

Banks & Thrifts

| | |
|-----------------------|-------------------|
| Price: | \$27.50 |
| Fair Value Estimate: | \$30.00 |
| 52-Week Range: | \$12.50 - \$29.50 |
| Market Cap (MM): | \$353 |
| Shr.O/S-Diluted (mm): | 12.8 |
| Average Daily Volume: | 16,917 |
| Dividend: | NA |
| Tang Book Value: | NA |

| | | | |
|----------|-------|-------|-------|
| FYE: Dec | 2024E | 2025E | 2026E |
|----------|-------|-------|-------|

Quarterly EPS - GAAP:

| | | | |
|------------|---------|---------|---------|
| Q1 | \$0.28A | \$0.33E | \$0.43E |
| Q2 | \$0.35A | \$0.38E | \$0.46E |
| Q3 | \$0.37A | \$0.40E | \$0.49E |
| Q4 | \$0.32E | \$0.44E | \$0.47E |
| EPS - GAAP | \$1.32E | \$1.55E | \$1.86E |

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.



November 5, 2024

GBank Financial Holdings Inc. (GBFH) - BUY

GBFH: Banking Business Profits Accelerating, Gaming FinTech Pipeline Growing. Reiterate BUY Rating.

PORTFOLIO MANAGER BRIEF

Reiterating BUY Rating and Increasing Fair Value Estimate to \$30.00 (from \$21.00) on Expectations for Improved Earnings Power from the Banking Business and Monetization of Gaming FinTech Initiatives.

Adjusting EPS Estimates to \$0.32 (-\$0.01) for 4Q24, \$1.32 (+\$0.06) for 2024, and \$1.55 (+\$0.05) for 2025. Introducing Our EPS Estimate of \$1.86 for 2026.

Fair Value Estimate Equivalent to 21.0x Forward Four Quarter EPS Estimate (\$1.43) and 282% Forward Tangible Book Value Forecast (\$10.62).

ANALYST NOTES

Our forward EPS estimates are focused on further improvement in the traditional banking business, while our FVE includes both banking profits and future monetization of Gaming FinTech client acquisitions. The latter is showing a burgeoning pipeline of new clients and should be reflected in stock price expectations.

We model for the banking business to grow spread income between 15% and 20% annually through 2026, with loan growth of +20% annually and margin stabilizing to ~4.80%. Given the company's focus on SBA lending, our estimates also include gains on sale of loans to trend higher than the \$11 million we estimate for 2024. We do forecast a relatively elevated expense growth of high-single digits to low-double digits on a percentage basis, but the increased revenue should result in a declining efficiency ratio and improving ROAA.

The Gaming FinTech division reported a strong increase in the client acquisition pipeline. Initiatives underway in that division include an agreement with MA-Mastercard Inc (Not Rated) to issue prepaid cards focused on gaming, healthcare, and state lotteries; the rollout of a contract with BoltBetz, a gaming app for cashless slot machines; and co-marketing agreement with Everi, one of the largest casino cash managers operating on the Las Vegas Strip. GBFH's own credit card also reported strong growth, with transaction volumes of \$14 million in 3Q24, up from \$3 million in 1Q24 (fee income is included in our banking business estimates). Successful monetization of the Gaming FinTech business is likely to increase fee income, and could also result in greater balances of non-interest-bearing or low-cost deposits. The company raised \$20 million in a private placement in 3Q24 to support growth of the balance sheet.

Our Fair Value Estimate of \$30.00 values the Gaming FinTech division at ~\$10.00 per share (assuming the present value of banking business earnings through 2026 has a 12x multiple). That implies a forward earnings run-rate of ~\$0.50 per share for Gaming FinTech and an earnings multiple of 20.0x—a fairly pedestrian multiple for a traditional fintech.

3Q24 Results:

Overview: GBFH reported 3Q24 EPS of \$0.37, topping our estimate of \$0.30. Results reflected beats on net interest income, provision, and non-interest income with a modest miss on non-interest expenses. We estimated Core Pre-Tax, Pre-Provision EPS of \$0.53 and Pre-Pre ROAA of 2.79%, compared to \$0.50 and 2.69% the previous quarter. Tangible book value increased 4.9% sequentially to \$8.91, and TCE-Tangible Common Equity ended the quarter at 11.11% of tangible assets.

