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Research Report – Update

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

GreenBox POS

Rating: Speculative Buy

Howard Halpern

GBOX $2.61 — (NASDAQ)

May 31, 2022

	2019 A	2020 A	2021 A	*2022 E*	*2023 E*
Total Revenue (in millions)	$10.0	$8.5	$26.3	***$27.3***	***$49.6***
Earnings (loss) per share	($0.17)	($0.17)	($0.65)	***($0.99)***	***($0.35)***

52-Week range	$16.50 – $1.65	Fiscal year ends:	December
Shares outstanding a/o 05/09/22	41.4 million	Revenue/shares (ttm)	$0.68
Approximate float	18.2 million	Price/Sales (ttm)	3.8X
Market Capitalization	$108.1 million	Price/Sales (2023) E	2.2X
Tangible Book value/shr	$0.57	Price/Earnings (ttm)	NMF
Price/Book	4.6X	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 but reducing our 12-month price target to $5.00 per share from $10.50 per share due to reductions in our 2023 revenue per share forecast and industry valuations.

GreenBox has 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 1Q22 acquisitions of Transact Europe and the merchant portfolio of Sky Financial, as well as organic growth of merchant customers. We anticipate transaction volume reaching $6 billion in 2023, up from an estimated $4 billion in 2022. Transaction volume was $2 billion in 2021.

In 1Q22, GBOX reported (on 05-16-22) a loss per share of ($0.51) on revenue of $4.9 million. We projected a loss per share of ($0.15) on revenue of $10.1 million. In 1Q21, the loss per share was ($0.38) on revenue of $4.7 million.

In 2022, we project a loss per share of ($0.99) on 3.9% revenue growth to $27.3 million. We previously forecast a loss per share of ($0.43) on revenue of $60 million. Our forecast reflects 1Q22 results and the likelihood the company will not experience revenue growth until 4Q22.

In 2023, we project a loss per share of ($0.35) on revenue growth of 81.4% to $49.6 million. We previously forecast a loss per share of ($0.21) on revenue of $91.2 million. Our reduced forecasts reflect transaction volume of $6 billion (prior was $6.5 billion) and higher than anticipated costs to maintain merchant customers.

Please view our Disclosures on pages 14 - 16

Appreciation Potential

Maintaining our Speculative Buy rating but reducing our 12-month price target to $5.00 per share from $10.50 per share due to reductions in our 2023 revenue per share forecast and industry valuations. Our rating and price target reflect projected growth in payment processing transaction volume that should reach $6 billion in 2023, up from an estimated $4 billion in 2022 and nearly $2 billion in 2021. Transaction volume growth should be driven by an expanded global customer base driven by organic growth and the integration of the 1Q22 acquisitions of Transact Europe Holdings and the merchant portfolio from Sky Financial.

Our 12-month price target of $5.00 per share implies shares could appreciate over 90% over the next twelve months. According to finviz.com (as of 05/26/22), the average price-to-sales multiple for companies in the software infrastructure and credit service industries is 6X (prior was 7.2X), compared to GBOX's trailing price-to-sales multiple of 3.8X (prior was 6.6X). We anticipate investors are likely to accord GBOX a multiple approaching that of the industries given its forecasted revenue growth of 81.4% in 2023. We applied a price-to-sales multiple of 5.5X (prior was 7.2X) to our 2023 sales per share forecast of $1.19 (prior 2022 forecast was $2.10 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 $5.00 per share.

GBOX's valuation improvement is contingent upon it consistently demonstrating quarterly revenue growth and narrowing of cash burn. In 2023, we forecast cash burn narrowing to $4.9 million from an estimated $18.9 million in 2022. In 2021, cash burn was $5.5 million. In 2023, we forecast an operating profit of $1.4 million compared to an estimated loss of $14.2 million in 2022 (includes non-cash stock based compensation of zero and $1.4 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 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.

Offerings

<u>Generation 3 (Gen3) Technology Platform</u>
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 that 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.

