Morningstar, Inc.
Form 10-Q
October 28, 2016

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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, 2016
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	36-3297908
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)

22 West Washington Street	
Chicago, Illinois	60602
(Address of Principal Executive Offices)	(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 x No o

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 x No o

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 x	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No x
As of October 21, 2016, there were 43,058,990 shares of the Company’s common stock, no par value, outstanding.

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PART 1. FINANCIAL INFORMATION
Item 1. Financial Statements

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and Subsidiaries
Unaudited Condensed Consolidated Statements of Income

(in millions except per share amounts)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Revenue	$196.1	$195.3	$586.4	$587.2
Operating expense:				
Cost of revenue	84.9	83.4	256.3	245.2
Sales and marketing	23.1	23.3	71.1	73.8
General and administrative	25.8	26.0	76.1	79.9
Depreciation and amortization	18.1	16.4	52.0	47.8
Total operating expense	151.9	149.1	455.5	446.7
Operating income	44.2	46.2	130.9	140.5
Non-operating income:				
Interest income, net	—	0.2	0.3	0.5
Gain on sale of investments, reclassified from other comprehensive income	0.3	—	0.5	0.4
Other income, net	1.8	1.2	4.8	0.8
Non-operating income, net	2.1	1.4	5.6	1.7
Income before income taxes and equity in net income of unconsolidated entities	46.3	47.6	136.5	142.2
Equity in net income of unconsolidated entities	0.4	0.5	0.7	1.5
Income tax expense	16.5	14.6	46.5	48.2
Consolidated net income	30.2	33.5	90.7	95.5
Net income attributable to noncontrolling interest	—	—	—	(0.2)
Net income attributable to Morningstar, Inc.	$30.2	$33.5	$90.7	$95.3
Net income per share attributable to Morningstar, Inc.:				
Basic	$0.70	$0.76	$2.11	$2.15
Diluted	$0.70	$0.76	$2.09	$2.15
Dividends per common share:				
Dividends declared per common share	$0.22	$0.19	$0.66	$0.57
Dividends paid per common share	$0.22	$0.19	$0.66	$0.57
Weighted average shares outstanding:				
Basic	43.1	44.2	43.0	44.3
Diluted	43.3	44.3	43.3	44.4

See notes to unaudited condensed consolidated financial statements.

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Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Comprehensive Income

(in millions)	Three months ended September 30 2016	2015	Nine months ended September 30 2016	2015
Consolidated net income	$30.2	$33.5	$90.7	$95.5
Other comprehensive loss:				
Foreign currency translation adjustment	(1.7)	(12.8)	(9.8)	(23.8)
Unrealized gains (losses) on securities, net of tax:				
Unrealized holding gains (losses) arising during period	0.6	(0.8)	1.1	(1.3)
Reclassification (gains) losses included in net income	0.2	(0.5)	—	(0.2)
Other comprehensive loss	(0.9)	(14.1)	(8.7)	(25.3)
Comprehensive income	29.3	19.4	82.0	70.2
Comprehensive income attributable to noncontrolling interest	—	(0.2)	—	(0.4)
Comprehensive income attributable to Morningstar, Inc.	$29.3	$19.2	$82.0	$69.8

See notes to unaudited condensed consolidated financial statements.

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Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Balance Sheets

