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, 2022

or

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

For the transition period from ________ to ________

Commission File No. 001-39274

GAN Limited
(Exact name of registrant as specified in its charter)

Bermuda (State or other jurisdiction of incorporation or organization)	**Not Applicable** (I.R.S. Employer Identification No.)
400 Spectrum Center Drive, Suite 1900, Irvine, California (Address of principal executive offices)	**92618** (Zip Code)

(833) 565-0550
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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 November 7, 2022, there were 42,590,012 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, 2022	December 31, 2021
ASSETS		
Current assets		
Cash	$ 41,788	$ 39,477
Accounts receivable, net of allowance for doubtful accounts of $81 and $120 at September 30, 2022 and December 2021, respectively	13,137	8,110
Prepaid expenses	4,432	3,498
Other current assets	3,503	3,337
Total current assets	62,860	54,422
Capitalized software development costs, net	16,089	14,430
Goodwill	99,086	146,142
Intangible assets, net	47,734	35,893
Other assets	4,336	10,023
Total assets	$ 230,105	$ 260,910
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 6,331	$ 5,268
Accrued compensation and benefits	5,927	10,961
Accrued expenses	2,674	4,669
Liabilities to users	8,946	8,984
Other current liabilities	2,793	3,151
Total current liabilities	26,671	33,033
Deferred income taxes	2,087	1,791
Long-term debt	27,855	—
Content licensing liabilities	19,612	—
Other liabilities	1,517	2,049
Total liabilities	77,742	36,873
Commitments and contingencies (Note 16)		
Shareholders' equity		
Ordinary shares, $0.01 par value, 100,000,000 shares authorized, 42,559,977 and 42,250,743 shares issued and outstanding at September 30, 2022 and December 2021, respectively	425	422
Additional paid-in capital	327,327	319,551
Accumulated deficit	(127,152)	(76,360)
Accumulated other comprehensive loss	(48,237)	(19,576)
Total shareholders' equity	152,363	224,037
Total liabilities and shareholders' equity	$ 230,105	$ 260,910

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

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenue	$ 32,120	$ 32,268	$ 104,581	$ 93,736
Operating costs and expenses				
Cost of revenue[(1)]	9,435	10,801	31,598	29,876
Sales and marketing	6,757	5,657	20,122	15,238
Product and technology	4,998	5,492	19,140	15,564
General and administrative[(1)]	10,185	12,888	33,265	35,217
Impairment	—	—	28,861	—
Restructuring	—	—	1,771	—
Depreciation and amortization	5,893	4,560	16,862	12,686
Total operating costs and expenses	37,268	39,398	151,619	108,581
Operating loss	(5,148)	(7,130)	(47,038)	(14,845)
Interest expense, net	1,450	—	2,521	1
Other income	(13)	—	(283)	—
Loss before income taxes	(6,585)	(7,130)	(49,276)	(14,846)
Income tax expense	356	1,548	513	3,201
Net loss	$ (6,941)	$ (8,678)	$ (49,789)	$ (18,047)
Loss per share, basic and diluted	$ (0.16)	$ (0.21)	$ (1.18)	$ (0.43)
Weighted average ordinary shares outstanding, basic and diluted	42,237,226	42,061,396	42,263,462	41,962,535

(1) Excludes depreciation and amortization expense

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	**2021**	**2022**	**2021**
Net loss	$ (6,941)	$ (8,678)	$ (49,789)	$ (18,047)
Other comprehensive loss, net of tax				
Foreign currency translation adjustments	(12,201)	(4,904)	(28,661)	(11,939)
Comprehensive loss	$ (19,142)	$ (13,582)	$ (78,450)	$ (29,986)

The accompanying notes are an integral part of these 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	Treasury Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount					
Balance at January 1, 2022	42,250,743	$ 422	$ 319,551	$ —	$ (76,360)	$ (19,576)	$ 224,037
Net loss	—	—	—	—	(4,499)	—	(4,499)
Foreign currency translation adjustments	—	—	—	—	—	(4,264)	(4,264)
Share-based compensation	—	—	1,316	—	—	—	1,316
Accrued liability settled through issuance of shares	—	—	444	—	—	—	444
Restricted share activity	2,365	—	—	—	—	—	—
Balance at March 31, 2022	42,253,108	$ 422	$ 321,311	$ —	$ (80,859)	$ (23,840)	$ 217,034
Net loss	—	—	—	—	(38,349)	—	(38,349)
Foreign currency translation adjustments	—	—	—	—	—	(12,196)	(12,196)
Share-based compensation	—	—	2,659	—	—	—	2,659
Accrued liability settled through issuance of shares	—	—	469	—	—	—	469
Repurchases of ordinary shares	(303,113)	—	—	(1,006)	—	—	(1,006)
Ordinary share retirement	—	(3)	—	1,006	(1,003)	—	—
Issuance of ordinary shares upon exercise of share options	125,416	1	394	—	—	—	395
Balance at June 30, 2022	42,075,411	$ 420	$ 324,833	$ —	$ (120,211)	$ (36,036)	$ 169,006
Net loss	—	—	—	—	(6,941)	—	(6,941)
Foreign currency translation adjustments	—	—	—	—	—	(12,201)	(12,201)
Share-based compensation	—	—	2,140	—	—	—	2,140
Restricted share activity	159,859	2	(137)	—	—	—	(135)
Issuance of ordinary shares upon exercise of share options	250,000	2	323	—	—	—	325
Issuance of ordinary shares upon ESPP purchases	74,707	1	168	—	—	—	169
Balance at September 30, 2022	42,559,977	$ 425	$ 327,327	$ —	$ (127,152)	$ (48,237)	$ 152,363

	Ordinary Shares		Additional Paid-in Capital	Treasury Shares	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount					
Balance at January 1, 2021	36,635,362	$ 365	$ 203,842	$ —	$ (45,766)	$ (2,877)	$ 155,564
Net loss	—	—	—	—	(5,610)	—	(5,610)
Foreign currency translation adjustments	—	—	—	—	—	(9,478)	(9,478)
Share-based compensation	—	—	1,632	—	—	—	1,632
Issuance of ordinary shares as partial consideration in Coolbet acquisition	5,260,516	53	106,630	—	—	—	106,683
Fair value of replacement equity awards issued as consideration in Coolbet acquisition	—	—	297	—	—	—	297
Issuance of ordinary shares upon exercise of share options	108,222	1	314	—	—	—	315
Balance at March 31, 2021	42,004,100	$ 419	$ 312,715	$ —	$ (51,376)	$ (12,355)	$ 249,403
Net loss	—	—	—	—	(3,759)	—	(3,759)
Foreign currency translation adjustments	—	—	—	—	—	2,443	2,443
Share-based compensation	—	—	2,319	—	—	—	2,319
Restricted share activity	5,178	1	(1)	—	—	—	—
Issuance of ordinary shares upon exercise of share options	6,396	—	22	—	—	—	22
Balance at June 30, 2021	42,015,674	$ 420	$ 315,055	$ —	$ (55,135)	$ (9,912)	$ 250,428
Net loss	—	—	—	—	(8,678)	—	(8,678)
Foreign currency translation adjustments	—	—	—	—	—	(4,904)	(4,904)
Share-based compensation	—	—	1,823	—	—	—	1,823
Restricted share activity	2,590	—	—	—	—	—	—
Issuance of ordinary shares upon exercise of share options	164,510	2	489	—	—	—	491

Balance at September 30, 2021	42,182,774	$ 422	$ 317,367	$ —	$ (63,813)	$ (14,816)	$ 239,160

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

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

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash Flows From Operating Activities		
Net loss	$ (49,789)	$ (18,047)
Adjustments to reconcile net loss to net cash (used in) from operating activities:		
Amortization of software and intangible assets	15,837	11,888
Depreciation on property and equipment and finance lease right-of-use assets	1,025	798
Amortization of debt discount and debt issuance costs	280	—
Share-based compensation expense	5,671	5,774
Impairment of goodwill	28,861	—
Deferred income tax	541	—
Other	(22)	432
Changes in operating assets and liabilities, net of acquisitions:		
Accounts receivable	(5,189)	(483)
Prepaid expenses	(1,226)	272
Other current assets	(265)	226
Other assets	2,552	(9,123)
Accounts payable	1,730	(1,255)
Accrued compensation and benefits	(4,174)	3,370
Accrued expenses	(1,689)	3,906
Liabilities to users	1,296	2,847
Other current liabilities	(387)	(460)
Other liabilities	1,389	1,205
Net cash (used in) provided by operating activities	(3,559)	1,350
Cash Flows From Investing Activities		
Cash paid for acquisition, net of cash acquired	—	(92,454)
Expenditures for capitalized software development costs	(9,242)	(8,483)
Payments for content licensing arrangements	(5,500)	—
Purchases of gaming licenses	(1,115)	(215)
Purchases of property and equipment	(1,657)	(1,478)
Net cash used in investing activities	(17,514)	(102,630)
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	30,000	—
Payments of offering costs	—	(604)
Proceeds from exercise of share options	720	828
Proceeds from issuance of ordinary shares upon ESPP purchase	169	—
Principal payments on finance leases	—	(83)
Repurchases of ordinary shares	(1,006)	—
Payment of debt issuance costs	(2,425)	—
Net cash provided by financing activities	27,458	141
Effect of foreign exchange rates on cash	(4,074)	(1,210)
Net increase (decrease) in cash	2,311	(102,349)
Cash and cash equivalents, beginning of period	39,477	152,654
Cash and cash equivalents, end of period	$ 41,788	$ 50,305
Supplemental Disclosure of Noncash Investing and Financing Activities:		
Intangible assets acquired in business acquisition included in current and long-term liabilities	$ 26,244	$ —
Ordinary shares issued as partial consideration to acquire all the outstanding shares of Coolbet	—	106,683
Issuance of unvested share options in exchange for unvested share options of Coolbet	—	297

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

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.

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". Coolbet is a developer and operator of an online sports betting and casino platform that is accessible through its website in markets across Northern Europe, Latin America and Canada.

The Company is a business-to-business ("B2B") supplier of a proprietary gaming system, GameSTACK™ ("GameSTACK"), which is used predominately in the U.S. land-based casino industry. For its B2B customers, GameSTACK is a turnkey technology solution for regulated real money internet gambling ("real money iGaming" or "RMiG"), online sports gaming, and virtual simulated gaming ("SIM"). 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 through www.coolbet.com 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"). 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, 2022 are not necessarily indicative of the results that may be expected for the year ended December 31, 2022 or for any future annual or interim period. The condensed consolidated balance sheet as of December 31, 2021 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, 2021.

