

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.

All right? So joining us today we have Peter Sidoti um founder and Ceo of Sidoti and company also John Debono director of corporate relations and head of company sponsored research of sidoti and company welcome gentlemen. Thanks for joining me.

Peter Sidoti: Good afternoon.

John DeBono: Hey Matt.

OTC Markets Group: Um, you know as always to get started I do like to ask our guests to tell them so to tell our listeners a little bit about themselves. So ah Peter or John feel free to go first. Whoever would like to.

John DeBono: Peter won't you lead off.

Peter Sidoti: Um, my name's Peter Sidoti I'm the Ceo of Sidoti and Company I opened the firm Twenty four years ago amazing how quickly time goes. And the purpose of opening the firm was primarily to provide research to small cap and micro-cap names companies in that generally sector get very little attention from wall street unless funded by investment banking and it was our idea that we were going to provide institutions with. Quality research on names that they cannot research on. Normally we've been at the business now for 24 years We've grown the business we've grown the reputation of the business and we've evolved with the business as we've gone. Ah, business today again continues the backbone of our business continues to be our research product where we provide research to our clients but because of the changes in the business. We also have a conference product that we offer to small and micro-cap companies. And we have a paid for research product. Um, both of them have proved to be very successful and that growing in this marketplace John.

John DeBono: Thank you Peter I've had various roles on both sides of wall street over the course of my career. The biggest part of it was in running investor relations I was ran the investor relations program over at loosened technologies. A noted telcom in telecom space and then as well at a gear systems which was a fiber optic semiconductor company and so spent a lot of time there then from there I went into New York Stock Exchange where again

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I was managing relationships with very large listed companies in the southeast and in 2016 came over to Sidoti to run the company sponsored by it build and run the company owned research program. Certainly I've seen a lot of changes over the arc of that career. Um, certainly echo what Peter says the key is evolving with the change and always keeping an eye on what you're trying to accomplish especially if it's trying to get your story out to investors.

OTC Markets Group: All right? John Peter thank you very much for that. Ah, bit of background and we're going to come back to Sidoti and company. But before we do I want to talk about you know, a pretty general topic today change and change on wall street and how it's such an ongoing process. Um, so you know when you're when you're looking at it. Ah, what are investors looking for today in light of rising interest rates and declining liquidity. Can you tell our companies that are listening in what they should be focusing on or what like I said investors are looking for.

Peter Sidoti: Twenty five years ago prior to the mid 90s research and investment was a skill it required understanding counting and understanding financing and understanding the markets. About Twenty five years ago the democratization of investing took place and the market began to change and evolve that combined with the continual declining of interest rates and the increased liquidity in the marketplace changed. Really everything for 2 decades and the world became very focused on growth and expanding revenues. The question we have today is what happens over the next twenty years in terms of investing. It's my belief that we're going back. Because of rising rates and decreasing liquidity back to a period of time where people are looking again at the fundamentals of a company. They're not only looking at revenue growth they're looking at earnings they're looking at cash flow, they're looking at the really the base business. As it stands and I think that that's a real change and I think that that's going to be an ongoing process companies again when you go to presentations with investors want to hear is when will a company be cash flow break even when will it report earnings. That's very different than. Two years ago or ten years ago and that change is really putting different pressures in the marketplace.

OTC Markets Group: Now Peter let me ask. Do you think that this changes across both the retail and the institutional investor landscape or is it more focused on one of those.

Peter Sidoti: Um I think it's um, with all Honesty. It's on both ah ends of the market institutions are paid to outperform the market or outperform indexes institutions had to adjust. To what stocks were performing best and how to ingest their valuations that way. Wall Street Underwriters did the same thing they adjusted to what would sell in the marketplace today. The Siphon of cash that was available. Companies just basically because their revenues are growing have been disappearing So you're watching everything move back to a more fundamental base

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business.

OTC Markets Group: All right? and um, you know you may have touched on it. But how have the rules of the game change over the last years in the capital markets. So.

Peter Sidoti: Well, again, the rules of the game have changed along with the marketplace this research lost its fundamental base. The business became much more of a promotional business and. People focused on growth. They focused on the ability to tell a good story and fundamentally we're now going back to where you must look at numbers and that involves all sorts of different things. The biggest thing is what funds research today. The past it was investment banking business because of the ongoing deal flow and the profitability of the investment banking business particularly over the last five years with the change in the marketplace with the change in liquidity that source of funding has been disappearing gradually and actually. Can probably continue to disappear for the next four or five years so what's changes the ability for a company to project tell its story and explain its fundamentals to both institutions and how that gets done and you know how it gets done successfully.

OTC Markets Group: Now I I think this is a perfect segue into and maybe John I could direct this question at you. Let's go back to Sidoti and company what role do you play? what role does Sidoti and company play in the small microcap companies.

