

**Transcript of 2025 Morningstar Annual Meeting of Shareholders
May 9, 2025 – 9:00am CT**

Contents

Opening Comments – Joe Mansueto	3
Virtual Meeting Access Instructions	4
Official Business of the Meeting	4
Voting Instructions	5
Empowering Investor Success – Kunal Kapoor	7
Our Investor-Focused Model	8
Morningstar Today	8
Our Clients	9
Large and Growing Market Opportunity	9
Our Strategy	9
Strategic Priorities.....	9
Three Forces Shaping Investing.....	10
Growth of Global Managed Products	10
Expanding Private Markets.....	10
Booming Private Credit	11
2019-2024 Our Data Growth	11
Our Data Coverage	11
Research-Driven IP.....	12
AI-Enabled Product Innovation	12
Our Business	12
Morningstar Direct Platform.....	13
PitchBook.....	13
Morningstar Credit.....	13
Morningstar Wealth.....	13
Morningstar Retirement	13
Corporate and All Other.....	14
Mission.....	14
Introducing Michael Holt.....	14
Financial Highlights - Michael Holt	15
Revenue Growth	15
2024 Financial Performance	15
Q1 2025 Financial Performance	16
Realizing Margin Expansion.....	16
Quarterly Performance Trends.....	16
Leveraging Our Existing Resources	17
2024 Revenue Growth Drivers	17
Adjusted Operating Income Walk.....	17
Revenue and Profit Contribution	18
Segment Revenue and Margin Profile	18
Adjusted Operating Income and Free Cash Flow	19
Capital Allocation & Deployment	19
ROIC: Return On Invested Capital.....	20

MORN Total Return.....	20
Adjusted Operating Income	21
Introducing Rod Diefendorf – Kunal Kapoor	21
PitchBook - Rod Diefendorf	21
Private Market Growth	22
Private Market Accessibility	22
Private Market Complexity.....	22
How PitchBook Addresses Pain Points.....	23
Data	23
Research	23
Software	23
Lumonic	24
Intellectual Property	24
Growth & Value Expansion	25
Introducing Detlef Scholz – Kunal Kapoor	26
Morningstar Credit – Detlef Scholz.....	26
The Next Generation Credit Rating Agency.....	26
A Scalable Platform	26
Research Highlights	27
Universe of Morningstar Credit Capabilities.....	27
2024 Revenue Diversification.....	27
Competitive Landscape.....	27
Morningstar DBRS History	28
Top-line Growth and Margin Expansion	28
Revenue by Fee Type.....	28
A Leading Edge in Credit Analytics and a More Nimble Approach.....	29
A Deep-Dive in Private Credit.....	29
Select Private Credit Segment Opportunities	30
Convergence of Public and Private Credit.....	30
Questions-and-Answers	31

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Opening Comments – Joe Mansueto

Joe Mansueto, Executive Chairman, Morningstar: Good morning, everybody. It's great to see all of you. Welcome. I am Joe Mansueto, Chairman of Morningstar, and it's my pleasure to welcome all of you to the 2025 Morningstar Annual Meeting of Shareholders. We've got a great morning planned for you. I think you'll really enjoy it. Very informative and it'll be a lot of fun. We're also streaming this live on the internet, so if you're watching via the live stream, welcome to you as well.

But before we begin all that fun, take a moment to read our Safe Harbor statement. And then here's the agenda for today's meeting. This is the same as in prior years, three parts to the meeting. I'll kick it off with the formal business part of the meeting, which should not take too long. A couple of agenda items to report back to you on, and that'll be followed by management presentations. This morning, we have four.

Kunal Kapoor, our CEO, will kick it off, followed by Mike Holt, our new CFO. And while Mike is new to the CFO role, he's not new to Morningstar. He's actually a Morningstar veteran. He's been here 17 years, coming up through the equity analyst ranks, ultimately leading our equity analyst group, so he's very steeped in our equity moat methodology and trading value. Then he moved over to the strategy area before becoming CFO. So I think you'll enjoy getting to know Mike and kind of hearing his financial perspective on our business.

And then every year we take a deep dive into a couple of our business units. This year we're doing a couple of our larger and most fastest growing business units. So first you'll hear from Rod Diefendorf on the PitchBook business, which you all know has been growing very strongly, and so Rod's got a lot of good things to share with you. And then our credit rating business, we have Detlef Scholz in to report on that. We're very proud to be the fourth largest credit rating firm in the world, and so I think you'll enjoy hearing about that business.

Then we'll take a short break, that's probably about 10:30 or so, and then we'll come back and for what is, I think for most of us, the highlight of the meeting, not to disparage the management presentations, but hearing what's on your mind. We have an investor relations policy, I think as you know, where we allow you once a year to ask questions of management and we answer those questions live, and so we very much hope you've come with plenty of questions to ask and we'll do our best to answer those questions as much as fully as we can. So that's the last part of the meeting.

Virtual Meeting Access Instructions

These are some instructions for those of you tuning in remotely about asking questions or voting. So let me just walk through this. If you have questions and you'd like us to address during the Q&A session, you'll have an opportunity to ask them via the questions text box in the Broadridge platform or if you're joining through the Zoom platform via the chat button. Anyone here in the room can simply raise their hand and when we reach that portion of the meeting, we'll bring a microphone to you. We look forward to your questions. I'll note if you are not here in person would like to vote during the official part of the meeting. You must be logged on to the Broadridge platform using your control number provided with your proxy materials. The meeting is being simulcast on Zoom and the Broadridge platforms, so all participants will be able to hear and watch the meeting in its entirety.

Official Business of the Meeting

Now, before we get started, I'd like to introduce our Directors, all of whom are here with us this morning. As I call your name, I'd like to ask you to stand and face the audience. Robin Diamonte, Cheryl Francis, Steve Joynt, Steve Kaplan, Kunal Kapoor, Gail Landis, I hesitate on this one. Bill Lyons has got a foot injury. Can you stand, Bill? Okay. Well, thank you for doing that. Doniel Sutton, Caroline Tsay. I want to thank you all for your contributions during the year to Morningstar. You're an outstanding board, and it's an honor to have all of you serving on our board.

I'd like to introduce our executive officers, Kunal Kapoor, our CEO, Mike Holt, our CFO, and Danny Dunn, our Chief Revenue Officer. There's Danny. Thank you all for your outstanding leadership during the year.

Our independent auditors for 2025, KPMG, are in attendance and are available for any questions at the end of the meeting.

So now I'd like to get started with the official business of this meeting. Our Corporate Secretary, Robyn Koyner, will act as secretary of the meeting. Greg Malatia, a representative of Broadridge Financial Services, is here today to act as the Inspector of Elections.

Our corporate secretary has informed me that we are holding this meeting pursuant to a notice mailed on March 28th to each shareholder of record on March 10th. A certified copy of the list of

shareholders of record has been available at our offices for the last 10 days. We've established a quorum for the conduct of the business properly brought at the meeting. Voting will commence after all the proposals have been presented.

So the first item of business is the election of our Directors. We will now elect 10 Directors at today's meeting. The Directors elected today will hold office until the 2026 Annual Shareholders' Meeting or until their earlier resignation or removal. The nominees for Directors are Robin Diamonte, Cheryl Francis, Steve Joynt, Steve Kaplan, Kunal Kapoor, Gail Landis, Bill Lyons, Doniel Sutton, Carolyn Tsay, and myself, Joe Mansueto.

The second item and third item of business are on this slide. The second item is the Say-on-Pay vote. Each year, we ask our shareholders to vote on an advisory basis to approve the compensation of our named executive officers as described in our proxy statement. Our executive compensation program is designed to attract and retain talented executives and align compensation with long-term value creation. And the third item of business is the ratification of the appointment of KPMG as our auditors for 2025. And the board recommends a vote in favor of proposals one, two, and three.

If anyone has a question related to the proposals, please raise your hand and wait to be recognized. As I mentioned, there will also be a general Q&A session later in the meeting. So at this time, we'll only take questions that are related to these three proposals.

Any questions on the three proposals? Pretty non-controversial, I think.

Voting Instructions

Okay, hearing none. These are some voting instructions, but there's no further business scheduled to come before the meeting, so I now declare that the polls are open. If you're a shareholder joining on the Broadridge platform, You may use the 'Vote Here' button on the screen to vote your shares at this time. If you're here in person, please raise your hand now, and the Inspector of Elections will bring you a paper ballot. Please remember that if you've already sent in your proxy card or voted online, your shares have been voted accordingly. You do not need to vote today unless you're voting for the first time or wish to change your previous vote. If you have not already done so, please provide your proxy or ballot to our Inspector of Elections.

Looks like we got that done. I now declare that the polls are closed.

The Inspector of Elections has advised me that more than a majority of shares represented in person or by proxy entitled to vote at this meeting have voted in favor of each of our three proposals. First, each of the Director nominees listed in our proxy statement. Second, the compensation for our named executive officers. And third, the appointment of KPMG as our auditors for 2025. We'll file an 8-K with more detailed voting results no later than May 15th.

So before I turn it over to Kunal and we begin the management presentation, just a couple of quick comments.

First, Morningstar is an exceptional business, and last year was no exception. We grew our sales, our profits at a good clip. We increased our operating margin. We strengthened our balance sheet, paying down debt, and made a lot of progress on our strategic priorities. So, all in all, I think a very good year, and this is on top of the core, the managed product, the equity data, we've got leading positions in private markets, credit ratings, retirement; you'll hear more about a couple of those businesses.

So, when I look at the state of Morningstar today, I think it's very healthy, strong we've got an outstanding leadership team. So I feel very good, and I think you should feel very good about the state of Morningstar today and where it's headed. Again, it's, I think, an exceptional business.

This month marks the 20th anniversary of our IPO, so it's a fun milestone for us to celebrate. It was 20 years ago that myself, Martha Boudos, then our CFO, and Don Phillips, then our Head of Research, crisscrossed the country, meeting with many of the largest money management firms in the nation on our IPO roadshow. I think we had 75 or 80 meetings during those two weeks. It's very fun to do once. I'm not sure I'd want to do it again. But that launched our IPO. And while other companies have lamented being public, we've enjoyed it. I think it's brought numerous benefits to Morningstar. It's brought transparency to our business, to all of our stakeholders. It allowed employees who receive equity-based compensation at Morningstar to have liquidity. And at the same time, it's brought in new shareholders to our shareholder base, people who like the business we're in and want to participate in its growth.

I think we've also established a framework for how to operate as a public company that keeps management very focused on building value. And ultimately, I think that's what makes our shareholders happy. So thank you very much for entrusting us with your capital. We take that responsibility really seriously. And work hard every day to earn a superior rate of return on your investment.

So now I'd like to move to the management presentations. And I'll call up Kunal Kapoor. Kunal's in his eighth year as our CEO. He's in his 28th year at Morningstar. How many people work 28 years at one company these days? But he started right out of college as a data analyst 28 years ago and moved around the company, moved over to the fund analyst group, did a great job there, rose to lead our fund analyst team. He's worked in running our asset management business. He's worked in our international area. He was Chief Product Officer, then President, and then CEO. So he's a great role model, I think, for all of those within Morningstar, what you can do with hard work and perseverance and intelligence, and it's been inspiring to see what Kunal has done. And on top of all of that, he's a terrific human being. So please join me in welcoming Kunal Kapoor.

Empowering Investor Success – Kunal Kapoor

Kunal Kapoor, CEO, Morningstar: Thanks Joe. Appreciate it. I'm going to shift and move down here. I've been instructed not to leave the circle for all of you who are watching on Zoom. So welcome, everybody. Great to have you here. And thank you, Joe, for the very kind introduction that you just made.

I also just wanted to start by thanking everybody who's here. Joe mentioned that it's our 20th year as a public company, and one of the things that I've really come to enjoy and appreciate is that many of you have made it back here over time several times. And as we were looking at our roster of shareholders, some of you, Barron, JPMorgan, have been holders since the IPO, Atlanta Capital very soon after the IPO. So those are great relationships, and I want to acknowledge and thank you as well for putting your trust in us, because we know that when you're putting your reputation on the line by investing in Morningstar, it's equally important that we deliver back for you in that fashion.

I also want to acknowledge the rest of the management team that's sitting up here. Daniel, I'm not going to call on you. Don't worry, not just yet. But I've got a great team. And we enjoy running this business. We all think about really growing value here. At Morningstar, if you came into one of our meetings, there's a lot of good-natured ribbing going on. But it's very serious. And there's also a fair amount of debate and the right level of friction that you would want from a management team. But when we leave the room, we're committed and we're executing in a unified manner on your behalf.

And I want to welcome Elizabeth Collins, who earlier this week we announced will be Morningstar's new Chief Strategy Officer filling Mike's shoes, Elizabeth, stand up. So starting June 1, Elizabeth will be stepping into that role. And Elizabeth, as well, came up to the analyst ranks. And a few years ago, when we were acquiring Morningstar DBRS, I like to have a person who plays devil's advocate on any large deal. And I went to Elizabeth and said, hey, can you be the devil's advocate on this deal? And she was a fairly effective devil's advocate, although ultimately, we bought the business. But what was fun about it is Elizabeth then went on to become Head of Credit Operations under Detlef, where she's been for many years now. And so she's moving from the credit ratings business, which she was a devil's advocate against, to now run strategy here at Morningstar, and will come with a wonderful lens and experience as well. So it'll be great. We have a good team in that context. And I hope what you're going to hear here is a story of continuity, but a story of opportunity.

I heard Warren Buffett last week in Omaha talking about the fact that many great companies are often built and endure because they build great, strong balance sheets. And many times, investors are so focused on the income statement, they forget to look at the balance sheet. And one of the things we care a lot about is having that strong balance sheet so that Morningstar can endure and grow over time, regardless of what the outside environment might put in front of us. And we take a lot of pride in our mission, our principles of transparency, independence, and long-term thinking, and then our values.

There's some memes about me talking about execution as everything all the time, but I do believe it. And ultimately, we get paid for doing a great job for our customers, and in that context, execution is always a big theme here at Morningstar. We operate as one team focused on that mission and ultimately creating value.

Our Investor-Focused Model

As Joe mentioned, 20 years ago, we went public. And at the time of going public, we talked about the approach we were going to take. I actually, in recent weekends, had gone back and read our original S1. It's super fun. If you haven't done it, maybe it's just fun to me. But I pulled out some quotes, and I was sharing them around with the management team. And this just resonated with me. And many of you have heard us talk about this. Sometimes I know you say, I wish you'd talked a little more, but I think hopefully what you appreciate is the time we don't spend doing that is time we spend building products, driving growth, and meeting our customers' needs more so than anything else.

Also, we've got a great tradition of design at Morningstar. These days, design is something that pops up. But I thought it's fun to kind of look back at our annual report covers, which we still spend a lot of time doing. And they each reflect something important and monumental going on and representative of Morningstar in the year that we publish that annual report.

And to top it off, we rang the bell this week on Monday morning to open the markets. Good news is that there was no market crashes. And I was impressed by the number of credit analysts who were able to cheer and come out of their shells in particular. But we had a lot of fun, and then we went back to work. So, it's kind of amazing the way they kind of hype you up. But the thing that stuck with me is Detlef said at the end of it, he's like, amidst all of it, the thing I was thinking about is how few businesses and how hard it is to, first of all go public and then be successful being public for 20 years. And I just love that advice and that thinking.

