

August 15, 2016



# Galaxy Gaming Reports Q-2 Financial Results

LAS VEGAS, Aug. 15, 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 and six months ended June 30, 2016.

## ***Financial Highlights***

### ***Q-2 2016 vs. Q-2 2015***

- Revenue of \$3,064K increased 14%
- Adjusted EBITDA of \$1,311K increased 56%
- Pre-tax gain of \$609K increased 387%
- Net income of \$378K increased 427%

### ***Q-2 2016 vs. Q-1 2016***

- Revenue of \$3,064K increased 3%
- Adjusted EBITDA of \$1,311K increased 6%
- Pre-tax gain of \$609K increased 14%
- Net income of \$378K decreased less than 1%

### ***6 Months 2016 vs. 6 Months 2015***

- Revenue of \$6,048K increased 15%
- Adjusted EBITDA of \$2,541K increased 50%
- Pre-tax gain of \$1,145K increased 375%
- Net income of \$757K increased 463%

## ***Executive Comments***

Robert B. Saucier, Galaxy's CEO stated, "The seeds for growth we previously sowed are now being harvested. As evidenced by this record-breaking quarter, our core business continues to build, thus enhancing our ultra-high margin recurring revenue stream. This performance allows us to continue to pay down our long-term debt whilst reinvesting for further growth. At this halfway point, we remain convinced that 2016 will be our best year ever.

Mr. Saucier continued, "It is also evident from these numbers that our business model is extremely scalable. For example, the 15% increase in year-to-date revenues resulted in a 463% increase in net income. Another way to look at it is that of the \$781K additional revenue realized in the first half of 2016, 80% of those dollars dropped to the bottom line."

## ***Financial Summary***

**Revenue.** Total revenue for the second quarter 2016 increased 14% to \$3,064,171, over the same quarter 2015. This increase is primarily due to additional placement of premium games and expansion into new territories. Between the second quarter 2016 and first quarter 2016, total revenues increased 3% to \$3,064,171. This increase was recognized in all categories of products, with premium games netting the largest gains. The annualized recurring revenue run-rate as of June 30, 2016 is approximately \$12,256,684.

**Total costs and expenses.** Expenses for the second quarter 2016 decreased 4% to \$2,200,459, when compared to the same quarter 2015. The decrease is primarily due to lower legal and professional expenses. The total costs and expenses in the second quarter 2016 increased less than 1% to \$2,220,459 compared to the first quarter 2016, primarily driven by increases in research & development costs.

**Adjusted EBITDA.** Adjusted EBITDA, a non-GAAP financial measure (described below), for the second quarter 2016 increased 56% to \$1,310,515, compared to the same quarter 2015. Increased gross revenues and lower selling, general & administrative expenses contributed to the increase in Adjusted EBITDA between the periods. Adjusted EBITDA in the second quarter 2016 increased 6% to \$1,310,515 compared to the first quarter in 2016. This increase was also driven by the combination of an increase in gross 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 second quarter 2016 was \$377,527, which was an increase of 427% 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 \$377,527 in the second quarter decreased less than 1% compared to the first quarter 2016. This increase was the combined result of increased revenues and decreases in selling, general & administrative expenses, for reasons previously mentioned.

## ***Semi-Annual 2016 Financial Results Teleconference and Webcast***

Galaxy Gaming, Inc. will host an investor teleconference and webcast to discuss its financial results for the quarter and six months ended June 30, 2016. Details for the call, which is scheduled to include a web presentation, are as follows:

**When:** Tuesday, August 30<sup>th</sup> at 1:00pm Pacific Time (4:00pm Eastern)

**US/Canada:** (877) 627-6582

**International:** (719) 325-4886

**Passcode:** 9838092

**Web Presentation:** <http://ir.galaxygaming.com>

## ***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](http://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](http://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)**

<b>ASSETS</b>	<b>June 30, 2016</b>	<b>December 31, 2015</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 642,738	\$ 570,623
Restricted cash	71,073	97,859
Accounts receivables, net allowance for bad debts of \$31,000 and \$30,944	1,754,598	1,828,669

