

Banks & Thrifts

Price:	\$39.25
Fair Value Estimate:	\$45.00
52-Week Range:	\$14.99 - \$46.00
Market Cap (MM):	\$504
Shr.O/S-Diluted (mm):	12.8
Average Daily Volume:	8,794
Dividend (Quarter):	NA
Tang Book Value:	\$9.87
Price/Tangible Book:	3.98x

FYE: Dec	2024E	2025E	2026E
EPS - GAAP	--	--	--

Quarterly EPS - GAAP:

Q1	\$0.28A	\$0.26E	\$0.49E
Q2	\$0.35A	\$0.34E	\$0.52E
Q3	\$0.37A	\$0.46E	\$0.57E
Q4	\$0.36A	\$0.47E	\$0.58E
EPS - GAAP	\$1.37E	\$1.53E	\$2.17E

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 19, 2025

GBank Financial Holdings Inc. (GBFH) - BUY

GBFH: Expecting Higher Non-recurring Expenses to Become SEC Registered in 1H25. Gaming, Credit Card Revenues Poised to Surge in 2H25. Reiterate BUY Rating.

PORTFOLIO MANAGER BRIEF

- Reiterating BUY Rating and Increasing Fair Value Estimate to \$45.00 (from \$35.00) on Expectations of Revenue Growth Throughout 2025 is Likely to Offset Noise from Non-recurring Expenses in 1H25.
- Pending SEC Registration Could Result in Higher Total Expenses in 1Q25 and 2Q25. Full Registration Could Make Stock Eligible for Russell Index. We Model for Approved Registration by 2Q25.
- Adjusting Our EPS Estimates to \$0.26 (-\$0.07) for 1Q25, \$1.53 (-\$0.02) for 2025, and \$2.17 (+0.31) for 2026.
- Core EPS Estimates, Excluding Non-recurring Registration Expenses, Adjusted to \$0.31 (-\$0.02) for 1Q25 and \$1.63 (+\$0.08) for 2025.
- New Fair Value Estimate of \$45.00 Equivalent to 27.6x Forward Four Quarter Core EPS Estimate (\$1.63) and 403% Forward Tangible Book Value Forecast (\$11.16).
- 4Q24 EPS Results Were: Reported = \$0.36 / Core = \$0.38 / Janney = \$0.32.

ANALYST NOTES

We remain buyers of GBFH, given the expected balance-sheet growth (+20% annually), forecast profitability (~2.00% ROA), potential accretion from gaming and FinTech partnerships, and likely inclusion in Russell Index following SEC registration.

Specific to revenues in 2025, we estimate balance-sheet growth of +20%, with loan originations focused on core competency of SBA hospitality credits. Margin could soften near term from additional rate cuts (we estimate ~12bps compression for each 25bps cut in Fed Funds), but the company has opportunities to replace time deposits with non-interest-bearing deposits sourced through gaming and FinTech partnerships. The nascent credit card business was break-even in January versus a \$1.1 Million pre-tax loss in 2024. We anticipate non-interest income, led by interchange fees associated with credit card transactions, could more than double year-over-year in 2025. We also model for gain on sale of SBA loans to increase +10% on elevated originations and modest improvements in margins.

Non-interest expenses could include \$1.0 Mil in non-recurring SEC registration expenses in both 1Q25 and 2Q25. Actual registration expenses less than our \$2.0 Mil estimate would be additive to our EPS estimates. We estimate Core non-interest expense growth of ~12.0% for the year resulting from higher audit expenses as an SEC-registered company and incremental new hires (the pace of which could be dictated by financial performance). Provision expense growth could slow in 2025, given reserve build in 2H24. Allowance ended 2024 at 1.48% of non-government guaranteed loans.

