

Banks & Thrifts

Price:	\$16.12
Fair Value Estimate:	\$19.00
52-Week Range:	\$10.75 - \$18.00
Market Cap (MM):	\$206
Shr.O/S-Diluted (mm):	12.8
Average Daily Volume:	15,340
Dividend:	\$0.00
Yield:	0.0%
Tang Book Value:	\$7.72
Price/Tangible Book:	2.09x

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

	2023E	2024E	2025E
Q1	\$0.26A	\$0.26E	\$0.38E
Q2	\$0.18A	\$0.28E	\$0.39E
Q3	\$0.14A	\$0.35E	\$0.40E
Q4	\$0.27E	\$0.38E	\$0.40E
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.



February 12, 2024

GBank Financial Holdings Inc. (GBFH) - BUY

GBFH: Increasing EPS, Fair Value Estimates on Expected Increase in Gain on Sale Revenues in 2024, 2025. Reiterate BUY Rating.

PORTFOLIO MANAGER BRIEF

Reiterating BUY Rating and Increasing Fair Value Estimate to \$19.00 (from \$18.00) on Expectations for Better Earnings Growth on Increase in Gain on Sale Revenues from SBA Loan Originations.

Acquisition of FinTech Partner BankCard Services for \$10 Million in Stock Remains on Track to Close in Mid-2024.

Increasing EPS Estimates to \$0.26 (+\$0.02) for 1Q24, \$1.26 (+\$0.16) for 2024, and \$1.57 (+\$0.22) for 2025.

New Fair Value Estimate Equivalent to 15.1x Forward Four Quarter EPS Estimate (\$1.26) and 220% Forward Tangible Book Value Forecast (\$8.62).

ANALYST NOTES

We are increasing our EPS estimates on expectations for a restart of the origination for sale business that had been de-emphasized in 3Q23. GBFH made a pivot in that quarter to originate SBA loans for held for investment purposes. The company now intends to originate ~\$50 million in SBA loans for sale per quarter. We estimate currently low premiums on loans sold could persist until interest rates start to decline later this year and forecast improving gain on sale revenues in 2H24. Improving revenues could also correspond with higher provision expenses as GBFH rolls out a new credit card product. We expect that management is likely to estimate conservative loss trends when provisioning. The company's efforts to increase fixed-rate loans on balance sheet should steady loan yields as funding costs potentially decline with lower interest rates. As a result, we forecast near-term margin compression with a 4Q24 run-rate for margin that could exceed the 5.16% reported in 4Q23.

Review of 4Q23 Results: GBFH reported 4Q23 EPS of \$0.27, topping our estimate of \$0.22. Earnings reflected relatively in-line operating revenues and a beat on non-interest expenses. We estimated Core Pre-Tax, Pre-Provision EPS of \$0.36 and Pre-Pre ROAA of 2.28%, compared to \$0.20 and 1.44% the previous quarter. Tangible book value increased 3.8% sequentially to \$7.72 and TCE-Tangible Common Equity ended the quarter at 10.73% of tangible assets.

Spread Income and Margin: NII-Net Interest Income increased 8.5% sequentially to \$10.4 million and NIM-Net Interest Margin compressed 55 bps to 5.16%. Gross loans, excluding PPP loans of \$105,000, increased \$158.8 million, or 30.3% sequentially, to \$682.9 million with notable growth in SBA loans held for investment (up \$77.3 million), SBA loans held for sale (up \$36.6 million), and CRE-Commercial Real Estate loans (up \$33.0 million). Average loans were \$615.1 million, or 77.2% of average earning assets,

up from 73.5% the previous quarter. Loan yields compressed 15 bps to 8.65%, and earning asset yields expanded 6 bps to 7.83%.

