



## OTC Markets Group Inc. (OTCM)

**Elevated Trading Volume Drove Positive 1Q:25 Results; Highlight Market Data Price Increases; Upbeat On OTCID Launch And Improving Corporate Service Trend; Maintain \$63 Price Target**

	2023	2024	2025E		2026E	
			OLD	NEW	OLD	NEW
Mar.	\$0.52	\$0.49	\$0.53	\$0.50A	\$0.55	
June	0.57	0.56	0.62		0.66	
Sep.	0.61	0.61	0.64		0.70	
Dec.	0.58	0.60	0.66		0.75	
EPS	\$2.28	\$2.26	\$2.44		\$2.65	
P/E			20.4x		18.8x	

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	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
Rev.(Mil.)	\$54.7	\$59.3	\$62.8	\$71.2	\$102.9	\$105.1	\$109.9	\$111.1	\$119.9	\$122.6
GAAP EPS	\$1.06	\$1.36	\$1.25	\$1.53	\$2.52	\$2.53	\$2.28	\$2.26	\$2.44	\$2.65

**Description:** OTC Markets Group, Inc. (www.otcmkt.com), operates three lines of business centered on more than 12,300 U.S. and global securities clients at the end of 2024. 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 (20% of 2024 revenue), Market Data (39%) and Corporate Services (41%). Headquarters are in New York, NY. OTCM trades on the OTCQX market.

- Our outlook reflects OTCM's subscription-derived revenue, stable capital structure, and progress toward expanding its product suite to drive growth.
- On the regulatory front, management is encouraged by the renewed focus on capital formation initiatives and improving market structure, which we think could unlock new growth avenues for OTCM.
- OTCM reported EPS of \$0.50 in 1Q:25, slightly trailing our estimate though outperforming 1Q:24. Elevated trading volume and certain price increases enacted at the beginning of the year drove favorable results.
- We maintain our EPS estimates and take up our revenue forecasts given material price increases in the Market Data Licensing segment, which we estimate at 17% to more than 40% for certain professional users.
- OTCM is due to form a new market tier this July called OTCID, geared toward companies in good standing with disclosures that do not qualify for OTCQX/OTCQB. We think this is another step to improve market quality, and management recently commented that early data on OTCID has fostered an uptrend in Corporate Service sales.
- OTCM's balance sheet remains a key strength, with no debt and ample liquidity for capital allocation priorities, which have included a stable, consistent dividend.
- Our \$63 price target is based on about 23x our 2026 EPS forecast of \$2.65. Our moderate risk rating reflects OTCM's role as a provider of critical market infrastructure and its recurring, subscription-based revenue profile.

**Strong revenue trends in OTC Link and the Market Data segment drove a 9% gain in operating income and positive EPS growth in 1Q:25.** Gross revenue equaled \$30.4 million in 1Q:25, up 10% from the prior year period and outpacing our estimate of \$28.2 million. OTC Link revenue increased \$1.2 million, or 22%, year over year due to a 46% increase in revenue from OTC Link ECN and OTC Link NQB driven by a higher volume of shares traded on those platforms. OTC Link averaged about 56,000 daily trades in 1Q:25 compared to approximately

**NR**

Price Target: \$63

Price: \$49.75

Risk Rating: M

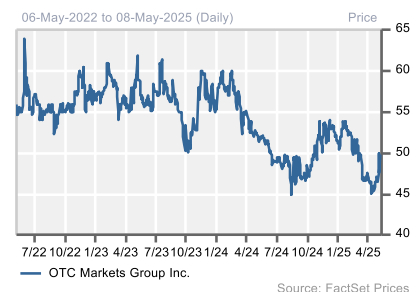
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### Key Statistics

Market Cap (Mil)	\$600
Enterprise Value	\$566
52-Week Range (US OTC)	55-44
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	5,000
Shares Out (Mil)	11.975
Float Shares (Mil)	N/A
Insider Ownership	N/A%
Institutional Holdings	10%
Annualized Dividend	\$0.72
Dividend Yield	1.4%
FCF Per Share (2026E)	\$3.34
FCF Yield (2026E)	6.7%
Net Cash Per Share (2026E)	\$5.80
Price to Book Value	15.6x
Return on Equity (2026E)	53.3%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	N/A
Short Interest Days To Cover	N/A
Russell 2000	2,026
Russell 2000 – Last 12 Months	-1.4%
OTCM – Last 12 Months	-3.8%



34,000 during 1Q:24. Looking ahead, while OTC Link transaction derived revenue has trended favorably in recent quarters, future trading volumes remain unpredictable. Market Data Licensing revenue grew substantially, up 15% in 1Q:25 compared to 1Q:24, largely due to an increase in redistributor-based revenue from professional user licenses as a result of price increases that went into effect at the beginning of 2025. OTCM continues to invest in talent and infrastructure to manage growth and product expansion, a trend we expect to continue. Compensation and benefit expenses led a 6% increase in operating expenses in 1Q:25. Operating income rose 9% in 1Q:25 due to healthy revenue growth, while operating margin was roughly flat at 25%. Despite the company's effective tax rate increasing nearly 600 basis points due to a lower excess tax benefit on stock-based compensation in 1Q:25, EPS rose to \$0.50 from \$0.49 in 1Q:24.

