

OTC MARKETS GROUP INC.

A Delaware Corporation

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Federal EIN: 13-3941069
NAICS: 523210
SIC Code: 6289

Issuer's Quarterly Report

For the quarterly period ended March 31, 2022
(the "Reporting Period")

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
\$0.01 Par Value Per Share
17,000,000 Shares Authorized
11,854,360 Shares Outstanding as of April 30, 2022
OTCQX: OTCM

OTC Markets Group Inc. is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

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QUARTERLY REPORT

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this Quarterly Report (the “Quarterly Report”) contains forward-looking statements, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements can be identified by use of the words “expect,” “project,” “may,” “might,” “potential,” and similar terms. OTC Markets Group Inc. and its subsidiaries (“OTC Markets Group,” “we” or the “Company”) cautions readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Forward-looking statements involve a number of risks, uncertainties or other factors beyond OTC Markets Group’s control. These factors include, but are not limited to, our ability to implement our strategic initiatives, economic, political and market conditions and price fluctuations, government and industry regulation, U.S. and global competition, the impact of the COVID-19 pandemic, including changes to trading behavior broadly in the market, and the risk factors discussed under the heading “*Risk Factors*” in our Annual Report for the year ended December 31, 2021. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 1. The exact name of the issuer and the address of its principal executive offices

The name of the issuer is OTC Markets Group Inc.

Company description

OTC Markets Group Inc. (OTCQX: OTCM) operates regulated markets for trading 12,000 U.S. and international securities. Our data-driven disclosure standards form the foundation of our three public markets: OTCQX® Best Market, OTCQB® Venture Market and Pink® Open Market.

Our OTC Link® Alternative Trading Systems (“ATs”) provide critical market infrastructure that broker-dealers rely on to facilitate trading. Our innovative model offers companies more efficient access to the U.S. financial markets.

OTC Link ATS, OTC Link ECN and OTC Link NQB are each a Securities and Exchange Commission (“SEC”) regulated ATS, operated by OTC Link LLC (“OTC Link”), a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer, member SIPC.

The address of the issuer is: **300 Vesey Street, 12th Floor
New York, NY 10282**

The issuer’s telephone: **(212) 896-4400**

The issuer's website:

OTC Markets Group's corporate website, www.otcmarkets.com, contains general information about us and our products and services. We also maintain www.otciq.com, www.otcdealer.com, www.garavan.com, www.virtualinvestorconferences.com, www.lifesciencesinvestorforum.com, www.lifescienceinvestorforum.com and www.blueskydata.com. The information contained on such websites shall not be deemed incorporated by reference herein.

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Item 2. Shares outstanding

The Company is authorized to issue 17,000,000 shares of Class A Common Stock of \$0.01 par value.

None of OTC Markets Group's Class A Common Stock has been registered under the Securities Act of 1933, as amended (the "Securities Act"), or qualified under any state securities laws, and we have no current plans to register or qualify any of our securities. Certain shares of our Class A Common Stock are currently eligible for resale in the public market pursuant to the exemption from registration offered by Rule 144 under the Securities Act ("Rule 144"). The remaining outstanding shares of our Class A Common Stock are "restricted securities" within the meaning of Rule 144 and may be eligible for resale in the future.

The following table shows the amount of the securities outstanding for our Class A Common Stock as of March 31, 2022:

	March 31, 2022
Number of shares authorized	17,000,000
Number of shares outstanding	11,850,336
Number of shares freely tradable (public float) ⁽¹⁾⁽²⁾	7,676,834
Total number of holders of record	203

- (1) The number of shares freely tradable may include shares held by stockholders owning 10% or more of our Class A Common Stock. These stockholders may be considered "affiliates" within the meaning of Rule 144, and their shares may be "control shares" subject to the volume and manner of sale restrictions under Rule 144.
- (2) Our officers and directors hold approximately 4.1 million shares of our Class A Common Stock, which may be "control shares" subject to the volume and manner of sale restrictions under Rule 144. These shares are excluded from the number of shares freely tradable.

As of March 31, 2022, there are 1,389 non-objecting beneficial stockholders owning at least 100 shares of the Company's Class A Common Stock.

Our Class A Common Stock trades on the OTCQX market under the symbol OTCM (CUSIP Number: 67106F108).

Dividends

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our Board of Directors will consider such matters as general business conditions, our financial results, capital requirements, contractual, legal and regulatory restrictions on the payment of dividends and such other factors as our Board of Directors may deem relevant.

During the Reporting Period, our Board of Directors authorized and approved the following cash dividend:

<u>Declaration Date</u>	<u>Dividend Per Common Share</u>	<u>Record Date</u>	<u>Total Amount (in thousands)</u>	<u>Payment Date</u>
March 07, 2022	\$ 0.18	March 23, 2022	\$ 2,133	March 31, 2022

On May 10, 2022, the Board of Directors authorized and approved a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The quarterly cash dividend is payable on June 23, 2022 to stockholders of record on June 9, 2022. The ex-dividend date is June 8, 2022.

Stock Repurchase Program

The Company is authorized to purchase shares from time to time on the open market and through block trades, in accordance with the safe harbor provision of Rule 10b-18 under the Securities Exchange Act of 1934 (the “Exchange Act”).

The following table shows purchases made by the Company of our Class A Common Stock during the Reporting Period and the number of shares remaining to be purchased under the Company’s stock repurchase program:

<u>Date</u>	<u>Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Number of Shares Purchased as Part of the Program</u>	<u>Number of Shares Remaining To Be Purchased Under the Program</u>
Feb 2022	45,140	\$61.50	45,140	254,860

On March 7, 2022, the Board of Directors refreshed the Company’s stock repurchase program, giving the Company authorization to repurchase up to 300,000 shares of the Company’s Class A Common Stock.

Item 3. Unaudited interim condensed consolidated financial statements

Copies of the unaudited interim condensed consolidated financial statements of OTC Markets Group for the three months ended March 31, 2022 and March 31, 2021, including the unaudited interim Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Stockholders’ Equity, Condensed Consolidated Statements of Cash Flows and Notes to the condensed consolidated financial statements, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. As permitted under U.S. GAAP, certain footnotes or other financial information are condensed or omitted in the unaudited interim condensed consolidated financial statements. These

unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2021. The December 31, 2021 unaudited Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements contained in our Annual Report for the year ended December 31, 2021, but does not include all disclosures required by U.S. GAAP. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2022.

Item 4. Management's discussion and analysis

Overview

Our mission is to create better informed and more efficient financial markets.

We operate three business lines:

- OTC Link LLC is a FINRA member broker-dealer that operates three SEC regulated ATSS.
- Market Data Licensing distributes market data and financial information.
- Corporate Services operates the OTCQX and OTCQB markets and offers issuers disclosure and regulatory compliance products.

We provide critical infrastructure to the U.S. financial markets: connecting brokers, organizing markets and incentivizing disclosure. Our market data provides price transparency, assists regulated entities in meeting their compliance obligations and enables better informed investment decisions. Our platform empowers companies to be public and provides a global gateway to access U.S. investors. OTCQX and OTCQB offer companies a choice of premium markets to demonstrate their corporate governance and commitment to transparency.

Our Business

Our wholly owned subsidiary, OTC Link LLC, a FINRA member broker-dealer, operates OTC Link ATS, OTC Link ECN and OTC Link NQB, each an SEC regulated ATS. OTC Link LLC provides regulated quotation, messaging, trade execution and reporting services to broker-dealers. By offering multiple market models, control of trades and choice of counterparties, OTC Link allows broker-dealer subscribers to efficiently provide best execution, attract order flow and comply with FINRA and SEC regulations.

OTC Link ATS operates as a Qualified Interdealer Quotation System ("Qualified IDQS") as defined in Exchange Act Rule 15c2-11 ("Rule 15c2-11"). In this capacity, OTC Link ATS determines whether a security is eligible to be the subject of quotations under Rule 15c2-11 and makes those determinations publicly available on our website and via our market data feeds. Broker-dealers can rely on our determinations in submitting quotations in securities on our OTC Link ATS, relieving them of the obligation to independently review company information.

OTC Link ATS offers a fully attributable, network-based model for quoting and facilitating transactions in over-the-counter ("OTC") equity securities and serves a diverse community of FINRA member broker-dealers that operate as market makers, agency brokers and ATSS, including Electronic Communication Networks ("ECNs"). OTC Link ATS consolidates broker-dealer quotations, delivers trade messages and allows subscribers to execute or negotiate trades with known counterparties. Unlike traditional exchanges and matching engines, OTC Link ATS is not an intermediary and is not a party to any trade reports with respect to any trade

executions that may result from these trade messages. All subscribers to OTC Link ATS are FINRA member broker-dealers, subject to all applicable FINRA rules.

