LONDON STOCK EXCHANGE (LSE): GAN

GAN Announces Profitable 2019 Half Year Financial Results Driven by 145% Net Revenue Growth

Company to Host Conference Call at 4:00 PM BST (11am EST / 8am PST) to Discuss Financial Results, Strategic Review, and Outlook for 2019

London | 13 September 2019: GAN plc ("GAN" or the "Group"), a leading B2B supplier of Internet gambling enterprise software-as-a-service solutions to the land-based casino industry, announces its operating and financial results for the six months ended 30 June 2019.

Financial Overview

- Group Net Revenue of £11.3m (H1 2018: £4.6m), an increase of +145%
- Clean EBITDA[1] profit of £3.0m (H1 2018: clean EBITDA loss of £0.3m)
- Profit after tax of £0.7m (H1 2018: loss after tax of £3.0m)
- Basic earnings per share of £0.01 (H1 2018: loss per share £0.04)
- Cash and cash equivalents at 30 June 2019 of £9.1m (£5.5m at 31 December 2018)
- United States accounted for 78% of Net Revenue including £3m derived from patent licensing

Dermot Smurfit, CEO of GAN commented:

The first half of 2019 saw rapid growth in revenues driven by real money Internet gambling in the U.S. and the accelerating adoption of Internet sports betting by numerous states. We were pleased to deliver real money Internet gambling across four websites (and counterpart mobile apps), to end users in two U.S. States operated by three clients reliant on our technology Platform for powering their Internet gambling business activities.

We have also substantially improved GAN's balance sheet as the Group transitioned to positive cashflow from ordinary activities with GBP 9.1M cash as on June 30 2019 and zero debt. The capital available on the balance sheet will be used to selectively grow development resources in Sofia, Bulgaria and Las Vegas, NV to capture substantial incremental revenue opportunities available from Internet gaming and sports betting in other U.S. States expected to regulate internet gambling in the near future.

We have an incredibly positive outlook for the remainder of 2019, as the recent launch of Internet sports betting and casino gaming in Pennsylvania, the Company's current sales pipeline and existing contracted clients are projected to significantly enhance GAN's revenue and EBITDA prospects.

Operational Overview and Current Developments

- Successfully licensed GAN's strategic U.S. patent ("Patent") to a major U.S. Internet gambling operator and their affiliated land-based U.S. casino group, generating £3m in Net Revenue in the period. This patent governs the linkage of on-property reward cards to their counterpart Internet gambling accounts together with bilateral transmission of reward points between the Internet gambling technology system and the land-based casino management system present in all U.S. casino properties. The Patent was awarded to GAN in September 2014, successfully defended in H1 2017 and has now been licensed for substantial consideration setting a precedent for additional Patent licensing agreements
- Operationally managed GAN's technology Platform throughout New Jersey's first legal online betting experience during the U.S. Super Bowl, with all-time record number of active real money Internet gamblers, who used GAN's technology Platform to bet on both sports and casino gaming on February 4, 2019, following the May 2018 decision of the Supreme Court of the United States ("SCOTUS") to overturn the previous Federal U.S. prohibition on sports betting enshrined with the Professional and Amateur Sports Protection Act 1992 ("PASPA")
- Welcomed the passage of enabling legislation for Internet gambling in six U.S. States during the course of the first six months of 2019 including Rhode Island, Montana, Indiana, Iowa, Tennessee and Illinois (together representing 9.6% of the U.S. population)
- Entered into an extension of services for Flutter Entertainment plc (formerly PaddyPower Betfair Plc) for the provision of: (i) a multi-year patent license; and (ii) additional services in New Jersey, West Virginia and Pennsylvania together with an option over additional services in additional U.S. States;
- Completed a significant expansion of engineering resources commenced in H2 2018, principally in Sofia, Bulgaria with secondary recruitment in Las Vegas, Nevada in order to meet high demand from existing clients for incremental real money Internet gambling services
- Substantially increased marketing activities via 'GAN Digital', in Tel Aviv, Israel, an in-house marketing agency to provide digital user acquisition & retention services in support of the Overseas Internet Casino, WinStar.com
- Won the prestigious 'Best B2B Social Slot Company' award at the Eilers & Krejcik Gaming LLC U.S. gaming Industry awards on February 28, 2019 in Las Vegas, Nevada
- Entered into an extension of services for Parx Casino in Pennsylvania to launch an Internet gambling service in the neighbouring State of New Jersey
- Cancellation of the Euronext Growth Dublin Ireland listing of GAN plc's shares on June 19, 2019 in order to simplify the Company's equity capital markets arrangements in advance of preparing for a U.S. listing on a suitable recognized investment exchange
- Launched Internet gambling for our first Pennsylvanian client, Parx Casino, in the State of Pennsylvania (pop. 12.7M) increasing GAN's addressable market for real money Internet gambling outside the State of New Jersey (pop. 9M)

