

Last updated: December 13, 2024

The following Investor Questions and Answers are responses to selected questions primarily received by the Company between January 1, 2024 and December 5, 2024. Responses are as of the date indicated above each respective question. We undertake no obligation to update responses to reflect new information and/or events occurring subsequent to the applicable response date.

Use of Non-GAAP Measures

Some of the following Investor Questions and Answers may reference non-GAAP financial measures, including but not limited to, adjusted operating income, adjusted operating margin, and free cash flow. These non-GAAP measures may not be comparable to similarly titled measures reported by other companies. Reconciliation of non-GAAP financial measures can be found [here](#).

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The Investor Questions and Answers may include 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 "aim," "committed," "consider," "future," "is designed to," "maintain," "will," "would," "determine," "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," "prospects," "continue," or the negative thereof, and similar expressions. 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. A more complete description of these risks and uncertainties can be found in our filings with the Securities and Exchange Commission, including our most recent Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. 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, or otherwise, except as may be required by law.

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Advisor Clients

June 14, 2024

1. Could you explain the difference between the Advisor Workstation sub-segment and the Morningstar Wealth segment, which both seem to cater to advisors?

For wealth managers and advisors, Morningstar offers a connected suite of tools spanning proposal creation, investment research, investment management, and retirement services built on Morningstar research designed to empower great advice and help drive success for advisory firms, their advisors, and the investors they serve.

We serve financial advisors through multiple product offerings designed to create value for clients with personalized advice. These products include:

- Morningstar Advisor Workstation in our Morningstar Data and Analytics segment;
- products including Morningstar Office and Morningstar Managed Portfolios in the Morningstar Wealth segment; and
- advisor managed accounts in our Morningstar Retirement segment.

As you note, Morningstar Advisor Workstation and the product lineup from Morningstar Wealth both serve advisors, with a focus on different use cases.

Morningstar Advisor Workstation is well suited to meet the needs of financial professionals at larger wealth firms, broker dealers, or wirehouses where the firm has built a robust, customized tech stack and requires a targeted Morningstar solution to support investment research, portfolio analytics, and proposal generation. Morningstar Advisor Workstation is not a trading/execution platform, and advisors using it typically implement their investment recommendations through a separately chosen managed account platform. Advisors using Advisor Workstation are heavy users of our data, research, and analytics.

The Morningstar Wealth Platform, inclusive of Morningstar Office, has similar research and proposal capabilities as Advisor Workstation, but also includes a portfolio accounting system with back-office services and transactional performance reporting. This supports registered investment advisors and broker-dealer firms looking to license a more "all-in-one" solution that encompasses rebalancing, trading/clearing/custody, and performance reporting. Morningstar Wealth also offers Morningstar Managed Portfolios, an advisor service consisting of model portfolios designed for fee-based independent financial advisors. Morningstar Managed Portfolios is offered through the Morningstar Wealth Platform and as strategist models on third-party managed account platforms.

Finally, in Morningstar Retirement, we offer advisor managed accounts through registered investment advisors and broker dealers who help employers select retirement accounts. Managed accounts is a robo-advice service that takes an individual's unique profile and data to build an investment portfolio and savings strategy that is designed to help them achieve the best retirement outcome.

Artificial Intelligence

May 9, 2024

1. Where are you investing in Artificial Intelligence (AI)? How do you see AI impacting your business? Separately, how do you think you can further monetize your data over the long-term?

Our data collections operation has leveraged AI for many years. In 2024, we've added AI adoption as a company-wide goal, with a focus on being at the forefront of leveraging technology and innovating responsibly in all aspects of our business. Over the past year, we have expanded our AI investment into three main areas. First, we are applying AI to better scale our sales, support, and success functions with the goal of improving our clients' experience when interacting with Morningstar. Second, we are incorporating AI throughout our software to automate high value workflows such as reporting or screening for investments. And finally, we are reimagining our user experience to create new interfaces designed to vastly simplify how clients can leverage Morningstar data and research. As for further monetizing our data, we have seen an increase in demand for both our data and research content to power our clients' AI initiatives. Additionally, we have released APIs that enable our clients to integrate AI into their own applications seamlessly. For instance, in 2023 we launched Intelligence Engine API, which provides financial services firms the means to build their own AI solutions, combining Morningstar's breadth of independent data, research, and editorial content with their own to generate responses that reflect our clients' brands, perspectives, and product offerings. We continue to invest in enhancing our data and research for AI use cases and expect that to be a continued driver of demand.

Asset-Based Products

December 13, 2024

1. Why was Investment Management and Retirement's topline growth slower than AUM/AUA growth? Did fees compress?

Morningstar Retirement revenue grew 14.8% on a reported and organic basis in Q3 24 compared to the prior-year period, while the Investment Management product area grew 14.5% or 13.3% on an organic basis. Over the same period, Morningstar Retirement AUMA grew 24.2%, while Investment Management AUMA grew 25.6%

The gap you observe in revenue growth compared to AUMA growth is due to several factors. First, revenue is based on quarter-end, prior-quarter end, or average asset levels during each quarter, which are often reported on a one-quarter lag for certain products. The timing of this client asset reporting and the structure of our contracts often results in a lag between changes in AUMA and the impact on revenue. This lag was a meaningful driver for Investment Management; AUMA growth for that product area was 11.3% in Q2 24, which was more closely in line with Q3 24 revenue growth.

In Morningstar Retirement, there were several other factors at play. First, a small portion of revenue in the segment is tied to a flat fee, and therefore does not increase with AUMA. Second, our tiered fee structures result in lower fees on higher balances. Finally, during the period, we saw AUMA growth in certain accounts with lower fee structures.

Board of Directors

November 12, 2024

- 1. The International Corporate Governance Network Independence criteria for corporate boards lists conditions which might impair a director's independence: a) is or has been employed in an executive capacity by the company or a subsidiary and there has not been an appropriate period between ceasing such employment and serving on the board; b) is or has within an appropriate period been a significant shareholder, partner, director or senior employee of a provider of material professional or contractual services to the company or any of its subsidiaries c) is a significant shareholder of the company, or an officer of, or otherwise associated with, a significant shareholder of the company; d) has been a director of the company for such a period that his or her independence may have become compromised. What plans if any does Morningstar have to address this in order to achieve greater independence that might provide a fresh perspective for its various business lines?**

Morningstar's Board of Directors believes that independent directors should account for a substantial majority of the Board, but also that it is useful and appropriate to have key members of management, such as our Chairman and our CEO, as directors. Our standing Board committees, the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee ("NCGC"), are led by and composed entirely of independent directors.

Our independent directors regularly meet in executive session, with no management directors or other members of management present. The Chair of the NCGC works closely with the Chairman to set the agenda for each Board meeting and provides feedback on the areas of focus and form of materials presented to the Board. The Chair of the NCGC also serves as a liaison between the Chairman and the independent directors.

We monitor and assess the independence of each of our directors and director nominees under Nasdaq listing rules, which contain very similar independence criteria as the International Corporate Governance Network, as well as applicable regulations and company policies. In addition, in order for a director to be considered independent, our Board makes an affirmative determination annually as to whether each director has a direct or indirect relationship with Morningstar that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. We also evaluate our Board members' skills, qualifications, and experiences annually and evaluate ongoing board refreshment to support the future success of our business and represent shareholder interests.

Capital Allocation

December 13, 2024

- 1. Considering Morningstar's low (and decreasing) leverage and lack of appetite for transformational M&A, why hasn't more capital been returned to shareholders? How does Morningstar decide between raising the dividend and share repurchases? Given leverage levels have come down significantly at Morningstar along with overall interest rates how should we think about your priorities with regards to capital allocation today? Do you expect share purchases to play a bigger role in capital deployment, similar to how you utilized them in 2022? Why or why not? Will we have to wait for a new CFO to get an update on your capital allocation priorities? How much further does debt need to decrease before you think about buying back stock as a use of free cash? What is keeping you from buying back shares at this point under your current authorization?**

Our long-term capital allocation priorities are as follows:

- We seek to preserve a strong balance sheet to maintain flexibility;
- We will prioritize funding organic growth and consider acquisitions where we see opportunities to generate long-term shareholder value;
- We aim to maintain and increase our dividend over time commensurate with company financial results; and

- We look to repurchase shares when we have available cash and will accelerate that activity opportunistically when we believe that our shares are substantially undervalued.

With the 2022 acquisition of Leveraged Commentary & Data (LCD), which we financed with debt, we saw a substantial increase in our leverage. As a result of that increase and higher interest rates, over the past 18 months we have been focused on paying down debt. As you note, our leverage has come down significantly, with consolidated funded indebtedness to EBITDA standing at approximately 1.2x as of September 30, 2024. Given current leverage levels, we are carefully assessing our best use of cash consistent with the above long-term priorities. One outcome of this evaluation was the announcement that we would increase our quarterly dividend by 12.3% from 40.5 cents per share to 45.5 cents per share in 2025. We also have ample room under our current repurchase program to make share repurchases. We report on share repurchase activity quarterly in our 10-Q and 10-K filings.

December 13, 2024

2. What will Net Debt/EBITDA be once the TAMP/Asset Mark and Commodity & Energy Data divestitures close?

Our consolidated funded indebtedness to EBITDA as defined in our credit agreements was approximately 1.2x as of September 2024, down from approximately 2.5x as of March 31, 2023. If we determine to use the proceeds from the AssetMark transaction and the sale of our Commodity and Energy Data business to repay debt, you could see our leverage ratios come down further.

October 1, 2024

3. Why hasn't Morningstar restarted repurchases or increased the dividend more significantly?

While both share repurchases and dividends are an important part of our capital allocation strategy (as noted in a related question this month), our recent focus has been on paying down debt.

In 2024, we increased our dividend from 37.5 cents per share to 40.5 cents per share. Over the past 10 years, our dividend has grown at a compound annual growth rate of approximately 9%.

May 9, 2024

4. Your net debt-to-EBITDA ratio has fallen below 2.0x as you've paid down debt in 2023. Should we now be expecting a resumption of M&A and/or buybacks from Morningstar? Where is the business most focused for growth and what is your ROI from M&A?

We continue to take a balanced approach to capital and have been focused over the past year on paying down debt. Since the beginning of 2023, our debt balance has been reduced by \$160.2 million. That, along with improvement in profitability, has contributed to a decline in our consolidated funded indebtedness to EBITDA, as defined in our credit agreements, which we calculated as approximately 1.6x as of March 31, 2024, compared to 2.2x as of December 31, 2022. While the reduction in leverage gives us flexibility, that alone is not a catalyst for M&A or share repurchase.

We repurchase shares under our Board-approved repurchase program and plan to remain opportunistic here to drive returns. We take the same approach to M&A transactions, which we will pursue if opportunities arise that meet our strategic objectives and IRR hurdles. That said, our focus right now is on organic growth opportunities across our business, and we are confident in our ability to drive sustainable growth and value creation with our current portfolio and markets that we serve. We will also continue to pay down debt.

Over the past few years, our M&A spend has been concentrated on a few larger transactions, including DBRS, Sustainalytics, and LCD. While we do not disclose the assumed returns on any specific transactions, based on our due diligence each transaction was expected to comfortably exceed our cost of capital.

February 5, 2024

5. What are the guardrails for M&A other than IRR hurdle rates? Are there natural adjacencies that MORN is unwilling to expand into? Please provide examples if possible.

As we consider potential acquisitions, we focus on transactions that align with our mission of empowering investor success; build our investment databases, research capabilities, technical expertise, or customer groups faster or more cost effectively than we could if we built them ourselves; and offer a good cultural fit with our entrepreneurial spirit and brand leadership. We prefer areas that have natural adjacencies to our portfolio as they generally provide greater opportunities for financial success. Recent examples include our acquisitions of Leveraged Commentary & Data, Praemium's UK and international business, and Moorgate Benchmarks.

While we are active in looking at M&A opportunities, we generally favor organic investments and maintain a high hurdle for completing transactions with a focus on evaluating long-term returns relative to other potential uses of cash. We assess overall cash-on-cash and internal rates of return based on the price we are paying and the value we expect to realize over time.

Capital Expenditures

March 22, 2024

1. What steps is management taking to decrease capex going forward both in \$ terms and as % of sales? How can we get better leverage from these costs through margin/ROI? Any detail you can provide on growth vs. maintenance capex as well as quantifying "transitional" costs (e.g. migration to public cloud) in the past 3 years would be appreciated.

More than 80% of our capital expenditures in 2023 were for external and internal use software development. Within these categories, we are focused on ensuring that our development of products and services is driving value for the company and shareholders. The remaining 20% of capital expenditures includes employee technology and facilities-related expenditures.

Capital Structure

October 1, 2024

1. Why was the purchase of DBRS funded with floating-rate debt? It would seem that this would introduce a negative sensitivity to higher interest rates, as ratings revenue drops while interest expense increases, leading to margin compression. Why not fund the purchase with fixed rate debt? How does Morningstar think about the appropriate balance between fixed and floating rate debt?

We funded our 2019 acquisition of DBRS, with total consideration of \$669 million, with floating-rate debt to give us prepayment and refinancing flexibility. That strategy was successful. In 2020, we completed a \$350 million private placement transaction, which allowed us to replace a significant portion of that debt at a fixed rate with a 2.32% coupon. As of Q2 24, our outstanding debt stood at \$900 million, down from a peak of \$1.2 billion in Q2 22 following the LCD acquisition, reflecting our use of excess cash to reduce debt in recent quarters. Our current mix is roughly 60% floating and 40% fixed. While we value the flexibility to prepay without penalty offered by our bank debt, we remain open to future opportunities to add longer-term fixed-rate debt to the capital structure.

October 1, 2024

2. What is your current Net Leverage ratio and how does it compare to your target range?

While we do not have a leverage target, we have always sought to maintain a strong balance sheet to allow for capital allocation flexibility. That has allowed us to invest in the business, be opportunistic with acquisitions (PitchBook, DBRS, and LCD), and return cash to shareholders. Following the LCD acquisition, our consolidated funded indebtedness to EBITDA ratio (as defined in our credit agreements) reached 2.5x as of March 31, 2023. Since then, we have successfully paid down debt, reducing that ratio to 1.4x as of June 30, 2024. We have disclosed this leverage ratio quarterly in our 10-Qs and 10-Ks starting with our 2022 10-K. In the future, we remain open to increasing leverage if it is deemed to be the right thing to do to generate returns. Our covenants limit us to 3.5x consolidated funded indebtedness to EBITDA with some flexibility above that level for M&A activity.

Cash Flows

December 13, 2024

1. Has there been a renewed focus on getting accounts receivable paid faster? Your DSOs continue to come down, what are the key drivers of that?

We have long been focused on cash collections and improving working capital. That focus has included shortening certain billing cycles, payment terms, and adding tools and capacity to drive greater efficiencies in our collections process. That said, in any given quarter, our accounts receivables and days sales outstanding (DSO) can be influenced by the mix of segment contributions to revenue as well as by other factors. We tend to focus on a trailing 12-month measurement for DSO in our finance operations.

October 1, 2024

2. Q2 24 was a very strong quarter for operating cash flow. Were there any timing issues, i.e., where cash was received early and/or cash payments deferred? What should we expect for annualized cash flow relative to net income or adjusted operating profit (or any other metric)?

In Q2 24, cash provided by operating activities increased from \$24.5 million to \$152.7 million compared to the prior-year period. In our second quarter earnings release and supplemental deck, we provided operating and free cash flow metrics excluding certain items, specifically severance payments related to the reduction and shift of our China operations and payments related to M&A- and related activity in the prior-year period that were recorded in operating cash flow and affect the year-over-year comparison. Adjusting for those items, cash provided by operating activities increased 74.3% from \$87.6 million to \$152.7 million. The primary driver of this increase was higher cash earnings; improvements in working capital also contributed. There were no other significant items, including timing issues, that affected Q2 24 cash provided by operating activities or impacted the prior-year comparisons.

While we do not provide guidance on future expected cash flows, we would expect 2024 to be a stronger year for cash flow generation consistent with the trend we've observed in the first half of the year.

July 18, 2024

3. Can you directionally comment on assumed tailwinds or headwinds to FCF from working capital and deferred revenues simply due to the change of business mix over the next 3-to-5-year period?

Over time, we have experienced headwinds and tailwinds to operating cash flow related to business mix, largely due to volatility in markets and the impact on cash earnings in our asset-based and transaction-based product areas. In our license-based areas, higher deferred revenues are a good thing and reflect stronger billings in for our products. Overall, we are focused on optimizing our working capital by driving down days sales outstanding through further scaling and

automation of our invoicing and collections process. Over time, we expect these efforts should provide tailwinds to operating cash flow. Regarding capital expenditures (which are deducted from operating cash flow to calculate free cash flow), we expect headwinds to largely come from future real estate decisions. As we look to optimize our real estate footprint, we are consolidating certain locations which will reduce rent but require capital to remodel or refit new or existing locations. We expect this activity will include some of our larger markets including Canada, New York, and Mumbai.

August 26, 2024

4. Your free cash flow has fallen from 2021, though it rebounded slightly in 2023. Was this mostly because of your investments in the Wealth business? Any other reason? As the Wealth business becomes profitable, do you see any reason why free cash flow conversion would not return to those higher levels?

Cash provided by operating activities declined from \$449.9 million in 2021 to \$297.8 million in 2022 and then increased to \$316.4 million in 2023; as you note, our free cash flow declined from \$348.1 million in 2021 to \$168.3 million in 2022 and then increased to \$197.3 million in 2023.

The primary driver of the declines in cash provided by operating activities and free cash flow in 2022 and 2023 relative to 2021 was a decrease in cash earnings. This reflected the impact of heavier investments that we made in certain areas of the business, including PitchBook, Morningstar Wealth, and Morningstar Sustainalytics as well as market headwinds that resulted in slowing revenues for Morningstar Credit, Morningstar Wealth, and Morningstar Retirement. For Morningstar Credit in particular, there is a high correlation between revenues and free cash flow, so lower revenue in 2022 and 2023 relative to a particularly strong year in 2021 had a meaningful impact on free cash flow. Higher interest expense was also a driver as we took on debt in 2022 to help fund the Leveraged Commentary & Data acquisition; the increase in interest expense was also driven by higher market interest rates relative to 2021.

In our quarterly supplemental reporting and in our earnings releases, we have provided free cash flow metrics excluding certain items, including severance payments and compensation related to M&A activity that was recorded in operating cash flow. Adjusting for those items, free cash flow was \$210.7 million in 2022 and \$288.1 million in 2023, an increase of 36.7%.

While we do not comment on future cash flow trends, we are confident in our operating model and our ability to generate strong cash flow over time. For the six months ended June 30, 2024, cash provided by operating activities increased 414.0% to \$246.3 million from \$47.9 million in the prior-year period and free cash flow for the six months ended June 30, 2024, was \$180.3 million, up from negative \$11.9 million for the prior-year period. Adjusting for certain items described above, cash provided by operating activities increased 101.2% and free cash flow increased 188.0%. (For more detail and a reconciliation of cash provided by operations to free cash flow, please see p. 30 of our Second-Quarter 2024 Supplemental Presentation available at shareholders.morningstar.com.) The increases reflect stronger operating performance, improvements in working capital, and higher conversion of adjusted operating income to cash flow.

Note: Free cash flow is a non-GAAP measure, which we define as cash provided by operating activities less capital expenditures. A reconciliation from cash provided by operating activities to free cash flow is included in our 10-Q and 10-K filings for the relevant periods.

Compensation and Benefits

May 9, 2024

1. Is Morningstar currently exploring or implementing a four-day workweek for its employees?

In 2022, Morningstar formalized its global Workplace Flexibility Program, committing to a hybrid work environment that allows employees to work remotely two days per week. We've found that we're at our best when we come together regularly. To that end, we have adopted a policy that seeks to promote a fair, clear, and consistent approach for our colleagues around the world.

We have no plans to move to a four-day workweek.

February 5, 2024

- 2. Recent earnings reports and management commentary in 8-Ks have described increased focus on controlling expenses and expanding margins. Can you share the variables and drivers of management incentive compensation and how they align with margin expansion and opex control? Do you anticipate any changes or tweaks in incentive compensation drivers for 2024?**

In 2023, our company-level annual incentive structure equally weighted adjusted revenue and adjusted EBITDA, a structure that was designed to incentivize profitable growth. This represented an increased emphasis on profitability in the incentive structure compared to 2022 when the financial measures were weighted 67% to adjusted revenue and 33% to adjusted EBITDA. We expect that the equal weighting of revenue and profitability will continue in 2024.

We'd also note that stock ownership is the cornerstone of our executive compensation program. In particular, a significant portion of our CEO's stock-based compensation and the compensation for the other named executive officers is driven by Total Shareholder Return, which motivates value creation and aligns their compensation with shareholders.

