

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 June 30, 2022

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
\$0.01 Par Value Per Share
17,000,000 Shares Authorized
11,857,364 Shares Outstanding as of July 31, 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: **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.qaravan.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 June 30, 2022:

	June 30, 2022
(i) Number of shares authorized	17,000,000
(ii) Number of shares outstanding	11,857,404
(iii) Number of shares freely tradable (public float) ⁽¹⁾⁽²⁾	7,676,162
(iv) Total number of holders of record	201

- (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 June 30, 2022, there are 1,388 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 six months ended June 30, 2022, our Board of Directors authorized and approved the following cash dividends:

<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
May 10, 2022	0.18	June 9, 2022	2,135	June 23, 2022

On August 9, 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 September 22, 2022, to stockholders of record on September 8, 2022. The ex-dividend date is September 7, 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 six months ended June 30, 2022 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 and six months ended June 30, 2022 and June 30, 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, including real-time, delayed and end-of-day quotation and trading data, as well as security master and company data. Our Market Data Licensing business also offers a number of data products and tools for compliance teams, including our Blue Sky data, which provides comprehensive compliance data under state securities laws for a wide spectrum of equity and fixed income securities. Our Blue Sky data and other compliance data products are available through market data feeds as well as our Canari® platform.

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 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 May 2, 2022, OTC Markets Group closed the previously announced acquisition of Blue Sky Data Corp, a provider of compliance data regarding state Blue Sky securities rules and regulations for 40,000 equity and debt securities, for approximately \$12 million in cash, subject to certain adjustments. Following closing, we integrated Blue Sky Data Corp’s compliance data into our existing Blue Sky data offering, allowing us to improve our value proposition to clients and expand our subscriber base. The enhanced resulting product provides a comprehensive view of Blue Sky secondary trading compliance data for broker-dealers, financial advisors, public companies and regulators. We also integrated seven Blue Sky Data Corp employees in various roles throughout our organization. The subscribers and revenues of Blue Sky Data Corp are included in our Market Data Licensing business.

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.

The impact of Rule 15c2-11 on our financial results during the three and six months ending June 30, 2022 is described further below in *Trends in Our Business* and *Financial Results*.

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. If signed into law, we would expect this legislation to strengthen our OTCQX offering.

Trends in Our Business

Considerable uncertainty surrounded the economic environment in which we operated during the three and six months ended June 30, 2022, stemming from inflation, including compensation inflation, supply chain constraints, recessionary pressures, market volatility, changes in trading volumes and trading behavior, and geopolitical developments, as well as the COVID-19 pandemic. These factors did not materially adversely affect our overall financial results for those periods, though declines in trading activity on our markets impacted our OTC Link and Market Data Licensing businesses. The scope and extent of the potential impact of these macro trends on our business in future quarters is dependent on a number of factors that are highly uncertain and cannot be predicted. Additional information regarding the potential risks impacting our business is included in the *Risk Factors* section of our Annual Report for the year ended December 31, 2021.

During the three months ended June 30, 2022, our Corporate Services business continued to benefit from a higher number of companies subscribing to our premium OTCQX and OTCQB markets and our suite of corporate services, notably DNS, following the effective date of the amendments to Rule 15c2-11. Our Market Data Licensing business experienced continued growth in professional users and enterprise subscribers, partially offsetting the decline in non-professional users, and benefited from the acquisition of Blue Sky Data Corp, which closed in May 2022 (see *Financial Results*, below).

In the three months ended June 30, 2022, we saw continued moderation of trading volumes on our ATSS as compared to the same prior year period, which resulted 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 or our OTC Link broker-dealer subscribers or enterprise level and other users of our Market Data Licensing products. Changes in our broker-dealer subscribers’ trading behavior in response to regulatory changes or market conditions, such as the type and volume of securities they trade, could also impact OTC Link’s transaction-based revenues and transaction-based expenses.

For the three months ended June 30, 2022, 82% of our gross revenues were derived from subscription-based arrangements that are recurring in nature and 18% were transaction-based revenues, compared to 71% and 29%, respectively, for the prior year period. The subscription-based component of our revenues increased by 18%, while the transaction-based component declined by 36% as a result of the decline in trading volumes, compared to the three months ended June 30, 2021.

OTC Link

Our OTC Link business experienced a continued moderation in the number of trades on OTC Link ECN and in the number of trade messages on OTC Link ATS during the three months ended June 30, 2022, compared to the prior year period. The total dollar volume traded in OTCQX, OTCQB and Pink securities declined by 23% from \$169 billion in the prior year period to \$130 billion in the three months ended June 30, 2022. The reduced trading volumes on our markets reflect, in part, a lower participation of retail investors during the first half of 2022 as compared to the same prior year period. We executed an average of approximately 35,000 transactions per day on OTC Link ECN and OTC Link NQB during the three months ended June 30, 2022, compared to an average of approximately 46,000 transactions per day executed on OTC Link ECN during the prior year period. As a result, gross revenues from OTC Link ECN and OTC Link NQB declined, as compared to revenues from OTC Link ECN in the same prior year period, and drove a 33% year over year reduction in revenues from OTC Link.

We continue to grow the number of subscribers to OTC Link ECN and had 101 subscribers as of June 30, 2022, a net increase of three during the quarter and up from 84 subscribers as of June 30, 2021. In addition, we experienced continued growth in our subscription-based connectivity services and Consolidated Audit Trail (“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 \$2.2 million in transaction-based revenues during the three months ended June 30, 2022 and paid \$1.4 million in transaction-based expenses in the form of rebates for posted liquidity. OTC Link ECN generated \$4.4 million in revenues and \$2.5 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, which are 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 4% to 26,715 as of June 30, 2022, up from 25,647 as of June 30, 2021, contributing to a 5% year over year increase in revenues derived from professional users.

