

Report On: Goldman Sachs



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Introduction

International banking and foreign exchange are a complex market. The entire market is a connected network of numerous banks, financial institutions and financial companies creating a system. Getting involved in this highly complicated environment requires experience and careful understanding of different financial phenomenon. This assignment tries to provide a brief insight into this market through a preliminary qualitative assessment of Goldman Sachs, a well renowned international financial corporation. The report provides a description of historical evolution of the corporation since its beginning and illustrates the spread of the bank in the international market through its contributions. The study then provides a depiction of the available offerings of the banks in their functions and finally portrays a consolidated financial statement of the primary markets within which it operates.

Goldman Sachs: A Historical Evolution

In 1869 by Marcus Goldman founded Goldman Sachs in New York. Samuel Sachs joined the firm in 1882. Goldman with his son Henry and his son-in-law Ludwig Dreyfuss into the business and the firm began with its present name, Goldman Sachs & Co in 1885. In 1896, the company started the use of commercial paper for entrepreneurs and then joined the New York Stock Exchange (NYSE). And by 1898 the capital of the firm stood at \$1.6 million. Goldman entered the IPO market in the year of 1906 when it took Sears, Roebuck and Company public. The deal was made possible by Henry Goldman's friendship with Julius Rosenwald, an owner of Sears. Other IPOs followed, including F. W. Woolworth and Continental Can. Henry S. Bowers was the first non-member of that family to become a partner of the company and share in its profits in the year of 1912. In 1917 Henry Goldman resigned because of under growing pressure from the other partners in the firm due to his pro-German stance. In 1918, The Sachs family gained full control of the firm until Waddill Catchings joined. By 1928, Catchings became the partner of Goldman with the single largest stake in the firm as mentioned by Endlich L (2000).



In 1930, Sidney J. Weinberg was named as senior partner. Weinberg became the father of the modern-day Goldman Sachs and served as senior partner for about forty years. His early years at

the helm of the firm were difficult ones, as he guided Goldman Sachs through the financial turbulence of the Great Depression and the aftermath of the collapse occurs on Goldman Sachs Trading Corporation, an investment trust. But the end of Second World War saw the upturn of both Goldman Sachs and the US economy itself.

Over the next quarter century, Goldman Sachs evolved into one of the leading full-service investment banks in the United States. According to the findings of Cohan WD (2012), Sidney Weinberg, known as “Mr. Wall Street,” focusing on the financing side of the business while Gus Levy, who joined the firm in the year of 1933 and became partner in 1945, built the most forbidding equity sales and trading capabilities in the industry, discovering the practice of block trading in the process. In the 1950s, Goldman Sachs formed the New Business Department to market the services of its corporate finance specialists and to assure the continuity of client relationship.

As noted by Feng X (2020), the first decade of the twenty-first century was a turbulent one, as financial markets adjusted to the collapse of the high-tech bubble, the loss of investor confidence following some highly visible corporate misconduct and the 2008 financial crisis, which occurs thousands of businesses and millions of people around the globe. In this time, the financial services industry—and Goldman Sachs in particular—came under considerable inspection. Against this backdrop, the firm recommitted itself to the core values articulated in its 14

Track Record of Change and Innovation



created the Business Standards Committee (BSC), a senior-level body tasked with conducting a comprehensive review of the firm's business activities against industry best practices and the firm's own standards for excellence. Amidst the sweeping changes prompted by globalization, consolidation, technological transformation and increased regulatory scrutiny in the years that followed, Goldman Sachs was again able to distinguish itself as an industry leader.

In 2014, Goldman Sachs increase its concern on and investment in technology, launching leading-edge platforms like Marquee to assist trading, data security, big-data management and the ability to assess a broad spectrum of risks. 2016 saw the launch of Marcus by Goldman Sachs, a platform designed to help people better manage their debt by providing fixed-rate, no-fee personal loans. In 2017, the firm integrated a consumer online deposit platform into Marcus. As the firm's first visible move into the mainstream market, Marcus exemplified Goldman Sachs' capability to remain agile and seeks new opportunities.

