Initial Research Report

Investors should consider this report as only a single factor in making their investment decision.

GreenBox POS

Rating: Speculative Buy

Howard Halpern

GBOX $4.96 — (NASDAQ)

December 16, 2021

	2018 A	2019 A	2020 A	***2021 E***	***2022 E***
Total Revenue (in millions)	$0.9	$10.0	$8.5	***$28.0***	***$68.5***
Earnings (loss) per share*	($0.13)	($0.17)	($0.17)	***($0.62)***	***($0.33)***

52-Week range	$20.78 – $4.02	Fiscal year ends:	December
Shares outstanding a/o 11/09/21	43.2 million	Revenue/shares (ttm)	$0.63
Approximate float	20.1 million	Price/Sales (ttm)	7.9X
Market Capitalization	$214.3 million	Price/Sales (2022) E	3.1X
Tangible Book value/shr	$0.99	Price/Earnings (ttm)	NMF
Price/Book	5.0X	Price/Earnings (2022) E	NMF

All per share figures reflect the February 17, 2021 1 for 6 reverse stock split

GreenBox POS, headquartered in San Diego, California, is a fintech (financial technology) company that leverages its proprietary blockchain-based payment processing ecosystem and token technology to create customized payment solutions for its global customer base.

Key Investment Considerations:

Initiating GreenBox POS with a Speculative Buy rating and 12-month price target of $10.50 per share.

GreenBox has substantial growth potential for its proprietary secure blockchain (a distributed digital encrypted ledger) payment processing closed loop ecosystem that can create customized payment solutions for its global customer base. Consulting firm McKinsey & Company is forecasting the global payment market reaching $2.5 trillion by 2025 from $1.9 trillion in 2020 for annualized growth of 5.6%.

The company's strategy to drive global payment processing transaction volume should be supported by the 4Q20 launch of its Gen3 rapid scale blockchain based payment process platform, the acquisition of merchant customer portfolios, and organic growth of merchant customers. In 3Q21, GBOX's transaction volume growth strategy helped drive a nearly fourteen-fold increase in transaction volume to $540 million compared to 3Q20.

In 2022, the company anticipates a full launch of its COYNI stablecoin token (a class of cryptocurrency offering price stability and backed by a reserve asset) offering. COYNI will use the US dollar as its reserve asset and also provide instant settlement that will be reversible using GBOX's secure blockchain based payment processing ecosystem. In 1H21, analysts estimate that stablecoin transaction volume was $3 trillion.

For 2021, we project a net loss of $23.5 million or ($0.62) per share, on revenue growth more than tripling to $28 million reflecting payment processing transaction volume of nearly $1.9 billion. Our net loss forecast includes non-cash stock compensation expense of $20 million.

For 2022, we project a net loss of $14 million or ($0.33) per share, on 144.7% revenue growth to $68.5 million reflecting payment processing transaction volume of $4.9 billion on GBOX's Gen3 blockchain platform. Our revenue forecast reflects acquisitions of merchant portfolios in 2021 and early 2022, organic growth of new merchant customers, and partner relationships. Our net loss forecast includes estimated stock based compensation of $6.8 million and non-cash interest expense and debt amortization of $16 million.

Please view our Disclosures on pages 17 - 19

Appreciation Potential

Initiating GreenBox POS with a Speculative Buy rating and 12-month price target of $10.50 per share. Our rating and price target reflects projected growth in payment processing transaction volume that should reach $4.9 billion in 2022 from an estimated $1.9 billion in 2021, driven by an expanded global customer base utilizing GBOX's Gen3 blockchain based payment processing technology platform, as well as a swing to an operating profit and cash earnings growth in 2022.

Our 12-month price target of $10.50 per share implies shares could more than double over the next twelve months. According to finviz.com (as of 12/10/21), the average price-to-sales multiple for companies in the software infrastructure and credit service industries is 8.6X, compared to GBOX's trailing price-to-sales multiple of 7.9X. We anticipate investors are likely to accord GBOX the sector multiple given its forecasted revenue growth of 144.7% in 2022 compared to estimated growth of 23.7% for the industries. We applied a price-to-sales multiple of 8.6X to our 2022 sales per share forecast of $1.62, discounted for execution risk and potential dilution related to the company's $100 million convertible debt offering (November 2021), to obtain a year-ahead price target of approximately $10.50 per share.

GBOX's valuation improvement is contingent upon it consistently demonstrating quarterly revenue growth and producing increased cash earnings. In 2022, we forecast cash earnings of $6.2 million, up from estimated cash earnings of nearly $2.4 million in 2021. In 2020, cash burn was $640,000. In 2022, we forecast an operating profit of $7.8 million from a projected loss of $14.3 million in 2021 (includes non-cash stock based compensation of $6.8 million and $20 million, respectively, in 2022 and 2021).

Overview

GreenBox POS, headquartered in San Diego, California, is a financial technology (fintech) company that aims to leverage its proprietary secure blockchain (a distributed digital encrypted ledger) based payment processing ecosystem to create customized payment solutions for its global customer base. The company's technology solutions have been designed to enable its customers to have an end-to-end (closed loop) complete ecosystem that includes technologies that reduce fraud and improve the efficiency of handling large-scale commercial processing volumes for its customer base of global merchant clients.

Generating revenue from payment processing transaction volume is based on a percentage of each transaction's value and/or a fixed amount specified for each transaction. Revenue or transaction volume recognition occurs as the transaction or service is performed. The GreenBox platform enables transfers to take place instantaneously allowing the transaction experience to appear as an ordinary credit and/or debit card transaction to the consumer and merchant.

The company is continuing development of its COYNI stablecoin token (a class of cryptocurrency offering price stability and backed by a reserve asset) offering. COYNI will use the US dollar as its reserve asset and also provide instant transaction settlement and the capability to reverse the transaction using GBOX's secure blockchain based payment processing ecosystem. A complete launch of COYNI should occur in 2022.

<u>History</u>

The company was incorporated in April 2007 in Nevada as ASAP Expo, Inc. In April 2018, PrivCo became the owner of the majority common stock shareholder through a company call PubCo. Fredi Nisan and Ben Errez were the control persons of PubCo and became the sole officers and directors of PrivCO. In January 2020, an asset purchase agreement was finalized whereby PrivCo acquired a blockchain gateway and payment system business, a point of sale system business, a delivery business, a kiosk business, and bank and merchant accounts, as well as all intellectual property related to today's GreenBox operations.

In May 2018, PubCo changed its name to GreenBox POS LLC then subsequently changed its name to GreenBox POS in December 2018.

Offerings

Generation 3 (Gen3) Rapid Scale Technology Platform

The key element to the company's Gen3 technology solution is its blockchain enabled settlement engine for financial transactions that enables increased speed and security in order to log immense volumes of immutable (unchanging overtime) transactional records in real time for tier-1 partners (see chart below) globally. In 2020, the company processed transactions for approximately 4,000 customers in over twenty-five industries including the foreign exchange, retail, and e-commerce sectors. Quarterly transaction volume increased nearly fourteen-fold to $540 million in 3Q21 compared to the same period last year, with 2021 transaction volume forecast to approach $1.9 billion.

The Gen3 platform includes a banking white label application, enhanced payment facilitation management technology, stablecoin support especially for the company's new COYNI offering, a new payment platform, and more advanced ledger secure token technology. The company's Gen3 technology platform was designed make onboarding, transactions, and off-boarding much easier than its prior payment processing transaction platform.

GreenBox anticipates that its Gen3 platform should enable it to accelerate customer onboarding, provide a new white label banking solution, blockchain provenance (place of origin), and be the foundation of the company's complete technology platform. The Gen3 platform has virtually unlimited scalability with the ability to handle billions of dollars of payment processing transaction volume annually. The Gen3 platform, partnerships, and acquisition should enable the company to enter new verticals such as cannabis and gaming.

