

Goldman Sachs BDC, Inc.

Good Quarter; NAV/share and the dividend are stable

Reiterate Rating: NEUTRAL | PO: 14.50 USD | Price: 15.02 USD

Missed the Street but fundamentals mostly positive

Goldman Sachs BDC (GSBD) reported Q4 adjusted core EPS of \$0.55, modestly below the BofA/Consensus forecast of \$0.57. Relative to the BofA forecast, the variance was largely due lower interest income related a lower portfolio yield. GAAP EPS was \$0.46 due to portfolio depreciation. Overall, Q4 results were mostly positive. NAV/share was stable, profitability was solid (GAAP ROE of ~12.6%), and dividend coverage of 122% was strong. Additionally, non-accruals improved. We continue to think that risk/reward is balanced at the current valuation level. Reiterate Neutral.

Portfolio stable at \$3.4B

The portfolio (fair value) totaled \$3.4B, largely unchanged QoQ. Fundings of \$190M and exits/sales of \$224M resulted in -\$34M of net funded investment activity. The BofA forecast was \$0M growth. Overall, portfolio composition was conservative (95% first lien senior secured) and 100% floating rate.

Non-accruals modestly improve to 3.8%

Non-accruals modestly improved to 3.8% (\$136.2M) of the portfolio (cost), compared to 4.2% (\$152.6M) the prior quarter. Non-accrual investments are carried at roughly 63% of cost. During Q4, there was 1 new non-accrual investment and 3 non-accruals were removed. While non-accruals are above the peer average of 2.6% of as Q3 (most recent information available), overall borrower fundamentals remain solid (weighted avg top line growth and EBITDA is positive YoY and weighted avg interest coverage is 1.5x).

NAV/share stable at \$14.62; 1Q24 DPS flat at \$0.45

NAV/share was largely unchanged at \$14.62, compared to \$14.51 the prior quarter as core EPS in excess of the dividend (+\$0.10) was offset by portfolio realized/unrealized losses (-\$0.09). The Q4 dividend was \$0.45/share, unchanged QoQ. GSBD declared a 1Q24 dividend of \$0.45/share, which was in line with expectations.

Slightly adjusting EPS outlook; \$14.50 PO unchanged

Adjusting our 24/25E core EPS outlook to \$2.15/\$1.95 from \$2.15/\$2.00 given our revised outlook. Introducing our 26E core EPS forecast of \$1.82. Our \$14.50 PO (~1.0x NAV/share) is unchanged.

01 March 2024

Equity

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Stock Data

Price	15.02 USD
Price Objective	14.50 USD
Date Established	6-Aug-2023
Investment Opinion	B-2-7
52-Week Range	12.75 USD -16.23 USD
Mkt Val / Shares Out (mn)	1,646 USD / 109.6
Free Float	93.9%
Average Daily Value	7.10 USD
BofA Ticker / Exchange	GSBD / NYS
Bloomberg / Reuters	GSBD US / GSBD.N
ROE (2024E)	14.5%
ESGMeter™	Low

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

Estimates (Dec) (US\$)	2022A	2023A	2024E	2025E	2026E
EPS	2.10	2.23	2.15	1.90	1.82
GAAP EPS	0.41	1.77	2.15	1.90	1.82
EPS Change (YoY)	9.4%	6.2%	-3.6%	-11.6%	-4.2%
Consensus EPS (Bloomberg)			2.13	1.93	NA
DPS	1.80	1.80	1.80	1.80	1.80
Valuation (Dec)					
P/E	7.2x	6.7x	7.0x	7.9x	8.3x
GAAP P/E	36.6x	8.5x	7.0x	7.9x	8.3x
Dividend Yield	12.0%	12.0%	12.0%	12.0%	12.0%

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iQprofileSM Goldman Sachs BDC, Inc.

