



OTC Markets Group Inc. (OTCM)

Strong Subscriber Growth Amid Higher Expenses In 4Q:22; View EDGAR And Blue Sky Product Offerings Favorably; Balance Sheet Remains A Strength; Maintain \$68 Price Target

	2021	2022		2023E		2024E	
		OLD	NEW	OLD	NEW	OLD	NEW
Mar.	\$0.57	\$0.62A		\$0.63		\$0.66	
June	0.59	0.61A		0.63		0.67	
Sep.	0.62	0.60A		0.64		0.69	
Dec.	0.74	0.67	0.70A	0.67		0.72	
EPS	\$2.52	\$2.54	\$2.53	\$2.57		\$2.74	
P/E				21.4x		20.1x	

Note: NR = Not Rated. Risk Ratings: H = High; M = Moderate. 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	2015	2016	2017	2018	2019	2020	2021	2022	2023E	2024E
Rev.(Mil.)	\$49.9	\$50.9	\$54.7	\$59.3	\$62.8	\$71.2	\$102.9	\$105.0	\$108.7	\$113.1
GAAP EPS	\$0.88	\$0.90	\$1.06	\$1.36	\$1.25	\$1.53	\$2.52	\$2.53	\$2.57	\$2.74

Description: OTC Markets Group, Inc. (www.otcmkt.com) operates three lines of business centered on over 12,500 U.S. and global securities clients at the end of 2022. 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 OTC Link (20% of 2022 revenue), Market Data (35%) and Corporate Services (45%). Headquarters are in New York, NY.

- **4Q:22 EPS of \$0.70 outpaced our expectation of \$0.67 but lagged behind 4Q:21 EPS, largely driven a 15% year-over-year increase in operating expenses.**
- **2022 EPS of \$2.53 about matched our \$2.54 expectation and \$2.52 in 2021.**
- **Upbeat on the growth in Corporate Services and Market Data Licensing, we raise our revenue forecasts marginally for 2023 and 2024.**
- **The company continues to expand its product and service offerings through both organic and strategic M&A. Our outlook on the Blue Sky and EDGAR acquisitions is bright, even as elevated integration costs weigh on the near-term bottom line.**
- **In 2023, we expect OTCM to focus on growing its subscriber base, commercializing its regulatory status, and building out product offerings, driving long-term value while likely incurring increased infrastructure and compensation costs.**
- **The relatively high proportion of subscription-based revenue is a key advantage and should drive recurring revenue.**
- **The balance sheet remains debt-free and provides flexibility.**
- **Our \$68 price target is based on 25x our 2024 EPS forecast of \$2.74. This multiple is in line with the peer average.**
- **Our high risk assessment reflects the low trading volume in the stock.**

OTCM reported 4Q:22 EPS of \$0.70, below \$0.74 in 4Q:21 but above our \$0.67 forecast as the quarterly theme stayed consistent. Gross revenue was \$27.3 million in 4Q:22, in line with our estimate and above \$26.2 million in 4Q:21. For the year, gross revenue equaled \$105.1 million as expected and above the \$102.9 million generated in 2021. On an annual basis, the Corporate Services business generated a 21% increase in revenue and Market Data Licensing business saw 8% growth, partially offset by a 29% decline in OTC Link. The Corporate Services and Market Data Licensing segments continue to impress. Last year saw a higher average number of companies subscribing to OTCQX and OTCQB markets amid a robust pace of sales and retention rates of 95% and 90% for QX and QB, respectively. International issuers continued to be a significant driver of the growth in number of companies

NR

Price Target: \$68
Price: \$55.05
Risk Rating: H

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Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$620
Enterprise Value	\$624
52-Week Range (US OTC)	67-52
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	3,000
Shares Out (Mil)	11.265
Float Shares (Mil)	7.707
Insider Ownership	42%
Institutional Holdings	8%
Annualized Dividend	\$0.72
Dividend Yield	1.3%
FCF Per Share (2024E)	\$3.66
FCF Yield (2024E)	6.7%
Net Cash Per Share (2024E)	\$5.73
Price to Book Value	16.1x
Return on Equity (2024E)	61.0%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	N/A
Short Interest Days To Cover	N/A
Russell 2000	1,827
Russell 2000 – Last 12 Months	-9.4%
OTCM – Last 12 Months	2.9%



on OTCQX and OTCQB markets, with 359 international companies joining OTCQX and OTCQB in 2022 compared to 543 in 2021, which saw a boost from amendments to SEC Rule 15c2-11 in 4Q:21. In our opinion, international growth opportunities are attractive for OTCM, as the company added a sales office in Singapore to go along with sales personal in the U.K., Canada and Australia.

OTC Link should remain stable, albeit with low visibility. In 4Q:22, OTC Link generated \$5.3 million in revenue compared to \$5.6 million in 4Q:21, a slimmer margin than previous quarters and evident of a normalization in trading volume. Certain business lines within OTC Link saw positive trends, however, as the alternative trading system (ATS) had lower volume but grew the number of securities quoted and OTC Link ETN had an uptick in subscribers. We anticipate OTC Link revenue to remain in the \$5.1-\$5.5 million range and maintain about a 20% share of gross revenue.

