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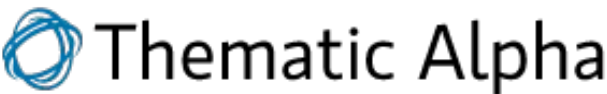
Thematic Alpha | North America

Conviction into Earnings

As we enter the height of the 3Q reporting season, we highlight 14 names that Morgan Stanley's analysts expect to move meaningfully on the earnings release: 12 we expect to rise, and 2 where we see a potential decline.

Key Takeaways

- We look for share-price upside on the print from AHR, ARGX, CHD, FFIV, F, GLBE, GRND, GH, ORLY, WULF, WDC, WMB.
- We see downside risk for ARE and HCA.



3Q26 earnings estimates have been revised higher into this reporting season.

They are up 1.8% over the past three months, against a historical tendency to fall ahead of reporting (2Q26 was +3.8%).

We believe this higher bar creates tougher expectations for T+1 price reactions.

Indeed, early reads on this have been soft – with ~10% of S&P 500 companies having reported, the median T+1 reaction is -0.4% (-0.6% relative) and only 41% of reactions are positive.

Longer-term revisions breadth has cooled but remains positive. S&P 500 earnings revisions breadth (ERB) for FY2 is +11% heading into the season, down from the late-June peak of +28%. The two weeks into the start of earnings season are seasonally weak for ERB before it historically moves higher once reporting starts. Earnings growth expectations now call for +33% in 2026 and +16% in 2027. Consensus sales growth is 11% for 2026 and 8% for 2027.

Against that backdrop, we highlight 14 names for which Morgan Stanley Research analysts expect a near-term catalyst that should drive a meaningful move in each stock.

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THEME PICKS	
Positive Catalyst	
Amer. Healthcare REIT	Grindr
argenx	Guardant Health
Church & Dwight	O'Reilly Automotive
F5 Inc.	TeraWulf
Ford Motor	Western Digital
Global-e Online	Williams Companies
Negative Catalyst	
Alexandria Real Estate	HCA Healthcare

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For analyst certification and other important disclosures, refer to the Disclosure Section, located at the end of this report.

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Conviction Into Earnings – Summary

Near-Term View — Positive	
American Healthcare REIT	We expect 3Q FFO of \$0.57 (+29.5% Y/Y), above \$0.55 Cons, as strong senior housing drives SHOP and ISHC cash SS-NOI growth of 16.3% and 4.4%. We see mgmt raising '26e FFO guidance \$0.02 to \$2.19, above \$2.17 Cons/MSe, on SHOP/ISHC strength and accretive buys.
argenx	Expect solid 3Q EPS with Vyvgart likely exceeding expectations. Key catalyst imminent with 2nd pipeline drug, Empa, P3 trial read out in '4Q". Expect more detail regarding recent successful P2 trial in celiac disease where we see under-appreciated commercial opportunity.
Church & Dwight	Despite slower Q3 US scanner trends, we see CHD delivering ~4% OSG (above 3.2% cons) on 6% International and 3% Specialty growth, and reiterating FY EPS guidance on 10/30. GM fears look overblown, as favorable TheraBreath/personal care mix should offset commodity costs.
F5 Inc.	Encouraging channel checks and a reasonable consensus bar supporting an attractive setup. We expect FFIV to guide to 8-10% y/y constant-currency revenue growth to start FY27 - above sell-side estimates, which contemplate ~7% y/y revenue growth in both FY27 and FY28.
Ford Motor	We see a positive 3Q setup, as an update on Ford Energy's ESS backlog could highlight earnings diversification beyond autos. Our \$2.33bn adj. EBIT estimate is ~2% below consensus, but ESS demand could drive a positive stock move.
Global-e Online	The setup is positive into 3Q - mid-teens SSS growth should support 37.6% y/y GMV growth - vs. a 34.1% consensus that implies a q/q decline. Our 2027 / 28 GMV and GAAP EPS estimates are 6% / 8% and 16% / 11% above consensus.
Grindr	Conservative guidance should lead to a clear beat & raise, we expect to get an official launch for Edge (main catalyst into 27), and should get color on recent acquisition of PrEP provider Freddie which could be more material to near-term growth than the market expects.
Guardant Health	Guardant has de-rated ~30% vs. its diagnostics comps since Q2 for unclear reasons, offering a compelling entry point ahead of Q3 earnings on Nov 5. Shield CRC's commercial expansion should drive volumes outside Medicare, and our checks show MRD test Reveal doing well.
O'Reilly Automotive	We are constructive into earnings on Oct 28, based on share gains from its leading distribution network, incremental margins rising from 19.5% toward ~22-23% in 2H26 as SG&A slows, and leading pricing power. Q3 could confirm durable share gains and boost numbers.
TeraWulf	WULF's recent stock price decline is at odds with its underlying contract value and likely value creation from upcoming contracts. We see multiple positive catalysts, including credit support, new leases, rate protection, equity funding options, and execution strength.
Western Digital	We see WDC's Oct. 22 earnings as a catalyst after an overdone correction leaves it below 8x our above-Street FY28 EPS, while we see with upside from pricing and EB shipments. Low expectations vs. STX and an earlier print could help WDC narrow its valuation gap vs. STX.
Williams Companies	We see upside as WMB commercializes its next wave of behind-the-meter power projects, with our ~16% 2025-30 EBITDA CAGR above consensus. New data center deals expected 4Q26-1Q27, possibly multi-GW hyperscaler projects, could lift capex and EBITDA estimates.
Near-Term View — Negative	
Alexandria Real Estate	We expect 3Q FFO of \$1.51 (-32% Y/Y), below \$1.53 consensus, and cash SS-NOI of -10.0%. Lab data was mixed, with leasing down 4.7%, vacancy 25.9% and rents +3.3%. We stay cautious as lease expiries pressure spreads.
HCA Healthcare	HCA has rallied ~35% from its lows despite two core margin misses and a 2026 EBITDA guidance cut, leaving it at 9.7x EV/EBITDA, above its historic median. With a guidance raise unlikely, an in-line Q3 print could be sold, and any setback could send shares lower.

Conviction Into Earnings – Financial Summary

Exhibit 1: Key Financial Data

Ticker	Company name	Primary sector	Analyst (Primary)	Share Price (\$)	Earnings per Share (\$)		Price to earnings		Dividend Yield		FCF yield	
					2026e	2027e	2026e	2027e	2026e	2027e	2026e	2027e
Near Term View - Positive												
AHR.N	American Healthcare REIT	Property	Kamdern, Ronald	53.23	2.17 e	2.45 e	24.5	21.7	1.9%	2.2%	3.4% e	3.8% e
ARGX.O	argenx SE	Healthcare	Laaman, Sean	819.14	27.82 e	32.57 e	29.4	25.2	NA	NA	(2.0%) e	2.7% e
CHD.N	Church & Dwight Co., Inc.	Consumer Staples	Mohsenian, Dara	104.53	3.78 e	4.06 e	27.6	25.7	1.2%	1.2%	4.2% e	4.7% e
FFIV.O	F5 Inc	Technology	Marshall, Meta	442.03	17.34 e	18.20 e	25.7	24.3	NA	NA	4.1% e	4.1% e
F.N	Ford Motor Company	Industrials	Percoco, Andrew	12.43	1.79 e	1.86 e	7.0	6.7	4.8%	4.8%	11.5% e	0.4% e
GLBE.O	Global-e Online Ltd.	Technology	Faucette, James	38.82	1.33 e	1.91 e	29.1	20.4	NA	NA	4.6% e	6.5% e
GRND.N	Grindr Inc.	Technology	Feather, Nathan	14.09	0.53 e	0.66 e	26.8	21.5	NA	NA	5.5% e	7.2% e
GH.O	Guardant Health Inc.	Healthcare	Titchmarsh, Kallum	158.60	(1.70) e	(0.77) e	NM	NM	NA	NA	(1.1%) e	(0.6%) e
ORLY.O	O'Reilly Automotive Inc	Retail	Gutman, Simeon	89.27	3.27 e	3.64 e	27.3	24.6	NA	NA	2.7% e	3.7% e
WULF.O	TeraWulf Inc	Technology	Byrd, Stephen	11.68	(2.71) e	(0.42) e	NM	NM	NA	NA	(74.2%) e	(48.5%) e
WDC.O	Western Digital	Technology	Woodring, Erik	332.00	10.24	23.50 e	62.4	14.1	0.1%	0.2%	1.4%	5.7% e
WMB.N	Williams Companies Inc	Energy/Utilities	Kad, Robert	71.28	2.80 e	3.09 e	25.5	23.1	3.0%	3.1%	(2.9%) e	(4.8%) e
Near Term View - Negative												
ARE.N	Alexandria RE Eq	Property	Kamdern, Ronald	41.62	6.40 e	5.26 e	6.5	7.9	7.0%	6.9%	12.8% e	9.5% e
HCA.N	HCA Healthcare, Inc.	Healthcare	Hettenbach, Craig	458.84	29.68 e	33.51 e	15.5	13.7	0.7%	0.7%	5.4% e	6.8% e

Source: Source: Morgan Stanley Research, ModelWare as of 10/16/2026

Metrics are calculated using the 'for consensus' methodology.

NA = Not Applicable; NM = Not Meaningful

*For AHR.N and ARE.N: Numbers in EPS column represent FFO per share

*For AHR.N and ARE.N: Numbers in P/E column represent P/FFO per share

American Healthcare REIT (AHR) – Ron Kamdem

Near-Term View: Positive

We see a favorable setup for AHR into 3Q26 earnings, driven by continued upside from SHOP/ISHC operating leverage and accelerating external growth. We expect 3Q26 FFO of \$0.57 (+29.5% YoY), ahead of Cons/MSe of \$0.55, and see potential for management to raise '26e FFO guidance by \$0.02 to \$2.19, above Cons/MSe of \$2.17. We model total portfolio cash SS-NOI growth of 6.1%. Beyond 3Q, we see three additional drivers: 1) early operating performance from the Kensington and LCB portfolios, 2) conversion and replenishment of the ~\$675mn awarded investment pipeline, and 3) timing of forward-equity settlements relative to acquisition closings (AHR stated that its >\$675 million awarded investment pipeline was expected to close using match-funded proceeds from unsettled forward agreements). Improving visibility into 2027 per-share accretion from recent investments should support a positive near-term stock reaction.

Overweight Investment Thesis

We remain OW AHR as we view the business primarily as an SNF operating in a RIDEA structure, complemented by an attractive SHOP portfolio and leased segments that provide stable, defensive growth. We see a demographic tailwind across the portfolio. Limited new supply in ISHC and SHOP supports continued occupancy recovery and pricing gains, which should drive margin expansion. This should translate into above-peer organic growth. External growth has become a larger part of the investment thesis, with AHR reporting more than \$2bn of YTD investments and an awarded pipeline of ~\$675mn, while dividend coverage and leverage have improved since the IPO. AHR offers strong earnings growth at a lower valuation than premium RIDEA peers. Our \$55 PT applies a 22.5x multiple to our '27e FFO of \$2.45. Our PT implies stage-two growth of ~15% in our DCF, assuming a 7% cost of equity and ~2% terminal growth.

Potential Catalysts

- **3Q26 earnings release on November 5 AMC and conference call on November 6:** We expect a beat and raise, driven by SHOP/ISHC operating performance and accretive investment activity.
- **Remaining Kensington closings and pipeline conversion:** The two remaining Kensington communities are expected to close in 4Q26. Conversion and replenishment of the ~\$675mn awarded investment pipeline could provide better visibility into 2027 external growth.

Risk Reward – American Healthcare REIT, Inc. (AHR.N)

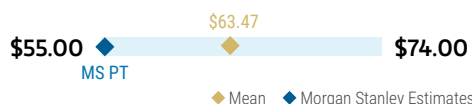
A Unique Healthcare REIT; SNF In A RIDEA Structure

PRICE TARGET \$55.00

We use a 22.5x multiple as we consider a range of RIDEA (WELL & VTR), SNF, and MOB REITs in our comp set, reserving WELL and its premium multiple for our bull case; we see OHI at ~14x and VTR at ~21x, among others within a ~13-22x range (bear case). We apply a 22.5x multiple to our '27 FFOe of \$2.45 to arrive at our PT of \$55, which implies stage two growth of ~15% in our DCF, using a 7% cost of equity and terminal growth of ~2%.

Consensus Price Target Distribution

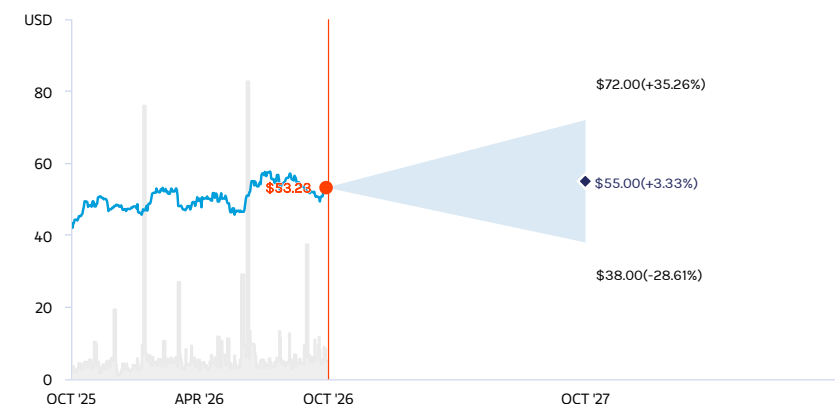
Source: Refinitiv, Morgan Stanley Research



OVERWEIGHT THESIS

We view AHR primarily as a SNF in a RIDEA structure, plus exposure to a compelling SHOP business with leased segments that provide stable and defensive growth. We see a compelling demographic story for the whole business, and limited new supply for ISHC and SHOP. Dividend coverage and leverage levels have improved since the IPO and strong earnings growth at a undemanding valuation makes us constructive.

