



OTC Markets Group Inc. (OTCM)

Transition of Coverage; Lower 2023 Estimates, Releasing 2024 Forecast; View Subscription Model, Debt-Free Balance Sheet Positively; Maintain \$68 Price Target

	2021	2022E		2023E		2024E	
		OLD	NEW	OLD	NEW	OLD	NEW
Mar.	\$0.57	\$0.62A		\$0.65	\$0.63		\$0.66
June	0.59	0.61A		0.67	0.63		0.67
Sep.	0.62	0.60A		0.65	0.64		0.69
Dec.	0.74	0.67		0.73	0.67		0.72
FD EPS	\$2.52	\$2.54		\$2.70	\$2.57		\$2.74
P/E		22.6x		22.3x		20.9x	

Note: NR = Not Rated. Risk Ratings: H = High; M = Moderate. Sum of quarterly EPS may not equal full-year total due to rounding and/or change in share count. NC=Not covered by Sidoti & Co., LLC.

Year	2015	2016	2017	2018	2019	2020	2021	2022E	2023E	2024E
Rev.(Mil.)	\$49.9	\$50.9	\$54.7	\$59.3	\$62.8	\$71.2	\$102.9	\$105.0	\$108.5	\$112.7
GAAP EPS	\$0.88	\$0.90	\$1.06	\$1.36	\$1.25	\$1.53	\$2.52	\$2.53	\$2.57	\$2.74

Description: OTC Markets Group, Inc. (www.otcmkt.com) operates three lines of business centered on over 12,000 U.S. and global securities clients at the end of 2021. The company offers a cost-effective solution to penetrate the U.S. securities market, while providing a host of services that connect brokers and dealers, organize markets, and ultimately monetize OTC's vast database of information. OTC's three lines of business are OTC Link (29% of 2021 revenue), Market Data (33%) and Corporate Services (38%). Headquarters are in New York, NY.

- **With this note, Brendan McCarthy assumes coverage of OTC Markets Group Inc.**
- **We reduce our 2023 EPS estimate 4.8% to \$2.57 and release our 2024 projection of \$2.74 to reflect a balanced growth outlook.**
- **We expect 3-4% annual revenue growth in 2023-2024 will be driven by an increase in international subscribers for the company's key markets, OTCQB and OTCQX.**
- **Amendments to SEC Rule 15c2-11, which prompted enhanced disclosure in OTC markets in order to better protect investors, have led to an increase in subscribers and could present additional opportunities in fixed-income markets.**
- **The relatively high proportion of subscription-based revenue is a key advantage.**
- **The recent acquisition of EDGAR Online aligns with OTCM's disciplined M&A strategy aimed at expanding data offerings.**
- **The balance sheet remains debt-free.**
- **Our \$68 price target is based on 25x our 2024 EPS forecast of \$2.74, in line with the peer average and reflecting a shift from a 2023 valuation base year.**
- **Our high risk assessment reflects the low trading volume in the stock.**

Our 2024 projections and 2023 revisions balance the outlook for subscriber growth against macroeconomic headwinds. We are confident that OTCM can attract new business across its operating segments, with the drivers discussed below. Our 2024 estimates include revenue of \$112.7 million, up 4% year-over-year, and EPS of \$2.74, up 6%. We balance our growth outlook with macroeconomic challenges that could moderate subscriber growth within certain business lines that cater to smaller companies more vulnerable to cyclicality, such as the OTCQB market. Trading volume normalized in 4Q:21 from the elevated retail trading that took place in 2021, making transaction-driven revenue more comparable going forward. Our 2023 EPS estimate revision reflects an increase in compensation cost to position the expense more in line with historical trends.

NR

Price Target: \$68

Price: \$57.30

Risk Rating: H

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Key Statistics

Analysts Covering	1
Market Cap (Mil)	\$650
Enterprise Value	\$651
52-Week Range (US OTC)	67-52
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	2,000
Shares Out (Mil)	11.265
Float Shares (Mil)	N/A
Insider Ownership	8%
Institutional Holdings	8%
Annualized Dividend	\$0.72
Dividend Yield	1.3%
FCF Per Share (2024E)	\$3.44
FCF Yield (2024E)	6.0%
Net Cash Per Share (2024E)	\$10.20
Price to Book Value	16.8x
Return on Equity (2024E)	25%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	N/A
Short Interest Days To Cover	N/A
Russell 2000	1,796
Russell 2000 – Last 12 Months	-18.7%
OTCM – Last 12 Months	-1.6%



