



# Fourth Quarter and Full Year 2022 Earnings Presentation

OTCQX: OTCM

OTC Markets

March 9, 2023

# Earnings Call Agenda

- I. Strategic Overview
- II. Financial Review: Q4 and  
FY 2022 Results
- III. Q&A



**Cromwell Coulson**  
President,  
Chief Executive Officer



**Antonia Georgieva**  
Chief Financial Officer



**Dan Zinn**  
General Counsel &  
Chief of Staff

# CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

This conference call and presentation materials may contain forward-looking statements about the Company's future plans, expectations, and objectives concerning, but not limited to, the Company's expected financial results for 2023. Words such as may, will, expect, intend, anticipate, plan, believe, could, estimate, and variations of these words and similar expressions are intended to identify as forward-looking statements. These forward-looking statements are not historical facts and are subject to risks and uncertainties that could cause the actual results to differ materially from those predicted in these forward-looking statements. These risks and uncertainties could include, but are not limited to, the risk factors described in the Risk Factors section of the Company's Annual Report for the year ended December 31, 2022. The Company does not intend and undertakes no obligation to update its forward-looking statements to reflect future events or circumstances.

In addition to disclosing results prepared in accordance with GAAP, the Company also discloses certain non-GAAP results of operations, including adjusted EBITDA and adjusted diluted earnings per share that either exclude or include amounts that are described in the reconciliation table of GAAP to non-GAAP information provided at the end of our fourth quarter 2022 earnings press release. The Non-GAAP financial measures do not replace and are not superior to the presentation of GAAP financial results but are provided to improve overall understanding of the Company's current financial performance. Management believes that this non-GAAP information is useful to both management and investors regarding certain additional financial and business trends related to the operating results. Management uses this non-GAAP information, along with GAAP information, in evaluating its historical operating performance.