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 was the 2021 acquisition of Northeast Merchant Services that provided GBOX a merchant customer base, as well as 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 will need to deposit custodial funds at Signature Bank. The company plans on adding COYNI users during 2022, with the only constraint being the amount of custodial 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.

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 billion in 2023, up from an estimated $4 billion in 2022. In 2021, transaction volume was nearly $2 billion. Our forecast 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 anticipate transaction volume margin and gross margin to be significantly below our prior forecast. We forecast transaction volume margin averaging approximately 0.75% through 2023 compared to our prior forecast of 1.35% and gross margin averaging nearly 60% through 2023 compared to our prior forecast of 70%. The reduction in our margin forecasts reflect 1Q22 results.

We are not recording income tax expense since the company has federal tax loss carryforwards of $19 million as of December 31, 2021.

Economy

In April 2022, the International Monetary Fund (IMF) revised its global economic growth estimates to an increase of 3.6% for 2022 and 2023, down from its January 2022 projection calling for 4.6% growth in 2022 and 3.8% growth in 2023. The downward revisions primarily reflect the economic damage from the war in Ukraine resulting in elevated inflation and rising interest rates.

The IMF revised its economic growth estimate for the US to an increase of 3.7% for 2022 and 2.3% for 2023. In January 2022, the IMF projected US economic growth of 4% and 2.6% for 2022 and 2023, respectively.

Operations – 2022

We project revenue increasing 3.9% to $27.3 million (prior was $60 million) from $26.3 million in 2021. Our reduced forecast reflects 1Q22 results and significantly higher onboarding costs of merchant customers that reduce per transaction revenue on GBOX's Gen3 blockchain platform to approximately 0.68% (prior was 1.33%).

We forecast gross profit decreasing to $14.8 million from $16.9 million in 2021 due to gross margin contracting to 54.1% from 64.2%. Gross margin contraction reflects higher than previously anticipated fees paid to gateways, as well as an increase in commission payments to the independent sales organizations primarily in 1H22.

We project an operating loss of $14.2 million (includes non-cash stock-based compensation of $1.4 million) compared to an operating loss of $20.8 million (includes non-cash stock-based compensation of $16 million) in 2021. We anticipate operating expenses of $29 million compared to $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 $27.6 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 $27.1 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. Also, recorded in 1Q22 was a $7.7 million non-cash charge related to derivatives.

We project a net loss of $41.3 million or ($0.99) per share compared to a loss of $26.5 million or ($0.65) per share. We previously forecast a net loss of $18.5 million or ($0.43) per share. Our forecast reflects non-cash stock-based compensation expense of $1.4 million and non-cash derivative and debt discount expense of $19.2 million compared non-cash stock-based compensation expense of $16 million and non-cash derivative (net) and debt discount expense of $3.6 million in 2021.

Finances – 2022

We project cash burn of $18.9 million and a $5.3 million decrease in working capital resulting in cash used in operations of $13.6 million. Cash used in operations, cash used to pay for acquisitions and the repurchase of common stock, as well as payment to convertible note adjustment is likely to reduce cash by $67.8 million to $21.8 million at December 31, 2022.

Operations – 2023

We project revenue increasing 81.4% to $49.6 million (prior was $91.2 million) from an estimated $27.3 million in 2022. While overall growth reflects organic growth from the company's existing customers and new customers from completed acquisitions in 1Q22, it should be significantly diminished from our prior forecast. While we reduced our transaction volume forecast to $6 billion (prior was $6.5 billion), we also anticipate the persistence of higher onboarding costs of merchant customers that reduce per transaction revenue, which should approximate 0.83% (prior was 1.4%), but up from our 2022 forecast of 0.68%.

We forecast gross profit increasing to $32.2 million from an estimated $14.8 million in 2022 due to revenue growth and gross margin expanding to 65% (prior was 74.5%) from 54.1% as fees paid to gateways and commission payments to the independent sales organizations are likely to ease, but not at the pace we previously anticipated.

