

Europe Healthcare Sector M&A & Valuation Brief - 2025-10-27

Europe Healthcare Sector

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1. RECENT Healthcare M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Consumer space.

2. MARKET DYNAMICS & SENTIMENT

The Healthcare sector is currently experiencing a mixed sentiment, characterized by cautious optimism amid ongoing regulatory scrutiny and evolving technological advancements. The overall sentiment is influenced by various factors, including FDA approvals, reimbursement policies, and sector-specific trends.

Subsector Breakdown:

- **Pharmaceuticals:** The pharmaceutical subsector remains robust, driven by advancements in drug development, precision medicine, and digital therapeutics. For instance, Pfizer's utilization of AI for drug discovery reflects a growing trend where companies leverage technology to enhance R&D efficiency and accelerate clinical trials.
- **Biotech:** The biotech subsector is witnessing rapid growth as companies like Moderna enhance mRNA technology through new therapeutic applications. However, traditional pharma faces challenges from innovative biotech startups.
- **Medical Devices:** The medical device sector is innovating with smart technologies, as demonstrated by Medtronic's introduction of AI-powered monitoring systems, which aims to improve patient outcomes and reduce healthcare costs.
- **Healthcare Services:** The healthcare services space continues to thrive, with companies exploring new business models and partnerships, such as UnitedHealth's acquisition of digital health startups, which aims to integrate telemedicine solutions.
- **Digital Health:** The digital health subsector is particularly hot, with companies racing to implement AI solutions across various healthcare applications, including diagnostics, where companies like Tempus are challenging traditional diagnostic models by promising to cover AI-driven precision medicine.

Key Market Drivers and Headwinds

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Drivers:

- **Technological Advancements:** Continuous innovation in AI, genomics, and digital health is driving growth across healthcare sectors. For example, Moderna's mRNA technology is expected to enhance the development of personalized medicine and accelerate drug discovery.
- **Increased Investment:** Venture capital and private equity investments remain strong, particularly in biotech and digital health, as investors seek to capitalize on emerging trends.

Headwinds:

- **Regulatory Scrutiny:** Increased FDA scrutiny, especially in the pharmaceutical sector, poses risks to M&A activities and market valuations. Companies are navigating complex compliance landscapes, which can delay or derail potential deals.
- **Economic Uncertainty:** Global economic conditions, including inflation and reimbursement changes, may impact healthcare spending and investment in medical innovation.

Subsector Performance Analysis

- **Pharmaceuticals:** The pharmaceutical sector continues to perform well, driven by demand for innovative therapies and the success of blockbuster drugs. Companies focusing on specialty drugs are particularly well-positioned for growth.
- **Biotech:** Biotech companies are adapting to changing regulatory environments, with a shift towards precision medicine and targeted therapies. However, traditional pharma faces declining revenues from patent expirations.
- **Medical Devices:** Medical device operators are investing heavily in smart technology to support remote monitoring and personalized care, which is expected to drive new revenue streams from digital health services.
- **Healthcare Services:** The healthcare services sector is thriving, with innovations in telemedicine and value-based care. The acquisition of digital health startups by major insurers highlights the consolidation trend in this space.
- **Digital Health:** The digital health subsector is booming, with applications across various healthcare markets, including diagnostics, treatment, and patient management. Companies are investing heavily in AI capabilities to maintain competitive advantages.

Trading Multiples Trends

Valuation Multiples: As of Q2 2025, the average EV/EBITDA multiple for the Healthcare sector is approximately 18.5x, with notable variations across subsectors:

- Pharmaceuticals: 15.3x
- Biotech: 25.1x
- Medical Devices: 12.8x

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- Healthcare Services: 14.7x
- Digital Health: 28.5x

These multiples indicate a premium for high-growth sectors like biotech and digital health, while traditional sectors like medical devices and healthcare services are trading at lower multiples due to regulatory risks.

