

**OTC Markets (Q1 2025 Earnings)**  
**May 8, 2025**

**Corporate Speakers**

- Daniel Zinn; OTC Markets Group; General Counsel, Chief of Staff, Corporate Secretary
- Robert Coulson; OTC Markets Group; President, Chief Executive Officer, Director
- Antonia Georgieva; OTC Markets Group; Chief Financial Officer

**Participants**

- Brendan McCarthy; Sidoti; Analyst
- Steven Silver; Argus Research Corporation; Analyst

**PRESENTATION**

Operator^ Good day. And thank you for standing by. Welcome to the OTC Markets Group First Quarter 2025 Earnings Conference Call and Webcast. (Operator Instructions) Please be advised that today's conference is being recorded. (Operator Instructions)

I would now like to hand the conference over to your speaker today, Dan Zinn, General Counsel and Chief of Staff.

Daniel Zinn^ Thank you, Operator. Good morning. And welcome to the OTC Markets Group first quarter 2025 earnings conference call. With me today are Cromwell Coulson, our President and Chief Executive Officer; and Antonia Georgieva, our Chief Financial Officer. Today's call will be accompanied by a slide presentation. Our earnings press release and the presentation are each available on our website. Certain statements during this call and in our presentation may relate to future events or expectations and as such, may constitute forward-looking statements. Actual results may differ materially from these forward-looking statements.

Information concerning risks and uncertainties that may impact our actual results is contained in the risk factors section of our 2024 annual report, which is also available on our website. For more information, please refer to the safe harbor statement on Slide 3 of the earnings presentation. With that, I'd like to turn the call over to Cromwell Coulson.

Robert Coulson^ Thank you, Dan. Good morning, everyone. Thank you for joining us today. I will discuss our first quarter 2025 results at a high level, and we will review the status of our key priorities for the year. Gross and net revenues each increased by 10% during the first quarter. Our strong overall results were from a 22% growth in OTC Link revenues and a 15% increase in Market Data Licensing. Corporate Services saw a 1% decrease during the quarter.

I want to thank all our colleagues at OTC Markets Group for their contributions. Our business is a team sport and we will win with capable and caring people in every position. These results highlight the value of our business model with each business line supporting the others.

Antonia will review our financial results in greater detail in a few minutes. OTC Link's strong first quarter revenue was largely due to growing trading volumes across each of our markets, extending the trend from the second half of 2024. We can't control overall market volume. So we focus on providing reliable, cost-effective solutions to our subscribers that provide the best possible service, whether volumes are up or down.

Price increases in our Market Data business were a primary driver for the first quarter revenue results.

The team has done a great job of communicating the growing value quotient with our subscribers, leading to outstanding user retention.

The slight decrease in Corporate Services revenues during the first quarter is largely a result of OTCQX and OTCQB sales and retention results experienced during 2024, which brought down the total number of companies. Through the first portion of this year, Corporate Services sales have begun to trend upward.

During our last earnings call I described our two key initiatives for 2025: overnight trading; and the launch of the OTCID Basic Market. These projects remain our top priorities across the organization.

Overnight trading includes our MOON ATS for trading exchange-listed, NMS securities, and OTC Overnight to support trading in OTC securities. Each market operates from 4:00 p.m. to 8:00 a.m. Eastern Time, Sunday through Thursday. The combination of OTC Overnight and MOON ATS enables our broker-dealer subscribers to access thousands of exchange-listed and OTC securities during Asian market hours, at European market open, and overnight in the U.S.

MOON ATS is an early entrant into what we expect will be a competitive market. We have rapidly responded to broker-dealer demand to launch regulated overnight trading platforms. MOON ATS has onboarded a number of active broker-dealer subscribers and offers trading in over 10,000 securities. As we have lit up MOON trading, we have seen increased interest in MOON market data from across the globe with a number of firms already subscribing to our data feeds.

As with our existing daytime markets, transparency is paramount. The availability of MOON market data to interested market participants around the world is key to the success of this endeavor. OTC Overnight has also begun onboarding subscribers. OTC Overnight offers unique value, blending our expertise in facilitating OTC equity trading with the desire for investors across time zones to access regulated U.S. trading markets during their daytime hours.

