



OTC Markets Group Inc. (OTCM)

OTCM Delivers Strong 2Q:21 Results Driven By Market Volatility And Companies Joining Markets; Solid Balance Sheet Allows For 20% Increase In Dividend: Raise Price Target To \$50 (From \$46)

	2019		2020		2021E		2022E	
					OLD	NEW	OLD	NEW
Mar.	\$0.30	\$0.32			\$0.57A		\$0.47	
June	0.30	0.36			0.40	0.59A	0.44	0.52
Sep.	0.34	0.37			0.41	0.46	0.44	0.48
Dec.	<u>0.32</u>	<u>0.48</u>			<u>0.48</u>	<u>0.50</u>	<u>0.49</u>	<u>0.52</u>
EPS	\$1.25	\$1.53			\$1.87	\$2.15	\$1.83	\$1.99
P/E					20.9x		22.6x	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 2019-2022E include a respective \$0.08, \$0.09, \$0.07 and \$0.07 in stock-based compensation expense. Sum of quarterly EPS may not equal full-year total due to rounding and/or change in share count. NC=Not covered by Sidoti & Co., LLC.

Year	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Rev.(Mil.)	\$33.6	\$39.8	\$49.9	\$50.9	\$54.7	\$59.3	\$62.8	\$71.2	\$96.1	\$92.7
GAAP EPS*	\$0.51	\$0.69	\$0.88	\$0.90	\$1.06	\$1.36	\$1.23	\$1.53	\$2.15	\$1.99

* Revenue is net of redistribution fees.

Description: OTC Markets Group, Inc. (www.otcm.com) operates three lines of business centered on 11,000 U.S. and global securities clients. The company offers a cost-effective solution to penetrate the U.S. securities market, while providing a host of services that connect brokers and dealers, organize markets, and ultimately monetize OTC's vast database of information. OTC's three lines of business are Link ATS (22% of 2020 revenue), Market Data (40%) and Corporate Services (38%). Headquarters are in New York, NY.

- OTCM reported 2Q:21 EPS of \$0.59, ahead of our \$0.40 forecast and up 64% versus the prior year period \$0.36 tally, with growth led by a 49% increase in revenue and strong operating leverage.
- Revenue in 2Q:21 was \$25.5 million, up 49%, compared with 2Q:20 and 35% ahead of our \$18.8 million forecast. All three operating segments posted year-over-year growth with OTC Link up 110%, Market Data up 25%, and Corporate Services up 40%.
- The 2Q:21 operating margin of 35.9% was up 790 basis points versus the 28.0% posted in 2Q:20 and was ahead of our 31.0% forecast, as the increase in revenue provided greater operating leverage than we anticipated.
- Given the stronger 2Q:21 results, we now forecast 2021 EPS of \$2.15 (from \$1.87) and raise our 2022 EPS forecast to \$1.99 (from \$1.83), equating to annual growth of 40% in 2021, but a 7% decline in 2022, reflecting the expectation of lower trading volumes as trends stabilize.
- OTCM exited 2Q:21 with cash of \$43.0 million (\$3.65 per share); We model FCF per share of \$2.60 in 2021 and \$2.40 in 2022 and a cash balance of \$76 million (\$6.46) at the end of 2022. We note OTCM raised its quarterly dividend to \$0.18 per share (from \$0.15).
- Ultimately, we think OTCM's 2Q:21 results highlight OTCM's ability to benefit from greater market volatility and an improving backdrop of underlying demand trends and remain confident in OTCM's ability to drive growth long-term.
- We raise our price target to \$50 (from \$46); we apply an unchanged multiple of 25x to our raised 2022 EPS forecast of \$1.99 (from \$1.83).

