

Morningstar, Inc.
Form 10-K
February 26, 2016

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

OR
.. TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

For the transition period from _____ to _____
Commission File Number: 000-51280

MORNINGSTAR, INC.

(Exact Name of Registrant as Specified in its Charter)

Illinois

(State or Other Jurisdiction of
Incorporation or Organization)

22 West Washington Street

Chicago, Illinois

60602

(Address of Principal Executive Offices)

36-3297908

(I.R.S. Employer

Identification Number)

(312) 696-6000

(Registrant's Telephone Number, Including Area Code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class

Common stock, no par value

Name of Each Exchange on Which Registered

The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the
Act. Yes No

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

(Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The aggregate market value of shares of common stock held by non-affiliates of the Registrant as of June 30, 2015 was \$1.5 billion. As of February 19, 2016, there were 42,911,386 shares of the Registrant's common stock, no par value, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Certain parts of the Registrant's Definitive Proxy Statement for the 2016 Annual Meeting of Shareholders are incorporated into Part III of this Form 10-K.

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Part I

Item 1. Business

Overview

Morningstar is a leading provider of independent investment research in North America, Europe, Australia, and Asia. Our mission is to create great products that help investors reach their financial goals. We offer an extensive line of data, software, research, and investment management offerings for financial advisors, asset managers, retirement plan providers and sponsors, and individual investors. In addition to our U.S.-based products and services, we offer local versions of our products designed for investors in Asia, Australia, Canada, Europe, Latin America, and South Africa. Morningstar serves approximately 250,000 financial advisors, 1,300 asset management firms, 28 retirement plan providers, 300,000 retirement plan sponsors, and 10.1 million individual investors. We have operations in 27 countries.

Our data and research are core assets that we seek to leverage to build Morningstar's long-term value. As of December 31, 2015, we provided extensive data on more than 500,000 investments, including mutual funds, stocks, exchange-traded funds (ETFs), closed-end funds, separate accounts, and variable annuities. We also track real-time market data on more than 17 million exchange-traded equities, derivatives, commodities, currencies, and other investments.

Our data and proprietary analytical tools such as the Morningstar Rating for mutual funds, which rates past performance based on risk- and cost-adjusted returns, and the Morningstar Style Box, which provides a visual summary of a mutual fund's underlying investment style, have become important tools that millions of investors and advisors use in making investment decisions. We've created other tools, such as the Ownership Zone, Sector Delta, and Market Barometer, which allow investors to see how different investments work together to form a portfolio and to track its progress. Our popular Portfolio X-Ray tool helps investors evaluate their portfolios and get a clear view of their underlying holdings.

We've been providing independent analyst research on mutual funds and other investment vehicles since the mid-1980s. We use this analyst research to provide a qualitative, forward-looking Morningstar Analyst Rating for funds. We now provide research reports and Morningstar Analyst Ratings for approximately 4,600 funds globally, including active, passive, multi-asset, ETF, and closed-end fund strategies. We also offer qualitative research and ratings on alternative funds, state-sponsored college savings plan portfolios, and target-date funds.

In 2015, we announced plans to launch the industry's first sustainable investing metrics for global mutual funds and ETFs. Our new metrics are based on company-level ratings and research from Sustainalytics, a leading provider of environmental, social, and governance (ESG) and corporate governance ratings and research. We have a long tradition of innovative research centered on good stewardship, lower costs, and more transparency for investors and want to bring even greater transparency and accountability to the investment industry with information about sustainability, while helping investors to put their money to work in ways that are meaningful to them.

As part of our research efforts on individual stocks, we popularized the concepts of economic moat, a measure of competitive advantage originally developed by Warren Buffett, and margin of safety, which reflects the size of the discount in a stock's price relative to its estimated value. The Morningstar Rating for stocks is based on the stock's current price relative to our analyst-generated fair value estimates, as well as the company's level of business risk and

economic moat. We offer a variety of other qualitative measures such as Stewardship Grades, which help investors identify companies and fund firms that have demonstrated a high level of commitment to shareholders and stewardship of investors' capital.

