

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended March 31, 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 No. 001-39274

**GAN Limited**

(Exact name of registrant as specified in its charter)

**Bermuda**

(State or other jurisdiction  
of incorporation or organization)

**Not Applicable**

(I.R.S. Employer  
Identification No.)

**400 Spectrum Center Drive, Suite 1900, Irvine, California**

(Address of principal executive offices)

**92618**

(Zip Code)

**(833) 565-0550**

(Registrant's telephone number, including area code)

**Not applicable**

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

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Ordinary shares, par value \$0.01	GAN	The Nasdaq Stock Market LLC

Indicate by check mark whether the registrant (1) has 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 registrant 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 registrant 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. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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 standards provided pursuant to Section 13(a) of the Exchange Act.

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

At May 3, 2024, there were 45,390,307 ordinary shares outstanding.



**GAN LIMITED**  
**FORM 10-Q**  
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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

**GAN LIMITED**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**  
(in thousands, except share and per share amounts)

	March 31, 2024	December 31, 2023
<b>ASSETS</b>		
Current assets		
Cash	\$ 36,592	\$ 38,578
Accounts receivable, net of credit losses of \$143 and \$244 at March 31, 2024 and December 31, 2023, respectively	9,426	11,417
Prepaid expenses	3,822	3,344
Other current assets	2,528	3,202
<b>Total current assets</b>	<b>52,368</b>	<b>56,541</b>
Capitalized software development costs, net	7,994	8,370
Intangible assets, net	11,561	12,358
Operating lease right-of-use assets, net	4,048	4,340
Other assets	5,432	5,895
<b>Total assets</b>	<b>\$ 81,403</b>	<b>\$ 87,504</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities		
Accounts payable	\$ 6,715	\$ 6,971
Accrued compensation and benefits	7,281	7,849
Accrued content license fees	1,865	4,024
Liabilities to users	10,159	10,185
Current operating lease liabilities	801	804
Other current liabilities	6,365	6,891
<b>Total current liabilities</b>	<b>33,186</b>	<b>36,724</b>
Deferred income taxes	3,364	3,793
Long-term debt	43,332	42,189
Non-current operating lease liabilities	3,282	3,577
Other liabilities	7,161	5,825
<b>Total liabilities</b>	<b>90,325</b>	<b>92,108</b>
Commitments and contingencies (Note 14)		
Shareholders' equity (deficit)		
Ordinary shares, \$0.01 par value, 100,000,000 shares authorized, 45,385,942 and 45,071,578 shares issued and outstanding at March 31, 2024 and December 31, 2023, respectively	454	451
Additional paid-in capital	337,158	336,552
Accumulated deficit	(313,465)	(309,305)
Accumulated other comprehensive loss	(33,069)	(32,302)
<b>Total shareholders' deficit</b>	<b>(8,922)</b>	<b>(4,604)</b>
<b>Total liabilities and shareholders' equity (deficit)</b>	<b>\$ 81,403</b>	<b>\$ 87,504</b>

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

**GAN LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)**  
(in thousands, except share and per share amounts)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Revenue	\$ 30,651	\$ 35,129
Operating costs and expenses		
Cost of revenue <sup>(1)</sup>	9,323	10,161
Sales and marketing	6,017	7,184
Product and technology	9,616	9,578
General and administrative <sup>(1)</sup>	7,159	10,006
Depreciation and amortization	1,839	4,201
Total operating costs and expenses	<u>33,954</u>	<u>41,130</u>
Operating loss	(3,303)	(6,001)
Interest expenses, net	1,132	1,716
Other income, net	(26)	(9,292)
(Loss) income before income taxes	(4,409)	1,575
Income tax (benefit) expense	(249)	74
Net (loss) income	<u>\$ (4,160)</u>	<u>\$ 1,501</u>
(Loss) earnings per share, basic and diluted	<u>\$ (0.09)</u>	<u>\$ 0.03</u>
Weighted average ordinary shares outstanding		
Basic	45,134,267	42,982,255
Diluted	<u>45,134,267</u>	<u>47,200,182</u>

(1) Excludes depreciation and amortization expense.

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

**GAN LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME (UNAUDITED)**  
(in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<u>2024</u>	<u>2023</u>
Net loss	\$ (4,160)	\$ 1,501
Other comprehensive loss, net of tax		
Foreign currency translation adjustments	(767)	966
Comprehensive (loss) income	<u>\$ (4,927)</u>	<u>\$ 2,467</u>

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

**GAN LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' (DEFICIT) EQUITY (UNAUDITED)**  
(in thousands, except share amounts)

	<u>Ordinary Shares</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>	<u>Accumulated Other Comprehensive Loss</u>	<u>Total Shareholders' (Deficit) Equity</u>
	<u>Shares</u>	<u>Amount</u>				
<b>Balance at January 1, 2024</b>	45,071,578	\$ 451	\$ 336,552	\$ (309,305)	\$ (32,302)	\$ (4,604)
Net loss	—	—	—	(4,160)	—	(4,160)
Foreign currency translation adjustments	—	—	—	—	(767)	(767)
Share-based compensation	—	—	840	—	—	840
Restricted share activity	476,419	4	(5)	—	—	(1)
Issuance of ordinary shares upon exercise of share options	5,778	—	—	—	—	—
Repurchase of restricted shares to pay tax liability (Note 7)	(167,833)	(2)	(229)	—	—	(230)
<b>Balance at March 31, 2024</b>	<u>45,385,942</u>	<u>\$ 454</u>	<u>\$ 337,158</u>	<u>\$ (313,465)</u>	<u>\$ (33,069)</u>	<u>\$ (8,922)</u>
					<u>Accumulated Other Comprehensive Loss</u>	<u>Total Shareholders' (Deficit) Equity</u>
	<u>Ordinary Shares</u>		<u>Additional Paid-in Capital</u>	<u>Accumulated Deficit</u>		
	<u>Shares</u>	<u>Amount</u>				
<b>Balance at January 1, 2023</b>	42,894,211	\$ 429	\$ 328,998	\$ (274,861)	\$ (33,798)	\$ 20,768
Net income	—	—	—	1,501	—	1,501
Foreign currency translation adjustments	—	—	—	—	966	966
Share-based compensation	—	—	1,382	—	—	1,382
Restricted share activity	377,944	4	—	—	—	4
Repurchase of restricted shares to pay tax liability (Note 7)	(49,157)	(1)	(78)	—	—	(79)
Issuance of ordinary shares upon ESPP purchases	57,960	1	64	—	—	65
<b>Balance at March 31, 2023</b>	<u>43,280,958</u>	<u>\$ 433</u>	<u>\$ 330,366</u>	<u>\$ (273,360)</u>	<u>\$ (32,832)</u>	<u>\$ 24,607</u>

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

**GAN LIMITED**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**  
(in thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>Cash Flows From Operating Activities</b>		
Net loss	\$ (4,160)	\$ 1,501
Adjustments to reconcile net loss to net cash used in operating activities:		
Amortization of software and intangible assets	1,422	3,835
Depreciation on property and equipment and finance lease right-of-use assets	417	365
Non-cash interest and amortization of debt discount and debt issuance costs	1,143	326
Share-based compensation expense	851	1,362
Gain on extinguishment of content liability	—	(9,292)
Deferred income tax	(340)	(194)
Other	(100)	(181)
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	431	143
Prepaid expenses	(513)	(404)
Other current assets	625	(32)
Other assets	221	39
Accounts payable	(191)	(916)
Accrued compensation and benefits	(432)	(7)
Accrued content license fees	(539)	(498)
Liabilities to users	207	(1,213)
Other current liabilities	(473)	660
Other liabilities	1,151	331
Net cash used in operating activities	<u>(280)</u>	<u>(4,175)</u>
<b>Cash Flows From Investing Activities</b>		
Expenditures for capitalized software development costs	(460)	(1,343)
Purchases of gaming licenses	(216)	(165)
Purchases of property and equipment	(51)	(254)
Net cash used in investing activities	<u>(727)</u>	<u>(1,762)</u>
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of long-term debt	—	65
Repurchase of restricted shares to pay tax liability	3	(112)
Net cash provided by (used in) financing activities	<u>3</u>	<u>(47)</u>
Effect of foreign exchange rates on cash	<u>(982)</u>	<u>819</u>
Net decrease in cash	(1,986)	(5,165)
Cash, beginning of period	38,578	45,920
Cash, end of period	<u>\$ 36,592</u>	<u>\$ 40,755</u>
<b>Supplemental Cash Flow Information</b>		
Cash paid (proceeds) for:		
Interest	\$ —	\$ 1,068
Income taxes	(183)	36

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



**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

**NOTE 1 — NATURE OF OPERATIONS**

GAN Limited (the “Parent,” and with its subsidiaries, collectively the “Company”) is an exempted company limited by shares, incorporated and registered in Bermuda.

The Company is a business-to-business (“B2B”) supplier of a proprietary gaming system, GameSTACK™ (“GameSTACK”), which is used predominately by the U.S. land-based casino industry. For its B2B customers, GameSTACK is a turnkey technology solution for regulated real money internet gambling (“real money iGaming” or “RMiG”), online sports gaming, and virtual simulated gaming (“SIM”). In addition, the Company’s B2B segment offers GAN Sports, an in-house online and retail sports betting technology platform, through internet connected self-service kiosks deployed at casino properties and mobile solutions. The Company is also a business-to-consumer (“B2C”) developer and operator of an online sports betting and casino platform under its “Coolbet” brand, providing international users with access through [www.coolbet.com](http://www.coolbet.com) to its sportsbook, casino games and poker products. The Company operates its B2C segment in markets across Northern Europe, Latin America, and Canada.

On November 7, 2023, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with SEGA SAMMY CREATION INC., a Japanese corporation (“SEGA SAMMY CREATION”), and Arc Bermuda Limited, a Bermuda exempted company limited by shares and a wholly-owned subsidiary of SEGA SAMMY CREATION (“Merger Sub”), pursuant to which, subject to the satisfaction or waiver of the conditions set forth therein, Merger Sub will be merged with and into the Company, with the Company surviving the merger as a wholly-owned subsidiary of SEGA SAMMY CREATION (the “Merger”). SEGA SAMMY CREATION and Merger Sub are affiliates of SEGA SAMMY HOLDINGS, INC.

Pursuant to the Merger Agreement, and upon the terms and subject to the conditions thereof, at the effective time of the Merger, and as a result of the Merger (and without any action on the part of SEGA SAMMY CREATION, Merger Sub, the Company or any holder thereof):

- each of the Company’s ordinary shares issued immediately prior to the effective time of the Merger (other than shares held by SEGA SAMMY CREATION or Merger Sub, by the Company as a treasury share or by any person who properly asserts dissenters’ rights under Bermuda law) will be converted into the right to receive an amount in cash equal to \$1.97 per share, without interest and subject to any applicable tax withholding (the “Merger Consideration”);
- each of the Company’s outstanding restricted shares (whether vested or unvested) at the time of the Merger will become vested in full and non-forfeitable and will be converted into the right to receive the Merger Consideration;
- each of the Company’s outstanding restricted share units (whether vested or unvested) at the effective time of the Merger will become vested in full and will be automatically cancelled in exchange for the right to receive a single lump sum cash payment, without interest and subject to any applicable tax withholding, equal to the product of (a) the Merger Consideration and (b) the number of Company ordinary shares subject to such restricted share unit; and
- each of the Company’s outstanding options to acquire the Company ordinary shares (whether vested or unvested) at the effective time of the Merger will become vested in full and will be automatically cancelled in exchange for the right to receive a single lump sum cash payment, without interest and subject to any applicable tax withholding, equal to the product of (a) the excess, if any, of the Merger Consideration over the exercise price per share of the option and (b) the number of Company ordinary shares issuable upon the exercise in full of such option.

Consummation of the Merger is not subject to a financing condition, but is subject to customary closing conditions, including (a) approval by the Company’s shareholders of the Merger Agreement, the Merger and the Statutory Merger Agreement, (b) receipt of applicable antitrust and CFIOUS approvals or the expiration of applicable waiting periods, (c) absence of any order or injunction prohibiting the consummation of the Merger and (d) the accuracy of the Company’s representations and warranties contained in the Merger Agreement (subject to certain customary qualifications) and compliance by the Company with its agreements and covenants contained in the Merger Agreement. The closing of the Merger is also predicated upon receipt of approval of the Merger and change in control of the Company by all relevant gaming authorities. The Company anticipates that this will take some time, and that the closing of the Merger may not occur until late 2024 or early 2025.

