

May 15, 2015



Galaxy Gaming Reports Q1 Financial Results

LAS VEGAS, May 15, 2015 (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, 2015.

Financial Highlights

Q-1 2015 vs. Q-1 2014

- Revenue of \$2,584K increased 14% or \$319K from \$2,265K.
- Adjusted EBITDA of \$829K decreased 15% or \$150K from \$979K.
- Pre-tax income of \$116K decreased \$128K or 52% from \$244K.
- Net income of \$63K decreased \$88K or 58% from \$151K.

Q-1 2015 vs. Q-4 2014

- Revenue of \$2,584K decreased 1% or \$16K from \$2,600K.
- Adjusted EBITDA of \$829K decreased 4% or \$38K from \$867K.
- Pre-tax income of \$116K reversed \$636K from a loss of (\$520K).
- Net income of \$63K reversed \$389K from a loss of (\$326K).

Executive Comments

Gary A. Vecchiarelli, Galaxy's CFO stated, "The first quarter has historically been the period we see the lowest revenue growth rates of the year. While several factors contributed to our first decrease of recurring revenues in the last three years, we are not concerned it will have impact on future quarters. Our adjusted EBITDA and fundamentals of the business remains strong and we expect a strong 2015."

"Clearly, our first quarter results do not match the high standards and expectations we have set for ourselves," commented Robert B. Saucier, Galaxy's CEO. "However, we do not consider this a setback, as a number of great developments did occur in the quarter which provide us with optimism that indeed 2015 will be another record year for Galaxy. We are totally focused on obtaining that goal."

Financial Summary

Revenue. Total revenue for the first quarter increased 14% to \$2,584,093, over the same quarter 2014. This increase is primarily due to additional placement of premium games and expansion into new territories. Between the first quarter 2015 and fourth quarter 2014, total revenues decreased 1%. The decrease was due to several ancillary factors including, but not limited to lower utilization of products in the United Kingdom, unfavorable foreign

exchange rates and a realignment of the sales team operations. The annualized recurring revenue run-rate as of March 31, 2015 is \$10,313,240.

Total costs and expenses. Expenses for the first quarter 2015 increased 26% to \$2,193,585, over the same quarter 2014. The increase in 2015 is primarily due to increases in selling, general & administrative expenses, which was due to several reasons. Foremost, compensation and related expenses increased due to salaries, wages and payroll taxes related to expanded staff. Our professional and compliance expenses increased significantly due to ongoing litigation with competitors. Office related expenses increased due to the moving our corporate headquarters in April 2014, which is four times larger than our previous location. Total costs and expenses decreased in the first quarter 2015 compared to the fourth quarter 2014 by 26%. This decrease is due to the fact that in the fourth quarter, we recognized a non-cash impairment of intangible assets and increases in share-based compensation due to a year end stock bonus granted to certain employees.

Net income. Net income for the first quarter 2015 was \$62,859, which was a decrease of 58% from the same quarter 2014. The decrease was primarily due to the increases in selling, general & administrative expenses. The net income in the first quarter 2015, was reversed from a net loss of \$326,083 in the fourth quarter of 2014. This increase was primarily driven by the fact that the fourth quarter recognized a non-cash impairment of intangible assets and increases in share-based compensation due to a year end stock bonus granted to certain employees.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure (described below), for the first quarter 2015 decreased 15% to \$828,744, compared to the first quarter 2014. Higher selling, general & administrative expenses contributed to the decrease in Adjusted EBITDA between the periods. Between the first quarter 2015 and fourth quarter 2014, Adjusted EBITDA decreased 4%, due to increased selling, general & administrative expenses.

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 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. 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.
BALANCE SHEETS
(Unaudited)

ASSETS	March 31, 2015	December 31, 2014
Current assets:		
Cash and cash equivalents	\$260,633	\$560,184
Restricted cash	115,752	107,913
Accounts receivables, net allowance for bad debts of \$34,887 and \$34,887	1,456,296	1,472,743
Prepaid expenses	86,611	80,440
Inventory	229,302	232,789
Note receivable – related party, current portion	383,298	383,298
Deferred tax asset	47,691	47,691
Other current assets	68,739	62,584
Total current assets	2,648,322	2,947,642
Property and equipment, net	359,849	382,098
Products leased and held for lease, net	115,421	125,665
Intangible assets, net	14,378,575	14,756,648
Goodwill	1,091,000	1,091,000
Deferred tax assets, net of current portion	47,848	143,614

Other assets, net	<u>44,511</u>	<u>45,416</u>
Total assets	<u>\$18,685,526</u>	<u>\$19,492,083</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$526,452	\$518,428
Accrued expenses	462,218	519,166
Income taxes payable	76,467	22,872
Deferred revenue	650,904	647,625
Jackpot liabilities	126,348	111,360
Current portion of capital lease obligations	67,629	66,273
Current portion of long-term debt	<u>3,578,394</u>	<u>3,480,864</u>
Total current liabilities	<u>5,488,412</u>	<u>5,366,588</u>
Deferred rent	58,000	56,242
Capital lease obligations, net of current portion	119,763	137,204
Long-term debt, net of debt discount, net of current portion	<u>10,881,291</u>	<u>12,056,467</u>
Total liabilities	<u>16,547,466</u>	<u>17,616,501</u>
Commitments and Contingencies (See Note 12)		
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 38,990,591 and 38,990,591 shares issued and outstanding	38,991	38,991
Additional paid-in capital	2,863,358	2,844,488
Accumulated deficit	(917,441)	(980,300)
Accumulated other comprehensive income (loss)	<u>153,152</u>	<u>(27,597)</u>
Total stockholders' equity	<u>2,138,060</u>	<u>1,875,582</u>
Total liabilities and stockholders' equity	<u>\$18,685,526</u>	<u>\$19,492,083</u>

