



## OTC Markets Group Inc. (OTCM)

**OTCM To Focus On Market Enhancements In 2025; Highlight OTC Overnight, MOON ATS Initiatives; Expect OTCID To Improve Market Quality; Balance Sheet Is Key Strength; Maintain \$63 Price Target**

	2023	2024E		2025E		2026E	
		OLD	NEW	OLD	NEW	OLD	NEW
Mar.	\$0.52	\$0.49A		\$0.54		\$0.56	
June	0.57	0.56A		0.65		0.67	
Sep.	0.61	0.61A		0.66		0.70	
Dec.	<u>0.58</u>	<u>0.70</u>		<u>0.75</u>		<u>0.80</u>	
EPS	<b>\$2.28</b>	<b>\$2.40</b>		<b>\$2.60</b>		<b>\$2.74</b>	
P/E				<b>20.5x</b>		<b>19.4x</b>	

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	2024E	2025E	2026E
Rev.(Mil.)	\$54.7	\$59.3	\$62.8	\$71.2	\$102.9	\$105.1	\$109.9	\$110.4	\$113.3	\$117.4
GAAP EPS	\$1.06	\$1.36	\$1.25	\$1.53	\$2.52	\$2.53	\$2.28	\$2.40	\$2.60	\$2.74

**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.

- **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 is a top initiative. Expanding the subscriber base and related revenue will be key to growth.**
- **In 2025, we expect OTCM to continue to work toward expanding investor access, promoting investor education, and enhancing market infrastructure. We forecast EPS to increase 9% in 2025 to \$2.60, with revenue benefiting from incremental price increases across the business.**
- **In late 2024, OTCM launched OTC Overnight and MOON ATS, both of which underpin the company's commitment to building infrastructure that empowers global investors to access to U.S. markets, in our view.**
- **OTCM recently announced that its Pink Current market tier will become OTCID, which will be geared toward companies that demonstrate compliance with securities laws but cannot qualify for OTCQX or OTCQB. The company targets a launch in July 2025, and expects OTCID to improve the quality of markets and carry a \$7,500 annual fee.**
- **Though pressured by economic headwinds, we think OTCM's key market platforms, OTCQX and OTCQB, represent a strong value proposition for international companies seeking access to U.S. investors, which will drive long-term growth.**
- **OTCM's balance sheet remains a key strength, with no debt and ample liquidity for capital allocation priorities, which includes a stable and consistent dividend.**
- **Our \$63 price target is based on 23x our 2026 EPS forecast of \$2.74. We find our multiple is justified by OTCM's strong market position, recurring and predictable revenue streams, and regulatory capture.**

**NR**

Price Target: \$63

Price: \$53.25

Risk Rating: M

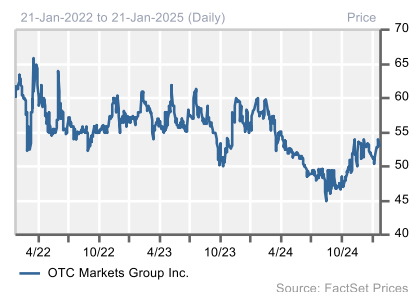
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### Key Statistics

Market Cap (Mil)	\$640
Enterprise Value	\$605
52-Week Range (US OTC)	60-45
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)	\$3.40
FCF Yield (2026E)	6.4%
Net Cash Per Share (2026E)	\$5.49
Price to Book Value	13.5x
Return on Equity (2026E)	52.0%
Total Debt to Capital	Nil
Interest Coverage Ratio	N/A
Short Interest %	N/A%
Short Interest Days To Cover	N/A
Russell 2000	2,318
Russell 2000 – Last 12 Months	19.2%
OTCM – Last 12 Months	-11.3%



