
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **October 23, 2013**

MORNINGSTAR, INC.

(Exact name of registrant as specified in its charter)

Illinois
(State or other jurisdiction
of incorporation)

000-51280
(Commission
File Number)

36-3297908
(I.R.S. Employer
Identification No.)

22 West Washington Street
Chicago, Illinois
(Address of principal executive offices)

60602
(Zip Code)

(312) 696-6000
(Registrant's telephone number, including area code)

N/A
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02. Results of Operations and Financial Condition.*

On October 23, 2013, Morningstar, Inc. issued a press release announcing its financial results for the third quarter ended September 30, 2013. A copy of the press release is attached hereto as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits:

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---------------------------------------|
| 99.1* | Press Release dated October 23, 2013. |

* The information furnished under Item 2.02 of this Current Report on Form 8-K, including Exhibit 99.1, is being furnished and shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such a filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

MORNINGSTAR, INC.

Date: October 24, 2013

By: /s/ Richard Scott Cooley

Name: Richard Scott Cooley

Title: Chief Financial Officer

EXHIBIT INDEX

| Exhibit No. | Description |
|-------------|---------------------------------------|
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**News Release**

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Chicago
Illinois 60602

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Contacts:

Media: Margaret Kirch Cohen, 312-696-6383 or margaret.cohen@morningstar.com

Investors may submit questions to investors@morningstar.com.

FOR IMMEDIATE RELEASE**Morningstar, Inc. Reports Third-Quarter 2013 Financial Results**

CHICAGO, Oct. 23, 2013—Morningstar, Inc. (NASDAQ: MORN), a leading provider of independent investment research, today announced its third-quarter 2013 financial results. The company reported consolidated revenue of \$173.5 million in the third quarter of 2013, a 7.8% increase from \$161.0 million in the third quarter of 2012. Consolidated operating income was \$44.6 million in the third quarter of 2013, an increase of 11.9% compared with \$39.9 million in the same period a year ago. Net income was \$31.5 million, or 68 cents per diluted share, in the third quarter of 2013, compared with \$27.1 million, or 56 cents per diluted share, in the third quarter of 2012.

Excluding acquisitions, divestitures, and foreign currency translations, revenue rose 8.8% in the third quarter of 2013. Revenue excluding acquisitions, divestitures, and foreign currency translations (organic revenue) is a non-GAAP measure; the accompanying financial tables contain a reconciliation to consolidated revenue.

Joe Mansueto, chairman and chief executive officer of Morningstar, said, "We had another solid quarter, with organic revenue up nearly 9%. Morningstar Data, Morningstar Direct, Retirement Solutions, and Morningstar Managed Portfolios all had double-digit growth rates and were the main drivers of revenue growth. While these results are encouraging, the investment industry still faces challenges and lingering fallout from the financial crisis."

Financial Highlights

As previously announced, Morningstar now reports its results in a single segment to reflect its shift to a more centralized organizational structure. The company will continue to provide investors with a discussion of revenue for its investment information and investment management product groups as well as international operations.

