage 5 number most likely to be too optimistic is base TTM+5y EPS of $21.59. It is not the result of one heroic assumption, which makes it more dangerous. It is a stacked "reasonable" number: MA compounds at 7.6%, MIS compounds at 5.1%, consolidated GAAP operating margin is 44.4%, the AOI-to-GAAP bridge is held to $676M, tax is 22.0%, and diluted shares fall to 161.6M. Each individual assumption can be defended. The red-team issue is that they are all sitting on top of a

TTM base that includes record MIS revenue and a strong Q1 FY2026 ratings market.

MIS is the larger profit pool and the bigger source of cyclicality. The MIS appendix correctly normalizes down from the FY2023-FY2025 rebound, but base MIS still reaches $5.384B of revenue and $3.559B of AOI at a 66.1% margin. That is only modestly below the TTM MIS AOI margin of 66.9%. The model says it is normalizing, but economically it still assumes Moody's keeps near-peak ratings economics for five years. That can happen in a benign credit environment with refinancing walls, AI-related investment-grade issuance, infrastructure, data centers, and private credit demand. It is not the red-team base rate for an asset that just had "record revenues" and more than $2T of Q1 rated issuance.

The outside peer check reinforces this. S&P Global's April 28, 2026 SEC-furnished Q1 release reported Ratings revenue up 13%, Ratings operating profit up 16%, and a 68% Ratings operating margin. That does not prove Moody's is overearning by itself, but it shows the ratings industry was broadly enjoying a favorable issuance period, not that Moody's had a uniquely durable acceleration. When the whole ratings complex is strong at the same time, a red team should haircut the starting point more aggressively.

Share count is another source of hidden optimism. The synthesis uses $1.8B of annual buybacks and assumes average repurchase prices rising from $455 to $550, ending at 161.6M diluted shares. This is plausible against TTM FCF of $2.747B and FY2026 FCF guidance of $2.8B to $3.0B, but it is not free. Dividends, acquisitions, AI/data investment, office relocation capex, and leverage discipline all compete for the same cash. More important, buying back stock around 32x TTM NOPAT is not a Gideon-friendly use of capital unless the stock is materially undervalued. Repurchases can raise EPS while still lowering the investor's future return.

My red-team adjustment would not be a new formal model, but the direction is obvious. Take roughly $2.00 off EPS if MA shifts toward bear, $0.50 to $1.00 if MIS margin and issuance normalize below base, and another $0.50 to $1.00 if the share-count path is less favorable. That takes $21.59 toward the high teens. At 15x, that is not a small miss; it is a stock in the mid-to-high $200s before dividends.

3. Strongest Bear Case, Stated In Its Strongest Form

The strongest bear case is that Moody's is a superb ratings franchise being valued as if the current ratings upswing, AI-financing issuance, MA recurring growth, and premium buybacks can all persist together. MIS is still a cyclical transaction business at the margin: when capital markets slow, transaction revenue and operating leverage reverse faster than the long-term funding narrative changes. MA is real, but the most exposed parts of Research and Insights and Data and Information face AI-native workflow substitution, while Decision Solutions has to keep proving that ARR growth converts into revenue and margin rather than becoming table-stakes product spend. Over the next four to eight quarters, the bear case shows up first in MIS transaction revenue rolling over and Decision Solutions ARR decelerating below the high-single-digit story.

This is not a "Moody's is broken" short thesis. It is a "the equity is priced for too much durability at a cyclical high" thesis. The stock can underperform badly even if Moody's remains a wonderful company. A 15x exit multiple applied to high-teens EPS is punishing from $450.45, and that is before any market multiple compression for a company whose current P/E is above 30x.

4. Cross-Examination Of Management Commentary

Management signal	Skeptical read	First place it would show up
"GenAI solutions are not material yet"	This is candid, but it undercuts any impulse to capitalize AI into near-term MA acceleration. If AI is mostly retention and product parity, it may raise cost before it raises revenue.	MA organic growth below 6%, flat R&I or D&I ARR, and MA AOI margin stuck near 32% to 33%.
"data can't be synthesized from public sources"	True for proprietary, governed, permissioned data. Less true for generic credit summaries, search, and ordinary research workflows, where AI can compress interface value.	Research and Insights ARR below 5% and weaker renewal price.
"record revenues of $1.2 billion" in MIS	It validates current demand, but it also advertises the risk that the TTM base is closer to a favorable cycle point than a normalized base.	MIS transaction revenue down more than 10% YoY or MIS margin below 63%.
"$6.6 trillion of debt"	Large funding needs support demand, but high issuance bases are harder to grow from. Refinancing can be delayed if spreads widen or markets shut.	Corporate Finance revenue falling despite visible refinancing walls.

The red-team complaint is not that management is promotional or dishonest. The management appendix finds disclosure quality good, and I agree. The problem is that good management commentary is not the same thing as investable valuation support. The phrases around AI-ready data, agent-ready intelligence, and long-term funding needs describe a plausible strategic path. They do not solve the fact that the audited model requires either much higher EPS or a lower entry price.

5. Stage 5 Tie-Out Reverification

The recency anchor ties mathematically, but the red-team interpretation is less comfortable than the synthesis interpretation. Stage 5 notes that Q1 FY2026 annualized revenue was $8.316B, TTM revenue was $7.873B, and the base first-forward-year run-rate was $8.366B. That is a clean tie. The issue is that Q1 FY2026 itself was unusually strong: Moody's official release reported record MIS first-quarter revenue, over $2T of rated issuance, record investment-grade issuance, and infrastructure strength tied partly to AI and data-center activity. If the first forward year is close to an annualized record quarter, it may be "close to recency" but still too close to a cyclical crest.

