

# Henderson State University

Analysis Report- Goldman Sachs GRP, Inc.

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## Market Profile

<b>Goldman Sachs GRP, Inc.</b>	
<b>Ticker Symbol</b>	<b>GS</b>
<b>Exchange</b>	<b>NYSE</b>
<b>Industry</b>	<b>Diversified Inv.</b>
<b>Sector</b>	<b>Financial</b>
<b>Peer</b>	<b>JPMorgan</b>
<b>Shares Owned</b>	<b>0</b>
<b>Purchase Date</b>	<b>-</b>
<b>Purchase Price</b>	<b>-</b>
<b>Current Price</b>	<b>92.53</b>
<b>52-wk Low</b>	<b>47.41</b>
<b>52-wk High</b>	<b>203.39</b>
<b>52-wk Change</b>	<b>-8.42%</b>
<b>52-wk Relative</b>	
<b>1 Year Target Price</b>	<b>110.64</b>
<b>Market/Book</b>	<b>.85</b>
<b>Market Cap.</b>	<b>42.52B</b>
<b>Beta</b>	<b>1.2</b>
<b>EPS (ttm)</b>	<b>4.47</b>
<b>Price/Earnings</b>	<b>20.76</b>
<b>PEG</b>	<b>1.14</b>
<b>Dividend &amp; (Yield)</b>	<b>1.87 (2%)</b>
<b>Dividend Payout</b>	<b>31%</b>
<b>Interest Coverage</b>	<b>--</b>
<b>ROE</b>	<b>4.33 %</b>
<b>Recommendation:</b>	
<b>(Hold) Keep stock in Portfolio</b>	

## Company History:

The Goldman Sachs Group, Inc., was founded in 1869 and is headquartered in New York, New York. On May 7<sup>th</sup>, 1999, the Goldman Sachs Group, Inc., succeeded to the business of the Goldman Sachs Group, L.P., and completed an IPO. Goldman Sachs, together with its subsidiaries, provides various investment banking, securities, and investment management services to corporations, financial institutions, governments, and high-net-worth individuals worldwide.

## Product Mix

- **Investment Banking:** Goldman Sachs provides a range of investment banking services to a diverse group of corporations, financial institutions, investment funds, governments and individuals. Its Investment Banking segment is divided into two components: Financial Advisory and Underwriting. Financial Advisory includes advisory assignments with respect to mergers and acquisitions, divestitures, corporate defense activities, restructurings and spin-offs. Underwriting includes public offerings and private placements of a range of securities and other financial instruments, including common and preferred stock, convertible and exchangeable securities, investment-grade debt, high-yield debt, sovereign and emerging market debt, municipal debt, bank loans, asset-backed securities and real estate-related securities, such as mortgage-related securities and the securities of real estate investment trusts. Goldman Sachs engages in the underwriting and origination of various types of debt instruments, including investment-grade debt securities, high-yield debt securities, bank and bridge loans and emerging market debt securities, which may be issued by, among others, corporate, sovereign and agency issuers. In addition, it underwrites and originates structured securities, which include mortgage-related securities and other asset-backed securities, and collateralized debt obligations.

- **Trading and Principal Investments:** Trading and Principal Investments facilitates client transactions with a group of corporations, financial institutions, investment funds, governments and individuals and takes positions through market making in, trading of and investing in fixed income and equity products, currencies, commodities and derivatives on these products. In addition, the Company engages in market making and specialist activities on equities and options exchanges, and it clears client transactions on major stock, options and futures exchanges worldwide. In connection with its merchant banking and other investing activities, Goldman Sachs makes principal investments directly and through funds that it raises and manages. The Company's Trading and Principal Investments segment is divided into three components: Fixed Income, Currency and Commodities; Equities, and Principal Investments.

