



## The Profit Engine That Remains Undervalued

We originally made JPMorgan Chase (JPM: \$293/share) a [Long Idea](#) in [May 2020](#) and most recently reiterated our position on the stock in [November 2024](#). Since our original report the stock has outperformed as a Long Idea by 109%, rising 227% while the S&P 500 is up 118%. See all our research on JPMorgan Chase [here](#).

JPMorgan Chase recently beat both top- and bottom-line estimates in 2Q25, and now that the company has filed its latest 10-Q, we find that the stock still presents Very Attractive risk/reward.

### **JPM offers favorable Risk/Reward based on the company's:**

- strong growth across both interest income and non-interest income segments,
- record high profits,
- industry leading capital ratios and profitability leader, and
- cheap stock valuation.

### **What's Working**

JPMorgan Chase reported strong results across its business in 2Q25. The company's firmwide average loans and deposits were up 5% and 6% year-over-year (YoY), respectively. More specifically, JPMorgan Chase reported quality growth across all three business segments, including:

- Debit and credit card sales volume was up 7% YoY in the Consumer & Community banking segment.
- Investment banking fees were up 7% YoY, and JPMorgan ranked #1 for Global Investment Banking fees with 8.9% wallet share year-to-date (YTD) in its Commercial & Investment Bank segment.
- Assets under management increased 18% YoY to \$4.3 trillion, including \$80 billion in net inflows in its Asset & Wealth Management segment,

These results continue a trend of long-term fundamental strength for the largest bank in the United States.

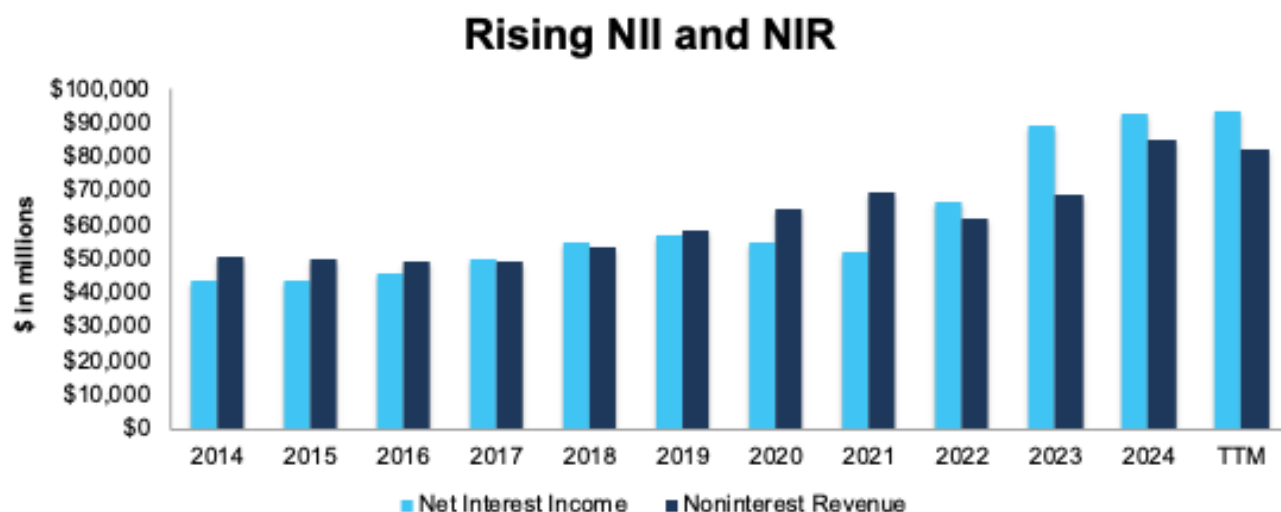
### **Strong Business Operations and Fundamentals**

JPMorgan Chase's revenue composition reflects a strategically balanced model, with total net revenue split nearly evenly between net interest income (NII) and noninterest revenue (NIR). This diversification mitigates earnings volatility tied to interest rate fluctuations and reinforces the firm's resilience across market cycles.

Notably, JPMorgan Chase has demonstrated consistent growth in both revenue streams over the past decade. The company grew NII from \$43.6 billion in 2014 to \$93.2 billion in the TTM ended 2Q25, which represents compound annual growth of 7%. JPMorgan Chase grew its NIR from \$50.6 billion to \$82.4 billion over the same time, or 5% compounded annually. See Figure 1.