**We estimate EPS to increase 9% in 2025 to \$2.60 as OTCM executes on its strategic initiatives and expands its product capabilities.** Our outlook considers OTCM's status as a provider of critical financial market infrastructure that organizes markets, incentivizes disclosure, and aims to increase transparency. OTCM benefits from subscription-based sources that typically represent 80%-90% of revenue and help mitigate more unpredictable, transaction-based revenue stemming from the OTC Link segment. We estimate OTC Link will continue to generate about 20% of total revenue, though visibility is relatively low. Regarding product initiatives, in 2H:24, OTCM launched OTC Overnight, which is operated on its alternative trading system (ATS), OTC Link NQB. OTC Overnight enables investors in any time zone to access securities on OTC market platforms and react to international news in real time. The company also launched MOON ATS, a new overnight trading platform for national market system securities. These initiatives will continue to increase the value proposition for OTCM subscribers, in our view. In the Market Data Licensing segment, we expect OTCM to continue to work toward increasing client value with EDGAR Online datasets and developing new solutions for subscribers. We estimate 3% segment growth as OTCM expands its data offering and subscriber base.

**We expect OTCM to continue to invest in enhancing current product offerings and broaden capabilities into areas such as digital asset infrastructure.** In the Corporate Service segment, we see long-term growth from future international subscribers through companies 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. With ongoing growth in global markets, we believe OTCM will continue to capture international companies that want to access U.S. investors through its market platforms. Roughly 77% of OTCM's 12,000-plus securities are international company American depository receipts and ordinary shares, which drive about 90% of dollar volume. Internationally, we caution that subscribers may continue to face economic headwinds in 2025 resulting from uncertainty around trade policy and interest rates, which could affect compliance downgrades and non-renewals. Long term, OTCM plans to continue to work toward increasing the value proposition of OTCQX and OTCQB, which includes seeking regulatory approval to add margin capabilities to securities on OTCQX. We estimate 3% annual revenue growth in 2025, which will be enhanced by annual price increases across all three segments, in our view. We expect costs as a percentage of revenue to trend toward the low 60% range, in line with prior periods that exclude one-time acquisition-related costs. In all, we estimate operating margin to improve to 33% in 2025 (estimated 31% in 2024), which drives our estimated EPS of \$2.60.

**A debt-free balance sheet and strong cash flow generation provide flexibility and supports OTCM's financial strength.** OTCM carries no debt and primarily funds capital allocation priorities and growth initiatives with cash flow from operations. We model a net cash balance of \$5.49 per share in 2025, and 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.

<b>Valuation</b>	<b>We maintain a \$63 price target on OTCM.</b> Our target applies a multiple of 23x to our 2026 EPS forecast of \$2.74. 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. Yet 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. Furthermore, we think OTCM operates with a wide economic moat as an operator of critical market infrastructure for smaller companies. We think 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.		
<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)

