

**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 September 30, 2021

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)

(702) 964-5777

(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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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 October 31, 2021, there were 42,192,377 ordinary shares outstanding.

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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)

	September 30, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	\$ 50,305	\$ 152,654
Accounts receivable, net of allowance for doubtful accounts of \$89 and \$100 at September 30, 2021 and December 31, 2020, respectively	7,166	6,818
Prepaid expenses	2,411	1,912
Other current assets	2,380	2,112
Total current assets	62,262	163,496
Capitalized software development costs, net	14,212	6,648
Goodwill	149,015	—
Intangible assets, net	39,521	468
Other assets	13,016	2,634
Total assets	\$ 278,026	\$ 173,246
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 4,647	\$ 4,926
Accrued compensation and benefits	9,660	4,956
Accrued expenses	6,948	3,363
Liabilities to users	7,863	—
Other current liabilities	4,050	4,067
Total current liabilities	33,168	17,312
Deferred income taxes	2,173	—
Other liabilities	648	370
Total liabilities	35,989	17,682
Stockholders' equity		
Ordinary shares, \$0.01 par value, 100,000,000 shares authorized, 42,182,774 and 36,635,362 shares issued and outstanding at September 30, 2021 and December 31, 2020, respectively	422	365
Additional paid-in capital	317,367	203,842
Accumulated deficit	(60,880)	(45,766)
Accumulated other comprehensive loss	(14,872)	(2,877)
Total stockholders' equity	242,037	155,564
Total liabilities and stockholders' equity	\$ 278,026	\$ 173,246

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

GAN LIMITED
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(in thousands, except share and per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Revenue	\$ 32,261	\$ 10,266	\$ 94,731	\$ 26,259
Operating costs and expenses				
Cost of revenue ⁽¹⁾	10,801	3,083	29,876	6,898
Sales and marketing	5,657	1,277	15,238	3,782
Product and technology	4,634	1,896	13,539	8,093
General and administrative ⁽¹⁾	12,895	6,120	35,232	16,297
Depreciation and amortization	4,646	804	12,758	2,373
Total operating costs and expenses	<u>38,633</u>	<u>13,180</u>	<u>106,643</u>	<u>37,443</u>
Operating loss	(6,372)	(2,914)	(11,912)	(11,184)
Interest expense, net	—	2	1	392
Loss before income taxes	(6,372)	(2,916)	(11,913)	(11,576)
Income tax expense (benefit)	1,548	(3)	3,201	312
Net loss	<u>\$ (7,920)</u>	<u>\$ (2,913)</u>	<u>\$ (15,114)</u>	<u>\$ (11,888)</u>
Loss per share, basic and diluted	<u>\$ (0.19)</u>	<u>\$ (0.10)</u>	<u>\$ (0.36)</u>	<u>\$ (0.46)</u>
Weighted average ordinary shares outstanding, basic and diluted	<u>42,061,396</u>	<u>29,571,905</u>	<u>41,962,535</u>	<u>25,782,776</u>

⁽¹⁾ Excludes depreciation and amortization

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2021	2020	2021	2020
Net loss	\$ (7,920)	\$ (2,913)	\$ (15,114)	\$ (11,888)
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments	(4,951)	551	(11,995)	(728)
Comprehensive loss	<u>\$ (12,871)</u>	<u>\$ (2,362)</u>	<u>\$ (27,109)</u>	<u>\$ (12,616)</u>

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

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

	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2021	36,635,362	\$ 365	\$ 203,842	\$ (45,766)	\$ (2,877)	\$ 155,564
Net loss	—	—	—	(4,464)	—	(4,464)
Foreign currency translation adjustments	—	—	—	—	(9,481)	(9,481)
Share-based compensation	—	—	1,632	—	—	1,632
Issuance of ordinary shares upon exercise of stock options	108,222	1	314	—	—	315
Issuance of ordinary shares as partial consideration in Coolbet acquisition (Note 4)	5,260,516	53	106,630	—	—	106,683
Fair value of replacement equity awards issued as consideration in Coolbet acquisition (Note 4)	—	—	297	—	—	297
Balance at March 31, 2021	42,004,100	\$ 419	\$ 312,715	\$ (50,230)	\$ (12,358)	\$ 250,546
Net loss	—	—	—	(2,730)	—	(2,730)
Foreign currency translation adjustments	—	—	—	—	2,437	2,437
Share-based compensation	—	—	2,319	—	—	2,319
Restricted stock activity	5,178	1	(1)	—	—	—
Issuance of ordinary shares upon exercise of stock options	6,396	—	22	—	—	22
Balance at June 30, 2021	42,015,674	\$ 420	\$ 315,055	\$ (52,960)	\$ (9,921)	\$ 252,594
Net loss	—	—	—	(7,920)	—	(7,920)
Foreign currency translation adjustments	—	—	—	—	(4,951)	(4,951)
Share-based compensation	—	—	1,823	—	—	1,823
Restricted stock activity	2,590	—	—	—	—	—
Issuance of ordinary shares upon exercise of stock options	164,510	2	489	—	—	491
Balance at September 30, 2021	42,182,774	\$ 422	\$ 317,367	\$ (60,880)	\$ (14,872)	\$ 242,037

	Ordinary Shares		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Stockholders' Equity
	Shares	Amount				
Balance at January 1, 2020	21,486,059	\$ 215	\$ 40,862	\$ (23,024)	\$ (2,908)	\$ 15,145
Net income	—	—	—	694	—	694
Foreign currency translation adjustments	—	—	—	—	(1,320)	(1,320)
Share-based compensation	—	—	295	—	—	295
Issuance of ordinary shares upon exercise of stock options	64,908	1	86	—	—	87
Balance at March 31, 2020	21,550,967	\$ 216	\$ 41,243	\$ (22,330)	\$ (4,228)	\$ 14,901
Net loss	—	—	—	(9,669)	—	(9,669)
Foreign currency translation adjustments	—	—	—	—	41	41
Share-based compensation	—	—	4,225	—	—	4,225
Issuance of restricted stock awards	93,680	—	—	—	—	—
Proceeds from issuance of shares in initial public offering, net of issuance costs of \$7,075	7,337,000	73	55,216	—	—	55,289
Cash consideration paid to GAN plc shareholders	—	—	—	(2,525)	—	(2,525)
Issuance of ordinary shares upon exercise of stock options	678,613	6	2,104	—	—	2,110
Balance at June 30, 2020	29,660,260	\$ 295	\$ 102,788	\$ (34,524)	\$ (4,187)	\$ 64,372
Net loss	—	—	—	(2,913)	—	(2,913)
Foreign currency translation adjustments	—	—	—	—	551	551
Share-based compensation	—	—	1,079	—	—	1,079
Issuance of ordinary shares upon exercise of stock options	10,750	—	27	—	—	27
Balance at September 30, 2020	29,671,010	\$ 295	\$ 103,894	\$ (37,437)	\$ (3,636)	\$ 63,116

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

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

	Nine Months Ended September 30,	
	2021	2020
Cash Flows from Operating Activities		
Net loss	\$ (15,114)	\$ (11,888)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of software and intangible assets	11,960	2,135
Depreciation on property and equipment and finance lease right-of-use assets	798	218
Share-based compensation expense	5,774	5,599
Other	432	9
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable	(258)	(2,154)
Prepaid expenses	272	(1,503)
Other current assets	226	(1,527)
Other assets	(9,123)	1,063
Accounts payable	(1,255)	2,223
Accrued compensation and benefits	3,370	1,958
Accrued expenses	3,906	421
Liabilities to users	2,847	—
Other current liabilities	(614)	(275)
Other liabilities	139	(114)
Net cash provided by (used in) operating activities	<u>3,360</u>	<u>(3,835)</u>
Cash Flows from Investing Activities		
Cash paid for acquisition, net of cash acquired	(92,454)	—
Expenditures for capitalized software development costs	(10,493)	(2,811)
Purchases of gaming licenses	(215)	(110)
Purchases of property and equipment	(1,478)	(763)
Net cash used in investing activities	<u>(104,640)</u>	<u>(3,684)</u>
Cash Flows from Financing Activities		
Proceeds received from issuance of ordinary shares in initial public offering, net	—	57,445
Payments of offering costs	(604)	(1,678)
Proceeds from exercise of stock options	828	2,224
Cash consideration paid to GAN plc shareholders	—	(2,525)
Principal payments on finance leases	(83)	(137)
Net cash provided by financing activities	<u>141</u>	<u>55,329</u>
Effect of foreign exchange rates on cash	<u>(1,210)</u>	<u>(489)</u>
Net increase (decrease) in cash	(102,349)	47,321
Cash, beginning of period	152,654	10,279
Cash, end of period	<u>\$ 50,305</u>	<u>\$ 57,600</u>
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Ordinary shares issued as partial consideration to acquire all the outstanding shares of Coolbet (Note 4)	\$ 106,683	\$ —
Issuance of unvested stock options in exchange for unvested stock options of Coolbet (Note 4)	297	—
Right-of-use asset obtained in exchange for new operating lease liabilities	252	—

The accompanying notes are an integral part of these unaudited 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. GAN plc, the previous parent, began its operations in the United Kingdom (“U.K.”) in 2002 and listed its ordinary shares on the AIM, the London Stock Exchange’s market for smaller companies, in 2013. In May 2020, pursuant to a statutory Scheme of Arrangement under Part 26 of U.K. Companies Act of 2006 (“Scheme of Arrangement”) approved by the shareholders of GAN plc, the shareholders of GAN plc exchanged their shares in GAN plc for shares in the Parent, thereby migrating the Company’s jurisdiction of organization from the U.K. to Bermuda. Thereafter, GAN Limited became the parent company of GAN plc. GAN plc was renamed GAN (UK) Limited (“GAN UK”).

On January 1, 2021, the Company acquired all of the outstanding shares of Vincent Group p.l.c. (“Vincent Group”), a Malta public limited company doing business as “Coolbet” (Note 4). Coolbet is a developer and operator of an online sports betting and casino platform that is accessible through its website in nine national markets across Northern Europe (Estonia, Finland, Iceland, Norway and Sweden), Latin America (Chile, Ecuador, and Peru) and North America (Canada).

The Company is a business-to-business (“B2B”) supplier of internet gambling Software-as-a-Service (“SaaS”) solutions predominately to the U.S. land-based casino industry. For its B2B customers, the Company has developed a proprietary internet gambling enterprise software system, GameSTACK™ (“GameSTACK”), which it licenses to land-based casino operators as a turnkey technology solution for regulated real money internet gambling (“real money iGaming” or “RMiG”), internet sports gaming, and virtual simulated gaming (“SIM”). The Company is also a business-to-consumer (“B2C”) developer and operator of an online sports betting and casino platform, providing international users with access to its sportsbook, casino games and poker products. The Company operates in two operating segments – B2B and B2C.

NOTE 2 — BASIS OF PRESENTATION

Basis of Presentation

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 the rules and regulations of the Securities and Exchange Commission for interim reporting. 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 and nine months ended September 30, 2021 are not necessarily indicative of the results that may be expected for the year ended December 31, 2021 or for any future annual or interim period. The condensed consolidated balance sheet as of December 31, 2020 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 financial statements and related notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 (“2020 Form 10-K”).

GAN LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share and per share amounts)

Share Exchange and Reorganization

On May 5, 2020, GAN Limited completed a share exchange and reorganization pursuant to a Scheme of Arrangement, whereby the shareholders of GAN plc agreed to exchange their ordinary shares on a basis of four ordinary shares to one ordinary share, for shares of GAN Limited, plus a pro rata portion of an aggregate of \$2,525 (£2,004 or 2.32 pence per share) in cash (“Share Exchange”). Immediately subsequent to the Share Exchange, the shareholders of GAN Limited held the same economic interest as they had in GAN plc prior to the Share Exchange. Holders of share options in GAN plc also received reciprocal share options as applicable, in GAN Limited. The condensed consolidated financial statements have been prepared as if GAN Limited had been the parent entity for the periods presented. All share and per share amounts prior to the date of the share exchange and reorganization in these condensed consolidated financial statements have been retroactively adjusted to give effect to the Share Exchange.

NOTE 3 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company’s significant accounting policies are included in “Note 3 – Summary of Significant Accounting Policies” of its 2020 Form 10-K. In addition to repeating some of these significant accounting policies, the Company has added certain new significant accounting policies during the nine months ended September 30, 2021, as described below.

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 the future periods.

Principles of Consolidation

The condensed consolidated financial statements include the results of the Parent and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

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 stockholders’ 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 gain (loss) of \$(589) and \$(379) for the three months ended September 30, 2021 and 2020, respectively, and \$(761) and \$613 for the nine months ended September 30, 2021 and 2020, respectively.

Risks and Uncertainties – COVID-19

The coronavirus disease 2019 (“COVID-19”) pandemic, which was declared a national emergency in the United States in March 2020, has significantly impacted the economic conditions and financial markets around the world. The closure of land-based casinos, social distancing, shelter-in-place, and similar restrictions implemented in response to the COVID-19 pandemic led to increases in the Company’s existing and new player activity in its online iGaming offerings as compared to historic trends, primarily at the start of the second quarter of 2020. Player activity in connection with the iGaming business has generally returned to pre-pandemic levels, or in certain cases, has increased, following the re-opening of land-based casinos and easing of local restrictions.

GAN LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share and per share amounts)

While the Company's iGaming business has proven resilient during the pandemic, uncertainties continue to exist as it relates to the magnitude of impact and duration of the COVID-19 pandemic. The ultimate impact of the pandemic on the Company's future operating results is unknown and will depend, in part, on the length of time COVID-19 disruptions exist and the subsequent behavior of players after restrictions are fully lifted. A recurrence of COVID-19 cases or an emergence of additional variants could adversely impact the Company's future financial results, though results from the Company's iGaming business may partially offset any potential reduction to the Company's sports betting transactions resulting from the suspension or cancellation of sporting events. The Company has considered the impact of COVID-19 on its accounting policies, judgments and estimates as part of the preparation of these condensed consolidated financial statements.

Management and the Board of Directors are monitoring the impacts of COVID-19 on the Company's operations and have not identified any major operational challenges through the date of issuance of these condensed consolidated financial statements. The Company has not experienced significant impacts to its liquidity to date. COVID-19 may impact the Company's ability to access capital to the extent it affects the U.S. capital markets. The Company has assessed the extent to which COVID-19 has impacted events after the reporting date and has not identified additional items to disclose as a result.

Revenue Recognition

Platform and Content Fees

The Company's platform and content fee revenues are generated primarily from its internet gambling SaaS platform, GameSTACK, that its customers use to provide access to real money and simulated internet gaming, and online sports betting. The Company enters into hosted service agreements with its customers, that generally range from three to five years, and includes renewal provisions, under which it charges fees based on a percentage of the operator's net gaming revenue or net sports win at the time of settlement of an event for real money gaming or at the time of purchase for in-game virtual credit for simulated gaming. The customers cannot take possession of the hosted software. Further, the Company generates revenues from the licensing of proprietary and third-party branded casino games (collectively "content licensing services") hosted on the platform.

GAN LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share and per share amounts)

In certain service agreements with SIM customers, the Company receives the fees for in-game virtual credit purchases made by end-user players and remits payment to the SIM customer for their share of the SIM revenues generated from the Company's platform. At September 30, 2021 and December 31, 2020, the Company has recorded a liability of \$2,107 and \$2,520, respectively, for its customers' share of the fees within Other current liabilities in the condensed consolidated balance sheets.

The Company's promise to provide access to the 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 customer 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. The transaction price is considered variable consideration. Amounts due from the Company's casino operator customers are generally due thirty days from the date of invoice.

The Company's RMiG and SIM enterprise software platform offerings include iGaming content licensing services. The GameSTACK platform is capable of supporting, and is available to the customer, for both proprietary and third-party licensed gaming content. The customer, in this case the casino operator, generally controls the determination of which gaming content will be offered in their online casinos.

A customer can utilize the Company's proprietary or licensed gaming content, or a customer can direct the Company to procure third-party gaming content on its behalf. The Company has determined it acts as the principal for providing the content licensing services when the Company controls the gaming content, and therefore presents the revenue on a gross basis in the consolidated statements of operations. When the customer directs the Company to procure third-party gaming content, the Company has determined it is deemed an agent for providing the content licensing services, and therefore, records the revenue, net of licensing costs paid to the suppliers of that gaming content, in the condensed consolidated statements of operations.

Gaming

The Company operates the B2C gaming site www.Coolbet.com outside of the U.S., which is built on 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 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 2,000 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 from poker is reported at rake, less tournament costs and customer bonuses.

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. Such user incentives are recognized as a reduction to revenue upon redemption or as revenue when the incentive expires.

GAN LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share and per share amounts)

Development Services

Gaming Development Services

The Company generates revenue from fees for development of custom games for use on its RMiG and SIM platforms. The development revenue is recognized at the point in time when control of the game is transferred, typically the earlier of the customer's acceptance or upon receipt of the certification of the game.

Platform Development Services

Platform development services consist of fees charged for initial deployment of iGaming solutions, as well as ongoing development services to provide updates to the software for enhanced functionality or customization. Development services fees for the initial deployments of the iGaming solutions are typically charged at a fixed fee. Ongoing platform development services are typically billed monthly, at a daily rate, for services performed. Revenue from platform development services is recognized over time as the Company performs the services. For development services charged at a daily rate, revenue is measured using an input method based on effort expended, which uses direct labor hours incurred. As the performance obligations in these instances relate to the provision of development services over time, this method best reflects the transfer of control as the Company performs. In contracts that require a portion of the consideration to be received in advance, at the commencement of the contract, such advance payment is initially recorded as a contract liability.

