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Initial Research Report

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

RYVYL Inc.

Rating: Speculative Buy

Howard Halpern

RVYL $1.26 — (NASDAQ)

September 20, 2024

	2022 A	2023 A	*2024 E*	*2025 E*
Total Revenue (in millions)	$32.9	$65.9	***$65.0***	***$103.0***
Earnings (loss) per share	($10.80)*	($10.11)*	***($2.72)****	***$0.19***

52-Week range	$5.48 – $0.89	Fiscal year ends:	December
Shares outstanding a/o 8/12/24	6.8 million	Revenue/shares (ttm)	$11.80
Approximate float	4.4 million	Price/Sales (ttm)	0.1X
Market Capitalization	$8.6 million	Price/Sales (2025) E	0.1X
Tangible Book value/shr	($2.21)	Price/Earnings (ttm)	NMF
Price/Book	NMF	Price/Earnings (2025) E	6.6X

All per share figures reflect the September 2023 1 for 10 reverse stock split * Included non-recurring items of approximately ($0.70) per share in 2022 and ($6.61) per share in 2023
***** Includes approximately ($1.54) per share related to impairment and restructuring charges, as well as accretion of debt discount in 1H24***

RYVYL Inc., headquartered in San Diego, California, is a global financial payment processing technology organization that has developed applications in order to provide an end-to-end suite of turnkey financial products with enhanced security, data privacy, identity theft protection, and rapid speed to settlement. The technology platform can process high volumes of unchanged transactional records at the speed of the internet for first-tier partners, merchants, and consumers. The company provides private and white label licensing opportunities for its payment processing technology offerings.

Key Investment Considerations:

Initiating RYVYL Inc., with a Speculative Buy rating and 12-month price target of $5.00 per share.

RYVYL Inc., has growth potential for its proprietary secure customizable payment processing ecosystem offerings for international and North American merchant customers, partners, consumers, and financial institutions. Precedence Research is forecasting the global digital payments market should reach $618.5 billion by 2033, up from an estimated $144.9 billion in 2024 for annualized growth of 17.5%.

The company's strategy is to drive global payment processing transaction volume growth. We anticipate RVYL could achieve payment processing transaction volume approaching $6 billion by 2025 from $3.1 billion in 2023 reflecting customer growth in Europe and restructured North American operations. Management issued guidance that processing volumes should exceed $4 billion in 2024 based on strong 2H24 customer growth.

In 2024, we project a net loss of $17.6 million or ($2.72) per share on revenue of $65 million. Excluding accretion of debt discount, restructuring and goodwill impairment, the loss per share should approximate ($1.18). Our forecast reflects 2H24 guidance provided in August 2024 and processing volume exceeding $4 billion, up from $3.1 billion in 2023. We our forecast should be supported by growth in the company's European subsidiary, offset in part by the challenges faced by RVYL's North American operations in 2Q24.

In 2025, we project net income of $1.5 million or $0.19 per share on revenue growth of 58.5% to $103 million. Our revenue and EPS forecasts should be supported by processing volume approaching $6 billion, growth in European operations, and a rebound in North American operations. The swing to profitability should be driven by revenue growth and operating expense margin improving to 38% from an estimated 50.7% (excluding items) in 2024.

Please view our Disclosures on pages 18 – 20.

Appreciation Potential

Initiating RYVYL Inc., with a Speculative Buy rating and 12-month price target of $5.00 per share. Our rating and price target reflect the company's growth potential for its proprietary secure customizable payment processing ecosystem offerings for international and North American merchant customers, partners, consumers, and financial institutions. Precedence Research is forecasting the global digital payments market should reach $618.5 billion by 2033, up from an estimated $144.9 billion in 2024 for annualized growth of 17.5%.

Also, supporting our rating and price target should be our projected growth forecast for the company's international and North American payment processing transaction volumes that is anticipated to approach $6 billion in 2025, up from $3.1 billion in 2023. Payment processing transaction volume growth should be driven by an expanded global customer base driven new and expanded European merchant customers and partnerships, as well as a rebound in North American operations after a restructuring occurred in the middle of 2024. The rebound in North American operations includes the licensing of RVYL's payment-platform-as-a-service offering to a US based licensee that should contribute to revenue in 4Q24, as well as the strengthening of its US leadership team by hiring financial technology veterans to fill newly created positions of Managing Director of Northeast Merchant Systems and VP of Compliance. This US team is tasked with expanding into new verticals and finding private and white label licensing opportunities.

Our 12-month price target of $5.00 per share implies shares could appreciate approximately four-fold over the next twelve months. According to finviz.com, the average price-to-sales multiple for companies in the software infrastructure and credit service industries with market capitalization of less than $50 million is 1.2X, compared to RVYL's trailing price-to-sales multiple of 0.1X. We anticipate investors are likely to accord RVYL a multiple approaching that of the industries given forecasted revenue growth of 58.5% for 2025. We applied a price-to-sales multiple of 0.6X to our 2025 sales per share forecast of $13.24, significantly discounted for execution risk and potential dilution related the company's outstanding convertible instruments on its balance sheet as of June 30, 2024, to obtain a year-ahead price target of approximately $5.00 per share.

RVYL's valuation should see improvement based on revenue growth, a narrowing of operating losses and swing to an operating profit, as well as generation of cash earnings. We forecast revenue growth of 58.5% to $103 million in 2025 from an estimated $65 million in 2024. We anticipate a swing to an operating profit of nearly $2 million in 2025 from an estimated operating loss of $7 million (excluding charges) in 2024. In 2025, RVYL should generate cash earning of nearly $4.9 million from an estimated cash burn of $2.5 million in 2024. Cash burn was $17.8 million in 2023. Also, valuation improvement could occur if the company is able to streamline its balance sheet. At June 30, 2024, the company had $16.8 million, net of outstanding convertible debt obligations and over $54.1 million in series B convertible preferred stock outstanding.

We believe RYVYL Inc., is most suitable for highly risk tolerant investors seeking exposure to an emerging growth company providing a complete secure proprietary payment processing solution that is secured through its RYVYL Fabric (blockchain) technology to its North American and International customers.

Overview

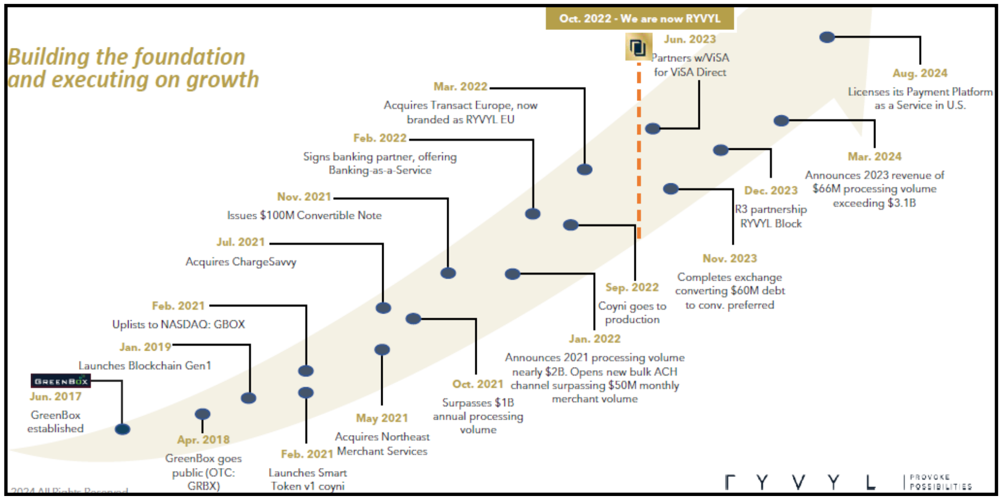
RYVYL Inc., headquartered in San Diego, California, is a global financial payment processing technology organization that has developed applications in order to provide an end-to-end suite of turnkey financial products with enhanced security, data privacy, identity theft protection, and rapid speed to settlement. The technology platform can process high volumes of unchanged transactional records at the speed of the internet for first-tier partners, merchants, and consumers. The company provides private and white label licensing opportunities for its payment processing technology offerings.