	MarA	JuneA	SepA	DecA	2023	MarA	JuneA	SepA	DecE	2024E	MarE	JuneE	SepE	DecE	2025E	2026E
<b>Operating Segments</b>																
OTC Link	\$5,445	\$4,821	\$4,532	\$4,802	\$19,600	\$5,397	\$5,408	\$5,240	\$5,242	\$21,287	\$5,478	\$5,516	\$5,408	\$5,347	\$21,749	\$22,238
Market Data Licensing	10,842	10,643	11,002	10,881	43,368	11,088	10,782	10,862	11,099	43,831	11,288	11,105	11,210	11,543	45,145	47,255
Corporate Services	11,740	11,763	11,503	11,922	46,928	11,172	11,372	11,292	11,484	45,320	11,284	11,577	11,631	11,885	46,377	47,957
<b>Gross Revenue</b>	<b>\$28,027</b>	<b>\$27,227</b>	<b>\$27,037</b>	<b>\$27,605</b>	<b>\$109,896</b>	<b>\$27,657</b>	<b>\$27,562</b>	<b>\$27,394</b>	<b>\$27,824</b>	<b>\$110,437</b>	<b>\$28,049</b>	<b>\$28,198</b>	<b>\$28,248</b>	<b>\$28,775</b>	<b>\$113,271</b>	<b>\$117,449</b>
Redistribution fees and rebates	796	803	805	833	3,237	840	791	760	820	3,211	841	846	847	863	3,398	3,523
Net Revenue	\$27,231	\$26,424	\$26,232	\$26,772	\$106,659	\$26,817	\$26,771	\$26,634	\$27,004	\$107,226	\$27,208	\$27,352	\$27,401	\$27,912	\$109,872	\$113,926
Redistribution & Transaction fees	1,785	1,255	1,154	1,330	5,524	1,508	1,549	1,435	1,179	5,671	1,515	1,241	1,271	1,295	5,321	5,516
<b>Revenues less transaction-based expenses</b>	<b>\$25,446</b>	<b>\$25,169</b>	<b>\$25,078</b>	<b>\$25,442</b>	<b>\$101,134</b>	<b>\$25,309</b>	<b>\$25,222</b>	<b>\$25,199</b>	<b>\$25,825</b>	<b>\$101,555</b>	<b>\$25,693</b>	<b>\$26,112</b>	<b>\$26,129</b>	<b>\$26,617</b>	<b>\$104,551</b>	<b>\$108,410</b>
Compensation	11,914	10,657	10,436	9,460	42,467	12,522	10,934	10,506	9,655	43,617	12,650	11,110	10,875	9,841	44,477	45,954
IT Infrastructure	2,651	2,771	2,592	2,298	10,311	2,699	2,545	2,657	2,337	10,238	2,637	2,425	2,373	2,302	9,737	9,360
Professional fees	1,635	1,656	1,678	3,077	8,048	1,466	1,521	1,525	1,530	6,042	1,402	1,636	1,525	1,726	6,290	6,312
Marketing & Advertising	318	270	292	315	1,194	263	362	320	556	1,501	280	282	282	288	1,133	1,174
Occupancy costs	579	592	599	591	2,360	585	576	589	556	2,306	561	564	565	575	2,265	2,349
D&A	650	621	572	554	2,398	653	682	677	556	2,568	561	564	565	575	2,265	2,349
General and administrative	776	307	336	356	1,762	422	462	301	556	1,741	561	423	424	575	1,983	1,763
<b>Total Operating Costs</b>	<b>\$18,523</b>	<b>\$16,874</b>	<b>\$16,505</b>	<b>\$16,651</b>	<b>\$68,504</b>	<b>\$18,610</b>	<b>\$17,082</b>	<b>\$16,575</b>	<b>\$15,749</b>	<b>\$68,016</b>	<b>\$18,653</b>	<b>\$17,004</b>	<b>\$16,610</b>	<b>\$15,884</b>	<b>\$68,150</b>	<b>\$69,261</b>