Computer Hardware Sales

The Company resells third-party hardware, such as computing servers and other technical devices, that are owned by the casino operators upon which the GameSTACK software platform is installed and accessed by its customers. Customers cannot take possession of the hosted software even when hosted on hardware that is owned by the customer or on third-party hardware. These products are not required to be purchased in order to access the GameSTACK platform but are sold as a convenience to the customer. 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 client's premises and configured to allow for remote access.

The Company has determined that it is acting as the principal in these transactions as it takes 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 hardware.

Patent Licensing Revenue

The Company generates revenue from time to time from the licensing of its 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 gambling technology system and the land-based casino management system present in all U.S. casino properties. The nature of the promise in transferring the license is to provide a right to use the patent as it exists. The Company does not have to undertake activities to change the functionality of the patent during the license period and the license has significant stand-alone functionality. Therefore, the Company recognizes the revenue from the license of the patent, at the point in time when control of the license is transferred to the customer. Control is determined to transfer at the point in time the customer is able to use and benefit from the license.

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. Customer contracts can include platform and content services as well as development services or hardware sales. The variable consideration is allocated entirely to the performance obligation for platform and content services as the variable consideration is allocable specifically to the delivery of the services in the period and the allocation is consistent with the allocation objective.

For gaming, 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.

Cash

The Company is required to maintain minimum 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.

Goodwill

Goodwill represents the excess of the fair value of the consideration transferred over the estimated fair values of the identifiable assets acquired and liabilities assumed on the acquisition date. As disclosed in Note 4, the Company has recorded goodwill in connection with the acquisition of Coolbet on January 1, 2021. Goodwill is not amortized, but rather is reviewed for impairment annually or more frequently if facts or circumstances indicate that the carrying value may not be recoverable.

The Company has determined that it has two reporting units: B2C and B2B. In its goodwill impairment testing, the Company has the option to perform a qualitative assessment to determine whether it is more-likely-than-not that the fair value of the reporting unit, including goodwill, is less than its carrying amount prior to performing the quantitative impairment test. The qualitative assessment evaluates various events and circumstances, such as macro-economic conditions, industry and market conditions, cost factors, relevant events and financial trends that may impact a reporting unit's fair value. If it is determined that the estimated fair value of the reporting unit is more-likely-than not less than its carrying amount, including goodwill, the quantitative goodwill impairment test is required. Otherwise, no further analysis would be required.

If the quantitative impairment test for goodwill is deemed necessary, this quantitative impairment analysis compares the fair value of the Company's reporting unit to its related carrying value. If the fair value of the reporting unit is less than its carrying amount, goodwill is written down to the fair value and an impairment loss is recognized. If the fair value of the reporting unit exceeds its carrying amount, no further analysis is required. Fair value of the reporting unit is determined using valuation techniques, primarily using discounted cash flow analysis.

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The Company performs its annual impairment review of goodwill as of October 1st and when events or circumstances change between annual impairment tests that may indicate that it is more-likely-than-not the fair value of a reporting unit may be below its carrying amount.

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.

The fair value of the acquired intangible assets is 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.

Acquired in-process technology consists of a proprietary technical platform. The Company reviews the in-process technology for impairment at least annually or more frequently if an event occurs creating the potential for impairment, until such time as the in-process technology efforts are completed. When completed, the developed technology will be amortized over its estimated useful life based on an amortization method that reflects the pattern in which the economic benefits of the intangible assets are consumed or otherwise realized. The technology is expected to be completed in the first half of 2022.

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 are 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.

Capitalized Software Development Costs, net

The Company capitalizes certain development costs related to its software 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 software platform.

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

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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.

Share-based Compensation

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

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.

Reclassifications of Prior Period Amounts

Certain prior period amounts have been reclassified to conform to the current period presentation. Specifically, due to the Coolbet acquisition in 2021, the Company has reclassified certain balances that were previously presented in separate balance sheet captions to Other current assets, Other assets, Accrued expenses, Other current liabilities and Other liabilities in the condensed consolidated balance sheet as of December 31, 2020. These reclassifications had no impact on previously disclosed amounts for current assets, current liabilities, total assets and total liabilities.

NOTE 4 — ACQUISITION OF VINCENT GROUP P.L.C.

On January 1, 2021, the Company acquired all of the outstanding shares of Vincent Group p.l.c. ("Coolbet"). The business was acquired for a purchase price of \$218.1 million, after the final working capital adjustment and excluding acquisition related costs. The cash portion of the purchase price was funded from proceeds received from issuance of ordinary shares in the Company's follow-on offering in December 2020 and available cash on hand. The Company acquired Coolbet to take advantage of Coolbet's user interface and proprietary technical platform, to quickly integrate and offer a proprietary sportsbook offering to land-based casino operators in the U.S. The Company intends to continue to operate in the U.S. solely as a B2B provider to casinos and other operators. The addition of a proprietary sports betting engine will give the Company the ability to offer a "one-stop" solution to U.S. retail casino operators, while at the same time preserving the flexibility to incorporate third-party solutions when specified. The Company expects that its technology platform and expansive library of proprietary and third-party gaming content should enable it to add additional casino gaming content and platform support for the Company's B2C offering in Europe and Latin America. The following table summarizes the consideration transferred and the recognized amounts of identifiable assets acquired and liabilities assumed at the acquisition date:

Fair value of the consideration transferred:

Cash paid to Vincent Group shareholders	\$	111,168
Restricted ordinary shares issued to Vincent Group shareholders ⁽¹⁾		106,683
Replacement equity-based awards to holders of Vincent Group equity-based awards ⁽²⁾		297
Total	\$	<u>218,148</u>

(1) The share consideration represents 5,260,516 ordinary shares issued to the Vincent Group shareholders multiplied by the Company's share price of \$20.28 on the acquisition date.

(2) The replacement equity-based awards consist of options to purchase 67,830 shares of the Company's ordinary shares. In accordance with the applicable accounting guidance, the fair value of replacement equity-based awards attributable to pre-combination service is recorded as part of the consideration transferred in the acquisition, while the fair value of the replacement equity-based awards attributable to post-combination service is recorded separately from the business combination and recognized as compensation cost in the post-acquisition period over the remaining service period. The fair value of the replacement awards was estimated using the Black-Scholes option pricing model utilizing various assumptions. The vesting terms and conditions of the unvested options were replaced with terms identical to those of the original awards.

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Recognized amounts of identifiable assets acquired and liabilities assumed at fair value:

Cash	\$	18,714
Prepaid expenses and other current assets		1,512
Property and equipment		343
Operating lease right-of-use assets		416
Intangible assets		50,570
Other assets		73
Accounts payable		(1,182)
Liabilities to users		(5,373)
Other current liabilities		(1,797)
Operating lease liabilities		(167)
Deferred income taxes		(2,373)
Noncurrent operating lease liabilities		(231)
Total identifiable net assets		<u>60,505</u>
Goodwill		157,643
	<u>\$</u>	<u>218,148</u>

Identifiable intangible assets acquired as part of the acquisition, including their respective expected useful lives, were as follows:

	Estimated useful life (in years)	Fair Value
Developed technology	3	\$ 29,600
In-process developed technology	—	8,800
Customer relationships	3	5,900
Trade names and trademarks	10	5,800
Gaming licenses	various	470
		<u>\$ 50,570</u>

The Company accounted for the acquisition of Coolbet using the acquisition method. The acquisition is treated as a stock purchase for accounting purposes. The goodwill is primarily attributable to the expected incremental revenue and profit to be derived from the Company's introduction of Coolbet's sports betting engine technology and intellectual technology to B2B customers in the U.S. and the assembled workforce of Coolbet. The Company intends to offer the Coolbet sports betting engine and associated capability to existing and new customers alongside its existing platform and internet casino capability, as a complete turnkey solution or as an alternative sports betting engine to those currently relied upon by customers. Goodwill recognized in the acquisition is not deductible for tax purposes.

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The Company has not finalized its accounting for the acquisition. Further analysis of the fair values assigned to the net assets acquired and related tax impacts are ongoing. Accordingly, the purchase price allocation could change significantly.

In the third quarter of 2021, an adjustment to increase goodwill by \$50 was made to the initial amounts recorded, which relates to additional consideration paid by the Company to the seller as part of the final working capital adjustment. Additionally, there was a net adjustment to decrease goodwill by \$2,092 and increases to the values assigned to the intangible assets by \$2,200, comprised of a \$1,500 increase to developed technology, \$400 increase to in-process developed technology and a \$300 increase to customer relationships, resulting in a \$108 increase to deferred tax liabilities. The changes in the value of the intangible assets resulted in an increase in amortization expense of \$447 during the three months ended September 30, 2021.

Giving effect to these adjustments, the Company recorded a net deferred income tax liability of \$2,373 related to the intangible assets recorded in the acquisition accounting. Goodwill of \$159,685 was recorded at the time of acquisition and was adjusted to \$157,643 in the third quarter of 2021. Goodwill arising from the acquisition has been preliminarily assigned to the Company's B2C and B2B segments. The Company expects the B2B segment to benefit from the synergies of the combination. Following the acquisition, Coolbet's operations are reported in the B2C segment. Refer to Note 13 for the revenue and segment results of Coolbet since the acquisition date.

The Company incurred total acquisition-related costs of \$1,309, of which \$290 were recorded during the nine months ended September 30, 2021. The remaining costs were incurred in 2020.

Pro Forma Operating Results

The operating results of Coolbet have been included in the condensed consolidated financial statements, beginning on January 1, 2021. The following unaudited pro forma information presents the consolidated financial information as if the Coolbet acquisition had occurred on January 1, 2020. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as amortization expense resulting from the intangible assets acquired, share-based compensation related to unvested replacement awards and an adjustment to reflect the Company's income tax rate. Acquisition costs of \$1,309 are also included as a nonrecurring charge. Such pro forma operating results were prepared for comparative purposes only and do not purport to be indicative of what would have occurred had the acquisition been made as of January 1, 2020 or of the results that may occur in the future.

	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Revenue	\$ 18,437	\$ 47,181
Net loss	\$ (5,072)	\$ (20,393)
Loss per share, basic and diluted	\$ (0.15)	\$ (0.66)

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NOTE 5 — CAPITALIZED SOFTWARE DEVELOPMENT COSTS, NET

Capitalized software development costs, net at September 30, 2021 and December 31, 2020 consisted of the following:

	September 30, 2021	December 31, 2020
Capitalized software development costs	\$ 32,957	\$ 26,507
Development in progress	6,106	2,641
Total capitalized software development costs	39,063	29,148
Less: accumulated amortization	(24,851)	(22,500)
Total	\$ 14,212	\$ 6,648

At September 30, 2021, development in progress primarily represented costs associated with new proprietary content and enhancements to the software platform, as well as integration of Coolbet's sportsbook into the B2B platform. The new B2B sportsbook technology is expected to be placed in service in the first half of 2022.

Amortization expense related to capitalized software development costs was \$994 and \$667 for the three months ended September 30, 2021 and 2020, respectively, and \$2,641 and \$2,038 for the nine months ended September 30, 2021 and 2020, respectively.

NOTE 6 — GOODWILL AND INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill, by segment, for the nine months ended September 30, 2021 were as follows:

	B2B	B2C	Total
Balance at January 1, 2021	\$ —	\$ —	\$ —
Goodwill acquired in Coolbet acquisition	67,547	92,138	159,685
Reallocation of goodwill ⁽¹⁾	10,859	(10,859)	—
Measurement period adjustments (Note 4)	(1,003)	(1,039)	(2,042)
Effect of foreign currency translation	(3,894)	(4,734)	(8,628)
Balance at September 30, 2021	\$ 73,509	\$ 75,506	\$ 149,015

(1) During the third quarter of 2021, the preliminary allocation of goodwill was refined to allocate the goodwill between the segments based on each reporting unit's estimated relative enterprise value, and their respective acquired assets and assumed liabilities. The acquired assets include intangible assets that are expected to be used within the Company's B2C and B2B segments.

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Intangible Assets

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

	Weighted Average Amortization Period	September 30, 2021		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	3.0 years	\$ 28,038	\$ (7,010)	\$ 21,028
In-process technology	—	8,336	—	8,336
Customer relationships	3.0 years	5,589	(1,397)	4,192
Trade names and trademarks	10.0 years	5,828	(751)	5,077
Gaming licenses	6.6 years	2,005	(1,117)	888
		<u>\$ 49,796</u>	<u>\$ (10,275)</u>	<u>\$ 39,521</u>
	Weighted Average Amortization Period	December 31, 2020		
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Trade names and trademarks	3.0 years	\$ 343	\$ (343)	\$ —
Gaming licenses	5.3 years	1,366	(898)	468
		<u>\$ 1,709</u>	<u>\$ (1,241)</u>	<u>\$ 468</u>

In-process technology consists of a proprietary technical platform (refer to Note 4 – Acquisition of Vincent Group p.l.c.). The technology is expected to be completed and placed in service in the first half of 2022, after which it will be amortized over its estimated useful life.

Amortization expense related to intangible assets was \$3,356 and \$29 for the three months ended September 30, 2021 and 2020, respectively, and \$9,319 and \$97 for the nine months ended September 30, 2021 and 2020, respectively. The estimated amortization expense for the next five years is as follows: \$3,007 for the remainder of 2021; \$12,019 for 2022; \$12,000 for 2023; \$644 for 2024; \$631 for 2025.

NOTE 7 — ACCRUED EXPENSES

Accrued expenses consisted of the following:

	September 30, 2021	December 31, 2020
Content licensing fees	\$ 2,304	\$ 1,984
Income taxes	2,794	17
Sales taxes	1,267	756
Other	583	606
Total	<u>\$ 6,948</u>	<u>\$ 3,363</u>

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NOTE 8 — OTHER CURRENT LIABILITIES

Other current liabilities consisted of the following:

	September 30, 2021	December 31, 2020
Revenue share due to SIM customers	\$ 2,107	\$ 2,520
Contract liabilities	586	1,083
Operating lease liabilities	491	262
Other	866	202
Total	\$ 4,050	\$ 4,067

Revenue share due to SIM customers represents the fees collected for in-game virtual credit purchases made by end-user players due to SIM casino operator customers for their share of the SIM revenues generated from the Company's platform.

NOTE 9 — 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 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 31st or as determined by the Board of Directors. Such grants may be issued as incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock grants, stock units, and other equity awards for issuance to employees, consultants or non-employee directors. On January 20, 2021, the 2020 Plan provided for grants of up to 5,865,414 shares. At September 30, 2021, there were 455,910 shares available for future issuance under the 2020 Plan. Share-based awards are issued at no less than fair market value of an ordinary share on the date of grant.

Stock Options

Stock option awards are granted with an exercise price equal to the fair market value of the Company's ordinary shares on the date of grant. Stock 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 nine months ended September 30, 2021, the Board of Directors approved the issuance of options to purchase 1,730,310 ordinary shares to employees, including executives and certain long-standing employees under the 2020 Plan.

In addition, in accordance with the acquisition agreement, the Company issued 67,830 replacement stock option awards to continuing employees of Coolbet. The fair value of the replacement stock options will be recognized ratably over the remaining service period, ranging from one to three years.

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A summary of the stock option activity as of and for the nine months ended September 30, 2021 is as follows:

	<u>Number of Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2020	3,061,859	\$ 8.06	8.5	\$ 37,410
Granted	1,798,140	21.91		
Exercised	(279,128)	2.96		
Forfeited/expired or cancelled	(311,890)	21.28		
Outstanding at September 30, 2021	<u>4,268,981</u>	<u>\$ 13.26</u>	<u>8.2</u>	<u>\$ 21,757</u>
Options exercisable at September 30, 2021	<u>1,943,931</u>	<u>\$ 5.41</u>	<u>7.1</u>	<u>\$ 19,631</u>

The Company recorded equity-settled share-based compensation expense related to stock options of \$1,758 and \$650 for the three months ended September 30, 2021 and 2020, respectively, and \$4,809 and \$5,095 for the nine months ended September 30, 2021 and 2020, respectively. The share-based compensation expense for the nine months ended September 30, 2020 includes \$3,881 from acceleration of vesting of awards in connection with the Company's initial public offering. At September 30, 2021, there was \$20,944 of total unrecognized compensation cost related to nonvested stock options. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 3.2 years.

The grant date fair value of each stock option grant was determined using the following weighted average assumptions:

	<u>Nine Months Ended September 30,</u>	
	<u>2021</u>	<u>2020</u>
Expected stock price volatility	61.38%	72.64%
Expected term (in years)	4.95	5.0
Risk-free interest rate	0.75%	0.33%
Dividend yield	0%	0%

The weighted average grant date fair value of options granted was \$8.00 and \$12.03 for the three months ended September 30, 2021 and 2020, respectively, and \$11.49 and \$9.60 for the nine months ended September 30, 2021 and 2020, respectively. The fair value of each stock 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 stock 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 stock options and the date on which share-based compensation will be settled.

Expected volatility is determined by reference to volatility of certain identified peer group share trading information and stock prices on the Nasdaq. 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.

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For the period prior to the Company's initial public offering in May 2020, expected volatility was determined by reference to the historic volatility of GAN UK's share price on the AIM, the London Stock Exchange. The risk-free interest rate for the expected term of the option was based on the U.K. Gilt 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.