- Investment information revenue was \$137.2 million, an increase of 6.9% from the third quarter of 2012. Morningstar® Data and Morningstar DirectSM were the largest contributors to revenue growth. Morningstar® Advisor WorkstationSM (including Morningstar OfficeSM) also contributed to the revenue increase, which was partially offset by lower revenue for Morningstar® Principia®.
- Investment management revenue was \$36.3 million, an increase of 11.4% from \$32.6 million in the third quarter of 2012. Revenue for both Retirement Solutions and Morningstar® Managed PortfoliosSM rose approximately \$2.0 million; lower revenue for Investment Advisory services partially offset the increase.
- Revenue for international operations increased slightly to \$48.5 million in the third quarter, compared with \$46.9 million in the same period last year. International growth was driven by Europe, including the United Kingdom. Foreign currency translations reduced international revenue by \$1.4 million.
- Consolidated operating income was \$44.6 million in the third quarter of 2013, an 11.9% increase from the same period in 2012. Operating expense rose \$7.8 million, or 6.4%, in the third quarter of 2013.
- Operating margin was 25.7% in the third quarter of 2013, up from 24.8% in the same period in 2012.
- The company's effective tax rate in the third quarter of 2013 was 31.2%, compared with 35.9% in the same period in 2012.
- Morningstar generated positive free cash flow of \$38.0 million in the third quarter of 2013, reflecting cash provided by operating activities of \$47.1 million and \$9.1 million of capital expenditures. Free cash flow is a non-GAAP measure; the accompanying financial tables contain a reconciliation to cash provided by operating activities. Morningstar defines free cash flow as cash provided by or used for operating activities less capital expenditures.
- As of Sept. 30, 2013, Morningstar had cash, cash equivalents, and investments of \$342.9 million, compared with \$321.4 million as of Dec. 31, 2012. Of the \$500 million authorized under its share repurchase program, Morningstar has purchased a total of 5.9 million shares for \$359.1 million as of Sept. 30, 2013. In the third quarter, Morningstar repurchased approximately 81,000 shares for \$6.2 million. The company expects to pay approximately \$5.8 million for its regular quarterly dividend on Oct. 31, 2013.

Operating Highlights

- Licenses for Morningstar Direct rose 17.6% to 8,367.
- Assets under advisement and management for Investment Advisory services were approximately \$106.6 billion as of Sept. 30, 2013, compared with \$142.4 billion as of Sept. 30, 2012, a decrease of \$35.8 billion, or 25.1%. A change in the scope of services Morningstar provides to an existing client during the fourth quarter of 2012 lowered assets under advisement by \$49.1 billion.
- Assets under management and advisement for Retirement Solutions were approximately \$59.5 billion as of Sept. 30, 2013, versus \$45.4 billion as of Sept. 30, 2012.
- Assets under management and advisement for Morningstar Managed Portfolios were approximately \$6.6 billion as of Sept. 30, 2013, compared with \$4.3 billion as of Sept. 30, 2012.
- In September, the company launched Morningstar® for iPad®, its most comprehensive mobile offering yet that allows investors to monitor the markets, track their portfolios, and research investments using Morningstar data and analysis.

Investor Communication

Morningstar encourages all interested parties—including securities analysts, current shareholders, potential shareholders, and others—to submit questions in writing. Investors and others may send questions about Morningstar's business to investors@morningstar.com or write to the company at:

Morningstar, Inc.
Investor Relations
22 W. Washington Street
Chicago, IL 60602

Morningstar will make written responses to selected inquiries available to all investors at the same time in Form 8-Ks furnished to the Securities and Exchange Commission, generally on the first Friday of every month.

About Morningstar, Inc.

Morningstar, Inc. is a leading provider of independent investment research in North America, Europe, Australia, and Asia. The company offers an extensive line of products and services for individual investors, financial advisors, asset managers, and retirement plan providers and sponsors. Morningstar provides data on approximately 437,000 investment offerings, including stocks, mutual funds, and similar vehicles, along with real-time global market data on more than 10 million equities, indexes, futures, options, commodities, and precious metals, in addition to foreign exchange and Treasury markets. Morningstar also offers investment management services through its registered investment advisor subsidiaries and has approximately \$176 billion in assets under advisement and management as of Sept. 30, 2013. The company has operations in 27 countries.

Caution Concerning Forward-Looking Statements

This press release contains forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. These statements are based on our current expectations about future events or future financial performance. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and often contain words such as “may,” “could,” “expect,” “intend,” “plan,” “seek,” “anticipate,” “believe,” “estimate,” “predict,” “potential,” or “continue.” These statements involve known and unknown risks and uncertainties that may cause the events we discuss not to occur or to differ significantly from what we expect. For us, these risks and uncertainties include, among others, general industry conditions and competition, including current global financial uncertainty; the impact of market volatility on revenue from asset-based fees; damage to our reputation resulting from claims made about possible conflicts of interest; liability for any losses that result from an actual or claimed breach of our fiduciary duties; financial services industry consolidation; liability related to the storage of personal information about our users; a prolonged outage of our database and network facilities; challenges faced by our non-U.S. operations; the availability of free or low-cost investment information; and liability and/or damage to our reputation as a result of some of our currently pending litigation. A more complete description of these risks and uncertainties can be found in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2012. If any of these risks and uncertainties materialize, our actual future results may vary significantly from what we expected. We do not undertake to update our forward-looking statements as a result of new information or future events.