COYNI

In October 2021, GreenBox introduced COYNI, a secure token technology that is part of an asset class called a smart contract or Stablecoin. Smart contracts are programs stored on a blockchain that run when predetermined conditions are met and are used to automate the execution of an agreement so contract participants can be immediately certain of the outcome, without any intermediary's involvement or time loss. Stablecoins are generally created (or minted) in exchange for fiat currency that an issuer receives from a user or third-party. To maintain a stable value relative to fiat currency, many stablecoins offer a promise or expectation that the coin can be redeemed at par upon request. While there are no standards regarding the composition of stablecoin reserve assets, COYNI will provide transfers that are equivalent to the value of the US dollar on a one-to-one ratio. The company has not and will never use derivative securities (such as treasury securities) to back the COYNI asset.

The COYNI offering is designed as a transactional stablecoin with intrinsic value attached to the US dollar, at lower fees and having an instant settlement using GBOX's blockchain based payment process technology ecosystem. The most important design aspect of COYNI is the transaction is reversible within a compliant smart contract based architecture.

The company continues to plan for the COYNI spin off and public offering. In November 2021, Paul Levine was appointed to the position of CEO (he is also the co-founder) for the company's COYNI Stablecoin spinoff company. Since 2010, he previously served as President of Planet Payment, an integrated digital payments provider.

Growth Strategy

GreenBox aims to grow payment processing transaction volume that will operate on its Gen3 blockchain based technology platform through partnerships, acquisitions, as well as the launch of its stablecoin offering COYNI.

Partnerships
The company's partnerships are helping to build a foundation and the ability to scale its Gen3 payment processing blockchain based technology platform, as well as assisting in the launch of its COYNI offering.

In April 2021, the company selected Signature Bank (the first FDIC-insured bank to launch a blockchain-based digital payments platform) as the bank to meet its smart-contract token infrastructure needs, and partnered with Armanio Auditors to obtain SOC-2 compliance (a compliance standard for service organizations, developed by the American Institute of CPAs that specifies how organizations should manage customer data), and Elliptic in order to implement anti-money laundering monitoring systems for crypto-assets. In May 2021, the company announced a partnership with isMedia in which GBOX will provide payment gateways and payment settlement solutions for the platform while isMedia develops the NFT (non-fungible token) platform user interface and user experience.

In 1Q21, the company announced it joined Visa's fintech fast track program. By joining the program, GreenBox can more easily leverage the reach, capabilities, and security that VisaNet (a global payment network) provides. This program and other program partners should enable GreenBox the ability to issue a co-branded Visa card and direct push-to-card payments.

As of September 30, 2021, the company continues to work towards the completion of compliance and integration with one of its largest customers, Fiserv. The relationship with Fiserv could organically enhance payment processing transaction volume primarily with customers in higher risk industries such as Cannabis. This relationship could provide COYNI the ability to provide peer-to-peer money transfers via the company's Gen3 platform.

Acquisitions
We anticipate transaction volume growth occurring through acquisitions of global customer portfolios and the subsequent onboarding to the company's Gen3 platform that will enable large scale transaction volume throughput, as well as organic growth of new merchant customers. In 2021, the company acquired ChargeSavvy and Northeast Merchant Services which drove a near fourteen-fold increase in transaction volume to $540 million in 3Q21 compared to the year-ago period. A key growth driver to increase transaction volume and manage risk on the company's Gen3 platform was acquiring Northeast Merchant Services which, in addition to a merchant customer base, obtained a bank identification number (BIN) that enables GBOX to act as an acquiring bank (a BIN helps merchants evaluate and assess their payment card transactions) that provides the ability to seamlessly onboard customers.

While the company is waiting for regulatory bank approval with regards to its pending acquisition of Transact Europe, it has a revenue sharing and licensing cooperation agreement in place that enables GreenBox to leverage key licensing assets and recognize processing volume starting in 4Q21. This acquisition, combined with GBOX's technology platform, provides the opportunity to fill a void left after one of Europe's payment processors (Wirecard) left the market. The expectation is that Transact Europe will experience organic growth as the existing management team will be eligible for significant earn-outs as transaction volume milestones are achieved.

Stablecoin
COYNI's operations should enhance GBOX's overall transaction volume, as well as its own revenue generating capability. In order to support the complete launch and future growth, the company will increase the capital backing COYNI's infrastructure at Signature Bank to $25 million. The company plans on adding COYNI users during 2022, with the only constraint being the amount of capital being held at Signature Bank.

The company is expected to launch a fully customized financial solution in order to support the entire island of American Samoa through its Territorial Bank (of American Samoa) which will be used as its first closed loop reference customer. Once the deployment occurs, American Samoa will utilize the GreenBox Gen3 platform (including COYNI) to support all the merchant services, peer to peer payments, electronic bank transfers, ATM, blockchain ledger, financial banking, card issuance and banking related services within this territory. This deployment will demonstrate how GBOX and COYNI will drive future revenue generating operations.

Branding
In 4Q21, the company commenced an initiative to develop a unified marketing and branding strategy to new, existing, and potential customers and consumers globally. The initiatives will focus on messaging how its Gen3 blockchain based payment processing technology platform and the COYNI offering will add value to payment processing customers. To enable the development of the company's market program was the appointment of Jacqueline B. Reynolds as Chief Marketing Officer (on November 16, 2021). She most recently served as VP of Marketing for Sprouts Farmers Market. Reynolds holds a Bachelor of Science degree in Communications from the University of Miami.

Projections

Basis of Forecast
Supporting our forecast is the rapid increase in transaction volume on the company's blockchain technology payment platform that should reach an estimated $4.9 billion in 2022, up from an estimated $1.9 billion in 2021. The rapid increase in transaction volume reflects acquisitions completed in 2021 and two that are expected to close in January 2022, as well as organic growth through the deployment of GBOX's Gen3 rapid scale payment processing platform. We are not including the likelihood of additional acquisitions that should add merchant customers to the company's payment processing platform.

In 2021, we anticipate an expansion of gross margin to 71.5% compared to 43.4% in 2020 with gross margin reaching 80% in 2022. Gross margin expansion stems from the company's ability to leverage its Gen3 technology platform.

Economy
In October 2021, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 5.9% for 2021 and 4.9% for 2022. While the IMF's growth projection for 2022 is unchanged from its earlier projection (July 2021), the 2021 projection is down from 6%. The 2021 downward revision primarily reflects supply disruptions and worsening pandemic dynamics.

The IMF revised its economic growth estimate for the US to an increase of 6% for 2021 and 5.2% for 2022. In July 2021, the IMF projected US economic growth of 7% and 4.9% for 2021 and 2022, respectively.

The second estimate of US GDP growth (released on November 24, 2021) showed the US economy increased at an annual rate of 2.1% in 3Q21, down from the 6.7% increase reported in 2Q21. The 3Q21 US GDP estimate primarily reflects increases in inventory investment, consumer spending, state and local government spending, and business investment, partially offset by decreases in housing investment, federal government spending, and exports.

Operations 2021
We project revenue growth more than tripling to $28 million from $8.5 million in 2020 due primarily to payment processing transaction volume reaching nearly $1.9 billion reflecting acquisitions in 1H21 and deployment of the company's Gen3 technology platform.

We forecast gross profit increasing to $20 million from $3.7 million in 2020 due to revenue growth and gross margin expanding to 71.5% from 43.4% last year. We project the operating loss increasing to $14.3 million from $5.1 million in 2020. In 2021, we anticipate excluding non-cash stock-based compensation expense, operating income of nearly $5.8 million. We forecast operating expenses increasing to $34.3 million from $8.8 million in 2020. Our 2021 operating expense forecast includes an estimated $20 million in non-cash stock-based compensation expense compared to none in 2020. Operating expenses (excluding non-cash stock-based compensation) should increase to $14.3 million from $8.8 million in 2020. We anticipate the increase in operating expenses will be driven by higher R&D, payroll, and professional fees (combined) to $10.7 million from nearly $4.9 million.

We project non-operating expense of $5.3 million compared to income of $97,000. The increase reflects nearly $4.3 million stemming from interest expense from a debt discount.