We are upbeat on the Market Data Licensing segment, given progress toward integrating Blue Sky Data and EDGAR Online. Market Data Licensing revenue increased \$2.7 million in 2022 from 2021, or 8%, which includes the acquisitions of Blue Sky Data in 2Q:22 and EDGAR Online in 4Q:22, which collectively contributed \$2 million of revenue. The segment experienced continued growth in professional users and enterprise subscribers, countering the decline in non-professional users. OTCQX and OTCQB markets are exempt from state Blue Sky laws regarding secondary trading in 38 states and one U.S. territory, and as more states are recognized for exemption, the Blue Sky product offering will become more attractive to current and prospective companies. The EDGAR Online platform represents a strong opportunity for OTCM to provide customers with a more comprehensive view of an issuer and its securities. Though confident in the eventual successful integration of EDGAR Online, a timeline to positive cash flow generation is difficult for us to predict as EDGAR will require integration expenditures related to pivoting its data offering onto a cloud platform, which we incorporate into our estimates. Still, we think growing traction in these product offerings will be key in expanding the subscriber base and related revenue.

Subscription-based revenue provides visibility that complements less-predictable transactional revenue. All three operating segments generate fee-based revenue from subscribers, with subscription-based revenue typically comprising about 80% of the total. OTC Link allows broker-dealer subscribers to efficiently provide customers execution. Corporate Services charges application and subscription fees on an annual and semiannual basis. Market Data Licensing charges licensing fees on a subscription basis to professional and non-professional (retail) subscribers. Subscription-based arrangements accounted for 82% of 2022 gross revenue, compared to 73% in 2021. The high proportion of subscription-based revenue helps to mitigate revenue derived from trading volume that can be volatile.

The balance sheet provides flexibility and highlights OTCM's financial strength. The company has no debt and primarily funds capital allocation priorities with cash flow from operations. We model free cash flow per share of \$3.45 in 2023 and \$3.66 in 2024 and a cash balance of \$72.6 million (\$6.10 a share) in 2024. Capital allocation decisions support OTCM's shareholder returns program, which includes an annualized dividend of \$0.72 per share. OTCM has increased the dividend sporadically in the past, with the latest a 20% hike in 2Q:21. The company has historically paid a special dividend in the fourth quarter (\$1.50 per share in 4Q:22) while occasionally repurchasing shares. We expect OTCM to continue to return capital to shareholders through these measures, while continuing to increase the dividend from time to time. Balance sheet strength and durable free cash flow provide capital for organic investments in current operations and opportunistic M&A as well, in our opinion.

Exhibit 1: OTC Markets Group Inc. 4Q:22 Variance Table					
\$ in thousands except per share data					
	<u>4Q:21A</u>	<u>4Q:22E</u>	<u>4Q:22A</u>	<u>YoY % Change</u>	<u>YoY Variance</u>
OTC Link	5,591	5,591	5,346	(4.4%)	(245)
Market Data Licensing	8,777	9,216	9,895	12.7%	1,118
Corporate Services	11,819	12,410	12,054	2.0%	235
Gross Revenue	26,187	27,217	27,295	4.2%	1,108
Operating Income*	10,778	10,016	9,877	(8.4%)	(901)
Operating Margin	41.2%	36.8%	36.2%	(12.1%)	
Net Income	\$9,054	\$8,013	\$8,630	(4.7%)	(424)
Profit Margin	34.6%	29.4%	31.6%	(8.6%)	
EPS	\$0.74	\$0.67	\$0.70	(6.0%)	(0.04)

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

Valuation	We maintain a \$68 price target on OTCM. Our target applies a multiple of 25x to our 2024 EPS forecast of \$2.74. In the past five years, OTCM traded at 16x-29x forward EPS and averaged 23x. Corporate service and exchange peers trade at 17x-41x and average 25x the 2024 EPS consensus. OTCM's lack of liquidity could validate a discount to peers and is reflected in our risk rating of high, yet we view the recurring-revenue model, product growth and shareholder remuneration as supporting the multiple we assign the stock.		
Key Risks	Trading liquidity	Economic	Competitive

OTC MARKETS GROUP INC.