# Financial Trends and Highlights

**OTC**Markets

OTC Link

20%  
vs 29% 2021

Market Data  
Licensing

35%  
vs 33% 2021

Corporate  
Services

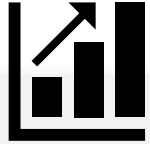
45%  
vs 38% 2021

Gross Revenue  
\$105.1M, ▲ 2%

Net Income  
\$30.8M, ▲ 1%

Operating Margin  
▼ 190 bps

# Our Strategic Initiatives for 2022



**Drive  
Sustainable  
Revenue  
Growth**



**Commercialize  
Enhanced  
Regulatory  
Role**



**Advocate for  
Additional  
Regulatory  
Recognition**



**Pursue  
Corporate  
Development  
Efforts**

# OTC Markets: 2022 Acquisitions

OTC Markets



Blue Sky Data Corp

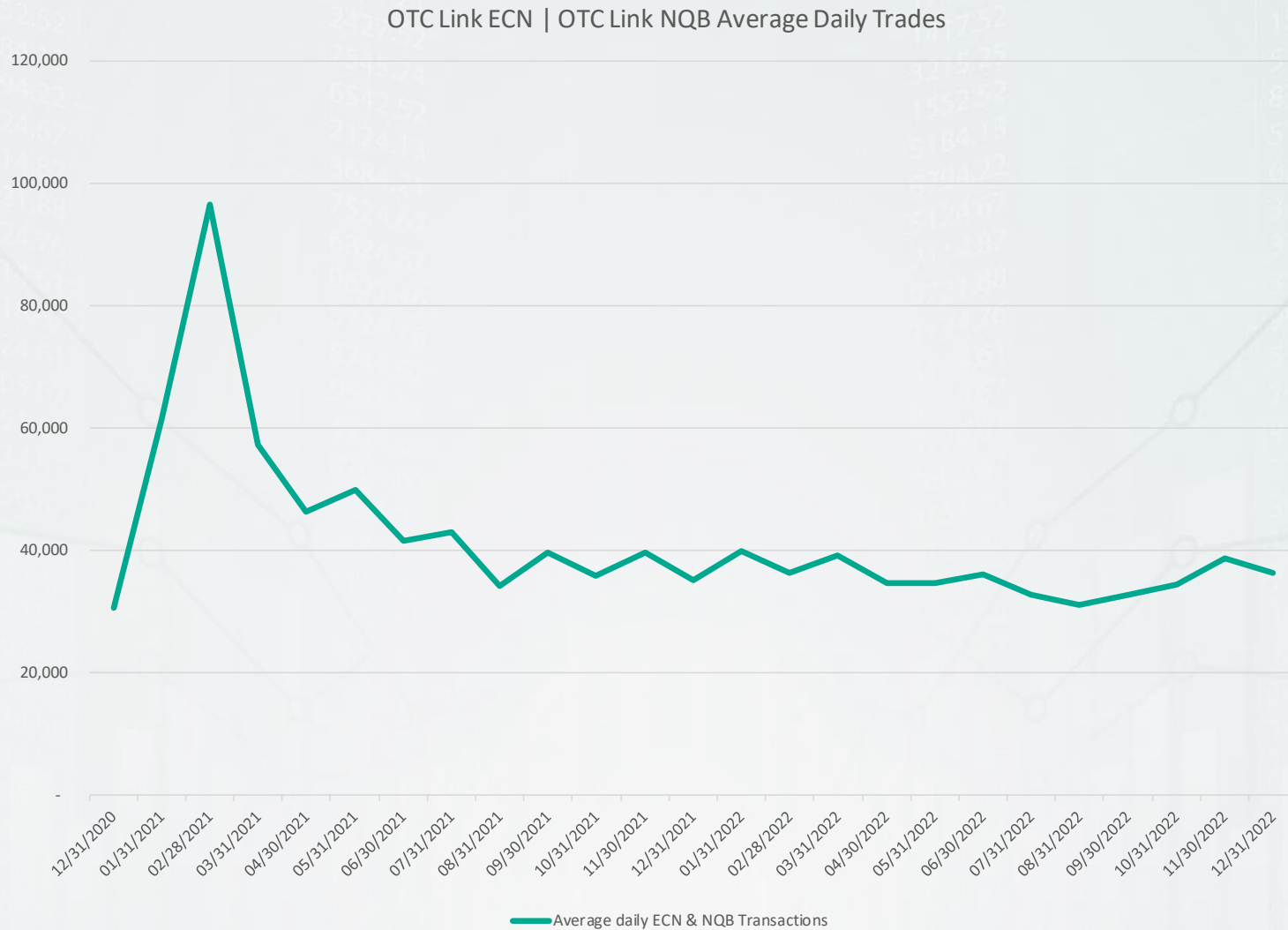


Comprehensive state Blue Sky law compliance data for over 100,000 equity and debt securities and full scope of U.S. public company disclosure, including SEC reporting data and our OTC Disclosure & News Service®

Embedded, vital services powering our Rule 15c2-11 disclosure review processes, delivering enhanced issuer compliance and greater automation for broker-dealers

Longer-term opportunity to enhance the Blue Sky and Edgar Online data offerings, broaden distribution of compliance data, and grow subscribers

# OTC Link ECN and OTC Link NQB Volume Trends





# Our Regulated Alternative Trading Systems

## OTC Link ATS

Network-based  
Fully-attributable  
Negotiated

87 Subscribers  
▲ 1 YoY

## OTC Link ECN

Matching Engine  
Anonymous  
Maker / Taker

102 Subscribers  
▲ 9 YoY

## OTC Link NQB

Matching Engine  
Fully-attributable  
Maker / Taker

Depth-of-book  
Data



# Our Regulatory Role

## Rule 15c2-11 Qualified IDQS

- Compliance determinations on over 12,000 securities for broker-dealer subscribers
- Introduced 15c2-11 data file covering fixed income securities

## ESOP Fairness Act

- Allows qualified QX and QB companies to offer ESOPs more efficiently
- Included in Secure Act 2.0 signed into law on December 29, 2022

## Blue Sky Status

- OTCQX and OTCQB markets recognized in 38 states and one U.S. territory

# Our Strategic Initiatives for 2023



**One Team on  
One Platform  
to  
Build the Value  
of One Share**



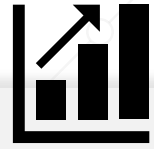
**Commercialize  
Regulated  
Market  
Operator Role  
&  
Deliver Visible  
Client Value**