OTC Link ECN operates as an Electronic Communication Network and functions as a centralized matching engine and router for certain OTC equity securities by providing subscribers with anonymous order matching functionality. OTC Link NQB, which launched during the third quarter of 2021, operates as a fully attributable IDQS and a centralized matching engine, allowing distribution of depth-of-book market data. When orders do not match internally on OTC Link ECN or OTC Link NQB, they are routed to other market destinations. OTC Link ECN and OTC Link NQB act as the executing party on an agency basis in relation to all transactions executed on these platforms. Pursuant to applicable FINRA rules, OTC Link ECN and OTC Link NQB submit trade reports to FINRA's OTC Reporting Facility. All transactions executed on OTC Link ECN and OTC Link NQB are cleared and settled pursuant to a clearing agreement with Apex Clearing Corporation.

Due to the role OTC Link plays in supporting the broker-dealer trading process, and our interaction with issuers, we generate a significant amount of market data and information. Our Market Data Licensing business provides our subscribers with access to extensive market data and financial information, which includes real-time, delayed and end-of-day quotation and trading data, as well as security master data, company data and compliance data. Our Market Data Licensing business also offers a number of data products and tools for compliance teams, including our Canari[®] compliance interface and our Blue Sky data, which provides comprehensive compliance data under state securities laws for a wide spectrum of equity and fixed income securities.

We offer a suite of market data licenses, priced per enterprise or per user, through direct connectivity, extranet providers, third-party market data redistributors and Order Management Systems ("OMS"). We generate a majority of our Market Data Licensing revenues from sales through market data redistributors, and certain of our Market Data Licensing agreements include redistribution fees and rebates.

We also charge for the display of advertisements on www.otcmarkets.com.

Our Corporate Services business line includes the OTCQX Best Market, the OTCQB Venture Market, the Pink Open Market and our suite of disclosure and information services. We also offer a Virtual Investor Conferences[®] ("VIC") product, which allows issuers to communicate and engage with stockholders and potential investors through an interactive, online platform.

The OTCQX Best Market provides efficient public trading without the complexity and cost of a national securities exchange listing. To join OTCQX, companies must meet minimum financial, disclosure and qualitative standards set out in our OTCQX Rules.

The OTCQX market is divided into OTCQX U.S. and OTCQX International. OTCQX for Banks, an expansion of the OTCQX market for U.S. companies, is specifically aimed at meeting the needs of community and regional banks. The OTCQX International market is targeted towards (i) large global companies that meet the listing standards of a qualified non-U.S. stock exchange in their primary market and do not see value in meeting multiple regulatory, compliance, disclosure and accounting standards associated with a U.S. exchange listing, and (ii) emerging growth companies that are listed on a qualified non-U.S. stock exchange and may be working towards a U.S. exchange listing but are not yet ready to deploy the management resources necessary to handle the operational complexity and cost burdens.

The OTCQB Venture Market provides public trading for entrepreneurial and development-stage companies and applies standards that promote price transparency and facilitate public

disclosure. OTCQB is open to international and domestic companies that meet the applicable OTCQB Standards.

Companies that do not meet the standards of, or choose not to apply for, the OTCQX Best Market or the OTCQB Venture Market may have their securities traded on the Pink Open Market. OTC Markets Group categorizes companies on the Pink market as “Pink Current Information” or “Pink Limited Information” based on the sufficiency and timeliness of the information provided to investors. Companies on the Pink market may subscribe to our OTC Disclosure & News Service® (“DNS”) or publish information to the SEC or certain other regulatory authorities.

We publish company and security-level compliance flags to help investors identify opportunity and quantify risk. For example, companies whose stock is the subject of a public interest concern are flagged “Caveat Emptor,” or buyer beware.

We also operate an Expert MarketSM tier with restricted quote distribution. The Expert Market allows broker-dealers to publish unsolicited quotes and meet their best execution responsibilities while serving the needs of sophisticated investors.

Recent Business Developments

Acquisition of Blue Sky Data Corp

On March 17, 2022, OTC Markets Group announced the acquisition of substantially all of the assets of Blue Sky Data Corp, a leading provider of compliance data regarding state Blue Sky securities rules and regulations for approximately 40,000 equity and debt securities. The Company purchased the assets for approximately \$12 million in cash, subject to certain adjustments. This acquisition allows us to enhance our existing Blue Sky data offering, improve our value proposition to clients and expand our subscriber base. The resulting product will provide a comprehensive view of Blue Sky secondary trading compliance data, delivered in an efficient format to broker-dealers, financial advisors, public companies and regulators. We closed the acquisition of Blue Sky Data Corp’s assets on May 2, 2022. The Blue Sky Data Corp business will be included in our Market Data Licensing business going forward. See Note 16, *Subsequent Events*, below, for additional information.

OTC Link NQB

During the third quarter of 2021, we launched OTC Link NQB, our third ATS. OTC Link NQB operates as an IDQS and offers a fully attributable matching engine model, while also allowing our Market Data Licensing business to distribute depth-of-book market data. As an SEC-regulated ATS, OTC Link NQB is subject to Consolidated Audit Trail (“CAT”) and Regulation ATS requirements. OTC Link NQB’s launch was not material to our financial results during the Reporting Period. It is not yet possible to predict OTC Link NQB’s long term success or its impact on our future financial results.

Recent Regulatory Developments Impacting our Business

SEC Exchange Act Rule 15c2-11 and FINRA Rule 6432

Rule 15c2-11 governs the publication of quotations in securities in an IDQS such as our OTC Link ATS. Significant amendments to Rule 15c2-11 went into effect in September 2021, which now requires that the issuer of a security have certain current information publicly available before the security can be the subject of public broker-dealer proprietary quotations on OTC Link ATS.

OTC Link ATS began operating as a Qualified IDQS under Rule 15c2-11 and corresponding FINRA Rule 6432 in September 2021. In this capacity, OTC Link ATS makes determinations as to whether a security meets the current information requirements of Rule 15c2-11, or exemptions therefrom. OTC Link ATS also conducts initial reviews under Rule 15c2-11 for companies seeking to join the OTCQX and OTCQB markets. The ability to conduct initial reviews allows OTC Link ATS to play a greater role in bringing companies public on our markets.

We have devoted and will continue to devote significant technology, compliance, legal, personnel and other resources towards compliance with Rule 15c2-11 and FINRA Rule 6432. We also may be subject to routine examinations by FINRA and the SEC in connection with our operation of a Qualified IDQS subject to these rules.

Rule 15c2-11 impacted our Corporate Services financial results during the Reporting Period as described further below in *Trends in Our Business*.

ESOP Fairness Act

On March 29, 2022, the U.S. House of Representatives passed the Securing a Strong Retirement Act of 2021 (H.R. 2954) (the “SECURE Act 2.0”). Section 118 of the SECURE Act 2.0 includes a provision that would put qualified companies that meet established financial and disclosure standards, such as those traded on the OTCQX market, on par with exchange listed companies by allowing them to fully access the benefits of public company employee stock ownership plans (“ESOPs”) under applicable tax regulations. We would expect this legislation, if passed by the Senate in its current form and signed into law, to strengthen our OTCQX offering.

Trends in Our Business

The COVID-19 pandemic did not adversely affect our financial results in the quarter ended March 31, 2022. During the Reporting Period, we maintained in-office operations on a hybrid schedule and continue to manage our operations with a measured approach balancing our ability to serve our subscribers, operational effectiveness and the wellbeing of our colleagues.

During the Reporting Period, our Corporate Services business benefited from a significantly higher number of companies subscribing to our premium markets, OTCQX and OTCQB, and our suite of corporate services, notably DNS, following the effective date of Rule 15c2-11. Our Market Data Licensing business continued to benefit from growth in professional users and enterprise subscribers, offsetting the decline in non-professional users (see *Financial Results*, below).

In the first three months of 2022, we saw a substantial moderation of trading volumes from the unprecedented levels experienced in the first three months of 2021, resulting in a decline in revenues from OTC Link. Trading volumes are highly unpredictable and could decline further, adversely impacting our OTC Link and Market Data Licensing revenues. A decline in trading volumes could also adversely impact our OTC Link broker-dealer subscribers, as well as enterprise level and other users of our Market Data Licensing products. Changes in our broker-dealer subscribers’ trading behavior, such as the type and volume of securities they trade, either in response to regulatory changes or in response to market conditions, could also impact OTC Link’s transaction-based revenues and transaction-based expenses.

For the Reporting Period, 81% of our gross revenues were derived from subscription-based arrangements that are recurring in nature and 19% were transaction-based revenues, compared to 63% and 37%, respectively, for the prior year period. The subscription-based component of our revenues increased substantially by 28%, while the transaction-based component declined

by 49% as a result of the decline in trading volumes, compared to the three months ended March 31, 2021.

