

Banks & Thrifts

Price:	\$22.00
Fair Value Estimate:	\$26.00
52-Week Range:	\$11.75 - \$23.26
Market Cap (MM):	\$163
Shr.O/S-Diluted (mm):	7.4
Average Daily Volume:	21,520
Dividend:	\$0.00
Yield:	0.0%
Tang Book Value:	\$19.26
Tang Comn Equity Ratio:	8.3%
Price/Tangible Book:	1.14x

FYE: Dec	2020A	2021E	2022E
EPS - non-GAAP	\$1.89A	\$2.24E	\$2.05E
Adjusted: Prior EPS - non-GAAP		\$1.85	\$1.91

Quarterly EPS - non-GAAP Adjusted:			
Q1	\$0.42A	\$0.65A	\$0.51E
Q2	\$(0.08)A	\$0.55E	\$0.51E
Q3	\$0.63A	\$0.54E	\$0.52E
Q4	\$0.92A	\$0.50E	\$0.52E



June 10, 2021

MainStreet Bancshares, Inc. (MNSB) - BUY

MNSB: Raising Our Fair Value & EPS Outlook As Investors Should Place More Focus On Community Banks In D.C. Region.

PORTFOLIO MANAGER BRIEF

- We are increasing our EPS outlook for 2022 to \$2.05 or \$0.14 as profitable lending should become more apparent at MNSB beyond the next two quarters of PPP Loan forgiveness.
- Our 2021 forecast is higher due to \$0.17 better EPS in the 1Q21 results (see [Janney's April 2021 review](#)) plus limited credit costs.
- Loan growth is accelerating and offsets PPP Loan removals the balance of 2021. We feel conservative on our net Loan pace given strength in the local communities of Northern Virginia (Dulles Corridor) and greater Washington DC MSA.
- Government-related activity is high throughout the DC region and should be a catalyst for more Loan growth than we forecast in our model (see Page 5).
- We assert MNSB trades back to at least a mid-single-digit Core Deposit Premium. The P-to-TBV ratio should rise from 115% currently to a range of 125% to 130%+.
- Tangible Book (TBV) is rising from \$19.26 to nearly \$23.00 by year-end 2022. This could be \$0.20 better if credit reserve building from 2020 reverses further in the near-term.
- We are raising our Fair Value to \$26.00 from \$21.75 previously. Our confidence remains high in the franchise value and management execution within the MNSB investment thesis. Reiterate our BUY rating.

ANALYST NOTES

Investors place greater focus on Banks in the greater D.C. Region as government spending remains strong well into 2023. This should propel MNSB's stock price, in our opinion. The near and intermediate-term outlook is strong for the company.

Raising Our Fair Value To \$26.00, We Feel 125% to 130% P-to-TBV Ratio Is Appropriate On MNSB

Janney Research Rating: "BUY"

Fair Value: \$26.00

	2021	Multiple	Price
GAAP EPS	\$2.24	11.6x	\$26.00
Dividends	\$0.00	1.0x	\$0.00
Excess TCE	<u>\$2.08</u>	<u>0.00x</u>	<u>\$0.00</u>
		Combined	\$26.00
Tangible Book 12/21	\$20.89	1.24x	\$26.00

Implied Gain/Loss versus Current Price: 18%

<u>Calendar 2022</u>			
2022 EPS	\$2.05	14.3x	\$29.36
Cash Dividends	\$0.00	1.0x	\$0.00
Excess TCE	\$3.56	0.0x	<u>\$0.00</u>
			\$29.36
Discount Rate 10% Pro Rata Aug 2022			0.89
Tangible Book 12/22	\$22.80	1.29x	\$26.00

