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 May 31, 2024

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: 1-11869

FACTSET RESEARCH SYSTEMS INC.
(Exact name of registrant as specified in its charter)

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Delaware	**13-3362547**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
45 Glover Avenue, Norwalk, Connecticut	**06850**
(Address of principal executive offices)	(Zip Code)

Registrant’s telephone number, including area code: **(203) 810-1000**

Former name, former address and former fiscal year, if changed since last report: None

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock, $0.01 Par Value	FDS	New York Stock Exchange LLC
		The Nasdaq Stock Market

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** ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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** ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x **Accelerated filer** ☐ **Non-accelerated filer** ☐ **Smaller reporting company** ☐ **Emerging growth company** ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ **No** x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

The number of shares outstanding of the registrant’s common stock, $.01 par value, as of June 27, 2024 was 38,039,989.

FactSet Research Systems Inc.
Form 10-Q
For the Quarter Ended May 31, 2024

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For additional information about FactSet Research Systems Inc. and access to its Annual Reports to Stockholders and Securities and Exchange Commission filings, free of charge, please visit FactSet’s website (https://investor.factset.com). Any information on or linked from the website is not incorporated by reference into this Quarterly Report on Form 10-Q.

Special Note Regarding Forward-Looking Statements

FactSet Research Systems Inc. has made statements under the captions Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations, Part II, Item 1A. Risk Factors, and in other sections of this Quarterly Report on Form 10-Q for the three and nine months ended May 31, 2024, that are forward-looking statements. In some cases, you can identify these statements by words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "intends," "projects," "indicates," "predicts," "potential," or "continue," and similar expressions.

These forward-looking statements, which are subject to risks, uncertainties and assumptions about us, may include projections of our future financial performance and anticipated trends in our business. These statements are only predictions based on our current expectations, estimates, forecasts and projections about future events. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. There are many important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements, including the numerous factors discussed under Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended August 31, 2023, that should be specifically considered.

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. Moreover, neither we nor any other person assumes responsibility for the accuracy and completeness of any of these forward-looking statements. Forward-looking statements speak only as of the date they are made, and actual results could differ materially from those anticipated in forward-looking statements. We do not intend, and are under no duty, to update any of these forward-looking statements after the date of this Quarterly Report on Form 10-Q to reflect actual results, future events or circumstances, or revised expectations.

We intend that all forward-looking statements we make will be subject to safe harbor protection of the federal securities laws as found in Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF INCOME – Unaudited

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands, except per share data)	2024	2023	2024	2023
Revenues	$ 552,708	$ 529,811	$ 1,640,869	$ 1,549,711
Operating expenses				
Cost of services	246,986	241,689	753,749	709,537
Selling, general and administrative	103,098	115,725	312,616	325,903
Asset impairments	165	438	1,063	1,167
Total operating expenses	350,249	357,852	1,067,428	1,036,607
Operating income	202,459	171,959	573,441	513,104
Other income (expense), net				
Interest income	4,568	3,083	10,427	8,191
Interest expense	(16,894)	(16,354)	(50,231)	(49,628)
Other income (expense), net	399	3,310	736	4,978
Total other income (expense), net	(11,927)	(9,961)	(39,068)	(36,459)
Income before income taxes	190,532	161,998	534,373	476,645
Provision for income taxes	32,397	27,335	86,743	73,591
Net income	$ 158,135	$ 134,663	$ 447,630	$ 403,054
Basic earnings per common share	$ 4.15	$ 3.52	$ 11.76	$ 10.54
Diluted earnings per common share	$ 4.09	$ 3.46	$ 11.58	$ 10.35
Basic weighted average common shares	38,089	38,278	38,069	38,227
Diluted weighted average common shares	38,640	38,912	38,644	38,936

The accompanying notes are an integral part of these Consolidated Financial Statements.

FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – Unaudited

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Net income	$ 158,135	$ 134,663	$ 447,630	$ 403,054
Other comprehensive income (loss), net of tax				
Net unrealized gain (loss) on cash flow hedges[1]	(335)	(2,044)	(3,175)	2,257
Foreign currency translation adjustment gains (losses)	(1,282)	4,943	(2,330)	16,782
Other comprehensive income (loss)	(1,617)	2,899	(5,505)	19,039
Comprehensive income	$ 156,518	$ 137,562	$ 442,125	$ 422,093

(1) Presented net of a tax benefit of $119 thousand and $704 thousand for the three months ended May 31, 2024 and May 31, 2023, respectively. Presented net of a tax benefit of $1,126 thousand and a tax expense of $781 thousand for the nine months ended May 31, 2024 and May 31, 2023, respectively.

The accompanying notes are an integral part of these Consolidated Financial Statements.

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FactSet Research Systems Inc.

CONSOLIDATED BALANCE SHEETS – Unaudited

(in thousands, except share data)	May 31, 2024	August 31, 2023
ASSETS		
Cash and cash equivalents	$ 453,144	$ 425,444
Investments	68,890	32,210
Accounts receivable, net of reserves of $10,484 at May 31, 2024 and $7,769 at August 31, 2023	240,096	237,665
Prepaid taxes	44,416	24,206
Prepaid expenses and other current assets	51,729	50,610
Total current assets	858,275	770,135
Property, equipment and leasehold improvements, net	80,843	86,107
Goodwill	1,004,749	1,004,736
Intangible assets, net	1,851,395	1,859,202
Deferred taxes	36,739	27,229
Lease right-of-use assets, net	137,229	141,837
Other assets	70,471	73,676
TOTAL ASSETS	$ 4,039,701	$ 3,962,922
LIABILITIES		
Accounts payable and accrued expenses	$ 138,381	$ 121,816
Current debt	187,144	—
Current lease liabilities	30,130	28,839
Accrued compensation	79,383	112,892
Deferred revenues	168,053	152,430
Current taxes payable	28,825	31,009
Dividends payable	39,589	37,265
Total current liabilities	671,505	484,251
Long-term debt	1,240,626	1,612,700
Deferred taxes	7,944	6,737
Deferred revenues, non-current	1,928	3,734
Taxes payable	36,748	30,344
Long-term lease liabilities	183,642	198,382
Other liabilities	6,904	6,844
TOTAL LIABILITIES	$ 2,149,297	$ 2,342,992
Commitments and contingencies (see Note 11)		
STOCKHOLDERS’ EQUITY		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none issued	$ —	$ —
Common stock, $0.01 par value; 150,000,000 shares authorized; 42,556,827 and 42,096,628 shares issued; 38,066,195 and 38,025,372 shares outstanding at May 31, 2024 and August 31, 2023, respectively	426	421
Additional paid-in capital	1,453,830	1,323,631
Treasury stock, at cost: 4,490,632 and 4,071,256 shares at May 31, 2024 and August 31, 2023, respectively	(1,309,684)	(1,122,077)
Retained earnings	1,838,478	1,505,096
Accumulated other comprehensive loss	(92,646)	(87,141)
TOTAL STOCKHOLDERS’ EQUITY	$ 1,890,404	$ 1,619,930

The accompanying notes are an integral part of these Consolidated Financial Statements.

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FactSet Research Systems Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS – Unaudited

(in thousands)	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 447,630	$ 403,054
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	91,154	78,681
Amortization of lease right-of-use assets	22,846	29,245
Stock-based compensation expense	46,707	44,365
Deferred income taxes	(6,979)	(12,716)
Asset impairments	1,063	1,167
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable, net of reserves	(7,176)	(37,879)
Accounts payable and accrued expenses	17,296	5,870
Accrued compensation	(33,329)	(39,935)
Deferred revenues	13,817	(3,861)
Taxes payable, net of prepaid taxes	(15,992)	19,112
Lease liabilities, net	(31,687)	(34,041)
Other, net	(8,173)	36,841
Net cash provided by operating activities	537,177	489,903
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, equipment, leasehold improvements and capitalized internal-use software	(59,722)	(61,421)
Purchases of investments	(44,936)	(10,889)
Net cash provided by (used in) investing activities	(104,658)	(72,310)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayments of debt	(187,500)	(312,500)
Dividend payments	(111,297)	(101,377)
Proceeds from employee stock plans	83,497	55,885
Repurchases of common stock	(171,918)	(67,092)
Other financing activities	(15,690)	(12,273)
Net cash provided by (used in) financing activities	(402,908)	(437,357)
Effect of exchange rate changes on cash and cash equivalents	(1,911)	3,118
Net increase (decrease) in cash and cash equivalents	27,700	(16,646)
Cash and cash equivalents at beginning of period	425,444	503,273
Cash and cash equivalents at end of period	$ 453,144	$ 486,627

The accompanying notes are an integral part of these Consolidated Financial Statements.

FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY- Unaudited

For the Three Months Ended May 31, 2024

(in thousands, except share data)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders’ Equity
Balance as of February 29, 2024	42,475,726	$ 425	$1,421,133	4,352,639	$(1,248,707)	$1,719,932	$ (91,029)	$ 1,801,754
Net income						158,135		158,135
Other comprehensive income (loss)							(1,617)	(1,617)
Common stock issued for employee stock plans	74,963	1	16,952	488	(223)			16,730
Vesting of restricted stock	6,138	—	—	2,355	(1,001)			(1,001)
Repurchases of common stock				135,150	(59,753)			(59,753)
Stock-based compensation expense			15,745					15,745
Dividends declared						(39,589)		(39,589)
Balance as of May 31, 2024	42,556,827	$ 426	$1,453,830	4,490,632	$(1,309,684)	$1,838,478	$ (92,646)	$ 1,890,404

For the Nine Months Ended May 31, 2024

(in thousands, except share data)	Common Stock Shares	Common Stock Par Value	Additional Paid-in Capital	Treasury Stock Shares	Treasury Stock Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders’ Equity
Balance as of August 31, 2023	42,096,628	$ 421	$1,323,631	4,071,256	$(1,122,077)	$1,505,096	$ (87,141)	$ 1,619,930
Net income						447,630		447,630
Other comprehensive income (loss)							(5,505)	(5,505)
Common stock issued for employee stock plans	372,311	4	83,493	831	(376)			83,121
Vesting of restricted stock	87,888	1	(1)	34,395	(15,313)			(15,313)
Repurchases of common stock				384,150	(171,918)			(171,918)
Stock-based								

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FactSet Research Systems Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS’ EQUITY- Unaudited

For the Three Months Ended May 31, 2023

	Common Stock			Treasury Stock				
(in thousands, except share data)	Shares	Par Value	Additional Paid-in Capital	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of February 28, 2023	41,949,883	$ 420	$1,261,452	3,636,175	$ (942,496)	$1,380,021	$ (92,243)	$ 1,607,154
Net income						134,663		134,663
Other comprehensive income (loss)							2,899	2,899
Common stock issued for employee stock plans	56,055	—	12,279	—	—			12,279
Vesting of restricted stock	3,161	—		1,239	(493)			(493)
Repurchases of common stock				165,950	(67,092)			(67,092)
Stock-based compensation expense			16,865					16,865
Dividends declared						(37,442)		(37,442)
Balance as of May 31, 2023	42,009,099	$ 420	$1,290,596	3,803,364	$(1,010,081)	$1,477,242	$ (89,344)	$ 1,668,833

For the Nine Months Ended May 31, 2023

	Common Stock			Treasury Stock				
(in thousands, except share data)	Shares	Par Value	Additional Paid-in Capital	Shares	Amount	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
Balance as of August 31, 2022	41,653,218	$ 417	$1,190,350	3,608,462	$ (930,715)	$1,179,739	$ (108,383)	$ 1,331,408
Net income						403,054		403,054
Other comprehensive income (loss)							19,039	19,039
Common stock issued for employee stock plans	283,021	2	55,881	410	(166)			55,717
Vesting of restricted stock	72,860	1		28,542	(12,108)			(12,107)
Repurchases of common stock				165,950	(67,092)			(67,092)

The accompanying notes are an integral part of these Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FactSet Research Systems Inc.
May 31, 2024
(Unaudited)

1. DESCRIPTION OF BUSINESS

FactSet Research Systems Inc. and its wholly-owned subsidiaries (collectively, "we," "our," "us," the "Company" or "FactSet") is a global financial digital platform and enterprise solutions provider with open and flexible technologies that drive the investment community to see more, think bigger and do its best work.

Our platform delivers expansive data, sophisticated analytics and flexible technology used by global financial professionals to power their critical investment workflows. As of May 31, 2024, we had more than 8,000 clients comprised of over 208,000 investment professionals, including institutional asset managers, bankers, wealth managers, asset owners, partners, hedge funds, corporate users and private equity and venture capital professionals. Our revenues are primarily derived from subscriptions to our multi-asset class data and solutions powered by our connected content, referred to as our "content refinery." Our products and services include workstations, portfolio analytics and enterprise solutions.

We drive our business based on our detailed understanding of our clients' workflows, which helps us to solve their most complex challenges. We provide financial data and market intelligence on securities, companies, industries and people to enable our clients to research investment ideas, as well as to analyze, monitor and manage their portfolios. Our on- and off-platform solutions span the investment life cycle of investment research, portfolio construction and analysis, trade execution, performance measurement, risk management and reporting. We provide open and flexible technology offerings, including a configurable desktop and mobile platform, comprehensive data feeds, cloud-based digital solutions and application programming interfaces ("APIs"). The CUSIP Global Services ("CGS") business supports security master files relied on by the investment industry for critical front, middle and back-office functions. These platforms and solutions are supported by our dedicated client service team.

We operate our business through three reportable segments ("segments"): the Americas, EMEA and Asia Pacific. During fiscal 2024, we revised our internal organization within each segment to offer data, products and analytical applications by firm type:

- "Institutional Buyside" focuses on asset managers, asset owners, and hedge fund companies,
- "Dealmakers" focuses on banking and sell-side research, corporate, and private equity and venture capital workflows,
- "Wealth" focuses on wealth management workflows, and
- "Partnerships and CGS": "Partnerships" delivers solutions to content providers, financial exchanges, and rating agencies. "CGS" is the exclusive issuer of Committee on Uniform Security Identification Procedures ("CUSIP") and CUSIP International Number System ("CINS") identifiers.

As our chief operating decision maker ("CODM") continues to review our business and operating results based on our three segments, the Americas, EMEA and Asia Pacific, the realignment of our internal organization by firm type will not impact our segments for fiscal 2024. Refer to Note 15, Segment Information, for further discussion on our segments and CODM.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

We conduct business globally and manage our business on a geographic basis. The accompanying unaudited Consolidated Financial Statements and Notes to the Consolidated Financial Statements included in this Quarterly Report on Form 10-Q are prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by GAAP for annual financial statements. As such, the information in this Quarterly Report on Form 10-Q should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended August 31, 2023. The accompanying unaudited Consolidated Financial Statements include our accounts and those of our wholly-owned subsidiaries; all intercompany activity and balances have been eliminated.

In the opinion of management, the accompanying unaudited Consolidated Financial Statements include all normal recurring adjustments, transactions or events discretely impacting the interim periods considered necessary to present fairly our results of operations, financial position, cash flows and equity.

Use of Estimates

The preparation of our Consolidated Financial Statements and related disclosures in conformity with GAAP required management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates may include income taxes, stock-based compensation, goodwill and intangible assets, business combinations, long-lived assets, contingencies and impairment assessments. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of our assets and liabilities. Actual results could differ materially from those estimates.

Concentrations of Credit Risk

Credit risk arises from the potential nonperformance by counterparties to fulfill their financial obligations. Our financial instruments that potentially subject us to concentrations of credit risk consist primarily of our cash and cash equivalents, accounts receivable, investments in mutual funds and derivative instruments. The maximum credit exposure of our cash and cash equivalents, accounts receivable and investments in mutual funds is their carrying values as of the balance sheet date. The maximum credit exposure related to our derivative instruments is based upon their respective gross fair values as of the balance sheet date.

Cash and Cash Equivalents and Investments
We are exposed to credit risk on our cash, cash equivalents and investments in mutual funds in the event of default by the governmental and financial institutions with which we transact. We invest in a manner that aligns with our restrictive cash investment practices, preserves capital and provides liquidity, while minimizing our exposure to credit risk. We limit our exposure to credit loss by investing with multiple governmental and financial institutions that we believe are high-quality and credit-worthy. We have not experienced any credit losses relating to our cash, cash equivalents and investments in mutual funds.

Accounts Receivable
Our accounts receivable credit risk is dependent upon the financial stability of our individual clients. As of May 31, 2024 and August 31, 2023, our accounts receivable reserve was $10.5 million and $7.8 million, respectively. We do not require collateral from our clients; however, no single client represented more than 3.5% of our total revenues in any period presented. Due to our large and geographically dispersed client base, our concentration of credit risk related to our accounts receivable is generally limited.

