

Research Report – Update

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

GreenBox POS

Rating: Speculative Buy

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GBOX \$4.26 — (NASDAQ)

	2019 A	2020 A	2021 A	2022 E	2023 E
Total Revenue (in millions)	\$10.0	\$8.5	\$26.3	\$60.0	\$91.2
Earnings (loss) per share	(\$0.17)	(\$0.17)	(\$0.65)	(\$0.43)	(\$0.21)

52-Week range	\$19.36 – \$2.24	Fiscal year ends:	December
Shares outstanding a/o 03/25/22	43.3 million	Revenue/shares (ttm)	\$0.65
Approximate float	19.7 million	Price/Sales (ttm)	6.6X
Market Capitalization	\$184.5 million	Price/Sales (2023) E	2.0X
Tangible Book value/shr	\$0.74	Price/Earnings (ttm)	NMF
Price/Book	5.8X	Price/Earnings (2023) 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:

Maintaining our 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 its Gen3 rapid scale blockchain based payment process platform, the acquisition of merchant customer portfolios, and organic growth of merchant customers. In 2021, GBOX's transaction volume growth strategy helped drive a nearly ten-fold increase in transaction volume to \$2 billion from \$202 million in 2020.

In 1Q22, the company completed the acquisitions of Transact Europe Holdings and Sky Financial, both of which should help support our transaction volume growth projections of \$4.5 billion and \$6.5 billion respectively, in 2022 and 2023.

In 2021, GBOX reported (on 03-31-22) a loss per share of (\$0.65) on revenue of \$26.3 million. We projected a loss per share of (\$0.63) on revenue of \$28 million. In 2020, the loss per share was (\$0.17) on revenue of \$8.5 million.

In 2022, we project a loss per share of (\$0.43) on 128.2% revenue growth to \$60 million. We previously forecast a loss per share of (\$0.33) on revenue of \$68.5 million. Our forecast reflects increased onboarding costs of merchant customers that reduce per transaction revenue on GBOX's Gen3 blockchain platform.

In 2023, we project a loss per share of (\$0.21) on revenue growth of 51.8% to \$91.2 million reflecting improved onboarding costs and transaction volume reaching \$6.5 billion.

Please view our Disclosures on pages 15 - 17

Appreciation Potential

Maintaining Speculative Buy rating and 12-month price target of \$10.50 per share. Our rating and price target reflect projected growth in payment processing transaction volume that should reach \$6.5 billion in 2023, up from an estimated \$4.5 billion in 2022 and nearly \$2 billion in 2021. Transaction volume growth should be driven by an expanded global customer base utilizing GBOX's Gen3 blockchain based payment processing technology platform driven by organic growth and the integration of 1Q22 acquisitions of Transact Europe Holdings and Sky Financial.

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 04/05/22), the average price-to-sales multiple for companies in the software infrastructure and credit service industries is 7.2X (prior was 8.6X), compared to GBOX's trailing price-to-sales multiple of 6.6X (prior was 7.9X). We anticipate investors are likely to accord GBOX the sector multiple given its forecasted revenue growth of 51.8% in 2023 compared growth of 16.3% for the industries. We applied a price-to-sales multiple of 7.1X (prior was 8.6X) to our 2023 sales per share forecast of \$2.10 (prior 2022 forecast was \$1.62 per share), 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 increased cash earnings. In 2023 and 2022 (combined), we forecast cash earnings of nearly \$11.8 million. In 2021, cash burn was \$5.5 million. In 2023, we forecast an operating profit of \$11.5 million from \$2.5 million in 2022 (includes non-cash stock based compensation of zero and \$10 million, respectively, in 2023 and 2022).

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.

Recent Developments

In January 2022, the company entered into a binding agreement to acquire Roark Holdings, a United Kingdom based licensed payment institution, in an all-stock transaction for 150,000 shares. This acquisition enables GreenBox to expand across multiple markets.

On March 31, 2022, GBOX completed the acquisition of Transact Europe Holdings, an EU regulated electronic money institution headquartered in Sofia Bulgaria. Transact is a principal level member of Visa, a worldwide member of MasterCard, and a principal member of China UnionPay. In addition, they are part of the direct single euro payments area. Transact brings to GreenBox a global footprint with proprietary payment gateway and technology platforms, as well as a comprehensive portfolio of services, and decades of industry experience. GreenBox paid approximately \$28.8 million (or €26.0 million) in total consideration for the purchase.

On March 31, 2022, the company entered into and closed an asset purchase agreement with Sky Financial to purchase a portfolio of certain merchant accounts for a \$16 million cash payment at closing, with a \$5.0 million earn-out potential.

Offerings

Generation 3 (Gen3) 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 at right) 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. In 2021, transaction volume increased nearly 10-fold to \$2 billion from \$202 million in 2020.



