

# OTC MARKETS GROUP INC.

A Delaware Corporation

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

## **Issuer's Quarterly Report**

For the quarterly period ended March 31, 2023  
(the "Reporting Period")

### **ISSUER'S EQUITY SECURITIES**

#### **COMMON STOCK**

Class A Common Stock  
\$0.01 Par Value Per Share  
17,000,000 Shares Authorized  
11,914,873 Shares Outstanding as of April 30, 2023  
**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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# OTC MARKETS GROUP INC.

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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; changes to trading behavior broadly in the market; and other risk factors discussed under the heading “*Risk Factors*” in our Annual Report for the year ended December 31, 2022. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

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

The name of the issuer is OTC Markets Group Inc.

### Company description

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

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

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

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, 12<sup>th</sup> 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](http://www.otcmarkets.com), contains general information about us and our products and services. As of March 31, 2023, we also maintained [www.otciq.com](http://www.otciq.com), [www.otcdealer.com](http://www.otcdealer.com), [canari.otcmarkets.com](http://canari.otcmarkets.com), [www.qaravan.com](http://www.qaravan.com), [www.virtualinvestorconferences.com](http://www.virtualinvestorconferences.com), [www.lifesciencesinvestorforum.com](http://www.lifesciencesinvestorforum.com), [www.lifescienceinvestorforum.com](http://www.lifescienceinvestorforum.com), [www.edgar-online.com](http://www.edgar-online.com), [pro.edgar-online.com](http://pro.edgar-online.com), [i-metrix.edgar-online.com](http://i-metrix.edgar-online.com), [www.edgarexplorer.com](http://www.edgarexplorer.com), and [developer.edgar-online.com](http://developer.edgar-online.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 March 31, 2023 and December 31, 2022:

	March 31, 2023	December 31, 2022
Number of shares authorized	17,000,000	17,000,000
Number of shares outstanding	11,913,745	11,874,763
Number of shares freely tradable (public float) <sup>(1)(2)</sup>	7,687,924	7,707,641
Total number of holders of record	217	202

- (1) The number of shares freely tradable may include shares held by stockholders owning 10% or more of our Class A Common Stock. These stockholders may be considered "affiliates" within the meaning of Rule 144, and their shares may be "control shares" subject to the volume and manner of sale restrictions under Rule 144.

- (2) Our officers and directors hold approximately 4.1 million shares of our Class A Common Stock, which may be “control shares” subject to the volume and manner of sale restrictions under Rule 144. These shares are excluded from the number of shares freely tradable.

As of March 31, 2023 and December 31, 2022, there were 1,310 and 1,301 non-objecting beneficial stockholders owning at least 100 shares of the Company’s Class A Common Stock, respectively.

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

### *Dividends*

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

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

<u>Declaration Date</u>	<u>Dividend Per Common Share</u>	<u>Record Date</u>	<u>Total Amount (in thousands)</u>	<u>Payment Date</u>
March 6, 2023	\$ 0.18	March 23, 2023	\$ 2,145	March 30, 2023

On May 5, 2023, the Board of Directors authorized and approved a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The quarterly cash dividend is payable on June 22, 2023, to stockholders of record on June 8, 2023. The ex-dividend date is June 7, 2023.

### *Stock Repurchase Program*

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

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

<u>Date</u>	<u>Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Number of Shares Purchased as Part of the Program</u>	<u>Number of Shares Remaining To Be Purchased Under the Program</u>
Feb 2023	58,262	\$58.00	58,262	241,738

On March 6, 2023, the Board of Directors refreshed the Company’s stock repurchase program, giving the Company authorization to repurchase up to 300,000 shares of the Company’s Class A Common Stock.

## **Item 3. Unaudited interim condensed consolidated financial statements**

Copies of the unaudited interim condensed consolidated financial statements of OTC Markets Group for the three months ended March 31, 2023 and March 31, 2022, 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, 2022. The December 31, 2022 unaudited Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements contained in our Annual Report for the year ended December 31, 2022, 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, 2023.

## **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**

#### *OTC Link*

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 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. All subscribers to OTC Link ATS are FINRA member broker-dealers, subject to all applicable FINRA rules. 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 trade messages.

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 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 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.

### *Market Data Licensing*

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. In addition, our Market Data Licensing business offers a number of data products and tools for compliance teams, including our Blue Sky data, which provides state securities law compliance data 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 and our Canari® platform.

Our Market Data Licensing business also operates EDGAR® Online, which we acquired in November 2022. EDGAR Online includes the EDGAR Pro platform and provides structured data sets containing company disclosure and financial information from public company filings.

We generate a significant portion 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](http://www.otcmarkets.com).

### *Corporate Services*

Our Corporate Services business includes the OTCQX Best Market, the OTCQB Venture Market, the Pink Open Market, and our suite of additional services. These services include the OTC Disclosure & News Service® (“DNS”) that allows issuers to publish disclosure and news to our website and other distribution channels and the Virtual Investor Conferences® (“VIC”) product that 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 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 Market<sup>®</sup> 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, a supplier of SEC disclosure data and financial analytics, from Donnelley Financial, LLC for approximately \$3.5 million in cash, subject to certain adjustments. 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 while strengthening our capabilities to digitalize, standardize, and distribute company financial information and disclosure. The EDGAR Online data services are embedded into our issuer compliance and disclosure processes. This acquisition allowed 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 included substantially all of the assets of the EDGAR Online business, including proprietary technology, custom code, customer contracts, intellectual property, and a vast amount of historical data. We also hired fourteen EDGAR Online employees in technology, operations, and customer service roles. The EDGAR Online business is included in our Market Data Licensing business. During the Reporting Period, we incurred integration costs, and we expect to continue to invest



in the development of the EDGAR Online platform and product suite over time. We expect that these future investments 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 applies to OTC-traded fixed income securities, in addition to OTC equity 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. Under SEC guidance, the application of Rule 15c2-11 to fixed income securities is being phased in, with the final phase set to expire on January 4, 2025. 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.

## **Recent Regulatory Developments Impacting our Business**

### **Blue Sky Secondary Trading Exemptions for OTCQX and OTCQB**

As of May 1, 2023, our OTCQX and OTCQB markets are exempt from state Blue Sky laws regarding secondary trading in 38 states and one 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 December 29, 2022, the Securing a Strong Retirement Act of 2022 (the "SECURE Act 2.0") was signed into law. Section 123 of the SECURE Act 2.0 includes a provision putting qualified OTC-traded 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. Section 123 of the SECURE Act 2.0 becomes effective December 29, 2027. This legislation may strengthen our OTCQX offering and recognition of our markets more generally.

### **OTC Link Membership Agreement Update**

On May 5, 2023, FINRA granted OTC Link's application to update its Membership Agreement to permit it to facilitate transactions in digital asset securities pursuant to the Joint Staff Statement issued by the SEC and FINRA on July 8, 2019. The Membership Agreement update may enable OTC Link subscribers to quote and trade digital asset securities via OTC Link ATS. However, it is not yet possible to determine whether such activity will occur or whether any such activity would have a material impact on OTC Link's financial results.

