

Morgan Stanley

3Q24 EPS Review: Broad-based Revenue Beat with Constructive Outlook

EPS was ahead. Relative to consensus, revenues in ISG (FICC, equities and IB all ahead), WM (NII better than expected, AUS and NAA both higher) and IM (AUM up) were better than expected. MS's y-o-y increases in both markets and IB fees led peers. Higher comp restrained further improvement. Share buyback matched 2Q24.

Executive Summary

Bottom line: EPS was ahead of expectations as markets (both FICC and equities), investment banking (advisory, ECM and DCM), wealth management (strong NNA, higher sweep balances, NII better than feared) and investment management (AUM up, strong fee growth) all exceeded consensus forecasts. Looking out, it noted pipelines are "healthy and diverse" while it believes we are in the "early stages of a multi-year capital markets recovery", as corporate activity is showing momentum, while sponsors desire to transact is "steadily materializing". Still, net interest income is expected to be modestly lower in 4Q24. However, it noted while NII declined by \$175mn y-o-y in 3Q24, it makes over \$100mn per trading day in Wealth Management.

Results: MS reported 3Q24 EPS of \$1.88. Consensus was \$1.60. Revenues increased 16% y-o-y and rose 2% linked quarter to \$15.4bn. Results included \$239mn of mark-to-market gains of deferred cash-based comp. Excluding DCP for all periods, revenues rose 12% y-o-y and increased 0.5% from the prior quarter to \$15.1bn. It posted a 13.1% ROE and 17.5% ROTCE. Tangible book increased 3.5% sequentially to \$43.75 (2.6x). Its CET1 ratio declined 10bps to 15.1%. RWAs increased \$17.6bn or 4%. It repurchased \$750mn of common stock, in line with the prior quarter. Average diluted shares declined by 0.1%.

Drivers: Relative to 2Q24, revenues increased 2% with Wealth Management (+7%, +4% ex. DCP with client assets +5%) and Investment Management (+5%, AUM +5%) higher, trading was little changed (both FICC and equities stable) and investment banking fees declined (-10% with ECM up but DCM and M&A lower). Expenses increased 2% with comp up 4% and non-comp down 1%. And, its provision for credit losses and tax rate increased slightly while its share count was modestly lower.

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CORE

MS	OVERWEIGHT
	Unchanged
U.S. Large-Cap Banks	POSITIVE
	Unchanged
Price Target	USD 135.00
	raised 12% from USD 121.00
Price (15-Oct-24)	USD 112.22
Potential Upside/Downside	+20.3%
Market Cap (USD mn)	181895
Shares Outstanding (mn)	1620.89
Free Float (%)	75.60
52 Wk Avg Daily Volume (mn)	7.5
Dividend Yield (%)	3.29
Return on Equity TTM (%)	10.73
Current BVPS (USD)	56.80
Source: Bloomberg	

Price Performance Exchange-NYSE
52 Week range USD 116.06-69.42



Source: IDC
[Link to Barclays Live for interactive charting](#)

U.S. Large-Cap Banks

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Estimates: Reflecting 3Q24's strength and revenue momentum heading into 4Q24, we are raising our 2024 EPS estimate by \$0.45 to \$7.40. We are also increasing our 2025 EPS estimate by \$0.40 to \$8.20. Our price target is \$135 (+\$14) and represents 16.5x our revised 2025 EPS estimate of \$8.20 (up from 15.5x our prior 2025 EPS estimate of \$7.80, reflecting a more constructive capital markets backdrop and increased confidence in a soft landing).

MS: Quarterly and Annual EPS (USD)

	2023	2024			2025			Change y/y	
FY Dec	Actual	Old	New	Cons	Old	New	Cons	2024	2025
Q1	1.70A	2.02A	2.02A	2.02A	N/A	N/A	2.07E	19%	N/A
Q2	1.24A	1.82A	1.82A	1.82A	N/A	N/A	1.94E	47%	N/A
Q3	1.38A	1.59E	1.88A	1.60E	N/A	N/A	1.83E	36%	N/A
Q4	0.85A	1.52E	1.68E	1.51E	N/A	N/A	1.79E	98%	N/A
Year	5.16A	6.95E	7.40E	6.96E	7.80E	8.20E	7.67E	43%	11%
P/E	21.7		15.2			13.7			

Consensus numbers are from Bloomberg received on 16-Oct-2024; 12:50 GMT

Source: Barclays Research

U.S. Large-Cap Banks

POSITIVE

Morgan Stanley (MS)

