

Banks & Thrifts

Price:	\$17.70
Fair Value Estimate:	\$24.00
52-Week Range:	\$17.50 - \$25.97
Market Cap (MM):	\$129
Shr.O/S-Diluted (mm):	7.3
Average Daily Volume:	18,460
Dividend:	\$0.40
Yield:	2.3%
Tang Book Value:	\$24.61
Price/Tangible Book:	0.72x

FYE: Dec	2023A	2024E	2025E
EPS - non-GAAP	\$3.25A	\$2.10E	\$2.20E
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.

March 27, 2024

MainStreet Bancshares, Inc. (MNSB) - BUY

MNSB in VA: Buybacks Supported in Our EPS Model and Credit Update Via 10-K. Stock Remains at a Discount Valuation.

PORTFOLIO MANAGER BRIEF

- MNSB recently disclosed via SEC 8-K that it has repurchased about 23K shares within its authorized amount.
- This matches our EPS model with over 100k shares in buybacks in each of 2024 and 2025.
- No change to our EPS estimates and we are pleased to see the ongoing activity in reduced share count given MNSB shares trade near 70% of tangible book value (TBV) and TBV should expand this quarter. Note, the company has limited Securities so negative mark-to-market on unrealized losses in AOCI have only a small TBV impact.
- The company's recent 10-K filing shows overall Non-Pass rated loans at 5.7% of the portfolio, up from 5.0% at 9-30-23. Keep in mind that MNSB includes Watch-rated loans in its Non-Pass category as well as Special Mention-rated Loans.
- Under regulatory guidelines, a Watch credit rating is not a Criticized loan. The company is providing additional disclosure. Watch-rated Loans are 3.4% of the portfolio, so actual Criticized Loans are 2.3% up from 1.6% at 9/30 on the same basis excluding all Watch-rated credits.
- The company continues to have strong PPNR to address future credit reserve building and net charge-offs when needed. Current Reserves near 1.00% of Loans cover 41% of Criticized Loans. PPNR less all dividend payments over the next 36 months equals 3.5% of Total Loans at 12-31-23. This defines additional credit loss capacity from retained earnings at MNSB before utilizing the company's strong 8.9% tangible capital.
- Reiterate our BUY rating on MNSB shares.



MNSB Asset Quality

MNSB's Non-Pass rated Loans include Watch and Special Mention

Dec-31-2023	PASS	NON-PASS	TOTAL	PASS	NON-PASS
Single-Family Residential	201,242	2,175	203,417	98.9%	1.1%
Multifamily CRE	271,040	0	271,040	100.0%	0.0%
Farmland	145	0	145	100.0%	0.0%
Owner-Occupied CRE	279,690	2,362	282,052	99.2%	0.8%
Non Owner-Occupied CRE	405,027	56,748	461,775	87.7%	12.3%
Construction	396,304	33,333	429,637	92.2%	7.8%
Commercial & Industrial C&I	71,107	4,308	75,415	94.3%	5.7%
Consumer Secured	271	0	271	100.0%	0.0%
Consume Unsecured	<u>3,339</u>	<u>0</u>	<u>3,339</u>	<u>100.0%</u>	<u>0.0%</u>
TOTAL LOANS	1,628,165	98,926	1,727,091	94.3%	5.7%

Source: Janney Research (FIG Group), SEC 10-K filing 12-31-23

MNSB has slightly more Criticized loans in the new 10-K filing for 12-31-23.

Janney Research Rating: "BUY"

Fair Value: \$24.00

Technically, Main Street's Non-Pass rated loans include "watch" Loans which are not considered Criticized by regulators. This means the 5.7% Non-Pass ratio at 12/31 is actually 2.3% excluding the 3.4% in specific Watch rated credits (the comparable figure is 1.6% at 9/30).

Nearly all Criticized Loans are paying as agreed with limited past due or nonperforming balances.

