Morningstar 2023 Shareholders' Meeting

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Opening Comments – Joe Mansueto

Joe Mansueto, Executive Chairman, Morningstar: Good morning, everybody. It's so good to see everybody. Thank you so much for attending. Welcome to the 2023 Annual Shareholder Meeting for Morningstar. I'm Joe Mansueto, Chairman of the Board, and I'm delighted to see all of you this morning. If you're dialing in remotely via Zoom or the Broadridge platform. Well, welcome to you as well.

So, before we get started, take a moment to read our Safe Harbor statement. And then the format for today's meeting is the same as in prior years. We think this works pretty well. I'm going to kick it off with walking through the business of the annual meeting, which I don't expect will take too long, and then we'll turn to management presentations. We've got three for you this morning; Kunal Kapoor, our CEO; Jason Dubinsky, our CFO; and Danny Dunn, our Chief Revenue Officer and I think they'll present a good overview of the state of the business at Morningstar; our finances, our strategy, industry trends and the way forward. Then we're going to take a short break. We'll come back and we'll take your questions. As you may know, this is the one opportunity we provide shareholders each year to ask management questions live in-person. So, we hope you have your questions ready and we look forward to a robust lively discussion.

Virtual Meeting Access Instructions

So, if you have questions you'd like us to address during the Q&A portion of the meeting, you'll have an opportunity to ask them via the questions textbox in the Broadridge platform, or via chat, or through audio or video participation if you're joining in through the Zoom platform. Anyone here in the room can simply raise your hand when we reach that portion of the meeting, and we'll bring a microphone to you. And as I mentioned we very much look forward to your questions.

I will note that if you are not here in-person and you would like to vote during this 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 both platforms. So, 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, who are in the front row here. As I call your name, I'd like each of you to stand and face the audience. Robin Diamonte, Cheryl Francis, Steve Joynt, Steve Kaplan, Kunal Kapoor, Gail Landis, Bill Lyons, Doniel Sutton, and joining us remotely is Caroline Tsay.

Our board has just been a terrific resource for us during the year. We are very fortunate to have a very candid, strong independent board who gives us very direct feedback. So, you've been terrific and thank you for all of your counsel and advice during the year.

Now, I'd like to introduce our executive officers Kunal Kapoor, our Chief Executive Officer; Jason Dubinsky, our Chief Financial Officer; and Danny Dunn, our Chief Revenue Officer. You guys have also been terrific, so thank you.

I'd also like to note that our independent auditors for 2023 KPMG are in attendance and are available for any questions today.

So now I'd like to get started with the official business of the meeting, Greg Malatia, a representative of Broadridge Financial Services is here today to act as the Inspector of Elections. Leah Trzcinski, our Corporate Secretary will now report on the mailing of the notice of the meeting and the number of shares represented at today's meeting.

Leah Trzcinski, Deputy Chief Legal Officer: We are holding this meeting pursuant to a notice mailed on March 31st to each shareholder of record on March 13, 2023. A certified copy of the list of shareholders of record has been available at our offices for the last 10 days. I can report that we have established a quorum for the conduct of business at the meeting.

Joe Mansueto: Thank you, Leah. So, the first item of business today is election of our directors. We will elect 10 directors at today's meeting. The directors elected today will hold office until the 2024 Annual Shareholders Meeting or until their resignation or removal. The nominees for director are Robin Diamonte, Cheryl Francis, Steve Joynt, Steve Kaplan, Kunal Kapoor, Gail Landis, Bill Lyons, Doniel Sutton, Caroline Tsay and myself Joe Mansueto.

The second and third item of business – the second item business 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. The goals of our executive compensation program are to attract and retain talented executives and motivate and reward them for their contributions to our company.

The third item of business is another advisory vote on the frequency of which shareholder vote to advise on the compensation of our named executive officers at least once every six years. Our shareholders indicate whether a Say-on-Pay vote on compensation of our named executive officers should be held every one, two or three years as described in our proxy statement.

And then the fourth item of business is the ratification of the appointment of KPMG as our independent auditors for 2023. The board recommends a vote for proposals one, two and four and for a one year frequency for proposal three.

Voting Instructions

There was no further business scheduled to come before this meeting. I now declare the polls are open. If you are a shareholder joining on the Broadridge platform, you may use the 'Vote Here' button on the lower right portion of the screen to vote your shares at this time.

If you are here in-person, please raise your hand now, and our inspector of elections will bring you a paper ballot. Please remember that if you've already sent in your proxy card or voted by internet, you've already voted your shares accordingly. You do not need to vote now unless you wish – you're voting for the first time, or you wish to change your previous vote.

If anyone has a question or a statement related to the proposals, please raise your hand and wait to be recognized. If you're joining virtually, please utilize the 'Ask a Question' field in the lower left portion of the Broadridge window or via chat in Zoom. 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 directly related to our four proposals. Any questions over the Zoom platform or Broadridge? Okay. I now declare that the polls are closed. Leah, will you report on the voting results?

Leah Trzcinski: The Inspector of Election has advised me that more than a majority of the shares represented in-person or by proxy and entitled to vote at the meeting has been voted in favor of each of the director nominees listed in the proxy statement, in favor of our compensation for our named executive officers for a one year frequency on Say-on-Pay votes and to ratify the appointment of KPMG. We will file an 8-K with more detailed voting results in the next couple of days.

Joe Mansueto: Thanks, Leah. So, thank you. I promised it would be short and it was. This concludes the formal business portion of the meeting. Before we sign off on this part, so, I just have a few final comments. First, I want to welcome to Morningstar two new senior leaders very exciting.

First is, Kathleen Peacock, our new Chief Legal Officer. Who started in September. Kathleen joins us from the London Stock Exchange Group, where she served as the General Counsel for data and analytics, and she brings to Morningstar, wealth of global commercial and regulatory experience, and we're very grateful for her guidance on a wide variety of topics, since she started.

Second is Marie Trzupek Lynch, our new Chief People and Culture Officer, who started in December. Marie joins Morningstar from Skills for Chicagoland's Future, a non-profit that Marie founded, where she served as President and Chief Executive Officer. Marie has vast leadership experience and extensive expertise in talent acquisition, workforce management and strategy and we look forward to the enhancement she'll make regarding our workforce.

And I also like to acknowledge one of our board members, Caroline Tsay for recently being named one of the Top 30 Asian, American and Pacific Islander Board Members in the United States. So, congratulations, Caroline, on this notable achievement.

And then finally, I want to thank Kunal Kapoor, our CEO, our management team and really all the staff at Morningstar for all their hard work and dedication over the past year. I particularly want to highlight the important investments that we've been making to grow our capability set, to show our value to investors and cement the brand strength that we bring through our independents and investor first mindset.

But at the same time, I want to acknowledge it's been one of the more challenging years for Morningstar. Our license-based business accounts were about 70% of our business. And that's been rock solid, growing nicely. The other 30% has a more cyclical component. That's our Investment Management business and our transaction-based business, largely our Credit Ratings business and that's faced some cyclical headwinds with the downturn in the equity markets and a sharp rise in interest rates. And then at the same time, we're making meaningful investments into our growth initiatives.

So those two factors; the cyclical headwinds on 30% of our business and then the investments in our growth initiative have weighed on our operating margins. But our message for shareholders is that we're committed to returning to our historical levels of profitability and margins, we have terrific businesses. We know the profitability that they're capable of and eventually the markets will recover, which will aid in that recovery of profitability and margins. You'll hear more about this from Kunal and Jason in their remarks.

So, now why don't we turn to management presentations followed by the Q&A session. We'll hear, as I mentioned, from three presenters. First from Kunal Kapoor, our CEO; then Jason Dubinsky, our CFO; and then Danny Dunn, our Chief Revenue Officer. Thank you again very much for joining us. We really appreciate having all of you as our shareholders.

And so now, I'd like to invite Kunal Kapoor to the stage.

Empowering Investor Success - Kunal Kapoor

Kunal Kapoor, CEO, Morningstar: Okay. Good morning, everybody, and thank you so much for joining us here in Chicago. And even if you're on Zoom or on the Broadridge platform, thank you for making the time to be here. You know we love this event every year because it is our chance to engage with you directly. And even though we don't see you at other times of the year, I just want to share, we do very much take seriously everything you send in and we try to be very thoughtful and responsive in terms of making sure we get back to you in a timely way.

Now, for today's presentation, we've got a number of things we'll be doing. But I want to echo Joe's comments first of all and acknowledge that when I look at the business and think about where we are while we've continued to grow at a nice pace, particularly in our licensing businesses, we certainly had some market headwinds work against us. And you've heard us say here before many times that in the cyclical parts of our business, we're okay with lumpy returns as long as our long-term projections still remain on-track. However, it's also the case that we do think our business can produce good strong levels of profitability over time. And as Joe said, we're really focused on making sure we get back to that after a period of heavy investment here at Morningstar.

Our presentations today are going to go over three themes, I think, in particular. First, you're going to hear from me most heavily about what is going on in each of our key product areas where are we investing, what do we think about as our key opportunities in those areas and why are we excited about each of those areas? Jason will then take the stage and he will focus more heavily of course on our financials and we'll put a particular focus today on margins and how we're thinking about margin improvement and what that looks like going forward. I know it's been on many of your minds, and so we'll do a deeper dive on that sense. And then Danny Dunn, our Chief Revenue Officer will speak more specifically about how we're going to market these days as our capabilities have expanded, as we've had to think about how do we bring them together for clients. Some of you have wondered, what does that look like? And I know some of you work at firms where you've been able to experience that, but many of you obviously have not. And we wanted to give you a bit of a window into what that looks like and Danny will also talk a little bit about some of the exciting product launches we have coming up as well and why he's excited about them from a sales perspective.

So, we think that's a good way to kick it off. And then as Joe said, we'll do a quick break and then go to the Q&A, which I know many of you like the most, but with all that said, let's dive right in.

Morningstar Today

And as I said, I'll start with kind of a quick update on Morningstar today, focus particularly on our product areas. And I'm not going to spend as much time today on the strategic priorities, primarily primarily because you're going to see that the themes are very, very similar to what you've been hearing from us for the past couple of years. So, rather than repeat those I thought I would focus particularly on the product areas to give you a deeper sense of what's going on in that context.

Everything at Morningstar starts with our mission of empowering investor success. We feel that if we do this well, it leads to all kinds of good things in our ecosystem, including financial success. And Morningstar has a particularly trusted and unique place in the ecosystem and we get called into meetings, we get called in for advice, our products are relied on because people know we try to do things the right way and try to get good outcomes for them and that creates immense power in the ecosystem that we're a part of. Of course, we also know that what we have to deliver needs to work for folks. It needs to really add value and so our strategy is to really deliver those insights and experiences that make us essential to the investor workflow.

Often if you talk to our clients, you'll hear that we're very sticky. We're core to what they're doing and that's because we feel like we've become essential to the tasks, the activities, the investments that they're trying to make. And then we package all this together with unique research and IP.

This came to life actually just recently. Earlier this month, we launched our new Medalist Ratings. And for those of you who are unfamiliar, what we did is we took our analyst ratings and we took our quant ratings and we merged them into one combined rating. And the beauty of it is that it covers a wider swath of investments than ever before. I've stood on stage before and projected and predicted that the number of investments is going to decline over time and that has been wrong, it's gone the other way. And we've really thought hard about how do you cover it? What do you do? And our new rating is a perfect example of how we've taken technology, machine learning and married it with the insights of our analysts. And it's something that really nobody else has the ability to do.

Because we're able to do these types of things, we have a unique ecosystem. Those of you who've been coming know we like to talk about our clients and we like to talk about the fact that Morningstar is unique. In that we create a lot of pull demand in our ecosystem. Because individuals use us, because advisors use us, because asset managers use us, others want to use us as well. It's a very complete cycle in that way and it allows for folks to have a common language through which to talk about investments, through which to talk about portfolios. And increasingly, to talk about things such as planning, retirement and even the debt markets. So, we feel really good about how we've continued to grow in this way and expand the relationships and that will be a big part of what Danny will talk about later today.

From an employee base perspective, we're at about 12,000 employees and in about 32 countries. I want to acknowledge that last year when I stood up here, we had not shared at that point that we were in the process of making a decision of exiting our support operations in China. So, we will have operations in China related to our local business that will continue,

but our large center in China we'll be closing this summer and it was a very difficult, tough decision. We've had more than 1,000 colleagues there who've built their careers and contributed to this firm in a very terrific way, but it's the kind of decision we've had to make as we think about our firm, where we're going and the places that we think we can optimally serve our clients through going forward.

So, I just wanted to acknowledge that because it has taken a lot of work on the part of our team here and it's been a tough thing to execute, although we're almost at the end of it.

We Participate in Large Markets

We're also excited about our future because we believe and the data supports the fact that we are participating in large markets. Now last year, this slide also said large and growing markets, you might have remembered. But obviously a couple of markets have shrunk. But what's notable is that even in a few instances, such as the Credit Ratings industry, obviously, taking a hit on the chin in the last year or even the assets under management in managed accounts falling with the broader markets. The size of these markets still remains very large relative to the size of Morningstar.

And so, when we think about where we want to be in the future and how we grow into these markets, our strategy is intended to serve those clients in more meaningful ways as our business grows and as we find more use cases through which we can support them, but every time I look at this, I feel very optimistic that if we execute our strategy, we have a long runway to go to be successful here at Morningstar.

We Expand our Data Universe to Meet Evolving Investor Needs

I personally also love looking at our data stats. And I'm always very interested in what are we adding to our databases because in my view and you saw this in the video at the start too, this is where it all begins. And honestly, every year when we go through our budgeting process, that's how I like to approach it. What's the data we want to invest in this year. Because when we grow our databases, add IP on the databases, add research, add ratings it really creates a wonderful ecosystem around which we can grow our business and serve investors.

To give you a sense of how things have grown over time, I thought I'd actually highlight two databases this year; our ETF database and our private company database. And if you just go back to 2018. The ETF database had about 15,000 ETFs at that time, and with private companies we had 900,000. Obviously, that has evolved and grown meaningfully over time to where things stand today. But I also want to point out that it's not just about the absolute number. And so, perhaps if you look at ETFs and where we started, we were 15,000 in 2018 and we're up now to about 24,000 ETFs. What's also remarkable is the breadth of data we're able to collect on each of those securities. And so, when we look at databases and sometimes people ask me, like is data a commodity? The answer I always give is, it's not a commodity. Because the interesting thing about data is you can collect a lot of it, so you can go broad. You can go deep, the depth from the data points you have and the ETF universe is a perfect example that we've just kept adding data points, and then there's the quality and the timeliness of the databases. And all of that matters and all of that is central to how we think

about adding value before we even start putting all that additional Morningstar IP on top of our databases.

And some of you out there were asking me questions about AI and how we think about it. And James Rhodes, our Chief Technology Officer and the Head of our Enterprise business, and I often talk about the fact that one of our key advantages in the world that we're entering is that our data and research is not commoditized and has these unique features that actually make it perfect for a world where AI and machine learning and other new and interesting tools are coming to the fore.

Financial Highlights 2018 - 2022

From a financial perspective, as we talked about growth has certainly continued to be something we've delivered on. But we don't just want to deliver growth, we want to deliver profitable long-term growth. And so, obviously, when I look at the operating income, that is something we're very focused on and we want to get back to growing our profitability even if we're investing in the business along the way.

Annual Organic Revenue Trend By Product Revenue Type

This gives you a sense of maybe what Joe talked about as well, where the license-based parts of our business, in particular, continue to hold strongly. And sometimes I'm asked the question of why do you have these mix of businesses? It's because we think they have great long-term revenue profiles.

I've been in Morningstar now long enough, in the industry long enough to remember times when those models have been more successful and I've been asked at this meeting why we don't do more of that and less of this. And I think what we would always say is, we think these are three great models to have for the long-term. And if our beliefs changed in any capacity, we would deemphasize them. But we're happy with the mix and it's allowed us, I think to grow and add value to our business over time.

Product Area Update

Now I'd like to jump more specifically into our product areas and give you a little bit of an idea about what we're doing in our individual product areas and what's on our mind in that context. And I'm excited because we have a lot of interesting things coming to market this year that we think will add even more value to what we provide today.