We view new international company listings on OTCM market platforms as the primary driver of long-term revenue growth. Subscriber growth from international companies will likely come from those that meet the listing standards of a qualified non-U.S. stock exchange in their primary market and see more value and/or cost savings in listing with OTCM than a U.S. exchange. At the end of 3Q:22, OTCQX had 609 company subscribers (up 9% from 3Q:21) and OTCQB had 1,245 (up 17%). International issuers drove 3Q:22 growth, with 31 companies joining OTCQX and 75 joining OTCQB. Notably, OTCQX and OTCQB typically carry annual retention rates above 90% as a result of strong sales and customer satisfaction, which in turn leads to recurring revenue.

Amendments to SEC Rule 15c2-11 have boosted subscriber growth and present further opportunities for OTCM's fixed-income product. Significant amendments to SEC Rule 15c2-11 that went into effect in September 2021 require that the issuer of a security have certain current information publicly available before the security can be quoted on OTCM platforms. This proved to be a significant tailwind for OTCM's Disclosure and News (DNS) offering, which helps issuers meet disclosure requirements, and led to new subscribers for OTCQX and OTCQB. In October 2022, OTCM introduced its fixed-income 15c2-11 product in response to clarification from the SEC that stated the amended Rule 15c2-11 also applies to OTC fixed-income securities. While application of the rule toward certain fixed-income securities remains unresolved and subscriber growth unpredictable, cross-selling may evolve for the new offering.

Subscription-based revenue provides visibility that complements less-predictable transaction-based revenue. All three operating segments generate fee-based revenue from subscribers, with subscription-based revenue typically comprising about 80% of the total. OTC Link allows broker-dealer subscribers to efficiently provide customers execution. Corporate Services charges application fees and subscription fees on an annual and semiannual basis. Market Data Licensing charges licensing fees on a subscription basis to professional and non-professional (retail) subscribers. Transaction-based revenue related to the OTC Link segment was elevated in 2021, largely due to high retail investor participation, which has normalized. We expect subscription growth in Corporate Services and growth in professional users within Market Data Licensing to continue to offset declines among non-professional users amid lower retail investor participation in the OTC market.

The EDGAR Online acquisition adds U.S. public company data to OTCM's data product offering. In November, OTC Markets announced the closing of its acquisition of EDGAR® Online, which provides SEC data and compliance tools, from Donnelley Financial for consideration of \$3.5 million. The strategic fit is compelling as EDGAR's assets further diversify OTCM's data offerings to provide a more comprehensive view of an issuer. Additionally, OTCM was a key customer of EDGAR, which gives us confidence in the value-add proposition. While we are confident in the eventual successful integration of EDGAR Online, the timeline to positive cash flow generation is difficult to predict as EDGAR will require capital expenditures related to pivoting its data offering onto a cloud platform.

The balance sheet provides flexibility and highlights OTCM's financial strength. The company has no debt and primarily funds capital allocation priorities with cash flow from operations. We model free cash flow per share of \$3.47 in 2023 and \$3.44 in 2024 and a cash balance of \$121 million (\$10.20 a share) in 2024. Capital allocation decisions support OTCM's shareholder returns program, which included a special dividend of \$1.50 per share in 3Q:22. In 2021, OTCM returned \$27 million through the quarterly dividend and share repurchases, versus \$18 million in 2020. Through 3Q:22, the company returned over \$9 million to shareholders via dividends and share repurchases. We expect OTCM to continue to return capital to shareholders through these measures, while continuing to increase the dividend from time to time. Balance sheet strength and durable free cash flow provide capital for organic investments in current operations and opportunistic M&A as well, in our opinion.

Valuation	We maintain a \$68 price target and high risk rating on OTCM shares. Our target applies a multiple of 25x to our 2024 EPS forecast of \$2.74, shifting from a 2023 basis. In the past five years, OTCM traded at 16x-29x forward EPS and averaged 23x. Corporate service and exchange peers trade at 17x-41x and average 25x the 2024 EPS consensus. OTCM's lack of liquidity could validate a discount to peers and is reflected in our high risk assessment, yet we view the recurring-revenue model, profit profile, capital allocation and shareholder remuneration as supporting the multiple we assign the stock.		
Key Risks	Trading liquidity	Economic	Competitive

OTC MARKETS GROUP INC.