On February 13, 2024, the Company held a special general meeting of the shareholders of the Company to consider and vote upon the Merger Agreement, at which meeting the shareholders approved the Merger Agreement.

**NOTE 2 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation and Principles of Consolidation***

The condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the results of the Parent and its wholly owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, in the opinion of management, of a normal recurring nature that are necessary for a fair presentation of the financial position, results of operations and cash flows for the periods presented. The financial data and other financial information disclosed in these notes to the condensed consolidated financial statements related to these periods are also unaudited. The results of operations for the three months ended March 31, 2024, are not necessarily indicative of the results that may be expected for the year ended December 31, 2023, or for any future annual or interim period. The condensed consolidated balance sheet as of December 31, 2023, included herein was derived from the audited consolidated financial statements as of that date. The accompanying unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated



**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Liquidity***

The accompanying condensed consolidated financial statements have been prepared on a going concern basis. As of March 31, 2024, the Company had an accumulated deficit of \$313.5 million, with cash of \$36.6 million and liabilities to users of \$10.2 million. During the three months ended March 31, 2024, the Company incurred a net loss of \$4.2 million. The Company used \$0.3 million of cash in operations during the three months ended March 31, 2024. In April 2022, a subsidiary of the Company entered into a \$30.0 million term credit facility with net proceeds of \$27.6 million (the “Credit Facility”).

Additionally, the Company’s current financial condition, liquidity resources, and planned near-term cash flows from operations are sensitive to changes in macro-economic conditions, timing of regulatory approvals related to new products and the substantial variability inherent in the Company’s wager-based revenues streams. These factors, along with the potential impacts of changes in the regulatory environment outside the Company’s control, indicate the potential that the Company’s operating forecast may be adversely impacted.

On April 13, 2023, a subsidiary of the Company executed agreements to amend the Credit Facility (“Amended Credit Facility”). The Amended Credit Facility contains a financial covenant, among other covenants, requiring minimum liquidity of \$10.0 million. Management believes the executed Amended Credit Facility and intent and ability to complete the remaining cost mitigation plans alleviate uncertainty regarding the ability to meet its current obligations as they come due for at least one year from the issuance of the consolidated financial statements. The Company was in compliance with all financial covenants associated with its Credit Facility as of March 31, 2024, however given the Company’s cash flow and net losses for the year ended March 31, 2024, historical performance, and reasonably estimable near-term future cash flows, it is possible that the Company could violate a financial covenant in the future which could trigger an acceleration of all amounts due and the termination of commitments under the Credit Facility. We expect to maintain compliance for at least one year from the issuance of the consolidated financial statements.

To the extent that the Company’s current resources, including its ability to generate operating cash flows, are insufficient to satisfy its cash requirements, the Company may seek additional equity or debt financing. The Company’s ability to do so depends on prevailing economic conditions and other factors, many of which are beyond management’s control. The Company does not currently have any such credit facilities or similar debt arrangements in place, outside of the Amended Credit Facility as described above, and cannot provide any assurance as to the availability or terms of any additional future financing that it may require to support its operations. If the needed financing is not available, or if the terms of financing are less desirable than expected, the Company may be forced to decrease its level of investment in new products and technologies, discontinue further expansion of the business, or scale back its existing operations, any of which could have an adverse impact on the Company and its financial prospects.

***Use of Estimates***

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Due to the inherent uncertainties involved in making estimates, actual results could differ from the original estimates, and may require significant adjustments to these reported balances in future periods.

***Foreign Currency Translation and Transactions***

The Company’s reporting currency is the U.S. Dollar while the Company’s foreign subsidiaries use their local currencies as their functional currencies. The assets and liabilities of foreign subsidiaries are translated to U.S. Dollars based on the current exchange rate prevailing at each reporting period. Revenue and expenses are translated into U.S. Dollars using the average exchange rates prevailing for each period presented. Translation adjustments that arise from translating a foreign subsidiary’s financial statements from their functional currency to U.S. Dollars are reported as a separate component of accumulated other comprehensive loss in shareholders’ equity.

Gains and losses arising from transactions denominated in a currency other than the functional currency are included in general and administrative expense in the condensed consolidated statements of operations as incurred. Foreign currency transaction and remeasurement gains and losses were a net loss of \$277 and \$624 for the three months ended March 31, 2024 and 2023, respectively.

***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of its cash and trade receivables. The Company holds cash deposits in foreign countries, primarily in Northern Europe and Latin America, of approximately \$28.5 million, which are subject to local banking laws and may bear higher or lower risk than cash deposited in the United States. Cash held in the United States is maintained in a major financial institution in excess of federally insured limits. As part of our cash management processes, the Company performs periodic evaluations of the credit standing of the financial institutions and we have not sustained any credit losses from instruments held at these financial institutions. Additionally, the Company maintains an allowance for potential credit losses, but historically has not experienced any significant losses related to individual customers or groups of customers in any particular geographic area.

***Risks and Uncertainties***

Macroeconomic conditions can materially adversely affect the Company’s business, results of operations and financial condition. Recent adverse macroeconomic conditions, including inflation, higher interest rates, slower growth or recession, the strengthening of the U.S. dollar, and corresponding currency fluctuations can have an adverse material impact on the Company’s future results of operations, cash flows, and financial condition, particularly with respect to foreign currency adjustments relating to our international operations. Such conditions may also affect consumers’ willingness to make discretionary

purchases, and therefore the Company, along with its casino operator customers, may experience a decline in wagering. A downturn in the economic environment can also lead to increased credit and collectability risk on the Company's trade receivables, limitations on the Company's ability to issue new debt, and reduced liquidity.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Revenue Recognition***

***Revenue from B2B Operations***

The Company's revenue from its B2B operations are primarily from its internet gaming Software-as-a-Service ("SaaS") platform, GameSTACK, that its customers use to provide RMiG, online sports gaming and SIM services to its end users. The Company enters into contracts with its customers that generally range from three to five years and include renewal provisions. These contracts generally include provision of the internet gaming platform, content consisting of proprietary and third-party games, development services and support and marketing services. In certain cases, the contract may include computer hardware to be procured on behalf of the customer. The customers cannot take possession of the hosted GameSTACK software, and the Company does not sell or license the GameSTACK software.

The Company charges fees as consideration for use of its internet gaming system, game content, support and marketing services based on a fixed percentage of the casino operator's net gaming revenue or net sportsbook win, at the time of settlement of an event for RMiG contracts, considered usage-based fees, or at the time of purchase for in-game virtual credit for SIM contracts. The determination of the fee charged to its customers is negotiated and varies significantly. Certain of these RMiG contracts provide the Company with a minimum monthly revenue guarantee in relation to the Company's share of the casino operator's net gaming revenue or net sportsbook win. At March 31, 2024 the remaining unsatisfied performance obligations related to fixed minimum guaranteed revenue totaled \$47.1 million, of which the Company expects to satisfy \$34.0 million within the next five year period, and the remaining over a ten year period.

The Company's promise to provide the RMiG SaaS platform and content licensing services on the hosted software is a single performance obligation. This performance obligation is recognized over time, as the Company provides services to its customers in its delivery of services to the player end user. The Company's customers simultaneously receive and consume the benefits provided by the Company as it delivers services to its customers. Usage based fees are considered variable consideration as the service is to provide unlimited continuous access to its hosted application and usage of the hosted system is primarily controlled by the player end user. The transaction price includes fixed and variable consideration and is billed monthly with the amount due generally thirty days from the date of the invoice. Variable consideration is allocated entirely to the period in which consideration is earned as the variable amounts relate specifically to the customer's usage of the platform that day and allocating the usage-based fees to each day is consistent with the allocation objective, primarily that the change in amounts reflect the changing value to the customer. The Company's internet gaming system, game content, support and marketing services are provided equally throughout the term of the contract. These services are made up of a daily requirement to provide access and use of the internet gaming system and optional support and marketing services to the customer over the same period of time. The series of distinct services represents a single performance obligation that is satisfied over time.

Purchases of virtual credits within a transaction period on the SIM platform, generally a monthly convention, are earned over time, and are typically billed monthly upon the close of the respective period as the credit has no monetary value, cannot be redeemed, exchanged, transferred or withdrawn, represents solely a device for tracking game play during the month, does not obligate the Company to provide future services and the arrangements with the customer and player end user have no substantive termination penalty. In certain service agreements with its SIM customers, the fees collected by the Company from third-party payment processors for the purchases of in-game virtual credits made by end-users include the SIM customer's portion. The Company records the SIM customer's portion as a liability as cash is collected and remits payment to the SIM customer for their share of the SIM revenues monthly. At March 31, 2024 and December 31, 2023, the Company has recorded a liability due to its customers for their share of the fees of \$1,994 and \$1,994, respectively, within other current liabilities in the condensed consolidated balance sheets.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

(in thousands, except share and per share amounts)

The Company uses third-party content providers in supplying game content in its performance of providing game content on its platform to its customers. A customer has access to the Company's proprietary and licensed game content and additionally, the customer can direct the Company to procure third-party game content on its behalf. The Company has determined it acts as the principal for providing the game content when the Company controls the game content, and therefore presents the revenue on a gross basis in the condensed consolidated statements of operations. When the customer directs the Company to procure third-party game content, the Company determined it is deemed an agent for providing such game content, and therefore, records the revenue, net of the costs of content license fees, in the condensed consolidated statements of operations.

The Company also provides ongoing development services involving updates to the RMiG platforms for enhanced functionality or customization. Ongoing development services are typically billed monthly, at a daily rate, for services performed. Revenue from RMiG platform development services that are identified as distinct performance obligations and enhance or create an asset the customer controls as the Company performs the services are recognized over time as services are performed. This revenue is measured using an input method based on effort expended, which uses direct labor hours incurred. These services have primarily related to post-launch development of third-party application integration software in the customer's environment. Separately, the revenue generated from customers for development services that are distinct performance obligations and the customer benefits from the integrated SaaS offering are deferred over the license service term. These services have primarily related to enhancements to the Company's platforms that do not enhance or create an asset the customer controls. In customer contracts that require a portion of the consideration to be received in advance or at the commencement of the contract, such amounts are recorded as a contract liability.

Other services include the resale of third-party computer hardware, such as servers and other related hardware devices, upon which the GameSTACK software is installed for its customers. These products are not required to be purchased to access the GameSTACK platform but are sold as a convenience to the customer. The Company procures the computer hardware on the customer's behalf for a fee determined based on the cost of the computer hardware plus a markup. The Company charges a hardware deployment fee which is a one-time fee for installation, testing and certification of the computer hardware at the gaming hosting facility. Revenue is recognized at the point in time when control of the hardware transfers to the customer. Control is transferred after the hardware has been procured, delivered, installed at the customer's premises and configured to allow for remote access.

The Company has determined that it is acting as the principal in providing computer hardware and related services as it assumes responsibility for procuring, delivering, installing and configuring the hardware at the customer's location and takes control of the hardware, prior to transfer. Revenue is presented at the gross amount of consideration to which it is entitled from the customer in exchange for the computer hardware and related services.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Contracts with Multiple Performance Obligations***

For customer contracts that have more than one performance obligation, the transaction price is allocated to the performance obligations in an amount that depicts the relative stand-alone selling prices of each performance obligation. Judgment is required in determining the stand-alone selling price for each performance obligation. In determining the allocation of the transaction price, an entity is required to maximize the use of observable inputs. When the stand-alone selling price of a good or service is not directly observable, an entity is required to estimate the stand-alone selling price. Contracts with its customers may include platform and licensing of game content services, as well as development services and computer hardware services. The variable consideration generated from the platform and the licensing of game content is allocated entirely to the performance obligations for platform and licensing of game content services and the remaining fixed fees for development services and computer hardware would be allocated to each of the remaining performance obligation based on their relative stand-alone selling prices. The variable consideration relates entirely to the effort to satisfy the platform and licensing game content services and the fixed consideration relates to the remaining performance obligations which is consistent with the allocation objective.