Competitive Landscape

February 5, 2024

- 1. Although MORN was historically a one segment company, MORN appears to have at least 20 distinct lines of business. We appreciate the TAM estimates at your recent Annual General Meeting and your new segment level disclosures. Can you go through each of your lines of business and discuss your market share, how many players are in the market and their market shares? What are the areas that you believe you are #1 or #2 in terms of dollar share? For areas that you are not #1 or #2, can you help us understand a path to #1 or #2 or your philosophy to stay in those lines of business as a lower share competitor?**

We are competitive in the areas that we're active in and aim for market-leading positions. For example, PitchBook is a clear leader in the market for private market data, and Morningstar Sustainalytics is one of the leading providers of ESG data. In other product areas, we may have smaller market share globally, but a leading position in certain geographies or market segments. For example, Morningstar DBRS has a market-leading position for corporate, structured, covered bond, financial institution, and sovereign credit ratings in Canada and Morningstar Retirement is one of the leading providers of managed accounts for defined contribution plans in the US.

Overall, we look to participate in markets that are large and growing and where our products can gain competitive advantages over time. We provide detailed market share metrics for these areas when there's a clear third-party source. Recent responses to investor questions have addressed Morningstar DBRS' market position (see responses dated July 6, 2023) and Morningstar Sustainalytics second-party opinion (SPO) product's market position (see response dated December 19, 2023).

We provided an estimate of the potential market for our largest products at our Annual Shareholder Meeting in May 2023 and will update that analysis at our Annual Shareholder Meeting in May 2024. Please see slide 17 of our 2023 Annual Shareholder Meeting presentation. It is available at <https://shareholders.morningstar.com/investor-relations/events-and-presentations/default.aspx>. For more detail on the PitchBook total addressable market, please see a related response filed in August 2023.

Our year-end 2022 10-K provides detailed descriptions of many of our largest product areas, including a discussion of our key competitors in different parts of the business.

Corporate Sustainability

November 12, 2024

1. Given the substantial energy required by data centers and AI, how do you plan to stay on target with your Net Zero goals?

You are correct that a portion of Morningstar's measured scope 2 emissions in 2023 came from the electricity usage of our data centers. (Scope 2 emissions arise from our purchase of electricity, heat, and steam.) We are in the process of reducing our data center footprint which is expected to allow us to take advantage of meaningful energy efficiencies in the public cloud. We anticipate that this transition can help reduce our on-site electrical demand and scope 2 emissions by enabling economies of scale and greatly reducing inefficient hardware.

As we transition from directly managed data centers to public cloud providers, associated emissions will surface in our scope 3 measurement (which reflect indirect emissions that occur in our value chain). As a result, we expect to increasingly depend on the substantial emissions reduction commitments of key suppliers to mitigate our footprint in this domain. When transitioning Morningstar's data centers to cloud-based platforms, Morningstar has prioritized working with providers committed to net zero and renewable energy usage. In the future, we seek to track, measure, and manage our public-cloud-associated scope 3 emissions, engaging with our key suppliers on sustainability, while our teams pursue efficiencies in the public cloud.

We understand that as we scale our AI capabilities, we will need to place an even greater emphasis on data center energy efficiency and our selection of public cloud partners. As we review and invest in our infrastructure, we are looking at technology solutions and partners that are more energy efficient as a way of bolstering our business' long-term sustainability from the perspective of both our net zero goals and operational cost control.

February 5, 2024

2. Do you have employee training programs or hiring ratio targets that align with ESG outcome reporting?

Morningstar models industry-leading ESG disclosures through our annual disclosures of racial diversity data for the U.S. and Canada, diverse representation data by functional area globally, and turnover by gender and race in the U.S. market. We were one of the first firms to publish both our adjusted and unadjusted pay gap in markets where data is available, including the dollar amount required to close the pay gap and the number of employees affected. By quantifying and addressing this challenge, we are aiming to attract and retain talent, enable equitable business practices, and build trust with colleagues. We do not have specific hiring targets, but we do report on our demographics annually in our Corporate Sustainability Report (CSR). We provide training to hiring managers to promote the use of an equitable hiring and recruitment process to generate candidate pools that are reflective of the communities where we operate. We continue to be committed to increasing diversity in locations where we may not match industry or regional demographics.

February 5, 2024

3. What are your key sustainability objectives and how do they align with ESG ratings? What is the long-term vision? Which ESG metrics or indicators do you consider most relevant for your company, and how are they measured? How do you handle the monitoring and ongoing evaluation of your progress towards ESG goals and how does this impact your corporate strategy?

Our 2022 Corporate Sustainability Report (available at www.morningstar.com/company/corporate-sustainability), provides a summary of Morningstar's approach to corporate sustainability and our related material issues. Please refer to pages 6 and 7 for an explanation of Morningstar's commitment to sustainability. At Morningstar, it's our mission to empower investor success. Enabling sustainable investing and creating sustainable business practices is an integral part of this effort.

On pages 11 and 12 of the Corporate Sustainability Report, we detail Morningstar's materiality framework, which prioritizes the environmental, social, and governance issues that have the potential to impact our business over the long-term as well as those that we believe are the most important to our stakeholders. To determine our firm's most material issues, which are detailed in this section of the report, Morningstar combined a data-driven approach with the expertise of our own research teams.

Morningstar has a dedicated Enterprise Sustainability team that supports Morningstar in our overall identification and management of corporate sustainability risk and opportunities. We regularly conduct benchmarking analyses to assess Morningstar's performance in this regard relative to global and industry best practices and identify areas of focus or improvement. We use this information as inputs to evaluate our sustainability objectives and continue to evolve our practices over time. We plan to publish our 2023 Corporate Sustainability Report in spring 2024.

February 5, 2024

4. What have been your recent ESG ratings and how are you working to improve them over time? How do you integrate ESG ratings into your business decisions and future investments? How do you engage internal and external stakeholders in your ESG strategy and the enhancement of your ratings?

Morningstar participates in ESG ratings evaluations from external providers including MSCI, ISSB, Equileap, and EcoVadis. We welcome the feedback provided by these ratings. They contribute to our understanding of the ESG issues that are material to Morningstar and to our ability to prioritize the management of these issues across the firm. In addition, we partner with researchers across Morningstar to examine the firm's strengths and opportunities to improve performance. We don't publicly disclose our ratings; these ratings are available to subscribers to the various rating providers' platforms.

Morningstar's executive leadership team and board provide oversight relating to key aspects of our sustainability strategy. Our business units and central functions across the firm are aligned with our strategy and our corporate goals. Externally, we regularly disclose our sustainability progress and data to keep stakeholders informed.

Customers

August 26, 2024

1. You have listed seven primary customer groups you work with. Is it possible to get a rough percentage of revenues that come from each, or at least a rank order?

The seven customer groups we list in our 10-K include several that directly correspond to segments or products. For example, PitchBook customers fall in the private market investors group; fixed-income security issuers and arrangers are Morningstar Credit clients, and we serve retirement market participants through Morningstar Retirement. Others, including advisors and asset managers, buy multiple products across the business. We track customer groups by opportunity, not client. As a result, distinct opportunities within the same company might fall in more than one bucket.

Our five largest customer groups by annual contract value through June 2024 are, from largest to smallest:

- Private market investors
- Advisors and wealth managers (including independent financial advisors and those affiliated with Register Investment Advisors (RIAs), broker dealers, and other intermediaries)
- Asset managers
- Fixed-income security issuers and arrangers
- Retirement market participants (including retirement plan providers, advisors, and sponsors)

Beyond these groups, we have several smaller client segments. These include the redistributor segment, as well as the asset owner and individual investor segments. The redistributor segment consists of fintechs and other platforms who purchase our data to power third-party applications and platforms. Asset owners represent an important client segment for the Morningstar Sustainalytics and Morningstar Indexes product areas while the individual investor segment includes individuals who subscribe to Morningstar Investor.

March 22, 2024

2. Who are your largest paying customers and what percentage do they each contribute to your overall revenue?

We do business with a wide range of customers that includes individuals and institutional investors in public and private markets, advisors and wealth managers, asset managers, fixed-income market participants, and retirement participants.

As disclosed in our most recent 10-K, our largest customer accounted for less than 3% of total revenue in 2023.

Divestitures

December 13, 2024

1. You announced that you had sold your Commodity and Energy data business with your Q3 24 results. Are there further opportunities to divest sub-scale/non-core businesses within the portfolio? Are you considering alternatives for any other segments within your business?

On an ongoing basis, we evaluate our product portfolio to allocate investment to the best opportunities for widening our economic moat and driving long-term value creation. As you note, we completed the sale of our Commodity and Energy data business in Q3 24. In addition, effective December 1, 2024, we closed the disposition to AssetMark of roughly \$12 billion in assets administered on Morningstar's Turnkey Asset Management Platform (TAMP) and we plan to sunset our TAMP after clients and assets transition to AssetMark.

ESG

February 5, 2024

1. Would it be possible for you to tell us the percentage of ESG/Social data/indexes in your revenue contribution? In case you cannot provide us with an exact percentage, would it be possible to confirm or deny that the percentage would be higher than 30%?

The majority of our ESG revenue is generated by Morningstar Sustainalytics, which accounted for a little over 5% of total Morningstar revenue for the trailing 12 months ended September 2023. We also leverage Morningstar Sustainalytics data, research, and ratings across multiple other products, including Morningstar Indexes' Morningstar Sustainability and Morningstar EU Climate Indexes, and in other products in the Data and Analytics segment, such as Morningstar Direct, whose users can access ESG data, ratings, and reporting capabilities. Morningstar Wealth offers ESG-focused investment options including a suite of ESG model portfolios, while its direct indexing solution allows advisors to customize portfolios across a number of different inputs including ESG preferences for those who value ESG factors in their investment decisions. While we don't disclose total revenue attributable to ESG, it is substantially less than 30%.

Headcount

May 9, 2024

1. Morningstar reduced net headcount again in Q4 2023. Around what areas of the business were these efficiencies focused? Do you expect to start adding net headcount again from Q1 2024 as you invest for growth? Also, what level of upward pressure are you seeing on the underlying expenses base (e.g. is it 3-5% annually)?

In the second and third quarters of 2023, we engaged in targeted reorganizations in certain parts of the business, including Morningstar Sustainalytics, Morningstar Wealth, and Morningstar DBRS. At the same time, we kept a tight lid on hiring. These efforts resulted in the decline you saw in headcount in Q4 23 and Q1 24. We continue to be prudent in hiring and remain focused on driving efficiency and productivity while ensuring we can support our sales and marketing efforts. In terms of cost pressures, inflation and the job market have cooled off relative to pandemic highs, but pressures remain on both fronts in different geographies.

India Operations

February 5, 2024

- 1. In a prior answer, Morningstar managed to decrease adjusted operating expense per average employee in 2023 due in part to the increased proportion of the employee base being located within India. In light of the growing tensions between India and the United States, is Morningstar prepared to ensure its continued operations if there is a scenario where the US restricts or blocks US financial data processing within India? Can you provide insights into the company's contingency plans or measures in place to mitigate potential disruptions and maintain business continuity in such a geopolitical context?**

Our data collection, technology, and operational center in Mumbai, India, is our largest location measured by number of employees and we also engage third-party vendors in India. Morningstar maintains a robust business continuity strategy that is focused on ensuring that our teams, offices, and the business processes they support are protected and able to quickly recover in the event of a business disruption. This process includes risk assessments, a business impact analysis, business continuity plans, exercises, and evaluations to assess these plans' effectiveness. That process covers key locations, including our operations in India.

Information Security

May 9, 2024

- 1. Is Morningstar SOC 2 or ISO 27001 certified?**

Although Morningstar is not SOC 2 or ISO 27001 certified at the enterprise level, our information security policies align with ISO 27001:2013. Certain products have SOC 1 or SOC 2 certificates based on business requirements.

Japan Operations

December 13, 2024

- 1. How has Morningstar's strategy evolved in Japan since the termination of the licensing agreement in 2023?**

As you note, we terminated our licensing agreement with Morningstar Japan K.K. (now SBI Global Asset Management) in 2023. At the time, we operated our business primarily through Ibbotson Japan (IAJ), a wholly owned Morningstar subsidiary, and were able to offer only a limited set of our products and services. Those included advisory services that we've offered for more than 20 years under the Ibbotson brand.

With the termination completed, the Morningstar brand is in our full control. We have moved to selling most products through a new subsidiary, Morningstar Japan, which has helped eliminate the brand confusion that we previously faced. We have hired a local manager research team to cover funds domiciled in Japan and have started offering opinions and commentaries on the market consistent with our global methodologies; through our Morningstar Essentials products clients can now license our ratings as well as rankings, reports, and other metrics. Control of our brand has allowed us to expand beyond first-tier financial institutions to other clients, including fintech startups, with initial success in closing data deals. Finally, we are developing solutions for independent financial advisors in Japan. This is an emerging sector in the process of evolving from a commission-based model to a fee-based model.

Leveraged Commentary and Data

May 9, 2024

1. Is LCD now being sold as part of PitchBook? Are you implementing price increases for legacy PitchBook customers as a result? What other upgrades are you making to PitchBook in the near term to improve the customer offering as competition continues to grow in private asset solutions?

Yes, as of late 2023, we have substantially completed the LCD integration and LCD news, research, and data is now available on the PitchBook platform. PitchBook platform clients have access to LCD content, and we are beginning to migrate legacy LCD clients to the PitchBook platform. We are closely tracking engagement from credit news and research on the platform. Through 2023, we saw significant engagement in proprietary research with more than 682,000 research downloads. Additionally, we expanded the distribution of credit news with the addition of a daily newsletter, The Credit Pitch, with content for clients and non-clients, which we view as an important source of new client leads. To date, this newsletter has generated 1.8 million total newsletter opens. In addition, we saw 107 press citations for credit data, news, and research in 2023.

We also continue to enhance the PitchBook platform. In the first quarter of 2024, we introduced enhanced debt and lender screeners, loan and bond forward calendars from LCD, and a new funds dashboard, which improves access to fund data, analysis tools and research. Looking ahead, we plan to further expand our data and research assets and product capabilities. Data plans include enhancing private credit, including more business development company (BDC) and collateralized loan obligation (CLO) coverage, building out our coverage of non-PE- or VC-backed and emerging/early-in-market companies to further target early-stage and mid-market companies that matter, and further strengthening our public equity datasets. Our research team is building more proprietary tools and analytics like the VC Exit Predictor and Manager Scores that were introduced in 2023. Product initiatives are focused on building features that leverage new data and research and launching improvements to workflows such as a new advanced screening experience.

We are confident that the incremental value we are creating on the platform with the addition of LCD data and additional enhancements is meaningful. In particular, we are pleased to see strong growth metrics in our credit customer group in both new logos and expansion of existing client contracts relative to our other customer groups. We review pricing and make any necessary adjustments on an ongoing basis, and our approach is to deliver more value to our clients and align our future price points to recognize that value. As legacy LCD clients migrate to a combined contract and offering on the PitchBook platform, we are exercising a higher degree of pricing discipline, which in many cases has resulted in higher overall pricing.

May 9, 2024

2. The PitchBook segment revenues (144.4m) deducted by the PitchBook product (132.0m) was 12.4m in 4Q23 and 14.2m in 3Q23 (or -27% y/y and -17% q/q, respectively). Could you please explain why LCD's revenue is declining just after your acquisition? If there are any transitory factors, how should we think about the underlying growth/trend for LCD? (I hope continued disclosure of both PitchBook segment and product revenues, in order to accurately track business trends for PitchBook product itself.)

We understand the analysis you're trying to do. However, the numbers you cite don't adequately reflect the overall trend for LCD. With the substantial completion of the LCD integration in late 2023 and the addition of LCD news, research, and data onto the PitchBook platform, we have started to see legacy LCD clients migrate to PitchBook licenses. As a result, it is increasingly difficult to isolate LCD revenue from PitchBook platform revenue. In 2023, a small proportion of revenue reported in the PitchBook product area was attributable to legacy LCD clients. Starting with the first quarter of 2024, we've combined reporting for the PitchBook platform and LCD to reflect that convergence, with 13.0% revenue growth in the first quarter of 2024 compared to the prior-year period. In addition, revenue from the LCD acquisition related to the bank loan indexes is reported in Morningstar Indexes revenue.

In 2023, our focus for LCD was on client retention and the repapering of client agreements, and we believe that we have been successful in these efforts with results tracking roughly in line with our expectations. We've been pleased to see

strong growth metrics in our credit customer group in both new logos and expansion of existing client contracts relative to our other customer groups.

March 22, 2024

3. Kunal cited LCD as an “integral driver” of PitchBook’s growth...two follow-ups: (1) what has LCD’s growth rate been since the acquisition was completed? (2) How has the cross-selling gone with PitchBook and LCD once fully integrated (especially for the private credit end market)? Please share any noteworthy data points or KPIs to help us track the performance and progress of LCD.

You are correct that we expect the data, research, and analysis from the LCD acquisition to be an important driver of PitchBook’s growth going forward. In 2023, our focus was on client retention and the repapering of client agreements. We believe that we have been successful in these efforts with results tracking roughly in line with our expectations.

PitchBook 2023 results included slightly less than \$50 million in revenue related to LCD. However, a small portion of this total was reflected in PitchBook Platform results as legacy LCD clients moved to PitchBook licenses. Now that we’ve substantially completed the integration of LCD data, research, and news on the PitchBook Platform, we expect that as LCD clients renew, we will move them onto the PitchBook Platform with PitchBook licenses. As a result, we do not plan to continue to report revenue for the PitchBook Platform separately from LCD. We will continue to track sales drivers and product usage for PitchBook, including those related to private credit use cases, to support our ongoing assessment of LCD’s success and its impact on PitchBook’s growth path compared to our expectations prior to the acquisition. LCD revenue included in the Morningstar Indexes product area totaled roughly \$9 million in 2023.

As we noted in a related response in February 2024, we’ve seen significant client expansion opportunities arise from the extension of our private credit data and news coverage, particularly as market trends have favored private credit. For example, we recently renewed and meaningfully expanded our relationship with a large asset manager who was a client of LCD and PitchBook, supported by our ability to offer PitchBook private credit coverage and LCD private credit news.

We’ve also seen opportunities where the strength of our combined offering has helped us deliver better value and expand client relationships. For instance, we were able to secure an expansion of PitchBook licenses and displace a competitor with a different asset manager, who was attracted by the breadth of the platform’s capabilities specifically private equity and private credit fund data, underlying holdings, and precedent transactions. Finally, the addition of syndicated loan and high-yield bond coverage not previously available on the PitchBook platform has driven new sales with clients including a mid-sized bank in Europe which needed loan data.

We are closely tracking engagement from credit news and research. Through 2023, we saw significant engagement in proprietary research with more than 682,000 research downloads. Additionally, we expanded distribution of credit news with the addition of a daily newsletter, The Credit Pitch, with content for clients and non-clients, which we view as an important source of new client leads. To date, this newsletter has generated 1.8 million total newsletter opens and 93 press citations.

License-Based Products

July 18, 2024

1. Why were other license-based revenues (defined as total License-based revenue less PitchBook, Morningstar Direct, Morningstar Data, Advisor Workstation, Sustainalytics Data) down so much q/q in 1Q?

We see the calculation that you’re trying to perform, but changes in how we reported revenue for the PitchBook product area affect the result.

Through Q4 2023, we reported the PitchBook product area on a standalone basis. Revenue from the legacy Leveraged Commentary & Data (LCD) product was excluded from that calculation but included in total license-based revenue. In Q1 2024, we started reporting on the combined PitchBook and LCD product area.

When you do the math you outline above, you are primarily seeing the impact of LCD revenue being included in “other” license-based revenues in Q4 2023 but not in Q1 2024. In addition, a small proportion of PitchBook revenue related to advertising sales was reclassified from license-based to transaction-based starting in Q1 2024. Finally, we’d note that Morningstar Indexes and Morningstar Credit also have revenues that are license-based, and a small portion of Morningstar Sustainalytics revenue related to second-party opinions is transaction-based, not license-based. However, revenue classifications for these products did not significantly affect the overall trend you observe.

You can see a more detailed breakdown of revenue by type and segment for Q1 2024 on p. 31 of our Q1 2024 10-Q.

M&A

November 12, 2024

- 1. Can you provide any insight into the financial impact of the sale of Morningstar Commodity Data to ZEMA Global Data Corporation? How much revenue was that business generating? How large was this in sales and profit contribution for the sold business? What multiple did you get paid for it?**

On September 30, 2024, we sold our Commodity and Energy Data business for a purchase price of \$52.4 million, recording a \$45.3 million gain on the sale in Q3 2024. The business was included in the Morningstar Data and Analytics segment but was not included in any of the key product areas that we separately report revenue for (including Morningstar Data). Note that the Commodity and Energy Data business was not material relative to the broader Data and Analytics segment. We will be excluding associated revenue from organic revenue growth calculations starting in Q4 2024 and expect that the divestiture will be slightly dilutive to Data and Analytics margins. While we do not share transaction multiples, we believe we achieved a positive result and unlocked value for a non-core business.