We project an operating profit of $1.4 million (no non-cash stock-based compensation forecast) compared to an operating loss of $14.2 million (includes non-cash stock-based compensation of $1.4 million). We anticipate operating expenses increasing to $30.8 million from $29 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 in global revenue and transaction volume growth.

We project non-operating expense of $16 million compared to $27.1 million in 2022. Our forecast reflects recording non-cash interest expense and debt discount expense stemming from the issuance of $100 million convertible debt in 4Q21. The year-ago period reflects the same but also includes 1Q22 recognition of derivative expense and higher debt discount expense.

We project a net loss of $14.6 million or ($0.35) per share. We previously projected a net loss of $9.1 million or ($0.21) per share.

Finances – 2023

We project cash burn of $4.9 million and a $7.1 million increase in working capital resulting in cash used in operations of $12 million. We anticipate cash decreasing by $12.2 million to $9.5 million at December 31, 2023.

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 $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. 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.

1Q22 Results

1Q22

The company reported revenue increased 3.1% to nearly $4.9 million from $4.7 million in 1Q21. Revenue growth reflects processing volume reaching $754,000, up from $315,000 million in 2021. 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) in 1H21. The processing volume growth was restrained by a significant drop to 0.65% compared to 0.87% in 1Q21 from transaction volume to revenue.

Gross profit decreased to $2.3 million from $3.2 million in the year-ago period. The decrease reflects gross margin compression to 47.6% from 66.4% last year due to higher fees paid to gateways, as well as an increase in commission payments to the independent sales organizations that are responsible for establishing and maintaining merchant relationships. Cost of sales increased 60.9% to $2.6 million from $1.6 million in 1Q21.

Operating expenses decreased $4 million to $8.5 million from $12.5 million in 1Q21 due primarily to reductions in stock compensation for services and employees (combined) to $293,000 from $10.3 million in the year-ago period. The decrease in operating expenses was partly offset by increases in R&D, G&A, payroll and payroll taxes, professional fees, and R&D expenses to $8.2 million from $2.3 million in 1Q21 stemming from the addition of personnel and infrastructure to support transaction volume growth.

Loss from operations was $6.2 million compared to $9.4 million in the year-ago period. Excluding non-cash stock based compensation, the company would have had an operating loss of approximately $5.9 million compared to operating income of nearly $4 million. Operating expense margin was 173.8% compared to 263.6% in 1Q21.

Non-operating expense was $15.1 million compared $4 million last year. Interest (including debt discount) expense was $7.4 million compared to $3.6 million in 1Q21 due to the issuance of $100 million convertible notes in November 2021. Derivative expense was $7.7 million compared to zero in the year-ago period. Merchant liability expense was zero compared to $364,000 in the year-ago period. Other income was $49,000 compared to an expense of $15,000 last year.

The net loss was $21.3 million or ($0.51) per share compared to $13.3 million or ($0.38) per share in 1Q21. We forecasted a net loss of $6.4 million or ($0.15) per share on revenue of $10.1 million.

Finances

In 1Q22, the company reported cash burn of $7.3 million and a $548,000 increase in working capital resulting in cash used in operations of nearly $7.9 million. Cash used in operations, payments made to acquire assets and repayment of debt obligations reduced cash by nearly $62 million to $27.6 million at March 31, 2022.

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. At March 31, 2022, the outstanding balance of $58.8 million, net of a debt discount of $35.8 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 March 31, 2022, a total of nearly 1.1 million shares were repurchased at an aggregate cost of nearly $7.1 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 an operating profit in 2023 and that cash burn should narrow to an estimated $4.9 million in 2023 from an estimated cash burn of $18.9 million in 2022.

Dilution
We anticipate the company's share count to eventual increase after our forecast period due primarily to the eventual conversion of 8% senior convertible notes that mature in November 2023 (We anticipate, the November 2023 maturity date is likely to be extended into 2024). 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. In 1Q22, the company achieve over $750 million in transaction volume, which avoided the fixed conversion price decreasing. 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. 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.