Figure 1: JPMorgan Chase's NII and NIR: 2014 – TTM



Source: New Constructs, LLC and company filings

JPMorgan Chase leverages its diversified business model to continually grow its top- and bottom-line.

JPMorgan Chase has grown revenue and net operating profit after-tax (NOPAT) by 10% and 11% compounded annually since 2014. See Figure 2. In each of the past three fiscal years, and the TTM ended 2Q25, the company's NOPAT reached record highs.

The company improved its NOPAT margin from 21% in 2014 to 23% in the TTM while [invested capital turns](#) rose from 0.4 to 0.7 over the same time. Rising NOPAT margins and invested capital turns drive the company's return on invested capital (ROIC) from 8% in 2014 to 16% in the TTM ended 2Q25.

Additionally, the company's [Core Earnings](#), a superior and cleaner earnings measure, grew 10% compounded annually from \$22.2 billion in 2014 to \$60.6 billion in the TTM.

Figure 2: JPMorgan Chase's Revenue and NOPAT Since 2014



Sources: New Constructs, LLC and company filings

**Industry-Leading Profitability**

JPMorgan Chase has not only grown revenue and profits to record levels, but it has done so while maintaining industry leading margins and ROIC. As we mentioned earlier in the report, the company has improved both its operational efficiency (NOPAT margin) and its balance sheet efficiency (invested capital turns) over the last decade.

Per Figure 3, JPMorgan Chase has the highest NOPAT margin and ROIC among peers which include, Goldman Sachs (GS), Citigroup (C), Morgan Stanley (MS), Bank of America (BAC), and Wells Fargo (WFC).

**Figure 3: JPMorgan Chase's Profitability Vs. Peers: TTM**

Ticker	Company Name	NOPAT Margin	IC Turns	ROIC
<b>JPM</b>	<b>JPMorgan Chase &amp; Company</b>	<b>23%</b>	<b>0.7</b>	<b>16%</b>
MS	Morgan Stanley	14%	0.9	13%
GS	Goldman Sachs Group, Inc.	13%	1.0	12%
WFC	Wells Fargo & Company	16%	0.5	9%
BAC	Bank of America Corp	15%	0.5	8%
C	Citigroup Inc.	9%	0.5	4%

Sources: New Constructs, LLC and company filings

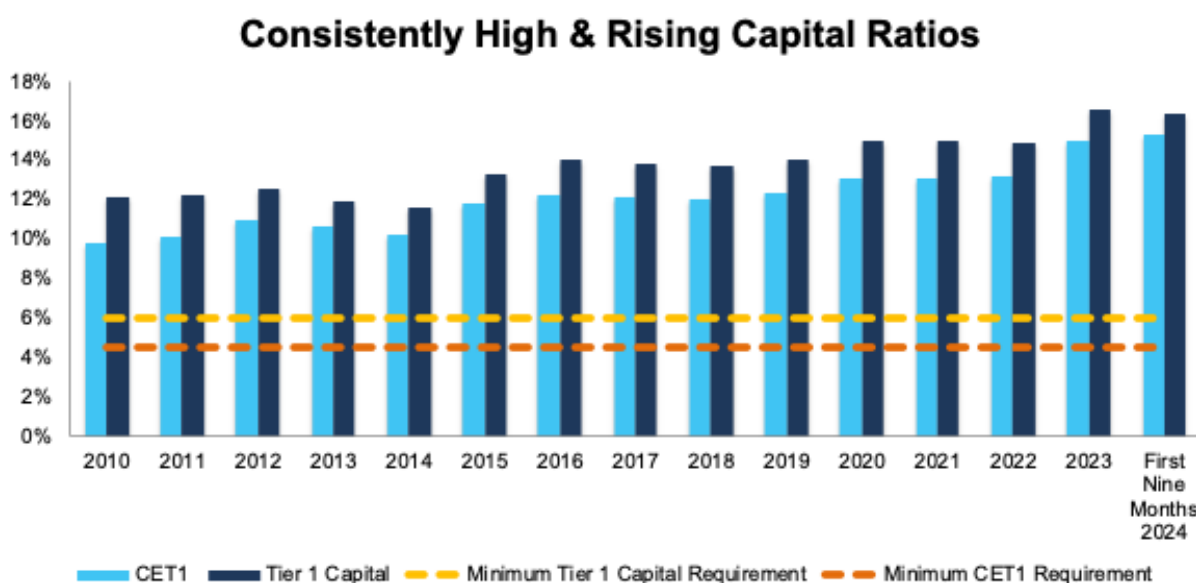
**Safety That Lasts**

Due to its superior capitalization, JPMorgan Chase maintains a stronger financial position than its peers, too.