**Prioritize  
Client-facing  
Application  
Development  
&  
Access to Data**



**Improve OTC  
Link  
Functionality  
&  
Reduce  
Operational  
Exposure and  
Risk**

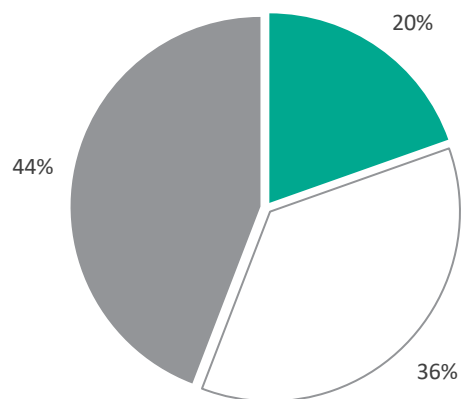
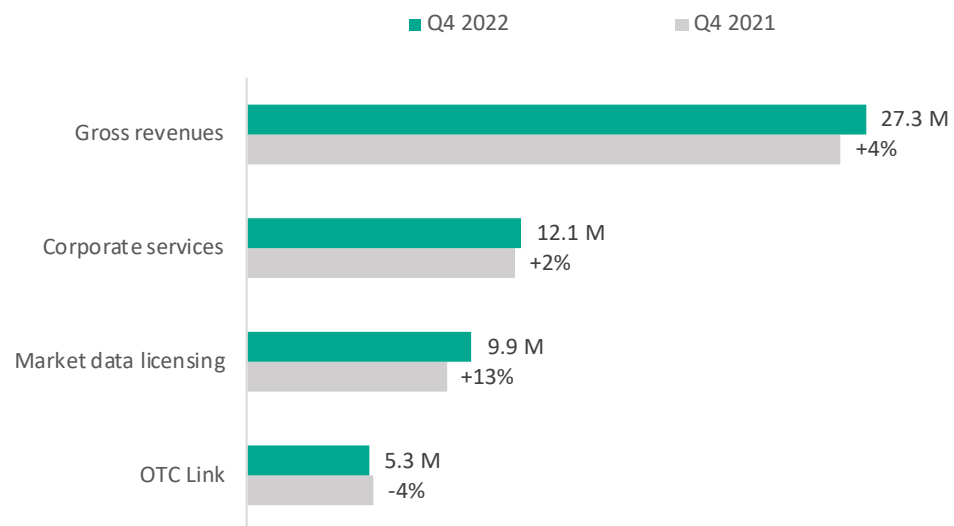


**Strong  
Net Revenue  
Growth  
&  
Sustainable  
Long-term  
Per Share  
Earnings**

# Financial Review

Q4 and FY 2022 Results

# Q4 2022 Revenue



■ OTC Link   □ Market data licensing   ■ Corporate services

Individual amounts may not sum up to the total amounts due to rounding

## Corporate Services

**+2%**

+5% OTCQX  
+7% OTCQB  
-12% DNS

## Pro Users Revenue

**- 1%**

BD License Revenues  
**+14%**

## ECN & NQB Revenue

**+2%**

37k Avg Daily Trades  
flat vs PYQ

## Non-Pro Users Revenue

**- 48%**

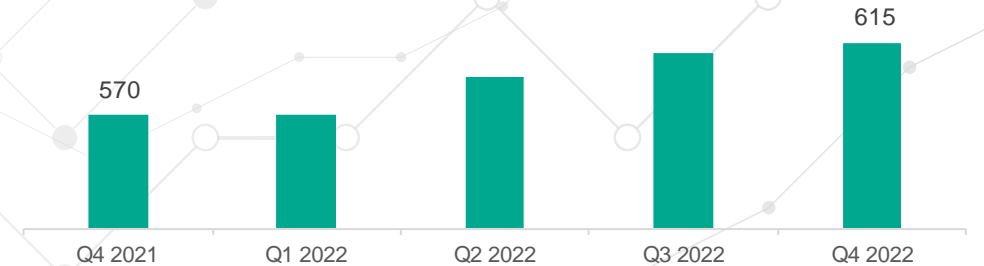
13,700 users  
- 51% vs PYQ

# Corporate Services: Subscribers

OTC QX<sup>®</sup>



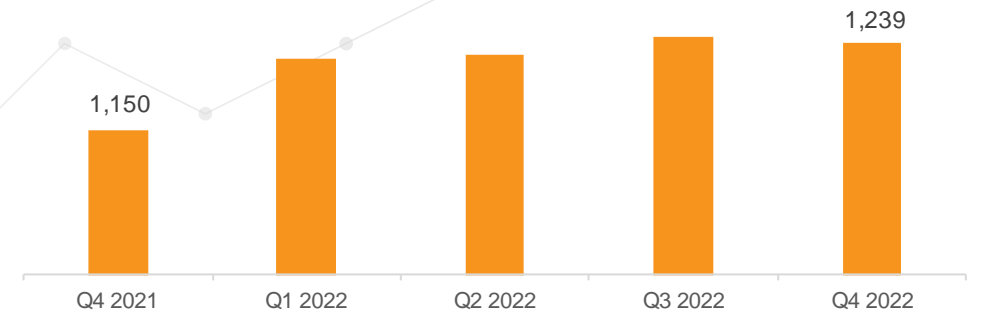
**The Best Market**  
615 Companies  
Up 8% YoY