Valuation could appear stretched for investors unfamiliar with GBFH. The traditional banking operation of the business has demonstrated consistently above-peer growth rates and is highly profitable. The company's credit card product, which targets professional gamers, should be highly accretive to earnings starting in 2025. There is also an emerging FinTech business focused on gaming and stored balance cards, and there are multiple ways to model the benefit to earnings. Please see the following page for our estimates on how \$10.0 Mil in non-interest-bearing deposits from these partnerships could add \$0.03 to \$0.04 to annual EPS.

Our Fair Value Estimate of \$45.00 includes earnings power from both the current business and the gaming and FinTech partnerships. We assume a 15.0x multiple (reflecting growth and profitability of the traditional bank) on our 2026 EPS estimate of \$2.17 resulting in a share price of ~\$32.50. The remaining ~\$12.50 in our Fair Value Estimate of \$45.00 comes from the potential earnings power of the gaming and FinTech partnerships. If we also assume a 15.0x multiple on those partnerships, which could be conservative, given price multiples of comparable FinTechs, and our estimates for \$0.04 in additional EPS from every \$10.0 Mil in non-interest-bearing deposits stored at GBFH that implies the company's partnerships could generate ~\$210.0 Mil in non-interest-bearing deposits. We believe that is not an unreasonable expectation, and those deposits could start to show by 2026. Inclusion in the Russell Index could be even more additive to the share price, but is not included in our Fair Value Estimate.

Estimating EPS Accretion from Deposit Gains from Gaming and FinTech Partners

While our current EPS estimates for GBFH reflect solely the earnings power for the brick-and-mortar bank, we continue to believe investors should consider the earnings potential from recent gaming contracts with slot machine providers and potential licensing agreements for the BCS account architecture. Both the final rule from the CPFB and the proposed rule at the FDIC could require enhanced depositor documentation by payment apps and banks holding FinTech deposits.

GBFH owns ~33% of BCS, and any licensing agreements could include recurring fees, of which GBFH could

Replacing Time Deposits With Non-Interest Bearing Deposits

Non-Interest Deposits Allocated to GBFH, Estimated (M)	\$10.0
Run-Off Deposit Cost (4Q24)	5.15%
Reduction in Interest Expense (000)	\$515.0
Tax Rate (4Q24)	23.2%
After-Tax Additional Earnings (000)	\$395.8
Average Diluted Shares Outstanding (M)	14.6
Incremental Earnings Per Share, Annual	\$0.03

Funding Loans With Non-Interest Bearing Deposits

Non-Interest Deposits Allocated to GBFH, Estimated (M)	\$10.0
GBFH Loan-to-Deposit Ratio (4Q24)	104%
Loan Originations, Estimated (M)	\$10.4
GBFH Loan Yield, Net (4Q24)	8.10%
Additional Interest Income, Estimated (000)	\$842.4
GBFH Overhead Ratio (4Q24)	3.54%
Pre-Tax Income (000)	\$812.6
Tax Rate (4Q24)	23.2%
After-Tax Income (M)	\$624.5
Average Diluted Shares Out., Post-4Q24 Capital Raise (M)	14.8
Incremental Earnings Per Share, Annual	\$0.04

Source: Janney Research (FIG Group), GBFH Company Filings

recognize a proportionate amount in non-interest income. Terms could also stipulate a certain dollar amount of deposits be held on GBFH's balance sheet.

The tables to the left show the earnings accretion from the allocation of \$10 Million in non-interest-bearing deposits from FinTech partners to (1) replace time deposits current-ly on GBFH's balance sheet (+ \$0.03) and (2) funding loans with the new deposits (+\$0.04).

Currently, GBFH's funding includes more than \$370.0 Mil in time deposits. We estimate the current pipeline for deposits, excluding allocated deposits from the FinTech partners, could support +20% annualized loan growth in 2025 and 2026.