<b>Exhibit 1: OTC Markets Group Inc. Variance Table</b>					
\$ in thousands except per share data					
	<b>1Q:24A</b>	<b>1Q:25A</b>	<b>1Q:25E</b>	<b>% Change</b>	<b>\$ Variance</b>
OTC Link	5,397	6,563	6,078	8%	485
Market Data Licensing	11,088	12,783	11,198	14%	1,585
Corporate Services	11,172	11,080	10,884	2%	196
Gross Revenue	27,657	30,426	28,160	8%	2,266
Operating Expenses	18,610	19,783	18,807	5%	976
Operating Income	6,699	7,274	6,987	4%	287
Operating Margin*	25%	25%	26%		
Net Income	\$5,984	\$6,040	\$6,224	(3%)	(184)
Profit Margin*	22%	21%	23%		
<b>EPS</b>	<b>\$0.49</b>	<b>\$0.50</b>	<b>\$0.53</b>	<b>(5%)</b>	<b>\$ (0.02)</b>
Consensus EPS			\$0.54		

Sources: Company reports and Sidoti & Company, LLC. estimates.

\* Based on net revenue consistent with company operating metrics

**OTC Link saw a meaningful increase in trading activity in 1Q:25, while the Market Data Licensing segment benefited from price increases for certain user licenses.** In the Market Data Licensing business, the number of professional users subscribing to OTCM's data products decreased 1% to 27,711 at 1Q:25. Still, material price increases introduced at the beginning of 2025 of 17% to more than 40% for certain professional users drove a 20% year-over-year increase in revenue from professional users. We expect a similar benefit in the remainder of 2025 and, as a result, increase our segment revenue forecast. We expect OTCM to continue to work to develop and enhance the relevance of data products for subscribers. OTC Link continues to experience elevated trading volume on its platforms, with the total dollar volume traded in OTCQX, OTCQB, and Pink securities up 57% in 1Q:25 to \$183 billion. Future trading volume is largely unpredictable, and we forecast OTC Link revenue to comprise about 20% of total future revenue. The Corporate Services segment continues to face macroeconomic headwinds weighing on subscriber growth, with revenue 1% lower in 1Q:25 compared to the prior year period. Lower results from OTCQB led the decline, with 1,051 companies on OTCQB at 1Q:25 compared to 1,115 at 1Q:24. OTCQB saw a slightly lower retention rate at the start of the year, partially offset by higher sales and a lower number of non-renewals and compliance downgrades. OTCQX saw a 1% increase in revenue due to price increases that offset a lower number of company subscribers (548 at 1Q:25 versus 577 at 1Q:24). Despite near-term economic challenges, we think the value proposition to list on OTCM market platforms continues to grow, specifically for international companies aiming to access U.S. capital markets. Management commented that the new market tier set to launch in July, OTCID, has seen early interest and has influenced a positive trend in Corporate Services sales.

**OTCM will remain focused on developing capabilities such as overnight trading and OTCID to improve the broker-dealer experience and drive growth, in our view.** We expect OTCM to focus on building out its overnight trading business to drive subscriber connectivity and better trading functionality on MOON ATS and for OTC Overnight (an extension of OTC NQB). We believe the increased functionality will enhance the value proposition for broker-dealers over time by enabling trading during local hours on OTC platforms. We also expect OTCM to work to monetize its market data from overnight trading. Separately, this July, OTCM is set to launch OTCID, a new, basic reporting market for companies that meet a minimum current information standard and provide a management certification. OTCID will support companies that publish basic disclosures for investors but may not qualify for OTCQX or OTCQB due to financial challenges. We expect OTCM to aim to broaden sales efforts toward companies meeting the new market eligibility standards for the OTCID market, which could drive growth in the Corporate Services business.

<b>Valuation</b>	<b>We maintain our \$63 price target on OTCM.</b> Our price target applies an unchanged multiple of 23x to our 2026 EPS forecast of \$2.65. In the past five years, OTCM shares traded at 16x-29x forward EPS and averaged 23x. Corporate service and exchange peers trade at 21x-59x and average 30x the 2025 EPS consensus. OTCM's lack of trading liquidity could validate a discount to peers. Yet, we view the recurring, subscription-derived revenue model (85% of 2024 gross revenue), product expansion, strong balance sheet, and key regulatory role as supporting our multiple. We also think OTCM operates with a wide economic moat as an operator of critical market infrastructure for smaller companies. Technology investments to increase the value of Market Data Licensing and grow international Corporate Service subscribers could warrant a higher multiple, in our view. Our Moderate risk rating reflects strengths in OTCM's business model as a provider of critical market infrastructure with diverse end markets and subscription-derived revenue of 80%-90%.		
<b>Key Risks</b>	Trading liquidity	Economic	Regulatory

OTC MARKETS GROUP INC.