OTC QB<sup>®</sup>



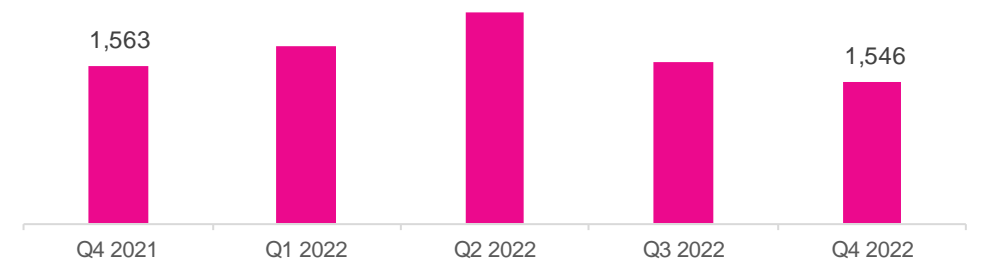
**The Venture Market**  
1,239 Companies  
Up 8% YoY



Pink

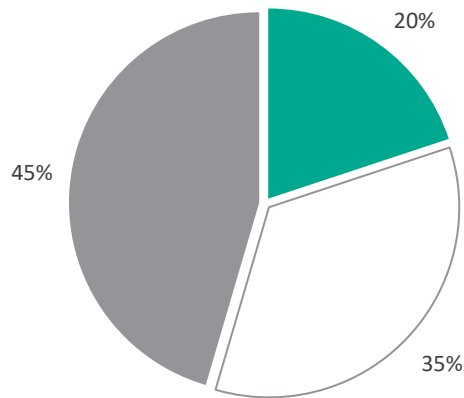
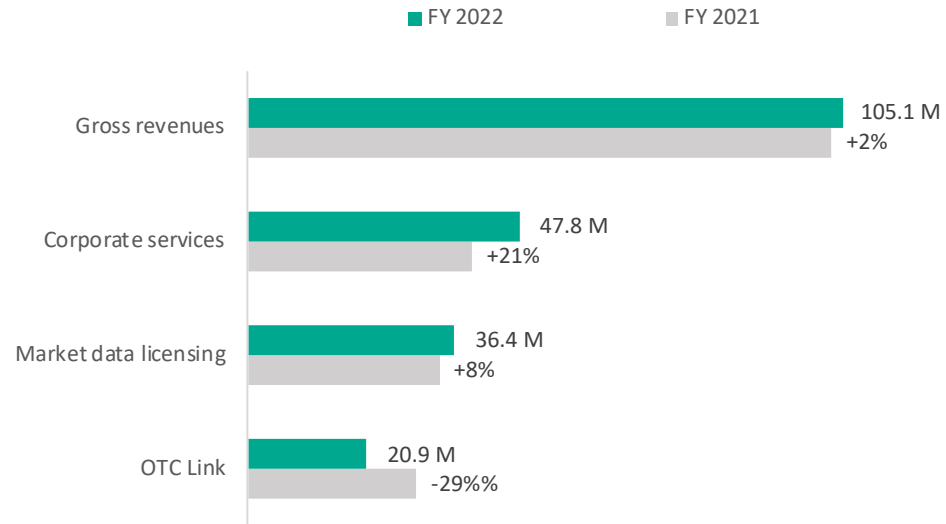


