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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 March 31, 2023**

**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 April 21, 2023, there were 42,550,975 shares of the Company's common stock, no par value, outstanding.

**MORNINGSTAR, INC. AND SUBSIDIARIES**
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**PART 1. FINANCIAL INFORMATION**
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| | Three months ended March 31, | |
|---|---|---|
| **(in millions, except share and per share amounts)** | **2023** | **2022** |
| Revenue | $ 479.7 | $ 457.0 |
| Operating expense: | | |
| Cost of revenue | 218.8 | 191.3 |
| Sales and marketing | 107.6 | 81.4 |
| General and administrative | 84.0 | 90.3 |
| Depreciation and amortization | 44.8 | 37.6 |
| Total operating expense | 455.2 | 400.6 |
| Operating income | 24.5 | 56.4 |
| Non-operating income (loss), net: | | |
| Interest expense, net | (13.3) | (2.4) |
| Realized gain on sale of investments, reclassified from other comprehensive income | 0.2 | 1.0 |
| Expense from equity method transaction, net | (11.8) | — |
| Other income, net | 2.5 | 8.0 |
| Non-operating income (loss), net | (22.4) | 6.6 |
| Income (loss) before income taxes and equity in investments of unconsolidated entities | 2.1 | 63.0 |
| Equity in investments of unconsolidated entities | (1.3) | 0.4 |
| Income tax expense | 8.4 | 17.3 |
| Consolidated net income (loss) | $ (7.6) | $ 46.1 |
| Net income (loss) per share: | | |
| Basic | $ (0.18) | $ 1.07 |
| Diluted | $ (0.18) | $ 1.06 |
| Dividends per common share: | | |
| Dividends declared per common share | $ 0.38 | $ 0.36 |
| Dividends paid per common share | $ 0.38 | $ 0.36 |
| Weighted average shares outstanding: | | |
| Basic | 42.5 | 43.0 |
| Diluted | 42.8 | 43.3 |

*See notes to unaudited condensed consolidated financial statements.*

**Morningstar, Inc. and Subsidiaries**
**Unaudited Condensed Consolidated Statements of Comprehensive Income (Loss)**

| | Three months ended March 31, | |
|---|---|---|
| **(in millions)** | **2023** | **2022** |
| Consolidated net income (loss) | $ (7.6) | $ 46.1 |
| | | |
| Other comprehensive income (loss), net of tax: | | |
| Foreign currency translation adjustment | 7.1 | (5.0) |
| Unrealized gains (losses) on securities: | | |
| Unrealized holding gains (losses) arising during period | 0.1 | (4.8) |
| Reclassification of gains on investments included in net income | (0.2) | (0.7) |
| Other comprehensive income (loss), net | 7.0 | (10.5) |
| | | |
| Comprehensive income (loss) | $ (0.6) | $ 35.6 |

*See notes to unaudited condensed consolidated financial statements.*

**Morningstar, Inc. and Subsidiaries**
**Condensed Consolidated Balance Sheets**

| (in millions, except share amounts) | As of March 31, 2023 (unaudited) | As of December 31, 2022 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 352.2 | $ 376.6 |
| Investments | 33.2 | 38.0 |
| Accounts receivable, less allowance for credit losses of $6.2 million and $6.6 million, respectively | 297.9 | 307.9 |
| Deferred commissions | 42.1 | 40.7 |
| Prepaid expenses | 48.3 | 36.7 |
| Other current assets | 7.6 | 10.9 |
| Total current assets | 781.3 | 810.8 |
| Goodwill | 1,577.2 | 1,571.7 |
| Intangible assets, net | 532.6 | 548.6 |
| Property, equipment, and capitalized software, less accumulated depreciation and amortization of $638.2 million and $610.7 million, respectively | 201.5 | 199.4 |
| Operating lease assets | 184.6 | 191.6 |
| Investments in unconsolidated entities | 117.7 | 96.0 |
| Deferred tax asset, net | 11.2 | 10.8 |
| Deferred commissions | 34.3 | 35.4 |
| Other assets | 10.3 | 10.5 |
| Total assets | $ 3,450.7 | $ 3,474.8 |
| | | |
| **Liabilities and equity** | | |
| Current liabilities: | | |
| Deferred revenue | $ 502.3 | $ 455.6 |
| Accrued compensation | 133.6 | 220.1 |
| Accounts payable and accrued liabilities | 69.6 | 76.2 |
| Current portion of long-term debt | 32.1 | 32.1 |
| Operating lease liabilities | 36.1 | 37.3 |
| Contingent consideration liability | — | 50.0 |
| Other current liabilities | 70.7 | 11.2 |
| Total current liabilities | 844.4 | 882.5 |
| Operating lease liabilities | 170.3 | 176.7 |
| Accrued compensation | 20.8 | 20.7 |
| Deferred tax liabilities, net | 65.7 | 62.9 |
| Long-term debt | 1,099.4 | 1,077.5 |
| Deferred revenue | 31.4 | 33.5 |
| Other long-term liabilities | 14.0 | 13.9 |
| Total liabilities | 2,246.0 | 2,267.7 |
| | | |
| Equity: | | |
| Morningstar, Inc. shareholders' equity: | | |
| Common stock, no par value, 200,000,000 shares authorized, of which 42,550,943 and 42,480,051 shares were outstanding as of March 31, 2023 and December 31, 2022, respectively | — | — |
| Treasury stock at cost, 11,991,484 and 11,991,517 shares as of March 31, 2023 and December 31, 2022, respectively | (986.7) | (986.7) |

| | | |
|---|---|---|
| Additional paid-in capital | 772.0 | 757.8 |
| Retained earnings | 1,511.4 | 1,535.0 |
| Accumulated other comprehensive loss: | | |
| Currency translation adjustment | (91.9) | (99.0) |
| Unrealized gain on available-for-sale investments | (0.1) | — |
| Total accumulated other comprehensive loss | (92.0) | (99.0) |
| Total equity | 1,204.7 | 1,207.1 |
| Total liabilities and equity | $ 3,450.7 | $ 3,474.8 |

*See notes to unaudited condensed consolidated financial statements.*

**Morningstar, Inc. and Subsidiaries**
**Unaudited Condensed Consolidated Statements of Equity**
**For the three months ended March 31, 2023 and 2022**

| | 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, 2022** | 42,480,051 | $ — | $ (986.7) | $ 757.8 | $ 1,535.0 | $ (99.0) | $ 1,207.1 |
| Net loss | | — | — | — | (7.6) | — | (7.6) |
| Other comprehensive income (loss): | | | | | | | |
| Unrealized gain (loss) on available-for-sale investments, net of tax | | — | — | — | — | 0.1 | 0.1 |
| Reclassification of adjustments for gain on investments included in net income, net of tax | | — | — | — | — | (0.2) | (0.2) |
| Foreign currency translation adjustment, net | | — | — | — | — | 7.1 | 7.1 |
| Other comprehensive income (loss), net | | — | — | — | — | 7.0 | 7.0 |
| Issuance of common stock related to vesting of stock awards, net of shares withheld for taxes on settlements of stock awards | 70,892 | — | — | (9.4) | — | — | (9.4) |
| Reclassification of awards previously liability-classified that were converted to equity | | — | — | 11.4 | — | — | 11.4 |
| Stock-based compensation | | — | — | 12.2 | — | — | 12.2 |
| Dividends declared ($0.38 per share) | | — | — | — | (16.0) | — | (16.0) |
| **Balance as of March 31, 2023** | 42,550,943 | $ — | $ (986.7) | $ 772.0 | $ 1,511.4 | $ (92.0) | $ 1,204.7 |

| (in millions, except share and per share amounts) | Morningstar, Inc. Shareholders' Equity: Common Stock: Shares Outstanding | Common Stock: Par Value | Treasury Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance as of December 31, 2021** | 43,136,273 | $ — | $ (764.3) | $ 689.0 | $ 1,526.5 | $ (35.3) | $ 1,415.9 |
| Net income | | — | — | — | 46.1 | — | 46.1 |
| Other comprehensive income (loss): | | | | | | | |
| Unrealized gain (loss) on available-for-sale investments, net of tax | | — | — | — | — | (4.8) | (4.8) |
| Reclassification of adjustments for gain on investments included in net income, net of tax | | — | — | — | — | (0.7) | (0.7) |
| Foreign currency translation adjustment, net | | — | — | — | — | (5.0) | (5.0) |
| Other comprehensive income (loss), net | | — | — | — | — | (10.5) | (10.5) |
| Issuance of common stock related to vesting of stock awards, net of shares withheld for taxes on settlements of stock awards | 34,350 | — | — | (7.1) | — | — | (7.1) |
| Reclassification of awards previously liability-classified that were converted to equity | | — | — | 19.4 | — | — | 19.4 |
| Stock-based compensation | | — | — | 13.9 | — | — | 13.9 |
| Common shares repurchased | (402,971) | — | (110.6) | — | — | — | (110.6) |
| Dividends declared ($0.36 per share) | | — | — | — | (15.4) | — | (15.4) |
| **Balance as of March 31, 2022** | 42,767,652 | $ — | $ (874.9) | $ 715.2 | $ 1,557.2 | $ (45.8) | $ 1,351.7 |

*See notes to unaudited condensed consolidated financial statements.*

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

| (in millions) | Three months ended March 31, 2023 | 2022 |
|---|---|---|
| **Operating activities** | | |
| Consolidated net income (loss) | $ (7.6) | $ 46.1 |
| Adjustments to reconcile consolidated net income (loss) to net cash flows from operating activities: | | |
| Depreciation and amortization | 44.8 | 37.6 |
| Deferred income taxes | 2.0 | (6.7) |
| Stock-based compensation expense | 12.2 | 13.9 |
| Provision for bad debt | 1.0 | — |
| Equity in investments of unconsolidated entities | 1.3 | (0.4) |
| Gain on equity method transaction | (49.6) | — |
| Acquisition earn-out accrual | — | 7.1 |
| Other, net | (2.7) | (9.0) |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 9.8 | (8.6) |
| Accounts payable and accrued liabilities | (5.8) | (2.7) |
| Accrued compensation and deferred commissions | (75.2) | (108.7) |
| Income taxes, current | (2.6) | 17.1 |
| Deferred revenue | 43.4 | 53.8 |
| Other assets and liabilities | 52.4 | (16.0) |
| Cash provided by operating activities | 23.4 | 23.5 |
| **Investing activities** | | |
| Purchases of investment securities | (2.8) | (15.9) |
| Proceeds from maturities and sales of investment securities | 5.5 | 18.2 |
| Capital expenditures | (29.5) | (28.0) |
| Acquisitions, net of cash acquired | — | (6.8) |
| Proceeds from sale of equity method investments, net | 26.2 | — |
| Purchases of investments in unconsolidated entities | (0.1) | (1.0) |
| Other, net | — | (0.2) |
| Cash used for investing activities | (0.7) | (33.7) |
| **Financing activities** | | |
| Common shares repurchased | — | (110.6) |
| Dividends paid | (15.9) | (15.5) |
| Proceeds from revolving credit facility | 95.0 | 175.0 |
| Repayment of revolving credit facility | (65.0) | (30.0) |
| Repayment of term facility | (8.1) | — |
| Employee taxes withheld for stock awards | (9.3) | (7.1) |
| Payment of acquisition-related earn-outs | (45.5) | — |
| Cash provided by (used for) financing activities | (48.8) | 11.8 |
| Effect of exchange rate changes on cash and cash equivalents | 1.7 | (1.9) |
| Net decrease in cash and cash equivalents | (24.4) | (0.3) |
| Cash and cash equivalents—beginning of period | 376.6 | 483.8 |
| Cash and cash equivalents—end of period | $ 352.2 | $ 483.5 |
| **Supplemental disclosure of cash flow information:** | | |
| Cash paid for income taxes | $ 9.1 | $ 7.0 |
| Cash paid for interest | $ 11.9 | $ 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, 2022, filed with the SEC on February 24, 2023 (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

## 2. Summary of Significant Accounting Policies

Our significant accounting policies are included in Note 2 of the Notes to our Audited Consolidated Financial Statements included in our Annual Report.

*Severance:* We account for post-employment benefits in accordance with FASB ASC 712, *Compensation - Non-retirement Post-employment Benefits* (FASB ASC 712). Under FASB ASC 712, we recognize compensation expense associated with these benefits as a liability when probable and estimable.

In July 2022, the Company began to significantly reduce its operations in Shenzhen, China and to shift the work related to its global business functions, including global product and software development, managed investment data collection and analysis, and equity data collection and analysis, to other Morningstar locations.

