

# Equity Research Report

## J.P. Morgan Chase & Co (NYSE:JPM)

J.P.Morgan



December 2024

Current Price	Target Price	Potential Upside	Reccomendation	Industry
\$242.31	\$271.77	12.16%	HOLD/BUY	Banking and Finance

## Investment Thesis

We suggest a Hold/Buy recommendation on J.P. Morgan Chase & Co (JPM) based on a 6-month price target of \$271.77, showing an upside potential of 12.16% from its closing price of \$242.31 on 25/10/2024. These key points drive our suggestion:

### Proven Leadership by Jamie Dimon

Jamie Dimon's leadership as CEO since January 2006 has been transformative for J.P. Morgan. Under his stewardship, the stock price has grown from \$40.03 to \$242.31, representing an extraordinary 506 per cent increase. His unmatched track record, which includes co-founding Citigroup, positions him as one of the most accomplished leaders in financial services. A Harvard Business School graduate, Dimon has skilfully navigated the bank through crises, regulatory changes, and market shifts, consistently delivering long-term growth. His ability to adapt and innovate while steering a global financial powerhouse underscores his unparalleled expertise. Dimon's leadership provides a solid foundation for the bank's continued success, reinforcing its position as a top-performing financial institution.

### Trump Policies to Boost Financial Performance

The expected return of Donald Trump to office in 2025 brings a pro-business agenda with financial deregulation at its core. Reduced oversight on lending, trading, and capital requirements is set to enhance profitability across the banking sector. J.P. Morgan, as the industry leader, is positioned to maximize these opportunities, leveraging its scale and operational excellence. Moreover, an uptick in M&A activity is anticipated under this regulatory environment, opening doors for lucrative advisory mandates. As the foremost player in global investment banking, J.P. Morgan is primed to capture these opportunities and drive earnings growth. This deregulation-led tailwind strengthens the bank's profitability outlook, making it an even more compelling investment.

### Dominance in League Rankings

J.P. Morgan's commanding lead in global investment banking is reflected in its \$6.64 billion in fees year to date in 2024, far surpassing Goldman Sachs' \$4.98 billion. This gap illustrates J.P. Morgan's unrivalled ability to execute M&A, equity, and debt transactions. Its dominance across these key areas cements its status as the industry benchmark. In a shifting regulatory environment, J.P. Morgan's robust market position, client relationships, and execution capabilities will enable it to maintain its leadership in high-profile advisory deals. This competitive advantage solidifies its potential for sustained revenue growth and reinforces its reputation as a trusted advisor for complex transactions.

### Relative Valuation Upside

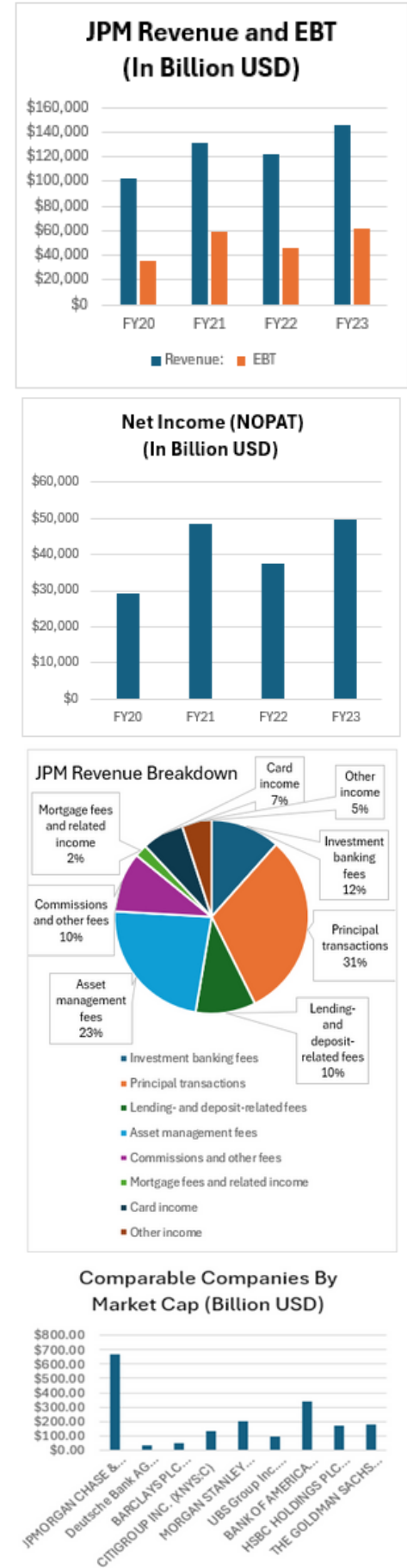
Despite its market leadership, J.P. Morgan trades at a price-to-earnings multiple of 12.85x, below the peer group median of 15.45x. This suggests undervaluation relative to its peers, indicating potential upside as the market re-evaluates its position. Although its price-to-sales multiple of 4.15x is above the median, this premium reflects the bank's superior revenue generation and efficiency. While this is a supporting factor, the valuation gap further underlines J.P. Morgan's strong investment case, with its fundamentals providing the primary drivers for future growth.