**Table 1. OTC Markets Group Inc., Income Statement**  
(\$ in thousands, except where noted)

	2023	MarA	JuneA	SepA	DecA	2024	MarA	JuneE	SepE	DecE	2025E	MarE	JuneE	SepE	DecE	2026E
<b>Operating Segments</b>																
OTC Link	\$19,600	\$5,397	\$5,408	\$5,240	\$6,364	\$22,409	\$6,563	\$6,219	\$6,026	\$6,364	\$25,172	\$6,629	\$6,281	\$6,086	\$6,428	\$25,424
Market Data Licensing	43,368	11,088	10,782	10,862	10,893	43,625	12,783	12,130	12,057	12,418	49,388	12,783	12,372	12,419	12,840	50,414
Corporate Services	46,928	11,172	11,372	11,292	11,194	45,030	11,080	11,429	11,405	11,418	45,332	11,191	11,772	11,861	11,932	46,755
<b>Gross Revenue</b>	<b>\$109,896</b>	<b>\$27,657</b>	<b>\$27,562</b>	<b>\$27,394</b>	<b>\$28,451</b>	<b>\$111,064</b>	<b>\$30,426</b>	<b>\$29,778</b>	<b>\$29,488</b>	<b>\$30,200</b>	<b>\$119,891</b>	<b>\$30,602</b>	<b>\$30,425</b>	<b>\$30,366</b>	<b>\$31,200</b>	<b>\$122,593</b>
Redistribution fees and rebates	3,237	840	791	760	791	3,182	994	893	885	906	3,678	918	913	911	936	3,678
Net Revenue	\$106,659	\$26,817	\$26,771	\$26,634	\$27,660	\$107,882	\$29,432	\$28,884	\$28,603	\$29,294	\$116,213	\$29,684	\$29,513	\$29,455	\$30,264	\$118,916
Redistribution & Transaction fees	5,524	1,508	1,549	1,435	2,157	6,649	2,375	2,204	2,064	2,114	8,757	2,142	1,826	1,822	1,872	7,662
<b>Revenues less transaction-based expenses</b>	<b>\$101,134</b>	<b>\$25,309</b>	<b>\$25,222</b>	<b>\$25,199</b>	<b>\$25,503</b>	<b>\$101,233</b>	<b>\$27,057</b>	<b>\$26,681</b>	<b>\$26,539</b>	<b>\$27,180</b>	<b>\$107,457</b>	<b>\$27,542</b>	<b>\$27,687</b>	<b>\$27,633</b>	<b>\$28,392</b>	<b>\$111,254</b>
Compensation	42,467	12,522	10,934	10,506	10,160	44,122	12,906	11,432	11,264	10,991	46,594	13,679	11,683	11,326	10,920	47,609
IT Infrastructure	10,311	2,699	2,545	2,657	2,673	10,574	2,715	2,680	2,801	2,778	10,975	2,815	2,769	2,824	2,808	11,216
Professional fees	8,048	1,466	1,521	1,525	1,783	6,295	1,956	1,727	1,769	1,812	7,264	1,530	1,734	1,731	1,872	6,867
Marketing & Advertising	1,194	263	362	320	422	1,367	343	357	413	362	1,476	428	335	425	343	1,531
Occupancy costs	2,360	585	576	589	619	2,369	638	596	619	604	2,457	612	578	607	624	2,421
D&A	2,398	653	682	677	668	2,680	660	737	729	709	2,835	723	700	750	780	2,953
General and administrative	1,762	422	462	301	428	1,613	565	499	324	454	1,842	467	456	334	374	1,631
<b>Total Operating Costs</b>	<b>\$68,540</b>	<b>\$18,610</b>	<b>\$17,082</b>	<b>\$16,575</b>	<b>\$16,753</b>	<b>\$69,020</b>	<b>\$19,783</b>	<b>\$18,028</b>	<b>\$17,920</b>	<b>\$17,711</b>	<b>\$73,442</b>	<b>\$20,255</b>	<b>\$18,255</b>	<b>\$17,998</b>	<b>\$17,721</b>	<b>\$74,229</b>
<b>Operating Income</b>	<b>\$32,594</b>	<b>\$6,699</b>	<b>\$8,140</b>	<b>\$8,624</b>	<b>\$8,750</b>	<b>\$32,213</b>	<b>\$7,274</b>	<b>\$8,652</b>	<b>\$8,619</b>	<b>\$9,469</b>	<b>\$34,015</b>	<b>\$7,287</b>	<b>\$9,432</b>	<b>\$9,635</b>	<b>\$10,670</b>	<b>\$37,025</b>
Interest Income & Other income	903	175	184	270	300	929	150	250	250	250	900	300	300	300	300	1,200