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 a transaction can be reversed.

Strategic Growth Initiatives

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 2021, GBOX joined Visa's fintech fast track program. This program and other program partners should enable GreenBox the ability to issue a co-branded Visa card and direct push-to-card payments.

The company's 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.

In February 2022, GBOX announced it has entered into a licensing partnership with Cross River (a technology infrastructure provider offering embedded financial solutions). This partnership will assist in the launch of their first banking-as-a-service initiative.

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. A key growth driver in order to increase transaction volume and enable risk management was acquiring Northeast Merchant Services which, in addition to providing a merchant customer base was obtained a bank identification number (BIN). The BIN 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.

In 1Q22, the company completed the acquisitions of Roark Holdings, a United Kingdom based licensed payment institution, and Transact Europe, an EU regulated electronic money institution. It also acquired a portfolio of merchant accounts from Sky Financial.

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 increased 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 continues working towards launching 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, GBOX's offerings (including COYNI) will 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.

Branding

In 4Q21, GBOX 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. In 1Q22, INNOCEAN USA was appointed as the company's first advertising and branding agency of record. INNOCEAN mission is to build global awareness of GreenBox's capabilities, products and services.

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 \$6.5 billion in 2023, up from an estimated \$4.5 billion in 2021. In 2020, transaction volume was nearly \$2 billion. The rapid increase in transaction volume reflects acquisitions completed in

2021 and 1Q22, as well as organic growth through the deployment of GBOX's Gen3 rapid scale payment processing platform.

We are forecasting that the company will record income tax expense on operating income excluding non-cash stock-based compensation. However, at December 31, 2021, GBOX had federal tax loss carryforwards of \$19 million.

Economy

In January 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to 4.4% for 2022 and 3.8% for 2023. While the IMF's growth projection for 2022 is reduced from its earlier projection (October 2021) of 4.9%, its 2023 projection is up from its prior projection of 3.6%. The 2022 downward revision reflects the global economy entering the year in a weaker position than previously expected stemming from the new COVID-19 variant that resulted in countries re-imposing mobility restrictions, as well as rising energy prices and supply disruptions that is causing higher and more broad-based inflation than anticipated.

The IMF revised its economic growth estimate for the US to 3.9% for 2022 and 2.6% for 2023. In October 2021, the IMF projected US economic growth of 4.5% and 2.2% for 2022 and 2023, respectively.

Operations – 2022

We project revenue increasing 128.2% to \$60 million (prior was \$68.5 million) from \$26.3 million in 2021. Our reduced forecast reflects increased onboarding costs of merchant customers that reduce per transaction revenue on GBOX's Gen3 blockchain platform.

We forecast gross profit increasing 138.5% to \$40.3 million from \$16.9 million in 2021 due to revenue growth and gross margin expanding to 67.1% from 64.2%.

We project a swing to an operating profit of \$2.5 million (includes non-cash stock-based compensation of \$10 million) compared to an operating loss of \$20.8 million (includes non-cash stock-based compensation of \$16 million) in 2021. While we anticipate operating expenses flat at \$37.7 million, the year-ago period included \$6.7 million in bad debt expense that is not forecast to reoccur in 2022. We estimate operating expense increasing (excluding the non-cash stock-based compensation and bad debt expense in the year-ago period) to \$27.8 million from \$15.2 million in 2021. The significant increase in operating expense reflects higher payroll, R&D, and G&A expenses to support the rapid increase in transaction volumes on the company's blockchain platform.

We project non-operating expense of \$16 million compared to \$5.7 million. The increase reflects a full year of recording non-cash interest expense and debt discount expense stemming from the issuance of \$100 million principal amount of convertible debt in 4Q21.

We project a net loss of \$18.5 million or (\$0.43) per share compared to a loss of \$26.5 million or (\$0.65) per share. We previously forecast a net loss of \$14 million or (\$0.33) per share. Our forecast reflects non-cash income tax expense of \$5 million and non-cash stock-based compensation expense of \$10 million compared to non-cash income tax expense of \$5,000 and non-cash stock-based compensation expense of \$16 million in 2021.

Finances – 2022

We project cash earnings of \$6.5 million and a \$3.4 million decrease in working capital resulting in cash from operations of \$9.8 million. Cash from operations is unlikely to cover cash paid for acquisitions and a \$6.9 million payment a convertible note adjustment. We estimate cash decreasing \$42 million to \$47.5 million at December 31, 2022.

Operations – 2023

We project revenue increasing 51.8% to \$91.2 million from an estimated \$60 million in 2022 due primarily to organic growth from the company's existing customers and new customers from completed acquisitions in 1Q22.

We forecast gross profit increasing 68.6% to \$67.9 million from an estimated \$40.3 million in 2022 due to revenue growth and gross margin expanding to 74.5% from 67.1% reflecting reduced onboarding costs of merchant customer accounts.