GALAXY GAMING, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	FOR THE THREE MONTHS ENDED	
	March 31, 2015	March 31, 2014
	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Revenue:		
Product leases and royalties	\$ 2,578,310	\$ 2,260,809
Product sales and service	<u>5,783</u>	<u>4,002</u>
Total revenue	<u>2,584,093</u>	<u>2,264,811</u>
Costs and expenses:		
Cost of ancillary products and assembled components	23,289	19,320
Selling, general and administrative	1,579,073	1,152,657
Research and development	152,987	113,336
Depreciation	41,293	14,293
Amortization	378,073	389,499
Share-based compensation	<u>18,870</u>	<u>53,688</u>
Total costs and expenses	<u>2,193,585</u>	<u>1,742,793</u>
Income from operations	<u>390,508</u>	<u>522,018</u>
Other income (expense):		
Interest income	5,885	5,627
Interest expense	<u>(279,939)</u>	<u>(283,237)</u>
Total other expense	<u>(274,054)</u>	<u>(277,610)</u>
Income before provision for income taxes	116,454	244,408
Provision for income taxes	<u>(53,595)</u>	<u>(93,243)</u>
Net income	<u>\$ 62,859</u>	<u>\$ 151,165</u>
Basic income per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Diluted income per share	<u>\$ 0.00</u>	<u>\$ 0.00</u>
Weighted average shares outstanding:		
Basic	<u>38,990,591</u>	<u>38,380,816</u>
Diluted	<u>39,015,591</u>	<u>38,409,600</u>

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

**FOR THE THREE MONTHS
ENDED
MARCH 31,**

	2015	2014
Cash flows from operating activities:		
Net income for the period	\$ 62,859	\$ 151,165
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	41,293	14,293
Amortization expense	378,073	389,499
Amortization of debt discount	52,158	52,158
Deferred income tax provision	53,595	93,243
Share-based compensation	18,870	53,688
Changes in operating assets and liabilities:		
Increase in restricted cash	(7,839)	(9,039)
Decrease (increase) in accounts receivable	13,125	(51,081)
(Increase) decrease in other current assets	(6,155)	13,284
Decrease (increase) in inventory	3,487	(36,929)
Increase in prepaid expenses	(6,171)	(94,198)
Increase in other long-term assets	—	(18,794)
Increase in accounts payable	8,491	50,547
(Decrease) increase in accrued expenses	(56,799)	7,359
Increase in deferred revenue	3,279	27,933
Increase in jackpot liabilities	14,988	10,590
Increase in deferred rent	1,758	—
Net cash provided by operating activities	<u>575,012</u>	<u>653,718</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(7,895)	(10,619)
Net cash used in investing activities	<u>(7,895)</u>	<u>(10,619)</u>
Cash flows from financing activities:		
Principal payments on capital leases	(16,085)	—
Principal payments on notes payable	(841,203)	(723,347)
Net cash used in financing activities	<u>(857,288)</u>	<u>(723,347)</u>
Effect of exchange rate changes on cash	<u>(9,380)</u>	<u>4,646</u>
Net decrease in cash and cash equivalents	<u>(299,551)</u>	<u>(75,602)</u>
Cash and cash equivalents – beginning of period	<u>560,184</u>	<u>438,502</u>
Cash and cash equivalents – end of period	<u><u>\$ 260,633</u></u>	<u><u>\$ 362,900</u></u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 279,939</u>	<u>\$ 283,237</u>
Cash paid for income taxes	<u>\$ —</u>	<u>\$ —</u>
Supplemental non-cash financing activities information:		
Inventory transferred to leased assets	<u>\$ —</u>	<u>\$ 36,550</u>
Effect of exchange rate on note payable in foreign currency	<u><u>\$ 288,601</u></u>	<u><u>\$ 75,710</u></u>

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

	Three Months Ended March 31,		Three Months Ended December 31,
	2015	2014	2014
Net income (loss)	\$ 62,859	\$ 151,165	\$ (326,083)
Interest income	(5,885)	(5,627)	(6,637)
Interest expense	279,939	283,237	258,307
Income tax provision (benefit)	53,595	93,243	(193,839)
Depreciation	41,293	14,293	37,361
Amortization	378,073	389,499	391,249
Share based compensation	18,870	53,688	178,382
Impairment of intangible assets	--	--	528,233
Adjusted EBITDA ⁽¹⁾	<u>\$ 828,744</u>	<u>\$ 979,498</u>	<u>\$ 866,973</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.