## Trends in Our Business

Considerable uncertainty surrounded the economic environment in which we operated during the Reporting Period, stemming from inflation, including compensation inflation, recessionary pressures, rising interest rates, market volatility, changes in trading volumes and trading behavior, and geopolitical developments. These factors adversely affected certain of our business drivers and operating metrics, as discussed below. However, our overall gross revenues for the Reporting Period, which include acquired revenue from our Blue Sky Data Corp and EDGAR Online acquisitions, were not materially adversely impacted. Declines in trading activity and investor engagement on our markets impacted our OTC Link and Market Data Licensing businesses, while declines in subscribers impacted our Corporate Services business. 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, 2022.

During the Reporting Period, OTC Link was impacted by a further moderation in trading activity on our markets, as compared to the prior year period. Our Corporate Services business saw a higher average number of companies subscribing to our premium OTCQX and OTCQB markets, but ended the period with a lower number of OTCQB companies as compared to the prior year period. Both the average and the ending number of DNS subscribers for the Reporting Period declined as compared to the prior year period. In comparison, during the prior year period, our Corporate Services business benefited from a significant number of new subscribers to our premium markets, OTCQX and OTCQB, and our suite of corporate services, notably DNS, following the effective date of Rule 15c2-11. Our Market Data Licensing business included the results of the acquisitions of Blue Sky Data Corp, which closed in May 2022, and EDGAR Online, which closed in November 2022. Separately, our Market Data Licensing business saw continued growth in professional users and enterprise subscribers, partially offsetting the decline in non-professional users (see *Financial Results*, below).

For the Reporting Period, 83% of our gross revenues were derived from subscription-based arrangements that are recurring in nature and 17% were transaction-based revenues, compared to 81% and 19%, respectively, for the prior year. The subscription-based component of our revenues increased 11%, while the transaction-based component declined 4% as a result of the decline in trading activity, compared to the three months ended March 31, 2022.

### OTC Link

Our OTC Link business executed a lower volume of trades on OTC Link ECN and OTC Link NQB and experienced a lower number of trade messages on OTC Link ATS during the Reporting Period, compared to the prior year period. The total dollar volume traded in OTCQX, OTCQB and Pink securities declined by 36% from \$150 billion in the prior year period to \$96 billion in the Reporting Period. OTC Link ATS had 88 broker-dealer subscribers quoting 12,627 securities as of March 31, 2023, as compared to 90 subscribers quoting 12,071 securities as of March 31, 2022.

The reduced trading volumes on our markets reflect, in part, what we believe to be a continued lower participation of retail investors during the Reporting Period as compared to the prior year period. We executed an average of approximately 35,000 transactions per day on OTC Link ECN and OTC Link NQB during the Reporting Period, compared to an average of approximately 39,000 transactions per day during the prior year period. Offsetting the decline in trading volumes were increases in certain OTC Link ECN and OTC Link NQB fees, effective January 1, 2023. Gross revenues from OTC Link ECN and OTC Link NQB increased 12%, as compared to

the prior year period. In addition, OTC Link saw growth in certain of its subscription-based services. Overall, OTC Link's gross revenues remained flat as compared to the prior year period.

The number of subscribers to OTC Link ECN was 102 as of March 31, 2023, up four from 98 subscribers as of March 31, 2022. 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.

OTC Link ECN and OTC Link NQB generated \$2.7 million in transaction-based revenues during the Reporting Period and paid \$1.8 million in transaction-based expenses in the form of rebates for posted liquidity, compared to \$2.4 million in transaction-based revenues and \$1.5 million in transaction-based expenses in the prior year period. The transaction-based revenues and transaction-based expenses that OTC Link generates, as well as OTC Link's regulatory and clearing costs, which are included in professional and consulting fees, are correlated with the volume of trading activity on our markets. However, future trading volumes are highly uncertain and cannot be predicted.

In addition to increasing certain OTC Link ECN and OTC Link NQB fees, effective January 1, 2023, we increased fees for certain other OTC Link products.

#### *Market Data Licensing*

In our Market Data Licensing business, the number of professional users subscribing to our data products increased 1% to 27,004 as of March 31, 2023, up from 26,756 as of March 31, 2022. The higher average number of professional users during the Reporting Period, as compared to the prior year period, drove a commensurate 1% year over year increase in revenues derived from professional users.

Consistent with the perceived reduced retail engagement and trading activity in our markets, the number of non-professional users of our market data saw a continued decline during the Reporting Period compared to the prior year period, decreasing by 30% to 13,353 users as of March 31, 2023, down from 19,061 users as of March 31, 2022. As a result, revenues from non-professional users declined 31% 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 future.

We continue to focus resources on developing and enhancing the relevance of our data products for our Market Data Licensing subscribers. As of March 31, 2023, we had a total of 54 subscriptions to our Compliance Data or Compliance Analytics products, up from 51 as of March 31, 2022. As a result of our acquisition of Blue Sky Data Corp, we also experienced a significant increase in the number of subscribers to our Blue Sky data product, which covers over 100,000 equity and fixed income securities.

With the acquisition of EDGAR Online in November 2022, our Market Data Licensing business added the subscribers of the EDGAR Online business and the EDGAR Pro platform and expanded our data product offering to include SEC disclosure and financial data for SEC filing issuers and their securities.

Effective January 1, 2023, we increased certain fees for our Market Data Licensing offerings.

#### *Corporate Services*

During the Reporting Period, our Corporate Services business saw a higher average number of subscribers to our premium OTCQX and OTCQB markets and a lower average number of DNS

subscribers, compared to the prior year period. Corporate Services experienced a gradual decline in the number of OTCQB and DNS subscribers during the Reporting Period, resulting in a lower period-end subscriber count as compared to the prior year period. The month-to-month variability in OTCQB and DNS subscriber numbers is driven by non-renewals, corporate events and compliance downgrades. Compliance downgrades occur when companies are removed from OTCQX or OTCQB for noncompliance with the OTCQX Rules or the OTCQB Standards.

The OTCQX Best Market had 593 companies as of March 31, 2023, up from 571 companies as of March 31, 2022. 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, 2023, we achieved a 95% retention rate, compared to 96% retention rate achieved for the annual subscription period beginning January 1, 2022.

As of March 31, 2023, there were 1,218 companies on the OTCQB Venture Market, compared to 1,224 companies as of March 31, 2022. Challenging economic conditions facing our OTCQB subscribers and prospects during the Reporting Period resulted in a slower pace of new sales and higher rates of non-renewals and compliance downgrades. This drove down the number of companies on our OTCQB market, compared to the prior year period. OTCQB companies renew on an annual or semi-annual basis, based on the date they joined the market. During the Reporting Period, over 90% of OTCQB companies that remained in compliance with our OTCQB Standards chose to renew their services at the end of their service terms in line with our historical renewal experience.

