



# Goldman Sachs (GS)

Updated January 18<sup>th</sup>, 2024, by Josh Arnold

## Key Metrics

<b>Current Price:</b>	\$377	<b>5 Year CAGR Estimate:</b>	6.5%	<b>Market Cap:</b>	\$134 B
<b>Fair Value Price:</b>	\$357	<b>5 Year Growth Estimate:</b>	5.0%	<b>Ex-Dividend Date:</b>	02/28/2024
<b>% Fair Value:</b>	106%	<b>5 Year Valuation Multiple Estimate:</b>	-1.1%	<b>Dividend Payment Date:</b>	03/28/2024
<b>Dividend Yield:</b>	2.9%	<b>5 Year Price Target</b>	\$456	<b>Years Of Dividend Growth:</b>	12
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	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 \$134 billion market capitalization and should produce about \$50 billion in revenue this year.

Goldman posted fourth quarter and full-year earnings on January 16<sup>th</sup>, 2024, and results were better than expected on both revenue and earnings. The bank posted earnings-per-share of \$5.48, which was \$1.55 ahead of estimates. Unadjusted earnings included a charge of 83 cents from the FDIC's special assessment on large banks.

Revenue was up almost 7% to \$11.32 billion, beating estimates by \$360 million. Revenue rose due to better performances from Asset and Wealth Management, as well as Platform Solutions, partially offset by lower revenues in Global Banking and Markets.

Provisions for credit losses came to \$577 million in Q4, down from \$972 million a year ago, but much worse than the \$7 million from Q3.

Net interest income was \$1.34 billion, down from \$1.55 billion in Q3, and well off from the \$2.07 billion a year ago. Operating expenses of \$8.49 billion was down 6% from Q3, but up from 5% a year ago. Compensation and benefits came to \$3.6 billion, down 4% year-over-year. Headcount was down from 45.9k to 45.3k from Q3, but higher from 48.5k in last year's Q4.

We start 2024 with an estimate of \$34 in earnings-per-share, but note that Goldman's earnings are extremely volatile and difficult to predict.

## Growth on a Per-Share Basis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
<b>EPS</b>	\$17.07	\$18.32	\$16.36	\$19.76	\$25.27	\$21.03	\$24.74	\$59.45	\$30.06	\$22.87	<b>\$34.00</b>	<b>\$43.39</b>
<b>DPS</b>	\$2.25	\$2.55	\$2.60	\$2.90	\$3.15	\$4.15	\$5.00	\$6.50	\$9.00	\$10.50	<b>\$11.00</b>	<b>\$13.38</b>
<b>Shares<sup>1</sup></b>	430	419	398	390	384	367	360	346	355	354	<b>355</b>	<b>350</b>

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. We now see earnings cresting that of 2022 for 2024, and meaningfully ahead of pre-COVID levels. We still see 2021's bumper earnings as a very long term top. We estimate 5% annual growth ahead, but note that growth is likely to be non-linear, and was boosted due to the low estimate of earnings for this year.

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 2024 earnings as a sustainable base from which Goldman can grow.

<sup>1</sup> Share count in millions

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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 small 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 now a serious income stock.

## Valuation Analysis

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Avg. P/E	10.2	10.5	10.3	6.3	9.2	9.7	8.3	6.1	11.4	16.9	11.1	10.5
Avg. Yld.	1.3%	1.3%	1.5%	0.7%	1.4%	2.0%	2.4%	1.8%	2.6%	2.7%	2.9%	2.9%

Goldman's average price-to-earnings multiple is about 10.5, and we assess fair value there. Shares are trading for 11.1 times earnings, so we continue to see it as overvalued. We forecast the yield to remain where it is for the next few years.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2029
Payout	17%	19%	23%	20%	12%	20%	19%	11%	30%	46%	32%	31%

