

March 30, 2016



Galaxy Gaming Reports 2015 Financial Results

LAS VEGAS, March 30, 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 twelve months ended December 31, 2015.

Financial Highlights

Q-4 2015 vs. Q-4 2014

- Revenue of \$2,930K increased 13% or \$330K from \$2,600K.
- Adjusted EBITDA of \$703K decreased 18% or \$158K from \$861K.
- Pre-tax loss of \$15K decreased 97% or \$505K from \$520K.
- Net loss of \$66K decreased 80% or \$260K from \$326K.

Twelve months 2015 vs. Twelve months 2014

- Revenue of \$10,952K increased 11% or \$1,107K from \$9,845K.
- Adjusted EBITDA of \$3,267K decreased 13% or \$488K from \$3,755K.
- Pre-tax income of \$439K increased 171% or \$277K from \$162K.
- Net income of \$188K increased 755% or \$166K from \$22K.

Q-4 2015 vs. Q-3 2015

- Revenue of \$2,930K increased 6% or \$175K from \$2,755K.
- Adjusted EBITDA of \$703K decreased 21% or \$191K from \$894K.
- Pre-tax loss of \$15K decreased \$228K from profit of \$213K.
- Net loss of \$66K decreased \$186K from profit of \$120K.

Executive Comments

Gary A. Vecchiarelli, Galaxy's CFO commented, "2015 represents another year of growth, with 11% revenue growth compared to 2014. Additionally, our recurring revenues have seen an increase for 16 of the last 17 quarters and is up 6% alone between Q3 and Q4 of 2015. This is a testament to the strength of our recurring revenue base and the continued demand for our legacy and new products." Mr. Vecchiarelli added, "We recognized material increases in operating expenses, primarily due to litigation, but we expect our expenses to normalize now that the litigation has been finalized."

Robert B. Saucier, Galaxy's CEO added, "Near the end of 2014, we predicted 2015 would

likely be a transformative year for our company and we expected to continue to obtain solid double-digit revenue growth. We did not anticipate the litigation filed against us by two competitors in December 2014, nor the significant costs and diversions associated with protecting our interests. While we believed it was important for us to defend the Company against these threats, which we ultimately prevailed, we experienced a slight detour of our anticipated results for 2015."

Mr. Saucier continued, "However, despite the distraction of the litigation, we continued the expansion of our geographical footprint, increased share in certain markets, grew our recurring revenues (11%), maintained our high margins (99%), increased our net profit (755%) and paid down our debt over \$4 million. As a result, we are now financially healthier than ever. Going forward, we will continue to focus on building our reputation and position in the industry as a reliable table game provider."

Conference Call

The Company will host an investor conference call to discuss its financial and operating results.

When: Thursday, March 31st at 1:30pm Pacific Time (4:30pm Eastern)

US/Canada: (888) 556-4997

International: (719) 325-2495

Conference ID: 5449895

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

Financial Summary

Revenue. Total revenue for the fourth quarter 2015 increased 13% to \$2,930,129, over the same quarter 2014. This increase is primarily due to additional placement of premium games and expansion into new territories. For the twelve months ended December 31, 2015 compared to the same period 2014, revenues increased 11% to \$10,951,670. The increase for the twelve month period was primarily due to the increased focus on premium games and expansion into new territories. Between the fourth quarter 2015 and third quarter 2015, total revenues increased 6% to \$2,930,129. This increase was recognized in all categories of products, with premium games netting the largest gains. The annualized recurring revenue run-rate as of December 31, 2015 is \$11,894,304.

Total costs and expenses. Expenses for the fourth quarter 2015 decreased 6% to \$2,696,606, over the same quarter 2014. The decrease in 2015 is primarily due to the fact that in the fourth quarter 2014 we recognized an impairment charge of \$528,233. Additionally, in 2015 our selling, general & administrative expenses have increased 29% to \$7,133,681 driven by significant legal costs due to litigation with competitors. We also recognized increases in regulatory and compliance fees due to the licensure process with California and Nevada, which are classified as selling, general & administrative expense. For the twelve month period ended December 31, 2015 compared to the same period 2014, total costs and expenses increased 10% to \$9,478,090. This increase was also due to the increased legal and regulatory costs recognized throughout the year. The total costs and expenses in the fourth quarter increased 17% to \$2,696,606 compared to the third quarter. This increase was primarily due to legal costs as litigation commenced formal proceedings in the fourth quarter.

