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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED June 30, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 000-51280

MORNINGSTAR, INC.
(Exact Name of Registrant as Specified in its Charter)

Illinois	**36-3297908**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
22 West Washington Street Chicago Illinois	**60602**
(Address of Principal Executive Offices)	(Zip Code)

(312) **696-6000**
(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of Each Exchange on Which Registered
Common stock, no par value	MORN	NASDAQ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐	Non-accelerated filer	☐	Smaller reporting company	☐	Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of July 24, 2020, there were 42,921,183 shares of the Company's common stock, no par value, outstanding.

MORNINGSTAR, INC. AND SUBSIDIARIES
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PART 1. FINANCIAL INFORMATION
Item 1. Financial Statements
Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Income

	Three months ended June 30,		Six months ended June 30,	
(in millions, except share and per share amounts)	2020	2019	2020	2019
Revenue	$ 327.9	$ 273.9	$ 651.9	$ 532.8
Operating expense:				
Cost of revenue	131.1	107.5	268.1	212.6
Sales and marketing	47.2	45.7	98.1	85.7
General and administrative	54.6	44.0	112.0	84.8
Depreciation and amortization	33.7	25.9	67.9	49.4
Total operating expense	266.6	223.1	546.1	432.5
Operating income	61.3	50.8	105.8	100.3
Non-operating income (expense), net:				
Interest income (expense), net	(1.9)	0.7	(5.1)	—
Gain (loss) on sale of investments, reclassified from other comprehensive income	0.9	(0.2)	0.5	0.4
Other income (expense), net	3.6	1.8	(4.1)	(1.4)
Non-operating income (expense), net	2.6	2.3	(8.7)	(1.0)
Income before income taxes and equity in net income (loss) of unconsolidated entities	63.9	53.1	97.1	99.3
Equity in net income (loss) of unconsolidated entities	(0.5)	0.7	(1.3)	(0.8)
Income tax expense	15.2	11.7	23.7	23.2
Consolidated net income	$ 48.2	$ 42.1	$ 72.1	$ 75.3
Net income per share:				
Basic	$ 1.13	$ 0.99	$ 1.68	$ 1.77
Diluted	$ 1.12	$ 0.98	$ 1.67	$ 1.75
Dividends per common share:				
Dividends declared per common share	$ 0.30	$ 0.28	$ 0.60	$ 0.56
Dividends paid per common share	$ 0.30	$ 0.28	$ 0.60	$ 0.56
Weighted average shares outstanding:				
Basic	42.9	42.7	42.9	42.7
Diluted	43.2	43.1	43.2	43.1

See notes to unaudited condensed consolidated financial statements.

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

(in millions)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Consolidated net income	$ 48.2	$ 42.1	$ 72.1	$ 75.3
Other comprehensive income (loss):				
Foreign currency translation adjustment	12.8	(2.8)	(27.6)	0.6
Unrealized gains (losses) on securities, net of tax:				
Unrealized holding gains (losses) arising during period	2.8	0.3	(1.3)	2.2
Reclassification losses (gains) included in net income	(0.7)	0.2	(0.4)	(0.3)
Other comprehensive income (loss)	14.9	(2.3)	(29.3)	2.5
Comprehensive income	$ 63.1	$ 39.8	$ 42.8	$ 77.8

See notes to unaudited condensed consolidated financial statements.

Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets

(in millions, except share amounts)	As of June 30, 2020 (unaudited)	As of December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 353.7	$ 334.1
Investments	29.5	33.4
Accounts receivable, less allowance for credit losses of $5.2 and $4.1, respectively	181.4	188.5
Income tax receivable	—	6.3
Deferred commissions	17.6	16.9
Other current assets	31.3	24.0
Total current assets	613.5	603.2
Goodwill	1,025.3	1,039.1
Intangible assets, net	310.5	333.4
Property, equipment, and capitalized software, less accumulated depreciation and amortization of $415.2 and $377.3, respectively	147.0	154.7
Operating lease assets	153.4	144.8
Investments in unconsolidated entities	62.8	59.6
Deferred tax assets, net	10.5	10.7
Deferred commissions	14.0	13.5
Other assets	13.9	11.9
Total assets	$ 2,350.9	$ 2,370.9
Liabilities and equity		
Current liabilities:		
Deferred revenue	$ 287.3	$ 250.1
Accrued compensation	91.3	137.5
Accounts payable and accrued liabilities	59.0	58.9
Current portion of long-term debt	11.0	11.0
Operating lease liabilities	37.1	35.8
Other current liabilities	4.5	2.5
Total current liabilities	490.2	495.8
Operating lease liabilities	142.3	138.7
Accrued compensation	13.3	12.1
Deferred tax liabilities, net	93.1	95.0
Long-term debt	476.7	502.1
Deferred revenue	33.0	32.2
Other long-term liabilities	15.4	11.4
Total liabilities	1,264.0	1,287.3
Equity:		
Morningstar, Inc. shareholders’ equity:		
Common stock, no par value, 200,000,000 shares authorized, of which 42,921,183 and 42,848,359 shares were outstanding as of June 30, 2020 and December 31, 2019, respectively	—	—
Treasury stock at cost, 11,008,317 and 10,840,173 shares as of June 30, 2020 and December 31, 2019, respectively	(747.4)	(728.7)
Additional paid-in capital	659.9	655.0
Retained earnings	1,264.3	1,217.9

Accumulated other comprehensive loss:		
Currency translation adjustment	(90.6)	(63.0)
Unrealized gain (loss) on available-for-sale investments	0.7	2.4
Total accumulated other comprehensive loss	(89.9)	(60.6)
Total equity	1,086.9	1,083.6
Total liabilities and equity	$ 2,350.9	$ 2,370.9

See notes to unaudited condensed consolidated financial statements.

Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Equity
For the three and six months ended June 30, 2020 and 2019

	Morningstar, Inc. Shareholders' Equity						
	Common Stock						
(in millions, except share and per share amounts)	Shares Outstanding	Par Value	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance as of December 31, 2019	42,848,359	$ —	$ (728.7)	$ 655.0	$ 1,217.9	$ (60.6)	$ 1,083.6
Net income		—	—	—	23.9	—	23.9
Other comprehensive loss:							
Unrealized loss on available-for-sale investments, net of income tax of $1.4		—	—	—	—	(4.1)	(4.1)
Reclassification of adjustments for loss included in net income, net of income tax of $0.1		—	—	—	—	0.3	0.3
Foreign currency translation adjustment, net		—	—	—	—	(40.4)	(40.4)
Other comprehensive loss, net		—	—	—	—	(44.2)	(44.2)
Issuance of common stock related to stock-option exercises and vesting of restricted stock units, net of shares withheld for taxes on settlements of restricted stock units	121,689	—	—	(10.6)	—	—	(10.6)
Reclassification of awards previously liability-classified that were converted to equity		—	—	5.5	—	—	5.5
Stock-based compensation		—	—	7.3	—	—	7.3
Common shares repurchased	(176,925)	—	(20.0)	—	—	—	(20.0)
Dividends declared ($0.30 per share)		—	—	—	(12.8)	—	(12.8)
Balance as of March 31, 2020	42,793,123	$ —	$ (748.7)	$ 657.2	$ 1,229.0	$ (104.8)	$ 1,032.7
Net income		—	—	—	48.2	—	48.2
Other comprehensive income:							
Unrealized gain on available-for-sale investments, net of income tax of $0.9		—	—	—	—	2.8	2.8
Reclassification of adjustments for gain included in net income, net of income tax of $0.2		—	—	—	—	(0.7)	(0.7)
Foreign currency translation adjustment, net		—	—	—	—	12.8	12.8
Other comprehensive income, net		—	—	—	—	14.9	14.9
Issuance of common stock related to stock-option exercises and vesting of restricted stock units, net of shares withheld for taxes on settlements of restricted stock units	128,060	—	1.3	(7.9)	—	—	(6.6)
Reclassification of awards previously liability-classified that were converted to equity		—	—	0.3	—	—	0.3
Stock-based compensation		—	—	10.3	—	—	10.3
Common shares repurchased	—	—	—	—	—	—	—
Dividends declared ($0.30 per share)		—	—	—	(12.9)	—	(12.9)
Balance as of June 30, 2020	42,921,183	$ —	$ (747.4)	$ 659.9	$ 1,264.3	$ (89.9)	$ 1,086.9

(in millions, except share and per share amounts)	Morningstar, Inc. Shareholders' Equity — Common Stock — Shares Outstanding	Par Value	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Equity
Balance as of December 31, 2018	42,624,118	$ —	$ (726.8)	$ 621.7	$ 1,114.8	$ (75.0)	$ 934.7
Net income		—	—	—	33.2	—	33.2
Other comprehensive income:							
Unrealized gain on available-for-sale investments, net of income tax of $0.7		—	—	—	—	1.9	1.9
Reclassification of adjustments for gain included in net income, net of income tax of $0.2		—	—	—	—	(0.5)	(0.5)
Foreign currency translation adjustment, net		—	—	—	—	3.4	3.4
Other comprehensive income, net		—	—	—	—	4.8	4.8
Vesting of restricted stock units, net of shares withheld for taxes on settlements of restricted stock units	73,530	—	—	(4.6)	—	—	(4.6)
Reclassification of awards previously liability-classified that were converted to equity		—	—	6.6	—	—	6.6
Stock-based compensation		—	—	10.0	—	—	10.0
Common shares repurchased	(41,935)	—	(4.6)	—	—	—	(4.6)
Dividends declared ($0.28 per share)		—	—	—	(11.9)	—	(11.9)
Balance as of March 31, 2019	42,655,713	$ —	$ (731.4)	$ 633.7	$ 1,136.1	$ (70.2)	$ 968.2
Net income		—	—	—	42.1	—	42.1
Other comprehensive loss:							
Unrealized gain on available-for-sale investments, net of income tax of $0.1		—	—	—	—	0.3	0.3
Reclassification of adjustments for loss included in net income, net of income tax of $0.1		—	—	—	—	0.2	0.2
Foreign currency translation adjustment, net		—	—	—	—	(2.8)	(2.8)
Other comprehensive loss, net		—	—	—	—	(2.3)	(2.3)
Vesting of restricted stock units, net of shares withheld for taxes on settlements of restricted stock units	107,309	—	1.0	(6.3)	—	—	(5.3)
Reclassification of awards previously liability-classified that were converted to equity		—	—	0.2	—	—	0.2
Stock-based compensation		—	—	12.5	—	—	12.5
Common shares repurchased	—	—	—	—	—	—	—
Dividends declared ($0.28 per share)		—	—	—	(12.0)	—	(12.0)
Balance as of June 30, 2019	42,763,022	$ —	$ (730.4)	$ 640.1	$ 1,166.2	$ (72.5)	$ 1,003.4

See notes to unaudited condensed consolidated financial statements.

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

	Six months ended June 30,	
(in millions)	**2020**	**2019**
Operating activities		
Consolidated net income	$ 72.1	$ 75.3
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	67.9	49.4
Deferred income taxes	0.7	(1.8)
Stock-based compensation expense	17.6	22.5
Provision for bad debt	2.3	0.5
Equity in net loss of unconsolidated entities	1.3	0.8
Other, net	3.8	0.7
Changes in operating assets and liabilities:		
Accounts receivable	2.1	2.5
Accounts payable and accrued liabilities	(0.7)	(4.5)
Accrued compensation and deferred commissions	(39.1)	(30.8)
Income taxes, current	12.2	1.6
Deferred revenue	40.7	37.2
Other assets and liabilities	(4.6)	(7.2)
Cash provided by operating activities	176.3	146.2
Investing activities		
Purchases of investment securities	(31.2)	(19.1)
Proceeds from maturities and sales of investment securities	28.0	19.7
Capital expenditures	(32.1)	(37.0)
Acquisitions, net of cash acquired	(15.5)	—
Purchases of equity- and cost-method investments	(6.5)	(1.2)
Other, net	0.1	(0.4)
Cash used for investing activities	(57.2)	(38.0)
Financing activities		
Common shares repurchased	(20.0)	(4.9)
Dividends paid	(25.7)	(23.9)
Proceeds from long-term debt	55.0	—
Repayment of long-term debt	(80.6)	(55.0)
Proceeds from stock-option exercises	0.4	—
Employee taxes paid from withholding of restricted stock units	(17.7)	(9.9)
Other, net	(2.0)	(0.5)
Cash used for financing activities	(90.6)	(94.2)
Effect of exchange rate changes on cash and cash equivalents	(8.9)	0.5
Net increase in cash and cash equivalents	19.6	14.5
Cash and cash equivalents—beginning of period	334.1	369.3
Cash and cash equivalents—end of period	$ 353.7	$ 383.8
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$ 10.6	$ 23.3
Cash paid for interest	$ 5.8	$ 1.2
Supplemental information of non-cash investing and financing activities:		
Unrealized gain (loss) on available-for-sale investments	$ (2.2)	$ 2.6

See notes to unaudited condensed consolidated financial statements.

MORNINGSTAR, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation of Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of Morningstar, Inc. and subsidiaries (Morningstar, we, our, the Company) have been prepared to conform to the rules and regulations of the Securities and Exchange Commission (SEC). The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenues, and expenses. Actual results could differ from those estimates. In the opinion of management, the statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly our financial position, results of operations, equity, and cash flows. These financial statements and notes are unaudited and should be read in conjunction with our Audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on March 2, 2020 (our Annual Report).

The acronyms that appear in the Notes to our Unaudited Condensed Consolidated Financial Statements refer to the following:

ASC: Accounting Standards Codification
ASU: Accounting Standards Update
FASB: Financial Accounting Standards Board

COVID-19 Update

We continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business and geographies, including how it affects team members, customers, suppliers, and global markets. Since the situation surrounding the COVID-19 pandemic remains fluid, we are actively managing our response and have assessed potential impacts to our financial position and operating results related to our consolidated financial statements for the three and six months ended June 30, 2020.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law. The CARES Act provides a substantial stimulus and assistance package intended to address the impact of the COVID-19 pandemic, including tax relief and government loans, grants and investments. The CARES Act had no impact on our consolidated financial statements for the three and six months ended June 30, 2020. We continue to monitor any effects that may result from the CARES Act and other similar legislation or governmental actions in geographies in which our business operates.

2. Summary of Significant Accounting Policies

We discuss our other significant accounting policies in Note 2 of the Notes to our Audited Consolidated Financial Statements included in our Annual Report.

Recently adopted accounting pronouncements

Current Expected Credit Losses: On June 16, 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses* (Topic 326)*: Measurement of Credit Losses on Financial Instruments* (ASU No. 2016-13), which requires that expected credit losses relating to financial assets measured on an amortized cost basis and available-for-sale debt securities be recorded through an allowance for credit losses. ASU No. 2016-13 limits the amount of credit losses to be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value and requires the reversal of previously recognized credit losses if fair value increases. On April 25, 2019, the FASB issued ASU No. 2019-04, *Codification Improvements* (ASU No. 2019-04), which clarifies certain aspects of accounting for credit losses. On May 15, 2019, the FASB issued ASU No. 2019-05, *Financial Instruments-Credit Losses* (Topic 326)*: Targeted Transition Relief* (ASU No. 2019-05), which allows entities to elect the fair value option on certain financial instruments. The new standard became effective for us on January 1, 2020 and was applied prospectively. As a result of the adoption of these standards, we made changes to our processes for the assessment of the adequacy of our allowance for credit losses on certain types of financial instruments, including accounts receivable. The adoption of ASU No. 2016-13, ASU No. 2019-04, and ASU No. 2019-05 did not have a material impact on the consolidated financial statements, related disclosures, or results of operations.

Cloud Computing: On August 29, 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Fees Paid in a Cloud Computing Arrangement* (ASU No. 2018-15), which helps entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (CCA) by providing guidance for determining when an arrangement includes a software license and when an arrangement is solely a hosted CCA service. The Company adopted this guidance prospectively beginning on January 1, 2020. Upon adoption, fees paid in a CCA will be evaluated for capitalization as a prepaid asset and expensed within the results of operations in the same financial statement line item as software license fees instead of depreciation and amortization expense. The adoption of ASU No. 2018-15 did not have a material impact on the consolidated financial statements, related disclosures, or results of operations.

Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement: On August 28, 2018, the FASB issued ASU No. 2018-13*, Fair Value Measurement* (Topic 820)*: Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurement* (ASU No. 2018-13)*,* which eliminates, adds, and modifies certain disclosure requirements around items such as transfers between Level 1 and 2, policy of timing of transfers, and valuation process for Level 3. The new standard became effective for us on January 1, 2020. As we only have Level 1 investments, the adoption of ASU No. 2018-13 had no impact on our consolidated financial statements and related disclosures.

Recently issued accounting pronouncements not yet adopted

Income Taxes: On December 18, 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes* (ASU No. 2019-12), which is intended to simplify the accounting for income taxes by removing certain exceptions to the general principles of ASC 740, *Income Taxes,* and providing for simplification in several other areas. The new standard is effective for us on January 1, 2021. Early adoption is permitted. We have not decided whether to adopt early and are evaluating the effect that ASU No. 2019-12 may have on our consolidated financial statements, related disclosures, and results of operations.

Reference Rate Reform: On March 12, 2020, the FASB issued ASU No. 2020-04: *Facilitation of the Effects of Reference Rate Reform on Financial Reporting* (Topic 848) (ASU No. 2020-04), which provides temporary optional expedients and exceptions for applying generally accepted accounting principles to contract modifications resulting from reference rate reform initiatives. The intention of the standard is to ease the potential accounting and financial reporting burden associated with transitioning away from the expiring London Interbank Offered Rate (LIBOR), and other interbank offered rates, to alternative benchmark rates. This guidance is temporary and only in effect during the reference rate transition period through December 31, 2022. We are evaluating the effect that ASU No. 2020-04 may have on our consolidated financial statements, related disclosures, and results of operations.

3. Credit Arrangements

Debt

The following table summarizes our total debt and long-term debt as of June 30, 2020 and December 31, 2019.

(in millions)	As of June 30, 2020	As of December 31, 2019
Term Facility, net of unamortized debt issuance costs of $1.1 million and $1.3 million	$ 437.7	$ 443.1
Revolving Credit Facility	50.0	70.0
Total debt	$ 487.7	$ 513.1
Less: Current portion of long-term debt, net of unamortized debt issuance costs of $0.3 million and $0.3 million	11.0	11.0
Long-term debt	$ 476.7	$ 502.1

Credit Agreement

In connection with the acquisition of Ratings Acquisition Corp (DBRS) on July 2, 2019, the Company entered into a senior credit agreement (the Credit Agreement). The Credit Agreement provides the Company with a five-year multi-currency credit facility with an initial borrowing capacity of up to $750.0 million, including a $300.0 million revolving credit facility (the Revolving Credit Facility) and a term loan facility of $450.0 million (the Term Facility). The Credit Agreement also provides for the issuance of up to $50.0 million of letters of credit and a $100.0 million sub-limit for a swingline facility under the Revolving Credit Facility. The Credit Agreement will expire on July 2, 2024. As of June 30, 2020, our total outstanding debt under the Credit Agreement was $487.7 million with borrowing availability of $250.0 million under the Revolving Credit Facility.

The interest rate applicable to any loan under the Credit Agreement is, at our option, either: (i) the applicable London Interbank Offered Rate (LIBOR) plus an applicable margin for such loans, which ranges between 1.00% and 1.50%, based on our consolidated leverage ratio or (ii) the lender's base rate plus the applicable margin for such loans, which ranges between 0.00% and 0.50%, based on our consolidated leverage ratio.

The proceeds of the Term Facility and initial borrowings under the Revolving Credit Facility were used to finance the acquisition of DBRS. The proceeds of future borrowings under the Revolving Credit Facility may be used for working capital, capital expenditures or any other lawful corporate purpose.

The portions of deferred debt issuance costs related to the Revolving Credit Facility are included in other current and other non-current assets, and the portion of deferred debt issuance costs related to the Term Facility is reported as a reduction to the carrying amount of the Term Facility. Amortization of debt issuance costs related to the Revolving Credit Facility are amortized on a straight-line to interest expense over the term of the Credit Agreement. Amortization of debt issuance costs related to the Term Facility are amortized to interest expense using the effective interest method over the term of the Credit Agreement.

364-Day Revolving Credit Facility

On June 30, 2020, we entered into a 364-day revolving credit facility (364-Day Revolving Credit Facility) providing for borrowings in an aggregate principal amount of up to $50.0 million. The proceeds of such borrowings may be used for working capital, capital expenditures, and any other lawful corporate purpose. As of June 30, 2020, no borrowings were outstanding.

Compliance with Covenants

The Credit Agreement and the 364-Day Revolving Credit Facility contain identical financial covenants under which we: (i) may not exceed a maximum consolidated leverage ratio of 3.50 to 1.00 (or 3.75 to 1.00 for the four fiscal quarters following any material acquisition (as defined in the Credit Agreement and 364-Day Revolving Credit Facility) and (ii) are required to maintain a minimum consolidated interest coverage ratio of not less than 3.00 to 1.00. We were in compliance with these financial covenants as of June 30, 2020 and December 31, 2019.

4. Acquisitions, Goodwill, and Other Intangible Assets

2020 Acquisitions

On January 31, 2020, we acquired Hueler Analytics' Stable Value Fund Comparative Universe Data and Stable Value Index (Hueler Analytics). We began consolidating the financial results of Hueler Analytics in our consolidated financial statements on January 31, 2020.

On April 3, 2020, we acquired PlanPlus Global, a financial-planning, risk-profiling, and portfolio tracking software firm. The acquisition expands our financial-planning capabilities for advisors. We began consolidating the financial results of PlanPlus Global in our consolidated financial statements on April 3, 2020.

2019 Acquisitions

During the second quarter of 2020, we finalized the purchase price allocation related to our acquisition of DBRS and did not record any significant adjustments compared with the preliminary estimates disclosed in the Notes to the Audited Consolidated Financial Statements included in our Annual Report.

The following unaudited pro forma information presents a summary of our Condensed Consolidated Statements of Income for the six months ended June 30, 2019 as if we had completed the acquisition as of January 1, 2019.

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This unaudited pro forma information is presented for illustrative purposes and is not intended to represent or be indicative of the actual results of operations or expected synergies of DBRS Morningstar that would have been achieved had the acquisition occurred at the beginning of the earliest period presented, nor is it intended to represent or be indicative of future results of operations.

In calculating the pro forma information below, we included an estimate of amortization expense related to the intangible assets acquired, depreciation expense due to changes in estimated remaining useful lives of long-lived assets, and reduction in revenue as a result of the fair value adjustments to deferred revenue, as well as the related income tax impacts.

