

# Morningstar Acquires Fundamental Data Limited Questions and Answers

## General Questions

### **Why is Morningstar acquiring Fundamental Data?**

Fundamental Data is a leading provider of closed-end fund data in the UK. This acquisition fits Morningstar's strategy of building a premier global investment database. The addition of this data also strengthens all of our offerings for individuals, advisers, and institutions, particularly in the UK.

### **How will you integrate Fundamental Data's business into Morningstar?**

The business will report to Geoff Balzano, chief executive officer of Morningstar UK. Morningstar has been operating in the UK since 2000 and currently employs about 180 people there.

### **How many clients does Fundamental Data have and who are its clients?**

Fundamental Data has more than 100 clients, including major investment banks, stockbrokers, fund management groups, private client advisers, accountancy firms, wealth managers, and other professionals.

### **Is there any overlap with Morningstar's client base?**

We expect some overlap with Morningstar UK's client base, but in many cases we were serving different units within a client's organization. Bringing together our two companies will allow us to be more efficient as we deliver a broader range of services to those clients.

### **Will you keep the Fundamental Data name?**

We don't have any immediate plans to change the name. However, over time we anticipate we will rebrand the company under the Morningstar name.

### **Will any Fundamental Data senior managers join Morningstar? Will any employees lose their jobs?**

We expect to retain most, if not all, of the Fundamental Data employees.

### **How many employees does Fundamental Data have and where are they located?**

Approximately 30 employees—all located in London.

### **Will you move the offices to Morningstar's headquarters in London?**

We haven't made any final decisions, but we would prefer to have all employees in a single location.

### **Who approached whom? How long have you been in discussions?**

As a matter of policy, we will not share specific details about discussions leading up to a transaction.

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## **Why is Fundamental Data selling this business?**

Fundamental Data has been building on its strong position in the UK by expanding into the United States and other markets. Morningstar's scale and global reach provide the resources to accelerate this strategy.

## **Product Questions**

### **What products and services are you acquiring?**

Fundamental Data currently provides data on more than 1,500 closed-end funds and has more than 3,000 data points for each fund. It also provides data on global exchange-traded funds. Detailed fund information includes price, intraday net asset values, and distribution histories, as well as performance figures, risk statistics, earnings details, and comprehensive analytics on the entire universe of funds.

- The company's flagship product is FundWeb, an online subscription service allowing clients access to the company's comprehensive database.
- A data feeds business, including Web site feeds.
- Report outsourcing services including production of fund fact sheets.
- An online database of publicly issued documents relating to closed-end funds.

### **Will you keep all of its products?**

Our goal is to seamlessly integrate the operations to minimize any disruption to clients. At this time, we don't plan to make any major changes to Fundamental Data's product line.

### **Will Morningstar keep the online subscription database, FundWeb?**

Yes.

### **When will the databases be combined?**

We're in the process of developing a detailed integration plan, and we don't have a definitive timetable yet.

### **What is the size of Morningstar's closed-end fund database and what is the size of Fundamental Data's database?**

Morningstar's database includes approximately 1,300 closed-end funds. Fundamental Data tracks more than 1,500 closed-end funds.

## **Financial Questions**

### **What are the financial terms of the deal?**

The purchase price is 11 million pounds sterling, or approximately U.S.\$19 million, subject to post-closing adjustments.

### **Is Morningstar taking on debt or issuing stock to finance the transaction?**

No. The transaction is an all-cash deal.

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## **What are the revenues for Fundamental Data's business?**

Fundamental Data is a privately held company and does not disclose its revenue. Morningstar discloses business segment revenue, revenue for our largest five products, and our international revenue. Our practice is to disclose combined revenue contributed by acquisitions in our earnings press releases and public filings.

## **Is Fundamental Data a profitable company?**

We won't be disclosing that information.

## **Are you planning to issue pro forma financials for the combined company?**

No. We are not planning to issue pro forma financials because of the size of the transaction.

## **Do you anticipate any other costs related to the acquisition? What impact will it have on Morningstar's earnings?**

Because Morningstar's policy is not to issue earnings forecasts or guidance, we will not make any comments about the potential impact on our earnings.

## **Does Morningstar expect to make more acquisitions?**

We'll continue to look at potential acquisitions that help us further our mission of creating great products that help investors meet their financial goals and fit our business model of leveraging fixed investments in databases and core skill sets. In reviewing potential acquisitions, we focus on transactions that:

- ▶ Offer a good strategic fit with our mission of creating great products that help investors reach their financial goals,
- ▶ Help us build our investment databases, research capabilities, technical expertise, or customer base faster and more cost effectively than we could if we built them ourselves, and
- ▶ Offer a good cultural fit with our entrepreneurial spirit and brand leadership.

## **Caution Concerning Forward-Looking Statements**

This Q&A contains forward-looking statements as that term is used in the Private Securities Litigation Reform Act of 1995. These statements are based on our current expectations about future events or future financial performance. Forward-looking statements by their nature address matters that are, to different degrees, uncertain, and often contain words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "predict," "potential," or "continue." These statements involve known and unknown risks and uncertainties that may cause the events we discussed not to occur or to differ significantly from what we expected. For us, these risks and uncertainties include, among others, general industry conditions and competition; damage to our reputation resulting from claims made about possible conflicts of interest; liability for any losses that result from an actual or claimed breach of our fiduciary duties; legal, regulatory, or political issues related to our data center in China; the potential impact of market volatility on revenue from asset-based fees; a prolonged outage of our database and network facilities; challenges faced by our non-U.S. operations; and the availability of free or low-cost investment information. A more complete description of these risks and uncertainties can be found in our filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended Dec. 31, 2007. If any of these risks and uncertainties materialize, our actual future results may vary significantly from what we expected. We do not undertake to update our forward-looking statements as a result of new information or future events.