Morningstar 2019 Shareholders' Meeting

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Opening Comments – Joe Mansueto

Joe Mansueto, Executive Chairman, Morningstar: Good morning. If everyone could grab a seat, we'll go ahead and get started. It's a little after 9. Good morning, good morning. Welcome. It's great to see everybody. I am Joe Mansueto, the Chairman of the Board of Morningstar. It's my pleasure to welcome all of you to our 2019 annual shareholders' meeting. We are also streaming this meeting live on the internet. So, if you are watching over the web, good morning and welcome to you as well.

I'm really delighted to see all of our shareholders here today. We appreciate you making the trek to Chicago, spending time with us. This is one of the highlights of our year. At Morningstar, we always look forward to spending time with our shareholders, updating you about our business and importantly, answering your questions about really any aspect of our operations. So, why don't we jump in and get started?

So, take a moment to read the safe harbor statement that we have here.

Agenda

So, as usual, our meeting has three main parts. First, we'll walk through the official business of the meeting, which I don't anticipate will take too long. Then we'll have management presentations. We'll take a short break. We'll come back. And perhaps, the highlight of the meeting is the Q&A period, so get your questions ready. Also, if you are watching over the web, you can send in your questions to investors@morningstar.com and we'll do our best to get your questions answered as well.

Official Business of the Meeting

So, we have two items of business on today's agenda; the election of our directors and the ratification and the appointment of KPMG as our auditors for this year.

But before we get started, I'd like to introduce our directors. All of them are here today. So, as I call your name, I'd like each of you to stand and face the audience. First, Robin Diamonte, Cheryl Francis, Steve Kaplan, Kunal Kapoor, Gail Landis, Bill Lyons, Jack Noonan, Caroline Tsay, our newest director, and finally, Hugh Zentmyer.

You are a terrific board; strong, independent and I'd like to thank you all for your contributions and guidance through the year. Thank you very much.

Now, I'd like to introduce our senior team, our executive officers who are here today. Kunal Kapoor, our Chief Executive Officer; Bevin Desmond, our Head of Talent and Culture; Jason Dubinsky, our Chief Financial Officer; Danny Dunn, our Chief Revenue Officer; Haywood Kelly, our Global Head of Research; Pat Maloney, our General Counsel; Daniel Needham, our Head of Investment Management; and finally, Tricia Rothschild, our Chief Product Officer. We've got a terrific senior team. I want to thank all of you very much for all of your hard work and dedication during the year to drive Morningstar success. On behalf of all of our shareholders, thank you for all of that.

Now, I'd like to take this opportunity to introduce Rory Doheny. He is with KPMG, our auditors for 2019. Rory, would you or any of your colleagues like to make a statement at this time?

Rory Doheny: Joe, thanks for the opportunity. We have no comments.

Joe Mansueto: Okay. Thanks, Rory. Are there any questions anyone has for Rory? Okay. If there's no questions for Rory, I'd like to go ahead and get started with the official business of the meeting.

Greg Malatia is from Broadridge Financial, is here today to act as the Inspector of Elections. Heidi Miller, our Corporate Secretary, will now report on the mailing of the notice of this meeting and the number of shares represented at today's meeting.

Heidi Miller, Corporate Secretary, Morningstar: We are holding this meeting pursuant to a notice mailed on April 5 to each shareholder of record on March 18. A certified copy of the list of shareholders of record has been available at the office for the last 10 days. I'd like to report that we have established a quorum for the conduct of business at the meeting.

Joe Mansueto: Thanks, Heidi. Okay. The first item of business today is the Election of our Directors. We'll elect 10 directors at today's meeting. The directors elected today will hold office until the 2020 Annual Shareholders' Meeting or until their successors, if any, are elected or appointed.

The nominees for director are Robin Diamonte, Cheryl Francis, Steve Kaplan, Kunal Kapoor, Gail Landis, Bill Lyons, Jack Noonan, Caroline Tsay, Hugh Zentmyer and myself, Joe Mansueto.

The second item of business is the ratification of the appointment of KPMG as our independent auditors for 2019. The Board recommends a vote for each of these proposals.

I now declare that the polls are open. If you would like a ballot, please raise your hand and we will bring one to you. Please remember, if you've already sent in your proxy or if you've voted over the internet, your shares have been voted accordingly. You do not need to vote now unless you are voting for the first time or you wish to change your previous vote.

Anyone need a ballot? I don't see any demand. If anyone has a question or a comment related to these proposals, please raise your hand and wait to be recognized. As I mentioned, there is also a Q&A session later in the meeting. So, at this time, if anyone has a question related to these two proposals, I think, we're happy to answer them. Any questions on those?

Okay. I don't see any hands. I now declare that the polls are closed. Heidi, will you please report on the voting results?

Heidi Miller: More than a majority of shares represented in person or by proxy and entitled to vote at this meeting have been voted for each of the director nominees listed in the proxy statement and to ratify the appointment of KPMG. We will file an 8-K with more detailed voting results within the next four days.

Management Presentations

Joe Mansueto: Great. Thanks, Heidi. Okay. Let's move on now to the management presentations.

Kunal Kapoor, our CEO, will start. He will be talking about how we've enhanced our mission to "Empower Investor Success," how that supports our differentiated strategy and also talk about three powerful secular trends that we see ahead. Next up, Jason Dubinsky, our CFO, will recap our financial results. And then, Haywood Kelly, our Global Head of Research, along with Frannie Besztery, our Global Head of Data, would talk about how we are really doubling down on research and data. And then, Brock Johnson – Brock heads up our Workplace business, formerly known as our Retirement business – but Brock is going to come up and talk about the growing opportunity we see in the Workplace business to really make a meaningful difference in the lives of investors. As I mentioned, then we're going to take a short break and then we'll come back and answer your questions.

So, it's my pleasure now to introduce our CEO, Kunal Kapoor. Kunal has worked at Morningstar for 22 years. He started as a young man in 1997 – he's still a young man – he's worked in most parts of our business. He became CEO, as you know, 2.5 years ago, and I think he is doing a phenomenal job. You can see evidence of that in our financial results, which have been very strong under his leadership. But he also sets a tone of urgency and discipline in our company and has really strengthened our culture by reaffirming our mission and honing our strategy. People invariably love working with Kunal. He has got a very positive attitude and a really close type relationship with our senior team. Our company really could not be in better hands in my opinion. So, please join me in welcoming Kunal Kapoor.

Morningstar Update – Kunal Kapoor

Kunal Kapoor, CEO, Morningstar: Good morning, everybody. Let me add my welcome to all of you as well. It's great to have everyone here in Chicago. Sorry, the weather is not quite as sunny as it was earlier in the week, but I can assure you we've had a beautiful week. And it's been a particularly important week for all of us at Morningstar because in case you're wondering what these little pins are that we're all wearing. These are our 35-year anniversary pins, because yesterday Morningstar turned 35. So, I had to quiz Joe about when he started the company and 35 is the right answer. And so, we are very proud of the fact that we've been able to grow our company in this wonderful mission-centric way while also, I think, delivering a lot of value to all our stakeholders over the years. And it's our intent to keep it going in that fashion.

Of course, when you are having as momentous an occasion as we are this week, we decided to do things a little bit differently in the office. And so, Monday morning, we actually had everyone in the auditorium, and we streamed it as well to those folks who couldn't be here. And we introduced our new mission and we had a bunch of clients on stage telling stories about how they came to work with Morningstar. It's very powerful. But we started everything with this video that really talks about our updated mission and I thought what better way to start the shareholder meeting than to do that here as well.

Mission

[Video]

What does empowering mean to you?

Yi Wang: Empower means giving people the liberty and support to accomplish their task.

Madison Sargis: I think when someone is empowered is when they feel confident that what they are doing is right for them.

Mike Wood: When I think about empowering investors, it's what Morningstar has done really well. Take something that was somewhat nebulous, like the financial industry, make it transparent. There's nothing more empowering than having knowledge to back your decisions.

Michael Leung: Empower to me means that we are giving the people the resources, the insights, the knowledge and the support that they need to get the job done.

Michael Holt: We think of empowering as how we empower investors with the confidence to make their best investment decisions. This means meeting people where they are at on their own personal journey and developing unique solutions that make sense for those sets of circumstances.

Who is an Investor?

Nicole Pritchard: Investor means someone who is trying to build a financial future for themselves and their family.

Wendell Rayburn: Investor to me means institutional or a retail investor trying to better themselves or do better in their financial situation.

Mike Wood: So, I think of investor as everybody. We are all investors, right, whether it's a 401(k) plan, whether it's a 529, we all invest every day and money plays a part in all of our lives.

Christine Benz: When people hear that I work at Morningstar, I think they think I work with investments just like numbers on a sheet of paper. And I don't think of it that way at all. I think I work with and for investors and helping the professionals who serve investors achieve real life goals. So, it's the usual stuff like retirement or sending kids to college or buying houses, but it's also just sleeping easily at night and taking great vacations, all the things that constitute quality of life for all of us. But I am starting to cry.

How do you define success?

Wendell Rayburn: Success to me is, it's a bit in the eye of the beholder. It's whatever you find fulfilling and rewarding.

Sabrina Leis: It's reaching aspirations that you have set for yourself.

Ogbemi Rewane: My definition of success is achieving your goals.

Mike Wood: I think the interesting definition I take on success is does where my money go reflect my values.

Michael Leung: Fulfilling our goals, chasing our dreams, aiming high.

Kunal Kapoor: So, for all of us here at Morningstar, at the end of the day when you reach your goals, when you get to the outcomes that you're hoping for, we know that you've won and that our work has meant something to you. And so, we are going to continue down the path of empowering investor success, because we know when you're successful, then so, too, are we.

"Empowering Investor Success"

[/End Video]

I get chills watching that video. It's kind of fun. So, empowering investor success. For those of you who have been following Morningstar for a long time, it shouldn't come as much of a surprise that we somewhat adjusted our mission to reflect this. And the part that resonates with me, in particular, is the notion of investor success. Because for all of us in the financial services industry, I think, we'd all agree that there's a lot of tools, data, research, services available to investors. And I think for the most part investors are trying to do the right thing, but the challenge, as we all know, is that many of them are not getting to the right outcomes. And so, Morningstar really wants to be in the business of making sure that people get to the right outcomes, and that's why we are here.

Now, our mission is also underpinned by three cornerstones that I think are pretty unique to us and pretty important in the way that we think about things here. The first has to do with independence; the second, with transparency; and the third, with being long-term oriented. I think these are three facets that permeate Morningstar and I think really make us quite unique.

So, for instance, whether it comes to how we think about running our business, which is not on a quarterly basis, but really are we creating value over time, or how we deal with all of you, our shareholders, which is that we want to be completely transparent in the way that we communicate with you and do so in a way that's consistent regardless of whether you own one share or whether you are a large institutional shareholder. Our independence, which in many ways runs through the halls of Morningstar and resonates particularly with our research. Our analysts are in many ways the holders of our culture and they guard it every day with their straight talk that you see in all the research they do. But I think these three cornerstones underpin everything that we do at Morningstar and ultimately make us successful. Because one of the things I really want you to understand about us is that as you look out across financial services and you see the sea of sameness, Morningstar is differentiated because of these facets of our values. And it's really important to understand that we're committed to doing things in an appropriate way for the investor so that it also creates success for us. I said last week at our conference that when you do business with us, you do business with our values and I think that that's very, very true and underpins everything that you'll hear about today.

Revenue 2005-2018

Now, this is also translated into a successful financial picture for all of us and you at Morningstar. This chart shows how we've grown since we went public in 2005. It's pretty nice chart, obviously, but I think what it really demonstrates is that we've been focused on sustainable long-term growth. And generally, we've built a business that has the ability to withstand ups and downs over time.

2018 Reported Performance

And then, sometimes you have a year like 2018 where it all just comes together very, very strongly and we are very proud of what we were able to deliver financially to all of you last year.

And Joe mentioned, in particular, the senior team and I just want to take a moment to recognize all my colleagues who sit on the senior team, because really, we do have a fantastic team and while I think all of you as shareholders will be glad to know that when we get in a room we don't always agree with each other, in fact, we definitely disagree, right, Daniel? I think it's fair to say that we are really committed to be guardians of that core Morningstar culture, guardians of that mission and guardians of that differentiation that underpins who we are and why we exist and how we make things successful.

2018 Highlights

There was so much going on here last year. I was trying to think about what to put on one slide because I was given one slide for 2018 highlights and there was no way to squeeze it all in. But whether you're looking at the improvements we're making on the web-based version of Direct, whether you're looking at some of the enhancements for advisors either through our software or investment management offerings or you're going to hear from Brock, things we're doing on the Retirement side are all the amazing things that we're doing in data and research, and yes, we just have the best research. There is just a lot to be proud of at Morningstar and you're going to see even more from us. Frannie and Haywood, in particular, will touch on research, but I just wanted to mention here that one of the areas in the research part of our business that we're excited about is ESG. We made an investment a couple of years ago in Sustainalytics. And the growth in that area and the meaningfulness and then the willingness of more people to get involved and thinking about their financial lives as a result of ESG has been pretty amazing and eye opening to me for sure.