August 26, 2024

- 2. Given the potential financial headroom, will you look at further M&A, focusing on private markets? Would, for example, Preqin complement Pitchbook data and research? At which point do you feel an acquisition such as Preqin might run into anti-trust issues?**

Since this question was submitted, Blackrock announced its plans to acquire Preqin. While Preqin is a competitor to PitchBook, we did not see its capabilities as additive to the PitchBook platform. We believe that we are competitive with Preqin when it comes to fund and benchmark data and related product capabilities, and we continue to have a market-leading position with respect to our broader global private market coverage. In addition to our competitive data coverage, we continue to deliver innovative IP, such as the Manager Score, a recently introduced benchmarking tool that leverages our proprietary methodology to compare fund manager performance.

As we discussed in more detail in a May 2024 response to a related question, while the recent reduction in leverage gives us flexibility, that alone is not a catalyst for M&A. At the company level, we continue to remain opportunistic with respect to M&A activity and will seek to pursue opportunities that arise that meet our strategic objectives and IRR hurdles. That said, our focus right now is on organic growth opportunities across the business, and we are confident in our ability to drive sustainable growth and value creation with our current portfolio and markets that we serve.

Management Transitions

December 13, 2024

- 1. Following the announcement that Jason Dubinsky would be stepping down as CFO effective December 31, 2024, we received a number of questions addressing our CFO search process, transition, and the finance team. We've provided a consolidated response below.**

On Tuesday, December 10th, Morningstar announced that Michael Holt, current Morningstar Chief Strategy Officer and President of Research & Investments, was named Chief Financial Officer, effective January 1, 2025. In selecting Michael as our next CFO, we followed a rigorous selection process, which included interviews with internal and external candidates. As previously noted, Jason will step down at the end of 2024 to pursue other interests and will be engaged in a consulting role to support a smooth transition through June 30, 2025.

Michael brings expertise in a number of key areas, including company strategy and analysis, as well as deep insight into Morningstar's operations. In his 15-plus years at Morningstar, he's built a track record of managing high-performing teams and working across Morningstar to drive results. Michael has been Morningstar's chief strategy officer for the past seven years and has been president of the Research and Investments group since 2023, where he oversees a 400-person team responsible for Morningstar's equity and managed investment analysis and ratings as well as portfolio construction for the company's investment management capabilities. Michael has a master's degree in business administration from the University of Chicago Booth School of Business, and a bachelor's degree in business from Indiana University.

Michael's expertise complements that of the finance senior leadership team, which has experience in a wide range of key finance functions, including financial planning and analysis, accounting and controllership, tax, treasury, investor relations, internal audit, procurement, and real estate.

We expect continuity in our strategy through the CFO transition. We will continue to focus on growing our adjusted operating income and free cash flow to increase shareholder value.

Margin and Expense Trends

December 13, 2024

- 1. What have the historical adjusted operating margins been for PitchBook and what has the historical incremental operating margins been for PitchBook? What are the incremental operating margins for the Wealth, Retirement, and PitchBook segments?**

With the introduction of our current segment reporting earlier this year, we reported three years of revenue, adjusted operating income, and adjusted operating margin for each of our reportable segments, including PitchBook, on an annual basis going back to 2021. This detail is available in our 2023 10-K. We also shared historical quarterly revenue, adjusted operating income, and adjusted operating margin for 2022 and 2023 on page 30 of our Q1 24 supplemental deck, which is available at shareholders.morningstar.com/investor-relations/financials/financial-summary/default.asp.

While we do not disclose incremental margins, we have noted that in general we have seen strong margin expansion over time in our license-based products where we have established more significant operating leverage. You can see this over the last three years in PitchBook and historically in Morningstar Data and Analytics. Here, we develop platforms or products that can be broadly sold across customer segments and geography (such as Morningstar Direct, Morningstar Data, and the PitchBook platform).

In our asset-based products, we benefit from improvements in incremental margins as we reach higher levels of assets under management. For example, our managed account offering in Morningstar Retirement has a large installed base of retirement participants and record keepers operating on similar platforms and capabilities that we have developed. That has led to margin expansion over time and Morningstar Retirement now has the highest margin among our segments. In Morningstar Wealth, we have seen margin improvement as assets grow in Investment Management and we expect

improvements in profitability following the AssetMark transaction transition period which will wind down as clients and assets in the Morningstar Wealth Turnkey Asset Management Program (TAMP) transfer to AssetMark.

December 13, 2024

2. When you reference returning to or exceeding historical peak margins, are you referring to your peak quarterly or annual margin? Could you provide clarity on returning to "peak margin"? How do you plan on expanding margin? Should we expect additional headcount reductions?

During his presentation at the Annual Shareholder Meeting, our CFO, Jason Dubinsky, noted that our goal was to increase our adjusted operating margins to recent historical peaks and higher. He was referring to annual adjusted operating margin; recent annual peaks have been in the low 20 percent range. (The slide to which Jason was referring when he made his comments, is on page 60 of the presentation, which is available on the Events and Presentations page of our investor relations website at shareholders.morningstar.com.) Over the long term, we are focused on increasing revenues at a faster rate than our adjusted operating expenses, with the goal of margin expansion and increasing free cash flow over time.

We do not share headcount projections, but as you can see, we have been focused on prudent management of our headcount and overall expenses, which has been an important contributor to the margin expansion so far in 2024.

December 13, 2024

3. Now that Operating Margins are returning to historical levels (and are thus less volatile), are there seasonal reasons why certain quarters should have higher or lower operating margins than others (all else equal)?

While there is limited revenue seasonality across most of our business, we can experience more prominent swings in margins in certain areas if credit or financial markets experience heightened volatility. You can see that in the past in our asset-based and transaction-based areas, notably in 2022 and into 2023. So far in 2024, significant increases in credit issuance volume and related operating leverage have been important drivers of increases in our adjusted operating margins.

Specific to Morningstar Credit, while each year is different, we typically see higher levels of credit issuance and resulting revenue in the second and fourth quarters of the year, and somewhat lower levels of issuance and revenue in the first and third quarters, which can contribute to margin fluctuation. In addition, the timing of certain accruals, including incentive plan accruals which are tied to financial performance, can have an impact on sequential, quarter-to-quarter margin trends. As a result, we are focused on year-over-year performance and it's best to look at our year- to-date and fiscal year margin trends rather than focusing on any specific quarter.

November 12, 2024

4. Do you see PitchBook as a competitor to Hamilton Lane's Cobalt? Could you elaborate how the two platforms work together if it's complementary? Do you have any market share data you could share?

We view Hamilton Lane's Cobalt product offering as complementary to PitchBook given their strengths in monitoring private market activity and commitment to providing transparency to asset owners. We do not have detailed market share data; however, we believe that PitchBook is the market leader in private market data based on the breadth and depth of our coverage.

October 1, 2024

- 5. Certain of Morningstar's products, such as PitchBook, would seem to have a large opportunity to increase margins in future, especially as compared to more mature segments such as Data and Analytics. How does management think about the trade-off between revenue growth and margin expansion in products such as PitchBook, and what signposts would management use to determine when is the right point to more aggressively focus on margin expansion? For example, in PitchBook, would there be a particular revenue or license number, or a percentage of market penetration, that would indicate when to drive more margin expansion?**

In balancing revenue growth and margin expansion across the business, we focus on maximizing long-term value creation. In the case of PitchBook specifically, we see meaningful opportunity for additional growth and steady margin expansion.

Our PitchBook segment had revenues of \$583.3 million for the 12 months ended June 30, 2024, with an addressable market that we estimated at \$8.8 billion as of February 2024. We also closely monitor SaaS performance metrics, including customer acquisition costs and customer lifetime value. The overall relationship between these metrics continues to be attractive with the segment growing from \$301.6 million of revenue with an 18.4% adjusted operating margin in 2021 to \$583.3 million of revenue with a 28.8% margin for the 12 months ended June 30, 2024.

We remain focused on making the right trade-offs but don't believe we face a binary choice between revenue and margin growth today.

October 1, 2024

- 6. Morningstar's operating margin has been volatile in recent years with the company investing heavily in headcount growth and significant margin compression followed by a period of declining headcount and margin expansion. Are we likely to see another large investment cycle from MORN in the future or should we expect more consistent operating margins going forward, similar to the consistency that other predominately subscription-based data businesses often exhibit?**

We acknowledge that much of the recent margin volatility has come from investments within certain areas including Morningstar Wealth and Morningstar Sustainalytics. Additionally, in 2022 and 2023, we also faced market headwinds and softer credit issuance that largely impacted our asset-based and transaction-based areas. These areas inherently have more volatility than the subscription (license-based) products that account for three-quarters of our business.

As we look across our segments, we believe that we have good opportunities for organic growth and, as we noted at the annual shareholders meeting, we expect that growth to be largely self-funded. That means we are focused on increasing revenues at a faster rate than expenses with increasing adjusted operating margins over time.

July 18, 2024

- 7. What do you view as your firmwide incremental margin today? How has that evolved over the last several years?**

Our incremental margin is driven in part by our mix of products, ongoing levels of investment, as well as the growth and scaling of our underlying businesses.

While we do not disclose an incremental margin, in general we see stronger incremental margins in our license-based products where we have established more significant operating leverage. Here, we develop platforms or products that can be broadly sold across customer segments and geography (such as Morningstar Direct, Morningstar Data, and PitchBook) and we closely monitor our customer acquisition costs and lifetime value to ensure we are making the right tradeoffs. This trend is highlighted by the segment margin expansion we have seen over the last three years in both Data and Analytics and PitchBook.

In our asset-based product areas, we benefit from improvements in incremental margins as we reach higher levels of assets under management. For example, our managed account offering in Morningstar Retirement has a large installed base of retirement participants and record keepers operating on similar platforms and capabilities that we have developed. That has led to margin expansion over time and the highest margin among our segments. Similar to Morningstar Retirement, we are starting to see improvements in incremental margins in Morningstar Wealth and Morningstar Indexes following investments to expand our capabilities and reflecting our focus on continuing to grow Morningstar Wealth assets under management and assets linked to our indexes.

Finally, our transaction-based product areas generate strong incremental margins during periods of higher volume. We saw this with Morningstar Credit in a peak volume year in 2021. Importantly, we are prudently reinvesting in some areas to support future growth, particularly in Europe and the U.S. with a focus on corporates and areas of structured finance. Here, we are building capacity to expand coverage and capabilities. Over time we have successfully balanced investment and margin expansion through credit cycles.

July 18, 2024

8. I noticed Jason added the language “and higher” when discussing at the annual shareholder meeting the company’s goal of getting back to historical margins. Should we think that the company should be able to exceed its historical peak margins over the next several years?

During his presentation at the Annual Shareholder Meeting, Jason noted that our goal was to increase our adjusted operating margins to recent historical peaks and higher. Recent peaks have been in the low 20’s percent range. (The slide which Jason was referring to when he made his comments, is on page 60 of the presentation, which is available on the Events and Presentations page of our investor relations website shareholders.morningstar.com.) Over the long term, we are focused on increasing revenues at a faster rate than adjusted operating expense growth, which we expect will lead to margin expansion and increasing free cash flow over time.

July 18, 2024

9. Could you quantify the incremental overall cost savings the company can target? What additional expense levers can be pulled to structurally improve margins that are not yet optimized (e.g. third-party expenses, real estate, etc.)? Certain categories were discussed at the AGM as areas for cost savings (such as, professional fees, travel, real estate, etc.) though without quantification. It would be useful to investors to receive a more detailed breakdown of costs on an absolute dollar basis for 2023 (ideally, annually and quarterly) by category (e.g. compensation & benefits, stock-based compensation, professional fees, travel & related activities, advertising & marketing, sales commissions, infrastructure costs, and other) and management’s latest thinking across each of these areas. Slide 38 in the recent quarterly investor presentation helps on disclosure of year-to-year change, but it does not provide us with the baseline \$ figures, so investors do not know how big each category is or what the YOY growth rates are.

As we shared at the Annual Shareholders’ Meeting, we’re focused on controlling costs across multiple expense categories, the largest of which is compensation and benefits. In 2023, compensation and benefits related expenses (including bonus), taken together with other compensation-related costs including sales commissions and stock-based compensation, accounted for a little more than two-thirds of operating expenses. That included \$52.8 million of stock-based compensation, as disclosed in our financial statements. We’re also focused on other areas of discretionary costs including professional fees and real estate expenses. In some cases, we expect declines in certain expense categories and in others, we are focused on ensuring the rate of growth is consistent with our ability to expand margins over time.

As per our policy, we do not provide quantitative guidance or projections of expense trends. We have increased our disclosure on expense categories, cost-saving efforts, and drivers of growth in recent periods. We continue to assess our disclosure practices in alignment with our mission and policies and in response to shareholder feedback, and are considering possible enhancements, including more disclosure in certain expense categories.

May 9, 2024

10. Why are your corporate and all other unallocated costs so large compared to peers? For example, your unallocated expense for 2023 was \$196.8M which compares to SPGO of \$148M which is a much larger company, and MCO and MSCI don't appear to have any unallocated expenses.

We'd note that the \$196.8 million you cite for 2023 also includes the financial performance of Morningstar Sustainalytics and Morningstar Indexes. Unallocated corporate expenses totaled \$153.5 million in 2023.

Different companies take different approaches to allocations. Our approach reflects the way we evaluate the business and view costs internally. It is important to us to be consistent internally and externally. Unallocated corporate expenses include cost pools that we deem to be largely outside of the control or discretion of our segment leaders. Expenses in this bucket include finance, human resources, legal, and other management and shareholder-related costs that are not considered when segment performance is evaluated. We remain committed to driving efficiency and scale in our corporate and unallocated expenses and reducing these costs as a percentage of revenue over time.

May 9, 2024

11. In 3Q and 4Q, headcount growth (y/y) was -1% and -7%. Based on your adjusted operating income walk analysis, comp & benefits have remained a negative contributor to your profit, with -26.7m and -29.9m in 3Q and 4Q. Could you please clarify why there is no direct correlation between headcount growth and comp & benefits? Also, could you please give me a breakdown (merit increases, bonus expenses, etc.) of comp & benefit increases (-29.9m and -129.4m) in 4Q23 and FY23?

The impact of compensation and benefits, excluding expenses added back in our calculation of adjusted operating income, had a negative impact on adjusted operating income compared to the prior-year period across 2023 and into the first quarter of 2024.

- Compensation and benefits had a negative \$40.2 million impact in the first quarter of 2023 compared to the prior-year period.
- In the second quarter of 2023, the impact was negative \$32.6 million (excluding \$4.0 million in severance related to targeted reorganizations).
- In the third quarter of 2023, the impact was negative \$26.7 million (excluding \$5.0 million of severance related to targeted reorganizations).
- In the fourth quarter of 2023, the impact was negative \$29.9 million.
- In the first quarter of 2024, compensation and benefits had a smaller, but still negative impact of \$6.9 million, compared to the prior-year period.

We engaged in targeted reorganizations in the second and third quarters of 2023 and substantially completed the reduction and shift of our China activities in the third quarter of 2023. As a result, headcount declined 1% as of September 30, 2023, compared to September 30, 2022, and declined 7% as of December 31, 2023, compared to December 31, 2022. However, given the timing of these actions, average monthly headcount increased 3% in the third quarter of 2023 compared to the prior-year period, contributing to higher compensation costs in the quarter.

While we would expect lower headcount to have a negative effect on total compensation, several other factors contributed to higher compensation costs in the fourth quarter of 2023 and also helped drive the increase in the third quarter. Bonus expense increased in both quarters and was responsible for a little more than 40% of the increase in the fourth quarter of 2023. In general, we saw better performance compared to targets in the second half of 2023 compared to the second half of 2022 when we experienced relatively soft results compared to targets. In both quarters, higher compensation and benefits included the impact of merit increases primarily implemented in January 2023, and a rebalancing of certain sales plans between commissions and salaries. Finally, we saw a modest shift of our employee base to countries with higher labor costs with the substantial completion of the reduction and shift of our China activities. Proportionally, the U.S., Canada, and Europe all accounted for a larger share of our employee base at the end of

the year. At the same time, we also saw an increase in the proportion of our employee headcount in India, where labor costs tend to be lower than what we see elsewhere in our global footprint.

We've provided a breakdown of the key drivers of the increase in compensation and benefits of \$29.9 million in the fourth quarter of 2023 and \$129.4 million for FY 2023 below. This excludes expenses added back in our calculation of adjusted operating expense and \$9 million of severance related to targeted reorganizations in certain areas of the business in 2023:

- Higher bonus expense accounted for \$13.3 million of the increase in the fourth quarter and \$19.7 million of the increase for the full year 2023. This was driven by higher average monthly headcount in the first nine months of the year, as well stronger performance relative to targets in the fourth quarter of 2023 compared to relatively soft performance relative to targets in the prior-year period.
- Merit increases and the associated increases in benefits accounted for \$8.6 million of the increase in the fourth quarter and \$38.3 million for the full year 2023.
- Compensation costs associated with the June 2022 acquisitions of Leveraged Commentary & Data (LCD) and Praemium contributed \$11.8 million to the increase in compensation and benefits in 2023. Given the timing of these acquisitions, the increases were isolated to the first half of the year.
- The remaining \$8.0 million increase in the fourth quarter of 2023 was driven by multiple factors including the rebalancing of certain sales plans between commissions and salaries. For FY 23, the remaining \$59.6 million increase in compensation costs was primarily driven by higher average monthly headcount in the first three quarters of the year and also reflected the rebalancing of certain sales plans.

March 22, 2024

12. Given the 10% headcount reductions in Morningstar Sustainalytics, we seek to better estimate the potential profit impact. Before the restructuring, how dilutive were Sustainalytics to Data Analytics' margins? How much will you save on an annualized cost basis from the recent restructuring actions taken? Is Sustainalytics a breakeven business after these cost actions or if profitable, how much below Data Analytics segment average is it following these cost actions? Could you quantify the anticipated quarterly cost savings associated with the Morningstar Wealth restructuring? What is the total quarterly savings from the combined cost reduction actions (e.g. headcount, office consolidation, etc.) for Morningstar Credit?

From the segment information we reported for the 9 months ended September 30, 2023, and the revised segment disclosure for the 12 months ended December 31, 2023, you can derive that Morningstar Sustainalytics is not profitable today on an adjusted operating income basis.

During 2023, we took actions across Morningstar Sustainalytics, Morningstar Wealth, and Morningstar Credit including targeted reorganizations to better match our cost structure with the market opportunity. In an October 2023 response, we noted that we anticipated that the savings from the targeted reorganizations in certain areas of the business in the second quarter of 2023 would be in excess of the \$4 million in severance related to these actions. Similarly, we anticipate that total savings from targeted reorganizations in the second and third quarters of 2023 in certain areas of the business including Morningstar Sustainalytics, Morningstar Wealth, and Morningstar Credit will be well in excess of the \$9 million in associated severance. These savings contributed to the improvement in margins in the fourth quarter of 2023.

June 14, 2024

13. Can the group adjusted operating margin surpass 30% in the MT-LT? Given the cost reduction initiatives and the operating leverage in the business, we don't see why it can't but is that too optimistic?

While we don't provide margin targets, we have stated that we are focused on increasing margins to recent historical

peaks and higher over time. We remain focused on sustainable growth and increasing revenue faster than expenses, while continuing to invest appropriately across the business to create value.

Market Environment

October 1, 2024

- 1. Most of your competitors called out the revenue headwinds related to the UBS and Credit Suisse merger. Did you also have negative implications from the event in 1Q/2Q? If so, could you please tell us the magnitude of the revenue headwind?**

Client M&A can at times have a negative impact on our business, including in H1 24 within certain areas including Morningstar Data. However, the UBS Credit Suisse merger in particular did not create a material headwind. We look forward to growing our global UBS relationship in the years ahead.

Material Weakness

March 22, 2024

- 1. What drove the material weakness reported in the 10-K? Are there any issues with the underlying financial information?**

In our most recent 10-K, we disclosed that we had a material weakness in internal control over financial reporting related to the aggregation analysis for our segment reporting. If you recall, in our third quarter 2023 10-Q, we initiated segment reporting and disclosed three reportable segments: Data and Analytics (comprised of operating segments including Morningstar Data, Morningstar Direct, PitchBook, and Morningstar Sustainalytics), Asset and Index Solutions (Morningstar Wealth, Morningstar Retirement, and Morningstar Indexes), and Credit and Ratings Solutions (Morningstar DBRS). We aggregated our operating segments into those three reportable segments based on our review and application of a specific accounting standard that covers segment reporting (FASB ASC 280). During the third quarter of 2023, through our interpretation and application of the standard, we felt our aggregation analysis was appropriate and compliant. Upon review of our filing, the SEC evaluated our application of the standard and objected to our aggregation of certain operating segments.