Prepaid expenses	97,182	106,338
Inventories, net	504,267	411,700
Deferred tax asset	—	43,017
Other current assets	2,161	2,489
<b>Total current assets</b>	<b>3,072,019</b>	<b>3,060,695</b>
<b>Property and equipment, net</b>	<b>263,231</b>	<b>298,877</b>
<b>Products leased and held for lease, net</b>	<b>155,405</b>	<b>134,485</b>
<b>Intangible assets, net</b>	<b>12,517,011</b>	<b>13,261,636</b>
<b>Goodwill</b>	<b>1,091,000</b>	<b>1,091,000</b>
<b>Deferred tax assets, net of current portion</b>	<b>—</b>	<b>82,562</b>
<b>Other assets, net</b>	<b>41,793</b>	<b>41,793</b>
<b>Total assets</b>	<b>\$ 17,140,459</b>	<b>\$ 17,971,048</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 1,181,215	\$ 1,421,848
Accrued expenses	1,158,864	823,964
Income taxes payable	519,781	170,331
Deferred revenue	851,859	717,690
Jackpot liabilities	90,073	106,671
Deferred tax liability	75,358	—
Capital lease obligations, current portion	39,270	59,196
Long-term debt, current portion	3,998,548	4,648,120
Deferred rent, current portion	10,568	6,197
<b>Total current liabilities</b>	<b>7,925,536</b>	<b>7,954,017</b>
<b>Deferred rent, net of current portion</b>	<b>47,359</b>	<b>52,643</b>
<b>Capital lease obligations, net of current portion</b>	<b>62,701</b>	<b>78,008</b>
<b>Long-term debt, net of debt discount, net of current portion</b>	<b>5,676,863</b>	<b>7,436,171</b>
<b>Total liabilities</b>	<b>13,712,459</b>	<b>15,520,839</b>
<b>Commitments and Contingencies</b>		
<b>Stockholders' equity</b>		
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	3,013,772	2,963,841
Accumulated deficit	(35,552 )	(792,446 )
Accumulated other comprehensive income	410,464	239,598
<b>Total stockholders' equity</b>	<b>3,428,000</b>	<b>2,450,209</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 17,140,459</b>	<b>\$ 17,971,048</b>

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

**FOR THE THREE MONTHS  
ENDED  
June 30,**

**FOR THE SIX MONTHS ENDED  
June 30,**

	2016	2015	2016	2015
<b>Revenue:</b>				
Product leases and royalties	\$ 3,057,172	\$ 2,677,384	\$ 6,038,991	\$ 5,255,696
Product sales and service	6,999	5,216	9,279	10,999
<b>Total revenue</b>	<u>3,064,171</u>	<u>2,682,600</u>	<u>6,048,270</u>	<u>5,266,695</u>
<b>Costs and expenses:</b>				
Cost of ancillary products and assembled components	29,672	23,989	51,312	47,278
Selling, general and administrative	1,622,105	1,700,503	3,274,304	3,279,579
Research and development	101,879	116,441	181,221	269,429
Depreciation	45,032	43,018	88,696	84,311
Amortization	372,312	372,313	744,625	750,386
Share-based compensation	29,459	36,072	49,931	54,942
<b>Total costs and expenses</b>	<u>2,200,459</u>	<u>2,292,336</u>	<u>4,390,089</u>	<u>4,485,925</u>
<b>Income from operations</b>	<u>863,712</u>	<u>390,264</u>	<u>1,658,181</u>	<u>780,770</u>
<b>Other income (expense):</b>				
Interest income	90	5,320	146	11,205
Interest expense	(255,218 )	(270,865 )	(513,413 )	(550,803 )
<b>Total other expense</b>	<u>(255,128 )</u>	<u>(265,545 )</u>	<u>(513,267 )</u>	<u>(539,598 )</u>
<b>Income before provision for income taxes</b>	608,584	124,719	1,144,914	241,172
<b>Provision for income taxes</b>	(231,057 )	(53,146 )	(388,020 )	(106,740 )
<b>Net income</b>	<u>\$ 377,527</u>	<u>\$ 71,573</u>	<u>\$ 756,894</u>	<u>\$ 134,432</u>
<b>Basic income per share</b>	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>	<u>\$ 0.00</u>
<b>Diluted income per share</b>	<u>\$ 0.01</u>	<u>\$ 0.00</u>	<u>\$ 0.02</u>	<u>\$ 0.00</u>
<b>Weighted average shares outstanding:</b>				
<b>Basic</b>	39,315,591	39,065,591	39,383,369	39,028,091
<b>Diluted</b>	<u>39,465,676</u>	<u>39,065,591</u>	<u>39,565,633</u>	<u>39,028,508</u>