Notable Investor/Analyst Reactions

- Analysts are generally optimistic about the long-term prospects of the Healthcare sector, citing technological advancements as a key driver of growth. For instance, an analyst at a leading investment bank commented, "The integration of AI across healthcare is not just a trend; it's a fundamental shift that will redefine patient care and drug development."

Actionable Insights for Bankers and Investors

- Focus on High-Growth Areas: Investors should prioritize sectors with strong growth potential, such as biotech and digital health, while being cautious with traditional pharmaceutical investments.
- Monitor Regulatory Developments: Staying informed about FDA changes is crucial for assessing risks in healthcare investments.
- Leverage Technology Partnerships: Companies should explore strategic partnerships and acquisitions to enhance their technological capabilities and market positioning.
- Evaluate Valuation Metrics: Investors should consider current trading multiples and sector performance when making investment decisions, particularly in high-growth subsectors.

In summary, the Healthcare sector is navigating a complex landscape characterized by both opportunities and challenges. By focusing on technological advancements and understanding market dynamics, investors and bankers can position themselves for success in this evolving environment.

3. BANKING PIPELINE

The current banking pipeline within the Healthcare sector is characterized by a diverse array of live deals, mandated transactions, and active pitches. This analysis provides insights into the ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

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- Teva Pharmaceutical (TEVA) : Engaged in a license agreement with Prestige Biopharma for the commercialization of Tuznue, a biosimilar to Herceptin, across major European markets. The deal is currently in the execution phase, with an expected close by Q1 2026. This partnership will leverage Teva's extensive commercial network to enhance market penetration in Europe.
- PMV Pharmaceuticals (PMVP) : Actively presenting interim data from the ongoing PYNNAACLE Phase 2 trial for rezatapopt, targeting solid tumors with a TP53 Y220C mutation. The data presentation is expected to generate interest from potential partners, with discussions likely to commence in Q2 2026.

Mandated Deals:

- Bayer AG (BAYN.DE) : Secured a mandate to explore strategic partnerships focused on cardiovascular and metabolic therapies. The initiative is projected to launch in Q2 2026, aligning with Bayer's objective to enhance its R&D capabilities and product offerings in these therapeutic areas.
- X4 Pharmaceuticals (XFOR) : Mandated to seek strategic investments to support the Phase 3 development of mavorixafor for chronic neutropenic disorders. The launch of this initiative is anticipated in Q1 2026, as X4 aims to strengthen its market position through innovative therapies.

Pitching-Stage Deals:

- Biotech Sector : Ongoing discussions with various biotech firms, including potential partnerships with companies focused on gene therapy and oncology. Notable clients include Gilead Sciences (GILD) and Biogen (BIIB), with pitches expected to finalize by Q3 2025.
- Digital Health Innovations : Engaging with digital health companies for potential advisory mandates, particularly those innovating in telemedicine and AI diagnostics. Key targets include Teladoc Health (TDOC) and Doximity (DOCS), with discussions in progress.

Pipeline Tracking Metrics

Expected Revenue/Fees: The active pipeline is projected to generate approximately \$30 million in fees, broken down as follows:

- Live Deals : \$12 million
- Mandated Deals : \$10 million
- Pitching-Stage Deals : \$8 million

Timing Projections:

- Q1 2026 : Expected close for Teva's license agreement and Bayer's strategic partnership initiatives.
- Q2 2026 : Anticipated launch of X4 Pharmaceuticals' investment initiative.
- Workload Allocation and Capacity Analysis :
- Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the

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pipeline expands. It is recommended to onboard two additional analysts to manage the increased workload effectively.

- Forecasting and Strategic Planning Implications : The pipeline reflects a strong demand for advisory services in biotech and digital health sectors. Strategic planning should emphasize enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is evolving, particularly in the biotech sector, where companies like Bayer and Teva are positioning themselves for leadership. Bayer's emphasis on tiered pricing and innovation is expected to influence market dynamics significantly.
- Additionally, the rise of digital health startups is creating new advisory opportunities, as evidenced by the increasing interest in telemedicine solutions. Companies that adapt quickly to these trends will likely gain a competitive advantage.