The share-count path is realistic in cash terms but questionable in return terms. A $1.8B annual buyback is below the current $2.5B FY2026 guide, and it is supported by free cash flow before dividends. Still, the data package says Q1 FY2026 capital return was unusually heavy, and the management appendix flags that buybacks look more mechanical than price-sensitive. At a premium valuation, the right question is not "can Moody's repurchase shares?" It is "should those dollars be treated as value-creating underwriting help?" The red-team answer is no unless the stock trades materially below intrinsic value.

The product CAGR that exceeds the cleanest current evidence is Decision Solutions. The MA appendix is careful: DS base growth is below the FY2023-FY2025 10.6% CAGR, and DS ARR was +10% in Q1. But DS revenue was +7% in Q1 and Banking was weak. A five-year 9% DS revenue CAGR requires that ARR strength keeps converting and that KYC/insurance/banking workflows continue to beat broader financial-data competition. That may be true. It is not yet proven enough to carry an expensive stock.

6. Score-Derived 20% Return Claim Most Likely To Be Wrong

The audited scoring audit already says the 20% hurdle fails. Red team agrees. The score-derived claim most likely to be too generous is the residual 2/20 valuation credit for "modest cash-return support." The credit is understandable because Moody's produces cash, pays a dividend, and can repurchase shares. But the framework is not asking whether cash return exists. It is asking whether cash return supports 20% annualized underwriting at a disciplined exit multiple.

At $450.45, base 15x-exit IRR is negative 5.1%, bear is negative 12.4%, and bull is negative 1.7%. That means the buyback and dividend support is not merely insufficient; it is overwhelmed by starting valuation. A premium buyback can mechanically lift EPS while creating no adequate owner return. If the score wanted to be harsher, it could make the valuation score 0/20 instead of 2/20. I would not force that change because the scoring audit is diagnostic and internally consistent, but an IC should not misread 2/20 as a live return case. It is closer to a token acknowledgment that cash generation exists.

7. The Signal That Forces An Exit

The single exit signal is MA Decision Solutions ARR growth below 7% year over year for two consecutive reported quarters through Q4 FY2026.

Why this signal: Decision Solutions is the MA growth engine, about 44% of MA ARR at Q1 FY2026, and the product line most responsible for making MA a durable high-single-digit compounder. The base MA model assumes Decision Solutions grows revenue at 9.0% for five years. If DS ARR falls below 7% twice in a row while the company is still telling the market that MA organic revenue and ARR should grow in the high-single-digit range, the model's strongest non-cyclical growth leg is breaking. That would leave the equity more dependent on MIS, whose TTM base is already cycle-risked.

This is a sell or thesis-rewrite signal, not a "watch carefully" signal. A one-quarter wobble can be timing. Two consecutive quarters below 7% would imply that KYC, banking, insurance, onboarding, and AI-enabled decisioning are not sustaining the premium growth narrative. At that point, the base MA CAGR should move toward the bear case, the 20% underwriting score should remain a hard fail, and any current-price ownership would require a non-Gideon terminal multiple argument.

8. Conviction At The End Of Red Team

The thesis does not survive as a current-price investment. It survives only as a high-quality watchlist company. The synthesis already says PASS on price; the red team says the base case should be treated as generous rather than conservative. The most important break is not management, moat, or accounting. It is the combination of a record ratings base, not-yet-proven

MA AI/data monetization, and capital return at a valuation that already assumes the good news.

My conclusion is conditional in business-quality terms and decisive in underwriting terms. Conditional: Moody's probably remains a durable compounder, and the moat/management PASS calls are credible. Decisive: the stock should not be bought at $450.45 under the Gideon framework, and the main narrative should not soften the conclusion with admiration for quality. The red-team base rate is that a better entry will come either from price compression, ratings-cycle normalization, or a DS ARR slowdown that forces the market to distinguish dream business from dream investment.

Key Red-Team Findings

Finding	Red-team conclusion	Model implication
Most fragile assumption	Decision Solutions 9.0% five-year revenue CAGR	If MA moves toward bear, EPS falls about $2.00 before bridge pressure.
Most likely optimistic Stage 5 number	Base EPS of $21.59	High-teens EPS is plausible if MA and MIS normalize together.
Strongest bear argument	Record ratings base plus premium valuation	The stock can disappoint without a franchise break.
Score claim most at risk	2/20 valuation credit from cash returns	Buybacks at premium prices do not create a 20% case.
Exit signal	DS ARR below 7% YoY for two consecutive quarters by Q4 FY2026	Rewrite MA base case toward bear.

Sources Used Beyond Local ER2 Artifacts

- Moody's Q1 FY2026 SEC-furnished earnings release, April 22, 2026: https://www.sec.gov/Archives/edgar/data/1059556/000162828026026383/a1q26earningsrelease.htm
- S&P Global Q1 FY2026 SEC-furnished earnings release, April 28, 2026: https://www.sec.gov/Archives/edgar/data/64040/000006404026000019/spgi1q2026-earningsrelease.htm
- SEC Office of Credit Ratings 2025 Staff Report on NRSROs: https://www.sec.gov/files/2025-ocr-staff-report-compliant-4-24-26.pdf
- Current market snapshot checked on 2026-05-29: MCO price $450.45, market cap approximately $79.9B, trailing P/E approximately 32.3x.