In 2023, the company primary source of revenue came from payment processing in North America and Europe. The payment processing activities that generate revenue occurs through merchant services, banking services, card issuing, foreign exchange, and ACH (automated clearing house) programs. Revenue is generated through charging a percentage of each transaction's value and/or a fixed amount specified per each transaction or service and is recognized as soon as the respective transaction or service is performed. When a merchant makes a sale, RYVYL

Inc., receives payment card information, engages banks to transfer the proceeds to the merchant's account via digital gateways and record the transaction on the company's proprietary distributed blockchain ledger. The company, to drive growth of merchant customers uses independent sales organization (ISOs) as its primary sales vehicle.

The company also has the ability to generate licensing revenue, which can be paid in advance and recorded as unearned income, which is amortized monthly over the period of the licensing agreement for its service offerings or as a per transaction revenue model.

RYVYL Inc., has evolved since being established in 2017 (see timeline chart below – source: company's September 2024 presentation). The company has evolved from designing and developing its proprietary financial payment processing blockchain enabled technology to broad customer deployments to European and North American merchant customers, partners, and financial institutions either as a processing service model or more recently in North America a license based per transaction model.



The company's internally developed technology serves as the settlement engine for all transactions within its own payment processing ecosystem with the aim to be a highly trusted, secure, and innovator within the financial payment processing sector. RVYL's blockchain ledger provides a robust and secure platform to log immense volumes of unchangeable transactional records in near real-time by utilizing a distributed ledger that uses digitally encrypted keys to verify, secure, and record details of each transaction conducted within an ecosystem. The advantage of using its own proprietary, private ledger technology is that every transaction conducted within the RVYL ecosystem can be verified.

The company's closed-loop ecosystem acts as the administrator for all related accounts by using the proprietary distributed blockchain ledger technology, seeking authorization and settlement for each transaction from Gateways (defined as a technology platform that acts as an intermediary in electronic financial transactions) to the issuing bank responsible for the credit and debit card and ACH used in the transaction. The payment processing transaction is completed once RVYL is able to send a chain of instructions to its own ledger management system.

History

The company was incorporated in April 2007 in Nevada as ASAP Expo, Inc. In April 2018, PrivCo became the owner of the majority common stock shareholder through a company call PubCo. Fredi Nisan and Ben Errez were the control persons of PubCo and became the sole officers and directors of PrivCO. In May 2018, PubCo changed its name to GreenBox POS LLC then subsequently changed its name to GreenBox POS in December 2018. In January 2020, an asset purchase agreement was finalized whereby PrivCo acquired a blockchain gateway and payment system business, a point of sale system business, a delivery business, a kiosk business, and bank and merchant accounts, as well as all intellectual property related to today's GreenBox operations. In October 2022, its name was changed to RYVYL Inc. with a new symbol RVYL.

In May 2021, the company acquired Northeast Merchant Systems, Inc., a merchant credit card processing organization that owned a bank identification number with the acquiring bank, Merrick. In July 2021, purchased Charge Savvy LLC, a financial technology company specializing in developing software and providing payment processing and point-of-sale services to the merchant services industry.

In March 2022, the portfolio of merchant accounts from Sky Financial & Intelligence was acquired for $18.1 million of which $16 million was paid in cash and through the issuance of 500,000 shares of restricted common stock.

On April 1, 2022, RYVYL Inc., completed the acquisition of Transact Europe Holdings OOD, which was the holding company of Transact Europe EAD (the name was changed to RYVYL EU on December 16, 2022). The RYVYL EU subsidiary is a European Union regulated electronic money institution headquartered in Sofia, Bulgaria. RYVYL EU is a principal level member of Visa, a worldwide member of MasterCard, and a principal member of China UnionPay. RYVYL EU is part of the direct single euro payments area program, a payment system enabling cashless payments across continental Europe. This subsidiary provides a complete payment processing solutions. This subsidiary provides the company international operations, as well as a comprehensive portfolio of services including proprietary payment gateways and technology platforms. The company paid approximately $28.8 million (€26.0 million) in total consideration to acquire Transact Europe.

Solutions

RYVYL's technology solutions that it provides to its international and North American customers include payments processing, banking (payment)-as-a-services, and private and white label licensing and application programming interface offerings. The chart on the right (source: company's September 2024 presentation) shows the elements the company utilizes in order to provide a complete suite of payments processing solutions, which includes the as a services offerings and private and white label licensing opportunities. The technology solutions offered to customers can be consider as acting as a payment facilitator (PayFac), which is a payment service provider for merchants. Payfacs work by having a master merchant account through its relationship with acquiring banks.

Payment Platform as a Service

Issuing	Acquiring	Banking	Licensing
• e-Wallets • Prepaid Debt Cards • Gift Cards	• Merchant Acquiring • POS Solutions • e-Commerce • Real-time Data • IBANs • PayFac-PFaaS • coyni Business APIs	• Banking-as-a-Service • ACH • Tribal Lending • Payment Remittances • FX Conversion	• Pursuing both private and white label opportunities • NEMS Core will be offered for white label licensing • RYVYL Fabric

Payment Processing

The company's payment processing offerings are embedded with the company's proprietary distributed blockchain ledger payment processing technology. The payment processing platform can be deployed in various verticals and industries with a focus on streamlining the payment processing operations for the merchant with its customer and the merchant and its financial institution, across different global currencies. Currently, RVYL's offering are deployed with more than 10 banking partners and can be offered through various partnerships with Visa, Mastercard, Amex, Discover, and China Union Pay.

As a Service Offerings

RYVYL offers Banking as a Service and Payment as a Service solutions that allow its customers to move money in a secure and efficient manner from its own consumers to financial institutions. The company utilized its own application programming interfaces in order to build banking and payment offerings on its regulated infrastructure to unlock bank-level and payment tools for merchant and financial institutional customer. The company through a prior North American acquisition has an International Bank Account Number (IBAN), which enables the identification of an individual account, at a specific financial institution, in a particular country, and is used to process financial transactions between institutions in different countries. The company's IBAN should enable its North American operations to expand into new vertical markets, providing those new customer with a fast and secure payment processing option. The complete as a service offerings enable payment transfers and remittance and provides compliance with know your customer and anti-money laundering requirements.

Licensing Offering

The company's private and white label licensing offerings have been designed and developed to enable customer to manage transactions and merchant onboarding. The technology offering provides a digital solution compared to older analog offerings. The digital solution provides custodial assurance by utilizing RVYL's internally developed distributed blockchain technology in a closed-loop ecosystem allowing for flexibility and customization. The private and white label offerings include the ability to monitor transactions, control refunds, review chargebacks, timely deposits, and intelligent wallet, as well as daily analytics.

Private labeling solution enables partners to use their own banks, which increases access to customers and should shift and reduce regulatory challenges, while improving operating leverage. White label and private licensing should deliver customized branding to partners in order to retain transaction processing.

Growth Strategy

The company is focused on growing its payment processing transaction volume. Our forecast calls for payment processing transaction volume to approach $6 billion by 2025, up from $3.1 billion in 2023 stemming from customer growth in Europe and a rebound the restructured operations in North America. Entering 2024, payment processing transaction volume is based on having approximately 2,300 business customers in North America, Europe and Asia, over 25 industries, including foreign exchange, retail, and e-commerce sectors. This customer base was developed through its relationships with over 100 independent sales organizations (ISOs). We anticipate the company will increase the number of ISOs onboarding merchant customer in new industries that should support our payment processing transaction volume growth forecast for 2025.