As a result of these activities, the Company incurred $25.9 million of severance expense in 2022, which represented substantially all of the severance costs expected to be incurred with the remainder to be recognized through the third quarter of 2023. We recorded an immaterial amount of additional severance expense during the first quarter of 2023. These amounts were recorded within "General and administrative" on our Consolidated Statements of Income. We have $16.2 million of accrued severance remaining as of March 31, 2023, which we expect will be paid through the third quarter of 2023. The liability is recorded within "Accrued compensation - current" on our Consolidated Balance Sheet.

## 3. Credit Arrangements

*Debt*

The following table summarizes our debt as of March 31, 2023 and December 31, 2022:

| (in millions) | As of March 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Term Facility, net of unamortized debt issuance costs of $0.7 million and $0.7 million, respectively | $ 633.0 | $ 641.1 |
| Revolving Credit Facility | 150.0 | 120.0 |
| 2.32% Senior Notes due October 26, 2030, net of unamortized debt issuance costs of $1.5 million and $1.5 million, respectively | 348.5 | 348.5 |
| Total debt | $ 1,131.5 | $ 1,109.6 |

*Credit Agreement*

On July 2, 2019, the Company entered into a senior credit agreement (the 2019 Credit Agreement). The 2019 Credit Agreement provided 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 2019 Revolving Credit Facility) and a term loan facility of $450.0 million. The 2019 Credit Agreement also provided 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 2019 Revolving Credit Facility. On May 6, 2022, the Company terminated the 2019 Credit Agreement.

On May 6, 2022, the Company entered into a new senior credit agreement (the 2022 Credit Agreement). The 2022 Credit Agreement provided the Company with a five-year multi-currency credit facility with an initial borrowing capacity of up to $1.1 billion, including a $650.0 million term loan (the 2022 Term Facility) with an initial draw of $600.0 million and an option for a second draw of up to $50.0 million and a $450.0 million revolving credit facility (the 2022 Revolving Credit Facility). The 2022 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.

The proceeds of the first draw under the 2022 Term Facility and initial borrowings under the 2022 Revolving Credit Facility were used to finance the acquisition of Leveraged Commentary & Data (LCD) and to repay a portion of the borrowings under the 2019 Revolving Credit Facility. The optional second draw on the 2022 Term Facility was available to fund the contingent consideration payment of up to $50.0 million payable in connection with the LCD acquisition.

The 2022 Credit Agreement was amended (the Amended 2022 Credit Agreement) on September 13, 2022 (the First Amendment to the 2022 Credit Agreement) and on September 30, 2022 (the Second Amendment to the 2022 Credit Agreement). The First Amendment to the 2022 Credit Agreement terminated the unfunded term commitment related to the optional second draw of up to $50.0 million in the 2022 Term Facility and increased the 2022 Revolving Credit Facility to $600.0 million. The Second Amendment to the 2022 Credit Agreement increased the 2022 Term Facility to a fully funded $650.0 million facility (the Amended 2022 Term Facility) and increased the 2022 Revolving Credit Facility to $650.0 million (the Amended 2022 Revolving Credit Facility) for total borrowing capacity of $1.3 billion. As of March 31, 2023, our total outstanding debt under the Amended 2022 Credit Agreement was $783.0 million, net of debt issuance costs, with borrowing availability of $500.0 million under the Amended 2022 Revolving Credit Facility. Except for incremental borrowing capacity, there were no material changes to the existing terms and conditions of the 2022 Credit Agreement.

The proceeds of the additional draw under the Amended 2022 Term Facility were used to repay borrowings under the 2022 Revolving Credit Facility. The proceeds of future borrowings under the Amended 2022 Revolving Credit Facility may be used for working capital, capital expenditures, or any other general corporate purpose.

The interest rate applicable to any loan under the Amended 2022 Credit Agreement is, at the Company's option, either: (i) the applicable Secured Overnight Financing Rate (SOFR) plus an applicable margin for such loans, which ranges between 1.00% and 1.48%, based on the Company's consolidated leverage ratio or (ii) the lender's base rate plus the applicable margin for such loans, which ranges between 0.00% and 0.38%, based on the Company's consolidated leverage ratio.

The portions of deferred debt issuance costs related to the Amended 2022 Revolving Credit Facility are included in other current and non-current assets, and the portion of deferred debt issuance costs related to the Amended 2022 Term Facility is reported as a reduction to the carrying amount of the Amended 2022 Term Facility. Debt issuance costs related to the Amended 2022 Revolving Credit Facility are amortized on a straight-line basis to interest expense over the term of the Amended 2022 Credit Agreement. Debt issuance costs related to the Amended 2022 Term Facility are amortized to interest expense using the effective interest method over the term of the Amended 2022 Credit Agreement.

*Private Placement Debt Offering*

On October 26, 2020, we completed the issuance and sale of $350.0 million aggregate principal amount of 2.32% senior notes due October 26, 2030 (the 2030 Notes), in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. Proceeds were primarily used to pay off a portion of the Company's outstanding debt under the 2019 Credit Agreement. Interest on the 2030 Notes is payable semi-annually on each October 30 and April 30 during the term of the 2030 Notes and at maturity. As of March 31, 2023, our total outstanding debt, net of issuance costs, under the 2030 Notes was $348.5 million.

*Compliance with Covenants*

Each of the Amended 2022 Credit Agreement and the 2030 Notes include customary representations, warranties, and covenants, including financial covenants, that require us to maintain specified ratios of consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) to consolidated interest charges and consolidated funded indebtedness to consolidated EBITDA, which are evaluated on a quarterly basis. We were in compliance with these financial covenants as of March 31, 2023.

**4. Acquisitions, Goodwill, and Other Intangible Assets**

*2023 Acquisitions*

We did not make any acquisitions during the first quarter of 2023.

*Goodwill*

The following table shows the changes in our goodwill balance from December 31, 2022 to March 31, 2023:

| | (in millions) |
|---|---|
| Balance as of December 31, 2022 | $ 1,571.7 |
| Foreign currency translation | 5.5 |
| Balance as of March 31, 2023 | $ 1,577.2 |

We did not record any goodwill impairment losses in the first three months of 2023 or 2022. 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 March 31, 2023 | | | | As of December 31, 2022 | | | |
|---|---|---|---|---|---|---|---|---|
| (in millions) | Gross | Accumulated Amortization | Net | Weighted Average Useful Life (years) | Gross | Accumulated Amortization | Net | Weighted Average Useful Life (years) |
| Customer-related assets | $ 596.4 | $ (231.7) | $ 364.7 | 14 | $ 595.1 | $ (221.3) | $ 373.8 | 14 |
| Technology-based assets | 313.9 | (179.9) | 134.0 | 8 | 312.8 | (173.8) | 139.0 | 8 |
| Intellectual property & other | 92.2 | (58.3) | 33.9 | 8 | 92.1 | (56.3) | 35.8 | 8 |
| Total intangible assets | $ 1,002.5 | $ (469.9) | $ 532.6 | 12 | $ 1,000.0 | $ (451.4) | $ 548.6 | 12 |

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

| | Three months ended March 31, | |
|---|---|---|
| (in millions) | 2023 | 2022 |
| Amortization expense | $ 17.5 | $ 14.1 |

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

As of March 31, 2023, we expect intangible amortization expense for the remainder of 2023 and subsequent years to be as follows:

| | (in millions) |
|---|---|
| Remainder of 2023 (April 1 through December 31) | $ 53.0 |
| 2024 | 64.6 |
| 2025 | 56.4 |
| 2026 | 52.6 |
| 2027 | 45.5 |
| Thereafter | 260.5 |
| Total | $ 532.6 |

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

**5. Income (Loss) Per Share**

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

| | Three months ended March 31, | |
|---|---|---|
| **(in millions, except share and per share amounts)** | **2023** | **2022** |
| **Basic net income (loss) per share:** | | |
| Consolidated net income (loss) | $ (7.6) | $ 46.1 |
| Weighted average common shares outstanding | 42.5 | 43.0 |
| Basic net income (loss) per share | $ (0.18) | $ 1.07 |
| **Diluted net income (loss) per share:** | | |
| Consolidated net income (loss) | $ (7.6) | $ 46.1 |
| Weighted average common shares outstanding | 42.5 | 43.0 |
| Net effect of dilutive stock options and restricted stock units | 0.3 | 0.3 |
| Weighted average common shares outstanding for computing diluted income per share | 42.8 | 43.3 |
| Diluted net income (loss) per share | $ (0.18) | $ 1.06 |

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 March 31, | |
|---|---|---|
| (in millions) | 2023 | 2022 |
| License-based | $ 364.0 | $ 311.9 |
| Asset-based | 65.3 | 68.5 |
| Transaction-based | 50.4 | 76.6 |
| Consolidated revenue | $ 479.7 | $ 457.0 |

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 1 to 3 years and are accounted for as subscription services available to customers and not as a license under the accounting guidance. License-based revenue is generated from the sale of PitchBook, Morningstar Data, Morningstar Direct, Morningstar Sustainalytics' license-based products, Morningstar Indexes data and services products, DBRS Morningstar's data products, Morningstar Advisor Workstation, and other similar product licenses.

Asset-based performance obligations are satisfied over time as the customer receives continuous access to a service for the term of the agreement. Asset-based arrangements typically have a term of 1 to 3 years. 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, Morningstar Sustainalytics' Second Party Opinions, 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 may be refundable. The contract liabilities balance as of March 31, 2023 had a net increase of $44.6 million, primarily driven by cash payments received or payable in advance of satisfying our performance obligations. We recognized $209.9 million of revenue in the three months ended March 31, 2023 that was included in the contract liabilities balance as of December 31, 2022.

We expect to recognize revenue related to our contract liabilities, including future billings, for the remainder of 2023 and subsequent years as follows:

| (in millions) | As of March 31, 2023 |
|---|---|
| Remainder of 2023 (from April 1 through December 31) | $ 739.9 |
| 2024 | 268.6 |
| 2025 | 94.6 |
| 2026 | 17.1 |
| 2027 | 6.8 |
| Thereafter | 27.2 |
| Total | $ 1,154.2 |

The aggregate amount of revenue we expect to recognize for the remainder of 2023 and subsequent years is higher than our contract liability balance of $533.7 million as of March 31, 2023. The difference represents the value of future obligations for signed contracts that have yet to be billed.

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 March 31, 2023. 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 1 to 3 years 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 March 31, 2023, 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 or the existence of cancellation terms that may be exercised causing the contract term to be less than one year from March 31, 2023. 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.

The following table summarizes our contract assets balance:

| (in millions) | As of March 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Accounts receivable, less allowance for credit losses | $ 297.9 | $ 307.9 |
| Deferred commissions | 76.4 | 76.1 |
| Total contract assets | $ 374.3 | $ 384.0 |

**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 and evaluates our financial results. Because we have a single reportable segment, all required financial segment information can be found directly in the consolidated financial statements. The accounting policies for our reportable segment are the same as those described in Note 2 of the Audited Consolidated Financial Statements included in our Annual Report. We evaluate the performance of our reporting segment based on revenue and operating income.

*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**

| | Three months ended March 31, | |
|---|---|---|
| **(in millions)** | **2023** | **2022** |
| United States | $ 347.3 | $ 328.2 |
| | | |
| Asia | 12.1 | 10.8 |
| Australia | 14.4 | 14.0 |
| Canada | 27.3 | 27.1 |
| Continental Europe | 43.1 | 41.3 |
| United Kingdom | 33.1 | 33.1 |
| Other | 2.4 | 2.5 |
| Total International | 132.4 | 128.8 |
| | | |
| Consolidated revenue | $ 479.7 | $ 457.0 |

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

| **(in millions)** | **As of March 31, 2023** | **As of December 31, 2022** |
|---|---|---|
| United States | $ 169.2 | $ 165.6 |
| | | |
| Asia | 11.2 | 12.8 |
| Australia | 2.1 | 2.3 |
| Canada | 4.8 | 4.5 |
| Continental Europe | 8.1 | 8.5 |
| United Kingdom | 5.9 | 5.4 |
| Other | 0.2 | 0.3 |
| Total International | 32.3 | 33.8 |
| | | |
| Consolidated property, equipment, and capitalized software, net | $ 201.5 | $ 199.4 |

**Operating lease assets by geographical area**

| (in millions) | As of March 31, 2023 | As of December 31, 2022 |
|---|---|---|
| United States | $ 115.7 | $ 120.0 |
| | | |
| Asia | 23.3 | 22.6 |
| Australia | 3.7 | 3.9 |
| Canada | 5.1 | 5.5 |
| Continental Europe | 17.1 | 18.5 |
| United Kingdom | 19.2 | 20.6 |
| Other | 0.5 | 0.5 |
| Total International | 68.9 | 71.6 |
| | | |
| Consolidated operating lease assets | $ 184.6 | $ 191.6 |

**8. Fair Value Measurements**

*Investments*

As of March 31, 2023 and December 31, 2022, our investment balances totaled $33.2 million and $38.0 million, respectively. We classify our investments into two categories: equity investments and debt securities. We further classify our debt securities into 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. As of March 31, 2023, 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.

