

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

For the quarterly period ended May 31, 2019

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)

**FACTSET**

**Delaware**

(State or other jurisdiction of  
incorporation)

**13-3362547**

(I.R.S. Employer  
Identification No.)

**601 Merritt 7, Norwalk, Connecticut**

(Address of principal executive office)

**06851**

(Zip Code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. **Yes**  **No**

Indicate by check mark whether the registrant has submitted electronically 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 such files). **Yes**  **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**  **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**

The number of shares outstanding of the registrant's common stock, \$.01 par value, as of June 28, 2019 was 38,255,947.

Title of each class	Trading Symbols(s)	Name of each exchange on which registered
Common Stock, \$.01 Par Value	FDS	New York Stock Exchange Nasdaq Global Select Market

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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.

**PART I – FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**FactSet Research Systems Inc.**

**CONSOLIDATED STATEMENTS OF INCOME – Unaudited**

<i>(In thousands, except per share data)</i>	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Revenues	\$ 364,533	\$ 339,911	\$ 1,071,068	\$ 1,004,283
Operating expenses				
Cost of services	163,832	165,073	495,716	489,829
Selling, general and administrative	83,461	81,573	248,885	236,606
Total operating expenses	247,293	246,646	744,601	726,435
Operating income	117,240	93,265	326,467	277,848
Other expense				
Interest expense, net of interest income	3,856	3,754	12,791	9,945
Income before income taxes	113,384	89,511	313,676	267,903
Provision for income taxes	21,119	14,765	52,413	69,641
Net income	\$ 92,265	\$ 74,746	\$ 261,263	\$ 198,262
Basic earnings per common share	\$ 2.41	\$ 1.94	\$ 6.85	\$ 5.10
Diluted earnings per common share	\$ 2.37	\$ 1.91	\$ 6.73	\$ 5.01
Basic weighted average common shares	38,223	38,594	38,128	38,890
Diluted weighted average common shares	38,993	39,104	38,807	39,543

*The accompanying notes are an integral part of these consolidated financial statements.*

FactSet Research Systems Inc.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME – Unaudited

<i>(In thousands)</i>	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Net income	\$ 92,265	\$ 74,746	\$ 261,263	\$ 198,262
Other comprehensive (loss) income, net of tax				
Net unrealized (loss) gain on cash flow hedges*	(160)	(2,361)	1,405	(4,105)
Foreign currency translation adjustments	(11,326)	(20,126)	(15,804)	(2,260)
Other comprehensive (loss) income	(11,486)	(22,487)	(14,399)	(6,365)
Comprehensive income	\$ 80,779	\$ 52,259	\$ 246,864	\$ 191,897

\* For the three months ended May 31, 2019, the unrealized loss on cash flow hedges was net of a tax benefit of \$65. For the nine months ended May 31, 2019, the unrealized gain on cash flow hedges was net of a tax expense of \$702. For the three and nine months ended May 31, 2018, the unrealized loss on cash flow hedges was net of a tax benefit of \$976 and \$2,166, respectively.

*The accompanying notes are an integral part of these consolidated financial statements.*

FactSet Research Systems Inc.  
CONSOLIDATED BALANCE SHEETS – Unaudited

<i>(In thousands, except share data)</i>	May 31, 2019	August 31, 2018
<b>ASSETS</b>		
Cash and cash equivalents	\$ 323,960	\$ 208,623
Investments	26,355	29,259
Accounts receivable, net of reserves of \$5,254 at May 31, 2019 and \$3,490 at August 31, 2018	153,461	156,639
Prepaid taxes	10,365	6,274
Prepaid expenses and other current assets	35,030	30,121
Total current assets	549,171	430,916
Property, equipment and leasehold improvements, net	105,287	100,545
Goodwill	690,956	701,833
Intangible assets, net	129,205	148,935
Deferred taxes	5,997	9,716
Other assets	31,285	27,502
<b>TOTAL ASSETS</b>	<b>\$ 1,511,901</b>	<b>\$ 1,419,447</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 67,174	\$ 72,059
Accrued compensation	42,515	66,479
Deferred fees	50,509	49,700
Taxes payable	3,820	8,453
Dividends payable	27,506	24,443
Total current liabilities	191,524	221,134
Long-term debt	574,129	574,775
Deferred taxes	19,006	21,190
Deferred fees	11,750	7,833
Taxes payable	24,323	29,626
Deferred rent and other non-current liabilities	36,760	38,989
<b>TOTAL LIABILITIES</b>	<b>\$ 857,492</b>	<b>\$ 893,547</b>
Commitments and contingencies (see Note 17)		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$.01 par value, 10,000,000 shares authorized, none issued	\$ —	\$ —
Common stock, \$.01 par value, 150,000,000 shares authorized, 39,982,823 and 39,264,849 shares issued, 38,217,763 and 38,192,586 shares outstanding at May 31, 2019 and August 31, 2018, respectively	400	393
Additional paid-in capital	781,705	667,531
Treasury stock, at cost: 1,765,060 and 1,072,263 shares at May 31, 2019 and August 31, 2018, respectively	(371,722)	(213,428)
Retained earnings	309,147	122,843
Accumulated other comprehensive loss	(65,121)	(51,439)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>\$ 654,409</b>	<b>\$ 525,900</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,511,901</b>	<b>\$ 1,419,447</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

FactSet Research Systems Inc.  
**CONSOLIDATED STATEMENTS OF CASH FLOWS – Unaudited**

<i>(in thousands)</i>	Nine Months Ended May 31,	
	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 261,263	\$ 198,262
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	43,943	42,848
Stock-based compensation expense	24,135	23,241
Deferred income taxes	1,294	848
Loss on sale of assets	195	18
Changes in assets and liabilities, net of effects of acquisitions		
Accounts receivable, net of reserves	3,112	3,067
Accounts payable and accrued expenses	(4,783)	3,423
Accrued compensation	(23,672)	(20,629)
Deferred fees	4,826	13,027
Taxes payable, net of prepaid taxes	(2,232)	25,928
Other, net	(2,757)	(10,691)
<b>Net cash provided by operating activities</b>	<b>305,324</b>	<b>279,342</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of investments	(8,180)	(9,608)
Proceeds from maturity or sale of investments	11,543	9,872
Purchases of property, equipment and leasehold improvements, net of proceeds from dispositions	(32,906)	(18,375)
<b>Net cash used in investing activities</b>	<b>(29,543)</b>	<b>(18,111)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend payments	(75,769)	(65,037)
Repurchases of common stock	(158,294)	(235,869)
Repayment of debt	(575,000)	—
Proceeds from debt	575,000	—
Other financing activities	(901)	2,218
Proceeds from employee stock plans	78,926	57,529
<b>Net cash used by financing activities</b>	<b>(156,038)</b>	<b>(241,159)</b>
Effect of exchange rate changes on cash and cash equivalents	(4,406)	(1,742)
Net increase in cash and cash equivalents	115,337	18,330
Cash and cash equivalents at beginning of period	208,623	194,731
Cash and cash equivalents at end of period	\$ 323,960	\$ 213,061

*The accompanying notes are an integral part of these consolidated financial statements.*

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY- Unaudited

For the three months ended May 31, 2019

<i>(in thousands, except share data)</i>	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value		Shares	Amount			
Balance as of February 28, 2019	39,690,225	\$ 397	\$ 732,538	1,590,060	\$ (324,167)	\$ 244,388	\$ (53,635)	\$ 599,521
Net income						92,265		92,265
Other comprehensive (loss) income							(11,486)	(11,486)
Common stock issued for employee stock plans	292,598	3	41,172					41,175
Vesting of restricted stock								—
Repurchases of common stock				175,000	(47,555)			(47,555)
Stock-based compensation expense			7,995					7,995
Dividends declared						(27,506)		(27,506)
Balance as of May 31, 2019	39,982,823	\$ 400	\$ 781,705	1,765,060	\$ (371,722)	\$ 309,147	\$ (65,121)	\$ 654,409

For the nine months ended May 31, 2019

<i>(in thousands, except share data)</i>	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Par Value		Shares	Amount			
Balance as of August 31, 2018	39,264,849	\$ 393	\$ 667,531	1,072,263	\$ (213,428)	\$ 122,843	\$ (51,439)	\$ 525,900
Net income						261,263		261,263
Other comprehensive (loss) income							(14,399)	(14,399)
Common stock issued for employee stock plans	642,444	7	90,039					90,046
Vesting of restricted stock	75,530			27,852	(6,155)			(6,155)
Repurchases of common stock				664,945	(152,139)			(152,139)
Stock-based compensation expense			24,135					24,135
Dividends declared						(76,263)		(76,263)
Cumulative effect of adoption of accounting standards*						1,304	717	2,021
Balance as of May 31, 2019	39,982,823	\$ 400	\$ 781,705	1,765,060	\$ (371,722)	\$ 309,147	\$ (65,121)	\$ 654,409

\* Includes the cumulative effect of adoption of accounting standards primarily due to both the adoption of the new revenue recognition standard (ASC 606) resulting in a cumulative increase to retained earnings related to certain fulfillment costs and the accounting standard update related to the U.S. Tax Cuts and Jobs Act ("TCJA") providing for the reclassification from accumulated other comprehensive loss to retained earnings for stranded tax effects. See Notes 3 and 4 for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

## CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY- Unaudited

For the three months ended May 31, 2018

<i>(in thousands, except share data)</i>	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated	Total
	Shares	Par Value		Shares	Amount		Other Comprehensive Loss	
Balance as of February 28, 2018	39,047,153	\$ 390	\$ 625,394	120,000	\$ (23,379)	\$ 28,283	\$ (18,598)	\$ 612,090
Net income						74,746		74,746
Other comprehensive (loss) income							(22,487)	(22,487)
Common stock issued for employee stock plans	77,204	1	9,691					9,692
Vesting of restricted stock	224							—
Repurchases of common stock				620,000	(121,963)			(121,963)
Stock-based compensation expense			7,821					7,821
Dividends declared						(24,566)		(24,566)
Retirement of treasury shares								—
Balance as of May 31, 2018	39,124,581	\$ 391	\$ 642,906	740,000	\$ (145,342)	\$ 78,463	\$ (41,085)	\$ 535,333

For the nine months ended May 31, 2018

<i>(in thousands, except share data)</i>	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated	Total
	Shares	Par Value		Shares	Amount		Other Comprehensive Loss	
Balance as of August 31, 2017	51,845,132	\$ 518	\$ 741,748	12,822,100	\$ (1,606,678)	\$ 1,458,823	\$ (34,720)	\$ 559,691
Net income						198,262		198,262
Other comprehensive (loss) income							(6,365)	(6,365)
Common stock issued for employee stock plans	557,075	6	64,634	106	(19)			64,621
Vesting of restricted stock	15,063			5,563	(1,014)			(1,014)
Repurchases of common stock				1,204,920	(234,836)			(234,836)
Stock-based compensation expense			23,241					23,241
Dividends declared						(68,267)		(68,267)
Retirement of treasury shares	(13,292,689)	(133)	(186,717)	(13,292,689)	1,697,205	(1,510,355)		—
Balance as of May 31, 2018	39,124,581	\$ 391	\$ 642,906	740,000	\$ (145,342)	\$ 78,463	\$ (41,085)	\$ 535,333

The accompanying notes are an integral part of these consolidated financial statements.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FactSet Research Systems Inc.

May 31, 2019

(Unaudited)

### 1. ORGANIZATION AND NATURE OF BUSINESS

FactSet Research Systems Inc. (the "Company" or "FactSet") is a global provider of integrated financial information, analytical applications and industry-leading service for the global investment community. These clients include portfolio managers, investment research professionals, investment bankers, risk and performance analysts, and wealth advisors. From streaming real-time data to historical information, including quotes, estimates, news and commentary, FactSet offers proprietary and third-party content through desktop, web, mobile, and off-platform solutions. The Company's broad application suite offers tools and resources including company and industry analyses, full screening tools, portfolio analysis, risk profiles, alpha-testing, portfolio optimization and research management solutions. With recent acquisitions, FactSet has continued to expand its solutions across the investment lifecycle from idea generation to performance and client reporting. The Company delivers insight and information to investment professionals through key workflow solutions including Research, Analytics, Wealth, and Content and Technology Solutions ("CTS"). The Company's revenue is primarily derived from subscriptions to products and services such as workstations, analytics, enterprise data, research management, and trade execution.

### 2. BASIS OF PRESENTATION

FactSet conducts business globally and is managed on a geographic basis. The accompanying unaudited consolidated financial statements and notes of FactSet and its wholly-owned subsidiaries 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. The accompanying consolidated financial statements include the accounts of the Company and 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 the Company's financial position, results of operations, equity and cash flows. 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 the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2018, filed with the Securities and Exchange Commission ("SEC") on October 30, 2018.

The Company has evaluated subsequent events through the date that the financial statements were issued.

#### *Reclassification*

Certain comparative figures in the Company's Consolidated Statement of Cash Flows have been reclassified to conform to the current year's presentation.

### 3. RECENT ACCOUNTING PRONOUNCEMENTS

As of May 31, 2019, the Company implemented all applicable new accounting standards and updates issued by the Financial Accounting Standards Board ("FASB") that were in effect. There were no new standards or updates adopted during the first nine months of fiscal 2019 that had a material impact on the consolidated financial statements.

#### **New Accounting Standards or Updates Recently Adopted**

##### *Revenue Recognition*

In May 2014 and July 2015, the FASB issued accounting standard updates which clarified principles for recognizing revenue arising from contracts with clients and superseded most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled, in exchange for those goods or services. The new guidance also requires increased disclosures including the nature, amount, timing, and uncertainty of revenue and cash flows related to contracts with clients.

The standard allows two methods of adoption: i) retrospectively to each prior period presented ("full retrospective method"), or ii) retrospectively with the cumulative effect recognized in retained earnings as of the date of adoption ("modified retrospective method"). FactSet adopted the new standard using the modified retrospective method as of the beginning of its first quarter of fiscal 2019.

FactSet's implementation efforts include the evaluation of contract revenue under the new guidance. Additionally, an assessment of the qualitative and quantitative impacts of pricing changes during the contractual term and fulfillment costs was made.

The Company derives most of its revenues by providing client access to its hosted proprietary data and analytics platform, which can include various combinations of products and services available over the contractual term. The Company determined that the subscription-based service 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. FactSet recorded an opening cumulative increase to retained earnings of \$2.5 million, or \$2.0 million net of tax, during the first quarter of fiscal 2019, related to certain fulfillment costs, which include up-front costs to allow for the delivery of services and products that are expected to be recovered. Under the new standard, such up-front costs are recognized as an asset and amortized consistent with the associated revenue for providing the services. The adoption of the new standards did not materially change the Company's accounting policy for revenue recognition and did not have a material impact on the Company's consolidated financial statements. Refer to Note 4 Revenue Recognition for further details.

#### *Recognition and Measurement of Financial Assets and Financial Liabilities*

During the first quarter of fiscal 2019, FactSet adopted the accounting standard update issued by the FASB in January 2016, which amended the recognition, measurement, presentation, and disclosure of certain financial instruments. Under the amended guidance, investments in equity securities, excluding equity method investments, will be measured at fair value with changes in fair value to be recognized in net income. This guidance was applied on a modified retrospective approach through a cumulative effect adjustment to retained earnings as permitted by the standard and did not have a material impact on the Company's consolidated financial statements.

#### *Cash Flow Simplification*

During the first quarter of fiscal 2019, FactSet adopted the accounting standard update issued by the FASB in August 2016, which simplified how certain transactions are classified in the statement of cash flows. This included revised guidance on the cash flow classification of debt prepayments and debt extinguishment costs, contingent consideration payments made after a business combination and distributions received from equity method investments. The guidance is intended to reduce diversity in practice across all industries. The adoption of this standard had no impact on the Company's consolidated financial statements.

#### *Income Taxes on Intra-Entity Transfers of Assets*

During the first quarter of fiscal 2019, FactSet adopted the accounting standard update issued by the FASB in October 2016, which removed the prohibition against the immediate recognition of the current and deferred income tax effects of intra-entity transfers of assets other than inventory. The guidance was issued in order to reduce diversity in practice related to the tax consequences of certain types of intra-entity asset transfers, particularly those involving intellectual property. The adoption of this standard had no impact on the Company's consolidated financial statements.

#### *Share-Based Payments*

During the first quarter of fiscal 2019, FactSet adopted the accounting standard update issued by the FASB in May 2017, which amended the scope of modification accounting for share-based payment arrangements. The guidance focused on changes to the terms or conditions of share-based payment awards that would require the application of modification accounting and specifies that an entity would not apply modification accounting if the fair value, vesting conditions and classification of the awards are the same immediately before and after the modification. The adoption of this standard had no impact on the Company's consolidated financial statements.

#### *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*

During the first quarter of fiscal 2019, FactSet adopted the accounting standard update issued by the FASB in February 2018, which allowed companies to reclassify certain stranded income tax effects resulting from the enactment of the Tax Cuts and Jobs Act (the "TCJA") from accumulated other comprehensive income to retained earnings. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

#### *Implementation Costs in a Cloud Computing Arrangement*

During the first quarter of fiscal 2019, FactSet adopted the accounting standard update issued by the FASB in August 2018, which related to a client's accounting for implementation costs incurred in a cloud computing arrangement that is a service contract. This guidance aligns the requirements for capitalizing implementation costs in a cloud computing service contract with the guidance for capitalizing implementation costs to develop or obtain internal-use software. Capitalized implementation costs will be amortized over the term of the arrangement. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2021, however the Company elected to early adopt this standard on a prospective basis during the first quarter of fiscal 2019. There was no impact to the Company's consolidated financial statements as a result of the adoption of this standard, as FactSet is currently accounting for costs incurred in a cloud computing arrangement in accordance with the guidance provided in this standard.

## **Recent Accounting Standards or Updates Not Yet Effective**

### *Leases*

In February 2016, the FASB issued an accounting standard update related to accounting for leases. The guidance introduces a lessee model that requires most leases to be reported on the balance sheet. The accounting standard update aligns many of the underlying principles of the new lessor model with those in the FASB's new revenue recognition standard. The guidance also eliminates the requirement in current GAAP for an entity to use bright-line tests in determining lease classification. This accounting standard update will be effective for FactSet beginning in the first quarter of fiscal 2020, with early adoption in fiscal 2019 permitted. The Company is currently evaluating the impact of this accounting standard update, including the transition method, but expects the adoption to have a material impact to its balance sheet. However, it does not expect the adoption to have a material impact on the statements of income, comprehensive income or cash flows. Refer to Note 17 Commitments and Contingencies for information regarding the Company's undiscounted future lease commitments.

### *Goodwill Impairment Test*

In January 2017, the FASB issued an accounting standard update which removes the requirement for companies to compare the implied fair value of goodwill with its carrying amount as part of step 2 of the goodwill impairment test. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This accounting standard update will be effective for the Company beginning in the first quarter of fiscal 2021, with early adoption permitted for any impairment tests performed after January 1, 2017 and is not expected to have a material impact on the consolidated financial statements.

### *Hedge Accounting Simplification*

In August 2017, the FASB issued an accounting standard update to reduce the complexity of and simplify the application of hedge accounting. The guidance refines and expands hedge accounting for both financial and nonfinancial risk components, eliminates the need to separately measure and report hedge ineffectiveness, and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. This guidance will be effective for the Company beginning in the first quarter of fiscal 2020, with early adoption permitted. The Company is currently evaluating the impact of this accounting standard update but it is not expected to have a material impact on the consolidated financial statements.

No other new accounting pronouncements issued or effective as of May 31, 2019 have had or are expected to have an impact on the Company's consolidated financial statements.

## **4. REVENUE RECOGNITION**

In May 2014 and July 2015, the FASB issued accounting standard updates which clarified principles for recognizing revenue arising from contracts with customers (ASC 606) and superseded most current revenue recognition guidance, including industry-specific guidance. The core principle of the revenue standard is that an entity recognizes revenue to depict the transfer of promised goods or services to clients in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new guidance applies a five-step model for revenue measurement and recognition and also requires increased disclosures including the nature, amount, timing, and uncertainty of revenue and cash flows related to contracts with clients.

The Company adopted the standard at the beginning of the first quarter of fiscal 2019, using the modified retrospective method of adoption and applied the guidance to those contracts that were not completed as of August 31, 2018. Under the modified retrospective method of adoption, the cumulative effect of applying the new standard is recorded at the date of initial application, with no restatement of the comparative prior periods presented. The Company assessed its revenue contracts with clients under the new standards and determined that the adoption did not materially change the timing or amount of revenue recognized.

The Company derives most of its revenues by providing client access to its hosted proprietary data and analytics platform which can include various combinations of products and services available over the contractual term. The hosted platform is a subscription-based service that consists primarily of providing access to products and services including workstations, analytics, enterprise data, research management, and trade execution. The Company determined that the subscription-based service 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 Company determined that the nature of the promise to the client is to provide daily access to one overall data and analytics platform. This platform provides integrated financial information, analytical applications and industry-leading service for the investment community. Based on the nature of the services and products offered by FactSet, the Company applies an input time-based measure of progress as the client is simultaneously receiving and consuming the benefits of the platform. The Company records revenue for its contracts using the over-time revenue recognition model as a client is invoiced or performance is satisfied, which is comparable with how revenue is recognized today. FactSet does not consider payment terms a performance obligation for customers with contractual terms that are one year or less and has elected the practical expedient.