Derivative Instruments
Our use of derivative instruments exposes us to credit risk to the extent counterparties may be unable to meet the terms of their agreements. To mitigate credit risk, we limit counterparties to financial institutions we believe are credit-worthy and use several institutions to reduce concentration risk. We do not expect any losses as a result of default by our counterparties.

Concentrations of Data Providers

We integrate data from various third-party sources into our hosted proprietary data and analytics platform. As certain data sources have a limited number of suppliers, we make every effort to assure that, where reasonable, alternative sources are available. We are not dependent on any individual third-party data supplier to meet the needs of our clients, with only two data suppliers each representing more than 10% of our total data costs for the nine months ended May 31, 2024.

Concentrations of Cloud Providers

Our clients rely on us for the delivery of time-sensitive, up-to-date data and applications. Our business is dependent on our ability to process substantial volumes of data and transactions rapidly and efficiently. We currently use multiple providers of cloud services; however, one supplier provided the majority of our cloud computing support for the nine months ended May 31, 2024. We maintain back-up facilities and other redundancies at our data centers, take security measures and have emergency planning procedures to minimize the risk that an event will disrupt our operations.

Recently Adopted Accounting Pronouncements

We did not adopt any new standards or updates issued by the Financial Accounting Standards Board ("FASB") during the three and nine months ended May 31, 2024 that had a material impact on our Consolidated Financial Statements.

Accounting Pronouncements Not Yet Adopted

SEC Disclosures - The Enhancement and Standardization of Climate-Related Disclosures for Investors

In March 2024, the SEC adopted a final rule under SEC Release Nos. 33-11275 and 34-99678, The Enhancement and Standardization of Climate-Related Disclosures for Investors, which would require disclosure of certain climate-related information in various filings with the SEC. In April 2024, the SEC stayed implementation of the final rule pending completion of judicial review. We are currently assessing the potential impact of the rule on our disclosures.

Codification Improvements - Amendments to Remove References to the Concepts Statements

In March 2024, the FASB issued Accounting Standards Update ("ASU") 2024-02, Codification Improvements - Amendments to Remove References to the Concepts Statements. This ASU amends the FASB Accounting Standards Codification ("the Codification") to remove references to various FASB Concepts Statements and impacts a variety of topics in the Codification. The amendments apply to all reporting entities within the scope of the affected accounting guidance, but in most instances the references removed are extraneous and not required to understand or apply the guidance. The amendments in this ASU are to be applied prospectively, although retrospective application is permitted, and are effective for our interim and annual financial statements starting in fiscal 2026. Early adoption is permitted. This ASU is not expected to have a material impact on our Consolidated Financial Statements or related disclosures.

Income Taxes - Improvements to Income Tax Disclosures

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740) - Improvements to Income Tax Disclosures. This ASU enhances annual income tax disclosures primarily related to our effective tax rate reconciliation and income taxes paid. The amendments in this ASU are to be applied prospectively, although retrospective application is permitted, and are effective for our annual financial statements starting in fiscal 2026. Early adoption is permitted. This ASU is not expected to have a material impact on our Consolidated Financial Statements. We are currently assessing the impact of the new requirements on our disclosures.

Segment Reporting - Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280) - Improvements to Reportable Segment Disclosures. This ASU enhances segment disclosures primarily related to significant segment expenses for both interim and annual periods. The amendments in this ASU are to be applied retrospectively and are effective for our annual financial statements starting in fiscal 2025 and interim periods starting in fiscal 2026. Early adoption is permitted. This ASU is not expected to have a material impact on our Consolidated Financial Statements. We are currently assessing the impact of the new requirements on our disclosures.

Disclosure Improvements - Codification Amendment in Response to the Securities and Exchange Commission's ("SEC") Disclosure Update and Simplification Initiative

In October 2023, the FASB issued ASU 2023-06, Disclosure Improvements - Codification Amendment in Response to the SEC’s Disclosure Update and Simplification Initiative. The ASU incorporates several disclosure and presentation requirements currently residing in the SEC Regulations S-X and S-K. The amendments will be applied prospectively and are effective when the SEC removes the related requirements from Regulations S-X or S-K. Any amendments the SEC does not remove by June 30, 2027 will not be effective. As we are currently subject to these SEC requirements, this ASU is not expected to have a material impact on our Consolidated Financial Statements or related disclosures.

No other new accounting pronouncements issued or effective during the nine months ended May 31, 2024 have had, or are expected to have, a material impact on our Consolidated Financial Statements.

3. REVENUE RECOGNITION

We derive most of our revenues by providing client access to our multi-asset class solutions powered by our content refinery (referred to as the "Hosted Platform"). The Hosted Platform is a subscription-based service that provides client access to various combinations of products and services including workstations, portfolio analytics and enterprise solutions. We also derive revenues through the CGS platform, a subscription-based service that provides access to a database of universally recognized security identifiers and related descriptive data for issuers and their financial instruments (referred to as the "Identifier Platform").

The majority of each of our contracts with clients, whether for Hosted Platform or Identifier Platform services, represents a single performance obligation covering a series of distinct products and services that are substantially the same and that have the same pattern of transfer to the client. The primary nature of the promise to the client is to provide daily access to each of these data and analytics platforms over the associated contractual term. These platforms provide integrated financial information, analytical applications and industry-leading service for the investment community. Based on the nature of the services and products offered by these platforms, we apply an output time-based measure of progress as the client is simultaneously receiving and consuming the benefits of the respective platform. We recognize revenue for the majority of these platforms in accordance with the 'as invoiced' practical expedient, because the consideration that we have the right to invoice corresponds directly with the value of our performance to date. There are no significant judgments that would impact the timing of revenue recognition.

Due to our election of the practical expedient, we do not consider payment terms as a financing component within a client contract when, at contract inception, the period between the transfer of the promised services to the client and the payment timing for those services will be one year or less.

The majority of client contracts have a duration of one year, or the amount we are entitled to receive corresponds directly with the value of our performance obligations completed to date. Therefore, we do not disclose the value of the remaining unsatisfied performance obligations.

Disaggregated Revenues

We disaggregate revenues from our client contracts by segment based on our clients' respective geographic locations. Our business segmentation by geography is aligned with the operational and economic characteristics of our business. Refer to Note 15, Segment Information, for further information.

The following table presents revenues disaggregated by segment:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Americas	$ 356,468	$ 337,691	$ 1,057,453	$ 992,179
EMEA	141,279	137,973	420,016	401,219
Asia Pacific	54,961	54,147	163,400	156,313
Total Revenues	$ 552,708	$ 529,811	$ 1,640,869	$ 1,549,711

4. FAIR VALUE MEASURES

Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability (i.e., the "exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the use of various valuation methodologies, including market, income and cost approaches, are permissible. When pricing an asset or liability, the inputs to these valuation methodologies consider market comparable information, taking into account the principal or most advantageous market in which we would transact.

Fair Value Hierarchy

The accounting guidance for fair value measurements establishes a three-level fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy ranks the reliability of the inputs, based upon the lowest level of input that is significant to the fair value measurement, used to determine fair value. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect its placement within the fair value hierarchy. We have categorized our assets and liabilities within the fair value hierarchy as follows:

Level 1 – applies to assets or liabilities for which there are quoted prices in active markets for identical assets or liabilities.

Level 2 – applies to assets or liabilities for which there are inputs other than quoted prices that are observable for the asset or liability such as quoted prices for similar assets or liabilities in active markets; quoted prices for identical assets or liabilities in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which significant inputs are observable or can be derived principally from, or corroborated by, observable market data.

Level 3 – applies to assets or liabilities for which there are unobservable inputs to the valuation methodology that are significant to the measurement of the fair value of the assets or liabilities.

The assumptions used in determining fair value represent our best estimates, but these estimates involve inherent uncertainties and the application of our judgment. As a result, if factors change, our fair value estimates could be materially different in the future and may adversely affect our business and financial results.

(a) Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables show, by level within the fair value hierarchy, our assets and liabilities that are measured at fair value on a recurring basis as of May 31, 2024, and August 31, 2023. We did not have any transfers between levels of fair value measurements during the nine months ended May 31, 2024 and the fiscal year ended August 31, 2023.

	Fair Value Measurements as of May 31, 2024			
(in thousands)	Level 1	Level 2	Level 3	Total
Assets				
Money market funds[1]	$ 129,944	$ —	$ —	$ 129,944
Mutual funds[2]	—	68,890	—	68,890
Derivative instruments[3]	—	543	—	543
Total assets measured at fair value	$ 129,944	$ 69,433	$ —	$ 199,377
Liabilities				
Derivative instruments[3]	$ —	$ 1,069	$ —	$ 1,069
Contingent Liability[4]	—	—	8,431	8,431
Total liabilities measured at fair value	$ —	$ 1,069	$ 8,431	$ 9,500

(in thousands)	Fair Value Measurements as of August 31, 2023 Level 1	Level 2	Level 3	Total
Assets				
Money market funds[1]	$ 137,125	$ —	$ —	$ 137,125
Mutual funds[2]	—	32,210	—	32,210
Derivative instruments[3]	—	4,383	—	4,383
Total assets measured at fair value	$ 137,125	$ 36,593	$ —	$ 173,718
Liabilities				
Derivative instruments[3]	$ —	$ 608	$ —	$ 608
Contingent Liability[4]	—	—	8,008	8,008
Total liabilities measured at fair value	$ —	$ 608	$ 8,008	$ 8,616

(1) Our money market funds are readily convertible into cash. The net asset value of each fund on the last day of the reporting period is used to determine its fair value. Our money market funds are included in Cash and cash equivalents within the Consolidated Balance Sheets.

(2) Our mutual funds' fair value is based on the fair value of the underlying investments held by the mutual funds, allocated to each share of the mutual fund using a net asset value approach. The fair value of the underlying investments is based on observable inputs. Our mutual funds are included in Investments within the Consolidated Balance Sheets.

(3) Our derivative instruments include our foreign exchange forward contracts and interest rate swap agreements. We utilize the income approach to measure fair value for our foreign exchange forward contracts. The income approach uses pricing models that rely on market observable inputs such as spot, forward and interest rates, as well as credit default swap spreads. To estimate fair value for our interest rate swap agreement, we utilize a present value of future cash flows, leveraging a model-derived valuation that uses observable inputs such as interest rate yield curves. Refer to Note 5, Derivative Instruments, for more information on our derivative instruments and their classification within the Consolidated Balance Sheets.

(4) Our contingent liability resulted from the acquisition of a business during fiscal 2023. This liability reflects the present value of potential future payments that are contingent upon the achievement of certain specified milestones. The acquisition date fair value of the contingent liability was $7.9 million and was valued using a scenario-based method. This method incorporates unobservable inputs and assumptions made by management, including the probability of achieving specified milestones, expected time until payment and the discount rate. The fair value of the contingent liability is remeasured each reporting period until the contingency is resolved, with any changes in fair value recorded in Selling, general and administrative ("SG&A") within the Consolidated Statements of Income. The change in the fair value of the contingent liability from the acquisition date through May 31, 2024 was driven by the passage of time, with no changes made to key assumptions used in our fair value estimates.

(b) Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

Assets that are measured at fair value on a non-recurring basis primarily include our property, equipment and leasehold improvements ("PPE"), lease right-of-use ("ROU") assets, goodwill and intangible assets. These assets are assessed for impairment whenever events or circumstances indicate their carrying value may not be fully recoverable, and at least annually for goodwill. The fair values of these non-financial assets are determined based on valuation techniques using the best information available, and may include quoted market prices, market comparable information and discounted cash flow projections.

(c) Assets and Liabilities Measured at Fair Value for Disclosure Purposes Only

We elected not to carry our debt, which includes our Current debt and Long-term debt, at fair value on the Consolidated Balance Sheets. The carrying value of our debt is net of related unamortized discounts and debt issuance costs.

Our debt is comprised of our Senior Notes and 2022 Credit Facilities. Our Senior Notes are publicly traded; therefore, the fair value of our Senior Notes is estimated based on quoted prices in active markets as of the reporting date, which are considered Level 1 inputs. The fair value of our 2022 Credit Facilities is estimated based on quoted market prices for similar instruments, adjusted for unobservable inputs to ensure comparability to our investment rating, maturity terms and principal outstanding, which are considered Level 3 inputs. Refer to Note 10, Debt for definitions of and more information on our Senior Notes and 2022 Credit Facilities.

The following table summarizes information on our outstanding debt as of May 31, 2024 and August 31, 2023:

		May 31, 2024		August 31, 2023	
(in thousands)	Fair Value Hierarchy	Principal Amount	Estimated Fair Value	Principal Amount	Estimated Fair Value
2027 Notes	Level 1	$ 500,000	$ 467,050	$ 500,000	$ 460,890
2032 Notes	Level 1	500,000	431,280	500,000	423,700
2022 Term Facility	Level 3	187,500	188,102	375,000	376,406
2022 Revolving Facility	Level 3	250,000	249,560	250,000	246,875
Total principal amount		$1,437,500	$1,335,992	$1,625,000	$1,507,871
Total unamortized discounts and debt issuance costs		(9,730)		(12,300)	
Total net carrying value of debt		$1,427,770		$1,612,700	

5. DERIVATIVE INSTRUMENTS

Cash Flow Hedges

In designing our hedging approach, we consider several factors, including offsetting exposures, the significance of exposures, the forecasting of risk and the potential effectiveness of the hedge to reduce the volatility of our earnings and cash flows. Factors considered in the decision to hedge an underlying market exposure include the materiality of the risk, the volatility of the market, the duration of the hedge, the degree to which the underlying exposure is committed, and the availability, effectiveness and cost of derivative instruments.

We utilize derivative instruments to manage risk and not for speculative or trading purposes. We limit counterparties to financial institutions we believe are credit-worthy. Refer to Note 2, Summary of Significant Accounting Policies - Concentrations of Credit Risk, for further discussion on counterparty credit risk.

We leverage foreign currency forward contracts and interest rate swap agreements to mitigate certain operational exposures from the impact of changes in foreign currency exchange rates and to manage our floating interest rate exposure, respectively. Our foreign currency forward contracts and interest rate swap agreements are designated as cash flow hedges at inception. Our cash flow hedges were highly effective with no amount of ineffectiveness recorded in the Consolidated Statements of Income during the nine months ended May 31, 2024 and May 31, 2023. All components of each derivative’s gain or loss were included in the assessment of hedge effectiveness.

For highly effective cash flows hedges, the change in the derivative's fair value is recorded in Accumulated Other Comprehensive Loss ("AOCL"), net of tax, in the Consolidated Balance Sheets. Realized gains or losses from the settlement of our foreign currency forward contracts and interest rate swap agreements are subsequently reclassified into SG&A and Interest expense, respectively, in the Consolidated Statements of Income. There was no discontinuance of our cash flow hedges during the nine months ended May 31, 2024 and May 31, 2023, and as such, no corresponding gains or losses related to changes in the value of our contracts were reclassified into earnings prior to settlement.

Foreign Currency Forward Contracts

As we operate globally, we are exposed to the risk that our financial condition, results of operations and cash flows could be impacted by changes in foreign currency exchange rates. As of May 31, 2024, we maintained a series of foreign currency forward contracts to hedge a portion of our primary currency exposures, namely the British Pound Sterling, Indian Rupee, Euro and Philippine Peso. We entered into these contracts with the intent to hedge between 25% to 75% of the currency exposure related to our projected operating income in these primary currencies over their respective hedge periods. The hedge maturity periods range from the fourth quarter of fiscal 2024 through the third quarter of fiscal 2025.

The following table summarizes the gross notional value of our foreign currency forward contracts to purchase the respective local currency with U.S. dollars as of May 31, 2024 and August 31, 2023:

(in thousands)	May 31, 2024 Local Currency Amount	May 31, 2024 Notional Contract Amount (USD)	August 31, 2023 Local Currency Amount	August 31, 2023 Notional Contract Amount (USD)
Indian Rupee	Rs 4,481,555	$ 53,400	Rs 3,363,150	$ 40,300
British Pound Sterling	£ 41,500	52,403	£ 45,000	56,098
Euro	€ 44,200	48,429	€ 39,000	42,646
Philippine Peso	₱ 1,874,172	32,900	₱ 1,888,541	33,600
Total		$ 187,132		$ 172,644

Refer to Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q for further discussion of our exposure to foreign exchange rate fluctuations.

Interest Rate Swap Agreements

2024 Swap Agreement

On March 1, 2024, we entered into an interest rate swap agreement ("2024 Swap Agreement") with a notional amount of $200.0 million to hedge a portion of our outstanding floating Secured Overnight Financing Rate ("SOFR") debt with a fixed interest rate of 5.145%. The notional amount of the 2024 Swap Agreement declines by $50.0 million on a quarterly basis beginning May 31, 2024 and matures on February 28, 2025. As of May 31, 2024, the notional amount of the 2024 Swap Agreement was $150.0 million.

