

Banks & Thrifts

Price:	\$15.60
Fair Value Estimate:	\$19.00
52-Week Range:	\$10.75 - \$18.00
Market Cap (MM):	\$200
Shr.O/S-Diluted (mm):	12.8
Average Daily Volume:	11,310
Dividend:	\$0.00
Yield:	0.0%
Tang Book Value:	\$0.00

FYE: Dec	2023E	2024E	2025E
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Quarterly EPS - GAAP:

Q1	\$0.26A	\$0.28E	\$0.38E
Q2	\$0.18A	\$0.28E	\$0.38E
Q3	\$0.14A	\$0.34E	\$0.39E
Q4	\$0.27E	\$0.37E	\$0.42E
Year:	\$0.85E	\$1.26E	\$1.57E

GBank Financial Holdings is the holding company for GBank, a two-branch commercial and consumer banking institution in Nevada. The company was founded as Bank of George in 2007. GBank offers traditional lending and deposit products with a focus on government guaranteed lending programs and banking services to commercial entities and high net worth individuals. GBank operates a Gaming FinTech division using a technology for cashless, mobile commerce solutions to the gaming, lottery, and sports betting ecosystems.



May 3, 2024

GBank Financial Holdings Inc. (GBFH) - BUY

GBFH: 1Q24 EPS Tops Estimates. Balance Sheet Growth of +20% and NIM Expansion Remain on Track. Reiterate BUY Rating.

PORTFOLIO MANAGER BRIEF

Reiterating BUY Rating and Fair Value Estimate of \$19.00 on Expectations That Balance Sheet Growth of +20% and NIM Expansion Can Result in Strong Forward Earnings Growth.

Maintaining Forward EPS Estimates of \$0.28 for 2Q24, \$1.26 for 2024, and \$1.57 for 2025.

Fair Value Estimate Equivalent to 14.0x Forward Four Quarter EPS Estimate (\$1.36) and 211% Forward Tangible Book Value Forecast (\$9.02).

1Q24 EPS Results Were: Reported = \$0.28 / Core = \$0.30 / Janney = \$0.26 / Consensus = NA.

Results Reflected Sequential Improvements in Spread Income, a Beat on Non-Interest Income, and Lower-than-Expected Non-Interest Expenses. Core EPS Excluded ~ \$430,000 in Merger and Severance-Related Expenses.

ANALYST NOTES

Our thesis on GBFH remains intact: The combination of balance sheet growth of +20% annualized and NIM-Net Interest Margin expansion to +5.00% in 2H24 could generate outsized relative profitability of +1.60% ROAA and +15% ROTCE. Results from 1Q24 were slightly better than expected due to better gains from loan sales, which we believe could repeat in future quarters. Margin was lower than we anticipated as management brought on more deposits than expected (loan growth was also ~40% better than expected). Margin expansion in future quarters is likely to be driven by a widening spread between loan yields and deposit costs, in addition to repricing of \$35 million in investment securities in 2Q24 (including \$15 million in April) that currently yield 225 bps. We have adjusted our estimates for a delayed closing date on the acquisition of BankCard Services, a partner in Gaming FinTech. The company indicated that a closing date in 2Q24 is unlikely, and we are now estimating a closing date in 4Q24. The largest component of that estimate change is moving the compensation for the merger of ~700,000 shares to near year-end 2024.

Review of 1Q24 Results: GBFH reported 1Q24 EPS of \$0.28, topping our estimate of \$0.26. Earnings reflected sequential improvement in spread income, a beat on non-interest income, and lower-than-expected non-interest expenses. We estimated Core EPS of \$0.30 after excluding \$230,000 in merger expenses and \$230,000 in severance costs. We estimated Core Pre-Tax, Pre-Provision EPS of \$0.35 and Pre-Pre ROAA of 2.07%, compared to \$0.38 and 2.39% the previous quarter. Tangible book value increased 3.6%

sequentially to \$8.00, and TCE-Tangible Common Equity ended the quarter at 10.65% of tangible assets.

Spread Income and Margin: NII-Net Interest Income increased 4.3% sequentially to \$10.8 million, and NIM-Net Interest Margin compressed 31 bps to 4.85%. Gross loans increased \$93.9 million, or 13.7% sequentially, to \$776.7 million, with notable growth in SBA loans held for investment (up \$100.4 million), CRE-Commercial Real Estate loans (up \$31.4 million), and commercial loans (up \$8.3 million). Average loans were \$727.8 million, or 81.3% of average earning assets, up from 77.2% the previous quarter. Loan yields compressed 22 bps to 8.43%, and earning asset yields compressed 6 bps to 7.77%.