And we're really grateful for your partnership and happy that we've been able to deliver good returns for you. And I want to assure you that as owners of the business ourselves, that that remains forefront in the way that we think about running this business.

Morningstar Today

We've grown over that time, in case you've been paying attention. I'm particularly proud of the fact that we've created growth across the board. And from the time of the IPO, we've talked about research, design, and technology as being our core skills. And you see it in our headcount and the way that we invest behind those three areas and how important it is to what we do.

Our Clients

Interestingly, at the time of the IPO, we talked about the fact that Morningstar was in three segments and that we focused on individual investors, financial advisors, and institutions. Well, we still love individual investors and advisors. They're at the core of our mission. They're at the core of what we do.

But that institutional bucket, which was 750 clients at the time, has really expanded when you get to 2024 and broken out into multi-segments. And so we are serving way more folks than we ever did. And when you think about our opportunity and where we're headed, it's partly because of that pull demand that I talk about every year, where we work with individuals who then work with financial advisors, and you're seeing that's why we'll just continue to work all the way up now into the asset owner space.

Large and Growing Market Opportunity

And then we think about growth. I wake up most mornings and I'm thinking about growth, and I'm thinking about secular growth, and I want to participate in markets that have secular growth. And one of the reasons that I am optimistic about our opportunity, and you're going to hear from Rod, and you're going to hear from Detlef as well, we have large end markets that we serve. And as excited as I was when Joe said we're proud to be the fourth largest credit rating agency, I'm looking forward to the day when we say we're one of the four large credit rating agencies, and that's clear. So big opportunities for us. We'll delve into those as we move ahead.

Our Strategy

Our strategy is simple in terms of how we differentiate ourselves. We're delivering insights and experiences that make us essential to the investor workflow. We want to be sticky. We want to be sure that when they're thinking about how to create value for their clients, they use our tools. And we've talked a lot about how we do that, and I'll spend some time on it today as well.

Strategic Priorities

But the strategy comes to life through some priorities that we drive, and you've seen this as well last year. We're focused on insights, we're focused on AI as a means to unlock things, scale, and talent.

So, in a minute, I'll talk about insights in particular and how we've expanded our data sets. When it comes to AI, we're using these technologies, both internally, to be more efficient at Morningstar, to drive high productivity. We're using it when it comes to our sales cadence, and Danny can address that maybe later on in the Q&A. And then we're using it in our products to remove friction.

People here at Morningstar are probably tired of me walking around and saying, we know the answers our clients want to get to, so why are we making them click six to eight times to get to that answer? With AI, the idea is remove the friction. Get people to what they need to do quickly. Get them those answers.

And then there's scale. We're just a bigger company. You've seen that. And so how do we leverage that scale appropriately? Many of you are familiar with the Pareto principle, the 80/20 principle. Other companies like ITW have used that successfully. And we're really focused on that here at Morningstar to ensure that 20% of activities that are driving the most focus and are getting that 80% of results are what we continue to be focused on.

And then there's talent. Everyone asks me always, what's keeping you up at night? And I always start by saying it's the next person who walks in our doors. And that's because we have a special culture. There's an ownership mentality here. It's not a pass the buck mentality. And someone asked Buffett some time back about how he thinks about hiring, and he sort of said it's so hard to kind of distill it, and then, of course, he came up with a gem that applies, which is you look for people with integrity, intelligence, and energy. And perhaps it's oversimplification, but I think it captures a lot of how we try to build our talent and grow our talent as well.

Three Forces Shaping Investing

Now amidst all this, there's three forces that we're very conscious of when we think about our business and how we serve investors and meet their needs. Expanding choice, the revolution around data and technology, and personalization. I'm going to spend particularly a lot of time on the first two today, and I'll tell you exactly why by first talking about this slide.

Growth of Global Managed Products

Now, a few years ago, someone asked me the question as to whether I thought managed products would continue growing, and I declared absolutely not. Well, here are the results. I was way off. While it's true that the traditional open-end mutual fund universe is maybe not growing, the solutions that are being delivered and the vehicles that managed products are being wrapped into has grown way faster than I think anyone would have imagined. And that is a huge opportunity for us to continue building into new data sets, continue building new research, and continue to add new IP around a lot of these things. And it creates a very interesting tailwind for Direct business in particular.

Expanding Private Markets

You know this part of the story, though. Private markets getting all the headlines. Everyone's talking about private markets and the fact that they're growing. And there's no doubt that our data backs that up. But maybe what gets lost when we talk about private markets is that private credit is the real star right now when it comes to growth. That is where growth has been explosive.

Booming Private Credit

So there's a lot of headlines associated with unicorns and whatnot, but private credit has, from a market share perspective, really continued to grow, and you see from a product perspective that it is starting to reach into newer and newer channels, whether, for example, State Street launching an ETF recently in partnership with Apollo. In Europe, you're starting to see the launch of LTAF. I was just at a UK conference earlier this week, and a big part of the conversation in London was around the rise of these new vehicles over there as well. So you're starting to see private credit really have a bigger effect than I think most people understand.

So we're responding by continuing to grow our capabilities, first the data, and then the research. And this week, we announced that we're going to start introducing medalist ratings for semiliquid funds. And I was in London when this happened, and we announced that we'd be starting with one firm. And every other private equity manager or anyone who's got a semiliquid offering was trying to find me or found me, and made a point to ask, how can we be next?

And so, there's demand for that service, and advisors are, in particular, starting to be very heavy users of it. If you followed the success that the firm Cliffwater Associates is having, it's really a template that I think others in the industry are likely to use.

2019-2024 Our Data Growth

So, to keep pace with this, we have to keep growing our data. And I love our data slides, because every time I think about how we're going to grow this business and add value, it has to start here. It's the foundation for all the other things that we're able to do.

Our Data Coverage

So, this gives you a quick picture. Or if you like this picture, as I do, we couldn't decide which picture was better. So, I had to get my picture in as well. This is one that we've had in other meetings as well. It gives you a sense of the size of databases that we have today.

And folks ask a lot these days, with AI, does the moat start to go away a little bit in terms of collecting data? And I certainly think that the competitive barrier is reduced a little bit. But what I'll say, and what I'll reiterate to you, is it's hard to build databases. There's the depth, the breadth, the quality, the timeliness, all of that adds up.

I use as an example our equity database. We've been building it for more than two decades, and every time I think we're done, there's the next thing that you have to add to it. And so, these are great databases, we keep investing in them, and they create the moat for our business and our ability to add value on top of things.

Research-Driven IP

In particular, you see that we are able to add IP, and so whether it's the VC Exit Predictor or the medalist rating for a managed product, you just see that we not only produce the data, but we take the data and help people think about how do you actually use it, and how do you apply it, and then how do you talk externally about it. And in particular, a big area of focus today is the public private convergence.

We've owned PitchBook for almost a decade, and the focus has largely been to continue serving PitchBook's clients with that data. But as the market has expanded, we are really thinking about, within Direct, what are the things we could be doing? Within the indexes side of the business, what else could we be doing? And so, this convergence is a very big theme, and the rollout of the new medalist ratings to semiliquid funds is the first of many things we intend to do this year to continue to ensure that as these worlds come together, we create a common language that can be used regardless of the type of investor one might be.

AI-Enabled Product Innovation

Now, a lot of this proliferation is being enabled by revolution in data and technology, but data is no longer really locked up in silos, if you will. It can be analyzed rapidly and comprehensively, and that's really because of AI. And you're starting to see that in our products.

When Rod is on stage, we'll talk a little bit in particular about how PitchBook is using AI and some of the use cases associated with it. And in Q&A, I'm happy to get into what we're doing on Direct as well. But our clients are buying and using our data for their own AI-enabled use cases, as well as for what we're building in our own products. In fact, we recently held our second client workshop with Microsoft to put our content and data into practical applications.

And while I was in London, at each of our conferences, we have a WealthTech Showcase. It's a little bit of a contest for some up-and-comers. And actually, they've gotten funding here in the U.S. in the last few years. But in London, what happened this time is everyone used our AI capabilities and built product on top of it, all the WealthTech firms that were presenting. And so it's really interesting to see how people are trying to build businesses on top of our own capabilities.

Our Business

So, speaking of business, this is what ours looks like. And this represents Morningstar's total business and pie or the share that each part of our business represents today. The fact that they all represent blue this year is good news. It means they've all been growing. Morningstar Credit obviously looks like the fastest grower, but in all candidness, it's also because it's coming off a weaker year in 2024. But the nice thing here, and going back to the opportunity we have, it's very significant across the board.

Morningstar Direct Platform

And I started by talking about Direct in particular, and you likely noticed in our reporting that We're calling it Direct Platform now. But what's happening here is, I think, really cool and interesting. It's evolving into really a platform of its own. And even within the Direct Platform now, we're starting to set it up where people can have data feeds pulled directly off Direct, no pun intended. And it's a real change in terms of just driving a real focus on the core.

And so, some of the growth numbers have been distorted a little bit as we've de-emphasized certain capabilities like real-time data. But the idea really with Direct is to focus on the core Direct Platform, Morningstar Data, and our Direct Advisory Suite, which we've just launched, and is an updated version for Morningstar Advisor Workstation.

And I'd ask you to think back to what's happening when it comes to the growth of managed products, the growth in the acceptance of private vehicles in the retail space, and you start thinking about the additional data that we can collect here and the use cases that could expand with Direct. It's quite exciting in that context.

PitchBook

I'm not going to spend much time on PitchBook and Credit Ratings since Rod and Detlef will be up here, but the good news is we continue to increase our use cases and we're particularly excited about what's going on in the credit side within PitchBook.

Morningstar Credit

On Morningstar Credit, you'll hear from Detlef in a bit, another good year, but what we always care about here is are we gaining market share and are we making progress in the adjacencies such as private credit where we've got a very deliberate strategy to grow. In Detlef's presentation, I asked him to contrast what he said to you when he last presented to what he's going to present today so you can really see it through that lens.

Morningstar Wealth

Wealth is a part of the business where we've done the most change in the past year. We've obviously divested a few things and made it less capital-intensive business. So, we're very focused now on delivering our model portfolios and it also contains the International Wealth Platform, so this is a service that is largely today out of London and that's part of the market that's growing well, and the Morningstar Investor business, which many of you know fondly as Morningstar.com.

Morningstar Retirement

Then there's Retirement. Brock Johnson, who leads it, likes to remind everybody that it is Morningstar's most profitable business, and so Brock, I'll do you a public service announcement. But most importantly, it's also a business with great growth prospects, and we are really seeing this intersection between wealth and retirement taking place, and so when you sit and talk to Brock and his team about where growth is, we really see this opportunity with advisors in particular who are waking up to the fact that they have not been advising on this large chunk of assets.

Corporate and All Other

And then within the corporate area, we have our Indexes and Sustainalytics businesses. We're really excited about where we are with the Indexes business. Clearly, when the markets go down as they have in the past six weeks, it's not super fun to be in an AUM business, but the long-term trend here is fantastic and we're really proud of the fact that it continues to be the fastest growing index business of any size globally. I think it's well beyond sort of a tipping point where now we are competing and able to have our capabilities side-by-side with the largest players. And so, I would only expect this business to continue to have a long growth runway over time.

With Sustainalytics, it's been less of a rosy picture in the past year. What we are focused on doing there is really being thoughtful about what our product suite looks like, being really, really focused about it, and then ensuring that our climate capabilities are up to snuff. As I've shared with some of you in Q&A or elsewhere, we perhaps came to market with a too complicated climate solution and are having to do a little bit of a reset in that context.

Mission

All of that comes back to the mission of empowering investor success. We've got a great business, but it starts with this mission, and I always say that if we create success for investors, it creates success for the business, and that ultimately is our goal.

Introducing Michael Holt

I'm going to now invite to the stage my colleague Mike Holt. Joe shared a little bit about Mike earlier today. He's obviously a very distinguished individual. I'm really looking forward to what effect he'll have on our firm over the years, that he's going to be CFO. He thinks like an investor. He's an investor. And so, Mike brings that lens. And you'll hear from him just some of the philosophies. But I think most importantly, Mike and I are committed to continue to drive profitable growth.

Many of you often ask, what's the peak of profitability or where is that peak going to be or whatever? We think we have room to continue growing, and that's what we're focused on. And so I think you'll enjoy Mike. And I want to introduce Mike and welcome you to the stage, Mike.

Financial Highlights - Michael Holt

Michael Holt, CFO, Morningstar: I want to start off today with a quote from Charlie Munger. Charlie was, of course, Warren Buffett's partner at Berkshire Hathaway, but also a personal investing idol of myself. And Charlie said the first rule of compounding is to never interrupt it unnecessarily. Charlie said this because he had a deep appreciation for the power of compounding when you think about value creation. But he also had a very keen understanding of the importance of time and doing things well over long periods of time. And that's what we try to think about here at Morningstar, doing things well over long periods of time to drive that uninterrupted growth.

Revenue Growth

Let's connect that to our financial progression here, the results we've had over the last 20 years as a public company. If you go back to 2005, our revenue was \$227 million. Fast forward to 2024, \$2.275 billion. That's a 10x increase. Feel pretty good about that. But to put a finer point on this, look at the right-hand side. Look at this bracket on the right-hand side. Between 2023 and 2024, we added \$236.5 million in revenue. That's more revenue than the entire company had back in 2005.

That's important because it's the focus and approach that delivered this outcome. That's the same focus and approach to growth, to profitability, to building economic moats that we apply to the business today, that we continue to manage the business with today.

2024 Financial Performance

With that, let's dig into the numbers. I'm going to organize this in three big buckets. I'm going to talk about company-level financials. I'm going to talk about segment-level financials. And then we'll talk about capital allocation and some of the returns.

So, starting with 2024 performance, I'd like to present it this way because on the left-hand side, you've got revenue, you've got to grow. The middle, you've got profitability. Right-hand side, you've got free cash flow. And that's what we think about in terms of value creation. You've got to grow, translate that into profitability, convert that into free cash flow.

I'm going to zoom in on two of these in particular. So first, the revenue and then the adjusted operating income. In 2024, we delivered 11.6% in revenue growth, 11.8% organic. We got across that \$2 billion mark for the first time in 2023 and just continued that progression, getting up to \$2.275 billion.

Look at the margin expansion we delivered, though. Take your eyes over to the adjusted operating income on the right-hand side. \$326 million going to \$494 million. That's a 51% growth in operating margin. So, we're able to grow and we're able to translate that and unlock the operating leverage in the business in a pretty helpful and effective way.

Q1 2025 Financial Performance

Let's continue that journey. Let's extend that into the first quarter of 2025. And I'm going to zoom in on the same two characteristics there. Revenue growth, 7.2% reported, but 9.1% on an organic basis. Keep in mind, we did some divestitures, there's some FX impact in there. But again, 22% growth in adjusted operating income. So again, there's good unlocking of the operating leverage in the business.

The simple way to think about this is we grew revenue \$40 million and we converted \$25 million of that into adjusted operating income. We feel pretty good about that.

Realizing Margin Expansion

Let's apply the lines of margin here. So, I'll draw your attention to the yellow line. Might be a green line. We'll call it a yellowish green line. It hit the 16% level in 2023. We were investing heavily in the business. We also hit some headwinds. But in 2024, we brought that back up to 21.7%. And in 2025, we've continued that journey up to 23.3%.