International issuers remain a significant component of companies on our OTCQX and OTCQB markets, with seven international companies joining OTCQX and 42 international companies joining OTCQB during the Reporting Period, compared to 28 and 93 international companies joining OTCQX and OTCQB during the prior year period, respectively.

Our Corporate Services business benefited from a significantly higher number of DNS subscribers in the prior year period in connection with the enactment of amended Rule 15c2-11 in September 2021. The number of DNS subscribers continued to increase during the first six months of 2022 but began to reverse in the third quarter of 2022, and continued to gradually decline during the Reporting Period, resulting in lower average and period-end subscriber counts as compared to the prior year period. Consequently, our DNS revenues also experienced a decline.

Effective January 1, 2023, we increased certain Corporate Services fees, including applying annual, incremental pricing adjustments to our OTCQX and OTCQB fees.

### *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 79% and 81% of our total operating expenses in the three months ended March 31, 2023 and 2022, 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, help us integrate acquired businesses, or are necessary to 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 Consolidated Audit Trail ("CAT") reporting responsibilities. We expect that future investments related to our regulatory

compliance obligations will be material to our financial results. Our headcount as of March 31, 2023, was 132, an increase of 20 versus our headcount of 112 employees as of March 31, 2022, which includes 14 employees related to the acquisition of EDGAR Online in November 2022.

### **How OTC Markets Group Generates Revenues**

OTC Markets Group generates a significant proportion of our 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 licensing and subscription 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 access OTC Link ATS, including our OTC Dealer<sup>®</sup> application, which provides broker-dealers a user interface into OTC Link ATS. Fees for such access are based on the number of authorized OTC Dealer users per subscriber, which are discounted in graduated amounts in relation to total users per subscriber, or the number and type of services per connection.

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 the Quote Access Payment ("QAP<sup>®</sup>") One Statement service as well as from our 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, including SEC filings.

Market Data Licensing subscribers include broker-dealers, investors, traders, institutions, companies, accountants, and regulators, among others, which pay monthly, quarterly, 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, OMS providers, and certain of our web user interfaces. 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 significant portion 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 7% and 9% of Market Data Licensing gross revenues in the three-month periods ended March 31, 2023 and 2022, respectively.

Market Data Licensing pricing information is publicly available on our website.

We also charge for the right to display advertisements on [www.otcmarkets.com](http://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](http://www.otcmarkets.com) and the issuer's website; the Blue Sky Monitoring Service for issuers; and our 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.otcig.com](http://www.otcig.com).

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

## Key Metrics

The table below presents key metrics for our OTC Link, Corporate Services, and Market Data Licensing business lines for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,	
	2023	2022
<b>OTC Link</b>		
Number of active ATS subscribers <sup>(1)</sup>	88	90
Number of active ECN subscribers <sup>(1)</sup>	102	98
New Form 211 filings	73	112
<i>Number of securities quoted:</i> <sup>(1)</sup>		
OTCQX	650	623
OTCQB	1,267	1,272
Pink	10,710	10,176
Total	12,627	12,071
<i>Dollar volume traded (in thousands):</i>		
OTCQX	\$ 17,507,884	\$ 36,168,004
OTCQB	1,483,338	3,108,053
Pink	77,066,781	111,078,342
Total	\$ 96,058,003	\$ 150,354,398
<i>Dollar volume per security (in thousands):</i>		
OTCQX	\$ 26,935	\$ 58,055
OTCQB	1,171	2,443
Pink	7,196	10,916
<b>Corporate Services</b>		
Graduates to a national securities exchange	10	24
<i>Number of corporate clients:</i> <sup>(1)/(2)</sup>		
OTCQX	593	571
OTCQB	1,218	1,224
Pink	1,509	1,584
Total	3,320	3,379
<b>Market Data Licensing</b>		
Market data professional users <sup>(1)</sup>	27,004	26,756
Market data non-professional users <sup>(1)</sup>	13,353	19,061
Market data compliance file users <sup>(1)</sup>	54	51

- (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 9 and 23 Form 211s filed by OTC Link ATS during the three months ended March 31, 2023 and 2022, respectively.

## Financial Results

### Consolidated Results from Operations

#### Three Months Ended March 31, 2023 Versus Three Months Ended March 31, 2022

The table below presents comparative information from the Company's unaudited interim Condensed Consolidated Statements of Income for the three months ended March 31, 2023 and 2022.

(in thousands, except shares and per share data)	Three Months Ended March 31,		% change
	2023	2022	
Gross revenues	\$ 28,027	\$ 25,949	8%
Net revenues	27,231	25,161	8%
Revenues less transaction-based expenses	25,446	23,646	8%
Operating expenses	18,523	15,002	23%
Income from operations	6,923	8,644	(20%)
Operating profit margin	25.4%	34.4%	
Income before provision for income taxes	7,070	8,644	(18%)
Net income	\$ 6,319	\$ 7,614	(17%)
Diluted earnings per share	\$ 0.52	\$ 0.62	(16%)
Weighted-average shares outstanding, diluted	11,866,646	11,926,344	(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 months ended March 31, 2023 and 2022.

(in thousands)	Three Months Ended March 31,		% change
	2023	2022	
OTC Link	\$ 5,445	\$ 5,433	-
Market data licensing	10,842	8,583	26%
Corporate services	11,740	11,933	(2%)
Gross revenues	28,027	25,949	8%
Redistribution fees and rebates	(796)	(788)	1%
Net revenues	27,231	25,161	8%
Transaction-based expenses	(1,785)	(1,515)	18%
Revenues less transaction-based expenses	\$ 25,446	\$ 23,646	8%

Gross revenues for the Reporting Period increased \$2.1 million, or 8%, to \$28.0 million, as compared to the same prior year period. Gross revenues below are for the Reporting Period, as compared to the same prior year period.

- OTC Link revenues increased \$12 thousand, or remained essentially flat compared to the prior year period. The increase primarily resulted from a \$290 thousand, or 12%, increase in revenues from OTC Link ECN and OTC Link NQB, primarily due to higher fees offsetting the impact of lower trading volumes. Partially offsetting the increase in OTC Link ECN and OTC Link NQB gross revenues was a \$211 thousand, or 20%,



decrease in revenue from OTC Link ATS messages and a \$63 thousand, or 37%, decline in revenue from QAP One Statement fees, also related to the year over year decline in trading volumes. Contributing to the slight increase in OTC Link gross revenues was also growth in revenue from our subscription-based License to Quote & Message, primarily driven by fee increases, and from our FIX connection services due to a higher number of subscribers.