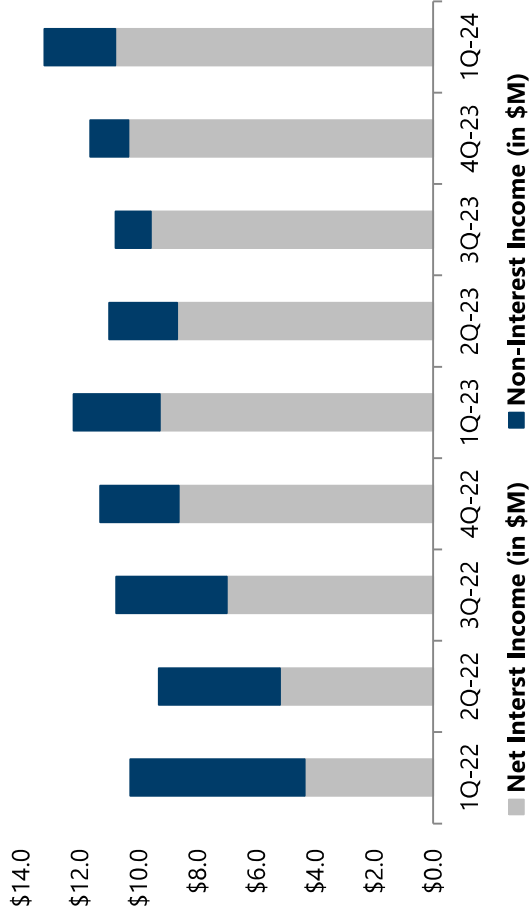
Funding Sources and Costs: Total deposits increased \$61.2 million, or 8.2% sequentially, to \$806.9 million. Non-interest-bearing deposits declined 0.3% to \$216.3 million, or 26.8% of total deposits, and non-CD deposits increased 1.8% sequentially to \$479.6 million, or 59.4% of total deposits. Average borrowings and debt were \$33.6 million, or 5.7% of average interest-bearing liabilities, up from 10.1% the previous quarter. Cost of total deposits expanded 42 bps to 3.17%, and cost of total funds expanded 33 bps to 3.23%.

Credit Quality: GBFH did not book a provision in the quarter, compared to a provision of \$458,000 the previous quarter. NCO-Net Charge-Offs were zero for the second consecutive quarter. NPA-Non-Performing Assets, excluding government guaranteed loan balances, were \$1.5 million, or 0.19% of Loans+OREO, compared to \$700,000, or 0.10%, the previous quarter. Reserves ended the quarter at \$7.1 million, or 1.37% of non-government guaranteed loans.

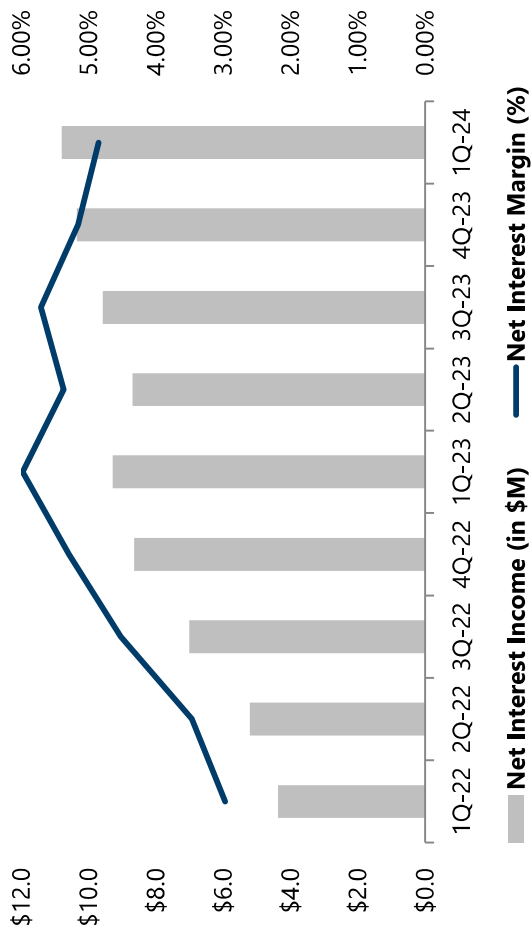
Non-Interest Items and Efficiency Ratio: Core non-interest income increased 168.3% sequentially to \$322,000, or 0.14% of average assets, compared to the trailing four quarter average of 0.21%. The increase was from higher loan servicing income (up \$147,000) and miscellaneous fees (up \$55,000). The company also booked gains on sale of SBA loans of \$2.1 million, compared to \$1.2 million the previous quarter. Core non-interest expenses increased 19.4% sequentially to \$7.9 million, or 3.40% of average assets, down from the trailing average of 3.92%. The increase was driven by compensation costs (up \$661,000) and miscellaneous expenses (up \$552,000). GBFH also booked merger-related expenses of \$230,000 and severance costs of \$200,000. We estimated the company's efficiency ratio was 60.2%, compared to 57.1% the previous quarter.

