UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number: 000-30653

Galaxy Gaming, Inc.
(Exact name of small business issuer as specified in its charter)

Nevada	**20-8143439**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**

6480 Cameron Street Ste. 305 – Las Vegas, NV 89118
(Address of principal executive offices)

(702) 939-3254
(Issuer's telephone number)

Securities registered pursuant to Section 12(b) of the Act: None

Title of each class	Trading symbol	Name of exchange on which registered
Common stock	GLXZ	OTCQB marketplace

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the issuer has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
Emerging growth company	☐		

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standard provided pursuant to Section 13(a) of the Exchange Act. ☐

State the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 24,999,503 common shares as of November 1, 2024.

GALAXY GAMING, INC.
QUARTERLY REPORT ON FORM 10-Q FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024
TABLE OF CONTENTS

PART I

PART II

PART I

ITEM 1. FINANCIAL STATEMENTS

Our financial statements included in this Form 10-Q are as follows:

GALAXY GAMING, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

ASSETS	September 30, 2024	December 31, 2023
Current assets:		
Cash and cash equivalents	$ 17,899,185	$ 16,691,514
Accounts receivable, net of allowance of $150,589 and $200,192, respectively	5,643,349	4,173,990
Income tax receivable	83,755	80,718
Prepaid expenses	1,205,230	1,209,813
Total current assets	24,831,519	22,156,035
Property and equipment, net	25,254	98,053
Operating lease right-of-use assets	596,305	785,543
Assets deployed at client locations, net	3,302,683	3,268,294
Goodwill	1,091,000	1,091,000
Other intangible assets, net	11,852,986	12,755,735
Other assets	267,374	321,140
Total assets	$ 41,967,121	$ 40,475,800
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	$ 3,229,275	$ 1,002,061
Accrued expenses	2,623,995	2,584,231
Revenue contract liability	335	167,014
Current portion of operating lease liabilities	281,588	268,541
Current portion of long-term debt	930,371	854,120
Total current liabilities	7,065,564	4,875,967
Long-term operating lease liabilities	371,854	585,879
Long-term debt and liabilities, net	53,889,284	53,196,585
Deferred tax liabilities, net	21,402	60,790
Total liabilities	61,348,104	58,719,221
Commitments and Contingencies (See Note 7)		
Stockholders' deficit		
Preferred stock, 10,000,000 shares authorized; $0.001 par value; 0 shares issued and outstanding	—	—
Common stock, 65,000,000 shares authorized; $0.001 par value; 24,999,503 and 24,845,439 shares issued and outstanding, respectively	25,000	24,846
Additional paid-in capital	19,569,152	18,972,901
Accumulated deficit	(38,870,435)	(37,124,126)
Accumulated other comprehensive loss	(104,700)	(117,042)
Total stockholders' deficit	(19,380,983)	(18,243,421)
Total liabilities and stockholders' deficit	$ 41,967,121	$ 40,475,800

The accompanying notes are an integral part of the condensed consolidated financial statements.

GALAXY GAMING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2024	**September 30, 2023**	**September 30, 2024**	**September 30, 2023**
Revenue:				
Licensing fees	$ 7,646,298	$ 6,103,861	$ 24,169,866	$ 21,051,731
Total revenue	7,646,298	6,103,861	24,169,866	21,051,731
Costs and expenses:				
Cost of ancillary products and assembled components	342,865	187,841	1,347,941	1,039,441
Selling, general and administrative	6,260,283	4,185,893	14,878,844	11,604,729
Research and development	261,493	226,405	782,858	632,830
Depreciation and amortization	701,127	567,628	2,089,317	1,639,104
Stock-based compensation	204,467	225,971	540,322	716,029
Total costs and expenses	7,770,235	5,393,738	19,639,282	15,632,133
(Loss) income from operations	(123,937)	710,123	4,530,584	5,419,598
Other income (expense):				
Interest income	207,488	202,477	617,873	426,234
Interest expense	(2,293,239)	(2,301,878)	(6,863,534)	(6,747,555)
Foreign currency exchange gain (loss)	18,971	(24,238)	30,583	(22,078)
Total other expense, net	(2,066,780)	(2,123,639)	(6,215,078)	(6,343,399)
Loss before provision for income taxes	(2,190,717)	(1,413,516)	(1,684,494)	(923,801)
Provision for income taxes	(7,197)	(41,642)	(61,815)	(63,894)
Net loss	(2,197,914)	(1,455,158)	(1,746,309)	(987,695)
Foreign currency translation adjustment	94,729	21,493	12,342	12,850
Comprehensive loss	$ (2,103,185)	$ (1,433,665)	$ (1,733,967)	$ (974,845)
Net loss per share:				
Basic	$ (0.09)	$ (0.06)	$ (0.07)	$ (0.04)
Diluted	$ (0.09)	$ (0.06)	$ (0.07)	$ (0.04)
Weighted-average shares outstanding:				
Basic	24,968,113	24,479,301	24,912,808	25,229,971
Diluted	24,968,113	24,479,301	24,912,808	25,229,971

The accompanying notes are an integral part of the condensed consolidated financial statements.

GALAXY GAMING, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Beginning balance, December 31, 2023	24,845,439	$ 24,846	$ 18,972,901	$ (37,124,126)	$ (117,042)	$ (18,243,421)
Net income	—	—	—	208,908	—	208,908
Foreign currency translation loss	—	—	—	—	(30,394)	(30,394)
Stock options exercised	20,000	20	24,180	—	—	24,200
Stock-based compensation	45,243	45	141,197	—	—	141,242
Balance, March 31, 2024	24,910,682	24,911	19,138,278	(36,915,218)	(147,436)	(17,899,465)
Net income	—	—	—	242,697	—	242,697
Foreign currency translation loss	—	—	—	—	(51,993)	(51,993)
Stock-based compensation	46,811	47	194,566	—	—	194,613
Balance, June 30, 2024	24,957,493	$ 24,958	$ 19,332,844	$ (36,672,521)	$ (199,429)	$ (17,514,148)
Net loss	—	—	—	(2,197,914)	—	(2,197,914)
Foreign currency translation gain	—	—	—	—	94,729	94,729
Stock options exercised	18,333	18	31,864	—	—	31,882
Stock-based compensation	23,677	24	204,444	—	—	204,468
Balance, September 30, 2024	24,999,503	$ 25,000	$ 19,569,152	$ (38,870,435)	$ (104,700)	$ (19,380,983)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Deficit
Beginning balance, December 31, 2022	24,411,098	$ 24,411	$ 17,575,396	$ (35,316,540)	$ (168,654)	$ (17,885,387)
Net income	—	—	—	110,694	—	110,694
Foreign currency translation gain	—	—	—	—	16,637	16,637
Stock-based compensation	27,392	28	244,895	—	—	244,923
Balance, March 31, 2023	24,438,490	$ 24,439	$ 17,820,291	$ (35,205,846)	$ (152,017)	$ (17,513,133)
Net income	—	—	—	356,769	—	356,769
Foreign currency translation loss	—	—	—	—	(25,280)	(25,280)
Stock-based compensation	28,391	28	245,107	—	—	245,135
Balance, June 30, 2023	24,466,881	$ 24,467	$ 18,065,398	$ (34,849,077)	$ (177,297)	$ (16,936,509)
Net loss	—	—	—	(1,455,158)	—	(1,455,158)
Foreign currency translation loss	—	—	—	—	21,493	21,493
Stock options exercised	30,000	30	67,470	—	—	67,500
Stock-based compensation	25,316	25	225,946	—	—	225,971
Balance, September 30, 2023	24,522,197	$ 24,522	$ 18,358,814	$ (36,304,235)	$ (155,804)	$ (18,076,703)

The accompanying notes are an integral part of the condensed consolidated financial statements.