We project a net loss of $23.5 million or ($0.62) per share compared to a loss of $5 million or ($0.17) per share. Our forecast reflects income tax expense of $3.9 million and non-cash stock-based compensation expense of $20 million.

Finances – 2021

We project cash earnings of $2.4 million and a nearly $26.2 million increase in working capital resulting in cash used in operations of $23.8 million. The proceeds from a common stock offering and issuance of convertible debt should cover cash used in operations, cash used for acquisitions, and repayment of debt. We anticipate cash increasing by nearly $94.9 million to $96.2 million at December 31, 2021.

Operations – 2022

We project revenue more than doubling to $68.5 million from an estimated $28 million in 2021 driven by new merchant customer's onboarding to the company's Gen3 blockchain based payment processing technology platform through organic growth and completed acquisitions in 2021, and two acquisition scheduled to close in January 2022.

We forecast gross profit more than doubling to $54.8 million from an estimated $20 million in 2021 due to revenue growth and gross margin expanding to 80% from an estimated 71.5%. We project a swing to an operating profit of $7.8 million (includes non-cash stock-based compensation of $6.8 million) compared to an operating loss of $14.2 million (includes non-cash stock-based compensation of $20 million) in 2021.

We forecast operating expenses increasing 37.1% to $47 million compared to an estimated $34.3 million last year. In each period, we estimate non-cash stock-based compensation expense of $6.8 million and $20 million, respectively. We estimate operating expense increasing (excluding the non-cash stock-based compensation) to $40.2 million from an estimated $14.3 million in 2021. The significant increase in operating expense reflects higher payroll, R&D, and G&A expenses to support the rapid increase in revenue.

We project non-operating expense of $16 million compared to $5.3 million. The increase reflects a full year of recording non-cash interest expense and debt discount expense stemming from the issuance of $100 million convertible debt in 4Q21.

We project a net loss of $14 million or ($0.33) per share compared to a loss of $23.5 million or ($0.62) per share. Our forecast reflects income tax expense of $5.8 million and non-cash stock-based compensation expense of $6.8 million compared to income tax expense of $3.9 million and non-cash stock-based compensation expense of $20 million in 2021.

Finances – 2022

We project cash earnings of $6.2 million and a $4.9 million increase in working capital resulting in cash from operations of $1.3 million. We estimate cash increasing $1.3 million to $97.4 million at December 31, 2022.

Market Briefs

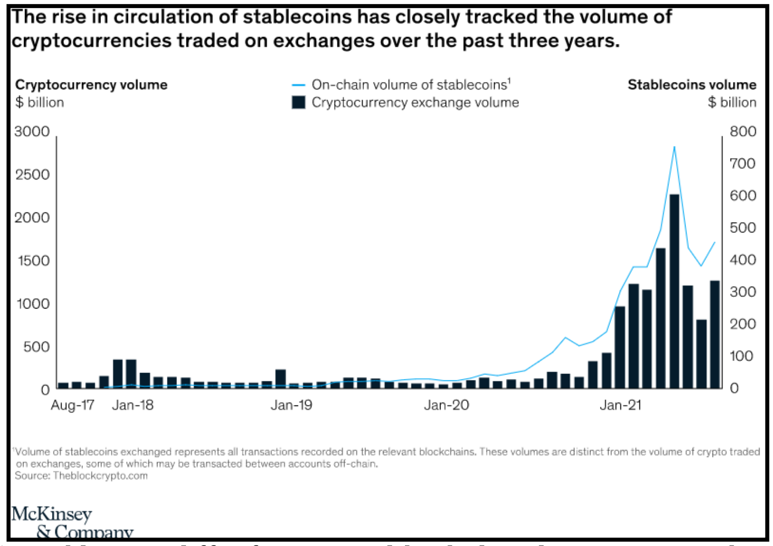
Global Payments

In October 2021, McKinsey & Company published The 2021 McKinsey Global Payments Report, which indicated that global payment market revenue declined in 2020 to $1.9 trillion globally from just under $2 trillion in 2019 due primarily to the COVID-19 pandemic. The report forecasts a return to mid-single-digit growth rates with the market reaching $2.5 trillion by 2025. The report observed that the field of digital currency is entering a critical new phase with a number of private firms planning the introduction of stablecoins, while a growing number of central banks are proceeding with plans for central bank digital currencies. Simultaneously, new regulations are under consideration with the dual objectives of consumer protection and preserving the efficacy of traditional monetary policy.

Blockchain

In March 2021, Grand View Research issued a report stating that the global blockchain technology market is expected to grow at a compounded annualized rate of 82.4% reaching $394.6 billion by 2028 from 2021. Driving growth is the increasing number of merchants accepting cryptocurrency along with investments by financial institutions in blockchain technology. The investments in blockchain by leading banks and other financial institutions have led to advancements in technology, thereby improving efficiency.

In November 2021, MarketsandMarkets published a report indicating that the blockchain technology market could reach $67.4 billion in 2026 from an estimated $4.9 billion in 2021 for a compounded annualized growth rate of 68.4%. Increases in the deployment of venture capital funds has and should continue to drive blockchain technology usage especially within the banking and cybersecurity sectors, and well as for payment, smart contracts, and digital identities.



Stablecoin

In October 2021, McKinsey & Company published an article that stated collectively, approximately $3 trillion in stablecoins from companies such as Tether and Circle were transacted in the first half of 2021 (see chart on the right). Stablecoins deliver value as a source of liquidity in the cryptocurrency ecosystem, often providing a safe haven for investors during times of heightened volatility by eliminating the need to enlist a regulated venue to convert cryptocurrency holdings back into fiat deposits. Stablecoins are collateralized by professionally audited reserves of fiat currency (such as the US dollar or short-term securities (currently under regulatory scrutiny). Stablecoins differ from central bank digital currencies as they are generally issued on private ledgers, can engage with smart contracts on public permission-less networks that enable decentralized financial services. The most significant use is that they are a medium for the instantaneous movement of value between exchanges and digital wallets and can take advantage of short-lived arbitrage opportunities, to settle bilateral over-the-counter trades or to execute cross-border payments. It is estimate that more than $1 trillion in stablecoin transaction volumes has occurred per quarter in 2021.

In July 2021, Prophecy Market Insights published a report on the Global StableCoin as a Service Blockchain Market that showed the market was $153.4 million in 2019 an is projected to grow annually by 18.9% reaching $920.1 million in 2029. The growth forecast should be supported by increased usage of non-cash payment alteratives.

Digital Payments

In June 2021, MarketsandMarkets published a report stating that the transaction value for the Global Digital Payments Market was more than $5.4 trillion in 2020, and it is projected to reach nearly $11.4 trillion by 2026 for annualized growth of 11.2%. The COVID-19 pandemic had a direct impact on e-commerce which should continue to strengthen international cooperation and further develop policies for online purchases and supply. Before the COVID-189 pandemic, the demand for cashless payments, was driven by greater convenience, favorable government policies, and evolving consumer behavior.

3Q21 and 9Mos21 Results

3Q21

The company reported revenue increased 163.2% to over $8 million from nearly $3.1 million in the year-ago period. Revenue growth reflects a nearly fourteen-fold increase in payment processing transaction volume to approximately $540 million that was primarily driven by the internal work that led to launching the company's Gen3 rapid scale technology platform at the end of 2020.

Gross profit increased 364.5% to $5.6 million from $1.2 million in 3Q20. The increase reflects sales growth and gross margin expansion to 69.9% from 39.6% in the year-ago period due to the on-boarding of higher margin merchant clients and the increase in transaction volume that produced significant overhead coverage. Cost of sales increased more than $575,000 to $2.4 million from $1.8 million due primarily to increased payment processing fees paid to gateways, as well as commission payments to the independent sales organizations responsible for establishing and maintaining merchant relationships stemming from increased transaction volume.