OTCM reported 2Q:21 EPS of \$0.59. Revenue of \$25.5 million increased 49%, year over year, and was above our \$18.8 million forecast. On a segment basis, sales in the OTC Link

NR

Price Target: \$50

Price: \$45.00

Risk Rating: H

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Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$510
Enterprise Value	\$491
52-Week Range (US OTC)	54-29
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	3,000
Shares Out (Mil)	11.265
Float Shares (Mil)	6.904
Insider Ownership	47%
Institutional Holdings	53%
Annualized Dividend	\$0.60
Dividend Yield	1.4%
FCF Per Share (2022E)	\$2.40
FCF Yield (2022E)	5.3%
Net Cash Per Share (2022E)	\$6.46
Price to Book Value	21.5x
Return on Equity (2022E)	25.0%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	N/A%
Short Interest Days To Cover	N/A
Russell 2000	2,197
Russell 2000 – Last 12 Months	47.6%
OTCM – Last 12 Months	49.5%



Source: FactSet Prices

segment increased 110%, largely related to greater transactional volume and new subscribers on the OTC Link ECN, as well as an increase in revenues related to OTC Link ATS messages. The company highlighted growth of 14% in professional subscribers and 75% increase in non-professionals. Sales within the Corporate Services segment increased 40% versus the prior year, with the growth attributable more companies on OTC markets, price increases and from its Disclosure and News Service product. We note the addition of 70 new companies on the OTCQX market and 112 additions to the OTCQB market. The operating margin of 35.9% increased 790 basis points from the 28.0% posted in 2Q:20 and was ahead of our 31.0% forecast as the result of greater fixed cost leverage on the sales growth, versus our forecast. Net income of \$7.1 million was up 67% from 2Q:20, leading to 2Q:21 EPS of \$0.59, compared with the prior-year posting of \$0.36 and ahead of our \$0.40 forecast.

	2Q:20A	2Q:21A	YoY Change	2Q:21 E	Estimate Variance
\$ in thousands except per share data					
Revenue	\$17,099	\$25,450	48.8%	\$18,818	35.2%
Operating Income	\$4,792	\$9,143	90.8%	\$5,834	56.7%
Operating Margin	28.0%	35.9%		31.0%	
Net Income	\$4,231	\$7,072	67.1%	\$4,675	51.3%
Profit Margin	24.7%	27.8%		24.8%	
EPS	\$0.36	\$0.59	64.0%	\$0.40	47.5%

Sources: Company reports and Sidoti & Company, LLC estimates.

While market volatility remains elevated in 2Q:21, we thought new additions to OTCM markets were more impressive.

While market volatility remained elevated in 2Q:21 helping drive strong revenue growth more importantly, we think was the addition of new companies to OTCM's QX and QB markets. In our view, the new additions of companies to OTCM's market help drive the subscription business, which generates stable earnings and cash flow going forward. While OTCM continues to exhibit its ability to drive strong operating leverage from the elevated trading levels, we would expect longer-term these trends to normalize going forward. The new additions of 70 new companies on the OTCQX brought the total number to 530 at the end of 2Q:21 and the 112 joining the OTCQB led to 1,020 issuers on the market. While issuers could either graduate to other markets or fall out due to non-compliance, the revenue tends to be very sticky with retention rates of over 90%. Given upcoming regulatory changes in the marketplace related to Rule 15c2-11, which goes into effect on September 28, 2021, we think this could drive additional new additions in 3Q:21 in preparation for the change. In addition, OTCM noted that it is seeing a substantial increase in the company's Disclosure and News Service® offering due to the upcoming rule change. While we were originally concerned about the changes coming the regulatory environment and while it will certainly create changes for OTCM's business model, we do not see a material risk, and view it as an opportunity for OTCM to bring on more companies either to its existing markets or could ultimately add another market to generate an additional revenue stream, while also having more control and touch points with both its broker dealer customer and companies under its markets. Ultimately, we view OTCM as well positioned for growth in the near and long term, outside of the current market volatility. We model revenue increases of 35% in 2021 and forecast a 4% revenue decline in 2022 due to our expectation of lower market volatility. We now forecast EPS of \$2.14 (from \$1.87) in 2021, up 40% and forecast 2022 EPS of \$1.99 (from \$1.83) equating to an EPS decline of 7%, as trading trends normalize.