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

	Nine Months Ended	
	September 30, 2024	September 30, 2023
Cash flows from operating activities:		
Net loss	$ (1,746,309)	$ (987,695)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,089,317	1,639,104
Amortization of right-of-use assets	189,238	179,207
Amortization of debt issuance costs and debt discount	1,142,699	1,134,240
Bad debt (recovery) expense	(31,875)	109,533
Loss on disposal of property & equipment	33,245	—
Deferred income tax	(39,388)	3,059
Stock-based compensation	540,322	716,029
Changes in operating assets and liabilities:		
Accounts receivable	(1,433,623)	(327,667)
Income tax receivable	(5,739)	1,104,190
Prepaid expenses and other current assets	334,954	12,066
Other assets	53,766	(2,513)
Accounts payable	2,226,036	(496,874)
Accrued expenses	42,468	(2,677,583)
Revenue contract liability	(166,678)	177,641
Operating lease liabilities	(200,977)	(183,287)
Net cash provided by operating activities	3,027,456	399,450
Cash flows from investing activities:		
Investment in internally developed software	(562,247)	(556,040)
Acquisition of property and equipment	—	(15,494)
Acquisition of assets deployed at client locations	(1,722,064)	(1,483,671)
Transfer of title of assets deployed at client locations to perpetual license customer	1,102,908	764,865
Net cash used in investing activities	(1,181,403)	(1,290,340)
Cash flows from financing activities:		
Payments of debt issuance costs	—	(26,897)
Proceeds from stock option exercises	56,082	67,500
Principal payments on long-term debt	(704,120)	(1,450,406)
Net cash used in financing activities	(648,038)	(1,409,803)
Effect of exchange rate changes on cash	9,656	1,252
Net increase (decrease) in cash and cash equivalents	1,207,671	(2,299,441)
Cash and cash equivalents – beginning of period	16,691,514	18,237,513
Cash and cash equivalents – end of period	$ 17,899,185	$ 15,938,072
Supplemental cash flow information:		
Cash paid for interest	$ 5,762,757	$ 5,734,663
Cash paid for income taxes	$ 101,536	$ 161,124
Supplemental schedule of non-cash activities:		
Insurance acquired under note payable	$ 330,371	$ 378,000

The accompanying notes are an integral part of the condensed consolidated financial statements.

GALAXY GAMING, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1. NATURE OF OPERATIONS

Unless the context indicates otherwise, references to "Galaxy Gaming, Inc.," "we," "us," "our," or the "Company," refer to Galaxy Gaming, Inc., a Nevada corporation ("Galaxy Gaming").

We are an established global gaming company specializing in the design, development, acquisition, assembly, marketing and licensing of proprietary casino table games and associated technology, platforms and systems for the casino and iGaming industries. Casinos use our proprietary products and services to enhance their gaming operations and improve their profitability, and productivity, as well as to offer popular cutting-edge gaming entertainment content and technology to their players. We market our products and services to online casinos worldwide, to land-based casino gaming companies in North America, the Caribbean, Central America, the United Kingdom, Europe and Africa, and to cruise ship companies. We license our products and services for use solely in regulated land-based gaming markets. We also license our content and distribute content from other companies to iGaming operators in gaming markets throughout the world where iGaming is legalized.

On July 18, 2024, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Evolution Malta Holding Limited, a company registered in Malta ("Parent"), and Galaga Merger Sub, Inc., a Nevada corporation and direct wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which, subject to the terms and conditions thereof, Merger Sub would merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Parent.

Upon the closing of the Merger, each share of common stock, par value $0.001 per share of the Company issued and outstanding immediately prior to the effective time of the Merger, other than any Company common stock (i) owned by Company stockholders who are entitled to demand and have properly and validly demanded their appraisal rights under Nevada law or (ii) owned by Parent, Merger Sub, the Company or by any of their respective subsidiaries, will be converted automatically into the right to receive $3.20 per share in cash, without interest and subject to any applicable withholding taxes.

Consummation of the Merger is subject to the satisfaction or waiver of certain closing conditions, including approval by at least a majority of the voting power of the outstanding shares of the Company's common stock of the Merger Agreement and the transactions contemplated thereby, including the Merger, and the receipt of certain gaming regulatory approvals. The Merger is expected to be completed in mid-2025, subject to satisfaction or waiver of the closing conditions.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation. The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP") and the rules of the U.S. Securities and Exchange Commission ("SEC"). In the opinion of management, the accompanying unaudited interim condensed consolidated financial statements contain all necessary adjustments (including all those of a recurring nature and those necessary in order for the financial statements to not be misleading) and all disclosures to present fairly our financial position and the results of our operations and cash flows for the periods presented.

The operating results for interim periods are not necessarily indicative of results that may be expected for any other interim period or for the full year. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes as of and for the year ended December 31, 2023 included in our 2023 Form 10-K ("2023 10-K").

Use of estimates and assumptions. The preparation of financial statements in conformity with U.S. GAAP requires the Company to make decisions based upon estimates, assumptions, and factors considered relevant to the circumstances. Such decisions include the selection of applicable accounting principles and the use of judgment in their application, the results of which impact reported amounts and disclosures. Changes in future economic conditions or other business circumstances may affect the outcomes of the estimates and assumptions. Accordingly, actual results could differ materially from those anticipated.

Consolidation. The financial statements are presented on a consolidated basis and include the results of the Company and its wholly owned subsidiaries, Progressive Games Partner, LLC ("PGP") and Galaxy Gaming-01 LLC ("GG-01"). All intercompany transactions and balances have been eliminated in consolidation.

Reclassifications. Certain accounts and financial statement captions in the prior period have been reclassified to conform to the current period financial statement presentations and had no effect on net income.

Cash and cash equivalents. Cash and cash equivalents consist primarily of deposits held at major banks and highly liquid investments with original maturities of three months or less. With the exception of funds held outside the U.S., these deposits are in insured banking institutions, which are insured up to $250,000 per account. To date, we have not experienced uninsured losses.

Accounts receivable and allowance for credit losses. Accounts receivable are stated at face value net of allowance for credit losses. Management estimates the allowance for expected credit losses balance using relevant available information from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in the current environmental economic conditions and reasonable and supportable forecast. The allowance for expected credit losses on financial instruments is measured on a collective (pool) basis when similar risk characteristics exist. Accounts receivable are non-interest bearing. Accounts are written off when management deems them to be uncollectible. Recoveries of accounts previously written off are recorded when received.

For the three and nine months ended September 30, 2024, there was no material activity in allowance for credit losses.

Goodwill. The excess of the purchase price of an acquired business over the estimated fair value of the assets acquired and the liabilities assumed, is recorded as goodwill. The Company tests for possible impairment of goodwill at least annually, or when circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company has the option to begin with a qualitative assessment, commonly referred to as “Step 0”, to determine whether it is more likely than not that the reporting unit’s fair value of goodwill is less than its carrying value. This qualitative assessment may include, but is not limited to, reviewing factors such as the general economic environment, industry and market conditions, changes in key assumptions used since the most recently performed valuation and overall financial performance of the reporting units. If the Company determines that it is more likely than not that a reporting unit’s fair value is less than its carrying value, the Company performs a quantitative goodwill impairment analysis, and depending upon the results of that measurement, the recorded goodwill may be written down and charged to income from operations when the carrying amount of the reporting unit exceeds the fair value of the reporting unit.

Other intangible assets, net. The following intangible assets have finite lives and are being amortized using the straight-line method over their estimated economic lives as follows:

Patents	4 - 20 years
Customer relationships	9 - 22 years
Trademarks	20 - 30 years
Intellectual property	12 years
Non-compete agreements	9 years
Software	3 years

Software relates primarily to assets where costs are capitalizable during the application development phase. External and internal labor-related costs associated with product development are included in software. The Company reviews its identifiable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Impairment losses are recognized for identifiable intangibles, other than goodwill, when indicators of impairment are present and the estimated undiscounted cash flows are not sufficient to recover the assets’ carrying amount. No impairment was recorded for the three and nine months ended September 30, 2024. See Note 4.

Fair value of financial instruments. Fair value is defined as a market-based measurement intended to estimate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs when measuring fair value. These inputs are categorized as follows:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect the reporting entity’s own assumptions.

The carrying values of cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature. The estimated fair value of our long-term debt approximates its carrying value based upon our expected borrowing rate for debt with similar remaining maturities and comparable risk (level 2). The Company currently has no financial instruments measured at estimated fair value on a recurring basis based on valuation reports provided by counterparties.

Leases. The Company classifies leases at inception as operating leases or finance leases in accordance with ASC 842, "Leases." We account for lease components (such as rent payments) separately from non-lease components (such as common-area maintenance costs, real estate and sales taxes and insurance costs). Operating and finance leases with terms greater than 12 months are recorded on the condensed consolidated balance sheets as right-of-use assets with corresponding lease liabilities. Lease liabilities are amortized over the lease term using the effective interest method, while lease assets are depreciated over the shorter of the asset's useful life or the lease term. The discount rate used to determine present value is typically the incremental borrowing rate at lease commencement, unless the implicit rate in the lease is readily determinable. Subsequent changes in lease terms or payments are adjusted accordingly. See Note 5.