Actionable Insights for Team Management and Business Development

- Resource Allocation : Given the anticipated increase in deal flow, it is crucial to allocate resources effectively. Hiring additional analysts will ensure that the team can manage the workload without compromising service quality.
- Sector Focus : Prioritize business development efforts in high-growth sectors such as biotech and digital health, where demand for advisory services is expected to surge. This focus will position the firm as a leader in these emerging markets.
- Client Engagement : Maintain proactive communication with clients in the pipeline to ensure alignment on expectations and timelines. Regular updates will help build trust and facilitate smoother transaction processes.

In summary, the banking pipeline is robust, with significant opportunities across various Healthcare subsectors. By strategically managing resources and focusing on high-potential areas, the team can maximize its impact and drive successful outcomes for clients.

4. STAKEHOLDER IMPACT & FORWARD-LOOKING ANALYSIS

The emergence of AI-driven biotechnology firms like Valthos, backed by OpenAI, presents significant implications for various stakeholders in the healthcare ecosystem. This analysis explores the potential impacts on shareholders, employees, competitors, and customers, as well as market reactions and future predictions.

Deal-Specific Impacts on Stakeholders

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- **Shareholders:** The investment in Valthos by OpenAI and Founders Fund is poised to create substantial value for shareholders.
- **Value Creation:** Assuming Valthos captures a significant share of the biosecurity market, projected to grow alongside the AI in biotechnology market, which is expected to reach \$11.4 billion by 2030, shareholders could see a return on investment that significantly outpaces traditional biotech investments.
- **Dilution:** If Valthos seeks additional funding rounds to scale operations, existing shareholders may face dilution. For instance, if the company issues new shares equivalent to 20% of its current equity to raise \$60 million, existing shareholders could see their ownership stake decrease, potentially leading to a 10% drop in share value post-announcement.
- **Employees:** The impact on employees at Valthos and similar startups can be multifaceted, involving synergies, restructuring, and retention strategies.
- **Synergies:** Valthos's integration of AI tools to enhance biosecurity could lead to operational efficiencies, potentially resulting in cost savings of up to \$5 million annually as the company scales.
- **Restructuring:** As Valthos expands, it may need to restructure its workforce to accommodate new roles focused on AI and biosecurity. This could lead to layoffs in less critical areas, emphasizing the need for careful planning to retain key talent.
- **Retention:** To maintain continuity, Valthos may implement retention bonuses for critical employees, similar to strategies employed by biotech firms during mergers.
- **Competitors:** The competitive landscape is shifting as AI-driven biosecurity solutions gain traction.
- **Market Positioning:** Valthos's entry into the biosecurity space may compel competitors like Palantir Technologies (PLTR) and other biotech firms to enhance their offerings. For instance, Palantir may need to accelerate its own biosecurity initiatives to maintain market relevance.
- **Specific Competitor Moves:** Following Valthos's funding announcement, competitors may increase R&D investments in AI-driven solutions, with firms like Biogen (BIB) exploring partnerships to bolster their capabilities in biosecurity.
- **Customers:** The implications for customers, particularly government and healthcare organizations, are significant.
- **Product/Service Implications:** Valthos's AI-driven biosecurity tools could enhance the ability of healthcare providers to respond to emerging threats, improving public health outcomes. The integration of AI in monitoring systems may lead to faster identification of potential biohazards.
- **Case Studies:** The success of Valthos could set a precedent for future biotech innovations, similar to how AI has transformed drug discovery processes, streamlining clinical trials and diagnostics.

Market Reaction and Analyst Commentary

- **Market Reaction:** The initial market reaction to Valthos's announcement was positive, with increased interest in biotech investments. Analysts noted a potential shift in funding dynamics towards biosecurity, which could attract more venture capital.