OVERWEIGHT

Income statement (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue	54,143	60,638	62,529	65,416	6.5%
Compensation expense	24,250	26,614	27,146	28,246	5.2%
Non-compensation expense	16,705	17,318	17,849	18,408	3.3%
Pre-tax income	11,813	16,482	17,319	18,452	16.0%
Net income	9,230	12,718	13,335	14,208	15.5%
Margin and return data	2023A	2024E	2025E	2026E	Average
Compensation ratio (%)	44.8	43.9	43.4	43.2	43.8
Non-compensation ratio (%)	30.9	28.6	28.5	28.1	29.0
Pre-tax margin (%)	21.8	27.2	27.7	28.2	26.2
Net margin (%)	17.0	21.0	21.3	21.7	20.3
ROE (%)	9.4	13.0	13.2	13.6	12.3
Balance sheet (\$bn)	2023A	2024E	2025E	2026E	CAGR
Total assets	1,194	1,258	1,296	1,335	3.8%
Risk-weighted assets	448	467	483	497	3.6%
Allowance for loan losses	1	1	1	1	0.1%
Loans	204.6	218.4	225.0	231.7	4.2%
Deposits	352	366	381	396	4.0%
Tier 1 capital	75	78	81	86	4.5%
Common shareholders' equity	90	93	97	101	3.8%
Valuation and leverage metrics	2023A	2024E	2025E	2026E	Average
P/E (reported) (x)	21.7	15.2	13.7	12.2	15.7
P/BV (x)	2.0	1.9	1.8	1.6	1.8
P/BV (tangible) (x)	2.7	2.6	2.4	2.1	2.4
Dividend yield (%)	2.9	3.2	3.3	3.4	3.2
Leverage (%)	6.42	6.32	6.40	6.54	6.42
Tier 1 (%)	16.8	16.7	16.8	17.2	16.9
Tier 1 Common (%)	13.00	N/A	N/A	N/A	13.00
Tang common equity/tang assets (%)	5.7	5.6	5.7	5.9	5.7
Selected operating metrics (\$mn)	2023A	2024E	2025E	2026E	CAGR
Revenue - Investment banking	4,578	6,179	6,802	7,275	16.7%
Revenue - Core FICC	7,673	8,087	8,087	8,410	3.1%
Revenue - Core equities	9,986	11,905	11,905	12,381	7.4%
Revenue - Principal investments	18,482	21,134	21,152	21,975	5.9%
Revenue - Asset & wealth management	26,268	28,142	29,049	30,337	4.9%
Per share data (\$)	2023A	2024E	2025E	2026E	CAGR
EPS (reported)	5.16	7.40	8.20	9.20	21.2%
DPS	3.25	3.55	3.75	3.85	5.8%
BVPS	55.5	58.5	63.2	69.3	7.7%
BVPS (tangible)	40.9	44.0	47.7	53.0	9.0%
Payout ratio (%)	63.0	48.0	45.8	41.9	-12.7%
Diluted shares (mn)	1,649.5	1,609.3	1,533.6	1,461.6	-4.0%

Note: FY End Dec

Source: Company data, Bloomberg, Barclays Research

Price (15-Oct-2024) **USD 112.22**
Price Target **USD 135.00**

Why OVERWEIGHT?

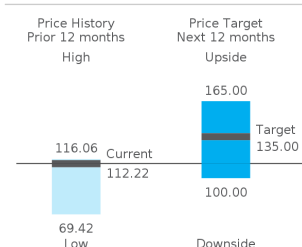
Morgan Stanley continues to make progress on its ROE targets as it optimizes its business mix to the current environment. Our price target is based on 16.5x our 2025 EPS estimate.

Upside case **USD 165.00**

In case of rapid client re-risking and re-engagement, which generates very robust dealer revenues, we believe that EPS could grow to \$9.00 which yields a \$165 upside case on a 18.3x multiple.

Downside case **USD 100.00**

In case of renewed intense market stress, we believe that EPS could compress to \$7.15, resulting in a \$100 stock price on a lower 14x multiple.

Upside/Downside scenarios

Forward Looking Statements

Backlog: MS noted pipelines are healthy and diverse. It continues to believe it is in the early stages of a multiyear capital markets recovery. Corporate activity is gaining momentum and the desire among sponsors to transact is steadily materializing, not only domestically but also abroad. Performance accelerated towards the end of the the quarter, particularly overseas (advisory is 25% EMEA and 30% Asia). Sponsors have \$1.3trn of dry powder and \$3-\$4 trn of

portfolio companies (10,000 companies on the ground), and for the first time in ~15 years, the deployment is outpacing the fundraising. It is constructive on IPOs and M&A coming back but noted it could be a slower unit volume as these companies will likely be larger and more mature.

Net interest income: It believes the recent rate cuts are a material change to the deposit environment, and current trends are encouraging within lending and sweep accounts. In the near term, it expects Wealth Management NII to be down modestly on a q-o-q basis. As it heads into 2025, it will reevaluate based on where sweeps are and the forward curve. It noted asset management fee-based revenue increases more than offset the decline in NII this year.

Net new assets: Net new assets were \$64bn, bringing YTD net new assets to \$195bn, which represents 5% annualized growth. Net new assets in the quarter were supported by its adviser-led and workplace channels, with a notable contribution from new clients in the adviser-led channel. It has seen the advice-based side pick up with both clients and FAs engaging. There continue to be investments into markets on a monthly basis from brokered sweeps, a change from last year.