OTC Link

Our OTC Link business experienced a substantial moderation in the number of trades on OTC Link ECN and in the number of trade messages on OTC Link ATS during the first three months of 2022, compared to the prior year period. The reduced trading volumes on our markets reflect the industry-wide reduction of trading activity in early 2022 as compared to the unprecedented levels experienced in early 2021, in part due to lower retail participation in the U.S. equity markets. We executed an average of approximately 39,000 transactions per day on OTC Link ECN and OTC Link NQB during the Reporting Period, compared to an average of over 70,000 transactions per day executed on OTC Link ECN during the prior year period. As a result, gross revenues from our OTC Link ECN declined and drove a 47% year over year reduction in revenues from OTC Link. The volume of trading on OTC Link ECN during the Reporting Period continued the trend we saw in the fourth quarter of 2021 when we executed approximately 37,000 transactions per day.

We continue to grow the number of subscribers to OTC Link ECN and had 98 subscribers as of March 31, 2022, up from 82 subscribers as of March 31, 2021. In addition, we continue to enhance the value of our offerings to subscribers and saw growth in our subscription-based connectivity services and CAT reporting service.

We expect to continue to attract new subscribers to our OTC Link platform and to grow our market share; however, the total addressable market is relatively limited. We compete for subscribers and market share with Global OTC, an automated execution venue for certain OTC equity securities operated by a subsidiary of NYSE Group Inc. FINRA's OTC Bulletin Board ("OTCBB"), formerly a competitor of OTC Link, ceased operation in November 2021.

OTC Link ECN and OTC Link NQB generated \$2.4 million in revenues during the Reporting Period and paid \$1.5 million in transaction-based expenses in the form of rebates for posted liquidity. OTC Link ECN generated \$6.7 million in revenues and \$3.5 million in transaction-based expenses in the prior year period. The transaction-based revenues and transaction-based expenses that OTC Link generates, as well as OTC Link's regulatory and clearing costs included in professional and consulting fees, are correlated with the volume of activity on our markets; however, future trading volumes are highly uncertain and cannot be predicted.

Market Data Licensing

In our Market Data Licensing business, the number of professional users subscribing to our data products increased 10% to reach 26,756 as of March 31, 2022, up from 24,404 as of March 31, 2021. The growth in the number of users helped drive a 12% year over year increase in revenues derived from professional users.

Consistent with the reduced retail engagement in the U.S. equity markets, the number of non-professional users of our market data saw a significant decline during the Reporting Period compared to the prior year period, decreasing by 31% to 19,061 users as of March 31, 2022, down from 27,814 users as of March 31, 2021. Contributing to the decline of reported non-professional users was also the transition of one Market Data Licensing client to an enterprise license during the Reporting Period. As a result, revenues from non-professional users declined 26% year over year. The number of non-professional users of our market data generally correlates to the level of retail participation in the U.S. equity markets. Non-professional users' interest in our data tends to fluctuate significantly in response to volatility in the markets and changes in retail trading activity, and we may experience a further decline in the number of users in the coming months.

We continue to focus resources on developing and enhancing the relevance of our data products for our market data subscribers. Our Canari compliance tool provides users with a comprehensive view of quantitative compliance data for a wide spectrum of securities. As of March 31, 2022, a total of 51 firms subscribe to our Compliance Data or Compliance Analytics products, up from 46 firms as of March 31, 2021.

Corporate Services

During the Reporting Period, our Corporate Services business benefited from the increased issuer demand for our products and services following the implementation of amendments to Rule 15c2-11 in September 2021. Our premium OTCQX and OTCQB markets, as well as our DNS product, help issuers to meet their current public disclosure requirements under federal and state securities laws.

The OTCQX Best Market reached 571 companies as of March 31, 2022, up from 482 companies as of March 31, 2021. Companies on our OTCQX market choose to renew their services at the end of each calendar year. For the annual OTCQX subscription period beginning January 1, 2022, we achieved a 96% retention rate, up versus the 94% retention rate achieved for the annual subscription period beginning January 1, 2021.

As of March 31, 2022, there were 1,224 companies on the OTCQB Venture Market, up from 962 companies as of March 31, 2021. Strong new sales and issuer demand related to Rule 15c2-11 drove the increase in companies on OTCQB. OTCQB companies renew on an annual or semi-annual basis, based on the date they joined the market. Historically, over 90% of OTCQB companies that remain in compliance with our OTCQB Standards choose to renew their services at the end of their service terms.

International issuers continued to be a significant driver of the growth in the number of companies on our OTCQX and OTCQB markets, with 28 international companies joining OTCQX and 93 international companies joining OTCQB during the Reporting Period, compared to 35 and 86 international companies joining OTCQX and OTCQB during the prior year period, respectively.

Effective October 1, 2021, we increased our DNS application fee. Beginning January 2022, we introduced annual, incremental pricing adjustments to our fees for the OTCQX and OTCQB markets.

General Business Matters

We continue to evaluate both the current and future period impact of increasing costs related to our personnel, IT infrastructure and expense base more generally. Consistent with other companies in the financial technology sector, compensation and information technology costs comprise a significant proportion of our overall expenses, representing approximately 80% of our total operating expenses in each of the quarters ended March 31, 2022 and 2021.

We recognize the importance of attracting and retaining the talent required to develop our service offerings and manage our infrastructure. We have added headcount where we believe those additional resources can drive future earnings growth or are necessary to process the increased volume of business and provide reliable services to our clients. Adding headcount also allows us to comply with our regulatory obligations, including those under Regulation Systems Compliance and Integrity ("SCI"), Rule 15c2-11 and our CAT reporting responsibilities. We expect that future investments related to our regulatory compliance obligations will be material to our financial results. Our headcount as of March 31, 2022, was 112, an increase of nine versus our headcount of 103 employees as of March 31, 2021.

How OTC Markets Group Generates Revenues

OTC Markets Group generates a significant proportion of its revenues pursuant to subscription arrangements that are recurring in nature. Each of our three business lines offers a distinct fee structure designed to serve its subscribers. OTC Link operates OTC Link ATS, with a subscription model and usage-based fees, and OTC Link ECN and OTC Link NQB, with transaction-based fees. Corporate Services charges application fees and subscription fees on an annual and semi-annual basis. Market Data Licensing charges distribution and licensing fees. The revenue model for each of our business lines is described in detail below.

OTC Link

OTC Link generates revenues through subscription arrangements and transaction-based fees to broker-dealer subscribers.

Broker-dealers pay monthly subscription and connectivity fees to use OTC Link ATS. Our OTC Dealer[®] application provides broker-dealers a user interface into OTC Link ATS. Fees for the use of the OTC Dealer application are based on the number of authorized users per subscriber and are discounted in graduated amounts in relation to total users per subscriber.

OTC Link ATS's FINRA member broker-dealer subscribers pay per security usage fees to (i) publish quotes and (ii) communicate and negotiate with counterparties on OTC Link ATS. Monthly OTC Link ATS position fees are based on the number of daily quote positions in Pink securities, with tiered pricing arrangements based on volume. Monthly OTC Link ATS message fees are based on the daily number of securities on OTC Link ATS for which trade messages are sent or received, with tiered pricing arrangements based on volume. The daily quoting and messaging fees allow subscribers to make unlimited quote updates in a single security and to send and receive an unlimited number of trade messages in a security on a given day. OTC Link ATS also generates revenues from its Quote Access Payment ("QAP") One Statement service as well as from its CAT reporting service.

OTC Link ECN generates transactional revenues based on share volume executed. Broker-dealer subscribers pay a fixed fee per share executed where their orders remove posted liquidity on OTC Link ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for orders that provide liquidity, while paying a fee for those orders that remove liquidity. OTC Link NQB generates transactional revenues and incurs transaction-based expenses in a manner similar to OTC Link ECN. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses.

Market Data Licensing

Market Data Licensing generates revenues by licensing, on a subscription basis, our extensive market data, compliance data, Blue Sky data, company data, and security information collected through OTC Link and our Corporate Services business.

Market Data Licensing subscribers include investors, traders, institutions, accountants, and regulators that pay monthly license fees to access this information. We offer a suite of market data licenses, priced at per enterprise or per subscriber rates, through direct connectivity, extranet connectivity, third-party market data redistributors and OMS providers. Depending on the license type, subscribers may distribute the market data on an internal-only basis, to clients or to the public. We generate a majority of our Market Data Licensing revenues from sales through market data redistributors.

Certain of our Market Data Licensing agreements include redistribution fees and rebates, which represented 9% of Market Data Licensing gross revenues in each of the three-month periods ended March 31, 2022 and 2021.

Pricing information for each of our market data licenses is publicly available on our website.

We also charge for the right to display advertisements on www.otcmarkets.com. Website advertising revenue is included in our Market Data Licensing business line.