Income Statement Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Income	278	344	341	309	300
% change	-3.5%	23.6%	-0.7%	-9.5%	-2.8%
Net Fee Income	NA	NA	NA	NA	NA
Securities Gains / (Losses)	NA	NA	NA	NA	NA
Total Operating Income	278	344	341	309	300
Operating Expenses	(49)	(96)	(106)	(101)	(100)
% change	-2.4%	95.0%	9.5%	-4.6%	-0.4%
Provisions Expense	NA	NA	NA	NA	NA
% change	NA	NA	NA	NA	NA
Operating Pre-Tax Income	55	197	236	208	200
Operating Net Income to Comm S/Hold.	42	192	236	208	199
GAAP Net Income	42	191	236	208	200

Balance Sheet Data (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Assets	3,591	3,523	3,606	3,606	3,606
Average Interest Earning Assets	NA	NA	NA	NA	NA
Total Gross Customer Loans	0	0	0	0	0
% change	NA	NA	NA	NA	NA
Total Customer Deposits	NA	NA	NA	NA	NA
% change	NA	NA	NA	NA	NA
Tangible Equity	NA	NA	NA	NA	NA
Common Shareholders' Equity	1,502	1,602	1,640	1,651	1,653

Key Metrics (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Net Interest Margin	NA	NA	NA	NA	NA
Effective Tax Rate	NM	NM	NM	NM	NM
Loan / Deposit Ratio	NA	NA	NA	NA	NA
Tangible Common Equity / Assets	0%	0%	0%	0%	0%
ROA	6.0%	6.8%	6.6%	5.8%	5.5%
ROE	13.8%	15.6%	14.5%	12.6%	12.1%
RoTE	NA	NA	NA	NA	NA
Dividend Payout Ratio	439.0%	101.7%	83.7%	94.7%	98.9%
Efficiency Ratio (Cost / Income Ratio)	17.8%	28.0%	30.9%	32.6%	33.5%

Quality of Earnings (Dec)

(US\$ Millions)	2022A	2023A	2024E	2025E	2026E
Total Non-Interest Inc / Operating Inc	0%	0%	0%	0%	0%
NPLs plus Foreclosed Real Estate / Loans	NA	NA	NA	NA	NA
Loan Loss Reserves / NPLs	NA	NA	NA	NA	NA
Loan Loss Reserves / Total Loans	NA	NA	NA	NA	NA

Company Sector

Financial Services-Consumer/Commercial

Company Description

GSBD, established in late 2012, is a specialty finance company, regulated as a BDC under the Investment Company Act of 1940, as amended, that invests in debt and equity of middle market commercial enterprises. GSBD's objective is to generate current income with the potential for capital appreciation for distribution to shareholders as dividends. The company principally underwrites variable-rate credit structures at the upper end of the capital structure.

Investment Rationale

We believe GSBD is well positioned to gain share due to: (1) a proprietary origination platform, (2) late-cycle oriented portfolio, (3) favorable fee structure creates greater shareholder alignment. We view valuation as full given NAV is at a premium to the peer average, and we see limited catalysts for the shares to re-rate higher.

Stock Data

Average Daily Volume 472,581

Quarterly Earnings Estimates

	2023	2024
Q1	0.45A	0.55E
Q2	0.58A	0.55E
Q3	0.64A	0.53E
Q4	0.55A	0.52E

Portfolio yield stable at 12.6%

The portfolio yield (cost basis) was stable at 12.6% QoQ.

Unsecured 47% of total funding; leverage stable at 1.1x

Reported net leverage was 1.1x, unchanged QoQ. Target leverage is 1.25x therefore GSBD can grow the portfolio about \$225M (~6.5%) with existing capital. GSBD's funding mix remains conservative (47% unsecured debt), increasing financial flexibility and liquidity. Total liquidity was strong at \$776M (\$748M last quarter). There are no debt maturities in 2024 and only \$360M (20%) of debt maturities in 2025.