Wealth management: Total client assets across Wealth and Investment Management have now reached \$7.6trn and MS expects to hit \$10trn over time. Continued individual client focus on tax customization strategies are a tailwind for its Parametric business within Investment Management. It aims for greater household penetration and greater usage of products by FAs. It is starting to see some loan growth, particularly mortgages. As interest rates come down, it expects to see more refinancing and lending. Deposit pricing is a function of relative value, based on competitive dynamics, forward curve and relationships.

Expenses: It has been making investments around advisor education, customization and alternatives. It sees opportunities in investing in all 3 segments (Wealth Management, Investment Management and the Investment Bank) and to do so internationally (pointing out Japan and India). Still, MS's YTD efficiency ratio has improved by ~300bps to 72%.

Capital: Standardized RWAs increased \$490bn, as it also supported customers. It accreted ~\$2bn of CET1 capital, CET1 now stands at 15.1% (down 1bp q-o-q; 160bps buffer). It raised its dividend to \$0.925 per share and repurchased \$750mn of common stock.

Results

Institutional Securities

Revenues increased 20% y-o-y and declined 2% from 2Q24 to \$6.8bn. Total markets revenues rose 13% y-o-y reflecting higher client activity. Trading VaR declined from \$48mn to \$46mn.

Relative to a year ago, equity trading increased 21% y-o-y driven by higher results across business lines reflecting increased client activity, particularly in the Americas and Asia. Prime brokerage revenues were above historical averages as client balances once again reached a new peak driven by higher equity markets. Cash results improved versus the prior year, reflecting higher volumes across the regions. Derivative results were also up year-over-year, reflecting an increase in client activity coupled with an improved trading environment in Asia associated with China's announced stimulus in the final week of September.

FICC rose 3% y-o-y owing to higher results in macro driven by strong client engagement and volatility largely offset by lower revenues in commodities. Macro revenues increased versus the prior year, attributed to higher client engagement as its rates business navigated the markets well amid shifting expectations around the size and the timing of the Fed's first rate cut. Micro

results were roughly flat year-over-year. Results in commodities declined compared to the strong prior year, which benefited from elevated volatility in energy markets.

Investment banking (IBD) fees rose 56% y-o-y but declined 10% from 2Q24. Relative to the prior quarter, equity underrating (+3%) increased while fixed income underwriting (-18%) and advisory (-8%) declined. Fixed income results reflected a strong non-investment grade issuance, supported by both refinancing and event-driven activity as well as a record 3Q24 volumes in the investment-grade market.

Wealth Management

Revenues rose 14% y-o-y and increased 7% from 2Q24 to \$7.3bn. Excluding DCP, revenues increased 4% from the prior quarter. Relative to 2Q24, asset management (+7% or \$277mn) and transactional (+38% or \$294mn; DCP) revenues increased while net interest income (-1% or \$24mn) and other (-\$69mn) declined. Its pre-tax margin was 28.3% (29.2% ex. DCP).

Deposits increased 4% with sweep up 2% and other up 6%. Its cost of average deposits increased 16bps to 3.16%. Still, on a period-end basis, its cost fell 12bps to 2.99%. Loans increased 3% with both SBL (+3%) and resi R/E (+3%) higher.

Client assets grew 5% to \$6.0trn with advisor-led (+5%) and self-directed (+6%) both higher. Net new assets were \$64bn (4% annualized), up from \$36bn in the prior quarter. Fee-based asset flows were \$36bn (up from \$26bn in 2Q24) and fee-based assets reached \$2.3trn (+5%). It is seeing an ongoing contribution of assets from adviser-led brokerage accounts to fee-based accounts.

Investment Management

Revenues rose 9% y-o-y and grew 5% from 2Q24 to \$1.5bn. Asset management fees (+\$42mn; higher average AUM) and performance fees (+\$27mn) increased.

AUM rose 5% to \$1.6bn. New inflows were \$16.6bn with long-term inflows at \$7.3bn and liquidity inflows of \$9.3bn. Within long-term flows, alternatives (+\$8.5bn) and fixed income (+\$4.4bn) saw inflows while equity (-\$5.6bn) experienced outflows.

Expenses

Expenses rose 11% y-o-y and increased 2% from 2Q24. Comp expenses increased 13% y-o-y and rose 4% from the prior quarter. Its comp ratio was 43.8%, up from 43.0% at 2Q24 and down from 3Q23 of 44.7%.

Non-comp decreased 1% from 2Q24 as increases in BC&E and info processing were more than offset by declines in other, professional services and marketing & business development. Its efficiency ratio was 72%, flat q-o-q.

The effective tax rate was 23.6%, little changed from 2Q24's 23.5% level.

