

Banks & Thrifts

Price:	\$18.63
Fair Value Estimate:	\$28.50
52-Week Range:	\$18.67 - \$30.98
Market Cap (MM):	\$136
Shr.O/S-Diluted (mm):	7.3
Average Daily Volume:	15,400
Dividend:	\$0.40
Yield:	2.1%
Tang Book Value:	\$23.44
Price/Tangible Book:	0.79x

FYE: Dec	2022A	2023E	2024E
EPS - non-GAAP Adjusted:	\$3.26A	\$3.35E	\$2.53E

Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.64A	\$1.01A	\$0.62E
Q2	\$0.71A	\$0.85A	\$0.62E
Q3	\$0.97A	\$0.77E	\$0.65E
Q4	\$0.95A	\$0.72E	\$0.64E
Year:	\$3.26A	\$3.35E	\$2.53E

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.



October 23, 2023

MainStreet Bancshares, Inc. (MNSB) - BUY

MNSB Reports 3Q23 EPS Meeting Expectations. TBV Rises Modestly, Liquidity Improves on LCR. Capital Remains Strong.

PORTFOLIO MANAGER BRIEF

- 3Q23 EPS: Reported \$0.77 / Core \$0.77 / Street \$0.78 / Janney \$0.77.
- MNSB met our EPS with variances vs our expectations including lower Provision (+\$0.06 /sh), better Fee Income (+\$0.01 /sh), better Expenses (+\$0.01 /sh), partially offset by lower Spread (-\$0.09 /sh).
- Core ROA was 1.19% in 3Q and Pre-Pre Earnings were \$8.1M, -12.1% LQ and -15.1% YR/YR, missing our \$8.8M estimate. PPNR ROA was 1.67%.
- NII-Net Interest Income -3.6% to \$18.6M as the NIM-Margin +7 bps to 4.28%. Deposit costs +29 bps to 2.94% (107% Deposit Beta), while Loan yield +7 bps to 7.09% (26% Loan Beta) and Earning Asset yield +6 bps to 6.76% (22% EA Beta). Cycle-to-date Betas: Deposit 47%, Funding na, Loan 44%, EA 52%.
- Average Loans +1% to \$1.7B and Average Deposits +1% to \$1.6B. DDAs were 24% of Avg Deposits, -1% LQ and DDAs missing YR/YR. Period-end Loans +3% to \$1.7B while Deposits +6% to \$1.7B for a 101% Loans-to-Deposits ratio in 3Q23 vs. 104% in 2Q23.
- Fee Income +18.9% to \$1.0M, or 5% of revenue. Expenses +5.3% to \$11.4M and the Efficiency Ratio was 58% in 3Q23 vs 54% in 2Q23 and 51% in 3Q22.
- Tangible Book Value (TBV) per share +1.2% LQ while the TCE Ratio -23 bps to 8.60%. CET-1 regulatory capital was 15.83%.
- Reserves (w/ UFC balances) -0.5% in dollar terms LQ to 1.01% of Loans in 3Q vs 1.04% in 2Q. Net Charge-Offs +8 bps to 0.08% of Avg Loans, while Criticized Loans are 1.6% of Loans up from 0.7% at 6/30; a single loan \$16M was added to special-mention status at 9/30.
- The company recently announced a positive client addition in its Avenu fintech business line with more additions expected in the near term which drive future low-cost Deposits.

ANALYST NOTES

MNSB trades at 72% of Tangible Book Value. Reiterate BUY rating and \$28.50 Fair Value. The company has a 2PM Eastern investor call today, and we will provide updated estimates after speaking with management.

MNSB 3Q Results vs. Estimates

3Q-2023 Results: Actual vs. Estimated

<u>Actual</u>	<u>Operating</u>	<u>Street (BB)</u>	<u>Janney</u>	<u>Comments</u>
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\$0.77	\$0.77	\$0.78	\$0.77	
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Core Pre-Tax Pre-Provision

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$8.1	\$8.6	\$8.8
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TBVPS-Tangible Book Value

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$23.00	\$23.20	\$22.97
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LOANS (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1,681	\$1,669	\$1,667
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NIM (Margin)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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4.28	4.12	4.12
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NII (Spread -\$M)*