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 was 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 March 31, 2022, GBOX's material weaknesses as it relates internal control over financial reporting continues to be identified. The financial reporting weaknesses stem 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 55% of the company's outstanding voting stock (based on April 2022 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 May 27, 2022) to nearly 411,000. GBOX has a float of approximately 18.2 million shares and outstanding shares of 41.4 million.

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

	2019 A	2020 A	2021 A	1Q22A	**2022 E**	**2023 E**
ASSETS						
Current assets:						
Cash and cash equivalents	$ -	$ -	$ 89,560	$ 27,594	**$ 21,770**	**$ 9,529**
Restricted cash	763	1,833	-	0	**-**	**-**
Accounts receivable, net	70	10	482	469	**456**	**689**
Accounts receivable from fines/fees from merchant, net	2,777	2,789	-	-	**-**	**-**
Inventory	-	-	286	217	**225**	**225**
Cash due from gateways, net	8,427	7,304	18,942	20,807	**13,668**	**19,830**
Prepaid and other current assets	42	70	6,421	35,263	**9,567**	**12,394**
Total current assets	12,079	12,006	115,690	84,351	**45,686**	**42,666**
Property and equipment, net	66	57	1,675	1,708	**3,000**	**3,100**
Other	-	82	191	172	**172**	**172**
Goodwill	-	-	6,048	6,048	**21,955**	**21,955**
Intangible assets, net	-	118	7,579	25,267	**27,194**	**21,014**
Operating lease right-of-use assets, net	230	-	1,490	1,362	**1,672**	**1,362**
Total assets	$ 12,375	$ 12,263	$ 132,673	$ 118,908	**$ 99,679**	**$ 90,269**
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Accounts payable	505	210	871	1,069	**1,219**	**1,446**
Other current liabilities	15	68	501	610	**750**	**850**
Accrued interest	368	-	1,226	1,776	**1,800**	**1,900**
Payment processing liabilities, net	14,022	10,200	4,998	5,390	**6,896**	**8,675**
Short-term notes payable, net	741	-	-	-	**-**	**-**
Note payable, payroll protection plan	-	273	-	-	**-**	**-**
Convertible debt, net of orignial discount	808	857	-	-	**58,826**	**58,826**
Derivative liability	1,050	-	18,735	26,435	**20,000**	**15,000**
Operating lease liabilities	114	120	495	550	**550**	**550**
Total current liabilities	17,622	11,728	26,826	35,830	**90,041**	**87,247**
Operating lease liabilities less current portion	120	-	1,036	892	**892**	**892**
Long-term debt - includes covertible debt, net	-	150	59,305	58,826	**650**	**650**
Stockholders' equity:						
Common stock, $0.001 par value; authorized 82,500,000 shares;	28	31	43	43	**43**	**43**
Common stock - issuable	3	-	-	1	**1**	**1**
Additional paid-in capital	1,319	12,079	88,574	90,983	**86,716**	**86,716**
Retained earnings (Deficit)	(6,717)	(11,725)	(38,178)	(59,494)	**(70,493)**	**(77,108)**
Less treasury stock, at cost	-	-	(4,934)	(8,171)	**(8,171)**	**(8,171)**
Total stockholders' equity	(5,367)	385	45,505	23,361	**8,095**	**1,480**
Total liabilities and stockholders' equity	$ 12,375	$ 12,263	$ 132,673	$ 118,908	**$ 99,679**	**$ 90,269**
SHARES OUT	28,310	30,711	42,832	40,917	**42,000**	**42,200**