In FactSet's assessment of contracts with clients, the Company did identify a small portion of contracts with certain fulfillment costs, which include up-front costs to allow for the delivery of services and products that are expected to be recovered. In connection with the adoption of the new standard, these fulfillment costs are recognized as an asset and amortized consistent with the associated revenue for providing the services, which prior to adoption were expensed. As a result, during the first quarter of fiscal 2019, FactSet recorded an opening cumulative increase to Retained earnings of \$2.5 million, or \$2.0 million net of tax, with an offsetting increase related to the current asset portion in Prepaid expenses and other current assets and the non-current asset portion in Other assets based on the term of the license period. Prospectively, fulfillment costs will continue to be recognized in the same accounts used for the adoption impact, which include the Prepaid expenses and other current assets account for the current portion and Other assets for the non-current portion, based on the term of the license period. The differences between the Company's reported operating results for the three months and nine months ended May 31, 2019, which reflect the application of the new standard on the Company's contracts, and the results that would have been reported as if the accounting was performed pursuant to the accounting standards previously in effect, were not material. There are no significant judgments that would impact the timing of revenue recognition. The majority of client contracts have a duration of one year or less, or the amount FactSet is entitled to receive corresponds directly with the value of performance obligations completed to date, and therefore, the Company does not disclose the value of the remaining unsatisfied performance obligations.

#### Disaggregated Revenue

The Company disaggregates revenue from contracts with clients by demographic region which include U.S., Europe and Asia Pacific. FactSet believes these geographic regions are reflective of how the Company manages the business and the demographic markets in which it serves. The geographic regions best depict the nature, amount, timing and uncertainty of revenues and cash flows related to contracts with clients. Refer to Note 8 Segment Information for further information on revenues by geographic region.

The following table presents this disaggregation of revenue by geography:

<i>(in thousands)</i>	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
U.S.	\$ 226,961	\$ 210,308	\$ 672,479	\$ 627,976
Europe	102,499	98,856	299,197	286,789
Asia Pacific	35,073	30,747	99,392	89,518
Total Revenue	\$ 364,533	\$ 339,911	\$ 1,071,068	\$ 1,004,283

## 5. 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 is permissible. The Company considers the principal or most advantageous market in which it would transact and considers assumptions that market participants would use when pricing the asset or liability.

#### Fair Value Hierarchy

The accounting guidance for fair value measurements establishes a 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. There are three levels of inputs that may be used to measure fair value based on the reliability of inputs. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect their placement within the fair value hierarchy levels. The Company has categorized its cash equivalents, investments and derivatives 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. These Level 1 assets and liabilities include the Company's corporate money market funds that are classified as cash equivalents.

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. The Company’s mutual funds, certificates of deposit, and derivative instruments are classified as Level 2.

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. There were no Level 3 assets or liabilities held by the Company as of May 31, 2019 or August 31, 2018.

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

The following tables show by level within the fair value hierarchy the Company’s assets and liabilities that are measured at fair value on a recurring basis at May 31, 2019 and August 31, 2018. The Company did not have any transfers between Level 1 and Level 2 fair value measurements during the periods presented.

(in thousands)	Fair Value Measurements at May 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Corporate money market funds <sup>(1)</sup>	\$ 100,249	\$ —	\$ —	\$ 100,249
Mutual funds <sup>(2)</sup>	—	19,111	—	19,111
Certificates of deposit <sup>(3)</sup>	—	7,244	—	7,244
Derivative instruments <sup>(4)</sup>	—	294	—	294
<i>Total assets measured at fair value</i>	<i>\$ 100,249</i>	<i>\$ 26,649</i>	<i>\$ —</i>	<i>\$ 126,898</i>
<b>Liabilities</b>				
Derivative instruments <sup>(4)</sup>	\$ —	\$ 2,131	\$ —	\$ 2,131
<i>Total liabilities measured at fair value</i>	<i>\$ —</i>	<i>\$ 2,131</i>	<i>\$ —</i>	<i>\$ 2,131</i>

(in thousands)	Fair Value Measurements at August 31, 2018			
	Level 1	Level 2	Level 3	Total
<b>Assets</b>				
Corporate money market funds <sup>(1)</sup>	\$ 75	\$ —	\$ —	\$ 75
Mutual funds <sup>(2)</sup>	—	18,668	—	18,668
Certificates of deposit <sup>(3)</sup>	—	10,591	—	10,591
Derivative instruments <sup>(4)</sup>	—	90	—	90
<i>Total assets measured at fair value</i>	<i>\$ 75</i>	<i>\$ 29,349</i>	<i>\$ —</i>	<i>\$ 29,424</i>
<b>Liabilities</b>				
Derivative instruments <sup>(4)</sup>	\$ —	\$ 4,036	\$ —	\$ 4,036
<i>Total liabilities measured at fair value</i>	<i>\$ —</i>	<i>\$ 4,036</i>	<i>\$ —</i>	<i>\$ 4,036</i>

(1) The Company’s corporate money market funds are readily convertible into cash. The net asset value of each fund on the last day of the quarter is used to determine its fair value, as such, the Company’s corporate money market funds are classified as Level 1 and included in Cash and cash equivalents within the consolidated balance sheets.

(2) The Company’s mutual funds have a fair value 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. As such, the Company’s mutual funds are classified as Level 2 and are included as Investments (short-term) on the consolidated balance sheets.

(3) The Company’s certificates of deposit held for investment are valued at amortized cost, which approximates fair value and, therefore, are classified as Level 2. These certificates of deposit are not debt securities and have original maturities greater than three months, but less than one year and, as such, are classified as Investments (short-term) within the consolidated balance sheets.

- (4) *The Company utilizes the income approach to measure fair value for its derivative instruments (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 and therefore, are classified as Level 2.*

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

Certain assets, including Goodwill and Intangible assets, and liabilities, are measured at fair value on a non-recurring basis; that is, the assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances such as when they are deemed to be other-than-temporarily impaired. The fair values of these non-financial assets and liabilities 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. An impairment charge is recorded when the cost exceeds its fair value, based upon the results of such valuations. During the nine months ended May 31, 2019, no fair value adjustments or material fair value measurements were required for the Company's non-financial assets or liabilities.

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

As of May 31, 2019, and August 31, 2018, the fair value of the Company's Long-term debt was \$575.0 million, which approximated its carrying amount given the application of a floating interest rate equal to the daily LIBOR rate plus a spread using a debt leverage pricing grid. As the interest rate is a variable rate, adjusted based on market conditions, it approximates the current market rate for similar instruments available to companies with comparable credit quality and maturity, and therefore, the Long-term debt is categorized as Level 2 in the fair value hierarchy.

## 6. DERIVATIVE INSTRUMENTS

### Cash Flow Hedges

FactSet conducts business outside the U.S. in several currencies including the Euro, British Pound Sterling, Indian Rupee, and Philippine Peso. As such, it is exposed to movements in foreign currency exchange rates compared to the U.S. dollar. The Company utilizes derivative instruments (foreign currency forward contracts) to manage the exposures related to the effects of foreign exchange rate fluctuations and reduce the volatility of earnings and cash flows associated with changes in foreign currency. The Company does not enter into foreign currency forward contracts for trading or speculative purposes. See Note 17, Commitments and Contingencies – Concentrations of Credit Risk, for further discussion on counterparty credit risk.

In designing a specific hedging approach, FactSet considered several factors, including offsetting exposures, the significance of exposures, the forecasting of risk and the potential effectiveness of the hedge. The gains and losses on foreign currency forward contracts offset the variability in operating expenses associated with currency movements. The changes in fair value for these foreign currency forward contracts are initially reported as a component of accumulated other comprehensive loss ("AOCL") and subsequently reclassified into operating expenses when the hedge is settled. There was no discontinuance of cash flow hedges during the first nine months of fiscal 2019 and 2018, and as such, no corresponding gains or losses related to changes in the value of the Company's contracts were reclassified into earnings prior to settlement.

As of May 31, 2019, FactSet maintained the following foreign currency forward contracts to hedge its exposures:

- *Philippine Peso* – foreign currency forward contracts to hedge approximately 75% of its Philippine Peso exposure through the fourth quarter of fiscal 2020.
- *Indian Rupee* – foreign currency forward contracts to hedge approximately 75% of its Indian Rupee exposure through the fourth quarter of fiscal 2019, 50% of its exposure from the first quarter of fiscal 2020 through the third quarter of fiscal 2020, and 25% of its exposure during the fourth quarter of fiscal 2020.
- *Euro* – foreign currency forward contracts to hedge approximately 75% of its Euro exposure through the first quarter of fiscal 2020, 50% of its exposure during the second quarter of fiscal 2020, and 25% of its exposure during the third quarter of fiscal 2020.
- *British Pound Sterling* – foreign currency forward contracts to hedge approximately 50% of its British Pound Sterling exposure through the third quarter of fiscal 2020.

The following is a summary of all hedging positions and corresponding fair values:

Currency Hedged <i>(in thousands, in U.S. dollars)</i>	Gross Notional Value		Fair Value Asset (Liability)	
	May 31, 2019	August 31, 2018	May 31, 2019	August 31, 2018
Philippine Peso	\$ 32,000	\$ 52,000	\$ 294	\$ (1,230)
Indian Rupee	26,830	50,780	(1,008)	(1,490)
Euro	44,748	26,312	(431)	(503)
British Pound Sterling	27,173	18,995	(692)	(723)
<b>Total</b>	<b>\$ 130,751</b>	<b>\$ 148,087</b>	<b>\$ (1,837)</b>	<b>\$ (3,946)</b>

As of May 31, 2019, the gross notional value of foreign currency forward contracts to purchase Philippine Pesos with U.S. dollars was ₱1.7 billion. The gross notional value of foreign currency forward contracts to purchase Indian Rupees with U.S. dollars was ₹1.8 billion. The gross notional value of foreign currency forward contracts to purchase U.S. dollars with Euros was €39.3 million. The gross notional value of foreign currency forward contracts to purchase U.S. dollars with British Pound Sterling was £20.8 million.

#### Fair Value of Derivative Instruments

The following table provides a summary of the fair value amounts of derivative instruments:

Designation of Derivatives <i>(in thousands)</i>	Balance Sheet Location	May 31, 2019	August 31, 2018
Derivatives designated as hedging instruments	<u>Assets: Foreign Currency Forward Contracts</u>		
	Prepaid expenses and other current assets	\$ 278	\$ 90
	Other Assets	\$ 16	\$ —
	<u>Liabilities: Foreign Currency Forward Contracts</u>		
	Accounts payable and accrued expenses	\$ 2,105	\$ 1,731
	Deferred rent and other non-current liabilities	\$ 26	\$ 2,305

All derivatives were designated as hedging instruments as of May 31, 2019 and August 31, 2018.

#### Derivatives in Cash Flow Hedging Relationships

The following table provides the pre-tax effect of derivative instruments in cash flow hedging relationships for the three months ended May 31, 2019 and 2018, respectively:

<i>(in thousands)</i>	(Loss) Gain Recognized in AOCL on Derivatives (Effective Portion)		Location of (Loss) Gain Reclassified from AOCL into Income (Effective Portion)	(Loss) Gain Reclassified from AOCL into Income (Effective Portion)	
	2019	2018		2019	2018
Derivatives in Cash Flow Hedging Relationships					
Foreign currency forward contracts	\$ (822)	\$ (2,296)	SG&A	\$ (597)	\$ 1,041

The following table provides the pre-tax effect of derivative instruments in cash flow hedging relationships for the nine months ended May 31, 2019 and 2018, respectively:

<i>(in thousands)</i>	Gain (Loss) Recognized in AOCL on Derivatives (Effective Portion)		Location of (Loss) Gain Reclassified from AOCL into Income (Effective Portion)	(Loss) Gain Reclassified from AOCL into Income (Effective Portion)	
	2019	2018		2019	2018
Derivatives in Cash Flow Hedging Relationships					
Foreign currency forward contracts	\$ 1,442	\$ (3,640)	SG&A	\$ (1,381)	\$ 2,631

No amount of ineffectiveness was recorded in the consolidated statements of income for these designated cash flow hedges and all components of each derivative's gain or loss was included in the assessment of hedge effectiveness. As of May 31, 2019, the Company estimates that \$1.8 million of net derivative losses related to its cash flow hedges included in AOCL will be reclassified into earnings within the next 12 months.

## Offsetting of Derivative Instruments

FactSet's master netting and other similar arrangements with its respective counterparties allow for net settlement under certain conditions. As of May 31, 2019, and August 31, 2018, there were no material amounts recorded net on the consolidated balance sheets.

## 7. OTHER COMPREHENSIVE LOSS AND ACCUMULATED OTHER COMPREHENSIVE LOSS

The components of Other comprehensive loss for the three months ended May 31, 2019 and 2018 are as follows:

<i>(in thousands)</i>	May 31, 2019		May 31, 2018	
	Pre-tax	Net of tax	Pre-tax	Net of tax
Foreign currency translation adjustments	\$ (11,326)	\$ (11,326)	\$ (20,126)	\$ (20,126)
Net unrealized loss on cash flow hedges recognized in AOCL	(225)	(160)	(3,337)	(2,361)
<i>Other comprehensive income</i>	\$ (11,551)	\$ (11,486)	\$ (23,463)	\$ (22,487)

The components of Other comprehensive loss for the nine months ended May 31, 2019 and 2018 are as follows:

<i>(in thousands)</i>	May 31, 2019		May 31, 2018	
	Pre-tax	Net of tax	Pre-tax	Net of tax
Foreign currency translation adjustments	\$ (15,804)	\$ (15,804)	\$ (2,260)	\$ (2,260)
Net unrealized gain (loss) on cash flow hedges recognized in AOCL	2,107	1,405	(6,271)	(4,105)
<i>Other comprehensive loss</i>	\$ (13,697)	\$ (14,399)	\$ (8,531)	\$ (6,365)

The components of AOCL are as follows:

<i>(in thousands)</i>	May 31,	August 31,
	2019	2018
Accumulated unrealized losses on cash flow hedges, net of tax	\$ (1,365)	\$ (3,486)
Accumulated foreign currency translation adjustments	(63,756)	(47,953)
<i>Total accumulated other comprehensive loss</i>	\$ (65,121)	\$ (51,439)

## 8. SEGMENT INFORMATION

Operating segments are defined as (i) components of an enterprise that engage in business activities from which they may earn revenue and incur expense, (ii) with operating results that are regularly reviewed by the enterprise's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and (iii) for which discrete financial information is available. Executive management, along with the CEO, constitute FactSet's chief operating decision making group ("CODMG"). Executive management consists of certain executives who directly report to the CEO, consisting of the Chief Financial Officer, Chief Technology and Product Officer, Global Head of Sales and Client Solutions, General Counsel, Chief Human Resources Officer and Head of Analytics & Trading. The CODMG reviews financial information at the operating segment level and is responsible for making decisions about resources allocated amongst the operating segments based on actual results.

The Company's operating segments are aligned with how the Company, including its CODMG, manages the business and the demographic markets in which it serves. The Company's internal financial reporting structure is based on three segments: the U.S., Europe and Asia Pacific. The Company believes this alignment helps to better manage the business and view the markets it serves, which are centered on providing integrated global financial and economic information. Sales, consulting, data collection, product development and software engineering are the primary functional groups within the U.S., Europe and Asia Pacific segments. These functional groups provide global financial and economic information to investment managers, investment banks and other financial services professionals.

The U.S. segment serves investment professionals including financial institutions throughout the Americas. The Europe and Asia Pacific segments serve investment professionals located throughout Europe and Asia Pacific, respectively. Segment revenue reflects direct sales to clients based on their respective geographic locations. Each segment records compensation expense (including stock-based compensation), amortization of intangible assets, depreciation of furniture and fixtures, amortization of leasehold improvements, communication costs, professional fees, rent expense, travel, office and other direct expenses.



Expenditures associated with the Company's data centers, third-party data costs and corporate headquarters charges are recorded by the U.S. segment and are not allocated to the other segments. The content collection centers, located in India, the Philippines, and Latvia, benefit all the Company's operating segments, and thus the expenses incurred at these locations are allocated to each segment based on a percentage of revenue.

The following reflects the results of operations of the segments, consistent with the Company's management structure. These results are used, in part, by management, both in evaluating the performance of, and in allocating resources to, each of the segments.

(in thousands)

For the three months ended May 31, 2019	U.S.	Europe	Asia Pacific	Total
Revenue from clients	\$ 226,961	\$ 102,499	\$ 35,073	\$ 364,533
Segment operating income	\$ 51,012	\$ 44,793	\$ 21,435	\$ 117,240
Total assets	\$ 820,078	\$ 569,609	\$ 122,214	\$ 1,511,901
Capital expenditures	\$ 8,664	\$ 439	\$ 2,321	\$ 11,424

For the three months ended May 31, 2018	U.S.	Europe	Asia Pacific	Total
Revenue from clients	\$ 210,308	\$ 98,856	\$ 30,747	\$ 339,911
Segment operating income	\$ 37,986	\$ 37,381	\$ 17,898	\$ 93,265
Total assets	\$ 728,517	\$ 572,867	\$ 105,788	\$ 1,407,172
Capital expenditures	\$ 2,830	\$ 537	\$ 2,633	\$ 6,000

(in thousands)

For the nine months ended May 31, 2019	U.S.	Europe	Asia Pacific	Total
Revenue from clients	\$ 672,479	\$ 299,197	\$ 99,392	\$ 1,071,068
Segment operating income	\$ 140,549	\$ 127,130	\$ 58,788	\$ 326,467
Capital expenditures	\$ 20,022	\$ 2,136	\$ 10,748	\$ 32,906

For the nine months ended May 31, 2018	U.S.	Europe	Asia Pacific	Total
Revenue from clients	\$ 627,976	\$ 286,789	\$ 89,518	\$ 1,004,283
Segment operating income	\$ 117,285	\$ 107,344	\$ 53,219	\$ 277,848
Capital expenditures	\$ 10,104	\$ 2,816	\$ 5,455	\$ 18,375

## 9. GOODWILL

Changes in the carrying amount of goodwill by segment for the nine months ended May 31, 2019 are as follows:

(in thousands)	U.S.	Europe	Asia Pacific	Total
Balance at August 31, 2018	\$ 386,195	\$ 312,694	\$ 2,944	\$ 701,833
Foreign currency translations	—	(10,940)	63	(10,877)
Balance at May 31, 2019	\$ 386,195	\$ 301,754	\$ 3,007	\$ 690,956

Goodwill is not amortized as it is estimated to have an indefinite life. At least annually, the Company is required to test goodwill at the reporting unit level for potential impairment, and, if impaired, write down to fair value based on the present value of discounted cash flows. The Company's reporting units evaluated for potential impairment were the U.S., Europe and Asia Pacific, which reflect the level of internal reporting the Company uses to manage its business and operations. The three reporting units are consistent with the operating segments reported as there is no discrete financial information available for the subsidiaries within each operating segment. The Company performed its annual goodwill impairment test during the fourth quarter of fiscal 2018, consistent with the timing of previous years, at which time it was determined that there was no impairment, with the fair value of each of the Company's reporting units significantly exceeding carrying value.

## 10. INTANGIBLE ASSETS

FactSet's identifiable intangible assets consist of acquired content databases, client relationships, software technology, non-compete agreements and trade names resulting from previous acquisitions, which have been fully integrated into the Company's operations. The weighted average useful life of FactSet's acquired identifiable intangible assets at May 31, 2019 was 12.4 years. The Company amortizes intangible assets over their estimated useful lives, which are evaluated quarterly to determine whether events and circumstances warrant a revision to the remaining period of amortization. There have been no changes to the estimate of the remaining useful lives during the first nine months of fiscal 2019. If indicators of impairment are present, amortizable intangible assets are tested for impairment comparing the carrying value to undiscounted cash flows and, if impaired, written down to fair value based on discounted cash flows. No impairment of intangible assets has been identified during any of the periods presented. The intangible assets have no assigned residual values.

The gross carrying amounts and accumulated amortization totals related to the Company's identifiable intangible assets are as follows:

At May 31, 2019

<i>(in thousands)</i>	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Data content	\$ 32,922	\$ 21,537	\$ 11,385
Client relationships	96,713	34,118	62,595
Software technology	106,085	53,813	52,272
Non-compete agreements	4,815	2,977	1,838
Trade names	4,021	2,906	1,115
<i>Total</i>	\$ 244,556	\$ 115,351	\$ 129,205

At August 31, 2018

<i>(in thousands)</i>	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Data content	\$ 33,992	\$ 20,990	\$ 13,002
Client relationships	98,882	29,387	69,495
Software technology	106,505	44,231	62,274
Non-compete agreements	4,840	2,381	2,459
Trade names	4,070	2,365	1,705
<i>Total</i>	\$ 248,289	\$ 99,354	\$ 148,935

Amortization expense recorded for intangible assets was \$6.0 million and \$6.2 million for the three months ended May 31, 2019 and 2018, respectively. Amortization expense recorded for intangible assets was \$17.7 million and \$18.6 million for the nine months ended May 31, 2019 and 2018, respectively. As of May 31, 2019, estimated intangible asset amortization expense for each of the next five years and thereafter is as follows:

Fiscal Year <i>(in thousands)</i>	Estimated Amortization Expense
2019 (remaining three months)	\$ 5,866
2020	22,871
2021	21,529
2022	18,759
2023	13,670
Thereafter	46,510
<i>Total</i>	\$ 129,205

## 11. COMMON STOCK AND EARNINGS PER SHARE

On May 17, 2019, FactSet's Board of Directors approved a regular quarterly dividend of \$0.72 per share. The cash dividend of \$27.5 million was paid on June 18, 2019 to common stockholders of record at the close of business on May 31, 2019.