***Revenue from B2C Gaming Operations***

The Company operates the B2C gaming site [www.coolbet.com](http://www.coolbet.com) outside of the U.S., which contains proprietary software and includes the following product offerings: sportsbook, poker, casino, live casino and virtual sports.

The Company manages an online sportsbook allowing users to place various types of wagers on the outcome of sporting events conducted around the world. The Company operates as the bookmaker and offers fixed odds wagering on such events. When a user's wager wins, the Company pays the user a pre-determined amount known as fixed odds. Revenue from online sportsbook is reported net after deduction of player winnings and bonuses. Revenue from wagers is recognized when the outcome of the event is known.

The Company offers live casino through its digital online casino offering in select markets, allowing users to place a wager and play games virtually at retail casinos. The Company offers users a catalog of over 7,300 third-party iGaming products such as digital slot machines and table games such as blackjack and roulette. Revenue from casino games is reported net after deduction of winnings, jackpot contribution and customer bonuses.

Peer-to-peer poker offerings allow users to play poker against one another on the Company's online poker platform for prize money. Revenue is recognized as a percentage of the reported rake. Additionally, the Company offers tournament poker which allows users to buy-in for a fixed price for prize money. For tournament play, revenue is recognized for the difference between the entry fees collected and the amounts paid out to users as prizes and winnings.

In each of the online gaming products, a single performance obligation exists at the time a wager is made to operate the games and award prizes or payouts to users based on a particular outcome. Revenue is recognized at the conclusion of each contest, wager, or wagering game hand. Additionally, certain incentives given to users, for example, that allow the user to make an additional wager at a reduced price, may provide the user with a material right which gives rise to a separate performance obligation.

The Company allocates a portion of the user's wager to incentives that create material rights that are redeemed or expired in the future. The allocated revenue for gaming wagers is primarily recognized when the wagers occur because all such wagers settle immediately.

The Company applies a practical expedient by accounting for revenue from gaming on a portfolio basis because such wagers have similar characteristics, and the Company reasonably expects the effects on the financial statements of applying the revenue recognition guidance to the portfolio to not differ materially from that which would result if applying the guidance to an individual wagering contract.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Cost of Revenue***

Cost of revenue consists primarily of variable costs. These include mainly (i) content license fees, (ii) payment processing fees and chargebacks, (iii) platform technology, software, and connectivity costs directly associated with revenue generating activities, (iv) gaming duties, and (v) sportsbook feed / provider services. The Company incurs payment processing fees on B2C user deposits, withdrawals, and deposit reversals from payment processors. Cost of revenue excludes depreciation of the servers on which the Company's gaming platforms reside as well as amortization of intangible assets including internally developed software.

***Sales and Marketing***

Sales and marketing expenses consist primarily of general marketing and advertising costs, B2C user acquisition expenses and personnel costs within our sales and marketing functions. Sales and marketing costs are expensed as incurred.

***Product and Technology***

Product and technology expenses consist primarily of personnel costs associated with development and maintenance activities that are not capitalized. These costs primarily represent employee expenses (including but not limited to, salaries, bonus, employee benefits, employer tax expenses, and share-based compensation) for personnel and contractors involved in the design, development, and project management of our proprietary technologies as well as developed and licensed content.

***General and Administrative***

General and administrative expenses consist of costs, including gaming operations costs, not related to sales and marketing, product and technology or revenue. General and administrative costs include professional services (including legal, regulatory and compliance, audit, and consulting expenses), rent contingencies, insurance, allowance for credit losses, foreign currency transaction gains and losses, and costs related to the compensation of executive and non-executive personnel, including share-based compensation.

***Content Licensing Fees***

Content licensing fees are paid to third parties for gaming content which are expensed as incurred. Content licensing fees are calculated as a percentage of net gaming revenues in respect of the third-party games, as stipulated in the third-party agreements.

***Share-based Compensation***

Share-based compensation expense is recognized for share options and restricted shares issued to employees and non-employee members of the Company's Board of Directors. The Company's issued share options and restricted shares, which are primarily considered equity awards and include only service conditions, are valued based on the fair value of these awards on the date of grant. The fair value of the share options is estimated using a Black-Scholes option pricing model and the fair value of the restricted shares (restricted share awards and restricted share units) is based on the market price of the Company's shares on the date of grant.

Certain restricted share unit awards issued to non-employee members of the Company's Board of Directors permit shares upon vesting to be withheld, as a means of meeting the non-employee director's tax withholding requirements and paid in cash to the non-employee director. The Company additionally incurs share-based compensation expense under compensation arrangements with certain of its employees under which the Company will settle bonuses for a fixed dollar amount by issuing a variable number of shares based on the Company's share price on the settlement date. These awards are classified as liability-based awards which are measured based on the fair value of the award at the end of each reporting period until settled. Related compensation expense is recognized based on changes to the fair value over the applicable service period.

Share-based compensation is recorded over the requisite service period, generally defined as the vesting period. For awards with graded vesting and only service conditions, compensation cost is recorded on a straight-line basis over the requisite service period of the entire award. Forfeitures are recorded in the period in which they occur.

***Earnings Per Share, Basic and Diluted***

Basic earnings per share is calculated by dividing earnings by the weighted average number of ordinary shares outstanding during the year. In periods of loss, basic and diluted per share information are the same.

***Cash***

Cash is comprised of cash held at the bank and third-party service providers. The Company is required to maintain compensating cash balances to satisfy its liabilities to users. Such balances are included within cash in the condensed consolidated balance sheets and are not subject to creditor claims. At March 31, 2024 and December 31, 2023, the related liabilities to users were \$10,159 and \$10,185, respectively.



**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Capitalized Software Development Costs, net***

The Company capitalizes certain development costs related to its internet gaming platforms during the application development stage. Costs associated with preliminary project activities, training, maintenance and all other post implementation stage activities are expensed as incurred. Software development costs are capitalized when application development begins, it is probable that the project will be completed, and the software will be used as intended. The Company capitalizes certain costs related to specific upgrades and enhancements when it is probable that expenditures will result in additional functionality of the platform to its customers. The capitalization policy provides for the capitalization of certain payroll and payroll related costs for employees who spent time directly associated with development and enhancements of the platform.

Capitalized software development costs are amortized on a straight-line basis over their estimated useful lives, which generally ranges from three to five years, and are included within depreciation and amortization expense in the condensed consolidated statements of operations.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Long-lived Assets***

Long-lived assets, except goodwill, consist of property and equipment, and finite lived acquired intangible assets, such as developed software, gaming licenses, trademarks, trade names and customer relationships. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The Company considers the period of expected cash flows and underlying data used to measure the fair value of the intangible assets when selecting the estimated useful lives.

Gaming licenses include license applications fees and market access payments in connection with agreements that the Company enters with strategic partners. The market access arrangements authorize the Company to offer online gaming and online sports betting in certain regulated markets. These costs are capitalized and amortized on a straight-line basis over their estimated useful lives, beginning with the commencement of operations.

The fair value of acquired intangible assets are primarily determined using the income approach. In performing these valuations, the Company's key underlying assumptions used in the discounted cash flows were projected revenue, gross margin expectations and operating cost estimates. There are inherent uncertainties and management judgment is required in these valuations.

Long-lived assets, except goodwill, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group to be tested for possible impairment, the Company compares the undiscounted cash flows expected to be generated by that asset or asset group to their carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment charge is recognized to the extent that the carrying amount exceeds fair value. Fair value is determined through various techniques, such as discounted cash flow models using probability weighted estimated future cash flows and the use of valuation specialists. During the three months ended March 31, 2024, there was no triggering event that would cause the Company to believe the value of its long-lived assets should be impaired.

***Liabilities to Users***

The Company records liabilities for user account balances. User account balances consist of user deposits, promotional awards and user winnings less user withdrawals and user losses.

***Legal Contingencies and Litigation Accruals***

On a quarterly basis, the Company assesses potential losses in relation to pending or threatened legal matters. If a loss is considered probable and the amount can be reasonably estimated, the Company recognizes an expense for the estimated loss. Estimates of any such loss are subjective in nature and require the evaluation of numerous facts and assumptions as to future events, including the application of legal precedent which may be conflicting. To the extent these estimates are more or less than the actual liability resulting from the resolution of these matters, the Company's financial results will increase or decrease accordingly. Legal costs associated with loss contingencies are expensed as incurred.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Debt***

Debt issuance costs incurred in connection with the issuance of new debt are recorded as a reduction to the long-term debt balance on the condensed consolidated balance sheets and amortized over the term of the loan commitment as interest expense in the accompanying condensed consolidated statements of operations. The Company calculates amortization expense on capitalized debt issuance costs using the effective interest method in accordance with Accounting Standards Codification (“ASC”) 470, Debt.

***Leases***

The Company determines if an arrangement is a lease and classifies as operating or finance lease at the lease commencement date. A lease is defined as a contract, or part of contract, that conveys the right to control the use of an asset for a time period in exchange for consideration. In accordance with ASC 842, Leases, the Company recognizes for all leases, except short-term leases, at the commencement date: (1) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (2) a right-of-use (“ROU”) asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The Company accounts for the lease and non-lease components of its leases as a single lease component. Operating leases are included in operating lease ROU assets and operating lease liabilities, current and noncurrent, on the condensed consolidated balance sheets. Lease expense is recognized on a straight-line basis based on the total contractually required lease payments, over the term of the lease.

***Fair Value of Financial Instruments***

The Company applies the provisions of ASC 820, Fair Value Measurements and Disclosures, which provides a single authoritative definition of fair value, sets out a framework for measuring fair value and expands on required disclosures about fair value measurement. Fair value represents the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The Company uses the following hierarchy in measuring the fair value of the Company’s assets and liabilities, focusing on the most observable inputs when available:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2 Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active for identical or similar assets and liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Valuations are based on the inputs that are unobservable and significant to the overall fair value measurement of the assets or liabilities. Inputs reflect management’s best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Valuation techniques used to measure the fair value must maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company does not hold any significant Level 2 financial instruments. Level 3 financial instruments held by the Company include synthetic equity liability due to a customer. See Note 14 — Commitments and Contingencies for further detail. The instrument includes Level 3 inputs related to the contractual forecasts, in addition to observable inputs such as the stock volatility of the company, which are utilized in the Company’s Monte Carlo valuation. The valuation is not sensitive to significant movements in the forecast.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

***Income Taxes***

The Company is subject to income taxes in the United States, U.K., Bulgaria, Israel, Canada, Estonia, Malta, and Mexico. The Company records an income tax expense for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the financial reporting and tax bases of assets and liabilities, as well as for loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The effect on deferred income tax of a change in tax rates are recorded in the period of the enactment. Deferred tax assets are reduced, through a valuation allowance, if necessary, by the amount of such benefits that are not expected to be realized based on current available evidence. In evaluating the Company's ability to recover deferred tax assets in the jurisdiction from which they arise, all available positive and negative evidence is considered, including results of recent operations, scheduled reversals of deferred tax liabilities, projected future taxable income, and tax-planning strategies. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that it believes is more likely than not to be realized.

The Company recognizes tax benefits from uncertain tax positions only if management believes that it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. Although the Company believes that it has adequately provided for uncertain tax positions, no assurance can be given that the final tax outcome of these matters would not be materially different. Adjustments are made when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences would affect the provision for income taxes in the period in which such determination is made and could have a material impact on the Company's financial condition and operating results. The Company recognizes penalties and interest related to income tax matters in income tax expense.

***Segments***

The Company operates in two operating segments, B2B and B2C. Operating segments are defined as components of an enterprise where separate financial information is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and assess the Company's performance. The Company's CODM is the Chief Executive Officer. The CODM allocates resources and assesses performance based upon discrete financial information at the operating segment level.