	2024	Multiple	Price
GAAP EPS	\$2.10	11.2x	\$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:			36%
Alternative			
2025 EPS	\$2.20	11.1x	\$24.46
Cash Dividends	\$0.40	1.0x	\$0.40
Excess TCE	\$2.37	0.0x	<u>\$0.00</u>
			\$24.86
Tangible Book 12/25	\$27.22	0.91x	\$24.00

Source: Janney Research (FIG Group) & Forward Estimates

Deposit Pricing Outlook

	Today	Dec-24	Dec-25
Market-Cap.	133.2	173.9	179.2
TCE in \$\$	179.6	187.7	196.2
Residual Premium	(46.4)	(13.9)	(17.1)
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

VALUATION: MNSB Trades at a Discount to Many Peer Community Banks In Virginia and Southeastern States

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	\$17.70	\$129	2.26	24.85	74%	71%	0.78	8.6x
Burke & Herbert Finl Svcs	BHRB	\$52.31	\$389	4.05	56.30	123%	93%	na	na
Blue Ridge Bankshares	BRBS	\$2.65	\$51	0.00	11.82	28%	22%	na	na
Carter Bankshares	CARE	\$12.28	\$283	0.00	18.41	80%	67%	0.93	6.7x
Colony Bankcorp	CBAN	\$10.90	\$191	4.13	14.66	95%	74%	0.74	8.3x
Capital Bancorp	CBNK	\$20.00	\$278	1.60	19.25	109%	104%	1.45	8.3x
CNB Financial	CCNE	\$19.82	\$414	3.53	24.67	88%	80%	0.77	9.0x
Freedom Finl Holdings	FDVA	\$9.85	\$71	na	13.08	93%	75%	na	na
Primis Financial	FRST	\$11.82	\$292	3.38	13.11	97%	90%	0.97	7.5x
FVCBankcorp	FVCB	\$12.05	\$215	na	13.13	102%	92%	0.79	12.4x
First National	FXNC	\$16.33	\$102	3.67	21.05	90%	78%	0.81	9.1x
HomeTrust Bancshares	HTBI	\$25.69	\$445	1.71	26.48	97%	97%	1.08	9.0x
National Bankshares	NKSH	\$33.00	\$194	4.73	33.86	144%	97%	0.70	16.9x
Southern First Bancshares	SFST	\$29.80	\$243	na	40.03	77%	74%	0.39	14.5x
Shore Bancshares	SHBI	\$11.10	\$369	4.32	12.29	92%	90%	0.81	7.6x

Other Peer Bank Stocks:

United Bankshares	UBSI	\$33.86	\$4,558	4.37	23.19	159%	146%	1.20	12.8x
Sandy Spring Bancorp	SASR	\$21.79	\$979	6.24	28.81	82%	76%	0.66	10.6x
Eagle Bancorp	EGBN	\$22.10	\$661	8.14	44.51	57%	50%	0.60	9.3x

Source: Janney Research (FIG Group), S&P Capital IQ and Bloomberg Street consensus, SEC 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

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

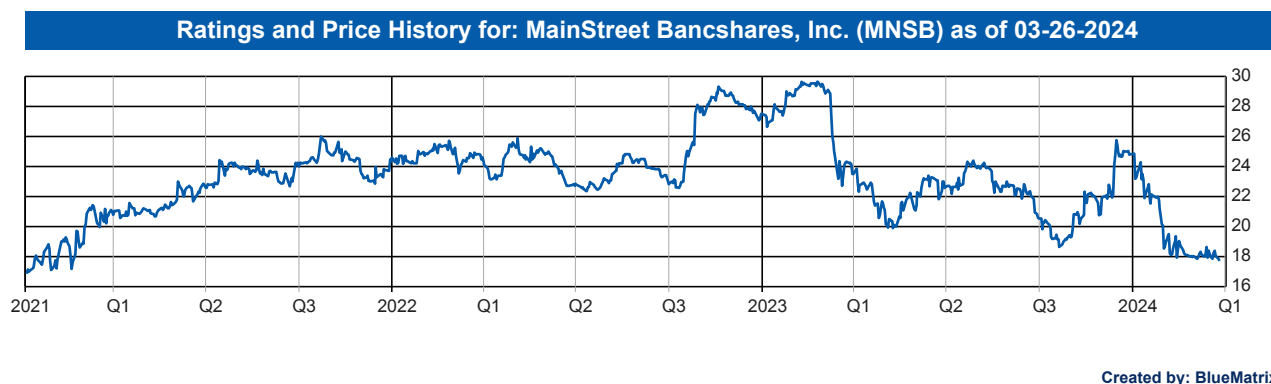
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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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