Capital Actions: Since quarter-end, GBFH completed a \$20 million private placement. Net proceeds were \$19.2 million.

Spread Income and Margin: NII-Net Interest Income increased 8.0% sequentially to \$12.3 million, and NIM-Net Interest Margin expanded 18 bps to 5.00%. Gross loans increased \$36.0 million, or 4.4% sequentially, to \$849.3 million with notable growth in SBA loans held for sale (up \$26.9 million), CRE-Commercial Real Estate loans (up \$15.1 million), and commercial loans (up \$4.7 million). Average loans were \$804.8 million, or 82.4% of average earning assets, down from 82.4% the previous quarter. Loan yields expanded 33 bps to 8.62%, and earning asset yields expanded 28 bps to 8.09%.

Funding Sources and Costs: Total deposits increased \$43.2 million, or 5.1% sequentially, to \$883.5 million. Non-interest-bearing deposits increased 4.3% to \$229.9 million, or 26.0% of total deposits, and non-CD deposits increased 6.3% sequentially to \$539 million, or 61.1% of total deposits. Average borrowings and debt were \$26.2 million, or 4.0% of average interest-bearing liabilities, down from 4.1% the previous quarter. Cost of total deposits expanded 8 bps to 3.36%, and cost of total funds expanded 7 bps to 3.39%.

Credit Quality: GBFH booked a provision of \$570,000, compared to \$283,000 the previous quarter. Recoveries were \$22,000, compared to NCO-Net Charge-Offs of \$29,000 in 2Q24. NPA-Non-Performing Assets, excluding government guaranteed loan balances, were \$1.6 million, or 0.18% of Loans+OREO, compared to \$2.2 million, or 0.27%, the previous quarter. Reserves ended the quarter at \$7.9 million, or 1.36% of non-government guaranteed loans.

Non-Interest Items and Efficiency Ratio: Core non-interest income increased 1.8% sequentially to \$1.0 million, or 0.40% of average assets, up from the trailing four quarter average of 0.25%. Increases in loan servicing fees (up \$32,000) more than offset lower miscellaneous fees (down \$14,000). The company also booked gains on sale of SBA loans of \$2.8 million, compared to \$3.2 million the previous quarter. Core non-interest expenses increased 1.7% sequentially to \$9.0 million, or 3.54% of average assets, down from the trailing average of 3.43%. The increase was driven by miscellaneous expenses (up \$418,000), and offset by lower compensation costs (down \$257,000) and occupancy costs (down \$13,000). We estimated the company's efficiency ratio was 55.9% compared to 57.1% the previous quarter.

GBFH (Las Vegas, NV--\$319 Mil. Mkt. Cap, \$1.0 Bil. Assets, \$24.80, 0% Yld)

