

JPMorgan Chase & Co (NYSE: JPM)

Fundamental Analysis and Investment Recommendation

Cash Flow Crew

February 9, 2026



Spencer Gleave



Peter Gagne



John Robinson



Liam Rosten

Do Not Buy @ \$272.34 JPM | Upside 3.21%

JP Morgan Chase & Co	
Current Stock Price	\$292.21
12-Month Target Price	\$301.64 / share
Upside Potential	+3.21%
Proposed Allocation (Value and shares)	Hold Rating: Do Not Buy
P/E Ratio	14.31
Valuation Range	\$198.36 - \$305.46 share
Portfolio Impact	N/A

Consolidated Balance Sheet		
	Year-End 2014	Year-End 2013
Assets		
Current assets	\$ 70,000	\$ 100,000
Cash, cash equivalents (net)	100,000	400,000
Inventory	10,000	400,000
Prepaid expenses	10,000	10,000
Total current assets	130,000	950,000
Investments (long-term securities)	80,000	70,000
Debt (paid and expiring)	80,000,000	80,000,000
Less: Accumulated depreciation	1,000,000	1,000,000
Net plant and equipment	1,000,000	1,100,000
Total assets	\$ 1,910,000	\$ 2,270,000
Liabilities and Stockholders' Equity		
Current liabilities	\$ 100,000	\$ 400,000
Accounts payable	100,000	400,000
Notes payable	100,000	400,000
Total current liabilities	200,000	800,000
Long-term liabilities	700,000	800,000
Notes payable (10%)	700,000	800,000
Total liabilities	900,000	1,200,000
Stockholders' equity	1,010,000	1,070,000
Preferred stock, \$10 par value	100,000	100,000
Common stock, \$1 par value	100,000	100,000
Capital paid in excess of par	410,000	410,000
Retained earnings	500,000	460,000
Total stockholders' equity	1,110,000	1,170,000
Total liabilities and stockholders' equity	\$ 1,910,000	\$ 2,270,000

Fortress Balance Sheet

```

504         if not hasattr(self, '_headers_buffer'):
505             self._headers_buffer = []
506             self._headers_buffer.append("%s: %s\r\n" %
507                                     (self.protocol_version, code, message)).encode(
508                                         'latin-1', 'strict'))
509
510     def send_header(self, keyword, value):
511         """Send a MIME header to the headers buffer."""
512         if self.request_version != 'HTTP/0.9':
513             if not hasattr(self, '_headers_buffer'):
514                 self._headers_buffer = []
515             self._headers_buffer.append(
516                 ("%s: %s\r\n" % (keyword, value)).encode('latin-1', 'strict'))
517
518         if keyword.lower() == 'connection':
519             if value.lower() == 'close':
520                 self.close_connection = True
521             elif value.lower() == 'keep-alive':
522                 self.close_connection = False
523

```

AI and Tech Growth



Lobbying campaign against Basel III Endgame



Macroeconomic slowdown and private credit risk

Company Snapshot

Founded	*Roots trace back to 1799 2000, New York City, NY
Core Business	Global leader in banking and financial services. Largest bank in the world by market cap.
Business Segments:	
Consumer & Community Banking	44% of revenue: Core U.S. retail market with strong deposit/loan growth, cards, and payments. Mature but resilient demand. Strong growth in card accounts and checking relationships.
Commercial & Investment Banking	37% of revenue: High-growth area with investment banking fees and securities services. Benefiting from M&A activity and AI/infrastructure spending.
Asset & Wealth Management	19% of revenue: Private banking, wealth advisory, and investments.

Revenue / EPS Growth	Market Growth
<ul style="list-style-type: none"> FY 2025 revenue ~\$186B. 10th consecutive year of growth. EPS growth supported by ROTCE ~20%. 	<ul style="list-style-type: none"> U.S. consumer banking and payment trends support mid-single-digit growth. Wealth management TAM expanding with rising investable assets and ETF flows.
Strategic Outlook	Financial Strength
<ul style="list-style-type: none"> Fortress balance sheet. High capital/liquidity. Growth investments in tech/AI and payment innovation. Jamie Dimon is on implementing AI across the workforce. 	<ul style="list-style-type: none"> Diversified revenue: ~73% recurring in some segments. Overhead ratio improving. Aided by innovation with AI. Tangible book value per share compounding at ~10% long-term.

