



Bloomsburg Investment Group

Equity Analysis
JPMorgan Chase & Co. (JPM)

Analysts:

Andrew Semaan, Class of 2018, Connor Welch 2017, Sha-ron Carr 2017, Sebastian Harris 2018

Bloomsburg Investment Group Opinion:

JP Morgan has consistently proven to be a solid investment for our equity portfolio. This year continues the upward trend of positive financial figures for JPM that was presented to the group in 2015. JPM currently possesses the largest market cap against top competitors, as well as high profit margins, returns on equity, returns on assets, and outstanding loans over top competitors as well. There is an expectation of an improved relationship between banks and the government, several key pieces of regulation may be dismantled which will give a wealth of opportunities for JPMorgan Chase in the future. With all this information in place, it is the opinion of the financials sector to hold JPMorgan Chase & Co.

Corporate Summary:

JPMorgan Chase & Co. is a financial holding company that is spread throughout the US, Europe, Asia, the Middle East, and South America. JPMorgan was founded in 1799 and is headquartered in New York, New York. The organization consists of four different business segments including Consumer and Community Banking, Corporate and Investment Banking, Commercial Banking, and Asset Management. The Consumer and Community Banking sector offers the basics of investment options, deposits, and services to consumers. Products for small businesses includes, lending, depositing, cash management and payment solutions. JPMorgan offers residential mortgages, home equity loans, as well as consumer credit, payment services, auto and student loans for homeowners. The Corporate and Investment Banking sector caters to corporations, private investors, other financial institutions, and government entities. This segment offers investment banking, marketmaking, prime brokerage, treasury and securities products. The Commercial Banking division deals with lending treasury, investment banking, asset management services, and financing to real estate investors, corporations, municipalities, financial institutions, and nonprofit entities. The asset management segment contains investment and wealth management throughout various asset classes. This would include equities in fixed income, alternative money market funds, multi-asset investment management services, retirement products and services, brokerage and banking services covering trusts and estates, loans, mortgages, and deposits.

Corporate Details:

Name	JPMorgan Chase & Co
Ticker	JPM
Domicile	United States
Sector	Financial Services
Industry	Banks - Global
Exchange	NEW YORK STOCK EXCHANGE, INC.
Last Close	77.71
Price 52 Wk High	80.44
Price 52 Wk Low	52.50
Latest Dividend	0.48
Dividend Yield % TTM	2.37
Beta 5 Yr (Mo-End)	1.51
Avg Daily Volume (3 Mo)	16,439,026.09
Shares Outstanding (mil)	3,578.26
Number of Analysts	9



JPMorgan Chase & Co

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Financial Summary, Year End 2015 (in millions)