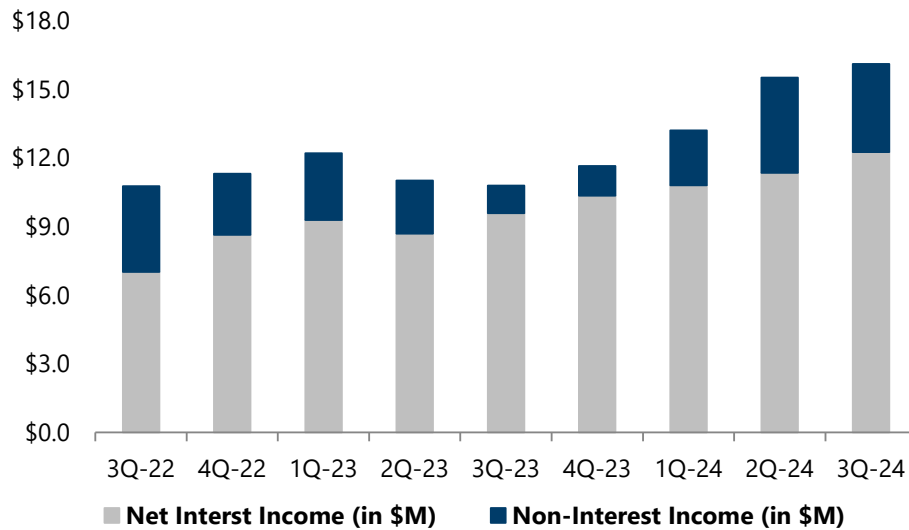
| | 2Q-2024 | Δ | 3Q-2024 | Consensus | Variance Per Share |
|-------------------------------------|---------------|---------|---------------|---------------|--------------------|
| EPS | \$0.35 | - | \$0.37 | \$0.30 | \$0.07 |
| Operating/Core EPS* | \$0.36 | - | \$0.37 | | |
| Janney Estimate (Core) | \$0.28 | - | \$0.30 | | |
| Net Interest Income | 11.3 | 8.4% | 12.3 | 12.0 | \$0.02 |
| Provision for Credit Losses | 0.3 | 93.2% | 0.6 | 1.3 | \$0.05 |
| Core Non-Interest Income (ex. sec.) | 4.2 | (8.8%) | 3.8 | 0.8 | \$0.22 |
| Core Non-Interest Expense | 8.9 | 1.5% | 9.0 | 8.6 | (\$0.03) |
| Net Charge-Offs | 0.0 | (176%) | 0.0 | | |
| NCOs % of Avg Total Loans (bps) | 1 | (2) bps | -1 | 5 | (6) |
| Tangible Book Per Share | \$8.49 | 4.9% | \$8.91 | \$8.79 | \$0.12 |
| Net Interest Margin | 4.82% | 18 bps | 5.00% | 4.90% | 0.10% |
| Gross Loans (\$Mil.) | 813.3 | 4.4% | 849.3 | 838.0 | |
| TCE Ratio (TCE/TA) | 10.99% | 12 bps | 11.11% | | |
| NPAs to Loans/REO | 0.27% | (9) bps | 0.18% | | |

*Core EPS exclude various one-time items.

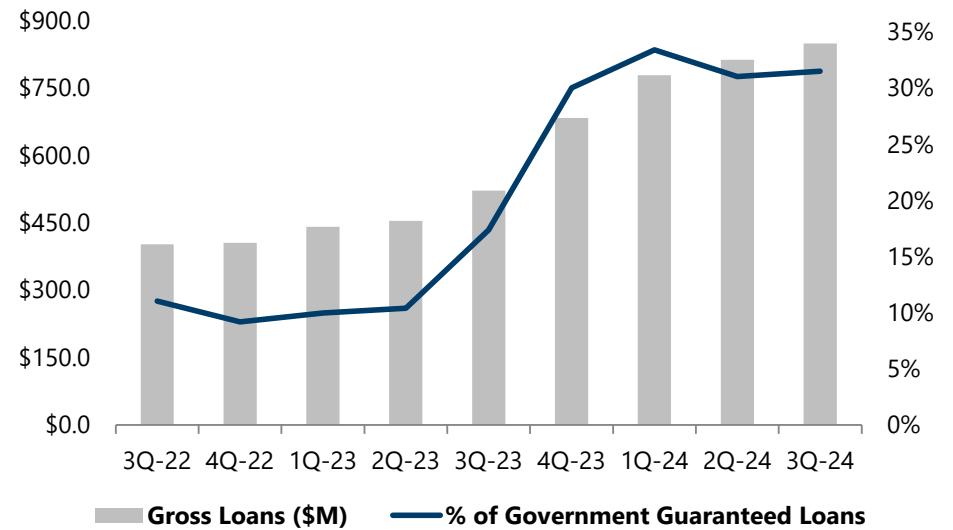
Source: Janney Research (FIG Group), S&P Capital IQ