Three Core Capabilities

It's all enabled, of course, because of our three core capabilities: Research, Technology, and Design. When I was practicing for this presentation, I had a couple of slides to underpin each of these and I kind of went on and on until the team sort of told me I needed to rein it in. So, I think, the most important to thing that you need to know is that we take these three disciplines seriously because we think that they make us accessible and resonant with the investor. And so, while it has become quite fanciful for people to say these days that they are an FinTech, Morningstar has done FinTech for a long time, for 35 years without us even calling it FinTech. We've believed in the value of great data and research; we believe that great interfaces can help people interact with that data and research and then we think wonderful technology can make it accessible to them in ways that perhaps they had not even imagined themselves.

Industry Landscape: Three Secular Trends

I want to now focus on three particular secular trends that we think are powerful and that are underpinning our business. I talked about these in our shareholder letter, if you had the opportunity to read that. But I want to highlight these because in many ways they are underpinning the way we think about investing in the business and how we think the long run is going to unfold.

So, they are pretty straightforward when you look at them but there is a lot going on underneath each of them. So, I'm going to take each of them one at a time and give you a bit of a flavor of what's underpinning them and why we think they're all promising and how we're positioned to succeed as they become larger trends.

The first is this notion of how data is everywhere, right? I think you can't go anywhere these days without somebody talking about the fact that they want to monetize data or do something with data. And we have done data well for a long time, and when we think about our future, you can be sure we're going to do more with data. But there is also risks with data, and one particular risk with data is privacy.

Increasingly, there's threats to the types of data people collect, how that data is passed off. And Morningstar has taken a pretty strong stance here that I think you should know about as shareholders. We're committed to being sure that to the extent we use individuals' data, it's only done with their permission. So, our ByAllAccounts aggregation service where on a daily basis we see more than a trillion in assets flow through, we don't ever take that data and make it available to a third-party such as a hedge fund so that they can trade on that amalgamated data. The only way we would ever make that data available is if an advisor or an investor said we could do that.

Secular Trend 1: Coverage Universe

So, this is super important because the word you see to the end of that is analytics. And we think the next step with data is really around analytics and you're seeing that come alive in some of the different ways that we have been bringing our software to market. But it starts of course with our constant investments in the core databases.

Hopefully as you've been coming to this meeting, over the years you're seeing that we've expanded these circles adding more and more. I am particularly excited this year about the fact that we continue to invest in our equity fundamental database. I'll talk about that a little bit more. We're investing in Separate Account data. We're investing in Health Savings Account data. So really trying to think about what's it going to take for Morningstar to be at the center of a world where investors think less of vehicles and they think more about strategies. We want to be in the business of x-raying whatever goes in that portfolio. It used to be about 20 years ago that investors had a portfolio of stocks, bonds, and cash and maybe some still do but the vast majority of them do not and we want to be sure that we can serve those investors.

Risk Model

And we're bringing our data capabilities to life in unique ways such as through our risk model which allows investors to input all kinds of scenarios. I think last year at our conference in June, I actually highlighted a scenario that we can take a client's portfolio and show what would happen to that in the instance of China-U.S. trade war and we're still talking about that. And so, that is a real risk. So, the idea of our risk model is to take all that underlying data, marry it with that wonderful portfolio data that we get from investors and clients and give them something that really makes them think about, hey, what would I do with my portfolio in a certain scenario. And guess what? We do this in a way that adds value to our current platforms. There's plenty of firms that just have built a business on risk alone and we're just taking this and enhancing our current platforms more than anything else.

Investor Pulse

We also this year rolled out a feature called Investor Pulse, which sits on web-based Direct. And essentially, Investor Pulse what it does is it provides analytics to the C-suite of an asset management shop essentially letting them decipher some of the trends going on across the industry, across the board and think about how can they ensure investor success, what are the types of offerings they can bring to market, how can they resonate and what do they have to watch for. So, we think these are really interesting and new capabilities that take our pure data capability and really start marrying it now with more of a data science capability as we continue to build that team out here at Morningstar.

Secular Trend 2

In terms of the second trend where investors are demanding added value and beautiful interfaces and lower costs. We think we're really well-positioned for this trend as well and nowhere I think is that more true than in the choice that we're increasingly providing financial advisors with.

Morningstar got into the business of helping financial advisors set up shop by providing them with research, data and software. Today, we're providing them with investment management as more and more of them begin to outsource investment management. And as Brock is going to show you, we're also working with them to ensure that they have a say in the retirement marketplace, which is increasingly important to how many advisors are approaching, serving their clients.

Indexes

On the indexes front, we've been highlighting for you that we have this wonderful Open Indexes project where we are making our beta indexes available at no cost for benchmarking purposes. As I wrote in my shareholder letter, I think our effort around indexes is beginning to reach a tipping point. I feel really confident about it. And last year, you started to see a number of prominent launches of ETFs that were based on our indexes including some from JPMorgan that gained scale quietly quickly.

Goal Bridge

And then finally, we are really thinking hard about how we can help individuals and advisors plug that goal between investment planning and financial planning. Last week, we rolled out Goal Bridge at our Annual Conference and I would say that advisors are gravitated to this tool more so than just about anything that we demoed. And I think as a shareholder, I think you can appreciate here is that for advisors we've been able to really build an end-to-end system where regardless of whether they want to do it themselves or outsource part of their activity to us, we can be their partner in doing it and we also enable others who are providing tools to advisors to use our data and APIs to build some of those tools. So, Morningstar is very ubiquitous in the advisor ecosystem which I think is incredibly important given trends in our industry.

Secular Trend 3

Then finally, it's the convergence of public and private markets, which we have been talking about now for three-four years, and I could also rename this, the convergence of retail and institutional, because what used to be institutional is now increasingly retail. And I'll give you two examples.

Morningstar and PitchBook

The first, of course, is the obvious one which is that increasingly companies that are private are coming public or companies that are public are being taken private. The point is that that cycle of a company just being one or the other is increasingly not the norm and Morningstar is uniquely positioned because of our acquisition of PitchBook to be able to paint a full picture. So, you are looking at Zoom Technologies – and let me just point out that we're a very good client of Zoom, so I was happy that they had a nice IPO; we contributed to that a little bit – but even as investment bankers are out there, putting together their models for the first time on a company like Zoom as they go out there and hock the IPO to investors, Morningstar is the one – PitchBook already had that data for a long time and we are essentially fueling their models. And then, as the company goes public, we transition with new research. So, even last week when Uber came public, Morningstar already had research on it. We had a fair value published. We were ready to go and equally importantly, PitchBook already had years of data on Uber. That's a pretty amazing capability that's going to be hard to replicate and if you think of the potential market size that we can serve here, it's meaningful and important.

Morningstar and Mercer

We have also been talking of our partnership with Mercer which really kind of falls into my second comment about what was once institutional becoming retail. We will increasingly build out our database of strategies that Mercer is providing us as well as Mercer's research. It's already available in the web-based version of Direct. And I am extremely bullish about this because as we think about the transition that investors are having from vehicles to strategies, Mercer has a great database there. It's probably been underutilized within their ecosystem and you can see how in our ecosystem it will really deliver a more powerful outcome for investors. So, we're very excited about this. It's already available to our clients within web-based Direct and we're just going to keep building it up. And I think if you step back and think about it, it also starts painting a picture of Direct having the capability to be your repository for others who want to put their data in it. We really think about it in that fashion. Our data is obviously the core of it, but we can certainly make it stronger by including the datasets such as the one from Mercer.

So, as you can see, there is a lot going on in Morningstar. There is never a dull moment. We are continuing to think about how we can do well as a firm and live up to our values and also deliver great results for all our stakeholders. And I think as I introduce as I Jason and welcome him to the stage, one of the most important things that I can share with you as shareholders is that you have a CFO who you should be very, I think, pleased to have in the chair. When Jason came on, one of the things I was most interested in doing and ensuring was that as Morningstar grew, we brought on a CFO who would help us think about how we scale, and Jason has done a great job with that. He is also just a great person, tells occasionally a good joke when he has not got his finance hat on, maybe he will do that today. But I think it's just been great having Jason here and I want to welcome him to the stage now. Thank you.

Financial Highlights – Jason Dubinsky

Jason Dubinsky, CFO, Morningstar: Thank you. Well, with that introduction, my work is done. So, I appreciate your time today. So, a few things. First, welcome again. For me, this is my second annual meeting and great to see a lot of new faces as well as familiar faces in the crowd. I'll cover a few things today. First, I'll talk a bit about 2018 performance. And unlike Kunal I was given a lot of slides on 2018. I'll spent a little bit of time on the first quarter and hopefully, a lot of you have seen our first quarter performance in the release that we put out a few weeks ago. And then finally, I'll close with some thoughts on capital allocation and value creation.

Building on Our Foundation for Financial Success

I'll start where Kunal left off on our mission of Empowering Investor Success. And a core value and interconnected element that is at the foundation of that mission is Financial Success. And I think here you've heard me refer to financial success in many ways, but I continue to believe that we have an incredibly strong foundation for financial success here at Morningstar and it's our brand, it's our mission, our people, our talent, our IP and products and diverse balance sheet and business. But really, all of these things are independent and strong pillars. And I think what you saw in 2018 is when those are working together and moving in the direct direction combined with solid execution. We could put strong financial performance up on the board and that's exactly what we did in 2018 with double-digit organic growth, north of 11%. Kunal shared we had 27% operating income growth. So, you see the inherent leverage coming through in the business. And then, finally, a record year for free cash flow, close to $240 million. So, really proud of those results and I'll start to walk those through with you right now.

2018 Revenue Growth

So, I'll start with revenue. Our reported revenue last year was 11.9%, but on an organic basis, when we adjust for things like M&A, currency translation and changes in accounting policy, it was about 50 basis points lower at 11.4%. The one thing that was unique last year, in the third quarter, we had an acceleration of revenue with the renegotiation of a certain license agreement with a particular client and we recorded about $10.5 million of revenue. And although, we treated that as organic, I wanted to call that out specifically as we did in the release and that added about 100 basis points to growth. I went back at least 10 years; this is the highest level of organic growth that we had over that period.

Drivers of Growth: Diversification

So, where did growth come from? And what this shows is, it's coming across products and it's coming across geography. You could see at the top that about three quarters of our business is license-based, so think Direct, think Data, think PitchBook and we like these areas because they tend to be recurring revenue and provide a lot of that stability that Kunal was talking about. But also, you saw last year we had very good progress momentum in asset-based revenue and those products, Workplace and Investment Management, and transaction-based which are Credit Ratings and ad sales of close to 10% each.

Importantly, on the bottom, you could see the geographic diversification. About 80% of our business is in the Americas which is primarily the U.S. and Canada and Latin America, but also that we have a sizable and growing business outside of the U.S. The percentages are relatively the same year-over-year, but what's good to see on this chart is that we see acceleration in momentum outside the U.S. on a reported basis. The organic numbers would be a little bit lower based on some currency fluctuation but really good progress and these will continue to be areas of focus to scale our capabilities outside of the U.S. and we saw really good progress in both EMEA and Asia-Pac last year in areas like Direct and Data and Research.

Key Products Area Growth: 2018 vs 2017

So, you've often heard us talk about areas where we'd expect disproportionate return and growth relative to other areas in Morningstar and where we're making some bets and allocating a fair amount of capital to, to drive growth and value creation. So, we've charted those on this page and to give a little context, the bubbles represent the size of these product lines against the growth that we saw in 2018. So, for example, you see Data on your right-hand side, it was a $185 million product line for last year, grew about 12%. On the left-hand side, you could see Credit Ratings is about $36 million, grew close to 16%, PitchBook, about a $100 million product line for us today, grew over 50% last year.

So, a few takeaways here. First, these areas represent about 60% of the total revenue for Morningstar. Last year, collectively, they grew at a 17% organic growth rate. So, that compares to the overall growth rate of 11.4%. So, you can see the disproportionate growth and I can tell you that they have added disproportionately to the operating income growth that we saw last year as well.

If I step back and look at this chart, what I see here is opportunity. I see growing product lines that are scaling that have significant runway, given our investments and the sizable and growing end markets that we are participating in to grow and to take share.

Historical Performance: Operating Margin

So, we mentioned the operating income growth last year and we had 27% growth, 21.8% operating margins as you see here. The amended license agreement that I mentioned in the third quarter added about 80 basis points of growth to 2018. We often get asked the question of where we think operating margin can go over time and I'll answer that in a couple of ways.

I think, first, it is our objective to expand margin over time. You recognize that we've got inherent leverage in the business, but we're going to make the right choices and balance the short-term and the long-term in a prudent way and hopefully, you've seen that we've been able to do that over the years. The other thing I'd mention is that our mix of business has changed over time. So, you look at the composition in 2018 with stronger presence of PitchBook or Investment Management and Credit Rating, doesn't make this arguably comparable to a lot of prior year periods versus competitors. But our focus is continuing to grow margin and make sure that our revenue grows in excess of expenses over time giving the right leverage to make sure that we can do that and create value.