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 2021 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, 2022, 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 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 shareholders' equity.

Gains and losses arising from transactions denominated in a currency other than the functional currency are included in general and administrative expense in the condensed consolidated statements of operations as incurred. Foreign currency transaction and remeasurement gains and losses were a net gain (loss) of $684 and $(589) for the three months ended September 30, 2022 and 2021, respectively, and $(494) and $(761) for the nine months ended September 30, 2022 and 2021, respectively.

Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist primarily of its cash and trade receivables. At September 30, 2022, the Company held cash deposits in foreign countries, primarily in Northern Europe and Latin America, of approximately $33.0 million, which are subject to local banking laws and may bear higher or lower risk than cash deposited in the United States. Cash held in the United States is maintained in a major financial institution in excess of federally insured limits. As part of our cash management processes, the Company performs periodic evaluations of the credit standing of the financial institutions and we have not sustained any credit losses from instruments held at these financial institutions. Additionally, the Company maintains an allowance for potential credit losses, but historically has not experienced any significant losses related to individual customers or groups of customers in any particular geographic area.

Risks and Uncertainties

Macroeconomic conditions can materially adversely affect the Company's business, results of operations and financial condition. Recent adverse macroeconomic conditions, including inflation, higher interest rates, slower growth or recession, the strengthening of the U.S. dollar, and corresponding currency fluctuations can have an adverse material impact on the Company's future results of operations, cash flows, and financial condition, particularly with respect to foreign currency adjustments relating to our international operations. Such conditions may also affect consumers' willingness to make discretionary purchases, and therefore the Company, along with its casino operator customers, may experience a decline in wagering. A downturn in the economic environment can also lead to increased credit and collectibility risk on the Company's trade receivables, limitations on the Company's ability to issue new debt, and reduced liquidity.

Revenue Recognition

Revenue from B2B Operations

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

The Company charges fees as consideration for use of its internet gaming system, game content, support and marketing services based on a fixed percentage of the casino operator's net gaming revenue or net sportsbook win, at the time of settlement of an event for RMiG contracts, considered usage-based fees, or at the time of purchase for in-game virtual credit for SIM contracts. The determination of the fee charged to its customers is negotiated and varies significantly. Certain of these RMiG contracts provide the Company with a minimum monthly revenue guarantee in relation to the Company's share of the casino operator's net gaming revenue or net sportsbook win. At September 30, 2022 the remaining unsatisfied performance obligations related to fixed minimum guaranteed revenue totaled $0.5 million.

The Company's promise to provide the RMiG SaaS platform and content licensing services on the hosted software is a single performance obligation. This performance obligation is recognized over time, as the Company provides services to its customers in its delivery of services to the player end user. The Company's customers simultaneously receive and consume the benefits provided by the Company as it delivers services to its customers. Usage based fees are considered variable consideration as the service is to provide unlimited continuous access to its hosted application and usage of the hosted system is primarily controlled by the player end user. The transaction price includes fixed and variable consideration and is billed monthly with the amount due generally thirty days from the date of the invoice. Variable consideration is allocated entirely to the period in which consideration is earned as the variable amounts relate specifically to the customer's usage of the platform that day and allocating the usage-based fees to each day is consistent with the allocation objective, primarily that the change in amounts reflect the changing value to the customer. The Company's internet gaming system, game content, support and marketing services are provided equally throughout the term of the contract. These services are made up of a daily requirement to provide access and use of the internet gaming system and support services to the customer over a period of time, as well as to provide marketing services, and not a specified amount of services. The series of distinct services represents a single performance obligation that is satisfied over time.

Purchases of virtual credits within a transaction period on the SIM platform, generally a monthly convention, are earned over time, and are typically billed monthly upon the close of the respective period as the credit has no monetary value, cannot be redeemed, exchanged, transferred or withdrawn, represents solely a device for tracking game play during the month, does not obligate the Company to provide future services and the arrangements with the customer and player end user have no substantive termination penalty. In certain service agreements with its SIM customers, the Company receives fees for the purchases of in-game virtual credit made by end-users and remits payment to the SIM customer for their share of the SIM revenues. At September 30, 2022 and December 31, 2021, the Company has recorded a liability due to its customers for their share of the fees of $1,362 and $2,171, respectively, within other current liabilities in the condensed consolidated balance sheets.

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

The Company also provides ongoing development services involving updates to the RMiG platforms for enhanced functionality or customization. Ongoing development services are typically billed monthly, at a daily rate, for services performed. Revenue from RMiG platform development services that are identified as distinct performance obligations and relate either to an asset the customer controls or from which the customer receives value are recognized over the period the services are performed. This revenue is measured using an input method based on effort expended, which uses direct labor hours incurred. As the performance obligation relates to the provision of development services over time, this method reflects the transfer of control as the Company performs the services. Separately, revenue generated from customers for development services that are not identified as distinct performance obligations are deferred over the license service term. In customer contracts that require a portion of the consideration to be received in advance or at the commencement of the contract, such amounts are recorded as a contract liability.

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

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

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 gaming accounts together with bilateral transmission of reward points between the internet gaming technology system and the land-based casino management system present in all U.S. casino properties. 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.

Contracts with Multiple Performance Obligations

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

Revenue from Gaming Operations

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

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

The Company offers live casino through its digital online casino offering in select markets, allowing users to place a wager and play games virtually at retail casinos. The Company offers users a catalog of over 3,200 third-party iGaming products such as digital slot machines and table games such as blackjack and roulette. Revenue from casino games is reported net after deduction of winnings, jackpot contribution and customer bonuses.

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

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

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

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

Sales and Marketing

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

Content Licensing Fees

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

Share-based Compensation

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

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

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

Loss Per Share, Basic and Diluted

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

Cash

Cash is comprised of cash held at the bank and third-party service providers. The Company is required to maintain compensating cash balances to satisfy its liabilities to users. Such balances are included within cash in the condensed consolidated balance sheets and are not subject to creditor claims. At September 30, 2022 and December 31, 2021, the related liabilities to users was $8,946 and $8,984, respectively.

Property and Equipment, net

Property and equipment are stated at cost less accumulated depreciation. Depreciation is generally computed on a straight-line basis over the estimated useful lives of the assets. Maintenance and repairs are charged to expense in the period they are incurred. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the statement of operations.

Capitalized Software Development Costs, net

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

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

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. The Company has recorded goodwill primarily from its acquisition of Coolbet in January 2021. Goodwill is not amortized, but rather is reviewed for impairment annually (as of October 1st) or more frequently if facts or circumstances indicate that it is more-likely-than-not the fair value of a reporting unit may be below its carrying amount.

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 discounted cash flow analysis.

ASC Topic 350 requires that goodwill be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company performed a qualitative and quantitative impairment test as of June 30, 2022 which resulted in an impairment to goodwill of $28.9 million. The Company performed an additional qualitative assessment as of September 30, 2022 to determine whether events or circumstances such as those described in ASC 350-20-35-3C existed and concluded that, due to the significant and sustained decline in share price and market capitalization of the Company since the Coolbet acquisition, such triggers existed during the current interim period; therefore, an interim quantitative impairment test was performed. The Company did not recognize an additional impairment to goodwill as a result of its interim impairment test as of September 30, 2022.

Long-lived Assets

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

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

The fair value of 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.

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. During the three and nine months ended September 30, 2022, there was no triggering event that would cause the Company to believe the value of its long-lived assets should be impaired.

Liabilities to Users

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

Legal Contingencies and Litigation Accruals

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

Debt

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

Fair Value of Financial Instruments

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

- Level 1 Quoted prices in active markets for identical assets or liabilities.

- Level 2 Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities in active markets, quoted prices in markets that are not active for identical or similar assets and liabilities, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 Valuations are based on the inputs that are unobservable and significant to the overall fair value measurement of the assets or liabilities. Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

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

The following table summarizes the Company's assets and liabilities that are measured at fair value on a recurring basis as required by ASC 820, by level, within the fair value hierarchy as of September 30, 2022:

	September 30, 2022			
	Fair Value	**Level 1**	**Level 2**	**Level 3**
Liability				
Contingent content liability	$ 4,369	$ —	$ —	$ 4,369

The contingent content liability represents additional amounts which the Company expects to pay to Ainsworth Game Technology, a third-party gaming content provider ("the Content Provider") if the Company's total revenue generated from its content licensing arrangement with the Content Provider exceeds certain stipulated annual and cumulative thresholds during the contract term. The fair value of the contingent content liability is determined using Level 3 inputs, since estimating the fair value of this contingent content liability requires the use of significant and subjective inputs that may and are likely to change over the duration of the liability with related changes in internally generated anticipated games revenue as well as external market factors. The contingent content liability was valued using a Monte Carlo simulation based on management's anticipated annual games revenue forecasts. The fair value of the contingent content liability was initially recognized in April 2022 in connection with its modified arrangement with the Content Provider on April 5, 2022 and is recorded within Content licensing liabilities within the condensed consolidated balance sheets. Contingent consideration is revalued at each reporting period. There were no significant changes to the value through September 30, 2022. Refer to Note 4 – Acquisition for further detail.

Income Taxes

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

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

Segments

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

Recently Issued Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. ASU 2021-08 requires an acquirer to measure and recognize contract assets and contract liabilities acquired in a business combination in accordance with ASC 606, Revenue from Contracts with Customers, rather than using fair value on the acquisition date. This amendment is effective for fiscal years beginning after December 15, 2022, including interim periods within those annual periods, and should be applied prospectively to business combinations occurring on or after the effective date. Early adoption is permitted. The Company will apply the amended guidance on a prospective basis to business combinations that occur on or after January 1, 2023.

(in thousands, except share and per share amounts)

NOTE 4 — ACQUISITION

Content licensing agreement with Ainsworth Game Technology

In the second quarter of 2021, the Company entered into a Content Licensing Agreement (the "Agreement") with Ainsworth Game Technology, a third-party gaming content provider (the "Content Provider") specializing in developing and licensing interactive games. The Agreement grants the Company exclusive rights to use and distribute the online gaming content in North America, and the Content Provider is committed to developing a minimum number of games for the Company's exclusive use over a five-year term, subject to extensions.

