



OTC Markets Group Inc. (OTCM)

Expect Marginal Operating Margin Decline In 3Q:24 And Mixed Revenue Trends; EDGAR Monetization Remains The Focus; Balance Sheet Remains Key Strength; Maintain \$63 Target

	2022	2023	2024E		2025E	
			OLD	NEW	OLD	NEW
Mar.	\$0.62	\$0.52	\$0.49A		\$0.54	
June	0.61	0.57	0.56A		0.65	
Sep.	0.60	0.61	0.60		0.66	
Dec.	0.70	0.58	0.70		0.75	
EPS	\$2.53	\$2.28	\$2.36		\$2.60	
P/E			21.4x		19.4x	

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	2016	2017	2018	2019	2020	2021	2022	2023	2024E	2025E
Rev.(Mil.)	\$50.9	\$54.7	\$59.3	\$62.8	\$71.2	\$102.9	\$105.1	\$109.9	\$110.1	\$112.4
GAAP EPS	\$0.90	\$1.06	\$1.36	\$1.25	\$1.53	\$2.52	\$2.53	\$2.28	\$2.36	\$2.60

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 2023. 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 (18% of 2023 revenue), Market Data (39%) and Corporate Services (43%). Headquarters are in New York, NY. OTCM trades on the OTCQX market.

Release Date	Conference Call	Time (Eastern)	Contact	Co. Guidance	Consensus
Early November	TBD	TBD	TBD	N/A	EPS: \$0.62

- We maintain a favorable view of OTCM's expanding product suite, subscription-derived revenue, stable capital structure, and progress toward commercializing its regulatory status.
- Monetizing EDGAR Online into OTCM's product suite will continue to be a key initiative in 2024, and expanding the subscriber base and related revenue will be key to growth.
- We forecast a slight year-over-year decline in 3Q:24 EPS to \$0.60 as macroeconomic pressure continues to weigh on Corporate Services subscribers and forecasted expenses rose 1% year over year.
- Revenue trends were mixed in 3Q:24, according to our estimates, with OTC Link transactional revenue benefiting from an 18% increase in total dollar volume traded in 3Q:24 compared to the prior-year period.
- OTCM recently announced that Florida became the 40th U.S. state to recognize OTCQX and OTCQB as exempt from state Blue Sky laws regarding secondary trading, making these markets more attractive to current and prospective companies and more similar to exchanges, in our view.
- The balance sheet remains a key strength, with no debt and ample liquidity for capital allocation priorities.
- Our \$63 price target is based on 24x our 2025 EPS forecast of \$2.60. We find our multiple, which is positioned slightly above the historical average, is justified by OTCM's strong market position, recurring and predictable revenue streams, and regulatory capture.

We estimate 3Q:24 EPS declined marginally to \$0.60 compared to \$0.61 in 3Q:23 as a small revenue gain was outpaced by a 1% increase in operating expenses. Our

NR

Price Target: \$63

Price: \$50.47

Risk Rating: M

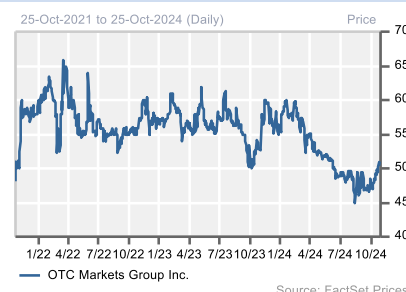
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Key Statistics

Market Cap (Mil)	\$600
Enterprise Value	\$576
52-Week Range (US OTC)	62-45
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	7,000
Shares Out (Mil)	11.975
Float Shares (Mil)	7.748
Insider Ownership	35%
Institutional Holdings	9%
Annualized Dividend	\$0.72
Dividend Yield	1.4%
FCF Per Share (2025E)	\$3.01
FCF Yield (2025E)	6.0%
Net Cash Per Share (2025E)	\$4.19
Price to Book Value	14.9x
Return on Equity (2025E)	59.8%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	N/A%
Short Interest Days To Cover	N/A
Russell 2000	2,245
Russell 2000 - Last 12 Months	33.7%
OTCM - Last 12 Months	-5.6%