In 2020, the Company recorded a liability for social taxes and income taxes related to certain unexercised legacy options at the time of the Share Exchange. The Company accounted for the required cash payment as a cash-settled share-based compensation transaction. The related liability for the future cash payment related to employee and employer taxes on outstanding unexercised legacy options of \$565 and \$826 at September 30, 2021 and December 31, 2020, respectively, is recorded in Accrued compensation and benefits in the condensed consolidated balance sheets. The Company recorded an expense (benefit) of \$(58) and \$(416) related to these options during the three months ended September 30, 2021 and 2020, respectively, and \$(239) and \$2,407 during the nine months ended September 30, 2021 and 2020, respectively.

Restricted Stock Units

On March 9, 2021, the Board of Directors approved the issuance of 10,358 restricted stock units to its non-employee directors. The restricted stock units vest over one year from the date of grant with 25% vesting per quarter. The value of restricted stock units is based on the market value of the Company's ordinary shares at the date of grant. The restricted stock units were issued with a grant date fair value of \$25.10 per share. During the nine months ended September 30, 2021, 7,768 restricted stock units vested and as of September 30, 2021, 2,590 restricted stock units remained outstanding. The Company recorded share-based compensation expense related to the restricted stock units of \$65 and \$195 for the three and nine months ended September 30, 2021, respectively. At September 30, 2021, there was \$65 of total unrecognized compensation cost related to nonvested restricted stock units. The remaining cost is expected to be recognized during the next three months. The total fair value of the restricted stock units that vested during the nine months ended September 30, 2021 was \$195.

A summary of the restricted stock unit activity as of and for the nine months ended September 30, 2021 is as follows:

	Number of Shares		Weighted Average Grant Date Fair Value
Outstanding at December 31, 2020	—	\$	—
Granted	10,358		25.10
Vested	(7,768)		25.10
Forfeited/expired or cancelled	—		—
Outstanding at September 30, 2021	<u>2,590</u>	\$	25.10

Restricted Stock Awards

In June 2020, the Board of Directors approved the issuance of 93,680 restricted stock awards to the Chief Executive Officer and non-employee directors. The restricted stock awards vest one year from the date of grant. The value of restricted stock is based on the market value of the Company's ordinary shares at the date of grant. The restricted stock awards were issued with a grant date fair value of \$18.19 per share. The Company recorded share-based compensation expense related to the restricted stock awards of \$0 and \$429 for the three months ended September 30, 2021 and 2020, and \$770 and \$504 during the nine months ended September 30, 2021 and 2020, respectively. The total fair value of the restricted stock awards that vested during the nine months ended September 30, 2021 was \$1,704.

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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.

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. Currently, an offering period is defined as a three-month duration commencing on or about January, April, July and October of each year. Also, one purchase period is included within each offering period. The Company plans to commence its first offering period and first purchase period in 2022.

NOTE 10 — INTEREST EXPENSE, NET

Interest expense, net consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Interest expense ⁽¹⁾	\$ —	\$ 2	\$ 1	\$ 395
Interest income	—	—	—	(3)
Interest expense, net	\$ —	\$ 2	\$ 1	\$ 392

(1) Interest expense includes interest on a related party loan of \$385 during the nine months ended September 30, 2020. Refer to Note 15 – Related Party Transactions.

NOTE 11 — LOSS PER SHARE

Loss per share is computed by dividing net loss by the weighted average number of ordinary shares outstanding, basic and diluted, during the period.

Potentially dilutive securities consisting of certain stock options, nonvested restricted stock and restricted stock 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 September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Stock options	4,268,981	3,146,059	4,268,981	3,146,059
Restricted stock awards	—	93,680	—	93,680
Restricted stock units	2,590	—	2,590	—
Total	4,271,571	3,239,739	4,271,571	3,239,739

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NOTE 12 — REVENUE

The following table reflects revenue recognized for the three and nine months ended September 30, 2021 and 2020 in line with the timing of transfer of services:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Revenue recognized at a point in time	\$ 22,671	\$ 788	\$ 64,840	\$ 888
Revenue from services delivered over time	9,590	9,478	29,891	25,371
Total	\$ 32,261	\$ 10,266	\$ 94,731	\$ 26,259

During the three months ended September 30, 2021, revenues recognized at a point in time was \$22,671, of which \$21,093 related to gaming revenues and \$1,578 related to development services and other revenues. During the nine months ended September 30, 2021, revenues recognized at a point in time was \$64,840, of which \$59,387 related to gaming revenues and \$5,453 related to development services and other revenues. Revenues recognized at a point in time during the three and nine months ended September 30, 2020 were related to development services and other revenues.

During the three months ended September 30, 2021 and 2020, one customer in the B2B segment generated revenue of \$4,747 and \$3,818 and represented 14.7% and 37.2% of total revenues, respectively. During the nine months ended September 30, 2021 and 2020, one customer in the B2B segment generated revenue of \$12,661 and \$11,826, and represented 13.4% and 45.0% of total revenues, respectively.

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. These 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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Contract liabilities from advance customer payments, beginning of the period	\$ 581	\$ 1,865	\$ 1,083	\$ 3,023
Contract liabilities from advance customer payments, end of the period	586	1,561	586	1,561
Revenue recognized from amounts included in contract liabilities from advance customer payments at the beginning of the period	—	1,187	403	2,201

GAN LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share and per share amounts)

NOTE 13 — SEGMENT REPORTING

Effective January 1, 2021, the Company completed the acquisition of Coolbet (Note 4), which caused the composition of its reportable segments to change. Accordingly, the Company implemented a segment reorganization to align its segment reporting with its revised operating structure. The Company's new reportable segments are B2B and B2C. The B2B segment develops, markets and sells instances of iSight Back Office and GameSTACK technology that incorporates comprehensive player registration, account funding and back-office accounting and management tools that enable the casino operator customers to efficiently, confidently and effectively extend their presence online in places that have permitted online real money gambling. The B2C segment includes the operations of Coolbet since the date of acquisition. Coolbet develops and operates a B2C online sports betting and casino platform that is accessible through its website in nine national markets across Northern Europe (Estonia, Finland, Iceland, Norway and Sweden), Latin America (Chile, Ecuador and Peru) and North America (Canada).

The segment information has been recast to conform to the reporting structure in effect after the segment reorganization that was effective January 1, 2021. The Company has combined its previous two reportable segments, RMiG and SIM, into one reportable segment, B2B, for the three and nine months ended September 30, 2020.

Information reported to the Company's Chief Executive Officer, the Chief Operating Decision Maker ("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 gross profit. Segment gross profit represents the gross profit 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 and nine months ended September 30, 2021 and 2020 is as follows:

	Three Months Ended September 30,					
	2021			2020		
	B2B	B2C	Total	B2B	B2C	Total
Revenue	\$ 11,168	\$ 21,093	\$ 32,261	\$ 10,266	\$ —	\$ 10,266
Cost of revenue ⁽¹⁾	3,583	7,218	10,801	3,083	—	3,083
Segment gross profit	\$ 7,585	\$ 13,875	\$ 21,460	\$ 7,183	\$ —	\$ 7,183

⁽¹⁾ Excludes depreciation and amortization

	Nine Months Ended September 30,					
	2021			2020		
	B2B	B2C	Total	B2B	B2C	Total
Revenue	\$ 35,344	\$ 59,387	\$ 94,731	\$ 26,259	\$ —	\$ 26,259
Cost of revenue ⁽¹⁾	8,632	21,244	29,876	6,898	—	6,898
Segment gross profit	\$ 26,712	\$ 38,143	\$ 64,855	\$ 19,361	\$ —	\$ 19,361

⁽¹⁾ Excludes depreciation and amortization

GAN LIMITED
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except share and per share amounts)

The following table presents a reconciliation of segment gross profit to consolidated loss before income taxes for the three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Segment gross profit ⁽¹⁾	\$ 21,460	\$ 7,183	\$ 64,855	\$ 19,361
Sales and marketing	5,657	1,277	15,238	3,782
Product and technology	4,634	1,896	13,539	8,093
General and administrative ⁽¹⁾	12,895	6,120	35,232	16,297
Depreciation and amortization	4,646	804	12,758	2,373
Interest expense, net	—	2	1	392
Loss before income taxes	<u>\$ (6,372)</u>	<u>\$ (2,916)</u>	<u>\$ (11,913)</u>	<u>\$ (11,576)</u>

(1) Excludes depreciation and amortization

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.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
B2B:				
Platform and content fees	\$ 8,743	\$ 6,914	\$ 27,252	\$ 19,269
Development services and other	2,425	3,352	8,092	6,990
Total B2B revenue	<u>\$ 11,168</u>	<u>\$ 10,266</u>	<u>\$ 35,344</u>	<u>\$ 26,259</u>
B2C:				
Sportsbook	\$ 7,886	\$ —	\$ 27,794	\$ —
Casino	12,323	—	29,306	—
Poker	884	—	2,287	—
Total B2C revenue	<u>\$ 21,093</u>	<u>\$ —</u>	<u>\$ 59,387</u>	<u>\$ —</u>
Total revenue	<u>\$ 32,261</u>	<u>\$ 10,266</u>	<u>\$ 94,731</u>	<u>\$ 26,259</u>

Revenue by location of the customer for the three and nine months ended September 30, 2021 and 2020 was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
United States	\$ 9,100	\$ 8,662	\$ 29,181	\$ 21,957
Europe	11,598	1,594	36,855	4,272
Latin America	9,854	—	23,711	—
Rest of the world	1,709	10	4,984	30
Total	<u>\$ 32,261</u>	<u>\$ 10,266</u>	<u>\$ 94,731</u>	<u>\$ 26,259</u>

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

NOTE 14 — INCOME TAXES

The provision for income taxes for the three and nine months ended September 30, 2021 and 2020 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Domestic (Bermuda)	\$ —	\$ —	\$ —	\$ —
Foreign (Non-Bermuda)	1,548	(3)	3,201	312
Total	\$ 1,548	\$ (3)	\$ 3,201	\$ 312

The Company's effective income tax rate was (24.3)% and 0.1% for the three months ended September 30, 2021 and 2020, respectively, and (26.9)% and (2.7)% for the nine months ended September 30, 2021 and 2020, respectively. The Company uses an estimated annual effective tax rate to determine the quarterly income tax provision, which is adjusted each quarter based on information available at the end of that quarter.

The difference between the statutory tax rate of 0% in Bermuda, the Company's country of domicile, and the effective income tax rate for the three and nine months ended September 30, 2021 was due primarily to a mix of earnings in foreign jurisdictions that are subject to current tax.

NOTE 15 — RELATED PARTY TRANSACTIONS

In connection with the Share Exchange and Reorganization disclosed in Note 2, the Company arranged funding of the cash consideration of the Share Exchange through a loan facility provided by the Parent's chief executive officer and his father. The loan facility provided for a minimum interest charge of £300, and any funds borrowed thereunder would have been unsecured and borne interest at 15% per annum. Such facility was available for a term of six months. Ultimately, the facility was not used, and the cash consideration of the Share Exchange was paid from the Company's operating cash. The minimum interest charge of \$385 (or £300) was paid in May 2020 and recorded in Interest expense, net, in the condensed consolidated statement of operations during the nine months ended September 30, 2020.

NOTE 16 — 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 gambling content providers (“Content Providers”) specializing in developing and licensing interactive games. The Agreements grant the Company exclusive rights to use and distribute the online gaming content in North America. Each of the Content Providers is 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 is 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 are paid systematically over the initial five-year terms. Additional payments could be required if the Company’s total revenue generated from the licensed content exceed certain stipulated thresholds. Under the terms of the Agreements, the Content Providers are to remit the cash flows from the online gambling content with its existing customers to the Company during the exclusivity period.

The Agreements provide that the games software will reside and be deployed from the suppliers’ remote gaming servers. Although the Company could run the games software on its platform, the Company does not have the contractual right to take possession of the software and ownership of the software does not transfer to the Company. The Company is accounting for the respective hosting arrangements as service contracts. The Company expects to have access to the available gaming content on the remote gaming servers in the fourth quarter of 2021. Total fixed service fees under the Agreements, net of payments received from the Content Providers, will be expensed ratably over the term of the Agreements commencing upon initial access to the remote gaming servers. Any variable payments required upon reaching certain revenue milestones to the Content Providers will be expensed in the period incurred.

As of September 30, 2021, the Company has recorded prepaid service fees of \$8.5 million in Other assets in the condensed consolidated balance sheet.

The Company expects to make fixed payments of \$8.0 million in the fourth quarter of 2021 and \$8.0 million in each of the years 2022 through 2025.

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 2020 Form 10-K as supplemented in our Current Report on Form 8-K filed with the SEC on August 20, 2021.

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 COVID-19 pandemic on our business and operations, 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 Vincent Group p.l.c., a Malta public limited company doing business as “Coolbet”, 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 2020 Form 10-K.

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 was incorporated and registered in Bermuda in 2020. GAN plc, our previous parent company, began its operations in the U.K. in 2002. In May 2020, pursuant to a statutory Scheme of Arrangement, the shareholders of GAN plc exchanged their shares in GAN plc for shares in GAN Limited, thereby migrating the Company’s jurisdiction of organization from the U.K. to Bermuda. Pursuant to that Scheme of Arrangement, GAN Limited became the parent company of GAN plc. GAN plc was thereafter renamed GAN (UK) Limited (“GAN UK”). At the same time we completed our U.S. initial public offering under which we sold an aggregate of 7,337,000 ordinary shares for net proceeds of \$57.4 million. In December 2020, we conducted a follow-on offering under which we sold 6,790,956 ordinary shares and raised net proceeds of \$98.5 million.

Effective January 1, 2021, the acquisition of Coolbet, caused the composition of our reportable segments to change. Our new reportable segments are B2B and B2C.

The B2B segment develops, markets and sells instances of iSight Back Office and GameSTACK technology that incorporates comprehensive player registration, account funding and back-office accounting and management tools that enable the casino operator customers to efficiently, confidently and effectively extend their presence online in places that have permitted RMiG. In 2021, we won three prestigious industry awards from EGR North America – Best Freeplay Gaming Supplier, Best Full-Service Platform Provider and Best White Label Partner of the Year – in recognition of our expertise and commitment for delivering industry-leading gaming solutions to land-based casinos.

The B2C segment includes the operations of Coolbet since the date of acquisition. Coolbet develops and operates an online sports betting and casino platform that is accessible through its website in nine national markets across Northern Europe (Estonia, Finland, Iceland, Norway and Sweden), Latin America (Chile, Ecuador, and Peru) and North America (Canada). In 2021, Coolbet won two prestigious awards at the International Gaming Awards in London - Mobile Sports Product of the Year and Innovator of the Year - in recognition of our significant impact in the mobile sports betting industry.

Our net loss was \$7.9 million and \$2.9 million for the three months ended September 30, 2021 and 2020, respectively, and \$15.1 million and \$11.9 million for the nine months ended September 30, 2021 and 2020, respectively. Our results of operations for the three and nine months ended September 30, 2021 includes the financial results of Coolbet for the entire period, and accordingly, are not directly comparable to our condensed consolidated results of operations for the three and nine months ended September 30, 2020.

In January 2021 we simultaneously launched three operator customers in the state of Michigan as it opened its market to real money iGaming (“RMiG”). Subsequently, we expanded our footprint into additional states and have launched our iGaming solutions in Tennessee, Colorado and Arizona. We further launched our iGaming solution in Connecticut in October 2021, and anticipate that additional states such as Louisiana and Maryland will allow for the operation of RMiG during 2021, which would further increase our total addressable market in the United States, along with other states that may regulate RMiG in the future.

To meet this 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 largest drivers of our operating costs generally relate to investments in talent (having increased our global headcount from 440 at January 1, 2021, inclusive of Coolbet employees, to 639 at September 30, 2021), technology and corporate infrastructure, as well as increased marketing spend with a focus on increasing and retaining B2C end-users.

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 improve our 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,
- revenue and margin 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 strategic 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 gambling technology system and the land-based casino management system present in all U.S. casino properties. In February 2021, we reached an agreement to license our U.S. patent to a second major U.S. casino operator group and we may license our patent to other major U.S. internet gambling operators in the future.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. Application of these principles requires management to make estimates and assumptions that affect the amounts reported in the condensed consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under current circumstances. These assumptions form the basis for our judgments about the carrying values of assets and liabilities that are not readily available from independent, objective sources. We evaluate our estimates on an ongoing basis. Use of alternative assumptions may have resulted in significantly different estimates. Actual results may differ from these estimates.

During the nine months ended September 30, 2021, there were no material changes to our accounting policies that we believe are critical to an understanding of financial condition and results of operations. Our critical accounting policies are disclosed in our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in our 2020 Form 10-K, and have been updated below as a result of our Coolbet acquisition on January 1, 2021.

Business Combinations

We account for business combinations in accordance with ASC 805, Business Combinations. This standard requires the acquiring entity in a business combination to recognize all (and only) the assets acquired and liabilities assumed in the transaction and establishes the acquisition-date fair value as the measurement objective for all assets acquired and liabilities assumed in a business combination.

