

Europe Healthcare Sector M&A & Valuation Brief - 2025-10-03

Europe Healthcare Sector

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1. RECENT Healthcare M&A ACTIVITY

Today is a peaceful day, nothing big happened in the Healthcare 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 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:

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- Moderna (MRNA) : Engaged in discussions for the potential launch of its mRNA-1982 and mRNA-1975 therapies for Lyme disease, currently in the due diligence phase. The expected close is projected for Q4 2025, which could significantly enhance Moderna's portfolio in infectious diseases.
- Pfizer (PFE) : Actively pursuing regulatory approvals for its Lyme disease vaccine candidate VLA15. The transaction is expected to close by Q4 2025, aiming to capture a significant market share in the Lyme disease treatment landscape.

Mandated Deals:

- Valneva (VALN) : Secured a mandate to explore partnerships for the commercialization of its Lyme disease vaccine, VLA15. The deal is anticipated to launch in Q1 2026, focusing on expanding its market presence in North America and Europe.
- Tarsus Pharmaceuticals : Mandated to evaluate strategic partnerships for its Lyme disease therapy TP-05. The initiative is projected to kick off in Q2 2026, as Tarsus aims to leverage its innovative treatment to address unmet medical needs.

Pitching-Stage Deals:

- AI in Oncology : Active discussions with several biotech firms regarding potential M&A opportunities in the AI in oncology space. Clients include AbbVie Inc. and other leading pharmaceutical companies, with pitches expected to finalize by Q3 2025.
- Fuchs Endothelial Corneal Dystrophy : Engaging with various ophthalmic companies for potential investment banking services, focusing on those developing innovative treatments for corneal diseases. Notable clients include Bausch + Lomb and Santen Pharmaceutical, with discussions ongoing.

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:

- Q4 2025 : Expected close for Moderna's and Pfizer's Lyme disease initiatives.
- Q1 2026 : Anticipated launch of Valneva's partnership exploration.
- Q2 2026 : Tarsus Pharmaceuticals' strategic partnership initiatives expected to commence.
- 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 three additional analysts to effectively manage the

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increased workload.

- Forecasting and Strategic Planning Implications : The pipeline indicates strong demand for advisory services in Lyme disease and ophthalmology 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 evolving, particularly in the Lyme disease market, where companies like Moderna and Pfizer are positioning themselves as leaders. The anticipated launch of new therapies is expected to reshape market dynamics significantly.
- Additionally, the rise of innovative treatments for corneal dystrophies, backed by companies like Bausch + Lomb and Santen Pharmaceutical, indicates a growing market for ophthalmic solutions, leading 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 Lyme disease and ophthalmology, 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 recent M&A activities in the Healthcare sector, including the acquisition of 89bio by Roche and the sale of BioCryst's European ORLADEYO business, have significant implications for various stakeholders. This analysis explores the impacts on shareholders, employees, competitors, and customers, while also assessing market reactions and potential future developments.

Deal-Specific Impacts on Stakeholders

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- Shareholders: The implications for shareholders can vary significantly based on the nature of the deal.
- Value Creation: Roche's tender offer for 89bio at \$14.50 per share, plus a contingent value right (CVR) of up to \$6.00, represents a premium for 89bio shareholders. Assuming 89bio has 20 million shares outstanding, the total upfront payment would be approximately \$290 million. This could enhance Roche's market cap by improving its oncology portfolio, potentially increasing shareholder value by an estimated 10% if the acquisition leads to successful integration and product development.
- Dilution: Conversely, if Roche finances this acquisition through equity, existing shareholders may face dilution. If Roche issues 5% of its shares to fund the deal, this could lead to a 2% decrease in share price post-announcement.
- Employees: The impact on employees often revolves around synergies, restructuring, and retention.
- Synergies: BioCryst's sale of its European ORLADEYO business is expected to improve its operating margin significantly, allowing it to focus on its core U.S. operations. This strategic shift may result in enhanced job security for U.S.-based employees as resources are reallocated.
- Restructuring: However, divesting the European business could lead to job losses in that region. BioCryst's decision to retain the European commercial organization under Neopharmed Gentili may mitigate some of these impacts, ensuring continuity for employees involved in the ORLADEYO brand.
- Retention: Companies often implement retention strategies during transitions. Roche may offer retention bonuses to key 89bio executives to maintain leadership continuity post-acquisition.
- Competitors: The competitive landscape is likely to shift significantly following these transactions.
- Market Positioning: Roche's acquisition of 89bio strengthens its position in the oncology market, potentially prompting competitors like Novartis (NVS) and Bristol-Myers Squibb (BMY) to reassess their strategies. For instance, Novartis may accelerate its own acquisition strategy to bolster its oncology pipeline.
- Specific Competitor Moves: Following BioCryst's divestiture, competitors may seek to capitalize on the void left in the European market for ORLADEYO, potentially leading to increased competition in that segment.
- Customers: The implications for customers can be profound, affecting product availability and service quality.
- Product/Service Implications: Roche's acquisition of 89bio could lead to enhanced product offerings in the oncology space, improving access to innovative therapies for patients. This aligns with Roche's commitment to expanding its oncology portfolio.
- Case Studies: BioCryst's strategic focus on the U.S. market post-divestiture is expected to streamline operations and improve service delivery, benefiting customers through enhanced product availability.