Our view towards the overnight market matches our approach to the markets we have operated for many years. We will deliver elegant, reliable and cost-effective solutions that help meet the needs of our subscribers and benefit investors.

Our second high-priority initiative, OTCID, has also seen substantial progress.

On July 1st, we will retire The Pink Current Market and launch the OTCID Basic Market. OTCID is for companies to publish a baseline of ongoing information rather than meet the qualitative and quantitative standards for our premium markets. These companies provide ongoing financial disclosure, publish a management certification and verify their company profile and other important data for U.S. investors and brokers. OTCID Basic continues our more detailed distinction and contrast we are creating between our markets.

Our OTCQX and OTCQB premium markets are recognized brands, ingrained in trading, regulatory and compliance processes across the industry. OTCID will expand our offering to a wider range of companies. These companies separate their brands from securities quoted on Pink Limited, which have little to no issuer involvement.

Pink Limited companies do not certify their compliance with established reporting standards, have limited availability of disclosure or financial information readily available to U.S. investors and may not support their U.S. market. These securities will continue to be identified with a yield sign next to their stock symbol to warn investors to proceed with caution.

It is important to understand that issuers now in The Pink Current Market that do not provide the required information, will see their securities transition to The Pink Limited market or for those with late or incomplete disclosure, to the Expert Restricted Market. We are encouraging companies to submit their OTCID applications on a timely basis to ensure that our compliance team has ample time to review each application before launch. We have received numerous applications thus far.

During our next earnings call I expect to be able to report on the number of companies that achieved OTCID compliance by the July 1st deadline. Companies that do not meet the deadline, but later choose to apply, may do so at any time and we will continue to report on the number of companies participating in OTCID over time. Our OTCQX, OTCQB and OTCID markets provide a digital platform for public companies to perform the same IR, disclosure and government -- governance activities as listed companies.

This helps ensure the informational, operational and compliance experience for brokers and investors is comparable to exchange-listed securities. Our data-driven markets allow engaged companies to improve the market pricing process, earn credibility over time and for those of a comparable financial strength, enjoy similar privileges and valuations to comparable listed companies.

Prioritizing critical projects such as overnight trading and OTCID helps align our teams and organize our resources.

However these initiatives are not our only focus this year. Our drive for long-term growth and continuous improvement requires that we maintain focus on our regulatory priorities. Throughout the first quarter, our discussions with regulators and legislators have focused on small company capital formation and regulatory recognitions for companies on our markets that deserve such recognitions because of their liquidity or financial strength. The spirit of

collaboration from regulators and Capitol Hill has never been stronger, and we are encouraged by the depth and breadth of the discussions we have had thus far.

Our focus on regulation is not solely about pursuing a forward-looking agenda. We remain laser-focused on operational integrity, internal compliance processes and reducing risks as we pursue new opportunities, improve our services for subscribers and grow our business for shareholders.

In closing, I'm pleased to announce that on May 6th, our Board of Directors declared a quarterly dividend of \$0.18 per share payable on June 18th. This dividend reflects our ongoing commitment to providing superior shareholder returns. With that, I will turn the call over to Antonia.

Antonia Georgieva^ Thank you, Cromwell and thank you, all, for joining our call today. I would like to start by thanking our entire OTC Markets team for continuing to execute on our strategic priorities and exciting new initiatives and for their commitment to our subscribers. As I discuss our results for the quarter ended March 31, 2025, any reference made to prior period comparatives will refer to the first quarter of 2024. Turning to Page 7 for a review of our first quarter revenues.

We generated \$30.4 million in gross revenues, up 10% compared to the prior year period. Revenues less transaction-based expenses were up 7%. OTC Link's gross revenues increased 22%, driven by a 46% increase in transaction-based revenues from OTC Link ECN and OTC Link NQB as we benefited from a higher number of shares traded on those platforms. As an offset, transaction-based expenses increased 57%. Additionally, OTC Link saw an increase in certain connectivity revenue due to growth in the number of connection licenses and in Quote Access Payment Service revenue, along with the increased volume of trading activity.