<b>Operating Income</b>	<b>\$6,923</b>	<b>\$8,295</b>	<b>\$8,573</b>	<b>\$8,791</b>	<b>\$32,594</b>	<b>\$6,699</b>	<b>\$8,140</b>	<b>\$8,624</b>	<b>\$10,076</b>	<b>\$33,539</b>	<b>\$7,040</b>	<b>\$9,108</b>	<b>\$9,520</b>	<b>\$10,733</b>	<b>\$36,401</b>	<b>\$39,149</b>
Interest Income & Other income	147	261	233	274	903	175	184	270	290	919	200	180	150	200	730	730
Pretax Income	\$7,070	\$8,556	\$8,806	\$9,065	\$33,497	\$6,874	\$8,324	\$8,894	\$10,366	\$34,458	\$7,240	\$9,288	\$9,670	\$10,933	\$37,131	\$39,879
Income Taxes	(751)	(1,596)	(1,425)	(2,064)	(5,836)	(890)	(1,591)	(1,466)	(2,073)	(6,020)	(1,014)	(1,765)	(1,934)	(2,187)	(6,899)	(7,515)
<b>Net Income</b>	<b>\$6,319</b>	<b>\$6,960</b>	<b>\$7,381</b>	<b>\$7,001</b>	<b>\$27,661</b>	<b>\$5,984</b>	<b>\$6,733</b>	<b>\$7,428</b>	<b>\$8,293</b>	<b>\$28,438</b>	<b>\$6,227</b>	<b>\$7,523</b>	<b>\$7,736</b>	<b>\$8,746</b>	<b>\$30,232</b>	<b>\$32,364</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>\$6,319</b>	<b>\$6,960</b>	<b>\$7,381</b>	<b>\$7,001</b>	<b>\$27,661</b>	<b>\$5,984</b>	<b>\$6,733</b>	<b>\$7,428</b>	<b>\$8,293</b>	<b>\$28,438</b>	<b>\$6,227</b>	<b>\$7,523</b>	<b>\$7,736</b>	<b>\$8,746</b>	<b>\$30,232</b>	<b>\$32,364</b>
Basic EPS	\$0.53	\$0.58	\$0.62	\$0.59	\$2.32	\$0.50	\$0.56	\$0.62	\$0.71	\$2.43	\$0.53	\$0.64	\$0.66	\$0.75	\$2.58	\$2.76
<b>FD EPS</b>	<b>\$0.52</b>	<b>\$0.57</b>	<b>\$0.61</b>	<b>\$0.58</b>	<b>\$2.28</b>	<b>\$0.49</b>	<b>\$0.56</b>	<b>\$0.61</b>	<b>\$0.70</b>	<b>\$2.40</b>	<b>\$0.54</b>	<b>\$0.65</b>	<b>\$0.66</b>	<b>\$0.75</b>	<b>\$2.60</b>	<b>\$2.74</b>
FD Shares Outstanding	11,867	11,855	11,866	11,874	11,863	11,863	11,838	11,833	11,833	11,842	11,833	11,833	11,833	11,833	11,833	11,833
Dividend	\$0.18	\$0.18	\$0.18	\$1.68	\$2.22	\$0.18	\$0.18	\$0.18	\$1.68	\$2.22	\$0.18	\$0.18	\$0.18	\$1.74	\$2.28	\$2.32
Payout Ratio	34%	31%	29%	285%	96%	36%	32%	29%	238%	92%	34%	28%	27%	233%	88%	84%
EBITDA	\$9,153	\$10,412	\$10,542	\$10,800	\$40,907	\$9,178	\$10,315	\$10,775	\$12,027	\$42,295	\$9,284	\$11,082	\$11,497	\$12,747	\$44,611	\$47,659
<b>Growth Analysis</b>																
OTC Link	0.2%	(6.1%)	(9.8%)	(10.2%)	(6.4%)	(0.9%)	12.2%	15.6%	9.2%	8.6%	1.5%	2.0%	3.2%	2.0%	2.2%	2.2%
Market Data Lincensing	26.3%	19.6%	21.9%	10.0%	19.1%	2.3%	1.3%	(1.3%)	2.0%	1.1%	1.8%	3.0%	3.2%	4.0%	3.0%	4.7%
Corporate Services	(1.6%)	(1.6%)	(3.0%)	(1.1%)	(1.8%)	(4.8%)	(3.3%)	(1.8%)	(3.7%)	(3.4%)	1.0%	1.8%	3.0%	3.5%	2.3%	3.4%