On April 5, 2022, the Company amended and restated the Agreement. In accordance with the restated arrangement, the Company amended certain commercial terms, which included obtaining the contractual right to lease the remote gaming servers, taking possession of the related software, and obtaining a service contract from the Content Provider for the duration of the arrangement. The total fixed fees remaining under the amended arrangement totaled $25.0 million, of which $5.5 million was paid during the nine months ended September 30, 2022 with the remaining $4.5 million due in 2022, and $5.0 million in each of the years 2023 through 2025. Fixed fee payments are presented in the condensed consolidated statements of cash flows as payments for content licensing arrangements within cash flows from investing activities. Additional payments could be required if the Company's total revenue generated from the arrangement exceed certain stipulated annual and cumulative thresholds during the contract term.

The amended and restated Agreement is accounted for as a business combination as the assets acquired and the liabilities assumed under the arrangement constitute a business in accordance with ASC 805, Business Combinations. Consideration transferred is comprised of the present value of the Company's total expected fixed payments under the Agreement, the net assets recognized under the original agreement, as well as a contingent consideration.

The following table summarizes the fair value of the consideration transferred:

Present value of future fixed fee payments	$	18,808
Net assets recognized under original agreement		3,067
Contingent consideration		4,369
Total	$	26,244

The contingent consideration represents additional amounts which the Company expects to pay to the Content Provider if the Company's total revenue generated from the arrangement exceed certain stipulated annual and cumulative thresholds during the contract term. The maximum amount of the payment is unlimited as it is determined based on the Company's performance over the related games revenue over the arrangement term. The fair value of the contingent consideration is determined using Level 3 inputs, since estimating the fair value of this contingent consideration requires the use of significant and subjective inputs that may and are likely to change over the duration of the liability with related changes in internally generated anticipated games revenue as well as external market factors. The contingent consideration was valued using a Monte Carlo simulation based on management's anticipated annual games revenue forecasts.

(in thousands, except share and per share amounts)

Identifiable assets and liabilities assumed at fair value were entirely comprised of intangible assets acquired as part of the content licensing arrangement. The fair values of intangible assets were estimated using inputs classified as Level 3 under the income approach using either the royalty income method (content licenses) or the multi-period excess earnings method (customer relationships). The Company has not yet finalized the purchase price allocation, which is pending further analysis of the net assets acquired, weighted average cost of capital assumptions, and certain Level 3 inputs used in the Monte Carlo simulation used to value the contingent consideration. Identifiable intangible assets, including their respective expected useful lives, and liabilities assumed were as follows:

	Estimated useful life (in years)	Fair Value
Content licenses intangible asset	4.6	$ 22,938
Customer relationships intangible asset	4.0	3,306
Acquired right of use lease asset	4.6	116
Acquired right of use lease liability	4.6	(116)
Total identifiable net assets		$ 26,244

In addition to these assets acquired, a service contract was entered into with the Content Provider valued at approximately $1.4 million which will be expensed over the service period of approximately five years.

NOTE 5 — PROPERTY AND EQUIPMENT, NET

Property and equipment, net is recorded in other assets in the condensed consolidated balance sheets at September 30, 2022 and December 31, 2021 and consisted of the following:

	Estimated Useful Life	September 30, 2022	December 31, 2021
Fixtures, fittings and equipment	3-5 years	$ 3,791	$ 2,935
Platform hardware	5 years	1,651	2,054
Total property and equipment, cost		5,442	4,989
Less: accumulated depreciation		(2,894)	(2,444)
Total		$ 2,548	$ 2,545

Depreciation expense related to property and equipment was $312 and $260 for the three months ended September 30, 2022 and 2021, respectively, and $926 and $717 for the nine months ended September 30, 2022 and 2021, respectively.

(in thousands, except share and per share amounts)

NOTE 6 — CAPITALIZED SOFTWARE DEVELOPMENT COSTS, NET

Capitalized software development costs, net at September 30, 2022 and December 31, 2021 consisted of the following:

	September 30, 2022	December 31, 2021
Capitalized software development costs	$ 32,059	$ 26,127
Development in progress	2,528	5,910
Total capitalized software development, cost	34,587	32,037
Less: accumulated amortization	(18,498)	(17,607)
Total	$ 16,089	$ 14,430

At September 30, 2022, development in progress primarily represents costs associated with new proprietary content and enhancements to the B2B software platform.

Amortization expense related to capitalized software development costs was $1,438 and $908 for the three months ended September 30, 2022 and 2021, respectively, and $4,552 and $2,569 for the nine months ended September 30, 2022 and 2021, respectively.

NOTE 7 — GOODWILL AND INTANGIBLE ASSETS

Goodwill

The changes in the carrying amount of goodwill, by segment, for the nine months ended September 30, 2022 were as follows:

	B2B	B2C	Total
Balance at January 1, 2022	$ 72,230	$ 73,912	$ 146,142
Impairment	(28,861)	—	(28,861)
Effect of foreign currency translation	(8,082)	(10,113)	(18,195)
Balance at September 30, 2022	$ 35,287	$ 63,799	$ 99,086

The Company performs its annual goodwill impairment test as of October 1 and monitors for interim triggering events on an ongoing basis as events occur or circumstances change that would more likely than not reduce the fair value below its carrying amount. Goodwill is reviewed for impairment utilizing either a qualitative assessment or a quantitative goodwill impairment test. Due to the significant and sustained decline in share price and market capitalization of the Company since the Coolbet acquisition, interim quantitative goodwill impairment assessments were performed as of June 30, 2022 and September 30, 2022.

The Company estimated the fair value of all reporting units utilizing both a market approach and an income approach (discounted cash flow) and the significant assumptions used to measure fair value include discount rate, terminal value factors, revenue and EBITDA multiples, and control premiums. The Company confirmed the reasonableness of the estimated reporting unit fair values by reconciling those fair values to its enterprise value and market capitalization. As a result of its interim impairment test performed as of June 30, 2022, the Company recognized an impairment to goodwill of $28.9 million. The Company did not recognize an additional impairment to goodwill as a result of its interim impairment test as of September 30, 2022.

(in thousands, except share and per share amounts)

Intangible Assets

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

	Weighted Average Amortization Period	September 30, 2022 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	3.8 years	$ 30,671	$ (13,792)	$ 16,879
Third-party content licenses	4.6 years	22,938	(2,502)	20,436
Customer relationships	3.6 years	8,019	(3,162)	4,857
Trade names and trademarks	10.0 years	4,887	(1,089)	3,798
Gaming licenses	7.3 years	3,008	(1,244)	1,764
		$ 69,523	$ (21,789)	$ 47,734

	Weighted Average Amortization Period	December 31, 2021 Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	3.0 years	$ 27,390	$ (9,130)	$ 18,260
In-process technology	—	8,142	—	8,142
Customer relationships	3.0 years	5,460	(1,820)	3,640
Trade names and trademarks	10.0 years	5,699	(882)	4,817
Gaming licenses	6.4 years	2,219	(1,185)	1,034
		$ 48,910	$ (13,017)	$ 35,893

Acquired in-process technology consisted of a proprietary technical platform which was under development at the time of acquisition up until its completion in September 2022. Following its completion and the launch of GAN Sports, the developed technology was placed in service and is currently being amortized over an estimated useful life of 5 years.

Amortization expense related to intangible assets was $4,135 and $3,356 for the three months ended September 30, 2022 and 2021, respectively, and $11,285 and $9,319 for the nine months ended September 30, 2022 and 2021, respectively.

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

	Amount
Remainder of 2022	$ 4,369
2023	17,611
2024	8,005
2025	7,996
2026	2,330
Thereafter	7,423

(in thousands, except share and per share amounts)

NOTE 8 — ACCRUED EXPENSES

Accrued expenses consisted of the following:

	September 30, 2022	December 31, 2021
Content license fees	$ 1,480	$ 2,402
Other	1,194	2,267
Total	$ 2,674	$ 4,669

NOTE 9 — DEBT

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

The Company incurred $2.4 million in debt issuance costs during the three and nine months ended September 30, 2022 in connection with the Credit Facility, which have been recorded as a direct reduction against the debt and amortized over the life of the associated debt as a component of interest expense using the effective interest method. The net funds received from the Credit Facility, after deducting debt issuance costs, was $27.6 million.

Debt Covenants

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

The Company was in compliance with all financial covenants as of September 30, 2022.

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

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

	Effective Interest Rate	As of September 30, 2022
Credit Facility:		
Principal	13.28%	$ 30,000
Less unamortized debt issuance costs		(2,145)
Long-term debt, net		$ 27,855

During the three and nine months ended September 30, 2022 the Company incurred $1,071 and $1,735, respectively, in interest expense, of which $185 and $280, respectively, relates to the amortization of debt issuance costs.

(in thousands, except share and per share amounts)

NOTE 10 — SHARE-BASED COMPENSATION

In April 2020, the Board of Directors established the GAN Limited 2020 Equity Incentive Plan (“2020 Plan”) which has been approved by the Company’s shareholders. The 2020 Plan initially provides for grants of up to 4,400,000 ordinary shares, which then increases through 2029, by the lesser of 4% of the previous year’s total outstanding ordinary shares on December 31st or as determined by the Board of Directors, for ordinary shares, incentive share options, nonqualified share options, share appreciation rights, restricted share grants, share units, and other equity awards for issuance to employees, consultants or non-employee directors. At September 30, 2022, the 2020 Plan provided for grants of up to 7,559,574 ordinary shares and there were 508,173 ordinary shares available for future issuance under the 2020 Plan.

Share Options

A summary of the share option activity as of and for the nine months ended September 30, 2022 is as follows:

	Number of Shares	Weighted Average Exercise Price		Weighted Average Contractual Term	Aggregate Intrinsic Value	
Outstanding at December 31, 2021	4,138,215	$	13.05	8.05	$	11,229
Granted	947,002		0.03			
Exercised	(375,416)		1.93			
Forfeited/expired or cancelled	(998,942)		15.29			
Outstanding at September 30, 2022	3,710,859	$	10.25	7.6	$	1,756
Options exercisable at September 30, 2022	2,271,058	$	8.44	6.97	$	672

The Company recorded share-based compensation expense related to share options of $948 and $1,693 for the three months ended September 30, 2022 and 2021, respectively, and $2,596 and $4,639 for the nine months ended September 30, 2022 and 2021, respectively. Such share-based compensation expense was recorded net of capitalized software development costs of $87 and $65 for the three months ended September 30, 2022 and 2021, and $226 and $170 for the nine months ended September 30, 2022 and 2021, respectively. At September 30, 2022, there was total unrecognized compensation cost of $11,401 related to nonvested share options. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 2.7 years.