4Q24 Results:

Overview: GBFH reported 4Q24 EPS of \$0.36, topping our estimate of \$0.32. Core EPS of \$0.38 excluded \$367,000 of stock compensation cost associated with a one-time employee stock grant distributed in Nov 2024. Core results reflected beats on fee income and gain on loan sales partially offset by misses to provision and operating expenses. We estimated Core Pre-Tax, Pre-Provision EPS of \$0.57 and Pre-Pre ROAA of 3.04%, compared with \$0.53 and 2.79% the previous quarter. Tangible book value increased 10.8% sequentially to \$9.87 and TCE-Tangible Common Equity ended the quarter at 12.54% of tangible assets.

Capital Actions: On 10/16/24, GBFH completed a \$20 Mil private placement. It offered 1,081,081 shares of common stock with net proceeds of \$19.3 Mil.

Spread Income and Margin: NII-Net Interest Income declined 3.8% sequentially to \$11.8 Million and NIM-Net Interest Margin compressed 47bps to 4.53%. Gross loans increased \$1.7 Mil, or 0.2% sequentially, to \$849.3 Mil with notable growth in CRE-Commercial Real Estate loans (up \$29.6 Mil) and commercial loans (up \$8.5 Mil), partially offset by SBA loans held for sale (down \$34.5 Mil). Average loans were \$846.6 Mil, or 81.8% of average earning assets, down from 82.4% the previous quarter. Loan yields compressed 48bps to 8.14% and earning asset yields compressed 51bps to 7.58%.

Funding Sources and Costs: Total deposits increased \$51.6 Mil, or 5.8% sequentially, to \$935.1 Mil. Non-interest-bearing deposits increased 4.3% to \$239.7 Mil, or 25.6% of total deposits, and non-CD deposits increased 4.6% sequentially to \$564.5 Mil, or 60.4% of total deposits. Average borrowings and debt were \$26.1 Mil, or 3.7% of average interest-bearing liabilities, down from 4.0% the previous quarter. Cost of total deposits expanded 1bps to 3.37% and cost of total funds expanded 1bps to 3.40%.

Credit Quality: GBFH booked a provision of \$1.4Mil, compared to \$570,000 the previous quarter. NCO-Net Charge-Offs were \$157,000, compared with Recoveries of \$22,000 in 3Q24. NPA-Non-Performing Assets, excluding government-guaranteed loan balances, were \$4.8 Mil, or 0.57% of Loans+OREO, compared with \$1.6 Mil, or 0.18%, the previous quarter. Reserves ended the quarter at \$9.1 Mil, or 1.48% of non-government-guaranteed loans.

Non-Interest Items and Efficiency Ratio: Core non-interest income increased 72% sequentially to \$1.8 Mil, or 0.65% of average assets, up from the trailing four-quarter average of 0.40%. The increase was centered in net interchange fees (up \$704,000) due to increased credit-card-transaction volume. The company also booked gains on sale of SBA loans of \$4.0 Mil, compared with \$2.8 Mil the previous quarter. Core non-interest expenses increased 3.7% sequentially to \$9.3 Mil, or 3.46% of average assets, down from the trailing average of 3.50%. The increase was driven by miscellaneous expenses (up \$386,000). GBFH recorded \$367,000 of stock compensation cost associated with a one-time employee stock grant distributed in Nov 2024. We estimate that the company's efficiency ratio was 53.3%, compared with 55.9% the previous quarter.

GBFH (Las Vegas, NV--\$545 Mil. Mkt. Cap, \$1.0 Bil. Assets, \$39.00, 0.0% Yld)