Funding Sources and Costs: Total deposits increased \$152.1 million, or 25.6% sequentially, to \$745.7 million. Non-interest-bearing deposits increased 2.4% to \$216.9 million, or 29.1% of total deposits, and non-CD deposits increased 8.3% sequentially to \$471.0 million, or 63.2% of total deposits. Average borrowings and debt were \$50.5 million, or 10.1% of average interest-bearing liabilities, up from 8.0% the previous quarter. Cost of total deposits expanded 58 bps to 2.75% and cost of total funds expanded 63 bps to 2.91%.

Credit Quality: GBFH booked a provision of \$458,000 compared to \$226,000 the previous quarter. NCO-Net Charge-Offs were zero, compared to NCOs of \$764,000, or 0.62% of average loans, the previous quarter. NPA-Non-Performing Assets, excluding government-guaranteed loan balances, were \$2.7 million, or 0.39% of Loans+OREO, compared to \$1.1 million, or 0.21%, the previous quarter. Reserves ended the quarter at \$7.1 million, or 1.04% of loans.

Non-Interest Items and Efficiency Ratio: Core non-interest income declined 73.0% sequentially to \$120,000, or 0.06% of average assets, compared to the trailing four quarter average of 0.32%. The decline resulted from lower loan servicing income (down \$321,000) and miscellaneous fees (down \$3,000). The company also booked gains on sale of SBA loans of \$1.2 million, compared to \$763,000 the previous quarter. Non-interest expenses declined 16.3% sequentially to \$6.9 million, or 3.30% of average assets, down from the trailing average of 4.35%. The decline was driven by compensation costs (down \$777,000) and miscellaneous expenses (down \$547,000). We estimated the company's efficiency ratio was 59.1% compared to 76.6% the previous quarter.

GBFH — GBank Financial Holdings Valuation: DCF, Takeout Value and Comparable Pricing

DCF Valuation

Inputs	
Discount Rate	10.0%
Terminal P/E	14.5x
EPS Growth Beyond 2025	10.0%
Computation	
<i>Net Income</i>	
2023A	10.9
2024E	17.3
2025E	21.7
Terminal	23.9
DCF	
2023A	9.9
2024E	14.3
2025E	16.3
Terminal	236.7
Sum of DCF	277.2
Shares Outstanding (M)	13.9
DCF Per Share	\$20.01

Source: Research by Janney (FIG Group)

Implied Takeout Valuation

	Total	Western Region
Median Deal Value/		
Assets (%)	16.1%	17.8%
Deposits (%)	19.3%	21.0%
Tangible Book (%)	163.9%	171.4%
Net Income (x)	18.5x	18.6x
GBFH (2024E)		
Assets (000)	\$1,220,795	\$1,220,795
Deposits (000)	\$990,494	\$990,494
Tangible Book (000)	\$116,270	\$116,270
Net Income (000)	\$17,254	\$17,254
Implied Price -- GBFH		
Assets (000)	\$196,121	\$217,057
Total Deposits (000)	\$191,462	\$208,449
Tangible Book (000)	\$190,596	\$199,328
Net Income (000)	\$319,538	\$321,609
Avg. Implied Price (000)		
	\$224,429	\$236,611
Implied Price/Share	\$16.64	\$17.54
Implied Price to TBV	193%	204%
Implied Price to EPS	13.0x	13.7x

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

Comparable Pricing Valuation

Ticker	Price/Total Assets	Price/Core Deposits	Price/Tangible Book Value	Price/LTM Pre-Pre EPS
MSBC	13.5%	NM	142%	515%
RVSB	6.5%	9.8%	79%	765%
PLBC	13.3%	17.3%	153%	543%
MLGF	14.2%	NM	NM	639%
FFNW	12.6%	NM	118%	2131%
PROV	7.7%	15.3%	78%	868%
FFBB	18.3%	24.0%	190%	479%
UBFO	10.5%	13.6%	107%	468%
ARBV	7.3%	NM	97%	633%
USMT	4.4%	NM	NM	NM
PFLC	9.6%	12.1%	109%	590%
SSBI	6.1%	9.7%	77%	475%
SBKO	8.0%	10.0%	90%	411%
CBOB.A	7.2%	16.5%	NM	553%
CWBK	7.1%	NM	123%	401%
BOID	11.5%	NM	120%	847%
CZBC	6.3%	8.5%	NM	681%
SFBC	10.0%	19.1%	100%	1304%
FISB	6.4%	7.9%	101%	689%
PBNK	11.3%	15.0%	103%	545%
BEOB	8.8%	NM	NM	NM
PBCO	8.4%	10.7%	89%	398%
CFGW	NM	NM	NM	NM
ORPB	7.1%	8.6%	96%	448%
Average:	9.4%	13.2%	109%	685%

