

OTC MARKETS GROUP INC.

A Delaware Corporation

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Federal EIN: 13-3941069
NAICS: 523210
SIC Code: 6289

Issuer's Quarterly Report

For the quarterly period ended September 30, 2023

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
\$0.01 Par Value Per Share
17,000,000 Shares Authorized
11,928,153 Shares Outstanding as of October 31, 2023
OTCQX: OTCM

OTC Markets Group Inc. is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

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QUARTERLY REPORT

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this Quarterly Report (the “Quarterly Report”) contains forward-looking statements, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements can be identified by use of the words “expect,” “project,” “may,” “might,” “potential,” and similar terms. OTC Markets Group Inc. and its subsidiaries (“OTC Markets Group,” “we,” or the “Company”) cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Forward-looking statements involve a number of risks, uncertainties or other factors beyond OTC Markets Group’s control. These factors include but are not limited to: our ability to implement our strategic initiatives; economic, political, and market conditions and price fluctuations; government and industry regulation; U.S. and global competition; changes to trading behavior broadly in the market; and other risk factors discussed under the heading “Risk Factors” in our Annual Report for the year ended December 31, 2022. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 1. The exact name of the issuer and the address of its principal executive offices

The name of the issuer is OTC Markets Group Inc.

Company description

OTC Markets Group Inc. (OTCQX: OTCM) operates regulated markets for trading 12,000 U.S. and international securities. Our data-driven disclosure standards form the foundation of our three public markets: OTCQX® Best Market, OTCQB® Venture Market, and Pink® Open Market.

Our OTC Link® Alternative Trading Systems (“ATSs”) provide critical market infrastructure that broker-dealers rely on to facilitate trading. Our innovative model offers companies more efficient access to the U.S. financial markets.

OTC Link ATS, OTC Link ECN, and OTC Link NQB are each a Securities and Exchange Commission (“SEC”) regulated ATS, operated by OTC Link LLC (“OTC Link”), a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer, member SIPC.

There have been no changes in control of the Company since 1997. OTC Markets Group is currently conducting operations, and it is not now, nor has it at any time been, a “shell company” as that term is defined in the OTCQX U.S. Disclosure Guidelines and the federal securities laws.

The address of the issuer: **300 Vesey Street, 12th Floor
New York, NY 10282**

The issuer’s telephone: **(212) 896-4400**

The issuer's website:

OTC Markets Group's corporate website, www.otcmarkets.com, contains general information about us and our products and services. As of September 30, 2023, we also maintained www.otcig.com, www.otcdealer.com, canari.otcmarkets.com, www.qaravan.com, www.virtualinvestorconferences.com, www.edgar-online.com, and www.edgarexplorer.com. The information contained on such websites shall not be deemed incorporated by reference herein.

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Item 2. Shares outstanding

The Company is authorized to issue 17,000,000 shares of Class A Common Stock of \$0.01 par value.

None of OTC Markets Group's Class A Common Stock has been registered under the Securities Act of 1933 (the "Securities Act"), or qualified under any state securities laws, and we have no current plans to register or qualify any of our securities. Certain shares of our Class A Common Stock are currently eligible for resale in the public market pursuant to the exemption from registration offered by Rule 144 under the Securities Act ("Rule 144"). The remaining outstanding shares of our Class A Common Stock are "restricted securities" within the meaning of Rule 144 and may be eligible for resale in the future.

The following table shows the amount of the securities outstanding for our Class A Common Stock as of September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
(i) Number of shares authorized	17,000,000	17,000,000
(ii) Number of shares outstanding	11,927,003	11,874,763
(iii) Number of shares freely tradable (public float) ⁽¹⁾⁽²⁾	7,698,007	7,707,641
(iv) Total number of holders of record	210	202

- (1) The number of shares freely tradable may include shares held by stockholders owning 10% or more of our Class A Common Stock. These stockholders may be considered "affiliates" within the meaning of Rule 144, and their shares may be "control shares" subject to the volume and manner of sale restrictions under Rule 144.
- (2) Our officers and directors hold approximately 4.1 million shares of our Class A Common Stock, which may be "control shares" subject to the volume and manner of sale restrictions under Rule 144. These shares are excluded from the number of shares freely tradable.

As of September 30, 2023 and December 31, 2022, there were 1,305 and 1,301 non-objecting beneficial stockholders owning at least 100 shares of the Company's Class A Common Stock, respectively.

Our Class A Common Stock trades on the OTCQX market under the symbol OTCM (CUSIP Number: 67106F108).

Dividends

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our Board of Directors will consider such matters as general business conditions, financial results, capital requirements, contractual, legal, and regulatory restrictions on the payment of dividends, and other factors as our Board of Directors may deem relevant.

During the nine months ended September 30, 2023, our Board of Directors authorized and approved the following cash dividends:

Declaration Date	Dividend Per Common Share	Record Date	Total Amount (in thousands)	Payment Date
March 6, 2023	\$ 0.18	March 23, 2023	\$ 2,145	March 30, 2023
May 5, 2023	0.18	June 8, 2023	2,145	June 22, 2023
July 31, 2023	0.18	September 7, 2023	2,147	September 21, 2023

On November 6, 2023, the Board of Directors authorized and approved a special cash dividend of \$1.50 per share of Class A Common Stock and a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The special dividend is payable on December 7, 2023 to stockholders of record on November 21, 2023. The ex-dividend date is November 20, 2023. The quarterly dividend is payable on December 21, 2023 to our stockholders of record on December 7, 2023. The ex-dividend date is December 6, 2023.

Stock Repurchase Program

The Company is authorized to purchase shares from time to time on the open market, from employees, and through block trades, in accordance with the safe harbor provision of Rule 10b-18 under the Securities Exchange Act of 1934 (the “Exchange Act”).

The following table shows purchases made by the Company of our Class A Common Stock during the nine months ended September 30, 2023 and the number of shares remaining to be purchased under the Company’s stock repurchase program:

Date	Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Announced Repurchase Plan	Number of Shares Remaining To Be Purchased Under Announced Plan
Feb 2023	58,262	\$58.00	58,262	241,738

On March 6, 2023, the Board of Directors refreshed the Company’s stock repurchase program, giving the Company authorization to repurchase up to 300,000 shares of the Company’s Class A Common Stock.

Item 3. Unaudited interim condensed consolidated financial statements

Copies of the unaudited interim condensed consolidated financial statements of OTC Markets Group for the three and nine months ended September 30, 2023 and September 30, 2022, including the unaudited interim Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Stockholders’ Equity, Condensed Consolidated Statements of Cash Flows and Notes to the condensed consolidated financial statements, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. As permitted under U.S. GAAP, certain footnotes or other financial information are condensed or omitted in the unaudited interim condensed consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2022. The December 31, 2022 unaudited Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements contained in our Annual Report for the year ended December 31, 2022, but does not include all disclosures required by U.S. GAAP. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2023.

Item 4. Management's discussion and analysis

Overview

Our mission is to create better informed and more efficient financial markets.

We operate three business lines:

- OTC Link LLC is a FINRA member broker-dealer that operates three SEC regulated ATSs.
- Market Data Licensing distributes market data and financial information.
- Corporate Services operates the OTCQX and OTCQB markets and offers issuers disclosure and regulatory compliance products.

We provide critical infrastructure to the U.S. financial markets: connecting brokers, organizing markets, and incentivizing disclosure. Our market data provides price transparency, assists regulated entities in meeting their compliance obligations, and enables better informed investment decisions. Our platform empowers companies to be public and provides a global gateway to access U.S. investors. OTCQX and OTCQB offer companies a choice of premium markets to demonstrate their compliance with securities laws, corporate governance, and commitment to transparency.

Our Business

OTC Link

Our wholly owned subsidiary, OTC Link LLC, a FINRA member broker-dealer, operates OTC Link ATS, OTC Link ECN, and OTC Link NQB, each an SEC-regulated ATS. OTC Link LLC provides regulated quotation, messaging, trade execution, and reporting services to broker-dealers. By offering multiple market models, control of trades, and choice of counterparties, OTC Link allows broker-dealer subscribers to efficiently provide best execution, attract order flow, and comply with FINRA and SEC regulations.

OTC Link ATS offers a fully attributable, network-based model for quoting and facilitating transactions in over-the-counter ("OTC") equity securities and serves a diverse community of FINRA member broker-dealers that operate as market makers, agency brokers, and ATSs, including Electronic Communication Networks ("ECNs"). OTC Link ATS consolidates broker-dealer quotations, delivers trade messages, and allows subscribers to execute or negotiate trades with known counterparties. All subscribers to OTC Link ATS are FINRA member broker-dealers, subject to all applicable FINRA rules. Unlike traditional exchanges and matching engines, OTC Link ATS is not an intermediary and is not a party to any trade reports with respect to any trade executions that may result from trade messages.

OTC Link ATS operates as a Qualified Interdealer Quotation System ("Qualified IDQS") as defined in Exchange Act Rule 15c2-11 ("Rule 15c2-11"). In this capacity, OTC Link ATS determines whether a security is eligible to be the subject of quotations under Rule 15c2-11 and makes those determinations publicly available on our website and via our market data feeds. Broker-dealers can rely on our determinations in submitting quotations in securities on our OTC Link ATS, relieving them of the obligation to independently review company information.

OTC Link ECN operates as an Electronic Communication Network and functions as a centralized matching engine and router for certain OTC equity securities by providing subscribers with anonymous order matching functionality. OTC Link NQB operates as a fully attributable IDQS and a centralized matching engine, allowing distribution of depth-of-book market data. When orders do not match internally on OTC Link ECN or OTC Link NQB, they are routed to other market destinations. OTC Link ECN and OTC Link NQB act as the executing party on an agency basis in relation to all transactions executed on these platforms.

Pursuant to applicable FINRA rules, OTC Link ECN and OTC Link NQB submit trade reports to FINRA's OTC Reporting Facility. All transactions executed on OTC Link ECN and OTC Link NQB are cleared and settled pursuant to a clearing agreement with Apex Clearing Corporation.

Market Data Licensing

Due to the role OTC Link plays in supporting the broker-dealer trading process and our interaction with issuers, we generate a significant amount of market data and information. Our Market Data Licensing business provides our subscribers with access to extensive market data and financial information, including real-time, delayed, and end-of-day quotation and trading data, as well as security master and company data. In addition, our Market Data Licensing business offers a number of data products and tools for compliance teams, including our Blue Sky data, which provides state securities law compliance data for a wide spectrum of equity and fixed-income securities. Our Blue Sky data and other compliance data products are available through market data feeds and our Canari[®] platform.

Our Market Data Licensing business also operates EDGAR[®] Online, which we acquired in November 2022. EDGAR Online includes the EDGAR Pro platform and provides structured data sets containing company disclosure and financial information from public company filings.