Share option awards generally vest 25% after one year and then monthly over the next 36 months thereafter and have a maximum term of ten years. During the nine months ended September 30, 2022, the Board of Directors approved the issuance of options to purchase 947,002 ordinary shares to employees under the 2020 Plan, including 944,002 share options granted with an exercise price of $0.01 per share to certain European-based employees in lieu of restricted share units. The value of these options are based on the market value of the Company’s ordinary shares at the date of the grant. The weighted average grant date fair value of options granted was $0.13 and $8.00 for the three months ended September 30, 2022 and 2021, respectively, and $4.13 and $11.49 for the nine months ended September 30, 2022 and 2021, respectively.

Restricted Share Units

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

In January 2022, the Board of Directors approved the issuance of 108,720 restricted share units to employees. The restricted share units vest over four years from the date of grant with 25% vesting per year on the anniversary of the grant date. The terms of the awards stipulate that the vesting of any outstanding restricted share units will be pro-rated for employees if their employment terminates after the first anniversary of the grant date.

In March 2022, the Board of Directors approved the issuance of 1,117,437 restricted share units to its employees. The restricted share units vest over four years from the date of grant with 25% vesting per year on the anniversary of the grant date. The terms of the awards stipulate that the vesting of any outstanding restricted share units will be pro-rated for employees if their employment terminates after the first anniversary of the grant date. Additionally, 73,446 restricted share units were granted to its non-employee directors which vest on December 31, 2022.

In June 2022, the Board of Directors approved the issuance of 28,754 restricted share units to its employees. The restricted share units vest over four years from the date of grant with 25% vesting per year on the anniversary of the grant date. The terms of the awards stipulate that the vesting of any outstanding restricted share units will be pro-rated for employees if their employment terminates after the first anniversary of the grant date.

In August 2022, the Board of Directors approved the issuance of 34,659 restricted share units to its employees. The restricted share units vest over four years from the date of grant with 25% vesting per year on the anniversary of the grant date. The terms of the awards stipulate that the vesting of any outstanding restricted share units will be pro-rated for employees if their employment terminates after the first anniversary of the grant date.

In September 2022, the Board of Directors approved the issuance of 50,317 restricted share units to its employees. The restricted share units vest over four years from the date of grant with 25% vesting per year on the anniversary of the grant date. The terms of the awards stipulate that the vesting of any outstanding restricted share units will be pro-rated for employees if their employment terminates after the first anniversary of the grant date.

The Company withholds a portion of the restricted share units granted to its non-employee directors upon vesting in order to remit a cash payment to the directors equal to their tax expense. At September 30, 2022, the Company recognized a liability for outstanding and nonvested restricted share units held by non-employee directors of $148. The liabilities are recorded in accrued compensation and benefits in the condensed consolidated balance sheets.

The Company recorded share-based compensation expense related to restricted share units of $958 and $65 for the three months ended September 30, 2022 and 2021, respectively, and $3,151 and $195 for the nine months ended September 30, 2022 and 2021, respectively. Such share-based compensation expense was recorded net of capitalized software development costs of $67 for the three and nine months ended September 30, 2022, respectively. At September 30, 2022, there was total unrecognized compensation cost of $6,785 related to nonvested restricted share units. The unrecognized compensation cost is expected to be recognized over a weighted-average period of 3.2 years.

(in thousands, except share and per share amounts)

A summary of the restricted share unit activity as of and for the nine months ended September 30, 2022 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding at December 31, 2021	369,140	$ 10.78
Granted	1,413,333	5.23
Vested	(213,245)	9.53
Forfeited or cancelled	(73,622)	7.84
Outstanding at September 30, 2022	1,495,606	$ 5.86

Restricted Share Awards

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

In December 2021, the Company issued 51,654 restricted ordinary shares to the selling shareholders of Silverback Gaming. The restricted share awards vest one-third on the acquisition date and one-third on each the first and second anniversary dates. The restricted share awards were issued with a grant date fair value of $9.68 per share.

The Company recorded share-based compensation expense related to the restricted share awards of $41 for the three months ended September 30, 2022, and $125 and $770 for the nine months ended September 30, 2022 and 2021, respectively. At September 30, 2022, there was total unrecognized compensation cost of $194 related to the nonvested shares granted. The cost is expected to be recognized over a weighted average period of 1.2 years. There were no restricted share awards that vested during the nine months ended September 30, 2022.

Employee Bonuses Issued in Shares

In 2021, the Company entered into agreements with certain executive employees which allowed for a portion, or all, of their annual bonus for the year ended December 31, 2021 to be paid in the form of the Company's shares. During the nine months ended September 30, 2022 the Company settled $913 of the total bonus by issuing 189,959 vested options with an exercise price of $0.01 per share.

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.

(in thousands, except share and per share amounts)

The ESPP is designed to allow eligible employees to purchase ordinary shares, at quarterly intervals, with their accumulated payroll deductions. The participants are offered the option to purchase ordinary shares at a discount during a series of successive offering periods. The option purchase price may be the lower of 85% of the closing trading price per share of the Company's ordinary shares on the first trading date of an offering period in which a participant is enrolled or 85% of the closing trading price per share on the purchase date, which will occur on the last trading day of each offering period. An offering period is defined as a three-month duration commencing on or about March, June, September and December of each year. Also, one purchase period is included within each offering period. The Company's first offering period commenced on June 1, 2022 and concluded on August 31, 2022 with its first purchase occurring on August 31, 2022. The Company issued 74,707 shares under the ESPP as of September 30, 2022. During the three and nine months ended September 30, 2022 the Company recognized share-based compensation expense of $64 and $86, respectively, related to the ESPP.

NOTE 11 — LOSS PER SHARE

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Share options	3,710,859	4,268,981	3,710,859	4,268,981
Restricted shares	34,436	—	34,436	—
Restricted share units	1,495,606	2,590	1,495,606	2,590
Total	5,240,901	4,271,571	5,240,901	4,271,571

NOTE 12 — REVENUE

The following table reflects revenue recognized for the three and nine months ended September 30, 2022 and 2021 in line with the timing of transfer of services:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Revenue from services delivered at a point in time	$ 19,435	$ 22,621	$ 65,468	$ 64,030
Revenue from services delivered over time	12,685	9,647	39,113	29,706
Total	$ 32,120	$ 32,268	$ 104,581	$ 93,736

Contract and Contract-Related Liabilities

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

(in thousands, except share and per share amounts)

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,	
	2022	2021	2022	2021
Contract liabilities from advance customer payments, beginning of the period	$ 459	$ 1,811	$ 1,874	$ 1,083
Contract liabilities from advance customer payments, end of the period (1)	1,467	1,808	1,467	1,808
Revenue recognized from amounts included in contract liabilities from advance customer payments at the beginning of the period	250	179	775	121

(1) Contract liabilities from advance customer payments, end of period consisted of $479 and $740 recorded in other current liabilities in the condensed consolidated balance sheets at September 30, 2022 and 2021, respectively and $989 and $1,067 recorded in other liabilities in the condensed consolidated balance sheet at September 30, 2022 and 2021, respectively.

NOTE 13 — SEGMENT REPORTING

The Company's reportable segments are B2B and B2C. The B2B segment develops, markets and sells instances of GameSTACK, GAN Sports, and iSight Back Office technology that incorporates comprehensive player registration, account funding and back-office accounting and management tools that enable the casino operators to efficiently, confidently and effectively extend their presence online in places that have permitted online real money gaming. The B2C segment, which includes the operations of Coolbet since January 1, 2021, develops and operates a B2C online sports betting and casino platform that is accessible through its website in markets across Northern Europe, Latin America and Canada.

Information reported to the Company's Chief Executive Officer, the CODM, for the purpose of resource allocation and assessment of the Company's segmental performance is primarily focused on the origination of the revenue streams. The CODM evaluates performance and allocates resources based on the segment's revenue and 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 months ended September 30, 2022 and 2021 is as follows:

	Three Months Ended September 30,					
	2022			2021		
	B2B	B2C	Total	B2B	B2C	Total
Revenue	$ 12,685	$ 19,435	$ 32,120	$ 11,175	$ 21,093	$ 32,268
Cost of revenue(1)	2,173	7,262	9,435	3,583	7,218	10,801
Segment gross profit	$ 10,512	$ 12,173	$ 22,685	$ 7,592	$ 13,875	$ 21,467

(1) Excludes depreciation and amortization expense

(in thousands, except share and per share amounts)

During the three months ended September 30, 2022 and 2021, one customer in the B2B segment individually accounted for 22.5% and 14.7% of total revenue, respectively.

Summarized financial information by reportable segments for the nine months ended September 30, 2022 and 2021 is as follows:

	Nine Months Ended September 30,					
	2022			2021		
	B2B	B2C	Total	B2B	B2C	Total
Revenue	$ 39,905	$ 64,676	$ 104,581	$ 34,349	$ 59,387	$ 93,736
Cost of revenue[1]	9,015	22,583	31,598	8,632	21,244	29,876
Segment gross profit	$ 30,890	$ 42,093	$ 72,983	$ 25,717	$ 38,143	$ 63,860

During the nine months ended September 30, 2022 and 2021, one customer in the B2B segment individually accounted for 20.2% and 13.5% of total revenue, respectively.