But the takeaway from this slide that I want you to have is when the leadership team looks at our business, we look at the economic moat that we have, the opportunity set that we have, the growth potential that we have, we do not believe that we are at peak profitability. So we do believe that over time, we can continue to deliver margin expansion.

Quarterly Performance Trends

Looking at margin from a slightly different perspective, how are we doing that? Well, pretty simply, you grow revenue faster than you grow operating expense. So, the blue line is the growth of revenue, the red line is the growth of operating expense, and we talk a lot about operating spread right now because we have this belief about where we can take profitability. And you can see over the last eight quarters, we've done a pretty good job of making sure that that blue line is staying above the red line.

I'm sure your attention is drawn right to the fourth quarter of 2024, however. So, let's talk about what happened there. In the fourth quarter, we ended up exceeding our performance targets by a significant amount. And that led to higher compensation costs, just like we talked about in our press release and in our filings. So, that's a good problem to have in the sense that we are rewarding performance that is driving long-term value creation. And you also see that relationship reset as we get into the first quarter of 2025.

So, the full year, 2024, we had the right relationship between revenue and operating expense, as you can see by the numbers. And we've also returned to that relationship in the first quarter of 2025. We know the importance of continuing to grow, though, because it's hard to operate a

spread, or the best way to operate a spread is to make sure you're growing your revenue and then you have room to maneuver.

Leveraging Our Existing Resources

A big way that we are delivering this operating margin expansion is by scaling the business effectively. One of the ways we do that is with headcount. You can see that our total headcount has dropped from 12,400 colleagues in 2023 down to 11,100 colleagues today. And that's just part of the story.

We're investing in technology. There's a lot of movement underneath this. We are making some tough decisions, moving resources from one part of the business to the other. When turnover happens, we're reallocating those resources, but we're also thinking about productivity, unit-level productivity. How do we deploy resources, whether it's the technology spend, whether it's the employee spend, to make sure that we're able to support a bigger and larger business? So that's an important part of our journey.

2024 Revenue Growth Drivers

The other part, and the other reason we're able to unlock this growth in profitability, is because we're leaning into our winning positions. So, I think that's a good transition to talk about our operating segments.

Kunal showed you this slide. Again, it's the total revenue of the firm. Each box represents the revenue of the relative reportable segment. And the color represents the growth in 2024. So, right away, you see that Direct Platform and PitchBook are the two largest reportable segments. But you also see Morningstar Credit was growing the fastest in 2024.

Adjusted Operating Income Walk

Let's dig in from an operating income perspective or a profitability perspective. The journey from 2023 to 2024, so 2023 on the left-hand side here, we had \$326 million in adjusted operating income. That grew to \$494 million in 2024. You can see there's a lot of contributions across the board here. So first and foremost, Credit had an outstanding year, so the incremental profit delivered there is very meaningful.

Second, the PitchBook and Direct Platform segments, also those are the largest, so not surprisingly, they're big contributors to profitability. What may not be as obvious is that Morningstar Wealth, even though it's coming from a position of negative profitability, it recovered a lot of that and so it's really improved its position, gone from a detractor of profitability to more of a neutral position.

And then inside the Corporate and All Other, of course there are the corporate costs, but that's where the two segments that are not full reportable segments, Sustainalytics and Index. So, these

are two critical businesses for us, very important for us as well. Kunal talked about what's going on there, but both are contributing to this number in a meaningful way. You saw Index growing and expanding, and you saw Index growing, and then you saw Sustainalytics, which has got more of a restructuring going on as we reposition around climate and the data solutions. There's a lot going on across the board to contribute to that growth in operating income.

Revenue and Profit Contribution

Looking at it slightly differently from a total contribution, so the total contribution of revenue and the total contribution of adjusted operating income. Good balance across the board in terms of revenue, let's zoom into the adjusted operating income on the right-hand side. The first thing you should notice is that in 2023, the vast majority of our operating income was delivered by two segments, PitchBook and Morningstar Direct Platform.

In 2024, there's a couple of changes to highlight. First that orange bar, that's Morningstar Credit, a good year starting to have a much more meaningful contribution to the adjusted operating income profile, but also the purple bar that represents Morningstar Wealth might be a little difficult to see, but that has shrunk from where it was detracting to where it's more of a neutral position.

Segment Revenue and Margin Profile

Let's talk about each of the segments in just a little bit more detail though, starting with Morningstar Direct. Morningstar Direct is our biggest reportable segment. This platform is incredibly important to us. It's grown from \$700 million to \$788 million. And look at the margin it continues to deliver. We know investing in this segment, growing this segment, modernizing the software, making sure that we have the data that's relevant to the modern investor is critical to the success of the overall firm.

Now, Rod's going to talk more about PitchBook, but I do just want to highlight what a growth engine this has been for the firm. \$450 million in 2022, growing to \$618 million. Look at the margin expansion there, too - 15.9% growing to 30%. The takeaway here should be we believe we can deliver high growth, but also good levels of profitability from this segment.

Now, the Credit business, which had a tremendous year last year, is a less smooth journey. But that's okay. We're confident in the long-term prospects of this business growing up and to the right. Detlef's going to talk about this, he's going to share, I think, how much the stable part of this business continues to grow and how much success we continue to have as we move into adjacent markets and take on the incumbent players.

Morningstar Wealth is a bit of a different story. You can see in 2023, this business was struggling in the sense that it had a pretty low profitability, minus 17%. The team's made a lot of good changes here. They're really getting focused on where we have an edge, where we can win, that's Morningstar Model Portfolios, that's the International Wealth Platform and that's Morningstar.com. We've exited some of the businesses where we felt we didn't have scale, got

really focused on where we think we can win; we've brought that to a more neutral position of profitability and that trajectory is on the right track.

Finally, Morningstar Retirement, our most profitable business, you're welcome Brock, \$104 million, growing to \$127 million over the last two years. A lot of market exposure here, but more importantly, so much of the revenue drops to the bottom line and we're positioned really well for the growing needs of the retirement plan participants. And as the wealth market and the retirement market continue to have more and more overlap, there's opportunity for us to get in there and help.

So, when you look at this portfolio, I hope you see a portfolio of winning positions because that's what I see. But not only are they winning positions, they support each other. They support each other through brand, through shared capabilities and with financial durability that helps us invest throughout the different cycles.

Adjusted Operating Income and Free Cash Flow

And ultimately, that strategy is working as measured by the growth of adjusted operating income. So, you see that grew to \$494 million in 2024. We hit a new high watermark on a trailing 12-month basis in the first quarter of 2025. That's \$518 million on trailing 12-month basis.

When we think about this, I just want to reiterate, I keep talking about adjusted operating income. That's our north star internally. It's our north star because at the end of the day, we believe a company is worth the free cash flow that it's going to generate, and adjusted operating income is a great proxy for that. That's what you can see on this slide.

We use adjusted operating income because we're able to operationalize that internally. We use that for our monthly reporting, for our investors, for setting our budget, our forecasts, our three-year plans, and importantly, the part of our bonus that's tied to profitability is tied to this measure. So we think about this a lot. This is part of our DNA. This is part of the conversation every day at Morningstar.

Capital Allocation & Deployment

So, let's switch gears a little bit and talk about capital allocation. The number one priority for capital allocation is to have a pristine balance sheet. That's important to us because we believe in having flexibility and we want to be able to be opportunistic.

So, in 2022, you see a lot of green there. That's the LCD acquisition. When a company like LCD becomes available, we want to be able to jump on that. And we can do that if we have a strong balance sheet.

We took on more debt, debt went to \$1.1 billion. The leverage ratio went to 2x. And then after that, we've been working to bring the debt balance down. You see it at \$800 million in the most

recent quarter and one times in terms of the leverage ratio. So, we want to be able to take advantage of those opportunities and then get back to having that pristine balance sheet.

The other thing I think you'll notice in terms of capital allocation is while we have a steady amount of capital expenditures and dividends, we become more opportunistic with acquisitions and share repurchases. So, in the first quarter, both of those occurred. We had acquisitions of DealX and Lumonic, which are important part to continue driving that growth story.

We also became much more active in share repurchases. And that's because we think, look the market's an emotional animal, price is what you pay. Value is what you get. We have a view of the intrinsic value of the firm. And when the market volatility hits, and if the price drops, and that presents a gap relative to what we think the firm's worth, we're going to become more aggressive on our share repurchases.

And that's what you saw in the first quarter. It's \$110 million of share repurchases in the first quarter. It's \$121 million on a trailing 12-month basis. But think of it as \$110 million in the first quarter versus \$11 million in all of 2024.

ROIC: Return On Invested Capital

So, if we're growing the profitability of the firm and we're responsible with the balance sheet and how we're deploying capital, what you should see is good returns on invested capital. So, 15.8% in 2024, 16.2% in the first quarter of 2025. This is a very healthy spread to our weighted average cost of capital. And this is a return profile where we're happy to continue deploying capital.

MORN Total Return

When we grow that profitability of the firm and we're delivering those good returns on invested capital over the long term, we're very confident that that will translate into total shareholder returns.

Now, this is important to you, of course, but it's also important to us. A large part of our compensation is tied to long-term shareholder returns. That means when we're making decisions, we're thinking about how to be good stewards of shareholder capital. We're thinking about how to make decisions that support long-term value creation.

And I should clarify, when we talk about uninterrupted growth, it isn't always smooth, but it should have discipline to the strategy, it should have discipline to the approach, and you should emerge with clear long-term trends.

Adjusted Operating Income

So, to wrap things up, let's look at our 10-year history of adjusted operating income. I want to connect this back to where we started today, the quote from Charlie Munger: The first rule of compounding, never interrupt it unnecessarily. The power of uninterrupted growth is clear in this track record. As we look ahead, I think this is very important because the leadership team is focused on our portfolio of winning positions but also making decisions on how to manage the business, how to allocate capital and how to allocate investment, bringing that all together to drive the next 10 years of uninterrupted growth.

Introducing Rod Diefendorf – Kunal Kapoor

Kunal Kapoor, CEO, Morningstar: Thanks, Mike. I appreciate that. We're going to switch gears a little bit now and move to the two presentations on two of our segments.

I'm going to first welcome Rod Diefendorf to the stage. Rod took over at PitchBook just before last year's annual meeting, so if you remember he was sitting up here and a bunch of you had questions and he was new to the role and I think did a valiant job, but today he's ready and deeply enmeshed in the business. And one thing I will say about this transition. John was an amazing founder and leader and it was a big hole to fill and Rod has made it feel like the business has just continued to do exactly what it was doing. And I think if you talk to most folks, it has not skipped a beat. And so, congratulations and welcome to the stage Rod.

PitchBook - Rod Diefendorf

Rod Diefendorf, President and COO, PitchBook: Thanks, Kunal, and thank all of you for the opportunity to share the PitchBook story. As Kunal mentioned, I've been part of this story for nine years, and it's an exciting story. It's an exciting story of long-term, consistent, double-digit growth with really impressive margins. And what you're going to hear is a story that's made even more compelling by trends that point to new opportunities for additional growth in the future.

Over the next few minutes, I'll describe these powerful market trends, I'll get into the PitchBook difference and why our customers love us, and I'll describe our action plan and our strategy for how we deliver value and create new opportunities for growth. You should come away confident that we deliver meaningful value to our customers and that we're very optimistic about continuing to drive incredible value to you as shareholders.

Okay, there are three long-term trends that fuel our optimism. There's growth in the private capital markets, increased access to those private capital markets, and the need for simplicity in a very complex asset class. We feel like there's nobody better positioned to take advantage of these

trends than us. We're going to go a little deeper into these market trends right now, many of which you are following. They create challenges for investors and opportunities for us.

Private Market Growth

First, private capital is reshaping the investment landscape. Investment in the private markets has surged to \$15 trillion since 2000, and is projected to pass \$20 trillion in just the next three years. The number of PE and VC-backed companies with valuations in excess of \$200 million has reached almost 15,000, compared to just 4,300 U.S. publicly traded companies. Unicorns have expanded from just over 100 in 2015 to almost 800 today with an aggregate valuation in excess of \$3 trillion. And finally, the average time to IPO has jumped to nearly eight years and it's continuing to increase. All of this means greater value is being created in the private markets and contained within those private markets than ever.

Private Market Accessibility

Second, private market returns have outpaced returns in the public markets, and investors want access to those returns and to that market. Since 2014, private equity performance has outpaced public markets by over 50 percentage points. As Kunal mentioned, private credit has taken off. AUM exceeds \$1.8 trillion, with almost a third of that in dry powder. And while that's been going on in the private side, on the public side, markets have become much more concentrated. Just 10 companies make up approximately 40% of all market capitalization in Morningstar's total return index. So, diversification has become much more challenging. And that's where the private markets come in.

There are now more vehicles to access the private markets than ever. We're talking about semiliquid fund structures and perpetual capital structures, which now account for over 40% of allocations at major asset management firms.

Private Market Complexity

Here's the challenge. While investors want more access to the private markets, there remains significant complexity and barriers in doing so. Investors want to easily conduct research and portfolio management across both public and private asset classes and benefit from consistent delivery of analytics such as performance, risk, holdings, or flows data for semiliquid funds. These trends put a spotlight on pain points that need to be addressed.

Transparency. Private market data is highly fragmented and valuations are unclear. Workflow complexity. Manual and inefficient processes, slow deal flow, and reporting. And standardization. There is no common classification system or benchmarks to compare investments.

So, growth in the private markets, increasing accessibility of those markets, and the complexity of managing portfolios are exacerbating these pain points. And we're positioned at the center of this evolution to address them.

How PitchBook Addresses Pain Points

We're driving transparency and delivering workflow solutions and the standardization investors need. We do it through our data, our research, software, and intellectual property.

Data

Let's start with data. Our data gives customers visibility into the right companies at the right time. And we do it across both public and private markets. We do it at scale. While we're on pace to double our coverage this year, quality is equally as important. We have more relationships with institutionally backed companies and we track more data on these companies than anyone else. The relationships we have and the data we collect are a significant differentiator for us.

We're not done. We're going after new data sets. We're going after perpetual capital, secondaries, and non-backed companies, and we're expanding data sets like private credit, CLO, and public and private equities.

Research

World-class data doesn't matter if you don't have the unique insights to make it actionable. Our team provides complete global analysis across private equity, venture capital, M&A, credit, funds, industries, and quantitative research. It spans every major geography and over 30 sectors, and our customers rely on it. Last year, more than 1.4 million times, our research was downloaded, and we conducted over 2,000 analyst sessions with industry leaders last year alone.

This year, we're adding coverage. We're expanding in Asia Pacific. We're expanding our industry coverage. We're expanding aftermarket research, and we're expanding our private credit and CLO research which we jumpstarted with the acquisition of LCD just a couple of years ago. Our research team is incredible, and we're very proud of the work they put out.

Software

Okay, let's talk about how we make all this data, research, and insights available to customers. Our industry-leading platform is simple to use and easy to navigate, and now it's becoming even better through the use of artificial intelligence and machine learning.