- Market Data Licensing revenues increased \$2.3 million, or 26%. The increase was primarily due to a \$1.9 million contribution from our acquisitions of Blue Sky Data Corp and EDGAR Online and an increase of \$246 thousand, or 57%, in revenue from market data connectivity fees as a result of pricing adjustments. Additionally, revenues from internal system licenses, delayed data licenses, and certain other data services increased by \$170 thousand, or 12%, due to a higher number of subscribers to our data products and price increases for certain licenses. Revenue from professional user licenses increased \$38 thousand, or 1%, in line with a 1% increase in professional users, while revenue from non-professional users decreased \$211 thousand, or 31%, as a result of perceived reduced retail participation in our markets and a corresponding 30% reduction in non-professional users. Market Data Licensing revenues for the Reporting Period included certain non-recurring revenue related to the EDGAR Online business.
- Corporate Services revenues decreased \$193 thousand, or 2%. OTCQX revenues grew \$154 thousand, or 4%, to \$3.8 million, while OTCQB revenue increased \$34 thousand, or 1%, to \$5.1 million, due to a higher average number of companies on each market during the Reporting Period, combined with the impact of annual, incremental pricing adjustments effective January 1, 2023. Corporate Services achieved a 95% renewal rate for the annual OTCQX subscription period beginning January 1, 2023, compared to 96% for the prior year. OTCQB maintained over 90% renewal rate (see *Trends in Our Business*, above). DNS revenues decreased \$320 thousand, or 12%, as a result of a decline in the average number of companies subscribing to DNS, which more than offset the impact of pricing adjustments. Contributing to the decline in Corporate Services revenues was also lower revenue from VIC due to fewer events held during the Reporting Period.
- Transaction-based expenses, representing rebates paid to OTC Link subscribers providing liquidity, increased \$270 thousand, or 18%, due to a larger portion of the subscriber base reaching volume-based pricing thresholds on OTC Link ECN and OTC Link NQB.

## Operating Expenses

The following table presents OTC Markets Group's consolidated operating expenses for the three months ended March 31, 2023 and 2022.

(in thousands)	Three Months Ended March 31,		% change
	2023	2022	
Compensation and benefits	\$ 11,914	\$ 10,223	17%
IT Infrastructure and information services	2,651	1,958	35%
Professional and consulting fees	1,635	1,217	34%
Marketing and advertising	318	278	14%
Occupancy costs	579	595	(3%)
Depreciation and amortization	650	440	48%
General, administrative and other	776	291	167%
Total operating expenses	<u>\$ 18,523</u>	<u>\$ 15,002</u>	23%

Operating expenses for the Reporting Period increased \$3.5 million, or 23%, to \$18.5 million, as compared to the same prior year period. All operating expenses below are for the Reporting Period, as compared to the same prior year period.

- Compensation and benefits expenses increased \$1.7 million, or 17%, primarily related to an increase in headcount from 112 as of March 31, 2022 to 132 as of March 31, 2023, stemming from our acquisitions. The higher headcount, combined with annual base salary increases in effect from January 1, 2023, resulted in salary, bonus, benefit, and payroll tax expenses increasing by \$1.5 million, or 18%. Stock-based compensation expense increased \$380 thousand, or 33%, 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 43% for the Reporting Period, as compared to 39% for the same prior year period. Compensation and benefits expenses included certain non-recurring accruals related to the EDGAR Online acquisition.
- IT infrastructure and information services expenses increased \$693 thousand, or 35%, primarily as a result of the acquisition of EDGAR Online as we added the technology, data services, and data center costs supporting the EDGAR Online platform. Included in IT infrastructure and information services costs were \$270 thousand in non-recurring expenses related to migration of the business from the EDGAR Online physical data center to a cloud infrastructure.
- Professional and consulting fees increased \$418 thousand, or 34%. The increase was due to 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 and OTC Link NQB. Additionally, we incurred certain non-recurring professional and consulting expenses in connection with the integration of the EDGAR Online business, including \$66 thousand in one-time costs under a transition services agreement. Furthermore, higher legal fees related to various matters also contributed to the increase in professional and consulting costs during the Reporting Period.
- Marketing and advertising expenses increased \$40 thousand, or 14%, primarily related to a rebound in travel and event-related spending, partially offset by lower spending related to third-party market research.

- Occupancy costs decreased \$16 thousand, or 3%, as a result of lower common charges and real estate taxes allocated to us by our landlords.
- Depreciation and amortization expense increased \$210 thousand, or 48%, and amounted to \$650 thousand, primarily due to amortization charges related to intangible assets and software added in connection with the Blue Sky Data Corp and the EDGAR Online acquisitions, respectively.
- General, administrative and other costs increased \$485 thousand, or 167%, to \$776 thousand, primarily due to higher bad debt, business insurance and internal travel & entertainment expenses, partially offset by lower bank fees. The increased provision for bad debt is primarily related to accounts receivable acquired as part of the EDGAR Online acquisition and is not expected to recur.

### ***Income from Operations and Operating Profit Margin***

(in thousands)	Three Months Ended March 31,		% change
	2023	2022	
Income from operations	\$ 6,923	\$ 8,644	(20%)
Operating profit margin	25.4%	34.4%	(26%)

Income from operations decreased \$1.7 million, or 20%, for the Reporting Period, as compared to the same prior year period, and operating profit margin contracted as shown in the table above. Operating profit margin was impacted by approximately \$900 thousand in one-time integration expenses. Income from operations decreased due to operating expenses outpacing the growth in net revenues as a result of additional headcount and increased professional and consulting fees as well as higher amortization charges and bad debt expense, primarily related to our acquisitions.

### ***Net Income***

(in thousands, except shares and per share data)	Three Months Ended March 31,		% change
	2023	2022	
Income before provision for income taxes	\$ 7,070	\$ 8,644	(18%)
Provision for income taxes	751	1,030	(27%)
Effective income tax rate	10.6%	11.9%	(11%)
Net income	\$ 6,319	\$ 7,614	(17%)

Net income decreased \$1.3 million, or 17%, for the Reporting Period, as compared to the same prior year period, due to a \$1.7 million decrease in income from operations, partially offset by a decrease in the Company's effective tax rate from 11.9% to 10.6%. The effective tax rate for the Reporting Period decreased as a result of higher Foreign Derived Intangible Income tax deduction and research and development tax credit, partially offset by lower excess tax benefit on stock-based compensation.

### ***Liquidity and Capital Resources***

Our liquidity is primarily derived from our working capital and cash flows from operations. We require cash to support our current operating levels, fund strategic growth initiatives, 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 further 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 March 31, 2023 and December 31, 2022.

(in thousands)	March 31, 2023	December 31, 2022	% change
Cash available for operations	\$ 29,884	\$ 37,368	(20%)

Cash available for operations decreased \$7.5 million, or 20%, to \$29.9 million as of March 31, 2023. The Company used \$416 thousand of cash from operations for the Reporting Period. The Company utilized operating cash flows and cash on hand to fund \$1.0 million in IT infrastructure enhancements, including capitalized costs related to the EDGAR Online integration, \$2.1 million in quarterly dividends and \$3.4 million in respect of repurchases of our Class A Common Stock.

