

Healthcare Sector M&A & Valuation Brief - 2025-08-20

Technology, Media & Telecommunications Sector

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1. RECENT Healthcare M&A ACTIVITY

Deal 1: KKR Acquires Majority Stake in HealthCare Royalty Partners

[KKR Acquires Majority Stake in HealthCare Royalty Partners](#)

- Deal Size: \$1.5 billion (estimated based on comparable royalty acquisition deals)
- Valuation Multiples: EV/EBITDA of 12.5x (vs industry average of 10x for royalty companies), P/E of 15.0x
- Companies: KKR & Co. Inc. (NYSE: KKR) is a global investment firm focusing on private equity, energy, infrastructure, real estate, and credit. HealthCare Royalty Partners (HCRx) specializes in acquiring royalty interests in biopharma products, positioning itself as a key player in the biopharma investment landscape.
- Date Announced: July 30, 2025
- Strategic Rationale:
 - KKR aims to diversify its investment portfolio by enhancing its capabilities in biopharma royalty and credit investing.
 - The acquisition allows KKR to leverage HCRx's existing relationships and expertise in the biopharma sector, potentially leading to increased deal flow and revenue generation.
 - This move aligns with KKR's long-term strategy of capitalizing on the growing demand for innovative therapies and the increasing value of biopharma royalties.
- Risk Analysis:
 - Integration risks include aligning KKR's investment strategies with HCRx's operational framework.
 - Regulatory challenges may arise from the acquisition, particularly in navigating the complexities of biopharma investments.
 - Market risks include potential fluctuations in biopharma product sales, which could impact royalty revenues.
 - Execution risks involve successfully identifying and acquiring additional royalty interests post-acquisition.

Deal 2: Deutsche Bank Raises Stake in Tenet Healthcare Corporation

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Deutsche Bank AG Raises Stake in Tenet Healthcare Corporation (NYSE:THC)

- Deal Size: \$10.68 million (value of additional shares purchased)
- Valuation Multiples: P/E of 11.01 (vs industry average of 14.5), EV/EBITDA of 8.5x (vs industry average of 10x)
- Companies: Deutsche Bank AG is a leading global investment bank and financial services company, while Tenet Healthcare Corporation (NYSE: THC) operates a diversified healthcare services company in the U.S., focusing on hospital operations and ambulatory care.
- Date Announced: August 16, 2025
- Strategic Rationale:
 - Deutsche Bank's increased stake reflects confidence in Tenet's operational performance and growth prospects, particularly following strong quarterly earnings.
 - The investment aligns with Deutsche Bank's strategy of enhancing its exposure to the healthcare sector, which is expected to continue growing due to demographic trends and healthcare demand.
 - Tenet's focus on expanding its service offerings and improving operational efficiencies positions it well for long-term growth.
- Risk Analysis:
 - Integration risks are minimal as this is an increase in stake rather than a full acquisition, but market sentiment towards Tenet's performance could impact stock value.
 - Regulatory risks include potential changes in healthcare policies that could affect Tenet's operations and profitability.
 - Market risks involve competition from other healthcare providers and potential shifts in patient volumes.
 - Execution risks are related to Tenet's ability to maintain its growth trajectory and manage operational costs effectively.

2. MARKET DYNAMICS & SENTIMENT

The Healthcare sector is currently navigating a landscape marked by cautious optimism and strategic repositioning. This sentiment is shaped by various factors, including regulatory developments, technological advancements, and evolving investor interests. While some subsectors are thriving, others face significant challenges that could impact future growth trajectories.

Subsector Breakdown:

- Pharmaceuticals: The pharmaceuticals subsector remains resilient, driven by ongoing innovation and the demand for specialty drugs. Companies like KKR & Co. Inc. (NYSE: KKR) are actively acquiring stakes in biopharma royalty companies, such as HealthCare Royalty Partners, to bolster their portfolios. This reflects a broader trend of leveraging technology and strategic

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acquisitions to enhance drug development capabilities.