Table 1. OTC Markets Group Inc., Income Statement
(\$ in thousands, except where noted)

	2021	MarA	JuneA	SepA	DecA	2022	MarE	JuneE	SepE	DecE	2023E	MarE	JuneE	SepE	DecE	2024E
Operating Segments																
OTC Link	\$29,665	\$5,433	\$5,132	\$5,027	\$5,346	\$20,938	\$5,487	\$5,183	\$5,077	\$5,399	\$21,147	\$5,597	\$5,287	\$5,179	\$5,507	\$21,570
Market Data Licensing	33,751	8,583	8,901	9,028	9,895	36,407	8,926	9,257	9,389	10,291	37,863	9,283	9,627	9,765	10,805	39,481
Corporate Services	39,517	11,933	11,957	11,860	12,054	47,804	12,410	12,435	12,334	12,536	49,716	12,907	13,057	12,951	13,163	52,078
Gross Revenue	\$102,933	\$25,949	\$25,990	\$25,915	\$27,295	\$105,149	\$26,824	\$26,876	\$26,801	\$28,226	\$108,727	\$27,787	\$27,971	\$27,895	\$29,476	\$113,129
Redistribution & Transaction fees	12,293	2,303	2,139	2,079	2,428	8,949	1,878	1,881	1,876	1,976	7,611	1,806	1,818	1,813	1,916	7,353
Net Revenue	\$90,640	\$23,646	\$23,851	\$23,836	\$24,867	\$96,200	\$24,946	\$24,994	\$24,925	\$26,251	\$101,116	\$25,981	\$26,153	\$26,081	\$27,560	\$105,776
Compensation	34,049	10,223	9,045	9,431	8,887	37,586	9,657	9,675	9,380	9,879	38,591	10,226	10,210	9,903	10,464	40,802
IT Infrastructure	7,633	1,958	1,894	1,917	2,323	8,092	2,146	2,150	2,144	2,258	8,698	2,223	2,238	2,232	2,358	9,050
Professional fees	4,496	1,217	1,738	1,690	1,817	6,462	1,609	1,613	1,608	1,694	6,524	1,667	1,678	1,674	1,769	6,788
Marketing & Advertising	1,029	278	380	294	351	1,303	429	430	429	565	1,853	445	448	446	590	1,928
Occupancy costs	2,348	595	598	584	481	2,258	805	806	804	847	3,262	834	839	837	884	3,394
D&A	1,796	440	496	556	600	2,092	483	484	482	508	1,957	500	503	502	531	2,036
General and administrative	1,273	291	438	327	531	1,587	456	497	509	536	1,999	278	280	279	295	1,131
Total Operating Costs	\$52,624	\$15,002	\$14,589	\$14,799	\$14,990	\$59,380	\$15,585	\$15,655	\$15,357	\$16,287	\$62,883	\$16,172	\$16,195	\$15,872	\$16,890	\$65,129
Operating Income	\$38,016	\$8,644	\$9,262	\$9,037	\$9,877	\$36,820	\$9,362	\$9,339	\$9,568	\$9,964	\$38,233	\$9,809	\$9,958	\$10,209	\$10,670	\$40,646
Other income	(51)	0	(9)	1	154	146	0	0	0	0	0	0	0	0	0	0
Pretax Income	\$37,965	\$8,644	\$9,253	\$9,038	\$10,031	\$36,966	\$9,362	\$9,339	\$9,568	\$9,964	\$38,233	\$9,809	\$9,958	\$10,209	\$10,670	\$40,646
Income Taxes	(7,489)	(1,030)	(1,851)	(1,869)	(1,401)	(6,151)	(1,872)	(1,868)	(1,914)	(1,993)	(7,647)	(1,962)	(1,992)	(2,042)	(2,134)	(8,129)
Net Income	\$30,476	\$7,614	\$7,402	\$7,169	\$8,630	\$30,815	\$7,489	\$7,471	\$7,654	\$7,971	\$30,586	\$7,847	\$7,966	\$8,168	\$8,536	\$32,517
Less restricted stock	(\$173)	0	0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income To Common	\$30,303	\$7,614	\$7,402	\$7,169	\$8,630	\$30,815	\$7,489	\$7,471	\$7,654	\$7,971	\$30,586	\$7,847	\$7,966	\$8,168	\$8,536	\$32,517
Basic EPS	\$2.59	\$0.64	\$0.62	\$0.61	\$0.73	\$2.60	\$0.65	\$0.64	\$0.66	\$0.69	\$2.63	\$0.68	\$0.69	\$0.70	\$0.74	\$2.80
FD EPS	\$2.52	\$0.62	\$0.61	\$0.60	\$0.70	\$2.53	\$0.63	\$0.63	\$0.64	\$0.67	\$2.57	\$0.66	\$0.67	\$0.69	\$0.72	\$2.74
FD Shares Outstanding	11,901	11,926	11,874	11,867	11,895	11,888	11,895	11,895	11,895	11,895	11,895	11,895	11,895	11,895	11,895	11,895
Dividend	\$2.16	\$0.18	\$0.18	\$0.18	\$1.68	\$2.22	\$0.18	\$0.18	\$0.18	\$1.67	\$2.21	\$0.18	\$0.18	\$0.18	\$1.78	\$2.32
EBITDA	\$43,092	\$10,279	\$10,738	\$10,658	\$11,583	\$43,248	\$10,909	\$10,888	\$11,115	\$11,537	\$44,450	\$11,421	\$11,580	\$11,827	\$12,380	\$47,208
Growth Analysis																
OTC Link	86.7%	(47.2%)	(33.2%)	(17.7%)	(4.4%)	(29.4%)	1.0%	1.0%	1.0%	1.0%	1.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Data Lincensing	20.0%	8.7%	3.7%	6.3%	12.7%	7.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	4.3%
Corporate Services	45.3%	51.1%	30.2%	11.7%	2.0%	21.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	5.0%	5.0%	5.0%	4.8%
Revenue YOY Growth	44.5%	(0.5%)	2.1%	2.8%	4.2%	2.2%	3.4%	3.4%	3.4%	3.4%	3.4%	3.6%	4.1%	4.1%	4.4%	4.0%
Seq. Rev Growth		(0.9%)	0.2%	(0.3%)	5.3%		(1.7%)	0.2%	(0.3%)	5.3%		(1.6%)	0.7%	(0.3%)	5.7%	
Adjusted Net Income YoY Growth	65.8%	11.3%	4.7%	(2.3%)	(4.7%)	1.7%	(1.6%)	0.9%	6.8%	(7.6%)	(0.7%)	4.8%	6.6%	6.7%	7.1%	6.3%
Adjusted FD EPS YoY Growth	64.7%	8.8%	3.4%	(2.8%)	(6.0%)	0.4%	1.6%	3.0%	6.5%	(3.7%)	1.6%	4.8%	6.6%	6.7%	7.1%	6.7%
EBITDA YOY Growth	64.3%	4.2%	3.8%	(2.2%)	(3.7%)	0.1%	6.1%	1.4%	4.3%	(0.4%)	2.5%	4.7%	6.4%	6.4%	7.3%	7.2%
Margin Analysis																
Operating Margin	36.9%	33.3%	35.6%	34.9%	36.2%	35.0%	34.9%	34.8%	35.7%	35.3%	35.2%	35.3%	35.6%	36.6%	36.2%	35.9%
Adjusted Profit Margin	29.6%	29.3%	28.5%	27.7%	31.6%	29.3%	27.9%	27.8%	28.6%	28.2%	28.1%	28.2%	28.5%	29.3%	29.0%	28.7%
Tax Rate	19.7%	11.9%	20.0%	20.7%	14.0%	16.6%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