Shares of common stock outstanding were as follows:

<i>(in thousands)</i>	Nine Months Ended May 31,	
	2019	2018
Balance, beginning of year at September 1, 2018 and 2017, respectively	38,192	39,023
Common stock issued for employee stock plans	719	572
Repurchase of common stock from employees <sup>(1)</sup>	(28)	(5)
Repurchase of common stock under the share repurchase program	(665)	(1,205)
Balance at May 31, 2019 and 2018, respectively	38,218	38,385

(1) For the nine months ended May 31, 2019 and 2018, the Company repurchased 27,852 and 5,563 shares, or \$6.2 million and \$1.0 million, of common stock, respectively, in settlement of employee tax withholding obligations due upon the vesting of restricted stock.

A reconciliation of the weighted average shares outstanding used in the basic and diluted earnings per share ("EPS") computations is as follows:

<i>(in thousands, except per share data)</i>	Net Income (Numerator)	Weighted Average Common Shares (Denominator)	Per Share Amount
<b>For the three months ended May 31, 2019</b>			
<b>Basic EPS</b>			
Income available to common stockholders	\$ 92,265	38,223	\$ 2.41
<b>Diluted EPS</b>			
Dilutive effect of stock options and restricted stock		770	
Income available to common stockholders plus assumed conversions	\$ 92,265	38,993	\$ 2.37
<b>For the three months ended May 31, 2018</b>			
<b>Basic EPS</b>			
Income available to common stockholders	\$ 74,746	38,594	\$ 1.94
<b>Diluted EPS</b>			
Dilutive effect of stock options and restricted stock		510	
Income available to common stockholders plus assumed conversions	\$ 74,746	39,104	\$ 1.91
<b>For the nine months ended May 31, 2019</b>			
<b>Basic EPS</b>			
Income available to common stockholders	\$ 261,263	38,128	\$ 6.85
<b>Diluted EPS</b>			
Dilutive effect of stock options and restricted stock		679	
Income available to common stockholders plus assumed conversions	\$ 261,263	38,807	\$ 6.73
<b>For the nine months ended May 31, 2018</b>			
<b>Basic EPS</b>			
Income available to common stockholders	\$ 198,262	38,890	\$ 5.10
<b>Diluted EPS</b>			
Dilutive effect of stock options and restricted stock		653	
Income available to common stockholders plus assumed conversions	\$ 198,262	39,543	\$ 5.01

Dilutive potential common shares consist of stock options and unvested restricted stock awards. There were 1,810 stock options excluded from the calculation of diluted EPS for the three and nine months ended May 31, 2019, because their inclusion would have been anti-dilutive. There were no stock options or unvested restricted stock awards excluded from the calculation of diluted EPS for the three and nine months ended May 31, 2018.

Performance-based stock options are omitted from the calculation of diluted EPS until the performance criteria is probable of being achieved. For the three and nine months ended May 31, 2019, the number of performance-based stock option grants excluded from the calculation of diluted EPS was 206,417. For the three and nine months ended May 31, 2018, the number of performance-based stock option grants excluded from the calculation of diluted EPS was 249,443.

## **12. STOCKHOLDERS' EQUITY**

### **Preferred Stock**

At May 31, 2019 and August 31, 2018, there were 10,000,000 shares of preferred stock (\$0.01 par value per share) authorized, of which no shares were issued and outstanding. FactSet's Board of Directors may from time to time authorize the issuance of one or more series of preferred stock and, in connection with the creation of such series, determine the characteristics of each such series including, without limitation, the preference and relative, participating, optional or other special rights, and the qualifications, limitations or restrictions of the series.

### **Common Stock**

At May 31, 2019 and August 31, 2018, there were 150,000,000 shares of common stock (\$0.01 par value per share) authorized, of which 39,982,823 and 39,264,849 shares were issued, respectively. The authorized shares of common stock are issuable for any proper corporate purpose, including future stock splits, stock dividends, acquisitions, raising equity capital or to adopt additional employee benefit plans.

### **Treasury Stock**

On January 31, 2018, FactSet retired 13,292,689 shares of treasury stock. These retired shares are now included in the Company's pool of authorized but unissued shares. The retired treasury stock was initially recorded using the cost method and had a carrying value of \$1.7 billion at January 31, 2018. The Company's accounting policy upon the formal retirement of treasury stock is to deduct its par value from common stock (\$0.1 million), reduce additional paid-in capital ("APIC") by the average amount recorded in APIC when stock was originally issued (\$186.7 million) and any remaining excess of cost as a reduction to retained earnings (\$1.5 billion). As of May 31, 2019, and August 31, 2018, there were 1,765,060 and 1,072,263 shares of treasury stock (at cost) outstanding, respectively.

### **Share Repurchase Program**

Repurchases will be made from time to time in the open market and privately negotiated transactions, subject to market conditions. For the three months ended May 31, 2019 and 2018, the Company repurchased 175,000 shares for \$47.6 million and 620,000 shares for \$122.0 million, respectively. For the nine months ended May 31, 2019 and 2018, the Company repurchased 664,945 shares for \$152.1 million and 1,204,920 shares for \$234.8 million, respectively. As of May 31, 2019, \$89.6 million remains authorized for future share repurchases. No minimum number of shares to be repurchased has been fixed. There is no timeframe to complete the repurchase program and it is expected that share repurchases will be paid using existing and future cash generated by operations.

On June 24, 2019, the Board of Directors of FactSet approved a \$210.0 million expansion of the existing share repurchase program. Subsequent to this expansion, \$299.6 million is available for future repurchases.

### **Restricted Stock**

Restricted stock awards entitle the holder to shares of common stock as the awards vest over time. During the first nine months of fiscal 2019, previously granted restricted stock awards of 75,530 shares vested and were included in common stock outstanding as of May 31, 2019 (recorded net of 27,852 shares repurchased from employees at a cost of \$6.2 million to cover their cost of taxes upon vesting of the restricted stock). During the same comparable period a year ago, 15,063 shares of previously granted restricted stock awards vested and were included in common stock outstanding as of May 31, 2018 (recorded net of 5,563 shares repurchased from employees at a cost of \$1.0 million to cover their cost of taxes upon vesting of the restricted stock).

## Dividends

The Company's Board of Directors declared the following dividends for the first nine months of fiscal 2019 and 2018 respectively:

Year Ended	Dividends per Share of Common Stock	Record Date	Total \$ Amount (in thousands)	Payment Date
<b>Fiscal 2019</b>				
First Quarter	\$ 0.64	November 30, 2018	\$ 24,372	December 18, 2018
Second Quarter	\$ 0.64	February 28, 2019	\$ 24,385	March 19, 2019
Third Quarter	\$ 0.72	May 31, 2019	\$ 27,506	June 18, 2019
<b>Fiscal 2018</b>				
First Quarter	\$ 0.56	November 30, 2017	\$ 21,902	December 19, 2017
Second Quarter	\$ 0.56	February 28, 2018	\$ 21,799	March 20, 2018
Third Quarter	\$ 0.64	May 31, 2018	\$ 24,566	June 19, 2018

All the above cash dividends were paid from existing cash resources. Future dividend payments will depend on the Company's earnings, capital requirements, financial condition and other factors considered relevant by the Company and is subject to final determination by the Company's Board of Directors.

## 13. EMPLOYEE STOCK OPTION AND RETIREMENT PLANS

### Stock Option Awards

The FactSet Research Systems Inc. Stock Option and Award Plan, as Amended and Restated (the "Long Term Incentive Plan" or "LTIP") provides for the grant of share-based awards, including stock options and restricted stock awards to employees of FactSet. The expiration date of the Long Term Incentive Plan is December 19, 2027. Stock options granted under the LTIP expire not more than ten years from the date of grant and the majority vest ratably over a period of five years. Options become vested and exercisable provided the employee continues employment with the Company through the applicable vesting date and remain exercisable until expiration or cancellation. Options are not transferable or assignable other than by will or the laws of descent and distribution. During the grantee's lifetime, the options may be exercised only by the grantee.

## Stock Option Activity

During the first nine months of fiscal 2019, FactSet granted 463,033 stock options with a weighted average exercise price of \$221.97 to existing employees of the Company. A summary of stock option activity for the nine months ended May 31, 2019 is as follows:

<i>(in thousands, except per share data)</i>	Number of Stock Options Outstanding	Weighted Average Exercise Price Per Share
Balance at August 31, 2018	3,143	\$ 153.05
Granted – non-performance-based employee grant	455	221.93
Exercised	(117)	132.81
Forfeited	(24)	169.47
Balance at November 30, 2018	3,457	\$ 162.68
Granted – non-performance-based employee grant	6	207.84
Granted – non-employee Directors' grant	21	207.88
Exercised	(207)	136.30
Forfeited	(61)	152.19
Balance at February 28, 2019	3,216	\$ 164.42
Granted – non-performance-based employee grant	2	267.02
Exercised	(279)	137.82
Forfeited	(73)	168.42
Balance at May 31, 2019	2,866	\$ 167.00

The total number of in-the-money options exercisable as of May 31, 2019 was 0.9 million with a weighted average exercise price of \$138.85. The aggregate intrinsic value of in-the-money stock options exercisable at May 31, 2019 and August 31, 2018 was \$131.2 million and \$105.3 million, respectively. The aggregate intrinsic value represents the difference between the Company's closing stock price as of May 31, 2019 of \$278.20 and the exercise price, multiplied by the number of options exercisable as of that date.

The total pre-tax intrinsic value of stock options exercised during the three months ended May 31, 2019 and 2018 was \$32.1 million and \$5.2 million, respectively. The total pre-tax intrinsic value of stock options exercised during the nine months ended May 31, 2019 and 2018 was \$58.4 million and \$40.3 million, respectively.

## Performance-based Equity Awards

Performance-based equity awards, whether in the form of stock options or restricted stock, require management to make assumptions regarding the likelihood of achieving Company performance targets. The number of performance-based awards that vest will be predicated on the Company achieving performance levels during the measurement period subsequent to the date of grant. Dependent on the financial performance levels attained by FactSet, a percentage of the performance-based awards will vest to the grantees. However, there is no current guarantee that such awards will vest in whole or in part.

### June 2017 Performance-based Option Grant Review

In connection with the acquisition of BISAM, FactSet granted 206,417 performance-based stock options in June 2017. These performance-based options were scheduled to vest 40% on the second anniversary date of the grant and 20% on each subsequent anniversary date, if certain BISAM revenue and operating income targets were achieved by March 31, 2019. In the third quarter of fiscal 2019, it was determined that the performance criteria were not achieved by March 31, 2019, and, as such, the options were forfeited and no stock-based compensation expense was recorded for this performance-based option grant for the three and nine months ended May 31, 2019.

## Restricted Stock Awards

The Company's Option Plan permits the issuance of restricted stock awards in the form of either restricted shares or restricted stock units. Restricted stock awards are subject to continued employment over a specified period.

### Restricted Stock Awards Activity

During the first nine months of fiscal 2019, FactSet granted 41,418 restricted stock awards to employees of the Company at a weighted average grant date fair value of \$212.94. These restricted stock awards vest over a weighted average period of 5.0 years from grant date. As of May 31, 2019, a total of 104,136 restricted stock awards were unvested and outstanding. This resulted in an unamortized stock-based compensation balance of \$14.9 million, which will be recognized as stock-based compensation expense over the remaining weighted average vesting period of 3.4 years.

A summary of restricted stock award activity is as follows:

<i>(in thousands, except per award data)</i>	Number Outstanding	Weighted Average Grant Date Fair Value Per Award
Balance at August 31, 2018	143	\$ 139.34
Granted	41	\$ 212.66
Forfeited	(1)	\$ 200.18
Vested	(52) <sup>(1)</sup>	\$ 113.44
Balance at November 30, 2018	131	\$ 172.48
Granted	—	\$ —
Forfeited	(1)	\$ 184.64
Vested	(23) <sup>(2)</sup>	\$ 136.58
Balance at February 28, 2019	107	\$ 187.62
Granted	—	\$ —
Forfeited	(3)	\$ 177.29
Vested	—	\$ —
Balance at May 31, 2019	104	\$ 180.09

(1) The majority of the vested restricted stock awards related to the final vesting of awards granted on November 1, 2013, which cliff vested 60% after three years on November 1, 2016 and 40% after five years on November 1, 2018.

(2) The majority of the vested restricted stock awards related to the final vesting of awards granted on February 9, 2015, which vested 100% on the four year anniversary date of the grant.

As of May 31, 2019, and August 31, 2018, the aggregate fair value of unvested restricted stock was \$29.0 million and \$32.8 million, respectively. Aggregate fair value of unvested restricted stock represents the Company's closing stock prices on May 31, 2019 and August 31, 2018 of \$278.20 and \$229.39, respectively, multiplied by the number of unvested restricted stock as of that comparable date.

No restricted stock vested during the three months ended May 31, 2019. The total pre-tax fair value of restricted stock that vested during the three months ended May 31, 2018 was less than \$0.1 million. The total pre-tax fair value of restricted stock that vested during the nine months ended May 31, 2019 and 2018 was \$16.7 million and \$2.8 million, respectively.

## Share-based Awards Available for Grant

A summary of share-based awards available for grant is as follows:

<i>(in thousands)</i>	Share-based Awards Available for Grant under the Employee Stock Option Plan	Share-based Awards Available for Grant under the Non-Employee Stock Option Plan
Balance at August 31, 2018	6,298	282
Granted – non-performance-based options	(455)	—
Restricted stock awards granted <sup>(1)</sup>	(103)	—
Share-based awards canceled/forfeited <sup>(2)</sup>	25	—
Balance at November 30, 2018	5,765	282
Granted – non-performance-based options	(6)	(21)
Share-based awards canceled/forfeited <sup>(2)</sup>	65	3
Balance at February 28, 2019	5,824	264
Granted – non-performance-based options	(2)	—
Restricted stock awards granted <sup>(1)</sup>	(1)	—
Share-based awards canceled/forfeited <sup>(2)</sup>	80	—
Balance at May 31, 2019	5,901	264

(1) Each restricted stock award granted is equivalent to 2.5 shares granted under the Company's Option Plan.

(2) Under the Company's Option Plan, for each restricted stock award canceled/forfeited, an equivalent of 2.5 shares is added back to the available share-based awards balance.

## Employee Stock Purchase Plan

Shares of FactSet common stock may be purchased by eligible employees under the FactSet Research Systems Inc. Employee Stock Purchase Plan, as Amended and Restated (the "ESPP") in three-month intervals. The purchase price is equal to 85% of the lesser of the fair market value of the Company's 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 a \$25,000 contribution limit during an offering period.

During the three months ended May 31, 2019, employees purchased 13,350 shares at a price of \$201.54 compared to 16,312 shares at a price of \$170.86 for the three months ended May 31, 2018. During the nine months ended May 31, 2019, employees purchased 39,069 shares at a weighted average price of \$199.43 as compared to 50,706 shares at a weighted average price of \$156.88 for the nine months ended May 31, 2018. At May 31, 2019, the ESPP had 229,873 shares reserved for future issuance.

## Employee Benefit Plans

FactSet sponsors benefit plans for the majority of its domestic and foreign employees. The Company contributed \$3.0 million in employer matching contributions for its U.S. defined contribution plan for both the three months ended May 31, 2019 and 2018. During the nine months ended May 31, 2019 and 2018, the Company contributed \$8.2 million and \$8.5 million in employer matching contributions for its U.S. defined contribution plan, respectively. Contributions to foreign benefit plans were not material to FactSet on either an individual or aggregate basis for any of the periods presented.

## 14. STOCK-BASED COMPENSATION

During the three months ended May 31, 2019 and 2018, the Company recognized total stock-based compensation expense of \$8.0 million and \$7.8 million, respectively. During the nine months ended May 31, 2019 and 2018, the Company recognized total stock-based compensation expense of \$24.1 million and \$23.2 million, respectively. As of May 31, 2019, \$80.0 million of total unrecognized compensation expense related to non-vested equity awards is expected to be recognized over a weighted average period of 3.1 years. There was no stock-based compensation capitalized for the three and nine months ended May 31, 2019 or 2018.



## Employee Stock Option Fair Value Determinations

The Company utilizes the lattice-binomial option-pricing model ("binomial model") to estimate the fair value of new employee stock option grants. The binomial model is affected by the Company's stock price, as well as, assumptions regarding several variables, which include, but are not limited to, the Company's expected stock price volatility over the term of the awards, interest rates, option forfeitures and employee stock option exercise behaviors, to determine the grant date stock option award fair value.

Q1 2019	454,598 non-performance-based employee stock options were granted at a weighted average exercise price of \$221.93 and a weighted average estimated fair value of \$56.77 per share.
Q2 2019	6,115 non-performance-based employee stock options were granted at a weighted average exercise price of \$207.84 and a weighted average estimated fair value of \$53.18 per share.
Q3 2019	2,320 non-performance-based employee stock options were granted at a weighted average exercise price of \$267.02 and a weighted average estimated fair value of \$68.33 per share.
Q1 2018	553,942 non-performance-based employee stock options were granted at a weighted average exercise price of \$189.98 and a weighted average estimated fair value of \$48.27 per share.
Q2 2018	15,363 non-performance-based employee stock options were granted at a weighted average exercise price of \$192.11 and a weighted average estimated fair value of \$48.82 per share.
Q3 2018	There were no employee stock options granted during the three months ended May 31, 2018.

The weighted average estimated fair value of employee stock options granted was determined using the binomial model with the following weighted average assumptions:

Three Months Ended May 31,	2019		2018*	
Term structure of risk-free interest rate	2.48%	- 3.14%	—	—
Expected life (years)		7.1	—	—
Term structure of volatility	18%	- 25%	—	—
Dividend yield		1.15%	—	—
Weighted average estimated fair value	\$	68.33	—	—
Weighted average exercise price	\$	267.02	—	—
Fair value as a percentage of exercise price		25.6%	—	—

\* There were no employee stock options granted during the three months ended May 31, 2018.

Nine Months Ended May 31,	2019		2018	
Term structure of risk-free interest rate	1.28%	- 3.14%	1.28%	- 2.41%
Expected life (years)		7.1		7.4
Term structure of volatility	18%	- 29%	19%	- 29%
Dividend yield		1.15%		1.32%
Weighted average estimated fair value	\$	56.78	\$	48.29
Weighted average exercise price	\$	221.97	\$	190.04
Fair value as a percentage of exercise price		25.6%		25.4%

The risk-free interest rate assumption for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. Expected volatility is based on a combination of historical volatility of the Company's stock and implied volatilities of publicly traded options to buy FactSet common stock with contractual terms closest to the expected life of options granted to employees. The approach to utilize a mix of historical and implied volatility was based upon the availability of actively traded options on the Company's stock and the Company's assessment that a combination of implied volatility and historical volatility is best representative of future stock price trends. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The dividend yield assumption is based on the Company's history and expectation of dividend payouts. The expected life of employee stock options represents the weighted average period the stock options are expected to remain outstanding and is a derived output of the binomial model. The binomial model estimates employee exercise behavior based on the option's remaining vested life and the extent to which the option is in-the-money. The binomial model estimates the probability of exercise as a function of these two variables based on the entire history of exercises and cancellations of all past option grants made by the Company.

## Non-Employee Director Stock Option Fair Value Determinations

The Non-Employee Directors' Stock Option and Award Plan, as Amended and Restated (the "Director Plan"), provides for the grant of share-based awards, including stock options, to non-employee directors of FactSet. As of May 31, 2019, shares available for future grant under the Director Plan was 263,956. The expiration date of the Director Plan is December 19, 2027.

The Company utilizes the Black-Scholes model to estimate the fair value of new non-employee Director stock option grants. The Black-Scholes model is affected by the Company's stock price, as well as, assumptions regarding several variables, which include, but are not limited to, the Company's expected stock price volatility over the term of the awards, interest rates, option forfeitures and employee stock option exercise behaviors, to determine the grant date stock share-based payment award fair value.

### Fiscal 2019

On January 15, 2019, FactSet granted 20,576 stock options to the Company's non-employee Directors. These options have a weighted average estimated fair value of \$42.77 per share, using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	2.51%
Expected life (years)	5.4
Expected volatility	20.5%
Dividend yield	1.17%

### Fiscal 2018

On January 12, 2018, FactSet granted 18,963 stock options to the Company's non-employee Directors. These options have a weighted average estimated fair value of \$38.76 per share, using the Black-Scholes option-pricing model with the following weighted average assumptions:

Risk-free interest rate	2.34%
Expected life (years)	5.4
Expected volatility	19.7%
Dividend yield	1.16%

## Restricted Stock Fair Value Determinations

Restricted stock granted to employees, entitles the holder to shares of common stock as the award vests over time, but not to dividends declared on the underlying shares, while the restricted stock is unvested. The grant date fair value of restricted stock awards is measured by reducing the grant date price of FactSet's share by the present value of the dividends expected to be paid on the underlying stock during the requisite service period, discounted at the appropriate risk-free interest rate. The expense associated with restricted stock awards is amortized over the vesting period. During the first nine months of fiscal 2019, there were 41,418 restricted stock awards granted, with a weighted average grant date fair value of \$212.94. During the first nine months of fiscal 2018, FactSet granted 961 restricted stock awards at a weighted average grant date fair value of \$182.17.