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

**FOR THE SIX MONTHS  
ENDED  
June 30,**

	2016	2015
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 756,894	\$ 134,432
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		

Depreciation expense	88,696	84,311
Amortization expense	744,625	750,386
Provision for bad debt expense	—	40,000
Inventory reserve	—	47,069
Amortization of debt discount	104,316	104,316
Deferred income tax provision	388,020	202,506
Share-based compensation	49,931	54,942
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in restricted cash	26,786	(28,408 )
Decrease (increase) in accounts receivable	71,287	(51,744 )
Decrease (increase) in other current assets	328	(8,156 )
Increase in inventory	(137,704 )	(20,348 )
Decrease (increase) in prepaid expenses	9,156	(117,860 )
(Decrease) increase in accounts payable	(241,190 )	286,986
Increase in income taxes payable	349,450	—
Increase in accrued expenses	327,090	14,837
Increase in deferred revenue	134,169	35,086
(Decrease) increase in jackpot liabilities	(16,598 )	28,464
(Decrease) increase in deferred rent	(913 )	1,685
<b>Net cash provided by operating activities</b>	<u>2,654,343</u>	<u>1,558,504</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(28,832 )	(44,066 )
<b>Net cash used in investing activities</b>	<u>(28,832 )</u>	<u>(44,066 )</u>
<b>Cash flows from financing activities:</b>		
Principal payments on capital leases	(35,233 )	(32,464 )
Principal payments on notes payable	(2,488,778 )	(1,800,231 )
<b>Net cash used in financing activities</b>	<u>(2,524,011 )</u>	<u>(1,832,695 )</u>
<b>Effect of exchange rate changes on cash</b>	<u>(29,385 )</u>	<u>5,233</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	72,115	(313,024 )
<b>Cash and cash equivalents – beginning of period</b>	570,623	560,184
<b>Cash and cash equivalents – end of period</b>	<u>\$ 642,738</u>	<u>\$ 247,160</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	\$ 530,660	\$ 446,487
Inventory transferred to leased assets	\$ 45,137	\$ 11,034
Cash paid for income taxes	\$ 20,000	\$ —
<b>Supplemental non-cash financing activities information:</b>		
Effect of exchange rate on note payable in foreign currency	<u>\$ 24,318</u>	<u>\$ 152,523</u>

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

Three Months Ended June 30,		Six Months Ended		Three Months Ended March 31,
		June 30,		
2016	2015	2016	2015	2016

Net income	\$ 377,527	\$ 71,573	\$ 756,894	\$ 134,432	\$ 379,367
Interest income	(90 )	(5,320 )	(146 )	(11,205 )	(56 )
Interest expense	255,218	270,865	513,413	550,803	258,195
Income tax provision	231,057	53,146	388,020	106,740	156,863
Depreciation	45,032	43,018	88,696	84,311	43,662
Amortization	372,312	372,313	744,625	750,386	372,312
Share based compensation	29,459	36,072	49,931	54,942	20,471
Adjusted EBITDA <sup>(1)</sup>	\$ 1,310,515	\$ 841,667	\$ 2,541,433	\$ 1,670,409	\$ 1,230,814

(<sup>1</sup>) 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.