	Total Assets	Core Deposits	Tangible Book	LTM Pre-Pre EPS
GBFH Per Share:	\$71.90	\$36.93	\$7.72	\$1.18
Implied Price:	\$6.75	\$4.88	\$8.45	\$8.09
Average Implied Price:	\$7.04			

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

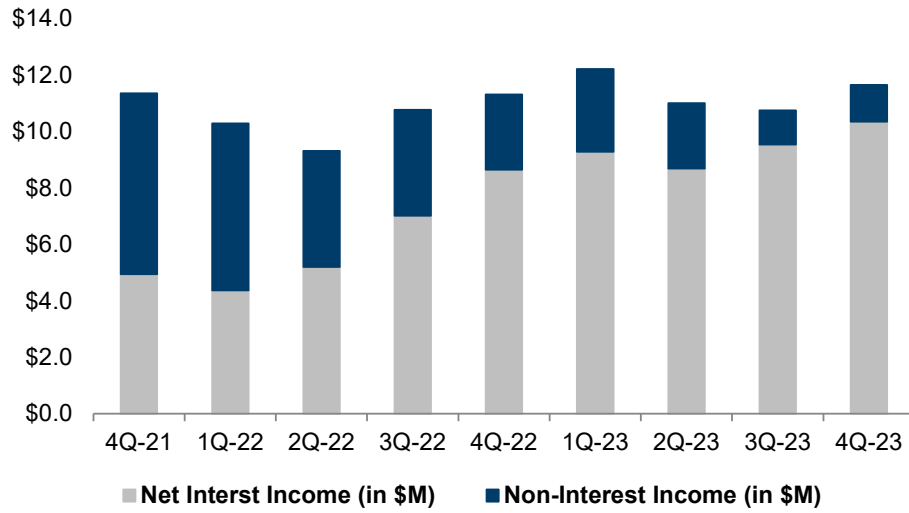
GBFH Valuation Estimates	Weight	Value	Sum
Discounted Cash Flow	85%	\$20.01	\$16.94
Potential M&A Value (Avg)	10%	\$17.09	\$1.71
Implied Price Based on Peers	5%	\$7.04	\$0.35
		Implied Fair Value:	\$19.00

Source: Research by Janney (FIG Group)

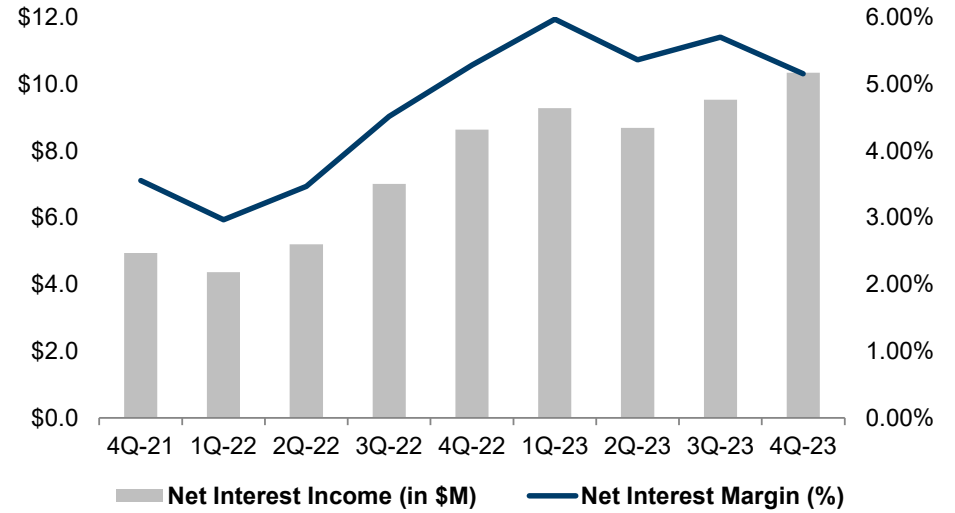
Our Fair Value estimate for GBFH of \$19.00 is a product of weighting assigned to the company's discounted earnings power, potential value as an acquisition and various fundamentals priced relative to peer trading values. As shown, we placed the highest weighting on the company's discounted earnings (85%), and less emphasis on the stock as an acquisition (10%) and peer pricing (5%).