Growth in the company's payment processing transaction volume and global customer base is occurring (primarily outside of the US) through partnerships including Visa, First Data, ACI, Master Card, American Express, Discover (see chart on the right), which is the backbone to providing RVYL's payment and banking as a service technology offerings. In Europe the offerings are likely to be in demand for high risk sectors such as gaming, adult and crypto. Those are three verticals that need payment processing alternatives as having direct banking relationships is unlikely. RYVYL Inc., is embracing merchant customer within these verticals through the support of partners such as Visa and Mastercard.

In 1Q24, RVYL completed its first Visa Direct integration (through the Visa payment enabler network), which is a platform that provides the infrastructure and services to facilitate electronic payments and financial transactions, as well as provides the ability to leverage Visa's global acceptance enabling various entities including banks, merchants, and consumers to perform secure and efficient financial transactions. Entering 2H24, the company is operating live in five countries, with potential expansion of up to 80 countries. By the end of 2024, the company anticipates it should be processing payments for customer in at least 150 countries through its partnerships and growth in ISO relationships, which should provide strong tailwinds for revenue growth and operating profits.

To normalize and create an opportunity for growth in operations in North America, the company is implementing (in 2H24) a multilayered strategy to right size this segment in order to align with lower processing volumes. This is being followed by laying a foundation for growth opportunities by enhancing the US leadership team by hiring financial technology veterans to fill newly created positions of Managing Director of Northeast Merchant Systems and VP of Compliance. This leadership team will be tasked with driving new vertical market opportunities through revitalized offering such as embedding RVYL's proprietary technology into its Northeast Merchant Systems' core offering called NEMS Score that is for the PayFac-as-a-Service and merchant service operation. The NEMS Score offering should help drive new customer growth and increase customer retention.

In addition to traditional customer and vertical growth, the management team in North America will focus on private and white label licensing opportunities. In August 2024, the company licensed its North American legacy high-risk business to a third-party partner through private labeling its payment-processing-as-a-Service. While the revenue model is to obtain transaction fees (traditionally smaller that processing fees) it will eliminate operating costs, provide higher gross margins and reduce operational risk.

Another ongoing strategic growth initiative is enhancement of its app now called NanoKard, which provides users an alternative to cash and charge cards while enabling merchants to process transactions securely and more efficiently. This is a strategic offering that is intended to transform traditional payment processing with innovation by streamlining the payment acceptance and checkout processes. NanoKard utilizes the RYVYL Fabric technology that provides tools and building blocks to ensure easy blockchain access with multi-layer security compatible with both R3's Corda and Hyperledger, allowing customers to implement blockchain faster with a low-cost pay per application programming interface structure.

We also anticipate the company will utilize its proven capabilities to provide a fully customizable payment processing closed loop financial solution to potential large scale customers. The technology is continually be proven through its deployment in the island of American Samoa through its Territorial Bank (of American Samoa) which is its first closed loop reference customer. This technology offering give the company the ability to provide large customer such as insurers, casino gaming entities, and others with a solution that supports all merchant services, peer-to-peer payments, electronic bank transfers, ATM, blockchain ledger, financial banking, card issuance, and banking related services within a closed loop ecosystem.

Projections

Basis of Forecast

Our forecasts should be supported by the increase in payment processing volume on the company’s secure proprietary payment platform technology that should exceed $4 billion in 2024 and approach an estimated $6 billion in 2025. In 2023, payment processing volume was $3.1 billion.

We anticipate revenue of $65 million in 2024 based on 2H24 guidance issued by the company in August 2024. RYVYL Inc., anticipates rapid sequential revenue growth in 3Q24 and 4Q24 (from the $11.9 million reported in 2Q24) driven by international operations primarily from a growth European customer and partner base. We forecast 3Q24 revenue of $14.3 million that should increase to an estimated $22 million in 4Q24. Based on our 4Q24 estimated revenue run-rate, we forecast revenue reaching $103 million in 2025 driven by continue growth in the company’s international operations and a significant rebound in the company’s reorganized North American operations.

We forecast gross margins remaining stable at approximately 40% in 2024 and 2025, respectively. In 2023, gross margin was 39%.

We are not recording income tax expense since the company has federal and state tax loss carryforwards of $101.7 million and $71.3 million, respectively, as of December 31, 2023.

Economy

In July 2024, the International Monetary Fund (IMF) revised its global economic growth estimates to 3.2% for 2024 and 3.3% for 2025. In April 2024, the IMF’s prior projections called for growth of 3.2% in 2024 and in 2025. The forecast reflects greater-than-expected resilience in the US and several large emerging market and developing economies.

In July 2024, the IMF issued its economic growth estimate for the Euro Area to experience growth of 0.9% for 2024 and 1.5% for 2025.

Operations – 2024

We project revenue of $65 million compared to nearly $65.9 million in 2023. The slight reduction reflects the reorganization of North American operations in order to mitigate the impact of US banking regulations within the company’s large niche industry customer base. In 2Q24 and throughout 3Q24, the company implemented a multilayered strategy to address the issues in North America and believe sequential revenue growth should resume in the 2H24 compared to 2Q24 results. Our forecast anticipates an increase in international revenue that be more than offset by the anticipated decrease in North American revenue.

We forecast gross profit increasing to $25.9 million from $25.7 million in 2023 due to gross margin expansion to 39.9% from 39% in 2023, partly offset by a slight decrease in revenue. Gross margin improvement reflects a product mix shift that should result in lower fees paid to gateways, as well as a slight reduction in commission payments to the independent sales organizations compared to last year.

We project the operating loss narrowing to $7 million (excludes impairment of goodwill charge of $6.7 million and a restructuring charge of $1.6 million) from an operating loss of $12.3 million in 2023. We anticipate operating expenses of $32.9 million (excluding charges of $8.3 million) compared to $38 million last year. The decrease in operating expenses reflects the company's restructuring initiatives in North America, as well as continuing to streamline international operations in Europe. We forecast decreases in G&A expense and professional fees to $7.2 million and $5.3 million, respectively, compared to $8.7 and $7.1 million, respectively in 2023. R&D and D&A expenses should approximate $4.4 million and $2.4 million, respectively, compared to $5.8 million and $2.6 million, respectively last year. We estimate non-cash stock-based compensation of $1 million compared to $1.5 million in 2023. We anticipate payroll and payroll tax expense increasing to $12.6 million compared to $12 million last year.

We project non-operating expense of $1.7 million compared to an expense of $40.5 million in 2023. The current period includes interest expense of $453,000, accretion of debt discount of $1.7 million, and negative change in convertible debt of $69,000, partly offset by other income of $538,000 and positive change in derivative liability of $14,000. The year-ago period includes interest expense of $3.3 million, accretion of debt discount of $13.1 million, negative change in convertible debt of $25 million, legal settlement of $4.1 million, as well as other expense of $2.5 million. Partly offsetting the non-operating expense last year was a positive change in derivative liability of $6.5 million and $1.1 million gain on sale of property.

We project a net loss of $17.6 million or ($2.72) per share on average shares of 6.5 million. Excluding accretion of debt discount, restructuring, and impairment of goodwill, the loss per share should approximate ($1.18). In the year-ago period, excluding all non-recurring items, the loss per share was approximately ($3.50).

Finances

We project cash burn of $2.5 million and a $3.5 million decrease in working capital resulting in cash from operations of $1 million. Cash from operations is unlikely to cover capitalized software costs, as well as cash used to repurchase common stock. We expect a reduction in cash and restricted by $325,000 to $73 million at December 31, 2024.

Operations – 2025

We project revenue increasing 58.5% to $103 million from an estimated $65 million in 2024. Our growth forecast reflects organic growth from the company's international and North American operations stemming from increases in and expansion of partnerships, as well as growth of new merchant customers in new and existing industry verticals. We anticipate processing volumes approaching $6 billion, which is nearly double the $3.1 billion the company reported in 2023.

We forecast gross profit increasing 58.9% to $41.2 million from an estimated $25.9 million in 2023 due to revenue growth and gross margin of 40% compared to an estimated 39.9% in 2024.

