

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 September 30, 2022

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
\$0.01 Par Value Per Share
17,000,000 Shares Authorized
11,865,498 Shares Outstanding as of October 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 (“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 OTC Link LLC (“OTC Link”), a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer, member SIPC.

There have been no changes in control of the Company since 1997. OTC Markets Group is currently conducting operations and it is not now, nor has it at any time been, a “shell company” as that term is defined in the OTCQX U.S. Disclosure Guidelines and the federal securities laws.

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. As of September 30, 2022, we also maintained www.otcig.com, www.otcdealer.com, www.garavan.com, www.virtualinvestorconferences.com, www.lifesciencesinvestorforum.com, www.lifescienceinvestorforum.com and www.blueskydata.com. The information contained on such websites shall not be deemed incorporated by reference herein.

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Item 2. Shares outstanding

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

None of OTC Markets Group's Class A Common Stock has been registered under the Securities Act of 1933 (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 September 30, 2022 and June 30, 2022:

	September 30, 2022	June 30, 2022
(i) Number of shares authorized	17,000,000	17,000,000
(ii) Number of shares outstanding	11,864,612	11,857,404
(iii) Number of shares freely tradable (public float) ⁽¹⁾⁽²⁾	7,633,339	7,676,162
(iv) Total number of holders of record	199	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 September 30, 2022, there are 1,387 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 nine months ended September 30, 2022, our Board of Directors authorized and approved the following cash dividends:

Declaration Date	Dividend Per Common Share	Record Date	Total Amount (in thousands)	Payment Date
March 7, 2022	\$ 0.18	March 23, 2022	\$ 2,133	March 31, 2022
May 10, 2022	0.18	June 9, 2022	2,135	June 23, 2022
August 9, 2022	0.18	September 8, 2022	2,135	September 22, 2022

On November 10, 2022, the Board of Directors authorized and approved a special cash dividend of \$1.50 per share of Class A Common Stock and a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The special dividend is payable on December 8, 2022 to stockholders of record on November 23, 2022. The ex-dividend date is November 22, 2022. The quarterly dividend is payable on December 22, 2022 to our stockholders of record on December 8, 2022. The ex-dividend date is December 7, 2021.

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 nine months ended September 30, 2022 and the number of shares remaining to be purchased under the Company's stock repurchase program:

Date	Number of Shares Purchased	Average Price Paid Per Share	Number of Shares Purchased as Part of Announced Repurchase Plan	Number of Shares Remaining To Be Purchased Under Announced Plan
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 nine months ended September 30, 2022 and September 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 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 publish disclosure via OTC Disclosure & News Service® (“DNS”), to the SEC or to certain other regulatory authorities.

We publish issuer 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 EDGAR® Online

On November 9, 2022, we completed the acquisition of EDGAR Online, an established supplier of real-time SEC regulatory data and financial analytics, from Donnelley Financial, LLC for approximately \$3.5

million in cash, subject to certain adjustments. EDGAR Online, which includes the EDGAR Pro platform, provides company disclosure and financial information, structured data sets and mission-critical insights directly to exchanges, brokerage firms, data distributors and financial portals. Integrating the EDGAR Online data and domain expertise into the OTC Markets Group platform provides investors, traders, and compliance teams with a more comprehensive view of an issuer and its securities. The EDGAR Online data services are embedded into our issuer compliance and disclosure processes. This acquisition allows us to bring these vital services in-house and enhance our automated tools that track issuers' compliance with disclosure, financial standards and regulatory reporting requirements under Rule 15c2-11. The acquisition includes substantially all of the assets of the EDGAR Online business, including proprietary technology, custom code, customer contracts and intellectual property. In connection with the acquisition, we entered into a non-transferable, non-exclusive trademark license agreement with the SEC concerning the EDGAR® trademark. We have also hired fourteen EDGAR Online employees in technology, operations and customer service roles. The EDGAR Online business will be included in our Market Data Licensing business going forward. The impact of this acquisition on our financial results for the year ending December 31, 2022 is not expected to be material. We expect to incur integration costs and to invest in the development of the EDGAR Online platform and product suite over time. We expect that future investments in the EDGAR Online business could be material to our financial results.

Fixed Income 15c2-11 Data Product

In early October 2022, we introduced our fixed income 15c2-11 data product that applies our Rule 15c2-11 compliance expertise in the equity market to TRACE-eligible corporate debt securities. In late 2021, the SEC clarified that the amended Rule 15c2-11 also applies to OTC fixed income securities. Designed in response to the SEC's clarification, this new data file provides both summary and detailed data regarding Rule 15c2-11 compliance for more than 130,000 corporate debt securities and allows our subscribers' risk management and compliance teams to easily assess compliance with federal securities law. It is not yet possible to predict how successful we will be in onboarding subscribers to this new product offering, or to estimate the impact it will have on our financial results.

Acquisition of Blue Sky Data Corp

On May 2, 2022, OTC Markets Group closed the 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 nine months ending September 30, 2022 is described further below in *Trends in Our Business* and *Financial Results*.

Blue Sky Secondary Trading Exemptions for OTCQX and OTCQB

As of November 1, 2022, our OTCQX and OTCQB markets are exempt from state Blue Sky laws regarding secondary trading in 38 states and 1 U.S territory: Alaska, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho (OTCQX only), Indiana, Iowa, Kansas (OTCQX only), Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New Mexico, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont (OTCQX only), Virginia (OTCQX only), Washington, West Virginia, Wisconsin and Wyoming. State Blue Sky laws generally help investors make informed decisions by mandating that companies disclose accurate and current information when offering or marketing securities. We believe recognition of our markets by state regulators and the resulting Blue Sky exemptions make OTCQX and OTCQB more attractive to current and prospective companies. However, the impact of this initiative on our financial results is indirect, and therefore difficult to determine.