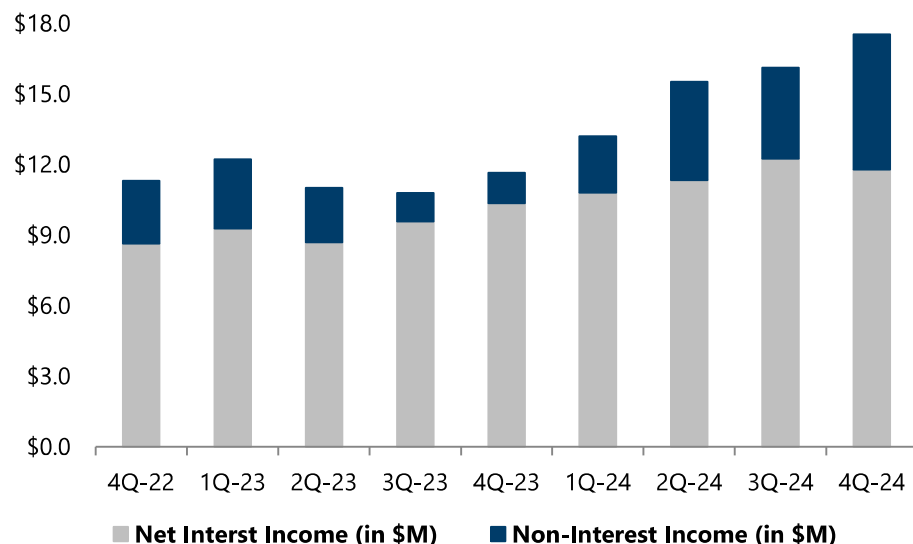
	3Q-2024	Δ	4Q-2024	Consensus	Variance Per Share
EPS	\$0.37	-	\$0.36	\$0.32	\$0.04
Operating/Core EPS*	\$0.37	-	\$0.38		
Janney Estimate	\$0.30	-	\$0.32		
Net Interest Income	12.3	(3.8%)	11.8	11.9	(\$0.00)
Loan Loss Provision	0.6	133.6%	1.4	1.1	(\$0.01)
Core Non-Interest Income (ex. sec.)	1.0	72.0%	1.8	1.1	\$0.02
Core Non-Interest Expense	9.0	3.7%	9.3	9.0	(\$0.01)
Net Charge-Offs	-0.02	(814%)	0.16		
NCOs % of Avg Total Loans (bps)	-1	8bps	7	0	7
Tangible Book Per Share	\$8.91	10.8%	\$9.87	\$9.53	\$0.34
Net Interest Margin	5.00%	(47)bps	4.53%	4.75%	(0.22%)
Gross Loans (\$Mil.)	849.3	(0.1%)	848.6	867.0	
TCE Ratio (TCE/TA)	11.11%	143bps	12.54%		
NPAs to Loans/REO	0.18%	39bps	0.57%		

*Core EPS exclude various one-time items

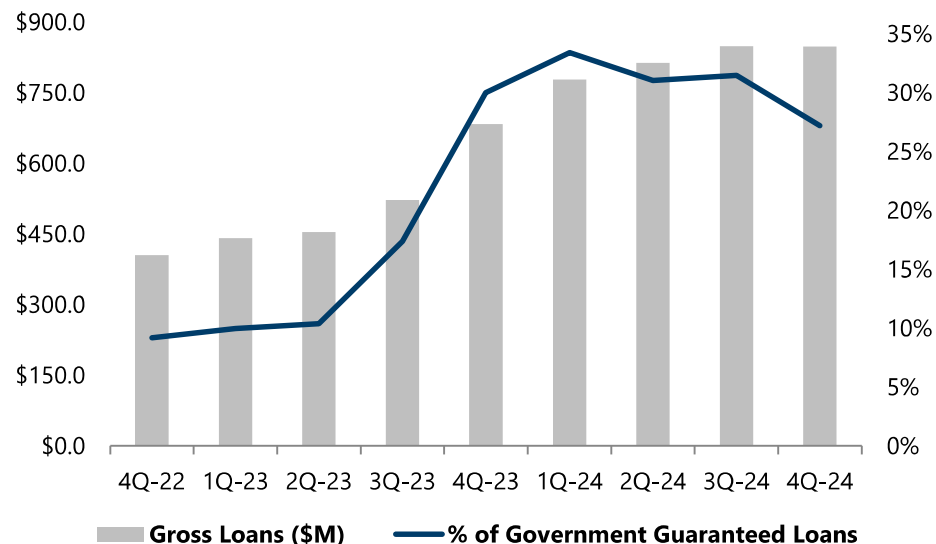
Source: Janney Research (FIG Group), S&P Global Market Intelligence