***Recently Adopted Accounting Pronouncements***

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. The amendments in this update expand disclosures about a public entity's reportable segments and require more enhanced information about a reportable segment's significant expenses, interim segment profit or loss, and a description of how a public entity's chief operating decision marker uses reported segment profit or loss information in assessing segment performance and allocated resources. The amendments clarify that a single reportable segment entity must apply ASC 280 in its entirety. The update will be effective for the annual periods beginning after December 15, 2023, or interim periods within fiscal years beginning after December 15, 2024. This ASU is applicable to our Annual Report on Form 10-K for the fiscal year ended December 31, 2024, and subsequent interim periods, with early application permitted. We are currently assessing the effect of this update on our consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvement to Income Tax Disclosures*. The amendments in this update expand disclosures in an entity's income tax rate reconciliation table and regarding cash taxes paid information. The update will be effective for annual periods beginning after December 15, 2024 and is applicable to our Annual Report on Form 10-K for the fiscal year December 31, 2025, with early application permitted. We are currently assessing the effect of this update on our consolidated financial statements and disclosures.

**GAN LIMITED**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**  
(in thousands, except share and per share amounts)

**NOTE 3 — PROPERTY AND EQUIPMENT, NET**

Property and equipment, net is recorded in other assets in the condensed consolidated balance sheets at March 31, 2024 and December 31, 2023 and consisted of the following:

	<u>Estimated Useful Life (in years)</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Fixtures, fittings and equipment	3 - 5	\$ 4,922	\$ 5,052
Platform hardware	5	2,215	2,251
Total property and equipment, cost		7,137	7,303
Less: accumulated depreciation		(3,400)	(3,144)
Total		<u>\$ 3,737</u>	<u>\$ 4,159</u>

Depreciation expense related to property and equipment was \$418 and \$365 for the three months ended March 31, 2024 and 2023, respectively.

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**NOTE 4 — CAPITALIZED SOFTWARE DEVELOPMENT COSTS, NET**

Capitalized software development costs, net at March 31, 2024 and December 31, 2023 consisted of the following:

	<b>March 31, 2024</b>	<b>December 31, 2023</b>
Capitalized software development costs	\$ 10,947	\$ 10,759
Development in progress	502	494
Total capitalized software development, cost	11,449	11,253
Less: accumulated amortization	(3,455)	(2,883)
Total	<u>\$ 7,994</u>	<u>\$ 8,370</u>

At March 31, 2024, development in progress primarily represents costs associated with GAN Sports, costs associated with its newer GameSTACK technology, and enhancements to the Company's proprietary B2C software platform.

Amortization expense related to capitalized software development costs was \$643 and \$486 for the three months ended March 31, 2024 and 2023, respectively.

**GAN LIMITED**  
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**NOTE 5 — INTANGIBLE ASSETS**

*Intangible Assets*

Definite-lived intangible assets, net consisted of the following:

	Weighted Average Amortization Period (in years)	March 31, 2024		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	5.0	\$ 33,842	\$ (28,414)	\$ 5,428
Customer relationships	3.3	6,850	(5,835)	1,015
Trade names and trademarks	10.0	5,422	(1,977)	3,445
Gaming licenses	5.2	3,803	(2,130)	1,673
		<u>\$ 49,917</u>	<u>\$ (38,356)</u>	<u>\$ 11,561</u>

	Weighted Average Amortization Period (in years)	December 31, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	5.0	\$ 34,669	\$ (28,711)	\$ 5,958
Customer relationships	3.3	6,977	(5,835)	1,142
Trade names and trademarks	10.0	5,549	(1,889)	3,660
Gaming licenses	5.4	3,617	(2,019)	1,598
		<u>\$ 50,812</u>	<u>\$ (38,454)</u>	<u>\$ 12,358</u>

Amortization expense related to intangible assets was \$780 and \$3,349 for the three months ended March 31, 2024 and 2023, respectively.

Estimated amortization expense for the next five years is as follows:

	Amount
Remainder of 2024	\$ 2,530
2025	3,201
2026	2,745
2027	2,156
2028	916
Thereafter	13
Total	<u>\$ 11,561</u>

**GAN LIMITED**  
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**NOTE 6 — DEBT*****Credit Facility***

On April 26, 2022, a subsidiary of the Company entered into the Credit Facility which provides for \$30.0 million in aggregate principal amount of secured term loans with a floating interest rate of 3-month SOFR (subject to a 1% floor) + 9.5%. The Credit Facility had a maturity date of October 26, 2026, and was fully guaranteed by the Company. There were no scheduled principal payments due under the Credit Facility until maturity. Interest payments were payable in arrears in the last business day of each calendar quarter and at the maturity date.

The Company incurred \$2.4 million in debt issuance costs during the year ended December 31, 2022, in connection with the Credit Facility, which was recorded as a direct reduction against the debt and amortized over the life of the associated debt as a component of interest expense using the effective interest method. The net funds received from the Credit Facility, after deducting debt issuance costs, was \$27.6 million. On April 13, 2023, the Credit Facility was extinguished in connection with executing the Amended Credit Facility with a new lender. The Company incurred \$7.3 in prepayment penalties and recorded a loss on extinguishment of \$8.8 million in other loss, net in the condensed consolidated statement of operations.

***Subsequent Amendments***

On April 13, 2023, a subsidiary of the Company executed agreements to amend the Credit Facility to waive all events of default, amend certain financial covenants, assign the rights to the Credit Facility from its existing lender to a third party, and increase the principal balance from \$30.0 million to \$42.0 million with accrued paid in-kind (“PIK”) interest of 8.0% per year (together, forming the “Amended Credit Facility”). The Amended Credit Facility became effective upon cash settlement of payments completed on April 14, 2023, and represented a cure of any events of default under the Credit Facility and thereby prevent any amounts from becoming due and payable under the Credit Facility’s subjective acceleration clause.

The Amended Credit Facility matures on the third anniversary of its effective date and is fully guaranteed by the Company. There are no scheduled principal payments due under the Amended Credit Facility until maturity. The principal balance, accrued PIK interest, and an exit fee of 2.5% are due at maturity. The Amended Credit Facility stipulates that outstanding amounts will mature and be due and payable on the third anniversary of its effective date, or in the event of a change in control transaction. The Company incurred \$3.1 million in debt issuance costs in connection with the Amended Credit Facility. The Amended Credit Facility contains customary negative covenants, a financial covenant requiring minimum liquidity of \$10.0 million, as well as other financial covenants to be tested solely in the event the Company raises junior debt during the term of the Amended Credit Facility.

***Debt Covenants***

The Credit Facility contained affirmative and negative covenants, including certain financial covenants associated with the Company’s financial results. The negative covenants included restrictions regarding the incurrence of liens and indebtedness, certain merger and acquisition transactions, asset sales and other dispositions, other investments, dividends, share purchases and payments affecting subsidiaries, changes in nature of business, fiscal year or organizational documents, transactions with affiliates, and other matters.

The Credit Facility contained customary events of default, including, among others: non-payments of principal and interest; breach of representations and warranties; covenant defaults; the existence of bankruptcy or insolvency proceedings; certain events under ERISA; gaming license revocations in material jurisdictions; material judgments; and a change of control. If an event of default occurred and was not cured within any applicable grace period or was not waived, the administrative agent and the lender were entitled to take various actions, including, without limitation, the acceleration of all amounts due and the termination of commitments under the Credit Facility.

The carrying values of the Company’s long-term debt consist of the following:

	<b>Effective Interest Rate</b>	<b>As of March 31, 2024</b>
<b><i>Credit Facility</i></b>		
Principal	10.22%	\$ 45,538
Less unamortized debt issuance costs		(2,206)
Long-term debt, net		<u>\$ 43,332</u>

The Company incurred \$1,143 and \$1,394 of interest expense, of which \$247 and \$326 relates to the amortization of debt issuance costs during the three months ended March 31, 2024 and 2023, respectively.



**GAN LIMITED**  
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(in thousands, except share and per share amounts)

**NOTE 7 — SHARE-BASED COMPENSATION**

In April 2020, the Board of Directors established the GAN Limited 2020 Equity Incentive Plan (“2020 Plan”) which has been approved by the Company’s shareholders. The 2020 Plan initially provides for grants of up to 4,400,000 ordinary shares, which then increases through 2029, by the lesser of 4% of the previous year’s total outstanding ordinary shares on December 31<sup>st</sup> or as determined by the Board of Directors, for ordinary shares, incentive share options, nonqualified share options, share appreciation rights, restricted share grants, share units, and other equity awards for issuance to employees, consultants or non-employee directors. At March 31, 2024, the 2020 Plan provided for grants of up to 11,075,190 ordinary shares and there were 3,297,425 ordinary shares available for future issuance under the 2020 Plan.

**Share Options**

A summary of the share option activity as of and for the three months ended March 31, 2024 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Contractual Term	Aggregate Intrinsic Value
Outstanding at December 31, 2023	2,680,190	\$ 5.69	6.43	\$ 1,877
Granted	50,000	0.01		
Exercised	(5,778)	0.01		
Forfeited/expired or cancelled	(227,476)	4.26		
Outstanding at March 31, 2024	2,496,936	\$ 5.72	6.41	\$ 1,924,456
Options exercisable at March 31, 2024	1,741,367	\$ 7.00	5.47	\$ 912,941

The Company recorded share-based compensation expense related to share options of \$416 and \$655 for the three months ended March 31, 2024 and 2023, respectively. Share-based compensation expense was recorded net of capitalized software development costs of \$18 and \$58 for the three months ended March 31, 2024 and 2023, respectively. At March 31, 2024, there was a total unrecognized compensation cost of \$2,526 related to non-vested share options. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.5 years.

Share option awards generally vest 25% after one year and then monthly over the next 36 months thereafter and have a maximum term of ten years. During the three months ended March 31, 2024, the Board of Directors approved the issuance of options to purchase 50,000 ordinary shares to employees under the 2020 Plan, all of which were share options granted with an exercise price of \$0.01 per share to certain European-based employees in lieu of restricted share units. The value of these options are based on the market value of the Company’s ordinary shares at the date of the grant. As all such options are in-the-money, the Company determined that utilizing an option pricing model to estimate the fair value of these options was not necessary. The weighted average grant date fair value of options granted was \$1.55 and \$1.70 for the three months ended March 31, 2024 and 2023, respectively.

For options granted during the three months ended March 31, 2024, the fair value of each share option award is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted above. Estimating the grant date fair values for employee share options requires management to make assumptions regarding expected volatility of the value of those underlying shares, the risk-free rate of the expected life of the share options and the date on which share-based compensation is expected to be settled. Expected volatility is determined by reference to volatility of certain identified peer group share trading information and share prices on the Nasdaq stock exchange. The risk-free interest rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The expected term of the options is based on historical data and represents the period of time that options granted are expected to be outstanding. For the three months ended March 31, 2024 and 2023, volatility, term, and risk-free interest rate were not meaningful inputs as all options were \$0.01 per share for the Company’s European based employees.

**Restricted Share Units**

Restricted share units are issued to non-employee directors and employees. For equity-classified restricted share units, the fair value of restricted share units is valued based on fair market value of the Company’s ordinary shares on the date of grant and is amortized on a straight-line basis over the vesting period.

**GAN LIMITED**  
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During the first quarter of 2024, there were no issuance of restricted share units to its non-employee directors or employees.

The Company withholds a portion of the restricted share units granted to its officers and non-employee directors upon vesting in order to remit a cash payment to the officers and directors equal to their tax expense. The liabilities are recorded in accrued compensation and benefits in the condensed consolidated balance sheets. During the three months ended March 31, 2024, 161,862 restricted share units held by the Company's officers and non-employee directors vested and the Company repurchased 59,962 of the shares to cover the tax expense incurred by the officers and non-employee directors.

The Company recorded share-based compensation expense related to restricted share units of \$435 and \$647 for the three months ended March 31, 2024 and 2023, respectively. At March 31, 2024, there was a total unrecognized compensation cost of \$4,241 related to non-vested restricted share units. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.85 years.

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A summary of the restricted share unit activity as of and for the three months ended March 31, 2024 is as follows:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Outstanding at December 31, 2023	2,212,244	\$ 2.49
Granted	—	—
Vested	(476,419)	2.69
Forfeited/expired or cancelled	(34,953)	3.29
Outstanding at March 31, 2024	<u>1,700,872</u>	<u>\$ 2.42</u>

***Restricted Share Awards***

Restricted share awards are issued to non-employee directors and certain key employees. The value of a restricted stock award is based on the market value of the Company's ordinary shares at the date of the grant.