Valuing a Financial Company/Assumptions

Valuing a Financial Company vs. Other Companies



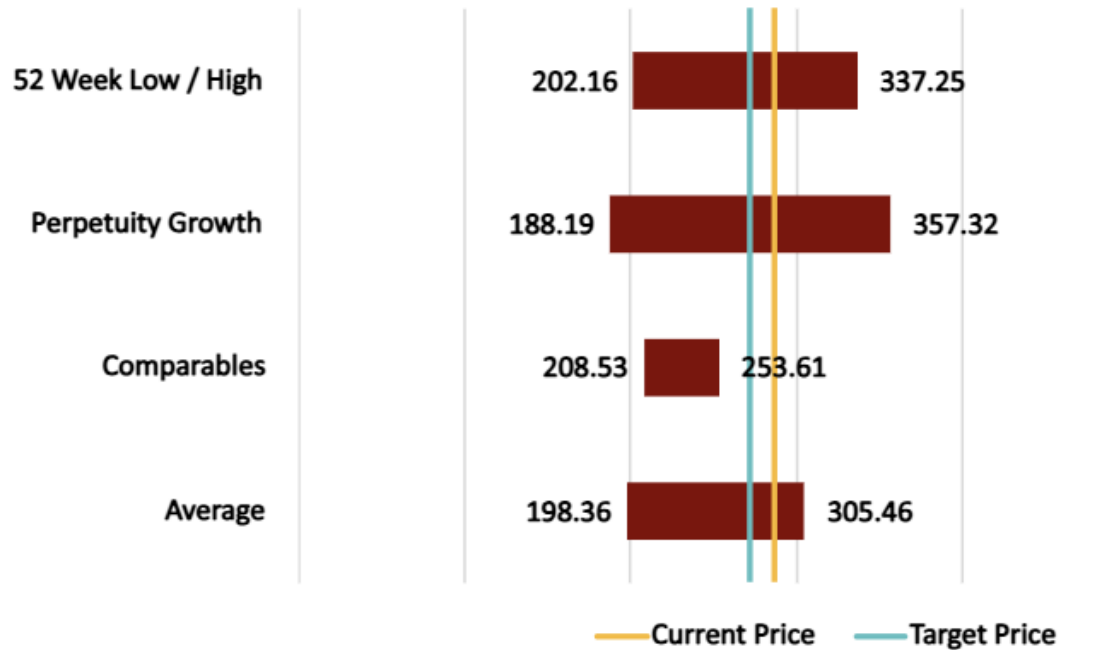
Valuation Differences / Key Assumptions

- Use free cash flow to Equity, not Free cash flow to the firm.
- Use cost of Equity, not WACC.
- Comps, do not use anything with EBITDA or enterprise value. removed the EBITDA multiple. We replaced comps with P/BV, ROE, and P/E.
- Perpetuity growth rate of 2.5%.

Outcomes

	Upside (Downside)			
	Current	Bear	Base	Bull
Stock Price	287.11	198.36	272.34	305.46
Upside (Downside)		(88.75)	(14.77)	18.35
Upside (Downside) %		-30.9%	-5.1%	6.4%

Valuation Range and Implied Share Price



Model	Valuation Weight
Average	20%
Comparables	40%
Perpetuity Growth	40%
EBITDA Multiple	0%
52 Week Low / High	0

WACC Calculation/ Cost of Equity

US Real Gross Domestic Product	3.3%				
Perpetuity Growth Rate	2.5%				
Weighted Average Cost of Capital Calculation					
<i>Source: Bloomberg >>> WACC</i>					
		Weighted Average Cost of Capital	5.1%		
Equity		+ Debt		+ Preferred Equity	
Cost of Equity		Cost of Debt		Cost of Preferred Equity	
Risk Free Rate	4.20%	1 - Effective Tax Rate	78.58%	Preferred Dividend	
+ Equity Risk Premium	6.56%	Effective Tax Rate	21.42%	/ Preferred Equity	
Beta	1.14	x Total Pre-Tax Cost of Debt	5.07%		
x Country / Region Premium	5.75%	Note Rate x ST Debt as % of Total Debt	4.54%		
Expected Market Return	9.95%	Short Term Debt as % of Total Debt	87.31%		
- Risk Free Rate	4.20%	x Note Rate	5.20%		
		+ Bond Rate x LT Debt as % of Total Debt	0.53%		
		Long Term Debt as % of Total Debt	12.69%		
		Bond Rate	4.20%		
Total Cost of Common Equity	10.76%	Total Cost of Debt	3.99%	Total Cost of Preferred Equity	0.0%
Market Cap	775,825	Total Debt	3,708,676.00	Total Preferred Equity	20,045
% of Total Capital	17.2%	% of Total Capital	82.3%	% of Total Capital	0.4%
Share Price	287.74	ST Debt	3,237,949.00	Preferred Equity and Hybrid Capital	20,045
Shares Outstanding	2,696.27	LT Debt	470,727.00	Total Capital	4,504,546