At the end of 2Q25, JPMorgan Chase's Common Equity Tier 1 Capital Ratio (CET1), the equity portion of its Tier 1 Capital, was 15.1%, which is up from 12.4% at the of 2019 and 10.2% in 2014. Importantly, JPMorgan Chase's CET1 ratio is well above the 4.5% minimum [required](#) by the Federal Reserve.

Additionally, the company's Tier 1 Capital ratio, which measures a bank's core equity capital to its total risk-weighted assets is 16.1% through the 2Q25, which is up from 14.1% in 2019 and 11.6% in 2014. Once again, JPMorgan Chase's Tier 1 Capital ratio is well above the 6.0% minimum [required](#) by the Federal Reserve.

JPMorgan Chase's Tier 1 Capital and CET 1 ratios have been trending higher for over a decade. See Figure 4.

**Figure 4: Tier 1 Capital and Common Equity Tier 1 Capital Ratios: 2010 – 2Q25**

Source: New Constructs, LLC and company filings

JPMorgan Chase leads the industry when it comes to capital ratios.



Per Figure 5, JPMorgan Chase's CET1 ratio ranks above big bank peers mentioned earlier in the report. The company's Tier 1 Capital ratio is higher than all listed peers except Morgan Stanley (MS).

**Figure 5: JPMorgan Chase's Capital Ratios Vs. Peers – 2Q25**

Ticker	Company	Tier 1 Capital Ratio	CET1 Ratio
JPM	JPMorgan Chase & Company	16.1%	15.1%
MS	Morgan Stanley	16.9%	15.0%
GS	Goldman Sachs Group, Inc.	15.1%	13.6%
C	Citigroup Inc.	15.0%	13.5%
BAC	Bank of America Corp	12.9%	11.5%
WFC	Wells Fargo & Company	12.5%	11.1%

Sources: New Constructs, LLC and company filings

### Potential for 5%+ Yield

JPMorgan Chase has paid \$87.7 billion (11% of market cap) in dividends since 2019 and increased its quarterly dividend from \$0.80/share in 2Q19 to \$1.40/share in 2Q25. The company's current dividend, when annualized, provides a 1.9% yield.

JPMorgan Chase also returns capital to shareholders through share repurchases. Since 2019, JPMorgan Chase repurchased \$95.9 billion (12% of market cap) shares. During the first six months of 2025, the company repurchased \$15.1 billion shares.

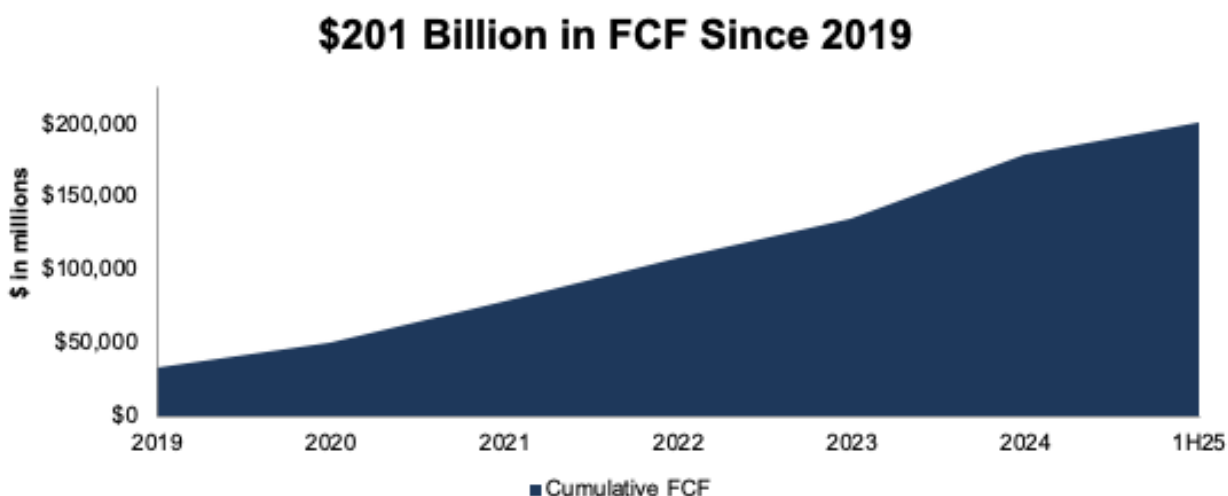
In July 2025, JPMorgan Chase's Board of Directors authorized a repurchase program of \$50 billion. Should the company repurchase shares at the TTM pace, it would repurchase \$25.7 billion of shares over the next 12 months, which is 3.2% of the company's current market cap.