We project an operating profit of \$11.5 million (no non-cash stock-based compensation forecast) compared to \$2.5 million (includes non-cash stock-based compensation of \$10 million). We anticipate operating expenses increasing to \$56.4 million from \$37.7 million stemming from the company paying all its expenses in cash and increasing expense categories (advertising and marketing, G&A, R&D, payroll and taxes) that should support increases global revenue and transaction volume growth.

We project non-operating expense flat at \$16 million that continues to reflect 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 \$9.1 million or (\$0.21) per share compared to an estimated loss of \$18.5 million or (\$0.43) per share in 2022. Our forecast reflects non-cash income tax expense of \$4.6 million and no non-cash stock-based compensation expense compared to non-cash income tax expense of \$5 million and non-cash stock-based compensation expense of \$10 million in 202.

Finances – 2023

We project cash earnings of \$5.3 million and a \$417,000 increase in working capital resulting in cash from operations of \$4.9 million, which should cover capital expenses of approximately \$250,000. We estimate cash increasing \$4.6 million to \$52.2 million at December 31, 202.

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 November 2021, MarketsandMarkets published a report indicating the blockchain technology market could reach \$67.4 billion in 2026 from an \$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.

2021 and 4Q21 Results2021

The company reported revenue more than doubled to \$26.3 million from \$8.5 million in 2020. Revenue growth reflects processing volume reaching nearly \$2 billion, up from \$202 million in 2020. Processing volume increased due primarily to growth of customers and merchants utilizing the company's Gen3 rapid scale blockchain based payment process platform, as well as expanding its transaction partnership network and completing two strategic acquisitions (Northeast Merchant Systems, Inc. and Charge Savvy LLC).

Gross profit increased more than fourfold to nearly \$16.9 million from \$3.7 million in 2020. The increase reflects revenue growth and gross margin expansion to 64.2% from 43.4% last year 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 195% to \$9.4 million from \$4.8 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 \$28.9 million to \$37.7 million from \$8.8 million in 2020 due primarily to G&A expense increasing to \$9.1 million from \$3.8 million stemming from a \$6.7 million bad debt expense in 4Q21. Operating expenses included \$16 million related to stock compensation for services and employees compared to zero in 2020, as well as increase in payroll and payroll taxes to \$4.5 million from \$1.8 million last year from increased headcount stemming from two completed acquisitions, and higher R&D expense of \$3.9 million from \$1.4 million due to the completion and launch of new technologies (the Gen3 rapid scale technology platform).

Loss from operations was \$20.8 million compared to \$5.1 million in 2020. Excluding non-cash stock based compensation, the company would have had an operating loss of approximately \$4.8 million. Operating margin expense was 143.2% compared to 103.3% in 2020. In 2021, excluding stock based compensation of approximately \$16 million, operating margin expense was 82.4%.

Non-operating expense was \$5.7 million compared to income of \$97,000 last year. Interest (including debt discount) expense was \$4.9 million compared to \$1.5 million in 2020 due to the issuance of \$100 million convertible notes in November 2021. Derivative expenses and fair value of derivative liability (combined) was an expense of \$590,000 compared to \$1 million in 2020. Merchant liability expense was \$364,000 and other income was \$215,000 compared to none for each category in the year-ago period. Last year, the company recorded a \$2.6 million gain from extinguishment of convertible debt compared to none in the current period.

The net loss was \$26.5 million or (\$0.65) per share compared to \$5 million or (\$0.17) per share in 2020. We forecasted a net loss of \$23.5 million or (\$0.63) per share on revenue of \$28 million.

4Q21

The company reported revenue increased 138.6% to \$7.1 million from \$3 million in the year-ago period. Revenue growth reflects transaction volume of approximately 550 million as the company's Gen3 rapid scale technology platform gains acceptance by new and existing merchant customers.

Gross profit increased 83.3% to \$3.1 million from \$1.7 million in the year-ago period. The increase reflects revenue growth, partly offset by gross margin contraction to 42.9% from 55.8% in the year-ago period. Gross margin contraction reflects a timing issue with regard to independent sales organization settlements based on the revenue that was recognized in the period.

Operating expenses increased to \$11.7 million from \$5.2 million due primarily to spending to support sales growth along with the inclusion of \$6.7 million in bad debt expense compared to none in the year-ago period.

Loss from operations increased to \$8.6 million compared to \$3.5 million in the year-ago period due primarily to recording bad debt expense of \$6.7 million in the current period.

Non-operating expense was \$1.7 million compared to an expense of \$704,000 in 4Q20. The net loss was \$7 million or (\$0.17) per share compared to \$4.2 million or (\$0.13) per share. In the current period the company recorded non-cash income tax benefit of over \$3.2 million compared none in the year-ago period.