Appendix D - Data Package (Raw Historicals)

Moody's Corporation (MCO) - Data Package

Date prepared: 2026-05-29. Role: Sub-Agent D, ER2 / Gideon production run. This file is the single-source data package for downstream segment, management, moat, and synthesis work. Historical financials and TTM values use `quant_foundation.md` as the controlling source. Fresh live pulls in this run were used for management commentary, transcript date validation, recent trend context, source inventory, and corporate actions.

Stage 0 anchor

- Today: 2026-05-29.
- Fiscal year convention: Moody's Corporation fiscal year ends December 31.
- Most recently reported quarter: Q1 FY2026 ended March 31, 2026, announced April 22, 2026; 10-Q filed April 23, 2026.
- TTM anchor: Q2 FY2025 + Q3 FY2025 + Q4 FY2025 + Q1 FY2026 -> TTM ending 2026-03-31.
- Forward horizon: TTM + 5 calendar years = 2031-03-31.

Source discipline

The data hierarchy for this file is deliberately narrow. Segment revenue, adjusted operating income, derived operating contribution, annual operating income, cash flow, TTM, and balance sheet anchors come from the verified quant foundation, which itself ties to SEC primary filings and cleared QFR review. FMP's product segmentation endpoint was pulled live again by D but remains non-controlling because it assigns MA/MIS labels incorrectly versus the official SEC segment tables. Fresh FMP pulls in this run include profile, quote, annual income statement, annual and quarterly balance sheet, annual and quarterly cash flow, key metrics, revenue-product segmentation, revenue-geographic segmentation, transcript dates, and Q2 FY2025 through Q1 FY2026 transcripts. These D-prefix FMP files were copied without overwrite to `C:\Users\Admin\OneDrive\Cowork\Investing\data warehouse\FMP\ER2\MCO\2026-05-29`.

Primary official sources fetched live in this run include the [2025 10-K](https://www.sec.gov/Archives/edgar/data/1059556/000162828026009136/mco-20251231.htm), [Q1 FY2026 10-Q](https://www.sec.gov/Archives/edgar/data/1059556/000162828026026848/mco-20260331.htm), [Q1 FY2026 earnings release](https://www.sec.gov/Archives/edgar/data/1059556/000162828026026383/a1q26earningsrelease.htm), [Q4 FY2025 earnings release](https://www.sec.gov/Archives/edgar/data/0001059556/000162828026008788/a4q25earningsrelease.htm), [Q3 FY2025 earnings release](https://www.sec.gov/Archives/edgar/data/1059556/000162828025045770/a3q25earningsrelease.htm), [Q2 FY2025 earnings release](https://www.sec.gov/Archives/edgar/data/1059556/000105955625000165/a2q25earningsrelease.htm), and backfill annual filings for 2024, 2023, and 2022. The most recent investor-day source found in live search was Moody's Investor Day 2022; because it is four years old, this package uses the last four earnings calls plus 2026 guidance instead of treating 2022 targets as a current forward anchor.

0a. Industry classification and disclosure inventory

Industry classification: U.S. financial information, credit ratings, analytics, risk data, and workflow software. Reporting regime: U.S. domestic SEC filer, calendar fiscal year, two reportable segments. Controlling source set: SEC Forms 10-K and 10-Q, SEC-furnished earnings releases, and FMP `/stable/` endpoints fetched live. FMP segment/product data status: unsuitable for segment modeling because the revenue-product-segmentation endpoint ties consolidated revenue but mislabels MA/MIS allocation by as much as $346M quarterly in Q1 FY2026 and $1.241B annually in FY2025 versus the official segment note. Official SEC segment and revenue-category tables control.

Search inventory: segment information, revenue by category, financial information by segment, transaction and recurring revenue, annualized recurring revenue, rated issuance volume, Decision Solutions, Banking, Insurance, KYC, Research and Insights, Data and Information, Corporate Finance, Financial Institutions, Public Project and Infrastructure Finance, Structured Finance, restructuring, asset abandonment, Learning Solutions, Regulatory Solutions, CAPE Analytics, ICR Chile, and CEO Moody's Analytics.

Dataset / table family	Official source searched	Search terms or table names	Years available	Included in data package?	If excluded, why	Downstream relevance
Segment economics	2025 10-K; 2026 Q1 10-Q; Q2-Q4 FY2025 releases and 10-Qs	Segment Information; Financial Information by Segment	FY2021-FY2025 plus TTM/Q1 FY2026	Yes	Not excluded	Segment appendices and synthesis base
Product / LOB revenue	2025 10-K revenue note	Revenue by category; Decision Solutions; Corporate Finance; Structured Finance	FY2023-FY2025 in current taxonomy	Yes	Pre-FY2023 LOB detail not included because current 10-K gives three-year table	Product mix and segment bridge
MA ARR and recurring mix	Q2-Q4 FY2025 and Q1 FY2026 earnings releases	Annualized Recurring Revenue; recurring revenue; transaction revenue	FY2023-FY2025 summary; last four quarters for trend	Yes	FY2021-FY2022 ARR by LOB not fetched; taxonomy and disclosure boundary	MA durability and subscription recency
MIS issuance and transaction mix	Q2-Q4 FY2025 and Q1 FY2026 releases	Rated issuance volume; transaction revenue; recurring revenue	Last four quarters and FY2025 summary	Yes	Long annual issuance by product not built; source provides growth rather than full dollar value of issuance by LOB	MIS cyclicality and market sensitivity
Geography	2025 10-K and live FMP geographic endpoint	U.S.; Non-U.S.; EMEA; Asia-Pacific; Americas; country:US	FY2024-FY2025 in current 10-K MD&A geography table	Yes	FMP endpoint excluded because labels were mixed/incomplete; SEC 10-K geography table included below	Regulatory and macro exposure
Corporate actions	2025 10-K; Q1 2026 release; April 15 2026 8-K press release	CAPE; ICR Chile; Learning Solutions; Regulatory Solutions; Christina Kosmowski	Last 12 months	Yes	Not excluded	Portfolio quality, management, capital allocation