Corporate Services

We generate revenue from the OTCQX Best Market and the OTCQB Venture Market, as well as a suite of Corporate Services products including DNS; Real-Time Level 2 Quote Display, a service that companies sponsor to provide their investors with access to free real-time level 2 quotes on www.otcmarkets.com and the issuer's website; the Blue Sky Monitoring Service for analysis, review, and guidance about a company's compliance with each U.S. state's securities laws; and our Virtual Investor Conferences (VIC) product, which allows issuers to communicate and engage with investors and potential investors.

Companies that choose to have their securities designated as OTCQX securities do so annually, on a calendar year basis, while companies on the OTCQB market renew their services annually or semi-annually on the anniversary of the date on which they joined the market. All companies traded on the OTCQX or OTCQB markets pay a one-time application fee and annual or semi-annual fees. These fees are fixed and do not vary based on outstanding shares, market capitalization, market segment or otherwise. Companies on both markets also receive access to DNS, Real-Time Level 2 Quote Display and the Blue Sky Monitoring Service.

Pink companies may subscribe separately to these services and pay one-time application fees, and annual or semi-annual subscription fees, as applicable.

Each of these services may be accessed through www.otciq.com.

Our VIC product is available on a per event basis to companies that choose to participate.

Key Metrics

The table below presents key metrics for our OTC Link, Corporate Services and Market Data Licensing business lines for the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31,	
	2022	2021
OTC Link		
Number of active ATS subscribers ⁽¹⁾	90	82
Number of active ECN subscribers ⁽¹⁾	98	82
New Form 211 filings	90	197
<i>Number of securities quoted:</i> ⁽¹⁾		
OTCQX	623	529
OTCQB	1,272	1,006
Pink	10,176	10,556
Total	12,071	12,091
<i>Dollar volume traded (in thousands):</i>		
OTCQX	\$ 36,168,004	\$ 77,599,105
OTCQB	3,108,053	17,062,344
Pink	111,078,342	134,063,217
Total	\$ 150,354,399	\$ 228,724,665
<i>Dollar volume per security (in thousands):</i>		
OTCQX	\$ 58,055	\$ 146,690
OTCQB	2,443	16,961
Pink	10,916	12,700
Corporate Services		
Graduates to a national securities exchange	24	29
<i>Number of corporate clients:</i> ^{(1)/(2)}		
OTCQX	571	482
OTCQB	1,224	962
Pink	1,584	789
Total	3,379	2,233
Market Data Licensing		
Market data professional users ⁽¹⁾	26,756	24,404
Market data non-professional users ⁽¹⁾	19,061	27,814
Market data compliance file users ⁽¹⁾	51	46

(1) Figures presented are at period end.

(2) Figures presented represent the number of companies subscribing to our services.

Financial Results

Consolidated Results from Operations

Three Months Ended March 31, 2022 Versus Three Months Ended March 31, 2021

The table below presents comparative information from the Company's unaudited interim Condensed Consolidated Statements of Income for the three months ended March 31, 2022 and 2021.

(in thousands, except shares and per share data)	Three Months Ended March 31,		% change
	2022	2021	
Gross revenues	\$ 25,949	\$ 26,076	-
Net revenues	25,161	25,335	(1%)
Revenues less transaction-based expenses	23,646	21,796	8%
Operating expenses	15,002	13,377	12%
Income from operations	8,644	8,419	3%
Operating profit margin	34.4%	33.2%	
Income before provision for income taxes	8,644	8,424	3%
Net income	\$ 7,614	\$ 6,838	11%
Diluted earnings per share	\$ 0.62	\$ 0.57	9%
Weighted-average shares outstanding, diluted	11,926,344	11,710,262	2%

Revenues and Transaction-Based Expenses

The following table presents OTC Markets Group's gross revenues by business line and consolidated revenues less transaction-based expenses for the three months ended March 31, 2022 and 2021.

(in thousands)	Three Months Ended March 31,		% change
	2022	2021	
OTC Link	\$ 5,433	\$ 10,282	(47%)
Market data licensing	8,583	7,899	9%
Corporate services	11,933	7,895	51%
Gross revenues	25,949	26,076	-
Redistribution fees and rebates	(788)	(741)	6%
Net revenues	25,161	25,335	(1%)
Transaction-based expenses	(1,515)	(3,539)	(57%)
Revenues less transaction-based expenses	\$ 23,646	\$ 21,796	8%

Gross revenues for the Reporting Period decreased \$127 thousand to \$25.9 million, flat as compared to the same prior year period. Gross revenues below are for the Reporting Period, as compared to the same prior year period.

- OTC Link revenues decreased \$4.8 million, or 47%. The decline primarily resulted from a \$4.3 million, or 64%, reduction in revenues from OTC Link ECN, consistent with a decline in trading volumes in the first quarter of 2022, when compared to the elevated levels of market volumes and volatility experienced in the first quarter of 2021. This decrease was also impacted by a \$293 thousand, or 22%, decrease in revenue from

OTC Link ATS messages and a \$549 thousand, or 76%, decline in revenue from QAP One Statement fees, also related to the year over year decline in trading volumes. The overall decline in OTC Link revenue was partially offset by growth in revenue from our CAT reporting service and our FIX connection services as we added new subscribers.

- Market Data Licensing revenues increased \$684 thousand, or 9%. The increase was primarily the result of an increase of \$441 thousand, or 12%, in revenue from professional users, consistent with an increase in reported user counts. Additionally, revenues from internal system licenses, delayed data licenses and certain other data services increased by \$231 thousand, or 19%, primarily due to new subscribers to our data products. Market Data Licensing revenues were also impacted by a \$150 thousand, or 20%, increase in broker-dealer enterprise license revenues, resulting from new sales. The overall increase in revenues was partially offset by a \$234 thousand, or 26%, decline in revenue from non-professional users as a result of reduced retail participation in the U.S. equity markets and the transition of one Market Data Licensing client to an enterprise license during the Reporting Period.
- Corporate Services revenues increased \$4.0 million, or 51%. OTCQX revenues grew \$753 thousand, or 26%, to \$3.6 million and OTCQB revenue increased \$1.8 million, or 52%, to \$5.1 million, each due to strong sales during 2021 and continuing during the Reporting Period, a strong calendar year renewal rate, and the impact of annual, incremental pricing adjustments effective January 1, 2022. DNS revenues increased \$1.4 million, or 120%, driven by a higher number of companies subscribing to DNS in connection with the enhanced current information requirements under Rule 15c2-11.
- Transaction-based expenses comprised of rebates paid to OTC Link subscribers providing liquidity decreased by \$2 million, or 57%, due to the lower trading volumes executed on our OTC Link ECN.

Operating Expenses

The following table presents OTC Markets Group's consolidated operating expenses for the three months ended March 31, 2022 and 2021.

(in thousands)	Three Months Ended March 31,		
	2022	2021	% change
Compensation and benefits	\$ 10,223	\$ 8,946	14%
IT Infrastructure and information services	1,958	1,638	20%
Professional and consulting fees	1,217	1,242	(2%)
Marketing and advertising	278	205	36%
Occupancy costs	595	613	(3%)
Depreciation and amortization	440	444	(1%)
General, administrative and other	291	289	1%
Total operating expenses	<u>\$ 15,002</u>	<u>\$ 13,377</u>	12%

Operating expenses for the Reporting Period increased \$1.6 million, or 12%, to \$15.0 million, as compared to the same prior year period. All operating expenses below are for the Reporting Period, as compared to the same prior year period.

- Compensation and benefits expenses increased \$1.3 million, or 14%, primarily related to annual base salary increases in effect from January 1, 2022 and an increase in headcount from 103 as of March 31, 2021 to 112 as of March 31, 2022, which had the

combined effect of increasing salary, bonus, benefit, and payroll tax expenses by \$1.0 million, or 14%. Stock-based compensation expense increased \$185 thousand, or 19%, as a result of year over year increases in annual awards and higher headcount. As a percentage of gross revenues, compensation and benefits costs increased to 39% for the Reporting Period, as compared to 34% for the same prior year period.

- IT Infrastructure and information services expenses increased \$320 thousand, or 20%, primarily a result of increased spending on third party information services and software license fees to improve security and support of our systems.
- Professional and consulting fees decreased \$25 thousand, or 2%, primarily due to lower regulatory and clearing costs related to OTC Link ECN transactions in line with the lower volume of trading activity. The decrease was partially offset by M&A advisory and due diligence costs related to the acquisition of assets from Blue Sky Data Corp. The Company also increased spending on external consulting services to support our web-based applications.
- Marketing and advertising expenses increased \$73 thousand, or 36%, primarily related to a rebound in travel and event-related spending. The increase was further impacted by higher third-party spending related to market research.

Income from Operations and Operating Profit Margin

(in thousands)	Three Months Ended March 31,		% change
	2022	2021	
Income from operations	\$ 8,644	\$ 8,419	3%
Operating profit margin	34.4%	33.2%	3%

Income from operations increased \$225 thousand, or 3%, for the Reporting Period, as compared to the same prior year period, and operating profit margin expanded as shown in the table above, primarily as a result of revenues less transaction-based expenses increasing more than our operating expenses, while net revenues remained relatively unchanged.