Consistent with the reduced retail engagement in our markets, the number of non-professional users of our market data saw a significant decline during the three months ended June 30, 2022 compared to the prior year period, decreasing by 42% to 16,932 users as of June 30, 2022, down from 28,977 users as of June 30, 2021. Contributing to the decline of reported non-professional users was also the transition of one Market Data Licensing client from a per user license to an enterprise license during the first quarter of 2022. As a result, revenues from non-professional users declined 41% 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 Licensing subscribers. Our Canari compliance tool provides users

with a comprehensive view of quantitative compliance data for a wide spectrum of securities. As of June 30, 2022, a total of 51 firms subscribed to our Compliance Data or Compliance Analytics products, up from 47 firms as of June 30, 2021. Our Market Data Licensing business also experienced a significant increase in the number of subscribers to our Blue Sky data product, which we launched in September 2020, as a result of our acquisition of Blue Sky Data Corp.

Corporate Services

During the three months ended June 30, 2022, our Corporate Services business continued to benefit from the higher number of subscribers to 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 meet their current public disclosure requirements under federal and state securities laws.

The OTCQX Best Market reached 594 companies as of June 30, 2022, up from 530 companies as of June 30, 2021, driven by strong sales and retention. 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 June 30, 2022, there were 1,227 companies on the OTCQB Venture Market, up from 1,020 companies as of June 30, 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 34 international companies joining OTCQX and 47 international companies joining OTCQB during the three months ended June 30, 2022, compared to 56 and 97 international companies joining OTCQX and OTCQB during the prior year period, respectively.

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 75% and 79% of our total operating expenses in the three months ended June 30, 2022 and 2021, respectively.

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 June 30, 2022 was 115, an increase of eleven versus our headcount of 104 employees as of June 30, 2021. The increased headcount includes seven employees hired in June 2022 as a result of the Blue Sky Data Corp acquisition.

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 user rates, through direct connectivity, extranet connectivity, third-party market data redistributors and OMS providers. Depending on the license type, subscribers may distribute our 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 for each of the three and six months ended June 30, 2022 and 2021, respectively.

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 issuers; and our Virtual Investor Conferences (VIC) product, which allows issuers to communicate and engage with their stockholders 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 and six months ended June 30, 2022 and 2021.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
OTC Link				
Number of active ATS subscribers ⁽¹⁾	88	83	88	83
Number of active ECN subscribers ⁽¹⁾	101	84	101	84
New Form 211 filings ⁽³⁾	88	200	199	397
Number of securities quoted ⁽¹⁾				
OTCQX	658	578	658	578
OTCQB	1,286	1,066	1,286	1,066
Pink	10,596	11,081	10,596	11,081
Total	12,540	12,725	12,540	12,725
<i>Dollar volume traded (in thousands):</i>				
OTCQX	\$ 30,624,843	\$ 60,030,483	\$ 66,792,847	\$ 137,629,588
OTCQB	2,557,443	8,795,680	5,665,496	25,858,024
Pink	97,116,018	100,643,782	208,194,360	234,706,999
Total	\$ 130,298,304	\$ 169,469,945	\$ 280,652,702	\$ 398,194,610
<i>Dollar volume per security (in thousands):</i>				
OTCQX	\$ 46,542	\$ 103,859	\$ 101,509	\$ 238,113
OTCQB	1,989	8,251	4,406	24,257
Pink	9,165	9,083	19,648	21,181
Corporate Services				
Graduates to a national securities exchange	15	46	39	75
<i>Number of corporate clients: ^{(1)/(2)}</i>				
OTCQX	594	530	594	530
OTCQB	1,227	1,020	1,227	1,020
Pink	1,617	999	1,617	999
Total	3,438	2,549	3,438	2,549
Market Data Licensing				
Market data professional users ⁽¹⁾	26,715	25,647	26,715	25,647
Market data non-professional users ⁽¹⁾	16,932	28,977	16,932	28,977
Market data compliance file users ⁽¹⁾	51	47	51	47

(1) Figures presented are at period end.

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

(3) Starting in September 2021, OTC Link ATS began conducting initial reviews under Rule 15c2-11 for certain companies seeking to join the OTCQX and OTCQB markets. In the event that OTC Link ATS approves the initial review, it subsequently files a modified Form 211 with FINRA. Figures presented include 18 and 39 Form 211s filed by OTC Link ATS during the three and six months ended June 30, 2022, respectively.

Financial Results

Consolidated Results from Operations

The table below presents comparative information from the Company's unaudited interim Condensed Consolidated Statements of Income for the three and six months ended June 30, 2022 and 2021.

(in thousands, except shares and per share data)	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% change	2022	2021	% change
Gross revenues	\$ 25,990	\$ 25,450	2%	\$ 51,939	\$ 51,525	1%
Net revenues	25,209	24,704	2%	50,370	50,038	1%
Revenues less transaction-based expenses	23,851	22,217	7%	47,497	44,011	8%
Operating expenses	14,589	13,074	12%	29,591	26,449	12%
Income from operations	9,262	9,143	1%	17,906	17,562	2%
Operating profit margin	36.7%	37.0%		35.5%	35.1%	
Income before provision for income taxes	9,253	9,143	1%	17,897	17,567	2%
Net income	\$ 7,402	\$ 7,072	5%	\$ 15,016	\$ 13,910	8%
Diluted earnings per share	\$ 0.61	\$ 0.59	3%	\$ 1.23	\$ 1.16	6%
Weighted-average shares outstanding, diluted	11,873,711	11,778,886	1%	11,898,805	11,733,897	1%

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 and six months ended June 30, 2022 and 2021.