When combined, the dividend and share repurchase yield could reach 5.1%.

### Strong Cash Flows Support Shareholder Return

Investors should take comfort in knowing JPMorgan Chase will be able to afford to pay its dividends and repurchase shares due to its large free cash flow ([FCF](#)) generation. From 2019 through 1H25, JPMorgan Chase generated \$201.2 billion in FCF, which equals 25% of the company's [enterprise value](#).

**Figure 6: JPMorgan Chase's Cumulative Free Cash Flow: 2019 – 1H25**



Sources: New Constructs, LLC and company filings

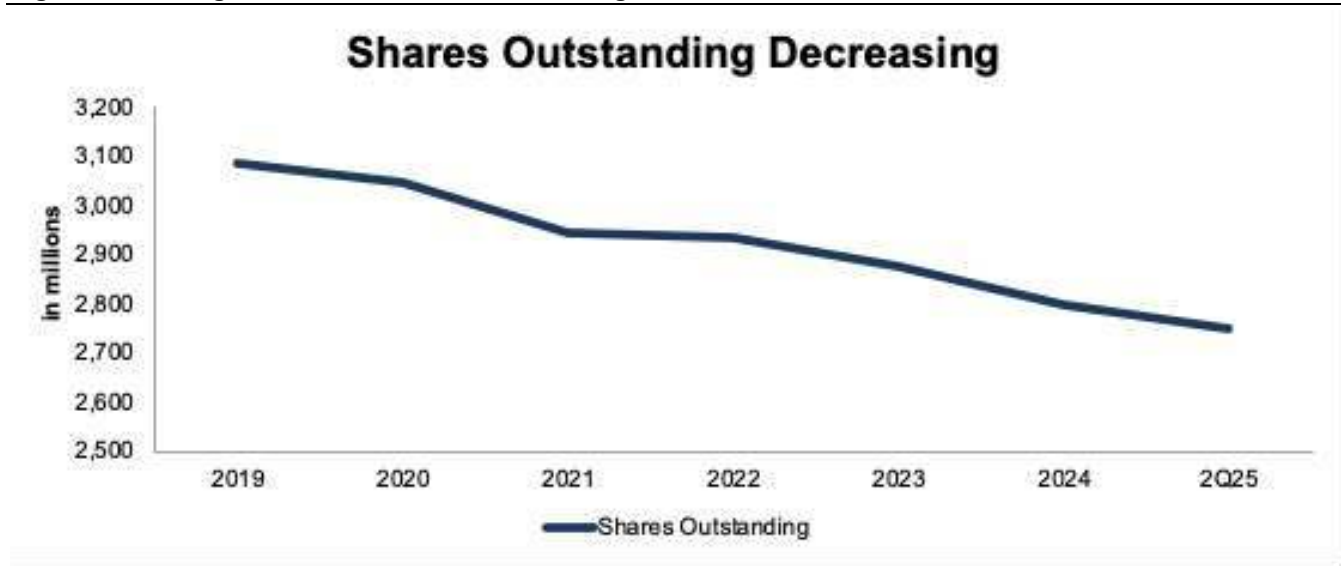
JPMorgan Chase's \$201.2 billion in FCF since 2019 is more than enough to cover its \$183.6 billion in combined dividend payments (\$87.7 billion) and share repurchases (\$95.9 billion).