## Employee Stock Purchase Plan Fair Value Determinations

During the three months ended May 31, 2019, employees purchased 13,350 shares at a weighted average price of \$201.54 as compared to 16,312 shares at a weighted average price of \$170.86 for the three months ended May 31, 2018. During the nine months ended May 31, 2019, employees purchased 39,069 shares at a weighted average price of \$199.43 as compared to 50,706 shares at a weighted average price of \$156.88 for the nine months ended May 31, 2018. Stock-based compensation expense related to the ESPP was \$0.6 million for both the three months ended May 31, 2019 and 2018. Stock-based compensation expense related to the ESPP was \$1.6 million for both the nine months ended May 31, 2019 and 2018.

The weighted average estimated fair value for the shares repurchased under the ESPP was calculated using the Black-Scholes model with the following assumptions:

Three Months Ended May 31,	2019	2018
Risk-free interest rate	2.43%	1.81%
Expected life (months)	3	3
Expected volatility	10.58%	10.07%
Dividend yield	1.21%	1.26%
Weighted average estimated fair value	\$ 40.11	\$ 34.39

  

Nine Months Ended May 31,	2019	2018
Risk-free interest rate	2.38%	1.43%
Expected life (months)	3	3
Expected volatility	10.65%	10.38%
Dividend yield	1.13%	1.28%
Weighted average estimated fair value	\$ 39.73	\$ 31.25

### Accuracy of Fair Value Estimates

The Company is responsible for determining the assumptions used in estimating the fair value of its share-based payment awards. The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price, as well as assumptions regarding several highly complex and subjective variables. These variables include, but are not limited to, the Company's expected stock price volatility over the term of the awards, interest rates, option forfeiture rates and actual and projected employee stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable.

## 15. INCOME TAXES

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 and the tax bases of assets and liabilities using currently enacted tax rates.

### Provision for Income Taxes

The provision for income taxes is as follows:

<i>(in thousands)</i>	Three Months Ended May 31,		Nine Months Ended May 31,	
	2019	2018	2019	2018
Income before income taxes	\$ 113,384	\$ 89,511	\$ 313,676	\$ 267,903
Provision for income taxes	\$ 21,119	\$ 14,765	\$ 52,413	\$ 69,641
Effective tax rate	18.6%	16.5%	16.7%	26.0%

FactSet's effective tax rate is based on recurring factors and nonrecurring events, including the taxation of foreign income. The Company's effective tax rate will vary based on, among other things, changes in levels of foreign income, as well as discrete and other nonrecurring events that may not be predictable. FactSet's effective tax rate is lower than the applicable U.S. corporate income tax rate for the three and nine months ended May 31, 2019 mainly due to R&D tax benefits and tax benefits associated with share-based payments.

The provision for income taxes increased for the three months ended May 31, 2019, compared to the same period a year ago. The provision for the three months ended May 31, 2019 included a net \$4.5 million income tax expense from finalizing prior years' tax returns and other discrete items.

The provision for income taxes decreased for the nine months ended May 31, 2019 mainly due to the enactment of the Tax Cuts and Jobs Act ("TCJA"). The TCJA imposed a one-time transition tax expense, which resulted in a \$23.2 million impact to the income tax provision for the nine months ended May 31, 2018, without a comparable impact for nine months ended May 31, 2019. This transition tax impact was revised, resulting in a net benefit of \$3.4 million for the nine months ended May 31, 2019. The TCJA also lowered the statutory U.S. corporate income tax rate from 35% to 21%, effective January 1, 2018. Due to the timing of FactSet's year end, the lower tax rate was fully applicable for the nine months ended May 31, 2019, while being phased in during the same period a year ago. The first nine months of fiscal 2018 included a remeasurement of the net U.S. deferred tax position resulting in a non-recurring tax charge of \$2.2 million due to the reduction in the statutory federal rate, without a comparable impact during the nine months ended May 31, 2019. The decrease in the income tax provision was partially offset by a net \$4.5 million income tax expense for the nine months ended May 31, 2019 related to finalizing prior years' tax returns and other discrete items.

FactSet has finalized the accounting for the tax effects of the TCJA with respect to the one-time transition tax during the second quarter of fiscal 2019. The tax effects of the TCJA may be affected by changes in interpretations at the federal and state levels, and any additional regulatory guidance that may be issued.

### Deferred Tax Assets and Liabilities

The significant components of Deferred tax assets recorded within the consolidated balance sheets were as follows:

<i>(in thousands)</i>	May 31, 2019	August 31, 2018
<b>Deferred tax assets:</b>		
Receivable reserve	\$ 757	\$ 599
Depreciation on property, equipment and leasehold improvements	4,000	1,032
Deferred rent	7,576	7,711
Stock-based compensation	12,938	14,827
Purchased intangible assets, including acquired technology	(26,370)	(24,059)
Other	7,096	9,606
<i>Total deferred tax assets</i>	<u>\$ 5,997</u>	<u>\$ 9,716</u>

The significant components of Deferred tax liabilities recorded within the consolidated balance sheets were as follows:

<i>(in thousands)</i>	May 31, 2019	August 31, 2018
<b>Deferred tax liabilities:</b>		
Stock-based compensation	\$ (1,020)	\$ (946)
Purchased intangible assets, including acquired technology	19,096	22,429
Other	930	(293)
<i>Total deferred tax liabilities</i>	<u>\$ 19,006</u>	<u>\$ 21,190</u>

### Unrecognized Tax Positions

Applicable accounting guidance prescribes a comprehensive model for the financial statement recognition, measurement, classification and disclosure of uncertain tax positions that a company has taken or expects to take on a tax return. A company can recognize the financial effect of an income tax position only if it is more likely than not (greater than 50%) that the tax position will prevail upon tax examination, based solely on the technical merits of the tax position. Otherwise, no benefit or expense can be recognized in the consolidated financial statements. The tax benefits recognized are measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. Additionally, companies are required to accrue interest on all tax exposures for which reserves have been established consistent with jurisdictional tax laws.

As of May 31, 2019, the Company had gross unrecognized tax benefits totaling \$10.1 million recorded as non-current Taxes payable within the consolidated balance sheet. This amount includes \$1.0 million of accrued interest. When applicable, the Company adjusts the previously recorded tax expense to reflect examination results when the position is ultimately settled. The Company regularly engages in discussions and negotiations with tax authorities regarding tax matters in various jurisdictions. It is reasonably possible that certain federal, foreign, and state tax matters may be concluded in the next 12 months. However, FactSet has no reason to believe that such audits will result in the payment of additional taxes and/or penalties that would have a material adverse effect on the Company's results of operations or financial position, beyond current estimates. Any changes in accounting estimates resulting from new developments with respect to uncertain tax positions will be recorded as appropriate. The Company does not currently anticipate that the total amounts of unrecognized tax benefits will significantly change within the next 12 months.

The following table summarizes the changes in the balance of gross unrecognized tax benefits during the first nine months of fiscal 2019:

(in thousands)

Unrecognized income tax benefits at August 31, 2018	\$	9,223
Additions based on tax positions related to the current year		490
Additions for tax positions of prior years		388
Unrecognized income tax benefits at May 31, 2019	\$	10,101

In the normal course of business, the Company's tax filings are subject to audit by federal, state and foreign tax authorities. At May 31, 2019, the Company remained subject to examination in the following major tax jurisdictions for the tax years as indicated below:

Major Tax Jurisdictions	Open Tax Years
U.S.	
Federal	2016 through 2018
State (various)	2016 through 2018
Europe	
United Kingdom	2017 through 2018
France	2016 through 2018
Germany	2016 through 2018

## 16. DEBT

FactSet's debt obligations consisted of the following:

(in thousands)	May 31, 2019	August 31, 2018
2017 Revolving Credit Facility	\$ —	\$ 575,000
2019 Revolving Credit Facility (maturity date of March 29, 2024)	\$ 575,000	\$ —

On March 29, 2019, the Company entered into the 2019 Credit Agreement (the "2019 Credit Agreement") between FactSet, as the borrower, and PNC Bank, National Association ("PNC"), as the administrative agent and lender. The 2019 Credit Agreement provides for a \$750.0 million revolving credit facility (the "2019 Revolving Credit Facility"). FactSet may request borrowings under the 2019 Revolving Credit Facility until its maturity date of March 29, 2024. The 2019 Credit Agreement also allows FactSet, subject to certain requirements, to arrange for additional borrowings with PNC for an aggregate amount up to \$500.0 million, provided that any such request for additional borrowings must be in a minimum amount of \$25.0 million.

Borrowings under the loan bear interest on the outstanding principal amount at a rate equal to the daily LIBOR rate plus a spread using a debt leverage pricing grid, currently at 0.875%. FactSet borrowed \$575.0 million of the available \$750.0 million provided by the 2019 Revolving Credit Facility. Interest on the loan outstanding is payable quarterly, in arrears, and on the maturity date. The principal balance is payable in full on the maturity date. FactSet is required to pay a commitment fee using a pricing grid currently at 0.10% based on the daily amount by which the available balance in the 2019 Revolving Credit Facility exceeds the borrowed amount.

On March 29, 2019 the borrowings from the 2019 Credit Agreement were used to retire all outstanding debt under the previous 2017 Credit Agreement between FactSet, as the borrower, and PNC as the lender. The total principal amount of the debt outstanding at the time of retirement was \$575.0 million and there were no prepayment penalties.

All outstanding loan amounts are reported as Long-term debt within the consolidated balance sheet at May 31, 2019. For the three months ended May 31, 2019 and 2018, the Company recorded interest expense of \$5.2 million and \$4.3 million on its outstanding debt amounts, respectively. For the nine months ended May 31, 2019 and 2018, the Company recorded interest expense of \$15.1 million and \$11.3 million on its outstanding debt amounts, respectively. During the three months ended May 31, 2019, FactSet incurred approximately \$0.9 million in debt issuance costs related to the 2019 Credit Agreement. These costs were capitalized as loan origination fees and are amortized into interest expense ratably over the term of the 2019 Credit Agreement.

The 2019 Credit Agreement contains covenants and requirements restricting certain FactSet activities, which are usual and customary for this type of loan. In addition, the 2019 Credit Agreement requires that FactSet maintain a consolidated net leverage ratio, as measured by total net funded debt/EBITDA below a specified level as of the end of each fiscal quarter. The Company was in compliance with all the covenants and requirements within the 2019 Credit Agreement as of May 31, 2019.

## 17. 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. FactSet records liabilities for commitments when incurred (*i.e.*, when the goods or services are received).

### Lease Commitments

Including new lease agreements executed during the nine months ended May 31, 2019, the Company's worldwide leased office space increased to approximately 1,846,000 square feet of office space under various non-cancelable operating leases which expire on various dates through 2035. Total minimum rental payments associated with the leases are recorded as occupancy expense (a component of Selling, General & Administrative "SG&A" expense) on a straight-line basis over the periods of the respective non-cancelable lease terms. Future minimum commitments for the Company's operating leases in place as of May 31, 2019 are as follows:

<i>(in thousands)</i> Years ended August 31,	Minimum Lease Payments
2019 (remaining three months)	\$ 10,353
2020	40,927
2021	39,286
2022	36,127
2023	34,021
Thereafter	250,102
Total	\$ 410,816

For the three months ended May 31, 2019 and 2018, rent expense (including operating costs) for all operating leases amounted to \$15.5 million and \$14.1 million, respectively. For the nine months ended May 31, 2019 and 2018, rent expense (including operating costs) for all operating leases amounted to \$43.1 million and \$40.6 million, respectively. As of May 31, 2019, deferred rent reported within the consolidated balance sheet totaled \$37.4 million compared to \$39.4 million as of August 31, 2018. Of the deferred rent balance, \$33.8 million and \$33.6 million were recorded as non-current liabilities within the line item Deferred rent and other non-current liabilities as of May 31, 2019 and August 31, 2018, respectively.

Approximately \$3.3 million of standby letters of credit have been issued during the ordinary course of business in connection with the Company's current leased office space as of May 31, 2019. These standby letters of credit contain covenants that, among other things, require the Company to maintain minimum levels of consolidated net worth and certain leverage and fixed charge ratios. As of May 31, 2019, FactSet was in compliance with all covenants contained in the standby letters of credit.

### Purchase Commitments with Suppliers

Purchase obligations represent payments due in future periods for commitments to the Company's various data vendors as well as commitments to purchase goods and services such as telecommunication and computer maintenance services. These purchase commitments are agreements that are enforceable and legally binding on FactSet, and they specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transaction. As of August 31, 2018, the Company had total purchase commitments with suppliers of \$79.0 million. There were no material changes in the Company's purchase commitments during the first nine months of fiscal 2019.

### Contingencies

#### *Income Taxes*

Uncertain income tax positions are accounted for in accordance with applicable accounting guidance, refer to Note 15 Income Taxes for further details. FactSet is currently under audit by tax authorities and has reserved for potential adjustments to its provision for income taxes that may result from examinations by, or any negotiated settlements with, these tax authorities. The Company believes that the final outcome of these examinations or settlements will not have a material effect on its results of operations. 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 FactSet determines the liabilities are no longer necessary. If the Company's estimates of the federal, state, and foreign income tax liabilities are less than the ultimate assessment, a further charge to expense would result.

### *Legal Matters*

FactSet accrues non-income-tax liabilities for contingencies when management believes that a loss is probable, and the amounts can be reasonably estimated, while contingent gains are recognized only when realized. The Company is engaged in various legal proceedings, claims and litigation that have arisen in the ordinary course of business, including employment matters, commercial and intellectual property litigation. The outcome of all the matters against the Company is subject to future resolution, including the uncertainties of litigation. Based on information available at May 31, 2019, FactSet's management believes that the ultimate outcome of these unresolved matters against the Company, individually or in the aggregate, will not have a material adverse effect on the Company's consolidated financial position, its results of operations or its cash flows.

### *Sales Tax Matters*

In the third quarter of fiscal 2018, FactSet received a letter from the Massachusetts Department of Revenue relating to prior tax periods. The letter requested additional sales information to determine if a Notice of Intention to Assess should be issued to FactSet. The Company continues to cooperate with the Commonwealth in providing any requested information. Based upon a preliminary review of the Massachusetts request, the Company believes the Commonwealth might assess sales tax, and underpayment penalties and interest, on previously recorded sales transactions. Due to the uncertainty surrounding the assessment process, the Company is unable to reasonably estimate the ultimate outcome of this matter and, as such, has not recorded a liability as of May 31, 2019. While FactSet believes that it will ultimately prevail if the Company is presented with a formal assessment; if FactSet does not prevail, then the amount could have a material impact on the Company's consolidated financial position, cash flows and results of operations.

### *Indemnifications*

As permitted or required under Delaware law and to the maximum extent allowable under that law, FactSet has certain obligations to indemnify its current and former officers and directors for certain events or occurrences while the officer or director is, or was serving, at FactSet's 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 the Company, and with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The maximum potential amount of future payments FactSet could be required to make under these indemnification obligations is unlimited; however, FactSet has a director and officer insurance policy that it believes mitigates FactSet's exposure and may enable FactSet to recover a portion of any future amounts paid. The Company believes the estimated fair value of these indemnification obligations is immaterial.

## **Concentrations of Credit Risk**

### *Cash equivalents*

Cash and cash equivalents are maintained primarily with five financial institutions. Deposits held with banks may exceed the amount of insurance provided on such deposits. These deposits may be redeemed upon demand and are maintained with financial institutions, with reputable credit, and therefore, bear minimal credit risk. The Company seeks to mitigate its credit risks by spreading such risks across multiple counterparties and monitoring the risk profiles of these counterparties.

### *Accounts Receivable*

Accounts receivable are unsecured and derived from revenue earned from clients located around the globe. The Company maintains reserves for potential write-offs and evaluates the adequacy of the reserves periodically. No single client represented 10% or more of FactSet's total revenue in any period presented. At May 31, 2019, the Company's largest individual client accounted for less than 3% of total annual subscriptions, and subscriptions from the ten largest clients did not surpass 15% of total annual subscriptions, consistent with August 31, 2018. As of May 31, 2019, the receivable reserve was \$5.3 million compared to \$3.5 million as of August 31, 2018.

### *Derivative Instruments*

As a result of the use of derivative instruments, the Company is exposed to counterparty credit risk. The Company has incorporated counterparty credit risk into the fair value of its derivative assets and its own credit risk into the value of the Company's derivative liabilities, when applicable. For derivative instruments, the Company calculates credit risk from observable data related to credit default swaps ("CDS") as quoted by publicly available information. Counterparty risk is represented by CDS spreads related to the senior secured debt of the respective bank with whom the Company has executed these derivative transactions. To mitigate counterparty credit risk, the Company enters into contracts with large financial institutions and regularly reviews its credit exposure balances as well as the creditworthiness of the counterparties. For the Company's liabilities, as CDS spread information is not available for FactSet, the Company's credit risk is determined based on using a simple average of CDS spreads for peer companies. The Company does not expect any losses as a result of default of its counterparties.

## **Concentrations of Other Risk**

### *Data Content Providers*

Certain data sets that FactSet relies on have a limited number of suppliers, although the Company makes every effort to assure that, where reasonable, alternative sources are available. FactSet is not dependent on any one third-party data supplier in order to meet the needs of its clients. FactSet combines the data from these commercial databases into its own dedicated single online service, which the client accesses to perform their analysis. No single vendor or data supplier represented more than 10% of FactSet's total data expenses for the nine months ended May 31, 2019 and 2018, respectively.



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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("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
- Key Metrics
- Results of Operations
- Liquidity
- Capital Resources
- Foreign Currency
- Off-Balance Sheet Arrangements
- Share Repurchase Program
- Contractual Obligations
- Dividends
- Significant Accounting Policies and Critical Accounting Estimates
- New Accounting Pronouncements
- Market Trends
- Forward-Looking Factors
- Business Developments

The MD&A should be read in conjunction with our 2018 Form 10-K, Current Reports on Form 8-K and other filings with the Securities and Exchange Commission, and the consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q.

### Executive Overview

We are a global provider of integrated financial information, analytical applications and industry-leading service for the global investment community. These clients include portfolio managers, investment research professionals, investment bankers, risk and performance analysts, and wealth advisors. From streaming real-time data to historical information, including quotes, estimates, news and commentary, we offer proprietary and third-party content through desktop, web, mobile and off-platform solutions. Our broad application suite offers tools and resources including company and industry analyses, full screening tools, portfolio analysis, risk profiles, alpha-testing, portfolio optimization and research management solutions. With recent acquisitions, we have continued to expand our solutions across the investment lifecycle from idea generation to performance and client reporting. We deliver insight and information to investment professionals in each of our three segments, which include the U.S., Europe, and Asia Pacific, through our key workflows of Research, Analytics, Wealth, and Content and Technology Solutions ("CTS"). Our revenue is primarily derived from subscriptions to products and services such as workstations, analytics, enterprise data, research management, and trade execution.

### *Business Strategy*

As a premier financial solutions provider for the global financial community, we provide workflow solutions and leading analytical applications across the investment lifecycle to create an open and scalable platform. We bring the front, middle and back office together to drive productivity and performance throughout the portfolio lifecycle. Our strategy is focused on growing our business in each of our three segments which include the U.S., Europe, and Asia Pacific. We believe this geographical strategic alignment helps us better manage our resources and concentrate on markets that demand our products. To execute on our business strategy of broad-based growth across each geographical segment, we continue to look at ways to create value for our clients by offering data, products and analytical applications within our key workflow solutions of Research, Analytics, Wealth, and CTS.

### *Fiscal 2019 Third Quarter in Review*

Revenue in the third quarter of fiscal 2019 was \$364.5 million, an increase of 7.2% from the prior year comparable period. Revenue growth can be attributed primarily to our Analytics, CTS and Wealth workflows due mainly to increased demand for our analytics, data and technology offerings. As of May 31, 2019, organic annual subscription value ("organic ASV") plus professional services totaled \$1.45 billion, an increase of 5.6% over the prior year comparable period.

Operating income grew 25.7% and diluted earnings per share ("EPS") increased 24.1% compared to the prior year period. This increase in operating income was primarily driven by revenue growth of 7.2%, a foreign currency benefit from a stronger U.S. dollar which reduced the overall operating expense impact and mainly resulted in a reduction in compensation expense, as well as, decreased travel expenses, partially offset by computer-related expenses.

As of May 31, 2019, employee count was 9,366, up 1.8% in the past 12 months, due primarily to an increase in net new employees of 5.0% in the Asia Pacific region, partially offset by a net decrease of 5.2% in the U.S. region. Of our total employees, 2,279 were located in the U.S., 1,243 in Europe and 5,844 in Asia Pacific.