2022 Swap Agreement

On March 1, 2022, we entered into an interest rate swap agreement ("2022 Swap Agreement") with a notional amount of $800.0 million to hedge a portion of our outstanding floating SOFR debt with a fixed interest rate of 1.162%. The notional amount of the 2022 Swap Agreement declined by $100.0 million on a quarterly basis beginning May 31, 2022. Effective December 30, 2022, we partially novated our 2022 Swap Agreement to equally apportion the then outstanding notional amount of the interest rate swap between two counterparties. No other terms of the 2022 Swap Agreement were amended, terminated, or otherwise modified prior to its maturity. The 2022 Swap Agreement matured on February 28, 2024.

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Refer to Note 10, Debt, for further discussion of our outstanding floating SOFR debt and refer to Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q for further discussion of our exposure to interest rate risk on our variable interest rate debt outstanding.

Gross Notional Value and Fair Value of Derivative Instruments

The following is a summary of the gross notional values of our derivative instruments:

	Gross Notional Value	
(in thousands)	May 31, 2024	August 31, 2023
Foreign currency forward contracts	$ 187,132	$ 172,644
Interest rate swap agreement	150,000	200,000
Total cash flow hedges	$ 337,132	$ 372,644

The following is a summary of the fair values of our derivative instruments:

	Fair Value of Derivative Instruments					
(in thousands)	Derivative Assets			Derivative Liabilities		
Derivatives designated as hedging instruments	Balance Sheet Classification	May 31, 2024	August 31, 2023	Balance Sheet Classification	May 31, 2024	August 31, 2023
Foreign currency forward contracts	Prepaid expenses and other current assets	$ 482	$ 1,260	Accounts payable and accrued expenses	$ 1,069	$ 608
Interest rate swap agreement	Prepaid expenses and other current assets	61	3,123	Accounts payable and accrued expenses	—	—
Total cash flow hedges		$ 543	$ 4,383		$ 1,069	$ 608

Derivative Recognition

The following table provides the pre-tax effect of cash flow hedge accounting on our AOCL for the three months ended May 31, 2024 and May 31, 2023:

(in thousands)	Gain (Loss) Recognized in AOCL on Derivatives			Gain (Loss) Reclassified from AOCL into Income	
	May 31,			May 31,	
Derivatives in Cash Flow Hedging Relationships	2024	2023	Location of Gain (Loss) Reclassified from AOCL into Income	2024	2023
Foreign currency forward contracts	$ (1,033)	$ 919	SG&A	$ (518)	$ (230)
Interest rate swap agreement	124	(172)	Interest expense	63	3,725
Total cash flow hedges	$ (909)	$ 747		$ (455)	$ 3,495

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The following table provides the pre-tax effect of cash flow hedge accounting on our AOCL for the nine months ended May 31, 2024 and May 31, 2023:

(in thousands)	Gain (Loss) Reclassified in AOCL on Derivatives			Gain (Loss) Reclassified from AOCL into Income	
	May 31,			May 31,	
Derivatives in Cash Flow Hedging Relationships	2024	2023	Location of Gain (Loss) Reclassified from AOCL into Income	2024	2023
Foreign currency forward contracts	$ (1,439)	$ 4,027	SG&A	$ (200)	$ (5,474)
Interest rate swap agreement	151	4,104	Interest expense	3,213	10,567
Total cash flow hedges	$ (1,288)	$ 8,131		$ 3,013	$ 5,093

As of May 31, 2024, we estimate that net pre-tax derivative losses of $0.5 million included in AOCL will be reclassified into earnings within the next 12 months.

Offsetting of Derivative Instruments

We enter into master netting arrangements designed to permit net settlement of derivative transactions among the respective counterparties, settled on the same date and in the same currency. As of May 31, 2024 and August 31, 2023, there were no material amounts recorded net in the Consolidated Balance Sheets.

6. GOODWILL

Changes in the carrying value of goodwill by segment for the nine months ended May 31, 2024 are as follows:

(in thousands)	Americas	EMEA	Asia Pacific	Total
Balance at August 31, 2023	$ 704,759	$ 297,734	$ 2,243	$1,004,736
Acquisitions	(305)	—	—	(305)
Foreign currency translations	—	486	(168)	318
Balance at May 31, 2024	$ 704,454	$ 298,220	$ 2,075	$1,004,749

Goodwill is not amortized as it is estimated to have an indefinite life. Goodwill impairment is tested at the reporting unit level, which is consistent with our reportable segments. We test goodwill annually during the fourth quarter of each fiscal year or more frequently if events and circumstances occur indicating that it is more likely than not that the fair value of any one of our reporting units is less than its respective carrying value. If the carrying value of the reporting unit exceeds the fair value, then the goodwill is considered impaired and written down to the reporting unit’s fair value.

We tested our goodwill for impairment during the fourth quarter of fiscal 2023 utilizing a quantitative analysis, bypassing the optional qualitative assessment. We concluded there was no impairment as the fair value of each of our reporting units exceeded its carrying value. No events or circumstances were identified during the nine months ended May 31, 2024 that would indicate it is more likely than not that goodwill has been impaired.

7. INTANGIBLE ASSETS

We amortize intangible assets on a straight line basis over their estimated useful lives. The following table presents the estimated useful life, gross carrying amounts and accumulated amortization totals related to our identifiable intangible assets as of May 31, 2024 and August 31, 2023:

	May 31, 2024				August 31, 2023		
(in thousands, except useful lives)	Estimated Useful Life (years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
ABA business process	36	$1,583,000	$ 98,938	$1,484,062	$1,583,000	$ 65,958	$1,517,042
Client relationships	11 to 26	265,356	77,430	187,926	265,315	68,701	196,614
Developed technology	3 to 5	163,037	56,429	106,608	109,222	45,560	63,662
Data content(1)	7 to 20	81,583	36,842	44,741	81,021	33,108	47,913
Software technology	3 to 10	142,550	114,716	27,834	142,395	108,702	33,693
Non-compete agreements	4	290	66	224	290	12	278
Total		$2,235,816	$ 384,421	$1,851,395	$2,181,243	$ 322,041	$1,859,202

(1) As of May 31, 2024, we combined our Data content and Acquired databases intangible assets together, currently presented as Data content. We conformed the comparative figures as of August 31, 2023 to the current period's presentation.

The weighted average useful life of our intangible assets as of May 31, 2024 was 32.0 years. Intangible assets are tested for impairment qualitatively on a quarterly basis or whenever events or changes in circumstances indicate that the carrying amount of an asset group is not recoverable. If indicators of impairment are present, our intangible assets are tested for impairment by comparing the carrying value to undiscounted cash flows and, if impaired, written down to fair value based on discounted cash flows. We did not identify a material impairment nor a material change to the estimated remaining useful lives of our intangible assets during the nine months ended May 31, 2024 and May 31, 2023. Our intangible assets have no assigned residual values.

The following table presents the amortization expense for our intangible assets which is included in Cost of services in our Consolidated Statements of Income:

(in thousands)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023
Amortization expense	$ 27,394	$ 21,954	$ 76,247	$ 65,390

As of May 31, 2024, estimated intangible asset amortization expense for each of the next five years and thereafter is as follows:

(in thousands)

Years Ended August 31,	Estimated Amortization Expense
2024 (remaining three months)	$ 27,811
2025	108,800
2026	101,158
2027	76,208
2028	63,690
Thereafter	1,473,728
Total	$ 1,851,395

8. INCOME TAXES

We are subject to taxation in the United States and various foreign jurisdictions in which we conduct our business. Income tax expense is based on taxable income determined in accordance with current enacted laws and tax rates. Deferred income taxes are recorded for the temporary differences between the financial statement carrying amounts and the tax basis of our assets and liabilities using currently enacted tax rates.

Income Taxes Provision and Effective Tax Rate

The provision for income taxes and the effective tax rate are as follows:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Income before income taxes	$ 190,532	$ 161,998	$ 534,373	$ 476,645
Provision for income taxes	$ 32,397	$ 27,335	$ 86,743	$ 73,591
Effective tax rate	17.0 %	16.9 %	16.2 %	15.4 %

Our provision for income taxes for interim periods is calculated by applying an estimate of our annual effective tax rate to our quarter and year-to-date results, adjusted for discrete items recorded in the period. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pretax income (or loss) for the year, projections of the proportion of income (or loss) earned and taxed in foreign jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets, then adjusted for any discrete items. On a quarterly basis, we update the estimate of our annual effective tax rate as new events occur, assumptions change, or additional information is obtained.

Our effective tax rate of 17.0% for the three months ended May 31, 2024 was relatively flat compared with 16.9% for the three months ended May 31, 2023. This was primarily due to higher pretax income, which reduced the effective tax rate impact of certain tax benefits, offset by increased utilization of foreign tax credits and excess tax benefits from stock-based compensation.

Our effective tax rate for the nine months ended May 31, 2024 was 16.2%, compared with 15.4% for the nine months ended May 31, 2023. This increase was primarily due to higher pretax income, which reduced the effective tax rate impact of certain tax benefits, partially offset by increased utilization of foreign tax credits.

For the periods presented, our effective tax rates differ from the U.S. corporate income tax rate primarily due to the impact of research and development ("R&D") credits, the foreign derived intangible income ("FDII") deduction, excess tax benefits from stock-based compensation and utilization of foreign tax credits, partially offset by our net state income taxes.

Undistributed Foreign Earnings

We permanently reinvest all foreign undistributed earnings, except in jurisdictions where earnings can be repatriated substantially free of tax. It is not practicable to determine the deferred tax liability that would be payable if these earnings were repatriated to the U.S.

Inflation Reduction Act of 2022

On August 16, 2022, the Inflation Reduction Act ("IRA") was signed into law. The IRA contains several revisions to the Internal Revenue Code effective for taxable years beginning after December 31, 2022, including a 15% minimum income tax on certain large corporations. We do not expect this revision to have a material impact on our Consolidated Financial Statements.

9. LEASES

Our lease portfolio is primarily related to our office space, under various operating lease agreements. We review new arrangements at inception to evaluate whether we obtain substantially all the economic benefits of and have the right to control the use of an asset. Our lease ROU assets and lease liabilities are recognized based on the present value of future minimum lease payments at lease commencement (which includes fixed lease payments and certain qualifying index-based variable payments) over the reasonably certain lease term, leveraging an estimated incremental borrowing rate ("IBR"). Certain adjustments to calculate our lease ROU assets may be required due to prepayments, lease incentives received and initial direct costs incurred. We account for lease and non-lease components as a single lease component, which we recognize over the expected lease term on a straight-line expense basis in occupancy costs (a component of SG&A expense) in our Consolidated Statements of Income.

As of May 31, 2024, we recognized $137.2 million of Lease ROU assets, net and $213.8 million of combined Current lease liabilities and Long-term lease liabilities in the Consolidated Balance Sheets. Our leases have a remaining lease term ranging from less than one year to just under 12 years. Our lease agreements may include options to extend or terminate the lease which are included in the measurement of our lease term when it is reasonably certain that we will exercise the option.

The following table presents our future minimum lease payments and a reconciliation to the combined Current lease liabilities and Long-term lease liabilities in the Consolidated Balance Sheets as of May 31, 2024:

(in thousands)

Years Ended August 31,		Minimum Lease Payments
2024 (remaining three months)	$	9,767
2025		39,276
2026		39,103
2027		37,886
2028		33,359
Thereafter		89,814
Total minimum lease payments	$	249,205
Less: Imputed interest		35,433
Total lease liabilities	$	213,772

The following table includes components of our occupancy costs:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Operating lease costs[1]	$ 7,583	$ 8,170	$ 22,846	$ 24,403
Variable lease costs[2]	$ 3,740	$ 4,645	$ 13,046	$ 12,699

(1) Operating lease costs include costs associated with fixed lease payments and index-based variable payments that qualified for lease accounting under ASC 842, Leases and complied with the practical expedients and exceptions we elected.

(2) Variable lease costs include costs that were not fixed at the lease commencement date and are not dependent on an index or rate. These costs were not included in the measurement of lease liabilities and primarily include variable non-lease costs, such as utilities, real estate taxes, insurance and maintenance, as well as lease costs for those leases that qualified for the short-term lease exception.

The following table summarizes our weighted average remaining lease term and weighted average discount rate related to our operating leases recorded on the Consolidated Balance Sheets:

	As of May 31, 2024	As of August 31, 2023
Weighted average remaining lease term (in years)	7.1	7.8
Weighted average discount rate (IBR)	4.6 %	4.5 %

The following table summarizes supplemental cash flow information related to our operating leases:

(in thousands)	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023
Cash paid for amounts included in the measurement of lease liabilities	$ 29,579	$ 29,245
Lease ROU assets obtained in exchange for lease liabilities[(1)]	$ 10,183	$ 13,872
Reductions to ROU assets resulting from reductions to lease liabilities[(2)]	$ (281)	$ —

(1) Primarily includes new lease arrangements entered into during the respective period and contract modifications that extend our lease terms and/or provide additional rights.

(2) Primarily relates to lease term reassessments based on contractual options to early terminate, resulting in a reduction to the lease liability and the corresponding lease ROU asset.

10. DEBT

We elected not to carry our debt at fair value. The carrying value of our debt is net of related unamortized discounts and debt issuance costs. Our debt obligations as of May 31, 2024 and August 31, 2023 consisted of the following:

(in thousands)	Issuance Date	Contractual Maturity Date	May 31, 2024	August 31, 2023
Current debt				
2022 Term Facility	3/1/2022	3/1/2025	$ 187,500	$ —
Total unamortized debt issuance costs on Current debt			(356)	—
Total Current debt			$ 187,144	$ —
Long-term debt				
2022 Term Facility	3/1/2022	3/1/2025	$ —	$ 375,000
2022 Revolving Facility	3/1/2022	3/1/2027	250,000	250,000
2027 Notes	3/1/2022	3/1/2027	500,000	500,000
2032 Notes	3/1/2022	3/1/2032	500,000	500,000
Total unamortized discounts and debt issuance costs			(9,374)	(12,300)
Total Long-term debt			$ 1,240,626	$ 1,612,700
Total debt			$ 1,427,770	$ 1,612,700

As of May 31, 2024, annual maturities on our debt obligations, based on contractual maturity date, were as follows:

(in thousands) Years Ended August 31,		Maturities
2024 (remaining three months)	$	—
2025		187,500
2026		—
2027		750,000
2028		—
Thereafter		500,000
Total	$	1,437,500

2022 Credit Agreement

On March 1, 2022, we entered into a credit agreement (the "2022 Credit Agreement") and borrowed an aggregate principal amount of $1.0 billion under its senior unsecured term loan credit facility (the "2022 Term Facility") and $250.0 million of the available $500.0 million under its senior unsecured revolving credit facility (the "2022 Revolving Facility" and, together with the 2022 Term Facility, the "2022 Credit Facilities"). The 2022 Term Facility matures on March 1, 2025, and the 2022 Revolving Facility matures on March 1, 2027. The 2022 Revolving Facility allows for the availability of up to $100.0 million in the form of letters of credit and up to $50.0 million in the form of swingline loans. We may seek additional commitments under the 2022 Revolving Facility from lenders or other financial institutions up to an aggregate principal amount of $750.0 million.

We used these borrowings, along with the net proceeds from the issuance of the Senior Notes (as defined below) and cash on hand, to finance the consideration for the CGS acquisition, to repay prior outstanding borrowings and to pay related transaction fees, costs and expenses.

During fiscal 2022, we incurred approximately $9.5 million in debt issuance costs related to the 2022 Credit Facilities. Debt issuance costs are presented in the Consolidated Balance Sheets as a direct deduction from the carrying amount of the debt liability. Debt issuance costs are amortized to Interest expense in the Consolidated Statements of Income on a straight-line basis over the contractual term of the debt, which approximates the effective interest method.

We may voluntarily prepay loans under the 2022 Credit Facilities at any time without premium or penalty. During the three and nine months ended May 31, 2024, we repaid $62.5 million and $187.5 million, respectively, under the 2022 Term Facility, inclusive of voluntary prepayments of $50.0 million and $150.0 million, respectively. Since loan inception on March 1, 2022, we have repaid $812.5 million under the 2022 Term Facility, inclusive of voluntary prepayments of $712.5 million.

From the borrowing date through November 30, 2023, the outstanding borrowings under the 2022 Credit Facilities bore interest at a rate equal to the applicable one-month Term SOFR plus a 1.1% spread (comprised of a 1.0% interest rate margin based on a debt leverage pricing grid plus a 0.1% credit spread adjustment). From December 1, 2023 through May 31, 2024, the spread decreased to 0.975% (comprised of a 0.875% interest rate margin based on a debt leverage pricing grid plus a 0.1% credit spread adjustment). Interest on the 2022 Credit Facilities is currently payable on the last business day of each month, in arrears.

Additionally, we pay a commitment fee on the daily unused amount of the 2022 Revolving Facility using a pricing grid based on our senior unsecured non-credit enhanced long-term debt rating and our total leverage ratio. From the borrowing date through November 30, 2023, the commitment fee was 0.125%, which subsequently decreased to 0.1% through May 31, 2024.

