

May 13, 2024



Galaxy Gaming Reports Q1 2024 Financial Results

LAS VEGAS, May 13, 2024 (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 ended March 31, 2024.

Financial Highlights

Q1 2024 vs. Q1 2023

- Revenue (net) increased 8% to \$8,001K, a record
 - Revenue (gross) increased 18% to \$9,660K, a record
- Net income increased 89% to \$209K
- EBITDA increased 7% to \$3,009K
 - Adjusted EBITDA increased 3% to \$3,171K

Balance Sheet Changes (vs. December 31, 2023)

- Cash increased 5% to \$17,487K
- Total long-term debt¹ (gross) decreased to \$58,187K from \$58,431K
- Stockholders' deficit decreased to \$(17,899)K from \$(18,243)K

Executive Comments

"The first quarter of 2024 showed continued growth at the top and bottom lines," said Matt Reback, President and CEO. "Both gross and net revenue were records, and by significant margins. And our Adjusted EBITDA was just shy of the record achieved in Q2 23, when we had \$1.6 million in perpetual license sales as compared to \$805 thousand in Q1 24. While sales of perpetual licenses were higher than we had planned in Q1 24, they were lower than last year and we remain principally reliant on recurring license revenue, which was 92% of gross revenue in Q1 24 as compared to 85% in Q1 23.

"In the Core sector of our business, Gross Revenue for the quarter was up \$1.0 million (20%) and Net Revenue grew by \$225 thousand (+4%). Our distribution of EZ Baccarat[®], which commenced in September 2023, accounted for the bulk of the increase in recurring license revenue in our Core sector. Also, our GOS product continues to gain momentum with over 100 installations, and development of GOS 2.0 continues on schedule for release later this year. In our iGaming sector, revenues were up 14% on a gross basis and 16% after netting out royalties.

"We have been hard at work on product development under the leadership of Michael Ratner, and I expect that we will have some interesting product innovation news to announce in the coming months." concluded Reback. "This has been a principal area of

focus for me since I joined Galaxy late last year and I am proud of the momentum our entire product team is gaining.”

“We were cash flow positive in the quarter and ended with \$17.5 million in cash,” added CFO Harry Hagerty. “Our loan from Fortress Credit Corp. requires our net leverage not to exceed 5.0x at any of the quarter-ends in 2024, and at the end of Q1 we were at 3.8x, comfortably in compliance. It remains our intention to reduce our net leverage by focusing on both EBITDA growth and debt reduction and to pursue sensible refinancing opportunities.

“Our Q1 2024 results strongly support the guidance that was given when we released our Q4 2023 earnings. However, we will wait until we have Q2 results in hand and better visibility into the second half of the year before considering whether any changes to guidance would be appropriate. As stated previously, our guidance assumes no impact to our business from the wars in Ukraine and the Middle East, no economic recession or pandemic, and is a Forward-Looking Statement subject to our safe harbor language below. Finally, the forecast is based on currency exchange rates that we experienced in the fourth quarter of last year.”

The company will update its investor deck to reflect the results in this quarter. Investors are encouraged to send questions to management at investors@galaxygaming.com by Wednesday, May 15, 2024. Management will post their answers to investors on or before Monday, May 20, 2024.

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, including changes in gaming related and non-gaming related statutes and regulations that affect the revenues of our customers in land-based casino and, online casino markets, have its games approved by relevant jurisdictions, and adapt to changes resulting from the COVID-19 or other pandemics including without limitation, government imposed shut downs, travel restrictions and supply chain interruptions, unfavorable economic conditions in the US and worldwide, our level of indebtedness, restrictions and covenants in our loan agreement, dependence on major customers, protection of intellectual property and our ability to license the intellectual property rights of

third parties, failure to maintain the integrity of our information technology systems, including without limitation, cyber-attacks or other failures in our telecommunications or information technology systems, or those of our collaborators, third-party logistics providers, distributors or other contractors or consultants, could result in information theft, data corruption and significant disruption of our business, 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 report. Galaxy Gaming expressly disclaims any obligation to update or revise any forward-looking statements, whether because of new information, future events or otherwise.

Actual results could differ materially from those expressed or implied in our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and to inherent known and unknown risks and uncertainties. You should not assume at any point in the future that the forward-looking statements in this report are still valid. We do not intend, and undertake no obligation, to update our forward-looking statements to reflect future events or circumstances.

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

EBITDA and Adjusted EBITDA include 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. EBITDA and Adjusted EBITDA are not measures of performance defined in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). However, EBITDA and Adjusted EBITDA are used by management to evaluate our operating performance. Management believes that disclosure of EBITDA and Adjusted EBITDA allows investors, regulators, and other stakeholders to view our operations in the way management does. Neither EBITDA nor Adjusted EBITDA should 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, EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

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Exhibit 1
Disaggregation of Revenue

Consolidated Revenues:	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Recurring License Revenue	\$ 8,854,681	\$6,940,736	\$1,913,945	28%
Sale of Perpetual Licenses	805,193	1,268,250	(463,057)	-37%
Gross Revenue	9,659,874	8,208,986	1,450,888	18%
Royalties Netted against Gross Revenue	(1,658,808)	(786,452)	(872,356)	111%
Net Revenue	\$ 8,001,066	\$7,422,534	\$ 578,532	8%

GG Core Revenues:	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Recurring License Revenue	\$ 5,398,728	\$3,903,630	\$1,495,098	38%
Sale of Perpetual Licenses	805,193	1,268,250	(463,057)	-37%
Gross Revenue	6,203,921	5,171,880	1,032,041	20%
Royalties Netted against Gross Revenue	(806,280)	—	(806,280)	NM
Net Revenue	\$ 5,397,641	\$5,171,880	\$ 225,761	4%

GG Digital Revenues:	Three Months Ended March 31,		\$ Change	% Change
	2024	2023		
Recurring License Revenue	\$ 3,455,953	\$3,037,106	\$ 418,847	14%
Sale of Perpetual Licenses	—	—	—	0%
Gross Revenue	3,455,953	3,037,106	418,847	14%
Royalties Netted against Gross Revenue	(852,528)	(786,452)	(66,076)	8%
Net Revenue	\$ 2,603,425	\$2,250,654	\$ 352,771	16%

NM: Not Meaningful

Exhibit 2
Reconciliation of Net Income to Adjusted EBITDA

Adjusted EBITDA Reconciliation:	Quarter Ended March 31,	
	2024	2023
Net income	\$ 208,908	\$ 110,694

Interest expense	2,289,347	2,203,635
Interest income	(201,866)	(84,750)
Provision for income taxes	26,325	5,575
Depreciation and amortization	686,193	576,342
EBITDA	<u>3,008,907</u>	<u>2,811,496</u>
Stock-based compensation ⁽¹⁾	141,242	244,923
Realized and unrealized foreign currency exchange (gain)/loss ⁽²⁾	(12,177)	22,688
Severance expense ⁽³⁾	24,483	—
CEO transition expenses ⁽⁴⁾	8,200	—
Special project expense - Other ⁽⁵⁾	—	5,321
Adjusted EBITDA	<u>\$3,170,655</u>	<u>\$3,084,428</u>

(1) Represents non-cash expenses for stock option and restricted stock vesting of directors, officers, employees and consultants.

(2) Represents realized and unrealized gains and losses due to fluctuations in foreign currency rates.

(3) Represents severance expense relating to a terminated employee.

(4) Represents moving expenses incurred by the new CEO, Matt Reback, and reimbursed by the Company.

(5) Represents legal fees paid in relation to miscellaneous shareholder matters.

¹ Includes current portion.



Source: Galaxy Gaming, Inc.