## Key Metrics

The following is a review of our key metrics:

<i>(in thousands, except client and user counts and per share data)</i>	As of and for the Three Months Ended May 31,		Change
	2019	2018	
Revenue	\$ 364,533	\$ 339,911	7.2%
Operating income	\$ 117,240	\$ 93,265	25.7%
Net income	\$ 92,265	\$ 74,746	23.4%
Diluted EPS	\$ 2.37	\$ 1.91	24.1%
Clients <sup>(1)</sup>	5,455	4,975	9.6%
Users	122,951	89,506	37.4%

(1) In the first quarter of fiscal 2019, we changed our client count definition to include clients from the April 2017 acquisition of FactSet Digital Solutions Group ("FDSG"). The prior year client count was not restated to reflect this change.

The table below provides an unaudited reconciliation of ASV to organic ASV:

<i>(in millions)</i>	As of May 31,		Change
	2019	2018	
As reported ASV <sup>(1)</sup>	\$ 1,423.0	\$ 1,356.2	
Currency impact to ASV	0.8	(5.9)	
Organic ASV <sup>(2)</sup>	\$ 1,423.8	\$ 1,350.3	5.4%

(1) ASV at any given point in time represents the forward-looking revenue for the next 12 months from all subscription services currently being supplied to clients and excludes professional service fees billed in the last 12 months, which are not subscription-based. ASV excludes professional services fees of \$23.1 million and \$20.1 million as of May 31, 2019 and 2018, respectively.

(2) Organic ASV excludes ASV from acquisitions and dispositions completed within the last 12 months, the effects of foreign currency, and professional services.

### Annual Subscription Value Growth

Organic ASV at any given point in time represents the forward-looking revenue for the next 12 months from all subscription services currently being supplied to clients and excludes ASV from acquisitions and dispositions completed within the last 12 months, the effects of foreign currency, and professional services. With proper notice provided to us, our clients can add to, delete portions of, or terminate service at any time, subject to certain contractual limitations. As of May 31, 2019, our organic ASV totaled \$1.42 billion, up 5.4% over the prior year comparable period. Organic ASV plus professional services increased 5.6% to \$1.45 billion as of May 31, 2019, compared to the prior year period.

As of May 31, 2019, ASV from the U.S. segment was \$887.6 million, an increase of 5.2% from the prior year period. ASV from the international operations was \$535.4 million as of May 31, 2019, an increase of 4.4% over the prior year comparable period. International ASV represents 37.6% of total ASV as of May 31, 2019, down from 37.8% in the prior year.

The increase in organic ASV across our geographic segments as of May 31, 2019, compared to the prior year period, was primarily driven by increased sales from our workflow solutions, mainly in Wealth, CTS, and Analytics and from our annual price increases, partially offset by increased cancellations. ASV growth from the Wealth workflow was mainly driven by increased sales and competitive wins in the market. The growth from the CTS workflow was primarily driven by increased sales in standard data feeds. The growth from the Analytics workflow was primarily due to increased sales of our core equity portfolio analytics solutions. The U.S. and international client price increases during the nine months ended May 31, 2019 was an increase comparable with the same period a year ago. ASV growth was partially offset by cancellations across our business due primarily to industry-wide cost pressures and firm consolidations and closures.

ASV increased in the U.S. segment as of May 31, 2019, compared to the prior year period, primarily from our Wealth, CTS and Analytics workflows, due to the increasing demand for our integrated analytics and data products. The ASV increase from our international operations was due to the annual international price increase during the third quarter of fiscal 2019 and continued growth in the Analytics and CTS workflows in Asia Pacific and growth in the CTS workflow in Europe.

Buy-side and sell-side ASV growth rates for the third quarter of fiscal 2019 were 5.2% and 6.8%, respectively. Buy-side clients account for 84.2% of ASV, while the remainder is derived from sell-side firms that perform mergers and acquisitions advisory work, capital markets services and equity research.

#### *Client and User Additions*

Our total client count was 5,455 as of May 31, 2019, representing a net increase of 480 or 9.6% in the last 12 months. In the first quarter of fiscal 2019, we changed our client count definition to include clients from the April 2017 acquisition of FDSG. The prior year client count was not restated to reflect this change. During the three months ended May 31, 2019, net client additions increased by 50, primarily driven by an increase in wealth management and corporate clients. As part of our long-term growth strategy, we continue to focus on expanding and cultivating relationships with our existing client base through sales of workstations, applications, services and content.

As of May 31, 2019, there were 122,951 professionals using FactSet, representing a net increase of 33,445 or 37.4% in the last 12 months primarily driven by Wealth workstation sales. Our user count increased 888 in the past three months primarily driven by an increase in corporate and wealth management users.

Annual client retention as of May 31, 2019 was greater than 95% of ASV and 90% when expressed as a percentage of clients. The cancellation rate for the third quarter of fiscal 2019 was higher than the prior year comparable period. Cancellations were higher mainly from continued industry-wide cost pressure and firm consolidations and closures across all our regions. Despite higher cancellations, our retention rate remains high, which reflects the strength of our business strategy and the value of the FactSet products, as the majority of our clients maintain their subscriptions to the FactSet platform year over year. As of May 31, 2019, our largest individual client accounted for less than 3% of total subscriptions, and annual subscriptions from our ten largest clients did not surpass 15% of total client subscriptions.

#### *Returning Value to Stockholders*

On May 17, 2019, our Board of Directors approved a regular quarterly dividend of \$0.72 per share. The cash dividend of \$27.5 million was paid on June 18, 2019 to common stockholders of record at the close of business on May 31, 2019. We repurchased 175,000 shares for \$47.6 million during the third quarter of fiscal 2019 under our existing share repurchase program. Over the last 12 months, we have returned \$326.5 million to stockholders in the form of share repurchases and cash dividends, funded by cash generated from operations. As of May 31, 2019, \$89.6 million remains authorized for future share repurchases.

On June 24, 2019, the Board of Directors of FactSet approved a \$210.0 million expansion of the existing share repurchase program. Subsequent to this expansion, \$299.6 million is available for future repurchases.

#### *Capital Expenditures*

Capital expenditures in the third quarter of fiscal 2019 were \$11.4 million, compared to \$6.0 million a year ago. Capital expenditures of \$5.6 million, or 49%, were primarily related to corporate infrastructure investments, additional server equipment for our data centers located in New Jersey and Virginia, as well as computers and peripherals for new office space primarily in India. The remainder of our capital expenditures was primarily for the build-out of office space, with \$4.1 million related to the new corporate headquarters in Norwalk, Connecticut and \$1.6 million related to new office space in India.

## Results of Operations

For an understanding of the significant factors that influenced our performance for the three and nine months ended May 31, 2019 and 2018, the following discussion should be read in conjunction with the consolidated financial statements and related notes presented in this Quarterly Report on Form 10-Q.

<i>(in thousands, except per share data)</i>	Three Months Ended May 31,			Nine Months Ended May 31,		
	2019	2018	Change	2019	2018	Change
Revenue	\$ 364,533	\$ 339,911	7.2%	\$ 1,071,068	\$ 1,004,283	6.7%
Cost of services	\$ 163,832	\$ 165,073	(0.8)%	\$ 495,716	\$ 489,829	1.2%
Selling, general and administrative	\$ 83,461	\$ 81,573	2.3%	\$ 248,885	\$ 236,606	5.2%
Operating income	\$ 117,240	\$ 93,265	25.7%	\$ 326,467	\$ 277,848	17.5%
Net income	\$ 92,265	\$ 74,746	23.4%	\$ 261,263	\$ 198,262	31.8%
Diluted earnings per common share	\$ 2.37	\$ 1.91	24.1%	\$ 6.73	\$ 5.01	34.3%
Diluted weighted average common shares	38,993	39,104		38,807	39,543	

### Revenue

#### *Three months ended May 31, 2019 compared to three months ended May 31, 2018*

Revenue for the three months ended May 31, 2019 was \$364.5 million, increasing 7.2% compared to the prior year. Our organic revenue growth rate for the three months ended May 31, 2019 was 7.3% compared to the same period a year ago. Organic revenue excludes the effects of acquisitions and dispositions completed in the last 12 months, foreign currency in all periods presented and deferred revenue fair value adjustments from purchase accounting. The increase in revenue was primarily driven by the Analytics, Wealth, and CTS workflows, partially offset by increased cancellations. Revenue growth in the Analytics workflow was primarily due to our core equity portfolio analytics solutions. The Wealth workflow also experienced revenue growth due to higher sales of our workstation product. The growth in the CTS workflow was driven mainly by increased sales of standard data feeds and non-core transaction related revenue. Offsetting these positive growth factors were increased cancellations compared to the prior year period, resulting from continued industry-wide cost pressures and firm consolidations and closures.

#### *Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

Revenue for the nine months ended May 31, 2019 was \$1,071.1 million, increasing 6.7% compared to the prior year. Our organic revenue growth rate for the nine months ended May 31, 2019 was 6.5% compared to the same period a year ago. The increase in revenue was primarily driven by the Analytics, CTS and Wealth workflows, as well as, our annual price increase for the majority of our U.S. segment clients, partially offset by increased cancellations. Revenue growth in Analytics was due to an increase in sales of the portfolio analytics products to existing clients. Increased sales in the CTS workflow was driven by standard data feeds and non-core transaction related revenue. Revenue growth in the Wealth workflow was due to higher sales of our workstation product. Although client retention remained high at 90% over the past 12 months, revenue growth was partially offset by increased client cancellations resulting from continued industry-wide cost pressures and firm consolidations and closures compared to the same period a year ago.

### Revenue by Geographic Region

<i>(in thousands)</i>	Three Months Ended May 31,			Nine Months Ended May 31,		
	2019	2018	Change	2019	2018	Change
U.S.	\$ 226,961	\$ 210,308	7.9%	\$ 672,479	\$ 627,976	7.1%
<i>% of revenue</i>	62.3%	61.9%		62.8%	62.5%	
Europe	\$ 102,499	\$ 98,856	3.7%	\$ 299,197	\$ 286,789	4.3%
Asia Pacific	35,073	30,747	14.1%	99,392	89,518	11.0%
International	\$ 137,572	\$ 129,603	6.1%	\$ 398,589	\$ 376,307	5.9%
<i>% of revenue</i>	37.7%	38.1%		37.2%	37.5%	
Consolidated	\$ 364,533	\$ 339,911	7.2%	\$ 1,071,068	\$ 1,004,283	6.7%

#### *Three months ended May 31, 2019 compared to three months ended May 31, 2018*

Revenue from our U.S. segment increased 7.9% to \$227.0 million during the three months ended May 31, 2019, compared to \$210.3 million from the same period a year ago, primarily due to the Wealth, Analytics, and CTS workflows, partially offset by increased cancellations. Organic revenue in the U.S. increased 7.8% compared to the same period a year ago. Revenue from our U.S. operations accounted for 62.3% of our consolidated revenue during the third quarter of fiscal 2019, comparable to the prior year period of 61.9%.

European revenue increased 3.7% to \$102.5 million during the three months ended May 31, 2019, compared to \$98.9 million from the same period a year ago. This increase was due to increased sales in the Analytics and CTS workflows, partially offset by increased cancellations. The European organic revenue growth rate was 3.8% for the three months ended May 31, 2019, compared to the same period a year ago. Foreign currency exchange rate fluctuations decreased our European revenue growth rate by 30 basis points.

Asia Pacific revenue increased 14.1% to \$35.1 million during the three months ended May 31, 2019, compared to \$30.7 million from the same period a year ago. This increase was due to increased sales in the Analytics and CTS workflows. Asia Pacific organic revenue increased 14.6% for the three months ended May 31, 2019, compared to the same period a year ago. Foreign currency exchange rate fluctuations decreased our Asia Pacific revenue growth rate by 50 basis points.

*Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

Revenue from our U.S. segment increased 7.1% to \$672.5 million during the nine months ended May 31, 2019, compared to \$628.0 million from the same period a year ago. This increase was primarily due to the Wealth, Analytics and CTS workflows, and our annual price increase for the majority of our U.S. segment clients, partially offset by increased cancellations. Organic revenue in the U.S. increased 7.0% compared to the same period a year ago. Revenue from our U.S. operations accounted for 62.8% of our consolidated revenue for the first nine months of fiscal 2019, comparable to the prior year period of 62.5%.

European revenue increased 4.3% to \$299.2 million during the nine months ended May 31, 2019, compared to \$286.8 million from the same period a year ago. This increase was primarily driven by sales in the Analytics and CTS workflows, partially offset by increased cancellations. European organic revenue increased 3.9% in the nine months ended May 31, 2019, compared to the same period a year ago. Foreign currency exchange rate fluctuations decreased our European revenue growth rate by 30 basis points.

Asia Pacific revenue increased 11.0% to \$99.4 million during the nine months ended May 31, 2019 due to increased sales in the Analytics, CTS and Research workflows, partially offset by increased cancellations. Asia Pacific organic revenue increased 11.2% for the nine months ended May 31, 2019, compared to the same period a year ago. Foreign currency exchange rate fluctuations decreased our Asia Pacific revenue growth rate by 20 basis points.

**Operating Expenses**

<i>(in thousands)</i>	Three Months Ended May 31,			Nine Months Ended May 31,		
	2019	2018	Change	2019	2018	Change
Cost of services	\$ 163,832	\$ 165,073	(0.8)%	\$ 495,716	\$ 489,829	1.2%
Selling, general and administrative	83,461	81,573	2.3%	248,885	236,606	5.2%
Total operating expenses	\$ 247,293	\$ 246,646	0.3%	\$ 744,601	\$ 726,435	2.5%
Operating Income	\$ 117,240	\$ 93,265	25.7%	\$ 326,467	\$ 277,848	17.5%
Operating Margin	32.2%	27.4%		30.5%	27.7%	

Cost of Services

*Three months ended May 31, 2019 compared to three months ended May 31, 2018*

For the three months ended May 31, 2019, cost of services decreased 0.8% to \$163.8 million compared to \$165.1 million in the same period a year ago, primarily due to a reduction in compensation costs, partially offset by an increase in computer-related expenses. Cost of services, when expressed as a percentage of revenue, was 44.9% during the third quarter of fiscal 2019, a decrease of 360 basis points compared to the same period a year ago. This decrease was primarily due to revenue growth outpacing the growth of cost of services on a year over year basis, as well as a decrease in employee compensation and contractor fees, partially offset by an increase in computer-related expenses, when expressed as a percentage of revenue.

Employee compensation, when expressed as a percentage of revenue, decreased 320 basis points in the third quarter of fiscal 2019, compared to the same period a year ago. This decrease in employee compensation was primarily driven by a foreign currency benefit from a stronger U.S. dollar, and a shift in headcount distribution between our segments, partially offset by higher annual base salaries. Although net headcount grew by 169 employees over the past 12 months, with the majority of their compensation included in cost of services, there was a net headcount reduction of 5.2% in our higher cost areas included in the U.S. segment, partially offset by an increase of 5.0% in our lower cost, centers of excellence, in Asia Pacific.

Contractor fees, when expressed as a percentage of revenue, decreased 30 basis points due primarily to a shift from external to internal resources associated with implementation projects. Computer-related expenses, as a percentage of revenue, increased 30 basis points primarily driven by increased costs from cloud-based hosting and licensed software arrangements.

*Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

For the nine months ended May 31, 2019, cost of services increased 1.2% to \$495.7 million, compared to \$489.8 million for the same period a year ago, primarily due to an increase in computer-related expenses and data costs, partially offset by a reduction in compensation expense and contractor fees. Cost of services, expressed as a percentage of revenues, were 46.3% during the first nine months of fiscal 2019, a decrease of 250 basis points over the prior year period. This decrease was primarily due to lower employee compensation costs and contractor fees, partially offset by computer-related expenses, when expressed as a percentage of revenue.

Employee compensation, when expressed as a percentage of revenue, decreased 260 basis points for the nine months ended May 31, 2019 compared to the prior year period. This decrease was primarily driven by a foreign currency benefit from a stronger U.S. dollar, a shift in headcount distribution across our segments, with a net headcount increase in Asia Pacific and a reduction in the U.S., partially offset by higher annual base salaries and higher employee benefit costs related to medical expenditures.

Contractor fees, when expressed as a percentage of revenue, decreased 30 basis points due primarily to a shift from external to internal resources associated with implementation projects. Computer-related expenses, as a percentage of revenue, increased 40 basis points primarily driven by increased costs from cloud-based hosting and licensed software arrangements.

*Selling, General and Administrative*

*Three months ended May 31, 2019 compared to three months ended May 31, 2018*

For the three months ended May 31, 2019, SG&A expenses increased 2.3% to \$83.5 million, compared to \$81.6 million for the same period a year ago, primarily due to marginal growth across multiple SG&A categories, partially offset by a reduction in travel expenses. SG&A expenses, expressed as a percentage of revenue, were 22.9% during the third quarter of fiscal 2019, a decrease of 110 basis points over the prior year period. When expressed as a percentage of revenue, this decrease was primarily driven by a reduction in employee compensation and travel expenses, partially offset by foreign currency exchange losses on hedging activities.

Employee compensation, when expressed as a percentage of revenue, decreased 50 basis points in the third quarter of fiscal 2019, compared with the same period a year ago. This decrease was primarily driven by a foreign currency benefit from a stronger U.S. dollar, partially offset by higher annual base salaries. Travel expenses decreased 80 basis points as a percentage of revenue, due to an internal focus on cost discipline measures. The foreign currency exchange losses on hedging activities mainly related to losses from the Euro and British Pound Sterling hedge during the three months ended May 31, 2019.

*Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

For the nine months ended May 31, 2019, SG&A expenses increased 5.2% to \$248.9 million, compared to \$236.6 million in the same period a year ago, primarily due to an increase in compensation expense, bad debt expense, rent expense, professional fees, and foreign currency exchange losses on hedging activities, partially offset by a reduction in marketing expense. SG&A expenses, expressed as a percentage of revenue, were 23.2% during the first nine months of fiscal 2019, a decrease of 30 basis points over the prior year period. When expressed as a percentage of revenue, this decrease was primarily driven by a reduction in travel and compensation expenses, partially offset by an increase in bad debt expense.

Travel expenses decreased 30 basis points as a percentage of revenue, compared to the same period a year ago, due to an internal focus on cost discipline measures. Employee compensation, when expressed as a percentage of revenue, decreased 20 basis points due primarily to a foreign currency benefit from a stronger U.S. dollar, partially offset by annual base salary increases and higher employee benefit costs related to medical expenditures.

***Operating Income and Operating Margin***

*Three months ended May 31, 2019 compared to three months ended May 31, 2018*

Operating income increased 25.7% to \$117.2 million for the three months ended May 31, 2019 compared to \$93.3 million in the prior year period. Operating income increased due to revenue growth, favorable foreign exchange rates which reduced the overall operating expense impact and mainly resulted in a reduction in compensation expense, as well as, decreased travel expenses, partially offset by an increase in computer-related expenses. Operating margin increased to 32.2% during the third quarter of fiscal 2019 compared to 27.4% in the prior year period. The increase in operating margin on a year over year basis was primarily due to revenue growth outpacing the growth in operating expenses, a reduction in employee compensation, travel expenses, and contractor-related expenses, partially offset by higher computer-related expenses and foreign currency exchange losses on hedging activities, when expressed as a percentage of revenue.

*Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

Operating income increased 17.5% to \$326.5 million for the nine months ended May 31, 2019 compared to \$277.8 million in the prior year period. Operating income increased due to revenue growth, favorable foreign exchange rates, a reduction in contractor fees and marketing expense, partially offset by an increase in computer-related expenses, bad debt expense, rent expense, professional fees and foreign currency exchange losses on hedging activities. Operating margin increased to 30.5% during the first nine months of fiscal 2019 compared to 27.7% in the prior year period. The increase in operating margin on a year over year basis was primarily due to revenue growth outpacing the growth in operating expenses, a reduction in compensation expense, travel expense and contractor fees, partially offset by higher computer-related expenses and bad debt expense, when expressed as a percentage of revenue.

**Operating Income by Segment**

<i>(in thousands)</i>	Three Months Ended May 31,			Nine Months Ended May 31,		
	2019	2018	Change	2019	2018	Change
U.S.	\$ 51,012	\$ 37,987	34.3%	\$ 140,549	\$ 117,285	19.8%
Europe	44,793	37,380	19.8%	127,130	107,344	18.4%
Asia Pacific	21,435	17,898	19.8%	58,788	53,219	10.5%
Total Operating Income	\$ 117,240	\$ 93,265	25.7%	\$ 326,467	\$ 277,848	17.5%

Our operating segments are aligned with how we manage the business, the demographic markets we serve, and how the chief operating decision making group ("CODMG") assesses performance. Our internal financial reporting structure is based on three reportable segments, the U.S., Europe and Asia Pacific, which we believe helps us better manage the business and view the markets we serve. Sales, consulting, data collection, product development and software engineering are the primary functional groups within each segment. Each segment records compensation expense (including stock-based compensation), amortization of intangible assets, depreciation of furniture and fixtures, amortization of leasehold improvements, communication costs, professional fees, rent expense, travel, office and other direct expenses. Expenditures associated with our data centers, third-party data costs and corporate headquarters charges are recorded by the U.S. segment and are not allocated to the other segments. The centers of excellence, located in India and the Philippines, primarily focus on content collection that benefit all our segments. The expenses incurred at these locations are allocated to each segment based on a percentage of revenue.

