

Banks & Thrifts

Price:	\$18.08
Fair Value Estimate:	\$24.00
52-Week Range:	\$17.50 - \$29.74
Market Cap (MM):	\$132
Shr.O/S-Diluted (mm):	7.3
Average Daily Volume:	17,940
Dividend:	\$0.40
Yield:	2.2%
Tang Book Value:	\$23.86
Price/Tangible Book:	0.76x

FYE: Dec	2023A	2024E	2025E
EPS - non-GAAP	\$3.25A	\$2.10E	\$2.20E
Adjusted: Prior EPS - non-GAAP	\$3.35	\$2.53	NC
Adjusted:			

Quarterly EPS - non-GAAP Adjusted:

Q1	\$1.01A	\$0.52E	\$0.51E
Q2	\$0.85A	\$0.50E	\$0.54E
Q3	\$0.77A	\$0.54E	\$0.57E
Q4	\$0.61A	\$0.54E	\$0.58E
Year:	\$3.25A	\$2.10E	\$2.20E

MainStreet Bancshares, Inc. is a community bank in Northern Virginia and the Washington, D.C. MSA serving local commercial business and individual customers with deposit, credit, and cash management products. The company has a specialty Banking-as-a-Service (BaaS) technology initiative to attract new business deposits and customers.

February 23, 2024

MainStreet Bancshares, Inc. (MNSB) - BUY

MNSB: Expect Continued Progress on Avenu FinTech Initiatives While Bank-based Tangible Book Expands at Healthy Pace. Reiterate BUY Rating.

PORTFOLIO MANAGER BRIEF

- MNSB is expected to earn near a 0.90 ROA-Return on Assets in 2024, which includes full expenses on the Avenu FinTech initiative that has a pipeline of over 10 new customers with intermediate-term Deposit flows.
- Our 2025 outlook has small balance sheet growth with limited change in NIM-Net Interest Margin as Deposit/Funding costs should remain high until clarity on interest rates emerges (i.e., we are not convinced in several rate cuts in Fed Funds).
- Credit costs are expected to remain low with loan loss Reserves incrementally rising with modestly higher net charge-offs (near 0.15% or less).
- Tangible book value (TBV) should rise near a 7% annual rate within the 0.90% ROA outlook. This supports a stronger stock price as the P-to-TBV ratio should improve from 76% today to over 90% in future periods (while TBV rises 14% cumulatively through late 2025).
- The Deposit franchise has further upside based on the 175 basis points funding cost advantage below the Fed Funds rate. We place a minimum 3x multiple on Deposits less Brokered to mirror a 3-year customer relationship tenure. Then all fair value marks are removed.
- Our Fair Value estimate is \$24.00, which is a discount to the underlying Deposit pricing analysis on Page 2. As EPS and ROA rise back to 1.00% on faster revenue growth when the Avenu FinTech business bears more low-cost DDAs, the stock can support a stronger P/E and P-to-TBV ratio. At the same time, NIM should expand beyond our projection.
- We reiterate our BUY rating.



Our Fair Value Estimate Is \$24.00 On MNSB Shares With Additional Deposit Franchise Value In The Future

Janney Research Rating: "BUY"

Fair Value: \$24.00

	2024	Multiple	Price
GAAP EPS	\$2.10	11.3x	\$23.60
Dividends	\$0.40	1.0x	\$0.40
Excess TCE	<u>\$2.39</u>	<u>0.00x</u>	<u>\$0.00</u>
		Combined	\$24.00
Tangible Book 12/24	\$25.48	0.94x	\$24.00

Implied Gain/Loss versus Current Price: 33%

Alternative			
2025 EPS	\$2.20	11.2x	\$24.58
Cash Dividends	\$0.40	1.0x	\$0.40
Excess TCE	\$2.37	0.0x	<u>\$0.00</u>
			\$24.98
Tangible Book 12/25	<u>\$27.22</u>	<u>0.92x</u>	\$24.00