First Quarter 2019 Performance

So, shifting to 2019, and we released our first quarter results a few weeks ago, the headline number was 6.3%. Organic revenue was up a couple of hundred basis points higher at 8.3%, all due to currency. And I think we're off to a pretty good start this year, recognizing that we had some anticipated headwinds, particularly in our Investment Management area, which I'll come to in a second. But overall, a good start. You'll see that operating income was up a little over 4%. So, now, you're seeing a little bit of different relationship that we shared in 2018 and there are a couple of things that I'll draw your attention to that we highlighted in our press release.

First, you'll see that we've had an increase in stock-based comp in the first quarter directly related to the PitchBook management incentive plan. So, you recall when we acquired PitchBook a few years ago, we put in the plan that would accelerate in the third year if PitchBook hit specific financial targets and we're proud to say that not only is PitchBook is hitting its financial targets, but it's well exceeding those financial targets and you'll see an elevated level of stock-based comp this year because of it.

The other thing that we experienced in the fourth quarter relates to Investment Management and the launch of our mutual funds in the fourth quarter – I should have said the first quarter. So, what we've done is, we set the expense ratios in those funds that were designed to mirror where we expected assets to grow over time. And in the early stages as we're growing the asset base in our Morningstar mutual funds, what we've done is waived certain fees for investors and absorbed those here at Morningstar to make sure we're true to those expense ratios which is the right thing to do for investors and that's elevated a little bit of our expense here earlier in the year and we would expect that to normalize over time. If you adjusted for those two items, operating income would look closer to about 14% versus the 4.2% you see here. And then, again, a very strong quarter for free cash flow, relatively on par with last year. I'd say we're down a little bit only because we paid out a bit higher bonus payments in the first quarter of this year relative to last year and that's a good thing given the strong performance that we had in 2018.

First Quarter Key Products Area Growth: 2019 vs 2018

So, breaking down revenue in the first quarter a little bit more in here. We've showed both reported revenue and organic revenue with a lot of the key product areas that I shared with you before. These are ranked by percent not by dollar contribution in the quarter. But you can see that we're off to a good start with continued momentum in license-based products in Pitchbook, Direct and Data. Again, a very good start to Credit Ratings where we saw very strong new issue volume in ratings and structed finance, particularly in RMBS and CMBS. A little bit different story on the bottom and I'll explain both Investment Management and Workplace. Investment Management is down in the first quarter on an organic basis.

And what you saw in the press release is despite the fact that our asset levels are relatively flat year-over-year, so the first quarter of '19 compared to the first quarter of '18 given the market appreciation that we saw in the first quarter, we're seeing advisors and clients shift to lower-fee Morningstar strategies, so think ETFs, mutual funds relative to stock baskets. So, that mix shift is having a bit of an impact and headwinds for revenue. We're okay with that. Our job is to grow assets over time across strategies which is going to contribute to revenue growth based on the investments and the plan we have for Investment Management. And Brock will be up here soon talking about Workplace. That business is on solid footing with a very strong growth trajectory. This is a little bit of an anomaly in that our first quarter performance is on a bit of a lag and more tied to client reporting and what we experienced in the fourth quarter. So, you should expect as we cycle through that, the second quarter should be a bit better and reflect market performance in Q1 in Workplace.

Cash Flow Generation

So, now, I'll transition to cash flow and capital allocation. As I mentioned, a record year for free cash flow, up 30% with good cash flow conversion. And we're very fortunate here to be in a business that generates stable and consistent cash flow. And this year was a great example of the power and what this business can do with a record year.

Capital Allocation & Deployment

So, what are we doing with that cash? I'd argue that we've had a pretty consistent and balanced approach to capital allocation over time. Every year will be a little bit different based on available cash and competing priorities, but that balance is important as we want to make sure we're being good stewards of your capital.

In 2018, a few things to comment. First, you've seen a little bit of an uptick in CapEx and that's primarily related to capitalized software development, so a lot of the good work and activity to develop products and bring them to market. Dividend, we increased about 8% last year. We haven't been that active in M&A. So, you can actually see the bar below the chart, we divested a small product line in 2018. We've been relatively opportunistic in share repurchase at a moderate pace and a significant amount of capital went to debt reduction. So, our debt balance at the end of 2018 was about 70 million and actually at the end of the first quarter was about 30 million. So, the balance sheet remains in very strong position to capitalize on future opportunity.

Capital Allocation Priorities

So, where do we see opportunity and where should you think about our capital allocation priorities against the objectives that we have? So, first and foremost, I talked about the runway that we have and what we see ahead across the business and that is going to be the primary focus. As long as we see opportunities to invest in the business to drive return and those are the highest and best uses of capital, we're going to continue to do that. And we mentioned some of the growth areas here today. But I've also mentioned some other areas, the other 40% that we're not disregarding here at Morningstar. Kunal mentioned our index product lines and business and we're investing heavily to drive growth on product innovation, as well as making sure that the infrastructure and operations can scale and expand in go-to-market opportunities both here in the U.S. and internationally and we've seen some great examples with JPMorgan.

Morningstar.com, we're re-platforming to make sure that the site has a better user experience and more flexibility, as well as bringing more capabilities to the site and focusing more on search engine optimization to drive more traffic to great Morningstar content. And also, Advisor Workstation. We haven't mentioned that here, but that's a $90 million product line that provides significant cash flow to Morningstar. So, we recently launched some goals capabilities linked to the site to help advisors in their workflow. So, a lot going on here, but very much focused on organic growth.

The other thing I'd tell you is that we're focused on infrastructure here at Morningstar, too, and I'd say that's primarily in areas of technology. We're in the midst of migration of our on-prem data centers to the Cloud, which is having some transitional impact on cost. That's going to allow us to be a lot more flexible going forward to provide more value to our clients at a reasonable cost to Morningstar. Data security, another great example where we're investing our real estate footprint to make sure we've got capacity for our people and the right work environment; talent, culture, all things important to infrastructure.

On M&A, we've been relatively quiet over the past couple of years since the PitchBook acquisition. But I can tell you that doesn't mean we haven't been looking at things and aren't involved in the flow. But we're going to be disciplined we're going to make sure that deals that we do have the right strategic fit, have the right cultural fit and provide the right financial returns, especially in an environment where we're seeing elevated valuations across asset classes. And then, finally, we're going to continue to be focused on returning cash to shareholders. Our dividend is important. We increased it 8% last year. We have been consistent and what I would say about a 25% to 30% of adjusted payout range, so look for that to continue and we're going to be more opportunistic versus programmatic on share repurchase.

ROIC: Return On Investor Capital

So, what does all that translate to? We've talked about our financial performance, but are we driving returns for you, our shareholders. So, it's great to see last year our ROIC went up about 400 basis points which is now moving in a positive direction post the PitchBook acquisition.

MORN Total Return

And hopefully, a lot of that is translating into the market rewarding us in a higher stock price. So, you can see that now over the past three years a different picture that we may have showed last year, and we are outpacing the U.S. Morningstar index and total return. So, that's great to see. But I look at this chart and I'm not here declaring a victory lap. We've got a lot of opportunity and more work to do ahead of us. It's great that the market is rewarding us. But I'll reiterate Kunal's point, we are committed on the long term and I continue to believe that we have a lot of opportunity and runway ahead of us to continue to make the right investments, drive shareholder value and create return for shareholders. So, those are my prepared remarks. I'll look forward to questions that you may have in the Q&A.

Now, it's my opportunity to introduce the dynamic duo of Frannie Besztery who heads up our Data efforts and Haywood Kelly who heads up Research. Just a couple of things I'd say is that, as you look at what I'm talking about and Kunal was talking about, the core of everything what we do lies in our research and our data, and Kunal showed to you that before and we continue to focus on the right level of investment in these areas to make sure that we continue to drive innovation and product development to serve investors. I'm excited for Frannie and Haywood to come up and talk to you about all the great work that they are doing. Thank you.

Research Overview – Haywood Kelly

Haywood Kelly, Head of Global Research, Morningstar: Thank you. Thanks, Jason. Frannie and I really appreciate the opportunity to talk to you this morning about Research and Data. We're very passionate about it. As Jason did, I'm going to start off with our mission slide and this is really important for us in Research when we think about our mission – Morningstar's mission and how it translates to research. We're always thinking about that end investor. So, we supply data and research to all sort of investors; institutional investors, advisors, individuals, but we're always trying to think about that end investor. Are we achieving better outcomes for them? And I love this mission. So, it sets pretty clear guardrails about what kind of data, what kind of research we should be doing and investing in.

Research Overview

So, what is research today? So, there are five big areas within research. I'm going to walk through this briefly. So, our Data operations – this is our largest in terms of headcount. This is what Frannie runs. She is going to take a deeper dive into Data in just a few minutes. Equity research, we're the largest independent provider of equity research globally. We've carved out a nice space for ourselves with our long-term approach, our fair value estimates which Kunal mentioned, our economic moat ratings. We feel like we have a really differentiated approach to equity research.

Credit Ratings; this is a newest area within research. So, we got into this business post financial crisis and the nice thing about this business is it's giving us a capability within bond research that we haven't had historically. I'll talk a little bit more about this business in a few minutes.

Manager Research, if Morningstar is 35 years old, this group is 33 years old. So, it's our oldest group within Research. What's great about this business is it's not just funds. We can basically take the capability within this group and apply it to any portfolio or group of portfolios. So, this group is looking at ETFs, collective investment trusts, separately managed accounts, 529 plans, health savings accounts, pension plans, retirement plans. So, we could take this capability and apply it across the investing landscape.

And finally, quantitative research. This is the area where we've been investing on a percentage basis most heavily over the past four or five years. So, we now have over 50 quantitative analysts. So, we've always had great quantitative research at Morningstar, but now we're building out at scale a quant research capability. We do a lot of pure R&D I think across the organization and certainly across these teams within research, but we want to think about pure R&D, a lot of within a research organization is focused here in the quant research team.

How We Monetize our Data and Research

So, how do we monetize research? I want to spend a few minutes on this slide standing in front of our shareholders. I want to ensure you that all the work that those folks do translates into revenue. So, there are three main ways that we monetize data and research at Morningstar directly. You can see those across the top, directly, through our software products and then investment products. What you see along this first column here, are the main product lines that we report that you are familiar with from our annual reports. Not all of our product lines, but the major product lines there.

So, you can think of what Frannie and I do, and our groups do. We produce data and research and we feed it to these products, who then take it to market and monetize it. So, for example, Morningstar Data, this is essentially our Data feeds business, our largest single product line, one that's still growing very rapidly for us, great business. But it's essentially taking our data from our databases and feeding that to our customers, mainly institutional clients.

Credit Ratings is another good example of how we directly monetize research. Our Credit group comes up with credit ratings and we sell those ratings to issuers. There is another product group here, Research Distribution, which is similar to Morningstar Data and since it is feeds, but feeds of our research, of equity research, manager research, so that's another way we directly monetize what we produce. That middle column there, Software. So, Morningstar Direct is a great example. So, Direct is a platform really built on the top of our databases. A lot of great analytics and tools on top of that data, but it really is built on the foundation of our databases.

PitchBook data. Of course, PitchBook has its own research and data capabilities around private companies. But over the past year, we have started to deliver our own public company data onto to their platform as well as our equity research onto that platform. So, now, PitchBook is another distribution outlet for the research that our team produces.

Advisor Workstation and Officer, similar to Direct, built off the foundation of our databases. Workplace Solutions, Brock is going to talk more about this business a bit later, but Retirement Manager, for example, a key piece of software in this business driven off of our rich data sets. And finally, Morningstar.com, which most of you are familiar with. If you go on Morningstar.com and type in a fund ticker or a stock ticker, you are going to get our data, our research pulled up.

That last column investment products; we don't produce within research investment products, but we help support the teams at Morningstar that do. So, you heard from Daniel Needham last year at this event; he runs the Investment Management unit. Daniel's group uses many inputs to run portfolios and he never tires reminding me that he does great research within his organization as well. But one input that Daniel's team uses is, of course, our equity research and manager research.

Workplace Solution; so, in addition to the data fueling the software part of that business, our manager research analyst help some of Workplace clients select investments in retirement plans. So, we help monetize the research that way. And then, finally, Indexes. That's been a great opportunity to monetize some of the data points that our analysts produce. So, for example, our equity research group produces economic moat ratings on each stock they cover, fair value estimates on each stock they cover. Our Index team is able to take those data points, construct strategic beta indexes around those and then license them to partners. Probably the best known or one of the better known of these is our Wide Moat Focus Index, ticker MOAT. We've licensed that to VanEck, has over $2 billion in assets today.

So, I hope that paints a picture of how we monetize our Data and Research capabilities. I'm going to turn it over to Frannie to go in a deeper dive into our Data operations.