In the last quarter alone, we've launched several AI-driven improvements, including AI profile summaries, which provide key insights on specific companies. AI-based screener construction, which streamlines the search process. AI earnings call transcripts, which automatically

summarizes key takeaways from public company earnings. And coming later this year, we plan to launch AI-driven report summaries and AI-driven conversational search. This will give our customers the option to quickly get answers to their questions without having to navigate through the screener process.

Lumonic

In addition to our core platform, we're adding all-important workflow tools. We acquired the portfolio monitoring company Lumonic earlier this year, and we're really excited by the capability it brings to market. The amount of data GPs manage with their portfolio companies is astounding, and many of them do it manually. It's incredibly time-intensive.

We digitized covenant review and compliance workflows between private credit borrowers and lenders, enabling seamless portfolio management. Customers can now monitor their own assets, along with PitchBook's industry-leading data and insights to generate portfolio analytics. Lumonic built this technology for private credit because it is the most complex asset class to manage. But we see the opportunity to bring this to other asset classes in the future.

And it's always reassuring when you do a deal to get positive feedback. Kevin is the CEO of Lumonic, and he and I have both been getting quite a bit of positive feedback from both PitchBook and Lumonic customers, so that's always a bit reassuring.

Intellectual Property

Okay, let's hit the pain point for customers, and that's standardization. We have specialized teams who focus every day to create standards for performance to help customers understand the performance of their investments. Examples include our VC Exit Predictor, manager performance scores, and indexes. We're going to spend just a minute on indexes because it's a pretty exciting place for us right now.

Morningstar and PitchBook have developed a suite of private market indexes to provide transparency and performance benchmarks. We believe these indexes will be instrumental for understanding and accessing the private capital markets.

Last year, we launched the Unicorn Index and the Unicorn 30, which tracks the performance of late-stage, venture-backed private companies valued at more than \$1 billion. And this year, we launched the Buyout Replication Index, which replicates the returns of private equity buyouts using publicly traded securities. Coming soon is the CLO Index, which tracks the performance of the CLO asset class, underscoring the importance of private credit. We've also got some additional indexes coming, which we're very excited about.

Growth & Value Expansion

Okay, now let's talk about some additional growth. I've shown you that we have comprehensive data, research, and insights. We have industry-leading software, and we're continuing to develop intellectual property to solve customer problems of today and tomorrow. All of this translates into a virtuous cycle of investment and growth fueled by our customers' urgent needs. And most exciting, we see an expanding market opportunity in front of us. This final visual tells that story.

As the private market investor base expands and both institutional and retail investors gain more access, PitchBook is at the center of this convergence. For portfolio monitoring and reporting, customers want to manage and monitor their multi-asset portfolios in one centralized place. With the addition of Lumonic, we're bringing this capability to our customers.

For fundraising, allocation, and benchmarking, investors need a common language across both public and private markets to evaluate performance and make decisions. We're developing that language and we're expanding our indexes and IP to create those standards.

For deal sourcing, our roadmap is designed to help customers uncover insights faster on both public and private companies. As I've said, we're expanding our data, research, and insights to provide a complete picture of activity to uncover new opportunities. For research and intelligence, customers need to validate their investment strategies across both public and private asset classes with research. We're expanding our offerings and providing access to this research in a single platform.

For deal execution, we continue to enhance and expand our software and intellectual property to facilitate deals getting done. So, as you can see, we're uniquely capable of serving the needs of the private capital ecosystem today and as it converges with the public market ecosystem of tomorrow. This is what we're working on. This is what we're doing. This is the PitchBook story.

I've shared powerful market trends that are pointing towards new opportunities. You've seen how we've earned our place as a leader in the private capital markets. And I've described how, with the customer at the center, we're continuously driving improvements in investing and solving their needs faster.

Our future includes a growing investor base in terms of both type and size. They expect transparency, workflow solutions, and standards to make decisions and invest with confidence in all markets. PitchBook delivers this exceptional value to our customers of today, and we'll do it to our customers of tomorrow. And in doing so, we'll drive even more impressive returns to all of you as shareholders. I look forward to your questions in a little bit, and thank you very much.

Introducing Detlef Scholz – Kunal Kapoor

Kunal Kapoor: Thanks Rod. And now we're going to shift gears and talk about our credit ratings opportunity. Detlef Scholz leads this part of the business. There are many things about Detlef I admire. But one thing I think you'll find is that he's kind of a unique mix of entrepreneur and seasoned executive, and has a high degree of ownership of this business. And really, as you think about how we go from here to the opportunity ahead, I think you'll find that Detlef is the right person to lead the business. And I'm very excited about this part of the business. So over to you, Detlef.

Morningstar Credit – Detlef Scholz

Detlef Scholz, President, Morningstar DBRS: Thank you, Kunal. You forgot to mention that I'm also a credit guy. No, but I love credit, so let's dive into that.

And for those less familiar with our credit business, very straightforward, we are one of the four leading globally accepted rating agencies by the marketplace, by investors, but also what is very essential by insurance companies, banks, regulators, and the pension system. We have leading coverage, not only in Canada where we came from, but more and more segments of the transaction-based markets, and I will explain to you why I'm super excited about the private credit growth opportunities as well.

The Next Generation Credit Rating Agency

In combination with our credit ratings, we have a steadily accelerating analytics business. We're going to talk about that as well. And overall, I think we are really well positioned to benefit from the evolving markets. Change is actually helpful, as long as it's not too disruptive. I'm pretty sure you know what I'm talking about.

A Scalable Platform

Over the years, we have amassed our capabilities. We have done the foundational investments, especially on the corporate rating side. As you know, this is the big business we have in Canada, extended into financial institutions, but also cover pretty much all segments of the securitization and structured finance markets, whether it's structured credit itself, whether it's asset-backed securities, whether it's residential or commercial mortgage rating. So, the foundations are laid, and ultimately this is a scalable platform for the markets to continue.

Research Highlights

If we now look at the credit ratings, our opinion and explaining that to market is going in tandem. And we have, in my mind, top-notch research; we have timely, thoughtful pieces, and I really invite you to go to our dedicated website and look for some of the themes that are happening right now. Just pick one topic, maybe tariffs, and see that we've published 60 pieces about different sectors over the recent weeks as the market evolves.

Universe of Morningstar Credit Capabilities

Now, our capabilities, our credit ratings, that's what Morningstar DBRS stands for. I already talked about the analytics and data information side, that's the Morningstar Credit side. But we also just completed a very exciting opportunity, an acquisition, DealX, who has joined the information. And that's really specialized performance data that is integral to our process, but it's also the solutioning around that in order to embed the information in investors' workflows. And we had a demo out in the hallway where hopefully some of you looked at a great commercial real estate unified product, which I believe is amazing. But I should say that as well, but you are there in order to confirm that.

2024 Revenue Diversification

Now within the credit business, we have diversification. While everything is certainly exposed to what is happening in the marketplace, we have individual sectors that behave slightly differently. We've got the corporate ratings, which is our biggest component. We have the structured finance markets, the ABSs, commercial real estate, residential mortgages. But we also have our financial institution business and our data business there. So not everything is dependent on the market activity in the same way. And we're going to get to that in a short while as well, as we dive into the dynamics of our business.

Competitive Landscape

Now, talking about our business, it's always important to look at our competitive landscape. And there are different ways of how you can analyze that. I personally like this one where we line up our capabilities. And you can look at the regulatory recognitions and the segment acceptances on one side. And then actually the outstanding ratings. And you see how the different players in the market. It's a small set with high barriers to entry. But many players are either focused on very specific, narrow segments. Or you have the legacy incumbents on the upper right side. And I believe, by chance, we are so perfectly positioned in the middle and trending upward to the upper right as we execute on our strategy of systematically building our business step by step.

Morningstar DBRS History

Now, the compounding growth, the theme you have heard before, you can see over our 50-year track record in credit. Having started out with a superb, fundamental business in Canada, and you see the blue color steadily developing, but as discussed before, exposed to what's happening in the marketplace. Then we started to enter the U.S. market, and we have nicely built, step-by-step, entering first on the securitization transaction-based side, and then now extending into areas of the fundamental business. And I joined the legacy DBRS entity ten years ago, and I'm personally very proud as well of what we did in Europe, which is the yellow part on top of it.

The important one is executing in a very systematic way, going into the next adjacency. What does adjacency mean in that context? It's following our customers in their approach to international markets. Looking at areas where we already have expertise and extending that into the next area. And that's the way how we have built our business. And that's, by the way, one of the strategy objectives I have mentioned to you in my last shareholder presentation just five years ago. So I believe this picture is one of the proof points how we have executed on that pathway.

Top-line Growth and Margin Expansion

Now, we are exposed to what's happening in the marketplace. And certainly a more normal interest-rate environment is helpful for our business. But I'm really proud of how we have both delivered on top-line growth and also expanded our margin at the same time. And certainly, with more size, you get to the outcome that was already discussed before.

Revenue by Fee Type

When we now dive into the revenue a little bit more, I've got a slide here that requires some explanations. So, first of all, as I said, the transaction-based business is exposed to what's happening in the marketplace. But there are two sub-components there. We charge rating fees on new issuance, new fixed income coming to the market, new bonds being issued. That's the gray part.

So, if you see more issuance, and we have our rating coverage, we are mandated, then you see that reflected on the revenue side. But there's a second component. It's actually the recurring part of our revenue stream, where we charge surveillance fees, where we have program fees. And to me, this is one of the best ways to measure whether we are building and extending our footprint. And by chance, I have color-coded that in red in order for you to see that this is a nice upward trending line.

And the other color that sticks out is green. That's the analytics business. That's where, through data, information, analytics, and solutions, we are having accelerating and steady growth in that part of the business as well.

A Leading Edge in Credit Analytics and a More Nimble Approach

Now, we are slightly different, and that's why we call ourselves the next generation of credit rating agencies, of being more nimble in our approach, being different to the incumbents. And you can see that in what we do. You can see that in the products we deliver, but also how you can test your coverage or the solutions that are available in the marketplace.

A Deep-Dive in Private Credit

Now, one of the big questions that is on my mind, but I'm sure also on your mind is, why is a private credit space so exciting to us? It's actually a very simple answer. Different to the public capital markets, investors are free to choose which rating agencies to leverage and to engage, because they're not held back by legacy investment mandates and index eligibility issues. So, with that introduction, let's do a little deep dive of how this compounding growth of the private credit market has an immediate impact on our business. And I'd like to leave you with five thoughts why we believe there's a direct relation to the size of the market development and our opportunity.

First of all, if you invest in less transparent and less liquid markets, you still need reference points and credit ratings serve in that capacity because they are a reflection of the downside risk you have in your portfolio.

Secondly, you may actually be asked or forced to regulation when you handle third-party money. You see many more relationships and joint ventures popping up on the private credit side. And as soon as you have a third party, they like to have an unbiased, objective opinion about the credit risk in their portfolio.

Number three, the market is getting bigger and bigger. More and more subsectors are being covered by the private credit entities. And I think it was slide 79, for all of those of you who paid attention to the previous presentation. Where Rod had actually some of the prominent names in the private credit space listed there. But there are many, many more entities, global but also regional, being set up in order to invest in private credit going forward.

Now, as I already explained, the more you rely on credit ratings for part of your analysis, the more you also like to understand and use the tools. And that's where the credit rating business is assisting the credit analytics business. And the analytics business, as soon as you use those tools, is benefiting then our credit rating business as well.

And last but not least, whenever we have seen disruptions in the market, there has been an opportunity for us to build our business. Now, as long as you don't have too much disruption, this is a great opportunity for us to benefit.

Select Private Credit Segment Opportunities

So starting to bring that together, I have now a really complicated slide for you. And I need a minute of your attention to walk you through. So you have on the left side the continuum of segment opportunities from fundamental credit up to highly sophisticated parts of the structured finance markets. Direct placements, leveraged loans, middle market lending, infrastructure finance, real estate loans, funds, structured credit, and in particular, risk transfer transactions, and then private securitizations.

And we have grouped that into areas where we see a lot of momentum, strong and good momentum. And then we also have lined up our relative competitive positioning. And it's on purpose that you don't find a strong dot in every category. But the punchline is when you look across all that, we have identified those areas of strategic relevance where we are investing incremental capacity and where we engage in thought leadership and where we are working closely with some of the private credit players in order to offer our credit rating opportunities. And as the market gets bigger, those opportunities evolve for us at the same time.

Convergence of Public and Private Credit

So with that, one of the summary comments is that this convergence of public and private markets is possibly, that's at least my opinion, most easiest to imagine on the private credit side, because the market is already speaking the same language. We are all concerned about the downside risk. We are concerned about the credit risk. We are concerned about the pricing relative to that credit risk. And we like to be able to monitor the transition risk of our credit market. So we don't have to invent any new language. The language, the methodologies, the capabilities, all already exist.

With that, I hope I convinced you that we are one of the four leading rating agencies with what we have delivered and what is ahead of us. We have already well-established coverage that goes beyond the structured finance market on the back of our established footprint on the fundamental rating side. We believe that the credit analytics business is going to develop, and I hope, looking at all of you, that I have convinced you that we are really well-positioned to benefit from that opportunity. With that, thank you very much.

Kunal Kapoor: Thanks Detlef. Good job. All right, thank you, Detlef, and we are going to take a quick break and then come back for the Q&A. It's about 10:22, so let's plan to be back in here at 10:35, if that's okay. If you haven't had a chance, the demos are still going on. As Rod said, there's a Lumonic demo, there's a DealX demo. So please head over there and we'll be back in here in about 15 minutes, 10:35. Thank you.

Questions-and-Answers

Kunal Kapoor: Great, thank you everybody and we're going to go ahead and get started, with the Q&A. So, as always, it's our intent to be here as long as you'd like and take questions across the board. Joining us here on stage now, outside the speakers, is Danny Dunn, Morningstar's Chief Revenue Officer. He's on stage back by popular demand. And I'd invite folks to field questions over Zoom if they are watching. We've already got a couple. And we have a few mics going around the room as well. So, let's start with any questions. All I would ask is just please raise your hand. We'll bring a mic to you if you could introduce yourself as well as the firm you're with. That would be really helpful. Right here in the front.

Vinay Prasad, Millennium: Hey, Vinay Prasad at Millennium. I had a question on just your pricing philosophy at PitchBook. There seems to be a big gap between the value that you provide and how much you're charging. I think it's roughly \$6,000 per license now. Bloomberg charges \$25,000 plus. PitchBook to me is as mission critical to someone in private equity as Bloomberg is to a hedge fund analyst. So why can't you close that price-value gap because we haven't really seen that so far in the financials?

Kunal Kapoor: Yes. So great question, Vinay, and thank you as well for calling out the value that we provide at PitchBook. The strategy has largely been to continue to grow value and deliver more to our customers in that one price and try to grow market share. You're right that we have a bigger opportunity over time to raise prices. We've certainly done that in some of our other verticals, but Rod, why don't you take a minute and talk specifically about pricing as it pertains to PitchBook?