The Company recorded share-based compensation expense related to the restricted share awards of \$42 for the three months ended March 31, 2023. There was no share-based compensation expense related to restricted share awards in the current year. As of December 31, 2023, all awards were vested and there were no additional issuances in the current year.

***2020 Employee Stock Purchase Plan***

The Board of Directors established the 2020 Employee Stock Purchase Plan, or the ESPP, which was approved by the Company's shareholders in July 2021. The ESPP is intended to qualify under Section 423 of the U.S. Internal Revenue Service Code of 1986, as amended. The ESPP provides initially for 300,000 ordinary shares to be sold and increases on February 1, 2022, and on each subsequent February 1 through and including February 1, 2030, equal to the lesser of (i) 0.25 percent of the number of ordinary shares issued and outstanding on the immediately preceding December 31, or (ii) 100,000 ordinary shares, or (iii) such number of ordinary shares as determined by the Board of Directors.

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The ESPP is designed to allow eligible employees to purchase ordinary shares, at quarterly intervals, with their accumulated payroll deductions. The participants are offered the option to purchase ordinary shares at a discount during a series of successive offering periods. The option purchase price may be the lower of 85% of the closing trading price per share of the Company's ordinary shares on the first trading date of an offering period in which a participant is enrolled or 85% of the closing trading price per share on the purchase date, which will occur on the last trading day of each offering period. An offering period is defined as a three-month duration commencing on or about March, June, September and December of each year, and one purchase period is included within each offering period. The Company's first offering period commenced on June 1, 2022. The Company suspended its ESPP in February 2023. The Company issued 57,960 shares under the ESPP and recognized share-based compensation expense of \$18 related to the ESPP during the three months ended March 31, 2023. During the three months ended March 31, 2024, the Company did not issue shares under the ESPP or recognize share-based compensation expense related to the ESPP.

**Content Provider Issuance**

On March 29, 2023, the Company amended and restated its commercial agreement with a content provider. In conjunction with this agreement, the Company entered into a Subscription Agreement with the content provider, under which the content provider has subscribed to 1,250,000 of the Company's ordinary shares. These shares were issued on April 25, 2023. On May 8, 2023, the Company registered the shares in connection with an S-1 resale registration statement. Refer to Note 14 – Commitments and Contingencies for further details.

**NOTE 8 — DEFINED CONTRIBUTION PLANS**

U.S. employees and non-U.S. employees are eligible to participate in defined contribution plans by contributing a portion of their compensation, which provides for certain matching contributions by the Company. Matching contributions for the U.S. defined contribution plan are 50% of up to 4% of an employee's salary contribution. Most often, non-U.S. matching contributions are statutory amounts required by law. The Company's contributions to the retirement plans were \$183 and \$178 for the three months ended March 31, 2024 and 2023, respectively.

**NOTE 9 — (LOSS) EARNINGS PER SHARE**

Loss per ordinary share, basic and diluted, is computed by dividing net loss by the weighted average number of ordinary shares outstanding during the period. Potentially dilutive securities consisting of certain share options, nonvested restricted shares and restricted share units were excluded from the computation of diluted weighted average ordinary shares outstanding as inclusion would be anti-dilutive, are summarized as follows:

	Three Months Ended March 31,	
	2024	2023
<b>Numerator-basic and diluted:</b>		
Net (loss) income	\$ (4,160)	\$ 1,501
<b>Denominator:</b>		
Basic weighted average ordinary shares outstanding	45,134,267	42,982,255
Effective of dilutive securities <sup>(1)</sup>		
Share options outstanding	—	1,121,001
Ordinary shares issued in connection with Content Provider Agreement	—	1,250,000
Restricted share units	—	1,846,926
Diluted weighted average ordinary shares	<u>45,134,267</u>	<u>47,200,182</u>
Basic (loss) earnings per share	<u>\$ (0.09)</u>	<u>\$ 0.03</u>
Diluted (loss) earnings per share	<u>\$ (0.09)</u>	<u>\$ 0.03</u>

(1) For the three months ended March 31, 2024, potentially dilutive securities consisting of certain share options, nonvested restricted shares and restricted share units totaling 4,197,808 shares were excluded from the computation of diluted weighted average ordinary shares outstanding as inclusion would be anti-dilutive due to the Company incurring a net loss during the three months ended March 31, 2024. For the three months ended, March 31, 2023, 2,448,873 share options with an exercise price greater than the market price of the Company's ordinary shares were excluded from the computation of diluted weighted average ordinary shares outstanding.

**NOTE 10 — REVENUE**

The following table reflects revenue recognized for the three months ended March 31, 2024 and 2023 in line with the timing of transfer of services:

	Three Months Ended March 31,	
	2024	2023
Revenue from services delivered at a point in time	\$ 18,304	\$ 23,895
Revenue from services delivered over time	12,347	11,234

Total	\$ 30,651	\$ 35,129
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***Contract and Contract-Related Liabilities***

The Company has four types of liabilities related to contracts with customers: (i) cash consideration received in advance from customers related to development services not yet performed or hardware deliveries not yet completed, (ii) incentive program obligations, which represents the deferred allocation of revenue relating to incentives in the online gaming operations, (iii) user balances, which are funds deposited by customers before gaming play occurs and (iv) unpaid winnings and wagers contributed to jackpots. Contract-related liabilities are expected to be recognized as revenue within one year of being purchased, earned or deposited. Such liabilities are recorded in liabilities to users and other current liabilities in the condensed consolidated balance sheets.

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The following table reflects contract liabilities arising from cash consideration received in advance from customers for the periods presented:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Contract liabilities from advance customer payments, beginning of the period	\$ 7,873	\$ 2,117
Contract liabilities from advance customer payments, end of the period <sup>(1)</sup>	9,000	2,655
Revenue recognized from amounts included in contract liabilities from advance customer payments at the beginning of the period	798	223

<sup>(1)</sup> Contract liabilities from advance customer payments, end of period consisted of \$3,325 and \$1,599 recorded in other current liabilities in the condensed consolidated balance sheets at March 31, 2024 and 2023, respectively and \$5,675 and \$1,056 recorded in other liabilities in the condensed consolidated balance sheet at March 31, 2024 and 2023, respectively.

**NOTE 11 — SEGMENT REPORTING**

The Company's reportable segments are B2B and B2C. The B2B segment develops, markets and sells instances of GameSTACK, GAN Sports, and iSight Back Office technology that incorporates comprehensive player registration, account funding and back-office accounting and management tools that enable the casino operators to efficiently, confidently and effectively extend their presence online in places that have permitted online real money gaming. The B2C segment, which includes the operations of Coolbet, develops and operates a B2C online sports betting and casino platform that is accessible through its website in markets across Northern Europe, Latin America and Canada.

Information reported to the Company's Chief Executive Officer, the CODM, for the purpose of resource allocation and assessment of the Company's segmental performance is primarily focused on the origination of the revenue streams. The CODM evaluates performance and allocates resources based on the segment's revenue and contribution. Segment contribution represents the amounts earned by each segment without allocation of each segment's share of depreciation and amortization expense, sales and marketing expense, product and technology expense, general and administrative expense, interest costs and income taxes.

Summarized financial information by reportable segments for the three months ended March 31, 2024 and 2023 is as follows:

	<b>Three Months Ended</b>					
	<b>March 31,</b>					
	<b>2024</b>			<b>2023</b>		
	<b>B2B</b>	<b>B2C</b>	<b>Total</b>	<b>B2B</b>	<b>B2C</b>	<b>Total</b>
Revenue	\$ 12,347	\$ 18,304	\$ 30,651	\$ 11,279	\$ 23,850	\$ 35,129
Cost of revenue <sup>(1)</sup>	2,081	7,242	9,323	1,995	8,166	10,161
Segment contribution	\$ 10,266	\$ 11,062	\$ 21,328	\$ 9,284	\$ 15,684	\$ 24,968

<sup>(1)</sup> Excludes depreciation and amortization expense.

During the three months ended March 31, 2024 and 2023, one customer in the B2B segment individually accounted for 19.8% and 16.1% of total revenue, respectively.

**GAN LIMITED**  
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The following table presents a reconciliation of segment gross profit to the consolidated loss before income taxes for the three months ended March 31, 2024 and 2023:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Segment contribution <sup>(1)</sup>	\$ 21,328	\$ 24,968
Sales and marketing	6,017	7,184
Product and technology	9,616	9,578
General and administrative <sup>(1)</sup>	7,159	10,006
Depreciation and amortization	1,839	4,201
Interest expenses, net	1,132	1,716
Other income, net	(26)	(9,292)
(Loss) income before income taxes	<u>\$ (4,409)</u>	<u>\$ 1,575</u>

(1) Excludes depreciation and amortization expense.

Assets and liabilities are not separately analyzed or reported to the CODM and are not used to assist in decisions surrounding resource allocation and assessment of segment performance. As such, an analysis of segment assets and liabilities has not been included in this financial information.

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The following table disaggregates total revenue by product and services for each segment:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
<b>B2B:</b>		
Platform and content license fees	\$ 9,667	\$ 8,627
Development services and other	2,680	2,652
Total B2B revenue	<u>12,347</u>	<u>11,279</u>
<b>B2C:</b>		
Sportsbook	5,873	9,967
Casino	11,709	13,189
Poker	722	694
Total B2C revenue	<u>18,304</u>	<u>23,850</u>
Total revenue	<u>\$ 30,651</u>	<u>\$ 35,129</u>

Revenue by location of the customer for the three months ended March 31, 2024 and 2023 is as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
United States	\$ 9,092	\$ 8,516
Europe	11,604	12,677
Latin America	6,896	11,270
Rest of the world	3,059	2,666
	<u>\$ 30,651</u>	<u>\$ 35,129</u>

**NOTE 12 — INCOME TAXES**

The Company's effective income tax rate was 5.6% and 4.7% for the three months ended March 31, 2024 and 2023, respectively.

Our country of domicile is Bermuda, which effectively has a 0% statutory tax rate as it does not impose taxes on profits, income, dividends, or capital gains. The difference between this 0% tax rate and the effective income tax rate for the three months ended March 31, 2024 and 2023 was due primarily to a mix of earnings in foreign jurisdictions that are subject to current or deferred tax and loss carryforwards in certain jurisdictions that are not expected to be realized.



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**NOTE 13 — LEASES**

The Company determines if an arrangement is a lease and classifies as operating or finance lease at the lease commencement date. A lease is defined as a contract, or part of contract, that conveys the right to control the use of an asset for a time period in exchange for consideration. At March 31, 2024, the Company's lease portfolio consists of operating leases related to office facilities in Estonia and Bulgaria. The lease terms for both leases are five years. Options to extend or terminate a lease are included in the lease term when it is reasonably certain that the Company will exercise such options. In some jurisdictions it is customary for lease contracts to provide for payments to increase each year by inflation, or to be reset periodically to market rental rates or the periodic rent is fixed over the lease term. Lease payments for operating leases, consisting of fixed payments for base rent, is recognized on a straight-line basis over the lease term. The Company elected to record short-term lease costs on a straight-line basis over the term of the leases related to its shared work space facilities primarily in the United States and London, and incurred \$95 and \$154 for the three months ended March 31, 2024 and 2023, respectively.

**Operating Leases - Lessee**

The following table discloses the operating asset and liability balances at March 31, 2024 and December 31, 2023:

Leases	Classification	As of	
		March 31, 2024	December 31, 2023
<b>Assets</b>			
Total operating leased assets, net	Operating lease right-of-use assets <sup>(1)</sup>	\$ 4,048	\$ 4,340
<b>Liabilities</b>			
Current	Operating lease liabilities	\$ 801	\$ 804
Non-current	Operating lease liabilities – non-current	3,282	3,577
Total lease liabilities		<u>\$ 4,083</u>	<u>\$ 4,381</u>

(1) Operating lease right-of-use assets are recorded, net of accumulated amortization of \$558 and \$378, at March 31, 2024 and December 31, 2023, respectively.

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known. The incremental borrowing rate is based on the Company's credit rating based on its market valuation metrics and corporate yield curves observed for public companies with similar credit ratings.

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Operating lease costs were \$285 and \$106 for the three months ended March 31, 2024 and 2023, respectively.