Exhibit 1: Adjust 24/25E core EPS outlook to \$2.15/\$1.95 from \$2.15/\$2.00 and introduce our 26E core EPS forecast of \$1.82

GSBD summary income statement

	2021A	2022A	2023A	1Q24E	2Q24E	3Q24E	4Q24E	2024E	2025E	2026E
Income Statement (thousand)										
Interest Income	342,111	352,114	450,866	112,829	113,649	109,440	108,110	444,027	416,749	401,377
Prepayment & OID										
Other income	3,873	4,956	3,140	1,000	1,000	1,000	1,000	4,000	4,800	6,000
Dividends/other - SCF	-	-	-	-	-	-	-	-	-	-
Dividends - Other	996	382	908	172	173	173	174	692	702	702
Total Investment Income	346,980	357,452	454,914	114,001	114,822	110,613	109,284	448,719	422,251	408,080
Interest Expense	58,988	79,464	111,302	27,445	27,527	26,725	25,819	107,516	113,492	108,047
Net Interest Income	287,992	277,988	343,612	86,556	87,294	83,888	83,465	341,203	308,759	300,033
Non-Interest Expense	50,617	49,417	96,371	26,594	26,792	26,110	26,076	105,572	100,763	100,410
Net Investment Income	194,975	215,138	241,470	59,962	60,503	57,777	57,389	235,631	207,996	199,623
Net realized Gain/(Loss) on Investments	39,857	(21,264)	(71,371)	-	-	-	-	-	-	-
Net Unrealized Gain/(Loss) on Investments	(84,646)	(152,304)	21,055	-	-	-	-	-	-	-
Net gain on Investments	(44,789)	(173,568)	(50,316)	-	-	-	-	-	-	-
Net change in reserve for General Partner incentive										
Other										
Income Tax	159	-	-	-	-	-	-	-	-	-
Net Increase in Net Assets from Operations	150,027	41,570	191,154	59,962	60,503	57,777	57,389	235,631	207,996	199,623
Diluted Shares Outstanding (thousand)	101,690	102,256	108,288	109,564	109,564	109,564	109,564	109,564	109,564	109,564
End of Period Shares	101,691	102,851	109,564	109,564	109,564	109,564	109,564	109,564	109,564	109,564
Earnings per Share										
GAAP EPS (diluted)	\$1.48	\$0.41	\$1.77	\$0.55	\$0.55	\$0.53	\$0.52	\$2.15	\$1.90	\$1.82
Adjusted NII per share (diluted)	\$1.92	\$2.10	\$2.23	\$0.55	\$0.55	\$0.53	\$0.52	\$2.15	\$1.90	\$1.82
Dividends Paid	\$1.95	\$1.80	\$1.80	\$0.45	\$0.45	\$0.45	\$0.45	\$1.80	\$1.80	\$1.80
NAV (Book Value) per Share	\$15.86	\$14.61	\$14.62	\$14.72	\$14.82	\$14.90	\$14.97	\$14.97	\$15.07	\$15.09

Source: Company filings, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Goldman Sachs BDC, Inc. (GSBD)

Our \$14.50 PO is based on an approximately 1.0x multiple to current NAV/share, which we think is achievable on GSBD's improving margins and modest portfolio growth.

Downside risks to achieving our price objective are 1) material weakening in credit markets, 2) a significant slowdown in investment activity, 3) a deteriorating macroeconomic environment, 4) disruptions in the capital markets, and 5) weaker than expected investment performance.