Charts on this page show important performance data for GBFH over the last two (2) years

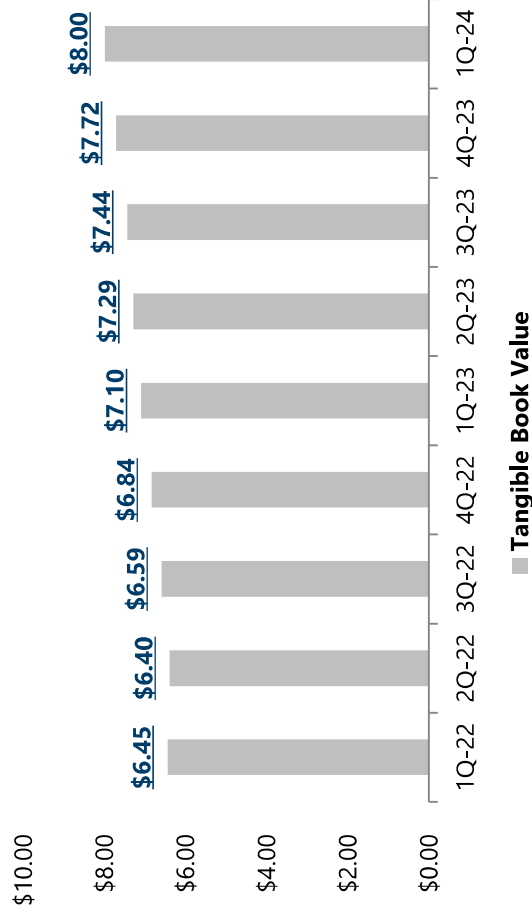
Operating Revenue Trends



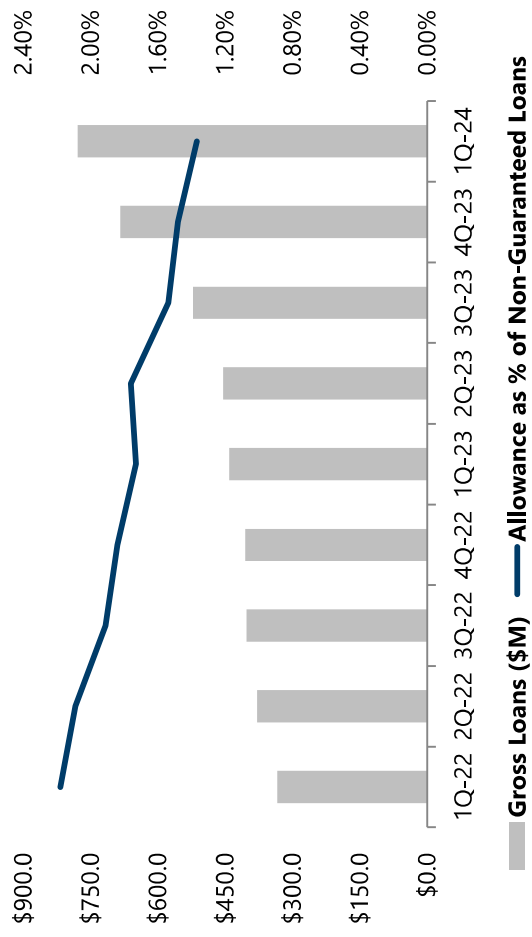
Spread Income Trends



Tangible Book Value Growth Since 1Q22



Allowance Trends



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

GBank Financial Holdings Inc. (GBFH) - Fair Value Analysis

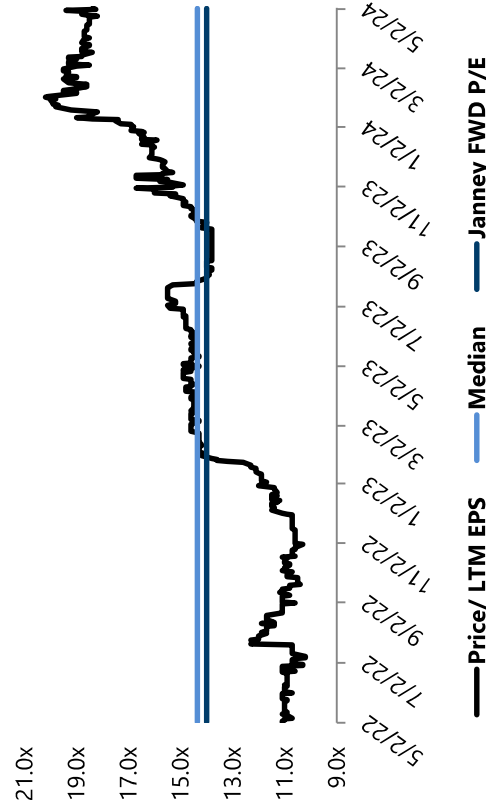
	2Q 2024	3Q 2024	4Q 2024	1Q 2025	1-Year Fwd Value	Terminal Multiple	1-Year Fair Value
Earnings per Share	\$0.28	\$0.34	\$0.37	\$0.38	\$1.36	14.0x	\$19.00
Pre-Pre EPS	\$0.44	\$0.54	\$0.60	\$0.61	\$2.19	8.7x	\$19.00
Core EPS	\$0.28	\$0.34	\$0.37	\$0.38	\$1.36	14.0x	\$19.00
Tangible Book				\$9.02	\$9.02	211%	\$19.00

Source: Research by Janney (FIG Group)

The charts below show GBFH's stock price relative to Trailing 12 Month EPS and tangible book value over the last 2 years.