OTCM's balance sheet is solid and consistent cash flow lead to a 20% increase in the quarterly dividend. OTCM exited 2Q:21 with cash of \$43.0 million (\$3.65 per share) and no debt. In 2020, OTCM generated \$2.14 in free cash flow per share, and we model free cash flow per share of \$2.60 in 2021 and \$2.40 in 2022, and a net cash balance of \$76.0 million (\$6.46 per share) at the end of 2022. Along with the 2Q:21 release, OTCM announced a 20% increase in its quarterly dividend to \$0.18 per share (from \$0.15). Year-to-date OTCM through the quarterly dividend and share repurchase returned a total of \$5.1 million to shareholders, versus the \$7.0 million returned a year earlier. In 2020, OTCM returned a total of \$18.1 million to shareholders in the form of dividends and share repurchase, up from the \$16.0 million in 2019. We note that in March 2021, the Board refreshed its 300,000 share repurchase authorization. While we think OTCM is focused on supporting organic investments in relation to the changing regulatory landscape, we think that OTCM could use its strong balance sheet for M&A purposes to expand its service offerings.

Valuation	We raise our price target to \$50 (from \$46) on OTCM shares. The target is based on 25x our raised 2022 EPS forecast of \$1.99 (from \$1.83). OTCM shares currently trade at 21x and 23x our respective 2021 and 2022 EPS forecasts. In the past three years, OTCM stock traded at 16x-29x forward EPS and averaged 24x. Peers in the corporate service-based industry trade at 19x-33x (average 25x) consensus 2021 EPS forecasts. Although OTCM's lack of liquidity would seem to validate the discount to peers, we view the company's recurring-revenue model, profit profile, operating leverage, capital allocation and dividend payments as offsets. Due to the stock's relative lack of liquidity, we maintain a Highly Risky rating.
Key Risks	Trading liquidity

OTC MARKETS GROUP INC.

Table 1. OTC Markets Group Inc., Income Statement

(\$ in thousands, except where noted)