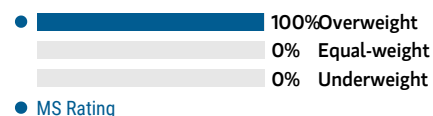
RISK REWARD CHART



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

BULL CASE

\$72.00

28x FFO multiple applied to '27e FFO of \$2.57

We apply a 28x FFO multiple to our bull case FY27e FFO of \$2.57. Our multiple is at a ~44% premium to the broader REIT group's NTM FFO multiple and a slight discount to WELL's current NTM FFO multiple of ~33x. Our bull case assumes ~29%/16% FFO per share growth in '26e/'27e, primarily driven by portfolio-wide SS-NOI growth of ~11%/9%.

BASE CASE

\$55.00

22.5x FFO multiple applied to '27e FFO of \$2.45

We apply a 22.5x FFO multiple to our FY27e FFO of \$2.45. Our multiple is a ~15% premium to the broader REIT group's W.A. NTM FFO multiple. Our base case assumes ~26%/13% FFO per share growth in '26e/'27e, primarily driven by portfolio-wide SS-NOI growth of ~9.5%/7%.

BEAR CASE

\$38.00

16x FFO multiple applied to '27e FFO of \$2.34

We apply a ~16x FFO multiple to our bear case '27e FFO of \$2.34. Our multiple is at a ~18% discount to the broader REIT group's NTM FFO multiple and at a ~25% discount to where VTR is trading currently on NTM FFO. Our bear case assumes ~14%/10% FFO per share growth in '26e/'27e, primarily driven by portfolio-wide SS-NOI growth of ~7.5%/5%.

Risk Reward – American Healthcare REIT, Inc. (AHR.N)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
KEI - FFO Growth (%)	21.7	26.4	12.8	9.4
KEI - Dividend Payout Ratio (%)	72.7	55.0	56.4	58.2
KEI - SS NOI Growth (%)	14.3	9.4	7.0	8.5

INVESTMENT DRIVERS

- Demographics and senior population growth
- External growth opportunity
- SS-NOI growth above RIDEA peers

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	5/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Aging demographic and demand for SNF surprises to the upside
- Seniors Housing recovery from COVID accelerates, boosting SHOP and Seniors Housing leased
- AHR is able to tap into a compelling external growth opportunity

RISKS TO DOWNSIDE

- Gov reimbursement drives additional complexity and risk to ISHC
- Seniors recovery disappoints; supply increases faster than anticipated
- Labor expense pressures reaccelerate

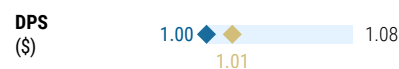
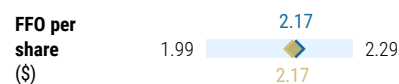
OWNERSHIP POSITIONING

Inst. Owners, % Active	58.8%	
HF Sector Long/Short Ratio	1.4x	
HF Sector Net Exposure	1.9%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

argenx (ARGX) – Sean Laaman

Near-Term View: Positive

We see a favorable near-term setup following the recent pullback. While the Phase 3 Sjögren's discontinuation removed a meaningful pipeline opportunity, we believe the stock reaction overstates the impact on the broader franchise. The core VYVGART business continues to deliver strong growth, with significant runway remaining in MG and particularly CIDP, while the recent positive myositis readout adds another potentially multibillion-dollar indication. With expectations reset, we believe solid 3Q commercial execution followed by the upcoming Phase 3 empasiprubart MMN readout can refocus investors on the durability and breadth of the growth story.

Overweight Investment Thesis

We remain OW ARGX as we see an underappreciated earnings-compounding story driven by continued VYVGART penetration, indication expansion and improving operating leverage, with additional upside as the pipeline matures. Our longer-term thesis increasingly rests on ARGX evolving from a highly successful single-franchise company into a multi-asset immunology platform: empasiprubart represents the most important near-term opportunity to establish a second commercial growth engine, while FB102 in celiac adds further diversification. We estimate roughly \$13bn of risk-adjusted revenue in 2030 and ~\$23bn by 2036, leaving substantial long-duration growth if ARGX can translate its pipeline into additional franchises.

Potential Catalysts

- 3Q26 earnings – October 22, 2026: Strong VYVGART execution remains the key focus.
- Empasiprubart Phase 3 MMN data – 4Q26: Key catalyst to establish ARGX's second growth engine.
- VYVGART myositis progression – 2027: Regulatory progress could unlock another multibillion-dollar indication.

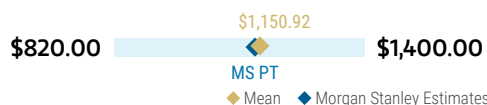
Risk Reward – argenx SE (ARGX.O)

Vyvgart expanding indications drive long-term value.

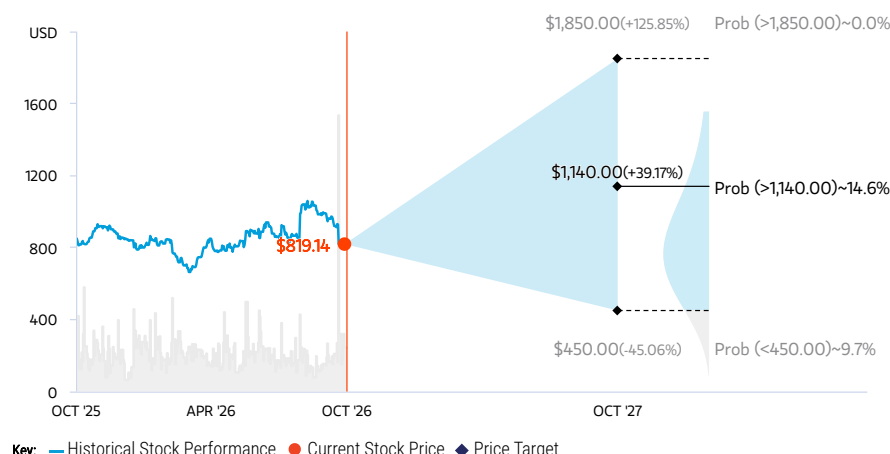
PRICE TARGET \$1,140.00

Our PT is derived from a discounted cash flow analysis assuming a WAC of 10.2% and 2% terminal growth.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)

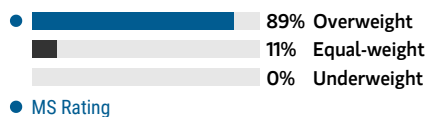


Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

OVERWEIGHT THESIS

- Our Overweight thesis is based on a strong launch of Vyvgart (efgartigimod) into MG & CIDP and continued pipeline execution
- The launch of Vyvgart in MG and CIDP demonstrates the company's strong execution capabilities
- We believe ARGX can continue to rise from current levels based on continued strong uptake in MG, a strong launch in CIDP, expansion in MG and pipeline realization

Consensus Rating Distribution



Risk Reward Themes

Contrarian: *Positive*
Pricing Power: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$1,850.00

DCF

Robust uptake for Vyvgart, with peak product revenues of ~\$20.3bn in 2036E.

BASE CASE

\$1,140.00

DCF

Strong uptake for Vyvgart, with ~\$8.2bn in pipeline contribution from Vyvgart and empasiprubarb by 2036E. Peak product revenues of ~\$23.4bn in 2036E.

BEAR CASE

\$450.00

DCF

Vyvgart uptake is limited, with no pipeline realization. Peak Vyvgart sales of ~\$10.3bn in 2036E.

Risk Reward – argenx SE (ARGX.O)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Peak Sales (\$, mm)	23,295	23,295	23,295	23,295
Topline 3-Year CAGR (%)	29.9	20.8	18.2	17.7
Bottom line 3-Year CAGR (%)	26.8	18.8	21.2	18.4

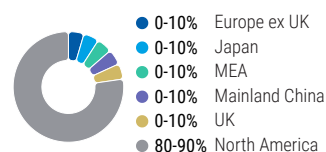
CATALYST CALENDAR

Date	Event	Source: Refinitiv, Morgan Stanley
H2 2026	empasiprubart: PhII registrational EMPASSION H2H vs. IVIG top-line data in MMN	
H2 2026	efgartigimod: PhIII ALKIVIA top-line data in myositis (IMNM, ASyS, DM)	
H2 2026	efgartigimod: PhIII UplighTED top-line data in TED (2 registrational UplighTED studies)	
H2 2026	efgartigimod: PhIII ADVANCE-NEXT top-line data in primary ITP	
H2 2026	efgartigimod: PhII eSScAPE POC top-line data in systemic sclerosis (SSc)	

INVESTMENT DRIVERS

- Vyvgart performance in MG
- Launch progress for Vyvgart in CIDP
- Pipeline progress / readouts

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

RISKS TO PT/RATING

RISKS TO UPSIDE

- Continued strong sales updates for Vyvgart in MG
- Strong launch for Vyvgart in CIDP
- Positive pipeline readouts in 2026/2027

RISKS TO DOWNSIDE

- Vyvgart MG sales lag expectations
- Vyvgart's launch trajectory in CIDP belies expectations (through slowing patient adds, high discontinuation rates, or access challenges)
- Competitive threats build for Vyvgart
- Pipeline readouts do not meet expectations

OWNERSHIP POSITIONING

Inst. Owners, % Active	91.3%	
HF Sector Long/Short Ratio	2.1x	
HF Sector Net Exposure	17.3%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (\$, mm)	5,044	6,259	6,276	6,814
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EBITDA (\$, mm)	1,252	1,986	2,018	2,281
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Net income (\$, mm)	1,209	1,819	1,869	2,242
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EPS (\$)	26.04	27.82	29.20	34.27
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◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

Church & Dwight (CHD) – Dara Mohsenian

Near-Term View: Positive

We like Church and Dwight heading into Q3 EPS. The market has focused on a sequential slowdown in US scanner data trends in Q3, with sales (ex divestitures) +3.4% in all-channel data vs 5.6% in H1, reflecting HPC sector pressure points, including a weak low-end US consumer, competitive promotion, and a lack of price increases. However, CHD growth is still above most HPC peers, and with strong 6% International and solid 3% Specialty growth expected, and our 3.5% Consumer Domestic forecast reflective of scanner data, we see CHD as on track to deliver ~4% OSG in Q3, above the 3.2% consensus. This should be good enough to drive the stock up, as long as CHD delivers on GMs, which have been another worry point in the market with commodity cost pressure. We also see GM worry as overblown with favorable brand mix (TheraBreath and personal care) helping CHD offset cost pressure.

Equal-weight Investment Thesis

We rate CHD Equal-weight, We view the company as posting sustainably robust 3-4% OSG, driven by brand momentum, particularly at TheraBreath, but with a difficult US household products sector environment (limited volume growth with a weak US consumer, muted pricing power given competitive dynamics, and higher commodity costs pos the Iran conflict), we see EPS growth as muted in 2027, which should limit the stock long-term with valuation already at 24x CY27 EPS.

Potential Catalysts

- 3Q26 earnings (October 30)
- Periodic US scanner data

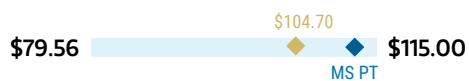
Risk Reward – Church & Dwight Co., Inc. (CHD.N)

OSG Strength, But a High Bar

PRICE TARGET \$112.00

Our \$112 PT is based on ~27.5x 2027e EPS, reflecting CHD's above-peer OSG, recent share gains, strong balance sheet and FCF, and long-term track record of topline outperformance.

Consensus Price Target Distribution



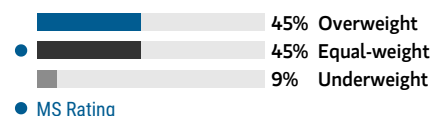
Source: Refinitiv, Morgan Stanley Research

◆ Mean ◆ Morgan Stanley Estimates

EQUAL-WEIGHT THESIS

We are EW CHD given stronger volume-led OSG, broad US share gains and solid International growth, balanced by a premium valuation and a high bar after the stock's strong YTD performance.

Consensus Rating Distribution



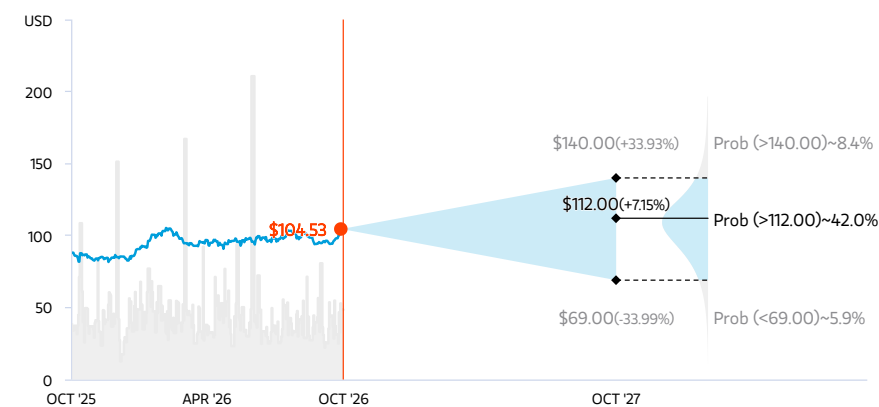
Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Pricing Power: *Positive*

View descriptions of Risk Rewards Themes [here](#)

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

BULL CASE

\$140.00

~30.5x Bull Case FY2027e EPS

Topline/Gross Margin Upside: 200 bps of US volume upside to our base case from stronger Hero and TheraBreath growth, core share gains and VMS recovery, plus 100 bps of US pricing upside. Gross margins are 150 bps above our base case on lower commodity costs. We raise CHD's multiple to ~30.5x CY27e EPS, with our bull-case PT increasing to \$140 from \$130.

BASE CASE

\$112.00

~27.5x 2027e EPS

Solid OSG: We expect 3-4% LT OSG driven by Hero/TheraBreath, innovation and share gains, partly offset by weak legacy brands, soft US HPC trends, and higher promotion. We raise our multiple to ~27.5x 2027e EPS to effect greater confidence in solid OSG following strong Q2 results, with our PT increasing to \$112 from \$105.

BEAR CASE

\$69.00

~18.5x Bear Case 2027e EPS

Topline/Margin Downside: US volume is 100 bps below our base case on slower Hero and TheraBreath growth and weaker core share performance, while pricing is 100 bps lower on heavier promotion and retailer pressure. Gross margins are 100 bps below our base case on higher commodity costs. We raise CHD's bear-case multiple to ~18.5x CY27e EPS, with our bear-case PT increasing to \$69 from \$66.