Finances

In 2021, the company reported cash burn of \$5.5 million and a \$21.6 million increase in working capital resulting in cash used in operations of \$27.2 million. Proceeds from a common stock offering, exercise of common stock warrants, and issuance of convertible debt more than offset cash provided for acquisitions and repurchase of common stock. Cash increased by nearly \$87.7 million to \$89.6 million at December 31, 2021.

Capital Structure

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 (with milestones that could reduce the exercise price in future periods – see dilution in risk section on page 11) notes due November 2023 (aggregate principal amount of \$100 million). The notes have an original issue discount of 16% and EF Hutton 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 up to \$5 million. From May 13, 2021 to December 31, 2021, a total of nearly 715,000 shares were repurchased at an aggregate cost of \$4.9 million. The company indicated that an additional buyback round will require 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. 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.

Risks

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

Limited Operating History

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 \$2.3 million in 2023, up from cash burn of \$5.5 million 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 (We anticipate, if necessary, the November 2023 maturity date could be extended). 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 offering had milestones that need to be achieved in order for the initial 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 notes (in \$250,000 increments) at a significantly reduced exercise price. On January 31, 2022, the company entered into an agreement to relieve immediate conversion concerns. Certain conversion triggers were extended to May 2, 2022 from February 3, 2022. GreenBox agreed to reduce the note principal by \$6 million to \$94 million after the payment of \$6.9 million. In return, the lender agreed to adjust the initial conversion price to \$12 per share from \$15 per share.

If GBOX raises capital to repay the convertible note offering it would likely be dilutive to existing shareholders.

Regulation

In March 2022, the President signed an executive order ensuring responsible development of digital stablecoin. Eventually various recommendations will need to 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 2021, 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.

New Product Introductions

There are uncertainties associated with developing and introducing new products, such as market demand and development and production costs.

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. GBOX anticipates a resolution 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. Arbitration commenced upon the state court's January 14, 2022 order denying MTrac's and Ms. Luna's motion for summary judgment. A status conference is scheduled for April 21, 2022.

On February 18, 2022, the company's subsidiary ChargeSavvy LLC, was part of a list of defendants, alleging breach of contract, breach of implied covenant of good faith and fair dealing, conversion, and money had and received (constructive trust). GBOX believes that claims against it are without merit.

Internal Controls

At December 31, 2021, GBOX'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 2021, average daily volume increase to nearly 590,000 from approximately 36,000 shares in 2020. Average daily volume decreased over the last three months (ending April 6, 2022) to nearly 363,000. GBOX has a float of approximately 19.7million shares and outstanding shares of 43.3 million.

GreenBox POS
Consolidated Balance Sheets
FY2019 – FY2023E
(in thousands)

	2019 A	2020 A	2021 A	2022 E	2023 E
ASSETS					
Current assets:					
Cash and cash equivalents	\$ -	\$ -	\$ 89,560	\$ 47,532	\$ 52,165
Restricted cash	763	1,833	-	-	-
Accounts receivable, net	70	10	482	300	316
Accounts receivable from fines/fees from merchant, net	2,777	2,789	-	-	-
Inventory	-	-	286	285	285
Cash due from gateways, net	8,427	7,304	18,942	24,016	31,903
Prepaid and other current assets	42	70	6,421	4,503	383
Total current assets	<u>12,079</u>	<u>12,006</u>	<u>115,690</u>	<u>76,636</u>	<u>85,052</u>
Property and equipment, net	66	57	1,675	5,000	5,010
Other	-	82	191	198	198
Goodwill	-	-	6,048	21,455	21,455
Intangible assets, net	-	118	7,579	30,000	25,000
Operating lease right-of-use assets, net	230	-	1,490	1,490	1,490
Total assets	<u>\$ 12,375</u>	<u>\$ 12,263</u>	<u>\$ 132,673</u>	<u>\$ 134,779</u>	<u>\$ 138,205</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	505	210	871	1,097	1,290
Other current liabilities	15	68	501	750	850
Accrued interest	368	-	1,226	1,226	1,226
Payment processing liabilities, net	14,022	10,200	4,998	10,863	13,935
Short-term notes payable, net	741	-	-	-	-
Note payable, payroll protection plan	-	273	-	-	-
Convertible debt, net of original discount	808	857	-	58,650	58,650
Derivative liability	1,050	-	18,735	9,735	9,735
Operating lease liabilities	114	120	495	495	495
Total current liabilities	<u>17,622</u>	<u>11,728</u>	<u>26,826</u>	<u>82,816</u>	<u>86,181</u>
Operating lease liabilities less current portion	120	-	1,036	293	353
Long-term debt - includes convertible debt, net	-	150	59,305	650	650
Stockholders' equity:					
Common stock, \$0.001 par value; authorized 82,500,000 shares;	28	31	43	43	43
Common stock - issuable	3	-	-	-	-
Additional paid-in capital	1,319	12,079	88,574	98,574	98,574
Retained earnings (Deficit)	(6,717)	(11,725)	(38,178)	(42,663)	(42,663)
Less treasury stock, at cost	-	-	(4,934)	(4,934)	(4,934)
Total stockholders' equity	<u>(5,367)</u>	<u>385</u>	<u>45,505</u>	<u>51,020</u>	<u>51,020</u>
Total liabilities and stockholders' equity	<u>\$ 12,375</u>	<u>\$ 12,263</u>	<u>\$ 132,673</u>	<u>\$ 134,779</u>	<u>\$ 138,205</u>
SHARES OUT	28,310	30,711	42,832	43,300	43,400