Post-period end:

- Launched Internet sports betting in Pennsylvania delivered for Flutter Entertainment plc's FanDuel Group, GAN's second U.S. client to operate Internet sports betting via the GAN Platform in Pennsylvania. The reported success of the Internet sports betting market in the first operational year (August 2018 to July 2019) may result in an increase in the speed of regulation of intra-State Internet gambling going forwards. It is believed that additional U.S. States are now considering the regulation of Internet gambling
- Launched Internet casino gaming in Pennsylvania on July 15, 2019 for Pennsylvania's largest land-based casino, Parx Casino, in addition to Internet sports betting which commenced in June 2019
- Engaged in additional Patent licensing discussions with major U.S. land-based casino operators, following the successful licensure of the Patent in H1 2019

Notes

1. Clean EBITDA is a non GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share based payment expenses, certain non-cash transactions and other items which the directors consider to be non-recurring and one time in nature. Where not explicitly mentioned, EBITDA refers to EBITDA from continuing operations.

Note regarding forward-looking statements

This announcement includes forward-looking statements, including statements concerning current expectations about future financial performance and economic and market conditions which GAN believes are reasonable. However, these statements are neither promises nor guarantees, but are subject to risks and uncertainties that could cause actual results to differ materially from those anticipated.

Half-Year Results | Conference Call Details

The GAN management team will host a conference call for analysts & institutional investors at 4pm BST (11am EST / 8am PST).

Please use the following dial in numbers:

UK Participants:	+44 (0) 800 756 3429
US & Canada Participants:	+1 877-407-8629
International Participants:	+1 201-493-6715

The Half Year Results Press Release and Presentation is available to download from the website, www.GAN.com

Half-Year Results | Webcast
The call will also be simultaneously webcast over the Internet via the following link:
https://78449.themediaframe.com/dataconf/productusers/gan/mediaframe/32225/indexl.html

and such link will also be made available in the "Results and Presentations" section of GAN's website www.GAN.com/investors/results-and-presentations

About GAN Plc
GAN is a leading business-to-business ("B2B") supplier of internet gambling software-as-a-service solutions ("SaaS") to the US land-based casino industry. The Company has developed a proprietary internet gambling enterprise software system, GameSTACK™, which it licenses principally to land-based US casino operators as a turnkey technology solution for regulated real-money internet gambling, encompassing internet gaming, internet sports gaming and virtual Simulated Gaming. The Company has also launched digital user acquisition & retention marketing in support of the Internet Casino (https://casino.winstar.com) provided by GAN's Digital Marketing Agency in Tel Aviv, Israel.

GAN is listed on the London Stock Exchange (LSE: GAN). For more information please visit www.GAN.com.

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FINANCIAL REVIEW

Summary

Net revenue for the six months ended 30 June 2019 was £11.3m compared to £4.6m for the six months ended 30 June 2018. The clean EBITDA profit of £3.0m was £3.3m better than the prior year H1 clean EBITDA loss of £(0.3)m. The profit after taxation of £0.7m for the current period compared to a loss after taxation of £(3.0)m in the comparative period.