Determining the fair value of assets acquired and liabilities assumed requires management judgment and often involves the use of significant estimates and assumptions with respect to the timing and amounts of future cash inflows and outflows, discount rates, market prices and asset lives, among other items. These estimates are based on information obtained from management of the acquired company and historical experience and are generally made with the assistance of an independent valuation firm. These estimates can include, but are not limited to, the cash flows that an asset is expected to generate in the future, and the cost savings expected to be derived from acquiring an asset. Any changes in the underlying assumptions can impact the estimates of fair value by material amounts, which can in turn materially impact our results of operations. These estimates are inherently uncertain and unpredictable, and, if different estimates were used, the purchase price for the acquisition could be allocated to the acquired assets and liabilities differently from the allocation that we have made. In addition, unanticipated events and circumstances may occur which affect the accuracy or validity of such estimates, and, if such events occur, we may be required to record a charge against the value ascribed to an acquired asset or an increase in the amounts recorded for assumed liabilities.

If the subsequent actual results and updated projections of the underlying business activity change compared with the assumptions and projections used to develop these fair values, we may have to record impairment charges in the future. In addition, we have estimated the useful lives of certain acquired assets, and these lives are used to compute depreciation and amortization expense. If our estimates of the useful lives change, depreciation and amortization expense may be required to be accelerated or decelerated.

Goodwill

Goodwill is reviewed for impairment annually during the fourth quarter, or more frequently if indicators of impairment exist. A significant amount of judgment is involved in determining if an indicator of goodwill impairment has occurred. Such indicators may include, among others: a significant decline in expected future cash flows; a significant adverse change in legal factors or in the business climate; unanticipated competition; and the testing for recoverability of a significant asset group within a reporting unit. Our goodwill impairment analysis also includes a comparison of the aggregate estimated fair value of all reporting units to our total market capitalization. Therefore, our shares may trade below our book value and a significant and sustained decline in our share price and market capitalization could result in goodwill impairment charges. Any adverse change in these factors could have a significant impact on the recoverability of these assets and could have a material impact on our condensed consolidated financial statements.

Goodwill impairment testing involves a comparison of the estimated fair value of a reporting unit to its respective carrying amount, which may be performed utilizing either a qualitative or quantitative assessment. A reporting unit is defined as an operating segment or one level below an operating segment. The qualitative assessment evaluates various events and circumstances, such as macro-economic conditions, industry and market conditions, cost factors, relevant events and financial trends that may impact a reporting unit's fair value. If it is determined that the estimated fair value of the reporting unit is more-likely-than-not less than the carrying amount, including goodwill, a quantitative assessment is required. Otherwise, no further analysis is necessary.

In a quantitative assessment, the fair value of a reporting unit is determined and then compared to its carrying value. A reporting unit's fair value is determined based upon consideration of various valuation methodologies, including the income approach, which utilizes projected future cash flows discounted at rates commensurate with the risks involved, and multiples of current and future earnings. If the fair value of a reporting unit is less than its carrying value, a goodwill impairment charge is recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit.

The income approach used to test our reporting units includes the projection of estimated operating results and cash flows, discounted using a weighted-average cost of capital ("WACC") that reflects current market conditions appropriate to each reporting unit. Those projections involve management's best estimates of economic and market conditions over the projected period, including growth rates in revenues and costs and best estimates of future expected changes in operating margins and cash expenditures. Other significant assumptions and estimates used in the income approach include terminal value growth rates, future estimates of capital expenditures and changes in future working capital requirements. In addition, the WACC utilized to discount estimated future cash flows is sensitive to changes in interest rates and other market rates in place at the time the assessment is performed. Future changes in our estimates or assumptions or in interest rates could have a significant impact on the estimated fair value of reporting units and result in a goodwill impairment charge that could be material to our condensed consolidated financial statements.

Long-Lived Assets

Long-lived assets, such as capitalized software for internal use, property and equipment, and definite-lived intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the related carrying amounts may not be recoverable. In assessing long-lived assets for impairment, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If circumstances require a long-lived asset or asset group to be tested for possible impairment, we compare the undiscounted cash flows expected to be generated by that asset or asset group to its 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 its 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.

Consolidated Results of Operations

On January 1, 2021, we completed our acquisition of Coolbet which was accounted for as a business combination under ASC 805, Business Combinations. The following discussion of our results of operations for the three and nine months ended September 30, 2021 includes the financial results of Coolbet for the entire period, and accordingly, are not directly comparable to our condensed consolidated results of operations for the three and nine months ended September 30, 2020. For that reason, we have included a discussion of our quarterly results for the three months ended September 30, 2021 compared to the immediately preceding three months ended June 30, 2021. Our B2B segment results for the three and nine months ended September 30, 2020 are comprised of our legacy business operations prior to the acquisition of Coolbet.

Three Months Ended September 30, 2021 Compared to Three Months Ended June 30, 2021

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

	Three Months Ended		Change	
	September 30, 2021	June 30, 2021	Amount	Percent
(dollars in thousands)				
Revenue	\$ 32,261	\$ 34,628	\$ (2,367)	(6.8)%
Operating costs and expenses				
Cost of revenue ⁽¹⁾	10,801	10,356	445	4.3%
Sales and marketing	5,657	5,480	177	3.2%
Product and technology	4,634	4,055	579	14.3%
General and administrative ⁽¹⁾	12,895	12,326	569	4.6%
Depreciation and amortization	4,646	4,149	497	12.0%
Total operating costs and expenses	38,633	36,366	2,267	6.2%
Operating loss	(6,372)	(1,738)	(4,634)	n.m.
Interest expense, net	—	—	—	—%
Loss before income taxes	(6,372)	(1,738)	(4,634)	n.m.
Income tax expense	1,548	992	556	56.0%
Net loss	\$ (7,920)	\$ (2,730)	\$ (5,190)	n.m.

(1) Excludes depreciation and amortization

n.m. = not meaningful

Geographic Information

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

	Three Months Ended		Percentage of Revenue		Change	
	September 30, 2021	June 30, 2021	September 30, 2021	June 30, 2021	Amount	Percent
(dollars in thousands)						
United States	\$ 9,100	\$ 8,608	28.2%	24.9%	\$ 492	5.7%
Europe	11,598	14,193	36.0%	41.0%	(2,595)	(18.3)%
Latin America	9,854	10,254	30.5%	29.6%	(400)	(3.9)%
Rest of the world	1,709	1,573	5.3%	4.5%	136	8.6%
Total revenue	\$ 32,261	\$ 34,628	100.0%	100.0%	\$ (2,367)	(6.8)%

Revenue

Revenue decreased \$2.4 million primarily due to decreased revenue of \$2.9 million within the B2C segment as a result of decreased margins in our sportsbook revenue stream. Despite an increase in the number of active players, B2C segment revenues decreased due to lower sports margins from sporting event results which were less favorable to the Company during the third quarter, as compared to the prior period. The decrease was partially offset by a \$0.5 million increase in revenue within the B2B segment, driven primarily by new hardware sales of \$1.5 million during the third quarter, offset by decreases in platform and content fee revenue and development service revenue of \$0.6 million and \$0.4 million, respectively.

On a geographic basis, revenue decreased across our larger international markets primarily due to decreased margins from our sportsbook products within the B2C segment as event results were less favorable during the third quarter as compared to the prior period. The increase in revenue in the United States as compared to the prior period was primarily the result of hardware sales within the B2B segment during the third quarter.

Cost of Revenue

Cost of revenue increased \$0.4 million due to a \$1.3 million increase in the cost of revenue within the B2B segment, primarily driven by \$1.1 million associated with hardware sales during the third quarter, partially offset by a \$0.8 million decrease in the cost of revenue within the B2C segment attributable to lower gaming duties and processing fees.

Sales and Marketing

Sales and marketing expense increased \$0.2 million primarily due to a \$0.3 million increase in marketing and advertising costs within the B2C segment as we continue to expand our footprint within new and existing international markets.

Product and Technology

Product and technology expense increased \$0.6 million primarily related to the hiring of developers to meet increased demand for our technology by new and existing customers, coupled with a lower rate of capitalization during the third quarter with respect to our product and technology costs and developer salaries, as compared to the prior period.

General and Administrative

General and administrative expense increased \$0.6 million primarily attributable to unfavorable foreign currency effects of \$0.5 million, as well as increased office-related expenses of \$0.4 million due to the opening of new offices in Miami and the United Kingdom and expansion of our existing offices in Nevada and Estonia. These increases were partially offset by decreased costs, including lower professional service fees of \$0.4 million due to audit, accounting and tax consulting service fees primarily related to the Coolbet acquisition that did not recur during the third quarter.

Depreciation and amortization

Depreciation and amortization expense increased \$0.5 million primarily due to increases to the values assigned to the intangible assets recognized in the acquisition of Coolbet in the third quarter of 2021.

Income Tax Expense

We recorded income tax expense of \$1.5 million for the three months ended September 30, 2021, reflecting an effective tax rate of (24.3)%, compared to \$1.0 million for the three months ended June 30, 2021, reflecting an effective tax rate of (57.1)%. The difference between the statutory tax rate of 0% in Bermuda, our country of domicile, and the effective income tax rate for the three months ended September 30, 2021 and June 30, 2021 was due primarily to a mix of earnings in foreign jurisdictions that are subject to current tax.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

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

	Nine Months Ended September 30,		Change	
	2021	2020	Amount	Percent
(dollars in thousands)				
Revenue	\$ 94,731	\$ 26,259	\$ 68,472	n.m.
Operating costs and expenses				
Cost of revenue ⁽¹⁾	29,876	6,898	22,978	n.m.
Sales and marketing	15,238	3,782	11,456	n.m.
Product and technology	13,539	8,093	5,446	67.3%
General and administrative ⁽¹⁾	35,232	16,297	18,935	n.m.
Depreciation and amortization	12,758	2,373	10,385	n.m.
Total operating costs and expenses	106,643	37,443	69,200	n.m.
Operating loss	(11,912)	(11,184)	(728)	(6.5)%
Interest expense, net	1	392	(391)	(99.7)%
Loss before income taxes	(11,913)	(11,576)	(337)	(2.9)%
Income tax expense	3,201	312	2,889	n.m.
Net loss	\$ (15,114)	\$ (11,888)	\$ (3,226)	(27.1)%

(1) Excludes depreciation and amortization

n.m. = not meaningful

Geographic Information

The following table sets forth our revenues by geographic region for the periods indicated:

	Nine Months Ended September 30,		Percentage of Revenue		Change	
	2021	2020	2021	2020	Amount	Percent
(dollars in thousands)						
United States	\$ 29,181	\$ 21,957	30.8%	83.6%	\$ 7,224	32.9%
Europe	36,855	4,272	38.9%	16.3%	32,583	n.m.
Latin America	23,711	—	25.0%	—%	23,711	n.m.
Rest of the world	4,984	30	5.3%	0.1%	4,954	n.m.
Total revenue	\$ 94,731	\$ 26,259	100.0%	100.0%	\$ 68,472	n.m.

n.m. = not meaningful

Revenue

Revenue increased \$68.5 million compared to the prior year period, primarily due to the inclusion of Coolbet within our results which resulted in \$59.4 million of revenue recognized within the B2C segment during the nine months ended September 30, 2021. The remaining increase of \$9.1 million within the B2B segment was primarily a result of organic growth, increased customer launches inclusive of new US RMiG customers and jurisdictions which contributed \$4.5 million, and patent licensing of \$3.0 million, partially offset by a decrease in development revenue of \$1.9 million primarily due to decreases associated with FanDuel's migration to their own player wallets in 2020.

Revenue increased across each of our geographies during the nine months ended September 30, 2021 as compared to the prior year period. Revenue from the United States increased \$7.2 million, driven primarily by patent licensing revenue of \$3.0 million, expanded legalization of RMiG and sports betting in additional U.S. states, and our launch of iGaming solutions for new and existing customers in those jurisdictions, the most significant of which was Michigan in January 2021. Revenue from customers in Europe increased \$32.6 million primarily due to the inclusion of B2C revenue in Northern Europe of \$31.2 million and increased B2B revenue from Italy of \$1.9 million, partially offset by a decrease of \$0.3 million in game development revenues. Following the closing of our acquisition of Coolbet in January 2021, our revenue footprint expanded into Latin America with additional revenues in North America (Canada).

Cost of Revenue

Cost of revenue increased \$23.0 million compared to the prior period, primarily due to the inclusion of Coolbet within our results which resulted in \$21.2 million of cost of revenue recognized within the B2C segment during the nine months ended September 30, 2021. The remaining increase of \$1.7 million within the B2B segment was primarily due to increased content license fees in line with the increase in related revenue.

Sales and Marketing

Sales and marketing expense increased \$11.5 million compared to the prior period, primarily due to the inclusion of Coolbet within our results which resulted in \$10.2 million of sales and marketing expense recognized during the nine months ended September 30, 2021. The remaining \$1.3 million increase in sales and marketing expense was driven by an increase in personnel costs due to increased headcount within our sales and marketing functions, with a focus on increasing customers in new and existing jurisdictions.

Product and Technology

Product and technology expense increased \$5.4 million compared to the prior period, of which \$12.4 million related to higher salaries and related employee costs as we continued to increase our development and related capabilities through the hiring of developers to meet higher demand for our technology by new and existing customers. This increase was offset by higher capitalized development costs of \$5.6 million, which is reflective of an increased rate of capitalization during the nine months ended September 30, 2021 when compared to the prior year period. The above increase of \$6.8 million, net of capitalized costs, was offset by a decrease of \$2.5 million in share-based compensation expenses for employees within our product and technology functions compared to the prior year period, primarily related to our initial public offering in May 2020. The remaining increase of \$1.1 million was primarily attributable to the inclusion of Coolbet within our results (\$0.9 million) for the first time following the acquisition in January 2021.

General and Administrative

General and administrative expense increased \$18.9 million compared to the prior year period, primarily due to the inclusion of Coolbet within our results which resulted in \$12.0 million of general and administrative expense recognized during the nine months ended September 30, 2021. The remaining \$6.9 million increase was primarily attributable to (i) increased professional services related to Coolbet integration projects and related corporate infrastructure of \$3.7 million, (ii) increased personnel and related costs (excluding share-based compensation) of \$2.2 million as we grew our headcount in functions such as management, legal, compliance, human resources, and finance which resulted in a higher headcount, on average, by more than 50% within our general and administrative functions during the nine months ended September 30, 2021 compared to the prior year period (iii) unfavorable foreign currency effects of \$1.4 million, (iv) higher corporate insurance costs of \$1.1 million and (v) higher technology costs of \$0.8 million in support of our continued growth. The increase was partially offset by \$2.8 million of expenses incurred during the prior year period related to our initial public offering that did not recur during the nine months ended September 30, 2021.

Within our operating expense, share-based compensation and related expenses across sales and marketing, product and technology, and general and administrative decreased \$3.3 million during the nine months ended September 30, 2021 compared to the nine months ended September 30, 2020, primarily due to expenses of \$7.1 million recognized during the nine months ended September 30, 2020 in relation to (i) the acceleration of vesting of outstanding grants at the time of our initial public filing in May 2020 of \$3.9 million and (ii) the recognition of cash-settled share-based compensation expense in relation to taxes associated with U.K. options during the same period of \$3.2 million (as compared to a benefit \$0.2 million in the current year period).

Depreciation and Amortization

Depreciation and amortization expense increased \$10.4 million compared to the prior year period, including \$9.2 million in amortization expense from intangible assets recognized in the acquisition of Coolbet.

Income Tax Expense

We recorded income tax expense of \$3.2 million for the nine months ended September 30, 2021, reflecting an effective tax rate (26.9)%, compared to \$0.3 million for the nine months ended September 30, 2020, reflecting an effective tax rate of (2.7)%. The difference between the statutory tax rate of 0% in Bermuda, our country of domicile, and the effective income tax rate for the nine months ended September 30, 2021 and 2020, was due primarily to a mix of earnings in foreign jurisdictions that are subject to current tax.

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, who is our Chief Executive Officer, for making decisions and assessing performance of our reportable segments.

Three Months Ended September 30, 2021 Compared to Three Months Ended June 30, 2021

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

	<u>Three Months Ended</u>		<u>Percentage of Segment Revenue</u>		<u>Change</u>	
	<u>September 30, 2021</u>	<u>June 30, 2021</u>	<u>September 30, 2021</u>	<u>June 30, 2021</u>	<u>Amount</u>	<u>Percent</u>
<i>(dollars in thousands)</i>						
B2B						
Revenue	\$ 11,168	\$ 10,646	100.0%	100.0%	\$ 522	4.9%
Cost of revenue ⁽¹⁾	3,583	2,307	32.1%	21.7%	1,276	55.3%
B2B segment gross profit	<u>\$ 7,585</u>	<u>\$ 8,339</u>	<u>67.9%</u>	<u>78.3%</u>	<u>\$ (754)</u>	<u>(9.0)%</u>
B2C						
Revenue	\$ 21,093	\$ 23,982	100.0%	100.0%	\$ (2,889)	(12.0)%
Cost of revenue ⁽¹⁾	7,218	8,049	34.2%	33.6%	(831)	(10.3)%
B2C segment gross profit	<u>\$ 13,875</u>	<u>\$ 15,933</u>	<u>65.8%</u>	<u>66.4%</u>	<u>\$ (2,058)</u>	<u>(12.9)%</u>

⁽¹⁾ Excludes depreciation and amortization

B2B Segment

B2B revenue increased \$0.5 million primarily due to new hardware sales of \$1.5 million during the third quarter offset by decreases in platform and content fee revenue and development service revenue of \$0.6 million and \$0.4 million, respectively.