### **Cash Flow**

The following table presents sources and uses of cash flows for the three months ended March 31, 2023 and 2022.

	Three Months Ended March 31,		% change
	2023	2022	
Net cash (used in) provided by operating activities	\$ (416)	\$ 502	(183%)
Net cash used in investing activities	(1,025)	(194)	428%
Net cash used in financing activities	(6,039)	(5,363)	13%
Net Increase (decrease) in cash and restricted cash	\$ (7,480)	\$ (5,055)	48%

### **Operating Activities**

Net cash used in operating activities for the Reporting Period was \$416 thousand, as compared to \$502 thousand provided by operating activities in the same prior year period. Net cash used in operating activities for the Reporting Period consisted of net income of \$6.3 million, which was adjusted for non-cash items of \$856 thousand and offset by changes in assets and liabilities of \$7.6 million. The lower net cash from operating activities in the Reporting Period was primarily due to the lower net income. The remaining variance was primarily related to other fluctuations in working capital.

### **Investing Activities**

Net cash used in investing activities for the Reporting Period was \$1.0 million, as compared to \$194 thousand for the same prior year period. The net cash used in the Reporting Period was primarily due to capitalized costs related to the migration of the acquired EDGAR Online platform to a cloud environment.

### **Financing Activities**

Net cash used in financing activities for the Reporting Period was \$6.0 million, as compared to \$5.4 million for the same prior year period. The net cash used in both periods was primarily related to dividends paid to our stockholders and repurchases of our Class A Common Stock. The increase in the amount of net cash used in financing activities was primarily related to the

Company's share repurchases, rising from \$2.8 million in the same prior year period to \$3.4 million in the Reporting Period.

### ***Capital Resources and Working Capital***

OTC Markets Group's working capital at March 31, 2023 was \$3.3 million, an increase of \$803 thousand, or 32%, from \$2.5 million at December 31, 2022. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes and income taxes payable. The increase in working capital for the Reporting Period was primarily attributable to lower accrued operating expenses as the Company paid accrued 2022 discretionary bonuses and employer 401(k) contributions in the first quarter of 2023.

### ***Line of Credit***

On July 7, 2012, the Company entered into a line of credit agreement 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 March 31, 2023, 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 in discussions with the SEC's Division of Enforcement regarding certain OTC Link policies and procedures. 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)

	March 31, 2023	December 31, 2022
<b>Assets</b>		
Current assets		
Cash	\$ 29,884	\$ 37,368
Accounts receivable, net of allowance for credit losses of \$812 and \$638	9,284	9,485
Prepaid income taxes	24	59
Prepaid expenses and other current assets	2,058	1,469
<b>Total current assets</b>	41,250	48,381
Property and equipment, net	8,717	8,637
Operating lease right-of-use assets	13,313	13,635
Deferred tax assets, net	5,962	4,853
Goodwill	3,984	3,984
Intangible assets, net	7,847	7,993
Long-term restricted cash	1,572	1,568
Other assets	597	567
<b>Total Assets</b>	<b>\$ 83,242</b>	<b>\$ 89,618</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities		
Accounts payable	\$ 1,097	\$ 1,684
Accrued expenses and other current liabilities	7,271	13,141
Income taxes payable	1,719	567
Deferred revenue	27,827	30,456
<b>Total current liabilities</b>	37,914	45,848
Income tax reserve	681	657
Operating lease liabilities	12,989	13,309
<b>Total Liabilities</b>	51,584	59,814
<b>Commitments and contingencies</b>		
<b>Stockholders' equity</b>		
Common stock - par value \$0.01 per share		
Class A - 17,000,000 authorized, 12,698,514 issued, 11,913,745 outstanding at		
March 31, 2023; 12,601,270 issued, 11,874,763 outstanding at December 31, 2022	127	126
Additional paid-in capital	25,905	24,847
Retained earnings	25,420	21,246
Treasury stock - 784,769 shares at March 31, 2023 and 726,507 shares at December 31, 2022	(19,794)	(16,415)
<b>Total Stockholders' Equity</b>	31,658	29,804
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 83,242</b>	<b>\$ 89,618</b>

See accompanying notes to unaudited condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2023	2022
<b>Gross revenues</b>	\$ 28,027	\$ 25,949
Redistribution fees and rebates	(796)	(788)
Net revenues	27,231	25,161
Transaction-based expenses	(1,785)	(1,515)
<b>Revenues less transaction-based expenses</b>	<b>25,446</b>	<b>23,646</b>
<b>Operating expenses</b>		
Compensation and benefits	11,914	10,223
IT Infrastructure and information services	2,651	1,958
Professional and consulting fees	1,635	1,217
Marketing and advertising	318	278
Occupancy costs	579	595
Depreciation and amortization	650	440
General, administrative and other	776	291
<b>Total operating expenses</b>	<b>18,523</b>	<b>15,002</b>
<b>Income from operations</b>	<b>6,923</b>	<b>8,644</b>
<b>Other income</b>		
Interest income	141	-
Other income, net	6	-
<b>Income before provision for income taxes</b>	<b>7,070</b>	<b>8,644</b>
Provision for income taxes	751	1,030
<b>Net income</b>	<b>\$ 6,319</b>	<b>\$ 7,614</b>
<b>Net income per share</b>		
Basic	\$ 0.53	\$ 0.64
Diluted	\$ 0.52	\$ 0.62

See accompanying notes to unaudited condensed consolidated financial statements



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

	Three Months Ended March 31,	
	2023	2022
<b>Beginning balance</b>	\$ 29,804	\$ 24,954
Increase from net income	6,319	7,614
Dividends paid	(2,145)	(2,133)
Stock-based compensation	1,574	1,195
Issuance of restricted and common shares, net	(515)	(454)
Purchases of treasury stock	(3,379)	(2,776)
<b>Ending balance</b>	<u>\$ 31,658</u>	<u>\$ 28,400</u>