2022 Product Portfolio

Before I go there though, just a reminder of how we try to think about our business and we try to look at where we're investing and how we take capital from one area. So, we like to look at this grid. It's a very simple grid, but it gives you a very quick sense of which of our businesses are growing fastest, which are perhaps more challenged in any environment. But internally we also use it as a way to ask questions around where do we take money from and fund other parts of the business? Where do we reinvest? It's a really good road map, particularly if you go back and look at it over time, which we like to do.

PitchBook

PitchBook has continued to go from strength to strength and we continue to feel incredibly optimistic about the opportunity for PitchBook. I'll grant you that we do have some challenges, not – least of which is the law of large numbers. When you're growing into bigger and bigger numbers, that does bring some new challenges. But we think even so, we have plenty of the markets still to get at and this business is pointed towards growth. There's also just the reality that in the short-term, the corporate market, which was a very fast high growing part of PitchBook is challenged. All of you cover companies, you have insights into companies and you know everyone's pairing back spending on that front and corporate development teams are doing less activity. And so, you see a lot less enthusiasm from that part of the market.

What should be exciting though is that the core VC/PE market is as robust as ever, and we are continuing to see a lot of demand from there, and we're adding even more tools and functionality. This year, we're integrating all the LCD capabilities into PitchBook. What we're finding is; a, that everyone had some type of reliance on LCD, but generally got the information from spreadsheets or some other such means.

As we start to put it in one place, surface that data, marry it with all the other data we have in PitchBook, we're starting to get even more incremental demand and interest for that capability. And we think given the growth of the private debt markets, it will become an important part of how PitchBook will continue to grow. So, we're very excited and bullish about our continued prospects at PitchBook.

Morningstar-Branded License-Based Products

Also, very excited about our license-based Morningstar-branded products which continue to steadily produce growth and profitability. I particularly want to draw your attention first to the Data business because I highlighted that that's where it all starts. And what's been interesting to me on the Data side, in particular, is that we've had more new types of customers come to us than ever before. So, connecting back to the question about technology, at many of your firms, I would imagine you've added teams of data scientists or folks who are starting to run larger databases than ever before for insights because the technology now exists to query and get insights from those databases. Those teams are buying our data and they're buying it meaningfully, not just here, but also at PitchBook. And so that is something we are excited about and we continue to believe will provide growth for us.

Morningstar Direct has had a whole new bunch of capabilities added to it during the recent period. In fact, as you know, there has been a lot of uncertainty and instability among the banking stocks. And so, we added this new feature called Notebooks that allows our analysts to create these Notebooks based on the Python language that basically anyone can query and we found a huge surge of usage of Direct during the banking crisis. People were trying to use one of the Notebooks that allowed them to query to find out what specific exposures existed to the regional banks, specifically Silicon Valley Bank, when that was going down at that time. So, lots of new functionality being added in that sense, lots of new data and Direct continues to be our favorite way of saying one price, you get all of the best of Morningstar in that location and we keep adding global capability to it as well.

Advisor Workstation is already on many, many advisor desktops here in the United States. In particular, it's very well penetrated. And so, when we think about that, the strategy is less about how do we penetrate further, instead the strategy is how do we bring more to the desktops we already exist on. And in particular, we've been focused on doing a few things. We've been building out our risk ecosystem, in particular, as we bring planning more centrally to Advisor Workstation and we're also doing a lot with third-parties for the first time to the development of what we call an App Hub. It's still in the early days, but the model seems to be promising and what we can offer others is access to all these advisors whose desktops we already exist on. So, we feel really good and excited about what's happening here. And I think if you talk to users of these products, you'll find that they tend to be very embedded into their workflows.

Morningstar Sustainalytics

Morningstar Sustainalytics primarily comprises of two parts of the business and we tried to break that down for you in the recent earnings report. There's a licensing part of the business and then there's what's called a second-party opinion, part of the business, which is more related to the issuance of green bonds. The latter has been challenged just like anything these days in the credit markets where you've been reliant on issuance. Having said that, the former continues to see good and steady demand.

Now I know many of you wonder about the politicization of ESG and what it means. And what I would say to you is, we're focused on a couple of things that I think try to get us above that debate. First is, we think that there is meaningful information associated with how you manage risk and return increasingly in a lot of the data that we're able to produce and we're finding more and more managers are using it for their own use cases. So, we find a lot of asset managers already are collecting certain data and they want to buy our data, marry it together and try to essentially build it into their models. And so that's a very important part of what we're seeing.

We also see the trend towards regulation-only accelerating, and that is also driving demand, particularly in Europe. And so that is a very different environment than what you have here in the United States.

And then finally, we think the trend towards personalization is a positive one for ESG. And I think what's important here is often when we talk about personalization, it's viewed through one lens. But the way I think about it is this data can be used by people who have any type of view, no matter how different they might be from their neighbors' view. Ultimately, that's what makes markets and that's how we think about our ESG data that you can use it in a way to build things.

I'll also just acknowledge that this is a part of our business that we invested very heavily in. There were some unique things going on in the past 24 months. We felt a lot of competitive pressure to get our climate database together. We felt it was important to build out some capabilities that would support our Index offering. We also were dealing with incredibly high turnover relative to what we're used to in this part of the business because it became so competitive for ESG talent. And so, we're very, very aggressive in terms of hiring here, and so some of our most significant investments on the compensation side have been to hire into this group. I will say, all things considered, if I look back on it, I probably would have turned off the spigot a little bit sooner than we did in retrospect. But I think we're now at a spot where we have the rightsized business for the most part and we are really focused on making sure we get the returns out of the climate database that is coming to market and maybe Danny, you'll touch on that a little bit as well.

Morningstar Wealth Management

As I shift gears away from the licensing businesses into our AUM businesses, the first one I'd highlight is our Wealth Management business. And many of you have known this largely as our Investment Management business. But as Daniel Needham presented last year, we've really taken steps to start to bring together our capabilities here. And this is a multi-year journey that we're on, and one where I'll admit that we have decided to make some countercyclical investments relative to what one might expect. So, usually with an AUM business, we would be pulling back in a market where we're starting to see negative returns in bonds and stocks. But we think the opportunity here is meaningful and there's a few things that drove that investment decision. First, we think advisors want more comprehensive capabilities on one platform and we have them. We just never put them together and we – our research and our go-to-market strategy essentially is centered around that in the U.S. and so we are building that out and we also have a very significant partnership with a firm called SMArtX to bring some of those capabilities to market.

The second thing that I'd point out is historically when we had built an advisor platform in the U.S., we generally thought it was good to use it outside the U.S. as well. That was not a good strategy. Fundamentally, non-U.S. Wealth platforms tend to be a little different for multiple reasons. A very simple one that I'll point out is the tax situation in each market is very different and brings some level of complexity to how you roll out a platform like that. And so, we had decided that if an opportunity came about to make an inorganic investment outside the U.S. in a Wealth platform, we would do that. And so, sometimes you can't decide on the timing of when something happens and the Praemium business decided to spin-off its non-Australian assets last year and we knew the platform, we liked the platform and we decided it was the right time to move. And so, this business has received a fair amount of funding for us. I will admit it's countercyclical, but it comes with the belief that we're building something terrific here and we're also really excited about the team that came over and some of the early results that we're seeing on the national Wealth platform are incredibly promising. And you know, I look forward to what we're able to do here. We're very optimistic about it.

Workplace Solutions

And then there's Workplace Solutions, which is one of our steadiest businesses, but also one of Morningstar's most profitable businesses. It is a business which is focused here on the 401(k) market here in the U.S. It's not a business that we have taken outside the U.S. because we've really found that the opportunities here continue to be meaningful. In particular, there are some changes taking place in the U.S. market where there's an increased focus on the small plan market and on the participation of advisors who often work with smaller companies to advise on their plans. Historically, those advisors have been less willing to work with a managed accounts provider. They've wanted to do their own thing.

But increasingly that is changing and so one of the big opportunities we see in terms of expanding the scope of what we're doing here is working with advisors to expand their services and make them more competitive in this market and it's a very, very big market. And in particular, if you look at the U.S. small plan market, the types of offerings that are available to smaller plans are not as good as those that I would imagine many in this room are

accustomed to. So, this is a terrific business for us and one that we think continues to have terrific prospects.

Morningstar Indexes

Morningstar Indexes has continued to do terrifically despite market headwinds. And so, if you're looking at a lot of our competitors financials over the last year, this would suggest that something different is going on and it is the case that this business continues to grow. It has grown many fold in the last few years and what's interesting and exciting about it is this year with the full integration of our calculation methodologies that we acquired in the Moorgate acquisition, we will become a full-service index provider. And what that means is not only can we calculate our own Indexes, but we can start providing services on a bespoke basis for those who want to take advantage of it as well.

Recently, Burton-Taylor, just in in the past month, published a new report that highlighted some key information about what's happening in the Indexes business, and we are the fastest growing index provider over the one and five years. We've kept that mantle. And I know Gail on our Board, whenever I share that stat we'll say, 'Yeah, but you're the smallest.' Well, Gail, we're not the smallest, and what I would actually note is there are number of competitors in that space, small and large, and we are outpacing all of them at this stage. And I believe the momentum here will continue, particularly because we're starting to win in places such as ESG as we bring more capabilities to the market there. So, very bullish on what Ron and team are doing here.

DBRS Morningstar

And finally, as we switch to the transactional side, obviously not a terrific story on DBRS Morningstar in the near term. It's been, obviously, very interesting to watch and be a part of this, because I can tell you that all the way up through August of last year, we couldn't do enough business to keep up with what was going on and then just like that the markets turned and we've entered a phase where there just hasn't been much issuance. It looked like in March, things were going to start stabilizing and then you had certainly the Silicon Valley Bank episode and the continuing and ongoing instability in the banking sector, which continues to sort of impact what's happening on the issuance side.

But we think this is a great business for the long run. We think it can continue to grow for Morningstar and we are focused on doing a few things. One is, preserving our franchise in Canada. We have an amazing franchise in Canada. We're the market leader there and we continue to do terrifically in that market. Outside Canada, we're really focused on the middle market and the private markets as meaningful ways to grow in this business. And we have a terrific team. We've also made some strategic hires along the way even as the markets have been against us because we know when things turn around, we'll have the right teams in place to do that.

So, certainly, some near term pain, but we're trying to manage this business with an eye towards keeping it relatively profitable and self-sufficient, even in an environment where the top line might be challenged a little bit.

So, hopefully that gives you a good sense of what's going on across each of our businesses and why we're excited about them. I'd tie it back to the fact, ultimately that we have a lot of good capabilities that we can bring to the market. We are often invited in because people want us to win. Even I can tell you in this phase – I'm sure if I did a poll here and said how many of you like the legacy three providers, very few hands would be going up. Sometimes it's just a question of like fighting that inertia and staying with it to prove to people that you have the staying power and the willingness to be a part of this market for them to ultimately come around your way.

Strategic Priorities

So, I'm going to wrap up here and hand it over to Jason in a minute. But as a reminder, all of that is guided by our strategic priorities, which fall across four areas. Talent is the lifeblood of Morningstar. It's going to be obviously something Marie will be focused on. But from the very first day I became CEO to today, when people ask me the question, what keeps you up at night? I always say it's the next person we hire at Morningstar. And it's because we want to make sure that the next person who works in feels as strongly about winning, as strongly about producing and contributing to our culture, and as strongly about supporting our mission. So, we're very competitive and I can't say enough of how important our talent is when it comes to creating something special here.

Scale, also incredibly important. You're going to hear from Danny, in particular, about how we've created scale in sales and how we're doing it in marketing, but we have more work to do there to kind of keep up with the size of organization we've become to really fully appreciate the benefits we can realize here. Sustainability is something we think we can make a lot of money at, that's why we're in that part of the business. I will fully acknowledge that different people have different views, but we're happy to sell to all comers with all views and I think this data in time will just become so heavily integrated into workflows that maybe we won't be talking about it as separately as we do today. And then it comes back to our long-term thesis that public and private market investors will continue to come closer together over time and that it's important to us to have the capabilities to be at the forefront of that development.

So that's what's going on at a high level at Morningstar. We're busy, we're investing and I acknowledge that we definitely need to make it clear to you that we're going to earn a great return on the investments that we're making. And I can tell you that I, Jason and others, we get up and we are thinking about that all the time.

So, I'll be back during Q&A, but I'm going to turn it over to Jason now and I can just tell you that Jason has been a terrific partner and we've been doing this together now for many years and I think we've got a good cadence and hopefully you'll see in this presentation in particular, how we're starting to think about profitability and the road ahead for Morningstar from a financial perspective.

So, Jason, thank you and over to you. Thank you.

Financial Highlights – Jason Dubinsky

Jason Dubinsky, CFO, Morningstar: Thanks, Kunal and welcome everyone. It's good to be here with you today and see a lot of familiar faces in the crowd and outside. It's an important day for us. We value the feedback. We appreciate the engagement and look forward to some good interactive dialogue today.

So, I'm going to spend some time on a few topics today. First, I'll be covering our financial performance. As Kunal mentioned, dig a bit deeper into margin trends in the business and levels of investments. And importantly, we'll close with some thoughts on balance sheet and capital allocation.

Focused on a Path to Long-Term Sustainable Growth

But maybe to start and reemphasize that myself and Kunal and the management team, we are very focused on making sure the business returns to a path to long-term sustainable growth. And that means that revenue growth comes with margin accretion, it comes with increased cash flow over time to create value. We've got an incredible set of products here and IP and capabilities at Morningstar. We've got, as Kunal showed, significant and growing client base. We've got large and growing addressable markets, got a great culture and great people. All of that create the ingredients for success. But that alone isn't going to do it. Got to make sure that we continue to execute our strategy across our product areas, realize the returns and the significant investments we made in the business, particularly in the last couple of years. And importantly, control costs and drive efficiencies in the business, so we can get that operating leverage up, which we know our operating models can deliver over time. I'll be spending some more time on this throughout the presentation.

2022 Performance

But let me start first with the look back to 2022 and by all measures last year was a mixed year and we started the year with pretty good performance, markets going in our direction, but quickly that changed in the second quarter into the back half of last year. We saw market headwinds, we saw credit issuance decline certainly impacted results. So, despite the fact that revenue was up 10.1%, it was up close to 11% organically reached close to $1.9 billion, getting close to that $2 billion milestone we talked about last year. Our adjusted operating income was down and our margins were down last year largely due to lot of the investments we've made in the business, increases in headcount across the business, but also because of the headwinds, and the cyclical headwinds we faced particularly in the back half of the year.

And also, free cash flow was down pretty significantly. So, we noted last year beginning in the first quarter we had larger bonus payments in 2022 related to 2021 performance that depressed cash flow along with the fact that our adjusted operating income and cash margins were down as well.

2022 Quarterly Organic Revenue Trend By Revenue Type

I talked about the year being mixed and it was really a tale of two halves. If you look about the performance of our transaction – across the performance of our areas by revenue type throughout the year. So, our license-based areas held up really strong throughout the year at 18% growth. What's interesting in the fourth quarter, it's a bit of an anomaly that we've corrected foregoing forward and that Sustainalytics historically included both the transactional areas like SPOs as well as the license-based areas, that's combined in Q4. If we eliminated that performance would have been much more significant given the declines in SPOs. License-based business is again holding up really well. But you can see last year more of the pronounced change that we saw in our asset-based areas as well as transaction-based areas, given the market headwinds we saw as well as the lack of credit issuance in the back half of the year. So, both Investment Management and Workplace were down significantly back in Q3 and Q4. And DBRS Morningstar was down significantly in Q3 and Q4, again on the back of soft issuance, but record issuance in the fourth quarter of 2021.

Trends Continued into 2023

And I think if you've seen our first quarter results, some of the trends that we saw in the back half of last year have largely persisted into 2023. So, here we've done a couple of things. If you look at the left-hand side of the page, we're looking at organic revenue growth for the second half of last year, so that's the third quarter and the fourth quarter combined compared to what we saw in the first quarter of 2023. So, largely trends have maintained. So, if you look at our license-based areas, which is probably in the top side of the page, you see Morningstar Sustainalytics and this is the license-based part of the business up close to 40% in the first quarter; PitchBook at 25%; Direct, Data strong close to double digit growth; strong growth in Advisor Workstation; and as Kunal mentioned, our Indexes business continues to hold up relatively well given the strong flows into our investable product and strong licensed data usage.