Risk Reward – Church & Dwight Co., Inc. (CHD.N)

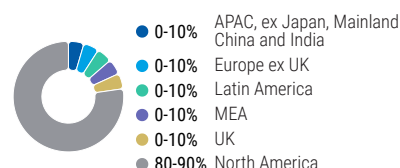
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Gross Margin, bp change	(0.2)	116.5	29.0	30.0
Operating Margin, bp change	0.1	63.1	39.0	25.0
EPS Growth (%)	2.5	7.2	7.4	6.7

INVESTMENT DRIVERS

- Volume-led OSG and US share gains
- M&A, innovation and International growth
- Promotion and reinvestment limiting EPS flow-through

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

2/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

Stronger OSG from continued share gains and newer brands, greater gross margin expansion from productivity or lower input costs, and accretive M&A.

RISKS TO DOWNSIDE

Weaker OSG from higher promotion or slower growth in newer brands, less gross margin expansion from higher input costs, and M&A execution risk.

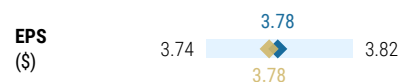
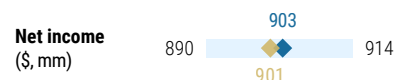
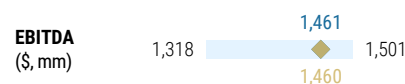
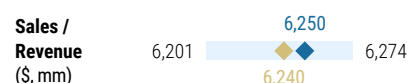
OWNERSHIP POSITIONING

Inst. Owners, % Active	52.2%				
HF Sector Long/Short Ratio	0.9x				
HF Sector Net Exposure	-0.5%				

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

F5 Inc (FFIV) – Meta Marshall

Near-Term View: Positive

We are tactically positive on FFIV into F4Q26 results, with encouraging channel checks and a reasonable consensus bar supporting an attractive setup. We expect FFIV to guide to 8-10% y/y constant-currency revenue growth to start FY27, while maintaining its upper-single-digit FY27 revenue growth framework. We also see potential for gross margin upside, as anticipated memory cost pressure is already embedded in management's FY27 non-GAAP gross margin target of 80-82%, while relative stability in memory pricing could provide incremental support. Sell-side estimates appear well positioned at ~7% y/y revenue growth in both FY27 and FY28, leaving a manageable bar heading into earnings. Although absolute valuation is approaching historical peaks, we continue to see scope for a flight-to-quality trade into the print.

Equal-weight Investment Thesis

Channel checks suggest a healthy demand environment, with one VAR highlighting limited competition in multi-cloud traffic management and another reporting ~9% y/y growth in its FFIV reseller business, above its historical 1-2% growth rate. Relative valuation remains reasonable in our view at ~2x PEG versus ~4x for cybersecurity peers, although elevated absolute valuation leaves a more balanced risk/reward. Capital returns remain a key part of the investment case, with management targeting repurchases of at least 50% of annual free cash flow after returning ~63% of cumulative FCF through buybacks from FY20-FY25.

Potential Catalysts

- F4Q26 earnings (10/27)
- Stable memory pricing
- Sustained multi-cloud, AI and security demand
- Continued share repurchases and capital returns

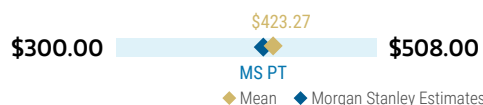
Risk Reward – F5 Inc (FFIV.O)

Hybrid Refresh and AI Story Compelling; LT Growth Still Difficult to Determine

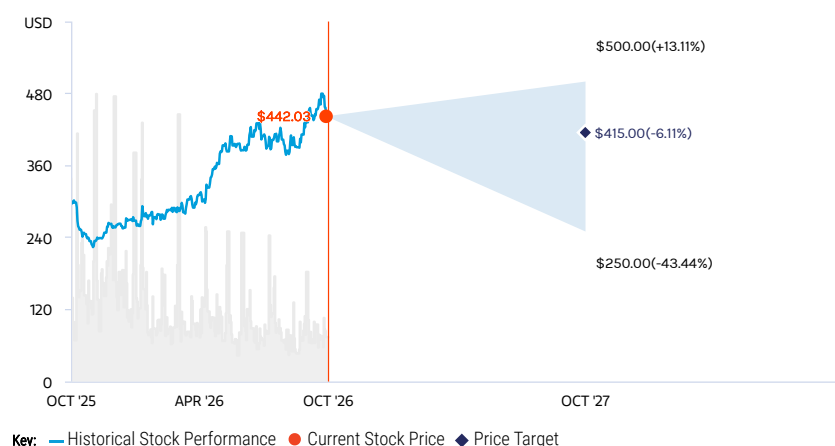
PRICE TARGET \$415.00

~22x CY27e P/E, is a premium to 5 historical average trading range, more in-line with networking peers given hardware and software growth opportunities.

Consensus Price Target Distribution



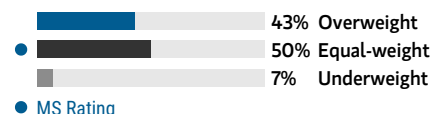
RISK REWARD CHART



EQUAL-WEIGHT THESIS

- Attractive competitive positioning ahead of multi-cloud eventuality
- AI story still in early days, but more compelling
- Product cycle provides meaningful opportunity, although spending environment pressured by macro/tariffs
- Encouraging software growth and cash flow stories presents opportunity to attract software investors
- Operating margin upside as AI used internally, additional product offerings discontinued.
- Share repurchases boost earnings growth potential.

Consensus Rating Distribution



Risk Reward Themes

Disruption: Positive
Secular Growth: Positive

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$500.00

25x bull case FY27e P/E

AI and hardware refresh start multi-year cycle. F5 is able to prove out a reliable software story and show meaningful hardware growth, driven by AI / hardware refresh. Need for F5 services as enterprises shift workloads to cloud grows, particularly given prioritization of multi-cloud architectures. F5 able to gain share in market given positioning and capitalize on hardware. Trades at premium given refreshes and some AI enthusiasm contribution.

BASE CASE

\$415.00

22x CY27e P/E

Stronger FY26 driven by hardware refresh / upsell; AI story emerging. Hardware refresh kicks in and pulls through some additional software. Secular drivers like AI and multicloud continues to drive incremental spend. Given software content, no tariff impact estimated. Trades at a slight premium to historical average.

BEAR CASE

\$250.00

16x bear case CY27e P/E

Unpredictability in results reemerges, FY26 outlook more constrained given security incident. Spending environment weakness given macro/tariffs. However, given software content, no tariff impact estimated directly to results. Equipment and software refreshes remain slow and multi-cloud investments continue to be delayed. P/E multiple contracts to 13x, is closer to the average historical trading range.

Risk Reward – F5 Inc (FFIV.O)

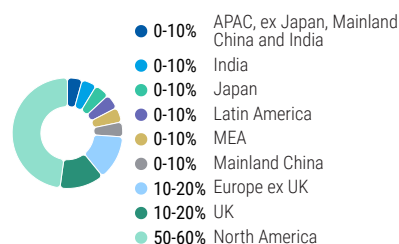
KEY EARNINGS INPUTS

Drivers	Sep 2025	Sep 2026e	Sep 2027e	Sep 2028e
Total Revenue Growth (%)	9.7	9.5	9.0	7.0
Operating Margin (%)	35.2	35.2	33.9	35.3
EPS Growth (%)	18.3	9.6	5.0	14.1
FCF Growth (%)	7.0	(100.0)	(100.0)	(100.0)

INVESTMENT DRIVERS

- Can F5 achieve software growth targets?
- Do SDN and NFV threaten the gross profit dollars of F5?
- What will F5's long term model look like as software assets mature?

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Multi-cloud investments reprioritized faster than expected
- Can continue to gain traction with Distributed Cloud
- Operating leverage from AI
- Accelerated share buybacks
- AI story gets traction

RISKS TO DOWNSIDE

- Macro/tariffs pressure spending environment
- Makes large acquisition that deters from AD targets.
- Software growth slows.
- New product announcements by large competitors.

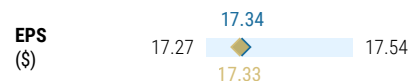
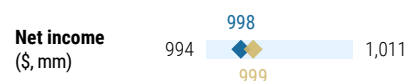
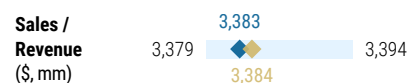
OWNERSHIP POSITIONING

Inst. Owners, % Active	47.6%	
HF Sector Long/Short Ratio	2.2x	
HF Sector Net Exposure	30.6%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Sep 2026e



Source: Refinitiv, Morgan Stanley Research

Ford (F) – Andrew Percoco

Near-Term View: Positive

We believe Ford has a positive catalyst setup heading into 3Q26 earnings, with the key upside opportunity coming from a potential update on Ford Energy's Energy Storage (ESS) backlog and customer contracting activity. We expect management to provide greater visibility into its ESS backlog, which we believe could be a significant catalyst for the stock as investors begin to appreciate the potential for earnings diversification beyond the core automotive business. While we remain constructive on Ford's near-term auto earnings, with resilient US truck demand providing support, higher commodity costs and the recent supplier outage create some uncertainty around the quarter and full-year guidance. Our 3Q adj. EBIT estimate of \$2.33bn is ~2% below consensus, suggesting limited upside from the earnings print itself. **However, we believe tangible evidence of customer demand and backlog growth within Ford Energy could outweigh near-term automotive headwinds and drive a positive stock reaction.**

Equal-weight Investment Thesis

We view Ford Energy as an underappreciated opportunity for earnings diversification and a potential driver of improved Model e profitability. Ford's relationship with CATL is a key differentiator, providing access to best-in-class LFP technology while leveraging domestic manufacturing to address increasingly stringent sourcing requirements. We believe this creates a compelling value proposition for utility-scale and data center customers seeking proven, domestically manufactured ESS solutions that can qualify for federal tax incentives. The demand backdrop is equally attractive: our Utilities and Clean Tech team forecasts US ESS deployments growing at a 38% CAGR through 2030 to ~279 GWh, driven by accelerating data center power demand, grid constraints, and renewable penetration. Against this backdrop, we see potential upside to Ford's initial 20 GWh capacity target as customer contracting activity accelerates. Importantly, while we already incorporate an earnings contribution from Ford Energy in our Model e forecasts, we see additional upside to estimates and valuation as Ford builds a firm backlog and de-risks its growth outlook. We remain EW-rated given ongoing automotive execution challenges, but believe greater visibility into Ford Energy's commercial traction could be an important catalyst for the market to begin assigning more meaningful value to this business.

Potential Catalysts

- **3Q26 earnings (10/28):** Ford Energy backlog update, including potential customer wins with large commercial customers and hyperscalers.
- **ESS commercialization:** Visibility into contracted volumes relative to the initial 20 GWh capacity target, production readiness, and potential capacity expansion
- **Core auto outlook:** FY26 guidance update, including supplier disruptions, F-Series production recovery, and commodity cost headwinds.

Risk Reward – Ford Motor Company (F.N)

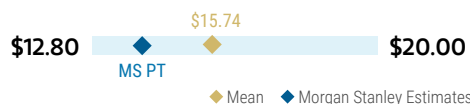
EV Overhangs Offset by Strength in ICE and ESS

PRICE TARGET \$14.00

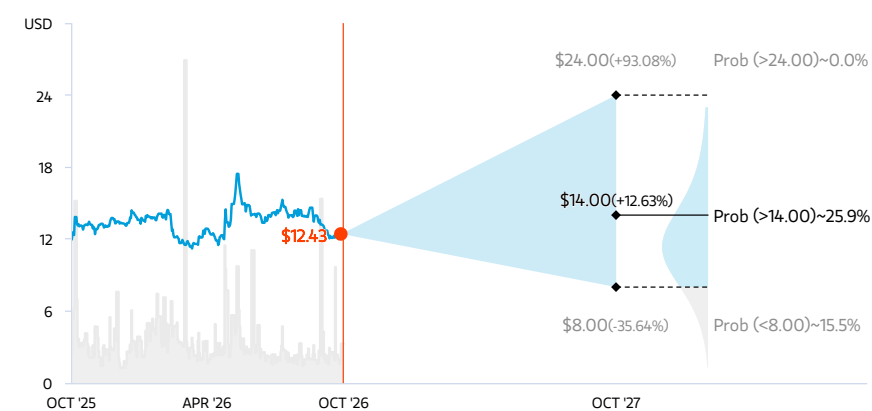
Our \$14 DCF derived price target implies 7.9x 2026 EPS of \$1.79. DCF assumptions include +2.6%/+9.2% revenue/EBIT (ex-Credit) CAGR to 2035 discounted at a 10.9% WACC and a 4.0x exit FCF multiple.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



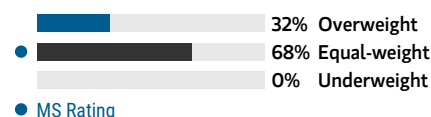
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

EQUAL-WEIGHT THESIS

While Ford benefits from a similar macro setup as GM, we believe the company still needs to prove its ability to execute through warranty challenges as well as inventory and incentive discipline relative to peers. Uncertainty remains around the Universal EV Platform and the bridge to profitability. That said, if the company is able to achieve its warranty reduction targets, stabilize EV margins while investing in UEV, and successfully bring online the 50k units of incremental F-Series production in 2026, we estimate there could be additional upside to our EBIT/EPS estimates.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Electric Vehicles: *Negative*
Self-help: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$24.00

Implies ~11.6x FY26 Bull Case EPS

Our \$24 DCF-derived bull case implies ~11.6x our 2026 bull case EPS of \$2.10. DCF assumptions include +4.1%/+13.1% revenue/EBIT (ex-Credit) CAGR to 2035 discounted at a 10.9% WACC and a 10.0x exit FCF multiple.