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	**$ 27,336**	**$ 49,575**
Cost of revenue	11,091	4,826	9,412	**12,539**	**17,350**
Gross Profit	(1,088)	3,699	16,892	**14,797**	**32,225**
Operating Expenses:					
Advertising and marketing	46	94	134	**666**	**1,500**
Research and development	1,255	1,364	3,870	**5,238**	**5,050**
General and Administrative	750	3,836	9,114	**5,467**	**6,050**
Payroll and payroll taxes	1,429	1,796	4,503	**9,733**	**11,275**
Professional fees	1,027	1,691	3,133	**4,680**	**5,225**
Depreciation and amortization	16	23	913	**1,819**	**1,740**
Stock compensation for employees	-	-	3,704	**722**	-
Stock compensation for services	-	-	12,306	**651**	-
Total Operating Expenses	4,523	8,804	37,677	**28,977**	**30,840**
Operating Income (loss)	(5,611)	(5,104)	(20,785)	**(14,180)**	**1,385**
Other income (expense)					
Interest expense	(605)	(359)	(1,932)	**(7,889)**	**(8,000)**
Interest expense - debt discount	(196)	(1,150)	(2,993)	**(11,521)**	**(8,000)**
Derivative expense	(635)	(641)	(3,435)	**(7,700)**	-
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	**49**	-
Total Other Income (expense)	927	97	(5,664)	**(27,061)**	**(16,000)**
Income (loss) before taxes	(4,685)	(5,007)	(26,449)	**(41,241)**	**(14,615)**
Income Tax Expense (Benefit)	-	-	5	**80**	-
Net Income (loss)	(4,685)	(5,007)	(26,454)	**(41,321)**	**(14,615)**
Earnings (loss) per share	$ (0.17)	$ (0.17)	(0.65)	**$ (0.99)**	**$ (0.35)**
Avg Shares Outstanding	27,970	29,869	40,708	**41,734**	**41,578**
EBITDA - Adjusted	$ (5,509)	$ (790)	2,790	**$ (10,938)**	**$ 7,125**
Margin Analysis					
Gross margin	(10.9%)	43.4%	64.2%	**54.1%**	**65.0%**
Advertising and marketing	0.5%	1.1%	0.5%	**2.4%**	**3.0%**
Research and development	12.5%	16.0%	14.7%	**19.2%**	**10.2%**
General and Administrative	7.5%	45.0%	34.6%	**20.0%**	**12.2%**
Payroll and payroll taxes	14.3%	21.1%	17.1%	**35.6%**	**22.7%**
Professional fees	10.3%	19.8%	11.9%	**17.1%**	**10.5%**
Depreciation and amortization	0.2%	0.3%	3.5%	**6.7%**	**3.5%**
YEAR / YEAR GROWTH					
Total Revenues	998.2%	(14.8%)	208.6%	**3.9%**	**81.4%**