Adjusted EBITDA. Adjusted EBITDA, a non-GAAP financial measure (described below), for the fourth quarter 2015 decreased 18% to \$702,596, compared to the same quarter 2014. Higher selling, general & administrative expenses contributed to the decrease in Adjusted EBITDA between the periods. For the twelve month period ended December 31, 2015, Adjusted EBITDA decreased 13% to \$3,267,119 compared to the same period ended 2014. This decrease was primarily due to increased selling, general & administrative expenses driven by legal costs related to the litigation. Adjusted EBITDA in the fourth quarter 2015 decreased 21% to \$702,596 compared to the third quarter in 2015. This decrease was primarily driven by the increased selling, general & administrative expenses driven by legal costs related to the litigation.

Net income. Net loss for the fourth quarter 2015 was \$66,284, decreased 80% from the same quarter 2014. The decrease was primarily due to the increases in our recurring revenues and lower costs and expenses. For the twelve month period ended December 31, 2015 compared to the same period 2014, the net income increased 755% to \$187,854. The primary driver of this increase was increased recurring revenues. The net loss in the fourth quarter 2015, decreased 155% to \$66,284 from net income in third quarter of 2015. This decrease was the result of increased selling, general & administrative expenses which primarily relates to the litigation.

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 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. 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)

	December 31,	
ASSETS	2015	2014
Current assets:		
Cash and cash equivalents	\$ 570,623	\$ 560,184
Restricted cash	97,859	107,913
Accounts receivables, net allowance for bad debts of \$30,944 and \$34,887	1,828,669	1,472,743
Prepaid expenses	106,338	80,440
Inventory	411,700	232,789
Note receivable – related party, current portion	—	383,298
Deferred tax asset	43,017	47,691
Other current assets	2,489	62,584
Total current assets	<u>3,060,695</u>	<u>2,947,642</u>
Property and equipment, net	298,877	382,098
Products leased and held for lease, net	134,485	125,665
Intangible assets, net	13,261,636	14,756,648
Goodwill	1,091,000	1,091,000
Deferred tax assets, net of current portion	82,562	143,614
Other assets, net	41,793	45,416
Total assets	<u><u>\$ 17,971,048</u></u>	<u><u>\$ 19,492,083</u></u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 1,421,848	\$ 518,428
Accrued expenses	823,964	519,166
Income taxes payable	170,331	22,872
Deferred revenue	717,690	647,625
Jackpot liabilities	106,671	111,360
Capital lease obligations, current portion	59,196	66,273
Long-term debt, current portion	4,648,120	3,480,864
Deferred rent, current portion	6,197	—
Total current liabilities	<u>7,954,017</u>	<u>5,366,588</u>
Deferred rent	52,643	56,242
Capital lease obligations, net of current portion	78,008	137,204
Long-term debt, net of debt discount, net of current portion	<u>7,436,171</u>	<u>12,056,467</u>
Total liabilities	<u>15,520,839</u>	<u>17,616,501</u>
Commitments and Contingencies		
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; 39,215,591 and 38,990,591 shares issued and outstanding at December 31, 2015 and 2014, respectively	39,216	38,991
Additional paid-in capital	2,963,841	2,844,488
Accumulated deficit	(792,446)	(980,300)
Accumulated other comprehensive income (loss)	239,598	(27,597)
Total stockholders' equity	<u>2,450,209</u>	<u>1,875,582</u>
Total liabilities and stockholders' equity	<u><u>\$ 17,971,048</u></u>	<u><u>\$ 19,492,083</u></u>

