

March 31, 2015



# Galaxy Gaming Reports Record Financial Results

## Revenues, EBITDAS Reach All-Time High; Recurring Revenues Increase for Thirteenth Consecutive Quarter

LAS VEGAS, March 31, 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 quarter and twelve months ended December 31, 2014.

### *Financial Highlights*

#### **12 Months 2014 vs. 12 Months 2013**

- Revenue of \$9,845K increased 20% or \$1,627K from \$8,218K.
- EBITDAS of \$3,754K increased 9% or \$320K from \$3,434K.
- Pre-tax profit of \$162K decreased 74% or \$471K from \$633K.
- Net income of \$22K decreased 96% or \$541K from \$563K.

#### **Q-4 2014 vs. Q-4 2013**

- Revenue of \$2,600K increased 16% or \$358K from \$2,242K.
- EBITDAS of \$339K decreased 67% or \$697K from \$1,036K.
- Pre-tax loss of (\$520K) decreased \$895K from profit of \$375K.
- Net loss of (\$326K) decreased \$721K from income of \$395K.

#### **Q-4 2014 vs. Q-3 2014**

- Revenue of \$2,600K increased 3% or \$83K from \$2,517K.
- EBITDAS of \$339K decreased 63% or \$582K from \$921K.
- Pre-tax loss of (\$520K) decreased \$724K from profit of \$204K.
- Net loss of (\$326K) decreased \$413K from income of \$87K.

### **Executive Comments**

Gary A. Vecchiarelli, Galaxy's CFO stated, "2014 was another record breaking year for Galaxy, reaching its thirteenth consecutive quarter with an increase in recurring revenues. While we recognized a loss in the fourth quarter due to several non-cash charges, we ended the year with almost \$3.8 million in EBITDAS and positive net income. Our growing revenue base will allow us to reinvest in continual development of innovative products for the marketplace. We are proud to see our efforts translate into top line results."

Robert Saucier, Galaxy's CEO expanded on Mr. Vecchiarelli's comments. "2014 was indeed a pivotal year for us. Not merely because of the record setting results we achieved, but

rather due to the commitments we made to solidify our infrastructure, which was required for sustained growth. Just shy of a year ago, we enlarged our corporate headquarters four-fold and made other significant investments to greatly expand our product lines, our sales organization and our distribution channels. The impact of these investments should support further growth in 2015 and beyond."

### ***Conference Call***

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

**When:** Wednesday, April 1<sup>st</sup> at 1:00pm Pacific Time (4:00pm Eastern)

**US/Canada:** (888) 401-4668

**International:** (719) 325-2464

**Conference ID:** 6907020

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

### ***Financial Summary***

**Revenue.** Total revenue for the fourth quarter increased 16% to \$2,600,384, over the same quarter 2013. Revenue also increased 20% to \$9,845,108 for the year ended December 31, 2014 over the same period 2013. Between the third and fourth quarter 2014, total revenues increased 3%. These increases are primarily due to additional placement of premium games and expansion into new territories. The annualized recurring revenue run-rate as of December 31, 2014 is \$10,387,224.

**Operating expenses.** Operating expenses for the fourth quarter 2014 increased 78% to \$2,868,636, over the same quarter 2013. The increase in 2014 is primarily due to an impairment of intangible assets totaling \$528,233, and an increase in share-based compensation due to a year end stock bonus granted to certain employees. Operating expenses also increased 31% for the year ended December 31, 2014 over the same period 2013. The primary driver of the increase relates to increases in selling, general & administrative expenses, impairment of intangible assets and share-based compensation. The SG&A increase is generally due to higher sales commissions based on increased sales, an increase in overall employee headcount, intellectual property costs and expenses associated with our move to a larger headquarters. The impairment on intangible assets relates to charges reducing the carrying value of certain patents to their estimated fair value. At year end, Galaxy granted a stock bonus to certain employees, which has been classified as share-based compensation. Between the third and fourth quarter 2014, operating expenses increased 157%, which was primarily driven by the non-cash impairment and share-based compensation charges.

**Net income.** Net loss for the fourth quarter 2014 was \$326,083, which reversed net income of \$395,313 from the same quarter 2013. Net income also decreased 96% to \$21,888 for the year ended December 31, 2014 over the same period 2013. The decrease was primarily due to the increases in selling, general & administrative expenses and non-cash charges related to impairment of intangible assets and share-based compensation. The net loss of \$326,083 in the fourth quarter 2014 was reversed from net income of \$87,429 in the third quarter

2014. This decrease was primarily driven by the non-cash impairment and share-based compensation charges recognized at year end.