estimates incorporate continued pressure in the Corporate Services segment due to macroeconomic headwinds weighing on subscriber growth, especially on the typically smaller companies that comprise the OTCQB market. Canadian resource companies that tend to subscribe to OTCQB have faced a heightened amount of compliance downgrades through 1H:24, though we think that pressure may be somewhat alleviated in a lower interest rate environment. We estimate Corporate Services revenue contracted 3% year over year. In OTC Link, we forecast 6% growth on the back of an 18.2% increase in overall dollar volume traded on OTC market platforms in 3Q:24 compared to the prior-year period. Expenses rose 1% year over year in 3Q:24, according to our estimate, as OTCM continues to invest to support growth and integrate acquired businesses. We see less of a comparison effect from lower non-recurring costs related to the EDGAR Online acquisition, most of which occurred in 1H:23. Together, we estimate a slight decline in operating margin to 32% in 3Q:24 (33% in 3Q:23) drove a marginal decline in EPS to \$0.60.

Our 3Q:24 revenue estimate of \$27 million, unchanged from 3Q:23, reflects an improvement in OTC Link segment revenue due to improved trading volume statistics. We estimate OTC Link segment revenue rose 6% in 3Q:24 compared to the prior-year period, driven by an increase in the volume of shares traded on OTC Link ECN and OTC Link NQB. The total dollar volume traded in OTCQX, OTCQB, and Pink securities increased by 18.2% in 3Q:24 to about \$190 billion. While OTC Link ECN and OTC Link NQB generate transactional revenue based on share volume executed, which is difficult to predict, we see some positive correlation to OTC Link revenue, as was the case in 2Q:24. Our 1% segment revenue growth in the Market Data Licensing segment is largely due to certain pricing increases, while OTCM remains focused on developing and enhancing the relevance of data products for subscribers. In the Corporate Services segment, we anticipate a 3% revenue decline driven by macroeconomic strain on the subscriber base, pressuring new sales and leading to compliance downgrades on OTCM market platforms. The bulk of the pressure has been felt from OTCQB subscribers, which we attribute to higher interest rates and inflationary pressure on the smaller, developing companies that make up OTCQB. We think OTCQX companies will continue to fare better from a sales and compliance perspective. Despite near-term economic challenges, we expect growth will come from future international subscribers 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.

Exhibit 1: OTC Markets Group Inc. 3Q:24 Variance Table				
\$ in thousands except per share data				
	<u>3Q:23A</u>	<u>3Q:24E</u>	<u>% Change</u>	<u>\$ Variance</u>
OTC Link	4,532	4,804	6%	272
Market Data Licensing	11,002	11,112	1%	110
Corporate Services	11,503	11,158	(3%)	(345)
Gross Revenue	27,037	27,074	0%	37
Operating Expenses	16,505	16,650	1%	145
Operating Income	8,573	8,473	(1%)	(100)
Operating Margin*	33%	32%		
Net Income	\$7,381	\$6,986	(5%)	(395)
Profit Margin*	28%	27%		
EPS	\$0.61	\$0.60	(2%)	\$ (0.01)
Consensus EPS		\$0.62		

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

* Based on net revenue consistent with company operating metrics

The balance sheet provides flexibility and supports OTCM's financial strength. OTCM carries no debt and primarily funds capital allocation priorities with cash flow from operations. We model a net cash balance of \$4.19 per share in 2025 and note the company has access to a \$3 million line of credit that was untapped as of 3Q:24. In addition, capital allocation decisions support OTCM's shareholder returns program, which includes an annualized dividend of \$0.72 per share. OTCM has increased the dividend sporadically, but we estimate the annual dividend payment to remain at \$0.72 through 2025. Our annual dividend estimates also include a special dividend, equal to \$1.36 for 2024, which OTCM typically makes payable in the fourth quarter each year. We expect OTCM to continue to return capital to shareholders through these measures. 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 \$63 price target on OTCM. Our target applies a multiple of 24x to our 2025 EPS forecast of \$2.60. 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 liquidity could validate a discount to peers. We view the recurring, subscription-derived revenue model (85% of 2023 gross revenue), product expansion, strong balance sheet, and key regulatory role as supporting the multiple we assign the stock. We think that technology investments to increase the value of the Market Data Licensing business, while growing international Corporate Service subscribers, could warrant a higher multiple for the stock.		
Key Risks	Trading liquidity	Economic	Regulatory

OTC MARKETS GROUP INC.