The 2022 Credit Agreement contains usual and customary event of default provisions for facilities of this type, which are subject to usual and customary grace periods and materiality thresholds. If an event of default occurs under the 2022 Credit Agreement, the lenders may, among other things, terminate their commitments and declare all outstanding borrowings immediately due and payable.

The 2022 Credit Agreement contains usual and customary affirmative and negative covenants for facilities of this type, including a financial covenant requiring maintenance of a total leverage ratio of no greater than 3.75 to 1.00 as of May 31, 2024. We were in compliance with all covenants and requirements of the 2022 Credit Agreement as of May 31, 2024.

Swap Agreements

2024 Swap Agreement

On March 1, 2024, we entered into the 2024 Swap Agreement to hedge a portion of our outstanding floating SOFR debt with a fixed interest rate of 5.145%.

2022 Swap Agreement

On March 1, 2022, we entered into the 2022 Swap Agreement to hedge a portion of our outstanding floating SOFR debt with a fixed interest rate of 1.162%. Effective December 30, 2022, we apportioned the then outstanding notional amount of the 2022 Swap Agreement between two counterparties. The 2022 Swap Agreement matured on February 28, 2024.

Refer to Note 5, Derivative Instruments for further discussion of the 2022 Swap Agreement and the 2024 Swap Agreement.

Senior Notes

On March 1, 2022, we completed a public offering of $500.0 million aggregate principal amount of 2.900% Senior Notes due March 1, 2027 (the "2027 Notes") and $500.0 million aggregate principal amount of 3.450% Senior Notes due March 1, 2032 (the "2032 Notes" and, together with the 2027 Notes, the "Senior Notes"). The Senior Notes were issued pursuant to an indenture, dated as of March 1, 2022, by and between us and U.S. Bank Trust Company, National Association, as trustee (the

"Trustee"), as supplemented by the supplemental indenture, dated as of March 1, 2022, between us and the Trustee (the "Supplemental Indenture").

The Senior Notes were issued at an aggregate discount of $2.8 million and we incurred approximately $9.1 million in debt issuance costs. Debt discounts and debt issuance costs are presented in the Consolidated Balance Sheets as a net direct deduction from the carrying amount of the debt liability. The debt discounts and debt issuance costs are amortized to Interest expense in the Consolidated Statements of Income over the contractual term of the debt, leveraging the effective interest method.

Interest on the Senior Notes is payable semiannually in arrears on March 1 and September 1 of each year.

We may redeem the Senior Notes, in whole or in part, at any time at specified redemption prices, plus any accrued and unpaid interest. Upon the occurrence of a change of control triggering event (as defined in the Supplemental Indenture), we must offer to repurchase the Senior Notes at 101% of their principal amount, plus any accrued and unpaid interest.

Interest Expense

The following table presents the interest expense on our outstanding debt which is a component of Interest expense in our Consolidated Statements of Income:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Interest expense on outstanding debt[1]	$ 16,558	$ 16,345	$ 49,876	$ 49,601

(1) Interest expense on our outstanding debt includes the related amortization of debt issuance costs and debt discounts. Interest expense is net of the effects of our interest rate swap agreements.

11. COMMITMENTS AND CONTINGENCIES

Commitments represent obligations, such as those for future purchases of goods or services, that are not yet recorded on the balance sheet as liabilities. We record liabilities for commitments when incurred (i.e., when the goods or services are received).

Except for income tax contingencies, we accrue for contingencies when we believe that a loss is probable, and the amount can be reasonably estimated. Judgment is required to determine both the probability and the estimated amount of loss. If the reasonable estimate of a probable loss is a range, we record the most probable estimate of the loss, or the minimum amount when no amount within the range is a better estimate than any other amount. We review accruals on a quarterly basis and adjust, as necessary, to reflect the impact of negotiations, settlements, rulings, advice of legal counsel and other current information. Contingent gains are recognized only when realized.

Income tax contingencies related to uncertain tax positions are accounted for in accordance with applicable accounting guidance. Refer to Note 2, Summary of Significant Accounting

Policies - Income Taxes in the Notes to the Consolidated Financial Statements included in Part II, Item 8. of our Annual Report on Form 10-K for the fiscal year ended August 31, 2023 for further details.

Purchase Commitments with Suppliers and Vendors

Purchase obligations represent our legally-binding agreements to purchase fixed or minimum quantities at determinable prices. As of August 31, 2023, we had total purchase obligations with suppliers of $362.2 million. Our total purchase obligations as of August 31, 2023 primarily related to hosting services, acquisition of data, and, to a lesser extent, third-party software providers. Hosting services support our hybrid cloud strategy, which relies in large part on third-party hosting providers. Data is an integral component of the value we provide to our clients. Our commitments to third-party software providers mainly include internal-use software licenses. For the nine months ended May 31, 2024, there were no material changes to our purchase obligations.

We also have contractual obligations related to our lease liabilities and outstanding debt. Refer to Note 9, Leases and Note 10, Debt for information regarding lease commitments and outstanding debt obligations, respectively.

Capital Commitments

As of May 31, 2024 and August 31, 2023, we had outstanding capital commitments related to an investment of $0.6 million and $0.7 million, respectively.

Letters of Credit

From time to time, we are required to obtain letters of credit in the ordinary course of business. As of May 31, 2024 and August 31, 2023, we had $0.4 million and $0.6 million of standby letters of credit outstanding, respectively. No liabilities related to these arrangements are reflected in the Consolidated Balance Sheets.

Our 2022 Revolving Facility allows for the availability of up to $100.0 million in the form of letters of credit. We have not obtained any letters of credit under the 2022 Revolving Facility since its inception. Refer to Note 10, Debt, for information regarding the 2022 Revolving Facility.

Contingencies

Legal Matters

We are engaged in various legal proceedings, claims and litigation that have arisen in the ordinary course of business. The outcome of all the matters against us are subject to future resolution, including the uncertainties of litigation. Based on information available at May 31, 2024, our management believes that the ultimate outcome of these unresolved matters against us, individually or in the aggregate, will not have a material adverse effect on our consolidated financial position, our results of operations or our cash flows.

Income Taxes

As a multinational company operating in many states and countries, we are routinely audited by various taxing authorities and have reserved for potential adjustments to our provision for income taxes that may result from examinations by, or any negotiated settlements with, these tax authorities. We believe that the final outcome of these examinations or settlements will not have a material effect on our consolidated financial position, results of operations or our cash flows. If events occur which indicate payment of these amounts is unnecessary, the reversal of the liabilities would result in the recognition of tax benefits in the period we determine the liabilities are no longer necessary. If our estimates of the federal, state and foreign income tax liabilities are less than the ultimate assessment, additional expense would result.

Sales Tax Matters

On August 8, 2019, we received a Notice of Intent to Assess (the "First Notice") additional sales taxes, interest and underpayment penalties (the "Sales Taxes") from the Commonwealth of Massachusetts Department of Revenue (the "Commonwealth") relating to the tax periods from January 1, 2006 through December 31, 2013. On July 20, 2021, we received a Notice of Intent to Assess (the "Second Notice") additional Sales Taxes from the Commonwealth relating to the tax periods from January 1, 2014 through December 31, 2018. On December 29, 2022, we received a Notice of Intent to Assess (the "Third Notice"; cumulatively with the First and Second Notices, the "Notices") additional Sales Taxes from the

Commonwealth relating to the tax periods from January 1, 2019 through June 30, 2021. We requested pre-assessment conferences with the Department of Revenue's Office of Appeals to appeal the Notices, and on May 24, 2023, we received a Letter of Determination from the Commonwealth upholding the Notices, along with a Notice of Assessment for all the periods covered by the Notices. On June 22, 2023, we filed an Application for Abatement with the Commonwealth disputing all amounts assessed, which was subsequently denied. On February 20, 2024, we received a “Notice of Selection for Audit” for sales tax for the period from July 1, 2021 through December 31, 2023. We have filed petitions with the Appellate Tax Board to appeal all amounts assessed by the Commonwealth and believe that we will ultimately prevail; however, if we do not prevail, the amount of these assessments could have a material impact on our consolidated financial position, results of operations and cash flows.

We have concluded that some payment to the Commonwealth is probable. We have recorded an accrual which is not material to our Consolidated Financial Statements. While we believe that the assumptions and estimates used to determine the accrual are reasonable, future developments could result in adjustments being made to this accrual.

Indemnifications

As permitted or required under Delaware law and to the maximum extent allowable under that law, we have certain obligations to indemnify each of our current and former officers and directors for certain events or occurrences while the officer or director is, or was, serving at our request in such capacity. These indemnification obligations are valid as long as the director or officer acted in good faith and in a manner the person reasonably believed to be in, or not opposed to, the best interests of FactSet, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. It is not possible to determine the maximum potential amount for claims made under the indemnification obligations due to the unique set of facts and circumstances likely to be involved in each particular claim and indemnification provision; however, we have purchased a director and officer insurance policy that mitigates our exposure and may enable us to recover a portion of any future amounts paid. We do not believe, based on historical experience and information currently available, that it is probable that any material amounts will be required to be paid under such indemnification obligations.

12. STOCKHOLDERS' EQUITY

The following table presents the shares of common stock repurchased under our share repurchase program and acquired from holders of our stock-based awards upon vesting to satisfy tax withholding requirements:

Share Repurchases

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands, except share data)	2024	2023	2024	2023
Repurchases of common stock under the share repurchase program	135,150	165,950	384,150	165,950
Total cost of common stock repurchased under the share repurchase program	$ 59,753	$ 67,092	$ 171,918	$ 67,092
Repurchases of common stock to satisfy tax withholding requirements due upon vesting of stock-based awards	2,843	1,239	35,226	28,952
Total cost of repurchases of common stock to satisfy withholding requirements due upon vesting of stock-based awards	$ 1,224	$ 493	$ 15,689	$ 12,274

We may repurchase shares of our common stock under our share repurchase program from time-to-time in the open market or via privately negotiated transactions, subject to market conditions. We suspended our share repurchase program beginning in the second quarter of fiscal 2022, with the exception of potential minor repurchases to offset dilution from grants of equity awards or repurchases to satisfy withholding tax obligations due upon the vesting of stock-based awards, to prioritize the repayment of debt under the 2022 Credit Facilities. We resumed our share repurchase program in the third quarter of fiscal 2023.

There is no defined number of shares to be repurchased over a specified timeframe through the life of our share repurchase program. As of May 31, 2024, $128.1 million remained authorized under our share repurchase program for future share repurchases. Refer to Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds, of this Quarterly Report on Form 10-Q for further discussion on our share repurchase program.

In addition to our share repurchase program, we also acquire shares of our common stock from holders of our stock-based awards to satisfy withholding tax requirements due at vesting. Shares acquired from these holders do not reduce the amount authorized for repurchase under the share repurchase program.

Equity-based Awards

Refer to Note 14, Stock-Based Compensation for more information on equity awards issued during the nine months ended May 31, 2024 and May 31, 2023.

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Dividends

Our Board of Directors approved the following dividends:

Year Ended	Dividends per Share of Common Stock	Record Date	Total Amount (in thousands)	Payment Date
Fiscal 2024				
First Quarter	$ 0.98	November 30, 2023	$ 37,299	December 21, 2023
Second Quarter	$ 0.98	February 29, 2024	$ 37,360	March 21, 2024
Third Quarter	$ 1.04	May 31, 2024	$ 39,589	June 20, 2024
Fiscal 2023				
First Quarter	$ 0.89	November 30, 2022	$ 34,010	December 15, 2022
Second Quarter	$ 0.89	February 28, 2023	$ 34,099	March 16, 2023
Third Quarter	$ 0.98	May 31, 2023	$ 37,442	June 15, 2023

In the third quarter of fiscal 2024, our Board of Directors approved a 6% increase in the regular quarterly dividend from $0.98 to $1.04 per share. Future cash dividend payments are subject to final determination by our Board of Directors and will depend on our earnings, capital requirements, financial condition and other relevant factors.

Accumulated Other Comprehensive Loss

The components of AOCL as of May 31, 2024 and August 31, 2023 were as follows:

(in thousands)	May 31, 2024	August 31, 2023
Accumulated unrealized gains (losses) on cash flow hedges, net of tax	$ (295)	$ 2,880
Accumulated foreign currency translation adjustments	(92,351)	(90,021)
Total AOCL	$ (92,646)	$ (87,141)

13. EARNINGS PER SHARE

Basic earnings per common share ("Basic EPS") is computed by dividing net income by the number of weighted average common shares outstanding during the period. Diluted earnings per common share ("Diluted EPS") is calculated by using the treasury stock method which assumes the issuance of common stock for all potentially dilutive stock-based awards.

A reconciliation of the weighted average shares outstanding used in the Basic EPS and Diluted EPS computation is as follows:

(in thousands, except per share data)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023
Numerator				
Net income used for calculating Basic EPS and Diluted EPS	$ 158,135	$ 134,663	$ 447,630	$ 403,054
Denominator				
Weighted average common shares used in the calculation of Basic EPS	38,089	38,278	38,069	38,227
Common stock equivalents associated with stock-based compensation plan	551	634	575	709
Shares used in the calculation of Diluted EPS	38,640	38,912	38,644	38,936
Basic EPS	$ 4.15	$ 3.52	$ 11.76	$ 10.54
Diluted EPS	$ 4.09	$ 3.46	$ 11.58	$ 10.35

The following table presents the potential common shares that were excluded from Diluted EPS as they relate to stock-based awards that were antidilutive or subject to performance conditions for which the necessary conditions have not been satisfied by the end of the reporting period:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Stock options	763	583	255	583
Restricted stock units and Performance share units	93	93	95	93

14. STOCK-BASED COMPENSATION

Our stock-based awards include stock options, restricted stock units ("RSUs"), performance share units ("PSUs") and common stock purchased by eligible employees under our employee stock purchase plan ("ESPP"). We measure and recognize stock-based compensation for all stock-based awards granted to our employees and our non-employee members of the Board of Directors ("non-employee directors") based on their estimated grant date fair value. To estimate the grant date fair value, we utilize a lattice-binomial option-pricing model ("binomial model") for our employee stock options and the Black-Scholes model for non-employee director stock options and common stock purchased by eligible employees under our ESPP.

For RSUs and PSUs (collectively, "Restricted Stock Awards"), the grant date fair value is measured by reducing the grant date price of our common stock by the present value of future dividend payments on the underlying stock during the requisite service period. The number of PSUs granted assumes target-level achievement of the specified performance levels within the payout range. The ultimate number of common shares that may be earned from a PSU is determined based on the actual achievement of the specified performance levels within the payout range.

Stock-based compensation expense for stock option and RSU awards is recognized over the requisite service period using the straight-line method. For stock option and RSU grants, the amount of stock-based compensation expense recognized on any date is at least equal to the vested portion of the award on that date.

Our PSUs require us to make assumptions regarding the probability of achieving specified performance levels established at the time of grant and we recognize stock-based compensation expense using the straight-line method over the requisite service period. The probability of achieving the specified performance levels is reviewed on a quarterly basis to ensure the amount of stock-based compensation expense appropriately reflects the expected achievement. The ultimate number of common shares that may be earned pursuant to our PSU awards depends on the level of our achievement of stated financial performance objectives. The achievement range was 0% to 200% for the November 2023 annual grant and 0% to 150% for the November 2022 annual grant.

For our ESPP, stock-based compensation expense is recognized on a straight-line basis over the offering period.

Stock-based awards are subject to the continued employment and continued service at the time of vesting by employees and non-employee directors, respectively. Compensation expense for stock-based awards is recorded net of estimated forfeitures, which are based on historical forfeiture rates and are revised if actual forfeitures differ from those estimates.

The following table presents the stock-based compensation for the periods presented:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Stock-based compensation expense	$ 15,745	$ 16,865	$ 46,707	$ 44,365

There were no stock-based compensation costs capitalized in any periods presented. As of May 31, 2024, $141.2 million of total unrecognized compensation expense related to non-vested stock-based awards is expected to be recognized over a weighted average vesting period of 2.9 years.

As of May 31, 2024, we had 3.7 million employee stock-based awards available for grant under the FactSet Research Systems Inc. Stock Option and Award Plan, as Amended and Restated (the "LTIP").

Employee Stock Option Awards

Our annual employee stock option grant, made during the first quarter of each fiscal year, makes up the majority of our employee stock options granted under the LTIP in each fiscal year.

The following table presents the employee stock options granted under the LTIP for the nine months ended May 31, 2024 and May 31, 2023:

	Nine Months Ended May 31,	
	2024	2023
Stock options granted[1]	243,379	268,185
Weighted average exercise price	$ 436.61	$ 426.22
Weighted average grant date fair value	$ 132.59	$ 125.57

(1) Includes the annual employee grant on November 1, 2023 and November 1, 2022 of 242,371 and 266,051 stock options, respectively. These annual employee grants both vest 20% annually on the anniversary date of the grant and are fully vested after five years, expiring ten years from the date of grant.