We generate a significant portion of our Market Data Licensing revenues from sales through market data redistributors, and certain of our Market Data Licensing agreements include redistribution fees and rebates.

We also charge for the display of advertisements on www.otcmarkets.com.

Corporate Services

Our Corporate Services business includes the OTCQX Best Market, the OTCQB Venture Market, the Pink Open Market, and our suite of additional services. These services include the OTC Disclosure & News Service[®] (“DNS”) and OTCIQ Basic, which allow issuers to publish disclosure, news, and company information to our website and other distribution channels and the Virtual Investor Conferences[®] (“VIC”) product that allows issuers to communicate and engage with stockholders and potential investors through an interactive, online platform.

The OTCQX Best Market provides efficient public trading without the complexity and cost of a national securities exchange listing. To join OTCQX, companies must meet minimum financial, disclosure, and qualitative standards set out in our OTCQX Rules.

The OTCQX market is divided into OTCQX U.S. and OTCQX International. OTCQX for Banks, an expansion of the OTCQX market for U.S. companies, is specifically aimed at meeting the needs of community and regional banks. The OTCQX International market is targeted towards (i) large global companies that meet the listing standards of a qualified non-U.S. stock exchange in their primary market and do not see value in meeting multiple regulatory, compliance, disclosure, and accounting standards associated with a U.S. exchange listing, and (ii) emerging growth companies that are listed on a qualified non-U.S. stock exchange and may be working towards a U.S. exchange listing but are not yet ready to deploy the management resources necessary to handle the operational complexity and cost burdens.

The OTCQB Venture Market provides public trading for entrepreneurial and development-stage companies and applies standards that promote price transparency and facilitate public disclosure. OTCQB is open to international and domestic companies that meet the OTCQB Standards.

Companies that do not meet the standards of, or choose not to apply for, the OTCQX Best Market or the OTCQB Venture Market may have their securities traded on the Pink Open Market. OTC Markets Group categorizes companies on the Pink market as “Pink Current Information” or “Pink Limited Information” based on the sufficiency and timeliness of the information provided to investors. Companies on the Pink market may publish disclosure via DNS, to the SEC, or to certain other regulatory authorities.

We publish issuer and security-level compliance flags to help investors identify opportunities and quantify risk. For example, companies whose stock is the subject of a public interest concern are flagged as “Caveat Emptor,” or buyer beware.

We also operate an Expert Market[®] tier with restricted quote distribution. The Expert Market allows broker-dealers to publish unsolicited quotes and meet their best execution responsibilities while serving the needs of sophisticated investors.

Recent Business Developments

Availability of Market Data Feeds via Nasdaq Data Link

On August 8, 2023, we announced that OTC market data feeds will be available on Nasdaq's Data Link platform. The integration will expand market data coverage on Nasdaq Data Link to include over 12,000 international and domestic securities traded on our markets, allowing subscribers to access OTC data alongside the exchange-listed data already provided by Nasdaq. It is not yet possible to estimate the impact this new distribution arrangement will have on our financial results.

Acquisition of EDGAR® Online

On November 9, 2022, we completed the acquisition of EDGAR Online, a supplier of SEC disclosure data and financial analytics, from Donnelley Financial, LLC, for approximately \$3.5 million in cash, subject to certain adjustments. The EDGAR Online data and domain expertise provides investors, traders, and compliance teams with a comprehensive view of issuers and securities and strengthens our capabilities to digitalize, standardize, and distribute company financial information and disclosure. This acquisition also enhances our automated tools that track issuers' compliance under Rule 15c2-11. The acquired assets included proprietary technology, custom code, customer contracts, intellectual property, and a vast amount of historical data. We also hired fourteen EDGAR Online employees in technology, operations, and customer service roles. EDGAR Online is included in our Market Data Licensing business. During the three and nine months ended September 30, 2023, we incurred integration costs, and we expect to continue to invest in developing the EDGAR Online platform and product suite over time. We expect that these future investments could be material to our financial results.

Recent Regulatory Developments Impacting our Business

Blue Sky Secondary Trading Exemptions for OTCQX and OTCQB

As of November 1, 2023, our OTCQX and OTCQB markets are exempt from state Blue Sky laws regarding secondary trading in 39 states and one U.S. territory: Alaska, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho (OTCQX only), Indiana, Iowa, Kansas (OTCQX only), Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont (OTCQX only), Virginia (OTCQX only), Washington, West Virginia, Wisconsin, and Wyoming. State Blue Sky laws generally help investors make informed decisions by mandating that companies disclose accurate and current information when offering or marketing securities. We believe recognition of our markets by state regulators and the resulting Blue Sky exemptions make OTCQX and OTCQB more attractive to current and prospective companies. However, the impact of this initiative on our financial results is indirect and therefore difficult to determine.

OTC Link Membership Agreement Update

On May 5, 2023, FINRA granted OTC Link's application to update its Membership Agreement to permit it to facilitate transactions in digital asset securities pursuant to the Joint Staff Statement issued by the SEC and FINRA on July 8, 2019. The Membership Agreement update may enable OTC Link subscribers to quote and trade digital asset securities via OTC Link ATS. However, it is not yet possible to determine whether such activity will occur or whether any such activity would have a material impact on our financial results.

Trends in Our Business

Considerable uncertainty surrounded the economic environment in which we operated during the three and nine months ended September 30, 2023, stemming from inflation, including compensation inflation, recessionary pressures, rising interest rates, market volatility, changes in trading volumes and trading behavior, and geopolitical developments. These factors adversely affected certain of our business drivers and operating metrics, as discussed below. Declines in trading activity and investor engagement

on our markets impacted our OTC Link and Market Data Licensing businesses, while declines in subscribers impacted our Corporate Services business. Our overall gross revenues for the three and nine months ended September 30, 2023, which include revenues from our Blue Sky Data Corp and EDGAR Online acquisitions, were not materially adversely impacted, but we experienced increased expenses primarily related to these acquisitions. The scope and extent of the potential impact of these macro trends on our business in future quarters depend on several factors that are highly uncertain and cannot be predicted. Additional information regarding the potential risks impacting our business is included in the “*Risk Factors*” section of our Annual Report for the year ended December 31, 2022.

During the prior year period, our Corporate Services business benefited from a significant number of new subscribers to our premium markets, OTCQX and OTCQB, and our suite of corporate services, notably DNS, following the effective date of Rule 15c2-11. As compared to the prior year period, during the three months ended September 30, 2023, our Corporate Services business had a lower number of subscribers to each of OTCQX, OTCQB, and DNS. While we continued to grow the number of broker-dealer subscribers, during the three months ended September 30, 2023, OTC Link saw further moderation in trading activity on our markets compared to the prior year period. Our Market Data Licensing business grew during the quarter, benefiting from growth in professional users and enterprise subscribers, offsetting a decline in non-professional users, from pricing increases for certain licenses, and the inclusion of the results from EDGAR Online, which closed in November 2022 (see *Financial Results*, below).

For the three months ended September 30, 2023, 86% of our gross revenues were derived from recurring subscription-based arrangements, and 14% were transaction-based revenues, compared to 83% and 17%, respectively, for the prior year period. The subscription-based component of our revenues increased by 8%, while the transaction-based component declined by 15% as a result of the decline in trading activity on OTC Link, compared to the three months ended September 30, 2022.

OTC Link

Our OTC Link business executed a lower volume of trades on OTC Link ECN and OTC Link NQB and experienced a lower number of trade messages on OTC Link ATS during the three months ended September 30, 2023, compared to the prior year period. The total dollar volume traded in OTCQX, OTCQB, and Pink securities declined by 17% from \$112 billion in the prior year period to \$93 billion in the three months ended September 30, 2023. The total number of securities quoted by broker-dealers on OTC Link ATS declined slightly to 12,119 securities as of September 30, 2023, compared to 12,499 securities as of September 30, 2022.

The reduced trading volumes on our markets reflect, in part, what we believe to be the continued reduced retail investor activity during the three months ended September 30, 2023 as compared to the prior year period. We executed an average of approximately 28,000 transactions per day on OTC Link ECN and OTC Link NQB during the three months ended September 30, 2023, compared to an average of approximately 32,000 transactions per day during the prior year period. As a result, gross revenues from OTC Link ECN and OTC Link NQB decreased 12%, as compared to the prior year period.

OTC Link ECN and OTC Link NQB generated \$1.9 million in transaction-based revenues during the three months ended September 30, 2023 and paid \$1.2 million in transaction-based expenses in the form of rebates for posted liquidity, compared to \$2.2 million in revenues and \$1.3 million in transaction-based expenses in the prior year period. The transaction-based revenues and transaction-based expenses that OTC Link generates, as well as OTC Link’s regulatory and clearing costs, which are included in professional and consulting fees, are correlated with the volume of trading activity on our markets. However, future trading volumes are highly uncertain and cannot be predicted.

The number of broker-dealer subscribers to OTC Link ECN was 108 while OTC Link ATS had 87 as of September 30, 2023, compared to 105 subscribers on OTC Link ECN and 88 on OTC Link ATS as of September 30, 2022. The number of unique subscribers to OTC Link’s trading platforms was 136 as of September 30, 2023, up from 132 as of the prior year period. We expect to continue to attract new

subscribers to OTC Link and to grow our market share; however, the total addressable market is relatively limited.

Effective January 1 and April 1, 2023, we increased fees for certain OTC Link products.

Market Data Licensing

In our Market Data Licensing business, the number of professional users subscribing to our market data increased by 11% to 29,256 as of September 30, 2023, up from 26,405 as of September 30, 2022, driving a 9% year over year increase in revenues derived from professional users. The increase in professional users was due to adding new subscribers reporting users and an increased number of users reported by existing subscribers.

Consistent with the perceived reduced retail engagement and trading activity on our markets, the number of non-professional users of our market data saw a continued decline during the three months ended September 30, 2023 compared to the prior year period, decreasing by 22% to 11,497 users as of September 30, 2023, down from 14,783 users as of September 30, 2022. As a result, revenues from non-professional users declined 24% year over year. The number of non-professional users of our market data generally correlates to retail participation in the U.S. equity markets. Non-professional users' interest in our data tends to fluctuate significantly in response to volatility in the markets and changes in retail trading activity, and we may experience a further decline in the number of users in the future.

We continue to focus resources on developing and enhancing the relevance of our data products for our Market Data Licensing subscribers. As of September 30, 2023, we had 56 subscriptions to our Compliance Data or Compliance Analytics products, up from 51 as of September 30, 2022.

With the acquisition of EDGAR Online in November 2022, our Market Data Licensing offering also includes SEC disclosure and financial data for issuers and their securities.