But importantly, you can see the clear demarcation as we get to the bottom of the page and that areas that are more prone to cyclical headwinds like Workplace, Investment Management, Sustainalytics the transaction-based area of Sustainalytics and DBRS Morningstar down in the first quarter. So, in Workplace and Investment Management, despite the fact that markets have risen year-to-date, we're still looking at year-over-year declines in AUM and assets under advisement in both of these areas. Kunal mentioned in the second part, business of Sustainalytics is under pressure given the lack of green bond issuance and we know the story with DBRS Morningstar, particularly in the U.S. CMBS markets and some of the volatility that we saw in global markets due to the banking crisis.

Q1 2023 Performance

And overall, that composition led to about 5% top line growth in the first quarter and about 3% organic growth in the first quarter of 2023. So, we saw about $22 million increase in revenue, about $12 million increase of organic revenue in the first quarter. But if you look at some of the more cyclical areas of the business that I mentioned, those provided about a $30 million revenue headwind altogether in the first quarter of this year. And if you look at our adjusted operating income, that was also down by about $30 million in the first quarter. And while not a perfect correlation, those areas had a much more outsized impact on the margin decline in the business in the first quarter of 2023. And I'd note that free cash flow was relatively consistent year-over-year, although bonus payments were down relative to what we had in the prior year, we did see again a decline in adjusted operating income and the cash earnings which had an impact on that. I'll tell you that cash flow is generally the lowest in the first quarter just given the outflows that we have in compensation.

Margin Profile Over Time

So, let me pivot to a more direct discussion on margins, both where we are and where we think we can head. So, if you look at the chart over the past five years, it's clear that our adjusted operating margins and our operating margins have been a bit lumpy. And despite the fact that we've had some cyclical highs, we've certainly seen the decline over the past couple of years, primarily due to a lot of the investments that we put in the business. So, in 2020, we saw margins increase coming out of the pandemic as we had really strong top-line performance in the back half of the year and much more significant cost control given the uncertainty that we had in the market environment.

In 2021, we accelerated the pace of investment back into the business. We saw north of 18% organic growth in 2021, but investments we made particularly behind Sustainalytics in ESG had a negative impact on margin. And we know the story with 2022, we've been talking about it here, so I won't get into that in as much detail, but I would acknowledge that it's the – compensation costs are the largest component of increases last year as we increased headcount, but also you recall we mentioned it in the first quarter of last year we put more dollars into our compensation pool, given the significant attrition that we are facing in the competitive market environment for talent that we saw.

If we look at it by business area in 2022, four areas provided the most significant headwinds to our margins. It's Sustainalytics, due to market headwinds and the investments that we made; it's in Wealth, due to the same factors; and then DBRS Morningstar; and Workplace. While some of our areas were up, those four had the most pronounced impact on margin decline in 2022.

Business Mix and Margins

So, if we look into margins further and where we are today. First I would highlight that in the past and what we've done in some of the 8-K questions that we've answered is we've provided some directional views on where margins are in the business. Now, as you know, we report in one reportable segment, we consolidate everything and report as a whole. But we do have a lot of shared costs across the business and we do some directional analysis internally and for you to get a sense of where margins are in some of these product areas. It's not a perfect science, so we talk about the directional view of where margins are and where we're headed, and we hope that's been useful to you as we reported in our 8-K and as I'll share some information here today.

So, this is a chart that we've shared in the past. So, what this does is it takes our revenue by type, and it says, well, if we aggregate those areas approximately where do those sit related to our corporate average margin. So, for license-based areas right now they represent in 2022 about 70% of our overall revenue.

If we look at the products that sit within this area and aggregate those with certain cost allocation assumptions, in aggregate, our license-based products sit above our corporate average for Morningstar. But even within this group, there are differences. So, Sustainalytics is our lowest margin in this area. And I would tell you that as I mentioned before, while some areas have been declining in margin, given some of the market pressures we faced, areas like PitchBook, Data and Direct are on strong progressions relative to where we were in 2021.

And our asset-based and transaction-based areas they both represent about 14% to 15% of our business last year and both of those areas in 2022 in aggregate sat below our corporate average at Morningstar.

I'd echo Kunal's sentiments that these areas tend to be a bit more cyclical, but they have very good long-term prospects and serve an important part in our portfolio given the large addressable markets, the potential growth and the profit pools that we have to go after.

And I know we're talking a lot about cyclical declines, but if you've seen in the past when markets are in our favor and when we're executing these areas often provide a significant top line lift and profit lift as we progress. And I think as we're all aware in various cycles, often the next peak is higher than the last and we're really confident in our ability to perform in these areas and the purpose of these areas in our portfolio to create value over the long-term.

Organic Investment to Drive Growth

So that value creation over the long-term is going to come from the realization of the significant investments that we've made in the business over the past couple of years. I know we talk a lot about it. What I'd try and articulate here is to give you a sense directionally of where those have been.

So, if you look at our headcount growth over the last two years, so back in 2021 and 2022, the majority of the headcount growth at Morningstar has come in these five areas: it's Pitchbook; it's Sustainalytics; it's in Wealth, which is primarily Investment Management; it's in DBRS Morningstar; and it's in Indexes. So that comes along with more of the – more prominent and significant organic investment that we've had in the business, which we're defining here primarily salary expense growth and some of the ancillary project and program costs to drive key initiatives. And I've also looked at the return horizon and the addressable market size that we had in the prior slide. So, let me cover a few of these for you.

So, PitchBook is a good example. Invested north of $40 million organically over the past couple of years. So, that's in terms of building new capabilities and product development and sales, marketing, customer success. But also, now investing organically behind the LCD acquisition to drive growth. The return horizon for PitchBook products are pretty short. We're able to commercialize opportunities pretty quickly after we invest in the platform and drive customer acquisition and retention.

Morningstar Sustainalytics investing heavily in infrastructure to drive growth and scale, but also in sales and product development and support and in unique data sets and capabilities, primarily in accelerating our data sets in climate and impact, which we're first starting to bring to market here in the second quarter and back half of this year.

Morningstar Wealth building out investment platforms internationally and in the U.S. with expansion of our TAMP and adding direct indexing capabilities. Again, feel really good about this over the long-term. But the return horizons in Wealth are a little unique and that takes time to build platforms and drive assets to those platforms and drive AUM up and have the resulting revenue from that. So, the return horizons in Wealth are going to be a bit longer term, doesn't change our view that we can earn a nice return and create value here. It's just a little bit longer term horizons, just given the cycles of Wealth Management.

DBRS Morningstar we've added capabilities in India to increase our analytical resources to gain leverage and scale globally. And importantly, invest in corporate staff and opportunities to go after the corporate and middle market franchises here in the U.S., as well as in EMEA.

And Indexes all about driving scale globally, building our calculation engine so we can leverage our internal capabilities to drive growth in the future.

Again, heavy investment over the past couple of years, incredibly confident that these are the right bets to make and are going to create value over the long-term.

Investments Have Delivered Growth

And I think that confidence comes if we look at decisions that we've made in the past and this shows you our rate of revenue growth over the past 15 years. So, if we look at those in chunks of five years from 2007 to 2012, we had roughly a 9% CAGR of revenue, up 7% from 2012 to 2017. We're all aware and you can see the step function change in top line growth that we saw from 2017 to 2022, because we were in tune to the markets, because we were making the right bets where we saw profit pools and where we saw cyclical trends going. And we firmly believe that we're in the right direction not just because of the revenue growth, but because we have a significant amount of opportunity to realize return from these investments and now grow margin in measurement of revenue – in accordance with revenue growth over time.

Controlling Costs

And that margin improvement is not just going to come from the top line, it's got to come from our ability to manage and control costs in the business. So, if you look at our cost composition in 2022, roughly two-thirds, not surprising of the overall cost here at Morningstar are people related, it's compensation and it's benefits, so 68%. So, the biggest lever we have going forward to control costs and get leverage are slowing the rate of headcount growth across the organization. We admit, we've hired significantly over the past couple of years, all for the right reasons, all to develop capabilities to drive growth. We believe we have what we need largely going forward. And now you'll start to see the rate of growth slow down, considerably, not only because of the market environment, but because we want to get leverage out of the cost that we put into the business to make sure we can drive margin improvement.

You've seen the headcount chart and year-over-year the more significant costs that we've had have been in compensation growth. That's because it's average north of 20% headcount growth year-over-year. That curve and that will start to change, and that growth rate will start to change as we head into the back half of the year, particularly as you see the rate of sequential growth is slowing down, and it was 1.5% in the first quarter of last year. Some of that was due to the headcount we've added as a result of leaving China and some of the duplication that we have across the business.

But headcount growth slowing alone isn't going to cover that. We have to make sure that we're continuing to leverage other fixed cost and infrastructure investments that we made in the business and the data that we purchase and the systems that we operate driving efficiencies through AI and automation, the software that we develop and our cloud spend. We're incredibly focused on that, not just because we're conscious of the current environment, but these are the other areas that we're going to get leverage in over time, as we grow our business and get to $2 billion and beyond.

Runway to Improved Profitability

We've got a lot of confidence in our ability to drive profitability over time and I talked about that more at a high level over the course of the presentation. Let me get back down to our business areas. So, we looked at our product in business areas, again, a directional analysis based on where we are today and where we think we can go. If we look at the right-hand side of the page, this is where we see the bigger opportunities in our portfolio, it's in DBRS Morningstar, it's in Wealth, it's in Sustainalytics, and it's in Indexes. Strong opportunities still exist with our Morningstar branded license-based products and Pitchbook and Workplace a little bit more limited given the significant profit that that business creates today.

But overall, we've got a lot of confidence here. And why do we? I think first and foremost, it's because we believe we're making the right strategic decisions. Secondly, myself, Kunal, and the management team, we've got plans to execute against this. We know how these business models operate. We have them within Morningstar, so we can compare it to where we are against our other businesses. I know there's inherent operating leverage and how those businesses operate within Morningstar. And we see that operating leverage when we look at peers and we could always discount that because peer comparison is not always perfect. But we know in some of these areas that that runway exists because of the comparisons not only we do externally, but what we do externally.

So really important, but we've got a lot of confidence not just from a top-down standpoint, from our bottoms up build and where we can continue to drive growth and profitability in these businesses over time.

Capital Allocation & Deployment

And the growth in profitability and the growth in revenue is important, but to create value we need to make sure we're being good stewards of capital and allocating that capital in prudent ways over time. In the past we've had a pretty balanced approach to capital allocation. Last year, we've had a bit of a step function change: one, and that we accelerated share repurchase, but also in that we invested significantly, inorganically behind LCD and our U.K. Praemium acquisition. So that's increased our debt balance from roughly $350 million to $1.1 billion.

And if we look at capital allocation going forward, we want to continue to take a balanced approach: one to make sure we're supporting the current business that we have and organic investments. We'll still be opportunistic inorganically, but you'll likely not see the size of transactions that we've had historically given the debt balance, but also make sure that we're being responsive and returning cash to shareholders through dividends and share repurchase. The other thing that we're focused on is reducing the debt balance with excess cash as interest rates have gone up and our debt balance is high, even though we still have roughly 2.5 times leverage and have capacity in our balance sheet, we want to see this debt balance go down over time and we've got the ability to do that just given the structure of our debt portfolio and our ability to prepay our term loan.

ROIC Return On Invested Capital

And those investments we hate, we've made particularly in acquisitions last year have certainly depressed our ROIC. So, this is the lowest level that we've had over the past five years at 9%, still a bit above our cost of capital, but not where we want it to be. Just to give you some context, the acquisition of LCD alone in the short-term has pressured that by about 200 basis points. And then some of the declines in operating income and the resulting impact on NOPAT have had the other factors in driving it below 13.5% that we saw last year. Again, we're going to be measured by the fact that we can drive returns in the business and see this increase over time.

MORN Total Return

Along with the flow through of those returns into our stock price, and we're not happy where the stock price has been. It's certainly been under pressure over the past years and the years passed this has been a better chart to show not only in how we have performed against our peers, but also against the broader market.

So, over the past year, we have clearly underperformed, underperformed our peer group, underperformed the market and that's impacted short-term returns for many of you, as well as long-term returns for many of you long-term and long-standing shareholders. Not happy with this chart and our commitment is to continue to do things in our control to improve the financial profile of the business going forward to drive the stock price higher. I'll tell you that the significant component 75% of my stock-based compensation, Kunal, our management team is based on TSR performance. So, I can assure you that there's alignment in our drive to do this, not only to create value for shareholders, but to create value for ourselves in the equity component that drives our financial compensation.

Focused on a Path to Long-Term Sustainable Growth

So, finally, I'll close where we started. In that we've got a great recipe for success here at Morningstar. And I think Kunal mentioned when I started, I've been here for six years. I think this is my sixth shareholder meeting, so that's probably light in terms of Morningstar standards. I think Danny beats me by about six months here. But if I go back to my initial presentation, when I started here about six years ago, I talked about financial success and that's a core value here at Morningstar. And I think the way I defined it then is consistent the way that I would define it now and that if we hold true to our mission, and empowering investor success and bring great products and capabilities to market with that in focus then that's going to accrue to the financial benefit of the Company, which is going to accrue to value creation for all of you. I can tell you we're committed to returning to a path towards long-term sustainable growth and we still have significant opportunity to create value in this business over the long-term.

So, appreciate you being here, appreciate your support and I'm going to introduce Danny Dunn, my partner for the last six years up here and I can tell you that the transformation of our sales team and sales process over the last six years have been extraordinary. And Danny

and his team deserve a lot of credit for the success that you see up here. So, I'm excited for what he's going to share and look forward to Q&A coming up. So, thanks a lot. Appreciate it.

Growing With Clients - Danny Dunn

Danny Dunn, Chief Revenue Officer, Morningstar: Okay, I'll be live. Can you hear me, okay? Okay, great. Welcome and good morning. Great to see you all here and for those on the live stream welcome really, really appreciate your time. Danny Dunn, Chief Revenue Officer for Morningstar. And look a little bit of a different presentation this morning and it's really in response to questions we've gotten from you, our shareholders, which is Morningstar is – as you've grown and your portfolio of capabilities has expanded, how does this come together in front of the client? And specific questions around sales motions, marketing segments we cover. So, we thought it'd be a good idea to get a presentation in front of you to share a little bit about what's going on today across our segments, across our product portfolio and then specifically how we think about organizing, marketing and sales and how we're deploying that globally. So, I can also give you a little bit of a snapshot – I didn't give you my opening slide. And we'll give you a snapshot of how we're thinking about this as we move towards the future.

Before we get into this, though, I want to share a story and it seems like this five, six year theme is consistent here. But January, I passed my six year anniversary, which was really an awesome milestone for me, it's been a great run here with this awesome firm. But I was on this very stage somewhere about a year ago, in my first townhall and so I had this group. And as you expect at the end of a townhall, there was a Q&A session and one of the folks raised the hand and he said, Danny, why Morningstar, why did you leave your career at my former employer? Why did you come to Morningstar? And through the lens of a commercial leader, I said, look there are four things. And I reflect on these four things every quarter, every year and those four things in no particular order were products and IP. A leading capability, a leading portfolio of capabilities, incredible products, long runway. But I also use the word IP and you've heard this again and again whether it's our data, our research, our calculation engines, our design elements, we have an arsenal of capabilities that we continue to be able to innovate for our clients. That was really interesting to me.

Second thing was our brand. A powerful global brand. But as I've learned more about this brand, it's just not a commercial brand, this is a brand that is attached to mission and what that mission and brand together have done is given us the North Star in industry and entrust with our clients. It's a very different proposition than other parts of my career.

Third, was people and culture. Incredibly talented people, I mean, really smart people throughout this organization. But what I thought was different was that this too is about mission and how the mission inspires and drives work in the company. And we see this as we grow people internally, we see people attach this mission as we recruit from the outside.

And then the fourth aspect is our clients, and this is closest to my heart from the largest financial services clients globally to two and three person IRAs or IFAs large broker/dealers, individual investors investing on the street and incredible client base with a long runway. But what's more important than that client base for me is the way we work with those clients, it's different than any other part of my career and it's the title of this session here, which is Growing With Clients.

Just last week I had multiple clients in the office and as we sit around the boardroom on the 8th floor, we are partnering, and we are co-creating. We are growing together. It is a really important part of our value proposition. It ties back to this promise of our brand and our trust. They want to work with us, they want to partner with us. This is really powerful for me and for our teams.