Data Overview – Frannie Besztery

Frannie Besztery, Head of Data, Morningstar: Thank you. Hi, everybody.

An Ever-Expanding Set of Databases

This slide should give you a sense of the output that's generated by our data engine. Wherever investor assets are going, those are the investments that we want to be covering. Our database has grown through acquisitions, way back to the S&P funds acquisition in 2007 which greatly increased our European fund coverage to more recent additions like the PitchBook private equity databases and the most recent addition of proxy data through the acquisition of Fund Votes. But we also grow our database organically. We added about 65 data points for over 110,000 European fund share classes for the MiFID regulations and we add many data points every single month to our database. So, we are in a much different place than we were 35 years ago when we collected about 3,000 U.S. open end mutual funds to today, we're adding emerging data sets like separate accounts and health savings accounts.

Global Scope, Local Expertise

Our team is about a 1,000 people strong. We're based all over the world. It's made up of data specialists, data scientists, methodology experts, technologists. And by being on the ground in all these locations, we're able to get valuable information on the investors and on the markets there, and that helps us, we combine that local expertise with our global scale and scope and then we're able to identify new data sets and improve the current data that we have.

Morningstar's Competitive Advantage in Data

So, there are many components that make great data and I am here today to convince you that our data is special. We have foundational data and that's the raw data that we collect. So, think about fees and manager names and prices. And you know, these numbers and words are much more than just data points on a screen. It's worthwhile to point out that there are thousands of decisions that inform the collection and the integration of this data into our databases. And then, there is a really relentless focus on the data quality. So, that's the completeness and the timeliness, the accuracy and a deep, deep consideration for the end investor. And all of this leads to a very independent data and this is really, really important, especially important in an ever-increasing machine learning world, where the complexity and the advances in the models that are being generated by machine learning are setting an ever higher bar for data quality.

Our data provides context. Our Morningstar classifications and categories provide a common language that makes the data comparable for market-to-market or from data set-to-data set. It provides a common frame of reference for investors to help them navigate through all the information that they have available to them.

We have unique data and we have unique data in our rich, deep and robust history of our tick data, of our portfolio holdings data. But we also have uniqueness in the hard to collect data sets and these are the opaque data sets where there's maybe little or no public reporting required. But uniqueness also comes alive in our databases in a way that we combine our data sets. For example, combining our retirement plan data with our Morningstar investment databases.

You take all this data and you can create even more data by layering analytics and Morningstar IP on top of it and could create even more investor insights. These are things like our Risk Model and our quantitative analyst ratings.

Our Current Data Initiatives: Portfolio Matching: Bond & Derivatives

Now, let's spend a few minutes on four current data initiatives that we're working on. And the first is, portfolio matching. We do a really nice job of assessing and analyzing the risk of equity holdings within portfolios. And our objective is to be able to provide that same degree of analysis on other asset classes, particularly, fixed income holdings and derivative holdings and there are a lot of different types of – those types of securities. So, we are implementing processes to acquire advanced portfolio data, which will allow us to do more complex calculations, which will help provide a more complete picture of an investor's exposure.

Our Current Data Initiatives: Strategies

Secondly, we recognize, as Kunal mentioned, that investors are becoming more vehicle agnostic. And what that means is that when they're investing, when they're thinking about investing, they're first thinking about what is the exposure that I want. And then they're deciding how do I want to access that exposure. Is it a separate account, an open-end mutual fund or maybe it's an ETF? And strategy links those investments together and we continue to build out our data sets on that strategy level. This is a screen shot that Kunal stole for his slide, but what it is, is the Mercer strategies in Direct with their representative performance.

Our Current Data Initiatives: Equity Data Expansion

Third, we are focused on evolving our public equity database from one that has been primarily a retail dataset to one that is of institutional quality. So, we're adding a lot of new datasets. This year, we're focusing on adding normalized profitability metrics and some debt capital structure information. And we're continuing to increase the quality and the transparency of the data that we have. This is a screen shot from the PitchBook platform, which illustrates how now our user can click on a calculation and drill down into the components of our methodology.

Our Current Data Initiatives: Automation Technology

Lastly, I want to touch on the things that we're doing – the work that we're doing that continually improves the way that we acquire all of this information. And it's really about the combination of humans and machines that are paving our path to the future. So, to add additional value we have data scientists and deep subject matter experts along with our technologists partnering with the capabilities and the processing part that only computers can bring. We're using machine learning. We've developed machine learning models that can identify data for us and can classify documents for us. And all of that eases the manual data collection, which then frees up our data specialists to solve harder problems and to look for new data that we can add.

We're also fundamentally changing the way that we collect our data. So, through our live collection processes we're starting to record every single decision that's made and that's providing us with a very deep training dataset and that dataset will be used to power future machine models, as well as, improve the models that we currently have. We're also implementing robotic process automation or RPA to automate microprocesses and we continue to use traditional technologies to simplify our processes. We just implemented some software that helps us increase our translation capabilities.

So, all of these initiatives enhance Morningstar's moat and data. But to wrap it up, our data is awesome. It's built by an awesome team. It's built upon an awesome legacy. And it's built to help deliver awesome investor outcomes.

Back to Haywood.

Creating New ESG Solutions

Haywood Kelly: Thank you, Frannie. So, Frannie touched on four areas within data – kind of key initiatives within data. I'm going to quickly touch on five other areas within research that we're paying a lot of attention to. So, Kunal, mentioned ESG or environmental, social and governance. This has been a big area of focus, we launched our globe ratings on portfolios in 2016. We launched our carbon risk scores and carbon risk designation in 2018 and we're working hard on the next generation of ESG tool data and ratings today. It's a fuzzy area. Some investors are looking to implement their ethical preferences in ESG. Others are looking for where material risk might lie. Others are looking where those material risk might be mispriced. Given our capabilities in equity research, manager research, quant we are able, I think as a company to bring new insights on ESG and really cut through a lot of the clutter that's out there and the fuzziness. So, really excited about this. And there isn't a client conversation that happens particularly, on institutional side these days where ESG isn't top of the agenda.

Expanding Our Bond Research Capabilities

So, Credit Ratings. I mentioned before, one of the nice things about our Credit Ratings unit, in addition, to the growth it's seeing. This is really building, filling a hole in our line-up of bond research. Historically, it's been a gap. We've, of course, had great managed investment research for years, equity research for years, through Credit Ratings and the growth of Credit Ratings we're building out a bond research capability. This chart on the left, shows the growth in our new issue business up to 138 new issue new deals last year. And then chart on the risk shows our total outstanding Credit Ratings. So, we gotten into this business in 2010 through the acquisition of Realpoint. We're really focused on bonds backed by commercial real estate, CMBS and it's still the largest in terms of the Credit Ratings outstanding for us. But you can see these other categories bonds backed by residential mortgages, other asset-backed securities growing. And we also have a presence now in corporate and financial institutions.

So, I'm really excited about what we can do, as we get scale in this business, launch new ratings and do research. It really does plug a hole that we can pump through the Morningstar platforms I discussed earlier.

Next Generation of Risk Analytics

Our risk model, our global risk model. We started to roll this out on a beta version last year. I consider this year, kind of, the full roll out. Kunal touched on this before. What's great about this is we can take this capability and apply it to our rich holdings database. We can also layer-in proprietary factors, like our economic moat factor here. And really, we want this to be the next generation of our style analysis. You're all familiar with our style-box, the global risk model really blows that out to dozens of different factors. So, you can analyze a portfolio, where its risk exposure is. You can run scenarios, either custom built by the client or prebuilt by our quant team. So, if you want to know, how a portfolio might respond to a big drop in oil prices, how a portfolio might respond to the next financial crisis. We've also got one on what would happen in a robot apocalypse where unemployment shoots up. So, it sort of allows a little bit of insight we feel for clients in terms of understanding the risks embedded in their portfolio.

Meeting Increased Demand for Manager Research

Increasing demand for manager research. So, demand has really picked up the past few years. Regulators and investors are really demanding that intermediaries act in the best interest of their clients. And one of the ways that intermediaries can prove that they're doing that is to work with us and work with our analysts, our medalist ratings and show their clients that, hey, Morningstar has vetted this line-up or vetted these funds and they're getting good ratings.

So, we've got a full line-up and have been expanding our capabilities in this area. So, it's not just medalist ratings and Analyst Commentary that we've historically had, but our quant ratings, so using machine learning techniques to replicate the way our analysts think about portfolios and expanding that to other kind of investments and really spending multiple folds in the number of vehicles we can rate.

Analyst Access for those clients who want deeper dives, say by asset class or looking for particular kind of manager that can access our analysts directly. Scorecard Reports, these are designed by our analysts, but embedded with the Direct software. So, a lot of these sales are joint research in Direct sales. And Select Lists, where a client might have a unique constraint around what kind of vehicles they want to choose. But can work with us to customize the select lists of vehicles that receive higher ratings from us, and our analysts love.

Leading with Research

And finally the last area I'd highlight is we are putting a lot of emphasis on how to get higher ROI around our editorial. So, key to our strategy around analyst research is create it once and distribute it through multiple channels. And we're really trying to ramp that up. We hired an editor-in-chief in 2018 to work across our editorial teams and platforms across the company. What you see here is just one example, Lyft, recently went public. We had great research on the PitchBook side before it went public and once it went public, we had an in-depth research report from our equity research team. A version of that research appears to our individual audiences either through dotcom or through brokerage platforms. We also can do more on the blogs and videos promoting that research. So, really trying to get more impact from each piece of thought leadership that we produce.

Just a little finer point on that build it once, distribute it many times. So, just focusing on our manager research and equity research. This research is distributed to over 750 financial advisory firms globally now and this number continues to grow. On the individual side, we reached more than 100,000 subscribers to Morningstar.com. Plus we're now on nearly all premium online brokerage firms in the U.S. and Canada or getting some combination of our equity or manager research.

Then on the institutional side, we work with over 300 institutional asset managers, getting the full depth of our research, our models and analyst access. So, again, building it once and monetizing it in many ways.

Speaking Up For Investors

Another key distribution outlet for us is the media. For over 30 years, we've had an open-door policy with the media. It's been a great way to get the Morningstar brand out there, get our name out there. You can see last year, we were quoted 61,000 times; 25,0000 analyst quotes; 10,000 times our data was used to create a chart or a table. So, just another great distribution outlet for us.

Advocacy, Independence, Empowerment, Clarity

And in closing, I would just tie it back to the mission and our values. These four words mean a lot to us and this is embedded in our Company values advocacy. Within research, we see ourselves as investor advocates trying to do what's right for that end investor. Independents calling it like we see it. We've always had a 100% support from Joe and Kunal to do that even when it makes some large financial firms angry at us sometimes.

Empowerment; empowering investors to us that meets consistently every quarter rolling out new data, new analytics, new kinds of research to meet investor demand. And finally, clarity. So cutting through the jargon and complexity and a lot of the self-serving (VS) you can find at financial services really tell it like we see it. So, these values mean a lot to us to kind of guide the way we run research.

So, with that I'm going to introduce the President of Morningstar Workplace Solutions, Brock Johnson. But Frannie and I would like to thank you for your time this morning.

Comments by Brock Johnson

Brock Johnson, President, Morningstar Retirement Services

Alright. Thanks. It's good to be here. And in the limited time that I have today, I'm going to try to do two things; I want to provide an update on our core product offerings and how we've historically brought those products to market, and then I also want to talk about how we're evolving that distribution strategy going forward. And I'm also going to give you a brief overview of some of our next-generation of retirement offerings that we're bringing to market. That's a lot to cover in a little under 20 minutes. So, I'm going to jump right into this.

For those not as familiar with our group, the Workplace Group, we focus on the defined contribution or 401(k) retirement market. And this is a fantastic place for us to bring Morningstar's Mission of empowering investor success to life. For us within Workplace, we empower investor success by helping save retirement for the individuals by getting them to better financial outcomes. And when I use the word save – when I say save retirement, I do that intentionally. It's my belief and the belief of everybody within workplace that if Morningstar does not push the industry on innovative solutions, then the vast majority of people out there are simply not going to have the retirement that they want and need.

So, within Workplace, we're also a team of people that come in every day knowing that we can have a positive impact on millions of people's lives. So, we're very mission-driven, but we also know that that mission has led to very good business results.

Historical Distribution Strategy

Historically, we've tried to bring that – or accomplish that mission by working with retirement plan providers, or also known as record keepers. And for those that aren't as familiar with the retirement industry, a plan provider is the entity that administers, or record keeps a plan, a 401(k). So, in Morningstar's, as an example, as a company, our record keeper is Charles Schwab. Morningstar is the plan sponsor, offering the 401(k) to its employees and the employees that choose to save for retirement by going into that 401(k) are the plan participants. And, historically, again, our clients have been the providers. We work with about 30 of them in the industry today. And we've partnered with them to bring our solutions to the end users as opposed to going to the end user directly ourself. And it's a conscious decision we made very early on and it has helped us grow our business over time.