J.P. Morgan (JPM)	Market Profile
Closing Price	242.21
52-Week High/Low	164.20-254.31
Shares Outstanding (B)	2.82
Market Cap (Billion)	682.28
Dividend Yield	2.75%
Beta	1.09
EV/Revenue	N/A
EV/EBITDA	N/A
P/E	12.85x
2023 Revenue (B)	145.67
2023 Net Income (B)	49.52
EPS (Latest Quarter)	4.37



Sensitivity Table						
Growth Rate						
	271.77	2.5%	2.0%	1.5%	1.0%	0.5%
WACC	8.1%	298.58	297.86	297.17	296.43	295.71
	8.6%	285.01	284.36	283.72	283.05	282.39
	9.1%	272.95	272.35	271.77	271.14	270.54
	9.6%	262.16	261.60	261.06	260.49	259.93
	10.1%	252.44	251.92	251.43	250.90	250.38

7Y DCF Valuation	
Sum of PV of FCF	264,135
Growth Rate	1.50%
WACC	9.1%
Terminal Value	581,040
PV of Terminal Value	345,137
Enterprise Value	609,272
(+) Cash	1,077,515
(-) Debt	920,403
(-) Minority Interest	0
Equity Value	766,384
Diluted Shares Outstanding	2820.00
Implied Share Price	271.77



## Company Overview

J.P. Morgan Chase & Co. (JPM) is a global leader in financial services, operating across investment banking, financial markets, and asset management. Founded in 1871, J.P. Morgan has become a symbol of financial strength and innovation, maintaining its position as the largest U.S. bank by market capitalization.

### Revenue Diversification

J.P. Morgan benefits from a diverse revenue stream across its divisions. In Q3 2024, the firm generated:

- Principal Transactions: \$5,988 million
- Asset Management Fees: \$4,479 million
- Investment Banking Fees: \$2,231 million
- Lending and Deposit-Related Fees: \$1,924 million

This model reduces risk exposure and highlights J.P. Morgan’s strong positions in wealth management and investment banking. Consistent card income (\$1,345 million) and mortgage revenue (\$402 million) provide stability even in volatile markets.

### Operational Excellence and Profitability

J.P. Morgan emphasizes efficiency and cost optimization while maintaining high client service standards. The firm’s operating margin and ability to navigate economic cycles underscore its profitability. Technology-driven solutions and streamlined operations further enhance its competitive edge.

### Leadership in Client Service and Technology

J.P. Morgan leads the adoption of technology to enhance client experiences. Its focus on personalized services and reliability allows for premium pricing in key sectors. This commitment to innovation strengthens its market leadership and strategic positioning.

With its diversified model, efficiency, and client-centric approach, J.P. Morgan continues to dominate and show the standard in the banking and finance industry.

## Industry Overview

With a market capitalisation of over \$417.77 billion as of November 2024, J.P. Morgan Chase & Co. (NYSE: JPM) is a global leader in the financial services industry. The top five competitors based on market capitalisation are:

- Bank of America Corporation (NYSE: BAC) - Market Cap: \$235.63 billion.
- The Goldman Sachs Group, Inc. (NYSE: GS) - Market Cap: \$177.70 billion.
- Morgan Stanley (NYSE: MS) - Market Cap: \$159.87 billion.
- HSBC Holdings plc (NYSE: HSBC) - Market Cap: \$172.43 billion.
- Citigroup Inc. (NYSE: C) - Market Cap: \$131.86 billion.

J.P. Morgan's success is driven by its culture, which emphasizes innovation, a client-first mindset, and a dedication to delivering long-term value.