JPMorgan Chase's repurchases have also meaningfully reduced its shares outstanding from 3.1 billion in 2019 to 2.7 billion in 2Q25. See Figure 7.

We like companies that choose to return capital to shareholders instead of spending it on costly acquisitions or executive bonuses that rarely drive shareholder value creation. Companies that sport strong enough cash flows to consistently lower their shares outstanding offer excellent value.

**Figure 7: JPMorgan Chase's Shares Outstanding: 2019 – 2Q25**



Sources: New Constructs, LLC and company filings

## What's Not Working

### Potential Rate Cuts in the Remainder of 2025

Expectations for a rate cut in September are on the rise, in part due to the latest CPI data and comments from Fed officials. Fed governor Bowman [aims for](#) three interest rate cuts in the remainder of 2025. An interest rate cut would put pressure on all banks', JPMorgan Chase included, net interest margin (NIM) and in turn their NII.

In its 2Q25 10-Q, JPMorgan Chase disclosed its earnings-at-risk sensitivity depending on different movement in rates. In this analysis, JPMorgan Chase determined that a 100-basis point interest rate decline results in a \$2 billion decrease in earnings. Similarly, a 200-basis point interest rate decline results in a nearly \$5 billion decrease in earnings.

The good news? This exposure to lower rates is down from the company's sensitivity in December 2024, which coincides with rising expectations for a rate cut.

JPMorgan Chase maintains the best capital ratios in the industry and is best positioned to grow noninterest revenue throughout all cycles.

Additionally, any pressure on profits is already more than priced into JPMorgan Chase's current stock price, as we'll show below.

### Current Price Implies Profits Never Grow Again

At its current price of \$293/share, JPMorgan Chase has a price-to-economic book value ([PEBV](#)) ratio of 1.0. This ratio means the market expects the company's profits to never grow from TTM ended 2Q25 levels. For reference, JPMorgan Chase has grown NOPAT 11% compounded annually over the last five, ten, and 26 (longest period in our model) years.

Below, we use our [reverse discounted cash flow \(DCF\) model](#) to quantify the cash flow expectations for different stock price scenarios for JPM.

In the first scenario, we quantify the expectations baked into the current price. If we assume:



- NOPAT margin immediately falls to 20% (below five-year average of 26% and TTM NOPAT margin of 23%) through 2034, and
- revenue grows 3% compounded annually through 2034 (compared to 13% CAGR over the last five years and 10% CAGR over the last decade), then

the stock would be worth \$293/share today – equal to the current stock price. In this scenario, JPMorgan Chase's NOPAT would grow just 2% compounded annually from 2025 – 2034, which is well below the company's historical NOPAT growth rates. [Contact us for the math behind this reverse DCF scenario.](#)

### Shares Could Go 29%+ Higher Even If Profits Grow Well Below Historical Rates

If we instead assume:

- NOPAT margin never improves and is maintained at 23% through 2034, and
- revenue grows 5% compounded annually through 2034 (compared to 13% CAGR over the last five years and 10% CAGR over the last decade), then

the stock would be worth \$377/share today – a 29% upside to the current price. In this scenario, JPMorgan Chase's NOPAT would grow 5% compounded annually through fiscal 2034, which would still be below the company's NOPAT compound annual growth rates over the past 5-, 10-, 15-, and 20-year periods. [Contact us for the math behind this reverse DCF scenario.](#)

Should NOPAT grow closer to historical rates, the upside would be even larger.

Figure 8 compares JPMorgan Chase's historical NOPAT to the NOPAT implied in each of the above scenarios.

**Figure 8: JPMorgan Chase's Historical and Implied NOPAT: DCF Valuation Scenarios**



Sources: New Constructs, LLC and company filings

This article was originally published on [August 13, 2025](#).

*Disclosure: David Trainer and Hakan Salt own JPM. David Trainer, Kyle Guske II, and Hakan Salt receive no compensation to write about any specific stock, sector, style, or theme.*

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## ***It's Official: We Deliver the Best Fundamental Data in the World***

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Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

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Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by S&P Global’s (SPGI) *Adjustments* individually.” – pp. 14, 1<sup>st</sup> para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2<sup>nd</sup> para.

### **Superior Models**

Ernst & Young features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5<sup>th</sup> para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2<sup>nd</sup> para.

### **Superior Stock Ratings**

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Harvard Business School. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> para.

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