Our analysts cover approximately 1,500 stocks, using a consistent, proprietary methodology that focuses on fundamental analysis, competitive advantage assessment, and intrinsic value estimation. In July 2015, we received the “Thought Leadership” award at the Investment Week Investment Marketing and Innovation Awards in London for our independent equity research drawing on our economic moat methodology.

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In addition to our analyst-driven coverage, we provide quantitative ratings and reports for approximately 40,000 companies globally. These equity ratings draw on the fundamental research of our equity analyst team and provide a forward-looking statistical view of the valuation, competitive advantage, and level of uncertainty for stocks that are often under-followed by other research firms.

Through our Morningstar Credit Ratings, LLC subsidiary, which is a Nationally Recognized Statistical Rating Organization (NRSRO), we provide new issue and surveillance ratings and analysis for commercial mortgage-backed securities (CMBS) and residential mortgage-backed securities (RMBS), as well as operational risk assessment services.

In addition, we publish credit ratings and associated research on corporate debt issuers. We currently provide ratings on about 400 issuers. Morningstar, Inc. is not currently an NRSRO, and our credit ratings on corporate issuers are not NRSRO credit ratings.

In our investment management business, we've developed in-depth advice on asset allocation, portfolio construction, and security selection to meet the needs of investors and professionals looking for integrated portfolio solutions. We've published research on "Gamma," an innovative measure that quantifies how much additional retirement income investors can generate by making better financial planning decisions. We use the concept of human capital—or potential future earning ability—to provide a more complete picture of an investor's financial worth and optimize a portfolio's asset mix.

In 2015, we launched the Global Market Barometer, which delivers our global family of indexes through a signature visual to help investors identify market trends and opportunities. We introduced our Signature Asset Library, a set of curated, interactive components that bring together Morningstar's strength in research, data, data visualization, design, and technology. We offer these components through a variety of products to help users gain insights into our rich data sets.

We believe investors rely on these tools because they offer a useful framework for comparing potential investments and making decisions. Our independence and our history of innovation make us a trusted resource for investors.

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Strategy and Key Objectives

Our strategy is to widen our economic moat, or sustainable competitive advantage, and build shareholder value by focusing on our three key objectives, which we describe in more detail below. Our investment data, research, and ratings are at the heart of our strategy, allowing us to help investors achieve better investment outcomes whether they make their own investment decisions or outsource management of their portfolios.

1. Produce the most effective investment data, research, and ratings to help investors reach their financial goals.

We believe our leadership position in independent investment research offers a competitive advantage that would be difficult for competitors to replicate. Our goal is to leverage our proprietary research and intellectual property to help investors with both decision support (via Morningstar Direct) and outsourced investment management (via our investment management business).

We're focusing our research efforts on several different areas, as described below.

- Manager research (including mutual funds, ETFs, separate accounts, and other vehicles)

Our goal for manager research is to leverage our leadership position to reach additional customer groups. In contrast to most other companies, we also integrate manager research with our software, which we believe is another competitive advantage.

As of December 31, 2015, we had 115 manager research analysts globally, including teams in North America, Europe, Australia, and Asia.

- Equity research

Our equity research complements our approach to manager research, where we focus on analyzing the individual stocks that make up each fund's portfolio. As of December 31, 2015, we had more than 100 equity analysts globally, making us one of the largest providers of independent equity research. We believe our analysts' long-term approach, deep industry knowledge, and focus on sustainable competitive advantage are important factors that set us apart and help investors achieve better investment outcomes.

- Credit research and ratings

Morningstar Credit Ratings, LLC, our structured credit research and ratings subsidiary, is a Nationally Recognized Statistical Rating Organization (NRSRO) that has earned a reputation for innovation and excellence in the structured finance market.

Morningstar Credit Ratings has submitted a preliminary application to the Securities and Exchange Commission (SEC) to expand its NRSRO license to include credit ratings for corporate bonds and financial institutions. We're seeking to expand the license because we believe we can make a difference in the market by bringing transparency, unique perspectives, and superior client service to all investors across the fixed-income markets.