Asset quality

Net charge-offs were \$98mn compared to \$50mn in 2Q24. Its provision for credit losses increased \$3mn to \$79mn. Of its provision, \$68mn was in ISG, driven by portfolio growth, partially offset by an improved outlook. Its ACL stood at \$1.73 1.723bn (-\$7mn). ACL/loans was 0.5%.

Model

FIGURE 1. MS Earnings Model - Income Statement (\$ in millions, unless otherwise noted)

	Actual	Actual					Quarterly Forecast					Annual Forecast		Annual Change					3Q24A vs.	
	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A	1Q24A	2Q24A	3Q24A	4Q24E	2024E	2025E	2026E	21/22	22/23	23/24	24/25	25/26	3Q23A	2Q24A
EPS - operating	\$6.16	\$1.70	\$1.24	\$1.38	\$1.13	\$5.44	\$2.02	\$1.82	\$1.88	\$1.68	\$7.40	\$8.20	\$9.20	-23%	-12%	36%	11%	12%	37%	3%
EPS - reported	\$6.16	\$1.70	\$1.24	\$1.38	\$0.85	\$5.16	\$2.02	\$1.82	\$1.88	\$1.68	\$7.40	\$8.20	\$9.20	-23%	-16%	43%	11%	12%	37%	3%
Book value	\$54.43	\$55.13	\$55.24	\$55.08	\$55.50	\$55.50	\$55.60	\$56.80	\$58.25	\$58.54	\$58.54	\$63.23	\$69.34	-1%	2%	5%	8%	10%	6%	3%
Tangible book	\$39.98	\$40.68	\$40.79	\$40.53	\$40.89	\$40.89	\$41.07	\$42.30	\$43.76	\$43.98	\$43.98	\$47.68	\$53.02	-2%	2%	8%	8%	11%	8%	3%
Dividend	\$2.95	\$0.78	\$0.78	\$0.85	\$0.85	\$3.25	\$0.85	\$0.85	\$0.93	\$0.93	\$3.55	\$3.75	\$3.85	40%	10%	9%	6%	3%	9%	9%
Diluted average shares	1711.8	1670.0	1659.0	1642.0	1627.0	1649.5	1616.0	1611.0	1609.0	1601.1	1609.3	1533.6	1461.6	-6%	-4%	-2%	-5%	-5%	-2%	0%
Period-end shares	1679.0	1663.0	1651.0	1643.0	1627.0	1627.0	1627.0	1619.0	1612.0	1604.1	1604.1	1528.5	1456.4	-5%	-3%	-1%	-5%	-5%	-2%	0%
Payout ratio	48%	46%	63%	62%	100%	63%	42%	47%	49%	55%		46%	42%							
Operating revenue	\$53,668	\$14,517	\$13,457	\$13,273	\$12,896	\$54,143	\$15,136	\$15,019	\$15,383	\$15,100	\$60,638	\$62,529	\$65,416	-10%	1%	12%	3%	5%	16%	2%
Advisory	\$2,946	\$638	\$455	\$449	\$702	\$2,244	\$461	\$592	\$546	\$650	\$2,249	\$2,586	\$2,793	-16%	-24%	0%	15%	8%	22%	-8%
Equity underwriting	\$851	\$202	\$225	\$237	\$225	\$889	\$430	\$352	\$362	\$450	\$1,594	\$1,833	\$1,980	-81%	4%	79%	15%	8%	53%	3%
Debt underwriting	\$1,438	\$407	\$395	\$252	\$391	\$1,445	\$556	\$675	\$555	\$550	\$2,336	\$2,383	\$2,502	-39%	0%	62%	2%	5%	120%	-18%
Total investment banking	\$5,235	\$1,247	\$1,075	\$938	\$1,318	\$4,578	\$1,447	\$1,619	\$1,463	\$1,650	\$6,179	\$6,802	\$7,275	-49%	-13%	35%	10%	7%	56%	-10%
Equity markets (ex DVA)	\$10,769	\$2,729	\$2,548	\$2,507	\$2,202	\$9,986	\$2,842	\$3,018	\$3,045	\$3,000	\$11,905	\$11,905	\$12,381	-6%	-7%	19%	0%	4%	21%	1%
FICC (ex DVA)	\$9,022	\$2,576	\$1,716	\$1,947	\$1,434	\$7,673	\$2,485	\$1,999	\$2,003	\$1,600	\$8,087	\$8,087	\$8,410	20%	-15%	5%	0%	4%	3%	0%
Other	(\$633)	\$245	\$315	\$277	(\$14)	\$823	\$242	\$346	\$304	\$250	\$1,142	\$1,160	\$1,183	NA	NA	39%	2%	2%	10%	-12%
Total Sales & Trading	\$19,158	\$5,550	\$4,579	\$4,731	\$3,622	\$18,482	\$5,569	\$5,363	\$5,352	\$4,850	\$21,134	\$21,152	\$21,975	-2%	-4%	14%	0%	4%	13%	0%
Total Institutional Securities Revenue	\$24,393	\$6,797	\$5,654	\$5,669	\$4,940	\$23,060	\$7,016	\$6,982	\$6,815	\$6,500	\$27,313	\$27,954	\$29,249	-18%	-5%	18%	2%	5%	20%	-2%
Asset management (WM)	\$13,872	\$3,382	\$3,452	\$3,629	\$3,556	\$14,019	\$3,829	\$3,989	\$4,266	\$4,450	\$16,534	\$17,361	\$18,229	-1%	1%	18%	5%	5%	18%	7%
Transactional Revenues (WM)	\$2,473	\$921	\$869	\$678	\$1,088	\$3,556	\$1,033	\$782	\$1,076	\$875	\$3,766	\$3,992	\$4,132	-42%	44%	6%	6%	4%	59%	38%