BASE CASE

\$14.00

Implies ~7.9x FY26 Base Case EPS

Our \$14 DCF derived price target implies 7.9x 2026 EPS of \$1.79. DCF assumptions include +2.6%/+9.2% revenue/EBIT (ex-Credit) CAGR to 2035 discounted at a 10.9% WACC and a 4.0x exit FCF multiple.

BEAR CASE

\$8.00

Implies ~5.8x FY26 Bear Case EPS

Our \$8 DCF-derived bear case implies ~5.8x our 2026 bear case EPS of \$1.40, which is a ~2.0x discount to our base case multiple. DCF assumptions include -1.1%/+0.7% revenue/EBIT (ex-Credit) CAGR to 2035 discounted at a 10.5% WACC and a 4.0x exit FCF multiple.

Risk Reward – Ford Motor Company (F.N)

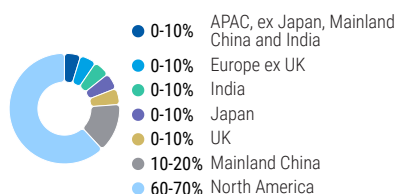
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Group EBIT Margin (%)	3.6	5.4	5.7	6.4
EBITDA (\$, mm)	12,077	15,227	16,228	17,892
Automotive Net Debt (Cash) (\$, mm)	(6,781)	(3,400)	(7,459)	(10,991)
Free Cash Flow (\$, mm)	12,467	5,803	214	8,735
EPS (\$)	1.09	1.79	1.86	2.15

INVESTMENT DRIVERS

- Strong US truck position offsets EV weakness.
- Improving product cycle.
- Roll out of Connected Services and Ford Pro.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

1/5 BEST	24 Month Horizon	2/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Successful execution of Ford + strategy: Connected Services, Ford Pro
- Positive share gains in pickups, Ford's strongest segment
- Strategic EV scaling

RISKS TO DOWNSIDE

- Downward earnings revisions from dis-economies of scale on lower ICE sales
- The F-150 pickup truck loses market share
- Launch / Warranty issues continue
- Material and labor inflation

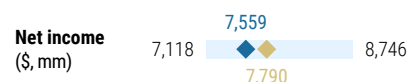
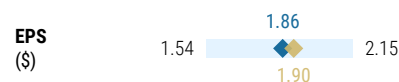
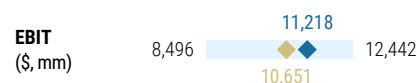
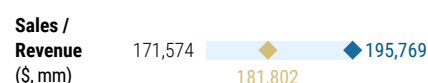
OWNERSHIP POSITIONING

Inst. Owners, % Active	34.6%	
HF Sector Long/Short Ratio	1.8x	
HF Sector Net Exposure	11.3%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2027e



◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

Global-e Online (GLBE) – James Faucette

Near-Term View - Positive

We believe GLBE has a positive setup heading into 3Q26 results and expect the company to outperform consensus GMV expectations. Our 3Q GMV forecast calls for 37.6% y/y growth vs. consensus of 34.1%, as the implied sequential decline looks overly conservative relative to historical seasonality and GLBE's track record of consistent GMV beats. Same-store-sales growth continues to run in the mid-teens, ~500-600bps above historical levels, supporting sustained 30%+ GMV growth even as FX tailwinds moderate and Canadian comps toughen. We recently raised estimates across the board, largely driven by SSS tailwinds that drive higher NDR assumptions, with our 2027/2028 GMV estimates now 6%/8% above consensus and GAAP EPS 16%/11% above. We also see potential for fuel surcharge recapture to support fulfillment margins, particularly in 4Q26.

Overweight Investment Thesis

We view GLBE as a leading enabler of cross-border e-commerce with a long runway for growth as merchants increasingly leverage its localized payments, fulfillment, and merchant-of-record capabilities. We are bullish on GLBE given the durability of mid-teens same-store-sales growth (which we believe could see an incremental tailwind from agentic commerce), continued enterprise merchant traction, potential agentic commerce tailwinds, and structural margin upside from Shopify Managed Markets. Importantly, we believe investor concerns around take rate compression are overstated, as our analysis suggests that when excluding the impact of Ted Baker, like-for-like service fee take rates declined only ~11bps in both 2024 and 2025, with the remaining pressure largely explainable by a growing mix of larger enterprise merchants. We also believe Managed Markets could generate incremental EBITDA margins in the mid-to-high 30s as it scales, potentially driving consolidated margins above the company's 25% medium-term target. Overall, we see GLBE delivering ~37% GAAP EPS CAGR from 2026-2028, while trading at only ~16x our '28 GAAP EPS. *For further detail on our investment thesis, please refer to [Global-e Online Ltd.: Upgrade to Overweight; Secular Cross-Border Growth / Agentic, Take Rate Comfort & Managed Markets Incremental Margins Leave Us More Bullish \(19 Oct 2026\)](#).*

Potential Catalysts

- 3Q26 earnings and stronger-than-expected GMV growth
- Greater take rate transparency and sustained same-store-sales growth
- Shopify Managed Markets adoption and incremental margin expansion

Risk Reward – Global-e Online Ltd. (GLBE.O)

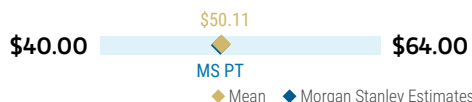
Critical Cross-Border E-Commerce Enabler

PRICE TARGET \$50.00

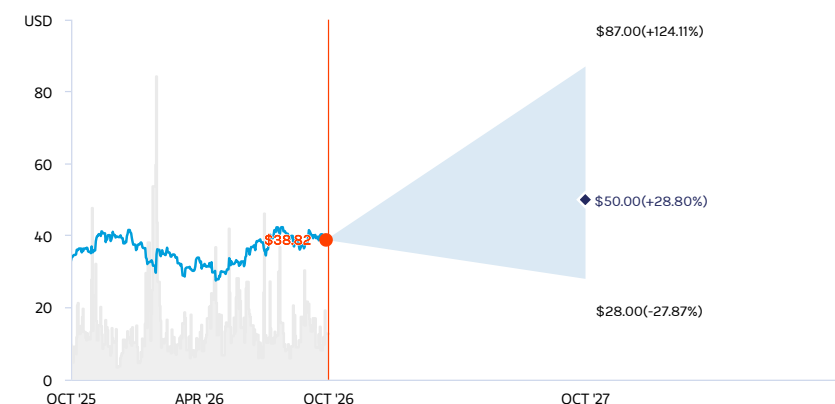
We value GLBE using a '28 GAAP EPS multiple of 20x, broadly in-line with other high-growth peers including TOST and AFRM, which we believe is deserved given GLBE's best-in-class growth profile and potential for investors to climb the wall of worry on take rates, which should warrant incremental multiple expansion.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART



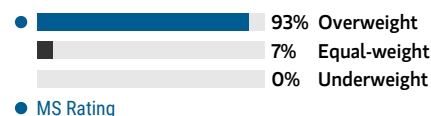
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

We see Global-e as cutting down key hurdles to cross-border e-commerce (particularly related to localizing merchant content, managing payments, and facilitating fulfillment) while building scale and leverage around its capabilities. As the market better digests take rates and the potential for Managed Markets incremental GMV & margins to ramp, we expect to see both revisions and multiple expansion.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption: Positive
Secular Growth: Positive

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$87.00

25x '28 GAAP EPS of \$3.49

Growth accelerates, significant new client and SHOP Managed Markets contribution. GLBE adds new customers at an accelerating rate and the company's growth runway expands given the larger customer base. Gross profit dollars scale accordingly, with slight gross margin expansion and significant opex leverage also contemplated.

BASE CASE

\$50.00

20x '28 GAAP EPS of \$2.49

GLBE continues to capitalize on the opportunity ahead. GLBE grows GMV rapidly as it adds new merchants/grows with existing merchants, leading to revenue growth modestly above expectations. Gross profit dollars grow accordingly, with stable gross margins.

BEAR CASE

\$28.00

15x '28 GAAP EPS of \$1.90

Cross-border eCommerce decelerates. Rapidly slowing cross-border e-commerce growth impairs GLBE's trajectory, leading to slower existing customer growth rates. Scale effects fail to expand gross margins, with gross profit dollars missing expectations, and GLBE re-rating lower accordingly.

Risk Reward – Global-e Online Ltd. (GLBE.O)

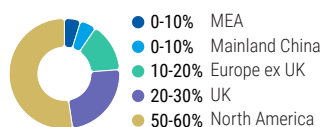
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
GMV Growth (y/y) (%)	35.2	39.2	34.0	29.9
Revenue growth (y/y) (%)	27.8	41.3	36.1	27.0

INVESTMENT DRIVERS

- Growth of existing merchants
- Expansion of footprint with existing merchants
- Growth in cross-border e-commerce

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

2/5
MOST

3 Month
Horizon

Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Incremental confidence in GLBE's enabling role for cross-border e-commerce growth
- Greater than expected growth of existing merchants
- Faster than expected SHOP Managed Markets contribution

RISKS TO DOWNSIDE

- Persistent regional conflict
- International tourism could replace more key category purchases
- Expansion of free-trade zones or store footprint by key brands could diminish GLBE's value-add
- SSS volatility

OWNERSHIP POSITIONING

Inst. Owners, % Active	87.8%				
HF Sector Long/Short Ratio	1.8x				
HF Sector Net Exposure	11.3%				

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Grindr (GRND) – Nathan Feather

Near-Term View: Positive

We are positive GRND into upcoming 3Q26 earnings for 3 key reasons: 1) High likelihood of a beat & raise. GRND put out heavily conservative guidance implying 2H revenue growth of ~12% y/y vs. ~35% in 1H. Although they are lapping a price increase, that implies effectively no sequential growth which seems highly unlikely. Alternative data supports a beat with Sensor Tower showing MAU growth accelerating to 7% y/y (vs. cons at -1% y/y) and +4% q/q revenue growth (vs. cons. at -2% q/q). **2) Clarity on Freddie.** GRND recently acquired PrEP telehealth provider Freddie (*for our takes, see [here](#)*). The stock reacted negatively on the news, but we see this deal as a material opportunity potentially able to drive a ~50% uplift to current revenue/EBITDA. While bears are concerned on near-term dilution, we expect positive color on the FY27 impact to financials to calm fears. **3) Compelling valuation.** In our view, sentiment has turned overly negative since the Freddie acquisition with the stock down -12% and the FY2 EBITDA multiple de-rating by ~1.5 turns. As a result, GRND is now trading at 10.5x EBITDA for an 18% '25-'28 CAGR which we see as a compelling entry point with an asymmetric 3:1 bull-bear skew.

Overweight Investment Thesis

We view GRND as a one-of-one asset with powerful network effects (15M MAUs), high engagement (~70 mins/DAU), and strong profitability (>40% EBITDA margins). We believe GRND is under-monetized relative to peers & the value it delivers. In our view, new products set to launch soon (such as its ultra-premium tier EDGE) in addition to expanding services beyond core dating (e.g. healthcare) could drive durable 20%+ long-term revenue growth without hurting the free user experience. Risk reward also screens attractive with GRND trading at a material discount to peers on a growth-adjusted basis and its historic multiple.

Potential Catalysts

- 3Q26 Earnings (late October/early November)
- EDGE launch (early November)

Risk Reward – Grindr Inc. (GRND.N)

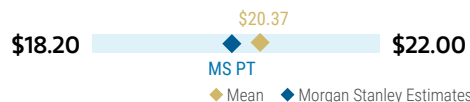
On the EDGE of Glory

PRICE TARGET \$20.00

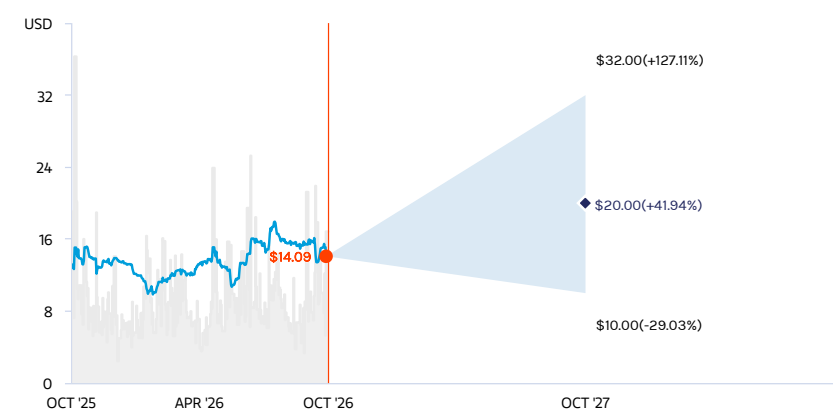
Our \$20 price target reflects our DCF-derived base case, which uses a 2.5% terminal growth rate, a 40% terminal EBITDA margin, and a 8.7% WACC. Our price target equates to 14x 2027E EV/EBITDA

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART



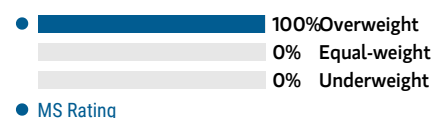
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research

OVERWEIGHT THESIS

- GRND is a one-of-one asset with powerful network effects (15M MAUs), high engagement (~70 mins/DAU), and strong profitability (>40% margins)
- We believe GRND is under-monetized relative to peers & the value it delivers. We believe new products (such as EDGE and Woodwork) could drive durable long-term revenue growth while representing a paradigm shift to product-led rather than paywall monetization.
- The risk/reward screens attractive, with GRND trading at a discount relative to peers and its historic multiple

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption: Positive
Self-help: Positive

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$32.00

~20x FY27 Bull Case EBITDA

Welcome to the Gayborhood. GRND's increased focus on monetization finds multiple hit products while also leading to lower-than-expected user churn. In this scenario, we assume a 21% '25-'28 revenue CAGR with ~5% MAU CAGR and ~12% monetization growth. EDGE & Woodwork are standouts, reaching >20% of revenue in '28. Faster scale enables adj. EBITDA margins to reach ~45% by 2030. Our DCF utilizes a 3.5% terminal growth rate & ~46% terminal EBITDA margin.