- Holistic advice methodologies (including our research on Gamma and the Total Wealth Approach)

Over the past several years, we've developed new research tools that provide a more holistic approach to investing and asset allocation. Whereas traditional asset allocation methodologies focus solely on financial assets (such as stocks

and bonds), we've developed methodologies that provide a more complete view of all sources of wealth, including financial capital, human capital, housing assets, and retirement and pension benefits.

2. Develop Morningstar Direct as our flagship decision support platform.

In 2015, we began rolling out the next-generation version of Morningstar Direct, our institutional investment research platform.

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The new software is designed to be more intuitive, elegant, and easy-to-use. It provides a more consistent, cohesive experience with a strong emphasis on Morningstar's proprietary research and tools. We also improved the underlying technology, including a more streamlined development process for commonly used Morningstar capabilities such as portfolio management tools.

The new software is fully web-based, which eliminates the need for desktop software installations and allows immediate access to new features. It allows to us innovate more rapidly and more easily configure our software solutions to meet client needs. It also addresses the growing need for mobile-optimized capabilities to extend the desktop experience onto mobile devices.

Over time, we expect to migrate many of our core software capabilities to Morningstar Direct, which will serve as our main platform for clients looking for information to support the investment decisions they make on their own or validate investment recommendations from another party. We also plan to expand the user base for Morningstar Direct by enhancing workflow capabilities for our existing clients and adding workflows for new types of clients, such as financial advisors.

3. Build world-class investment management solutions based on our proprietary research.

We leverage our innovative, proprietary research by building world-class investment management solutions that help investors achieve better outcomes. Our goal is to connect our existing capabilities to create holistic solutions that help financial advisors, asset managers, and individual investors with portfolio construction, monitoring, security selection, and implementation.

Our investment management solutions include Investment Advisory services, which had \$77.8 billion in assets under advisement as of December 31, 2015, and Workplace Solutions (formerly Retirement Solutions), which had a total of \$89.7 billion in assets under management and advisement.

For financial advisors, we offer Morningstar Managed Portfolios, a fee-based discretionary asset management service that includes a series of mutual fund, ETF, and stock portfolios tailored to meet specific investment time horizons and risk levels. As of December 31, 2015, we managed \$12.9 billion in assets through this service.

We also expect to expand the investment management solutions we offer through our index business. We currently offer more than 300 investment indexes that can be used for both benchmarking and product creation.

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Major Customer Groups

Given the core capabilities discussed above, we're focusing on four primary customer groups:

- Advisor (including independent financial advisors as well as those affiliated with broker-dealers, other intermediaries, and retail brokerage firms);
- Asset management (including fund companies, insurance companies, and other companies that build and manage portfolios of securities for their clients);
- Workplace/retirement (including retirement plan providers and plan sponsors); and
- Individual investor.

Advisor

Financial advisors work with individual investors to help them reach their financial goals. This customer group includes independent advisors at registered investment advisor (RIA) firms, advisors affiliated with independent broker-dealers, dually registered advisors, and “captive” advisors who are employees of a broker-dealer. Captive broker-dealers include wirehouses, regional broker-dealers, and banks. In total, Cerulli Associates estimates there were approximately 300,000 financial advisors in the United States as of the end of 2015.

We believe our deep understanding of individual investors’ needs allows us to work with advisors to help them make more efficient use of their time and deliver better investment outcomes for their clients. Our advisor solutions also draw on Morningstar’s proprietary investment research methodologies and research insights.

We sell our advisor-related solutions both directly to independent financial advisors and through enterprise licenses, which allow financial advisors associated with the licensing firm to use our products.

We're expanding the range of services we offer to help financial advisors with all aspects of their daily workflow needs, including investment decision-making, portfolio construction, client monitoring and reporting, practice management, portfolio rebalancing that connects with custodial and trading interfaces, and financial planning. Because advisors are increasingly outsourcing investment management, we're continuing to enhance Morningstar Managed Portfolios to help advisors save time and reduce compliance risk.