Net Income

(in thousands, except shares and per share data)	Three Months Ended March 31,		% change
	2022	2021	
Income before provision for income taxes	\$ 8,644	\$ 8,424	3%
Provision for income taxes	1,030	1,586	(35%)
Effective income tax rate	11.9%	18.8%	(37%)
Net income	\$ 7,614	\$ 6,838	11%

Net income increased \$776 thousand, or 11%, for the Reporting Period, as compared to the same prior year period, due to a \$225 thousand increase in income from operations and a decrease in the Company's effective tax rate from 18.8% to 11.9%. The effective tax rate for the Reporting Period decreased as a result of higher excess tax benefit on stock-based compensation.

Liquidity and Capital Resources

Our liquidity is primarily derived from our working capital and cash flows from operations. We require cash to support our current operating levels, fund strategic growth initiatives, develop new services and enhance existing services, make capital expenditures, fund dividends and

stock repurchases, and pay federal, state and local corporate taxes. We expect that our operations will provide sufficient cash to fund our strategic initiatives. We have no outstanding debt and, as described further below, \$1.5 million available for business operations under our line of credit, which gives us additional flexibility in managing our cash flows (see *Line of Credit*, below).

Cash Available for Operations

The following table presents cash available for operations, which consists of cash as of March 31, 2022 and December 31, 2021.

(in thousands)	March 31, 2022	December 31, 2021	% change
Cash available for operations	\$ 45,339	\$ 50,394	(10%)

Cash available for operations decreased \$5.1 million, or 10%, to \$45.3 million as of March 31, 2022. The Company generated \$502 thousand of cash from operations for the Reporting Period. The Company utilized operating cash flows and cash on hand to fund \$194 thousand in IT infrastructure enhancements, \$2.1 million in quarterly dividends and \$2.8 million in respect of repurchases of our Class A Common Stock.

Cash Flow

The following table presents sources and uses of cash flows for the three months ended March 31, 2022 and 2021.

	Three Months Ended March 31,		
	2022	2021	% change
Net cash provided by operating activities	\$ 502	\$ 3,566	(86%)
Net cash used in investing activities	(194)	(180)	8%
Net cash used in financing activities	(5,363)	(3,607)	49%
Net Increase (decrease) in cash and restricted cash	<u>\$ (5,055)</u>	<u>\$ (221)</u>	2187%

Operating Activities

Net cash provided by operating activities for the Reporting Period was \$502 thousand, as compared to \$3.6 million for the same prior year period. Net cash provided by operating activities for the Reporting Period consisted of net income of \$7.6 million, which was adjusted for non-cash items of \$631 thousand and partially offset by changes in assets and liabilities of \$7.7 million. The lower net cash provided by operating activities in the Reporting Period was primarily due to the timing of our tax payments and an increase in cash bonus paid to employees. The remaining variance was primarily related to other fluctuations in working capital.

Investing Activities

Net cash used in investing activities for the Reporting Period was \$194 thousand, as compared to \$180 thousand for the same prior year period. The net cash used in both periods was primarily related to purchases of IT equipment for our data centers.

Financing Activities

Net cash used in financing activities for the Reporting Period was \$5.4 million, as compared to \$3.6 million for the same prior year period. The net cash used in both periods was primarily related to dividends paid to our stockholders and repurchases of our Class A Common Stock.

The increase in the amount of net cash used in financing activities was primarily related to the Company's share repurchases, rising from \$1.5 million in the same prior year period to \$2.8 million in the Reporting Period.

Capital Resources and Working Capital

OTC Markets Group's working capital at March 31, 2022 was \$21.8 million, an increase of \$3.6 million, or 20%, from \$18.2 million at December 31, 2021. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes and income taxes payable. The increase in working capital for the Reporting Period was primarily attributable to lower accrued operating expenses as the Company paid accrued 2021 discretionary bonus and employer 401(k) contribution in the first quarter of 2022.

Line of Credit

On July 7, 2012, the Company entered into a line of credit agreement with JPMorgan Chase (the "Line of Credit") that provided up to \$1.5 million of available borrowing capacity to fund business operations. The effective interest rate of the Line of Credit is benchmarked to the London Inter Bank Offered Rate ("LIBOR"). The Line of Credit has been extended through June 24, 2022. We have not drawn funds on the Line of Credit. Under the terms of the Line of Credit, we agreed to fulfill certain affirmative and negative covenants and other specified terms. As of March 31, 2022, the Company was in compliance with all of the covenants and other terms of the Line of Credit.

Operating Leases

We have entered into operating lease agreements for our offices and recognize rent expense on a straight-line basis over the terms of the leases.

Off-Balance Sheet Arrangements

None.

Item 5. Legal proceedings

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on our business, financial condition or operations. We are not a party to any past or pending trading suspensions by a securities regulator.

Item 6. Defaults upon senior securities

None.

Item 7. Other information

None.

Item 8. Exhibits

- | | |
|--------------|--|
| Exhibit 3.1 | Unaudited interim condensed consolidated financial statements |
| Exhibit 3.13 | Form of Performance Unit Agreement between the Company and certain senior executives |
| Exhibit 3.14 | Asset Purchase Agreement dated March 15, 2022 |
| Exhibit 9.1 | Certification of principal executive officer |
| Exhibit 9.2 | Certification of principal financial officer |

Item 9. Certifications

Current certifications are filed as Exhibits 9.1 and 9.2 to this Quarterly Report.

Exhibit 3.1

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)
(Unaudited)

	March 31, 2022	December 31, 2021
Assets		
Current assets		
Cash	\$ 45,339	\$ 50,394
Accounts receivable, net of allowance for credit losses of \$232 and \$244	7,631	7,404
Prepaid income taxes	1,432	790
Prepaid expenses and other current assets	1,639	1,363
Total current assets	56,041	59,951
Property and equipment, net	4,718	5,049
Operating lease right-of-use assets	14,581	14,889
Deferred tax assets, net	461	387
Goodwill	251	251
Intangible assets, net	40	40
Long-term restricted cash	1,564	1,564
Other assets	104	124
Total Assets	\$ 77,760	\$ 82,255
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,059	\$ 962
Accrued expenses and other current liabilities	6,629	12,357
Income taxes payable	170	13
Deferred revenue	26,378	28,432
Total current liabilities	34,236	41,764
Income tax reserve	880	989
Operating lease liabilities	14,244	14,548
Total Liabilities	49,360	57,301
Commitments and contingencies		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Class A - 17,000,000 authorized, 12,576,843 issued, 11,850,336 outstanding at		
March 31, 2022; 12,483,128 issued, 11,801,761 outstanding at December 31, 2021	126	125
Additional paid-in capital	22,421	21,681
Retained earnings	22,268	16,787
Treasury stock - 726,507 shares at March 31, 2022 and 681,367 shares at December 31, 2021	(16,415)	(13,639)
Total Stockholders' Equity	28,400	24,954
Total Liabilities and Stockholders' Equity	\$ 77,760	\$ 82,255

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share information)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Gross revenues	\$ 25,949	\$ 26,076
Redistribution fees and rebates	(788)	(741)
Net revenues	25,161	25,335
Transaction-based expenses	(1,515)	(3,539)
Revenues less transaction-based expenses	23,646	21,796
Operating expenses		
Compensation and benefits	10,223	8,946
IT Infrastructure and information services	1,958	1,638
Professional and consulting fees	1,217	1,242
Marketing and advertising	278	205
Occupancy costs	595	613
Depreciation and amortization	440	444
General, administrative and other	291	289
Total operating expenses	15,002	13,377
Income from operations	8,644	8,419
Other income		
Other income, net	-	5
Income before provision for income taxes	8,644	8,424
Provision for income taxes	1,030	1,586
Net income	\$ 7,614	\$ 6,838
Net income per share		
Basic	\$ 0.64	\$ 0.58
Diluted	\$ 0.62	\$ 0.57

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Beginning balance	\$ 24,954	\$ 19,546
Increase from net income	7,614	6,838
Dividends paid	(2,133)	(1,765)
Stock-based compensation	1,195	1,002
Issuance of restricted and common shares, net	(454)	(320)
Purchases of treasury stock	(2,776)	(1,522)
Ending balance	<u>\$ 28,400</u>	<u>\$ 23,779</u>

