

May 15, 2014



# Galaxy Gaming Reports Record Q-1 Results

## Recurring Revenues Increase for 10th Consecutive Quarter; On Track for Record Breaking 2014

LAS VEGAS, May 15, 2014 (GLOBE NEWSWIRE) -- Galaxy Gaming, Inc. (OTC:GLXZ), the world's largest independent producer of casino table games and enhanced systems, announced today its financial results for the quarter ending March 31, 2014. Highlights include:

### **Q-1 2014 vs. Q-1 2013**

- Revenue of \$2,264K increased 19% or \$368K from \$1,896K.
- EBITDAS of \$979K increased 21% or \$167K from \$812K.
- Pre-tax profit of \$244K increased 61% or \$92K from \$152K.
- Net income of \$151K increased 45% or \$47K from \$104K.

### **Q-1 2014 vs. Q-4 2013**

- Revenue of \$2,264K increased 1% or \$22K from \$2,242K.
- EBITDAS of \$979K decreased 6% or \$57K from \$1,036K.
- Pre-tax profit of \$244K decreased \$130K or 35% from \$374K.
- Net income of \$151K decreased \$244K or 62% from \$395K.

"The results we posted for 2014's first quarter represent our best start ever for the new year," said Galaxy Gaming CEO Robert Saucier. "Revenues, EBITDAS and profits reached an all-time high compared to all prior first quarters. Once again, we are on a solid course to have another record-breaking year. Having just finished tallying our April results, we now believe that our second quarter could also be a record-breaker. And we continue to focus on increasing our revenues, boosting our profits through the expansion of our product lines and our distribution channels. For Galaxy, there's no limit to where we will go next."

Galaxy executives made specific mention of several qualitative "wins" for the first quarter, including a high-profile expansion of its board of directors and the hiring of a well-regarded strategic consultant to aid the Company in its next-stage objectives. Finally, the Company noted that continued consolidation in the industry is a material benefit for Galaxy, as it gained recognition as the world's largest independent table game provider.

"2013 was more than another record-breaking year for our company – it was a validation of our core business principles and carefully constructed strategic plans," said Gary A. Vecchiarelli, Galaxy's CFO. "As we have said before, we have crossed the point where our business model starts to show how attractive it really is."

Continuing, Vecchiarelli said, "The combination of our high-margin recurring revenue business model and our planning and execution is translating into an extremely profitable financial performance across the board. Of particular note is the direct contribution of increased revenue to EBITDAS. For example, for every dollar of added revenue in 2013, almost 60 cents went directly to EBITDAS. These are signs of strength and substance and exactly what our company set out to do."

Looking toward 2014, Mr. Saucier continued, "We hope our supporters will recognize the significance of increasing revenues and EBITDAS approximately 20% each and increasing our pre-tax and post-tax profits by 60% and 45%, respectively. Beyond the financial improvements from last year, we have made significant operational improvements. For example, we just completed the move into our new world headquarters in Las Vegas and now have the infrastructure to grow at an even faster rate. We also successfully resolved all but one of the distractions and diversions of the last two years and expect to likewise be behind us in 2014. I can confidently predict that 2014 should be another record year."

### ***Company Conference Call***

In line with its updated strategic plan, Galaxy Gaming is instituting a semi-annual conference call schedule to allow team leaders to put increased focus and time into Company operations, product development and continued national/international expansion. The Company also reasserted that it remains completely dedicated to timely, accurate and transparent SEC reporting.

### ***Financial Summary***

*Revenue.* Total revenue for the first quarter 2014 increased slightly 1%, to \$2,260,809. Historically, the first quarter has been the Company's slowest growth period quarter over quarter. However, the Company continues to see growth in all product lines. As of March 31, 2014, the annual recurring revenue run-rate is approximately \$9,043,236.

*Operating expenses.* Operating expenses for the first three months 2014 increased 7.9%. The primary driver of the increase relates to an increase in selling, general & administrative expenses of 15%, and a decrease of 40% in the costs of ancillary products and assembled components. The SG&A increase is generally due to higher sales commission based on increased sales and an increase in overall employee headcount. The Company has also recognized increased professional and compliance expenses related to intellectual property maintenance fees and entrance into new jurisdictions. Additionally, the Company had \$53,688 of stock compensation for the first three months 2014, which is included in SG&A expenses. Costs of ancillary products and assembled components decreased \$12,905 due to less tangible goods being shipped to clients.

*Net income.* Net income for the first quarter 2014 decreased 62% to \$151,165. The decrease was due to increased operating expenses, interest expense and tax provision for the first three months 2014.

*EBITDAS.* EBITDAS, a non-GAAP financial measure (described below), decreased 5.5% to \$979,498. The primary reason for the decrease relates to higher stock compensation expense for the first three months 2013.

## ***Balance Sheet and Cash Flow Information***

Cash provided by operations was \$652,943 for the three months ended March 31, 2014 compared to \$469,455 for the three months ended March 31, 2013. The improvement in cash provided by operating activities was primarily due to improved operating results, with a significant contribution to the increase in total revenues.