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% change	2022	2021	% change
OTC Link	\$ 5,132	\$ 7,682	(33%)	\$ 10,564	\$ 17,963	(41%)
Market data licensing	8,901	8,586	4%	17,484	16,485	6%
Corporate services	11,957	9,182	30%	23,891	17,077	40%
Gross revenues	25,990	25,450	2%	51,939	51,525	1%
Redistribution fees and rebates	(781)	(746)	5%	(1,569)	(1,487)	6%
Net revenues	25,209	24,704	2%	50,370	50,038	1%
Transaction-based expenses	(1,358)	(2,487)	(45%)	(2,873)	(6,027)	(52%)
Revenues less transaction-based expenses	\$ 23,851	\$ 22,217	7%	\$ 47,497	\$ 44,011	8%

Gross Revenues increased by \$540 thousand, or 2%, and \$414 thousand, or 1%, in the second quarter and first six months of 2022, respectively, compared to the same periods in 2021.

Gross revenues and transaction-based expenses described below are for the three and six months ended June 30, 2022, as compared to the same prior year periods.

- OTC Link revenues decreased \$2.6 million, or 33%, and \$7.4 million, or 41%, in the second quarter and first six months of 2022, respectively. The overall decline primarily resulted from a \$2.2 million, or 50%, and \$6.4 million, or 58%, reduction in revenues from OTC Link ECN and OTC Link NQB in the second quarter and first six months of 2022, respectively, as compared to revenues from OTC Link ECN in the same prior year periods. Further contributing to the decline in OTC Link revenues in both periods was a

\$249 thousand and \$542 thousand decrease in revenues from OTC Link ATS messages and a \$319 thousand and \$868 thousand decrease in revenues from QAP One Statement fees in the second quarter and first six months of 2022, respectively. The decline in OTC Link revenues during both periods was consistent with a decline in trading volumes on our markets, when compared to the elevated levels of market activity experienced in the respective 2021 periods. The decline was partially offset by growth in our subscription-based connectivity services and CAT reporting service.

- Market Data Licensing revenues increased \$315 thousand, or 4%, and \$1.0 million, or 6%, in the second quarter and first six months of 2022, respectively, inclusive of the impact of the acquisition of Blue Sky Data Corp during the second quarter of 2022. The increase in both periods was also driven by an increase in revenues from professional user licenses of \$187 thousand, or 5%, and \$628 thousand, or 8%, respectively, and an increase in broker-dealer enterprise license revenues of \$138 thousand, or 17%, and \$288 thousand, or 19%, respectively, due to growth in subscribers. The increase was further impacted by a \$243 thousand and \$475 thousand increase in revenues from internal system licenses, delayed data licenses and certain other data services, or 20%, in each of the second quarter and first six months of 2022, respectively. The increase in Market Data Licensing revenues was partially offset by a \$414 thousand, or 41%, and \$648 thousand, or 34%, decline in revenue from non-professional users in the second quarter and first six months of 2022, respectively, and the impact of audit recovery fees unique to the prior year periods.
- Corporate Services revenues increased \$2.8 million, or 30%, and \$6.8 million, or 40%, in the second quarter and first six months of 2022, respectively. The revenue growth was driven by an increase of \$254 thousand, or 7%, and \$1.0 million, or 16% in OTCQX revenues, and \$1.3 million, or 34%, and \$3.1 million, or 42%, in OTCQB revenues for the second quarter and first six months of 2022, respectively. Our OTCQX and OTCQB revenues increased as a result of strong new sales, the impact of annual, incremental pricing adjustments effective January 1, 2022, and a 96% renewal rate for the annual OTCQX subscription period beginning January 1, 2022, up from 94% for the prior year. OTCQB maintained over 90% renewal rate (see *Trends in Our Business*, above). Contributing to the increase was also a \$1.1 million, or 83%, and \$2.5 million, or 101%, increase in DNS revenues during the second quarter and first six months of 2022, respectively, 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 \$1.1 million, or 45%, and \$3.2 million, or 52%, in the second quarter and first six months of 2022, respectively, due to the lower trading volumes executed.

Operating Expenses

The following table presents OTC Markets Group's consolidated operating expenses for the three and six months ended June 30, 2022 and 2021.

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% change	2022	2021	% change
Compensation and benefits	\$ 9,045	\$ 8,497	6%	\$ 19,268	\$ 17,443	10%
IT Infrastructure and information services	1,894	1,876	1%	3,852	3,514	10%
Professional and consulting fees	1,738	1,076	62%	2,956	2,318	28%
Marketing and advertising	380	280	36%	658	484	36%
Occupancy costs	598	619	(3%)	1,192	1,232	(3%)
Depreciation and amortization	496	441	12%	936	885	6%
General, administrative and other	438	285	54%	729	573	27%
Total operating expenses	<u>\$ 14,589</u>	<u>\$ 13,074</u>	12%	<u>\$ 29,591</u>	<u>\$ 26,449</u>	12%

Operating expenses increased \$1.5 million, or 12%, and \$3.1 million, or 12%, in the second quarter and first six months of 2022, respectively, compared to the same periods in 2021. All operating expenses below are for the three and six months ended June 30, 2022, as compared to the same prior year periods.