Source: Janney Research (FIG Group) & Forward Estimates

Deposit Pricing Outlook

	Today	Dec-24	Dec-25
Market-Cap.	135.5	173.9	180.0
TCE in \$\$	179.6	187.7	196.2
Residual Premium	(44.1)	(13.9)	(16.2)
TOTAL DEPOSITS	1,686.1	\$1,789.5	\$1,899.3
Brokered	384.6	350.0	320.0
Govt/Municipal	<u>45.0</u>	<u>40.0</u>	<u>36.0</u>
Franchise Deposits	1,256.5	1,399.5	1,543.3
Cost of Funds	3.58%	3.38%	3.30%
Advantage vs Fed Funds	1.75%	1.37%	1.20%
Value @ 3YR Tenure	5.3%	4.1%	3.6%
Franchise Value	66.0	57.5	55.6
Gov/Muni Value (1x)	0.8	0.5	0.4
Gross Deposit Value	66.8	58.1	56.0
less: AOCI	(7.6)	(6.8)	(6.4)
less: HTM marks	(0.1)	(0.1)	0.0
less: 3.5% Loan mark	(47.7)	(47.4)	(46.7)
Net Deposit Value	11.4	3.8	2.9
per share	\$1.51	\$0.52	\$0.40
Add: TBV per share	\$23.86	\$25.48	\$27.22
Add: AOCI per share	\$1.01	\$0.93	\$0.89
TOTAL FAIR VALUE	\$26.37	\$26.92	\$28.52
Gross Deposit Premium	5.1%	4.0%	3.5%
Net Deposit Premium	0.9%	0.3%	0.2%

Factors our earnings and balance sheet projections through December 2025

MSNB has funding costs 175 basis points below Fed Funds.