We project a swing to an operating profit of nearly $2 million from an operating loss of $7 million (excludes impairment of goodwill charge of $6.7 million and a restructuring charge of $1.6 million) due primarily to revenue growth and operating expense margin improving to 38% from an estimated 50.7% (excluding items) in 2024. We anticipate operating expenses increasing to $39.2 million from an estimated $32.9 million (excluding charges of $8.3 million) in 2024. The increase in operating expenses should support revenue growth initiatives in North America, Europe, and likely additional international markets. We forecast increases in G&A expense and professional fees to $8.6 million and $7.5 million, respectively, compared to $7.2 and $5.3 million, respectively estimated for 2024. R&D and D&A expenses should approximate $5.4 million and $2.4 million, respectively, compared to $4.4 million and $2.4 million, respectively last year. We estimate non-cash stock-based compensation to be flat at $1 million. We anticipate payroll and payroll tax expense increasing to $14.3 million compared to an estimated $12.6 million in 2024 year.

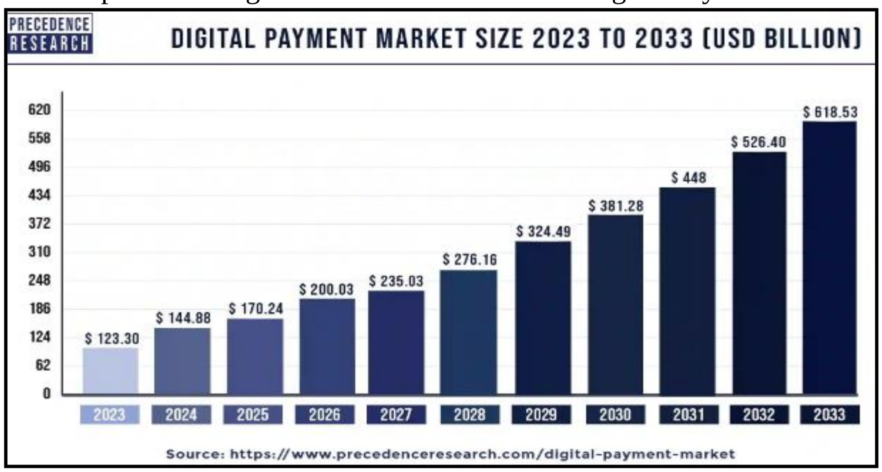
We project non-operating expense of $540,000 compared to an estimated expense of $1.7 million. The current period is from interest expense. The year-ago period includes interest expense of $453,000, accretion of debt discount of $1.7 million, and negative change in convertible debt of $69,000, partly offset by other income of $538,000 and positive change in derivative liability of $14,000.

We project net income of $1.5 million or $0.19 per share on nearly 7.8 million average shares as some debt conversions are likely to occur, as well as positive income could mitigate anti-dilution.

Finances – 2025
We project cash earnings of $4.9 million and a $950,000 increase in working capital resulting in cash from operations of $3.9 million. Cash from operations should cover capitalized software costs and repayment of debt. We forecast cash and restricted cash increasing by $2.9 million to $75.9 million at December 31, 2025.

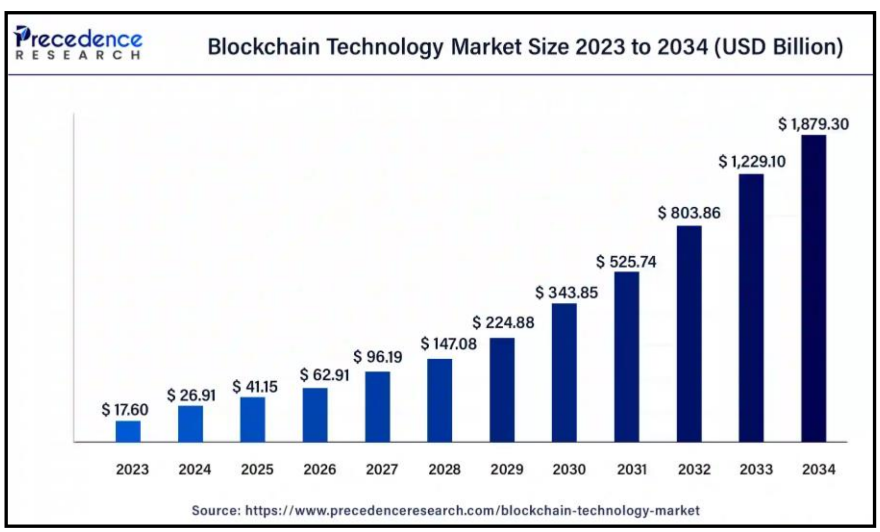
Markets

Global Digital Payments
In June 2024, Precedence Research published a report detailing its forecast for the Global Digital Payments Market that should reach $618.5 billion in 2033, up from an estimated $144.9 billion in 2024 for annualized growth of 17.5% (see chart on the right). Global growth should be supported by the increase in mobile wallet users from Millennials and Gen Z populations. Also, growth should occur from technological advancements that will make it easier and more secure to store and allow for extensive payment transactions along with seamless and on-demand access to alternative digital assets such as cryptocurrency.



In January 2024, Grand View Research published a report indicating that the global digital payments market is expected to grow annual by 21.1% reaching $361.3 billion by 2030 from nearly $96.1 billion in 2023. Supporting growth in the global digital payments market should be an increasing number of non-cash transactions, alongside technological advancements within the financial technology sector.

Global Blockchain Technology
In August 2024, Precedence Research published a report anticipating that the global blockchain technology market could reach nearly $1.9 trillion in 2034 (see chart on the right) from an estimated nearly $26.9 billion in 2024 for annualized growth of 52.9%. The Blockchain technology makes it easier to record transactions and manage assets inside a business network. Growth is likely to be driven by increasing demand for e-identity especially for diverse applications in countries with weak identification processes and in unregulated countries. Also, cryptocurrencies are likely to be an increasing factor driving growth later in the forecast period as the regulation of this market becomes more focused.



Global Payment Facilitator

In a report published by Infinicept entitled, Payment Facilitator Global Opportunity Analysis and Industry Forecast, 2018-2025 indicated that the number of payment facilitators should reach 2,381 in 2025, up from 966 in 2018. That increase should drive global payment transaction volume processed by facilitators to more than $4 trillion by 2025 from $699 billion in 2018 for annualized growth of 28.4%. Growth should be driven by payment facilitators' customer bases being seamlessly on-boarded to payment technologies as providing an offering in a quicker, frictionless way that can provide a competitive advantage. It is anticipated that as payment volumes increase, transaction revenue growth should generate by 2025 between $13 and $15 billion with growth in all categories likely to continue rapidly beyond the forecast period.

1H24 Results

1H24

The company reported revenue increased 9.7% to $28.7 million from $26.1 million in 1H23 due primarily to growth in international operations, partly offset by lower North American revenue. International segment revenue more than doubled to $16 million from $6.3 million in the year-ago period reflecting a $582 million increase in processing volume to $1.7 billion, which was driven by continued growth from multiple verticals through the use of independent sales organization (ISO), partnership networks, and global payments processing businesses, as well as deployment of its banking-as-a-service offering. Restraining overall revenue growth was a reduction in North American processing volume to $391.6 million from $663 million in 1H23 stemming from a product transition that began in February 2024.

In Thousands $	6 Mos. '24	6 Mos. '23	% D
Total revenue	$ 28,674	$ 26,140	9.7%
Cost of sales	16,894	14,903	13.4%
Gross Profit	11,780	11,237	4.8%
Total Operating Expenses	24,576	18,343	34.0%
Operating Income (loss)	(12,796)	(7,106)	NMF
Total Other Income (expense)	(1,376)	(12,867)	NMF
Pre-Tax Income (loss)	(14,172)	(19,973)	NMF
Income Tax Expense (Benefit)	629	9	
Net income (loss)	(14,801)	(19,982)	NMF
Earnings per share	$ (2.39)	$ (3.90)	
Avg Shares Outstanding	6,205	5,129	
Adjusted EBITDA	(2,307)	(3,873)	
Margin Analysis			
Gross margin	41.1%	43.0%	
Operating margin	(44.6%)	(27.2%)	
Pre-tax margin	(49.4%)	(76.4%)	

Source: company reports

Gross profit increased 4.8% to $11.8 million from $11.2 million in the year-ago period. The increase reflects revenue growth, partly offset by gross margin compression to 41.1% from 43% 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 customer relationships in the company's international segment, partly offset by cost cutting efforts in the North American segment in 2Q24. Overall, cost of sales increased to $16.9 million from $14.9 million in 1H23.