Source: Janney Research (FIG Group) & Forward Estimates

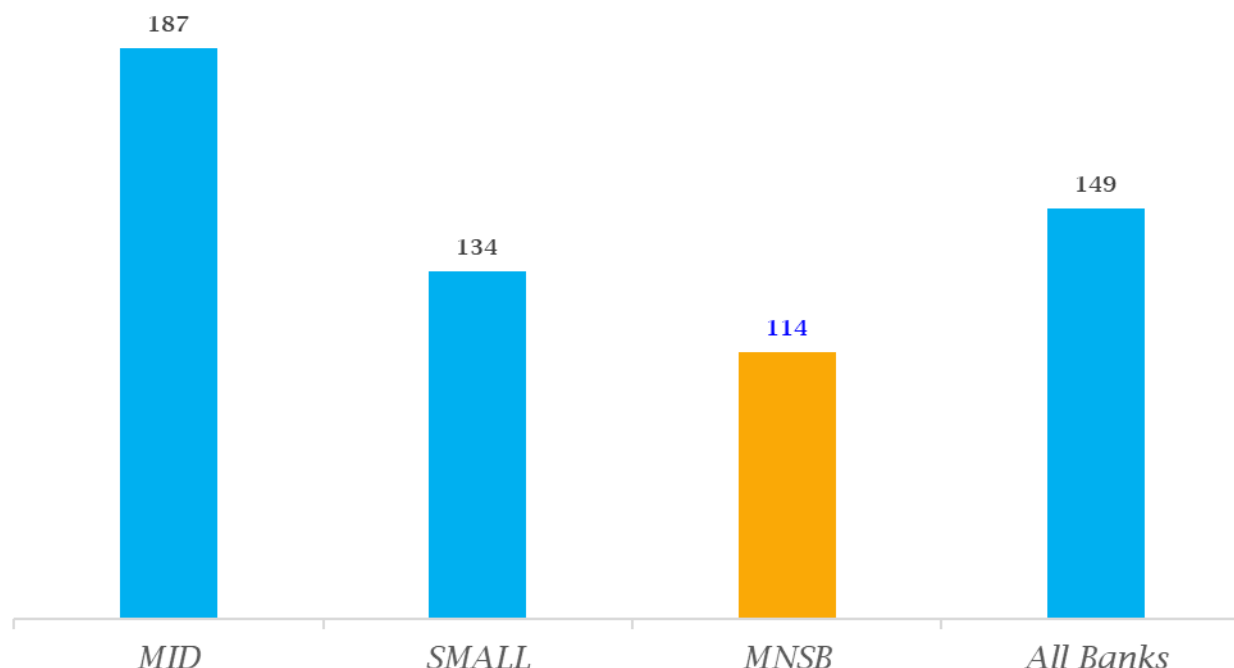
Deposit Pricing Outlook

	<u>Today</u>	<u>Dec-21</u>	<u>Dec-22</u>
Market Cap.	\$165.6	\$187.3	\$212.7
TCE in \$\$	\$144.9	\$150.5	\$165.1
Total Deposits	\$1,538.1	\$1,453.4	\$1,506.4
Core Deposits	\$976.4	\$922.6	\$956.2
Premium - Total	1.3%	2.5%	3.2%
Premium - CORE	2.1%	4.0%	5.0%

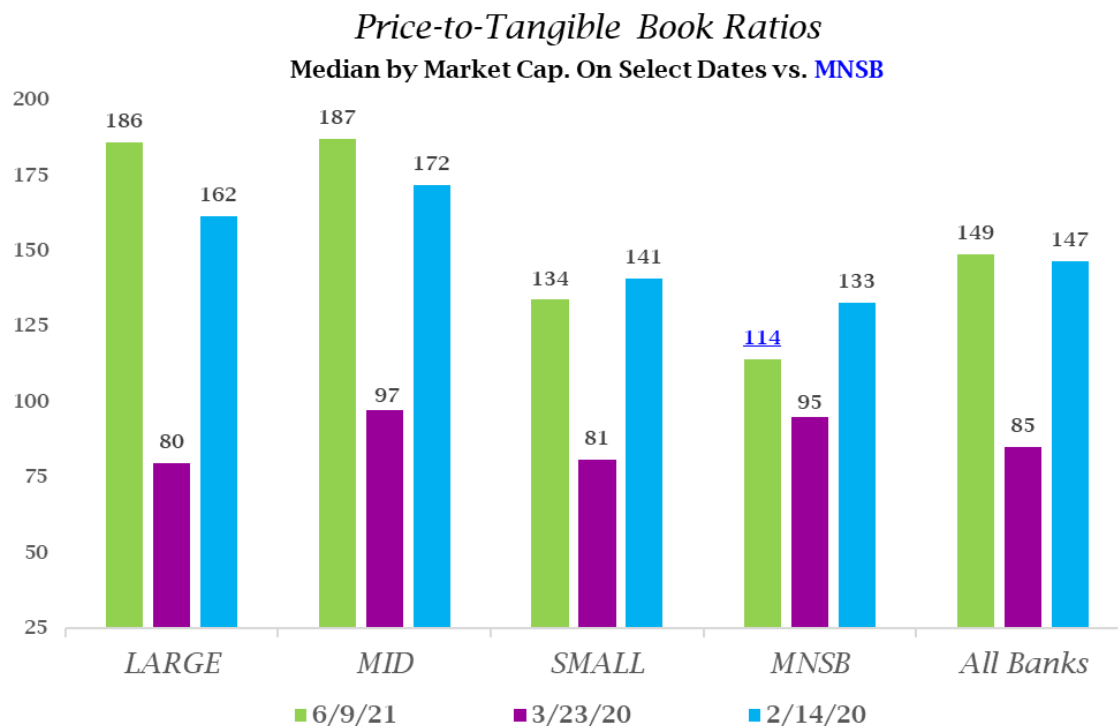
Factors our earnings and balance sheet projections through
December 2022