*Contingent Consideration*

As of December 31, 2022, financial liabilities that were classified as Level 3 within the fair value hierarchy included a contingent consideration liability of $50.0 million, which represented the acquisition date fair value of $45.5 million plus changes due to remeasurement of this liability in subsequent reporting periods.

The contingent consideration reflected potential future payments that were contingent upon the achievement of certain conditions related to the separation of LCD's contractual relationships from S&P Global (S&P) contracts that included other S&P products and services. This additional purchase consideration, for which the amount was contingent, was recognized at fair value at the date of acquisition, which was calculated as the weighted average of the estimated contingent payment scenarios. The contingent consideration was remeasured each reporting period until the contingency was resolved with any changes in fair value recorded in current period earnings.

In the first quarter of 2023, we made a cash payment of $50.0 million, resolving our contingent consideration liability related to our acquisition of LCD.

**9. Investments in Unconsolidated Entities**

As of March 31, 2023 and December 31, 2022, our investment in unconsolidated entities balance totaled $117.7 million and $96.0 million, respectively. We have investments in both equity method investments and equity investments with and without a readily determinable fair value.

On January 27, 2023, we entered into a Termination Agreement (the Termination Agreement) with Morningstar Japan K.K. (now known as SBI Global Asset Management Co., Ltd. (Wealth Advisors)), and a Tender Offer Agreement (the Tender Offer Agreement) with SBI Global Asset Management Co., Ltd. (now known as SBI Asset Management Group Co., Ltd. (SBI)).

Pursuant to the Termination Agreement, Wealth Advisors agreed to cease use of the Morningstar brand and Morningstar and Wealth Advisors agreed to terminate the License Agreement originally entered into in 1998. As consideration for the transaction, Morningstar agreed to pay Wealth Advisors 8 billion Japanese yen ($61.4 million) upon the termination of the license agreement and the achievement of certain conditions related primarily to the termination of the use of the Morningstar brand by Wealth Advisors' customers. The termination agreement liability is recorded within "Other current liabilities" on our Consolidated Balance Sheet as of March 31, 2023. The termination agreement expense is recorded within "Expense from equity method transaction, net" in our Consolidated Statements of Income for the three months ended March 31, 2023. See Note 15 for additional information on the Termination Agreement payments made in April 2023.

As part of this transaction, pursuant to the Tender Offer Agreement, Morningstar agreed to tender up to 10 million shares in Wealth Advisors to SBI. The tender offer closed on February 28, 2023, and SBI purchased 8,040,600 shares of Wealth Advisors from Morningstar, resulting in net proceeds of $26.2 million and a pre-tax gain of $18.4 million. The pre-tax gain is recorded within "Expense from equity method transaction, net" in our Consolidated Statements of Income for the three months ended March 31, 2023.

Subsequent to the tender offer, the Company's ownership percentage in Wealth Advisors decreased to 13.2% from 22.1%, and as a result, we no longer account for our investment in Wealth Advisors as an equity method investment. Each reporting period, we will measure our remaining investment in Wealth Advisors, an equity security with a readily determinable value, at fair value and recognize unrealized holding gains or losses in earnings. During the first quarter of 2023, we recognized an unrealized holding gain of $31.2 million, which is recorded within "Expense from equity method transaction, net" in our Consolidated Statements of Income for the three months ended March 31, 2023.

**10. 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 of 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 12 years, which 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.

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Our operating lease expense for the three months ended March 31, 2023 was $11.7 million, compared with $10.2 million for the three months ended March 31, 2022. Charges related to our operating leases that are variable and, therefore, not included in the measurement of the lease liabilities, were $4.1 million for the three months ended March 31, 2023, compared with $3.9 million for the three months ended March 31, 2022. We made lease payments of $11.3 million during the three months ended March 31, 2023, compared with $10.8 million during the three months ended March 31, 2022.

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 2023 (April 1 through December 31) | $ 32.7 |
| 2024 | 43.1 |
| 2025 | 33.7 |
| 2026 | 37.5 |
| 2027 | 29.2 |
| Thereafter | 53.3 |
| Total minimum lease commitments | 229.5 |
| Adjustment for discount to present value | 23.1 |
| Present value of lease liabilities | $ 206.4 |

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

| | As of March 31, 2023 |
|---|---|
| Weighted-average remaining lease term (in years) | 6.0 |
| Weighted-average discount rate | 3.3 % |

**11. Stock-Based Compensation**

*Stock-Based Compensation Plans*

All our employees and our non-employee directors are eligible for awards under the Morningstar Amended and Restated 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 March 31, | |
|---|---|---|
| (in millions) | 2023 | 2022 |
| Cost of revenue | $ 5.0 | $ 2.5 |
| Sales and marketing | 1.6 | 1.4 |
| General and administrative | 5.6 | 10.0 |
| Total stock-based compensation expense | $ 12.2 | $ 13.9 |

As of March 31, 2023, the total unrecognized stock-based compensation cost related to outstanding restricted stock units, performance share awards, and market stock units expected to vest was $86.9 million, which we expect to recognize over a weighted average period of 25 months.

## 12. Income Taxes

*Effective Tax Rate*

The following table shows our effective tax rate for the three months ended March 31, 2023 and March 31, 2022:

| (in millions) | Three months ended March 31, 2023 | Three months ended March 31, 2022 |
|---|---|---|
| Income (loss) before income taxes and equity in investments of unconsolidated entities | $ 2.1 | $ 63.0 |
| Equity in investments of unconsolidated entities | (1.3) | 0.4 |
| Total | $ 0.8 | $ 63.4 |
| Income tax expense | $ 8.4 | $ 17.3 |
| Effective tax rate | NMF | 27.3 % |

*NMF - not meaningful*

For the three months ended March 31, 2023, income tax expense was $8.4 million, a decline of $8.9 million compared with the prior-year period. Our effective tax rate was not meaningful due to the low level of pretax income in the current period. For the first quarter of 2023, income tax expense includes a valuation allowance against an excess capital loss generated from an equity method transaction and a change in deferred taxes with respect to stock-based compensation. See Note 9 for additional information on the equity method transaction.

*Unrecognized Tax Benefits*

The table below provides information concerning our gross unrecognized tax benefits as of March 31, 2023 and December 31, 2022, 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 March 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Gross unrecognized tax benefits | $ 26.5 | $ 26.5 |
| Gross unrecognized tax benefits that would affect income tax expense | $ 26.5 | $ 26.5 |
| Decrease in income tax expense upon recognition of gross unrecognized tax benefits | $ 26.2 | $ 26.1 |

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 March 31, 2023 | As of December 31, 2022 |
|---|---|---|
| Current liability | $ 18.4 | $ 18.3 |
| Non-current liability | 6.1 | 6.0 |
| Total liability for unrecognized tax benefits | $ 24.5 | $ 24.3 |

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 2023. It is not possible to estimate the effect of current audits on previously recorded unrecognized tax benefits.

Approximately 68% of our cash, cash equivalents, and investments balance as of March 31, 2023 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.

**13. 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. Unless a loss contingency is 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 any given time, we may be undergoing several such internal reviews and third-party vendor audits, and the results and findings 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. In situations where more information or specific areas subject to audit are available, we may be able to estimate a potential range of losses. 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.

*Ratings and Regulatory Matters*

Our ratings and related research activities, including credit ratings, ESG ratings, managed investment and equity ratings, are or may in the future become subject to regulation or increased scrutiny from executive, legislative, regulatory and private parties. Accordingly, those activities may be subject to governmental, regulatory, and legislative investigations, regulatory examinations in the ordinary course of business, subpoenas and other forms of legal process, and ultimately claims and litigation brought by governmental and private parties that are based on ratings assigned or research issued in connection with these activities or that are otherwise incidental to these activities. Our regulated businesses are generally subject to periodic reviews, inspections, examinations, and investigations by regulators in the jurisdictions in which they operate, any of which may result in claims, legal proceedings, assessments, fines, penalties, disgorgement, or restrictions on business activities. 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.

*Other Matters*

We are involved from time to time in commercial disputes and legal proceedings that arise in the normal course of our business. While it is difficult to predict the outcome of any particular dispute 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.

**14. Share Repurchase Program**

On December 6, 2022, the board of directors approved a new 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, 2023. The new authorization replaced the then-existing share repurchase program and expires on December 31, 2025. Under this authorization, 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.

As of March 31, 2023, we have not repurchased any shares under the new share repurchase program, leaving $500.0 million available for future repurchases under the program.

**15. Subsequent Events**

*Morningstar Japan K.K. (now known as SBI Global Asset Management Co., Ltd. (Wealth Advisors))*

On April 6, 2023, we made the first cash payment of 6 billion Japanese yen ($45.1 million) and on April 19, 2023, we made the second and final cash payment of 2 billion Japanese yen ($14.8 million), pursuant to the Termination Agreement. See Note 9 for additional information on the Termination Agreement.

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

*The discussion included in this section, as well as other under 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. 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:*

- *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;*
- *compliance failures, regulatory action, or changes in laws applicable to our credit ratings operations, investment advisory, ESG and index businesses;*
- *failing to innovate our product and service offerings or anticipate our clients’ changing needs;*
- *prolonged volatility or downturns affecting the financial sector, global financial markets, and the global economy and its effect on our revenue from asset-based fees and credit ratings business;*
- *failing to recruit, develop, and retain qualified employees;*
- *liability for any losses that result from errors in our automated advisory tools;*
- *inadequacy of our operational risk management and business continuity programs in the event of a material disruptive event;*
- *failing to efficiently integrate and leverage acquisitions and other investments to produce the results we anticipate;*
- *failing to scale our operations and increase productivity and its effect on our ability to implement our business plan;*
- *failing to maintain growth across our businesses in today's fragmented geopolitical, regulatory and cultural world;*
- *liability relating to the information and data we collect, store, use, create, and distribute or the reports that we publish or are produced by our software products;*
- *the potential adverse effect of our indebtedness on our cash flows and financial flexibility;*
- *challenges in accounting for complexities in taxes in the global jurisdictions in which we operate; and*
- *failing 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, 2022 (our Annual Report). If any of these risks and uncertainties materialize, our actual future results and other future events may vary significantly from what we expect. 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 and everything we do at Morningstar is in the service of the investor. The investing ecosystem is complex, and navigating it with confidence requires a trusted, independent voice. We deliver our perspective to institutions, advisors, and individuals with a single-minded purpose: to empower every investor with the conviction that they can make better-informed decisions and realize success on their own terms.

Our strategy is to deliver insights and experiences that are essential to the investor workflow. Proprietary data sets, meaningful analytics, independent research, and effective investment strategies are at the core of the powerful digital solutions that investors across our client segments rely on. We have a keen focus on innovation across data, research, product, and delivery so that we can effectively cater to the evolving needs and expectations of investors globally.

We leverage our proprietary data and research to sell products and services across our portfolio that generate revenue in three primary ways:

License-based: The majority of our research, data, and proprietary platforms are accessed via subscription services that grant access on either a per user or enterprise-basis for a specified period of time. License-based revenue includes PitchBook, Morningstar Data, Morningstar Direct, Morningstar Sustainalytics' license-based products, Morningstar Indexes data and services products, DBRS Morningstar's data products, Morningstar Advisor Workstation, and other similar products.

Asset-based: We charge basis points and other fees for assets under management or advisement. Our Investment Management, the majority of Workplace Solutions revenue, and Morningstar Indexes products are categorized as asset-based revenue.

Transaction-based: DBRS Morningstar, Morningstar Sustainalytics' second-party opinions product, Internet advertising, and Morningstar-sponsored conferences comprise the majority of the products that are transactional, or one-time, in nature, compared with the recurring revenue streams represented by our license and asset-based products.