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

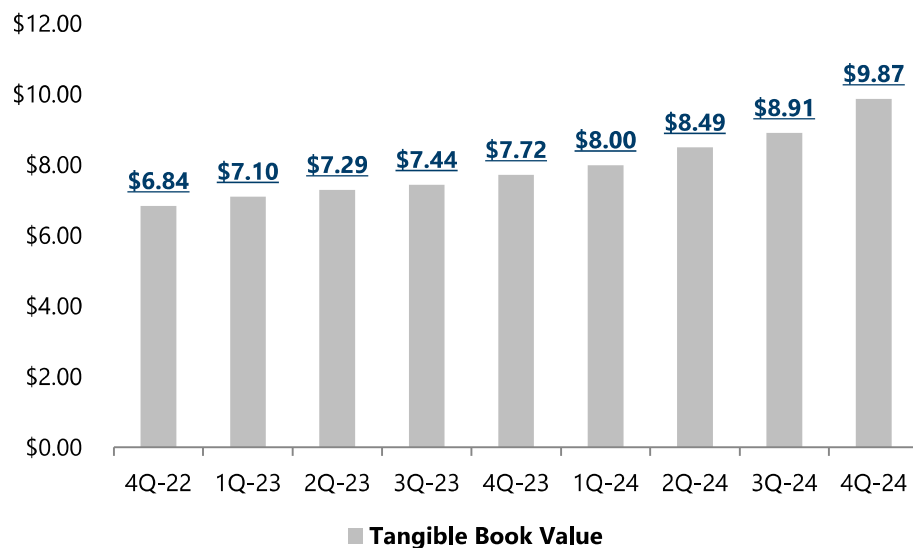
Operating Revenue Trends



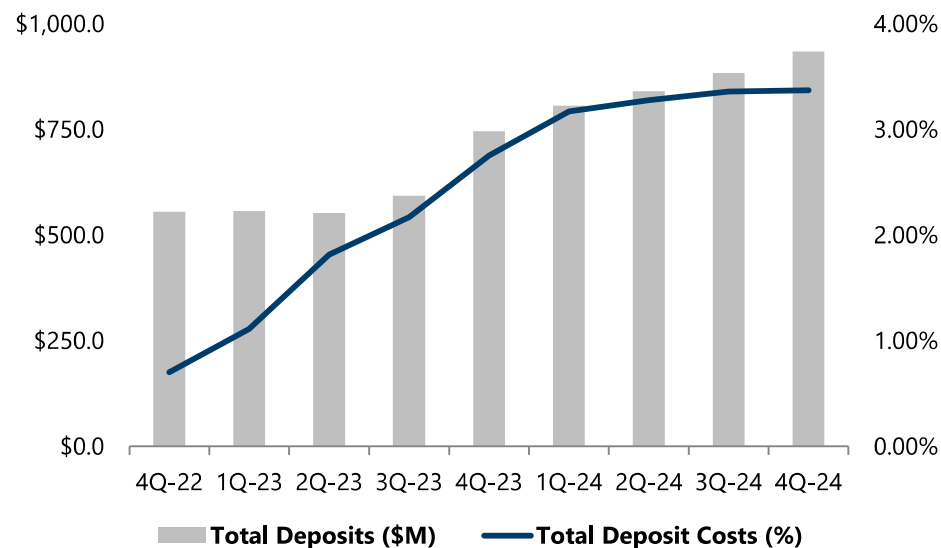
Percent of Government Guaranteed Loans



Tangible Book Value Growth Since 4Q-22



Deposit Trends



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

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

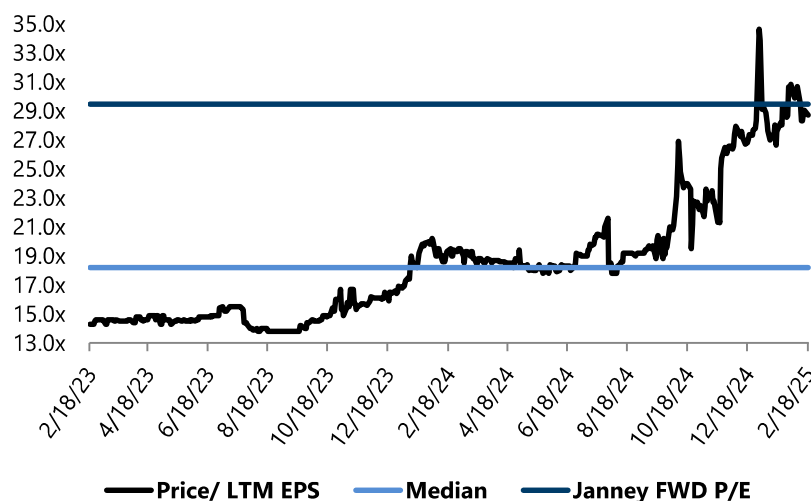
	1Q 2025	+	2Q 2025	+	3Q 2025	+	4Q 2025	=	1-Year Fwd Value	x	Terminal Multiple	=	1-Year Fair Value
