Morgan Stanley (MS)

Updated October 16th, 2025 by Nikolaos Sismanis

Key Metrics

Current Price:	$164	**5 Year Annual Expected Total Return:**	5.7%	**Market Cap:**	$261 B
Fair Value Price:	$130	**5 Year Growth Estimate:**	8.0%	**Ex-Dividend Date:**	10/31/2025
% Fair Value:	126%	**5 Year Valuation Multiple Estimate:**	-4.5%	**Dividend Payment Date:**	11/14/2025
Dividend Yield:	2.4%	**5 Year Price Target**	$191	**Years Of Dividend Growth:**	12
Dividend Risk Score:	B	**Sector:**	Financials	**Rating:**	Hold

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 October 15th, 2025, Morgan Stanley posted its Q3 results for the period ending September 30th, 2025. The company delivered a superb quarter with record firm revenues and broad-based strength. The Investment Banking segment's revenues rose 44% year over year, driven by higher advisory from more completed M&A transactions and stronger equity and fixed income underwriting due to an improved financing environment, including more IPOs, convertibles, and loan issuance. The Equities division performed strongly again, with net revenues up 35% and record prime brokerage results on robust client activity across regions. Fixed Income net revenues increased 8%, led by credit and commodities, partially offset by lower results in foreign exchange.

Earnings-per-share for the quarter landed at $2.80, up approximately 49% compared to the previous year. The company repurchased about $1.1 billion of stock in Q3, with period-end shares outstanding roughly 1% lower year over year. We now expect EPS of $10.00 for fiscal 2025.

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	***$10.00***	***$14.69***
DPS	$0.60	$0.75	$0.95	$1.15	$1.35	$1.40	$2.10	$2.95	$3.25	$3.55	***$4.00***	***$5.88***
Shares[1]	1,909	1,849	1,780	1,708	1,617	1,810	1,772	1,675	1,627	1,607	***1,591***	***1,500***

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 16% of its shares since 2015, despite a 14% increase in share count to fund the acquisitions.

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.

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[1] Share count is in millions.

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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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	***16.4***	***13.0***
Avg. Yld.	1.8%	2.2%	1.9%	2.5%	3.0%	2.4%	1.8%	3.5%	3.9%	3.7%	***2.4%***	***3.1%***

Morgan Stanley's valuation has hovered at quite reasonable levels throughout the decade. The stock is now trading at 16.4 times our expected FY2025 earnings, however, which we believe overvalues the business. This could translate to a notable valuation tailwind over the medium-term. The 2.4% yield is slightly above its decade-average. With rates still high, though, investors should demand a higher risk premium from MS, even with further 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%	***40%***	***40%***