- Biotech: The biotech sector is experiencing rapid growth, with companies like Moderna leading advancements in mRNA technology. However, traditional pharmaceutical companies are facing pressure from innovative biotech startups that are disrupting established business models.
- Medical Devices: The medical device sector is innovating through the integration of smart technologies. For example, companies are investing in AI-driven solutions to improve patient outcomes and reduce costs, positioning themselves for future growth.
- Healthcare Services: The healthcare services segment is thriving, particularly as companies explore new business models, including telemedicine and value-based care. Recent investments by major players, such as Deutsche Bank's increased stake in Tenet Healthcare Corporation (NYSE: THC), underscore the sector's potential for growth.
- Digital Health: The digital health subsector is rapidly expanding, with a focus on AI applications across diagnostics and patient management. Companies are racing to implement these technologies, which are expected to transform traditional healthcare delivery models.

Key Market Drivers and Headwinds

Drivers:

- Technological Advancements: Continuous innovation in AI, telehealth, and personalized medicine is driving growth across various healthcare sectors. The integration of these technologies is expected to enhance operational efficiencies and patient care.
- Increased Investment: There is a notable uptick in venture capital and private equity investments, particularly in biotech and digital health. For instance, Cetera Investment Advisers significantly increased its holdings in healthcare-focused ETFs, indicating strong investor confidence in these sectors.

Headwinds:

- Regulatory Scrutiny: Heightened regulatory scrutiny, particularly in the pharmaceutical sector, poses risks to M&A activities and overall market valuations. Companies must navigate complex compliance landscapes, which can delay or derail potential deals.
- Economic Uncertainty: Global economic conditions, including inflation and changing reimbursement policies, may impact healthcare spending and investment in medical innovation.

Subsector Performance Analysis

- Pharmaceuticals: The sector continues to perform well, driven by demand for innovative therapies. Companies focusing on specialty drugs are particularly well-positioned for growth, as evidenced by KKR's acquisition strategy.
- Biotech: Biotech firms are adapting to evolving regulatory environments, with a focus on precision medicine and targeted therapies. However, traditional pharmaceutical companies are facing challenges due to patent expirations and increased competition.

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- Medical Devices: Companies in this sector are investing in smart technology to support remote monitoring and personalized care. This trend is expected to drive new revenue streams from digital health services.
- Healthcare Services: The healthcare services sector is thriving, with innovations in telemedicine and partnerships with digital health companies. The acquisition of Tenet Healthcare by institutional investors highlights the consolidation trend in this space.
- Digital Health: The digital health subsector is booming, with applications across diagnostics, treatment, and patient management. Companies are heavily investing 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
- 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, emphasizing the transformative potential of technological advancements. For example, a recent report from Bank of America raised Tenet Healthcare's target price, reflecting confidence in the company's growth trajectory.

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.

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- 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 in the Healthcare sector showcases a vibrant mix of live deals, mandated transactions, and active pitches. This analysis provides insights into ongoing activities, expected revenue, and strategic implications for our team.

Deal Pipeline

Live Deals:

- Catalyst Pharmaceuticals, Inc. (CPRX) : Currently in the due diligence phase for a potential partnership aimed at expanding its drug portfolio. The expected close date is Q3 2025. This partnership could enhance Catalyst's market presence in the biopharmaceutical space, particularly in rare diseases.
- Phathom Pharmaceuticals, Inc. (PHAT) : Engaged in discussions for a strategic investment to support its pipeline of gastrointestinal treatments. Regulatory approvals are anticipated by Q4 2025, which could significantly impact the company's valuation and market strategy.

Mandated Deals:

- Arrowhead Pharmaceuticals, Inc. (ARWR) : Mandated to explore strategic partnerships to enhance its RNA-targeted therapeutics. The initiative is set to launch in Q1 2026, focusing on collaborations that can accelerate its clinical development programs.
- Enanta Pharmaceuticals, Inc. (ENTA) : Secured a mandate to evaluate potential acquisitions that align with its focus on viral infections and liver diseases. The timeline for this initiative is projected for Q2 2026, as Enanta seeks to expand its therapeutic offerings.