Revenue recognition. We account for our revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers* ("ASC 606"). See Note 3.

Foreign currency translation. Gains and losses from settlement of transactions involving foreign currency amounts are included in other income or expense in the Condensed Consolidated Statements of Operations. Gains and losses resulting from translating assets and liabilities from the functional currency to U.S. dollars are included in accumulated other comprehensive loss in the Condensed Consolidated Statements of Changes in Stockholders' Deficit.

Basic and diluted loss per share. Basic earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share is calculated by dividing net income by the weighted-average number of shares of common stock outstanding during the period increased to include the number of additional shares of common stock that would have been outstanding if the potentially dilutive securities had been issued. Potentially dilutive securities include outstanding stock options, shares to be purchased under the employee stock purchase plan, and unvested restricted stock units ("RSUs").

Segment information. We define operating segments as components of our enterprise for which separate financial information is reviewed regularly by the chief operating decision-makers to evaluate performance and to make operating decisions. We currently have two operating segments (land-based gaming and online gaming) which are aggregated into one reporting segment.

Other significant accounting policies. Our significant accounting policies are described in our 2023 10-K. There have been no material changes to those policies.

Recently issued accounting pronouncements. In November 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update 2023-07, "Improvements to Reportable Segment Disclosures," ("ASU 2023-07"), which is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, and requires retrospective application to all prior periods presented in the financial statements. ASU 2023-07 provides for improved financial reporting by requiring disclosure of incremental segment information to enable investors to develop more decision-useful financial analyses. The Company is currently assessing the impact that adoption of this new accounting guidance will have on its consolidated financial statements and footnote disclosures.

Accounting Standard Update 2023-09, Improvements to Income Tax Disclosures ("ASU 2023-09"). In December 2023, the FASB issued ASU 2023-09, which requires more detailed income tax disclosures. The guidance requires entities to disclose disaggregated information about their effective tax rate reconciliation as well as expanded information on income taxes paid by jurisdiction. The disclosure requirements will be applied on a prospective basis, with the option to apply them retrospectively. The standard is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently assessing the impact that adoption of this new accounting guidance will have on its consolidated financial statements and footnote disclosures.

Accounting Standard Update 2024-03, Disaggregation of Income Statement Expenses ("ASU 2024-03"). In November 2024, the FASB issued ASU 2024-03, which requires public business entities to disclose additional information about specific expense categories in the notes to financial statements at interim and annual reporting periods. The amendments in ASU 2024-03 are effective for annual reporting periods beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027. Early adoption is permitted. The Company is currently assessing the impact that adoption of this new accounting guidance will have on its consolidated financial statements and footnote disclosures.

We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

NOTE 3. REVENUE RECOGNITION

Revenue recognition. We generate revenue primarily from the licensing of our intellectual property and the intellectual property that we license from third parties. We recognize revenue under recurring fee license contracts monthly as we satisfy our performance obligation, which consists of granting the customer the right to use our intellectual property. Amounts billed are determined based on flat rates or usage rates stipulated in the customer contract.

From time to time, we may sell the perpetual right to use our intellectual property for our progressive gaming systems, that is separate from the licensing of our game content and from time to time, sell the units used to deliver the progressive gaming systems. Control transfers and we recognize revenue at a point in time when the gaming system is available for use by a customer, which is no earlier than the shipment of the products to the customer or an intermediary for the customer.

From time to time, the Company licenses intellectual property from third-party owners and re-licenses that intellectual property to its casino clients. In these arrangements, the Company usually agrees to pay the owner of the intellectual property a royalty based on the revenues the Company receives from licensing the intellectual property to its casino clients. Royalties are recorded net in revenue.

Disaggregation of revenue

The following table disaggregates our revenue by geographic location for the three and nine months ended September 30, 2024, and 2023. All of the royalty expense that is charged to a contra-revenue in our online gaming operating segment has been allocated to the Europe, Middle East and Africa region in both periods presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
The Americas	$ 4,580,666	$ 3,892,829	$ 14,751,736	$ 13,219,678
Europe, Middle East and Africa	3,065,632	2,211,032	9,418,130	7,832,053
Total revenue	$ 7,646,298	$ 6,103,861	$ 24,169,866	$ 21,051,731

Contract liabilities. Amounts billed and cash received in advance of performance obligations fulfilled are recorded as contract liabilities and recognized as revenue when performance obligations are fulfilled.

On May 10, 2023, the Company and a customer entered into an amended and restated agreement (the "Agreement"). The Agreement amends and restates a previous agreement between the parties, dated June 2, 2015, for the provision of licenses for certain table game content and related intellectual property which the Company, succeeded to as successor in interest by merger with PGP.

The Agreement guarantees a minimum payment from the customer of €6,000,000 (converted to approximately $6,702,000 as of September 30, 2024) per each year ended March 31, for years 1 through 4 of the contract. The amount is to be billed and paid based on minimum monthly payments of €500,000 (converted to approximately $558,500 as of September 30, 2024). Any usage amount lower than the minimum monthly payment is deferred until the end of the contract year when the revenue is considered earned and can be recognized. For the nine months ended September 30, 2024, the Company recognized a total of $168,944 of deferred revenue upon the completion of the first year of the contract.

For years 5 through 10 of the contract, the amount to be billed is based on the actual usage from the Licensee. Invoices will be billed on a monthly basis. Revenue for years 5 through 10 will be recognized when actual usage is incurred.

Contract Assets. The Company’s contract assets consist solely of unbilled receivables which are recorded when the Company recognizes revenue in advance of billings. Unbilled receivables are included in the balance of Accounts receivable, net of allowance on the balance sheet and totaled $1,374,380, $1,091,068 and $1,210,567 as of September 30, 2024, December 31, 2023 and September 30, 2023, respectively.

Intellectual property agreements. From time to time, the Company purchases or licenses intellectual property from third-parties and the Company, in turn, utilizes that intellectual property in certain games sold to clients. In these purchase agreements, the Company may agree to pay the seller of the intellectual property a fee if and when the Company receives revenue from games containing the intellectual property.

NOTE 4. OTHER INTANGIBLE ASSETS

Other intangible assets, net. Other intangible assets, net consisted of the following at:

	September 30, 2024	December 31, 2023
Patents	$ 13,509,003	$ 13,507,799
Customer relationships	14,040,856	14,040,856
Trademarks	2,880,967	2,880,967
Intellectual property	2,000,000	2,000,000
Non-compete agreements	660,000	660,000
Software	1,994,593	1,432,397
Other intangible assets, gross	35,085,419	34,522,019
Less: accumulated amortization	(23,232,433)	(21,766,284)
Other intangible assets, net	$ 11,852,986	$ 12,755,735

For the three months ended September 30, 2024 and 2023, amortization expense related to other intangible assets was $489,852 and $472,247, respectively. For the nine months ended September 30, 2024 and 2023, amortization expense related to other intangible assets was $1,464,995 and $1,357,132, respectively.

NOTE 5. LEASES

We have operating leases for our corporate office, two satellite facilities in the state of Washington, and leases for certain office equipment. We account for lease components (such as rent payments) separately from the non-lease components (such as common-area maintenance costs, real estate and sales taxes and insurance costs). The discount rate represents the interest rate implicit in each lease or our incremental borrowing rate at lease commencement date.

As of September 30, 2024, no renewal option periods were included in any estimated minimum lease term as the options were not deemed reasonably certain to be exercised. Our leases have remaining lease terms ranging from 8 months to 30 months.