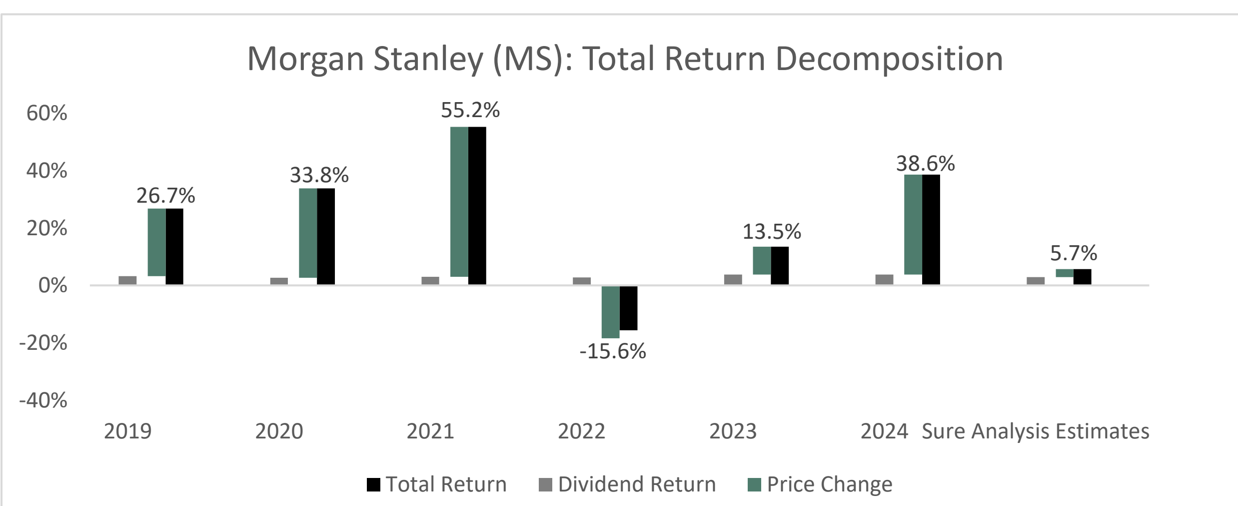
Morgan Stanley's current dividend should be quite safe. The company was previously forced to cut its dividend during the Great Financial Crisis. However, as its revenues have been transitioning continuously to the asset management side, we believe that the bank's performance should be able to come out 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. However, we believe the stock is overvalued today. We now see annualized returns of 5.7% from the stock through 2030, stemming from our estimated growth, the 2.4% yield, and the possibility of a valuation headwind. We rate MS as a hold.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	33,263	32,711	35,852	37,714	38,926	45,270	56,410	50,210	50,670	57,620
SG&A Exp.	18,464	18,252	19,566	20,339	21,691	23,750	25,170	23,920	25,100	27,140
D&A Exp.	1,433	1,736	1,753	1,844	2,643	---	---	3,998	4,256	47.1%
Net Profit	6,127	5,979	6,111	8,748	9,042	11,000	15,030	11,030	9,087	13,390
Net Margin	18.4%	18.3%	17.0%	23.2%	23.2%	24.3%	26.6%	22.0%	17.9%	23.2%
Free Cash Flow	(5,836)	4,107	(6,134)	5,440	38,947	---	31660	(9,475)	(36,950)	(2,100)
Income Tax	2,200	2,726	4,168	2,350	2,064	3,239	45,48	2,910	2,583	4,067

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets ($B)	787	815	852	854	895	---	1,188	1,180	1,194	1,215
Cash & Equiv.	54,083	43,381	46,164	51,840	49,659	---	86,840	92,750	58,660	75,740
Accounts Rec	45,407	46,460	56,187	53,298	55,646	---	96,020	78,540	80,100	86,160
Goodwill & Int.	9,568	9,298	9,045	8,851	9,250	---	25,198	24,270	23,760	23,160
Total Liab ($B)	711	738	773	772	813	---	243	1,079	1,094	1,110
Accounts Pay ($B)	187	191	191	180	198	---	228	216	208.2	175.9
LT Debt ($B)	156	166	193	190	193	---	243	246	276.4	310
Book Value	67,662	68,530	68,871	71,726	73,029	---	97,969	91,390	90,290	94,760
LTD/E Ratio	2.07	2.18	2.49	2.36	2.36	---	2.31	2.46	2.79	2.97

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	0.4%	0.8%	0.7%	0.7%	1.0%	1.0%	1.3%	0.9%	0.8%	1.1%
Return on Equity	5.4%	9.2%	8.8%	8.9%	12.4%	12.5%	15.8%	11.7%	9.0%	13.0%
ROIC	1.5%	2.7%	2.5%	2.4%	3.2%	3.3%	4.4%	3.2%	2.5%	3.4%
Shares Out.	1,924	1,909	1,849	1,780	1,708	1,617	1,814	1,713	1,646	1,611
Revenue/Share	16.47	17.03	17.33	19.69	21.70	23.74	31.10	29.31	30.78	35.77
FCF/Share	0.05	(2.99)	2.18	(3.37)	3.13	23.75	17.45	(5.53)	(22.45)	(1.30)

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