Other (WM)	\$643	\$98	\$183	\$145	\$149	\$575	\$162	\$223	\$154	\$150	\$689	\$758	\$796	3%	-11%	20%	10%	5%	6%	-31%
Net Interest Income	\$7,429	\$2,158	\$2,156	\$1,952	\$1,852	\$8,118	\$1,856	\$1,798	\$1,774	\$1,725	\$7,153	\$6,938	\$7,181	38%	9%	-12%	-3%	4%	-9%	-1%
Total Wealth Management	\$24,417	\$6,559	\$6,660	\$6,404	\$6,645	\$26,268	\$6,880	\$6,792	\$7,200	\$7,200	\$28,142	\$29,049	\$30,337	1%	8%	7%	3%	4%	14%	7%
Investment Management	\$5,375	\$1,289	\$1,281	\$1,336	\$1,464	\$5,370	\$1,377	\$1,386	\$1,455	\$1,500	\$5,718	\$6,061	\$6,364	-14%	0%	6%	6%	5%	9%	5%
Intersegment Eliminations	(\$517)	(\$128)	(\$138)	(\$136)	(\$153)	(\$555)	(\$137)	(\$141)	(\$157)	(\$100)	(\$535)	(\$535)	(\$535)	NA	NA	NA	0%	0%	NA	NA
Net revenues	\$53,668	\$14,517	\$13,457	\$13,273	\$12,896	\$54,143	\$15,136	\$15,019	\$15,383	\$15,100	\$60,638	\$62,529	\$65,416	-10%	1%	12%	3%	5%	16%	2%
Provision for credit loss	\$280	\$234	\$161	\$134	\$3	\$532	(\$6)	\$76	\$79	\$75	\$224	\$215	\$310							
Expenses																				
Compensation & benefits	\$22,920	\$6,410	\$5,954	\$5,935	\$5,951	\$24,250	\$6,696	\$6,460	\$6,733	\$6,725	\$26,614	\$27,146	\$28,246	-7%	6%	10%	2%	4%	13%	4%
Occupancy & equipment	\$1,729	\$440	\$471	\$456	\$528	\$1,895	\$441	\$464	\$473	\$500	\$1,878	\$1,934	\$1,992	0%	10%	-1%	3%	3%	4%	2%
Brokerage, clearing and exchange fees	\$3,458	\$881	\$875	\$855	\$865	\$3,476	\$921	\$995	\$1,044	\$1,050	\$4,010	\$4,170	\$4,337	4%	1%	15%	4%	4%	22%	5%
Information processing and communications	\$3,493	\$915	\$926	\$947	\$987	\$3,775	\$976	\$1,011	\$1,042	\$1,050	\$4,079	\$4,291	\$4,514	12%	8%	8%	5%	5%	10%	3%
Marketing and business development	\$905	\$247	\$236	\$191	\$224	\$898	\$217	\$245	\$224	\$275	\$961	\$990	\$1,020	41%	-1%	7%	3%	3%	17%	-9%
Professional services	\$3,070	\$710	\$767	\$759	\$822	\$3,058	\$639	\$753	\$711	\$800	\$2,903	\$2,903	\$2,903	5%	0%	-5%	0%	0%	-6%	-6%
Other expenses	\$3,591	\$920	\$947	\$851	\$885	\$3,603	\$815	\$941	\$856	\$875	\$3,487	\$3,560	\$3,642	-3%	0%	-3%	2%	2%	1%	-9%
Expenses	\$39,166	\$10,523	\$10,176	\$9,994	\$10,262	\$40,955	\$10,705	\$10,869	\$11,083	\$11,275	\$43,932	\$44,995	\$46,654	-2%	5%	7%	2%	4%	11%	2%
Nonrecurring gains	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0						NA	NA
Nonrecurring losses	\$133	\$0	\$308	\$0	\$535	\$843	\$42	\$0	\$0	\$0	\$0	\$0	\$0						NA	NA
Pretax income	\$14,089	\$3,760	\$2,812	\$3,145	\$2,096	\$11,813	\$4,395	\$4,074	\$4,221	\$3,750	\$16,482	\$17,319	\$18,452	-28%	-16%	40%	5%	7%	34%	4%
Taxes	\$2,910	\$727	\$591	\$710	\$555	\$2,583	\$933	\$957	\$995	\$879	\$3,764	\$3,983	\$4,244	-36%	-11%	46%	6%	7%	40%	4%
Tax rate - stated	20.7%	19.3%	21.0%	22.6%	26.5%	21.9%	21.2%	23.5%	23.6%	23.5%	22.8%	23.0%	23.0%							
Net income	\$11,179	\$3,033	\$2,221	\$2,435	\$1,541	\$9,230	\$3,462	\$3,117	\$3,226	\$2,871	\$12,718	\$13,335	\$14,208	-26%	-17%	38%	5%	7%	32%	3%
Noncontrolling interest/ other changes	\$150	\$53	\$39	\$27	\$24	\$143	\$50	\$41	\$38	\$45	\$174	\$185	\$185	74%	-5%	22%	6%	0%		
Preferred dividends	\$489	\$144	\$133	\$146	\$134	\$557	\$146	\$134	\$160	\$140	\$580	\$580	\$580	4%	14%	4%	0%	0%	10%	19%
Net income to common	\$10,540	\$2,836	\$2,049	\$2,262	\$1,383	\$8,530	\$3,266	\$2,942	\$3,028	\$2,686	\$11,964	\$12,570	\$13,443	-28%	-19%	40%	5%	7%	34%	3%