Maturities of lease liabilities, including reconciliation to the lease liabilities, based on required contractual payments, are as follows:

	<b>Operating Leases</b>	
2024	\$	860
2025		1,146
2026		1,146
2027		1,146
2028		644
Total lease payments		4,942
Less: future interest costs		859
Present value of lease liabilities	\$	4,083

Other information related to leases as of and for the three months ended March 31, 2024 and 2023 was as follows:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
Operating lease weighted-average remaining lease term (years)	4.3	0.4
Operating lease weighted-average discount rate	9.0%	4.6%
Cash paid for the amounts included in the measurement of operating lease liabilities	\$ 287	\$ 113

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**NOTE 14 — COMMITMENTS AND CONTINGENCIES**

***Legal Proceedings***

The Company may be subject to legal actions and claims arising from contracts or other matters from time to time in the ordinary course of business. Management is not aware of any pending or threatened litigation, which are considered other than routine legal proceedings. The Company believes the ultimate disposition or resolution of its routine legal proceedings will not have a material adverse effect on its financial position, results of operations or liquidity.

***Content Licensing Agreements***

In the second quarter of 2021, the Company entered into Content Licensing Agreements (the “Agreements”) with two third-party gaming content providers (“Content Providers”) specializing in developing and licensing interactive games. The Agreements granted the Company exclusive rights to use and distribute the online gaming content in North America. Each of the Content Providers was committed to developing a minimum number of games for the Company’s exclusive use over the five-year term, subject to extensions, of the respective Agreement. In exchange, the Company was required to pay fixed fees, totaling \$48.5 million, of which \$8.5 million were due upon execution of the Agreements, and the remaining fixed fees were to be paid systematically over the initial five-year terms. Additional payments could have been required if the Company’s total revenue generated from the licensed content exceeded certain stipulated annual and cumulative thresholds during the contract term. Under the terms of the Agreements, the Content Providers were required to remit the cash flows from the online gaming content with its existing customers to the Company during the exclusivity period.

On January 27, 2022, the Company served a termination notice, for cause, to a Content Provider as certain conditions precedent associated with the completion of contractual obligations had not been satisfied by the agreed upon period in 2021. In accordance with the agreement, termination for cause results in a return of the initial payment of \$3.5 million. In response to the Company’s termination notice, the Content Provider responded by alleging the Content Provider had met its contractual obligations, thereby obligating the Company to make the next scheduled \$3.0 million payment. In March 2022, the Content Provider served the Company a notice of default letter notifying the Company of its alleged material breach of the agreement and disputing the validity of the termination. On April 25, 2022, the Content Provider attempted to serve formal notice of termination of the agreement, reaffirming the \$3.0 million obligation. The Company continues to assert that all contractual obligations to the Content Provider have been relieved as a result of the Company’s initial termination notice and will vigorously defend any claims made by the Content Provider. The Company further recognized an impairment loss related to the initial payment of \$3.5 million in the statement of operations for the year ended December 31, 2022, and there have been no updates to the matter since the prior reporting period.

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On March 29, 2023, the Company amended and restated its Content Licensing Agreement (the “Amended Agreement”) with the other Content Provider which resulted in a reduced contract term ending March 31, 2024 and a reduction in the fixed fees payable under the arrangement. The Company recorded a gain of \$9.3 million related to the extinguishment of the fixed fees recognized in other income, net during the three months ended March 31, 2023, net of the value associated with the settlement of the stock subscription obligation. At March 31, 2024, the Company had no remaining liabilities related to the Amended Agreement.

***Chile Operations***

Coolbet’s B2C casino and sports-betting platform is accessible in Chile. Since June 1, 2020, foreign digital service suppliers that provide services to individuals in Chile have been required to register for value-added tax (“VAT”) purposes. On September 20, 2021, the Company submitted an inquiry to the Chilean Internal Revenue Service (“SII”) for clarification on the basis to apply VAT. In December 2021, the SII issued a general resolution as a response to another iGaming platform operator stating the Tax Administration’s position that fees paid by users for entertainment services provided through online gaming and betting platforms are subject to VAT in Chile. The SII clarified its interpretation that the VAT tax rate of 19% shall be applied to “fees paid by the users”, specifically gross customer deposits on the iGaming platform. This was further reiterated by the SII in June 2022 through a public response to an unnamed ruling request on the matter.

On May 13, 2022, the SII issued a resolution stating that unregistered foreign digital service providers will be subject to 19% withholding on payments through enforcement to issuers of credit cards, debit cards, and other forms of payment, effective August 1, 2022. The SII issued its noncompliant list of unregistered foreign digital service providers to enact enforcement of this withholding on a quarterly basis, with the most recent list issued on December 28, 2022. As of March 31, 2024 and through the date of filing, the Company has not registered for the Chilean VAT but has not been listed on the SII’s list for which this withholding should be applied, and the Company has not received formal notification of any VAT liability due to the SII.

On March 14, 2023, the SII issued a resolution stating that, although the SII lacks the power to qualify an activity as legal or illegal (which had been noted in previous SII resolutions), the SII is not empowered to register taxpayers for the simplified VAT regime who carry out activities that have been declared illegal by other State authorities that do have the power to qualify an activity as legal or illegal. It then notes that the SII has been informed by the Superintendency of Gambling Casinos that the offering of games of chance is only expressly authorized in certain instances under Chilean law, and thus taxpayers without domicile or residence in Chile that offer them are doing so illegally. As a result, the SII has excluded these taxpayers from the simplified VAT regime, effectively contradicting past guidance that stated the digital VAT law must be applied to online gaming and betting platforms.

On September 12, 2023, the Supreme Court of Chile issued a ruling requiring one telecommunication company to block 23 iGaming websites. The ruling related specifically to one local internet service provider (“ISP”), and a state-owned land-based casino which holds the rights to offer online sports betting (“the Local Provider”). The order to block the websites only applied to the 23 specific URL addresses mentioned in the legal action. The Local Provider’s legal action was based on a “protection recourse” filing and assert that the Local Provider’s constitutional right to maintain a legal monopoly over sports betting was infringed upon. The Supreme Court of Chile’s ruling only affected the named parties of the case and did not establish legal precedent. In response to the ruling, the Company modified the URL and resumed operations.

On December 12, 2023, the Chamber of Deputies Hall held a legislative discussion on a bill that regulates the development of online betting platforms in Chile. The bill was approved by the Chamber and will proceed to the second constitutional process in the Senate.

The Company does not believe its activities in Chile are illegal based on external legal opinions obtained in previous years and updated external legal opinions supporting the Company’s assertions. The Company had previously not registered for the Chilean VAT on digital service providers as the Company believed the application of VAT on gross customer deposits, as previously clarified by the SII, prior to the March 2023 resolution, did not represent a reasonable application of the law to the economic substance of the Company’s services; this previous application would have resulted in a material loss to the Company. The Company believes that Chilean tax laws and regulations support that only the fees directly charged by the Company’s platform, primarily poker fees, should be the taxable base for the Chilean digital VAT and has obtained an external legal opinion supporting this position, the application of which would not have a material impact to the Company’s financial statements. However, as a result of the SII excluding the Company’s activities from the digital VAT registration, we no longer believe a liability is probable for the past activities as of December 31, 2022 as the Company is now effectively prevented from complying with the digital VAT law. However, there is uncertainty as to the regulated environment, what amounts may be ultimately due on our previous activities and the ability to operate in this jurisdiction until the SII resolves the position. Resolution of this matter may result in fines, penalties, additional expenses or require us to exit the market. Revenues from Chile represented 21.0% and 28.7% of total consolidated revenue for the three months ended March 31, 2024 and 2023, respectively.

***Synthetic Equity***

Pursuant to the binding term sheet previously entered into with Red Rock Resorts, Inc., the Company entered into the Master Gaming Services Agreement with Station Casinos LLC (“Station”) on March 30, 2023, to launch GameSTACK and GAN Sports RMiG and sportsbook solutions at its properties through self-service kiosks as well as through on-premises and statewide mobile versions in Nevada, subject to applicable licensure. As an additional incentive for Station to support the commercial success of the launch in Nevada, the Master Gaming Services Agreement includes a Synthetic Equity Addendum which would require that the Company make a payment to Station in the event of a change of control in the Company (the “Change of Control Payment”), subject to certain conditions outlined in the Synthetic Equity Addendum. The Change of Control Payment is payable only in the event that a change of control occurs during the period as specified by the Synthetic Equity Addendum and that the Company’s market capitalization has increased during that time, calculated as proscribed by the Synthetic Equity Addendum, which the amount of such payment ranging from 2.5% to 5% of such increase in market capitalization over approximately \$2.00 per share, depending on whether certain minimum revenue conditions are met over the next five years. The payment represents an equity-linked financial instrument containing service, performance and market conditions and is measured and classified in accordance with stock-based

compensation guidance. The initial grant-date fair value represents an upfront payment to a customer for the maximum tranche which will be attributed as contra revenue over the estimated initial contract term as revenue is earned under the arrangement such that the recognition of the constraints is not probable to result in a material reversal of revenue. The initial grant date liability will be marked to market at each reporting period through operating income (loss). The Company valued the liability utilizing a Monte Carlo simulation and determined the value to be approximately \$1.1 million at grant-date and recorded within other assets and other liabilities in the condensed consolidated balance sheet. A Monte Carlo simulation includes numerous scenarios, including assumptions of probability weighted-likelihood of different outcomes. As facts and circumstances become known or knowable at each reporting period, the probability of certain scenarios will change, which will increase or decrease the value. The classification of the liability will be reassessed when a change of control event is probable.

On November 7, 2023, the Company entered into the Merger Agreement at a share price of \$1.97. The close of the merger is also predicated upon receipt of approval of the Merger and change in control of the Company by all relevant gaming authorities and other conditions. The Company anticipates that securing such regulatory approvals will take some time, and that the closing of the Merger may not occur until late 2024 or early 2025. Refer to Note 1. As the Company entered into, and announced, the Merger Agreement prior to the revenue conditions being met, and the share price would be less than \$2.00 per share threshold, there would be no liability. A 75% probability was applied to the sale scenario resulting in \$0 value and 25% to the year-end Monte Carlo value which assumes a sale in the future with potential revenue thresholds being met. As of December 31, 2023, the fair value was determined to be approximately \$0.3 million. On March 31, 2024, the fair value was determined to be approximately \$0.3 million. The recurring value is not sensitive to significant changes in inputs due primarily to the weighting of the sale scenario. Changes to probability could result in increases or decreases to the valuation of the liability in the future.

As of December 31, 2023, the underlying revenue arrangement has commenced, and the asset is probable of recovery.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*The following management’s discussion and analysis of financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements, related notes, and other financial information appearing elsewhere in this Quarterly Report on Form 10-Q and the consolidated financial statements and related notes included in our 2023 Form 10-K.*

### Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and the means by which we develop estimates, refer to “Item 7. Management’s Discussion and Analysis of Financial Conditions and Results of Operations” on our 2023 Annual Report on Form 10-K. There have been no material changes during the periods covered by this Quarterly Report on Form 10-Q from the critical policies described in our Form 10-K.

### Forward-Looking Statements

This section and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect our current expectations and views of future events based on certain assumptions and include any statement that does not directly relate to a historical fact. For example, statements in this Quarterly Report on Form 10-Q may include the potential impact of the expected timing of government approvals or opening of new regulated markets for online gaming, our financial guidance and expectations or targets for our operations, anticipated revenue growth or operating synergies related to our acquisition of Coolbet, the results of our restructuring efforts, and expectations about our ability to effectively execute our business strategy and expansion goals. These forward-looking statements can be identified by words or phrases such as “may,” “will,” “expect,” “should,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “is/are likely to,” or other similar expressions.

Although we believe that we have a reasonable basis for each forward-looking statement, forward-looking statements are not guarantees of future performance and our actual results could differ significantly from the results discussed or implied in these forward-looking statements. Factors that might cause such differences are described in “Item 1A. Risk Factors” in our 2023 Form 10-K and in this Quarterly Report on Form 10-Q.