Revenue YOY Growth	8.0%	4.8%	4.3%	1.1%	4.5%	(1.3%)	1.2%	1.3%	0.8%	0.5%	1.4%	2.3%	3.1%	3.4%	2.6%	3.7%
Seq. Rev Growth	2.7%	(2.9%)	(0.7%)	2.1%		0.2%	(0.3%)	(0.6%)	1.6%		0.8%	0.5%	0.2%	1.9%		
Adjusted Net Income YoY Growth	(17.0%)	(6.0%)	3.0%	(18.9%)	(10.2%)	(5.3%)	(3.3%)	0.6%	18.5%	2.8%	4.1%	11.7%	4.1%	5.5%	6.3%	7.1%
Adjusted FD EPS YoY Growth	(15.7%)	(7.0%)	1.3%	(16.7%)	(9.8%)	(5.4%)	(1.5%)	(0.7%)	20.9%	5.3%	8.5%	15.6%	9.2%	6.9%	8.5%	5.0%
Adjusted EBITDA	9,153	10,412	10,542	10,800	40,909	9,178	10,315	10,775	12,027	42,400	9,284	11,082	11,497	12,747	45,130	48,315
EBITDA YOY Growth	(11.0%)	(3.0%)	(1.1%)	(6.8%)	(5.4%)	0.3%	(0.9%)	2.2%	11.4%	3.6%	1.2%	7.4%	6.7%	6.0%	6.4%	7.1%
<b>Margin Analysis</b>																
Operating Margin	25.4%	31.4%	32.7%	32.8%	30.6%	25.0%	30.4%	32.4%	37.3%	31.3%	25.9%	33.3%	34.7%	38.5%	33.1%	34.4%
Adjusted Profit Margin	23.2%	26.3%	28.1%	26.2%	25.9%	22.3%	25.2%	27.9%	30.7%	26.5%	22.9%	27.5%	28.2%	31.3%	27.5%	28.4%
Tax Rate	11%	19%	16%	23%	17%	13%	19%	16%	20%	17%	14%	19%	20%	20%	19%	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	SepA	DecE	2024E	2025E	2026E
<b>Operating Activities</b>													
Net Income	\$30,815	\$6,319	\$6,960	\$7,381	\$7,001	\$27,661	\$5,984	\$6,733	\$7,428	\$8,293	\$28,438	\$30,232	\$32,364
Depreciation & amortization	2,092	650	621	573	554	2,398	653	683	677	660	2,673	2,785	3,005
Provision for bad debts	260	439	(89)	5	12	367	29	5	(75)	0	(41)	0	0
Share based compensation	4,345	1,574	1,394	1,397	1,493	5,858	1,826	1,496	1,474	1,391	6,187	5,944	6,161
Excess tax benefit	(1,089)	(698)	(144)	(70)	97	(815)	(486)	(55)	1	0	(540)	0	0
Deferred rent & other	0	0	0	0	31	31	0	0	0	0	0	0	0
Deferred income taxes	(4,466)	(1,109)	(1,087)	205	(847)	(2,838)	(690)	(668)	(176)	0	(1,534)	0	0
Loss on fixed assets	0	0	0	0	0	0	0	0	0	0	0	0	0
<b>Change in Operating Assets &amp; Liabilities</b>	<b>\$31,957</b>	<b>\$7,175</b>	<b>\$7,655</b>	<b>\$9,491</b>	<b>\$8,341</b>	<b>\$32,662</b>	<b>\$7,316</b>	<b>\$8,194</b>	<b>\$9,329</b>	<b>\$10,344</b>	<b>\$35,183</b>	<b>\$38,961</b>	<b>\$41,530</b>
Net Change in Working Capital	1,724	(7,591)	(2,958)	(1,582)	12,505	374	(8,025)	(2,019)	(3,458)	5,491	(8,189)	6,634	6,650
<b>Net Cash Provided by Operations</b>	<b>\$33,680</b>	<b>(\$416)</b>	<b>\$4,697</b>	<b>\$7,909</b>	<b>\$20,846</b>	<b>\$33,036</b>	<b>(\$709)</b>	<b>\$6,175</b>	<b>\$5,871</b>	<b>\$15,836</b>	<b>\$26,995</b>	<b>\$45,595</b>	<b>\$48,180</b>
<b>Investing Activities</b>													