Effective January 1, 2023, we increased certain fees for our Market Data Licensing offerings.

Corporate Services

During the three months ended September 30, 2023, our Corporate Services business saw a lower number of companies on our OTCQX and OTCQB markets, and a reduced number of DNS subscribers. The month-to-month variability in subscriber numbers is driven by new sales, offset by voluntary non-renewals in the case of OTCQB and DNS, and the impact of compliance downgrades, which occur when companies are removed from OTCQX or OTCQB for noncompliance with the OTCQX Rules or the OTCQB Standards, or corporate events such as mergers, acquisitions, or change of control events.

The OTCQX Best Market had 595 companies as of September 30, 2023, compared to 609 companies as of September 30, 2022. The decline was a result of slower sales and higher compliance downgrades. Companies on our OTCQX market choose to renew their services at the end of each calendar year. The retention rate for the annual OTCQX subscription period beginning January 1, 2023, remained relatively unchanged at 95%, compared to a 96% retention rate achieved for the annual subscription period beginning January 1, 2022.

As of September 30, 2023, there were 1,166 companies on the OTCQB Venture Market, compared to 1,245 companies as of September 30, 2022. Challenging economic conditions facing our OTCQB subscribers and prospects during the three months ended September 30, 2023, led to slower sales and elevated non-renewals and compliance downgrades, which impacted the number of companies on our OTCQB market, compared to the prior year period. OTCQB companies renew on an annual or semi-annual basis, based on the date they joined the market. During the three months ended September 30, 2023, over 90% of OTCQB companies that remained in compliance with our OTCQB Standards chose to renew their services at the end of their service terms, in line with our historical renewal experience.

International issuers remain a significant component of companies on our OTCQX and OTCQB markets, with 20 international companies joining OTCQX and 32 international companies joining OTCQB during

the three months ended September 30, 2023, compared to 31 and 75 international companies joining OTCQX and OTCQB during the prior year period, respectively.

During the prior year period, our Corporate Services business benefited from a significantly higher number of DNS subscribers in connection with the amendments to Rule 15c2-11 taking effect in September 2021. This elevated number of DNS subscribers during the first six months of 2022 began to reverse in the third quarter of 2022 due to the various factors described above, and remained at lower levels during the first nine months of 2023. Consequently, our DNS revenues also declined.

Effective January 1, 2023, we increased certain Corporate Services fees, including applying annual, incremental pricing adjustments to our OTCQX and OTCQB fees.

General Business Matters

We continue to evaluate both the current and future period impact of increasing costs related to our personnel, IT infrastructure, and expense base more generally. Consistent with other companies in the financial technology sector, compensation and information technology costs comprise a significant proportion of our overall expenses, representing approximately 79% and 77% of our total operating expenses in the three months ended September 30, 2023 and 2022, respectively.

We recognize the importance of attracting and retaining the talent required to develop our service offerings and manage our infrastructure. We have added headcount where we believe those additional resources can drive future earnings growth, help us integrate acquired businesses, or are necessary to provide reliable services to our clients. Adding headcount also allows us to comply with our regulatory obligations, including those under Regulation Systems Compliance and Integrity ("SCI"), Rule 15c2-11, and our Consolidated Audit Trail ("CAT") reporting responsibilities. We expect that future investments related to our regulatory compliance obligations will be material to our financial results. Our headcount as of September 30, 2023 was 132, an increase of thirteen versus our headcount of 119 employees as of September 30, 2022.

How OTC Markets Group Generates Revenues

OTC Markets Group generates a significant proportion of our revenues pursuant to subscription arrangements that are recurring in nature. Each of our three business lines offers a distinct fee structure designed to serve its subscribers. OTC Link operates OTC Link ATS, with a subscription model and usage-based fees, and OTC Link ECN and OTC Link NQB, with transaction-based fees. Corporate Services charges application fees and subscription fees on an annual and semi-annual basis. Market Data Licensing charges licensing and subscription fees. The revenue model for each of our business lines is described in detail below.

OTC Link

OTC Link generates revenues through subscription arrangements and transaction-based fees to broker-dealer subscribers.

Broker-dealers pay monthly subscription and connectivity fees to access OTC Link ATS, including our OTC Dealer[®] application, which provides broker-dealers a user interface into OTC Link ATS. Fees for such access are based on the number of authorized OTC Dealer users per subscriber, which are discounted in graduated amounts in relation to total users per subscriber, or the number and type of services per connection.

OTC Link ATS's FINRA member broker-dealer subscribers pay per security usage fees to (i) publish quotes and (ii) communicate and negotiate with counterparties on OTC Link ATS. Monthly OTC Link ATS position fees are based on the number of daily quote positions in Pink securities, with tiered pricing arrangements based on volume. Monthly OTC Link ATS message fees are based on the daily number of securities on OTC Link ATS for which trade messages are sent or received, with tiered pricing arrangements based on volume. The daily quoting and messaging fees allow subscribers to make unlimited quote updates in a single security and to send and receive an unlimited number of trade

messages in a security on a given day. OTC Link ATS also generates revenues from the Quote Access Payment ("QAP®") One Statement service as well as from our CAT reporting service.

OTC Link ECN generates transactional revenues based on share volume executed. Broker-dealer subscribers pay a fixed fee per share executed where their orders remove posted liquidity on OTC Link ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for orders that provide liquidity, while paying a fee for those orders that remove liquidity. OTC Link NQB generates transactional revenues and incurs transaction-based expenses in a manner similar to OTC Link ECN. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses.

Market Data Licensing

Market Data Licensing generates revenues by licensing, on a subscription basis, our extensive market data, compliance data, Blue Sky data, and issuer data and security information, including SEC filings.

Market Data Licensing subscribers include broker-dealers, investors, traders, institutions, companies, accountants, and regulators, among others, which pay monthly, quarterly, or annual license fees to access this information. We offer a suite of market data licenses, priced at per enterprise or per user rates, through direct connectivity, extranet connectivity, third-party market data redistributors, OMS providers, and certain of our web user interfaces. Depending on the license type, subscribers may distribute our market data on an internal-only basis, to clients, or to the public. We generate a significant portion of our Market Data Licensing revenues from sales through market data redistributors.

Certain of our Market Data Licensing agreements include redistribution fees and rebates, which represented 7% and 9% of Market Data Licensing gross revenues in the three-month periods ended September 30, 2023 and 2022, respectively.

Market Data Licensing pricing information is publicly available on our website.

We also charge for the right to display advertisements on www.otcmarkets.com. Website advertising revenue is included in our Market Data Licensing business line.

Corporate Services

We generate revenue from the OTCQX Best Market and the OTCQB Venture Market, as well as a suite of Corporate Services products, including DNS; OTCIQ Basic; Real-Time Level 2 Quote Display, a service that companies sponsor to provide their investors with access to free real-time level 2 quotes on www.otcmarkets.com and the issuer's website; the Blue Sky Monitoring Service for issuers; and our VIC product, which allows issuers to communicate and engage with their stockholders and potential investors.

Companies that choose to have their securities designated as OTCQX securities do so annually, on a calendar year basis, while companies on the OTCQB market renew their services annually or semi-annually on the anniversary of the date on which they joined the market. All companies traded on the OTCQX or OTCQB markets pay a one-time application fee and annual or semi-annual fees. These fees are fixed and do not vary based on outstanding shares, market capitalization, market segment, or otherwise. Companies on both markets also receive access to DNS, Real-Time Level 2 Quote Display, and the Blue Sky Monitoring Service.

Pink companies may subscribe separately to these services and pay one-time application fees and annual or semi-annual subscription fees, as applicable.

Each of these services may be accessed through www.otciq.com.

Our VIC product is available on a per event basis to companies that choose to participate.

Key Metrics

The table below presents key metrics for our OTC Link, Corporate Services, and Market Data Licensing business lines for the three and nine months ended September 30, 2023 and 2022.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
OTC Link				
Number of active ATS subscribers ⁽¹⁾	87	88	87	88
Number of active ECN subscribers ⁽¹⁾	108	105	108	105
Number of unique active OTC Link subscribers ⁽¹⁾	136	132	136	132
New Form 211 filings ⁽³⁾	53	45	190	205
<i>Number of securities quoted: ⁽¹⁾</i>				
OTCQX	656	664	656	664
OTCQB	1,215	1,291	1,215	1,291
Pink	10,248	10,544	10,248	10,544
Total	12,119	12,499	12,119	12,499
<i>Dollar volume traded (in thousands):</i>				
OTCQX	\$ 17,104,760	\$ 20,352,240	\$ 51,019,394	\$ 87,145,086
OTCQB	1,110,613	1,627,226	3,912,759	7,292,722
Pink	74,836,476	89,849,981	219,023,876	302,763,383
Total	\$ 93,051,849	\$ 111,829,447	\$ 273,956,029	\$ 397,201,191
<i>Dollar volume per security (in thousands):</i>				
OTCQX	\$ 26,074	\$ 30,651	\$ 77,773	\$ 131,243
OTCQB	914	1,260	3,220	5,649
Pink	7,303	8,521	21,372	28,714
Corporate Services				
Graduates to a national securities exchange	9	23	30	62
<i>Number of corporate clients: ^{(1)/(2)}</i>				
OTCQX	595	609	595	609
OTCQB	1,166	1,245	1,166	1,245
Pink	1,496	1,567	1,496	1,567
Total	3,257	3,421	3,257	3,421
Market Data Licensing				
Market data professional users ⁽¹⁾	29,256	26,405	29,256	26,405
Market data non-professional users ⁽¹⁾	11,497	14,783	11,497	14,783
Market data compliance file users ⁽¹⁾	56	51	56	51

(1) Figures presented are at period end.

(2) Figures presented represent the number of companies subscribing to our services.

(3) Starting in September 2021, OTC Link ATS began conducting initial reviews under Rule 15c2-11 for certain companies seeking to join the OTCQX and OTCQB markets. In the event that OTC Link ATS approves the initial review, it subsequently files a modified Form 211 with FINRA. Figures presented include 16 and 22, and 34 and 61 Form 211s filed by OTC Link ATS during the three and nine months ended September 30, 2023 and 2022, respectively.

Financial Results

Consolidated Results from Operations

The table below presents comparative information from the Company's unaudited interim Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2023 and 2022.