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 nine months ended September 30, 2022, stemming from inflation, including compensation inflation, supply chain constraints, recessionary pressures, rising interest rates, 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 September 30, 2022, OTC Link continued to be impacted by the decline in trading activity on our markets as compared to the prior year period. Our Corporate Services business continued to benefit from a higher number of companies subscribing to our premium OTCQX and OTCQB markets. Our DNS product experienced a decline in the number of subscribers during the three months ended September 30, 2022, returning to a subscriber level comparable to the prior year period. 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).

For the three months ended September 30, 2022, 83% of our gross revenues were derived from subscription-based arrangements that are recurring in nature and 17% were transaction-based revenues, compared to 78% and 22%, respectively, for the prior year period. The subscription-based component of

our revenues increased by 9%, while the transaction-based component declined by 20% as a result of the decline in trading volumes, compared to the three months ended September 30, 2021.

OTC Link

Our OTC Link business continued to execute a lower volume of trades on OTC Link ECN and OTC Link NQB as well as to see a lower number of trade messages on OTC Link ATS during the three months ended September 30, 2022, compared to the prior year period. The total dollar volume traded in OTCQX, OTCQB and Pink securities declined by 27% from \$154 billion in the prior year period to \$112 billion in the three months ended September 30, 2022. The reduced trading volumes on our markets reflect, in part, a lower participation of retail investors during the first nine months of 2022 as compared to the same prior year period. We executed an average of approximately 32,000 transactions per day on OTC Link ECN and OTC Link NQB during the three months ended September 30, 2022, compared to an average of approximately 39,000 transactions per day executed during the prior year period. As a result, gross revenues from OTC Link ECN and OTC Link NQB declined, as compared to the same prior year period, and drove an 18% year over year reduction in revenues from OTC Link.

We continue to grow the number of subscribers to OTC Link ECN and had 105 subscribers as of September 30, 2022, a net increase of four during the quarter and up from 90 subscribers as of September 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 September 30, 2022 and paid \$1.3 million in transaction-based expenses in the form of rebates for posted liquidity, compared to \$2.9 million in revenues and \$1.7 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 2% to 26,405 as of September 30, 2022, up from 25,870 as of September 30, 2021, contributing to a 2% 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 September 30, 2022 compared to the prior year period, decreasing by 49% to 14,783 users as of September 30, 2022, down from 29,156 users as of September 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 46% 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 September 30, 2022, a total of 51 firms subscribed to our Compliance Data or Compliance Analytics products, up from 47 firms as of September 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.

We have increased certain fees for our Market Data Licensing offerings, effective January 1, 2023.

Corporate Services

During the three months ended September 30, 2022, our Corporate Services business continued to benefit from the higher number of subscribers to our premium OTCQX and OTCQB markets. Our DNS offering, which helps issuers meet their current public disclosure requirements, saw a significant increase in the number of subscribers during the prior year period in connection with the amendments to Rule 15c2-11 becoming effective in September 2021. The number of DNS subscribers continued to increase during the first six months of 2022 but declined in the third quarter, with month to month variability driven by non-renewals, corporate events and compliance downgrades.

The OTCQX Best Market reached 609 companies as of September 30, 2022, up from 561 companies as of September 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 September 30, 2022, there were 1,245 companies on the OTCQB Venture Market, up from 1,067 companies as of September 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 31 international companies joining OTCQX and 75 international companies joining OTCQB during the three months ended September 30, 2022, compared to 44 and 90 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 approximately 77% and 80% of our total operating expenses in the three months ended September 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 September 30, 2022 was 119, an increase of ten versus our headcount of 109 employees as of September 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 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, issuer data and security information collected through OTC Link and our Corporate Services business.

Market Data Licensing subscribers include broker-dealers, investors, traders, institutions, accountants and regulators that pay monthly or annual 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 nine months ended September 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 nine months ended September 30, 2022 and 2021.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
OTC Link				
Number of active ATS subscribers ⁽¹⁾	88	85	88	85
Number of active ECN subscribers ⁽¹⁾	105	90	105	90
New Form 211 filings ⁽³⁾	45	151	205	548
<i>Number of securities quoted: ⁽¹⁾</i>				
OTCQX	664	610	664	610
OTCQB	1,291	1,113	1,291	1,113
Pink	10,544	9,881	10,544	9,881
Total	12,499	11,604	12,499	11,604
<i>Dollar volume traded (in thousands):</i>				
OTCQX	\$ 20,352,240	\$ 41,801,689	\$ 87,145,086	\$ 179,431,277
OTCQB	1,627,226	5,007,528	7,292,722	30,865,551
Pink	89,849,981	107,295,440	302,763,383	342,002,438
Total	\$ 111,829,447	\$ 154,104,656	\$ 397,201,191	\$ 552,299,266
<i>Dollar volume per security (in thousands):</i>				
OTCQX	\$ 30,651	\$ 68,527	\$ 131,243	\$ 294,150
OTCQB	1,260	4,499	5,649	27,732
Pink	8,521	10,859	28,714	34,612
Corporate Services				
Graduates to a national securities exchange	23	45	62	120
<i>Number of corporate clients: ^{(1)/(2)}</i>				
OTCQX	609	561	609	561
OTCQB	1,245	1,067	1,245	1,067
Pink	1,567	1,556	1,567	1,556
Total	3,421	3,184	3,421	3,184
Market Data Licensing				
Market data professional users ⁽¹⁾	26,405	25,870	26,405	25,870
Market data non-professional users ⁽¹⁾	14,783	29,156	14,783	29,156
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 22 and 61 Form 211s filed by OTC Link ATS during the three and nine months ended September 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 nine months ended September 30, 2022 and 2021.