Cash used in financing activities was \$722,572 for the three months ended March 31, 2014 compared to \$571,048 for the three months ended March 31, 2013. The increase in cash used in financing activities was due to the increase in contractual principal payments due on notes payable.

As of March 31, 2014, the Company's cash and cash equivalents totaled \$362,900.

## ***Use of Non-GAAP Measures***

Galaxy Gaming, Inc. 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 EBITDAS, 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, EBITDAS also excludes noncash charges, certain non-recurring charges and share-based compensation expense. EBITDA and EBITDAS are not measures of performance defined in accordance with GAAP. However, EBITDAS 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.

EBITDAS 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 EBITDAS is included in the accompanying financial schedules.

## ***About Galaxy Gaming***

Headquartered in Las Vegas, Galaxy Gaming ([www.galaxygaming.com](http://www.galaxygaming.com)) develops, manufactures and distributes innovative proprietary table games, state-of-the-art electronic wagering platforms and enhanced bonus 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.

This press release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which are made in accordance with the Private Securities Litigation Reform Act of 1995. The forward-looking statements herein include, but are not limited to, the expected adoption of our gaming systems by casinos and other customers, and the expected acceptance of our gaming systems by players. Our actual results may differ

materially from those implied in these forward-looking statements as a result of many factors, including, but not limited to, the impact of global macroeconomic and credit conditions on our business and the business of our suppliers and customers, overall industry environment, customer acceptance of our products, delay in the introduction of new products, further approvals of regulatory authorities, adverse court rulings, production and/or quality control problems, the denial, suspension or revocation of permits or licenses by regulatory or governmental authorities, termination or non-renewal of customer contracts, competitive pressures, and our financial condition, including our ability to maintain sufficient liquidity to operate our business. Forward-looking statements speak only as of the date they are made. We undertake no obligation to update or revise such statements to reflect new circumstances or unanticipated events as they occur, except as required by applicable laws, and you are urged to review and consider disclosures that we make in the reports that we file with the Securities and Exchange Commission that discuss other factors germane to our business.

**GALAXY GAMING, INC.**  
**BALANCE SHEETS**

	<b>March 31, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Current assets:</b>		
Cash and cash equivalents	\$362,900	\$438,502
Restricted cash	253,455	244,416
Accounts receivables, net allowance for bad debts of \$36,770 and \$36,770	1,325,016	1,273,797
Prepaid expenses	106,171	34,973
Inventory	297,859	297,480
Note receivable – related party, current portion	18,487	18,212
Deferred tax asset	27,119	27,119
Other current assets	<u>37,226</u>	<u>50,510</u>
<b>Total current assets</b>	2,428,233	2,385,009
<b>Property and equipment, net</b>	49,866	44,952
<b>Products leased and held for lease, net</b>	114,751	85,883
<b>Intangible assets, net</b>	16,422,012	16,811,511
<b>Goodwill</b>	1,091,000	1,091,000
<b>Note receivable – related party, net of current portion</b>	364,811	365,086
<b>Deferred tax assets, net of current portion</b>	436,669	436,669
<b>Other assets, net</b>	<u>48,133</u>	<u>7,245</u>
<b>Total assets</b>	<u>\$20,955,475</u>	<u>\$21,227,355</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Current liabilities:</b>		
Accounts payable	\$292,326	\$241,754
Accrued expenses	329,519	322,402
Income taxes payable	101,462	34,655
Deferred revenue	554,855	526,922
Jackpot liabilities	257,112	246,522
Notes payable, current portion	<u>3,095,759</u>	<u>2,929,918</u>
<b>Total current liabilities</b>	<b>4,631,033</b>	<b>4,302,173</b>
<b>Notes payable, net of debt discount, net of current portion</b>	<b><u>14,884,619</u></b>	<b><u>15,645,939</u></b>
<b>Total liabilities</b>	<b><u>19,515,652</u></b>	<b><u>19,948,112</u></b>
<b>Commitments and Contingencies (See Note 11)</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 38,485,591 and 38,310,591 shares issued and outstanding	38,486	38,311
Additional paid-in capital	2,426,738	2,330,676
Stock warrants	147,504	190,053
Accumulated deficit	(851,023)	(1,002,188)
Accumulated other comprehensive income (loss)	<u>(321,882)</u>	<u>(277,609)</u>
<b>Total stockholders' equity</b>	<b><u>1,439,823</u></b>	<b><u>1,279,243</u></b>
<b>Total liabilities and stockholders' equity</b>	<b><u>\$20,955,475</u></b>	<b><u>\$21,227,355</u></b>

**GALAXY GAMING, INC.**  
**STATEMENTS OF OPERATIONS**

	<b>THREE MONTHS ENDED</b>	
	<b>March 31, 2014</b>	<b>March 31, 2013</b>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Revenue:</b>		
Product leases and royalties	\$2,260,809	\$1,889,430
Product sales and service	<u>4,002</u>	<u>6,948</u>
<b>Total revenue</b>	<b><u>2,264,811</u></b>	<b><u>1,896,378</u></b>
<b>Costs and expenses:</b>		
Cost of ancillary products and assembled components	19,320	27,251
Selling, general and administrative	1,206,345	957,583
Research and development	113,336	100,445