(in millions except share amounts)	As of September 30 2016	As of December 31 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 219.4	$ 207.1
Investments	45.7	41.5
Accounts receivable, less allowance of $1.9 and $1.8, respectively	124.3	139.3
Other current assets	23.7	22.0
Total current assets	413.1	409.9
Property, equipment, and capitalized software, less accumulated depreciation and amortization of $203.9 and $169.8, respectively	150.0	134.5
Investments in unconsolidated entities	51.0	35.6
Goodwill	370.7	364.2
Intangible assets, net	65.3	74.2
Other assets	9.4	10.6
Total assets	$ 1,059.5	$ 1,029.0
Liabilities and equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 35.0	$ 39.2
Accrued compensation	57.7	80.9
Deferred revenue	144.9	140.7
Short-term debt	60.0	35.0
Other current liabilities	16.6	8.6
Total current liabilities	314.2	304.4
Accrued compensation	9.9	8.9
Deferred tax liability, net	17.3	19.8
Deferred rent	22.6	25.4
Other long-term liabilities	33.5	29.9
Total liabilities	397.5	388.4
Equity:		
Morningstar, Inc. shareholders’ equity:		
Common stock, no par value, 200,000,000 shares authorized, of which 43,058,990 and 43,403,076 shares were outstanding as of September 30, 2016 and December 31, 2015, respectively	—	—
Treasury stock at cost, 9,961,108 and 9,478,449 shares as of September 30, 2016 and December 31, 2015, respectively	(657.3)	(619.8)
Additional paid-in capital	580.8	575.5
Retained earnings	801.5	739.2
Accumulated other comprehensive loss:		
Currency translation adjustment	(63.3)	(53.5)
Unrealized loss on available-for-sale investments	—	(1.1)
Total accumulated other comprehensive loss	(63.3)	(54.6)

Total Morningstar, Inc. shareholders’ equity	661.7	640.3
Noncontrolling interest	0.3	0.3
Total equity	662.0	640.6
Total liabilities and equity	$ 1,059.5	$ 1,029.0

See notes to unaudited condensed consolidated financial statements.

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Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statement of Equity
For the nine months ended September 30, 2016

(in millions, except share amounts)	Morningstar, Inc. Shareholders' Equity: Common Stock Shares Outstanding	Par Value	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Non-Controlling Interest	Total Equity
Balance as of December 31, 2015	43,403,076	$ —	$(619.8)	$575.5	$739.2	$(54.6)	$0.3	$640.6
Net income		—	—	—	90.7	—	—	90.7
Other comprehensive income (loss):								
Unrealized gain on available-for-sale investments, net of income tax of $1.0		—	—	—	—	1.1	—	1.1
Foreign currency translation adjustment, net		—	—	—	—	(9.8)	—	(9.8)
Other comprehensive loss, net		—	—	—	—	(8.7)	—	(8.7)
Issuance of common stock related to option exercises and vesting of restricted stock units, net of shares withheld for taxes on settlements of restricted stock units	153,699	—	1.3	(5.3)	—	—	—	(4.0)
Stock-based compensation		—	—	10.6	—	—	—	10.6
Common shares repurchased	(497,785)	—	(38.8)	—	—	—	—	(38.8)
Dividends declared		—	—	—	(28.4)	—	—	(28.4)
Balance as of September 30, 2016	43,058,990	$ —	$(657.3)	$580.8	$801.5	$(63.3)	$0.3	$662.0

See notes to unaudited condensed consolidated financial statements.

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Morningstar, Inc. and Subsidiaries
Unaudited Condensed Consolidated Statements of Cash Flows

(in millions)	Nine months ended September 30 2016	2015
Operating activities		
Consolidated net income	$90.7	$95.5
Adjustments to reconcile consolidated net income to net cash flows from operating activities:		
Depreciation and amortization	52.0	47.8
Deferred income taxes	(2.9)	(2.7)
Stock-based compensation expense	10.6	13.5
Provision for bad debt	0.7	0.6
Equity in net income of unconsolidated entities	(0.7)	(1.5)
Other, net	(5.2)	(0.5)
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	13.1	9.0
Other assets	(1.4)	(1.1)
Accounts payable and accrued liabilities	(3.9)	1.3
Accrued compensation	(20.8)	(7.3)
Income taxes—current	6.3	20.5
Deferred revenue	4.1	13.1
Deferred rent	(2.7)	—
Other liabilities	3.3	0.4
Cash provided by operating activities	143.2	188.6
Investing activities		
Purchases of investments	(24.4)	(28.3)
Proceeds from maturities and sales of investments	21.6	24.8
Capital expenditures	(47.5)	(39.9)
Acquisitions, net of cash acquired	(15.8)	(3.4)
Purchases of equity- and cost-method investments	(16.4)	—
Other, net	—	(6.5)
Cash used for investing activities	(82.5)	(53.3)
Financing activities		
Common shares repurchased	(38.8)	(30.1)
Dividends paid	(28.5)	(25.3)
Proceeds from short-term debt	40.0	15.0
Repayment of short-term debt	(15.0)	(45.0)
Proceeds from stock-option exercises	0.4	3.7
Employee taxes paid from withholding of restricted stock units	(4.4)	(4.9)
Other, net	—	0.1
Cash used for financing activities	(46.3)	(86.5)
Effect of exchange rate changes on cash and cash equivalents	(2.1)	(10.3)
Net increase in cash and cash equivalents	12.3	38.5