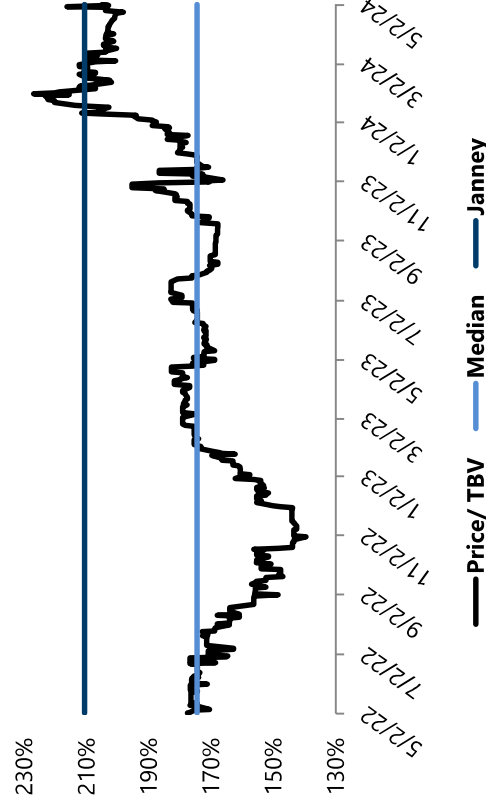
The horizontal lines show the two-year medians (light blue line) and Janney estimated forward multiples (blue).

GBFH: Price to LTM EPS



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

GBFH: Price to Tangible Book Value



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

Key Risks

Risks to our Rating, Fair Value Estimate, and EPS Estimates include:

- Meaningful disruptions to government guaranteed loan programs, such as an extended government shutdown or changes in guarantee provisions;
- Material weakness in credit quality of service-light hotel and motel industry;
- Substantial competition that erodes potential market share gains for BankCard Services;
- Changes to domestic economic conditions could negatively impact US real estate values;
- Significant changes in interest rates that could disrupt business operations.

GBank Financial Holdings Inc. (GBFH)