The Group continues to benefit from focusing on building its revenue base in both of its primary markets, the U.S. and Italy. Overall recurring revenues have grown by 55% year on year and now represent 58% of total net revenue compared to 92% in the comparative half year period. The reduction in recurring revenue as a percentage of total revenue is due to additional one-off work in H1 2019 relating to a substantial infrastructure upgrade completed in the U.S. together with the commercial licensure of certain strategic intellectual property. The U.S. remains the Group's principal market and net revenue of £8.8m increased by £6m over the comparative period and accounts for 78% of total net revenue. Real money gaming revenue from the Italian market has increased by 2%, and now represents 16% of total net revenue.

Cash and cash equivalents at the end of the period was £9.1m compared to £5.1m at 30 June 2018 and £5.5m at 31 December 2018. Net Assets at 30 June 2019 of £10.9m compared to £12.2m at 30 June 2018 and £9.4m for the year ended 31 December 2018. These movements are mainly due to movements in working capital, which is further discussed in the *Cashflow* section below.

Revenue

Gross income of £31.0m for the six months ended 30 June 2019 represents an increase of £7.2m compared to £23.8m for the period ended 30 June 2018. Net revenue for the period of £11.3m is £6.7m higher than £4.6m of the comparative six-month period due to increased revenue share from both the Italian and U.S. markets. Real money gaming operations generated net revenue of £9.0m, £6.5m higher than £2.5m for the previous comparative period, while Simulated Gaming generated net revenue of £2.3m, £0.2m higher than £2.1m from the previous comparative period.

The Group categorises net revenues from both Simulated Gaming and real money gaming operations, and further into distinct revenue streams: revenue share and other revenue (recurring in nature) and game and platform development (one time and primarily non-recurring in nature). Recurring revenues are principally generated in the real money gaming markets of Italy in Europe, and New Jersey and Pennsylvania in the U.S. and by Simulated Gaming markets in the U.S. and Australia. This half year also saw additional recurring revenues from a real money collaboration agreement in Europe, and non-recurring revenue from licensing the rights of the Group's patent over linking players' land based casino and Internet gambling accounts.

- Real money gaming operations recurring revenues have increased by 103% from £2.1m in the prior year comparative period to £4.3m for the six months ended 30 June 2019 and accounts for 38% of overall Group net revenue. Real money gaming revenue share rose from £2m to £3.4m, and recurring management fees from £0.1m to £0.9m in H1 2019 compared to H1 2018.
- Platform development revenue increased by 213% to £0.9m.
- Included in real money revenue is non-recurring licence revenue of £3.0m and development revenue of £0.8m.
- US Sportsbook revenue share and real money collaboration agreement in Europe revenue streams were not present in H1 2018. In the first 6 months of 2019 Sportsbook revenue share generated £0.7m and the collaboration agreement generated £0.6m in revenues, together representing 12% of total Group net revenue.
- Simulated Gaming recurring revenues have increased by 8% from £2.1m in the prior year comparative period to £2.3m for the six months ended 30 June 2019.

FINANCIAL REVIEW (*Continued*)

Expenses

Distribution costs are comprised of royalties, direct marketing expenditure, hardware expenditure on platforms, depreciation and amortisation. Distribution costs have increased by £1.7m from £4.5m as at 30 June 2018 to £6.2m at 30 June 2019. This increase is attributable to technology infrastructure increasing £0.1m from the prior year comparative period to £0.6m for six months ending June 2019. This is due to a £0.5m hardware upgrade expense that generated £0.7m of non-recurring revenue. In addition, GAN entered into a collaboration agreement beginning September 2018, resulting in a £1.2m increased distribution cost for H1 2019 with no comparable cost in H1 2018.

Administration expenses include the costs of personnel and related expenditure for the London, Las Vegas, Tel Aviv and Sofia offices. Total administrative expenses have increased by £1m from £3.2m in the prior year comparative period to £4.2m for the six months ended 30 June 2019. This increase in cost was primarily due to a £1m increase in salary and related costs, which in turn was caused by an increased average headcount from 106 in the comparative period to 132 in the six months ended 30th June 2019. Headcount grew primarily in the Las Vegas, Tel Aviv and Sofia offices to support the growth of new and existing contracts.

EBITDA

Clean EBITDA is a non-GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share based payment expense and other items which the directors consider to be non-recurring and one time in nature. The directors regard Clean EBITDA as a reliable measure of profits that is not unduly subjective.