B2B cost of revenue increased \$1.3 million primarily due to \$1.1 million of hardware costs associated with new hardware sales during the third quarter.

The B2B segment gross profit margin, which excludes depreciation and amortization, decreased \$0.8 million from the second quarter, primarily as a result of decreased platform and content fee revenue driven by lower seasonal performance in Italy as compared to the prior period. These decreases were combined with decreased development service revenue compared to the prior period due to the volume and size of RMiG and SIM casino launches for new customers and in new jurisdictions for our existing customers, as compared to the second quarter.

B2C Segment

B2C revenue decreased \$2.9 million primarily due to a \$4.9 million decrease in sportsbook revenue resulting from decreased sportsbook margins. Despite an increase in the number of active players, B2C segment revenues decreased due to a decrease in sports margins from sporting event results which were less favorable to the Company during the third quarter compared to the prior period. The decrease was partially offset by organic growth in B2C's casino and poker revenue streams of \$2.0 million.

B2C cost of revenue decreased \$0.8 million primarily due to lower gaming duties and processing fees of \$0.7 million resulting from duties incurred at a lower rate in tiered jurisdictions and lower processing fees which vary across our geographic markets and are dependent on the volume of player deposits and withdrawals.

The B2C segment gross profit, which excludes depreciation and amortization, decreased by \$2.1 million primarily due to the decrease in sports margins during the third quarter of 2021.

Nine Months Ended September 30, 2021 Compared to Nine Months Ended September 30, 2020

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

	Nine Months Ended September 30,		Percentage of Segment Revenue		Change	
	2021	2020	2021	2020	Amount	Percent
(dollars in thousands)						
B2B						
Revenue	\$ 35,344	\$ 26,259	100.0%	100.0%	\$ 9,085	34.6%
Cost of revenue ⁽¹⁾	8,632	6,898	24.4%	26.3%	1,734	25.1%
B2B segment gross profit	<u>\$ 26,712</u>	<u>\$ 19,361</u>	<u>75.6%</u>	<u>73.7%</u>	<u>\$ 7,351</u>	<u>38.0%</u>
B2C						
Revenue	\$ 59,387	\$ —	100.0%	—%	\$ 59,387	n.m.
Cost of revenue ⁽¹⁾	21,244	—	35.8%	—%	21,244	n.m.
B2C segment gross profit	<u>\$ 38,143</u>	<u>\$ —</u>	<u>64.2%</u>	<u>—%</u>	<u>\$ 38,143</u>	<u>n.m.</u>

(1) Excludes depreciation and amortization
n.m. = not meaningful

B2B Segment

B2B revenue increased \$9.1 million primarily due to an increase in platform and content fee revenue of \$8.0 million, which increased from \$19.3 million during the nine months ended September 30, 2020 to \$27.3 million for the nine months ended September 30, 2021. Of this increase, new RMiG jurisdictions in the United States and new casino operator customers since January 1, 2021 contributed \$4.5 million during the nine months ended September 30, 2021, the majority of which was derived in Michigan following the launch of RMiG in January 2021. Simulated gaming revenue within the B2B segment increased \$2.3 million as compared to the prior year period.

Additionally, B2B development services and other revenue increased \$1.1 million, of which \$3.0 million was attributable to patent licensing fee revenue recognized during the nine months ended September 30, 2021. The increase was partially offset by a decrease in development revenue of \$1.9 million primarily as a result of FanDuel's migration to its own player wallet platform in 2020.

B2B cost of revenue increased \$1.7 million primarily due to an increase in content licensing and processing fees of \$2.5 million driven by the increase in related revenue, partially offset by decreases in other costs, primarily gaming duties and related expenses of \$0.5 million which were incurred during the nine months ended September 30, 2020 associated with the online casino product offering we previously operated in the U.K. until September 2020, and lower costs of hardware sales of \$0.2 million compared to the prior year period.

Segment gross profit margin for B2B, which excludes depreciation and amortization, increased by \$7.4 million primarily as a result of higher revenues attributable to organic growth in the business and patent licensing.

B2C Segment

Segment gross profit for B2C, which excludes depreciation and amortization, was \$38.1 million, or 64.2% as a percentage of segment revenue, for the nine months ended September 30, 2021. Prior year revenue and costs of revenue are not included in our financial results due to the timing of the Coolbet acquisition, which closed January 1, 2021.

Non-GAAP Financial Measures

Adjusted EBITDA

Our management uses the non-GAAP measure Adjusted EBITDA to measure its financial performance. Specifically, it uses Adjusted EBITDA (1) 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 (2) 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 income (loss) before interest expense (income), net, income taxes, depreciation and amortization, impairments, share-based compensation expense and related expense, initial public offering related 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 three and nine months ended September 30, 2021 and 2020:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
(in thousands)				
Net loss	\$ (7,920)	\$ (2,913)	\$ (15,114)	\$ (11,888)
Income tax expense (benefit)	1,548	(3)	3,201	312
Interest expense, net	—	2	1	392
Depreciation and amortization	4,646	804	12,758	2,373
Share-based compensation and related expense	1,765	737	5,535	8,794
Initial public offering transaction related	—	—	—	2,831
Tax related provisions	—	939	—	939
Adjusted EBITDA	\$ 39	\$ (434)	\$ 6,381	\$ 3,753

Key Performance Indicators

Our management uses the following key performance indicators (“KPIs”) in reviewing trends and results of the business. These KPIs give our management an indication of the level of engagement between the player and our platforms. No estimation is necessary in quantifying these KPIs, nor do they represent U.S. GAAP measures. These KPIs are subject to various risks such as customer concentration, competition, licensing and regulation, and macroeconomic conditions. Refer to “Item 1A. Risk Factors” in our 2020 Form 10-K for further risks associated with our business which would affect these KPIs.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
B2B Gross Operator Revenue (in millions)	\$ 214.8	\$ 142.3	\$ 650.5	\$ 413.3
B2B Active Player-Days (in millions)	9.0	7.5	27.6	22.1
B2B Average Revenue per Daily Active User	\$ 24.00	\$ 18.93	\$ 23.60	\$ 18.67
B2C Active Customers	198,884	N/A	306,259	N/A
B2C Marketing Spend Ratio	15%	N/A	14%	N/A

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 win from real money regulated sports betting. 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 the Company’s platform is processing.

The increase in gross operator revenue for the three and nine months ended September 30, 2021, as compared to the three and nine months ended September 30, 2020, was driven primarily by expanded legalization of RMiG and sports betting in additional U.S. states and our launch of RMiG solutions for new and existing customers in those jurisdictions, the most significant of which was Michigan in January 2021. Additional increases in Europe of RMiG and SIM were driven by organic growth from new and existing customers.

B2B Active Player-Days

We define B2B Active Player-Days as unique individuals who log on and wager each day (either wagering with real money or playing with virtual credits used in SIM), aggregated during the respective period. By way of illustrative example: one (1) unique individual logging in and wagering each day in a single calendar year would, in aggregate, represent 365 B2B Active Player-Days. B2B Active Player-Days provides an indicator of consistent and daily interaction that individuals have with our platforms. B2B Active Player-Days allows management and users to understand not only total users who interact with the platform but gives an idea of the frequency to which users are interacting with the platform, as someone who logs on and wagers multiple days are weighted heavier during the period than the user who only logs on and wagers one day.

The increase in B2B Active Player-Days for the three and nine months ended September 30, 2021, as compared to the three and nine months ended September 30, 2020, was primarily attributable to the continued expansion of our existing customers into new states upon legislation (for example Michigan in January 2021), as well as new customers launched.

B2B Average Revenue per Daily Active User

We define B2B Average Revenue per Daily Active User (“ARPDau”) as B2B Gross Operator Revenue divided by the identified number of B2B Active Player-Days. This metric allows management to measure the value per daily user and track user interaction with the platforms, which helps both management and users of financial statements understand the value per user that is driven by marketing efforts and data analysis obtained from our platforms.

The increase in B2B ARPDau in the three and nine months ended September 30, 2021, as compared to the three and nine months ended September 30, 2020, was primarily the result of a larger proportion of revenue coming from higher-yield product offerings such as U.S. RMIg, as compared to lower-yield revenue streams such as our SIM product offerings.

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.

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.

Liquidity and Capital Resources

We have primarily funded our operations through cash generated from operations and cash on hand. In May 2020, we completed our U.S. initial public offering under which we sold an aggregate of 7,337,000 ordinary shares for net proceeds of \$57.4 million and in December 2020, we conducted a follow-on offering under which we sold 6,790,956 ordinary shares for net proceeds of \$98.5 million. In January 2021, we completed the acquisition of Coolbet for a purchase price of \$218.1 million, including the issuance of 5,260,516 ordinary shares, replacement equity-based awards valued at \$0.3 million and cash of \$111.2 million, which was funded from the follow-on offering proceeds and available cash on hand.

Our primary source of liquidity for our working capital is cash flows generated from operations and our cash on hand of \$50.3 million at September 30, 2021. Our primary uses of cash include funding our ongoing working capital needs, content licensing discussed below, developing and maintaining our proprietary software platforms and acquiring property and equipment.

During the nine months ended September 30, 2021, we entered into Content Licensing Agreements (the “Agreements”) with two third-party gambling content providers specializing in developing and licensing interactive games. The Agreements grant us exclusive rights to use and distribute the online gaming content in North America. Each of the content providers is committed to developing a minimum number of games for our exclusive use over the five-year term, subject to extensions, of the respective Agreement. In exchange, we are 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 are paid systematically over the initial five-year terms. Additional payments could be required if our total revenue generated from the licensed content exceed certain stipulated thresholds.

We expect our capital expenditures to continue to increase in the immediate future, as we seek to expand our business through organic growth and potential business acquisitions. Specifically, the key elements of our growth strategy include, but are not limited to, the expansion of our gaming content on our platform, primarily through the Agreements, our anticipated launch of the B2B sportsbook technology solution in North America in the first half of 2022, the continued integration of Coolbet’s sports betting technology and international B2C operations, the launch of regulated gaming in new U.S. states and potential business acquisitions.

The execution of our growth strategy will require significant capital expenditures estimated at \$17.2 million to \$20.5 million to be spent through December 2022. We expect to continue investing in our products and technologies as we seek to scale our business.

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 may also seek to enhance our competitive position through additional complementary acquisitions in both existing and new markets. Therefore, from time to time, we may access the equity or debt markets to raise additional funds to finance potential acquisitions.

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 credit facilities or similar debt arrangements in place and cannot provide any assurance as to the availability or terms of any 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)	Nine Months Ended September 30,		Change	
	2021	2020	Amount	Percent
Net cash provided by (used in) operating activities	\$ 3,360	\$ (3,835)	\$ 7,195	n.m.
Net cash used in investing activities	(104,640)	(3,684)	(100,956)	n.m.
Net cash provided by financing activities	141	55,329	(55,188)	(99.7)%
Effect of foreign exchange rates on cash	(1,210)	(489)	(721)	n.m.
Net increase (decrease) in cash	\$ (102,349)	\$ 47,321	\$ (149,670)	n.m.

n.m. = not meaningful

Operating Activities

Net cash provided by (used in) operating activities increased \$7.2 million primarily resulting from a decrease in net loss (after adjustments to reconcile net loss to cash flows from operations) of \$7.8 million. The increase in net cash provided by operating activities was partially offset by an unfavorable change in operating assets and liabilities, primarily due to payments totaling \$8.5 million to third-party gambling content providers for the rights to use and distribute their online gaming content in North America.

Investing Activities

Net cash used in investing activities increased \$101.0 million primarily as a result of \$92.5 million cash paid for the acquisition of Coolbet, net of cash acquired and a \$7.7 million increase in spend for capitalized software development costs primarily related to \$5.3 million invested in relation to new customer launches, product enhancements, and new features, and \$2.4 million for the B2B sportsbook technology solution in North America.

Financing Activities

Net cash provided by financing activities decreased by \$55.2 million primarily due to \$57.4 million in proceeds from our U.S. initial public offering in May 2020 that did not recur during the nine months ended September 30, 2021, and a decrease in cash proceeds on the exercise of employee share options of \$1.4 million. The decrease was partially offset by decreased payments of offering costs of \$1.1 million and cash consideration paid to the previous shareholders of GAN plc pursuant to the May 2020 Scheme of Arrangement of \$2.5 million.

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

Disclosure Controls and Procedures

Based on an evaluation under the supervision and with the participation of our management, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2021 to provide reasonable assurance that (1) 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 (2) that such information is accumulated and communicated to our management, including our chief executive officer and chief financial officer, 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 relative and 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.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting during the three months ended September 30, 2021, that have materially affected, or are 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 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

Our business, financial condition and operating results can be affected by a number of factors, both known and unknown, including those described in Part I, Item 1A of our 2020 Form 10-K under the heading "Risk Factors," any of which, alone or in combination with other, could cause our actual operating results and financial condition to vary materially from past, or from anticipated future operating results or financial condition. There have been no material changes from the risk factors as disclosed in our 2020 Form 10-K.

Item 6. Exhibits

Exhibit Number	Description of Document	Form	Exhibit Number	Date Filed
10.1+	Employment Agreement with Michael Arouh			
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *			
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 *			
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. ¹			

+ Indicates management contract or compensatory plan or arrangement.

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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.

GAN Limited

Date: November 12, 2021

By: /s/ DERMOT S. SMURFIT

Dermot S. Smurfit
Chief Executive Officer
(Principal Executive Officer)

/s/ KAREN E. FLORES

Karen E. Flores
Chief Financial Officer
(Principal Financial and Accounting Officer)



AMENDED AND RESTATED

EXECUTIVE EMPLOYMENT AGREEMENT

This Amended and Restated Executive Employment Agreement (“**Agreement**”) is made as of November 1, 2021, by and between Michael B. Arouh (“**Executive**”) and GAN Nevada, Inc., including its Affiliates (collectively, the “**Company**”) and Executive and Company shall be referred to herein, collectively, as the “**Parties**” and, individually, as a “**Party**.”

RECITALS

WHEREAS, the Parties previously executed one or more offer letters, employment agreements, letters, and if applicable, amendments thereto (collectively, the “**Prior Agreement**”);

WHEREAS, the Company desires to employ Executive on the terms set forth herein;

WHEREAS, Executive desires to be employed by the Company on such terms and conditions;

WHEREAS, for purposes of Executive’s employment with the Company, Executive agrees Executive is an executive and officer of the Company;

WHEREAS, the Company may provide Executive with the Company’s Confidential Information and may also provide the opportunity to develop relationships with the Company’s business contacts;

WHEREAS, Executive agrees that if Executive receives the foregoing, it may give Executive an unfair competitive advantage if Executive’s activities during employment, and for a reasonable period thereafter, were not restricted as provided for in this Agreement; and

WHEREAS, the Parties intend for this Agreement to supersede and replace any agreement, offer letter, promise, representation, or understanding between the Parties regarding Executive’s employment with the Company, including, but not limited to, the Prior Agreement (for the avoidance of doubt, this Agreement does not supersede equity grants or equity award agreements).

NOW, THEREFORE, in consideration of the mutual promises made herein, the adequacy and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

1. **At-Will Employment.** Executive’s employment with the Company is, and has always been, at-will. To that end, Executive’s employment with the Company is not for a specified term. Executive has the right to resign from Executive’s employment with the Company at any time, with or without notice to the Company with or without cause. The Company also is free to terminate Executive’s employment with the Company at any time, with or without notice to Executive and with or without cause.

2. **Position and Duties.**

a. **Duties.** The Company’s Board of Directors (the “**Board**”) has ratified the appointment of, and hereby employs Executive as, the Company’s “Chief Legal Officer” (an exempt position). During Executive’s employment with Company (“**Executive’s Employment**”), Executive shall report directly to the Company’s Chief Executive Officer (the “**CEO**”). In such a position, Executive’s duties, authority and responsibilities shall include, but will not be limited to, those customary and commensurate with Executive’s position. Additionally, Executive’s duties, authority, and responsibilities shall be determined from time to time by the CEO, provided that such duties, authority, and responsibilities are consistent with Executive’s position.

b. **Devotion of Time.** During Executive’s Employment, Executive shall devote substantially all of Executive’s business time and attention to the performance of Executive’s duties hereunder and will not engage in any other business, profession, or occupation for compensation or otherwise which would conflict or interfere with the performance of such services either directly or indirectly without the prior written consent of the CEO.

3. **Place of Performance.** The principal place of Executive's employment shall be remote, unless mutually agreed otherwise by you and the Company (expected to be in the United States eastern time zone) ("**Principal Place of Business**"), provided that Executive may be required to travel on Company business during Executive's employment with the Company. If the Company requests Executive to relocate more than 30 miles, and if Executive agrees to such request, then the Company will pay for Executive's reasonable and necessary costs of relocation (e.g., moving expenses, real estate commissions, and fees incurred in selling a home, temporary lodging, and airfare).

