

Morningstar, Inc.
Form 10-Q
November 03, 2010
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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, 2010

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

As of October 29, 2010, there were 49,666,834 shares of the Company's common stock, no par value, outstanding.

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SIGNATURE

Table of Contents**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 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenue	\$ 139,817	\$ 120,088	\$ 404,198	\$ 356,353
Operating expense (1):				
Cost of goods sold	40,713	31,954	114,767	92,900
Development	12,703	9,447	35,491	28,185
Sales and marketing	22,881	17,730	69,877	53,276
General and administrative	23,462	20,643	67,211	57,649
Depreciation and amortization	9,897	6,631	28,082	23,347
Total operating expense	109,656	86,405	315,428	255,357
Operating income	30,161	33,683	88,770	100,996
Non-operating income, net:				
Interest income, net	512	572	1,692	2,314
Other income, net	5,694	221	4,356	985
Non-operating income, net	6,206	793	6,048	3,299
Income before income taxes and equity in net income of unconsolidated entities	36,367	34,476	94,818	104,295
Income tax expense	15,807	12,407	37,027	37,099
Equity in net income of unconsolidated entities	333	429	1,176	790
Consolidated net income	20,893	22,498	58,967	67,986
Net (income) loss attributable to noncontrolling interests	(106)	22	10	40
Net income attributable to Morningstar, Inc.	\$ 20,787	\$ 22,520	\$ 58,977	\$ 68,026