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Goldman Sachs Rides Deals to Improved Revenue, Earnings

Wall Street firm says profit rose to $2.5 billion in Lloyd Blankfein's last quarter as chief executive

Goldman Sachs and rival Morgan Stanley both reported quarterly results Tuesday morning. **PHOTO:** MICHAEL NAGLE/BLOOMBERG NEWS

By Liz Hoffman

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Goldman Sachs Group Inc. GS said Tuesday that its third-quarter profit rose 19% from a year ago on the back of strong deal making and lower taxes.

Goldman's profits of $2.52 billion, on revenue of $8.65 billion, were higher than a year ago, when the firm posted earnings of $2.13 billion on revenue of $8.33 billion.

Earnings per share were $6.28. That was well above the expectations of analysts polled by Refinitiv, who predicted $5.38 a share.

The third quarter, with its August lull in trading and corporate securities issuance, is typically a slower one for Wall Street firms. Goldman lacks the big lending and consumer businesses that buoyed earnings at rivals including JPMorgan Chase & Co. last week.

Morgan Stanley , whose trading and investment banking businesses mirror Goldman's, on Tuesday also reported sharply higher profits. Morgan Stanley shares rose about 4% in morning trading, with Goldman shares moving about 2% higher.

The quarterly results are the last of Lloyd Blankfein's tenure, which began in 2006 and ended Oct. 1, when David Solomon took over as Goldman's CEO. He inherits a firm that must find new ways to grow, as technological, market and competitive forces threaten its core businesses of securities trading and investment banking.

To compensate, Goldman is getting into consumer banking and expanding its asset-management arm. Both businesses have the potential to generate steadier fees than the outsize returns — and losses — that can come from its Wall Street operations.

Investors and analysts will be looking for more detailed disclosures about a $5 billion revenue-growth initiative unveiled a year ago that relies on contributions across the firm.

Mr. Solomon isn't likely to make an appearance on Tuesday morning's earnings call, a task Mr. Blankfein left to his chief financial officers.

Turnover in that seat, too — Mr. Solomon, in one of his first moves, is replacing CFO Martin Chavez with longtime investment banker Stephen Scherr, effective Nov. 4 — offers Goldman a chance to rethink tradition and put on a new face for investors frustrated by the stock's steady slide in recent months. Goldman's share price is down more than 15% this year, the worst among large banks except Morgan Stanley.

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The biggest contributor to the quarter came from Goldman's investment bankers, whose fees from merger and underwriting assignments rose 10% from a year ago, led by a sharp rise in stock underwriting.

Revenue in Goldman's troubled trading division was essentially flat from a year ago at $3.1 billion. Equities, which includes stock trading and securities lending, rose 17%, offsetting a 10% drop in fixed-income trading, a larger business where Goldman's slide in recent years has been precipitous.

Trading results across the industry have been mixed this quarter, which is typically a slower one for Wall Street trading desks as Europe more or less shuts down and portfolio managers go on vacation. JPMorgan and Bank of America Corp. reported slightly lower trading revenue, while Citigroup Inc. and Morgan Stanley reported a rise.

Asset-management revenue rose 12% to $1.7 billion, driven by incentive fees reaped by the firm's fund managers. Assets under supervision — a measure that includes money invested in Goldman-branded funds as well as clients' money that the firm steers to competing products — hit a record $1.55 trillion as of Sept. 30, up slightly from three months earlier.

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