Table 1. OTC Markets Group Inc., Income Statement

(\$ in thousands, except where noted)

	2021	MarA	JuneA	SepA	DecE	2022E	MarE	JuneE	SepE	DecE	2023E	2024E
OTC Link	\$29,665	\$5,433	\$5,132	\$5,027	\$5,591	\$21,183	\$5,542	\$5,235	\$5,128	\$5,703	\$21,607	\$22,039
Market Data Licensing	33,751	8,583	8,901	9,028	9,216	35,728	8,840	9,168	9,299	9,492	36,800	38,187
Corporate Services	39,517	11,933	11,957	11,860	12,410	48,160	12,410	12,435	12,334	12,906	50,086	52,467
Gross Revenue	\$102,933	\$25,949	\$25,990	\$25,915	\$27,217	\$105,071	\$26,792	\$26,838	\$26,761	\$28,101	\$108,493	\$112,692
Redistribution & Transaction fees	12,293	2,303	2,139	2,079	1,361	7,882	1,340	1,342	1,338	1,405	5,425	5,635
Net Revenue	\$90,640	\$23,646	\$23,851	\$23,836	\$25,856	\$97,189	\$25,453	\$25,496	\$25,423	\$26,696	\$103,068	\$107,057
Compensation	34,049	10,223	9,045	9,431	10,070	38,769	10,449	10,467	10,169	10,679	41,764	43,378
IT Infrastructure	7,633	1,958	1,894	1,917	2,041	7,810	2,143	2,147	2,141	2,248	8,679	9,015
Professional fees	4,496	1,217	1,738	1,690	1,361	6,006	1,340	1,342	1,338	1,405	5,425	5,635
Marketing & Advertising	1,029	278	380	294	544	1,496	429	429	428	562	1,848	1,920
Occupancy costs	2,348	595	598	584	817	2,594	804	805	803	843	3,255	3,381
D&A	1,796	440	496	556	490	1,982	482	483	482	506	1,953	2,028
General and administrative	1,273	291	438	327	517	1,573	455	497	508	534	1,994	1,127
Total Operating Costs	\$52,624	\$15,002	\$14,589	\$14,799	\$15,840	\$60,230	\$16,102	\$16,170	\$15,869	\$16,777	\$64,918	\$66,484
Operating Income	\$38,016	\$8,644	\$9,262	\$9,037	\$10,016	\$36,959	\$9,351	\$9,326	\$9,554	\$9,920	\$38,150	\$40,573
Other income (costs)	(51)	0	(9)	1	0	(8)	0	0	0	0	0	0
Pretax Income	\$37,965	\$8,644	\$9,253	\$9,038	\$10,016	\$36,951	\$9,351	\$9,326	\$9,554	\$9,920	\$38,150	\$40,573
Income Taxes	(7,489)	(1,030)	(1,851)	(1,869)	(2,003)	(6,753)	(1,870)	(1,865)	(1,911)	(1,984)	(7,630)	(8,115)
Net Income	\$30,476	\$7,614	\$7,402	\$7,169	\$8,013	\$30,198	\$7,480	\$7,461	\$7,643	\$7,936	\$30,520	\$32,458
Less restricted stock	(5173)	0	0	0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income To Common	\$30,303	\$7,614	\$7,402	\$7,169	\$8,013	\$30,198	\$7,480	\$7,461	\$7,643	\$7,936	\$30,520	\$32,458
Basic EPS	\$2.59	\$0.64	\$0.62	\$0.61	\$0.69	\$2.60	\$0.64	\$0.64	\$0.66	\$0.68	\$2.63	\$2.80
