

Banks & Thrifts

Price:	\$22.46
Fair Value Estimate:	\$31.00
52-Week Range:	\$20.77 - \$26.85
Market Cap (MM):	\$164
Shr.O/S-Diluted (mm):	7.3
Average Daily Volume:	11,420
Dividend:	\$0.05
Yield:	0.2%
Tang Book Value:	\$20.75
Tang Comn Equity Ratio:	8.7%
Price/Tangible Book:	1.08x

FYE: Dec	2021A	2022E	2023E
EPS - non-GAAP	\$2.65A	\$2.55E	\$2.83E
Adjusted: Prior EPS - non-GAAP		NC	NC
Adjusted:			

Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.65A	\$0.64A	\$0.65E
Q2	\$0.87A	\$0.71A	\$0.69E
Q3	\$0.56A	\$0.64E	\$0.73E
Q4	\$0.56A	\$0.68E	\$0.75E
Year:	\$2.65A	\$2.55E	\$2.83E



July 25, 2022

MainStreet Bancshares, Inc. (MNSB) - BUY

MNSB Beats Estimates On Spread, Strong Loan Growth. TBV Per Share Advances 0.7%, Deposits Grow Faster Than Loans At 6/30.

PORTFOLIO MANAGER BRIEF

- 2Q-22 EPS: Reported \$0.71 / Core \$0.71 / Street \$0.66 / Janney \$0.60.
- MNSB beat our EPS estimate by \$0.11 per share or 18.3% on better Spread (+\$0.13 /sh), lower Provision (+\$0.01 /sh), partially offset by higher Expenses (-\$0.04 /sh) and lower Non-Interest Income (-\$0.01 /sh).
- Pre-Tax Pre-Provision Earnings (PPNR) were \$7.9M, up 6.8% L-Q and up 18.4% YR/YR, beating our 2Q estimate of \$7.2M.
- Tangible Book Value (TBV) per share advanced 0.7% L-Q while the TCE Ratio decreased -23 bps to 8.7%. CET-1 regulatory capital was 15.42%. MNSB has nominal AOCI exposure with AOCI representing 2.5% of Total Capital.
- NII-Net Interest Income increased 6.1% to \$16.1M as the NIM-Net Interest Margin expanded 2bps to 3.93%. Total Deposit costs rose 6 bps to 0.52% for an 8% Deposit Beta, while Loan Yields rose 11 bps to 5.02%, resulting in a Loan Beta of 17%.
- Average Loans grew 4.1% to \$1.4B, while Average Deposits contracted -0.7% to \$1.4B. Period-end trends were Loans +1.3% and Deposits +4.5%
- Fee Income grew 8.4% to \$1.3M, just missing our estimate of \$1.4M. Non-Interest Expense was higher than expected and rose 5.9% L-Q.
- Reserves grew 4% in dollar terms at 6/30 vs 3/31 at 0.91% of gross Loans HFI in 2Q versus 0.89% in 1Q. MNSB continued to report zero Problem Assets with modest recoveries of prior charged-off Loans.
- Several interesting disclosures were made by the company today via new investor presentation. See excerpts in this report.

ANALYST NOTES

MNSB trades at 108% of Tangible Book Value. Reiterate BUY rating and \$31.00 Fair Value. MNSB hosts a public conference call at 2PM EST today. We will provide additional information after speaking with management.

MNSB 2Q Results vs. Estimates

2Q-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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\$0.71	\$0.71	\$0.66	\$0.60	
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Core Pre-Tax Pre-Provision

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$7.9	\$7.6	\$7.2
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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	7.7
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NIM (Margin)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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3.93	3.68	3.68
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NII (Spread -\$M)*

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$16.1	\$15.5	\$14.9
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LOANS (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1,417	\$1,456	\$1,456
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PRE-TAX (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$7.4	\$6.9	\$6.6
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PROVISION (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$0.5	\$0.7	\$0.6
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EXPENSES (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$9.5	\$9.2	\$9.1
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NON-INTEREST INCOME (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1.3	\$1.2	\$1.4
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Source: Janney Research (FIG Group), Bloomberg L.P., S&P Capital IQ, Company 8-K