Cash and cash equivalents—beginning of period	207.1	185.2
Cash and cash equivalents—end of period	$219.4	$223.7
Supplemental disclosure of cash flow information:		
Cash paid for income taxes	$43.3	$27.3
Cash paid for interest	$0.8	$0.3
Supplemental information of non-cash investing and financing activities:		
Unrealized gain (loss) on available-for-sale investments	$1.5	$(2.2)
Software and equipment obtained under long-term financing arrangement	$9.0	$1.3

See notes to unaudited condensed consolidated financial statements.

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MORNINGSTAR, INC. AND SUBSIDIARIES
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation of Interim Financial Information

The accompanying unaudited condensed consolidated financial statements of Morningstar, Inc. and subsidiaries (Morningstar, we, our, the company) have been prepared to conform to the rules and regulations of the Securities and Exchange Commission (SEC). The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amount of assets, liabilities, revenue, and expenses. Actual results could differ from those estimates. In the opinion of management, the statements reflect all adjustments, which are of a normal recurring nature, necessary to present fairly our financial position, results of operations, equity, and cash flows. These financial statements and notes are unaudited and should be read in conjunction with our Audited Consolidated Financial Statements and Notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 26, 2016.

The acronyms that appear in the Notes to our Unaudited Condensed Consolidated Financial Statements refer to the following:

ASC: Accounting Standards Codification
ASU: Accounting Standards Update
FASB: Financial Accounting Standards Board

2. Summary of Significant Accounting Policies

We discuss our significant accounting policies in Note 2 of our Audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on February 26, 2016.

On May 28, 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The ASU will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The original effective date for ASU 2014-09 would have required the Company to adopt beginning on January 1, 2017. In August 2015, the FASB issued ASU No. 2015-14, Revenue from Contracts with Customers - Deferral of the Effective Date, which defers the effective date of ASU 2014-09 for one year and permits early adoption as early as the original effective date of ASU 2014-09. The new standard is effective for us on January 1, 2018. The standard permits the use of either the retrospective or cumulative effect transition method. We are evaluating the effect that ASU No. 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

On March 17, 2016, the FASB issued ASU No. 2016-08, Revenue from Contracts with Customers: Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which provides guidance on assessing whether an entity is a principal or an agent in a revenue transaction and whether an entity reports revenue on a gross or net basis. On April 14, 2016, the FASB issued ASU No. 2016-10, Revenue from Contracts with Customers: Identifying Performance Obligations and Licensing, which provides guidance on identifying performance obligations and accounting for licenses of intellectual property. On May 6, 2016, the FASB issued ASU No. 2016-11, Revenue Recognition and Derivatives and Hedging: Rescission of SEC guidance because of ASU No. 2014-09 and ASU No. 2014-16 pursuant to staff announcements at the March 3, 2016 EITF Meeting, which rescinds the following SEC Staff

Observer comments from ASC 605, Revenue Recognition, upon an entity's early adoption of ASC 606, Revenue from Contracts with Customers: Revenue and expense recognition for freight services in process, accounting for shipping and handling fees and costs, and accounting for consideration given by a vendor to a customer (including reseller of the vendor's products). On May 9, 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers: Narrow-Scope Improvements and Practical Expedients, which makes narrow-scope amendments to ASU No. 2014-09 and provides practical expedients to simplify the transition to the new standard and clarify certain aspects of the standard.