<b>Pretax Income</b>	<b>\$33,497</b>	<b>\$6,874</b>	<b>\$8,324</b>	<b>\$8,894</b>	<b>\$9,050</b>	<b>\$33,142</b>	<b>\$7,424</b>	<b>\$8,902</b>	<b>\$8,869</b>	<b>\$9,719</b>	<b>\$34,915</b>	<b>\$7,587</b>	<b>\$9,732</b>	<b>\$9,935</b>	<b>\$10,970</b>	<b>\$38,225</b>
Income Taxes	(5,836)	(890)	(1,591)	(1,466)	(1,835)	(5,782)	(1,384)	(1,691)	(1,419)	(1,944)	(6,438)	(1,032)	(1,810)	(1,550)	(2,150)	(6,542)
<b>Net Income</b>	<b>\$27,661</b>	<b>\$5,984</b>	<b>\$6,733</b>	<b>\$7,428</b>	<b>\$7,215</b>	<b>\$27,360</b>	<b>\$6,040</b>	<b>\$7,211</b>	<b>\$7,450</b>	<b>\$7,775</b>	<b>\$28,476</b>	<b>\$6,556</b>	<b>\$7,922</b>	<b>\$8,385</b>	<b>\$8,820</b>	<b>\$31,683</b>
Less restricted stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
<b>Net Income To Common</b>	<b>\$27,661</b>	<b>\$5,984</b>	<b>\$6,733</b>	<b>\$7,428</b>	<b>\$7,215</b>	<b>\$27,360</b>	<b>\$6,040</b>	<b>\$7,211</b>	<b>\$7,450</b>	<b>\$7,775</b>	<b>\$28,476</b>	<b>\$6,556</b>	<b>\$7,922</b>	<b>\$8,385</b>	<b>\$8,820</b>	<b>\$31,683</b>
Basic EPS	\$2.32	\$0.50	\$0.56	\$0.62	\$0.61	\$2.29	\$0.50	\$0.62	\$0.64	\$0.66	\$2.44	\$0.55	\$0.66	\$0.70	\$0.75	\$2.65
<b>FD EPS</b>	<b>\$2.28</b>	<b>\$0.49</b>	<b>\$0.56</b>	<b>\$0.61</b>	<b>\$0.60</b>	<b>\$2.26</b>	<b>\$0.50</b>	<b>\$0.62</b>	<b>\$0.64</b>	<b>\$0.66</b>	<b>\$2.44</b>	<b>\$0.55</b>	<b>\$0.66</b>	<b>\$0.70</b>	<b>\$0.75</b>	<b>\$2.65</b>
FD Shares Outstanding	11,863	11,863	11,838	11,833	11,855	11,841	11,834	11,834	11,834	11,834	11,834	11,834	11,834	11,834	11,834	11,834
Dividend	\$2.22	\$0.18	\$0.18	\$0.18	\$1.68	\$2.22	\$0.18	\$0.18	\$0.18	\$1.70	\$2.24	\$0.18	\$0.18	\$0.18	\$1.72	\$2.26
Payout Ratio	96%	36%	32%	29%	278%	97%	36%	29%	28%	257%	92%	33%	27%	26%	229%	85%
EBITDA	\$40,907	\$9,178	\$10,315	\$10,775	\$11,130	\$41,398	\$9,816	\$10,878	\$10,822	\$11,687	\$43,204	\$9,846	\$11,653	\$11,904	\$13,010	\$46,413
<b>Growth Analysis</b>																
OTC Link	(6.4%)	(0.9%)	12.2%	15.6%	32.5%	14.3%	21.6%	15.0%	15.0%	0.0%	12.3%	1.0%	1.0%	1.0%	1.0%	1.0%
Market Data Licensing	19.1%	2.3%	1.3%	(1.3%)	0.1%	0.6%	15.3%	12.5%	11.0%	14.0%	13.2%	0.0%	2.0%	3.0%	3.4%	2.1%
Corporate Services	(1.8%)	(4.8%)	(3.3%)	(1.8%)	(6.1%)	(4.0%)	(0.8%)	0.5%	1.0%	2.0%	0.7%	1.0%	3.0%	4.0%	4.5%	3.1%
Revenue YOY Growth	4.5%	(1.3%)	1.2%	1.3%	3.1%	1.1%	10.0%	8.0%	7.6%	6.1%	7.9%	0.6%	2.2%	3.0%	3.3%	2.3%
Seq. Rev Growth		0.2%	(0.3%)	(0.6%)	3.9%		6.9%	(2.1%)	(1.0%)	2.4%		1.3%	(0.6%)	(0.2%)	2.7%	
Adjusted Net Income YoY Growth	(10.2%)	(5.3%)	(3.3%)	0.6%	3.1%	(1.1%)	0.9%	7.1%	0.3%	7.8%	4.1%	8.5%	9.9%	12.6%	13.4%	11.3%
Adjusted FD EPS YoY Growth	(9.8%)	(5.4%)	(1.5%)	(0.7%)	3.3%	(0.9%)	1.2%	10.8%	5.2%	9.8%	7.8%	10.7%	6.5%	9.2%	13.4%	8.7%
Adjusted EBITDA	40,909	9,178	10,315	10,775	11,130	41,264	9,816	10,878	10,822	11,687	43,166	9,846	11,653	11,904	13,010	46,533
EBITDA YOY Growth	(5.4%)	0.3%	(0.9%)	2.2%	3.1%	0.9%	7.0%	5.5%	0.4%	5.0%	4.6%	0.3%	7.1%	10.0%	11.3%	7.8%
<b>Margin Analysis</b>																
Operating Margin	30.6%	25.0%	30.4%	32.4%	31.6%	29.9%	24.7%	30.0%	30.1%	32.3%	29.3%	24.5%	32.0%	32.7%	35.3%	31.1%
Adjusted Profit Margin	25.9%	22.3%	25.2%	27.9%	26.1%	25.4%	20.5%	25.0%	26.0%	26.5%	24.5%	22.1%	26.8%	28.5%	29.1%	26.6%
Tax Rate	17%	13%	19%	16%	20%	17%	19%	19%	16%	20%	18%	14%	19%	16%	20%	17%