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 7,614	\$ 6,838
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	440	444
Provision for credit losses	(10)	24
Stock-based compensation	1,195	1,002
Excess tax benefits related to stock-based compensation	(920)	(318)
Deferred income taxes	(74)	(94)
Changes in assets and liabilities:		
Accounts receivable	(217)	(2,915)
Prepaid expenses and other current assets	(276)	(103)
Prepaid income taxes	(642)	356
Accounts payable	97	(114)
Accrued expenses and other current liabilities	(5,624)	(3,905)
Income tax payable	1,077	1,404
Income tax reserve	(109)	38
Deferred revenue	(2,054)	804
Other changes in assets and liabilities	5	105
Net cash provided by operating activities	502	3,566
Cash flows from investing activities		
Purchases of property and equipment	(194)	(180)
Net cash used in investing activities	(194)	(180)
Cash flows from financing activities		
Dividends paid	(2,133)	(1,765)
Issuance of restricted and common shares, net	(454)	(320)
Purchases of treasury stock	(2,776)	(1,522)
Net cash used in financing activities	(5,363)	(3,607)
Net decrease in cash and restricted cash	(5,055)	(221)
Cash and restricted cash at beginning of period	51,958	35,297
Cash and restricted cash at end of period	<u>\$ 46,903</u>	<u>\$ 35,076</u>
Reconciliation of cash and restricted cash:		
Cash	\$ 45,339	\$ 33,512
Long-term restricted cash	1,564	1,564
Total Cash and restricted cash	<u>\$ 46,903</u>	<u>\$ 35,076</u>
Supplemental Disclosure of Cash Flow Information		
Income taxes paid, net of refund	\$ 1,697	\$ 199
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	23	5

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share information)

Note 1. Description of Business

Overview

OTC Markets Group Inc. (“OTC Markets Group” or the “Company”) (OTCQX: OTCM) operates regulated markets for trading 12,000 U.S. and international securities. Our data-driven disclosure standards form the foundation of our three public markets: OTCQX® Best Market, OTCQB® Venture Market and Pink® Open Market.

Our OTC Link® Alternative Trading Systems (“ATSS”) provide critical market infrastructure that broker-dealers rely on to facilitate trading. Our innovative model offers companies more efficient access to the U.S. financial markets.

OTC Link ATS, OTC Link ECN and OTC Link NQB are each a Securities and Exchange Commission (“SEC”) regulated ATS, operated by the Company’s wholly owned subsidiary, OTC Link LLC (“OTC Link”), a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer.

The Company has three business lines: OTC Link, Market Data Licensing and Corporate Services.

- OTC Link – OTC Link LLC operates three ATSS, OTC Link ATS, OTC Link ECN, and OTC Link NQB, that provide trading services to FINRA member broker-dealer subscribers.
- Market Data Licensing – OTC Markets Group provides market data and compliance data for a wide spectrum of securities and companies. The Market Data Licensing business provides investors, traders, institutions, accountants and regulators with a suite of enterprise and user market data licenses, offered via direct or extranet connectivity, through third party market data redistributors or Order Management Systems (“OMS”).
- Corporate Services – OTC Markets Group operates the OTCQX Best Market and the OTCQB Venture Market and offers companies access to a suite of services that are designed to facilitate public disclosure and communication with investors, promote greater transparency and allow companies to demonstrate regulatory compliance and mitigate market risk. These services include the OTC Disclosure & News Service® (“DNS”), Real-Time Level 2 Quote Display, Blue Sky Monitoring Service and our Virtual Investor Conferences® (“VIC”) product.

Corporate Form

OTC Markets Group Inc. is a Delaware corporation. The Company is a “C” Corporation for federal, state, and local income tax purposes.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include the accounts of the Company and its wholly-owned subsidiaries, OTC Link LLC, OTC Markets Group International Ltd, and Qaravan® Inc., and reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary for a fair statement of the results for the period. All intercompany transactions have been eliminated in consolidation. Management has assessed the segment reporting standards, analyzed how the chief operating decision maker (the Chief Executive

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Officer) manages the businesses, assesses performance and allocates resources; and has concluded that the Company has one reportable segment. Refer to Note 2, *Summary of Significant Accounting Policies*, from the Company's Annual Report for the year ended December 31, 2021 for a full discussion of significant accounting policies.

The interim condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements of the Company as of and for the year ended December 31, 2021. Operating results for the three months ended March 31, 2022 (the "Reporting Period") are not necessarily indicative of the results that may be expected for the year ending December 31, 2022.

Use of Estimates

The preparation of these unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates included in the unaudited interim condensed consolidated financial statements include allowance for credit losses, certain accrued expenses, stock-based compensation expense, the incremental borrowing rate used to calculate the present value of the operating lease liabilities, income tax reserve and provision for income taxes. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires an acquirer to recognize and measure contract assets and liabilities acquired in a business combination in accordance with Revenue from Contracts with Customers (Topic 606) rather than adjust them to fair value at the acquisition date. ASU 2021-08 is effective for annual periods beginning after December 15, 2022, with early adoption permitted. The Company early adopted the standard effective January 1, 2022. The adoption had no material impact on the unaudited interim condensed consolidated financial statements.

Recently Issued Accounting Standards Not Yet Adopted

There are no applicable material accounting pronouncements that have been issued but are not yet adopted.

Note 3. Revenue Recognition

Substantially all of our revenues are derived from contracts with customers. Revenues are recognized when control of the promised goods or services is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. In accordance with FASB Topic 606, we evaluate our contracts with customers based on a five-step methodology. We: (1) identify the contract with the customer; (2) identify the performance obligations under the contract; (3) determine the transaction price; (4) allocate the transaction price to the separate performance obligations; and (5) recognize revenue when each performance obligation is satisfied. Certain of our ancillary Market Data Licensing and Corporate Services offerings, including VIC, news release and advertising services, are usage-based and are delivered at a point in time. Accordingly, we recognize revenue upon delivery of the service in line with the contractual agreement.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

OTC Link

OTC Link LLC operates three ATSs: OTC Link ATS, OTC Link ECN, and OTC Link NQB. Broker-dealers pay monthly subscription fees that permit access to the trading system, including the OTC Dealer[®] application and related support and updates, if applicable, during the contract term. Fees for such access are based on the number of authorized users per subscriber and are calculated based on a tiered pricing arrangement. These fees are invoiced monthly and in advance of the monthly service period. The Company satisfies its performance obligations over the contract term and records revenue from these fees ratably over the month, with the unrealized portion recorded as deferred revenue on the Company's Consolidated Balance Sheets. The Company pays rebates to certain resellers of OTC Link ATS services. These are invoiced monthly based on the fixed rate specified in the applicable contract and recorded as a reduction of gross revenues.

In addition to the aforementioned monthly access fees, broker-dealer subscribers to OTC Link ATS pay usage-based fees to publish quotes and deliver trade messages electronically to counterparties. Those fees are recognized at the point in time when the performance obligation, the publication of the quote or delivery of the message, is satisfied. OTC Link ECN generates revenues based on share volume executed on the ECN matching platform. Broker-dealer counterparties pay a fixed fee per share executed where their orders remove posted liquidity on the ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for orders that provide liquidity, while paying a fee for orders that remove liquidity. OTC Link NQB generates revenues in a manner similar to OTC Link ECN. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses. These fees are invoiced monthly, in arrears and are due upon receipt. The Company recognizes transaction-based revenue earned upon the execution of a trade when the Company's obligations are substantially met. Similarly, payments made to subscribers providing liquidity are recognized upon execution and are recorded as transaction-based expenses within the Consolidated Statements of Income.

Market Data Licensing

Market Data Licensing generates revenues by providing our subscribers with continuous access to the market data, compliance data, Blue Sky data, company data and security information collected through our OTC Link and Corporate Services business lines. Subscribers pay monthly fees to access this information priced at per enterprise or per subscriber rates. Market Data Licensing revenues are recognized ratably over the term of the contract period, beginning on the date on which the data is made available to the customer, as our continuing performance obligations are met.

The majority of Market Data Licensing revenues result from sales through redistributors, some of whom earn redistribution fees based on a contractual fixed rate. These fees are invoiced monthly based on the contractual period and are recognized as a reduction of gross revenues. The vast majority of our redistribution fees and rebates are related to these arrangements with market data redistributors.

Corporate Services

Corporate Services generates revenues from the OTCQX Best Market and OTCQB Venture Market and from a suite of other services. Issuers pay annual or semi-annual subscription fees upfront to have their securities traded on the OTCQX or OTCQB markets and to subscribe to our various other services. We recognize these revenues ratably over time based on the

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

subscription period as the performance obligations are met and the transfer of services occurs. Issuers pay one-time non-refundable application fees. These fees are not related to distinct performance obligations and are recognized ratably over the contractual service period, which is one year or shorter. For declined applications, the Company recognizes revenue when the application review is completed. The Company also charges for the right to host webcast presentations and online events on our VIC platform. VIC presentation fees are recognized at the point in time when the services are rendered, which corresponds to the date of the webcast and the point in time that the performance obligation is satisfied.

