

Morgan Stanley

# **Morgan Stanley 2019 U.S. Financials Conference**

**Andy Saperstein, Head of Wealth Management**

**June 11, 2019**

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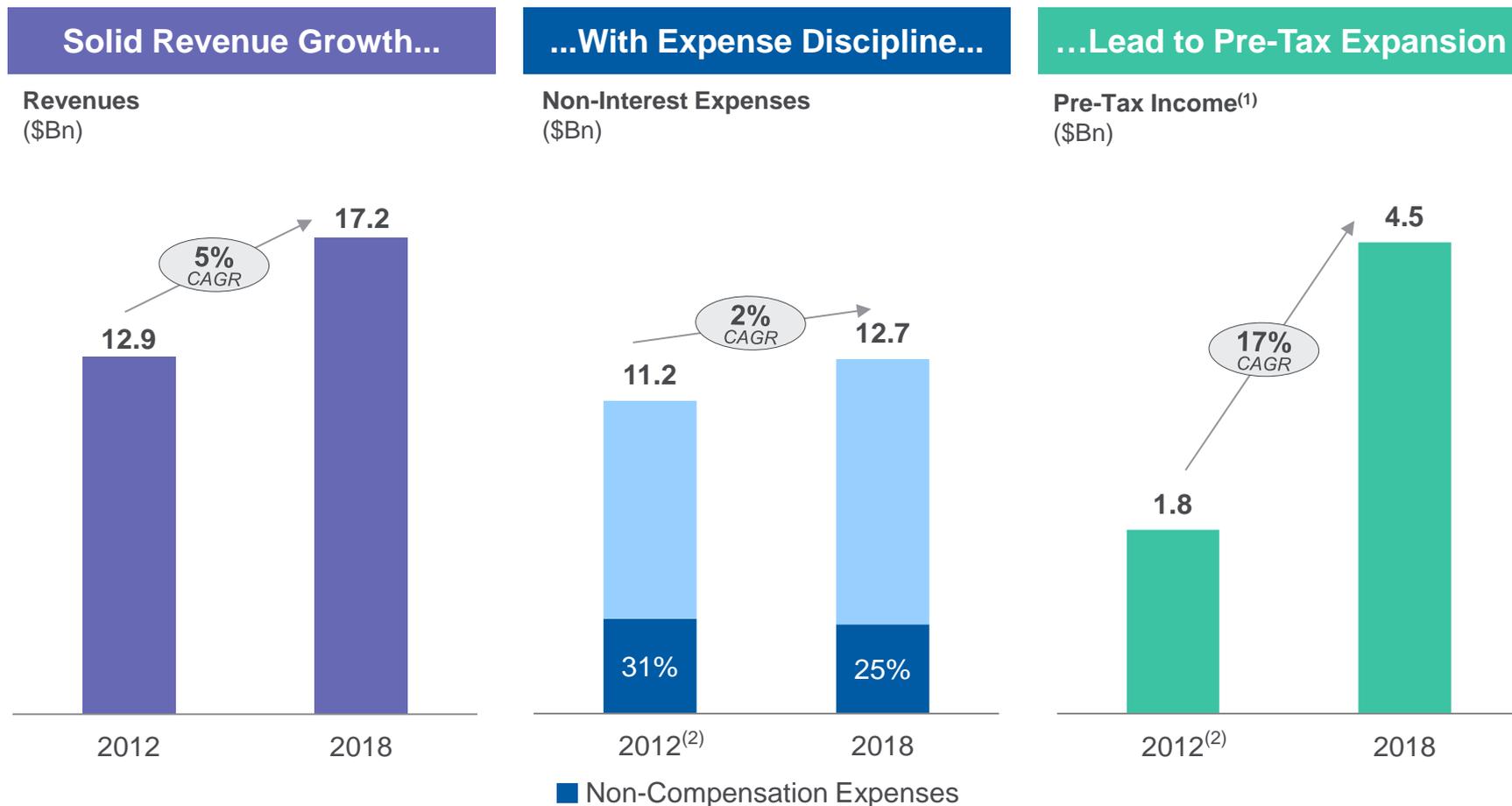
Please note this presentation is available at [www.morganstanley.com](http://www.morganstanley.com).