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)

	2023	MarA	JuneA	SepA	DecA	2024	MarE	JuneE	SepE	DecE	2025E	2026E
<b>Operating Activities</b>												
Net Income	\$27,661	\$5,984	\$6,733	\$7,428	\$7,215	\$27,360	\$6,040	\$7,211	\$7,450	\$7,775	\$28,476	\$31,683
Depreciation & amortization	2,398	653	683	677	668	2,681	708	738	624	783	2,853	3,073
Provision for bad debts	367	29	5	(75)	28	(13)	0	0	0	0	0	0
Share based compensation	5,858	1,826	1,496	1,474	1,574	6,370	1,826	1,489	1,474	1,510	6,299	6,436
Excess tax benefit	(815)	(486)	(55)	1	123	(417)	0	0	0	0	0	0
Deferred rent & other	31	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	(2,838)	(690)	(668)	(176)	(895)	(2,429)	0	0	0	0	0	0
Loss on fixed assets	0	0	0	0	13	13	0	0	0	0	0	0
<b>Change in Operating Assets &amp; Liabilities</b>	<b>\$32,662</b>	<b>\$7,316</b>	<b>\$8,194</b>	<b>\$9,329</b>	<b>\$8,726</b>	<b>\$33,565</b>	<b>\$8,574</b>	<b>\$9,438</b>	<b>\$9,548</b>	<b>\$10,068</b>	<b>\$37,628</b>	<b>\$41,191</b>
Net Change in Working Capital	374	(8,025)	(2,019)	(3,458)	13,613	(692)	(2,569)	1,058	3,917	4,458	6,864	6,632
<b>Net Cash Provided by Operations</b>	<b>\$33,036</b>	<b>(\$709)</b>	<b>\$6,175</b>	<b>\$5,871</b>	<b>\$22,339</b>	<b>\$32,873</b>	<b>\$6,005</b>	<b>\$10,495</b>	<b>\$13,465</b>	<b>\$14,526</b>	<b>\$44,491</b>	<b>\$47,823</b>
<b>Investing Activities</b>												
Acquisitions	0	0	0	0	0	0	0	0	0	0	0	0
Capital expenditures	(1,567)	(522)	(661)	(60)	(58)	(1,301)	(578)	(506)	(354)	(362)	(1,801)	(1,837)
Net proceeds/purchase of short term investments	(3,622)	(14)	(769)	(103)	(5)	(891)	0	0	0	0	0	0
<b>Net Cash Provided by Investing Activities</b>	<b>(\$5,189)</b>	<b>(\$536)</b>	<b>(\$1,430)</b>	<b>(\$163)</b>	<b>(\$63)</b>	<b>(\$2,192)</b>	<b>(\$578)</b>	<b>(\$506)</b>	<b>(\$354)</b>	<b>(\$362)</b>	<b>(\$1,801)</b>	<b>(\$1,837)</b>
<b>Financing Activities</b>												
Dividends	(26,482)	(2,154)	(2,155)	(2,155)	(20,121)	(26,585)	(2,145)	(2,145)	(2,145)	(20,361)	(26,796)	(27,979)
Proceeds from stock options	0	0	428	456	0	86	0	0	0	0	0	0
Restricted stock issuance	1	(406)	(478)	0	0	(825)	0	0	0	0	0	0
Withholding taxes paid	(1,236)	0	0	(480)	0	(797)	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	(3,379)	(2,944)	0	0	0	(2,944)	0	0	0	0	0	0
<b>Net Cash Provided by Financing</b>	<b>(\$31,096)</b>	<b>(\$5,504)</b>	<b>(\$2,205)</b>	<b>(\$2,179)</b>	<b>(\$20,121)</b>	<b>(\$31,065)</b>	<b>(\$2,145)</b>	<b>(\$2,145)</b>	<b>(\$2,145)</b>	<b>(\$20,361)</b>	<b>(\$26,796)</b>	<b>(\$27,979)</b>
<b>Net Cash Increase (decrease) in cash</b>	<b>(\$3,249)</b>	<b>(\$6,749)</b>	<b>\$2,540</b>	<b>\$3,529</b>	<b>\$2,155</b>	<b>(\$384)</b>	<b>\$2,456</b>	<b>\$7,844</b>	<b>\$10,966</b>	<b>(\$6,197)</b>	<b>\$15,895</b>	<b>\$18,007</b>
Beginning cash balance	38,936	35,687	27,346	29,886	33,415	35,687	35,570	38,026	45,871	56,837	35,303	51,198
<b>Ending Cash Balance</b>	<b>\$35,687</b>	<b>\$28,938</b>	<b>\$29,886</b>	<b>\$33,415</b>	<b>\$35,570</b>	<b>\$35,303</b>	<b>\$38,026</b>	<b>\$45,871</b>	<b>\$56,837</b>	<b>\$50,640</b>	<b>\$51,198</b>	<b>\$69,205</b>
CFFO	\$33,036	(\$709)	\$6,175	\$5,871	\$22,339	\$32,873	\$6,005	\$10,495	\$13,465	\$14,526	\$44,491	\$47,823
CapEx	(1,567)	(522)	(661)	(60)	(58)	(1,301)	(578)	(506)	(354)	(362)	(1,801)	(1,837)
Free Cash Flow (excluding SBC)	\$25,611	(\$3,057)	\$4,018	\$4,337	\$20,707	\$26,005	\$3,601	\$8,500	\$11,637	\$12,654	\$36,392	\$39,550
<b>FCF / Share</b>	<b>\$2.16</b>	<b>(\$0.26)</b>	<b>\$0.34</b>	<b>\$0.37</b>	<b>\$1.75</b>	<b>\$2.20</b>	<b>\$0.30</b>	<b>\$0.72</b>	<b>\$0.98</b>	<b>\$1.07</b>	<b>\$3.08</b>	<b>\$3.34</b>