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

(\$ in thousands except where noted)

	2021	MarA	JuneA	SepA	DecA	2022	MarE	JuneE	SepE	DecE	2023E	2024E
Operating Activities												
Net Income	\$30,476	\$7,614	\$7,402	\$7,169	\$8,630	\$30,815	\$7,489	\$7,471	\$7,654	\$7,971	\$30,586	\$32,517
Depreciation & amortization	1,796	440	496	556	600	2,092	441	441	441	441	1,764	2,263
Provision for bad debts	52	(10)	93	(7)	184	260	0	0	0	0	0	0
Share based compensation	3,332	1,195	980	1,065	1,105	4,345	1,065	1,065	1,065	1,065	4,260	4,525
Excess tax benefit	(949)	(920)	(197)	(67)	95	(1,089)	0	0	0	0	0	0
Deferred rent	0	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	(44)	(74)	(13)	(2,114)	(2,265)	(4,466)	0	0	0	0	0	0
Loss on fixed assets	0	0	0	0	0	0	0	0	0	0	0	0
Change in Operating Assets & Liabilities	\$34,663	\$8,245	\$8,761	\$6,602	\$8,349	\$31,957	\$8,995	\$8,977	\$9,160	\$9,477	\$36,610	\$39,305
Receivables	(847)	(217)	(21)	(671)	(364)	(1,273)	(57)	455	(75)	(79)	243	(676)
Prepaid and other	12	(276)	151	41	(361)	(445)	0	0	0	0	0	0
Income taxes	(434)	(642)	(392)	1,788	(23)	731	0	0	0	0	0	0
Accounts payable	(277)	97	9	(68)	282	320	(624)	9	9	9	(597)	270
Accrued expenses	2,214	(5,624)	2,259	2,253	1,804	692	0	0	0	0	0	0
Income tax payable	946	1,077	34	2,572	(2,040)	1,643	0	0	0	0	0	0
Income tax reserve	188	(109)	63	(339)	53	(332)	0	0	0	0	0	0
Deferred revenue	9,991	(2,054)	(3,595)	(2,749)	8,786	388	1,000	(1,000)	3,000	3,000	6,000	6,000
Net Change in Working Capital	11,793	(7,743)	(1,625)	2,615	8,137	1,724	319	(536)	2,934	2,930	5,646	5,594
Net Cash Provided by Operations	\$46,456	\$502	\$7,136	\$9,217	\$16,486	\$33,680	\$9,314	\$8,441	\$12,094	\$12,407	\$42,257	\$44,899
Investing Activities												
Acquisitions	0	0	(11,617)	0	(3,333)	(14,950)	0	0	0	0	0	0
Capital expenditures	(1,395)	(194)	(748)	(45)	(456)	(1,443)	(300)	(300)	(300)	(300)	(1,200)	(1,358)
Net Cash Provided by Investing Activities	(\$1,395)	(\$194)	(\$12,365)	(\$45)	(\$3,789)	(\$16,393)	(\$300)	(\$300)	(\$300)	(\$300)	(\$1,200)	(\$1,358)
Financing Activities												
Dividends	(25,459)	(2,133)	(2,135)	(2,135)	(19,952)	(26,355)	(2,135)	(2,135)	(2,135)	(19,881)	(26,286)	(27,541)
Proceeds from stock options	8	0	0	0	60	60	0	0	0	0	0	0
Restricted stock issuance	1	(454)	(325)	60	720	1	0	0	0	0	0	0
Withholding taxes paid	(1,428)	0	0	0	(1,239)	(1,239)	0	0	0	0	0	0
Excess tax benefits	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury stock	(1,522)	(2,776)	0	0	0	(2,776)	0	0	0	0	0	0
Net Cash Provided by Financing	(\$28,400)	(\$5,363)	(\$2,460)	(\$2,075)	(\$20,411)	(\$30,309)	(\$2,135)	(\$2,135)	(\$2,135)	(\$19,881)	(\$26,286)	(\$27,541)
Net Cash Increase (decrease) in cash	\$16,661	(\$5,055)	(\$7,689)	\$7,097	(\$7,714)	(\$13,022)	\$6,875	\$6,006	\$9,659	(\$7,774)	\$14,771	\$16,000
Beginning cash balance	35,297	50,394	45,339	37,650	44,745	50,394	37,372	44,247	50,253	59,912	37,372	52,143
Ending Cash Balance	\$50,394	\$45,339	\$37,650	\$44,747	\$37,031	\$37,372	\$44,247	\$50,253	\$59,912	\$52,139	\$52,143	\$68,143
CFFO	\$46,456	\$502	\$7,136	\$9,217	\$16,486	\$33,680	\$9,314	\$8,441	\$12,094	\$12,407	\$42,257	\$44,899
CapEx	(1,395)	(194)	(748)	(45)	(456)	(1,443)	(300)	(300)	(300)	(300)	(1,200)	(1,358)
Free Cash Flow	\$45,061	\$308	\$6,388	\$9,172	\$16,030	\$32,237	\$9,014	\$8,141	\$11,794	\$12,107	\$41,057	\$43,541
FCF / Share	\$3.79	\$0.03	\$0.54	\$0.77	\$1.35	\$2.71	\$0.76	\$0.68	\$0.99	\$1.02	\$3.45	\$3.66