The clean EBITDA profit for the six-month period ended 30 June 2019 of £3.0m is £3.3m better than the comparative figure (H1 2018 Clean EBITDA loss of £(0.3)m), primarily due to strong growth in the U.S. real money Internet gambling market.

Cashflow

The cash balance at 30 June 2019 was £9.1m representing an increase of £3.6m from the £5.5m cash balance as of 31 December 2018. During the six-month period, the Group generated a positive Clean EBITDA result, leading to a positive operating cash flow before movements in working capital of £3.0m.

A further £2.3m of positive cash flow was generated through working capital movements, mainly from an increase in receivables, decreasing cash by £(3.0)m, an increase in payables, increasing cash by £4.8m, and decrease in inventory, increasing cash by £0.5m. Further cash movements were £(1.5)m of cash outflows during the period relating to incremental investment in tangible and intangible fixed assets primarily related to the capitalisation of internal development time. Cash expended from financing activities was £(0.3)m, which primarily relates to the payment of lease liabilities. Net cash generated during the period of £3.6m resulted in an increased cash balance at 30 June 2019 to £9.1m.

Outlook

Both Simulated Gaming and real money Internet gambling are expected to show continued growth for the second half of the year.

- In the U.S. market, revenues from the 13 Simulated Gaming clients at 30 June 2019 are expected to benefit from the seasonally strong Winter period together with the commencement of the new U.S. NFL (American Football) season in September.
- The Group expects to experience solid growth in real money Internet gambling revenues in the second half of the year as a result of:
    - The launch of Internet casino gaming in Pennsylvania for Flutter Entertainment plc under the FanDuel brand
    - The launch of real money Internet gambling for Parx Casino in New Jersey

We are projecting 2019 to be a record year for Revenues, and EBITDA given our current operating performance.

FINANCIAL REVIEW (*Continued*)

The Group expects distribution costs to increase due to increased royalties payable to third parties as a result of increased U.S. Simulated Gaming and real money gaming revenues. Administrative expenses before foreign exchange movements are expected to grow incrementally in the second half of the year as the Group continues to expand its technical development office in the lower cost market of Bulgaria in support of growth for 2019 and beyond.

KEY PERFORMANCE INDICATORS

The performance of the Group during the period demonstrates the Group's strategy to grow recurring revenues through both its real money gaming business in the U.S. and Italy and its Simulated Gaming™ business in the U.S. and Australia. The directors regard clean earnings before interest, tax, depreciation, amortisation, share based payment expense and other items ("Clean EBITDA") as a reliable measure of profits and the Group's key performance indicators are set out below:

	H1 2019	**H1 2018**
	£000	**£000**
Gross income from gaming operations and services	31,046	23,840
Net revenue	11,276	4,600
Clean EBITDA	3,023	(334)
Net assets	10,224	12,185
Cash and cash equivalents	9,134	5,091

The Board also monitor customer related KPIs, including number of active players, revenue by partner, business segment profitability and geographic split of turnover.

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For the period ended 30 June 2019

Consolidated statement of comprehensive income

	Notes	Six months ended 30 June 2019 £000 Unaudited	Six months ended 30 June 2018 £'000 Unaudited	Year ended 31 December 2018 £'000 Audited
Continuing Operations				
Gross income from gaming operations and services		31,046	23,840	49,203
Net revenues	3	**11,276**	**4,600**	**10,569**
Distribution costs		(6,201)	(4,545)	(9,650)
Administrative expenses		(4,235)	(3,190)	(7,289)
Total operating costs		10,436	7,735	16,939
Clean EBITDA		3,023	(334)	(1,453)
Depreciation		(315)	(411)	(805)
Amortisation of intangible assets		(1,780)	(1,953)	(3,840)
Exceptional costs	5	-	(311)	-
Employee share-based payment charge		(88)	(126)	(272)
Operating Profit/ (loss)		840	(3,135)	(6,370)
Net finance costs		(63)	(273)	(324)
Profit/ (Loss) before taxation		777	(3,408)	(6,694)
Tax credit		(65)	388	666
Profit/ (Loss) for the period attributable to owners of the Group and total comprehensive income for the period		712	(3,020)	(6,028)
Basic earnings per share attributable to owners of the parent during the period				
Basic (pence)	9	0.83	(4.02)	(7.67)
Diluted (pence)	9	0.81	(4.02)	(7.67)

Clean EBITDA is a non GAAP company specific measure and excludes interest, tax, depreciation, amortisation, share based payment expenses and other items which the directors consider to be non-recurring and one time in nature. Where not explicitly mentioned, EBITDA refers to EBITDA from continuing operations.