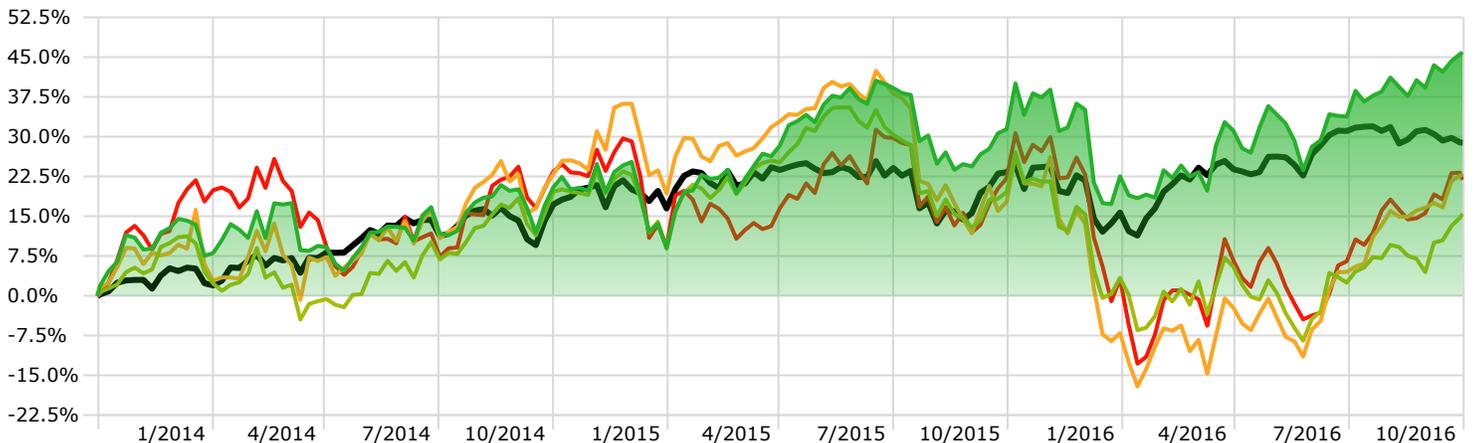
Market Capitalization	278,066.92
Total Assets	2,351,698.00
Gross Loans	837,299.00
Net Loans	823,744.00
Avail for Sale Securities	
Total Liabilities	2,104,125.00
Total Deposits	1,279,715.00
Total Equity	247,573.00
Interest Income	50,973.00
Interest Exp	7,463.00
Net Interest Income	43,510.00
Non Interest Income	50,033.00
Non Interest Exp	59,014.00
Credit Loss Provision	-3,827.00
Net Income	24,442.00
Operating Cash Flow	73,466.00
Investing Cash Flow	106,980.00
Financing Cash Flow	-187,511.00
Enterprise Value	
P/B Ratio Current	1.22
P/E Ratio Forward	12.50
PEG Ratio	2.02
Dividend Yield % TTM	2.37

Financial Highlights

JPMorgan chase is up 28.17% since the stock was first purchased. It is currently the second highest gain in the entire portfolio. JPMorgan is currently beating out not only all of its competitors in terms of investment growth, but hovers over the S&P average index but 17 percentage points. There has been across the board increase in market cap, total assets, gross loans, and net income. JPM has maintained solid a P/E ratio, beating out its competitors. However, the P/B ratio increased by 0.12, leading to a slight signal of overvaluing. Net income increased by 2%.

Investment Growth

Time Period: 11/1/2013 to 10/31/2016



JPMorgan Chase & Co	45.9%	Goldman Sachs Group Inc	15.5%	Morgan Stanley	22.9%
Bank of America Corporation	21.9%	S&P 500 TR USD	28.9%		



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JPMorgan tops Wells Fargo as biggest US bank

- JPMorgan recently topped Wells Fargo as largest US bank based on market capitalization. This is partly due to the recent Wells Fargo scandal but is also a strong indicator of the outstanding performance of JPMorgan.
- While it is good news that JPMorgan now has the largest market cap thanks to the failures of a competitor, the company must now be vigilant in navigating regulatory framework and avoiding fines by the Consumer Financial Protection Bureau for which Wells Fargo was subjected.

JPMorgan drops commission retirement accounts

- Regulations from the Department of Labor are tightening on the big banks of the United States. On November 13, 2016 JPMorgan Chase & Co. ended their commissions-paying retirement accounts. Regulation is looking to protect clients' interests rather than the broker's commission incentives.
- This fiduciary rule has caused other banks such as Bank of America and Merrill Lynch to adopt the same policy regarding the retirement accounts. Clients will have to decide whether to pay a financial advisor or to manage their accounts themselves online.

Trump outreach to Dimon for Treasury job

- CEO Jamie Dimon was contacted by Trump's advisers regarding a possible Treasury Secretary role. He is not suspected to pursue candidacy but the fact that he was contacted is an indicator of future policy.
- Regardless if Dimon actually takes on the job, this speculation is still a testament to expected cozy relationships between the Trump administration and financial industry.

JPMorgan sets up Chase Pay at Walmart

- Walmart has recently made a deal with JPMorgan Chase to utilize their Chase Pay services. Chase Pay is a digital wallet service that can store card information to be used in transactions. Other companies such as Best Buy and Starbucks are expected to follow suit.
- This will lead to an increase in income for JPMorgan Chase, as well as diversify services rendered by the company. However, it opens up new competitors such as Visa.