- Compensation and benefits expenses increased \$548 thousand, or 6%, and \$1.8 million, or 10%, in the second quarter and first six months of 2022, respectively, primarily related to annual base salary increases in effect from January 1, 2022 and an increase in headcount from 104 as of June 30, 2021 to 115 as of June 30, 2022. Stock-based compensation expense increased \$209 thousand, or 29%, and \$394 thousand, or 23%, as a result of year over year increases in annual awards and higher headcount. As a percentage of gross revenues, compensation and benefits costs represented 35% and 33% for the second quarter of 2022 and 2021, respectively, and 37% and 34% for the six months ended June 30, 2022 and 2021, respectively.
- IT infrastructure and information services expenses increased \$18 thousand, or 1%, and \$338 thousand, or 10%, in the second quarter and first six months of 2022, respectively. The increase during the second quarter was primarily related to software licenses. The increase during the first six months of 2022 was primarily driven by information services and software license costs. The increase during both periods was partially offset by lower spending on data centers and network communications, as compared to prior year periods.
- Professional and consulting fees increased \$662 thousand, or 62%, and \$638 thousand, or 28%, in the second quarter and first six months of 2022, respectively. The increase during both periods was primarily related to M&A advisory, due diligence and transition services costs incurred in connection with the acquisition of Blue Sky Data Corp. The increase was further impacted by higher spending on external consulting services to support our web-based applications, partially offset by lower regulatory and clearing costs as a result of reduced trading volumes on OTC Link ECN.
- Marketing and advertising expenses increased \$100 thousand, or 36%, and \$174 thousand, or 36%, in the second quarter and first six months of 2022, respectively, 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.
- Occupancy fees decreased \$21 thousand and \$40 thousand, in the second quarter and first six months of 2022, respectively, or 3% during each period, primarily driven by lower estimated real estate taxes.

- Depreciation and amortization increased \$55 thousand, or 12%, and \$51 thousand, or 6%, in the second quarter and first six months of 2022, respectively. The increase during these periods was primarily due to amortization charges related to intangible assets added in connection with the Blue Sky Data Corp acquisition.
- General, administrative and other fees increased \$153 thousand, or 54%, and \$156 thousand, or 27%, in the second quarter and first six months of 2022, respectively, driven by higher bad debt, business insurance and internal travel & entertainment expenses.

Income from Operations and Operating Profit Margin

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% change	2022	2021	% change
Income from operations	\$ 9,262	\$ 9,143	1%	\$ 17,906	\$ 17,562	2%
Operating profit margin	36.7%	37.0%	(1%)	35.5%	35.1%	1%

Income from operations increased \$119 thousand, or 1%, and \$344 thousand, or 2%, in the second quarter and first six months of 2022, respectively, compared to the same periods in 2021. The Company's operating profit margin was relatively flat during the three and six months ended June 30, 2022, with net revenues growth offset by increases in operating expenses.

Net Income

(in thousands, except shares and per share data)	Three Months Ended June 30,			Six Months Ended June 30,		
	2022	2021	% change	2022	2021	% change
Income before provision for income taxes	\$ 9,253	\$ 9,143	1%	\$ 17,897	\$ 17,567	2%
Provision for income taxes	1,851	2,071	(11%)	2,881	3,657	(21%)
Effective income tax rate	20.0%	22.7%	(12%)	16.1%	20.8%	(23%)
Net income	\$ 7,402	\$ 7,072	5%	\$ 15,016	\$ 13,910	8%

Net income increased \$330 thousand, or 5%, and \$1.1 million, or 8%, in the second quarter and first six months of 2022, respectively, compared to the same periods in 2021. The increase during these periods was due to the 1% and 2% growth in income from operations, respectively, and the decrease in the Company's effective tax rates, which, for both periods, primarily reflected 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 below, \$3.0 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 June 30, 2022 and December 31, 2021.

(in thousands)	June 30, 2022	December 31, 2021	% change
Cash available for operations	\$ 37,649	\$ 50,394	(25%)

Cash available for operations decreased \$12.7 million to \$37.6 million as of June 30, 2022, from \$50.4 million as of December 31, 2021. During the first six months of 2022, the Company generated \$7.6 million of cash from operations and utilized operating cash flows and cash on hand to fund the \$11.6 million Blue Sky Data Corp acquisition and a \$942 thousand investment in IT infrastructure enhancements, and to pay \$4.3 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 during the six months ended June 30, 2022 and 2021.

	Six Months Ended June 30,		
	2022	2021	% change
Net cash provided by operating activities	\$ 7,638	\$ 15,042	(49%)
Net cash used in investing activities	(12,559)	(350)	3488%
Net cash used in financing activities	(7,823)	(5,427)	44%
Net Increase (decrease) in cash and restricted cash	<u>\$ (12,744)</u>	<u>\$ 9,265</u>	(238%)

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2022 was \$7.6 million, as compared to \$15.0 million during the same prior year period. Net cash provided by operating activities for the first six months consisted of net income of \$15 million, adjusted for non-cash items of \$2.0 million and changes in assets and liabilities of \$9.4 million. Adjustments for non-cash items to net income primarily consisted of depreciation and amortization expense of \$936 thousand and stock-based compensation expense of \$2.2 million, partially offset by excess tax benefits related to stock-based compensation of \$1.1 million. The decrease in cash provided by operating activities during the first six months of 2022, as compared to the same prior year period, is primarily the result of a decrease in deferred revenue, partially offset by higher net income.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2022 was \$12.6 million, as compared to \$350 thousand during the same prior year period. The increase during the current year period was primarily attributable to the Company's acquisition of Blue Sky Data Corp.

Financing Activities

Net cash used in financing activities during the six months ended June 30, 2022 was \$7.8 million, as compared to \$5.4 million during the same prior year period. The net cash used in both periods was primarily related to dividends paid to holders of our Class A Common Stock and repurchases of our Class A Common Stock. The increase in the use of cash in the current

period was primarily related to a greater amount of share repurchases of \$2.8 million, compared to \$1.5 million in the same prior year period.

Capital resources and working capital

OTC Markets Group's working capital at June 30, 2022 was \$15.3 million, a decrease of \$2.9 million, or 16%, 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 decrease in working capital during the six months ended June 30, 2022 was primarily attributable to cash used to purchase Blue Sky Data Corp, partially offset by cash generated by operating activities.