Source: Company reports and Taglich Brothers estimates

GreenBox POS
Annual Income Statement
FY2019 – FY2023E
(in thousands)

	2019 A	2020 A	2021 A	2022 E	2023 E
Net revenue	\$ 10,003	\$ 8,525	\$ 26,305	\$ 60,040	\$ 91,150
Cost of revenue	11,091	4,826	9,412	19,750	23,225
Gross Profit	<u>(1,088)</u>	<u>3,699</u>	<u>16,892</u>	<u>40,290</u>	<u>67,925</u>
Operating Expenses:					
Advertising and marketing	46	94	134	1,000	4,000
Research and development	1,255	1,364	3,870	4,800	6,000
General and Administrative	750	3,836	9,114	5,900	15,225
Payroll and payroll taxes	1,429	1,796	4,503	8,050	21,000
Professional fees	1,027	1,691	3,133	6,050	8,400
Depreciation and amortization	16	23	913	1,960	1,800
Stock compensation for employees	-	-	3,704	6,000	-
Stock compensation for services	-	-	12,306	4,000	-
Total Operating Expenses	<u>4,523</u>	<u>8,804</u>	<u>37,677</u>	<u>37,760</u>	<u>56,425</u>
Operating Income (loss)	(5,611)	(5,104)	(20,785)	2,530	11,500
Other income (expense)					
Interest expense	(605)	(359)	(1,932)	(8,000)	(8,000)
Interest expense - debt discount	(196)	(1,150)	(2,993)	(8,000)	(8,000)
Derivative expense	(635)	(641)	(3,435)	-	-
Changes in fair value of derivative liability	(415)	(384)	2,845	-	-
Gain from extinguishment of convertible debt	-	2,631	-	-	-
Merchant liability	2,777	-	(364)	-	-
Other income (expense)	-	0	215	-	-
Total Other Income (expense)	<u>927</u>	<u>97</u>	<u>(5,664)</u>	<u>(16,000)</u>	<u>(16,000)</u>
Income (loss) before taxes	(4,685)	(5,007)	(26,449)	(13,470)	(4,500)
Income Tax Expense (Benefit)	-	-	5	5,015	4,600
Net Income (loss)	<u>(4,685)</u>	<u>(5,007)</u>	<u>(26,454)</u>	<u>(18,485)</u>	<u>(9,100)</u>
Earnings (loss) per share	<u>\$ (0.17)</u>	<u>\$ (0.17)</u>	<u>(0.65)</u>	<u>\$ (0.43)</u>	<u>\$ (0.21)</u>
Avg Shares Outstanding	27,970	29,869	40,708	43,311	43,433
EBITDA - Adjusted	\$ (5,509)	\$ (790)	2,790	\$ 14,490	\$ 13,300
Margin Analysis					
Gross margin	(10.9%)	43.4%	64.2%	67.1%	74.5%
Advertising and marketing	0.5%	1.1%	0.5%	1.7%	4.4%
Research and development	12.5%	16.0%	14.7%	8.0%	6.6%
General and Administrative	7.5%	45.0%	34.6%	9.8%	16.7%
Payroll and payroll taxes	14.3%	21.1%	17.1%	13.4%	23.0%
Professional fees	10.3%	19.8%	11.9%	10.1%	9.2%
Depreciation and amortization	0.2%	0.3%	3.5%	3.3%	2.0%
Tax rate - excludes stock compensation			67.8%	40.0%	40.0%
YEAR / YEAR GROWTH					
Total Revenues	998.2%	(14.8%)	208.6%	128.2%	51.8%

Source: Company reports and Taglich Brothers estimates

GreenBox POS
Income Statement Model
Quarters FY2021 – 2023E
(in thousands)