GALAXY GAMING, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	Year Ended December 31,	
	2015	2014
Revenue:		
Product leases and royalties	\$ 10,915,410	\$ 9,835,345
Product sales and service	36,260	9,763
Total revenue	10,951,670	9,845,108
Costs and expenses:		
Cost of ancillary products and assembled components	95,930	80,525
Selling, general and administrative	7,133,681	5,537,165
Research and development	454,940	472,567
Depreciation	178,850	109,809
Amortization	1,495,012	1,561,631
Share-based compensation	119,677	323,759
Impairment of intangible assets	—	528,233
Total costs and expenses	9,478,090	8,613,689
Income from operations	1,473,580	1,231,419
Other income (expenses):		
Interest income	13,337	23,478
Interest expense	(1,047,434)	(1,093,264)
Total other expense	(1,034,097)	(1,069,786)
Income before provision for income taxes	439,483	161,633
Provision for income taxes	(251,629)	(139,745)
Net income	\$ 187,854	\$ 21,888
Basic earnings per share	\$ 0.00	\$ 0.00
Diluted earnings per share	\$ 0.00	\$ 0.00
Weighted average number of shares outstanding:		
Basic	39,066,415	38,513,084
Diluted	39,123,489	38,517,594

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

	Year Ended December 31,	
	2015	2014
Cash flows from operating activities:		
Net income for the year	\$ 187,854	\$ 21,888
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	178,850	109,809
Amortization expense	1,495,012	1,561,631
Provision for bad debts	33,907	—
Inventory reserve	54,696	—
Amortization of debt discount	208,632	208,632
Provision for income taxes	251,629	139,745
Share-based compensation	119,677	323,759
Impairment of intangible assets	—	528,233
Changes in operating assets and liabilities:		
Decrease in restricted cash	10,054	136,503
Increase in accounts receivable	(389,833)	(199,455)
Decrease (increase) in other current assets	60,095	(12,074)
Increase in inventory	(288,795)	(11,373)
Increase in prepaid expenses	(25,898)	(45,467)
Increase in other long-term assets	—	(41,794)
Increase in accounts payable	903,420	276,727
Increase in accrued expenses	304,798	198,209
Increase (decrease) in income taxes payable	109,015	(11,783)
Increase in deferred revenue	70,065	120,703
Decrease in jackpot liabilities	(4,689)	(135,162)
Increase in deferred rent	2,598	56,242
Net cash provided by operating activities	3,281,087	3,224,973
Cash flows from investing activities:		
Acquisition of property and equipment	(45,638)	(76,716)
Acquisition of intangible assets	—	(35,000)
Net cash used in investing activities	(45,638)	(111,716)
Cash flows from financing activities:		
Principal payments on capital leases	(66,273)	(40,223)
Principal payments on notes payable	(3,147,459)	(2,937,709)
Net cash used in financing activities	(3,213,732)	(2,977,932)
Effect of exchange rate changes on cash	(11,278)	(13,643)
Net increase in cash and cash equivalents	10,439	121,682
Cash and cash equivalents – beginning of year	560,184	438,502
Cash and cash equivalents – end of year	\$ 570,623	\$ 560,184
Supplemental cash flow information:		
Cash paid for interest	\$ 1,036,288	\$ 880,947
Cash paid for income taxes	\$ —	\$ —
Supplemental non-cash financing activities information:		
Assets acquired under capital leases	\$ —	\$ 243,700
Assets acquired under note payable	\$ —	\$ 86,634
Inventory transferred to leased assets	\$ 55,188	\$ 76,064
Offsetting of related party note receivable and note payable	\$ 383,298	\$ —
Effect of exchange rate on note payable in foreign currency	\$ 131,014	\$ 396,083

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

	Years Ended December 31,	
	2015	2014
Net income	\$ 187,854	\$ 21,888
Interest income	(13,337)	(23,478)
Interest expense	1,047,434	1,093,264
Income tax provision	251,629	139,745
Depreciation	178,850	109,809
Amortization	1,495,012	1,561,631
Share based compensation	119,677	323,759
Impairment of intangible assets	—	528,233
Adjusted EBITDA ⁽¹⁾	<u>\$ 3,267,119</u>	<u>\$ 3,754,851</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.