# Morgan Stanley (MS)

*Updated January 16th, 2025 by Nikolaos Sismanis*

## Key Metrics

| | | | | | |
|---|---|---|---|---|---|
| **Current Price:** | $134 | **5 Year CAGR Estimate:** | 7.8% | **Market Cap:** | $215.5 B |
| **Fair Value Price:** | $116 | **5 Year Growth Estimate:** | 8.0% | **Ex-Dividend Date:** | 01/31/25 |
| **% Fair Value:** | 115% | **5 Year Valuation Multiple Estimate:** | -2.8% | **Dividend Payment Date:** | 02/14/25 |
| **Dividend Yield:** | 2.8% | **5 Year Price Target** | $171 | **Years Of Dividend Growth:** | 11 |
| **Dividend Risk Score:** | D | **Retirement Suitability Score:** | D | **Rating:** | Hold |

## Overview & Current Events

Morgan Stanley is a financial holding company that provides various financial products and services to corporations, governments, financial institutions, and individuals worldwide. The company operates through Institutional Securities, Wealth Management, and Investment Management segments, including offering capital raising and financial advisory services, underwriting of debt, equity, and other securities, as well as advice on mergers and acquisitions. Morgan Stanley is headquartered in New York, New York.

On January 16th, 2025, Morgan Stanley released its Q4 and full-year results for the period ending December 31st, 2024. The company wrapped up the year with great momentum due to favorable conditions in capital markets. Specifically, the Investment Banking segment's revenues rose 25% compared to last year, due to higher advisory revenues on more completed M&A transactions. The Equities division delivered strong results as well, with net revenues up 51% driven by higher client activity, robust performance across business lines, notable gains in Prime Brokerage, and regional strength in Asia. Fixed Income net revenues rose by 35%, due to solid results in credit on higher lending and securitization activity and higher structured revenues in commodities.

Earnings-per-share for the quarter landed at $2.22, up 161% compared to the previous year. For the full-year, earnings per share came in at $8.30, up 53% compared to fiscal 2023. Morgan Stanley bought back $0.8 billion worth of stock in Q4 and $3.3 billion during the year, leading to the company's share count declining by 1% year-over-year. We initially expect EPS of $8.30 for fiscal 2025. We should have a more confident estimate next quarter as additional data on the industry's overall outlook for the year emerges.

## Growth on a Per-Share Basis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **EPS** | $2.97 | $2.98 | $3.14 | $4.81 | $5.26 | $6.46 | $8.03 | $6.15 | $5.18 | $7.95 | ***$8.30*** | ***$12.20*** |
| **DPS** | $0.60 | $0.75 | $0.95 | $1.15 | $1.35 | $1.40 | $2.10 | $2.95 | $3.25 | $3.55 | ***$3.70*** | ***$5.44*** |
| **Shares[1]** | 1,909 | 1,849 | 1,780 | 1,708 | 1,617 | 1,810 | 1,772 | 1,675 | 1,627 | 1,607 | ***1,607*** | ***1,400*** |

Coming out of the Great Financials Crisis, Morgan Stanley's profitability surged. Earnings growth has lagged in 2022 and 2023. This was due a tough macroeconomic landscape that persisted at the time. Interest rates continue to remain high to this date. However, with inflation easing and rates likely to see cuts this year, financial deal making has already risen, driving EPS growth for the company this year.

In general, though, Morgan Stanley earnings continue to benefit from the acquisitions of E-Trade and Eaton Vance that took place back in 2021. The company's cash flow is now more stable, thanks to a shift in its revenue stream. Instead of relying on interest rates and market activity, the acquisitions allowed Morgan Stanley to generate steady management fees from E-Trade and Eaton Vance's recurring customer charges. Additionally, the focus on buybacks has contributed to the boost in EPS and shareholder value creation, with the company retiring about 15% of its shares since 2014, despite a 14% increase in share count to fund the acquisitions.

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[1] Share count is in millions.