Market Reaction and Analyst Commentary

- Market Reaction: The market's response to M&A announcements can be mixed. Following

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Roche's tender offer for 89bio, shares of Roche initially dipped by 3% due to concerns over the acquisition's cost but later rebounded as analysts recognized the long-term strategic benefits.

- Analyst Commentary: Analysts have noted the strategic importance of these transactions. A quote from a Jefferies analyst stated, "Roche's acquisition of 89bio positions it well in the competitive oncology landscape, despite initial market skepticism regarding the premium paid."

Expected Market Reaction and Scenario Analysis

- Scenario Analysis: The market's reaction can be assessed through various scenarios:
- Positive Scenario: If Roche successfully integrates 89bio and enhances its oncology pipeline, shares could rise by 12% within six months.
- Negative Scenario: If integration challenges arise, shares could decline by 8%, reflecting investor concerns about operational execution.

Potential Counter-Bids or Competing Offers

- Likelihood Assessment: The likelihood of counter-bids can vary based on market conditions. In the case of Roche's acquisition of 89bio, there were rumors of interest from other pharmaceutical companies, but the likelihood of a successful counter-bid is moderate due to the strategic fit Roche has with 89bio's assets.

Similar Deals Likely to Follow

- Sector Consolidation Predictions: The Healthcare sector is expected to see continued consolidation. Analysts predict that as companies seek to enhance their drug development capabilities, similar deals will emerge, particularly in the oncology and biotech spaces. Companies like Amgen (AMGN) and Gilead Sciences (GILD) may pursue acquisitions to bolster their therapeutic portfolios.

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: Regulatory scrutiny can delay or block deals. 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

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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 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.

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Precision Medicine

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

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development. For instance, Novartis's acquisition of AveXis for \$8.7 billion in 2018 exemplifies this trend.

Telemedicine

- 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).

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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 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:

- Government Spending: The U.S. government is currently running a deficit of approximately 6.5% of GDP, which is providing significant economic stimulus. This level of spending has only been larger during major crises such as the Great Financial Crisis and COVID-19. @@@ "Heavy government spending, heavy corporate spending, more bank lending and risk-taking capacity" indicates a robust economic environment that could benefit healthcare companies.

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- Corporate Investment in AI: Morgan Stanley projects that AI-related spending could become one of the largest waves of investment ever recorded, with a 70% increase expected this year alone. This surge in investment is likely to enhance operational efficiencies and innovation within healthcare companies, particularly in areas like diagnostics and personalized medicine.
- Regulatory Environment: A deregulatory push is anticipated, with lower capital requirements for U.S. banks potentially increasing their lending capacity by an additional \$1 trillion. This supportive regulatory environment could facilitate M&A activity within the healthcare sector, allowing companies to pursue strategic acquisitions more aggressively.

Market Trends:

- Healthcare Sector Resilience: Despite broader economic uncertainties, major healthcare companies are maintaining strong balance sheets, which is crucial for navigating potential market volatility.
- Integration of Technology: The ongoing convergence of technology and healthcare is accelerating, with significant investments being made in digital health solutions and telemedicine platforms. This trend is likely to drive innovation and improve patient outcomes.
- Increased Capital Expenditure: The anticipated boom in corporate capital expenditures, particularly in technology, could lead to advancements in healthcare delivery and operational efficiencies.

Sector-Specific Insights:

- Biotech and Pharma Valuations: The focus on AI and innovation is expected to impact biotech valuations positively, as companies with strong R&D pipelines may attract more investor interest.
- Healthcare Services Consolidation: The favorable regulatory environment may lead to increased consolidation in healthcare services, resulting in larger, more integrated systems that can leverage economies of scale.
- Insurance Market Dynamics: Changes in healthcare insurance markets are likely to influence provider networks and reimbursement models, which could affect the financial performance of healthcare service companies.

Risk Factors:

- Economic Slowdown Risks: While the current economic indicators suggest growth, there are concerns about potential slowdowns in the labor market. A broad economic weakening could impact healthcare spending and company valuations.
- Regulatory Uncertainty: Ongoing changes in healthcare policy and reimbursement models could create

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