(in thousands, except shares and per share data)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% change	2022	2021	% change
Gross revenues	\$ 25,915	\$ 25,220	3%	\$ 77,854	\$ 76,745	1%
Net revenues	25,141	24,476	3%	75,511	74,514	1%
Revenues less transaction-based expenses	23,836	22,808	5%	71,333	66,819	7%
Operating expenses	14,799	13,132	13%	44,390	39,581	12%
Income from operations	9,037	9,676	(7%)	26,943	27,238	(1%)
Operating profit margin	35.9%	39.5%		35.7%	36.6%	
Income before provision for income taxes	9,038	9,688	(7%)	26,935	27,255	(1%)
Net income	\$ 7,169	\$ 7,512	(5%)	\$ 22,185	\$ 21,422	4%
Diluted earnings per share	\$ 0.60	\$ 0.62	(3%)	\$ 1.83	\$ 1.78	3%
Weighted-average shares outstanding, diluted	11,866,903	11,812,910	-	11,886,407	11,762,693	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 nine months ended September 30, 2022 and 2021.

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% change	2022	2021	% change
OTC Link	\$ 5,027	\$ 6,110	(18%)	\$ 15,591	\$ 24,073	(35%)
Market data licensing	9,028	8,489	6%	26,512	24,974	6%
Corporate services	11,860	10,621	12%	35,751	27,698	29%
Gross revenues	25,915	25,220	3%	77,854	76,745	1%
Redistribution fees and rebates	(774)	(744)	4%	(2,343)	(2,231)	5%
Net revenues	25,141	24,476	3%	75,511	74,514	1%
Transaction-based expenses	(1,305)	(1,668)	(22%)	(4,178)	(7,695)	(46%)
Revenues less transaction-based expenses	\$ 23,836	\$ 22,808	5%	\$ 71,333	\$ 66,819	7%

Gross Revenues increased by \$695 thousand, or 3%, and \$1.1 million, or 1%, in the third quarter and first nine months of 2022, respectively, compared to the same periods in 2021. Gross revenues and transaction-based expenses described below are for the three and nine months ended September 30, 2022, as compared to the same prior year periods.

- OTC Link revenues decreased \$1.1 million, or 18%, and \$8.5 million, or 35%, in the third quarter and first nine months of 2022, respectively. The overall decrease primarily resulted from a \$779 thousand, or 26%, and \$7.2 million, or 52%, reduction in revenues from OTC Link ECN and OTC Link NQB in the third quarter and first nine months of 2022, respectively. Further contributing to the decline in OTC Link revenues in both periods was a \$228 thousand, or 20%, and \$770 thousand, or 21%, decrease in revenues from OTC Link ATS messages and a \$207 thousand, or 64%, and \$1.1 million, or 72%, decrease in revenues from QAP One Statement fees in the third quarter and first nine 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 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 \$539 thousand and \$1.5 million, respectively, or 6%, in the third quarter and first nine months of 2022, 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 \$102 thousand, or 2%, and \$730 thousand, or 6%, respectively, and an increase in broker-dealer enterprise license revenues of \$113 thousand, or 14%, and \$400 thousand, or 17%, respectively, due to growth in subscribers. The increase was further impacted by a \$228 thousand, or 18%, and \$703 thousand, or 19%, increase in revenues from internal system licenses, delayed data licenses and certain other data services, in the third quarter and first nine months of 2022, respectively. The increase in Market Data Licensing revenues was partially offset by a \$439 thousand, or 46%, and \$1.1 million, or 38%, decline in revenue from non-professional users in the third quarter and first nine months of 2022, respectively. Market Data Licensing revenues in the first nine months of 2022 were further impacted by audit recovery fees unique to the prior year period.
- Corporate Services revenues increased \$1.2 million, or 12%, and \$8.1 million, or 29%, in the third quarter and first nine months of 2022, respectively. The revenue growth was driven by an increase of \$181 thousand, or 5%, and \$1.2 million, or 12%, in OTCQX revenues, and \$765 thousand, or 18%, and \$3.8 million, or 33%, in OTCQB revenues for the third quarter and first nine months of 2022, respectively. Our OTCQX and OTCQB revenues increased as a result of 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 \$244 thousand, or 11%, and \$2.8 million, or 59%, increase in DNS revenues during the third quarter and first nine months of 2022, respectively, driven by a higher average number of companies subscribing to DNS in the third quarter and first nine months of 2022, respectively, compared to the same prior year periods.
- Transaction-based expenses comprised of rebates paid to OTC Link subscribers providing liquidity decreased \$363 thousand, or 22%, and \$3.5 million, or 46%, in the third quarter and first nine 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 nine months ended September 30, 2022 and 2021.

