

Frequently Asked Questions

Morningstar to Acquire Leveraged Commentary & Data (LCD)

ABOUT LEVERAGED COMMENTARY & DATA (LCD)

What is LCD?

LCD is the industry standard for leveraged loan data, news, analysis, and indexes. It is the only provider of real-time coverage of the U.S. and European leveraged loan and high-yield bond markets, from deal inception through the trading life of the debt. The firm also provides growing coverage of investment grade bond issuance, distressed debt, corporate bankruptcies, middle market transactions, and CLO/fundraising. LCD also has more than 500 leveraged loan indexes in the U.S. and Europe tracking performance, index characteristics, and risk measures comprised of over 1,800 loans.

How many LCD employees will join Morningstar?

We will welcome more than 60 LCD employees to Morningstar as part of the PitchBook team when the deal closes. These employees are located in the U.S., U.K., Canada, India, and the Philippines.

RATIONALE

What is the rationale for this deal?

Private credit in recent years has grown to the third largest alternative asset by AUM. Private equity (PE) investors increasingly view private credit as a priority asset class, underpinning many of their investments and day-to-day strategies. Demand for leveraged loan datasets are expected to increase as the private credit market continues to grow and support broader investment strategies. The combination of PitchBook's robust data, insights, and technology with LCD's leading position in the leveraged loan market will allow PitchBook to become a comprehensive and centralized solution for the private capital and debt markets, enabling due diligence and deal making workflows. Additionally, Morningstar Indexes will add the S&P/LSTA Leveraged Loan Index--the flagship index and reference benchmark for the leveraged loan market--and related indexes to its rapidly growing global fixed income capabilities.

Why is LCD selling to Morningstar?

As S&P Global searched for LCD's new home, it chose Morningstar based on its strategic intent to grow the business by incorporating the leveraged loan data, news, and analysis with PitchBook's PE coverage and software platform and by expanding the Morningstar Indexes fixed-income asset class coverage and capabilities.

Why is Morningstar buying these capabilities rather than building them?

LCD has 20 years of history in this space and has built great processes to source and report on the leveraged loan market. It is viewed as the premier source of this content. Leveraging the existing dataset and processes of LCD will increase our speed and bolster our position in serving both private and public equity and debt market investors.

FINANCIAL MATTERS

What is the acquisition price?

The purchase price is up to \$650 million in cash, comprised of \$600 million at closing, subject to certain adjustments, and a contingent payment of up to \$50 million six months after closing, upon the achievement of subject to certain conditions related to the transition of LCD customer relationships.

How is Morningstar funding the deal?

Morningstar intends to fund the transaction through a combination of cash on hand and the placement of a new credit facility at closing.

When will the transaction close?

We expect the transaction to close early in the third quarter of 2022, subject to customary closing conditions.

What is the size of LCD?

LCD generates approximately \$56 million in revenue. The transaction is expected to be accretive to adjusted net income per share, which excludes M&A-related amortization and integration costs, in the first year after closing.

We are not able to provide additional financial information at this time but anticipate certain information will be available post-closing. You can learn more about LCD in the investor deck available on our Newsroom.

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