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To generously reward shareholders, Morgan Stanley's board has approved notable dividend increases in recent years. A notable 100% surge took place in 2021 and subsequent hikes of 10.7%, 9.7%, and 8.8% in 2022, 2023, and 2024, along with strong buybacks, showcases their intent for maintaining robust shareholder returns.

Backed by favorable growth catalysts, including ongoing buybacks and improving conditions in the capital markets, we have set both our EPS and DPS growth expectations at 8%.

## Valuation Analysis

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | Now | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Avg. P/E | 11.4 | 11.3 | 15.9 | 9.7 | 8.5 | 12.0 | 11.2 | 13.8 | 16.2 | 12.1 | ***16.1*** | ***14.0*** |
| Avg. Yld. | 1.8% | 2.2% | 1.9% | 2.5% | 3.0% | 2.4% | 1.8% | 3.5% | 3.9% | 3.7% | ***2.8%*** | ***3.2%*** |

Morgan Stanley's valuation has hovered at quite reasonable levels throughout the decade. Nevertheless, shares are now trading at 16.1 times our expected FY2025 earnings, which we believe overvalues the business. This could translate to a valuation headwind over the medium-term. The 2.8% yield is in-line with its decade-average. With rates remaining high, though, investors should demand a higher risk premium from MS, even with potential cuts on the way.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

| Year | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 | 2030 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Payout | 20% | 25% | 30% | 24% | 26% | 22% | 26% | 48% | 63% | 45% | ***45%*** | ***45%*** |

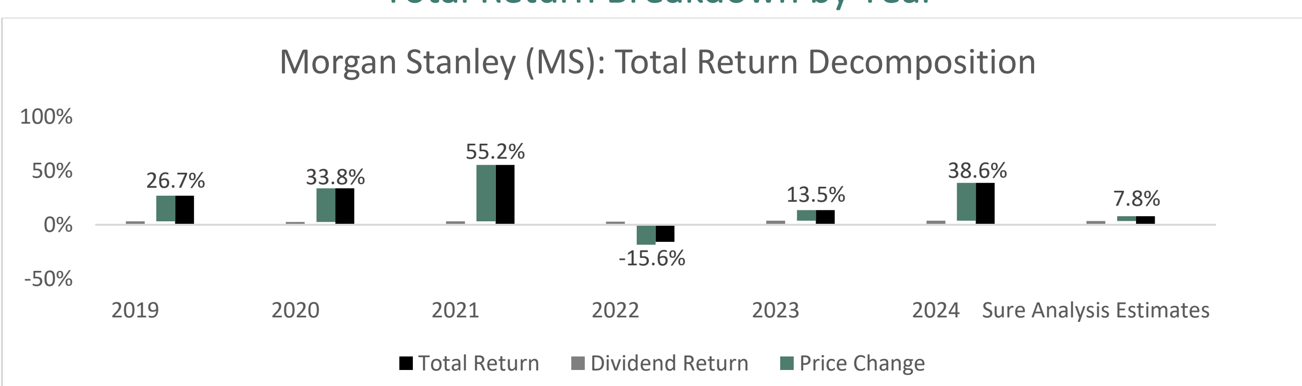
Morgan Stanley's current dividend should be quite safe. The company was previously forced to cut its dividend during the Great Financial Crisis. However, as its revenues have been transitioning continuously to the asset management side, we believe that the bank's performance should be able to come out solid in a potential future recession. Its resiliency was demonstrated during the pandemic, when it produced strong financial results and executed major acquisitions with confidence.

Further, Morgan Stanley's competitive advantage is rooted in its scale and influence. As the second-largest wealth management firm in the U.S., behind only Bank of America, Morgan Stanley enjoys a massive client base and the associated benefits of size, such as economies of scale and extensive resources to attract and retain clients. That said, Interest rates remaining elevated and the fact that Morgan Stanley operates in a massively competitive industry with consistently declining expense rates (e.g., near-zero fee ETFs) are two risks to keep in mind.