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Industry Environment:

As mentioned earlier, the expectation with President Elect Trump is that there will be decreased regulation within the financial sector. Pair that with the expectation for higher inflation levels, which will lead to the Federal Reserve raising the FFR, and the expectation that rates will continue to rise in the near future. This makes the Financials Sector extremely attractive to be invested into currently. We feel that the sector will only continue to improve once President Elect Trump's policies are implemented.

Competitor Comparison

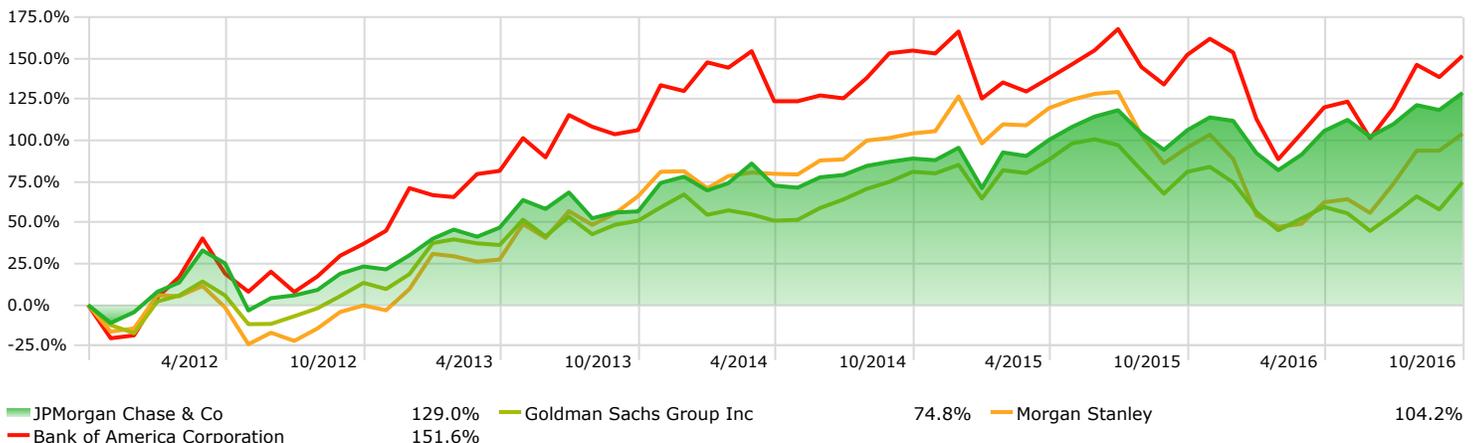
	Market Cap (mil) (Daily)	Beta 5 Yr (Mo-End)	Net Margin % TTM	ROA %	ROE %	Total Assets	Total Deposits	Gross Loans
JPMorgan Chase & Co	278,066.92	1.51	22.39	0.91	10.35	2,351,698.00	1,279,715.00	837,299.00
Goldman Sachs Group Inc	83,645.51	1.55	18.54	0.65	7.47	861,395.00	97,519.00	45,821.00
Morgan Stanley	75,718.16	1.87	14.25	0.71	8.56	787,465.00	156,034.00	85,984.00
Bank of America Corporation	202,100.93	1.55	17.98	0.68	6.29	2,144,316.00	1,197,259.00	910,454.00

Snapshot

	P/E Ratio Current	P/E Ratio Forward	EPS TTM	PEG Ratio	P/B Ratio Current	Dividend Yield % TTM	Total Debt/Total Equity	Financial Leverage	Tax Rate %
JPMorgan Chase & Co	13.40	12.50	5.80	2.02	1.22	2.37	1.47	10.62	0.20
Goldman Sachs Group Inc	16.77	12.05	12.54	1.09	1.10	1.24	3.22	11.41	0.31
Morgan Stanley	16.17	13.12	2.50		1.09	1.73	2.30	11.64	0.26
Bank of America Corporation	14.49	12.90	1.38	1.03	0.83	1.13	1.13	9.17	0.28

Investment Growth

Time Period: 11/1/2011 to 10/31/2016





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Strengths:

JPMorgan has proven quite capable of surviving the financial impact of recessions and economic uncertainty. The last recession saw JPMorgan grow exponentially.