Supplemental balance sheet information related to leases is as follows:

	September 30, 2024	December 31, 2023
Operating leases:		
Operating lease right-of-use lease assets	$ 596,305	$ 785,543
Operating lease current liabilities	$ 281,588	$ 268,541
Operating lease long-term liabilities	371,854	585,879
Total operating lease liabilities	$ 653,442	$ 854,420
Weighted-average remaining lease term in years:		
Operating leases	2.23	3.12
Weighted-average discount rate:		
Operating leases	4.4 %	5.4 %

The components of lease expense are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2024	2023	2024	2023
Operating lease cost [(1)]	$ 71,515	$ 72,071	$ 219,322	$ 216,213

[(1)] Classified as selling, general and administrative expense

Supplemental cash flow information related to leases is as follows:

	Nine Months Ended September 30, 2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Principal and interest payments related to operating leases	$ 222,862	$ 216,243

As of September 30, 2024, future maturities of our operating lease liabilities are as follows:

	Amount
Years ended December 31,	
2024	$ 76,733
2025	306,055
2026	302,011
2027	2,985
Total minimum lease payments	687,784
Less: imputed interest	(34,342)
Total operating lease liability	653,442
Less: current portion	(281,588)
Long-term portion	$ 371,854

NOTE 6. LONG-TERM DEBT AND LIABILITIES

Long-term debt and liabilities consisted of the following at:

	September 30, 2024	December 31, 2023
Fortress credit agreement	$ 57,726,929	$ 58,176,929
Insurance notes payable	330,371	254,120
Long-term debt and liabilities, gross	58,057,300	58,431,049
Less: Unamortized debt issuance costs	(3,237,645)	(4,380,344)
Long-term debt and liabilities, net of debt issuance costs	54,819,655	54,050,705
Less: Current portion of long-term debt	(930,371)	(854,120)
Long-term debt and liabilities, net	$ 53,889,284	$ 53,196,585

Fortress Credit Agreement. On November 15, 2021, the Company entered into a senior secured term loan agreement with Fortress Credit Corp. ("Fortress Credit Agreement") in the amount of $60,000,000. The proceeds of the loan were used to (i) pay $39,507,716 to Triangulum as full payment of the settlement amount due under the previously filed settlement agreement between Galaxy Gaming and Triangulum, as set forth above; (ii) repay $11,118,955 due and owing to NSB under the MSPLP and under the Amended and Restated Credit Agreement, dated as of May 13, 2021, made between Galaxy Gaming and Zions Bancorporation, N.A. dba Nevada State Bank, a Nevada state banking corporation, and (iii) $4,079,800 was used to pay fees and expenses. The remaining $5,293,529 was added to the Company's cash on hand and used for corporate and operating purposes.

The Fortress Credit Agreement bears interest at a rate equal to, at the Company's option, either (a) London Interbank Offered Rate ("LIBOR") (or a successor rate, determined in accordance with the Fortress Credit Agreement) plus 7.75%, subject to a reduction to 7.50% upon the achievement of a net leverage target or (b) a base rate determined by reference to the greatest of (i) the federal funds rate plus 0.50%, (ii) the prime rate as determined by reference to The Wall Street Journal's "Prime Rate" and (iii) the one-month adjusted LIBOR rate plus 1.00%, plus 6.75%, subject to a reduction to 6.50% upon the achievement of a net leverage target. The Fortress Credit Agreement has a final maturity of November 13, 2026. The obligations under the Fortress Credit Agreement are guaranteed by the Company's subsidiaries and are secured by substantially all of the assets of the Company and its subsidiaries. The Fortress Credit agreement requires, among other things, principal payments of $150,000 per quarter and includes an annual sweep of 50% of excess cash flow commencing in 2023 based on results for the prior fiscal year. The Fortress Credit Agreement contains affirmative and negative financial covenants (as defined in the Fortress Credit Agreement) and other restrictions customary for borrowings of this nature. The Company was required to maintain a Total Net Leverage Ratio of no more than 5.00x for the quarter ended September 30, 2024. As of September 30, 2024, the Company was in compliance with the covenants in the Fortress Credit Agreement. The Fortress Credit Agreement has no prepayment penalty after November 15, 2023.

In connection with entering into the Fortress Credit Agreement, the Company also issued warrants to purchase a total of up to 778,320 shares of the Company's common stock to certain affiliates of Fortress at a price per share of $0.01 (the "Warrants"). The Warrants are exercisable at any time, subject to certain restrictions.

In response to ASU No. 2020-04, *Reference Rate Reform (Topic 848)* and effective May 30, 2023, the Benchmark Replacement replaced LIBOR under the Fortress Credit Agreement. The Benchmark Replacement is (a) the sum of: (i) Term Secured Overnight Financing Rate ("SOFR") and (ii) 0.11448% for an Available Tenor of one-month's duration, 0.26161% for an Available Tenor of three-months duration, and 0.42826% for an Available Tenor of six months duration, or (b) the sum of: (i) Daily Simple SOFR and (ii) the spread adjustment selected or recommended by the Relevant Governmental Body for the replacement of the tenor of USD LIBOR with a SOFR-based rate having approximately the same length as the interest payment period.

As of September 30, 2024, future maturities of our long-term obligations are as follows:

	Total
Years ended December 31,	
2024	$ 238,089
2025	842,281
2026	56,976,930
Long-term liabilities, gross	$ 58,057,300

NOTE 7. COMMITMENTS AND CONTINGENCIES

Concentration of risk. We are exposed to risks associated with clients who represent a significant portion of total revenues.

For the nine months ended September 30, 2024 and 2023, respectively, we had the following client concentrations:

	Location	Nine Months Ended September 30, 2024 Revenue	Nine Months Ended September 30, 2023 Revenue	Accounts Receivable September 30, 2024	Accounts Receivable December 31, 2023
Client A	Europe	20.5 %	21.3 %	$ 1,193,441	$ 565,253
Client B	North America	10.7 %	14.7 %	$ 1,527,100	$ 631,507

Legal proceedings. In the ordinary course of conducting our business, we are, from time to time, involved in various legal proceedings, administrative proceedings, regulatory government investigations and other matters, including those in which we are a plaintiff or defendant, that are complex in nature and have outcomes that are difficult to predict. See "Litigation Related to the Merger" in Item 1 of Part II of this Quarterly Report.

An unexpected adverse judgment in any pending litigation could cause a material impact on our business operations, intellectual property, results of operations or financial position. Unless otherwise expressly stated, we believe costs associated with litigation will not have a material impact on our financial position or liquidity but may be material to the results of operations in any given period and, accordingly, no provision for loss has been reflected in the accompanying financial statements related to those matters.

Intellectual property agreements. From time to time, the Company purchases intellectual property from third-parties and the Company, in turn, utilizes that intellectual property in certain games licensed to clients. In these purchase agreements, the Company may agree to pay the seller of the intellectual property a fee, if and when, the Company receives revenue from games containing the intellectual property.

NOTE 8. INCOME TAXES

Our forecasted annual effective tax rate ("AETR") at September 30, 2024 was -3.6%, as compared to -6.5% at September 30, 2023. This decrease was primarily driven by the increased amount of permanent differences mainly attributable to the legal expenses incurred related to the acquisition by Evolution and larger forecasted pre-tax book loss. See Note 9.

For the nine months ended September 30, 2024 and 2023, our effective tax rate ("ETR") was -3.7% and -6.9%, respectively. The decrease in the ETR for the nine months ended September 30, 2024 is mainly attributable to the increase in the forecasted pre-tax book loss as compared to the nine months ended September 30, 2023.

NOTE 9. SUBSEQUENT EVENTS

None

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is a discussion and analysis of our financial condition, results of operations and liquidity and capital resources as of and for the three and nine months ended September 30, 2024 and 2023. This discussion should be read together with our audited consolidated financial statements and related notes included in Item 8. Financial Statements and Supplementary Financial Information included in our 2023 Form 10-K.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Some of the information contained in this Quarterly Report includes forward-looking statements In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "could," "might," "expect," "intend," "target," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue," or the negative of these terms or other similar expressions. These forward-looking statements are only predictions. We have based these forward-looking statements on our current expectations, assumptions and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These forward-looking statements speak only as of the date of this Quarterly Report and are subject to a number of risks and uncertainties. These risks and uncertainties include, but are not limited to, the ability to complete the Merger (as defined herein) on the proposed terms or on the anticipated timeline, or at all, including risks and uncertainties related to securing the necessary stockholder approval, gaming regulatory approvals and satisfaction of other closing conditions to consummate the proposed Merger; the occurrence of any event, change or other circumstance that could give rise to the termination of the Merger Agreement (as defined herein); risks that the proposed Merger disrupts the Company's current plans and operations or diverts the attention of the Company's management or employees from ongoing business operations; the risk that certain restrictions during the pendency of the Merger may impact the Company's ability to pursue certain business opportunities or strategic transactions; the risk of potential difficulties with the Company's ability to retain and hire key personnel and maintain relationships with customers and other third parties as a result of the proposed Merger, including during the pendency of the Merger; the risk that the proposed Merger may involve unexpected costs and/or unknown or inestimable liabilities; the risk that the Company's business may suffer as a result of uncertainty surrounding the proposed Merger; the risk that stockholder litigation in connection with the proposed Merger may affect the timing or occurrence of the proposed Merger or result in significant costs of defense, indemnification and liability; effects relating to the announcement of the proposed Merger or any further announcements or the consummation of the proposed Merger on the market price of the Company's common stock or the Company's operating results; 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, 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. The events and circumstances reflected in our forward-looking statements may not be achieved or occur, and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