The following tables present our revenues disaggregated by timing of revenue recognition:

	Three Months Ended March 31,					
	2022			2021		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 4,260	\$ 1,173	\$ 5,433	\$ 9,319	\$ 963	\$ 10,282
Market data licensing	91	8,492	8,583	66	7,833	7,899
Corporate services	650	11,283	11,933	358	7,537	7,895
Gross revenues	5,001	20,948	25,949	9,743	16,333	26,076
Redistribution fees and rebates	(36)	(752)	(788)	(26)	(715)	(741)
Net revenues	4,965	20,196	25,161	9,717	15,618	25,335
Transaction-based expenses	(1,515)	-	(1,515)	(3,539)	-	(3,539)
Revenues less transaction-based expenses	\$ 3,450	\$ 20,196	\$ 23,646	\$ 6,178	\$ 15,618	\$ 21,796

The following tables present our revenues disaggregated by geography:

	Three Months Ended March 31,					
	2022			2021		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 5,433	\$ -	\$ 5,433	\$ 10,282	\$ -	\$ 10,282
Market data licensing	6,813	1,770	8,583	6,281	1,618	7,899
Corporate services	5,673	6,260	11,933	4,025	3,870	7,895
Gross revenues	17,919	8,030	25,949	20,588	5,488	26,076
Redistribution fees and rebates	(721)	(67)	(788)	(672)	(69)	(741)
Net revenues	17,198	7,963	25,161	19,916	5,419	25,335
Transaction-based expenses	(1,515)	-	(1,515)	(3,539)	-	(3,539)
Revenues less transaction-based expenses	\$ 15,683	\$ 7,963	\$ 23,646	\$ 16,377	\$ 5,419	\$ 21,796

Accounts Receivable, net

As of March 31, 2022, and December 31, 2021, accounts receivable net of allowance for credit losses, were \$7,631 and \$7,404, respectively. The allowance for credit losses reflects our best estimate of probable losses inherent in the accounts receivable balances. The Company determines the allowance based on historical experience, the age of the accounts receivable balances, specific account information and our estimates of current and future economic conditions that may affect our customers' ability to pay.

Deferred Revenue

Deferred revenue primarily represents our contractual performance obligations related to annual and semi-annual Corporate Services subscription fees, as well as monthly Market Data Licensing and OTC Link license subscription fees. The following table presents the changes in deferred revenue during the three months ended March 31, 2022 and 2021:

OTC MARKETS GROUP INC.**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

	Three Months Ended March 31,	
	2022	2021
Balance at at beginning of period	\$ 28,432	\$ 18,765
Net changes	(2,054)	804
Balance at at end of period	<u>26,378</u>	<u>19,569</u>

For the three months ended March 31, 2022 and 2021, we recognized \$10,957 and \$6,033 of revenue that was included in the balance of our deferred revenue at the beginning of the year.

Payment Terms

Our payment terms vary by business line and the products or services offered and range from due upon receipt to net 45 days. For certain products, we require payment before services are rendered.

Note 4. Concentrations and Uncertainties

During the Reporting Period, Market Data Licensing revenues earned through one market data redistributor amounted to approximately 8% of the Company's gross revenues, as compared to 7% during the same prior year period. As of March 31, 2022 and 2021, accounts receivable from that same redistributor amounted to 23% and 28% of total accounts receivable, respectively.

Note 5. Fair Value of Financial Instruments

The Company accounts for certain financial instruments at fair value, in accordance with the provisions of the standard for fair value measurement, which utilizes a three-tier hierarchy to determine the fair value of financial assets and liabilities based on the quality of observable inputs and enhances disclosure requirements for fair value measurement. The three tiers are:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in an active market;
- Level 2 – Other inputs that are directly or indirectly observable in the market; and
- Level 3 – Unobservable inputs that are supported by little or no market activity.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal, or most advantageous market for that asset or liability.

Assets and liabilities on the unaudited interim Condensed Consolidated Balance Sheets that are measured at carrying value, which approximates fair value due to the short-term nature of these balances, include prepaid expenses, accrued expenses and other current liabilities and deferred revenue. These balances are classified as Level 1 and Level 2 in the fair value hierarchy.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 6. Property and Equipment

Property and equipment consisted of the following:

	March 31, 2022	December 31, 2021	Estimated useful life (years)
Computer software	\$ 2,841	\$ 2,758	2 - 3
Computer equipment	6,459	6,417	3 - 5
Furniture and fixtures	691	691	5 - 7
Leasehold improvements	2,804	2,820	Term of lease
Total property and equipment	12,795	12,686	
Accumulated depreciation and amortization	(8,077)	(7,637)	
Total property and equipment, net	\$ 4,718	\$ 5,049	

Depreciation and amortization on property and equipment included in the unaudited interim Condensed Consolidated Statements of Income amounted to \$440 and \$444 for the three months ended March 31, 2022 and 2021, respectively.

Note 7. Leases

The Company has two non-cancelable operating leases. One is for office space at 300 Vesey Street, New York, NY that was executed in October 2018 and expires on December 30, 2031. The other is for office space at 100 M Street SE, Washington, D.C. that was amended in April 2021 and expires on January 31, 2028. These operating leases are recorded as operating lease right-of-use assets on the Company's unaudited interim Condensed Consolidated Balance Sheets, and represent the Company's right to use the underlying asset during the lease term. The Company's obligation in respect of future payments due under the leases is included in accrued expenses and other current liabilities and in the operating lease liabilities section on the Company's unaudited interim Condensed Consolidated Balance Sheets.

The components of lease expense were as follows:

	Three Months Ended March 31,	
	2022	2021
Operating Lease cost	\$ 499	\$ 497
Short-term Lease cost	9	5
Total lease cost	\$ 508	\$ 502

Supplemental cash flow information related to leases was as follows:

	Three Months Ended March 31,	
	2022	2021
Cash Paid for operating lease liabilities	\$ 476	\$ 498
Right-of-use assets obtained in exchange for operating lease obligations	-	-

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Supplemental balance sheet information related to leases was as follows:

	March 31, 2022	December 31, 2021
Operating lease right-of use assets	\$ 14,581	\$ 14,889
Other current liabilities	1,930	1,911
Operating lease liabilities	14,244	14,548
Total operating lease liabilities	16,174	16,459
Weighted-average remaining lease term	9 Years	10 Years
Weighted-average discount rate	4.7%	4.7%

Maturities of lease liabilities were as follows:

Remainder of 2022	\$ 1,483
2023	1,982
2024	2,104
2025	2,160
2026	2,165
Thereafter	10,339
Total lease payments	20,233
Less imputed interest	(4,059)
Total	\$ 16,174

Note 8. Goodwill and Intangible Assets

Goodwill and intangible assets consisted of the following:

	March 31, 2022	December 31, 2021	Estimated useful life (years)
Goodwill	\$ 251	\$ 251	Indefinite
Intangible assets:			
Website	\$ 100	\$ 100	2
Subscription services	150	150	8-15
Distributor relations	27	27	15
Intellectual property	40	40	Indefinite
Total intangible assets	317	317	
Accumulated amortization	(277)	(277)	
Intangible assets, net	\$ 40	\$ 40	

No amortization of finite-lived intangible assets was recognized for the three months ended March 31, 2022 or 2021 as the assets were fully amortized. No impairment charges were recorded to goodwill or intangible assets during the three months ended March 31, 2022 or 2021.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	March 31, 2022	December 31, 2021
Payroll and employee withholdings	\$ 3,640	\$ 9,342
Accrued operating expenses	1,059	1,104
Current operating lease liabilities	1,930	1,911
Total accrued expenses and other current liabilities	\$ 6,629	\$ 12,357

Payroll and employee withholdings primarily consisted of accrued discretionary bonus, discretionary employer 401(k) contribution, vacation and sales commissions. The balance of payroll and employee withholdings as of December 31, 2021 represents a full year of accrual, which was paid out during the Reporting Period.

Note 10. Stock-Based Compensation

OTC Markets Group grants stock options to employees and restricted stock awards (“RSAs”) to employees and directors. The grant date fair value of each stock option is estimated using the Black-Scholes option pricing model and is then amortized into compensation expense on a straight-line basis over the requisite service period, which is generally the vesting period. The grant date fair value of each RSA is based on the closing stock price on the day prior to the grant date. These charges are included in compensation and benefits expense and, in respect of compensation for our Board of Directors, professional and consulting fees on the unaudited interim Condensed Consolidated Statements of Income.

A summary of the Company’s option activity for the Reporting Period is as follows:

(in thousands, except W/A exercise price)	Stock options	Weighted-average exercise price	Aggregate intrinsic value	Remaining contractual term (years)
Outstanding, January 1, 2022	530	\$ 30.21	\$ 15,317	6.93
Granted	65	60.75	-	
Exercised	(26)	18.96	1,082	
Outstanding, March 31, 2022	569	\$ 34.21	\$ 15,826	7.16
Exercisable, March 31, 2022	214	\$ 23.32	\$ 8,284	5.10

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of \$196 and \$159 for the three months ended March 31, 2022 and 2021, respectively. Management has estimated forfeiture rates of 5% for stock options granted to management and 23% for stock options granted to other employees. Such charges are included in compensation and benefits expenses on the unaudited interim Condensed Consolidated Statements of Income.

