March 5, 2020 | Company Sponsored Research Intraday Note
Earnings Release

Sidoti & Company, LLC
Member FINRA & SIPC

OTC Markets Group Inc. (OTCM)

4Q:19 EPS Modestly Below Our Forecast On Higher Costs; Estimate More Moderate EPS Growth In 2020 Given Global Economic Concerns Related To Covid-19; Maintain $38 Price Target

	2018	2019 OLD	2019 NEW	2020E OLD	2020E NEW	2021E OLD	2021E NEW
Mar.	$0.31	$0.30A		$0.34	$0.33	$0.36	$0.35
June	0.34	0.30A		0.36	0.35	0.39	
Sep.	0.38	0.34A		0.36	0.35	0.39	0.38
Dec.	0.34	0.34	0.32A	0.39	0.38	0.43	
EPS	**$1.36**	**$1.28**	**$1.25A**	**$1.45**	**$1.40**	**$1.57**	**$1.55**
P/E					**23.2x**		**20.9x**

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 2018-2021E include a respective $0.08, $0.09, $0.07 and $0.07 in stock-based compensation expense. Sum of quarterly EPS may not equal full-year total due to rounding and/or change in share count. NC=Not covered by Sidoti & Co., LLC.

Year	2012	2013	2014	2015	2016	2017	2018	2019	2020E	2021E
Rev.(Mil.)*	$33.2	$33.6	$39.8	$49.9	$50.9	$54.7	$59.3	$62.8	$66.2	$70.5
GAAP EPS*	$0.51	$0.51	$0.69	$0.88	$0.90	$1.06	$1.36	$1.225	$1.40	$1.55

* Revenue is net of redistribution fees.

Description: OTC Markets Group, Inc. (www.otcmarkets.com) operates three lines of business centered on 10,000 U.S. and global securities clients. The company offers a cost-effective solution to penetrate the U.S. securities market, while providing a host of services that connect brokers and dealers, organize markets, and ultimately monetize OTC's vast database of information. OTC's three lines of business are Link ATS (24% of revenue), Market Data (41%) and Corporate Services (35%). Headquarters are in New York, NY.

- **Last night, OTCM reported 4Q:19 EPS of $0.32, down 4% compared with $0.34 in 4Q:18 and just below our $0.34 estimate; with higher investment spending and share count causing the year-over-year decline.**
- **Revenue in 4Q:19 of $16.1 million was up 4% compared with 4Q:18 and 2% below our $16.3 million forecast; an increase in products and services, pricing and the number of companies on OTCM markets drove the revenue growth.**
- **The 4Q:19 operating margin of 29.3% narrowed 190 basis points, compared with the prior-year period, and was below our 30.1% estimate; costs increased 7%, year over year, related to compensation, technology and D&A.**
- **While 90% of OTCM's revenue base is recurring, we are now a bit more cautious given the likely challenges to the global economy due to Covid-19; thus, we now model EPS of $1.40 (from $1.45) in 2020 and $1.55 (from $1.57) in 2021.**
- **OTCM exited 4Q:19 with cash of $28 million ($2.41 per share); we model FCF per share of $1.87 in 2020 and $1.93 in 2021.**
- **In 2019, OTCM returned $16 million to shareholders, up 5% compared with 2018, paying dividends of $14.6 million and spending $1.4 million on share repurchases.**
- **The $38 target is based on about 24x our 2021 EPS forecast of $1.55 (from $1.57).**
- **Because of the stock's lack of liquidity, we maintain a risk rating of High.**

OTCM reported 4Q:19 EPS of $0.32. Revenue of $16.1 million increased 4%, year over year, and was just below our $16.3 million forecast. On a segment basis, revenue rose 6% in Corporate Services, 5% at Market Data and 1% at OTC Link. Strength in Corporate services was driven by a rise in the number of companies on the OTCQX, an increase in serviced-based revenue, price hikes and a modest amount of revenue related to the 1Q:19 acquisition of Virtual Investor Conference. Market Data revenue reflected an increase in professional users on the platform and new product offerings. Growth in the OTC LINK segment was