If I reflect on this six years later. Six years later, I feel completely confident in those four aspects, and in fact, each of those has gotten stronger for me and our commercial teams. That is what this is about. I'll tell you evidence to that too for me is that while we grow our talent internally here, as we recruit for certain specialized skills from the market, from the ecosystem, and even from my competitors they attach to that mission, right; products, IP, long runway and ability to co-create and grow with clients. That's what we're doing.

Our Clients: Segments and Audience Growth

So, we'll get into it, and we'll talk about segments and audiences, but I want to kind of start at a macro level, and this is where we've been known best, right, retail investing, a global market leader in retail investing. And it's not just that we serve each of these there is a bigger story here. So, all of the top asset managers globally are our clients and deep relationships. Intermediaries as we think about brokers, wirehouses, IFAs, roll-up RIAs, online brokerages. We have a really strong presence there. And then as we think all the way down to the individual investor that we're able to touch through our products like Morningstar.com and as well as through extensions of these other capabilities. But it's not just that we serve each of these segments, it's that Morningstar sits at the center of the value chain and our ability to connect experiences, data and insights across this value chain. It's a very powerful business model.

On top of that my little dotted line here, I can complicate slides, but the dotted line here is actually that Morningstar is an ecosystem (plateau) and I think that's important for you to know that while we drive a sell to motion partnering with our clients, we also have a sell-through channels business that is a critical part of our growth. This is Morningstar, under the covers, right? This is Morningstar inside powered by Morningstar. These are fintechs. These are other financial platforms. These are even big tech platforms. If you look at large global, the leading search engines globally and you get into their financial services areas, their market areas powered by Morningstar. So, this tells us that outside of our own branded capabilities we see, and we systematically evaluate opportunities to monetize new channels that might be reaching audiences that Morningstar wouldn't otherwise access. This is a big part of our growth strategy, our ecosystem. You'll be hearing more about that.

What I'd say here too is that we differentiate with our IP. We differentiate with our brand and our trust and our ability to deliver and you see that in our renewal rates.

If the left side of this slide for me is established and growing, the right side of the slide for me is a broader macro opportunity, which is institutional investing. This is an emerging opportunity, but Kunal would tell me that every one of our segments in this space is emerging as we look at the private markets where we're quickly becoming a leader. But what we see here is that through our own growth, both organically and inorganically, we've made inroads into this space Morningstar Indexes, PitchBook, Sustainalytics and other parts of data and

research. This is a really important opportunity for us, and we've assembled a really capable team to help us think about building this strategy for the future, both accelerating within these product areas and how Morningstar can truly be at the center of this ecosystem as well.

So, we get pretty excited about this. I'm going to unpack it a little bit and let's just talk about some of the details of the segments. You know them well, they were on Kunal's slides, I won't spend a ton of time; Asset Management, Wealth, our Advisors, Retirement Providers and Plans really important opportunity for us in the U.S. really is one of the leading robos within a plan, a really impressive capability and of course, individual investors. As we think about our expansion into other segments, what we've been able to do through PitchBook and private equity and bringing other capabilities there: Asset Owners, Debt Issuers, Capital Markets, Corporates and Others.

But what I'd tell you is that Kunal shared, attractive addressable markets in large categories; financial analytics, sustainable investing, indexing, etcetera, very true. But what we also see here is we're growing the number of segments we can serve. This is really powerful, but it's not just about growing segments this way, it's our ability to serve audiences within these segments. So, if I even took the top left and I think Kunal made some comments on. You know the question is, is our asset management opportunity growing, the answer is. The answer is, yes. So, we've been strong in this market with marketing and product teams providing analytics and competitive analytics using products like Direct, Data and others.

But we've been able to grow out of here into other key audiences, sales and distribution powering our asset management salesforces and business development teams with analytics to make a more personalized impact with their clients, really strong growth capabilities in reporting and other areas. As I think about portfolio managers and PMs with our research, with Sustainalytics and other capabilities serving them, ETF PM's working with Indexes on product creation or accessing new buyers. Chief Technology Officers, Chief Digital Officers want to engage with us on digital transformations, whether those are internal, or those are external facing projects. Morningstar Insights the ability to co-create and help those experiences.

Regulatory and compliance continues to be a global opportunity for us. So again, the data scientists that Kunal mentioned are oceans of data being able to go and co-create with them really interesting use cases. That's our data story.

So, even within these segments, our ability to serve new audiences with new capabilities has really been exciting. And it's from the capabilities that we've built, it's from the capabilities we've acquired and how we brought them together. You know us so well for our ability to do data, research, ratings and analytics, really strong capabilities. I think you heard evidence of our investment going into these areas. We continue to grow here.

And then there's categorically important areas of growth here in ESG bringing together Sustainalytics at Morningstar and how we're able to serve those different segments. Indexes, I'd love to think of it as the startup within and what we've been able to do with our team and drive both the investable product and the benchmarking data business.

And of course, Credit Ratings, and while we spend a lot of time talking about issuance, Sean O'Connor, our Head of Business Development there, he is excited about the really strong

year-over-year growth in the nascent but growing data business. So, we feel confident in the ability to bring this into our data motion, really important stuff.

And then of course, we talked about Wealth platform, technology-enabled Investment Management across Wealth platform, our retirement platform and then being able to take our Investment Management and bring it through those platforms. It's a really important value proposition.

Last thing I'd say about the capabilities is there is a really important aspect of reuse within this portfolio that allows us to unlock value for clients. The best examples I would – top of mind I go, a great public equity data set. How else can we monetize it? What can we do with it? PitchBook needs it to go compete in their market, public private comps it's been a great driver for PitchBook and competitive displacements and new acquisition. Or if you look at Sustainalytics itself is a key product, but its ability to fuel other parts of our products to access new users. Whether it's in Direct, fund data feeds, right or in Indexes where we can unlock a ton of value, this is exciting.

And Jason will talk about our revenue types, our revenue models, I look at these through the lens of license-based businesses Insights-as-a-Service decision support 70% of our business recurring revenue, strong, asset-based those same research and insights do it for me, manage the money for me across Wealth, Retirement and Indexes. And then, of course, our transaction-based largely our ratings businesses. There is an internal component to this too that I think is timely, which is that from a go-to-market perspective we see operating efficiencies across these revenue models, we know how to run as-a-service businesses; data, software research as-a-service. Examples of how we can scale here is, yes, we're talking about LCD coming into PitchBook and how that will so nicely fit within the product and their ability to innovate. I would say just as impressive will be the degree to which that engine can immediately put that to work from a marketing and sales perspective. Or I look at Sustainalytics coming on board, at least the license part of that business, the ability to sunset, retire CRM, bring them onto our sales motion, into our coverage model and go get after opportunities. So, there's really good important internal efficiencies across these different revenue models as well.

How do we work with Clients Marketing

So, a little bit in terms of like how do we work with clients. I want to talk about marketing, and I want to talk about sales. I would start the marketing chapter, if you haven't met Steve Bendt, he is row two, seat six. You should get to know him. He came over from PitchBook in, I think it was May or April of last year to be Morningstar's Chief Marketing Officer. Now I'm biased, I'd say he's probably one of the strongest fintech marketers in industry, and what he's done as the Head of Marketing in PitchBook we now have him partnered with an awesome team he's built and grown here to help us really bring this to the next level. What I'd say about Steve and his team, lots of great experience across the board in integrated marketing. Steve is a revenue-focused marketer, right? He is my partner. This is a really exciting time. So, let's talk quickly about how we do this.

So, like anything in a company with multiple capabilities, we do have like really rigorous discussions about centralized versus decentralized capabilities. And in marketing, we manage centrally for a couple of reasons, specialized expertise and centers of excellence. We manage for standardization, we manage for scale, and we manage for cost. And as it would make sense here is brand stretches across the Company really, really important part of our business protecting and growing that brand. Portfolio marketing, as I talked about all those segments, Dr. Jill Axline, who's also here in the second row, her job is to make sure those capabilities come together in each of those segments. It's a really important area of our business as we've grown.

And then you see on the other side of the chart, this is where we're really managing for scale and efficiencies driving the single tech stacks, our marketing technology, as well as our web presence and how we're going to approach that, which we'll talk more about.

And then we think about product area marketing, which is decentralized, and this is about getting marketing closer to the products and closer to the customers. And this is a really important discipline we've been building. They focus on segmentation, ideal customer, ideal customer profile. They're thinking about our value proposition, our competitive positioning and then most important from my perspective, what they are doing is they are activating campaigns to go drive revenue.

And what we talk about, particularly on the brand and portfolio narratives, as well as the work happening in the product areas is laddering up and laddering down, and what I mean by that is the assets and the messages that we create at the brand level can connect down and soften the beaches for the other capabilities. As I look at laddering up, as we enter, maybe with a specific offering that needs to connect up to our specific brand promises, but maybe I should bring this to a real example, because it's probably more tangible.

So, as we think about extending the Morningstar brand over the ESG category, it starts with corporate brand marketing and there's an example flowing through here of some of the efforts those teams have done. They're building the narratives, they're building the assets and they're doing broad awareness to drive engagement. But then it's about going lower in the funnel and thinking about how to partner with the product areas. This is about reuse, and this is where we see that the IP, the narratives and the assets. And there are a couple of examples here of how it filters into Morningstar Indexes, Data and Direct, and then there's an example on the

other side of the screen, which speaks to an integrated regulatory solution in ESG in Europe. So, again, this is about building that at the top and then bringing it down into the product areas where we can go execute for revenue. This is what the team knows to do well – knows how to do well.

On the sales coverage, I'm going to simplify our sales coverage and really talk in two primary ways we organize our coverage model. On the left side of this screen, it's what we refer to as integrated coverage, right? These are clients that are taking multiple products from Morningstar in certain segments. And in these segments, we lead this with an account executive supported by different specialists. The idea is to grow strategically with integrated coverage, coordinated coverage in key clients.

The other side of this slide speaks to what I would call specialized sales coverage. It could be single product, it can be small and mid-sized business, SMB. New logo accounts and this isn't to say that a single product client is a small client. In fact, we have certain segments where a client might just do one thing with Morningstar and it's quite a big relationship. But it's also this is where we think about new logo activation and our small and mid-sized clients. This is where we go with specialization-based coverage. There isn't a need to have integrated coverage, and this is true of many big tech companies. This is how they do it. And what's really important to us here is that this isn't a static model. We are trying to take clients from the right side of that slide and move them to the left side of the slide. We get a little backwards there, folks. And this is key. And so, we have a set formulaic set of criteria that looks at a client size, their growth, the number of products they're taking. And as we grow with them, we see opportunities to move them into integrated coverage to unlock further value in the portfolio. One of my favorite examples of this is the bet we placed three years ago with a client that is three blocks down the street. And it was a single product client through acquisition. Now they were a two-product client. We looked at their strategy, they were growing, they were acquiring, they're in Investment Banking, they're in Investment Management, they're in Wealth Management. We took a bet on them in our coverage model analytics. We push them up into integrated coverage to drive more strategic engagement and we're seeing outpaced growth in that client. That is at a high level how the model works.

How We Work With Clients: Sales

But I want to bring it to life with a real example. Now I didn't have permission to give you – to get the logo on this but this is a U.S. based financial services sector and this is the actual team covering it. This is in our integrated coverage. You have an AE, Lisa Antonio, 20-year veteran at the Company and been with this client for a long time. Her job in this coverage model is to grow strategically with this client. Account planning integrated across the different business areas, right, driving opportunity identification, driving relationship expansion and key to cross selling. This is not a reporting structure. She is actually the source of integration. She carries the number for the entire client. Her job is total client growth. And she should drive and support these teams. These teams can work directly with the client, right? This is not a bottlenecking model. I've worked in this model my entire life in sales, and we've been refining it. And so just in time, different specialists can come and engage and unlock very specific value with very specific audiences. And what I'd like to see about this model. This client, in particular, I have many examples like this. This is a 2017 to 2022 compare of what we've been able to do in this client. It's 26, it's actually closer to 27% CAGR

growth in this client. And when I say Morningstar is at the center of a value chain, Morningstar can be at the center of our clients.

And if you look to the right, this isn't just a story about acquired growth. This is not a story about just acquired growth. If you look at Indexes, start up with in, it's a zero dollar client in 2017, it's a $2 million client in 2022 and growing nicely. We've just gotten started.

Data, Direct, and Reporting, core franchises, core branded products, a nice 10% CAGR within this client as we've grown as they've grown, really solid work.

PitchBook, 5x growth from what was about a $300,000 footprint about 5x growth five years later. And then I'll even call out our Marketing Solutions, audience and advertising. This was a $1.3 million revenue account in 2017. At the end of 2022, this was a $4.3 million account. This is how we can be at the center of a client, unlock capabilities across our portfolio and drive value.

And then on the single product example, I thought would be interesting as – yes, strategic accounts and growing them is absolutely critical, but bringing new clients into our front door is critical. New logo acquisition. I will tell you the machine that PitchBook has built is absolutely awesome. I would stand it up against any SaaS-based company on the West Coast, and I'd say it's a top-performing go-to-market model and what's been great is with Steve, Nicolette Konkol in our Demand Gen in Morningstar, we've been able to take those capabilities and apply them to appropriate businesses in the rest of the portfolio.

And this gives you an idea that motion, right? Demand Gen, with different tactics in the campaign, engaging with clients based on lead scoring. As they mature into a lead, Claire is going to engage with that lead. First, she is going to make sure it's not Mickey Mouse. She is going to make sure it's an actual person. She is going to have information in terms of what they've interacted with to help her ask the right questions, and she's going to confirm that lead, qualify that lead, and then she's going to pass it on to her teammate, Leo. who is now going to bring PitchBook alive, right. He's going to demo that product, show the capabilities that are in that product based on that specific user need and he's going to close business and then full life cycle, it will enter into our Customer Success Program. That same motion is what we've been building in other license-based products, and we have plans to keep expanding this with the team's help.

On this side, we've got same thing Demand Gen, interacting with the client, lead scoring comes into Ellie. Ellie has to decide. What is this? Let's say it's portfolio accounting or it could be portfolio analytics. How do I want to bring this? How can I qualify this opportunity? Understand the need. She determines it's portfolio analytics for Direct, it goes to a Direct sales specialist. Daniel is going to work with that client. He's going to bring Direct to live, work with them, transact and close the business.

So, this is how we're looking at new logo and we've been able to apply this across different parts of the business. What I'll say is just in these areas 2022 over 246,000 leads coming through that Demand Gen and sales funnel. Converting to 24,000 opportunities that are active in pipeline. This is our opportunity to both expand with new logos, SMB and then we talk about strategic accounts. So, hopefully that gives you a little bit of the flavor of how we're doing things.

2023: Marketing as a Revenue Driver

If I look to the future, we like to think of it from a funnel perspective. We have brand and portfolio activation. These are the big drivers for Steve and his team. Morningstar has strong aided and unaided awareness in our brand, in our brand studies. There is an opportunity to better extend our brand over the power of our portfolio and that's what we're going to be activating this year. You've seen new segments, you've seen new capabilities. We need to make sure the brand is keeping pace with what's underneath the hood, while protecting the brand. A really important piece of work. And where does that manifest itself? B2B web, a business site. If you go to Morningstar.com, you will see a really elegant product, it is the Morningstar individual investor site. If you're good at navigation, you will find that there are actually some product pages that represent, probably 90%, 95% of the Company's revenue. This is a big initiative for me. We're pouring our hearts in this one. We've assembled our team, and this summer you will see a B2B web presence launch and that will help our customers' existing and new customers way find through Morningstar to get to what they're looking for so that Steve and the other teams can activate Demand Gen to drive leads for our global sales teams.

Research amplification. What does that mean? I think other firms, even other competitors would salivate if they knew the amount of research and editorial content that we have inside of our company. We do it well for research and we use it. We're talking about how can we better use that content. It's about reuse to repackage that for ongoing customer engagement in our B2B segments. It's right there in front of us. We're going to go get after that.

And then finally, Sales Enablement platform. This to me is both cost and productivity. You've heard Marc Benioff and others in Wall Street Journal talking about – it's not about just more sales people, it's about more productive sales people. And so, this is about sunsetting legacy content management systems, finding some efficiencies there and going with the market leading Enablement platform that gets the sales teams, the content that they need just in time for the interaction they're having with the clients to demonstrate the value. This is a really big opportunity and we're excited about that.