As of March 31, 2022, unrecognized compensation cost related to non-vested stock options was \$2,434, which will be recognized over approximately 3.9 years.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

A summary of the Company's restricted stock activity for the Reporting Period is as follows:

(in thousands, except W/A fair value)	Restricted stock	Weighted-average fair value	Aggregate intrinsic value
Outstanding, January 1, 2022	275	\$ 31.69	\$ 16,223
Granted	86	61.50	5,278
Vested	(89)	29.61	5,479
Forfeited	(3)	35.16	148
Outstanding, March 31, 2022	269	\$ 41.86	\$ 16,663

The Company recognized compensation expense, net of estimated forfeitures, of \$954 and \$806 for the three months ended March 31, 2022 and 2021, respectively. Management has estimated forfeiture rates of 6% for RSAs granted to management and 10% for RSAs granted to other employees. In addition, the Company also recognized professional fees of \$45 and \$37 for the three months ended March 31, 2022 and 2021, respectively, related to the issuance of RSAs to the Board of Directors.

As of March 31, 2022, unrecognized compensation cost related to non-vested RSAs totaled \$9,805, which will be recognized over approximately 3.8 years.

Note 11. Contingencies

Legal Matters

There are no current, past, pending or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on its business, financial condition or operations. OTC Markets Group is not a party to any past or pending trading suspensions by a securities regulator.

Note 12. Stockholders' Equity

Common Stock

The Company has one class of shares, Class A Common Stock, outstanding. Holders of Class A Common Stock, which include holders of unvested RSAs, are entitled to receive such dividends and other distributions in cash, stock of any corporation or property of the Company as may be authorized and declared by the Board of Directors from time to time out of the assets or funds of the Company legally available for the payment of dividends. Upon the voluntary or involuntary liquidation, dissolution or winding up of the Company, holders of Class A Common Stock are entitled to a pro rata share of the net assets of the Company available for distribution in proportion to the number of shares of Class A Common Stock held by each.

The Company is authorized to issue 17,000,000 shares of Class A Common Stock of \$0.01 par value. As of March 31, 2022 there were a total of 12,576,843 shares issued and 11,850,336 shares outstanding. As of December 31, 2021 there were a total of 12,483,128 shares issued and 11,801,761 shares outstanding.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Treasury Stock

In August 2011, the Board of Directors authorized the Company to repurchase up to 300,000 shares of Class A Common Stock in compliance with Rule 10b-18 under the Securities Exchange Act of 1934 (the “Exchange Act”). On March 7, 2022, the Board of Directors refreshed the Company’s stock repurchase program, authorizing the repurchase of up to 300,000 shares of Class A Common Stock.

During the Reporting Period, the Company repurchased 45,140 shares of Class A Common Stock at an average price of \$61.50 per share for a total of \$2,776. During the same prior year period, the Company repurchased 44,733 shares at an average price of \$34.01 per share, for a total of \$1,522. All repurchased shares are held in treasury. Under the stock repurchase program, there are 300,000 shares remaining to be purchased.

Dividends

The Company declared a cash dividend of \$0.18 per share of Class A Common Stock during the three months ended March 31, 2022 and \$0.15 per share of Class A Common Stock during the three months ended March 31, 2021, totaling \$2,133 and \$1,765, respectively.

Equity Incentive Plan

The Company’s Equity Incentive Plan (the “Plan”), as adopted by the Board of Directors on May 7, 2019 and approved by a vote of the Company’s stockholders on December 19, 2019, provides for the grant of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares, and governs options awarded (refer to Note 10, *Stock-Based Compensation*). In November 2021 and 2020, the Board of Directors authorized an increase in the number of shares available for issuance under the Plan by 190,000 and 200,000 shares, respectively.

Note 13. Income Taxes

The Company’s effective tax rates were 11.9% and 18.8% for the three months ended March 31, 2022 and 2021, respectively. The rates reflect the inclusion of state and local income taxes at the federal statutory rate of 21%. The effective tax rate for the three months ended March 31, 2022 differed from the federal statutory rate primarily due to the recognition of the U.S. federal research and development credit, the impact of the Foreign-Derived Intangible Income deduction available pursuant to provisions of the Tax Cuts and Jobs Act, and the impact of excess tax benefits from stock-based compensation. During the first quarter of 2022 and 2021, we recognized an income tax benefit related to the excess tax benefit on stock-based compensation of \$920 and \$318, respectively.

As required by the uncertain tax position guidance in FASB Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. During the Reporting Period, the Company applied for and was accepted into a voluntary tax amnesty program with a state tax jurisdiction for which the Company had previously recorded a liability for an uncertain tax position. The program allows for settlement of certain tax matters at reduced amounts. Under the tax amnesty, the Company was able to settle and reduce its recorded liabilities relating to uncertain tax positions by approximately \$144, or \$115 net of federal benefit. The gross amount of unrecognized tax benefits as of March 31, 2022 and December 31, 2021 was \$669 and \$749, respectively, and

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

was classified in income tax reserve in the Condensed Consolidated Balance Sheets. It is not reasonably possible that any unrecognized tax benefits will reverse within the next twelve months from settlements with taxing authorities.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company recognized interest and penalties of \$5 for the three months ended March 31, 2021, and recorded a reduction of interest and penalties of \$29 for the three months ended March 31, 2022. Interest and penalties accrued as of March 31, 2022 and December 31, 2021 were \$211 and \$240, respectively.

Note 14. Earnings Per Share

The Company calculates earnings per share pursuant to the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. RSAs granted to employees and directors (refer to Note 10, *Stock-Based Compensation*) participate in dividends on the same basis as common shares and such dividends are nonforfeitable by the holder. As a result, these RSAs meet the definition of a participating security.

The tables below present the calculations of earnings per share under the two-class method:

Basic Earnings per common share

(in thousands, except shares and per share data)	<u>Three Months Ended March 31,</u>	
	<u>2022</u>	<u>2021</u>
Net income available to common shareholders	\$ 7,614	\$ 6,838
Less: Undistributed earnings allocated to unvested RSAs	(124)	(118)
Less: Dividend equivalents on unvested RSAs	(48)	(41)
Net income allocated to common shareholders	<u>\$ 7,442</u>	<u>\$ 6,679</u>
Shares of common stock and common stock equivalents		
Weighted-average common shares outstanding	<u>11,599,997</u>	<u>11,506,875</u>
Basic earnings per share	\$ 0.64	\$ 0.58

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Diluted Earnings per common share

(in thousands, except shares and per share data)	Three Months Ended March 31,	
	2022	2021
Net income available to common shareholders	\$ 7,614	\$ 6,838
Less: Undistributed earnings allocated to unvested RSAs	(121)	(116)
Less: Dividend equivalents on unvested RSAs	(48)	(41)
Net income allocated to common shareholders	<u>\$ 7,445</u>	<u>\$ 6,681</u>
Shares of common stock and common stock equivalents		
Weighted-average common shares outstanding	11,599,997	11,506,875
Dilutive effect of employee stock options and RSAs	326,347	203,387
Weighted-average shares used in diluted computation	<u>11,926,344</u>	<u>11,710,262</u>
Diluted earnings per share	\$ 0.62	\$ 0.57

Note 15. Regulatory Authorities

OTC Link LLC is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of \$5 or 6-2/3% of aggregate indebtedness, as defined. OTC Link LLC's regulatory net capital as of March 31, 2022 and December 31, 2021 was \$4,076 and \$5,052, respectively, which exceeded the minimum net capital requirement by \$3,902 and \$4,837, respectively.

Note 16. Subsequent Events

For purposes of disclosure in the unaudited interim condensed consolidated financial statements, the Company has evaluated subsequent events through May 11, 2022, the date the financial statements were available to be issued.

On May 2, 2022, OTC Markets Group completed the previously announced acquisition of assets from Blue Sky Data Corp, a leading provider of equity and debt compliance data regarding state Blue Sky securities rules and regulations. The acquisition includes substantially all of the assets of Blue Sky Data Corp, including customer contracts and intellectual property. The consideration was approximately \$12 million in cash and is subject to certain working capital and post-closing adjustments.

On May 10, 2022, the Board of Directors authorized and approved a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The quarterly cash dividend is payable on June 23, 2022 to stockholders of record on June 9, 2022. The ex-dividend date is June 8, 2022.

EXHIBIT 9.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, R. Cromwell Coulson, Chief Executive Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ R. Cromwell Coulson
R. Cromwell Coulson
Chief Executive Officer

May 11, 2022
Date

EXHIBIT 9.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Antonia Georgieva, Chief Financial Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ Antonia Georgieva
Antonia Georgieva
Chief Financial Officer

May 11, 2022
Date