NR
Price Target: $38
Price: $32.45
Risk Rating: H

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Key Statistics

Analysts Covering	2
Market Cap (Mil)	$380
Enterprise Value	$371
52-Week Range (US OTC)	40-29
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	4,000
Shares Out (Mil)	11.265
Float Shares (Mil)	N/A
Insider Ownership	47%
Institutional Holdings	53%
Annualized Dividend	$0.60
Dividend Yield	1.9%
FCF Per Share (2021E)	$1.93
FCF Yield (2021E)	5.8%
Net Cash Per Share (2021E)	$5.14
Price to Book Value	18.9x
Return on Equity (2021E)	38.9%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	N/A
Short Interest Days To Cover	N/A
Russell 2000	1,518
Russell 2000 – Last 12 Months	-6.5%
OTCM – Last 12 Months	-13.3%

Source: FactSet Prices

largely driven by the OTC Link ECN product as an increasing number of new subscribers are on the platform. The operating margin of 29.3% was down from 31.2% posted in 4Q:18, because of higher costs related to compensation, technology investments and D&A. Net income of $3.8 million was down 3% from 4Q:18, leading to EPS of $0.32, compared with the prior year posting of $0.34.

Exhibit 1: OTCM 4Q:19 Review

$ in thousands except per share data

	4Q:18A	4Q:19A	YoY Change	4Q:19 E	Estimate Variance
Revenue	$15,405	$16,058	4.2%	$16,313	(1.6%)
Operating Income	$4,807	$4,709	(2.0%)	$4,910	(4.1%)
Operating Margin	31.2%	29.3%		30.1%	
Net Income	$3,944	$3,808	(3.4%)	$3,936	(1.7%)
Profit Margin	25.6%	23.7%		24.1%	
EPS	$0.34	$0.32	(4.0%)	$0.34	(4.5%)

Sources: Company reports and Sidoti & Company, LLC. estimates.

We modestly trimmed our EPS estimates to reflect possible fallout from Covid-19. While we acknowledge that OTCM's business model will likely be more resilient than most given 90% of revenue is recurring, we think the spread of Covid-19 will places pressure on the global economy in 2020. We still think OTCM has solid growth prospects, as management continues to expand the product offering and footprint to attract more companies to its markets. OTCM has Blue Sky exemption status in 36 states for its OTCQX market and 33 for OTCQB and continues to work with regulators to expand exemption status, with Virginia expected to be added soon. Exemption status from Blue Sky Laws could drive more companies to list on OTCM's markets, as it makes the listing process easier. Lastly, a recent change in Regulation A+ that simplifies the process of seeking capital for companies looking to raise less than $50 million of proceeds through crowd funding, could be a longer term benefit given OTCM's recent alliance with North Capital, an entity that specializes in primary issuance of exempt securities. Given our more cautious stance, largely related to the effect Covid-19 may have on economic growth, we now model revenue increases of 5% (down from 7%) in 2020 and 6% (from 7%) in 2021. With the expectation of greater operating leverage absent growth spending in 2020, we model EPS growth of 12% in 2020 and 11% in 2021.

OTCM's balance sheet is strong and the company generates consistent cash flow. OTCM exited 4Q:19 with cash of $28 million ($2.41 per share) and no debt. In 2019, OTCM generated $1.36 in free cash flow per share, down from the $1.90 in 2018, with the decrease due to investment spending and moving costs. We model free cash flow per share of $1.87 in 2020 and $1.93 in 2021, and a net cash balance of $60 million ($5.14 per share) at the end of 2021. In 2019, OTCM returned $14.6 million to shareholders in the form of dividends, which consisted of a special dividend of $0.65 per share and the quarterly dividend of $0.15 per share. In addition, OTCM spent $1.4 million on share repurchases.

Valuation	**We maintain a $38 price target on OTCM shares.** This $38 target is based on about 24x our 2021 EPS forecast of $1.55 (from $1.57). OTCM shares trade at 23x and 21x our respective 2020 and 2021 EPS forecasts. In the past three years, OTCM shares traded in a range of 16x-29x forward EPS and averaged 24x. Peers in the corporate service-based industry trade at 18x-28x (average 24x) the consensus 2020 EPS forecasts. Although OTCM's lack of liquidity validates the discount to peers, we view the recurring-revenue model, profit profile, operating leverage, capital allocation and dividend payments as offsets.		
Key Risks	Trading liquidity		

Table 1. OTC Markets Group Inc., Income Statement
($ in thousands, except where noted)