Earnings per Share	\$0.26		\$0.34		\$0.46		\$0.47		\$1.53		29.5x		\$45.00
Pre-Pre EPS	\$0.48		\$0.60		\$0.70		\$0.74		\$2.52		17.8x		\$45.00
Core EPS	\$0.31		\$0.39		\$0.46		\$0.47		\$1.63		27.6x		\$45.00
Tangible Book							\$11.16		\$11.16		403%		\$45.00

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.

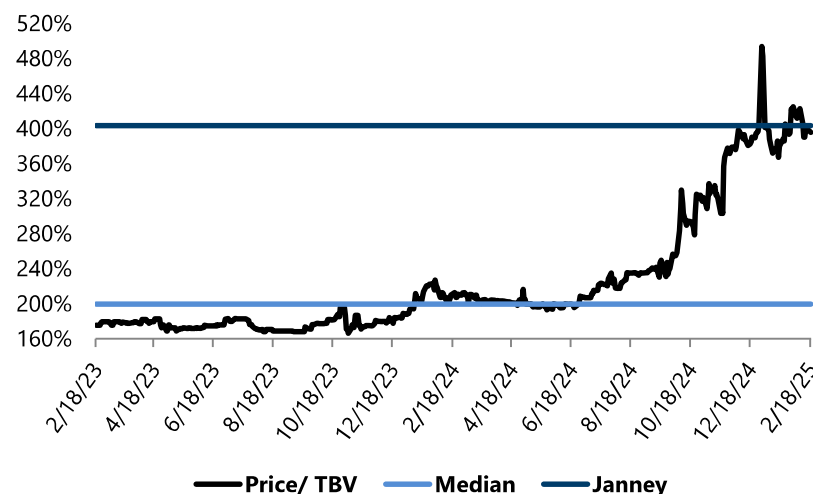
The horizontal lines show the two-year medians (light blue line) and Janney estimated forward multiples (blue).

