

Galaxy Gaming Reports Record Q-3 Results

Revenues Increase 18%; EBITDAS Grows 15%; YTD Profits Up 163%

LAS VEGAS, Nov. 14, 2014 (GLOBE NEWSWIRE) -- Galaxy Gaming, Inc. (OTC:GLXZ), the world's largest independent developer, manufacturer and distributor of casino table games and enhanced systems, today announced its financial results for the quarter and the nine months ending September 30, 2014.

Financial Highlights

Q-3 2014 vs Q-3 2013

- Revenue of \$2,517K increased 18% or \$381K from \$2,136K.
- EBITDAS of \$915K increased 15% or \$117K from \$798K.
- Pre-tax profit of \$204K reversed from a pre-tax loss of (\$19K).
- Net income of \$87K reversed from a net loss of (\$21K).

9 months 2014 vs 9 months 2013

- Revenue of \$7,245K increased 21% or \$1,269K from \$5,976K.
- EBITDAS of \$2,882K increased 20% or \$484K from \$2,398K.
- Pre-tax profit of \$682K increased 163% or \$423K from \$259K.
- Net income of \$348K increased 107% or \$180K from \$168K.

Q-3 2014 vs. Q-2 2014

- Revenue of \$2,517K increased 2% or \$54K from \$2,463K.
- EBITDAS of \$915K decreased 7% or \$72K from \$987K.
- Pre-tax profit of \$204K decreased 12% or \$29K from \$233K.
- Net income of \$87K decreased 20% or \$22K from \$109K.

Executive Comments

"Our recurring revenues continued to climb for the 12th consecutive quarter, which is a testament to the demand and quality of our products," said Gary A. Vecchiarelli, Galaxy's CFO. "It is also noteworthy that our revenues in the United Kingdom continued to climb. While the strength of the dollar against the British pound sterling hit a 12-month low, our UK billings saw a 20% increase over the same quarter last year."

Mr. Vecchiarelli specifically addressed higher operating expenses, and described it as evidence of the Company's strategic direction and internal focus. "In the third quarter, we recognized slight increases in operational expenses which relates to our continued growth and expanded investment in research & development. We have made significant

investments into our operations, which have not only grown the size of our product offerings, but has given us the capacity and bandwidth to grow even further."

"Our year-to-date results support that 2014 will likely be our best year ever," said Galaxy Gaming CEO Robert Saucier. "This is particularly significant because of the substantial investments we made in our infrastructure this year. We quadrupled the footprint of our Las Vegas headquarters, which includes a world-class showroom and is already contributing to increased sales and operational efficiencies. We expanded our product lines across the board, representing the largest release of new products in our history. Many of these cutting-edge products were showcased at the Global Gaming Expo conference, held this September in Las Vegas. In the largest booth our Company has ever committed to, we introduced ten new premium table game titles and a number of cutting-edge electronics such as our *SpectrumVision* playing card integrity verifier, our newest *TableMAX* e-Table with an expanded game library, and a major new release of our *Bonus Jackpot System*. And finally, throughout 2014 we invested in other important systems and operational improvements designed to increase our scalability to accommodate future long-term growth. While these investments caused our profitability to dip in the second and third quarters, as the numbers reveal – our revenues, EBITDAS and profits have all increased over last year's comparable quarters. Our entire team is optimistic about our future," added Mr. Saucier.

Financial Summary

Revenue. Total revenue for the third quarter increased 18% to \$2,517,384, over the same quarter 2013. Revenue also increased 21% to \$7,244,724 for the nine month period ended September 30, 2014 over the same period 2013. Between the second and third quarter 2014, total revenues increased 2%. These increases are primarily due to additional placement of premium games and expansion into new territories. The annualized recurring revenue run-rate as of September 30, 2014 is \$10,065,504.

Operating expenses. Operating expenses for the third quarter 2014 increased 8% to \$2,047,572, over the same quarter 2013. Operating expenses also increased 16% for the nine month period ended September 30, 2014 over the same period 2013. The primary driver of the increase relates to increases in selling, general & administrative expenses. The SG&A increase is generally due to higher sales commissions based on increased sales, an increase in overall employee headcount, non-cash increased stock compensation expense and intellectual property costs. Between the second and third quarter 2014, operating expenses increased 5%, which included increased research & development expenses and additional intellectual property costs.

Net income. Net income for the third quarter 2014 was \$87,429, which reversed a loss from the same quarter 2013. Net income also increased 107% to \$347,971 for the nine month period ended September 30, 2014 over the same period 2013. The increase was primarily due to significant growth in recurring revenue. Net income decreased 20% between the second and third quarter 2014, to \$87,429. This decrease was primarily due to higher SG&A and research & development expenses recognized in the second quarter.