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

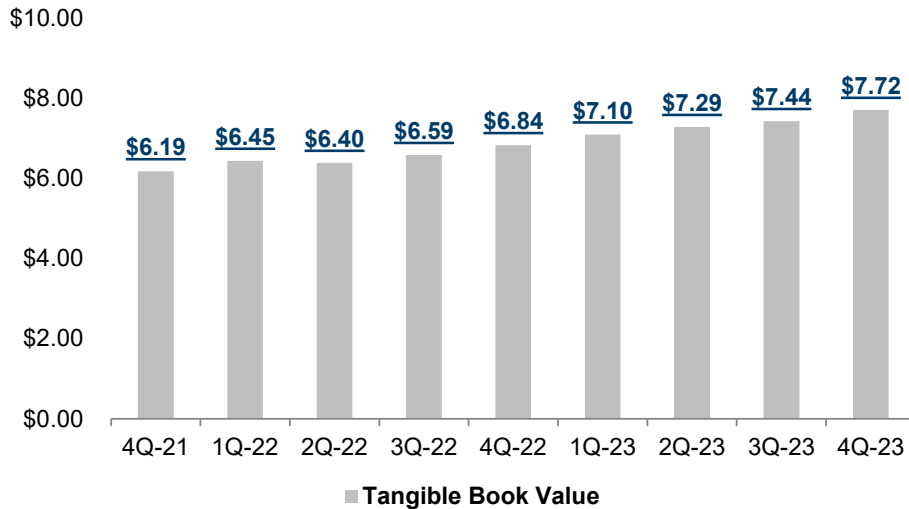
Operating Revenue Trends



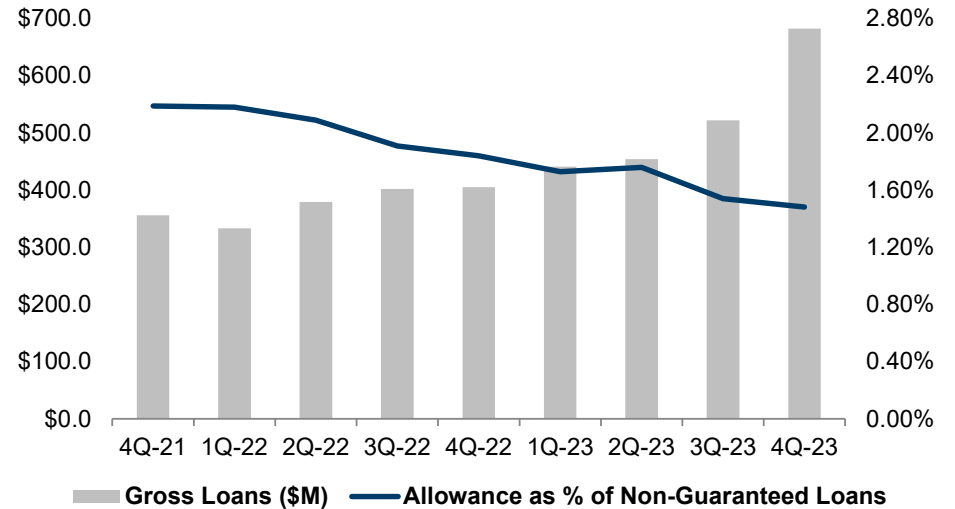
Spread Income Trends



Tangible Book Value Growth Since 4Q-21



Allowance Trends



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

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

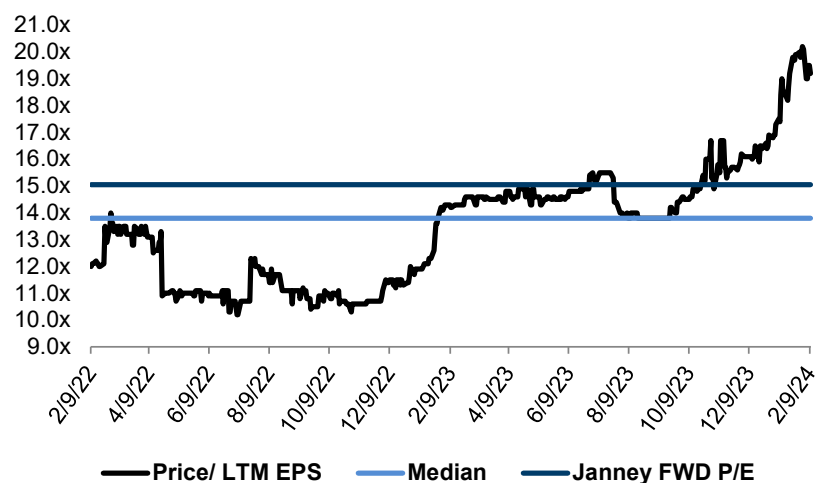
	1Q 2024	+	2Q 2024	+	3Q 2024	+	4Q 2024	=	1-Year Fwd Value	x	Terminal Multiple	=	1-Year Fair Value