Table 1. OTC Markets Group Inc., Income Statement

(\$ in thousands, except where noted)

	2022	MarA	JuneA	SepA	DecA	2023	MarA	JuneA	SepE	DecE	2024E	2025E
Operating Segments												
OTC Link	\$20,938	\$5,445	\$4,821	\$4,532	\$4,802	\$19,600	\$5,397	\$5,408	\$4,804	\$5,042	\$20,651	\$21,085
Market Data Licensing	36,407	10,842	10,643	11,002	10,881	43,368	11,088	10,782	11,112	11,099	44,081	45,348
Corporate Services	47,804	11,740	11,763	11,503	11,922	46,928	11,172	11,372	11,158	11,684	45,385	45,951
Gross Revenue	\$105,149	\$28,027	\$27,227	\$27,037	\$27,605	\$109,896	\$27,657	\$27,562	\$27,074	\$27,824	\$110,117	\$112,384
Redistribution fees and rebates	3,101	796	803	805	833	3,237	840	791	820	820	3,271	3,372
Net Revenue	\$102,048	\$27,231	\$26,424	\$26,232	\$26,772	\$106,659	\$26,817	\$26,771	\$26,254	\$27,004	\$106,846	\$109,012
Redistribution & Transaction fees	5,848	1,785	1,255	1,154	1,330	5,524	1,508	1,549	1,131	1,179	5,367	5,281
Revenues less transaction-based expenses	\$96,200	\$25,446	\$25,169	\$25,078	\$25,442	\$101,134	\$25,309	\$25,222	\$25,123	\$25,825	\$101,479	\$103,731
Compensation	37,586	11,914	10,657	10,436	9,460	42,467	12,522	10,934	10,613	9,655	43,724	43,947
IT Infrastructure	8,092	2,651	2,771	2,592	2,298	10,311	2,699	2,545	2,491	2,337	10,072	9,102
Professional fees	6,462	1,635	1,656	1,678	3,077	8,048	1,466	1,521	1,489	1,530	6,006	6,182
Marketing & Advertising	1,303	318	270	292	315	1,194	263	362	433	556	1,615	1,124
Occupancy costs	2,258	579	592	599	591	2,360	585	576	541	556	2,259	2,248
D&A	2,092	650	621	572	554	2,398	653	682	541	556	2,433	2,248
General and administrative	1,587	776	307	336	356	1,762	422	462	541	556	1,982	1,689
Total Operating Costs	\$59,380	\$18,523	\$16,874	\$16,505	\$16,651	\$68,540	\$18,610	\$17,082	\$16,650	\$15,749	\$68,091	\$66,539
Operating Income	\$36,820	\$6,923	\$8,295	\$8,573	\$8,791	\$32,594	\$6,699	\$8,140	\$8,473	\$10,076	\$33,388	\$37,192
Interest Income & Other income	146	147	261	233	274	903	175	184	260	290	909	730
Pretax Income	\$36,966	\$7,070	\$8,556	\$8,806	\$9,065	\$33,497	\$6,874	\$8,324	\$8,733	\$10,366	\$34,297	\$37,922