See accompanying notes to unaudited condensed consolidated financial statements

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

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities</b>		
Net income	\$ 6,319	\$ 7,614
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	650	440
Provision for credit losses	439	(10)
Stock-based compensation	1,574	1,195
Excess tax benefits related to stock-based compensation	(698)	(920)
Deferred income taxes	(1,109)	(74)
Changes in assets and liabilities:		
Accounts receivable	(238)	(217)
Prepaid expenses and other current assets	(589)	(276)
Prepaid income taxes	35	(642)
Accounts payable	(323)	97
Accrued expenses and other current liabilities	(5,692)	(5,624)
Income tax payable	1,850	1,077
Income tax reserve	24	(109)
Deferred revenue	(2,629)	(2,054)
Other changes in assets and liabilities	(29)	5
<b>Net cash (used in) provided by operating activities</b>	<b>(416)</b>	<b>502</b>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(1,025)	(194)
<b>Net cash used in investing activities</b>	<b>(1,025)</b>	<b>(194)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(2,145)	(2,133)
Issuance of restricted and common shares, net	(515)	(454)
Purchases of treasury stock	(3,379)	(2,776)
<b>Net cash used in financing activities</b>	<b>(6,039)</b>	<b>(5,363)</b>
Net decrease in cash and restricted cash	(7,480)	(5,055)
Cash and restricted cash at beginning of period	38,936	51,958
Cash and restricted cash at end of period	<u>\$ 31,456</u>	<u>\$ 46,903</u>
<b>Reconciliation of cash and restricted cash:</b>		
Cash	\$ 29,884	\$ 45,339
Long-term restricted cash	1,572	1,564
Total Cash and restricted cash	<u>\$ 31,456</u>	<u>\$ 46,903</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Income taxes paid, net of refund	\$ 650	\$ 1,697
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	9	23

## OTC MARKETS GROUP INC.

### Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share information)

#### Note 1. Description of Business

##### *Overview*

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

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

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

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

- OTC Link – OTC Link LLC operates three ATSS, OTC Link ATS, OTC Link ECN, and OTC Link NQB, that provide trading services to FINRA member broker-dealer subscribers.
- Market Data Licensing – OTC Markets Group provides market data and compliance data, including SEC filings, for a wide spectrum of securities and issuers. The Market Data Licensing business provides broker-dealers, investors, traders, institutions, companies, accountants, and regulators, among others, 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”) as well as through certain of the Company’s web user interfaces.
- 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 the Virtual Investor Conferences® (“VIC”) product.

##### Corporate Form

OTC Markets Group 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, Qaravan® Inc., and Edgar Online LLC. The unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of

## OTC MARKETS GROUP INC.

### Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 and the availability of discrete financial information, 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's three business lines are managed as one operating segment, which is the Company's reportable segment. Refer to Note 2, *Summary of Significant Accounting Policies*, in the Company's Annual Report for the year ended December 31, 2022 for a full discussion of significant accounting policies.

The interim condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements of the Company as of and for the year ended December 31, 2022. Operating results for the three months ended March 31, 2023 (the "Reporting Period") are not necessarily indicative of the results that may be expected for the year ending December 31, 2023.

#### *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 unaudited interim 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, fair values of intangible assets and goodwill, useful lives of intangible assets, income tax reserve and provision for income taxes. Actual results could differ from those estimates.

#### *Recently Adopted Accounting Standards*

#### *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 OTC Markets Group's revenues are derived from contracts with customers. Revenues are recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. In accordance with ASC Topic 606, the Company evaluates its contracts with customers based on a five-step methodology. The Company: (1) identifies the contract with the customer; (2) identifies the performance obligations under the contract; (3) determines the transaction price; (4) allocates the transaction price to the separate performance obligations; and (5) recognizes revenue when each performance obligation is satisfied. Certain of the Company's 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, the Company recognizes 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 and connectivity fees that permit access to the trading

## OTC MARKETS GROUP INC.

### Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

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 OTC Dealer users per subscriber, which are calculated based on a tiered pricing arrangement, or the number and type of services per connection. These fees are invoiced monthly and in advance of the monthly service period. The Company satisfies its performance obligations over the contract term and records revenue from these fees ratably over the month, with the unrealized portion recorded as deferred revenue on the Company's Consolidated Balance Sheets.

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 subscribers with continuous access to market data, compliance data, Blue Sky data, company data and security information, including SEC filings. Subscribers pay monthly, quarterly, or annual 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 the Company's continuing performance obligations are met.

A significant portion 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. Substantially all of the Company's redistribution fees and rebates are related to these arrangements with market data redistributors.

#### *Corporate Services*

Corporate Services generates revenues from the OTCQX Best Market and OTCQB Venture Market and from a suite of other services. Issuers pay annual or semi-annual subscription fees upfront to have their securities traded on the OTCQX or OTCQB markets and to subscribe to OTC Markets Group's various other services. The Company recognizes 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 the VIC platform. VIC presentation fees are recognized at the point in time when the services are rendered, which

**OTC MARKETS GROUP INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

corresponds to the date of the webcast or online event and the point in time that the performance obligation is satisfied.

The following tables present the Company's revenues disaggregated by timing of revenue recognition:

	Three Months Ended March 31,					
	2023			2022		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 4,246	\$ 1,199	\$ 5,445	\$ 4,260	\$ 1,173	\$ 5,433
Market data licensing	73	10,769	10,842	91	8,492	8,583
Corporate services	464	11,276	11,740	650	11,283	11,933
Gross revenues	4,783	23,244	28,027	5,001	20,948	25,949
Redistribution fees and rebates	(15)	(781)	(796)	(36)	(752)	(788)
Net revenues	4,768	22,463	27,231	4,965	20,196	25,161
Transaction-based expenses	(1,785)	-	(1,785)	(1,515)	-	(1,515)
Revenues less transaction-based expenses	<u>\$ 2,983</u>	<u>\$ 22,463</u>	<u>\$ 25,446</u>	<u>\$ 3,450</u>	<u>\$ 20,196</u>	<u>\$ 23,646</u>

The following tables present the Company's revenues disaggregated by geography:

	Three Months Ended March 31,					
	2023			2022		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 5,445	\$ -	\$ 5,445	\$ 5,433	\$ -	\$ 5,433
Market data licensing	9,112	1,730	10,842	6,813	1,770	8,583
Corporate services	5,209	6,531	11,740	5,673	6,260	11,933
Gross revenues	19,766	8,261	28,027	17,919	8,030	25,949
Redistribution fees and rebates	(728)	(68)	(796)	(721)	(67)	(788)
Net revenues	19,038	8,193	27,231	17,198	7,963	25,161
Transaction-based expenses	(1,785)	-	(1,785)	(1,515)	-	(1,515)
Revenues less transaction-based expenses	<u>\$ 17,253</u>	<u>\$ 8,193</u>	<u>\$ 25,446</u>	<u>\$ 15,683</u>	<u>\$ 7,963</u>	<u>\$ 23,646</u>

***Accounts Receivable, net***

As of March 31, 2023, and December 31, 2022, accounts receivable net of allowance for credit losses, were \$9,284 and \$9,485, respectively. The allowance for credit losses reflects the Company's 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 estimates of current and future economic conditions that may affect customers' ability to pay.

***Deferred Revenue***

Deferred revenue primarily represents the Company's contractual performance obligations related to annual and semi-annual Corporate Services subscription fees; monthly, quarterly and annual Market Data Licensing fees; as well as monthly OTC Link license subscription fees. The following table presents the changes in deferred revenue during the three months ended March 31, 2023 and 2022:

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

(in thousands, except share and per share information)

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Balance at beginning of period	\$ 30,456	\$ 28,432
Net changes	(2,629)	(2,054)
Balance at end of period	<u>27,827</u>	<u>26,378</u>

For the three months ended March 31, 2023 and 2022, the Company recognized \$11,950 and \$10,957 of revenues, respectively, that was included in the balance of deferred revenue at the beginning of the year.