- **Asset Management and Securities Services:** The Company's asset management business provides investment advisory and financial planning services and offers investment products (primarily through separately managed accounts and commingled vehicles) across all major asset classes to a diverse group of institutions and individuals worldwide and primarily generates revenues in the form of management and incentive fees. Securities Services provides prime brokerage services, financing services and securities lending services to institutional clients, including hedge funds, mutual funds, pension funds and foundations, and to high-net-worth individuals worldwide, and generates revenues primarily in the form of interest rate spreads or fees. The Company's Asset Management and Securities Services segment is divided into two components: Asset Management and Securities Services.

### Stock Chart- Six Months



### Recent Headlines

- [Hurry Up and Nationalize the Banks at Motley Fool](#) (Fri, Feb 13)
- [\[\\$\\$\] The Shorts Can't Break the Big Banks at RealMoney by TheStreet.com](#) (Fri, Feb 13)
- [The problem with paying back TARP at CNNMoney.com](#) (Fri, Feb 13)
- [\[\\$\\$\] Shareholders Renew Push to Regulate Executive Pay at The Wall Street Journal Online](#) (Thu, Feb 12)
- [Banks, investment firms borrow less from Fed AP](#) (Thu, Feb 12)
- [\[\\$\\$\] Goldman's Short-Term Pain, Long-Term Gain at RealMoney by TheStreet.com](#) (Thu, Feb 12)

## Industry Overview

**Current Rank:** 35

**Portfolio Percentage Rank:**

**Monetary Policy Indicator:** expansive number 4

**Industry Opinion:**

From a sector rotation standpoint, these shares are poised to do well in the future.

**Key Issues Affecting the Industry:**

Difficult economic times and government funding, (TARP) are reasons for concern.

## Porter's Five Forces

**1. Rivalry**

Goldman is one of the few investment banking firms surviving on Wall Street. However, there are other struggling financial competitors, including Morgan Stanley and JP Morgan.

**2. Threats of Substitutes**

The services provided by Goldman Sachs are unique to high capital investments and risk, therefore it is difficult to duplicate on a commercial scale.

**3. Buying Power**

Since Goldman Sachs is a reputable company in the investment banking world, other corporations who are looking to raise capital, initiate a merger, etc, will choose to pay GS for those services. Thus, Goldman can use its advantages to require a premium.

**4. Supplier Power**

Suppliers are the investors who contribute capital to the company. While they can produce capital for the firm and expect return, they cannot control other aspects, specifically, stock price.

**5. Barriers to Enter**

New entrants would not pose any immediate threat, since investment banking requires an enormous amount of capital.

## Recent Results- 10Q

### Goldman Sachs Grp. Inc. Income Statement

PERIOD ENDING	28-Nov-08	30-Nov-07	24-Nov-06
Total Revenue	53,579,000	87,968,000	69,353,000
Cost of Revenue	3,777,000	-	18,987,000

**Gross Profit** 49,802,000 87,968,000 50,366,000

#### Operating Expenses

Research Development	485,000	-	-
Selling General and Administrative	14,362,000	27,564,000	3,424,000
Non Recurring	-	-	-
Others	1,262,000	819,000	694,000
Total Operating Expenses	-	-	-

**Operating Income or Loss** 33,693,000 59,585,000 46,248,000

#### Income from Continuing Operations

Total Other Income/Expenses Net	-	-	-
Earnings Before Interest And Taxes	33,693,000	59,585,000	46,248,000
Interest Expense	31,357,000	41,981,000	31,688,000
Income Before Tax	2,336,000	17,604,000	14,560,000
Income Tax Expense	14,000	6,005,000	5,023,000
Minority Interest	-	-	-
Net Income From Continuing Ops	2,322,000	11,599,000	9,537,000

Non-recurring Events

Discontinued Operations	-	-	-
Extraordinary Items	-	-	-
Effect Of Accounting Changes	-	-	-
Other Items	-	-	-

<b>Net Income</b>	<b>2,322,000</b>	<b>11,599,000</b>	<b>9,537,000</b>
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Preferred Stock And Other Adjustments	(281,000)	(192,000)	(139,000)
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<b>Net Income Applicable To Common Shares</b>	<b>\$2,041,000</b>	<b>\$11,407,000</b>	<b>\$9,398,000</b>
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**Economic Outlook- 10K**