Non-GAAP Financial Measures

To supplement Morningstar's consolidated financial statements presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP), Morningstar uses the following measures considered as non-GAAP by the U.S. Securities and Exchange Commission: free cash flow, consolidated revenue excluding acquisitions and foreign currency translations (organic revenue), and international revenue excluding acquisitions and foreign currency translations. These non-GAAP measures may not be comparable to similarly titled measures reported by other companies.

Morningstar presents free cash flow solely as supplemental disclosure to help investors better understand how much cash is available after Morningstar spends money to operate its business. Morningstar uses free cash flow to evaluate its business. Free cash flow should not be considered an alternative to any measure required to be reported under GAAP (such as cash provided by (used for) operating, investing, and financing activities). For more information on free cash flow, please see the reconciliation from cash provided by operating activities to free cash flow included in the accompanying financial tables. Morningstar presents consolidated revenue excluding acquisitions and foreign currency translations (organic revenue) and international revenue excluding acquisitions and foreign currency translations because the company believes these non-GAAP measures help investors better compare period-to-period results. For more information, please see the reconciliation provided in the accompanying financial tables.

All dollar and percentage comparisons, which are often accompanied by words such as “increase,” “decrease,” “grew,” “declined,” or “was similar” refer to a comparison with the same period in the previous year unless otherwise stated.

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Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Income

| (in thousands, except per share amounts) | Three months ended September 30 | | | Nine months ended September 30 | | |
|--|---------------------------------|------------|---------|--------------------------------|------------|---------|
| | 2013 | 2012 | change | 2013 | 2012 | change |
| Revenue | \$ 173,482 | \$ 160,952 | 7.8% | \$ 517,766 | \$ 487,679 | 6.2% |
| Operating expense(1): | | | | | | |
| Cost of revenue(2) | 72,422 | 60,568 | 19.6% | 198,499 | 186,143 | 6.6% |
| Sales and marketing | 22,774 | 25,732 | (11.5%) | 78,789 | 81,431 | (3.2%) |
| General and administrative | 22,416 | 23,966 | (6.5%) | 77,863 | 77,090 | 1.0% |
| Depreciation and amortization | 11,257 | 10,822 | 4.0% | 33,858 | 31,616 | 7.1% |
| Total operating expense | 128,869 | 121,088 | 6.4% | 389,009 | 376,280 | 3.4% |
| Operating income | 44,613 | 39,864 | 11.9% | 128,757 | 111,399 | 15.6% |
| Operating margin | 25.7% | 24.8% | 0.9pp | 24.9% | 22.8% | 2.1pp |
| Non-operating income (expense): | | | | | | |
| Interest income, net | 630 | 1,719 | (63.4%) | 2,035 | 3,848 | (47.1%) |
| Other income (expense), net | 141 | 161 | (12.4%) | 2,792 | (314) | NMF |
| Non-operating income, net | 771 | 1,880 | (59.0%) | 4,827 | 3,534 | 36.6% |
| Income before income taxes and equity in net income of unconsolidated entities | 45,384 | 41,744 | 8.7% | 133,584 | 114,933 | 16.2% |
| Income tax expense | 14,265 | 15,186 | (6.1%) | 42,647 | 41,441 | 2.9% |
| Equity in net income of unconsolidated entities | 315 | 478 | (34.1%) | 1,172 | 1,541 | (23.9%) |
| Consolidated net income | 31,434 | 27,036 | 16.3% | 92,109 | 75,033 | 22.8% |
| Net loss attributable to noncontrolling interests | 29 | 34 | (14.7%) | 93 | 62 | 50.0% |
| Net income attributable to Morningstar, Inc. | \$ 31,463 | \$ 27,070 | 16.2% | \$ 92,202 | \$ 75,095 | 22.8% |
| Net income per share attributable to Morningstar, Inc.: | | | | | | |
| Basic | \$ 0.68 | \$ 0.56 | 21.4% | \$ 1.99 | \$ 1.53 | 30.1% |
| Diluted | \$ 0.68 | \$ 0.56 | 21.4% | \$ 1.98 | \$ 1.51 | 31.1% |
| Weighted average shares outstanding: | | | | | | |
| Basic | 46,080 | 47,975 | (3.9%) | 46,293 | 49,028 | (5.6%) |
| Diluted | 46,519 | 48,481 | (4.0%) | 46,635 | 49,664 | (6.1%) |