	Q1 21A	Q2 21 A	Q3 21 A	Q4 21 A	2021 A	Q1 22 E	Q2 22 E	Q3 22 E	Q4 22 E	2022 E	Q1 23E	Q2 23 E	Q3 23 E	Q4 23 E	2023 E
Net revenue	\$ 4,749	\$ 6,379	\$ 8,045	\$ 7,130	\$ 26,305	\$ 10,140	\$ 12,235	\$ 18,090	\$ 19,575	\$ 60,040	\$ 20,250	\$ 21,600	\$ 23,925	\$ 25,375	\$ 91,150
Cost of revenue	1,594	1,323	2,421	4,074	9,412	4,100	4,250	5,500	5,900	19,750	5,750	5,775	5,800	5,900	23,225
Gross Profit	3,156	5,056	5,625	3,056	16,892	6,040	7,985	12,590	13,675	40,290	14,500	15,825	18,125	19,475	67,925
Operating Expenses:			1,648,383												
Advertising and marketing	25	23	37	50	134	100	200	300	400	1,000	1,000	1,000	1,000	1,000	4,000
Research and development	653	808	1,043	1,365	3,870	1,200	1,200	1,200	1,200	4,800	1,500	1,500	1,500	1,500	6,000
General and Administrative	566	298	784	7,466	9,114	1,100	1,300	1,500	2,000	5,900	3,000	3,225	4,000	5,000	15,225
Payroll and payroll taxes	559	1,062	1,250	1,631	4,503	1,675	1,775	2,100	2,500	8,050	4,500	5,000	5,500	6,000	21,000
Professional fees	458	867	790	1,018	3,133	1,250	1,500	1,600	1,700	6,050	1,800	1,900	2,200	2,500	8,400
Depreciation and amortization	6	14	458	435	913	490	490	490	490	1,960	450	450	450	450	1,800
Stock compensation for employees	798	1,292	3,778	(2,163)	3,704	1,500	1,500	1,500	1,500	6,000	-	-	-	-	-
Stock compensation for services	9,454	727	238	1,887	12,306	1,000	1,000	1,000	1,000	4,000	-	-	-	-	-
Total Operating Expenses	12,519	5,091	8,378	11,688	37,677	8,315	8,965	9,690	10,790	37,760	12,250	13,075	14,650	16,450	56,425
Operating Income (loss)	(9,363)	(36)	(2,754)	(8,632)	(20,785)	(2,275)	(980)	2,900	2,885	2,530	2,250	2,750	3,475	3,025	11,500
Other income (expense)															
Interest expense	(594)	-	(5)	(1,333)	(1,932)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)
Interest expense - debt discount	(2,993)	-	-	-	(2,993)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)	(2,000)	(2,000)	(2,000)	(2,000)	(8,000)
Derivative expense	-	-	-	(3,435)	(3,435)	-	-	-	-	-	-	-	-	-	-
Changes in fair value of derivative liability	-	-	-	2,845	2,845	-	-	-	-	-	-	-	-	-	-
Gain from extinguishment of convertible debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Merchant liability	(364)	-	-	-	(364)	-	-	-	-	-	-	-	-	-	-
Other income (expense)	(15)	(4)	(37)	271	215	-	-	-	-	-	-	-	-	-	-
Total Other Income (expense)	(3,966)	(4)	(42)	(1,652)	(5,664)	(4,000)	(4,000)	(4,000)	(4,000)	(16,000)	(4,000)	(4,000)	(4,000)	(4,000)	(16,000)
Income (loss) before taxes	(13,329)	(40)	(2,796)	(10,284)	(26,449)	(6,275)	(4,980)	(1,100)	(1,115)	(13,470)	(1,750)	(1,250)	(525)	(975)	(4,500)
Income Tax Expense (Benefit)	-	-	3,254	(3,249)	5	90	610	2,160	2,155	5,015	900	1,100	1,390	1,210	4,600
Net Income (loss)	(13,329)	(40)	(6,050)	(7,035)	(26,454)	(6,365)	(5,590)	(3,260)	(3,270)	(18,485)	(2,650)	(2,350)	(1,915)	(2,185)	(9,100)
Earnings (loss) per share	\$ (0.38)	\$ (0.00)	\$ (0.14)	\$ (0.17)	(0.65)	\$ (0.15)	\$ (0.13)	\$ (0.08)	\$ (0.08)	\$ (0.43)	\$ (0.06)	\$ (0.05)	\$ (0.04)	\$ (0.05)	\$ (0.21)
Avg Shares Outstanding	34,917	31,079	42,066	41,382	40,708	43,300	43,310	43,315	43,320	43,311	43,425	43,430	43,435	43,440	43,433
EBITDA - Adjusted	\$ 881	\$ 1,993	\$ 1,682	\$ (1,766)	2,790	\$ 715	\$ 2,010	\$ 5,890	\$ 5,875	\$ 14,490	\$ 2,700	\$ 3,200	\$ 3,925	\$ 3,475	\$ 13,300
Margin Analysis															
Gross margin	66.4%	79.3%	69.9%	42.9%	64.2%	59.6%	65.3%	69.6%	69.9%	67.1%	71.6%	73.3%	75.8%	76.7%	74.5%
Advertising and marketing	0.5%	0.4%	0.5%	0.7%	0.5%	1.0%	1.6%	1.7%	2.0%	1.7%	4.9%	4.6%	4.2%	3.9%	4.4%
Research and development	13.8%	12.7%	13.0%	19.1%	14.7%	11.8%	9.8%	6.6%	6.1%	8.0%	7.4%	6.9%	6.3%	5.9%	6.6%
General and Administrative	11.9%	4.7%	9.7%	104.7%	34.6%	10.8%	10.6%	8.3%	10.2%	9.8%	14.8%	14.9%	16.7%	19.7%	16.7%
Payroll and payroll taxes	11.8%	16.6%	15.5%	22.9%	17.1%	16.5%	14.5%	11.6%	12.8%	13.4%	22.2%	23.1%	23.0%	23.6%	23.0%
Professional fees	9.6%	13.6%	9.8%	14.3%	11.9%	12.3%	12.3%	8.8%	8.7%	10.1%	8.9%	8.8%	9.2%	9.9%	9.2%
Depreciation and amortization	0.1%	0.2%	5.7%	6.1%	3.5%	4.8%	4.0%	2.7%	2.5%	3.3%	2.2%	2.1%	1.9%	1.8%	2.0%
Tax rate - excludes stock compensation			157.6%	40.0%	67.8%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
YEAR / YEAR GROWTH															
Total Revenues	2437.0%	178.2%	163.2%	138.6%	208.6%	113.5%	91.8%	124.8%	174.5%	128.2%	99.7%	76.5%	32.3%	29.6%	51.8%