In 2018, Lloyd Blankfein announced his intention to retire; he stepped down as CEO in September of that year and as chairman in December. David Solomon previously served as president and chief operating officer, triumph Blankfein in both parts. Solomon marked the early phase of his leadership with a focus on expanding the firm's product and services offering, improving its diversity stat and positioning the firm to build on its 150-year heritage. In his first year, the firm announced Launch with GS, making a \$500 million commitment to businesses founded and led by women, Black, Latinx and other entrepreneurs who have been historically underserved by the funding ecosystem as mentioned by Sachs G (2018).

At a level, Goldman Sachs has changed about beyond recognition since its starting in 1869. What started as a one-person operation in Lower Manhattan has evolved into one of the most influential financial services firms in the world, with professionals representing a diverse range of backgrounds and experiences positioning the firm to execute on its future vision globally. But at different level, the spirit of Marcus Goldman's business lives on through the firm's core values of customer service, excellence, honesty and partnership.

Global Coverage & Contribution

The Institution has established a strong foothold in the international market through infiltrating different countries. The global presence has helped them further promote sustainability and generate stakeholder value. According to Gupta et al (2017), Goldman Sachs has been operating in 34 countries like Australia, Belgium, Brazil, New Zealand, Saudi Arabia, Canada, France, Denmark, Chile, India, Indonesia, China, Poland, Ireland, United Kingdom, and United States of America and so on.

Following is a list of available revenue that has been generated in the FY2017 from different

Country	Net Revenues	Profit/(loss) before tax	Corporation tax paid/ (received)	Average number of employees
United Kingdom	7,009,332	2,092,423	386,685	4,496
Cayman Islands	358,347	354,788	-	-
Luxembourg	264,107	252,601	(5)	-
United Arab Emirates	64,468	16,540	-	52
Germany	62,335	32,482	13,742	29
Italy	43,043	25,879	5,503	23
Spain	26,699	5,834	2,508	23
Sweden	21,805	5,349	491	28

international markets by Goldman Sachs.

Due to lack of information, we were unable to gather the instructed information. However, we have provided the contribution of the banking institution from 4 prominent countries around the world.

France

In 1987, Goldman Sachs begins operations in Paris, its third office in Europe. The French economy went through a period of recovery, growth and modernization during the 1980s, coinciding with increased cooperation among members of the European Community (EC). In the mid-1980s, targeting European monetary convergence and unification, French policy makers prioritized the reduction of inflation, the stabilization of the French franc exchange rate, liberalization of financial markets and the modernization of monetary policy making and bank regulation.

Goldman Sachs expanded its Paris operations between late 1991 and early 1992, with the Investment Banking Division (IBD) joining the Fixed Income Futures Department. By spring 1994, when it relocated to rue de Thann on the edge of the Parc Monceau, the Paris office had a team of more than 60 with expertise spanning investment banking, capital markets, operations, technology and fixed income sales and trading.

India

Goldman Sachs, previously as an onshore company residing in Mumbai in early 1990 has been providing its service to clients. Which is now transformed in to joint venture in 2006? It has deployed more than 3.6 billion in capital, being an active investor in India.

Saudi Aramco is known as one of the largest foreign investor in India. The sale of 15 billion in 20% stake was declared by Reliance in its oil to chemical business through Goldman Sachs to Saudi Aramco. The largest M&A took place in India in 2018 when Flipkart's \$17 billion sale happened to Walmart via Goldman Sachs. They are also an active investor in India, deploying more than \$3.6 billion in capital since 2006.

Japan

Since opening the Tokyo Representative Office in 1974, Goldman Sachs has expanded its operations to meet the diversifying financial needs of customers. Currently, we provide a wide range of financial services including investment banking, sales & trading, investment, asset management, real estate, etc.

This firm is planning to enter the wealth management business in Japan, great net worth personalities will be marked by the US bank through its asset management unit, this is to be heard from an anonymous person since the plan is still not identified and private. but to accomplish its goal it has been hiring private bankers and also looking for assets under management of 1 trillion YEN (\$9 billion) for the next five to 10 years.

Goldman Sachs started its journey in 1974 as Tokyo Representative Office. In 1983 it started set-ups as Tokyo Branch of Goldman Sachs Securities Co., Ltd and also Got a business license for securities. 3 years later the firm joined in stock Tokyo stock exchange and followed by next 3 years the firm joined in Tokyo financial exchange.

Their most significant event took place in October 2006. Goldman Sachs Securities Preparation Co., Ltd. took over all of the procedures from the Tokyo branch of Goldman Sachs Securities Co., Ltd. As well as reformed its name to Goldman Sachs Securities Co., Ltd.