Unaudited Pro Forma Financial Information (in millions, except for per share amounts)	**Six months ended June 30, 2019**
Revenue	$ 613.0
Operating income	101.0
Net income	71.5
Basic net income per share	$ 1.67
Diluted net income per share	$ 1.66

Goodwill

The following table shows the changes in our goodwill balances from December 31, 2019 to June 30, 2020:

	(in millions)
Balance as of December 31, 2019	$ 1,039.1
Other, primarily foreign currency translation	(13.8)
Balance as of June 30, 2020	$ 1,025.3

We did not record any goodwill impairment losses in the first six months of 2020 and 2019. We perform our annual impairment reviews in the fourth quarter or when impairment indicators and triggering events are identified.

Intangible Assets

The following table summarizes our intangible assets:

	As of June 30, 2020				**As of December 31, 2019**			
(in millions)	**Gross**	**Accumulated Amortization**	**Net**	**Weighted Average Useful Life (years)**	**Gross**	**Accumulated Amortization**	**Net**	**Weighted Average Useful Life (years)**
Customer-related assets	$ 373.1	$ (142.8)	$ 230.3	11	$ 377.9	$ (130.3)	$ 247.6	11
Technology-based assets	169.7	(121.0)	48.7	7	163.7	(112.0)	51.7	7
Intellectual property & other	69.9	(38.4)	31.5	8	69.3	(35.2)	34.1	8
Total intangible assets	$ 612.7	$ (302.2)	$ 310.5	9	$ 610.9	$ (277.5)	$ 333.4	10

The following table summarizes our amortization expense related to intangible assets:

	Three months ended June 30,		**Six months ended June 30,**	
(in millions)	**2020**	**2019**	**2020**	**2019**
Amortization expense	$ 13.7	$ 4.9	$ 27.7	$ 9.8

We amortize intangible assets using the straight-line method over their expected economic useful lives.

We expect intangible amortization expense for the remainder of 2020 and subsequent years to be as follows:

		(in millions)
Remainder of 2020 (from July 1 through December 31)	$	27.1
2021		51.7
2022		43.7
2023		39.9
2024		34.1
Thereafter		114.0
Total	$	310.5

Our estimates of future amortization expense for intangible assets may be affected by additional acquisitions, divestitures, changes in the estimated useful lives, impairments, and foreign currency translation.

5. Income Per Share

The following table shows how we reconcile our net income and the number of shares used in computing basic and diluted net income per share:

	Three months ended June 30,		Six months ended June 30,	
(in millions, except share and per share amounts)	2020	2019	2020	2019
Basic net income per share:				
Consolidated net income	$ 48.2	$ 42.1	$ 72.1	$ 75.3
Weighted average common shares outstanding	42.9	42.7	42.9	42.7
Basic net income per share	$ 1.13	$ 0.99	$ 1.68	$ 1.77
Diluted net income per share:				
Consolidated net income	$ 48.2	$ 42.1	$ 72.1	$ 75.3
Weighted average common shares outstanding	42.9	42.7	42.9	42.7
Net effect of dilutive stock options, restricted stock units, performance share awards, and market stock units	0.3	0.4	0.3	0.4
Weighted average common shares outstanding for computing diluted income per share	43.2	43.1	43.2	43.1
Diluted net income per share	$ 1.12	$ 0.98	$ 1.67	$ 1.75

During the periods presented, the number of anti-dilutive restricted stock units, performance share awards, or market stock units excluded from our calculation of diluted earnings per share was immaterial.

6. Revenue

Disaggregation of Revenue

The following table presents our revenue disaggregated by revenue type. Sales and usage-based taxes are excluded from revenue.

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2020	2019	2020	2019
License-based	$ 221.1	$ 200.9	$ 437.1	$ 396.4
Asset-based	51.8	52.6	109.0	101.5
Transaction-based	55.0	20.4	105.8	34.9
Consolidated revenue	$ 327.9	$ 273.9	$ 651.9	$ 532.8

License-based performance obligations are generally satisfied over time as the customer has access to the product or service during the term of the subscription license and the level of service is consistent during the contract period. License-based agreements typically have a term of 12 to 36 months. License-based revenue is generated by Morningstar Data, Morningstar Direct, Morningstar Advisor Workstation, PitchBook, and other similar product lines.

Asset-based performance obligations are satisfied over time as the customer receives continuous access to a service for the term. Asset-based arrangements typically have a term of 12 to 36 months. Asset-based fees represent variable consideration and the customer does not make separate purchasing decisions that result in additional performance obligations. Significant changes in the underlying fund assets and significant disruptions in the market are evaluated to determine whether estimates of earned asset-based fees need to be revised for the current quarter. The timing of client asset reporting and the structure of certain contracts can result in a one-quarter lag between market movements and the impact on earned revenue. An estimate of variable consideration is included in the initial transaction price only to the extent it is probable that a significant reversal in the amount of the revenue recognized will not occur. Estimates of asset-based fees are based on the most recently completed quarter and, as a result, it is unlikely a significant reversal of revenue would occur. Asset-based revenue is generated by Investment Management, Workplace Solutions, and Morningstar Indexes.

Transaction-based performance obligations are satisfied when the product or service is completed or delivered. Transaction-based revenue is generated by DBRS Morningstar, Internet advertising, and Morningstar-sponsored conferences. DBRS Morningstar revenue includes revenue from surveillance services, which is recognized over time, as the customer has access to the service during the surveillance period.

Contract liabilities

Our contract liabilities represent deferred revenue. We record contract liabilities when cash payments are received or due in advance of our performance, including amounts which are refundable. The contract liabilities balance as of June 30, 2020 had a net increase of $38.0 million, primarily driven by cash payments received or payable in advance of satisfying our performance obligations. We recognized $180.5 million of revenue in the six month period ended June 30, 2020 that was included in the contract liabilities balance as of December 31, 2019.

We expect to recognize revenue related to our contract liabilities for the remainder of 2020 and subsequent years as follows:

(in millions)	**As of June 30, 2020**
Remainder of 2020 (from July 1 through December 31)	$ 318.6
2021	236.7
2022	85.6
2023	20.8
2024	11.6
Thereafter	54.5
Total	$ 727.8

The aggregate amount of revenue we expect to recognize for the remainder of 2020 and subsequent years is higher than our contract liability balance of $320.3 million as of June 30, 2020. The difference represents the value of future obligations for signed contracts for which we have not yet begun to satisfy the performance obligations or have not yet billed the customer.

The table above does not include variable consideration for unsatisfied performance obligations related to certain of our license-based, asset-based, and transaction-based contracts as of June 30, 2020. We are applying the optional exemption available under ASC Topic 606, as the variable consideration relates to these unsatisfied performance obligations being fulfilled as a series. The performance obligations related to these contracts are expected to be satisfied over the next 12 to 36 months as services are provided to the client. For license-based contracts, the consideration received for services performed is based on the number of future users, which is not known until the services are performed. The variable consideration for this revenue can be affected by the number of user licenses, which cannot be reasonably estimated. For asset-based contracts, the consideration received for services performed is based on future asset values, which are not known until the services are performed. The variable consideration for this revenue can be affected by changes in the underlying value of fund assets due to client redemptions, additional investments, or movements in the market. For transaction-based contracts for Internet advertising, the consideration received for services performed is based on the number of impressions, which is not known until the impressions are created. The variable consideration for this revenue can be affected by the timing and quantity of impressions in any given period and cannot be reasonably estimated.

As of June 30, 2020, the table above also does not include revenue for unsatisfied performance obligations related to certain of our license-based and transaction-based contracts with durations of one year or less since we are applying the optional exemption under ASC Topic 606. For certain license-based contracts, the remaining performance obligation is expected to be less than one year based on the corresponding subscription terms. For transaction-based contracts, such as new credit rating issuances and Morningstar-sponsored conferences, the related performance obligations are expected to be satisfied within the next 12 months.

Contract Assets

Our contract assets represent accounts receivable, less allowance for credit losses, and deferred commissions. We did not record any impairment losses on receivables or deferred commissions in the first six months of 2020.

The following table summarizes our contract assets balance:

(in millions)	As of June 30, 2020	As of December 31, 2019
Accounts receivable, less allowance for credit losses	$ 181.4	$ 188.5
Deferred commissions	31.6	30.4
Total contract assets	$ 213.0	$ 218.9

7. Segment and Geographical Area Information

Segment Information

We report our results in a single reportable segment, which reflects how our chief operating decision maker allocates resources considering our core data which is managed centrally on a company-wide basis and evaluates our financial results. Because we have a single reportable segment, all required financial segment information can be found directly in the Condensed Consolidated Financial Statements. The accounting policies for our reportable segment are the same as those described in Note 2 of the Notes to the Audited Consolidated Financial Statements included in our Annual Report. We evaluate the performance of our reporting segment based on revenue and operating income.

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Geographical Area Information

The tables below summarize our revenue and long-lived assets, which includes property, equipment, and capitalized software, net and operating lease assets, by geographical area:

Revenue by geographical area

(in millions)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
United States	$ 228.3	$ 208.0	$ 462.9	$ 403.1
Asia	8.3	6.8	15.9	13.1
Australia	10.4	10.0	21.0	19.5
Canada	28.3	7.8	49.0	15.7
Continental Europe	23.9	20.9	46.9	41.3
United Kingdom	27.0	18.8	53.0	36.9
Other	1.7	1.6	3.2	3.2
Total International	99.6	65.9	189.0	129.7
Consolidated revenue	$ 327.9	$ 273.9	$ 651.9	$ 532.8

Property, equipment, and capitalized software, net by geographical area

(in millions)	As of June 30, 2020	As of December 31, 2019
United States	$ 125.7	$ 131.2
Asia	5.9	6.6
Australia	3.7	4.2
Canada	2.4	2.9
Continental Europe	2.4	2.3
United Kingdom	6.5	6.9
Other	0.4	0.6
Total International	21.3	23.5
Consolidated property, equipment, and capitalized software, net	$ 147.0	$ 154.7

Operating lease assets by geographical area

(in millions)	As of June 30, 2020	As of December 31, 2019
United States	$ 93.5	$ 86.4
Asia	16.1	20.2
Australia	5.5	5.8
Canada	7.2	7.5
Continental Europe	15.2	6.3
United Kingdom	15.2	17.9
Other	0.7	0.7
Total International	59.9	58.4
Consolidated operating lease assets	$ 153.4	$ 144.8

The long-lived assets by geographical area do not include deferred commissions, non-current as the balance is not significant.

8. Fair Value Measurements

As of June 30, 2020 and December 31, 2019, our investment balances totaled $29.5 million and $33.4 million, respectively. We classify our investments into three categories: available-for-sale, held-to-maturity, and trading securities. Our investment portfolio consists of stocks, bonds, options, mutual funds, money market funds, or exchange-traded products that replicate the model portfolios and strategies created by Morningstar. These investment accounts may also include exchange-traded products where Morningstar is an index provider. All investments in our investment portfolio have valuations based on quoted prices in active markets for identical assets or liabilities that we have the ability to access, and, therefore, are classified as Level 1 within the fair value hierarchy.

9. Leases

We lease office space and certain equipment under various operating and finance leases, with most of our lease portfolio consisting of operating leases for office space.

We determine whether an arrangement is, or includes, an embedded lease at contract inception. Operating lease assets and lease liabilities are recognized at the commencement date and initially measured using the present value of lease payments over the defined lease term. Lease expense is recognized on a straight-line basis over the lease term. For finance leases, we also recognize a finance lease asset and finance lease liability at inception, with lease expense recognized as interest expense and amortization.

A contract is or contains an embedded lease if the contract meets all the below criteria:

- there is an identified asset;
- we obtain substantially all the economic benefits of the asset; and
- we have the right to direct the use of the asset.

For initial measurement of the present value of lease payments and for subsequent measurement of lease modifications, we are required to use the rate implicit in the lease if available. However, as most of our leases do not provide an implicit rate, we use our incremental borrowing rate, which is a collateralized rate. To apply the incremental borrowing rate, we used a portfolio approach and grouped leases based on similar lease terms in a manner whereby we reasonably expect that the application does not differ materially from a lease-by-lease approach.
Our leases have remaining lease terms of approximately 1 year to 13 years, which term may include the option to extend the lease when it is reasonably certain we will exercise that option. We do not have lease agreements with residual value guarantees, sale leaseback terms, or material restrictive covenants.

Leases with an initial term of 12 months or less are not recognized on the balance sheet. We recognize lease expense for these leases on a straight-line basis over the lease term.

The following table summarizes our operating lease assets and lease liabilities:

Leases (in millions)	Classification on the Balance Sheet	As of June 30, 2020	As of December 31, 2019
Assets			
Operating	Operating Lease Assets	$ 153.4	$ 144.8
Liabilities			
Operating	Operating lease liabilities, current	$ 37.1	$ 35.8
Operating	Operating lease liabilities, non-current	142.3	138.7
Total lease liabilities		$ 179.4	$ 174.5

Our operating lease expense for the three months ended June 30, 2020 was $10.1 million, compared with $7.9 million for the three months ended June 30, 2019. Charges related to our operating leases that are variable and, therefore, not included in the measurement of the lease liabilities, were $3.5 million for the three months ended June 30, 2020, compared with $3.1 million for the three months ended June 30, 2019. We made lease payments of $10.6 million during the three months ended June 30, 2020, compared with $8.2 million during the three months ended June 30, 2019.

Our operating lease expense for the six months ended June 30, 2020 was $19.8 million, compared with $15.8 million for the six months ended June 30, 2019. Charges related to our operating leases that are variable and, therefore, not included in the measurement of the lease liabilities, were $6.9 million for the six months ended June 30, 2020, compared with $5.7 million for the six months ended June 30, 2019. We made lease payments of $21.1 million during the six months ended June 30, 2020, compared with $14.4 million during the six months ended June 30, 2019.

The following table shows our minimum future lease commitments due in each of the next five years and thereafter for operating leases:

Minimum Future Lease Commitments (in millions)	Operating Leases
Remainder of 2020 (July 1 through December 31)	$ 21.6
2021	41.4
2022	28.4
2023	25.8
2024	20.3
Thereafter	71.3
Total minimum lease commitments	208.8
Adjustment for discount to present value	29.4
Total	$ 179.4

The following table summarizes the weighted-average lease terms and weighted-average discount rates for our operating leases:

	As of June 30, 2020
Weighted-average remaining lease term (in years)	6.8
Weighted-average discount rate	4.24 %

10. Stock-Based Compensation

Stock-Based Compensation Plans

All our employees and our non-employee directors are eligible for awards under the Morningstar 2011 Stock Incentive Plan, which provides for a variety of stock-based awards, including stock options, restricted stock units, performance share awards, market stock units, and restricted stock.

The following table summarizes the stock-based compensation expense included in each of our operating expense categories:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2020	2019	2020	2019
Cost of revenue	$ 3.7	$ 3.7	$ 6.1	$ 6.8
Sales and marketing	1.2	1.4	2.2	2.9
General and administrative	5.4	7.4	9.3	12.8
Total stock-based compensation expense	$ 10.3	$ 12.5	$ 17.6	$ 22.5

As of June 30, 2020, the total unrecognized stock-based compensation cost related to outstanding restricted stock units, performance share awards, and market stock units expected to vest was $66.2 million, which we expect to recognize over a weighted average period of 17 months.

11. Income Taxes

Effective Tax Rate

The following table shows our effective tax rate for the three and six months ended June 30, 2020 and June 30, 2019:

	Three months ended June 30,		Six months ended June 30,	
(in millions)	2020	2019	2020	2019
Income before income taxes and equity in net income (loss) of unconsolidated entities	$ 63.9	$ 53.1	$ 97.1	$ 99.3
Equity in net income (loss) of unconsolidated entities	(0.5)	0.7	(1.3)	(0.8)
Total	$ 63.4	$ 53.8	$ 95.8	$ 98.5
Income tax expense	$ 15.2	$ 11.7	$ 23.7	$ 23.2
Effective tax rate	24.0 %	21.7 %	24.7 %	23.6 %

Our effective tax rate in the second quarter and first six months of 2020 was 24.0% and 24.7%, respectively, reflecting respective increases of 2.3 and 1.1 percentage points, compared with the same periods in the prior year. The increases were primarily due to minimum taxes and non-deductible expenses in 2020.

Unrecognized Tax Benefits

The table below provides information concerning our gross unrecognized tax benefits as of June 30, 2020 and December 31, 2019, as well as the effect these gross unrecognized tax benefits would have on our income tax expense, if they were recognized.

(in millions)	As of June 30, 2020	As of December 31, 2019
Gross unrecognized tax benefits	$ 11.4	$ 12.6
Gross unrecognized tax benefits that would affect income tax expense	$ 11.4	$ 12.6
Decrease in income tax expense upon recognition of gross unrecognized tax benefits	$ 11.2	$ 12.4

Our Unaudited Condensed Consolidated Balance Sheets include the following liabilities for unrecognized tax benefits. These amounts include interest and penalties, less any associated tax benefits.

Liabilities for Unrecognized Tax Benefits (in millions)	As of June 30, 2020	As of December 31, 2019
Current liability	$ 7.9	$ 10.8
Non-current liability	4.4	3.0
Total liability for unrecognized tax benefits	$ 12.3	$ 13.8

Because we conduct business globally, we file income tax returns in U.S. federal, state, local, and foreign jurisdictions. We are currently under audit by federal, state, and local tax authorities in the U.S. as well as tax authorities in certain non-U.S. jurisdictions. It is likely that the examination phase of some of these federal, state, local, and non-U.S. audits will conclude in 2020. It is not possible to estimate the effect of current audits on previously recorded unrecognized tax benefits.

Approximately 70% of our cash, cash equivalents, and investments balance as of June 30, 2020 was held by our operations outside of the United States. We generally consider our U.S. directly-owned foreign subsidiary earnings to be permanently reinvested. We believe that our cash balances and investments in the United States, along with cash generated from our U.S. operations, will be sufficient to meet our U.S. operating and cash needs for the foreseeable future, without requiring us to repatriate earnings from these foreign subsidiaries.

Certain of our non-U.S. operations have incurred net operating losses (NOLs), which may become deductible to the extent these operations become profitable. For each of our operations, we evaluate whether it is more likely than not that the tax benefits related to NOLs will be realized. As part of this evaluation, we consider evidence such as tax planning strategies, historical operating results, forecasted taxable income, and recent financial performance. In the year that certain non-U.S. operations record a loss, we do not recognize a corresponding tax benefit, which increases our effective tax rate. Upon determining that it is more likely than not that the NOLs will be realized, we reduce the tax valuation allowances related to these NOLs, which results in a reduction to our income tax expense and our effective tax rate in that period.

12. Contingencies

We record accrued liabilities for litigation, regulatory, and other business matters when those matters represent loss contingencies that are both probable and estimable. In these cases, there may be an exposure to loss in excess of any amounts accrued. When a loss contingency is not both probable and estimable, we do not establish an accrued liability. As litigation, regulatory, or other business matters develop, we evaluate on an ongoing basis whether such matters present a loss contingency that is probable and estimable.

Data Audits and Reviews
In our global data business, we include in our products, or directly redistribute to our customers, data, and information licensed from third-party vendors. Our compliance with the terms of these licenses is reviewed internally and is also subject to audit by the third-party vendors. At a given time, we may be undergoing several such internal reviews and third-party vendor audits and the results and findings of which may indicate that we may be required to make a payment for prior data usage. Due to a lack of available information and data, as well as potential variations of any audit or internal review findings, we generally are not able to reasonably estimate a possible loss, or range of losses for these matters. While we cannot predict the outcome of these processes, we do not anticipate they will have a material adverse effect on our business, operating results, or financial position.

Credit Ratings Matters
In April 2020, the staff of the SEC notified Morningstar Credit Ratings, LLC (MCR) that they had reached a preliminary decision to recommend that the Commission authorize an enforcement action related to MCR’s former commercial mortgage-backed securities ratings methodology. MCR submitted a written response to the staff on May 12, 2020. At this time, we do not believe any result will have a material adverse effect on our business, operating results, or financial position.

On May 15, 2020, in an unrelated matter, MCR entered into a settlement for $3.5 million with the SEC to resolve an investigation into whether certain activities of MCR's asset-backed securities staff in 2015 to 2016 complied with sales and marketing rules applicable to Nationally Recognized Statistical Rating Organizations. The full amount of the settlement was accrued as of December 31, 2019.

Other Matters
We are involved from time to time in regulatory investigations and legal proceedings that arise in the normal course of our business. While it is difficult to predict the outcome of any particular investigation or proceeding, we do not believe the result of any of these matters will have a material adverse effect on our business, operating results, or financial position.

13. Share Repurchase Program

In December 2017, the board of directors approved a share repurchase program that authorizes the Company to repurchase up to $500.0 million in shares of the Company's outstanding common stock effective January 1, 2018. The authorization expires on December 31, 2020. We may repurchase shares from time to time at prevailing market prices on the open market or in private transactions in amounts that we deem appropriate.

We did not repurchase any shares during the second quarter of 2020. In the first six months of 2020, we repurchased a total of 176,925 shares for $20.0 million. As of June 30, 2020, we repurchased a total of 421,105 shares for $45.6 million under this program, leaving approximately $454.4 million available for future repurchases.