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

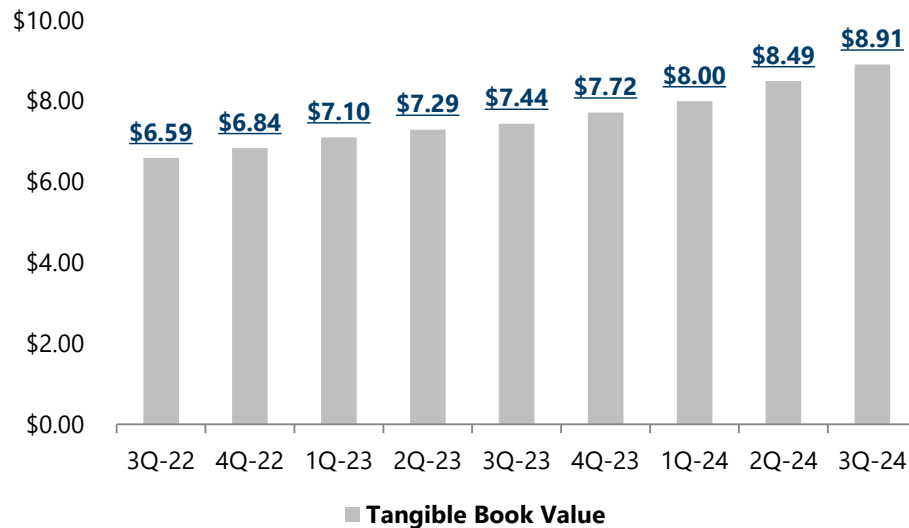
Operating Revenue Trends



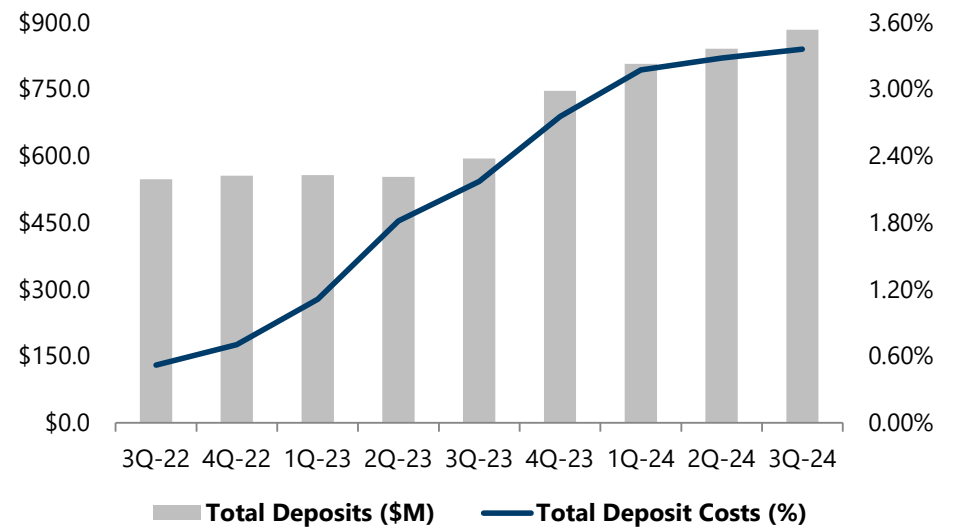
Percent of Government Guaranteed Loans



Tangible Book Value Growth Since 3Q22



Deposit Trends



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

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

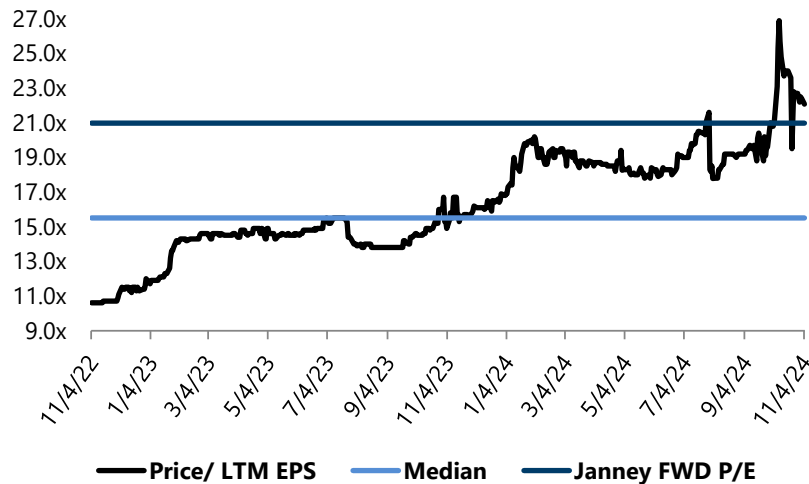
| | 4Q 2024 | + 1Q 2025 | + 2Q 2025 | + 3Q 2025 | = 1-Year Fwd Value | x Terminal Multiple | = 1-Year Fair Value |
|--------------------|------------|-----------------|-----------------|-----------------|-----------------------|------------------------|------------------------|
| Earnings per Share | \$0.32 | \$0.33 | \$0.38 | \$0.40 | \$1.43 | 21.0x | \$30.00 |
| Pre-Pre EPS | \$0.49 | \$0.52 | \$0.62 | \$0.66 | \$2.30 | 13.1x | \$30.00 |
| Core EPS | \$0.32 | \$0.33 | \$0.38 | \$0.40 | \$1.43 | 21.0x | \$30.00 |
| Tangible Book | | | | \$10.62 | \$10.62 | 282% | \$30.00 |