And look, as I think about the sales opportunity ahead of us in 2023. Again, leading products with a really steady release of capabilities coming out this year. I look at Direct, a new portfolio analytics capabilities with lens and other things in Notebooks like Kunal talked about. We also have some needle moving innovations that are coming to market that ties back to Jason and what he talked about in terms of key investment areas. Climate and impact can't say enough of it. We're already seeing pipeline build, key releases coming out through Q2 into Q3 and Q4. PitchBook and LCD, that team is ready to activate their go-to-market and those capabilities really excited about that.

If I look at our Advisor Workstation business, our ecosystem, our risk ecosystem capability is coming out this year as well, all about personalization and allowing advisors to connect to the new level of risk personalization with their clients, really big opportunity.

Kunal talked about third-party integrations in App Hub. This is about extending the value of AWS to our customers through more integrations upstream and downstream in their workflows. Really excited about what the team is doing there, and the work the Daniel's team is doing on Wealth platform and Direct Indexing, I know they're the longer term horizons on return that Jason shared. From a sales perspective, we are activating and connecting with

customers on these things today and we've seen really solid pipeline build coming out of these businesses. And Credit Rating is of course, new asset classes, particularly as we think about corporates in mid markets.

So, look, I'm going to conclude with – the commercial teams at Morningstar here, we're focused on two things this year. We're focused on our clients, and we're focused on growth. We are focused on clients, and we're focused on growth. I've given you an idea, and Kunal has given you an idea, attractive addressable markets. Growing segments that we participate in, growing audiences within those segments. Steady stream of innovations in market leading products as well as new capabilities coming online and a really solid go-to-market machine, but I'll tell you the other thing we're focused on is absolute continuous improvement. We're always trying to get better at our game. I've sat next to Kunal for all six of these years. I mean, right next to him and healthy dose of pressure – regular pressure to get better at our game. So that's what we're doing in 2023 and beyond. I'm really excited about it. And 2023 is a great year for us to unleash the power of Morningstar.

So, thanks for your time and with that, I'll hand it back to Kunal.

Kunal Kapoor: Okay. Thank you, Danny. Thank you, Jason. Hopefully, that gave you a good sense of how we're investing, how we want to convert that to sustainable profitability and why we think growth also remains a robust option. We're going to take a quick break. We've already run ahead of time. We'll plan to come back here at 10:50, if that's okay, and then we'll start the Q&A.

[Video]

Questions-and-Answers

Kunal Kapoor: Thank you, everybody. And we'll move on now and head to the Q&A. I just want to welcome the team back to the stage and special welcome to Marie, our new Chief People and Cultural Officer. So, its Marie's first chance here to talk to you.

Marie Trzupek Lynch: Thank you.

Kunal Kapoor: We've also got members of our leadership team available if there are specific topics that we want to delve into in more detail as it pertains to any of the product areas. Bob Mann who runs Sustainalytics is also on Zoom as well. So, not our chat bot. That's Bob.

Marie Trzupek Lynch: That's actually Bob.

Kunal Kapoor: So, there's obviously a number of questions we're going to answer and what I'd request is just to get started, if we could keep it to two per person and then we're happy to come back if questions, you know, dry up. But we've got mics here and then as well just raise your hand they'll come across to you and you're also free to submit questions via Zoom. Please just introduce yourself as you're getting started.

Pankaj Nevatia, Fidelity Investments: Hi, thank you. This is Pankaj Nevatia from Fidelity Investments. So, I have a two-part question on margins. The first one is, if I look over the last 10 years, margins have averaged around 23%, 24%. As I look ahead, you know on one hand you have better scale. On the other hand, there's been mix shift growth in some lower margin products, Sustainalytics and even I think investment management products. So, to what extent do you think on a net basis are historical margins still achievable as you think about operating leverage in the business going forward?

Kunal Kapoor: You want to take that, Jason?

Jason Dubinsky: I think as we said and stand by it, I think our path and we have confidence in our ability to return to some of those historical peaks. And I know our business mix has shifted. I think what I tried to detail in some of my prepared remarks is that, some of the return cycles, you know, take more time and investment management is a really good example as it's going to take more time to drive assets to platforms and realize return and margin accretion from those investments. I was talking to someone outside, I would equate that similar to maybe where our workplace business was many, many years ago and retirement and building managed accounts. That took time to build those capabilities, build those relationships with planned sponsors, see those relationships – or those record keepers. See those relationships generate into planned sponsors and then see assets flow. So, we're at a point, let's say with workplace where that incremental dollar of revenue comes with a very high marginal profit and there are areas of the business like investment management we're comfortable that's going to happen over time. It may take a little bit longer, but again, returning to historical peaks is our focus and we believe we can get there.

Pankaj Nevatia: Thank you. Just the second part of that question is, as I understand, you've largely done with the accelerated investment phase. At this point you talked about, moving

on, so how much runway does it give you in terms of years of growth. Like at what point do you have to go back instead of start investing heavily in the business to drive further growth?

Kunal Kapoor: Go ahead.

Jason Dubinsky: I think if you look at some of the unique areas, we found pretty unique market opportunities to invest behind. But I think as we go forward, if we need to make outsized investments that we will, but I think largely we want to make sure that you know we're investing consistent with the pace of revenue growth over time, so we're able to realize that gradual market – margin improvement. So, if we look at those heavy areas that I focused on, I don't want to say that that we're done, but the larger cycles, particularly I would say in areas like Sustainalytics and Wealth are more behind us than ahead of us.

Terry Brady: Yeah, I'm Terry Brady. I'm a medium term shareholder in this company. I got a comment and then a question. I was talking to some of the employees around here. I was totally impressed in the quality of people that you're hiring at least it is representative of who I'm rubbing elbows within this audience. But my question is related to your abandonment of the Chinese market. I mean, we're – depending on how you define that. That could be a-third of the world's population.

I sort of see somewhat of a similarity with this thing going on with TikTok right now in the U.S. and you know not invented here type of thing. I see maybe we're seeing the same thing from the other side. You got a government over there that really wants to build the border, they want to replace the U.S. as the economic and cultural center of the world. But we've – by abandoning that market, we sort of put a couple more bricks on the wall around that country that they're building. It seems like there's a real advantage of really making the effort and staying in the country going with the culture and in my mind I mean, just maybe it's just my opinion, is the more outside things going on in there from other countries, really the long-term safer we are. I mean, if they're really dependent on us, they're not going to go to war with us. It seems like there's a real definite advantage to make the effort and stay in the country. Whatever you got to do to do it. I mean and basically my question is I'd like to have you flesh that out, getting above the politics and down to the real decision making?

Kunal Kapoor: Yeah, yeah. So, the way I would answer it, and just to clarify we are continuing our local business in China. It's a very small part of our overall business. What we are closing in China relates to our support operations for our global operations and those have been moved to other Morningstar locations, so those are two separate things. As it pertains to the attractiveness of the Chinese market, our approach has been to just invest at a very slow pace in China. We too see the big macro attractions potentially over time of being there. But when we look at the relative opportunities we have that are near term, that are more certain from our perspective, those are the ones we've opted to go after. So, just generally in Asia, we haven't put a lot of heavy investment in places like China and India as it pertains to the local operations, at least today.

Vinay Prasad, Millennium: Hey, its Vinay Prasad from Millennium. First question is about Sustainalytics. A few of your peers have commented about the shift in demand away from ESG scores and ESG ratings towards ESG raw data. There's also been discussion around political pushback to ESG in the U.S. Can you talk about if you've observed either those trends and how it might impact Sustainalytics?

Kunal Kapoor: Yeah, Danny, do you want to take the part on pipeline, and I can just talk about the broader polarization and then if we need, we'll have Bob, weigh in as well. As I mentioned in my comments, certainly some of the public debate has made it a little bit more challenging in the U.S. in the short-term from a pipeline perspective. But in the rest of the world that has not been the case so far for us. And Danny specifically as to what's in the pipeline?

Danny Dunn: Yeah, I mean, I would say first if we look at the EMEA region, the Sustainalytics and the ESG, I'd say the broader integrated Morningstar and Sustainalytics ESG opportunity, the pipeline is building and it's a good opportunity to execute. I think we'll see more lift from future releases in impact and in climate. That pipeline started in advance of the GAA availability, of the capabilities that are coming out. So, I feel pretty good about that.

Then if you look at the U.S. markets, yeah, the teams are reporting from engagement that there is depending on where they're doing the work across the country there is some polarization. Increasingly for us, though, I think the value proposition really has to be tied to a couple of things. And I think you might have heard it from Kunal, one part of the value proposition is really around, managing risk in a security or in a portfolio and being able to do that. The other is really about personalization. I think that's going to be really important for not just Morningstar, but in ESG in general. As we engage with clients, there is not a one-size-fits-all approach. I think we have to be really smart about that before we go into a client and better understand what they're trying to do if, say, an advisor has a book of business or they're part of a larger brokerage, they're not – they don't see value in it.

They might even find it to not resonate with their audience. I think our point would be like well on the personalization side, particularly as we think about the wealth transfer. They probably should be educated on it. Now they can decide what they want to do with those different insights and how to create value for their customers. But, again, so it's really about a set of personalized data points where you can invest for impact if you want to and if you don't that's also okay. So, I think while it's branded as ESG or sustainable investing, I think Kunal's comment that as we look to the future, it'll be another set of data points for personalized investing. I think that's where it really goes. So, we have to pay attention to those value propositions and see how that evolves in the U.S.

Kunal Kapoor: I think your comment is right though that we are selling more of the raw data, that's for sure because a lot of people want to input into their own work versus take the rolled up aspect of things. So, I cited the example of asset managers who generally try to collect some data themselves and have a view. Then they use the data to further inform that view or to meld it in different ways.

Danny Dunn: I might add to that with a real example. We had just terrific engagement at our MIC conference down at the McCormick Center here just a couple weeks back. I spent a lot of time at the booths with our sales teams and different clients that were coming through. There was actually an advisor who came to the Direct team and very specifically said like, I'm not bought into ESG, but I'm now dealing in my book of business where I'm meeting the next generation. And the next generation is asking me questions about what are the holdings like in my portfolio because I care about animal testing, I care about controversial weapons, whatever it might be. And so as much as he might not have cared or his current client, maybe it wasn't at the top of their list, as he's thinking about the transition of that book into the next

generation, he needs to know how to articulate what's going on there. So, this is an important part of how we're talking to clients.

Vinay Prasad: Thanks. Second question was around PitchBook. The growth rates have been really strong there. The license adds have been very strong. I think the – one of the investor concerns is that the cynical – the cynic would say the growth's been strong, but it's because you guys are investing heavily in your sales force. Perhaps customer acquisition costs are going up and that's what's – partly what's causing the margin pressure. I guess, what can you tell us or how can you give us comfort that's not what's happening.

Kunal Kapoor: Yeah, I think to go back to Jason's point during the presentation a little bit. We keep a very tight sense of things in terms of what the lifetime value of our customers are and when we're putting marketing dollars behind it, we have a very good sense of the returns we're investing. When you look at Morningstar in aggregate today, PitchBook is not pressuring Morningstar's margins.

Danny Dunn: Yeah, and I'd also add to that that across all the businesses there's a pretty formulaic approach both top down, as well as kind of bottoms up from the field in terms of how we think about sales force sizing based on territory opportunities. It's a pretty measurable, not only from the planning perspective, but as we go into market and then see sales achievement, average sales achievement relative to plan, we know where the return is. Should that trajectory change, yeah, there's – in all of our businesses we're always thinking about rightsizing what that should look like. We've got to pay attention to that, but generally speaking with the runway in growth trajectory of that company, we are focused on acquisition of customers and growth in existing customers in that business and if John was on stage, that's what he'd tell you.

Julie Toran, Lazard Asset Management: Hi, Julie Toran from Lazard Asset Management this brings off of those last questions. But I guess, on margins, you know you cite a return to historical levels. So, just curious if that means you know the 25% adjusted or unadjusted EBIT margin that you saw kind of prior to a lot of the acquisitions more like 20%. Kind of on that point it is hard to sit, you know outside of Morningstar and not suspect that you're having to spend more to stand in place and maintain the moats that you have in the various businesses. Returns and margins have gone down and it does seem that it's because there's greater competition everywhere for data and that's the model has shifted a bit permanently. So, why or why not is that the case? Then I guess, the second question would be you just said PitchBook isn't bringing down the company margins. So, does that mean that PitchBook margins are above company margins and where does Sustainalytics lie?

Kunal Kapoor: So, maybe you'd take the margin specific questions and I can talk about the strategic aspect.

Jason Dubinsky: Yeah, I'd say maybe a couple of things and we're giving some directional views on margin. We're not publishing them, so at least with the PitchBook question, I'm not going to comment if we're above or below. I think what I would say is that PitchBook's margins have been gradually improving. If we look at the way we do the methodology, if we look at 2022 compared to 2021 PitchBook margins were up year-over-year. So, we're seeing good progression in margin improvement along with the overall growth.

Sustainalytics, I think you mentioned too was going in the opposite direction, last year and significant some of the market headwinds in the SPOs, but particularly given some of the investments that we've made. While I won't say specifically what those are, I'd reiterate that the Sustainalytics margin is at the low end of our license-based products at Morningstar.

I'd say generally we're not going to guide to a long-term margin target, but I think the numbers that I showed in our five-year trend are a good place for us to look at over time and where we want to return to. So, I won't give a specific target, but we believe that if we look at that historical trend that the leveragability of our businesses over time, assuming that markets will cooperate, we have paths to get there with the business plans that we have and what we're focused on across our leadership team.

Kunal Kapoor: I would add to that that in terms of the broader question. When I look at some of our longer-term businesses, they are not the sources of a ton of new investment. So, they are certainly not having to struggle to stay in place at all. If anything, they are sources of cash that we are deploying elsewhere. So, to be specific, again, our key investment areas that have in the shorter term at least brought down margin have included areas that we've invested in heavily. Such as Sustainalytics, our Wealth offering and clearly because of what's happened with credit issuance, there has been some pressure there as well.

Isaac Bowman, Langdon Equity Partners: Hi, Isaac Bowman from Langdon Partners. Had a question on LCD and then on PitchBook. Firstly, on LCD. It looks like from the press release, there's only 60 or so employees. Is that going to require a lot of hiring to if we'd compare it to PitchBook with probably around 3,000 employees? Then secondly, how many people purchased LCD through a Capital IQ subscription? Does that give more opportunity to take market share from Capital IQ with converting them over to PitchBook?

Kunal Kapoor: So, in terms of the first question, it was a fairly small team. Where we are investing is in two primary areas. One is on just content creation, so certainly putting some effort behind it and the second is the go-to-market engine associated with LCD. Although, I will say that that is largely going to leverage the PitchBook engine that exists today. We're also hiring in a couple other spots like product and things like that, but this is not going to be a massive addition of people in the way that we've kind of grown the core PitchBook team. I think that the core team is more than able to in aggregate grow that business.

It's a little tricky to answer the second part of your question because one of the things that we have discovered over time is that a lot of LCD contracts were just bundled into things that were available at S&P Global. You know the way I think about it and the way I'd answer your question is we think that what we're putting together at PitchBook, whether it's the private equity or private debt data or the public market data. We think we're putting together a pretty compelling opportunity on the buy side. We will be able to more successfully penetrate it in the years ahead and that will be an opportunity for us. Not just in – against one competitor.

David Shepley, Windancer Holdings: Hi, David Shepley with Windancer Holdings. Question on PitchBook specifically as it relates to how you guys think about investment prioritization. You have that one slide that you showed where you spent $40 million versus the others. You showed the quick payback periods, we know PitchBook is potentially your highest valued asset, fastest growing, highest longer term margins. Maybe best competitive positions as well. Just curious, do you approach the investment decisions over the last two

years saying we want to fill up that bucket with PitchBook first as much as we can. Pushing ourselves, could we have done 50, could we do 60, could we do 70? We talked about how they're actually expanding margins. It really sticks out as where you'd really want to lean in, so it's a little bit counter to the other question about margins going down. But I'd love to just philosophically hear how you think about that asset versus some of the others?