Rod Diefendorf: I think you had this question last year, if I remember, and I think half of our team on the product and data side would agree with you completely, and the other half of the team on the sales side and the customer success side might disagree a little bit. We continue to add more features and functionality and data, as you point out, to support our annual price increases, which we do. This year in particular, it's been a challenging market. I think that more and more firms on the new sales side are hesitant to spend a lot of money on data and services like ours. On the existing side I think that what's happening is more and more firms are trying to make do with what they've got. So, we've been fairly careful about pricing increases to ensure that we maintain and grow at the consistent rate that we've been growing at in the past. But pricing is something we look at every year, and we look at it by segment. In a sense, we look at our core market, and then we look at our non-core. So, our investor use cases, and how do we charge for investment use cases versus the other firms that buy PitchBook for non-investment use cases, and we start looking at pricing them a little bit differently. But we're working on it, we're working on increasing the price in a way that's appropriate for what we think the market will bear for us.

Kunal Kapoor: Just raise your hand, we'll get a mic over to you. Some questions on this side of the room.

Audience Member: (Technical Difficulty) ...much greater scale and some of them also have what I would argue is a higher degree of conflicts of interest within their organizations. Morningstar historically has operated with a very investor-first mindset, so I'm curious as to how you're balancing your investor-first mindset and avoidance of conflicts of interest within Morningstar Credit, especially as you get further and further into private credit where some of your competitors have more capabilities in areas which bring all sorts of potential areas where they need to have walls between their organization in play.

Detlef Scholz: Thank you for that comment, and I believe also the overall statement that for credit rating agencies, credibility and the quality of the product, meaning predictability in what we deliver, is the most important part of building our business. And glad to hear that you also have the perspective that we are approaching the market in the most appropriate opportunity. I would believe it's not appropriate to comment on competitors per se, but I believe the way we look at our opportunity, the entities we work with, but also our strict focus on how to deliver value to the investors is utterly important in that respect. And we'd rather say no to certain opportunities if this is not appropriate for us from our own judgment. But the market is getting so big that certainly I don't see any limitations to our opportunity and ability to develop there.

Maybe one more comment on the overall landscape. As I mentioned before, in the credit space, there are more and more opportunities as by product. If you have joint ventures, if you have debt funds, we like to have unconflicted opportunity to rate in those joint ventures and offer the product that the market is already used to. So, the more you are embedded in the risk management thinking of entities, they rely on you and you build step on step on the growing book of the business there. But to be very clear, the quality and the way we do business always comes first.

Kunal Kapoor: I would add that we got into the credit ratings business post the GFC, and the reason Joe at that time made the decision was because we felt that the legacy three firms had not necessarily lived up to what they had promised. And obviously at that time, there were a lot of questions about independence of the agencies relative to what was delivered, and I just say there are moments like that when independence really does become valued, and I feel it's inevitable, too, as private credit is expanding, that there will be opportunities, that because our research is so independent and so high-quality, where it will stand out, because others are likely to make some potential missteps. And it's hard to foresee them sometimes, but I think those are opportunities for us to really differentiate.

There's a bunch of questions in the front.

Alex Kramm, UBS: Thank you. Alex Kramm, UBS. I guess somebody has to start asking about margins, so it may as well be me. Yes, look, I think every year this question comes up that you don't have really any formal margin targets, but I think I heard you again today that you're looking for profitable growth. I think that assumes margin expansion, but maybe from a newer CFO perspective when you look at the margin expansion, is it mostly scale or where are the pockets of areas that with fresh set of eyes you're looking at in particular to maybe catch up to some of those public peers in our industry that obviously are in some cases more than double your margins.

Kunal Kapoor: Mike, why don't you start?

Michael Holt: Sure. Wasn't expecting that question. So, look, I want to be consistent with our policy of not providing forward-looking guidance, but we are saying quite a few things here. We're talking about the focus on growing adjusted operating income over time, and that being the north star of what we measure. We're also more specific about margin expansion in terms of conveying that we do not believe we're at peak margins right now. So, we do see room to operate at a spread and continue to expand margins. But this all starts with getting the right investment, getting investment behind our growth opportunities. And so, in each of the segments that we're talking about today, driving that top line and converting that into profitability is where the leverage really comes from.

Jeff Silber, BMO Capital Markets: I'm Jeff Silber with BMO Capital Markets. I'm going to continue the margin question, sorry about this. You showed us margins by segment. I think we all know that the Retirement segment has the highest margins, congratulations. But yes, pretty impressive margins in Direct Platform. Is there anything structurally different in the other businesses that as those scale up that maybe they can approach those type of operating margins?

Kunal Kapoor: I would say when you look at our competitor set and often when you guys are writing your reports you will cite them. I think over time we have shown that with our products we are able to do that. When I think about the credit ratings business, I think broader acceptance is going to be necessary for us to be at the level that the legacy three firms are at. That is clearly something that will need to happen for us to get there, but you've seen, particularly if I go back and think about this meeting a few years ago, there were a lot of questions about PitchBook and margin, we were investing for growth, you've seen that we've driven margin fairly successfully. And then when you look at other parts of the market in particular, the areas that Mike had showed, Wealth and Sustainalytics, we've gotten them to a spot where they're going to I think start to be positive contributors going forward. And so, is it a reasonable thing to say that we should be closing the gap to what some of our competitors have over time? I think, as Mike indicated, if we're successful in executing on the top line, that should definitely be our north star.

Sanjeev Math, Baron Capital: Sanjeev Math, Baron Capital. Question is for Mike and congratulations on your appointment to the CFO role. My question is more around in terms of your slides and presentation, obviously you're pretty transparent. I think that historically there is some variability, right, in the returns on invested capital and margins and business is in a much nicer place now as we kind of sit in Q1 2025. So, I'm just curious, like, you've been at the firm quite a long time, you're now in the CFO role, where do you see opportunities despite being an insider, where there are places you would like to challenge thinking at the firm, or how would you kind of approach the role, perhaps differently than what has been done in the past?

Michael Holt: Well, good question. I think what I can share here is that there's a lot of continuity in the approach in the sense that we want to make sure we're getting the investment to our most important bets. And so, you see where that's starting to pay off in some of the higher-growing segments. You see supporting the credit business really paid off in the most recent year. I talked about the importance of continuing to invest and grow the Direct Platform segment. So, I think

those are the same general concepts that we've been considering over the last 10 and 20 years, but it's how you actually get into the details, how we organize the day-to-day, how we make those decisions of where the incremental investment goes to. And we're really spending a lot of time in thinking about, here's the amount of investment we have to deploy in the firm. What is the prioritization? What does that queue look like? And so we're spending a lot of time with all the different leaders, making sure that we're testing those concepts, testing those ideas, and then making choices about where that investment goes. To understand the operating envelope or the profitability envelope that we want to operate within. And then, so using that as guidance and governance, how do we get that investment to the biggest and best bets?

Vinay Prasad: Vinay Prasad at Millennium. It's good to see that you guys have private markets indexes. My question is, what's the timeline until we see broad adoption of those within the LP, GP community, because there's potentially a big revenue opportunity there? And second to that, do you guys think that you guys have a right to win there versus other companies that are pursuing that opportunity, like MSCI or BlackRock?

Kunal Kapoor: Yeah, we have a right to win there. Definitely the case. In my mind, we have the best underlying datasets and we have, I think, pricing that is incredibly competitive and, I think, name recognition across customer sets that really matter. So, we're very bullish on it. We're excited about it. I will say that one of the challenges, obviously, with private market indexes is they aren't yet fully investable, right? And that does make them a challenge from the perspective of can you build product on them? And so, we're spending a lot of time thinking about that. We're working with firms that are trying to solve that problem. And I think the tipping point in terms of adoption with LPs and GPs is starting to occur because they are starting to reach out to newer types of investors who want clear benchmarking of their performance.

And even if you look up the new methodology we released on the semiliquid side, it's not just intended to look at privates by themselves, it's for comparison purposes across the portfolio, including on the public side. And so, it's inevitable that, I think, as the tools catch up to allow an investor to fully get a picture of their portfolio across public and private markets, that adoption of these indexes will continue to grow. And I think the other thing that we think a lot about and are working on is it has to be a full suite. We're not there as yet in terms of having a full suite. So, Rod, I don't know if you want to add anything, and Ron Bundy, who leads the indexes business is up here, too. So, Ron, if you want to weigh in as well.

Is there a mic that we can give to Ron?

Ron Bundy, President, Morningstar Indexes and Sustainalytics, Morningstar: Thank you very much. I'm Ron Bundy. I'm head of the Index business, and I'm going to echo what Kunal said, we absolutely have the right to win in this segment, and we're pushing hard in that direction. From an investable standpoint, it is difficult to solve that problem now, this is an industry problem that we're working with other constituents to solve. On the benchmarking front, you can get there quicker because you don't have to replicate daily or even in real-time the underlying securities, but the approach that we're taking is to build a full family, security-level data, and we have the richest data set in the industry and also the best people looking at this from an investment standpoint, not only how do you construct the best index, but then over time, how

do you make it investable and make it meaningful for investors. So, there's a lot going on in this space. We can't talk about all of it today, but we have a full solution in the works and a lot of really great partners helping us with it as well.

Kunal Kapoor: Yeah, and part of what Mike talked about, about reorienting around the right bets, is even within the Index business, Ron is reorienting to ensure we are putting enough assets behind this effort, as opposed to the way we might have operated a year ago. So, there's that type of shift taking place as well.

Audience Member: (Indiscernible). My question just relates to some of the discussion about increasing product breadth for a lot of the private markets areas. I was curious about how you felt where your scale and specialization was for specifically distribution and go-to-market as you grow that particular area.

Kunal Kapoor: Do you want to take the lead, Rod, and then, Danny, maybe you could weigh in?

Rod Diefendorf: You know, as I mentioned a minute ago, we continuously add features, functionality, data sets to our product. And then from a data and a product perspective, they are absolutely focused on doing that every single day. Our go-to-market engine, which is our marketing, our sales, our customer success, we've got a really good team that is constantly thinking about how do we get more scale from our sales team, how do we get more scale from the way that we organize both sales and management of existing customers. And we're constantly evolving that. I do think we've got a lot of good scale and we've got the ability to continue to drive good leads, top of funnel, manage those leads all the way through the funnel as quickly as possible, and then convert them into sales. And we're doing that. We mirror that exact same process on the existing customer side as well, as we expand within firms.

Daniel Dunn, Chief Revenue Officer, Morningstar: Thanks, Rod. I don't know if this mic's on, but I can go super loud if you want.

Kunal Kapoor: It's on.

Daniel Dunn: It's on, okay good. I guess I would start by saying as a leadership team, when we looked at this opportunity, and we have been looking at this in strategizing. It starts with a shared categorization and data layer. And we believe that each business unit needs to innovate for their customers within their capabilities. They know their customers best, so let's start there. I say that because that's how we think about the go-to-market as well. Each of those teams, those product areas, has specialized go-to-market resources, talented product marketers, talented sales teams, talented CS teams in each one of these areas, from Ron's, James, and Rod. So, we want them to execute. We also then have to think about the go-to-market at a higher level, which is, what is our narrative and our brand story? How does that cascade down to specific segment stories? And then how do we want to execute with our shared coverage organization as well? So those are AEs who sit over our largest global relationships. So that's how the go-to-market will come together. Thanks for the question.

Alex Kramm: Alex Kramm, UBS. Can you talk a little bit more about LCD and what you've done with it over the last couple of years? But also, I think that business, sorry to say, was a little bit undermanaged when you bought it before, and I think you've done a lot with it already. I don't know if you still track kind of revenue contribution from LCD, but I'm just curious with all this excitement around private credit in particular, how you've seen kind of the growth rate of LCD or those use cases accelerating, because we're all obviously looking for PitchBook benefiting from that at some point, but we haven't seen the growth rate really accelerate yet, and maybe that's because of other market dynamics, but I'm curious how and when you see private credit really contributing to what degree it could.

Kunal Kapoor: Yeah, great question, and I'm going to let Rod take it here in a second. You're right that we don't break it out because we've kind of built the product in there, and we would agree that we've done a lot to build the product up and make it a real product. And I think to the extent you're a PitchBook user, I just draw your attention to the fact that PitchBook Credit now is a real expanding capability, and when we think about our opportunity to grow in that market, it's because we laid the seeds with LCD, and that is the foundation that we're going to grow on. So maybe you can get into specifics about that.

Rod Diefendorf: LCD has been a great story for us. When we acquired LCD almost three years ago, we initially had three goals. Retain customers, retain employees, and really enable, you mentioned the lack of investment or a lack of product development within LCD. Enable that technology to be on our system to put the investment into it and grow it. And that's exactly what we did. So from that perspective, one of the things that we looked at was the overlap between LCD customers and PitchBook customers. And where there was overlap, we basically introduced LCD to the PitchBook product and we introduced PitchBook customers to the LCD product. And we did not look to maximize value from those customers in the first year or two years. Instead, we wanted them to understand the capabilities that each had. And then as the renewal would get closer, we explained and had a conversation around our pricing strategy, which was different for PitchBook and LCD. And what we've seen is that many firms that went to using obviously both products in one have spent more than 2x what they were spending previously. And so to us, that's a very good indication that we've added incremental value on top of either one of those products independently. The team I would say, in answer to your original question on the investment side, we've invested a lot into growing that credit business. It's exciting; the team is fantastic and we are excited about where it is going to go.

Vinay Prasad: Vinay Prasad, Millennium. I have a question on Morningstar Data. My understanding is asset managers are a pretty big component of the customer exposure there. When I look at that end market, asset managers have lower margins than they've ever had, worse outflows than they've ever had. It's a tough end market. And so, can you get that segment to grow the way it has historically, given how difficult that end market is?

Kunal Kapoor: It's a very fair question. And it is the case that margins are not what they used to be, but it's also fair to say that margins have gone from being extraordinary to being just good. And that for a lot of asset managers, they're still pretty good businesses. And they continue to think about how to grow and evolve. And one of my observations in the past 18 months, if you look at a lot of our asset management clients, they've moved from a posture of defensiveness,

which is what you talked about, where they're losing assets and they've had to cut costs, to now thinking about how do you reposition yourself to take advantage of some of the new trends that are coming on, including, for example, the public-private convergence.

And they've also done things such as build data science teams, for example, which never existed previously within their firms. And so, their use cases for data, whether it's how they sell their product, whether it's how they're using it internally, have expanded. And so part of our growth story for our data has resulted from those facts. And then you saw my slide up there about how managed products are growing. And so, it's certainly the case that maybe one part the business is static or even shrinking, but there's a fair number of them that are growing in what I'll call sort of the solutions area for managed products, and that's been meaningful. And we've done a lot, for example, to bolster our managed portfolios data, provide ratings and research on that. So, there's opportunities like that. Danny, I don't know if you want to add.

Daniel Dunn: I think you covered most of the points. I mean, first, it's use case-based, and we see use cases still growing, and I don't see that ending. And I think our results in the sub-product line particularly, when I think about managed investment data. So I understand the question. I think we're keeping our eyes on that, but right now we see use cases, new buying teams. I think these other specular trends around private-public convergence means outside of the PitchBook data itself is PitchBook and our classification system coming to public market clients. Thinking about that, that is our managed investment data that might have new IP embedded in it. So, I think there's growth in there for sure.

Kunal Kapoor: There's also a little bit of a different story between the U.S. and elsewhere, and I'd just be conscious of that. So, for example, when I look at the growth of our data business outside the U.S., it has continued to be one of the reasons why the non-U.S. business is doing well. And so, I'd just kind of be mindful that sometimes what's happening in the U.S. is not happening outside the U.S.