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.

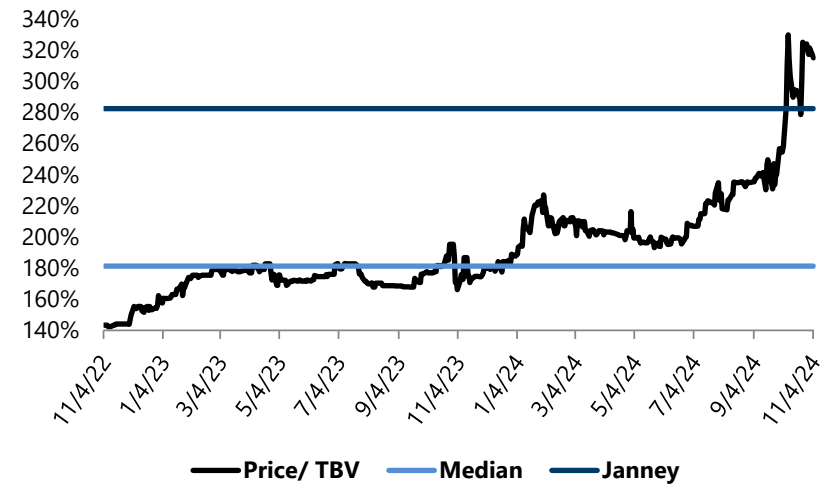
The horizontal lines show the two-year medians (light blue line) and Janney estimated forward multiples (blue).

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.