The plan providers have been fantastic clients for us. They've allowed us to scale our solutions much more quickly and distribute them much more broadly.

Product Composition

And the primary solutions that we've partnered with the providers with to get better outcomes to the end user are Managed Retirement Accounts, Custom Target-Date Solutions, and then Fiduciary Services. And each one of these have got people to better outcomes and each one of them has grown nicely for us over the years. And so I'm just going to touch on each one of these and give you an update.

I'm going to start with our Managed Retirement Accounts. Here is what we build personalized portfolios, we provide guidance on savings rate, we give recommendations on when people should retire in the most effective way. And we even give strategies for their drawdown period after they retire. Our assets have grown to about $65 billion across the 22 retirement plan providers that we distribute our service within the marketplace today. And our research shows that people that are in our managed retirement accounts, they save more, they have more appropriate or diversified portfolios and they are projected to have greater wealth in their retirement years than people that are not in the solution. So, just with this solution alone, we're improving how people invest, how they save, and ultimately, how they draw down and manage their money. And we're doing it on a massive scale. We have 1.4 million people that are rolled in this service. This is 1.4 million people that we are actively getting to better retirement outcomes. And we're not done. We basically want to continue to innovate and find new ways to get people to better outcomes than we're doing today. That innovation can come from our research team that's constantly pushing for more appropriate and effective methodologies. It come directly from feedback from the users through the many user studies that we do. It can also be done from the data analytics that we're doing across the Company. We're constantly looking to continue to innovate the solution and get people the better outcomes.

At the same time, that we're doing that, our sales and marketing team is looking to push the boundaries on our traditional footprint in managed account market. Historically, we've tended to be a leader in the small and mid-plan size range, but we're getting a tremendous amount of demand from the larger and mega plans looking for the next evolution of advice. So, we're ramping up our efforts there.

So, as an example, we're expanding what we're doing with the consultant community, because these large mega plans tend to work with those. We're also prioritizing our product roadmap with some features, which we believe will resonate with these larger plans as well. And we're also ramping up our sales and support efforts so that we can increase our growth in this specific area.

Unlike many of our competitors that are out there, we want to serve all plan sizes and all types of participants. So, whether it's a 50-person print shop, that's got $2 million in their overall 401(k) or whether it's a multinational global organization with thousands of employees and billions of dollars in the 401(k), we believe our managed retirement account often can get people to better outcomes.

Next is our Custom Target-Dates strategies, and we're still in the relatively early stages with this service, but we've already gathered about $33 billion in assets. And this service is where we'll take an existing investment line-up and create custom glidepaths off of it, sometimes custom target-date solutions off of that. And what we've seen is these Custom Target-Date approaches can't provide better outcomes than the off-the-shelf kind of target-date solutions that are out there. We created this solution really to provide plan sponsors more choice. So our custom target-date solutions can be used as a standalone offering for employee just to choose from. They can also be used for plan sponsors that want to automatically enroll all their employees into the 401(k) and into a good quality investment or can simply be sit next to a managed account offering, allowing employees further choice.

What does make our service a little bit different than maybe others in the marketplace is we've created, so that it can work directly with large plants as a standalone option or we built it in a scalable way that can go down-market to the smaller and micro plans as well.

And finally, our third core offerings is fiduciary services. Here we work with plan providers to create scalable investment line-ups based on the needs of the specific plan. We'll also take on a fiduciary role and stand behind the line-ups that we help create. We've got about $45 billion in assets and work with almost 19,000 plans for this service. And this was again another big innovation for the marketplace and we realized that if we wanted to help people get to better retirement outcomes that oftentimes starts with getting a higher quality investment line-up in place in the first place.

Additionally, most small plans don't want to take on the role of basically managing a line-up or overseeing it or the additional fiduciary line-up responsibility that goes with it. And the good news is our fiduciary service solves that problem for them.

So, just with these core offerings that we've been offering in the marketplace for years, we are touching millions of individuals and hundreds of thousands of plans.

Historical Product Composition

And that distribution strategy has benefited us very well from an asset growth perspective as well. If you just look at the chart, our Assets Under Management or Advisement have grown to about $128 billion at the end of 2018.

I do want to call out that our assets remained relative flat from 2017 to 2018, but as you know their assets had actually risen by the end of the third quarter of 2018 to $135 billion. But as you all know, the market in the fourth quarter was not kind and that market downturn basically pulled back our assets a bit to where we ended the year pretty much flat. But the good news is, the first quarter of 2019, you've already seen them jump right back up to over $143 billion. And I'd also point out that even though our assets remained flat from 2017 to 2018, our revenue in that period continued to rise.

Historical Revenue

So, speaking of the revenue growth, we've had consistent track record over the years with revenue growth as well. You can see the results on the screen. And we basically broke out the impact of HelloWallet, which we divested last year. So if you focus on the lower half of the columns the lighter section you'll see strong performance that's represented by average annual growth rates of about 9% for us.

The bottom line is that the business model that we've chosen, the decision to work with our provider clients and through those core offerings has grown our revenue consistently over time. And we still feel there is significant growth opportunity with those providers. Ultimately, we've got great product offerings, we've got very strong relationships with our existing client base and we have a growing business.

And that business model has established a strong foundation for us, but it's also established a springboard for further innovation. And there is much more that we can do.

Significant Growth Opportunity

The retirement market as a whole has seen significant growth over the years and we expect that to continue. So across the DC space alone you've seen growth of about 9% from 2012 to 2017 to where we're at about $7.5 trillion in assets today. So it's a good solid growth. And the DOL estimates that today there is approximately 650,000 Defined Contribution plans that cover about 100 million participants.

So in other words the market for our solutions is large and continuing to grow and that's exciting from both the mission standpoint, but also from a business standpoint.

So how do we go about reaching more people. How do we go about accelerating our growth even further? Well, I'd say the first thing is to continue to offer our solutions through that provider channel. That's going to continue to be a focus for us in the foreseeable future. But for us to really expand our footprint and do it in a efficient and scalable way we are going to make some shifts towards the advisor market.

Shifting Role of Advisor

The advisor is playing a much larger role in the retirement space today than ever before and candidly we have not had a separate distinct or direct strategy with them in this area. Because of the shifting role of the advisor the added visibility that's been placed on the individual advisor lots of advisors are looking for help in managing their retirement practice. There is many advisors out there that see a huge opportunity in the retirement space when they look at everything that's involved in order to build a scalable, consistent, and risk managed practice it's very difficult for them to do. But the good news is we can help.

So about year and a half ago we began building out a focused advisor distribution strategy in the retirement space that will leverage our core solutions and our expertise. The strategy is designed to help advisors not only sell new business, service practices but the strategy is also designed to help the end user get to better outcomes.

New Distribution Strategy

So what you're going to see going forward is the shift in our distribution strategy a bit. We're going to continue to work with the providers as I mentioned before, but we're also going to be working with the broker dealers, the RIA firms, and the consultants because the consultants continue to be the gate keepers of those large and mega plans.

For us to be as effective as we want to be and for us to reach even more people than we are today, we need to work with all of these different intermediaries across the entire retirement landscape. And so that's led us to rollout some new offerings to meet the needs of these different channels.

Personalized Advice: Advisor Managed Accounts

First, we have Advisor Managed Accounts. So we believe Managed Accounts, which provide personalized solutions for the individual is the best choice for most individuals in saving for retirement. But in the past advisors were resistant to offering Managed Accounts because they felt the managed account provider was displacing them in the relationship. But our advisor Managed Account solution which we're just rolling out now doesn't displace the advisor at all it actively invites the advisor into the process to play a role in that. And by offering the advisor the opportunity to be part of the Managed Account solution we believe we're going to be able to get personalized solutions to a much wider audience and get people to better retirement. This is also going to be a new revenue source for those advisors and it's going to allow them to add value to their existing client relationships in ways they haven't in the past which is always a good thing.

Our Advisor Managed Account solution will leverage our core managed account technology and our proprietary and patented portfolio selection methodology, but it allows the advisor to play a role and build-out asset allocation models and do the fund selection. We then connect that advisory firm to our network of record keepers and allows for a ton of flexibility and choice.

As I mentioned it's a new solution in the marketplace, but we already have Captrust one of the largest RIA aggregators in the country that signed up as our first client and we had Resources Investment Advisors come out and signup as well and we have several others that we believe will be coming onboard shortly.

This is a big innovation for the marketplace and it's going to allow us to help more investors. It's going to cement our place as a leading provider of digital advice in the defined contribution space and it's going to lead to additional revenue for Morningstar.

Shifting Role of Advisor: Morningstar Plan Advantage

The second new offering is Morningstar Plan Advantage. Morningstar Plan Advantage is our broker/dealer platform that's designed to help advisors manage smaller plans business. Today there is about 234,000 advisors that play in this space. and that advisor for us overseas $1.3 trillion in Retirement Plan Assets. So another big opportunity for us. The Morningstar Plan Advantage platform allows advisors to obtain competitive pricing from recordkeepers to build a line-up within the platform and then manage that plan moving forward. We can then overlay our traditional fiduciary services offering as well as our reporting capabilities. At the end of the day the plan ends up with a better lineup better pricing and a more engaged advisor.

Raymond James one of the largest independent broker/dealers in the country was our first client to signup for this, and we're currently in the process of building out complex data integrations with a variety of record keepers because we want the advisors and the plans that they work with to be able to choose whatever record keeper they want and this platform will allow them to do that. That's going to produce another significant competitive advantage for us because that's going to be very difficult for others in the industry to replicate. And again this solution is directly tied to our mission. We believe this will lead to more plans gaining access to better lineups, better record keeping pricing, something I'm passionate about too is we believe ultimately it will allow smaller plans to offer a retirement plan in the first place.

So both Advisor Managed Accounts and Morningstar Plan Advantage leverage existing competitive advantages and are also helping us strengthen new ones.

Competitive Advantages

So when I look at our business today, I see a variety of competitive advantages that set us up for future growth and success. I don't have the time to go into each one of these in detail, but I do want to call out a few different areas. But I would say it's important to keep in mind that all of these go together and feed off each other. There may be others in the industry that have strengths in a few of these areas, but no one has all the pieces the way that we do.

If you take our brand and independence. We are trying to sell our own proprietary asset management products or get people into our own wealth management services. We are truly independent and that allows us to run our business and make decisions differently than others in the retirement space or look at our provider connections; we have 30 technical integrations with the record keepers, 22 with our managed retirement accounts alone. That's by far more than anyone else in the industry by long shot. And those integrations have not come easily they cost us effort, time, resources but having those integrations making that investment allows us to solve problems in ways that others simply can't.

And then if you just look at the two new offerings I mentioned; Advisor Managed Account, Morningstar Plan Advantage. We're building these data integrations and connecting the plan providers and the RIAs and the broker/dealers it's going to be very difficult for others in the industry to do.

So no other retirement solutions provider has such a diverse set of competitive advantages and we're going to continue to leverage those as we move forward.

Summary

So I covered a lot in a short amount of time here. So, in summary, we're helping more people achieve better outcomes and have better retirements than ever before. We are continuing to build out solutions that will transform not only the industry but help us grow our business in new ways and we're going to continue to accelerate our growth through new offerings and broadening our distribution which will lead to additional revenue for Morningstar.

I'm just going to end my comments with this. We love solving problems at Morningstar and the people that are part of the workplace group here are solving big problems. We have accomplished a lot already to get millions of people to better retirement outcomes and we're having a meaningful impact on the overall business success of Morningstar. But there is more for us to do and more problems to solve and I really believe we are just scratching the surface on the opportunity in front of us. This is a really exciting time for the workplace business at Morningstar and I hope each one of you are as excited about it as I am. Thank you.

Kunal Kapoor: Thank you, Brock. I appreciate that. So, hopefully, you had a good birds eye view of some of the things that we are excited about. I was particularly keen this year to highlight our workplace and data and research efforts because they really go down to the heart of how we think about widening our moat as we like to talk about it, as well as are really trying to empower the investor outcome. The cool thing about everything you saw till today is that these are areas of a business where we are trying to transform the way we come to market and we go about doing things whether that's collecting data, providing research or building some of those record keeper connections that will help advisors.

So with all of that said, we're going to transition now to about 10-minute break. So it's about 10:25 everyone wants to come back in at 10:35. We will have the chairs setup and we'll do the Q&A. And I want to thank, particularly three team members who have a lot to do with kind of making sure that today's event goes well. So before I forget that, Barb, who runs investor relations always does a great job. So make sure you say hello to her. Stephanie, I don't know where you are, right there, who is leading our communications effort kept us all honest on our presentation.

Question-And-Answer

Kunal Kapoor: Okay. We're probably going to go ahead and get started. So, just as a reminder, we are also taking questions over the internet. So, feel free to send them in and we'd be happy to read them out. My only request if you're going to ask a question or send something in over the web is, just please identify yourself. Let us know which firm you're with and then we'll be happy to answer your question. And also, don't feel like you need to restrict yourself to any particular area of Morningstar. We're all happy to answer questions on our colleagues' behalf or also, the rest of the management team is very much in the audience. And as we did last year, if that's something really hard, we'll pass it over to somebody else.