14. Subsequent Events

Acquisition of Sustainalytics
On July 2, 2020, we completed our previously announced acquisition of Sustainalytics, a globally recognized leader in environmental, social, and governance (ESG) ratings and research. The Company owned an approximate 40% ownership stake in Sustainalytics, first acquired in 2017, and purchased the remaining approximate 60% of Sustainalytics shares upon closing of the transaction. The transaction consideration included a cash payment at closing of EUR 54.5 million and additional cash payments in 2021 and 2022 contingent upon on a multiple of Sustainalytics’ 2020 and 2021 fiscal year revenues.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The discussion included in this section, as well as other sections of this Quarterly Report on Form 10-Q (this Quarterly Report), 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, including the expected impacts of COVID-19. 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:

- *the impact of the current COVID-19 pandemic on our business, financial condition, and results of operations;*
- *liability for any losses that result from an actual or claimed breach of our fiduciary duties;*
- *failing to maintain and protect our brand, independence, and reputation;*
- *liability related to cybersecurity and the protection of confidential information, including personal information about individuals;*
- *failing to differentiate our products and continuously create innovative, proprietary research tools and financial advisor software;*
- *inadequacy of our operational risk management and business continuity programs in the event of a material disruptive event;*
- *failing to respond to technological change, keep pace with new technology developments, or adopt a successful technology strategy;*
- *compliance failures, regulatory action, or changes in laws applicable to our investment advisory or credit ratings operations;*
- *volatility in the financial sector, global financial markets, and global economy and its effect on our revenue from asset-based fees and credit ratings business;*
- *trends in the asset management industry, including the increasing adoption of investment strategies and portfolios relying on passively managed investment vehicles and increased industry consolidation;*
- *liability relating to the collection or distribution of information and data we collect and produce, or errors included therein;*
- *an outage of our database, technology-based products and services, or network facilities or the movement of parts of our technology and data infrastructure to the public cloud and other outsourced providers;*
- *the failure of acquisitions and other investments to be efficiently integrated and produce the results we anticipate;*
- *the failure to recruit, develop, and retain qualified employees;*
- *challenges faced by our non-U.S. operations, including the concentration of data and development work at our offshore facilities in China and India; and*
- *the failure to protect our intellectual property rights or claims of intellectual property infringement against us.*

A more complete description of these risks and uncertainties can be found in our other filings with the Securities and Exchange Commission (SEC), including our Annual Report on Form 10-K for the year ended December 31, 2019 (our Annual Report). *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.*

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

Understanding our Company

Our Business

Our mission is to empower investor success. The investing ecosystem is complex and navigating it with confidence requires a trusted, independent voice. Our perspective is delivered to institutions, advisors, and individuals with a single-minded purpose: to empower every investor with the conviction that he or she can make better-informed decisions and realize success on his or her own terms.

We deliver insights and experiences to clients that are essential to investing. Proprietary data sets, meaningful analytics, independent research and effective investment strategies are at the core of the powerful digital solutions that investors across client segments rely on. We generate revenue through products and services in three major categories:

- Subscriptions and license agreements, which typically generate recurring revenue;
- Asset-based fees for our investment management business; and
- Transaction-based revenue for products that involve primarily one-time, non-recurring revenue.

COVID-19 Update

As of June 30, 2020, we continue to closely monitor the impact of the COVID-19 pandemic on all aspects of our business and geographies, including how it affects team members, customers, suppliers, and global markets.

Given the dynamic nature of these circumstances, the long-term impact of the COVID-19 pandemic on our ongoing business, results of operations, and overall future financial performance cannot be reasonably estimated at this time. While the recurring nature of our licensed-based revenue showed resilience in the second quarter, a prolonged economic downturn caused by the COVID-19 pandemic could lead clients to adjust purchasing decisions or product and service implementations, or may cause them to cancel or reduce spending with us. Our asset-based revenue is subject to global market conditions and client investment decisions although the structure of certain contracts and timing of client asset reporting may cause certain impacts to be reflected in results with a lag. Transaction-based revenue primarily includes DBRS Morningstar, which is dependent on overall credit market conditions and debt issuance levels. The tightening of global credit markets and market volatility persisted in the second quarter and continued to have an adverse impact on the volume of many new issuance segments in the U.S. and Europe. Transaction-based revenue was also impacted by the delay or cancellation of many Morningstar-sponsored conferences due to shelter-in-place orders, quarantines and significant restrictions on travel that continued in the second quarter.

Our operations also have been affected by a range of external factors related to the COVID-19 pandemic that are not within our control. For example, many jurisdictions continue to impose a wide range of restrictions on the physical movement of our employees and vendors to limit the spread of COVID-19. We have taken numerous steps, and will continue to take further actions, in our approach to addressing the COVID-19 pandemic. We continue to implement our business continuity plans and our incident management team is in place to respond to changes in our global environment quickly and effectively. To protect the health and safety of our team members, we successfully transitioned our global workforce to remote work environments, which has had relatively little impact on the productivity of our employees, including our ability to gather data. Based on the guidelines of local authorities and our own safety standards, we have begun to re-open certain offices on a limited capacity basis during the second quarter and will continue to do so to provide flexibility for employees with a focus on social distancing and safety. We are also working closely with our clients to support them as they implement their own contingency plans, helping them access our products and services remotely. There have been minimal interruptions in our ability to provide our products, services, and support to our clients.

The situation surrounding the COVID-19 pandemic remains fluid, and we continue to actively manage our response and assess potential impacts to our financial position and operating results. This includes the evaluation and implementation of certain cost control efforts to help us mitigate the impact that reduced revenues may have on our 2020 financial results. We are focusing on maintaining a strong balance sheet and liquidity position. On June 30, 2020, we entered into a $50.0 million 364-day senior revolving credit facility on terms consistent with our Credit Agreement. Our cash and investments totaled $383.2 million at the end of the second quarter of 2020 and we had approximately $300.0 million of availability under our $350.0 million revolving credit facilities. We remain in compliance with our financial covenants under these facilities.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security ("CARES") Act was signed into law. The CARES Act provides a substantial stimulus and assistance package intended to address the impact of the COVID-19 pandemic, including tax relief and government loans, grants and investments. The CARES Act had no impact on our consolidated financial statements for the three and six months ended June 30, 2020. We continue to monitor any effects that may result from the CARES Act and other similar legislation or governmental actions in geographies in which our business operates.

For more information, see Item 1A. Risk Factors for further discussion of the impact of the COVID-19 pandemic on our business.

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Supplemental Operating Metrics (Unaudited)

The tables below summarize our key product metrics and other supplemental data.

	Three months ended June 30,				Six months ended June 30,			
	2020	2019	Change	Organic Change (1)	2020	2019	Change	Organic Change (1)
Revenue by Type								
License-based (2)	$ 221.1	$ 200.9	10.1 %	10.1 %	$ 437.1	$ 396.4	10.3 %	10.4 %
Asset-based (3)	51.8	52.6	(1.5)%	(0.9)%	109.0	101.5	7.4 %	8.2 %
Transaction-based (4)	55.0	20.4	169.6 %	(46.3)%	105.8	34.9	203.2 %	(36.4)%
Key product area revenue								
Morningstar Data	$ 53.3	$ 49.7	7.2 %	8.7 %	$ 104.7	$ 97.4	7.5 %	8.8 %
DBRS Morningstar (5)	49.7	10.6	368.9 %	— % (6)	96.4	20.1	379.6 %	— % (6)
PitchBook	48.0	35.1	36.8 %	36.8 %	93.3	67.4	38.4 %	38.4 %
Morningstar Direct	38.7	36.8	5.2 %	6.5 %	77.0	73.1	5.3 %	6.5 %
Investment Management	27.3	28.9	(5.5)%	(4.5)%	57.8	55.5	4.1 %	5.3 %
Morningstar Advisor Workstation	21.2	22.2	(4.5)%	(4.3)%	43.0	44.5	(3.4)%	(3.3)%
Workplace Solutions	19.7	19.7	— %	— %	40.9	38.2	7.1 %	7.1 %

	As of June 30,		
	2020	2019	Change
Select business metrics			
Morningstar Direct licenses	16,148	15,521	4.0 %
PitchBook Platform licenses	45,039	29,398	53.2 %
Advisor Workstation clients (U.S.)	152	171	(11.1)%
Morningstar.com Premium Membership subscriptions (U.S.)	113,683	111,428	2.0 %
Assets under management and advisement (approximate) ($bil)			
Workplace Solutions			
Managed Accounts	$ 76.9	$ 66.7	15.3 %
Fiduciary Services	48.8	48.2	1.2 %
Custom Models	32.6	32.7	(0.3)%
Workplace Solutions (total)	$ 158.3	$ 147.6	7.2 %
Investment Management (7)			
Morningstar Managed Portfolios	$ 25.5	$ 46.2	(44.8)% (8)
Institutional Asset Management	15.5	15.0 (9)	3.3 %
Asset Allocation Services	5.8	7.1	(18.3)%
Investment Management (total)	$ 46.8	$ 68.3	(31.5)%
Asset value linked to Morningstar Indexes ($bil)	$ 62.0	$ 60.5	2.5 %

	Three months ended June 30,			Six months ended June 30,		
	2020	2019	Change	2020	2019	Change
Average assets under management and advisement ($bil)	$ 191.7	$ 213.1	(10.0)%	$ 205.1	$ 206.4	(0.6)%

(1) Organic revenue excludes acquisitions, divestitures, adoption of new accounting changes, and the effect of foreign currency translations.

(2) License-based revenue includes Morningstar Data, Morningstar Direct, Morningstar Advisor Workstation, PitchBook, and other similar products.

(3) Asset-based revenue includes Investment Management, Workplace Solutions, and Morningstar Indexes.

(4) Transaction-based revenue includes DBRS Morningstar, internet advertising, and conferences.

(5) Revenue for the three and six months ended June 30, 2019 reflects Morningstar Credit Ratings. Revenue for the three and six months ended June 30, 2020 reflects DBRS Morningstar, the combined credit ratings operations. For the three and six months ended June 30, 2020, transaction-based revenue derived primarily from one-time ratings fees was 59.5% and 58.9%, respectively, while recurring revenue from surveillance, research, and other services comprised the remainder for the period.

(6) The combination of DBRS and Morningstar's U.S.-based credit ratings operation in 2019 makes it difficult to ascribe the origin of revenue growth to either entity. As such, revenue from the combined credit ratings operation is excluded from the reporting of organic revenue growth through the second quarter of 2020.

(7) Revenue for Investment Management includes Morningstar Managed Portfolios, Institutional Asset Management, and Asset Allocation Services.

(8) The decline in revenue for Morningstar Managed Portfolios was largely attributed to a client contract change from a variable to fixed-fee arrangement. Excluding the assets from this client contract in the prior-year period, Morningstar Managed Portfolios declined 4.1%. The increase in revenue for Investment Management diverged from the decline in assets under management and advisement due to the aforementioned contract change, the impact of average asset calculations on Morningstar Managed Portfolios billing, and increased assets in the Morningstar Funds Trust.

(9) Revised to reflect updated asset reporting.

Three and Six Months Ended June 30, 2020 vs. Three and Six Months Ended June 30, 2019

Consolidated Results

Key Metrics (in millions)	Three months ended June 30, 2020	2019	Change	Six months ended June 30, 2020	2019	Change
Consolidated revenue	$ 327.9	$ 273.9	19.7 %	$ 651.9	$ 532.8	22.4 %
Operating income	61.3	50.8	20.7 %	105.8	100.3	5.5 %
Operating margin	18.7 %	18.5 %	0.2 pp	16.2 %	18.8 %	(2.6) pp
Cash provided by operating activities	$ 127.6	$ 87.2	46.3 %	176.3	$ 146.2	20.6 %
Capital expenditures	(17.0)	(18.3)	(7.1)%	(32.1)	(37.0)	(13.2)%
Free cash flow	$ 110.6	$ 68.9	60.5 %	$ 144.2	$ 109.2	32.1 %

pp — percentage points

To supplement our consolidated financial statements presented in accordance with U.S. Generally Accepted Accounting Principles (GAAP), we use the following non-GAAP measures:

- consolidated revenue, excluding acquisitions, divestitures, adoption of new accounting changes, and the effect of foreign currency translations (organic revenue);
- consolidated international revenue, excluding acquisitions, divestitures, adoption of new accounting changes, and the effect of foreign currency translations (international organic revenue);
- consolidated operating income, excluding all merger and acquisition (M&A)-related expenses and amortization (adjusted operating income);
- consolidated operating margin, excluding all M&A-related expenses and amortization (adjusted operating margin); and
- cash provided by or used for operating activities less capital expenditures (free cash flow).

These non-GAAP measures may not be comparable to similarly titled measures reported by other companies and should not be considered an alternative to any measure of performance as promulgated under GAAP.

We present organic revenue and international organic revenue because we believe these non-GAAP measures help investors better compare period-over-period results.

We present adjusted operating income and adjusted operating margin to show the effect of significant acquisition activity, better reflect period-over-period comparisons, and improve overall understanding of the underlying performance of the business absent the impact of the combined DBRS Morningstar operations.

We present free cash flow solely as supplemental disclosure to help investors better understand the level of cash available after capital expenditures. Our management team uses free cash flow to evaluate our business.

Consolidated Revenue

(in millions)	Three months ended June 30, 2020	2019	Change	Six months ended June 30, 2020	2019	Change
Consolidated revenue	$ 327.9	$ 273.9	19.7 %	$ 651.9	$ 532.8	22.4 %

In the second quarter of 2020, consolidated revenue increased 19.7% to $327.9 million. DBRS Morningstar, our combined credit ratings operation, contributed $39.1 million of revenue growth during the second quarter of 2020. Foreign currency movements had a negative impact in the quarter, reducing revenue by $2.5 million.

License-based revenue, which represents subscription services available to customers, grew 10.1% during the second quarter of 2020, driven by demand for license-based products, such as PitchBook, Morningstar Data, and Morningstar Direct. PitchBook exhibited strong levels of both new account sales, as well as existing client renewals, which resulted in an increase in revenue of $12.9 million during the quarter. The number of PitchBook Platform licenses increased to 45,039 at June 30, 2020, compared with 29,398 at June 30, 2019. Continued global demand for our data and research helped to drive revenue growth of $3.6 million and $1.9 million for Morningstar Data and Morningstar Direct, respectively. Morningstar Data continued to benefit from accelerating trends automating work flows and building out analytics teams by firms. Morningstar Direct performance was balanced across geographies with higher growth rates in Europe and Asia.

Asset-based revenue decreased by 1.5% during the second quarter of 2020 as market volatility in the first quarter of 2020 led to a revenue decline in Investment Management and flat performance in Workplace Solutions in the second quarter. This was an anticipated outcome given the structure of certain contracts and the timing of client asset reporting. Growth in Morningstar Indexes revenue was driven by positive market movements and flows into new and existing investable products.

The asset-based revenue we earn in both Investment Management and Workplace Solutions is generally based on average asset levels during each quarter. The structure of our contracts and timing of client asset reporting generally results in a one-quarter lag between market movements and the impact on revenue levels. Average assets under management and advisement (calculated based on available average quarterly or monthly data) were approximately $191.7 billion in the second quarter of 2020, compared with $213.1 billion in the second quarter of 2019. The decline in average assets under management and advisement was largely attributed to a client contract change from a variable to fixed-fee arrangement within Morningstar Managed Portfolios. Assets reported within Investment Management only include contracts with variable fees.

Transaction-based revenue more than doubled during the second quarter of 2020 compared with the second quarter of 2019, driven by the contribution of DBRS Morningstar. Many new issuance segments of the transaction-based credit rating business in both Europe and the U.S. slowed or paused during the second quarter as the pandemic persisted. However, DBRS Morningstar benefited from record corporate issuance volumes in Canada, as many Canadian investment grade issuers accelerated their full year issuance plans into the second quarter. Recurring annual fees tied to surveillance, research, and other services represented 40.5% of credit ratings revenue. Excluding the impact of the combined credit ratings contribution, transaction-based revenue declined $4.5 million, or 45.9%, due to the 2020 Morningstar Investment Conferences delays and decreases in advertising revenue on Morningstar.com.

In the first six months of 2020, consolidated revenue increased 19.7% to $327.9 million. DBRS Morningstar contributed $76.3 million of revenue growth during the first six months of 2020. Foreign currency movements had a negative impact in the first six months of 2020, reducing revenue by $4.5 million.

License-based revenue, which represents subscription services available to customers, grew 10.3% during the first six months of 2020, driven by demand for license-based products, such as PitchBook, Morningstar Data, and Morningstar Direct. Revenue from PitchBook, Morningstar Data, and Morningstar Direct increased $25.9 million, $7.3 million, and $3.9 million, respectively, due to the same factors listed above.

Asset-based revenue increased by 7.4% during the first six months of 2020, primarily driven by Morningstar Managed Portfolios, Workplace Solutions, and Morningstar Indexes. Morningstar Managed Portfolios revenue increased $3.3 million due to the $3.0 million gross revenue contribution from Morningstar Funds Trust. Workplace Solutions revenue increased $2.7 million, resulting from asset growth in Managed Retirement Accounts. Strong revenue contribution in Morningstar Indexes provided further benefit during the first six months of 2020.

Average assets under management and advisement were approximately $205.1 billion in the first six months of 2020, compared with $206.4 billion in the first six months of 2019.

Transaction-based revenue more than tripled during the first six months of 2020 compared with the first six months of 2019, driven by the contribution of DBRS Morningstar. Recurring annual fees tied to surveillance, research, and other services represented 41.1% of credit ratings revenue. Excluding the impact of the combined credit ratings contribution, transaction-based revenue declined $5.4 million, or 36.5%, due to the same factors listed above.

Organic revenue

To allow for more meaningful comparisons of our results in different periods, we provide information about organic revenue, which reflects our underlying business excluding acquisitions, divestitures, adoption of new accounting changes, and the effect of foreign currency translations. We exclude revenue from acquired businesses from our organic revenue growth calculation for a period of 12 months after we complete the acquisition. For divestitures, we exclude revenue in the prior period for which there is no comparable revenue in the current period.

The combination of DBRS and Morningstar's U.S.-based credit ratings operation in 2019 makes it difficult to ascribe the origin of revenue growth to either entity. As such, revenue from the combined credit ratings operation will be excluded from the reporting of organic revenue growth through the second quarter of 2020. Prior period results have been adjusted to conform to this presentation.

Excluding revenue from acquisitions and the unfavorable impact of foreign currency translations, organic revenue increased 5.8% and 8.6% during the second quarter and first six months of 2020, respectively. PitchBook, Morningstar Data, and Morningstar Direct were the main drivers of the increase in organic revenue during the second quarter and first six months of 2020.

The table below reconciles consolidated revenue with organic revenue:

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Consolidated revenue	$ 327.9	$ 273.9	19.7 %	$ 651.9	$ 532.8	22.4 %
Less: acquisitions	(51.7)	(10.6)	387.7 %	(99.4)	(20.1)	394.5 %
Less: divestitures	—	—	— %	—	—	— %
Less: adoption of new accounting changes	—	—	— %	—	—	— %
Effect of foreign currency translations	2.5	—	MNF	4.5	—	MNF
Organic revenue	$ 278.7	$ 263.3	5.8 %	$ 557.0	$ 512.7	8.6 %

NMF - not meaningful

Revenue by geographical area

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
United States	$ 228.3	$ 208.0	9.8 %	$ 462.9	$ 403.1	14.8 %
Asia	8.3	6.8	22.1 %	15.9	13.1	21.4 %
Australia	10.4	10.0	4.0 %	21.0	19.5	7.7 %
Canada	28.3	7.8	262.8 %	49.0	15.7	212.1 %
Continental Europe	23.9	20.9	14.4 %	46.9	41.3	13.6 %
United Kingdom	27.0	18.8	43.6 %	53.0	36.9	43.6 %
Other	1.7	1.6	6.3 %	3.2	3.2	— %
Total International	99.6	65.9	51.1 %	189.0	129.7	45.7 %
Consolidated revenue	$ 327.9	$ 273.9	19.7 %	$ 651.9	$ 532.8	22.4 %

International revenue comprised approximately 30% of our consolidated revenue for the second quarter and first six months of 2020, compared to approximately 24% for the second quarter and first six months of 2019. Approximately 50% is generated by Continental Europe and the United Kingdom.

Revenue from international operations increased 51.1% and 45.7% in the second quarter and first six months of 2020, respectively, primarily as a result of our acquisition of DBRS, which has a significant revenue base in Canada and the U.K.

International organic revenue

International organic revenue (international revenue, excluding acquisitions, divestitures, adoption of new accounting changes, and the effect of foreign currency translations) is considered a non-GAAP financial measure. The definition of international organic revenue we use may not be the same as similarly titled measures used by other companies. International organic revenue should not be considered an alternative to any measure of performance as promulgated under GAAP.

International organic revenue for the three months ended June 30, 2020 grew 7.0% as a result of $31.6 million of incremental revenue from acquisitions offset partially by a $2.5 million unfavorable impact of foreign currency translations, and mainly reflects growth in Morningstar Data and Morningstar Direct across all geographies during the second quarter of 2020.

International organic revenue for the six months ended June 30, 2020 grew 7.8% as a result of $53.7 million of incremental revenue from acquisitions offset partially by a $4.5 million unfavorable impact of foreign currency translations, and mainly reflects growth in Morningstar Data and Morningstar Direct across all geographies during the first six months of 2020.

The table below presents a reconciliation from international revenue to international organic revenue:

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
International revenue	$ 99.6	$ 65.9	51.1 %	$ 189.0	$ 129.7	45.7 %
Less: acquisitions	(31.6)	—	NMF	(53.7)	—	NMF
Less: divestitures	—	—	— %	—	—	— %
Less: adoption of new accounting changes	—	—	— %	—	—	— %
Effect of foreign currency translations	2.5	—	NMF	4.5	—	NMF
International organic revenue	$ 70.5	$ 65.9	7.0 %	$ 139.8	$ 129.7	7.8 %

Consolidated Operating Expense

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Cost of revenue	$ 131.1	$ 107.5	22.0 %	$ 268.1	$ 212.6	26.1 %
% of consolidated revenue	*40.0 %*	*39.2 %*	0.8 *pp*	*41.1 %*	*39.9 %*	1.2 *pp*
Sales and marketing	47.2	45.7	3.3 %	98.1	85.7	14.5 %
% of consolidated revenue	*14.4 %*	*16.7 %*	(2.3) *pp*	*15.0 %*	*16.1 %*	(1.1) *pp*
General and administrative	54.6	44.0	24.1 %	112.0	84.8	32.1 %
% of consolidated revenue	*16.7 %*	*16.1 %*	0.6 *pp*	*17.2 %*	*15.9 %*	1.3 *pp*
Depreciation and amortization	33.7	25.9	30.1 %	67.9	49.4	37.4 %
% of consolidated revenue	*10.3 %*	*9.5 %*	0.8 *pp*	*10.4 %*	*9.3 %*	1.1 *pp*
Total operating expense	$ 266.6	$ 223.1	19.5 %	$ 546.1	$ 432.5	26.3 %
% of consolidated revenue	*81.3 %*	*81.5 %*	(0.2) *pp*	*83.8 %*	*81.2 %*	2.6 *pp*

Consolidated operating expense increased $43.5 million, or 19.5%, in the second quarter of 2020, and $113.6 million, or 26.3%, in the first six months of 2020. DBRS Morningstar contributed 19.0% to operating expense growth, including deal-related amortization and integration expenses as well as costs related to regulatory matters during the second quarter of 2020. Operating expenses for the remainder of Morningstar remained relatively flat, reflecting the impact of reduced spending in certain categories resulting from the COVID-19 pandemic, as well as deliberate decisions by management to control costs. Foreign currency translations had a favorable impact of $2.8 million and $4.8 million on operating expense during the second quarter and first six months of 2020, respectively.

