

May 16, 2016



Galaxy Gaming Reports Q1 Financial Results

LAS VEGAS, May 16, 2016 (GLOBE NEWSWIRE) -- Galaxy Gaming, Inc. (OTC:GLXZ), the world's largest independent developer, manufacturer and distributor of casino table games and enhanced systems, announced today its results for the three months ended March 31, 2016.

Financial Highlights

Q-1 2016 vs. Q-1 2015

- Revenue of \$2,984K increased 15% or \$400K from \$2,584K.
- Adjusted EBITDA of \$1,231K increased 49% or \$402K from \$829K.
- Pre-tax gain of \$536K increased 362% or \$420K from \$116K.
- Net income of \$379K increased 502% or \$316K from \$63K.

Q-1 2016 vs. Q-4 2015

- Revenue of \$2,984K increased 2% or \$54K from \$2,930K.
- Adjusted EBITDA of \$1,231K increased 75% or \$528K from \$703K.
- Pre-tax gain of \$536K increased \$550K from loss of \$14K.
- Net income of \$379K increased \$445K from loss of \$66K.

Executive Comments

Gary A. Vecchiarelli, Galaxy's CFO commented, "2016 started with increases across the board. We have now increased our recurring revenues 17 of the last 18 quarters. Our EBITDA has also improved significantly, with a one-two punch of an increase in our recurring revenues and a decrease in our operating expenses."

Robert B. Saucier, Galaxy's CEO added, "It's always encouraging to start the year on such a high note. While the numbers speak for themselves, it is important to comprehend that throughout 2015 and early 2016, we were engaged in time consuming and expensive litigation. As previously reported, we prevailed in the litigation, which we are in the final stages of winding up. Accordingly, we are now able to focus on more productive things, such as growing our core business. Our results prove that our products are gaining solid market acceptance and as a result, we continue to increase placements. These increases combined with the reduction of operating expenses permit us to aggressively pay down our long-term debt."

Financial Summary

Revenue. Total revenue for the first quarter 2016 increased 15% to \$2,984,099, over the same quarter 2015. This increase is primarily due to additional placement of premium

games and expansion into new territories. Between the first quarter 2016 and fourth quarter 2015, total revenues increased 2% to \$2,984,099. This increase was recognized in all categories of products, with premium games netting the largest gains. The annualized recurring revenue run-rate as of March 31, 2016 is \$11,927,280.

Total costs and expenses. Expenses for the first quarter 2016 remained relatively consistent with a decrease less than 1% to \$2,189,730, when compared to the same quarter 2015. The total costs and expenses in the first quarter 2016 decreased 19% to \$2,189,730 compared to the fourth quarter 2015. This decrease was primarily due to legal costs decreasing as litigation commenced formal proceedings in the fourth quarter 2015.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure (described below), for the first quarter 2016 increased 49% to \$1,230,814, compared to the same quarter 2015. Lower selling, general & administrative expenses contributed to the increase in Adjusted EBITDA between the periods. Adjusted EBITDA in the first quarter 2016 increased 75% to \$1,230,814 compared to the fourth quarter in 2015. This increase was primarily driven by the combination of an increase in revenues and a decrease in selling, general & administrative expenses. The decrease in selling, general & administrative expenses was primarily driven by lower legal costs attributed to litigation.

Net income. Net income for the first quarter 2016 was \$379,367, which was an increase of 502% from the same quarter 2015. The increase was primarily due to the increases in our recurring revenues and lower costs and expenses. The net income of \$379,367 in the first quarter reversed a net loss recognized in fourth quarter of 2015. This reversal was the combined result of increased revenues and decreases in selling, general & administrative expenses, for reasons previously mentioned.

Use of Non-GAAP Measures

Galaxy Gaming, Inc. (the "Company") prepares its consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP"). In addition to disclosing financial results prepared in accordance with GAAP, the Company discloses information regarding Adjusted EBITDA, which differs from the term EBITDA as it is commonly used. In addition to adjusting net income (loss) from continuing operations to exclude taxes, interest, and depreciation and amortization, Adjusted EBITDA also excludes noncash charges, certain non-recurring charges and share-based compensation expense.

EBITDA and Adjusted EBITDA are not measures of performance defined in accordance with GAAP. However, Adjusted EBITDA is used internally in planning and evaluating the Company's operating performance. Accordingly, management believes that disclosure of this metric offers investors, bankers and other stakeholders an additional view of the Company's operations that, when coupled with the GAAP results, provides a more complete understanding of the Company's financial results.