Italy

Goldman Sachs was among the foremost financial organizations that partaken in the country's first privatization program in the early 1990. Goldman Sachs has been present for almost 30 years in Italy, one of the key markets in Europe.

With the help of their specialized teams in sectors such as manufacturing and financial services, consumer goods, It has performed some of the most successful contacts in the history of the Italian industry, which also includes great M&A and IPO deals.

As stated in the findings of Foley et al (2011), in the early 1990s, Goldman Sachs was among the leading financial institutions that participated in the country's first privatization program. This program included quotations and M&A transactions (mergers and acquisitions) involving the main financial institutions, utilities , oil companies and companies operating in the telecommunications and defense sectors then owned by the Italian State.

In 2001, Goldman Sachs assisted Montedison in Italenergia's defense against takeover, a match for control of one of the leading industrial groups in Italy which then played a decisive role in redefining the country's financial and entrepreneurial balance. Today they are one of the leading international investment banks operating in Italy, offering the entire range of financial services to Italian clients - large industrial groups, financial institutions, family businesses - as well as to the Italian Government and its related companies.

Functions & Product Offerings

The banking institution has been operating in different directions since it's commencement of operations. However, the entirety of the functions, products and services offered by the firm can be broadly categorized into 4 distinct areas. The services of the company follow a universalistic approach due to their target customer base and the commonality of their operations around the world. The 4 primary segments of the business of Goldman Sachs are as following:

Investment Banking	Global Markets	Asset Management	Wealth Management
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Investment Banking

Investment banking services primarily include financial advisory provided to clients and underwriting for different companies and individuals. The Financial advisory prospect of the bank is diversified in different ways. They provide advising and undertake mergers & acquisitions of firms, investitures, corporate defense activities to tackle competition from a hostile takeover according to the findings of Davidoff et al (2011). They also provide corporate restructuring services and spin-offs on many occasions. Underwriting services include raising capital gain and providing public offerings on behalf of organizations and private placements including local and cross-border transactions, as well as derivative transactions entered into with public and private clients in relation to the underwriting services.

The company gained prominence as one of the best mergers and acquisition firms in the 1980s by advising its clients on how to avoid forced hostile takeovers which increased the firm's reputation immensely among sitting management teams at the time. They provide equity and debt instruments as well. According to recent annual reports, Investment banking accounts for 21% of their total revenue generated in the fiscal year 2019.

Global Markets

Goldman Sachs also deals in securities & exchange markets through dealing with fixed income bonds, currencies, commodities and equities (stocks) as well as numerous derivatives related to such securities. Generally, clients of this business tend to be large, institutional investors such as pension funds, insurance companies, asset managers, hedge funds sovereign wealth funds etc.

This segment has been divided into 4 sub-segments. As mentioned before, fixed income which includes the trading of interest rates and credit products and different securities such as insurance-covered or mortgage covered etc. Currency and commodities which is can be

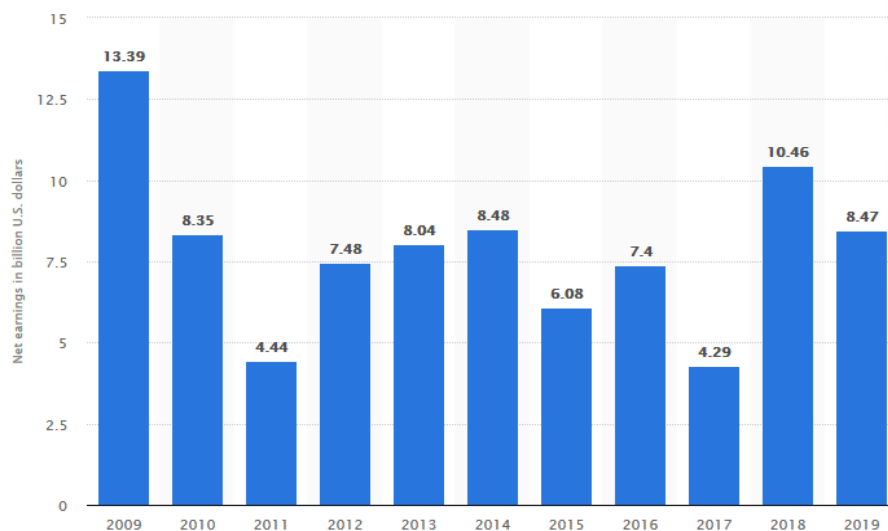


Figure 1: Net earnings of Goldman Sachs from 2009 to 2019

described as its namesake, the trade of different currencies in the international money market. The third section is equities and the trading of derivatives, futures contracts and options contracts as well. The final sub-segment is

called principle investments which generated the significant revenues for

the corporation. The segment includes the revenues generated from the trading activities of the bank and the clients who are taking service as well. The client trading services is called flow trading whereas the owner focused trading is called proprietary trading. The Global Markets segments accounts for 38% of the total revenue generated in FY2019.