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% change	2022	2021	% change
Compensation and benefits	\$ 9,431	\$ 8,471	11%	\$ 28,699	\$ 25,914	11%
IT Infrastructure and information services	1,917	2,062	(7%)	5,769	5,576	3%
Professional and consulting fees	1,690	1,008	68%	4,646	3,327	40%
Marketing and advertising	294	218	35%	952	703	35%
Occupancy costs	584	521	12%	1,776	1,753	1%
Depreciation and amortization	556	446	25%	1,492	1,330	12%
General, administrative and other	327	406	(19%)	1,056	978	8%
Total operating expenses	<u>\$ 14,799</u>	<u>\$ 13,132</u>	13%	<u>\$ 44,390</u>	<u>\$ 39,581</u>	12%

Operating expenses increased \$1.7 million, or 13%, and \$4.8 million, or 12%, in the third quarter and first nine months of 2022, respectively, compared to the same periods in 2021. All operating expenses below are for the three and nine months ended September 30, 2022, as compared to the same prior year periods.

- Compensation and benefits expenses increased \$960 thousand and \$2.8 million in the third quarter and first nine months of 2022, respectively, or 11% in each period, primarily related to annual base salary increases effective January 1, 2022, accrued incentive compensation and an increase in headcount from 109 as of September 30, 2021 to 119 as of September 30, 2022. Stock-based compensation expense increased \$286 thousand, or 39%, and \$680 thousand, or 28%, 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 36% and 34% for the third quarter of 2022 and 2021, respectively, and 37% and 34% for the nine months ended September 30, 2022 and 2021, respectively.
- IT infrastructure and information services expenses decreased \$145 thousand, or 7%, in the third quarter and increased \$193 thousand, or 3%, in the first nine months of 2022, respectively. The decrease during the third quarter was primarily related to information services and lower spending on data centers and workstation accessories. The increase during the first nine months of 2022 was primarily driven by software license costs and information services, partially offset by lower spending on data centers and network communications.
- Professional and consulting fees increased \$682 thousand, or 68%, and \$1.3 million, or 40%, in the third quarter and first nine months of 2022, respectively. The increase in both periods was impacted by higher spending on external consulting services to support our web-based applications, databases and security initiatives, partially offset by lower regulatory and clearing costs as a result of reduced trading volumes on OTC Link ECN. The increase during the first nine months of 2022 was further related to M&A advisory, due diligence and transition services costs incurred in connection with the acquisition of Blue Sky Data Corp.
- Marketing and advertising expenses increased \$76 thousand and \$249 thousand, or 35%, in each of the third quarter and first nine months of 2022, 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 increased \$63 thousand, or 12%, and \$23 thousand, or 1%, in the third quarter and first nine months of 2022, respectively, primarily driven by a one-time real estate tax adjustment credit provided by our sublandlord in 2021.
- Depreciation and amortization increased \$110 thousand, or 25%, and \$162 thousand, or 12%, in the third quarter and first nine 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 decreased \$79 thousand, or 19%, in the third quarter of 2022, as a result of lower bad debt expense and bank fees. General, administrative and other fees increased \$78 thousand, or 8%, in the first nine months of 2022, driven by higher business insurance and internal travel & entertainment expenses, partially offset by lower bad debt and bank fees.

Income from Operations and Operating Profit Margin

(in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% change	2022	2021	% change
Income from operations	\$ 9,037	\$ 9,676	(7%)	\$ 26,943	\$ 27,238	(1%)
Operating profit margin	35.9%	39.5%	(9%)	35.7%	36.6%	(2%)

Income from operations decreased \$639 thousand, or 7%, in the third quarter, and \$295 thousand, or 1%, in the first nine months of 2022, respectively, compared to the same periods in 2021. The Company's operating profit margin contracted during each of the three and nine months ended September 30, 2022, with net revenues growth offset by greater increases in operating expenses.

Net Income

(in thousands, except shares and per share data)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2022	2021	% change	2022	2021	% change
Income before provision for income taxes	\$ 9,038	\$ 9,688	(7%)	\$ 26,935	\$ 27,255	(1%)
Provision for income taxes	1,869	2,176	(14%)	4,750	5,833	(19%)
Effective income tax rate	20.7%	22.5%	(8%)	17.6%	21.4%	(18%)
Net income	\$ 7,169	\$ 7,512	(5%)	\$ 22,185	\$ 21,422	4%

Net income decreased \$343 thousand, or 5%, in the third quarter and increased \$763 thousand, or 4%, in the first nine months of 2022, respectively, compared to the same periods in 2021. The decrease during the third quarter of 2022 was due to the 7% decline in income from operations, partially offset by a decrease in the Company's effective tax rate. The increase during the first nine months of 2022, reflects a lower effective tax rate, partially offset by a 1% decline in income from operations. The reduction in the effective tax rates during the third quarter and first nine months of 2022 reflected higher excess tax benefits on stock-based compensation and the Company's acceptance into a voluntary tax amnesty program and a voluntary disclosure agreement with state tax jurisdictions.

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, including acquisitions, 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 September 30, 2022 and December 31, 2021.

(in thousands)	September 30,	December 31,	% change
	2022	2021	
Cash available for operations	\$ 44,745	\$ 50,394	(11%)

Cash available for operations decreased \$5.6 million to \$44.7 million as of September 30, 2022, from \$50.4 million as of December 31, 2021. During the first nine months of 2022, the Company generated \$16.9 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 \$987 thousand investment in IT infrastructure enhancements, and to pay \$6.4 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 nine months ended September 30, 2022 and 2021.

