



Goldman Sachs (GS)

Updated January 19th, 2023, by Josh Arnold

Key Metrics

Current Price:	\$349	5 Year CAGR Estimate:	6.6%	Market Cap:	\$120 B
Fair Value Price:	\$365	5 Year Growth Estimate:	3.0%	Ex-Dividend Date:	03/01/2023
% Fair Value:	96%	5 Year Valuation Multiple Estimate:	0.9%	Dividend Payment Date:	03/30/2023
Dividend Yield:	2.9%	5 Year Price Target	\$423	Years Of Dividend Growth:	11
Dividend Risk Score:	C	Retirement Suitability Score:	D	Rating:	Hold

Overview & Current Events

Goldman Sachs was founded in 1869 and in the 150+ years since, it has grown into one of the world's leading financial companies, particularly in investment banking. It competes in a wide variety of service activities to a diverse and broad base of global customers. The company trades with a \$120 billion market capitalization and should produce about \$50 billion in revenue this year.

Goldman reported fourth quarter and full-year earnings on January 17th, 2023, and results were much worse than expected. The company is restructuring and enacting layoffs to help offset what are fairly weak business conditions heading into 2023. Goldman said the economic backdrop was "challenging" and was laying off up to 4,000 workers in January.

Earnings-per-share came to \$3.32, which was nowhere close to consensus estimates at \$5.97. In addition, this was down from \$10.81 a year ago.

Total net revenue was \$10.6 billion, down from \$12.0 billion in the prior quarter, and \$12.6 billion in last year's Q4. It was also ~\$300 million shy of estimates.

Provisions for credit losses were \$972 million, ahead of \$659 million estimated, and nearly triple the total from the year-ago period.

Operating expenses were \$8.09 billion, up from \$7.27 billion a year ago, and also well ahead of estimates.

Given the backdrop of Goldman's Q4 results heading into 2023, we see \$34.75 as an initial estimate, but note that the company's earnings results are extremely volatile, particularly if the US enters a moderate to severe recession this year.

Growth on a Per-Share Basis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
EPS	\$15.46	\$17.07	\$18.32	\$16.36	\$19.76	\$25.27	\$21.03	\$24.74	\$59.45	\$30.06	\$34.75	\$40.28
DPS	\$2.05	\$2.25	\$2.55	\$2.60	\$2.90	\$3.15	\$4.15	\$5.00	\$6.50	\$9.00	\$10.00	\$12.17
Shares¹	446	430	419	398	390	384	367	360	346	355	355	340

Earnings-per-share has been quite volatile in the past decade as the company's business lines tend to generate fees and earnings on a highly irregular and unpredictable basis. As an example, earnings-per-share only bested the level of 2009 in 2018, a testament to how tough things were on Wall Street compared to the pre-financial crisis days. Due to what should be normalized conditions this year, and cautious guidance from management on economic conditions, we expect a modest bounce in earnings, but nothing close to 2021, which we continue to see as the long-term top. We see 3% annual growth ahead, but note that growth is likely to be non-linear.

In the same way that earnings were artificially depressed in 2020 due to the massive loan loss reserves the company took against future losses, 2021's earnings were artificially inflated in reversing the reserves. That level of earnings is unsustainable, and we see 2022 earnings as a sustainable base from which Goldman can grow again.

¹ Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Goldman Sachs (GS)

Updated January 19th, 2023, by Josh Arnold

The company stands to gain from its world-class equities business, which performs well in just about any market condition. Goldman has bought back stock at times, and we expect that to continue on irregular frequencies, which should help drive earnings-per-share growth irrespective of market conditions. We note that buybacks have slowed of late, but we expect this to still be a long-term tailwind.

The dividend has never really been a priority for Goldman but that has changed with the updated payout. The new payout ratio leaves a long runway for future growth. The dividend doubled between 2020 and 2022, so we believe Goldman is becoming a serious income stock.

Valuation Analysis

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Avg. P/E	10.2	10.2	10.5	10.3	6.3	9.2	9.7	8.3	6.1	11.4	10.0	10.5
Avg. Yld.	1.3%	1.3%	1.3%	1.5%	0.7%	1.4%	2.0%	2.4%	1.8%	2.6%	2.9%	2.9%

Goldman's average price-to-earnings multiple in normal times is about 10.5, and we assess fair value there. Shares are trading for 10 times earnings, so we see it as slightly undervalued. We forecast the yield to remain about where it is given the valuation and forecasted dividend increases.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2028
Payout	16%	17%	19%	23%	20%	12%	20%	19%	11%	30%	29%	30%