Price-to-Tangible Book Ratios

Median by Market Cap. vs MNSB-Main Street Bancshares (VA)



Source: Janney Research (FIG Group), S&P Global MI



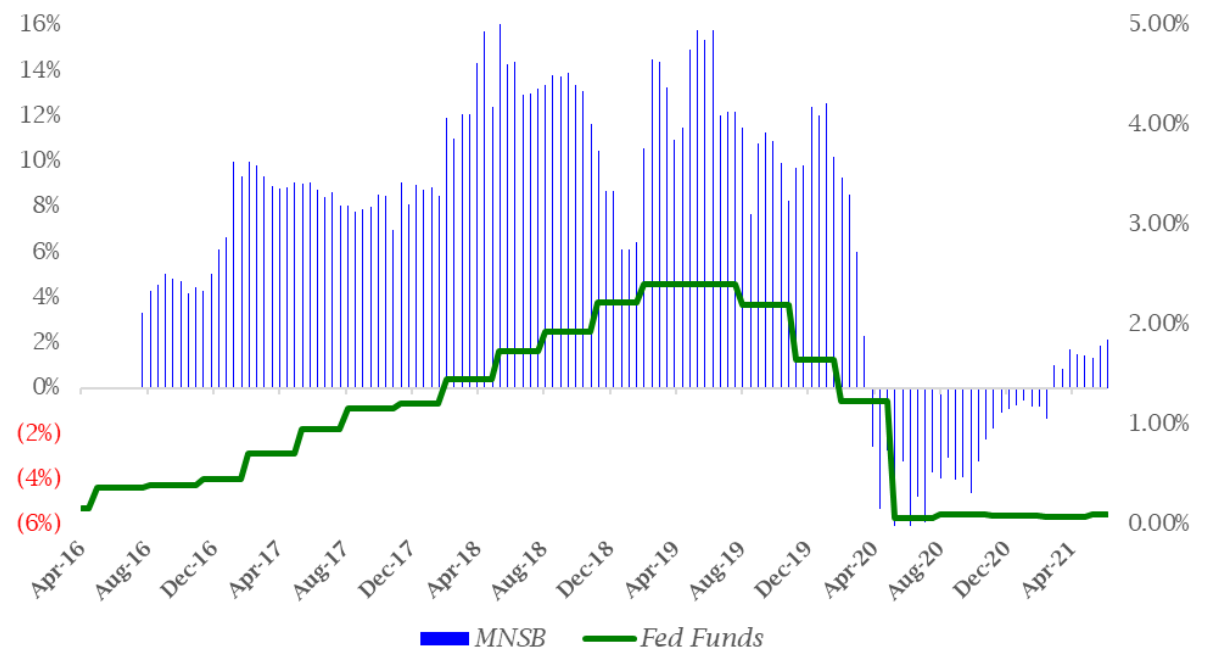
Source: Janney Research (FIG Group), S&P Global MI