	Mar	June	Sep	Dec	2018	Mar	June	Sep	Dec	2019	MarE	JuneE	SepE	DecE	2020E	2021E
OTC Link	$2,651	$2,799	$2,807	$2,918	$11,175	$2,843	$2,898	$2,989	$2,946	$11,676	$2,928	$2,985	$3,079	$3,093	$12,085	$12,810
Market Data	5,842	5,830	5,763	5,948	23,383	6,071	6,077	6,085	6,214	24,447	6,375	6,381	6,389	6,587	25,731	27,275
Corporate Services	5,849	6,137	6,195	6,539	24,720	6,442	6,695	6,682	6,898	26,717	6,829	7,097	7,083	7,381	28,389	30,376
Total Revenue	$14,342	$14,766	$14,765	$15,405	$59,278	$15,356	$15,670	$15,756	$16,058	$62,840	$16,131	$16,462	$16,551	$17,061	$66,206	$70,462
Redistribution fees	629	710	728	756	2,823	766	809	821	839	3,235	807	823	828	853	3,310	3,523
Net Revenue	$13,713	$14,056	$14,037	$14,649	$56,455	$14,590	$14,861	$14,935	$15,219	$59,605	$15,325	$15,639	$15,723	$16,208	$62,895	$66,939
Compensation	6,194	5,879	5,672	6,075	23,820	6,996	6,754	6,533	6,711	26,994	7,017	7,079	6,951	6,910	27,957	29,474
IT Infrastructure	1,347	1,353	1,377	1,477	5,554	1,527	1,614	1,650	1,591	6,382	1,452	1,482	1,572	1,621	6,127	6,212
Professional fees	406	595	590	519	2,110	400	546	489	559	1,994	452	412	447	461	1,771	1,885
Marketing & Advertising	313	269	164	402	1,148	251	242	256	368	1,117	258	263	265	341	1,128	1,200
Occupancy costs	469	452	436	750	2,107	846	605	569	541	2,561	645	658	662	682	2,648	2,552
D&A	252	271	259	260	1,042	279	380	384	448	1,491	379	379	381	375	1,514	1,611
General and administrative	182	241	247	359	1,029	269	293	330	292	1,184	274	305	314	324	1,217	1,296
Total Operating Costs	**$9,163**	**$9,060**	**$8,745**	**$9,842**	**$36,810**	**$10,568**	**$10,434**	**$10,211**	**$10,510**	**$41,723**	**$10,477**	**$10,577**	**$10,593**	**$10,714**	**$42,361**	**$44,229**
Operating Income	**$4,550**	**$4,996**	**$5,292**	**$4,807**	**$19,645**	**$4,022**	**$4,427**	**$4,724**	**$4,709**	**$17,882**	**$4,847**	**$5,062**	**$5,131**	**$5,494**	**$20,534**	**$22,709**
