



Formerly Covered by
FIG Partners LLC

Christopher Marinac, CFA 404-601-7210
 Freddie Strickland 404-601-7256

cmarinac@janney.com
 fstrickland@janney.com

Banks & Thrifts

Price:	\$8.71
Fair Value Estimate:	\$11.00
52-Week Range:	\$7.54 - \$9.15
Market Cap (MM):	\$116
Shr.O/S-Diluted (mm):	13.3
Average Daily Volume:	13,429
Dividend:	\$0.00
Yield:	0.0%
Tang Book Value:	\$8.64
Tang Comn Equity Ratio:	10.2%
Price/Tangible Book:	0.99x

FYE: Dec	2018A	2019A	2020E
EPS - non-GAAP	\$0.41A	\$0.55A	\$0.70E
Adjusted: Prior EPS - non-GAAP		\$0.52	NC
P/E non-GAAP Ratio:	21.2x	15.8x	12.4x

Quarterly EPS - non-GAAP Adjusted:

	2019Q4	2019Q3	2019Q2	2019Q1
Q1	\$0.15A	\$0.11A	\$0.14E	
Q2	\$0.09A	\$0.13A	\$0.16E	
Q3	\$0.08A	\$0.14A	\$0.19E	
Q4	\$0.08A	\$0.15A	\$0.21E	

January 29, 2020

Bay Banks of Virginia, Inc. (BAYK) - BUY

BAYK Reports 4Q EPS Of \$0.15, Beating Estimates By \$0.02. Solid Deposit Growth.

PORTFOLIO MANAGER BRIEF

- 4Q19 EPS of \$0.15 beat our \$0.13 estimate. Janney is the sole projection on BAYK shares.
- Beat versus our estimates driven by Spread Income and a higher NIM-Net Interest Margin, growth in Fee Income on Wealth Management. 4Q's core pre-tax, pre-provision ROA was stable near 1.00% vs. 3Q19.
- Spread Income up 1.2% L-Q on 11 bp beat on NIM-Net Interest Margin of 3.43%, largely due to a jump in accretion income to 21 bps. Deposit costs fell 6bps L-Q. We like the 1.9% Total Deposit growth, which was +4.7% excluding CDs and the DDA ratio improved to 15% from 14% - all positive progress for BAYK.
- Expenses were slightly higher than our estimates due to higher personnel expenses and higher FDIC assessments, partially offset by lower ORE losses.
- Asset quality improved as NPAs declined by \$3M to 0.56% of Total Assets, primarily driven by a \$2.2M decline in a C&I participation to a professional services firm.
- BAYK repurchased 72k shares for \$580k in 4Q-19. Tangible capital (TCE) is strong at 10.2%. Tangible book value per share rose at a 7% annual pace.

ANALYST NOTES

We reiterate our BUY rating on BAYK trading at 101% of tangible book for 12-31-19. See our quarterly trends at BAYK, below and on Page 2.



Ticker	Actual	Operating	Janney
BAYK	\$0.15	\$0.15	\$0.13
AVG. SHARES (M)			
Actual	13.1	Janney Est	13.1
NIM (Margin)			
Actual	3.43	Janney Est	3.32
NII (Spread -\$M)*			
Actual	\$9.1	Janney Est	\$8.8
LOANS (\$M)			
Actual	\$925	Janney Est	\$941
PRE-TAX (\$M)			
Actual	\$2.5	Janney Est	\$2.1
PROVISION (\$M)			
Actual	\$0.3	Janney Est	\$0.4
EXPENSES			
Actual	\$7.7	Janney Est	\$7.5
NON-INTEREST INCOME			
Actual	\$1.4	Janney Est	\$1.2

Source: Janney Research (FIG Group), Bloomberg LP

BAYK (Richmond, VA--\$116 Mil. Mkt. Cap, \$1.1 Bil. Assets, \$8.71, 0.0% Yld)

	3Q-2019	Δ	4Q-2019
EPS	\$0.13	\$0.02	\$0.15
Operating/Core EPS*	0.14	-	0.15
Janney Estimate	-	-	0.13
Street Estimate	-	-	0.13
Net Interest Income	9.0	1.2%	9.1
Loan Loss Provision	0.5	nm	0.3
Core Non-Interest Income (ex. sec.)	1.2	9.4%	1.3
Core Non-Int. Expense (sans OREO)	7.4	3.9%	7.7
Net Charge-Offs	0.5	(48.7%)	0.2
NCOs % of Avg Loans (bps)	21	(10)bps	11
NCOs % of Provision	97%	(0)bps	79%
Tangible Book Per Share	\$8.49	1.8%	\$8.64
Net Interest Margin	3.45%	(2)bps	3.43%
Non-Acquired Loans, Net. (\$Mil.)	924.3	(0.8%)	916.6
TCE Ratio (TCE/TA)	10.30%	(10)bps	10.20%
NPAs % of Loans+OREO	1.01%	(32)bps	0.70%

***Core EPS eliminate merger costs, securities gains, and other one-time items.**

Source: Janney Research (FIG Group), company disclosures

IMPORTANT DISCLOSURES

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.

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Data sources for the report are Bloomberg Financial L.P., SNL Financial LC, Stockcharts.com, Thomson Financial and regulatory filings.

The research analyst is compensated based on, in part, Janney Montgomery Scott's and/or its affiliate, FIG's profitability, which includes its investment banking revenues.

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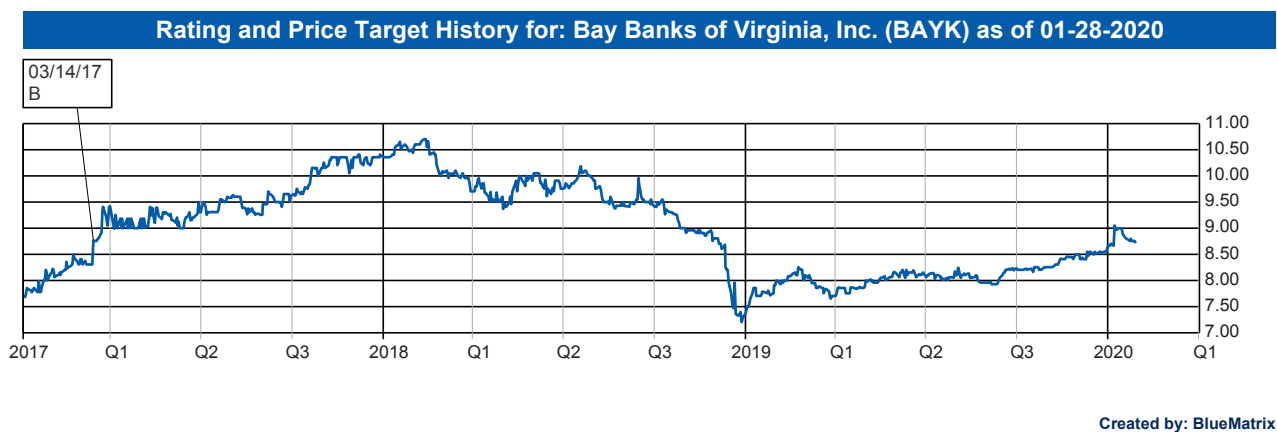
Definition of Ratings

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.

Price Charts



Janney Montgomery Scott Ratings Distribution as of 12/31/2019

Rating	Count	Percent	IB Serv./Past 12 Mos.*	
			Count	Percent
BUY [B]	167	51.38	35	20.96
NEUTRAL [N]	157	48.31	23	14.65

SELL [S]

1

0.31

0

0.00

*Percentages of each rating category where Janney has performed Investment Banking services over the past 12 months.

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