(in thousands, except shares and per share data)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% change	2023	2022	% change
Gross revenues	\$ 27,037	\$ 25,915	4%	\$ 82,290	\$ 77,854	6%
Net revenues	26,232	25,141	4%	79,886	75,511	6%
Revenues less transaction-based expenses	25,078	23,836	5%	75,692	71,333	6%
Operating expenses	16,505	14,799	12%	51,888	44,390	17%
Income from operations	8,573	9,037	(5%)	23,804	26,943	(12%)
Operating profit margin	32.7%	35.9%		29.8%	35.7%	
Income before provision for income taxes	8,806	9,038	(3%)	24,432	26,935	(9%)
Net income	\$ 7,381	\$ 7,169	3%	\$ 20,660	\$ 22,185	(7%)
Diluted earnings per share	\$ 0.61	\$ 0.60	2%	\$ 1.70	\$ 1.83	(7%)
Weighted-average shares outstanding, diluted	11,865,856	11,866,903	-	11,860,384	11,886,407	-

Revenues and Transaction-Based Expenses

The following table presents OTC Markets Group's gross revenues by business line and consolidated revenues less transaction-based expenses for the three and nine months ended September 30, 2023 and 2022.

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% change	2023	2022	% change
OTC Link	\$ 4,532	\$ 5,027	(10%)	\$ 14,797	\$ 15,591	(5%)
Market data licensing	11,002	9,028	22%	32,487	26,512	23%
Corporate services	11,503	11,860	(3%)	35,006	35,751	(2%)
Gross revenues	27,037	25,915	4%	82,290	77,854	6%
Redistribution fees and rebates	(805)	(774)	4%	(2,404)	(2,343)	3%
Net revenues	26,232	25,141	4%	79,886	75,511	6%
Transaction-based expenses	(1,154)	(1,305)	(12%)	(4,194)	(4,178)	-
Revenues less transaction-based expenses	\$ 25,078	\$ 23,836	5%	\$ 75,692	\$ 71,333	6%

Gross Revenues increased by \$1.1 million, or 4%, and \$4.4 million, or 6%, in the third quarter and first nine months of 2023, respectively, compared to the same periods in 2022. Gross revenues and transaction-based expenses described below are for the three and nine months ended September 30, 2023, as compared to the same prior year periods.

- OTC Link revenues decreased \$495 thousand, or 10%, and \$794 thousand, or 5%, in the third quarter and first nine months of 2023, respectively. The overall decrease was due to a \$269 thousand, or 12%, and \$72 thousand, or 1%, reduction in revenues from OTC Link ECN and OTC Link NQB in the third quarter and first nine months of 2023, respectively. Further contributing to the decline in OTC Link revenues in both periods was a \$174 thousand, or 19%, and \$580 thousand, or 20%, decrease in revenues from OTC Link ATS messages and a \$35 thousand, or 30%, and \$142 thousand, or 34%, decrease in revenues from QAP One Statement fees in the third quarter and first nine months of 2023, respectively. The decline in OTC Link revenues

during both periods was consistent with a decline in trading activity on our markets compared to the respective 2022 periods.

- Market Data Licensing revenues increased \$2.0 million, or 22%, and \$6.0 million, or 23%, in the third quarter and first nine months of 2023, respectively. The increase in Market Data Licensing revenues in the third quarter was due to the impact of our November 2022 acquisition of EDGAR Online as well as subscriber growth and price increases for certain licenses. The increase in the first nine months of 2023 was due to the same factors, as well as the contribution of our May 2022 acquisition of Blue Sky Data Corp. Revenue from professional user licenses increased \$384 thousand, or 9%, and \$504 thousand, or 4%, in the third quarter and first nine months of 2023, respectively, due to an 11% increase in professional user counts. Market data connectivity fees increased \$385 thousand, or 85%, and \$889 thousand, or 67%, in the third quarter and first nine months of 2023, respectively, as a result of pricing adjustments and subscriber growth. Additionally, revenues from internal system licenses, delayed data licenses, and certain other data services increased \$134 thousand, or 9%, and \$459 thousand, or 10%, in the third quarter and first nine months of 2023, respectively, due to a higher number of subscribers to our data products and price increases for certain licenses. Revenue from non-professional users decreased \$127 thousand, or 24%, and \$517 thousand, or 29%, in the third quarter and first nine months of 2023, respectively, due to a perceived reduced retail participation in our markets resulting in a 22% reduction in non-professional user counts. Market Data Licensing revenues for the first nine months of 2023 included certain non-recurring revenue related to the EDGAR Online business.
- Corporate Services revenues decreased \$357 thousand, or 3%, and \$745 thousand, or 2%, in the third quarter and first nine months of 2023, respectively. OTCQX revenues increased \$19 thousand, or 1%, and \$355 thousand, or 3%, in the third quarter and first nine months of 2023, respectively, due to the impact of annual, incremental pricing adjustments effective January 1, 2023, offsetting a reduced number of companies on the OTCQX market. OTCQB revenues decreased \$297 thousand, or 6%, and \$420 thousand, or 3%, while DNS revenues decreased \$120 thousand, or 5%, and \$611 thousand, or 8%, in the third quarter and first nine months of 2023, respectively, due to a lower number of companies subscribing to OTCQB and DNS, which more than offset the impact of pricing adjustments. Corporate Services achieved a 95% renewal rate for the annual OTCQX subscription period beginning January 1, 2023, compared to 96% for the prior year. OTCQB maintained over 90% renewal rate (see *Trends in Our Business*, above). Lower revenues from VIC also contributed to the overall decline in Corporate Services revenues, due to fewer events held during the third quarter and first nine months of 2023, and fewer participants per event.
- Transaction-based expenses, representing rebates paid to OTC Link subscribers providing liquidity, decreased \$151 thousand, or 12%, and remained unchanged at \$4.2 million, in the third quarter and first nine months of 2023, respectively. The changes in transaction-based expenses during both periods were a result of the offsetting impacts of lower trading volumes executed, on one hand, and a larger portion of the subscriber base reaching volume-based pricing thresholds on OTC Link ECN and OTC Link NQB, on the other.

Operating Expenses

The following table presents OTC Markets Group's consolidated operating expenses for the three and nine months ended September 30, 2023 and 2022.

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% change	2023	2022	% change
Compensation and benefits	\$ 10,436	\$ 9,431	11%	\$ 33,007	\$ 28,699	15%
IT Infrastructure and information services	2,592	1,917	35%	8,013	5,769	39%
Professional and consulting fees	1,678	1,690	(1%)	4,969	4,646	7%
Marketing and advertising	292	294	(1%)	880	952	(8%)
Occupancy costs	599	584	3%	1,769	1,776	-
Depreciation and amortization	572	556	3%	1,844	1,492	24%
General, administrative and other	336	327	3%	1,406	1,056	33%
Total operating expenses	<u>\$ 16,505</u>	<u>\$ 14,799</u>	12%	<u>\$ 51,888</u>	<u>\$ 44,390</u>	17%

Operating expenses increased \$1.7 million, or 12%, and \$7.5 million, or 17%, in the third quarter and first nine months of 2023, respectively, compared to the same periods in 2022. All operating expenses below are for the three and nine months ended September 30, 2023, as compared to the same prior year periods.

- Compensation and benefits expenses increased \$1.0 million, or 11%, and \$4.3 million, or 15%, in the third quarter and first nine months of 2023, respectively, primarily related to an increase in headcount from 119 as of September 30, 2022 to 132 as of September 30, 2023, stemming from our acquisitions. The higher headcount, combined with annual base salary increases in effect from January 1, 2023, resulted in salary, bonus, benefit, and payroll tax expenses increasing by \$747 thousand, or 9%, and \$3.5 million, or 15%, in the third quarter and first nine months of 2023, respectively. Stock-based compensation expense increased \$324 thousand, or 32%, and \$1.1 million, or 36%, as a result of year over year increases in annual awards and higher headcount. As a percentage of gross revenues, compensation and benefits costs represented 39% and 36% for the third quarter of 2023 and 2022, respectively, and 40% and 37% for the nine months ended September 30, 2023 and 2022, respectively. Compensation and benefits expenses for the first nine months of 2023 included certain non-recurring retention payments related to the EDGAR Online acquisition.
- IT infrastructure and information services expenses increased \$675 thousand, or 35%, and \$2.2 million, or 39%, in the third quarter and first nine months of 2023, respectively, primarily as a result of the acquisition of EDGAR Online as we added the technology, data services, and data center costs supporting the EDGAR Online platform. Included in IT infrastructure and information services costs in the first nine months of 2023, were \$360 thousand in non-recurring expenses related to migration of the business from the EDGAR Online physical data center to a cloud infrastructure.
- Professional and consulting fees decreased \$12 thousand, or 1%, in the third quarter and increased \$323 thousand, or 7%, in the first nine months of 2023, respectively. Lower spending on external consulting services to support our web-based applications, databases, and security initiatives and lower placement fees during the third quarter of 2023 were partially offset by higher legal and regulatory costs. For the first nine months of 2023, higher spending on external consulting services, legal, and regulatory costs drove the increase, partially offset by lower placement fees and clearing costs as a result of reduced trading volumes on OTC Link ECN and OTC Link NQB. Additionally, during the first nine months of 2023, we incurred certain non-recurring professional and consulting expenses related to integrating the EDGAR Online business, including \$73 thousand in one-time costs under a transition services agreement.

- Marketing and advertising expenses decreased \$2 thousand, or 1%, and \$72 thousand, or 8%, in the third quarter and first nine months of 2023, primarily due to lower spending on marketing events and timing of third-party market research.
- Depreciation and amortization increased \$16 thousand, or 3%, and \$352 thousand, or 24%, in the third quarter and first nine months of 2023, respectively. The increase during these periods was primarily due to amortization charges related to intangible assets and software added in connection with the Blue Sky Data Corp and the EDGAR Online acquisitions, respectively.
- General, administrative and other fees increased \$9 thousand, or 3%, and \$350 thousand, or 33%, in the third quarter and first nine months of 2023, respectively, as a result of higher bad debt expense and business insurance costs. The increase in general, administrative and other fees in the third quarter of 2023 was further impacted by higher bank fees, partially offset by timing of internal travel and entertainment expenses, while the increase in the first nine months of 2023 was further impacted by higher internal travel and entertainment expenses. The higher provision for bad debt in the first nine months of 2023 was primarily associated with accounts receivable acquired as part of the EDGAR Online acquisition and is not expected to recur.

Income from Operations and Operating Profit Margin

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% change	2023	2022	% change
Income from operations	\$ 8,573	\$ 9,037	(5%)	\$ 23,804	\$ 26,943	(12%)
Operating profit margin	32.7%	35.9%	(9%)	29.8%	35.7%	(16%)

Income from operations decreased \$464 thousand, or 5%, in the third quarter, and \$3.1 million, or 12%, in the first nine months of 2023, respectively, compared to the same periods in 2022. Income from operations decreased due to operating expenses outpacing the growth in net revenues as a result of additional headcount and increased technology costs as well as higher amortization charges, primarily related to our 2022 acquisitions. The Company's operating profit margin contracted during each of the three and nine months ended September 30, 2023, as shown in the table above. Operating profit margin in the first nine months of 2023 was impacted by approximately \$1.1 million in one-time integration expenses related to the EDGAR Online business.