All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. These forward-looking statements speak only as of the date on which they are made. We do not assume any obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

### Overview

GAN Limited is an exempted holding company organized in Bermuda exempted holding company and through its subsidiaries, consists of two lines of business. We are a business-to-business (“B2B”) supplier of enterprise Software-as-a-Service (“SaaS”) solutions for online casino gaming, commonly referred to as iGaming, and online sports betting applications. Beginning with our January 2021 acquisition of Vincent Group p.l.c., a Malta public limited company (“Coolbet”), we are also a business-to-consumer (“B2C”) developer and operator of an online sports betting and casino platform, which offers consumers in select markets in Northern Europe, Latin America, and Canada access to a digital portal for engaging in sports betting, online casino games, and poker. These two lines of business are also the Company’s reportable segments.

The B2B segment develops, markets, and sells instances of GameSTACK, GAN Sports, and iSight Back Office technology that incorporates comprehensive player registration, account funding and back-office accounting and management tools that enable casino operators to efficiently, confidently and effectively extend their online presence.

The B2C segment includes the operations of Coolbet. Coolbet develops and operates an online sports betting and casino platform that is accessible through its website in markets across Northern Europe, Latin America and Canada.

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To meet demand and serve our growing number of U.S. casino operator clients, we continue to invest in our software engineering capabilities and expand our operational support. The most significant component of our operating costs generally relate to our employee salary and benefits costs. Also, operating costs include technology and corporate infrastructure related-costs, as well as marketing expenditures with a focus on increasing and retaining B2C end-users.

Our net loss was \$4.2 million for the three months ended March 31, 2024, and net income was \$1.5 million for the three months ended March 31, 2023.

We believe that our current technology is highly scalable and can support the launch of our product offerings for new customers and in new jurisdictions. We expect to achieve profitability through increased revenues from:

- organic growth of our existing casino operators,
- expansion into newly regulated jurisdictions with existing and new customers,
- margin expansion driven by the integration of Coolbet's sports betting technology in our B2B product offerings,
- strategically reducing our existing worldwide global workforce to simplify and streamline our organization and strengthen the overall competitiveness of our B2B segment,
- revenue expansion from the roll-out of our Super RGS content offering to B2C operators who are not already clients, and
- organic growth of our B2C business in existing and new jurisdictions.

We hold a U.S. patent, which governs the linkage of on-property reward cards to their counterpart internet gambling accounts together with bilateral transmission of reward points between the internet gaming technology system and the land-based casino management system present in all U.S. casino properties.

## Consolidated Results of Operations

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

The following table sets forth our consolidated results of operations for the periods indicated:

	Three Months Ended March 31,		Change	
	2024	2023	Amount	Percent
(dollars in thousands)				
Revenue	\$ 30,651	\$ 35,129	\$ (4,478)	(12.7)%
Operating costs and expenses				
Cost of revenue <sup>(1)</sup>	9,323	10,161	(838)	(8.2)%
Sales and marketing	6,017	7,184	(1,167)	(16.2)%
Product and technology	9,616	9,578	38	0.4%
General and administrative <sup>(1)</sup>	7,159	10,006	(2,847)	(28.5)%
Depreciation and amortization	1,839	4,201	(2,362)	(56.2)%
Total operating costs and expenses	33,954	41,130	(7,176)	(17.4)%
Operating loss	(3,303)	(6,001)	2,698	(45.0)%
Interest expenses, net	1,132	1,716		
Other income, net	(26)	(9,292)	9,266	(99.7)%
(Loss) income before income taxes	(4,409)	1,575	(5,984)	n.m.
Income tax (benefit) expense	(249)	74	(323)	n.m.
Net (loss) income	\$ (4,160)	\$ 1,501	\$ (5,661)	n.m.

<sup>(1)</sup> Excludes depreciation and amortization expense.

n.m. = not meaningful

### Geographic Information

The following table sets forth our consolidated revenue by geographic region, for the periods indicated:

	Three Months Ended March 31,		Percentage of Revenue		Change	
	2024	2023	2024	2023	Amount	Percent
(dollars in thousands)						
United States	\$ 9,092	\$ 8,516	29.7%	24.2%	\$ 576	6.8%
Europe	11,604	12,677	37.9%	36.1%	(1,073)	(8.5)%
Latin America	6,896	11,270	22.5%	32.1%	(4,374)	(38.8)%
Rest of the world	3,059	2,666	9.9%	7.6%	393	14.7%
Total revenue	\$ 30,651	\$ 35,129	100.0%	100.0%	\$ (4,478)	(12.7)%



*Revenue*

Revenue was \$30.7 million for the three months ended March 31, 2024, a decrease of \$4.5 million from the comparable period in 2023. The decrease was primarily attributable to a decrease in our B2C operations in Latin America and Europe driven by reduced player activity and lower margins resulting from unfavorable event outcomes.

Revenue fluctuations in the United States are the result of our expansion into Nevada within our B2B operations. The fluctuations in Europe and Latin America were primarily attributable to our B2C operations. The increase in the rest of the world was driven primarily by growth in our Ontario operations in the B2B segment.

*Cost of Revenue*

Cost of revenue was \$9.3 million for the three months ended March 31, 2024, a decrease of \$0.8 million in the comparable period in 2023. This decrease was due to overall decreased activity in the B2C operations.

*Sales and Marketing*

Sales and marketing expense was \$6.0 million for the three months ended March 31, 2024, a decrease of \$1.2 million from the comparable period in 2023. The decrease was primarily attributable to the Company's deployment of the affiliate marketing strategy in the Latin America region that reduces the up-front marketing costs required for customer acquisition.

*Product and Technology*

Product and technology expense was \$9.6 million for the three months ended March 31, 2024, which was relatively consistent with the comparable period in 2023.

*General and Administrative*

General and administrative expense was \$7.2 million for the three months ended March 31, 2024, a decrease of \$2.9 million from the comparable period in 2023. This decrease is due primarily to overall reduction of compensation costs and reduced headcount realized as part of ongoing cost saving initiatives.

*Depreciation and Amortization*

Depreciation and amortization expense was \$1.8 million for three months ended March 31, 2024, a decrease of \$2.4 million from the comparable period in 2023. The decrease was primarily due to the reduction of depreciable assets that were fully amortized compared to the prior periods.

*Income Tax Expense*

We recorded income tax benefit of \$0.3 million for the three months ended March 31, 2024, reflecting an effective tax rate of 5.6%, compared to income tax expense of \$0.1 million for the three months ended March 31, 2023, reflecting an effective tax rate of 4.7%. Our country of domicile is Bermuda, which effectively has a 0% statutory tax rate as it does not impose taxes on profits, income, dividends, or capital gains. The difference between this 0% tax rate and the effective income tax rate for three months ended March 31, 2024 and 2023 was due primarily to a mix of earnings in foreign jurisdictions that are subject to current or deferred tax and loss carryforwards in certain jurisdictions that are not expected to be realized.

## Segment Operating Results

We report our operating results by segment in accordance with the “management approach.” The management approach designates the internal reporting used by our Chief Operating Decision Maker (“CODM”), who is our Chief Executive Officer, for making decisions and assessing performance of our reportable segments.

*Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023*

The following table sets forth our segment results for the periods indicated:

	Three Months Ended March 31,		Percentage of Segment Revenue		Change	
	2024	2023	2024	2023	Amount	Percent
(dollars in thousands)						
<b>B2B</b>						
Revenue	\$ 12,347	\$ 11,279	100.0%	100.0%	\$ 1,068	9.5%
Cost of revenue <sup>(1)</sup>	2,081	1,995	16.9%	17.7%	86	4.3%
B2B segment contribution	\$ 10,266	\$ 9,284	83.1%	82.3%	\$ 982	10.6%
<b>B2C</b>						
Revenue	\$ 18,304	\$ 23,850	100.0%	100.0%	\$ (5,546)	(23.3)%
Cost of revenue <sup>(1)</sup>	7,242	8,166	39.6%	34.2%	(924)	(11.3)%
B2C segment contribution	\$ 11,062	\$ 15,684	60.4%	65.8%	\$ (4,622)	(29.5)%

<sup>(1)</sup> Excludes depreciation and amortization expense.

### ***B2B Segment***

B2B revenue increased \$1.0 million primarily due to an expansion of our B2B offerings in the state of Nevada.

B2B cost of revenue was relatively consistent with the prior comparable period in 2023.

Segment contribution for B2B, which excludes depreciation and amortization expense, increased by 10.6% due to the increase in revenue described above.

### ***B2C Segment***

B2C revenue decreased \$5.6 million primarily due to reduced player activity in Latin America and lower sports margins.

B2C cost of revenue decreased \$0.9 million primarily due to reduced player activity in Latin America.

Segment contribution for B2C, which excludes depreciation and amortization expense, decreased by 29.5%. This decrease was primarily driven by the decrease in revenues described above.

**Non-GAAP Financial Measures***Adjusted EBITDA*

Management uses the non-GAAP measure of Adjusted EBITDA to measure its financial performance. Specifically, it uses Adjusted EBITDA (i) as a measure to compare our operating performance from period to period, as it removes the effect of items not directly resulting from our core operations, and (ii) as a means of assessing our core business performance against others in the industry, because it eliminates some of the effects that are generated by differences in capital structure, depreciation, tax effects and unusual and infrequent events.

We define Adjusted EBITDA as net loss before interest expense (income), net, income tax expense (benefit), depreciation and amortization, impairments, share-based compensation expense and related expense, restructuring costs and other items which our Board of Directors considers to be infrequent or unusual in nature. The presentation of Adjusted EBITDA is not intended to be used in isolation or as a substitute for any measure prepared in accordance with U.S. GAAP and Adjusted EBITDA may exclude financial information that some investors may consider important in evaluating our performance. Because Adjusted EBITDA is not a U.S. GAAP measure, the way we define Adjusted EBITDA may not be comparable to similarly titled measures used by other companies in the industry.

Below is a reconciliation of Adjusted EBITDA to net loss, the most comparable U.S. GAAP measure, as presented in the condensed consolidated statements of operations for the periods specified:

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2024</b>	<b>2023</b>
(in thousands)		
Net (loss) income	\$ (4,160)	\$ 1,501
Income tax expense (benefit)	(249)	74
Interest expense	1,132	1,716
Gain on amendment of Content Licensing Agreement <sup>(1)</sup>	—	(9,292)
Depreciation and amortization	1,839	4,201
Share-based compensation and related expense <sup>(2)</sup>	869	1,839
Adjusted EBITDA	<u>\$ (569)</u>	<u>\$ 39</u>

<sup>(1)</sup> Includes \$9.3 million gain related to the extinguishment of the fixed fees recognized in other income, net within the condensed consolidated statement of operations for the three months ended March 31, 2023.

<sup>(2)</sup> Includes \$0.9 million and \$1.4 million in equity-classified expense for the three months ended March 31, 2024 and 2023, respectively, and expense of \$0.0 million and \$0.1 million from liability-classified awards for the three months ended March 31, 2024 and 2023, respectively. Such amounts excluded capitalized amounts. Additionally, share-based compensation and related expense includes \$0.5 million of bonus expense, inclusive of employer taxes, that was to be settled in equity, for the three months ended March 31, 2023. Refer to Note 7 Share-based Compensation for further details.

**Key Performance Indicators**

Our management uses the following key performance indicators (“KPIs”) as indicators of trends and results of the business. These KPIs give our management an indication of the level of engagement between the player and the Company’s platforms. No estimation is necessary in quantifying these KPIs, nor do they represent U.S. GAAP based measurements. These KPIs are subject to various risks such as customer concentration, competition, licensing and regulation, and macroeconomic conditions. Refer to “Item 1A. Risk Factors” for further risks associated with our business which would affect these KPIs.

	Three Months Ended March 31,		Change	
	2024	2023	Amount	Percent
B2B Gross Operator Revenue (in millions)	\$ 632.0	\$ 422.8	\$ 209.2	49.5%
B2B Take Rate	2.0%	2.7%	(0.7)%	(27.6)%
B2C Active Customers (in thousands)	222	257	(35)	(13.6)%
B2C Marketing Spend Ratio	23.2%	21.0%	2.2%	10.3%
B2C Sports Margin	5.7%	7.1%	-1.4%	(19.7)%

*B2B Gross Operator Revenue*

We define B2B Gross Operator Revenue as the sum of our B2B corporate customers’ gross revenue from SIM, gross gaming revenue from RMiG, and gross sports wins from sportsbook offerings. B2B Gross Operator Revenue, which is not comparable to financial information presented in conformity with U.S. GAAP, gives management and users of our financial statements an indication of the extent of transactions processed through our B2B corporate customers’ platforms and allows management to understand the extent of activity that our platform is processing.