## Key Themes Regarding Morgan Stanley Wealth Management

- 1 Delivering Operating Leverage**
- 2 Driving Growth While Enhancing Stability**
- 3 Increasing Penetration in Core HNW Client Segment**
- 4 Expanding Workplace Client Acquisition**
- 5 Explaining Pre-Tax Margin<sup>(1)</sup>**

1. Pre-Tax Margin represents income (loss) from continuing operations before taxes divided by net revenues. Pre-Tax Margin is a non-GAAP financial measure that the Firm considers useful for analysts, investors and other stakeholders to assess operating performance

# 1 Delivering Consistent Growth and Improving Operating Leverage



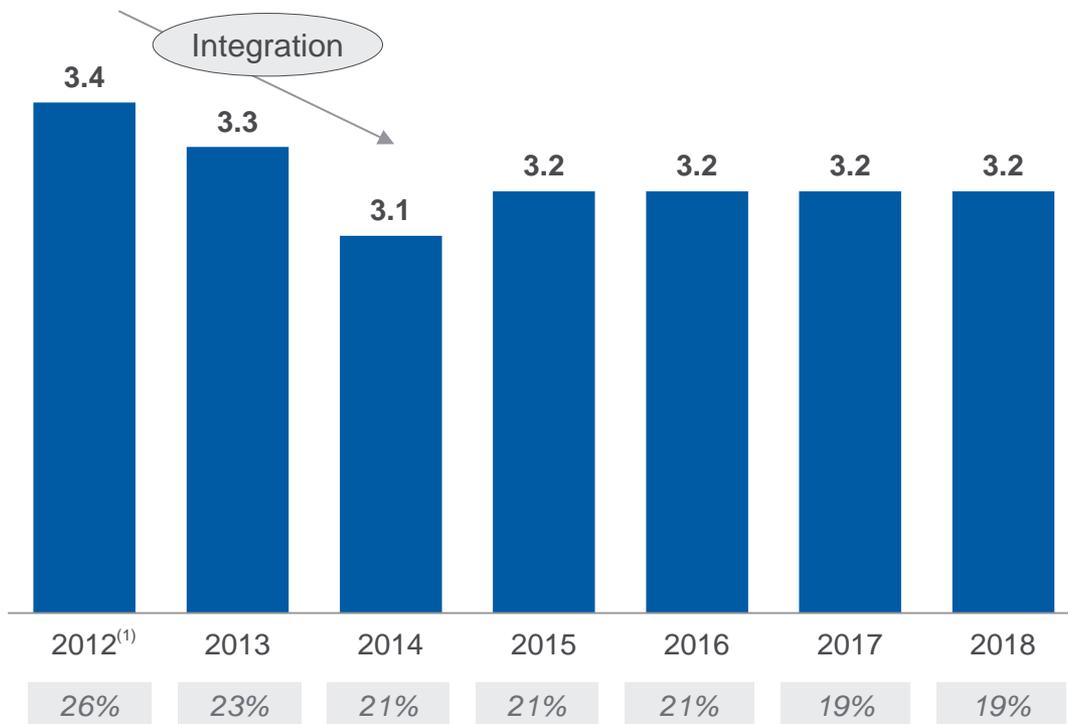
1. Pre-Tax Income is defined as income from continuing operations before income taxes

2. 2012 excludes \$193MM of one-time non-interest costs associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture. Non-interest expense and pre-tax income, excluding one-time integration costs is a non-GAAP financial measure the Firm considers useful for analysts, investors and other stakeholders to assess year-over-year operating performance

# 1 Self-Funding Investments for Growth

## Controlling Non-Compensation Expenses...

Non-Compensation Expenses (\$Bn)



Non-Compensation Expense Ratio<sup>(2)</sup>

## ...While Investing for Growth

- Asset Aggregation
- Goals Based Planning
- Risk Analytics
- Artificial Intelligence
- Virtual Advisor
- Digital Advice Platform

1. 2012 excludes \$176MM of one-time non-compensation costs associated with the Morgan Stanley Wealth Management integration and the purchase of an additional 14% stake in the joint venture. Non-compensation expense, excluding one-time integration costs is a non-GAAP financial measure the Firm considers useful for analysts, investors and other stakeholders to assess year-over-year operating performance