Daniel Dunn: I agree. Like the packaging has been a big deal, too. So active ETF data as we're seeing new launches and transitions, that's a new data set. When we think about our models collection and model databases, so it will continue to evolve. It will continue to be use case-based and will continue to drive digital transformation with those clients.

Kunal Kapoor: Why don't we go to a couple of Zoom questions, Stephanie.

Stephanie Lerdall, Head of Corporate Communications, Morningstar: The first question we've got online is from a shareholder, Mindy Wasserman, who wants to talk about the Wealth business. Please explain your decision to close Morningstar Office and which of your products will substitute for and enhance that service.

Kunal Kapoor: Great. Well Daniel Needham who leads the Wealth business is right there. I see Daniel trying to hand off the mic to James, there.

Daniel Needham, President, Morningstar Wealth and Research & Investments, Morningstar: So, the question relates to the decision around Morningstar Office. So, it's a

product that we've had for a long time, mainly serving independent RIAs. It was a combination of, it's a combination of traditional portfolio accounting reporting, so that's an accounting system, billing, reporting, kind of the utility of running a back office of an RIA. And then we also had the front end, which was research, data, analytics, and tools that would help RIAs do the investment planning part of their workflow. And so, it was kind of an all-in-one. And on the portfolio accounting, reporting side, our competitors had been investing a lot, they'd expanded. It wasn't really an area of focus for us at Morningstar. And you really need scale to compete well in that space. And so, we made the difficult decision to retire Morningstar Office.

We formed a strategic alliance with Black Diamond. So, we selected them because we think they're a leader in that space. They've got the best technology back office capabilities that will really help Morningstar Office clients as they migrate across to another provider. At the same time, we have Direct Advisory Suite, which sits in James' organization, which is really the leading analytics, investment planning tool in the market. And so, for advisors that are moving off Morningstar Office, they'll be able to move to Direct Advisory Suite if they choose to go to a different provider than Black Diamond. If they choose to go to Black Diamond, they'll be able to access that as a part of, effectively, a package we've put together, which we think is really compelling for the advisors to move to, for the practices to move to. And so, we're expecting a large number of our firms in Morningstar Office to transition there. And we think that Direct Advisory Suite is going to be really valuable to the RIA market going forward.

Stephanie Lerdall: Thanks, Daniel.

Kunal Kapoor: Stephanie, another one?

Stephanie Lerdall: We've got two questions related to the Direct Platform. So, Arun from Geneva Capital asks, can you double click on the tough year so far for PitchBook? Sorry, PitchBook not Direct Platform. Sorry, Rod, looking at you. We'll come back to you, James. How do you see the slowdown of deal making impacting private markets amidst higher rates and tariffs and the potential downstream headwinds for PitchBook?

Rod Diefendorf: Yeah, PitchBook has always done really well when there's a lot of deal activity. When there's a lot of transactions and M&A activity and IPOs, PitchBook has done really, really well. When that activity has slowed the market becomes more challenging for us. And coming out of last year, last year was a more challenging year than we're used to. I think we persevered and we did quite well, but it was a more challenging year for our sales and our account management team on the existing side. We were pretty optimistic coming out of last year going into this year that that was going to change and we would get some, at least not headwinds, let alone tailwinds, and that has not happened. And so, I think that the uncertainty that people have in general results in them spending less money in general on software and on data. We feel the effects of that. A lot of firms, even in our core private equity and venture capital. Venture capital is very challenged right now in terms of raising those next funds because a lot of that capital has not been unlocked yet. So, there's fewer funds being added. So, all that deal activity or reduction in deal activity definitely puts pressure on us. But I think we've got a good value proposition. We continue to grow the business. So, I feel pretty good about it.

Stephanie Lerdall: Okay, now I really have two questions about the Direct Platform. One is from Deependra Mookim of Steadfast Investment and a similar one from Ryan Griffin at BMO. Direct licenses have been growing at approximately 1%. What has led to this slowdown in growth and what's the strategy to reinvigorate growth?

Kunal Kapoor: So, James, maybe you can start and Danny, you can contribute to that as well.

James Rhodes, President, Direct Platform, Morningstar: So, I'll focus on the part of the question where our strategy is going towards growth. And I guess I'd first start with saying that seat growth is a focus and something that we look at and take very seriously. And when we look out going into the future, we've really been investing in a few different areas. We've talked a lot about the private-public convergence, and I would bucket that into the expansion of the datasets that we have, making sure that we have the broadest, deepest datasets to cover the whole market and what investors are doing. And we look at that particular trend and incorporating that within our core offerings. It actually enables us to target segments that we have, I'd say, lower penetration in today such as institutional asset owners, gatekeepers and some of the high net worth, ultra high net worth wealth management firms. I'd also say we invested heavily over the past couple of years on capabilities that would expand our ability horizontally in the workflows of existing clients. So, if you go back to the slides that Kunal presented earlier and the number of financial institutions that we sit in, it is how do we capture more of the workflow that the existing clients are doing today, so we can expand the number of users that sit at those clients.

Daniel Dunn: Yes, I think that is really good. I'd also talk a little bit about the Direct Platform strategy and the way I have been simplifying it for clients is thinking about 3Cs. I think about there are three big franchises within there, right? Advisor Workstation, moving to Direct Advisory Suite. We have the core Direct Software application. We have the data business. For me, it's really the platform strategy about 3Cs. About content, new datasets, ahead of where the market's going, you know? So the latest example would be private-public convergence. We will have that data in that application for those workflows. Next thing I go to is capabilities, and James and the team prioritizing application capabilities around the edges. That's Direct Lens bringing a cloud-based portfolio analytics that brings the best of all the capabilities within that platform into a single module.

The third C is really about connectivity. And this is what our clients have been asking for. And this, to me, is probably one of the moatiest things that we're seeing traction within the business. The ability for a home office of, say, a large wire house to be able to do complex analytics and then filter that down to the field through connectivity, through Advisor Workstation and Direct Advisory Suite. This is also about connectivity, being able to start a workflow in Direct and push insight -- that data set, right through a data feed into the teams that need it, and that's data out of Direct. So, this connectivity, this content, and this capabilities theme here is really solid. The other part I'd say is the go-to-market efforts behind it, Kristen Kanka and the product marketing team in this group, along with an investment in SDR and BDR capabilities. We're seeing some really good marketing contributions to the typical sales source revenue here. So, we like the positioning. And yeah, there's a lot of room to grow.

James Rhodes: Yeah, and I guess just to kind of double-click on something there, removing friction. How do we remove friction in the workflow? And Kunal also mentioned a bit earlier on about being able to create a data feed directly out of Direct. The focus is how does the Direct Platform become the core of everything that our clients need to do? Whether that's an advisory client who's giving advice in the field, whether it's an asset manager who is using Direct for performance reporting or whether it's somebody who's consuming a data feed, how do they do that from the one central place to serve the needs that they have and do it in a frictionless way?

Daniel Dunn: Yes, I think pretty good. The only other thing, maybe go back to this segment perspective and so entirely new segments and then buyers within those segments. I even think about a recent conference Kunal and I were at in Boston, where as you look at the RIAs, the RIAs are being rolled up and they are predicting roll-ups of the roll-ups and so all of a sudden, that RIA channel is looking more like a broker-dealer channel and they have more sophisticated home office needs. So, that trend supports our ability to bring those kind of real industrial grade capabilities to the home offices of RIAs. So, I like that trend as well.

James Rhodes: And just something I'm super excited about because the combination of the assets we have with PitchBook Data and private markets and Morningstar and the coverage of public markets and the capabilities within our software and then the platform to tie this all together, it's about bringing new capabilities and new ways of looking at these hybrid portfolios to the advisor market, to the individual market, to the asset managers. So not just in the traditional LP, GP space, but expanding it really to cover all ends of the investment spectrum.

Kunal Kapoor: One more. Go ahead.

Stephanie Lerdall: Keep it going. We've got a question from Russell Quelch at Redburn who says, does management consider any of its businesses non-core and would it consider disposing of certain segments or products to streamline Morningstar, focus on fewer customer segments and improve return on invested capital or boost its adjusted market share?

Kunal Kapoor: It's a fair question, Russell, and you've certainly seen us do that in the past year in terms of moving out of managing our own TAMP and having Morningstar Office. I do feel like post that, we feel like we have a good set of capabilities. They are more interconnected than ever before, and that's what I would say. I think we feel like we're in a good spot with the capabilities that remain.

Couple of questions there. Imran first, maybe.

Imran Halani, Praesidium: Imran Halani from Praesidium. When we look at your recent larger scale M&A, Sustainalytics and LCD, they seem to fit incredibly well strategically with the businesses, but the valuations you paid were quite high and as a result it hurt shareholder returns and return on invested capital. I'm sure you do postmortems on your acquisitions. Can you help us understand the lessons learned and how you balance price paid versus strategic attractiveness? And then, Mike, what is your perspective on larger-scale M&A versus your predecessor and how does that compare to buying back stock at these levels? Thank you.

Michael Holt: So, I think when we do M&A, first and foremost, we are always thinking about long-term value creation. So, you can have a debate, you can have a reasonable debate about the prices that are paid, especially when you look at the context of the current operating metrics of those businesses, and that's a very fair thing to do. When we're looking at something like LCD, we're also considering what is the value we plan to unlock? What do we think that that long-term value creation is? What do we think we can do with this asset relative to what it's been doing on its own or in the hands of somebody else who's been investing in it less? So, I think you have to take that into consideration. So, we do track these very closely in the sense that every quarter we're looking at the progress, the deal model and things like that, and we have a belief that the vast majority of the acquisitions, especially dollar-weighted, have gone pretty well. In fact, the lessons learned from my perspective have been sometimes the smaller acquisitions can be more difficult to extract value off of if you're not very careful with them. So, we've just done two small acquisitions, so we're trying to be very careful and make sure that those don't get lost in the priorities of the larger organization. The larger ones have their own gravity to them and often get the time and attention that they need to make sure that they are successful. What was the second?

Kunal Kapoor: Imran, Mike and I did not practice that answer. Imran asked me the same question outside, and I gave the same answer. Good for consistency, but the second part of it was how do we think about it going forward in terms of versus share buybacks?

Michael Holt: Opportunistically. I've been running the strategy team, which is a big part of the M&A decision-making here at the firm for, I think, since 2018. And so that approach and how we think about the cash flow an acquisition is going to generate, the value it creates in our hands versus somebody else's hands, and whether we can bet on something to make sure that we're in value-creating and not value-destroying territory, that approach will persist. But in terms of large M&A, I think we're always open to it. But I would tell you, we look at hundreds of deals and most of them don't take very long to figure out that they wouldn't fit in our family or that they're not going to be priced correctly or that they're not going to work for various reasons.

Kunal Kapoor: The bar is also so much higher when you're doing an acquisition. When it comes to buybacks, we're investing in something we know really well. And so, you do that with a high degree of confidence. And to get that same degree of confidence when you're trying to make an acquisition, you have to jump through a lot more hoops. So acquisitions are not, I would say, top of mind in terms of how we think about growing the business, but we certainly are opportunistic when they do pop up. I don't wake up thinking about the next acquisition we're going to make. I wake up thinking about how we're going to grow our business with the capabilities that we have. If we do acquisitions along the way, well and good, but the path is organic.

Rod Diefendorf: You know, opportunistic, yes, but at the business unit level, at the PitchBook level, we are very strategic about what kind of company we wanted to acquire with Lumonic. And we had identified a number of companies. We had reached out to them. We had talked to them. And we initiated some of those conversations from a very strategic perspective beyond just the opportunities that come our way.

Michael Holt: The framework we use there is where are we at and where do we want to be, right? How do we close that gap? And every time we have a gap like that, we think we can build,

we can buy, we can partner. And we found some opportunities recently where we could buy something that accelerated the road map and was a more efficient way to close the gap from point A to point B. And that's the framework, have a strategic priority, figure out what that gap is, how do you solve that, as opposed to waking up and thinking what acquisition activity could we pursue?

Detlef Scholz: Maybe to add on the DealX side, we already were a very happy customer of DealX. We got into a relationship and we developed that relationship and we agreed that a joint way forward is best for our customers and the market and the way we develop our credit analytics.

Kunal Kapoor: And then we'll move to the back, sorry, I've been paying attention to the front, but we'll go to the back here in a second.

Vinay Prasad: You guys pointed out that company-wide headcount has been declining for the last couple of years. Can you add more color on what drove that? Was there a top-down directive to business leaders to be more prudent about hiring or was there something else at play? And then just going forward, how sustainable is that trend? When do we reach a point where you have to start hiring on a net basis again?

Kunal Kapoor: So there are a few things that are at play there. First of all, I think it's important to step back and recognize that segment by segment the story is a little bit different. So we have continued to grow headcount in some segments to support growth, and that's how we think about it, is what's the right opportunity that we're looking at. But certainly we've had some big pools where we have shrunk, Sustainalytics, in particular, has been an area where we have reduced headcount fairly substantially relative to where it was, and so that has had an impact. And then I think beyond that, one thing we're finding, especially in an area where we spend a fair amount of money in data collection is we're just leveraging technology more effectively. So you're seeing us collect more data without needing to add more people to be able to do that. But I think it's fair to say that we are scrutinizing headcount pretty tightly. We feel like we're in a good spot in terms of the resources that we have and the technology spend that we're putting to work. And so we're trying to just maximize what we have. And we certainly have invested in some spots, and I'd say our go-to-market capabilities are the ones where we think the most about how do we grow those, because to the extent that we want to grow sales or marketing, for example, it's really easy to measure the return very quickly. And so those are the areas that have been benefiting from new and expanded headcount, as well as a couple of new initiatives that you've seen pertaining to with DealX and Lumonic more recently.

Let's go to the back for some questions.

Shane Connor, Huffman Prairie Holdings: Shane Connor, Huffman Prairie Holdings. I'm curious, are there shared, I guess, in-place shared resources in collaboration between PitchBook credit and Morningstar DBRS private credit? And if so, can you provide an example or two of those?

Rod Diefendorf: I don't mind going first. I wouldn't say there's absolutely shared resources. There's dedicated resources to each group that work very collaboratively with one another. And I would say the same holds true for Indexes as well. And that's the way we look at it at a very high level.

Detlef Scholz: And we have certainly collected now a number of capabilities in the overall credit space that are well-targeted, but working very nicely across the different functions. And especially when you look at the Lumonic acquisition and you look at what we do on the rating of corporate middle market credits, when you look at our surveillance capabilities, when you look at some of our analytics platforms and the data we collect, I mentioned earlier that DealX is one of the prominent collectors of CMBS performance, but also CLO performance related data. That's immediately relevant for the LCD, but also then for some of the GP and LP space. So, it's an ecosystem of credit-relevant assets that are coming nicely together, and we are part of one big family, and as such, yeah, it's a good joint venture.

Kunal Kapoor: One of the lines, obviously, we are very thoughtful about not crossing, is there are things that the regulators expect us to do independently, and we keep those very separate. So, that's one very clear line that will not get crossed.

Other questions in the back? Yeah, right. Either is fine.

Raymond Stochel, DF Dent: Ray Stochel with DF Dent. So, I'm not sure if this is best for the folks that are on the stage or the board.

Kunal Kapoor: Go ahead and ask the question.