**The Pink Market**  
1,546 Companies\*  
Down 1% YoY



\* Note: Number of companies subscribing to our services at period end

# FY 2022 Revenue



■ OTC Link   □ Market data licensing   ■ Corporate services

Individual amounts may not sum up to the total amounts due to rounding

## ECN & NQB Revenue

**- 43%**

~36,000  
Avg Daily ECN & NQB  
Trades

## Market Data Licensing

**+8%**

+ 4% Pro Users Rev  
- 40% Non-Pro Users Rev

## OTCQX New Joins

**+133**

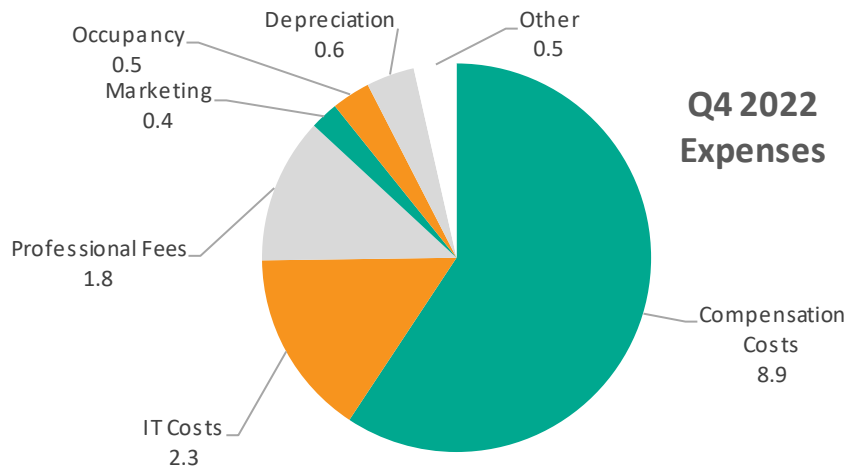
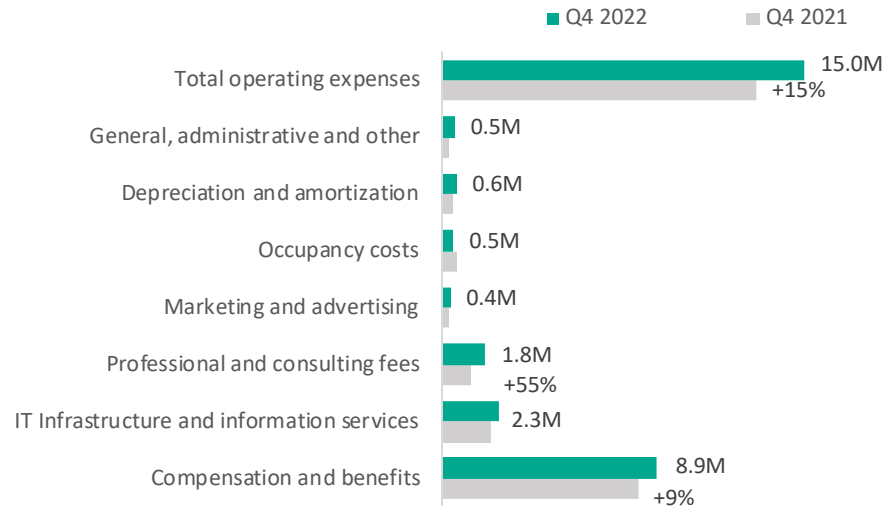
vs +212 PY