	Nine Months Ended September 30,		% change
	2022	2021	
Net cash provided by operating activities	\$ 16,855	\$ 25,076	(33%)
Net cash used in investing activities	(12,604)	(1,196)	954%
Net cash used in financing activities	(9,898)	(7,628)	30%
Net Increase (decrease) in cash and restricted cash	<u>\$ (5,647)</u>	<u>\$ 16,252</u>	(135%)

Operating Activities

Net cash provided by operating activities for the nine months ended September 30, 2022 was \$16.9 million, as compared to \$25.1 million during the same prior year period. Net cash provided by operating activities for the first nine months consisted of net income of \$22.2 million, adjusted for non-cash items of \$1.4 million and changes in assets and liabilities of \$6.8 million. Adjustments for non-cash items to net income primarily consisted of depreciation and amortization expense of \$1.5 million and stock-based compensation expense of \$3.2 million, partially offset by excess tax benefits related to stock-based compensation of \$1.2 million. The decrease in net cash provided by operating activities during the first nine months of 2022, as compared to the same prior year period, is primarily the result of a decrease in deferred revenue, partially offset by an increase in income tax payable resulting from tax payment timing.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2022 was \$12.6 million, as compared to \$1.2 million 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 nine months ended September 30, 2022 was \$9.9 million, as compared to \$7.6 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 as of September 30, 2022 was \$19.3 million, an increase of \$1.1 million, or 6%, from \$18.2 million at December 31, 2021. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes and income taxes payable. The increase in working capital during the nine months ended September 30, 2022 was primarily attributable to cash generated by operating activities and a decrease in our deferred revenue, partially offset by cash used to purchase Blue Sky Data Corp.

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 September 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.

In the ordinary course of business, the nature of the Company’s business subjects it to claims, lawsuits, regulatory examinations or investigations and other proceedings. OTC Link is regularly the subject of various regulatory reviews, inquiries, investigations and subpoenas or requests for information by FINRA and the SEC. Currently, we are responding to an inquiry from the SEC’s Division of Enforcement regarding certain OTC Link policies and procedures. The inquiry is at an early stage, and we cannot yet anticipate the timing, outcome or possible impact of the inquiry, financial or otherwise.

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)

	September 30, 2022	December 31, 2021
Assets		
Current assets		
Cash	\$ 44,745	\$ 50,394
Accounts receivable, net of allowance for credit losses of \$298 and \$244	8,237	7,404
Prepaid income taxes	36	790
Prepaid expenses and other current assets	1,513	1,363
Total current assets	54,531	59,951
Property and equipment, net	4,716	5,049
Operating lease right-of-use assets	13,954	14,889
Deferred tax assets, net	2,583	387
Goodwill	3,984	251
Intangible assets, net	8,138	40
Long-term restricted cash	1,566	1,564
Other assets	503	124
Total Assets	\$ 89,975	\$ 82,255
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,031	\$ 962
Accrued expenses and other current liabilities	11,159	12,357
Income taxes payable	2,512	13
Deferred revenue	20,563	28,432
Total current liabilities	35,265	41,764
Income tax reserve	604	989
Operating lease liabilities	13,625	14,548
Total Liabilities	49,494	57,301
Commitments and contingencies		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Class A - 17,000,000 authorized, 12,591,119 issued, 11,864,612 outstanding at		
September 30, 2022; 12,483,128 issued, 11,801,761 outstanding at December 31, 2021	126	125
Additional paid-in capital	24,201	21,681
Retained earnings	32,569	16,787
Treasury stock - 726,507 shares at September 30, 2022 and 681,367 shares at December 31, 2021	(16,415)	(13,639)
Total Stockholders' Equity	40,481	24,954
Total Liabilities and Stockholders' Equity	\$ 89,975	\$ 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Gross revenues	\$ 25,915	\$ 25,220	\$ 77,854	\$ 76,745
Redistribution fees and rebates	(774)	(744)	(2,343)	(2,231)
Net revenues	25,141	24,476	75,511	74,514
Transaction-based expenses	(1,305)	(1,668)	(4,178)	(7,695)
Revenues less transaction-based expenses	23,836	22,808	71,333	66,819
Operating expenses				
Compensation and benefits	9,431	8,471	28,699	25,914
IT Infrastructure and information services	1,917	2,062	5,769	5,576
Professional and consulting fees	1,690	1,008	4,646	3,327
Marketing and advertising	294	218	952	703
Occupancy costs	584	521	1,776	1,753
Depreciation and amortization	556	446	1,492	1,330
General, administrative and other	327	406	1,056	978
Total operating expenses	14,799	13,132	44,390	39,581
Income from operations	9,037	9,676	26,943	27,238
Other income (expense)				
Interest income	1	-	2	-
Other income(expense), net	-	12	(10)	17
Income before provision for income taxes	9,038	9,688	26,935	27,255
Provision for income taxes	1,869	2,176	4,750	5,833
Net income	\$ 7,169	\$ 7,512	\$ 22,185	\$ 21,422
Net income per share				
Basic	0.61	\$ 0.64	\$ 1.87	\$ 1.82
Diluted	0.60	\$ 0.62	\$ 1.83	\$ 1.78

See accompanying notes to unaudited condensed consolidated financial statements

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

	Nine Months Ended September 30,	
	2022	2021
Beginning balance	\$ 24,954	\$ 19,546
Increase from net income	22,185	21,422
Dividends paid	(6,403)	(5,651)
Stock-based compensation	3,240	2,547
Issuance of restricted and common shares, net	(719)	(455)
Purchases of treasury stock	(2,776)	(1,522)
Ending balance	<u>\$ 40,481</u>	<u>\$ 35,887</u>