Income Taxes	(6,151)	(751)	(1,596)	(1,425)	(2,064)	(5,836)	(890)	(1,591)	(1,747)	(2,073)	(6,301)	(7,142)
Net Income	\$30,815	\$6,319	\$6,960	\$7,381	\$7,001	\$27,661	\$5,984	\$6,733	\$6,986	\$8,293	\$27,996	\$30,780
Less restricted stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income To Common	\$30,815	\$6,319	\$6,960	\$7,381	\$7,001	\$27,661	\$5,984	\$6,733	\$6,986	\$8,293	\$27,996	\$30,780
Basic EPS	\$2.60	\$0.53	\$0.58	\$0.62	\$0.59	\$2.32	\$0.50	\$0.56	\$0.60	\$0.71	\$2.39	\$2.63
FD EPS	\$2.53	\$0.52	\$0.57	\$0.61	\$0.58	\$2.28	\$0.49	\$0.56	\$0.60	\$0.70	\$2.36	\$2.60
FD Shares Outstanding	11,888	11,867	11,855	11,866	11,874	11,863	11,863	11,838	11,838	11,838	11,845	11,838
Dividend	\$2.22	\$0.18	\$0.18	\$0.18	\$1.68	\$2.22	\$0.18	\$0.18	\$0.18	\$1.54	\$2.08	\$2.23
<i>Payout Ratio</i>	85%	34%	31%	29%	285%	96%	36%	32%	30%	217%	87%	85%
EBITDA	\$43,240	\$9,153	\$10,412	\$10,542	\$10,800	\$40,907	\$9,178	\$10,315	\$10,368	\$12,027	\$41,888	\$45,059
Growth Analysis												
OTC Link	(29.4%)	0.2%	(6.1%)	(9.8%)	(10.2%)	(6.4%)	(0.9%)	12.2%	6.0%	5.0%	5.4%	2.1%
Market Data Lincensing	7.9%	26.3%	19.6%	21.9%	10.0%	19.1%	2.3%	1.3%	1.0%	2.0%	1.6%	2.9%
Corporate Services	21.0%	(1.6%)	(1.6%)	(3.0%)	(1.1%)	(1.8%)	(4.8%)	(3.3%)	(3.0%)	(2.0%)	(3.3%)	1.2%
Revenue YOY Growth	2.2%	8.0%	4.8%	4.3%	1.1%	4.5%	(1.3%)	1.2%	0.1%	0.8%	0.2%	2.1%
Seq. Rev Growth		2.7%	(2.9%)	(0.7%)	2.1%		0.2%	(0.3%)	(1.8%)	2.8%		
Adjusted Net Income YoY Growth	1.7%	(17.0%)	(6.0%)	3.0%	(18.9%)	(10.2%)	(5.3%)	(3.3%)	(5.3%)	18.5%	1.2%	9.9%
Adjusted FD EPS YoY Growth	0.4%	(15.7%)	(7.0%)	1.3%	(16.7%)	(9.8%)	(5.4%)	(1.5%)	(1.9%)	20.9%	3.6%	10.0%
Adjusted EBITDA	43,248	9,153	10,412	10,542	10,800	40,909	9,178	10,315	10,368	12,027	41,944	45,199
EBITDA YOY Growth	0.2%	(11.0%)	(3.0%)	(1.1%)	(6.8%)	(5.4%)	0.3%	(0.9%)	(1.7%)	11.4%	2.5%	7.8%
Margin Analysis												
Operating Margin	36.1%	25.4%	31.4%	32.7%	32.8%	30.6%	25.0%	30.4%	32.3%	37.3%	31.2%	34.1%
Adjusted Profit Margin	30.2%	23.2%	26.3%	28.1%	26.2%	25.9%	22.3%	25.2%	26.6%	30.7%	26.2%	28.2%
Tax Rate	17%	11%	19%	16%	23%	17%	13%	19%	20%	20%	18%	19%

