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Moody's Corp. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Peter Appert – Piper Jaffray.

Peter Appert – Piper Jaffray

Linda, the change in the cost expectations for the year, is that strictly a function of the incremental restructuring you did in the first quarter or is there more to it?

Linda Huber

I think, Peter, the restructuring is a large portion of it and, as Ray noted, it allows our expenses to look flatter quarter-to-quarter for the rest of the year. Also, we're keeping a very tight handle on expenses and we're watching everything very cautiously. Ray may want to comment a bit further on that.

Ray McDaniel

Overall, Peter, as we noted in the prepared remarks, the change in our expense outlook is not significant and in fact, incorporates part of the range that we had earlier in the year. Linda is correct, it does reflect some of the actions that we've taken on the restructuring and that is probably most important in terms of changing how we expect the expenses to look quarter-to-quarter with this year having a more constant expense run rate than we saw last year.

To the extent that we've had a modest reduction in our revenue outlook for the year, that also has some affect on some of our discretionary spending and is a reaction to that continued soft environment.

Peter Appert – Piper Jaffray

But specifically, Ray, you haven't scaled back hiring or alternatively have no expectations for further staff reductions.

Ray McDaniel

Not other than what we incorporated in the restructuring, that's correct.

Peter Appert – Piper Jaffray

Linda, on the buyback front, I guess I was slightly surprised that you chose not to buy back stock because you've been, obviously, pretty aggressive here in the last couple of years. I understand the need to conserve cash, but you're still generating a fair amount of cash, so how do you balance that?

Linda Huber

Well, Peter, we were pretty active last year and in the fourth quarter we bought back quite a number of shares at an average price of about 25. We planned that perhaps the stock price might have some recovery going into this quarter so we wanted to lighten up.

And additionally, our focus right now is on liquidity and making sure that we have adequate liquidity in a time when liquidity concerns have eased but it's still prudent to be cautious. Though, absent a tremendous increase in EBITDA, a rather considerable increase in EBITDA, we're going to stick with this strategy for the foreseeable future as we said.

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