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The effective date and transition requirements for ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, and ASU No. 2016-12 are the same as the effective date and transition requirements of ASU No. 2014-09. We are evaluating the effect that ASU No. 2016-08, ASU No. 2016-10, ASU No. 2016-11, and ASU No. 2016-12 will have on our consolidated financial statements and related disclosures.

On February 25, 2016, the FASB issued ASU No. 2016-02, Leases, which will require lessees to recognize almost all leases on their balance sheet as a right-of-use asset and a lease liability. The new standard is effective for us on January 1, 2019. The new standard must be adopted using a modified retrospective transition, and provides for certain practical expedients. Transition will require application of the new guidance at the beginning of the earliest comparative period presented. We are evaluating the effect that ASU No. 2016-02 will have on our consolidated financial statements and related disclosures.

On March 15, 2016, the FASB issued ASU No. 2016-07, Investments - Equity Method and Joint Ventures: Simplifying the Transition to the Equity Method of Accounting, which eliminates the requirement to apply the equity method of accounting retrospectively when a reporting entity obtains significant influence over a previously held investment. The new standard is effective for us on January 1, 2017. Early adoption is permitted. The new standard should be applied prospectively for investments that qualify for the equity method of accounting after the effective date. We elected to early adopt ASU No. 2016-07 in the quarter ended March 31, 2016. The adoption of ASU No. 2016-07 did not have a material effect on our consolidated financial statements.

On March 30, 2016, the FASB issued ASU No. 2016-09, Compensation - Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which includes amendments to accounting for income taxes at settlement, forfeitures, and net settlements to cover withholding taxes. The new standard is effective for us on January 1, 2017. Early adoption is permitted but requires all elements of the amendments to be adopted at once rather than individually. We elected to early adopt ASU No. 2016-09 in the quarter ended June 30, 2016, which requires us to reflect any adjustments as of January 1, 2016, the beginning of the annual period that includes the interim period of adoption. The primary impact of adoption was the recognition of excess tax benefits in our provision for income taxes rather than paid in capital for all periods in fiscal year 2016. Additional amendments to the accounting for income taxes and minimum statutory withholding tax requirements had no impact to retained earnings as of January 1, 2016, where the cumulative effective of these changes are required to be recorded. We have elected to continue to estimate forfeiture expected to occur to determine the amount of compensation cost to be recognized in each period.

We elected to apply the presentation requirements for cash flows related to excess tax benefits retrospectively to all periods presented which resulted in an increase to both net cash provided by operating activities and net cash used for financing activities of $2.1 million for the nine months ended September 30, 2015. The adoption did not have an impact on net cash provided by operating activities and net cash used for financing activities for the three months ended September 30, 2015. The presentation requirements for cash flows related to employee taxes paid for withheld shares had no impact to any of the periods presented in our consolidated cash flow statements because such cash flows have historically been presented as a financing activity.

Adoption of the new standard resulted in the recognition of excess tax benefits in our provision for income taxes rather than paid in capital of $0.8 million for the nine months ended September 30, 2016. The adoption did not have a material effect on our previously reported results for the quarter ended March 31, 2016 as most of our stock options and restricted stock units vest in the second quarter.

On August 26, 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments, which reduces diversity in practice of how certain transactions are classified in the statement of cash flows. The new guidance clarifies the classification of cash activity related to debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate and bank-owned life insurance policies, distributions received from equity-method investments, and beneficial interests in securitization transactions. The guidance also describes a predominance principle in which cash flows with aspects of more than one class that cannot be separated should be classified based on the activity that is likely to be the predominant source or use of cash flow. The new standard is effective for us on January 1, 2018. Early adoption is permitted, including adoption in an interim period, but requires all elements of the amendments to be adopted at once rather than individually. The new standard must be adopted using a retrospective transition method. We are evaluating the effect that ASU No. 2016-15 will have on our consolidated financial statements and related disclosures.

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3. Credit Arrangements

In March 2016, we increased our single-bank revolving credit facility from $75.0 million to $100.0 million. We had an outstanding principal balance of $60.0 million at an interest rate of LIBOR plus 100 basis points as of September 30, 2016, leaving borrowing availability of $40.0 million.