BASE CASE

\$20.00

~14x FY27 Base Case EBITDA

Grinding Ahead. In this scenario, we assume a 4% '25-'28 MAU CAGR with a 13% increase in revenue per user leads to a 18% revenue CAGR. EDGE & Woodwork contributors, reaching 15% of revenue in '28. Adj. EBITDA margin modestly tapers over the next few years as the company reinvests to sustain the growth rate. GRND continues to walk the monetization tightrope, carefully balancing churn and ARPPU. Our DCF utilizes a 2.5% terminal growth rate & ~41% terminal EBITDA margin.

BEAR CASE

\$10.00

~1-x FY27 Bear Case EBITDA

Falling off the Monetization Tightrope. Increased focus on monetization doesn't yield the intended benefits and instead results in increased user churn. As a result, we assume 15% '25-'28 revenue CAGR as users flatline with growth almost entirely from paywall-led monetization as EDGE & Woodwork struggle. Adj. EBITDA margins compress to ~35% by 2030 due to higher reinvestment. Our DCF utilizes a 1% terminal growth rate & ~35% terminal EBITDA margin.

Risk Reward – Grindr Inc. (GRND.N)

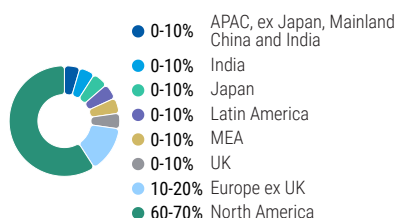
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Direct Revenue (\$, mm)	366	450	536	618
Paying Users (000s) (000s)	1,258	1,427	1,544	1,664
Monthly Active Users (000s) (000s)	14,985	15,260	15,909	16,546
Grindr ARPPU (\$)	24.26	26.28	28.92	30.94
Indirect revenue (\$, mm)	74	96	108	121

INVESTMENT DRIVERS

- MAU Growth
- Payer Penetration
- Increases to Engagement (Time Spent per User)
- Advertising Revenue Growth
- EBITDA Margin

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

RISKS TO PT/RATING

RISKS TO UPSIDE

- EDGE successfully monetizes power users
- It balances the monetization tightrope with strong topline growth & minimal user trade-offs
- GRND successfully launches and scales multiple DTC brands

RISKS TO DOWNSIDE

- Monetization of newer products like EDGE & Woodwork is smaller than expected
- User pushback to incremental monetization causes MAU headwinds
- Competition in the casual M4M space ramps, reducing GRND's moat

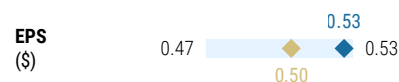
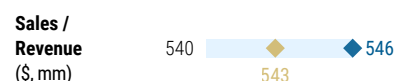
OWNERSHIP POSITIONING

Inst. Owners, % Active	60%				
HF Sector Long/Short Ratio	2.2x				
HF Sector Net Exposure	9.9%				

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Guardant Health (GH) – Kallum Titchmarsh

Near-Term View: Positive

We expect strong Q3 results for GH and think there is potential for the stock to see a positive re-rating in the near term. We model Q3 revenue of \$353mn (+33% y/y) vs. the Street's \$350mn, driven by an acceleration in Shield adoption and strength across the broader oncology portfolio. We think the UNH coverage decision announced in July (effective 8/1/2026) will be a tangible Screening tailwind to Q3 Shield volumes and could represent upside risk to an already impressive trajectory YTD. In Oncology, we model Q3 revenue of \$228mn (vs. Street \$227mn) driven by another strong quarter for G360. On Reveal, our channel checks have indicated healthy interest uptick and anticipation of the Ultra launch. Finally on valuation, while GH continues to trade near its all-time average EV/Sales multiple of ~14x, since Q2 the stock has de-rated by about 30% relative to the Dx comp group, presenting a favorable relative entry point and upside from re-rating closer to peer multiples if it can deliver strong a strong quarter.

Overweight Investment Thesis

GH is extremely well positioned in the attractive liquid biopsy vertical, with a broad oncology portfolio across screening, CGP, and MRD and multiple catalysts for the stock over the near term. Shield adoption has been strong to date with recent coverage decisions from UNH, Carelon, and EviCore expanding covered lives to ~94mn and supporting the sustainability of the Shield ramp over the medium term. We see building evidence of clinical utility and adoption of G360 driving additional payor coverage, with the TissueNext test further enhancing the therapy selection value proposition. LT, we see GH transitioning into a platform play (w/ both tissue and liquid biopsy testing), with growth driven by pipeline products for recurrence/response monitoring and early detection across multiple tumor types, which unlock significantly larger TAMs vs. therapy selection alone.

Potential Catalysts

- 3Q26 Earnings (11/5): We expect a beat and raise, driven by an acceleration in Shield adoption and strength across the broader oncology portfolio

Risk Reward – Guardant Health Inc. (GH.O)

Liquid Biopsy Pioneer Revolutionizing the Treatment and Detection of Cancer

PRICE TARGET \$200.00

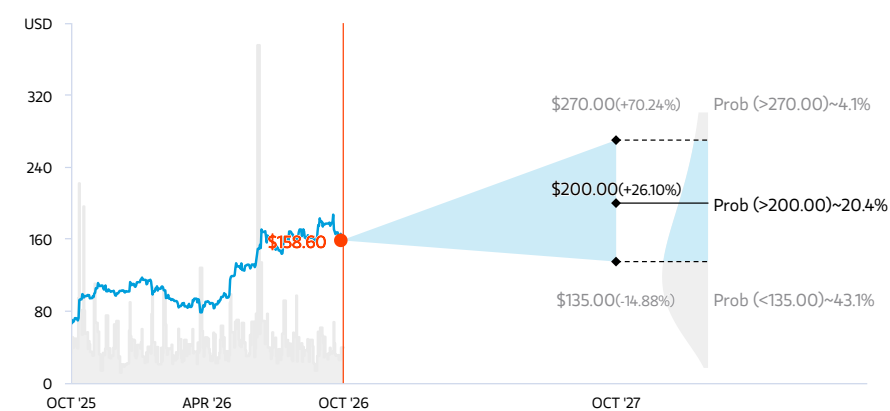
Our price target is based on a ~15x EV / '27e Sales multiple, supported by DCF analysis. Our target multiple reflects a premium to precision oncology peers given GH's more compelling growth profile and nearer-term profitability prospects.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



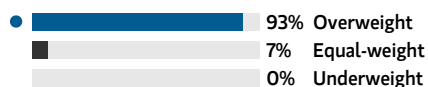
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

OVERWEIGHT THESIS

GH is extremely well positioned in the attractive liquid biopsy vertical, with room for multiple competitors in the space in light of the low levels of penetration today. We see building evidence of clinical utility and adoption of G360 driving additional payor coverage, with the TissueNext test further enhancing the therapy selection value proposition. LT, we see GH transitioning into a platform play (w/ both tissue and liquid biopsy testing), with growth driven by pipeline products for recurrence/response monitoring and early detection across multiple tumor types, which unlock significantly larger TAMs vs. therapy selection alone.

Consensus Rating Distribution



● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$270.00

Positive trial readouts drive faster adoption

Clinical trials to proceed faster than expected with positive pivotal data expediting adoption of liquid biopsies as an alternative to tissue in first-line treatment decisions while driving broader payor coverage. Greater contributions from pipeline products and Shield adoption well ahead of expectations.

BASE CASE

\$200.00

Positive trial readouts leads to gradual adoption

Continued success in clinical trials leads to increased adoption and broader payor coverage with existing products and liquid biopsy as a whole. Pipeline products remain on track with meaningful contributions from Shield.

BEAR CASE

\$135.00

Failure to drive meaningful increases in adoption

Delays in critical clinical trials or failure to produce meaningful data resulting in failure to drive meaningful increases in adoption rate for liquid biopsies as well as payor coverage expansions. Challenges in pipeline developments further push out contribution expectations resulting in slower revenue growth and OM expansion.

Risk Reward – Guardant Health Inc. (GH.O)

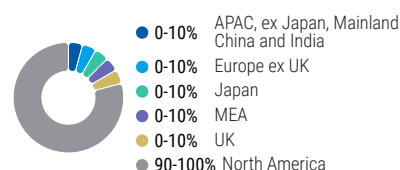
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Reported tests to clinical customers	276,138	413,980	534,623	641,383
Reported tests to biopharma customers	45,532	53,298	59,004	65,372
Total revenue (\$, mm)	982.0	1,359.7	1,804.7	2,279.7

INVESTMENT DRIVERS

- Liquid biopsy testing gained robust traction in the high-growth cancer diagnostics market
- GH has generated robust evidence supporting use of its tests, driving traction in the clinic
- Strong demand for liquid biopsy based CGP in the biopharma space

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

3/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Faster clinical trial progression with strong positive data leads to faster adoption of liquid biopsy
- Products are reimbursed sooner than expected
- Indication expansion proceeds faster than expected

RISKS TO DOWNSIDE

- Delays in reimbursement
- Inability to compete/keep share vs. new products and/or emerging players in the liquid biopsy space
- Potential loss in patent infringement lawsuits

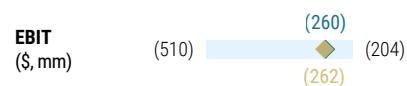
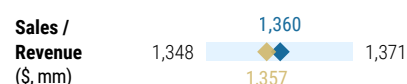
OWNERSHIP POSITIONING

Inst. Owners, % Active	71.7%	
HF Sector Long/Short Ratio	2.1x	
HF Sector Net Exposure	17.3%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

O'Reilly Automotive (ORLY) – Simeon Gutman

Near-Term View: Positive

We are constructive on ORLY heading into Q3 earnings, with our conviction supported by three factors: 1) ORLY should continue to benefit from market share gains, supported by its industry-leading distribution network and ability to capture commercial demand; 2) we expect early signs of improving incremental margins (from ~19.5% in Q2 toward the ~22–23% range we model in 2H26) as SG&A growth moderates, supporting better earnings flow-through and a stronger EPS trajectory into FY27; and 3) we believe ORLY has among the strongest pricing power across Hardlines/Broadlines, leaving it particularly well positioned to manage inflationary cost pressures heading into next year. We believe Q3 results could reinforce confidence in the durability of share gains and improving earnings trajectory, supporting upward estimate revisions and driving the stock.

Overweight Investment Thesis

We view ORLY as a best-in-class earnings compounder, with distribution-led share gains supporting sustained above-industry growth. Its differentiated supply chain, leading parts availability and service expertise underpin competitive advantages across DIY and DIFM. These strengths should support MSD% comps and expanding Pro penetration. In the near term, improving incremental margins should support ~HSD% EBIT growth and, alongside share repurchases, low-double-digit EPS growth. Moderating SG&A growth and private-label sourcing benefits should strengthen earnings conversion, providing scope for estimate upside and multiple re-rating following the recent valuation reset.

Potential Catalysts

- Q3 2026 earnings announcement (Wednesday, October 28 after market close)

Risk Reward – O'Reilly Automotive Inc (ORLY.O)

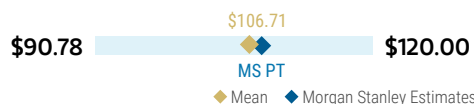
Best-In-Class Model

PRICE TARGET \$108.00

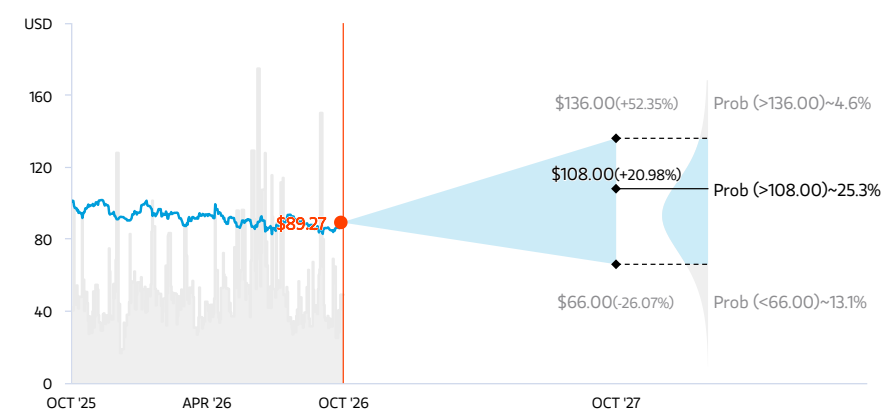
Our \$108 price target is based on ~26.5x our '28e EPS of ~\$4.09. In '26/'27/'28, we model +5.6%/+4.1%/+4.5% comps and +20 bps/+25 bps/+25 bps of EBIT margin expansion. These estimates produce '26/'27/'28 EPS of \$3.27/\$3.64/\$4.09 with ~\$3bn in annual share buybacks.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



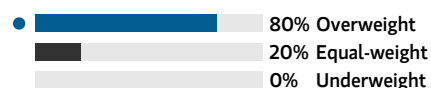
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

OVERWEIGHT THESIS

- We view ORLY as a best-in-class operator in the defensive DIY Auto space, which typically outperforms during recessions. The cyclical headwinds faced by the sector during '23 and '24 are likely to fade over time, allowing for a resumption of trendline +LSD% growth for the industry and +MSD% for ORLY.
- Longer term, sector fundamentals remain robust and supported by ageing U.S. vehicle car parc, increased penetration of used vehicles per household and rising mix of light trucks.

Consensus Rating Distribution



● MS Rating

Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Pricing Power: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$136.00

~32x '28e EPS of ~\$4.26, ~22.5x '28e EV/EBITDA.

Our \$136 price target is based on ~32x our '28e EPS of ~\$4.26. In '26/'27/'28, we model +6.1%/+5.1%/+5.5% comps and +40 bps/+45 bps/+10 bps of EBIT margin expansion. These estimates produce '26/'27/'28 EPS of \$3.33/\$3.77/\$4.26 with ~\$3bn in annual share buybacks.

BASE CASE

\$108.00

~26.5x '28e EPS of ~\$4.09, ~19x '28e EV/EBITDA.