Sources: Company reports, Sidoti & Company, LLC estimates

Table 3. OTC Markets Group Inc., Balance Sheet

(\$ in thousands except where noted)

	2021	MarA	JuneA	SepA	DecA	2022	MarE	JuneE	SepE	DecE	2023E	2024E
ASSETS												
Current Assets												
Cash	\$50,394	\$45,339	\$37,649	\$44,745	\$37,368	37,368	\$44,247	\$50,253	\$59,912	\$52,139	52,139	68,139
Receivables	7,404	7,631	7,559	8,237	9,485	9,485	9,542	9,087	9,163	9,242	9,242	9,918
Prepaid income taxes	790	1,432	1,824	36	59	59	59	59	59	59	59	59
Prepaid expenses	1,363	1,639	1,554	1,513	1,469	1,469	1,469	1,469	1,469	1,469	1,469	1,469
Deferred tax asset	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	\$59,951	\$56,041	\$48,586	\$54,531	\$48,381	\$48,381	\$55,317	\$60,869	\$70,603	\$62,908	\$62,908	\$79,585
PP&E	5,049	4,718	5,076	4,716	8,637	8,637	8,496	8,355	8,214	8,073	8,073	7,168
Operating lease right-of-use assets				13,954	13,635	13,635	13,635	13,635	13,635	13,635	13,635	13,635
Non-current deferred tax asset	15,276	15,042	14,738	2,583	4,853	4,853	4,853	4,853	4,853	4,853	4,853	4,853
Goodwill	251	251	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984
Intangible assets	40	40	8,283	8,138	7,993	7,993	7,993	7,993	7,993	7,993	7,993	7,993
Other Assets	1,688	1,668	1,851	2,069	2,135	2,135	2,135	2,135	2,135	2,135	2,135	2,135
Total Assets	\$82,255	\$77,760	\$82,518	\$89,975	\$89,618	\$89,618	\$96,413	\$101,824	\$111,417	\$103,581	\$103,581	\$119,353
Liabilities												
Accounts payable	962	1,059	1,068	1,031	1,684	1,684	1,060	1,069	1,078	1,087	1,087	1,358
Income tax payable	13	170	7	2,512	567	567	567	567	567	567	567	567
Accrued expenses	12,357	6,629	8,929	11,159	13,141	13,141	13,141	13,141	13,141	13,141	13,141	13,141
Deferred revenue	28,432	26,378	23,312	20,563	30,456	30,456	31,456	30,456	33,456	36,456	36,456	42,456
Current Liabilities	\$41,764	\$34,236	\$33,316	\$35,265	\$45,848	\$45,848	\$46,224	\$45,233	\$48,242	\$51,251	\$51,251	\$57,522
Deferred rent	14,548	14,244	13,937	13,625	13,309	13,309	13,309	13,309	13,309	13,309	13,309	13,309
Income tax reserve	989	880	943	604	657	657	657	657	657	657	657	657
Total Liabilities	\$57,301	\$49,360	\$48,196	\$49,494	\$59,814	\$59,814	\$60,190	\$59,199	\$62,208	\$65,217	\$65,217	\$71,488
Shareholders' Equity												
Class A	125	126	126	126	126	126	126	126	126	126	126	126
Class C	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	21,681	22,421	23,076	24,201	24,847	24,847	25,912	26,977	28,042	29,107	29,107	33,632
Retained earnings	16,787	22,268	27,535	32,569	21,246	21,246	26,600	31,937	37,456	25,546	25,546	30,522
Treasury shares	(13,639)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)
Total Stockholders' Equity	\$24,954	\$28,400	\$34,322	\$40,481	\$29,804	\$29,804	\$36,223	\$42,625	\$49,209	\$38,364	\$38,364	\$47,865
Total Liabilities & Stockholders' Equity	\$82,255	\$77,760	\$82,518	\$89,975	\$89,618	\$89,618	\$96,413	\$101,824	\$111,417	\$103,581	\$103,581	\$119,353
Key Metrics												
ROA	36.7%	38.8%	39.2%	36.2%	34.3%	34.3%	33.0%	31.0%	29.3%	28.5%	28.5%	26.3%
ROE	99.6%	116.5%	100.2%	83.5%	87.7%	87.7%	93.0%	78.0%	68.0%	69.9%	69.9%	60.7%
ROIC	57.3%	62.0%	54.0%	47.4%	54.1%	54.1%	48.5%	44.1%	40.9%	46.7%	46.7%	43.4%
Cash per share	\$4.23	\$3.80	\$3.17	\$3.77	\$3.14	\$3.14	\$3.72	\$4.22	\$5.04	\$4.38	\$4.38	\$5.73