So, with that, open it up to questions.

Jay Warner, Artisan Partners: Jay Warner, Artisan Partners. I was just wondering if you could walk through maybe your agreement with Sustainalytics, the 40% ownership share. What does the agreement look like with them, just meaning, right over first refusal, going forward, any future – just kind of walk through that whole ownership structure please. Thanks.

Kunal Kapoor: Sure. Yeah, so I'm going to let Jason get into the details; but just as a reminder, Sustainalytics is the firm that we own about 40% of, they are based in Toronto. They specialize in ESG data and research and they basically underpin our solutions. And so, we entered into this agreement with Sustainalytics about three years ago. We have representation on the board. Jason, I'll turn it over to you in terms of the specifics that you're comfortable sharing.

Jason Dubinsky: Yeah. Look, I actually don't know whether we should -I'm looking at Pat here [Maloney, General Counsel] or we've shared publicly there other than I think we've got – we've got an ownership agreement and then we have a commercial relationship. Actually, our ownership – we just put more capital into Sustainalytics. Our ownership is still north of 40%. So, we report that on an equity basis in our financial statements. And then, we have a commercial relationship where there's a combined – a joint go-to-market approach. And I think, my product colleagues can talk about that here where we've got specific revenue sharing contributions depending on the channels that we are serving. And that's how ultimately it flows into our financial statements, one, on an equity ownership standpoint, but also the commercial relationship that we're tied up together. I don't know if I can comment specifically on change of control in the agreement. I don't think that's public information other than, I'd say, we're very pleased with the structure and the partnership that we've got with them.

Arthur Baptist, Golden Gate Capital: Arthur Baptist with Golden Gate Capital. I just had one on the license-based business. The organic growth there has been really strong over the last couple of years. I know you guys give good disclosures on which products have been driving that growth. I was wondering if you could talk about it a little bit from kind of an end customer or market segment that's been driving that growth, like, how does your business break down between some of the big channels, be it RIAs or the broker-dealers, and then, which channels have been especially driving that growth. Thank you.

Kunal Kapoor: Okay. So, thanks for that question. I will start by answering it and then Tricia, I think, if you want to supplement a little bit. So, not unsurprisingly, if you look at the sources of organic growth, I think they tend to mirror the underlying customer segments within the licensing business that are also growing fastest. So, PitchBook is our fastest grower in the licensing space. And so, not surprisingly, from a user type, both the private equity firms and venture cap firms, are among our faster-growing when it comes to adoption of PitchBook. We've also seen a surge of adoption of PitchBook at corporations. And the way that I would describe that is that increasingly if you're running a strategy function at a company, you might largely have spent your previous years concentrating on the public markets, but increasingly, you are paying attention to what's happening in the private markets and you have an interest in doing that, and so, you are purchasing PitchBook. So, we've seen pretty significant growth in that regard.

In the space occupied by Morningstar Direct, much of the growth for Morningstar Direct has continued to come from asset managers but we've also had success in the last few years with RIAs. I would say that on a percentage basis, it's still relatively small, but it is a meaningful growth portion of what we've been able to do in that regard. And I would just add, as it pertains to both PitchBook and Direct, we've seen good growth outside the U.S. as well and that growth has not just been restricted to the U.S.

Tricia Rothschild: Yes. I would say we think a lot about users and user groups and how those users are getting their problems solved through the products that we bring to market. And there isn't always a one-to-one match between a user and a product. So, Kunal's point about RIAs; RIAs use Morningstar Office as their end-to-end performance reporting and practice management offering which includes our research and data. As Haywood said, RIAs also use Direct from an investment management, portfolio construction, portfolio analytics point of view. Asset managers also use Direct as it relates to analyzing their lineups. I think Kunal mentioned our Investor Pulse offering. So, as you can see, trying to match the products to the user in a one-to-one basis is kind of hard but actually it's the suite of offerings that serves the multiple jobs that folks do.

And I would also say that we are really conscious of how the jobs that these users are doing are changing. So, Advisor Workstation generally serves a broker-dealer type of advisor, an advisor affiliated with a broker-dealer. Those advisors have historically done a lot of portfolio construction. They also use Advisor Workstation to do things like proposal generation and hypothetical illustration and really importantly, reporting that is FINRA-approved. So, the jobs that a client-facing advisor might do might change and we are adding more capabilities to Advisor Workstation to help support those new jobs which are often financial advice related and then some of the other jobs that they did around portfolio construction shifts to the home-office, which would mean that Direct for wealth management would play an important role with that user group as Direct for wealth Management serves the home-office and those home-office folks are feeding models and portfolio construction guidelines to the advisors that are in the field.

Kunal Kapoor: Again, I would just add, as it pertains to the data part of our business, which also rolls into the licensing area and has been a significant source of growth. I wouldn't say that there is an emergence of new user types potentially today. But I think one of the things that maybe is less well-appreciated outside Morningstar is that we have a pretty significant channel with, what we call, redistributors as well. So, when you see a lot of FinTech firms starting up or when you see others building solutions for advisors for instance, you'll often see that Morningstar is the intelligence inside. Haywood had a little bit of that in his presentation. And so, that has been a significant way that we've been able to grow around the world with the data business as well.

Will Slocum, Golden Gate Capital: Hi, Will Slocum with Golden Gate. Could you walk us through the cloud migration strategy that you're talking about in terms of your data warehouses you say are part way through and you are going to get there in terms of – I don't know if you could give any sense of duplicative costs this year and how that comes down or how far along that is and what that looks like.

Kunal Kapoor: Sure. So, let's take a two-pronged approach to answer that. Jason, why don't you answer it from a financial perspective and Tricia, why don't you answer it more so from the strategy perspective on the product level.

Jason Dubinsky: Yeah, maybe I'll separate the two. So, we're moving applications like Direct and Office to more web-based versions. So, we sometimes refer to that as Cloud, but we're also doing a cloud migration of our physical data centers to Amazon. So, I want to separate the two. The second is very much infrastructure-based and a lot of our new products will be housed on the cloud, but that is more of an on-prem to cloud-based migration of our technology infrastructure; different from the migration that we've got of clients from Desktop to web-based applications. So, I'll let Trish cover that.

Tricia Rothschild: So, on the product side, the upgrade, which we prefer to call it than a migration, to our web-based capabilities allows us to provide a faster, more responsive and more consistent offerings to these users. As I just described, one user or user type might use multiple offering from Morningstar. As their jobs have converged and roles have changed in the industry, we have seen an increased need for people to use multiple products. And we previously before our upgrade had all many or most of the calculations and methodologies were contained in the applications. And as a part of our move to the web-based versions, we have rearchitected on the data and how those calculations are performed. So, there's a data parity issue, a data calculation consistency effort that has been ongoing and we are well along our way to being able to quantify how much further we have to go in that regard. So, it's a data story as well as a software and usability story.

And on the software and usability side, we have about 40% of our users who have access to both versions, accessing both. Our strategy in this regard is not to have a magical day when we flip a switch and everybody has moved over to the new version which we believe is not the best user experience, but rather to allow our multiple user types to take advantage of the offering that best suits their need and then incent them or entice them to move to the newer version which is where we have included more of our investments. So, the investments that we are making on the research and data are showing up in the Cloud version, first and foremost; so, our strategies, with the Mercer partnership, our ESG calculations. Those are the kinds of things that we are debuting – the risk model, we debut in the web-based version. And that has so far worked really well. We are upgrading our office user base into the cloud and adding more features, including our model marketplace, which allows RIAs to be able to provide a more scalable and consistent investment construction process using models for clients. That's been a very popular shift in the RIA business model as well. So, we've been incenting folks. And the timeline in total is at least a couple, two, three years, because we want to make sure that the data that our users have stored in their Desktop version is migrated seamlessly to the Cloud-based version so that they can continue to do their jobs without any gap in performance or workflow.

Jason Dubinsky: And then, I would say that, coming back to what I said before, those applications being in the public cloud versus on-prem are going to allow us flexibility and speed to market adding functionality and new capabilities, user experience and functionality for the end markets that we are serving. So, there is investment going into both of these products to develop the web-based versions and then our public cloud infrastructure. But housing a lot of these applications in the cloud is going to be much better for investors and our clients and customers over time because of the flexibility that it affords and the speed to market which we will benefit from.

Will Slocum, Golden Gate Capital: (Question Inaudible) … to the public cloud?

Jason Dubinsky: Yeah. So, it's a multi-year timeline. We're in it currently and shifting on-prem data centers to the cloud. So, I think, we are trying to reduce capacity by over 50% of our current on-prem facilities. Some will be still be housed there just given the nature of some of the data that we have. But I would say we are looking over the next three years to have a migration and doing a data center-by-data center not just a lift and shift but making sure that we are architecting things right in the cloud the first time.

Don San Jose, JPMorgan: Hi, Don San Jose from JPMorgan. I was just wondering if you could elaborate a little bit more on organic growth investments. I think, Jason, you mentioned some of the high-growth areas. So, presumably, this is headcount. Maybe talk about it functionally whether it's engineering or analyst. And then, just maybe geographically any other color around probably the rate of headcount growth going forward.

Jason Dubinsky: Yeah. So, you're right. When we talk about investment here, absent some of the infrastructure that I just spoke about, we're people, it's a people-intensive business. So, I think, where you've seen a lot of the investments to support growth, especially in some of our data software applications that you've seen, is first in a lot of what Haywood and Frannie talk about, we're adding a lot of folks in data and technology and outside of the U.S. So, you've seen a lot of growth in Mumbai, India, for example, to support a lot of the work and infrastructure, so things like data collection, software development. A lot of that now is happening outside of the U.S. and that's where you've seen fair amount of investment to support the product initiatives that you've had. We're also, I would say, investing in a lot of automation. We talked about AI and robotics. So, yes, it's good to add people, but we want to make sure they are working with the right tools to continue to drive efficiency, one for cost sake but also speed, to make sure that we are gathering data and getting it into our products and solutions out to clients pretty quickly and effectively.

I'd say a lot of the other investment that we're talking about is, what I'd say, more go-to-market resources; so, in sales, in marketing support, in client support, so we can scale. That's both here in the U.S. where we see opportunities, but outside the U.S. where we can leverage a lot of the capabilities that we are developing in outside of the market. So, a lot of headcount growth last year was in sales, product support, marketing resources to make sure we can do that. And a fair amount of that is related to PitchBook. So, if you saw a lot of the headcount growth last year and even this year just given the incremental return that we're seeing on that investment and the phase of PitchBook growth in its product lifestyle, we're investing heavily in go-to-market resources to expand not only here in the U.S. but outside of the U.S. as well.

Kunal Kapoor: Yeah. So, Don, I think if you remember, last year we talked specifically about making investments in equity fundamental data. That has continued to be very meaningful. On the PitchBook side, we have also migrated all their outsourced data collection and insourced it. So, we're now collecting that data ourselves. They were working with multiple firms and we're kind of doing that ourselves now. And so, I think that's more efficient model for us as it pertains to that piece. When you look at where we're growing, Credit Rating and Indexes, those are areas we've made investments; Investment Management and Retirement are both areas – Workplace – sorry – are both areas as well that are growing fast for us and that we think when we look out multiple years, we can see a lot of further opportunity.

And then, delivering on the licensing side as well that's incredibly important when you think about the core of our business. I think we've built out, for example, to support a regulatory use case. I didn't touch on that earlier, when there was a question around user types. But we have more of a regulatory use case for a data than we ever had before, particularly in Europe. And so, we've made those types of investments. And I think we continue to have robust internal demand for further investments, but Jason and I try to think about it from the lens of making sure we're balancing both growth and investments over time.

Jason Dubinsky: I would say, we're not – while we're – we try to make sure we're making the right investments in managing things appropriately and we certainly look at our cost structure and cost base. I think we're making sure we're adding incremental headcount in the right areas where we're focused on generating the right long-term growth and returns. So, I'd say, when you ask about headcount growth, I'd say we don't have specific targets. We're going to make the right investments as long as we have the right growth path that's visible that we can support.

Terry Brady: Yes, I'm Terry Brady. I feel out of place here with all these financial executives.

Kunal Kapoor: You should feel right at home.

Terry Brady: Yes. I am a shareholder. I invested in this company because it looked like a good investment. I'm basically a retired professional from a non-financial company, so I'm kind of out of my realm here. But I did go through your shareholder letter – probably this is one of the best annual meetings that I've been to in many, many years.

Kunal Kapoor: Thank you.

Terry Brady: Very informative. But going through your shareholder letter I had one question – there were several questions that came up, but one big one. These private companies, in other words, the companies that aren't public, you've mentioned that you have a big presence in there, your PitchBook, I think that's right.

Kunal Kapoor: Right.