FD EPS	\$2.52	\$0.62	\$0.61	\$0.60	\$0.67	\$2.54	\$0.63	\$0.63	\$0.64	\$0.67	\$2.57	\$2.74
Non Recurring	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0	\$1.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Per Share Effect	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Adjusted Net Income	\$30,476.0	\$7,614.0	\$7,403.0	\$7,169.0	\$8,012.6	\$30,198.6	\$7,480.5	\$7,461.0	\$7,642.9	\$7,935.9	\$30,520.1	\$32,458.3
Normalized FD EPS	\$2.56	\$0.64	\$0.62	\$0.60	\$0.68	\$2.54	\$0.63	\$0.63	\$0.64	\$0.67	\$2.57	\$2.74
Basic Shares Outstanding	11,772	11,836	11,903	11,598	11,598	11,598	11,598	11,598	11,598	11,598	11,598	11,598
FD Shares Outstanding	11,901	11,926	11,874	11,867	11,867	11,867	11,867	11,867	11,867	11,867	11,867	11,867
Dividend	\$2.16	\$0.18	\$0.18	\$0.18	\$0.18	\$0.72	\$0.18	\$0.18	\$0.18	\$0.18	\$0.72	\$0.72
EBITDA	\$43,092	\$10,279	\$10,738	\$10,658	\$11,637	\$43,312	\$10,857	\$10,832	\$11,060	\$11,426	\$44,174	\$47,334
Growth Analysis												
OTC Link	86.7%	(47.2%)	(33.2%)	(17.7%)	0.0%	(28.6%)	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
Market Data Lincensing	20.0%	8.7%	3.7%	6.3%	5.0%	5.9%	3.0%	3.0%	3.0%	3.0%	3.0%	3.8%
Corporate Services	45.3%	51.1%	30.2%	11.7%	5.0%	21.9%	4.0%	4.0%	4.0%	4.0%	4.0%	4.8%
Revenue YOY Growth	44.5%	(0.5%)	2.1%	2.8%	3.9%	2.1%	3.3%	3.3%	3.3%	3.3%	3.3%	3.9%
Seq. Rev Growth		(0.9%)	0.2%	(0.3%)	5.0%		(1.6%)	0.2%	(0.3%)	5.0%		
Adjusted Net Income YoY Growth	65.8%	11.3%	4.7%	(2.3%)	(11.5%)	(0.3%)	(1.8%)	0.8%	6.6%	(1.0%)	1.1%	6.4%
Adjusted FD EPS YoY Growth	64.7%	8.8%	3.4%	(2.8%)	(9.5%)	1.0%	1.7%	3.1%	6.6%	(0.2%)	1.1%	6.4%
EBITDA YOY Growth	64.3%	4.2%	3.8%	(2.2%)	(3.3%)	0.4%	5.6%	0.9%	3.8%	(1.8%)	2.0%	7.2%
Adjusted Gross Margin	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM	NM
Adjusted SG&A Margin	33.1%	39.4%	34.8%	36.4%	37.0%	36.9%	39.0%	39.0%	38.0%	36.9%	38.5%	38.5%
Operating Margin	36.9%	33.3%	35.6%	34.9%	36.8%	35.2%	34.9%	34.8%	35.7%	35.3%	35.2%	36.0%
Adjusted Profit Margin	29.6%	29.3%	28.5%	27.7%	29.4%	28.7%	27.9%	27.8%	28.6%	28.2%	28.1%	28.8%
EBITDA Margin	41.9%	39.6%	41.3%	41.1%	42.8%	41.2%	40.5%	40.4%	41.3%	40.7%	40.7%	42.0%
CapEx Margin	1.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rate	19.7%	11.9%	20.0%	20.7%	20.0%	18.3%	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