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For the period ended 30 June 2019

Consolidated statement of financial position

	Notes	At 30 June 2019 £'000 Unaudited	At 30 June 2018 £'000 Unaudited	At 31 December 2018 £'000 Audited
Non-current assets				
Intangible assets		4,861	5,459	5,383
Property, plant and equipment		1,103	611	1,184
Lease deposits		149	-	173
		6,113	6,070	6,740
Current assets				
Trade and other receivables	6	6,993	2,884	3,907
Goods in transit		-	-	528
Research and development tax credit receivable		843	1,198	842
Lease deposits		-	53	42
Cash and cash equivalents		9,134	5,091	5,549
		16,970	9,226	10,868
Total assets		**23,083**	**15,296**	**17,608**
Current liabilities				
Trade and other payables	7	12,287	2,886	7,531
Total current liabilities		12,287	2,886	7,531
Non-current liabilities				
Lease liabilities	7	572	51	713
Other payables	7	-	174	-
Total non-current liabilities		572	225	713
Equity attributable to equity holders of parent				
Share capital	8	855	851	853
Share premium account		26,256	26,159	26,198
Retained earnings		(16,887)	(14,825)	(17,687)
		10,224	12,185	9,364
Total equity and liabilities		**23,083**	**15,296**	**17,608**

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For the period ended 30 June 2019

Consolidated statement of changes in equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	**701**	**18,809**	**(11,931)**	**7,579**
Loss and total comprehensive income for the period	-	-	(3,020)	(3,020)
Issue of equity share capital	150	7,350	-	7,500
Employee share-based payment charge	-	-	126	126
At 30 June 2018 (Unaudited)	**851**	**26,159**	**(14,825)**	**12,185**
Loss and total comprehensive income for the period			(3,008)	(3,008)
Issue of equity share capital	2	39	-	41
Employee share-based payment charge			146	146
At 31 December 2018	**853**	**26,198**	**(17,687)**	**9,364**
Loss and total comprehensive income for the period	-	-	712	712
Issue of equity share capital	2	59	-	61
Employee share-based payment charge	-	-	87	87
At 30 June 2019 (Unaudited)	**855**	**26,257**	**(16,888)**	**10,224**

The following describes the nature and purpose of each reserve within equity:

Share Capital	Represents the nominal value of shares allotted, called up and fully paid
Share Premium	Represents the amount subscribed for share capital in excess of nominal value
Retained Earnings	Represents the cumulative net gains and losses recognised in the consolidated statement of comprehensive income

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For the period ended 30 June 2019