The following table presents a reconciliation of segment gross profit to the consolidated loss before income taxes for the three and nine months ended September 30, 2022 and 2021:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Segment gross profit [1]	$ 22,685	$ 21,467	$ 72,983	$ 63,860
Sales and marketing	6,757	5,657	20,122	15,238
Product and technology	4,998	5,492	19,140	15,564
General and administrative[1]	10,185	12,888	33,265	35,217
Impairment	—	—	28,861	—
Restructuring	—	—	1,771	—
Depreciation and amortization	5,893	4,560	16,862	12,686
Interest expense, net	1,450	—	2,521	1
Other income	(13)	—	(283)	—
Loss before income taxes	$ (6,585)	$ (7,130)	$ (49,276)	$ (14,846)

(1) Excludes depreciation and amortization expense

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

(in thousands, except share and per share amounts)

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

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
B2B:				
Platform and content license fees	$ 9,988	$ 8,743	$ 31,208	$ 27,252
Development services and other	2,697	2,432	8,697	7,097
Total B2B revenue	$ 12,685	$ 11,175	$ 39,905	$ 34,349
B2C:				
Sportsbook	$ 7,763	$ 7,886	$ 28,023	$ 27,794
Casino	11,093	12,323	34,924	29,306
Poker	579	884	1,729	2,287
Total B2C revenue	19,435	21,093	64,676	59,387
Total revenue	$ 32,120	$ 32,268	$ 104,581	$ 93,736

Revenue by location of the customer for the three and nine months ended September 30, 2022 and 2021 is as follows:

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
United States	$ 10,320	$ 9,107	$ 33,531	$ 28,186
Europe	10,574	11,598	33,343	36,855
Latin America	9,492	9,854	32,910	23,711
Rest of the world	1,734	1,709	4,797	4,984
Total revenue	$ 32,120	$ 32,268	$ 104,581	$ 93,736

NOTE 14 — INCOME TAXES

The Company's effective income tax rate was (5.4)% and (21.7)% for the three months ended September 30, 2022 and 2021, respectively, and (1.0)% and (21.6)% for the nine months ended September 30, 2022 and 2021, respectively.

Our country of domicile is Bermuda, which effectively has a 0% statutory tax rate as it does not impose taxes on profits, income, dividends, or capital gains. The difference between this 0% tax rate and the effective income tax rate for the three and nine months ended September 30, 2022 and 2021 was due primarily to a mix of earnings in foreign jurisdictions that are subject to current tax and loss carryforwards in certain jurisdictions that are not expected to be recognized.

NOTE 15 — RESTRUCTURING

In January 2022, we implemented a strategic reduction of our existing worldwide global workforce to simplify and streamline our organization and strengthen the overall competitiveness of our B2B segment. As a result of this initiative, we incurred $1.8 million in restructuring charges related to this plan during the nine months ended September 30, 2022, which are primarily related to employee severance pay and related costs. As of September 30, 2022, the Company had completed its restructuring plan and there were no unpaid restructuring charges.

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 gaming 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 annual and cumulative thresholds during the contract term. Under the terms of the Agreements, the Content Providers are to remit the cash flows from the online gaming content with its existing customers to the Company during the exclusivity period.

On January 27, 2022, the Company served a termination notice, for cause, to a Content Provider as certain conditions precedent associated with the completion of contractual obligations had not been satisfied by the agreed upon period in 2021. In accordance with the agreement, termination for cause results in a return of the initial payment of $3.5 million. In response to the Company's termination notice, the Content Provider responded by alleging the Content Provider had met its contractual obligations, thereby obligating the Company to make the next, scheduled $3.0 million payment. In March, the Content Provider served the Company a notice of default letter notifying the Company of its alleged material breach of the agreement, and disputing the validity of the termination. On April 25, 2022, the Content Provider attempted to serve formal notice of termination of the agreement, reaffirming the $3.0 million obligation. The Company continues to assert that all contractual obligations to the Content Provider have been relieved as a result of the Company's initial termination notice and will vigorously defend any claims made by the Content Provider. The Company further recognized an impairment loss related to the initial payment of $3.5 million in the condensed statement of operations for the year ended December 31, 2021.

On April 5, 2022, the Agreement with the remaining Content Provider was amended and restated. Prior to the amendment, the Company accounted for the hosting arrangement as a service contract and expensed service fees of $1.5 million to cost of revenue in the condensed consolidated statement of operations for the nine months ended September 30, 2022. In accordance with the restated arrangement, the Company amended certain commercial terms, which included obtaining the contractual right to lease the remote gaming servers, taking possession of the related software, and obtaining a service contract from the Content Provider for the duration of the arrangement. The total fixed fees remaining under the amended arrangement totaled $25.0 million, of which $5.5 million was paid during the nine months ended September 30, 2022 with the remaining $4.5 million due in 2022, and $5.0 million in each of the years 2023 through 2025. Fixed fee payments are presented in the condensed consolidated statements of cash flows as payments for content licensing arrangements within cash flows from investing activities. Additional payments could be required if the Company's total revenue generated from the arrangement exceed certain stipulated annual and cumulative thresholds during the contract term.

The amended and restated Agreement is accounted for as a business combination. The consideration transferred in exchange for the identifiable intangible assets is comprised of the present value of the Company's total expected fixed payments under the Agreement, the net assets recognized under the original agreement, as well as a contingent consideration. The contingent consideration represents additional amounts which the Company expects to pay to the Content Provider if the Company's total revenue generated from the arrangement exceeds certain stipulated annual and cumulative thresholds during the contract term. The fair value of the contingent liability is determined using Level 3 inputs, since estimating the fair value of this contingent liability requires the use of significant and subjective inputs that may and are likely to change over the duration of the liability with related changes in internally generated anticipated games revenue as well as external market factors. The contingent consideration was valued using a Monte Carlo simulation based on management's anticipated annual games revenue forecasts. The fair value of the contingent consideration was initially recognized upon execution of the amendment to the Agreement and is recorded within content licensing liabilities within the condensed consolidated balance sheet at September 30, 2022. Refer to Note 4 – Acquisition for further detail.

At September 30, 2022 the present value of the remaining fixed fee payments remaining under the agreement of $15.2 million and the contingent content liability of $4.4 million are recorded in content licensing liabilities in the condensed consolidated balance sheet. The Company recognized imputed interest expense of $0.4 million and $0.8 million during the three and nine months ended September 30, 2022, respectively, related to the content licensing liabilities in other loss, net in the condensed consolidated statement of operations.

Chile VAT

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

On May 13, 2022, the CTA issued a resolution stating that unregistered foreign digital service providers will be subject to 19% withholding on payments through enforcement to issuers of credit cards, debit cards, and other forms of payment, effective August 1, 2022. On June 1, 2022 the CTA issued the first non-compliant list of unregistered foreign digital services providers to enact enforcement of this withholding; Coolbet was not named on this list. As of September 30, 2022 and through the date of filing, the Company has not received formal notification of any VAT liability due to the CTA.

Comprehensive legislation for online gambling was filed in draft form to Chile's Chamber of Deputies on March 7, 2022, which would allow for an unlimited number of licenses to be granted by Chile's national casino gaming authority and establish a tax with a rate of 20% applied over the gross income of an online betting platform. Registration as a licensee under the proposed legislation would require operators to establish legal entities within Chile and would restrict foreign service providers from operating within the country.

Due to the obligation being established by the governing law, a liability appears to be probable. However, the Company believes the application of VAT on gross customer deposits, as clarified by the CTA, does not represent a reasonable application of the law to the economic substance of the Company's services. VAT calculated as currently contemplated would result in liabilities far in excess of actual earned revenues and would result in a material loss to the Company. The Company has engaged outside counsel to formally approach the CTA on behalf of the Company to attempt to agree upon a more reasonable application of the VAT law, taking into account the Company's specific facts and circumstances. If any agreement is reached with the CTA, it is possible that the application would be applied retroactively to Coolbet's Chilean activity as of June 1, 2020. As of September 30, 2022, the Company has not yet formally agreed on any application of the VAT law with the CTA. As a result, the Company has determined that a liability is not reasonably estimable as of September 30, 2022. However, if the Company and the CTA are able to agree on an application other than deposits, this could result in a material loss when considering the retroactive application.

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 2021 Form 10-K.

Critical Accounting Policies and Estimates

For a discussion of our critical accounting policies and the means by which we develop estimates, refer to "Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations" on our 2021 Annual Report on Form 10-K. There have been no material changes during the periods covered by this Quarterly Report on Form 10-Q from the critical policies described in our Form 10-K.

Forward-Looking Statements

This section and other parts of this Quarterly Report on Form 10-Q contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements reflect our current expectations and views of future events based on certain assumptions, and include any statement that does not directly relate to a historical fact. For example, statements in this Quarterly Report on Form 10-Q may include the potential impact of the expected timing of government approvals or opening of new regulated markets for online gaming, our financial guidance and expectations or targets for our operations, anticipated revenue growth or operating synergies related to our acquisition of Coolbet, 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 2021 Form 10-K and in this Quarterly Report on Form 10-Q.

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

Overview

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

The B2B segment develops, markets and sells instances of GameSTACK, GAN Sports, and iSight Back Office technology that incorporates comprehensive player registration, account funding and back-office accounting and management tools that enable casino operators to efficiently, confidently and effectively extend their online presence. In 2022, we won a prestigious industry award from EGR North America – Best Customer Onboarding Partner – in recognition of our expertise and commitment for delivering industry-leading gaming solutions to land-based casinos. GAN Sports, our newest product offering following the acquisition of Coolbet, launched in September 2022 and aims to provide a best-in-class B2B sports betting product in the U.S. and Canada. In July 2022, GAN was named a "Rising Star in Sports Betting" for the SBC North America Awards 2022.

The B2C segment includes the operations of Coolbet. Coolbet develops and operates an online sports betting and casino platform that is accessible through its website in markets across Northern Europe, Latin America and Canada. In April of 2022, Coolbet won a prestigious award at the International Gaming Awards in London – Mobile Operator of the Year – in recognition of our user-friendly mobile site and available innovative product features. In September 2022, Coolbet won the Northern European Operator of the Year award at the SBC Awards 2022 in Barcelona.

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

Our net loss was $6.9 million and $8.7 million for the three months ended September 30, 2022 and 2021, respectively, and $49.8 million and $18.0 million for the nine months ended September 30, 2022 and 2021, respectively.

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

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

We hold a 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 gaming 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 gaming operators in the future.