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)

	2022	MarA	JuneA	SepA	DecA	2023	MarA	JuneA	SepE	DecE	2024E	2025E
Operating Activities												
Net Income	\$30,815	\$6,319	\$6,960	\$7,381	\$7,001	\$27,661	\$5,984	\$6,733	\$6,986	\$8,293	\$27,996	\$30,780
Depreciation & amortization	2,092	650	621	573	554	2,398	653	683	569	584	2,489	2,388
Provision for bad debts	260	439	(89)	5	12	367	29	5	0	0	34	0
Share based compensation	4,345	1,574	1,394	1,397	1,493	5,858	1,826	1,496	1,354	1,391	6,067	5,619
Excess tax benefit	(1,089)	(698)	(144)	(70)	97	(815)	(486)	(55)	0	0	(541)	0
Deferred rent & other	0	0	0	0	31	31	0	0	0	0	0	0
Deferred income taxes	(4,466)	(1,109)	(1,087)	205	(847)	(2,838)	(690)	(668)	0	0	(1,358)	0
Loss on fixed assets	0	0	0	0	0	0	0	0	0	0	0	0
Change in Operating Assets & Liabilities	\$31,957	\$7,175	\$7,655	\$9,491	\$8,341	\$32,662	\$7,316	\$8,194	\$8,909	\$10,269	\$34,687	\$38,787
Net Change in Working Capital	1,724	(7,591)	(2,958)	(1,582)	12,505	374	(8,025)	(2,019)	1,909	4,803	(3,333)	3,778
Net Cash Provided by Operations	\$33,680	(\$416)	\$4,697	\$7,909	\$20,846	\$33,036	(\$709)	\$6,175	\$10,817	\$15,071	\$31,355	\$42,565
Investing Activities												
Acquisitions	(14,950)	0	0	0	0	0	0	0	0	0	0	0
Capital expenditures	(1,443)	(1,025)	(260)	(56)	(226)	(1,567)	(522)	(661)	(325)	(334)	(1,842)	(1,349)
Net proceeds/purchase of short term investments	0	0	0	(2,201)	(1,421)	(3,622)	(14)	(769)	0	0	(783)	0
Net Cash Provided by Investing Activities	(\$16,393)	(\$1,025)	(\$260)	(\$2,257)	(\$1,647)	(\$5,189)	(\$536)	(\$1,430)	(\$325)	(\$334)	(\$2,625)	(\$1,349)
Financing Activities												
Dividends	(26,355)	(2,145)	(2,145)	(2,147)	(20,045)	(26,482)	(2,154)	(2,155)	(2,145)	(18,198)	(24,652)	(26,442)
Proceeds from stock options	60	0	0	0	0	0	0	428	0	0	428	0
Restricted stock issuance	1	(515)	(306)	(197)	1,019	1	(406)	(478)	0	0	(884)	0
Withholding taxes paid	(1,239)	0	0	0	(1,236)	(1,236)	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	(2,776)	(3,379)	0	0	0	(3,379)	(2,944)	0	0	0	(2,944)	0
Net Cash Provided by Financing	(\$30,309)	(\$6,039)	(\$2,451)	(\$2,344)	(\$20,262)	(\$31,096)	(\$5,504)	(\$2,205)	(\$2,145)	(\$18,198)	(\$28,052)	(\$26,442)
Net Cash Increase (decrease) in cash	(\$13,022)	(\$7,480)	\$1,986	\$3,308	(\$1,063)	(\$3,249)	(\$6,749)	\$2,540	\$8,347	(\$3,460)	\$678	\$14,775
Beginning cash balance	50,394	37,372	29,892	31,878	35,168	38,936	35,687	27,346	29,886	38,233	35,687	36,365
Ending Cash Balance	\$37,372	\$29,892	\$31,878	\$35,168	\$34,105	\$35,687	\$28,938	\$29,886	\$38,233	\$34,773	\$36,365	\$51,140
CFFO	\$33,680	(\$416)	\$4,697	\$7,909	\$20,846	\$33,036	(\$709)	\$6,175	\$10,817	\$15,071	\$31,355	\$42,565
CapEx	(1,443)	(1,025)	(260)	(56)	(226)	(1,567)	(522)	(661)	(325)	(334)	(1,842)	(1,349)
Free Cash Flow (excluding SBC)	\$32,237	(\$3,015)	\$3,043	\$6,456	\$19,127	\$25,611	(\$3,057)	\$4,018	\$9,139	\$13,346	\$23,446	\$35,598
FCF / Share	\$2.71	(\$0.25)	\$0.26	\$0.54	\$1.61	\$2.16	(\$0.26)	\$0.34	\$0.77	\$1.13	\$1.98	\$3.01

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

Table 3. OTC Markets Group Inc., Balance Sheet

(\$ in thousands except where noted)