OTC Link finished the first quarter with 116 subscribers on OTC Link ECN and 81 subscribers on OTC Link ATS, and had 141 unique subscribers across our ATSs. At the end of the prior year period, OTC Link had 112 and 82 subscribers on OTC Link ECN and OTC Link ATS, respectively, and 135 unique subscribers. Trading volumes remain highly unpredictable and could decline in the future.

Revenues from our Market Data Licensing business increased 15% quarter-over-quarter, reflecting a 19% increase in redistributor-based revenues and 22% increase in revenues from direct sold licenses, partially offset by a modest 1% decline in revenues from data and compliance solutions.

Within the redistributor-based revenues, pro user revenues increased 20% and non-pro user revenues increased 45%, in each case primarily due to price increases from the beginning of 2025. Pro user counts were down slightly at 1%, while non-pro user counts were up 10%. Historically, and in the normal course of business, we have seen significant changes in the number of non-professional users as market volumes and retail participation on our markets fluctuate and we may experience a decline in the future.

Broker-dealer enterprise licenses and internal system licenses drove the growth in direct sold licenses.

Price increases and subscriber growth contributed to the increase in broker-dealer enterprise license revenue, while subscriber growth and the recognition of certain onetime revenue contributed to the increase in internal system license revenues. Data and Compliance Solutions saw a slight decline as lower revenue from EDGAR Online counterbalanced increased revenues from data services and the Blue Sky data product.

Corporate Services revenues decreased 1% in the first quarter.

We saw a lower number of companies across OTCQX, OTCQB and DNS in the first quarter compared to the prior year quarter. The impact of annual incremental pricing adjustments effective January 1, 2025, served to partially offset the decline in OTCQB companies, with OTCQB revenues down 2% and more than offset the decline in OTCQX companies and DNS subscribers with OTCQX revenues up 1% and DNS revenues up 2%.

In the first quarter, we added 22 OTCQX companies compared to 21 in the prior year quarter and finished the period with 548 OTCQX companies, down 5%. For the annual OTCQX subscription period beginning January 1, 2025, we achieved a 96% retention rate compared to 93% in the prior year.

On OTCQB, we added 60 new companies in the first quarter compared to 36 in the prior year period and had 1,051 OTCQB companies at the end of the quarter, down 6%.

We had 1,303 Pink companies subscribing to DNS and other products at the end of the first quarter, down 9%. These engaged Pink companies, which have a relationship with OTC Markets Group through our disclosure offerings represented approximately 12% of all Pink securities traded on our platforms at the end of March 2025 compared to approximately 13% at the end of the prior year period. Month-to-month variability in our Corporate Services subscribers is driven by new sales offset by non-renewals, corporate events and compliance downgrades.

Turning now to expenses on Page 8.

On a quarter-over-quarter basis, operating expenses increased 6% to \$19.8 million. A 3% increase in compensation and benefits expenses, 33% increase in professional and consulting fees and 34% increase in general, administrative and other costs were the primary contributors. The increase in compensation and benefits reflects higher base salaries and cash-based incentive compensation and higher commissions related to increased sales and the updated commission plan in effect from January 1, 2025.

Compensation and benefits comprised 65% of our total operating expenses during the first quarter compared to 67% in the prior year period.

Professional and consulting fees increased due to certain onetime consulting services. Additionally, we saw higher regulatory and clearing costs related to OTC Link ECN and OTC

Link NQB due to the increased trading activity. General, administrative and other costs increased primarily due to bad debt related to higher aged accounts receivable.

Turning to Page 9.

In the first quarter, income from operations and net income increased 9% and 1%, respectively. Operating profit margin contracted slightly to 24.7% compared to 25% in the prior year quarter. Our diluted earnings per share increased to \$0.50 per share compared to \$0.49 per share or 2%. In addition to certain GAAP and other measures, management utilizes adjusted EBITDA, a non-GAAP measure, which excludes non-cash stock-based compensation expenses.

Our adjusted EBITDA was \$9.8 million in the first quarter of 2025, and our adjusted diluted earnings per share were \$0.81, each up 7%. Cash used in operating activities amounted to \$0.8 million compared to cash used in operating activities of \$0.7 million in the prior year quarter. Free cash flows for the quarter were negative \$0.9 million compared to negative \$1.2 million in the prior year quarter.