Consolidated Results of Operations

Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

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

	Three Months Ended September 30,		Change	
	2022	2021	Amount	Percent
(dollars in thousands)				
Revenue	$ 32,120	$ 32,268	$ (148)	(0.5)%
Operating costs and expenses				
Cost of revenue[1]	9,435	10,801	(1,366)	(12.6)%
Sales and marketing	6,757	5,657	1,100	19.4%
Product and technology	4,998	5,492	(494)	(9.0)%
General and administrative[1]	10,185	12,888	(2,703)	(21.0)%
Depreciation and amortization	5,893	4,560	1,333	29.2%
Total operating costs and expenses	37,268	39,398	(2,130)	(5.4)%
Operating loss	(5,148)	(7,130)	1,982	(27.8)%
Interest expense, net	1,450	—	1,450	n.m.
Other income	(13)	—	(13)	n.m.
Loss before income taxes	(6,585)	(7,130)	545	(7.6)%
Income tax expense	356	1,548	(1,192)	(77.0)%
Net loss	$ (6,941)	$ (8,678)	$ 1,737	(20.0)%

[1] Excludes depreciation and amortization expense
n.m. = not meaningful

Geographic Information

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

	Three Months Ended September 30,		Percentage of Revenue		Change	
	2022	2021	2022	2021	Amount	Percent
(dollars in thousands)						
United States	$ 10,320	$ 9,107	32.1%	28.2%	$ 1,213	13.3%
Europe	10,574	11,598	32.9%	35.9%	(1,024)	(8.8)%
Latin America	9,492	9,854	29.6%	30.5%	(362)	(3.7)%
Rest of the world	1,734	1,709	5.4%	5.4%	25	1.5%
Total revenue	$ 32,120	$ 32,268	100.0%	100.0%	$ (148)	(0.5)%

Revenue

Revenue was $32.1 million for the three months ended September 30, 2022, a decrease of $0.1 million from the comparable period in 2021. The decrease was primarily attributable to decreases in B2C revenues of $1.7 million driven by unfavorable impacts of revenues derived from currencies which weakened relative to the U.S. Dollar. The decrease was offset by an increase in our B2B revenues of $1.5 million, driven by increases related to new content revenues and expansion into new markets, such as Ontario, Canada.

Revenue fluctuations across our international markets are primarily a result of our B2C operations, which accounted for $0.6 million of the decreased revenues in Europe and the full $0.4 million increase in Latin America. The increase in revenue in the United States as compared to the prior period was the result of increased RMiG revenues within the B2B segment.

Cost of Revenue

Cost of revenue was $9.4 million for the three months ended September 30, 2022, a decrease of $1.4 million from the comparable period in 2021, which was primarily attributable to lower costs related to B2B hardware sales incurred in the prior period that did not recur in the current period.

Sales and Marketing

Sales and marketing expense was $6.8 million for the three months ended September 30, 2022, an increase of $1.1 million from the comparable period in 2021. The increase was primarily attributable to increased sales and marketing activities within our B2C operations to attract additional end-users.

Product and Technology

Product and technology expense was $5.0 million for the three months ended September 30, 2022, a decrease of $0.5 million from the comparable period in 2021, primarily due to the strengthening of the U.S. Dollar relative to compensation costs incurred in foreign currencies.

General and Administrative

General and administrative expense decreased $2.7 million of which $1.3 million was attributable to foreign exchange transaction gains primarily as a result of the strengthening of the U.S. Dollar relative to the British Pound. Additionally, personnel and office costs decreased $0.9 million and professional fees decreased $0.4 million as a result of our restructuring efforts and cost saving initiatives executed during the year.

Depreciation and Amortization

Depreciation and amortization expense was $5.9 million for three months ended September 30, 2022, an increase of $1.3 million from the comparable period in 2021. The increase was primarily due to the amortization expense recognized on acquired intangible assets related to the Company’s content licensing arrangement.

Income Tax Expense

We recorded income tax expense of $0.4 million for the three months ended September 30, 2022, reflecting an effective tax rate of (5.4)%, compared to income tax expense of $1.5 million for the three months ended September 30, 2021, reflecting an effective tax rate of (21.7)%. Our country of domicile is Bermuda, which effectively has a 0% statutory tax rate as it does not impose taxes on profits, income, dividends, or capital gains. The difference between this 0% tax rate and the effective income tax rate for three months ended September 30, 2022 and 2021 was due primarily to a mix of earnings in foreign jurisdictions that are subject to current tax and loss carryforwards in certain jurisdictions that are not expected to be recognized.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

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

	Nine Months Ended September 30,		Change	
	2022	**2021**	**Amount**	**Percent**
(dollars in thousands)				
Revenue	$ 104,581	$ 93,736	$ 10,845	11.6%
Operating costs and expenses				
Cost of revenue[1]	31,598	29,876	1,722	5.8%
Sales and marketing	20,122	15,238	4,884	32.1%
Product and technology	19,140	15,564	3,576	23.0%
General and administrative[1]	33,265	35,217	(1,952)	(5.5)%
Impairment	28,861	—	28,861	n.m.
Restructuring	1,771	—	1,771	n.m.
Depreciation and amortization	16,862	12,686	4,176	32.9%
Total operating costs and expenses	151,619	108,581	43,038	39.6%
Operating loss	(47,038)	(14,845)	(32,193)	n.m.
Interest expense, net	2,521	1	2,520	n.m.
Other income	(283)	—	(283)	n.m.
Loss before income taxes	(49,276)	(14,846)	(34,430)	n.m.
Income tax expense	513	3,201	(2,688)	(84.0)%
Net loss	$ (49,789)	$ (18,047)	$ (31,742)	n.m.

[1] Excludes depreciation and amortization expense
n.m. = not meaningful

Geographic Information

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

	Nine Months Ended September 30,		Percentage of Revenue		Change	
	2022	2021	2022	2021	Amount	Percent
(dollars in thousands)						
United States	$ 33,531	$ 28,186	32.1%	30.1%	$ 5,345	19.0%
Europe	33,343	36,855	31.9%	39.3%	(3,512)	(9.5)%
Latin America	32,910	23,711	31.5%	25.3%	9,199	38.8%
Rest of the world	4,797	4,984	4.5%	5.3%	(187)	(3.8)%
Total revenue	$ 104,581	$ 93,736	100.0%	100.0%	$ 10,845	11.6%

Revenue

Revenue was $104.6 million for the nine months ended September 30, 2022, an increase of $10.8 million from the comparable period in 2021. The increase was attributable to an increase of $5.6 million in our B2B revenues, which was driven by the growth in existing customers and an increase in development revenues, and an increase of $5.3 million in our B2C revenues attributable to active customer growth in Latin America.

In Europe, $3.6 million of the decreased revenue was attributable to our B2C revenues in Euros weakening relative to the U.S. Dollar, despite underlying increases in revenues denominated in Euros. The B2B segment further experienced declines in its RMiG business in Europe that resulted in an additional $1.6 million decrease in revenue.

The increase in revenue in the United States as compared to the prior period was the result of increased RMiG revenues within the B2B segment.

Cost of Revenue

Cost of revenue was $31.6 million for the nine months ended September 30, 2022, an increase of $1.7 million from the comparable period in 2021. Of this increase, $1.3 million was attributable to our B2C operations' cost of gaming revenues driven primarily by higher gaming duties of $0.3 million and content license fees costs of $0.6 million as a result of increased revenues, and higher processing fees of $0.2 million due to increased deposit and withdrawal activity on www.coolbet.com. Within our B2B segment, the cost of revenue increase was primarily driven by a $1.5 million increase in service fees paid to a third-party content provider related to a content licensing agreement the Company entered into in the second quarter of 2021, offset by a $0.6 million decrease in cost of hardware sales recognized during the prior period that did not recur during the current period. Other decreases of $0.5 million in B2B cost of revenues were primarily the result of decreased content license fees costs that were driven by decreased revenues in Europe and the U.S. SIM business.

Sales and Marketing

Sales and marketing expense was $20.1 million for the nine months ended September 30, 2022, an increase of $4.9 million from the comparable period in 2021. Of the increase, $5.3 million was attributable to increased sales and marketing activities within our B2C operations in order to attract additional end-users. This increase was partially offset by a decrease of $0.6 million in share-based compensation expense related to personnel in our sales and marketing functions.

Product and Technology

Product and technology expense was $19.1 million for the nine months ended September 30, 2022, an increase of $3.6 million from the comparable period in 2021, due to higher net salaries and related employee costs net of capitalized costs (which include an increase in related share-based compensation of $0.3 million), as we ramped up our development team and invested in both our B2B and B2C platforms to serve our new and existing customers.

General and Administrative

General and administrative expense was $33.3 million for the nine months ended September 30, 2022, a decrease of $2.0 million from the comparable period in 2021. This decrease was due primarily to a decrease of $2.3 million attributable to a reduction in professional fees resulting in an ongoing effort to in-source our back-office and development functions, a decrease of $1.6 million in sales tax expense and a decrease of $0.2 million in bad debt expense. These decreases were offset by an increase in software and technology costs of $1.0 million and office and related expenses of $0.8 million as we made investments to streamline our operations.

Impairment

The stock trading price of our publicly traded shares and resulting market capitalization of our business has experienced a significant and sustained decline since our acquisition of Coolbet. As a result, we performed interim quantitative goodwill impairment assessments as of June 30, 2022 and September 30, 2022. As a result of our impairment test as of June 30, 2022 we recognized an impairment of $28.9 million to goodwill within our B2B reporting segment. The interim quantitative impairment assessment as of September 30, 2022 did not result in an additional impairment to goodwill.

Restructuring Expenses

Restructuring expenses were $1.8 million for nine months ended September 30, 2022. These expenses related to employee severance pay and related costs as a result of a restructuring plan we implemented in January 2022. The goal of the restructuring plan is to strategically reduce our existing B2B workforce to simplify and streamline our organization and strengthen the overall profitability of our B2B segment.

Depreciation and Amortization

Depreciation and amortization expense was $16.9 million for nine months ended September 30, 2022, an increase of $4.2 million from the comparable period in 2021. Of the increase, $2.9 million was due to the amortization expense recognized on acquired intangible assets related to the Company's content licensing arrangement. The remaining increase was attributable to higher depreciation and amortization of new assets placed in-service as a result of product launches that occurred during the prior periods.

Income Tax Expense

We recorded income tax expense of $0.5 million for the nine months ended September 30, 2022, reflecting an effective tax rate of (1.0)%, compared to income tax expense of $3.2 million for the nine months ended September 30, 2021, reflecting an effective tax rate of (21.6)%. Our country of domicile is Bermuda, which effectively has a 0% statutory tax rate as it does not impose taxes on profits, income, dividends, or capital gains. The difference between this 0% tax rate and the effective income tax rate for nine months ended September 30, 2022 and 2021 was due primarily to a mix of earnings in foreign jurisdictions that are subject to current tax and loss carryforwards in certain jurisdictions that are not expected to be recognized.