OVERVIEW

We develop, acquire, assemble and market technology and entertainment-based products and services for the gaming industry for placement on casino floors and on legal internet gaming sites. Our products and services primarily relate to licensed casino operators' table games activities and focus on either increasing their profitability and productivity or expanding their gaming entertainment offerings in the form of proprietary table games, electronically enhanced table game platforms, fully-automated electronic tables and other ancillary equipment. In addition, we license intellectual property to legal internet gaming operators. Our products and services are offered in highly regulated markets throughout the world. Our products are assembled at our headquarters in Las Vegas, Nevada, as well as outsourced for certain sub-assemblies in the United States.

Recent Developments

On July 18, 2024, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Evolution Malta Holding Limited, a company registered in Malta ("Parent"), and Galaga Merger Sub, Inc., a Nevada corporation and direct wholly owned subsidiary of Parent ("Merger Sub"), pursuant to which, subject to the terms and conditions thereof, Merger Sub would merge with and into the Company (the "Merger"), with the Company surviving the Merger as a wholly owned subsidiary of Parent.

Upon the closing of the Merger, each share of common stock, par value $0.001 per share of the Company issued and outstanding immediately prior to the effective time of the Merger, other than any Company common stock (i) owned by Company stockholders who are entitled to demand and have properly and validly demanded their appraisal rights under Nevada law or (ii) owned by Parent, Merger Sub, the Company or by any of their respective subsidiaries, will be converted automatically into the right to receive $3.20 per share in cash, without interest and subject to any applicable withholding taxes.

Consummation of the Merger is subject to the satisfaction or waiver of certain closing conditions, including approval by at least a majority of the voting power of the outstanding shares of the Company's common stock of the Merger Agreement and the transactions contemplated thereby, including the Merger, and the receipt of certain gaming regulatory approvals. The Merger is expected to be completed in mid-2025, subject to satisfaction or waiver of the closing conditions.

On July 15, 2024, the board of directors of the Company approved an amendment to the Galaxy Gaming, Inc. 2014 Equity Incentive Plan (the "Plan") to extend the term of the Plan for an additional ten years, effective as of January 1, 2024.

Results of operations for the three months ended September 30, 2024 and 2023.

Our revenue consists of the following components:

	Three Months Ended September 30, 2024	2023	$ Change	% Change
Revenue:				
Core Revenues:				
Recurring License Revenue	$ 5,202,783	$ 3,998,110	$ 1,204,673	30 %
Perpetual License Sales of Progressive Gaming Systems	705,000	458,000	247,000	54 %
Gross Revenue	5,907,783	4,456,110	1,451,673	33 %
Royalties Netted against Gross Revenue	(778,223)	(163,139)	(615,084)	377 %
Total Core Revenue	$ 5,129,560	$ 4,292,971	$ 836,589	19 %
Digital Revenues:				
Recurring License Revenue	$ 3,513,194	$ 2,544,827	$ 968,367	38 %
Gross Revenue	3,513,194	2,544,827	968,367	38 %
Royalties Netted against Gross Revenue	(996,456)	(733,937)	(262,519)	36 %
Total Digital Revenue	$ 2,516,738	$ 1,810,890	$ 705,848	39 %
Consolidated Revenues:				
Recurring License Revenue	$ 8,715,977	$ 6,542,937	$ 2,173,040	33 %
Perpetual License Sales of Progressive Gaming Systems	705,000	458,000	247,000	54 %
Gross Revenue	9,420,977	7,000,937	2,420,040	35 %
Royalties Netted against Gross Revenue	(1,774,679)	(897,076)	(877,603)	98 %
Revenue	$ 7,646,298	$ 6,103,861	$ 1,542,437	25 %
Costs and expenses				
Cost of ancillary products and assembled components	$ 342,865	$ 187,841	$ 155,024	83 %
Selling, general and administrative	6,260,283	4,185,893	2,074,390	50 %
Research and development	261,493	226,405	35,088	15 %
Depreciation and amortization	701,127	567,628	133,499	24 %
Stock-based compensation	204,467	225,971	(21,504)	-10 %
Total costs and expenses	7,770,235	5,393,738	2,376,497	44 %
(Loss) income from operations	(123,937)	710,123	(834,060)	-117 %
Other income (expense):				
Interest income	207,488	202,477	5,011	2 %
Interest expense	(2,293,239)	(2,301,878)	8,639	0 %
Foreign currency exchange (loss) gain	18,971	(24,238)	43,209	-178 %
Total other income (expense), net	(2,066,780)	(2,123,639)	56,859	-3 %
Loss before provision for income taxes	$ (2,190,717)	$ (1,413,516)	$ (777,201)	55 %
Provision for income taxes	(7,197)	(41,642)	34,445	-83 %
Net loss	$ (2,197,914)	$ (1,455,158)	$ (742,756)	51 %

Revenue

Recurring core revenue increased $1,204,673, or 30% for the three months ended September 30, 2024, as compared to the same period in the prior year. This growth was primarily driven by favorable revenue from our EZ Baccarat distribution arrangement, which began in September 2023, along with the continued success of our side bets and progressive products. Royalties netted against gross core revenue increased $615,084 for the three months ended September 30, 2024, as compared to the same period in the prior year. This increase was attributable to royalties paid on our EZ Baccarat revenues. Perpetual license sales of our progressive gaming systems reached $705,000, representing a 54% percent increase for the three months ended September 30, 2024, as compared to the same period in the prior year. Gross digital revenues of $3,513,194, increased $968,367, or 38% for the three months ended September 30, 2024, as compared to the same period in the prior year. This favorable growth reflects the ongoing expansion of digital content into new markets and the continued success of our competitive branded products, particularly the well-known 21+3. Net of royalties, digital revenues increased to $2,516,738, representing growth of 39% for the three months ended September 30, 2024, as compared to the same period in the prior year.

Costs and Expenses

Cost of ancillary products and assembled component expense increased $155,024, or 83% for the three months ended September 30, 2024, as compared to the same period in the prior year. This increase reflects the component costs associated with the rise in perpetual license sales of our progressive gaming systems compared to the same period in the prior year.

Selling, general and administrative expenses increased $2,074,390, or 50% for the three months ended September 30, 2024, as compared to the same period in the prior year. This change was due to expenses associated with special projects of $2,244,885, notably legal expenses incurred related to the acquisition by Evolution and to a lesser extent driven by higher internal labor and related expenses (base salary, commissions, payroll-related taxes, bonus accrual and travel), increased repair and maintenance costs of leased machines, and increased information technology costs. Without the costs associated with the acquisition by Evolution and excluding the related transaction fees of $2,244,885, selling, general, and administrative expenses decreased $170,495, or 4% for the three months ended September 30, 2024, as compared to the same period in the prior year.

Research and development expenses for the three months ended September 30, 2024, were $261,493 compared to $226,405 for the comparable prior-year period, representing an increase of $35,088, or 15%. This increase was driven by higher payroll costs due to increased headcount, employee bonuses, and the ongoing development of internal software placed in service.

Depreciation and amortization increased $133,499, or 24% for the three months ended September 30, 2024, as compared to the same period in the prior year. This increase was primarily driven by depreciation expense associated with incremental placements of assets deployed at client locations.

Stock-based compensation expenses decreased 10% for the three months ended September 30, 2024, as compared to the same period in the prior year. The decrease was due primarily to a change in the level and the composition of fees paid to members of our Board of Directors in 2024 and lower stock-based compensation for officers and consultants.

Interest expense remained relatively flat, with a 0% change for the three months ended September 30, 2024, as compared to the same period in the prior year. Interest income increased 2% compared to the prior year period, benefitting from higher cash balances and rising interest rates.