We subsequently re-evaluated our application of FASB ASC 280 and, as you saw in our 10-K, we disaggregated several of our operating segments from our previous filing and disclosed five reportable segments: Morningstar Data and Analytics (includes Morningstar Data and Morningstar Direct), PitchBook (including the PitchBook Platform and Leveraged Commentary & Data), Morningstar Wealth (Investment Management, Office and Morningstar.com), Morningstar Credit (Morningstar DBRS) and Morningstar Retirement (includes Morningstar Managed Accounts). We also disclosed a "Corporate and All Other" category that includes Morningstar Sustainalytics, Morningstar Indexes, and unallocated corporate expenses.

Because we changed our application of FASB ASC 280 and our operating segment aggregation analysis for the fourth quarter of 2023, we determined that we had ineffective process-level controls over those changes, which resulted in the material weakness as of December 31, 2023. We are nonetheless confident in our internal control framework and the underlying financial information for the segments and the other areas of our reporting. The consolidated financial statements present fairly, in all material respects, the company's financial position in our 2023 10-K. This control matter is isolated to segment reporting, and we expect it will be fully remediated in the first half of 2024 when we have had adequate time to test the effectiveness of the process and control improvements. Our first quarter 2024 10-Q will have the same segment presentation that was included in our 2023 10-K.

Morningstar Credit (DBRS)

December 13, 2024

- 1. While it is encouraging that Morningstar Credit margins are higher and business is coming from private and middle market issuance, the structured credit ratings business overall still lags behind its competitors five years into the merger. What strategic plans does the company have to change this and grow the business overall?**

Following a period of softness as credit issuance declined sharply in the second half of 2022 and into 2023, Morningstar Credit revenue increased 35.7% in the nine months ended September 30, 2024, compared to the prior-year period. Overall, we have been pleased with our growth in the parts of the structured credit market where we are active, including in commercial mortgage-backed securities, asset-backed securities, and residential mortgage-backed securities. In these sectors, we have benefitted from the introduction of new methodologies, especially in residential mortgage-backed securities and asset-backed securities. That said, we do not have a significant business in rating collateralized loan obligations, while our largest competitors are more active in this sector, which has helped drive their growth.

We continue to see opportunities to grow in structured credit, including in areas where we've introduced new methodologies and in the funds credit rating space. In corporate ratings, we continue to see attractive prospects in private and middle market corporates in the U.S. and Europe.

December 13, 2024

- 2. I wanted to understand the operational leverage within Morningstar Credit. If I look at 3Q24, the revenues are down vs. Q2 by ~\$7m but operating profit is down ~\$13m. Equally if we look YoY or vs. 1Q24 the operational leverage is disappointing - or at least not as impressive as the first half of 2024. What has changed and is this temporary (timing) or a more structural change? How should we think about mid-term operating margins in the Credit business? What drove the sequential increase in Credit operating costs? Do you expect operating costs to be similar to Q324 run-rate on a go-forward basis? We are trying to understand run-rate costs given quarterly variability in issuances.**

As you note, while Morningstar Credit revenues increased \$18.0 million in Q3 24 compared to the prior-year period, they were roughly \$6.7 million lower in Q3 24 compared to Q2 24 due to the different quarterly market issuance patterns. Morningstar Credit has significant operating leverage and as a result, adjusted operating income and adjusted operating margins are sensitive to changes in ratings volume and the corresponding impact on revenues. In addition, we see fluctuations in certain expense line items from quarter to quarter. The Morningstar Credit segment adjusted operating income declined \$12.7 million to \$15.2 million in Q3 24 compared to Q2 24. In particular, the bonus accrual for Morningstar Credit increased in Q3 24 compared to Q2 24, reflecting stronger year-to-date performance relative to targets. After taking into account the decline in revenue between Q2 24 and Q3 24, the increased bonus accrual was responsible for the majority of the sequential decrease in adjusted operating income. Morningstar Credit's year-to-date results through September 2024 are more reflective of the segment's profitability in comparison to the prior-year period.

October 1, 2024

- 3. Do you think there was any pull-forward of debt issuance in 2Q24 from 2H24 or even 2025? If so, what would "normalized" growth have been in the quarter?**

The combination of relatively stable risk-free rates, narrow credit spreads, and the overall decline in the cost of funding has contributed to significant growth in debt issuance across asset classes and geographies through the first six months of 2024. This growth was driven in part by pent-up demand coming into 2024 after the Fed raised short-term rates by more than 500 basis points between March 2022 and July 2023, creating a challenging borrowing environment.

In addition, there's broad agreement that there was at least some "pull-forward" of transactions in the first half of 2024 from the second half of 2023 globally given the favorable borrowing environment and uncertainty surrounding the upcoming U.S. elections and geopolitical risk.

In 2025, we do not expect that credit markets will benefit from high levels of pent-up demand that contributed to H1 2024 issuance. However, we do not believe that there has been significant pull-forward of demand from 2025 and private debt markets are likely to keep growing. Given the cyclical nature and sensitivity of credit markets to the interest rate and spread environment, it's difficult to provide a "normalized" growth rate. Our aim is to grow market share regardless of the environment.

October 1, 2024

4. We appreciate the increase in margins at Morningstar Credit. To what extent should we expect further growth in issuance activity, and in revenue, to flow through to margins? What investment plans does Morningstar have for Credit?

As you note, we've seen a meaningful improvement in margins for Morningstar Credit, with adjusted operating margins increasing to 29.2% in H1 24 from 1.0% in H1 23, supported by 36.5% revenue growth. We did not make significant investments in H1 24, and overall Morningstar Credit headcount was lower as of June 30, 2024 than it was as of June 30, 2023. In H2 24, we are adding analyst capacity in a few key targeted areas including private and middle market credit and "esoteric" asset-backed securities, as well as project finance and infrastructure. We don't provide guidance around margins. However, as Kunal noted at the annual shareholders meeting, as we start to get to scale in certain areas of the business where we are challengers to the incumbents, including Morningstar Credit, we see opportunity for continued growth and margin expansion over time.

July 18, 2024

5. Could you please explain why Morningstar Credit has reported roughly flat sequential revenues last quarter despite the strong rebound of bond issuance across all products (including structured finance) globally in Q1 2024 vs Q4 2023 which drove a significant QoQ increase to ratings revenues at some of your peers?

In Q1 2024, Morningstar Credit reported revenues of \$60.3 million, an increase of 29% from Q1 2023, but roughly flat (-2%) compared to Q4 2023. We'd note that historically the fourth quarter has often been a relatively strong quarter for credit agency transaction-based revenues, while the first quarter has often been closer to average. You're also correct that the sequential trend differed from our largest competitors', who experienced stronger growth compared to Q4 2023. On a sequential basis, we saw increases in Canada, relatively flat revenue in the U.S., and lower revenue in Europe. Revenue related to fundamental ratings (corporates and financial institutions) increased modestly from Q4 2023 to Q1 2024, while revenue related to structured finance ratings activity decreased.

The divergence in growth reflects differences in the mix of Morningstar DBRS credit ratings activity compared to that of our larger peers. First, a smaller proportion of Morningstar DBRS' revenue (37% in Q1 2024) is attributable to fundamental ratings. A major driver of our largest competitors' results on a year-over-year and quarter-over-quarter basis was an increase in corporate ratings revenue. This growth was driven by increased ratings activity in U.S. investment-grade and high-yield corporate debt, and we have a smaller share of these areas outside of Canada.

Even within structured finance, which accounted for 56% of Morningstar DBRS revenue in Q1 2024, we have a different mix of business than our competitors. Morningstar DBRS commercial and residential mortgage-backed securities ratings revenue increased by double digits in Q1 2024 on a sequential basis. However, we have limited exposure to collateralized loan obligations, which saw strong growth in the quarter, driven in part by refinancing-related ratings activity which typically goes to the ratings provider on the original transaction. Meanwhile, in the asset-backed securities (ABS) sector, Morningstar DBRS had limited exposure to securities backed by prime auto loans and credit cards, which were a major driver of issuance in the sector in Q1 2024. ABS-related revenue decreased meaningfully on a sequential basis compared

to a particularly strong Q4 2023 when Morningstar DBRS benefited from issuance in so-called “esoteric” ABS and student loan ABS, areas where we’re more active.

Despite the first quarter trend, we continue to see opportunity for mid-sized credit rating agencies such as Morningstar DBRS to gain market coverage, with good growth opportunities in areas including private credit and esoteric asset-backed securities, where we believe we’re better able to compete with the larger credit agencies compared to the public corporate bond markets with its prevailing index eligibility guidelines.

May 9, 2024

6. Can you characterize your ratings business’s market share trends in 2023 versus 2022 by category of debt issuance?

Morningstar DBRS market share metrics are specific to asset classes and regions, and there are limited third-party sources of market share information. We’d note that it can be challenging to accurately gauge longer-term market share trends during periods when we observe significant declines in issuance as we did in multiple parts of the structured finance market in 2023.

We believe that our market-leading positions in Canadian corporate, structured, covered bond, financial institution, and sovereign credit ratings remain largely unchanged.

In an October 2023 response, we acknowledged that we had experienced market share pressure in commercial mortgage-backed securities (CMBS) related to the changing mix of transactions in the space and a divergence in market views that dated back to late 2022. As challenges in this sector have moderated so far in 2024, we’ve seen increased issuance and expect to see ongoing improvement in our coverage.

Outside of CMBS, U.S. market share metrics reported in the SEC’s Annual Staff Reports on Nationally Recognized Statistical Rating Organizations fluctuate from year-to-year depending on the specific type of transactions that get completed during the year. That said, we don’t see any other significant long-term shifts in structured-finance market share beyond CMBS. Issuance of public asset-backed securities (ABS) fell in 2023, and while we were more active in private ABS, those gains were not visible in market share statistics which are based on public issuance.

Morningstar DBRS’s share of ratings in corporate and financial institutions outside of Canada is relatively small compared to its market share in the Canadian market and the U.S. and European structured finance market. We remain focused on middle-market and private transactions, but we are not a significant player in the large, investment-grade corporates that dominate the market in the U.S. and Europe. During 2023, we saw growth in European private and middle market corporates, an area of focus.

May 9, 2024

7. When did the name change from DBRS Morningstar to Morningstar DBRS?

We rebranded our credit ratings business Morningstar DBRS at the beginning of 2024.

March 22, 2024

8. We would like to better understand the incremental flow-through to profits (incremental EBITDA) when transactional issuance volumes improve. What percentage of DBRS’ cost base is fixed overhead (salaries, G&A, etc.) versus variable (incentive compensation/bonuses, etc.) in 2023?

Morningstar DBRS has a high level of inherent operating leverage. Large increases in transactional issuance volumes result in a very high flowthrough to incremental adjusted operating income. This was evident in 2021 as global markets and debt issuance significantly rebounded. We saw that working in the other direction as volumes fell off in 2022 and 2023. We do not provide expense breakdowns at the segment level, but the largest component of operating costs within

Morningstar DBRS is compensation. While some component of that is variable (incentive compensation), we view salaries as relatively fixed. That said, we operate the business and headcount prudently and took actions in 2023 with targeted reductions in certain areas.

March 22, 2024

9. Kunal's letter highlighted U.S. middle market corporates, ABS, and data – could you please quantify the revenue benefit & associated costs with each of these 3 opportunities in 2023? What are the most important factors to success across each of these 3 opportunities vis-a-vis incumbents?

Revenue related to ratings on structured products including asset-backed securities (ABS), residential mortgage-backed securities, and commercial mortgage-backed securities accounted for just shy of 60% of total Morningstar Credit revenue in 2023; in this group, ABS accounted for a significant share of revenue. Fundamental ratings, which includes middle market corporates, accounted for a little more than 35% of total Morningstar Credit revenue in 2023. Licensed data revenue accounted for the remaining roughly 5% of total revenue in 2023. Revenue related to ABS and corporate ratings (excluding financials) and licensed data increased roughly \$12 million in 2023. We do not directly disclose costs by asset class or specific products.

Across Morningstar Credit, we believe that the keys to success include being timely and responsive to investor requests and needs and providing solid research on the topics that drive these markets. In our data licensing product, it is important to have solid coverage in all relevant sectors. Our expanded coverage in middle-market loans and nontraditional niche ABS (“esoteric” ABS) has allowed us to expand our public ratings coverage, which we believe makes our licensed data products more robust.

February 5, 2024

10. What are the expected amounts of DBRS's SEC settlement fees and non-China surveillance costs for 4QFY23 and FY24?

As disclosed in Morningstar's most recent 10-Q, in September 2023 Morningstar DBRS entered into two settlements with the SEC. These related to Morningstar DBRS's compliance with recordkeeping requirements for certain credit ratings-related communications sent over unapproved electronic messaging channels and disclosure and non-financial internal controls requirements related to former commercial mortgage-backed securities (CMBS) ratings methodologies Morningstar DBRS used during the period from July 2019 through November 2022. Under the terms of the settlements, Morningstar DBRS agreed to ongoing compliance-related obligations to resolve the investigation related to record-keeping, which will extend through 2024. In early October 2023, it paid a \$6.0 million civil monetary penalty to the SEC for this matter, and a \$2.0 million civil monetary penalty to the SEC to resolve the investigation related to CMBS ratings methodologies. The costs related to the ongoing monitoring associated with the record-keeping matter are not material.

Morningstar DBRS does not have any operations in China and the order does not reference China.

Morningstar Data

February 5, 2024

1. Can you provide an updated revenue mix for Morningstar Data? Ideally, with the mix today vs. ~5 years ago? In November 2011, you all commented that Morningstar Essentials represented 20% of total Licensed Data revenue. In September 2009, it was about 25% (one-fourth). We would be interested in the sales mix of Morningstar Essentials, Morningstar Ratings, and sales related to redistributor agreements. We would also be interested in the mix of Morningstar Data by delivery method and that mix over time. This could include the mix of real-time data, mix of API calls, or distribution through cloud data warehouse marketplaces. We are not sure what kind of cuts you would have available to disclose but we

are interested in a quantification of the key underlying growth drivers and detractors within Morningstar Data.

Overall, we are focused on delivering our data to meet different investor needs. Data is a key component of our offering across our product suite, including PitchBook, Morningstar Direct, Morningstar Advisor Workstation, and Morningstar Investor.

The Morningstar Data product area includes managed investment data (such as mutual funds, ETFs, separate accounts, collective investment trusts, and model portfolios), Morningstar Essentials, equity data, and real time data. The mix remained relatively stable between 2018 and the first nine months of 2023. Morningstar managed investment data continued to account for the largest share of Morningstar Data revenue, a percentage that grew from roughly 60% of revenue in 2018 to slightly less than two-thirds of Morningstar Data revenue for the year-to-date period through September 2023. Morningstar Essentials, a product that allows clients to license Morningstar ratings, rankings, reports, and other metrics accounted for a little under a fifth of total Morningstar Data revenue for the year-to-date period through September 2023. Real-time data and equity data together accounted for the remaining roughly fifth of Morningstar Data revenue through the period.

Morningstar Data's clients include asset and wealth managers and redistributors. Data sold to redistributors powers third-party applications and platforms and accounted for roughly one-fifth of Morningstar Data annual contract value as of September 2023. From a geographic perspective, North America accounted for roughly 60% of Morningstar revenue for the year-to-date period through September 2023, with another third coming from EMEA and the remaining share coming from Asia Pacific. That mix was substantially the same as the mix in 2019, with a slight increase in the percent of revenue from North America, and a slight decrease in the percent from EMEA.

The Morningstar Data product area includes data delivered through direct data feeds, direct shares, streaming capabilities, and APIs. Data feeds are typically delivered through flat files via FTP / SFTP. APIs are generally consumed on demand to power websites and Morningstar's client applications. The recently announced Direct Web Services API platform enables broad consumption of Morningstar data by Morningstar's clients and partners. Morningstar Data is not listed on any data marketplaces but can be delivered directly via platforms like snowflake and AWS data marketplace via direct data shares or through partners such as CRUX. Finally, real time market data is delivered via both API and streaming webservices.

Morningstar Direct

July 18, 2024

1. Could you share the customer mix by customer type (wealth, asset manager, broker-dealer, etc.) within Morningstar Direct?

Asset managers accounted for a little more than half of Morningstar Direct annual recurring revenue (ARR) through March 2024, while advisors (including those in captive advisor networks, independent registered investment advisors and family offices, banks, and trusts) accounted for a little more than a third of ARR. The remainder was roughly evenly split between the buy side, redistributors, and retirement-focused clients (consultants, plan sponsors, etc.).

June 14, 2024

2. Why has growth in Morningstar Direct licenses stagnated? And why did U.S. licenses in particular decline in 2023?

During 2023, we instituted a meaningful price increase for Morningstar Direct licenses. With the increase, some large asset managers (especially in the U.S.) reduced their licenses. This contributed to the slower growth in overall licenses you observe as well as the modest decline in US licenses over the year. Morningstar Direct licenses increased to 18,562 as of December 31, 2023 (+0.8% compared to Dec. 31, 2022), while US licenses declined to 9,072 (-1.8% compared to Dec. 31, 2022). Morningstar Direct license growth in the US and outside the US was positive in the first quarter of 2024

compared to December 2023, with total licenses increasing 0.6% to 18,680 as of March 31, 2024.

Direct license counts do not tell the full story of how clients access our data and research. We'd note that several clients who reduced their Direct licenses also increased the scope of reporting and distribution licenses at renewal. This access is distinct from Morningstar Direct and allows licensed users to distribute Direct output (reports or data, depending on the license) internally and externally. Revenue from these licenses is included in Morningstar Data and Analytics but not in the Morningstar Direct product area, and grew nicely in 2023 and in the first quarter of 2024 compared to the prior-year periods. Combined Direct and Direct reporting revenue grew over and above price increases on a topline basis.

Morningstar Direct Platform

December 13, 2024

- 1. Can you elaborate on why Advisor Workstation declined this quarter? The press release mentioned “an evolving product strategy”, what does that mean? Would Advisor Workstation product line decline YOY in future periods as a result of this change?**

Morningstar Advisor Workstation revenue declined 2.8% in Q3 24, or 2.3% on an organic basis compared to the prior-year period. This decline was due in part to changes in our product strategy for the App Hub. The App Hub is a two-sided digital marketplace initially introduced in 2022 which allows clients access to third-party applications that are connected into Advisor Workstation. It was designed to provide advisors access to adjacent workflows and complementary solutions as part of Advisor Workstation experience. Based on our learnings over the past 18 months, we've adjusted our strategy to only partner with solutions that are closely connected to our core strategy and directly connected to the Advisor workflow. As a result, we are working with fewer partners going forward who are core to our strategy and directly enhance an advisor's workflow. This shift had a negative impact on associated revenues in Q3 24.

In addition, we experienced product delays which impacted the delivery of an upgraded version of Advisor Workstation and has had an impact on renewals and new client acquisition. We expect to deliver the upgrade in early 2025. Finally, softness in Advisor Workstation also reflected a more challenging environment as clients, especially in our enterprise client segment, tightened certain spending ahead of the U.S. elections as they waited to see how the election played out before committing additional investments in regulatory related solutions.

December 13, 2024

- 2. Noted that a large client brought research distribution coverage in-house; how big was this customer and what type of client are they? What caused them to insource at this time and how long were they a MORN customer? How big is the research distribution business from a quarterly revenue perspective? What is “Research Distribution”?**

While increased revenues for Morningstar Direct and Morningstar Data contributed to Morningstar Data and Analytics 5.2% revenue growth in Q3 24 compared to the prior-year period, we did see some softness in research distribution, as well as in Morningstar Advisor Workstation, which is addressed in a separate response this month. Our research distribution product includes the licensing and packaging of our research, including ratings, written analysis and reports, and other content produced by our equity research, manager research and quantitative research teams. This offering is sold to firms across the investing ecosystem, typically wealth and asset managers and institutions. The recent softness was largely driven by a client loss. The client in question was a large global bank who had been with us since 2019 and sourced our equity research and distributed it to buy-side clients. The client ultimately made the strategic decision to stop using third-party research and to bring all research in house.