See accompanying notes to unaudited condensed consolidated financial statements

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

	Nine Months Ended September 30,	
	2022	2021
Cash flows from operating activities		
Net income	\$ 22,185	\$ 21,422
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,492	1,330
Provision for credit losses	76	152
Stock-based compensation	3,240	2,547
Excess tax benefits related to stock-based compensation	(1,184)	(400)
Deferred income taxes	(2,196)	(42)
Changes in assets and liabilities:		
Accounts receivable	(909)	(1,144)
Prepaid expenses and other current assets	(84)	(75)
Prepaid income taxes	754	(538)
Accounts payable	38	(513)
Accrued expenses and other current liabilities	(1,112)	812
Income tax payable	3,683	438
Income tax reserve	(385)	136
Deferred revenue	(8,398)	756
Other changes in assets and liabilities	(345)	195
Net cash provided by operating activities	16,855	25,076
Cash flows from investing activities		
Purchases of property and equipment	(987)	(1,196)
Acquisition of Blue Sky Data Corp	(11,617)	-
Net cash used in investing activities	(12,604)	(1,196)
Cash flows from financing activities		
Dividends paid	(6,403)	(5,651)
Issuance of restricted and common shares, net	(719)	(455)
Purchases of treasury stock	(2,776)	(1,522)
Net cash used in financing activities	(9,898)	(7,628)
Net (decrease) increase in cash and restricted cash	(5,647)	16,252
Cash and restricted cash at beginning of period	51,958	35,297
Cash and restricted cash at end of period	<u>\$ 46,311</u>	<u>\$ 51,549</u>
Reconciliation of cash and restricted cash:		
Cash	\$ 44,745	\$ 49,985
Long-term restricted cash	1,566	1,564
Total Cash and restricted cash	<u>\$ 46,311</u>	<u>\$ 51,549</u>
Supplemental Disclosure of Cash Flow Information		
Income taxes paid, net of refund	\$ 4,079	\$ 6,240
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	31	-

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 (“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 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 ATs, 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 broker-dealers, 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 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.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 nine months ended September 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-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

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 user rates. Market Data Licensing revenues are recognized ratably over the term of the contract period, beginning on the date on which the data is made available to the customer, as our continuing performance obligations are met.

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

Corporate Services

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

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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

	Three Months Ended September 30,					
	2022			2021		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 3,836	\$ 1,191	\$ 5,027	\$ 5,067	\$ 1,043	\$ 6,110
Market data licensing	99	8,929	9,028	96	8,393	8,489
Corporate services	453	11,407	11,860	344	10,277	10,621
Gross revenues	4,388	21,527	25,915	5,507	19,713	25,220
Redistr bution fees and rebates	(16)	(758)	(774)	(38)	(706)	(744)
Net revenues	4,372	20,769	25,141	5,469	19,007	24,476
Transaction-based expenses	(1,305)	-	(1,305)	(1,668)	-	(1,668)
Revenues less transaction-based expenses	\$ 3,067	\$ 20,769	\$ 23,836	\$ 3,801	\$ 19,007	\$ 22,808

	Nine Months Ended September 30,					
	2022			2021		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 12,025	\$ 3,566	\$ 15,591	\$ 21,075	\$ 2,998	\$ 24,073
Market data licensing	246	26,266	26,512	426	24,548	24,974
Corporate services	1,810	33,941	35,751	1,143	26,555	27,698
Gross revenues	14,081	63,773	77,854	22,644	54,101	76,745
Redistr bution fees and rebates	(74)	(2,269)	(2,343)	(93)	(2,138)	(2,231)
Net revenues	14,007	61,504	75,511	22,551	51,963	74,514
Transaction-based expenses	(4,178)	-	(4,178)	(7,695)	-	(7,695)
Revenues less transaction-based expenses	\$ 9,829	\$ 61,504	\$ 71,333	\$ 14,856	\$ 51,963	\$ 66,819

The following tables present our revenues disaggregated by geography:

	Three Months Ended September 30,					
	2022			2021		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 5,027	\$ -	\$ 5,027	\$ 6,110	\$ -	\$ 6,110
Market data licensing	7,354	1,674	9,028	6,641	1,848	8,489
Corporate services	5,288	6,572	11,860	5,155	5,466	10,621
Gross revenues	17,669	8,246	25,915	17,906	7,314	25,220
Redistr bution fees and rebates	(707)	(67)	(774)	(678)	(66)	(744)
Net revenues	16,962	8,179	25,141	17,228	7,248	24,476
Transaction-based expenses	(1,305)	-	(1,305)	(1,668)	-	(1,668)
Revenues less transaction-based expenses	\$ 15,657	\$ 8,179	\$ 23,836	\$ 15,560	\$ 7,248	\$ 22,808

	Nine Months Ended September 30,					
	2022			2021		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 15,591	\$ -	\$ 15,591	\$ 24,073	\$ -	\$ 24,073
Market data licensing	21,283	5,229	26,512	19,720	5,254	24,974
Corporate services	16,354	19,397	35,751	13,541	14,157	27,698
Gross revenues	53,228	24,626	77,854	57,334	19,411	76,745
Redistr bution fees and rebates	(2,143)	(200)	(2,343)	(2,029)	(202)	(2,231)
Net revenues	51,085	24,426	75,511	55,305	19,209	74,514
Transaction-based expenses	(4,178)	-	(4,178)	(7,695)	-	(7,695)
Revenues less transaction-based expenses	\$ 46,907	\$ 24,426	\$ 71,333	\$ 47,610	\$ 19,209	\$ 66,819

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 September 30, 2022 and December 31, 2021, accounts receivable, net of allowance for credit losses were \$8,237 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 nine months ended September 30, 2022 and 2021:

	<u>Nine Months Ended September 30,</u>	
	<u>2022</u>	<u>2021</u>
Balance at beginning of period	\$ 28,432	\$ 18,765
Net changes	(7,869)	756
Balance at end of period	<u>20,563</u>	<u>19,521</u>

During the nine months ended September 30, 2022 and 2021, we recognized \$19,312 and \$15,598 of revenue, respectively, that was included in the deferred revenue balance at the beginning of each year.