Acquisitions	(14,950)	0	0	0	0	0	0	0	0	0	0	0	0
Capital expenditures	(1,443)	(1,025)	(260)	(56)	(226)	(1,567)	(522)	(661)	(60)	(334)	(1,577)	(1,697)	(1,758)
Net proceeds/purchase of short term investments	0	0	0	(2,201)	(1,421)	(3,622)	(14)	(769)	(103)	80	(806)	0	0
<b>Net Cash Provided by Investing Activities</b>	<b>(\$16,393)</b>	<b>(\$1,025)</b>	<b>(\$260)</b>	<b>(\$2,257)</b>	<b>(\$1,647)</b>	<b>(\$5,189)</b>	<b>(\$536)</b>	<b>(\$1,430)</b>	<b>(\$163)</b>	<b>(\$254)</b>	<b>(\$2,383)</b>	<b>(\$1,697)</b>	<b>(\$1,758)</b>
<b>Financing Activities</b>													
Dividends	(26,355)	(2,145)	(2,145)	(2,147)	(20,045)	(26,482)	(2,154)	(2,155)	(2,155)	(19,907)	(26,371)	(26,993)	(27,472)
Proceeds from stock options	60	0	0	0	0	0	0	428	456	0	884	0	0
Restricted stock issuance	1	(515)	(306)	(197)	1,019	1	(406)	(478)	0	0	(884)	0	0
Withholding taxes paid	(1,239)	0	0	0	(1,236)	(1,236)	0	0	(480)	0	(480)	0	0
Excess tax benefits	0	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	0
<b>Net Cash Provided by Financing</b>	<b>(\$30,309)</b>	<b>(\$6,039)</b>	<b>(\$2,451)</b>	<b>(\$2,344)</b>	<b>(\$20,262)</b>	<b>(\$31,096)</b>	<b>(\$5,504)</b>	<b>(\$2,205)</b>	<b>(\$2,179)</b>	<b>(\$19,907)</b>	<b>(\$29,795)</b>	<b>(\$26,993)</b>	<b>(\$27,472)</b>
<b>Net Cash Increase (decrease) in cash</b>	<b>(\$13,022)</b>	<b>(\$7,480)</b>	<b>\$1,986</b>	<b>\$3,308</b>	<b>(\$1,063)</b>	<b>(\$3,249)</b>	<b>(\$6,749)</b>	<b>\$2,540</b>	<b>\$3,529</b>	<b>(\$4,325)</b>	<b>(\$5,183)</b>	<b>\$16,905</b>	<b>\$18,951</b>
Beginning cash balance	50,394	37,372	29,892	31,878	35,168	38,936	35,687	27,346	29,886	33,415	35,687	30,504	47,409
<b>Ending Cash Balance</b>	<b>\$37,372</b>	<b>\$29,892</b>	<b>\$31,878</b>	<b>\$35,168</b>	<b>\$34,105</b>	<b>\$35,687</b>	<b>\$28,938</b>	<b>\$29,886</b>	<b>\$33,415</b>	<b>\$29,090</b>	<b>\$30,504</b>	<b>\$47,409</b>	<b>\$66,360</b>
CFFO	\$33,680	(\$416)	\$4,697	\$7,909	\$20,846	\$33,036	(\$709)	\$6,175	\$5,871	\$15,836	\$26,995	\$45,595	\$48,180
CapEx	(1,443)	(1,025)	(260)	(56)	(226)	(1,567)	(522)	(661)	(60)	(334)	(1,577)	(1,697)	(1,758)
Free Cash Flow (excluding SBC)	\$32,237	(\$3,015)	\$3,043	\$6,456	\$19,127	\$25,611	(\$3,057)	\$4,018	\$4,337	\$14,111	\$19,409	\$37,954	\$40,261
<b>FCF / Share</b>	<b>\$2.71</b>	<b>(\$0.25)</b>	<b>\$0.26</b>	<b>\$0.54</b>	<b>\$1.61</b>	<b>\$2.16</b>	<b>(\$0.26)</b>	<b>\$0.34</b>	<b>\$0.37</b>	<b>\$1.19</b>	<b>\$1.64</b>	<b>\$3.21</b>	<b>\$3.40</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)