Compensation expense (which primarily consists of salaries, bonuses, and other company-sponsored benefits) increased $29.3 million in the second quarter of 2020. The addition of approximately 484 employees from the DBRS acquisition contributed $21.6 million of the total increase in compensation expense. The remaining increase reflects headcount in data collection and analysis, product and software development, and sales and service support. Amortization expense increased $8.8 million primarily from additional amortization related to intangibles from the acquisition of DBRS. Professional fees increased $8.2 million due to costs related to regulatory matters and M&A-related activity. Production expense increased $2.2 million, primarily from fees paid to sub-advisors and other costs related to the Morningstar Funds Trust, as well as cloud-based computing costs. The increase in expenses was partially mitigated by lower spend in categories directly impacted by the COVID-19 pandemic, such as employee travel-related expense and conference marketing, which decreased $4.8 million and $3.2 million, respectively, during the second quarter of 2020. Stock-based compensation expense declined $2.2 million related to the renewal of PitchBook's management bonus plan. The new three-year plan mirrors the incentive structure of the original plan, featuring lower target payouts in the first two years compared with the actual 2019 payout.

We had 6,914 employees worldwide as of June 30, 2020, compared with 5,829 as of June 30, 2019. This increase reflects continued investment in resources to support our key growth initiatives, including operations in India and the United States. This increase also includes approximately 484 employees who joined Morningstar as a result of the DBRS acquisition in July 2019.

Cost of revenue

Cost of revenue is our largest category of operating expense, representing close to one-half of our total operating expense. Our business relies heavily on human capital, and cost of revenue includes the compensation expense for employees who develop our products and deliver our services. We include compensation expense for approximately 80% of our employees in this category.
Cost of revenue increased $23.6 million in the second quarter of 2020. Higher compensation expense of $18.0 million was the largest contributor to the increase. DBRS Morningstar contributed $16.5 million of the increase in compensation expense. Professional fees increased $3.5 million during the second quarter of 2020 related to third-party contractors assisting with software development and technology improvements. Higher production expense of $2.2 million also contributed to the unfavorable variance in this category, mainly due to $1.3 million in fees paid to sub-advisors and other costs related to the Morningstar Funds Trust, as well as cloud computing costs.

Cost of revenue increased $55.5 million in the first six months of 2020. Higher compensation expense of $39.7 million was the largest contributor to the increase. DBRS Morningstar contributed $33.5 million of the increase in compensation expense. Professional fees and production expense both increased $6.7 million during the first six months of 2020 due to the same factors listed above.

Continuous focus on the development of our major software platforms, in addition to bringing new products and capabilities to market, resulted in a slight increase in capitalized software development over the prior period, which in turn reduced operating expense. We capitalized $28.3 million associated with software development activities, mainly related to enhanced capabilities in our products, internal infrastructure, and software in the first six months of 2020, compared with $27.3 million in the first six months of 2019.

Sales and marketing

Sales and marketing expense increased $1.5 million in the second quarter of 2020, reflecting a $6.0 million increase in compensation expense, which was partially driven by additional headcount from the DBRS acquisition. The increase in compensation expense was mitigated by lower spend in certain expense categories impacted by the pandemic, such as employee travel-related expense and conference marketing, which decreased $1.8 million and $3.2 million, respectively, during the second quarter of 2020.

For the first six months of 2020, sales and marketing expense increased $12.4 million, reflecting a $14.0 million increase in compensation expense, which was partially driven by additional headcount from the DBRS acquisition. Sales commission expense was higher by $2.4 million largely due to strong PitchBook sales performance and additional headcount under the sales commission plans throughout the organization. Travel-related and conference marketing expense also declined during the first six months of 2020 due to the same factors listed above.

General and administrative

General and administrative expense increased $10.6 million during the second quarter of 2020. Compensation expense increased $5.2 million, of which DBRS Morningstar accounted for $3.5 million. Professional fees increased $4.6 million during the second quarter of 2020, primarily due to regulatory matters and M&A-related activity. Rent expense also increased $3.3 million during the second quarter in connection with lease expansion and renewals in certain geographies. Stock-based compensation decreased $2.0 million as a result of the renewal of PitchBook's management bonus plan. The new three-year plan mirrors the incentive structure of the original plan, featuring lower target payouts in the first two years compared with the actual 2019 payout.

For the first six months of 2020, general and administrative expense increased $27.2 million. Compensation expense increased $11.4 million, of which DBRS Morningstar accounted for $7.4 million. Professional fees and rent expense increased $9.4 million and $4.9 million, respectively, while stock-based compensation decreased $3.5 million due to the same factor listed above.

Depreciation and amortization

Depreciation expense increased $1.1 million in the second quarter of 2020, driven mainly by depreciation expense related to capitalized software development incurred over the past several years. Intangible amortization expense increased $8.8 million, primarily from additional amortization related to intangibles generated by the acquisition of DBRS.

For the first six months of 2020, depreciation expense was relatively flat. Intangible amortization expense increased $17.9 million, primarily from additional amortization related to intangibles generated by the acquisition of DBRS.

Amortization of intangible assets will be an ongoing expense. We estimate that this expense will total approximately $27.1 million for the remainder of 2020. Our estimates of future amortization expense for intangible assets may be affected by additional acquisitions, divestitures, changes in the estimated useful lives, and foreign currency translation.

Consolidated Operating Income and Operating Margin

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Operating income	$ 61.3	$ 50.8	20.7 %	$ 105.8	$ 100.3	5.5 %
% of revenue	18.7 %	18.5 %	0.2 pp	16.2 %	18.8 %	(2.6) pp

Consolidated operating income increased $10.5 million in the second quarter of 2020, reflecting an increase in operating expenses of $43.5 million, which was partially mitigated by an increase in revenue of $54.0 million. Operating margin was 18.7%, an increase of 0.2 percentage points, compared with the second quarter of 2019.

Consolidated operating income increased $5.5 million in the first six months of 2020, reflecting an increase in operating expenses of $113.6 million, which was partially mitigated by an increase in revenue of $119.1 million. Operating margin was 16.2%, a decrease of 2.6 percentage points, compared with the first six months of 2019.

We reported adjusted operating income, which excludes M&A-related expenses and amortization expense, of $79.5 million in the second quarter of 2020 and $140.9 million in the first six months of 2020. Adjusted operating income is a non-GAAP financial measure; the table below shows a reconciliation to the most directly comparable GAAP financial measure.

(in millions)	Three months ended June 30, 2020	2019	Change	Six months ended June 30, 2020	2019	Change
Operating income	$ 61.3	$ 50.8	20.7 %	$ 105.8	$ 100.3	5.5 %
Add: intangible amortization expense	13.7	4.9	179.6 %	27.7	9.8	182.7 %
Add: M&A-related expenses	4.5	1.8	150.0 %	7.4	2.1	252.4 %
Adjusted operating income	$ 79.5	$ 57.5	38.3 %	$ 140.9	$ 112.2	25.6 %

We also reported adjusted operating margin, which excludes M&A-related expenses and amortization expense, of 24.3% in the second quarter of 2020 and 21.5% in the first six months of 2020. Adjusted operating margin is a non-GAAP financial measure; the table below shows a reconciliation to the most directly comparable GAAP financial measure.

	Three months ended June 30, 2020	2019	Change	Six months ended June 30, 2020	2019	Change
Operating margin	18.7 %	18.5 %	0.2 pp	16.2 %	18.8 %	(2.6) pp
Add: intangible amortization expense	4.2	1.8	2.4 pp	4.2	1.8	2.4 pp
Add: M&A-related expenses	1.4	0.7	0.7 pp	1.1	0.4	0.7 pp
Adjusted operating margin	24.3 %	21.0 %	3.3 pp	21.5 %	21.0 %	0.5 pp

Non-Operating Income (Expense), Net, Equity in Net Income (Loss) of Unconsolidated Entities, and Effective Tax Rate and Income Tax Expense

Non-operating income (expense), net

(in millions)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Interest income	$ 0.2	$ 0.8	$ 0.7	$ 1.2
Interest expense	(2.1)	(0.1)	(5.8)	(1.2)
Gain (loss) on sale of investments, net	0.9	(0.2)	0.5	0.4
Other expense, net	3.6	1.8	(4.1)	(1.4)
Non-operating income (expense), net	$ 2.6	$ 2.3	$ (8.7)	$ (1.0)

Interest income reflects interest from our investment portfolio. Interest expense mainly relates to the outstanding principal balance under our credit facilities.

Other expense, net primarily includes foreign currency exchange losses.

Equity in net income (loss) of unconsolidated entities

(in millions)	Three months ended June 30, 2020	2019	Six months ended June 30, 2020	2019
Equity in net income (loss) of unconsolidated entities	$ (0.5)	$ 0.7	$ (1.3)	$ (0.8)

Equity in net income (loss) of unconsolidated entities primarily reflects income from Morningstar Japan K.K. (MJKK) offset by losses in our other equity method investments.

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Effective tax rate and income tax expense

(in millions)	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Income before income taxes and equity in net loss of unconsolidated entities	$ 63.9	$ 53.1	$ 97.1	$ 99.3
Equity in net income (loss) of unconsolidated entities	(0.5)	0.7	(1.3)	(0.8)
Total	$ 63.4	$ 53.8	$ 95.8	$ 98.5
Income tax expense	$ 15.2	$ 11.7	$ 23.7	$ 23.2
Effective tax rate	24.0 %	21.7 %	24.7 %	23.6 %

Our effective tax rate in the second quarter and first six months of 2020 was 24.0% and 24.7%,respectively, reflecting respective increases of 2.3 and 1.1 percentage points compared with the same periods in the prior year. The increases were primarily due to minimum taxes and non-deductible expenses in 2020.

Liquidity and Capital Resources

As of June 30, 2020, we had cash, cash equivalents, and investments of $383.2 million, an increase of $15.7 million, compared with $367.5 million as of December 31, 2019. The increase reflects cash provided by operating activities and proceeds from long-term debt of $55.0 million, partially offset by $80.6 million of repayments of long-term debt, $32.1 million of capital expenditures, dividends paid of $25.7 million, $20.0 million to repurchase common stock through our share repurchase program, and $17.7 million for employee taxes paid from withholding of restricted stock units.

Cash provided by operating activities is our main source of cash. In the first six months of 2020, cash provided by operating activities was $176.3 million, reflecting $165.7 million of net income, adjusted for non-cash items, and an additional $10.6 million in positive changes from our net operating assets and liabilities.

On July 2, 2019, we entered into a senior credit agreement (the Credit Agreement), the initial borrowings under which were made to finance the DBRS acquisition and repaid all outstanding obligations under the prior credit facility. The Credit Agreement provides the Company with a five-year multi-currency credit facility with an initial borrowing capacity of up to $750.0 million, including a $300.0 million revolving credit facility and a term loan facility of $450.0 million. We had an outstanding principal balance of $487.7 million as of June 30, 2020 and a revolving credit facility borrowing availability of $250.0 million. The Credit Agreement contains financial covenants under which we: (i) may not exceed a maximum consolidated leverage ratio of 3.50 to 1.00 (or 3.75 to 1.00 for the four fiscal quarters following any material acquisition (as defined in the Credit Agreement)) and (ii) are required to maintain a minimum consolidated interest coverage ratio of not less than 3.00 to 1.00. We were in compliance with the financial covenants as of June 30, 2020. See Note 3 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information on our Credit Agreement.

On June 30, 2020, the Company entered into a new senior credit agreement that provides the Company with a $50.0 million 364-day senior revolving credit facility. This 364-day revolving facility was undrawn as of June 30, 2020.

We believe our available cash balances and investments, along with cash generated from operations and our line of credit, will be sufficient to meet our operating and cash needs for at least the next 12 months. However, the situation surrounding the COVID-19 pandemic remains fluid, and we are actively managing our response and assessing potential impacts to our financial position and operating results. We are focusing on maintaining a strong balance sheet and liquidity position. We hold our cash reserves in cash equivalents and investments and maintain a conservative investment policy. We invest most of our investment balance (approximately $29.2 million, or 99.0%, as of June 30, 2020) in stocks, bonds, options, mutual funds, money market funds, or exchange-traded products that replicate the model portfolios and strategies created by Morningstar. These investment accounts may also include exchange-traded products where Morningstar is an index provider.

Approximately 70% of our cash, cash equivalents, and investments balance as of June 30, 2020 and as of December 31, 2019 was held by our operations outside the United States. We generally consider our U.S. directly- owned foreign subsidiary earnings to be permanently reinvested**.**

We intend to use our cash, cash equivalents, and investments for general corporate purposes, including working capital and funding future growth.

In May 2020, our board of directors approved a regular quarterly dividend of $0.30 per share, or $12.9 million, payable on July 31, 2020 to shareholders of record as of July 2, 2020.

In December 2017, the board of directors approved a share repurchase program that authorizes the Company to repurchase up to $500.0 million in shares of the Company's outstanding common stock, effective January 1, 2018. The authorization expires on December 31, 2020. In the first six months of 2020, we repurchased a total of 176,925 shares for $20.0 million and had approximately $454.4 million available for future repurchases as of June 30, 2020.

We expect to continue making capital expenditures in 2020, primarily for computer hardware and software provided by third parties, internally developed software, and leasehold improvements for new and existing office locations. We continue to adopt more public cloud and software-as-a-service applications for new initiatives and are in the process of migrating relevant parts of our data centers to the public cloud over the next several years. During this migration, we expect to run certain applications and infrastructure in parallel. These actions will have some transitional effects on our level of capital expenditures and operating expenses. In light of the current environment, we will continue to monitor the level of capital expenditures during 2020.

Consolidated Free Cash Flow

We define free cash flow as cash provided by or used for operating activities less capital expenditures.

	Three months ended June 30,			Six months ended June 30,		
(in millions)	**2020**	**2019**	**Change**	**2020**	**2019**	**Change**
Cash provided by operating activities	$ 127.6	$ 87.2	46.3 %	$ 176.3	$ 146.2	20.6 %
Capital expenditures	(17.0)	(18.3)	(7.1)%	(32.1)	(37.0)	(13.2)%
Free cash flow	$ 110.6	$ 68.9	60.5 %	$ 144.2	$ 109.2	32.1 %

We generated free cash flow of $110.6 million in the second quarter of 2020, an increase of $41.7 million, compared with the second quarter of 2019. The change reflects a $40.4 million increase in cash provided by operating activities as well as a $1.3 million decrease in capital expenditures.

In the first six months of 2020, we generated free cash flow of $144.2 million, an increase of $35.0 million, compared with the first six months of 2019. The change reflects a $30.1 million decrease in cash provided by operating activities as well as a $4.9 million decrease in capital expenditures.

Application of Critical Accounting Policies and Estimates

We discuss our critical accounting policies and estimates in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report. We also discuss our significant accounting policies in Note 2 of the Notes to our Audited Consolidated Financial Statements included in our Annual Report and in Note 2 of the Notes to our Unaudited Condensed Consolidated Financial Statements contained in Part 1, Item 1 of this Quarterly Report.

Rule 10b5-1 Sales Plans

Our directors and executive officers may exercise stock options or purchase or sell shares of our common stock in the market from time to time. We encourage them to make these transactions through plans that comply with Exchange Act Rule 10b5-1(c). Morningstar will not receive any proceeds, other than proceeds from the exercise of stock options, related to these transactions. The following table, which we are providing on a voluntary basis, shows the Rule 10b5-1 sales plans entered into by our directors and executive officers that were in effect as of July 24, 2020:

Name and Position	Date of Plan	Plan Termination Date	Number of Shares to be Sold under the Plan	Timing of Sales under the Plan	Number of Shares Sold under the Plan through July 24, 2020	Projected Beneficial Ownership (1)
Bevin Desmond Head of Talent and Culture	6/3/2020	12/31/2020	7,000	Shares to be sold under the plan upon exercise of option	—	48,237
Joe Mansueto Executive Chairman	11/5/2019	4/30/2021	1,600,000	Shares to be sold under the plan if the stock reaches specified prices	400,000	19,214,144

During the second quarter of 2020, the previously disclosed Rule 10b5-1 plans for Cheryl Francis, Joe Mansueto, and Caroline Tsay completed in accordance with their respective terms.

(1) This column reflects an estimate of the number of shares each identified director and executive officer will beneficially own following the sale of all shares under the Rule 10b5-1 sales plan. This information reflects the beneficial ownership of our common stock on June 30, 2020 and includes shares of our common stock subject to options that were then exercisable or that will have become exercisable by August 29, 2020 and restricted stock units that will vest by August 29, 2020. The estimates do not reflect any changes to beneficial ownership that may have occurred since June 30, 2020. Each director and executive officer identified in the table may amend or terminate his or her Rule 10b5-1 sales plan and may adopt additional Rule 10b5-1 plans in the future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Our investment portfolio is actively managed and may suffer losses from fluctuating interest rates, market prices, or adverse security selection. These accounts may consist of stocks, bonds, options, mutual funds, money market funds, or exchange-traded products that replicate the model portfolios and strategies created by Morningstar. These investment accounts may also include exchange-traded products where Morningstar is an index provider. As of June 30, 2020, our cash, cash equivalents, and investments balance was $383.2 million. Based on our estimates, a 100 basis-point change in interest rates would not have a material effect on the fair value of our investment portfolio.

We are subject to risk from fluctuations in the interest rates related to our long-term debt. The interest rates are based upon the applicable LIBOR rate plus an applicable margin for such loans or the lender's base rate plus an applicable margin for such loans. On an annualized basis, we estimate a 100 basis-point change in the LIBOR rate would have a $4.9 million impact on our interest expense, based on our current outstanding principal balance and LIBOR rates around June 30, 2020.

We are subject to risk from fluctuations in foreign currencies from our operations outside of the United States. To date, we have not engaged in currency hedging, and we do not currently have any positions in derivative instruments to hedge our currency risk.

The table below shows our exposure to foreign currency denominated revenue and operating income for the six months ended June 30, 2020:

	Six months ended June 30, 2020				
(in millions, except foreign currency rates)	**Australian Dollar**	**British Pound**	**Canadian Dollar**	**Euro**	**Other Foreign Currencies**
Currency rate in U.S. dollars as of June 30, 2020	0.6878	1.2328	0.7331	1.1230	n/a
Percentage of revenue	3.2 %	8.1 %	7.5 %	4.7 %	5.5 %
Percentage of operating income (loss)	4.0 %	0.3 %	16.4 %	11.2 %	(19.2) %
Estimated effect of a 10% adverse currency fluctuation on revenue	$ (1.2)	$ (6.4)	$ (4.8)	$ (2.6)	$ (3.4)
Estimated effect of a 10% adverse currency fluctuation on operating income (loss)	$ (0.3)	$ —	$ (1.6)	$ (1.0)	$ 2.5

The table below shows our net investment exposure to foreign currencies as of June 30, 2020:

	As of June 30, 2020				
(in millions)	**Australian Dollar**	**British Pound**	**Canadian Dollar**	**Euro**	**Other Foreign Currencies**
Assets, net of unconsolidated entities	$ 65.4	$ 285.0	$ 359.0	$ 219.8	$ 155.0
Liabilities	26.2	73.0	229.1	62.8	(3.1)
Net currency position	$ 39.2	$ 212.0	$ 129.9	$ 157.0	$ 158.1
Estimated effect of a 10% adverse currency fluctuation on equity	$ (3.9)	$ (21.2)	$ (13.0)	$ (15.7)	$ (15.8)

Item 4. Controls and Procedures

(a) Evaluation and Disclosure Controls and Procedures

Disclosure controls and procedures are designed to reasonably assure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 (Exchange Act) is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to reasonably assure that information required to be disclosed in the reports filed under the Exchange Act is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act of 1934, as of June 30, 2020. Based on that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed in the reports we file or submit under the Exchange Act is recorded, processed, summarized, and reported as and when required and is accumulated and communicated to management, including the chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

(b) Changes in Internal Control Over Financial Reporting

As permitted under the SEC guidelines, management's assessment of and conclusion on the effectiveness of internal control over financial reporting for the fiscal year ending December 31, 2019 did not include the internal controls of DBRS, which we acquired on July 2, 2019. We are currently integrating the operations of DBRS into our internal control framework and processes and will incorporate DBRS into our annual assessment of internal control over financial reporting for the fiscal year ending December 31, 2020.

Other than the changes noted above, there were no changes in our internal control over financial reporting during the quarter ended June 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART 2. OTHER INFORMATION

Item 1. Legal Proceedings

We incorporate by reference the information regarding legal proceedings set forth in Note 12 of the Notes to our Unaudited Condensed Consolidated Financial Statements contained in Part 1, Item 1 of this Quarterly Report.

Item 1A. Risk Factors

There have been no material changes during the first six months of 2020 to the risk factors disclosed in Item 1A. Risk Factors in our Annual Report, except as noted below.

The current COVID-19 pandemic may have material and adverse impacts on our business, financial condition, and results of operations, the nature and extent of which continue to be uncertain and unpredictable.

The current COVID-19 pandemic and the governmental and societal responses to it worldwide have the potential to materially and adversely affect our business, financial condition, and results of operations in ways that continue to be uncertain and unpredictable. The COVID-19 pandemic has created significant public health concerns as well as significant volatility, uncertainty and economic disruption in every country in which we operate. While we have taken numerous steps to respond to this changing environment, there can be no assurance that such steps will be successful or that our business, financial condition and results of operations will not be materially and adversely affected by the consequences of the pandemic.

During the second quarter of 2020, we saw some loosening of government-mandated COVID-19-related restrictions in certain geographies, dependent upon the local extent and severity of COVID-19 infections and other factors. We have similarly adjusted our preventative and protective actions, such as facility closures, in certain of those locales, although a significant portion of our workforce continues to work from remote work environments. Many of our customers, vendors, and data suppliers continue to operate under similar arrangements which may interfere with attendance or productivity. While we have been able to successfully implement our business continuity plans and continue to deliver our core data, research, and ratings without material interruption, the Internet-based remote systems and working arrangements by which we and our customers, vendors, and data suppliers have achieved these results have never been tested over an extended period, and the ability of our employees, vendors, and data suppliers to perform their respective roles in the conduct of our business, and of our customers to successfully use our products and services, could degrade over time. Our management is focused on mitigating the effects of the COVID-19 pandemic on our business, which has required and will continue to require a substantial investment of their time and may delay other strategic activities.