Consolidated statement of cash flows

	Period ended 30 June 2019 £'000 Unaudited	Period ended 30 June 2018 £'000 Unaudited	Year ended 31 December 2018 £'000 Audited
Cash flow from operating activities			
Profit/ (Loss) for the period before taxation......	712	(3,020)	(6,028)
Adjustments for:			
Amortisation of intangible assets......................	1,780	1,953	3,840
Depreciation of property, plant and equipment...	315	411	805
Share based payment expense	87	126	272
Tax credit /(expense)……………………………	65	(403)	(666)
Net finance cost	63	273	324
Foreign exchange..	-	(50)	-
Operating cash flow before movement in working capital and taxation	**3,022**	**(710)**	**(1,453)**
Decrease/(Increase) in trade and other receivables	(3,019)	141	(1,056)
Increase/(Decrease) in trade and other payables	4,847	(135)	4,108
(Increase)/Decrease in goods in transit……….	528	-	(528)
Taxation receipts/(payments)………………….	(65)	-	619
Net cash flows from operations......................	**5,313**	**(704)**	**1,690**
Cash flow from investing activities			
Interest received...	6	-	6
Purchase of intangible assets	(1,259)	(1,542)	(3,353)
Purchase of property, plant and equipment	(234)	(8)	(60)
Net cash used in investing activities...............	**(1,487)**	**(1,550)**	**(3,407)**
Cash flow from financing activities			
Proceeds on issue of shares	61	7,500	7,541
Interest paid on convertible loan notes..............	(2)	(191)	(205)
Penalty interest paid on convertible loan notes..	(1)	(180)	(180)
Capital element of lease payments....................	(247)	(641)	(689)
Interest paid on lease liabilities.........................	(69)	(21)	(49)
Repayment of convertible loan notes	(15)	(1,908)	(2,001)
Net cash (used in) / generated from financing activities	**(273)**	**4,559**	**4,417**
Net increase/(decrease) in cash and cash equivalents	**3,553**	**2,305**	**2,700**
Cash and cash equivalents at beginning of period	5,549	2,746	2,746
Effect of foreign exchange rate changes............	32	40	103
Cash and cash equivalents at end of period	**9,134**	**5,091**	**5,549**

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For the period ended 30 June 2019

Notes to the financial statements

1. Basis of preparation and accounting policies

The financial information in this document has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards, International Accounting Standards and interpretations (collectively, "IFRS") issued by the International Accounting Standards Board (IASB) as adopted by the European Union ("adopted IFRSs").

The financial information for the period ended 30 June 2019 does not constitute the full statutory accounts for that period. The Annual Report and Financial Statements for 2018 have been filed with the Registrar of Companies. The Independent Auditors' Report on the Annual Report and Financial Statements for 2018 was unqualified, did not draw attention to any matters by way of emphasis, and did not contain a statement under 498(2) or 498(3) of the Companies Act 2006.

This interim report, which has neither been audited nor reviewed by independent auditors, was approved by the board of directors on 10 September 2019. The financial information in this interim report has been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards as adopted for use in the EU (IFRSs). The accounting policies applied by the Group in this financial information are the same as those applied by the Group in its financial statements for the year ended 31 December 2018. These accounting policies will form the basis of the 2019 financial statements.

Adoption of new and revised standards

The Group early adopted IFRS 16 Leases in the 2018 annual accounts. June 2018 comparative amounts have been adjusted to reflect IFRS 16. As such, there are no new or revised standards and interpretations issued by the IASB and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, as they have been adopted by the European Union, that are relevant to its operations and effective for accounting years beginning on 1 January 2019.

Further narrow scope amendments have been issued which are mandatory for periods commencing on or after 1 January 2020. Management is still considering the application of these amendments, but expect that they will not have any material impact on the disclosures, net assets or results of the Group.

2. Judgements and estimates

The preparation of interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the consolidated financial statements as at and for the year ended 31 December 2018.

Under IFRS 15, which was adopted by the Group in 2018 annual accounts, revenue is recognised separately for each performance obligation contained within a contract to provide goods or services to customers. During the period, the Group entered into a complex contract with an existing customer for the provision of a number of performance obligations. Management have assessed the transaction price for each performance obligation, with reference to fixed prices per the agreement, with some performance obligations based on an adjusted market assessment (recognised over time) and others on a residual approach (recognised at point in time and included in H1 2019). For certain performance obligations management have estimated the transaction price based on an adjusted market assessment, by way of applying estimable customer discount to the contractual price. This is a significant management judgement, with any increase or decrease to the customer discount impacting the revenue allocation to the performance obligation where the transaction price is based on a residual approach, which would impact the revenue recognised in the period.

3. Net revenue

The Group's operations and main revenue streams are those described in the last annual financial statements. The Group's revenue is derived from contracts with customers.