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			
	2024A	2025E	2026E	1Q24A	2Q24A	3Q24A	4Q24A	1Q25E	2Q25E	3Q25E	4Q25E	1Q26E	2Q26E	3Q26E	4Q26E
Income Data: (\$ in Millions)															
Net Interest Income (FTE)	\$46.2	\$52.7	\$65.2	\$10.8	\$11.3	\$12.3	\$11.8	\$12.0	\$12.5	\$13.6	\$14.5	\$14.4	\$15.5	\$16.9	\$18.3
Loan Loss Provision	\$2.2	\$5.9	\$7.0	\$0.0	\$0.3	\$0.6	\$1.4	\$1.1	\$1.3	\$1.6	\$1.9	\$0.7	\$1.8	\$2.1	\$2.3
Non-Interest Income	\$4.1	\$10.0	\$12.5	\$0.3	\$1.0	\$1.0	\$1.8	\$2.0	\$2.2	\$2.7	\$3.1	\$2.8	\$3.1	\$3.2	\$3.4
Gain/Loss on Loan Sales	\$12.1	\$13.6	\$15.1	\$2.1	\$3.2	\$2.8	\$4.0	\$2.8	\$3.6	\$3.8	\$3.4	\$3.2	\$4.0	\$4.2	\$3.7
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	(\$1.1)	(\$2.0)	\$0.0	(\$0.4)	(\$0.3)	\$0.0	(\$0.4)	(\$1.0)	(\$1.0)	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Non-Interest Expense	\$35.2	\$39.5	\$44.6	\$7.9	\$8.9	\$9.0	\$9.3	\$9.8	\$9.7	\$9.8	\$10.2	\$10.3	\$10.9	\$11.4	\$12.0
Pre-Tax Income	\$23.9	\$28.9	\$41.2	\$4.8	\$6.1	\$6.5	\$6.5	\$4.9	\$6.4	\$8.7	\$9.0	\$9.3	\$9.9	\$10.8	\$11.1
Taxes (w/ FTE adj.)	\$5.3	\$6.7	\$9.5	\$1.1	\$1.4	\$1.5	\$1.2	\$1.1	\$1.5	\$2.0	\$2.1	\$2.1	\$2.3	\$2.5	\$2.6
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	\$18.6	\$22.3	\$31.7	\$3.7	\$4.7	\$5.0	\$5.2	\$3.8	\$4.9	\$6.7	\$6.9	\$7.2	\$7.6	\$8.3	\$8.6
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	\$18.6	\$22.3	\$31.7	\$3.7	\$4.7	\$5.0	\$5.2	\$3.8	\$4.9	\$6.7	\$6.9	\$7.2	\$7.6	\$8.3	\$8.6
Avg. Shares O/S	13.7	14.6	14.6	13.2	13.4	13.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6	14.6
Earnings Per Share (EPS)	\$1.37	\$1.53	\$2.17	\$0.28	\$0.35	\$0.37	\$0.36	\$0.26	\$0.34	\$0.46	\$0.47	\$0.49	\$0.52	\$0.57	\$0.58
Per Share Data:															
Reported Book Value	\$9.87	\$11.16	\$13.30	\$8.00	\$8.49	\$8.91	\$9.87	\$9.92	\$10.25	\$10.70	\$11.16	\$11.65	\$12.16	\$12.72	\$13.30
Tangible Book Value	\$9.87	\$11.16	\$13.30	\$8.00	\$8.49	\$8.91	\$9.87	\$9.92	\$10.25	\$10.70	\$11.16	\$11.65	\$12.16	\$12.72	\$13.30
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	\$1.98	\$2.52	\$3.29	\$0.40	\$0.50	\$0.52	\$0.56	\$0.48	\$0.60	\$0.70	\$0.74	\$0.69	\$0.80	\$0.88	\$0.92
CORE GAAP EPS	\$1.42	\$1.63	\$2.17	\$0.31	\$0.37	\$0.37	\$0.38	\$0.31	\$0.39	\$0.46	\$0.47	\$0.49	\$0.52	\$0.57	\$0.58
KEY Ratios:															
Net Interest Margin	4.80%	4.47%	4.59%	4.85%	4.82%	5.00%	4.53%	4.46%	4.42%	4.48%	4.50%	4.46%	4.55%	4.62%	4.72%
Return on Avg Assets	1.73%	1.70%	1.99%	1.58%	1.89%	1.97%	1.94%	1.34%	1.65%	2.13%	2.11%	2.08%	2.11%	2.19%	2.14%
Return on Avg Equity	13.51%	13.96%	16.64%	14.59%	17.49%	17.38%	15.21%	10.64%	13.36%	17.46%	17.33%	17.22%	17.59%	18.28%	17.97%
Pre-Tax Pre-Provision ROA	2.52%	2.80%	3.02%	2.25%	2.69%	2.79%	3.04%	2.48%	2.92%	3.27%	3.30%	2.92%	3.25%	3.40%	3.37%
Return on Tang. Comm. Equity	13.25%	13.67%	16.28%	14.43%	16.86%	17.24%	14.91%	10.50%	13.14%	17.08%	16.96%	16.86%	17.21%	17.87%	17.58%
Efficiency Ratio	56.37%	51.77%	48.06%	60.15%	57.14%	55.91%	53.26%	58.22%	52.64%	49.07%	48.42%	50.70%	48.02%	46.88%	47.10%
TCE/TA	12.54%	11.95%	11.74%	10.65%	10.99%	11.11%	12.54%	12.26%	12.07%	12.01%	11.95%	11.88%	11.82%	11.78%	11.74%
Period-End Balances: (\$ in Millions)															
Total Assets	\$1,122	\$1,364	\$1,658	\$963	\$1,009	\$1,048	\$1,122	\$1,178	\$1,237	\$1,299	\$1,364	\$1,432	\$1,504	\$1,579	\$1,658
Net Loans	\$839	\$1,092	\$1,377	\$771	\$806	\$841	\$839	\$883	\$942	\$1,013	\$1,092	\$1,115	\$1,190	\$1,279	\$1,377
Total Deposits	\$935	\$1,164	\$1,450	\$807	\$840	\$884	\$935	\$978	\$1,033	\$1,096	\$1,164	\$1,212	\$1,286	\$1,365	\$1,450
Intangibles	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Common Equity	\$141	\$163	\$195	\$103	\$111	\$116	\$141	\$144	\$149	\$156	\$163	\$170	\$178	\$186	\$195