Loan yields responding to rate increases

	Tied to WSJ Prime			Tied to LIBOR			Tied to 5Y Treasury			All Loans		
	Balance (\$million)	Interest Income (\$million)	Weighted Avg Yield	Balance (\$million)	Interest Income (\$million)	Weighted Avg Yield	Balance (\$million)	Interest Income (\$million)	Weighted Avg Yield	Balance (\$million)	Interest Income (\$million)	Weighted Avg Yield
January	\$442.3	\$20.5	4.65%	\$212.3	\$6.1	2.75%	\$245.9	\$12	4.88%	\$1,355.5	\$57.6	4.25%
February	\$458.9	\$21.2	4.62%	\$211.4	\$6.1	2.78%	\$253.4	\$12.3	4.85%	\$1,370.2	\$58.9	4.30%
March	\$481.3	\$22.9	4.76%	\$199.5	\$6.0	2.92%	\$272.4	\$13.2	4.85%	\$1,431.1	\$63.4	4.43%
April	\$515.6	\$24.4	4.74%	\$197.7	\$6.3	3.11%	\$264	\$12.8	4.84%	\$1,439.2	\$64.2	4.46%
May	\$520.4	\$26.4	5.08%	\$189.2	\$6.5	3.39%	\$274.4	\$13.5	4.93%	\$1,448	\$67.5	4.66%
June	\$510.9	\$29.1	5.70%	\$185.8	\$7.2	3.82%	\$281.4	\$13.9	4.96%	\$1,438.6	\$71.3	4.96%

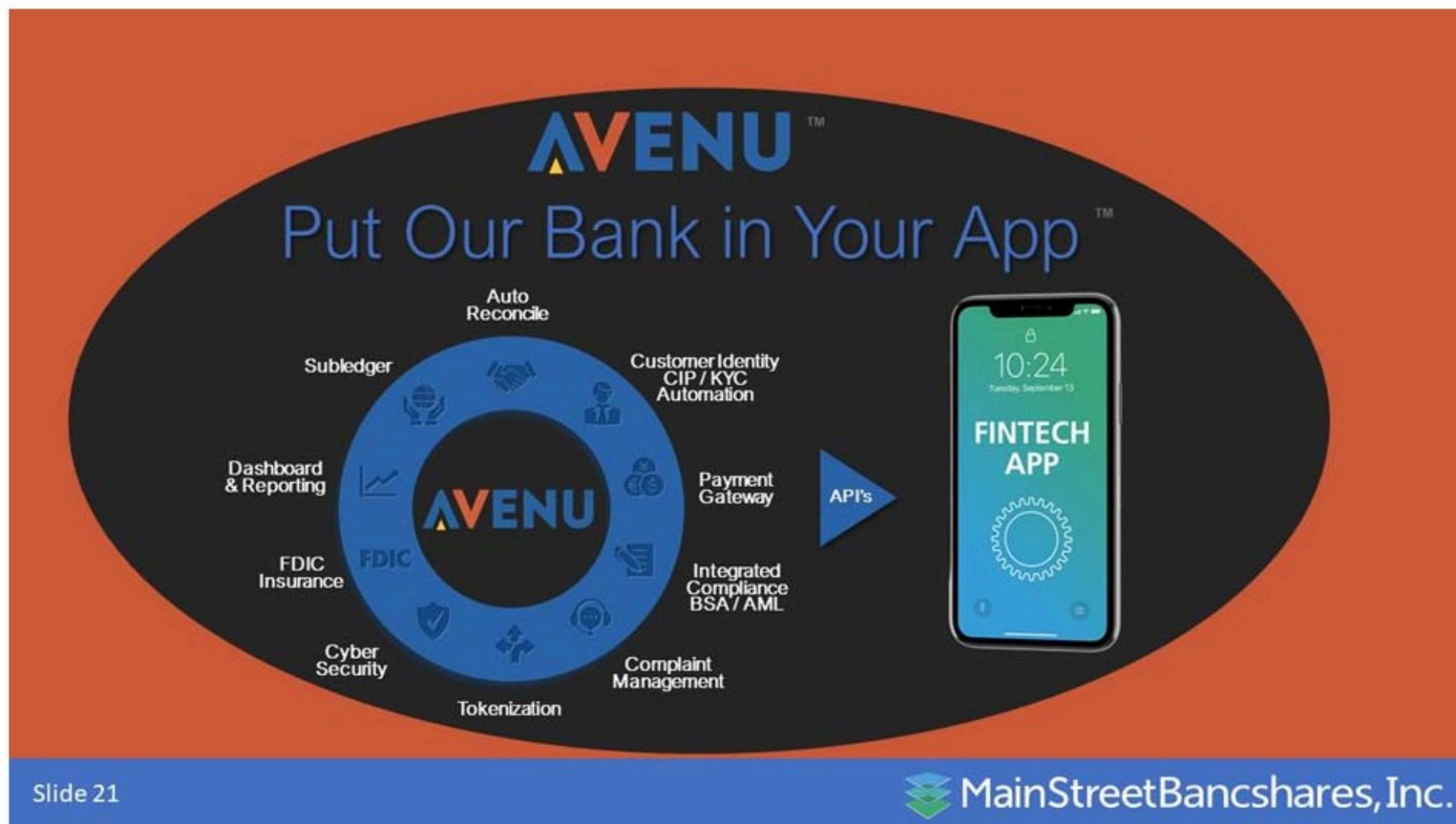
- weighted average rates tied to WSJ Prime and LIBOR are up 105 bp and 107 bp respectively
- weighted average rates for the portfolio are up 71 bp