KPI family	Granularity	FY-5	FY-4	FY-3	FY-2	FY-1	Latest interim / TTM	Source path
Segment revenue	MA / MIS external revenue	2.406 / 3.812	2.769 / 2.699	3.056 / 2.860	3.295 / 3.793	3.599 / 4.119	TTM 3.666 / 4.207	QF P2/P4; SEC segment tables
Segment adjusted OI	MA / MIS AOI	0.627 / 2.474	0.840 / 1.488	0.937 / 1.660	1.014 / 2.394	1.196 / 2.746	TTM 1.239 / 2.814	QF P2/P4; SEC segment tables
MA ARR	Total MA ARR	n/f	n/f	3.0	3.3	3.5	Q1 FY2026 3.607	Q4 FY2024, Q4 FY2025, Q1 FY2026 releases
MA ARR growth	Total / DS / R&I / D&I	n/f	n/f	n/f	9% total	8% total	Q1 FY2026 8% total; DS 10%; R&I 7%; D&I 6%	Earnings releases Table 10
MIS rated issuance	Growth indicator	n/f	n/f	n/f	FY2024 strong rebound	FY2025 over $6.6T rated debt	Q1 FY2026 over $2T rated issuance	Q4 FY2025 and Q1 FY2026 releases
Geographic revenue	U.S. / Non-U.S. revenue	n/f	n/f	n/f	3.836 / 3.252	4.171 / 3.547	Not included for Q1; latest annual table only	2025 10-K MD&A geography table

`n/f` means not fetched or not included in this package, not a claim that Moody's never disclosed the metric. Material omission risk is low for Wave 2 because the segment base case uses QF segment revenue/AOI, MA ARR/MIS issuance trend data is included for recency rather than for base-year revenue arithmetic, and the bounded current 10-K geography table is now included below.

1. Reporting structure and taxonomy

Current reportable segments are Moody's Analytics (MA) and Moody's Investors Service (MIS). MA provides risk, data, research, analytics, and workflow solutions. Its official revenue lines are Decision Solutions, Research and Insights, and Data and Information. MIS provides credit ratings and assessment services. Its official revenue lines are Corporate Finance, Financial Institutions, Public, Project and Infrastructure Finance, Structured Finance, and MIS Other.

Reporting structure has been stable at the reportable-segment level through the FY2021-FY2025 QF history. The product / LOB table is clean for FY2023-FY2025 in the current 10-K taxonomy. No segment realignment requiring a restated bridge was identified in the latest filings. However, the FMP product endpoint cannot be used as a substitute for official segment tables because its MA/MIS labels are materially reversed or blended in several periods. Segment writers must cite MA/MIS figures from QF P2/P4 and not FMP product-label rows.

Segment	Description	FY2025 revenue ($B)	% of FY2025 revenue	FY2025 AOI ($B)	AOI margin	Source
Moody's Analytics	Risk data, analytics, research, decisioning, KYC, insurance, and software workflows	3.599	46.6%	1.196	33.2%	QF P2; 2025 10-K
Moody's Investors Service	Credit ratings, monitoring, and related issuer / investor services	4.119	53.4%	2.746	66.7%	QF P2; 2025 10-K
Total	Consolidated reportable segments	7.718	100.0%	3.942	51.1%	QF P2; 2025 10-K

The 2025 10-K discloses consolidated revenue by geography in the MD&A table. This was a bounded disclosure-completeness fix: the official table reconciles to consolidated revenue, while the live FMP geographic endpoint remains quarantined because its label set was mixed/incomplete.

Geography	FY2024 revenue ($B)	FY2025 revenue ($B)	YoY %	% FY2025 revenue	Source
United States	3.836	4.171	9%	54.0%	2025 10-K MD&A
EMEA	2.174	2.376	9%	30.8%	2025 10-K MD&A
Asia-Pacific	0.629	0.699	11%	9.1%	2025 10-K MD&A
Americas ex-U.S.	0.449	0.472	5%	6.1%	2025 10-K MD&A
Total Non-U.S.	3.252	3.547	9%	46.0%	2025 10-K MD&A
Total	7.088	7.718	9%	100.0%	2025 10-K MD&A

The 2025 10-K also discloses a global employee footprint of 16,076 employees, with 5,043 in the U.S. and 11,033 outside the U.S.; workforce geography should not be used as a revenue proxy.

2. Consolidated historicals

Amounts are USD billions except EPS, shares, margins, and ROIC. Revenue and operating income are QF-controlled official values. Net income, EPS, shares, cash flow, capex, and balance inputs were live FMP annual statement pulls cross-checked to the 2025 10-K where QF provides the same row. FMP annual operating-income rows were not used because QF/QFR identified FMP standard-statement operating-income discrepancies; QF official operating income controls.