Payment Terms

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

Note 4. Concentrations and Uncertainties

During the three and nine months ended September 30, 2022, Market Data Licensing revenues earned through one market data redistributor amounted to approximately 8% of gross revenues, flat as compared to 8% during each of the comparable prior year periods. As of September 30, 2022 and 2021, accounts receivable from that same redistributor amounted to 35% and 21% of total accounts receivable, respectively.

Note 5. Fair Value of Financial Instruments

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

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

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

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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:

	September 30, 2022	December 31, 2021	Estimated useful life (years)
Computer software	\$ 2,896	\$ 2,758	2 - 3
Computer equipment	7,138	6,417	3 - 5
Furniture and fixtures	691	691	5 - 7
Leasehold improvements	2,878	2,820	Term of lease
Total property and equipment	13,603	12,686	
Accumulated depreciation and amortization	(8,887)	(7,637)	
Total property and equipment, net	\$ 4,716	\$ 5,049	

Depreciation and amortization on property and equipment included in the unaudited interim Condensed Consolidated Statements of Income amounted to \$411 and \$1,250 for the three and nine months ended September 30, 2022, respectively, and \$446 and \$1,330 during the comparable three and nine 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.

The components of lease expense were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Operating Lease cost	\$ 499	\$ 499	\$ 1,498	\$ 1,496
Short-term Lease cost	9	4	25	14
Total lease cost	\$ 508	\$ 503	\$ 1,523	\$ 1,510

Supplemental cash flow information related to leases was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Cash Paid for operating lease liabilities	\$ 495	\$ 440	\$ 1,464	\$ 1,435
Right-of-use assets obtained in exchange for operating lease obligations	-	-	-	-

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Supplemental balance sheet information related to leases was as follows:

	September 30, 2022	December 31, 2021
Operating lease right-of use assets	\$ 13,954	\$ 14,889
Other current liabilities	1,933	1,911
Operating lease liabilities	13,625	14,548
Total operating lease liabilities	15,558	16,459
Weighted-average remaining lease term	9 Years	10 Years
Weighted-average discount rate	4.7%	4.7%

Maturities of lease liabilities were as follows:

Remainder of 2022	\$ 495
2022	1,982
2023	2,104
2024	2,160
2025	2,165
Thereafter	10,340
Total lease payments	19,246
Less imputed interest	(3,688)
Total	\$ 15,558

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 nine months ended September 30, 2022.

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 unaudited interim condensed consolidated financial statements for the ended September 30, 2022. The acquisition was immaterial to our unaudited interim Condensed Consolidated Statements of Income for the three and nine months ended September 30, 2022, and therefore, supplemental information disclosure on an

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

unaudited pro forma basis is not presented. The Company expensed \$0 and \$527 in acquisition-related costs during the three and nine months ended September 30, 2022, respectively, and recorded those charges as professional and consulting fees in the unaudited interim Condensed Consolidated Statements of Income. No acquisition-related costs were recorded for the three and nine months ended September 30, 2021.

Note 9. Goodwill and Intangible Assets

The following table presents goodwill activity for the period:

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

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

	September 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	(519)	(277)	
Intangible assets, net	\$ 8,138	\$ 40	

Amortization expense for finite-lived intangible assets was \$145 and \$242 for the three and nine months ended September 30, 2022, respectively. No amortization of finite-lived intangible assets was recognized for the three and nine months ended September 30, 2021 as the assets were fully amortized. No impairment charges were recorded to goodwill or intangible assets during the three and nine months ended September 30, 2022 or 2021.

Note 10. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2022	December 31, 2021
Payroll and employee withholdings	\$ 8,081	\$ 9,342
Accrued operating expenses	1,145	1,104
Current operating lease liabilities	1,933	1,911
Total accrued expenses and other current liabilities	\$ 11,159	\$ 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.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 and benefits expenses 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 nine months ended September 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	206	57.46	14	
Exercised	(60)	23.03	2,136	
Forfeited	(22)	38.52	388	
Outstanding, September 30, 2022	654	\$ 39.16	\$ 10,891	7.39
Exercisable, September 30, 2022	224	\$ 25.31	\$ 6,664	5.06

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of \$273 and \$151 for the three months ended September 30, 2022 and 2021, respectively, and \$666 and \$453 for the nine months ended September 30, 2022 and 2021, respectively. Management has estimated forfeiture rates of 5% for stock options granted to management and 23% for stock options granted to other employees. Such charges are included in compensation and benefits expenses on the unaudited interim Condensed Consolidated Statements of Income.

As of September 30, 2022, unrecognized compensation cost related to non-vested stock options was \$3,708, which will be recognized over approximately 4.2 years.

Restricted Stock Awards

A summary of the Company’s restricted stock activity for the nine months ended September 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	89	61.28	5,457
Vested	(91)	29.91	5,596
Forfeited	(5)	40.64	313
Outstanding, September 30, 2022	268	\$ 41.99	\$ 14,699

The Company recognized compensation expense related to restricted stock awards, net of estimated forfeitures, of \$751 and \$587 for the three months ended September 30, 2022 and 2021, respectively, and \$2,443 and \$1,976 for the nine months ended September 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 \$42 and \$44 for the three months ended September 30, 2022 and 2021, respectively, and \$131 and \$119 for the nine

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

months ended September 30, 2022 and 2021, respectively, related to the issuance of RSAs to the Board of Directors.