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

(\$ in thousands except where noted)

	2021	MarA	JuneA	SepA	DecE	2022E	MarE	JuneE	SepE	DecE	2023E	2024E
Operating Activities												
Net Income	\$30,476	\$7,614	\$7,402	\$7,169	\$8,013	\$30,198	\$7,480	\$7,461	\$7,643	\$7,936	\$30,520	\$32,458
Depreciation & amortization	1,796	440	496	556	556	2,048	441	441	441	441	1,764	2,254
Provision for bad debts	52	(10)	93	(7)	0	76	0	0	0	0	0	0
Share based compensation	3,332	1,195	980	1,065	1,065	4,305	1,065	1,065	1,065	1,065	4,260	4,508
Excess tax benefit	(949)	(920)	(197)	(67)	0	(1,184)	0	0	0	0	0	0
Deferred rent	0	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	(44)	(74)	(13)	(2,114)	0	(2,201)	0	0	0	0	0	0
Loss on fixed assets	0	0	0	0	0	0	0	0	0	0	0	0
Change in Operating Assets & Liabilities	\$34,663	\$8,245	\$8,761	\$6,602	\$9,634	\$33,242	\$8,986	\$8,967	\$9,149	\$9,442	\$36,544	\$39,220
Net Change in Working Capital	11,793	(7,743)	(1,625)	2,615	3,952	(2,461)	(3,279)	(1,076)	2,924	7,260	5,829	2,897
Net Cash Provided by Operations	\$46,456	\$502	\$7,136	\$9,217	\$13,586	\$30,781	\$5,708	\$7,891	\$12,073	\$16,702	\$42,373	\$42,117
Investing Activities												
Acquisitions	0	0	(11,617)	0	0	(11,617)	0	0	0	0	0	0
Capital expenditures	(1,395)	(194)	(748)	(45)	(45)	(1,032)	(300)	(300)	(300)	(300)	(1,200)	(1,352)
Net Cash Provided by Investing Activities	(\$1,395)	(\$194)	(\$12,365)	(\$45)	(\$45)	(\$12,649)	(\$300)	(\$300)	(\$300)	(\$300)	(\$1,200)	(\$1,352)
Financing Activities												
Dividends	(25,459)	(2,133)	(2,135)	(2,135)	(2,135)	(8,538)	(2,135)	(2,135)	(2,135)	(2,135)	(8,540)	(8,540)
Proceeds from stock options	8	0	0	0	0	0	0	0	0	0	0	0
Restricted stock issuance	1	(454)	(325)	60	0	(719)	0	0	0	0	0	0
Withholding taxes paid	(1,428)	0	0	0	0	0	0	0	0	0	0	0
Excess tax benefits	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury stock	(1,522)	(2,776)	0	0	0	(2,776)	0	0	0	0	0	0
Net Cash Provided by Financing	(\$28,400)	(\$5,363)	(\$2,460)	(\$2,075)	(\$2,135)	(\$12,033)	(\$2,135)	(\$2,135)	(\$2,135)	(\$2,135)	(\$8,540)	(\$8,540)
Net Cash Increase (decrease) in cash	\$16,661	(\$5,055)	(\$7,689)	\$7,097	\$11,406	\$5,759	\$3,271	\$5,456	\$9,638	\$14,267	\$32,633	\$32,225
Beginning cash balance	35,297	50,394	45,339	37,650	44,745	50,394	56,153	59,424	64,879	74,517	56,153	88,786
Ending Cash Balance	\$50,394	\$45,339	\$37,650	\$44,747	\$56,151	\$56,153	\$59,424	\$64,879	\$74,517	\$88,784	\$88,786	\$121,011
CFFO	\$46,456	\$502	\$7,136	\$9,217	\$13,586	\$30,781	\$5,708	\$7,891	\$12,073	\$16,702	\$42,373	\$42,117
CapEx	(1,395)	(194)	(748)	(45)	(45)	(1,032)	(300)	(300)	(300)	(300)	(1,200)	(1,352)
Free Cash Flow	\$45,061	\$308	\$6,388	\$9,172	\$13,541	\$29,749	\$5,408	\$7,591	\$11,773	\$16,402	\$41,173	\$40,765
FCF / Share	\$3.79	\$0.03	\$0.54	\$0.77	\$1.14	\$2.51	\$0.46	\$0.64	\$0.99	\$1.38	\$3.47	\$3.44

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

Table 3. OTC Markets Group Inc., Balance Sheet

(\$ in thousands except where noted)