Operating expenses increased to $8.4 million from $1.5 million due to increased R&D expenses that led to the completion and launch of the new technologies (the Gen3 rapid scale technology platform), higher stock compensation expense for employees and services, as well as increased payroll expense from workforce expansion and hiring, and an increase in professional fees related to legal and audits costs. R&D expense was $1 million compared to $243,000 in 3Q20. Non-cash stock compensation expense was over $4 million compared to zero in the year-ago period. Payroll and professional fees combined totaled $2 million compared to $781,000 in 3Q20.

Loss from operations was $2.8 million compared to $248,000 in the year-ago period due primarily to recording non-cash stock compensation costs for employees and services, offset in part by higher sales and gross margin expansion. Operating margin expense was 104.1% compared to 47.7% in 3Q20. Excluding stock based compensation of approximately $4 million, operating margin expense in 3Q21 was 54.2%.

Non-operating expense was $42,000 compared to $244,000 in the year-ago period. Interest and other expense was $5,000 and $37,000, respectively, compared to $49,000 and $6,000 in 3Q20. The year-ago period included debt discount and derivative expenses and gain in fair value of derivative liability.

The net loss was $6.1 million or ($0.14) per share compared to $492,000 or ($0.02) per share. In the current period the company recorded non-cash income tax expense of nearly $3.3 million compared none in the year-ago period.

9Mos21

The company reported revenue increased 246.3% to over $19.2 million from $5.5 million in the year-ago period. Revenue growth reflects transaction volume exceeding $1.4 billion stemming from 4Q20 launch of the company's Gen3 rapid scale technology platform to existing and new customers.

Gross profit increased 580.9% to $13.8 million from $2 million in the year-ago period. The increase reflects sales growth and gross margin expansion to 72.2% from 36.7% in the year-ago period.

Operating expenses increased to nearly $26 million from $3.6 million due primarily to spending to support sales growth. The current period includes non-cash stock compensation for employees and services of nearly $16.3 million compared to zero last year.

In Thousands $	9 Mos. '21	9 Mos. '20	% D
Total revenue	$ 19,174	$ 5,536	246.3%
Cost of sales	5,338	3,504	52.3%
Gross Profit	13,836	2,032	580.9%
Total Operating Expenses	25,988	3,646	612.8%
Operating Income (loss)	(12,152)	(1,614)	NMF
Total Other Income (expense)	(4,013)	825	NMF
Pre-Tax Income (loss)	(16,165)	(789)	NMF
Income Tax Expense (Benefit)	3,254	-	
Net income (loss)	(19,419)	(789)	NMF
Earnings per share	$ (0.49)	$ (0.03)	
Avg Shares Outstanding	39,950	29,499	
Adjusted EBITDA	4,556	(1,590)	
Margin Analysis			
Gross margin	72.2%	36.7%	
Operating margin	(63.4%)	(29.2%)	
Pre-tax margin	(84.3%)	(14.3%)	

Source: company reports

Loss from operations increased to $12.2 million compared to $1.6 million in the year-ago period due primarily to recording non-cash stock compensation costs for employees and services, offset in part by sales growth and gross margin expansion. In 9M21, excluding stock based compensation of $16.3 million, the company would have reported operating income of over $4.1 million.

Non-operating expense was $4 million compared to income of $825,000 in the year-ago period. In the current period, interest, debt discount, merchant liability settlement, and other expense was $599,000, $3 million, $364,000, and $56,000, respectively. In the year-ago period, the company recorded a gain from extinguishment of convertible debt of $2.6 million, offset in part by expenses related to interest ($373,000), debt discount ($122,000), derivatives ($926,000), and a change in fair value of derivative liability ($384,000), as well as other ($2,000).

The net loss was $19.4 million or ($0.49) per share compared to $789,000 or ($0.03) per share. In the current period the company recorded non-cash income tax expense of nearly $3.3 million compared none in the year-ago period.

Finances
In 9Mos21, the company reported cash earnings of $936,000 and nearly $15 million increase in working capital resulting in cash used in operations of $14 million. Proceeds from a common stock offering and exercise of common stock warrants more than offset cash provided for acquisitions and repurchase of common stock. Cash increased by nearly $27.9 million to $29.2 million at September 30, 2021.

Capital Structure
On April 29, 2020, the company obtained nearly $273,000 from a two-year loan from a regional bank pursuant to the paycheck protection program (PPP). The loan bears annual interest of 1% with no payments due for the first six months. The company certified in the application that 100% of the loaned funds were utilized during the 24-week covered period commencing April 29, 2020 to pay for qualified payroll and payroll related costs, and as such, requested that the entire principal balance be forgiven. The company expects the entire PPP loan to be forgiven and is awaiting SBA approval to extinguish the loan.

In June 2020, GBOX entered into a 30 year loan agreement with the SBA under the CARES Act in the amount of $149,900 at an annual interest rate of 3.75% and requires monthly principal and interest payments of $731 beginning June 9, 2021. The CEO and Chairman signed personal guarantees under this loan.

In May 2020, Charge Savvy (subsidiary of GreenBox) executed the standard loan documents required for securing a loan from the SBA under its Economic Injury Disaster Loan (EIDL) assistance program in light of the impact of the COVID-19 pandemic on its operations. Charge Savvy borrowed $150,000 from the EIDL program at an annual interest rate of 3.75% and will accrue interest only on funds actually advanced from the date of each advance. Installment payments, including principal and interest, are due monthly that started in May 2021 in the amount of $731. The balance of principal and interest is payable thirty years from the date of the SBA Loan. In Aug 2021, Charge Savvy was granted an increase in loan principal in the amount of $350,000 on identical terms.

In November 2021, GreenBox entered into a placement agency agreement with EF Hutton (a division of Benchmark Investments) as the exclusive placement agent relating to the sale and issuance to selected institutional investors in a registered direct offering of 8% senior convertible (exercise price of $15 per share – with milestones that could reduce the exercise price in future periods – see dilution in risk section on page 11) notes due 2023 (aggregate principal amount of $100 million). The notes have an original issue discount of 16% resulting in gross proceeds of $84 million. EF Hutton served as the sole placement agent for the transaction and received a fee of approximately $6.7 million.

In May 2021, GBOX's board of directors approved a share repurchase program providing for the repurchase of a portion of the company's outstanding common stock. From May 13, 2021 to September 30, 2021, a total of 300,000 shares were repurchased at an aggregate cost of nearly $2.3 million. While the company did not disclose the number of shares or aggregate amount authorized to be repurchased, it did indicate that each buyback round will require additional board consent.

Competitive Landscape

Greenbox operates within the global payments industry, which is highly competitive, continuously changing, requires constant innovation, and is increasingly becoming subject to regulatory scrutiny and oversight. The company believes that most of their competitors are significantly larger and have greater financial, technical, and marketing resources, as well as lower cost of funds and access to funding sources.

Competition also exists from smaller companies that could respond quickly to regulatory and technological changes. The global payments industry is constantly evolving with innovative and disruptive technologies, shifting consumer habits and user needs, as well as being price sensitive from merchants and consumers.

Greenbox competes within the global payment industry by developing its technological capabilities in order to design and introduce new products quickly with those new offerings providing increasing margins. Market acceptance of product offerings is key to succeeding within the industry. Market acceptance requires a company producing offerings that meet end-user preferences, can evolve to changing industry standards or regulations, and keep pace with the emergence of new or disruptive technologies.

Overall participants in the global payments industry faces competition from a wide range of businesses and from all forms of physical and electronic payments. Competition ranges from banks and financial institutions that provide traditional payment methods such as credit and debit cards, electronic bank transfers, payment networks that facilitate payments for payment cards and/or proprietary retail networks, payment card processors, and card on file services. Modern competition comes from companies that provide payment products and services that include tokenized and contactless payment cards, digital wallets, mobile payments solutions, credit, installment or other buy now pay later methods, as well as card readers and other devices or technologies for payment at point of sale, virtual currencies and distributed ledger technologies (such as blockchain technologies.