*Three months ended May 31, 2019 compared to three months ended May 31, 2018*

U.S. operating income increased 34.3% to \$51.0 million during the three months ended May 31, 2019 compared to \$38.0 million in the same period a year ago. The increase in U.S. operating income was primarily due to revenue growth of 7.9%, a reduction to compensation expense and travel expense, partially offset by an increase in computer-related expenses. Employee compensation decreased primarily due to a net reduction in headcount of 5.2% over the past 12 months, partially offset by annual base salary increases. Travel expenses decreased due to a focus on cost discipline measures. Computer-related expenses increased year over year primarily due to increased costs from cloud-based hosting and licensed software arrangements.

European operating income increased 19.8% to \$44.8 million during the three months ended May 31, 2019 compared to \$37.4 million in the same period a year ago. The increase in European operating income was primarily due to revenue growth of 3.7% and an overall reduction in operating expenses driven mainly by a decrease in employee compensation expense and travel expenses, partially offset by foreign currency exchange losses on hedging activities. Employee compensation decreased primarily due to a foreign currency benefit from a stronger U.S. dollar, partially offset by a net headcount increase of 1.1% over the past 12 months. Travel expenses decreased due to a focus on cost discipline measures. The foreign currency exchange losses on hedging activities were due to losses from the Euro and British Pound Sterling hedge during the three months ended May 31, 2019.

Asia Pacific operating income increased 19.8% to \$21.4 million during the three months ended May 31, 2019, compared to \$17.9 million in the same period a year ago. The increase in the Asia Pacific operating income was mainly due to revenue growth of 14.1%, partially offset by an increase in compensation expense, occupancy costs, and a reduction in foreign currency exchange gains on hedging activities compared to the prior year period. Employee compensation increased as a result of a 5.0% increase in our Asia Pacific workforce in the last 12 months, partially offset by a foreign currency benefit from a stronger U.S. dollar. Occupancy costs increased due to the expansion of office space in India.

*Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

U.S. operating income increased 19.8% to \$140.5 million during the nine months ended May 31, 2019, compared to \$117.3 million in the same period a year ago. The increase in U.S. operating income was primarily due to revenue growth of 7.1% and a reduction in marketing expense, partially offset by an increase in computer-related expenses, data costs, bad debt expense, professional fees, and occupancy expense. Marketing costs decreased due to strategic investment decisions surrounding our global marketing initiatives. Computer-related expenses increased year over year primarily due to increased costs from cloud-based hosting and licensed software arrangements. Data costs increased mainly due to increased spend in variable data costs to drive revenue growth. The increase in professional fees was mainly driven by increased software implementation support. Occupancy costs increased primarily related to leasing the new corporate headquarters space in Norwalk, Connecticut.

European operating income increased 18.4% to \$127.1 million during the nine months ended May 31, 2019 compared to \$107.3 million in the same period a year ago. The increase in European operating income was primarily due to revenue growth of 4.3% and a decrease in compensation expenses, partially offset by foreign currency exchange losses on hedging activities from the Euro and British Pound Sterling hedge. Compensation expense decreased primarily due to foreign currency benefit from a stronger U.S. dollar, partially offset by a net headcount increase of 1.1% over the past 12 months.

Asia Pacific operating income increased 10.5% to \$58.8 million during the nine months ended May 31, 2019, compared to \$53.2 million in the same period a year ago. The increase in the Asia Pacific operating income was primarily due to revenue growth of 11.0%, partially offset by an increase in employee compensation and occupancy costs. Employee compensation increased due to net headcount growth of 5.0% over the past 12 months, with the increase primarily focused in the centers of excellence, partially offset by a foreign currency benefit from a stronger U.S. dollar. Occupancy costs increased due to the expansion of office space in India and the Philippines.

***Income Taxes, Net Income and Diluted Earnings per Share***

<i>(in thousands, except for per share data)</i>	Three Months Ended May 31,			Nine Months Ended May 31,		
	2019	2018	Change	2019	2018	Change
Provision for income taxes	\$ 21,119	\$ 14,765	43.0%	\$ 52,413	\$ 69,641	(24.7)%
Net income	\$ 92,265	\$ 74,746	23.4%	\$ 261,263	\$ 198,262	31.8 %
Diluted earnings per common share	\$ 2.37	\$ 1.91	24.1%	\$ 6.73	\$ 5.01	34.3 %

*Income Taxes*

*Three months ended May 31, 2019 compared to three months ended May 31, 2018*

For the three months ended May 31, 2019, the provision for income taxes was \$21.1 million, an increase of 43.0% from the same period a year ago. The provision for the three months ended May 31, 2019 included a \$4.5 million income tax expense from finalizing prior years' tax returns and other discrete items.

*Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

For the nine months ended May 31, 2019, the provision for income taxes was \$52.4 million, a decrease of 24.7% from the same period a year ago. The decrease was mainly due to the enactment of the TCJA. The TCJA imposed a one-time transition tax expense, which resulted in a \$23.2 million impact to the income tax provision for the nine months ended May 31, 2018, without a comparable impact for nine months ended May 31, 2019. This transition tax impact was revised, resulting in a net benefit of \$3.4 million for the nine months ended May 31, 2019. The TCJA also lowered the statutory U.S. corporate income tax rate, which applied to the first nine months of fiscal 2019 compared to the lower tax rate being phased in for the prior year comparable period. The first nine months of fiscal 2018 included a remeasurement of our net U.S. deferred tax position resulting in a non-recurring tax charge of \$2.2 million due to the reduction in the statutory federal rate. The decrease in the income tax provision was partially offset by a \$4.5 million income tax expense from finalizing prior years' tax returns and other discrete items for the nine months ended May 31, 2019.

*Net Income and Diluted Earnings per Share*

*Three months ended May 31, 2019 compared to three months ended May 31, 2018*

Net income increased 23.4% to \$92.3 million and diluted earnings per share ("EPS") increased 24.1% to \$2.37 for the three months ended May 31, 2019, compared to the same period a year ago. Net income and diluted EPS increased primarily due to revenue growth outpacing the growth of operating expenses on a year over year basis, partially offset by an increase in the income tax provision. The increase in EPS was also partially offset by the impact from stock option exercises.



*Nine months ended May 31, 2019 compared to nine months ended May 31, 2018*

Net income increased 31.8% to \$261.3 million and diluted EPS increased 34.3% to \$6.73 for the nine months ended May 31, 2019, compared to the nine months ended May 31, 2018. Net income and diluted EPS increased due to higher operating income, a reduction in the income tax provision primarily due to the TCJA reform, partially offset by an increase in interest expense associated with our outstanding debt. Diluted EPS also benefited from a 0.7 million share reduction in our diluted weighted average shares outstanding, compared to the same period a year ago, mainly due to share repurchases, partially offset by the impact from stock option exercises.

### **Non-GAAP Financial Measures**

To supplement the financial measures prepared in accordance with GAAP, we use non-GAAP financial measures including organic revenue, adjusted operating margin, adjusted net income and adjusted diluted earnings per share. The reconciliations of these non-GAAP financial measures to the most directly comparable financial measures calculated and presented in accordance with GAAP are show 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 the business as determined in accordance with GAAP. Other companies may calculate similarly titled non-GAAP financial measures differently that 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.

The table below provides an unaudited reconciliation of revenues to organic revenues.

<i>(In thousands)</i>	Three Months Ended May 31,		Change
	2019	2018	
Revenues	\$ 364,533	\$ 339,911	7.2%
Deferred revenue fair value adjustment <sup>(1)</sup>	1,274	1,488	
Currency impact	452	—	
Organic revenues	\$ 366,259	\$ 341,399	7.3%

*(1)Deferred revenue fair value adjustments from purchase accounting.*

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 and adjusted diluted EPS.

<i>(In thousands, except per share data)</i>	Three Months Ended May 31,		Change
	2019 <sup>(1)</sup>	2018 <sup>(2)</sup>	
Operating income	\$ 117,240	\$ 93,265	25.7%
Intangible asset amortization	5,928	6,215	
Deferred revenue fair value adjustment	1,274	1,488	
Other items	(1,647)	4,713	
Adjusted operating income	\$ 122,795	\$ 105,681	16.2%
Adjusted operating margin	34.0%	31.0%	
Net income	\$ 92,265	\$ 74,746	23.4%
Intangible asset amortization <sup>(3)</sup>	4,797	5,190	
Deferred revenue fair value adjustment <sup>(4)</sup>	1,031	1,242	
Other items <sup>(5)</sup>	(1,333)	3,935	
Income tax items	5,296	—	
Adjusted net income	\$ 102,056	\$ 85,113	19.9%
Diluted earnings per common share	\$ 2.37	\$ 1.91	24.1%
Intangible asset amortization	0.12	0.13	
Deferred revenue fair value adjustment	0.02	0.03	
Other items	(0.03)	0.11	
Income tax items	0.14	—	
Adjusted diluted earnings per common share	\$ 2.62	\$ 2.18	20.2%
Weighted average common shares (Diluted)	38,993	39,104	

(1) Operating income, net income and diluted EPS in the third quarter of fiscal 2019 were adjusted to exclude (i) intangible asset amortization (ii) deferred revenue fair value adjustments from purchase accounting, and (iii) other items including non-core transaction related revenue, severance, stock-based compensation acceleration, transformation activities, and occupancy costs.

(2) Operating income, net income and diluted EPS in the third quarter of fiscal 2018 were adjusted to exclude (i) intangible asset amortization (ii) deferred revenue fair value adjustments from purchase accounting, and (iii) other items including severance, stock-based compensation acceleration, restructuring actions and legal matters.

(3) The intangible asset amortization was recorded net of a tax impact of \$1.1 million in the third quarter of fiscal 2019 compared to \$1.0 million for the third quarter of fiscal 2018.

(4) The deferred revenue fair value adjustment was recorded net of a tax impact of \$0.2 million in both the third quarter of fiscal 2019 and 2018.

(5) The other items were recorded net of a tax impact of \$0.3 million for the third quarter of fiscal 2019 compared to \$0.8 million for the third quarter of 2018.

## Liquidity

The table below, for the periods indicated, provides selected cash flow information:

<i>(in thousands)</i>	Nine Months Ended May 31,	
	2019	2018
Net cash provided by operating activities	\$ 305,324	\$ 279,342
Capital expenditures <sup>(1)</sup>	(32,906)	(18,375)
Free cash flow <sup>(2)</sup>	\$ 272,418	\$ 260,967
Net cash used in investing activities <sup>(1)</sup>	\$ (29,543)	\$ (18,111)
Net cash used in financing activities	\$ (156,038)	\$ (241,159)
Cash and cash equivalents at end of period	\$ 323,960	\$ 213,061

(1) Capital expenditures are included in net cash used in investing activities during each fiscal period reported.

(2) Free cash flow is defined as cash provided by operating activities, which includes the cash cost for taxes and changes in working capital, less capital expenditures.

Cash and cash equivalents aggregated to \$324.0 million, or 21.4% of our total assets as of May 31, 2019, compared to \$208.6 million, or 14.7% of our total assets as of August 31, 2018. Our cash and cash equivalents increased \$115.3 million during the first nine months of fiscal 2019 primarily due to cash inflows related to \$575.0 million in proceeds from long-term debt, \$305.3 million of net cash provided by operating activities, \$78.9 million in proceeds from the exercise of employee stock options and \$3.4 million net proceeds from equity investments. These cash inflows were partially offset by cash outflows primarily related to \$575.0 million used in the repayment of debt, \$158.3 million in share repurchases (which includes \$152.1 million under the existing share repurchase program and \$6.2 million of shares purchased from employees to cover their cost of taxes upon vesting of restricted stock), \$75.8 million in dividend payments, \$32.9 million of capital expenditures and a \$4.4 million reduction from the effects of foreign currency fluctuation on cash balances.

Net cash used in investing activities was \$29.5 million in the first nine months of fiscal 2019, representing a \$11.4 million increase from the same period a year ago. This increase was due primarily to \$14.5 million of higher capital expenditures, offset by \$3.1 million net proceeds from equity investments (net of purchases).

Net cash used in financing activities was \$156.0 million in the first nine months of fiscal 2019, representing a \$85.1 million decrease in cash used in financing activities from the same period a year ago. The decrease in cash used in financing activities was primarily due to \$575.0 million of borrowings under our 2019 Credit Agreement, a \$77.6 million decrease in share purchases, \$21.4 million increase in proceeds from employee stock plans, partially offset by a \$575.0 million retirement of the 2017 Credit Agreement, a \$10.7 million increase in dividend payments. Refer to the Capital Resources section of the MD&A for a discussion on our Long-term debt borrowings.

We expect that for at least the next 12 months, our operating expenses will continue to constitute a significant use of cash. As of May 31, 2019, our total Cash and cash equivalents worldwide was \$324.0 million with \$574.1 million in outstanding borrowings (net of \$0.9 million of unamortized debt issuance costs). The total available cash and cash equivalents held in bank accounts located within the U.S. is \$127.0 million, Europe includes \$151.0 million (predominantly within the UK, France, and Germany) and the remaining \$46.0 million is held in the Asia Pacific segment. We believe our liquidity (including cash on hand, cash from operating activities and other cash flows that we expect to generate) within each geographic segment will be sufficient to meet our short-term and long-term operating requirements, as they occur, including working capital needs, capital expenditures, dividend payments, stock repurchases, growth objectives and other financing activities. In addition, we expect existing foreign cash, cash equivalents and cash flows from operations to continue to be sufficient to fund our foreign operating activities and cash commitments for investing activities, such as capital expenditures, for at least the next 12 months, and thereafter, for the foreseeable future.

Free cash flow generated in the nine months ended May 31, 2019 was \$272.4 million, an increase of 4.4% compared to a year ago. Free cash flow is the result of \$305.3 million of net cash provided by operating activities, partially offset by \$32.9 million in capital expenditures. The year over year increase to free cash flow was primarily driven by higher net income, partially offset by higher capital requirements for the build-out of new office space for some of our locations and increased investments in technology, and the timing of tax payments.

## Capital Resources

### Capital Expenditures

Capital expenditures were \$11.4 million during the third quarter of fiscal 2019, compared to \$6.0 million a year ago. Capital expenditures of \$5.6 million, or 49%, were primarily related to corporate infrastructure investments, additional server equipment for our data centers located in New Jersey and Virginia, as well as computers and peripherals for new office space primarily in India. The remainder of our capital expenditures was primarily for the build-out of office space, with \$4.1 million related to the new corporate headquarters in Norwalk, Connecticut and \$1.6 million related to new office space in India.

Capital expenditures were \$32.9 million during the first nine months of fiscal 2019, compared with \$18.4 million in the same period a year ago. Approximately \$19.3 million, or 59%, of capital expenditures were primarily related to corporate infrastructure investments, additional server equipment for our data centers located in New Jersey and Virginia, as well as computers and peripherals for new office space primarily in India. The remainder of our capital expenditures was primarily for the build-out of office space, with \$5.7 million related to India, \$5.5 million related to the new corporate headquarters in Norwalk, Connecticut, and \$1.9 million related to the Philippines.

### Capital Needs

#### Long-Term Debt

##### 2019 Credit Agreement

On March 29, 2019, the Company entered into the 2019 Credit Agreement ("the 2019 Credit Agreement") between FactSet, as the borrower, and PNC Bank, National Association ("PNC"), as the administrative agent and lender. The 2019 Credit Agreement provides for a \$750.0 million revolving credit facility ("the 2019 Revolving Credit Facility"). FactSet may request borrowings under the 2019 Revolving Credit Facility until its maturity date of March 29, 2024. The 2019 Credit Agreement also allows FactSet, subject to certain requirements, to arrange for additional borrowings with PNC for an aggregate amount of up to \$500.0 million, provided that any such request for additional borrowings must be in a minimum amount of \$25.0 million.

Borrowings under the loan bear interest on the outstanding principal amount at a rate equal to the daily LIBOR rate plus a spread using a debt leverage pricing grid currently at 0.875%. FactSet borrowed \$575.0 million of the available \$750.0 million provided by the 2019 Revolving Credit Facility. Interest on the loan outstanding is payable quarterly, in arrears, and on the maturity date. The principal balance is payable in full on the maturity date. FactSet is required to pay a commitment fee using a pricing grid currently at 0.10% based on the daily amount by which the available balance in the 2019 Revolving Credit Facility exceeds the borrowed amount.

On March 29, 2019 the borrowings from the 2019 Credit Agreement were used to retire all outstanding debt under the previous 2017 Credit Agreement between FactSet, as the borrower, and PNC as the lender. The total principal amount of the debt outstanding at the time of retirement was \$575.0 million and there were no prepayment penalties.

All outstanding loan amounts are reported as Long-term debt within the consolidated balance sheet at May 31, 2019. The fair value of our long-term debt was \$575.0 million as of May 31, 2019, which we believe approximates carrying amount as the terms and interest rates approximate market rates given its floating interest rate basis. For the three months ended May 31, 2019 and 2018, the Company recorded interest expense of \$5.2 million and \$4.3 million on its outstanding debt amounts, respectively. For the nine months ended May 31, 2019 and 2018, the Company recorded interest expense of \$15.1 million and \$11.3 million on its outstanding debt amounts, respectively. During the three months ended May 31, 2019, FactSet incurred approximately \$0.9 million in debt issuance costs related to the 2019 Credit Agreement. These costs were capitalized as loan origination fees and are amortized into interest expense ratably over the term of the 2019 Credit Agreement.

The 2019 Credit Agreement contains covenants and requirements restricting certain FactSet activities, which are usual and customary for this type of loan. In addition, the 2019 Credit Agreement requires that FactSet maintain a consolidated net leverage ratio, as measured by total net funded debt/EBITDA below a specified level as of the end of each fiscal quarter. The Company was in compliance with all the covenants and requirements within the 2019 Credit Agreement as of May 31, 2019.

As of May 31, 2019, the fair value of our long-term debt was \$575.0 million, which we believe approximates carrying amount as the terms and interest rates approximate market rates given its floating interest rate basis.

From time to time, we are required to obtain letters of credit in the ordinary course of business. Approximately \$3.3 million of standby letters of credit have been issued in connection with our leased office spaces as of May 31, 2019. These standby letters of credit contain covenants that, among other things, require us to maintain minimum levels of consolidated net worth and certain leverage and fixed charge ratios. As of May 31, 2019, and August 31, 2018, we were in compliance with all covenants contained in the standby letters of credit.

## Foreign Currency

### Foreign Currency Exposure

Certain wholly-owned subsidiaries within the Europe and Asia Pacific segments operate under a functional currency different from the U.S. dollar. The financial statements of these foreign subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average exchange rates for revenue and expenses. Translation gains and losses that arise from translating assets, liabilities, revenue and expenses of foreign operations are recorded in accumulated other comprehensive (loss) income as a component of stockholders' equity.

Over the next 12 months, our non-U.S. dollar denominated revenue expected to be recognized are estimated to be \$88.7 million, while our non-U.S. dollar denominated expenses are estimated to be \$319.8 million, which translates into a net foreign currency exposure of \$231.1 million. Our foreign currency exchange exposure is related to our operating expense base in countries outside the U.S., where approximately 76% of our employees were located as of May 31, 2019. During the three and nine months ended May 31, 2019, foreign currency movements increased operating income by \$3.0 million and \$8.6 million, respectively.

### Foreign Currency Hedges

As of May 31, 2019, we maintained the following foreign currency forward contracts to hedge its exposures:

- *Philippine Peso* – foreign currency forward contracts to hedge approximately 75% of its Philippine Peso exposure through the fourth quarter of fiscal 2020.
- *Indian Rupee* – foreign currency forward contracts to hedge approximately 75% of its Indian Rupee exposure through the fourth quarter of fiscal 2019, 50% of its exposure from the first quarter of fiscal 2020 through the third quarter of fiscal 2020, and 25% of its exposure during the fourth quarter of fiscal 2020.
- *Euro* – foreign currency forward contracts to hedge approximately 75% of its Euro exposure through the first quarter of fiscal 2020, 50% of its exposure during the second quarter of fiscal 2020, and 25% of its exposure during the third quarter of fiscal 2020.
- *British Pound Sterling* – foreign currency forward contracts to hedge approximately 50% of its British Pound Sterling exposure through the third quarter of fiscal 2020.

As of May 31, 2019, the gross notional value of foreign currency forward contracts to purchase Philippine Pesos with U.S. dollars was ₱1.7 billion. The gross notional value of foreign currency forward contracts to purchase Indian Rupees with U.S. dollars was ₹1.8 billion. The gross notional value of foreign currency forward contracts to purchase U.S. dollars with Euros was €39.3 million. The gross notional value of foreign currency forward contracts to purchase U.S. dollars with British Pound Sterling was £20.8 million.

There were no other outstanding foreign currency forward contracts as of May 31, 2019. A loss on derivatives of \$0.6 million was recorded into operating income for the three months ended May 31, 2019, compared to a gain on derivatives of \$1.0 million in the same period a year ago. For the nine months ended May 31, 2019, a loss on derivatives of \$1.4 million was recorded into operating income, compared to a gain on derivatives of \$2.6 million in the prior year period.

### Off-Balance Sheet Arrangements

At May 31, 2019 and August 31, 2018, we had no off-balance sheet financing or 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.