4. **Compensation and Equity Rights.**

a. **Base Salary.** The Company shall pay Executive a salary equivalent to an annual salary of \$290,000, which the Company shall pay to Executive in periodic installments in accordance with the Company's customary payroll practices and applicable wage payment laws. Executive's salary set forth in this section and as in effect from time to time, is hereinafter referred to as "**Base Salary**."

b. **Target Bonus.** Executive shall be eligible to earn an annual target bonus equal to (i) 100% of Executive's Base Salary actually paid to executive for calendar year 2021, and (ii) 75% of Executive's Base Salary actually paid to Executive for each calendar year thereafter (the "**Target Bonus**"), as determined by the Compensation Committee of the Board (the "**Compensation Committee**"), based 50% upon the Company's performance, with such Company performance goals to be set annually in good faith by the Compensation Committee, and 50% upon Executive meeting certain specific performance objectives to be defined by the CEO in consultation with the Compensation Committee and Executive. Notwithstanding the foregoing, (1) Executive shall be deemed to have earned the Target Bonus so long as all of the following conditions have been satisfied: (i) Executive remains employed with the Company through the end of the year in which the applicable Target Bonus is based, (ii) Executive does not voluntarily terminate Executive's Employment (other than for Good Reason) prior to the payment of the Target Bonus, and (iii) Executive is materially in compliance with this Agreement. The Company shall pay Executive the Target Bonus within 90 calendar days following the end of the Company's applicable fiscal year. Notwithstanding the foregoing, (i) up to 50% of Executive's Bonus for calendar year 2021, and (ii) up to one third (1/3) of Executive's Bonus in subsequent years, may be paid through the issuance of restricted stock units ("**RSUs**"), subject to the terms of the applicable Award Agreement (as defined below). Any RSUs issued in lieu of a cash Bonus hereunder will vest in two equal semi-annual tranches.

c. **Equity.** The Company has established a 2020 Equity Incentive Plan (the "**Plan**") that was adopted on or about May 4, 2020, which is attached hereto as Exhibit A and incorporated by reference. Executive shall be eligible to receive, but not guaranteed, equity awards under the Plan ("**Equity Awards**") pursuant to form agreements that describe, among other things, the vesting schedule, strike price (if applicable), expiration date, and other terms, all of which are incorporated herein by reference (each an "**Award Agreement**"). For each calendar year commencing in the year following the year in which the Effective Date occurs, but not later than March 31 of each such year, Executive will be eligible, to receive, but not guaranteed, an annual grant of RSUs or other form of equity grant under an Award Agreement in an amount established by the Chief Executive Officer, in consultation with the Company's Compensation Committee.

d. **Expenses.** Executive shall be entitled to reimbursement for reasonable and necessary out-of-pocket business, entertainment, and travel expenses, all gaming license fees and expenses related to the preparation and submission of gaming license applications that may be required by Executive's position and law license fees and expenses (collectively, "**Business Expenses**") incurred by Executive in connection with the performance of Executive's duties hereunder, provided that, Executive complies with the Company's expense reimbursement policies and procedures then in effect.

e. **Benefits.** Executive shall be entitled to participate in all executive benefit plans, practices, and programs maintained by the Company, as in effect from time to time (collectively, "**Executive Benefit Plans**"), to the extent consistent with applicable law and the terms of the applicable Executive Benefit Plans. The Company reserves the right to amend or cancel any Executive Benefit Plans at any time in its sole discretion, subject to the terms of such Executive Benefit Plan and applicable law. If the Board determines that the Company should purchase a "key-man" insurance policy on the life of Executive, then Executive agrees to submit to any requested physical examination in connection with the Company or any affiliate's purchase of such a key-man insurance policy, and Executive agrees to cooperate fully in connection with the underwriting, purchase and/or retention of any such key-man insurance policy by the Company or any of its affiliates. The terms of this Agreement and the benefits provided are specific to Executive and, as such, any benefits and compensation that may or may not be provided to other Company executives are not relevant to this Agreement.

f. **Vacation.** During Executive's Employment, Executive shall be entitled to twenty-five (25) paid vacation days per calendar year (prorated for partial years) in accordance with the Company's vacation policies, as in effect from time to time. Executive shall receive other leaves in accordance with applicable law and the Company's policies for executive officers, as such policies may exist from time to time, and subject to prior agreements between the parties.

g. **Taxes and Withholdings.** All amounts payable to Executive under this section shall be subject to all required federal, state, and local withholdings, payroll deductions, and taxes and requirements under applicable laws.

5. **Definitions.** For purpose of this Agreement,

a. "**Affiliate**" means, with respect to any Person, any Person that controls, is controlled by or is under common control with such Person or an Affiliate of such Person.

b. "**Cause**" means any of the following conduct by Executive:

i. the failure to successfully pass the Company's background screening, which may include, but is not limited to, criminal and financial background investigations, and verification of prior employment, education, degrees, certifications, training, and other credentials;

ii. the conviction or admission, including a plea of *nolo contendere*, of a felony, or the conviction or admission of any other act or omission involving material dishonesty or fraud with respect to the Company or any of its Subsidiaries or Affiliates;

iii. the failure to perform material duties of the position held by Executive, or any other material breach of this Agreement by Executive, which breach remains uncured for a period of ten (10) days after the Company's written notice to Executive describing such breach;

iv. a material act of dishonesty, fraud, misappropriation, embezzlement, breach of trust, or intentional misconduct with respect to the Company or any of its Subsidiaries or Affiliates;

v. the illegal use or possession of drugs in or on the Company's workplace or premises;

vi. the excessive use of alcohol in or on the Company's workplace or premises;

vii. intentional and willful misconduct that may subject the Company to criminal or civil liability;

- viii. breach of Executive's fiduciary duty or duty of loyalty owed to the Company or any of its Subsidiaries or Affiliates;
- ix. material or repeated failure to comply with the Company's policies and procedures;
- x. failure to cooperate in any investigation by the Company or with any investigation, inquiry, hearings, or similar proceedings by any governmental authority having jurisdiction over the Company or its Subsidiaries or Affiliates;
- xi. being found unsuitable for, or having been denied, a gaming license, or having such license revoked by a gaming regulatory authority in any jurisdiction in which the Company or any of its subsidiaries or affiliates conducts operations;
- xii. willful or material misrepresentation to the Company or to Board relating to the business, assets or operations of the Company, or
- xiii. breach of any of the material terms of this Agreement.

c. "**Change-in-Control**" shall mean and include any of the following occurrences:

- i. Any Person, including a group as defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended, becomes the beneficial owner of stock of the Company with respect to which fifty percent (50%) or more of the total number of votes for the election of the Board may be cast;
- ii. As a result of, or in connection with, any cash tender offer, exchange offer, merger or other business combination, sale of assets or contested election, or combination of the foregoing, persons who were directors of the Company just prior to such event shall cease to constitute a majority of the Board;
- iii. The consummation of a sale or other disposition of all or substantially all the assets of the Company; or
- iv. A tender offer or exchange offer is made and consummated for the ownership of securities of the Company representing fifty percent (50%) or more of the combined voting power of the Company's then outstanding voting securities.

A transaction shall not constitute a Change-in-Control if its sole purpose is to change the jurisdiction of the Company's incorporation or to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transactions.

d. "**Claim**" or "**Claims**" means any allegation, dispute, claim, causes of action, complaint, grievance, charge, action, petition, or demand.

e. "**Disability**" means the disability of Executive caused by any physical or mental injury, illness, or incapacity, as a result of which Executive is unable to effectively perform the essential functions of Executive's duties for a continuous period of more than 90 days or for 120 days (whether or not continuous) in any 240-day period, as determined by an independent, legally qualified medical doctor selected by the Company's health or disability insurer.

f. "**Good Reason**" means, without Executive's written consent: (i) any material diminution in Executive's authorities, duties, titles, or responsibilities with the Company or successor company; (ii) any material reduction of Executive's benefits, unless such reduction is in connection with a general reduction of benefits across the Company or successor company; (iii) any reduction in Executive's compensation, including but not limited to a reduction in Executive's potential Target Bonus, unless such reduction is in connection with a general reduction of compensation across the Company or successor company; (iv) any change in Executive's direct reporting line to the CEO of the parent company or successor parent company; (v) relocation of Executive's Principal Place of Business outside of a 30 mile radius without the express written consent of Executive, or (vi) any failure to pay timely and completely any Base Salary or Target Bonus owed to Executive for work performed for the benefit and on behalf of the Company.

g. “**Person**” means an individual, a partnership, a limited liability company, a corporation, an association, a joint stock company, a trust, a joint venture, an unincorporated organization, investment fund, any other business entity and a governmental entity, or any department, agency or political subdivision thereof.

h. “**Subsidiary**” means with respect to any Person, any corporation, limited liability company, partnership, association, or business entity of which (i) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (ii) if a limited liability company, partnership, association, or other business entity (other than a corporation), a majority of partnership or other similar ownership interest thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, a Person or Persons shall be deemed to have a majority ownership interest in a limited liability company, partnership, association, or other business entity (other than a corporation) if such Person or Persons shall be allocated a majority of limited liability company, partnership, association, or other business entity gains or losses or shall be or control any managing director or general partner of such limited liability company, partnership, association, or other business entity. For purposes hereof, references to a “Subsidiary” of any Person shall be given effect only at such times that such Person has one or more Subsidiaries, and, unless otherwise indicated, the term “Subsidiary” refers to a Subsidiary of the Company.

i. “**Termination Date**” means:

i. if Executive’s employment hereunder terminates on account of Executive’s death, the date of Executive’s death;

ii. if Executive’s employment hereunder is terminated on account of Executive’s Disability, the date that it is determined that Executive has a Disability;

iii. if the Company terminates Executive’s employment hereunder for Cause, the date the written notice of termination is delivered to Executive;

iv. if the Company terminates Executive’s employment hereunder without Cause, the date specified in the written notice of termination delivered to Executive; and

v. if Executive terminates his employment hereunder with or without Good Reason, the date specified in Executive’s written notice of termination delivered to the Company.

Notwithstanding anything contained herein, the Termination Date shall not occur until the date on which Executive incurs a “separation from service” within the meaning of Section 409A of the Internal Revenue Code.

6. **Indemnification**. The Parties have executed an Indemnification Agreement, attached hereto Exhibit B and incorporated by reference. The Company shall indemnify, defend, and hold harmless Executive from and against Claims, losses, damages, liabilities, actions, judgments, court costs, and legal and other expenses pursuant to the terms of the Indemnification Agreement.

7. **Termination of Employment and Severance**. Upon termination of Executive’s employment with the Company, for any reason, Executive shall receive (i) all earned, but unpaid, Base Salary as of the Termination Date; (ii) all earned, but unpaid, Target Bonuses as of the Termination Date; (iii) all earned and vested Equity Awards as of the Termination Date; (iv) accrued and earned, but unused, vacation days as of the Termination Date; and (v) payment of any outstanding reimbursable business expenses submitted to the Company in accordance with the Company’s policies and procedures (collectively, “Accrued Payments”; individually, an “Accrued Payment”). The Company shall pay Executive the Accrued Payments pursuant to the timing requirements set forth in applicable law.

a. Termination for Cause. The Company may, at any time and without notice, terminate Executive's employment with the Company for Cause. In the event the Company terminates Executive's employment for Cause, the Company shall provide only Accrued Payments to Executive; the Company shall not provide Executive any unearned Target Bonus or unvested Equity Awards.

b. Voluntary Termination (Other Than for Good Reason). Executive may, at any time and without notice, voluntarily terminate Executive's employment with the Company without Good Reason. In the event Executive terminates Executive's employment with the Company on any basis other than for Good Reason, the Company shall provide only Accrued Payments to Executive; the Company shall not provide Executive any unearned Target Bonus or unvested Equity Awards.

c. Termination for Good Reason. Executive may voluntarily terminate Executive's employment with the Company with Good Reason. If Executive provides written notice to the CEO within 180 days after the event or condition constituting Good Reason arises, and the Company fails to remedy the event or condition (if capable of curing) within thirty (30) days after the written notice provided to the CEO, the Company shall provide to Executive: (i) Accrued Payments; (ii) a cash severance payment in an amount equal to one (1) times the sum of Executive's then-current Base Salary and Target Bonus, payable in a lump sum within ten (10) calendar days of the Termination Date, (iii) a pro rata bonus payment in an amount equal to the Target Bonus for the year in which the Termination Date occurs multiplied by a fraction the numerator of which is the number of days in the applicable year through the Termination Date and the denominator of which is 365, with such amount payable in a lump sum on the date in which the Company pays bonuses to other employees for the applicable year (the "Pro Rata Bonus"); (iv) notwithstanding anything to the contrary in this Agreement, Award Agreement, or elsewhere, Executive's unvested Equity Awards will accelerate and become vested, non-forfeitable, and exercisable on a pro rata basis as of the Termination Date, regardless of any limitation with respect to time, performance, vesting, or other restrictions, based on the portion of the vesting period of the applicable Equity Award during which Executive was an active employee of the Company (the "Pro Rata Acceleration"); and (v) on a monthly basis, for a period of twelve (12) months, the Company's monthly share of premiums required to continue Executive's and Executive's dependents group health insurance benefits (medical, dental, and vision) after the Termination Date under the applicable provisions of the Consolidated Omnibus Budget Reconciliation Act ("COBRA"); provided that the Company shall cease paying such COBRA premiums on the day Executive begins employment with another company, entity, or Person following the Termination Date and is eligible to receive similar benefits.

d. Termination Without Cause: Termination Due to Death or Disability. The Company may, at any time and without notice, terminate Executive's employment with the Company without Cause. In the event the Company terminates Executive's employment without Cause, the Company shall provide to Executive: (i) Accrued Payments; (ii) a cash severance payment in an amount equal to one (1) times the sum of Executive's then-current Base Salary, payable in a lump sum within ten (10) calendar days of the Termination Date, (iii) the Pro Rata Bonus; (iv) the Pro Rata Acceleration; and (v) on a monthly basis, for a period of twelve (12) months, the Company's monthly share of premiums required to continue Executive's and Executive's dependents group health insurance benefits (medical, dental, and vision) after the Termination Date under the applicable provisions of COBRA; provided that the Company shall cease paying such COBRA premiums on the day Executive begins employment with another company, entity, or Person following the Termination Date and is eligible to receive similar benefits.

e. Conditions of Payments. Excluding Accrued Payments, all payments set forth in this section that are not otherwise required by law shall be payable so long as:

i. Executive complies with this Agreement, including, but not limited to, Section 9 through Section 14; and

ii. Within sixty (60) days of the Termination Date, Executive (or Executive's beneficiary or estate) delivers to the Company and does not revoke (under the terms of applicable law) a general release of all of Executive's Claims against the Company, the Company's Affiliates, and the Company's Subsidiaries substantially in the form attached hereto as Exhibit C; provided that, if necessary, such general release may be updated and revised to comply with applicable law to achieve its intent. The Company is not obligated to make any payments to Executive other than Accrued Payments in the event of Executive's failure to execute and return such release without revocation; provided that, the Company must first notify Executive or Executive's estate of the failure to deliver such general release and provide to Executive or Executive's estate ten (10) business days to cure such failure.

f. [Intentionally Omitted].

g. Tax Treatment and Internal Revenue Service Code 409A.

i. To the extent applicable, this Agreement shall be interpreted in accordance with Section 409A of the Code and Department of Treasury regulations and other interpretive guidance issued thereunder (together, "Section 409A"). Notwithstanding any provision of this Agreement to the contrary, if the Company determines that any compensation or benefits payable under this Agreement may be subject to Section 409A, the Company shall work in good faith with Executive to adopt such amendments to this Agreement or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that the Company determines are necessary or appropriate to avoid the imposition of taxes under Section 409A, including without limitation, actions intended to (i) exempt the compensation and benefits payable under this Agreement from Section 409A, and/or (ii) comply with the requirements of Section 409A; provided, however, that this section shall not create an obligation on the part of the Company to adopt any such amendment, policy or procedure or take any such other action, nor shall the Company have any liability for failing to do so.

ii. Any right to a series of installment payments pursuant to this Agreement is to be treated as a right to a series of separate payments. To the extent permitted under Section 409A, any separate payment or benefit under this Agreement or otherwise shall not be deemed "nonqualified deferred compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Section 1.409A-1(b)(4), Section 1.409A-1(b)(9) or any other applicable exception or provision of Section 409A. All payments of nonqualified deferred compensation subject to Section 409A to be made upon a termination of employment under this Agreement may only be made upon Executive's "separation from service" from the Company (within the meaning of Section 409A, a "Separation from Service").

iii. Notwithstanding anything to the contrary in this Agreement, no compensation or benefits, including without limitation any severance payments or benefits payable under this section, shall be paid to Executive during the six 6-month period following Executive's Separation from Service if the Company determines that paying such amounts at the time or times indicated in this Agreement would be a prohibited distribution under Section 409A(a)(2) (B)(i) of the Code. If the payment of any such amounts is delayed as a result of the previous sentence, then on the first day of the seventh month following the date of Separation from Service, such earlier date upon which such amount can be paid under Section 409A without resulting in a prohibited distribution, including as a result of Executive's death, the Company shall pay Executive a lump-sum amount equal to the cumulative amount that would have otherwise been payable to Executive during such period.

iv. To the extent that any payments or reimbursements provided to Executive under this Agreement are deemed to constitute compensation to Executive to which Treasury Regulation Section 1.409A-3(i)(1)(iv) would apply, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any such payments eligible for reimbursement in one year shall not affect the payments or expenses that are eligible for payment or reimbursement in any other taxable year, and Executive's right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit

h. Internal Revenue Service Code 280G. In the event that it is determined that any payment or distribution of any type to or for Executive's benefit made by the Company, by any of its affiliates, by any person who acquires ownership or effective control or ownership of a substantial portion of the Company's assets (within the meaning of Section 280G of the Code) or by any affiliate of such person, whether paid or payable or distributed or distributable pursuant to the terms of an employment agreement or otherwise, would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties with respect to such excise tax (such excise tax, together with any such interest or penalties, are collectively referred to as the "Excise Tax"), then such payments or distributions or benefits shall be payable either: (i) in full; or (ii) as to such lesser amount which would result in no portion of such payments or distributions or benefits being subject to the Excise Tax. Executive shall receive the greater, on an after-tax basis, of (i) or (ii) above, provided however that to the extent applicable, Executive may elect to subject the payments that are in excess of the permissible maximum payment amount specified under Code section 280G(b)(2)(A)(ii) to a stockholder vote as provided for under Code section 280G(b)(5).

i. Final Binding Determination. Unless Executive and the Company agree otherwise in writing, any determination required under this section shall be made in writing by an independent accountant, with expertise in executive compensation and tax, selected by the Company (the "Accountant") whose determination shall be based on prevailing accounting principles and shall be conclusive and binding. Accountant's determination shall be provided to the Company and Executive and include all analysis and information necessary for the parties to fully understand the basis of such determination. Upon Executive's request, Company shall make Accountant available to Executive (and Executive's personal advisors if Executive so chooses) from time to time to provide an opportunity to make reasonable inquiries about the methodology used in arriving at the determination or Executive's tax liability. Executive and the Company shall furnish the Accountant such documentation and documents as the Accountant may reasonably request in order to make a determination. The Company shall bear all costs and fees that the Accountant may incur in connection with this Section.

j. No Impact on At-Will Relationship. As set forth in Section 1, Executive's employment with the Company is at-will. Accordingly, either Party may terminate Executive's employment with or without Cause, and with or without notice. Nothing in this section shall alter, modify, impact, or change either Party's right to terminate Executive's employment with the Company, with or without cause, and with or without notice.