Line of Credit

On July 7, 2012, the Company entered into a line of credit with JPMorgan Chase (the "Line of Credit") that initially provided up to \$1.5 million of available borrowing capacity to fund business operations. The Line of Credit has been increased to \$3.0 million and has been extended through June 23, 2023. The effective interest rate of the Line of Credit is benchmarked to the Prime Rate. 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 June 30, 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 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)

	June 30, 2022	December 31, 2021
Assets		
Current assets		
Cash	\$ 37,649	\$ 50,394
Accounts receivable, net of allowance for credit losses of \$324 and \$244	7,559	7,404
Prepaid income taxes	1,824	790
Prepaid expenses and other current assets	1,554	1,363
Total current assets	48,586	59,951
Property and equipment, net	5,076	5,049
Operating lease right-of-use assets	14,269	14,889
Deferred tax assets, net	469	387
Goodwill	3,984	251
Intangible assets, net	8,283	40
Long-term restricted cash	1,565	1,564
Other assets	286	124
Total Assets	\$ 82,518	\$ 82,255
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,068	\$ 962
Accrued expenses and other current liabilities	8,929	12,357
Income taxes payable	7	13
Deferred revenue	23,312	28,432
Total current liabilities	33,316	41,764
Income tax reserve	943	989
Operating lease liabilities	13,937	14,548
Total Liabilities	48,196	57,301
Commitments and contingencies		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Class A - 17,000,000 authorized, 12,583,911 issued, 11,857,404 outstanding at		
June 30, 2022; 12,483,128 issued, 11,801,761 outstanding at December 31, 2021	126	125
Additional paid-in capital	23,076	21,681
Retained earnings	27,535	16,787
Treasury stock - 726,507 shares at June 30, 2022 and 681,367 shares at December 31, 2021	(16,415)	(13,639)
Total Stockholders' Equity	34,322	24,954
Total Liabilities and Stockholders' Equity	\$ 82,518	\$ 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 June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Gross revenues	\$ 25,990	\$ 25,450	\$ 51,939	\$ 51,525
Redistribution fees and rebates	(781)	(746)	(1,569)	(1,487)
Net revenues	25,209	24,704	50,370	50,038
Transaction-based expenses	(1,358)	(2,487)	(2,873)	(6,027)
Revenues less transaction-based expenses	23,851	22,217	47,497	44,011
Operating expenses				
Compensation and benefits	9,045	8,497	19,268	17,443
IT Infrastructure and information services	1,894	1,876	3,852	3,514
Professional and consulting fees	1,738	1,076	2,956	2,318
Marketing and advertising	380	280	658	484
Occupancy costs	598	619	1,192	1,232
Depreciation and amortization	496	441	936	885
General, administrative and other	438	285	729	573
Total operating expenses	14,589	13,074	29,591	26,449
Income from operations	9,262	9,143	17,906	17,562
Other income(expense)				
Other income(expense), net	(9)	-	(9)	5
Income before provision for income taxes	9,253	9,143	17,897	17,567
Provision for income taxes	1,851	2,071	2,881	3,657
Net income	\$ 7,402	\$ 7,072	\$ 15,016	\$ 13,910
Net income per share				
Basic	0.62	\$ 0.60	\$ 1.27	\$ 1.18
Diluted	0.61	\$ 0.59	\$ 1.23	\$ 1.16

See accompanying notes to unaudited condensed consolidated financial statements

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

	Six Months Ended June 30,	
	2022	2021
Beginning balance	\$ 24,954	\$ 19,546
Increase from net income	15,016	13,910
Dividends paid	(4,268)	(3,531)
Stock-based compensation	2,175	1,766
Issuance of restricted and common shares, net	(779)	(374)
Purchases of treasury stock	(2,776)	(1,522)
Ending balance	<u>\$ 34,322</u>	<u>\$ 29,795</u>

See accompanying notes to unaudited condensed consolidated financial statements

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

	Six Months Ended June 30,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 15,016	\$ 13,910
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	936	885
Provision for credit losses	83	43
Stock-based compensation	2,175	1,766
Excess tax benefits related to stock-based compensation	(1,117)	(345)
Deferred income taxes	(82)	(151)
Changes in assets and liabilities:		
Accounts receivable	(238)	(1,177)
Prepaid expenses and other current assets	(125)	297
Prepaid income taxes	(1,034)	(445)
Accounts payable	106	(239)
Accrued expenses and other current liabilities	(3,365)	(1,317)
Income tax payable	1,111	345
Income tax reserve	(46)	91
Deferred revenue	(5,649)	1,304
Other changes in assets and liabilities	(133)	75
Net cash provided by operating activities	7,638	15,042
Cash flows from investing activities		
Purchases of property and equipment	(942)	(350)
Acquisition of Blue Sky Data Corp	(11,617)	-
Net cash used in investing activities	(12,559)	(350)
Cash flows from financing activities		
Dividends paid	(4,268)	(3,531)
Issuance of restricted and common shares, net	(779)	(374)
Purchases of treasury stock	(2,776)	(1,522)
Net cash used in financing activities	(7,823)	(5,427)
Net decrease in cash and restricted cash	(12,744)	9,265
Cash and restricted cash at beginning of period	51,958	35,297
Cash and restricted cash at end of period	\$ 39,214	\$ 44,562
Reconciliation of cash and restricted cash:		
Cash	\$ 37,649	\$ 42,998
Long-term restricted cash	1,565	1,564
Total Cash and restricted cash	\$ 39,214	\$ 44,562
Supplemental Disclosure of Cash Flow Information		
Income taxes paid, net of refund	\$ 4,050	\$ 4,162
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	25	378

See accompanying notes to unaudited condensed consolidated financial statements

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, member SIPC.

