

Banks & Thrifts

Price:	\$23.39
Fair Value Estimate:	\$26.00
52-Week Range:	\$11.75 - \$24.80
Market Cap (MM):	\$172
Shr.O/S-Diluted (mm):	7.4
Average Daily Volume:	33,450
Dividend:	\$0.00
Yield:	0.0%
Tang Book Value:	\$20.18
Tang Comn Equity Ratio:	8.9%
Price/Tangible Book:	1.16x

FYE: Dec	2020A	2021E	2022E
EPS - non-GAAP	\$1.89A	\$2.24E	\$2.05E
Adjusted:			
Prior EPS - non-GAAP		NC	NC
Adjusted:			

Quarterly EPS - non-GAAP Adjusted:

Q1	\$0.42A	\$0.65A	\$0.51E
Q2	\$(0.08)A	\$0.87A	\$0.51E
Q3	\$0.63A	\$0.54E	\$0.52E
Q4	\$0.92A	\$0.50E	\$0.52E
Year:	\$1.89A	\$2.24E	\$2.05E



July 20, 2021

MainStreet Bancshares, Inc. (MNSB) - BUY

MNSB Beats Our Estimate On Provision, Better Revenues. Pre Pre ROA 11.57%, 5% TBV Growth.

PORTFOLIO MANAGER BRIEF

- 2Q21 EPS: Reported \$0.87 / Core \$0.87 / Street \$0.71 / Janney \$0.55.
- MNSB beat our EPS estimate by \$0.32 per share or 58.2%, primarily due to lower Provision (+\$0.25 /sh), better Spread (+\$0.04 /sh) and slightly better Non-Interest Income (+\$0.01 /sh).
- Pre-Tax Pre-Provision Earnings were \$6.7M, down -5.8% L-Q, but up 43% year-over-year, beating our 2Q estimate of \$6.1M. Pre-Pre ROA fell L-Q due to lower spread, but Expenses fell and Fees slightly increased. Efficiency progress continued.
- Tangible Book Value (TBV) per share advanced 4.8% L-Q while the TCE Ratio increased 59 bps to 8.9%. The CET-1 regulatory capital ratio was 15.40%.
- NII-Net Interest Income decreased -3.6% to \$13.0M as the NIM-Net Interest Margin declined -23bps to 3.18%. Average Loans declined -1.3%, while Average Deposits expanded 0.4%. MNSB had minor increases in Cash on balance sheet with small declines in Securities and Loans as a percentage of Total Assets L-Q.
- Fee Income grew 7.8% to \$1.6M, beating our estimate of \$1.4M. Non-Interest Expense was in-line and rose 0.8% L-Q.
- Reserves declined -16% in dollar terms at 6/30 vs 3/31 and stood at 0.97% of gross Loans HFI in 2Q versus 1.17% in 1Q ex-PPP. NPAs to Assets declined -1 bp LQ and stood at a very low 0.07%.
- MNSB retains \$525k in special COVID provision for hotel loans via an abundance of caution, despite month-on-month improvements in occupancy and room rates.

ANALYST NOTES

MNSB trades at 116% of Tangible Book Value and just 6.6x annualized PPNR per share from 2Q21. Reiterate BUY rating and \$26.00 Fair Value. MNSB does not host a public conference call. We will provide additional information after speaking with management.

MNSB 2Q Results vs. Estimates

2Q-2021 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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\$0.87	\$0.87	\$0.71	\$0.55	
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Core Pre-Tax Pre-Provision

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$6.7	na	\$6.1
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AVG. SHARES (M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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7.55	7.5	7.4
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NIM (Margin)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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3.18	na	3.23
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NII (Spread -\$M)*

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$13.0	na	\$12.6
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LOANS (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1,256	na	\$1,252
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PRE-TAX (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$8.8	\$6.4	\$5.8
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PROVISION (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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(\$2.1)	na	\$0.3
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EXPENSES (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$7.9	na	\$7.9
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NON-INTEREST INCOME (\$M)

<u>Actual</u>	<u>Street-BB</u>	<u>Janney Est</u>
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\$1.6	na	\$1.4
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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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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 intends to seek or expects to receive compensation for investment banking services from MainStreet Bancshares, Inc. in the next three months.

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

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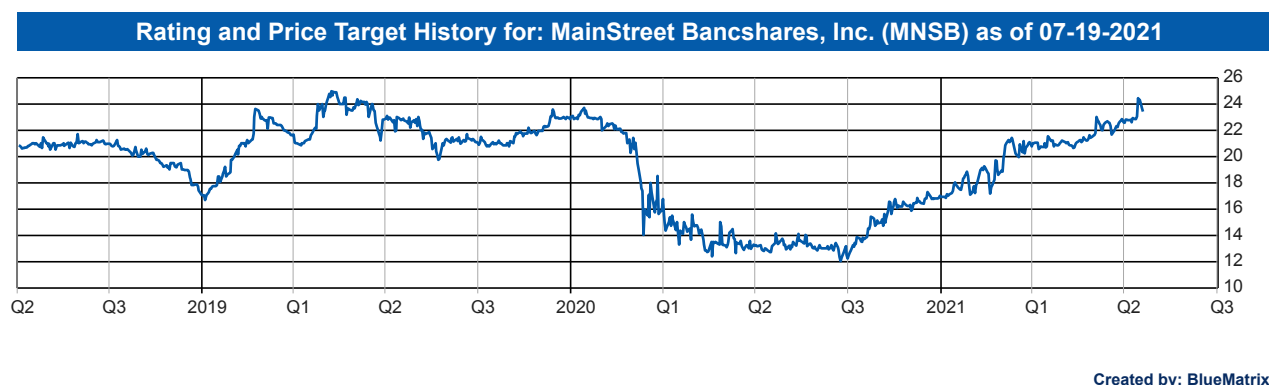
Definition of Ratings

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 06/30/2021

IB Serv./Past 12 Mos.*				
Rating	Count	Percent	Count	Percent

BUY [B]	124	47.51	26	20.99
NEUTRAL [N]	103	39.46	3	2.91
SELL [S]	0	0.00	0	0.00
EXTENDED REVIEW [EXTRE]	34	13.03	8	23.53

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

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