The research distribution product suite accounted for roughly 5% of Morningstar Data and Analytics revenue for the trailing 12 months ended September 2024. While we license our research directly, we'd note that our research is also a

critical component of our broader offering, distributed to a number of different client segments including individuals, financial advisors and wealth managers, asset managers, and institutions through other products including Morningstar Direct, Morningstar Advisor Workstation, Morningstar Office, Morningstar Investor, and PitchBook.

December 13, 2024

3. Can you quantify the other pieces of Morningstar Data and Analytics outside of Data, Direct, and Advisor Workstation from a revenue perspective? We know it includes direct web services, research distribution, and publishing systems, but it would be helpful to understand the respective size of those businesses.

For the trailing 12 months ended September 2024, Morningstar Data, Morningstar Direct, and Morningstar Advisor Workstation together accounted for roughly 80% of Morningstar Data and Analytics revenue. In order of size, the next three largest product areas were:

- Profiles and Morningstar Direct Reporting, which includes the Morningstar Publishing System. These products allow clients to harness Morningstar data and analytics to create and distribute a wide range of reports for every phase of a product's life cycle, from product creation and internal recommendations to client sales and end investor reporting including regulatory and compliance requirements;
- Direct Web Services (formerly Dynamic Service APIs and Morningstar Enterprise Components), a product that features built-in, on-the-fly services for calculations aggregations that help institutional clients build customized websites or enhance their existing solutions enriched with Morningstar's independent data and research; and
- Morningstar Research Distribution, which includes licensing and packaging of our research, including ratings, written analysis and reports, and other content produced by our equity research, manager research, and quantitative research teams.

These three products are similar in size and, together with Morningstar Data, Morningstar Direct, and Advisor Workstation, accounted for more than 95% of Morningstar Data and Analytics revenue.

December 13, 2024

4. What drove the improvement in Q3 24 performance relative to Q2 24 in Morningstar Data? What is exchange market data and what is "broadcast feed" product? Could you help us understand how material exchange market data is to the business?

Morningstar Data revenue of \$76.6 million in Q3 24 represented an increase of \$4.1 million or roughly 5.7% from Q2 24. Growth was driven by multiple products, with the largest contributions to sequential (quarter-over-quarter) growth coming from managed investment (fund) data and exchange market data, although the exchange market data product was still soft compared to the prior-year period.

As part of our licensed data offerings, Morningstar offers real-time, streaming market data from roughly 200 global exchanges. The primary data set offered is live streaming equity price data, as well as open, high, low, and close prices, and trading volumes. This capability represents a small portion of our overall licensed data revenue, and market data is often consumed alongside our other data and content. We deliver the data both through web-based APIs as well as via dedicated leased lines connecting our client sites to our datacenters, in order to deliver the data with minimal latency. The latter is what we call our broadcast feed offering and represents a legacy service that is more infrastructure intensive than our web-based delivery method.

December 13, 2024

- 5. Operating leverage appeared to be impacted by stock-based compensation. Could you help us understand why this increased in Q3'24 for the Data & Analytics segment and broadly what ranges stock compensation should be as a percentage of revenue?**

Morningstar Data and Analytics adjusted operating income increased at a slower rate (+3.4%) than revenue (+5.2%) in Q3 24 compared to the prior-year period, resulting in a modest decline in adjusted operating margin to 46.0% from 46.8%. An increase in stock-based compensation contributed to the decline in adjusted operating margin, due in large part to accelerated vesting of equity awards that is triggered when certain employees leave the company. We don't provide guidance on our expectations for stock-based compensation as a percentage of total revenue.

October 1, 2024

- 6. In the second quarter 2024, Morningstar Data grew +4.7% y/y organically (about 5% slowdown from 1Q), the first quarter since 2017 that the growth rate went below 6%. Could you elaborate on what drove the slowdown and how you are addressing it? Can you offer more detail on why Morningstar Data was down sequentially in Q2 24? Where did you see major changes in your internal KPIs for the segment (pricing, retention, volume growth, etc.)? Will the factors that caused the slower growth persist or were they more one-off in nature? Was there a loss of market share?**

As you note, in Q2 24 Morningstar Data revenue grew 4.5% or 4.7% on an organic basis compared to the prior-year period and reported revenue declined 2.8% on a sequential basis. The slowdown reflected several broad drivers. Starting in early 2023, we started to roll out a meaningful price increase which has been an important contributor to revenue growth. With the price increase, we completed several, large multi-year renewals in 2023 which contributed to growth in recent prior quarters but also made for a tougher comparison for Q2 24. At the same time, we've seen a modest decline in net revenue renewal rates, reflecting in part a slowdown in client spending on new initiatives and new data use cases in the first half of the year as well as M&A activity. Finally, there were several product-specific drivers, including softness in our "broadcast feed" product within exchange market data, where we've been less focused given that it does not align as well with our other core data sets. These are described in a related response this month. It is difficult to pinpoint short-term trends in market share, especially given that Morningstar Data revenue is driven in part on how the end data is distributed, complicating market share measurements.

Despite the slowdown in Q2 24, we continue to see attractive long-term growth opportunities for Morningstar Data supported by its sizable addressable global market.

October 1, 2024

- 7. With respect to the slowdown in Morningstar Data growth in Q2 24: How large are the Essentials and equity and exchange market data products as a percentage of the total Morningstar Data product area and how much did they impact Q2 2024 growth rate for that product area? What were the Morningstar Essentials and equity & exchange market data growing/contributing to sales growth historically and what did they contribute in Q2 2024? Who are your competitors for each of these products and did your competitors also experience a slowing (e.g. end market related)?**

Morningstar Essentials, equity data, and exchange market data accounted for roughly a third of Morningstar Data revenue for the trailing 12 months ended June 30, 2024; together with managed investment (fund) data, they comprised more than 95% of Morningstar Data revenue. While we do not generally disclose product revenue or specific growth rates for individual products, we would note that we saw softness compared to the prior-year period in Q2 24 compared to Q1 24 for each of the products you reference. Revenue from managed investment data, the largest product in the Morningstar Data product area, grew at a higher rate than the broader Morningstar Data product area compared to the prior-year period, but still slowed compared to recent periods.

Product specific drivers included lumpiness from a large transaction in managed investment data and a large, nonstandard transaction in equity data that closed in Q2 23, both of which contributed to growth in subsequent quarters through Q1 24. Meanwhile, exchange market data performance reflected softness especially in our “broadcast feed” product. We have not been as focused on this product given that it does not align as well with our other core data sets.

Our main global competitors for managed investment data, including mutual fund data, include FE fundinfo and LSEG (Refinitiv). We also compete against smaller players that focus on local or regional information. For market and equity data, we primarily compete with Bloomberg, FactSet, ICE Data Services, LSEG (Refinitiv), and S&P Global.

While we don't comment on revenue trends for our competitors, we would note that we have observed that some clients are tightening certain spending due to the macroeconomic environment.

October 1, 2024

8. Can you elaborate on what drove the slowdown in Advisor Workstation in Q2?

Morningstar Advisor Workstation revenue grew 2.0% on reported and organic basis in Q2 24 compared to the prior-year period, a slowdown from 4.5% reported and organic growth in Q1 24 compared to the prior-year period. At a high level, this slowdown reflected a more challenging environment as clients, especially in our enterprise client segment, have tightened certain spending. The slowdown is due in part to the upcoming U.S. election. Demand for Morningstar Advisor Workstation benefited from regulatory tailwinds in recent years, but many potential clients are waiting to see how the election plays out before committing to additional investments in this space.

March 22, 2024

9. Given the high incremental profitability of Data Analytics segment, could you please quantify which specific products drove the segment EBITDA margin improvement and by how much in 2023 (compared with 2022)? What % of the Data Analytics segment profits do the Data & Direct businesses represent in 2023? How much higher are Data & Direct margins compared with the Data Analytics segment margins? We would like to gain a better understanding of the profit trends of Data & Direct over the past 3 years.

In our most recent 10-K, our updated segment disclosures included annual adjusted operating income and adjusted operating margin for the updated Data and Analytics segment (which includes Morningstar Data, Morningstar Direct, and Morningstar Advisor Workstation, among others) and the PitchBook segment. This additional detail is provided in Management's Discussion and Analysis of Financial Condition and Results of Operations and Footnote 6, Segment and Geographical Area Information.

Morningstar Employees

December 13, 2024

1. What is the average tenure of an employee at Morningstar?

We reported our average employee tenure in our [2023 Corporate Sustainability Report](#), which is available at [Morningstar.com/company/corporate-sustainability](https://www.morningstar.com/company/corporate-sustainability). As of December 31, 2023, our average employee tenure was 4.4 years.

May 9, 2024

- 2. Morningstar reduced net headcount again in Q4 2023. Around what areas of the business were these efficiencies focused? Do you expect to start adding net headcount again from Q1 2024 as you invest for growth? Also, what level of upward pressure are you seeing on the underlying expenses base (e.g. is it 3-5% annually)?**

In the second and third quarters of 2023, we engaged in targeted reorganizations in certain parts of the business, including Morningstar Sustainalytics, Morningstar Wealth, and Morningstar DBRS. At the same time, we kept a tight lid on hiring. These efforts resulted in the decline you saw in headcount in Q4 23 and Q1 24. We continue to be prudent in hiring and remain focused on driving efficiency and productivity while ensuring we can support our sales and marketing efforts. In terms of cost pressures, inflation and the job market have cooled off relative to pandemic highs, but pressures remain on both fronts in different geographies.

March 22, 2024

- 3. What are you doing to reduce voluntary employee turnover? Can you attribute the decline between 2021 and 2022 to these efforts?**

In 2023, voluntary turnover decreased to 12% from 16% in 2022 and 17% in 2021. This trend is consistent with what we've observed in the broader labor market, and, we believe, has largely been driven by uncertainty stemming from layoffs in the technology, financial, and retail industries. That said, we have seen positive results from internal initiatives including those focused on retaining top performers. Our attrition levels have been generally lower for employees with high performance ratings compared to those with lower performance ratings.

We actively measure employee engagement at Morningstar and continue to see high rates of participation in our quarterly pulse surveys. The data gathered from these surveys helps us identify trends in employee sentiment and to proactively address potential issues. It also helps to inform talent management and rewards priorities and allows us to focus development efforts on the skills most critical to our colleagues.

Morningstar Indexes

October 1, 2024

- 1. What's the product roadmap for Morningstar Indexes? What will drive growth over the next 12 months?**

In Indexes, we continue to focus on our investable products as well as growing our benchmark data product. Through the first eight months of 2024, Morningstar Indexes has enjoyed success with new launches supporting European structured product issuers as well as extensions of our leading index families including the Morningstar LSTA Leveraged Loan Indexes, Morningstar Wide Focus and related indexes, and Morningstar Thematic Indexes, as well as climate and ESG indexes that draw on our collaboration with Morningstar Sustainalytics, a leading global ESG data, ratings, and research provider. We will continue to build on our strengths in these core areas while our near-to-midterm new product roadmap will continue to leverage the unique IP presented by the broader Morningstar enterprise including differentiated offerings in private markets through our collaboration with PitchBook.

October 1, 2024

- 2. How is the Morningstar Indexes offering differentiated compared to SPGI, MSCI, and other incumbents?**

We believe that a major point of differentiation for Morningstar Indexes is our ability to combine our team's deep experience in indexing and our cutting-edge and independent global calculation capability with Morningstar's valuable and distinctive research, data, and intellectual property. Further, as a highly flexible challenger brand, we believe that Morningstar Indexes is often better positioned to meet the needs of financial service providers and their investors and provide better value to clients, as evidenced by our continued success in securing benchmark switches and new mandates.

May 9, 2024

- 3. Based on the new disclosures, if I back out the reported segments, there is \$183.7M of revenue for 2023 that is not reported in a segment. Within this, I assume \$117.8M is Sustainalytics which leaves \$65.9M. Does that mean that the index business is \$65.9M in revenue?**

Yes, you are correct that the revenue that is not reported in a segment is comprised of Morningstar Sustainalytics and Morningstar Indexes. In 2023, Morningstar Sustainalytics product area revenue was \$117.8 million, an increase of 14.4% or 13.9% on an organic basis compared to the prior year, and Morningstar Indexes product area revenue was \$65.4 million, an increase of 30.5% or 24.7% on an organic basis compared to the prior year. In addition, there was a small amount of Morningstar Investment Conference revenue allocated to Morningstar Sustainalytics and Morningstar Indexes that is not included in these totals.

May 9, 2024

- 4. It looks as though index revenues have fallen 4% despite a 20% growth in assets linked to Morningstar Indexes, if I assume the rest of the asset-based revenues apart from Investment Management and Retirement come from Indexes. Why is this?**

We believe that you're looking to calculate Morningstar Indexes revenues for FY 2023. Morningstar Indexes revenue can't be derived by the approach you've cited, due to recent changes in how we classify revenue by type. In the first quarter of 2023, we updated our revenue type classifications for product areas with more than one revenue type. At that time, we started classifying revenue from Morningstar Indexes' data services and licensing products as license-based. Prior to 2023, all Morningstar Indexes revenue was classified as asset-based.

We reported the revenue growth trend for Morningstar Indexes in the Management Discussion & Analysis in our most recent 10-K. Morningstar Indexes revenue increased 30.5% in 2023 compared to 2022, or 24.7% on an organic basis. Organic revenue growth is a non-GAAP measure and excludes the impact of acquisitions and foreign currency translations. You can also find the quarterly revenue and organic revenue growth trend for Morningstar Indexes in our quarterly supplemental deck for the fourth quarter of 2023 and the first quarter of 2024.

Morningstar Retirement

October 1, 2024

- 1. What is the ceiling on Morningstar Retirement margins? Why are they so much higher than other areas of the business?**

Morningstar Retirement margins reflect the successful scaling of our business and distribution model. We started offering online retirement advice in 2000 and launched our first managed accounts in 2003, which we manage on a discretionary basis, well before the concept of a "roboadvisor" became common. Our distribution model is based on close collaboration with recordkeepers, and we spent our early years building these relationships and integrating managed accounts on recordkeeper platforms. Today, we're one of the leading providers of managed accounts for defined contribution plans in the U.S. with \$149.9 billion in AUMA as of June 30, 2024. Our relationships with recordkeepers and registered investment advisors (built more recently to support advisor managed accounts), as well as our recordkeeper integrations, allow us to add new employer plans and enroll participants quickly and efficiently.

We see ongoing opportunities for growth in assets under management and revenue in Morningstar Retirement. While we also have future opportunities for margin growth in Morningstar Retirement, they are not as meaningful as the potential expansion in other parts of our business.

May 9, 2024

2. Managed Accounts continues to see strong AUM/A growth. Are you seeing increased adoption of Managed Accounts among 401k plan participants in place of target date funds? If so, what is helping to drive this and is this an area where we should expect Morningstar to continue to invest?

We are seeing increased adoption of retirement managed accounts, still mostly as an opt-in service rather than as a default investment option.

That said, we are starting to see a shift to managed accounts being used more frequently as a default investment option. That shift reflects the narrowing fee differential between target-date funds and managed accounts (which generally carry a slightly higher fee). It also reflects employers' increasing comfort with defaulting their employees into managed accounts, as employers, advisors, and retirement plan consultants come to recognize the additional value that managed accounts deliver compared to target date funds, which provide all employees within an age cohort the same solution. Managed accounts are designed to deliver personalized investment advice that addresses each employee's unique circumstances, but also helps the employee, among other things, determine how much to save to achieve a comfortable retirement; how to maximize Social Security; when to retire; how to draw down their assets once they retire; and whether it makes sense for them to annuitize a portion of their assets.

We have also seen growth in advisor managed accounts, which we introduced in 2019 and offer through registered investment advisors and broker dealers who help employers select retirement plans. These advisors and their associated firms, are typically more supportive of the use of managed accounts as a qualified default investment alternative (QDIA) within the plans they oversee. They are also more adept at explaining the potential benefits of managed accounts as a QDIA to plan sponsors compared with the proposals the plan sponsors receive from recordkeepers, especially when the recordkeepers have proprietary target-date products that they are encouraged to sell.

Because we continue to see a large runway for potential revenue growth for managed accounts and because of the significant contribution managed accounts make in delivering on our mission of empowering investor success, it continues to be an area of strategic focus and investment.

March 22, 2024

3. What percentage of Asset & Index segment profits does the Retirement product represent in 2023? What are the underlying growth drivers for the Retirement business and are they intact in 2023?

With our updated segment reporting in our most recent 10-K, we have provided adjusted operating income and margin for Morningstar Retirement.

Revenue growth for Morningstar Retirement is driven primarily by increased assets under management and advisement. In turn, there are three primary drivers of asset growth. The first is the performance of the markets, which drives fluctuations in our existing asset base. The second is the expansion of the defined contribution market itself as employers add new retirement plans. Finally, the third is net inflows as we expand our product footprint (and managed accounts) within our main distribution channels, which include registered investment advisors (RIAs), recordkeepers, broker dealers, and employers.

These drivers were very much intact in 2023, although market volatility slowed the growth of existing assets at times during the year. The defined contribution market remains healthy as new regulations and tax incentives are making it much easier for employers to offer retirement plans. Additionally, we are seeing increasing interest in managed accounts among RIAs, large employers, and broker dealers, all of which are increasingly looking for better and more scalable ways to deliver personalized investment, savings, and financial advice to employees.

Morningstar Shareholders

May 9, 2024

1. Does Morningstar offer any shareholder perks or benefits to its investors or shareholders?

We do not offer any specific perks or benefits to shareholders. We do seek to treat shareholders equally and encourage all shareholders and prospective shareholders to attend our Annual Shareholders Meeting. This year, this meeting is scheduled for Friday, May 10th in our Chicago offices. For more information on how to register please visit shareholders.morningstar.com. We also offer complimentary research access for meeting attendees.

Morningstar Sustainalytics

December 13, 2024

1. What actions have been taken to return Sustainalytics to growth? What is the strategy going forward to compete more effectively? What impact could CSRD have in 2025? What does streamlining licensed rating offering entail?

Our efforts to return Morningstar Sustainalytics to growth include an ongoing focus on refining and enhancing our product portfolio. This includes several key initiatives:

- In climate, we are focused on regulatory and reporting use cases and are also exploring opportunities to support emerging needs within the banking client segment.
- Beyond climate, we are targeting improvements to our data set and solutions more broadly. Earlier this year, we launched an enhancement of our ESG Risk Ratings as well as the extension of our EU Action Plan Solutions. Our roadmap includes the introduction of new impact metrics, expanding the availability of data supporting our ESG Risk Ratings, and making improvements to our regulatory data set and data to support the European Union's Corporate Sustainability Reporting Directive (CSRD). As CSRD implementation is rolled out in 2025, the initial focus will be on supporting regulatory reporting in our traditional client base. We expect further opportunities as CSRD requirements extend to other types of companies in 2026 and 2027.
- We are committed to strengthening our market-leading second party-opinion product and finding opportunities to leverage our strength there in investor solutions, especially in supporting banks exploring transition-financing investment opportunities.

Finally, we've noted a shift in our licensed ratings product to focus on licensing existing ESG Risk Ratings as we've moved away from a model under which corporate clients could contract with us to provide a rating. The change in our product offering has led to a recent decline in revenue for the licensed ratings product in corporate solutions, but we believe it better positions us to scale that product over time.

December 13, 2024

2. Sustainalytics results deteriorated in 3Q and in your letter you called out vendor consolidation and softness in some segments. Could you walk through the underlying drivers behind the ESG slowdown in more detail (e.g., vendor consolidation impact vs Climate suite vs corporate solutions, etc.)? Why is there such a difference between your ESG results compared to your larger competitors? Is larger vendor consolidation a key driver of the shortfall? What are the gross renewal rates in Sustainalytics' business today and how do they compare to previous years? Together with Indexes, Sustainalytics turned a profit this quarter (Q3'24) though revenue slowed. When do you expect to return to growth? Can you comment on whether growth is still positive in Europe?

Morningstar Sustainalytics revenue declined 9.7% to \$27.9 million in Q3 24 compared to the prior-year period. The largest contributor to the trend was a slowdown in revenue attributable to ESG Risk Ratings driven in part by vendor consolidation, as many clients rationalized their ESG providers following a period of strong growth when they may have purchased multiple, overlapping ESG products. In addition, clients have remained focused on regulatory compliance and less on investment integration, which results in more limited opportunities for expansion. Finally, we've observed softness specifically in the retail asset management customer segment as ESG fund launches and flows slowed sharply in 2023 and into the first half of 2024 driven by net outflows in the U.S., and weaker inflows in Europe compared to stronger dynamics in 2021 and 2022. The second largest driver of the decline was a slowdown in our licensed ratings product in corporate solutions as we streamlined that product, as described in more detail in a response to a related question this quarter.