MSNB's Recent Valuation History: Still Catching Up On P-to-TBV Ratio & Core Deposit Premium

- We assert MNSB trades back to at least a mid-single-digit Core Deposit Premium
- P-to-TBV ratio rises to 125% to 130%+
- Investors place greater focus on Banks in the greater D.C. Region as government spending remains strong well into 2023

Core Deposit Premium Since 2016: MNSB's Valuation

14-Day Intervals vs Avg. Quarterly Fed Funds



Peer Valuation Analysis For Alternative Public Bank Stocks vs. MNSB

Company Name		Rating	Market Cap. (\$M)	Yield (%)	Total Assets (\$000) MRQ	TCE Ratio MRQ	Core Deposit Premium Today	Price-to- T.Book 6/10/21	P/E 2021 EPS Consensus	P/E 2022 EPS Consensus	ROA Forecast in 2022 Consensus	ROTCE Est. in 2022 Consensus	Loans-to- Deposits Ratio
Peer Analysis:													
MNSB	MainStreet Bcschs	Buy	\$162	na	\$1,743,029	8.3	2.1%	114	11.9x	11.5x	1.01	8.8%	85%
AUB	Atlantic Union Bks	Not Rated	\$3,131	2.83	\$19,854,612	8.2	11.3%	200	13.8x	14.9x	1.10	12.1%	88%
BRBS	Blue Ridge Bkshrs	Not Rated	\$316	2.36	\$3,167,374	6.5	7.2%	154	na	na	NA	na	108%
CBNK	Capital Bncp Inc	Not Rated	\$299	na	\$2,091,851	8.0	8.5%	179	11.5x	11.7x	1.32	12.9%	85%
ESXB	Cmty Bnk Trst Corp	Neutral	\$263	2.05	\$1,698,808	10.2	9.8%	151	12.3x	15.5x	0.99	9.2%	85%
FDVA	Freedom Bnk of Va	Not Rated	\$88	na	\$871,045	8.7	2.8%	116	24.0x	22.2x	NA	na	96%
FRST	Primis Financial C	Buy	\$380	2.58	\$3,330,470	9.0	4.0%	131	12.9x	14.0x	0.87	8.7%	89%
FSRL	Frst Reliance Ban	Buy	\$83	na	\$777,735	9.5	3.0%	123	8.9x	8.5x	1.10	12.3%	74%
FUNC	First United Corp	Not Rated	\$125	3.16	\$1,781,833	6.7	1.1%	112	7.0x	8.1x	0.88	12.3%	81%
FVCB	FVCBankcorp Inc	Buy	\$242	na	\$1,884,517	9.9	4.2%	130	12.9x	14.0x	0.97	8.3%	91%
FXNC	First Natl Corp	Not Rated	\$94	2.48	\$1,028,130	8.4	1.0%	110	na	na	NA	na	70%
HBMD	Howard Bncp Inc	Not Rated	\$325	na	\$2,625,550	9.9	4.3%	126	14.4x	15.2x	0.83	7.5%	95%
JMSB	John Marshall Bncp	Not Rated	\$228	na	\$2,009,988	9.4	4.9%	131	na	na	NA	na	91%
OPOF	Old Point Finl	Not Rated	\$124	2.03	\$1,257,638	9.2	0.8%	106	na	na	NA	na	73%
SASR	Sandy Spring Bncp	Not Rated	\$2,188	2.77	\$12,873,366	8.9	11.9%	197	10.0x	12.6x	1.42	13.5%	98%
SHBI	Shore Bcschs Inc	Not Rated	\$204	2.76	\$2,039,631	8.8	1.8%	115	14.5x	13.5x	0.80	8.1%	81%
SLCT	Select Bancorp	Buy	\$277	na	\$1,832,329	9.4	9.0%	165	12.8x	13.9x	1.04	10.5%	85%
TOWN	TowneBank	Not Rated	\$2,291	2.51	\$15,079,396	8.9	9.8%	178	12.1x	15.2x	1.05	10.5%	80%
UBSI	United Bkshs Inc	Not Rated	\$4,918	3.68	\$27,030,755	10.9	12.9%	196	13.9x	15.7x	1.20	11.7%	81%
VBFC	Village B&T Corp	Not Rated	\$68	na	\$715,621	7.8	2.4%	123	na	na	NA	na	95%
WSBC	WesBanco Inc	Not Rated	\$2,574	3.45	\$17,057,788	9.3	9.2%	172	12.3x	15.7x	0.99	10.3%	81%
Source: Janney Research (FIG Group), S&P Global data					Median	8.9	4.9%	131	12.3x	14.0x	1.00	10.4%	85%