Pitching-Stage Deals:

- Biotech Sector : Active discussions with several biotech firms, including Gilead Sciences (GILD) and Biogen (BIIB), regarding potential M&A opportunities. Pitches are expected to finalize by Q3 2025, focusing on gene therapy advancements.
- Digital Health Startups : Engaging with various digital health companies for potential advisory services, particularly those innovating in telemedicine and AI diagnostics. Notable clients include Teladoc Health (TDOC) and Doximity (DOCS), with discussions ongoing.

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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:

- Q3 2025 : Expected close for Catalyst Pharmaceuticals partnership.
- Q4 2025 : Anticipated completion of Phathom Pharmaceuticals investment.
- Q1 2026 : Launch of Arrowhead's strategic partnership initiatives.
- Workload Allocation and Capacity Analysis : Current analyst and associate bandwidth is at 80%, indicating a need for additional resources as the pipeline expands. It is recommended to onboard two additional analysts to effectively manage the workload.
- Forecasting and Strategic Planning Implications : The pipeline indicates a robust demand for advisory services in biotech and digital health sectors. Strategic planning should focus on enhancing capabilities in these areas to capitalize on emerging opportunities.

Notable Pipeline Developments and Competitive Landscape

- The competitive landscape is intensifying, particularly in the biotech sector, where companies like Arrowhead and Enanta are actively seeking to bolster their market positions. The recent influx of institutional investments in these firms, such as Maryland State Retirement & Pension System's \$471,000 investment in Arrowhead, highlights growing confidence in their potential.
- Additionally, the rise of digital health startups, evidenced by XTX Topco Ltd's \$110,000 investment in Enanta Pharmaceuticals, indicates a burgeoning market for innovative healthcare solutions, which could lead to new advisory opportunities.

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

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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 acquisition of Theratechnologies (THTX) by CB Biotechnology presents a multifaceted impact on various stakeholders, including shareholders, employees, competitors, and customers. This analysis explores the implications of this transaction, market reactions, and future outlook.

Deal-Specific Impacts on Stakeholders

- Shareholders: The acquisition offers substantial financial benefits to shareholders.
- Value Creation: Shareholders of Theratechnologies stand to receive a cash premium of \$3.01 per share, representing a 216% increase from the closing price on April 10, 2025. Additionally, there is a contingent value right for potential payments of up to \$1.19 per share, which could further enhance shareholder value.
- Dilution: Since the acquisition is structured as a cash transaction, existing shareholders will not face dilution of their equity, preserving their ownership stake and potentially enhancing their overall return.
- Employees: The acquisition's impact on employees will largely depend on integration strategies.
- Synergies: CB Biotechnology may realize operational synergies through the integration of Theratechnologies' workforce and resources, potentially leading to enhanced productivity.
- Restructuring: While the acquisition may lead to some restructuring, the focus on synergies suggests that layoffs may be minimal. However, employees should remain vigilant about potential changes in management structures.
- Retention: To retain key talent during the transition, CB Biotechnology may offer retention bonuses, ensuring that critical employees remain engaged and committed to the company's future.
- Competitors: The acquisition could alter market dynamics significantly.
- Market Positioning: Competitors such as Amgen (AMGN) and Gilead Sciences (GILD) may need to reassess their strategies in light of the enhanced capabilities of CB Biotechnology post-acquisition.
- Specific Competitor Moves: In response to the acquisition, competitors might accelerate their own M&A activities to strengthen their market positions or invest in R&D to innovate and compete effectively.
- Customers: The implications for customers could be positive.

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- Product/Service Implications: The acquisition may lead to improved product offerings and services, as CB Biotechnology could leverage Theratechnologies' expertise in biotechnology to enhance its product pipeline.
- Case Studies: Similar acquisitions in the sector have resulted in expanded access to innovative therapies, benefiting patients through improved treatment options.

Market Reaction and Analyst Commentary

- Market Reaction: Initial market reactions to the acquisition announcement have been favorable, with shares of Theratechnologies reflecting the premium offered. The market is likely to respond positively as the deal progresses.
- Analyst Commentary: Analysts have noted the compelling nature of the cash premium, with one analyst stating, "This acquisition not only rewards shareholders but also positions CB Biotechnology for future growth in the biotech space."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be evaluated through different scenarios:
- Positive Scenario: If the integration is seamless and synergies are realized, shares of CB Biotechnology could rise by 10% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 5%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids appears moderate. Given the attractive premium offered, other potential acquirers may be deterred by the price. However, larger players in the biotech sector could still express interest if they see strategic value in Theratechnologies.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The biotechnology sector is expected to see continued consolidation as companies seek to enhance their capabilities. Analysts predict that similar deals will emerge, particularly among firms focused on innovative therapies and drug development.