Operating expenses increased 34% to $24.6 million from $18.3 million in 1H23. The current period included impairment and restructuring charges of $6.7 million and $1.6 million, respectively, in 2Q24 related to the reorganization of the company's North American operations. Excluding the charges, operating expenses decreased by nearly $2.1 million to $16.3 million. The reduction in operating expenses (excluding charges) reflects lower professional fees stemming from lower accounting, consulting, and legal fees that occurred in 2023 in connection with the company's restatement of prior period consolidated financial statements.

Loss from operations (excluding $8.3 million in impairment and restructuring charges) was $4.5 million compared to $7.1 million in the year-ago period. The operating loss narrowed due to revenue growth and operating expense margin (excluding charges) improving to 56.7% compared to 70.2% in 1H23, partly offset by gross margin compression.

Non-operating expense was nearly $1.4 million compared to $12.9 million in the year-ago period. The current period included interest expense of $153,000, accretion of debt discount of $1.7 million, and de-recognition expense on conversion of convertible debt of $69,000, partly offset by other income of $537,000 and positive change in fair value of derivative liabilities of $14,000. In the year-ago period included interest expense of $3.2 million, accretion of debt discount of $5.4 million, legal settlement of $2.2 million, other expense of $1.4 million, as well as a negative change in derivative liability of $329,000 and de-recognition on conversion of convertible debt of $188,000.

The net loss was $14.8 million or ($2.39) per share compared to a net loss of $20 million or ($3.90) per share in 1H23. In the current period, excluding impairment and restructuring, as well as accretion of debt discount, the loss per share was approximately ($0.88).

Finances

In 1H24, the company reported a cash burn of $2.9 million and a $5.6 million decrease in working capital resulting in cash from operations of $2.7 million. Cash from operations covered capitalized software costs, purchase of intangibles, and purchase of treasury stock. Cash and restricted cash increased by $1.8 million to $75.2 million at June 30, 2024.

Capital Structure

In November 2021, RYVYL Inc., sold and issued, in a registered direct offering, an 8% Senior convertible note (originally due November 3, 2023) but extended to mature on April 5, 2026, in the aggregate original principal amount of $100 million. The note had an original issue discount of 16% resulting in gross proceeds of $84 million. The note was sold pursuant to the terms of a November 2, 2021, securities purchase agreement. At June 30, 2024, the outstanding balance was $16.8 million, net of a debt discount of nearly $2.2 million, after various agreement with the note holder to extend, convert, and repay the obligation. Debt conversions to common stock have occurred in prior periods. However, there are ownership limitations, which may be raised above 4.99% but not to exceed 9.99% at the option of the applicable note holder, except that any raise in the level will only be effective upon 61 days' prior notice to RVYL.

At June 30, 2022, the company had nearly $625,000 in long-term economic injury disaster loans and over $54.1 million in series B convertible preferred stock. The convertible preferred stock was issued in conjunction with a series of debt restructurings. The convertible preferred stock has no voting power and entitled to receive dividends when declared by the company's board of directors with the dividends not being cumulative. As of June 30, 2024, no dividends have been declared. Initially, the conversion price is $3.11 (subject to standard anti-dilution adjustments and adjustments as a result of subsequent issuances of securities where the effective price of the common stock is less than the then current fixed conversion price).

Competitive Landscape

RYVYL Inc., 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.

The global payments industry is evolving with innovative and disruptive technologies, shifting consumer habits and user needs, as well as being price sensitive to customers. 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.

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, Square Inc., and Stripe, as well as companies in the international remittance and foreign exchange space that include Western Union, MoneyGram, and Currency Cloud.

Management

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

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

George Oliva – CFO since October 2023. Mr. Oliva has over 30 years of experience as a senior finance professional, with a background in corporate finance, treasury, financial planning and analysis, international tax, and strategic planning. Prior to joining RYVYL, he was CFO and Corporate Secretary for WiSA Technologies, Inc. and was a partner with Hardesty LLC, a national executive services firm, as well as interim CFO of SpineEx, Inc. Mr. Oliva' prior experience includes serving as Vice President of Finance at GameWorks, Controller for Eva Automation, and auditing with Arthur Andersen & Co. Earned a degree in Business Administration from the University of California, Berkeley with a dual emphasis in Accounting and Finance.

Risks

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

<u>Accumulated Deficit</u>
At June 30, 2024, the company's accumulated deficit was $167.4 million, up from $50.5 million in 2021. RYVYL Inc., has yet to generate an operating profit. In 2023, the operating loss narrowed to $12.3 million from $37.8 million in 2022. In 2024, we anticipate the operating loss should narrow to $7 million (excluding $8.3 million in impairment and restructuring charges) with a swing to an operating profit of nearly $2 million in 2025. If operating profits or cash earnings do not occur, it could result in the company's inability to execute its growth strategy and diminish its operations.

<u>Dilution</u>
The company's share count could significantly increase after our forecast period due primarily to the potential conversion of 8% senior convertible notes that mature in April 2026. The number of shares issuable could exceed 6 million. The share count could also increase due to the company's series B convertible preferred stock, if they are converted into common shares. At June 30, 2024, the company has over $54.1 million convertible preferred stock outstanding with an initial conversion price of $3.11 per share.

If RVYL raises capital to accelerate growth opportunities or repay the convertible note offering it would likely be dilutive to existing shareholders.

<u>Regulation</u>
Eventually various recommendations will need to be enacted by Congress and regulatory authorities regarding blockchain ecosystems. The company could be impacted if regulations are enacted that cause management to make adjustments to its operations.

<u>North American Operations - Going Concern</u>
In February 2024, the company transitioned its QuickCard product in North America away from terminal-based to app-based processing. This transition was due to changes in the compliance environment and banking regulations that impacted certain niche high-risk business verticals. In the 1H24, revenues in the North America decreased to $12.6 million from $19.8 million in 1H23. Based on the regulatory environment and banking relationships in North

America, management made the decision in 2Q24, to terminate the rollout of the app-based product in certain niche high-risk business verticals. This termination led to the introduction of a licensing product for its payments processing platform, which will enable it to serve the same customer base in such verticals through a business partner with more suitable banking compliance capabilities.

In the near-term, liquidity within its operations in North America may not be sufficient to fund these throughout the next 12 months. This could cause an overall going concern issue if the company does not successfully execute a plan over to improve the liquidity of its operations in North America. The plan includes accelerating business development efforts to drive volumes in diversified business verticals, implementation of cost control measures to right size this segment, repatriate offshore profits from the company's European subsidiaries that is generating positive cash flow, and the possibility of raising additional capital.

US Banking Relationships

North American operations are dependent on strategic banking relationships to process electronic transaction of this segment. Relationships with banking partners could be adversely impacted by unpredictable developments. If RVYL is unable to secure or retain a banking partner due to market conditions in the financial services industry, the overall financial condition is likely to be diminished.

Integration of Acquisitions

The company utilizes acquisitions as part of its strategy to grow payment processing transaction volume on its proprietary distributed blockchain payment processing 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.