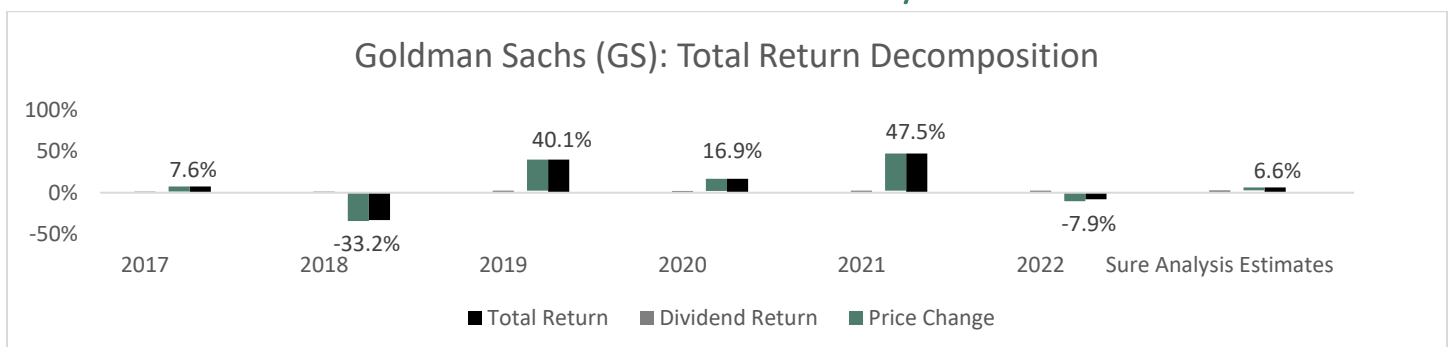
Goldman's payout ratio is still just a small fraction of earnings, meaning the dividend is ultra-safe, even after the big increase that was announced in 2021, and for 2022. We don't see this changing anytime soon despite near-term challenges.

Goldman's competitive advantage is in its world-class leadership and reputation. The bank enjoys very lucrative relationships in the debt and equity markets, in addition to its best-in-class trading desks. Recessions are generally unkind to Goldman Sachs, but the company came through 2020 in a very strong position. We would expect the same depending upon what happens in 2023.

Final Thoughts & Recommendation

We see Goldman Sachs facing an uncertain earnings outlook given the economic situation in the US. We think 2021 will prove to be a long-term peak in earnings and forecast modest earnings growth from 2022's much lower level. The valuation could reflate slightly, and given these factors, we forecast 6.6% annual total returns. Total returns should accrue from the 2.9% yield, 3% growth, and a 0.9% tailwind from the valuation. We're therefore reiterating the stock at a hold rating.

Total Return Breakdown by Year



[Click here to rate and review this research report. Your feedback is important to us.](#)

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.



Goldman Sachs (GS)

Updated January 19th, 2023, by Josh Arnold

Income Statement Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Revenue	31,865	32,027	31,244	27,967	29,854	36,616	36,546	44,560	59,339	47,365
SG&A Exp.	13,330	13,240	13,235	11,905	12,241	13,068	13,092	13,710	18,272	15,960
D&A Exp.	1,322	1,337	991	998	1,152	1,328	1,704	1,902	2,015	
Net Profit	8,040	8,477	6,083	7,398	4,286	10,459	8,466	9,459	21,635	11,261
Net Margin	25.2%	26.5%	19.5%	26.5%	14.4%	28.6%	23.2%	21.2%	36.5%	23.8%
Free Cash Flow	3,837	(8,610)	7,648	3,629	-23,673	8,582	15,425	-20,037	-3746	
Income Tax	3,697	3,880	2,695	2,906	6,846	2,022	2,117	3,020	5,409	2,225

Balance Sheet Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Total Assets (\$B)	911.51	855.84	861.40	860.17	916.78	931.8	993.0	1163	1464	1442
Cash & Eq. (\$B)	110.80	109.32	93.44	121.71	110.05	130.5	133.5	155.8	261.0	242.0
Acc. Rec. (\$B)	74.04	63.81	46.43	47.78	84.79	72.46	74.61	121.33	160.7	136.0
Goodwill & Int.	4376	4160	4148	4095	4038	4082	4837	4962	4703	
Total Liab. (\$B)	833.04	773.05	774.67	773.27	834.53	841.61	902.70	1067.1	1354.1	1325.0
Acc. Payable (\$B)	204.77	213.57	210.36	188.46	178.17	180.24	174.82	190.66	251.93	262.0
LT Debt (\$B)	230.95	235.49	243.46	250.46	289.42	286.08	274.64	292.11	319.59	308.00
Total Equity	71267	73597	75528	75690	70390	78982	79062	84729	99223	117000
LTD/E Ratio	2.94	2.84	2.81	2.88	3.52	3.17	3.04	3.04	2.91	2.63

Profitability & Per Share Metrics

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Return on Assets	0.9%	1.0%	0.7%	0.9%	0.5%	1.1%	0.9%	0.9%	1.6%	0.8%
Return on Equity	11.4%	11.7%	8.2%	9.8%	5.9%	14.0%	10.7%	11.6%	23.5%	10.4%
ROIC	2.6%	2.7%	1.9%	2.2%	1.2%	2.8%	2.3%	2.5%	5.3%	2.6%
Shares Out.	446	430	419	398	390	384	367	360	356	358
Revenue/Share	63.78	67.68	68.13	64.47	72.19	85.64	88.67	123.67	166.78	132.27
FCF/Share	7.68	-18.20	16.68	8.34	-57.87	21.99	41.08	-55.61	-10.53	

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

Disclaimer

Nothing presented herein is, or is intended to constitute, specific investment advice. Nothing in this research report should be construed as a recommendation to follow any investment strategy or allocation. Any forward-looking statements or forecasts are based on assumptions and actual results are expected to vary from any such statements or forecasts. No reliance should be placed on any such statements or forecasts when making any investment decision. While Sure Dividend has used reasonable efforts to obtain information from reliable sources, we make no representations or warranties as to the accuracy, reliability or completeness of third-party information presented herein. No guarantee of investment performance is being provided and no inference to the contrary should be made. There is a risk of loss from an investment in marketable securities. Past performance is not a guarantee of future performance.