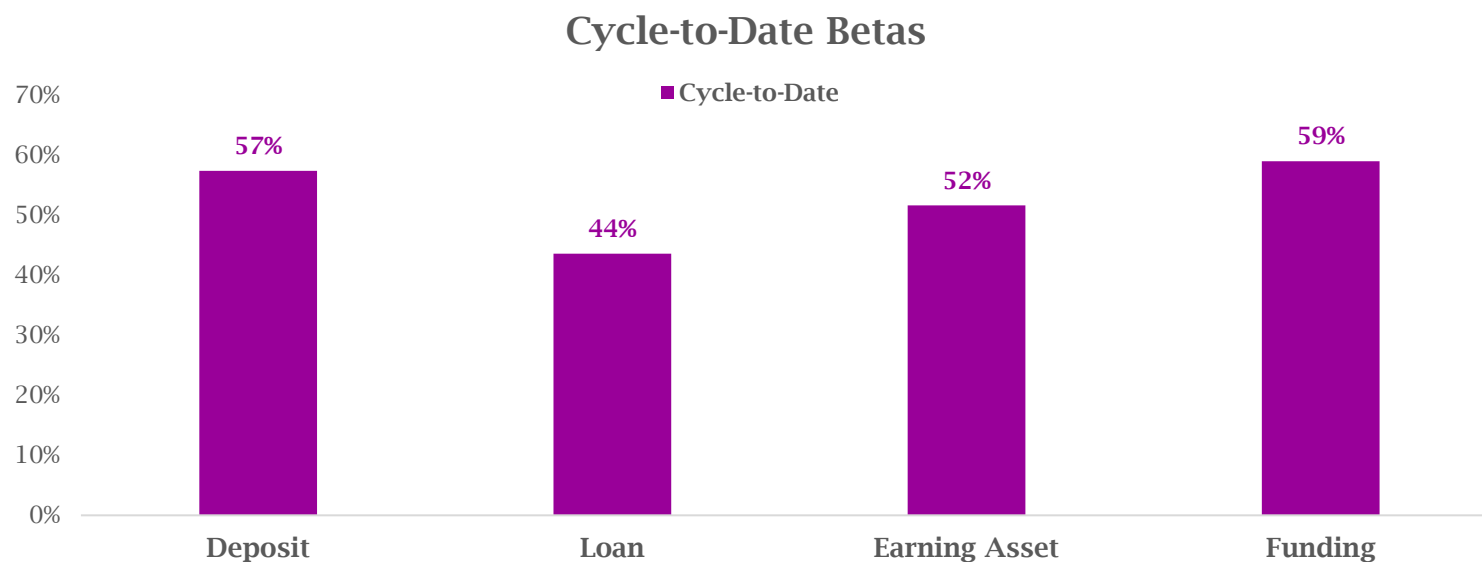
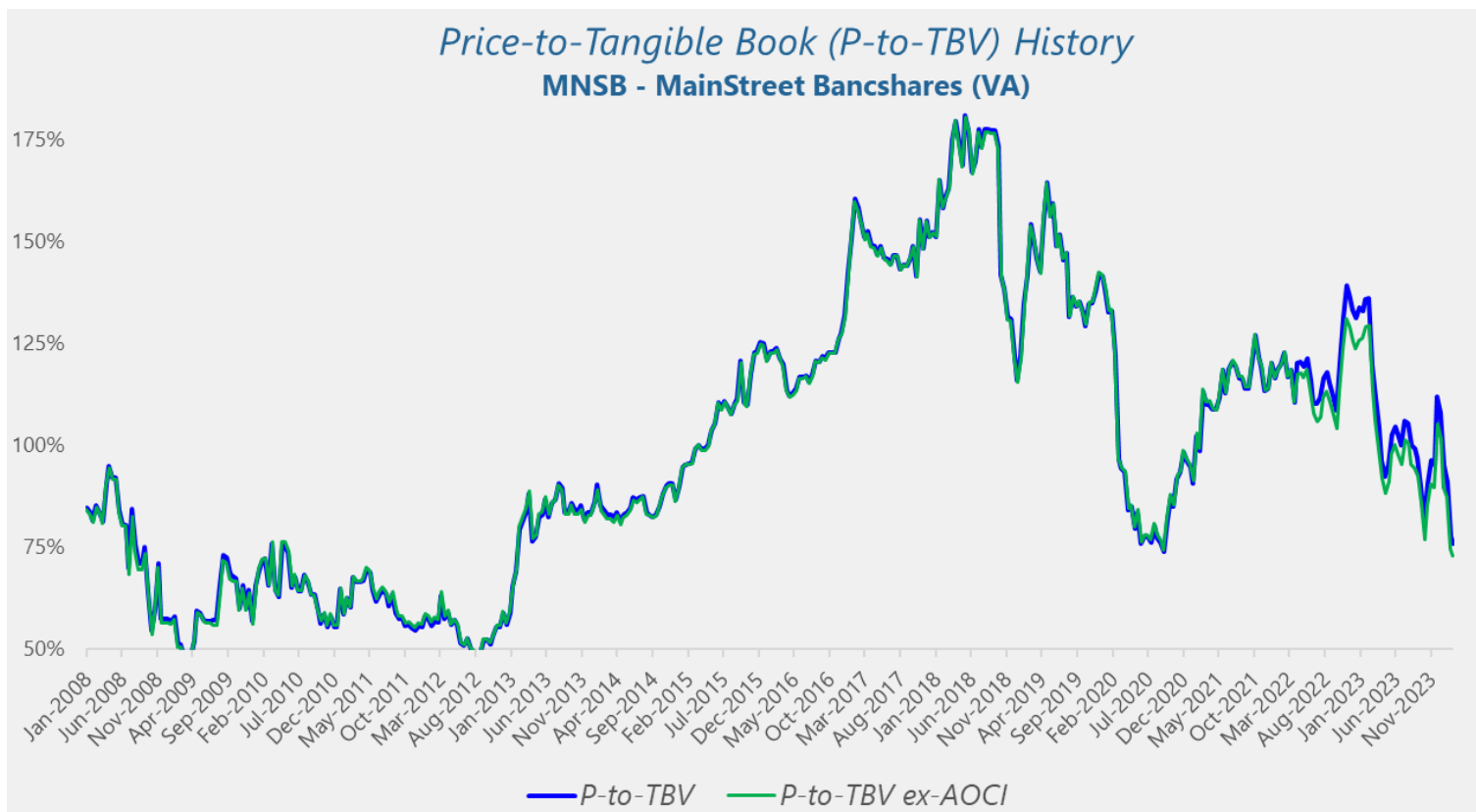
This advantage receives a 3x multiple for a minimum 3-year customer relationship tenure on Deposits less brokered funds.