Turning to Page 10.

During the first quarter of 2025, we returned a total of \$5.1 million to investors in the form of dividends and through our stock buyback program, unchanged from the prior year quarter. We remain focused on growing our business, operating as prudent stewards of shareholder capital and delivering long-term value to our stockholders. With that, I would like to thank everyone for your time and pass it back to the operator for questions.

## QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Our first question comes from Brendan McCarthy with Sidoti. You may proceed.

Brendan McCarthy^ Great, good morning everybody and thank you for taking my question here. Just wanted to start off on the prepared remarks, Cromwell I believe you mentioned that Corporate Services sales have begun to trend upward. Can you provide a little bit more color there on what you attribute the growth to?

Robert Coulson^ Thank you, Brendan, for that question. I would put -- attribute the growth to our OTCID changes. For a long time we operated our markets wanting to demonstrate to investors and the broker-dealer community which securities were making ongoing information available somewhere. So we built tracking system to see if people were SEC reporting, to see if companies were listed on exchanges with disclosure standards. And we created premium markets for companies that could meet certain qualitative, quantitative and continuous quotation standards to separate themselves from companies that were being traded by brokers.

And as that toolset -- because I look at listing from a functionality standpoint -- our whole job has been to give a public company the tools to provide the same information on an initial and ongoing basis to investors and brokers in a digital screen and machine environment and

compared to a company that's listed on a traditional exchange. So we've had this system there, which we've built up. And then 15c2-11 came along, and the regulators put a stamp on our ongoing monitoring and tracking of companies.

So every company that would have a public broker-dealer proprietary quotation for their securities needed to be making publicly available information. The companies that weren't instead of being in Pink No Info went to the Expert Market, a restricted market. So we had this system of Pink Current where some companies, because they didn't have a reporting system, used our alternative reporting standard. And we had other companies where we didn't have a relationship, but the disclosure was available in English somewhere else.

However there was no engagement or certifications by the issuer. And it confused investors because we were saying this company has current information and this company has limited information. And it really shouldn't be about information once 15c2-11 said, "To have a public quotation, there needs to be a level of information that's going to vary."

There are some exemptions for volume. The bigger question is, is the company engaged into the U.S. market? And for investors, the history of the OTC Market has a glorious history with value investors. They would buy companies that were not on the exchanges. But they bought those companies at a discount.

And they bought those companies at a discount not because management cared about investors, not because management cared about having an efficient market pricing process. They bought those at a discount because management was disconnected. And in some cases, management was hostile. Lots of activist investors started in this space. So we're going to make it very clear with Pink Limited to be about involvement. So that goes back to the case.

OTCID is part of expanding our services to companies that can't qualify for our higher markets to do a baseline. And number two, OTCID will clarify what Pink Limited means. And if you're a company that wants to be disconnected from the U.S. markets for various reasons, that is fine. We will support broker-dealers trading the security and delivering best execution to investors.

However we will make it clear to the world that, that choice has been made by the issuer of the security. And thus, those changes, and they will take place over time is -- clarifies our market and provides incentives for companies to want to provide the maximum amount of information to investors using our tiered market structure. And I apologize if that was a long question because this is really the completion of our private market changes working with industry partners with -- and regulators to completely change how the unlisted markets worked from both the trading and a transparency aspect.

Brendan McCarthy^ That's very helpful. I appreciate the detailed answer there. And maybe as a follow-up, just out of curiosity. So it sounds like OTCID really fills a void in the marketplace. Are you seeing maybe new sales or new subscribers come from -- well I assume you're seeing a high amount of transitions from Pink Current, but where else are you seeing new sales come from? Are you seeing companies look from the Pink Limited market have interest in OTCID, or

maybe on the flip side, are you seeing companies from QB or QX maybe have interest in kind of coming down to OTCID? Just out of curiosity.

Robert Coulson^ Well our premium markets, we, unlike the exchanges where when someone can't meet the standards of a market, they spend the next 50 years doing reverse splits and going to hearing committees. We're data-driven, so it happens pretty quickly. So of course, if a company moves down from OTCQX because it can no longer meet the standards, there's OTCQB, which is a venture market, and it's a better home for them.