Asset Management

Asset management division provides financial planning and investment services alongside advisory regarding different investment opportunities and products created by their own. As noted by Keenan et al (2016), by using separately managed accounts, Goldman Sachs provides their asset management services across different classes of assets to a diversified group of clients, both individual and organization, around the globe. This division gives the clients numerous products and offers clearing, financing and custody services. Reporting activities of hedge funds, mutual funds and pension funds of institutional clients also fall under this division.

The revenue generated from this division comes in the form of spreads, transaction fees and management services offered. In FY 2019, the division accounted for 18% of the total revenue chart.

Goldman Sachs has a private equity arm called Goldman Sachs Capital Partners. The sole purpose of this separate arm of the owner company is to conduct investment opportunities accordingly on behalf of its institutional clientele. The entity has a strong fund called GS Capital Partners V which has raised over \$9 billion for investment purposes. After the astounding success of this fund, the company established a new fund GS Capital Partners VI with a \$20 billion in committed capital. Within this amount, \$11 billion came from their dedicated institutional clients and the rest \$9 billion was accumulated by Goldman Sachs and related employees of the organization.

Wealth Management

Wealth management division consists of numerous managerial fees, incentive fees, results from deposit-taking activities and others that are related to the company's wealth management business. It also includes the results generated from investments made through its private bank, providing unsecured loans and accepting deposit requests on their digital platform and providing their clients with credit cards through their consumer based operation as mentioned below, Marcus by Goldman Sachs.

In 2020, Goldman Sachs introduced a new division to its arsenal of functions and products that are being served. They have created a consumer banking entity called Marcus by Goldman

Sachs, which will allow them to enter into the “banking as a service” market. Marcus will offer additional financial products to Goldman clients and act as a platform for other companies' products and services. Marcus has been set up quickly in relation to other competitors in that market. It also boasts extensive growth opportunities. The firm has currently hit \$60 billion in depository terms and has forecasted their total to be raised to \$125 billion the next 5 years of operation.

Goldman Sachs: A Financial Review

Goldman Sachs has been facing significant instability during the last years of its operational period. A brief look on company’s worldwide performance is presented below:

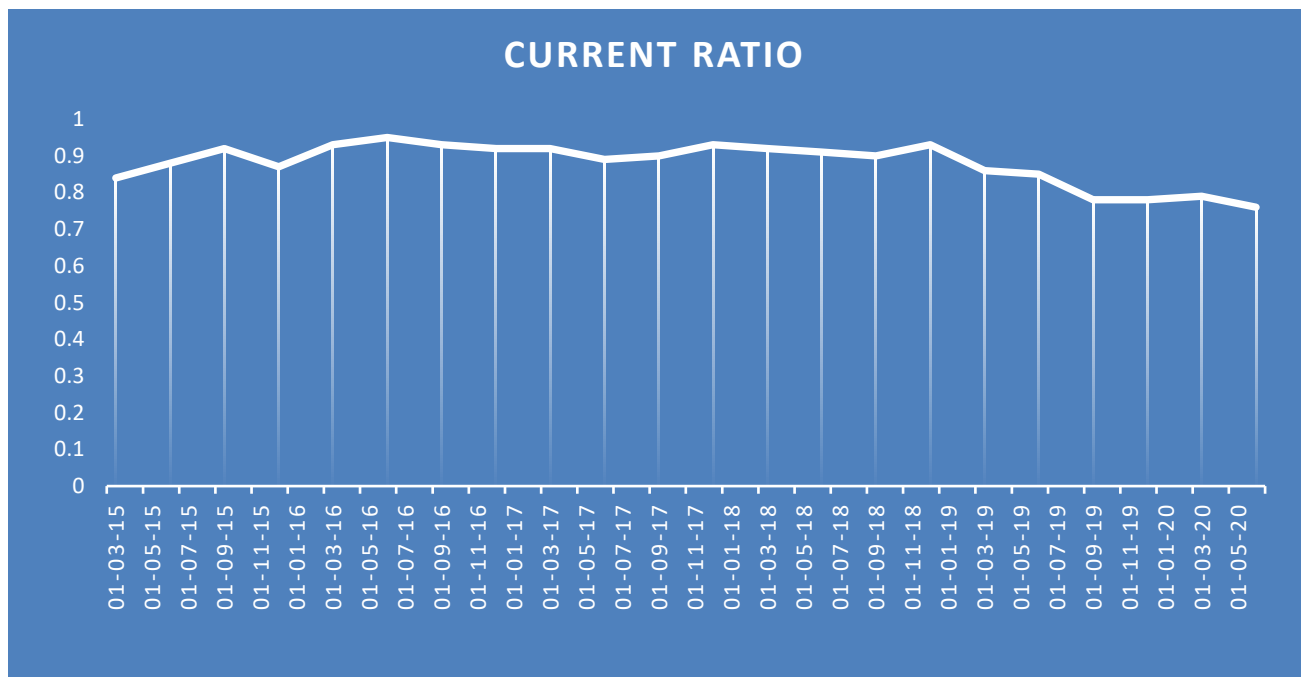
Year	2017	2018	Growth rate (Comparatively)	2018	2019	Growth rate (Comparatively)	June 30,2020
Net Earnings	4,286	10,459	144%	10,459	8,466	-19.055%	4805
Net Revenue	32,730	36,616	11.87%	36,616	36,546	-.19%	37162
Profit Margin	13.09%	28.56%	---	28.56%	23.16%	---	12.9%

From the above chart, we can deduce that:

- Goldman Sachs suffered a loss of \$4.3B in the resent year.

- Its current profit margin growth rate is 12.9 %(30th June, 2020) which is lower than the last year's 23.16%.
- Its forecasted future earnings is expected to be 26.5%

Liquidity ratio: A banks contributes significantly in the economic wellbeing of a country by fairly and time providing credit. The ability to timely providing credit and meeting customer on demand depends on firm's liquidity assets on hand. Current ratio of last five years is given below:



This indicated that company can meet any customer on demand. Also a bank's asset 1033.4 B exceeds long term liabilities 464.6B.

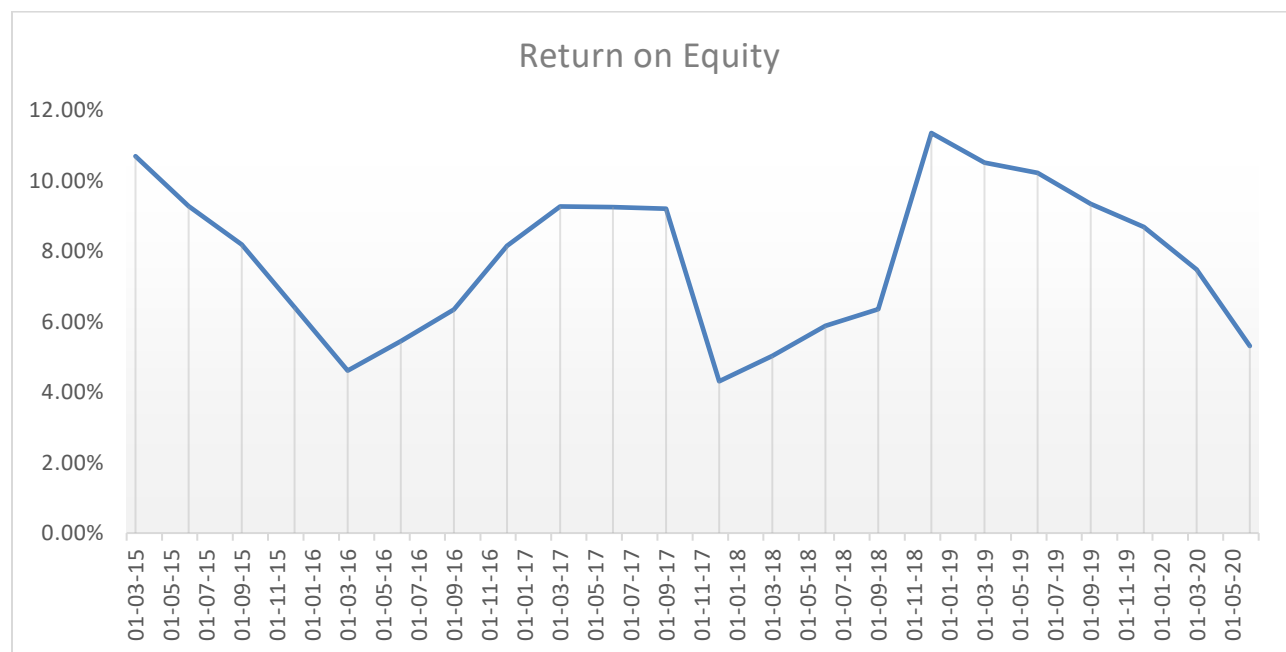
Current market condition of Goldman Sachs