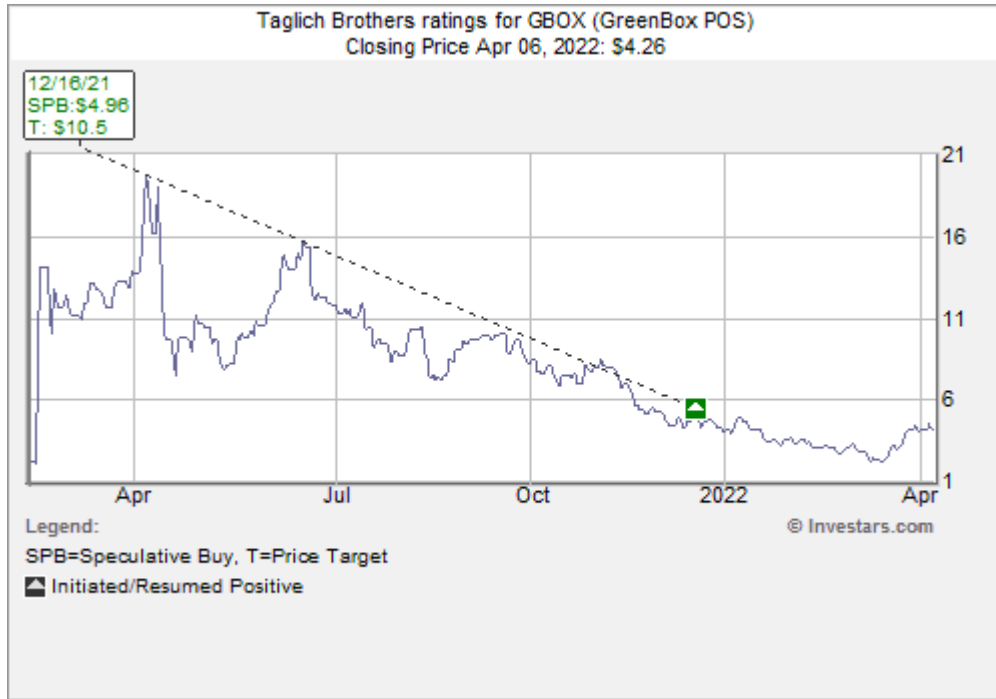
Source: Company reports and Taglich Brothers estimates

GreenBox POS
Cash Flow Statement
FY2019 – FY2023E
(in thousands)