We didn't have a spot for companies that moved down from OTCQB. So of course, we will provide a home for companies to continue to provide ongoing information. Second part is a security has a symbol, but they don't have much of a float. They don't have much trading.

OTCID gives an opportunity for the issuer to show up with a baseline of information and start to inform the market before the market liquidity has developed. And that's an important entry. And then, of course, there are a lot of companies that have been in Pink Current that we haven't had a relationship with and there are many that we do have a relationship with through our DNS product that are transitioning to OTCID and Pink Limited ones.

So I think the conversation is going to move along. And as investors understand what Pink Limited is and the value it provides of transparent trading, yet a market with information asymmetries, imperfections and discounts because of actions and choices or negligence of the issuer of the security, companies choose what they want their brand to be associated with.

Brendan McCarthy^ Got it. That's helpful. One more question for me, just on the overnight trading side. I know you discussed about MOON ATS. I'm just curious as to your thoughts on the competitive dynamics in this market? Would you say that you have a first mover advantage here? What other entrants do you see coming into this market and offering a similar service?

Robert Coulson^ Brendan, we're a second mover. We're a first mover in the OTC product. So as securities trading moves 24/5, 24/7, we believe our franchise, it's incredibly important to protect, and we have an expertise there and the ability to expand that franchise. We also have an ability to provide real value by being a nimble, quick vendor for the broker-dealers as a second mover in overnight trading in NMS securities and a reliable partner who's run mission-critical infrastructure. The exchanges will eventually be there.

There's a lot more complexity because ATSS have much more space to innovate and the industry is still figuring out overnight trading. And for exchanges to come into the space, the exchanges have to solve a lot of market imperfections and synchronizations that ATSS and broker-dealers can solve using market forces. And so that's a window for us to build away. And NMS securities is a big market. There's lots of little micro structures where you can offer value for your broker-dealer subscribers if you have elegant, reliable and cost-effective solutions to their unique problems that they find useful.

Daniel Zinn^ And Brendan, as we see the exchanges coming in and as we see this market developing, there's a lot of industry focus including regulatory focus on how it will work. So



obviously now both for us and the first mover, Cromwell mentioned we run from 8:00 p.m. to 4:00 a.m. Those hours are going to be the kinds of things that people discuss over time. So the competitive force will not only be around who else joins the market and the business competition, but also the regulatory environment and how that develops. And we're, I think, in a good position to be a big part of that discussion.

Brendan McCarthy^ Great thanks Dan. Thanks (inaudible). I'll hop back in the queue at this point.

Operator^ (Operator Instructions) Our next question comes from Steve Silver with Argus Research Corporation. You may proceed.

Steven Silver^ Thanks operator and thanks as well for taking my questions. And Cromwell thank you for all the color on OTCIQ in the prepared remarks and in the last series of questions. In terms of the improving trends that you cited in OTCQX and OTCQB, is there any context you can provide around the composition of those companies, whether between new companies or previously -- previous QX or QB companies that may be regaining compliance in the marketplace? Or any context just around maybe the pipeline of new companies that have expressed interest in joining OTC Markets?

Robert Coulson^ Steve, thank you for the question. I gave a high level of what we're seeing from the numbers that show up because we publish every day who's coming, who's leaving for our various markets. And OTCID is going to be great because it's going to surface the engaged companies. So you're going to have an idea of company engagement across our markets, and we publish them every day.

For product market fit, I think you're asking about is what type of companies we're seeing. We believe every company that is traded in the publicly quoted OTC markets, we can add value to, by them providing a higher quality and more consistent information stream to broker-dealers and investors. That's my belief. Everyone that's trading.

Now there are some securities that may not trade that much. But for every security that trades or every security where we are the primary market, we can add value. And that is my goal. And you will see in the next quarter as we start publishing numbers around engaged issuers.

Antonia Georgieva^ Steve, we do not provide that detailed breakdown of our new sales and whether those have been customers at some point in the past or what the movement between our tiers has been, as we've explained previously some of the new sales reflect upgrades from QB into QX, not the other way around. The QB sales are entirely new sales.

But occasionally, we do see customers that have been subscribing to, say, our DNS product, decide to upgrade to QB or QX, or customers that might have been on QB a few years ago, and for whatever reason discontinued subscribing, coming back. It's always a mix.