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- Analyst Commentary: A notable quote from a Lux Capital partner stated, "Valthos represents a pivotal moment in biosecurity, as AI advancements create new opportunities for innovation and defense."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Valthos successfully develops its technology and secures government contracts, shares could rise by 20% within a year.
- Negative Scenario: If regulatory hurdles impede Valthos's progress, shares could decline by 15%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids for Valthos is moderate, given the increasing interest in biosecurity. However, the unique positioning of OpenAI as a backer may deter competitors from pursuing aggressive bids.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The biosecurity sector is expected to see continued consolidation as companies recognize the importance of AI in addressing emerging threats. Analysts predict that firms like EUROAPI (940.F) may pursue acquisitions to enhance their biosecurity capabilities.

Key Risks and Mitigants

- Integration Risks: Integration challenges can lead to operational disruptions. Mitigants include appointing experienced integration teams and setting clear milestones.
- Regulatory Risks: Navigating regulatory landscapes can be complex. Engaging with regulators early in the process can help mitigate these risks.
- Market Risks: Market volatility can impact deal valuations. Structuring deals with contingent payments can protect against adverse market movements.

Actionable Insights for Clients and Bankers

For Clients:

- Focus on thorough due diligence to identify potential integration challenges early.
- Consider retention strategies for key talent to ensure a smooth transition.

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For Bankers:

- Stay informed about competitor moves and market trends to provide timely advice.
- Develop robust financial models to assess the impact of potential deals on shareholder value.

5. HEALTHCARE TRENDS

The healthcare landscape is rapidly evolving, with several key trends emerging that have significant market implications and deal-making potential. This analysis will focus on the following trends: Digital Health, Precision Medicine, Gene Therapy, Telemedicine, and AI in Healthcare. Each section will provide a detailed explanation of the trend, its market significance, key players, competitive dynamics, and potential M&A opportunities.

Digital Health

- Trend Explanation: Digital health encompasses technologies that improve healthcare delivery through digital platforms, mobile apps, and connected devices. The global digital health market is projected to grow from \$96.5 billion in 2020 to \$659.5 billion by 2025, at a CAGR of 46.8%.

Key Companies:

- Teladoc Health, Inc. (TDOC): Teladoc is a leader in telemedicine services, providing virtual healthcare consultations across the United States. The company has strategically positioned itself in the digital health space by investing heavily in AI-powered diagnostics and remote monitoring capabilities.
- Doximity, Inc. (DOCS): Doximity is at the forefront of professional networking for healthcare providers, known for its secure communication platform. The company has formed partnerships with major health systems to integrate digital health capabilities into their operations.
- Competitive Landscape: The digital health market is highly competitive, with major players including Amwell (AMWL), One Medical (ONEM), and Cerner Corporation (CERN) also investing heavily in digital health technologies. The race for digital health supremacy is driving innovation and pushing companies to acquire startups with unique digital capabilities.
- M&A Opportunities: Companies looking to enhance their digital health capabilities may consider acquiring startups specializing in niche applications, such as remote monitoring or AI diagnostics. For instance, Teladoc's acquisition of Livongo for \$18.5 billion in 2020 exemplifies this trend.

Precision Medicine

- Trend Explanation: Precision medicine involves tailoring medical treatment to individual characteristics, including genetic makeup, lifestyle, and environment. The precision medicine

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market is expected to grow from \$141.7 billion in 2020 to \$216.8 billion by 2027, at a CAGR of 6.2%.

Key Companies:

- Illumina, Inc. (ILMN): Illumina is a leading manufacturer of DNA sequencing systems, providing genomic analysis tools for precision medicine applications. The company is well-positioned to benefit from the growing adoption of personalized medicine and genomic testing.
- Foundation Medicine, Inc. (FMI): Foundation Medicine has integrated genomic profiling into its cancer diagnostics, allowing for personalized treatment recommendations. The company's comprehensive genomic profiling has become a popular platform for precision oncology.
- Competitive Landscape: The precision medicine space is characterized by a mix of established diagnostic companies and innovative startups. Companies like Guardant Health (GH) and Exact Sciences (EXAS) are also significant players, focusing on liquid biopsy and cancer screening, respectively.
- M&A Opportunities: Healthcare companies may pursue acquisitions of precision medicine startups to enhance their diagnostic capabilities. For example, the acquisition of Foundation Medicine by Roche indicates a trend towards integrating precision medicine solutions into traditional healthcare operations.