Public companies in the industry include Paypal (that owns Venmo peer-to-peer money transfer) and Square Inc., and private companies such as Circle, Stripe, and Tether Operations.

Management

Ben Errez – Chairman of the Board, Executive Vice President since July 2017. He is co-founder of GreenBox. Ben Errez's experience includes leadership positions across investment, consulting, software and hardware companies. He has previously served in various positions and executive roles at Intel, IBM and Microsoft, including engineering management of Microsoft Office for complex scripts. He also consulted on the payment security, reliability and privacy of software and hardware development for the World Trade Center. Earned a Bachelor's degree in Mathematics and Computer Science from the Hebrew University.

Fredi Nisan – CEO since July 2017. He also serves as a director of the company. His experience includes business development and growth within the merchant services and point of sale (POS) industry. Previously launched and served as President of Brava POS that designed systems for specialty retail companies. Also created QuickCitizen, a software program that simplified and expedited the onboarding process for businesses.

Ben Chung – CFO since April 2021. Mr. Chung has over 22 years of experience in public accounting, auditing of private and public companies, SEC reporting, and due diligence transactions including post-merger integration. Prior to founding Benjamin & Ko, a PCAOB registered CPA & Consulting firm, he served as an audit partner for BDO Korea and represented BDO USA. Served as Audit Manager for medium to large public companies in the consumer industries practice at Ernst & Young and PricewaterhouseCoopers.

Robert Houghton– Chief Technology Officer since October 2021. Mr. Houghton has over 25 years of experience directing the design, implementation, and operation of information technology strategies and systems for global enterprises. Previously served as Chief Technology Officer at MovoCash, Inc., a financial technology company, where he led the development of its on-demand mobile banking and blockchain solutions.

Risks

In our view, these are the principal risks underlying the stock.

<u>Limited Operating History</u>
In April 2018, GreenBox became a public company and changed its business. The company may not be able to operate successfully or implement new operating policies and strategies. The company's operations will depend on attracting and retaining key personnel, as well as having access to adequate short and long-term financing. We forecast operating losses should swing to operating profits and that cash earnings should reach an estimated $6.2 million in 2022, up from cash burn of $640,000 in 2020.

Dilution

We anticipate the company's share count to increase due primarily to the eventual conversion of 8% senior convertible notes that mature in November 2023. The maximum number of shares issuable before a shareholder approval requirement is approximately 8.6 million with the minimum number of shares to be issued at nearly 6.7 million. In November 2021, the company issued $100 million senior convertible notes at a conversion price of $15 per share. The interest expense can be paid through the issuance of the company's common stock.

The convertible not offering has milestones that need to be achieved in order for the $15 per share exercise price to remain in place. By the end of 1Q22 the company needs to achieve either $750 million in transaction volume or generate revenue of $12 million otherwise the fixed conversion price will automatically decrease. After 90 days from the issuance date of the convertible notes, if the closing bid price of GBOX's common stock is less than $5.50, each note holder shall have the option to convert (on a pro rata basis), up to $30 million of the principal amount of the notes (in $250,000 increments) at a significantly reduced exercise price.

If the company were to raise capital to repay the convertible note offering it would likely be dilutive to existing shareholders.

Regulation

In November 2021, a Presidential working group issued a report on stablecoin. The report provides various recommendations that should be enacted by Congress and regulatory authorities. The company could be impacted if regulations are enacted that cause management to make adjustments to its operations.

COVID-19 Global Pandemic

A disruption of US economic conditions lies in the global spread of COVID-19. Any global disruptions of economic activity could adversely impact corporate operating results.

Integration of Acquisitions

The company utilizes acquisitions as part of its strategy to grow transaction volume on its blockchain ecosystem. Acquisitions that expand the company's operations to additional parts of the world are likely to require management's time and effort. The diversion of management could reduce revenues and/or operating profits from existing operations.

Customer Concentration

In 2020, the company processed transactions for approximately 4,000 customers in over twenty-five industries, including, but not limited to, the foreign exchange, retail, and e-commerce sectors. GBOX did not rely on any one customer for more than 5% of its processing volume or revenue.

Customer Acceptance

In 2H20, the company introduced its Gen3 platform that represents new technology in the payment processing market. The company's success is likely to depend on its ability to increase merchant demand for products offered that will need to operate on its Gen3 platform. Not gaining customer acceptance of the company's Gen3 platform could have a material adverse effect on overall operations.

New Product Introductions

There are uncertainties associated with developing and introducing new products, such as market demand and development and production costs. While not likely, the introduction of new technology may result in higher costs to the company than existing technology used by its customers. Increasing product related costs could diminish demand which could adversely affect operating results.

Cyber Security and Privacy Concerns

Security breaches could expose the company to a risk of loss of its customers' information, litigation and possible liability. While security measures are in place, they may be breached as a result of third-party action, including intentional misconduct by computer hackers, employee error or malfeasance and result in someone obtaining unauthorized access the company's information technology systems, its customers' or its own data, including intellectual property and other confidential business information.

While GBOX has invested in the protection of data and information technology as well as training, there can be no assurance that its efforts will prevent significant breakdowns, breaches in systems, or other cyber incidents that could have a material adverse effect upon the company's reputation, business, operations or financial condition.

Legal Proceedings

In April 2021, Corporate Performance Consulting filed a complaint against GreenBox in San Diego Superior Court, in which it claims that GreenBox failed to compensate for certain consulting and corporate advisory services. GreenBox believes the claims are without merit. In June 2021, GreenBox filed a cross-complaint. The parties are in the discovery phase, with plaintiff's first responses being received on August 30, 2021. A case management conference is scheduled for April 29, 2022.

In March 2021, GreenBox filed a lawsuit against AMP in U.S.D.C for the middle district of Florida alleging breach of oral contract, conversion, and civil theft. The parties are in preliminary settlement negotiations. The company anticipates this matter will be resolved in advance of the 2022 trial date.

In April 2020, The Good People Farms, LLC initiated an arbitration complaint against Greenbox, Fredi Nisan, Ben Errez, MTrac Tech., Vanessa Luna, and Jason LeBlanc. The matter was placed in abeyance for some time. In January 2021, GreenBox filed a counter-claim. An arbitrator has been selected and the parties are awaiting the scheduling of the preliminary conference. The arbitration is stayed pending further proceedings in the separate but related action filed by MTrac in San Diego Superior Court.

Internal Controls

At September 30, 2021, the company's material weaknesses as it relates internal control over financial reporting continues to be identified. The financial reporting weaknesses stems from not having enough personnel in the company's accounting and financial reporting functions, as well as not being able to achieve adequate segregation of duties and provide for adequate reviewing of the financial statements. These issues have the potential for financial statement misstatements. To resolve the material weakness issues it will be necessary to hire additional personnel who have the technical expertise and knowledge and ability to be cross trained that will aid in the segregation of duties.

Shareholder Control

Officers, directors, 5%+ shareholders collectively own approximately 60.1% of the company's outstanding voting stock as of September 28, 2021 (based on October 2021 SEC filing). Collectively this ownership could potentially greatly influence the outcome of matters requiring stockholder approval. These decisions may or may not be in the best interests of the other shareholders.

Miscellaneous Risk

The company's financial results and equity values are subject to other risks and uncertainties, including competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Trading Volume

In 2020, average daily volume was approximately 36,000 shares. Average daily volume increased over the last three months (ending December 15, 2021) to nearly 337,000. GBOX has a float of approximately 20.2 million shares and outstanding shares of 43.3 million.

