

Deal of the Week: Morgan Stanley to Buy Eaton Vance for \$7.0B

Announcement Date	<ul style="list-style-type: none"> October 8, 2020 	
Acquirer	<ul style="list-style-type: none"> Morgan Stanley (NYSE: MS) 	
Acquirer Description	<ul style="list-style-type: none"> Financial holding company that provides various financial products and services to corporations, governments, financial institutions, and individuals in the Americas, Europe, the Middle East, Africa, and Asia. It operates through Institutional Securities, Wealth Management, and Investment Management segments Founded in 1924 and headquartered in New York, NY 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$88.7 billion EV: NA LTM Revenue: \$43.8 billion 	<ul style="list-style-type: none"> LTM EBITDA: NA LTM EV / Revenue: NA LTM EV / EBITDA: NA
Target Company	<ul style="list-style-type: none"> Eaton Vance Corp. (NYSE: EV) 	
Target Description	<ul style="list-style-type: none"> Engages in the creation, marketing, and management of investment funds in the United States. It also provides investment management and counseling services to institutions and individuals Founded in 1981 and headquartered in Boston, MA 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$7.1 billion EV: \$8.2 billion LTM Revenue: \$1.7 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$556.6 million LTM EV / Revenue: 4.8x LTM EV / EBITDA: 14.7x
Acquirer Advisor	<ul style="list-style-type: none"> NA 	
Target Advisor	<ul style="list-style-type: none"> NA 	
Price / Consideration	<ul style="list-style-type: none"> \$7 billion 	<ul style="list-style-type: none"> Cash and stock
Rationale	<ul style="list-style-type: none"> With Eaton Vance, Morgan Stanley's investment management division would oversee roughly \$1.2 trillion in assets and generate more than \$5 billion in sales Morgan Stanley is doubling the size of its asset management unit by adding a business that has continued to attract client funds amid an industrywide shift to low-cost passive investing While the shift to cheaper passive funds has weighed on many asset managers, Eaton Vance has leaned on fixed-income and customized portfolio offerings to generate consistent inflows The transaction is expected to be breakeven to earnings per share immediately and marginally accretive thereafter, with fully phased-in cost synergies and add approximately 100bps to return on tangible common equity The combination will better position the firms to realize financial returns through cost savings of \$150 million and increased revenue opportunities "Eaton Vance is a perfect fit for Morgan Stanley," said James P. Gorman, Chairman and CEO of Morgan Stanley. "This transaction further advances our strategic transformation by continuing to add more fee-based revenues to complement our world-class investment banking and institutional securities franchise. With the addition of Eaton Vance, Morgan Stanley will oversee \$4.4 trillion of client assets and AUM across its Wealth Management and Investment Management segments." 	
Deal Points	<ul style="list-style-type: none"> Eaton Vance shareholders will receive \$28.25 per share in cash and 0.5833x of Morgan Stanley common stock, representing a total consideration of approx. \$56.50 per share Based on the \$56.50 per share, the aggregate consideration paid to holders of Eaton Vance's common stock will be approx. 50% cash and 50% Morgan Stanley common stock The merger agreement also contains an election procedure allowing each Eaton Vance shareholder to seek all cash or all stock, subject to a proration and adjustment mechanism In addition, Eaton Vance common shareholders will receive a one-time special cash dividend of \$4.25 per share to be paid pre-closing by Eaton Vance to Eaton Vance common shareholders from existing balance sheet resources It is anticipated that the transaction will not be taxable to Eaton Vance shareholders to the extent that they receive Morgan Stanley common stock as consideration 	