

Goldman Sachs

# BofA Securities 2024 Financial Services Conference: Takeaways

Maintain Rating: BUY | PO: 412.00 USD | Price: 388.27 USD

## Improving EPS and strategic visibility

We hosted Goldman Sachs veteran (started 1998), Ashok Varadhan Co-Head of Global Banking & Markets, for an investor meeting during the conference. Varadhan highlighted management's laser focus on improving ROE durability while continuing to gain client wallet share. Although significant uncertainty remains among investors around the resiliency of trading revenues, Varadhan highlighted the ~40% increase in US household net worth vs. pre-pandemic levels (S&P up ~50%), suggesting to us that 2019 may no longer be the right reference point absent a major decline in asset prices. Product mix to influence trading YoY; continued growth opportunity in financing.

## Deep bench

Another challenge for investors we have spoken to has been in assessing the steady stream of headlines tied to senior level departures. Varadhan, who we found to be very candid in his assessments, downplayed the risk of talent drain, pointing to top market share across the markets business as a testament to Goldman's standing as it comes to client relationships, product/technology capabilities and retaining top talent.

## Regulatory changes

Echoing commentary from senior leadership at other banks (and a regulatory panel that we hosted during the conference), management anticipates material changes to the Basel III Endgame proposal. Higher capital charges on an "as-proposed" basis would have the effect of driving pricing higher or reduce the use of certain products.

## Secular themes

**Electronification of FICC trading:** unlikely that banks will see the same disruption, pricing pressures as experienced in equities given the lack of homogeneity in fixed income products and how these are traded by institutional vs. retail investors. **Private credit:** an opportunity, not seen as a source of systemic risk (unlike CDOs during the GFC) given lower levels of leverage, less correlation across the underlying assets, stress testing regime to assess GFC like risks and funding diversity (asset owners with more holding power) that diminishes risk of forced sales.

## Risk/reward attractive

In the near term we think the stock is likely to trade on investor expectations around investment banking (IB) rebound, markets activity (both appear to have started out well YTD based on what we have heard from peers during the past few days). However, the longer-term opportunity will be driven by improving EPS and strategic visibility, in our opinion. We see risk/reward as attractive given our expectations for relative resiliency in trading revenues, potential for a pick-up in IB (from near trough levels in 2023) that should last well beyond 2024 and improving regulatory clarity. Maintain Buy. Relevant research: [GS: Refocused and Ready to Go](#) / [GS: 2024 Year Ahead: Back to basics](#)

22 February 2024

### Equity

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### Stock Data

Price	388.27 USD
Price Objective	412.00 USD
Date Established	14-Dec-2023
Investment Opinion	B-1-7
52-Week Range	289.36 USD -396.35 USD
Mrkt Val / Shares Out (mn)	171,460 USD / 441.6
Free Float	99.5%
Average Daily Value	936.27 USD
BofA Ticker / Exchange	GS / NYS
Bloomberg / Reuters	GS US / GS.N
ROE (2024E)	9.8%
ESGMeter™	High

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GFC: The global financial crisis

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Timestamp: 22 February 2024 08:11AM EST

## Price objective basis & risk

### Goldman Sachs (GS)

Our \$412 PO is based on a 50%/50% weighting between our 2024e EPS and 2024e TBV. We assign 13.5x/1.4x multiples, respectively, above the bank's 5 year pre pandemic median of 10.6x/1.2x given lower credit risk into a potential recession. Downside risks to our PO: weaker economy/capital markets, macro or geo-political issues, competition, structural pressures, tougher global regulation, and litigation. Upside risks: stronger capital markets activity.

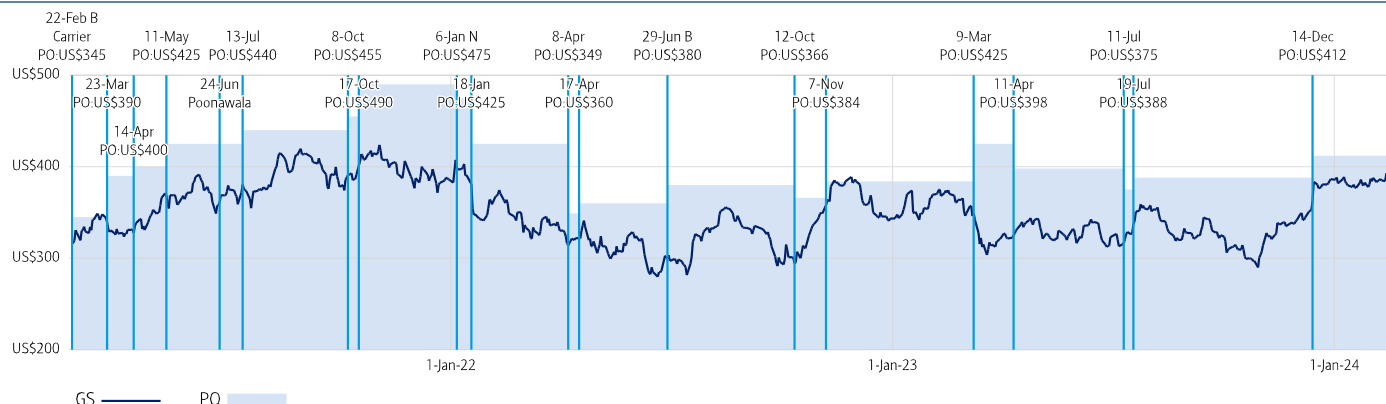
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### Goldman Sachs (GS) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

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### Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships <sup>R1</sup>	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

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Sell	807	22.84%	Sell	383	47.46%

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Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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