

Banks & Thrifts

Price:	\$23.00
Fair Value Estimate:	\$31.00
52-Week Range:	\$20.77 - \$26.85
Market Cap (MM):	\$165
Shr.O/S-Diluted (mm):	7.2
Average Daily Volume:	13,520
Dividend:	\$0.20
Yield:	0.9%
Tang Book Value:	\$20.94
Tang Comn Equity Ratio:	8.4%
Price/Tangible Book:	1.10x

October 17, 2022

MainStreet Bancshares, Inc. (MNSB) - BUY

MNSB Beats Our Estimate By 35% As NIM-Net Interest Margin Expands Faster Than Anticipated. TBV Advances Nearly 1%.

PORTFOLIO MANAGER BRIEF

- 3Q-22 EPS: Reported \$0.97 / Core \$0.97 / Street \$0.76 / Janney \$0.72.
- MNSB beat our EPS estimate by \$0.25 per share or 35% on better Spread (+\$0.12 /sh), lower Provision (+\$0.07 /sh) and better Non-Interest Income (+\$0.01 / sh), plus lower share count.
- Pre-Tax Pre-Provision Earnings (PPNR) \$8.3M, up 5.8% L-Q and up 34.0% YR/YR, beating our 3Q estimate of \$8.3M. PPNR ROA was strong 2.15% vs 1.47% YR AGO.
- Tangible Book Value (TBV) per share advanced 0.9% L-Q while the TCE Ratio decreased -33 bps to 8.4%. CET-1 regulatory capital was 15.6%. Cumulative AOCI marks for unrealized Securities losses are just 5% of total capital.
- NII-Net Interest Income +12.3% to \$18.1M as the NIM-Net Interest Margin expanded 17bps to 4.12%. Total Deposit costs rose 27 bps to 0.77% for a 19% Deposit Beta, while Loan Yields rose 54 bps to 5.56%, for a 38% Loan Beta.
- Average Loans grew 0.8% to \$1.4B, while Average Deposits expanded 4.9% to \$1.5B. Period-end Loans declined -5.0% to \$1.4B.
- Fee Income +7.0% to \$1.3M, in-line with our estimate of \$1.3M. Non-Interest Expense was higher than expected at +4.2% L-Q. Expenses-to-Avg. Assets improved to 2.18% from 2.23% last quarter (1.99% a year-ago).
- Reserves grew 0% in dollar terms at 9/30 vs 6/30 at 0.89% of gross Loans HFI in 3Q versus 0.91% in 2Q. MNSB reported zero NPAs for a third consecutive quarter.

ANALYST NOTES

MNSB's [new investor presentation](#) signals continued benefit from higher interest rates on Loan yields and NIM. This is positive for future EPS and tangible book value (TBV). The stock trades at 110% P-to-TBV ratio with room to expand, in our view. Reiterate BUY rating and \$31.00 Fair Value. MNSB hosts a public conference call at 2PM EST today. We will provide updated estimates after speaking with management.



MNSB 3Q Results vs. Estimates

3Q-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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\$0.97	\$0.97	\$0.76	\$0.72	
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Core Pre-Tax Pre-Provision

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$8.3	\$8.8	\$8.3
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AVG. SHARES (M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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7.5	7.5	7.6
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NIM (Margin)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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4.12	4.00	4.00
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NII (Spread -\$M)*

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$18.1	\$16.9	\$17.0
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LOANS (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1,448	\$1,452	\$1,452
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PRE-TAX (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$8.3	\$8.1	\$7.6
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PROVISION (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$0.0	\$0.7	\$0.7
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EXPENSES (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$9.9	\$9.6	\$9.9
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NON-INTEREST INCOME (\$M)

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

Monthly net interest margin continues to widen

- Net interest income has grown steadily in the last nine months.
- The Bank is well positioned for rising rate environment.
 - 48% of the loan portfolio is floating rate.
 - 19% of the loan portfolio is adjustable rate.



Slide 6

- 1 Month-end data annualized on a 365-day basis
- 2 Yields are reported on a tax equivalent basis using the corporate tax rate of 21%

 MainStreet Bancshares, Inc.

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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Janney Montgomery Scott LLC and/or its affiliate, FIG, currently acts as a market-maker in the securities of MainStreet Bancshares, Inc.

Janney Montgomery Scott LLC managed or co-managed a public offering of securities for MainStreet Bancshares, Inc. in the past 12 months.

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

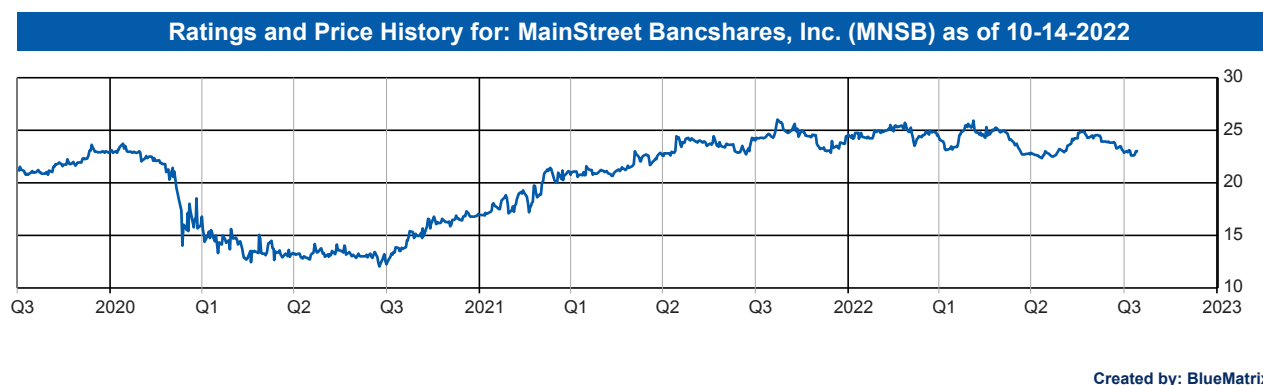
Definition of Ratings

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 09/30/2022

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	121	55.50	24	19.83
NEUTRAL [N]	88	40.37	6	6.82
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	9	4.13	2	22.22

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

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