	2019	Mar	June	Sep	Dec	2020	MarA	JuneA	SepE	DecE	2021E	MarE	JuneE	SepE	DecE	2022E
OTC Link	\$11,676	\$3,320	\$3,659	\$3,816	\$5,095	\$15,890	\$10,282	\$7,682	\$4,198	\$4,331	\$26,492	\$5,141	\$6,146	\$4,198	\$4,331	\$19,815
Market Data	24,447	6,745	6,858	7,172	7,358	28,133	7,899	8,586	8,606	8,609	33,700	8,057	8,758	8,779	8,781	34,374
Corporate Services	26,717	6,539	6,582	6,759	7,326	27,206	7,895	9,182	9,327	9,524	35,928	9,632	9,457	9,607	9,810	38,506
Total Revenue	\$62,840	\$16,604	\$17,099	\$17,747	\$19,779	\$71,229	\$26,076	\$25,450	\$22,131	\$22,463	\$96,121	\$22,830	\$24,361	\$22,583	\$22,921	\$92,695
Redistribution fees	3,235	1,139	1,313	1,303	2,077	5,832	4,280	3,233	1,107	1,123	9,743	1,141	1,218	1,129	1,146	4,635
Net Revenue	\$59,605	\$15,465	\$15,786	\$16,444	\$17,702	\$65,397	\$21,796	\$22,217	\$21,025	\$21,340	\$86,378	\$21,688	\$23,143	\$21,454	\$21,775	\$88,061
Compensation	26,994	7,487	7,380	7,052	6,977	28,896	8,946	8,497	9,207	8,761	35,410	9,589	9,988	9,259	8,710	37,546
IT Infrastructure	6,382	1,533	1,560	1,642	1,717	6,452	1,638	1,876	1,881	1,909	7,305	2,055	2,192	2,145	2,292	8,685
Professional fees	1,994	490	725	586	903	2,704	1,242	1,076	1,107	1,123	4,548	913	974	903	917	3,708
Marketing & Advertising	1,117	242	167	138	260	807	205	280	354	449	1,288	365	390	361	458	1,575
Occupancy costs	2,561	557	534	877	335	2,303	613	619	775	786	2,793	913	853	790	802	3,358
D&A	1,491	414	415	441	491	1,761	444	441	564	550	2,000	537	621	576	562	2,295
General and administrative	1,184	259	213	230	338	1,040	289	285	420	427	1,421	388	451	429	436	1,703
Total Operating Costs	\$41,723	\$10,982	\$10,994	\$10,966	\$11,021	\$43,963	\$13,377	\$13,074	\$14,308	\$14,006	\$54,765	\$14,760	\$15,469	\$14,465	\$14,177	\$58,870
Operating Income	\$17,882	\$4,483	\$4,792	\$5,478	\$6,681	\$21,434	\$8,419	\$9,143	\$6,717	\$7,334	\$31,613	\$6,929	\$7,674	\$6,990	\$7,598	\$29,190
Other incor. (costs)	103	16	10	(35)	(18)	(27)	5	0	0	0	5	0	0	0	0	0