EBITDAS. EBITDAS, a non-GAAP financial measure (described below), for the third quarter 2014 increased 15% to \$915,320 over the third quarter 2013. EBITDAS also increased 20% to \$2,881,879 for the nine month period ended September 30, 2014. Higher recurring revenues contributed to most of the increase in EBITDAS between the periods. Between the

second and third quarter 2014, EBITDAS decreased 7%, due to higher operating expenses.

Balance Sheet and Cash Flow Information

Cash provided by operations was \$2,253,542 for the nine months ended September 30, 2014 compared to \$1,512,667 for the same period 2013. The improvement in cash provided by operating activities was primarily due to the significant increase in total revenues and net income.

Cash used in financing activities was \$2,224,688 for the nine months ended September 30, 2014 compared to \$1,702,937 for the same period 2013. The increase in cash used in financing activities was primarily due to the increase in contractual principal payments due on notes payable.

As of September 30, 2014, the Company's cash and cash equivalents totaled \$394,552.

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) 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.

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	September 30, 2014	December 31, 2013
Current assets:		
Cash and cash equivalents	\$394,552	\$438,502
Restricted cash	94,704	244,416
Accounts receivables, net allowance for bad debts of \$34,887 and \$36,770	1,432,705	1,273,797
Prepaid expenses	54,347	34,973
Inventory	306,955	297,480
Note receivable – related party, current portion	383,298	18,212
Deferred tax asset	27,119	27,119
Other current assets	34,819	50,510
Total current assets	2,728,499	2,385,009
 Property and equipment, net	 274,675	 44,952
Products leased and held for lease, net	132,943	85,883
Intangible assets, net	15,676,130	16,811,511
Goodwill	1,091,000	1,091,000
Note receivable – related party, net of current portion	--	365,086
Deferred tax assets, net of current portion	436,669	436,669
Other assets, net	46,322	7,245
 Total assets	 <u>\$20,386,238</u>	 <u>\$21,227,355</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$383,560	\$241,754
Accrued expenses	344,167	322,402
Income taxes payable	276,434	34,655
Deferred revenue	624,246	526,922
Jackpot liabilities	99,479	246,522
Current portion of capital lease obligations	64,926	--
Current portion of long-term debt	3,374,357	2,929,918
Total current liabilities	5,167,169	4,302,173

Deferred rent	54,477	--
Deferred taxes	124,053	--
Capital lease obligations, net of current portion	154,291	--
Long-term debt, net of debt discount, net of current portion	<u>13,062,682</u>	<u>15,645,939</u>
Total liabilities	<u>18,562,672</u>	<u>19,948,112</u>
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 38,560,591 and 38,310,591 shares issued and outstanding	38,561	38,311
Additional paid-in capital	2,610,689	2,330,676
Stock warrants	49,168	190,053
Accumulated deficit	(654,217)	(1,002,188)
Accumulated other comprehensive income (loss)	<u>(220,635)</u>	<u>(277,609)</u>
Total stockholders' equity	<u>1,823,566</u>	<u>1,279,243</u>
Total liabilities and stockholders' equity	<u><u>\$20,386,238</u></u>	<u><u>\$21,227,355</u></u>

GALAXY GAMING, INC.
STATEMENTS OF OPERATIONS
(Unaudited)

	FOR THE THREE MONTHS ENDED		FOR THE NINE MONTHS ENDED	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Revenue:				
Product leases and royalties	\$2,516,376	\$2,025,665	\$7,238,539	\$5,846,471
Product sales and service	<u>1,008</u>	<u>110,394</u>	<u>6,185</u>	<u>129,692</u>
Total revenue	<u>2,517,384</u>	<u>2,136,059</u>	<u>7,244,724</u>	<u>5,976,163</u>
Costs and expenses:				
Cost of ancillary products and assembled components	19,362	14,322	56,302	73,805
Selling, general and administrative	1,480,957	1,217,376	4,108,235	3,161,441
Research and development	126,300	107,948	337,687	347,228
Depreciation	29,704	13,487	72,448	34,927
Amortization	391,249	397,226	1,170,381	1,191,678
Impairment of intangible assets	<u>--</u>	<u>150,000</u>	<u>--</u>	<u>150,000</u>
Total costs and expenses	<u>2,047,572</u>	<u>1,900,359</u>	<u>5,745,053</u>	<u>4,959,079</u>
Income from operations	<u>469,812</u>	<u>235,700</u>	<u>1,499,671</u>	<u>1,017,084</u>
Other income (expense):				
Interest income	5,387	5,722	16,841	17,395