| | Three months ended September 30 | | | Nine months ended September 30 | | |
|--|---------------------------------|------|--|--------------------------------|------|--|
| | 2013 | 2012 | | 2013 | 2012 | |

(1) Includes stock-based compensation expense of:

| | | | | | | |
|--|----------|----------|--|-----------|-----------|--|
| Cost of revenue | \$ 1,471 | \$ 1,619 | | \$ 4,863 | \$ 4,739 | |
| Sales and marketing | 456 | 493 | | 1,490 | 1,433 | |
| General and administrative | 1,489 | 1,882 | | 4,800 | 5,422 | |
| Total stock-based compensation expense | \$ 3,416 | \$ 3,994 | | \$ 11,153 | \$ 11,594 | |

(2) Morningstar now includes development expense in the cost of revenue category, which the company previously referred to as cost of goods sold. The company has reclassified development expense to include it in cost of revenue for all periods presented.

Separately, as a result of Morningstar's recent reorganization (including new positions created, the elimination of roles no longer needed, changes in focus for some existing roles, and the refinement of employee cost categorizations as the company moved to a more centralized structure), approximately 180 net positions shifted from the general and administrative and sales and marketing categories to cost of revenue. These changes did not affect the company's total operating expense or operating income for any of the periods presented.

NMF — Not meaningful, pp — percentage points

Morningstar, Inc. and Subsidiaries
Operating Expense as a Percentage of Revenue

| | Three months ended September 30 | | | Nine months ended September 30 | | |
|-------------------------------|---------------------------------|--------|---------|--------------------------------|--------|---------|
| | 2013 | 2012 | change | 2013 | 2012 | change |
| Revenue | 100.0% | 100.0% | — | 100.0% | 100.0% | — |
| Operating expense(1): | | | | | | |
| Cost of revenue | 41.7% | 37.6% | 4.1pp | 38.3% | 38.2% | 0.1pp |
| Sales and marketing | 13.1% | 16.0% | (2.9)pp | 15.2% | 16.7% | (1.5)pp |
| General and administrative | 12.9% | 14.9% | (2.0)pp | 15.0% | 15.8% | (0.8)pp |
| Depreciation and amortization | 6.5% | 6.7% | (0.2)pp | 6.5% | 6.5% | — |
| Total operating expense(2) | 74.3% | 75.2% | (0.9)pp | 75.1% | 77.2% | (2.1)pp |
| Operating margin | 25.7% | 24.8% | 0.9pp | 24.9% | 22.8% | 2.1pp |

| | Three months ended September 30 | | | Nine months ended September 30 | | |
|---|---------------------------------|------|---------|--------------------------------|------|---------|
| | 2013 | 2012 | change | 2013 | 2012 | change |
| (1) Includes stock-based compensation expense of: | | | | | | |
| Cost of revenue | 0.8% | 1.0% | (0.2)pp | 0.9% | 1.0% | (0.1)pp |
| Sales and marketing | 0.3% | 0.3% | — | 0.3% | 0.3% | — |
| General and administrative | 0.9% | 1.2% | (0.3)pp | 0.9% | 1.1% | (0.2)pp |
| Total stock-based compensation expense(2) | 2.0% | 2.5% | (0.5)pp | 2.2% | 2.4% | (0.2)pp |

(2) Sum of percentages may not equal total because of rounding.

Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows

| (\$000) | Three months ended September 30 | | Nine months ended September 30 | |
|---|---------------------------------|------------|--------------------------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| Operating activities | | | | |
| Consolidated net income | \$ 31,434 | \$ 27,036 | \$ 92,109 | \$ 75,033 |
| Adjustments to reconcile consolidated net income to net cash flows from operating activities: | | | | |
| Depreciation and amortization | 11,257 | 10,822 | 33,858 | 31,616 |
| Deferred income taxes | (2,277) | 193 | (2,315) | 492 |
| Stock-based compensation expense | 3,416 | 3,994 | 11,153 | 11,594 |
| Equity in net income of unconsolidated entities | (315) | (478) | (1,172) | (1,541) |
| Excess tax benefits from stock-option exercises and vesting of restricted stock units | (251) | (459) | (4,093) | (5,007) |
| Holding gain upon acquisition of additional ownership of equity method investments | 78 | — | (3,635) | — |
| Other, net | (407) | (130) | 742 | 1,332 |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: | | | | |
| Accounts receivable | (1,773) | (2,175) | (1,249) | (6,569) |
| Other assets | 578 | 89 | (2,887) | (3,551) |
| Accounts payable and accrued liabilities | (3,789) | (4,968) | (3,151) | (4,316) |
| Accrued compensation | 11,177 | 6,069 | (8,404) | (20,851) |
| Deferred revenue | (5,019) | (4,649) | 6,004 | 7,684 |
| Income taxes - current | 3,512 | 2,695 | 17,205 | 7,220 |
| Deferred rent | (401) | (177) | (1,273) | 291 |
| Other liabilities | (142) | (335) | (679) | (1,111) |
| Cash provided by operating activities | 47,078 | 37,527 | 132,213 | 92,316 |
| Investing activities | | | | |
| Purchases of investments | (31,525) | (1,041) | (113,824) | (134,929) |
| Proceeds from maturities and sales of investments | 12,471 | 54,827 | 108,599 | 216,350 |
| Capital expenditures | (9,069) | (4,954) | (27,950) | (22,876) |
| Acquisitions, net of cash acquired | 46 | — | (11,079) | — |
| Proceeds from sale of a business, net | — | — | 957 | — |
| Purchase of equity and cost method investments | (1,842) | (3,554) | (2,751) | (10,304) |
| Other, net | (4) | (4) | 432 | (4) |
| Cash provided by (used for) investing activities | (29,923) | 45,274 | (45,616) | 48,237 |
| Financing activities | | | | |
| Proceeds from stock-option exercises | 362 | 2,278 | 3,172 | 6,752 |
| Employee taxes withheld for restricted stock units | (119) | (299) | (5,276) | (3,992) |
| Excess tax benefits from stock-option exercises and vesting of restricted stock units | 251 | 459 | 4,093 | 5,007 |
| Common shares repurchased | (8,857) | (78,259) | (62,794) | (183,698) |
| Dividends paid | (5,768) | (4,863) | (11,657) | (14,867) |
| Other, net | (4) | 2 | (54) | (18) |
| Cash used for financing activities | (14,135) | (80,682) | (72,516) | (190,816) |
| Effect of exchange rate changes on cash and cash equivalents | 4,129 | 2,563 | (1,011) | 2,007 |
| Net increase (decrease) in cash and cash equivalents | 7,149 | 4,682 | 13,070 | (48,256) |
| Cash and cash equivalents—Beginning of period | 169,810 | 147,499 | 163,889 | 200,437 |
| Cash and cash equivalents—End of period | \$ 176,959 | \$ 152,181 | \$ 176,959 | \$ 152,181 |