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 A	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	$ 4,896	$ 4,940	$ 7,000	$ 10,500	**$ 27,336**	$ 11,250	$ 11,600	$ 12,550	$ 14,175	**$ 49,575**
Cost of revenue	1,594	1,323	2,421	4,074	9,412	2,564	2,575	3,150	4,250	**12,539**	4,265	4,285	4,300	4,500	**17,350**
Gross Profit	3,156	5,056	5,625	3,056	16,892	2,332	2,365	3,850	6,250	**14,797**	6,985	7,315	8,250	9,675	**32,225**
Operating Expenses:															
Advertising and marketing	25	23	37	50	134	141	150	175	200	**666**	300	350	400	450	**1,500**
Research and development	653	808	1,043	1,365	3,870	1,938	1,000	1,100	1,200	**5,238**	1,225	1,250	1,275	1,300	**5,050**
General and Administrative	566	298	784	7,466	9,114	1,792	1,200	1,225	1,250	**5,467**	1,400	1,450	1,550	1,650	**6,050**
Payroll and payroll taxes	559	1,062	1,250	1,631	4,503	2,383	2,400	2,450	2,500	**9,733**	2,600	2,700	2,875	3,100	**11,275**
Professional fees	458	867	790	1,018	3,133	1,505	1,025	1,050	1,100	**4,680**	1,200	1,275	1,350	1,400	**5,225**
Depreciation and amortization	6	14	458	435	913	454	455	455	455	**1,819**	435	435	435	435	**1,740**
Stock compensation for employees	798	1,292	3,778	(2,163)	3,704	167	175	180	200	**722**	-	-	-	-	-
Stock compensation for services	9,454	727	238	1,887	12,306	126	150	175	200	**651**	-	-	-	-	-
Total Operating Expenses	12,519	5,091	8,378	11,688	37,677	8,507	6,555	6,810	7,105	**28,977**	7,160	7,460	7,885	8,335	**30,840**
Operating Income (loss)	(9,363)	(36)	(2,754)	(8,632)	(20,785)	(6,175)	(4,190)	(2,960)	(855)	**(14,180)**	(175)	(145)	365	1,340	**1,385**
Other income (expense)															
Interest expense	(594)	-	(5)	(1,333)	(1,932)	(1,889)	(2,000)	(2,000)	(2,000)	**(7,889)**	(2,000)	(2,000)	(2,000)	(2,000)	**(8,000)**
Interest expense - debt discount	(2,993)	-	-	-	(2,993)	(5,521)	(2,000)	(2,000)	(2,000)	**(11,521)**	(2,000)	(2,000)	(2,000)	(2,000)	**(8,000)**
Derivative expense	-	-	-	(3,435)	(3,435)	(7,700)	-	-	-	**(7,700)**	-	-	-	-	-
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	49	-	-	-	**49**	-	-	-	-	-
Total Other Income (expense)	(3,966)	(4)	(42)	(1,652)	(5,664)	(15,061)	(4,000)	(4,000)	(4,000)	**(27,061)**	(4,000)	(4,000)	(4,000)	(4,000)	**(16,000)**
Income (loss) before taxes	(13,329)	(40)	(2,796)	(10,284)	(26,449)	(21,236)	(8,190)	(6,960)	(4,855)	**(41,241)**	(4,175)	(4,145)	(3,635)	(2,660)	**(14,615)**
Income Tax Expense (Benefit)	-	-	3,254	(3,249)	5	80	-	-	-	**80**	-	-	-	-	-
Net Income (loss)	(13,329)	(40)	(6,050)	(7,035)	(26,454)	(21,316)	(8,190)	(6,960)	(4,855)	**(41,321)**	(4,175)	(4,145)	(3,635)	(2,660)	**(14,615)**
Earnings (loss) per share	$ (0.38)	$ (0.00)	$ (0.14)	$ (0.17)	(0.65)	$ (0.51)	$ (0.20)	$ (0.17)	$ (0.12)	**$ (0.99)**	$ (0.10)	$ (0.10)	$ (0.09)	$ (0.06)	**$ (0.35)**
Avg Shares Outstanding	34,917	31,079	42,066	41,382	40,708	42,111	41,600	41,610	41,615	**41,734**	41,620	41,625	41,430	41,635	**41,578**
EBITDA - Adjusted	$ 881	$ 1,993	$ 1,682	$ (1,766)	2,790	$ (5,378)	$ (3,410)	$ (2,150)	$ -	**$ (10,938)**	$ 1,260	$ 1,290	$ 1,800	$ 2,775	**$ 7,125**
Margin Analysis															
Gross margin	66.4%	79.3%	69.9%	42.9%	64.2%	47.6%	47.9%	55.0%	59.5%	**54.1%**	62.1%	63.1%	65.7%	68.3%	**65.0%**
Advertising and marketing	0.5%	0.4%	0.5%	0.7%	0.5%	2.9%	3.0%	2.5%	1.9%	**2.4%**	2.7%	3.0%	3.2%	3.2%	**3.0%**
Research and development	13.8%	12.7%	13.0%	19.1%	14.7%	39.6%	20.2%	15.7%	11.4%	**19.2%**	10.9%	10.8%	10.2%	9.2%	**10.2%**
General and Administrative	11.9%	4.7%	9.7%	104.7%	34.6%	36.6%	24.3%	17.5%	11.9%	**20.0%**	12.4%	12.5%	12.4%	11.6%	**12.2%**
Payroll and payroll taxes	11.8%	16.6%	15.5%	22.9%	17.1%	48.7%	48.6%	35.0%	23.8%	**35.6%**	23.1%	23.3%	22.9%	21.9%	**22.7%**
Professional fees	9.6%	13.6%	9.8%	14.3%	11.9%	30.7%	20.7%	15.0%	10.5%	**17.1%**	10.7%	11.0%	10.8%	9.9%	**10.5%**
Depreciation and amortization	0.1%	0.2%	5.7%	6.1%	3.5%	9.3%	9.2%	6.5%	4.3%	**6.7%**	3.9%	3.8%	3.5%	3.1%	**3.5%**
YEAR / YEAR GROWTH															
Total Revenues	2437.0%	178.2%	163.2%	138.6%	208.6%	3.1%	(22.6%)	(13.0%)	47.3%	**3.9%**	129.8%	134.8%	79.3%	35.0%	**81.4%**