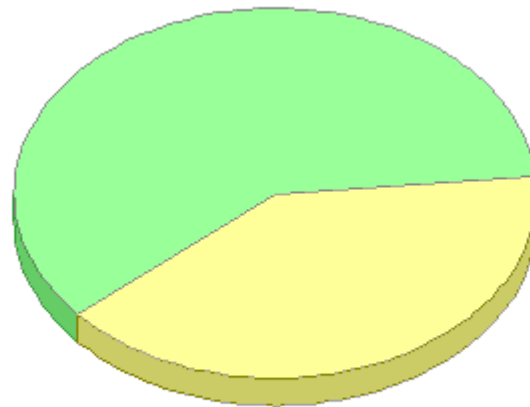
	<u>FY2019A</u>	<u>FY2020A</u>	<u>FY2021A</u>	<u>FY2022E</u>	<u>FY2023E</u>
<i>Cash Flows from Operating Activities</i>					
Net Income (loss)	\$ (4,685)	\$ (5,007)	\$ (26,454)	\$ (18,485)	\$ (9,100)
Depreciation expense	14	16	913	1,960	1,800
Interest expense - debt discount	195	1,103	2,993	8,000	8,000
Stock compensation expense - employees	87	3,036	3,704	6,000	-
Stock issued for services and others - including professional fees	-	1,263	12,306	4,000	-
Stock compensation issued for interest	-	-	653	-	-
Income taxes - non-cash	-	-	-	5,015	4,600
Derivative expense	-	-	3,435	-	-
Changes in fair value of derivative liability	1,050	(1,050)	(2,845)	-	-
Forgiveness of PPP loan	-	-	(273)	-	-
Noncash lease expense	(4)	-	39	-	-
Cash earnings (burn)	<u>(3,343)</u>	<u>(640)</u>	<u>(5,528)</u>	<u>6,490</u>	<u>5,300</u>
<i>Changes In:</i>					
Accounts receivable includes other	(20)	60	2,382	181	(16)
Accounts receivable from fines and fees from merchant, net	(2,777)	(13)	-	-	-
Inventory	-	-	(162)	-	-
Prepaid and other current assets	(5)	(28)	(6,344)	1,918	4,120
Cash due from gateways, net	(7,796)	1,123	(11,638)	(5,074)	(7,887)
Other assets	-	(82)	687	(7)	-
Accounts payable	386	(295)	443	226	193
Other current liabilities	6	53	301	249	100
Accrued interest	236	(515)	1,226	-	-
Payment processing liabilities, net	13,157	(3,822)	(8,535)	5,865	3,073
Lease liability, net of asset	-	(2)	-	-	-
Net (increase)/decrease in Working Capital	<u>3,186</u>	<u>(3,520)</u>	<u>(21,638)</u>	<u>3,357</u>	<u>(417)</u>
Net cash Provided (used) by Operations	<u>(157)</u>	<u>(4,161)</u>	<u>(27,166)</u>	<u>9,847</u>	<u>4,883</u>
<i>Cash Flows from Investing Activities</i>					
Purchase of property and equipment	(50)	(7)	(159)	(175)	(250)
Cash provided for acquisitions	-	-	(2,500)	(44,800)	-
Cash flow provided (used in) Investing Activities	<u>(50)</u>	<u>(7)</u>	<u>(2,659)</u>	<u>(44,975)</u>	<u>(250)</u>
<i>Cash Flows from Financing Activities</i>					
Borrowings (repayment) - convertible debt, net	(14)	2,693	-	-	-
Borrowings (repayment) on long-term debt	(75)	150	-	-	-
Borrowings (repayment) from short-term notes payable, net	774	(774)	-	-	-
Borrowings under note payable, payroll protection plan loan	-	273	350	-	-
Proceeds from 8% convertible note offering, net	-	-	76,800	-	-
Payment for convertible note adjustment	-	-	-	(6,900)	-
Proceeds from issuances of common stock	-	2,860	45,805	-	-
Treasury stock repurchase	-	-	(4,935)	-	-
Proceeds from stock options exercises	-	36	2	-	-
Proceeds from exercise of warrant	-	-	3,731	-	-
Repurchase of common stock from stockholder	-	-	(5,694)	-	-
Net cash provided (used) by Financing	<u>685</u>	<u>5,237</u>	<u>116,061</u>	<u>(6,900)</u>	<u>-</u>
Cash acquired from acquisition of Northeast and ChargeSavy	<u>-</u>	<u>-</u>	<u>1,491</u>	<u>-</u>	<u>-</u>
Net change in Cash	478	1,070	87,727	(42,028)	4,633
Cash, cash equivalents, and restricted cash at beginning of period	<u>285</u>	<u>763</u>	<u>1,833</u>	<u>89,560</u>	<u>47,532</u>
Cash, cash equivalents, and restricted cash at end of period	<u>\$ 763</u>	<u>\$ 1,833</u>	<u>\$ 89,560</u>	<u>\$ 47,532</u>	<u>\$ 52,165</u>

Source: Company reports and Taglich Brothers estimates

Price Chart



Taglich Brothers Current Ratings Distribution



60 % Buy | 40 % Hold

Investment Banking Services for Companies Covered in the Past 12 Months		
Rating	#	%
Buy	5	25
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
Fiserv, Inc.

(NASDAQ: SBNY)
(NASDAQ: FISV)

Visa Inc. (NYSE: V)

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.