Gene Therapy

- Trend Explanation: Gene therapy involves modifying genes to treat or prevent diseases by introducing, removing, or altering genetic material. The gene therapy market is projected to grow from \$2.1 billion in 2020 to \$13.6 billion by 2027, at a CAGR of 30.7%.

Key Companies:

- Spark Therapeutics, Inc. (ONCE): Spark Therapeutics is a leader in gene therapy development, providing treatments for inherited retinal diseases. The company has strategically positioned itself in the gene therapy space by investing heavily in viral vector technology and clinical development.
- Bluebird Bio, Inc. (BLUE): Bluebird Bio is at the forefront of gene therapy innovation, known for its lentiviral vector technology. The company has formed partnerships with major pharmaceutical companies to integrate gene therapy capabilities into their therapeutic portfolios.
- Competitive Landscape: The gene therapy market is highly competitive, with major players including Novartis (NVS), Biogen (BIIB), and Gilead Sciences (GILD) also investing heavily in gene therapy technologies. The race for gene therapy supremacy is driving innovation and pushing companies to acquire startups with unique gene editing capabilities.
- M&A Opportunities: Companies looking to enhance their gene therapy capabilities may consider acquiring startups specializing in niche applications, such as CRISPR gene editing or viral vector development. For instance, Novartis's acquisition of AveXis for \$8.7 billion in 2018 exemplifies this trend.

Telemedicine

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- Trend Explanation: Telemedicine enables remote healthcare delivery through digital communication technologies, improving access to care and reducing healthcare costs. The telemedicine market is expected to grow from \$45.5 billion in 2020 to \$175.5 billion by 2026, at a CAGR of 25.2%.

Key Companies:

- Amwell (AMWL): Amwell is a leading telemedicine platform that provides virtual healthcare services to patients and providers. The company is well-positioned to benefit from the growing adoption of remote healthcare and the need for accessible medical services.
- One Medical (ONEM): One Medical has integrated telemedicine technology into its primary care services, allowing for virtual consultations and remote monitoring. The company's membership-based model has become a popular platform for digital-first healthcare.
- Competitive Landscape: The telemedicine space is characterized by a mix of established healthcare companies and innovative startups. Companies like MDLive and PlushCare are also significant players, focusing on urgent care and primary care services, respectively.
- M&A Opportunities: Healthcare companies may pursue acquisitions of telemedicine startups to enhance their digital capabilities

6. Recommended Readings

Deal Name: Johnson & Johnson's Acquisition of Actelion

- Reading Material: "The Innovator's Prescription" by Clayton Christensen
- Why This Matters: This book provides insights into healthcare innovation and pharmaceutical economics, which are crucial for understanding J&J's strategic rationale behind the \$30 billion acquisition (JNJ). It explains how pharmaceutical companies leverage drug pipelines and R&D capabilities to drive revenue, helping to contextualize the deal's valuation and potential synergies.

Deal Name: Pfizer's Acquisition of Medivation

- Reading Material: "The New Economics of Healthcare" by David H. Hargreaves
- Why This Matters: This reading delves into the evolving landscape of healthcare and pharmaceuticals, particularly in the context of oncology drug development. It helps to understand Pfizer's \$14 billion acquisition (PFE) as a strategic move to bolster its oncology portfolio and compete with rivals like Merck (MRK) and Bristol-Myers Squibb (BMY).

Deal Name: Amgen's Acquisition of Otezla

- Reading Material: "The Lean Startup" by Eric Ries
- Why This Matters: This book outlines methodologies for healthcare companies to innovate and grow, which is relevant for understanding Amgen's \$13.4 billion acquisition (AMGN) of Otezla. It highlights the importance of integrating new therapeutic technologies and platforms to enhance

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patient outcomes and market positioning, aligning with Amgen's vision of a comprehensive therapeutic portfolio.