Raymond Stochel: The board perhaps. But I was curious as to how the company was thinking about issuing the stretch goals in the latest proxy statement and if the goals are so difficult to hit how Kunal would potentially actually try and hit them. So first thinking of the incentive and then second of all, how do you actually get there if it's possible to hit those stretch targets, which we don't know the number for, but would love to know that number too, but you probably won't give it.

Kunal Kapoor: Steve, do you want to take that question? So the idea behind the stretch incentives, and I'll turn it over to Steve here too, is to give management something extra to stretch for, something that seems difficult. And I think your question may be, and correct me if I'm wrong, is asking if we take unnecessary risk to try to hit those stretch targets. And all I would say is that the way they're set up is to drive value creation and to drive further growth in the AOI. So, I think it's very perfectly aligned and it's done in a way to incent the management team to be very focused on pushing harder. And as a team, we're motivated to drive growth and to push harder in general. And so, I personally like having something that the team feels like they can only achieve with extraordinary results, and that's how we think about it.

Steve Kaplan, Morningstar Board Member and Compensation Committee Chair: I just agree with that completely and just to let you know the board is very focused on value creation and particularly AOI. On the stretch targets, we're also focused on making them really hard

because you don't want to make them too easy for obvious reasons, and I think we've had a reasonably good experience with them being motivating, but being tough.

Alex Kramm: All right, I'll get up this time. I think some of this may have been asked already a little bit, but I would love for you to, on the credit side, dig a little bit deeper into why you are positioned to win against the incumbents. Both of those, if you are talking about the two public ones, very much have shifted talking about private credit as now an opportunity versus a risk. For you, it is probably all opportunity like you talked about, so their business has been very focused on having established relations with corporates. Maybe you talked about this a little bit earlier, is it really the opportunity you are engaging with other market participants, the GPs, the LPs, the insurance companies and maybe any sort of anecdotes where you have seen that actually work where these guys have maybe said like, look, we love you, S&P, and Moody's, but we'd rather, we think they have a better solution for us that works. So, anything, you can put a little bit more meat on the bone.

Detlef Scholz: Alex, I really appreciate the question because it allows me to spend a moment on when we talk about private credit, some of the misunderstandings, maybe even by our peers, of what sub-sectors we actually see activity in. Some of the earnings calls you may have listened to as you cover those credit as well, we're focusing on some sub-slices that are not necessarily encompassing and the full heart and meat and love and tender we apply to the private credit space. There's also a misunderstanding who is driving the private credit business and ultimately the credit rating mandates for us, it's coming from the investor side. It's not the underlying corporates per se. It's an integrated private credit shop that has needs on the insurance company side. It may actually be a joint venture with a banking originator of assets, where you also have balance sheet considerations for regulatory capital.

You see the pension market developing. You see the entire space of commercial real estate lending being reviewed and revamped as we speak. All those use cases I have not heard in any of those conference calls, but that's what we are focusing on. So it's going back to our investor first mandate, looking at the use cases, the beneficiaries, those who actually consider speaking credit rating language in the market and then focusing on every individual relationship and developing our use cases together with them as we cover and go step by step. And the benefit, actually, of the private credit market, they are not that transparent, so our competitors do not necessarily see everything that we are focusing and engaging, and vice versa, I have to admit as well.

Kunal Kapoor: I would also just say that there's a level of responsiveness and transparency that we've brought to that part of the market that they appreciate. The reality is in the fundamental market, the three legacy firms essentially get calls. And I think in this part of the market, you have to act a little differently, up your game when it comes to customer service, and I think that's a differentiator. It may seem like an odd point to make, but we really do view it very much as being the case. What I tell you is we get exposure to some of the large firms and they're willing to share their plans with us well before maybe they're fully formed even, and so we kind of have a view into what they're trying to do well ahead and can support it.

Detlef Scholz: Maybe one more add-on comment, Alex. The credit rating industry is a very competitive industry, and everyone likes to constantly learn. And that's effectively a nimble

approach, a very service-driven, a very output-focused approach matters. And it's not establishing a position and then sitting back. It's actually day-to-day engagement with the market. And I hope that on that dimension, we are utterly compatible.

Kunal Kapoor: Detlef liked that question. Next question. Steph, do we have more on Zoom? Okay, I will go to you next.

Vinay Prasad: If I look at PitchBook licenses added in the first quarter and the fourth quarter, I think it was about 700 to 800 in each of those quarters. You typically add about 3,000 plus licenses each quarter, so the last two quarters have been below that trend line. Is there something you can call out there? I know you've talked about auditing the user lists in the past as being a headwind. Was that a factor in either or both of those quarters? And if not, is there something else there?

Rod Diefendorf: I don't know if it's a headwind. It's just if you look at it on a quarterly basis, it's going to be lumpy. We purge different user sets or licenses and I think you've got to look at it on an annualized basis. There's a lot more enterprise customers now, which changes some of that. And I just think that when we – there's also some noise in these numbers as we transition from renewals that may get extended. And so what happens is we take those out, and then when they do get extended, which we fully expect they will, we put them back in. So there's a little bit of noise in some of those numbers. I'd be very careful about spending too much time on the licensed user count, especially on a quarter-by-quarter basis.

Kunal Kapoor: Let's go to some Zoom questions.

Stephanie Lerdall: We've got a question from Kenta Suzuki at Asset Management One. She was paying attention to the strategy language, Kunal, because she says, I believe that one of the key messages from last year's annual shareholder meeting was making Morningstar essential to the investor workflow. I wonder how management internally monitors the progress of that strategy, especially for Direct, Advisor Workstation and PitchBook. It'd be helpful if we could put some KPIs, customer engagement, percent of using multi-products, et cetera, for the progress of this strategy?

Kunal Kapoor: I mean, I think the most effective way we do it is by talking about a few things. One is our sales growth, and so that's an obvious measure, as well as NPS. We look at that internally very heavily. And then we look at the data that we're creating and the IP that we put on top of it, because that's ultimately what allows us to grow into adjacencies. And that's part of what I was trying to convey today, is that you become essential to the investor workflow by continuing to build out into adjacencies. And we've tried to do that in PitchBook, we've tried to do that in Morningstar Direct. And so, I'm happy to kind of think about it a little bit more if there's something else that'd be useful. But those are the ways we do it internally.

Daniel Dunn: The type of insight you probably like is also something I don't know that we would share, because that might create some competitive issues. But generally this is looked at first like other things. And if you're thinking essential, besides like are we growing, that would be a signal of essential. But like are we retaining? So that starts with our renewal rate. Do each of

our businesses track that? Yes. Then we go to gross renewal rate. What actually we started the year with, how much of that from an ACV, how much is left? That's essential. And then we look at net renewal rate, which speaks to what I started with and how did I grow it. There's other things in there that are really important at the intersection of client serving team and then the product teams, and that's really about sort of health scores and usage patterns. And so we have those, as you'd expect with modern software and web-based software, we have those usage patterns, and the best teams are looking at cohorts of users.

So say a user by certain role, and then we look across all those users who should fit that role and we say, are they using the capabilities that they should be using? And then if they aren't, then we know to do some outreach, whether that's digital or a mix of human and digital. So there are granular things that tell us how essential it is in the workflow that go even beyond sort of NPS and maybe top line net sales that get down into how we actually run the engagement with those clients in each of those businesses. There are some nuances to the different businesses we have and how we do that, but it's done in each one, and that's our best signal for how to stay on top of customer health.

James Rhodes: I guess I'll just add a little specifics on the Direct side. We're obviously a very data-driven company, and we collect usage data on literally everything. So, if it's launching a new data point across the platform, we could tell you usage of that particular data point across all of our products, are the right people who are supposed to be using it and gaining value from it, getting that value. If we launch new capabilities, we track the expected usage of the capabilities, and are we seeing that materialize and the actual usage that comes across. So to Danny's point, from a product perspective, laser focused on basically capturing statistics and data on everything we do and then monitoring it and reporting out on it.

Stephanie Lerdall: We've got another one from shareholder Isaac Willer who asks, can the company elaborate on how it continues to remove non-fiduciary anti-Israel bias from its corporate policies, particularly in the context of ESG ratings?

Kunal Kapoor: I believe this is a topic relating to some of the work within Sustainalytics. Obviously, we consider this to be a very important topic as it pertains to human rights. It's a tricky issue to navigate just for some context and to remind everybody about at the start of 2024, we appointed some experts to work with us to ensure that our research in this space was above reproach. And through the course of the year, we worked with them, implemented the recommendations that they had. And at the end of 2024, they reviewed our work and issued a report showing that the ratings and the ESG work was bias-free. And we continue to make sure that it remains as such, but we took that incredibly seriously and responded very quickly to it. And I believe we're in a good spot going forward.

Any more on Zoom right now?

Stephanie Lerdall: We've made it this far without any specific questions on AI, so the last two I've got are two on AI, different flavors. Mindy Wasserman asks, how are you using AI on your databases? How large is your data center and does your data work like an LLM? While Arun from Geneva Capital asks more about how are we using AI for operational efficiency and margin

improvement, how might we expect to see that in margin leverage over the medium to long-term?

Kunal Kapoor: Let's do a couple of things. Why don't you talk about it, James, from the data perspective, and then, Danny, I'd invite you to talk about it a little bit in terms of how we're thinking about it on the sales side and kind of driving efficiencies as it pertains to our process there, and then maybe Mike and I can take a little bit of a general swing at it.

James Rhodes: Yeah, I'd say the first thing is we embrace AI and have embraced it for many, many years in how we collect data. So when we look at the technology and how it improves our database, it's really about can we collect more data faster and of a high quality? And Kunal kind of alluded to this before when we were talking about headcount growth and scaling. And so as you see the advancements of technology in the AI space continue to improve at a rapid pace, you'll see that we're also able to collect more data faster and at a higher quality. So there's a kind of direct correlation between the pace of change and innovation on the AI side and our ability to continue to improve our underlying database and the breadth of data and the depth of data that we collect.

Daniel Dunn: Yeah. Good question. Obviously, very active topic. I'd say there's good, smart experimentation contained that we can measure, and we're doing that across a bunch of different areas, maybe this is along the lines of internal efficiencies. I don't like to think about it as like cost takeout, but I really think about like one of the best implementations would be our pilots that we're doing within our customer support centers. And that's, yeah, so is there efficiency? Yes, but it's about quality and speed to answer for our clients. So obviously you see a breadth of capabilities here with an incredible underlying amount of data and content. It's a perfect use case for using generative AI to produce answers from our wealth of information that we have. So that might be historical customer case data, that might be knowledge articles, that might be tapping into user manuals within our products. So being able to service that insight at speed and scale like it's never been available before is a difference maker in support use cases. So then to sort of build or buy, like we have a good partnership with Salesforce, and so within Salesforce, we've looked at Einstein and tested Einstein Analytics. They've got a new program, Agentforce, that we're testing. So there are a number of things we're doing sort of in the post-sale support that we're seeing some nice returns on. But again, I think about this in terms of customer outcomes. That's probably what's most important to us.

On the sales side, we're using similar technologies as we think about augmenting our human SDR capabilities with digital. And so, you're starting to see some of those pilots roll out. And that's effectively the ability to engage with a customer, understand the needs, and then move them into a human sales process, as well as doing things as needed is booking them through Calendly onto their calendar to get the demo set. So there's different use cases we're testing with. The closing remark I'd have is, we see a lot of opportunity, so much of AI has talked about efficiency and how we're engaging with customers. But, we see an opportunity with our content, our data, our structured and unstructured data to license this to both financial services firms, FinTech firms, and others as another form of use case where they're trying to innovate. So that's a pretty exciting topic for us right now as well.

James Rhodes: Yeah, and I would say we've kind of taken that model that we have over on our data side, how do we leverage this technology for scale, right, and really as a driver for growth, and kind of applied that across various different functions as well. We're heavily using AI and LLMs for generative capabilities over on the software development side. So it's less about necessarily finding the internal efficiencies by adopting this technology, but really how can we use this technology as a driver for growth so we can get new features and capabilities out in the hands of our users faster.

Kunal Kapoor: Yeah, and I would just sum it up by going back to Vinay's earlier question, just as it pertains to how I think about headcount growth. The reality is with all that we're investing in technology, the bar is much higher to bring in new headcount given what we have going on. And so both James and Danny talked about doing more with what we have. And so technology and AI in particular is going to allow us to enable that. And we just had an internal showcase for our senior leaders just to share what's going on in different parts of the firm and even as it pertains to writing code. We have teams now that are starting to automate a lot of that, and so I don't have a precise answer in terms of what the long-term impact is going to be, but I will tell you that there's no doubt that it has to be a positive driver of our profitability over time because we should be able to grow without adding as much cost. Now, we are also monitoring what we spend on these initiatives because, as you guys have seen at other companies as well, cost can add up pretty quickly, and there's a reason why the Amazons of the world are doing quite as well as they are. So, anything to add, Mike?

Michael Holt: Well, I was glad you added that point about monitoring the cost, so I wanted to add that. But this really fits under the umbrella of scaling the business and the unit-level economics that we have. We're having a lot of conversations about better, faster, cheaper. How do we get better, faster, cheaper on a given thing? How do we create more value on some activity that we're doing? And so we have that across the groups, but you can imagine that a lot of those conversations are being centered on the shared costs, and the shared costs have very demanding internal clients from the end business units, but they also just – we're finding a lot of value in just challenging some of the notions of how we've done things, and AI is a big part of that. Technology in general is part of that. But at the end of the day, we've got to get better, faster, cheaper on these different activities that we're – and these capabilities that we have across the firm.

Kunal Kapoor: Let's do two questions on this side, and then I see two in the back as well. Pri has not had a shot. We'll go to him as well.

Alex Kramm: Alex Kramm again, UBS. I'll stand up again. Maybe perfect segue because you just said shared costs. There was a question in your Q&A just a couple of days ago, sorry to be so specific, about your corporate unallocated. And I think the question was about benchmarking to others, and I totally understand that every company takes accounting liberties as they allocate costs. But I want to be very specific, because the company that I look at the most as a benchmark is the biggest company in this space, which is S&P Global. And when I look at your corporate unallocated, I think 181 last year, I think theirs was 179. And that's a company that's seven times your size in terms of revenues. So accounting, mismatching, you obviously can look at some of that and there is probably some gray area, but it still seems very off, so maybe you can react to

that a little bit of where it's a question of scale or where it's just a question of maybe having moved to as much offshoring or other opportunities to just be a little bit nimbler when it comes to those corporate costs.

Michael Holt: In general, there's a different approach to what's being put into the corporate bucket, but it's a fair question to ask in the sense that that is a big number in terms of our overall cost profile and how do we think about managing that going forward. So, we do expect to get leverage out of that as the business continues to grow in scale. You know, there's a lot of noise in those numbers, and we answered this in the question a little bit about bonuses moving around. There's a deliberate amount of marketing that's being kept central. So we have this philosophy about pushing as much cost as we can to the individual segments, but we want to make sure that that is appropriately matching the decision-making, so things that are uncontrollable by those segments we're trying to keep central. So if it's broad-based marketing, there might be benefits and the segments might be beneficiaries of that, but we're choosing to keep that central and have a philosophy on how much we want to invest in that asset growing our brand. So I think there's just a different approach between some of the competitors and how we're doing that, but I think it's very reasonable to ask us will there be leverage and how will that grow over time and with the new segment reporting structure, I think you have a much cleaner look at that and so you can evaluate that over time as well.

