

Morningstar, Inc.
Form 10-Q
May 04, 2011
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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 March 31, 2011

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)

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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 April 29, 2011, there were 50,265,946 shares of the Company's common stock, no par value, outstanding.

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SIGNATURE

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(in thousands except per share amounts)	Three months ended March 31	
	2011	2010
Revenue	\$ 151,767	\$ 128,290
Operating expense (1):		
Cost of goods sold	40,669	34,316
Development	11,988	10,889
Sales and marketing	26,482	22,561
General and administrative	30,617	20,643
Depreciation and amortization	10,202	8,939
Total operating expense	119,958	97,348
Operating income	31,809	30,942
Non-operating income (expense):		
Interest income, net	524	587
Other income (expense), net	250	(766)
Non-operating income (expense), net	774	(179)
Income before income taxes and equity in net income of unconsolidated entities	32,583	30,763
Income tax expense	10,518	10,995
Equity in net income of unconsolidated entities	374	389
Consolidated net income	22,439	20,157
Net loss attributable to the noncontrolling interest	98	31
Net income attributable to Morningstar, Inc.	\$ 22,537	\$ 20,188
Net income per share attributable to Morningstar, Inc.:		
Basic	\$ 0.45	\$ 0.41
Diluted	\$ 0.44	\$ 0.40
Weighted average shares outstanding:		
Basic	49,800	48,828
Diluted	50,953	50,332

Three months ended March 31

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	2011		2010	
(1) Includes stock-based compensation expense of:				
Cost of goods sold	\$	879	\$	715
Development		471		393
Sales and marketing		422		403
General and administrative		1,877		1,426
Total stock-based compensation expense	\$	3,649	\$	2,937

See notes to unaudited condensed consolidated financial statements.

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Morningstar, Inc. and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets

(in thousands except share amounts)	March 31	December 31
Assets	2011	2010
Current assets:		