4. Acquisitions, Goodwill, and Other Intangible Assets

Acquisitions

On March 31, 2016, we acquired RequiSight, LLC, which does business as RightPond, a provider of business intelligence data and analytics on defined contribution and defined benefit plans for financial services firms. We began consolidating the financial results of RightPond in our Consolidated Financial Statements on March 31, 2016.

On May 31, 2016, we acquired InvestSoft Technology, Inc. (InvestSoft), a provider of fixed-income analytics. We began consolidating the financial results of InvestSoft in our Consolidated Financial Statements on May 31, 2016.

Goodwill

The following table shows the changes in our goodwill balances from December 31, 2015 to September 30, 2016:

	(in millions)
Balance as of December 31, 2015	$ 364.2
Acquisitions and foreign currency translation	6.5
Balance as of September 30, 2016	$ 370.7

We did not record any impairment losses in the first nine months of 2016 or 2015. We perform our annual impairment reviews in the fourth quarter.

Intangible Assets

The following table summarizes our intangible assets:

	As of September 30, 2016				As of December 31, 2015			
(in millions)	Gross	Accumulated Amortization	Net	Weighted Average Useful Life (years)	Gross	Accumulated Amortization	Net	Weighted Average Useful Life (years)
Intellectual property	$28.5	$ (27.7)	$0.8	9	$28.3	$ (26.7)	$1.6	9
Customer-related assets	137.3	(97.6)	39.7	12	137.5	(92.3)	45.2	12
Supplier relationships	0.2	(0.1)	0.1	20	0.2	(0.1)	0.1	20
Technology-based assets	92.6	(69.8)	22.8	8	89.5	(64.4)	25.1	8
Non-competition agreements	4.8	(2.9)	1.9	5	4.6	(2.4)	2.2	5
Total intangible assets	$263.4	$ (198.1)	$65.3	10	$260.1	$ (185.9)	$74.2	10

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The following table summarizes our amortization expense related to intangible assets:

	Three months ended September 30		Nine months ended September 30	
(in millions)	2016	2015	2016	2015
Amortization expense	$4.5	$5.5	$14.3	$16.4

We amortize intangible assets using the straight-line method over their expected economic useful lives.

We expect intangible amortization expense for the remainder of 2016 and subsequent years as follows:

	(in millions)
Remainder of 2016 (from October 1 through December 31)	$ 4.0
2017	13.8
2018	11.7
2019	9.2
2020	5.6
Thereafter	21.0

Our estimates of future amortization expense for intangible assets may be affected by acquisitions, divestitures, changes in the estimated average useful life, and foreign currency translation.

5. Income Per Share

The following table shows how we reconcile our net income and the number of shares used in computing basic and diluted net income per share:

	Three months ended September 30		Nine months ended September 30	
(in millions, except per share amounts)	2016	2015	2016	2015
Basic net income per share attributable to Morningstar, Inc.:				
Net income attributable to Morningstar, Inc.	$30.2	$33.5	$90.7	$95.3
Weighted average common shares outstanding	43.1	44.2	43.0	44.3
Basic net income per share attributable to Morningstar, Inc.	$0.70	$0.76	$2.11	$2.15
Diluted net income per share attributable to Morningstar, Inc.:				
Net income attributable to Morningstar, Inc.	$30.2	$33.5	$90.7	$95.3
Weighted average common shares outstanding	43.1	44.2	43.0	44.3

Net effect of dilutive stock options, restricted stock units, and performance share awards	0.2	0.1	0.3	0.1
Weighted average common shares outstanding for computing diluted income per share	43.3	44.3	43.3	44.4
Diluted net income per share attributable to Morningstar, Inc.	$0.70	$0.76	$2.09	$2.15

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The following table shows the number of weighted average restricted stock units and performance share awards excluded from our calculation of diluted earnings per share because their inclusion would have been anti-dilutive:

	Three months ended September 30		Nine months ended September 30	
(in thousands)	2016	2015	2016	2015
Weighted average restricted stock units	4	45	8	41
Weighted average performance share awards	—	5	—	7
Total	4	50	8	48

6. Segment and Geographical Area Information

Segment Information

We report our results in a single reportable segment, which reflects how our chief operating decision maker allocates resources and evaluates our financial results.