Morningstar Sustainalytics revenue declined in both North America and in EMEA in Q3 24 compared to the prior-year period, although we'd note that growth for the year-to-date through September 2024 is positive in EMEA compared to the prior-year period and we continue to see opportunities in EMEA for both new client acquisition and expansion, supported by regulatory trends in that market.

Over the past two years, we have realigned our contractual terms to provide more meaningful and comparable data around retention rates. We disclose revenue renewal rates annually. We would note that the vendor consolidation and rationalization that we've experienced has had a negative impact on retention rates through the first nine months of 2024.

We're limited in our ability to comment on our competitors' results. That said, while Morningstar Sustainalytics revenue related to climate products increased in Q3 24 compared to the prior-year period, we have noted challenges in this space, and this has in turn also put pressure on our broader retention efforts with clients who have already selected one of our competitors to provide climate data. We believe that competitors are also able to leverage their strengths in other areas, including indexes, in support of their ESG products.

November 12, 2024

3. How do you ensure the independence of your ESG ratings and specifically maintain the independence of analytical staff from commercial staff?

Morningstar has a long history of providing data, research, and ratings and is committed to doing so with integrity, independence, and transparency. In keeping with this commitment, Morningstar Sustainalytics has developed a conflicts of interest framework, available at [Sustainalytics.com/governance-documents](https://www.morningstar.com/sustainalytics/governance-documents), which is designed to manage actual or potential conflicts of interest arising from its ESG activities.

More specifically, Morningstar Sustainalytics maintains a governance structure with clear reporting lines, roles, and responsibilities and separation of analytical and commercial activities. Morningstar Sustainalytics analytical and commercial personnel are either located in physically separate office spaces or physically separated in the office and use IT systems and data that are segregated and subject to different and corresponding access control protocols. Morningstar Sustainalytics personnel are required to adhere to prohibitions and restrictions set forth in applicable conflicts of interest related policies.

Note: Documents referenced in links to this response are not incorporated by reference herein.

October 1, 2024

4. Morningstar Sustainalytics' revenue growth rate has slowed significantly in recent periods. What has driven this? How is Sustainalytics positioned if or when data becomes more important than ratings to customers? Can you also discuss any differences in regional growth trends for Sustainalytics?

Through the first half of the year, Morningstar Sustainalytics product area revenue increased 6.2% compared to the prior-year period, or 6.3% on an organic basis, a trend that reflects continued but slowing growth in EMEA, and a

modestly negative revenue trend in the U.S. Regulatory use cases and demand from institutional clients in Europe remained areas of strength, partially offset by challenges in several different areas.

First, although new sales have remained solid, we've experienced pressure on retention rates. After a period of strong growth when many clients purchased overlapping ESG products, we're seeing vendor consolidation and rationalization. At the same time, slower growth rates reflect softness especially in the retail asset management customer segment as ESG fund launches and flows slowed sharply in 2023 and into the first half of 2024 driven by net outflows in the U.S. and weaker inflows in Europe compared to stronger dynamics in 2021 and 2022. Finally, Morningstar Sustainalytics' second quarter 2024 revenue was negatively impacted by actions taken to streamline the licensed ratings product in corporate solutions, which is described in more detail in a related response this month.

As the market reduces its reliance on ESG ratings, we're working to make sure that we have the right data and analytics available to serve our clients. To that end, we've enhanced our data offering with the underlying data behind our ESG risk ratings, improvements to our carbon datasets, impact metrics, and new datasets to support the Corporate Sustainability Reporting Directive (CSRD).

October 1, 2024

5. For Morningstar Sustainalytics, I know you continue to right-size the employee/ fixed cost base given the challenging business situation. What are the near-term business priorities for the segment? Should we assume that subdued revenue growth will continue until Sustainalytics recovers its self-funding mechanism?

We'd highlight three key near-term priorities for Morningstar Sustainalytics. The first is in climate, where we are focused on regulatory and reporting use cases and are also exploring opportunities to support emerging needs within the banking client segment. Secondly, beyond climate, we are targeting improvements to our data set more broadly, including the introduction of new impact metrics, expanding the availability of data supporting our ESG risk ratings, and making improvements to our regulatory data set and data to support the European Union's Corporate Sustainability Reporting Directive (CSRD). Finally, we are committed to strengthening our market-leading second party-opinion product (SPOs) and finding opportunities to leverage our strength there in investor solutions, especially in supporting banks exploring transition-financing investment opportunities. We believe this strategy will position us for long-term success, supported by the rationalization of providers, greater personalization in investment products, and a less contentious political environment in the future.

October 1, 2024

6. How is Morningstar Sustainalytics differentiated compared to MSCI and competing ESG ratings/information services? Are there certain niches where Sustainalytics outperforms from a market share perspective? Is Sustainalytics gaining or losing market share?

We believe that a key differentiator for Morningstar Sustainalytics is our ability to connect our strengths in ESG data and analytics with our capabilities elsewhere in the Sustainalytics product suite and the broader Morningstar business to meet client demands. For example, we're increasingly focused on the ESG portfolio analytics and reporting use case, drawing on our portfolio analytics capabilities, a core Morningstar competency. We also see an opportunity to draw on our expertise in second-party opinions (SPOs) to support transition-finance related use cases for banks in investor solutions.

Morningstar Sustainalytics is one of the leading providers of ESG data. We continue to win new business in our core product sets with institutional investors across Europe. We remained focused on the regulatory, compliance, and risk management requirements in this segment and have been able to win new business and increase share from existing clients. That said, we're not aware of any independent market share estimates for Morningstar Sustainalytics' license-based products, which makes it difficult to track short-term market changes. In general, it's our observation that we're

winning some deals and losing others, but we haven't seen a strong trend in one direction to suggest our market share has changed materially.

Morningstar Sustainalytics has a market-leading position in SPOs according to Environmental Finance, which regularly publishes market share data for SPO providers. For the first six months of 2024, Morningstar Sustainalytics accounted for 22.7% of new and updated assessments of green, social, sustainability, sustainability-linked, and transition finance frameworks for bonds and loans. That represented an increase from 18.3% in 2023, although as we've noted previously, we don't view shorter-term fluctuations in market share as meaningful given the relative immaturity of the market. Private SPOs are not included in these figures.

October 1, 2024

7. Morningstar Sustainalytics: Walk us through both the cancellations in investor solutions due to vendor consolidations and the actions on streamlining corporate solutions/licensed ratings product. Are there products that Sustainalytics is either missing or lagging in versus large competitors? Are larger competitors becoming more aggressive on price? What are the implications for the outlook for the rest of 2024 for Sustainalytics' growth rates? How large is the investor solutions portion of Sustainalytics currently relative to a year ago (product mix)?

As we discussed in a related response this month, vendor consolidation has contributed to the slowdown in Morningstar Sustainalytics revenue growth through the first half of 2024, following a period of strong growth when many of our clients purchased multiple, overlapping datasets. In particular, we've seen pressure in retention rates as clients rationalize their vendor lists. From a product perspective, we've lagged our competitors in climate as we work to enhance our climate offering to better meet client needs with a focus on regulatory workflows and addressing gaps in our data. Broadly, we've seen strong competition in certain parts of the ESG data and analytics market including in regulatory solutions and in slower-growing markets in North America.

The streamlining of the licensed ratings product in corporate solutions also contributed to the slowdown in revenue growth. Historically, we offered a bespoke, on-demand ratings product that we ultimately concluded was not scalable. We're winding down that offering and instead focusing on licensing the use and distribution of existing ratings and underlying data, benchmarking, and tools to corporates to help them make decisions, compare themselves to peers, and use in marketing materials. Although this shift has contributed to slowing revenue in the short-term, we believe that the updated product strategy is one that we can scale successfully over time.

The investor solutions product area accounted for roughly 80% of revenue in the first half of 2024, down modestly from its share in the first half of 2023. Corporate solutions, which includes the licensed ratings product and SPOs, accounted for the remaining roughly 20% of revenue.

May 9, 2024

8. What has been the reception from Sustainalytics customers to your climate suite of products rolled out in 2023? What is your current revenue run rate in climate solutions? Do these solutions help to broaden the TAM for Sustainalytics? Please provide an update on the launch of your new climate products.

Clients appreciate our climate solutions' focus on climate action rather than commitments. That said, adoption has been slower than anticipated. We've faced challenges with clients who find our original solution to be more detailed than what they need while some are already using another climate data provider; in those cases, we've found that it can be difficult to displace a competitor or add our product as a complement.

As a result, we have placed renewed focus on other use cases. For example, we have simplified our climate product suite with a focus on addressing regulatory reporting needs; banking use cases have also been an area of emphasis. We have added aggregation capabilities, which support portfolio analytics, fund data, and regulatory use cases in the Morningstar Data and Analytics segment.

Overall, our climate solution product suite expands the total addressable market (TAM) for Morningstar Sustainalytics in addition to supporting products in other parts of the business. In addition to the Morningstar Data and Analytics use cases discussed above, our climate data and analytics were key to the recent launch of our new Low Carbon Transition Leaders Index.

We do not disclose the revenue run rate for new and emerging products such as climate solutions.

May 9, 2024

9. Do you expect CSRD to be a material tailwind to your Sustainalytics business in Europe? Can you size the regulatory business within Sustainalytics, and quantify how much of a tailwind CSRD could provide? Conversely, could more transparency by issuers on ESG metrics commoditize Sustainalytics' data longer term?

We expect the implementation of the Corporate Sustainability Reporting Directive (CSRD) to present an opportunity for Morningstar Sustainalytics across both the corporate and investor product areas. For example, we are currently working to develop a solution which will combine data and reporting and assist clients across geographies in their compliance efforts. While transparency may create some commoditization of ESG data and metrics, we feel that we are well prepared to enrich data and supplement it with research, analytics, and reporting capabilities to make it easier to use. Our ultimate goal is to be able to meet all of a client's primarily regulatory use cases, with data and capabilities that cover an increasing set of regulations, geographies, and asset classes.

Compliance and regulatory use cases account for a meaningful portion of Morningstar Sustainalytics' revenue and have been an important driver of expansion for several years. We see continued growth opportunities in this area, driven both by CSRD and by evolving regulatory environments globally.

March 22, 2024

10. What is the future playbook of Sustainalytics – will it become a licensed data-only business or if not, in what ways are you pivoting your strategy here?

Although Morningstar Sustainalytics has faced recent headwinds, (especially in the U.S.), over the long term we expect continued strong fundamentals to support demand for ESG and especially climate data. As we position Morningstar Sustainalytics for sustainable growth, we are streamlining our product lineup to focus on areas that address ESG risks, EU Action Plan and regulatory-related solutions, and our climate product suite. (For more detail on how we are approaching our climate suite, in particular, please see a related response from December 2023.) To meet demand in these areas, we are also working to provide access to more Morningstar Sustainalytics data in formats that are easily consumable. For instance, we are responding to client demand to make the data that underpins our ESG Risk and Low Carbon Transition Ratings directly available for more detailed analysis. In our EU Action plan solution, we are providing collected data that is required for reporting purposes as well as additional content that supports the incorporation of this data into a research process. With these updates, we are working to better support the compliance use case and streamline reporting activities. We are also focused on using automation to improve the cost effectiveness, quality, and timeliness of our data and to improve the client experience.

At the same time, we also believe that we continue to offer a compelling value proposition in second party opinions (SPOs). As a long-time leading provider of SPOs with deep knowledge of the ESG space, we believe we are well-positioned to offer opinions on even the most complex transactions. We are focusing our activities on areas with the most attractive market opportunities, including the U.S. securitized bond market.

More broadly, we believe that Morningstar Sustainalytics creates value through its data, research, and ratings. We see a wide spectrum of client needs across our target market. Some clients are just interested in purchasing data, while others are looking to us to provide research and ratings. At the same time, Morningstar Sustainalytics research and ratings helps enhance our data offerings and can be leveraged to support other use cases, including Morningstar Indexes. We

are committed to accommodating all these use cases (including SPOs) and do not have plans to move to a licensed data-only business model.

February 5, 2024

11. Sustainalytics has already released the climate suites (physical risk and transition risk), and PitchBook will complete the integration of LCD in 1HF24. After those investments, what are the high priority investment areas for PitchBook and Sustainalytics in the medium term?

Continued development of our climate suite remains an important priority for Morningstar Sustainalytics. In the short-to-intermediate term, we are working on the development of additional tools to help institutional clients evaluate the climate risks of portfolio companies and to support their decision making as they seek to meet net zero objectives. As we discussed in a related question in December 2023, we are also focused on enhancements to our reporting tools to help clients respond to mandated climate disclosure regulations in key markets including the UK and the EU. These require financial institutions to report on how they are integrating climate risks into investment decision making and taking steps to mitigate these risks. Specific areas of focus include the introduction of a low carbon transition and physical climate risk value at risk signal to help investors evaluate and report on the value degradation of portfolio companies resulting from exposure to climate risks, and the enhancement of our carbon emissions data (an important input to our Low Carbon Transition Ratings) to help clients understand the full value chain of carbon impacts from their investments and to meet disclosure reporting requirements. We also expect to expand our climate index capabilities, with continued close alignment between Morningstar Indexes and Morningstar Sustainalytics. Finally, we are bolstering our other offerings to support evolving regulatory requirements with a particular focus on supporting improved EU taxonomy alignment and reporting across asset classes.

For PitchBook, in 2024, we plan to further expand our data and research assets and product capabilities. Data plans include enhancing private credit coverage, building out our coverage of non-PE- or VC-backed companies, and further strengthening our public equity datasets. Our research team is building more proprietary tools and analytics like the VC Exit Predictor and Manager Scores that were introduced in 2023. Product initiatives are focused on building features that leverage new data and research and launching improvements to workflows such as a new advanced screening experience. In a collaboration between PitchBook and Morningstar Indexes, we also plan to continue our build out of the PitchBook Global Unicorn indexes, a global series of indexes tracking privately held late-stage venture capital companies initially launched in 2022.

Morningstar Wealth

October 1, 2024

1. At the annual meeting, you discussed right sizing the cost structure in Morningstar Wealth. How do you estimate the “right-size” for Wealth? It was great to see the reduction in operating losses this quarter. Should we expect this trend to continue and the unit to potentially turn profitable sooner than expected?

When we talk about “right-sizing” the cost structure for Morningstar Wealth, our focus is on growing sustainably with improvements in margins and continuing on a path toward profitability.

Subsequent to the annual shareholders meeting, we announced that AssetMark will be acquiring roughly \$12 billion in assets administered on the Morningstar Turnkey Asset Management Platform (TAMP) and that we planned to sunset our TAMP. Once this transaction closes, we expect to see a reduction in revenue from TAMP-related fees, while we maintain certain operating costs (and other one-time expenses) through the transition period, which will wind down as clients and assets transfer to AssetMark. As a result, we anticipate that the transaction will have a negative impact on Morningstar Wealth's profitability in the short term. Once the 12-month transition period has concluded, we expect to see a positive run-rate impact on adjusted operating income for Morningstar Wealth as planned cost reductions will more than offset lower revenue.

For more detail, please refer to the June 20, 2024, press release announcing the transaction and the accompanying Investor FAQ which are both available at pressroom.morningstar.com.

October 1, 2024

2. Can you provide an update on SMArtX? How is this investment performing? How does the commercial relationship change now that Morningstar has sold its TAMP to AssetMark?

We do not comment on the operating performance of our minority investments. Morningstar's commercial relationship with SMArtX is expected to wind down as we transition accounts from our platform to the AssetMark platform.

October 1, 2024

3. How is Praemium performing? What milestones have been achieved since the acquisition?

We have hit several key milestones since the acquisition of Praemium's U.K. and international business, which is performing well and helping to drive underlying growth in our Morningstar Wealth segment. These milestones include fully integrating all functional teams—people & culture, finance, compliance, sales, marketing, operations—with Morningstar, completing successful technology split from parent company with no down time or impact to customers, launching Morningstar portfolios on International Wealth Platform, merging the Praemium and Morningstar fund ranges to increase scale and reduce cost to end investors, migrating all on-premise technology to the cloud, and, most recently, delivering an enhanced retirement proposition to better serve investors with pension accounts. Growth in the business is being driven by increasing new advisor sign-ups to the platform and new client accounts. We've seen an increasing percentage of International Wealth Platform advisors placing clients in Morningstar portfolios.

August 26, 2024

4. Please provide more detail on the AssetMark transaction announced in June 2024, including the rationale, anticipated financial impact on the Morningstar Wealth segment, and total expected consideration.

On June 20th, 2024, we announced that we had intend to enter a strategic alliance with AssetMark. At the time, we provided an Investor FAQ with the June 20th press release. We received additional questions following the announcement and updated the Investor FAQ in response, which was also provided in an 8-K filing dated July 25, 2024. Beyond this, we are not disclosing further details related to the transaction, including the exact anticipated impact on operating expense or operating income from the transaction.

May 9, 2024

5. Why were "Morningstar Wealth" EBIT margins -18% in 2023? Can we expect them to turn positive in the next two years?

In 2022 and 2023, we invested heavily in Morningstar Wealth, understanding that it would take time to build assets and realize a return on our investment. At the same time, we faced market headwinds, with asset values coming under pressure as global stock and bond markets suffered losses in 2022. Even as markets recovered in 2023, average assets under management and advisement were up only slightly through the year, while hiring from 2022 had a full-year impact on 2023 expenses. We adjusted, reducing headcount via targeted reorganizations in the second and third quarters of the year, while identifying opportunities to reduce overall operating expenses.

In the first quarter of 2024, you saw the impact of these adjustments, as our adjusted operating loss narrowed and adjusted operating margin improved to negative 9.5% from negative 26.6% in the prior-year period. We are now focusing on areas where we have the greatest confidence we can win, including our international wealth platform, which is

growing rapidly, and model portfolios distributed on third-party platforms in the U.S. While we don't comment on future timelines, we plan to return Morningstar Wealth to profitability.

March 22, 2024

6. What steps is management taking to improve near-term profitability of Morningstar Wealth following recent investments?

Our efforts to improve Morningstar Wealth's profitability include steps to drive increased assets under management and revenue combined with expense management. To increase revenue, we are focusing on areas where we have the greatest confidence that we can win and have seen positive trends, including on our international wealth platform, which is growing rapidly, and on model portfolios distributed on third-party platforms in the U.S. We have also modified our sales incentive framework in the U.S. with the goal of accelerating growth and driving assets to platforms. On the expense side, we took actions to reduce Morningstar Wealth headcount in 2023 via targeted reorganizations and are reducing and containing non-compensation-related operating costs, including expenses related to third-party contractors and other vendors, travel, marketing, and IT infrastructure.

Morningstar.com and Morningstar Investor

August 26, 2024

1. Morningstar US memberships have mostly declined since 2007 (though there have been some periods of growth). Why is that?

Morningstar.com has long served a niche segment of loyal, highly engaged, and active investors. That said, you are correct that memberships have declined since 2007. Memberships peaked at roughly 180,000 in December 2007 and declined to roughly 100,000 by December 2023.

The decline over this time period can be traced to several factors. Memberships fell particularly sharply in the years following the global financial crisis, a trend that was consistent with that experienced by other competitive subscription products, driven in part by economic uncertainty. At the same time, the move toward passive investing shifted some investor focus from investment selection (which is a major part of the value proposition for the Morningstar.com paid subscription) to portfolio planning and asset allocation. We've also experienced increased competition from other financial websites and online brokerage platforms—many of whom license our data and research to fuel their offerings.

Demand for our subscription-based offering has also been influenced by price increases, including a price increase implemented in December 2021. Since 2007, we've increased prices for a one-year subscription by more than 50%, reflecting the values of the tools, data, and research that are available to paid subscribers.

Despite some pressure on subscription growth, we believe that Morningstar.com continues to provide a unique and comprehensive offering to individual investors and has a loyal core subscriber base. Morningstar.com provides users with critical data, research, and insights curated by our analysts to help them find and evaluate investments, as well as robust tools to help them manage their investments. Since late 2023, we've started to see early signs of an encouraging trend in subscriptions, driven in part by our strategic focus on search engine marketing and enhanced targeting programs.

PitchBook

December 13, 2024

1. PitchBook licenses increased 19% on a year over year basis in Q3 24. Which customer type contributed the most to the increase? How many licenses have been added to PitchBook in Q2 and Q3 excluding LCD migration? Do you still expect LCD licences to be fully transitioned by year-end?

PitchBook licensed users increased 19.0% in Q3 24 compared to the prior-year period. As in earlier quarters this year, licensed user growth continued to be driven by both legacy LCD clients who are migrating to the PitchBook platform and PitchBook licensed users who did not previously have LCD access. The majority of licensed user growth year-to-date and in each of Q1, Q2, and Q3 2024 compared to the relevant prior-year periods was driven by new licensed users who did not previously have LCD access. Year-to-date licensed user growth reflects contributions from all client segments, in particular the core investor and advisor client segments, including venture capital, private equity, and investment banks.