Income tax provision was $7,197 for the three months ended September 30, 2024, compared to income tax provision of $41,642 for the comparable prior-year period. The decrease in expense is primarily driven by the increase in loss before provision for income taxes.

Primarily as a result of the factors described above, we had a net loss of $2,197,914 for the three months ended September 30, 2024, as compared to a net loss of approximately $1,455,158 for the same period in the prior year. Without the professional fees, acquisition costs and other fees associated with the acquisition by Evolution, and excluding the related transactions fees of $2,244,885 from selling, general, and administrative expenses, we would have net income of $46,971, representing a $1,502,129 or 103% increase for the three months ended September 30, 2024, as compared to the same period in the prior year.

Results of operations for the nine months ended September 30, 2024 and 2023.

Our revenue consists of the following components:

	Nine Months Ended September 30, 2024	Nine Months Ended September 30, 2023	$ Change	% Change
Revenue:				
Core Revenues:				
Recurring License Revenue	$ 15,873,012	$ 11,686,056	$ 4,186,956	36 %
Perpetual License Sales of Progressive Gaming Systems	3,007,493	3,282,950	(275,457)	-8 %
Gross Revenue	18,880,505	14,969,006	3,911,499	26 %
Royalties Netted against Gross Revenue	(2,372,762)	(163,139)	(2,209,623)	1354 %
Total Core Revenue	$ 16,507,743	$ 14,805,867	$ 1,701,876	11 %
Digital Revenues:				
Recurring License Revenue	$ 10,497,613	$ 8,377,370	$ 2,120,243	25 %
Gross Revenue	10,497,613	8,377,370	2,120,243	25 %
Royalties Netted against Gross Revenue	(2,835,490)	(2,131,506)	(703,984)	33 %
Total Digital Revenue	$ 7,662,123	$ 6,245,864	$ 1,416,259	23 %
Consolidated Revenues:				
Recurring License Revenue	$ 26,370,625	$ 20,063,426	$ 6,307,199	31 %
Perpetual License Sales of Progressive Gaming Systems	3,007,493	3,282,950	(275,457)	-8 %
Gross Revenue	29,378,118	23,346,376	6,031,742	26 %
Royalties Netted against Gross Revenue	(5,208,252)	(2,294,645)	(2,913,607)	127 %
Revenue	$ 24,169,866	$ 21,051,731	$ 3,118,135	15 %
Costs and expenses				
Cost of ancillary products and assembled components	$ 1,347,941	$ 1,039,441	$ 308,500	30 %
Selling, general and administrative	14,878,844	11,604,729	3,274,115	28 %
Research and development	782,858	632,830	150,028	24 %
Depreciation and amortization	2,089,317	1,639,104	450,213	27 %
Stock-based compensation	540,322	716,029	(175,707)	-25 %
Total costs and expenses	19,639,282	15,632,133	4,007,149	26 %
Income from operations	4,530,584	5,419,598	(889,014)	-16 %
Other income (expense):				
Interest income	617,873	426,234	191,639	45 %
Interest expense	(6,863,534)	(6,747,555)	(115,979)	2 %
Foreign currency exchange gain (loss)	30,583	(22,078)	52,661	-239 %
Total other income (expense), net	(6,215,078)	(6,343,399)	128,321	-2 %
Loss before provision for income taxes	$ (1,684,494)	$ (923,801)	$ (760,693)	82 %
Provision for income taxes	(61,815)	(63,894)	2,079	-3 %
Net loss	$ (1,746,309)	$ (987,695)	$ (758,614)	77 %

Revenue

Recurring core revenue increased $4,186,956, or 36% for the nine months ended September 30, 2024, as compared to the same period in the prior year. This growth was primarily driven by favorable revenue from our EZ Baccarat distribution arrangement, which began in September 2023, along with the continued success of our side bets and progressive products. Royalties netted against gross core revenue increased $2,209,623 for the nine months ended September 30, 2024, as compared to the same period in the prior year. This increase was attributable to royalties paid on our EZ Baccarat revenues. Perpetual license sales of our progressive gaming systems to customers of $3,007,493, were down 8% percent for the nine months ended September 30, 2024, as compared to the same period in the prior year. Gross digital revenues of $10,497,613 were up $2,120,243, or 25% for the nine months ended September 30, 2024, as compared to the same period in the prior year. This favorable increase reflects the ongoing expansion of our digital content into new markets and the continued success of offering competitive products with brand recognition, most notable 21+3. Net of royalties, digital revenues grew to $7,662,123, up 23% for the nine months ended September 30, 2024, as compared to the same period in the prior year

Costs and Expenses

Cost of ancillary products and assembled component expense increased $308,500, or 30% for the nine months ended September 30, 2024, as compared to the same period in the prior year. The activity in Cost of ancillary products and assembled components reflects the component costs associated with the perpetual license sales of our progressive gaming systems.

Selling, general and administrative expenses increased $3,274,115, or 28% for the nine months ended September 30, 2024, as compared to the same period in the prior year. This change was due to expenses associated with special projects of $2,919,929, notably legal expenses incurred related to the acquisition by Evolution and to a lesser extent driven by higher internal labor and related expenses (base salary, commissions, payroll-related taxes, bonus accrual and travel), increased repair and maintenance costs of leased machines, increased use tax, and increased information technology costs. Without the costs associated with the acquisition by Evolution and excluding the related transaction fees of $2,919,929, selling, general, and administrative expenses increased $354,186, or 3% for nine months ended September 30, 2024, as compared to the same period in the prior year.

Research and development expenses were up $150,028, or 24% for the nine months ended September 30, 2024, as compared to the same period in the prior year. This increase was driven by higher payroll costs due to increased headcount and the ongoing development of internal software placed in service.

Depreciation and amortization increased $450,213, or 27% for the nine months ended September 30, 2024, as compared to the same period in the prior year. This increase was primarily driven by depreciation expense associated with incremental placements of assets deployed at client locations and to a lesser extent, an increase in amortization expense for certain intangible assets placed in service in mid-July 2023.

Stock-based compensation expenses decreased $175,707, or 25% for the nine months ended September 30, 2024, as compared to the same period in the prior year. The decrease was due primarily to a change in the level and the composition of fees paid to members of our Board of Directors in 2024 and lower stock-based compensation for officers, employees, and consultants.

Interest expense was up $115,979, or 2% for the nine months ended September 30, 2024, as compared to the same period in the prior year. The increase was due to higher interest rates on our variable debt. Interest income was up $191,639, or 45% compared to the prior year period, benefitting from higher cash balances and higher interest rates.

Income tax provision remained relatively flat at $61,815 for the nine months ended September 30, 2024, compared to income tax provision of $63,894 for the comparable prior-year period.

Primarily as a result of the factors described above, we had a net loss of $1,746,309 for the nine months ended September 30, 2024, as compared to a net loss of approximately $987,695 for the same period in the prior year. Without the professional fees, acquisition costs and other fees associated with the acquisition by Evolution, and excluding the related transactions fees of $2,919,929 from selling, general, and administrative expenses, we would have net income of $1,173,620, representing a $2,161,315 or 219% increase for the nine months ended September 30, 2024, as compared to the same period in the prior year.

Adjusted EBITDA. Adjusted EBITDA includes adjustments to net income to exclude interest, income taxes, depreciation, amortization, stock-based compensation, foreign currency exchange (gain) loss and severance and other expenses related to litigation. Adjusted EBITDA is not a measure of performance defined in accordance with U.S. GAAP. However, Adjusted EBITDA is used by management to evaluate our operating performance. Management believes that disclosure of the Adjusted EBITDA metric offers investors, regulators and other stakeholders a view of our operations in the same manner management evaluates our performance. When combined with U.S. GAAP results, management believes Adjusted EBITDA provides a comprehensive understanding of our financial results. Adjusted EBITDA should not 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. 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 our performance. A reconciliation of U.S. GAAP net income to Adjusted EBITDA is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
Adjusted EBITDA Reconciliation:	**2024**	**2023**	**2024**	**2023**
Net loss	$ (2,197,914)	$ (1,455,158)	$ (1,746,309)	$ (987,695)
Interest expense	2,293,239	2,301,878	6,863,534	6,747,555
Interest income	(207,488)	(202,477)	(617,873)	(426,234)
Provision for income taxes	7,197	41,642	61,815	63,894
Depreciation and amortization	701,127	567,628	2,089,317	1,639,104
EBITDA	596,161	1,253,513	6,650,484	7,036,624
Stock-based compensation (1)	204,467	225,971	540,322	716,029
Employee severance costs and other expenses (2)	—	—	24,482	26,209
CEO transition expenses (3)	—	—	8,200	—
Professional fees, acquisition costs and other (4)	2,244,885	5,969	2,919,929	5,969
Loss on disposal of assets (5)	33,245	—	33,245	—
Foreign exchange (gain) loss (6)	(18,971)	24,238	(30,583)	22,078
Adjusted EBITDA	$ 3,059,787	$ 1,509,691	$ 10,146,079	$ 7,806,909

(1) Represents the non-cash expense associated with the value of equity awards granted to employees, directors and consultants by the Company.
(2) Represents costs associated with the severance of employees
(3) Represents Company reimbursed moving expenses incurred by the new President and CEO, Matthew Reback.
(4) Represents professional fees and transaction related fees incurred related to acquisitions, mergers and professional fees incurred for other projects not considered part of the normal course of business.
(5) Represents non-cash charge related to the write off of certain fixed assets.
(6) Represents foreign exchange losses and gains associated with the fluctuations of foreign currency rates.