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

**Table 3. OTC Markets Group Inc., Balance Sheet**

(\$ in thousands except where noted)

	2023	MarA	JuneA	SepA	DecA	2024	MarE	JuneE	SepE	DecE	2025E	2026E
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and cash equivalents	34,101	\$27,346	\$29,881	\$33,405	\$34,522	34,522	\$38,026	\$45,871	\$56,837	\$50,640	50,640	68,647
Short-term investments	3,622	3,636	4,405	4,508	4,513	4,513	4,513	4,513	4,513	4,513	4,513	4,513
Receivables	7,680	7,535	7,443	7,950	8,097	8,097	7,735	7,643	8,150	8,297	8,297	8,497
Prepaid income taxes	1,324	942	699	1,369	244	244	244	244	244	244	244	244
Prepaid expenses	1,865	2,584	2,789	2,184	2,237	2,237	2,237	2,237	2,237	2,237	2,237	2,237
<b>Total Current Assets</b>	<b>\$48,592</b>	<b>\$42,043</b>	<b>\$45,217</b>	<b>\$49,416</b>	<b>\$49,613</b>	<b>\$49,613</b>	<b>\$52,755</b>	<b>\$60,508</b>	<b>\$71,981</b>	<b>\$65,931</b>	<b>\$65,931</b>	<b>\$84,138</b>
PP&E	8,429	8,538	8,105	7,573	7,096	7,096	6,743	6,511	6,242	5,821	5,821	4,586
Operating lease right-of-use assets	12,324	11,987	11,646	11,301	10,951	10,951	10,951	10,951	10,951	10,951	10,951	10,951
Non-current deferred tax asset	7,691	8,381	9,049	9,225	10,120	10,120	10,120	10,120	10,120	10,120	10,120	10,120
Goodwill	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984	3,984
Intangible assets	7,411	7,265	7,120	6,975	6,829	6,829	6,829	6,829	6,829	6,829	6,829	6,829
Other Assets	2,094	2,543	2,418	2,295	2,149	2,149	2,149	2,149	2,149	2,149	2,149	2,149
<b>Total Assets</b>	<b>\$90,525</b>	<b>\$84,741</b>	<b>\$87,539</b>	<b>\$90,769</b>	<b>\$90,742</b>	<b>\$90,742</b>	<b>\$93,532</b>	<b>\$101,052</b>	<b>\$112,256</b>	<b>\$105,785</b>	<b>\$105,785</b>	<b>\$122,757</b>
<b>Liabilities</b>												
Accounts payable	2,152	1,684	1,510	634	1,175	1,175	1,366	1,393	1,418	1,439	1,439	1,471
Income tax payable	141	1,316	12	3	54	54	54	54	54	54	54	54
Accrued expenses	14,065	8,503	10,442	11,841	13,425	13,425	9,303	11,242	12,641	14,225	14,225	15,025
Deferred revenue	29,267	26,378	23,031	19,379	29,084	29,084	30,084	29,084	32,084	35,084	35,084	41,084
<b>Current Liabilities</b>	<b>\$45,625</b>	<b>\$37,881</b>	<b>\$34,995</b>	<b>\$31,857</b>	<b>\$43,738</b>	<b>\$43,738</b>	<b>\$40,807</b>	<b>\$41,773</b>	<b>\$46,197</b>	<b>\$50,802</b>	<b>\$50,802</b>	<b>\$57,634</b>
Operating Lease Liabilities	11,895	11,518	11,137	10,751	10,360	10,360	10,360	10,360	10,360	10,360	10,360	10,360
Income tax reserve	778	809	850	880	927	927	927	927	927	927	927	927
<b>Total Liabilities</b>	<b>\$58,298</b>	<b>\$50,208</b>	<b>\$46,982</b>	<b>\$43,488</b>	<b>\$55,025</b>	<b>\$55,025</b>	<b>\$52,094</b>	<b>\$53,060</b>	<b>\$57,484</b>	<b>\$62,089</b>	<b>\$62,089</b>	<b>\$68,921</b>
<b>Shareholders' Equity</b>												
Class A	127	128	128	128	128	128	128	128	128	128	128	128
Additional paid-in capital	29,469	30,888	32,334	33,784	35,127	35,127	36,953	38,441	39,916	41,426	41,426	47,862
Retained earnings	22,425	26,255	30,833	36,107	23,200	23,200	27,095	32,161	37,466	24,881	24,881	28,584
Treasury shares	(19,794)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)
<b>Total Stockholders' Equity</b>	<b>\$32,227</b>	<b>\$34,533</b>	<b>\$40,557</b>	<b>\$47,281</b>	<b>\$35,717</b>	<b>\$35,717</b>	<b>\$41,438</b>	<b>\$47,992</b>	<b>\$54,772</b>	<b>\$43,697</b>	<b>\$43,697</b>	<b>\$53,836</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$90,525</b>	<b>\$84,741</b>	<b>\$87,539</b>	<b>\$90,769</b>	<b>\$90,742</b>	<b>\$90,742</b>	<b>\$93,532</b>	<b>\$101,052</b>	<b>\$112,256</b>	<b>\$105,785</b>	<b>\$105,785</b>	<b>\$122,757</b>
<b>Key Metrics</b>												
ROA	30.4%	31.2%	31.5%	30.4%	30.1%	30.1%	29.8%	28.7%	26.2%	26.1%	26.1%	25.1%
ROE	72.6%	81.9%	72.2%	61.8%	65.9%	65.9%	71.1%	62.4%	54.3%	57.8%	57.8%	53.3%
ROIC	54.3%	59.6%	54.5%	48.7%	51.7%	51.7%	55.0%	49.8%	44.5%	47.1%	47.1%	44.8%
Cash per share	\$2.87	\$2.31	\$2.52	\$2.82	\$2.91	\$2.92	\$3.21	\$3.88	\$4.80	\$4.28	\$4.28	\$5.80