Earnings Model

Updated on 5/3/2024

	Annual			2023 Quarterly			2024 Quarterly			2025 Quarterly					
	2023A	2024E	2025E	1Q23A	2Q23A	3Q23A	4Q23A	1Q24A	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Income Data: (\$ in Millions)															
Net Interest Income (FTE)	\$37.9	\$48.9	\$62.7	\$9.3	\$8.7	\$9.6	\$10.4	\$10.8	\$11.6	\$12.7	\$13.9	\$14.3	\$15.2	\$16.1	\$17.1
Loan Loss Provision	\$1.1	\$4.2	\$9.0	\$0.0	\$0.4	\$0.2	\$0.5	\$0.0	\$1.1	\$1.4	\$1.7	\$1.7	\$2.3	\$2.4	\$2.6
Non-Interest Income	\$2.2	\$2.7	\$4.0	\$0.9	\$0.7	\$0.4	\$0.1	\$0.3	\$0.6	\$0.9	\$0.9	\$0.9	\$1.0	\$1.0	\$1.1
Gain/Loss on Loan Sales	\$5.6	\$8.3	\$8.8	\$2.0	\$1.6	\$0.8	\$1.2	\$2.1	\$2.0	\$2.1	\$2.1	\$2.2	\$2.2	\$2.2	\$2.2
Gain/Loss on Securities	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
One-Time Items	(\$0.2)	(\$0.4)	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.2)	(\$0.4)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$30.8	\$32.5	\$36.3	\$8.3	\$7.6	\$8.2	\$6.7	\$7.9	\$8.1	\$8.2	\$8.3	\$8.6	\$8.8	\$9.2	\$9.7
Pre-Tax Income	\$13.6	\$22.8	\$30.1	\$3.9	\$3.0	\$2.3	\$4.3	\$4.8	\$5.0	\$6.0	\$6.9	\$7.2	\$7.2	\$7.6	\$8.1
Taxes (w/ FTE adj.)	\$2.6	\$5.3	\$7.4	\$0.6	\$0.7	\$0.5	\$0.8	\$1.1	\$1.2	\$1.4	\$1.6	\$1.7	\$1.7	\$1.9	\$2.0
Extraordinary Items	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income	\$11.0	\$17.5	\$22.7	\$3.3	\$2.3	\$1.8	\$3.5	\$3.7	\$3.8	\$4.6	\$5.3	\$5.4	\$5.5	\$5.7	\$6.0
Preferred Dividend	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Net Income Avail. To Common	\$11.0	\$17.5	\$22.7	\$3.3	\$2.3	\$1.8	\$3.5	\$3.7	\$3.8	\$4.6	\$5.3	\$5.4	\$5.5	\$5.7	\$6.0
Avg. Shares O/S	13.2	13.9	14.5	13.4	13.4	12.9	13.1	13.7	13.7	13.7	14.5	14.5	14.5	14.5	14.5
Earnings Per Share (EPS)	\$0.85	\$1.26	\$1.57	\$0.26	\$0.18	\$0.14	\$0.27	\$0.28	\$0.28	\$0.34	\$0.37	\$0.38	\$0.38	\$0.39	\$0.42
Per Share Data:															
Reported Book Value	\$7.72	\$9.21	\$10.86	\$7.10	\$7.29	\$7.44	\$7.72	\$8.00	\$8.95	\$9.31	\$9.21	\$9.61	\$10.00	\$10.42	\$10.86
Tangible Book Value	\$7.72	\$8.62	\$10.28	\$7.10	\$7.29	\$7.44	\$7.72	\$8.00	\$8.95	\$9.31	\$8.62	\$9.02	\$9.42	\$9.84	\$10.28
Dividends	\$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
Pre-Tax, Pre-Provision EPS	\$1.13	\$1.97	\$2.69	\$0.29	\$0.26	\$0.20	\$0.38	\$0.38	\$0.44	\$0.54	\$0.60	\$0.61	\$0.66	\$0.69	\$0.73
CORE GAAP EPS	\$0.85	\$1.28	\$1.57	\$0.25	\$0.17	\$0.14	\$0.28	\$0.30	\$0.28	\$0.34	\$0.37	\$0.38	\$0.38	\$0.39	\$0.42
KEY Ratios:															
Net Interest Margin	5.56%	5.02%	5.29%	5.98%	5.37%	5.71%	5.16%	4.85%	4.94%	5.08%	5.23%	5.23%	5.27%	5.32%	5.34%
Return on Avg Assets	1.31%	1.62%	1.73%	1.99%	1.34%	1.04%	1.69%	1.60%	1.55%	1.79%	1.97%	1.92%	1.85%	1.83%	1.84%
Return on Avg Equity	11.35%	14.32%	15.72%	15.00%	10.02%	7.74%	14.62%	14.72%	14.02%	15.74%	17.47%	17.06%	16.54%	16.54%	16.73%
Pre-Tax Pre-Provision ROA	1.78%	2.54%	2.97%	2.34%	2.00%	1.46%	2.39%	2.25%	2.48%	2.89%	3.20%	3.10%	3.20%	3.22%	3.24%
Return on Tang. Comm. Equity	11.14%	14.97%	16.26%	14.71%	9.92%	7.69%	14.34%	14.55%	13.27%	15.44%	18.27%	17.79%	17.21%	17.16%	17.31%
Efficiency Ratio	67.38%	54.21%	47.95%	68.02%	68.84%	76.26%	57.13%	60.15%	57.08%	52.43%	48.80%	49.14%	47.73%	47.58%	47.46%
TCE/TA	10.73%	10.55%	10.37%	13.16%	13.52%	12.97%	10.73%	10.65%	11.36%	11.25%	10.55%	10.52%	10.47%	10.42%	10.37%
Period-End Balances: (\$ in Millions)															
Total Assets	\$917	\$1,115	\$1,356	\$685	\$685	\$729	\$917	\$964	\$1,012	\$1,062	\$1,115	\$1,171	\$1,230	\$1,291	\$1,356
Net Loans	\$677	\$944	\$1,183	\$434	\$447	\$515	\$677	\$771	\$820	\$880	\$944	\$987	\$1,049	\$1,114	\$1,183
Total Deposits	\$746	\$974	\$1,179	\$557	\$552	\$594	\$746	\$807	\$847	\$917	\$974	\$1,014	\$1,066	\$1,120	\$1,179
Intangibles	\$0	\$8	\$8	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$8	\$8	\$8	\$8	\$8
Total Common Equity	\$98	\$125	\$148	\$90	\$93	\$95	\$98	\$103	\$115	\$120	\$125	\$130	\$136	\$142	\$148