Source: Barclays Research, Company Reports

FIGURE 2. MS Earnings Model - Balance Sheet & Performance Metrics

	Actual	Actual					Quarterly Forecast					Annual Forecast		Annual Change					3Q24E vs.	
	2022A	1Q23A	2Q23A	3Q23A	4Q23A	2023A	1Q24A	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E	21/22	22/23	23/24	24/25	25/26	3Q23A	2Q24E
Average Balance Sheet (\$ in billions)																				
Assets	\$1,184.1	\$1,199.9	\$1,182.4	\$1,167.0	\$1,181.4	\$1,183.6	\$1,211.1	\$1,220.5	\$1,235.2	\$1,258.0	\$1,234.8	\$1,276.9	\$1,315.2	1%	0%	4%	3%	3%	6%	1%
Loans held for sale	\$13.8	\$15.1	\$15.2	\$14.8	\$14.7	\$15.0	\$14.3	\$14.4	\$14.1	\$12.9	\$13.8	\$13.0	\$13.3	2%	9%	-8%	-6%	2%	-5%	-2%
Loans	\$193.8	\$200.5	\$201.1	\$202.8	\$204.2	\$202.5	\$204.7	\$209.5	\$216.3	\$218.4	\$213.1	\$221.7	\$228.3	6%	4%	5%	4%	3%	7%	3%
Securities	\$408.7	\$416.0	\$417.7	\$421.0	\$424.4	\$420.5	\$427.8	\$431.2	\$434.7	\$436.4	\$433.0	\$443.0	\$456.2	3%	3%	5%	5%	5%	3%	1%
Deposits	\$350.7	\$347.5	\$348.0	\$347.0	\$348.6	\$350.3	\$352.1	\$350.7	\$356.3	\$363.7	\$357.8	\$373.2	\$388.1	6%	0%	5%	5%	5%	3%	2%
Average tangible common equity	\$68.5	\$67.8	\$67.1	\$66.5	\$66.6	\$67.1	\$66.6	\$67.6	\$69.5	\$70.5	\$68.7	\$71.2	\$75.1	-6%	-2%	3%	4%	5%	4%	3%
Average common equity	\$93.2	\$92.1	\$91.9	\$91.0	\$90.4	\$91.0	\$90.3	\$91.2	\$92.9	\$93.9	\$92.3	\$95.0	\$98.8	-5%	-2%	1%	3%	4%	2%	2%
Average total equity	\$84.7	\$84.7	\$84.5	\$83.8	\$82.5	\$82.6	\$83.4	\$84.2	\$85.0	\$85.5	\$85.6	\$89.0	\$93.3	-4%	-2%	4%	4%	5%	1%	1%
Period-end Balance Sheet (\$ in billions)																				
Assets	\$1,180	\$1,199.9	\$1,164.9	\$1,169.0	\$1,193.7	\$1,194	\$1,228.5	\$1,212.4	\$1,258.0	\$1,258	\$1,258	\$1,296	\$1,335	-1%	1%	3%	3%	3%	8%	4%
Securities	\$413	\$416.0	\$419.4	\$422.7	\$426.1	\$426	\$429.5	\$432.9	\$436.4	\$436	\$436.4	\$449.5	\$463.0	2%	3%	3%	3%	3%	3%	1%
Loans held for sale	\$15	\$15.1	\$15.3	\$14.2	\$15.3	\$15	\$13.4	\$15.3	\$12.9	\$13	\$12.9	\$13.1	\$13.4	7%	3%	2%	2%	2%	-10%	-16%
Loans	\$200	\$200.5	\$201.6	\$203.9	\$204.6	\$205	\$204.9	\$214.1	\$218.4	\$218	\$218.4	\$225.0	\$231.7	6%	2%	3%	3%	3%	7%	2%
Loan loss reserve	\$1	\$1.0	\$1.1	\$1.2	\$1.2	\$1	\$1.1	\$1.2	\$1.1	\$1	\$1.1	\$1.1	\$1.2	28%	39%	3%	3%	3%	-5%	-6%
Deposits	\$357	\$347.5	\$348.5	\$345.5	\$351.8	\$352	\$352.5	\$348.9	\$363.7	\$364	\$365.9	\$380.5	\$395.7	3%	-1%	4%	4%	4%	5%	4%
Tangible common equity	\$67	\$68.0	\$67.7	\$66.6	\$66.5	\$67	\$66.8	\$68.5	\$70.5	\$71	\$69.5	\$72.9	\$77.2	-7%	-1%	5%	5%	6%	6%	3%
Common equity	\$91	\$92.1	\$91.6	\$90.5	\$90.3	\$90	\$90.4	\$92.0	\$93.9	\$94	\$93.3	\$96.6	\$101.0	-6%	-1%	3%	4%	4%	4%	2%
Goodwill & other intangibles	\$24	\$24.1	\$24.0	\$23.9	\$23.8	\$24	\$23.6	\$23.5	\$23.4	\$23	\$23.8	\$23.8	\$23.8	-4%	-2%	0%	0%	0%	-2%	-1%
Performance Ratios																				
Return on common equity	11.31%	12.49%	8.95%	9.86%	6.07%	9.37%	14.50%	12.94%	12.93%	11.35%	12.96%	13.24%	13.60%	-350	-194	359	27	37	307	-1