As part of the November 1, 2023 annual employee grant, the estimated grant date fair value, using the binomial model, leveraged the following assumptions:

November 1, 2023 Annual Employee Grant Details	
Stock options granted	242,371
Risk-free interest rate	4.78% - 5.53%
Expected life (years)	6.62
Expected volatility	23.5%
Dividend yield	0.90%
Estimated fair value	$132.60
Exercise price	$436.57

Employee Restricted Stock Awards

Our annual employee Restricted Stock Awards grant, made during the first quarter of each fiscal year, makes up the majority of our employee Restricted Stock Awards granted under the LTIP in each fiscal year. These awards entitle the holders to shares of common stock as the Restricted Stock Awards vest, but not to dividends declared on the underlying shares while the stock subject to the Restricted Stock Awards is unvested.

The following table presents the employee Restricted Stock Awards granted under the LTIP for the nine months ended May 31, 2024 and May 31, 2023:

	Nine Months Ended May 31,			
	2024		2023	
	Shares	Weighted Average Grant Date Fair Value Per Award	Shares	Weighted Average Grant Date Fair Value Per Award
RSUs Granted[1]	74,355	$ 423.07	47,474	$ 415.31
PSUs Granted[2]	37,008	$ 424.63	34,482	$ 415.31
Performance adjustment - PSUs[3]	14,472	$ 306.33	8,542	$ 245.67
Total Restricted Stock Awards	125,835		90,498	

(1) Includes the annual employee grant on November 1, 2023 and November 1, 2022 of 63,722 and 46,264 RSUs, respectively. The majority of the RSUs granted vest 20% annually on the anniversary date of the grant and are fully vested after five years.

(2) Includes the annual employee grant on November 1, 2023 and November 1, 2022 of 36,860 and 34,482 PSUs, respectively. The majority of the PSUs granted cliff vest on the third anniversary of the grant date, subject to the achievement of certain performance metrics. The ultimate number of common shares that may be earned pursuant to our PSU awards depends on the level of our achievement of stated financial performance objectives. The achievement range was 0% to 200% for the November 2023 annual grant and 0% to 150% for the November 2022 annual grant.

(3) Additional PSUs were granted during the first quarter of fiscal 2024 and fiscal 2023 based on performance above the specified target level of achievement for PSUs granted on November 9, 2020 and November 1, 2019, respectively.

Employee Stock Purchase Plan

Shares of FactSet common stock may be purchased by eligible employees under our ESPP in three-month intervals. The purchase price is equal to 85% of the lesser of the fair market value of our common stock on the first day or the last day of each three-month offering period. Employee purchases may not exceed 10% of their gross compensation, and there is a $25,000 contribution limit per employee for each calendar year. Shares purchased through our ESPP cannot be sold or otherwise transferred for 18 months after purchase. Dividends paid on shares held in our ESPP are used to purchase additional ESPP shares at the market price on the dividend payment date.

Stock-based compensation expense related to our ESPP was $0.7 million for both the three months ended May 31, 2024 and May 31, 2023. Stock-based compensation expense related to our ESPP was $1.9 million for the nine months ended May 31, 2024 and $2.0 million for the nine months ended May 31, 2023.

As of May 31, 2024, our ESPP had 36,607 shares reserved for future issuance.

15. SEGMENT INFORMATION

Operating segments are defined as components of an enterprise that have the following characteristics: (i) they engage in business activities from which they may earn revenue and incur expense, (ii) their operating results are regularly reviewed by the CODM for resource allocation decisions and performance assessment, and (iii) their discrete financial information is available. Our Chief Executive Officer functions as our CODM.

We have three operating segments: Americas, EMEA and Asia Pacific. This is how our CODM manages our business and the geographic markets in which we operate. These operating segments are consistent with our reportable segments.

The Americas segment serves our clients throughout North, Central, and South America. The EMEA segment serves our clients in Europe, the Middle East, and Africa. The Asia Pacific segment serves our clients in Asia and Australasia. Segment revenues reflect sales to our clients based on their respective geographic locations.

Each segment records expenses related to its individual operations with the exception of expenditures associated with our data centers, third-party data costs and corporate headquarters charges, which are recorded by the Americas segment and are not allocated to the other segments. The expenses incurred at our content collection centers, located in

India, the Philippines and Latvia, are allocated to each segment based on their respective percentage of revenues as this reflects the benefits provided by each segment.

The following tables reflect the results of operations of our segments:

(in thousands)	Americas	EMEA	Asia Pacific	Total
For the three months ended May 31, 2024				
Revenues	$ 356,468	$ 141,279	$ 54,961	$ 552,708
Operating income	$ 87,696	$ 75,463	$ 39,300	$ 202,459
Capital expenditures[1]	$ 19,491	$ 408	$ 1,440	$ 21,339

(in thousands)	Americas	EMEA	Asia Pacific	Total
For the three months ended May 31, 2023				
Revenues	$ 337,691	$ 137,973	$ 54,147	$ 529,811
Operating income	$ 79,005	$ 58,607	$ 34,347	$ 171,959
Capital expenditures[1]	$ 24,956	$ 339	$ 710	$ 26,005

(in thousands)

For the nine months ended May 31, 2024	Americas	EMEA	Asia Pacific	Total
Revenues	$1,057,453	$ 420,016	$ 163,400	$1,640,869
Operating income	$ 250,255	$ 207,167	$ 116,019	$ 573,441
Capital expenditures[1]	$ 54,284	$ 1,664	$ 3,774	$ 59,722

(in thousands)

For the nine months ended May 31, 2023	Americas	EMEA	Asia Pacific	Total
Revenues	$ 992,179	$ 401,219	$ 156,313	$1,549,711
Operating income	$ 207,717	$ 194,870	$ 110,517	$ 513,104
Capital expenditures[1]	$ 56,299	$ 1,651	$ 3,471	$ 61,421

(1) Capital expenditures includes purchases of property, equipment and leasehold improvements and capitalized internal-use software.

Segment Total Assets

The following table reflects the total assets for our segments as of:

(in thousands)	May 31, 2024	August 31, 2023
Segment Assets		
Americas	$ 3,137,992	$ 3,148,192
EMEA	635,175	558,393
Asia Pacific	266,534	256,337
Total assets	$ 4,039,701	$ 3,962,922

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management’s Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the Consolidated Financial Statements and related Notes included in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the fiscal year ended August 31, 2023, our Current Reports on Form 8-K and our other filings with the Securities and Exchange Commission. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause such differences include, but are not limited to, those identified below and those discussed in Part I, Item 1A. Risk Factors in our Annual Report on Form 10-K for the fiscal year ended August 31, 2023.

Our MD&A is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in the following sections:

- Executive Overview
- Annual Subscription Value ("ASV")
- Client and User Additions
- Employee Headcount
- Results of Operations
- Non-GAAP Financial Measures
- Liquidity and Capital Resources
- Off-Balance Sheet Arrangements
- Foreign Currency Exposure
- Critical Accounting Estimates
- New Accounting Pronouncements

Executive Overview

FactSet Research Systems Inc. and its wholly-owned subsidiaries (collectively, "we," "our," "us," the "Company" or "FactSet") is a global financial digital platform and enterprise solutions provider with open and flexible technologies that drive the investment community to see more, think bigger and do its best work.

Our platform delivers expansive data, sophisticated analytics, and flexible technology used by global financial professionals to power their critical investment workflows. As of May 31, 2024, we had more than 8,000 clients comprised of over 208,000 investment professionals, including institutional asset managers, bankers, wealth managers, asset owners, partners, hedge funds, corporate users, and private equity and venture capital professionals. Our revenues are primarily derived from subscriptions to our multi-asset class data and solutions powered by our connected content, referred to as our "content refinery." Our products and services include workstations, portfolio analytics and enterprise solutions.

We drive our business based on our detailed understanding of our clients' workflows, which helps us to solve their most complex challenges. We provide financial data and market intelligence on securities, companies, industries and people to enable our clients to research investment ideas, as well as to analyze, monitor and manage their portfolios. Our on- and off-platform solutions span the investment life cycle of investment research, portfolio construction and analysis, trade execution, performance measurement, risk management and reporting. We provide open and flexible technology offerings, including a configurable desktop and mobile platform, comprehensive data feeds, cloud-based digital solutions and application programming interfaces ("APIs"). The CUSIP Global Services ("CGS") business supports security master files relied on by the investment industry for critical front, middle and back-office functions. These platforms and solutions are supported by our dedicated client service team.

We operate our business through three reportable segments ("segments"): the Americas, EMEA and Asia Pacific. During fiscal 2024, we revised our internal organization within each segment to offer data, products and analytical applications by firm type:

- "Institutional Buyside" focuses on asset managers, asset owners, and hedge fund companies,
- "Dealmakers" focuses on banking and sell-side research, corporate, and private equity and venture capital workflows,
- "Wealth" focuses on wealth management workflows, and
- "Partnerships and CGS": "Partnerships" delivers solutions to content providers, financial exchanges, and rating agencies. "CGS" is the exclusive issuer of Committee on Uniform Security Identification Procedures ("CUSIP") and CUSIP International Number System ("CINS") identifiers.

As our chief operating decision maker ("CODM") continues to review our business and operating results based on our three segments, the Americas, EMEA and Asia Pacific, the realignment of our internal organization by firm type will not impact our segments for fiscal 2024. Refer to Note 15, Segment Information, in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information on our segments and CODM.

Business Strategy

Our strategy is to build the leading open content and analytics platform and powerful enterprise solutions that deliver a differentiated advantage for our clients’ success. By offering personalized digital products, we strive to be a trusted partner and service provider, delivering relevant insights and research ideas tailored to our clients' specific business models.

We are focused on growing our global business through three strategically aligned geographic segments: the Americas, EMEA and Asia Pacific. This approach allows us to better manage resources, target solutions and interact with clients effectively. To execute our strategy, we have outlined the following key initiatives:

- **Expanding our Digital Platform**: We are scaling up our content refinery to provide a comprehensive inventory of industry, proprietary and third-party data. This includes granular data for key industry verticals, real-time data, fund data and sustainable finance. Through an open ecosystem of cloud-based data and analytics, we aim to offer flexible solutions and content accessible through various delivery methods. In addition, we are working to expand our use of artificial intelligence to drive efficiencies for our clients, with anticipated initiatives including automation of tasks and integration of natural language queries. We believe that our breadth of high-quality, connected content will be a critical raw material for large language models.

- **Ensuring Execution Excellence**: Innovation and collaboration are at the core of our approach. We employ technology to accelerate content collection, data connectivity and the development of summaries and themes. Our sales force is committed to enhancing price realization, productivity, efficiency and improved client outcomes. We are also optimizing operations and managing expenses to improve returns on our investments.

- **Fostering a Growth Mindset**: We prioritize recruiting, training and empowering a diverse and efficient workforce. We are driving sustainable growth by investing in talent that can create leading technological solutions and efficiently execute our strategy. Additionally, strategic partnerships and acquisitions help to accelerate our expansion in key areas.

Fiscal 2024 Third Quarter in Review

Revenues in the third quarter of fiscal 2024 were $552.7 million, an increase of 4.3% from the comparable prior year period. The growth in revenues was reflective of organic revenues growth of 4.5% for the third quarter of fiscal 2024 compared with the prior year period. Revenues increased in all our segments, primarily in the Americas and, to a lesser extent, EMEA and Asia Pacific. Revenues increased due to higher demand and price increases primarily from workstations, data solutions and middle office solutions. Refer to Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Non-GAAP Financial Measures, of this Quarterly Report on Form 10-Q for a definition of organic revenues and a reconciliation between revenues and organic revenues.

As of May 31, 2024, organic annual subscription value ("Organic ASV") plus Professional Services totaled $2,220.4 million, an increase of 5.0% over the prior year. Organic ASV increased in all our segments, with the majority of the increase in the Americas and, to a lesser extent, EMEA and Asia Pacific. The Organic ASV increase was driven by higher demand and price increases primarily from workstations, data solutions, middle office solutions and CGS subscriptions. Refer to Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Annual Subscription Value, of this Quarterly Report on Form 10-Q for the definitions of Organic ASV and Organic ASV plus Professional Services.

Operating margin increased to 36.6% during the three months ended May 31, 2024, compared with 32.5% in the prior year period. This increase was mainly due to growth in revenues and, when expressed as a percentage of revenues, a decrease in compensation costs and bad debt expense, partially offset by an increase in amortization of intangible assets, marketing costs and computer-related expenses. Diluted earnings per common share ("Diluted EPS") for the three months ended May 31, 2024 was $4.09, an increase of 18.2% compared with the prior year period.

Annual Subscription Value ("ASV")

We believe ASV reflects our ability to grow recurring revenues, generate positive cash flows and serves as a key indicator of the successful execution of our business strategy.

- "ASV" at any point in time represents our forward-looking revenues for the next 12 months from all subscription services currently being supplied to clients, excluding revenues from Professional Services.
- "Organic ASV" at any point in time equals our ASV excluding ASV from acquisitions and dispositions completed within the last 12 months and the effects of foreign currency movements.
- "Professional Services" are revenues derived from project-based consulting and implementation services, annualized over the past 12 months.
- "Organic ASV plus Professional Services" at any point in time equals the sum of Organic ASV and Professional Services.

Organic ASV plus Professional Services

The following table presents the calculation of Organic ASV plus Professional Services as of May 31, 2024. With proper notice provided as contractually required, our clients can add to, delete portions of, or terminate service, subject to certain limitations.

(dollar amounts in millions)	As of May 31, 2024
As reported ASV plus Professional Services(1)	$ 2,219.2
Currency impact(2)	1.2
Organic ASV plus Professional Services	$ 2,220.4
Organic ASV plus Professional Services annual growth rate	5.0 %

(1) Includes $17.2 million in Professional Services as of May 31, 2024.

(2) The impact from foreign currency movements.

As of May 31, 2024, Organic ASV plus Professional Services was $2,220.4 million, an increase of 5.0% compared with May 31, 2023. Organic ASV increased in all our segments, with the majority of the increase related to the Americas, and, to a lesser extent, EMEA and Asia Pacific. This increase in Organic ASV was primarily driven by higher sales to existing clients and, to a lesser extent, price increases to existing clients and sales to new clients, partially offset by existing client cancellations. These higher sales and price increases were primarily attributable to workstations, data solutions, middle office solutions and CGS subscriptions.

Segment ASV

As of May 31, 2024, ASV from the Americas represented 64% of total ASV and was $1,417.1 million, an increase from $1,344.7 million as of May 31, 2023. Americas Organic ASV was $1,417.1 million as of May 31, 2024, a 5.7% increase from the prior year period. The Organic ASV increase in the Americas was driven by higher demand and price increases primarily from workstations and CGS subscriptions.

As of May 31, 2024, ASV from EMEA represented 26% of total ASV and was $565.7 million, an increase from $541.3 million as of May 31, 2023. EMEA Organic ASV was $565.5 million as of

May 31, 2024, a 4.4% increase from the prior year period. The EMEA Organic ASV increase was driven by higher demand and price increases mainly from data solutions and middle office solutions.

As of May 31, 2024, ASV from Asia Pacific represented 10% of total ASV and was $219.2 million, an increase from $209.8 million as of May 31, 2023. Asia Pacific Organic ASV was $220.6 million as of May 31, 2024, a 6.1% increase from the prior year period. The Asia Pacific Organic ASV increase was driven by higher demand and price increases primarily from middle office solutions and data solutions.

Buy-side and Sell-side Organic ASV Growth

The buy-side and sell-side Organic ASV annual growth rates as of May 31, 2024 were 5.3% and 3.7%, respectively. Buy-side clients account for approximately 82% of our Organic ASV, consistent with the prior year period, and primarily include institutional asset managers, wealth managers, asset owners, partners, hedge funds and corporate clients. The remainder of our Organic ASV is derived from sell-side firms and primarily include broker-dealers, banking and advisory, and private equity and venture capital firms.

Client and User Additions

The table below presents our total clients and users:

	As of May 31, 2024	As of May 31, 2023	Change
Clients[1]	8,029	7,770	3.3 %
Users	208,140	187,845	10.8 %

(1) The client count includes clients with ASV of $10,000 and above.

Our total client count was 8,029 as of May 31, 2024, a net increase of 3.3% or 259 clients in the last 12 months, mainly due to an increase in corporate clients and, to a lesser extent, wealth management clients.

As of May 31, 2024, there were 208,140 professionals using FactSet, representing a net increase of 10.8% or 20,295 users in the last 12 months, primarily driven by an increase in wealth users.