	MarA	JuneA	SepA	DecA	2023	MarA	JuneA	SepA	DecE	2024E	2025E	2026E
<b>ASSETS</b>												
<b>Current Assets</b>												
Cash and cash equivalents	\$29,884	\$31,865	\$35,168	\$34,101	34,101	\$27,346	\$29,881	\$33,405	\$29,090	29,090	45,995	64,946
Short-term investments	-	-	2,201	3,622	3,622	3,636	4,405	4,508	4,508	4,508	4,508	4,508
Receivables	9,284	7,505	7,431	7,680	7,680	7,535	7,443	7,950	8,150	8,150	8,350	8,550
Prepaid income taxes	24	863	2,525	1,324	1,324	942	699	1,369	1,369	1,369	1,369	1,369
Prepaid expenses	2,058	2,018	2,238	1,865	1,865	2,584	2,789	2,184	2,184	2,184	2,184	2,184
<b>Total Current Assets</b>	<b>\$41,250</b>	<b>\$42,251</b>	<b>\$49,563</b>	<b>\$48,592</b>	<b>\$48,592</b>	<b>\$42,043</b>	<b>\$45,217</b>	<b>\$49,416</b>	<b>\$45,301</b>	<b>\$45,301</b>	<b>\$62,406</b>	<b>\$81,557</b>
PP&E	8,717	8,492	8,745	8,429	8,429	8,538	8,105	7,573	7,157	7,157	6,069	4,822
Operating lease right-of-use assets	13,313	12,987	12,657	12,324	12,324	11,987	11,646	11,301	11,301	11,301	11,301	11,301
Non-current deferred tax asset	5,962	7,049	6,844	7,691	7,691	8,381	9,049	9,225	9,225	9,225	9,225	9,225
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	7,847	7,702	7,556	7,411	7,411	7,265	7,120	6,975	6,975	6,975	6,975	6,975
Other Assets	2,169	2,230	2,141	2,094	2,094	2,543	2,418	2,295	2,295	2,295	2,295	2,295
<b>Total Assets</b>	<b>\$83,242</b>	<b>\$84,695</b>	<b>\$91,490</b>	<b>\$90,525</b>	<b>\$90,525</b>	<b>\$84,741</b>	<b>\$87,539</b>	<b>\$90,769</b>	<b>\$86,238</b>	<b>\$86,238</b>	<b>\$102,255</b>	<b>\$120,159</b>
<b>Liabilities</b>												
Accounts payable	1,097	515	923	2,152	2,152	1,684	1,510	634	1,325	1,325	1,359	1,409
Income tax payable	1,719	2	54	141	141	1,316	12	3	3	3	3	3
Accrued expenses	7,271	9,522	12,973	14,065	14,065	8,503	10,442	11,841	13,841	13,841	14,641	15,441
Deferred revenue	27,827	23,746	20,560	29,267	29,267	26,378	23,031	19,379	22,379	22,379	28,379	34,379
<b>Current Liabilities</b>	<b>\$37,914</b>	<b>\$33,785</b>	<b>\$34,510</b>	<b>\$45,625</b>	<b>\$45,625</b>	<b>\$37,881</b>	<b>\$34,995</b>	<b>\$31,857</b>	<b>\$37,548</b>	<b>\$37,548</b>	<b>\$44,382</b>	<b>\$51,232</b>
Operating Lease Liabilities	12,989	12,635	12,267	11,895	11,895	11,518	11,137	10,751	10,751	10,751	10,751	10,751
Income tax reserve	681	714	718	778	778	809	850	880	880	880	880	880
<b>Total Liabilities</b>	<b>\$51,584</b>	<b>\$47,134</b>	<b>\$47,495</b>	<b>\$58,298</b>	<b>\$58,298</b>	<b>\$50,208</b>	<b>\$46,982</b>	<b>\$43,488</b>	<b>\$49,179</b>	<b>\$49,179</b>	<b>\$56,013</b>	<b>\$62,863</b>
<b>Shareholders' Equity</b>												
Class A	127	127	127	127	127	128	128	128	128	128	128	128
Additional paid-in capital	25,905	26,993	28,193	29,469	29,469	30,888	32,334	33,784	35,175	35,175	41,119	47,281
Retained earnings	25,420	30,235	35,469	22,425	22,425	26,255	30,833	36,107	24,493	24,493	27,733	32,625
Treasury shares	(19,794)	(19,794)	(19,794)	(19,794)	(19,794)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)	(22,738)
<b>Total Stockholders' Equity</b>	<b>\$31,658</b>	<b>\$37,561</b>	<b>\$43,995</b>	<b>\$32,227</b>	<b>\$32,227</b>	<b>\$34,533</b>	<b>\$40,557</b>	<b>\$47,281</b>	<b>\$37,059</b>	<b>\$37,059</b>	<b>\$46,242</b>	<b>\$57,296</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$83,242</b>	<b>\$84,695</b>	<b>\$91,490</b>	<b>\$90,525</b>	<b>\$90,525</b>	<b>\$84,741</b>	<b>\$87,539</b>	<b>\$90,769</b>	<b>\$86,238</b>	<b>\$86,238</b>	<b>\$102,255</b>	<b>\$120,159</b>
<b>Key Metrics</b>												
ROA	34.2%	34.6%	33.2%	30.4%	30.4%	31.2%	31.5%	30.4%	32.1%	32.1%	28.8%	26.4%
ROE	96.1%	84.0%	71.8%	72.6%	72.6%	81.9%	72.2%	61.8%	67.4%	67.4%	58.8%	51.9%
ROIC	66.3%	60.4%	54.3%	54.3%	54.3%	59.6%	54.5%	48.7%	52.9%	52.9%	47.9%	43.8%
Cash per share	\$2.52	\$2.69	\$2.96	\$2.87	\$2.87	\$2.31	\$2.52	\$2.82	\$2.46	\$2.46	\$3.89	\$5.49