As of September 30, 2022, unrecognized compensation cost related to non-vested RSAs totaled \$8,292, which will be recognized over approximately 3.4 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 September 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 nine months ended September 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 45,558 Performance Units, payable in 22,779 shares of Class A Common Stock and \$1,254 in cash, based on the closing share price of the Company's Class A Common Stock of \$55.05 on September 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

In the ordinary course of business, the nature of the Company's business subjects it to claims, lawsuits, regulatory examinations or investigations and other proceedings. OTC Link is regularly the subject of various regulatory reviews, inquiries, investigations and subpoenas or requests for information by FINRA and the SEC. Currently, we are responding to an inquiry from the SEC's Division of Enforcement regarding certain OTC Link policies and procedures. The inquiry is at an early stage, and we cannot yet anticipate the timing, outcome or possible impact of the inquiry, financial or otherwise.

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

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 at \$0.01 par value. As of September 30, 2022 there were a total of 12,591,119 shares issued and 11,864,612 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 nine months ended September 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 September 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 September 30, 2022, unchanged from \$0.18 per share of Class A Common Stock during the same prior year period, totaling \$2,135 and \$2,120, respectively. The Company declared cash dividends of \$0.54 and \$0.48 per share of Class A Common Stock during the nine months ended September 30, 2022 and 2021, respectively, totaling \$6,403 and \$5,651, respectively.

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 20.7% and 22.5% for the three months ended September 30, 2022 and 2021, respectively, and 17.6% and 21.4% for the nine months ended September 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 nine months of 2022 and 2021 we recognized an income tax benefit related to the excess tax benefit on stock-based compensation of \$1,184 and \$400, 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-

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 nine months ended September 30, 2022, the Company was accepted into a voluntary tax amnesty program and a voluntary disclosure agreement with state tax jurisdictions 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 those tax programs, the Company was able to settle and reduce its recorded liabilities relating to uncertain tax positions by approximately \$487, or \$393 net of federal benefit. The gross amount of unrecognized tax benefits as of September 30, 2022 and December 31, 2021 was \$428 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. For the three and nine months ended September 30, 2022, the Company recorded a reduction of interest and penalties of \$59 and \$64, respectively. For the three and nine months ended September 30, 2021, the Company recognized interest and penalties of \$7 and \$32, respectively. Interest and penalties accrued as of September 30, 2022 and December 31, 2021 were \$176 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 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 September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income available to common shareholders	\$ 7,169	\$ 7,512	\$ 22,185	\$ 21,422
Less: Undistributed earnings allocated to unvested RSAs	(113)	(126)	(355)	(369)
Less: Dividend equivalents on unvested RSAs	(48)	(50)	(144)	(132)
Net income allocated to common shareholders	<u>\$ 7,008</u>	<u>\$ 7,336</u>	<u>\$ 21,686</u>	<u>\$ 20,921</u>
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	<u>11,597,871</u>	<u>11,501,186</u>	<u>11,597,024</u>	<u>11,501,951</u>
Basic earnings per share	\$ 0.61	\$ 0.64	\$ 1.87	\$ 1.82

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Diluted Earnings per common share

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in thousands, except shares and per share data)	2022	2021	2022	2021
Net income available to common shareholders	\$ 7,169	\$ 7,512	\$ 22,185	\$ 21,422
Less: Undistributed earnings allocated to unvested RSAs	(111)	(123)	(347)	(361)
Less: Dividend equivalents on unvested RSAs	(48)	(50)	(144)	(132)
Net income allocated to common shareholders	<u>\$ 7,010</u>	<u>\$ 7,339</u>	<u>\$ 21,694</u>	<u>\$ 20,929</u>
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	11,597,871	11,501,186	11,597,024	11,501,951
Dilutive effect of employee stock options and RSAs	<u>269,032</u>	<u>311,724</u>	<u>289,383</u>	<u>260,742</u>
Weighted-average shares used in diluted computation	<u>11,866,903</u>	<u>11,812,910</u>	<u>11,886,407</u>	<u>11,762,693</u>
Diluted earnings per share	\$ 0.60	\$ 0.62	\$ 1.83	\$ 1.78

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 September 30, 2022 and December 31, 2021 was \$3,873 and \$5,052, respectively, which exceeded the minimum net capital requirement by \$3,671 and \$4,837, respectively.

Note 17. Subsequent Events

For purposes of disclosure in the unaudited interim condensed consolidated financial statements, the Company has evaluated subsequent events through November 14, 2022, the date the financial statements were available to be issued.

On November 10, 2022, the Board of Directors authorized and approved a special cash dividend of \$1.50 per share of Class A Common Stock and a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The special dividend is payable on December 8, 2022 to stockholders of record on November 23, 2022. The ex-dividend date is November 22, 2022. The quarterly dividend is payable on December 22, 2022 to stockholders of record as of December 8, 2022. The ex-dividend date is December 7, 2022.

On November 9, 2022, OTC Markets Group completed the acquisition of EDGAR® Online, an established supplier of real-time SEC regulatory data and financial analytics, for approximately \$3.5 million in cash, subject to certain adjustments. This acquisition includes substantially all of the assets of the EDGAR Online business, including proprietary technology, custom code, customer contracts and intellectual property

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

November 14, 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

November 14, 2022

Date