Pretax Income	\$17,985	\$4,499	\$4,802	\$5,443	\$6,663	\$21,407	\$8,424	\$9,143	\$6,717	\$7,334	\$31,618	\$6,929	\$7,674	\$6,990	\$7,598	\$29,190
Income Taxes	(3,397)	(644)	(571)	(1,090)	(1,100)	(3,600)	(1,586)	(2,071)	(1,343)	(1,467)	(6,467)	(1,386)	(1,535)	(1,398)	(1,520)	(5,838)
Net Income	\$14,588	\$3,855	\$4,231	\$4,353	\$5,563	\$17,807	\$6,838	\$7,072	\$5,374	\$5,867	\$25,151	\$5,543	\$6,139	\$5,592	\$6,079	\$23,352
Less restricted stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income To Common	\$14,588	\$3,855	\$4,231	\$4,353	\$5,563	\$17,807	\$6,838	\$7,072	\$5,374	\$5,867	\$25,151	\$5,543	\$6,139	\$5,592	\$6,079	\$23,352
FD EPS	\$1.25	\$0.32	\$0.36	\$0.37	\$0.48	\$1.53	\$0.57	\$0.59	\$0.46	\$0.50	\$2.14	\$0.47	\$0.52	\$0.47	\$0.52	\$1.98
FD Shares Outstanding	11,703	11,673	11,673	11,620	11,661	11,657	11,710	11,779	11,779	11,779	11,779	11,779	11,779	11,779	11,779	11,779
Dividend	\$1.25	\$0.15	\$0.15	\$0.15	\$0.15	\$0.60	\$0.15	\$0.15	\$0.18	\$0.18	\$0.66	\$0.18	\$0.18	\$0.18	\$0.18	\$0.72
EBITDA	\$22,071	\$5,807	\$5,926	\$6,635	\$7,886	\$26,254	\$9,865	\$10,348	\$7,922	\$8,539	\$36,674	\$6,929	\$7,674	\$6,990	\$7,598	\$29,190
Growth Analysis																
Revenue YOY Growth	6.0%	8.1%	9.1%	12.6%	23.2%	13.3%	57.0%	48.8%	24.7%	13.6%	34.9%	(12.4%)	(4.3%)	2.0%	2.0%	(3.6%)
Adjusted Net Income YoY Growth	(8.0%)	8.7%	18.8%	10.9%	46.1%	22.1%	77.4%	67.1%	23.4%	5.5%	41.2%	(18.9%)	(13.2%)	4.1%	3.6%	(7.2%)
Adjusted FD EPS YoY Growth	(8.7%)	5.2%	18.9%	13.5%	46.9%	22.5%	78.1%	62.8%	21.8%	4.4%	39.8%	(17.4%)	(11.7%)	4.1%	3.6%	(7.2%)
Margin Analysis																
Operating Margin	28.5%	27.0%	28.0%	30.9%	33.8%	30.1%	32.3%	35.9%	30.4%	32.7%	32.9%	30.4%	31.5%	31.0%	33.2%	31.5%
EBITDA Margin	37.0%	37.5%	37.5%	40.3%	44.5%	40.1%	45.3%	46.6%	37.7%	40.0%	42.5%	31.9%	33.2%	32.6%	34.9%	33.1%
Adjusted Profit Margin	23.2%	23.2%	24.7%	24.5%	28.1%	25.0%	26.2%	27.8%	24.3%	26.1%	26.2%	24.3%	25.2%	24.8%	26.5%	25.2%
Tax Rate	18.9%	14.3%	11.9%	20.0%	16.5%	16.8%	18.8%	22.7%	20.0%	20.0%	20.5%	20.0%	20.0%	20.0%	20.0%	20.0%