Earnings Model

higher IRS tax rates 4Q21

	2020 Quarterly							2021 Quarterly				2022 Quarterly			
	2020	2021E	2022E	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21E	3Q21E	4Q21E	1Q22E	2Q22E	3Q22E	4Q22E
Income Data: (\$ Mil.)															
Net Interest Income	\$45.98	\$51.56	\$52.21	\$10.30	\$10.73	\$11.89	\$13.07	\$13.48	\$12.57	\$12.69	\$12.82	\$12.66	\$12.95	\$13.22	\$13.38
Loan Loss Provision	\$3.61	\$1.36	\$2.70	\$0.35	\$5.58	\$0.64	(\$2.95)	\$0.32	\$0.29	\$0.28	\$0.47	\$0.38	\$0.57	\$0.77	\$0.98
Non-Interest Income	\$7.13	\$4.63	\$5.33	\$1.41	\$0.99	\$2.83	\$1.90	\$1.10	\$1.14	\$1.18	\$1.21	\$1.25	\$1.31	\$1.36	\$1.40
Gain/Loss on Loan Sales	\$0.36	\$0.94	\$1.25	\$0.00	\$0.33	\$0.03	\$0.00	\$0.34	\$0.30	\$0.15	\$0.15	\$0.35	\$0.30	\$0.30	\$0.30
Gain/Loss on Securities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
One-Time Items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Non-Interest Expense	\$30.30	\$32.02	\$33.63	\$7.14	\$7.36	\$7.64	\$8.16	\$7.81	\$7.89	\$8.12	\$8.20	\$8.35	\$8.39	\$8.43	\$8.46
Pre-Tax Income	\$19.56	\$23.75	\$22.45	\$4.22	(\$0.89)	\$6.47	\$9.76	\$6.79	\$5.84	\$5.61	\$5.51	\$5.53	\$5.59	\$5.68	\$5.65
Taxes (w/ FTE adj.)	\$3.84	\$5.12	\$5.61	\$0.75	(\$0.26)	\$1.30	\$2.05	\$1.34	\$1.23	\$1.18	\$1.38	\$1.38	\$1.40	\$1.42	\$1.41
Extraordinary Items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net Income	\$15.72	\$18.63	\$16.84	\$3.47	(\$0.63)	\$5.17	\$7.71	\$5.45	\$4.61	\$4.44	\$4.13	\$4.14	\$4.19	\$4.26	\$4.24
Preferred Dividend	\$0.64	\$2.16	\$2.16	\$0.00	\$0.00	\$0.00	\$0.64	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54
Net Income Avail. To Common	\$15.08	\$16.47	\$14.68	\$3.47	(\$0.63)	\$5.17	\$7.08	\$4.91	\$4.07	\$3.90	\$3.59	\$3.61	\$3.65	\$3.72	\$3.70
Avg. Shares O/S	8.1	7.3	7.1	8.3	8.3	8.3	7.7	7.5	7.4	7.3	7.2	7.1	7.1	7.2	7.2
Earnings Per Share (EPS)	\$1.89	\$2.24	\$2.05	\$0.42	(\$0.08)	\$0.63	\$0.92	\$0.65	\$0.55	\$0.54	\$0.50	\$0.51	\$0.51	\$0.52	\$0.52
Per Share Data:															
Reported Book Value	\$18.86	\$20.89	\$22.80	\$16.98	\$16.96	\$17.61	\$18.86	\$19.26	\$19.84	\$20.38	\$20.89	\$21.36	\$21.83	\$22.32	\$22.80