Adjusted EBITDA should not be considered as an alternative to net loss or to net cash used in operating activities as a measure of operating results or of liquidity. It may not be comparable to similarly titled measures used by other companies, and it excludes financial information that some may consider important in evaluating the Company's performance. A reconciliation of GAAP net loss from continuing operations to Adjusted EBITDA is included in the accompanying financial schedules.

About Galaxy Gaming

Headquartered in Las Vegas, Nevada, Galaxy Gaming (galaxygaming.com) develops, manufactures and distributes innovative proprietary table games, state-of-the-art electronic wagering platforms and enhanced bonusing systems to land-based, riverboat, cruise ships and online casinos worldwide. Through its iGaming partner Games Marketing Ltd., Galaxy Gaming licenses its proprietary table games to the online gaming industry. The Company is also expanding its global presence through its partnership with WPT Enterprises, Inc., owner of the World Poker Tour. Galaxy's games can be played online at FeelTheRush.com. Connect with Galaxy on [Facebook](#), [YouTube](#) and [Twitter](#).

This press release may contain "forward looking" statements within the meaning of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and is subject to the safe harbors created thereby. Forward looking statements are subject to change and involve risks and uncertainties that could significantly affect future results, including those risks detailed from time to time in the Company's filings with the Securities and Exchange Commission. Although the Company believes any expectations expressed in any forward looking statements are reasonable, future results may differ materially from those expressed in any forward looking statements. The Company undertakes no obligation to update the information in this press release except as required by law and represents that the information speaks only as of today's date.

GALAXY GAMING, INC. CONDENSED BALANCE SHEETS (Unaudited)

ASSETS	March 31, 2016	December 31, 2015
Current assets:		
Cash and cash equivalents	\$ 1,077,985	\$ 570,623
Restricted cash	46,815	97,859
Accounts receivables, net allowance for bad debts of \$31,000 and \$30,944	1,750,430	1,828,669
Prepaid expenses	56,177	106,338
Inventories, net	456,385	411,700
Deferred tax asset	10,477	43,017
Other current assets	—	2,489
Total current assets	3,398,269	3,060,695
Property and equipment, net	278,012	298,877
Products leased and held for lease, net	133,275	134,485
Intangible assets, net	12,889,324	13,261,636
Goodwill	1,091,000	1,091,000
Deferred tax assets, net of current portion	—	82,562
Other assets, net	41,793	41,793
Total assets	<u>\$ 17,831,673</u>	<u>\$ 17,971,048</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,310,608	\$ 1,421,848
Accrued expenses	880,018	823,964

Income taxes payable	305,123	170,331
Deferred revenue	813,983	717,690
Jackpot liabilities	84,201	106,671
Capital lease obligations, current portion	49,366	59,196
Long-term debt, current portion	4,565,293	4,648,120
Deferred rent, current portion	8,382	6,197
Total current liabilities	8,016,974	7,954,017
Deferred rent, net of current portion	50,001	52,643
Capital lease obligations, net of current portion	70,397	78,008
Long-term debt, net of debt discount, net of current portion	6,824,638	7,436,171
Total liabilities	14,962,010	15,520,839
Commitments and Contingencies		
Stockholders' equity		
Preferred stock, 10,000,000 shares, \$.001 par value preferred stock authorized; 0 shares issued and outstanding	—	—
Common stock, 65,000,000 shares authorized; \$.001 par value 39,315,591 and 39,215,591 shares issued and outstanding	39,316	39,216
Additional paid-in capital	2,984,312	2,963,841
Accumulated deficit	(413,079)	(792,446)
Accumulated other comprehensive income	259,114	239,598
Total stockholders' equity	2,869,663	2,450,209
Total liabilities and stockholders' equity	\$ 17,831,673	\$ 17,971,048

GALAXY GAMING, INC.
CONDENSED STATEMENTS OF OPERATIONS
(Unaudited)

	FOR THE THREE MONTHS ENDED	
	March 31,	
	2016	2015
Revenue:		
Product leases and royalties	\$ 2,981,820	\$ 2,578,310
Product sales and service	2,279	5,783
Total revenue	2,984,099	2,584,093
Costs and expenses:		
Cost of ancillary products and assembled components	21,640	23,289
Selling, general and administrative	1,652,303	1,579,073
Research and development	79,342	152,987
Depreciation	43,662	41,293
Amortization	372,312	378,073
Share-based compensation	20,471	18,870
Total costs and expenses	2,189,730	2,193,585
Income from operations	794,369	390,508
Other income (expense):		
Interest income	56	5,885
Interest expense	(258,195)	(279,939)