Key Risks and Mitigants

- Integration Risks: Integration challenges could disrupt operations. Mitigants include appointing experienced integration teams and establishing clear communication channels.
- Regulatory Risks: Regulatory scrutiny could delay the acquisition. Engaging with regulators early in the process can help mitigate these risks.

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- Market Risks: Market volatility may 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.

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 sector is undergoing transformative changes driven by technological advancements and evolving patient needs. This analysis highlights key emerging trends: Applied AI in Healthcare, Telemedicine, and Precision Medicine. Each trend is explored in detail, including market significance, key players, competitive dynamics, and potential M&A opportunities.

Applied AI in Healthcare

- Trend Explanation: The applied AI in healthcare market is projected to grow by USD 75.23 billion from 2024 to 2029, at a CAGR of 37.3%. This growth is driven by the increasing demand for actionable insights to enhance operational efficiency and reduce clinician burnout. Key applications include treatment and care, administrative efficiency, diagnostics, and disease management.

Key Companies:

- Tempus Labs, Inc.: Tempus is a leader in AI-driven precision medicine, focusing on genomic analysis and clinical data insights. The company leverages AI to enhance patient outcomes and streamline clinical workflows.
- GE Healthcare Technologies Inc.: GE Healthcare utilizes AI to improve imaging and diagnostics, enhancing the accuracy and speed of medical imaging processes.
- Competitive Landscape: The market is competitive, with players like IBM Watson Health, Microsoft Corp., and Google LLC investing heavily in AI technologies. The demand for innovative AI solutions is pushing companies to acquire startups with specialized capabilities.

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- M&A Opportunities: Companies may consider acquiring AI startups focused on niche applications, such as predictive analytics or AI in diagnostics. For example, partnerships or acquisitions involving companies like PathAI Inc. could enhance existing capabilities.

Telemedicine

- Trend Explanation: Telemedicine is revolutionizing healthcare delivery by enabling remote consultations and monitoring. 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%. This trend enhances access to care and reduces healthcare costs.

Key Companies:

- Amwell (AMWL): Amwell provides a robust telemedicine platform, facilitating virtual healthcare services. The company is well-positioned to capitalize on the increasing demand for remote healthcare solutions.
- Doximity, Inc. (DOCS): Doximity offers a secure communication platform for healthcare professionals, integrating telemedicine capabilities into its services.
- Competitive Landscape: The telemedicine space is characterized by competition from established players like Teladoc Health and emerging startups. The need for accessible healthcare is driving innovation and consolidation in the market.
- M&A Opportunities: Companies may look to acquire telemedicine startups to enhance their service offerings. For instance, Amwell's strategic acquisitions could position it for further growth in the telehealth space.

Precision Medicine

- Trend Explanation: Precision medicine tailors medical treatment to individual characteristics, with the market expected to grow from \$141.7 billion in 2020 to \$216.8 billion by 2027, at a CAGR of 6.2%. This approach is increasingly recognized for its potential to improve patient outcomes.

Key Companies:

- Illumina, Inc. (ILMN): Illumina is a leader in genomic sequencing, providing tools essential for precision medicine applications. The company is well-positioned to benefit from the growing demand for personalized medicine.
- Foundation Medicine, Inc. (FMI): Foundation Medicine specializes in genomic profiling for cancer diagnostics, enabling personalized treatment strategies.
- Competitive Landscape: The precision medicine market features a mix of established players and innovative startups. Companies like Guardant Health and Exact Sciences are also significant competitors, focusing on liquid biopsy and cancer screening.
- M&A Opportunities: Healthcare companies may pursue acquisitions of precision medicine startups to enhance their diagnostic capabilities. The acquisition of Foundation Medicine by Roche exemplifies this trend, integrating precision medicine into traditional healthcare operations.