Net Income

(in thousands, except shares and per share data)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% change	2023	2022	% change
Income before provision for income taxes	\$ 8,806	\$ 9,038	(3%)	\$ 24,432	\$ 26,935	(9%)
Provision for income taxes	1,425	1,869	(24%)	3,772	4,750	(21%)
Effective income tax rate	16.2%	20.7%	(22%)	15.4%	17.6%	(12%)
Net income	\$ 7,381	\$ 7,169	3%	\$ 20,660	\$ 22,185	(7%)

Net income increased \$212 thousand, or 3%, in the third quarter and decreased \$1.5 million, or 7%, in the first nine months of 2023, respectively, compared to the same periods in 2022. The increase during the third quarter of 2023 was due to a reduction in the Company's effective tax rate and interest income earned, offsetting the 5% decline in income from operations. The decrease in net income during the first nine months of 2023 was due to the 12% reduction in income from operations, partially offset by a lower effective tax rate and interest income earned. The effective tax rates for both periods decreased as a result of higher Foreign Derived Intangible Income tax deduction and research and development tax credit, partially offset by lower excess tax benefit on stock-based compensation.

Liquidity and Capital Resources

Our liquidity is primarily derived from our working capital and cash flows from operations. We require cash to support our current operating levels, fund strategic growth initiatives, including acquisitions, develop new services and enhance existing services, make capital expenditures, fund dividends and stock repurchases, and pay federal, state and local corporate taxes. We expect that our operations will

provide sufficient cash to fund our strategic initiatives. We have no outstanding debt and, as described further below, \$3.0 million available for business operations under our line of credit, which gives us additional flexibility in managing our cash flows (see *Line of Credit*, below).

Cash Available for Operations

The following table presents cash available for operations, which consists of cash and cash equivalents and short-term investments as of September 30, 2023 and December 31, 2022.

(in thousands)	September 30, 2023	December 31, 2022	% change
Cash available for operations	\$ 37,369	\$ 37,368	-

Cash available for operations remained unchanged as of September 30, 2023, at \$37.4 million from December 31, 2022. During the first nine months of 2023, the Company generated \$12.2 million of cash from operations and utilized operating cash flows and cash on hand to fund \$1.3 million investment in IT infrastructure enhancements, including capitalized costs related to the EDGAR Online integration, \$6.4 million in quarterly dividends and \$3.4 million in respect of repurchases of our Class A Common Stock.

Cash Flow

The following table presents sources and uses of cash flows during the nine months ended September 30, 2023 and 2022.

	Nine Months Ended September 30,		
	2023	2022	% change
Net cash provided by operating activities	\$ 12,190	\$ 16,855	(28%)
Net cash used in investing activities	(3,542)	(12,604)	(72%)
Net cash used in financing activities	(10,834)	(9,898)	9%
Net Increase (decrease) in cash and restricted cash	\$ (2,186)	\$ (5,647)	(61%)

Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2023 was \$12.2 million, as compared to \$16.9 million during the same prior year period. Net cash provided by operating activities for the first nine months consisted of net income of \$20.7 million, which was adjusted for non-cash items of \$3.7 million and offset by changes in assets and liabilities of \$12.1 million. The lower net cash provided by operating activities during the first nine months of 2023, as compared to the same prior year period, was primarily due to higher tax payments and lower net income. The remaining variance was primarily related to other fluctuations in working capital.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2023 was \$3.5 million, as compared to \$12.6 million during the same prior year period, which included approximately \$11.6 million paid for the acquisition of Blue Sky Data Corp. The net cash used in the first nine months of 2023 was primarily due to capitalized costs related to the migration of the acquired EDGAR Online platform to a cloud environment and \$2.2 million of treasury bill purchases.

Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2023 was \$10.8 million, as compared to \$9.9 million during the same prior year period. The net cash used in both periods was primarily related to dividends paid to our stockholders and repurchases of our Class A Common Stock. The increase in net cash used in financing activities during the current period was primarily related to the Company's share repurchases of \$3.4 million, compared to \$2.8 million in the same prior year period.

Capital resources and working capital

OTC Markets Group's working capital as of September 30, 2023 was \$15.1 million, an increase of \$12.6 million, or 494%, from \$2.5 million at December 31, 2022. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes and income taxes payable. The increase in working capital during the nine months ended September 30, 2023 was primarily attributable to lower deferred revenue.

Line of Credit

On July 7, 2012, the Company entered into a line of credit agreement with JPMorgan Chase (the "Line of Credit") that initially provided up to \$1.5 million of available borrowing capacity to fund business operations. The Line of Credit has been increased to \$3.0 million and has been extended through June 22, 2024. The effective interest rate of the Line of Credit is benchmarked to the Prime Rate. We have not drawn funds on the Line of Credit. Under the terms of the Line of Credit, we agreed to fulfill certain affirmative and negative covenants and other specified terms. As of September 30, 2023, the Company was in compliance with all of the covenants and other terms of the Line of Credit.

Operating Leases

We have entered into operating lease agreements for our offices and recognize rent expense on a straight-line basis over the terms of the leases.

Off-Balance Sheet Arrangements

None.

Item 5. Legal proceedings

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on our business, financial condition, or operations. We are not a party to any past or pending trading suspensions by a securities regulator.

In the ordinary course of business, the nature of the Company's business subjects it to claims, lawsuits, regulatory examinations or investigations, and other proceedings. OTC Link is regularly the subject of various regulatory reviews, inquiries, investigations, and subpoenas or requests for information by FINRA and the SEC. At the conclusion of a recent FINRA examination, we received a disposition letter that may lead to additional FINRA inquiries. Since 2022, we have been in discussions with the SEC's Division of Enforcement regarding certain OTC Link policies and procedures related to the filing of Suspicious Activity Reports. While the Company continues to advocate for its position in ongoing conversations with the SEC with respect to this matter, the Company has accrued a non-material amount reflecting the Company's current estimation of the reasonably probable cost to resolve this matter. Based on the ongoing nature of this matter, the timing, outcome, and impact, financial or otherwise, remains uncertain and the Company cannot estimate the ultimate impact, if any, on its business or financial statements.

Item 6. Defaults upon senior securities

None.

Item 7. Other information

None.

Item 8. Exhibits

Exhibit 3.1 Unaudited interim condensed consolidated financial statements

Exhibit 9.1 Certification of principal executive officer

Exhibit 9.2 Certification of principal financial officer

Item 9. Certifications

Current certifications are filed as Exhibits 9.1 and 9.2 to this Quarterly Report.

EXHIBIT 3.1

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)
(Unaudited)

	September 30, 2023	December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 35,168	\$ 37,368
Short-term investments	2,201	-
Accounts receivable, net of allowance for credit losses of \$489 and \$638	7,431	9,485
Prepaid income taxes	2,525	59
Prepaid expenses and other current assets	2,238	1,469
Total current assets	49,563	48,381
Property and equipment, net	8,745	8,637
Operating lease right-of-use assets	12,657	13,635
Deferred tax assets, net	6,844	4,853
Goodwill	3,984	3,984
Intangible assets, net	7,556	7,993
Long-term restricted cash	1,582	1,568
Other assets	559	567
Total Assets	<u>\$ 91,490</u>	<u>\$ 89,618</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 923	\$ 1,684
Accrued expenses and other current liabilities	12,973	13,141
Income taxes payable	54	567
Deferred revenue	20,560	30,456
Total current liabilities	34,510	45,848
Income tax reserve	718	657
Operating lease liabilities	12,267	13,309
Total Liabilities	47,495	59,814
Commitments and contingencies		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Class A - 17,000,000 authorized, 12,711,772 issued, 11,927,003 outstanding at		
September 30, 2023; 12,601,270 issued, 11,874,763 outstanding at December 31, 2022	127	126
Additional paid-in capital	28,193	24,847
Retained earnings	35,469	21,246
Treasury stock - 784,769 shares at September 30, 2023 and 726,507 shares at December 31, 2022	(19,794)	(16,415)
Total Stockholders' Equity	43,995	29,804
Total Liabilities and Stockholders' Equity	<u>\$ 91,490</u>	<u>\$ 89,618</u>

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share information)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Gross revenues	\$ 27,037	\$ 25,915	\$ 82,290	\$ 77,854
Redistribution fees and rebates	(805)	(774)	(2,404)	(2,343)
Net revenues	26,232	25,141	79,886	75,511
Transaction-based expenses	(1,154)	(1,305)	(4,194)	(4,178)
Revenues less transaction-based expenses	25,078	23,836	75,692	71,333
Operating expenses				
Compensation and benefits	10,436	9,431	33,007	28,699
IT Infrastructure and information services	2,592	1,917	8,013	5,769
Professional and consulting fees	1,678	1,690	4,969	4,646
Marketing and advertising	292	294	880	952
Occupancy costs	599	584	1,769	1,776
Depreciation and amortization	572	556	1,844	1,492
General, administrative and other	336	327	1,406	1,056
Total operating expenses	16,505	14,799	51,888	44,390
Income from operations	8,573	9,037	23,804	26,943
Other income (expense)				
Interest income	233	1	532	2
Other income(expense), net	-	-	96	(10)
Income before provision for income taxes	8,806	9,038	24,432	26,935
Provision for income taxes	1,425	1,869	3,772	4,750
Net income	\$ 7,381	\$ 7,169	\$ 20,660	\$ 22,185
Net income per share				
Basic	0.62	\$ 0.61	\$ 1.73	\$ 1.87
Diluted	0.61	\$ 0.60	\$ 1.70	\$ 1.83

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Beginning balance	\$ 29,804	\$ 24,954
Increase from net income	20,660	22,185
Dividends paid	(6,437)	(6,403)
Stock-based compensation	4,365	3,240
Issuance of restricted and common shares, net	(1,018)	(719)
Purchases of treasury stock	(3,379)	(2,776)
Ending balance	<u>\$ 43,995</u>	<u>\$ 40,481</u>

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Nine Months Ended September 30,	
	2023	2022
Cash flows from operating activities		
Net income	\$ 20,660	\$ 22,185
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,844	1,492
Provision for credit losses	355	76
Stock-based compensation	4,365	3,240
Excess tax benefits related to stock-based compensation	(912)	(1,184)
Deferred income taxes	(1,991)	(2,196)
Changes in assets and liabilities:		
Accounts receivable	1,699	(909)
Prepaid expenses and other current assets	(769)	(84)
Prepaid income taxes	(2,466)	754
Accounts payable	(488)	38
Accrued expenses and other current liabilities	(691)	(1,112)
Income tax payable	399	3,683
Income tax reserve	61	(385)
Deferred revenue	(9,896)	(8,398)
Other changes in assets and liabilities	20	(345)
Net cash provided by operating activities	12,190	16,855
Cash flows from investing activities		
Purchases of property and equipment	(1,341)	(987)
Acquisition of Blue Sky Data Corp	-	(11,617)
Purchases of short-term investments	(2,201)	-
Net cash used in investing activities	(3,542)	(12,604)
Cash flows from financing activities		
Dividends paid	(6,437)	(6,403)
Withholding taxes paid related to cashless exercise of stock options	(1,018)	(719)
Purchases of treasury stock	(3,379)	(2,776)
Net cash used in financing activities	(10,834)	(9,898)
Net (decrease) increase in cash and restricted cash	(2,186)	(5,647)
Cash and restricted cash at beginning of period	38,936	51,958
Cash and restricted cash at end of period	<u>\$ 36,750</u>	<u>\$ 46,311</u>
Reconciliation of cash and restricted cash:		
Cash	\$ 35,168	\$ 44,745
Long-term restricted cash	1,582	1,566
Total Cash and restricted cash	<u>\$ 36,750</u>	<u>\$ 46,311</u>
Supplemental Disclosure of Cash Flow Information		
Income taxes paid, net of refund	\$ 8,680	\$ 4,079
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	624	31

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share information)

Note 1. Description of Business

Overview

OTC Markets Group Inc. (“OTC Markets Group” or the “Company”) (OTCQX: OTCM) operates regulated markets for trading 12,000 U.S. and international securities. Our data-driven disclosure standards form the foundation of our three public markets: OTCQX® Best Market, OTCQB® Venture Market, and Pink® Open Market.