Earnings Model

| | Annual | | | 2024 Quarterly | | | | 2025 Quarterly | | | | 2026 Quarterly | | | |
|---------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 2024E | 2025E | 2026E | 1Q24A | 2Q24A | 3Q24A | 4Q24E | 1Q25E | 2Q25E | 3Q25E | 4Q25E | 1Q26E | 2Q26E | 3Q26E | 4Q26E |
| Income Data: (\$ in Millions) | | | | | | | | | | | | | | | |
| Net Interest Income (FTE) | \$46.3 | \$53.5 | \$63.6 | \$10.8 | \$11.3 | \$12.3 | \$11.9 | \$12.1 | \$12.8 | \$13.8 | \$14.8 | \$14.9 | \$15.6 | \$16.2 | \$16.9 |
| Loan Loss Provision | \$2.0 | \$7.0 | \$8.0 | \$0.0 | \$0.3 | \$0.6 | \$1.1 | \$1.3 | \$1.7 | \$1.9 | \$2.2 | \$1.4 | \$2.2 | \$2.1 | \$2.3 |
| Non-Interest Income | \$3.4 | \$9.2 | \$11.1 | \$0.3 | \$1.0 | \$1.0 | \$1.1 | \$1.7 | \$2.1 | \$2.5 | \$2.9 | \$2.5 | \$2.8 | \$2.9 | \$3.0 |
| Gain/Loss on Loan Sales | \$11.3 | \$12.5 | \$12.3 | \$2.1 | \$3.2 | \$2.8 | \$3.2 | \$3.0 | \$3.5 | \$3.0 | \$3.0 | \$2.5 | \$3.3 | \$3.5 | \$3.0 |
| 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 | (\$0.7) | \$0.0 | \$0.0 | (\$0.4) | (\$0.3) | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Non-Interest Expense | \$34.8 | \$37.4 | \$42.3 | \$7.9 | \$8.9 | \$9.0 | \$9.0 | \$9.0 | \$9.1 | \$9.5 | \$9.8 | \$10.0 | \$10.4 | \$10.8 | \$11.2 |
| Pre-Tax Income | \$23.5 | \$30.7 | \$36.7 | \$4.8 | \$6.1 | \$6.5 | \$6.1 | \$6.4 | \$7.6 | \$7.9 | \$8.7 | \$8.5 | \$9.1 | \$9.7 | \$9.4 |
| Taxes (w/ FTE adj.) | \$5.4 | \$7.6 | \$9.1 | \$1.1 | \$1.4 | \$1.5 | \$1.4 | \$1.6 | \$1.9 | \$2.0 | \$2.2 | \$2.1 | \$2.3 | \$2.4 | \$2.3 |
| 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 | \$18.1 | \$23.0 | \$27.6 | \$3.7 | \$4.7 | \$5.0 | \$4.7 | \$4.9 | \$5.7 | \$6.0 | \$6.5 | \$6.4 | \$6.8 | \$7.3 | \$7.0 |
| 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 | \$18.1 | \$23.0 | \$27.6 | \$3.7 | \$4.7 | \$5.0 | \$4.7 | \$4.9 | \$5.7 | \$6.0 | \$6.5 | \$6.4 | \$6.8 | \$7.3 | \$7.0 |
| Avg. Shares O/S | 13.7 | 14.8 | 14.9 | 13.2 | 13.4 | 13.4 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.8 | 14.9 | 14.9 | 14.9 |
| Earnings Per Share (EPS) | \$1.32 | \$1.55 | \$1.86 | \$0.28 | \$0.35 | \$0.37 | \$0.32 | \$0.33 | \$0.38 | \$0.40 | \$0.44 | \$0.43 | \$0.46 | \$0.49 | \$0.47 |
| Per Share Data: | | | | | | | | | | | | | | | |
| Reported Book Value | \$9.53 | \$11.06 | \$12.88 | \$8.00 | \$8.49 | \$8.91 | \$9.53 | \$9.85 | \$10.23 | \$10.62 | \$11.06 | \$11.48 | \$11.94 | \$12.42 | \$12.88 |
| Tangible Book Value | \$9.53 | \$11.06 | \$12.88 | \$8.00 | \$8.49 | \$8.91 | \$9.53 | \$9.85 | \$10.23 | \$10.62 | \$11.06 | \$11.48 | \$11.94 | \$12.42 | \$12.88 |
| 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 | \$1.91 | \$2.55 | \$3.01 | \$0.40 | \$0.50 | \$0.53 | \$0.49 | \$0.52 | \$0.62 | \$0.66 | \$0.73 | \$0.67 | \$0.76 | \$0.80 | \$0.78 |
| CORE GAAP EPS | \$1.36 | \$1.55 | \$1.86 | \$0.31 | \$0.37 | \$0.37 | \$0.32 | \$0.33 | \$0.38 | \$0.40 | \$0.44 | \$0.43 | \$0.46 | \$0.49 | \$0.47 |
| KEY Ratios: | | | | | | | | | | | | | | | |
| Net Interest Margin | 4.85% | 4.79% | 4.81% | 4.85% | 4.82% | 5.00% | 4.75% | 4.70% | 4.75% | 4.80% | 4.90% | 4.84% | 4.86% | 4.79% | 4.77% |
| Return on Avg Assets | 1.69% | 1.77% | 1.85% | 1.58% | 1.90% | 1.97% | 1.75% | 1.73% | 1.92% | 1.92% | 2.01% | 1.94% | 1.98% | 2.03% | 1.88% |
| Return on Avg Equity | 14.06% | 14.32% | 14.66% | 14.59% | 17.53% | 17.41% | 14.56% | 13.56% | 15.26% | 15.42% | 16.27% | 15.40% | 15.71% | 16.11% | 14.91% |
| Pre-Tax Pre-Provision ROA | 2.45% | 2.90% | 3.00% | 2.25% | 2.69% | 2.79% | 2.68% | 2.76% | 3.14% | 3.16% | 3.35% | 2.98% | 3.29% | 3.30% | 3.12% |
| Return on Tang. Comm. Equity | 12.83% | 14.04% | 14.39% | 14.43% | 16.90% | 17.26% | 13.29% | 13.33% | 14.97% | 15.13% | 15.95% | 15.11% | 15.41% | 15.79% | 14.64% |
| Efficiency Ratio | 57.06% | 49.81% | 48.59% | 60.15% | 57.14% | 55.91% | 55.62% | 53.73% | 49.71% | 49.08% | 47.42% | 50.15% | 47.71% | 47.65% | 49.01% |
| TCE/TA | 12.82% | 12.27% | 12.49% | 10.65% | 10.99% | 11.11% | 12.82% | 12.63% | 12.50% | 12.37% | 12.27% | 12.50% | 12.50% | 12.51% | 12.49% |
| Period-End Balances: (\$ in Millions) | | | | | | | | | | | | | | | |
| Total Assets | \$1,100 | \$1,338 | \$1,535 | \$963 | \$1,009 | \$1,048 | \$1,100 | \$1,155 | \$1,213 | \$1,274 | \$1,338 | \$1,364 | \$1,419 | \$1,476 | \$1,535 |
| Net Loans | \$867 | \$1,095 | \$1,341 | \$771 | \$806 | \$841 | \$867 | \$907 | \$963 | \$1,026 | \$1,095 | \$1,134 | \$1,204 | \$1,269 | \$1,341 |
| Total Deposits | \$903 | \$1,093 | \$1,361 | \$807 | \$840 | \$884 | \$903 | \$940 | \$988 | \$1,039 | \$1,093 | \$1,138 | \$1,207 | \$1,281 | \$1,361 |
| Intangibles | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Common Equity | \$141 | \$164 | \$192 | \$103 | \$111 | \$116 | \$141 | \$146 | \$152 | \$158 | \$164 | \$171 | \$177 | \$185 | \$192 |