**EBITDAS.** EBITDAS, a non-GAAP financial measure (described below), for the fourth quarter 2014 decreased 67% to \$338,740, compared to \$1,036,173 in the fourth quarter 2013. EBITDAS increased 9% to \$3,754,851 for the year ended December 31, 2014 compared to \$3,434,215 for the year ended December 31, 2013. Higher recurring revenues contributed to most of the increase in EBITDAS between the periods. Between the third and fourth quarter 2014, EBITDAS decreased 63%, due to the non-cash impairment and share-based compensation charges recognized at year end.

### ***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 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, Nevada, Galaxy Gaming ([galaxygaming.com](http://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](http://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)

	<b>December 31,</b>	
<b>ASSETS</b>	<b>2014</b>	<b>2013</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 560,184	\$ 438,502
Restricted cash	107,913	244,416
Accounts receivables, net allowance for bad debts of \$34,887 and \$44,223	1,472,743	1,273,797
Prepaid expenses	80,440	34,973
Inventory	232,789	297,480
Note receivable – related party, current portion	383,298	18,212
Deferred tax asset	47,691	27,119
Other current assets	<u>62,584</u>	<u>50,510</u>
<b>Total current assets</b>	2,947,642	2,385,009
 <b>Property and equipment, net</b>	 382,098	 44,952
<b>Products leased and held for lease, net</b>	125,665	85,883
<b>Intangible assets, net</b>	14,756,648	16,811,511
<b>Goodwill</b>	1,091,000	1,091,000
<b>Note receivable – related party, net of current portion</b>	--	365,086
<b>Deferred tax assets, net of current portion</b>	143,614	436,669
<b>Other assets, net</b>	<u>45,416</u>	<u>7,245</u>
 <b>Total assets</b>	 <u><u>\$ 19,492,083</u></u>	 <u><u>\$ 21,227,355</u></u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Current liabilities:</b>		
Accounts payable	\$ 518,428	\$ 241,754
Accrued expenses	519,166	322,402
Income taxes payable	22,872	34,655
Deferred revenue	647,625	526,922
Jackpot liabilities	111,360	246,522
Capital lease obligations, current portion	66,273	--
Long-term debt, current portion	<u>3,480,864</u>	<u>2,929,918</u>
<b>Total current liabilities</b>	5,366,588	4,302,173
 <b>Deferred rent</b>	 56,242	 --

Capital lease obligations, net of current portion	137,204	--
Long-term debt, net of debt discount, net of current portion	<u>12,056,467</u>	<u>15,645,939</u>
<b>Total liabilities</b>	<u>17,616,501</u>	<u>19,948,112</u>
<b>Commitments and Contingencies (See Note 12)</b>		
<b>Stockholders' equity</b>		
Preferred stock, 10,000,000 shares, \$.001 par value preferred stock authorized; 0 shares issued and outstanding	--	--
Common stock, 65,000,000 shares authorized; 38,990,591 and 38,310,591 shares issued and outstanding	38,991	38,311
Additional paid-in capital	2,844,488	2,330,676
Stock warrants	--	190,053
Accumulated deficit	(980,300)	(1,002,188)
Accumulated other comprehensive income (loss)	<u>(27,597)</u>	<u>(277,609)</u>
<b>Total stockholders' equity</b>	<u>1,875,582</u>	<u>1,279,243</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 19,492,083</u>	<u>\$ 21,227,355</u>

**GALAXY GAMING, INC.**  
**STATEMENTS OF OPERATIONS**  
(Unaudited)

	<b>Year Ended December 31,</b>	
	<u>2014</u>	<u>2013</u>
<b>Revenue:</b>		
Product leases and royalties	\$ 9,835,345	\$ 8,077,763
Product sales and service	<u>9,763</u>	<u>140,835</u>
<b>Total revenue</b>	<u>9,845,108</u>	<u>8,218,598</u>
<b>Costs and expenses:</b>		
Cost of ancillary products and assembled components	80,525	106,030
Selling, general and administrative	5,537,165	4,211,447
Research and development	472,567	466,906
Depreciation	109,809	45,562
Amortization	1,561,631	1,588,905
Share-based compensation	323,759	5,805
Impairment of intangible assets	<u>528,233</u>	<u>150,000</u>
<b>Total costs and expenses</b>	<u>8,613,689</u>	<u>6,574,655</u>
<b>Income from operations</b>	<u>1,231,419</u>	<u>1,643,943</u>
<b>Other income (expense):</b>		