All fair value marks are removed. A further credit mark is not needed given strong Reserves, capital, and PPNR to cover future losses when they occur.

Peer Valuations On MNSB Shares - Discount Price-to-TBV Ratio With Minor AOCI Per Share Impact

Co. Name	Ticker	Stock Price	Market Cap. (\$M)	Dividend Yield (%)	TBV ex-AOCI / share	P-to-TBV	P-to-TBV ex-AOCI	ROA: 2024 est.	P/E 2024
<u>Peer Table</u>									
MainStreet Bcsbs	MNSB	\$18.08	\$132	2.21	24.85	76%	73%	0.86	9.0x
Burke & Herbert Finl Svcs	BHRB	\$54.88	\$406	3.86	56.30	130%	97%	na	na
Blue Ridge Bankshares	BRBS	\$2.49	\$48	0.00	11.82	26%	21%	na	na
Carter Bankshares	CARE	\$13.60	\$312	0.00	18.41	89%	74%	0.93	7.4x
Colony Bankcorp	CBAN	\$11.10	\$195	4.05	14.66	97%	76%	0.74	8.5x
Capital Bancorp	CBNK	\$20.22	\$282	1.58	19.25	110%	105%	1.45	8.3x
CNB Financial	CCNE	\$20.02	\$416	3.50	24.67	89%	81%	0.77	9.1x
Freedom Finl Holdings	FDVA	\$10.61	\$77	na	13.08	100%	81%	na	na
Primis Financial	FRST	\$12.32	\$304	3.25	13.11	101%	94%	0.97	7.8x
FVCBankcorp	FVCB	\$11.57	\$206	na	13.13	98%	88%	0.79	11.9x
First National	FXNC	\$18.31	\$115	3.28	21.05	101%	87%	0.81	10.2x
HomeTrust Bancshares	HTBI	\$26.06	\$449	1.69	26.48	99%	98%	1.08	9.1x
National Bankshares	NKSH	\$31.38	\$185	4.97	33.86	137%	93%	0.70	16.1x
Southern First Bancshares	SFST	\$33.38	\$270	na	40.03	86%	83%	0.39	16.2x
Shore Bancshares	SHBI	\$11.31	\$375	4.24	12.29	94%	92%	0.81	7.8x

Source: Janney Research (FIG Group), S&P Capital IQ data with forward EPS estimates on MNSB