Earnings per Share	\$0.26		\$0.28		\$0.35		\$0.38		\$1.26		15.1x		\$19.00
Pre-Pre EPS	\$0.40		\$0.44		\$0.56		\$0.63		\$2.02		9.4x		\$19.00
Core EPS	\$0.26		\$0.28		\$0.35		\$0.38		\$1.26		15.1x		\$19.00
Tangible Book							\$8.62		\$8.62		220%		\$19.00

Source: Research by Janney (FIG Group)

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

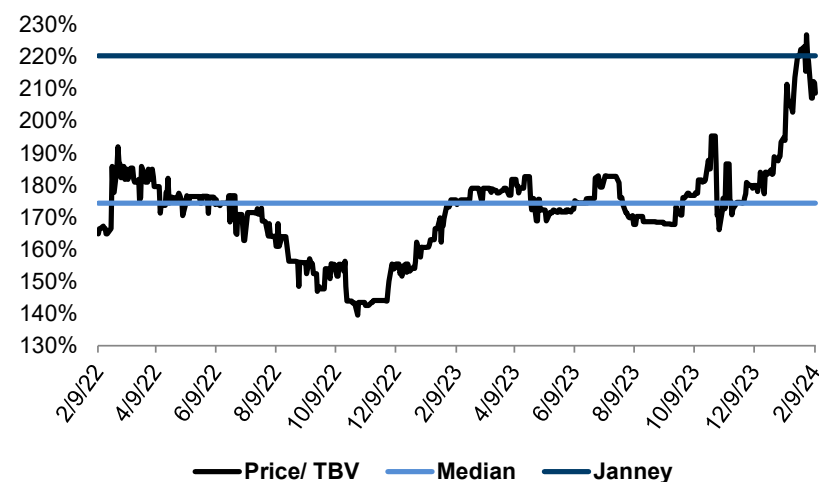
The horizontal lines show the two-year medians (light blue line) and Janney estimated forward multiples (blue).

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.