GreenBox POS
Consolidated Balance Sheets
FY2018 – FY2022E
(in thousands)

	2018 A	2019 A	2020 A	3Q21A	**2021 E**	**2022 E**
ASSETS						
Current assets:						
Cash and cash equivalents	$ 46	$ -	$ -	$ 29,707	**$ 96,237**	**$ 97,351**
Restricted cash	239	763	1,833	-	**-**	**-**
Accounts receivable, net	50	70	10	229	**272**	**343**
Accounts receivable from fines/fees from merchant, net	-	2,777	2,789	2,789	**2,789**	**2,789**
Inventory	-	-	-	178	**178**	**178**
Cash due from gateways, net	631	8,427	7,304	19,418	**33,599**	**39,045**
Prepaid and other current assets	37	42	70	261	**280**	**288**
Total current assets	1,003	12,079	12,006	52,583	**133,355**	**139,993**
Property and equipment, net	31	66	57	1,630	**1,650**	**1,700**
Other	-	-	82	198	**198**	**198**
Goodwill	-	-	-	6,049	**6,049**	**6,049**
Intangible assets, net	-	-	118	7,992	**7,992**	**8,806**
Operating lease right-of-use assets, net	-	230	-	669	**887**	**1,700**
Total assets	$ 1,034	$ 12,375	$ 12,263	$ 69,122	**$ 150,131**	**$ 158,446**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	127	505	210	802	**665**	**343**
Other current liabilities	9	15	68	3,584	**3,000**	**4,000**
Accrued interest	30	368	-	-	**-**	**-**
Payment processing liabilities, net	865	14,022	10,200	6,634	**7,584**	**7,535**
Short-term notes payable, net	-	741	-	3	**3**	**3**
Note payable, payroll protection plan	-	-	273	273	**273**	**-**
Convertible debt, net of orignial discount	847	808	857	-	**-**	**93,275**
Derivative liability	-	1,050	-	-	**-**	**-**
Operating lease liabilities	-	114	120	375	**375**	**375**
Total current liabilities	1,878	17,622	11,728	11,672	**11,900**	**105,531**
Operating lease liabilities less current portion	-	120	-	294	**294**	**294**
Long-term debt	75	-	150	645	**645**	**645**
Convertible debt - net of $16 million discount	-	-	-	-	**85,275**	**-**
Stockholders' equity:						
Common stock, $0.001 par value; authorized 82,500,000 shares;	28	28	31	43	**43**	**43**
Common stock - issuable	1	3	-	-		
Additional paid-in capital	946	1,319	12,079	90,291	**94,031**	**94,031**
Retained earnings (Deficit)	(2,033)	(6,717)	(11,725)	(31,143)	**(39,377)**	**(39,417)**
Less treasury stock, at cost	-	-	-	(2,680)	**(2,680)**	**(2,680)**
Total stockholders' equity	(1,058)	(5,367)	385	56,511	**52,017**	**51,977**
Total liabilities and stockholders' equity	$ 895	$ 12,375	$ 12,263	$ 69,122	**$ 150,131**	**$ 158,446**
SHARES OUT	27,732	28,310	30,711	42,865	**43,200**	**43,300**

Source: Company reports and Taglich Brothers estimates

GreenBox POS
Annual Income Statement
FY2018 – FY2022E
(in thousands)

	2018 A	2019 A	2020 A	**2021 E**	**2022 E**
Net revenue	$ 911	$ 10,003	$ 8,525	**$ 27,999**	**$ 68,500**
Cost of revenue	671	11,091	4,826	**7,983**	**13,700**
Gross Profit	240	(1,088)	3,699	**20,016**	**54,800**
Operating Expenses:					
Advertising and marketing	166	46	94	**135**	**1,600**
Research and development	377	1,255	1,364	**3,605**	**4,800**
General and Administrative	302	750	3,836	**2,448**	**9,000**
Payroll and payroll taxes	332	1,429	1,796	**4,172**	**14,000**
Professional fees	768	1,027	1,691	**2,965**	**5,400**
Depreciation and amortization	7	16	23	**933**	**5,400**
Stock compensation for employees	-	-	-	**9,367**	**6,000**
Stock compensation for services	-	-	-	**10,659**	**800**
Total Operating Expenses	1,952	4,523	8,804	**34,283**	**47,000**
Operating Income (loss)	(1,711)	(5,611)	(5,104)	**(14,267)**	**7,800**
Other income (expense)					
Interest expense	(107)	(605)	(359)	**(599)**	**(8,000)**
Interest expense - debt discount	-	(196)	(1,150)	**(4,268)**	**(8,000)**
Derivative expense	-	(635)	(641)	**-**	**-**
Changes in fair value of derivative liability	-	(415)	(384)	**-**	**-**
Gain from extinguishment of convertible debt	-	-	2,631	**-**	**-**
Merchant liability	-	2,777	-	**(364)**	**-**
Other income (expense)	(75)	-	0	**(56)**	**-**
Total Other Income (expense)	(182)	927	97	**(5,288)**	**(16,000)**
Income (loss) before taxes	(1,893)	(4,685)	(5,007)	**(19,555)**	**(8,200)**
Income Tax Expense (Benefit)	-	-	-	**3,904**	**5,840**
Net Income (loss)	(1,893)	(4,685)	(5,007)	**(23,459)**	**(14,040)**
Earnings (loss) per share	$ (0.13)	$ (0.17)	$ (0.17)	**$ (0.62)**	**$ (0.33)**
Avg Shares Outstanding	14,777	27,970	29,869	**37,540**	**42,225**
EBITDA - Adjusted	$ (1,705)	$ (5,509)	$ (790)	**$ 6,636**	**$ 20,000**
Margin Analysis					
Gross margin	26.4%	(10.9%)	43.4%	**71.5%**	**80.0%**
Advertising and marketing	18.2%	0.5%	1.1%	**0.5%**	**2.3%**
Research and development	41.4%	12.5%	16.0%	**12.9%**	**7.0%**
General and Administrative	33.2%	7.5%	45.0%	**8.7%**	**13.1%**
Payroll and payroll taxes	36.4%	14.3%	21.1%	**14.9%**	**20.4%**
Professional fees	84.3%	10.3%	19.8%	**10.6%**	**7.9%**
Depreciation and amortization	0.7%	0.2%	0.3%	**3.3%**	**7.9%**
Tax rate - excludes stock compensation				**67.8%**	**40.0%**
YEAR / YEAR GROWTH					
Total Revenues		998.2%	(14.8%)	**228.4%**	**144.7%**

Source: Company reports and Taglich Brothers estimates

GreenBox POS
Income Statement Model
Quarters FY2020 – 2022E
(in thousands)