Annual ASV retention was greater than 95% of ASV for the period ended May 31, 2024 and May 31, 2023. When expressed as a percentage of clients, annual retention was approximately 90% for the period ended May 31, 2024, compared with approximately 92% for the period ended May 31, 2023.

Employee Headcount

As of May 31, 2024, our net employee headcount increased by 1.6% to 12,262, compared with 12,072 employees as of May 31, 2023. This net headcount growth was primarily due to our continued investment in our centers of excellence ("COEs"), particularly through expanding our talent pool in our India and Philippines locations. Our COEs account for approximately 68% of our employees.

As of May 31, 2024 compared to May 31, 2023, our net headcount growth in Asia Pacific was 5.4%, while the Americas and EMEA experienced a net headcount decrease of 7.9% and 3.3%, respectively. As of May 31, 2024, we had 8,521 employees located in Asia Pacific, 2,343 in the Americas and 1,398 in EMEA.

Results of Operations

For an understanding of the significant factors that influenced our performance for the three and nine months ended May 31, 2024 and May 31, 2023, the following discussion should be read in conjunction with the Consolidated Financial Statements and related Notes presented in Part I, Item 1. in this Quarterly Report on Form 10-Q.

The following table summarizes the results of operations for the periods described:

(in thousands, except per share data)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	% Change	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023	% Change
Revenues	$ 552,708	$ 529,811	4.3 %	$1,640,869	$1,549,711	5.9 %
Cost of services	246,986	241,689	2.2 %	753,749	709,537	6.2 %
Selling, general and administrative	103,098	115,725	(10.9)%	312,616	325,903	(4.1)%
Asset impairments	165	438	(62.3)%	1,063	1,167	(8.9)%
Operating income	$ 202,459	$ 171,959	17.7 %	$ 573,441	$ 513,104	11.8 %
Net income	$ 158,135	$ 134,663	17.4 %	$ 447,630	$ 403,054	11.1 %
Diluted weighted average common shares	38,640	38,912		38,644	38,936	
Diluted EPS	$ 4.09	$ 3.46	18.2 %	$ 11.58	$ 10.35	11.9 %

Revenues

Three months ended May 31, 2024 compared with three months ended May 31, 2023

Revenues for the three months ended May 31, 2024 were $552.7 million, an increase of 4.3%. This growth in revenues of 4.3% was reflective of a 4.5% increase in organic revenues, partially offset by a 0.2% decrease from foreign currency exchange rate fluctuations. Organic revenues increased to $553.4 million for the three months ended May 31, 2024. Revenues increased in all our segments, primarily in the Americas and, to a lesser extent, EMEA and Asia Pacific.

The increase in revenues was driven by increased sales to existing clients and, to a lesser extent, price increases to existing clients and sales to new clients, partially offset by existing client cancellations. Revenues increased due to higher demand and price increases primarily from workstations, data solutions and middle office solutions.

Nine months ended May 31, 2024 compared with nine months ended May 31, 2023

Revenues for the nine months ended May 31, 2024 were $1,640.9 million, an increase of 5.9%. This growth in revenues was reflective of organic revenues growth of 5.9%, with organic revenues increasing to $1,641.0 for the nine months ended May 31, 2024. Revenues increased in all our geographic segments, primarily in the Americas and, to a lesser extent, EMEA and Asia Pacific.

The increase in revenues was mainly due to increased sales to existing clients and, to a lesser extent, price increases to existing clients and sales to new clients, partially offset by existing client cancellations. Revenues increased due to higher demand and price increases primarily from workstations, data solutions and middle office solutions.

Revenues by Segment

The following table summarizes our revenues by segment:

	Three Months Ended May 31,			Nine Months Ended May 31,		
(dollar amounts in thousands)	2024	2023	% Change	2024	2023	% Change
Americas	$ 356,468	$ 337,691	5.6 %	$1,057,453	$ 992,179	6.6 %
% of revenues	64.5 %	63.8 %		64.4 %	64.0 %	
EMEA	$ 141,279	$ 137,973	2.4 %	$ 420,016	$ 401,219	4.7 %
% of revenues	25.6 %	26.0 %		25.6 %	25.9 %	
Asia Pacific	$ 54,961	$ 54,147	1.5 %	$ 163,400	$ 156,313	4.5 %
% of revenues	9.9 %	10.2 %		10.0 %	10.1 %	
Consolidated	$ 552,708	$ 529,811	4.3 %	$1,640,869	$1,549,711	5.9 %

Three months ended May 31, 2024 compared with three months ended May 31, 2023

Americas

Americas revenues increased 5.6% to $356.5 million during the three months ended May 31, 2024, compared with $337.7 million from the same period a year ago. This growth in revenues was primarily reflective of organic revenues growth of 5.5%. The increase in revenues was driven by higher demand and price increases primarily from workstations and CGS subscriptions.

EMEA

EMEA revenues increased 2.4% to $141.2 million during the three months ended May 31, 2024, compared with $138.0 million from the same period a year ago. This growth in revenues was reflective of organic revenues growth of a 2.4%. The increase in revenues was driven by higher demand and price increases primarily from data solutions and middle office solutions.

Asia Pacific

Asia Pacific revenues increased 1.5% to $55.0 million during the three months ended May 31, 2024, compared with $54.1 million from the same period a year ago. This growth in revenues of 1.5% was reflective of a 3.0% increase in organic revenues, partially offset by a 1.5% decrease from foreign currency exchange rate fluctuations. The increase in revenues was driven by higher demand and price increases primarily from data solutions, workstations and middle office solutions.

Nine months ended May 31, 2024 compared with nine months ended May 31, 2023

Americas

Revenues from the Americas increased 6.6% to $1,057.5 million during the nine months ended May 31, 2024, compared with $992.2 million from the same period a year ago. This growth in revenues was primarily driven by organic revenues growth of 6.5%. The increase in revenues was driven by higher demand and price increases primarily from workstations and, to a lesser extent, CGS subscriptions, data solutions and middle office solutions.

EMEA

Revenues from EMEA increased 4.7% to $420.0 million during the nine months ended May 31, 2024, compared with $401.2 million from the same period a year ago. This growth in revenues of 4.7% was reflective of a 4.4% increase in organic revenues and a 0.3% benefit from foreign currency exchange rate fluctuations. The increase in revenues was driven by higher demand and price increases primarily from data solutions and middle office solutions.

Asia Pacific

Revenues from Asia Pacific increased 4.5% to $163.4 million during the nine months ended May 31, 2024, compared with $156.3 million from the same period a year ago. This growth in revenues of 4.5% was reflective of a 5.6% increase in organic revenues, partially offset by a 1.1% decrease from foreign currency exchange rate fluctuations. The increase in revenues was driven by higher demand and price increases primarily from workstations and data solutions.

Operating Expenses

Principal Operating Expenses

Cost of services is mainly comprised of employee compensation costs and also includes expenses related to data costs, computer-related expenses, amortization of intangible assets, royalty fees, client-related communication costs and computer depreciation.

Selling, general and administrative ("SG&A") consists primarily of employee compensation costs and also includes expenses related to occupancy costs, professional fees, depreciation of furniture and fixtures, amortization of leasehold improvements, travel and entertainment expenses, marketing costs, other employee-related expenses, internal communication costs and bad debt expense.

Employee compensation costs are a major component of both our Cost of services and SG&A. These expenses primarily include costs related to salaries, incentive compensation and sales commissions, stock-based compensation, benefits, employment taxes, and any applicable restructuring costs.

We assign employee compensation costs between Cost of services and SG&A based on the roles and activities associated with each employee. We categorize employees within the content collection, consulting, product development, software and systems engineering groups as Cost of services personnel. Employees included in our sales department and those that serve in various other support departments, including marketing, finance, legal, human resources and administrative services, are classified as SG&A.

Asset impairments consist primarily of expenses recognized when the carrying value of an asset exceeds its fair value.

The following table summarizes the components of our total operating expenses and operating margin:

(dollar amounts in thousands)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	% Change	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023	% Change
Cost of services	$ 246,986	$ 241,689	2.2 %	$ 753,749	$ 709,537	6.2 %
SG&A	103,098	115,725	(10.9)%	312,616	325,903	(4.1)%
Asset impairments	165	438	(62.3)%	1,063	1,167	(8.9)%
Total operating expenses	$ 350,249	$ 357,852	(2.1)%	$1,067,428	$1,036,607	3.0 %
Operating income	$ 202,459	$ 171,959	17.7 %	$ 573,441	$ 513,104	11.8 %
Operating margin	36.6 %	32.5 %		34.9 %	33.1 %	

Cost of Services

Three months ended May 31, 2024 compared with three months ended May 31, 2023

Cost of services increased 2.2% to $247.0 million for the three months ended May 31, 2024, compared with $241.7 million for the same period a year ago, primarily due to an increase in amortization of intangible assets and computer-related expenses, partially offset by a decrease in employee compensation costs.

Cost of services, when expressed as a percentage of revenues, was 44.7% for the three months ended May 31, 2024, a decrease of 90 basis points compared with the same period a year ago. This decrease was primarily due to lower employee compensation costs, partially offset by an increase in amortization of intangible assets and computer-related expenses.

When expressed as a percentage of revenues:

- Employee compensation costs decreased by 250 basis points primarily driven by a one-time payroll tax adjustment and a decrease in salaries. The decrease in salaries was primarily driven by higher capitalization of costs related to development of internal-use software.
- Amortization of intangible assets increased 80 basis points mainly due to higher amortization from capitalized costs related to the development of our internal-use software.
- Computer-related expenses increased 60 basis points primarily due to higher spending related to cloud-based hosting services and licensed software arrangements.

Nine months ended May 31, 2024 compared with nine months ended May 31, 2023

Cost of services increased 6.2% to $753.7 million for the nine months ended May 31, 2024, compared with $709.5 million in the same period a year ago, primarily due to an increase in employee compensation costs, amortization of intangible assets and computer-related expenses.

Cost of services, when expressed as a percentage of revenues, was 45.9% for the nine months ended May 31, 2024, an increase of 20 basis points compared with the same period a year ago. This increase was primarily driven by higher amortization of intangible assets and increases in the other expenses included in Costs of services outpacing the increase in revenues, partially offset by a decrease in employee compensation costs when expressed as a percentage of revenues.

When expressed as a percentage of revenues:

- Amortization of intangible assets increased 40 basis points mainly due to higher amortization from capitalized costs related to the development of our internal-use software.
- Employee compensation costs decreased 60 basis points primarily due to revenues outpacing the increase in employee compensation costs and a decrease in variable compensation costs, partially offset by higher annual base salaries, net of capitalization of compensation costs related to the development of our internal-use software, and an increase in restructuring charges. The increase in annual base salaries was primarily driven by annual merit increases and a net headcount increase in Cost of services of 257, primarily located in our COEs.

Selling, General and Administrative

Three months ended May 31, 2024 compared with three months ended May 31, 2023

SG&A decreased 10.9% to $103.1 million for the three months ended May 31, 2024, compared with $115.7 million from the same period a year ago, primarily driven by lower employee compensation costs.

SG&A, when expressed as a percentage of revenues, was 18.7% for the three months ended May 31, 2024, a decrease of 320 basis points compared with the same period a year ago. This decrease was primarily driven by lower employee compensation costs, bad debt expense and occupancy costs, partially offset by an increase in marketing expense.

When expressed as a percentage of revenues:

- Employee compensation costs decreased by 290 basis points primarily due to a decrease in variable compensation and payroll taxes.
- Bad debt expense decreased by 60 basis points as the prior year included a higher expense from our estimated collectibility of outstanding receivables.
- Occupancy costs decreased 50 basis points primarily due to exiting certain leased spaces in the prior year.
- Marketing expense increased by 60 basis points primarily related to costs associated with a client symposium.

Nine months ended May 31, 2024 compared with nine months ended May 31, 2023

SG&A expenses decreased 4.1% to $312.6 million for the nine months ended May 31, 2024, compared with $325.9 million for the same period a year ago, primarily driven by lower employee compensation costs.

SG&A expenses, when expressed as a percentage of revenues, were 19.1% for the nine months ended May 31, 2024, a decrease of 200 basis points compared with the same period a year ago. This decrease was primarily due to lower employee compensation costs mainly driven by a reduction in variable compensation expense.

Operating Income and Operating Margin

Three months ended May 31, 2024 compared with three months ended May 31, 2023

Operating income increased 17.7% to $202.5 million for the three months ended May 31, 2024, compared with $172.0 million in the prior year period. This increase was primarily driven by growth in revenues and a decrease in employee compensation costs, partially offset by an increase in amortization of intangible assets and computer-related expenses. Foreign currency exchange rate fluctuations, net of hedge activity, decreased operating income by $1.1 million for the three months ended May 31, 2024 compared with the three months ended May 31, 2023.

Operating margin increased to 36.6% during the three months ended May 31, 2024, compared with 32.5% in the prior year period. This increase was mainly due to growth in revenues and, when expressed as a percentage of revenues, a decrease in employee compensation costs and bad debt expense, partially offset by higher amortization of intangible assets, marketing costs and computer-related expenses.

Nine months ended May 31, 2024 compared with nine months ended May 31, 2023

Operating income increased 11.8% to $573.4 million for the nine months ended May 31, 2024, compared with $513.1 million in the prior year period. This increase was primarily due to growth in revenues, partially offset by higher amortization of intangible assets, computer-related expenses and employee compensation costs. Foreign currency exchange rate fluctuations, net of hedge activity, decreased operating income by $1.5 million for the nine months ended May 31, 2024 compared with the nine months ended May 31, 2023.

Operating margin increased to 34.9% for the nine months ended May 31, 2024, compared with 33.1% in the prior year period. This increase was primarily due to growth in revenues and, when expressed as a percentage of revenue, a decrease in employee compensation costs, partially offset by higher amortization of intangible assets.

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Operating Income by Segment

We operate our business through three segments: the Americas; EMEA; and Asia Pacific. Refer to Note 15, Segment Information in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q for further discussion regarding our segments. The following table summarizes our operating income by segment:

	Three Months Ended May 31,			Nine Months Ended May 31,		
(dollar amounts in thousands)	2024	2023	% Change	2024	2023	% Change
Americas	$ 87,696	$ 79,005	11.0 %	$ 250,255	$ 207,717	20.5 %
EMEA	75,463	58,607	28.8 %	207,167	194,870	6.3 %
Asia Pacific	39,300	34,347	14.4 %	116,019	110,517	5.0 %
Total Operating Income	$ 202,459	$ 171,959	17.7 %	$ 573,441	$ 513,104	11.8 %

Three months ended May 31, 2024 compared with three months ended May 31, 2023

Americas

Americas operating income increased 11.0% to $87.7 million during the three months ended May 31, 2024, compared with $79.0 million in the same period a year ago. This increase was primarily due to growth in revenues of 5.6% and a decrease in employee compensation costs, partially offset by higher amortization of intangible assets and computer-related expenses.

- Employee compensation costs decreased primarily due to a one-time payroll tax adjustment and a decrease in salaries. The decrease in salaries was mainly driven by a net headcount reduction of 200 employees and higher capitalization of compensation costs related to the development of our internal-use software, partially offset by annual merit increases.
- Amortization of intangible assets increased mainly due to higher amortization from capitalized costs related to the development of our internal-use software.
- Computer-related expenses increased primarily due to higher spending related to cloud-based hosting services and licensed software arrangements.

EMEA

EMEA operating income increased 28.8% to $75.5 million during the three months ended May 31, 2024, compared with $58.6 million in the same period a year ago. This increase was primarily due to growth in revenues of 2.4% and lower employee compensation costs. Employee compensation costs decreased mainly due to lower variable compensation and a decrease in restructuring charges due to the release of certain accruals during the three months ended May 31, 2024.

Asia Pacific

Asia Pacific operating income increased 14.4% to $39.3 million during the three months ended May 31, 2024, compared with $34.3 million in the same period a year ago. This increase was mainly due to growth in revenues of 1.5% and the reduction of certain operating expenses, partially offset by higher employee compensation costs. Employee compensation costs increased primarily due to higher annual base salaries driven by annual merit increases and a net headcount increase of 438 employees.

Nine months ended May 31, 2024 compared with nine months ended May 31, 2023

Americas

Americas operating income increased 20.5% to $250.3 million during the nine months ended May 31, 2024, compared with $207.7 million in the same period a year ago. This increase was primarily due to growth in revenues of 6.6% and lower employee compensation costs, partially offset by higher amortization of intangible assets and computer-related expenses.

- Employee compensation costs decreased primarily due to lower variable compensation and, to a lesser extent, a decrease due to lower salaries and a one-time payroll tax adjustment, partially offset by an increase in restructuring charges. The decrease in salaries was primarily driven by higher capitalization of compensation costs related to the development of our internal-use software.
- Amortization of intangible assets increased mainly due to higher amortization from capitalized costs related to the development of our internal-use software.

- Computer-related expenses increased primarily due to higher spending related to cloud-based hosting services and licensed software arrangements.