Metric	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	6.218	5.468	5.916	7.088	7.718	QF P2/P3; SEC 10-K
Operating income ($B)	2.844	1.883	2.137	2.875	3.351	QF P2/P3 official bridge
Operating margin (%)	45.7%	34.4%	36.1%	40.6%	43.4%	calc from QF
Net income ($B)	2.214	1.374	1.607	2.058	2.459	Live FMP annual; SEC cross-check
EPS diluted ($)	11.78	7.44	8.73	11.26	13.67	Live FMP annual; SEC cross-check
Diluted share count (M)	187.9	184.7	184.0	182.7	179.9	Live FMP annual; SEC cross-check
Capex ($B)	0.139	0.283	0.271	0.317	0.326	Live FMP annual cash flow; QF P3 for FY2023-FY2025
FCF ($B)	1.866	1.191	1.880	2.521	2.575	Live FMP annual cash flow; QF P3 for FY2023-FY2025
ROIC (%)	30.5%	16.6%	20.4%	25.5%	29.9%	calc described below

ROIC calculation: NOPAT equals QF-controlled operating income multiplied by one minus the annual effective tax rate from the live FMP annual income statement. Invested capital equals total debt plus total equity minus cash and short-term investments, averaged between beginning and ending year balance sheets from the live FMP annual balance sheet. For FY2025, QF operating income of $3.351B times a 21.3% tax rate gives NOPAT of about $2.64B; average invested capital was about $8.80B, producing ROIC of 29.9%. The same method yields the five-year ROIC series above. FY2022 was the trough because ratings issuance reset sharply while the RMS and MA investment base remained in invested capital.

3. Segment historicals

Moody's Analytics	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	2.406	2.769	3.056	3.295	3.599	QF P2; SEC segment note
YoY %	n/m	15.1%	10.4%	7.8%	9.2%	calc
Adjusted operating income ($B)	0.627	0.840	0.937	1.014	1.196	QF P2; SEC segment note
AOI margin (%)	26.1%	30.3%	30.7%	30.8%	33.2%	QF P2

Moody's Investors Service	FY2021	FY2022	FY2023	FY2024	FY2025	Source
Revenue ($B)	3.812	2.699	2.860	3.793	4.119	QF P2; SEC segment note
YoY %	n/m	(29.2)%	6.0%	32.6%	8.6%	calc
Adjusted operating income ($B)	2.474	1.488	1.660	2.394	2.746	QF P2; SEC segment note
AOI margin (%)	64.9%	55.1%	58.0%	63.1%	66.7%	QF P2

Moody's discloses segment adjusted operating income, not full GAAP segment operating income. QF provides a derived operating contribution bridge that subtracts D&A, restructuring, asset-abandonment, and the Q1 FY2026 indirect tax reserve from segment AOI to tie consolidated operating income. Downstream segment models should use AOI for segment economics and the QF bridge for consolidated operating-income tie-outs.

4. Product and sub-segment historicals

These are the finest dollar-disclosed product / LOB rows in the 2025 10-K revenue note and QF P1. The current 10-K gives FY2023-FY2025. No product-level operating profit is disclosed.

Segment	Product / LOB	What it is	Dollar disclosure?	Last 3 years revenue + source
MA	Decision Solutions	Banking, insurance, KYC, credit decisioning, compliance, and risk workflows	Yes	FY2025 $1.692B; FY2024 $1.516B; FY2023 $1.383B; QF P1 / 2025 10-K
MA	Research and Insights	Research, CreditView / Moody's View, models, EDF-X, and related analytical tools	Yes	FY2025 $0.995B; FY2024 $0.926B; FY2023 $0.884B; QF P1 / 2025 10-K
MA	Data and Information	Data feeds, Orbis/company data, ratings data, and decision-grade datasets	Yes	FY2025 $0.912B; FY2024 $0.853B; FY2023 $0.789B; QF P1 / 2025 10-K
MIS	Corporate Finance	Investment grade, high yield, bank loans, and other corporate issuer ratings	Yes	FY2025 $2.132B; FY2024 $1.950B; FY2023 $1.404B; QF P1 / 2025 10-K
MIS	Financial Institutions	Bank, insurance, managed investments, and other financial issuer ratings	Yes	FY2025 $0.759B; FY2024 $0.727B; FY2023 $0.545B; QF P1 / 2025 10-K
MIS	Public / Project / Infrastructure Finance	Public finance, sovereign, project, and infrastructure ratings	Yes	FY2025 $0.635B; FY2024 $0.564B; FY2023 $0.476B; QF P1 / 2025 10-K
MIS	Structured Finance	ABS, RMBS, CMBS, structured credit, and related products	Yes	FY2025 $0.558B; FY2024 $0.518B; FY2023 $0.405B; QF P1 / 2025 10-K
MIS	MIS Other	Professional services and residual rating-adjacent revenue	Yes	FY2025 $0.035B; FY2024 $0.034B; FY2023 $0.030B; QF P1 / 2025 10-K

Segment	Product / KPI	Disclosure method	Last 4 quarters YoY growth	Source
MA	Total ARR	Dollar ARR and growth disclosed in releases	Q2 FY2025 $3.3B, +8%; Q3 FY2025 $3.4B, +8%; Q4 FY2025 $3.5B, +8%; Q1 FY2026 $3.607B, +8%	Earnings releases Table 10
MA	Decision Solutions ARR	Dollar ARR at Q1 FY2026; growth disclosed quarterly	Q2 +10%; Q3 +10%; Q4 +10%; Q1 +10%	Earnings releases Table 10
MA	Banking ARR	Dollar ARR at Q1 FY2026; growth disclosed quarterly	Q2 +7%; Q3 +7%; Q4 +8%; Q1 +10%	Earnings releases Table 10