Tangible Book Value	\$18.86	\$20.89	\$22.80	\$16.98	\$16.96	\$17.63	\$18.86	\$19.26	\$19.84	\$20.38	\$20.89	\$21.36	\$21.83	\$22.32	\$22.80
Dividends	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Pre-Tax, Pre-Provision EPS	\$2.85	\$3.42	\$3.52	\$0.55	\$0.57	\$0.86	\$0.88	\$0.94	\$0.83	\$0.81	\$0.83	\$0.83	\$0.86	\$0.90	\$0.93
CORE GAAP EPS	\$1.89	\$2.24	\$2.05	\$0.42	(\$0.08)	\$0.63	\$0.92	\$0.65	\$0.55	\$0.54	\$0.50	\$0.51	\$0.51	\$0.52	\$0.52
KEY Ratios:															
Net Interest Margin	3.21%	3.30%	3.31%	3.25%	3.04%	3.22%	3.33%	3.41%	3.23%	3.28%	3.29%	3.30%	3.31%	3.31%	3.32%
CORE Return on Avg Assets	0.94%	1.14%	1.02%	1.06%	-0.17%	1.33%	1.71%	1.32%	1.13%	1.09%	1.01%	1.03%	1.02%	1.02%	1.01%
Return on Avg Equity	10.66%	11.24%	9.31%	9.89%	-1.81%	14.20%	20.21%	13.69%	11.19%	10.56%	9.61%	9.47%	9.38%	9.33%	9.06%
Pre-Tax Pre-Provision ROA	1.55%	1.53%	1.52%	1.38%	1.26%	1.85%	1.66%	1.70%	1.49%	1.46%	1.47%	1.45%	1.50%	1.56%	1.59%
Efficiency Ratio	56.7%	56.1%	57.2%	61.0%	61.1%	51.8%	54.5%	52.3%	56.3%	58.0%	57.8%	58.6%	57.7%	56.6%	56.1%
Overhead Ratio	2.02%	1.95%	2.03%	2.15%	1.99%	1.98%	1.99%	1.87%	1.92%	2.01%	2.02%	2.04%	2.04%	2.03%	2.02%
TCE Ratio	8.5%	8.9%	9.5%	10.6%	9.2%	8.9%	8.5%	8.3%	8.6%	8.8%	8.9%	9.1%	9.2%	9.3%	9.5%
CET-1 Regulatory Capital	10.4%	10.9%	11.4%	16.9%	16.5%	10.4%	10.4%	10.4%	10.6%	10.8%	10.9%	11.0%	11.1%	11.3%	11.4%
Period-End Balances: (\$ Mil.)															
Earning Assets	\$1,595	\$1,645	\$1,704	\$1,256	\$1,450	\$1,542	\$1,595	\$1,706	\$1,662	\$1,633	\$1,645	\$1,655	\$1,669	\$1,686	\$1,704
Total Assets	\$1,643	\$1,693	\$1,742	\$1,330	\$1,529	\$1,630	\$1,643	\$1,743	\$1,707	\$1,684	\$1,693	\$1,702	\$1,713	\$1,727	\$1,742
Net Loans	\$1,230	\$1,237	\$1,283	\$1,060	\$1,259	\$1,280	\$1,230	\$1,299	\$1,252	\$1,228	\$1,237	\$1,246	\$1,254	\$1,267	\$1,283
Total Deposits	\$1,438	\$1,453	\$1,506	\$1,143	\$1,342	\$1,417	\$1,438	\$1,538	\$1,482	\$1,453	\$1,453	\$1,464	\$1,472	\$1,489	\$1,506
Intangibles	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Common Equity	\$140	\$150	\$165	\$140	\$140	\$146	\$140	\$145	\$147	\$149	\$150	\$154	\$158	\$161	\$165

Source: Janney Research (FIG Group), S&P Global MI

CRE & Construction Concentration At MNSB Remains High, But Well-Diversified Among Types & Borrowers

