

## Banks & Thrifts

Price:	\$21.20
Fair Value Estimate:	\$21.75
52-Week Range:	\$11.75 - \$22.06
Market Cap (MM):	\$157
Shr.O/S-Diluted (mm):	7.4
Average Daily Volume:	26,280
Dividend:	\$0.00
Yield:	0.0%
Tang Book Value:	\$19.26
Tang Comn Equity Ratio:	8.3%
Price/Tangible Book:	1.10x

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

### Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.42A	\$0.65A	\$0.45E
Q2	\$(0.08)A	\$0.47E	\$0.47E
Q3	\$0.63A	\$0.46E	\$0.49E
Q4	\$0.92A	\$0.44E	\$0.50E



April 21, 2021

## MainStreet Bancshares, Inc. (MNSB) - BUY

### MNSB Beats Estimates By \$0.17 On Better Spread, Lower Expenses With 1.32% 1Q After-Tax ROA, 1.72% Pre-Pre ROA.

#### PORTFOLIO MANAGER BRIEF

- 1Q21 EPS: Reported \$0.65 / Core \$0.65 / Street \$0.48 / Janney \$0.48.
- MNSB beat our EPS estimate by \$0.17 per share or 35% due to better Spread (+\$0.11 /sh vs. our estimates) and lower Expenses (+0.07 /sh impact), partially offset by lower Fee Income. Pre-Tax Pre-Provision Earnings were \$7.1M, up 4.2% L-Q and up 55% year-over-year, beating our 1Q estimate of \$5.8M.
- Tangible Book Value (TBV) per share climbed 2% L-Q and the TCE Ratio fell -24 bps to 8.3%. The CET-1 regulatory capital ratio is strong at 14.38%.
- NII-Net Interest Income rose 3.2% to \$13.5M as the NIM-Net Interest Margin grew 8bps to 3.41%. Average Loans grew 0.6%, Deposits expanded 4.3%.
- Fee Income fell -24.3% to \$1.4M, missing our estimate of \$1.9M. Non-Interest Expense was lower than expected and declined -4.3% L-Q.
- Reserves rose 3% in dollar terms at 3/31 vs 12/31 to 1.16% of Loans ex-PPP in 1Q (unchanged from 4Q20). NPAs remain very low at 0.08% of Total Assets.
- Total Deposits advanced 7% in the past quarter and excluding CDs, Core Deposits climbed 4% from 12-31-20. DDA demand account balances represent 31% of Total Deposits, up from 28% in the past quarter.
- MNSB continues to build relationships with small- and middle market commercial customers in the Northern Virginia and vast Washington, DC metro area. A focus on FinTech payment solutions continues to be a source of franchise growth.

#### ANALYST NOTES

MNSB posted strong Pre-Tax, Pre-Provision earnings, which equate to 1.72% of Average Assets, annualized ("Pre-Pre ROA"). This exceeds the 1.65% level achieved in 4Q20. If all PPP Loan income and fees are excluded, MNSB's Core Pre-Pre ROA ex-PPP is still a solid 1.36%, which is stable from 4Q20. We feel these are impressive results, especially given the positive provision expense and growth of both Core Deposits and Total Reserves. MNSB trades at 110% of Tangible Book Value. Reiterate BUY rating and \$21.75 Fair Value.

## MNSB 1Q Results vs. Estimates

### 1Q-2021 Results: Actual vs. Estimated

<u>Actual</u>	<u>Operating</u>	<u>Street</u> (BB)	<u>Janney</u>	<u>Comments</u>
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\$0.65	\$0.65	\$0.48	\$0.48	
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### Core Pre-Tax Pre-Provision

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$7.1	na	\$5.8
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### AVG. SHARES (M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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7.5	7.4	7.5
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### NIM (Margin)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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3.41	NA	3.31
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### NII (Spread -\$M)\*

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$13.5	NA	\$12.4
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### LOANS (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1,299	NA	\$1,187
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### PRE-TAX (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$6.8	\$5.4	\$5.4
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### PROVISION (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$0.3	NA	\$0.4
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### EXPENSES (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$7.8	NA	\$8.5
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### NON-INTEREST INCOME (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1.4	NA	\$1.9
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Source: Janney Research (FIG Group), Bloomberg L.P., 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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Janney Montgomery Scott LLC and/or its affiliate, FIG intends to seek or expects to receive compensation for investment banking services from MainStreet Bancshares, Inc. in the next three months.

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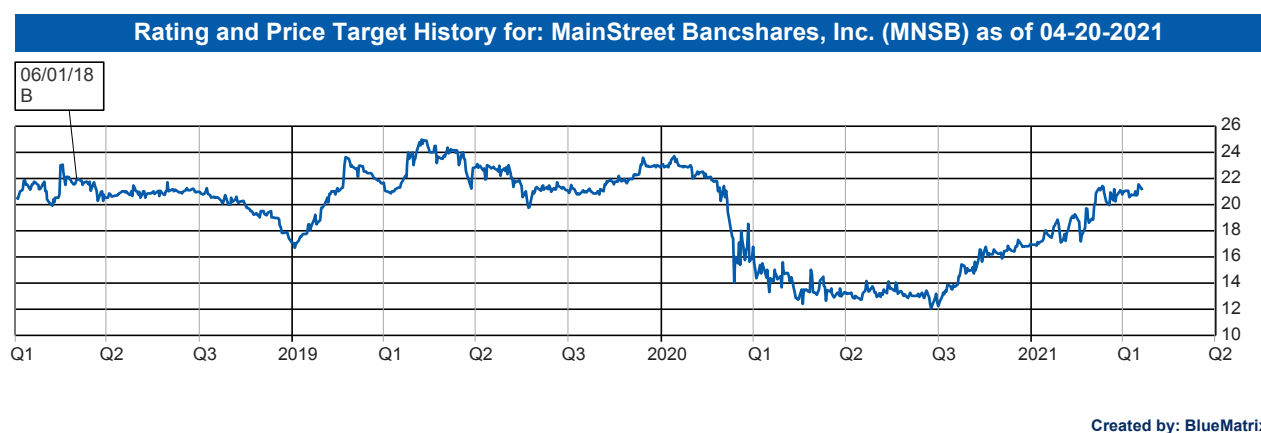
### Definition of Ratings

**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
<b>BUY [B]</b>	119	46.12	26	21.85
<b>NEUTRAL [N]</b>	105	40.70	7	6.67

<b>SELL [S]</b>	0	0.00	0	0
<b>EXTENDED REVIEW [EXTRE]</b>	34	13.18	10	29.41

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

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