Analyst Certification

I, Derek Hewett, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Ares Capital Corporation	ARCC	ARCC US	Derek Hewett
	Ares Commercial Real Estate Corporation	ACRE	ACRE US	Derek Hewett
	Bank of Montreal	BMO	BMO US	Ebrahim H. Poonawala
	Bank of Montreal	YBMO	BMO CN	Ebrahim H. Poonawala
	Barings BDC Inc	BBDC	BBDC US	Derek Hewett
	Blackstone Mortgage Trust Inc	BXMT	BXMT US	Derek Hewett
	Blue Owl Capital Corporation	OBDC	OBDC US	Derek Hewett
	Carlyle Secured Lending Inc	CGBD	CGBD US	Derek Hewett
	Citigroup Inc.	C	C US	Ebrahim H. Poonawala
	Compass Diversified Holdings	CODI	CODI US	Derek Hewett
	Crescent Capital BDC	CCAP	CCAP US	Derek Hewett
	Cullen/Frost Bankers Inc	CFR	CFR US	Ebrahim H. Poonawala
	East West Bancorp, Incorporated	EWBC	EWBC US	Ebrahim H. Poonawala
	Fifth Third Bank	FITB	FITB US	Ebrahim H. Poonawala
	First Bancorp Puerto Rico	FBP	FBP US	Brandon Berman
	First Horizon Corporation	FHN	FHN US	Ebrahim H. Poonawala
	FNB Corporation of Pennsylvania	FNB	FNB US	Brandon Berman
	Goldman Sachs	GS	GS US	Ebrahim H. Poonawala
	JPMorgan Chase & Co.	JPM	JPM US	Ebrahim H. Poonawala
	KeyCorp	KEY	KEY US	Ebrahim H. Poonawala
	M&T Bank	MTB	MTB US	Ebrahim H. Poonawala
	Morgan Stanley	MS	MS US	Ebrahim H. Poonawala
	New Mountain Finance Corporation	NMFC	NMFC US	Derek Hewett
	Northern Trust Corporation	NTRS	NTRS US	Ebrahim H. Poonawala
	Nuveen Churchill Direct Lending	NCDL	NCDL US	Derek Hewett
	Royal Bank of Canada	RY	RY US	Ebrahim H. Poonawala
	Royal Bank of Canada	YRY	RY CN	Ebrahim H. Poonawala
	Safehold, Inc	SAFE	SAFE US	Derek Hewett
	Starwood Property Trust	STWD	STWD US	Derek Hewett
	Synovus Financial Corp.	SNV	SNV US	Ebrahim H. Poonawala
	The Bank of New York Mellon Corporation	BK	BK US	Ebrahim H. Poonawala
	Truist Financial	TFC	TFC US	Ebrahim H. Poonawala
	U.S. Bancorp	USB	USB US	Ebrahim H. Poonawala
	Webster Financial Corp.	WBS	WBS US	Brandon Berman
	Wells Fargo & Company	WFC	WFC US	Ebrahim H. Poonawala
	Western Alliance Bancorp	WAL	WAL US	Ebrahim H. Poonawala
NEUTRAL				
	AGNC Investment Corp	AGNC	AGNC US	Derek Hewett
	Ally Financial	ALLY	ALLY US	Brandon Berman
	Annaly Capital Management	NLY	NLY US	Derek Hewett
	Apollo Commercial Real Estate Finance	ARI	ARI US	Derek Hewett