## OTCQB New Joins

**+322**

vs +451 PY

# Q4 2022 Expenses



Individual amounts may not sum up to the total amounts due to rounding

OpEx (ex DEPR) as % of Gross Revenue

**53%**

vs 48% for the PYQ

Operating Margin

**37.2%**

vs 42.4% for the PYQ

Compensation as % of OpEx

**59%**

vs 62% for the PYQ

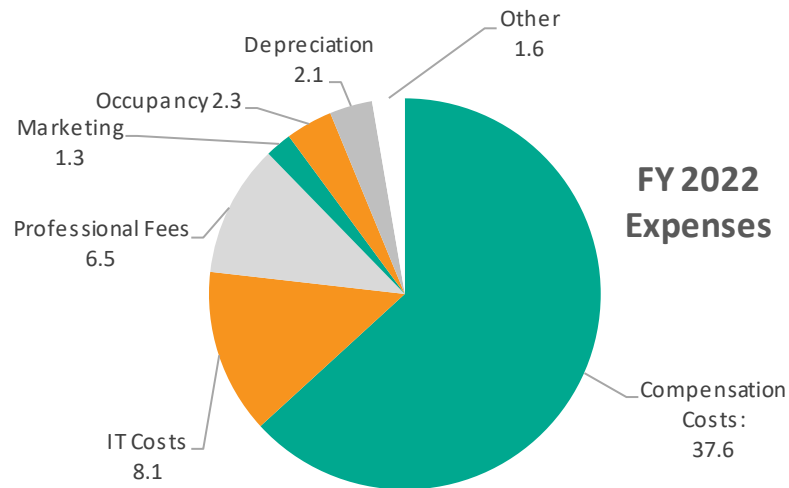
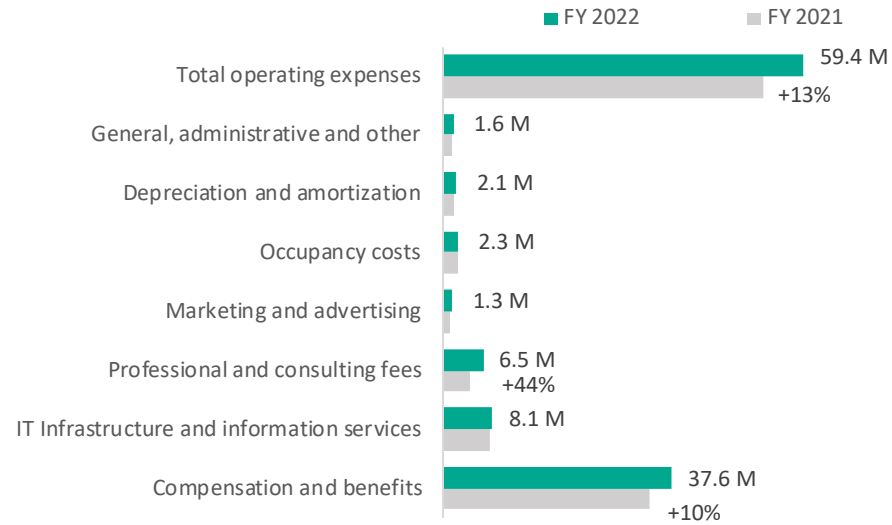
Headcount