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 RVYL 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

The company is involved in a punitive class action lawsuit and derivative lawsuits from different parties. The class action lawsuit has a court date of October 4, 2024 for a motion to dismiss the second amendment complaint. The derivative complaints reflect June 2023 and August 2023 shareholder actions that seeks damages and contribution from the defendants and a direction that the company take actions to reform and improve corporate governance and internal procedures to comply with applicable laws. Given the preliminary stage of the lawsuits, the uncertainty of litigation, and the legal standards that must be met for success on the merits, the RVYL cannot predict the outcome at this time.

Since November 2022 to June 2024, RYVYL Inc., has various ongoing legal proceedings with former employees (Vanessa Luna – former COO, Jacqueline Dollar – former CMO, and Drew Byelick – former CFO). None of these claims and counter claims have been resolved as of June 30, 2024. The company intends to vigorously defend itself or positions regarding all of these proceedings.

In July 2022, RYVYL's European subsidiary (formerly known as Transact Europe Holdings) received a notary invitation from Satya Consulting PTE Limited, which was filed in Bulgaria. Satya alleges nonpayment of its fee in the amount of EUR 900,000, to which statutory default interest is to be added, for failure of payment under the company's stock purchase agreement for Transact Europe Holdings. The subsidiary has retained Bulgarian counsel to assist in the defense of the asserted claim and denies all allegations. A hearing is scheduled for October 18, 2024.

In October 2023, the company filed a demand for arbitration against Sky Financial & Intelligence LLC, with the American Arbitration Association in San Diego, CA, in which it seeks to recover for breach of contract and Sky's failure to perform its obligations. A complaint against Sky was also filed in San Diego Superior Court. The parties have agreed to proceed in the arbitration and have stipulated to a stay court filing. In July 2024, the parties stipulated to stay the arbitration pending a mediation date scheduled for October 30, 2024.

On January 2, 2024, RVYL filed a statement of claim against Chessa Sabourin in the Ontario Superior Court of Justice that seeks to recover funds unlawfully held by Ms. Sabourin, or in the alternative, damages in the equivalent amount with the potential for punitive and exemplary damages. This action is due to the company mistakenly sending funds to Ms. Sabourin and attempted to reverse or recall the transfers but was unable to do so. Ms. Sabourin has failed and/or refused to return the funds mistakenly sent to her.

Internal Controls
At June 30, 2024, RVYL's material weaknesses relates to a lack of internal control over financial reporting. The financial reporting weaknesses stem from not having a complete process in place to fully reconcile the transactions between its own operating system and its general ledger system, at the individual transactional level. This deficiency may not allow RVYL the ability to timely and accurately identify differences that could require adjustments to its consolidated 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 and implement technology systems.

Shareholder Control
Officers and directors collectively own approximately 38% of the company's outstanding voting stock (based on the 2023 10K 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 2023, average daily volume was 38,500. Average daily volume increased over the last three months (ending September 19, 2024) to 53,700. RVYL has a float of approximately 4.4 million shares and outstanding shares of 6.8 million.

RYVYL Inc.
Consolidated Balance Sheets
FY2022 – FY2025E
(in thousands)

	2022 A	2023 A	2Q24A	**2024 E**	**2025 E**
ASSETS					
Current assets:					
Cash and cash equivalents	$ 13,961	$ 12,180	$ 6,387	**$ 4,220**	**$ 7,110**
Restricted cash	26,873	61,138	68,773	**68,773**	**68,773**
Accounts receivable, net	1,156	859	793	**800**	**1,000**
Cash due from gateways, net	7,427	12,834	1,136	**1,300**	**1,545**
Prepaid and other current assets	9,799	2,854	2,408	**2,600**	**2,575**
Total current assets	59,216	89,865	79,497	**77,943**	**81,253**
Property and equipment, net	1,696	306	792	**790**	**780**
Goodwill	26,753	26,753	19,468	**19,468**	**19,468**
Intangible assets, net	6,739	5,059	4,071	**4,004**	**3,419**
Operating lease right-of-use assets, net	1,533	4,279	3,824	**5,000**	**5,000**
Other assets	1,720	2,403	1,381	**1,381**	**1,381**
Total assets	$ 97,657	$128,665	$109,033	**$ 108,586**	**$ 111,301**
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	1,630	1,819	3,156	**3,257**	**3,435**
Accrued liabilities	3,350	5,755	4,780	**4,886**	**4,946**
Accrued interest	1,728	-	-	**-**	**-**
Payment processing liabilities, net	28,912	76,772	70,575	**74,269**	**73,572**
Operating lease liabilities	534	692	787	**500**	**569**
Other current liabilities	582	504	358	**200**	**190**
Total current liabilities	36,736	85,542	79,656	**83,113**	**82,711**
Operating lease liabilities less current portion	1,109	3,720	3,311	**1,800**	**1,800**
Long-term debt - includes covertible debt, net	61,735	15,912	17,437	**17,162**	**16,902**
Preferred Stock, $0.01 par value; authorized 5,000,000 shares;	-	1	1	**1**	**1**
Stockholders' equity:					
Common stock, $0.001 par value; authorized 82,500,000 shares;	5	6	7	**7**	**7**
Additional paid-in capital	97,494	175,664	176,220	**177,920**	**178,920**
Retained earnings (accumulated deficit)	(99,772)	(152,581)	(167,381)	**(170,416)**	**(168,961)**
Accumulated other comprehensive income (loss)	357	401	(218)	**(1,000)**	**(78)**
Less shares to be returned	(7)	-	-	**-**	**-**
Less treasury stock, at cost	-	-	-	**-**	**-**
Total stockholders' equity	(1,923)	23,491	8,629	**6,511**	**9,888**
Total liabilities and stockholders' equity	$ 97,657	$128,665	$109,033	**$ 108,586**	**$ 111,301**
SHARES OUT	4,973	5,997	6,750	**6,760**	**6,775**
Preferred Stock Series B	-	55	54	54	54

Source: Company reports and Taglich Brothers estimates

RYVYL Inc.
Annual Income Statement
FY2022 – FY2025E
(in thousands)

	2022 A	2023 A	**2024 E**	**2025 E**
Net revenue	$ 32,909	$ 65,869	**$ 64,999**	**$ 103,000**
Cost of revenue	16,786	40,157	**39,089**	**61,825**
Gross Profit	16,123	25,712	**25,910**	**41,175**
Operating Expenses:				
Advertising and marketing	1,337	80	**74**	**200**
Research and development	6,276	5,757	**4,362**	**5,400**
General and Administrative	6,603	8,678	**7,213**	**8,625**
Payroll and payroll taxes	10,547	12,017	**12,609**	**14,275**
Professional fees	5,312	7,076	**5,296**	**7,450**
Stock compensation for employees	2,969	1,853	**1,006**	**1,000**
Impairment of goodwill	-	-	**6,675**	**-**
Restructuring charges	-	-	**1,636**	**-**
Depreciation and amortization	20,917	2,553	**2,380**	**2,230**
Total Operating Expenses	53,961	38,014	**41,251**	**39,180**
Operating Income (loss)	(37,838)	(12,302)	**(15,341)**	**1,995**
Other income (expense)				
Interest expense	(8,169)	(3,340)	**(453)**	**(540)**
Accretion of debt discount	(13,980)	(13,134)	**(1,705)**	**-**
Changes in fair value of derivative liability	16,857	6,544	**14**	-
(Loss) gain on change in convertible debt	(5,709)	(25,035)	**(69)**	-
Gain (loss) on sale of property and equipment	-	1,069	-	-
Legal settlement	-	(4,142)	-	-
Other income (expense)	(405)	(2,472)	**538**	-
Total Other Income (expense)	(11,406)	(40,510)	**(1,675)**	**(540)**
Income (loss) before taxes	(49,244)	(52,812)	**(17,016)**	**1,455**
Income Tax Expense (Benefit)	(8)	289	**629**	**-**
Net Income (loss)	(49,236)	(53,101)	**(17,645)**	**1,455**
Earnings (loss) per share	$ (10.80)	$ (10.11)	**$ (2.72)**	**$ 0.19**
Avg Shares Outstanding	4,557	5,252	**6,490**	**7,783**
EBITDA - Adjusted	(14,356)	$ (3,694)	**$ (3,107)**	**$ 5,405**
Margin Analysis				
Gross margin	49.0%	39.0%	**39.9%**	**40.0%**
Advertising and marketing	4.1%	0.1%	**0.1%**	**0.2%**
Research and development	19.1%	8.7%	**6.7%**	**5.2%**
General and Administrative	20.1%	13.2%	**11.1%**	**8.4%**
Payroll and payroll taxes	32.0%	18.2%	**19.4%**	**13.9%**
Professional fees	16.1%	10.7%	**8.1%**	**7.2%**
Depreciation and amortization	63.6%	3.9%	**3.7%**	**2.2%**
YEAR / YEAR GROWTH				
Total Revenues	25.1%	100.2%	**(1.3%)**	**58.5%**