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**Supplemental Operating Metrics (Unaudited)**

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

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| (in millions) | 2023 | 2022 | Change | Organic Change [1] |
| **Revenue by Type [2]** | | | | |
| License-based [3] | $ 364.0 | $ 311.9 | 16.7 % | 14.3 % |
| Asset-based [4] | 65.3 | 68.5 | (4.7)% | (6.0)% |
| Transaction-based [5] | 50.4 | 76.6 | (34.2)% | (35.0)% |
| | | | | |
| **Key product area revenue** | | | | |
| PitchBook | $ 114.8 | $ 92.0 | 24.8 % | 24.8 % |
| Morningstar Data | 67.3 | 63.3 | 6.3 % | 10.0 % |
| Morningstar Direct | 48.8 | 45.6 | 7.0 % | 9.7 % |
| DBRS Morningstar [6] | 46.8 | 69.2 | (32.4)% | (30.7)% |
| Investment Management | 29.6 | 30.8 | (3.9)% | (11.8)% |
| Morningstar Sustainalytics | 27.3 | 24.7 | 10.5 % | 15.9 % |
| Workplace Solutions | 25.2 | 26.6 | (5.3)% | (5.3)% |
| Morningstar Advisor Workstation | 24.5 | 23.2 | 5.6 % | 6.2 % |

| | As of March 31, | | |
|---|---|---|---|
| | 2023 | 2022 | Change |
| Assets under management and advisement (approximate) ($bil) | | | |
| Workplace Solutions | | | |
| Managed Accounts | $ 111.7 | $ 115.5 | (3.3)% |
| Fiduciary Services | 50.6 | 56.7 | (10.8)% |
| Custom Models/CIT | 34.9 | 41.7 | (16.3)% |
| Workplace Solutions (total) | $ 197.2 | $ 213.9 | (7.8)% |
| Investment Management | | | |
| Morningstar Managed Portfolios | $ 34.0 | $ 31.9 | 6.6 % |
| Institutional Asset Management | 9.7 | 11.4 | (14.9)% |
| Asset Allocation Services | 7.6 | 7.8 | (2.6)% |
| Investment Management (total) | $ 51.3 | $ 51.1 | 0.4 % |
| | | | |
| Asset value linked to Morningstar Indexes ($bil) | $ 167.8 | $ 151.3 | 10.9 % |
| **Our employees (approximate)** | | | |
| Worldwide headcount | 12,411 | 10,038 | 23.6 % |

| | Three months ended March 31, | | |
|---|---|---|---|
| | 2023 | 2022 | Change |
| Average assets under management and advisement ($bil) | $ 247.0 | $ 265.1 | (6.8)% |

(1) Organic revenue excludes acquisitions, divestitures, the adoption of new accounting standards or revisions to accounting practices, and the effect of foreign currency translations. In addition, the calculation of organic revenue growth by revenue type compares first quarter 2023 revenue to first quarter 2022 revenue on the basis of the updated classifications.

(2) Starting with the quarter ended March 31, 2023, the Company updated its revenue-type classifications to account for product areas with more than one revenue type. Revenue from Morningstar Sustainalytics' second-party opinions product was reclassified from license-based to transaction-based. Revenue from Morningstar Indexes data and services products was reclassified from asset-based to license-based. Revenue from DBRS Morningstar's data products was reclassified from transaction-based to license-based.

(3) License-based revenue includes PitchBook, Morningstar Data, Morningstar Direct, Morningstar Sustainalytics' license-based products, Morningstar Indexes data and services products, DBRS Morningstar's data products, Morningstar Advisor Workstation, and other similar products.

(4) Asset-based revenue includes Investment Management, the majority of Workplace Solutions revenue, and Morningstar Indexes.

(5) Transaction-based revenue includes DBRS Morningstar, Morningstar Sustainalytics' second-party opinions product, Internet advertising, and Morningstar-sponsored conferences.

(6) For the three months ended March 31, 2023, DBRS Morningstar recurring revenue derived primarily from surveillance, research, and other transaction-related services was 55.4%. For the three months ended March 31, 2022, recurring revenue was 36.0%.

**Three Months Ended March 31, 2023 vs. Three Months Ended March 31, 2022**

**Consolidated Results**

| | Three months ended March 31, | | |
|---|---|---|---|
| **Key Metrics (in millions)** | **2023** | **2022** | **Change** |
| Consolidated revenue | $ 479.7 | $ 457.0 | 5.0 % |
| Operating income | 24.5 | 56.4 | (56.6)% |
| Operating margin | 5.1 % | 12.3 % | (7.2) pp |
| | | | |
| Cash provided by operating activities | $ 23.4 | $ 23.5 | (0.4)% |
| Capital expenditures | (29.5) | (28.0) | 5.4 % |
| Free cash flow | $ (6.1) | $ (4.5) | 35.6 % |
| | | | |
| Cash used for investing activities | $ (0.7) | $ (33.7) | (97.9)% |
| Cash provided by (used for) financing activities | $ (48.8) | $ 11.8 | NMF |

*pp — percentage points*
*NMF - not meaningful*

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

- consolidated revenue, excluding acquisitions, divestitures, adoption of new accounting standards or revisions to accounting practices (accounting changes), and the effect of foreign currency translations (organic revenue);
- consolidated operating income, excluding intangible amortization expense, all merger and acquisition (M&A)-related expenses (including M&A-related earn-outs), and expenses related to the significant reduction and shift of the Company's operations in China (adjusted operating income);
- consolidated operating margin, excluding intangible amortization expense, all M&A-related expenses (including M&A-related earn-outs), and expenses related to the significant reduction and shift of the Company's operations in China (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 because we believe it helps 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 compare period-over-period results, and improve overall understanding of the underlying performance of the business absent the impact of acquisitions for the three months ended March 31, 2023.

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

**Consolidated Revenue**

| | Three months ended March 31, | | |
|---|---|---|---|
| **(in millions)** | **2023** | **2022** | **Change** |
| Consolidated revenue | $ 479.7 | $ 457.0 | 5.0 % |

In the first quarter of 2023, consolidated revenue increased 5.0% to $479.7 million. Foreign currency movements had a negative impact in the quarter, decreasing revenue by $8.3 million.

License-based revenue grew $52.1 million, or 16.7%, during the first quarter of 2023. On an organic basis, license-based revenue increased 14.3%. Organic revenue growth was driven by demand for PitchBook, Morningstar Sustainalytics' license-based products, Morningstar Data, and Morningstar Direct.

Asset-based revenue decreased $3.2 million, or 4.7%, in the first quarter of 2023. Organic revenue declined 6.0%. The decrease in reported revenue and organic revenue was driven by declines in Workplace Solutions and Investment Management revenue, as most global asset class values were lower compared to the prior-year period. These decreases were partially offset by growth in Morningstar Indexes.

The asset-based revenue we earn in both Investment Management and Workplace Solutions is generally based on average asset levels during each quarter, which are often reported on a one-quarter lag. As a result of the timing of this client asset reporting and the structure of our contracts, this often results in a one-quarter lag between market movements and the impact on revenue. An estimate of variable consideration related to unknown or lagged AUMA values is included in the transaction price to the extent its probable that a significant reversal in the amount of the revenue recognized will not occur. Average assets under management (AUM) and advisement (AUMA) (calculated using available average quarterly or monthly data) were approximately $247.0 billion for the first quarter of 2023, compared with $265.1 billion for the first quarter of 2022, a decline of 6.8%.

Transaction-based revenue decreased $26.2 million, or 34.2%, in the first quarter of 2023, as global credit ratings activity remained weak and Morningstar.com ad revenue decreased. On an organic basis, transaction-based revenue declined 35.0%.

The product areas below are listed by largest revenue contribution for the first quarter of 2023.

PitchBook revenue increased 24.8% on a reported and organic basis, driven by strength in its core investor and advisor segments, supported by strong go-to-market lead generation activities, which offset some softening in the company (corporate) segment due to challenging market conditions. Licenses grew 24.8%, reflecting both new client users and expansion with existing clients, as well as variability driven by user maintenance activities and updates to user lists when enterprise clients renew. Product enhancements during the quarter included the launch of the VC Exit Predictor, a new tool and scoring methodology that draws on machine learning and PitchBook's extensive database to assess a startup's prospect of a successful exit. Reported and organic results exclude contributions from the Leveraged Commentary & Data (LCD) acquisition.

Morningstar Data revenue rose by 6.3%, or 10.0% on an organic basis, driven by growth across geographies, especially in North America. At the product level, fund data was the primary driver of performance followed by growth in Morningstar Essentials and equity data.

Morningstar Direct grew first-quarter revenue by 7.0%, or 9.7% organically, driven by increases across geographies with higher growth rates in both Europe and Asia. Revenue also includes the impact of price increases that reflect increased value for clients from various product enhancements. Direct licenses increased 4.8%.

DBRS Morningstar revenue declined 32.4% in the first quarter, or 30.7% on an organic basis, as global credit issuance activity remained weak due to uncertainty from the macroeconomic environment and volatility in the credit markets. These declines were most pronounced in the Company's ratings of commercial- and residential-mortgage-backed securities in the U.S. and Europe and financial institutions in the U.S. Organic revenue declined sharply in the U.S. and fell in Europe, but grew modestly in Canada. Credit-related data products demonstrated solid growth. Recurring annual fees tied to surveillance, research, and other transaction-related services represented 55.4% of DBRS Morningstar revenue.

Investment Management revenue was 3.9% lower in the first quarter of 2023 and 11.8% lower on an organic basis. Reported AUMA were relatively flat compared with the prior-year period. Excluding $4.8 billion of assets related to the acquisition of Praemium's U.K. and international offerings (Praemium) in the second quarter of 2022, AUMA would have fallen 9.0% compared with the prior-year period, reflecting the decline in global markets over the period and softer flows.

Morningstar Sustainalytics revenue grew 10.5%, or 15.9% on an organic basis. Revenue increased 33.8%, or 39.9% on an organic basis, for Morningstar Sustainalytics' license-based products and declined 73.0%, or 71.8% on an organic basis, for its transaction-based products, which are solely comprised of its second-party opinions product. License-based product revenue growth was driven by regulatory and compliance solutions in EMEA, the expansion of use cases with existing clients, and robust demand for ESG ratings services. Partially offsetting this growth was the sharp decline in second-party opinions as global credit ratings activity remained weak.

Workplace Solutions revenue declined 5.3% on a reported and organic basis in the first quarter of 2023. AUMA declined 7.8% to $197.2 billion compared with the prior-year period, reflecting the decline in global markets over the period.

Morningstar Advisor Workstation revenue grew 5.6%, or 6.2% on an organic basis. The launch of the Investment Planning Experience, which is designed to help advisors deliver more personalized advice, supported new business and upsell opportunities with enterprise and individual advisor clients. In addition, enhancements to Scenario Builder to better align with the current regulatory environment and updates to the Morningstar Portfolio Risk Score supported retention and upsell opportunities with enterprise clients.

Morningstar Indexes revenue increased 25.3%, or 10.9% on an organic basis. The increase in revenue was driven by growth in investable product revenue, supported by net inflows and positive market impact with strong contributions from certain strategic beta products, including dividend-focused strategies. Increases in licensed data revenue also contributed to revenue growth. Organic revenue growth excludes LCD index-related revenue.

*Organic revenue*

Organic revenue (revenue excluding acquisitions, divestitures, the adoption of new accounting standards or revisions to accounting practices (accounting changes), and the effect of foreign currency translations) is considered a non-GAAP financial measure.

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.

Organic revenue increased 2.8% during the first quarter. PitchBook, Morningstar Data, Morningstar Direct, and Morningstar Sustainalytics were the main drivers of the increase in organic revenue during the first quarter of 2023.

The table below reconciles reported consolidated revenue with organic revenue:

| | Three months ended March 31, | | |
|---|---|---|---|
| (in millions) | 2023 | 2022 | Change |
| Consolidated revenue | $ 479.7 | $ 457.0 | 5.0 % |
| Less: acquisitions | (18.2) | — | NMF |
| Less: accounting changes | — | — | NMF |
| Effect of foreign currency translations | 8.3 | — | NMF |
| Organic revenue | $ 469.8 | $ 457.0 | 2.8 % |

*NMF - not meaningful*

*Revenue by geographical area*

| | Three months ended March 31, | | |
|---|---|---|---|
| (in millions) | 2023 | 2022 | Change |
| United States | $ 347.3 | $ 328.2 | 5.8 % |
| | | | |
| Asia | 12.1 | 10.8 | 12.0 % |
| Australia | 14.4 | 14.0 | 2.9 % |
| Canada | 27.3 | 27.1 | 0.7 % |
| Continental Europe | 43.1 | 41.3 | 4.4 % |
| United Kingdom | 33.1 | 33.1 | — % |
| Other | 2.4 | 2.5 | (4.0)% |
| Total International | 132.4 | 128.8 | 2.8 % |
| | | | |
| Consolidated revenue | $ 479.7 | $ 457.0 | 5.0 % |

International revenue comprised approximately 28% of our consolidated revenue for the first quarter of 2023 and 2022. Approximately 58% was generated by Continental Europe and the United Kingdom.