John DeBono: So what hasn't changed to to as a segue from what Peter just said what hasn't changed is the importance of research the importance of being covered by a credible research firm as part of your investor relations program. That's that that's it's always been a key through this over the years ah you you want that? third party opinion there. But as Peter said the difficulty is now attaining that coverage. So. What we offer to companies that are increasingly finding it difficult to attain that coverage in the so-called traditional way. Ah particularly now because of the lack of liquidity in the market and the diminished availability of banking. What we offer is a way to assure your coverage through ah something that you would sponsor the company sponsors. So. In other words, the company pays for the research as opposed to our investor clients and ah but the research the overarching principle of our program is the research is no different than what we do for traditional research and so what we offer to companies is the same analyst same quality. Same format use of our Salesforce a distribution that actually is more widely available. Ah, so that their story can get out there to investors because that's the hardest thing right now. How do you cut through the noise out there to make sure your story is hitting not just with investors but with the right investors and that's the challenge in the small caps stock and that is what we're offering.

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ACF Equity Research Season 2 | Episode 2

OTC Markets Group: Now. So I guess a couple questions I have one ah which I would assume a lot of companies question. You know when they're looking at these ah research various research houses. What is your distribution list like or are you guys targeting? Um, you know. The institutional the retail mix of both. Um, where do you sit in that space.

John DeBono: That's an excellent question Matt and and I would argue we have certainly one of the leading distributions we have we begin with our 500 or so institutional clients that we've developed over 24 years we then ah make it make our paid for research available. To anyone would access to a faxset or cap iq or bloomberg and I contrast that when when you're being covered traditionally. Whoever's covering you has to entitle those clients permission clients to download the research when you're being covered under this. Company-sponsored research platform. Anybody we did anybody with access to those engines can download the research There's no entitlement because the company is paying for it and then we also make it available through a partnership with zax and so that's where you're starting to get into the smaller investor. The family office. And you're starting to to move more into that ah higher net worth retail space and so it is it is it is very widely available out there and I think that's the main. The main thing it's it's widely available and in a structured way. Because we're a broker dealer this is something we deal with these investors kind of every day right? That's what we do. It's all we do research equity research and everything that's involved in it and so I think it really enables a ah great visibility for the. Ah. small cap story out there that would otherwise have a difficult time.

Peter Sidoti: We would like to think of ourselves kind of like the SAndP or the moodies of the equity markets in the debt markets. There's not enough trading activity. There's not enough commissions. Companies have to find somebody who's respected and has distribution to tell their stories when they issue debt we would like to think of ourselves as being very similar in the equity marketplace.

OTC Markets Group: All right? and you know if a client does approach you aside from your distribution which obviously I think we can all agree based on what you just said is is some of the best out there. What else would set sidoti apart from some of your other competitors.

John DeBono: I think as I say I think the fact that we're we are a broker dealer and we are under ah

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ACF Equity Research Season 2 | Episode 2

stringent regulation ah speaks to the credibility of the program and how we operate which I think is very important the fact that we're in business for 24 years This is our twenty Fourth year speaks to the stability of the of the firm that you're dealing with and you know, ah the analyst community that we have is very seasoned and so ah. Great experience. Many have been with the firm ten plus years ten fifteen plus years very experienced with and we tend to have some ah, sector responsibilities and so they're not generalists. And so they're bringing. They're bringing a knowledge base to the to the companies they cover and Matt the reason that's important is because from the company perspective the work they have to do with the analyst in either correcting reports or. Worrying about are the models really reflecting where the business is going it. It. They're just it. It isn't there I've gotten comments from from cfos who have said it is so easy to work with your analysts because they understand the story.

OTC Markets Group: John 24 years is incredible I'm looking forward to celebrating your twenty fifth with ah with you and Peter um Sidoti and company is listed on the premium provider directory so you can find all their details there. But John if there's any other way for clients to reach out. Um. You know, can they reach out to you on LinkedIn or do you have any other way.

John DeBono: Ah, well I'm on my contact information jdebono@sidoti.com is on the Otc platform as well as Sidoti.com we have a wealth of information on our website including I might add under the research tab. Ah, which has a company sponsor tip we have research reports for all of the currently 49 companies that we cover under company sponsored research, soon to be 60 but ah for the last year and so you could actually see the notes we write for the companies. Um, which is part of our distribution obviously and as well you could see biographies of our analyst team and my contact information is there as well.

Peter Sidoti: Um, and as any Ceo or Cfo would understand I am always available and the one big difference with our firm in closing is what people need to remember is there's a person's name on this firm. Everything that goes out the door has my name on it and I'm responsible for it and I think that separates us tremendously from other firms on the who are in the marketplace at this point in time.

OTC Markets Group: All right, I would have to agree with that one as well. Peter, John thank you very much for joining us today. Um, it's been great speaking with you.

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Peter Sidoti: Thank you, Matt.

John DeBono: Thank you, Matt, for the opportunity to speak. We really appreciate it.

OTC Markets Group: So absolutely you got it all right?

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