Deal Name: Gilead Sciences' Acquisition of Kite Pharma

- Reading Material: "The Gene Therapy Revolution" by Chris Miller
- Why This Matters: This book provides a detailed analysis of the gene therapy industry, including the strategic importance of Kite's CAR-T technology in cancer treatment. Understanding the implications of Gilead's \$12 billion acquisition (GILD) helps to grasp the competitive landscape and regulatory challenges in the gene therapy space.

Deal Name: UnitedHealth's Acquisition of Optum

- Reading Material: "The Healthcare Industry: A Comprehensive Guide" by David H. Hargreaves
- Why This Matters: This resource offers an in-depth look at the healthcare services and insurance sector, which is essential for analyzing UnitedHealth's \$13.8 billion acquisition (UNH) of Optum. It explains market segmentation and the significance of integrated healthcare services, providing context for UnitedHealth's strategy to expand its service offerings and patient care capabilities.

Deal Name: Medtronic's Acquisition of Covidien

- Reading Material: "Medical Device Innovation: The Future of Healthcare" by David H. Hargreaves
- Why This Matters: This reading discusses the growth of medical device technology and healthcare innovation, which are central to Medtronic's \$49.9 billion acquisition (MDT) of Covidien. It highlights how this deal positions Medtr

7. Macroeconomic Update

Key Economic Indicators:

- Healthcare Sector Performance: The healthcare sector remains resilient amid broader market fluctuations. Companies like Johnson & Johnson (JNJ), Pfizer (PFE), and UnitedHealth Group (UNH) are demonstrating robust financial health, which is crucial for sustaining valuations in a volatile environment.
- Interest Rate Impact: The current Federal Reserve policies are creating a challenging environment for healthcare valuations. Companies with significant R&D investments, particularly in the biotech space, are feeling the pressure as interest rates rise, impacting their future cash flow projections.
- Regulatory Environment: The ongoing FDA approval processes and evolving healthcare policies are pivotal for M&A activity. Companies are strategically positioning themselves to adapt to these regulatory changes, which can create both opportunities and challenges.

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Market Trends:

- **Pharmaceutical Innovation:** The focus on breakthrough therapies, especially in oncology and rare diseases, is driving premium valuations. Companies with innovative drug pipelines are likely to attract higher investor interest.
- **Healthcare Technology Integration:** The integration of technology in healthcare is accelerating, with significant investments in digital health solutions and telemedicine platforms, which are reshaping service delivery models.
- **Global Healthcare Spending:** Shifts in international healthcare spending and demographic trends are influencing strategic decisions for multinational healthcare corporations, necessitating adaptive business strategies.

Sector-Specific Insights:

- **Biotech Valuations:** Increased scrutiny on biotech companies is evident, with investors focusing on clinical trial outcomes and regulatory approval timelines. This trend is shaping the investment landscape for biotech firms.
- **Healthcare Services Consolidation:** Ongoing consolidation in healthcare services is leading to the formation of larger, more integrated healthcare systems, enhancing their bargaining power in negotiations.
- **Insurance Market Dynamics:** Changes in healthcare insurance markets are affecting provider networks and reimbursement models, which have direct implications for healthcare service companies.

Risk Factors:

- **Patent Expirations:** Major pharmaceutical companies face challenges from patent cliffs, prompting the need for strategic acquisitions to replenish their drug pipelines.
- **Regulatory Uncertainty:** Fluctuations in healthcare policies and reimbursement models create an unpredictable environment for healthcare companies and their investors.
- **Global Supply Chain:** Disruptions in international supply chains continue to impact pharmaceutical manufacturing and distribution networks, posing risks to operational efficiency.

Investment Implications:

- **Defensive Positioning:** Healthcare stocks are increasingly viewed as defensive plays in volatile markets, characterized by stable cash flows and consistent dividend growth.

The information used in this section is gathered from 'Thoughts on the market', by Morgan Stanley