8. Change-in-Control Payments and Benefits. Not in limitation of the forgoing, upon a Change-in-Control, Executive shall be entitled to the additional payments and equity treatment set forth in this section incremental to any other compensation due to Executive under this Agreement.

a. Equity Acceleration. Notwithstanding anything to the contrary in this Agreement, Award Agreement, or otherwise, if Executive's employment is terminated by the Company without Cause or by Executive for Good Reason within three (3) months before or two (2) years after a Change-in-Control occurs, all of Executive's Equity Awards shall accelerate and become fully vested, non-forfeitable, and exercisable, regardless of any limitation with respect to time, performance, vesting, or other restrictions.

b. Elevated Cash Severance and Benefits. If Executive's employment is terminated by the Company without Cause or by Executive for Good Reason within three (3) months before or two (2) years after a Change-in-Control occurs, then the Company shall (i) in lieu of any amounts payable under Section 7(c) or 7(d), provide to Executive a cash severance payment in an amount equal to one and one-half (1.5) times the sum of Executive's then-current Base Salary and Target Bonus, payable in a lump sum within ten (10) calendar days of the Termination Date, (ii) the Pro Rata Bonus; and (iii) on a monthly basis, for a period of eighteen (18) months, pay the Company's monthly share of premiums required to continue Executive's and Executive's dependents group health insurance benefits (medical, dental, and vision) after the Termination Date under the applicable provisions of COBRA; provided that the Company shall cease paying such COBRA premiums on the day Executive begins employment with another company, entity, or Person following the Termination Date and is eligible to receive similar benefits.

9. Non-Disclosure and Non-Use of Confidentiality, Proprietary, and Trade Secret Information.

a. *Protection Against Disclosure.* Executive acknowledges that, during Executive's employment with the Company, Executive will gain knowledge of and access to certain Confidential Information (as defined below in Section 9(e)). Executive agrees to undertake a fiduciary obligation to protect against the disclosure and use of any Confidential Information. Both during and after Executive's Employment, Executive shall not disclose, communicate, divulge, or allow another Person to use to their personal, competitive, or economic advantage any Confidential Information, except where Executive has received prior written consent from the CEO or as otherwise required by law or by judicial or administrative process or order, and in that case only after complying with Section 9(b) below.

b. *Notifying the Company.* If a Person not a Party to this Agreement requests or demands that Executive disclose Confidential Information or produce documents containing Confidential Information, Executive will, to the extent permitted by law, immediately notify the CEO and will provide the Company a reasonable opportunity to respond to such request or demand before Executive responds to the request or demand.

c. *Defend Trade Secrets Act Notice.* Notwithstanding the foregoing nondisclosure obligations, pursuant to 18 U.S.C. § 1833(b), Executive shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made: (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney, and solely for the purpose of reporting or investigating a suspected violation of law; or (ii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal.

d. *Disclosure to Government Agencies.* Executive understands and acknowledges that nothing contained in this Agreement limits Executive's ability to file a charge or complaint with the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission, or any other federal, state, or local governmental agency or commission, including state or tribal gaming regulators (individually, "Government Agency"; collectively, "Government Agencies"). Executive further understands and acknowledges that this Agreement does not limit Executive's ability to communicate with any Government Agencies or to otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company.

e. *Definition of Confidential Information.* As used herein, "Confidential Information" means any Company confidential, proprietary, or trade secrets information, including, but not limited to, technical data, know-how, research, product plans and developments, prototypes, products, services, client lists, prospective clients list, client or potential client contact information, proposals, client purchasing practices, prices and pricing methodology, cost information, terms and conditions of business relationships with clients, client research and other needs, markets, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, distribution and sales methods and systems, sales and profit figures, financial information, business information, operation information, plans, personnel information, as well as reports and other business information that Executive learns of, obtains, or that is disclosed to Executive during Executive's Employment.

f. The restrictions provided for in this section shall not be construed to prohibit the use of general knowledge and experience customarily relied upon in Executive's trade or profession that is not specific to the particular business matters of the Company (such as its technology or customers), nor shall it be construed to be a form of covenant not to compete (such a construction would be contrary to the intent of the parties). Notwithstanding the foregoing, the unauthorized disclosure of a particular item of Confidential Information to a competitor will qualify as prohibited misappropriation of the Confidential Information. Executive acknowledges and agrees that the Confidential Information is the property of Company and a special and unique asset of the Company. The Confidential Information derives independent economic value, actual or potential, from not being generally known by the public or by other persons or entities who can obtain economic value from its use or disclosure, and thus shall be protected.

g. Return of Company Property. Upon any termination of this Agreement, termination of Executive's employment, or any request by the Company, Executive shall immediately return all Company property, documents, files, records, stored data, emails, pictures, videos, laptops, computers, phones, equipment, and Confidential Information to Company.

10. **Inventions and Assignments**.

a. Assignment to the Company. Any and all products, writings, inventions, improvements, processes, formulas, procedures, and techniques which Executive may make, conceive, discover, or develop, either solely or jointly with any other person, at any time when Executive is an employee of the Company, whether or not during working hours and whether or not at the request or upon the suggestion of the Company, which relate to or are useful in connection with any business now or hereafter carried on or contemplated by the Company, including developments or expansions of its present fields of operations, shall be the sole and exclusive property of the Company. Executive shall make full disclosure to the Company of all such products, writings, inventions, improvements, processes, procedures, formula, and techniques and shall do everything necessary or desirable to vest the absolute title thereto in the Company. Executive shall write and prepare all specifications, formulas, and procedures regarding such products, inventions, improvements, processes, procedures, and techniques and otherwise aid and assist the Company so that the Company can prepare and present applications for copyright or patent letters therefore and can secure such copyright or patent letters wherever possible, as well as reissues, renewals, and extensions thereof, and can obtain the records title to such copyright or patents so that the Company shall be the sole and absolute owner thereof in all countries in which it may desire to have copyright or patent protection. Executive shall not be entitled to any additional or special compensation or reimbursement regarding any and all such writings, inventions, improvements, formulas, processes, procedures and techniques.

b. California Labor Code Section 2872 Notice. Notwithstanding the foregoing rights and obligations, and pursuant to California Labor Code section 2872, a Company invention shall not include inventions which qualifies fully under the provisions of California Labor Code section 2870 (a copy of which is attached as Exhibit D), including any idea or invention which is developed entirely on Executive's own time without using Company's equipment, supplies, facilities, or trade secrets, and which is not related to the Company's business (either actual or demonstrably anticipated), and which does not result from work performed for the Company.

11. **Additional Restrictive Covenants**. Executive understands that the nature of Executive's position gives Executive access to and knowledge of Confidential Information and places him or her in a position of trust and confidence with the Company. Executive further understands and acknowledges that the Company's ability to reserve these for the exclusive knowledge and use of the Company is of great competitive importance and commercial value to the Company, and that improper use or disclosure by Executive is likely to result in unfair or unlawful competitive activity. Executive acknowledges that the Company has expended, and will continue to expend, substantial time, money and effort in developing its Confidential Information; Executive may in the course of Executive's employment be personally entrusted with and exposed to the Company's Confidential Information and may have access to the Company's customers; and the Company would suffer great loss and irreparable harm if Executive were to enter into competition with the Company. Therefore, accordingly, Executive acknowledges and agrees to the restrictive covenants set forth in this section.

a. *Non-Competition*. Executive agrees that during Executive's employment with the Company, and for one (1) year following the Termination Date (the "**Covenant Period**"), Executive will not directly or through others, whether as an owner, director, officer, manager, consultant or employee: (i) provide services for the benefit of any Restricted Business (as defined below) within the Territory (as defined below) that are the same or similar in function or purpose to those Executive provided to the Company during the last year of Executive's employment with the Company or such shorter period of time as Executive was employed by the Company ("**Look Back Period**"); or, (ii) take on any other responsibilities for a Restricted Business that would involve the probable use or disclosure of Confidential Information or the conversion of Covered Customers (as defined below) to the benefit of a Competing Business or detriment of the Company. For purposes of this Agreement, "**Restricted Business**" means those entities or persons primarily engaged in the business of developing, marketing, selling, licensing, and supplying online gaming technology to gaming businesses (business to business) in which the Company engages or in which the Company has an actual intention, as evidenced by the Company's written business plans to engage, in any country in which the Company does business as of the Termination Date. Because Executive is employed by the Company in a senior management position, Executive is presumed to have participated in the Company's business and/or had Confidential Information about the Company's business throughout the United States (including state and state-equivalents and county and county-equivalents therein), and therefore "**Territory**" means the United States. For the avoidance of doubt, gaming companies that do not conduct business primarily online, and provide products primarily to other businesses, shall not be considered a Restricted Business. Executive agrees that the restrictions on competition, as to time, geographic area, and scope of activity, required by this section are reasonable, do not impose a greater restraint that necessary to protect the goodwill and business interests of the Company, and are not unduly burdensome to Executive.

b. *Non-Compete Consideration; Waiver*. In exchange for Executive's non-compete restriction during the Covenant Period, the Company shall continue to pay Executive's Base Salary during the Covenant Period ("**Garden Leave Compensation**"). The Garden Leave Compensation is specifically intended to compensate Executive for the non-compete restriction, and for the avoidance of doubt, the Garden Leave Compensation shall be cumulative in nature and shall not be reduced or offset by any other payments owed to Executive under this Agreement. Notwithstanding the forgoing, the Company may, upon sixty (60) days prior written notice, in its sole discretion and at any time, elect to waive, in writing, the non-compete restrictions imposed on Executive for all or any portion of the Covenant Period. The Company shall not pay Garden Leave Compensation to Executive for any portion of the Covenant Period where it waived the non-compete restriction, nor shall the Company pay Garden Leave Compensation after Executive begins employment with another company, entity or Person, provided that, employment with a non-profit organization, in public service, or the education sector shall not disqualify Executive from collecting Garden Leave Compensation. Executive shall promptly notify the Company of any employment that may disqualify Executive from receiving Garden Leave Compensation. Any waiver of the non-compete restriction shall be permanent, and the Company cannot later seek to enforce the non-compete restriction on Executive after any waived period.

c. *Non-Solicitation*. Executive agrees that during Executive's employment with the Company, and for the Covenant Period, Executive will not (i) solicit any employee of the Company that Executive gained knowledge of through Executive's employment with the Company (a "**Covered Employee**") to leave the employment of the Company; or, (ii) assist with hiring or attempting to hire any Covered Employee on behalf of a Restricted Business; or, (ii) solicit, or attempt to solicit a Covered Customer (defined below) for the purpose of doing any business that would compete with the Company's business; or, (iv) knowingly engage in any conduct that is intended to cause, or could reasonably be expected to cause the Covered Customer (as defined below) to stop or reduce doing business with the Company, or that would involve diverting business opportunities away from the Company. "**Covered Customer**" means a customer or potential customer that Executive had material business-related contact or dealings with or access to Confidential Information about during the Look Back Period.

d. If *California law* is deemed to govern this Section 11, then Paragraphs 11(a), 11(b)(i), and 11(b)(ii) shall not apply. Paragraphs 11(b)(iii) and 11(b)(iv) only shall apply to the extent the solicitation involves the misappropriation of the Company's trade secret information, such as its protected customer information, as defined by applicable law.

e. If *Nevada law* is deemed to govern this Section 11, then Paragraphs 11(b)(iii) and 11(b)(iv) shall not apply to former customers or clients of the Company, if (i) Executive did not solicit the former customer or client; (ii) the customer or client voluntarily chose to leave and seek services from Executive; and (iii) Executive is otherwise complying with the limitations in this Agreement as to time and scope of activity to be restrained.

12. **Cooperation with the Company.** The Parties agree that certain matters in which Executive will be involved during Executive's Employment may necessitate Executive's cooperation in the future. Accordingly, following the termination of Executive's employment for any reason, Executive shall cooperate with the Company regarding any Claim relating to any lawsuit, action, investigation, or audit that (a) is brought by or against the Company and (b) is directly or indirectly related to Executive's employment with the Company. Company shall reimburse Executive within 14 calendar days for any reasonable expenses or fees incurred by Executive during such cooperation so long as Executive provides receipts or other reasonable evidence of such expenses to the Company.

13. **No Cooperation Against the Company.** Executive agrees that Executive will not knowingly encourage, counsel, or assist any attorneys or their clients in the presentation or prosecution of any Claim by any third party or Person against the Company and Affiliates, unless under a subpoena or other court order to do so, and except as otherwise provided in Section 9(c) and 9(d). Executive agrees both to immediately notify Company (pursuant to Section 17 below) upon receipt of any such subpoena or court order relating to the Company and Affiliates, and to immediately furnish a copy of such subpoena or other court order.

14. **Non-Disparagement.**

a. Both during and after Executive's employment with the Company, Executive shall refrain from any disparagement, defamation, libel, or slander of any of the Company and Affiliates. Executive further agrees to refrain from any tortious interference with the contracts and relationships of any of Company and Affiliates. This Section 14(a) does not prohibit Executive from disclosing illegal acts that occurred at, or is related to, the Company's workplace.

b. Both during and after Executive's employment with the Company, the Board, President and Executive Vice Presidents (collectively, the "Company Representatives") shall refrain from any disparagement, defamation, libel, or slander of any of Executive. Nothing in this Section 14(b) shall prohibit the Company Representatives from discussing with third parties, including, but not limited to, reference requests from Executive's future employers, regarding: (i) Executive's date of employment; (ii) the status of Executive's employment with the Company, if any at the time. Furthermore, nothing in this Section 14(b) shall prohibit the Company Representatives from engaging in internal discussions within the Company regarding Executive's performance or the satisfaction or execution of Executive's duties, responsibility, obligations, or authority.

15. **Equitable Remedies.** Executive acknowledges and agrees that the Company and Affiliates could be irreparably damaged in the event that any provision of this Agreement were breached and that money damages could be an inadequate remedy for any such nonperformance or breach. Executive agrees that, to the extent permissible under applicable law, the Company shall be entitled, in addition to all other rights and remedies existing in their favor, to seek injunctive or other equitable relief (including a temporary restraining order, a preliminary injunction, and a final injunction) against Executive to prevent any actual or threatened breach of any of such provisions and to enforce such provisions specifically in any court of the United States or any state having jurisdiction, without the necessity of posting a bond or other security or of proving actual damages.