Interest expense	<u>(271,275)</u>	<u>(260,350)</u>	<u>(834,957)</u>	<u>(775,910)</u>
Total other income (expense)	<u>(265,888)</u>	<u>(254,628)</u>	<u>(818,116)</u>	<u>(758,515)</u>
Income (loss) before provision for income taxes	203,924	(18,928)	681,555	258,569
Provision for income taxes	<u>(116,495)</u>	<u>(2,055)</u>	<u>(333,584)</u>	<u>(90,565)</u>
Net income (loss)	<u>\$ 87,429</u>	<u>\$ (20,983)</u>	<u>\$ 347,971</u>	<u>\$ 168,004</u>
Basic income (loss) per share	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.01</u>	<u>\$0.00</u>
Diluted income (loss) per share	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.01</u>	<u>\$0.00</u>
Weighted average shares outstanding:				
Basic	<u>38,560,591</u>	<u>38,310,591</u>	<u>38,493,955</u>	<u>38,310,591</u>
Diluted	<u>38,574,447</u>	<u>38,310,591</u>	<u>38,772,448</u>	<u>38,310,591</u>

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

	FOR THE NINE MONTHS ENDED SEPTEMBER 30,	
	2014	2013
Cash flows from operating activities:		
Net income for the period	\$ 347,971	\$ 168,004
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	72,450	34,927
Amortization expense	1,170,381	1,191,678
Amortization of debt discount	156,474	156,474
Deferred income tax provision	333,584	90,565
Share-based compensation	139,378	4,354
Impairment of intangible assets	--	150,000
Changes in operating assets and liabilities:		
Decrease (increase) in restricted cash	149,712	(25,123)
(Increase) in accounts receivable	(159,478)	(193,608)
Decrease (increase) in other current assets	15,691	(42,550)
(Increase) in inventory	(80,678)	(164,136)
(Increase) in prepaid expenses	(19,374)	(7,744)
(Increase) in other long-term assets	(41,794)	--
Increase in accounts payable	141,885	48,841
Increase in accrued expenses	22,582	16,990
Increase in deferred revenue	97,324	55,993
(Decrease) increase in jackpot liabilities	(147,043)	28,002
Increase in deferred rent	<u>54,477</u>	<u>--</u>
Net cash provided by operating activities	<u>2,253,542</u>	<u>1,512,667</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(31,343)	(21,735)

Acquisition of intangible assets	(35,000)	--
Payments received on note receivable	--	4,963
Net cash used in investing activities	<u>(66,343)</u>	<u>(16,772)</u>
Cash flows from financing activities:		
Principal payments on capital leases	(24,753)	--
Principal payments on notes payable	<u>(2,199,935)</u>	<u>(1,702,937)</u>
Net cash used in financing activities	<u>(2,224,688)</u>	<u>(1,702,937)</u>
Effect of exchange rate changes on cash	<u>(6,461)</u>	<u>3,613</u>
Net decrease in cash and cash equivalents	(43,950)	(203,429)
Cash and cash equivalents – beginning of period	<u>438,502</u>	<u>398,424</u>
Cash and cash equivalents – end of period	<u><u>\$ 394,552</u></u>	<u><u>\$ 194,995</u></u>
Supplemental cash flow information:		
Cash paid for interest	<u>\$ 678,483</u>	<u>\$ 515,560</u>
Cash paid for income taxes	<u>\$ --</u>	<u>\$ --</u>
Supplemental non-cash financing activities information:		
Assets acquired by capital lease	<u>\$ 243,970</u>	<u>\$ --</u>
Inventory transferred to leased assets	<u>\$ 71,203</u>	<u>\$ 31,876</u>
Effect of exchange rate on note payable in foreign currency	<u>\$ 190,180</u>	<u>\$ 124,400</u>

GALAXY GAMING, INC.
RECONCILIATION TO EBITDAS
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended June 30,
	2014	2013	2014	2013	2014
Net income (loss)	\$ 87,429	\$ (20,983)	\$ 347,971	\$ 168,004	\$ 109,377
Interest income	(5,387)	(5,722)	(16,841)	(17,394)	(5,827)
Interest expense	271,275	260,350	834,957	775,910	280,445
Income tax provision	116,495	2,055	333,584	90,565	123,846
Depreciation	29,704	13,487	72,448	34,926	28,451
Amortization	391,249	397,226	1,170,382	1,191,678	389,634
Share based compensation	24,555	1,451	139,378	4,353	61,135
Impairment of intangible assets	--	150,000	--	150,000	--
EBITDAS(1)	<u><u>\$ 915,320</u></u>	<u><u>\$ 797,864</u></u>	<u><u>\$ 2,881,879</u></u>	<u><u>\$ 2,398,042</u></u>	<u><u>\$ 987,061</u></u>

(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.