Segment Operating Results

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

Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

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

	Three Months Ended September 30,		Percentage of Segment Revenue		Change	
	2022	**2021**	**2022**	**2021**	**Amount**	**Percent**
(dollars in thousands)						
B2B						
Revenue	$ 12,685	$ 11,175	100.0%	100.0%	$ 1,510	13.5%
Cost of revenue[(1)]	2,173	3,583	17.1%	32.1%	(1,410)	(39.4)%
B2B segment gross profit	$ 10,512	$ 7,592	82.9%	67.9%	$ 2,920	38.5%
B2C						
Revenue	$ 19,435	$ 21,093	100.0%	100.0%	$ (1,658)	(7.9)%
Cost of revenue[(1)]	7,262	7,218	37.4%	34.2%	44	0.6%
B2C segment gross profit	$ 12,173	$ 13,875	62.6%	65.8%	$ (1,702)	(12.3)%

(1) Excludes depreciation and amortization expense

B2B Segment

B2B revenue increased $1.5 million primarily due to an increase in platform and content license fees revenue of $1.2 million resulting from new content and organic growth within the U.S. RMiG business. Development and other services revenue contributed $0.3 million to the increase as a result of expansion into new markets, such as Ontario, Canada.

B2B cost of revenue decreased $1.4 million primarily related to hardware sales recognized in the prior period which did not recur in the current period.

Segment gross profit margin for B2B, which excludes depreciation and amortization expense, increased by 38.5% primarily driven by an increase in platform and content license fees revenue of $1.2 million, related to organic growth within RMiG revenues and content license fees revenues related to an amended of a content licensing arrangement that did not have related costs of revenue in the current period and did not occur in the prior period.

B2C Segment

B2C revenue decreased $1.7 million primarily due to the weakening of the currencies in which we derive our B2C operations’ revenues relative to the U.S. Dollar.

B2C cost of revenue stayed relatively consistent as the increase in gaming duties of $0.3 million, due to entering into new jurisdictions, was offset by a decrease in content license fees costs of $0.3 million.

Segment gross profit for B2C, which excludes depreciation and amortization expense, decreased by 12.3%. This decrease was primarily driven by a decrease in revenues as described above.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

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

(dollars in thousands)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Percentage of Segment Revenue 2022	Percentage of Segment Revenue 2021	Change Amount	Change Percent
B2B						
Revenue	$ 39,905	$ 34,349	100.0%	100.0%	$ 5,556	16.2%
Cost of revenue(1)	9,015	8,632	22.6%	25.1%	383	4.4%
B2B segment gross profit	$ 30,890	$ 25,717	77.4%	74.9%	$ 5,173	20.1%
B2C						
Revenue	$ 64,676	$ 59,387	100.0%	100.0%	$ 5,289	8.9%
Cost of revenue(1)	22,583	21,244	34.9%	35.8%	1,339	6.3%
B2C segment gross profit	$ 42,093	$ 38,143	65.1%	64.2%	$ 3,950	10.4%

(1) Excludes depreciation and amortization expense

B2B Segment

B2B revenue increased $5.6 million primarily due to an increase in platform and content license fees revenue of $4.0 million resulting from organic growth in existing U.S. customers.

Additionally, B2B development services and other revenue increased $1.6 million, driven by expansion into new markets, such as Ontario, Canada.

B2B cost of revenue increased $0.4 million, primarily driven by a $1.5 million increase in service fees incurred related to the content licensing agreement the Company entered into in the second quarter of 2021 with a content provider. This increase was offset by a decrease of $0.6 million related to hardware sales that occurred during the prior period which did not recur during the current period, and a decrease of $0.4 million in other B2B cost of revenue, primarily attributable to decreased content license fees costs resulting from lower RMiG revenues in Italy.

Segment gross profit margin for B2B, which excludes depreciation and amortization expense, increased by 20.1%, which was primarily driven by increased development and content license fees revenues and decreased revenues and related cost of revenue related to hardware sales that occurred during the prior period which did not recur during the current period.

B2C Segment

B2C revenue increased $5.3 million primarily due to growth in the number of active customers in our Latin American markets during the current period.

B2C cost of revenue increased $1.3 million driven by an increase in content license fees of $0.6 million and $0.3 million in gaming duties, both resulting from increased revenues, and higher processing fees of $0.2 million due to increased deposit and withdrawal activity on www.coolbet.com.

Segment gross profit for B2C, which excludes depreciation and amortization expense, increased by 10.4%, which was primarily driven by an increase in gaming revenues and an increase in gross profit margin as a result of improved processing deals for the nine months ended September 30, 2022.

Non-GAAP Financial Measures

Adjusted EBITDA

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

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
(in thousands)				
Net loss	$ (6,941)	$ (8,678)	$ (49,789)	$ (18,047)
Income tax expense	356	1,548	513	3,201
Interest expense, net	1,450	—	2,521	1
Depreciation and amortization	5,893	4,560	16,862	12,686
Share-based compensation and related expense(1)	1,335	1,700	5,671	5,365
Impairment	—	—	28,861	—
Restructuring	—	—	1,771	—
Adjusted EBITDA	$ 2,093	$ (870)	$ 6,410	$ 3,206

(1) Includes $2.1 million and $1.8 million in equity-classified expense for the three months ended September 30, 2022 and 2021, respectively, and $6.1 million and $5.8 million for the nine months ended September 30, 2022 and 2021, respectively, a benefit of $0.1 million from liability-classified awards for the three months ended September 30, 2021, and a benefit of $0.2 million and $0.2 million for the nine months ended September 30, 2022 and 2021, respectively. Such amounts excluded capitalized amounts. Refer to Note 10. Share-based Compensation for further details.

Key Performance Indicators

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
B2B Gross Operator Revenue (in millions)	$ 277.8	$ 214.8	$ 858.6	$ 650.5
B2B Take Rate	4.6%	5.2%	4.6%	5.3%
B2C Active Customers (in thousands)	261	199	435	306
B2C Marketing Spend Ratio	23%	15%	21%	14%
B2C Sports Margin	6.6%	6.8%	7.0%	7.9%

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 sportsbook offerings. B2B Gross Operator Revenue, which is not comparable to financial information presented in conformity with U.S. GAAP, gives management and users of our financial statements an indication of the extent of transactions processed through our B2B corporate customers' platforms and allows management to understand the extent of activity that our platform is processing.

The increase in Gross Operator Revenue for the three and nine months ended September 30, 2022, as compared to the three and nine months ended September 30, 2021, was driven primarily by expansion of existing clients into new jurisdictions, such as Connecticut and Ontario, Canada, coupled with our launch of RMiG solutions for new customers in existing jurisdictions, such as Michigan. Additionally, customer launches which occurred mid-2021 have now been fully included within the comparable periods of 2022 and increases in Michigan, New Jersey, and Pennsylvania were driven by organic growth from existing customers.

B2B Take Rate

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

The decrease in B2B Take Rate for the three months ended September 30, 2022 as compared to the three months ended September 30, 2021 was primarily driven by a growth in development services and other revenue of 11%, which are considered in addition to Gross Operator Revenue. Development and other services revenue increased as a result of expansion into new markets, such as Ontario, Canada. This increase in Take Rate was slightly offset by changes to the mix of revenues within our B2B segment during the three months ended September 30, 2022 compared to the three months ended September 30, 2021, including higher RMiG revenues relative to historical performance, which typically experience a lower Take Rate when compared to other revenue streams.

The decrease in B2B Take Rate for the nine months ended September 30, 2022, as compared to the nine months ended September 30, 2021, was driven by a growth in Gross Operator Revenue without a proportional growth in net segment revenue due to a larger portion of B2B revenues coming from lower Take Rate revenue streams which have outpaced historical performance. This was driven by patent revenue, which is earned based on the transfer of the patent and not derived from Gross Operator Revenue, recognized during the nine months ended September 30, 2021 that did not recur in the current period.

B2C Active Customers

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

The increase in B2C Active Customers for the three and nine months ended September 30, 2022 was primarily driven by customer acquisition in Latin America and high customer retention during the current period.

B2C Marketing Spend Ratio

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

The increase in B2C Marking Spend Ratio for the three and nine months ended September 30, 2022 was primarily driven by increased marketing spend in Latin America, and Ontario, Canada and higher customer acquisition costs as a result of entering into the Ontario market, and several marketing and sponsorship in Latin American to develop greater brand awareness during the current period.

B2C Sports Margin

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

The decrease in B2C Sports Margin for three and nine months ended September 30, 2022 was primarily attributable to more favorable outcomes in the prior period related to large sporting events, such as the Copa America Championship and European Football Championship, which occurred in the prior period and did not recur during the current period.

Liquidity and Capital Resources

Material Cash Commitments

Our primary uses of cash include funding our ongoing working capital needs, content licensing discussed below, and developing and maintaining our proprietary software platforms. Such capital allocations are contemplated while considering other opportunities we may have to deploy our capital including share repurchases under our share repurchase program.

During the year ended December 31, 2021, we entered into a Content Licensing Agreement (the “Agreement”) with a third-party gambling content provider specializing in developing and licensing interactive games which was amended and restated on April 5, 2022. The Agreement grants us exclusive right to use and distribute the online gaming content in North America. The content provider is committed to developing a minimum number of games for our exclusive use over the five-year term, subject to extensions. In exchange, we are required to pay fixed fees, totaling $30.0 million, of which $5.0 million was due upon execution of the Agreement, and the remaining fixed fees are paid systematically over the initial five-year term. Additional payments could be required if our total revenue generated from the licensed content exceeds certain stipulated annual and cumulative thresholds during the contract term. In the event that the Agreement is terminated, actual cash outlays could be less than currently contemplated.

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 launch of the integrated B2B sportsbook technology solution in North America in September 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 continued significant capital expenditures, and we expect to continue investing in our products and technologies as we seek to scale our business. In April 2022, we successfully completed a $30.0 million term loan with net proceeds, of which $27.6 million provides us additional flexibility to execute our balanced capital allocation plan centered around the aforementioned investments and our share repurchase program. During the nine months ended September 30, 2022 we repurchased $1.0 million of our own shares as we believed our share price was undervalued and did not reflect the long-term opportunities ahead of us.

We utilized cash in investing activities of $17.5 million and $102.6 million for the nine months ended September 30, 2022 and 2021, respectively. Of these activities, $92.4 million related to the acquisition of Coolbet for the nine months ended September 30, 2021. We made payments during the nine months ended September 30, 2022 related to content licensing fees of $5.5 million. Expenditures related to internally developed capitalized software represented $9.2 million and $8.5 million, respectively, property and equipment (including licenses for internal use software) represented $1.7 million and $1.5 million, respectively.