In the longer term, the adverse effects of the COVID-19 pandemic on the world’s economies and financial markets may be significant, with unpredictable effects on the overall demand and pricing environment for our products and services. While the second quarter of 2020 saw a recovery in many financial markets, uncertainty around the continuing extent and severity of the COVID-19 pandemic, the ability of governments and central banks to maintain current levels of fiscal and monetary stimulus, and national and global political conditions may undermine or delay such recovery. If that turns out to be the case, our asset management businesses could be affected by declines in assets under management and advisement resulting from any prolonged downturn in financial markets and a concomitant decline of broad-based investment activity, while our credit ratings business could suffer from a decline in new issue activity resulting from a decline in the availability of credit. The financial performance of our customers, including those of our license businesses, could materially deteriorate, which could result in lower demand, cancellations, price reductions, or delays in implementation for our products and services. The uncertainty surrounding the duration and the effects of the COVID-19 pandemic in each of the countries in which we operate could impede our business planning and coordination. In addition, the availability of credit could become constrained even to financially strong companies.

We are closely monitoring the impact of the COVID-19 pandemic and continually assessing its potential effects on our business. Given the dynamic nature of these circumstances, the full impact of the COVID-19 pandemic cannot be reasonably estimated at this time. The extent to which our business, financial condition and results of operations are affected by the COVID-19 pandemic will largely depend on future developments which cannot be reliably predicted, as there are no comparable recent events that provide guidance as to the potential effects of a global pandemic. The impact of the COVID-19 pandemic may also exacerbate other risks discussed in Item 1A. Risk Factors in our Annual Report on Form 10- K, including but not limited to those related to cybersecurity threats, technology systems disruption, and volatility in the financial markets, any of which could have a material adverse effect on our business, financial condition and results of operations. This situation is changing rapidly and additional impacts may arise that we are not aware of currently or that we currently do not consider to be significant risks to our operations.

Refer to Management's Discussion and Analysis of Financial Condition and Results of Operations - COVID-19 Update for additional information.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Subject to applicable law, we may repurchase shares at prevailing market prices directly on the open market or in privately negotiated transactions in amounts that we deem appropriate.

In December 2017, the board of directors approved a share repurchase program that authorizes the Company to repurchase up to $500.0 million in shares of the Company's outstanding common stock, effective January 1, 2018. The authorization expires on December 31, 2020.

The following table presents information related to repurchases of common stock we made during the three months ended June 30, 2020:

Period:	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced programs	Approximate dollar value of shares that may yet be purchased under the programs
April 1, 2020 - April 30, 2020	—	$ —	—	$ 454,436,031
May 1, 2020 - May 31, 2020	—	—	—	$ 454,436,031
June 1, 2020 - June 30, 2020	—	—	—	$ 454,436,031
Total	—	$ —	—	

Item 6. Exhibits

Exhibit No	Description of Exhibit
10.1	Form of Morningstar 2011 Stock Incentive Plan Market Stock Unit Award Agreement
10.2	Form of Morningstar 2011 Stock Incentive Plan Market Stock Unit with Performance Kicker Award Agreement
10.3	Credit Agreement dated as June 30, 2020 among Morningstar, Inc., certain subsidiaries of Morningstar, Inc., and lenders Bank of America, N.A. and JPMorgan Chase Bank, N.A. (incorporated by reference to Morningstar, Inc.'s Current Report on Form 8-K filed with the SEC on July 6, 2020)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Securities Exchange Act of 1934, as amended
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from Morningstar, Inc.'s Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, filed with the SEC on July 31, 2020 formatted in Inline XBRL: (i) Cover Page, (ii) Unaudited Condensed Consolidated Statements of Income, (iii) Unaudited Condensed Consolidated Statements of Comprehensive Income (iv) Unaudited Condensed Consolidated Balance Sheets, (v) Unaudited Condensed Consolidated Statement of Equity, (vi) Unaudited Condensed Consolidated Statements of Cash Flows and (vii) the Notes to Unaudited Condensed Consolidated Financial Statements
104	Cover Page Interactive Data File (the cover page XBRL tags are embedded in the Inline XBRL document)

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SIGNATURE

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 thereunto duly authorized.

MORNINGSTAR, INC.

Date: July 31, 2020	By:	/s/ Jason Dubinsky
		Jason Dubinsky
		Chief Financial Officer

MORNINGSTAR, INC.

2011 STOCK INCENTIVE PLAN

MARKET STOCK UNIT AWARD AGREEMENT

THIS MARKET STOCK UNIT AWARD AGREEMENT, which includes the Online Grant Acceptance form (the "Grant Notice") provided to the Participant named therein and any special terms and conditions for the Participant's country set forth in the Addendum attached hereto (together, the "Award Agreement"), is made under the Morningstar, Inc. 2011 Stock Incentive Plan, as amended from time to time (the "Plan"), as of the Grant Date specified in the Grant Notice. Any term capitalized but not defined in this Award Agreement will have the meaning set forth in the Plan. For purposes of this Award Agreement, "Employer" means the entity (the Company or Affiliate) that employs the Participant.

BETWEEN:

(1) **MORNINGSTAR, INC.,** an Illinois corporation (the "Company"); and

(2) The Participant identified in the Grant Notice.

1 <u>GRANT OF MARKET STOCK UNITS</u>

a. In accordance with the terms of the Plan and subject to the terms and conditions of this Award Agreement, the Company hereby grants to the Participant a Market Stock Unit Award with respect to the target number of Market Stock Units ("MSUs") set forth in the Grant Notice (the "Target MSUs"). The number of MSUs that are earned shall be equal to a percentage of the Target MSUs, which shall be determined in accordance with the performance conditions specified in Section 2 (the "Performance Conditions"). The MSUs shall constitute performance-based Restricted Stock Units granted pursuant to Section 3.3 of the Plan.

b. Each MSU is a notional amount that represents one unvested share of common stock, no par value, of the Company (a "Share"). Each MSU constitutes the right, subject to the terms and conditions of the Plan and this Award Agreement, to distribution of a Share if and to the extent the Performance Conditions are satisfied and the MSUs otherwise become vested.

Notwithstanding the foregoing, if the Participant is resident or employed outside of the United States, the Company, in its sole discretion, may settle the MSUs in the form of a cash payment to the extent settlement in Shares: (i) is prohibited under local law; (ii) would require the Participant, the Company and/or its Affiliates to obtain the approval of any governmental and/or regulatory body in the Participant's country; (iii) would result in adverse tax consequences for the Participant, the Company or any Affiliate; or (iv) is administratively burdensome. Alternatively, the Company, in its sole discretion, may settle the MSUs in the form of Shares but require the Participant to sell such Shares immediately or within a specified period following the Participant's termination Service (in which case, this Award Agreement shall give the Company the authority to issue sales instructions on the Participant's behalf).

c. This Award Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. The Participant hereby agrees to be bound by the terms of this Award Agreement and the Plan.

d. Further details of the MSUs granted to the Participant under the terms of this Award Agreement are set forth in the Grant Notice.

• **Performance Conditions**

a. Subject to the terms of the Award Agreement and the Plan, the number of MSUs that are eligible to be earned shall be based on the Company's Cumulative Total Shareholder Return for the Performance Period set forth in the Grant Notice (the "Company Cumulative TSR"), as follows:

	Company Cumulative TSR	Shares Earned as a Percentage of Target MSUs
Threshold TSR	[ ]%	[ ]%
Target TSR	[ ]%	[ ]%
Maximum TSR	[ ]%	[ ]%

b. If the Company Cumulative TSR exceeds the Threshold TSR and is less than the Target TSR, the percentage of the Target MSUs earned shall be [ ]%, reduced by [ ]% for each [ ]% decrease in Company Cumulative TSR below [ ]%. For example, if the Company Cumulative TSR is [ ]%, then [ ]% of Target MSUs would be earned. If the Company Cumulative TSR exceeds the Target TSR and is less than the Maximum TSR, the percentage of the Target MSUs earned shall be [ ]%, increased by [ ]% for each [ ]% increase in Company Cumulative TSR above [ ]%. For example, if the Company Cumulative TSR is [ ]%, then [ ]% of the Target MSUs shall be earned. The number of MSUs that are earned shall be rounded down to the nearest whole Share.

c. No MSUs shall be earned pursuant to this Award Agreement if the Company Cumulative TSR is less than [ ]%, and the maximum number of MSUs earned pursuant to this Award Agreement shall be [ ]% of the Target MSUs.

d. For purposes of this Award Agreement, the Company Cumulative TSR for the Performance Period shall be measured by dividing (A) the sum of (i) the increase or decrease in the Stock Price, as defined below, from the beginning of the Performance Period to the end of the Performance Period, and (ii) the cumulative value of dividends paid during the Performance Period, assuming such dividends are reinvested in Shares, by (B) the Stock Price determined at the beginning of the Performance Period.

e. For purposes of computing Company Cumulative TSR, the "Stock Price" at the beginning of the Performance Period shall be the average closing price of a Share over the 30 consecutive calendar days immediately prior to the first day of the Performance Period, and the "Stock Price" at the end of the Performance Period shall be the average closing price of a Share over the 30 consecutive calendar days ending on and including the last day of the Performance Period, adjusted for changes in capitalization in accordance with Section 5.7 of the Plan.

f. The Committee may, in its sole discretion, reduce, but not increase, the percentage of MSUs that are earned at any level of performance.

g. Subject to, and except as otherwise provided by, the Award Agreement, including Section 4.2 and Section 4.3 thereof, the MSUs that are earned pursuant to the attainment of the Performance Conditions set forth in Section 2 shall vest only if the Participant has remained in continuous Service until the last day of the Performance Period.

- **<u>Rights as a Shareholder</u>**

h. Unless and until an MSU has been earned and vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote that Share or have any right to dividends, dividend equivalents or other distributions with respect to that Share; provided that the number and class of securities subject to this Award Agreement shall be subject to adjustment in accordance with Section 5.7 of the Plan.

- **<u>termination of service and OTHER ChANGES IN SERVICE STATUS</u>**

i. If the Participant's Service (as defined in Section 4.7) terminates for any reason other than Disability (as defined in Section 4.6), death or a termination by the Company without Cause (as defined in Section 4.5) on or prior to the last day of the Performance Period, the Participant will forfeit the right to receive Shares underlying any MSUs.

j. If the Participant's Service terminates on account of the Disability or death of the Participant, the Participant shall become vested as of the date of the termination in a prorated number of Target MSUs equal to the number of Target MSUs, multiplied by a fraction the numerator of which shall be the number of whole months the Participant was in Service between the first date of the Performance Period and the date of the termination of the Participant's Service and the denominator of which shall be the total number of months contained in the Performance Period.

k. If the Participant's Service is terminated by the Company without Cause, the Participant at the end of the Performance Period shall continue to be eligible to vest in a number of MSUs that would have been earned had the Participant's employment continued through the last day of the Performance Period equal to the number of MSUs that would have vested based on the actual attainment of the Performance Conditions for the entire Performance Period, multiplied by a fraction, the numerator of which shall be the number of whole months the Participant was in Service between the first date of the Performance Period and the date of the termination of the Participant's Service and the denominator of which shall be the total number of months contained in the Performance Period.

l. For purposes of this Award Agreement, "Affiliate" means an entity that is (directly or indirectly) controlled by, or controls, the Company.

m. For purposes of this Award Agreement, "Cause" shall mean the Participant's: (i) willful neglect of or continued failure to substantially perform his or her duties with or obligations for the Company or an Affiliate in any material respect (other than any such failure resulting from his or her incapacity due to physical or mental illness); (ii) commission of a willful or grossly negligent act or the willful or grossly negligent omission to act that causes or is reasonably likely to cause material harm to the Company or an Affiliate; or (iii) commission or conviction of, or plea of nolo contendere to, any felony or any crime significantly injurious to the Company or an Affiliate. An act or omission is "willful" for this purpose if it was knowingly done, or knowingly omitted, by the Participant in bad faith and without reasonable belief that the act or omission was in the best interest of the Company or an Affiliate. Determination of Cause shall be made by the Committee in its sole discretion.

n. Notwithstanding anything in the Plan to the contrary, for purposes of this Award Agreement, "Disability" shall mean the condition of being "disabled" as provided in Code Section 409A(a)(2)(C).

o. For purposes of this Award Agreement "Service" means the provision of services to the Company or its Affiliates in the capacity of an employee or a member of the Board but not as a consultant to the Company or an Affiliate. For purposes of this Award Agreement, the transfer of an employee from the Company to an Affiliate, from an Affiliate to the Company or from an Affiliate to another Affiliate shall not be a termination of Service. However, if the Affiliate for which an employee is providing services ceases to be an Affiliate of the Company due to a sale, transfer or other reason, and the employee ceases to perform services for the Company or any Affiliate, the employee shall incur a termination of Service.

For purposes of this Award Agreement, the Participant's Service will be considered terminated as of the date the Participant is no longer actively providing services to the Company or any Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Company, the Participant's right to vest in MSUs under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., the Participant's period of Service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any). The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of his or her MSU award (including whether the Participant may still be considered to be providing services while on a leave of absence).

- **Timing and Form of Payment**

p. Once an MSU is earned and vested and the Committee has certified in writing the achievement of the Performance Conditions or the MSU otherwise vests pursuant to Section 4.2 hereof, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made as soon as administratively feasible after its associated MSU vests, but no later than 2½ months from the end of the calendar year (a) that contains the last day of the Performance Period, or (b) in the case of a vesting event pursuant to Section 4.2 hereof, that contains the date in which the Participant's Service terminated. Shares delivered under this Award Agreement shall be subject to the Company's share retention policy, as in effect from time to time.

- **<u>Responsibility for taxes and tax WITHHOLDING obligations</u>**

q. The Participant acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer, if any. Further, notwithstanding any contrary provision of this Award Agreement, no Shares will be issued to the Participant, unless and until satisfactory arrangements (as determined by the Committee) have been made by the Participant with respect to the payment of any Tax-Related Items which the Company determines must be withheld with respect to the MSUs. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the MSUs, including, but not limited to, the grant, vesting or settlement of the MSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the MSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. In addition, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

r. The Participant shall, upon occurrence of any tax withholding event, pay to the Company or the Employer or make arrangements satisfactory to the Company for payment of any Tax-Related Items required by law to be withheld on account of such taxable event. Without limiting the Company's power or rights pursuant to Section 5.5 of the Plan, amounts required by law or regulation to be withheld by the Company with respect to any taxable event arising under this Award Agreement will be satisfied by having Shares withheld in accordance with Section 5.5 of the Plan. In addition, the Participant may elect to deliver to the Company the necessary funds to satisfy the withholding obligation, in which case there will be no reduction in the Shares otherwise distributable to the Participant.

s. Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested MSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

- **NOTICES**

t. Any notice or other communication required or permitted under this Award Agreement must be in writing and must be delivered personally, sent by certified, registered or express mail, or sent by overnight courier, at the sender's expense. Notice will be deemed given when delivered personally or, if mailed, three days after the date of deposit or, if sent by overnight courier, on the regular business day following the date sent. Notice to the Company should be sent to Morningstar, Inc., 22 West Washington Street, Chicago, Illinois, 60602, USA, Attention: General Counsel. Notice to the Participant should be sent to the address of the Participant contained in the Company's records. Either party may change the person and/or address to whom the other party must give notice by giving such other party written notice of such change, in accordance with the procedures described above.

- **Nature of grant**

In accepting the MSU award grant, the Participant acknowledges, understands and agrees that:

a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

b) the grant of MSUs is extraordinary, voluntary and occasional and does not create any contractual or other right to receive future grants of MSUs, or benefits in lieu of MSUs, even if MSUs have been granted in the past;

c) all decisions with respect to future MSU or other award grants, if any, will be at the sole discretion of the Committee;

d) the Participant is voluntarily participating in the Plan;

e) the Participant's participation in the Plan shall not create a right to further Service with the Employer and shall not interfere with the ability of the Employer to terminate Participant's Service at any time with or without Cause;

f) an MSU grant will not be interpreted to form an employment or service contract or relationship with the Company or an Affiliate;

g) the grant of MSUs, the Shares subject to the MSUs, and the income and value of the same, are not intended to replace any pension rights or compensation;

h) the grant of MSUs, the Shares subject to the MSUs, and the income and value of the same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Affiliate;

i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

j) unless otherwise provided in the Plan or by the Company in its discretion, the MSUs and the benefits evidenced by this Award Agreement do not create any entitlement to have the MSUs or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares;

k) unless otherwise agreed with the Company, the MSUs and the Shares subject to the MSUs, and the income and value of the same, are not granted as consideration for, or in connection with, the Service the Participant may provide as a director of an Affiliate;

l) no claim or entitlement to compensation or damages shall arise from forfeiture of the MSUs resulting from the termination of the Participant's Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any), and in consideration of the grant of MSUs, the Participant agrees not to institute any claim against the Company or any Affiliate; and

m) neither the Company, the Employer nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the MSUs or of any amounts due to the Participant pursuant to the vesting of MSUs or the sale of Shares.

- **Data privacy**

The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in any MSU award grant materials by and among, as applicable, the Employer, the Company, and any other Affiliate for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all MSU awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

The Participant understands that Data will be transferred to the Company's designated broker and/or stock plan service provider that is assisting the Company (presently or in the future) with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative.

The Participant authorizes the Company, the Employer and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The

Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative.

Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or later seeks to revoke the Participant's consent, the Participant's employment or Service status with the Employer will not be affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to grant MSUs or other equity awards to the Participant or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

- **electronic delivery and acceptance**

u. The Company may, in its sole discretion, decide to deliver any documents related to MSUs awarded under the Plan or future MSUs that may be awarded under the Plan by electronic means or request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

- **Severability**

v. The provisions of the Award Agreement (including the Country-Specific Terms and Conditions attached hereto as an Addendum), are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

- **No advice regarding grant**

w. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant should consult with his or her own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

- **imposition of other requirements**

x. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on MSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

- **language**

y. If the Participant received any document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

- **insider trading/market abuse laws**

z. By participating in the Plan, the Participant agrees to comply with any Company insider trading policy. The Participant further acknowledges that, depending on the Participant's or his or her broker's country of residence or where the Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect the Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., MSUs) or rights linked to the value of Shares, during such times the Participant is considered to have "inside information" regarding the Company as defined by the laws or regulations in the Participant's country. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant places before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. The Participant understands that third parties may include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant acknowledges that it is the Participant's responsibility to comply with applicable restrictions and, therefore, the Participant should consult with his or her personal legal advisor on this matter.

- **foreign asset/account reporting requirements and exchange controls** aa. The Participant acknowledges that the Participant's country may have certain foreign asset and/or foreign account reporting requirements and exchange controls which may affect the Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Shares or sales proceeds from the sale of Shares acquired under the Plan) in a brokerage or bank account outside the Participant's country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in the Participant's country. The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country through a designated bank or broker within a certain time after receipt. The Participant acknowledges that it is the Participant's responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

- **ADDENDUM**

ab. Notwithstanding any provisions in the Award Agreement, MSUs shall also be subject to the Country-Specific Terms and Conditions for the Participant's country, if any, set forth in the Addendum attached hereto. Moreover, if the Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to the Participant, to the extent that the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

- **CONSTRUCTION**

ac. The MSUs granted hereunder are subject to any rules and regulations promulgated by the Committee pursuant to the Plan, now or hereafter in effect.

ad. The Company and the Participant may amend this Award Agreement only by a written instrument signed by both parties, provided, that the Company may amend this Award Agreement without further action by the Participant if (i) such amendment is deemed by the Company to be advisable or necessary to comply with applicable law, rule, or, regulation, including Section 409A of the Code, or (ii) if such amendment is not to the detriment of the Participant.

ae. The Participant shall agree to the terms of this Award Agreement by accepting the Grant Notice at the time and in the manner specified by the Company.

af. The Plan, the MSUs and this Award Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Illinois and construed in accordance therewith without giving effect to principles of conflicts of laws.

- **Section 409A**

ag. To the extent the Participant is a citizen of the United States or a United States resident under the Code, the Company intends that the MSUs shall not constitute "nonqualified deferred compensation" subject to Section 409A of the Code, and the MSUs are intended to be exempt from Section 409A of the Code under the "short-term deferral" exception to the maximum extent permitted under Section 409A of the Code, and the Award Agreement shall be interpreted, administered and construed consistent with such intent. Notwithstanding the foregoing, the Company may unilaterally amend the terms of this Award Agreement (or the Plan) to avoid the application of, or to comply with, Section 409A of the Code, in a particular circumstance or as necessary or desirable to satisfy any of the requirements under Section 409A of the Code or to mitigate any additional tax, interest and/or penalties that may apply under Section 409A of the Code if exemption or compliance is not practicable, but the Company or the Employer shall not be under any obligation to make any such amendment. Nothing in this Award Agreement (or the Plan) shall provide a basis for any person to take action against the Company or any Affiliate based on matters covered by Section 409A of the Code, including the tax treatment of any amount paid under the Award Agreement, and neither the Company nor any of its Affiliates shall under any circumstances have any liability to the Participant or his or her estate or any other party for any taxes, penalties or interest due on amounts paid or payable under this Award Agreement, including taxes, penalties or interest imposed under Section 409A of the Code.

ADDENDUM

COUNTRY-SPECIFIC TERMS AND CONDITIONS

Certain capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or in the Award Agreement.

Terms and Conditions

This document includes additional terms and conditions that govern MSUs granted under the Plan if the Participant works and/or resides in one of the countries listed below. If the Participant is a citizen or resident of a country other than the one in which the Participant currently is residing and/or working, transfers employment and/or residency after the Grant Date or is considered a resident of another country for local law purposes, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to the Participant.

Notifications

This document also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to the Participant's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of May 2020. Such laws are often complex and change frequently. As a result, the Participant should not rely on the information noted in this document as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date by the time the Participant vests in MSUs or sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation, and the Company is not in a position to assure the Participant of a particular result. Accordingly, the Participant should seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to his or her situation.

If the Participant is a citizen or resident of a country other than the one in which the Participant currently is residing and/or working, transfers employment and/or residency after the Grant Date or is considered a resident of another country for local law purposes, the notifications contained herein may not apply to the Participant.

EUROPEAN UNION (“EU”) / EUROPEAN ECONOMIC AREA (“EEA”) COUNTRIES AND THE UNITED KINGDOM

Data Privacy: If the Participant resides and/or works in a country within the EU/EEA or the United Kingdom, Section 9 of the Award Agreement shall be replaced with the following:

The Participant is hereby notified of the collection, use and transfer outside of the European Economic Area, as described in this Award Agreement, in electronic or other form, of the Participant’s Personal Data (defined below) by and among, as applicable, the Company and certain of its Affiliates for the exclusive and legitimate purpose of implementing, administering and managing the Participant’s participation in the Plan.