Interest income	23,478	23,259
Interest expense	<u>(1,093,264)</u>	<u>(1,034,118)</u>
<b>Total other expenses</b>	<u>(1,069,786)</u>	<u>(1,010,859)</u>
<b>Income (loss) before provision for income taxes</b>	161,633	(633,084)
<b>Provision for income taxes</b>	<u>(139,745)</u>	<u>(69,767)</u>
<b>Net income (loss)</b>	<u><u>\$ 21,888</u></u>	<u><u>\$ 563,317</u></u>
<b>Basic earnings per share</b>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.01</u></u>
<b>Diluted earnings per share</b>	<u><u>\$ 0.00</u></u>	<u><u>\$ 0.01</u></u>
<b>Weighted average number of shares outstanding:</b>		
<b>Basic</b>	<u><u>38,513,084</u></u>	<u><u>38,310,591</u></u>
<b>Diluted</b>	<u><u>38,517,594</u></u>	<u><u>38,310,591</u></u>

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

	<b>Year Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities:</b>		
Net income for the year	\$ 21,888	\$ 563,317
<b>Adjustments to reconcile net income to net cash provided by operating activities:</b>		
Depreciation expense	109,809	45,562
Amortization expense	1,561,631	1,588,905
Amortization of debt discount	208,632	208,632
Provision for income taxes	139,745	69,767
Share-based compensation	323,759	5,805
Impairment of intangible assets	528,233	150,000
<b>Changes in operating assets and liabilities:</b>		
Decrease (increase) in restricted cash	136,503	(27,452)
Increase in accounts receivable	(199,455)	(246,809)
Increase in other current assets	(12,074)	(8,135)
Increase in inventory	(11,373)	(138,997)
Increase in prepaid expenses	(45,467)	(5,530)
Increase in other long-term assets	(41,794)	--
Increase (decrease) in accounts payable	276,727	(45,260)
Increase in accrued expenses	198,209	70,345
(Decrease) increase in income taxes payable	(11,783)	34,655
Increase in deferred revenue	120,703	86,580
(Decrease) increase in jackpot liabilities	(135,162)	24,413
Increase in deferred rent	56,242	--
<b>Net cash provided by operating activities</b>	<u><u>3,224,973</u></u>	<u><u>2,375,798</u></u>

**Cash flows from investing activities:**

Acquisition of property and equipment	(76,716)	(22,653)
Acquisition of intangible assets	(35,000)	--
Payments received on note receivable	--	4,963
<b>Net cash used in investing activities</b>	<u>(111,716)</u>	<u>(17,690)</u>
<b>Cash flows from financing activities:</b>		
Principal payments on capital leases	(40,223)	--
Principal payments on notes payable	(2,937,709)	(2,323,599)
<b>Net cash used in financing activities</b>	<u>(2,977,932)</u>	<u>(2,323,599)</u>
<b>Effect of exchange rate changes on cash</b>	<u>(13,643)</u>	<u>5,569</u>
<b>Net increase in cash and cash equivalents</b>	121,682	40,078
<b>Cash and cash equivalents – beginning of year</b>	<u>438,502</u>	<u>398,424</u>
<b>Cash and cash equivalents – end of year</b>	<u>\$ 560,184</u>	<u>\$ 438,502</u>
<b>Supplemental cash flow information:</b>		
Cash paid for interest	<u>\$ 880,947</u>	<u>\$ 825,486</u>
Cash paid for income taxes	<u>\$ --</u>	<u>\$ --</u>
<b>Supplemental non-cash investing and financing activities information:</b>		
Assets acquired under capital leases	<u>\$ 243,700</u>	<u>\$ --</u>
Assets acquired under note payable	<u>\$ 86,634</u>	<u>\$ --</u>
Inventory transferred to leased assets	<u>\$ 76,064</u>	<u>\$ 59,288</u>
Effect of exchange rate on note payable in foreign currency	<u>\$ 396,083</u>	<u>\$ 79,030</u>

**GALAXY GAMING, INC.**  
**RECONCILIATION TO EBITDAS**  
**(Unaudited)**

	<b>Years Ended December 31,</b>	
	<b>2014</b>	<b>2013</b>
Net income (loss)	\$ 21,888	\$ 563,317
Interest income	(23,478)	(23,259)
Interest expense	1,093,264	1,034,118
Income tax provision	139,745	69,767
Depreciation	109,809	45,462
Amortization	1,561,631	1,588,905
Share based compensation	323,759	5,805
Impairment of intangible assets	528,233	150,000
<b>EBITDAS<sup>(1)</sup></b>	<u><b>\$ 3,754,851</b></u>	<u><b>\$ 3,434,215</b></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.