Competitors	Market Capitalisation	ROE	ROA	Revenue	Net Income
J.P. Morgan	\$668.92	16.22%	1.33%	\$161.15	\$52.07
Deutsche	\$33.15	6.12%	0.34%	\$27.63	\$3.89
Barclays	\$47.63	7.51%	0.34%	\$23.60	\$4.24
Citi	\$130.86	3.87%	0.34%	\$69.31	\$6.70
Morgan Stanley	\$198.87	11.08%	0.93%	\$58.28	\$10.62
UBS	\$95.33	5.28%	0.28%	\$47.21	\$4.52
Bank of America	\$338.91	8.09%	0.73%	\$94.63	\$21.94
HSBC	\$173.43	12.64%	0.81%	\$57.97	\$22.57
Goldman Sachs	\$177.70	10.17%	0.74%	\$49.39	\$11.42

# J.P. Morgan Chase & Co

## Valuation

J.P. Morgan Chase & Co - Revenue Projections	Historicals				Projected						
	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30
Revenue:	102,471	130,898	122,298	145,670	171,891	180,485	185,900	189,618	193,410	197,278	201,224
Growth Rate	-	28%	-7%	19%	18.0%	5.0%	3.0%	2.0%	2.0%	2.0%	2.0%
(-) Operating Expenses:	65,541	71,336	76,132	83,212	97,978	102,877	105,963	108,082	110,244	112,449	114,698
% of Revenue	64%	54%	62%	57%	57.0%	57.0%	57.0%	57.0%	57.0%	57.0%	57.0%
EBT	35,815	59,562	46,166	61,612	70,475	73,999	76,219	77,743	79,298	80,884	82,502
% of Revenue	35%	46%	38%	42%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%	41.0%
(-) Taxes	6,684	11,228	8,490	12,060	14,095	14,800	15,244	15,549	15,860	16,177	16,500
% of EBT	19%	19%	18%	20%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%
<b>NOPAT</b>	<b>29,131</b>	<b>48,334</b>	<b>37,676</b>	<b>49,552</b>	<b>56,380</b>	<b>59,199</b>	<b>60,975</b>	<b>62,195</b>	<b>63,438</b>	<b>64,707</b>	<b>66,001</b>
% of Revenue	28%	37%	31%	34%	33%	33%	33%	33%	33%	33%	33%
(+) Depreciation & Amortization:	8,614	7,932	7,051	7,512	10,313	10,829	11,154	11,377	11,605	11,837	12,073
D&A % of Revenue	8%	6%	6%	5%	6%	6%	6%	6%	6%	6%	6%
Change in Working Capital:	-13,056	50,298	-15,235	19,311	22,346	23,463	24,167	24,650	25,143	25,646	26,159
% of Revenue	-13%	38%	-12%	13%	13%	13%	13%	13%	13%	13%	13%
(-) Capital Expenditures:	0	0	0	0	0	0	0	0	0	0	0
% of Revenue	-	-	-	-	-	-	-	-	-	-	-
<b>Unlevered Free Cash Flow:</b>	<b>50,801</b>	<b>5,968</b>	<b>59,962</b>	<b>37,753</b>	<b>44,348</b>	<b>46,565</b>	<b>47,962</b>	<b>48,921</b>	<b>49,900</b>	<b>50,898</b>	<b>51,916</b>
% Growth Rate	-	-88%	905%	-37%	17%	5%	3%	2%	2%	2%	2%

### Cost of Equity (CAPM)

Equity	682,550
Debt	410,203
Risk Free Rate (10-Yr Treasury Yield)	4.6%
Equity Risk Premium	4.1%
5 Year Beta	1.09
<b>Cost of Equity</b>	<b>9.1%</b>

### 7Y DCF Valuation

Sum of PV of FCF	264,135
Growth Rate	1.50%
WACC	9.1%
Terminal Value	581,040
PV of Terminal Value	345,137
Enterprise Value	609,272
(+) Cash	1,077,515
(-) Debt	920,403
(-) Minority Interest	0
Equity Value	766,384
Diluted Shares Outstanding	2820.00
<b>Implied Share Price</b>	<b>271.77</b>

### Note:

In the valuation of banks and insurance companies, only the cost of equity is used due to their unique capital structures and regulatory environments.