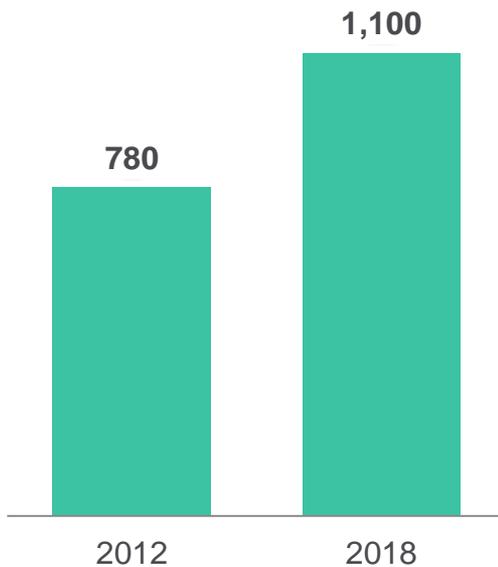
2. Represents non-compensation expenses (or in 2012, non-compensation expenses excluding one-time integration costs) as a percentage of net revenues. The non-compensation expense ratio, excluding one-time integration costs is a non-GAAP financial measure the Firm considers useful for analysts, investors and other stakeholders to assess year-over-year operating performance

# 1 Investments Contributing to an Increase in Financial Advisor Productivity

Productivity Has Increased...

...Through New Technology and Enhanced Client Solutions

Revenue per Financial Advisor<sup>(1)</sup>  
(\$Thousands)



**>100%**

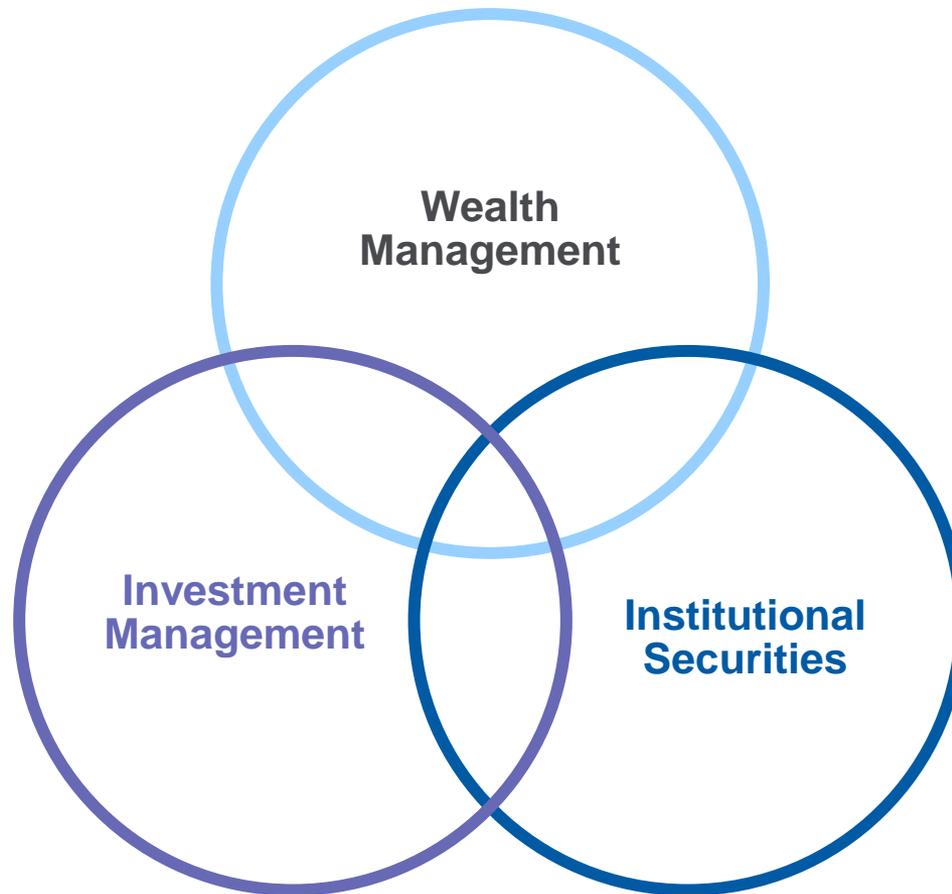
Increase in Clients with a Financial Plan<sup>(2)</sup>