EMEA

EMEA operating income increased 6.3% to $207.1 million during the nine months ended May 31, 2024, compared with $194.9 million in the same period a year ago. This increase was primarily due to growth in revenues of 4.7%, partially offset by higher employee compensation costs. Employee compensation costs increased primarily due to higher annual base salaries driven by annual merit increases, partially offset by a net headcount decrease of 48 employees.

Asia Pacific

Asia Pacific operating income increased 5.0% to $116.0 million during the nine months ended May 31, 2024, compared with $110.5 million in the same period a year ago. This increase was mainly due to growth in revenues of 4.5% and reduction of certain operating expenses, partially offset by higher employee compensation costs. Employee compensation costs increased primarily due to higher annual base salaries driven by annual merit increases and a net headcount increase of 438 employees.

Income Taxes

The provision for income taxes and the effective tax rate are as follows:

	Three Months Ended May 31,			Nine Months Ended May 31,		
(dollar amounts in thousands)	2024	2023	% Change	2024	2023	% Change
Income before income taxes	$ 190,532	$ 161,998	17.6 %	$ 534,373	$ 476,645	12.1 %
Provision for income taxes	$ 32,397	$ 27,335	18.5 %	$ 86,743	$ 73,591	17.9 %
Effective tax rate	17.0 %	16.9 %		16.2 %	15.4 %	

We are subject to taxation in the United States and various foreign jurisdictions in which we conduct our business.

Our provision for income taxes for interim periods is calculated by applying an estimate of our annual effective tax rate to our quarter and year-to-date results, adjusted for discrete items recorded in the period. The computation of the annual estimated effective tax rate at each interim period requires certain estimates and assumptions including, but not limited to, the expected pretax income (or loss) for the year, projections of the proportion of income (or loss) earned and taxed in foreign jurisdictions, permanent and temporary differences and the likelihood of recovering deferred tax assets, then adjusted for any discrete items. On a quarterly basis, we update the estimate of our annual effective tax rate as new events occur, assumptions change, or additional information is obtained.

Our effective tax rate of 17.0% for the three months ended May 31, 2024 was relatively flat compared with 16.9% for the three months ended May 31, 2023. This was primarily due to higher pretax income, which reduced the effective tax rate impact of certain tax benefits, offset by increased utilization of foreign tax credits and excess tax benefits from stock-based compensation.

Our effective tax rate for the nine months ended May 31, 2024 was 16.2%, compared with 15.4% for the nine months ended May 31, 2023. This increase was primarily due to higher pretax income, which reduced the effective tax rate impact of certain tax benefits, partially offset by increased utilization of foreign tax credits.

Net Income and Diluted EPS

(in thousands, except per share data)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	% Change	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023	% Change
Net income	$ 158,135	$ 134,663	17.4 %	$ 447,630	$ 403,054	11.1 %
Diluted weighted average common shares	38,640	38,912	(0.7)%	38,644	38,936	(0.7)%
Diluted EPS	$ 4.09	$ 3.46	18.2 %	$ 11.58	$ 10.35	11.9 %

The increase in Net income and Diluted EPS for the three and nine months ended May 31, 2024, compared to the respective prior year period, was primarily driven by higher operating income, partially offset by an increase in the provision for income taxes.

Non-GAAP Financial Measures

To supplement the financial measures prepared in accordance with generally accepted accounting principles in the United States ("GAAP"), we use non-GAAP financial measures including organic revenues, adjusted operating income, adjusted operating margin, adjusted net income, EBITDA, adjusted EBITDA and adjusted Diluted EPS. The reconciliations from our financial measures calculated and presented in accordance with GAAP to these non-GAAP financial measures are shown in the tables below. These non-GAAP financial measures should not be considered in isolation from, as a substitute for, or superior to, financial measures reported in accordance with GAAP. Moreover, these non-GAAP financial measures have limitations in that they do not reflect all the items associated with the operations of our business as determined in accordance with GAAP. Other companies may calculate similarly titled non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

Despite the limitations of these non-GAAP financial measures, we believe these adjusted financial measures and the information they provide are useful in viewing our performance using the same tools that management uses to gauge progress in achieving our goals. Adjusted measures may also facilitate comparisons to our historical performance.

Organic revenues exclude the current year impact of revenues from acquisitions and dispositions completed within the past 12 months ("Acquisition revenues" and "Disposition revenues", respectively) and the current year impact from changes in foreign currency. For year to date comparisons, organic revenues exclude current year revenues that were incurred prior to the first anniversary date of an acquisition. The table below provides an unaudited reconciliation of revenues to organic revenues:

(dollar amounts in thousands)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	% Change	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023	% Change
Revenues	$ 552,708	$ 529,811	4.3 %	$1,640,869	$1,549,711	5.9 %
Acquisition revenues	(119)	—		(430)	—	
Currency impact	843	—		516	—	
Organic revenues	$ 553,432	$ 529,811	4.5 %	$1,640,955	$1,549,711	5.9 %

The table below provides an unaudited reconciliation of Operating income, operating margin, Net income and Diluted EPS to adjusted operating income, adjusted operating margin, adjusted net income, EBITDA, adjusted EBITDA and adjusted Diluted EPS. Adjusted operating income and margin, adjusted net income, and adjusted Diluted EPS exclude the impact of acquisition-related intangible asset amortization and non-recurring items. EBITDA and adjusted EBITDA represent earnings before interest expense, provision for income taxes and depreciation and amortization, while adjusted EBITDA further excludes non-recurring non-cash expenses.

(in thousands, except per share data)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	% Change	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023	% Change
Operating income	$ 202,459	$ 171,959	17.7%	$ 573,441	$ 513,104	11.8%
Intangible asset amortization	16,674	17,655		50,692	53,372	
Business acquisition / integration costs(1)	423	—		423	6,828	
Restructuring / severance	(1,596)	1,318		6,695	1,751	
Adjusted operating income	$ 217,960	$ 190,932	14.2%	$ 631,251	$ 575,055	9.8%
Operating margin	36.6%	32.5%		34.9%	33.1%	
Adjusted operating margin(2)	39.4%	36.0%		38.5%	37.1%	
Net income	$ 158,135	$ 134,663	17.4 %	$ 447,630	$ 403,054	11.1 %
Intangible asset amortization	11,466	14,406		36,791	44,729	
Business acquisition / integration costs(1)	291	—		307	5,723	
Restructuring / severance	(1,096)	1,075		4,859	1,468	
Income tax items	—	(2,477)		1,397	(4,029)	
Adjusted net income(3)	$ 168,796	$ 147,667	14.3 %	$ 490,984	$ 450,945	8.9 %
Net income	$ 158,135	$ 134,663	17.4 %	$ 447,630	$ 403,054	11.1 %
Interest expense	16,894	16,354		50,231	49,628	
Income taxes	32,397	27,335		86,743	73,591	
Depreciation and amortization expense	32,504	26,473		91,154	78,681	
EBITDA	$ 239,930	$ 204,825	17.1 %	$ 675,758	$ 604,954	11.7 %
Non-recurring non-cash expenses(4)	—	459		1,285	459	
Adjusted EBITDA	$ 239,930	$ 205,284	16.9 %	$ 677,043	$ 605,413	11.8 %
Diluted EPS	$ 4.09	$ 3.46	18.2 %	$ 11.58	$ 10.35	11.9 %
Intangible asset amortization	0.30	0.36		0.94	1.14	
Business acquisition / integration costs(1)	0.01	—		0.01	0.15	
Restructuring / severance	(0.03)	0.03		0.14	0.04	
Income tax items	—	(0.06)		0.04	(0.10)	
Adjusted Diluted EPS(3)	$ 4.37	$ 3.79	15.3 %	$ 12.71	$ 11.58	9.8 %
Weighted average common shares (Diluted)	38,640	38,912		38,644	38,936	

(1) Related to certain business acquisition costs for the three and nine months ended May 31, 2024 and integration costs from the CGS acquisition for the nine months ended May 31, 2023.

(2) Adjusted operating margin is calculated as adjusted operating income divided by Revenues.

(3) For purposes of calculating adjusted net income and adjusted Diluted EPS, the three months ended May 31, 2024 and May 31, 2023 were taxed at an adjusted tax rate of 31.2% and 18.4%, respectively. The nine months ended May 31, 2024 and May 31, 2023 were taxed at an adjusted tax rate of 27.4% and 16.2%, respectively.

(4) Related to the accelerated vesting of stock awards for certain employees during the nine months ended May 31, 2024.

Liquidity and Capital Resources

As of May 31, 2024, Cash and cash equivalents were $453.1 million, compared with $425.4 million as of August 31, 2023. Our cash and cash equivalents are held in numerous locations throughout the world, with $188.5 million in EMEA (predominantly in the UK and Germany), $173.9 million in the Americas and the remaining $90.7 million in Asia Pacific (predominantly in the

Philippines and India) as of May 31, 2024. We permanently reinvest all foreign unremitted earnings, except in jurisdictions where earnings can be repatriated substantially free of tax.

Our cash flows provided by operating activities, existing cash and cash equivalents, supplemented with our debt borrowings, have been sufficient to fund our operations while allowing us to invest in activities that support the long-term growth of our operations. Generally, some or all of our remaining available cash flows have been used to, among other things, service our existing and future debt obligations, satisfy our working capital requirements and fund various activities, including our capital expenditures, acquisitions, investments, dividend payments and repurchases of our common stock. Based on past performance and current expectations, we believe our sources of liquidity, including the available capacity under our existing revolving credit facility and other financing alternatives, will provide us the necessary capital to fund these transactions and achieve our planned growth for the next 12 months and the foreseeable future. We are exposed to credit risk for our cash and cash equivalents held in financial institutions in the event of a default, to the extent that such amounts are in excess of applicable insurance limits; however, we do not believe our concentration of cash and cash equivalents presents a significant credit risk as the counterparties to the instruments consist of multiple high-quality, credit-worthy financial institutions.

Sources of Liquidity

Debt and Swap Agreements

2022 Credit Agreement

On March 1, 2022, we entered into a credit agreement (the "2022 Credit Agreement") and borrowed an aggregate principal amount of $1.0 billion under its senior unsecured term loan credit facility (the "2022 Term Facility") and $250.0 million of the available $500.0 million under its senior unsecured revolving credit facility (the "2022 Revolving Facility" and, together with the 2022 Term Facility, the "2022 Credit Facilities"). The 2022 Term Facility matures on March 1, 2025, and the 2022 Revolving Facility matures on March 1, 2027. The 2022 Revolving Facility allows for the availability of up to $100.0 million in the form of letters of credit and up to $50.0 million in the form of swingline loans. We may seek additional commitments under the 2022 Revolving Facility from lenders or other financial institutions up to an aggregate principal amount of $750.0 million.

We used these borrowings, along with the net proceeds from the issuance of the Senior Notes (as defined below) and cash on hand, to finance the consideration for the CGS acquisition, to repay prior outstanding borrowings and to pay related transaction fees, costs and expenses. During fiscal 2022, we incurred approximately $9.5 million in debt issuance costs related to the 2022 Credit Facilities.

We may voluntarily prepay loans under the 2022 Credit Facilities at any time without premium or penalty. During the three and nine months ended May 31, 2024, we repaid $62.5 million and $187.5 million, respectively, under the 2022 Term Facility, inclusive of voluntary prepayments of $50.0 million and $150.0 million, respectively. Since loan inception on March 1, 2022, we have repaid $812.5 million under the 2022 Term Facility, inclusive of voluntary prepayments of $712.5 million. As of May 31, 2024, we had short-term liquidity requirements of $187.5 million related to the outstanding balance of the 2022 Term Facility which becomes due March 1, 2025.

From the borrowing date through November 30, 2023, the outstanding borrowings under the 2022 Credit Facilities bore interest at a rate equal to the applicable one-month Term Secured Overnight Financing Rate ("SOFR") plus a 1.1% spread (comprised of a 1.0% interest rate margin based on a debt leverage pricing grid plus a 0.1% credit spread adjustment). From December 1, 2023 through May 31, 2024, the spread decreased to 0.975% (comprised of a 0.875% interest rate margin based on a debt leverage pricing grid plus a 0.1% credit spread adjustment). Interest on the 2022 Credit Facilities is currently payable on the last business day of each month, in arrears.

Additionally, we pay a commitment fee on the daily unused amount of the 2022 Revolving Facility using a pricing grid based on our senior unsecured non-credit enhanced long-term debt rating and our total leverage ratio. From the borrowing date through November 30, 2023, the commitment fee was 0.125%, which subsequently decreased to 0.1% through May 31, 2024.

The 2022 Credit Agreement contains usual and customary event of default provisions for facilities of this type, which are subject to usual and customary grace periods and materiality thresholds. If an event of default occurs under the 2022 Credit Agreement, the lenders may, among other things, terminate their commitments and declare all outstanding borrowings immediately due and payable.

The 2022 Credit Agreement contains usual and customary affirmative and negative covenants for facilities of this type, including a financial covenant requiring maintenance of a total leverage ratio of no greater than 3.75 to 1.00 as of May 31, 2024. We were in compliance with all covenants and requirements of the 2022 Credit Agreement as of May 31, 2024.

Refer to Note 10, Debt in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q, for further discussion of the 2022 Credit Agreement.

2024 Swap Agreement

On March 1, 2024, we entered into an interest rate swap agreement ("2024 Swap Agreement") to hedge a portion of our outstanding floating SOFR debt with a fixed interest rate of 5.145%. Refer to Note 5, Derivative Instruments, in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q, for more information on the 2024 Swap Agreement.

2022 Swap Agreement

On March 1, 2022, we entered into an interest rate swap agreement (the "2022 Swap Agreement") to hedge a portion of our outstanding floating SOFR debt with a fixed interest rate of 1.162%. The 2022 Swap Agreement matured on February 28, 2024. Refer to Note 5, Derivative Instruments, in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q, for more information on the 2022 Swap Agreement.

Senior Notes

On March 1, 2022 we completed a public offering of $500.0 million aggregate principal amount of 2.900% Senior Notes due March 1, 2027 (the "2027 Notes") and $500.0 million aggregate principal amount of 3.450% Senior Notes due March 1, 2032 (the "2032 Notes" and, together with the 2027 Notes, the "Senior Notes"). The Senior Notes were issued pursuant to an indenture, dated as of March 1, 2022, by and between us and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"), as supplemented by the supplemental indenture, dated as of March 1, 2022, between us and the Trustee (the "Supplemental Indenture").

The Senior Notes were issued at an aggregate discount of $2.8 million during fiscal 2022 and we incurred approximately $9.1 million in debt issuance costs. Interest on the Senior Notes is payable semiannually in arrears on March 1 and September 1 of each year.

We may redeem the Senior Notes, in whole or in part, at any time at specified redemption prices, plus any accrued and unpaid interest. Upon the occurrence of a change of control triggering event (as defined in the Supplemental Indenture), we must offer to repurchase the Senior Notes at 101% of their principal amount, plus any accrued and unpaid interest.

Uses of Liquidity

Returning Value to Stockholders

We returned $283.2 million and $168.5 million to our stockholders in the form of share repurchases and dividends during the nine months ended May 31, 2024 and May 31, 2023, respectively. Over the last 12 months, we returned $430.1 million to our stockholders in the form of share repurchases and dividends.

Dividends

In the third quarter of fiscal 2024, our Board of Directors approved a 6% increase in the regular quarterly dividend from $0.98 to $1.04 per share. Fiscal 2024 marked the 25th consecutive fiscal year we have increased dividends on a stock split-adjusted basis, highlighting our continued commitment to returning value to our stockholders. During the nine months ended May 31, 2024 and May 31, 2023, we paid dividends of $111.3 million and $101.4 million, respectively. Future cash dividend payments are subject to final determination by our Board of Directors and will depend on our earnings, capital requirements, financial condition and other relevant factors.

Share Repurchase Program

We may repurchase shares of our common stock under our share repurchase program from time-to-time in the open market or via privately negotiated transactions, subject to market conditions. During the three and nine months ended May 31, 2024, we repurchased 135,150 shares for $59.8 million and 384,150 shares for $171.9 million, respectively. We suspended our share repurchase program beginning in the second quarter of fiscal 2022, with the exception of potential minor repurchases to offset dilution from grants of equity awards or repurchases to satisfy withholding tax obligations due upon the vesting of stock-based awards, to prioritize the repayment of debt under the 2022 Credit Facilities. We resumed our share repurchase program in the third quarter of fiscal 2023. For the three and nine months ended May 31, 2023, we repurchased 165,950 shares for $67.1 million.

There is no defined number of shares to be repurchased over a specified timeframe through the life of our share repurchase program. As of May 31, 2024, $128.1 million remained authorized under our share repurchase program for future share repurchases. Refer to Part II, Item 2. Unregistered Sales of Equity Securities and Use of Proceeds, of this Quarterly Report on Form 10-Q for further discussion on our share repurchase program.