Terry Brady: In that industry. But I don't understand that there is no public market for those companies, but what is the industry and where does Morningstar fit into that. In other words, how are you implementing it rather than gathering a good database for if they ever go public, you mentioned that. But beyond that what is Morningstar doing and how are you making money out of it? What are you doing there?

Kunal Kapoor: That's a great question. Thank you for asking it. Don and I were talking during the break and Don was saying that coming in from O'Hare yesterday he jumped in a cab with someone he knew who worked at a healthcare company. Can I say this public? And immediately, they were talking about how things were going, and Don asked, so what you use as your source – and tell me if I am not telling the story correctly. And the person immediately said, I'm using PitchBook to validate our valuation, how we are doing in the market, when we got to raise money, how we do it. So, if you think about it, what PitchBook really has is an extensive database around private companies, when they raise money, how that money has maybe moved from the private to public markets and increasingly, it has more and more equity fundamental data around the public market. So, we're painting this picture for a company like, say, Zoom or Lyft where you can basically see how it's done over its lifecycle and we're now starting to put Morningstar research into it.

So, it's being used extensively by those who are doing work at private equity firms, venture cap firms, corporate strategy, increasingly being used by buy-side money managers who cannot, for example, look at the healthcare sector and just assume that if they look at all the universal public companies that they've been able to cover all the likely competitors, you have to look in the private space as well to get a sense of it. So, there is an expanding number of users in that regard. And you know, as we've talked about, we see a pretty big opportunity with this convergence of public and private to really aim PitchBook directly at some of the legacy players that have largely provided public market data and research into the buy-side.

Haywood Kelly: I would just add to that. If you look at the number of public companies, it has been decreasing for a while now. More companies are staying private longer. From a research perspective, if you are analyzing an industry now, you have to be able to keep on tabs of what's going on in the private company sphere. So, our equity analysts are heavy users of PitchBook. We're starting to see these companies pop up more in portfolios as well, so institutional portfolios. So, marrying PitchBook's data and research, it adds to our research capabilities and makes us stronger there, too.

Kunal Kapoor: Did that answer your question?

Terry Brady: It does. Yeah, you sort of filled in a little. Yeah, it gave me a little better feel for what you're doing there. Basically, you're providing data to anybody that needs it is how I understood what you said.

Kunal Kapoor: It's a good summary, and it's delivered in a software package.

Terry Brady: Yeah.

Kunal Kapoor: This is how you think about it. So, you subscribe to PitchBook.

Terry Brady: Yeah. It filled in my gap. Thank you.

Kunal Kapoor: Great. Further questions? There is a question right up here.

Arthur Baptist, Golden Gate: I was just wondering if you could talk little bit about how the salesforce is organized across the business. I mean, you have so many different products, is it kind of organized by product, by region, by customer type, just how do you go to market?

Kunal Kapoor: Well, Danny has been waiting for a question. He asked me last night what question are you going to send over to me. I said, Danny, it will be really obvious one. So, I think this qualifies Danny as an obvious one. You want to just come up and answer that question? Go to the mike there, Danny.

Daniel Dunn: Thanks for the question. This actually – this feels more like a research question, so I'm going to handover to Haywood… It's a great question. So, we look at our coverage model from the perspective of geography of segment, of client propensity to spend, client current spend and even client sort of complexity of spend. The way we structure our salesforce, and as I think about, I think I had a question out here earlier about how do we look at sort of cross-selling? So, maybe I'll answer this question through that lens. It starts with looking at the segments, the buyers in the segments and then the jobs to be done in the segments. And then, we look for the natural sort of adjacencies within our portfolio to solve their needs. And then, what we do is, we look at the sales coverage model, then we look at the enablement requirements and then we look specifically at incentives.

What I would say is that in our licensing business, the adjacencies are most obvious, right. So, are we looking at what dataset, how can we cross-sell against another group for another dataset, how does that work with our software? And so, that's where it's most obvious, and we have those teams structured with a lead relationship rep and then different specialists who cover the special requirements underneath that.

If I go beyond that though, you hear presentations like Brock's presentation, our business is diversifying. And so, then what we look at is, it might not necessarily be a workflow integration, but it might be a Morningstar cross-sell through relationship in our reputation. In that case, what we like to do is, first, it starts with enablement and then it moves into incentives, right. And so, for me, what's really key there is making sure that people are prepared to talk and can engage with the right clients, they are enabled to do that and that their incentives are in place, they are the right incentives to drive the behavior in the activities. So, in general, that's sort of the model we have where we have the longtail of our business, it's much more transactional in nature and so very much specialized sales there as soon as we get into our more complex client environment, that's where we have a typically an account executive and then multiple specialists underneath that. So does that answer your question?

Arthur Baptist, Golden Gate: (Question Inaudible).

Daniel Dunn: Brock, we can kind of tag team on this. So, the first thing is that…

Kunal Kapoor: Dan, can you just repeat the question for…?

Daniel Dunn: Yeah, the question was specifically within Brock's business in Workplace as he diversifies that portfolio, what does that mean for how the salesforce is organized and how they do their work. So, first, I'd like to reinforce that our commitment to his core business of managed accounts, no changes there. What he is doing is looking at ramping up consultant relationships because that's a big opportunity for us to move that core business into larger mega plans, as Brock hinted to. Where we get into these other capabilities take Morningstar Plan Advantage or Advisor Managed Accounts, we are now reaching a different segment. We're currently staffed so that those teams can go in there but when I talk about kind of cross-team incentives, take the broker-dealers, for example. Our traditional license reps have access into those relationships, not just domestically, but globally. And so within the U.S. what we look at is how do we want those teams to be able to carry the bag that is Brock's as well and so we look at teaming incentives and things there. So, it's an evolution. I'd say our coverage model, in general, is far from static, it needs to be constantly reevaluated.

Another example would be initially with PitchBook, they run their own salesforce and that's the way we want to continue and accelerate their growth, but increasingly we're seeing clients in our traditional segments have interest in those capabilities. And so we create cross team incentives to do that. But in general, what I would say is first you want to look at enablement. We all believe no matter what group you're in, you have to be enabled at Morningstar. I don't care if you are in product marketing or sales, you need to be able to speak to the portfolio; so enablement is first. Second is what we can we do with just incentives to drive the right behavior. And then third is do you actually need to reorganize how the sales teams are structured in the field. So, I don't know if you want to add anything to that?

Brock Johnson: Nothing. Not a lot to add. But I would just – the only thing I would say is that we see continued specialization to be needed there. So the recordkeeping business is pretty complex. The retirement industry is little bit unique and the recordkeepers and that side of it, even though it's going distributed through an advisor, that still going to play important role. And so we need the people that are out, talking to them to understand the recordkeeping side, the traditional kind of retirement business, so there is always going to need to be a little bit of that, added specialization.

Kunal Kapoor: I think part of the question, Brock, perhaps was also if you think about building a specialized salesforce to go to advisors as you sign them up?

Brock Johnson: Yeah, I mean, we have I'd say with the folks that have come onboard right now, we feel really good about kind of the way we've structured the sales and support model but it's going to be evolving and growing. And I was talking during the break, the interest for the Advisor Managed Accounts, in particular, right now is significant and we're going to have to ramp up what we're doing from a support effort and I do think you will see us going forward, get some more specialization in that retirement advisor channel.

And maybe another point to kind of tag on to that is that we're not necessarily talking here about advisors the way that most people think of like a wealth management advisor, we're talking about the folks that in a lot of ways are specializing in the retirement space. So it's kind of subset of the overall broad advisor market that we're looking about here and so we want to basically make sure we're meeting the needs of that subset because they are the ones that are going to really be driving the growth for us.

Kunal Kapoor: And one thing on the topic of how we organize our salesforce, and this feeds back into your question too, Jay, a little bit is when there are certain areas where there is unique expertise needed, we will supplement with specialist. So, ESG, indexes we tend to have specialized sales teams that support the enterprise staff. And in the case of ESG, for example, oftentimes the Sustainalytics team will come along with us for those pitches as well.

Daniel Dunn: Yeah, that's right. I guess, I would just close with. If you look at the evolution of any company as it starts it might be a single-product company, therefore your generalist is a specialist, right. As the portfolio grows, you have many specialists, but at a certain point, clients want to interact with the key strategic account leader, right, so if you think like a Salesforce.com model as they acquire and build out capabilities, they have a lead account exec and then they have those specialized salesforce. And that's what Kunal alluded to as we look at capabilities that are deep and require expertise like risk model, ESG, market data, tick data those are all areas that we have deep specialization and then we expect the client executive, the lead account exec to be able to take that discussion deep enough, articulate the value and then bring in the expertise when we need to go deeper. So, that's how we do it and – but it's an evolution we'll keep evaluating.

Will Slocum, Golden Gate Capital: Will Slocum, Golden Gate. Just coming back to 2016 and 2017 and 2018 and the progression, so 2016 growth slowed down, 2017 growth picked up, years of reinvestment in growth, reinvestment in employees really thinking through the strategic initiatives and driving that and you saw the pickup in growth in '17, in '18. Do you feel like or how do you – has there been a step function in growth in terms of how you look at the business and how you can grow and are you investing behind that growth on a continued basis or were there just a collection of good things that happened in '17 and '18 with good equity markets etcetera that sort of drove that uplift in growth it maybe more towards the license side because we know the asset management side is going to move up and down with the markets?

Kunal Kapoor: Jason, do you want to start?

Jason Dubinsky: Yeah, well I'd say that in terms of step function and maybe, first, we've had a pretty long bull run here, so good equity market is not necessarily a guarantee for good growth. So I'd like to think that we've made some pretty smart investments and now you're seeing those bear fruit, especially last year heading into this year and the momentum in the business. So I think those are – I would say, those are the right conscious decisions and not predicting are we at a steady state or what the run rate is. I think we're pleased that we've got visibility into the business and we're making the right capital allocation decisions for the long-term.

But I'd come back to that balance that I spoke to in my prepared remark and making sure that we're doing the right thing in the short-term for the long-term. So, there maybe years where we see future opportunity that we invest more heavily because the opportunity is there in front of us and we have conviction around and we can execute against it, another years where more profit may drop to the bottom line, but we're going to make – you know, we're going to make the right long-term decisions. But I would say this year what I said before we had the benefit of making some I'd say some smart decisions in the last few years and you see those bear fruit and given the assets we have and I think we're getting back to focus and solid execution with Kunal's leadership.

Kunal Kapoor: Yeah, I mean, it's interesting you asked about the step function and growth and you said maybe concentrate on the licensing businesses and I think that's true and we spend a lot of time talking about them, but I would actually also suggest that we're pretty confident about some of the things we're starting to see in businesses outside the licensing area. So, whether that would be, for example, confidence in our Credit Rating strategy and what we're trying to do there I think that's beginning to be more positive. Looking at some of the things that Brock talked about like Morningstar Plan Advantage. We've actually been investing in it for multiple years. We're at a place now where we think we have something that's super exciting and it's kind of at a tipping point.

Same thing with indexes, right, like it takes time to form a base you kind of keep investing in it and this year we ramped up our investments because we kind of now see that path where it's kind of hit the base and can start growing faster. In Daniel's business in investment management side, we're starting to build out our own capabilities much more fully. So there is a lot of interesting things I think going on outside the licensing side too for us and we're certainly expecting some big things out of them as well. So, there is no shortage of investment opportunities here that's always the fun thing, I think.

Jason Dubinsky: It's nice to see a year where every – if you look at last year almost every product area moving up into the right, so that's not given every year, and we want to make sure we do the things that are in our control for the long-term. But last year was positive as you saw lot of things moving together in the right direction.

Terry Brady: This is Terry Brady again. You just mentioned something that triggered up one other question I had and that was index funds. You mentioned in your letter that you have free index funds that you've made available to anybody that wanted them for no cost, I'm assuming you're doing that because it opens the door of opportunities.

Kunal Kapoor: You're correct.

Terry Brady: You kind of triggered into that. Maybe this a dumb question, but you sort of brought that up in the final comments on the last question and I was kind of what are these opportunities? How are you making money out of giving away something for free? I know lots of companies do that in different industries, but how are you…?

Kunal Kapoor: Tricia and Haywood have both been waiting for this question.

Tricia Rothschild: I'm happy to start. I think our index business represents such a tremendous opportunity for Morningstar and for investors, because there is a lot of room for improvement, in my opinion, in how investors and the assets managers and advisors that serve them access appropriate benchmark. So, if I were in your shoes, I would think of our index business in two different ways. We have – we provide our indexes, not an index fund, not an investable product, but the index itself as a benchmark. Think about a benchmark you might know like the S&P 500; Morningstar has an alternative to the S&P 500 that we are making available for free as a descriptive benchmark to help people understand how what they own has performed relative to that benchmark. And there has been – in an environment where fees, in general, are coming down, many index providers that you might know about are actually increasing their fees to provide what we think is largely a commodity offering. So, the disruption and the innovation that we're bringing to market on the benchmark side of our indexes is really to provide a high-quality service that people generally need and value at a lower cost. So, that is where the free index part comes in.