The Participant understands that the Company and the Employer hold certain personal information about the Participant, including, but not limited to, the Participant’s name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Participant’s favor (“Personal Data”), for the purpose of implementing, administering and managing the Plan.

The Participant understands that providing the Company with his or her Personal Data is necessary for the performance of this Award Agreement and that the Participant’s refusal to provide the Personal Data would make it impossible for the Company to perform its contractual obligations and may affect the Participant’s ability to participate in the Plan. The Participant’s Personal Data shall be accessible within the Company only by the persons specifically charged with Personal Data processing operations and by the persons who need to access the Personal Data because of their duties and position in relation to the performance of this Award Agreement.

The Company will use the Participant’s Personal Data only as long as is necessary to implement, administer and manage the Participant’s participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and securities laws. When the Company no longer needs the Participant’s Personal Data, it will remove it from its systems. If the Company keeps Personal Data longer, it would be to satisfy legal or regulatory obligations and the Company’s legal basis would be relevant laws or regulations.

The Participant understands that the Company will transfer Personal Data to Charles Schwab & Co., Inc. (the “Broker”), and/or such other third parties as may be selected by the Company, which is assisting the Company with the implementation, administration and management of the

Plan. The Company may select a different service provider or additional service providers and share Personal Data with such other provider(s) serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition of the Participant's ability to participate in the Plan.

The Broker is based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. If the Participant is outside of the United States, the Participant should note that the Participant's country has enacted data privacy laws that are different from the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction. The Company does not participate in the EU-U.S. Privacy Shield program with respect to employee data. By participating in the Plan, the Participant agrees to the transfer of the Participant's Personal Data to the Broker for the exclusive purpose of administering the Participant's participation in the Plan. The Company's legal basis, where required, for the transfer of Personal Data to the Broker is that such transfer is necessary for the performance of this Award Agreement.

The Participant has a number of rights under data privacy laws in the Participant's country. Depending on where the Participant is based, the Participant's rights may include the right to (i) request access or copies of Personal Data the Company processes, (ii) rectification of incorrect Personal Data, (iii) deletion of Personal Data, (iv) restrictions on processing, (v) portability of Personal Data, (vi) lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's Personal Data. To receive clarification regarding the Participant's rights or to exercise the Participant's rights, the Participant should contact the local human resources representative or the Data Protection Officer at: privacyenquires@morningstar.com.

Finally, the Participant may choose to opt out of allowing the Company to share the Participant's Personal Data with Broker and others as described above, although execution of such choice may mean the Company cannot grant awards under the Plan to the Participant. For questions regarding opting-out of the Plan, the Participant should contact his or her local human resources representative or the Data Protection Officer at: privacyenquires@morningstar.com.

AUSTRALIA

Terms and Conditions

Australian Offer Document. The Participant understands that the offering of the Plan in Australia is intended to qualify for exemption from the prospectus requirements under Class Order 14/1000 issued by the Australian Securities and Investments Commission. Participation in the Plan is subject to the terms and conditions set forth in the Australian Offer Document and the Plan documentation provided to the Participant.

Compliance with Law. Notwithstanding anything to the contrary in the Award Agreement or the Plan, the Participant shall not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Australian Corporations Act 2001 (Cth), any other provision of the Corporations Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits. Further, the Company's Affiliate in Australia is under no obligation to seek or obtain the approval of its shareholders for the purpose of overcoming any such limitation or restriction.

Notifications

Tax Notification. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD 10,000 and international fund transfers. The Australian bank assisting with the transaction will file the report for the Participant. If there is no Australian bank involved in the transfer, the Participant will be required to file the report on his/her own.

CANADA

Terms and Conditions

Form of Settlement. Notwithstanding any terms and conditions in the Plan, Award Agreement or any other grant materials, the MSUs will be settled in Shares only, not cash.

Termination of Service. This provision replaces the second paragraph of Section 4.7 of the Award Agreement:

For purposes of the MSUs, the Participant’s Service is considered terminated as of the earlier of (a) the date the Participant’s Service with the Company or any Affiliate is terminated; (b) the date on which the Participant ceases to provide active Service to the Company or any Affiliate; or (c) the date on which the Participant receives a notice of termination of Service from the Employer (in all cases regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or rendering services or the terms of the Participant's employment or service contract, if any). The Participant's rights to participate in the Plan will not be extended by any notice period (e.g., Service would not include any contractual notice or any period of "garden leave" or period of pay in lieu of such notice required under any employment law in the country where the Participant resides (including, but not limited to, statutory law, regulatory law and/or common law)). The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing Services for purposes of the MSUs (including whether the Participant may still be considered to be providing Services while on a leave of absence).

The following provisions apply to residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Award Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir expressément souhaité la rédaction en anglais du Contrat d'Attribution, ainsi que tous les documents exécutés, avis donnés et procédures judiciaires intentées, en vertu du, ou liés directement ou indirectement, au présent Contrat d'Attribution.

Data Privacy. The following provision supplements Section 9 of the Award Agreement:

The Participant authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. The Participant further authorizes the Company, any Affiliate of the Company, the Employer, any broker, or any stock plan service provider as may be selected by the Company from time to time to assist with the Plan, to disclose and discuss the Plan with their advisors. The Participant also authorizes the Company and the Employer to record such information and to keep such information in the Participant's employee file.

Notifications

Securities Law Information. The Participant is permitted to sell Shares acquired under the Plan through the designated broker, if any, provided the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed (i.e., Nasdaq Stock Market).

Foreign Asset/Account Reporting Information. The Participant is required to report his or her foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of the foreign property exceeds CAD 100,000 at any time during the year. Foreign property includes Shares acquired under the Plan, and their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB would normally equal the Fair Market Value of the Shares at vesting, but if the Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares. If due, the Form must be filed by April 30 of the following year. The Participant should speak with a personal tax advisor to determine the scope of foreign property that must be considered for purposes of this requirement.

CHINA

The following provisions apply only if the Participant is subject to exchange control restrictions or regulations in China, as determined by the Company in its sole discretion.

Terms and Conditions

Settlement of MSUs and Sale of Shares. To facilitate compliance with exchange control regulations in China, the MSUs may be settled in the form of a cash payment. Alternatively, the MSUs may be settled in Shares, in which case, the Participant agrees that the Company is authorized to sell the Shares immediately upon settlement or after termination of Participant's Service, as described below, and the Participant expressly authorizes the Company's designated broker to complete the sale of such Shares (on the Participant's behalf pursuant to this authorization without further consent). The Participant agrees to sign any agreements, forms and/or consents that may be reasonably requested by the Company (or the designated broker) to effectuate the sale of the Shares and shall otherwise cooperate with the Company with respect to such matters, provided that Participant shall not be permitted to exercise any influence over how, when or whether the sales occur. The Participant acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price.

Upon the sale of the Shares, the Company agrees to pay the cash proceeds from the sale of Shares (less any applicable Tax-Related Items, brokerage fees or commissions) to the Participant in accordance with applicable exchange control laws and regulations including, but not limited to, the restrictions set forth below under "Exchange Control Requirements."

Treatment of MSUs Upon Termination of Service. Due to exchange control regulations in China, the Participant understands and agrees that the Company may require the sale of Shares held by the Participant within six (6) months following the Participant's termination of Service, or within such other period as determined by the Company or required by the China State Administration of Foreign Exchange ("SAFE") (the "Mandatory Sale Date"). This includes any portion of Shares that vest upon the Participant's termination of Service. The Participant understands that should the Company impose this requirement, any Shares held by the Participant under the Plan that have not been sold by the Mandatory Sale Date will automatically be sold by the Company's designated broker at the Company's direction (on the Participant's behalf pursuant to this authorization without further consent).

Exchange Control Requirements. The Participant understands and agrees that, to facilitate compliance with exchange control requirements, the Participant is required to immediately repatriate to China the cash proceeds from the sale of the Shares and any dividends paid on such Shares. The Participant further understands that such repatriation of the cash proceeds will be effectuated through a special exchange control account established by the Company or its Affiliates, and the Participant hereby consents and agrees that the proceeds may be transferred to such special account prior to being delivered to the Participant. The Company may deliver the proceeds to the Participant in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid in U.S. dollars, the Participant understands that he or she will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivering the proceeds to the Participant and due to fluctuations in the Share trading price and/or the U.S. dollar/PRC exchange rate between the sale/payment date and (if later) when the proceeds can be converted into local currency, the proceeds that the Participant receives may be more or less than the market value of the Shares on the sale/payment date (which is the amount relevant to determining the Participant's tax liability). The Participant agrees to bear the risk of any currency fluctuation between the sale/payment date and the date of conversion of the proceeds into local currency.

The Participant further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

Notifications

Foreign Asset/Account Reporting Information. PRC residents are required to report to SAFE details of their foreign financial assets and liabilities, as well as details of any economic transactions conducted with non-PRC residents, either directly or through financial institutions. Under these rules, the Participant may be subject to reporting obligations for the MSUs and any cash proceeds acquired under the Plan and Plan-related transactions. It is the Participant's responsibility to comply with this reporting obligation and the Participant should consult his or her personal advisor in this regard.

DENMARK

Terms and Conditions

Danish Stock Option Act. Notwithstanding any provisions in the Award Agreement to the contrary, the treatment of the MSUs upon the Participant's termination of Service shall be governed by the Danish Act on the Use of Rights to Purchase or Subscribe for Shares etc. in Employment Relationships (the "Stock Option Act") as in effect at the time of the Participant's termination of Service (as determined by the Company, in its discretion, in consultation with legal counsel). By accepting the MSUs, the Participant acknowledges having received an "Employer Statement" in Danish which is being provided to comply with the Danish Stock Option Act.

Notifications

Foreign Asset and Account Reporting Notification. The Participant must report to the Danish Tax Administration the establishment of an account holding Shares or cash. The form to be used in this respect may be obtained from a local bank. Further, the Participant must report Shares held in a foreign bank or brokerage account and deposit account with a foreign bank or broker in the Participant's tax return under the section on foreign affairs and income.

FRANCE

Terms and Conditions

Type of Grant. The MSUs are not granted as "French-qualified" awards and are not intended to qualify for the special tax and social security treatment applicable to shares granted for no consideration under Sections L. 225-197-1 and seq. of the French Commercial Code, as amended.

Language Acknowledgement. By accepting the MSUs, the Participant confirms having read and understood the documents relating to the MSUs which were provided to Participant in English.

En acceptant l'attribution de « Market Stock Units » (« MSUs »), le Participant confirme avoir lu et compris les documents relatifs aux MSUs qui ont été communiqués au Participant en langue anglaise.

Notifications

Foreign Asset/Account Reporting Information. If the Participant holds Shares outside of France or maintains a foreign bank account, the Participant is required to report such accounts (including any accounts that were opened or closed during the year) to the French tax authorities when filing the Participant's annual tax return. Failure to comply could trigger significant penalties.

Exchange Control Information. The value of any cash or securities imported to or exported from France without the use of a financial institution must be reported to the customs and excise authorities when the value of such cash or securities is equal to or greater than a certain amount.

GERMANY

Notifications

Foreign Asset/Account Reporting Information. If the acquisition of Shares under the Plan leads to a so-called qualified participation at any point during the calendar year, the Participant will need to report the acquisition when the Participant files his/her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds EUR 150,000 or (ii) in the unlikely event the Participant holds Shares exceeding 10% of Company's total common stock.

Exchange Control Information. Cross-border payments in excess of EUR 12,500 must be reported monthly to the German Federal Bank. The German Federal Bank no longer will accept reports in paper form and all reports must be filed electronically. The electronic "General Statistics Reporting Portal" (*Allgemeines Meldeportal Statistik*) can be accessed on the German Federal Bank's website: www.bundesbank.de**.**

HONG KONG

Terms and Conditions

Restrictions on Sale and Transferability. In the event that Shares are vested pursuant to MSUs within six months after the Grant Date, the Participant (and the Participant's heirs) hereby agrees that such Shares may not be offered for sale to the public or otherwise disposed of prior to the six-month anniversary of the Grant Date. Any Shares acquired under the Plan are accepted as a personal investment.

Form of Settlement. Notwithstanding any terms and conditions in the Plan, Award Agreement or any other grant materials, the MSUs will be settled in Shares only, not cash.

Notifications

Securities Warning. MSUs and any Shares issued thereunder do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or its Affiliates. The Plan, the Plan prospectus and any other incidental communication materials (i) have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under applicable securities legislation in Hong Kong, (ii) have not been reviewed by any regulatory authority in Hong Kong, and (iii) are intended only for the Participant's personal use and may not be distributed to any other person. If the Participant is in any doubt about any of the contents of the Plan or the Plan prospectus, the Participant should obtain independent professional advice.

Occupational Retirement Schemes Ordinance Information. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). To the extent that any court, tribunal or legal/regulatory body in Hong Kong determines that the Plan constitutes an occupational retirement scheme for the purposes of ORSO, the grant of MSUs shall be null and void.

INDIA

Notifications

Exchange Control Information. The Participant must repatriate all proceeds received from the sale of Shares to India within 90 days of receipt and any cash dividends paid on such Shares within 180 days of receipt (or within any other time frame prescribed under applicable Indian exchange control laws as may be amended from time to time). The Participant will receive a foreign inward remittance certificate ("FIRC") from the bank where the Participant deposits the foreign currency. The Participant should maintain the FIRC as evidence of the repatriation of funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is the Participant's responsibility to comply with applicable exchange control laws in India.

Foreign Account/Asset Reporting Information. The Participant is required to declare in his or her annual tax return (a) any foreign financial assets (including Shares) held by the Participant or (b) any foreign bank accounts for which the Participant has signing authority. Increased penalties for failing to report these assets/accounts have been implemented. It is the Participant's responsibility to comply with this reporting obligation, and the Participant should confer with his or her personal tax advisor in this regard.

ITALY

Terms and Conditions

Plan Document Acknowledgment. The Participant acknowledges that the Participant has read and specifically and expressly approves the following Sections of the Award Agreement: Section 6 (Responsibility for Taxes and Tax Withholding Obligations); Section 8 (Nature of Grant); Section 10 (Electronic Delivery and Acceptance); Section 13 (Imposition of Other

Requirements); Section 14 (Language); Section 17 (Addendum) and the Data Privacy provision above in the Addendum for EU/EEA countries and the United Kingdom.

Notifications

Foreign Asset/Account Reporting Information. If the Participant is an Italian resident who, at any time during the fiscal year, holds foreign financial assets (including cash and Shares) which may generate income taxable in Italy, the Participant is required to report these assets on the Participant's annual tax return for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations also apply if the Participant is the beneficial owner of foreign financial assets under Italian money laundering provisions.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. If the Participant is a resident of Japan, the Participant will be required to report details of any assets (including any Shares acquired under the Plan) held outside of Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding JPY 50,000,000. Such report will be due by March 15th of the following year. The Participant should consult with his or her personal tax advisor as to whether the reporting obligation applies to the Participant and whether he or she will be required to report details of any outstanding MSUs or Shares held by the Participant in the report.

Exchange Control Information. If the Participant acquires Shares valued at more than JPY 100,000,000 in a single transaction, the Participant must file a Securities Acquisition Report with the Ministry of Finance through the Bank of Japan within 20 days after the acquisition of the Shares.

NETHERLANDS

Terms and Conditions

Exclusion of Claim. By accepting the MSUs, the Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant ceasing to have rights under or to be entitled to the MSUs, whether or not as a result of the Participant's termination of Service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the MSUs. Upon acceptance of the MSUs, the Participant shall be deemed irrevocably to have waived any such entitlement.

SOUTH AFRICA

Notifications

Securities Law Notification. In compliance with South African securities laws, the documents listed below are available on the following websites:

i. a copy of the Company's most recent annual report (i.e., Form 10-K) is available at: https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx; and

ii. a copy of the Plan is available on the website of the Company's stock plan service provider;

iii. a copy of the Plan Prospectus is available on the website of the Company's stock plan service provider.

A copy of the above documents will be sent to the Participant free of charge on written request to Morningstar, Inc., 22 West Washington Street, Chicago, Illinois, 60602, USA, Attention: General Counsel.

The Participant is advised to carefully read the materials provided before making a decision whether to participate in the Plan. In addition, the Participant should contact his or her tax advisor for specific information concerning the Participant's personal tax situation with regard to Plan participation.

Exchange Control Information. The Participant is responsible for complying with applicable South African exchange control regulations. Since the exchange control regulations change frequently and without notice, the Participant should consult his or her legal advisor prior to the acquisition or sale of Shares acquired under the Plan to ensure compliance with current regulations. As noted, it is the Participant's responsibility to comply with South African exchange control laws, and neither the Company nor any Affiliate will be liable for any fines or penalties resulting from the Participant's failure to comply with applicable laws.

SWEDEN

Terms and Conditions

Responsibility for Taxes and Tax Withholding Obligations. This provision supplements Section 6 of the Award Agreement:

Without limiting the Company’s and the Employer's authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 6 of the Award Agreement, in accepting the MSU award, the Participant authorizes the Company and/or the Employer to withhold Shares otherwise deliverable to the Participant upon vesting/settlement to satisfy Tax-Related Items, regardless of whether the Company and/or the Employer have an obligation to withhold such Tax-Related Items.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes and Tax Withholding Obligations. This provision supplements Section 6 of the Award Agreement:

Without limitation to Section 6 of the Award Agreement, the Participant agrees that the Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Employer or by Her Majesty’s Revenue and Customs (“HMRC”) (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Company and the Employer against any taxes that they are required to pay or withhold on the Participant’s behalf or have paid or will pay to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if the Participant is a director or executive officer (as within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that the Participant is a director or executive officer and income tax due is not collected from or paid by the Participant within 90 days after the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected tax may constitute a benefit to the Participant on which additional income tax and national insurance contributions may be payable. The Participant acknowledges that the Participant ultimately will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as applicable) for the value of any employee national insurance contributions due on this additional benefit, which the Company and/or the Employer may recover from the Participant at any time thereafter by any of the means referred to in Section 6 of the Award Agreement.

Exclusion of Claim. By accepting the MSUs, the Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant ceasing to have rights under or to be

entitled to the MSUs, whether or not as a result of the Participant’s termination of Service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the MSUs. Upon acceptance of the MSUs, the Participant shall be deemed irrevocably to have waived any such entitlement.

Exhibit 10.2

MORNINGSTAR, INC.

2011 STOCK INCENTIVE PLAN

MARKET STOCK UNIT WITH PERFORMANCE KICKER AWARD AGREEMENT

THIS MARKET STOCK UNIT AWARD AGREEMENT, which includes the Online Grant Acceptance form (the "Grant Notice") provided to the Participant named therein and any special terms and conditions for the Participant's country set forth in the Addendum attached hereto (together, the "Award Agreement"), is made under the Morningstar, Inc. 2011 Stock Incentive Plan, as amended from time to time (the "Plan"), as of the Grant Date specified in the Grant Notice. Any term capitalized but not defined in this Award Agreement will have the meaning set forth in the Plan. For purposes of this Award Agreement, "Employer" means the entity (the Company or Affiliate) that employs the Participant.

BETWEEN:

(1) **MORNINGSTAR, INC.,** an Illinois corporation (the "Company"); and

(2) The Participant identified in the Grant Notice.

1 GRANT OF MARKET STOCK UNITS

a. In accordance with the terms of the Plan and subject to the terms and conditions of this Award Agreement, the Company hereby grants to the Participant a Market Stock Unit Award with respect to the target number of Market Stock Units ("MSUs") set forth in the Grant Notice (the "Target MSUs"). The number of MSUs that are earned shall be equal to a percentage of the Target MSUs, which shall be determined in accordance with the performance conditions specified in Section 2 (the "Performance Conditions"). The MSUs shall constitute performance-based Restricted Stock Units granted pursuant to Section 3.3 of the Plan.

b. Each MSU is a notional amount that represents one unvested share of common stock, no par value, of the Company (a "Share"). Each MSU constitutes the right, subject to the terms and conditions of the Plan and this Award Agreement, to distribution of a Share if and to the extent the Performance Conditions are satisfied and the MSUs otherwise become vested.

Notwithstanding the foregoing, if the Participant is resident or employed outside of the United States, the Company, in its sole discretion, may settle the MSUs in the form of a cash payment to the extent settlement in Shares: (i) is prohibited under local law; (ii) would require the Participant, the Company and/or its Affiliates to obtain the approval of any governmental and/or regulatory body in the Participant's country; (iii) would result in adverse tax consequences for the Participant, the Company or any Affiliate; or (iv) is administratively burdensome. Alternatively, the Company, in its sole discretion, may settle the MSUs in the form of Shares but require the Participant to sell such Shares immediately or within a specified period following the Participant's termination of Service (in which case, this Award Agreement shall give the Company the authority to issue sales instructions on the Participant's behalf).

c. This Award Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. The Participant hereby agrees to be bound by the terms of this Award Agreement and the Plan.

d. Further details of the MSUs granted to the Participant under the terms of this Award Agreement are set forth in the Grant Notice.

• **<u>Performance Conditions</u>**

a. Subject to the terms of the Award Agreement and the Plan, the number of MSUs that are eligible to be earned shall be based on the Company's Cumulative Total Shareholder Return for the Performance Period set forth in the Grant Notice (the "Company Cumulative TSR") and the achievement of such other performance targets and metrics, quantitative and/or qualitative (in each case, a "Performance Target"), as may be established by the Committee from time to time during the Performance Period (the "Performance Kicker") in accordance with Section 2.6 through Section 2.11. The number of MSUs that are eligible to vest at the end of the Performance Period shall be equal to the product of (A), multiplied by (B), and multiplied by (C), where:

(A) = Number of Target MSUs.