Our OTC Link® Alternative Trading Systems (“ATs”) provide critical market infrastructure that broker-dealers rely on to facilitate trading. Our innovative model offers companies more efficient access to the U.S. financial markets.

OTC Link ATS, OTC Link ECN, and OTC Link NQB are each a Securities and Exchange Commission (“SEC”) regulated ATS, operated by the Company’s wholly owned subsidiary, OTC Link LLC (“OTC Link”), a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer, member SIPC.

The Company has three business lines: OTC Link, Market Data Licensing, and Corporate Services.

- OTC Link – OTC Link LLC operates three ATs, OTC Link ATS, OTC Link ECN, and OTC Link NQB, that provide trading services to FINRA member broker-dealer subscribers.
- Market Data Licensing – OTC Markets Group provides market data and compliance data, including SEC filings, for a wide spectrum of securities and issuers. The Market Data Licensing business provides broker-dealers, investors, traders, institutions, companies, accountants, and regulators, among others, with a suite of enterprise and user market data licenses, offered via direct or extranet connectivity, through third-party market data redistributors or Order Management Systems (“OMS”) as well as through certain of the Company’s web user interfaces.
- Corporate Services – OTC Markets Group operates the OTCQX Best Market and the OTCQB Venture Market and offers companies access to a suite of services that are designed to facilitate public disclosure and communication with investors, promote greater transparency, and allow companies to demonstrate regulatory compliance and mitigate market risk. These services include the OTC Disclosure & News Service® (“DNS”), OTCIQ Basic, Real-Time Level 2 Quote Display, Blue Sky Monitoring Service for issuers, and the Virtual Investor Conferences® (“VIC”) product.

Corporate Form

OTC Markets Group is a Delaware corporation. The Company is a “C” Corporation for federal, state, and local income tax purposes.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include the accounts of the Company and its wholly owned subsidiaries, OTC Link LLC, OTC Markets Group International Ltd, and Edgar Online LLC. The unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the periods presented. All intercompany transactions have been eliminated in consolidation. Management has assessed the segment reporting standards and the availability of discrete financial information, analyzed how the chief operating decision maker (the Chief Executive Officer) manages the businesses, assesses performance, and allocates resources; and has concluded that the Company’s three business lines are managed as one operating segment, which is the Company’s reportable segment. Refer to Note 2, *Summary of*

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Significant Accounting Policies, in the Company's Annual Report for the year ended December 31, 2022 for a full discussion of significant accounting policies.

The interim condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements of the Company as of and for the year ended December 31, 2022. Operating results for the three and nine months ended September 30, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

Use of Estimates

The preparation of these unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the unaudited interim condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates included in the unaudited interim condensed consolidated financial statements include allowance for credit losses, certain accrued expenses, stock-based compensation expense, the incremental borrowing rate used to calculate the present value of the operating lease liabilities, fair values of intangible assets and goodwill, useful lives of intangible assets, income tax reserve and provision for income taxes. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

Recently Issued Accounting Standards Not Yet Adopted

There are no applicable material accounting pronouncements that have been issued but are not yet adopted.

Note 3. Revenue Recognition

Substantially all of OTC Markets Group's revenues are derived from contracts with customers. Revenues are recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. In accordance with ASC Topic 606, the Company evaluates its contracts with customers based on a five-step methodology. The Company: (1) identifies the contract with the customer; (2) identifies the performance obligations under the contract; (3) determines the transaction price; (4) allocates the transaction price to the separate performance obligations; and (5) recognizes revenue when each performance obligation is satisfied. Certain of the Company's ancillary Market Data Licensing and Corporate Services offerings, including VIC, news release and advertising services, are usage-based and are delivered at a point in time. Accordingly, the Company recognizes revenue upon delivery of the service in line with the contractual agreement.

OTC Link

OTC Link LLC operates three ATSs: OTC Link ATS, OTC Link ECN, and OTC Link NQB. Broker-dealers pay monthly subscription and connectivity fees that permit access to the trading system, including the OTC Dealer[®] application and related support and updates, if applicable, during the contract term. Fees for such access are based on the number of authorized OTC Dealer users per subscriber, which are calculated based on a tiered pricing arrangement, or the number and type of services per connection. These fees are invoiced monthly and in advance of the monthly service period. The Company satisfies its performance obligations over the contract term and records revenue from these fees ratably over the month, with the unrealized portion recorded as deferred revenue on the Company's Consolidated Balance Sheets.

In addition to the aforementioned monthly access fees, broker-dealer subscribers to OTC Link ATS pay usage-based fees to publish quotes and deliver trade messages electronically to counterparties. Those fees are recognized at the point in time when the performance obligation, the publication of the quote or

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

delivery of the message, is satisfied. OTC Link ECN generates revenues based on share volume executed on the ECN matching platform. Broker-dealer counterparties pay a fixed fee per share executed where their orders remove posted liquidity on the ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for orders that provide liquidity, while paying a fee for orders that remove liquidity. OTC Link NQB generates revenues in a manner similar to OTC Link ECN. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses. These fees are invoiced monthly, in arrears, and are due upon receipt. The Company recognizes transaction-based revenue earned upon the execution of a trade, when the Company's obligations are substantially met. Similarly, payments made to subscribers providing liquidity are recognized upon execution and are recorded as transaction-based expenses within the Consolidated Statements of Income.

Market Data Licensing

Market Data Licensing generates revenues by providing subscribers with continuous access to market data, compliance data, Blue Sky data, company data and security information, including SEC filings. Subscribers pay monthly, quarterly, or annual fees to access this information priced at per enterprise or per user rates. Market Data Licensing revenues are recognized ratably over the term of the contract period, beginning on the date on which the data is made available to the customer, as the Company's continuing performance obligations are met.

A significant portion of Market Data Licensing revenues result from sales through redistributors, some of whom earn redistribution fees based on a contractual fixed rate. These fees are invoiced monthly based on the contractual period and are recognized as a reduction of gross revenues. Substantially all of the Company's redistribution fees and rebates are related to these arrangements with market data redistributors.

Corporate Services

Corporate Services generates revenues from the OTCQX Best Market and OTCQB Venture Market and from a suite of other services. Issuers pay annual or semi-annual subscription fees upfront to have their securities traded on the OTCQX or OTCQB markets and to subscribe to OTC Markets Group's various other services. The Company recognizes these revenues ratably over time based on the subscription period as the performance obligations are met and the transfer of services occurs. Issuers pay one-time non-refundable application fees. These fees are not related to distinct performance obligations and are recognized ratably over the contractual service period, which is one year or shorter. For declined applications, the Company recognizes revenue when the application review is completed. The Company also charges for the right to host webcast presentations and online events on the VIC platform. VIC presentation fees are recognized at the point in time when the services are rendered, which corresponds to the date of the webcast or online event and the point in time that the performance obligation is satisfied.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

The following tables present the Company's revenues disaggregated by timing of revenue recognition:

	Three Months Ended September 30,					
	2023			2022		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 3,361	\$ 1,171	\$ 4,532	\$ 3,836	\$ 1,191	\$ 5,027
Market data licensing	10	10,992	11,002	99	8,929	9,028
Corporate services	360	11,143	11,503	453	11,407	11,860
Gross revenues	3,731	23,306	27,037	4,388	21,527	25,915
Redistribution fees and rebates	(4)	(801)	(805)	(16)	(758)	(774)
Net revenues	3,727	22,505	26,232	4,372	20,769	25,141
Transaction-based expenses	(1,154)	-	(1,154)	(1,305)	-	(1,305)
Revenues less transaction-based expenses	\$ 2,573	\$ 22,505	\$ 25,078	\$ 3,067	\$ 20,769	\$ 23,836

	Nine Months Ended September 30,					
	2023			2022		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 11,237	\$ 3,560	\$ 14,797	\$ 12,025	\$ 3,566	\$ 15,591
Market data licensing	108	32,379	32,487	246	26,266	26,512
Corporate services	1,314	33,692	35,006	1,810	33,941	35,751
Gross revenues	12,659	69,631	82,290	14,081	63,773	77,854
Redistribution fees and rebates	(29)	(2,375)	(2,404)	(74)	(2,269)	(2,343)
Net revenues	12,630	67,256	79,886	14,007	61,504	75,511
Transaction-based expenses	(4,194)	-	(4,194)	(4,178)	-	(4,178)
Revenues less transaction-based expenses	\$ 8,436	\$ 67,256	\$ 75,692	\$ 9,829	\$ 61,504	\$ 71,333

The following tables present the Company's revenues disaggregated by geography:

	Three Months Ended September 30,					
	2023			2022		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 4,532	\$ -	\$ 4,532	\$ 5,027	\$ -	\$ 5,027
Market data licensing	8,612	2,390	11,002	7,354	1,674	9,028
Corporate services	4,959	6,544	11,503	5,288	6,572	11,860
Gross revenues	18,103	8,934	27,037	17,669	8,246	25,915
Redistribution fees and rebates	(700)	(105)	(805)	(707)	(67)	(774)
Net revenues	17,403	8,829	26,232	16,962	8,179	25,141
Transaction-based expenses	(1,154)	-	(1,154)	(1,305)	-	(1,305)
Revenues less transaction-based expenses	\$ 16,249	\$ 8,829	\$ 25,078	\$ 15,657	\$ 8,179	\$ 23,836

	Nine Months Ended September 30,					
	2023			2022		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 14,797	\$ -	\$ 14,797	\$ 15,591	\$ -	\$ 15,591
Market data licensing	26,254	6,233	32,487	21,283	5,229	26,512
Corporate services	15,346	19,660	35,006	16,354	19,397	35,751
Gross revenues	56,397	25,893	82,290	53,228	24,626	77,854
Redistribution fees and rebates	(2,162)	(242)	(2,404)	(2,143)	(200)	(2,343)
Net revenues	54,235	25,651	79,886	51,085	24,426	75,511
Transaction-based expenses	(4,194)	-	(4,194)	(4,178)	-	(4,178)
Revenues less transaction-based expenses	\$ 50,041	\$ 25,651	\$ 75,692	\$ 46,907	\$ 24,426	\$ 71,333

Accounts Receivable, net

As of September 30, 2023 and December 31, 2022, accounts receivable, net of allowance for credit losses were \$ and \$7,431, respectively. The allowance for credit losses reflects the Company's best estimate of probable losses inherent in the accounts receivable balances. The Company determines the allowance based on historical experience, the age of the accounts receivable balances, specific account information, and estimates of current and future economic conditions that may affect customers' ability to pay.