**131**

Up 24 vs 107 PYQ



# FY 2022 Expenses



Individual amounts may not sum up to the total amounts due to rounding

OpEx (ex DEPR) as % of Gross Revenue

**54%**

vs 49% for the PY

Operating Margin

**36.1%**

vs 38.0% for the PY

Compensation as % of OpEx

**63%**

vs 65% for the PY

Cash incentive compensation

**+ 6%**

Commissions -23%

# FY 2022 Highlights

Gross Revenues

**105.1M**

+2%

Operating Expenses  
59.4M +13%

Revenues less  
transaction-based  
expenses

**96.2M**

+6%

Operating Income

**36.8M**

- 3%

Operating Margin  
- 190 bps

Net Income

**30.8M**

+1%

Fully Diluted  
GAAP EPS \$2.53

Effective Tax Rate

**16.6%**

vs 19.7% PY

Adjusted EBITDA

**43.2M**

\$3.56 per Diluted Share

Cash Flow from  
Operations

**33.7M**

vs 46.5M PY

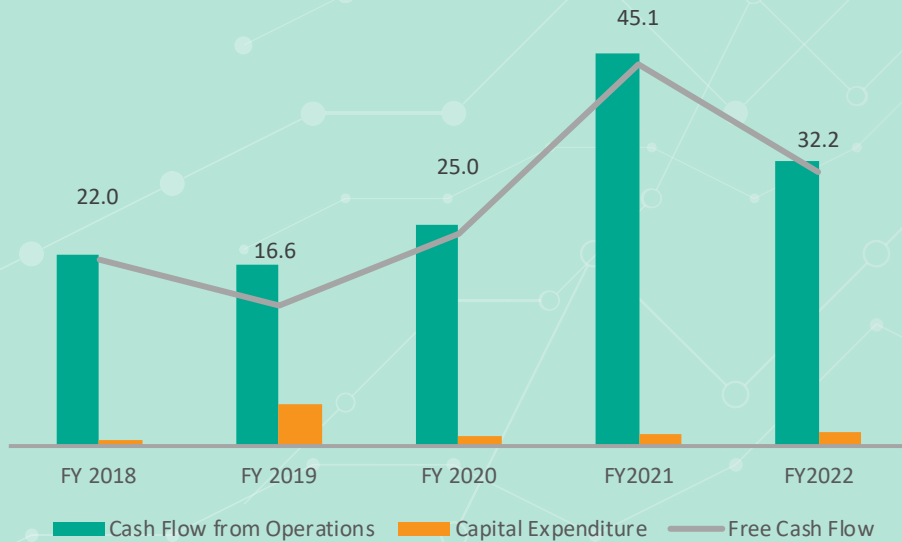
Cash Returned to  
Shareholders

**29.1M**

+8% vs PY

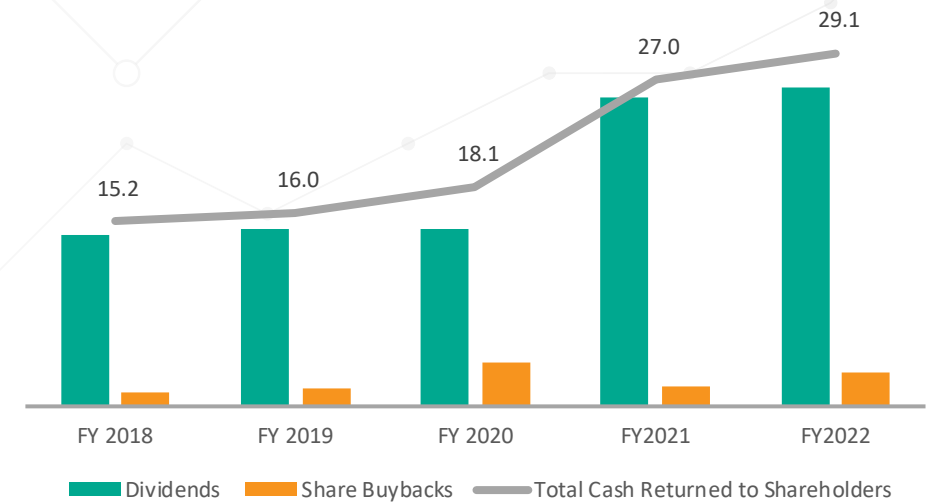
# Cash Flows & Capital Allocation Strategy

## Free Cash Flow\*



Invest in people and platform to deliver long term sustainable growth in earnings and free cash flow per share

## Shareholder Returns



Grow shareholder returns and utilize buybacks to reduce the dilutive impact of our equity compensation program

\* 2019 and 2022, Capital Expenditure excludes \$0.7 million in cash paid for the acquisition of Qaravan® and \$15.0 million for the acquisitions of Blue Sky Data Corp and Edgar Online, respectively

# Questions & Answers

# Appendix



# Balance Sheet Summary

(in thousands)

	December 31,		
	2022	2021	Net Change
<b>Assets</b>			
Cash and cash equivalents	\$ 37,368	\$ 50,394	\$ (13,026)
Accounts receivable, net of allowance for credit losses of \$638 and \$244	9,485	7,404	2,081
Other Current Assets	1,528	2,153	(625)
<b>Total current assets</b>	<b>48,381</b>	<b>59,951</b>	<b>(11,570)</b>
Property and equipment, net	8,637	5,049	3,588
Other Assets	32,600	17,255	15,345
<b>Total Assets</b>	<b>\$ 89,618</b>	<b>\$ 82,255</b>	<b>\$ 7,363</b>
<b>Liabilities and stockholders' equity</b>			
Current liabilities	\$ 45,848	\$ 41,764	\$ 4,084
Other Liabilities	13,966	15,537	(1,571)
<b>Total Liabilities</b>	<b>59,814</b>	<b>57,301</b>	<b>2,513</b>
<b>Total Stockholders' Equity</b>	<b>29,804</b>	<b>24,954</b>	<b>4,850</b>
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 89,618</b>	<b>\$ 82,255</b>	<b>\$ 7,363</b>

