

Morningstar, Inc.
Form 10-Q
November 04, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2008

OR

o **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)

225 West Wacker Drive

Chicago, Illinois

60606-6303

(Address of Principal Executive Offices)

(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 is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See 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
(Do not check if a smaller
reporting company)

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 31, 2008, there were 46,774,802 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 2008		2007		Nine Months Ended September 30 2008		2007	
Revenue	\$	125,505	\$	111,859	\$	383,186	\$	316,991
Operating expense (1):								
Cost of goods sold		32,828		28,674		98,930		83,549
Development		10,271		9,010		30,187		26,199
Sales and marketing		19,457		17,132		62,547		50,332
General and administrative		22,507		19,936		62,392		57,150
Depreciation and amortization		6,266		5,662		18,699		15,843
Total operating expense		91,329		80,414		272,755		233,073
Operating income		34,176		31,445		110,431		83,918
Non-operating income (expense):								
Interest income, net		1,568		1,812		4,468		4,998
Other income (expense), net		(278)		408		(575)		103
Non-operating income, net		1,290		2,220		3,893		5,101
Income before income taxes and equity in net income of unconsolidated entities		35,466		33,665		114,324		89,019
Income tax expense		13,547		14,229		42,127		36,516
Equity in net income of unconsolidated entities		268		417		1,065		1,409
Net income	\$	22,187	\$	19,853	\$	73,262	\$	53,912
Net income per share:								
Basic	\$	0.48	\$	0.46	\$	1.60	\$	1.26
Diluted	\$	0.45	\$	0.41	\$	1.49	\$	1.13
Weighted average shares outstanding:								