	2021	MarA	JuneA	SepA	DecE	2022E	MarE	JuneE	SepE	DecE	2023E	2024E
ASSETS												
Current Assets												
Cash	\$50,394	\$45,339	\$37,649	\$44,745	\$56,151	56,151	\$59,424	\$64,879	\$74,517	\$88,784	88,784	121,009
Receivables	7,404	7,631	7,559	8,237	6,304	6,304	10,591	10,676	10,761	6,510	6,510	9,880
Prepaid income taxes	790	1,432	1,824	36	36	36	36	36	36	36	36	36
Prepaid expenses	1,363	1,639	1,554	1,513	1,513	1,513	1,513	1,513	1,513	1,513	1,513	1,513
Deferred tax asset	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	\$59,951	\$56,041	\$48,586	\$54,531	\$64,004	\$64,004	\$71,564	\$77,105	\$86,827	\$96,843	\$96,843	\$132,438
PP&E	5,049	4,718	5,076	4,716	4,205	4,205	4,064	3,923	3,782	3,641	3,641	2,739
Operating lease right-of-use assets				13,954	13,954	13,954	13,954	13,954	13,954	13,954	13,954	13,954
Non-current deferred tax asset	15,276	15,042	14,738	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583	2,583
Goodwill	251	251	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984
Intangible assets	40	40	8,283	8,138	8,138	8,138	8,138	8,138	8,138	8,138	8,138	8,138
Other Assets	1,688	1,668	1,851	2,069	2,069	2,069	2,069	2,069	2,069	2,069	2,069	2,069
Total Assets	\$82,255	\$77,760	\$82,518	\$89,975	\$98,937	\$98,937	\$106,356	\$111,756	\$121,337	\$131,212	\$131,212	\$165,905
Liabilities												
Accounts payable	962	1,059	1,068	1,031	1,051	1,051	1,059	1,068	1,076	1,085	1,085	1,352
Income tax payable	13	170	7	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159	11,159
Accrued expenses	12,357	6,629	8,929	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512	2,512
Deferred revenue	28,432	26,378	23,312	20,563	22,563	22,563	23,563	22,563	25,563	28,563	28,563	34,563
Current Liabilities	\$41,764	\$34,236	\$33,316	\$35,265	\$37,285	\$37,285	\$38,293	\$37,302	\$40,310	\$43,319	\$43,319	\$49,586
Deferred rent	14,548	14,244	13,937	13,625	13,625	13,625	13,625	13,625	13,625	13,625	13,625	13,625
Income tax reserve	989	880	943	604	604	604	604	604	604	604	604	604
Total Liabilities	\$57,301	\$49,360	\$48,196	\$49,494	\$51,514	\$51,514	\$52,522	\$51,531	\$54,539	\$57,548	\$57,548	\$63,815
Shareholders' Equity												
Class A	125	126	126	126	126	126	126	126	126	126	126	126
Class C	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	21,681	22,421	23,076	24,201	25,266	25,266	26,331	27,396	28,461	29,526	29,526	34,034
Retained earnings	16,787	22,268	27,535	32,569	38,447	38,447	43,792	49,118	54,626	60,427	60,427	84,345
Treasury shares	(13,639)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)	(16,415)
Total Stockholders' Equity	\$24,954	\$28,400	\$34,322	\$40,481	\$47,424	\$47,424	\$53,834	\$60,225	\$66,798	\$73,664	\$73,664	\$102,090
Total Liabilities & Stockholders' Equity	\$82,255	\$77,760	\$82,518	\$89,975	\$98,937	\$98,937	\$106,356	\$111,756	\$121,337	\$131,212	\$131,212	\$165,905
Key Metrics												
ROA	37.1%	9.5%	9.2%	8.3%	8.5%	30.5%	7.3%	6.8%	6.6%	6.3%	23.3%	19.6%
ROE	25.0%	14.3%	17.7%	14.4%	18.2%	25.0%	7.4%	9.8%	9.0%	11.3%	25.0%	25.0%
ROIC	45.9%	13.1%	10.4%	10.3%	9.3%	37.8%	9.3%	7.8%	7.0%	6.6%	26.8%	20.4%
Cash per share	\$4.23	\$3.80	\$3.17	\$3.77	\$4.73	\$4.73	\$5.01	\$5.47	\$6.28	\$7.48	\$7.48	\$10.20

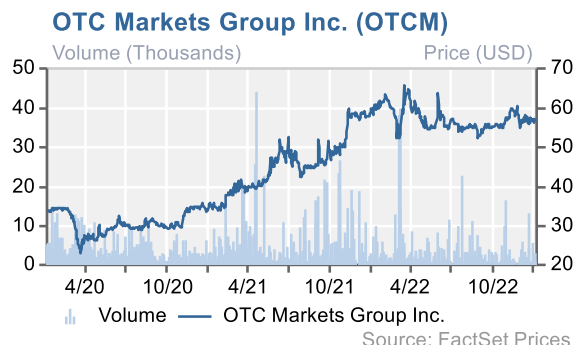
Sources: Company reports, Sidoti & Company, LLC estimates