## Share Repurchase Program

Repurchases will be made from time to time in the open market and privately negotiated transactions, subject to market conditions. In the third quarter of fiscal 2019, we repurchased 175,000 shares for \$47.6 million under our existing share repurchase program compared to 620,000 shares for \$122.0 million in the same period a year ago. During the first nine months of fiscal 2019, we repurchased 664,945 shares for \$152.1 million compared to 1,204,920 shares for \$234.8 million in the prior year comparable period. Over the last 12 months, we have returned \$326.5 million to stockholders in the form of share repurchases and dividends. As of May 31, 2019, \$89.6 million is available for future share repurchases under the existing share repurchase program.

On June 24, 2019, the Board of Directors of FactSet approved a \$210.0 million expansion of the existing share repurchase program. Subsequent to this expansion, \$299.6 million is available for future repurchases.

## Contractual Obligations

Fluctuations in our operating results, the degree of success of our accounts receivable collection efforts, the timing of tax and other payments, as well as necessary capital expenditures to support growth of our operations will impact our liquidity and cash flows in future periods. The effect of our contractual obligations on our liquidity and capital resources in future periods should be considered in conjunction with the factors mentioned here. As of August 31, 2018, we had total purchase commitments of \$79.0 million. There were no material changes in our purchase commitments during the first nine months of fiscal 2019.

Including new lease agreements executed during fiscal 2019, our worldwide leased office space increased to approximately 1,846,000 square feet as of May 31, 2019, up 96,000 square feet, or 5.5% from August 31, 2018. Future minimum commitments for our operating leases in place as of May 31, 2019 totaled \$410.8 million, an increase of \$3.1 million from \$407.8 million as of August 31, 2018, due to additional office space in India, partially offset by consolidating or not renewing office space in the UK and several locations in the U.S.

As disclosed earlier in the Capital Resources section of this MD&A, FactSet entered into the 2019 Credit Agreement on March 29, 2019 and borrowed \$575.0 million. The loan balance of \$575.0 million remains outstanding as of May 31, 2019. In conjunction with the 2019 Credit Agreement, we retired our outstanding loan amount of \$575.0 million under the 2017 Credit Agreement. Refer to the Capital Resources section of the MD&A for a discussion on our Long-term debt borrowings.

There were no other significant changes to our contractual obligations during the first nine months of fiscal 2019.

## Dividends

On May 17, 2019, our Board of Directors approved a regular quarterly dividend of \$0.72 per share. The \$0.08 per share or 12.5% increase marked our 14th consecutive year we have increased dividends, highlighting our continued commitment to returning value to shareholders. The cash dividend of \$27.5 million was paid on June 18, 2019, to common stockholders of record at the close of business on May 31, 2019. Future cash dividends will depend on our earnings, capital requirements, financial condition and other factors considered relevant by us and is subject to final determination by our Board of Directors.

## Significant Accounting Policies and Critical Accounting Estimates

We describe our significant accounting policies in Note 3, Summary of Significant Accounting Policies, of the notes to our consolidated financial statements included in Item 8 of our Annual Report on Form 10-K for the fiscal year ended August 31, 2018. The accounting policies used in preparing our consolidated financial statements for the first nine months of fiscal 2019 are applied consistently with those described in our Annual Report on Form 10-K for the fiscal year ended August 31, 2018, with the exception of the accounting guidance adopted in the first quarter of fiscal 2019 related to revenue recognition. Please see Note 4, Revenue Recognition, of this report for further details on the adoption of the new revenue recognition standard.

We discuss our critical accounting estimates in Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended August 31, 2018. There were no significant changes in our accounting policies or critical accounting estimates during the first nine months of fiscal 2019.

## New Accounting Pronouncements

See Note 3, Recent Accounting Pronouncements, in the notes to the consolidated financial statements for a full description of recent accounting pronouncements, including the expected dates of adoption, which we include herein by reference.

## Market Trends

In the ordinary course of business, we are exposed to financial risks involving the volatility of equity markets as well as foreign currency and interest rate fluctuations.

### *Shift from Active to Passive Investment Management*

Approximately 84.2% of our ASV is derived from our investment management clients. The prosperity of these clients is tied to equity assets under management. An equity market decline not only depresses assets under management but also could cause a significant increase in redemption requests to move money out of equities and into other asset classes. Moreover, a shift from active investment management to passive investment management can result in lower demand for our services. Our investment banking clients that provide M&A advisory work, capital markets services and equity research, account for approximately 15.8% of our ASV. A significant portion of this revenue relates to services deployed by large, bulge-bracket banks. Credit continues to impact many of the large banking clients due to the amount of leverage deployed in past operations. Our clients could also encounter similar issues. A lack of confidence in the global banking system could cause declines in M&A funded by debt. Additional uncertainty, consolidation and business failures in the global investment banking sector could adversely affect our financial results and future growth. Regardless, the size of banks in general is shrinking as they deleverage their balance sheets and adjust their expense bases to future revenue opportunities. Our revenue may decline if banks, including those involved in merger activity, significantly reduce headcount in the areas of corporate M&A, capital markets and equity research to compensate for the challenges faced by other departments.

### *Brexit*

On June 23, 2016, voters in the United Kingdom approved an advisory referendum to withdraw from the European Union ("Brexit"). On March 29, 2017, the United Kingdom invoked Article 50 of the Lisbon Treaty, formally starting negotiations with the European Union. United Kingdom and European Union leaders have now backed an extension until October 31, 2019, to provide more time to complete negotiations on formal withdrawal and transitional arrangements. The political and economic instability created by the Brexit vote has caused, and may continue to cause, significant volatility in global financial markets. At this time, we cannot predict the impact that Brexit will have on our business as it will depend, in part, on the longer-term outcome of tariff, trade, regulatory and other negotiations. Although it is unknown what the result of those negotiations will be, it is possible that new terms may adversely affect our operations and financial results. While we evaluate our own risks and uncertainty related to Brexit, we will continue to partner with our clients to help them navigate the fluctuating international markets.

### *MiFID II*

MiFID originally became effective in 2007 and was enhanced through adoption of MiFID II, which became effective in January 2018. MiFID II built upon many of the initiatives introduced through MiFID and is intended to help improve the functioning of the European Union single market by achieving a greater consistency of regulatory standards. We continue to monitor the impact in the European Union of MiFID II on the investment process and trade lifecycle, as well as any impact of MiFID II on non-European Union countries, and plan to work with our clients to navigate the MiFID II requirements.

## Forward-Looking Factors

### *Forward-Looking Statements*

In addition to current and historical information, this Quarterly Report on Form 10-Q, including Management's Discussion and Analysis of Financial Condition and Results of Operations, contains forward-looking statements based on management's current expectations, estimates, forecast and projections about industries in which we operate and the beliefs and assumptions of management. All statements that address expectations, guidance, outlook or projections about the future, including statements about our strategy for growth, product development, revenue, future financial results, anticipated growth, market position, subscriptions, expected expenditures, trends in our business and financial results, are forward-looking statements. Forward-looking statements may be identified by words like "expects," "believes", "anticipates," "plans," "intends," "estimates", "projects," "should," "indicates," "continues," "may" and similar expressions. These statements are not guarantees of future performance and involve a number of risks, uncertainties and assumptions. Many factors, including those discussed more fully elsewhere in this Quarterly Report on Form 10-Q or in any of our other filings with the Securities and Exchange Commission, could cause results to differ materially from those stated. These factors include, but are not limited to: the ability to integrate newly acquired companies, clients and businesses; strains on resources as a result of growth, the volatility and stability of global securities markets, including declines in equity or fixed income returns impacting the buying power of investment management clients; the ability to hire and retain qualified personnel; the maintenance of our leading technological position and reputation; failure to maintain or improve our competitive position in the marketplace; fraudulent, misappropriation or unauthorized data access, including cyber-security and privacy breaches; failures or disruptions of telecommunications, data centers, network systems, facilities, or the Internet; uncertainty, consolidation and business failures in the global investment banking industry; the continued shift from active to passive investing, the negotiation of contract terms with vendors, data suppliers and landlords; the retention of clients and the attraction of new ones; the absence of U.S. or foreign governmental regulation restricting international business; the unfavorable resolution of tax assessments and legal proceedings; and legislative and regulatory changes in the environments in which we and our clients operate. Forward-looking statements speak only as of the date they are made, and we assume no duty to and do not undertake to update forward-looking statements. Actual results could differ materially from those anticipated in forward-looking statements and future results could differ materially from historical performance.

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.

These statements involve certain known and unknown risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those listed in this MD&A above and those listed in Part 1 Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended August 31, 2018. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this Quarterly Report to reflect actual results or future events or circumstances.

### **Business Outlook**

The following forward-looking statements reflect our expectations as of June 25, 2019. Given the number of risk factors, uncertainties and assumptions discussed in Part 1 Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended August 31, 2018, actual results may differ materially. We do not intend to update our forward-looking statements until our next quarterly results announcement, other than in publicly available statements.

#### *Fiscal 2019 Expectations:*

- Organic ASV plus professional services is now expected to increase in the range of \$70 million and \$75 million over fiscal 2018.
- GAAP revenue is now expected to be in the range of \$1.42 billion and \$1.44 billion.
- GAAP operating margin is now expected to be in the range of 30.0% and 30.5%.
- Adjusted operating margin is now expected to be in the range of 32.5% and 33.0%.
- FactSet's annual effective tax rate is now expected to be in the range of 16% and 16.5%.
- GAAP diluted EPS is now expected to be in the range of \$8.90 and \$9.00. Adjusted diluted EPS is now expected to be in the range of \$9.80 and \$9.90. The mid-point of this guidance represents a 15% growth over the prior year.

Both GAAP operating margin and GAAP diluted EPS guidance do not include certain effects of any non-recurring benefits or charges that may arise in fiscal 2019.

### **Business Developments**

#### *Planned Departure of Global Head of Sales and Client Solutions and Appointment of Global Head of Sales and Client Solutions*

On April 15, 2019, we entered into a separation of employment and general release agreement (the "Separation Agreement") with John W. Wiseman, the Company's Executive Vice President, Global Head of Sales and Client Solutions. Pursuant to the Separation Agreement, Mr. Wiseman will participate in an orderly transition of duties to his successor, Franck A.R. Gossieaux, appointed June 1, 2019. Mr. Wiseman will remain an employee of FactSet until his effective termination date of August 31, 2019. A copy of the Separation Agreement is filed as Exhibit 10.1 to this Quarterly Report on Form 10-Q.

Effective June 1, 2019, we appointed Franck A.R. Gossieaux as the Company's new Executive Vice President, Global Head of Sales and Client Solutions. Mr. Gossieaux succeeds John W. Wiseman and will report directly to Philip Snow, FactSet's Chief Executive Officer.



### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

In the normal course of business, we are exposed to foreign currency exchange risk that could impact our financial position and results of operations.

#### Foreign Currency Exchange Risk

We conduct business outside the U.S. in several currencies including the Euro, British Pound Sterling, Indian Rupee and Philippine Peso. The financial statements of these foreign subsidiaries are translated into U.S. dollars using period-end rates of exchange for assets and liabilities and average rates for the period for revenue and expenses. Over the next 12 months, our non-U.S. dollar denominated revenues expected to be recognized are estimated to be \$88.7 million while our non-U.S. dollar denominated expenses are estimated to be \$319.8 million, which translates into a net foreign currency exposure of \$231.1 million. To the extent that our international activities recorded in local currencies increase in the future, our exposure to fluctuations in currency exchange rates will correspondingly increase. To manage the exposures related to the effects of foreign exchange rate fluctuations, we utilize derivative instruments (foreign currency forward contracts). By their nature, all derivative instruments involve, to varying degrees, elements of market and credit risk. The market risk associated with these instruments resulting from currency exchange movements is expected to offset the market risk of the underlying transactions, assets and liabilities being hedged. We do not believe there is significant risk of loss in the event of non-performance by the counterparties associated with these instruments because these transactions are executed with a major financial institution. Further, our policy is to deal with counterparties having a minimum investment grade or better credit rating. Credit risk is managed through the continuous monitoring of exposures to such counterparties. Our primary objective in holding derivatives is to reduce the volatility of earnings associated with changes in foreign currency.

#### Foreign Currency Hedges

As of May 31, 2019, we maintained the following foreign currency forward contracts to hedge our exposures:

- *Philippine Peso* – foreign currency forward contracts to hedge approximately 75% of our Philippine Peso exposure through the fourth quarter of fiscal 2020.
- *Indian Rupee* – foreign currency forward contracts to hedge approximately 75% of our Indian Rupee exposure through the fourth quarter of fiscal 2019, 50% of our exposure from the first quarter of fiscal 2020 through the third quarter of fiscal 2020, and 25% of our exposure during the fourth quarter of fiscal 2020.
- *Euro* – foreign currency forward contracts to hedge approximately 75% of our Euro exposure through the first quarter of fiscal 2020, 50% of our exposure during the second quarter of fiscal 2020, and 25% of our exposure during the third quarter of fiscal 2020.
- *British Pound Sterling* – foreign currency forward contracts to hedge approximately 50% of our British Pound Sterling exposure through the third quarter of fiscal 2020.

As of May 31, 2019, the gross notional value of foreign currency forward contracts to purchase Philippine Pesos with U.S. dollars was PHP 1.7 billion. The gross notional value of foreign currency forward contracts to purchase Indian Rupees with U.S. dollars was Rs. 1.8 billion. The gross notional value of foreign currency forward contracts to purchase U.S. dollars with Euros was € 39.3 million. The gross notional value of foreign currency forward contracts to purchase U.S. dollars with British Pound Sterling was £ 20.8 million.

A loss on derivatives of \$0.6 million was recorded into operating income for the three months ended May 31, 2019, compared to a gain on derivatives of \$1.0 million in the same period a year ago. For the nine months ended May 31, 2019, a loss on derivatives of \$1.4 million was recorded into operating income, compared to a gain on derivatives of \$2.6 million in the prior year period. The gains and losses on foreign currency forward contracts mitigate the variability in operating expenses associated with currency movements. These transactions are designated and accounted for as cash flow hedges in accordance with applicable accounting guidance. The changes in fair value for these foreign currency forward contracts are initially reported as a component of accumulated other comprehensive loss and subsequently reclassified into operating expenses when the hedged exposure affects earnings. The related cash flow impacts of all our derivative activities are reflected as cash flows from operating activities.

A sensitivity analysis was performed based on the estimated fair value of all foreign currency forward contracts outstanding at May 31, 2019. If the U.S. dollar had been 10% weaker, the fair value of outstanding foreign currency forward contracts would have increased by \$10.6 million, which would have had an immaterial impact on our consolidated balance sheet. Such a change in fair value of our financial instruments would be substantially offset by changes in our expense base. Had we not had any hedges in place as of May 31, 2019, a hypothetical 10% weaker U.S. dollar against all foreign currencies from the quoted foreign currency exchange rates at May 31, 2019, would have resulted in a decrease in operating income by \$21.3 million over the next 12 months. A hypothetical 10% weaker U.S. dollar against all foreign currencies at May 31, 2019 would have increased the fair value of total assets by \$66.5 million and equity by \$59.9 million.

Volatility in the British Pound Sterling exchange rate is expected to continue in the short term as the UK negotiates its exit from the European Union. In the longer term, any impact from Brexit will depend on, in part, on the outcome of tariff, regulatory and other negotiations.

## **Interest Rate Risk**

### *Cash and Cash Equivalents*

The fair market value of our Cash and cash equivalents and Investments at May 31, 2019 was \$350.3 million. Our cash and cash equivalents consist of demand deposits and money market funds with original maturities of three months or less and are reported at fair value. Our investments consist of both mutual funds and certificates of deposit as both are part of our investment strategy. These mutual funds and certificates of deposit are included as Investments (short-term) on our consolidated balance sheet as the mutual funds can be liquidated at our discretion and the certificates of deposit have original maturities greater than three months, but less than one year. The mutual funds and certificates of deposit are held for investment and are not considered debt securities. It is anticipated that the fair market value of our Cash and cash equivalents and Investments will continue to be immaterially affected by fluctuations in interest rates. Preservation of principal is the primary goal of our cash and investment policy. Pursuant to our established investment guidelines, we try to achieve high levels of credit quality, liquidity and diversification. Our investment guidelines do not permit us to invest in puts, calls, strips, short sales, straddles, options, commodities, precious metals, futures or investments on margin. As we have a restrictive investment policy, our financial exposure to fluctuations in interest rates is expected to remain low. We do not believe that the value or liquidity of our cash and cash equivalents and investments have been significantly impacted by current market events.

### *Debt*

As of May 31, 2019, the fair value of our long-term debt was \$575.0 million, which approximated its carrying amount. The application of a floating interest rate equal to the daily LIBOR rate plus a spread using a debt leverage pricing grid, approximates the current market rate for similar instruments. It is anticipated that the fair market value of our debt will continue to be immaterially affected by fluctuations in interest rates and we do not believe that the value of our debt has been significantly impacted by current market events. The debt bears interest on the outstanding principal amount at a rate equal to the daily LIBOR rate plus a spread using a debt leverage pricing grid currently at 0.875%. During the three months ended May 31, 2019 and 2018, we recorded interest expense of \$5.2 million and \$4.3 million, respectively, on our outstanding debt amounts. During the nine months ended May 31, 2019 and 2018, we recorded interest expense of \$15.1 million and \$11.3 million, respectively, on our outstanding debt amounts. Assuming all terms of our outstanding long-term debt remained the same, a hypothetical 25 basis point change (up or down) in the one-month LIBOR rate would result in a \$1.4 million change to our annual interest expense.

## **Technology Risk**

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 on our computer-based networks and systems. Our computer operations, as well as our other business centers, and those of our suppliers and clients are vulnerable to interruption by fire, natural disaster, power loss, telecommunications failures, terrorist attacks, acts of war, civil unrest, Internet failures, computer viruses and security breaches, and other events beyond our reasonable control. We maintain back-up facilities and certain other redundancies for each of our major data centers to minimize the risk that any such event will disrupt those operations. However, a loss of our services involving our significant facilities may materially disrupt our business and may induce our clients to seek alternative data suppliers. Any such, losses or damages we incur could have a material adverse effect on our business. Although we seek to minimize these risks through security measures, controls, back-up data centers and emergency planning, there can be no assurance that such efforts will be successful or effective.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of the Company's management, including the principal executive officer and principal financial officer, the Company has evaluated the effectiveness of its disclosure controls and procedures pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, the principal executive officer and principal financial officer have concluded that the Company's disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, (the "Exchange Act") are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms and is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure.

### **Changes in Internal Control over Financial Reporting**

There have been no changes in the Company's 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 Company's third quarter of fiscal 2019 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

The information set forth under Note 17, Commitments and Contingencies, contained in the notes to the consolidated financial statements of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this Item.

### ITEM 1A. RISK FACTORS

There were no material changes during the first nine months of fiscal 2019 to the risk factors identified in the Company's fiscal 2018 Annual Report on Form 10-K.

### 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.

#### (c) Issuer Purchases of Equity Securities (in thousands, except share and per share data)

The following table provides a month-to-month summary of the share repurchase activity during the three months ended May 31, 2019:

Period	Total number of shares purchased <sup>(1)</sup>	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs <sup>(2)</sup>	Maximum number of shares (or approximate dollar value) that may yet be purchased under the plans or programs (in US\$) <sup>(2)</sup>
March 2019	—	\$ —	—	\$ 137,165
April 2019	90,000	\$ 266.55	90,000	\$ 113,176
May 2019	85,000	\$ 277.24	85,000	\$ 89,611 <sup>(3)</sup>
Total	175,000		175,000	

(1) Includes 175,000 shares purchased under the existing stock repurchase program. There were no shares repurchased from employees to cover their cost of taxes upon vesting of restricted stock during the third quarter of fiscal 2019.

(2) Repurchases may be made from time to time in the open market and privately negotiated transactions, subject to market conditions. No minimum number of shares to be repurchased has been fixed. There is no timeframe to complete the repurchase program and it is expected that share repurchases will be paid using existing and future cash generated by operations.

(3) On June 24, 2019, the Board of Directors of FactSet approved a \$210.0 million expansion of the existing share repurchase program. Subsequent to this expansion, \$299.6 million is available for future repurchases.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

**ITEM 6. EXHIBITS**

(a) EXHIBITS

The information required by this Item is set forth below.

Exhibit Number	Exhibit Description	Form	Incorporated by Reference		Filed Herewith
			File No.	Exhibit No.	
10.1	<a href="#">Separation Agreement and General Release of Claims, dated April 22, 2019.</a>				X
31.1	<a href="#">Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.</a>				X
31.2	<a href="#">Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended.</a>				X
32.1	<a href="#">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.</a>				X
32.2	<a href="#">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</a>				X
101.INS	XBRL Instance 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

**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 10, 2019

/s/ HELEN L. SHAN  
Helen L. Shan  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

/s/ BRIAN G. DALY  
Brian G. Daly  
Senior Vice President, Finance  
(Principal Accounting Officer)

## EXHIBIT INDEX

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

## SEPARATION AGREEMENT AND GENERAL RELEASE OF CLAIMS

FactSet Research Systems Inc. (“the Company”) and I, John Wiseman (“Employee”), have entered into this Separation Agreement and General Release of Claims (“Agreement”) to settle all known and unknown claims I might have against Company and all related parties. Except to the extent governed by federal law, this Agreement shall be governed by the statutes and common law of Connecticut, excluding any that mandate the use of another jurisdiction’s laws.