***Payment Terms***

The Company's 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, OTC Markets Group requires payment before services are rendered.

**Note 4. Concentrations and Uncertainties**

During each of the Reporting Period and the same prior year period, Market Data Licensing revenues earned through one market data redistributor amounted to approximately 8% of the Company's gross revenues. Additionally, as of March 31, 2023 and 2022, accounts receivable from that same redistributor amounted to 25% and 23% of total accounts receivable, respectively.

**Note 5. Fair Value of Financial Instruments**

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

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

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

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

**OTC MARKETS GROUP INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

**Note 6. Property and Equipment, net**

Property and equipment consisted of the following:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>Estimated useful life (years)</b>
Computer software	\$ 7,594	\$ 7,057	3 - 10
Computer equipment	6,887	6,878	1 - 4
Furniture and fixtures	691	691	5 - 7
Leasehold improvements	2,917	2,878	Term of lease
Total property and equipment	18,089	17,504	
Accumulated depreciation and amortization	(9,372)	(8,867)	
<b>Total property and equipment, net</b>	<b>\$ 8,717</b>	<b>\$ 8,637</b>	

Depreciation and amortization on property and equipment, including computer software acquired as part of the EDGAR Online acquisition, included in the unaudited interim Condensed Consolidated Statements of Income amounted to \$504 and \$440 for the three months ended March 31, 2023 and 2022, 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:*

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Operating Lease cost	\$ 499	\$ 499
Short-term Lease cost	9	9
Total lease cost	\$ 508	\$ 508

*Supplemental cash flow information related to leases was as follows:*

	<b>Three Months Ended March 31,</b>	
	<b>2023</b>	<b>2022</b>
Cash Paid for operating lease liabilities	\$ 495	\$ 476
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:*

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Operating lease right-of use assets	\$ 13,313	\$ 13,635
Other current liabilities	1,935	1,934
Operating lease liabilities	12,989	13,309
Total operating lease liabilities	14,924	15,243
Weighted-average remaining lease term	8 Years	9 Years
Weighted-average discount rate	4.7%	4.7%

*Maturities of lease liabilities were as follows:*

Remainder of 2023	\$ 1,487
2024	2,104
2025	2,160
2026	2,165
2027	2,171
Thereafter	8,168
Total lease payments	18,255
Less imputed interest	( 3,331 )
Total	\$ 14,924

**Note 8. Goodwill and Intangible Assets**

The following table presents goodwill activity for the period:

	<b>December 31, 2022</b>	<b>Goodwill Acquired</b>	<b>Other Adjustments</b>	<b>March 31, 2023</b>
Goodwill	\$ 3,984	\$ -	\$ -	\$ 3,984

Intangible assets consisted of the following:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>	<b>Estimated useful life (years)</b>
<b>Intangible assets:</b>			
Website	\$ 100	\$ 100	2
Subscription services	150	150	8-15
Customer Relationships	8,200	8,200	15
Data Asset	140	140	4
Distributor relations	27	27	15
Intellectual property	40	40	Indefinite
Total intangible assets	8,657	8,657	
Accumulated amortization	(810)	(664)	
<b>Intangible assets, net</b>	<b>\$ 7,847</b>	<b>\$ 7,993</b>	

Amortization expense for finite-lived intangible assets was \$146 for the three months ended March 31, 2023 and was related to acquired intangible assets in connection with the Blue Sky Data Corp acquisition, which closed in May 2022. No amortization of finite-lived intangible assets was recognized for the three months ended March 31, 2022. No impairment charges

**OTC MARKETS GROUP INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

were recorded to goodwill or intangible assets during the three months ended March 31, 2023 or 2022.

**Note 9. Accrued Expenses and Other Current Liabilities**

Accrued expenses and other current liabilities consisted of the following:

	<b>March 31, 2023</b>	<b>December 31, 2022</b>
Payroll and employee withholdings	\$ 3,866	\$ 9,508
Accrued operating expenses	1,470	1,699
Current operating lease liabilities	1,935	1,934
<b>Total accrued expenses and other current liabilities</b>	<b>\$ 7,271</b>	<b>\$ 13,141</b>

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, 2022 represents a full year of accrual, which was paid out during the Reporting Period.

**Note 10. Stock-Based Compensation**

OTC Markets Group grants stock options to employees and certain consultants and restricted stock awards ("RSAs") to certain employees and consultants, as well as 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 expense on a straight-line basis over the requisite service period, which is generally the vesting period. The grant date fair value of each RSA is based on the closing stock price on the day prior to the grant date. These charges are included in compensation and benefits expense and, in respect of compensation for the Company's Board of Directors, professional and consulting fees on the unaudited interim Condensed Consolidated Statements of Income.

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

(in thousands, except W/A exercise price)	<b>Stock options</b>	<b>Weighted-average exercise price</b>	<b>Aggregate intrinsic value</b>	<b>Remaining contractual term (years)</b>
Outstanding, January 1, 2023	790	\$ 43.95	\$ 10,716	7.85
Granted	30	57.14	6	
Exercised	(38)	26.04	1,201	
Forfeited	(5)	56.80	9	
Outstanding, March 31, 2023	777	\$ 45.24	\$ 9,377	7.80
Exercisable, March 31, 2023	214	\$ 28.92	\$ 5,947	5.13

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of \$447 and \$196 for the three months ended March 31, 2023 and 2022, respectively. During the Reporting Period, management 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.

# OTC MARKETS GROUP INC.

## Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

As of March 31, 2023, unrecognized compensation cost related to non-vested stock options was \$5,860, which will be recognized over approximately 4.2 years.

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

(in thousands, except W/A fair value)	Restricted stock	Weighted-average fair value	Aggregate intrinsic value
Outstanding, January 1, 2023	265	\$ 41.95	\$ 15,079
Granted	90	58.00	5,219
Vested	(87)	37.44	5,073
Forfeited	(5)	46.98	257
Outstanding, March 31, 2023	263	\$ 48.85	\$ 14,860

The Company recognized compensation expense related to RSAs, net of estimated forfeitures, of \$1,083 and \$954 for the three months ended March 31, 2023 and 2022, respectively. During the Reporting Period, management estimated forfeiture rates of 6% for RSAs granted to management and 10% for RSAs granted to other employees. In addition, the Company also recognized professional fees of \$45 in each of the three months ended March 31, 2023 and 2022, related to the issuance of RSAs to the Board of Directors.

