

## **The Goldman Sachs Group, Inc.**

### **Summary**

- GS is a leading global and integrated investment bank for over 20 years. They enable institutional to seek absolute returns on the quoted and private equity markets by leveraging knowledge and placing clients first to deliver excellence.
- GS market capital is 132 billion and achieves 32% of market shares or \$848.6 Billion in volume; ahead of Morgan Stanley (27% Market Share, more conservative business model) and JPMorgan Chase & Co. (23% Market Share, retails banking) which is considerably more profitable than the benchmark at 300% (GS net earnings are \$44.56B, MS net earnings are \$11.0 B).

### **Quantitative**

- The GS P/E is 9.65 which relatively low compared to the average P/E ratio in the financial services industry of 14.26 (and relatively lower than competitors; P/E Morgan Stanley =12.21 and P/E JPMorgan Chase & Co = 13.18). Thus, GS is considered to have lower risk due to the undervaluation. The security has less potential loss in value if market conditions decline.
- GS EV/EBITDA had suddenly dropped from 99.83 in 2008 to approximately 20 in 2009. After that it slightly rose up to 31.57 (June 2015) and reach 40.45 (June 2021). The GS growth rate of EV/EBITDA is lower compared to the financial sector which continues rising from 33.93 (June 2015) to 128.16 (May 2021) indicating that GS has a slow growth rate compared to its peers. However, GS generates a higher income compared to peers and its EBITDA is increasing year on year. Hence, the company can support debt payment and has higher financial leverage and more debt tolerance.
- At a discount rate of 7.46% in DCF analysis, the intrinsic value of The Goldman Sachs Group, Inc (NYSE:GS) stock is 545.66 USD. Compared to the current market price of 388.14 USD, the company's shares are undervalued by 40.58%. The difference in the stock price and its intrinsic value refers to the margin of safety which made minimal downside risk to the investor.

### **Recommendation**

- Goldman Sachs is slow growth; however, it is an undervalued company with constant income. There is a potential to attain its intrinsic value at 545.66 USD based on 5 years DCF model by a acquisition the GS.

### **Qualitative**

- Goldman Sachs extends the business by launching an online consumer banking market under the name "Marcus" where offers personal loans and savings accounts to retail clients online in 2016. With better technology and banking expertise compared to other banks, Goldman Sachs can build new business growth positions to generate higher returns by prioritizing tech innovation, develop internal technologies that increase productivity. These changes are helping the institutions provide higher quality services at a lower price.
- GS has concrete phases of investing for the post-COVID-19 economy:
  - Preservation (high uncertainty, preserve existing funding and balance sheet repair)
  - Consolidation (use solutions we know work rather than actual new things)
  - Innovation (expect in a new vendor or product, new solutions).

- These future plans strengthen the existing business by deepening relationships, promoting diversity, inclusion, community engagement, and sustainability. Additionally, these solidify the entire business and make GS become a stable company. Enable these plans makes GS sustain its quality and client engagement.

#### Recommendation

- Marcus offers only personal loans and savings accounts which are fewer varieties of products compared to other online banks. Offering the more commercial bank product and services will create customer engagement leads to a steady income. Automatic online personal funding advisory application will help classify customers at the beginning and promote worker's productivity due to less manual assessment.
- GS has a concrete future roadmap after the COVID-19 pandemic for both GS and their customers which shows that GS is well-prepared for abrupt changes. Provided the high value-added services for clients will maintain the leader position in the financial market and balance the stability of earnings and long-term earnings growth.

#### **Outlook (Future Recommendation)**

- Combining the existing Marcus online services with GS technical know-how can expand high value-added in businesses. Launching the new financial product package combined with the business advisory via an online platform will diversify the company's products and services and drive the company to success in the abrupt technological changes. This new venture will expose GS to the technology sector where the new opportunities and expected synergy will impact all their business units in terms of data processing, dealing, and market trends.
- GS traditional business and their online commercial venture or Marcus are focused on the American continent. GS has a small footprint in emerging markets in Africa and Asia continents compared to their overall capabilities. By pursuing globalization of their offering and cash on cash on the transaction in Non-US markets, GS will assert dominance in global market share, find new growth relays and build up continuity at a platform level. Asia and Africa must be where GS concentrates their performance efforts VS NAM and Europe will produce intelligence as a service.