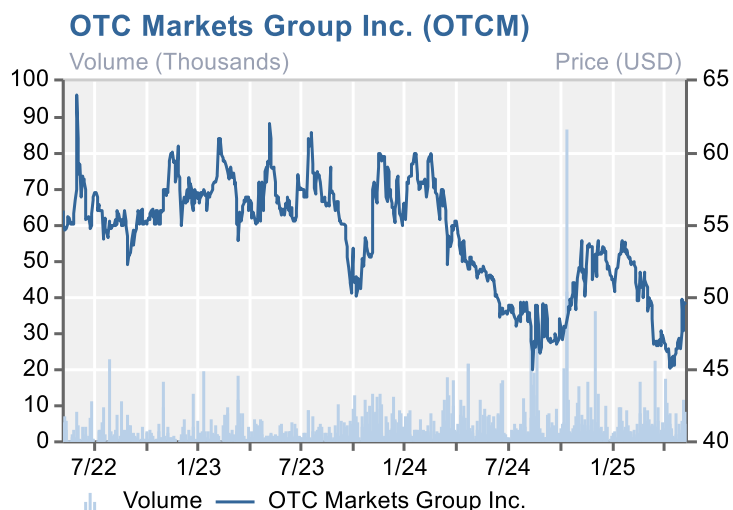
Sources: Company reports, Sidoti & Company, LLC estimates

## Required Disclosures

**OTC Markets Group Inc. (OTCM-\$49.75) NR Price Target: \$63 Risk Rating: M**

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
Rating	6/8/22	0	Suspended	68	
Initiation	6/29/22	55.8	NR	68	H
ACHG	1/9/23	57.3	NR	68	
Risk Rating	3/8/24	57.5			M
PT	8/8/24	47.2		63	



Source: FactSet Prices

### Valuation

We maintain our \$63 price target on OTCM. Our price target applies an unchanged multiple of 23x to our 2026 EPS forecast of \$2.65. In the past five years, OTCM shares traded at 16x-29x forward EPS and averaged 23x. Corporate service and exchange peers trade at 21x-59x and average 30x the 2025 EPS consensus. OTCM's lack of trading liquidity could validate a discount to peers. Yet, we view the recurring, subscription-derived revenue model (85% of 2024 gross revenue), product expansion, strong balance sheet, and key regulatory role as supporting our multiple. We also think OTCM operates with a wide economic moat as an operator of critical market infrastructure for smaller companies. Technology investments to increase the value of Market Data Licensing and grow international Corporate Service subscribers could warrant a higher multiple, in our view. Our Moderate risk rating reflects strengths in OTCM's business model as a provider of critical market infrastructure with diverse end markets and subscription-derived revenue of 80%-90%.