Sources: Company reports, Sidoti & Company, LLC estimates

Table 2. OTC Markets Group Inc., Statement of Cash Flows

(\$ in thousands except where noted)

	2019	Mar	June	Sep	Dec	2020	MarA	JuneA	SepE	DecE	2021E	MarE	JuneE	SepE	DecE	2022E
Operating Activities																
Net Income	\$14,942	\$3,855	\$4,236	\$4,459	\$5,724	\$18,274	\$6,838	\$7,072	\$5,374	\$5,867	\$25,151	\$5,543	\$6,139	\$5,592	\$6,079	\$23,352
Depreciation & amortization	1,492	414	416	440	491	1,761	444	441	441	441	1,767	416	416	416	416	1,664
Provision for bad debts	108	(5)	(13)	7	41	30	24	19	0	0	43	0	0	0	0	0
Share based compensation	2,703	910	718	717	714	3,059	1,002	764	764	764	3,294	764	764	764	764	3,056
Excess tax benefit	(744)	(345)	(18)	(28)	(559)	(950)	(318)	(27)	0	0	(345)	0	0	0	0	0
Deferred rent	129	0	0	0	361	361	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	15	389	109	59	(567)	(10)	(94)	(57)	0	0	(151)	0	0	0	0	0
Change in Operating Assets & Liabilities	\$18,645	\$5,218	\$5,448	\$5,654	\$6,205	\$22,525	\$7,896	\$8,212	\$6,579	\$7,072	\$29,759	\$6,723	\$7,319	\$6,772	\$7,259	\$28,072
Net Change in Working Capital	2,768	(5,018)	(1,258)	277	9,487	3,488	(4,330)	3,264	(2,956)	5,603	1,581	(2,553)	(902)	(1,041)	5,667	1,171
Net Cash Provided by Operations	\$21,413	\$200	\$4,190	\$5,931	\$15,692	\$26,013	\$3,566	\$11,476	\$3,622	\$12,676	\$31,340	\$4,170	\$6,417	\$5,731	\$12,925	\$29,244
Investing Activities																
Capital expenditures	(5,516)	(344)	(60)	(480)	(150)	(1,034)	(180)	(170)	(170)	(170)	(690)	(250)	(250)	(250)	(250)	(1,000)
Net Cash Provided by Investing Activities	(\$5,516)	(\$344)	(\$60)	(\$480)	(\$150)	(\$1,034)	(\$180)	(\$170)	(\$170)	(\$170)	(\$690)	(\$250)	(\$250)	(\$250)	(\$250)	(\$1,000)
Financing Activities																
Dividends	(14,560)	(1,748)	(1,749)	(1,750)	(9,363)	(14,610)	(1,765)	(1,766)	(2,120)	(2,120)	(7,771)	(2,120)	(2,120)	(2,120)	(2,120)	(8,481)
Proceeds from stock options	85	(151)	(28)	(61)	283	43	(320)	(54)	0	0	(374)	0	0	0	0	0
Restricted stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Withholding taxes paid	(788)	0	0	0	(1,373)	(1,373)	0	0	0	0	0	0	0	0	0	0
Excess tax benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury stock	(1,390)	(3,520)	0	0	0	(3,520)	(1,522)	0	0	0	(1,522)	0	0	0	0	0
Net Cash Provided by Financing	(\$16,653)	(\$5,419)	(\$1,777)	(\$1,811)	(\$10,453)	(\$19,460)	(\$3,607)	(\$1,820)	(\$2,120)	(\$2,120)	(\$9,667)	(\$2,120)	(\$2,120)	(\$2,120)	(\$2,120)	(\$8,481)
Net Cash Increase (decrease) in cash	(\$756)	(\$5,563)	\$2,353	\$3,640	\$5,089	\$5,519	(\$221)	\$9,486	\$1,332	\$10,385	\$20,983	\$1,800	\$4,047	\$3,361	\$10,555	\$19,763
Beginning cash balance	30,534	29,778	24,215	26,568	30,208	29,778	35,297	35,076	44,562	45,894	35,297	56,280	58,080	62,126	65,487	56,280
Ending Cash Balance	\$29,778	\$24,215	\$26,568	\$30,208	\$35,297	\$35,297	\$35,076	\$44,562	\$45,894	\$56,280	\$56,280	\$58,080	\$62,126	\$65,487	\$76,042	\$76,042
CFFO	\$21,413	\$200	\$4,190	\$5,931	\$15,692	\$26,013	\$3,566	\$11,476	\$3,622	\$12,676	\$31,340	\$4,170	\$6,417	\$5,731	\$12,925	\$29,244
CapEx	(5,516)	(344)	(60)	(480)	(150)	(1,034)	(180)	(170)	(170)	(170)	(690)	(250)	(250)	(250)	(250)	(1,000)
Free Cash Flow	\$15,897	(\$144)	\$4,130	\$5,451	\$15,542	\$24,979	\$3,386	\$11,306	\$3,452	\$12,506	\$30,650	\$3,920	\$6,167	\$5,481	\$12,675	\$28,244
FCF / Share	\$1.36	(\$0.01)	\$0.35	\$0.47	\$1.33	\$2.14	\$0.29	\$0.96	\$0.29	\$1.06	\$2.60	\$0.33	\$0.52	\$0.47	\$1.08	\$2.40