**>75%**

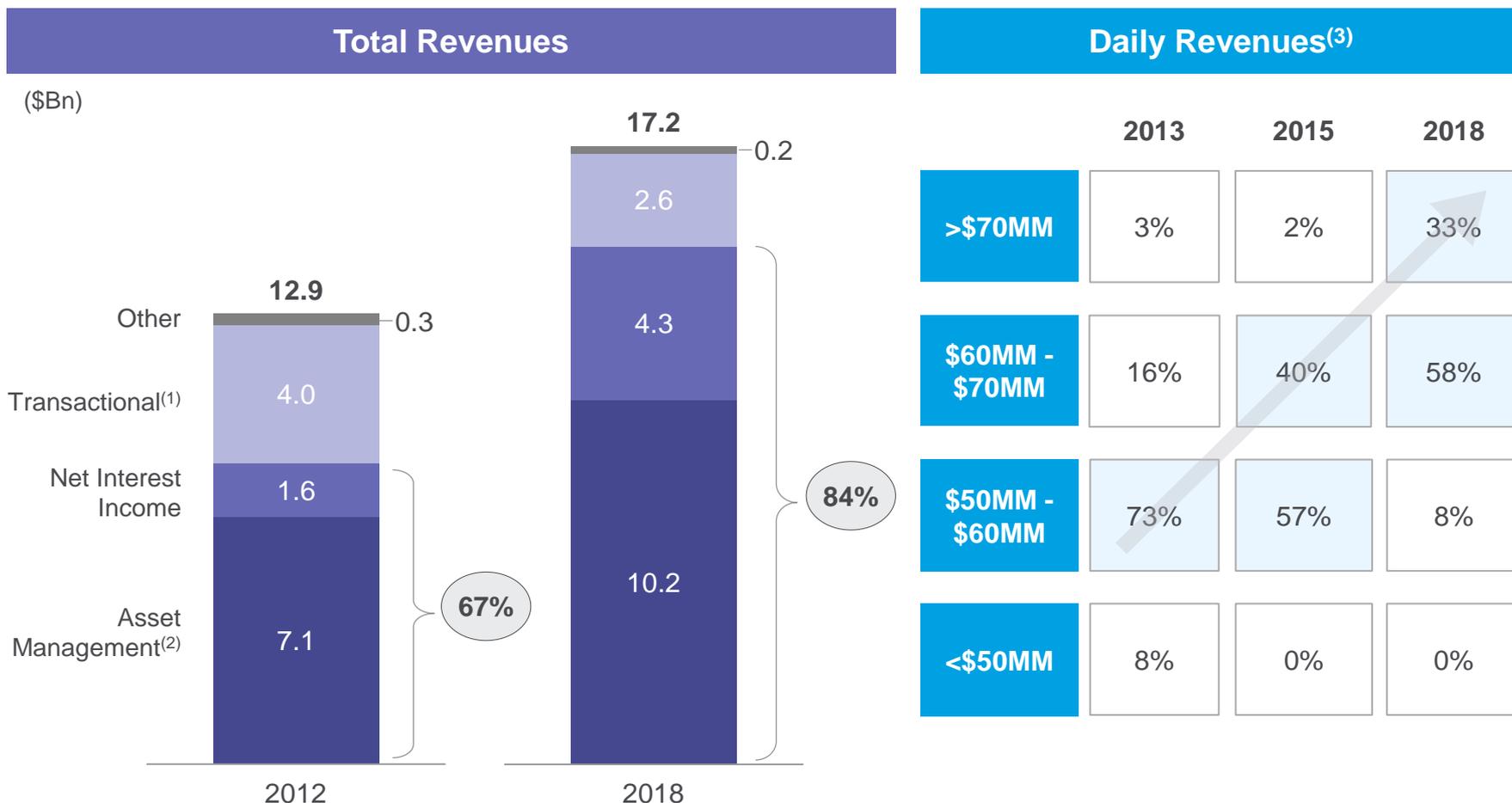
Increase in Clients who Regularly Communicate Digitally with their Financial Advisor<sup>(2)</sup>

1. Revenue per Financial Advisor represents Wealth Management's net revenues divided by the average FA headcount  
2. April 2019 vs. April 2017

## **1 Benefit from the Broader MS Platform and a One-Firm Culture**



## 2 Generating Over 80% of Revenues from NII and Fee-Based Sources with Daily Revenues Consistently of \$60MM+



1. Transactional revenues include investment banking, trading, and commissions and fee revenues

2. 2012 Asset Management revenues include fees paid from Citi on legacy Smith Barney deposits of ~\$0.4Bn