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$18.6	\$19.1	\$19.5
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PROVISION (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$0.3	\$0.7	\$0.9
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NON-INTEREST INCOME (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1.0	\$1.0	\$0.8
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EXPENSES (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$11.4	\$11.8	\$11.5
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PRE-TAX (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$7.9	\$7.9	\$7.9
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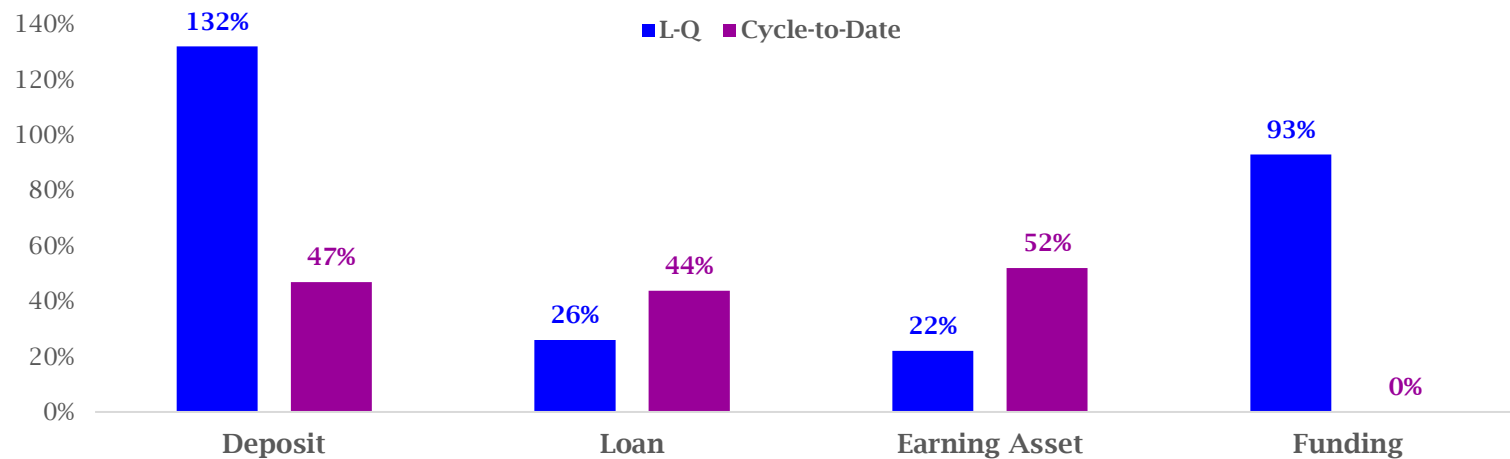
AVG. SHARES (M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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7.5	7.5	7.5
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Source: Janney Research (FIG Group), S&P Capital IQ Pro, Bloomberg L.P., Company Filings

Linked-Quarter & Cycle-to-Date Betas



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

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

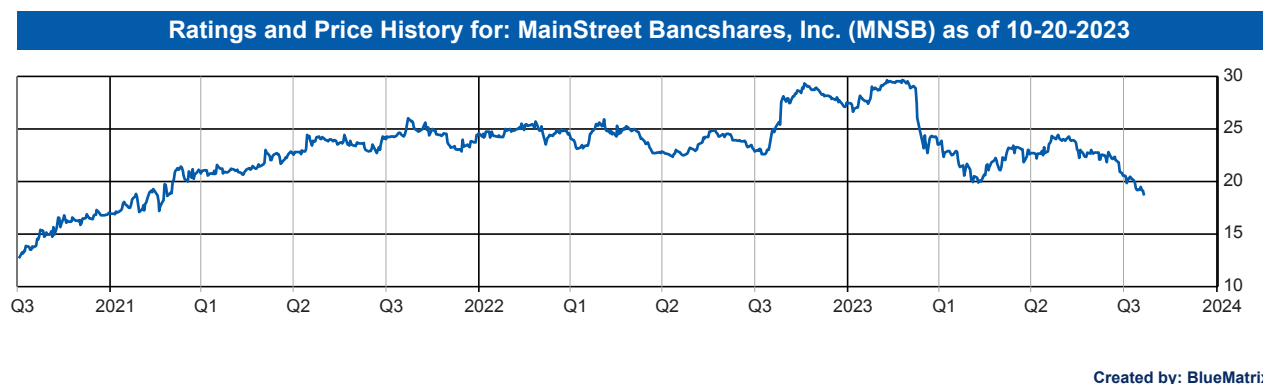
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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 9-30-2023

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	134	55.37	17	12.69
NEUTRAL [N]	108	44.63	9	8.33
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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