Segment	Product / KPI	Disclosure method	Last 4 quarters YoY growth	Source
MA	Insurance ARR	Dollar ARR at Q1 FY2026; growth disclosed quarterly	Q2 +9%; Q3 +8%; Q4 +7%; Q1 +7%	Earnings releases Table 10
MA	KYC ARR	Dollar ARR at Q1 FY2026; growth disclosed quarterly	Q2 +15%; Q3 +16%; Q4 +15%; Q1 +13%	Earnings releases Table 10
MA	Research and Insights ARR	Dollar ARR at Q1 FY2026; growth disclosed quarterly	Q2 +7%; Q3 +8%; Q4 +8%; Q1 +7%	Earnings releases Table 10
MA	Data and Information ARR	Dollar ARR at Q1 FY2026; growth disclosed quarterly	Q2 +6%; Q3 +7%; Q4 +7%; Q1 +6%	Earnings releases Table 10
MIS	Rated issuance volume	Growth rate by LOB; issuance dollars disclosed in aggregate on selected calls	Q2 total issuance down 12%; Q3 healthy with record quarter; Q4 strongest Q4 on record; Q1 FY2026 total issuance +6% and over $2T	Earnings releases; FMP transcripts

No back-solved product dollars are used in this package. Where Moody's discloses growth rates but not absolute dollars, the row is left as a growth/KPI row and not converted into fabricated revenue.

5. Most recent quarterly trend

Company FY ends December 31. Most recently completed fiscal quarter at time of writing: FY2026 Q1, covering January 1 to March 31, 2026, reported on April 22, 2026 via the SEC-furnished Q1 FY2026 earnings release.

Segment	Quarter	Revenue ($B)	YoY %	AOI margin on external revenue (%)	Source
MA	Q2 FY2025	0.888	11%	32.2%	QF P4; Q2 release July 23 2025
MA	Q3 FY2025	0.909	9%	34.4%	QF P4; Q3 release Oct. 22 2025
MA	Q4 FY2025	0.943	9%	35.8%	QF P4; Q4 release Feb. 18 2026
MA	Q1 FY2026	0.926	8%	32.6%	QF P4; Q1 release Apr. 22 2026
MIS	Q2 FY2025	1.010	0%	67.3%	QF P4; Q2 release July 23 2025
MIS	Q3 FY2025	1.098	12%	68.2%	QF P4; Q3 release Oct. 22 2025
MIS	Q4 FY2025	0.946	17%	61.5%	QF P4; Q4 release Feb. 18 2026
MIS	Q1 FY2026	1.153	8%	69.6%	QF P4; Q1 release Apr. 22 2026

Major line / KPI	Q2 FY2025	Q3 FY2025	Q4 FY2025	Q1 FY2026	Source
MA organic constant-currency revenue	+7%	+6%	+6%	+6%	Earnings releases
MA recurring revenue share	96%	96%	97%	98%	Earnings releases
MA total ARR	$3.3B, +8%	$3.4B, +8%	$3.5B, +8%	$3.607B, +8%	Earnings releases
Decision Solutions revenue growth	+13%	+11%	+12%	+7%	Earnings releases
KYC revenue growth	+22%	disclosed in DS commentary	disclosed in ARR commentary	+17% revenue, +13% ARR	Earnings releases
MIS transaction revenue trend	Flat revenue despite lower issuance	record quarter; all rating lines positive	strongest Q4 on record	+8% transaction revenue	Earnings releases
Corporate Finance revenue growth	decline from lower bank loans	leveraged finance strength	AI-related investment grade deals	+12%	Earnings releases

Latest-quarter headline check: the largest segment in Q1 FY2026 was MIS at $1.153B revenue. The Q1 FY2026 earnings release says MIS revenue increased 8% and achieved record first-quarter revenue; QF P4 ties the same $1.153B revenue and $803M AOI.

6. Management commentary on forward growth

Transcript source discipline: FMP transcripts were fetched live for Q2 FY2025, Q3 FY2025, Q4 FY2025, and Q1 FY2026. The date fields were 2025-07-23, 2025-10-22, 2026-02-18, and 2026-04-22, respectively, which align with the expected call dates. Quotations below are short verbatim excerpts from those live transcripts, except the Q1 FY2026 MIS record-revenue excerpt, which is the Rob Fauber quote in the SEC-furnished Q1 FY2026 earnings release. The interpretations are paraphrases to preserve source discipline and avoid overquoting.

Moody's Analytics

Fiscal period / call date	Speaker	Short verbatim excerpt	Topic	Interpretation for modeling
Q2 FY2025 / 2025-07-23	Robert Fauber, CEO	"GenAI solutions are not material yet"	GenAI monetization	AI is currently an enablement and workflow-attach story, not a separate revenue line to model as a large standalone product.
Q2 FY2025 / 2025-07-23	Robert Fauber, CEO	"new onboarding agent"	Agentic workflow	Management is embedding AI into Orbis and partner channels, which supports retention and upsell but should be modeled through ARR growth.
Q3 FY2025 / 2025-10-22	Robert Fauber, CEO	"ARR is now nearly $3.4 billion"	Subscription base	ARR scale confirms MA's recurring revenue base and supports high-single-digit organic growth assumptions.
Q3 FY2025 / 2025-10-22	Robert Fauber, CEO	"mission-critical workflows"	Workflow embedding	MA's moat case is workflow integration plus data provenance, especially in lending, KYC, and risk.
Q4 FY2025 / 2026-02-18	Robert Fauber, CEO	"data can't be synthesized from public sources"	Data moat	Management is drawing the AI defense around proprietary ownership, relationship, and risk datasets rather than generic model access.
Q4 FY2025 / 2026-02-18	Robert Fauber, CEO	"AI-ready data sets"	AI demand	AI is a distribution and packaging driver for MA data, especially for large strategic customers.
Q1 FY2026 / 2026-04-22	Noemie Heuland, CFO	"key growth engine for MA"	Decision Solutions	Decision Solutions remains the principal MA growth vector; Q1 ARR grew 10% and represented about 44% of MA ARR.
Q1 FY2026 / 2026-04-22	Robert Fauber, CEO	"agent ready intelligence"	Enterprise AI	Pipeline language supports durable demand but not a sudden step-change revenue assumption without signed ARR evidence.

