

US Satellite*

Recommended since 30.11.2020

14.03.2024



| | | | | | | |
|---------|--------------|----------------------------|------|-----------|-----------------------|------|
| Country | US | Market capitalization (bn) | USD | 551.2 | Perf. since reco. (%) | |
| Sector | Banks | Free float | | 99.0% | JPMorgan Chase & Co. | 62.4 |
| Factset | JPM-US | Closing price | USD | 191.38 | Sector | 31.8 |
| ISIN | US46625H1005 | ESG Risk score* | 30.1 | High risk | | |

Profile

JPMorgan Chase is a global and diversified banking institution employing 257,000 people worldwide. With \$3.3 trillion in assets on its balance sheet, JPM is the largest American bank. It operates in the following business segments: Retail Banking (48%), Investment Banking (32%), Commercial Banking (8%), and Asset and Wealth Management (12%). The company was founded in 1968 and is headquartered in New York.

Strengths/opportunities

- A highly diversified company with a bias towards market-sensitive businesses.
- A very good track record in risk management and Best-in-Class management.
- A solid balance sheet and a high solvency ratio.

Weaknesses/threats

- High (but diversified) exposure to the oil sector on a reported basis.
- The outlook is still somewhat timid, due to cautious management.

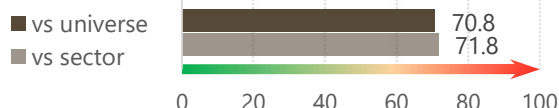
Investment case

- In an environment marked by continuing economic uncertainties, we favour high quality banking groups with a proven track record in terms of risk management such as JPMorgan. This is reflected, for example, through high-quality credit card exposure, with 85% of loans having a good credit score (FICO scores above 660). But also by a prudent provisioning policy, based on economic stress assumptions that are more conservative than those of its peers.
- But JPM is also a powerful growth driver, outperforming its diversified competitors in both up and down periods. This is the result of regular investment in a technologically advanced platform that remains at the forefront of the industry. This makes it possible to capitalise even better on the Group's size effect and to continue to gain market share.
- The Group's sensitivity to an increase in interest rates is slightly higher than the industry average, which puts JPM in a good position to capitalise on the rise in US interest rates.

Valuation

JPM is trading at a slight premium to the industry on a 24^e P/E basis because it offers a much more resilient profile. On a 24^e P/BV basis the premium is consistent with a ROE, 45% higher than the sector.

ESG risk vs. universe & sector (percentile)*



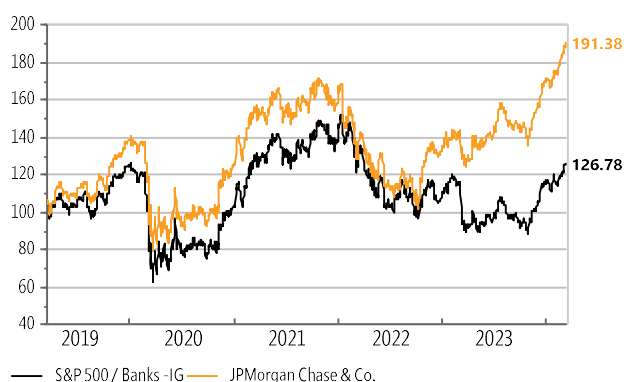
| USD | 12/2023 | 2024e | 2025e |
|---------------------|---------|---------|---------|
| Sales revenue (mio) | 239'319 | 162'366 | 163'264 |
| Sales growth | 51.9% | -32.2% | 0.6% |
| EBIT adjusted (mio) | 73'425 | 71'321 | 68'904 |
| % of sales | 30.7% | 43.9% | 42.2% |
| Net income (mio) | 49'261 | 46'752 | 45'601 |
| Net income growth | 31.4% | -5.1% | -2.5% |
| CET1 | 15.0% | 15.9% | 15.9% |
| ROE | 15.7% | 13.9% | 13.0% |
| Dividend yield | 2.2% | 2.3% | 2.4% |
| PE | 10.5x | 12.0x | 11.9x |
| P/BV | 1.6x | 1.7x | 1.5x |

Factset estimates

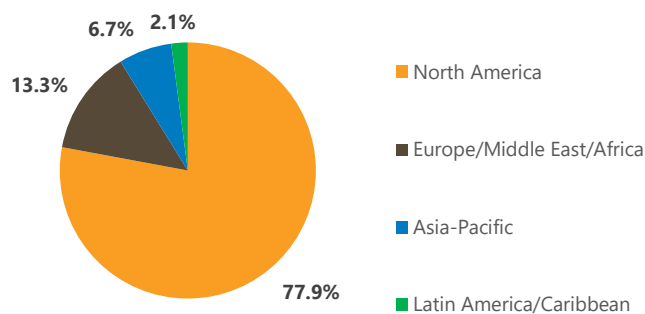
ESG - risks and key points

- JPM falls into the medium-risk category, in line with the sector, because despite its good governance, the Group has been subject to many controversies. However, those that persist are minor.
- The Group does not particularly stand out in terms of product governance, where there is not enough control.
- The Group's investments meet ethical and environmental criteria that are higher than the average for the sector.

5-year performance vs sector



Sales breakdown - 12/2023



*: see overleaf

Source: Factset, Sustainability

Glossary

Satellite

From 2015, B&Cie separates its investment recommendations into Core Holdings (higher organic growth potential, high free cash flow, ROCE in excess of the cost of capital and balance sheet efficiency throughout the cycle) and Satellite Recommendations, which do not meet the above criteria but are likely to outperform in the short-to-medium term.

ESG Risk Score

At B&Cie, we take particular care to ensure that the companies in which we recommend investing are sustainable. Accordingly, our selection process takes account of risks relating to environmental, social and governance (ESG) issues. This approach is underpinned by research from Sustainalytics, the global leader in ESG and corporate governance analysis, whose methodology aims to identify major controversies and risks and assess a company's ESG risks relative to both its sector and the investment universe as a whole. The corresponding score is expressed as a percentile: the lower the overall risk score, the lower the risk within the investment universe.

b-Digital, b-Transition & b-Well

Over and above the conventional geographical and sectoral approaches to asset management, at B&Cie we believe the world of tomorrow is being shaped by structural trends. We have identified three main megatrends: ongoing digital globalisation of the economy; economic transition, particularly in the energy sector; and the quest for wellness. We believe selecting and investing in companies that play an active role in these transformations should lead to more resilient portfolios that generate higher long-term returns. Our investment recommendations in the digital globalisation space are labelled "b-Digital", those in the economic transition space "b-Transition" and those in the wellness space "b-Well". A given recommendation may fall under more than one theme, in which case it will carry the relevant matching labels.

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