3. The daily revenue distribution reflects net revenues for the WM segment attributed as follows: Transactional revenues on the day the revenue was recorded; and Asset Management, Net Interest and Other revenues based on the a daily average, where the reported revenue for the period is divided by the number of calendar days in the period

## 2 Client Relationships Are Deep and Retention Is High

Client Retention is  
Extraordinarily High

99%

*Same-Store Core Client  
Retention Rate<sup>(1)</sup>*

Asset Retention Post  
Intergenerational Wealth  
Transfer is High

~80%

*Assets Retained at the Firm after  
Intergenerational Wealth Transfer<sup>(2)</sup>*

1. Same-store retention is calculated excluding client attrition driven by Financial Advisor attrition. Core clients are those in the >\$1MM client asset segment

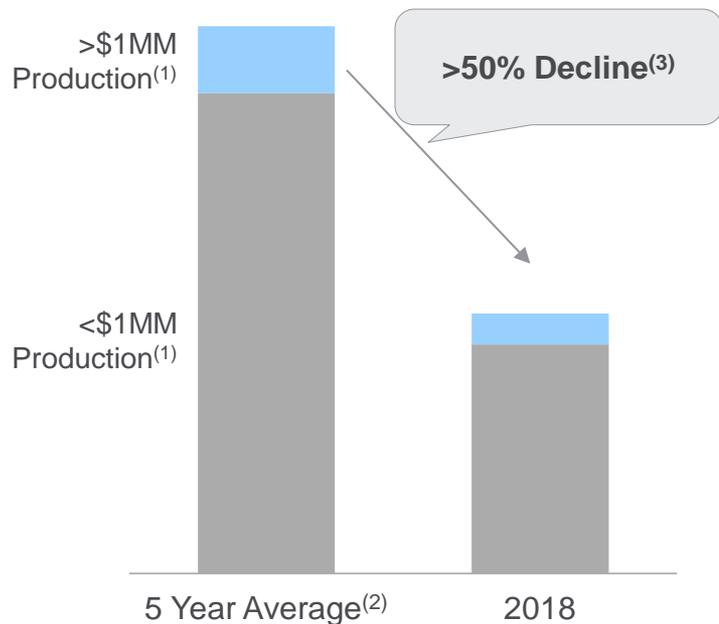
2. Asset retention of approximately 80% of deceased client assets relative to those generally retained for similar clients

## 2 Financial Advisor Attrition Is Low and Declining

### Financial Advisor Losses Are Declining and Retention of Assets Improving

Total Financial Advisor Losses to Competition  
(# of Financial Advisors)

Losses and Retention Since 2017<sup>(3)</sup>



**<1%**

Top Quintile Financial Advisor Attrition<sup>(4)</sup>

**<10%**

of Financial Advisor Losses to RIA Channel

1. Yearly production is based on trailing twelve months  
2. 2013-2017 five year average

3. From November 2017 through April 2019  
4. Based on trailing twelve months production

### 3 Our Core Business Is Focused on the High Net Worth Client Segment...

#### MS Wealth Management Assets by Client Segment

(\$Bn)