Other incom (costs)	17	11	51	37	116	37	23	26	17	103	10	10	10	10	40	40
Pretax Income	**$4,567**	**$5,007**	**$5,343**	**$4,844**	**$19,761**	**$4,059**	**$4,450**	**$4,750**	**$4,726**	**$17,985**	**$4,857**	**$5,072**	**$5,141**	**$5,504**	**$20,574**	**$22,749**
Income Taxes	(912)	(1,020)	(958)	(900)	(3,900)	(512)	(890)	(730)	(918)	(3,397)	(971)	(1,014)	(1,028)	(1,101)	(4,115)	(4,550)
Net Income	**$3,655**	**$3,987**	**$4,385**	**$3,944**	**$15,861**	**$3,547**	**$3,560**	**$4,020**	**$3,808**	**$14,588**	**$3,886**	**$4,058**	**$4,113**	**$4,403**	**$16,459**	**$18,199**
FD EPS	$0.31	$0.34	$0.38	$0.34	$1.36	$0.30	$0.30	$0.34	$0.32	$1.25	$0.33	$0.35	$0.35	$0.38	$1.40	$1.55
FD Shares Outstanding	11,610	11,601	11,601	11,660	11,623	11,660	11,679	11,679	11,726	11,703	11,726	11,726	11,726	11,726	11,726	11,726
Dividend	$0.14	$0.14	$0.15	$0.80	$1.23	$0.15	$0.15	$0.15	$0.80	$1.25	$0.15	$0.15	$0.15	$0.15	$0.60	$0.60
EBITDA	$5,456	$5,819	$6,074	$5,601	$22,990	$5,087	$5,468	$5,724	$5,791	$22,071	$5,735	$5,950	$6,019	$6,382	$24,086	$26,697
Growth Analysis																
Revenue YOY Growth	7.2%	7.2%	8.4%	10.9%	8.5%	7.1%	6.1%	6.7%	4.2%	6.0%	5.0%	5.1%	5.0%	6.2%	5.4%	6.4%
Adjusted Net Income YoY Growth	20.9%	30.9%	29.2%	35.3%	29.5%	(3.0%)	(10.7%)	(8.3%)	(3.4%)	(8.0%)	9.6%	14.0%	2.3%	15.6%	12.8%	10.6%
Adjusted FD EPS YoY Growth	20.0%	30.8%	29.1%	34.8%	28.8%	(3.4%)	(11.3%)	(8.9%)	(4.0%)	(8.7%)	8.9%	13.5%	1.9%	15.6%	12.6%	10.6%
Margin Analysis																
Operating Margin	33.2%	35.5%	37.7%	32.8%	34.8%	27.6%	29.8%	31.6%	30.9%	30.0%	31.6%	32.4%	32.6%	33.9%	32.6%	33.9%
EBITDA Margin	39.8%	41.4%	43.3%	38.2%	40.7%	34.9%	36.8%	38.3%	38.1%	37.0%	37.4%	38.0%	38.3%	39.4%	38.3%	39.9%
Adjusted Profit Margin	25.5%	27.0%	29.7%	25.6%	26.8%	23.1%	22.7%	25.5%	23.7%	23.2%	24.1%	24.6%	24.8%	25.8%	24.9%	25.8%
Tax Rate	20.0%	20.4%	17.9%	18.6%	19.7%	12.6%	20.0%	20.0%	20.0%	18.9%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