Full year net revenues for 2008 were \$22.2 billion, net earnings were \$2.3 billion, and earnings per diluted share were \$4.47. These results generated a return on common equity of 4.9%. Book value per share was essentially flat at \$98.68. For the fourth quarter, net revenues were negative \$1.6 billion, net earnings were negative \$2.1 billion, and earnings per diluted share were negative \$4.97. Clearly, 2008 represented one of the most difficult operating environments in modern financial history and certainly the most challenging year since we became a public company. Asset price declines, volatility and illiquidity were unprecedented across both equity and credit markets. The stresses during 2008 and in the fourth quarter are reflected in our earnings, so it's appropriate to consider what these market levels implied at the end of the quarter. Finally, it is important to recognize that we generated net profits of over \$2.3 billion in 2008 despite this environment. Furthermore, given that this included significant losses related to asset price declines, you can see the true earnings power of the Goldman Sachs franchise throughout the year. Clients continue to look to Goldman Sachs for advice and advance; this will continue to drive the firm into 2009. In short, Goldman Sachs is well positioned to withstand difficult markets and take advantage of near-term opportunities. Although we, like many, are concerned about the potential for a slowdown in global economies, we feel confident about the strategic steps we've taken and will look to leverage our global client relationships, risk management culture, and the talents of our people to maximize shareholder returns over the long term.

## Financial Ratios

### Valuation Ratios

	Company	Industry	Sector	S&P 500
P/E Ratio (TTM)	20.54	3.75	0.04	13.33
P/E High - Last 5 Yrs.	18.04	2.03	0.01	29.08
P/E Low - Last 5 Yrs.	4.75	0.45	0.00	6.90
Beta	1.66	1.43	0.02	0.90
Price to Sales (TTM)	0.82	6.64	30.63	1.63
Price to Book (MRQ)	0.88	0.92	104.11	2.57
Price to Tangible Book (MRQ)	0.75	2.43	104.11	4.90
Price to Cash Flow (TTM)	13.36	4.03	1,790.70	6.41
Price to Free Cash Flow (TTM)	--	19.13	0.09	14.30
% Owned Institutions	--	--	--	--

### Dividends

	Company	Industry	Sector	S&P 500
Dividend Yield	1.95	0.42	0.01	3.23
Dividend Yield - 5 Year Avg.	0.82	1.59	0.02	1.91
Dividend 5 Year Growth Rate	13.60	16.66	0.28	11.54
Payout Ratio(TTM)	31.46	4.87	0.24	40.24

### Growth Rates

	Company	Industry	Sector	S&P 500
Sales (MRQ) vs Qtr. 1 Yr. Ago	-82.90	-56.57	264,991.38	-0.18
Sales (TTM) vs TTM 1 Yr. Ago	-39.09	-21.84	224,948.20	9.72
Sales - 5 Yr. Growth Rate	17.80	16.12	998.09	14.35

EPS (MRQ) vs Qtr. 1 Yr. Ago	-170.95	-1,539.73	-4,979.71	-90.67
EPS (TTM) vs TTM 1 Yr. Ago	-81.19	--	--	--
EPS - 5 Yr. Growth Rate	-5.29	7.46	0.16	16.53
Capital Spending - 5 Yr. Growth Rate	18.82	17.45	977.30	10.56

### Financial Strength

	Company	Industry	Sector	S&P 500
Quick Ratio (MRQ)	--	1.71	0.02	0.91
Current Ratio (MRQ)	--	1.73	0.02	1.10
LT Debt to Equity (MRQ)	288.46	320.72	2.09	84.40
Total Debt to Equity (MRQ)	435.76	795.83	7.06	107.32
Interest Coverage (TTM)	--	0.41	0.00	31.90