OTC MARKETS GROUP INC.**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

Deferred Revenue

Deferred revenue primarily represents the Company's contractual performance obligations related to annual and semi-annual Corporate Services subscription fees; monthly, quarterly and annual Market Data Licensing fees; as well as monthly OTC Link subscription fees. The following table presents the changes in deferred revenue during the nine months ended September 30, 2023 and 2022:

	<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>
Balance at beginning of period	\$ 30,456	\$ 28,432
Net changes	(9,896)	(7,869)
Balance at end of period	<u>20,560</u>	<u>20,563</u>

During the nine months ended September 30, 2023 and 2022, the Company recognized \$19,673 and \$19,312 of revenue, respectively, that was included in the deferred revenue balance at the beginning of each year.

Payment Terms

The Company's payment terms vary by business line and the products or services offered and range from due upon receipt to net 45 days. For certain products, OTC Markets Group requires payment before services are rendered.

Note 4. Concentrations and Uncertainties

During each of the three and nine months ended September 30, 2023 and 2022, Market Data Licensing revenues earned through one market data redistributor amounted to approximately 8% of gross revenues. As of September 30, 2023 and 2022, accounts receivable from that same redistributor amounted to 23% and 35% of total accounts receivable, respectively.

Note 5. Fair Value of Financial Instruments

The Company accounts for certain financial instruments at fair value, in accordance with the provisions of the standard for fair value measurement, which utilizes a three-tier hierarchy to determine the fair value of financial assets and liabilities based on the quality of observable inputs and enhances disclosure requirements for fair value measurement. The three tiers are:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in an active market;
- Level 2 – Other inputs that are directly or indirectly observable in the market; and
- Level 3 – Unobservable inputs that are supported by little or no market activity.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

Assets and liabilities on the unaudited interim Condensed Consolidated Balance Sheets that are measured at carrying value, which approximates fair value due to the short-term nature of these balances, include prepaid expenses, accrued expenses and other current liabilities, and deferred revenue. These balances are classified as Level 1 and Level 2 in the fair value hierarchy.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 6. Property and Equipment, net

Property and equipment, net consisted of the following:

	September 30, 2023	December 31, 2022	Estimated useful life (years)
Computer software	\$ 8,266	\$ 7,057	3 - 10
Computer equipment	7,009	6,878	1 - 4
Furniture and fixtures	691	691	5 - 7
Leasehold improvements	2,917	2,878	Term of lease
Total property and equipment	18,883	17,504	
Accumulated depreciation and amortization	(10,138)	(8,867)	
Total property and equipment, net	\$ 8,745	\$ 8,637	

Depreciation and amortization on property and equipment, including computer software acquired as part of the EDGAR Online acquisition, included in the unaudited interim Condensed Consolidated Statements of Income amounted to \$426 and \$1407 for the three and nine months ended September 30, 2023, respectively, and \$411 and \$1,250 during the comparable three and nine months in 2022, respectively.

Note 7. Leases

The Company has two non-cancelable operating leases. One is for office space at 300 Vesey Street, New York, NY that was executed in October 2018 and expires on December 30, 2031. The other is for office space at 100 M Street SE, Washington, D.C. that was amended in April 2021 and expires on January 31, 2028. These operating leases are recorded as operating lease right-of-use assets on the Company's unaudited interim Condensed Consolidated Balance Sheets and represent the Company's right to use the underlying asset during the lease term. The Company's obligation in respect of future payments due under the leases is included in accrued expenses and other current liabilities and in the operating lease liabilities section on the Company's unaudited interim Condensed Consolidated Balance Sheets.

The components of lease expenses were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Operating Lease cost	\$ 499	\$ 499	\$ 1,498	\$ 1,498
Short-term Lease cost	16	9	44	25
Total lease cost	\$ 515	\$ 508	\$ 1,542	\$ 1,523

Supplemental cash flow information related to leases was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Cash Paid for operating lease liabilities	\$ 496	\$ 495	\$ 1,486	\$ 1,464
Right-of-use assets obtained in exchange for operating lease obligations	-	-	-	-

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Supplemental balance sheet information related to leases was as follows:

	September 30, 2023	December 31, 2022
Operating lease right-of use assets	\$ 12,657	\$ 13,635
Other current liabilities	2,010	1,934
Operating lease liabilities	<u>12,267</u>	<u>13,309</u>
Total operating lease liabilities	<u>14,277</u>	<u>15,243</u>
Weighted-average remaining lease term	8 Years	9 Years
Weighted-average discount rate	4.7%	4.7%

Maturities of lease liabilities were as follows:

Remainder of 2023	\$ 496
2024	2,104
2025	2,160
2026	2,165
2027	2,171
Thereafter	8,169
Total lease payments	<u>17,265</u>
Less imputed interest	(2,988)
Total	<u>\$ 14,277</u>

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 8. Goodwill and Intangible Assets

The following table presents goodwill activity for the period:

	December 31, 2022	Goodwill Acquired	Other Adjustments	September 30, 2023
Goodwill	\$ 3,984	\$ -	\$ -	\$ 3,984

Intangible assets consisted of the following:

	September 30, 2023	December 31, 2022	Estimated useful life (years)
Intangible assets:			
Website	\$ 100	\$ 100	2
Subscription services	150	150	8-15
Customer Relationships	8,200	8,200	15
Data Asset	140	140	4
Distributor relations	27	27	15
Intellectual property	40	40	Indefinite
Total intangible assets	8,657	8,657	
Accumulated amortization	(1,101)	(664)	
Intangible assets, net	\$ 7,556	\$ 7,993	

Amortization expense for finite-lived intangible assets was \$146 and \$437 for the three and nine months ended September 30, 2023, compared to \$145 and \$242 for the three and nine months ended September 30, 2022, respectively. The amortization expense in all periods was related to acquired intangible assets in connection with the Blue Sky Data Corp acquisition, which closed in May 2022. No impairment charges were recorded to goodwill or intangible assets during the three and nine months ended September 30, 2023 or 2022.

Note 9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022
Payroll and employee withholdings	\$ 8,436	\$ 9,508
Accrued operating expenses	2,527	1,699
Current operating lease liabilities	2,010	1,934
Total accrued expenses and other current liabilities	\$ 12,973	\$ 13,141

Payroll and employee withholdings primarily consisted of accrued discretionary bonus, discretionary employer 401(k) contribution, vacation, and sales commissions. The balance of payroll and employee withholdings as of December 31, 2022 represents a full year of accrual, which was paid out in January and February 2023.

Note 10. Stock-Based Compensation

OTC Markets Group grants stock options to employees and certain consultants and restricted stock awards ("RSAs") to certain employees and consultants, as well as directors. The grant date fair value of each stock option is estimated using the Black-Scholes option pricing model and is then amortized into compensation and benefits expense on a straight-line basis over the requisite service period, which is

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

generally the vesting period. The grant date fair value of each RSA is based on the closing stock price on the day prior to the grant date. These charges are included in compensation and benefits expense and, in respect of compensation for the Company's Board of Directors, professional and consulting fees on the unaudited interim Condensed Consolidated Statements of Income.

Stock Options

A summary of the Company's stock option activity for the nine months ended September 30, 2023 is as follows:

(in thousands, except W/A exercise price)	Stock options	Weighted-average exercise price	Aggregate intrinsic value	Remaining contractual term (years)
Outstanding, January 1, 2023	790	\$ 43.95	\$ 10,716	7.85
Granted	81	57.20	9	
Exercised	(69)	24.95	2,301	
Forfeited	(30)	57.06	91	
Outstanding, September 30, 2023	772	\$ 46.53	\$ 7,110	7.55
Exercisable, September 30, 2023	246	\$ 33.61	\$ 5,023	5.44

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of \$467 and \$273 for the three months ended September 30, 2023 and 2022, respectively, and \$1,389 and \$666 for the nine months ended September 30, 2023 and 2022, respectively. Management has estimated forfeiture rates of 5% for stock options granted to management and 23% for stock options granted to other employees. Such charges are included in compensation and benefits expenses on the unaudited interim Condensed Consolidated Statements of Income.

As of September 30, 2023, unrecognized compensation cost related to non-vested stock options was \$5,506, which will be recognized over approximately 3.9 years.

Restricted Stock Awards

A summary of the Company's RSA activity for the nine months ended September 30, 2023 is as follows:

(in thousands, except W/A fair value)	Restricted stock	Weighted-average fair value	Aggregate intrinsic value
Outstanding, January 1, 2023	265	\$ 41.95	\$ 15,079
Granted	93	58.01	5,399
Vested	(89)	37.77	5,170
Forfeited	(5)	47.26	263
Outstanding, September 30, 2023	264	\$ 48.92	\$ 14,116

The Company recognized compensation expense related to RSAs, net of estimated forfeitures, of \$881 and \$751 for the three months ended September 30, 2023 and 2022, respectively, and \$2,837 and \$2,443 for the nine months ended September 30, 2023 and 2022, respectively. Management has estimated forfeiture rates of 6% for RSAs granted to management and 10% for RSAs granted to other employees. In addition, the Company recognized professional fees of \$49 and \$42 for the three months ended September 30, 2023 and 2022, respectively, and \$139 and \$131 for the nine months ended September 30, 2023 and 2022, respectively, related to the issuance of RSAs to the Board of Directors.

As of September 30, 2023, unrecognized compensation cost related to non-vested RSAs totaled \$9,522, which will be recognized over approximately 3.3 years.