## Final Thoughts & Recommendation

Morgan Stanley's results continue to benefit from an increasingly favorable capital markets landscape, but we do remain wary regarding interest rates. We forecast annualized returns of 7.8% from Morgan Stanley through 2030, stemming from our estimates growth and the 2.8% yield, offset by the possibility of a valuation headwind. We rate MS a hold.

## Total Return Breakdown by Year




*Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.*

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## Income Statement Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Revenue | 32,469 | 33,263 | 32,711 | 35,852 | 37,714 | 38,926 | 45,270 | 56,410 | 50,210 | 50,670 |
| SG&A Exp. | 20,117 | 18,464 | 18,252 | 19,566 | 20,339 | 21,691 | 23,750 | 25,170 | 23,920 | 25,100 |
| D&A Exp. | 1,161 | 1,433 | 1,736 | 1,753 | 1,844 | 2,643 | --- | --- | 3,998 | 4,256 |
| Net Profit | 3,467 | 6,127 | 5,979 | 6,111 | 8,748 | 9,042 | 11,000 | 15,030 | 11,030 | 9,087 |
| Net Margin | 10.7% | 18.4% | 18.3% | 17.0% | 23.2% | 23.2% | 24.3% | 26.6% | 22.0% | 17.9% |
| Free Cash Flow | 94 | (5,836) | 4,107 | (6,134) | 5,440 | 38,947 | --- | 31660 | (9,475) | (36,950) |
| Income Tax | (90) | 2,200 | 2,726 | 4,168 | 2,350 | 2,064 | 3,239 | 45,48 | 2,910 | 2,583 |

## Balance Sheet Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Assets ($B) | 802 | 787 | 815 | 852 | 854 | 895 | --- | 1,188 | 1,180 | 1,194 |
| Cash & Equiv. | 87,591 | 54,083 | 43,381 | 46,164 | 51,840 | 49,659 | --- | 86,840 | 92,750 | 58,660 |
| Accounts Rec | 48,961 | 45,407 | 46,460 | 56,187 | 53,298 | 55,646 | --- | 96,020 | 78,540 | 80,100 |
| Goodwill & Int. | 9,747 | 9,568 | 9,298 | 9,045 | 8,851 | 9,250 | --- | 25,198 | 24,270 | 23,760 |
| Total Liab ($B) | 729 | 711 | 738 | 773 | 772 | 813 | --- | 243 | 1,079 | 1,094 |
| Accounts Pay ($B) | 181 | 187 | 191 | 191 | 180 | 198 | --- | 228 | 216 | 208.2 |
| LT Debt ($B) | 155 | 156 | 166 | 193 | 190 | 193 | --- | 243 | 246 | 276.4 |
| Book Value | 64,880 | 67,662 | 68,530 | 68,871 | 71,726 | 73,029 | --- | 97,969 | 91,390 | 90,290 |
| LTD/E Ratio | 2.19 | 2.07 | 2.18 | 2.49 | 2.36 | 2.36 | --- | 2.31 | 2.46 | 2.79 |

## Profitability & Per Share Metrics

| Year | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|---|---|---|---|---|---|
| Return on Assets | 0.4% | 0.4% | 0.8% | 0.7% | 0.7% | 1.0% | 1.0% | 1.3% | 0.9% | 0.8% |
| Return on Equity | 4.8% | 5.4% | 9.2% | 8.8% | 8.9% | 12.4% | 12.5% | 15.8% | 11.7% | 9.0% |
| ROIC | 1.3% | 1.5% | 2.7% | 2.5% | 2.4% | 3.2% | 3.3% | 4.4% | 3.2% | 2.5% |
| Shares Out. | 1,905 | 1,924 | 1,909 | 1,849 | 1,780 | 1,708 | 1,617 | 1,814 | 1,713 | 1,646 |
| Revenue/Share | 15.73 | 16.47 | 17.03 | 17.33 | 19.69 | 21.70 | 23.74 | 31.10 | 29.31 | 30.78 |
| FCF/Share | 17.22 | 0.05 | (2.99) | 2.18 | (3.37) | 3.13 | 23.75 | 17.45 | (5.53) | (22.45 ) |

*Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.*