Very nominal AOCI exposure

Accumulated Other
Comprehensive
Income (AOCI)
represents 2.5% of
Total Capital

Security Type	Market Value (million)	AOCI (million)
US Treasury	\$75	
Agency	\$4	
US Agency MBS	\$20	
Private CMO	\$5	
Municipal	\$29	
Other	\$10	
TOTAL	\$143	-\$6.56

MNSB's Avenu Banking As A Service Platform (BaaS)



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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Janney Montgomery Scott LLC received compensation for investment banking services from MainStreet Bancshares, Inc. in the past 12 months.

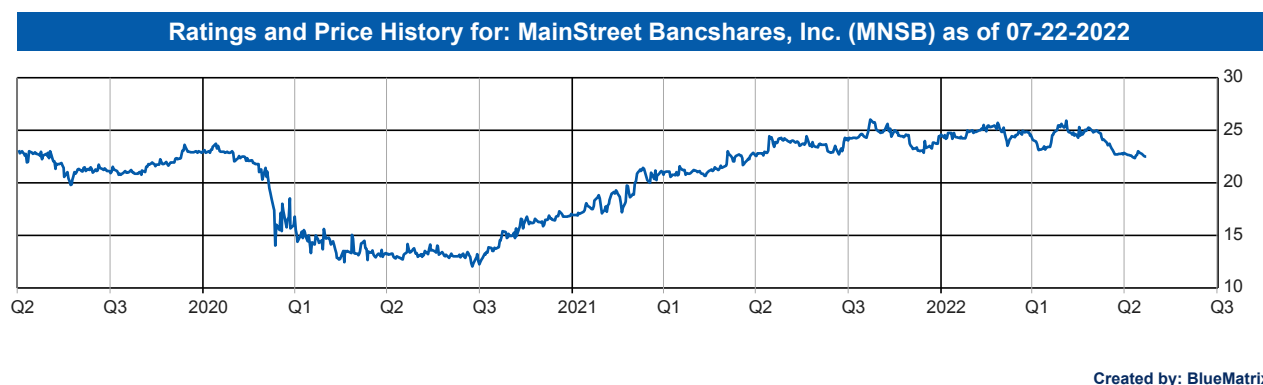
Definition of Ratings

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 06/30/2022

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	119	50.85	30	25.21
NEUTRAL [N]	78	33.33	8	10.26
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	37	15.81	6	16.22

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

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