Source: Janney Research, S&P Capital IQ, Company Filings

Earnings Model

	2023 Quarterly							2024 Quarterly				2025 Quarterly			
	2023	2024E	2025E	1Q23	2Q23	3Q23	4Q23	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Income Data: (\$Mil.)															
Net Interest Income	\$75.95	\$69.01	\$73.99	\$21.09	\$19.27	\$18.58	\$17.01	\$16.58	\$17.06	\$17.58	\$17.79	\$17.69	\$18.32	\$18.85	\$19.13
Loan Loss Provision	\$1.64	\$2.64	\$3.43	\$0.28	\$0.64	\$0.26	\$0.47	\$0.48	\$0.66	\$0.70	\$0.81	\$0.69	\$0.83	\$0.93	\$0.97
Non-Interest Income	\$3.64	\$3.65	\$3.99	\$1.00	\$0.81	\$0.96	\$0.86	\$0.88	\$0.90	\$0.92	\$0.94	\$0.96	\$0.98	\$1.01	\$1.03
Gain/Loss on Loan Sales	\$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
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	\$45.12	\$48.02	\$51.99	\$11.70	\$10.85	\$11.43	\$11.14	\$11.53	\$11.99	\$12.17	\$12.34	\$12.68	\$12.90	\$13.10	\$13.30
Pre-Tax Income	\$32.82	\$22.00	\$22.56	\$10.11	\$8.59	\$7.86	\$6.27	\$5.45	\$5.32	\$5.64	\$5.58	\$5.28	\$5.56	\$5.83	\$5.89
Taxes (w/ FTE adj.)	\$6.24	\$4.21	\$4.33	\$1.96	\$1.65	\$1.52	\$1.12	\$1.04	\$1.02	\$1.08	\$1.07	\$1.01	\$1.07	\$1.12	\$1.13
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	\$26.58	\$17.79	\$18.23	\$8.15	\$6.95	\$6.34	\$5.15	\$4.42	\$4.30	\$4.56	\$4.51	\$4.26	\$4.49	\$4.71	\$4.76
Preferred Dividend	\$2.16	\$2.16	\$2.16	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54	\$0.54
Net Income Avail. Common	\$24.43	\$15.63	\$16.07	\$7.61	\$6.41	\$5.80	\$4.61	\$3.88	\$3.76	\$4.02	\$3.97	\$3.72	\$3.96	\$4.17	\$4.22
Avg. Shares O/S	7.5	7.5	7.3	7.5	7.5	7.5	7.5	7.5	7.5	7.4	7.4	7.4	7.3	7.3	7.2
Earnings Per Share (EPS)	\$3.25	\$2.10	\$2.20	\$1.01	\$0.85	\$0.77	\$0.61	\$0.52	\$0.50	\$0.54	\$0.54	\$0.51	\$0.54	\$0.57	\$0.58
Per Share Data:															
Reported Book Value	\$25.81	\$27.47	\$29.26	\$23.62	\$24.36	\$24.78	\$25.81	\$26.21	\$26.61	\$27.04	\$27.47	\$27.87	\$28.31	\$28.78	\$29.26
Tangible Book Value	\$23.86	\$25.48	\$27.22	\$22.22	\$22.73	\$23.00	\$23.86	\$24.26	\$24.64	\$25.06	\$25.48	\$25.87	\$26.30	\$26.76	\$27.22
Dividends	\$0.40	\$0.40	\$0.40	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10	\$0.10
Pre-Tax, Pre-Provision EPS	\$4.58	\$3.31	\$3.56	\$1.38	\$1.23	\$1.08	\$0.89	\$0.79	\$0.80	\$0.85	\$0.86	\$0.81	\$0.87	\$0.93	\$0.95
CORE GAAP EPS	\$3.25	\$2.10	\$2.20	\$1.01	\$0.85	\$0.77	\$0.61	\$0.52	\$0.50	\$0.54	\$0.54	\$0.51	\$0.54	\$0.57	\$0.58
KEY Ratios:															
Net Interest Margin	4.16%	3.41%	3.43%	4.68%	4.19%	4.28%	3.49%	3.40%	3.40%	3.41%	3.42%	3.41%	3.43%	3.44%	3.45%
CORE Return on Avg Assets	1.38%	0.86%	0.84%	1.75%	1.46%	1.30%	1.02%	0.88%	0.84%	0.87%	0.85%	0.81%	0.83%	0.85%	0.85%
Pre-Tax Pre-Provision ROA	1.78%	1.19%	1.19%	2.20%	1.93%	1.68%	1.35%	1.17%	1.16%	1.22%	1.22%	1.12%	1.18%	1.23%	1.24%
Efficiency Ratio	55.4%	66.1%	66.7%	48.4%	54.0%	58.5%	62.3%	66.0%	66.7%	65.7%	65.9%	68.0%	66.9%	66.0%	66.0%
Overhead Ratio	2.34%	2.32%	2.39%	2.48%	2.27%	2.37%	2.23%	2.27%	2.33%	2.33%	2.35%	2.38%	2.39%	2.39%	2.40%
TCE Ratio	8.9%	8.8%	8.8%	8.2%	8.8%	8.6%	8.9%	8.9%	8.8%	8.8%	8.8%	8.8%	8.8%	8.7%	8.8%
Period-End Balances: (\$Mil.)															
Earning Assets	\$1,921	\$2,046	\$2,182	\$1,946	\$1,834	\$1,898	\$1,921	\$1,958	\$1,993	\$2,025	\$2,046	\$2,083	\$2,121	\$2,156	\$2,182
Total Assets	\$2,035	\$2,141	\$2,254	\$2,055	\$1,949	\$2,021	\$2,035	\$2,066	\$2,096	\$2,123	\$2,141	\$2,172	\$2,203	\$2,232	\$2,254
Net Loans	\$1,705	\$1,822	\$1,945	\$1,617	\$1,637	\$1,681	\$1,705	\$1,739	\$1,772	\$1,802	\$1,822	\$1,857	\$1,890	\$1,921	\$1,945
Total Deposits	\$1,686	\$1,790	\$1,899	\$1,632	\$1,593	\$1,683	\$1,686	\$1,703	\$1,737	\$1,768	\$1,790	\$1,807	\$1,844	\$1,877	\$1,899
Intangibles	\$15	\$15	\$15	\$11	\$12	\$13	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15	\$15
Total Common Equity	\$194	\$202	\$211	\$178	\$183	\$186	\$194	\$196	\$198	\$200	\$202	\$204	\$206	\$209	\$211