Sources: Company reports, Sidoti & Company, LLC estimates

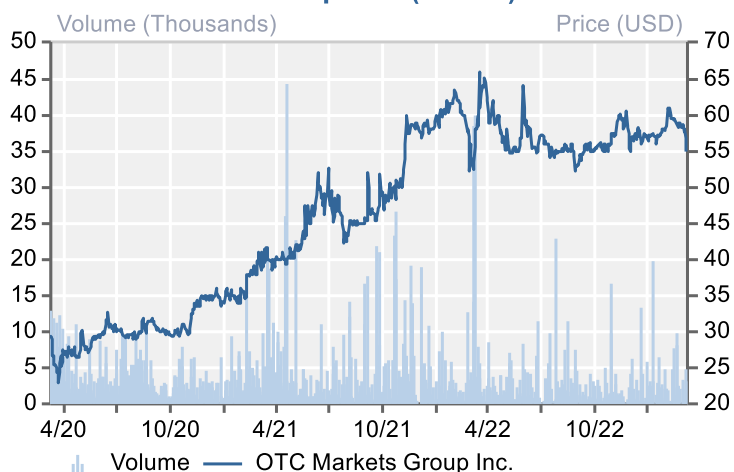
Required Disclosures

OTC Markets Group Inc. (OTCM-\$55.05) NR Price Target: \$68 Risk Rating: H

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
PT	4/13/20	27.9		36	
PT	11/12/20	33.2		38	
PT	3/19/21	40		44	
PT	5/10/21	42		46	
PT	8/6/21	45		50	
PT	11/12/21	56.5		60	
PT	3/11/22	55		68	
Rating	6/8/22	0	Suspended	68	
Initiation	6/29/22	55.8	NR	68	H
ACHG	1/9/23	57.3	NR	68	

OTC Markets Group Inc. (OTCM)



Source: FactSet Prices

Valuation	We maintain a \$68 price target on OTCM. Our target applies a multiple of 25x to our 2024 EPS forecast of \$2.74. In the past five years, OTCM traded at 16x-29x forward EPS and averaged 23x. Corporate service and exchange peers trade at 17x-41x and average 25x the 2024 EPS consensus. OTCM's lack of liquidity could validate a discount to peers and is reflected in our risk rating of high, yet we view the recurring-revenue model, product growth and shareholder remuneration as supporting the multiple we assign the stock.		
Key Risks	Trading liquidity	Economic	Competitive

**(IF A COMPANY SPONSORED RESEARCH ("CSR") REPORT, ALSO REFER TO
ADDITIONAL CSR-SPECIFIC DISCLOSURES PROVIDED BELOW)**

Rating System

Sidoti's Equity Research rating system consists of BUY and NEUTRAL recommendations, as well as a NOT RATED classification. We do not assign these BUY or NEUTRAL ratings for companies covered under our Company Sponsored Research program. Companies (or equity securities) covered by our CSR program are classified as NOT RATED (NR) and are only assigned a HIGH (H) or MODERATE (M) risk rating. Unless otherwise noted in a report, Sidoti ratings should be interpreted as follows:

Rating	Industry	Interpretation
BUY	All, except Utilities	Capital appreciation of at least 25% over the next 12 months
NEUTRAL	All, except Utilities	Capital appreciation of less than 25% over the next 12 months
BUY	Utilities(a)	Capital appreciation of at least 15% over the next 12 months
NEUTRAL	Utilities(a)	Capital appreciation of less than 15% over the next 12 months
HIGH (RISK)	All in CSR program	Companies/equities with among others, one or more of the following characteristics: <ul style="list-style-type: none"> • significant potential for loss of principal; • significant share price volatility; • limited revenue or cash flow and/or high unpredictability associated with revenue and cash flow; • short and/or unprofitable operating history; • potentially significant issues regarding operational and/or financial success; • problematic financial, liquidity, legal, regulatory or political issues;

		<ul style="list-style-type: none"> • upcoming need for additional capital when availability is questionable; • significant related party transactions which could lead to a conflict of interest; • any other factor that the analyst believes could materially and adversely impact the subject company and/or the value of its securities.
MODERATE (RISK)	All in CSR program	<p>Companies which have many of the same risks as described under the HIGH risk rating, but which risks are mitigated (on a relative basis and in the opinion of the analyst) due to, among others, one or more of the following:</p> <ul style="list-style-type: none"> • more stable and predictable revenue, profits and cash flow; • more established operating history; • more favorable operating or business environment • lower potential for financial, liquidity, regulatory or political issues; or • less onerous upcoming capital needs.

(a) those with at least 75% of operations derived from regulated state and federal businesses

**Percentage of Covered Companies with Each Rating and
Realization of Investment Banking Income from Covered Companies Over the Past 12 Months:**

With reference to the information described in the header immediately above please refer to the table below, which is as of, and reflects information immediately prior to, the publication of this report:

Rating	# of Companies	% (b)	Realized Investment Banking Income (# of companies with rating)	Realized Investment Banking Income (% of companies with rating)
BUY	95	56.9%	1	1.1%
NEUTRAL(a)	18	10.8%	1	5.6%
NOT RATED	1	0.6%	1	100.0%
NR -CSRs Moderate Risk (c)	45	26.9%	0	0.0%
NR -CSRs High Risk (c)	8	4.8%	0	0.0%
TOTAL	167	0%	3	1.8%

(a) Of the NEUTRALS 6 trade above our price target.

(b) Numbers may not add due to rounding or because of a pending drop of coverage.

(c) 84.9% of our CSRs are moderate risk, while 15.1% are high risk.

Certain Risks

A universal risk to all our price targets is that the analyst's estimates or forecasts may not be met. Past performance should not be construed as indicative of future performance. This report contains forward-looking statements, which involve risks and uncertainties. Actual results may differ significantly from such forward-looking statements. Factors that may cause such a difference include, but are not limited to, those discussed in the "Risk Factors" section in the subject company's SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Certain information Regarding Analyst Compensation

Sidoti employees, including research analysts, receive compensation that is based in part upon the overall performance of the firm, including revenues generated by Sidoti's investment banking activities, brokerage activities, from issuers participating in Sidoti's Company Sponsored Research program, from covered (and non-covered) companies paying to attend our conferences or compensating Sidoti for arranging Non-Deal Road Show (NDR) meetings, but compensation is not directly related to any of these revenue streams. As noted below such factors present a potential conflict of interest.

Factors that May Influence Continuation of Coverage and Related Potential Conflicts of Interest

Sidoti research analysts generally do not cover (or continue to cover) those companies where Sidoti does not deem coverage to be profitable. In determining whether coverage is profitable, Sidoti considers among other things, (a) an estimate of invoice payments received from its institutional investor clients as it relates to a covered company; (b) whether management of a covered company participates in Sidoti-sponsored conferences and/or non-deal roadshows (Sidoti receives a fee from the issuer if the issuer

presents at a conference and may receive a fee from the issuer if it schedules an NDR); and (c) whether a covered company has in the past or is inclined to include Sidoti in an investment banking transaction as a co-manager or otherwise. A possible effect of factors (b) and (c) above may be that continued coverage decisions are based, in part, on the willingness of management of covered companies to participate in, and compensate Sidoti for, such conferences and NDR meetings, as well as inclusion in investment banking transactions. This approach could be viewed as presenting potential conflicts of interest.

Sidoti and Analyst Ownership of Securities Described Herein and Other Analyst Restrictions

Sidoti does NOT own securities of the issues described herein. Sidoti policy does not allow an analyst or a member of their household or any account in which they otherwise hold a beneficial interest to own shares in any company that he/she covers. Sidoti policy does not allow employees or household members to serve as an officer or director of a covered company. Sidoti does not make a market in any securities.