Earnings Model

	Annual			2023 Quarterly				2024 Quarterly				2025 Quarterly			
	2023A	2024E	2025E	1Q23A	2Q23A	3Q23A	4Q23A	1Q24E	2Q24E	3Q24E	4Q24E	1Q25E	2Q25E	3Q25E	4Q25E
Income Data: (\$ in Millions)															
Net Interest Income (FTE)	\$37.9	\$50.4	\$61.8	\$9.3	\$8.7	\$9.5	\$10.4	\$11.2	\$12.0	\$13.0	\$14.1	\$14.5	\$15.1	\$15.7	\$16.5
Loan Loss Provision	\$1.1	\$5.0	\$7.7	\$0.0	\$0.4	\$0.2	\$0.5	\$0.8	\$1.1	\$1.4	\$1.7	\$1.6	\$1.9	\$2.0	\$2.3
Non-Interest Income	\$2.2	\$3.1	\$4.1	\$0.9	\$0.7	\$0.4	\$0.1	\$0.6	\$0.6	\$0.9	\$0.9	\$1.0	\$1.0	\$1.0	\$1.1
Gain/Loss on Loan Sales	\$5.6	\$7.0	\$8.0	\$2.0	\$1.6	\$0.8	\$1.2	\$1.5	\$1.5	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0	\$2.0
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)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	(\$0.2)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$30.8	\$32.7	\$37.4	\$8.3	\$7.6	\$8.2	\$6.7	\$8.1	\$8.1	\$8.2	\$8.3	\$8.8	\$9.0	\$9.5	\$10.0
Pre-Tax Income	\$13.5	\$22.7	\$28.8	\$3.9	\$3.0	\$2.3	\$4.3	\$4.4	\$5.0	\$6.3	\$7.0	\$7.0	\$7.2	\$7.3	\$7.3
Taxes (w/ FTE adj.)	\$2.6	\$5.4	\$7.1	\$0.6	\$0.7	\$0.5	\$0.8	\$1.1	\$1.2	\$1.5	\$1.7	\$1.7	\$1.7	\$1.8	\$1.8
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	\$10.9	\$17.3	\$21.7	\$3.3	\$2.3	\$1.8	\$3.5	\$3.3	\$3.8	\$4.8	\$5.3	\$5.3	\$5.4	\$5.5	\$5.5
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	\$10.9	\$17.3	\$21.7	\$3.3	\$2.3	\$1.8	\$3.5	\$3.3	\$3.8	\$4.8	\$5.3	\$5.3	\$5.4	\$5.5	\$5.5
Avg. Shares O/S	13.2	13.6	13.9	13.4	13.4	12.9	13.2	13.1	13.8	13.8	13.8	13.8	13.9	13.9	13.9
Earnings Per Share (EPS)	\$0.85	\$1.26	\$1.57	\$0.26	\$0.18	\$0.14	\$0.27	\$0.26	\$0.28	\$0.35	\$0.38	\$0.38	\$0.39	\$0.40	\$0.40
Per Share Data:															
Reported Book Value	\$7.72	\$9.21	\$10.79	\$7.10	\$7.29	\$7.44	\$7.72	\$7.98	\$8.47	\$8.82	\$9.21	\$9.59	\$9.99	\$10.39	\$10.79
Tangible Book Value	\$7.72	\$8.62	\$10.21	\$7.10	\$7.29	\$7.44	\$7.72	\$7.98	\$7.88	\$8.23	\$8.62	\$9.01	\$9.41	\$9.81	\$10.21
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	\$1.12	\$2.02	\$2.64	\$0.29	\$0.26	\$0.20	\$0.38	\$0.40	\$0.44	\$0.56	\$0.63	\$0.62	\$0.65	\$0.67	\$0.69
CORE GAAP EPS	\$0.84	\$1.27	\$1.57	\$0.25	\$0.17	\$0.14	\$0.28	\$0.26	\$0.28	\$0.35	\$0.38	\$0.38	\$0.39	\$0.40	\$0.40
KEY Ratios:															
Net Interest Margin	5.56%	5.10%	5.28%	5.98%	5.37%	5.71%	5.16%	4.97%	5.02%	5.15%	5.28%	5.32%	5.27%	5.28%	5.25%
Return on Avg Assets	1.31%	1.55%	1.61%	1.99%	1.34%	1.01%	1.69%	1.39%	1.52%	1.81%	1.90%	1.82%	1.77%	1.70%	1.63%
Return on Avg Equity	11.31%	14.20%	15.18%	15.00%	10.02%	7.56%	14.62%	13.37%	14.19%	16.46%	17.40%	16.75%	16.45%	15.92%	15.37%
Pre-Tax Pre-Provision ROA	1.78%	2.49%	2.70%	2.34%	2.00%	1.44%	2.39%	2.17%	2.42%	2.90%	3.13%	2.94%	2.95%	2.89%	2.84%
Return on Tang. Comm. Equity	11.09%	14.84%	15.73%	14.71%	9.92%	7.51%	14.34%	13.15%	14.43%	17.29%	18.18%	17.47%	17.11%	16.53%	15.92%
Efficiency Ratio	67.45%	54.04%	50.33%	68.02%	68.84%	76.56%	57.13%	60.94%	56.97%	51.36%	48.71%	50.50%	49.75%	50.31%	50.71%
TCE/TA	10.73%	9.59%	9.36%	13.16%	13.52%	12.97%	10.73%	9.65%	9.65%	9.61%	9.59%	9.55%	9.50%	9.44%	9.36%
Period-End Balances: (\$ in Millions)															
Total Assets	\$917	\$1,221	\$1,484	\$685	\$685	\$729	\$917	\$1,055	\$1,107	\$1,163	\$1,221	\$1,282	\$1,346	\$1,413	\$1,484
Net Loans	\$677	\$901	\$1,107	\$434	\$447	\$515	\$677	\$748	\$796	\$847	\$901	\$943	\$993	\$1,046	\$1,107
Total Deposits	\$746	\$990	\$1,171	\$557	\$552	\$594	\$746	\$835	\$877	\$941	\$990	\$1,031	\$1,074	\$1,118	\$1,171
Intangibles	\$0	\$8	\$8	\$0	\$0	\$0	\$0	\$0	\$8	\$8	\$8	\$8	\$8	\$8	\$8
Total Common Equity	\$98	\$124	\$146	\$90	\$93	\$95	\$98	\$102	\$114	\$119	\$124	\$129	\$135	\$140	\$146