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

Table 3. OTC Markets Group Inc., Balance Sheet

(\$ in thousands except where noted)

	2019	Mar	June	Sep	2020	MarA	JuneA	SepE	2021E	MarE	JuneE	SepE	2022E
ASSETS													
Current Assets													
Cash	\$28,217	\$22,654	\$25,007	\$28,647	\$33,765	\$33,512	\$42,998	\$45,894	\$56,280	\$58,080	\$62,126	\$65,487	\$76,042
Receivables	5,157	5,720	6,307	5,802	6,609	9,500	7,743	9,344	5,767	9,287	9,179	9,224	5,562
Prepaid income taxes	318	413	33	568	356	0	801	801	801	801	801	801	801
Prepaid expenses	1,338	1,187	1,572	1,417	1,375	1,478	1,078	1,078	1,078	1,078	1,078	1,078	1,078
Deferred tax asset	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	\$35,030	\$29,974	\$32,919	\$36,434	\$42,105	\$44,490	\$52,620	\$57,117	\$63,926	\$69,246	\$73,184	\$76,590	\$83,483
PP&E	6,418	5,921	5,716	5,666	5,367	5,083	5,184	5,184	5,184	5,184	5,184	5,184	5,184
Non-current deferred tax asset	16,789	15,730	15,711	15,357	15,187	14,979	15,497	15,497	15,497	15,497	15,497	15,497	15,497
Goodwill	251	633	251	251	251	251	251	251	251	251	251	251	251
Intangible assets	40	40	40	40	40	40	40	40	40	40	40	40	40
Security deposits	1,827	1,980	2,028	1,873	1,860	1,900	2,311	2,311	2,311	2,311	2,311	2,311	2,311
Total Assets	\$60,355	\$54,278	\$56,665	\$59,621	\$64,810	\$66,743	\$75,903	\$80,400	\$87,209	\$92,529	\$96,467	\$99,873	\$106,766
Liabilities													
Accounts payable	321	716	460	718	1,251	1,125	1,290	934	961	929	918	922	927
Income tax payable	99	107	850	183	16	6,109	16	16	16	16	16	16	16
Accrued expenses	9,154	5,036	7,185	8,772	9,965	1,102	8,678	8,678	8,678	8,678	8,678	8,678	8,678
Deferred revenue	15,815	14,308	12,128	10,922	18,765	19,569	20,069	19,069	21,069	22,069	21,069	20,069	22,069
Current Liabilities	\$25,389	\$20,167	\$20,623	\$20,595	\$29,997	\$27,905	\$30,053	\$28,697	\$30,724	\$31,692	\$30,681	\$29,685	\$31,690
Deferred rent	15,529	15,240	14,948	14,708	14,466	14,220	15,163	15,163	15,163	15,163	15,163	15,163	15,163
Income tax reserve	1,764	1,852	898	757	801	839	892	892	892	892	892	892	892
Total Liabilities	\$42,682	\$37,259	\$36,469	\$36,060	\$45,264	\$42,964	\$46,108	\$44,752	\$46,779	\$47,747	\$46,736	\$45,740	\$47,745
Shareholders' Equity													
Class A	122	123	123	123	123	124	125	125	125	125	125	125	125
Additional paid-in cap	18,042	18,800	19,490	20,146	19,770	20,451	21,160	21,160	21,160	21,160	21,160	21,160	21,160
Retained earnings	8,106	10,213	12,700	15,409	11,770	16,843	22,149	28,001	32,784	37,136	42,085	46,487	51,375
Treasury shares	(8,597)	(12,117)	(12,117)	(12,117)	(12,117)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)
Total Stockholders' Equity	\$17,673	\$17,019	\$20,196	\$23,561	\$19,546	\$23,779	\$29,795	\$35,647	\$40,430	\$44,782	\$49,731	\$54,133	\$59,021
Total Liabilities & Stockholders' Equity	\$60,355	\$54,278	\$56,665	\$59,621	\$64,810	\$66,743	\$75,903	\$80,400	\$87,209	\$92,529	\$96,467	\$99,873	\$106,766
Key Metrics													
ROA	24.2%	6.7%	7.6%	7.5%	27.5%	10.4%	9.9%	6.9%	28.8%	6.2%	6.5%	5.7%	21.9%
ROE	19.0%	11.1%	17.1%	14.9%	25.0%	15.8%	19.8%	12.3%	25.0%	6.5%	9.7%	8.1%	25.0%
ROIC	54.9%	16.8%	14.0%	12.3%	54.1%	16.5%	11.1%	9.7%	37.2%	9.5%	8.1%	7.4%	28.9%
Cash per share	\$2.41	\$1.94	\$2.14	\$2.47	\$2.90	\$2.86	\$3.65	\$3.90	\$4.78	\$4.93	\$5.27	\$5.56	\$6.46

Sources: Company reports, Sidoti & Company, LLC estimates

Appendix
Required Disclosures

Required Disclosures

OTC Markets Group Inc. (OTCM-\$45.00) NR Price Target: \$50 Risk Rating: H

Rating and Price Target History Table

Action Date	Px	Rating	PT	Risk Rating
PT 11/8/18	32		36	
PT 3/7/19	37.4		38	
PT 4/13/20	27.9		36	
PT 11/12/20	33.2		38	
PT 2/25/21	38.2		38	
PT 3/19/21	40		44	
PT 5/4/21	40.2		44	
PT 5/10/21	42		46	
PT 8/3/21	44		46	



Valuation	We raise our price target to \$50 (from \$46) on OTCM shares. The target is based on 25x our raised 2022 EPS forecast of \$1.99 (from \$1.83). OTCM shares currently trade at 21x and 23x our respective 2021 and 2022 EPS forecasts. In the past three years, OTCM stock traded at 16x-29x forward EPS and averaged 24x. Peers in the corporate service-based industry trade at 19x-33x (average 25x) consensus 2021 EPS forecasts. Although OTCM's lack of liquidity would seem to validate the discount to peers, we view the company's recurring-revenue model, profit profile, operating leverage, capital allocation and dividend payments as offsets. Due to the stock's relative lack of liquidity, we maintain a Highly Risky rating.		
Key Risks	Trading liquidity		

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