Our \$108 price target is based on ~26.5x our '28e EPS of ~\$4.09. In '26/'27/'28, we model +5.6%/+4.1%/+4.5% comps and +20 bps/+25 bps/+25 bps of EBIT margin expansion. These estimates produce '26/'27/'28 EPS of \$3.27/\$3.64/\$4.09 with ~\$3bn in annual share buybacks.

BEAR CASE

\$66.00

~17x '28e EPS of ~\$3.91, ~12.5x '28e EV/EBITDA.

Our \$66 price target is based on ~17x our '28e EPS of \$3.91. In '26/'27/'28, we model +4.8%/+2.6%/+3.5% comps and -25 bps/-20 bps/+90 bps of EBIT margin change. These estimates produce '26/'27/'28 EPS of \$3.17/\$3.38/\$3.91 with ~\$3bn in annual share buybacks.

Risk Reward – O'Reilly Automotive Inc (ORLY.O)

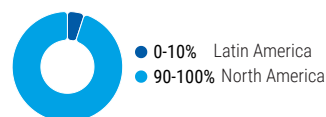
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Comps (%)	4.7	5.6	4.1	4.5
Total sq footage growth (%)	5.5	4.1	3.4	3.3
Gross Margin (%)	51.6	51.8	52.0	52.2
SG&A Per Avg Sqft Growth (%)	2.5	2.6	2.3	2.7
EBIT Margin (%)	19.5	19.6	19.9	20.2

INVESTMENT DRIVERS

- Continued comp gains in both DIY and DIFM
- Steady gross margins via increasing scale and lowering inventory costs
- Solid free cash flow

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Comps accelerate, approaching ~HSD% due to share gains
- Gross margin expansion despite International headwinds
- Solid expense management and moderating capex

RISKS TO DOWNSIDE

- Protracted macro headwinds on DIY shoppers
- Lower new store productivity
- Issues with early expansion in Mexico (sales or costs)
- Gross margin downside or greater than anticipated expense headwinds/investments

OWNERSHIP POSITIONING

Inst. Owners, % Active	52.8%	
HF Sector Long/Short Ratio	1.8x	
HF Sector Net Exposure	11.3%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e

Sales / Revenue (\$, mm)	19,036	19,120 19,131	19,247
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EBIT (\$, mm)	3,705	3,756 3,754	3,801
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EBITDA (\$, mm)	4,264	4,300 4,324	4,368
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EPS (\$)	3.22	3.27 3.28	3.33
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◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

TeraWulf (WULF) – Stephen Byrd

Near-Term View: Positive

We believe investors fundamentally misprice WULF, under-appreciating the value of their high-quality HPC leases. These leases, signed with high-quality tenants and/or counterparties, generate (in our view), nearly double the per-share value of where the stock currently trades. Adding additional upside to the name are: 1) strong visibility into adding additional grid access and inking deals on those sites, 2) an expansive power pipeline of attractive sites with grid access and strong customer interest (including a 1GW site in Kentucky), 3) lower cost of construction on existing sites, contributing to stronger yields on capex, 4) strong liquidity and cash balance, and 5) insulation from the current rates market in that some project interest costs will be borne (if material) by the tenants should costs rise to certain levels.

Overweight Investment Thesis

WULF is a strong play for those looking for exposure to the strong economics of solving the power shortfall in serving AI demand (a hurdle recently confirmed by NVIDIA management). Relative to other peers, they have stronger management, experience in building large-scale power projects, a strong track record in signing lucrative deals (with above-average yields), a history of receiving strong credit support, upcoming grid access enablement, and near-term, rapidly-ramping, high-quality cash flows. WULF stock is essentially flat YTD, which does not make sense to us given the multiple positive developments in 2026, including: 1) signing the 401 MW Hawesville lease, 2) securing close to 2,000 MW of incremental power access, 3) energizing 102 MW of data center capacity, with another 168 MW energizing in 4Q 2026, and 4) remaining on time and within their originally established budget for all projects.

Potential Catalysts

- Upcoming deal expected in Q1 or Q2 for the entire 1GW Hawesville Site
- Issuance of \$3.5bn of debt
- Energization and stabilization of existing lease MWs

Risk Reward – TeraWulf Inc (WULF.O)

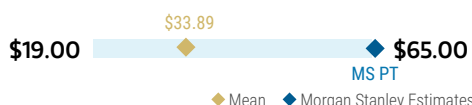
Digital Infrastructure Focus

PRICE TARGET \$65.00

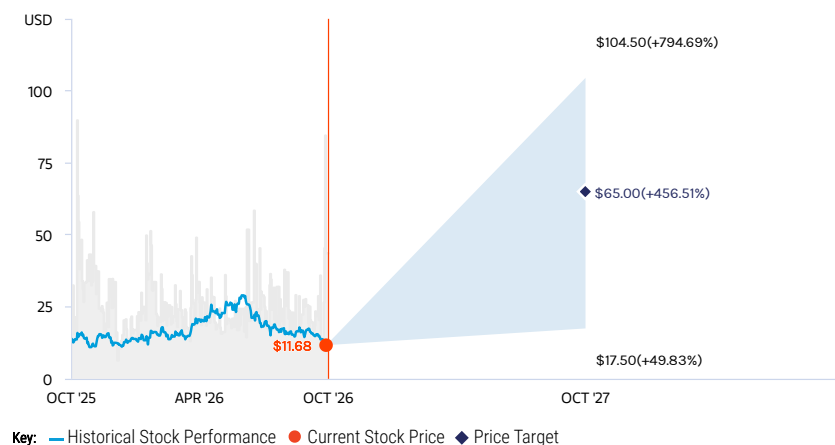
TeraWulf has a strong track record of signing agreements with data center customers, and the management team has extensive experience in building a wide range of power infrastructure assets.

- HPC Leases: Discounted NAV
- Other Owned Sites: EV/Watt
- 50% probability of 250 MW Deployed p.a. 2028-2032: Discounted NAV

Consensus Price Target Distribution



RISK REWARD CHART



BULL CASE

\$104.50

75% probability of energization

In our bull case, we assume the success rate rises to 75% on the high end of annual project growth of 500 MW/year in 2028-32, decrease the discount rate on HPC leases to 6%, and assume a \$15/watt value on all pipeline sites.

BASE CASE

\$65.00

50% probability of energization

In our base case, we value the existing Bitcoin-to-DC projects based on our "REIT endgame" valuation framework. We project that the company will successfully convert the 2,082 MWs that currently do not have a Bitcoin-to-DC contract, at a present value that equates to ~\$11.50/watt. We also assume that management achieves a 50% success rate in achieving the lower end of its targeted annual DC project growth of 250 MW/year in 2028-32.

BEAR CASE

\$17.50

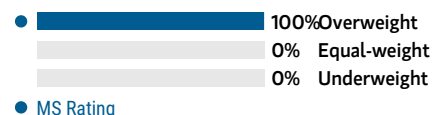
0% probability of energization

WULF downside is limited by the significant value associated with existing contracts. In our bear case we include the value from the existing contracts, plus a very low value assigned to other assets (\$2/watt, much lower than the \$9-13/watt of value created from precedent conversion transactions) and no other Bitcoin-to-DC conversion transactions.

OVERWEIGHT THESIS

TeraWulf (WULF) remains a strong pick: despite strong stock performance, our base case price target recognizes the opportunity for a quadrupling (at ~310% upside). Underpinning our conviction is the company's history of successfully building and acquiring power infrastructure and track record of multiple repeat Bitcoin-to-DC conversion transactions with customers. In our view, the company has a viable path to continued, significant annual growth in power and data center capacity, and we include this growth potential in both our base and bull cases.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: *Positive*

View descriptions of Risk Rewards Themes [here](#)

Risk Reward – TeraWulf Inc (WULF.O)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Digital Assets (\$, mm)	151.6	68.1	85.8	50.1
HPC Lease Revenue (\$, mm)	24.1	329.0	829.7	1,389.6
Operating profit (\$, mm)	(186.2)	(221.7)	293.4	540.2
GAAP operating margin (%) (%)	(110.5)	(55.8)	32.0	37.5
Adjusted EBITDA (\$, mm)	(23.1)	239.2	809.7	1,352.2

INVESTMENT DRIVERS

- The magnitude of improvement in AI capabilities will continue to increase at a non-linear rate
- The value creation for both AI Adopters and AI Enablers is high
- The demand for compute is likely to be systematically much higher than the supply

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	4/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- We view a slowdown in AI spend as the largest single risk.
- Execution risks on construction could result in project delays and cost overruns.
- Legislative risk to New York and Maryland sites could inhibit construction.

RISKS TO DOWNSIDE

- AI customer agreements could validate the BTC-to-HPC pivot faster than modeled.
- Additional acquisitions could lift pipeline value beyond the 2,082 MW base case.

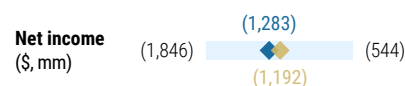
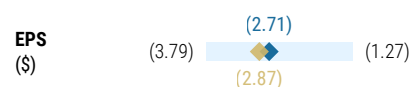
OWNERSHIP POSITIONING

Inst. Owners, % Active	57%	
HF Sector Long/Short Ratio	2.2x	
HF Sector Net Exposure	30.6%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates
Source: Refinitiv, Morgan Stanley Research

Western Digital (WDC) – Erik Woodring

Near-Term View: Positive

We see a favorable setup for WDC heading into F1Q27 earnings for three reasons. **First, we believe expectations have reset too far relative to fundamentals following WDC's recent underperformance.** Investor concerns have centered on WDC's relative execution on enterprise capacity shipments and perceived lag vs. STX on HAMR, but our checks point to accelerating HDD demand, continued pricing strength and improving high-capacity drive mix. **Second, we see meaningful upside to forward estimates.** For the September quarter, we expect WDC results solidly above management's guidance, while our December quarter EPS estimate is ~10% above consensus, supported by stronger pricing and gross margin assumptions. Our FY27/FY28 EPS estimates remain 15-40% above consensus, with further upside possible if pricing and enterprise capacity shipments outperform our base case. **Third, valuation creates an attractive setup into the print.** Following the recent correction, WDC trades below 8x our FY28 EPS estimate, below the historical trough multiple of ~8x for HDD stocks. With expectations lower than for STX, we believe a beat and stronger-than-expected December quarter outlook could drive both upward estimate revisions and a narrowing of WDC's valuation discount to STX.

Overweight Investment Thesis

We view WDC as an undervalued way to gain exposure to a strengthening HDD cycle, supported by accelerating cloud demand, improving pricing and a mix shift toward higher-capacity enterprise drives. HDD demand continues to outstrip supply, while longer contract structures mean stronger pricing should flow through earnings over multiple quarters rather than all at once. Importantly, we believe the market is underestimating both the duration and through-cycle profitability of this cycle. Our base-case FY28 EPS estimate is ~40% above consensus, yet our work suggests another ~40% upside in a bull case if stronger pricing and enterprise capacity shipments persist. Longer term, we believe WDC can maintain its competitive position despite being behind STX on HAMR, supported by continued areal-density gains from ePMR and a transition to HAMR over time. Against this earnings trajectory, we view the recent valuation reset as an attractive entry point.

Potential Catalysts

- **F1Q27 earnings (October 22):** September quarter results and December quarter guidance, particularly pricing, gross margin and enterprise capacity shipments.
- **STX earnings (October 27):** Read-through on HDD demand, pricing and industry supply discipline.
- **Hyperscaler earnings:** Updates on cloud capex and storage demand.

Risk Reward – Western Digital (WDC.O)

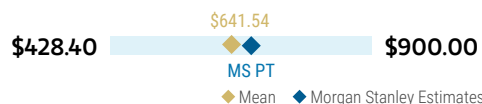
An Undervalued Special Sit Tied To Once In A Generation Data Center Buildout

PRICE TARGET \$676.00

Our PT implies 20.0x CY27 EPS of \$33.80, as we expect earnings upward revisions by the Street with shares trading on par with STX at 6.0x turns above the peak multiples (14.0x) in the previous industry upcycle.

Consensus Price Target Distribution

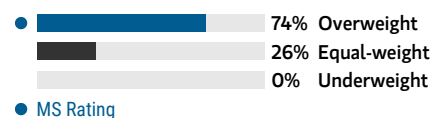
Source: Refinitiv, Morgan Stanley Research



OVERWEIGHT THESIS

WDC benefits from accelerating data growth, which drives storage demand in the cloud and on-prem. We believe that the HDD cycle is 'Stronger for Longer' – demand outstrips supply with continued upward pressure in HDD pricing – and entering a period of AI-driven storage demand growth, which will benefit both HDDs and SSDs shipments. While WDC is behind STX in HAMR timeline, we believe WDC will retain its leading HDD revenue and profits market share in the near term with its competitive UltraSMR solutions for high-capacity drives before the industry shifts to wider adoption of HAMR. Accelerated mix shift toward higher-capacity drives lowers cost per TB, supporting continued margin expansion.

Consensus Rating Distribution



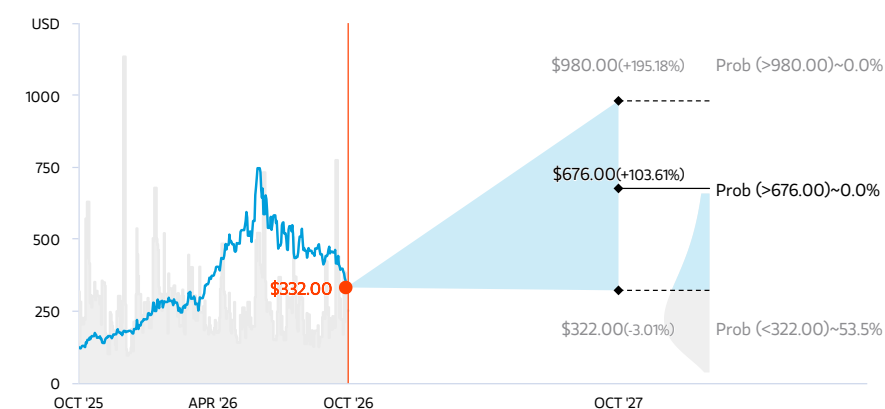
Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

New Data Era: Positive
Pricing Power: Positive
Secular Growth: Positive

View descriptions of Risk Rewards Themes [here](#)

RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

BULL CASE

\$980.00

22.0x CY27 Bull-case EPS of \$44.61

Cloud storage demand surprises positively, gross margins expand more quickly due to much higher high-capacity mix, and WDC sees a greater AI-driven demand uplift. Gross margins approaching mid-60% range in FY27-28. Incremental HDD demand from AI in CY27 is more material than expected. Pricing environment remains healthy into CY27, driving mid-20s % Y/Y price per EB growth. HAMR timeline accelerates, with earlier-than-expected qualification completion and volume shipment timing.