***Liquidity and capital resources*.** We have generally been able to fund our continuing operations, our investments, and the interest expense and principal amortization under our existing borrowings through cash flow from operations. We may require additional capital to undertake acquisitions or to repay in full our indebtedness. Our ability to access capital for these activities will depend on conditions in the capital markets and investors' perceptions of our business prospects and such conditions and perceptions may not always favor us.

As of September 30, 2024, we had total current assets of $24,831,519 and total assets of $41,967,121. As of December 31, 2023, we had total current assets of $22,156,035 and total assets of $40,475,800. The increase in current assets as of September 30, 2024 compared to December 31, 2023 was due to the increased cash and cash equivalents driven by cash provided from operating activities and increased accounts receivable. The increase in total assets as of September 30, 2024 compared to December 31, 2023 was primarily due to the increase of current assets noted above and offset by a decrease in other intangible assets and operating lease right-of-use assets as a result of amortization in the 2024 period.

Our total current liabilities as of September 30, 2024 compared to December 31, 2023 increased to $7,065,564 from $4,875,967. This increase was primarily due to an increase in accounts payable related to professional fees in connection with the acquisition by Evolution.

Based on our current forecast of operations, we believe we will have sufficient liquidity to fund our operations for at least the next 12 months and to meet the obligations under our financing arrangements as they come due.

We continue to file applications for new or enhanced licenses in several jurisdictions, which may result in significant future legal and regulatory expenses. A significant increase in such expenses may require us to postpone growth initiatives or investments in personnel, assemblies in process and research and development of our products. It is our intention to continue such initiatives and investments.

However, to the extent we are not able to achieve our growth objectives or raise additional capital, we will need to evaluate the reduction of operating expenses.

Our operating activities provided cash of $3,027,456 for the nine months ended September 30, 2024, compared to $399,450 provided for the comparable prior year period. This change is attributable to a favorable variance of $3,244,234 in use of assets and liabilities that relate to operations. Additionally, depreciation and amortization increased $450,213 related to increased capitalization of intangible assets and offset by a $175,707 decline in stock-based compensation from the vesting of stock options and a $141,408 decrease in bad debt expense.

Investing activities used cash of $1,181,403 for the nine months ended September 30, 2024, compared to cash used of $1,290,340 for the nine months ended September 30, 2023. This decrease in cash used was primarily due to the increase in the transfer of title of assets deployed at client locations to perpetual license customers offset by the increase of cash used for the acquisition of assets deployed at client locations.

Cash used in financing activities during the nine months ended September 30, 2024, was $648,038. This compares to $1,409,803 cash used by financing activities for the nine months ended September 30, 2023. The decrease in cash used was due to the absence of principal payments on our borrowings based on the "Excess Cash Flow" calculation as defined by the terms in the Fortress Credit Agreement (Note 6), in the 2024 period.

Critical accounting policies and estimates. Our significant accounting policies and estimates are described in our 2023 Form 10-K. There have been no material changes to those policies.

Off-balance sheet arrangements. As of September 30, 2024, there were no off-balance sheet arrangements.

Recently issued accounting pronouncements. We do not expect the adoption of recently issued accounting pronouncements to have a significant impact on our results of operations, financial position or cash flow.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

A smaller reporting company is not required to provide the information required by this Item.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure controls and procedures

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act are recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed submitted under the Exchange Act is accumulated and communicated to management including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

We carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Quarterly Report. This evaluation was carried out under the supervision and with the participation of our Chief Executive Officer and our Chief Financial Officer. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2024, our disclosure controls and procedures were effective.

Changes in internal control over financial reporting

No change in our internal control over financial reporting occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the effectiveness of control and procedures and internal controls

Our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will necessarily prevent all fraud and material error. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving our objectives, and our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective at that reasonable assurance level. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the internal control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

ITEM 5. OTHER INFORMATION

None

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

We have been named in and have brought lawsuits in the normal course of business. See Note 7 above and Note 10 to our audited financial statements included in Item 8 "Financial Statements and Supplementary Financial Information" in our 2023 10-K.

Litigation Related to the Merger

Beginning on September 11, 2024, seven purported stockholders of Galaxy have sent demands to the Company and two of which included draft complaints. On October 18, 2024, two purported stockholders filed complaints, relating to the Merger Agreement disclosures, captioned *Finger v. Galaxy Gaming, Inc., et al.*, Index No. 655536/2024 (N.Y. Sup. Ct.) and *Coffman v. Galaxy Gaming, Inc., et al.*, Index No. 655530/2024 (N.Y. Sup. Ct.). The demand letters and complaints allege that the definitive proxy statement on Schedule 14A filed by the Company on September 26, 2024 is materially incomplete and misleading because it omitted certain information related to the Merger (as defined herein), including but not limited to information about the Company's financial projections and analyses performed by Galaxy's financial advisor, Macquarie Capital (USA) Inc. While we believe that the disclosures set forth in the proxy statement comply fully with all applicable law and deny the allegations in the demand letters and the complaints, in order to moot plaintiffs' disclosure claims, avoid nuisance and possible expense and business delays, and provide additional information to our stockholders, on November 1, 2024, we determined to voluntarily supplement certain disclosures in the proxy statement related to the purported stockholders' claims.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Quarterly Report on Form 10-Q, including the risk factors set forth below, you should carefully consider the risks and uncertainties set forth in our other filings with the SEC, including in our most recent Annual Report on Form 10-K.

The announcement and pendency of our agreement to be acquired by Parent may have an adverse effect on our business, operating results and our stock price, and may result in the loss of employees, customers, suppliers, and other business partners.

On July 18, 2024, we entered into the Merger Agreement. We are subject to risks in connection with the announcement and pendency of the Merger, regardless of whether the Merger is completed, including, but not limited to, the following:

- market reaction to the announcement of the Merger, which could adversely impact investor confidence in us;
- changes in our business, operations, financial position, and prospects;
- market assessments of the likelihood that the Merger will be consummated;
- any delay in the expected timeframe of the Merger;
- the amount of cash offered per share will not be increased to account for positive changes in our business, assets, liabilities, prospects, outlook, financial condition, or results of operations during the pendency of the Merger, including any successful execution of our current strategy as an independent company or in the event of any change in the market price of, analyst estimates of, or projections relating to, our common stock;
- potential adverse effects on our relationships with our current customers, suppliers and other business partners, or those with which we are seeking to establish business relationships, due to uncertainties about the Merger;
- we have incurred, and will continue to incur, significant costs, expenses and fees for professional services and other transaction costs in connection with the Merger, and many of these fees and costs are payable by us regardless of whether the Merger is consummated;
- potential adverse effects on our ability to attract, recruit, retain, and motivate current and prospective employees who may be uncertain about their future roles and relationships with us following the completion of the Merger, and the possibility that our employees could lose productivity as a result of uncertainty regarding their employment following the Merger;
- the pendency and outcome of the legal proceedings that have been or may be instituted against us, our directors, executive officers and others relating to the transactions contemplated by the Merger Agreement;
- the possibility of disruption to our business, including increased costs and diversion of management time and resources that could otherwise have been devoted to other opportunities that may have been beneficial to us;

- in certain instances, the Merger Agreement requires us to pay a termination fee to Parent, which could require us to use available cash that would have otherwise been available for general corporate purposes; and
- other developments beyond our control, including, but not limited to, changes in domestic or global economic conditions that may affect the timing or success of the Merger.