JPMorgan currently has the largest market cap of a US bank, as well as stronger profit margins, ROE, ROA ratios and solid amount of assets and loans outstanding compared with its most direct competitors.

Overall, JPMorgan is a strong company that has strengthened itself into the top bank in the United States over the last several years.

Interest rates are expected to increase, which will prove profitable for JPMorgan.

Weaknesses:

Like all banks, JPMorgan is subject to regulation by government agencies. The primary regulator of JPMorgan is the Securities and Exchange Commission (SEC) and the Consumer Financial Protection Bureau (CFPB). Regulations could result in less business as well as hurt the bottom line thanks to the looming threat of fines from noncompliance.

JPMorgan is highly dependent on the United States for its business, unlike a plethora of other transnational banks.

There is stiff competition in the financial industry between many of the US big banks as well as foreign banks across the world.

Opportunities:

Donald Trump's victory, despite having offended many Wall Street executives, is expected to herald a new relationship between the banking industry and the United States government. It is expected that there will be less regulation and more freedom for banks such as JPMorgan Chase to do business.

The Trump administration has promised to dismantle Dodd-Frank which created many new rules and regulations for banks such as JPMorgan during the 2009 recession. This effectively eliminates a significant amount of regulatory hurdles for JPMorgan, opening up and strengthening revenue streams.

JPMorgan Chase has recently been providing large companies with its Chase Pay service, effectively getting into new forms of business.

JPMorgan Chase has also been opening up several new banks in Asia, therefore diversifying risk.

Threats:

Despite promising to dismantle Dodd-Frank, Donald Trump made campaign promises of reinstating Glass-Steagall, a New Deal era regulation that hampered the freedom of many banks in their business activities.

The possibility of scandal is something that is inherent in the financial industry. JPMorgan could face fines and legal action if a scandal occurs in the reign of the recent issue with Wells Fargo.

Despite strongly weathering the previous recession, a financial meltdown is a threat to many big banks. In addition to a disaster such as financial chaos in the economy, cyberattacks remain an imminent threats for all corporations, especially the banking sector.



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Valuation: Excess Return to Equity Model

Several valuation models and methods were utilized in order to ascertain a value on JPMorgan Chase. Discounted cash flow models used on most firms cannot be utilized for the sake of banks due to differences in the method of cash flow. As a result of this the excess return to equity model was utilized. This is done by forecasting growth rates of net income and equity which includes the past five years of data which is then averaged. Using an attainable forecasted growth rate, present value of equity was derived by decreasing net income by the company's equity cost to get excess return to equity. Then we discounted the Excess Return to Equity by the company's Cost of Equity to arrive at Present Value of Equity. Fair Value per Share for Equity is then calculated by subtracting the total present value of equity from the current book value of equity and finally dividing by the total number of outstanding shares. We then added the sum of future dividends and share repurchases discounted to time zero to the Fair Value per Share of Equity to arrive at our intrinsic value of 99.03.

Valuation: Discount Dividend Model (DDM) with P/E Analysis

We calculated the Discounted Dividend Model with the P/E Analysis by forecasting future dividends based on a growth rate we found to be achievable. Then we discounted all the future dividends to time zero with the company's calculated cost of equity. We then calculated future stock price by multiplying the company's forward PricetoEarnings Ratio by the expected future Earnings per share. Then discounting the future stock price to time zero. Next we added the sum of all discounted future dividends and the discounted value of the future stock price to get an intrinsic value. The intrinsic value we calculated for JPMorgan & Chase Company is \$80.56



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