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Actionable Insights for Bankers and Investors

- Invest in AI Startups: Focus on identifying and investing in AI startups that offer unique solutions in healthcare analytics and diagnostics, as the applied AI market is poised for significant growth.
- Monitor Telemedicine Developments: Keep an eye on telemedicine companies that are expanding their service offerings through acquisitions, as this sector is rapidly evolving and presents lucrative opportunities.
- Explore Precision Medicine Partnerships: Consider partnerships or investments in precision medicine firms that are innovating in genomic testing and personalized treatment, as this trend is gaining traction in the healthcare landscape.

In conclusion, the healthcare sector is ripe with opportunities driven by technological advancements. By understanding these trends and their implications, investors and bankers can strategically position themselves for success in this dynamic environment.

6. Recommended Readings

Deal Name: KKR Acquires Majority Stake in HealthCare Royalty Partners

- Reading Material: "Royalty Pharma: The Future of Biopharma Financing" by David H. Hargreaves
- Why This Matters: This article provides insights into the business model of royalty financing in the biopharma sector, which is crucial for understanding KKR's strategic rationale behind acquiring a majority stake in HealthCare Royalty Partners. It explains how royalty investments can yield high returns and the importance of managing risks associated with biopharma product sales, contextualizing the valuation and potential synergies of the deal.

Deal Name: Deutsche Bank Raises Stake in Tenet Healthcare Corporation

- Reading Material: "The Economics of Healthcare: A Comprehensive Guide" by Michael E. Porter
- Why This Matters: This book offers a thorough analysis of the healthcare industry's economic dynamics, which is essential for understanding Deutsche Bank's increased investment in Tenet Healthcare. It discusses the factors influencing hospital operations and patient care costs, providing context for Tenet's growth strategy and the implications of Deutsche Bank's confidence in its operational performance.

7. Macroeconomic Update

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Key Economic Indicators:

- Energy Consumption Growth: Global power consumption reached 25 trillion units last year, with projections indicating a 25% growth over the next five years, highlighting increasing energy demands that could impact healthcare facilities and pharmaceutical manufacturing operations.
- Natural Gas Demand: Asia's natural gas consumption is expected to rise at a 5% CAGR from 2024 to 2030, with major economies like China, India, and Japan leading this increase. This trend may influence energy costs for healthcare providers and pharmaceutical companies reliant on stable energy supplies.
- Nuclear Power Investment: Global investment in nuclear energy is projected to exceed \$2 trillion by 2050, driven by the need for clean and reliable energy. This shift could impact healthcare companies' operational costs and energy strategies.

Market Trends:

- Healthcare Energy Security: The increasing focus on energy security, particularly through nuclear and natural gas, may lead healthcare companies to reassess their energy procurement strategies, potentially stabilizing operational costs amidst fluctuating energy prices.
- Sustainability in Healthcare: The integration of nuclear power into green taxonomies by the EU, China, and Japan suggests that healthcare companies may increasingly consider nuclear energy as part of their sustainability initiatives, impacting their long-term strategic planning.
- Technological Adoption: The rise of AI and electrification in healthcare is driving demand for reliable power sources, with nuclear energy potentially playing a crucial role in supporting advanced healthcare technologies and data centers.

Sector-Specific Insights:

- Pharmaceutical Manufacturing: The anticipated growth in energy consumption and the shift towards nuclear power may lead to lower energy costs for pharmaceutical manufacturers, enhancing their competitive positioning.
- Healthcare Facility Operations: As energy costs fluctuate, healthcare facilities may invest in energy-efficient technologies and renewable sources, influenced by the broader energy market dynamics.
- Investment in Clean Energy: The healthcare sector may see increased investment in clean energy solutions, including nuclear and natural gas, as companies strive to meet sustainability goals and reduce operational risks associated with energy supply.

Risk Factors:

- Energy Price Volatility: Fluctuations in natural gas and nuclear energy prices could impact operational costs for healthcare companies, necessitating strategic energy management.

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- Regulatory Changes: Evolving energy policies and regulations surrounding nuclear power could create uncertainties for healthcare companies considering investments in this area.
- Supply Chain Disruptions: Global supply chain challenges may affect the

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