The adverse effects of the pendency of the Merger could be exacerbated by any delays in completion of the Merger or termination of the Merger Agreement.

While the Merger is pending, we are subject to contractual restrictions that could harm our business, operating results and our stock price.

The Merger Agreement includes restrictions on the conduct of our business prior to the completion of the Merger, generally requiring us to conduct our businesses in all material respects in the ordinary course of business, to use reasonable best efforts to cooperate in seeking regulatory approvals, and to not engage in certain specified activities without Parent's prior consent. We may find that these and other obligations in the Merger Agreement may delay or prevent us from or limit our ability to respond effectively to competitive pressures, industry developments and future business opportunities that may arise during such period, even if our management and board of directors think they may be advisable. These restrictions could adversely impact our business, operating results and our stock price and our perceived acquisition value, regardless of whether the Merger is completed.

The failure to complete the Merger within the expected timeframe or at all, may adversely affect our business and our stock price.

The consummation of the Merger is subject to a number of closing conditions, including, among other things, approval by at least a majority of the voting power of the outstanding shares of the Company's common stock of the Merger Agreement and the transactions contemplated thereby, including the Merger, and the receipt of certain gaming regulatory approvals. There can be no assurance that these conditions to the completion of the Merger will be satisfied, or that the Merger will be completed on the proposed terms, within the expected timeframe or at all. If the Merger is not completed, we may be subject to negative publicity or be negatively perceived by the investment or business communities and our stock price could fall to the extent that our current stock price reflects an assumption that the Merger will be completed. Furthermore, if the Merger is not completed, regardless of the reason, we may suffer other consequences that could adversely affect our business and results of our operations.

The Merger Agreement with Parent limits our ability to pursue alternative transactions which could deter a third party from proposing an alternative transaction.

The Merger Agreement contains provisions that, subject to certain exceptions, limit our ability to initiate, solicit, or knowingly facilitate, (including by way of furnishing non-public information) the submission of any inquiries, regarding, or the making of any inquiry, proposal or offer that constitutes, or would reasonably be expected to lead to, a Takeover Proposal (as defined in the Merger Agreement), or take certain other restricted actions in connection therewith. It is possible that these or other provisions in the Merger Agreement might discourage a potential competing acquirer that might have an interest in acquiring all or a significant part of our outstanding common stock from considering or proposing an acquisition or might result in a potential competing acquirer proposing to pay a lower per share price to acquire our common stock than it might otherwise have proposed to pay.

We and our directors may be subject to litigation challenging the Merger, and an unfavorable judgment or ruling in any such lawsuits could prevent or delay the consummation of the Merger and/or result in substantial costs.

Beginning on September 11, 2024, seven purported stockholders of Galaxy have sent demands to the Company, two of which included draft complaints. On October 18, 2024, two purported stockholders filed complaints relating to the Merger Agreement disclosures, captioned *Finger v. Galaxy Gaming, Inc., et al.*, Index No. 655536/2024 (N.Y. Sup. Ct.) and *Coffman v. Galaxy Gaming, Inc., et al.*, Index No. 655530/2024 (N.Y. Sup. Ct.). The demand letters and complaints allege that the definitive proxy statement on Schedule 14A filed by the Company on September 26, 2024, is materially incomplete and misleading because it omitted certain information related to the Merger (as defined herein), including but not limited to information about the Company's financial projections and analyses performed by Galaxy's financial advisor, Macquarie Capital (USA) Inc.

Additional lawsuits and demand letters arising out of the Merger may also be filed or received in the future. The outcome of any such demands and complaints and any litigation ensuing from such demands and complaints cannot be assured, including the amount of fees and costs associated with defending these claims or any other liabilities that may be incurred in connection therewith. Whether or not any plaintiff's claim is successful, this type of litigation can result in significant costs and divert our attention and resources from the Merger and ongoing business activities, which could adversely affect our operations. In addition, if dismissals are not obtained or a settlement is not reached, these lawsuits could prevent or delay completion of the Merger.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None

ITEM 6. EXHIBITS

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date	Filed Herewith
3.1	Amended and Restated Articles of Incorporation	8-K	000-30653	3.1	February 13, 2009	
3.3	Second Amended and Restated Bylaws	8-K	000-30653	3.2	February 14, 2020	
10.3	Credit Agreement dated November 15, 2021, with Fortress Credit Corp.	8-K	000-30653	10.1	November 17, 2021	
10.4	Consent and Waiver to Term Loan Credit Agreement, dated November 15, 2021, by among Galaxy Gaming, Inc., a Nevada corporation, the lenders from time to time party and Fortress Credit Corp., as administrative agent and Collateral agent	8-K	000-30653	10.1	March 22, 2022	
10.5	Cooperation Agreement, dated April 20, 2022, by and between the Company and Tice Brown	8-K	000-30653	10.1	April 25, 2022	
10.7	Board of Directors Service Agreement with Meredith Brill, Director	8-K	000-30653	10.1	July 15, 2022	
10.8	First Amendment to Board of Directors Service Agreement with Meredith Brill, Director	8-K	000-30653	10.1	July 26, 2022	
10.9	Changes to Board Compensation	8-K	000-30653	10.1	January 27, 2023	
10.12	Amended and Restated Online Game License Agreement with Evolution Malta Limited	8-K	000-30653	10.1	May 15, 2023	
10.13	Redacted License Agreement with the Talisman Group LLC	8-K	000-30653	10.1	June 16, 2023	
10.14	Employment Agreement between the Company and Matt Reback effective November 13, 2023	8-K	000-30653	10.1	November 7, 2023	
10.15	Severance Agreement dated November 10, 2023, between the Company and Todd Cravens	8-K	000-30653	10.1	November 20, 2023	
10.16	Employment Agreement Dated May 22, 2024, between the Company and Steven Kopjo.	8-K	000-30653	10.1	May 22, 2024	
10.17	Galaxy Gaming, Inc 2014 Amended and Restated Equity Incentive Plan	8-K	000-30653	10.1	July 18, 2024	
10.18	Form of Indemnification Agreement Dated July 31, 2024, between the Company and Matt Reback	8-K	000-30653	10.1	August 5, 2024	
10.19	Form of Indemnification Agreement Dated July 31, 2024, between the Company and Steven Kopjo	8-K	000-30653	10.2	August 5, 2024	
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
31.2	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002					X
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as					X

	adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	Inline XBRL Instance Document – the instance does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Galaxy Gaming, Inc.

Date: November 8, 2024

By: /s/ MATTHEW REBACK
Matthew Reback
President and Chief Executive Officer
(Principal Executive Officer)

Galaxy Gaming, Inc.

Date: November 8, 2024

By: /s/ STEVEN KOPJO
Steven Kopjo
Chief Financial Officer
(Principal Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, Matthew Reback, certify that;

1.I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2024, of Galaxy Gaming, Inc. (the “registrant”);

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

/s/ MATTHEW REBACK
By: Matthew Reback
Title: Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Steven Kopjo, certify that;

1.I have reviewed this quarterly report on Form 10-Q for the quarter ended September 30, 2024, of Galaxy Gaming, Inc. (the “registrant”);

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a.Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b.Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c.Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d.Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5.The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a.All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 8, 2024

/s/ STEVEN KOPJO
By: Steven Kopjo
Title: Chief Financial Officer

Exhibit 32.1

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND
CHIEF FINANCIAL OFFICER
PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the quarterly Report of Galaxy Gaming, Inc. (the “Company”) on Form 10-Q for the quarter ended September 30, 2024 filed with the Securities and Exchange Commission (the “Report”), I, Matthew Reback, Chief Executive Officer of the Company, and I, Steven Kopjo, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1.The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934; and

2.The information contained in the Report fairly presents, in all material respects, the consolidated financial condition of the Company as of the dates presented and the consolidated result of operations of the Company for the periods presented.

By:	/s/ MATTHEW REBACK
Name:	Matthew Reback
Title:	Principal Executive Officer and Director
Date:	November 8, 2024

By:	/s/ STEVEN KOPJO
Name:	Steven Kopjo
Title:	Principal Financial Officer and Director
Date:	November 8, 2024

This certification has been furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.