Sources: Company reports, Sidoti & Company, LLC estimates

Table 2. OTC Markets Group Inc., Statement of Cash Flows

($ in thousands except where noted)

	Mar	June	Sep	Dec	2018	Mar	June	Sep	Dec	2019	MarE	JuneE	SepE	DecE	2020E	2021E
Operating Activities																
Net Income	$3,655	$4,079	$4,385	$4,118	$16,237	$3,547	$3,567	$4,020	$3,808	$14,942	$3,886	$4,058	$4,113	$4,403	$16,459	$18,199
Depreciation & amortization	252	272	258	260	1,042	279	381	384	384	1,492	272	272	272	272	1,088	1,524
Provision for bad debts	(2)	49	29	50	126	(6)	38	51	0	108	0	0	0	0	0	0
Share based compensation	654	551	524	534	2,263	786	660	616	616	2,703	616	616	616	616	2,464	2,464
Excess tax benefit	(296)	(243)	(61)	(68)	(668)	(394)	(130)	(158)	0	(744)	0	0	0	0	0	0
Deferred rent	(11)	(12)	(68)	766	675	55	24	230	0	129	0	0	0	0	0	0
Deferred income taxes	(5)	14	43	(288)	(236)	14	0	0	0	15	0	0	0	0	0	0
Change in Operating Assets & Liabilities	**$4,247**	**$4,710**	**$5,110**	**$5,372**	**$19,439**	**$4,281**	**$4,540**	**$5,143**	**$4,808**	**$18,645**	**$4,774**	**$4,946**	**$5,001**	**$5,291**	**$20,011**	**$22,187**
Net Change in Working Capital	(2,482)	(235)	(1,045)	6,913	3,151	(3,800)	108	(869)	5,342	2,768	(2,271)	(1,076)	(1,076)	7,301	2,877	1,435
Net Cash Provided by Operations	**$1,765**	**$4,475**	**$4,065**	**$12,285**	**$22,590**	**$481**	**$4,648**	**$4,274**	**$10,150**	**$21,413**	**$2,503**	**$3,870**	**$3,924**	**$12,592**	**$22,889**	**$23,623**
Investing Activities																
Capital expenditures	(55)	(119)	(161)	(214)	(549)	(3,525)	(1,122)	(703)	(703)	(5,516)	(250)	(250)	(250)	(250)	(1,000)	(1,000)
Net Cash Provided by Investing Activities	**($55)**	**($119)**	**($161)**	**($214)**	**($549)**	**($3,525)**	**($1,122)**	**($703)**	**($703)**	**($5,516)**	**($250)**	**($250)**	**($250)**	**($250)**	**($1,000)**	**($1,000)**
Financing Activities																
Dividends	(1,611)	(1,615)	(1,731)	(9,238)	(14,195)	(1,743)	(1,746)	(1,747)	(9,369)	(14,560)	(1,747)	(1,747)	(1,747)	(1,747)	(6,988)	(6,988)
Proceeds from stock options	(87)	(413)	(31)	585	54	(264)	(186)	(149)	0	85	0	0	0	0	0	0
Restricted stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Withholding taxes paid	0	0	0	(694)	(694)	0	0	0	0	(788)	0	0	0	0	0	0
Excess tax benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury stock	(1,047)	0	0	0	(1,047)	(1,390)	0	0	0	(1,390)	0	0	0	0	0	0
Net Cash Provided by Financing	**($2,745)**	**($2,028)**	**($1,762)**	**($9,347)**	**($15,882)**	**($3,397)**	**($1,932)**	**($1,896)**	**($9,369)**	**($16,653)**	**($1,747)**	**($1,747)**	**($1,747)**	**($1,747)**	**($6,988)**	**($6,988)**
Net Cash Increase (decrease) in cash	**($1,035)**	**$2,328**	**$2,142**	**$2,724**	**$6,159**	**($6,441)**	**$1,594**	**$1,675**	**$78**	**($756)**	**$506**	**$1,873**	**$1,927**	**$10,595**	**$14,901**	**$15,635**
Beginning cash balance	24,375	23,340	25,668	27,810	24,375	30,534	24,093	25,687	27,362	30,534	29,778	30,284	32,157	34,084	29,778	44,679
Ending Cash Balance	**$23,340**	**$25,668**	**$27,810**	**$30,534**	**$30,534**	**$24,093**	**$25,687**	**$27,362**	**$27,440**	**$29,778**	**$30,284**	**$32,157**	**$34,084**	**$44,679**	**$44,679**	**$60,314**
CFFO	$1,765	$4,475	$4,065	$12,285	$22,590	$481	$4,648	$4,274	$10,150	$21,413	$2,503	$3,870	$3,924	$12,592	$22,889	$23,623
CapEx	(55)	(119)	(161)	(214)	(549)	(3,525)	(1,122)	(703)	(703)	(5,516)	(250)	(250)	(250)	(250)	(1,000)	(1,000)
Free Cash Flow	$1,710	$4,356	$3,904	$12,071	$22,041	($3,044)	$3,526	$3,571	$9,447	$15,897	$2,253	$3,620	$3,674	$12,342	$21,889	$22,623
FCF / Share	$0.15	$0.38	$0.34	$1.04	$1.90	($0.26)	$0.30	$0.31	$0.81	$1.36	$0.19	$0.31	$0.31	$1.05	$1.87	$1.93

Sources: Company reports, Sidoti & Company, LLC estimates

Table 3. OTC Markets Group Inc., Balance Sheet

($ in thousands except where noted)