Current Price \$207.97	Fair market value \$257.25	Over Value
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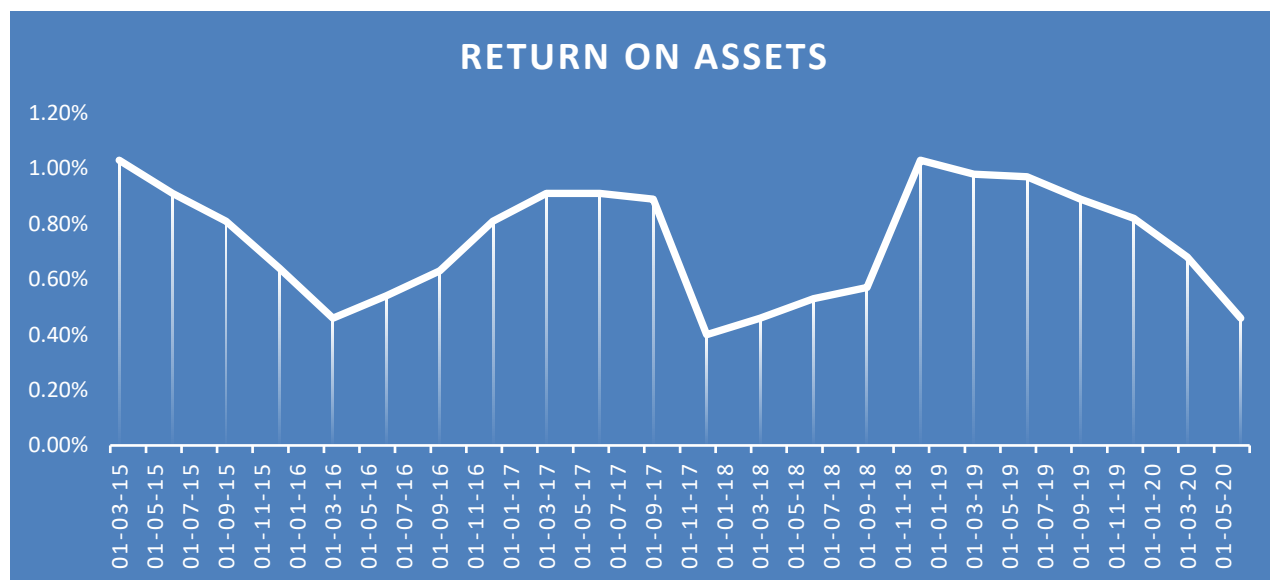
Goldman Sachs is currently trading 19.2% below their estimated fair market but not by a significant amount.

Earnings per Share: The Company's current earnings per share is 13.29. EPS is forecasted to grow 15.24 by the end of 2020 and 22.65 by the end of 2021. The company has a good value with PE ratio of $207.97/13.29 = 15.6\%$ compared PE ratio of the US capital market 26.9%.