We expect to have the substantial majority of LCD users fully migrated to the PitchBook platform by the end of this month.

December 13, 2024

2. What's next on the product roadmap for PitchBook?

The PitchBook product roadmap continues to reflect a focus on expansion of data and research alongside product enhancements, including AI-driven tools.

In data and research, our efforts are focused on:

- Continued expansion of private credit capabilities, with a focus on business development companies (BDCs) and collateralized loan obligations (CLOs), and increased credit research coverage;
- Continued expansion of data on non-backed companies;
- Continued expansion of global databases and APAC research; and
- Expansion of private capital indexes, including in cooperation with Morningstar Indexes.

In addition, our product enhancement roadmap includes:

- Expanding research content following the recent introduction of third-party equity research on the redesigned PitchBook Research Center;
- The enhancement of dashboards, building on the recent introduction of tailored dashboard experiences for credit, private capital funds, and public equity; and
- Expanded AI-driven document summaries, in addition to existing AI earnings call transcript summaries.

December 13, 2024

3. To understand the underlying incremental cash profit contribution of the PitchBook segment, could you help us understand the dollar benefit to adjusted EBIT of stock-based compensation in Q1'24, Q2'24, Q3'24 in dollars as a result of the termination of the management bonus plan?

As you note, the forfeiture of stock in the PitchBook management bonus plan following former PitchBook CEO John Gabbert's departure has had a positive year-to-date impact on PitchBook adjusted operating income and adjusted operating margin. The plan was designed primarily as a compensation vehicle for John and was terminated in Q3 24. The impact of the forfeiture and the subsequent cancellation of the plan is as follows:

- Q1 24: The PitchBook management bonus plan was active and there was no impact on adjusted operating income or adjusted operating margin from the forfeiture of stock or the eventual cancellation of the plan.
- Q2 24: The forfeiture of stock associated with John's departure was responsible for roughly half of the improvement in PitchBook segment adjusted operating margin to 32.2% in Q3 24 from 28.0% in the prior-year period. In Q2 24, we reversed the full year-to-date accrual for the forfeited stock, including the Q1 24 accrual.
- Q3 24: In Q3 24, lower stock-based compensation associated with the termination of the PitchBook management bonus plan contributed to the increase in PitchBook segment adjusted operating margin but not to the same extent as in the second quarter.

December 13, 2024

4. PitchBook's end market commentary seemed relatively consistent with recent quarters, so what drove the sequential (Q2'24 to Q3'24) improvement in Pitchbook sales?

As you note, the key growth drivers for PitchBook in Q3 24 were similar to those that we saw in recent quarters, with strength in the core investor and advisor client segments, including venture capital, private equity, and investment banks, partially offset by softness in the corporate client segment, especially with smaller firms with more limited use cases. We did see a modest acceleration in sequential growth from Q2 24 to Q3 24, with revenue growing \$4.9 million, or 3.2% compared to an increase of \$4.1 million or 2.8% in Q2 24 compared to Q1 24. The key drivers of both year-over-year growth and sequential growth remained consistent with prior quarters.

November 12, 2024

5. Do you see PitchBook as a competitor to Hamilton Lane's Cobalt? Could you elaborate how the two platforms work together if it's complementary? Do you have any market share data you could share?

We view Hamilton Lane's Cobalt product offering as complementary to PitchBook given their strengths in monitoring private market activity and commitment to providing transparency to asset owners. We do not have detailed market share data; however, we believe that PitchBook is the market leader in private market data based on the breadth and depth of our coverage.

October 1, 2024

6. There were around 8,000 PitchBook licenses added in 2Q24, which is substantially higher than recent quarters. What drove this acceleration? Can you quantify the impact of LCD license conversions on overall license growth at PitchBook in Q2 2024? How much did the transition of legacy LCD clients to PitchBook impact YoY license growth? Would license growth have exceeded revenue growth without this impact?

As of Q2 24, PitchBook had 119,571 licensed users, which represented an increase of 16.6% over the prior-year period and an increase of roughly 7.5% or approximately 8,000 licensed users from Q1 24. Licensed user growth was driven by a couple of factors. First, as we transition legacy Leveraged Commentary & Data (LCD) clients to the PitchBook platform, we've seen an accompanying increase in PitchBook licensed users. Second, we've also seen growth coming from an increase in PitchBook licensed users who did not previously have LCD access. Licensed user growth for this group compared to the prior-year period was a few percentage points higher than revenue growth and accounted for the majority of licensed user growth compared to the prior-year period. It included the impact of a significant increase coming from clients with firmwide, unlimited licenses. We often see fluctuations driven by these firmwide licenses, both on the upside, as clients add licensed users during the course of their contract, and on the downside, as user lists are at times rationalized at renewal.

October 1, 2024

7. Has PitchBook average revenue per license fallen over the last year? If so, can you speak to drivers, and is there a mix impact from selling to larger enterprises?

Between June 30, 2023 and June 30, 2024, the underlying PitchBook revenue per license has increased, excluding revenue associated with PitchBook direct data and making certain adjustments for revenue associated with legacy LCD clients who have not yet fully transitioned to PitchBook licenses. That said, there is some mild volatility in the licensed user count over time. One notable driver comes from firms with unlimited firmwide (enterprise) licenses. During the life of a contract, firms with unlimited licenses can add users without immediate cost increases, which drives licensed user counts higher and exerts downward pressure on revenue per license. We take user counts into account when pricing a contract and, as a result, at times there is a rationalization of licensed users at renewal even when there is an expansion of the client relationship, which can result in a subsequent drop in associated licensed user counts. Another source of volatility is the transition of LCD users to the PitchBook platform, which is described in more detail in a response to a related question this month.

October 1, 2024

8. How has LCD cross-selling been in 1H 2024? What needs to happen to improve the growth rate of LCD's clients?

With the integration of LCD news, research, and data on the PitchBook platform, we've been focused on migrating LCD legacy users while ensuring that we provide a comprehensive onboarding experience that helps them access the LCD data, news, and tools available on the platform. Our goal during the transition period has been client retention and we've been successful here, with LCD continuing to perform in line with our expectations at the time of the transaction.

We've also continued to add features targeted at debt and credit use cases as part of our ongoing enhancement of the PitchBook platform's capabilities. Throughout the first half of the year, we introduced a new credit dashboard, integrated the Morningstar's LSTA Leveraged Loans Index family, enhanced debt and lender screeners, and added loan and bond forward calendars from LCD. Data plans include enhancing private credit, including more business development (BDC), and collateralized loan obligation (CLO) coverage.

Meanwhile, our sales and marketing teams are focused on educating legacy PitchBook and LCD clients and potential clients on the PitchBook platform's credit capabilities, with the ultimate goal of driving licensed user and revenue growth across all groups. To that end, we recently completed an integrated marketing campaign across existing PitchBook and legacy LCD clients and prospects, including credit market participants and other customer segments (commercial and investment banks, private equity firms, lenders and issuers, etc.) with credit use cases. This effort succeeded in driving awareness of PitchBook's credit offering, showcasing our strengths in credit news, research, and data as well as the addition of the Morningstar LSTA Leveraged Loan Index family to the platform.

October 1, 2024

9. Can you discuss opportunities for PitchBook to continue penetrating the core VC and PE segment? We would have expected that most VCs are by now aware of PitchBook, given its leading presence in the market. Is growth in PitchBook coming more from new logos, or selling of more licenses to existing clients? What are the most common reasons why VCs do not choose to use PitchBook?

As you note, PitchBook is well-known in its core venture capital (VC) and private equity (PE) segments. That's especially true with larger firms in North America and EMEA who have expansive use cases that require a comprehensive view of the flow of capital across asset classes and financial products and are primarily focused on large transactions. Our growth in VC and PE is driven by both expansion with current clients and the addition of new logos. For new logos, we see the best growth opportunities with middle market and smaller, regional firms across geographies and are focused on helping potential clients in this group better understand the product and potential use cases. Overall, when a VC firm chooses not to go with PitchBook, they're often a firm with fewer use cases and cite cost considerations as a barrier.

We believe there is still opportunity to serve the needs of and expand our business with VC and PE firms. We have maintained an acute focus on our product offering with the delivery of new and expanded datasets, research and IP, and new capabilities that inform decision making and accelerate workflows. For example, PitchBook released its VC Exit Predictor in 2023 to support VC market intelligence and deal execution workflows. Additionally, PitchBook's ongoing investment in integrating LCD news, data, and research supports new use cases and data requirements for PE firms navigating a high-interest rate environment and the fast growth of private credit. Finally, we continue to work on expanding our data coverage to capture the needs of smaller, niche players.

October 1, 2024

10. Of the 400bp of y/y margin expansion, what was the contribution from John's stock forfeiture vs. operating leverage? When was (will?) the plan be terminated? Roughly how much in annual stock-based compensation would you expect to save? Please clarify how much of the increase in PitchBook margins in Q2 came from the termination of the PitchBook management plan and forfeiture of stock. Will the termination of the plan continue to be a benefit to PitchBook margins going forward? Now that the PitchBook management bonus plan has been terminated, how much will the forfeiture of the PitchBook management bonus plan save Morningstar in compensation costs in H2 2024 and 2025 as a result of the bonus plan termination? What should stock compensation as a % of PitchBook sales trend towards following this plan termination?

Following the departure of John Gabbert, PitchBook's founder and former CEO, we terminated the PitchBook management bonus plan in Q3 24. The plan was designed primarily as a compensation vehicle for John.

The forfeiture of bonus plan stock accounted for roughly half of the improvement in PitchBook's adjusted operating margin to 31.2% in Q2 24 from 27.2% in the prior-year period as we reversed our year-to-date accrual for the associated stock-based compensation with the full benefit reflected in Q2 24. While we do not provide guidance on the expected level of stock-based compensation in future quarters, termination of the PitchBook management bonus plan will continue to be a benefit to PitchBook margins through Q1 25. In addition, the termination of the plan will eliminate an important driver of volatility in PitchBook's adjusted operating margins; the plan and its predecessors covered three-year periods with higher awards in the third year.

October 1, 2024

11. You've called out the weakness in the corporate client segment before. It looks like that end-market is hopefully beginning to inflect. How long do you think it would take for that to flow through PitchBook's business once it turns?

As you note, we've seen better fundamentals in M&A with U.S. corporate and private equity led M&A having their best years since 2021. In H1 2024, U.S. deal value increased 20% and deal count increased 10% from the prior year. That said, as of Q2 24, we had not yet seen this translate into stronger demand in our corporate client segment. While we'd expect to see renewed interest from corporate development teams focused on M&A growth strategies, it's not clear how long this will take to flow through to our results.

Given the softness in new sales and client retention within the client segment, we've reevaluated sales and customer support strategies for corporates with limited use cases who tend to have higher churn over time and lower lifetime customer value. This will allow PitchBook to prioritize prospects and clients with stronger use cases and the potential for higher customer lifetime value.

October 1, 2024

12. What's PitchBook's differentiated value proposition compared to Preqin? How can you defend your market share now that BlackRock has acquired Preqin and may invest significant growth capital? How do you expect Preqin's acquisition by BlackRock to impact PitchBook's future growth prospects? Why do you believe that to be the case? Where does PitchBook compete directly with Preqin vs. provide a complementary product? To what degree do these two businesses overlap in terms of both (a) underlying data sets, (b) customer bases?

PitchBook is the market leader in private market data based on the breadth and depth of our coverage, which spans venture capital, private equity, private credit and bank loans, and merger and acquisition activities. When it comes to private fund and benchmark data along with related private market coverage, our coverage is comparable to Preqin's. We don't have detailed data on the share of our customers who also use Preqin, but we do observe some overlap, especially among limited partners and general partners.

While we're not in a position to comment on BlackRock's plans for Preqin, we remain focused on our long-term strategy for PitchBook of delivering value to customers and continue to see a strong runway for growth. Our value to customers comes from both the breadth and depth of our data and our continued introduction of new and innovative IP, such as the Manager Score, a recently introduced benchmarking tool that leverages our proprietary methodology to compare fund manager performance. In addition, we remain intensely focused on servicing our customers, which we believe to be a core advantage in our competitive positioning.

October 1, 2024

13. Please provide more information on the mix of clients at PitchBook. Specifically, what is the mix of credit investors and how has that trended over time, given the increased market interest in Private Credit?

PitchBook's data, insights, and tools make it a powerful tool for a wide range of client segments across asset classes, geographies, and sectors. This includes firms and service providers operating within private equity, venture capital, and credit markets, as well as institutional investors, allocators, asset managers, and corporates (companies). We provide detail on PitchBook's customer segments annually and, as of January 31, 2024, investors (including private equity, asset management, and venture capital firms) comprised 37% of PitchBook's client mix, followed by corporates (35%), service providers (22%), and limited partners (3%), with the remaining 3% in non-core client segments. Credit investors and market participants are included with service providers and accounted for a relatively small portion of PitchBook's client mix (roughly 1%). That said, credit workflows and use cases are not limited to credit investors and are becoming more important to clients and potential clients across PitchBook's core user base as the private credit market continues to grow. Following a targeted marketing campaign focused on PitchBook platform's credit capabilities earlier this year, we've been encouraged by increased adoption and usage of PitchBook's credit features.

October 1, 2024

14. Rod Diefendorf, President and Chief Operating Officer of PitchBook, was described as a "Rule of 40" disciple. What does this imply for PitchBook's operating leverage & profitability as sales growth has stabilized? What should be PitchBook's operating profit flow-through for each incremental dollar of revenue?

The "Rule of 40" is a rule of thumb popularized by Brad Feld, an investor and entrepreneur, that states that the sum of a SaaS company's revenue growth rate and its profit margin (typically EBITDA) should be equal to or exceed 40%.

We agree that it is necessary to strike a balance between revenue growth and profitability to generate long-term value for shareholders. As we've noted in a related response this month, we see meaningful opportunity for additional growth for PitchBook. We continue to monitor commonly used SaaS-based performance metrics carefully, including customer acquisition costs and customer lifetime values and the relationship between these metrics remains attractive. At the same time, while we don't disclose incremental margins, we also see continued room for margin expansion at PitchBook

over time. We are committed to balancing the right level of investment in data, research, and platform capabilities to capitalize on what we still believe is a significant global market opportunity.

October 1, 2024

15. How large were the price increases for PitchBook on 1/1/24? What has been the approximate split of pricing contribution vs. volume and split of new business wins vs existing client wallet share increases for PitchBook in 1H 2024?

As PitchBook's client base has grown, the expansion opportunity with existing clients has generally increased. This is the foundation of PitchBook's business model: We sell to new customers and then increase the number of licensed users within those organizations. Over time, we've seen the growth opportunity with existing clients surpass that of new client sales, reflecting our large and growing customer base and high annual renewal rates with core customers. That was true through the first six months of 2024 as existing clients contributed more to gross sales growth than new clients, although both groups continued to be important growth drivers.

We don't disclose pricing specifics, although as you note, we did institute price increases for new logos in January 2024. We also tend to see price increases at a renewal, with a particular focus on price when we see fewer opportunities for expansion. Through the first half of 2024, both volume and price have been drivers of revenue growth.

July 18, 2024

16. Could you describe your pricing philosophy for PitchBook, and specifically how you balance your pricing power with driving renewals?

Our pricing philosophy for PitchBook is to offer simple, all-inclusive pricing that reflects the value we offer to clients while supporting the ongoing expansion of client relationships over time. As we build the breadth and depth of our data and research and make improvements to the user experience, we believe that we have a compelling value proposition and over time will have the opportunity to raise prices to reflect this value. In January 2024, for example, we raised the list price for new logos. We also typically see price increases at renewal. At the same time, we put a high priority on ensuring that we can grow with our clients, which shows up in renewal rates and an increased user base and, we believe, creates more value in the long term than might be offered by steeper, short-term increases in price.

Specific to the LCD transaction and integration, we did not increase pricing as much as we might have been able given the expanded data and research available to both legacy LCD and PitchBook clients following the acquisition. Instead, our focus has been on introducing both groups of clients to the broader data sets and capabilities now available on the PitchBook platform. Building on the integration of LCD news, research, and data on the PitchBook platform, we now see additional opportunities to expand relationships at renewal.

PitchBook's pricing strategy offers two options for clients:

- Seat-based licenses. Under this option, a defined number of users within a firm have access to PitchBook; and
- Firmwide licenses. Under this option, everyone within a group or firm has access to PitchBook. Over time, we have increased the number of firms on firmwide (enterprise) licenses and expect significant revenue growth to come from continuing to pursue this strategy. Licenses are at the firm level and per user costs tend to decline with the increase in the number of users.

July 18, 2024

17. What percentage of legacy LCD customers went through their first contract renewal with PitchBook in 1Q24? What was the retention rate among these customers?

Only a small percentage of legacy LCD customers renewed for the first time in 1Q 2024 (less than 5% of the total). Through June 2024 we've gone through a first renewal on roughly 85% of contracts that we inherited from the acquisition. This renewal process includes moving clients to a PitchBook contract and, in some cases, rationalizing pricing. In 2023 and the first quarter of 2024, the retention rate on these renewals was roughly in line with what we experience for our broader PitchBook client base.

With the substantial completion of the LCD integration, LCD news, data, and research is available on the PitchBook platform, and we are now focused on moving clients off the legacy LCD product and onto the PitchBook platform. PitchBook is on track to fully complete this transition by the end of the year.

July 18, 2024

18. PitchBook growth rate: Why was PitchBook Platform (including LCD) slower than the standalone PitchBook product (excluding LCD) in Q4'23? What drove the Q1'24 sequential YOY growth change in PitchBook Platform including LCD (13.6% in Q4'23 vs 13% in Q1'24)? What steps is PitchBook taking to reaccelerate its growth when combined LCD from here?

To address your questions, it might be helpful to first revisit our expectations and experience with LCD in the first 18 months following the acquisition, which closed in June 2022. During this period, we were focused on the integration of LCD capabilities onto the PitchBook platform, moving LCD clients onto PitchBook contracts, and customer retention. We believe that we have largely been successful in these efforts and LCD has performed in line with our expectations. The LCD integration is now complete and the PitchBook platform's capabilities are improved relative to the legacy LCD product for LCD news, research, and data. Meanwhile, in 2023 and the first quarter of 2024, LCD retention rates were in line with PitchBook retention rates and, in the first quarter of 2024, revenue from clients who had an LCD account at any time grew at a very similar rate to revenue associated with clients who never had an LCD account compared to the prior-year period.

That said, as we understood at the time of the acquisition there was limited overlap between LCD and PitchBook clients. In some cases, this resulted in a small amount of expected customer leakage. In addition, as we transitioned legacy LCD clients to PitchBook contracts and seat-based pricing we also saw some clients reevaluate and rationalize user counts. Finally, as we reviewed client contracts following the LCD acquisition, we realized that there was a small amount of revenue initially tagged to PitchBook following the acquisition in 2022 that was related to LCD indexes; in later quarters, associated revenue was recognized as Morningstar Index revenue. To provide more color on the overall LCD trend, as we noted in a March 2024 response, LCD accounted for a little less than \$50 million of PitchBook revenue in 2023, while LCD revenue included in the Morningstar Indexes product area totaled roughly \$9 million. That compares to the \$56 million in revenue that LCD generated in 2021.

In Q4 2023, we reported growth of 19.1% for the PitchBook product area (ex-LCD) and, in our Q1 2024 quarterly supplemental deck, we shared that the Q4 2023 growth rate for the combined PitchBook platform and LCD product area was 13.6% compared to the prior-year period. The difference in the growth rates was due to two primary factors. The first was simply the inclusion of LCD in the totals. As we noted above, LCD has performed in line with our expectations, but did not contribute meaningfully to overall PitchBook segment growth in 2023. Given the LCD trend, the combined growth rate for PitchBook and LCD was slower than the standalone growth rate reported for PitchBook.

The second driver of the trend you observe was that we started to transition LCD clients to PitchBook licenses in the second half of 2023, making it increasingly difficult to isolate LCD revenue from PitchBook platform revenue. In 2023, we believe that a small proportion of revenue reported in the PitchBook product area was attributable to LCD, contributing to slightly higher reported revenue growth for the PitchBook product area when we reported it on a standalone basis in the third and fourth quarters of 2023. Due to this transition and the completion of the integration of LCD news, data, and

research on the PitchBook platform, we combined reporting for the PitchBook platform and LCD starting in Q1 2024 and provided historical quarterly revenue growth rates.