16. **Arbitration.** The Parties agree that:

a. **Scope.** Except for Excluded Claims (as defined below in Section 16(g)), any and all Claims arising out of the terms of this Agreement, Executive's employment with the Company, the separation of Executive's Employment with the Company, or Executive's relationship with the Company and Affiliates shall be subject to arbitration in Orange County, California before JAMS, pursuant to the then-existing version of the JAMS Employment Arbitration Rules & Procedures ("JAMS Rules"). The Parties can obtain a copy of the JAMS Rules (i) on the JAMS' website (<https://www.jamsadr.com/rules-employment>); (ii) by calling JAMS directly at (800) 352-5267; or (iii) from the Company's Human Resources Department. The JAMS Rules are incorporated herein by reference. Additionally, pursuant to this Section 16, the Parties agree to arbitrate any and all Claims for violation of any federal, state, local or municipal statute or ordinance, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the federal Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the California Adjustment and Retraining Notification Act; the California Fair Employment and Housing Act; the California Family Rights Act; the California Labor Code; and the California Business and Professions Code.

b. **Arbitrability.** The arbitrator, not a court, will determine issues of arbitrability or waiver of arbitrability. The Parties waive any right to have a court determine issues of arbitrability.

c. **Arbitrator's Authority.** The arbitrator may grant injunctions and other relief in Claims subject to arbitration pursuant to this Agreement. The arbitrator shall administer and conduct any arbitration in accordance with California law, including the California Code of Civil Procedure, and the arbitrator shall apply substantive and procedural California law to any Claim, without references to conflict-of-law provisions of any jurisdiction. To the extent that the JAMS Rules are in irreconcilable conflict with California law, California law shall take precedence over the JAMS Rules.

d. **Final and Binding Arbitration.** The decision of the arbitrator shall be final, conclusive, and binding on the Parties. The Parties agree that that the prevailing party in any arbitration shall be entitled to injunctive relief in any court of competent jurisdiction to enforce the arbitration award.

e. **Injunctive Relief.** The parties hereby agree to waive their right to have any Claim between them resolved in a court of law by a judge or jury. Notwithstanding the foregoing, this Section 16(e) will not prevent either Party from seeking injunctive relief (or any other provisional remedy) from any court having jurisdiction over the Parties and the subject matter of their Claim relating to this Agreement and the agreements incorporated herein by reference.

f. **Class Action Waiver.** Except for Excluded Claims (as defined below in Section 16(g)), the Parties intend and agree that (i) class action and representative action procedures are hereby waived and shall not be asserted, nor will they apply, in any arbitration pursuant to this Agreement; (ii) each Party will not assert class action or representative action Claims against the other Party in arbitration or otherwise; and (iii) the Parties shall only submit their own, individual Claims in arbitration and will not seek to represent the interests of any other person. To the extent the Parties' Claims involve both timely filed Excluded Claims and Claims subject to arbitration under this Agreement, the Parties agree to bifurcate Excluded Claims from Claims subject to arbitration, and stay the Excluded Claims for the duration of the arbitration proceedings.

g. Excluded Claims. “Excluded Claims” are causes of action or claims: (i) under Section 7 of the National Labor Relations Act, (ii) for representative actions under the California’s Private Attorneys’ General Act (“PAGA”), (iii) under the California Workers’ Compensation Act, (iv) for unemployment compensation benefits; (v) for benefits under a plan that is governed by the Employee Retirement Income Security Act of 1974, (vi) occurring after a Change in Control, and (viii) expressly prohibited from mandatory arbitration under applicable law. To the extent permitted by law, individual Claims under PAGA or Claims under California Labor Code section 558(a) are not Excluded Claims, and thereby are subject to arbitration pursuant to this Agreement.

h. Arbitration Costs and Fees. With respect to costs associated with the arbitration under this Section 16, Executive shall only pay the JAMS filing or administrative fee up to the equivalent amount of the initial filing Executive would have paid to commence an action in the California Superior Court, County of Orange. The Company will pay any other JAMS administrative fees, arbitrator’s fees, and any additional fees unique to arbitration.

i. Attorneys’ Fees for Motion to Compel Arbitration. A Party who is forced to file a motion or petition to compel arbitration of a dispute arising under this Agreement may recover attorneys’ fees incurred in making the successful motion or petition.

j. Operative Arbitration Agreement. Should any part of this Section 16 conflict with any other arbitration agreement between the Parties, whether written, oral, or implied, the Parties agree that this Section 16 in this Agreement shall govern.

17. Method of Providing Notice. Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered (a) personally or sent by registered or certified mail, return receipt requested, or by overnight carrier to the Parties at the addresses set forth below or (b) by email to the email addresses set forth below:

If to the Company: GAN Limited, 400 Spectrum Center Dr. Suite 1900, Irvine, CA 92618; Attention: Chief Legal Counsel (legal@gan.com); with a copy to Human Resources (hr@gan.com).

If to Executive: Michael B. Arouh, at the email address provided to the Company by Executive.

18. Authority. The Company represents and warrants that the undersigned has the authority to act on behalf of the Company and to bind Company and all who may claim through them to the terms and conditions of this Agreement. Executive represents and warrants that Executive has the capacity to act on Executive’s own behalf and on behalf of all who might claim through Executive to bind them to the terms and conditions of this Agreement.

19. No Representations. Executive represents that Executive has had an opportunity to consult with an attorney and has carefully read and understands the scope and effect of the provisions of this Agreement. Executive has not relied upon any representations or statements made by the Company that are not specifically set forth in this Agreement.

20. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Agreement shall continue in full force and effect without said provision or portion of provision.

21. Fees and Costs. In the event that either Party brings an action to enforce or affect its rights under this Agreement, the prevailing Party shall be entitled to recover its costs and expenses, including the costs of mediation, litigation, court fees, and reasonable attorneys’ fees incurred in connection with such an action (“Fees and Costs”). Specifically, unless otherwise prohibited by applicable law, an arbitrator, court, governmental agency, or other judicial tribunal shall (i) award Fees and Costs to the prevailing party of an arbitration under this Agreement and (ii) award Fees and Costs to the prevailing party in the event any legal action or arbitration is commenced of any kind or character to enforce the provisions of this Agreement or to obtain damages for a breach thereof.

22. Mutual Drafting. Each Party has participated, or had the right to participate, in the drafting, negotiation, and preparation of this Agreement. The Parties expressly waive any Claim, rule of law, contention, or argument that would require ambiguities in this Agreement to be interpreted or construed against the Party that drafted the Agreement.

23. Complete Integration; Entire Agreement. This Agreement (including Exhibits A, B, C, and D attached hereto) represents the entire agreement and understanding between Company and Executive concerning the subject matter of this Agreement and Executive's employment with the Company. Except as subsequently modified pursuant to Section 24, this Agreement (including Exhibits A, B, C, and D attached hereto) supersedes and replaces all prior agreements, offer letters, promises, representations, and understandings concerning the subject matter of this Agreement and Executive's employment with Company, including, but not limited to, the Prior Agreement. No extrinsic evidence whatsoever may be introduced in any judicial proceedings or arbitration involving the parties' intent in this Agreement.

24. No Oral Modification. This Agreement shall only be amended in a writing signed by both Executive and the Company.

25. Governing Law. This Agreement shall be governed by the laws of the State of California, without regard for choice-of-law provisions. For any claim or action not covered in or subject to Section 16, Executive consents to personal and exclusive jurisdiction and venue in the courts within Orange County, California or within the county surrounding Executive's Principal Place of Business.

26. Section Headings. Section headings used in this Agreement are for convenience of reference only and shall not affect the meaning of any provision of this Agreement.

27. Counterparts. This Agreement may be executed in counterparts, each of which shall have the same force and effect as an original and shall constitute an effective, binding agreement on the part of each of the undersigned. The Parties also understand and agree that a facsimile, electronic signature, or digital signature shall be deemed an original signature for purposes of this Agreement.

28. Effective Date. This Agreement shall take effect upon the date in the preamble to the Agreement.

29. Voluntary Execution of Agreement. Executive understands and agrees that they have executed this Agreement voluntarily, without any duress or undue influence on the part or behalf of Company or any third party. Executive acknowledges that:

- a. Executive has read this entire Agreement;
- b. Executive has been represented in the preparation, negotiation, and execution of this Agreement by legal counsel of Executive's own choice or has elected not to retain legal counsel;
- c. Executive understands the terms and consequences of this Agreement; and
- d. Executive is fully aware of the legal and binding effect of this Agreement.

[End of Executive Employment Agreement – Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Executive Employment Agreement as of the date first above written.

MICHAEL B. AROUH, an individual

By: /s/ Michael B. Arouh
Print Name: Michael B. Arouh

GAN Nevada, Inc.

By: /s/ Dermot S. Smurfit
Print Name: Dermot Smurfit
Print Title: CEO

EXHIBIT A

[GAN 2020 Equity Incentive Plan]

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EXHIBIT B

[GAN Indemnification Agreement]

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EXHIBIT C

[Form Separation and Release Agreement]

SEPARATION AND RELEASE AGREEMENT

This Separation and Release Agreement (“Release”) is between GAN Limited and its Affiliates (“Company”) and [■] (“Employee”). Employee and Employer shall be referred to herein, collectively, as the “Parties” or, individually, as a “Party.”

RECITALS

WHEREAS, the Parties previously executed an employment agreement, which may have been amended or modified from time to time (“Employment Agreement”);

WHEREAS, Employee’s employment with the Company has terminated or will terminate, and as a result of such termination the parties are entering into this Release;

NOW, THEREFORE, in consideration of the mutual promises made herein, the adequacy and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

COVENANTS

1. Defined Terms. All capitalized terms used in this Release not otherwise defined herein shall have the respective meanings ascribed in the Employment Agreement.
2. Payment of Salary and Receipt of All Benefits. Employee acknowledges that Company has paid or provided all salary, wages, bonuses, accrued vacation/paid time off, premiums, leaves, housing allowances, relocation costs, interest, severance, outplacement costs, fees, reimbursable expenses, commissions, stock, stock options, vesting, and any and all other benefits and compensation due to Employee through the date hereof (collectively, “Earned Wages and Payments”). Accordingly, the Parties recognize, agree, and represent that California Labor Code section 206.5 is inapplicable. California Labor Code section 206.5(a) provides:

AN EMPLOYER SHALL NOT REQUIRE THE EXECUTION OF A RELEASE OF A CLAIM OR RIGHT ON ACCOUNT OF WAGES DUE, OR TO BECOME DUE, OR MADE AS AN ADVANCE ON WAGES TO BE EARNED, UNLESS PAYMENT OF THOSE WAGES HAS BEEN MADE. A RELEASE REQUIRED OR EXECUTED IN VIOLATION OF THE PROVISIONS OF THIS SECTION SHALL BE NULL AND VOID AS BETWEEN THE EMPLOYER AND THE EMPLOYEE. VIOLATION OF THIS SECTION BY THE EMPLOYER IS A MISDEMEANOR.

The payments from Company to Employee pursuant to the terms of this Agreement are not provided as a raise, bonus, or condition of employment; and are not provided as a condition for Employee to receive the Earned Wages and Payments, which the Company has already paid Employee, or any other amounts due under the Employment Agreement.

3. Release of Claims.

- a. By Employee. Employee hereby releases and forever discharges all claims against the Company, and each of its subsidiaries and the officers, directors, employees, attorneys and agents of the Company (“Company Releasees”) of whatever nature and kind, in law, equity or otherwise, known or unknown, choate or inchoate, asserted or unasserted, which Employee has had, may have had, or now has, or may have, arising out of or in connection with Employee’s employment with the Company or the termination of such employment, provided, however, that nothing contained herein is intended to nor shall constitute a release of the Company from any obligations it may have to Employee under the Employment Agreement, or any deferred compensation plan or arrangement in which Executive participates or any right of indemnification under any indemnification agreement or under the Company organizational documents, Bye-laws or the like as in effect on the execution date, or coverage under the Company’s director and officer insurance policy, nor shall it prevent Employee from exercising their rights, if any, under the Employment Agreement or under any stock option, restricted stock unit, restricted stock or similar agreement in accordance with their terms (collectively, “Employee Released Claims”). In addition, Employee Released Claims include without limitation, any and all claims for violation of any federal, state, or municipal statute, including, but not limited to, Title VII of the Civil Rights Act of 1964; the Civil Rights Act of 1991; the Rehabilitation Act of 1973; the Americans with Disabilities Act of 1990; the Equal Pay Act; the Fair Labor Standards Act; the Fair Credit Reporting Act; the Employee Polygraph Protection Act; the Age Discrimination in Employment Act of 1967; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974 (“ERISA”); the Worker Adjustment and Retraining Notification Act; the Family and Medical Leave Act; the Sarbanes-Oxley Act of 2002; the Occupational Safety and Health Act; the Uniform Services Employment and Reemployment Rights Act; the Rehabilitation Act of 1973; the Genetic Information Non-Discrimination Act; the Immigration Control and Reform Act; the Health Insurance Portability and Accountability Act of 1996; the California Family Rights Act; the California Labor Code; and the California Fair Employment and Housing Act. Employee agrees that they are not an “aggrieved employee” in any way for purposes of California’s Private Attorneys General Act (“PAGA”), California Labor Code §§ 2698 et seq., and therefore Employer is not liable for any penalties pursuant to PAGA for any conduct arising during Employee’s employment with the Company. Employee represents Employee has made no assignment or transfer of any right, claim, complaint, charge, duty, obligation, demand, cause of action, or other matter waived or released by this section. Should any claim be asserted in breach of the terms, covenants, and releases in this section, Employee agrees that this Release may be pled as a full and complete defense to such claim.
- b. By Company. The Company hereby releases and forever discharges all claims against Employee and Employee’s spouse, heirs, estate administrators and executors (collectively “Employee Releasees”) of whatever nature and kind, in law, equity or otherwise, known or unknown, choate or inchoate, asserted or unasserted, which the Company has had, may have had, or now has, or may have, arising out of or in connection with Employee’s employment with the Company or the termination of such employment; provided, however, that nothing contained herein is intended to nor shall constitute a release of Employee from any obligations they may have to the Company under the Employment Agreement in accordance with their terms (collectively “Company Released Claims”). Should any claim be asserted in breach of the terms, covenants, and releases in this section, the Company agrees that this Release may be pled as a full and complete defense to such claims.

4. Representations and Warranties.

- a. By Employee. Employee represents and warrants that Employee is authorized by law and has the legal capacity to enter into this Release, that Employee has been advised to consult with an attorney of Employee’s choosing before signing this Release, and that Employee is not relying on any representation or warranty by the Company which is not expressly set out in this Release or in the Employment Agreement. Employee was given at least twenty-one (21) days to consider the terms of this Agreement and consult with an attorney of Employee’s choice, although Employee may sign this Agreement sooner if desired. Employee understands that Employee has seven (7) days after signing this Agreement (the “Revocation Period”) to revoke this Release by delivering notice of revocation to the Company before the end of this seven-day period; and Employee understands that this Release does not apply to rights and claims that may arise after the date on which Employee executes this Agreement. Employee acknowledges that Employee has been advised to consult with legal counsel and is familiar with the provisions of California Civil Code section 1542, a statute that otherwise prohibits the release of unknown Claims, which provides as follows:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR THE RELEASED PARTY.

Being aware of said code section, Employee agrees to expressly waive any rights Employee may have thereunder, as well as under any other statute or common law principles of similar effect.

- b. By Company. The Company represents and warrants that the Company is authorized by law and has the legal capacity to enter into this Release. The person who executed this Release on the Company's behalf has been duly authorized to execute this Release and to bind the Company to its terms and conditions, and the Company is not relying on any representation or warranty by Employee, which is not expressly set out in this Release or in the Employment Agreement.
- 5. Costs of Agreement. The Parties shall each bear their own costs, attorneys' fees, and other fees incurred in connection with the preparation of this Release.
- 6. Arbitration. The Parties agree that the arbitration clause in the Employment Agreement shall govern any disputes under this Release.
- 7. No Representations. Employee represents that Employee has had an opportunity to consult with an attorney and has carefully read and understands the scope and effect of the provisions of this Release. Employee has not relied upon any representations or statements made by the Company that are not specifically set forth in this Release.
- 8. Severability. In the event that any provision or any portion of any provision hereof or any surviving agreement made a part hereof becomes or is declared by a court of competent jurisdiction or arbitrator to be illegal, unenforceable, or void, this Release shall continue in full force and effect without said provision or portion of provision.
- 9. Entire Agreement. This Release represents the entire agreement and understanding between the Parties concerning the subject matter herein and Employee's employment with and separation from the Company and the events leading thereto and associated therewith.
- 10. No Oral Modification. This Agreement shall only be amended in a writing signed by both Employee and the Company.
- 11. Governing Law. This Agreement shall be governed by the laws that govern Employee's Employment Agreement, without regard for choice-of-law provisions.
- 12. Effective Date. Employee understands that this Release shall be null and void if Employee does not execute the Release within twenty-two days (22) days from the date this Release is provided to Employee. This Agreement will become effective on the eighth (8th) calendar day after a copy signed by Employee is tendered to the Company (the "Effective Date"), so long as Employee has not revoked the Release.

AGREED AND ACCEPTED:

Employee Name, an individual

GAN Limited, and Affiliates

Print Name:

Print Name/Title:

EXHIBIT D

[California Labor Code Section 2872 Notice]

WRITTEN NOTIFICATION TO EMPLOYEE

In accordance with California Labor Code section 2872, you are hereby notified that your Amended Employment Agreement does not require you to assign to GAN Nevada, Inc. or its Affiliates (the "Company") any Company intellectual property for which no equipment, supplies, facility, or trade secret information of the Company was used and that was developed entirely on your own time, and does not relate to the business of the Company or to the Company's actual or demonstrably anticipated research or development, or does not result from any work performed by you for the Company.

Following is the text of California Labor Code section 2870:

- a. Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information, except for those inventions that either:
 - (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
 - (2) Result from any work performed by the employee for the employer.
- b. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

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, Dermot S. Smurfit, 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)) 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. Intentionally omitted;
 - 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 similar functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ DERMOT S. SMURFIT

Dermot S. Smurfit
Chief Executive Officer
(*principal executive officer*)

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, Karen E. Flores, 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)) 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. Intentionally omitted;
 - 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 similar functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 12, 2021

/s/ KAREN E. FLORES

Karen E. Flores
Chief Financial Officer
(principal financial officer)

**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 September 30, 2021 (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: November 12, 2021

/s/ DERMOT S. SMURFIT

Dermot S. Smurfit
Chief Executive Officer
(principal executive officer)

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 September 30, 2021 (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: November 12, 2021

/s/ KAREN E. FLORES

Karen E. Flores
Chief Financial Officer
(principal financial officer)