The increase in Gross Operator Revenue for the three months ended March 31, 2024, as compared to the three months ended March 31, 2023, was driven primarily by organic growth in Pennsylvania, Michigan, New Jersey, Connecticut, and Ontario.

*B2B Take Rate*

We define B2B Take Rate as a quotient of B2B segment revenue retained by the Company over the total Gross Operator Revenue generated by our B2B corporate customers. B2B Take Rate gives management and users of our financial statements an indication of the impact of the statutory terms and the efficiency of the commercial terms on the business.

The decrease in B2B Take Rate for the three months ended March 31, 2024 as compared to the three months ended March 31, 2023 was primarily driven by a decrease in our contractual revenue rates pursuant to an agreement regarding the expiration of an exclusivity period with a B2B customer.

*B2C Active Customers*

We define B2C Active Customers as a user that places a wager during the period. This metric allows management to monitor the customer segmentation, growth drivers, and ultimately creates opportunities to identify and add value to the user experience. This metric allows management and users of the financial statements to measure the platform traffic and track related trends.

The decrease in B2C Active Customers for the three months ended March 31, 2024 was primarily driven by limited customer acquisition in Latin America. The decrease in the first quarter contributed to the revenue decrease for the three months ended March 31, 2024.

*B2C Marketing Spend Ratio*

We define B2C Marketing Spend Ratio as the total B2C direct marketing expense for the period divided by the total B2C revenues. This metric allows management to measure the success of marketing costs during a given period. Additionally, this metric allows management to compare across jurisdictions and other subsets, as an additional indication of return on marketing investment.

The increase in the B2C Marketing Spend Ratio for the three ended March 31, 2024, was primarily driven by limited customer acquisition in Latin America.

*B2C Sports Margin*

We define B2C Sports Margin as the ratio of wagers minus winnings to total amount wagered, adjusted for open wagers at period end. Sports betting involves a user placing a bet on the outcome of a sporting event with the chance to win a pre-determined amount, often referred to as fixed odds. Our B2C sportsbook revenue is generated by setting odds that are intended to provide a built-in theoretical margin in each sports bet offered to our users. This metric allows management to measure sportsbook performance against its expected outcome.

The fluctuations in the B2C Sports Margin for the three months ended March 31, 2024, were primarily attributable to the outcomes of individual sporting events

**Liquidity and Capital Resources**

*Material Cash Commitments*

Our primary uses of cash include funding our ongoing working capital needs and developing and maintaining our proprietary software platforms. Such capital allocations are contemplated while considering other opportunities we may have to deploy our capital.

The execution of our growth strategy will require continued significant capital expenditures, and we expect to continue investing in our products and technologies as we seek to scale our business.

We utilized cash in investing activities of \$0.7 million and \$1.8 million for the three months ended March 31, 2024 and 2023, respectively. Of these activities, expenditures related to internally developed capitalized software represented \$0.5 million and \$1.3 million, respectively, and property and equipment (including licenses for internal use software) represented \$0.1 million and \$0.3 million, respectively.

#### *Sources of Liquidity*

Since our inception, we have primarily funded our operations through cash generated from operations, cash generated from financing activities, including our U.S. initial public offering and term credit facility, and cash on hand.

In April 2022, we entered into a \$30.0 million term credit facility with net proceeds of \$27.6 million (the “Credit Facility”). The Credit Facility contained affirmative and negative covenants, including certain financial covenants associated with our financial results. The financial covenants test periods began on March 31, 2023. We obtained waivers for all financial covenants as of March 31, 2023, and were in compliance as of March 31, 2024.

On April 13, 2023, we executed agreements to amend the Credit Facility (forming the “Amended Credit Facility”). The Amended Credit Facility became effective upon cash settlement of payments completed on April 14, 2023. The Amended Credit Facility contains a financial covenant, among other covenants, requiring minimum liquidity of \$10.0 million. Refer to Note 6 – Debt in the accompanying condensed consolidated financial statements for further detail with respect to the Amended Credit Facility.

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We believe cash generated from operations and cash on hand will be sufficient to meet our working capital and capital expenditure requirements for at least the next twelve months. We are actively addressing internal costs to conserve cash and executing these programs will be critical to our ability to continue funding our operations for at least the next twelve months.

To the extent that our current resources, including our ability to generate operating cash flows, are insufficient to satisfy our cash requirements, we may seek additional equity or debt financing. Our ability to do so depends on prevailing economic conditions and other factors, many of which are beyond our control.

We do not currently have any such credit facilities or similar debt arrangements in place, outside of the Amended Credit Facility as described above, and cannot provide any assurance as to the availability or terms of any additional future financing that we may require to support our operations. If the needed financing is not available, or if the terms of financing are less desirable than we expect, we may be forced to decrease our level of investment in new products and technologies, discontinue further expansion of our business, or scale back our existing operations, any of which could have an adverse impact on our business and financial prospects.

#### *Cash Flow Analysis*

A summary of our operating, investing and financing activities is shown in the following table:

(dollars in thousands)	Three Months Ended		Change	
	2024	2023	Amount	Percent
Net cash used in operating activities	\$ (280)	\$ (4,175)	\$ 3,895	(93.3)%
Net cash used in investing activities	(727)	(1,762)	1,035	(58.7)%
Net cash provided by (used in) financing activities	3	(47)	50	n.m.
Effect of foreign exchange rates on cash	(982)	819	(1,801)	n.m.
Net decrease in cash	<u>\$ (1,986)</u>	<u>\$ (5,165)</u>	<u>\$ 3,179</u>	<u>(61.5)%</u>

n.m. = not meaningful

#### *Operating Activities*

Net cash used in operating activities decreased \$3.9 million primarily due to an increase in cash generated from working capital of 2.4 million. The remaining decrease in cash used in operating activities was due to overall decreased costs that contributed to a decrease in loss from operations.

#### *Investing Activities*

Net cash used in investing activities decreased \$1.0 million primarily due to a reduction of capitalized development of \$1.0 million primarily related to the B2B segment.

*Financing Activities*

Net cash provided by financing activities was relatively consistent with the comparable period.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

As a smaller reporting company, we are not required to provide the information required by this Item.

**Item 4. Controls and Procedures**

**Evaluation of Disclosure Controls and Procedures**

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including our chief executive officer and chief financial officer (together, the "Certifying Officers"), as appropriate to allow for timely decisions regarding required disclosure.

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance, not absolute assurance, of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements will not occur or that all control issues, if any, 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 errors or mistakes. The design of any system of controls 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.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including the Certifying Officers, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Certifying Officers concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of March 31, 2024. The Certifying Officers based their conclusion on the fact that the Company has identified material weaknesses in controls over financial reporting, detailed below. In light of this fact, our management has performed additional analyses, reconciliations, and other procedures and have concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the condensed consolidated financial statements for the periods covered by and included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

**Material Weakness in Internal Control Over Financial Reporting**

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, material weaknesses were identified in the Company's internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's interim or annual condensed consolidated financial statements will not be prevented or detected on a timely basis.



During the course of management's prior year-end procedures, the Company's management and audit committee of the board of directors identified deficiencies in the design of the control environment whereby certain finance users were granted "super user" access and security administration rights to the financial reporting systems, the activity of these users with elevated access were not actively monitored, and no segregation of duties over journal entry preparation and approval within the B2C segment existed and determined that these deficiencies constituted a material weakness. While the Company has actively begun to implement controls to remediate the material weakness, this material weakness has not been resolved as of March 31, 2024.

### **Remediation Plans**

We continue to evaluate measures to remediate the identified material weaknesses. These measures include implementing appropriate controls to segregate journal entry preparation and approvals and to actively monitor finance users with elevated rights.

We intend to continue to take steps to remediate the material weakness described above and further evolving our accounting processes, controls, and reviews. The Company plans to continue to assess its internal controls and procedures and intends to take further action as necessary or appropriate to address any other matters it identifies or are brought to its attention. We will not be able to fully remediate this material weakness until these steps have been completed and have been operating effectively for a sufficient period of time.

The actions that we are taking are subject to ongoing senior management review, as well as audit committee oversight. We will not be able to conclude whether the steps we are taking will fully remediate the material weakness in our internal control over financial reporting until we have completed our remediation efforts and subsequent evaluation of their effectiveness. We may also conclude that additional measures may be required to remediate the material weakness in our internal control over financial reporting, which may necessitate further action.

## **Changes in Internal Controls Over Financial Reporting**

Except for the remediation efforts described above, there was no change in our internal control over financial reporting that occurred during the quarter covered by this Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II. OTHER INFORMATION**

### **Item 1. Legal Proceedings**

We are subject to legal proceedings that have not been fully resolved and that have arisen in the ordinary course of business. We are not currently a party to any legal proceedings that, in the opinion of our management, are likely to have a material adverse effect on our business.

The outcome of litigation is inherently uncertain. If one or more matters were resolved against the Company in a reporting period for amounts above management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### **Item 1A. Risk Factors**

There are no material changes from the risk factors as disclosed in Part I, Item 1A under the heading "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on March 13, 2024.

**Item 6. Exhibits**

<b>Exhibit Number</b>	<b>Description of Document</b>	<b>Incorporated by Reference</b>		
		<b>Form</b>	<b>Exhibit Number</b>	<b>Date Filed</b>
2.1	<a href="#">Agreement and Plan of Merger dated November 7, 2023 among SEGA SAMMY CREATION INC., Inc., Arc Bermuda Limited and the Company</a>	8-K	2.1	November 8, 2023
2.2	<a href="#">Amendment to Agreement and Plan of Merger dated December 14, 2023 among SEGA SAMMY CREATION INC., Inc., Arc Bermuda Limited and the Company</a>	8-K	2.2	December 15, 2023
3.1	<a href="#">Memorandum of Association of GAN Limited</a>	F-1	3.1	April 17, 2020
3.2	<a href="#">By-Laws of GAN Limited</a>	F-1	3.2	April 27, 2020
31.1*	<a href="#">Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			
31.2*	<a href="#">Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>			
32.1**	<a href="#">Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>			
32.2**	<a href="#">Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</a>			
101*	Inline XBRL Document set for the condensed consolidated financial statements and accompanying notes in Part I, Item 1, “Financial Statements” of the Quarterly Report on Form 10-Q.			
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).			
*	Filed herewith.			
**	Furnished herewith.			

**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.

Date: May 9, 2024

GAN Limited

By: /s/ SEAMUS MCGILL

Seamus McGill  
Chief Executive Officer  
(Principal Executive Officer)

/s/ BRIAN CHANG

Brian Chang  
Chief Financial Officer  
(Principal Financial and Accounting Officer)

## Certification of Chief Executive Officer

**Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended,  
Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Seamus McGill, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GAN Limited;
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: May 9, 2024

*/s/ SEAMUS MCGILL*  
Seamus McGill  
*Chief Executive Officer*  
*(principal executive officer)*

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**Certification of Chief Financial Officer**  
**Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as Amended,**  
**Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Brian Chang, certify that:

1. I have reviewed this quarterly report on Form 10-Q of GAN Limited;
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: May 9, 2024

*/s/ BRIAN CHANG*

Brian Chang

*Chief Financial Officer*

*(principal financial officer)*

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**Certification of Chief Executive Officer**

**Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of GAN Limited (the “Company”) for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

*/s/ SEAMUS MCGILL*

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Seamus McGill

*Chief Executive Officer*

*(principal executive officer)*

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**Certification of Chief Financial Officer**

**Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to  
Section 906 of the Sarbanes-Oxley Act of 2002**

I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- The Quarterly Report on Form 10-Q of GAN Limited (the “Company”) for the quarter ended March 31, 2024 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
- The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 9, 2024

*/s/ BRIAN CHANG*

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Brian Chang

*Chief Financial Officer*

*(Principal financial officer)*

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