### Key Risks

Trading liquidity

Economic

Regulatory

**(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, as well as a NOT RATED classification. We do not assign these BUY or NEUTRAL 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
<b>BUY</b>	All, except Utilities	Capital appreciation of at least 25% over the next 12 months
<b>NEUTRAL</b>	All, except Utilities	Capital appreciation of less than 25% over the next 12 months
<b>BUY</b>	Utilities(a)	Capital appreciation of at least 15% over the next 12 months
<b>NEUTRAL</b>	Utilities(a)	Capital appreciation of less than 15% over the next 12 months
<b>HIGH (RISK)</b>	All in CSR program	Companies/equities with among others, one or more of the following characteristics: <ul style="list-style-type: none"> <li>• significant potential for loss of principal;</li> <li>• significant share price volatility;</li> <li>• limited revenue or cash flow and/or high unpredictability associated with revenue and cash flow;</li> <li>• short and/or unprofitable operating history;</li> </ul>

		<ul style="list-style-type: none"> <li>• potentially significant issues regarding operational and/or financial success;</li> <li>• problematic financial, liquidity, legal, regulatory or political issues;</li> <li>• upcoming need for additional capital when availability is questionable;</li> <li>• significant related party transactions which could lead to a conflict of interest;</li> <li>• any other factor that the analyst believes could materially and adversely impact the subject company and/or the value of its securities.</li> </ul>
<b>MODERATE (RISK)</b>	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"> <li>• more stable and predictable revenue, profits and cash flow;</li> <li>• more established operating history;</li> <li>• more favorable operating or business environment</li> <li>• lower potential for financial, liquidity, regulatory or political issues; or</li> <li>• less onerous upcoming capital needs.</li> </ul>

(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	38	26.4%	1	2.6%
NEUTRAL(a)	12	8.3%	0	0.0%
NOT RATED	0	0.0%	0	0.0%
NR -CSRs Moderate Risk (c)	81	56.3%	0	0.0%
NR -CSRs High Risk (c)	13	9.0%	0	0.0%
TOTAL	144	100%	1	0.7%

(a) Of the NEUTRALS 3 trade above our price target.

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

(c) 86.2% of our CSRs are moderate risk, while 13.8% 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 subject company's SEC filings available in electronic format through SEC Edgar filings at [www.sec.gov](http://www.sec.gov).

#### **Certain information Regarding Analyst Compensation**

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.

### **Sidoti and Analyst Ownership of Securities Described Herein and Other Analyst Restrictions**

Sidoti does NOT own securities of the issues described herein. Sidoti policy does not allow an analyst or a member of their household or any account in which they otherwise hold a beneficial interest to own shares in any company that he/she covers. Sidoti policy does not allow employees or household members to serve as an officer or director of a covered company. Sidoti does not make a market in any securities.

### **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](http://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**

Prior to December 31, 2022, Sidoti held multiple conferences a year and charged a fee of up to \$6,000 per conference to presenting companies. Beginning January 2023, Sidoti Events, LLC ("Sidoti Events"), an affiliate of Sidoti by common ownership, began to hold these conferences. Sidoti or Sidoti Events may also receive a fee of up to \$8,000 for scheduling a Non-Deal Roadshow ("NDR") day. Sidoti Events reimburses Sidoti for certain services provided by Sidoti to Sidoti Events in respect of these conferences (or NDR days) pursuant to an Expense Sharing Arrangement. The table below sets forth instances where Sidoti or Sidoti Events 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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### **SPECIAL CSR-RELATED DISCLOSURES**

#### **Very Important Notice to Recipients Regarding Purpose and Usage of CSR Reports**

If demarcated "Company Sponsored Research" on the cover page of this document, this report was commissioned for a fee by the subject company and is part of our Company Sponsored Research ("CSR") program. All Sidoti & Company, LLC ("Sidoti") research is prepared only for market professionals and institutional investor customers based on publicly available information. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. Sidoti research does not provide individually tailored investment advice and has been prepared without regard to the circumstances and objectives of those who receive it. Should recipients use the information contained herein to assist them in making an investment decision, they must consider this report as only one factor in making their investment decisions, exercise their own independent judgment and carefully consider the appropriateness of an investment based on their individual circumstances and objectives – including, without limitation, financial status, risk tolerance and risk/return preferences. An investment in the securities described herein may not meet any or all of the recipient's income, capital appreciation or other objectives and is subject to considerable risks. No non-institutional investor recipient should make an investment in the securities discussed herein without first having received advice from his or her purchaser representative, qualified financial advisor and tax and legal advisors. For more information concerning the valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact Sidoti's Client Support Team at US/Canada +1 212-453-7000. Alternatively, you may contact a Sidoti investment representative by mailing Sidoti & Company, LLC, Attention: Director of Research, 1177 Avenue of the Americas, 5th Floor, New York, NY 10036, USA.

#### **CSR Fees and Related Potential Conflicts of Interest**

Sidoti receives a flat fee of \$40,000 from companies who commissioned CSR coverage from Sidoti prior to January 1, 2023 ("Pre-2023 CSRs") and \$50,000 from companies that are not Pre-2023 CSRs. Those Pre-2023 CSRs will pay a flat fee of \$45,000 for an additional year of coverage when renewing in 2023. This fee is 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:

- assures its contracts with the issuer described herein allows for Sidoti's full editorial control of all research and, within reason, the timing of its release;
- 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.

Notwithstanding the measures set forth above to mitigate the risk of potential conflicts of interest, Sidoti makes no representations and does not warrant that such measures can or will fully eradicate potential conflicts.

### **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](http://www.sec.gov).

### **Source(s)**

Key Statistics data is sourced from FactSet Research Systems