Revenue from international operations increased 2.8% in the first quarter of 2023. Acquisitions had a favorable impact of $2.9 million, while foreign currency translations had an unfavorable impact of $8.3 million on international revenue during the first quarter of 2023.

**Consolidated Operating Expense**

| | Three months ended March 31, | | |
|---|---|---|---|
| (in millions) | 2023 | 2022 | Change |
| Cost of revenue | $ 218.8 | $ 191.3 | 14.4 % |
| *% of consolidated revenue* | *45.6 %* | *41.9 %* | 3.7 pp |
| Sales and marketing | 107.6 | 81.4 | 32.2 % |
| *% of consolidated revenue* | *22.4 %* | *17.8 %* | 4.6 pp |
| General and administrative | 84.0 | 90.3 | (7.0)% |
| *% of consolidated revenue* | *17.5 %* | *19.8 %* | (2.3) pp |
| Depreciation and amortization | 44.8 | 37.6 | 19.1 % |
| *% of consolidated revenue* | *9.3 %* | *8.2 %* | 1.1 pp |
| Total operating expense | $ 455.2 | $ 400.6 | 13.6 % |
| *% of consolidated revenue* | *94.9 %* | *87.7 %* | 7.2 pp |

Consolidated operating expense increased $54.6 million, or 13.6%, in the first quarter of 2023.

In July 2022, the Company began to significantly reduce its operations in Shenzhen, China and to shift the work related to its global business functions, including global product and software development, managed investment data collection and analysis, and equity data collection and analysis, to other Morningstar locations. Costs incurred in the first quarter of 2023 related to this transition totaled $5.6 million due primarily to transformation costs, which consist of professional fees and the temporary duplication of headcount as the Company hires replacement roles in other markets and continues to employ certain Shenzhen-based staff through the transition.

The Company expects that these activities will be substantially complete by the end of the third quarter of 2023 and will result in lower ongoing run-rate costs from the overall net reduction in the related headcount and certain overhead. Excluding the impact of the initiation of the significant reduction and shift of the Company's operations in China, operating expenses increased 12.2% during the first quarter of 2023.

Compensation expense (which primarily consists of salaries, bonuses, and other company-sponsored benefits), sales commission expense, depreciation expense, and travel-related expenses were the key contributors to operating expense growth during the first quarter. Foreign currency translations had a favorable impact of $9.8 million during the first quarter of 2023.

Compensation expense increased $35.5 million in the first quarter of 2023. These higher costs reflect growth in headcount across key product areas over the past year, and the temporary duplication of headcount associated with the reduction and shift of the Company's China activities. Headcount increased 23.6% from the prior-year period to 12,411, largely driven by hiring in 2022. The growth in headcount was greatest for the Morningstar Sustainalytics and PitchBook product areas to support strategic growth initiatives. Headcount increased by 1.5% sequentially from December 31, 2022, the lowest percentage increase since the second quarter of 2020.

Sales commission expense increased $4.2 million during the first quarter of 2023, due in large part to strong sales performance and higher amortization of capitalized commissions related to prior year sales performance, primarily for PitchBook.

Depreciation increased $4.2 million as a result of higher capitalized software costs related to product enhancements in prior periods.

Travel-related expenses increased $3.3 million in the first quarter of 2023, primarily due to increased activity to support clients and sales generation.

An increase of $2.3 million in capitalized software development related to accelerated product development efforts for our key product areas also reduced operating expense during the first quarter of 2023.

We had 12,411 employees worldwide as of March 31, 2023, compared with 10,038 as of March 31, 2022, which reflects further investments across the key areas noted above to support our growth objectives.

*Cost of revenue*

Cost of revenue is our largest category of operating expense, representing about 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 $27.5 million in the first quarter of 2023. Higher compensation expense of $23.2 million was the largest contributor to the increase, primarily due to the factors listed above. This increase was partially offset by higher capitalized software expense of $2.3 million, which resulted from an increase in development activity in key product areas.

Continuous focus on the development of our major software platforms for our key product areas, in addition to bringing new products and capabilities to market, resulted in an increase in capitalized software development over the prior year period, which in turn reduced operating expense. We capitalized $23.1 million associated with software development activities, mainly related to accelerated product development efforts for our key product areas and enhanced capabilities in our products, internal infrastructure, and software in the first three months of 2023, compared with $20.7 million in the first three months of 2022.

*Sales and marketing*

Sales and marketing expense increased $26.2 million in the first quarter of 2023. Higher compensation expense of $17.3 million was the largest contributor. Sales commission expense grew by $4.1 million due in large part to strong sales performance and higher amortization of capitalized commissions related to prior year sales performance, primarily for PitchBook. Advertising and marketing costs increased $2.1 million during the first three months of 2023 due to higher pay-per-click advertising, marketing campaign expense, and conference expense.

*General and administrative*

General and administrative expense decreased $6.3 million during the first quarter of 2023. Compensation expense decreased $4.9 million compared with the prior year period, which included a $7.1 million increase to an earn-out accrual related to our acquisition of Sustainalytics. Stock-based compensation expense decreased $4.5 million primarily due to lower scheduled incentives for the current year under the PitchBook management bonus plan. These decreases were partially offset by higher rent expense of $1.7 million.

*Depreciation and amortization*

Depreciation expense increased $4.2 million in the first quarter of 2023, driven mainly by depreciation expense from higher levels of capitalized software development over the past several years.

Intangible amortization expense increased $3.4 million during the first quarter of 2023, primarily from additional amortization related to intangibles from the acquisition of LCD and Praemium.

**Consolidated Operating Income and Operating Margin**

| | Three months ended March 31, | | |
|---|---|---|---|
| **(in millions)** | **2023** | **2022** | **Change** |
| Operating income | $ 24.5 | $ 56.4 | (56.6)% |
| % of revenue | 5.1 % | 12.3 % | (7.2) pp |

Consolidated operating income decreased $31.9 million in the first quarter of 2023, reflecting an increase in operating expenses of $54.6 million, which was partially offset by an increase in revenue of $22.7 million. Operating margin was 5.1%, a decrease of 7.2 percentage points compared with the first quarter of 2022. In addition to reflecting operating expense growth, margins were negatively impacted by sharp declines in revenue in the asset- and transaction-based product areas.

We reported adjusted operating income of $51.8 million in the first quarter of 2023, which excludes intangible amortization expense, M&A-related expenses (including M&A-related earn-outs), and expenses related to the significant reduction and shift of the Company's operations in China. Adjusted operating income is a non-GAAP financial measure; the table below shows a reconciliation to the most directly comparable GAAP financial measure.

| | Three months ended March 31, | | |
|---|---|---|---|
| **(in millions)** | **2023** | **2022** | **Change** |
| Operating income | $ 24.5 | $ 56.4 | (56.6)% |
| Add: Intangible amortization expense | 17.5 | 14.1 | 24.1 % |
| Add: M&A-related expenses | 4.2 | 4.9 | (14.3)% |
| Add: M&A-related earn-outs | — | 7.1 | NMF |
| Add: Severance and personnel expenses (1) | 1.1 | — | NMF |
| Add: Transformation costs (1) | 4.2 | — | NMF |
| Add: Asset impairment costs (1) | 0.3 | — | NMF |
| Adjusted operating income | $ 51.8 | $ 82.5 | (37.2)% |

In addition, we reported adjusted operating margin of 10.8% in the first quarter of 2023, which excludes intangible amortization expense, M&A-related expenses (including M&A-related earn-outs), and expenses related to the significant reduction and shift of the Company's operations in China. 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 March 31, | | |
|---|---|---|---|
| | **2023** | **2022** | **Change** |
| Operating margin | 5.1 % | 12.3 % | (7.2) pp |
| Add: Intangible amortization expense | 3.6 % | 3.1 % | 0.5 pp |
| Add: M&A-related expenses | 0.9 % | 1.1 % | (0.2) pp |
| Add: M&A-related earn-outs | — % | 1.6 % | (1.6) pp |
| Add: Severance and personnel expenses (1) | 0.2 % | — % | 0.2 pp |
| Add: Transformation costs (1) | 0.9 % | — % | 0.9 pp |
| Add: Asset impairment costs (1) | 0.1 % | — % | 0.1 pp |
| Adjusted operating margin | 10.8 % | 18.1 % | (7.3) pp |

(1) Reflects costs associated with the significant reduction of the Company's operations in Shenzhen, China and the shift of work related to its global business functions to other Morningstar locations.

Severance and personnel expenses include severance charges, incentive payments related to early signing of severance agreements, transition bonuses, and stock-based compensation related to the accelerated vesting of restricted stock unit (RSU) and market share unit (MSU) awards. In addition, the reversal of accrued sabbatical liabilities is included in this category.

Transformation costs include professional fees and the temporary duplication of headcount. As the Company hires replacement roles in other markets and shifts capabilities, it expects to continue to employ certain Shenzhen-based staff through the transition period, which will result in elevated compensation costs on a temporary basis.

Asset impairment costs include the write-off or accelerated depreciation of fixed assets in the Shenzhen, China office that are not redeployed, in addition to lease abandonment costs as the Company plans to downsize office space prior to the lease termination date.

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

*Non-operating income (loss), net*

| (in millions) | Three months ended March 31, 2023 | 2022 |
|---|---|---|
| Interest income | $ 1.2 | $ 0.2 |
| Interest expense | (14.5) | (2.6) |
| Realized gain on sale of investments, reclassified from other comprehensive income | 0.2 | 1.0 |
| Expense from equity method transaction, net | (11.8) | — |
| Other income, net | 2.5 | 8.0 |
| Non-operating income (loss), net | $ (22.4) | $ 6.6 |

Interest income reflects interest from our investment portfolio. Interest expense mainly relates to the outstanding principal balance under our Amended 2022 Credit Agreement and the $350.0 million aggregate principal amount of 2.32% senior notes due October 26, 2030 (2030 Notes).

Expense from equity method transaction, net for the three months ended March 31, 2023 primarily reflects the Termination Agreement with Morningstar Japan K.K. (now known as SBI Global Asset Management Co., Ltd. (Wealth Advisors)) and the Tender Offer Agreement with SBI Global Asset Management Co., Ltd. (now known as SBI Asset Management Group Co., Ltd. (SBI)). We recorded $61.4 million of expense related to the Termination Agreement, a pre-tax holding gain of $18.4 million related to the Tender Offer Agreement, and an unrealized holding gain of $31.2 million related to our remaining investment in Wealth Advisors. See Note 9 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information on the Termination Agreement and Tender Offer Agreement.

Other income, net includes foreign currency exchange gains and unrealized gains on investments.

*Equity in investments of unconsolidated entities*

| (in millions) | Three months ended March 31, 2023 | 2022 |
|---|---|---|
| Equity in investments of unconsolidated entities | $ (1.3) | $ 0.4 |

Equity in investments of unconsolidated entities primarily reflects income and losses from certain of our unconsolidated entities.

*Effective tax rate and income tax expense*

| (in millions) | Three months ended March 31, 2023 | 2022 |
|---|---|---|
| Income before income taxes and equity in investments of unconsolidated entities | $ 2.1 | $ 63.0 |
| Equity in investments of unconsolidated entities | (1.3) | 0.4 |
| Total | $ 0.8 | $ 63.4 |
| Income tax expense | $ 8.4 | $ 17.3 |
| Effective tax rate | NMF | 27.3 % |

For the three months ended March 31, 2023, income tax expense was $8.4 million, a decline of $8.9 million compared with the prior year period. Our effective tax rate was not meaningful due to the low level of pretax income in the current period. For the first quarter of 2023, income tax expense includes a valuation allowance against an excess capital loss generated from an equity method transaction and a change in deferred taxes with respect to stock-based compensation. See Note 9 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information on the equity method transaction.

**Liquidity and Capital Resources**

As of March 31, 2023, we had cash, cash equivalents, and investments of $385.4 million, a decrease of $29.2 million, compared with $414.6 million as of December 31, 2022.