(B) = Company Cumulative TSR Payout, as calculated in the table below and in accordance with this Award Agreement:

Company TSR Attainment Performance		
	Company Cumulative TSR	**Company Cumulative TSR Payout (B)**
Threshold TSR	[ ]%	[ ]%
Target TSR	[ ]%	[ ]%
Maximum TSR	[ ]%	[ ]%

(C) = Re(C) = Performance Kicker, as calculated in the table below and in accordance with this Award Agreement:

Performance Kicker	
Performance	**Performance Kicker (C)**
To Be Determined by the Committee	[ ]% -- [ ]%

b. If the Company Cumulative TSR exceeds the Threshold TSR and is less than the Target TSR, the percentage of the Target MSUs earned shall be [ ]%, reduced by [ ]% for each [ ]% decrease in Company Cumulative TSR below [ ]%. For example, if the Company Cumulative TSR is [ ]%, then [ ]% of Target MSUs would be earned. If the Company Cumulative TSR exceeds the Target TSR and is less than the Maximum TSR, the percentage of the Target MSUs earned shall be [ ]%, increased by [ ]% for each [ ]% increase in Company Cumulative TSR above [ ]%. For example, if the Company Cumulative TSR is [ ]%, then [ ]% of the Target MSUs shall be earned. The number of MSUs that are earned shall be rounded down to the nearest whole Share.

c. No MSUs shall be earned pursuant to this Award Agreement if the Company Cumulative TSR is less than [ ]%, and the maximum number of MSUs earned pursuant to this Award Agreement shall be [ ]% of the Target MSUs.

d. For purposes of this Award Agreement, the Company Cumulative TSR for the Performance Period shall be measured by dividing (A) the sum of (i) the increase or decrease in the Stock Price, as defined below, from the beginning of the Performance Period to the end of the Performance Period, and (ii) the cumulative value of dividends paid during the Performance Period, assuming such dividends are reinvested in Shares, by (B) the Stock Price determined at the beginning of the Performance Period.

e. For purposes of computing Company Cumulative TSR, the “Stock Price” at the beginning of the Performance Period shall be the average closing price of a Share over the 30 consecutive calendar days immediately prior to the first day of the Performance Period, and the “Stock Price” at the end of the Performance Period shall be the average closing price of a Share over the 30 consecutive calendar days ending on and including the last day of the Performance Period, adjusted for changes in capitalization in accordance with Section 5.7 of the Plan.

f. The Committee shall have full authority to determine at any time during the Performance Period any Performance Target based on either (A) any objectively determinable measure of financial performance as selected by the Committee to measure performance of the Company or any subsidiary, division, or other unit of the Company for the Performance Period based on any performance criterion, including, without limitation, any one or more of the following: (i) revenue, (ii) net income, (iii) net income before taxes, (iv) operating income, (v) return on sales, (vi) return on equity, (vii) earnings per share, (viii) return on capital, (ix) return on invested capital, (x) return on assets, (xi) return on operating revenue, (xii) earnings before any one or more of: interest, taxes, depreciation, amortization or stock-based compensation expense, (xiii) stock price, (xiv) cash flow; (xv) operating margin or profit margin, (xvi) market share, or (xvii) any of combination of the foregoing, or (B) qualitative performance measures determined by the Committee including any related to the management of the Company through the COVID-19 pandemic and related effects on the global economy, financial markets and the Company's performance. In the case of the qualitative performance measures, the Committee shall have the sole authority to determine the level of the actual achievement thereof. The Committee shall also have authority during the Performance Period to adjust any Performance Target in light of events or circumstances arising during the Performance Period. The achievement level of any Performance Target, as determined by the Committee, will be represented as a percentage that is between the bottom and top of the range of the potential achievement levels set forth in the Performance Kicker table under Section 2.2 and will determine the corresponding Performance Kicker attainment level.

g. If, during the course of the Performance Period, the Participant's responsibilities change in a way that they are no longer aligned with a Performance Target applicable to a specific business unit or product area of the Company corresponding to the Performance Kicker that was designated to apply to the Participant at the time the applicable Performance Kicker is established by the Committee (the "Performance Area"), the attainment level of the Performance Kicker will be determined based on the attainment level of the Performance Target applicable to the initially designated Performance Area over the full Performance Period, as determined by the Committee, and then will be prorated based on the number of whole months in the Performance Period that the Participant's responsibilities were aligned with such Performance Area and divided by 36 (i.e., the total number of months in the entire Performance Period). Further, if the

Participant's new responsibilities are aligned with a different Performance Area, the attainment level of the Performance Kicker will be determined based on the attainment level of the Performance Target applicable to the subsequently designated Performance Area over the full Performance Period, as determined by the Committee, and then will be pro-rated based on the number of whole months in the Performance Period that the Participant is aligned to the subsequently designated Performance Area and divided by 36 (i.e., the total number of months in the entire Performance Period). If multiple Performance Areas are designated as part of the Performance Kickers that are applicable to the Participant, the sum of the prorated Performance Kickers will be used to determine the Participant's total Performance Kicker.

h. To consider acquisitions and divestitures, the Committee will have the discretion to adjust any applicable Performance Targets affected thereby, as it deems appropriate.

i. The Committee will have the discretion to adjust any applicable Performance Target established by it during the Performance Period or the method of calculating the attainment level of the Performance Target for unusual, one-time, or unanticipated and extraordinary events that have an impact on the Company's financial results, including as a result of the COVID-19 pandemic and the effects thereof on the Company, as it deems appropriate.

j. Except as otherwise provided in this Award Agreement, the Committee may, in its sole discretion, reduce, but not increase, the percentage of MSUs that are earned at any level of performance.

k. Subject to, and except as otherwise provided by, the Award Agreement, including Section 4.2 and Section 4.3 thereof, the MSUs that are earned pursuant to the attainment of the Performance Conditions set forth in Section 2 shall vest only if the Participant has remained in continuous Service until the last day of the Performance Period.

• **Rights as a Shareholder**

l. Unless and until an MSU has been earned and vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote that Share or have any right to dividends, dividend equivalents or other distributions with respect to that Share; provided that the number and class of securities subject to this Award Agreement shall be subject to adjustment in accordance with Section 5.7 of the Plan.

• **termination of service and OTHER ChANGES IN SERVICE STATUS**

m. If the Participant's Service (as defined in Section 4.7) terminates for any reason other than Disability (as defined in Section 4.6), death or a termination by the Company without Cause (as defined in Section 4.5) on or prior to the last day of the Performance Period, the Participant will forfeit the right to receive Shares underlying any MSUs.

n. If the Participant's Service terminates on account of the Disability or death of the Participant, the Participant shall become vested as of the date of the termination in a prorated number of Target MSUs equal to the number of Target MSUs, multiplied by a fraction the numerator of which shall be the number of whole months the Participant was in Service between the first date of the Performance Period and the date of the termination of the Participant's Service and the denominator of which shall be the total number of months contained in the Performance Period.

o. If the Participant's Service is terminated by the Company without Cause, the Participant at the end of the Performance Period shall continue to be eligible to vest in a number of MSUs that would have been earned had the Participant's employment continued through the last day of the Performance Period equal to the number of MSUs that would have vested based on the actual attainment of the Performance Conditions for the entire Performance Period, multiplied by a fraction, the numerator of which shall be the number of whole months the Participant was in Service between the first date of the Performance Period and the date of the termination of the Participant's Service and the denominator of which shall be the total number of months contained in the Performance Period.

p. For purposes of this Award Agreement, "Affiliate" means an entity that is (directly or indirectly) controlled by, or controls, the Company.

q. For purposes of this Award Agreement, "Cause" shall mean the Participant's: (i) willful neglect of or continued failure to substantially perform his or her duties with or obligations for the Company or an Affiliate in any material respect (other than any such failure resulting from his or her incapacity due to physical or mental illness); (ii) commission of a willful or grossly negligent act or the willful or grossly negligent omission to act that causes or is reasonably likely to cause material harm to the Company or an Affiliate; or (iii) commission or conviction of, or plea of nolo contendere to, any felony or any crime significantly injurious to the Company or an Affiliate. An act or omission is "willful" for this purpose if it was knowingly done, or knowingly omitted, by the Participant in bad faith and without reasonable belief that the act or omission was in the best interest of the Company or an Affiliate. Determination of Cause shall be made by the Committee in its sole discretion.

r. Notwithstanding anything in the Plan to the contrary, for purposes of this Award Agreement, "Disability" shall mean the condition of being "disabled" as provided in Code Section 409A(a)(2)(C).

s. For purposes of this Award Agreement "Service" means the provision of services to the Company or its Affiliates in the capacity of an employee or a member of the Board but not as a consultant to the Company or an Affiliate. For purposes of this Award Agreement, the transfer of an employee from the Company to an Affiliate, from an Affiliate to the Company or from an Affiliate to another Affiliate shall not be a termination of Service. However, if the Affiliate for which an employee is providing services ceases to be an Affiliate of the Company due to a sale, transfer or other reason, and the employee ceases to perform services for the Company or any Affiliate, the employee shall incur a termination of Service.

For purposes of this Award Agreement, the Participant's Service will be considered terminated as of the date the Participant is no longer actively providing services to the Company or any Affiliate (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement or determined by the Company, the Participant's right to vest in MSUs under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., the Participant's period of Service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any). The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing services for purposes of his or her MSU award (including whether the Participant may still be considered to be providing services while on a leave of absence).

- **Timing and Form of Payment**

t. Once an MSU is earned and vested and the Committee has certified in writing the achievement of the Performance Conditions or the MSU otherwise vests pursuant to Section 4.2, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made as soon as administratively feasible after its associated MSU vests, but no later than 2½ months from the end of the calendar year (a) that contains the last day of the Performance Period, or (b) in the case of a vesting event pursuant to Section

4.2 hereof, that contains the date in which the Participant's Service terminated. Shares delivered under this Award Agreement shall be subject to the Company's share retention policy, as in effect from time to time.

- **<u>Responsibility for taxes and tax WITHHOLDING obligations</u>**

u. The Participant acknowledges that, regardless of any action taken by the Company or the Employer, the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to the Participant's participation in the Plan and legally applicable to the Participant ("Tax-Related Items"), is and remains the Participant's responsibility and may exceed the amount actually withheld by the Company or the Employer, if any. Further, notwithstanding any contrary provision of this Award Agreement, no Shares will be issued to the Participant, unless and until satisfactory arrangements (as determined by the Committee) have been made by the Participant with respect to the payment of any Tax-Related Items which the Company determines must be withheld with respect to the MSUs. The Participant further acknowledges that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the MSUs, including, but not limited to, the grant, vesting or settlement of the MSUs, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the MSUs to reduce or eliminate the Participant's liability for Tax-Related Items or achieve any particular tax result. In addition, if the Participant is subject to Tax-Related Items in more than one jurisdiction, the Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

v. The Participant shall, upon occurrence of any tax withholding event, pay to the Company or the Employer or make arrangements satisfactory to the Company for payment of any Tax-Related Items required by law to be withheld on account of such taxable event. Without limiting the Company's power or rights pursuant to Section 5.5 of the Plan, amounts required by law or regulation to be withheld by the Company with respect to any taxable event arising under this Award Agreement will be satisfied by having Shares withheld in accordance with Section 5.5 of the Plan. In addition, the Participant may elect to deliver to the Company the necessary funds to satisfy the withholding obligation, in which case there will be no reduction in the Shares otherwise distributable to the Participant.

w. Depending on the withholding method, the Company may withhold or account for Tax-Related Items by considering applicable statutory withholding rates or other applicable withholding rates, including maximum applicable rates, in which case the Participant may receive a refund of any over-withheld amount in cash and will have no entitlement to the Share equivalent. If the obligation for Tax-Related Items is satisfied by withholding in Shares, for tax purposes, the Participant is deemed to have been issued the full number of Shares subject to the vested MSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

- **NOTICES**

x. Any notice or other communication required or permitted under this Award Agreement must be in writing and must be delivered personally, sent by certified, registered or express mail, or sent by overnight courier, at the sender's expense. Notice will be deemed given when delivered personally or, if mailed, three days after the date of deposit or, if sent by overnight courier, on the regular business day following the date sent. Notice to the Company should be sent to Morningstar, Inc., 22 West Washington Street, Chicago, Illinois, 60602, USA, Attention: General Counsel. Notice to the Participant should be sent to the address of the Participant contained in the Company’s records. Either party may change the person and/or address to whom the other party must give notice by giving such other party written notice of such change, in accordance with the procedures described above.

- **Nature of grant**

In accepting the MSU award grant, the Participant acknowledges, understands and agrees that:

a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

b) the grant of MSUs is extraordinary, voluntary and occasional and does not create any contractual or other right to receive future grants of MSUs, or benefits in lieu of MSUs, even if MSUs have been granted in the past;

c) all decisions with respect to future MSU or other award grants, if any, will be at the sole discretion of the Committee;

d) the Participant is voluntarily participating in the Plan;

e) the Participant's participation in the Plan shall not create a right to further Service with the Employer and shall not interfere with the ability of the Employer to terminate Participant's Service at any time with or without Cause;

f) an MSU grant will not be interpreted to form an employment or service contract or relationship with the Company or an Affiliate;

g) the grant of MSUs, the Shares subject to the MSUs, and the income and value of the same, are not intended to replace any pension rights or compensation;

h) the grant of MSUs, the Shares subject to the MSUs, and the income and value of the same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, holiday pay, long-service awards, pension or retirement or welfare benefits or similar payments and in no event should be considered as compensation for, or relating in any way to, past services for the Company, the Employer or any Affiliate;

i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

j) unless otherwise provided in the Plan or by the Company in its discretion, the MSUs and the benefits evidenced by this Award Agreement do not create any entitlement to have the MSUs or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares;

k) unless otherwise agreed with the Company, the MSUs and the Shares subject to the MSUs, and the income and value of the same, are not granted as consideration for, or in connection with, the Service the Participant may provide as a director of an Affiliate;

l) no claim or entitlement to compensation or damages shall arise from forfeiture of the MSUs resulting from the termination of the Participant's Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or the terms of the Participant's employment or service agreement, if any), and in consideration of the grant of MSUs, the Participant agrees not to institute any claim against the Company or any Affiliate; and

m) neither the Company, the Employer nor any Affiliate shall be liable for any foreign exchange rate fluctuation between the Participant's local currency and the United States Dollar that may affect the value of the MSUs or of any amounts due to the Participant pursuant to the vesting of MSUs or the sale of Shares.

- **Data privacy**

The Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Participant's personal data as described in any MSU award grant materials by and among, as applicable, the Employer, the Company, and any other Affiliate for the exclusive purpose of implementing, administering and managing the Participant's participation in the Plan.

The Participant understands that the Company and the Employer may hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all MSU awards or any other entitlement to Shares awarded, cancelled, exercised, vested, unvested or outstanding in the Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

The Participant understands that Data will be transferred to the Company's designated broker and/or stock plan service provider that is assisting the Company (presently or in the future) with the implementation, administration and management of the Plan. The Participant understands that the recipients of the Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than the Participant's country. The Participant understands that he or she may request a list with the names and addresses of any potential recipients of the Data by contacting his or her local human resources representative.

The Participant authorizes the Company, the Employer and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer the Data, in electronic or other form, for the sole purpose of implementing, administering and managing the Participant's participation in the Plan. The Participant understands that Data will be held only as long as is necessary to implement, administer and manage the Participant's participation in the Plan. The

Participant understands that he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting in writing his or her local human resources representative.

Further, the Participant understands that he or she is providing the consents herein on a purely voluntary basis. If the Participant does not consent, or later seeks to revoke the Participant's consent, the Participant's employment or Service status with the Employer will not be affected. The only consequence of refusing or withdrawing consent is that the Company would not be able to grant MSUs or other equity awards to the Participant or administer or maintain such awards. Therefore, the Participant understands that refusing or withdrawing the Participant's consent may affect the Participant's ability to participate in the Plan. For more information on the consequences of the Participant's refusal to consent or withdrawal of consent, the Participant understands that he or she may contact his or her local human resources representative.

- **electronic delivery and acceptance**

y. The Company may, in its sole discretion, decide to deliver any documents related to MSUs awarded under the Plan or future MSUs that may be awarded under the Plan by electronic means or request the Participant's consent to participate in the Plan by electronic means. The Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any on-line or electronic system established and maintained by the Company or a third party designated by the Company.

- **Severability**

z. The provisions of the Award Agreement (including the Country-Specific Terms and Conditions attached hereto as an Addendum), are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

- **No advice regarding grant**

aa. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding the Participant's participation in the Plan, or the Participant's acquisition or sale of the underlying Shares. The Participant should consult with his or her own personal tax, legal and financial advisors regarding the Participant's participation in the Plan before taking any action related to the Plan.

- **imposition of other requirements**

ab. The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on MSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require the Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

- **language**

ac. If the Participant received any document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

- **insider trading/market abuse laws**

ad. By participating in the Plan, the Participant agrees to comply with any Company insider trading policy. The Participant further acknowledges that, depending on the Participant's or his or her broker's country of residence or where the Shares are listed, the Participant may be subject to insider trading restrictions and/or market abuse laws, which may affect the Participant's ability to accept, acquire, sell or otherwise dispose of Shares, rights to Shares (e.g., MSUs) or rights linked to the value of Shares, during such times the Participant is considered to have "inside information" regarding the Company as defined by the laws or regulations in the Participant's country. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders the Participant places before he or she possessed inside information. Furthermore, the Participant could be prohibited from (i) disclosing the inside information to any third party (other than on a "need to know" basis) and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. The Participant understands that third parties may include fellow employees. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable Company insider trading policy. The Participant acknowledges that it is the Participant's responsibility to comply with applicable restrictions and, therefore, the Participant should consult with his or her personal legal advisor on this matter.

- **foreign asset/account reporting requirements and exchange controls** ae. The Participant acknowledges that the Participant's country may have certain foreign asset and/or foreign account reporting requirements and exchange controls which may affect the Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on Shares or sales proceeds from the sale of Shares acquired under the Plan) in a brokerage or bank account outside the Participant's country. The Participant may be required to report such accounts, assets or transactions to the tax or other authorities in the Participant's country. The Participant also may be required to repatriate sale proceeds or other funds received as a result of the Participant's participation in the Plan to the Participant's country through a designated bank or broker within a certain time after receipt. The Participant acknowledges that it is the Participant's responsibility to be compliant with such regulations, and the Participant should consult his or her personal legal advisor for any details.

- **ADDENDUM**

af. Notwithstanding any provisions in the Award Agreement, MSUs shall also be subject to the Country-Specific Terms and Conditions for the Participant's country, if any, set forth in the Addendum attached hereto. Moreover, if the Participant relocates to one of the countries included in the Addendum, the special terms and conditions for such country will apply to the Participant, to the extent that the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons.

- **CONSTRUCTION**

ag. The MSUs granted hereunder are subject to any rules and regulations promulgated by the Committee pursuant to the Plan, now or hereafter in effect.

ah. The Company and the Participant may amend this Award Agreement only by a written instrument signed by both parties, provided, that the Company may amend this Award Agreement without further action by the Participant if (i) such amendment is deemed by the Company to be advisable or necessary to comply with applicable law, rule, or, regulation, including Section 409A of the Code, or (ii) if such amendment is not to the detriment of the Participant.

ai. The Participant shall agree to the terms of this Award Agreement by accepting the Grant Notice at the time and in the manner specified by the Company.

aj. The Plan, the MSUs and this Award Agreement, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Illinois and construed in accordance therewith without giving effect to principles of conflicts of laws.

- **Section 409A.**

ak. To the extent the Participant is a citizen of the United States or a United States resident under the Code, the Company intends that the MSUs shall not constitute "nonqualified deferred compensation" subject to Section 409A of the Code, and the MSUs are intended to be exempt from Section 409A of the Code under the "short-term deferral" exception to the maximum extent permitted under Section 409A of the Code, and the Award Agreement shall be interpreted, administered and construed consistent with such intent. Notwithstanding the foregoing, the Company may unilaterally amend the terms of this Award Agreement (or the Plan) to avoid the application of, or to comply with, Section 409A of the Code, in a particular circumstance or as necessary or desirable to satisfy any of the requirements under Section 409A of the Code or to mitigate any additional tax, interest and/or penalties that may apply under Section 409A of the Code if exemption or compliance is not practicable, but the Company or the Employer shall not be under any obligation to make any such amendment. Nothing in this Award Agreement (or the Plan) shall provide a basis for any person to take action against the Company or any Affiliate based on matters covered by Section 409A of the Code, including the tax treatment of any amount paid under the Award Agreement, and neither the Company nor any of its Affiliates shall under any circumstances have any liability to the Participant or his or her estate or any other party for any taxes, penalties or interest due on amounts paid or payable under this Award Agreement, including taxes, penalties or interest imposed under Section 409A of the Code.

ADDENDUM

COUNTRY-SPECIFIC TERMS AND CONDITIONS

Certain capitalized terms used but not defined in this Addendum have the meanings set forth in the Plan and/or in the Award Agreement.

Terms and Conditions

This document includes additional terms and conditions that govern MSUs granted under the Plan if the Participant works and/or resides in one of the countries listed below. If the Participant is a citizen or resident of a country other than the one in which the Participant currently is residing and/or working, transfers employment and/or residency after the Grant Date or is considered a resident of another country for local law purposes, the Company shall, in its discretion, determine to what extent the terms and conditions contained herein shall apply to the Participant.

Notifications

This document also includes information regarding exchange controls and certain other issues of which the Participant should be aware with respect to the Participant's participation in the Plan. The information is based on the securities, exchange control and other laws in effect in the respective countries as of May 2020. Such laws are often complex and change frequently. As a result, the Participant should not rely on the information noted in this document as the only source of information relating to the consequences of the Participant's participation in the Plan because the information may be out of date by the time the Participant vests in MSUs or sells Shares acquired under the Plan.

In addition, the information contained herein is general in nature and may not apply to the Participant's particular situation, and the Company is not in a position to assure the Participant of a particular result. Accordingly, the Participant should seek appropriate professional advice as to how the relevant laws in the Participant's country may apply to his or her situation.

If the Participant is a citizen or resident of a country other than the one in which the Participant currently is residing and/or working, transfers employment and/or residency after the Grant Date or is considered a resident of another country for local law purposes, the notifications contained herein may not apply to the Participant.

<u>EUROPEAN UNION ("EU") / EUROPEAN ECONOMIC AREA ("EEA") COUNTRIES AND THE UNITED KINGDOM</u>

<u>Data Privacy</u>: If the Participant resides and/or works in a country within the EU/EEA or the United Kingdom, Section 9 of the Award Agreement shall be replaced with the following:

The Participant is hereby notified of the collection, use and transfer outside of the European Economic Area, as described in this Award Agreement, in electronic or other form, of the Participant's Personal Data (defined below) by and among, as applicable, the Company and certain of its Affiliates for the exclusive and legitimate purpose of implementing, administering and managing the Participant's participation in the Plan.

The Participant understands that the Company and the Employer hold certain personal information about the Participant, including, but not limited to, the Participant's name, home address and telephone number, email address, date of birth, social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all entitlement to Shares awarded, canceled, vested, unvested or outstanding in the Participant's favor ("Personal Data"), for the purpose of implementing, administering and managing the Plan.