Reconciliation from cash provided by operating activities to free cash flow (a non-GAAP measure):

| (\$000) | Three months ended September 30 | | Nine months ended September 30 | |
|---------------------------------------|---------------------------------|-----------|--------------------------------|-----------|
| | 2013 | 2012 | 2013 | 2012 |
| Cash provided by operating activities | \$ 47,078 | \$ 37,527 | \$ 132,213 | \$ 92,316 |
| Less: Capital expenditures | (9,069) | (4,954) | (27,950) | (22,876) |
| Free cash flow | \$ 38,009 | \$ 32,573 | \$ 104,263 | \$ 69,440 |

Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets

| (\$000) | September 30 2013 | December 31 2012 |
|--|----------------------|---------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 176,959 | \$ 163,889 |
| Investments | 165,918 | 157,529 |
| Accounts receivable, net | 113,688 | 114,361 |
| Deferred tax asset, net | 3,155 | 3,741 |
| Income tax receivable, net | 3,451 | 14,267 |
| Other | 26,229 | 20,823 |
| Total current assets | 489,400 | 474,610 |
| Property, equipment, and capitalized software, net | 99,007 | 84,022 |
| Investments in unconsolidated entities | 38,376 | 35,305 |
| Goodwill | 326,741 | 320,845 |
| Intangible assets, net | 109,269 | 116,732 |
| Other assets | 11,357 | 10,438 |
| Total assets | \$ 1,074,150 | \$ 1,041,952 |
| Liabilities and equity | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 35,984 | \$ 43,777 |
| Accrued compensation | 60,745 | 67,317 |
| Deferred revenue | 151,850 | 146,015 |
| Other | 6,760 | 256 |
| Total current liabilities | 255,339 | 257,365 |
| Accrued compensation | 8,467 | 8,281 |
| Deferred tax liability, net | 22,188 | 21,583 |
| Other long-term liabilities | 29,680 | 27,828 |
| Total liabilities | 315,674 | 315,057 |
| Total equity | 758,476 | 726,895 |
| Total liabilities and equity | \$ 1,074,150 | \$ 1,041,952 |

Morningstar, Inc. and Subsidiaries
Supplemental Data

| | As of September 30 | | |
|--|--------------------|--------------|----------|
| | 2013 | 2012 | % change |
| Our employees | | | |
| Worldwide headcount (approximate) | 3,490 | 3,525 | (1.0%) |
| Number of worldwide equity and credit analysts (approximate) | 155 | 155 | 0.0% |
| Number of worldwide fund analysts (approximate) | 105 | 110 | (4.5%) |
| Our business | | | |
| Morningstar.com Premium Membership subscriptions (U.S.) | 123,656 | 125,006 | (1.1%) |
| Registered users for Morningstar.com (U.S.) | 7,765,424 | 7,440,867 | 4.4% |
| U.S. Advisor Workstation and Morningstar Office licenses | 165,812 | 161,957 | 2.4% |
| Principia subscriptions | 21,612 | 27,695 | (22.0%) |
| Morningstar Direct licenses | 8,367 | 7,115 | 17.6% |
| Assets under advisement and management (approximate) | | | |
| Investment Advisory Services | \$106.6 bil | \$142.4 bil | (25.1%) |
| Retirement Solutions | \$59.5 bil | \$45.4 bil | 31.1% |
| Morningstar Managed Portfolios | \$6.6 bil | \$4.3 bil(1) | 53.5% |
| Ibbotson Australia | \$3.1 bil | \$3.1 bil | 0.0% |

