

OTC Markets Group: From OTC Markets' global headquarters in New York City, you are listening to Advisor Insights, where we feature professionals that will address the issues that affect the small-cap companies that trade on the OTC Markets.

Joining us today we have Hunter Diamond CEO of Diamond Equity Research. Hey Hunter, how's it going?

Not too bad, not too bad.

So Hunter welcome to our podcast. Um, you know I would like if you could give our listeners just a little bit of background about yourself.

Hunter Diamond: Good. How are you.

Sure, so Diamond Equity Research started in 2017 so we've been doing it for a number of years now. We started from a deep focus on small capitalization companies. So these were companies that no one was really our limited people were researching. Or really learning about and we found that these companies many times needed exposure they weren't getting adequate exposure in the capital markets whereas an Amazon or Microsoft, they have many, many analysts, many, many funds many, many CFAs and MBAs analyzing it. So we really focus on the area in a market that I would say is inefficient and we provide really high-quality research about what these companies are trying to do you know the risk factors and what the companies can do if they execute.

OTC Markets Group: So um, you know, as we said here with Diamond Equity Research today, I want to talk about

equity research with you. Um, first of all, why does equity research matter for small cap companies?

Hunter Diamond: So, people have different opinions on it. But I think it's one of the first things that I kind of look at when I'm learning about a company. So, if I'm as an investor thinking, okay I want to invest in either a startup or a large company, one of the first things people have very limited time. And they want to see you know, what are revenue projections? What's the market size? What's competition? And I think it's really key to kind of get people up to speed quickly with these businesses and many times that they've wanted the time to the analyze themselves and so the way I think about equity research is honestly you know funds investors they're going to make their own adjustments to any models you have. They're going to have their own risk tolerance. But the value is really almost like a consultant. It gives you a full kind of brief overview of the company and more in depth than sometimes the company presentation. And that's sort of the value. It gets the due diligence for you know, either Heinaworth or Retail or funds it gets it started, so It's a base to kind of jump off of.

OTC Markets Group: You know, you did mention just now that you think of equity research as a way to make things easier for investors but have investors always been looking at equity research or is this kind of new? You know I mean is this something that may have changed with Covid? Or has this always been the case?

Hunter Diamond: I think it's changed a lot I think many times with technology, it's really advanced extremely quickly and so I think with Robinhood and sort of everyone having all the information or almost all the information instantaneously there's been some areas that I would say equity research is somewhat less valuable and that would be sort of the large cap names that are

not that have a lot of research already or alternatively that the people can kind of just research the numbers on themselves and do a lot of the analysis because they're so widely known. But I think. Where you know equity research was always used. It's ah, an industry that's been around for a long time but I think particularly in smallcap it's grown a lot and I think that's because a lot of changes are going on in the industry where there's just not as much coverage for small caps. And people increasingly are looking for other ideas that are not um, not only the same you know, megacaps or midcaps and so I think it's expanding a lot and people are kind of looking more to learn more about investing with all the technology they want to also learn about the businesses. You know that are small caps that can have potential big upside.

OTC Markets Group: So when you sit when you talk about equity research. Just to clarify you're talking about or in other words, paid for research or sponsored research is that correct?

Hunter Diamond: So sponsor research is really just one business. I mean there's just, there are research firms and all a lot of the buy side. They do research on their own. So sponsor research is just a product that we're the mark one of the market leaders in the world of in that niche. Because what's happened is the buy side frequently that invests in small cap, the hedge funds, the pension funds, they don't have many times. There are very small teams and they don't have the time to due diligence thousands of Nasdaq IPOs and whatever new companies and so it's really on the burden of the company. To say hey, we want to get a fair value for our stock. Our employees are being issued stock options or you know similar issuances and we want to make sure that you know our value. You know they're the ones that really benefit or don't the most I mean the funds can pick and choose right and so they're really. They're the buyers. They're hard to get in touch with and they have limited teams and so it's really on on the company side that the sponsor research has expanded but you know there's also just research that the funds do that's not sponsored and there's research that you know banks do that I would, in my opinion, is partially sponsored via just other ways banking or other fee structures but most of the cell site I would say usually is compensated in some way or that's the expectation that they're going to be compensated.

OTC Markets Group: So let's talk about Diamond Equity Research for a second, I know you touched on it briefly in your in your introduction, but can you give an idea of everything that you do for small cap companies?

Hunter Diamond: Yeah, so really, we're expanding into many areas that I think are high growth areas within small caps. So the way I look at the industry, it's in hyper growth for this specific niche and not only us, but the other industry players. And so I look at and I say okay what services can we develop that small cap companies will find valuable and our customer base many of these companies even in tough times it varies slightly but they have you know good sized cash balances. They still are getting financings done and so they want to spend on kind of getting exposure. Making sure they're getting adequate I r and research and so you know one of the services is we do conferences so we do virtual conferences. We used to do them in person. But that's a way that companies can, similar to this, discuss you know with investors in a more personalized setting. And reach investors with a 1 on 1 kind of perspective, this the other areas is the sponsor research that I mentioned before and that's where they say look we have limited coverage. They may have zero coverage or they may have 2 or 3 analysts but they feel that they want more. And they want the research getting out there more to the major platforms and to investors and so they you know subscribe to a subscription sponsor research package that they do annually so that's another service and then we're actually looking at other areas including AI and sort of ways that Investor Relations on sites and this is sort of a newer area but we're trying to be more of a technology business. Um, you know Fintech almost where we're going to you know use the research within a chat GBT type thing on the sites where it can parse it and so that that's something that I you know we're working on and sort of the backend while we have sort of the legacy. Um, the research business but that's kind of where my head's at it's kind of the research is really just a starting place and it's about just investors learning about. So we're trying to develop more tools that are making it easier for the companies to reach investors and then for the investors to learn and invest or not right? But just at least.