Institution Name	Parent Ticker	Total Assets (\$000)	ADC % of RBC	Multi-Family % of RBC	Owner-Occ. CRE % of RBC	Other CRE % of RBC	ADC + M/F + Other CRE % of RBC
		2021Q1	2021Q1	2021Q1	2021Q1	2021Q1	2021Q1
MainStreet Bank	MNSB	1,743,427	169%	23%	73%	183%	376%
Capital Bank, NA	CBNK	2,057,424	129%	60%	149%	113%	302%
Blue Ridge Bank, NA	BRBS	3,154,996	87%	45%	73%	156%	287%
Carter Bank & Trust	CARE	4,142,130	86%	55%	11%	263%	404%
Essex Bank	ESXB	1,698,657	89%	48%	114%	162%	299%
First Bank	FXNC	1,026,605	27%	31%	97%	136%	194%
FVCbank	FVCB	1,880,297	97%	37%	77%	233%	366%
The Freedom Bank of Virginia	FDVA	871,045	26%	2%	168%	211%	240%
John Marshall Bank	JMSB	2,008,343	109%	37%	134%	219%	364%
Primis Bank	FRST	3,332,321	28%	37%	113%	153%	218%
TowneBank	TOWN	15,079,397	61%	21%	86%	146%	229%
Village Bank	VBFC	716,154	43%	13%	143%	180%	235%

Commercial Loans: (3-31-21, % of Total)

Parent Ticker	C&I %	Owner-Occ. CRE %	Other CRE %	Multi-Family %	ADC %
	2021Q1	2021Q1	2021Q1	2021Q1	2021Q1
MNSB	21%	11%	27%	3%	25%
CBNK	26%	15%	11%	6%	13%
BRBS	36%	7%	15%	4%	8%
CARE	10%	2%	40%	8%	13%
ESXB	19%	17%	24%	7%	13%
FXNC	18%	14%	20%	5%	4%
FVCB	18%	12%	36%	6%	15%
FDVA	33%	21%	26%	0%	3%
JMSB	11%	19%	31%	5%	16%
FRST	20%	18%	24%	6%	4%
TOWN	20%	14%	24%	3%	10%
VBFC	34%	16%	21%	1%	5%

Investors must recognize that the pure statistics on CRE and Construction Loans as a percentage of Total Capital are just the beginning of the exam on lending concentrations.

Sub-market breakdowns, borrower profiles, and ultimately a wide stratification of properties and Loans are what creates comfort for regulators.

MNSB has a strong focus here and remains in positive regulatory standing.

Source: Janney Research (FIG Group), FDIC call report filings 3-31-2021

IMPORTANT DISCLOSURES

Research Analyst Certification

I, Christopher Marinac and Freddie 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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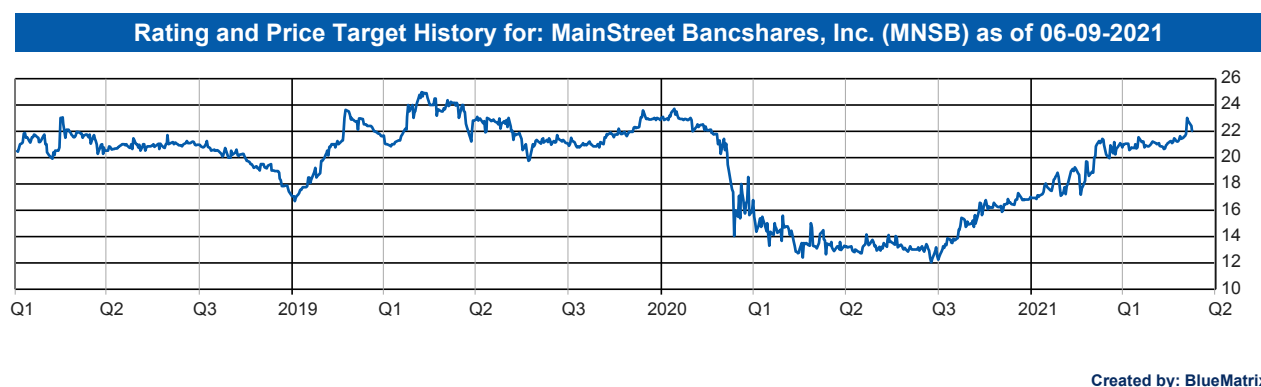
Definition of Ratings

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 03/31/2021

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
BUY [B]	119	46.12	26	21.85
NEUTRAL [N]	105	40.70	7	6.67
SELL [S]	0	0.00	0	0

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

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