BASE CASE

\$676.00

20.0x CY27 EPS of \$33.80

GMs approach 50% range and AI drives HDD demand, creating a compelling EPS story in FY26-27. The HDD market remains healthy in CY27, and AI drives a HDD demand uplift in FY27-29. Increase in high-capacity drive mix expand GMs to 60% levels, and continued opex discipline supports EPS. Our PT assumes 20.0x - in line with our target multiple for STX - which is 6.0x turns above where STX stock multiples traded up to during the previous HDD industry upcycle in 2021-22.

BEAR CASE

\$322.00

14.0x CY27 Bear-case EPS of \$23.00

HDD growth decelerates, gross margins struggle to further expand, and AI-driven demand doesn't materialize. Our bear case assumes the HDD demand growth turns out to be milder than expected. Despite market share leadership in high-capacity drives, headwinds such as underutilization, production charges, and tariffs keep GM depressed and lead to fixed cost deleverage. Our bear case assumes shares trade at 14.0x on our CY27 bear-case EPS of \$23.00.

Risk Reward – Western Digital (WDC.O)

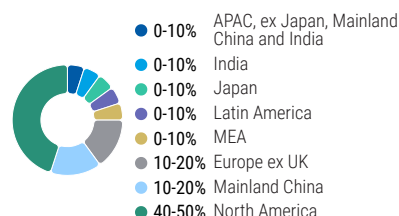
KEY EARNINGS INPUTS

Drivers	Jun 2026	Jun 2027e	Jun 2028e	Jun 2029e
Revenue Growth (Y/Y) (%)	35.7	57.2	52.1	14.4
HDD Exabyte Growth (Y/Y) (%)	25.1	27.6	22.0	4.7
Nearline HDD Exabyte Growth (Y/Y) (%)	28.4	31.0	23.8	5.0
Non-GAAP Gross Margin (%)	49.1	61.8	72.9	76.8
Non-GAAP Operating Margin (%)	37.3	53.9	67.3	71.0

INVESTMENT DRIVERS

- Positive EPS revisions as cycle strength surprises to upside
- Gross margins approaching mid-50s %
- CSPs qualify on HAMR platform, signaling imminent volume shipments
- Further de-leveraging
- Dividend increase / acceleration of buybacks

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Demand accelerates
- AI drives incremental HDD demand
- Smoother cloud cycles drive multiple expansion
- WDC exhibits more pricing power
- HAMR qualification/volume shipment timeline earlier than expected

RISKS TO DOWNSIDE

- GM doesn't further expand
- Pricing normalizes more than expected
- Geopolitical tensions & tariff impacts
- Competitive pressures & HAMR timeline delays
- Dilution from converts more significant than expected

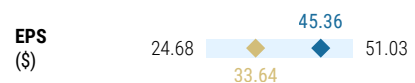
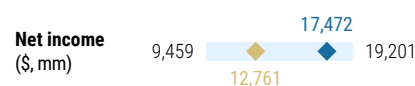
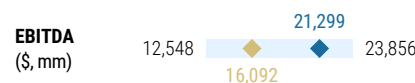
OWNERSHIP POSITIONING

Inst. Owners, % Active	52.7%				
HF Sector Long/Short Ratio	2.2x				
HF Sector Net Exposure	30.6%				

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Jun 2028e



Source: Refinitiv, Morgan Stanley Research

Williams Companies (WMB) – Robert Kad

Near-Term View: Positive

We see an attractive setup for WMB heading into 3Q26 results, with the next wave of behind-the-meter (BTM) power project announcements potentially driving positive EBITDA estimate revisions and further multiple expansion. WMB now guides to 11%+ EBITDA CAGR from 2025 to 2030, but we believe the market continues to underestimate the scale and sustainability of its AI infrastructure growth opportunity. We forecast ~16% EBITDA CAGR through 2030, above consensus, with particularly strong growth in 2028–29 as new power projects enter service. We expect additional data center power project announcements over the next few months (4Q26–1Q27), potentially including larger, multi-GW hyperscaler projects, to drive upward revisions to growth capex and EBITDA expectations.

Overweight Investment Thesis

We view WMB as one of the most compelling risk-adjusted ways to participate in the AI infrastructure buildout, supported by its extensive natural gas pipeline network, long-term contracted cash flows, and growing BTM power business. WMB offers turnkey power solutions to hyperscalers, integrating natural gas supply, pipeline connectivity, and onsite generation, with the ability to deliver power within 18–24 months of contract execution. We believe this speed-to-market advantage, combined with long-duration contracts and attractive project economics (~20% ROEs), positions WMB to capture a meaningful share of growing data center power demand.

Potential Catalysts

- 3Q26 earnings (11/2)
- New data center power project announcements over the next few months (4Q26–1Q27), potentially including multi-GW hyperscaler projects
- Upward revisions to 2027+ growth capex and EBITDA expectations
- Additional Transco expansion opportunities

Risk Reward – Williams Companies Inc (WMB.N) Top Pick

The Williams Companies, Inc. (WMB): Overweight, \$103 PT

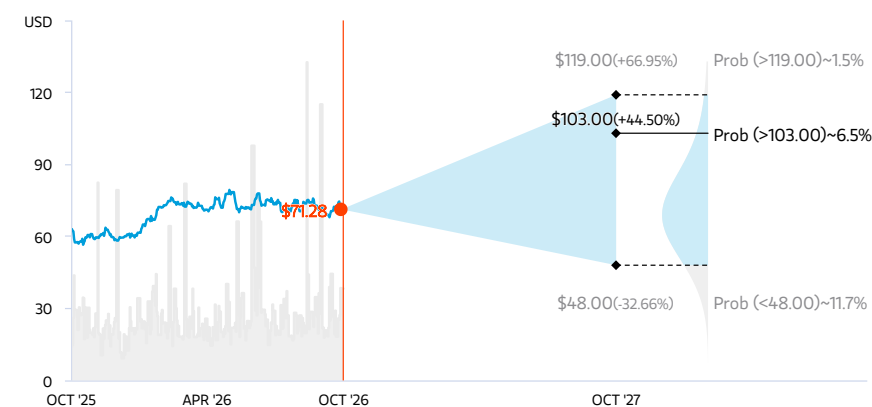
PRICE TARGET \$103.00

Our Sum-of-Parts Discounted Cash Flow (DCF) analysis results in segment 2027e EV/EBITDA multiples of: 10.7x for Northeast G&P, 20.6x for Transmission & Gulf of Mexico, 10.2x for West and 6.2x for Gas & NGL Marketing Services & Other. Our unlevered DCF uses a Bloomberg adjusted beta of 1.07 and ERP of 4.20%.

Consensus Price Target Distribution



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

BULL CASE

\$119.00

17.0x 2027e EV/EBITDA

40-year asset life vs. 30-year for Base Case; company is able to source additional Growth Capex vs. Base Case.

BASE CASE

\$103.00

16.9x 2027e EV/EBITDA

Stability on Transco, resiliency in Northeast G&P volumes, and ongoing Sequent optimization opportunities. Growth capex acceleration through attractive project backlog on Transco and integrated BTM power projects.

BEAR CASE

\$48.00

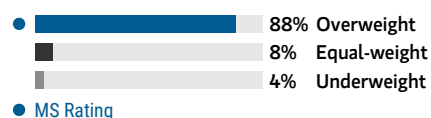
11.2x 2027e EV/EBITDA

20-year asset life vs. 30-year for Base Case; business runs at "True" Maintenance Capex necessary to maintain existing cash flows.

OVERWEIGHT THESIS

- Solid contractual protection underpinning high quality longhaul natural gas pipelines coupled with a largely fee-based G&P portfolio limit direct commodity risk and overall cash flow variability. Line of sight into >10% multi-year EBITDA growth.
- Execution on capital discipline and free cash flow generation support low balance sheet leverage and continued dividend growth.
- Emerging beneficiary of AI/data center development through natural gas pipeline expansion and behind-the-meter power projects.
- Focus on GHG emission reductions differentiates WMB.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Disruption: *Positive*
Secular Growth: *Positive*

View descriptions of Risk Rewards Themes [here](#)

Risk Reward – Williams Companies Inc (WMB.N)

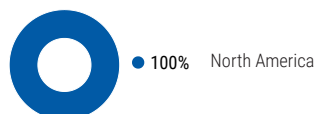
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Northeast G&P Gathering Volumes - Total (Bcf/d) (bn)	10.89	11.03	11.14	11.35
Transco Growth Capital Expenditures (\$, mm)	20,291	20,547	21,757	22,772
West Plant Inlet Gas Volumes - Total (Bcf/d) (bn)	1.68	1.94	2.58	2.93

INVESTMENT DRIVERS

- Longhaul natural gas pipelines protected by long-term, take-or-pay contracts, led by crown jewel Transco system.
- A diversified G&P asset base across three reporting segments with a leading Northeast G&P footprint.
- Emerging BTM power platform.

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

5/5 BEST	24 Month Horizon	1/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Sourcing of high return longhaul pipeline capex with low regulatory risk, including AI/data center projects.
- Production growth acceleration behind G&P assets.
- Incremental return of capital.

RISKS TO DOWNSIDE

- G&P volume growth slows due to low commodity prices or inventory depletion.
- Transco growth projects prove difficult to source/complete.
- M&A of G&P assets that adds variability and defers return of capital.

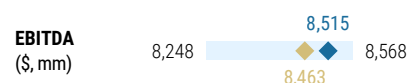
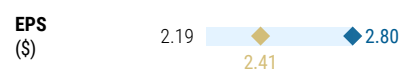
OWNERSHIP POSITIONING

Inst. Owners, % Active	52%	
HF Sector Long/Short Ratio	1.8x	
HF Sector Net Exposure	4.6%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

Alexandria Real Estate Equities (ARE) – Ron Kamdem

Near-Term View: Negative

We see an unfavorable setup for ARE into 3Q26 earnings, as early signs of improvement in industry absorption have yet to translate into visibility on an earnings trough. Elevated vacancy and weak cash leasing spreads remain headwinds to estimates, as does dilution from asset sales. We expect 3Q26 FFO of \$1.51 (-31.8% YoY), below Cons of \$1.53 and in line with MSe. Our estimates assume total portfolio cash SS-NOI growth of -10.0% and ~\$1.45bn of dispositions at a 6.1% cap rate. Industry fundamentals remain mixed: TTM leasing activity declined 4.7% YoY, while net absorption turned positive at 2.3mn sq ft and supply continued to decline. Vacancy, however, remains elevated at 25.9%. We expect management to reiterate '26e FFO guidance of \$6.40 at the midpoint. The bigger debate, in our view, is the recurring 4Q FFO exit rate, previously indicated at the low end of \$1.40–\$1.50, and the sustainability of 2027 earnings. With ~\$100.5mn of annual rent tied to 2027 expirations and expected downtime of 12–24 months, we continue to see downside risk, led by leasing progress, with capital-sourcing execution and disposition pricing as further variables. We remain cautious on the print given limited visibility into an earnings trough and several potential sources of negative estimate revisions.

Underweight Investment Thesis

We remain UW ARE as we see less attractive risk/reward following the rally in life science REITs. While the stock has re-rated on early signs of improving fundamentals, we think visibility into an earnings trough remains limited, with valuation no longer providing sufficient compensation for the downside risks. Lab fundamentals remain challenged despite improving demand indicators, as occupancy, cash leasing spreads, and SS-NOI continue to face pressure, with a recovery in pricing power likely still several years away. We see two key overhangs on estimates: 1) elevated 2027 lease expirations and associated downtime, and 2) capital recycling, with asset sales and lower capitalized interest potentially extending FFO pressure. We apply a ~10x multiple to our '27e FFO of \$5.26 to arrive at our \$53 PT, compared with the 2-/5-year historical averages of ~10x/~15x. Our valuation reflects a turnaround strategy at an early stage, including \$2.9bn of dispositions and a 45% dividend reduction in 2026. Our \$53 PT implies stage-two growth of 0% and terminal growth of ~2% in our DCF, assuming a ~7% cost of equity.

Potential Catalysts

- **3Q26 earnings release on October 26 AMC and conference call on October 27:** We expect investor focus on SS-NOI, the recurring 4Q FFO exit rate, cash leasing spreads, and management's outlook for the 2027 earnings trough.
- **Investor Day on December 2:** Management expects to introduce 2027 guidance and key underlying assumptions, including 2027 sources and uses of capital. We expect the focus to be on the earnings trough and the impact of ~\$100.5mn of annual rent associated with 2027 expirations and expected downtime of 12–24 months. Construction-spending and capitalized-interest assumptions, along with disposition requirements and leverage, will also be in focus.