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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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

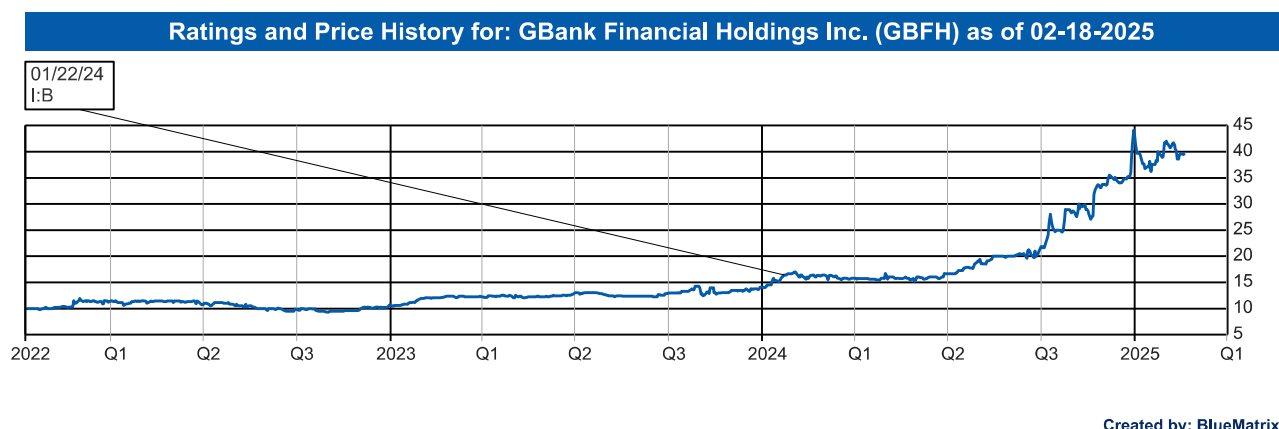
BUY: Janney expects that the subject company will appreciate in value. Additionally, we expect that the subject company will outperform comparable companies within its sector.

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 12-31-2024

IB Serv./Past 12 Mos.*

Rating	Count	Percent	Count	Percent
BUY [B]	155	55.96	24	15.48
NEUTRAL [N]	122	44.04	15	12.30
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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