North America - Banks Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Associated Banc-Corp	ASB	ASB US	Brandon Berman
	Bain Capital Specialty Finance, Inc.	BCSF	BCSF US	Derek Hewett
	Bank of Nova Scotia	YBNS	BNS CN	Ebrahim H. Poonawala
	Bank of Nova Scotia	BNS	BNS US	Ebrahim H. Poonawala
	Blackstone Secured Lending Fund	BXSL	BXSL US	Derek Hewett
	BrightSpire Capital Inc.	BRSP	BRSP US	Derek Hewett
	Canadian Imperial Bank of Commerce	CM	CM US	Ebrahim H. Poonawala
	Canadian Imperial Bank of Commerce	YCM	CM CN	Ebrahim H. Poonawala
	Citizens Financial Group	CFG	CFG US	Ebrahim H. Poonawala
	Comerica Incorporated	CMA	CMA US	Brandon Berman
	Commerce Bancshares Inc.	CBSH	CBSH US	Brandon Berman
	Goldman Sachs BDC, Inc.	GSBD	GSBD US	Derek Hewett
	Golub Capital BDC, Inc.	GBDC	GBDC US	Derek Hewett
	Huntington Bancshares Inc.	HBAN	HBAN US	Ebrahim H. Poonawala
	Ladder Capital Corp	LADR	LADR US	Derek Hewett
	New York Community Bancorp	NYCB	NYCB US	Ebrahim H. Poonawala
	Palmer Square Capital BDC	PSBD	PSBD US	Derek Hewett
	PennyMac Mortgage Investment Trust	PMT	PMT US	Derek Hewett
	Popular Inc	BPOP	BPOP US	Brandon Berman
	Regions Financial	RF	RF US	Ebrahim H. Poonawala
	The PNC Financial Services Group, Inc.	PNC	PNC US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	TD	TD US	Ebrahim H. Poonawala
	Toronto-Dominion Bank	YTD	TD CN	Ebrahim H. Poonawala
	TPG RE Finance Trust, Inc.	TRTX	TRTX US	Derek Hewett
UNDERPERFORM				
	Bank of Hawaii Corp.	BOH	BOH US	Brandon Berman
	First Hawaiian Inc.	FHB	FHB US	Brandon Berman
	Guild Holdings Company	GHLD	GHLD US	Derek Hewett
	Invesco Mortgage Capital, Inc.	IVR	IVR US	Derek Hewett
	loanDepot Inc	LDI	LDI US	Derek Hewett
	MidCap Financial Investment Co	MFIC	MFIC US	Derek Hewett
	Prosperity Bancshares Inc	PB	PB US	Ebrahim H. Poonawala
	State Street Corporation	STT	STT US	Ebrahim H. Poonawala
	Texas Capital Bancshares Inc.	TCBI	TCBI US	Brandon Berman
	Zions Bancorp	ZION	ZION US	Brandon Berman
RSTR				
	Sixth Street Specialty Lending, Inc	TSLX	TSLX US	Derek Hewett

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales
EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales
Basic EBIT + Depreciation + Amortization



Valuation Toolkit**Numerator****Denominator**

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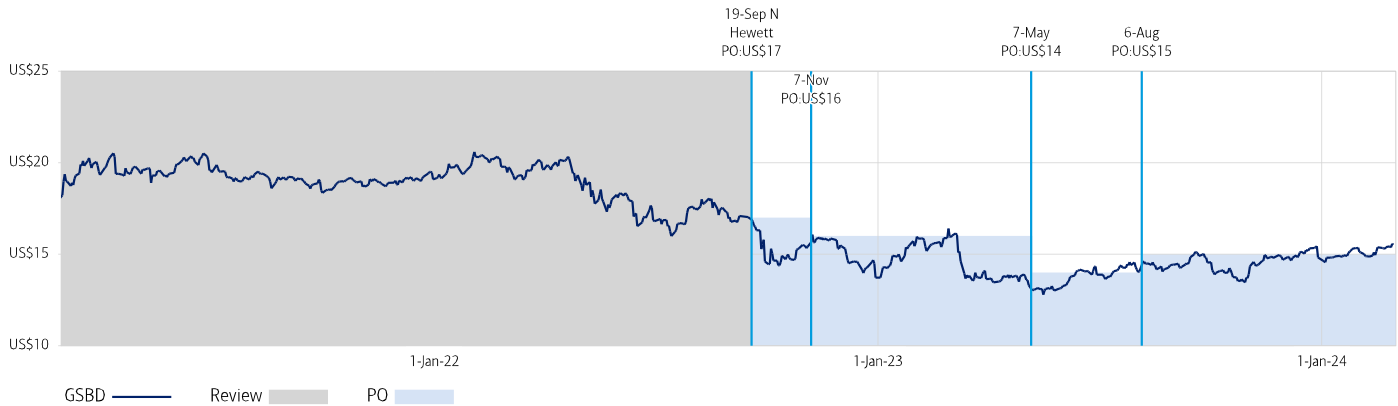
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Disclosures

Important Disclosures

Goldman Sachs BDC (GSBD) Price Chart



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

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

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

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	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%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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