	Q1 20A	Q2 20 A	Q3 20 A	Q4 20 A	2020 A	Q1 21A	Q2 21 A	Q3 21 A	Q4 21 E	**2021 E**	Q1 22 E	Q2 22 E	Q3 22 E	Q4 22 E	**2022 E**
Net revenue	$ 187	$ 2,293	$ 3,056	$ 2,989	$ 8,525	$ 4,749	$ 6,379	$ 8,045	$ 8,825	**$ 27,999**	$ 11,500	$ 15,000	$ 18,500	$ 23,500	**$ 68,500**
Cost of revenue	247	1,412	1,845	1,321	4,826	1,594	1,323	2,421	2,645	**7,983**	2,300	3,000	3,700	4,700	**13,700**
Gross Profit	(60)	881	1,211	1,667	3,699	3,156	5,056	5,625	6,180	**20,016**	9,200	12,000	14,800	18,800	**54,800**
Operating Expenses:															
Advertising and marketing	12	15	59	8	94	25	23	37	50	**135**	200	300	500	600	**1,600**
Research and development	287	268	244	566	1,364	653	808	1,043	1,100	**3,605**	1,200	1,200	1,200	1,200	**4,800**
General and Administrative	142	102	367	3,226	3,836	566	298	784	800	**2,448**	1,500	1,750	2,500	3,250	**9,000**
Payroll and payroll taxes	407	431	439	520	1,796	559	1,062	1,250	1,300	**4,172**	2,000	3,000	4,000	5,000	**14,000**
Professional fees	212	294	345	841	1,691	458	867	790	850	**2,965**	1,250	1,300	1,400	1,450	**5,400**
Depreciation and amortization	5	6	6	6	23	6	14	458	455	**933**	1,500	1,400	1,300	1,200	**5,400**
Stock compensation for employees	-	-	-	-	-	798	1,292	3,778	3,500	**9,367**	1,500	1,500	1,500	1,500	**6,000**
Stock compensation for services	-	-	-	-	-	9,454	727	238	240	**10,659**	200	200	200	200	**800**
Total Operating Expenses	1,065	1,115	1,459	5,165	8,804	12,519	5,091	8,378	8,295	**34,283**	9,350	10,650	12,600	14,400	**47,000**
Operating Income (loss)	(1,125)	(234)	(248)	(3,497)	(5,104)	(9,363)	(36)	(2,754)	(2,115)	**(14,267)**	(150)	1,350	2,200	4,400	**7,800**
Other income (expense)															
Interest expense	(289)	(31)	(49)	9	(359)	(594)	-	(5)	-	**(599)**	(2,000)	(2,000)	(2,000)	(2,000)	**(8,000)**
Interest expense - debt discount	(30)	(8)	(84)	(1,028)	(1,150)	(2,993)	-	-	(1,275)	**(4,268)**	(2,000)	(2,000)	(2,000)	(2,000)	**(8,000)**
Derivative expense	-	(4)	(926)	289	(641)	-	-	-	-	-	-	-	-	-	-
Changes in fair value of derivative liability	(3,822)	2,619	819	-	(384)	-	-	-	-	-	-	-	-	-	-
Gain from extinguishment of convertible debt	-	2,612	-	19	2,631	-	-	-	-	-	-	-	-	-	-
Merchant liability	-	-	-		-	(364)	-	-	-	**(364)**	-	-	-	-	-
Other income (expense)	-	(2)	(6)	8	0	(15)	(4)	(37)	-	**(56)**	-	-	-	-	-
Total Other Income (expense)	(4,141)	5,186	(244)	(704)	97	(3,966)	(4)	(42)	(1,275)	**(5,288)**	(4,000)	(4,000)	(4,000)	(4,000)	**(16,000)**
Income (loss) before taxes	(5,266)	4,952	(492)	(4,201)	(5,007)	(13,329)	(40)	(2,796)	(3,390)	**(19,555)**	(4,150)	(2,650)	(1,800)	400	**(8,200)**
Income Tax Expense (Benefit)	-	-	-	-	-	-	-	3,254	650	**3,904**	620	1,220	1,560	2,440	**5,840**
Net Income (loss)	(5,266)	4,952	(492)	(4,201)	(5,007)	(13,329)	(40)	(6,050)	(4,040)	**(23,459)**	(4,770)	(3,870)	(3,360)	(2,040)	**(14,040)**
Earnings (loss) per share	$ (0.18)	$ 0.17	$ (0.02)	$ (0.13)	$ (0.17)	$ (0.38)	$ (0.00)	$ (0.14)	$ (0.10)	**$ (0.62)**	$ (0.11)	$ (0.09)	$ (0.08)	$ (0.05)	**$ (0.33)**
Avg Shares Outstanding	28,993	28,983	29,488	32,011	29,869	34,917	31,079	42,066	42,100	**37,540**	42,150	42,200	42,250	42,300	**42,225**
EBITDA - Adjusted	$ (1,119)	$ (228)	$ (242)	$ 800	$ (790)	$ 881	$ 1,993	$ 1,682	$ 2,080	**$ 6,636**	$ 3,050	$ 4,450	$ 5,200	$ 7,300	**$ 20,000**
Margin Analysis															
Gross margin	(32.1%)	38.4%	39.6%	55.8%	43.4%	66.4%	79.3%	69.9%	70.0%	**71.5%**	80.0%	80.0%	80.0%	80.0%	**80.0%**
Advertising and marketing	6.3%	0.7%	1.9%	0.3%	1.1%	0.5%	0.4%	0.5%	0.6%	**0.5%**	1.7%	2.0%	2.7%	2.6%	**2.3%**
Research and development	153.1%	11.7%	8.0%	18.9%	16.0%	13.8%	12.7%	13.0%	12.5%	**12.9%**	10.4%	8.0%	6.5%	5.1%	**7.0%**
General and Administrative	75.9%	4.4%	12.0%	107.9%	45.0%	11.9%	4.7%	9.7%	9.1%	**8.7%**	13.0%	11.7%	13.5%	13.8%	**13.1%**
Payroll and payroll taxes	217.2%	18.8%	14.4%	17.4%	21.1%	11.8%	16.6%	15.5%	14.7%	**14.9%**	17.4%	20.0%	21.6%	21.3%	**20.4%**
Professional fees	113.4%	12.8%	11.3%	28.1%	19.8%	9.6%	13.6%	9.8%	9.6%	**10.6%**	10.9%	8.7%	7.6%	6.2%	**7.9%**
Depreciation and amortization	2.9%	0.2%	0.2%	0.2%	0.3%	0.1%	0.2%	5.7%	5.2%	**3.3%**	13.0%	9.3%	7.0%	5.1%	**7.9%**
Tax rate - excludes stock compensation								157.6%	40.0%	**67.8%**	40.0%	40.0%	40.0%	40.0%	**40.0%**
YEAR / YEAR GROWTH															
Total Revenues					(14.8%)	2437.0%	178.2%	163.2%	195.3%	**228.4%**	142.1%	135.1%	129.9%	166.3%	**144.7%**

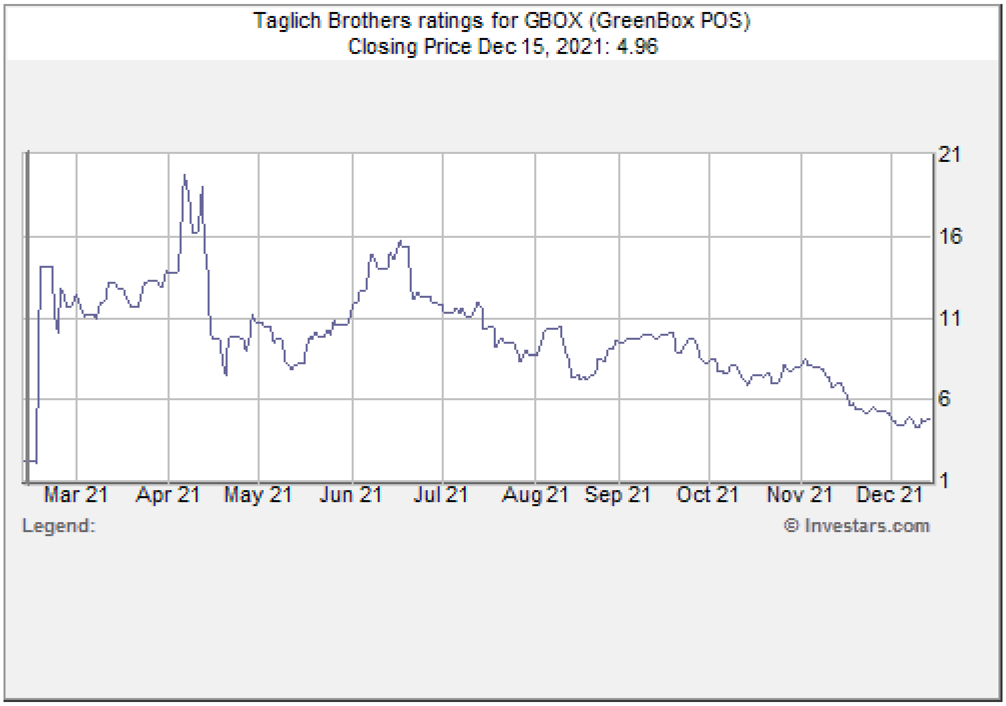
Source: Company reports and Taglich Brothers estimates

GreenBox POS
Cash Flow Statement
FY2018 – FY2022E
(in thousands)