Moody's Investors Service

Fiscal period / call date	Speaker	Short verbatim excerpt	Topic	Interpretation for modeling
Q2 FY2025 / 2025-07-23	Robert Fauber, CEO	"April issuance air pocket"	Issuance volatility	Ratings revenue can pause quickly when markets freeze, even if annual funding needs remain intact.
Q2 FY2025 / 2025-07-23	Robert Fauber, CEO	"cautiously optimistic"	Second-half setup	Use cyclically aware assumptions; do not extrapolate quarterly strength blindly.
Q3 FY2025 / 2025-10-22	Robert Fauber, CEO	"issuance pipeline is robust"	Market demand	The forward setup included refinancing walls, infrastructure, private credit, and data-center financing.
Q3 FY2025 / 2025-10-22	Noemie Heuland, CFO	"invest for growth and expand margins"	Operating leverage	MIS and consolidated margin expansion can coexist with reinvestment when issuance is healthy.

Fiscal period / call date	Speaker	Short verbatim excerpt	Topic	Interpretation for modeling
Q4 FY2025 / 2026-02-18	Robert Fauber, CEO	"busiest fourth quarter in our history"	Ratings cycle	FY2025 exit rate was unusually strong; forward models need normalize-through-cycle checks.
Q4 FY2025 / 2026-02-18	Robert Fauber, CEO	"$6.6 trillion of debt"	Rated issuance	Record FY2025 issuance provides a high base for FY2026 comparisons.
Q1 FY2026 / 2026-04-22	Robert Fauber, CEO	"long-term funding needs"	Demand durability	Infrastructure, technology, private credit, and energy transition remain demand anchors despite tariff and geopolitical volatility.
Q1 FY2026 release / 2026-04-22	Robert Fauber, CEO	"record revenues of $1.2 billion"	Latest-quarter performance	Q1 FY2026 confirmed that MIS momentum had not ended with Q4 FY2025, but management still flags timing volatility.

Guidance anchor from the Q1 FY2026 release: full-year 2026 MCO revenue growth remained in the high-single-digit percent range; adjusted diluted EPS remained $16.40 to $17.00; MA organic constant-currency revenue was expected to increase in the high-single-digit percent range; MIS revenue was expected to increase in the high-single-digit percent range; and share repurchase guidance rose to approximately $2.5B. The release incorporated the expected impact of the pending MA Regulatory Solutions divestiture because closing was anticipated near the filing date.

7. Capital allocation history

Year	Capex ($B)	Capex / revenue (%)	R&D ($B)	R&D / revenue (%)	Buybacks ($B)	Dividends ($B)	M&A ($B)	Source
FY2021	0.139	2.2%	n/d	n/d	0.833	0.463	2.179	Live FMP cash flow; annual filing
FY2022	0.283	5.2%	n/d	n/d	1.070	0.515	0.097	Live FMP cash flow; annual filing
FY2023	0.271	4.6%	n/d	n/d	0.561	0.564	0.003	Live FMP cash flow; QF P3
FY2024	0.317	4.5%	n/d	n/d	1.383	0.620	0.221	Live FMP cash flow; QF P3
FY2025	0.326	4.2%	n/d	n/d	1.706	0.701	0.187	Live FMP cash flow; QF P3

Moody's does not separately disclose R&D in the way a software company would; FMP income statement rows show research and development expense as zero. Treat product development, engineering, analytical tooling, and AI investment as embedded in compensation, technology, capex, and acquired intangibles rather than as a separately modeled R&D line. FY2021 M&A cash flow reflects the RMS acquisition period and is not a steady-state run-rate. Q1 FY2026 capital return was unusually heavy: the company returned approximately $1.7B via buybacks and dividends and raised full-year buyback guidance to about $2.5B.

8. Balance sheet snapshot

Latest balance sheet is March 31, 2026. Amounts are USD billions unless noted.

Item	$B	Source
Cash and equivalents	1.469	QF P6; Q1 FY2026 10-Q
Short-term investments	0.041	QF P6; Q1 FY2026 10-Q
Total debt including leases	7.313	QF P6; Q1 FY2026 10-Q
Net debt, cash plus short-term investments	5.803	QF P6
Net debt / EBITDA	1.5x	calc from QF net debt and TTM OI plus D&A
Deferred revenue	1.874	QF P6
Goodwill + intangibles	8.140	Live FMP Q1 FY2026 balance sheet; Q1 10-Q
Total equity	3.143	QF P6
Tangible book value	(4.997)	calc: total equity minus goodwill and intangibles

Net debt / EBITDA calculation uses net debt of $5.803B and approximate TTM EBITDA of $3.916B. TTM EBITDA is QF TTM operating income of $3.427B plus segment D&A of $0.489B from QF P4. This leverage level is below the ER2 disqualifier threshold and is structurally acceptable for a high-margin, recurring cash-flow business, but the balance sheet is intangible-heavy after RMS and other analytics acquisitions.