# Income Statement Summary

(in thousands, except share and per share information)	Three Months Ended December 31,			Year Ended December 31,		
	2022	2021	% change	2022	2021	% change
OTC Link	\$ 5,346	\$ 5,591	-4%	\$ 20,937	\$ 29,665	-29%
Market data licensing	9,895	8,777	13%	36,407	33,751	8%
Corporate services	12,054	11,819	2%	47,805	39,516	21%
<b>Gross revenues</b>	<b>27,295</b>	<b>26,187</b>	<b>4%</b>	<b>105,149</b>	<b>102,932</b>	<b>2%</b>
Redistribution fees and rebates	(758)	(790)	-4%	(3,101)	(3,021)	3%
Net revenues	26,537	25,397	4%	102,048	99,911	2%
Transaction-based expenses	(1,670)	(1,578)	6%	(5,847)	(9,273)	-37%
<b>Revenues less transaction-based expenses</b>	<b>24,867</b>	<b>23,819</b>	<b>4%</b>	<b>96,201</b>	<b>90,638</b>	<b>6%</b>
<b>Operating expenses</b>						
Compensation and benefits	8,887	8,135	9%	37,585	34,049	10%
IT Infrastructure and information services	2,323	2,057	13%	8,091	7,633	6%
Professional and consulting fees	1,817	1,170	55%	6,464	4,495	44%
Marketing and advertising	351	326	8%	1,303	1,028	27%
Occupancy costs	481	595	-19%	2,257	2,348	-4%
Depreciation and amortization	600	465	29%	2,092	1,796	16%
General, administrative and other	531	293	81%	1,588	1,273	25%
<b>Total operating expenses</b>	<b>14,990</b>	<b>13,041</b>	<b>15%</b>	<b>59,380</b>	<b>52,622</b>	<b>13%</b>
<b>Income from operations</b>	<b>9,877</b>	<b>10,778</b>	<b>-8%</b>	<b>36,821</b>	<b>38,016</b>	<b>-3%</b>
<b>Other income</b>						
Other income	154	(68)	-326%	145	(51)	-384%
<b>Income before provision for income taxes</b>	<b>10,031</b>	<b>10,710</b>	<b>-6%</b>	<b>36,966</b>	<b>37,965</b>	<b>-3%</b>
Provision for income taxes	1,401	1,656	-15%	6,152	7,489	-18%
<b>Net Income</b>	<b>\$ 8,630</b>	<b>\$ 9,054</b>	<b>-5%</b>	<b>\$ 30,814</b>	<b>\$ 30,476</b>	<b>1%</b>
<b>Earnings per share</b>						
Basic	\$ 0.73	\$ 0.77	-5%	\$ 2.60	\$ 2.59	0%
Diluted	\$ 0.70	\$ 0.74	-6%	\$ 2.53	\$ 2.52	1%
Basic weighted average shares outstanding	11,609,318	11,519,180	1%	11,600,122	11,506,294	1%
Diluted weighted average shares outstanding	11,895,058	11,900,839	0%	11,887,868	11,811,320	1%



# Reconciliation of GAAP to Non-GAAP Results

(in thousands)	Three Months Ended December 31,			Year Ended December 31,		
	2022	2021	% change	2022	2021	% change
<b>Net Income</b>	\$ 8,630	\$ 9,054	(5%)	\$ 30,814	\$ 30,476	1%
Excluding:						
Interest Income	(154)	-	*	(155)	(1)	*
Provision for income taxes	1,401	1,656	(15%)	6,152	7,489	(18%)
Depreciation and amortization	600	465	29%	2,092	1,796	16%
Stock-based compensation expense	1,106	786	41%	4,345	3,332	30%
<b>Adjusted EBITDA</b>	<u>\$ 11,583</u>	<u>\$ 11,961</u>	(3%)	<u>\$ 43,248</u>	<u>\$ 43,092</u>	0%
Adjusted diluted earnings per share	\$ 0.95	\$ 0.98	(3%)	\$ 3.56	\$ 3.56	0%

Note: We use non-GAAP financial measures of operating performance. Non-GAAP measures do not replace and are not superior to the presentation of our GAAP financial results, but are provided to improve overall understanding of the Company's current financial performance.

# Cash Flow Summary

(in thousands)	Year Ended December 31,				
	2022	2021	2020	2019	2018
Cash Flow from Operations	33,680	46,456	26,013	21,413	22,590
Capital Expenditure	(1,443)	(1,395)	(1,034)	(4,852)	(549)
<b>Free Cash Flow</b>	<b>\$ 32,237</b>	<b>\$ 45,061</b>	<b>\$ 24,979</b>	<b>\$ 16,561</b>	<b>\$ 22,041</b>
Dividends Paid	(26,355)	(25,459)	(14,610)	(14,560)	(14,195)
Share Buybacks	(2,776)	(1,522)	(3,520)	(1,390)	(1,047)
Other	(16,128)	(1,419)	(1,330)	(1,367)	(640)
<b>Uses of free cash flow</b>	<b>(45,259)</b>	<b>(28,400)</b>	<b>(19,460)</b>	<b>(17,317)</b>	<b>(15,882)</b>
Net change in cash, cash equivalents, and restricted cash	(13,022)	16,661	5,519	(756)	6,159