

Banks & Thrifts

Price:	\$23.39
Fair Value Estimate:	\$30.00
52-Week Range:	\$20.58 - \$26.85
Market Cap (MM):	\$174
Shr.O/S-Diluted (mm):	7.4
Average Daily Volume:	7,080
Dividend:	\$0.05
Yield:	0.2%
Tang Book Value:	\$20.61
Tang Comn Equity Ratio:	9.0%
Price/Tangible Book:	1.13x

FYE: Dec	2021A	2022E	2023E
EPS - non-GAAP	\$2.65A	\$2.40E	\$2.67E
Adjusted: Prior EPS - non-GAAP		NC	NC
Adjusted:			

Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.65A	\$0.64A	\$0.60E
Q2	\$0.87A	\$0.59E	\$0.66E
Q3	\$0.56A	\$0.63E	\$0.70E
Q4	\$0.56A	\$0.64E	\$0.72E
Year:	\$2.65A	\$2.40E	\$2.67E



April 19, 2022

MainStreet Bancshares, Inc.

(MNSB) - BUY

MNSB Beats Estimates On Better Spread Earnings, Solid Loan Growth. PPNR ROA Improves, TBV Down From 12/31, +7% YR/YR.

PORTFOLIO MANAGER BRIEF

- 1Q-22 EPS: Reported \$0.64 / Core \$0.64 / Street \$0.53 / Janney \$0.54.
- MNSB beat our EPS estimate by \$0.10 per share or 18.5%, due to better Spread (+\$0.16 /sh), partially offset by higher Provision (-\$0.06 /sh) lower Non-Interest Income (-\$0.04 /sh). Pre-Tax Pre-Provision Earnings (PPNR) \$7.4M, up 9.4% L-Q and up 4.1% YR/YR, beating our 1Q estimate of \$6.2M.
- PPNR ROA improved to 1.80% from 1.72% a year-ago (and from 1.60% in 4Q21). Spread-to-Assets higher by 45bps in the past year, while Fees -7bps, Expenses +30bps. Average Assets fell 0.7% in the past year, Loans are 4% higher while liquidity in low yielding Fed Funds down more than 60%.
- Tangible Book Value (TBV) per share declined -1.6% L-Q while the TCE Ratio decreased -67 bps to 9.0% due to \$3.8M negative AOCI marks on AFS securities. The CET-1 regulatory capital ratio was 15.63%. TBV growth is +7% YR/YR despite the AOCI impact.
- NII-Net Interest Income increased 9.6% to \$15.2M as the NIM-Net Interest Margin grew 44bps to 3.91% (or up 32 bps to 3.65% ex-PPP). Lower funding costs and higher yields drove the increase. Average Loans grew 7.8%, while Average Deposits contracted -1.5%. Period-end Loans grew 8.6% ex-PPP.
- Cash and Liquidity grew at quarter-end, while the average balance sheet shows a Cash decline and more Loans within earning assets, supporting a stronger NIM.
- Fee Income fell -28.5% to \$1.2M, missing our estimate of \$1.5M. Non-Interest Expense was higher than expected and rose 2.8% L-Q, but efficiency remains strong at 55%.
- Reserves grew 7% in dollar terms at 3/31 vs 12/31 at 0.89% of gross Loans HFI ex-PPP in 1Q versus 0.90% in 4Q ex-PPP. MNSB had zero problem assets at 3/31.

ANALYST NOTES

MNSB trades at 113% of Tangible Book Value. Reiterate BUY rating and \$30.00 Fair Value. MNSB does not host a public conference call. We will provide additional information after speaking with management.

MNSB 1Q Results vs. Estimates

1Q-2022 Results: Actual vs. Estimated

<u>Actual</u>	<u>Operating</u>	<u>Street</u> <u>(BB)</u>	<u>Janney</u>	<u>Comments</u>
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\$0.64	\$0.64	\$0.53	\$0.54	
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Core Pre-Tax Pre-Provision

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$7.4	\$6.2	\$6.2
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AVG. SHARES (M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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7.6	7.6	7.6
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NIM (Margin)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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3.91	3.35	3.35
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NII (Spread -\$M)*

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$15.2	\$13.4	\$13.6
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LOANS (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1,413	\$1,409	\$1,409
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PRE-TAX (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$6.6	\$6.0	\$6.0
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PROVISION (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$0.8	\$0.3	\$0.2
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EXPENSES (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$9.0	\$8.8	\$8.9
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NON-INTEREST INCOME (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1.2	\$1.3	\$1.5
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Source: Janney Research (FIG Group), Bloomberg L.P., S&P Capital IQ, Company 8-K

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Christopher Marinac and Feddie Strickland, the Primarily Responsible Analyst for this research report, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject securities or issuers. No part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views I expressed in this research report.

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Data sources for the report are Bloomberg Financial L.P., SNL Financial LC, Stockcharts.com, Thomson Financial and regulatory filings.

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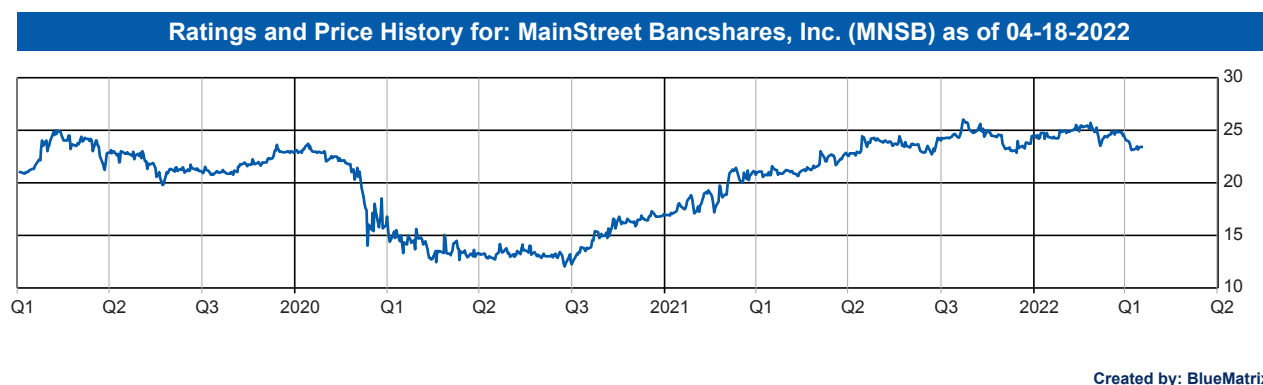
Definition of Ratings

BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

NEUTRAL: Janney believes that the subject company is fairly valued and will perform in line with comparable companies within its sector. Investors may add to current positions on short-term weakness and sell on strength as the valuations or fundamentals become more or less attractive.

SELL: Janney expects that the subject company will likely decline in value and will underperform comparable companies within its sector.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 03/31/2022

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	112	51.85	24	21.43
NEUTRAL [N]	83	38.43	4	4.81
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	21	9.72	6	28.57

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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