9. Recent corporate actions

- April 22, 2026: Moody's raised full-year share repurchase guidance to approximately $2.5B in the Q1 FY2026 release and reaffirmed adjusted diluted EPS guidance of $16.40 to $17.00.
- April 20, 2026: the Board declared a regular quarterly dividend of $1.03 per share, payable June 5, 2026 to holders of record May 15, 2026.
- April 15, 2026: Moody's named Christina Kosmowski CEO of Moody's Analytics, effective June 2026, according to the SEC-furnished press release filed that day.
- Q1 FY2026 release: guidance incorporated the expected impact of the pending divestiture of the MA Regulatory Solutions business, expected to close in Q2 FY2026.
- FY2025 10-K: Moody's entered into an agreement in December 2025 to sell the MA Regulatory Solutions business and classified related assets and liabilities as held-for-sale at year-end.
- FY2025 10-K: 2025 goodwill additions primarily related to acquisitions of CAPE Analytics and ICR Chile; the Learning Solutions business divestiture was completed in Q4 FY2025.
- FY2025 10-K: 2024 acquisition activity included GCR, Numerated, and Praedicat; Numerated supports the lending suite, while Praedicat and CAPE support insurance risk analytics.
- Q1 FY2026 release: management disclosed a reserve for an international non-income tax obligation, included in operating-expense and adjusted EPS bridge items.

10. Open data gaps

Gap	Classification	Sources and search terms checked	Impact
FMP product segmentation MA/MIS labels do not match official segment tables	Data-quality flag	Live FMP revenue-product-segmentation annual and quarter; QF P1; QFR review	Use QF/SEC segment tables only; do not use FMP product labels for segment mix
FMP geographic endpoint not used as source	Data-quality flag, bounded by official table	2025 10-K MD&A geography table; live FMP geographic endpoint; terms U.S., Non-U.S., EMEA, Asia-Pacific, Americas	Official FY2024-FY2025 geography table is included in Section 1; do not infer additional history from FMP endpoint or workforce
Product-level operating income below MA/MIS	True non-disclosure	2025 10-K segment note; revenue by category; Financial Information by Segment	Segment appendices must model product mix qualitatively inside segment AOI
Current-taxonomy LOB dollar revenue before FY2023	True non-disclosure in current 10-K package	2025 10-K revenue by category; QF P1	Use FY2023-FY2025 LOB history only; do not fabricate five-year product dollars
MA ARR by LOB before FY2023	Not fetched / omitted	Q4 FY2024, Q4 FY2025, Q1 FY2026 releases; Table 10	Not needed for base revenue tie, but deeper MA appendix may backfill if desired
Investor day / capital markets day newer than 2022	True non-disclosure / not found in live search	Moody's IR search results; Investor Day 2022 pages; recent conference pages	Use last four earnings calls and 2026 guidance as current management anchor
R&D expense	Not applicable / true non-disclosure	FMP annual income statement; 10-K expense categories	Do not model a separate R&D line; investment is embedded in expenses, capex, and M&A
Segment GAAP operating income	True non-disclosure	2025 10-K and Q1 2026 segment tables	Use AOI for segment economics and QF derived bridge for consolidated GAAP OI

Self-verification log

Check	Live source used	Result
Latest quarter headline growth for largest segment	Q1 FY2026 earnings release, Apr. 22 2026	MIS revenue was $1.153B and increased 8%; QF P4 ties the same revenue
Management quote date and text	FMP `earning-call-transcript` for MCO year=2026 quarter=1	Date field 2026-04-22; text includes "sustained revenue growth across both businesses"
Q1 FY2026 CEO press-release quote	SEC Q1 FY2026 earnings release, Apr. 22 2026	Rob Fauber quote includes "record revenues of $1.2 billion"; Section 6 source label set to the release, not the transcript
Most recent FY revenue	Live FMP annual income statement	FY2025 revenue was $7.718B, tying QF and the 2025 10-K within 0%

Source index

Source	URL or endpoint without key	Use
SEC 2025 10-K	https://www.sec.gov/Archives/edgar/data/1059556/000162828026009136/mco-20251231.htm	Annual financials, segments, LOB revenue, actions
SEC Q1 FY2026 10-Q	https://www.sec.gov/Archives/edgar/data/1059556/000162828026026848/mco-20260331.htm	Latest balance sheet, latest quarter
SEC Q1 FY2026 release	https://www.sec.gov/Archives/edgar/data/1059556/000162828026026383/a1q26earningsrelease.htm	Latest trend, guidance, ARR, capital return
SEC Q4 FY2025 release	https://www.sec.gov/Archives/edgar/data/0001059556/000162828026008788/a4q25earningsrelease.htm	FY2025 trend, 2026 outlook
SEC Q3 FY2025 release	https://www.sec.gov/Archives/edgar/data/1059556/000162828025045770/a3q25earningsrelease.htm	Quarterly trend and ARR
SEC Q2 FY2025 release	https://www.sec.gov/Archives/edgar/data/1059556/000105955625000165/a2q25earningsrelease.htm	Quarterly trend and ARR
FMP annual income statement	https://financialmodelingprep.com/stable/income-statement?symbol=MCO&period=annual	FY2025 revenue spot check and missing annual rows
FMP transcripts	https://financialmodelingprep.com/stable/earning-call-transcript?symbol=MCO&year=YYYY&quarter=Q	Management commentary and date validation