The Participant understands that providing the Company with his or her Personal Data is necessary for the performance of this Award Agreement and that the Participant's refusal to provide the Personal Data would make it impossible for the Company to perform its contractual obligations and may affect the Participant's ability to participate in the Plan. The Participant's Personal Data shall be accessible within the Company only by the persons specifically charged with Personal Data processing operations and by the persons who need to access the Personal Data because of their duties and position in relation to the performance of this Award Agreement.

The Company will use the Participant's Personal Data only as long as is necessary to implement, administer and manage the Participant's participation in the Plan or as required to comply with legal or regulatory obligations, including under tax and securities laws. When the Company no longer needs the Participant's Personal Data, it will remove it from its systems. If the Company keeps Personal Data longer, it would be to satisfy legal or regulatory obligations and the Company's legal basis would be relevant laws or regulations.

The Participant understands that the Company will transfer Personal Data to Charles Schwab & Co., Inc. (the "Broker"), and/or such other third parties as may be selected by the Company, which is assisting the Company with the implementation, administration and management of the

Plan. The Company may select a different service provider or additional service providers and share Personal Data with such other provider(s) serving in a similar manner. The Participant may be asked to agree on separate terms and data processing practices with the service provider, with such agreement being a condition of the Participant's ability to participate in the Plan.

The Broker is based in the United States. The Participant's country or jurisdiction may have different data privacy laws and protections than the United States. If the Participant is outside of the United States, the Participant should note that the Participant's country has enacted data privacy laws that are different from the United States. For example, the European Commission has issued a limited adequacy finding with respect to the United States that applies only to the extent companies register for the EU-U.S. Privacy Shield program, which is open to companies subject to Federal Trade Commission jurisdiction. The Company does not participate in the EU-U.S. Privacy Shield program with respect to employee data. By participating in the Plan, the Participant agrees to the transfer of the Participant's Personal Data to the Broker for the exclusive purpose of administering the Participant's participation in the Plan. The Company's legal basis, where required, for the transfer of Personal Data to the Broker is that such transfer is necessary for the performance of this Award Agreement.

The Participant has a number of rights under data privacy laws in the Participant's country. Depending on where the Participant is based, the Participant's rights may include the right to (i) request access or copies of Personal Data the Company processes, (ii) rectification of incorrect Personal Data, (iii) deletion of Personal Data, (iv) restrictions on processing, (v) portability of Personal Data, (vi) lodge complaints with competent authorities in the Participant's country, and/or (vii) a list with the names and addresses of any potential recipients of the Participant's Personal Data. To receive clarification regarding the Participant's rights or to exercise the Participant's rights, the Participant should contact the local human resources representative or the Data Protection Officer at: privacyenquires@morningstar.com.

Finally, the Participant may choose to opt out of allowing the Company to share the Participant's Personal Data with Broker and others as described above, although execution of such choice may mean the Company cannot grant awards under the Plan to the Participant. For questions regarding opting-out of the Plan, the Participant should contact his or her local human resources representative or the Data Protection Officer at: privacyenquires@morningstar.com.

AUSTRALIA

Terms and Conditions

Australian Offer Document. The Participant understands that the offering of the Plan in Australia is intended to qualify for exemption from the prospectus requirements under Class Order 14/1000 issued by the Australian Securities and Investments Commission. Participation in the Plan is subject to the terms and conditions set forth in the Australian Offer Document and the Plan documentation provided to the Participant.

Compliance with Law. Notwithstanding anything to the contrary in the Award Agreement or the Plan, the Participant shall not be entitled to, and shall not claim any benefit (including without limitation a legal right) under the Plan if the provision of such benefit would give rise to a breach of Part 2D.2 of the Australian Corporations Act 2001 (Cth), any other provision of the Corporations Act, or any other applicable statute, rule or regulation which limits or restricts the giving of such benefits. Further, the Company's Affiliate in Australia is under no obligation to seek or obtain the approval of its shareholders for the purpose of overcoming any such limitation or restriction.

Notifications

Tax Notification. The Plan is a plan to which Subdivision 83A-C of the Income Tax Assessment Act 1997 (Cth) applies (subject to conditions in the Act).

Exchange Control Information. Exchange control reporting is required for cash transactions exceeding AUD 10,000 and international fund transfers. The Australian bank assisting with the transaction will file the report for the Participant. If there is no Australian bank involved in the transfer, the Participant will be required to file the report on his/her own.

CANADA

Terms and Conditions

Form of Settlement. Notwithstanding any terms and conditions in the Plan, Award Agreement or any other grant materials, the MSUs will be settled in Shares only, not cash.

Termination of Service. This provision replaces the second paragraph of Section 4.7 of the Award Agreement:

For purposes of the MSUs, the Participant’s Service is considered terminated as of the earlier of (a) the date the Participant’s Service with the Company or any Affiliate is terminated; (b) the date on which the Participant ceases to provide active Service to the Company or any Affiliate; or (c) the date on which the Participant receives a notice of termination of Service from the Employer (in all cases regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where the Participant is employed or rendering services or the terms of the Participant's employment or service contract, if any). The Participant's rights to participate in the Plan will not be extended by any notice period (e.g., Service would not include any contractual notice or any period of "garden leave" or period of pay in lieu of such notice required under any employment law in the country where the Participant resides (including, but not limited to, statutory law, regulatory law and/or common law)). The Committee shall have the exclusive discretion to determine when the Participant is no longer actively providing Services for purposes of the MSUs (including whether the Participant may still be considered to be providing Services while on a leave of absence).

The following provisions apply to residents of Quebec:

Language Consent. The parties acknowledge that it is their express wish that the Award Agreement, as well as all documents, notices and legal proceedings entered into, given or instituted pursuant hereto or relating directly or indirectly hereto, be drawn up in English.

Les parties reconnaissent avoir expressément souhaité la rédaction en anglais du Contrat d'Attribution, ainsi que tous les documents exécutés, avis donnés et procédures judiciaires intentées, en vertu du, ou liés directement ou indirectement, au présent Contrat d'Attribution.

Data Privacy. The following provision supplements Section 9 of the Award Agreement:

The Participant authorizes the Company and the Company's representatives to discuss with and obtain all relevant information from all personnel, professional or non-professional, involved with the administration of the Plan. The Participant further authorizes the Company, any Affiliate of the Company, the Employer, any broker, or any stock plan service provider as may be selected by the Company from time to time to assist with the Plan, to disclose and discuss the Plan with their advisors. The Participant also authorizes the Company and the Employer to record such information and to keep such information in the Participant's employee file.

Notifications

Securities Law Information. The Participant is permitted to sell Shares acquired under the Plan through the designated broker, if any, provided the resale of such Shares takes place outside of Canada through the facilities of a stock exchange on which the Shares are listed (i.e., Nasdaq Stock Market).

Foreign Asset/Account Reporting Information. The Participant is required to report his or her foreign property on Form T1135 (Foreign Income Verification Statement) if the total cost of the foreign property exceeds CAD 100,000 at any time during the year. Foreign property includes Shares acquired under the Plan, and their cost generally is the adjusted cost base ("ACB") of the Shares. The ACB would normally equal the Fair Market Value of the Shares at vesting, but if the Participant owns other Shares, this ACB may have to be averaged with the ACB of the other Shares. If due, the Form must be filed by April 30 of the following year. The Participant should speak with a personal tax advisor to determine the scope of foreign property that must be considered for purposes of this requirement.

CHINA

The following provisions apply only if the Participant is subject to exchange control restrictions or regulations in China, as determined by the Company in its sole discretion.

Terms and Conditions

Settlement of MSUs and Sale of Shares. To facilitate compliance with exchange control regulations in China, the MSUs may be settled in the form of a cash payment. Alternatively, the MSUs may be settled in Shares, in which case, the Participant agrees that the Company is authorized to sell the Shares immediately upon settlement or after termination of Participant's Service, as described below, and the Participant expressly authorizes the Company's designated broker to complete the sale of such Shares (on the Participant's behalf pursuant to this authorization without further consent). The Participant agrees to sign any agreements, forms and/or consents that may be reasonably requested by the Company (or the designated broker) to effectuate the sale of the Shares and shall otherwise cooperate with the Company with respect to such matters, provided that Participant shall not be permitted to exercise any influence over how, when or whether the sales occur. The Participant acknowledges that the Company's designated broker is under no obligation to arrange for the sale of the Shares at any particular price.

Upon the sale of the Shares, the Company agrees to pay the cash proceeds from the sale of Shares (less any applicable Tax-Related Items, brokerage fees or commissions) to the Participant in accordance with applicable exchange control laws and regulations including, but not limited to, the restrictions set forth below under "Exchange Control Requirements."

Treatment of MSUs Upon Termination of Service. Due to exchange control regulations in China, the Participant understands and agrees that the Company may require the sale of Shares held by the Participant within six (6) months following the Participant's termination of Service, or within such other period as determined by the Company or required by the China State Administration of Foreign Exchange ("SAFE") (the "Mandatory Sale Date"). This includes any portion of Shares that vest upon the Participant's termination of Service. The Participant understands that should the Company impose this requirement, any Shares held by the Participant under the Plan that have not been sold by the Mandatory Sale Date will automatically be sold by the Company's designated broker at the Company's direction (on the Participant's behalf pursuant to this authorization without further consent).

Exchange Control Requirements. The Participant understands and agrees that, to facilitate compliance with exchange control requirements, the Participant is required to immediately repatriate to China the cash proceeds from the sale of the Shares and any dividends paid on such Shares. The Participant further understands that such repatriation of the cash proceeds will be effectuated through a special exchange control account established by the Company or its Affiliates, and the Participant hereby consents and agrees that the proceeds may be transferred to such special account prior to being delivered to the Participant. The Company may deliver the proceeds to the Participant in U.S. dollars or local currency at the Company's discretion. If the proceeds are paid in U.S. dollars, the Participant understands that he or she will be required to set up a U.S. dollar bank account in China so that the proceeds may be deposited into this account. If the proceeds are converted to local currency, there may be delays in delivering the proceeds to the Participant and due to fluctuations in the Share trading price and/or the U.S. dollar/PRC exchange rate between the sale/payment date and (if later) when the proceeds can be converted into local currency, the proceeds that the Participant receives may be more or less than the market value of the Shares on the sale/payment date (which is the amount relevant to determining the Participant's tax liability). The Participant agrees to bear the risk of any currency fluctuation between the sale/payment date and the date of conversion of the proceeds into local currency.

The Participant further agrees to comply with any other requirements that may be imposed by the Company in the future to facilitate compliance with exchange control requirements in China.

Notifications

Foreign Asset/Account Reporting Information. PRC residents are required to report to SAFE details of their foreign financial assets and liabilities, as well as details of any economic transactions conducted with non-PRC residents, either directly or through financial institutions. Under these rules, the Participant may be subject to reporting obligations for the MSUs and any cash proceeds acquired under the Plan and Plan-related transactions. It is the Participant's responsibility to comply with this reporting obligation and the Participant should consult his or her personal advisor in this regard.

DENMARK

Terms and Conditions

Danish Stock Option Act. Notwithstanding any provisions in the Award Agreement to the contrary, the treatment of the MSUs upon the Participant's termination of Service shall be governed by the Danish Act on the Use of Rights to Purchase or Subscribe for Shares etc. in Employment Relationships (the "Stock Option Act") as in effect at the time of the Participant's termination of Service (as determined by the Company, in its discretion, in consultation with legal counsel). By accepting the MSUs, the Participant acknowledges having received an "Employer Statement" in Danish which is being provided to comply with the Danish Stock Option Act.

Notifications

Foreign Asset and Account Reporting Notification. The Participant must report to the Danish Tax Administration the establishment of an account holding Shares or cash. The form to be used in this respect may be obtained from a local bank. Further, the Participant must report Shares held in a foreign bank or brokerage account and deposit account with a foreign bank or broker in the Participant's tax return under the section on foreign affairs and income.

FRANCE

Terms and Conditions

Type of Grant. The MSUs are not granted as "French-qualified" awards and are not intended to qualify for the special tax and social security treatment applicable to shares granted for no consideration under Sections L. 225-197-1 and seq. of the French Commercial Code, as amended.

Language Acknowledgement. By accepting the MSUs, the Participant confirms having read and understood the documents relating to the MSUs which were provided to Participant in English.

En acceptant l'attribution de « Market Stock Units » (« MSUs »), le Participant confirme avoir lu et compris les documents relatifs aux MSUs qui ont été communiqués au Participant en langue anglaise.

Notifications

Foreign Asset/Account Reporting Information. If the Participant holds Shares outside of France or maintains a foreign bank account, the Participant is required to report such accounts (including any accounts that were opened or closed during the year) to the French tax authorities when filing the Participant's annual tax return. Failure to comply could trigger significant penalties.

Exchange Control Information. The value of any cash or securities imported to or exported from France without the use of a financial institution must be reported to the customs and excise authorities when the value of such cash or securities is equal to or greater than a certain amount.

GERMANY

Notifications

Foreign Asset/Account Reporting Information. If the acquisition of Shares under the Plan leads to a so-called qualified participation at any point during the calendar year, the Participant will need to report the acquisition when the Participant files his/her tax return for the relevant year. A qualified participation is attained if (i) the value of the Shares acquired exceeds EUR 150,000 or (ii) in the unlikely event the Participant holds Shares exceeding 10% of Company's total common stock.

Exchange Control Information. Cross-border payments in excess of EUR 12,500 must be reported monthly to the German Federal Bank. The German Federal Bank no longer will accept reports in paper form and all reports must be filed electronically. The electronic "General Statistics Reporting Portal" (*Allgemeines Meldeportal Statistik*) can be accessed on the German Federal Bank's website: www.bundesbank.de**.**

HONG KONG

Terms and Conditions

Restrictions on Sale and Transferability. In the event that Shares are vested pursuant to MSUs within six months after the Grant Date, the Participant (and the Participant's heirs) hereby agrees that such Shares may not be offered for sale to the public or otherwise disposed of prior to the six-month anniversary of the Grant Date. Any Shares acquired under the Plan are accepted as a personal investment.

Form of Settlement. Notwithstanding any terms and conditions in the Plan, Award Agreement or any other grant materials, the MSUs will be settled in Shares only, not cash.

Notifications

Securities Warning. MSUs and any Shares issued thereunder do not constitute a public offering of securities under Hong Kong law and are available only to employees of the Company or its Affiliates. The Plan, the Plan prospectus and any other incidental communication materials (i) have not been prepared in accordance with and are not intended to constitute a "prospectus" for a public offering of securities under applicable securities legislation in Hong Kong, (ii) have not been reviewed by any regulatory authority in Hong Kong, and (iii) are intended only for the Participant's personal use and may not be distributed to any other person. If the Participant is in any doubt about any of the contents of the Plan or the Plan prospectus, the Participant should obtain independent professional advice.

Occupational Retirement Schemes Ordinance Information. The Company specifically intends that the Plan will not be an occupational retirement scheme for purposes of the Occupational Retirement Schemes Ordinance ("ORSO"). To the extent that any court, tribunal or legal/regulatory body in Hong Kong determines that the Plan constitutes an occupational retirement scheme for the purposes of ORSO, the grant of MSUs shall be null and void.

INDIA

Notifications

Exchange Control Information. The Participant must repatriate all proceeds received from the sale of Shares to India within 90 days of receipt and any cash dividends paid on such Shares within 180 days of receipt (or within any other time frame prescribed under applicable Indian exchange control laws as may be amended from time to time). The Participant will receive a foreign inward remittance certificate ("FIRC") from the bank where the Participant deposits the foreign currency. The Participant should maintain the FIRC as evidence of the repatriation of funds in the event that the Reserve Bank of India or the Employer requests proof of repatriation. It is the Participant's responsibility to comply with applicable exchange control laws in India.

Foreign Account/Asset Reporting Information. The Participant is required to declare in his or her annual tax return (a) any foreign financial assets (including Shares) held by the Participant or (b) any foreign bank accounts for which the Participant has signing authority. Increased penalties for failing to report these assets/accounts have been implemented. It is the Participant's responsibility to comply with this reporting obligation, and the Participant should confer with his or her personal tax advisor in this regard.

ITALY

Terms and Conditions

Plan Document Acknowledgment. The Participant acknowledges that the Participant has read and specifically and expressly approves the following Sections of the Award Agreement: Section 6 (Responsibility for Taxes and Tax Withholding Obligations); Section 8 (Nature of Grant); Section 10 (Electronic Delivery and Acceptance); Section 13 (Imposition of Other

Requirements); Section 14 (Language); Section 17 (Addendum) and the Data Privacy provision above in the Addendum for EU/EEA countries and the United Kingdom.

Notifications

Foreign Asset/Account Reporting Information. If the Participant is an Italian resident who, at any time during the fiscal year, holds foreign financial assets (including cash and Shares) which may generate income taxable in Italy, the Participant is required to report these assets on the Participant's annual tax return for the year during which the assets are held, or on a special form if no tax return is due. These reporting obligations also apply if the Participant is the beneficial owner of foreign financial assets under Italian money laundering provisions.

JAPAN

Notifications

Foreign Asset/Account Reporting Information. If the Participant is a resident of Japan, the Participant will be required to report details of any assets (including any Shares acquired under the Plan) held outside of Japan as of December 31st of each year, to the extent such assets have a total net fair market value exceeding JPY 50,000,000. Such report will be due by March 15th of the following year. The Participant should consult with his or her personal tax advisor as to whether the reporting obligation applies to the Participant and whether he or she will be required to report details of any outstanding MSUs or Shares held by the Participant in the report.

Exchange Control Information. If the Participant acquires Shares valued at more than JPY 100,000,000 in a single transaction, the Participant must file a Securities Acquisition Report with the Ministry of Finance through the Bank of Japan within 20 days after the acquisition of the Shares.

NETHERLANDS

Terms and Conditions

Exclusion of Claim. By accepting the MSUs, the Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant ceasing to have rights under or to be entitled to the MSUs, whether or not as a result of the Participant's termination of Service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the MSUs. Upon acceptance of the MSUs, the Participant shall be deemed irrevocably to have waived any such entitlement.

SOUTH AFRICA

Notifications

Securities Law Notification. In compliance with South African securities laws, the documents listed below are available on the following websites:

i. a copy of the Company's most recent annual report (i.e., Form 10-K) is available at: https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx; and

ii. a copy of the Plan is available on the website of the Company's stock plan service provider;

iii. a copy of the Plan Prospectus is available on the website of the Company's stock plan service provider.

A copy of the above documents will be sent to the Participant free of charge on written request to Morningstar, Inc., 22 West Washington Street, Chicago, Illinois, 60602, USA, Attention: General Counsel.

The Participant is advised to carefully read the materials provided before making a decision whether to participate in the Plan. In addition, the Participant should contact his or her tax advisor for specific information concerning the Participant's personal tax situation with regard to Plan participation.

Exchange Control Information. The Participant is responsible for complying with applicable South African exchange control regulations. Since the exchange control regulations change frequently and without notice, the Participant should consult his or her legal advisor prior to the acquisition or sale of Shares acquired under the Plan to ensure compliance with current regulations. As noted, it is the Participant's responsibility to comply with South African exchange control laws, and neither the Company nor any Affiliate will be liable for any fines or penalties resulting from the Participant's failure to comply with applicable laws.

SWEDEN

Terms and Conditions

Responsibility for Taxes and Tax Withholding Obligations. This provision supplements Section 6 of the Award Agreement:

Without limiting the Company's and the Employer's authority to satisfy their withholding obligations for Tax-Related Items as set forth in Section 6 of the Award Agreement, in accepting the MSU award, the Participant authorizes the Company and/or the Employer to withhold Shares otherwise deliverable to the Participant upon vesting/settlement to satisfy Tax-Related Items, regardless of whether the Company and/or the Employer have an obligation to withhold such Tax-Related Items.

UNITED KINGDOM

Terms and Conditions

Responsibility for Taxes and Tax Withholding Obligations. This provision supplements Section 6 of the Award Agreement:

Without limitation to Section 6 of the Award Agreement, the Participant agrees that the Participant is liable for all Tax-Related Items and hereby covenants to pay all such Tax-Related Items as and when requested by the Company or the Employer or by Her Majesty's Revenue and Customs ("HMRC") (or any other tax authority or any other relevant authority). The Participant also agrees to indemnify and keep indemnified the Company and the Employer against any taxes that they are required to pay or withhold on the Participant's behalf or have paid or will pay to HMRC (or any other tax authority or any other relevant authority).

Notwithstanding the foregoing, if the Participant is a director or executive officer (as within the meaning of Section 13(k) of the U.S. Securities Exchange Act of 1934, as amended), the terms of the immediately foregoing provision will not apply. In the event that the Participant is a director or executive officer and income tax due is not collected from or paid by the Participant within 90 days after the U.K. tax year in which an event giving rise to the indemnification described above occurs, the amount of any uncollected tax may constitute a benefit to the Participant on which additional income tax and national insurance contributions may be payable. The Participant acknowledges that the Participant ultimately will be responsible for reporting and paying any income tax due on this additional benefit directly to HMRC under the self-assessment regime and for reimbursing the Company or the Employer (as applicable) for the value of any employee national insurance contributions due on this additional benefit, which the Company and/or the Employer may recover from the Participant at any time thereafter by any of the means referred to in Section 6 of the Award Agreement.

Exclusion of Claim. By accepting the MSUs, the Participant acknowledges and agrees that the Participant will have no entitlement to compensation or damages insofar as such entitlement arises or may arise from the Participant ceasing to have rights under or to be

entitled to the MSUs, whether or not as a result of the Participant's termination of Service (whether the termination is in breach of contract or otherwise), or from the loss or diminution in value of the MSUs. Upon acceptance of the MSUs, the Participant shall be deemed irrevocably to have waived any such entitlement.

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Kunal Kapoor, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Morningstar, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/ Kunal Kapoor

Kunal Kapoor
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jason Dubinsky, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Morningstar, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 31, 2020

/s/ Jason Dubinsky

Jason Dubinsky

Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

Kunal Kapoor, as Chief Executive Officer of Morningstar, Inc. (the Company), certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Kunal Kapoor

Kunal Kapoor
Chief Executive Officer

Date: July 31, 2020

EXHIBIT 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

Jason Dubinsky, as Chief Financial Officer of Morningstar, Inc. (the Company), certifies, pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 as filed with the Securities and Exchange Commission on the date hereof (the Report) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Jason Dubinsky

Jason Dubinsky
Chief Financial Officer

Date: July 31, 2020