We also plan to integrate our investment management solutions with our advisor software to deliver a comprehensive investment platform, focusing on the needs of independent registered investment advisors. With our November 2015 acquisition of Total Rebalance Expert (tRx), we added automated, tax-efficient portfolio rebalancing capabilities for advisors. In addition, we plan to build advisory solutions that incorporate both retirement and non-retirement assets.

Our main products for financial advisors are Morningstar Advisor Workstation (including Morningstar Office) and Morningstar Managed Portfolios.

Asset management

Asset management firms manage and distribute investment portfolios. We estimate that there are more than 3,000 asset management firms globally, ranging from large, global firms to firms with small fund lineups and operations in a single market or region. The asset management customer group includes individuals involved in sales, marketing, product development, and distribution, as well as investment management (often referred to as the “buy side”), which includes portfolio management, research, and securities analysis.

Our asset management offerings help companies connect with their clients because of Morningstar's strong brand presence with both financial advisors and individual investors. We offer a global reach and have earned investors' trust in our unbiased approach, investor-centric mission, and thought leadership.

Our goal is to expand the number of asset management firms and individuals at these firms who employ Morningstar's research offerings to help them achieve better results for their clients. We also plan to leverage our proprietary research and data to continue developing differentiated software and data offerings.

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The key products we offer for asset management firms include Morningstar Direct, Morningstar Data, and Morningstar Indexes. For the buy side, key products include Morningstar Research, Morningstar Credit Ratings, Morningstar Data, and Morningstar Direct.

Workplace/retirement

In the workplace (also known as retirement) market, millions of investors are now charged with planning for their own retirement, mainly through self-directed retirement plans such as 401(k) plans in the United States. Assets in 401(k) plans totaled an estimated \$4.7 trillion as of December 31, 2015, based on data from Cerulli Associates. In the wake of the financial crisis in 2008 and 2009, we believe individual investors, financial advisors, employers, and government organizations have all become more aware of the need for advice and guidance that helps individuals build assets for retirement and beyond.

Our retirement offerings help retirement plan participants of all ages plan and invest for retirement. We offer these services both through retirement plan providers (typically third-party asset management companies that offer proprietary mutual funds) and directly to plan sponsors (employers that offer retirement plans to their employees).

Our major products for the workplace/retirement customer group are Workplace Solutions (formerly Retirement Solutions), Investment Advisory services, and Investment Profiles.

Individual investor

We offer products for individual investors who invest to build wealth and save for other goals, such as retirement or college tuition. While the number of individual investors has declined from earlier peaks (before the financial crisis in 2008 and 2009), a Gallup survey released in April 2015 found that approximately 55% of individuals in the United States invest in the stock market either directly or through mutual funds or self-directed retirement plans.

We design most of our products for individual investors who are actively involved in the investing process and want to take charge of their own investment decisions. We also reach individuals who want to learn more about investing or want to validate the advice they receive from brokers or financial advisors. Because many individual investors trust Morningstar's research and tools, our extensive reach with individual investors also drives demand for our other customer groups.

Our main product for individual investors is Morningstar.com, which includes both paid Premium Memberships and free content available to registered users and visitors. We also reach individual investors through a series of investment newsletters, iPad and mobile applications, and through licensing our content to other websites, such as Yahoo Finance, MSN Money, and Google Finance.

Acquisitions

Since our founding in 1984, we've mainly focused on organic growth by introducing new products and services and expanding our existing offerings. From 2006 through 2015, we also completed 27 acquisitions to support our growth objectives. In 2015, we acquired Total Rebalance Expert (tRx), an automated, tax-efficient investment portfolio rebalancing platform for financial advisors.

For more information about our acquisitions, refer to Note 7 of the Notes to our Consolidated Financial Statements.

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Major Products and Services

The section below describes some of our major products and services (ranked in order of size based on each product's 2015 revenue).

Morningstar Data

Morningstar Data gives institutions access to a full range of investment data spanning numerous investment databases, including real-time pricing and market data. We offer licenses and data feeds for our proprietary statistics, such as the Morningstar Style Box and Morningstar Rating, and a wide range of other data, including information on investment performance, risk, portfolios, operations data, fees and expenses, cash flows, and ownership. Institutions can use Morningstar Data in a variety of investor communications, including websites, print publications, and marketing fact sheets, as well as for internal research and product development.