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 for issuers 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

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

reporting standards, analyzed how the chief operating decision maker (the Chief Executive 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 and six months ended June 30, 2022 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-

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 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 or the number of authorized access points per subscriber and may be 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 market data, compliance data, Blue Sky data, company data and security information. 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

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

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our various other services. We recognize these revenues ratably over time based on the 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 or online event 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 June 30,					
	2022			2021		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 3,930	\$ 1,202	\$ 5,132	\$ 6,689	\$ 993	\$ 7,682
Market data licensing	57	8,844	8,901	263	8,323	8,586
Corporate services	708	11,249	11,957	441	8,741	9,182
Gross revenues	4,695	21,295	25,990	7,393	18,057	25,450
Redistribution fees and rebates	(22)	(759)	(781)	(29)	(717)	(746)
Net revenues	4,673	20,536	25,209	7,364	17,340	24,704
Transaction-based expenses	(1,358)	-	(1,358)	(2,487)	-	(2,487)
Revenues less transaction-based expenses	\$ 3,315	\$ 20,536	\$ 23,851	\$ 4,877	\$ 17,340	\$ 22,217

	Six Months Ended June 30,					
	2022			2021		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 8,189	\$ 2,375	\$ 10,564	\$ 16,008	\$ 1,955	\$ 17,963
Market data licensing	148	17,336	17,484	330	16,155	16,485
Corporate services	1,358	22,533	23,891	799	16,278	17,077
Gross revenues	9,695	42,244	51,939	17,137	34,388	51,525
Redistribution fees and rebates	(58)	(1,511)	(1,569)	(55)	(1,432)	(1,487)
Net revenues	9,637	40,733	50,370	17,082	32,956	50,038
Transaction-based expenses	(2,873)	-	(2,873)	(6,027)	-	(6,027)
Revenues less transaction-based expenses	\$ 6,764	\$ 40,733	\$ 47,497	\$ 11,055	\$ 32,956	\$ 44,011

The following tables present our revenues disaggregated by geography:

	Three Months Ended June 30,					
	2022			2021		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 5,132	\$ -	\$ 5,132	\$ 7,682	\$ -	\$ 7,682
Market data licensing	7,116	1,785	8,901	6,798	1,788	8,586
Corporate services	5,392	6,565	11,957	4,361	4,821	9,182
Gross revenues	17,640	8,350	25,990	18,841	6,609	25,450
Redistribution fees and rebates	(715)	(66)	(781)	(679)	(67)	(746)
Net revenues	16,925	8,284	25,209	18,162	6,542	24,704
Transaction-based expenses	(1,358)	-	(1,358)	(2,487)	-	(2,487)
Revenues less transaction-based expenses	\$ 15,567	\$ 8,284	\$ 23,851	\$ 15,675	\$ 6,542	\$ 22,217

	Six Months Ended June 30,					
	2022			2021		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 10,564	\$ -	\$ 10,564	\$ 17,963	\$ -	\$ 17,963
Market data licensing	13,929	3,555	17,484	13,079	3,406	16,485
Corporate services	11,066	12,825	23,891	8,386	8,691	17,077
Gross revenues	35,559	16,380	51,939	39,428	12,097	51,525
Redistribution fees and rebates	(1,436)	(133)	(1,569)	(1,351)	(136)	(1,487)
Net revenues	34,123	16,247	50,370	38,077	11,961	50,038
Transaction-based expenses	(2,873)	-	(2,873)	(6,027)	-	(6,027)
Revenues less transaction-based expenses	\$ 31,250	\$ 16,247	\$ 47,497	\$ 32,050	\$ 11,961	\$ 44,011

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Accounts Receivable, net

As of June 30, 2022 and December 31, 2021, accounts receivable, net of allowance for credit losses were \$7,559 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 six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
Balance at beginning of period	\$ 28,432	\$ 18,765
Net changes	(5,120)	1,304
Balance at end of period	23,312	20,069

During the six months ended June 30, 2022 and 2021, we recognized \$16,798 and \$11,559 of revenue, respectively, 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 each of the three and six months ended June 30, 2022, Market Data Licensing revenues earned through one market data redistributor amounted to approximately 8% of gross revenues, as compared to 8% and 7% during the comparable three and six months in 2021, respectively. As of June 30, 2022 and 2021, accounts receivable from that same redistributor amounted to 22% and 20% 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.

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Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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.

Note 6. Property and Equipment

Property and equipment consisted of the following:

	June 30, 2022	December 31, 2021	Estimated useful life (years)
Computer software	\$ 2,876	\$ 2,758	2 - 3
Computer equipment	7,149	6,417	3 - 5
Furniture and fixtures	691	691	5 - 7
Leasehold improvements	2,836	2,820	Term of lease
Total property and equipment	13,552	12,686	
Accumulated depreciation and amortization	(8,476)	(7,637)	
Total property and equipment, net	\$ 5,076	\$ 5,049	

Depreciation and amortization on property and equipment included in the unaudited interim Condensed Consolidated Statements of Income amounted to \$399 and \$839 for the three and six months ended June 30, 2022, respectively, and \$441 and \$885 during the comparable three and six months in 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.