Cash provided by operating activities is our main source of cash. In the first three months of 2023, cash provided by operating activities was $23.4 million compared to $23.5 million in the prior-year period. Free cash flow was negative $6.1 million compared to negative $4.5 million in the prior year period. Operating cash flow and free cash flow were impacted by lower cash earnings and higher interest expense, which offset positive gains in working capital partially resulting from the lower bonus payment in the first quarter of 2023 relative to the prior-year period. We made annual bonus payments of $98.3 million during the first quarter of 2023 compared with $139.9 million in the first quarter of 2022.

On May 6, 2022, the Company entered into a new senior credit agreement (the 2022 Credit Agreement). The 2022 Credit Agreement provided the Company with a five-year multi-currency credit facility with an initial borrowing capacity of up to $1.1 billion, including a $650.0 million term loan (the 2022 Term Facility) with an initial draw of $600.0 million and an option for a second draw of up to $50.0 million and a $450.0 million revolving credit facility (the 2022 Revolving Credit Facility). The 2022 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.

The proceeds of the first draw under the 2022 Term Facility and initial borrowings under the 2022 Revolving Credit Facility were used to finance the acquisition of LCD and to repay a portion of the borrowings under the 2019 Revolving Credit Facility. The optional second draw on the 2022 Term Facility was available to fund the contingent consideration payment of up to $50.0 million payable in connection with the LCD acquisition.

The 2022 Credit Agreement was amended (the Amended 2022 Credit Agreement) on September 13, 2022 (the First Amendment to the 2022 Credit Agreement) and on September 30, 2022 (the Second Amendment to the 2022 Credit Agreement). The First Amendment to the 2022 Credit Agreement terminated the unfunded term commitment related to the optional second draw of up to $50.0 million in the 2022 Term Facility and increased the 2022 Revolving Credit Facility to $600.0 million. The Second Amendment to the 2022 Credit Agreement increased the 2022 Term Facility to a fully funded $650.0 million facility (the Amended 2022 Term Facility) and increased the 2022 Revolving Credit Facility to $650.0 million (the Amended 2022 Revolving Credit Facility) for total borrowing capacity of $1.3 billion. As of March 31, 2023, our total outstanding debt under the Amended 2022 Credit Agreement was $783.0 million, net of debt issuance costs, with borrowing availability of $500.0 million under the Amended 2022 Revolving Credit Facility. Except for incremental borrowing capacity, there were no material changes to the existing terms and conditions of the 2022 Credit Agreement.

The proceeds of the additional draw under the Amended 2022 Term Facility were used to repay borrowings under the 2022 Revolving Credit Facility. The proceeds of future borrowings under the 2022 Revolving Credit Facility may be used for working capital, capital expenditures, or any other general corporate purpose. See Note 3 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information on our Amended 2022 Credit Agreement.

On October 26, 2020, we completed the issuance and sale of the 2030 Notes, in a private placement exempt from the registration requirements of the Securities Act of 1933, as amended. Proceeds were primarily used to pay off a portion of the Company's outstanding debt under the 2019 Credit Agreement. Interest on the 2030 Notes is payable semi-annually on each October 30 and April 30 during the term of the 2030 Notes and at maturity. As of March 31, 2023, our total outstanding debt, net of issuance costs, under the 2030 Notes was $348.5 million. See Note 3 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information on our 2030 Notes.

Each of the Amended 2022 Credit Agreement and the 2030 Notes include customary representations, warranties, and covenants, including financial covenants, that require us to maintain specified ratios of consolidated earnings before interest, taxes, depreciation, and amortization (EBITDA) to consolidated interest charges and consolidated funded indebtedness to consolidated EBITDA, which are evaluated on a quarterly basis. We were in compliance with these financial covenants as of March 31, 2023, with consolidated funded indebtedness to consolidated EBITDA calculated at approximately 2.5x.

We believe our available cash balances and investments, along with cash generated from operations and our credit facility, will be sufficient to meet our operating and cash needs for at least the next 12 months. We are focused 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 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 68% of our cash, cash equivalents, and investments balance as of March 31, 2023 was held by our operations outside the United States, up from 64% as of December 31, 2022. 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 March 2023, our board of directors approved a regular quarterly dividend of $0.375 per share, or $16.0 million, payable on April 28, 2023 to shareholders of record as of April 7, 2023.

In December 2022, the board of directors approved a new 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, 2023. This authorization expires on December 31, 2025. During the first quarter of 2023, we did not repurchase any shares, leaving $500.0 million available for future repurchases under the new share repurchase program.

On January 27, 2023, we entered into a Termination Agreement (the Termination Agreement) with Morningstar Japan K.K. (now known as SBI Global Asset Management Co., Ltd. (Wealth Advisors)), and a Tender Offer Agreement (the Tender Offer Agreement) with SBI Global Asset Management Co., Ltd. (now known as SBI Asset Management Group Co., Ltd. (SBI)).

Pursuant to the Termination Agreement, Wealth Advisors agreed to cease use of the Morningstar brand and Morningstar and Wealth Advisors agreed to terminate the License Agreement originally entered into in 1998. As consideration for the transaction, Morningstar agreed to pay Wealth Advisors 8 billion Japanese yen ($61.4 million) upon the termination of the license agreement and the achievement of certain conditions related primarily to the termination of the use of the Morningstar brand by Wealth Advisors' customers. On April 6, 2023, we made the first cash payment of 6 billion Japanese Yen ($45.1 million) and on April 19, 2023, we made the second and final cash payment of 2 billion Japanese Yen ($14.8 million), pursuant to the Termination Agreement.

As part of such transaction, pursuant to the Tender Offer Agreement, Morningstar agreed to tender up to 10 million shares in Wealth Advisors to SBI. The tender offer closed on February 28, 2023, and SBI purchased 8,040,600 shares of Wealth Advisors from Morningstar, resulting in net proceeds of $26.2 million and a pre-tax gain of $18.4 million. See Note 9 of the Notes to our Unaudited Condensed Consolidated Financial Statements for additional information on the Termination Agreement and Tender Offer Agreement.

On February 6, 2023, we made a cash payment of $50.0 million, resolving our contingent consideration liability related to our acquisition of LCD.

We expect to continue making capital expenditures in 2023, 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.

**Consolidated Free Cash Flow**

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

| | Three months ended March 31, | | |
|---|---|---|---|
| (in millions) | 2023 | 2022 | Change |
| Cash provided by operating activities | $ 23.4 | $ 23.5 | (0.4)% |
| Capital expenditures | (29.5) | (28.0) | 5.4 % |
| Free cash flow | $ (6.1) | $ (4.5) | 35.6 % |

We had negative free cash flow of $6.1 million in the first quarter of 2023 compared with negative $4.5 million in the first quarter of 2022. Cash provided by operating activities was relatively flat in the first quarter of 2023 compared with the prior-year period, while capital expenditures increased slightly. During the first quarter, the Company made its final $50.0 million payment related to the acquisition of LCD, of which $4.5 million is reflected in operating cash flows and $45.5 million is reflected in financing cash flows. Excluding the impact of the LCD payment, free cash flow would have been negative $1.6 million.

Lower cash earnings and higher interest expense had a negative impact on operating and free cash flow, which was mostly offset by gains in working capital partially resulting from the lower bonus payment in the first quarter of 2023 relative to the prior-year period. The net impact from an equity method transaction on operating cash flow in the quarter was positive $11.8 million.

## 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 April 14, 2023:

| 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 April 14, 2023 | Projected Beneficial Ownership (1) |
|---|---|---|---|---|---|---|
| Gail Landis<br>Director | 3/23/2023 | 3/21/2025 | 975 | Shares to be sold under the plan if the stock reaches specified prices | — | 3,621 |
| Joe Mansueto<br>Executive Chairman | 8/31/2022 | 5/3/2023 | 400,000 | Shares to be sold under the plan if the stock reaches specified prices | 400,000 | 16,579,284 |
| Joe Mansueto<br>Executive Chairman | 2/28/2023 | 4/30/2024 | 700,000 | Shares to be sold under the plan if the stock reaches specified prices | — | 15,879,284 |

(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 March 31, 2023 and includes shares of our common stock subject to options that were then exercisable or that will have become exercisable by May 31, 2023 and restricted stock units that will vest by May 31, 2023. The estimates do not reflect any changes to beneficial ownership that may have occurred since March 31, 2023. 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 March 31, 2023, our cash, cash equivalents, and investments balance was $385.4 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 a portion of our long-term debt. The interest rates are based upon the applicable Secured Overnight Financing Rate (SOFR) 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 SOFR rate would have a $7.8 million impact on our interest expense based on our outstanding principal balance and SOFR rates around March 31, 2023.

We are subject to risk from fluctuations in foreign currencies from our operations outside of the United States. 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 three months ended March 31, 2023:

| | Three months ended March 31, 2023 | | | | |
|---|---|---|---|---|---|
| **(in millions, except foreign currency rates)** | **Australian Dollar** | **British Pound** | **Canadian Dollar** | **Euro** | **Other Foreign Currencies** |
| Currency rate in U.S. dollars as of March 31, 2023 | 0.6699 | 1.2369 | 0.7391 | 1.0879 | n/a |
| | | | | | |
| Percentage of revenue | 2.9 % | 6.9 % | 5.7 % | 6.5 % | 5.6 % |
| Percentage of operating income (loss) | 14.9 % | (58.1)% | (19.9)% | 20.5 % | (99.6)% |
| | | | | | |
| Estimated effect of a 10% adverse currency fluctuation on revenue | $ (1.4) | $ (3.4) | $ (2.7) | $ (3.2) | $ (2.7) |
| Estimated effect of a 10% adverse currency fluctuation on operating income (loss) | $ (0.4) | $ 1.4 | $ 0.5 | $ (0.5) | $ 2.4 |

The table below shows our net investment exposure to foreign currencies as of March 31, 2023:

| | As of March 31, 2023 | | | | |
|---|---|---|---|---|---|
| **(in millions)** | **Australian Dollar** | **British Pound** | **Canadian Dollar** | **Euro** | **Other Foreign Currencies** |
| Assets, net of unconsolidated entities | $ 68.1 | $ 348.7 | $ 394.0 | $ 241.8 | $ 212.4 |
| Liabilities | 28.1 | 74.8 | 173.3 | 166.7 | (11.9) |
| Net currency position | $ 40.0 | $ 273.9 | $ 220.7 | $ 75.1 | $ 224.3 |
| | | | | | |
| Estimated effect of a 10% adverse currency fluctuation on equity | $ (4.0) | $ (27.4) | $ (22.1) | $ (7.5) | $ (22.4) |

## 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 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 March 31, 2023. 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

There were no changes in our internal control over financial reporting during the fiscal quarter ended March 31, 2023 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 13 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 to the risk factors disclosed in Item 1A. Risk Factors in our Annual Report.

### 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.

On December 6, 2022, the board of directors approved a new 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, 2023. The new authorization expires on December 31, 2025.

Under this new authorization, 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.

The following table presents information related to repurchases of common stock we made during the three months ended March 31, 2023:

| 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 |
|---|---|---|---|---|
| January 1, 2023 - January 31, 2023 | — | $ — | — | $ 500,000,000 |
| February 1, 2023 - February 28, 2023 | — | — | — | $ 500,000,000 |
| March 1, 2023 - March 31, 2023 | — | — | — | $ 500,000,000 |
| Total | — | $ — | — | |

## Item 6. Exhibits

| Exhibit No | Description of Exhibit |
|---|---|
| 10.1*† | Form of Morningstar Amended and Restated 2011 Stock Incentive Plan Bonus Restricted Stock Unit Award Agreement, for awards made on and after March 1, 2023 |
| 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 March 31, 2023, filed with the SEC on April 28, 2023 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) |

* Management contract with a director or executive officer or a compensatory plan or arrangement in which directors or executive officers are eligible to participate.

† Filed or furnished herewith

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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: April 28, 2023

By: /s/ Jason Dubinsky

Jason Dubinsky

Chief Financial Officer

EXHIBIT 10.1

**MORNINGSTAR, INC.**

**AMENDED AND RESTATED 2011 STOCK INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD AGREEMENT**

**THIS RESTRICTED 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. Amended and Restated 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 RESTRICTED STOCK UNITS</u>**

1.1 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 the number of Restricted Stock Units specified in the Grant Notice.

1.2 Each Restricted Stock Unit is a notional amount that represents one unvested share of common stock, no par value, of the Company (a “Share”). Each Restricted Stock Unit constitutes the right, subject to the terms and conditions of the Plan and this Award Agreement, to distribution of a Share if and when the Restricted Stock Unit vests.

Notwithstanding the foregoing, if the Participant is resident or employed outside of the United States, the Company, in its sole discretion, may settle the Restricted Stock Units 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 Restricted Stock Units 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).

