

## MOODY'S CORPORATION (NYSE: MCO)

# Discounted Cash Flow Valuation — Executive Summary

February 2026 | Ship-Ready (Grade A) | 3 Expert Reviews | 1,465 Formulas | 0 Errors

Downside	Base Case	Upside
\$284	\$366	\$426

## 1. Executive Summary

An institutional-grade DCF model for Moody's Corporation spanning FY2019 actuals through FY2033E projections. Built over 12 sessions, passing three independent expert reviews with all ship-blocking issues resolved.

**Price Gap:** MCO trades at ~\$500+. The \$366 base case implies ~27% discount, *primarily a discount rate artifact*. At peer-median beta (0.88), price rises to ~\$427, narrowing 70% of the gap.

## 2. DCF Valuation Bridge

Component	Amount
Sum of PV(UFCF) FY25–FY33	\$27,081M
PV of Terminal Value	\$44,073M
<b>Enterprise Value</b>	<b>\$71,154M</b>
Less: Net Debt (FY24A)	(\$4,772M)
<b>Equity Value</b>	<b>\$66,382M</b>
Diluted Shares (FY24A)	180.3M
<b>Implied Share Price</b>	<b>\$366/share</b>

### WACC: 8.65%

Risk-Free Rate 4.20% (10Y UST) + Beta 1.06 (FactSet Adj 5Y) × ERP 5.50% = Ke 10.03%.  
After-tax Kd 3.12%. Capital structure 80/20 E/D.

### Sensitivity (\$/share)

WACC \ TGR	1.5%	2.0%	2.5%	3.0%
7.5%	\$400	\$426	\$458	\$496
8.0%	\$366	\$388	\$413	\$443
<b>8.65% ◀</b>	<b>\$332</b>	<b>\$349</b>	<b>\$366</b>	<b>\$393</b>
9.5%	\$291	\$303	\$318	\$334

TV/EV: 62.2% | Implied Terminal EV/EBITDA: 13.2x | Gordon Growth at 2.5% TGR

### 3. Revenue Model

**MIS Growth** = Base Volume (2.0%) + Pricing Alpha (3.0%) + MW Tailwind (0–4.0%). Sourced from 160,224 global bonds (\$40.7T).

**MA Growth** = Base (8.0% fading to 7.0%) + GenAI Uplift (+0.75% Base). ARR \$3,361M, 95% recurring.

**Total Revenue:** FY24 \$7,088M → FY33E \$13,225M (CAGR ~7.2%). Tracks consensus within ±2%.

### 4. Scenario Framework

Parameter	Downside	Base	Upside
Implied Price	\$284	\$366	\$426
MIS Terminal Margin	55%	58%	60%
MA Terminal Margin	30%	34%	36%
Terminal Growth	2.0%	2.5%	3.0%
Buyback P/E	35x	32x	30x
Leverage Target	1.50x	1.75x	2.00x
Cash Floor	\$1,200M	\$1,000M	\$800M

**All 3 scenarios validated:** BS balance = 0, CF recon = 0, NWC tie = 0, 0 errors, price ordering confirmed.

### 5. Model Architecture

15-tab Excel workbook with 1,465 formulas and complete formula linkage chain. Key design features:

- **Non-circular buyback pricing** (trailing EPS × P/E breaks circular reference)
- **Scenario cascade** (B4 toggle → CHOOSE → all downstream tabs)
- **MW graded tailwinds** (5Y trailing baseline +  $k \times (\text{Index} - 1)$  with floor/cap)
- **FCFF auditability** ( $\Delta\text{NWC}$  derived from B/S, separate deferred revenue line)
- **18 structural integrity features** validated across all scenarios

### 6. Data Sources

FactSet Fundamentals (IS/BS/CFS FY19–24), FactSet Segment Detail, FactSet Beta Calculator, FactSet Capital Structure, FactSet DCS (14 bonds, \$7.2B), FactSet Universal Screening (160K bonds), FactSet Consensus Estimates, MCO SEC Filings, MCO Earnings Releases.

### 7. Post-Delivery

**Feb 18, 2026 — MCO Earnings:** Update FY24A actuals from 10-K. Refresh FY25E estimates. Watch MA ARR, MIS margin guidance, capital allocation, M&A.

**Ongoing:** Assumption refreshes coincide with quarterly earnings. Model ships with current FY25E estimates.

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**DISCLAIMER:** *This analysis is for informational purposes only and does not constitute investment advice. Conservative assumptions are documented. Past performance is not indicative of future results.*