

Edgar Filing: Galaxy Gaming, Inc. - Form 10-Q

(Issuer's telephone number)

(Former name, former address and former fiscal year, if changed since last report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post 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

(Do not check if a smaller reporting company) 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:
39,804,591 common shares as of May 10, 2018.

GALAXY GAMING, INC.

QUARTERLY REPORT ON FORM 10-Q FOR THE THREE MONTHS ENDED MARCH 31, 2018

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

<u>Condensed Balance Sheets as of March 31, 2018 (unaudited) and December 31, 2017</u>	4
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GALAXY GAMING, INC.

CONDENSED BALANCE SHEETS

	March 31, 2018	December 31, 2017
ASSETS		
Current assets:	(Unaudited)	
Cash, cash equivalents and restricted cash	\$3,395,590	\$ 3,581,209
Accounts receivable, net of allowance of \$37,993 and \$32,993, respectively	2,557,016	2,301,752
Inventory, net	573,138	524,126
Prepaid expense and other	305,677	363,102
Total current assets	6,831,421	6,770,189
Property and equipment, net	263,050	263,867
Assets deployed at client locations, net	371,871	373,650
Goodwill and other intangible assets, net	11,077,077	11,452,809
Deferred tax assets, net	230,648	230,648
Other assets, net	23,000	23,000
Total assets	\$18,797,067	\$ 19,114,163
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$412,734	\$ 1,035,383
Accrued expenses	582,700	887,796
Income taxes payable	640,766	519,610
Revenue contract liability	1,109,553	1,083,639
Deferred rent, current portion	25,865	23,679
Current portion of long-term debt and capital lease obligations	1,169,217	1,195,787
Other current liabilities	126,905	123,441
Total current liabilities	4,067,740	4,869,335
Deferred rent, net	7,012	14,025
Capital lease obligations, net	5,734	14,217
Common stock warrant liability	1,333,333	1,333,333
Long-term debt, net	7,217,104	7,420,385
Total liabilities	12,630,923	13,651,295
Commitments and Contingencies (See Note 11)		
Stockholders' equity		
Preferred stock, 10,000,000 shares authorized, \$0.001 par value;		
0 shares issued and outstanding, respectively	—	—
Common stock, 65,000,000 shares authorized; \$0.001 par value;		
39,804,591 and 39,565,591 shares issued and outstanding, respectively	39,805	39,566
Additional paid-in capital	4,123,942	3,957,703
Accumulated earnings	2,002,397	1,465,599
Total stockholders' equity	6,166,144	5,462,868
Total liabilities and stockholders' equity	\$18,797,067	\$ 19,114,163

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

GALAXY GAMING, INC.

CONDENSED STATEMENTS OF INCOME

(Unaudited)

	Three Months Ended	
	March 31, 2018	March 31, 2017
Revenue:		
Product leases and royalties	\$4,360,356	\$3,473,841
Product sales and service	339	1,455
Total revenue	4,360,695	3,475,296
Costs and expenses:		
Cost of ancillary products and assembled components	22,758	20,882
Selling, general and administrative	2,585,070	2,086,169
Research and development	193,402	138,047
Depreciation and amortization	451,560	436,085
Share-based compensation	166,478	49,837
Total costs and expenses	3,419,268	2,731,020
Income from operations	941,427	744,276
Other income (expense):		
Interest expense	(366,093)	(445,332)
Foreign currency exchange gains	105,801	7,797
Change in estimated fair value of warrant liability	—	(66,500)
Interest income	442	—
Total other expense	(259,850)	(504,035)
Income before provision for income taxes	681,577	240,241
Provision for income taxes	(144,779)	(77,974)
Net income	\$536,798	