	2022	MarA	JuneA	SepA	DecA	2023	MarA	JuneA	SepE	DecE	2024E	2025E
ASSETS												
Current Assets												
Cash	37,368	\$29,884	\$31,865	\$35,168	\$34,101	34,101	\$27,346	\$29,881	\$38,233	\$34,773	34,773	49,548
Short-term investments	-	-	-	2,201	3,622	3,622	3,636	4,405	4,405	4,405	4,405	4,405
Receivables	9,485	9,284	7,505	7,431	7,680	7,680	7,535	7,443	7,343	7,543	7,543	9,853
Prepaid income taxes	59	24	863	2,525	1,324	1,324	942	699	699	699	699	699
Prepaid expenses	1,469	2,058	2,018	2,238	1,865	1,865	2,584	2,789	2,789	2,789	2,789	2,789
Total Current Assets	\$48,381	\$41,250	\$42,251	\$49,563	\$48,592	\$48,592	\$42,043	\$45,217	\$53,469	\$50,209	\$50,209	\$67,294
PP&E	8,637	8,717	8,492	8,745	8,429	8,429	8,538	8,105	7,856	7,606	7,606	6,566
Operating lease right-of-use assets	13,635	13,313	12,987	12,657	12,324	12,324	11,987	11,646	11,646	11,646	11,646	11,646
Non-current deferred tax asset	4,853	5,962	7,049	6,844	7,691	7,691	8,381	9,049	9,049	9,049	9,049	9,049
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	7,993	7,847	7,702	7,556	7,411	7,411	7,265	7,120	7,120	7,120	7,120	7,120
Other Assets	2,135	2,169	2,230	2,141	2,094	2,094	2,543	2,418	2,418	2,418	2,418	2,418
Total Assets	\$89,618	\$83,242	\$84,695	\$91,490	\$90,525	\$90,525	\$84,741	\$87,539	\$95,543	\$92,032	\$92,032	\$108,077
Liabilities												
Accounts payable	1,684	1,097	515	923	2,152	2,152	1,684	1,510	1,319	1,321	1,321	1,349
Income tax payable	567	1,719	2	54	141	141	1,316	12	12	12	12	12
Accrued expenses	13,141	7,271	9,522	12,973	14,065	14,065	8,503	10,442	11,442	13,442	13,442	13,503
Deferred revenue	30,456	27,827	23,746	20,560	29,267	29,267	26,378	23,031	24,031	27,031	27,031	33,031
Current Liabilities	\$45,848	\$37,914	\$33,785	\$34,510	\$45,625	\$45,625	\$37,881	\$34,995	\$36,804	\$41,806	\$41,806	\$47,895
Operating Lease Liabilities	13,309	12,989	12,635	12,267	11,895	11,895	11,518	11,137	11,137	11,137	11,137	11,137
Income tax reserve	657	681	714	718	778	778	809	850	850	850	850	850
Total Liabilities	\$59,814	\$51,584	\$47,134	\$47,495	\$58,298	\$58,298	\$50,208	\$46,982	\$48,791	\$53,793	\$53,793	\$59,882
Shareholders' Equity												
Class A	126	127	127	127	127	127	128	128	128	128	128	128
Class C	0	0	0	0	0	0	0	0	0	0	0	0
Additional paid-in capital	24,847	25,905	26,993	28,193	29,469	29,469	30,888	32,334	33,688	35,079	35,079	40,698
Retained earnings	21,246	25,420	30,235	35,469	22,425	22,425	26,255	30,833	35,674	25,770	25,770	30,108
Treasury shares	(16,415)	(19,794)	(19,794)	(19,794)	(19,794)	(19,794)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)
Total Stockholders' Equity	\$29,804	\$31,658	\$37,561	\$43,995	\$32,227	\$32,227	\$34,533	\$40,557	\$46,752	\$38,239	\$38,239	\$48,196
Total Liabilities & Stockholders' Equity	\$89,618	\$83,242	\$84,695	\$91,490	\$90,525	\$90,525	\$84,741	\$87,539	\$95,543	\$92,032	\$92,032	\$108,077
Key Metrics												
ROA	34.3%	34.2%	34.6%	33.2%	30.4%	30.4%	31.2%	31.5%	29.2%	29.9%	29.9%	27.9%
ROE	87.7%	96.1%	84.0%	71.8%	72.6%	72.6%	81.9%	72.2%	61.2%	65.9%	65.9%	58.0%
ROIC	62.6%	66.3%	60.4%	54.3%	54.3%	54.3%	59.6%	54.5%	48.0%	51.4%	51.4%	47.3%
Cash per share	\$3.14	\$2.52	\$2.69	\$2.96	\$2.87	\$2.87	\$2.31	\$2.52	\$3.23	\$2.94	\$2.94	\$4.19

