

Morningstar, Inc.
Form 10-Q
November 01, 2011

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

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED September 30, 2011

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)

36-3297908

(I.R.S. Employer
Identification Number)

22 West Washington Street

Chicago, Illinois

(Address of Principal Executive Offices)

60602

(Zip Code)

(312) 696-6000

(Registrant's Telephone Number, Including Area Code)

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 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.

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

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As of October 28, 2011, there were 50,010,222 shares of the Company's common stock, no par value, outstanding.

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PART 1. FINANCIAL INFORMATION

Item 1. Unaudited Condensed Consolidated Financial Statements

Morningstar, Inc. and Subsidiaries

Unaudited Condensed Consolidated Statements of Income

(in thousands except per share amounts)	Three months ended September		Nine months ended September	
	30 2011	2010	30 2011	2010
Revenue	\$160,051	\$139,817	\$472,829	\$404,198
Operating expense (1):				
Cost of goods sold	48,074	40,713	133,929	114,767
Development	13,482	12,703	39,151	35,491
Sales and marketing	27,253	22,881	80,502	69,877
General and administrative	26,431	23,462	83,255	67,211
Depreciation and amortization	10,947	9,897	31,712	28,082
Total operating expense	126,187	109,656	368,549	315,428
Operating income	33,864	30,161	104,280	88,770
Non-operating income (expense):				
Interest income, net	797	512	1,142	1,692
Gain (loss) on sale of investments reclassified from other comprehensive income	(127) 5	270	14
Other income (expense), net	(1,249) 5,689	(1,208) 4,342
Non-operating income (expense), net	(579) 6,206	204	6,048
Income before income taxes and equity in net income of unconsolidated entities	33,285	36,367	104,484	94,818
Income tax expense	12,343	11,917	35,585	33,137
Equity in net income of unconsolidated entities	428	333	1,397	1,176
Consolidated net income	21,370	24,783	70,296	62,857
Net (income) loss attributable to the noncontrolling interest	10			