The Company and I agree as follows:

**Section 1 -- Benefits**

(a) **In General:** The Company promises that I will receive the benefits set forth in this section that are conditioned on my execution of this Agreement. I understand and agree that I am not otherwise entitled to receive the benefits provided to me under this Agreement. I understand that I may revoke this Agreement within 7 days after I sign it, in which case I will not receive the amounts or benefits that are being paid to me under it, and this Agreement will never go into effect.

(b) **Salary Continuation:** Whether I sign this Agreement or not, I will continue to receive my regular pay, less all applicable federal, state and local taxes and withholdings, for the period from now through the effective date of my termination on August 31, 2019 (“Termination Date”). During this period, I will remain on active payroll and retain all salary, compensation and employment benefits that I previously enjoyed, including Company medical benefits. Prior to my Termination Date, I may be required to relinquish my title of Executive Vice President Global Head of Sales & Client Solutions. Until such time, I will be required to report to work at the Company as usual, and will be required to perform regular work assignments. Following the relinquishment of such title but prior to my Termination Date, I may be requested by the Company to assist in reasonable transition efforts.

(c) **Separation Payment:** In exchange for signing this Agreement, I will receive a lump sum separation payment of \$629,150.40 (Six Hundred Twenty-Nine Thousand One Hundred Fifty Dollars and Forty Cents), less all applicable federal, state and local taxes and withholdings. Payment will be made on the date of the first scheduled payroll after August 31, 2019, but not later than September 15, 2019.

(d) **Equity Awards:** The Company will accelerate the vesting of the following outstanding equity awards such that the shares subject to such awards as specified here shall be deemed vested and exercisable as of the Termination Date, subject to the standard terms of the Company’s option agreement:

- i. the accelerated vesting of 663 options granted on November 3, 2014;
  - ii. the accelerated vesting of 533 options granted on May 1, 2015;
  - iii. the accelerated vesting of 446 options granted on November 2, 2015;
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- iv. the accelerated vesting of 912 options granted on November 1, 2016;
- v. the accelerated vesting of 3,606 options granted on July 6, 2017;
- vi. the accelerated vesting of 1,553 options granted on November 2, 2017; and
- vii. the accelerated vesting of 1,409 options granted on November 1, 2018.

(e) **Compensation and Benefit Programs:** I waive coverage and benefits under all Company disability programs, but this Agreement does not affect my eligibility for other Company stock option, bonus, incentive compensation, commission, medical, dental, life insurance, retirement and other compensation or benefit plans of the Company or any affiliate. Whether I sign this Agreement or not, I understand that my rights and continued participation in those plans will be governed by their existing terms. After my Termination Date, the Company shall make monthly premium payments of \$2,547.20 to be made on my behalf for continuation of health coverage under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended (COBRA) through February 28, 2021, totaling \$45,849.60. Thereafter, I may be able to purchase continued health plan coverage under the normal COBRA health care continuation rules. I understand and acknowledge that it is my responsibility to enroll in COBRA coverage if I elect to do so, and I shall be responsible for all premium payments.

Payments made under this Agreement will not be included in my compensation for purposes of calculating the benefits to which I am entitled under any employee benefit program, notwithstanding anything in it to the contrary.

## **Section 2 -- Complete General Release of Claims**

The following releases are made as of the date of this Agreement, and as of my Termination Date:

(a) **Claims Released:** Except for the claims identified in Section 2(b), I irrevocably and unconditionally release (i.e., give up) all known and unknown claims, promises, causes of action, or similar rights of any type that I currently may have ("Claims") with respect to any Released Party listed in Section 2(c). I understand that I am not releasing future rights or claims, meaning rights or claims that arise after my Termination Date. I understand that the Claims I am releasing might arise under many different foreign, domestic, national, state, or local laws (including statutes, regulations, other administrative guidance, and common law doctrines), such as the following:

Anti-discrimination statutes, such as Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, and Executive Order 11,246, which prohibit discrimination based on race, color, national origin, religion, or sex; the Age Discrimination in Employment Act ("ADEA") and Executive Order 11,141, which prohibit age discrimination in employment; the Equal Pay Act, which prohibits paying men and women unequal pay for equal work; the Americans With Disabilities Act ("ADA") and Sections 503 and 504 of the Rehabilitation Act of 1973, which prohibit discrimination based on disability; the Genetic Information Nondiscrimination Act of 2008 ("GINA"), which prohibits discrimination based on genetic information; and any other federal, state, or local laws prohibiting discrimination in employment based on a protected category, such as actual or perceived race, religion, color, national origin, ancestry, physical or mental disability, medical condition, genetic information, marital status, sex, sexual orientation, or association with a person who has, or is perceived to have, any of those characteristics.

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Federal employment statutes, such as the Worker Adjustment and Retraining Notification Act (“WARN Act”), which requires that advance notice be given of certain work force reductions; the Employee Retirement Income Security Act of 1974 (“ERISA”), which, among other things, protects employee benefits; and any other federal laws relating to employment, such as veterans’ reemployment rights laws.

Other laws, such as any federal, state, or local laws mandating leaves of absence, restricting an employer’s right to terminate employees, or otherwise regulating employment; any federal, state, or local law enforcing express or implied employment contracts or requiring an employer to deal with employees fairly or in good faith; any other federal, state, or local laws providing recourse for alleged wrongful discharge, tort, physical or personal injury, emotional distress, fraud, negligent misrepresentation, defamation, and similar or related claims; any other law relating to salary, commission, compensation, benefits, and other matters; and family and medical leave laws.

Examples of released Claims include, but are not limited to the following (except to the extent explicitly preserved by Section 1 or 2(b) of this Agreement): (i) Claims that in any way relate to or arose during my employment with the Company, or the termination of that employment, such as Claims for compensation, bonuses, commissions, lost wages, or unused accrued vacation or sick pay; (ii) Claims that in any way relate to the design or administration of any employee benefit program; (iii) Claims that I have irrevocable or vested rights to severance or similar benefits or to post-employment health or group insurance benefits; (iv) any Claims to attorneys’ fees or other indemnities (such as under the Civil Rights Attorneys’ Fees Act), with respect to Claims I am releasing; or (v) claims under the Connecticut Human Rights and Opportunities Law, the Connecticut Family and Medical Leave Law, the Connecticut Age Discrimination and Employee Insurance Benefits Law, and the Connecticut Smokers’ Rights Law.

If, despite this Agreement, I sue or bring an arbitration action asserting any Claim that I have released, I will be liable to the Released Party (as defined below) for its attorneys’ fees, other defense costs, and any other damages that my suit or arbitration causes, except those attributable to ADEA claims. I promise not to accept any relief or remedies not set forth in this Agreement as to any Claim I have released by signing it.

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(b) **Claims Not Released:** This Agreement does not release any claims that the law does not permit me to release. Nothing herein affects my rights to indemnification, reimbursement for business expenses incurred through the Termination Date in accordance with Company policy, payment for accrued but unused vacation in accordance with Company policy, and vested benefits under the Company's 401(k) plan, subject to the terms of such plan.

(c) **Released Parties:** The Released Parties are the Company, all current and former parents, subsidiaries, related companies, partnerships, or joint ventures, and, with respect to each of them, their predecessors and successors; and, with respect to each such entity, all of its past, present, and future employees, officers, directors, stockholders, owners, representatives, assigns, attorneys, agents, insurers, employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs), and any other persons acting by, through, under or in concert with any of the persons or entities listed in this subsection, and their successors.

### **Section 3 -- Promises**

(a) **Employment Termination:** I agree that my employment with the Company and its affiliates has ended or is ending as of my Termination Date, and that I am accepting payments and benefits under this Agreement in lieu of any such other rights or benefits to which I possibly could be or become entitled. I have not been told that the Company or any Released Party will rehire me.

(b) **Resignation of All Other Positions:** Upon relinquishment of my role as Executive Vice President, Global Head of Sales & Client Solutions, I agree to resign from all positions that I hold as an officer or member of the Board (or a committee thereof) of the Company or any of its affiliates.

(c) **Company Property and Debts:** On or before my Termination Date, I will return to the Company all files, memoranda, documents, records, copies of the foregoing, Company-provided credit cards, keys, building passes, security passes, access or identification cards, devices and equipment belonging to the Company (including computers, laptops, tablets, smart phones, handheld electronic devices, telephone equipment, and other electronic devices, including PDAs), and any other property of the Company or any Released Party in my possession or control, other than specific mutually approved devices, all with the Company's consent. I have cooperated with the Company and will cooperate with the Company regarding the proper handling of any digital property of the Company that may be retained in mobile phone or related digital storage devices, media or accounts. As of my Termination Date, I will have cleared all expense accounts, repaid everything I owe to the Company or any Released Party, paid all amounts I owe on Company-provided credit cards or accounts (such as mobile or smart phone accounts), and canceled or personally assumed any such credit cards or accounts.

(d) **Taxes:** I am responsible for paying any taxes on amounts I receive because I signed this Agreement. I agree that the Company is to withhold all taxes it determines it is legally required to withhold. I agree not to make any claim against the Company or any other person based on how the Company reports amounts paid under this Agreement to tax authorities.

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(e) **Ownership of Claims:** I have not assigned or transferred any Claim I am purporting to release, nor have I attempted to do so.

(f) **Communication with Government Agency; Immunity:** This Agreement does not preclude me from filing an administrative charge or otherwise communicating with any federal, state or local government office, official or agency. I promise never to seek or accept any damages, remedies or other relief for myself personally with respect to any Claim released by Paragraph 2(a) of this Agreement. Nothing in this Agreement is designed to interfere with, restrain, restrict, or prevent communications protected by state or federal law, including as protected by (a) Section 7 of the National Labor Relations Act of 1935 (“NLRA”) (or court order), regarding wages, hours, or other terms and conditions of employment or (b) Exchange Act Rule 21F-17, addressing communications (including by my attorney) with, or testimony before, the SEC, FINRA, or other regulatory authority regarding possible securities law violations. Furthermore, nothing in this Agreement prohibits me from communicating with or reporting possible violations of law or regulation to any federal, state, or local governmental office, official, agency, or entity. Notwithstanding my confidentiality obligations set forth in this Agreement, I understand that, pursuant to the Defend Trade Secrets Act of 2016, I will not be held criminally or civilly liable under any U.S. Federal or State trade secret law for the disclosure of a trade secret that: (A) is made (i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. I also understand that if I file a lawsuit for retaliation by the Company for reporting a suspected violation of law, I may disclose the trade secret to my attorney and use the trade secret information in the court proceeding, if I (A) file any document containing the trade secret under seal; and (B) do not disclose the trade secret, except pursuant to court order. I understand that if a disclosure of trade secrets was not done in good faith pursuant to the above, then I may be subject to liability, including, without limitation, punitive damages and attorneys’ fees.

(g) **Mutual Agreement Not to Disparage or Harm:** Subject to Section 3(f), I agree not to criticize, denigrate, or disparage any Released Party and, in particular, not to criticize, denigrate, or disparage any current or former employee of the Company. I understand and agree that breach of this provision will result in damages that are difficult to quantify. The Company likewise agrees not to criticize, denigrate, or disparage me or my work in any communication to a third party. I agree not to incur any expenses, obligations, or liabilities on behalf of the Company. Notwithstanding the foregoing, nothing in this Agreement prohibits any statements that may be required by law or may be necessary to respond in an appropriate and truthful manner to any legal process or regulatory proceeding involving the parties.

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(h) **Confidential and Proprietary Information and Existing Obligations:** Subject to Section 3(f), I understand that, at all times in the future, I will remain bound by any Company or Company affiliate agreement or policy relating to confidential information, proprietary information, invention, or similar matters to which I am now subject, including but not limited to any FactSet Research Systems Inc. Intellectual Property Agreement which I previously signed, and which is expressly incorporated by reference herein, and I agree that to the extent any provision in such agreement or policy conflicts with any provision in this Agreement, the provision or interpretation affording the greater protection to the Company shall govern. In particular, I acknowledge that my employment by the Company created a relationship of confidence and trust with respect to any information of a confidential or secret nature disclosed to me by the Company or a third party that (i) related to the business of the Company or to the business of any parent, subsidiary, affiliate, customer or supplier of the Company or any other party with whom the Company agreed to hold information of such party in confidence, (ii) was not generally known to the public or to other persons in the industry, or if generally known, was used, selected or arranged by the Company in a manner not generally known and was made the property of the Company by mutual agreement of the parties, including by the Invention Assignment and Proprietary Information Agreement, and/or similar agreement, and (iii) that the Company has taken reasonable measures under the circumstances to protect from unauthorized use or disclosure (the "Confidential Information"). I agree and represent that I have not disclosed, copied, disseminated, shared or transmitted any Confidential Information to any person, firm, corporation or entity for any reason or purpose whatsoever, except in the course of carrying out my duties and responsibilities of employment with the Company. I also agree, at all times in the future, not to make use of any Confidential Information for my own purposes or for the benefit of any person, firm, corporation or other entity. I further warrant and represent that all Confidential Information in my possession, custody or control that is or was a property of the Company has been or shall be returned to the Company by the date I sign this Agreement.

(i) **Implementation:** I agree to sign any documents and do anything else that in the future is needed to implement this Agreement.

(j) **Other Representations:** In addition to my other representations in this Agreement, I have made the following representations to the Company, on which I acknowledge it also has relied in entering into this Agreement with me:

- i. I have not suffered any job-related wrongs or injuries, such as any type of discrimination, for which I might still be entitled to compensation or relief in the future. I have properly reported any and all job-related wrongs or injuries for which I might still be entitled to compensation or relief, such as an injury for which I might receive a workers' compensation award in the future. I have properly reported all hours that I have worked and I have been paid all wages, overtime, commissions, compensation, benefits, and other amounts that the Company or any Released Party should have paid me in the past.
  - ii. This Agreement is not an admission of wrongdoing by the Company or any other Released Party.
  - iii. I am intentionally releasing claims that I do not know I might have and that, with hindsight, I might regret having released.
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iv. If the Company or I successfully assert that any provision in this Release is void, the rest of the Agreement shall remain valid and enforceable.

(k) **False Claims Representations and Promises:** I have disclosed to the Company any information I have concerning any conduct involving the Company or any affiliate that I have any reason to believe may be unlawful or that involves any false claims to the United States. I promise to cooperate fully in any investigation the Company or any affiliate undertakes into matters occurring during my employment with the Company or any affiliate. I understand that nothing in this Agreement prevents me from cooperating with any U.S. government investigation. In addition, to the fullest extent permitted by law, I hereby irrevocably assign to the U.S. government any right I might have to any proceeds or awards in connection with any false claims proceedings against the Company or any affiliate.

(l) **Cooperation Required:** I agree that when requested by the Company, I will promptly and fully respond to all inquiries from the Company or any affiliate and its representatives relating to any lawsuit in which I am identified as having factual information needed by the Company. To the extent I incur reasonable out-of-pocket expenses (such as postage costs or telephone charges) in assisting the Company or any affiliate at its request, the Company will mail me a reimbursement check for those expenses within 15 days after it receives my request for payment, along with satisfactory written substantiation of the claimed expenses.

(m) **Disclosure:** Nothing herein shall prevent the Company or the Executive from disclosing the terms of this Agreement if required to do so under applicable law or by a court of competent jurisdiction.

#### **Section 4 -- Consequences of Violating Promises**

I agree that the Company would be irreparably harmed by any actual or threatened violation of Section 3 that involves disclosure or use of confidential information, proprietary information, or trade secrets, and that the Company will be entitled to an injunction prohibiting me from committing any such violation.

#### **Section 5 -- Consideration of Agreement**

I acknowledge that, before signing this Agreement, I was given at least 21 days in which to consider this Agreement. I waive any right I might have to additional time within which to consider this Agreement. I further acknowledge that: (1) I took advantage of the time I was given to consider this Agreement before signing it; (2) I carefully read this Agreement; (3) I fully understand it; (4) I am entering into it voluntarily; (5) I am receiving valuable consideration in exchange for my execution of this Agreement that I would not otherwise be entitled to receive; (6) the Company, by this writing, encouraged me to discuss this Agreement with my attorney (at my own expense) before signing it, and that I did so to the extent I deemed appropriate; and (7) any changes made to this Agreement, whether material or immaterial, will not restart the 21 day consideration period. I understand that I am entitled to revoke this Agreement, in writing, within 7 days once I sign it. Such revocation must be delivered to the Company as provided herein within the 7 day period, in which case I will receive no benefits and this Agreement will not go into effect. If I do not revoke this Agreement, it will become enforceable on the eighth day after I sign it. The Company need not sign this Agreement for it to become effective.

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**Section 6 -- Miscellaneous**

(a) **Entire Agreement:** In addition to any Company or Company affiliate agreement or policy relating to the confidentiality of Proprietary Information, inventions, or similar matters referenced in Section 3 above, this Agreement is the entire agreement between me and the Company relating to my termination of employment or the subject matter of this Agreement. This Agreement may not be modified or canceled in any manner, nor may any provision of it or any legal remedy with respect to it be waived, except by a writing signed by both me and an authorized Company official. I acknowledge that the Company has made no representations or promises to me (such as that my former position will remain vacant), other than those in or referred to by this Agreement. If any provision in this Agreement is found to be unenforceable, all other provisions will remain fully enforceable.

(b) **Successors:** This Agreement binds my heirs, administrators, representatives, executors, successors, and assigns, and will inure to the benefit of all Released Parties and their respective heirs, administrators, representatives, executors, successors, and assigns.

(c) **Interpretation:** This Agreement shall be construed as a whole according to its fair meaning. It shall not be construed strictly for or against me or any Released Party. Unless the context indicates otherwise, the term “or” shall be deemed to include the term “and” and the singular or plural number shall be deemed to include the other. Captions are intended solely for convenience of reference and shall not be used in the interpretation of this Agreement.

**Section 7 -- Arbitration of Disputes**

The Company and I agree to resolve any disputes we may have with each other through final, binding and confidential arbitration consistent with applicable law. For example, I am agreeing to arbitrate any dispute about the validity of this Agreement or any discrimination claim. I also agree to resolve through final, binding and confidential arbitration any disputes I have with any other Released Party who elects to arbitrate those disputes under this subsection. Arbitration shall be conducted by the American Arbitration Association in accordance with its employment dispute resolution rules which can be found at [www.adr.org/employment](http://www.adr.org/employment), and consistent with state law. A neutral arbitrator will preside over the arbitration and issue a written decision subject to limited judicial review. The decision shall remain confidential between the parties and shall not be published by the arbitrator or the AAA. All remedies available under law will be available in the Arbitration. The Arbitration proceedings will allow for adequate discovery. Commencement of the Arbitration will be at a minimal cost to me. This agreement to arbitrate does not apply to government agency proceedings. By agreeing to this Agreement, I understand that I am waiving my right to a jury trial.

*(remainder of page left intentionally blank)*

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**YOU MAY NOT MAKE ANY CHANGES TO THE TERMS OF THIS AGREEMENT.**

**BEFORE SIGNING THIS AGREEMENT, TAKE IT HOME, READ IT, AND CAREFULLY CONSIDER IT. IF YOU CHOOSE, DISCUSS IT WITH YOUR ATTORNEY (AT YOUR OWN EXPENSE). YOU HAVE 21 DAYS TO CONSIDER THIS AGREEMENT. IF YOU DO NOT SIGN AND RETURN THIS AGREEMENT WITHIN THIS 21-DAY PERIOD, IT AUTOMATICALLY EXPIRES.**

**ONCE YOU SIGN THIS AGREEMENT, YOU WILL HAVE AN ADDITIONAL 7 DAYS TO REVOKE IT. IF YOU CHOOSE TO REVOKE THIS AGREEMENT, YOU MUST DELIVER A WRITTEN NOTICE OF REVOCATION TO:**

*RACHEL STERN, GENERAL COUNSEL  
FACTSET RESEARCH SYSTEMS INC.  
601 MERRITT 7, NORWALK, CT 06851*

**BY SIGNING THIS AGREEMENT, YOU WILL BE WAIVING YOUR KNOWN AND UNKNOWN CLAIMS.**

Executed at Norwalk, Connecticut, this 12 day of April, 2019, and signed under penalty of perjury under the laws of the state of Connecticut.

/s/ JOHN W. WISEMAN

Signature

John W. Wiseman

Print Name

Executed at Norwalk, Connecticut this 22 day of April, 2019.

For FactSet Research Systems Inc.

/s/ F. PHILIP SNOW

F. Philip Snow, Chief Executive Officer

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, F. Philip Snow, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FactSet Research Systems Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have any significant role in the registrant's internal control over financial reporting.

Date: July 10, 2019

/s/ F. PHILIP SNOW  
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F. Philip Snow  
Chief Executive Officer



**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
EXCHANGE ACT RULE 13a-14(a)/15d-14(a) AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Helen L. Shan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of FactSet Research Systems Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have any significant role in the registrant's internal control over financial reporting.

Date: July 10, 2019

/s/ HELEN L. SHAN

Helen L. Shan  
Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FactSet Research Systems Inc. (the "Company") on Form 10-Q for the quarter ended May 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, F. Philip Snow, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ F. PHILIP SNOW

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F. Philip Snow

Chief Executive Officer

July 10, 2019

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of FactSet Research Systems Inc. (the "Company") on Form 10-Q for the quarter ended May 31, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Helen L. Shan, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ HELEN L. SHAN

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Helen L. Shan

Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)

July 10, 2019