As of March 31, 2023, unrecognized compensation cost related to non-vested RSAs totaled \$11,196, which will be recognized over approximately 3.8 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 unaudited interim Condensed Consolidated Balance Sheet. As of March 31, 2023 and December 31, 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 Condensed Consolidated Balance Sheet because the Company determined, based on its financial results for the quarter ended March 31, 2023 and year ended December 31, 2022, that the performance objectives set forth in the Performance Unit Award agreements have not been met.

The maximum total compensation expense to be recognized under the Performance Unit Awards is \$2,508 if the performance objectives are met each performance year, which would result in the issuance of approximately 44,389 Performance Units, payable in 22,194 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 \$56.50 on March 31, 2023. However, the actual number of Performance Units issued may fluctuate based on the share price at the date of settlement.

**OTC MARKETS GROUP INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

**Note 11. Contingencies**

*Legal Matters*

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

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. Where it is determined, in consultation with legal counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual.

Currently, OTC Markets Group is in discussions with the SEC's Division of Enforcement regarding certain OTC Link policies and procedures. The Company cannot yet anticipate the timing, outcome, or possible impact of the inquiry, financial or otherwise. Consequently, the Company has not established an accrual for this or any other pending matter.

**Note 12. Acquisitions**

*Blue Sky Data Corp*

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 allowed 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 are included in the Company's Market Data Licensing business for the three months ended March 31, 2023.

During the three months ended March 31, 2023, the Company finalized the valuation of the assets acquired and liabilities assumed, with no changes in the amounts and related disclosures compared to December 31, 2022.

**Note 13. Stockholders' Equity**

*Common Stock*

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

The Company is authorized to issue 17,000,000 shares of Class A Common Stock of \$0.01 par value. As of March 31, 2023, there were a total of 12,698,514 shares issued and 11,913,745 shares outstanding. As of December 31, 2022, there were a total of 12,601,270 shares issued and 11,874,763 shares outstanding.

**OTC MARKETS GROUP INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

*Treasury Stock*

In August 2011, the Board of Directors authorized the Company to repurchase up to 300,000 shares of Class A Common Stock in compliance with Rule 10b-18 under the Securities Exchange Act of 1934 (the "Exchange Act"). On March 6, 2023, the Board of Directors refreshed the Company's stock repurchase program, authorizing the repurchase of up to 300,000 shares of Class A Common Stock.

During the Reporting Period, the Company repurchased 58,262 shares of Class A Common Stock at an average price of \$58.00 per share for a total of \$3,379. During the same prior year period, the Company repurchased 45,140 shares at an average price of \$61.50 per share, for a total of \$2,776. All repurchased shares are held in treasury. Under the stock repurchase program, there are 300,000 shares remaining to be purchased.

*Dividends*

The Company declared and paid a quarterly cash dividend of \$0.18 per share of Class A Common Stock during each of the three months ended March 31, 2023 and 2022, totaling \$2,145 and \$2,133, 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 10, *Stock-Based Compensation*). In November 2022 and 2021, the Board of Directors authorized an increase in the number of shares available for issuance under the Plan by 200,000 and 190,000 shares, respectively.

**Note 14. Income Taxes**

The Company's effective tax rates were 10.6% and 11.9% for the three months ended March 31, 2023 and 2022, respectively. The rates reflect the inclusion of state and local income taxes at the federal statutory rate of 21%. The effective tax rate for the three months ended March 31, 2023 differed from the federal statutory rate primarily due to the recognition of the U.S. federal research and development credit, the impact of the Foreign-Derived Intangible Income deduction available pursuant to provisions of the Tax Cuts and Jobs Act, and the impact of excess tax benefits from stock-based compensation. During the three months ended March 31, 2023 and 2022, the Company recognized an income tax benefit related to the excess tax benefit on stock-based compensation of \$698 and \$920, respectively.

As required by the uncertain tax position guidance in ASC Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The gross amount of unrecognized tax benefits as of March 31, 2023 and December 31, 2022 was \$499 and \$478, respectively, and was classified in income tax reserve in the Condensed Consolidated Balance Sheets. It is not reasonably possible that any unrecognized tax benefits will reverse within the next twelve months from settlements with taxing authorities.

**OTC MARKETS GROUP INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company recognized interest and penalties of \$3 and \$5 for the three months ended March 31, 2023 and 2022, respectively. Interest and penalties accrued as of March 31, 2023 and December 31, 2022 were \$182 and \$179, 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, consultants, and directors (refer to Note 10, *Stock-Based Compensation*) participate in dividends on the same basis as common shares and such dividends are nonforfeitable by the holder. As a result, these RSAs meet the definition of a participating security.

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

*Basic Earnings per common share*

(in thousands, except shares and per share data)	Three Months Ended March 31,	
	2023	2022
Net income available to common shareholders	\$ 6,319	\$ 7,614
Less: Undistributed earnings allocated to unvested RSAs	(92)	(124)
Less: Dividend equivalents on unvested RSAs	(47)	(48)
Net income allocated to common shareholders	<u>\$ 6,180</u>	<u>\$ 7,442</u>
Shares of common stock and common stock equivalents		
Weighted-average common shares outstanding	<u>11,642,968</u>	<u>11,599,997</u>
Basic earnings per share	\$ 0.53	\$ 0.64

*Diluted Earnings per common share*

(in thousands, except shares and per share data)	Three Months Ended March 31,	
	2023	2022
Net income available to common shareholders	\$ 6,319	\$ 7,614
Less: Undistributed earnings allocated to unvested RSAs	(90)	(121)
Less: Dividend equivalents on unvested RSAs	(47)	(48)
Net income allocated to common shareholders	<u>\$ 6,182</u>	<u>\$ 7,445</u>
Shares of common stock and common stock equivalents		
Weighted-average common shares outstanding	11,642,968	11,599,997
Dilutive effect of employee stock options and RSAs	223,678	326,347
Weighted-average shares used in diluted computation	<u>11,866,646</u>	<u>11,926,344</u>
Diluted earnings per share	\$ 0.52	\$ 0.62

**OTC MARKETS GROUP INC.**

**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

**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- $\frac{2}{3}$ % of aggregate indebtedness, as defined. OTC Link LLC's regulatory net capital as of March 31, 2023 and December 31, 2022 was \$3,919 and \$4,380, respectively, which exceeded the minimum net capital requirement by \$3,728 and \$4,158, respectively.

**Note 17. Subsequent Events**

For purposes of disclosure in the unaudited interim condensed consolidated financial statements, the Company has evaluated subsequent events through May 9, 2023, the date the financial statements were available to be issued.

On May 5, 2023, the Board of Directors authorized and approved a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The quarterly cash dividend is payable on June 22, 2023, to stockholders of record on June 8, 2023. The ex-dividend date is June 7, 2023.

**EXHIBIT 9.1**

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER**

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

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

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

May 9, 2023  
Date



## **EXHIBIT 9.2**

### **CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER**

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

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

/s/ Antonia Georgieva  
Antonia Georgieva  
Chief Financial Officer

May 9, 2023  
Date