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

I, Timothy Coffey, 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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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

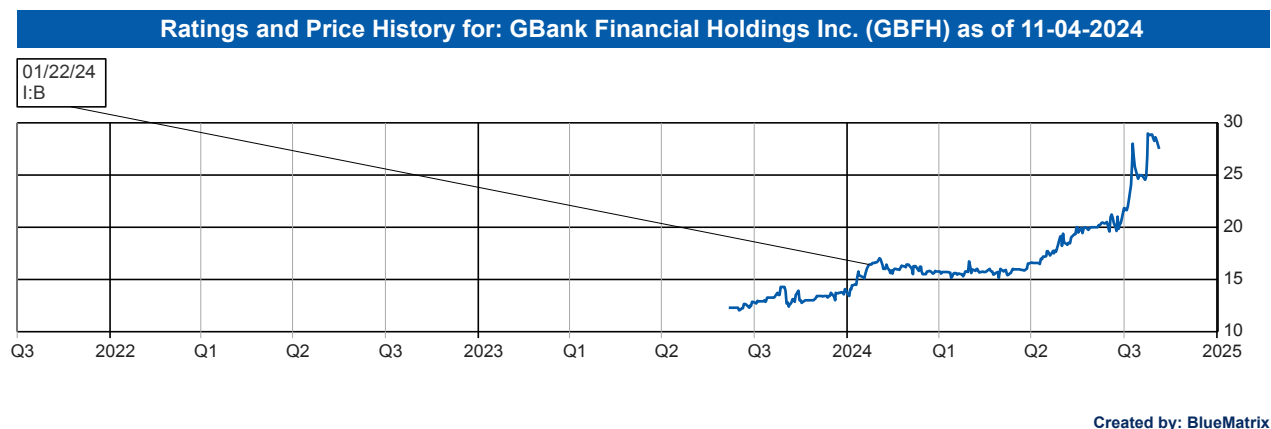
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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 9-30-2024

| Rating | Count | Percent | IB Serv./Past 12 Mos.* | |
|-------------------------|-------|---------|------------------------|---------|
| | | | Count | Percent |
| BUY [B] | 147 | 54.85 | 22 | 14.97 |
| NEUTRAL [N] | 120 | 44.78 | 10 | 8.33 |
| SELL [S] | 1 | 0.37 | 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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