Kunal Kapoor: We think it's obviously a great asset and I'd say that we've really leaned into it since we've owned it. Really bought a lot of capital to it over the years. Now the way I would answer your question specifically is, I think we've done what we can without the team losing its focus. So, I'll give you a simple example. We often get calls saying why don't you add a China database? Or why don't you add more in Japan? Can we do those things? Yes. Can you add more in India? Absolutely. But it would come at the cost of taking our eye off the ball elsewhere. So, what we've chosen to do specifically is to focus on the opportunities that we think were best positioned to convert on in the nearest term and we've gotten after those. I think candidly if we put more behind it at this stage there's a risk of a loss of focus and John Gabbert, who runs it. You've heard him speak here and he's very much about executing a clear roadmap. We would have to make a lot more trade-offs, but the one place we have not made that trade off in my view is, if we felt like we can increase sales and marketing and bring back the right results, we've done it. We've increased that as needed and so that has not been something we've capped.

David Shepley: Okay, thanks. Then second follow-up, Kunal just on biggest lessons learned over the last 18 months to 24 months. I'm sure there's some things that you've been thinking about, love to hear what comes to mind.

Kunal Kapoor: Yeah, well, there's a lot of lessons, obviously, that have been learned, not just in the past 18 months, but just through the whole period post-COVID. Luckily your question is not about return to office, because boy, I've learned a lot of lessons in terms of how I talk about that aspect of things too. But I think the biggest lesson, for me is we entered a period where we had so many significant opportunities and in all candor we're turning business away. We also saw some longer term opportunities, and I think that coupled with the fact that you had this hot labor market and we were fighting for talent, we probably made a lot of decisions very quickly about how much talent we wanted to bring in. Faster than I normally would like to and I think the lesson for me is to fight my instincts a little bit more heavily on that if that situation was to arise again.

The other thing that is always a lesson to me too is just being super disciplined about your process. I think we're very disciplined here about everything that we do. But you got to be willing to evolve it and challenge it. I think we did a good job at it, but I think there's ways we can keep kind of getting better and looking back on have we done things right, have we kind of hit our targets, are we holding people accountable? There's always a need to kind of get better at that aspect of things when it comes to accountability.

Jared Herzikoff-Cornell, PRIMECAP Management Company: Hi, Jared Herzikoff-Cornell from PRIMECAP Management.

Kunal Kapoor: Oh hey.

Jared Herzikoff-Cornell: A question about PitchBook demand. You mentioned potential selling on the corporate side, bizdev. Could you talk about any other segments where you're

seeing slowing? Maybe just comment on the venture ecosystem and with the correction in private market valuations, are you concerned about slowing there? Thank you.

Kunal Kapoor: Yeah, it's a good question. The short answer is yes, I'm concerned. Like I look at the data and why would you not be, right. Things certainly point in that direction. But having said that a couple of things, one is there's still a lot of money in that ecosystem and there's a lot of demand for that money to find a home. So, that gives me confidence that people need even more use cases and we're able to expand into use cases. We just launched an exit predictor, for example, that has very quickly, gotten very significant adoption. So, the way I think about it is that, even if perhaps the number of – if the market were to shrink a little bit. It could come at the cost of other providers because I think our service is just getting better. My past experience in downturns and this is not just a PitchBook related point, this is a broad point, in downturns clients want to tend to consolidate or they want to take things that they've built in-house and outsource it, and those can be two very powerful forces through, which you can grow your business. It's something Danny and I talk a lot about. I think it applies to PitchBook. I think it applies to Morningstar Direct and we're really trying to think about if people consolidate, where can we win? That is an important part of how we're thinking about our go-to-market right now. So, net-net, I'm appropriately paranoid about it, but not at the cost of making sure we're taking advantage of the opportunities.

Jared Herzikoff-Cornell: Thank you. For my second question, can you talk about managing expenses and your philosophy in a downturn, if the cyclical businesses drop a lot more? How much do you pare back on expenses and investments? Thanks.

Kunal Kapoor: Do you want to start and then I'll weigh in.

Jason Dubinsky: Yeah, I think maybe two-part, and I think the first is we're certainly aware of things that are going on in the market and where you've seen that rate of headcount grow slow is much more dramatically or not at all in the areas that are feeling the most pressure right now. So, that's credit ratings and then specific parts of other businesses that are certainly under some pressure. So, that's been our philosophy over the near term is we're very aware of the market environment. Very targeted in certain areas, but also cautious across the rest of the business too. Back to the point that we've invested heavily over the past couple of years and that rate of slowing has been very deliberate except for some of the key areas where we still need to build capabilities to finish the job in order to make sure we're bringing opportunities to market.

I think if things persist, Kunal can talk a little bit about it, but we do need to make sure that we're being prudent and businesses are rightsized for the future. But we want to make sure we're not over-reactionary in this environment, particularly because we know market cycles change and want to be prepared for upturns when they happen, whether it's in the financial markets or the credit markets specifically.

Kunal Kapoor: Yeah, I think we're always looking at structural changes and specifically in credit ratings, we don't want to maintain surplus resources if the activity is not there, So, what we've been doing is really assessing our thesis in the different parts of the market that we operate in. Simple example that I'll give you is we feel like the U.S. commercial real estate market is going to take longer to recover than maybe we thought even six months ago. So, that has meant we've had a – we have a sizable CMBS team and so that has meant in the last few weeks where we've essentially repositioned part of that team into other parts of the credit

business or into other parts of our business where we've needed those resources or in some cases we've eliminated roles because we feel that that part of the business is going to take longer to recover. So, we will act if we feel like we have surplus capacity.

Brian Vollmer, SEG: Hi, thanks for taking the question. Brian Vollmer from SEG. I wonder on Sustainalytics Kunal, it was the one area you mentioned that had you in hindsight, maybe you just slowed the brakes there. So, what are you doing today to right size the cost structure, which is clearly upside down, given some of the things that have gone against both cyclically, as well as with what's going on in the second part of your opinion market. Sort of how do you – what actions are being taken to sort of address that? Then I have follow up.

Kunal Kapoor: So, Bob, maybe this is a good opportunity for you to come in and share a few of your thoughts in terms of how you look at the business today. Then Marie, you've been working with Bob as well, so maybe you could weigh in here. So, Bob, we'll turn over to you first.

Bob Mann, President Sustainalytics: Sure. Thanks, Kunal. Well, I think it's right that we have sort of exiting that high investment period and where we're really trying to, I would say double down is focus in markets where we think we have strong strength. So, EMEA and North America and I think lessened our focus in markets where we think the return will take longer to capture. So, I think really it is doubling down on those products where we think we'll be really successful and focusing and narrowing our investment in product areas that we think we have a strong advantage and in markets its the same philosophy. So, I think you'll see us sort of shed or less emphasis on those areas, I think we're more peripheral or more medium or long-term in our return.

Marie Trzupek Lynch: I would just add just in terms of support of that that we're working alongside Bob and his team and modeling out, different scenarios and options in this as we move forward to support those changes that he wants to make.

Brian Vollmer: Then I guess the follow-up question to this would be you've made it clear that you're willing to sort of ride through cyclical downturns, et cetera and the profitability impacts of that for the business as long as you have confidence in where you're heading and the trajectory there. Could you give us some idea for the investment mode businesses today? What you think the opportunity is over time? Obviously, there's some public peers for businesses with similar models, whether it's MSCI's business and within the competitor of Sustainalytics or some of the kind of FactSet CIQ type business models that you're currently investing in. Give us an idea of what the goal is on the unit economic profitability that you think you can achieve over time as a result of these investments in the growth.

Jason Dubinsky: Yeah, so are you looking at maybe comparative margins to peers that you see out in the marketplace? Maybe I want to make sure I'm clear and what your question is.

Brian Vollmer: …trajectory of margins for your investment mode businesses as sort of having benchmarks that we can recognize that you think are achievable? Or are there reasons why we shouldn't be thinking about those being …?

Jason Dubinsky: Oh, okay. Yeah, I think generally and maybe part of what I said is, we know the operating models and the economic models that we have produce leverage over time. Now, I think it's a little bit dangerous to compare us to a lot of our competitors in the

sense that we've got runway, but given size or structural differences in businesses, Moody's and S&P have 60% EBITDA margins in credit ratings; MSCI has 70% EBITDA margins in indexes. We see those as showing that we've got runway, but given the different business model, size and scale of those operations, those may not be realistic to achieve over time. But they give us confidence that we're heading in the right direction, that we're building sustainable models to get leverage, and where I showed where we have the more opportunity over the time horizon to expand, clearly those are areas where we believe those economic models or peer comparisons are good benchmarks for us to know that we can expand over time, although it may not be to the levels of certain of our peers just because of the size and scale of their operations.

Brian Vollmer: Given that your competitor's offering is probably also in an earlier stage, it's a newer market, I mean is there a reason structurally why your business given its mix or unit economics, et cetera, shouldn't be able to achieve comparable margins to that over reasonably line of sight, multi-year timeframe?

Jason Dubinsky: There's not. And that's where I said we look internally. Sustainalytics is a good example. It's a similar license-based model, right. So, if we look at PitchBook, if we look at our other Morningstar license-based areas, while Sustainalytics is low today, we know how to operate these businesses and know that we need what we can achieve. So, there's an example where you don't have to look at FactSet or Market Intelligence of S&P or Moody's Analytics. We operate these models today and are confident that that's a good level to target over time as we grow the business, as we slow down investment and we realize the returns of what we put in over the last few years.

Russell Quelch, Redburn: So, Russell Quelch from Redburn. Hi. I had a couple of questions. Can I start to – or can I start on looking at client churn? A couple of the markets you're targeting for growth, private assets, sustainability, these are areas where others are increasing their presence quite aggressively, too. You have self-incumbent brands there. Can you talk to what you're seeing from a client perspective in terms of churn both now and historically? What you're looking to do to offset that? And maybe if pricing is one area you might be able to lean on a bit more once the – when you see a higher churn or periods of higher churn?

Kunal Kapoor: Can we – or do you want to start?

Danny Dunn: Yeah. I can start. I'll just give you an indication that, as we look at logo level or ACV annual contract value churn, if I look at Sustainalytics, that's actually been an area of real actual strength and improvement over the past couple of years. I can't provide the exact numbers, but generally speaking, that's been a good trend for Sustainalytics. So, sort of maybe different than your question may have assumed. So, I think that's an important thing for us.

And also, if we look at other high-growth platforms like PitchBook. I think Kunal's comments were pretty much right on. So, there are a couple of segments outside of core VC and PE where there's been a bit of elevated churn. We think that's time-based and we think that returns to regular levels. In all these teams, it's the customer success motion that's really focused on ongoing client adoption and engagement, which is done through analytics in terms of how those users are using the software relative to how we think they should be using the

software, and then driving whether it's digital-based or human-based engagement to get them up to speed.

In the Morningstar platforms, when we think about our renewal rate and we think about retention, churn, we've generally been on a pretty good trajectory in many of these businesses. Even smaller businesses like Morningstar Office within the Wealth platform, we've seen a stabilization in the retention rate. So, this really comes down to using data to drive engagement with those clients and then having playbooks and information for those teams, as well as automated digital touch to engage with those clients.

So, I think we have a pretty good playbook. There's no doubt that in this kind of environment, it's putting pressure, just like I think any CFO or CIO in any organization sort of looking at their spend in this environment, it's not such an expansionary environment, but we too think that that will settle. So, we're trying to do the right things with the right teams to engage with those clients.

Kunal Kapoor: I was going to say the same things. From a retention perspective, we're in – at least as of today in pretty good shape there. One thing I'd just add, especially I think this is true of ESG, maybe less so of the private markets. We saw a lot of funded competitors sort of emerge in the last few years. People were raising money because it was perceived as a hot area. And there were a lot of point solutions emerging. We saw this in wealth as well. A lot of that is dissipating now. And so, I think, to the extent that that was a bit of an issue, it's not anymore and people are generally congregating around the larger providers who have experience in this space.

Audience Member: Thank you. Kunal, maybe I can follow-up on a previous question. When we talk about lessons learned over the last 12 months, I wonder if you might consider changing your approach to shareholder interaction and increase the style and regularity of communication. That's one area that consistently comes off as an area of concern when I speak to many of your shareholders.

Kunal Kapoor: No. Thanks for asking that. It's certainly something we've heard in the past. I know there's many people who would like an alternative model. A number of you like this model as well. So, we hear that aspect of things. Our intent is to maintain the model for a couple of primary reasons, including that we like to provide equal access to information. We also think it's an efficient use of our time. And we put a lot of efforts, Sarah Bush, who runs our IR, puts a lot of effort into the Q&A that we do.

One of you in the audience actually came up to me today, call unnamed, and said the Q&A is actually better than any earnings call that I attend. So, we put that level of diligence into it. And so, we're always looking for ideas for how we can do better, what our policy is and how we can do better within that constraint. And so, we're open to that, but we very much do like and think that it adds long-term value when we're focused on the business and providing equal access to information.

Peter Uddo, Praesidium Investment Management: Peter Uddo from Praesidium Investment Management. Judging by the questions you're getting here today and also from the submitted questions you've received over the last number of months, shareholders are concerned about how operating expenses have been managed. If you look back in July of 2022, one of your answers to your questions – or one of the answers to a question about

expenses was that you were going to be prudent and cautious, I guess, in managing to market conditions, and we're hearing that same thing today, May of 2023. So, back in July of 2022, you were talking about it and now we're still talking about it.

Investors and shareholders we speak to don't feel – don't have a lot of confidence in how you've managed this latest period. I'm not going to use – well, I'll use the word, but it wasn't – it was someone else who brought it up and said that the management team is somewhat reckless in the pace – the pacing of the investments, not only the level, but the pacing of it. Is growing into expense base, that's 40% higher, prudent and cautious? Or do you have a plan and a playbook like a lot of your peers have, a downturn playbook, where when market conditions are very difficult, you can actually cut expenses and preserve profitability and preserve cash flow? Or is it just growing into an astronomical expense base that's been put in place?

Jason Dubinsky: All right. Maybe I'll start, and I appreciate the question, appreciate the concern. And I would say, we are managing the business prudently and are very conscious of the current environment. I go back to the fact that the majority of our cost base is related to people and headcount. So, these things need to cycle through. But as we take deliberate approaches to slow that down over time, those benefits will accrue in future periods, given the rate of sequential growth. We are going after discretionary costs in this environment, whether it be professional fees or travel or advertising and marketing. But I think we're doing it in a way that we're trying to strike the right balance to contain costs, to hold margins where we can, but also be ready for rebounds in markets when, ultimately, they come.

There's some parts of our business where we cannot adjust the cost structure fast enough or if it's prudent enough, just given the cyclical headwinds. And that's all true as an investment management, that holds true in credit ratings where there's less variability unless we take some specific or targeted actions there. So, I think we are very cost-conscious. We are being prudent to strike the right balance. I think the biggest leading indicator that you see in our results is the fact that the headcount growth has slowed significantly and that's been very deliberate.

Salem Abraham: My name is Salem Abraham and I'm a shareholder. I appreciate the question before the last, talking about policy, the importance of policy. My company, Abraham Trading Company, operates a mutual fund, and through our mutual fund, I've dealt with Morningstar employees. Last weekend, I attended the Berkshire Hathaway Stockholder Meeting in Omaha. It's a little bigger than this one, but not much. But I was reminded – this is great, still. I'm glad to be here. I reminded of Warren Buffett's opening statement before Congress in 1991, when he dealt with problems at Solomon. The quote was that – that they showed at the shareholders' meeting was interesting. The past actions of Solomon are presently causing our 8,000 employees and their families to bear a stain. Virtually all of these employees are hardworking, able and honest. I want to find out exactly what happened in the past so that this stain is borne by the guilty few and removed from the innocent.

Credibility and reputation, that is Morningstar's stock and trade. Without credibility and reputation, Morningstar is out of business. I have two questions for the Board. First, I believe mid-level managers did not follow written policy at Morningstar. I have complained about these mid-level managers to Mr. Kapoor about them not following policy, to Mr. Kapoor and Miss Peacock and others. Well, Mr. Kapoor and the rest of the Board pledged to protect my Company from retaliation by these mid-level managers within Morningstar because I'm now

publicly speaking out about them not following policy. Number two, is the Board concerned enough about the reputational risk at Morningstar, like Warren Buffett was, to direct – to get directly involved to fix this problem of employees not following written policy?