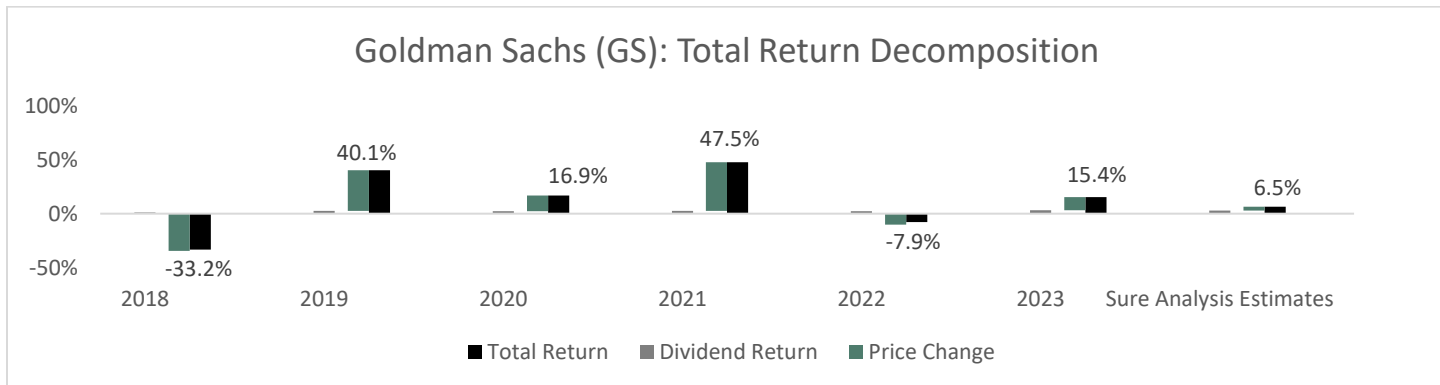
Goldman's payout ratio is still under half of earnings, meaning the dividend is safe, even after the big increases announced in recent years. We don't see this changing anytime soon despite near-term challenges.

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 but forecast some earnings growth from 2024's level. The valuation should remain about where it is today, and given these factors, we forecast 6.5% annual total returns. Total returns should accrue from the 2.9% yield, 5% growth, and a 1.1% headwind from the valuation. We're therefore reiterating the stock at a hold rating.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	32,027	31,244	27,967	29,854	36,616	36,546	44,560	59,339	47,365	46,254
SG&A Exp.	13,240	13,235	11,905	12,241	13,068	13,092	13,710	18,272	15,960	16,128
D&A Exp.	1,337	991	998	1,152	1,328	1,704	1,902	2,015	2,455	---
Net Profit	8,477	6,083	7,398	4,286	10,459	8,466	9,459	21,635	11,261	8,516
Net Margin	26.5%	19.5%	26.5%	14.4%	28.6%	23.2%	21.2%	36.5%	23.8%	18.4%
Free Cash Flow	(8,610)	7,648	3,629	-23,673	8,582	15,425	-20,037	-3,746	4,960	---
Income Tax	3,880	2,695	2,906	6,846	2,022	2,117	3,020	5,409	2,225	2,223

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets (\$B)	855.84	861.40	860.17	916.78	931.8	993.0	1163	1464	1442	1642
Cash & Eq. (\$B)	109.32	93.44	121.71	110.05	130.5	133.5	155.8	261.0	242.0	242.0
Acc. Rec. (\$B)	63.81	46.43	47.78	84.79	72.46	74.61	121.33	160.7	135.4	132.0
Goodwill & Int.	4160	4148	4095	4038	4082	4837	4962	4703	8383	---
Total Liab. (\$B)	773.05	774.67	773.27	834.53	841.61	902.70	1067.1	1354.1	1325.0	1525.0
Acc. Payable (\$B)	213.57	210.36	188.46	178.17	180.24	174.82	190.66	251.93	262.0	231.0
LT Debt (\$B)	235.49	243.46	250.46	289.42	286.08	274.64	292.11	319.59	322.0	318.0
Total Equity	73597	75528	75690	70390	78982	79062	84729	99223	106486	117000
LTD/E Ratio	2.84	2.81	2.88	3.52	3.17	3.04	3.04	2.91	2.75	2.72

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	1.0%	0.7%	0.9%	0.5%	1.1%	0.9%	0.9%	1.6%	0.8%	0.6%
Return on Equity	11.7%	8.2%	9.8%	5.9%	14.0%	10.7%	11.6%	23.5%	10.9%	7.6%
ROIC	2.7%	1.9%	2.2%	1.2%	2.8%	2.3%	2.5%	5.3%	2.6%	1.9%
Shares Out.	430	419	398	390	384	367	360	356	358	346
Revenue/Share	67.68	68.13	64.47	72.19	85.64	88.67	123.67	166.78	132.27	133.76
FCF/Share	-18.20	16.68	8.34	-57.87	21.99	41.08	-55.61	-10.53	13.85	---

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

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