	Period ended 30 June 2019 £'000 Unaudited	Period ended 30 June 2018 £'000 Unaudited	Year ended 31 December 2018 £'000 Audited
RMG			
Game and platform development	1,657	379	1,321
Revenue share and other revenue	4,292	2,108	4,933
Licensing revenue	3,046	-	-
SIMGAM			
Game and platform development	-	-	147
Revenue share and other revenue	2,281	2,113	4,168
Total revenue	11,276	4,600	10,569

The value of unsatisfied performance obligations as of 30th June 2019 is £656k (£nil as of 30th June 2018) in relation to contracted work to be completed.

4. Segmental information

Information reported to the Group's Chief Executive, the strategic chief operating decision-maker, for the purposes of resource allocation and assessment of the Group's segmental performance is primarily focused on the origination of the revenue stream. The Group's reportable segment under IFRS 8 are therefore as follows:

- Real money gaming operations (RMG)
- Simulated Gaming™ operations (SIMGAM)

The current distinction between segments has been agreed by the Board and reflects the management reporting to the chief operating decision maker.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment.

Period ended 30 June 2019 (Unaudited)	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	8,995	2,281	11,276
Distribution costs (excluding depreciation and amortisation)	(3,284)	(822)	(4,106)
Segment result	5,711	1,459	7,170
Administration expenses			(4,235)
Depreciation			(315)
Amortisation of intangible assets			(1,780)
Net finance cost			(63)
Profit before taxation			777
Taxation			(65)
Profit for the period after taxation			712

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For the period ended 30 June 2019

Notes to the financial statements *(continued)*

Period ended 30 June 2018 (Unaudited)	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	2,487	2,113	4,600
Distribution costs (excluding depreciation and amortisation)	(1,438)	(742)	(2,180)
Segment result	1,049	1,371	2,420
Administration expenses			(3,190)
Depreciation			(411)
Amortisation of intangible assets			(1,954)
Net finance cost			(273)
Loss before taxation			(3,408)
Taxation			388
Loss for the period after taxation			(3,020)

Year ended 31 December 2018 (Audited)	RMG £'000	SIMGAM £'000	Total £'000
Net revenue	6,254	4,315	10,569
Distribution costs (excluding depreciation and amortisation)	(3,885)	(1,120)	(5,005)
Segment result	2,369	3,195	5,564
Administration expenses			(7,289)
Depreciation on property, plant and equipment			(805)
Amortisation of intangible assets			(3,840)
Net finance cost			(324)
Loss before taxation			(6,694)
Tax credit			666
Loss for the year after taxation			(6,028)

The accounting policies of the reportable segments follow the same policies as described in note 1. Segment result represents the gross profit earned by each segment without allocation of the share of administration costs including Directors' salaries, finance costs and income tax expense. This is the measure reported to the Group's Chief Executive for the purpose of resource allocation and assessment of segment performance.

Administration expenses comprise principally the employment and office costs incurred by the Group.

Segment assets and liabilities

Assets and liabilities are not separately analysed or reported to the Group's Chief Executive and are not used to assist in decisions surrounding resource allocation and assessment of segment performance. As such, an analysis of segment and liabilities has not been included in this financial information.

Geographical analysis of revenues

This analysis is determined based upon the location of the legal entity of the customer.

	Period ended 30 June 2019 £'000 Unaudited	Period ended 30 June 2018 £000 Unaudited	Year ended 31 December 2018 £'000 Audited
UK and Channel Islands	623	56	74
Italy	1,771	1,740	3,935
USA	8,852	2,787	6,520
Rest of World	30	17	40
	11,276	4,600	10,569

Geographical analysis of non-current assets

	At 30 June 2019 £'000 Unaudited	At 30 June 2018 £'000 Unaudited	At 31 December 2018 £'000 Audited
UK and Channel Islands	5,551	5,618	6,054
USA	90	437	143
Bulgaria	463	15	535
Rest of World	9	-	8
	6,113	6,070	6,740

5. Exceptional costs

	Period ended 30 June 2018 £'000 Unaudited	Period ended 30 June 2018 £'000 Unaudited	Year ended 31 December 2018 £'000 Audited
Costs associated with capital raise	-	311	-

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Notes to the financial statements *(continued)*

6. Trade and other receivables

	At 30 June 2019 £'000 Unaudited	At 30 June 2018 £'000 Unaudited	At 31 December 2018 £'000 Audited
Trade receivables	3,711	1,597	3,126
Other receivables	538	214	153
Payment service providers	176	27	107
Prepayments and accrued income	2,568	1,046	521
	6,993	2,884	3,907

Other receivables include VAT recoverable.