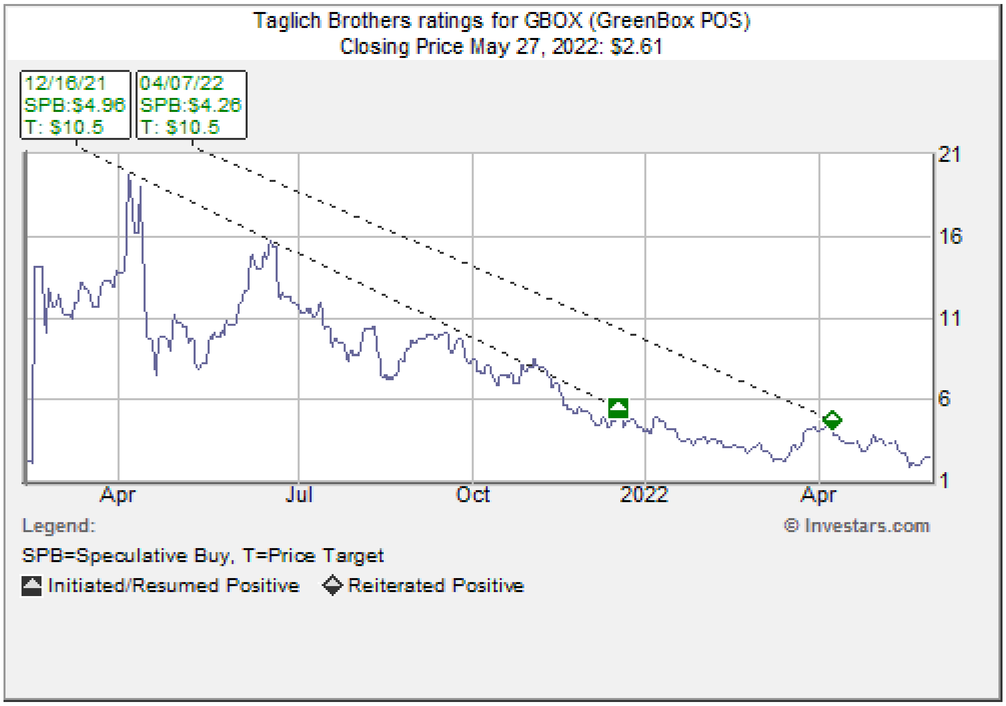
Source: Company reports and Taglich Brothers estimates