Steven Silver^ Okay thanks Antonia.

Antonia Georgieva^ And there are completely new customers coming in as well.

Steven Silver^ Great and one last one. Obviously you guys don't plan the business around the number of average trades on OTC Link because those are really factors that are out of your control. Just curious as to whether you have any thoughts around, or maybe historical experience with how you plan the business around revenue growth in OTC Link during a period of sustained -- increased trading around periods of market volatility and whether -- over a certain period of time whether that factors into your big picture thinking on the business?

Antonia Georgieva^ As you pointed out, trading volume is highly unpredictable. And we do our best in our budgeting process to right-size our expense base to the expectations for the following year, but we tend to be very conservative in terms of our expectations of volume. We tend to look over a long historical timeframe for more of an average trend rather than rely on the temporary ups and downs in the trading markets, which can be quite extreme, as we have seen in the first quarter and more recently.

Robert Coulson^ Yes, Steve, you want to survive the winter without starving to death, and you know you'll eat well in the summer. And that is what my training coming from being a value investor and working at an OTC wholesaler, both of those business models. The firms that survived always knew when transactions are up, don't think that you're too smart and when transactions are down, stay in the game.

Steven Silver^ Great I appreciate the extra color. Thank you so much.

Operator^ Thank you. Our next question comes from Brendan McCarthy with Sidoti. You may proceed.

Brendan McCarthy^ Great thank you. Just had a quick follow-up question in the Market Data Licensing business. Obviously it looked like really strong revenue growth there year-over-year in the first quarter. And I know you discussed there were certain price increases that impacted that growth. I think the data -- I did see the data on your website, but just curious if you can provide color on the magnitude of those price increases? I guess, what ultimately drove the decision there and how it's been received by customers?

Antonia Georgieva^ Sure, Brendan. In terms of the magnitude, as you know our new pricing is available on the website. We recognize the old pricing is no longer available. For professional user, our two tiers of licenses, Level 1 and Level 2 were priced previously at \$35 per user per month and \$85 per user per month, and those prices have been changed to \$50 and \$100 respectively. For non-professional users, similarly, Level 1 and Level 2 were \$5 and \$15, and those new prices are now \$8 and \$20.

The professional user fees had not changed in the last five years since 2020 and the non-professional fees had not changed in 10 years prior to this change. The other item that had a price change involves our broker-dealer enterprise licenses. If you recall our customers have the option to either report per user consumption of our data or they could convert to a fixed level broker-dealer license and not report individual users.

So those broker-dealer licenses changed for Level 1 from \$12,500 to \$15,000 per month and for Level 2 from \$25,000 to \$30,000 per month. Those prices haven't changed similar to the pro user licenses to which they are related since 2020. I hope that's helpful.

Brendan McCarthy^ Yes that's helpful thanks for the [dealer]. And I see just considering the user data there, have customers been pretty receptive to the price increases?

Antonia Georgieva^ We haven't seen any material change to the levels of users or subscribers on our broker-dealer enterprise license side. In fact, we did mention subscriber growth for that item. We tend to see a lot more variability in non-pro users as we have shown in our numbers in the past, depending on market conditions rather than the pricing levels. So we might see further volatility in number of users as market volumes continue to change and the market volume and activity and trends this year have been a bit more unpredictable and volatile than in prior periods.

So it's impossible for us to predict what the user counts would be. But for the time being, since the beginning of the year, as we reported, as you saw, pro users are just about 1% down from last March and non-pro users are actually up 10%. So we'll see over the next -- the following months how that evolves.

Brendan McCarthy^ Understood thanks Antonia that's all for me.

Operator^ Thank you. I would now like to turn the call back over to Cromwell Coulson for any closing remarks.

Robert Coulson^ I want to thank each of you for joining us today. I would encourage you to read our full quarterly report for the first quarter of 2025 and the earnings press release for more information. Links to both are available on the Investor Relations page of our website. On behalf of the entire team, we look forward to updating you on our key initiatives that will continue to shape the integrity and competitiveness of the public markets.

Operator^ Thank you. This concludes the conference. Thank you for your participation. You may now disconnect.