### Profitability Ratios

	Company	Industry	Sector	S&P 500
Gross Margin (TTM)	41.48	-5.42	0.05	39.46
Gross Margin - 5 Yr. Avg.	53.25	38.99	0.25	41.00
EBITD Margin (TTM)	6.72	--	--	--
EBITD - 5 Yr. Avg.	18.90	20.41	0.15	18.61
Operating Margin (TTM)	4.36	-279.04	-3.64	--
Operating Margin - 5 Yr. Avg.	17.40	57.88	0.09	17.88
Pre-Tax Margin (TTM)	4.36	-287.50	-3.68	14.43
Pre-Tax Margin - 5 Yr. Avg.	17.40	58.08	0.10	17.58
Net Profit Margin (TTM)	4.33	-272.45	-0.97	10.32
Net Profit Margin - 5 Yr. Avg.	11.84	50.25	0.59	12.37

Effective Tax Rate (TTM)	0.60	3.34	0.15	28.01
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Effective Tax Rate - 5 Yr. Avg.	31.98	33.09	1.58	30.39
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## Management Effectiveness

	Company	Industry	Sector	S&P 500
Return on Assets (TTM)	0.23	-1.18	-0.56	5.84
Return on Assets - 5 Yr. Avg.	0.88	1.45	0.20	6.23
Return on Investment (TTM)	0.42	-2.42	-0.01	8.10
Return on Investment - 5 Yr. Avg.	1.56	5.13	0.03	8.46
Return on Equity (TTM)	4.66	-13.36	-2.44	21.00
Return on Equity - 5 Yr. Avg.	20.83	9.53	0.98	16.08

## Efficiency

	Company	Industry	Sector	S&P 500
Revenue/Employee (TTM)	1,781,809	9,269,536	22,226	322,116
Net Income/Employee (TTM)	77,220	-10,012,772	-13,008	35,747
Receivable Turnover (TTM)	0.45	0.85	0.13	10.04
Inventory Turnover (TTM)	--	2.77	0.01	7.23
Asset Turnover (TTM)	0.05	0.03	0.00	0.65

## DCF Model

Beta	1.2
Valueline Safety Rating	3
Expected Growth (EPS)	8.20
Projected Growth & Dividend Yield	0.6%
Required Rate Return	17.15 %
Projected Future P/E	11
Annualized HPR	33.04%
PV of Future Price	39.27

<b>P/E Sensitivity</b>					
<b>Present Value</b>	<b>Price 2014</b>	<b>P/E 20014</b>	<b>EPS 2014</b>	<b>HPR 2014</b>	<b>Annual Return</b>
17.85	44.85	5.0	8.97	2.77	19.14%
24.99	62.79	7.0	8.97	3.60	24.64%
32.13	80.73	9.0	8.97	4.44	29.17%
<b>39.27</b>	<b>98.67</b>	<b>11.0</b>	<b>8.97</b>	<b>5.27</b>	<b>33.04%</b>
46.41	116.61	13.0	8.97	6.10	36.44%
53.55	134.55	15.0	8.97	6.93	39.47%
60.69	152.49	17.0	8.97	7.76	42.21%

<b>Earnings Sensitivity</b>					
<b>Present Value</b>	<b>Price 2014</b>	<b>P/E 20014</b>	<b>EPS 2014</b>	<b>HPR 2014</b>	<b>Annual Return</b>
36.64	92.07	11.0	8.37	4.96	31.68%
37.52	94.27	11.0	8.57	5.06	32.14%
38.39	96.47	11.0	8.77	5.17	32.60%
<b>39.27</b>	<b>98.67</b>	<b>11.0</b>	<b>8.97</b>	<b>5.27</b>	<b>33.04%</b>
40.14	100.87	11.0	9.17	5.37	33.48%
41.02	103.07	11.0	9.37	5.47	33.91%
41.89	105.27	11.0	9.57	5.57	34.34%

## Momentum



Momentum Indicator: +0.6

## Analyst's Opinion

### Why Buy GS?

Still a leader in the industry, and positioned well to withstand difficulties.

### Why not buy GS?

The industry in its entirety is struggling due to distrust and harsh economic conditions.

### Final Discussion:

I would hold and wait for optimal time to buy low.