Risk Reward – Alexandria RE Eq (ARE.N)

Life Science optimism runs ahead of fundamentals; Risk/Reward less favorable

PRICE TARGET \$53.00

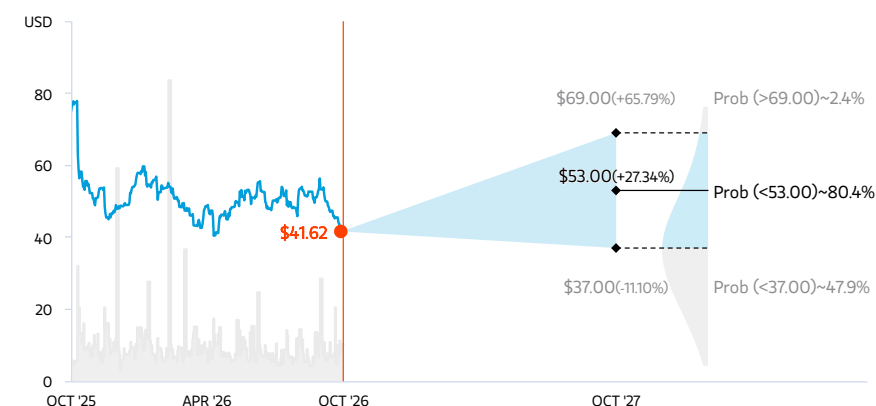
We apply a ~10x multiple to our 2027e FFO of \$5.26 to arrive at our \$53 PT. Our 10x multiple compares to the 2-/5-year average of ~10x/15.0x and reflects early innings of a turnaround strategy that includes \$2.9B of dispositions and a 45% dividend reduction in 2026. Our \$53 PT implies stage-2 growth of 0% and terminal growth of ~2% in our DCF which uses a cost of equity of ~7%.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



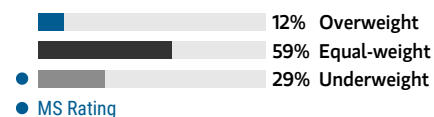
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

UNDERWEIGHT THESIS

- **Risk/reward less attractive after the life science rally.** ARE has re-rated on green shoots, but earnings trough visibility remains limited and upside no longer compensates for downside risk.
- **Lab fundamentals remain pressured despite improving demand signals.** Occupancy, cash spreads, and SS-NOI are still weak, with pricing power likely several years away.
- **2027 expirations and capital recycling keep estimates at risk.** Elevated rollover, expected downtime, asset sales, and lower capitalized interest could extend FFO pressure.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

BULL CASE

\$69.00

~13x Bull Case '27e FFO of \$5.32

Sustained funding rebound drives better retention and pipeline monetization.

Availability in key markets compresses sooner than expected, dispositions close at tighter discounts, higher pre-leasing and faster stabilization on '26+ deliveries drive incremental NOI and restore confidence in megacampus model. Our 13x multiple is ~7x above recent low multiple and compares to the 2-year average multiple of ~10x.

BASE CASE

\$53.00

~10x '27e FFO of \$5.26

2026 earnings reset: 1.2M RSF known vacates, lower retention, \$2.9B of dispositions, lower construction spending, and 45% dividend reduction. ARE initiates turnaround strategy as regulatory, funding, and supply headwinds persist. Dispositions yield 6.1%. Our 10x multiple is ~4x above recent low multiples and compares to other REIT sectors facing cyclical headwinds: Office (10x), Lodging (10x), and Diversified (11x).

BEAR CASE

\$37.00

~7x Bear Case '27e FFO of \$5.21

Prolonged demand softness, pricing pressure, interest expense headwinds.

Negative/weak net absorption persists; known 2026 vacancies take 12–24+ months to re-lease, pushing occupancy and SS NOI lower. Elevated availability pressures effective rents. Higher-for-longer rates and expensing of pre-construction costs lift interest expense and depress FFO. Our 7x multiple is in line with the GFC trough and recent low multiple of ~6x.

Risk Reward – Alexandria RE Eq (ARE.N)

KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
KEI - FFO Growth (%)	(4.9)	(29.0)	(17.7)	3.5
KEI - Dividend Payout Ratio (%)	55.1	54.3	73.3	70.0
KEI - SS NOI Growth (%)	0.6	(9.9)	(3.8)	0.9

INVESTMENT DRIVERS

Same store NOI growth, development contribution, balance sheet leverage

GLOBAL REVENUE EXPOSURE



100% North America

Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

4/5 BEST	24 Month Horizon	3/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

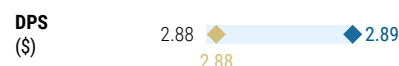
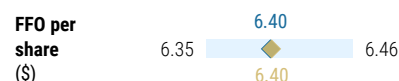
- Capital raising rebound lifts leasing
- Faster absorption clears supply
- Dispos/deleveraging beat expectations
- G&A savings help offset capitalized-interest decline

RISKS TO DOWNSIDE

- Prolonged regulatory & capital markets weakness
- Higher concessions/TIs and lower rents delay NOI recovery
- Sale discounts/impairments erode NAV
- Higher-for-longer rates, reduced capitalized interest renew covenant/leverage risks

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



◆ Mean ◆ Morgan Stanley Estimates

Source: Refinitiv, Morgan Stanley Research

OWNERSHIP POSITIONING

Inst. Owners, % Active	44.1%	
HF Sector Long/Short Ratio	1.4x	
HF Sector Net Exposure	1.9%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

HCA Healthcare (HCA) – Craig Hettenbach

Near-Term View: Negative

We see a poor risk/reward skew for Q3 earnings. Given lingering weakness in surgery volumes (decline of 2%-3% y/y in Q2) and exchange marketplace headwinds, there's a low probability that HCA will raise guidance for core EBITDA. With the stock rallying ~30% from the July lows compared to a 2% gain in the S&P 500, driven in part by a bid to more defensive parts of the market like healthcare and positive sentiment around the Midterms, a clean/in-line print could be sold. On the other hand, any additional setbacks in the business, after already missing core EBITDA margin in Q1 and Q2, could send the stock sharply lower. For additional context, HCA is trading at forward EV/EBITDA multiple of ~9.7x, or 0.5x turns above its historic median and well above the trough of 8x in July, despite disappointing margins and a rise in uninsured/self-pay. Our EBITDA estimates are 2% ahead of the Street for Q3 and 1% below for Q4.

Underweight Investment Thesis

Following a 5-year period of meaningful tailwinds to HCA's business, marked by a rebound in elective procedures post Covid, a doubling in exchange market members to 24mn and significant expansion in Medicaid supplement payments funding, these drivers are beginning to reverse. This is putting pressure on core EBITDA margins (2026E guidance is 20.1%, down 50 bps y/y despite a 50 bps tailwind from Medicaid Supplemental payments), with risks not captured in the stock's premium valuation relative to history.

Potential Catalysts

- HCA Q3 earnings on October 27
- Peer earnings - UHS on October 27, THC on October 29
- Read through from payor earnings - ELV on October 21 and MOH October 22
- Midterm elections on November 3

Risk Reward – HCA Healthcare, Inc. (HCA.N)

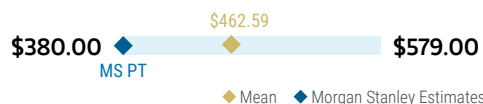
Underweight as intermediate term headwinds are at odds with peak valuation

PRICE TARGET \$380.00

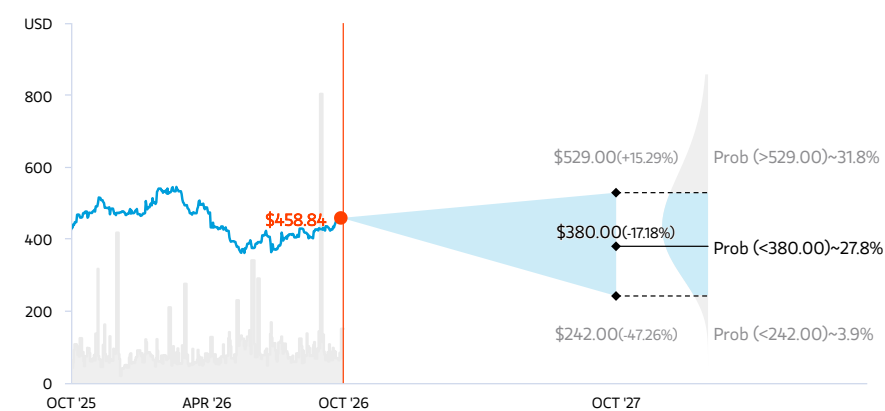
8X EV/EBITDA multiple applied to our 2027E base case adjusted EBITDA. Our target multiple is slightly below HCA's historic median, reflecting headwinds to the business including a reduction in the exchange leading to a rising mix of uninsured.

Consensus Price Target Distribution

Source: Refinitiv, Morgan Stanley Research



RISK REWARD CHART AND OPTIONS IMPLIED PROBABILITIES (12M)



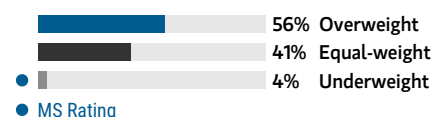
Key: — Historical Stock Performance ● Current Stock Price ◆ Price Target

Source: Refinitiv, Morgan Stanley Research, Morgan Stanley Institutional Equities Division. The probabilities of our Bull, Base, and Bear case scenarios playing out were estimated with implied volatility data from the options market as of 16 Oct 2026. All figures are approximate risk-neutral probabilities of the stock reaching beyond the scenario price in either three-months' or one-years' time. View explanation of Options Probabilities methodology [here](#)

UNDERWEIGHT THESIS

We are Underweight HCA. The combination of strong near-term fundamentals and the pushout of headwinds related to healthcare policy (restrictions to Medicaid funding in the OBBBA, enhanced ACA subsidies) have helped catapult HCA to a new all time high. However, with the stock at a peak valuation of 10x EV/EBITDA, around 2x turns above historical average and nearly 3x turns above peers, there's little room for any setbacks. As we get deeper into 2026, investors could begin to discount potential policy headwinds that could take effect in 2027/28.

Consensus Rating Distribution



Source: Refinitiv, Morgan Stanley Research

Risk Reward Themes

Contrarian: *Negative*
Self-help: *Positive*
Technology Diffusion: *Positive*

View descriptions of Risk Rewards Themes [here](#)

BULL CASE

\$529.00

9.5X EV/EBITDA on 2027 bull case EBITDA

Our bull case is based on a 9.5X EV/EBITDA multiple applied to bull case EBITDA of \$16922mn, reflecting EBITDA margins of 20.6%. This multiple is close to HCA's historical high at ~10x, with HCA potentially capturing more market share than expected through network expansion and realizing more benefits from its technology/AI investments than expected. Elevated industry utilization sustains longer than expected, driving upside to revenue and margins.

BASE CASE

\$380.00

8X EV/EBITDA on 2027 base case EBITDA

Our base case is based on a 8X EV/EBITDA multiple on EBITDA of \$16323mn, reflecting margins of 20%. Our target multiple is slightly below HCA's historic median, reflecting headwinds to the business including a reduction in the exchange leading to a rising mix of uninsured. We estimate a 2.5% CAGR in equivalent admissions and 1.5% in rev per EA from '25 to '28. We also model EBITDA contraction from 20.6% to 20% in '25 to '27 ahead of the ACA subsidies expiration.

BEAR CASE

\$242.00

6.5X EV/EBITDA on 2027 bear case EBITDA

Our bear case is based on a 6.5X EV/EBITDA multiple applied to bear case EBITDA of \$15781mn, reflecting EBITDA margins of 19.5%. This multiple is below its historical median multiple of ~8x in the event of weaker than expected results in core business and macro pressures such as policy uncertainty, lower reimbursement rates, and a reemergence of wage pressures.

Risk Reward – HCA Healthcare, Inc. (HCA.N)

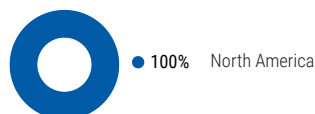
KEY EARNINGS INPUTS

Drivers	Dec 2025	Dec 2026e	Dec 2027e	Dec 2028e
Equivalent Admissions (000s)	4,107	4,196	4,312	4,420
Revenue per Equivalent Admission (\$)	18,407	18,649	18,923	19,225
Total Revenue (\$, mm)	75,600	78,250	81,603	84,981
Adjusted EBITDA margin (%) (%)	20.6	20.1	20.0	20.0

INVESTMENT DRIVERS

- Healthcare utilization
- Equivalent admissions growth
- Revenue per equivalent admission
- Payor reimbursement rates
- Investment and cost initiatives to drive margin expansion

GLOBAL REVENUE EXPOSURE



Source: Morgan Stanley Research Estimate
View explanation of regional hierarchies [here](#)

MS ALPHA MODELS

1/5 BEST	24 Month Horizon	5/5 MOST	3 Month Horizon
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Source: Refinitiv, FactSet, Morgan Stanley Research; 1 is the highest favored Quintile and 5 is the least favored Quintile

RISKS TO PT/RATING

RISKS TO UPSIDE

- Stronger than expected healthcare utilization
- Improvements in reimbursement rates
- Accretive acquisitions and buybacks
- Increased operational efficiencies

RISKS TO DOWNSIDE

- Weaker than expected volumes
- Regulatory impact on ACA subsidies and supplemental payments
- Greater than expected wage pressure/employee turnover
- Adverse payor mix shift

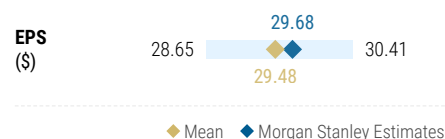
OWNERSHIP POSITIONING

Inst. Owners, % Active	57.1%	
HF Sector Long/Short Ratio	2.1x	
HF Sector Net Exposure	17.3%	

Refinitiv; MSPB Content. Includes certain hedge fund exposures held with MSPB. Information may be inconsistent with or may not reflect broader market trends. Long/Short Ratio = Long Exposure / Short exposure. Sector % of Total Net Exposure = (For a particular sector: Long Exposure - Short Exposure) / (Across all sectors: Long Exposure - Short Exposure).

MS ESTIMATES VS. CONSENSUS

FY Dec 2026e



Disclaimers

Important note regarding economic sanctions. This report references jurisdictions which may be the subject of economic sanctions. Readers are solely responsible for ensuring that their investment activities are carried out in compliance with applicable laws.

Risk Reward Reference links

1. View explanation of Options Probabilities methodology - [Options_Probabilities_Exhibit_Link.pdf](#)
2. View descriptions of Risk Rewards Themes - [RR_Themes_Exhibit_Link.pdf](#)
3. View explanation of regional hierarchies - [GEG_Exhibit_Link.pdf](#)
4. View explanation of Theme/Exposure methodology - [ESG_Sustainable_Solutions_External_Link.pdf](#)
5. View explanation of HERS methodology - [ESG_HERS_External_Link.pdf](#)