Peer Comparison

Market and Financial Data In USD Millions, except for ratios

5 - 10 Companies preferred, enter less as necessary

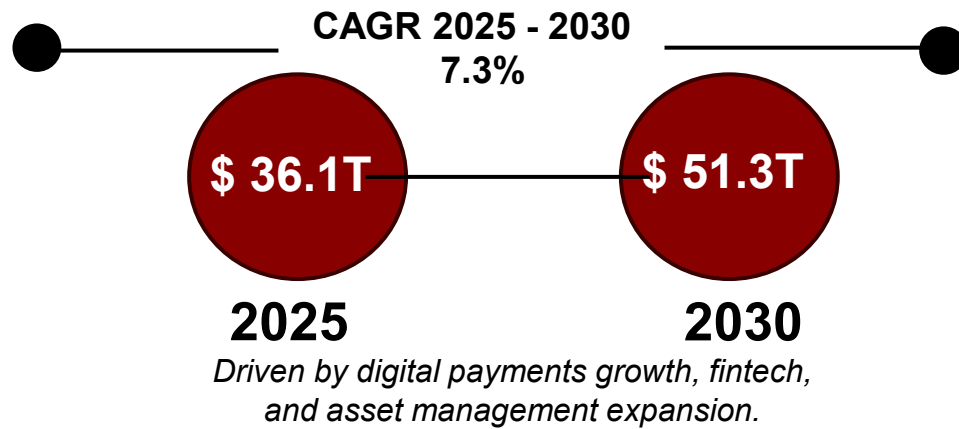
	Ticker	Enterprise Value	LTM Revenue	P/BV	ROE	P / E
JPMORGAN CHASE & CO	JPM US	886.4	280.4	2.3	16.13%	14.5
MORGAN STANLEY	MS US	483.4	119.7	2.5	15.61%	15.6
GOLDMAN SACHS GROUP INC	GS US	606.3	125.1	2.2	13.86%	15.5
CITIGROUP INC	C US	404.3	168.3	1.0	6.83%	15.3
Bank of America Corp	BAC US	335.4	107.4	1.2	10.22%	12.4
Wells Fargo & Company	WFC US	233.7	80.4	1.5	11.73%	12.4

Summary

Metrics	Comps	Equity Value	Shares	Share Price
P/BV				
Mean	1.68x	574,546.6	2,696.3	213.1
25 Percentile	1.23x	421,151.6	2,696.3	156.2
75 Percentile	2.20x	753,279.2	2,696.3	279.4
ROE				
Mean	0.12x	489,682.4	2,696.3	181.6
25 Percentile	0.10x	558,199.6	2,696.3	207.0
75 Percentile	0.14x	411,601.7	2,696.3	152.7
P / E				
Mean	14.24x	812,249.4	2,696.3	301.2
25 Percentile	12.40x	707,395.2	2,696.3	262.4
75 Percentile	15.54x	886,525.9	2,696.3	328.8

Industry & Competitive Landscape

Global Financial Services



Estimated Sector Breakdown

Sector	Share (%)
Lending & Payments	45
Insurance	30
Investments & Wealth Mgm	15
Reinsurance	5
Insurance Brokerage	3
Foreign Exchange Services	2

1 Overview

- Digitalization
- Payments sector most influential revenue engine
- Multi-segment diversification

2 Market Tailwinds

- Structural shift toward digital and real-time infrastructure
- Global expansion of payments
- Growing demand for investment and advisory solutions

3 Competitive Landscape

- Scale and cost efficiency
- Specialist and fintech platforms compete through speed
- Competition is shifting toward integrated ecosystems

4 Market Headwinds

- Margin pressure from fintech
- Regulatory and compliance intensity
- Falling interest rates

Risks & Potential Impact

Risk Factor

Interest Rate & NII

- NII has grown to \$95.4 billion in 2025, but growth is decelerating, with further Fed rate cuts posing a meaningful compression risk as we advance
- Every 25bps cut reduces asset yields faster than deposit costs can be lowered, squeezing the spread

Credit Quality Deterioration

- Loan loss provisions climbing - \$10.7 billion in 2024 to \$14.2 billion in 2025
- Consumer credit cards and auto loans showing early signs of delinquency stress