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OTC Markets Group: So this may be a question that an investor may likely ask you, if they're at these companies that let's just say you're you know, you're being paid to write research for them. How do you remain unbiased? If a company's paying you, if a company's giving you money to write research on them wouldn't it all be positive? You know, research positive information or is that not the case?

Hunter Diamond: Yeah that's a great question. I mean I think there's always inherent bias pressure. I mean what you do is you create as many things that you sort of separate out that bias. But as I mentioned before all research in my opinion is paid in some capacity. And usually how it works at the larger banks is they do an underwriting or an IPO or follow on. There's a very large fee. It can be upwards of hundreds of thousands or millions or tens of millions on the large caps and then they pay a research analyst through this wall, you know that they're supposedly there. But then they write research right? That's traditional banking research now in my opinion. That's much more bias than someone being paid, you know less the fees range and sponsor research. But you know 40000 to 70000 is the majority of what we're seeing so that in that level of price range, we can really pick and choose right? So if we look at a company and they reach out, there are many of these Nasdaq companies that we could work with and if we think it's overvalued or we think it's one that you know does the business model doesn't make sense? We can do some initial due diligence and we can say, look we don't think it's a fit. Additionally, we have had ones that even have done the sponsor research and they check our boxes and we've come out with a valuation below where it trades now. It's not that common, but I think I've rarely seen any you know the sales research initiate with a cell or a hold right? I mean it's just almost unheard of when they're the Underwriter. So I think the combination that we can really kind of vet through the companies. Um and then additionally that were we of the typical safeguards that you know they can't review the valuation. They only get so they can't see any of the you know estimates and in other items until it's published. They can really only comment on the content. So when I tell companies look if you think your business is you know, not overvalued and then you think you're doing great in the capital markets. Yeah, you maybe don't need the researcher you feel you're undervalued and then you want to get someone digging deeper then that's what the research is for but it's going to be a third party take on the business so you have to feel comfortable with that.

OTC Markets Group: Now Hunter um, you know my last question for you right now, Diamond Equity Research does sit on the Premium Provider Directory on the otc markets website in our area and you know, you do sit with a number of other high-quality firms. What sets you apart from those other firms?

Hunter Diamond: Yeah that's a great question. I think first of all, I know many of the peers and I meet with them regularly and we kind of just discussed the industry. So one, I think the industry as a whole is expanding tremendously very quickly. So I think there's many you know, I think the sponsor research in general is a good product as long as you get it from a good provider. I think it's similar to with the current business. It's similar to you know why is there a Morgan Stanley or Goldman Sachs or you know whatever UBS, why do you pick one and not the other well? It's one of those relationships, so you have to feel that I want to work with this person or this team. And I think that's what we've been finding with our clients they stay with us many years. They find that we're getting them timely reports that were abreast of kind of their market that were ah knowledgeable the industry of its biotech which is an area, for instance, we have a lot of domain expertise in. So they really find that we're checking in all the time I mean my clients like text or call and it's very you know, whatsapp etc. So that's one, getting very timely to the quality reports right? So I think our reports we usually for almost all of them, we do discounted cash flows. Many of the peers I've seen they do ev to revenue multiples which is much more basic. Also our reports tend to be you know, some of them 30 to 35 pages versus peers I see they're 12 pages 15 pages so half the size. So you're getting a lot more content and kind of ah in my opinion, a thorough analysis of the research. Um, but like I said that the third leg I think that's going to differentiate us even more than the two items which I think have been working well is we're going to be expanding more into the tech side and I think that's going to be something that I haven't seen anyone in our space really doing or doing well. Um, actually haven't seen anyone really doing it at all in the sponsor research space. So I think that's going to be within you know a year or two kind of another area that's different. Um, you know in addition to the other things that I mentioned before.

OTC Markets Group: All right? Hunter I'm excited to see your growth. So Hunter again last but certainly not least,

um, can you clue our listeners into how they can contact you if they have any questions about equity research or you know using Diamond Equity Research as a provider of their research?

Hunter Diamond: Sure. So we obviously have a website domain [diamondequityresearch.com](http://diamondequityresearch.com) they also can email us at [research@diamondequityresearch.com](mailto:research@diamondequityresearch.com) We're very responsive on the email. There's also a contact us page on the website itself. Um, so those will probably be the best ways to start the conversation.

OTC Markets Group: All right? Wonderful Hunter. Thank you very much.

Hunter Diamond: Thank you.

*\*This is an autogenerated transcript and may contain typos.*