Kunal Kapoor: So, thank you for your question. For everyone's benefit, the question in this instance relates to how we translate the performance of your fund after it went from being a private vehicle into an SEC-registered vehicle. Morningstar's policy is to not take the record prior to the fund being an SEC-registered fund and include it in the record going forward. I understand, in your case, there was an error made for a short period of time that was quickly corrected, but that is, in fact, the case. And Jeff Ptak, who is our Chief Ratings Officer, is here to speak with you further. I know you've spoken to Jeff in the past. And I'd sort of encourage you to speak to him on this matter. But if it's okay, this is probably not the forum for us to kind of get into a debate about our methodologies, if that's okay.

You had a second question about whether the Board is concerned enough. Is that right? So, Joe would you like to say something? The question is whether the Board is concerned enough as it pertains to the following of this methodology and potential reputation on Morningstar.

Joe Mansueto: Yeah. I don't think the Board has been aware of this issue. So, we're happy to take a look at it. But if somebody's not following our procedures, that we would take great concern over. And so, I appreciate your raising it. We can talk it over with Kunal and discuss it. But heretofore, we've not – it's not been raised to the Board level.

Kunal Kapoor: All right. Go ahead. On Zoom, yeah, go ahead.

Victoria Rabuse, Internal Communications Manager: So, two questions have come in. The first one comes from Jeff Mo from Mawer, who's asking what is the strategic rationale for Morningstar to own DBRS since it touches corporates and fixed income asset managers, which are segments we don't really touch in many of the other businesses? So, what are examples, if there are any, of DBRS synergizing with other parts of Morningstar?

Kunal Kapoor: Yeah. So, from a synergy perspective, we have not achieved a lot of go-to-market synergies, if that is specifically the question. This is a very heavily regulated business, as you know, and so there are very clear rules of conduct and oversight in terms of how we do things there. But to kind of go back to the core case here, we think this is an attractive market. When we originally entered it more than 10 years ago, with Morningstar Credit Ratings, it was because we thought the legacy suite providers were doing a lousy job. And subsequently, when DBRS became available, we thought it was possibly the best asset on the market that was not among sort of the stranglehold of the Big Three. And so, we have been using it and using it to grow into this market.

As Danny said, the one place we are starting to put more focus, and I think, where there is more alignment relates to the data business and starting to grow the data business. We know how to do that well and we're working with the team. The other thing, there's an opportunity longer-term is, as you're well-aware, a lot of ESG regulations are starting to intersect with credit ratings and we're doing the work in terms of what that is going to mean going forward as well. But we do run it as a standalone product area, and from a regulatory perspective, that is also how it needs to be run.

Jason Dubinsky: The other things is – I think the question, too, is we're not in fixed income, but we provide ratings. So, a lot of the logic here, too, is that provide equity ratings. We provide ratings on funds. Rating fixed income was always a natural extension to what we do. It just happens to be in a more regulated business. But it's really at the core of what we do is provide independent assessments and ratings. And here we're doing it to fixed income securities just how we do in other parts of the business.

Victoria Rabuse: Okay. We have another question that came in from John Nesbitt at Millennium, who's asking if you could spend some time speaking on the Index business and the five-year vision for growth, and also, where do you have a right to win and innovate in that market?

Kunal Kapoor: Sure. Happy to do that. Danny, do you want to start a little bit? You get excited about it.

Danny Dunn: Yeah. I do get excited about it. The ability for us to take our underlying IP and put that to work to create new index products is an opportunity that really, I think, was under-commercialized. And with the focus of the existing team, as well as bringing in some key leaders from the outside, we've been able to accelerate here.

If you look at where we can be strongest on the investable product side, our ability to use our research and build thematic indexes, smart beta indexes, as well as leverage our ESG capabilities, there is a real opportunity to differentiate. And we've already started winning some really significant logos and significant mandate. So, we're pretty excited about the runway there. And what I'd say there, too, is – choosing my words is that we've never seen such desire for choice. It's really interesting. So, it is a challenger brand and I'd much rather be a challenger brand for clients who are looking for choice as they think about launching new products.

We've seen really good success as well, not just in creating new products where we're trying to then partner with those clients to drive new flows, we've seen a pretty healthy dose of conversions, where we're immediately seeing those assets come into our capabilities. So, that's a pretty exciting opportunity.

On the benchmarking side, I think what's really need there, too, is that as we look at our stronghold in wealth management and our ability to work with home offices, they are increasingly doing more and more work benchmarking portfolios. So, that's a really big opportunity for Morningstar to come in with our index IP and help them think about benchmarking at the portfolio level. So, this is a good opportunity. It's probably one of the strongest teams we have internally in terms of their focus on growth and client innovations.

Kunal Kapoor: Yeah. No. I'd agree with everything Danny said. I think, too, just when I think about the opportunities, clearly, this is not a game we're playing to try to replace the S&P 500, like that's not what's going to happen. It's more so that we see also an opportunity to marry our research and build some unique indexes. In that context, we're looking at new categories like private markets and ESG, where we're only now starting to get penetration, just starting to do things like that. And then, I will say, too, that when I look ahead, the services and data parts of this business are pretty exciting as well and will be growth engines for us longer-term.

Rodrigo De Paula, MFS Investment Management: Rodrigo De Paula from MFS Investment Management. You talked about the headcount growth you've seen in the last few years, 40% plus and some of the product areas you're investing in. Is there a way to parse out how much of that headcount growth is specifically targeted to products, whether it's analysts' focus on one area of sales and marketing, et cetera, versus how much of it is shared infrastructure, back-end stuff that is just required as you go from being a $1 billion company to $2 billion revenue company and just trying to think about the scalability of some of those latter types of investments over time?

Jason Dubinsky: Yeah. Maybe I can comment. I think a fair amount of my presentation last year was probably talking about scale and how we go to $2 billion and beyond. I think back what I shared, the disproportionate amount of headcount growth that we've had had been, let's call it, in some of our investment areas to drive product, sales, marketing, new capabilities. We have grown our corporate areas, but not to the extent that we've seen in other parts of the business, largely, because we want to make sure that we're doing that prudently. But it's also just not about people and corporate areas, it's about making sure we're investing behind systems and technology to be able to create consistency in our process, which is really important for folks like me in finance, for folks like Danny in sales, operations and Marie in people and culture.

So, the extent of the growth essentially has not been as large as the other areas, but we have in order to make sure that we can scale the business in the appropriate way. Some of those investments you've seen in those areas, too, when we report externally on a lot of the M&A integration and we look at those one-time costs, those are specific and work that we do to bring Sustainalytics, for example, or U.K.'s Praemium business on to our finance platforms or on to our CRM systems or into our talent management system in Workday. So, some of those investments are real. They're really cash. You see them in some of our one-time costs, but that's equally as important, the activity that we do to make sure that we're integrating M&A to make sure that we can get scale from some of our corporate or central functions in these as well.

Marie Trzupek Lynch: Just to add one piece on that. I think just to provide some clarity, too, I think normal part of business and normal part of the people business is to constantly analyze and revisit that and review that. So, in terms of short answer to your question is, we're always looking at that.

Sanjeev Math, Baron Capital: Sanjeev Math with Baron Capital. Just a question on share repurchases. So, the last time you did, I think, significant repurchases was about 12 to 15 months ago. And I think the implied price per share was about $275 a share. So, obviously, sitting where we are today, you're kind of talking about coming towards the end of an investment cycle, so to speak. Perhaps we're going to preserve, if not grow margin from here and free cash flow as well. So, just given the – obviously, the share price is considerably down versus where you last did repurchases, what is your view on share repurchases as an attractive use of shareholder capital now versus maybe what it was six months ago or 12 to 15 months ago? Thanks.

Jason Dubinsky: Yeah. First, we still believe it was an attractive use of capital. Throughout our history of share repurchase cycles, we rely heavily on our internal intrinsic analysis and do share repurchase equally as other return options that we have in the portfolio, whether it's organic, inorganic. So, I'd start there. And we continue to deploy the same methodology and

models and looking at the share price today as we did during last year. So, we'll continue to focus on it and allocate capital to there where we see – where we believe it's prudent.

The only thing that I would say similar to what I said before is that returning cash to shareholders is pretty important. We've consistently increased the dividend over time. We're going to be opportunistic with share repurchase when thresholds are met – return thresholds are met. But we also have to recognize that we do have a significant debt balance as well and that's going to realize some attention, too, in our capital allocation priorities. So, I won't comment on any activity we've been doing where the current share price is, but we deploy very similar methodologies in making sure that we're deploying capital to its highest use and highest return. If share repurchase is one of them, we're going to do that.

Kunal Kapoor: The trade-off is with debt right now, more than anything else, and paying it down.

Victoria Rabuse: I can jump in here with another question we have from the Zoom. This is a second question from Jeff Mo, who wants to know about Sustainalytics' competitive advantage. He's writing Sustainalytics is the number two player behind MSCI in ESG, and it seems like their ESG division pretty consistently grows faster than Sustainalytics. As a distant number two player, will you always be subscale and find it harder to win incremental client in head-to-head situations?

Kunal Kapoor: Yeah. I'll let Bob weigh-in here as well, specifically as it pertains to what Bob would point out as our key competitive advantages. I have a few thoughts on the broader question, too, though. One is, I think to the extent that you're looking at our growth rate relative to MSCI's, it's worth keeping in mind that until recently, they did not have a SPO business. So, they did not have a second-party opinion.

The other thing I'd just sort of point out, and we've always tried to look at their results and parse through them, but we also think that they include some portion of their index ESG revenues in there. It's not entirely clear to us if they are or not, and that certainly provides a tailwind to them in a meaningful way that we don't have as substantially. But I will say that on the core licensing side, we feel very good about how we are competing against them and how our growth rates stack up against them. We are definitely not a distant second in that context.

And I think if you look in certain parts of the world such as Europe, there is, I think, a higher customer satisfaction with our scores. Oftentimes, I feel like they're the de facto company that people go with in the ESG space because of existing relationships, not because of a competitive advantage other than exactly what I just said. So, I feel pretty good about it. We're going to compete hard against them. I think on the licensing side, we're really well-positioned to compete against them. So, Bob, I don't know what you would want to add.

Bob Mann: Not much. I think that's almost complete response. I will say that, in Europe, we certainly compete head on with them, and I wouldn't view us as a distant second at all. I think we're a comparable player and we – and that's the largest market. I do think that is right what Kunal said about them being the default, because of their pre-existing relationships, but even within that context, we're able to compete and I think it's the strength of our products. Really clients have resonated with our products. So, I don't feel – I feel pretty comfortable in the license-based business that will compete readily and effectively with them going forward.

Danny Dunn: Yeah. I might add to that, too, that one of the benefits of Sustainalytics and Morningstar coming together is Morningstar, if you go back to my presentation in retail investing, that is a stronghold. And while Sustainalytics' heritage, yeah, certainly across both retail and institutional, as we look at the competitive landscape and I think one of the things Bob's teams get quite excited about is being able to integrate and access the wealth market and bringing that through our platforms and through our existing client relationships there. So, let's call it, the advice and wealth space is a place where Morningstar is a market leader, and we should see acceleration in ESG there globally.

Russell Quelch: Hi. Russell Quelch. Just thanks for the trouble again. As I sit here kind of digesting everything you've kind of given today, I wondered what maybe – Kunal or Jason, what metrics would you like us to judge your performance against? Last year, Jason, you told us that speed of top line growth was the ambition. Now we're hearing a focus on margins and ROIC, and the management team that's compensated on total share of the return. So, when we sit here next year, what numbers should we expect to be up on those slides as the comps that we can – we'll sit here and share in the execution on?

Jason Dubinsky: Yeah. So, maybe I'll start. I won't give specific targets, but I also want to say we're not giving up on top line growth here. So, if that message is coming through, that's not the case. We've got large addressable markets. We invested heavily behind the business. We still think we could show outsized growth in areas we're investing, where we've been historically and relative to our peers, which we've seen. So, I want to emphasize that that continues to be important and that metric of organic growth is still a top priority here. So, without guiding what we're focused on is driving adjusted operating margin improvement over time, driving increased free cash flow over time, and all of that should translate into higher ROIC as we can drive profitability over time that accrues to shareholders' equity, but importantly, reducing debt will be important for ROIC. TSR, ultimately, is the governor, and our actions what we can control and driving financial performance is something that we're focused on and we're susceptible to the market. But I assure you that our eye is on the long-term appreciation of our stock price and all of us up here are equally incentivized to do that.

Audience Member: It makes sense. Jason, on your point on the debt, I mean, when I look at your leverage, you're not overleveraged versus the peer group, and versus some, you're actually underleveraged that there is actually – or that leverage number is actually going to come down organically anyway. If the growth opportunity in some of your end markets is as big as you want us to believe and I believe as well, why look to reduce the debt? Why not, in fact, go the other way and look to increase the debt, grow – use that – continue to see as an area where you can drive inorganic growth?

Jason Dubinsky: Yeah. So, first, I think, you've seen, we're not opposed to debt in the capital structure. We think it's been an important vehicle for funding and putting leverage on the business to acquire acquisitions, to help generate levered returns is important. As you look where we are right now based on what our covenants are we're about 2.5 times levered. We have capacity depending on M&A to go up to 4 times. So, just by nature of our covenants, we've got capacity. But I think we want to make sure that we create financial flexibility here and the dry powder to make sure we can do sizable deals when they come across and be opportunistic. So, deleveraging is prudent one to increase. We know that flexibility, even though we know the business can withstand leverage, so when future opportunities come, we're prepared. But also given where interest rates are, the interest rate

burden and the cash impact is more significant now particularly in our floating rate debt than that's been where SOFR rates are, despite the fact that our spreads are still relatively low. So, we think it's prudent to trim that both to save interest as well as create more flexibility going forward. One to withstand market environments, but also give us powder to act when opportunities come across in the future.

Victoria Rabuse: I know we're coming up at the top of the hour here and this might be an appropriate segue for our Chief…

Kunal Kapoor: For what it’s worth we can run a little longer, because we did start a little longer.

Victoria Rabuse: Okay. So, we have one more question that's coming on Zoom. This is specifically for Marie. This is from one of our employees who's watching. You've been at Morningstar a few months now. What are your initial observations of the culture? Where are the strengths? And where are opportunities for improvement?

Marie Trzupek Lynch: Happy to answer. So, it's been about 3.5 months that I've been at the organization. And as I've shared with some employees, it's a really special culture. I've worked with a number of Fortune 500 companies and number of companies out there and the thing that really strikes you coming in is a few things. One is, I think, it's incredibly collegial environment, incredibly innovative and entrepreneurial and really transparent. And so, it's a place where folks are working together to get things done. And I think that's been really striking. And it's also a place that I keep saying over and over again that people come here not for a job, but they come here for career and they have the ability to really grow and really impact investor success by getting to know the organization and the company better and better. So, those I'd say those are my observations.

Imran Halani, Praesidium Investment Management: Imran Halani from Praesidium Investment Management. You guys have said that you view the 16% adjusted operating margin as close to an annual low point in your investment cycle. Obviously, since then the quarterly operating margin has come lower than that. Similarly, you highlighted the ROICs which have come down over the past five years. Do you still believe that we're at a low point annually in both ROIC and adjusted operating margin, even if market conditions continue to stay where they are?

Jason Dubinsky: Yeah, I think I could go back to that question, where I called the low or I said we're close to it in the sense that recognizing we've probably faced a bit more cyclical pressure since that came about, which is pressuring margins. But that's an annualized rate. So, the rate in the first quarter isn't necessarily reflective of what we could see in the back half of the year, if we see more momentum across the business. But I think if you look at that 16% adjusted operating income, adjusted operating margin I would still reiterate that that's close to where the annual low should be based on where we see the trajectory of the business. Of course, markets have to cooperate. We're not going to be able to achieve that if we're seeing a very low-single digit organic growth. But we feel again confident in the trajectory of the business and our ability to increase that over time more to historical peaks.

Imran Halani: And then on LCD, you guys answered a question last night in the 8-K about ROI. Just thinking about that business, right, you paid $650 million for it to generate kind of like cost of capital or the returns you guys look like you have to generate almost $100 million

in free cash flow and the business today does $56 million in revenue. So, help us understand, obviously, there is a big cross opportunity within PitchBook and otherwise, but help us understand the return for that business and how you get there?