Macroeconomic Sensitivity

- A recession would accelerate card delinquencies and pressure commercial loan quality
- Consumer stress hits JPM harder given its dominant retail banking footprint

Potential Impact

NII & Margin Compression

- Margin compression accelerates if cuts come faster than expected
- Shift toward fixed-rate lending limits flexibility to reprice the book quickly

Earnings Pressure from Rising Provisions

- Investors typically reprice bank stocks quickly when provision trends turn negative, creating downside share price risk
- Sustained provision builds could force JPM to scale back shareholder returns to preserve capital

Consumer & CRE Stress

- Office CRE write-downs would flow directly through to capital ratios
- A sharp CRE correction could trigger mark-to-market losses and constrain lending capacity in the commercial book

SWOT Assessment

STRENGTHS +

INTERNAL FACTORS

- **Strength 1:** Largest U.S. bank by assets and market cap.
- **Strength 2:** Fortress balance sheet with Tier 1 capital ratio of 15.5%, well above regulatory minimums.
- **Strength 3:** Diversified revenue across CCB, CIB, and AWM.

WEAKNESSES -

- **Weakness 1:** Heavy interest rate sensitivity – NII growth is slowing as the rates normalize
- **Weakness 2:** Regulatory burden is significant, with Basel III endgame proposals that could force higher capital retention, limiting buybacks and dividend growth.

OPPORTUNITIES +

EXTERNAL FACTORS

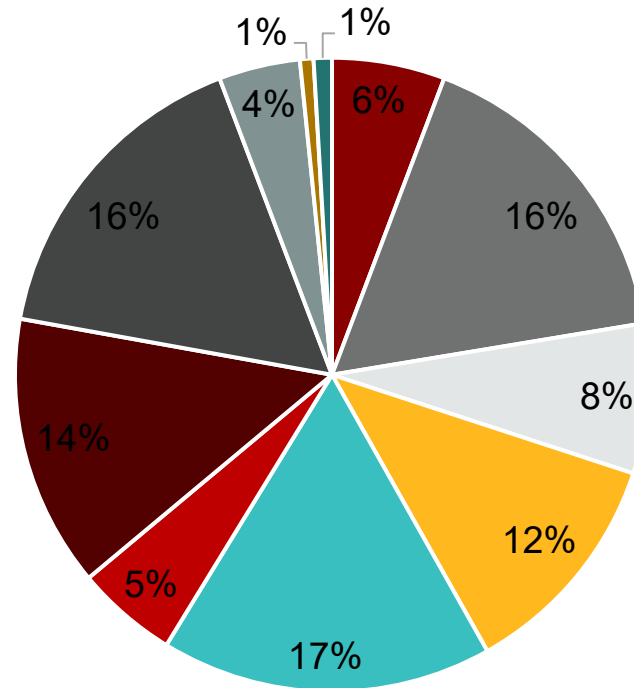
- **Opportunity 1:** AI and technology investment improving operational efficiency, with the overhead ratio declining and further upside as automation scales.
- **Opportunity 2:** M&A advisory and capital markets fee rebound as deal activity recovers from a multi-year trough.
- **Opportunity 3:** Wealth management growing – rising investable assets and ETF flows expanding AWM.

THREATS -

- **Threats 1:** Macroeconomic slowdown or recession would spike loan loss provisions.
- **Threats 2:** Fintech and non-bank competitors eroding fee income in payments and consumer lending.
- **Threats 3:** Geopolitical risk and credit cycle deterioration given JPM's significant international and commercial loan exposure.

Portfolio Sector Allocation

Portfolio Allocation by Sector (\$) - Excluding Cash



- Communication Services
- Consumer Discretionary
- Consumer Staples
- Energy
- Financials
- Health Care
- Industrials
- Information Technology
- Materials
- Real Estate
- Utilities

Summary

Investment Recommendation

1

Recommendation: *Do not buy*
Target Price (12-month): \$301.64/share

Upside Potential: +3.21%

The market has accurately priced the security.

2

Major Risks (Bear Case Factors)

- Net interest income compression
- Credit normalization and loan-loss provision
- Fintech and non-bank competitors eroding fee income in payments and consumer lending

3

Key Catalysts

- Interest rate cuts
- Trading at a premium to peers
- Regulatory capital requirements tighten

4

Strategic Outlook

JPM is the largest, most diversified bank, using scale and a balanced asset mix to offset pressure from lower rates. While capital rules and NII headwinds persist, strength in payments, wealth, and markets supports steady earnings. JPM is trading at a significant premium compared to competitors, led by a strong management team and conservative stress testing.