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

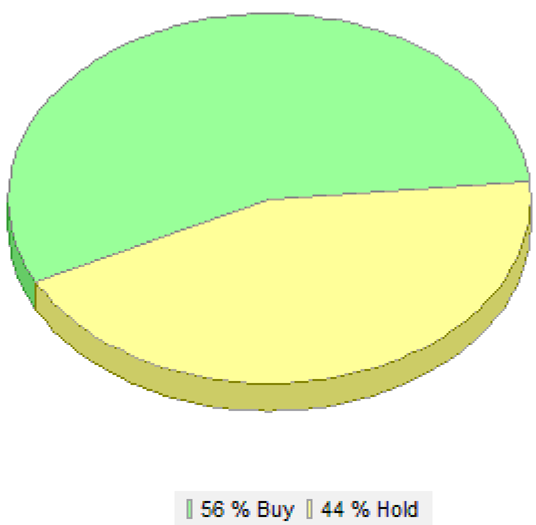
	FY2019A	FY2020A	FY2021A	1Q22A	**FY2022E**	**FY2023E**
Cash Flows from Operating Activities						
Net Income (loss)	$ (4,685)	$ (5,007)	$ (26,454)	$ (21,316)	**$ (41,321)**	**$ (14,615)**
Depreciation expense	14	16	913	454	**1,819**	**1,740**
Interest expense - debt discount	195	1,103	2,993	5,521	**11,521**	**8,000**
Stock compensation expense - employees	87	3,036	3,704	167	**722**	-
Stock issued for services and others - including professional fees	-	1,263	12,306	126	**651**	-
Stock compensation issued for interest	-	-	653	-	-	-
Derivative expense	-	-	3,435	7,700	**7,700**	-
Changes in fair value of derivative liability	1,050	(1,050)	(2,845)	-	-	-
Forgiveness of PPP loan	-	-	(273)	-	-	-
Noncash lease expense	(4)	-	39	39	**39**	-
Cash earnings (burn)	(3,343)	(640)	(5,528)	(7,309)	**(18,869)**	**(4,875)**
Changes In:						
Accounts receivable includes other	(20)	60	2,382	13	**26**	**(233)**
Accounts receivable from fines and fees from merchant, net	(2,777)	(13)	-	-	-	-
Inventory	-	-	(162)	69	**69**	-
Prepaid and other current assets	(5)	(28)	(6,344)	(32)	**(3,147)**	**(2,826)**
Cash due from gateways, net	(7,796)	1,123	(11,638)	(1,866)	**5,274**	**(6,162)**
Other assets	-	(82)	687	18	**19**	-
Accounts payable	386	(295)	443	198	**348**	**227**
Other current liabilities	6	53	301	109	**249**	**100**
Accrued interest	236	(515)	1,226	549	**549**	-
Payment processing liabilities, net	13,157	(3,822)	(8,535)	393	**1,899**	**1,779**
Lease liability, net of asset	-	(2)	-	-	-	-
Net (increase)/decrease in Working Capital	3,186	(3,520)	(21,638)	(548)	**5,286**	**(7,116)**
Net cash Provided (used) by Operations	(157)	(4,161)	(27,166)	(7,857)	**(13,583)**	**(11,991)**
Cash Flows from Investing Activities						
Purchase of property and equipment	(50)	(7)	(159)	(66)	**(175)**	**(250)**
Cash provided for acquisitions	-	-	(2,500)	(44,811)	**(44,800)**	-
Cash flow provided (used in) Investing Activities	(50)	(7)	(2,659)	(44,877)	**(44,975)**	**(250)**
Cash Flows from Financing Activities						
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	-	-	-	(6,000)	**(6,000)**	-
Proceeds from issuances of common stock	-	2,860	45,805	-	-	-
Treasury stock repurchase	-	-	(4,935)	(3,237)	**(3,237)**	-
Proceeds from stock options exercises	-	36	2	5	**5**	-
Proceeds from exercise of warrant	-	-	3,731	-	-	-
Repurchase of common stock from stockholder	-	-	(5,694)	-	-	-
Net cash provided (used) by Financing	685	5,237	116,061	(9,232)	**(9,232)**	-
Cash acquired from acquisition of Northeast and ChargeSavvy	-	-	1,491	-	-	-
Net change in Cash	478	1,070	87,727	(61,965)	**(67,790)**	**(12,241)**
Cash, cash equivalents, and restricted cash at beginning of period	285	763	1,833	89,560	**89,560**	**21,770**
Cash, cash equivalents, and restricted cash at end of period	$ 763	$ 1,833	$ 89,560	$ 27,594	**$ 21,770**	**$ 9,529**

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	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

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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.