1.3 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.

1.4 Subject to, and except as otherwise provided by, this Award Agreement, including Section 3.2 hereof, the Restricted Stock Units subject to this Award Agreement shall vest in full on the "Vesting Date" shown below, if the Participant has remained in continuous Service (as defined in Section 3.3 hereof) until the Vesting Date. Notwithstanding the foregoing, the Board or the Committee may cause the Restricted Stock Units granted hereby to vest at an earlier date pursuant to its authority under the Plan.

| Percentage of Restricted Stock Units | Vesting Date |
| --- | --- |
| 100% | August 31, 2024 |

1.5 Further details of the Restricted Stock Units granted to the Participant under the terms of this Award Agreement are set forth in the Grant Notice.

## 2 RIGHTS AS A SHAREHOLDER

2.1 Unless and until a Restricted Stock Unit has 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.

## 3 TERMINATION OF SERVICE AND OTHER CHANGES IN SERVICE STATUS

3.1 If the Participant's Service (as defined in Section 3.3) terminates for any reason other than Disability or death, the Participant will forfeit the right to receive Shares underlying any Restricted Stock Units that have not vested at that time. 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).

3.2 If the Participant's Service terminates on account of the Disability or death of the Participant, the Shares underlying all of the Restricted Stock Units awarded hereunder shall become immediately vested and be distributed to the Participant or the

Participant’s beneficiary under the Plan as soon as practicable in accordance with Section 4.1 of this Award Agreement.

3.3 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, "Affiliate” means an entity that is (directly or indirectly) controlled by, or controls, the Company.

3.4 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 Restricted Stock Units 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 Restricted Stock Unit award (including whether the Participant may still be considered to be providing services while on a leave of absence).

**4 <u>TIMING AND FORM OF PAYMENT</u>**

4.1 Once a Restricted Stock Unit vests, 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 Restricted Stock Unit vests, but no later than 2½ months from the end of the calendar year in which such vesting occurs.

## 5 RESPONSIBILITY FOR TAXES AND TAX WITHHOLDING OBLIGATIONS

5.1 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 Restricted Stock Units. 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 Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or dividend equivalents; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units 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.

5.2 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.

5.3 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 Restricted Stock Units, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items.

**6 NOTICES**

6.1 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.

**7 NATURE OF GRANT**

In accepting the grant of Restricted Stock Units, 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 Restricted Stock Units is extraordinary, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

c) all decisions with respect to future Restricted Stock Unit 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 the Participant's Service at any time with or without cause;

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

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

h) the grant of Restricted Stock Units, the Shares subject to the Restricted Stock Units, 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 Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units 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 Restricted Stock Units and the Shares subject to the Restricted Stock Units, 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 Restricted Stock Units 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 Restricted Stock Units, 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 Restricted Stock Units or of any amounts due to the Participant pursuant to the vesting of Restricted Stock Units or the sale of Shares.

**8 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 Restricted Stock Unit 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 Restricted Stock Unit 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 Restricted Stock Units 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.***

**9 ELECTRONIC DELIVERY AND ACCEPTANCE**

9.1 The Company may, in its sole discretion, decide to deliver any documents related to Restricted Stock Units awarded under the Plan or future Restricted Stock Units 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.

**10 SEVERABILITY**

10.1 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.

**11 NO ADVICE REGARDING GRANT**

11.1 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.

**12 IMPOSITION OF OTHER REQUIREMENTS**

12.1 The Company reserves the right to impose other requirements on the Participant's participation in the Plan, on Restricted Stock Units 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.

**13 LANGUAGE**

13.1 The Participant acknowledges that he or she is sufficiently proficient in English, or has consulted with an advisor who is sufficiently proficient in English, so as to allow the Participant to understand the terms and conditions, of this Agreement, the Plan, or any other documents related to the grant of a Restricted Stock Unit. 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.

**14 INSIDER TRADING/MARKET ABUSE LAWS**

14.1 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., Restricted Stock Units) 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.

## 15 FOREIGN ASSET/ACCOUNT REPORTING REQUIREMENTS AND EXCHANGE CONTROLS

15.1 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 or dividend equivalents 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.

## 16 ADDENDUM

16.1 Notwithstanding any provisions in the Award Agreement, Restricted Stock Units 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.

## 17 CONSTRUCTION

17.1 The Restricted Stock Units granted hereunder are subject to any rules and regulations promulgated by the Committee pursuant to the Plan, now or hereafter in effect.

17.2 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.

17.3 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.

17.4 The Plan, the Restricted Stock Units 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.

**18 SECTION 409A**

18.1 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 Restricted Stock Units shall not constitute "nonqualified deferred compensation" subject to Section 409A of the Code, and the Restricted Stock Units 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 Restricted Stock Units 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 February 2023. 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 Restricted Stock Units 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.

**BRAZIL, EUROPEAN UNION ("EU") / EUROPEAN ECONOMIC AREA ("EEA") COUNTRIES, SWITZERLAND AND THE UNITED KINGDOM**

Data Privacy: If the Participant resides and/or works in a country within Brazil, the EU/EEA, Switzerland or the United Kingdom, Section 8 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. 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**

***Notifications***

Securities Law Information. The grant of the Restricted Stock Units is being made pursuant to Division 1A, Part 7.12 of the Corporations Act 2001 (Cth). If the Participant offers Shares for sale to a person or entity resident in Australia, the offer may be subject to disclosure requirements under Australian law. The Participant personally should obtain legal advice on applicable disclosure obligations prior to making any such offer.

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).

**BELGIUM**

There are no country-specific provisions.

**BRAZIL**

***Terms and Conditions***

Labor Law Policy and Acknowledgement. This provision supplements Section 7 of the Award Agreement:

By accepting the Restricted Stock Units, the Participant agrees that he or she is (i) making an investment decision, (ii) Shares will be issued to the Participant only if the vesting conditions are met and (iii) the value of the underlying Shares is not fixed and may increase or decrease without compensation to the Participant.

Compliance with Law. By accepting the Restricted Stock Units, the Participant acknowledges his or her agreement to comply with applicable Brazilian laws and to pay any and all applicable taxes associated with the vesting of the Restricted Stock Units, and the sale of Shares acquired under the Plan and the receipt of any dividends or dividend equivalents.

**CANADA**

***Terms and Conditions***

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

Termination of Service. This provision replaces Section 3.4 of the Award Agreement:

For purposes of the Restricted Stock Units, the Participant’s Service is considered terminated as of the date the Participant is no longer actually employed or otherwise rendering Service 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 or other laws or the terms of the Participant’s employment or service contract, if any). Unless otherwise extended by the Company or expressly provided in the Award Agreement, the Participant’s right to vest in the Restricted Stock Units, if any, will terminate effective as of such date (the “Termination Date”). The Termination Date will not be extended by any common law notice period. Notwithstanding

the foregoing, however, if applicable employment standards legislation explicitly requires continued entitlement to vesting during a statutory notice period, the Participant's right to vest in the Restricted Stock Units under the Award Agreement, if any, will be allowed to continue for that minimum notice period but then immediately terminate effective as of the last day of the Participant's minimum statutory notice period.
In the event the date the Participant is no longer providing actual Service cannot be reasonably determined under the terms of this Award Agreement and/or the Plan, the Company shall have the exclusive discretion to determine when the Participant is no longer actively providing Service for purposes of the Restricted Stock Units (including whether the Participant may still be considered to be providing Service while on a leave of absence). Any portion of the Restricted Stock Units that is not vested on the Termination Date shall terminate immediately and be null and void. Subject to the foregoing, unless the applicable employment standards legislation specifically requires, in the Participant's case, the Participant will not earn or be entitled to any pro-rated vesting for that portion of time before the date on which the Participant's Service is terminated (as determined under this provision), nor will the Participant be entitled to any compensation for lost vesting.

*The following provisions apply to residents of Quebec:*

French Language Documents. A French translation of the Plan and the Award Agreement will be made available to the Participant as soon as reasonably practicable. The Participant understands that, from time to time, additional information related to the offering of the Plan might be provided in English and such information may not be immediately available in French. Notwithstanding anything to the contrary in the Award Agreement, and unless the Participant indicates otherwise, the French translation of the Plan and the Award Agreement will govern the Restricted Stock Units and the Participant's participation in the Plan.

*Documents en français. Une traduction en français du Plan et du Contrat d'Attribution sera mise à la disposition du Participant dès que raisonnablement possible. Le Participant comprend que, de temps à autre, des informations supplémentaires liées à l'offre du Plan peuvent être fournies en anglais et que ces informations peuvent ne pas être immédiatement disponibles en français. Nonobstant toute disposition contraire dans le Contrat d'Attribution, et à sauf indication contraire de la part du Participant, la traduction française du Plan et du Contrat d'Attribution régira l'attribution de Droits sur des Actions Assujettis à des Restrictions et la participation au Plan du Participant.*

Data Privacy. The following provision supplements Section 8 of the Award Agreement:

***The Participant hereby authorizes the Company and the Company's representatives to discuss with and obtain all relevant information regarding the Restricted Stock Units and the***

***Participant's participation in the Plan from all personnel, professional or non-professional, involved with the administration of the Plan. The Participant further authorizes the Company and its Affiliates, the administrator of the Plan and any third party brokers/administrators that are assisting the Company with the operation and administration of the Plan to disclose and discuss the Plan and the Participant's participation in the Plan with their advisors. The Participant further authorizes the Company and its Affiliates to record information regarding the Restricted Stock Units and the Participant's participation in the Plan and to keep such information in Participant's file. The Participant acknowledges and agrees that the Participant's personal information, including any sensitive personal information, may be transferred or disclosed outside the province of Quebec, including to the U.S.A. If applicable, the Participant also acknowledges and authorizes the Company, its Affiliates, the administrator of the Plan and any third party brokers/administrators that are assisting the Company with the operation and administration of the Plan to use technology for profiling purposes and to make automated decisions that may have an impact on the Participant or the administration of the Plan.***

***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).

**CHILE**

***Terms and Conditions***

Securities Law Notice. The grant of the Restricted Stock Units is not intended to be a public offering of securities in Chile but instead is intended to be a private placement.

a) The starting date of the offer will be the Grant Date (as defined in the Grant Notice), and this offer conforms to General Ruling No. 336 of the Chilean Commission for the Financial Market;

b) The offer deals with securities not registered in the Registry of Securities or in the Registry of Foreign Securities of the Chilean Commission for the Financial Market, and therefore such securities are not subject to its oversight;

c) The issuer is not obligated to provide public information in Chile regarding the foreign securities, as such securities are not registered with the Chilean Commission for the Financial Market; and

d) The foreign securities shall not be subject to public offering as long as they are not registered with the corresponding registry of securities in Chile.

a) *La fecha de inicio de la oferta será el de la fecha de otorgamiento (o "Grant Date", según este término se define en el documento denominado "Agreement") y esta oferta se acoge a la norma de Carácter General N° 336 de la Comisión para el Mercado Financiero en Chile;*

b) *La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la Comisión para el Mercado Financiero en Chile, por lo que tales valores no están sujetos a la fiscalización de ésta;*

c) *Por tratar de valores no inscritos no existe la obligación por parte del emisor de entregar en Chile información pública respecto de esos valores; y*

d) *Esos valores no podrán ser objeto de oferta pública mientras no sean inscritos en el registro de valores correspondiente.*

**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 Restricted Stock Units and Sale of Shares. To facilitate compliance with exchange control regulations in China, the Restricted Stock Units may be settled in the form of a cash payment. Alternatively, the Restricted Stock Units 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 the 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 Restricted Stock Units 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 or dividend equivalents 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.

**FRANCE**

***Terms and Conditions***

Type of Grant. The Restricted Stock Units 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 to L. 225-197-5 and Sections L. 22-10-59 to L. 22-10-60 of the French Commercial Code, as amended.

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

*En acceptant les droits sur actions assujettis à restrictions (« restricted stock units » ou « RSUs »), le Participant confirme avoir lu et compris les documents relatifs aux RSUs qui ont été communiqués au Participant en langue anglaise.*

**GERMANY**

There are no country-specific provisions.

**HONG KONG**

***Terms and Conditions***

Restrictions on Sale and Transferability. In the event that Shares are delivered in settlement of Restricted Stock Units within six (6) 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 Restricted Stock Units will be settled in Shares only, not cash.

***Notifications***

Securities Warning. Restricted Stock Units 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 Restricted Stock Units shall be null and void.

**INDIA**

There are no country-specific provisions.