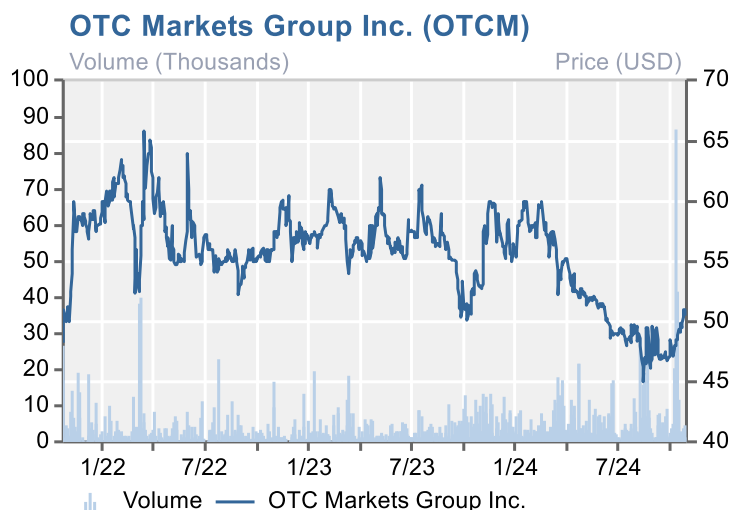
Sources: Company reports, Sidoti & Company, LLC estimates

Required Disclosures

OTC Markets Group Inc. (OTCM-\$50.47) NR Price Target: \$63 Risk Rating: M

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
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
ACHG	1/9/23	57.3	NR	68	
Risk Rating	3/8/24	57.5			M
PT	8/8/24	47.2		63	



Valuation

We maintain a \$63 price target on OTCM. Our target applies a multiple of 24x to our 2025 EPS forecast of \$2.60. 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 liquidity could validate a discount to peers. We view the recurring, subscription-derived revenue model (85% of 2023 gross revenue), product expansion, strong balance sheet, and key regulatory role as supporting the multiple we assign the stock. We think that technology investments to increase the value of the Market Data Licensing business, while growing international Corporate Service subscribers, could warrant a higher multiple for the stock.

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
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;

		<ul style="list-style-type: none"> • 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; • 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	36	24.8%	3	8.3%
NEUTRAL(a)	16	11.0%	0	0.0%
NOT RATED	1	0.7%	0	0.0%
NR -CSRs Moderate Risk (c)	83	57.2%	2	2.4%
NR -CSRs High Risk (c)	8	5.5%	0	0.0%
TOTAL	145	100%	5	3.4%

(a) Of the NEUTRALS 7 trade above our price target.

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

(c) 90.2% of our CSRs are moderate risk, while 8.7% 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.

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. 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

This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. Sidoti does not maintain a predetermined schedule for publication of research and will not necessarily update this report. The stock rating on this

report reflects the analyst's recommendation based on a 12-month period. Past performance should not be construed as indicative of future performance. Information contained herein is based on sources Sidoti believes to be reliable, but it does not guarantee their accuracy. Targets, forecasts, estimates, valuations, and opinions concerning the subject company or its securities, and information involving composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. It should be presumed that the analyst who authored this report has had discussions with the subject company to ensure factual accuracy prior to publication. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only a single factor in making their investment decisions. This research report is not a substitute for the exercise of your independent judgment. At times, Sidoti may be in possession of material non-public information, none of which is used in the preparation of our research. Sidoti 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. Sidoti receives and seeks to receive, through the efforts of non-research employees, commission sharing agreement compensation from institutional investors in connection with providing securities-related services including access to this report. Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. The trademarks and service marks contained in Sidoti & Company Research are the property of their respective owners. Third-party data providers make no warranties or representations relating to the accuracy, completeness, or timeliness of the data they provide and shall not have liability for any damages relating to such data.

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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:

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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.

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.

Source(s)

Key Statistics data is sourced from FactSet Research Systems