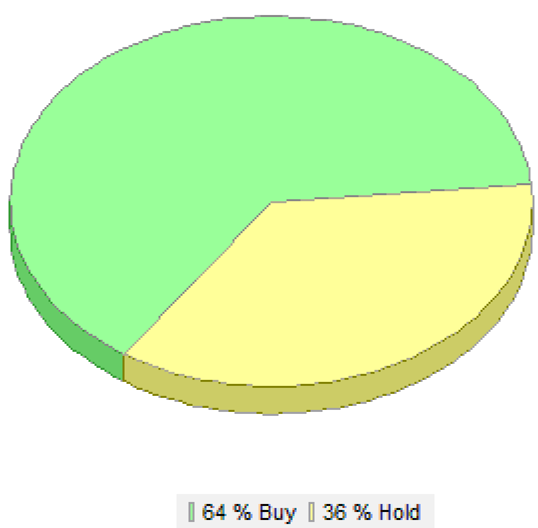
	FY2018A	FY2019A	FY2020A	9 Mos.21A	**FY2021E**	**FY2022E**
Cash Flows from Operating Activities						
Net Income (loss)	$ (1,893)	$ (4,685)	$ (5,007)	$ (19,419)	**$ (23,459)**	**$ (14,040)**
Depreciation expense	7	14	16	478	**933**	**5,400**
Interest expense - debt discount	-	195	1,103	2,993	**4,268**	**8,000**
Stock compensation expense - employees	-	87	3,036	5,867	**9,367**	**6,000**
Stock issued for services and others - including professional fees	-	-	1,263	10,419	**10,659**	**800**
Stock compensation issued for interest	-	-	-	599	**599**	-
Changes in fair value of derivative liability	-	1,050	(1,050)	-	-	-
Noncash lease expense	-	(4)	-	(1)	**(1)**	-
Cash earnings (burn)	(1,887)	(3,343)	(640)	936	**2,367**	**6,160**
Changes In:						
Accounts receivable	(50)	(20)	60	-	**(262)**	**(70)**
Accounts receivable from fines and fees from merchant, net	-	(2,777)	(13)	(155)	**0**	-
Inventory	-	-	-	(53)	**(53)**	-
Prepaid and other current assets	(34)	(5)	(28)	(184)	**(210)**	**(8)**
Cash due from gateways, net	(631)	(7,796)	1,123	(12,114)	**(26,295)**	**(5,446)**
Other assets	-	-	(82)	680	**(116)**	-
Accounts payable	95	386	(295)	370	**455**	**(323)**
Other current liabilities	9	6	53	3,384	**2,932**	**1,000**
Accrued interest	30	236	(515)	-	-	-
Payment processing liabilities, net	865	13,157	(3,822)	(6,898)	**(2,616)**	**(49)**
Lease liability, net of asset	-	-	(2)	-	-	-
Net (increase)/decrease in Working Capital	285	3,186	(3,520)	(14,970)	**(26,165)**	**(4,896)**
Net cash Provided (used) by Operations	(1,602)	(157)	(4,161)	(14,034)	**(23,799)**	**1,264**
Cash Flows from Investing Activities						
Purchase of property and equipment	(31)	(50)	(7)	(98)	**(125)**	**(150)**
Cash provided for acquisitions	-	-	-	(2,500)	**(2,500)**	-
Cash flow provided (used in) Investing Activities	(31)	(50)	(7)	(2,598)	**(2,625)**	**(150)**
Cash Flows from Financing Activities						
Borrowings (repayment) - convertible debt, net	922	(14)	2,693	-	-	-
Borrowings (repayment) on long-term debt	-	(75)	150	-	-	-
Borrowings (repayment) from short-term notes payable, net	-	774	(774)	350	**350**	-
Borrowings under note payable, payroll protection plan loan	-	-	273	-	-	
Proceeds from 8% convertible note offering	-	-	-	-	**84,000**	-
Costs from the issuance of 8% convertible note offering, net of discount	-	-	-	-	**(7,200)**	-
Proceeds from issuances of common stock	913	-	2,860	45,805	**45,805**	-
Treasury stock repurchase	-	-	-	(2,680)	**(2,680)**	-
Proceeds from stock options exercises	-	-	36	2	**2**	-
Proceeds from exercise of warrant	-	-	-	3,731	**3,731**	-
Repurchase of common stock from stockholder	-	-	-	(4,194)	**(4,194)**	-
Net cash provided (used) by Financing	1,835	685	5,237	43,015	**119,815**	-
Cash acquired from acquisition of Northeast and ChargeSavvy	-	-	-	1,491	**1,491**	-
Net change in Cash	202	478	1,070	27,875	**94,882**	**1,114**
Cash, cash equivalents, and restricted cash at beginning of period	83	285	285	1,355	**1,355**	**96,237**
Cash, cash equivalents, and restricted cash at end of period	$ 285	$ 285	$ 1,355	$ 29,229	**$ 96,237**	**$ 97,351**

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	4	19
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, certain employees of Taglich Brothers, Inc. own or have controlling interests in GBOX common stock. Russell Bernier, Vice President of Institutional Sales at Taglich Brothers, Inc., owns or has a controlling interest in 10,500 shares of GBOX's common stock. Howard Halpern, the research analyst of this report, owns or has a controlling interest in 3,359 shares of GBOX's common stock.

On November 2, 2021, Taglich Brothers, Inc. signed a Financial Advisory Agreement with EF Hutton, division of Benchmark Investments, LLC, whereby EF Hutton agreed to pay Taglich Brothers, Inc., $225,000 for financial advisory services to GreenBox POS in relation to a $100 million Senior Convertible Notes offering in which EF Hutton acted as the placement agent for GBOX.

All research issued by Taglich Brothers, Inc. is based on public information. GreenBox POS does not pay Taglich Brothers, Inc. for the creation and dissemination of research reports.

General Disclosures

The information and statistical data contained herein have been obtained from sources, which we believe to be reliable but in no way are warranted by us as to accuracy or completeness. We do not undertake to advise you as to changes in figures or our views. This is not a solicitation of any order to buy or sell. Taglich Brothers, Inc. is fully disclosed with its clearing firm, Pershing, LLC, is not a market maker and does not sell to or buy from customers on a principal basis. The above statement is the opinion of Taglich Brothers, Inc. and is not a guarantee that the target price for the stock will be met or that predicted business results for the company will occur. There may be instances when fundamental, technical and quantitative opinions contained in this report are not in concert. We, our affiliates, any officer, director or stockholder or any member of their families may from time to time purchase or sell any of the above-mentioned or related securities. Analysts and members of the Research Department are prohibited from buying or selling securities issued by the companies that Taglich Brothers, Inc. has a research relationship with, except if ownership of such securities was prior to the start of such relationship, then an Analyst or member of the Research Department may sell such securities after obtaining expressed written permission from Compliance.

Analyst Certification

I, Howard Halpern, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report. I pledge that my current ownership in GBOX will always align with my rating.

Public Companies mentioned in this report:

Signature Bank	(NASDAQ: SBNY)	Visa Inc.	(NYSE: V)
Fiserv, Inc.	(NASDAQ: FISV)		

Meaning of Ratings

Buy – The growth prospects, degree of investment risk, and valuation make the stock attractive relative to the general market or comparable stocks.

Speculative Buy – Long-term prospects of the company are promising but investment risk is significantly higher than it is in our BUY-rated stocks. Risk-reward considerations justify purchase mainly by high risk-tolerant accounts. In the short run, the stock may be subject to high volatility and could continue to trade at a discount to its market.

Neutral – Based on our outlook the stock is adequately valued. If investment risks are within acceptable parameters, this equity could remain a holding if already owned.

Sell – Based on our outlook the stock is significantly overvalued. A weak company or sector outlook and a high degree of investment risk make it likely that the stock will underperform relative to the general market.

Discontinued – Research coverage discontinued due to the acquisition of the company, termination of research services (includes non-payment for such services), diminished investor interest, or departure of the analyst.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company-specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

From time to time our analysts may choose to withhold or suspend a rating on a company. We continue to publish informational reports on such companies; however, they have no ratings or price targets. In general, we will not rate any company that has too much business or financial uncertainty for our analysts to form an investment conclusion, or that is currently in the process of being acquired.