

Galaxy Gaming Reports Q3 2023 Financial Results

LAS VEGAS, Nov. 13, 2023 (GLOBE NEWSWIRE) -- Galaxy Gaming, Inc. (OTCQB: GLXZ), a developer and distributor of casino table games and enhanced systems for land-based casinos and iGaming content, announced today its financial results for the quarter and nine months ended September 30, 2023.

Financial Highlights

Q3 2023 vs. Q3 2022

- Revenue increased 3% to \$6,104K
- Adjusted EBITDA decreased 36% to \$1,510K
- Net loss of \$(1,455)K vs. net loss of \$(699)K

Nine months 2023 vs. Nine Months 2022

- Revenue increased 20% to \$21,052K
- Adjusted EBITDA increased 6% to \$7,807K
- Net loss of \$(988)K vs. net loss of \$(1,828)K

Balance Sheet Changes (vs. December 31, 2022)

- Cash decreased 13% to \$15,938K
- Total long-term debt¹ (gross) decreased to \$58,673K from \$59,740K
- Stockholders' deficit increased to \$(18,077)K from \$(17,885)K

Executive Comments

"Despite some challenges in the third quarter, 2023 is shaping up to be a record year for Galaxy," said Todd Cravens, President and CEO. "We had a sequential decline in revenue in Q3 principally because sales of perpetual licenses were lower in Q3 than in Q1 and Q2. We expect that future sales of these perpetual licenses will make our quarterly results lumpier than in the past. However, we will continue to pursue these sales as they result in substantial increases to our installed base and offer additional recurring revenue opportunities.

"Galaxy became the distributor of EZ BaccaratTM on September 9 and added approximately 500 tables in approximately 120 casinos to our installed base. This is a significant step in our strategic plan of penetrating other table games families in addition to blackjack. Based on the existing installed base, we believe that the distribution of EZ Baccarat could add more than \$3 million to our EBITDA on an annual basis, with upside coming from new installs both in the land-based and online markets.

“Finally, we had our best G2E show ever, setting us up for increased revenue in fiscal 2024,” concluded Cravens.

“Perpetual license sales were \$0.5 million in Q3 as compared to \$1.3 million and \$1.6 million in Q1 and Q2, respectively,” said Harry Hagerty, CFO. “Excluding those sales, revenue in GG Core was \$3.8 million in Q3 ‘23 as compared to \$3.9 million in Q3 ‘22. In GG Digital, revenue (net) was \$1.8 million in Q3 ‘23 as compared to \$2.0 million in Q3 ‘22. GG Digital revenues in Q3 ‘23 exclude approximately \$69,000 of deferred revenue that will be realized no later than April of 2024. Gross revenues were flat at \$2.5 million in Q3 ‘23 as compared to the same period in 2022, which is a positive result given the reduced license rate we now have with a large customer. Royalty expense (which is a contra revenue item in GG Digital) increased from approximately \$516,000 in Q3 ‘22 as compared to approximately \$734,000 in Q3 ‘23, reflecting the growth of a game that we license from a third party.

“Our expenses increased year over year due to several factors. Cost of sales and sales commissions increased by almost \$200,000, largely related to the perpetual license revenue in Q3 ‘23. Compensation costs increased by approximately \$236,000 due to headcount and salary increases which were offset by \$103,000 decrease in share-based compensation expense. Legal and regulatory expenses increased due to our continuing efforts to protect our IP worldwide and to increased jurisdictional filings in connection with our EZ Baccarat distribution agreement. Finally, our allowance for doubtful accounts increased by \$107,000 in Q3 ‘23 as compared to Q3 ‘22, principally related to financial uncertainties affecting a single customer in the state of Washington.

“Our cash position declined as we purchased over \$1 million in equipment to fulfill demand for GoS and EZ Baccarat placements, we prepaid \$644,000 in royalty expenses, and cash interest paid on principal payments exceeded Adjusted EBITDA by \$413,000” Hagerty continued. “Our loan from Fortress Credit Corp. requires our net leverage not to exceed 6.0x at any of the quarter-ends in 2023, and at the end of Q3 we were at 3.7x, comfortably in compliance. It remains our intention to reduce our net leverage and to pursue refinancing opportunities.

“With respect to the fourth quarter of fiscal 2023, we are forecasting revenue in a range of \$7.0-\$7.5 million and Adjusted EBITDA in a range of \$2.8-\$3.2 million. This forecast assumes around \$200,000 in perpetual license sales and around \$800,000 in net revenues from EZ Baccarat distribution. This forecast assumes no impact to our business from the wars in Ukraine and the Middle East, and no economic recession. Finally, the forecast is based on currency exchange rates that we experienced in the third quarter.”

The company will update its investor deck to reflect the results this quarter. Investors are encouraged to send questions to management at investors@galaxygaming.com by Wednesday, November 15, 2023. Management will post their answers to investors on November 22.

Forward-Looking Statements

This press release contains, and oral statements made from time to time by our representatives may contain, forward-looking statements based on management's current expectations and projections, which are intended to qualify for the safe harbor of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange

Act of 1934, as amended. Forward-looking statements include statements identified by words such as "believe," "will," "may," "might," "likely," "expect," "anticipates," "intends," "plans," "seeks," "estimates," "believes," "continues," "projects" and similar references to future periods, or by the inclusion of forecasts or projections. All forward-looking statements are based on current expectations and projections of future events.

These forward-looking statements reflect the current views, models, and assumptions of Galaxy Gaming, and are subject to various risks and uncertainties that cannot be predicted or qualified and could cause actual results in Galaxy Gaming's performance to differ materially from those expressed or implied by such forward looking statements. These risks and uncertainties include, but are not limited to, the ability of Galaxy Gaming to enter and maintain strategic alliances, product placements or installations, in land based casinos or grow its iGaming business, garner new market share, secure licenses in new jurisdictions or maintain existing licenses, successfully develop or acquire and sell proprietary products, comply with regulations, have its games approved by relevant jurisdictions, and adapt to changes resulting from the COVID-19 pandemic and other factors. All forward-looking statements made herein are expressly qualified in their entirety by these cautionary statements and there can be no assurance that the actual results, events, or developments referenced herein will occur or be realized. Readers are cautioned that all forward-looking statements speak only to the facts and circumstances present as of the date of this press release. Galaxy Gaming expressly disclaims any obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.

About Galaxy Gaming

Headquartered in Las Vegas, Nevada, Galaxy Gaming (galaxygaming.com) develops and distributes innovative proprietary table games, state-of-the-art electronic wagering platforms and enhanced bonusing systems to land-based, riverboat, and cruise ship and casinos worldwide. In addition, through its wholly owned subsidiary, Progressive Games Partners LLC, Galaxy licenses proprietary table games content to the online gaming industry. Connect with Galaxy on [Facebook](#), [YouTube](#) and [Twitter](#).

Non-GAAP Financial Information

Adjusted EBITDA includes adjustments to net loss/income to exclude interest, taxes, depreciation, amortization, share based compensation, gain/loss on extinguishment of debt, foreign currency exchange gains/losses, change in estimated fair value of interest rate swap liability and severance and other expenses related to litigation. Adjusted EBITDA is not a measure of performance defined in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). However, Adjusted EBITDA is used by management to evaluate our operating performance. Management believes that disclosure of Adjusted EBITDA allows investors, regulators, and other stakeholders to view our operations in the way management does. Adjusted EBITDA should not be considered as an alternative to net income or to net cash provided by operating activities as a measure of operating results or of liquidity. Finally, Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

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¹ Includes current portion.



Source: Galaxy Gaming, Inc.