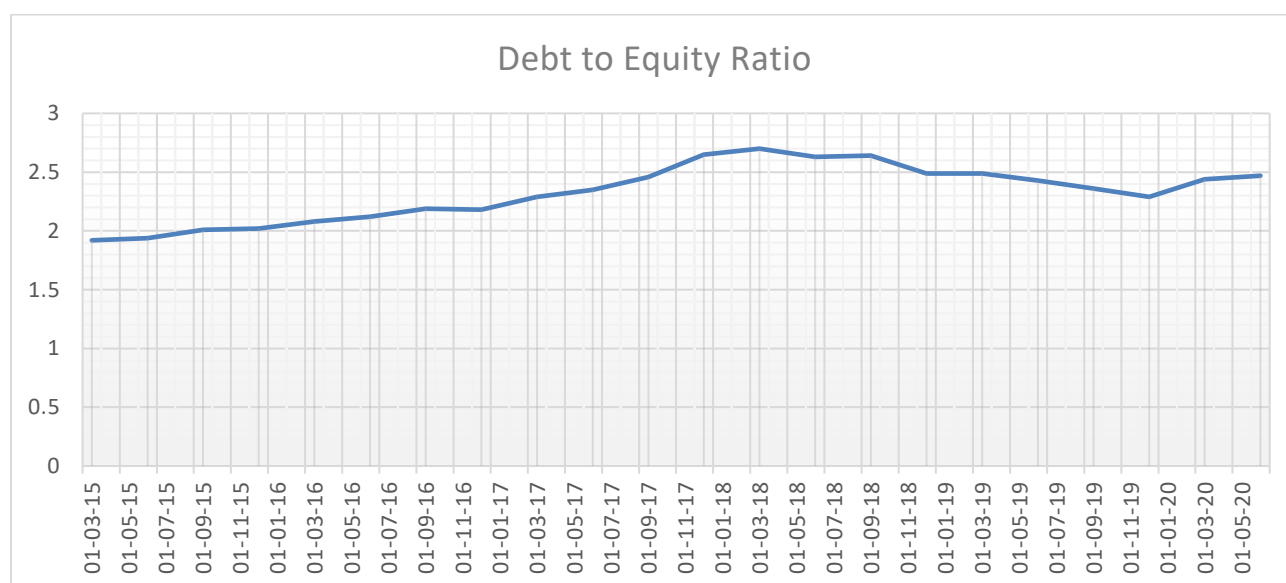
Return on Equity: ROE measures how efficiently a company is generating profit. That's why generally higher ROE means higher profitability. Return on Equity of last five years is given below:



Company's return on assets (ROA): It measures the efficiency of banks management in generating earning. Return on assets of last five years is given below:



Debt-equity ratio: The debt equity ratio measures a company's financial leverage how much of a company's debt can be covered by the shareholders equity in the event of downturn. Higher ratio shows poorer ability lower ratio shows higher ability to cover up. Debt-equity ratio of last five years is given below:



Dividend Yield: Company's current dividend yields 2.40% which is above the average industry yield. Dividend per share has been stable and gradually growing for past few years. Dividend yield per year and dividend per share for past 4 years is given below:

Year	Dividend Yield Per Year	Dividend Per Share
2017	1.2%	3
2018	1.4%	3.200
2019	2.3%	5
2020 (30 June)	2.4	5

Dividend Payout Ratio: Goldman Sachs a current payout ratio of 37.6% of the retained earnings.

Financial Statement Analysis of Goldman Sachs Subsidiaries

As a parent country net income of Goldman Sachs USA has a larger contribution in the consolidated income statement of Goldman Sachs. While it is doing well in India, the firm had to face significant losses in Indonesia in 2019. The current ratio in both Indonesia and India shows they are able meet customer demand at any time though Return on Assets and Return on equity is negative. The ROA and ROE ratio of both USA India shows they are doing well in the industry.

Country	Net Income /loss	Current Assets	Current Liabilities	Current Ratio	Shareholders Equity	Total Assets	ROA	ROE
Indonesia	-1.34	5.776792005	0.466686159	12.37832298	4.457374443	6	-0.22262	-0.3006
USA	1,616	65343	190614	0.342802732	29,332	228,835	0.007062	0.055093
India	7	483	17	27.74229137	19	495	0.014361	0.369056

Due to the insufficiency of data we were able to collect data of three countries. The data of India and Indonesia were given in rupee and rupiah .Which were converted to USD using <https://www.exchangerates.org.uk/>. Date of currency conversion is 18 august, 2020. All Data are expressed In Million Dollars.

Conclusion

Goldman Sachs is an international banking and investment corporation with legendary status. They have not only helped develop the international money market but also have assisted countries and different money markets across the world. They have contributed to many revolutionary financial exchanges and created a strong position in the market. The study tries to dive into their accomplishments and assess their present conditions across the globe.

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