Comparable Companies	Comparables Analysis ( In Billions USD)				
	Market Data		Financials		Multiples
	Equity Value	Sales	Net Income	P/E	Price/Sales
JPMORGAN CHASE & CO. (XNYS:JPM)	\$668.92	\$161.15	\$52.07	12.85x	4.15x
Deutsche Bank AG (XNYS:DB)	\$33.15	\$27.63	\$3.89	8.52x	1.20x
BARCLAYS PLC (XNYS:BCS)	\$47.63	\$23.60	\$4.24	11.23x	2.02x
CITIGROUP INC. (XNYS:C)	\$130.86	\$69.31	\$6.70	19.53x	1.89x
MORGAN STANLEY (XNYS:MS)	\$198.87	\$58.28	\$10.62	18.73x	3.41x
UBS Group Inc. (XNYS:UBS)	\$95.33	\$47.21	\$4.52	21.09x	2.02x
BANK OF AMERICA CORPORATION (XNYS:BAC)	\$338.91	\$94.63	\$21.94	15.45x	3.58x
HSBC HOLDINGS PLC (XNYS:HSBC)	\$173.43	\$57.97	\$22.57	7.68x	2.99x
THE GOLDMAN SACHS GROUP, INC. (XNYS:GS)	\$177.70	\$49.39	\$11.42	15.56x	3.60x
High				21.09x	4.15x
75th Percentile				18.73x	3.58x
Average				14.52x	2.76x
Median				15.45x	2.99x
25th Percentile				11.23x	2.02x
Low				7.68x	1.20x

# J.P. Morgan Chase & Co

## Price Movement Analysis



## Chart Appendix

- January-March:**
- JP Morgan's stock showed modest movement, trading within a narrow range as investor sentiment remained cautious. Concerns over economic uncertainty, regulatory changes, and the impact of elevated interest rates (5.25%-5.5%) on lending contributed to limited price movement during the period.
- April:**
- J.P. Morgan's stock fluctuated significantly in April, starting at \$199.99, peaking at \$200.94, then falling to \$180.50 by April 17th. It recovered to \$194.00 by month-end, likely driven by a strong Q1 earnings report-\$4.44 EPS (vs \$4.11 expected) and \$42.55 billion in revenue (vs \$41.85 billion expected).
- May-July:**
- JP Morgan's stock saw some gains from May to July 2024, boosted by strong earnings-\$4.26 EPS (vs \$4.19 expected) and \$50.99 billion in revenue (vs \$49.87 billion expected). Despite this, concerns over interest rate hikes and regulatory scrutiny kept the stock steady, with some volatility due to broader market conditions.
- August:**
- JP Morgan's stock gained as investor optimism grew over the Federal Reserve's interest rate stance, benefiting the bank's lending and wealth management businesses. Additionally, inflation dropped from 2.9% to 2.5%, boosting sentiment by easing pressure on consumer spending and economic growth.
- September-October:**
- JP Morgan's stock saw modest fluctuations as investors weighed mixed economic signals. Despite stronger than expected Q3 earnings-\$4.37 per share (vs \$4.01 expected) and \$43.32 billion in revenue (vs \$41.63 billion expected) broader market conditions kept sentiment cautious. The drop in interest rates from 5.5% to 5% provided some relief, particularly in the financial sector.
- November-December:**
- JP Morgan's stock saw mixed movements. The Federal Reserve cut interest rates from 5% to 4.75%, and again to 4.5%, benefiting financial stocks like J.P. Morgan. However, the bank faced a CFPB lawsuit over alleged fraud on its Zelle platform, raising concerns about reputational risk and regulatory scrutiny, which may have caused slight stock declines.

## Investment Risks

- Investing in JP Morgan Chase & Co carries several risks, including economic volatility driven by factors such as interest rates, currently at 4.5% set by The Federal Reserve System, inflation, and events such as the U.S. presidential elections, which can impact market sentiment and economic stability.
- Legal & regulatory risks are notable, especially with the recent CFPB lawsuit accusing JP Morgan Chase & Co of allowing fraud to persist on Zelle, which could result in redress for harmed consumers and a civil money penalty. Additionally, with the election of the new US President, Donald Trump could introduce changes in regulatory policies that may affect the banking sector.
- The bank also faces credit risk from potential defaults in its lending portfolio and global exposure, particularly to geopolitical tensions such as the ongoing Russia-Ukraine war, and conflict and political instability in the Middle East, which could disrupt markets.
- Operational risks, such as cybersecurity threats or management issues, could impact performance.
- These factors require careful consideration by investors.

# Equity Research Report

# Disclaimer and Authors

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AP Capital Research is a University of Surrey and EFS-affiliated student-led research group, with the sole purpose of providing greater clarity of financial markets. Accomplished through the creation of weekly market insights, detailing the macroeconomic factors driving global markets and industries

Named after the University of Surrey's Austin Pearce building, we thought it was only right to give credit to the place which truly ignited our immersion into economics and finance, and more specifically, our passion for understanding financial markets.