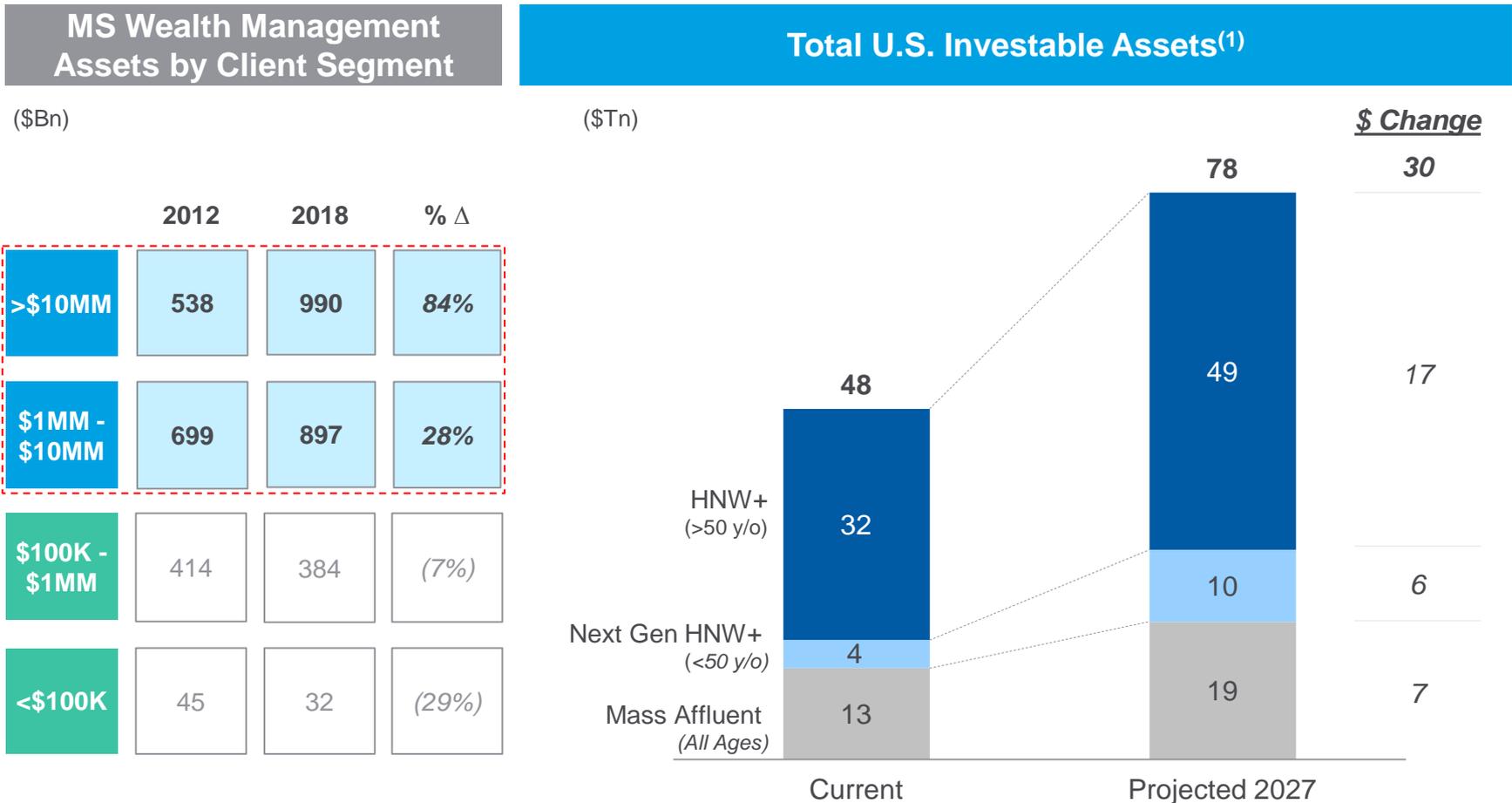
	2012	2018	% Δ
>\$10MM	538	990	84%
\$1MM - \$10MM	699	897	28%
\$100K - \$1MM	414	384	(7%)
<\$100K	45	32	(29%)

**~3.2MM**  
Client Relationships

**~\$2.6Tn**  
Asset Consolidation Opportunity<sup>(1)</sup>

1. Source: \$2.6Tn asset consolidation opportunity per IXI as of June 2018

### 3 ...And Our Core Client Segment Is Projected to Experience Outsized Growth



1. Source: Current based "U.S. High-Net-Worth and Ultra-High-Net-Worth Markets 2018" Cerulli report. 2027 reflects high level projections assuming 5.2% annual growth for HNW segment and 4.2% for Mass Affluent segment derived from BCG "Global Wealth 2018" report and reflected estimated intergenerational wealth transfer of ~\$3.6Tn from Boomers to NextGen per Accenture "The 'Greater' Wealth Transfer" report

## 4 ...And Solium Acquisition Creates a Leadership Position in Workplace to Drive New Client Relationships

### MS Wealth Management Assets by Client Segment

Solium is Now Shareworks by Morgan Stanley, a Key Pillar of “Morgan Stanley at Work”

(\$Bn)

	2012	2018	% Δ
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\$1MM - \$10MM	699	897	28%
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### Shareworks BY MORGAN STANLEY