Return on tan com equity	15.39%	16.93%	12.12%	13.37%	8.25%	12.72%	19.66%	17.44%	17.28%	15.10%	17.40%	17.65%	17.91%	-458	-267	468	25	26	391	-16
Return on assets	0.94%	1.03%	0.75%	0.83%	0.52%	0.78%	1.15%	1.02%	1.04%	0.91%	1.03%	1.04%	1.08%	-34	-16	25	1	4	21	1
Return on tangible assets	0.96%	1.05%	0.77%	0.85%	0.53%	0.80%	1.17%	1.04%	1.06%	0.92%	1.05%	1.06%	1.10%	-35	-17	25	1	4	21	1
Return on RWA	2.50%	2.68%	1.98%	2.18%	1.34%	2.06%	2.97%	2.65%	2.61%	2.28%	2.72%	2.76%	2.86%	-71	-43	66	4	9	44	-3
Efficiency ratio	73.0%	72.5%	75.6%	75.3%	79.6%	75.6%	70.7%	72.4%	72.0%	74.7%	72.4%	72.0%	71.3%	590	266	-319	-49	-64	-325	-32
Net profit margin	20.8%	20.9%	16.5%	18.3%	11.9%	17.0%	22.9%	20.8%	21.0%	19.0%	21.0%	21.3%	21.7%	-448	-378	393	35	39	263	22
Comp/revenues (ex. DVA)	42.7%	44.2%	44.2%	44.7%	46.1%	44.8%	44.2%	43.0%	43.8%	44.5%	43.9%	43.4%	43.2%	149	208	-90	-48	-24	-95	76
Pre-tax margin (ex DVA)	26.3%	25.9%	20.9%	23.7%	16.3%	21.8%	29.0%	27.1%	27.4%	24.8%	27.2%	27.7%	28.2%	-667	-443	536	52	51	374	31
Equity/loans	48.1%	45.9%	45.7%	44.9%	44.3%	45.0%	44.1%	43.5%	43.0%	43.0%	43.3%	42.8%	43.3%	-587	-311	-165	-46	43	-194	-56
Loans/deposits	55%	58%	58%	58%	59%	58%	58%	60%	61%	60%	60%	59%	59%	0	254	177	-17	-57	227	95
Capital (\$ in billions)																				
CET1 Base III fully phased in	\$68.7	\$69.5	\$69.9	\$69.1	\$69.4	\$66.6	\$70.3	\$71.8	\$73.9	\$74.4	\$69.5	\$72.9	\$77.2	-9%	-3%	4%	5%	6%	7%	3%
Tier I capital fully phased in	\$77.2	\$77.9	\$78.4	\$77.9	\$78.2	\$75.1	\$79.0	\$80.5	\$83.7	\$84.0	\$78.0	\$81.4	\$85.7							
RWA Base III fully phased in (Std)	\$447.8	\$459.1	\$449.8	\$443.8	\$456.1	\$447.6	\$467.8	\$472.4	\$489.7	\$498.7	\$467.0	\$482.9	\$497.4							
CET1 Ratio Base III fully phased in (Std)	15.34%	15.14%	15.54%	15.57%	15.22%	14.87%	15.03%	15.20%	15.09%	14.91%	14.89%	15.09%	15.15%	-70	-47	2	20	43		
Tier I capital ratio, fully phased in (Std)	17.2%	17.0%	17.4%	17.6%	17.1%	16.8%	16.9%	17.0%	17.1%	16.9%	16.7%	16.8%	17.2%							
RWA Base III fully phased in (Adv)	\$438.8	\$444.8	\$441.9	\$429.1	\$448.2	\$438.6	\$456.5	\$469.7	\$475.4	\$484.2	\$457.6	\$473.2	\$487.4	1%	0%	4%	3%	3%	11%	1%
CET1 Ratio Base III fully phased in (Adv)	15.66%	15.63%	15.82%	16.10%	15.48%	15.17%	15.40%	15.29%	15.55%	15.36%	15.20%	15.40%	15.83%	-172	-48	2	20	44	-56	26
Tier I capital ratio, fully phased in (Adv)	17.59%	17.51%	17.74%	18.15%	17.45%	17.11%	17.31%	17.14%	17.61%	17.38%	17.05%	17.19%	17.58%	-153	-48	-6	14	38		
Equity/assets	7.87%	7.67%	7.77%	7.80%	7.65%	7.69%	7.46%	7.47%	7.52%	7.46%	7.47%	7.44%	7.51%	-51	-18	-22	-4	8	-28	5
TCE ratio	5.81%	5.78%	5.93%	5.81%	5.69%	5.69%	5.55%	5.76%	5.71%	5.71%	5.63%	5.73%	5.89%	-43	-12	-5	10	16	-10	-5
Leverage ratio	6.68%	6.63%	6.87%	6.80%	6.68%	6.42%	6.56%	6.77%	6.78%	6.82%	6.32%	6.40%	6.54%	-48	-26	-9	7	14	-2	1
Tanq assets/tanq equity	17.2x	17.3x	16.9x	17.2x	17.6x	16.2x	18.0x	17.4x	17.5x	17.5x	17.2x	17.5x	17.0x							