Source: Janney Research (FIG Group), S&P Capital IQ

Projections for 2024

- Estimated run rate will increase 1.2% per month, which covers:
 - software amortization
 - non-interest expenses (including all salaries)
- Avenu generated low-cost deposits will reach \$225 million in 2024
- Avenu fee income will exceed \$2 million in 2024

Source: Janney Research (FIG Group), MNSB investor presentation in 1Q-2024

IMPORTANT DISCLOSURES

Valuation and Risks

MNSB

Our fair value estimate is derived by applying a multiple on both forward EPS and tangible book value (TBV) estimates in the next year. Janney coordinates fair value with the underlying deposit valuation via the relationship between funding costs, the fed funds rate, and tenure of customer relationships.

Bank stock prices are dependent on confidence in quarterly and annual tangible book value (TBV) growth coupled with consistent progress on core deposit relationships. Credit quality impacts TBV success in addition to managing interest rate risk, expenses, and a balanced revenue stream.

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.

Janney Montgomery Scott LLC ("Janney") Equity Research Disclosure Legend

Janney Montgomery Scott LLC currently acts as a market maker in the securities of MainStreet Bancshares, Inc..

Janney Montgomery Scott LLC expects to receive or intends to seek compensation for investment banking services from MainStreet Bancshares, Inc. in the next three months.

The research analyst is compensated based on, in part, Janney Montgomery Scott's profitability, which includes its investment banking revenues.

Definition of Ratings

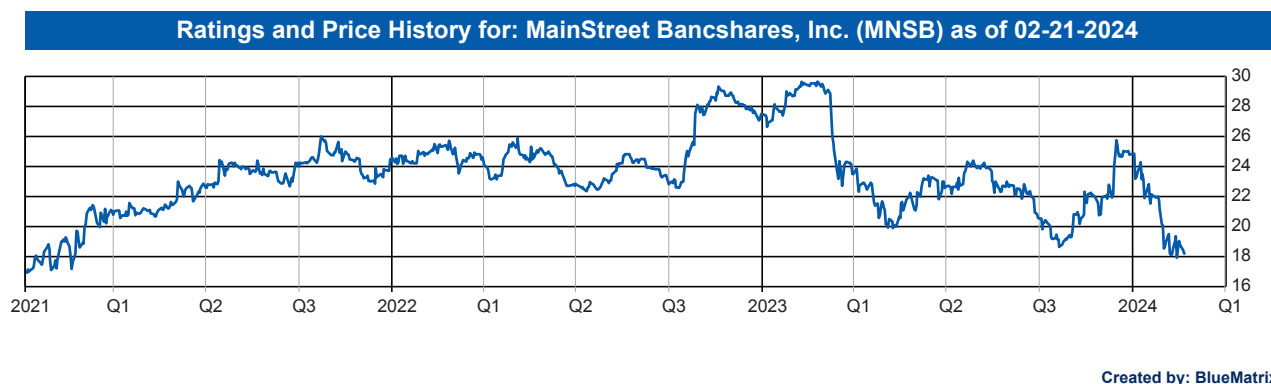
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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.

EXTENDED REVIEW: Janney's rating and/or fair value estimate have been temporarily suspended due to applicable regulations and/or Janney management discretion. Previously published research reports, including ratings, fair values, and estimates, should no longer be relied upon when making investment decisions.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 12-31-2023

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	143	56.52	19	13.29
NEUTRAL [N]	110	43.48	10	9.09
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	0	0.00	0	0.00

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

Other Disclosures

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