We also offer Morningstar Data for equities, including financial statement data, consolidated industry statistics, stock ownership information, and proprietary Morningstar statistics. Our equity database now includes more than 43,000 companies globally covering 98% of the world's market capitalization.

In 2015, we introduced several new types of data feeds for managed products, including historical datasets for asset classification, Modern Portfolio Theory statistics, and summary portfolio statistics. We added portfolio-level information to indicate the percentage of stocks within a portfolio that receive our Economic Moat Ratings of Wide, Narrow, or None to provide investors and asset managers with a view of Morningstar's take on sustainable competitive advantage for the underlying portfolio holdings.

We've continued developing our data delivery platforms, including application programming interfaces (APIs), which allow for faster and more flexible client access to large groups of data files. We've expanded the number of data sets that are available through APIs and expanded the scope of data provided at the request of our clients.

Pricing for Morningstar Data is based on the number of investment vehicles covered, the amount of information provided for each security, the frequency of updates, the method of delivery, the size of the licensing firm, and the level of distribution.

Our main competitors for Morningstar Data include Activ Financial, Bloomberg, FactSet, Financial Express, Interactive Data, Standard & Poor's, Thomson Reuters, and Xignite.

Morningstar Data is our largest product based on revenue and accounted for 18.3%, 18.4%, and 18.8% of our consolidated revenue in 2015, 2014, and 2013, respectively.

Morningstar Advisor Workstation

Morningstar Advisor Workstation, a web-based investment planning system, provides financial advisors with a comprehensive set of tools for conducting their core business—including investment research, planning, and presentations. It allows advisors to build and maintain a client portfolio database that can be fully integrated with the firm's back-office technology and resources. Moreover, it helps advisors create customized reports for client portfolios that combine different types of investments.

Morningstar Advisor Workstation is available in two versions: Morningstar Office for independent financial advisors and an enterprise version for financial advisors affiliated with larger firms. As of December 31, 2015, approximately

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4,300 financial advisors in the United States were licensed to use Morningstar Office, and approximately 190 companies held licenses for the enterprise version of Morningstar Advisor Workstation.

In 2015, we introduced the new Morningstar for Advisors iPad app that helps advisors interact with clients, monitor investments, and analyze portfolios using Morningstar data and tools. We also added integrations with several leading third-party platforms to help advisors with all aspects of their daily workflows.

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Pricing for Morningstar Advisor Workstation varies based on the number of users, as well as the number of databases licensed and level of functionality. We typically charge annual fees of about \$3,400 per licensed user for a base configuration of Morningstar Advisor Workstation, but pricing varies significantly based on the scope of the license. We generally charge \$6,000 per user for an annual license for Morningstar Office, as well as additional fees for portfolio accounting and record-keeping services.

Competitors for Morningstar Advisor Workstation and Morningstar Office include Black Diamond, Envestnet, Orion Advisor Services, Standard & Poor's, and Thomson Reuters.

Morningstar Advisor Workstation is our second-largest product based on revenue and made up 13.5%, 13.4%, and 13.3% of our consolidated revenue in 2015, 2014, and 2013, respectively.

Morningstar Direct

Morningstar Direct is an institutional investment research platform that includes data and advanced analytical tools on the complete range of securities in Morningstar's global database, as well as privately held investments and data from third-party providers. It helps portfolio managers, investment consultants, financial product managers, wealth managers, and other professionals develop, select, and monitor investments. Users can create advanced performance comparisons and in-depth analyses of an investment's underlying investment style, as well as custom-branded reports and presentations.

In 2015, we began rolling out the next-generation version of the platform: Morningstar Direct Cloud. So far, we've released new modules for Investment Analysis, which represents a complete rebuild of the user interface and data delivery systems, and Research Portal, which presents curated research from Morningstar's analyst teams. In addition, we introduced a new signature report for stocks as well as upgrades to the global mutual fund and ETF data reports included with the software.

Morningstar Direct's primary competitors are Bloomberg, eVestment Alliance, FactSet Research Systems, Thomson Reuters, and Zephyr Associates.