Non-current assets

	At 30 June 2019 £'000 Unaudited	At 30 June 2018 £'000 Unaudited	At 31 December 2018 £'000 Audited
Lease deposits	149	53	173
	149	53	173

Non-current assets relate to the deposits provided in respect of leased office space. The amount is repayable in accordance with the terms of the agreement.

7. Trade and other payables

	At 30 June 2019 £'000 Unaudited	At 30 June 2018 £'000 Unaudited	At 31 December 2018 £'000 Audited
Amounts falling due within one year			
Trade payables	2,352	1,512	1,640
Other taxation and social security	125	69	175
Other payables	3,414	172	784
Lease liabilities on right of use assets	458	298	304
Loan interest	2	18	4
Accruals and deferred income	5,936	817	4,624
	12,287	2,886	7,531

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For the period ended 30 June 2019

Notes to the financial statements *(continued)*

7. Trade and other payables (*continued*)

Non-current liabilities

	At 30 June 2019 £'000 Unaudited	At 30 June 2018 £'000 Unaudited	At 31 December 2018 £'000 Audited
Accruals	-	174	-
Lease liability on right-of-use assets	572	50	713
	572	224	713

8. Share capital

	At 30 June 2019 £'000 Unaudited	At 30 June 2018 £'000 Unaudited	At 31 December 2018 £'000 Audited
Ordinary shares	855	851	853
	855	851	853

Issue of shares

(i) 200,000 ordinary shares of 1p each were issued at a premium of 24p during the half-year ended 30 June 2019 generating gross proceeds of £50,000.

(ii) 33,333 ordinary shares of 1p each were issued at a premium of 27p during the half-year ended 30 June 2019 generating gross proceeds of £9,333

(iii) 5,000 ordinary shares of 1p each were issued at a premium of 30.5p during the half-year ended 30 June 2019 generating gross proceeds of £1,575

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For the period ended 30 June 2019

Notes to the financial statements *(continued)*

9. Earnings per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity shareholders of the company by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The company has issued share options and a calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price for the period) based on the monetary value of the subscription rights attached to the outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

	Period ended 30 June 2019 Pence Unaudited	Period ended 30 June 2018 Pence Unaudited	Year ended 31 December 2018 Pence Audited
Basic	0.83	(4.02)	(7.67)
Diluted	0.81	(4.02)	(7.67)

Earnings	Period ended 30 June 2019 £'000 Unaudited	Period ended 30 June 2018 £'000 Unaudited	Year ended 31 December 2018 £'000 Audited
Profit/(Loss) for the period	712	(3,020)	(6,028)

Denominator	Period ended 30 June 2019 Number Unaudited	Period ended 30 June 2018 Number Unaudited	Year ended 31 December 2018 Number Audited
Weighted average number of equity shares (basic)	85,372,750	71,942,335	78,586,012
Weighted average number of equity shares for diluted EPS	88,217,981	77,613,223	78,586,012

10. Related party transactions

On 18 July 2018 £79,316 (£66,108 principal, £13,208 interest) was repaid to Roger Kendrick, who was a director at the time, as settlement in full for the outstanding portion of his 9% Convertible Loan Note.

On 5 February 2019, 200,000 share options for 1p ordinary shares were exercised by Dermot Smurfit, a director of the company. The shares were issued at a premium of 24p during the half-year ended 30 June 2019 generating gross proceeds of £50,000.

Included within Other Receivables is an amount owed to GAN plc by Dermot Smurfit, who is a director of the company, of £105,438 (H1 2018: £Nil).

11. Subsequent events

On 15 July 2019, Parx Casino, Pennsylvania's largest land-based casino, launched online casino gaming in partnership with GAN to provide a range of casino gaming services to Pennsylvania players.

On 22 July 2019, GAN delivered the launch of Internet sports betting in the State of Pennsylvania for the FanDuel Group.