We also use our research, which comes out of Haywood's group to create what's called strategic beta indexes which are rules-based investment strategies. The advantage here is that a fully active mutual fund adds a lot of value, can add a lot of value, generally has a certain fee structure. A strategic beta index can take some of the investment principles or the IP that comes from a researcher and deliver it at a lower cost through a rules-based mechanism. And that's called a strategic beta index. And those we license to asset managers like VanEck, as I think Haywood mentioned in his talk. And from there, you, as an investor, could go invest in MOAT, the ticker MOAT which is based on our research and get access to our thinking in a lower cost way than say an actively managed mutual fund. So there is two parts to the growth in our index strategy, and it's also global. We are launching indexes in Asia, in Europe. There has been quite a bit of demand. We embed our ESG research into our indexes to provide better sustainability options, carbon risk ratings and things like that. So, it's really been an exciting part of our story and very much aligned with our mission.

Haywood Kelly: I also need to point out that guy who runs index products is sitting right next to you, in case you...

Tricia Rothschild: Oh, yeah, I didn't see him there.

Terry Brady: I kind of missed you, where you make money out of giving them away. Where does this open the door? Is there giveaway plus a licensing or something in there, where some money comes back in rather just giving stuff away and hoping everybody likes it?

Tricia Rothschild: Sanjay, you can go ahead and answer. You've got the Mike.

Sanjay Arya: Sure. So, I think there are three different ways we actually are looking to monetize this or leverage this. So, you know first and foremost, I think this is, as Tricia mentioned, I think there is some egregious behavior from the incumbent index providers. I think they've increased their fees, so it gives us an opportunity to build – strengthen our strategic partnership with a lot of clients we already serve directly or through our software products. The other is – I think it helps us gain a bigger network effect of our indexes, which you know we've had these indexes for 17 years and we are finally getting out there and kind of telling the story. In this environment, I think a lot of people are willing to change their indexes in the past, nobody wanted to change their benchmarks. And third, I think we – as alluded to both by Kunal and others, JPMorgan is a great example where we are trying to be disruptive on the pricing side, if somebody wants to create products kind of more beta products, I think we can actually be much more cost efficient and help them, you know be the leader in that space as well. So, we've had number of providers in the U.S. and Europe and Canada, who actually have licensed beta indexes to create investment products. It's small fee, but again I think this is something which we were not able to partake in the past given the environment we are in today. I think that open up a lot of opportunities for us a well.

Kunal Kapoor: Yeah, and today we really haven't sort of spent much time talking about this trends towards personalization that is sweeping all parts of life and we think it's going to sweep financial services as well. And when you think about having and indexes capability and how we could use that to deliver personalized advice including you know someone's ESG preference, for instance, or other preferences that they may have. And then really starting to be able to connect the investment plan with the financial plan. We're really spending a lot of time thinking about those pieces. And I think Morningstar is relatively uniquely positioned to be able to connect those two pieces.

Barbara Noverini: And just as a reminder, people listening to the webcast can email questions to investors@morningstar.com, we did get one. What is the normalized level of operating margins with all the acquisitions and divestitures. Recently, PitchBook came in at a lower margin, but has scaled quickly. Is Morningstar a 30% plus operating margin company?

Kunal Kapoor: Jason, gets this question at least once a year.

Jason Dubinsky: That's good. I tried to get ahead of it in my presentation. But yeah, I'll reiterate some of that too. You saw the operating margin growth this year I think – and that's helped by a lot of the strategic initiatives and the growth that we saw, so a lot of those key investment areas were adding a disproportionate growth year-over-year to that operating margin that we saw last year. We don't necessarily have a specific target because the mix of our business changes and maybe impacted by things like M&A, like PitchBook did. But overall, we continue to focus on making sure we can grow margin over time and create that sustainable growth model where revenue outpaces expenses by a degree that allows us; one, to reinvest capital back into the business, but to take some to the bottom line. So, we're pleased where we are. Comparability is tough because our mix of business changes versus us vis-a-vis competitors. But we do look at competitors and how they shape up to various product lines and we think generally we compare pretty well, when we look at our various product lines to a lot of our competitors that are more pure play in the products and segments that we serve. So, we're focused on margin. We wanted to go up over time, but we don't have a specific target, other than making sure we're creating sustainable growth.

Arthur Baptist, Golden Gate: Just as you were talking, it made me think of it. I guess, if we hit kind of a moderate recession or a bit of a slowdown here. I'm sure you guys have kind of modeled and thought through this, given there is parts of your business that are more kind of mission critical and maybe parts that are more discretionary spend. But as you just kind of think about going through a modest slowdown period, how does your – the different lines of your business perform on a revenue basis. And then can you hold margins kind of through that period?

Jason Dubinsky: Yeah, that's a good question. I haven't modeled Haywood's robot apocalypse yet, so I'm going to try to figure out how we do that. So, I think few things and maybe I'll start by area. So, license-based tends to be obviously more recurring and well, I would say that it's not recession proof. The more that we're embedded in workflows and core to the work that asset managers or advisors do, I would say, there is less risk in those categories, or they are not immune as people may cut back budgets and discretionary spends for spending on our software and data. But that provides I'd say some a good foundation to continue to provide strong cash flow in those – in downturns or cycles. That's little bit different in asset-based and transaction-based. So, with workplace and investment management, obviously, market cycles and assets under management, given the fact that we've got basis points attached to assets are more variable. Although, we do have some base level fees in some of these areas that provide some protection, but those will tend to be more variable. And where we do have fixed costs that we wouldn't necessarily make rash decisions on in the event of a downturn because we are focused on the long-term. So, to the point on holding margin, it's a little bit more difficult in some of the asset-based businesses, but we have a strong foundation with a long-term growth mindset.

The transactional areas too are sometimes market dependent, so credit ratings again is – it's a fee-based model for new issuance and we can't control for the credit markets. This year, obviously, when they're doing well, we performed well, but that tends to have more fixed cost and hard to absorb in those downturn. So, that's where you'll see some margin compression in that regard. And with ad sales too and our transaction based you're seeing some tightening of budgets even this year with certain of the asset manager that advertise on dotcom that's a pure – that goes right to the bottom line on that transaction-based revenue.

So, it's different by business, but I would say that's the benefit that we've got of diversification across product lines and globally. So, in a downturn, sure we'll see some margin compression and we'll have to make the right decisions on variable cost. But I would say our long-term focus, as well as, the strength of our balance sheet today gives us lot of comfort that we're going to manage the business prudently to give us the flexibility to manage the right way in those cycles. And play offense too, so that's the benefit that we have in these cycles that we can look for opportunities to continue to invest in the business or take advantage of depreciated asset values out there to potentially be an acquirer of choice. So we can find opportunities when market cycles maybe down.

Kunal Kapoor: I think that last point is supercritical in terms of how you should think about us in the way we think about managing our business. We want to manage the business in a prudent fashion. And sometimes that prudence means being particularly aggressive when others are heading for the exit. So, whether that's our investment philosophy or the way we think about investing in business, some things we've built over time, we have done at particularly poor times in an economic cycle. So, whether you look at when we got into Investment Management fully particularly Managed Portfolios, or when we got into the Credit Ratings business it was right during the financial crisis, because we thought the Big 3 had done a particularly poor job with their work. So, we tend to be opportunistic in those types of things, although as I've learnt over time, no one ever wants to sell their business for a value price. So…

Barbara Noverini: Hi. Here is another question that was emailed in. Total employee growth since 2013 has outpaced total revenue growth and the Company is operating at a lower profit level today. Is the Company now at a place to drive operating leverage?

Kunal Kapoor: So, I mean, I think without having the data in front of me, I won't refer to exact points, but much of our growth in the last couple of years has been in our development centers. And so we've made some pretty significant investments to ramp up data collection, for example, for PitchBook, and an equity fundamental data in Mumbai, as an example. We've also in Europe been investing in Madrid, as we've kind of moved more data functions to one central location. So, we've certainly – one of the reasons you've seen headcount go up faster is because we've had investments in those areas. But that doesn't necessarily mean that there has been a commensurate increase in costs associated with delivering some of those products.

Where costs have increased, it's because we have chosen to invest more heavily in areas that we see some really good growth opportunities. So, we have made investments, for instance, in sales to support a number of areas of our Company. Primarily, of course, you've seen them happen in PitchBook; you've seen investments in the Credit Rating side; you've seen investments in Daniel's business as well, Investment Management. So, we've certainly upped the ante as it pertains to that part of our business as well.

Brad Moldin: Brad Moldin, Fidelity Investments. I mean, you have already alluded to the fact that valuations are pretty elevated across the M&A landscape, but I mean, we have seen cash on the balance sheet continue to grow over the course of the last few years. And I just wanted to get a feel for how you think about long-term optimization of the balance sheet. And is this just what we're seeing now just a function of your view on just the financial landscape and where valuations are?

Kunal Kapoor: Yeah, do you want to, Jason?

Jason Dubinsky: Yeah, and maybe clarify the question more valuations as it pertains to M&A?

Brad Moldin: Yes.

Jason Dubinsky: Okay. So, I'd tell you – back to the point, we're going to be prudent and even where valuations perceive could be higher or low, we're still going to make the right choice based on the returns that we can generate from the acquisition. As I mentioned, we're certainly looking at opportunities. There is a lot of flow out there. Things have to have the right strategic fit, right cultural fit, and returns – returns are important. So, we haven't seen anything those – that will fit those criteria of size that we have acted on, but I'd say that we continue to look at a lot of opportunities across segments and across geographies.

In terms of the balance sheet, we've had a use of cash the last couple of years repay debts, our balance sheet is a lot stronger. Our cash position because of that has been relatively stable. Our goal over time is not to accumulate hordes of cash, we want to put it to use either in the business or for M&A. And if not, we'll make the right decision and then return it to shareholders. So, we don't have a cash accumulation strategy. We want to be prudent, and we have balance sheet capacity today and we are going to make the right long-term decisions.

I think the other thing to make sure when you're looking at our cash balance is not all of it is here in the U.S. So, you look at a $350-ish million cash balance today, about 60% of it is outside of the U.S. We've been working on plans and you saw in our 10-K filing last year that we were able to repatriate some of it. But where the cash is also dictates where we may be able to deploy it. But I think we've been pretty aggressive at least with our U.S. cash putting it to use in the business, paying dividends, buying back stock or paying down debt this last year.

Kunal Kapoor: Yeah, I would say, in general, the valuations do seem elevated to me at least and when we look at the flow of activity, particularly in what I'll sort of call wealth technology. I am relatively surprised that the pricing that people are placing on certain types of acquisitions. So there is certainly some capabilities that are interesting but relative to the revenue that they bring along with them and also comparing them to organic opportunities that we have it's been hard to kind of make the case that we should deploy them in a way that I think you would happy with. And so at the end of the day, we are all shareholders here and so we come at it with a shareholder-oriented mindset. And I would just say that I'm always happy to look at all sources of growth but we've got to have a very convicted reason for making acquisitions, not just because the financial part of it the cultural part of it is pretty important right. To the company like Morningstar, we don't want to bring in a culture that's not going to gel well and I spend a lot of time think about that.

Barbara Noverini: Okay, we have another emailed question. Tricia mentioned the product portfolio would be fully upgraded to the cloud-based platform in two to three years what challenges are preventing you from moving faster, especially in such a competitive market?

Tricia Rothschild: So I would actually say it's a choice rather than something that has been imposed on us as a challenge. There are – we review other firms and other industries, Adobe other firms that have gone and our equity analysts have actually helped tremendously look at other SaaS providers. And as they've gone through upgrades to a web-based solution from a desktop what mistakes have they made what benefits have they seen and I think there can be risks in moving too aggressively; namely in the case of client attrition. So it's a measured approach. We have set aggressive goals. We are being very clear on what types of users can be upgraded at what time in order to not disrupt their use case or their workflow. As I mentioned before this has a lot to do with how they access our data through the platform of choice where the calculations are made. And as we ingest new data sources, we are putting them directly into the web-based version which is part of the incentive. And at some point, we do have the option to use things like price increases on the desktop version to further incent people to go to the web-based version. But at this point we believe that what we have laid out in terms of our timeline is the most I would say thoughtful approach to ensure that we are not at risk for heightened client attrition and are still adding value that the customer can see to the web-based versions.

Closing Comments by Kunal Kapoor

Kunal Kapoor: Any more questions. Remember this is the only time of the year you get to grill us in-person. Anything else? Going once.

Okay, well, I want to thank all of you for taking the time to come out to Chicago today. We really appreciate your partnership with us. We think we have a special firm and we think we have special shareholders and we appreciate that many of you have been with us for long time now. That's the kind of shareholder base that I think we also enjoy having and we appreciate your commitment and the questions you bring to us. So, if there is anything else that comes up afterwards feel free to send us a question and Barb will put us right to work on answering it for the next filing that we make. But in the meantime, safe travels and if you're staying in Chicago over the weekend have a great weekend and thanks again for being here.