Required Disclosures

OTC Markets Group Inc. (OTCM-\$57.30) NR Price Target: \$68 Risk Rating: H

Rating and Price Target History Table

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



Valuation	We maintain a \$68 price target and high risk rating on OTCM shares. Our target applies a multiple of 25x to our 2024 EPS forecast of \$2.74, shifting from a 2023 basis. In the past five years, OTCM traded at 16x-29x forward EPS and averaged 23x. Corporate service and exchange peers trade at 17x-41x and average 25x the 2024 EPS consensus. OTCM's lack of liquidity could validate a discount to peers and is reflected in our high risk assessment, yet we view the recurring-revenue model, profit profile, capital allocation and shareholder remuneration as supporting the multiple we assign the stock.		
Key Risks	Trading liquidity	Economic	Competitive

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

Rating System

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

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

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

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

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

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

Rating	# of Companies	% (b)	Realized Investment Banking Income (# of companies with rating)	Realized Investment Banking Income (% of companies with rating)
BUY	109	65.3%	1	0.9%
NEUTRAL(a)	13	7.8%	1	7.7%
NR -CSRs Moderate Risk (c)	39	23.4%	0	0.0%
NR -CSRs High Risk (c)	6	3.6%	0	0.0%
TOTAL	167	100.0%	2	1.2%

(a) Of the NEUTRALS 5 trade above our price target.

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

(c) 86.7% of our CSRs are moderate risk, while 13.3% are high risk.

Certain Risks

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

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

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

Sidoti research analysts generally do not cover (or continue to cover) those companies where Sidoti does not deem coverage to be profitable. In determining whether coverage is profitable, Sidoti considers among other things, (a) an estimate of invoice payments received from its institutional investor clients as it relates to a covered company; (b) whether management of a covered company participates in Sidoti-sponsored conferences and/or non-deal roadshows (Sidoti receives a fee from the issuer if the issuer presents at a conference and may receive a fee from the issuer if it schedules an NDR); and (c) whether a covered company has in the past or is inclined to include Sidoti in an investment banking transaction as a co-manager or otherwise. A possible effect of factors (b) and (c) above may be that continued coverage decisions are based, in part, on the willingness of management of covered companies to participate in, and compensate Sidoti for, such conferences and NDR meetings, as well as inclusion in investment banking transactions. This approach could be viewed as presenting potential conflicts of interest.

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

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

Date	Role	Transaction	Security

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

Sidoti holds multiple conferences a year and charges a fee of up to \$6,000 per conference to presenting companies depending on the event. Sidoti may also receive a fee of up to \$8,000 for scheduling an NDR day. The table below sets forth instances where Sidoti received non-investment revenue from the company covered hereunder, if any, over the past 12 months:

Conferences	NDR Days

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

None.

Analyst Certification

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

Other Disclosures

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Sidoti receives a flat fee of \$40,000 from the subject company in Company Sponsored Research reports for the production and dissemination of an Initiation Report (if the initial year of the contract) and quarterly update reports during the one-year term of a CSR contract. (*Sidoti does not accept stock or warrant compensation*). Such contractually required reports coincide with initiation of coverage and the subject companies’ quarterly earnings releases. Sidoti may also publish reports on its CSR companies between each earnings report for which it has a contractual obligation to publish. The purpose of the CSR fee is to subsidize the high costs of providing securities research coverage. Sidoti’s receipt of a fee from the issuer described herein for producing this report could present potential conflicts of interest. To mitigate the potential for conflicts, Sidoti:

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- requires the term of a contract extend for one full year, which contract the issuer cannot unilaterally terminate;
- provides Sidoti the ability to terminate the contract under certain circumstances;
- insists that, at a minimum, pro-rata payment of the annual fee is received prior to the publication or release of a research report;
- utilizes analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct;
- provide analysts with full discretion on the price target and over other coverage points based on their own due diligence;
- maintains and enforces written policies and procedures reasonably designed to prevent any controlling persons, officers (or persons performing similar functions), or employees of Sidoti from influencing the activities of research analysts and the content of research reports prepared by the research analyst;
- does not directly tie analyst compensation to their willingness to cover a company on a commissioned basis, provided however that the provision of CSR coverage is one of several overall considerations that is factored into Sidoti’s determination of analyst compensation; and
- does not directly or indirectly tie analyst compensation to the specific recommendations or views expressed in any research report.

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Certain Additional CSR Risk Considerations

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

Source(s)

Key Statistics data is sourced from FactSet Research Systems