Supplemental cash flow information related to leases was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Cash Paid for operating lease liabilities	\$ 494	\$ 498	\$ 969	\$ 995
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)

The components of lease expenses were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Operating Lease cost	\$ 499	\$ 499	\$ 998	\$ 996
Short-term Lease cost	7	6	16	10
Total lease cost	<u>\$ 506</u>	<u>\$ 505</u>	<u>\$ 1,014</u>	<u>\$ 1,006</u>

Supplemental balance sheet information related to leases was as follows:

	June 30, 2022	December 31, 2021
Operating lease right-of use assets	\$ 14,269	\$ 14,889
Other current liabilities	1,931	1,911
Operating lease liabilities	<u>13,937</u>	<u>14,548</u>
Total operating lease liabilities	<u>15,868</u>	<u>16,459</u>
Weighted-average remaining lease term	<u>9 Years</u>	<u>10 Years</u>
Weighted-average discount rate	4.7%	4.7%

Maturities of lease liabilities were as follows:

Remainder of 2022	\$ 990
2023	1,982
2024	2,104
2025	2,160
2026	2,165
Thereafter	10,339
Total lease payments	<u>19,740</u>
Less imputed interest	(3,872)
Total	<u>\$ 15,868</u>

Note 8. Acquisitions

On May 2, 2022, the Company completed the acquisition of Blue Sky Data Corp, a provider of compliance data regarding state Blue Sky securities rules and regulations, for approximately \$11,600 in cash, subject to certain adjustments. This acquisition allows OTC Markets Group to enhance its existing Blue Sky data offering, improve its value proposition and expand its subscriber base. The Blue Sky Data Corp subscribers and revenue were included in the Company's Market Data Licensing business for the three and six months ended June 30, 2022.

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Notes to Unaudited Condensed Consolidated Financial Statements (continued)

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The preliminary allocation of the total purchase consideration, which may be subject to revision during the measurement period (12 months from the acquisition date), for this acquisition was as follows:

Customer Relationships	\$ 8,200
Data Asset	140
Goodwill	3,733
Property and equipment	7
Prepaid expenses and other current assets	66
Deferred revenue	(529)
Total	\$ 11,617

Customer relationships and data asset intangible assets are being amortized over a fifteen-year life and a four-year life, respectively. The goodwill amount represents synergies expected to be realized from the business combination and assembled workforce. The associated goodwill and intangible assets from the Blue Sky Data Corp acquisition are deductible for tax purposes.

The financial results of the Blue Sky Data Corp acquisition were included in the condensed consolidated financial statements for the three and six months ended June 30, 2022. The acquisition was immaterial to our unaudited interim Condensed Consolidated Statements of Income for the three and six months ended June 30, 2022, and therefore, supplemental information disclosure on an unaudited pro forma basis is not presented. The Company expensed \$349 and \$527 in acquisition-related costs during the three and six months ended June 30, 2022, respectively, and recorded those charges as professional and consulting fees in the unaudited interim Condensed Consolidated Statements of Income.

Note 9. Goodwill and Intangible Assets

The following table presents goodwill activity for the period:

	December 31, 2021	Goodwill Acquired	Other Adjustments	June 30, 2022
Goodwill	\$ 251	\$ 3,733	\$ -	\$ 3,984

Goodwill acquired during the six months ended June 30, 2022, relates to the acquisition of Blue Sky Data Corp, on May 2, 2022.

	June 30, 2022	December 31, 2021	Estimated useful life (years)
Intangible assets:			
Website	\$ 100	\$ 100	2
Subscription services	150	150	8-15
Customer Relationships	8,200	-	15
Data Asset	140	-	4
Distributor relations	27	27	15
Intellectual property	40	40	Indefinite
Total intangible assets	8,657	317	
Accumulated amortization	(374)	(277)	
Intangible assets, net	\$ 8,283	\$ 40	

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Notes to Unaudited Condensed Consolidated Financial Statements (continued)

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Amortization expense for finite-lived intangible assets was \$97 for both the three and six months ended June 30, 2022. No amortization of finite-lived intangible assets was recognized for the three and six months ended June 30, 2021 as the assets were fully amortized. No impairment charges were recorded to goodwill or intangible assets during the three and six months ended June 30, 2022 and 2021.

Note 10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2022	December 31, 2021
Payroll and employee withholdings	\$ 5,724	\$ 9,342
Accrued operating expenses	1,274	1,104
Current operating lease liabilities	1,931	1,911
Total accrued expenses and other current liabilities	\$ 8,929	\$ 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 in February 2022.

Note 11. Stock-Based Compensation

OTC Markets Group grants stock options to employees and consultants and restricted stock awards ("RSAs") to employees, consultants 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.

Stock Options

A summary of the Company's stock option activity for the six months ended June 30, 2022 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	136	58.69	14	
Exercised	(56)	23.60	1,984	
Forfeited	(16)	36.99	318	
Outstanding, June 30, 2022	594	\$ 37.16	\$ 12,032	7.34
Exercisable, June 30, 2022	205	\$ 23.94	\$ 6,786	5.02

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of \$197 and \$143 for the three months ended June 30, 2022 and 2021, respectively, and \$393 and \$302 for the six months ended June 30, 2022 and 2021, respectively. Management has estimated forfeiture rates of 5% for stock options granted to management and

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

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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 June 30, 2022, unrecognized compensation cost related to non-vested stock options was \$3,108, which will be recognized over approximately 4.1 years.

Restricted Stock Awards

A summary of the Company's restricted stock activity for the six months ended June 30, 2022 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	(90)	29.61	5,479
Forfeited	(6)	40.48	310
Outstanding, June 30, 2022	265	\$ 41.83	\$ 15,158

The Company recognized compensation expense, net of estimated forfeitures, of \$738 and \$583 for the three months ended June 30, 2022 and 2021, respectively, and \$1,692 and \$1,389 for the six months ended June 30, 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 recognized professional fees of \$45 and \$38 for the three months ended June 30, 2022 and 2021, respectively, and \$90 and \$75 for the six months ended June 30, 2022 and 2021, related to the issuance of RSAs to the Board of Directors.

As of June 30, 2022, unrecognized compensation cost related to non-vested RSAs totaled \$8,907, which will be recognized over approximately 3.6 years.