(1) Revised

| (\$000) | Three months ended September 30 | | Nine months ended September 30 | |
|--|---------------------------------|-------------------|--------------------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 |
| Revenue | | | | |
| Investment information | \$ 137,216 | \$ 128,392 | \$ 412,332 | \$ 388,468 |
| Investment management | 36,266 | 32,560 | 105,434 | 99,211 |
| Consolidated revenue | <u>\$ 173,482</u> | <u>\$ 160,952</u> | <u>\$ 517,766</u> | <u>\$ 487,679</u> |
| Revenue—U.S. | \$ 124,998 | \$ 114,021 | \$ 372,746 | \$ 346,442 |
| Revenue—International | \$ 48,484 | \$ 46,931 | \$ 145,020 | \$ 141,237 |
| Effective tax rate | | | | |
| Income before income taxes and equity in net income of unconsolidated entities | | | | |
| | \$ 45,384 | \$ 41,744 | \$ 133,584 | \$ 114,933 |
| Equity in net income of unconsolidated entities | 315 | 478 | 1,172 | 1,541 |
| Net loss attributable to noncontrolling interests | 29 | 34 | 93 | 62 |
| Total | <u>\$ 45,728</u> | <u>\$ 42,256</u> | <u>\$ 134,849</u> | <u>\$ 116,536</u> |
| Income tax expense | \$ 14,265 | \$ 15,186 | \$ 42,647 | \$ 41,441 |
| Effective tax rate | 31.2% | 35.9% | 31.6% | 35.6% |

Morningstar, Inc. and Subsidiaries
Reconciliations of Non-GAAP Measures with the Nearest Comparable GAAP Measures

Reconciliation from consolidated revenue to revenue excluding divestitures, acquisitions, and foreign currency translations (organic revenue):

| (\$000) | Three months ended September 30 | | | Nine months ended September 30 | | |
|---|---------------------------------|-------------------|----------|--------------------------------|-------------------|----------|
| | 2013 | 2012 | % change | 2013 | 2012 | % change |
| Consolidated revenue | \$ 173,482 | \$ 160,952 | 7.8% | \$ 517,766 | \$ 487,679 | 6.2% |
| Less: divestitures | — | (1,481) | NMF | — | (4,144) | NMF |
| Less: acquisitions | (1,398) | — | NMF | (2,265) | — | NMF |
| Unfavorable impact of foreign currency translations | 1,419 | — | NMF | 2,608 | — | NMF |
| Revenue excluding acquisitions, divestitures, and foreign currency translations | <u>\$ 173,503</u> | <u>\$ 159,471</u> | 8.8% | <u>\$ 518,109</u> | <u>\$ 483,535</u> | 7.2% |

Reconciliation from international revenue to international revenue excluding divestitures, acquisitions, and foreign currency translations:

| (\$000) | Three months ended September 30 | | | Nine months ended September 30 | | |
|---|---------------------------------|------------------|----------|--------------------------------|-------------------|----------|
| | 2013 | 2012 | % change | 2013 | 2012 | % change |
| International revenue | \$ 48,484 | \$ 46,931 | 3.3% | \$ 145,020 | \$ 141,237 | 2.7% |
| Less: divestitures | — | (1,353) | NMF | — | (3,814) | NMF |
| Less: acquisitions | (1,398) | — | NMF | (2,265) | — | NMF |
| Unfavorable impact of foreign currency translations | 1,419 | — | NMF | 2,608 | — | NMF |
| International revenue excluding acquisitions, divestitures, and foreign currency translations | <u>\$ 48,505</u> | <u>\$ 45,578</u> | 6.4% | <u>\$ 145,363</u> | <u>\$ 137,423</u> | 5.8% |

The following table summarizes the change in operating expense:

| (\$000) | Three months ended September 30 | | | Nine months ended September 30 | | |
|---|---------------------------------|------------|-----------------|--------------------------------|------------|------------------|
| | 2013 | 2012 | \$ change | 2013 | 2012 | \$ change |
| Total operating expense | \$ 128,869 | \$ 121,088 | \$ 7,781 | \$ 389,009 | \$ 376,280 | \$ 12,729 |
| Favorable impact of foreign currency translations | | | (1,347) | | | (2,659) |
| All other changes in operating expense | | | 9,128 | | | 15,388 |
| Total | | | <u>\$ 7,781</u> | | | <u>\$ 12,729</u> |