



DSR STOCK CARD

11/05/2019

GOLDMAN SACHS GROUP [GS]

Business Model

Goldman Sachs is a global investment banking firm whose activities are organized into investment banking, institutional client services, investing and lending, and investment management segments. Approximately 60% of the company's net revenue is generated in the Americas, 15% in Asia, and 25% in Europe, the Middle East, and Africa. In 2008, Goldman reorganized itself as a financial holding company regulated by the Federal Reserve System.

The Company in a Nutshell

- GS's business is well diversified across many segments (investment management 20%, investment banking 23%, investing & lending 21% and institutional services 36%).
- The investment bank shows over \$1.5T in assets under management.
- GS issued \$6.5B worth of securities for the 1MDB fund which was later discovered to be a fraud (oops!).

Investment Thesis

GS is one of the largest and well-known investment bankers on the street. Goldman Sachs is an icon in the financial markets. In a world where network and experience mean everything, GS is among the top players. The company enjoys a strong business diversification and can count on its brand reputation to attract new clients. With over \$1.5T in AUM, GS is also one of the largest asset managers in the street. This offers the most stable source of revenue. Unfortunately, its low yield and erratic dividend growth policy doesn't convince us to invest.

VALUATION

Dividend Growth Rate Years 1-10: 8.00%

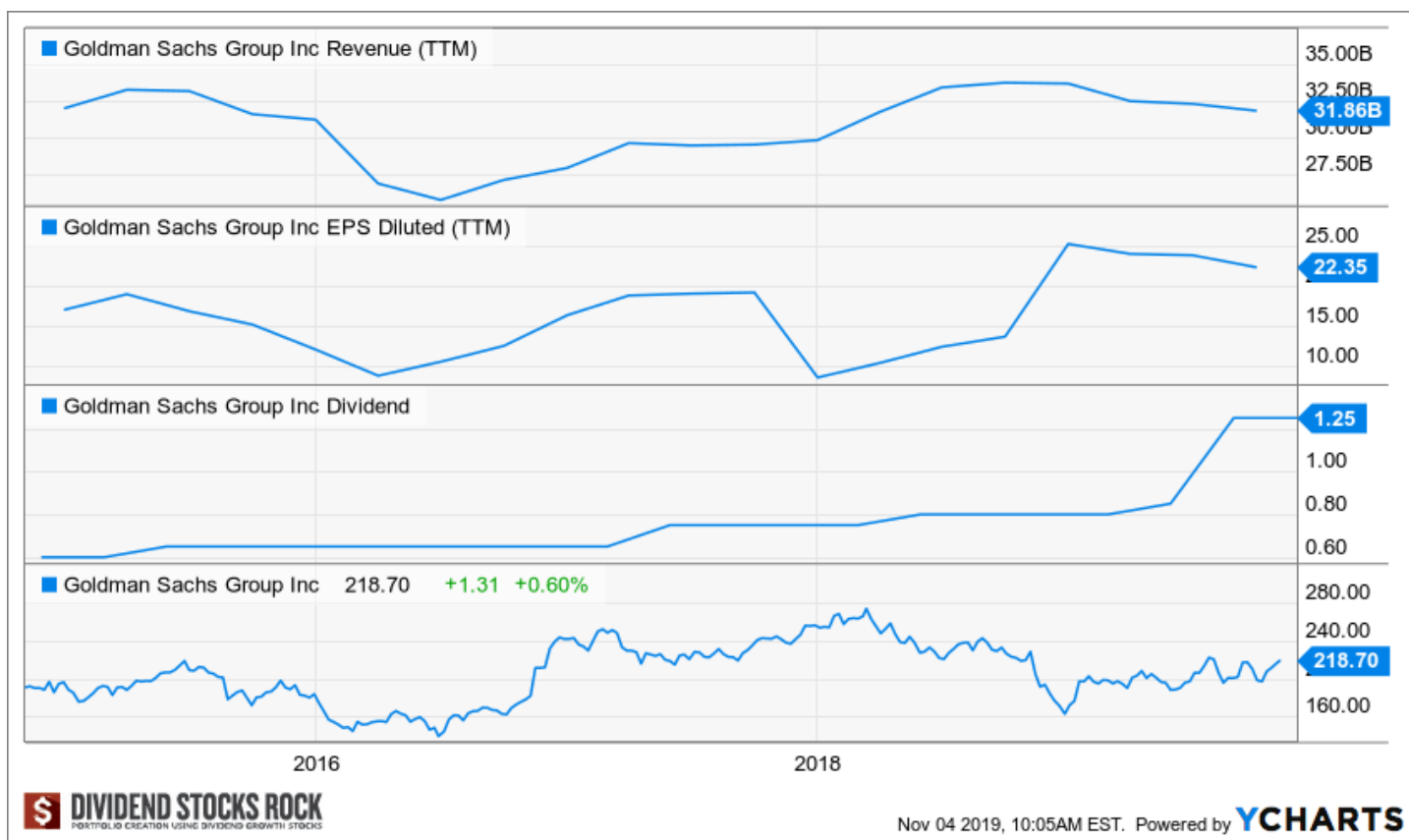
Terminal Dividend Growth Rate: 6.00%

	Discount Rate (Horizontal)		
Margin of Safety	9.00%	10.00%	11.00%
20% Premium	\$250.39	\$186.66	\$148.48
10% Premium	\$229.52	\$171.11	\$136.11
Intrinsic Value	\$208.66	\$155.55	\$123.73
10% Discount	\$187.79	\$140.00	\$111.36
20% Discount	\$166.93	\$124.44	\$98.99



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Potential Risks

GS may be a big, well-established and important player for over a century, but that doesn't mean it can't fall (remember Lehman Brothers?). GS has access to many great deals due to its reputation, but that doesn't shield it from making mistakes. Goldman did issue \$6.5B worth of securities for the 1MDB fund which was later discovered to be a fraud. Investing in GS after a 10-year bull market seems a little bit late to the party.

Dividend Growth Perspective

Management is cautious with its cash, and this enabled the firm to survive throughout 2008 without cutting its dividend. However, depending on the market, GS may be very generous or simply forget to increase its dividend. Going forward, you can expect a high single-digit dividend growth rate with a few pauses from time to time.