Contractual Obligations

Purchase obligations represent our legally-binding agreements to purchase fixed or minimum quantities at determinable prices. As of August 31, 2023, we had total purchase obligations with suppliers of $362.2 million. Our total purchase obligations as of August 31, 2023 primarily related to hosting services, acquisition of data and, to a lesser extent, third-party software providers. Hosting services support our hybrid cloud strategy, which relies in large part on third-party hosting providers. Data is an integral component of the value we provide to our clients. Our commitments to third-party software providers mainly include internal-use software licenses. For the nine months ended May 31, 2024, there were no material changes to our contractual obligations.

We also have contractual obligations related to our lease liabilities and outstanding debt. Refer to Note 9, Leases and Note 10, Debt in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q for information regarding lease commitments and outstanding debt obligations, respectively.

Summary of Cash Flows

The following table provides a summary of our net cash flow activity for the periods presented:

	Nine Months Ended May 31,		
(dollar amounts in thousands)	2024	2023	$ Change
Net cash provided by operating activities	$ 537,177	$ 489,903	$ 47,274
Net cash provided by (used in) investing activities	(104,658)	(72,310)	(32,348)
Net cash provided by (used in) financing activities	(402,908)	(437,357)	34,449
Effect of exchange rate changes on cash and cash equivalents	(1,911)	3,118	(5,029)
Net increase (decrease) in cash and cash equivalents	$ 27,700	$ (16,646)	$ 44,346

Operating

For the nine months ended May 31, 2024, net cash provided by operating activities was $537.2 million, which included net income of $447.6 million, non-cash charges of $154.8 million and a net cash outflow of $65.2 million to support our working capital requirements. The non-cash charges were primarily driven by depreciation and amortization and stock-based compensation expense. The change in our working capital was primarily driven by cash outflows related to our annual variable compensation payment and lease payments.

For the nine months ended May 31, 2023, net cash provided by operating activities was $489.9 million, which included net income of $403.1 million, non-cash charges of $140.7 million and a net cash outflow of $53.9 million to support our working capital requirements. The non-cash charges were primarily driven by depreciation and amortization, stock-based compensation expense and amortization of lease ROU assets. The change in our working capital was primarily driven by a cash outflow related to our variable compensation payment earned in the prior year, higher accounts receivable due to increased sales and an increase in days sales outstanding, and cash outflows for lease payments.

Investing

For the nine months ended May 31, 2024, net cash used in investing activities was $104.7 million. The cash used in investing activities was primarily related to capital expenditures of $59.7 million mainly driven by the capitalization of internal-use software development costs and $44.9 million in investments, primarily related to the purchase of mutual funds.

For the nine months ended May 31, 2023, net cash used in investing activities was $72.3 million. The cash used in investing activities was primarily related to capital expenditures of $61.4 million mainly due to the capitalization of internal-use software development costs and investments in network-related equipment and laptops.

Financing

For the nine months ended May 31, 2024, net cash used in financing activities was $402.9 million, consisting mainly of $187.5 million related to the partial repayment of the 2022 Term Facility, $171.9 million of share repurchases and $111.3 million of dividend payments, partially offset by $83.5 million of proceeds from employee stock plans.

For the nine months ended May 31, 2023, net cash used in financing activities was $437.4 million, consisting mainly of $312.5 million related to the partial repayment of the 2022 Term Facility, $101.4 million of dividend payments and $67.1 million of share repurchases, partially offset by $55.9 million of proceeds from employee stock plans.

Free Cash Flow

We define free cash flow, a non-GAAP financial measure, as cash provided by operating activities less purchases of property, equipment and leasehold improvements ("PPE") and capitalized internal-use software. We believe free cash flow is a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business that, after capital expenditures, can be used for strategic opportunities, including returning value to stockholders, investing in our business, making strategic acquisitions and strengthening the balance sheet. Free cash flow should be considered in addition to, rather than as a substitute for, consolidated net income as a measure of our performance and net cash provided by operating activities as a measure of our liquidity.

The following table reconciles our net cash provided by operating activities to free cash flow:

	Nine Months Ended May 31,		
(dollar amounts in thousands)	2024	2023	$ Change
Net cash provided by operating activities	$ 537,177	$ 489,903	$ 47,274
Less: purchases of property, equipment, leasehold improvements and capitalized internal-use software	(59,722)	(61,421)	1,699
Free cash flow	$ 477,455	$ 428,482	$ 48,973

We generated free cash flow of $477.5 million during the nine months ended May 31, 2024, an increase of $49.0 million compared with the same period a year ago. This increase was driven by a $47.3 million increase in cash provided by operating activities, primarily due to higher net income, partially offset by an increase in working capital requirements.

Off-Balance Sheet Arrangements

As of May 31, 2024 and August 31, 2023, we had no off-balance sheet financing other than letters of credit incurred in the ordinary course of business. Refer to Note 10, Debt and Note 11, Commitments and Contingencies in the Notes to the Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q for more information on our letters of credit.

As of May 31, 2024 and August 31, 2023, we also had no other arrangements with unconsolidated entities or financial partnerships (such as entities often referred to as structured finance or special purpose entities) established for purposes of facilitating off-balance sheet financing, other debt arrangements, or other contractually limited purposes.

Foreign Currency Exposure

As we operate globally, we are exposed to the risk that our financial condition, results of operations and cash flows could be impacted by changes in foreign currency exchange rates. As of May 31, 2024, we maintained a series of foreign currency forward contracts to hedge a portion of our primary currency exposures, namely the British Pound Sterling, Indian Rupee, Euro and Philippine Peso. We entered into these contracts with the intent to hedge between 25% to 75% of the currency exposure related to our projected operating income in these primary currencies over their respective hedge periods. The hedge maturity periods range from the fourth quarter of fiscal 2024 through the third quarter of fiscal 2025.

The following table summarizes the gross notional value of our foreign currency forward contracts to purchase the respective local currency with U.S. dollars as of:

(in thousands)	May 31, 2024 Local Currency Amount		May 31, 2024 Notional Contract Amount (USD)		August 31, 2023 Local Currency Amount		August 31, 2023 Notional Contract Amount (USD)	
Indian Rupee	Rs	4,481,555	$	53,400	Rs	3,363,150	$	40,300
British Pound Sterling	£	41,500		52,403	£	45,000		56,098
Euro	€	44,200		48,429	€	39,000		42,646
Philippine Peso	₱	1,874,172		32,900	₱	1,888,541		33,600
Total			$	187,132			$	172,644

Refer to Part I, Item 3. Quantitative and Qualitative Disclosures About Market Risk of this Quarterly Report on Form 10-Q for more information on our foreign currency exposures.

Critical Accounting Estimates

We prepare the Consolidated Financial Statements in conformity with GAAP, which requires us to make certain estimates and apply judgements that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures. We base our estimates on historical experience and other assumptions that we believe to be reasonable at the time the Consolidated Financial Statements are prepared and, as such, they may ultimately differ materially from actual results.

We describe our significant accounting policies in Note 2, Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements included in Part II, Item 8. of our Annual Report on Form 10-K for the fiscal year ended August 31, 2023. These accounting policies were consistently applied in preparing our Consolidated Financial Statements for the nine months ended May 31, 2024.

We disclosed our critical accounting estimates in Part II, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Estimates, of our Annual Report on Form 10-K for the fiscal year ended August 31, 2023. There were no significant changes in our critical accounting estimates during the nine months ended May 31, 2024.

New Accounting Pronouncements

For a discussion of accounting pronouncements recently adopted and those issued but not yet adopted, refer to Note 2, Summary of Significant Accounting Policies, in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q, which we include herein by reference.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to foreign currency exchange risk and interest rate risk that could impact our financial position and results of operations. Current market events have not required us to materially modify our financial risk management strategies with respect to our exposures to foreign currency exchange risk or interest rate risk.

Foreign Currency Transaction Risk

As we operate globally, we are exposed to the risk that our financial condition, results of operations and cash flows could be impacted by changes in foreign currency exchange rates. As of May 31, 2024, we maintained a series of foreign currency forward contracts to hedge a portion of our primary currency exposures, namely the British Pound Sterling, Indian Rupee, Euro and Philippine Peso. We entered into these contracts with the intent to hedge between 25% to 75% of the currency exposure related to our projected operating income in these primary currencies over their respective hedge periods. The hedge maturity periods range from the fourth quarter of fiscal 2024 through the third quarter of fiscal 2025. We utilize cash flow hedges to manage risk and not for speculative or trading purposes.

The changes in fair value for these foreign currency forward contracts are initially reported as a component of Accumulated other comprehensive loss ("AOCL") on the Consolidated Balance Sheets and subsequently reclassified into SG&A in the Consolidated Statements of Income when the hedged exposure affects earnings.

The following table reflects the foreign currency forward contracts gain (loss) reclassified from AOCL into income:

	Three Months Ended May 31,		Nine Months Ended May 31,	
(in thousands)	2024	2023	2024	2023
Foreign currency forward contracts gain (loss) reclassified from AOCL into income	$ (518)	$ (230)	$ (200)	$ (5,474)

Foreign currency exchange rate fluctuations, net of hedge activity, decreased operating income by $1.1 million and $1.5 million for the three and nine months ended May 31, 2024, respectively, when compared to the same respective periods a year ago.

We performed a sensitivity analysis as of May 31, 2024 to determine the effects on both the fair value of our outstanding foreign currency forward contracts and our operating income, excluding these forward contracts, of a hypothetical devaluation of the U.S. dollar by 10% as of May 31, 2024, relative to the other foreign currencies in which we transact. The sensitivity analysis indicated that a devaluation of the U.S. dollar by 10% would have increased the fair value of our outstanding forward contracts by approximately $18 million and our operating income, excluding these forward contracts, would have decreased by an estimated $32 million based on the results from our nine months ended May 31, 2024. This sensitivity analysis has inherent limitations as it disregards the possibility that rates of multiple foreign currencies will not always move in the same direction relative to the value of the U.S. dollar over time and does not account for our forward contracts that we utilize to mitigate fluctuations in exchange rates.

Refer to Note 5, Derivative Instruments in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q, for more information on our foreign currency exposures and our foreign currency forward contracts.

Foreign Currency Translation Risk

We are exposed to foreign currency risk due to the translation of our results from certain international operations into U.S. Dollars as part of the consolidation process. Fluctuations in foreign currency exchange rates can create volatility in our results of operations and our financial condition.

The following table reflects the foreign currency translation adjustment gains and losses recorded in Other comprehensive income (loss):

(in thousands)	Three Months Ended May 31, 2024	Three Months Ended May 31, 2023	Nine Months Ended May 31, 2024	Nine Months Ended May 31, 2023
Foreign currency translation adjustment gains (losses)	$ (1,282)	$ 4,943	$ (2,330)	$ 16,782

Interest Rate Risk

Cash and Cash Equivalents and Investments

As of May 31, 2024, we had Cash and cash equivalents of $453.1 million and Investments of $68.9 million. Our Cash and cash equivalents consist of cash and highly liquid investments including demand deposits and money market funds and our Investments consist of mutual funds. We are exposed to interest rate risk through fluctuations of interest rates on these investments. As we have a restrictive investment policy, our financial exposure to fluctuations in interest rates is expected to remain low. Refer to Note 2, Summary of Significant Accounting Policies in the Notes to the Consolidated Financial Statements included in Part II, Item 8. of our Annual Report on Form 10-K for more information on our Cash and cash equivalents.

Debt

As of May 31, 2024, our outstanding variable interest rate debt included $187.5 million under the 2022 Term Facility and $250.0 million under the 2022 Revolving Facility. From the borrowing date through November 30, 2023, the outstanding borrowings under the 2022 Credit Facilities bore interest at a rate equal to the applicable one-month Term SOFR plus a 1.1% spread (comprised of a 1.0% interest rate margin based on a debt leverage pricing grid plus a 0.1% credit spread adjustment). From December 1, 2023 through May 31, 2024, the spread decreased to 0.975% (comprised of a 0.875% interest rate margin based on a debt leverage pricing grid plus a 0.1% credit spread adjustment).

To mitigate our exposure to interest rate volatility due to changes in SOFR, we entered into the 2022 Swap Agreement on March 1, 2022, to hedge a portion of our outstanding floating SOFR debt with a fixed interest rate of 1.162%. The 2022 Swap Agreement matured on February 28, 2024. To continue to hedge our outstanding floating SOFR debt, on March 1, 2024, we entered into the 2024 Swap Agreement with a notional amount of $200.0 million at a fixed interest rate of 5.145%. The notional amount of the 2024 Swap Agreement declines by $50.0 million on a quarterly basis beginning May 31, 2024 and matures on February 28, 2025. As of May 31, 2024, the notional amount of the 2024 Swap Agreement was $150.0 million.

Our Senior Notes have a fixed interest rate and are not subject to interest rate change. As such, our interest rate exposure is limited to the outstanding principal balance of our variable rate debt under our 2022 Credit Facilities in excess of our swap agreements. As of May 31, 2024, our interest rate exposure on our variable rate debt, net of our 2024 Swap Agreement, was $287.5 million. Assuming the principal balance of our outstanding variable rate debt, net of the 2024 Swap Agreement, remained at $287.5 million, a hypothetical 25 basis point change (up or down) in the one-month SOFR would result in an approximate $1 million change to our annual interest expense as of May 31, 2024.

Refer to Note 5, Derivative Instruments and Note 10, Debt and in the Notes to the Consolidated Financial Statements included in Part I, Item 1. of this Quarterly Report on Form 10-Q for more information on our swap agreements and outstanding borrowings as of May 31, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, including our Principal Executive Officer and Principal Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Our Principal Executive Officer and Principal Financial Officer have concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes in Internal Control over Financial Reporting

There have been no changes in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three and nine months ended May 31, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under "Contingencies" in Note 11, Commitments and Contingencies, contained in the Notes to the Consolidated Financial Statements included in Part I, Item 1., to this Quarterly Report on Form 10-Q is incorporated by reference in answer to this Item.

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors identified in our Annual Report on Form 10-K for the fiscal year ended August 31, 2023.

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ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Items 2(a) and (b) are not applicable as there have been no unregistered sales of equity securities.

(i) Issuer Purchases of Equity Securities

The following table provides a month-to-month summary of our share repurchase activity during the three months ended May 31, 2024:

Period	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Maximum Number of Shares (or Approximate Dollar Value) that May Yet be Purchased Under the Plans or Programs (in US$)[2]
March 2024	36,688	$ 466.23	36,200	$ 170,954
April 2024	48,500	$ 432.56	48,500	$ 149,974
May 2024	52,805	$ 433.53	50,450	$ 128,082
Total	137,993		135,150	

(1) Includes 135,150 shares purchased under the stock repurchase program, as well as 2,843 shares repurchased primarily to satisfy withholding tax obligations due upon the vesting of stock-based awards.

(2) As of May 31, 2024, $128.1 million remained authorized under our share repurchase program for future share repurchases. Repurchases may be made from time-to-time in the open market or via privately negotiated transactions, subject to market conditions. There is no defined number of shares to be repurchased over a specified timeframe through the life of our share repurchase program. It is expected that share repurchases will be paid using existing and future cash generated by operations. Refer to Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, of this Quarterly Report on Form 10-Q for further discussion on our share repurchase program.

Trading Arrangements

On August 11, 2023, we entered into an agreement to adopt a trading arrangement for the repurchase of shares of our common stock in the open market consistent with the provisions of Rule 10b5-1 of the Securities Exchange Act of 1934. The arrangement provides for the repurchase of up to $250 million of our common stock during the period from September 1, 2023 through August 31, 2024 pursuant to a written algorithm for determining the amount, price and date for purchase of shares of our common stock.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None of our directors or officers (as defined in Section 16 of the Securities Exchange Act of 1934, as amended), adopted or terminated a Rule 10b5-1 trading arrangement or a non-Rule 10b5-1 trading arrangement (each as defined in Item 408(a) and (c) of Regulation S-K) during the quarter ended May 31, 2024.

ITEM 6. EXHIBITS

		Incorporated by Reference				
Exhibit Number	Exhibit Description	Form	File No.	Exhibit No.	Filing Date	Filed Herewith
10.1	FactSet Research Systems Inc. Executive Severance Plan, as amended					X
31.1	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended					X
31.2	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended					X
32.1	Certification of the Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document - The instance document does not appear in the interactive data file because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	XBRL Taxonomy Extension Schema					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase					X
104	Cover page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)					X

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

	FACTSET RESEARCH SYSTEMS INC. (Registrant)
Date: July 3, 2024	/s/ LINDA S. HUBER
	Linda S. Huber Executive Vice President, Chief Financial Officer (Principal Financial Officer)
	/s/ GREGORY T. MOSKOFF
	Gregory T. Moskoff Managing Director, Controller and Chief Accounting Officer (Principal Accounting Officer)