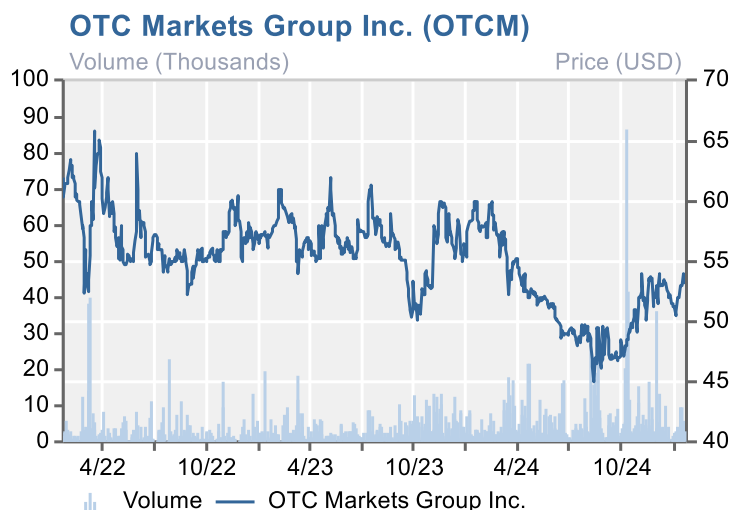
Sources: Company reports, Sidoti & Company, LLC estimates

## Required Disclosures

**OTC Markets Group Inc. (OTCM-\$53.25) NR Price Target: \$63 Risk Rating: M**

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
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	



<b>Valuation</b>	We maintain a \$63 price target on OTCM. Our target applies a multiple of 23x to our 2026 EPS forecast of \$2.74. 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. Yet 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. Furthermore, we think OTCM operates with a wide economic moat as an operator of critical market infrastructure for smaller companies. We think 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.		
<b>Key Risks</b>	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	35	24.0%	3	8.6%
NEUTRAL(a)	17	11.6%	1	5.9%
NOT RATED	0	0.0%	0	0.0%
NR -CSRs Moderate Risk (c)	81	55.5%	1	1.2%
NR -CSRs High Risk (c)	13	8.9%	0	0.0%
TOTAL	146	100%	5	3.4%

(a) Of the NEUTRALS 8 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.

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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.

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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