Source: Company reports and Taglich Brothers estimates

RYVYL Inc.
Income Statement Model
Quarters FY2023 – 2025E
(in thousands)

	Q1 23 A	Q2 23 A	Q3 23 A	Q4 23 A	2023 A	Q1 24 A	Q2 24 A	Q3 24 E	Q4 24 E	**2024 E**	Q1 25 E	Q2 25 E	Q3 25 E	Q4 25 E	**2025 E**
Net revenue	$ 11,291	$ 14,849	$ 17,480	$ 22,249	$ 65,869	$ 16,774	$ 11,900	$ 14,325	$ 22,000	**$ 64,999**	$ 25,000	$ 30,000	$ 23,500	$ 24,500	**$ 103,000**
Cost of revenue	6,178	8,725	10,800	14,454	40,157	9,743	7,151	8,885	13,310	**39,089**	15,025	17,850	14,225	14,725	**61,825**
Gross Profit	5,113	6,124	6,680	7,795	25,712	7,031	4,749	5,440	8,690	**25,910**	9,975	12,150	9,275	9,775	**41,175**
Operating Expenses:															
Advertising and marketing	75	33	45	(73)	80	17	17	20	20	**74**	50	50	50	50	**200**
Research and development	1,936	1,184	1,315	1,322	5,757	1,393	819	850	1,300	**4,362**	1,350	1,350	1,350	1,350	**5,400**
General and Administrative	1,452	2,317	3,041	1,868	8,678	2,042	1,621	1,700	1,850	**7,213**	2,100	2,200	2,150	2,175	**8,625**
Payroll and payroll taxes	2,714	2,913	2,605	3,785	12,017	3,569	2,850	2,900	3,290	**12,609**	3,500	4,000	3,300	3,475	**14,275**
Professional fees	1,803	2,614	1,234	1,425	7,076	1,035	1,261	1,300	1,700	**5,296**	1,900	2,000	1,750	1,800	**7,450**
Stock compensation for employees	193	(32)	147	1,545	1,853	224	182	200	400	**1,006**	250	250	250	250	**1,000**
Impairment of goodwill	-	-	-	-	-	-	6,675	-	-	**6,675**	-	-	-	-	-
Restructuring charges	-	-	-	-	-	-	1,636	-	-	**1,636**	-	-	-	-	-
Depreciation and amortization	620	623	657	653	2,553	657	578	575	570	**2,380**	565	560	555	550	**2,230**
Total Operating Expenses	8,793	9,652	9,044	10,525	38,014	8,937	15,639	7,545	9,130	**41,251**	9,715	10,410	9,405	9,650	**39,180**
Operating Income (loss)	(3,680)	(3,528)	(2,364)	(2,730)	(12,302)	(1,906)	(10,890)	(2,105)	(440)	**(15,341)**	260	1,740	(130)	125	**1,995**
Other income (expense)															
Interest expense	(1,729)	(1,517)	(65)	(29)	(3,340)	(28)	(125)	(150)	(150)	**(453)**	(135)	(135)	(135)	(135)	**(540)**
Accretion of debt discount	(2,622)	(2,821)	(4,183)	(3,508)	(13,134)	(908)	(797)	-	-	**(1,705)**	-	-	-	-	-
Changes in fair value of derivative liability	168	(497)	6,909	(36)	6,544	-	14	-	-	**14**	-	-	-	-	-
(Loss) gain on change in convertible debt	-	(188)	(1,331)	(23,516)	(25,035)	-	(69)	-	-	**(69)**	-	-	-	-	-
Gain (loss) on sale of property and equipment	-	-	-	1,069	1,069	-	-	-	-	-	-	-	-	-	-
Legal settlement	-	(2,113)	(1,929)	(100)	(4,142)	-	-	-	-	-	-	-	-	-	-
Other income (expense)	(111)	(1,337)	(25)	(999)	(2,472)	343	195	-	-	**538**	-	-	-	-	-
Total Other Income (expense)	(4,294)	(8,473)	(624)	(27,119)	(40,510)	(593)	(782)	(150)	(150)	**(1,675)**	(135)	(135)	(135)	(135)	**(540)**
Income (loss) before taxes	(7,974)	(12,001)	(2,988)	(29,849)	(52,812)	(2,499)	(11,672)	(2,255)	(590)	**(17,016)**	125	1,605	(265)	(10)	**1,455**
Income Tax Expense (Benefit)	5	4	128	152	289	190	439	-	-	**629**	-	-	-	-	-
Net Income (loss)	(7,979)	(12,005)	(3,116)	(30,001)	(53,101)	(2,689)	(12,111)	(2,255)	(590)	**(17,645)**	125	1,605	(265)	(10)	**1,455**
Earnings (loss) per share	$ (1.53)	$ (2.33)	$ (0.60)	$ (5.43)	$ (10.11)	$ (0.45)	$ (1.88)	$ (0.33)	$ (0.09)	**$ (2.72)**	$ 0.02	$ 0.21	$ (0.03)	$ (0.00)	**$ 0.19**
Avg Shares Outstanding	5,221	5,142	5,232	5,526	5,252	5,988	6,438	6,760	6,775	**6,490**	7,775	7,780	7,785	7,790	**7,783**
EBITDA - Adjusted	(2,979)	(995)	52	228	$ (3,694)	$ (682)	$ (1,625)	$ (1,330)	$ 530	**$ (3,107)**	$ 1,120	$ 2,595	$ 720	$ 970	**$ 5,405**
Margin Analysis															
Gross margin	45.3%	41.2%	38.2%	35.0%	39.0%	41.9%	39.9%	38.0%	39.5%	**39.9%**	39.9%	40.5%	39.5%	39.9%	**40.0%**
Advertising and marketing	0.7%	0.2%	0.3%	(0.3%)	0.1%	0.1%	0.1%	0.1%	0.1%	**0.1%**	0.2%	0.2%	0.2%	0.2%	**0.2%**
Research and development	17.1%	8.0%	7.5%	5.9%	8.7%	8.3%	6.9%	5.9%	5.9%	**6.7%**	5.4%	4.5%	5.7%	5.5%	**5.2%**
General and Administrative	12.9%	15.6%	17.4%	8.4%	13.2%	12.2%	13.6%	11.9%	8.4%	**11.1%**	8.4%	7.3%	9.1%	8.9%	**8.4%**
Payroll and payroll taxes	24.0%	19.6%	14.9%	17.0%	18.2%	21.3%	23.9%	20.2%	15.0%	**19.4%**	14.0%	13.3%	14.0%	14.2%	**13.9%**
Professional fees	16.0%	17.6%	7.1%	6.4%	10.7%	6.2%	10.6%	9.1%	7.7%	**8.1%**	7.6%	6.7%	7.4%	7.3%	**7.2%**
Depreciation and amortization	5.5%	4.2%	3.8%	2.9%	3.9%	3.9%	4.9%	4.0%	2.6%	**3.7%**	2.3%	1.9%	2.4%	2.2%	**2.2%**
YEAR / YEAR GROWTH															
Total Revenues	168.2%	113.2%	64.4%	100.4%	100.2%	48.6%	(19.9%)	(18.0%)	(1.1%)	**(1.3%)**	49.0%	152.1%	64.0%	11.4%	**58.5%**