Sidoti Investment Banking Revenue Realized from the Subject Company in the Last 12 Month

Sidoti has non-research employees that will seek compensation for investment banking services from the company covered hereunder. As of the date hereof, Sidoti may expect to receive or may intend to seek investment banking compensation from any of its covered companies, including the subject company covered herein, within the next 3 months (additional detail, if any, is provided in a special disclosure below). Investment banking services, as defined under FINRA Rule 2241, includes, among other things, acting as an underwriter in or as a member of the selling group in a securities underwriting. Sidoti's role in most investment banking transactions can be viewed on this company's filings at www.sec.gov. The table below sets forth instances where Sidoti has received investment banking revenue from the company covered hereunder in the last twelve months, if any:

Date	Role	Transaction	Security

Sidoti Non-Investment Revenue Realized from the Subject Company in the Last 12 Months

Prior to December 31, 2022, Sidoti held multiple conferences a year and charged a fee of up to \$6,000 per conference to presenting companies. Beginning January 2023, Sidoti Events, LLC ("Sidoti Events"), an affiliate of Sidoti by common ownership, began to hold these conferences. Sidoti or Sidoti Events may also receive a fee of up to \$8,000 for scheduling a Non-Deal Roadshow ("NDR") day. Sidoti Events reimburses Sidoti for certain services provided by Sidoti to Sidoti Events in respect of these conferences (or NDR days) pursuant to an Expense Sharing Arrangement. The table below sets forth instances where Sidoti or Sidoti Events received non-investment revenue from the company covered hereunder, if any, over the past 12 months:

Conferences	NDR Days

Additional Disclosures Specific to the Subject Company of this Report Including the Pursuit or Expectation of Investment Banking Revenue in the Next Three Months

None.

Analyst Certification

The research analyst that authors this report, Brendan McCarthy, certifies that this report accurately reflects his/her personal views about the subject securities and issuers and that none of the research analyst's compensation was, is or will be directly or indirectly related to the analyst's specific recommendations or views contained in this research report.

Other Disclosures

This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. Sidoti does not maintain a predetermined schedule for publication of research and will not necessarily update this report. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. Past performance should not be construed as indicative of future performance. Information contained herein is based on sources Sidoti believes to be reliable, but it does not guarantee

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Sidoti receives a flat fee of \$40,000 from companies who commissioned CSR coverage from Sidoti prior to January 1, 2023 (“Pre-2023 CSRs”) and \$50,000 from companies that are not Pre-2023 CSRs. Those Pre-2023 CSRs will pay a flat fee of \$45,000 for an additional year of coverage when renewing in 2023. This fee is for the production and dissemination of an Initiation Report (if the initial year of the contract) and quarterly update reports during the one-year term of a CSR contract. (Sidoti does not accept stock or warrant compensation). Such contractually required reports coincide with initiation of coverage and the subject companies’ quarterly earnings releases. Sidoti may also publish reports on its CSR companies between each earnings report for which it has a contractual obligation to publish. The purpose of the CSR fee is to subsidize the high costs of providing securities research coverage. Sidoti’s receipt of a fee from the issuer described herein for producing this report could present potential conflicts of interest. To mitigate the potential for conflicts, Sidoti:

- assures its contracts with the issuer described herein allows for Sidoti’s full editorial control of all research and, within reason, the timing of its release;
- requires the term of a contract extend for one full year, which contract the issuer cannot unilaterally terminate;
- provides Sidoti the ability to terminate the contract under certain circumstances;
- insists that, at a minimum, pro-rata payment of the annual fee is received prior to the publication or release of a research report;
- utilizes analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct;
- provide analysts with full discretion on the price target and over other coverage points based on their own due diligence;
- maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst;

- does not directly tie analyst compensation to their willingness to cover a company on a commissioned basis, provided however that the provision of CSR coverage is one of several overall considerations that is factored into Sidoti's determination of analyst compensation; and
- does not directly or indirectly tie analyst compensation to the specific recommendations or views expressed in any research report.

Notwithstanding the measures set forth above to mitigate the risk of potential conflicts of interest, Sidoti makes no representations and does not warrant that such measures can or will fully eradicate potential conflicts.

Certain Additional CSR Risk Considerations

Many companies covered under Sidoti's CSR program can be classified as microcap stocks, which equities typically bear certain risks that are not as prevalent in the "Blue Chip", large capitalization, mid capitalization or even the small capitalization segment of the market. Microcap stocks are more prone to trade at discounts. They generally have smaller trading volume and smaller public floats than companies with larger market capitalization, which can lead to an inability to buy or sell shares (liquidity risk) in quantity without moving the market (or at all), large bid-ask spreads, and increased stock price volatility (which can result) even if a trade involves a very small number of shares. In addition, microcaps tend to have significant company specific risks that contribute to lower valuations and may limit stock price appreciation. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market. Given the foregoing, readers of this report are urged to pay special attention to the risk rating and risk factors set forth in this report, as well as to seek more detailed information regarding risks by reviewing the company's public filings at www.sec.gov.

Source(s)

Key Statistics data is sourced from FactSet Research Systems