Performance Unit Awards

In March 2022, OTC Markets Group's Board of Directors approved and authorized the award of Performance Units to certain employees under the Company's 2019 Equity Incentive Plan (the "Plan").

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Under the Performance Unit Award agreements, the Company is obligated to deliver a variable number of Performance Units on a fixed monetary amount to certain eligible employees if the Company achieves defined Gross Revenue and Diluted Earnings Per Share targets within the defined performance periods. Each Performance Unit represents the right to receive the value of one share of Class A Common Stock of the Company and will be settled 50% in Class A Common Stock and 50% in cash upon vesting, subject to continued employment vesting requirements set forth in the Performance Unit Award agreements.

The liability-classified Performance Unit Awards are considered unearned until the issuance requirements are met and would be included in accrued expenses and other current liabilities in the Company's unaudited interim Condensed Consolidated Balance Sheet. As of September 30, 2023 and December 31, 2022, there was no accrued unrecognized compensation expense related to this obligation in accrued expenses and other current liabilities in the Company's unaudited interim Condensed Consolidated Balance Sheets because the Company determined, based on its financial results for the three and nine months ended September 30, 2023 and the year ended December 31, 2022, that the performance objectives set forth in the Performance Unit Award agreements have not been met.

The maximum total compensation expense to be recognized under the Performance Unit Awards is \$2,508 if the performance objectives are met each performance year, which would result in the issuance of approximately 46,966 Performance Units, payable in 23,483 shares of Class A Common Stock and \$1,254 in cash, based on the closing share price of the Company's Class A Common Stock of \$53.40 on September 30, 2023. However, the actual number of Performance Units issued may fluctuate based on the share price at the date of settlement.

Note 11. Contingencies

Legal Matters

There are no current, past, pending, or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on its business, financial condition, or operations. OTC Markets Group is not a party to any past or pending trading suspensions by a securities regulator.

In the ordinary course of business, the nature of the Company's business subjects it to claims, lawsuits, regulatory examinations or investigations, and other proceedings. OTC Link is regularly the subject of various regulatory reviews, inquiries, investigations, and subpoenas or requests for information by FINRA and the SEC. Where it is determined, in consultation with legal counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual.

At the conclusion of a recent FINRA examination, we received a disposition letter that may lead to additional FINRA inquiries. Since 2022, OTC Markets Group has been in discussions with the SEC's Division of Enforcement regarding certain OTC Link policies and procedures related to the filing of Suspicious Activity Reports. While the Company continues to advocate for its position in ongoing conversations with the SEC with respect to this matter, the Company has accrued a non-material amount reflecting the Company's current estimation of the reasonably probable cost to resolve this matter. Based on the ongoing nature of this matter, the timing, outcome, and impact, financial or otherwise, remains uncertain and the Company cannot estimate the ultimate impact, if any, on its business or financial statements.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 12. Acquisitions

Blue Sky Data Corp

On May 2, 2022, the Company completed the acquisition of Blue Sky Data Corp, a provider of compliance data regarding state Blue Sky securities rules and regulations, for approximately \$11,600 in cash, subject to certain adjustments. This acquisition allowed OTC Markets Group to enhance its existing Blue Sky data offering, improve its value proposition, and expand its subscriber base. The Blue Sky Data Corp subscribers and revenue are included in the Company's Market Data Licensing business for the three and nine months ended September 30, 2023 and 2022.

During the nine months ended September 30, 2023, the Company finalized the valuation of the assets acquired and liabilities assumed, with no changes in the amounts and related disclosures compared to December 31, 2022.

Note 13. Stockholders' Equity

Common Stock

The Company has one class of shares, Class A Common Stock, outstanding. Holders of Class A Common Stock, which include holders of unvested RSAs, are entitled to receive such dividends and other distributions in cash or stock of any corporation or property of the Company, as may be authorized and declared by the Board of Directors from time to time out of the assets or funds of the Company legally available for the payment of dividends. Upon the voluntary or involuntary liquidation, dissolution, or winding up of the Company, holders of Class A Common Stock are entitled to a pro rata share of the net assets of the Company available for distribution in proportion to the number of shares of Class A Common Stock held by each.

The Company is authorized to issue 17,000,000 shares of Class A Common Stock at \$0.01 par value. As of September 30, 2023 there were a total of 12,711,772 shares issued and 11,927,003 shares outstanding. As of December 31, 2022 there were a total of 12,601,270 shares issued and 11,874,763 shares outstanding.

Treasury Stock

In August 2011, the Board of Directors authorized the Company to repurchase up to 300,000 shares of Class A Common Stock in compliance with Rule 10b-18 under the Securities Exchange Act of 1934 (the "Exchange Act"). On March 6, 2023, the Board of Directors refreshed the Company's stock repurchase program, authorizing the repurchase of up to 300,000 shares of Class A Common Stock.

During the nine months ended September 30, 2023, the Company repurchased 58,262 shares of Class A Common Stock at an average price of \$58.00 per share, for a total of \$3,379. During the same prior year period, the Company repurchased 45,140 shares of Class A Common Stock at an average price of \$61.50 per share, for a total of \$2,776. All repurchased shares are held in treasury. As of September 30, 2023, there are 300,000 shares remaining to be purchased under the stock repurchase program.

Dividends

The Company declared and paid a quarterly cash dividend of \$0.18 per share of Class A Common Stock during each of the three months ended September 30, 2023 and 2022, totaling \$2,147 and \$2,135, respectively. The Company declared and paid cash dividends of \$0.54 per share of Class A Common Stock during each of the nine months ended September 30, 2023 and 2022, totaling \$6,437 and \$6,403, respectively.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Equity Incentive Plan

The Company's Plan, as adopted by the Board of Directors on May 7, 2019, and approved by a vote of the Company's stockholders on December 19, 2019, provides for the grant of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares, and governs options awarded (refer to Note 10, *Stock-Based Compensation*). In November 2022 and 2021, the Board of Directors authorized an increase in the number of shares available for issuance under the Plan by 200,000 and 190,000 shares, respectively.

Note 14. Income Taxes

The Company's effective tax rates were 16.2% and 20.7% for the three months ended September 30, 2023 and 2022, respectively, and 15.4% and 17.6% for the nine months ended September 30, 2023 and 2022, respectively. The rates reflect the inclusion of state and local income taxes at the federal statutory rate of 21%. The effective tax rates for the three and nine months ended September 30, 2023 differed from the federal statutory rate primarily due to the recognition of the U.S. federal research and development credit, the impact of the Foreign-Derived Intangible Income deduction available pursuant to provisions of the Tax Cuts and Jobs Act, and the impact of excess tax benefits from stock-based compensation. During the nine months ended September 30, 2023 and 2022, the Company recognized an income tax benefit related to the excess tax benefit on stock-based compensation of \$912 and \$1,184, respectively.

As required by the uncertain tax position guidance in ASC Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The gross amount of unrecognized tax benefits as of September 30, 2023 and December 31, 2022 was \$514 and \$478, respectively, and was classified in income tax reserve in the unaudited interim Condensed Consolidated Balance Sheets. It is not reasonably possible that any unrecognized tax benefits will reverse within the next twelve months from settlements with taxing authorities.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company recognized interest and penalties of \$5 for the three months ended September 30, 2023 and \$25 for the nine months ended September 30, 2023, respectively. For the three and nine months ended September 30, 2022, the Company recorded a reduction of interest and penalties of \$59 and \$64, respectively. Interest and penalties accrued as of September 30, 2023 and December 31, 2022 were \$204 and \$179, respectively.

Note 15. Earnings Per Share

The Company calculates earnings per share pursuant to the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. RSAs granted to employees, consultants, and directors (refer to Note 10, *Stock-Based Compensation*) participate in dividends on the same basis as common shares and such dividends are nonforfeitable by the holder. As a result, these RSAs meet the definition of a participating security.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

The tables below present the calculations of earnings per share under the two-class method:

Basic Earnings per common share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except shares and per share data)	2023	2022	2023	2022
Net income available to common shareholders	\$ 7,381	\$ 7,169	\$ 20,660	\$ 22,185
Less: Undistributed earnings allocated to unvested RSAs	(116)	(113)	(315)	(355)
Less: Dividend equivalents on unvested RSAs	(48)	(48)	(143)	(144)
Net income allocated to common shareholders	\$ 7,217	\$ 7,008	\$ 20,202	\$ 21,686
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	11,664,344	11,597,871	11,655,094	11,597,024
Basic earnings per share	\$ 0.62	\$ 0.61	\$ 1.73	\$ 1.87

Diluted Earnings per common share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except shares and per share data)	2023	2022	2023	2022
Net income available to common shareholders	\$ 7,381	\$ 7,169	\$ 20,660	\$ 22,185
Less: Undistributed earnings allocated to unvested RSAs	(114)	(111)	(310)	(347)
Less: Dividend equivalents on unvested RSAs	(48)	(48)	(143)	(144)
Net income allocated to common shareholders	\$ 7,219	\$ 7,010	\$ 20,207	\$ 21,694
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	11,664,344	11,597,871	11,655,094	11,597,024
Dilutive effect of employee stock options and RSAs	201,512	269,032	205,290	289,383
Weighted-average shares used in diluted computation	11,865,856	11,866,903	11,860,384	11,886,407
Diluted earnings per share	\$ 0.61	\$ 0.60	\$ 1.70	\$ 1.83

Note 16. Regulatory Authorities

OTC Link LLC is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of \$5 or 6-2/3% of aggregate indebtedness, as defined. OTC Link LLC's regulatory net capital as of September 30, 2023 and December 31, 2022 was \$3,532 and \$4,380, respectively, which exceeded the minimum net capital requirement by \$3,308 and \$4,158, respectively.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 17. Subsequent Events

For purposes of disclosure in the unaudited interim condensed consolidated financial statements, the Company has evaluated subsequent events through November 8, 2023, the date the financial statements were available to be issued.

On November 6, 2023, the Board of Directors authorized and approved a special cash dividend of \$1.50 per share of Class A Common Stock and a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The special dividend is payable on December 7, 2023 to stockholders of record on November 21, 2023. The ex-dividend date is November 20, 2023. The quarterly dividend is payable on December 21, 2023 to stockholders of record as of December 7, 2023. The ex-dividend date is December 6, 2023.

EXHIBIT 9.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, R. Cromwell Coulson, Chief Executive Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Quarterly 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 Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ R. Cromwell Coulson

R. Cromwell Coulson
Chief Executive Officer

November 8, 2023

Date

EXHIBIT 9.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Antonia Georgieva, Chief Financial Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Quarterly 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 Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ Antonia Georgieva

Antonia Georgieva
Chief Financial Officer

November 8, 2023

Date