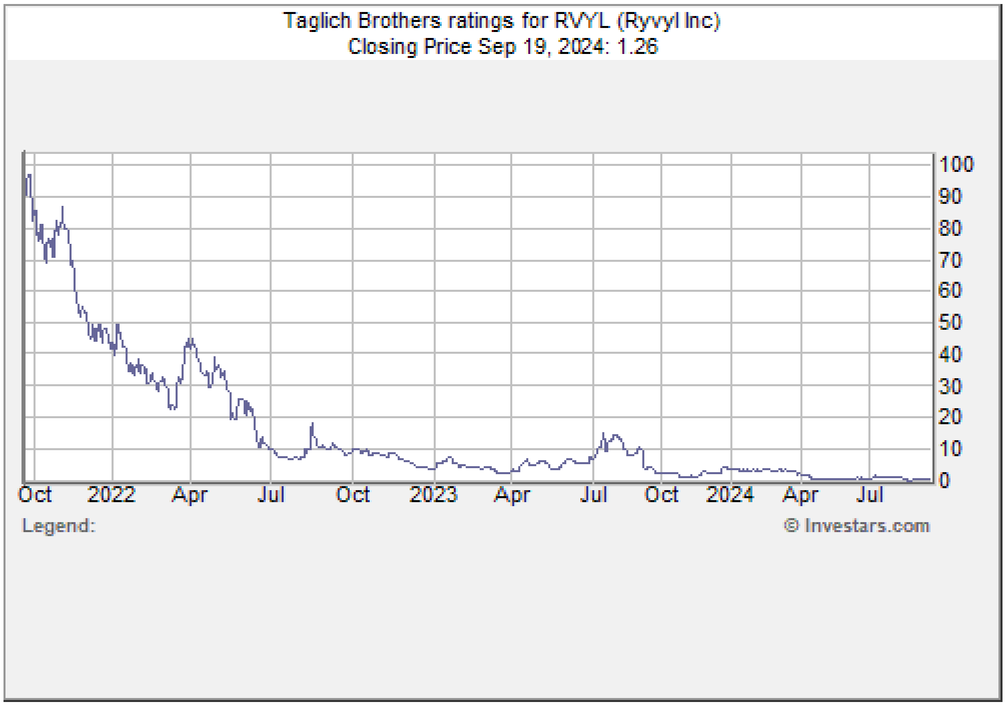
Source: Company reports and Taglich Brothers estimates

RYVYL Inc.
Cash Flow Statement
FY2022 – FY2025E
(in thousands)

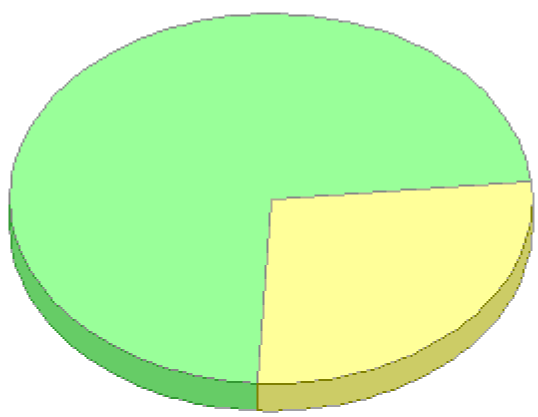
	FY2022A	FY2023A	6M24A	**FY2024E**	**FY2025E**
Cash Flows from Operating Activities					
Net Income (loss)	$ (49,236)	$ (53,101)	$ (14,801)	**$ (17,645)**	**$ 1,455**
Depreciation and amortization	20,917	2,553	1,235	**2,380**	**2,230**
Interest expense - debt discount	-	-	-	-	-
Stock compensation expense	2,969	1,853	406	**810**	**1,000**
Accretion of debt discount	13,980	13,134	-	**1,705**	-
Restructuring charges	-	-	1,636	**1,636**	-
Stock compensation issued for interest	2,418	-	-	-	-
Derivative expense	-	-	(14)	**(14)**	-
Changes in fair value of derivative liability	(16,857)	(6,544)	69	**69**	-
De-recognition expense on coversion of convertible debt	5,709	25,035	1,705	**1,705**	-
Gain on sale of property and equipment	-	(1,069)	-	-	-
Impairment of goodwill	-	-	6,675	**6,675**	-
Noncash lease expense	43	350	141	**141**	**180**
Cash earnings (burn)	(20,057)	(17,789)	(2,948)	**(2,538)**	**4,865**
Changes In:					
Accounts receivable	(1,367)	297	66	**(7)**	**(200)**
Prepaid and other current assets	(1,539)	6,568	445	**(192)**	**25**
Cash due from gateways, net	(1,218)	(5,407)	11,699	**(164)**	**(245)**
Other assets	(6)	(1,183)	(299)	-	-
Accounts payable	1,161	189	1,337	**101**	**177**
Accrued and other current liabilities	2,662	2,080	(1,408)	**106**	**(10)**
Accrued interest	502	546	-	-	-
Payment processing liabilities, net	10,518	47,860	(6,197)	**3,694**	**(697)**
Net (increase)/decrease in Working Capital	10,713	50,950	5,643	**3,539**	**(950)**
Net cash Provided (used) by Operations	(9,344)	33,161	2,695	**1,001**	**3,915**
Cash Flows from Investing Activities					
Purchase of property and equipment	(162)	(108)	(7)	**(15)**	**(25)**
Proceeds from sale of property and equipment	-	2,620	-	-	-
Capitalized software development costs	-	-	(546)	**(1,000)**	**(750)**
Logicquest Technology asset acquisition	-	(225)	-	-	-
Deposit on acquistions	(936)	-	-	-	-
Purchase of intangibles	(500)	-	(92)	**(92)**	-
Cash provided for Transact Europe Acquisition	(28,811)	-	-	-	-
Cash provided for Sky asset acquisition	(16,000)	-	-	-	-
Cash flow provided (used in) Investing Activities	(46,409)	2,287	(645)	**(1,107)**	**(775)**
Cash Flows from Financing Activities					
Borrowings (repayment) - convertible debt, net	-	-	-	-	-
Borrowings (repayment) on long-term debt	-	(15)	(9)	**(20)**	**(250)**
Payment for convertible note adjustment	(6,000)	(3,000)	-	-	-
Treasury stock purchases	(4,057)	7	(190)	**(190)**	-
Proceeds from stock options exercises	8	-	-	-	-
Net cash provided (used) by Financing	(10,049)	(3,008)	(199)	**(210)**	**(250)**
Cash and restricted cash acquired from acquisitions	16,719	-	-	-	-
Foreign currency translation adjustment	357	44	**(9)**	**(9)**	-
Net change in Cash	(48,726)	32,484	**1,842**	**(325)**	**2,890**
Cash, cash equivalents, and restricted cash at beginning of period	89,560	40,834	73,318	**73,318**	**72,993**
Cash, cash equivalents, and restricted cash at end of period	$ 40,834	$ 73,318	**$ 75,160**	**$ 72,993**	**$ 75,883**

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	2	14
Hold		
Sell		
Not Rated		

Important Disclosures

As of the date of this report, an employee of Taglich Brothers, Inc. owns or has a controlling interest in RVYL common stock. Russell Bernier, Vice President of Institutional Sales at Taglich Brothers, Inc., owns or has a controlling interest in 50 shares of RVYL's common stock. Taglich Brothers, Inc. does not currently have an Investment Banking relationship with the company mentioned in this report and was not a manager or co-manager of any offering for the company with in the last three years.

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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.

Public Companies mentioned in this report:

American Express Company	(NYSE: AXP)	Visa Inc.	(NYSE: V)
The Western Union Company	(NYSE: WU)	PayPal Holdings, Inc.	(NASDAQ:PYPL)

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.