Because we have one reportable segment, all required financial segment information can be found directly in the Unaudited Condensed Consolidated Financial Statements.

The accounting policies for our single reportable segment are the same as those described in “Note 2. Summary of Significant Accounting Policies” included in our Annual Report on Form 10-K for the year ended December 31, 2015. We evaluate the performance of our reporting segment based on revenue and operating income.

Geographical Area Information

The tables below summarize our revenue and long-lived assets by geographical area:

External revenue by geographical area

	Three months ended September 30		Nine months ended September 30	
(in millions)	2016	2015	2016	2015
United States	$143.5	$145.2	$430.6	$437.3
United Kingdom	15.2	15.6	45.8	46.4
Continental Europe	16.0	14.7	47.3	43.4
Australia	8.3	7.5	24.1	23.2
Canada	7.1	6.6	20.6	20.6
Asia	5.0	4.6	15.1	13.4
Other	1.0	1.1	2.9	2.9
Total International	52.6	50.1	155.8	149.9
Consolidated revenue	$196.1	$195.3	$586.4	$587.2

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Long-lived assets by geographical area

(in millions)	As of September 30 2016	As of December 31 2015
United States	$ 135.8	$ 116.9
United Kingdom	7.0	8.6
Continental Europe	2.1	2.2
Australia	0.7	0.9
Canada	0.5	0.7
Asia	3.8	5.2
Other	0.1	—
Total International	14.2	17.6
Consolidated property, equipment, and capitalized software, net	$ 150.0	$ 134.5

7. Investments and Fair Value Measurements

We classify our investments into three categories: available-for-sale, held-to-maturity, and trading securities. Our investment portfolio consists of stocks, bonds, options, mutual funds, money market funds, or exchange-traded products that replicate the model portfolios and strategies created by Morningstar. These investment accounts may also include exchange-traded products where Morningstar is an index provider. We classify our investment portfolio as shown below:

(in millions)	As of September 30 2016	As of December 31 2015
Available-for-sale	$ 28.4	$ 17.3
Held-to-maturity	15.9	15.3
Trading securities	1.4	8.9
Total	$ 45.7	$ 41.5

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The following table shows the cost, unrealized gains (losses), and fair value of investments classified as available-for-sale and held-to-maturity:

(in millions)	As of September 30, 2016 Cost	Unrealized Gain	Unrealized Loss	Fair Value	As of December 31, 2015 Cost	Unrealized Gain	Unrealized Loss	Fair Value
Available-for-sale:								
Equity securities and exchange-traded funds	$26.0	$ 1.3	$ (1.2)	$26.1	$17.4	$ 0.3	$ (1.6)	$16.1
Mutual funds	2.2	0.1	—	2.3	1.3	—	(0.1)	1.2
Total	$28.2	$ 1.4	$ (1.2)	$28.4	$18.7	$ 0.3	$ (1.7)	$17.3
Held-to-maturity:								
Certificates of deposit	$14.1	$ —	$ —	$14.1	$15.3	$ —	$ —	$15.3
Convertible note	1.8	—	—	1.8	—	—	—	—
Total	$15.9	$ —	$ —	$15.9	$15.3	$ —	$ —	$15.3

As of September 30, 2016 and December 31, 2015, investments with unrealized losses for greater than a 12-month period were not material to the Unaudited Condensed Consolidated Balance Sheets and were not deemed to have other than temporary declines in value.

The table below shows the cost and fair value of investments classified as available-for-sale and held-to-maturity based on their contractual maturities as of September 30, 2016 and December 31, 2015.

(in millions)	As of September 30, 2016 Cost	Fair Value	As of December 31, 2015 Cost	Fair Value
Available-for-sale:				