**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 5 (Responsibility for Taxes and Tax Withholding Obligations); Section 7 (Nature of Grant); Section 9 (Electronic Delivery and Acceptance); Section 12 (Imposition of Other Requirements); Section 13 (Language); Section 16 (Addendum) and the Data Privacy provision above in the Addendum for Brazil, EU/EEA countries, Switzerland and the United Kingdom.

**JAPAN**

There are no country-specific provisions.

**KOREA**

There are no country-specific provisions.

**LUXEMBOURG**

There are no country-specific provisions.

**MEXICO**

***Terms and Conditions***

Labor Law Acknowledgement. The following provision supplements Section 7 of the Award Agreement:

By accepting the Restricted Stock Units, the Participant acknowledges that he or she understands and agrees that: (i) the Restricted Stock Units are not related to the salary and other contractual benefits granted to the Participant by the Employer; and (ii) any modification of the Plan or its termination shall not constitute a change or impairment of the terms and conditions of employment.

Policy Statement. The grant of the Restricted Stock Units the Company is making under the Plan is unilateral and discretionary and, therefore, the Company reserves the absolute right to amend it and discontinue it at any time without any liability.

The Company, with registered offices at 22 West Washington Street, Chicago, Illinois, 60602, USA, is solely responsible for the administration of the Plan. Participation in the Plan and the acquisition of Shares under the Plan does not, in any way establish an employment relationship between the Participant and the Company since the Participant is participating in the Plan on a wholly commercial basis and the sole employer is the Affiliate employing the Participant, as applicable, nor does it establish any rights between the Participant and the Employer.

Plan Document Acknowledgement. By participating in the Plan, the Participant acknowledges that he or she has received copies of the Plan and the Award Agreement, has reviewed the Plan and the Award Agreement in their entirety and fully understands and accept all provisions of the Plan and the Award Agreement.

In addition, by participating in the Plan, the Participant further acknowledges that he or she has read and specifically and expressly approves the terms and conditions in Section 7 of the Award Agreement, in which the following is clearly described and established: (i) participation in the Plan does not constitute an acquired right; (ii) the Plan and participation in the Plan is offered by the Company on a wholly discretionary basis; (iii) participation in the Plan is voluntary; and (iv) the Company and its Affiliates are not responsible for any decrease in the value of the Shares underlying the Restricted Stock Units.

Finally, the Participant hereby declares that he or she does not reserve any action or right to bring any claim against the Employer, the Company and/or its Affiliates for any compensation or damages as a result of participation in the Plan and therefore grants a full and broad release to the Employer and the Company and its Affiliates with respect to any claim that may arise under the Plan.

**Spanish Translation**

*Reconocimiento de la Ley Laboral. Esta disposición complementa la Sección 7 del Acuerdo:*

*Al aceptar el RSU, el Participante reconoce entiende y acuerda que: (i) la RSU no se encuentra relacionada con el salario ni con otras prestaciones contractuales concedidas al Participante por del patrón; y (ii) cualquier modificación del Plan o su terminación no constituye un cambio o detrimento en los términos y condiciones de empleo.*

*Declaración de Política. La concesión del RSU que la Compañía está haciendo bajo el Plan es unilateral y discrecional y, por lo tanto, la Compañía se reserva el derecho absoluto de modificar y discontinuar el mismo en cualquier momento, sin ninguna responsabilidad.*

*La Compañía, con oficinas registradas ubicadas en 22 West Washington Street, Chicago, Illinois, 60602, Estados Unidos de Norteamérica, es la única responsable por la administración del Plan. La participación en el Plan y la adquisición de Acciones no establece de forma alguna, una* *relación de trabajo entre el Participante y la Compañía, ya que la participación en el Plan por parte del Participante es completamente comercial y el único patrón es la Subsidiaria que ha contratado al Participante, en caso de ser aplicable, así como tampoco establece ningún derecho entre el Participante y su patrón.*

<u>*Reconocimiento del Plan de Documentos*</u>*. Al participar en el Plan, el Participante reconoce que ha recibido copias del Plan y del Acuerdo, mismos que ha revisado en su totalidad y los entiende completamente y, que ha entendido y aceptado las disposiciones contenidas en el Plan y en el Acuerdo.*

*Adicionalmente, al participar en el Plan, el Participante reconoce que ha leído, y que aprueba específica y expresamente los términos y condiciones contenidos en la Sección 7 del Acuerdo, en la cual se encuentra claramente descrito y establecido lo siguiente: (i) la participación en el Plan no constituye un derecho adquirido; (ii) el Plan y la participación en el mismo es ofrecida por la Compañía de forma enteramente discrecional; (iii) la participación en el Plan es voluntaria; y (iv) la Compañía, así como sus Subsidiarias no son responsables por cualquier detrimento en el valor de las Acciones en relación con la RSU.*

*Finalmente, el Participante declara que no se reserva ninguna acción o derecho para interponer una demanda en contra de la Compañía por compensación, daño o perjuicio alguno como resultado de la participación en el Plan y en consecuencia, otorga el más amplio finiquito a su patrón, así como a la Compañía, a sus Subsidiarias con respecto a cualquier demanda que pudiera originarse en virtud del Plan.*

***Notifications***

<u>Securities Law Notice</u>. The Restricted Stock Units and the Shares offered under the Plan have not been registered with the National Register of Securities maintained by the Mexican National Banking and Securities Commission and cannot be offered or sold publicly in Mexico. In addition, the Plan and this Award Agreement, and any other document relating to the Restricted Stock Units may not be publicly distributed in Mexico. These materials are addressed to the Participant only because of the Participant's existing relationship with the Company and the Employer and these materials should not be reproduced or copied in any form. The offer contained in these materials does not constitute a public offering of securities but rather constitutes a private placement of securities addressed specifically to individuals who are present employees of the Company's Mexican Affiliate made in accordance with the provisions of the Mexican Securities Market Law, and any rights under such offering shall not be assigned or transferred.

**NETHERLANDS**

***Terms and Conditions***

Exclusion of Claim. By accepting the Restricted Stock Units, 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 Restricted Stock Units, 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 Restricted Stock Units. Upon acceptance of the Restricted Stock Units, the Participant shall be deemed irrevocably to have waived any such entitlement.

**NEW ZEALAND**

***Notifications***

Securities Law Notice.

**Warning**

This is an offer of Restricted Stock Units which, upon vesting and settlement in accordance with the terms of the Plan and this Award Agreement, will be converted into Shares. Shares give you a stake in the ownership of Morningstar, Inc. You may receive a return if dividends are paid.

If Morningstar, Inc. runs into financial difficulties and is wound up, you will be paid only after all creditors and holders of preference shares have been paid. You may lose some or all of your investment.

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This information is designed to help investors make an informed decision. The usual rules do not apply to this offer because it is made under an employee share purchase scheme. As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment, if any.

Ask questions, read all documents carefully, and seek independent financial advice before committing.

The Shares are quoted on the Nasdaq Stock Market. This means that if you acquire Shares under the Plan, you may be able to sell them on the Nasdaq Stock Market if there are interested buyers. You may get less than you invested. The price will depend on the demand for the Shares.

You also are hereby notified that the documents listed below are available for review in connection with the offer of Restricted Stock Units under the Plan:

1. Morningstar Inc.'s most recent Annual Report (i.e., Form 10-K) is available at: https://shareholders.morningstar.com/investor-relations/financials/sec-filings/default.aspx.

2. Morningstar Inc.'s most recent published financial statements (Form 10-Q or 10-K) and the auditor's report on those financial statements are available at: https://shareholders.morningstar.com/investor- relations/financials/sec-filings/default.aspx.

3. The Plan is available on the website of the Company's stock plan service provider.

4. 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 you free of charge on written request being mailed to Morningstar, Inc., 22 West Washington Street, Chicago, Illinois, 60602, USA, Attention: General Counsel.

**NORWAY**

There are no country-specific provisions.

**ROMANIA**

***Terms and Conditions***

Language Consent. By accepting the grant of Restricted Stock Units, the Participant acknowledges that he or she is proficient in reading and understanding English and fully understands the terms of the documents related to the grant (the Plan and the Award Agreement), which were provided in the English language. The Participant accepts the terms of those documents accordingly.

*Consimtamant cu Privire la Limba. Acceptând acordarea unităților de Restricted Stock Unit-uri, participantul recunoașteți că are cunoștințe competenți în citirea și înțelegerea limbii engleze și înțelegeți pe deplin termenii documentelor legate de subvenție (Planul si Acordul de acordare), care au fost furnizate în limba engleză. Acceptați termenii acestor documente în consecință.*

**SINGAPORE**

There are no country-specific provisions.

**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;

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

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.

**SPAIN**

***Terms and Conditions***

Nature of Grant. This provision supplements Section 7 of the Award Agreement:

In accepting the grant of the Restricted Stock Units, the Participant acknowledges that he or she consents to participation in the Plan and has received a copy of the Plan.

Further, the Participant understands that the Company, in its sole discretion, has unilaterally and gratuitously decided to grant Restricted Stock Units under the Plan to individuals who may be employees of the Company or an Affiliate throughout the world. The decision is a limited decision that is entered into upon the express assumption and condition that any grant will not bind the Company or any Affiliate to the extent set forth in the Award Agreement. Consequently, the Participant understands that the Restricted Stock Units are granted on the assumption and condition that such Restricted Stock Units and any Shares acquired upon vesting of the Restricted Stock Units shall not become a part of any employment contract (either with the Company or any Affiliate) and shall not be considered a mandatory benefit, or salary for any purposes (including severance compensation) or any other right whatsoever.

Further, as a condition of the grant of the Restricted Stock Units, unless otherwise expressly provided for by the Company or set forth in the Award Agreement, the Restricted Stock Units will be cancelled without entitlement to any Shares if the Participant's Service terminates for any reason, including, but not limited to: resignation, retirement, disciplinary dismissal adjudged to be with cause, disciplinary dismissal adjudged or recognized to be without cause (i.e., subject to a "despido improcedente"), material modification of the terms of employment under Article 41 of the Workers' Statute, relocation under Article 40 of the Workers' Statute, Article 50 of the Workers' Statute, or under Article 10.3 of Royal Decree 1382/1985. The Committee, in its sole discretion, shall determine the date when the Participant's Service has terminated for purposes of the Restricted Stock Units.

The Participant understands that the grant of the Restricted Stock Units would not be granted but for the assumptions and conditions referred to above; thus, the Participant acknowledges and freely accepts that should any or all of the assumptions be mistaken or should any of the conditions not be met for any reason, then any grant of, or right to, the Restricted Stock Units shall be null and void.

**SWEDEN**

***Terms and Conditions***

Responsibility for Taxes and Tax Withholding Obligations. This provision supplements Section 5 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 5 of the Award Agreement, in accepting the Restricted Stock Unit 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.

**SWITZERLAND**

***Notifications***

Securities Law Information. Neither this document nor any other materials relating to the Restricted Stock Units (a) constitutes a prospectus according to articles 35 et seq. of the Swiss Federal Act on Financial Services ("FinSA"), (b) may be publicly distributed or otherwise made publicly available in Switzerland to any person other than a participant or (c) has been or will be filed with, approved or supervised by any Swiss reviewing body according to article 51 FinSA or any Swiss regulatory authority, including the Swiss Financial Market Supervisory Authority.

**UNITED ARAB EMIRATES**

***Notifications***

Securities Law Information. Participation in the Plan is being offered only to selected Participants and is in the nature of providing equity incentives to Participants in the United Arab Emirates. The Emirates Securities and Commodities Authority has no responsibility for reviewing or verifying any documents in connection this statement, including the Plan, this Award Agreement or any other incidental communication materials distributed in connection with the Restricted Stock Units. Further, neither the Ministry of Economy nor the Dubai Department of Economic Development have approved this statement or taken steps to verify the information set out in it, and have no responsibility for it. If the Participant has any questions regarding the context of this Award Agreement, including this Addendum or the Plan, the Participant should obtain independent professional advice.

**UNITED KINGDOM**

***Terms and Conditions***

Responsibility for Taxes and Tax Withholding Obligations. This provision supplements Section 5 of the Award Agreement:

Without limitation to Section 5 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 5 of the Award Agreement.

Exclusion of Claim. By accepting the Restricted Stock Units, 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 Restricted Stock Units, 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 Restricted Stock Units. Upon acceptance of the Restricted Stock Units, 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: April 28, 2023

/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: April 28, 2023

/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 March 31, 2023 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: April 28, 2023

**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 March 31, 2023 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: April 28, 2023