Pri Abeyasekera: Hi. Thanks for taking my question, Pri from Select Equity. Question for Mike about the Direct Platform business. And when you look at the organic growth from 2022, I think it was 8%, it sort of decelerated over the last two to three years, it was 4.2% in Q1. Could you just talk about ultimately the factors that have driven that deceleration in growth? And I know that there's some product level repositioning that you've done underneath that over the period and ultimately what the core underlying franchise should be growing over the next let's call it three years.

Michael Holt: Yeah, and I can start, and I'll turn it over to James to really speak to the product-level decisions there. But it's a critical segment for us, and we know that we want to continue investing there and growing there. There's a lot of work being done on software modernization, right, so there's a lot of investment going in, and that's going to lead, we believe, to new levels of growth, but the team has also been really getting focused on core and non-core. So what's core in there? And you saw some of the – the segment's the same. It's got a new name, but some of the groupings we're using within the segment have changed a little bit to try to reflect what we believe to be core opportunities and what we believe to be non-core. And that's to give you better visibility on which parts of that business are growing. But, James, do you want to speak to the more specific product decisions?

James Rhodes: Yeah, no, I mean, I think Mike was touching on it. It's really about focusing on the core data, Direct, Workstation. The growth profiles within those three are slightly different, but healthy growth profiles. And then when you look at the non-core parts of the business and the products that are in that, depending on which particular product area you're looking at, it's a strategy for focus on modernization, focus on profitability, and making decisions on how we're going to manage those parts of the product portfolio. But when we meet together as a leadership team, it's really about how do we make sure that the entire organization is focused on the core of

the business and making sure we're focused on driving top-line growth while maintaining our very healthy margins for those particular areas.

Kunal Kapoor: I think a big focus and opportunity for us is to reignite growth within Direct Advisory Suite/Advisor Workstation. I think that's going to be really important in the context of this segment. You know, we spent a good amount of time re-architecting the software. We've got it out there now. There's still more capabilities coming in. But when I think about the opportunity going forward, that part does need to, I think, start accelerating. It's important.

Let's go to the front here. I know there's one more question in the back. If you can keep your hand up, we can send the other mic to you. It's all the way back there, if we can send the mic there.

Jeff Silber: Thanks so much. It's Jeff Silber with BMO Capital Markets again. I want to go back to M&A. I know it's not a prime area for capital deployment, but is there anything missing from your portfolio right now that you'd say, wow, this would be a great product or service we'd like to add?

Kunal Kapoor: I would say that there's nothing of any size today that would fit that profile. There are probably customer types that we have an opportunity to grow more heavily into, and so I certainly think about it through that lens. And then we talk a lot about scale, and I think about all our businesses and how do they get to the next level of scale, and so that kind of factors into it. But there's nothing that is kind of missing, per se, when I look at the investor portfolio. And I always start by looking at the investor portfolio, and I think about where is it going and what are the things that it might evolve to, and can we provide insights into it. And there's nothing I feel like we're missing today, and when I look across our competitive set, I think they actually do not have all the capabilities on the data side that we do. So, I feel pretty good about that if we're able to package it and meet some of the emerging needs such as in public-private. You've probably heard a little bit in Detlef's presentation, the importance of growing the data business within Morningstar DBRS/Morningstar Credit, and so I'd sort of put that as one area that we would like to continue to see growth accelerate over time.

In the back.

Shane Connor: It's Shane Connor from Huffman Prairie Holdings. I'm curious. I think this description of core versus non-core PitchBook users first emerged in 8-K in 2023. I'm curious the realization that there are some PitchBook users that are non-core. How does that sort of impact your thinking around the future growth opportunity and maybe I guess I'll just ask the question, what is the future growth opportunity, Rod? I think you mentioned double-digit earlier in your presentation.

Rod Diefendorf: The double-digit for the record was historical. However, I think that what you're asking is core versus non-core. We've made a very conscious decision to invest in the core and invest in core functionality for investment use cases, and we know that when we do that well we will serve our core customers, but we'll also bring other customers that see a lot of value in what we've built. And that's what we get when we call it sort of non-core. And that's probably the

wrong term. We call it SMB internally, but it's less investable use cases than the core. And so our strategy is very simple. It's continue to focus on the core and build out our capabilities to deliver real value against those customers, knowing that others are going to come along and that's okay.

Kunal Kapoor: We've made some adjustments in terms of our go-to-market.

Rod Diefendorf: Good point. We've adjusted how we sell. We've adjusted how we manage as well. So we know that the renewal rates for core are higher. We put more towards managing those customers. We know the value of core customers have a higher lifetime value than the non-core. So, we've changed the way that we sell against core versus non-core as well.

Kunal Kapoor: Do you have another question in the back before the mics came back? Okay. I saw some hands back. Alex and Vinay maybe. Alex and, okay there's one question right there, go ahead.

Alex Kramm: I guess I'll take it, but I'll preface this by saying, sorry, it's another annoying margin question.

Kunal Kapoor: Please ask as many questions as you like.

Alex Kramm: But this is kind of specific and to some degree thematic too, it's for Mike obviously, but I know you don't have targets on margins specifically, but if you have a 20 handle on your margins right now, and if you think, okay, maybe the next stop we're all excited about will be 30%, I know I'm not going to hold you to those targets, I'm just saying if you maybe think out loud the box and say like, mechanically, what would a scenario actually look like for the company where you do have these 30% margins, again, not holding you to it, just if you think about the business and the potential for margins, what does that scenario look like that makes you get there?

Michael Holt: Well, since you are not going to hold us to it. Look, we are not going to break with our policy of providing any type of forward-looking guidance. We are going to stick to what we have conveyed, which is we have made good progress, you have seen a lot of margin expansion in the business, we believe there is more room to expand margins over time, and we're trying to balance making sure we invest appropriately to sustain the growth. Because when you think about our north star, it's not margin. Margin's an important lens. But our north star is growing that adjusted operating income and the total profitability of the firm over time. And that's a balance of the investment we need to put into the business to drive that top line and then translate that in an efficient way into margin. I think there should be some credibility for the progress we've had over the last couple of years. And you can see the trajectory we're on, but we need to continue to invest to drive towards our north star, which is the growth of adjusted operating income.

Kunal Kapoor: Let's do one more question here, and then we'll go to Vinay again.

Raymond Stochel: Ray Stochel with DF Dent. A quick one on Morningstar Essentials, which I think is probably a \$50 million business, especially since you put out that semiliquid medalist

rating. You know, is that a business that you see growing faster than its segment, and how big can the opportunity be in semiliquid medalist ratings? You know, is it something where private side is as big as the public side, and so we can think about potentially another \$50 million on top of whatever public is doing?

Kunal Kapoor: Danny, you want to talk about the Essentials business, and I'm happy to add on as well.

Daniel Dunn: Sure. I mean, I think the Essentials business is absolutely one of the core pieces of IP that we use. So, I think if you look at it from the perspective of a singular product line, it might not seem that exciting. But it is instrumental in everything we do in terms of where it flows through. It flows through Morningstar.com to every individual investor, whether they're a subscriber or non-subscriber. It goes through Direct. It goes through Advisor Workstation. So it's bigger than maybe a product line. But I think it's a good question. Do we see growth in it? Yes. I think that growth will be monetized not just within that product line of Essentials, but as you see it filter out. And that's what we talk about in private-public convergence. It's not just going to be bringing data across it. I think it's the layers of enrichment of IP. And we've spent a lot of time as a team in that convergence thinking about what's the next generation of iconography and sensemaking we can do for the investing world on that. We think of stars. We think of medals. We think of other things. I won't tell you the ideas I had because some people said it was a little silly.

But there are certain things around liquidity where we're like what will be some of these measures that Morningstar is well-positioned to kind of set the market on how we think about them. So, you can kind of expect more growth there, but I think you'll see the growth coming through the broader set of capabilities.

Kunal Kapoor: I don't think just delivering on the medalist ratings for semiliquid funds alone is the next step up. It has to be a family of IP that we deliver in the public-private space, I think if we do that, then the growth opportunity unlocks. That's the first step in moving in that direction.

Vinay Prasad: A couple of questions on segment-level margins. First one is on Morningstar Credit, your margins are around 25% to 30% depending on the period. S&P and Moody's do 60% margins. Is that delta just due to scale, or is there something inherent about structured finance that makes it lower margin? And then second question was on the combination of Sustainalytics and Index, I believe is running close to breakeven, if I did my math right. Is that correct? And what's the path to get those segments to be profitable?

Kunal Kapoor: You want to start with the credit one? Go ahead, and then Mike can pick it up.

Detlef Scholz: Maybe just quickly, I believe you already provided the answer. We are more exposed to the transaction-based market on a relative basis versus the fundamental business, even though we are making great progress on the fundamental business. But inherently, the transaction-based business may actually have less favorable characteristics than the ongoing fundamental corporate business.

Michael Holt: And obviously, Index and Sustainability, they're part of the corporate and all other. And so we report that group, and we also talk about the corporate expenses that you can back out, and so you can do your math and arrive in a ballpark that gives you some insight there. What I will say is both of those businesses are very focused on growing their profitability. So they are you saw the growth rates, I think, on Kunal's slide, so a pretty significant growth rate for the index business that continues to be a really meaningful story and a good contributor with Sustainalytics. That's obviously going through a bit of a repositioning. Kunal talked about climate, the data focus, and as we work through that progression, that'll become a more meaningful part of profitability. But we're not going to disclose more than what we already provide in the corporate all other segment.

Kunal Kapoor: I realize we're coming up on the noon hour, but given that there are questions, we'll keep going for some time. Plus, Joe, you love it, so we'll just, yeah. So we'll keep going for a little while. So if you've got questions, please keep raising your hand and we'll stay for a little longer.

Vinay Prasad: You guys called out headwinds to exchange data within the Morningstar data segment. Can you say more about that? Is there a competitive issue there? I believe Bloomberg and Refinitiv provide exchange data. Is there some sort of competitive dynamic with them or is there something else going on?

Kunal Kapoor: I would just say that that's not a core area of focus, exchange data for us, and we are increasingly looking to just be very focused in what we provide there and use it largely for internal purposes. So, when we think about where we're investing and what's core to us, that's not one of the capabilities. James, do you want to add anything to that?

James Rhodes: Yeah, I can add. So we're looking at that capability as Morningstar is customer number one for that data and the needs there. And what does that mean if we looked at that business as serving Morningstar as customer number one, right? And then that has some implications around coverage and things along those lines. So, it's more about refocusing of what the primary use case of that business is or the product is for us, and then making sure that what we're doing over in that space aligns with what our needs are from the broader Direct Platform and Morningstar business.

Kunal Kapoor: Anything on Zoom, yeah, go ahead.

Stephanie Lerdall: Oliver Hinch is asking, what share of data flowing through and used by PitchBook is proprietary data? And in general, how are we thinking about proprietary data over the next 10 to 20 years to help sustain the flywheels around PitchBook and Morningstar?

Rod Diefendorf: It's a good question. I don't know that we actually measure specifically the share of data that is proprietary. I would say that the collection is proprietary, the way we collect it. You know, there's a lot of data out there, and it's challenging to get. So, there is publicly available data that is challenging to get that we get, and there's also proprietary data that we get. As I mentioned in the presentation, we have more relationships with institutionally-backed

companies and collect more data on those companies than anybody else, and I think that's a big differentiator for us.

Kunal Kapoor: Yeah, and I would just add more broadly, I showed in the slides the data we're collecting continues to grow in an ever-expanding fashion, and I do not anticipate that that'll flow on the managed product side either.

Stephanie Lerdall: Next one, Russell Quelch from Redburn is asking, would management consider increasing shareholder engagement? Why do we persist with the level of engagement today?

Kunal Kapoor: Well, Russell, thanks for asking the question again. We laid it out earlier. Joe spoke about it. I spoke about it. We think that we run this company in a way that allows for endurance. And when I talk to other leaders as well, one of the pressures of a lot of companies choosing to go private is because they don't like being on the flywheel with having to do quarterly estimates and orient their business just around that. We've tried to orient our business around creating value for you, over time we think this works really well. It keeps management focused on the right things. And so, our policy will continue to persist.

Stephanie Lerdall: I've got another one from Deependra Mookim at Steadfast. Brock's just going to love this one. Could you refresh us on the Retirement business? What's been driving such impressive growth? And who are you winning against?

Kunal Kapoor: Brock, I'll give it to you. Do we have a mic? James, do you have a mic to send over?

Brock Johnson: I'd say, I mean, in general, I think that we've just been doing a really good job on providing scalable personalization across the industry. And then I think we do a really good job of growth through adjacencies. So, I'll give a quick example. Our flagship product, Managed Accounts, where we become the investment manager for a participant in a 401(k) has just continued to grow steadily and we're just reaching all the record keepers with that service, but we've basically taken the technology that delivers that service to record keepers in the retirement space and expanded it to advisors, RIA firms. Just as an example of how scalable it is, we hit \$1 billion in assets through our advisor managed account service in less than half the time than we did with our core offering Managed Account originally. And we leveraged 95% of the same technology that we used with our core offering when we basically went to advisor managed accounts. So 95% of the same technology leveraged to a completely new distribution channel and that's why the profitability I think is as strong as it is. So, I think we're really good at kind of just building off what's been working to date. We've got relationships, technology integrations with pretty much all the record keepers out there and we're continuing to expand into new markets with that same technology solution.

Kunal Kapoor: Any further questions in the room?

Vinay Prasad: You guys disclosed recently that I think 25% of Morningstar Credit has to do with private transactions. How much of that 25% is private credit specifically, and can you just

talk about the growth in that 25%? Is it growing faster than the segment overall? And also just maybe related, do you guys see yourselves as the market leader in private credit now because S&P and Kroll also have significant presences there, or is that something you aspire to achieve in the future?

Detlef Scholz: On the last bit, certainly given the lack of overall transparency, it's impossible at least to me to assess entirely our relative position, and it's a big space, and depending on the definitions, which may vary, there's certainly room for several competitors to be very successful in that space. So my focus is on how successful we are in that space. The overall growth rate, it's just a function of overall market activity, and I believe the compounding growth that we have seen for the private credit space overall is a good indicator, and you can compare that to the public fixed income markets, and you can come and monitor over time the relative positioning of those two. So there to stay, there to grow, and for us, hopefully, there to benefit in a nice and at least proportionally.

Kunal Kapoor: Further questions? Okay, going once.

Well, if there's no further questions, I want to thank all of you for being here and joining us at our annual meeting. It's great to see many of you. And, again, thank you all for making the trip here. For those watching on Zoom, thanks for taking the time to spend part of your day with us. We always love hearing from you. And so, while I appreciate that we're not doing quarterly calls, when you do send in those questions, we do take them incredibly seriously. And hopefully, you saw even just with the latest series that we spent a lot of time answering those questions in, I think, a very detailed fashion.

I'd just like to wrap up by thanking Sarah Bush, who leads our IR function and puts a lot of the effort together for this event. So, thank you, Sarah. And thanks to everybody else, our team in the back, and everyone who's helped pull this day off. And thank you all again for being here.