Industry Leading Technology

~3,300 Corporate Stock Plans

~2.7MM Participants – 2/3<sup>rds</sup> are under 50

### Retirement

Broad Retirement / 401(K) Offering

~23K Retirement Plans

~2MM Participants

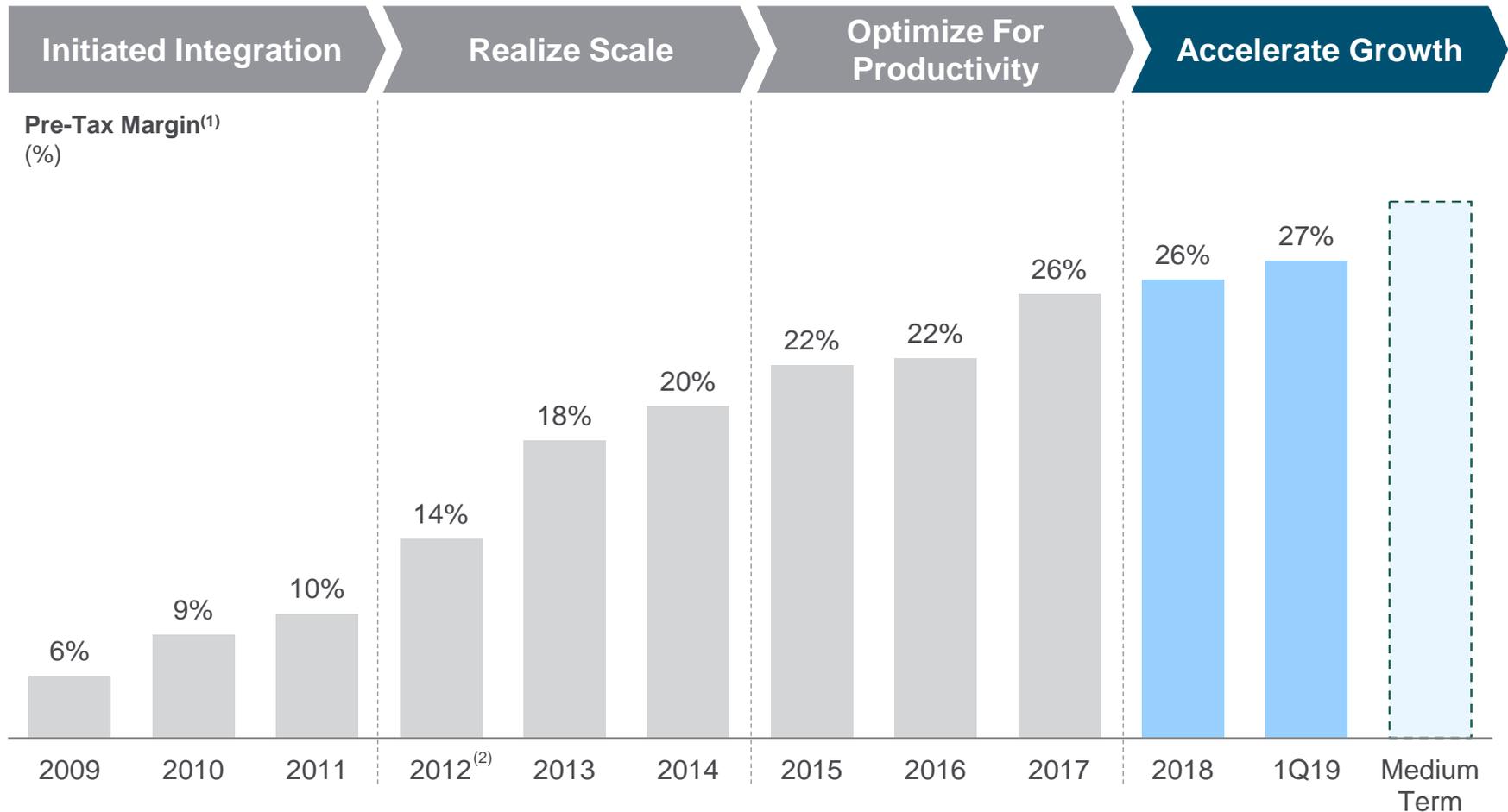
### Financial Wellness

Digital Financial Wellness Solution

Participating companies have ~400K Employees

Leadership Position in the Workplace

## 5 Explaining Pre-Tax Margin<sup>(1)</sup>



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