Morningstar Direct had approximately 11,400 licensed users worldwide as of December 31, 2015.

Pricing for Morningstar Direct is based on the number of licenses purchased. For clients in the United States, we generally charge an annual fee of \$17,000 for the first user, \$10,500 for the second user, and \$9,000 for each additional user.

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Morningstar Direct is our third-largest product based on revenue and accounted for 12.9%, 12.1%, and 11.4% of our consolidated revenue in 2015, 2014, and 2013, respectively.

Workplace Solutions (formerly Retirement Solutions)

This product line includes several different offerings, including retirement advice and managed accounts, plan sponsor advice, custom models, and financial wellness services.

Our advice and managed accounts program, Morningstar Retirement Manager, helps retirement plan participants with their retirement goals. As part of this service, we deliver personalized recommendations for a target savings goal, a recommended contribution rate to help achieve that goal, a portfolio mix based on risk tolerance, and specific investment recommendations. Participants can build their own portfolios based on our recommendations or elect to have their accounts managed by us through our managed retirement account offering. We do not hold assets in custody for the managed retirement accounts we provide.

In our plan sponsor advice business, we work with retirement plan sponsors to help them meet their fiduciary obligations by selecting and monitoring a broad range of diversified plan options.

With our custom models, we work with retirement plan providers to design customized models for their investment lineups, including target maturity models and risk-based models.

Through HelloWallet, we offer personalized financial guidance to more than 500,000 individuals and their families through their employer benefit plans. HelloWallet helps employees build a strong financial foundation by providing them with tools for emergency savings, debt management, and budgeting.

In 2015, we introduced the next-generation version of Morningstar Retirement Manager with a completely redesigned interface and user experience. The redesigned platform is designed to drive participant adoption into managed retirement accounts and improve operational support. We've started rolling out the new platform to clients and plan to continue transitioning our clients to the new platform during 2016.

Pricing for Workplace Solutions depends on several different factors, including the level of services offered (including whether the services involve acting as a fiduciary under the Employee Retirement Income Security Act, or ERISA), the number of participants, the level of systems integration required, and the availability of competing products. For HelloWallet, we charge employers for individual employee licenses at a rate of \$50 to \$100 per user per year.

Our main competitors for Workplace Solutions are Financial Engines, Guided Choice, Learnvest, and Personal Capital, as well as companies that provide automated investment advice, such as Betterment and Wealthfront.

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Workplace Solutions is our fourth-largest product based on revenue and accounted for 8.4% of our consolidated revenue in 2015, compared with 7.5% in 2014 and 6.5% in 2013.

Morningstar.com

Our largest website for individual investors is Morningstar.com. Revenue for this product offering includes both Premium Memberships and Internet advertising sales, which each made up approximately half of Morningstar.com's total revenue in 2015. In addition to our U.S.-based site, we offer more than 30 regional investing websites customized to the needs of investors worldwide. Many of these sites feature coverage in local languages with tools and commentary tailored to specific markets.

We also offer paid Premium Membership, which includes access to written analyst reports on stocks, mutual funds, ETFs, and closed-end funds, as well as our Portfolio X-Ray, asset allocation and portfolio management tools, proprietary stock data, Stewardship Grades and Ratings, and premium stock and fund screeners. We currently offer Premium Membership services in Australia, Canada, China, Italy, the United Kingdom, and the United States.

In 2015, we introduced a beta version of the new Morningstar.com to a small group of site users. The site features a new user interface focused on helping individual investors select and monitor investments. As part of this upgrade, we developed a new stocks quote page that better surfaces Morningstar's proprietary research and ratings and makes it easier for individual investors to understand a company's performance and compare it with its competitors. We plan to continue rolling out the new site to additional users during 2016.

Morningstar.com primarily competes with The Motley Fool, Seeking Alpha, TheStreet.com, and Yahoo! Finance, as well as other finance and brokerage sites.