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

IMPORTANT DISCLOSURES

Valuation and Risks

GBFH

Valuation methodology focuses on weightings related to Discounted Cash Flow, Valuation Comparable to Peers, and Value on Acquisition.

Risks to GBFH's forward EPS and FVE include meaningful disruptions to government guaranteed loan programs, such as extended government shutdown or changes in guarantee provisions; material weakness in credit quality of service-light hotel and motel industry; substantial competition that erodes potential market share gains for BankCard Services; changes to domestic economy conditions could negatively impact U.S. real estate values; and significant changes in interest rates that could disrupt business operations.

Research Analyst Certification

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GBank Financial Holdings Inc. currently is, or during the past 12 months was, a Janney Montgomery Scott LLC client. Janney Montgomery Scott LLC provided investment banking related services.

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Janney Montgomery Scott LLC received compensation for investment banking services from GBank Financial Holdings Inc. in the past 12 months.

Janney Montgomery Scott LLC expects to receive or intends to seek compensation for investment banking services from GBank Financial Holdings 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

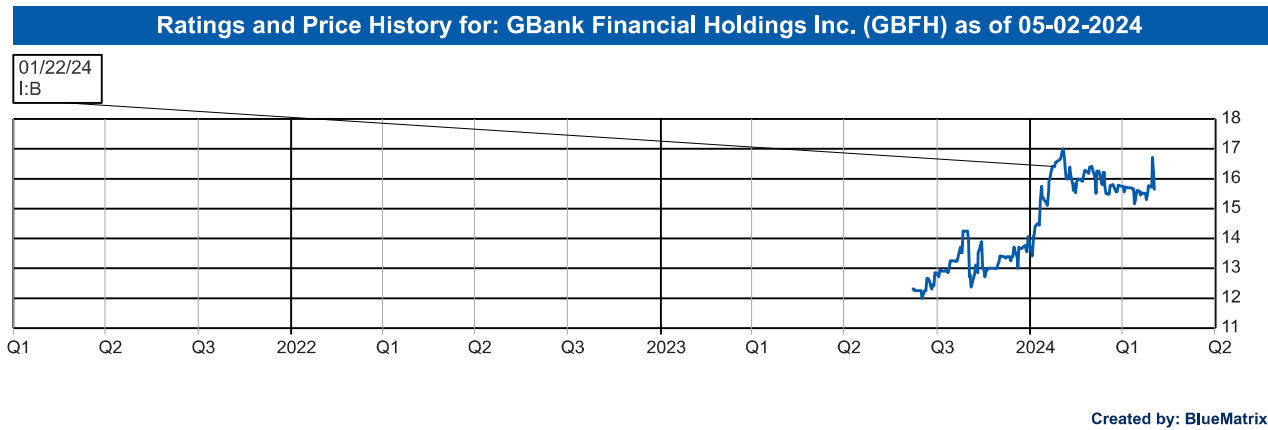
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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 3-31-2024

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
BUY [B]	143	55.86	22	15.38
NEUTRAL [N]	112	43.75	12	10.71
SELL [S]	1	0.39	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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