Total other expense	(258,139)	(274,054)
Income before provision for income taxes	536,230	116,454
Provision for income taxes	(156,863)	(53,595)
Net income	\$ 379,367	\$ 62,859
Basic earnings per share	\$ 0.01	\$ 0.00
Diluted earnings per share	\$ 0.01	\$ 0.00
Weighted average shares outstanding:		
Basic	39,351,147	38,990,591
Diluted	39,455,591	39,015,591

GALAXY GAMING, INC.
CONDENSED STATEMENTS OF CASH FLOWS
(Unaudited)

	FOR THE THREE MONTHS ENDED March 31,	
	2016	2015
Cash flows from operating activities:		
Net income for the period	\$ 379,367	\$ 62,859
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	43,662	41,293
Amortization expense	372,312	378,073
Amortization of debt discount	52,158	52,158
Deferred income tax provision	156,863	53,595
Share-based compensation	20,471	18,870
Changes in operating assets and liabilities:		
Decrease (increase) in restricted cash	51,044	(7,839)
Decrease in accounts receivable	76,900	13,125
Decrease (increase) in other current assets	2,489	(6,155)
(Increase) decrease in inventory	(54,958)	3,487
Decrease (increase) in prepaid expenses	50,161	(6,171)
(Decrease) increase in accounts payable	(111,065)	8,491
Increase in income taxes payable	134,792	—
Increase (decrease) in accrued expenses	56,598	(56,799)
Increase in deferred revenue	96,293	3,279
(Decrease) increase in jackpot liabilities	(22,470)	14,988
(Decrease) increase in deferred rent	(457)	1,758
Net cash provided by operating activities	1,304,160	575,012
Cash flows from investing activities:		
Acquisition of property and equipment	(11,314)	(7,895)
Net cash used in investing activities	(11,314)	(7,895)
Cash flows from financing activities:		
Principal payments on capital leases	(17,441)	(16,085)
Principal payments on notes payable	(766,081)	(841,203)
Net cash used in financing activities	(783,522)	(857,288)

Effect of exchange rate changes on cash	<u>(1,962)</u>	<u>(9,380)</u>
Net increase (decrease) in cash and cash equivalents	<u>507,362</u>	<u>(299,551)</u>
Cash and cash equivalents – beginning of period	<u>570,623</u>	<u>560,184</u>
Cash and cash equivalents – end of period	<u><u>\$ 1,077,985</u></u>	<u><u>\$ 260,633</u></u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 185,718</u>	<u>\$ 279,939</u>
Inventory transferred to leased assets	<u>\$ 10,273</u>	<u>\$ —</u>
Cash paid for income taxes	<u>\$ 5,000</u>	<u>\$ —</u>
Supplemental non-cash financing activities information:		
Effect of exchange rate on note payable in foreign currency	<u><u>\$ 19,663</u></u>	<u><u>\$ 288,601</u></u>

GALAXY GAMING, INC.
RECONCILIATION TO ADJUSTED EBITDA
(Unaudited)

	Three Months Ended March 31,		Three Months Ended December 31,
	2016	2015	2015
Net income	\$ 379,367	\$ 62,859	\$ (66,284)
Interest income	(56)	(5,885)	(48)
Interest expense	258,195	279,939	248,026
Income tax provision	156,863	53,595	51,829
Depreciation	43,662	41,293	49,934
Amortization	372,312	378,073	372,313
Share based compensation	20,471	18,870	46,826
Adjusted EBITDA(1)	<u>\$ 1,230,814</u>	<u>\$ 828,744</u>	<u>\$ 702,596</u>

(1) Adjusted EBITDA is defined as net income (loss) from continuing operations before interest, taxes, depreciation, amortization, share-based compensation, and non-cash charges. Adjusted EBITDA does not purport to represent net earnings or net cash used in operating activities, as those terms are defined under generally accepted accounting principles, and should not be considered as an alternative to such measurements or as indicators of the Company's performance. The Company's definition of Adjusted EBITDA may not be comparable with similarly titled measures used by other companies.

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Source: Galaxy Gaming, Inc.