As of December 31, 2015, the free membership services offered through Morningstar.com had 10.1 million registered users worldwide. We also had approximately 120,000 paid Premium subscribers for Morningstar.com in the United States plus an additional 16,000 paid Premium subscribers in other global markets. We currently charge \$23.95 for a monthly subscription, \$199 for an annual subscription, \$339 for a two-year subscription, and \$439 for a three-year subscription for Morningstar.com's Premium Membership service.

Morningstar.com is our fifth-largest product based on revenue and accounted for 7.6% of our consolidated revenue in 2015, compared with 7.6% in 2014 and 8.0% in 2013.

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Investment Advisory

Our Investment Advisory business provides institutional investment advisory and management services for asset management firms, broker-dealers, and insurance providers. We offer Investment Advisory services through a variety of registered entities in Australia, Dubai, France, Hong Kong, India, Japan, South Africa, South Korea, the United Kingdom, and the United States. All of these entities are wholly owned or majority-owned subsidiaries of Morningstar, Inc., and are authorized to provide Investment Advisory services by the appropriate regulatory agency in their applicable jurisdictions.

Drawing on our proprietary research and methodologies, we deliver a variety of services, including asset allocation, manager evaluation, portfolio management, and 15(c) board consulting services. Many of our Investment Advisory agreements focus on investment monitoring and asset allocation for multimanager portfolios made up of managed investment products, such as mutual funds, separate accounts, and variable insurance trusts. We do not hold assets in custody in our Investment Advisory business.

Because of the diversity of our offerings, our Investment Advisory business competes with a wide assortment of firms. We compete with consulting firms such as Mercer, Callan, and Wilshire Associates, as well as various in-house providers of investment management services.

We base our pricing for our Investment Advisory services on the scope of work, our degree of investment discretion, and the level of service required. In the majority of our contracts, we receive asset-based fees, reflecting our work as a portfolio construction manager or subadvisor for multimanager portfolios.

Morningstar Enterprise Components

Morningstar Enterprise Components is a set of tools and capabilities that help institutional clients build customized websites or enhance their existing solutions. We offer a series of components, editorial content, and reports that investment firms can license to build or enhance their websites for financial advisors and individual investors. We also offer licenses for investment research, editorial content, and portfolio analysis and comparison tools that allow users to drill down into the underlying data when researching a potential investment.

For Enterprise Components, our primary competitors include Financial Express, Interactive Data Corporation, Markit on Demand, and Thomson Reuters.

Pricing for Enterprise Components consists of both ongoing license fees and one-time development fees and depends on the solution being offered, the number of users and level of distribution, and the amount of client integration involved.

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Morningstar Managed Portfolios

Morningstar Managed Portfolios is a fee-based discretionary asset management service that includes a series of mutual fund, ETF, and stock portfolios tailored to meet specific investment time horizons and risk levels. We offer this service through Morningstar Investment Services LLC, a registered investment advisor, registered broker-dealer, member of the Financial Industry Regulatory Authority, Inc. (FINRA), and wholly owned subsidiary of Morningstar, Inc. We offer Morningstar Managed Portfolios mainly to fee-based independent financial advisors. These advisors are often affiliated with the corporate registered investment arms of insurance companies and independent and registered broker-dealers.

In 2015, we launched a multi-strategy proposal workflow, allowing advisors to create a proposal containing several portfolios.

We had approximately \$12.9 billion in assets under management with about 5,800 financial advisors using the service as of December 31, 2015. We charge asset-based fees for Morningstar Managed Portfolios, which are typically based on a tiered schedule that depends on the client's average daily portfolio balance. Fees for our mutual fund and ETF portfolios generally range from 30 to 40 basis points. We charge 45 to 55 basis points for Select Stock Baskets, which are customizable stock portfolios based on Morningstar's proprietary equity research and indexes. We use third-party custodians for Morningstar Managed Portfolios and do not hold the assets in custody.

For Morningstar Managed Portfolios, our primary competitors are AssetMark, Brinker Capital, Envestnet PMC, Loring Ward, and SEI Investments. We also compete with in-house research teams at independent broker-dealers who build proprietary portfolios for use on brokerage firm platforms, as well other registered investment advisors that provide investment strategies or models on these platforms.