	Mar	June	Sep	2018	Mar	June	Sep	2019	MarE	JuneE	SepE	2020E	2020E
ASSETS													
Current Assets													
Cash	$22,740	$25,056	$26,252	$28,973	$22,532	$24,127	$25,802	$28,217	$30,284	$32,157	$34,084	$44,679	$60,314
Receivables	6,266	6,064	6,233	4,942	5,419	5,111	4,752	5,157	6,743	6,827	6,911	6,621	4,228
Prepaid income taxes	1,661	1,402	1,515	478	298	931	1,272	318	318	318	318	318	318
Prepaid expenses	262	558	887	2,360	2,365	1,535	1,635	1,338	1,338	1,338	1,338	1,338	1,338
Deferred tax asset	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	**$30,929**	**$33,080**	**$34,887**	**$36,753**	**$30,614**	**$31,704**	**$33,461**	**$35,030**	**$38,683**	**$40,640**	**$42,651**	**$52,955**	**$66,197**
PP&E	1,873	1,676	1,596	1,980	5,468	6,134	6,252	6,418	5,277	5,277	5,277	5,277	5,277
Non-current deferred tax asset	801	787	755	1,043	17,853	17,549	17,037	16,789	16,789	16,789	16,789	16,789	16,789
Goodwill	251	251	251	251	251	251	251	251	251	251	251	251	251
Intangible assets	692	86	73	61	49	40	40	40	40	40	40	40	40
Security deposits	99	612	1,558	1,561	1,561	1,560	1,560	1,827	1,827	1,827	1,827	1,827	1,827
Total Assets	**$34,645**	**$36,492**	**$39,120**	**$41,649**	**$55,796**	**$57,238**	**$58,601**	**$60,355**	**$62,867**	**$64,824**	**$66,835**	**$77,139**	**$90,381**
Liabilities													
Accounts payable	782	601	581	693	650	707	508	321	636	644	652	662	705
Income tax payable	11	16	86	0	18	1	1	99	99	99	99	99	99
Accrued expenses	1,994	3,471	4,473	6,018	4,356	5,778	7,066	9,154	9,154	9,154	9,154	9,154	9,154
Deferred revenue	15,033	13,160	11,413	16,070	15,244	13,102	10,835	15,815	14,815	13,815	12,815	19,815	18,815
Current Liabilities	**$17,820**	**$17,248**	**$16,553**	**$22,781**	**$20,268**	**$19,588**	**$18,410**	**$25,389**	**$24,704**	**$23,712**	**$22,720**	**$29,730**	**$28,773**
Deferred rent	218	53	47	1,001	16,375	16,097	15,815	15,529	15,529	15,529	15,529	15,529	15,529
Income tax reserve	1,160	1,234	1,416	1,458	1,536	1,641	1,724	1,764	1,764	1,764	1,764	1,764	1,764
Total Liabilities	**$19,198**	**$18,535**	**$18,016**	**$25,240**	**$38,179**	**$37,326**	**$35,949**	**$42,682**	**$41,997**	**$41,005**	**$40,013**	**$47,023**	**$46,066**
Shareholders' Equity													
Class A	120	120	120	120	122	122	122	122	122	122	122	122	122
Additional paid-in cap	14,716	14,854	15,347	15,772	16,565	17,038	17,505	18,042	18,042	18,042	18,042	18,042	18,042
Retained earnings	7,818	10,190	12,844	7,724	9,527	11,349	13,622	8,106	11,303	14,252	17,255	20,549	34,749
Treasury shares	(7,207)	(7,207)	(7,207)	(7,207)	(8,597)	(8,597)	(8,597)	(8,597)	(8,597)	(8,597)	(8,597)	(8,597)	(8,597)
Total Stockholders' Equity	**$15,447**	**$17,957**	**$21,104**	**$16,409**	**$17,617**	**$19,912**	**$22,652**	**$17,673**	**$20,870**	**$23,819**	**$26,822**	**$30,116**	**$44,316**
Total Liabilities & Stockholders' Equity	**$34,645**	**$36,492**	**$39,120**	**$41,649**	**$55,796**	**$57,238**	**$58,601**	**$60,355**	**$62,867**	**$64,824**	**$66,835**	**$77,139**	**$90,381**
Key Metrics													
ROA	10.3%	11.2%	11.6%	38.1%	7.3%	6.3%	6.9%	24.2%	6.3%	6.4%	6.2%	21.3%	20.1%
ROE	25.0%	23.9%	22.5%	25.0%	20.8%	19.0%	18.9%	19.0%	10.1%	13.6%	12.2%	25.0%	25.0%
ROIC	28.6%	21.9%	17.7%	81.7%	16.5%	13.9%	12.6%	54.9%	13.9%	12.0%	11.2%	42.9%	34.3%
Cash per share	$1.96	$2.16	$2.26	$2.49	$1.93	$2.07	$2.21	$2.41	$2.58	$2.74	$2.91	$3.81	$5.14

Sources: Company reports, Sidoti & Company, LLC estimates

Required Disclosures

OTC Markets Group Inc. (OTCM-$32.45) NR Price Target: $38 Risk Rating: H

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
PT	8/10/17	25.2		27	
PT	9/29/17	29.8		30	
PT	3/7/18	27		32	
PT	11/8/18	32		36	
PT	3/7/19	37.4		38	

Valuation	We maintain a $38 price target on OTCM shares. This $38 target is based on about 24x our 2021 EPS forecast of $1.55 (from $1.57). OTCM shares trade at 23x and 21x our respective 2020 and 2021 EPS forecasts. In the past three years, OTCM shares traded in a range of 16x-29x forward EPS and averaged 24x. Peers in the corporate service-based industry trade at 18x-28x (average 24x) the consensus 2020 EPS forecasts. Although OTCM's lack of liquidity validates the discount to peers, we view the recurring-revenue model, profit profile, operating leverage, capital allocation and dividend payments as offsets.		
Key Risks	Trading liquidity		

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