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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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

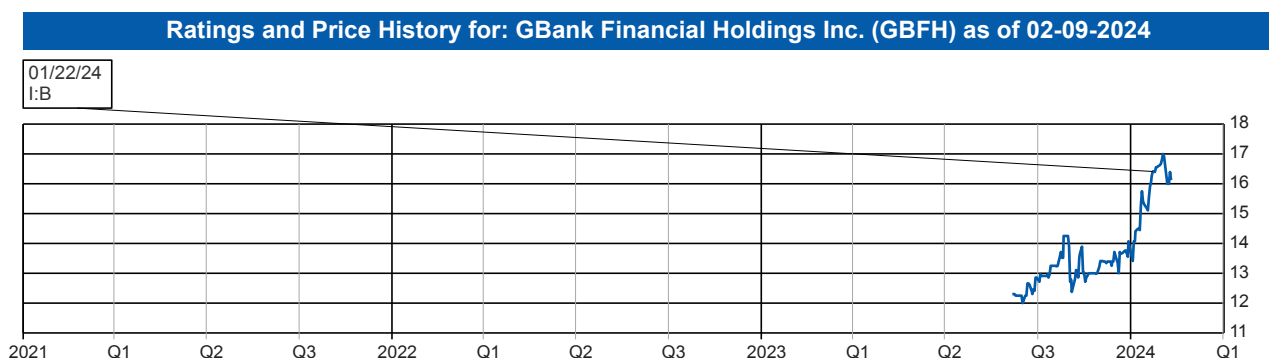
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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



Created by: BlueMatrix

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.

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