Jason Dubinsky: So, without getting to debate in the numbers, happy to kind of look at that offline or through a submitted question. The investment thesis for LCD and paying a large price was to make sure that we had the ability to earn a high cash on cash return going forward. And we still believe that that's achievable based on the analysis that we do. What's unique about that it's not just growing the current LCD platform, as you've heard here, which we still have opportunities to do and take it from where S&P had it to where we grow it on a standalone basis, so we believe that data and research incorporated into PitchBook and the analysis that we can do brings in new users into PitchBook over time that we normally would not have been able to access in the past and that's why you're seeing that PitchBook addressable market continue to grow. Part of that is because of the incremental use cases we think LCD can generate. So, happy to share analysis on our return models, but we're confident that the capital investment there will provide long-term returns well above our cost of capital.

Kunal Kapoor: I'd just also add that there's an index component to it. And it's measurably smaller than the core data component, but it's been really important in the initial stages and has led to some really good outcomes. It's also from a fixed income indexes perspective put us on the map in a way that we probably had not expected. And so that's another positive accrual from my perspective. So, we feel really bullish about it. It's been an underutilized asset, but underutilized within its previous owner. But if you look at who uses it and how sticky it is and the additional things we can do with it. I think we're really going to be able to do a lot of things with it and grow our platforms because we own it in a much faster way.

Audience Member: Hi. I wanted to ask about you mentioned cycling through investments over the past year given the hiring. I think you mentioned about $100 million in 8-K in the past year. And then incremental to that we have cost of labor increases. So, I guess, could you quantify the level of expense growth that you're anticipating this year, absent any changes to the market, just given the investments that you've made over the past year? And how you think about the return on that investment, you broke it out by product, but over the next two to three years what you expect margin expansion could be given that level of investment?

Jason Dubinsky: Yeah. So, I won't comment, specifically, on future rates of expense growth, but I think what I'd try to articulate is an important leading indicator of where it could head given the fact that compensation costs are the most prominent part of our cost structure. Given the slowing of headcount growth, you'll start to see year-over-year increases in headcount start to slow and that should translate into year-over-year, not declines by slowing of compensation growth. So, I think that's an indication of where we're headed just by the slowing of headcount growth and that could mean for future periods. So, I won't give you specific growth numbers. And again, back to the margin discussion, very hard for here to guide to specific numbers, but just to reiterate that we believe and are confident that based on the plans that we've got internally. And what we're executing towards that we've got a meaningful opportunity over time to increase margins back to our historical levels. If markets cooperate that can accelerate. So, just want to emphasize that to some extent, we're at the mercy of how markets behave, but it certainly can accelerate if we see faster recoveries than what our internal plans suggests.

Audience Member: And then I guess with respect to investments that you've already made. In what areas have you pivoted or changed course over the past two years given the market environment today is different from when you made those investments?

Kunal Kapoor: Just in the past two years. So, in terms of just pivoting and like – let me go business by business and try to give you few examples. So, if I start with Wealth, for example, there have been a couple, I think key pivots that has informed the strategy, including the fact that we're bringing all the pieces together. That was a pretty key pivot. And then the forking out of the international wealth platform. We've also just fundamentally continued. Going back further than two years, we exited what was the Institutional Investment Management business and that was a very important decision. But as we really become focused on the advisor in these past two years, we've also made decisions to exit certain markets. So, for example, we had a small operation in India that we recently exited in that part of the business. And so, we've really focused the business from client and a country perspective, if you will.

In the credit markets, some of the pivots relate to emerging opportunities that we've talked about in the middle market and private market and more recently starting to move some resources away from the U.S. real estate market. We have not pivoted the strategy in Canada at all. We feel like we're in a good spot there, but the pivots have largely been related to the U.S. and to a lesser degree in Europe.

In terms of PitchBook, the most significant pivot was bringing LCD into the roadmap. And we spent a lot of time talking about trade-offs and whether they were worth it or not. But that was a very significant pivot and trade-off given that we were primed for growth with what we had, and the only reason we did it is because we thought it was even more likely to be beneficial than what we had thought about.

In the Morningstar Licensed Products area. If you look at Morningstar Direct, we discontinued Morningstar for Wealth Management – sorry, Direct for Wealth Management, sometimes called DWM. So, that was a decision we made. We had built a separate version of Direct that we thought would work well in the wealth management market and we had an anchor client there. But over time decided that distraction was not worth it, and so we just wound that down, we shut down a product in Canada called CPMS as well, and we've been consolidating some of the financial planning software that we have globally so that we're really speaking with one voice. So those have been some of the pivots within the software business.

I would say that in the data business, probably one of the bigger pivots we've made, we've flirted in the past with whether we want to take data from third parties and basically become a third-party data manager. And we don't want to be in that business. We had one or two clients outside the U.S. and I have to say it was very sticky business, it led to all kinds of other good things. But we just decided we did not want to be in that business at all. Others are good at doing it, it's just not a scalable business. And so, we exited that and dropped those contracts. I don't know if there's anything else you'd call a pivot, Danny, but those are the key ones.

Danny Dunn: Yeah. The only one I can think about is if you look at the evolution, in particular, in a certain business of ours that we call APIs today that used to be called Enterprise Components. I'd say generally in James Rhodes, the President of this group has a really good strategy in that I would say we sort of drifted from what should be reusable APIs

that bring scale. And there was quite a bit more of bespoke implementations. We do not have an interest in being IT services implementation firm. We believe in light config and deploying software and capabilities for clients through SaaS-based platforms, through APIs and things like that. So, we are looking at that portfolio and migrating to more scalable APIs. And I think that's pretty important, an important strategy. And it gives us an opportunity I think, to engage with those clients because some of those I would define as even sort of some legacy instances that were bespoke for specific clients. So, the ability to support those when we talk about just cost or even distractions that's something we've decided to move to more kind of scalable delivery capabilities.

Audience Member: If I may just. I mean, what I was trying to get at is why aren't margins substantially higher? If you turned off your investment spending in the near term what's preventing you from getting to peer level margins in specific business lines?

Kunal Kapoor: Yeah, in most cases it's because we redeployed those resources. As Jason has alluded to most of those costs relate to people and in all those instances, we redeployed people into other parts of the roadmaps that we had. And in some cases, as in Wealth and in the case of LCD, we've brought in people from the outside through acquisition. That's certainly added to those costs. So, Wealth is an example where we brought in the Praemium team. So those were additional resources that we brought on.

Audience Member: Just a follow-up, I appreciated the slide in your presentation, Jason, about the timeframes around which you needed for multi-year basis to earn a return on the significant investments. I think all but one of them was sort of a one to three-year – one to two-year kind of timeframe there was one was three to five which you were clear about. But given that most of those investments started sort of one to two years ago, I'm trying to understand what is driving the reluctance to sort of give a little more assurance on the near term trajectory for margins notwithstanding – you know it's evident that if there's a cyclical recovery in transaction related businesses that will be margin accretive, but even absent that just in terms of the ROI component, the things that are in your control, help us understand that – connect the dots to the ROI timeframe and kind of what that should mean for the next one to two years from here, two years into the investment mode.

Jason Dubinsky: Yeah, maybe I want to make sure I'm answering correctly. So, reluctance to maybe give some concrete guidance on where…

Audience Member: I guess, philosophically today you've outlined we're not going to give long-term margin targets and we're not going to give even near-term guidance on expense growth, which would be in your control. I'm just trying to reconcile that with the ROI framework you outlined on the slide.

Jason Dubinsky: Yeah. So, I just want to make sure the ROI – at least the ROI framework doesn't prevent us from having margin accretion in these areas over time. It's just realistic on when we'll get more full realization of the investment just given the time horizons to fully realize that. So, a good area like in Wealth, it's a longer term time horizon to fully realize a lot of these investments just because of what I said, if we're building platforms and driving assets here that doesn't mean that we can't get margin improvement over that time period. Gradually we're just talking about full realization of a lot of those investments and returns. So, I don't want to mix the two up that we wanted to be realistic on when we would expect

more fully to realize the returns of the investments. That doesn't preclude us from driving margin improvement over that time period.

Audience Member: I guess the follow-up would be setting aside the things that are not in your control, like the cyclical markets in which you operate the end markets. Of the things that you do have clear line of sight on control over what are the two to three businesses within the broader Morningstar portfolio where you have the clearest line of sight on improving margins over the next year to two years?

Jason Dubinsky: Yeah, I think – and as our business leaders would attest to, I think, we've got good line of sight honestly across all of our business areas. We work on three-year planning. We're very focused in our business performance reviews on near term and long-term opportunities and our focus – our business leaders focus is not just how to drive the top line, it's also how to drive how to drive margin. The only thing that I would say is that some of our plans have certainly been disrupted on where we thought we might be at this point just given some of market headwinds, but that doesn't mean we're not, we're resetting longer term expectations. So, I think we do have line of sight and visibility and that's why I could say in my remarks and the confidence in our operating plans that – and we're focused on getting there. We're building plans to get there and we're incentivized to get there over time. But based on our visibility into the business, we believe we've got good opportunity across the areas that I've mentioned in my presentation.

Audience Member: Can you talk about your headcount growth expectation for this year and next year? You talked about historical peak margin a lot at least can we expect slower hiring activity until you finally get back to your historical peak margin level?

Kunal Kapoor: Yeah, we don't expect that we'll be growing headcount materially from here. I think as Jason said, we feel like we have the people we need. And so, you saw that trend that he put up there and I think that's instructive of where our heads are...

Vinay Prasad: Vinay Prasad from Millennium again. First question is on DBRS. You guys have been hiring pretty aggressively in that business. Can you give us any sort of metrics to indicate whether you've gained material market share because when I look at your revenue numbers versus your scaled peers Moody's and S&P, it's not obvious that you're gaining market share, but I understand you play in different categories and so anything you could provide would be helpful?

Kunal Kapoor: Is Detlef on as well, because this might be a perfect one. I'm not sure. Is he on, thumbs up? He is not on. Okay, I wasn't sure.

So, first of all, just to answer your question, I'll do two ways. One is we have been providing some market share information in the Q&As we've done. And if there's something specifically that you're not seeing there, just let us know and we can try to do that. As it pertains to the hiring. What I would say is most of the hiring in that group has gone to couple of things. One is, we've grown the analytical staff in India to support the broader organization, so that was a newer investment that had not existed in prior periods. Secondly, to the extent we've done hiring, it's largely been to build out teams in the middle market and private market area. They've not been substantially large investments though. And the final point that I'll make is that we've invested a little bit in the data business there as well and it's very nascent, but we've been putting some resources behind that. We have a partnership as

well with the U.K. firm in that area. It's not been a heavy area of new funding per se in my mind.

Vinay Prasad: Okay. And the second question was on PitchBook. If I look at your sequential license additions, the fourth quarter was pretty modest, licenses were close to flat sequentially, first quarter license growth was a lot stronger. But if I look at the last six months on average the trends been softer than sort of the prior three years. And I know you called out headwinds in the corporate segment. But is there anything else you can give us to give – anything else you can tell us to give us more confidence that that trend is purely due to cyclicality and not due to saturation of the addressable market.

Kunal Kapoor: Yeah, actually the Q4. Sorry go ahead, Danny.

Danny Dunn: No, no.

Kunal Kapoor: Go for it.

Danny Dunn: Yeah, I mean, I think one of the most important parts there is that as they look at highly, highly metric on both new logo acquisition and existing client growth. As we look at the pipeline numbers in that business, it is at an all-time peak and it continues to grow. So, the motion and our engagement there is great. We've seen conversion cycles slow a bit in this environment and the team has confidence that will back up. So, the leading metrics, if you're to talk to Paul Santarelli, one of the leaders in sales there, the metrics are really positive and they are eager in driving hard to get the conversions back to what they would call average conversions. So…

Kunal Kapoor: There was also just a lot of noise in our Q4 numbers. I think we put some meat behind that answer, maybe in March response, if I'm not mistaken – was in March or February. That sort of details that we did a lot of cleanup as well. And so, some of the decline was just related to cleanup of old licenses and people who should not have had a log in and things like that. So, I personally am not reading too much into that and we feel pretty positive about the trends there.

Jared Herzikoff-Cornell: Jared from PRIMECAP Management again. Is there a good analogy in terms of industry for how you expect ESG to play out? Is it going to be similar to the proxy advisory industry or the ratings agency industry or just the raw data feed industry. Thank you. And this is a very long-term question. Thank you.

Kunal Kapoor: That is how I wanted to play out and how it likely is going to play out. And Bob, you should feel free to weigh in as well. I mean, I'd like it to play out as a data-oriented business. I think for sure regulators are very focused on that part of the business and are likely to move it in the direction of a ratings business, although maybe not go as far as they have, at least initially, but we are preparing as if especially in Europe that will be a highly regulated business. I don't know if you'd add anything else, Bob?

Bob Mann: No, I agree. Pretty certainly it's moving in that direction and the regulations are becoming clearer and clearer. So, there will be some clear comparisons or let's say alignment with the credit rating agencies business model.

Kunal Kapoor: Maybe if there's one or two more questions we can do those. I know we've run a little long, but want to make sure we get more questions in.

Audience Member: Hey, just one more for me. Just going back to Sustainalytics, the trend you're seeing of the shift in demand away from ESG ratings more towards ESG sort of raw data. Given that that's happening, how do you prevent the commoditization of ESG data given that a lot of that is sort of scraped and put together from publicly available sources?

Kunal Kapoor: Bob, I'm going to let you answer that question. But saying though, it's really hard, it's non-standard data. So, it's not nearly as easy as something that shows up in a filing in a regular cadence that you can kind of pull. But go ahead, Bob.

Bob Mann: Yeah, and maybe I'd start with that trend that you speak of. I don't think it's as simple as clean as maybe presented that way. I think almost every one of our clients takes our ratings and the underlying information together to help contextualize the company. It's not clean like market data, and I think they need the full contextualization and everyone still takes the rating, though they may increasingly be interested in leveraging the underlying data, and it really – even the underlying data is calls and insights, so it is a complicated mix. I don't think the trend is as easy as say as this is moving towards data like market data. I think you'll continue to have ratings. And I think what will reinforce that is the ratings regulation, so coming in Europe. So, I think there is a trend and clients increasingly want to see the underlying information. But I think it's because they're more interested in trying to make more nuanced calls, not because they're dispensing with their rate…

Audience Member: Maybe related question. I guess, as you look across all of your data sets across the Company, clearly a lot of it is highly proprietary like the valuation data and PitchBook. But as you think about your portfolio of data assets as a whole, where do you see the most risks, or the most risk of commoditization, especially given the advent of generative AI. What were you sort of most worried?

Kunal Kapoor: No, it's a fair question. I think the way I think about it is any data that's just a pure commodity and easy to get and you can kind of grab it is going to have some level of risk. We've always maintained that the key to our data is that we try to put our IP on top of it. So, when you think about why we invest so heavily in research teams, it is because we think they can add additional context to the data. And so, whether it's the fact that the mutual fund database has unique IP associated with it or it's the private equity database or the Sustainalytics database, or even what we're starting to do in the credit space. It's always got a research angle on it. And so, I don't want to be complacent about it. We think hard about it, but we think we have some unique moats in there. And look even in areas where we've tried to build databases if you look at our efforts over time to build an equity data database, it has taken a long, long time and multi-year cycles partly because among other things you need to build a history. And you need to have the history, and maybe it's easier to get the history than it was, but it's still more intensive than people make it out to be, and you have to have knowledge of the data. And on the Sustainalytics side one thing I would have added as well is you just have to understand what's going on in the data to make it useful to people who need to use it. And so, we're aware of it. On the other side, it's actually something we're spending a lot of time on because we want to be more efficient in how we gather data, so we can do more of the context settings.

So that's how I would answer it. It's a risk, but it's a known risk and it's an opportunity and we're trying to balance those things. But the investment in research is key to how we try to differentiate the data.

Closing Remarks – Kunal Kapoor

Okay. I think we've gone more than hour and a half, so I appreciate everybody being here. As always, thank you so much for taking the time. If we didn't get to anything, please do feel free to send us any questions. We take your feedback very seriously. And I think we've heard your thoughts and comments and it gives us a lot to reflect on and we want you to be successful because you're obviously investing in our company and just as we're vested, we know you're vested. And so, I take that very, very seriously and look forward to being back here again next year. And for all of you feeling positive that we're delivering on the things that we have said that we're going to be doing. So, thank you for being here and safe travels home.