Sources of Liquidity

We have primarily funded our operations through cash generated from operations, financing activities, 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 $111.1 million, which was funded from the follow-on offering proceeds and available cash on hand.

On April 26, 2022, a subsidiary of the Company entered into a fixed term credit facility (the “Credit Facility”) which provides for $30.0 million in aggregate principal amount of secured term loans with a floating interest rate of 3-month SOFR (subject to a 1% floor) + 9.5%. The Credit Facility matures on October 26, 2026 and is fully guaranteed by the Company. There are no scheduled principal payments due under the Credit Facility. The Company incurred $2.4 million in debt issuance costs in connection with the Credit Facility.

Our primary source of liquidity for our working capital is cash flows generated from operations and our cash on hand of $41.8 million at September 30, 2022, including the funds received in relation to the Credit Facility.

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.

In the longer term, 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 cannot provide any assurance as to the availability or terms of any additional future financing that we may require to support our operations. If the needed financing is not available, or if the terms of financing are less desirable than we expect, we may be forced to decrease our level of investment in new products and technologies, discontinue further expansion of our business, or scale back our existing operations, any of which could have an adverse impact on our business and financial prospects.

Cash Flow Analysis

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

	Nine Months Ended September 30,		Change	
(dollars in thousands)	2022	2021	Amount	Percent
Net cash (used in) provided by operating activities	$ (3,559)	$ 1,350	$ (4,909)	n.m.
Net cash used in investing activities	(17,514)	(102,630)	85,116	(82.9)%
Net cash provided by financing activities	27,458	141	27,317	n.m.
Effect of foreign exchange rates on cash	(4,074)	(1,210)	(2,864)	n.m.
Net increase (decrease) in cash	$ 2,311	$ (102,349)	$ 104,660	n.m.

n.m. = not meaningful

Operating Activities

Net cash used in operating activities increased $4.9 million, primarily resulting from an unfavorable fluctuation in working capital of $6.5 million. These amounts were offset by a decrease in net loss after adjustments to reconcile net loss to cash flows from operations of $1.6 million.

Investing Activities

Net cash used in investing activities decreased $85.1 million primarily as a result of $92.5 million cash paid for the acquisition of Coolbet during the nine months ended September 30, 2021, net of cash acquired. This decrease was primarily offset by increases of $5.5 million in cash payments to third-party gambling content providers for the rights to use and distribute their online gaming content in North America, and an increase of $0.9 million in cash payments for gaming licenses in anticipation of new jurisdictional launches, and $0.8 million in spend for capitalized software development costs primarily related to product enhancements, and new features for both the B2B and B2C platforms.

Financing Activities

Net cash provided by financing activities increased by $27.3 million primarily due to $27.6 million net cash proceeds associated with the Credit Facility, net of issuance costs, as well as $0.6 million in offering cost payments made in the prior period related to our acquisition of Coolbet which did not occur in the current period. These amounts were partially offset by our use of $1.0 million related to our share repurchase program during the current period.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

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

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

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

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance, not absolute assurance, of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements will not occur or that all control issues, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. The design of any system of controls is based, in part, upon certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

As required by SEC Rule 13a-15(b), we carried out an evaluation, under the supervision and with the participation of our management, including the Certifying Officers, of the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based on the foregoing, the Certifying Officers concluded that our disclosure controls and procedures were not effective at the reasonable assurance level as of September 30, 2022. The Certifying Officers based their conclusion on the fact that the Company has identified material weaknesses in controls over financial reporting, detailed below. In light of this fact, our management has performed additional analyses, reconciliations, and other procedures and have concluded that, notwithstanding the material weaknesses in our internal control over financial reporting, the condensed consolidated financial statements for the periods covered by and included in this Form 10-Q fairly present, in all material respects, our financial position, results of operations and cash flows for the periods presented in conformity with GAAP.

Material Weakness in Internal Control Over Financial Reporting

As previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021, material weaknesses were identified in the Company's internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of the Company's interim or annual condensed consolidated financial statements will not be prevented or detected on a timely basis.

During the course of management's year-end procedures, the Company examined employee costs attributed to capitalized software development costs, net and concluded that certain time previously evaluated as capitalizable was not a direct cost of software development and accounted for inconsistently with applicable accounting principles. In addition, the Company evaluated the accounting for revenue from contracts with customers that include significant customization services, previously recognized upon launch, that only the Company can perform and are necessary for the set-up of instances of the RMiG platform, concluding the services are not distinct and the related contract consideration should be allocated to the single performance obligation consisting of the right to access the SaaS platform, recognized over time during the estimated term of the arrangement. The Company also identified deficiencies in the design of the control environment whereby certain finance users were granted "super user" access and security administration rights to the financial reporting systems, the activity of these users with elevated access were not actively monitored, and no segregation of duties over journal entry preparation and approval within the B2C segment existed.

The Company's management and audit committee of the board of directors determined that material weaknesses exist related to the design and operating effectiveness of internal controls over the completeness and accuracy of accounting for, and disclosure of, capitalized software development costs, net and revenue recognition. Specifically, the Company did not (i) design appropriate management review controls to properly identify the appropriate costs of employee time allocated to capitalized software development costs, net, and (ii) did not have sufficiently formalized policies and procedures with respect to the capitalized software development process. In addition, the Company (i) did not design adequate procedures for customer contract reviews, (ii) had inadequate controls to appropriately apply the revenue recognition policy and (iii) had inadequate resources to properly evaluate technical aspects of revenue recognition, in each case with respect to contracts with customers.

The Company's management and audit committee of the board of directors also determined that the fact that the Company did not design appropriate controls to evaluate risks to the entity from improper segregation of duties, review user access rights, monitor activities of finance users with elevated rights within the financial reporting system, and maintain manual controls at a level of precision to mitigate potential misstatements that could be present through the lack of segregation of journal entry preparation and approval within certain financial reporting systems constituted an additional material weakness. While the Company has actively begun to implement controls to remediate the material weaknesses, these weaknesses have not been resolved as of September 30, 2022.

Remediation Plans

We continue to evaluate measures to remediate the identified material weaknesses. These measures include formalizing and documenting its policies and procedures surrounding capitalized software development costs and revenue recognition, designing and implementing training for the employees whose roles and activities may qualify for capitalization, instituting monthly meetings with the development leadership team to assess the status of all projects, formalizing the customer contract review process and enhancing the scrutiny and precision of the management review controls over the capitalization of software development and revenue recognition process. We also have begun to implement appropriate controls to segregate journal entry preparation and approvals and to actively monitor finance users with elevated rights.

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

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

Changes in Internal Controls Over Financial Reporting

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

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

The outcome of litigation is inherently uncertain. If one or more matters were resolved against the Company in a reporting period for amounts above management's expectations, the Company's financial condition and operating results for that reporting period could be materially adversely affected. Regardless of 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 below and in Part I, Item 1A of our 2021 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.

Our B2C operations generate a significant portion of its revenues from "unregulated" markets and changes in regulation in those markets could result in us losing business in those markets or incurring additional expenses in order to comply with any new regulatory scheme.

Our B2C operations currently generate a significant portion of its revenues in markets that currently do not have a local licensing scheme, including Latin America and Northern Europe. Certain of those markets, or other markets where we may operate in the future, are in the process of developing regulations that require registration and regulatory compliance or could do so in the near term. The adoption of regulations and licensing requirements may increase costs, reduce net gaming revenue or require us to cease operations depending on the range of unforeseen developments in proposed rules and regulations governing online gaming in the international markets in which we currently operate.

Our B2C operations generate a significant portion of our revenue in markets where tax regulations are evolving, and could result in additional tax liabilities that could materially affect our financial condition and results of operations.

Our B2C operations currently generate a significant portion of its revenues in markets that have evolving tax legislation, including Latin America and Canada. Those markets, or other markets where we may operate in the future are actively considering or could adopt regulations that adversely affect our operations. The adoption of tax regulations may increase costs, reduce net gaming revenue or require us to cease operations depending on the range of unforeseen possible changes to the statutes governing online gaming in the international markets in which we currently operate.

Macroeconomic conditions can materially adversely affect the Company's business, results of operations and financial condition.

Recent adverse macroeconomic conditions, including inflation, higher interest rates, slower growth or recession, the strengthening of the U.S. dollar, and corresponding currency fluctuations can have an adverse material impact on the Company's future results of operations, cash flows, and financial condition, particularly with respect to foreign currency adjustments relating to our international operations. Such conditions may also affect consumers' willingness to make discretionary purchases, and therefore the Company, along with its casino operator customers, may experience a decline in wagering. A downturn in the economic environment can also lead to increased credit and collectibility risk on the Company's trade receivables, limitations on the Company's ability to issue new debt, and reduced liquidity.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

On May 31, 2022, the Board of Directors re-authorized and extended the share repurchase program initially authorized on November 30, 2021, which permits the Company to purchase up to $5.0 million of the Company's outstanding ordinary shares on the Nasdaq Stock Market. The extension was publicly announced on June 13, 2022. Repurchases are executed through open market purchases or privately negotiated transactions. The Company may purchase the ordinary shares at the prevailing market price at the time of purchase. The Company is not obligated to acquire any particular number of shares and repurchases may be suspended or terminated at any time. The share repurchase program expires on November 3, 2022.

During the three months ended September 30, 2022, the Company had no share repurchases under this program. The approximate dollar value of shares that may yet be purchased under the plan was $4.0 million as of September 30, 2022.

Item 6. Exhibits

Exhibit Number	Description of Document	Form	Exhibit Number	Date Filed
3.1	Memorandum of Association of GAN Limited	F-1	3.1	April 17, 2020
3.2	By-Laws of GAN Limited	F-1	3.2	April 17, 2020
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.			
+	Indicates management contract or compensatory plan or arrangement			

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 14, 2022

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)

Exhibit 31.1

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 14, 2022

/s/ DERMOT S. SMURFIT

Dermot S. Smurfit

Chief Executive Officer

(principal executive officer)

Exhibit 31.2

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 14, 2022

/s/ KAREN E. FLORES
Karen E. Flores
Chief Financial Officer
(principal financial officer)

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Exhibit 32.1

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, 2022 (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 14, 2022

/s/ DERMOT S. SMURFIT
Dermot S. Smurfit
Chief Executive Officer
(principal executive officer)

Exhibit 32.2

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, 2022 (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 14, 2022

/s/ KAREN E. FLORES
Karen E. Flores
Chief Financial Officer
(principal financial officer)