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Primary Stocks (Ticker, Date, Price)

Morgan Stanley (MS, 15-Oct-2024, USD 112.22), Overweight/Positive, CD/CE/E/I/J/K/L/M/N

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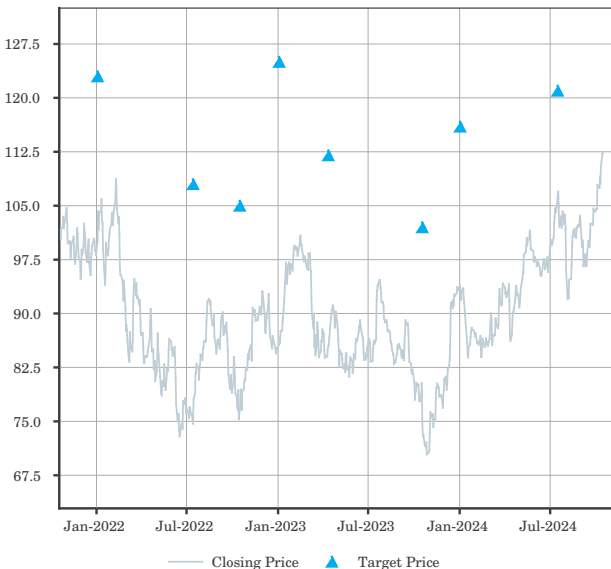
Stock Rating: **OVERWEIGHT**

Industry View: **POSITIVE**

Closing Price: **USD 112.22** (15-Oct-2024)

Rating and Price Target Chart - USD (as of 15-Oct-2024)

Currency=USD



Source: IDC, Barclays Research

[Link to Barclays Live for interactive charting](#)

Publication Date	Closing Price*	Rating	Adjusted Price Target
16-Jul-2024	106.22		121.00
02-Jan-2024	93.25		116.00
18-Oct-2023	80.33		102.00
12-Apr-2023	84.00		112.00
03-Jan-2023	85.24		125.00
16-Oct-2022	75.30		105.00
14-Jul-2022	74.69		108.00
03-Jan-2022	98.16		123.00

On 16-Oct-2021, prior to any intra-day change that may have been published, the rating for this security was Overweight, and the adjusted price target was 110.00.

Source: Bloomberg, Barclays Research

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Valuation Methodology: Our price target is \$135 and is based on 16.5x our 2025 EPS estimate of \$8.20.

Risks which May Impede the Achievement of the Barclays Research Valuation and Price Target: Execution risk around recent acquisitions of ETF and EV, significant trading revenue volatility, and exposure to interest rate risk in Wealth Management and credit risk in ISG.

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U.S. Large-Cap Banks

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