As you note, combined PitchBook and LCD growth compared to the relevant prior-year quarter slowed modestly to 13.0% in Q1 2024 from 13.6% in Q4 2023. Overall, the slower growth rate in recent quarters including Q1 2024, reflects certain areas of softness in the market that we have been highlighting, including corporates. As we have noted, PitchBook revenue correlates to fundraising and private capital trends. In the trailing 12 months ended March 31, 2024, private capital raised fell 7.2%, as detailed in PitchBook's Global Private Market Fundraising Report.

We remain focused on driving growth at PitchBook. We continue to invest in data, research, and product enhancements on the PitchBook platform. For example, in June 2024, PitchBook integrated Business Development Company (BDC) and Collateralized Loan Obligation (CLO) datasets on the platform, important additions for credit market participants tracking investment opportunities and managing risk. PitchBook has also enhanced its go-to-market marketing processes to increase visibility for PitchBook's expansive offering for credit market participants. Building on the integration of LCD news, research, and data on the PitchBook platform, we have seen increasing opportunities to expand relationships at renewal.

July 18, 2024

19. PitchBook renewal rate: What steps is PitchBook taking to improve renewal rates (112% in 2023) towards historical levels? Should 2024 renewal rates be higher or lower than 2023 given the current environment & business trajectory and why? Rod described core VC/PE renewal rates as "healthy" though can we better quantify renewal rates by segment (Core Investor, Corporates, etc.) or better breakdown the underlying drivers (price vs seat growth, etc.), so investors may better understand what is driving the change in renewal rates?

As we discussed in a related response this month, we seek to expand our client relationships over time with a focus on the strong opportunity we have with our core clients. This is a key part of our growth strategy and supports our annual renewal rates. In particular, we continue to make investments in the data, research and analytics offered on the PitchBook platform as well as improvements to the user experience. As we noted in a related question this month, now that the integration of LCD news, research, and data onto the PitchBook platform is complete, we are seeing increased opportunities for expansion at renewal.

Annual revenue renewal rates fell from 127% in 2021 (a particularly strong year for PitchBook) to 121% in 2022 and 112% in 2023. Between 2017 and 2022 annual revenue renewal rates averaged 121%. We do not disclose renewal rates beyond the key product area level; however, we can provide some context on key drivers. As we noted in a March response, the decline from 2022 to 2023 partially reflected the impact of a more challenging environment which resulted in higher churn for noncore clients as well as more limited expansion with renewing clients than in prior periods, with the biggest challenges in our corporate (company) client segment.

To provide additional context, we track historical revenue renewal rates by client size. We saw declines across our largest (enterprise) clients, middle market clients, and small and medium sized business clients between 2021 and 2023, with the decline in our enterprise clients' rates concentrated in 2023. Throughout the period, our highest annual revenue renewal rates were in our enterprise client group, followed by our middle market clients; our lowest annual revenue renewal rates were with small and medium sized businesses.

We also look at annual revenue renewal rates by company type. In 2023, we saw the highest annual revenue renewal rates for credit investors/market participants and, to a lesser extent, private equity. Corporates had the lowest annual revenue renewal rates by a significant margin with the lowest rates for corporates in our small and medium sized business client group; asset managers had the next lowest rates.

We do not provide guidance on future expected annual revenue renewal rates; however, we do note that Q1 2024 annual revenue renewal rates were in line with Q1 2023 annual revenue renewal rates across client size.

July 18, 2024

20. PitchBook profitability & incremental margins: Management has stated that PitchBook margins can reach Data Analytics segment margins over time. How much incremental cash profits can flow-through for new each dollar of revenue (in 2023, this approximated 49% incremental EBITDA margin excluding SBC)? How do you weigh much of this incremental profit gets reinvested for growth vs drop to operating profits? What steps are underway within PitchBook to drive higher incremental profitability?

We are very pleased with PitchBook's growth and profitability since our acquisition and the resulting value creation. PitchBook segment margins increased from 18.4% in 2021 to 26.8% in 2023. As a SaaS-based platform, Pitchbook's profit and margin compares favorably to other software and data businesses, particularly at the current levels of revenue. We monitor commonly used SaaS-based performance metrics carefully, including our customer acquisition costs and customer lifetime values. The relationship between these metrics continues to be attractive and is generating strong returns. You have seen over time that we have built a business model with high operating leverage. While we think PitchBook can approach Data and Analytics margins over time, we remain focused on the long term and continuing to balance the right level of investment in data, research, and platform capabilities to capitalize on what we still believe is a significant global market opportunity.

July 18, 2024

21. PitchBook Leadership: With John Gabbert stepping aside, what are Rod Diefendorf's top priorities for PitchBook? How will PitchBook look different under his leadership/stewardship compared with John Gabbert? How many individuals are part of the PitchBook management 2025 stock comp plan? Walk us through the bench strength underneath Rod to complement his strengths.

One of the key goals of our strategic planning process is that the resulting plans should be durable and long-term oriented. This means that our goal is to ensure that a leadership transition alone does not lead to a strategy change. In that vein, we anticipate no material changes in strategy or prioritization with Rod stepping in to lead PitchBook. In fact, the strategy he now owns execution of is one he worked to develop with John and others over time, and one that's regularly reviewed by the board in yearly special strategy sessions.

Central to that strategy is to lead in all areas of private market data and research by continually expanding the breadth and depth of our data and product capabilities to meet evolving private market investor needs. Current priorities in support of that strategy include continuing to expand our coverage of private companies, credit, and funds, in part through bolstering our global coverage, most notably in APAC and emerging markets. At the same time, we continue to add high-value financial data for entities currently under coverage and are working to build unique analytics, IP and market intelligence to help customers make investment decisions. To support operational efficiency and deliver value to our customers quickly, the team is also focused on ensuring close alignment across teams. That's included go-to-market efforts to increase product engagement and drive client engagement and sales, with a recent emphasis on the private credit and bank loan capabilities now available on the platform with the completion of the LCD integration.

As PitchBook's COO since 2016, Rod provides stability and continuity for the business. He is deeply engaged in PitchBook's strategy and has played an instrumental role in PitchBook's ongoing scaling of its operations. Supporting Rod is a strong, long-tenured leadership team, with expertise in sales, research, customer success, finance, and other functions. With close to a decade of average tenure with PitchBook, this team has had a large share in its success. Its members include:

- Paul Santarelli, Chief Sales Officer
- Brett Kaluza, Chief Customer Officer
- Paul Stoddart, Chief Marketing Officer
- Joanna McGinley, Executive Vice President of Strategic Partnerships and Initiatives
- Paul Jaeschke, Chief Product Officer

- Patrick Ross, Business Area Chief Finance Officer
- Amy Whaley, Chief People Officer
- Peter Escher, Chief Data Operations Officer
- Nizar Tarhuni, Executive Vice President of Research and Market Intelligence

In addition, Steve Bendt will be returning to PitchBook's leadership team as Chief Business Operations Officer later this summer after serving as Morningstar's chief marketing officer.

John was the primary beneficiary of the PitchBook management bonus plan, and, with his departure he forfeited his unvested shares. With his departure and Rod's promotion to President of PitchBook we are planning to terminate the plan.

May 9, 2024

22. Could PitchBook margins eventually reach the same level as “Data and Analytics” margins per your new segment reporting? Should we expect PitchBook margins to decline as sales improve, due to resumption of incentive payments?

PitchBook is a SaaS, license-based business that shares many characteristics in common with the Morningstar Data and Analytics segment. Over the longer term, we would expect convergence of margins between the two segments. However, we remain focused on striking the right balance between PitchBook revenue growth and margin improvement to capitalize on market opportunities to create value.

We believe that you're referencing the PitchBook management bonus plan, which covers certain PitchBook employees. It was adopted in connection with the 2017-2019 fiscal period and has been renewed twice, most recently for the 2023-2025 fiscal year period. The plans have all covered a three-year period with lower target awards in the first two years of the plan, and higher target incentives and meaningful upside in the third year of the plan, depending on how PitchBook performs relative to goals for the third year. The delivery of stock-based compensation in the PitchBook plan is back-end weighted to help ensure that the three-year growth goals are achieved. Due to this structure and strong performance against goals, PitchBook stock-based compensation increased in 2022 (the third year of the 2020-2022 plan) compared to the prior-year period and then decreased in 2023. Given this dynamic, it could be helpful to evaluate PitchBook margins based on average three-year stock-based compensation expense to adjust for the impact of the PitchBook plan structure.

March 22, 2024

23. What is PitchBook's annual revenue renewal rate in 2023? Could you please explain the drivers of difference in 2023 versus 2022 and preceding 5-year historical average? Over the next 5 years, how should we think about how PitchBook's annual revenue renewal rate may trend and normalize to over time? It would also be useful to define what the metric is.

The PitchBook Platform's annual revenue renewal rate was 112% in 2023 compared to 121% in 2022. It averaged 121% between 2018 and 2022 and 119% between 2019 and 2023. We calculate the annual revenue renewal rate using the annual contract value (ACV) method, which is the dollar value of renewals divided by the total dollar value of contracts up for renewal during the period.

Although the annual revenue renewal rate was still strong on an absolute basis, the decline in the annual revenue renewal rate in 2023 relative to the prior year and the five-year average partially reflected the impact of a more challenging environment, which resulted in higher churn for noncore clients as well as more limited expansion with renewing customers than in prior periods. As we've noted, we've seen the biggest challenges in our corporate (company) segment; the lowest annual revenue renewal rates in this segment were concentrated in smaller accounts. While we do not provide guidance on future renewal rates, we are confident in the PitchBook value proposition and our ability to expand the renewal base over time.

March 22, 2024

24. How much of 2023 PitchBook growth was driven by existing customers (pricing and/or wallet share) vs new customers (new logo wins)? For existing customers, what is the account renewal rate in 2023 vs historically (e.g. 5-year average)? How much do PitchBook customers pay on average in 2023 vs. 2022.

Consistent with the trend we noted through the first nine months of 2023, revenue growth in 2023 was driven by a mix of revenue coming from the expansion of existing client contracts and revenue from the addition of new clients. Volume, which is represented by licensed user growth, was the most meaningful driver of client expansion during the period.

Generally, as PitchBook's client base has grown, the expansion opportunity with existing clients has also increased. This is the foundation of PitchBook's business model: We sell to new customers and then increase the number of licensed users within those organizations. While sales to new clients have continued to be very healthy, the growth opportunity with existing clients has surpassed that of new client sales, reflecting our large and growing customer base and high annual renewal rates.

As addressed in a separate question this month, we disclose the annual revenue renewal rate for the PitchBook Platform. The decline in the annual revenue renewal rate in 2023 was driven in part by higher churn for certain clients (particularly in the company segment), reflecting a more challenging environment.

We do not disclose revenue per customer, but that metric increased in 2023 vs. 2022.

March 22, 2024

25. Could you please share the updated customer mix by end market (e.g. company, venture capital, private equity, etc.) and customer count at year-end 2023? How many new PitchBook customers were added in 2023 (gross and net of churn)? What is the average annual ACV of these new customers? Upon renewal, how much does a customer typically add to year 2 revenue?

As of December 31, 2023, the PitchBook Platform served roughly 10,600 accounts, up from 10,100 accounts as of December 31, 2022.

The breakdown of PitchBook's customer mix, including PitchBook Platform and LCD clients as of January 31, 2024, is provided below. Note that we refined our customer classifications when we updated this analysis for 2024, which included changes to the subcategories as well as classifications for some clients.

Company	35%
Private Equity	10%
Asset Manager	10%
Venture Capital	17%
Total Investor	37%
Limited Partner	3%
Credit Investors/Participants	1%
Other Service Provider	9%
Commercial Bank	2%
Investment bank	10%
Total Service Provider	22%
Non-core	3%
Totals	100%

We do not disclose ACV by customer group. In general, we see the highest churn with first-year clients. That said, for clients that do renew, we typically see strong expansion opportunities.

March 22, 2024

26. What was PitchBook stock comp expense in 2023 (compared with the \$37 million in 2022 from third year of the prior PSU plan)? If the PitchBook management team achieves its 3-year targets in 2025, what % of PitchBook product sales would stock based incentive compensation entail? How has PitchBook's management team retention rate trended and how has sales staff turnover trended versus historically?

Stock-based compensation expense for the PitchBook segment in 2023 was \$10.3 million, down from \$40.2 million in 2022. Note that this includes performance-based share units issued under the PitchBook management bonus plan as well as other stock-based compensation for the broader PitchBook employee population.

As we note in Footnote 12 in our most recent 10-K, under the current PitchBook management bonus plan awards in an aggregate amount of \$28.6 million will be available for issuance with annual grants of \$7.15 million available in each of 2023 and 2024 and \$14.3 million in 2025. If PitchBook exceeds certain performance conditions, PitchBook bonus plan participants will receive additional performance units in excess to the aggregate values; if PitchBook fails to meet certain thresholds, the PitchBook bonus plan participants will not be entitled to receive payment for any performance units. We do not disclose targets under the plan, but they are tied to both revenue and profit, and we believe that we've set them so that there is an appropriate sharing of value between management and shareholders.

Overall, PitchBook turnover was down for the 12-month period ended December 2023 compared to 2022 and we believe the plan has been effective at retaining PitchBook's leadership team.

February 5, 2024

27. To what extent have credit and private credit related use cases contributed to incremental sales and licenses for PitchBook in FY23?

We've seen significant client expansion opportunities arise from the extension of our private credit data and news coverage, particularly as market trends have favored private credit. For example, we recently renewed and meaningfully expanded our relationship with a large asset manager who was a client of LCD and PitchBook, supported by our ability to offer PitchBook private credit coverage and LCD private credit news. We've also seen opportunities where the strength of our combined offering has helped us deliver better value and expand client relationships. For example, we were able to secure an expansion of PitchBook licenses and displace a competitor with a different asset manager, who was attracted by the breadth of the platform's capabilities, specifically private equity and private credit fund data, underlying holdings, and precedent transactions. Finally, the addition of syndicated loan and high-yield bond coverage not previously available on the PitchBook platform has driven new sales with clients including a mid-sized bank in Europe who needed loan data.

February 5, 2024

28. Long term, can PitchBook Manager Scores represent a similar mix of PitchBook revenues that Morningstar Essentials and Morningstar Ratings make up of Morningstar Data today?

PitchBook's Manager Scores provide insight into fund performance and cash flow timing at the fund family level. Manager Scores are used by asset allocators to discover new managers with similar strategies, to make informed comparisons across different vintages, and to optimize capital deployment. Investors use Manager Scores to support their fundraising efforts, provide market intelligence on the competitor peer group, and inform portfolio management strategies.

PitchBook pricing is all-inclusive for the platform and includes Manager Scores. PitchBook does not have a ratings license for managers comparable to Morningstar Essentials and we do not expect that to change for the foreseeable future.

February 5, 2024

29. What is the revenue CAGR of PitchBook over the last 10, 5, and 3 years?

PitchBook's revenue CAGRs for the trailing three- and five-year periods ended September 30, 2023 were 36.2% and 39.7% respectively. PitchBook's revenue CAGR for the six-year period ended September 30, 2023 was 45.9%. Morningstar acquired PitchBook in late 2016.

Sales Commissions

July 18, 2024

- 1. Your recent 2 10-Ks have indicated that the period of transfer for sales commissions was approximately three years. Prior to that, the period of transfer was two to three years. Can you indicate what drove this change? In addition, does each segment have a segment-specific period to amortize sales commissions? If so, can you please disclose the period to amortize sales commissions on average by segment? If you can't do by each segment, please disclose for PitchBook specifically since we can now see the segment level operating margins, but we can't see segment level working capital or cash conversion.**

In keeping with current accounting guidance, since January 2018 we have amortized sales commissions for our license-based products over the shorter of the weighted-average customer life or the useful life of our software, which we estimate to be 36 months, with costs aggregated by legal entity on a geographical basis.

We apply the accounting guidance across our legal entities. As of year-end (December 31) 2018, 2019, 2020, and 2021, our weighted-average customer life was between two and three years for at least one legal entity or geography and, as a result, we amortized sales commissions over a period of two to three years for these legal entities and geographies (based on the weighted-average customer life). We amortized sales commissions over a period of three years for legal entities and geographies, which had a weighted-average customer life of more than three years. As of year-end 2022 and 2023, our weighted average customer life exceeded three years across legal entities and geographies, and as a result, the period of transfer was approximately three years, consistent with the useful life of our software. Across the business there is no difference in how we amortize sales commissions directly attributable to obtaining a customer contract; these generally relate to license-based products. Sales commissions, which are not considered directly attributable to obtaining a customer contract, generally related to non-license-based products, are expensed as incurred.

Segment Disclosures

June 14, 2024

- 1. At what scale would you separate Sustainalytics and Indexes into separate segments? It's very difficult to estimate what the "Corporate and All Other" negative adjusted operating margin can trend towards given this represents these two segments and a broader cost center, could you please provide some more color here?**

We have five reportable segments, Morningstar Data and Analytics, PitchBook, Morningstar Wealth, Morningstar Credit, and Morningstar Retirement. Neither Morningstar Sustainalytics nor Morningstar Indexes individually meets the qualitative or quantitative segment reporting thresholds as per the accounting standards outlined in ASC 280, which include individually contributing more than 10% to either consolidated revenue or consolidated adjusted operating income. We continue to assess our reportable segments on an ongoing basis.

As you note, Morningstar Sustainalytics and Morningstar Indexes are presented as part of Corporate and All Other, which is not a reportable segment. Corporate and All Other also includes unallocated corporate expenses that are not

considered when segment performance is evaluated. We disclose Corporate and All Other expenses in Management's Discussion and Analysis of Financial Condition and Results of Operations in our 10-Q and 10-K. These totaled \$153.5 million in 2023 compared to \$135.8 million in 2022 and \$40.9 million in Q1 24 compared to \$36.1 million in Q1 23. The remainder of Corporate and All Other's contribution to consolidated adjusted operating income reflects the combined adjusted operating income/loss from Morningstar Sustainalytics and Morningstar Indexes.

May 9, 2024

2. Would it be possible for Morningstar to release 8 quarters of data under the new segmentations?

Thank you for this feedback. We released nine quarters of segment revenue, adjusted operating income, and adjusted operating margin in our first quarter 2024 supplemental deck.

March 22, 2024

3. Thank you for the incremental segment details from the third quarter 10Q. To the extent practical, we would also appreciate historical quarterly data (ideally past 12 quarters) and annual data (ideally past 5 years). Investors would benefit from a stronger historical understanding of the business, particularly given the investments in the businesses as shared in the 2022 AGM presentation.

Thank you for the feedback. In our most recent 10-K, we provided three years of historical data for our updated segments. We plan to share additional historical quarterly revenue and adjusted operating income by segment when we release our earnings for the first quarter of 2024.

February 5, 2024

4. Is transaction-based revenue in the Data and Analytics segment primarily Sustainalytics' SPO? Could you please clarify transaction-based revenue in the Data and Analytics segment and license- and transaction-based revenue in the Asset and Index Solutions Segment?

Transaction-based revenue in the Data and Analytics segment includes second-party opinions and Morningstar investment conference revenue. License-based revenue in the Asset and Index Solutions segment includes revenue from subscription-based products including Morningstar Office, Advisor Logic, and Morningstar Investor; transaction-based revenue in this segment is related to ad sales for Morningstar.com and related international web properties.

Shareholder Engagement

February 5, 2024

1. MORN is now a \$12B market cap company but remains unfollowed by the sell-side (no analyst coverage), does not hold conference calls for earnings, nor attend investor conferences. Do you anticipate interacting more with investors outside of your annual shareholder meeting and 8-K communications?

Consistent with our approach to shareholder engagement since we went public, our goal is to communicate equally with all shareholders, without special treatment for large shareholders or research analysts. Our management team and board engage with investors at our Annual Shareholder Meeting which includes a dedicated time for Q&A, and we regularly answer questions in written form in 8-K filings. We have evolved our investor communications over time in response to the questions we receive and shareholder feedback. In 2023, we continued to enhance our quarterly shareholder presentation and introduced a letter from our CEO to our quarterly reporting package. We welcome sell-side coverage and questions submitted by sell-side analysts for response through our regular 8-K process.

Taxes

May 9, 2024

- 1. Morningstar's effective tax rate continues to be highly variable quarterly. What level of tax should we be expecting Morningstar to pay going forward?**

Each year, our effective tax rate tends to be different given discrete items that impact our rate. In a related October 2023 response, we detailed key discrete items that impacted our tax rate in 2022 and in the first six months of 2023. At that time, we noted that we generally expect an effective rate between 27% and 29% before adjustment for discrete items and we continue to expect our effective tax rate to fall in this range. In quarters where these discrete items are significant, we disclose them in our earnings release and 10-Q or 10-K filings.

May 9, 2024

- 2. Can you provide me with the information on how Morningstar's 2023 dividend distributions are classified for tax purposes?**

Our 2023 dividends are taxed as 100% ordinary dividends.