Depreciation	14,293	10,159
Amortization	<u>389,499</u>	<u>397,226</u>
<b>Total costs and expenses</b>	<u>1,742,793</u>	<u>1,492,664</u>
<b>Income (loss) from operations</b>	<u>522,018</u>	<u>403,714</u>
<b>Other income (expense):</b>		
Interest income	5,627	5,863
Interest expense	(283,237)	(257,017)
Gain on settlement	<u>--</u>	<u>--</u>
<b>Total other income (expense)</b>	<u>(277,610)</u>	<u>(251,154)</u>
<b>Income before provision for income taxes</b>	244,408	152,560
<b>Provision for income taxes</b>	<u>(93,243)</u>	<u>(48,763)</u>
<b>Net income</b>	<u>\$151,165</u>	<u>\$103,797</u>
<b>Basic income per share</b>	<u>\$0.00</u>	<u>\$0.00</u>
<b>Diluted income per share</b>	<u>\$0.00</u>	<u>\$0.00</u>
<b>Weighted average shares outstanding:</b>		
<b>Basic</b>	<u>38,380,816</u>	<u>38,310,591</u>
<b>Diluted</b>	<u>38,409,600</u>	<u>38,310,591</u>

**GALAXY GAMING, INC.**  
**STATEMENTS OF CASH FLOWS**

	<b>FOR THE THREE MONTHS ENDED MARCH 31,</b>	
	<b>2014</b>	<b>2013</b>
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
<b>Cash flows from operating activities:</b>		
Net income for the period	\$ 151,165	\$ 103,797
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	14,293	10,159
Amortization expense	389,499	397,226
Amortization of debt discount	52,158	52,158
Deferred income tax provision	--	48,763
Share-based compensation	53,688	1,451
<b>Changes in operating assets and liabilities:</b>		
Increase in restricted cash	(9,039)	(5,145)
(Increase) decrease in accounts receivable	(51,081)	31,325
Decrease (increase) in other current assets	13,284	(6,264)
Increase in inventory	(36,929)	(111,779)
(Increase) decrease in prepaid expenses	(94,198)	10,841
(Increase) in other long-term assets	(18,794)	--

(Increase) in accounts payable	50,547	(23,048)
Increase (decrease) in accrued expenses	7,359	(57,824)
Increase in income taxes payable	92,468	--
Increase in deferred revenue	27,933	4,023
Increase in jackpot liabilities	10,590	13,772
<b>Net cash provided by operating activities</b>	<u>652,943</u>	<u>469,455</u>
<b>Cash flows from investing activities:</b>		
Acquisition of property and equipment	(10,619)	(2,791)
Payments received on note receivable	--	4,177
<b>Net cash (used in) provided by investing activities</b>	<u>(10,619)</u>	<u>1,386</u>
<b>Cash flows from financing activities:</b>		
Principal payments on notes payable	(722,572)	(571,048)
<b>Net cash used in financing activities</b>	<u>(722,572)</u>	<u>(571,048)</u>
<b>Effect of exchange rate changes on cash</b>	<u>4,646</u>	<u>(7,474)</u>
<b>Net decrease in cash and cash equivalents</b>	(75,602)	(107,681)
<b>Cash and cash equivalents – beginning of period</b>	<u>438,502</u>	<u>398,424</u>
<b>Cash and cash equivalents – end of period</b>	<u>\$ 362,900</u>	<u>\$ 290,743</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<u>\$ 283,237</u>	<u>\$ 257,017</u>
Inventory transferred to leased assets	<u>\$ 36,550</u>	<u>\$ 13,231</u>
Cash paid for income taxes	<u>--</u>	<u>--</u>
<b>Supplemental non-cash financing activities information:</b>		
Effect of exchange rate on note payable in foreign currency	<u>\$ 74,935</u>	<u>\$ 596,748</u>

**GALAXY GAMING, INC.**  
**RECONCILIATION TO EBITDAS**

	<b>Three Months Ended</b>		<b>Three Months Ended</b>
	<b>March 31,</b>		<b>December 31,</b>
	<b>2014</b>	<b>2013</b>	<b>2013</b>
Net income	\$151,165	\$103,797	\$395,313
Interest income	(5,627)	(5,863)	(5,865)
Interest expense	283,237	257,017	258,208
Income tax provision (benefit)	93,243	48,763	(20,798)
Depreciation	14,293	10,159	10,636
Amortization	389,499	397,226	397,227
Share based compensation	<u>53,688</u>	<u>1,451</u>	<u>1,452</u>

EBITDAS <sup>(1)</sup>	<u>\$979,498</u>	<u>\$812,550</u>	<u>\$1,036,173</u>
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(1) EBITDAS is defined as net income (loss) from continuing operations before interest, taxes, depreciation, amortization, share-based compensation, and non-cash charges. EBITDAS 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 EBITDAS may not be comparable with similarly titled measures used by other companies.

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Source: Galaxy Gaming, Inc.