Performance Unit Awards

In March 2022, the OTC Markets Group's Board of Directors approved and authorized the award of Performance Units to certain employees under the Company's 2019 Equity Incentive Plan (the "Plan"). Under the Performance Unit Award agreements, the Company is obligated to deliver a variable number of Performance Units on a fixed monetary amount to certain eligible employees if the Company achieves defined Gross Revenue and Diluted Earnings Per Share targets within the defined performance periods. Each Performance Unit represents the right to receive the value of one share of Class A Common Stock of the Company and will be settled 50% in Class A Common Stock and 50% in cash upon vesting, subject to continued employment vesting requirements set forth in the Performance Unit Award agreements.

The liability-classified Performance Unit Awards are considered unearned until the issuance requirements are met and would be included in accrued expenses and other current liabilities in the Company's Consolidated Balance Sheet. As of June 30, 2022, there was no accrued unrecognized compensation expense related to this obligation in accrued expenses and other current liabilities in the Company's unaudited interim Consolidated Balance Sheet because the Company estimated, based on its financial results for the six months ended June 30, 2022, that it is not probable that the performance objectives set forth in the Performance Unit Award agreements will be met.

The maximum total compensation expense to be recognized under the Performance Unit Awards is \$2,508 if the performance objectives are met each performance year, which would result in the issuance of approximately 44,000 Performance Units, payable in 22,000 shares of

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Class A Common Stock and \$1,254 in cash, based on the closing share price of the Company's Class A Common Stock of \$57.00 on June 30, 2022. However, the actual number of Performance Units issued may fluctuate based on the share price at the date of settlement.

Note 12. 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 13. 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 June 30, 2022 there were a total of 12,583,911 shares issued and 11,857,404 shares outstanding. As of December 31, 2021 there were a total of 12,483,128 shares issued and 11,801,761 shares outstanding.

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 six months ended June 30, 2022, 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 of Class A Common Stock at an average price of \$34.01 per share for a total of \$1,522. All repurchased shares are held in treasury. As of June 30, 2022, there are 300,000 shares remaining to be purchased under the stock repurchase program.

Dividends

The Company declared a cash dividend of \$0.18 per share of Class A Common Stock during the three months ended June 30, 2022 and \$0.15 per share of Class A Common Stock during the three months ended June 30, 2021, totaling \$2,135 and \$1,766, respectively. The Company declared cash dividends of \$0.36 and \$0.30 per share of Class A Common Stock during the six months ended June 30, 2022 and 2021, respectively, totaling \$4,268 and \$3,531, respectively.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

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Equity Incentive Plan

The Company's 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 11, *Stock-Based Compensation*). In each of 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 14. Income Taxes

The Company's effective tax rates were 20.0% and 22.7% for the three months ended June 30, 2022 and 2021, respectively, and 16.1% and 20.8% for the six months ended June 30, 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 differs 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 related to stock-based compensation. During the first six months of 2022 and 2021, we recognized an income tax benefit related to the excess tax benefit on stock based compensation of \$1,117 and \$345, 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 first quarter of 2022, 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 June 30, 2022 and December 31, 2021 was \$708 and \$749, respectively, and was classified in income tax reserve in the unaudited interim 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 \$24 for the three months ended June 30, 2022 and recorded a reduction in interest and penalties of \$5 for the six months ended June 30, 2022. For the three and six months ended June 30, 2021, the Company recognized interest and penalties of \$20 and \$25, respectively. Interest and penalties accrued as of June 30, 2022 and December 31, 2021 were \$235 and \$240, respectively.

Note 15. 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

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

common shares and participating securities based on their respective rights to receive dividends. RSAs granted to employees and directors (refer to Note 11, *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)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income available to common shareholders	\$ 7,402	\$ 7,072	\$ 15,016	\$ 13,910
Less: Undistributed earnings allocated to unvested RSAs	(118)	(123)	(241)	(241)
Less: Dividend equivalents on unvested RSAs	(48)	(41)	(96)	(82)
Net income allocated to common shareholders	<u>\$ 7,236</u>	<u>\$ 6,908</u>	<u>\$ 14,679</u>	<u>\$ 13,587</u>
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	<u>11,593,227</u>	<u>11,497,856</u>	<u>11,596,593</u>	<u>11,502,340</u>
Basic earnings per share	\$ 0.62	\$ 0.60	\$ 1.27	\$ 1.18

Diluted Earnings per common share

(in thousands, except shares and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net income available to common shareholders	\$ 7,402	\$ 7,072	\$ 15,016	\$ 13,910
Less: Undistributed earnings allocated to unvested RSAs	(115)	(120)	(235)	(236)
Less: Dividend equivalents on unvested RSAs	(48)	(41)	(96)	(82)
Net income allocated to common shareholders	<u>\$ 7,239</u>	<u>\$ 6,911</u>	<u>\$ 14,685</u>	<u>\$ 13,592</u>
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	11,593,227	11,497,856	11,596,593	11,502,340
Dilutive effect of employee stock options and RSAs	<u>280,484</u>	<u>281,030</u>	<u>302,212</u>	<u>231,557</u>
Weighted-average shares used in diluted computation	<u>11,873,711</u>	<u>11,778,886</u>	<u>11,898,805</u>	<u>11,733,897</u>
Diluted earnings per share	\$ 0.61	\$ 0.59	\$ 1.23	\$ 1.16

Note 16. 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 June 30, 2022 and December 31, 2021 was \$4,482 and \$5,052, respectively, which exceeded the minimum net capital requirement by \$4,299 and \$4,837, respectively.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 17. Subsequent Events

For purposes of disclosure in the unaudited interim condensed consolidated financial statements, the Company has evaluated subsequent events through August 10, 2022, the date the financial statements were available to be issued.

On August 9, 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 September 22, 2022, to stockholders of record as of September 8, 2022. The ex-dividend date is September 7, 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

August 10, 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

August 10, 2022
Date