



OTC Markets Group Inc. (OTCM)

Net Income Marginally Higher And EPS Unchanged In 3Q:24; Revenue Trends Remain Mixed; Note New ATS Initiative, 4Q:24 Special Dividend; Introduce 2026 Estimates; 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	0.60	0.61A	0.66			0.70
Dec.	<u>0.58</u>	<u>0.70</u>		<u>0.75</u>			<u>0.80</u>
EPS	\$2.28	\$2.36	\$2.40	\$2.60			\$2.74
P/E		22.5x		20.8x		19.7x	

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	2025E
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.**
- **We introduce our 2026 estimates, which reflect OTCM's role as an operator of critical market infrastructure. We forecast EPS expansion of 5% to \$2.74 in 2026, as OTCM continues to monetize its Market Data product suite and expand its data capabilities while growth in Corporate Service subscribers returns.**
- **OTCM generated a 1% increase in operating income in 3Q:24 with mixed revenue trends and flat expenses. EPS of \$0.61 was unchanged compared to 3Q:23.**
- **A conference call will be held Thursday, November 7, 2024, at 8:30 a.m. ET to discuss 3Q:24 ([webinar](#)).**
- **In July 2024, OTC Link filed a form ATS-N to create a new alternative trading system (ATS) for overnight trading of NMS securities, pending regulatory approval. Overnight trading in NMS securities is expected to expand OTC Link's offerings to broker-dealer subscribers.**
- **The balance sheet remains debt-free. OTCM announced a special dividend of \$1.50 per share for 4Q:24 in addition to its regular \$0.18 dividend.**
- **Our unchanged \$63 price target is now based on 23x our new 2026 EPS forecast of \$2.74. Previously our target reflected 24x our \$2.60 2025 EPS estimate. We find our multiple is justified by OTCM's strong market position, recurring and predictable revenue streams, and regulatory capture.**

Our 2026 EPS estimate of \$2.74 represents 5% growth from 2025, supported by OTCM's expanding product suite and recovery in Corporate Services subscribers. Our estimates consider OTCM's subscription-based revenue sources that typically range from 80%-90% of revenue and help to mitigate more unpredictable transaction-based revenue

NR

Price Target: \$63

Price: \$53.97

Risk Rating: M

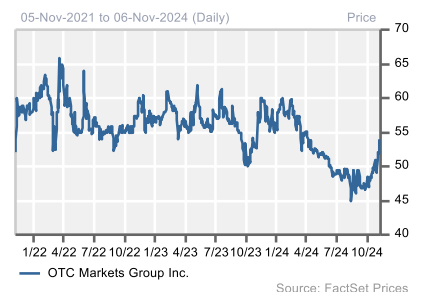
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Key Statistics

Market Cap (Mil)	\$650
Enterprise Value	\$618
52-Week Range (US OTC)	62-45
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	8,000
Shares Out (Mil)	11.975
Float Shares (Mil)	7.753
Insider Ownership	35%
Institutional Holdings	9%
Annualized Dividend	\$0.72
Dividend Yield	1.3%
FCF Per Share (2026E)	\$3.40
FCF Yield (2026E)	6.3%
Net Cash Per Share (2026E)	\$5.87
Price to Book Value	15.9x
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	2,393
Russell 2000 – Last 12 Months	37.7%
OTCM – Last 12 Months	-6.1%



stemming from the OTC Link segment. We estimate OTC Link will continue to generate about 20% of total revenue, though visibility is relatively low. On balance, OTCM will continue to work toward commercializing its regulatory role in financial markets with respect to disclosure requirements, while delivering value to a wide range of customers. In the Market Data Licensing segment, monetizing EDGAR Online into OTCM's product suite will continue to be a key initiative as the company aims to expand the subscriber base and related revenue; we estimate mid-single digit segment revenue growth. In addition, we expect OTCM will continue to invest in enhancing current product offerings and broaden capabilities into areas like digital asset infrastructure. In the Corporate Service segment, and despite near-term economic challenges, we see 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 who want to access U.S. investors through its market platforms. Roughly 77% of OTCM's 12,000-plus securities are international-company ADRs and ordinary shares, which drive about 85% of dollar volume. While our estimates reflect near-term macroeconomic headwinds weighing on subscriber growth, we think the potential for lower interest rates in 2025 and 2026 and a dampening impact of inflation could ease some of the pressure on capital structures. We estimate 4% revenue growth in 2026. We expect costs as a percentage of revenue to trend towards the low 60% range, in line with prior periods that exclude one-time acquisition-related costs. In all, we estimate operating margin to remain in the low 30% range (34% in 2026), which drives our estimated EPS of \$2.74.

Net income rose marginally in 3Q:24 while EPS was flat compared to the prior year period. Gross revenue rose 1% in 3Q:24 on mixed trends, with the bright spot being OTC Link, up 16% due to increased trading activity. The total dollar volume traded in OTCQX, OTCQB, and Pink securities increased by 20% year over year to \$112 billion during 3Q:24. Market Data Licensing saw a slight decrease in segment revenue as declines in certain products offset growth in others and Corporate Services also experienced lower revenues due to a lower number of subscribers. Operating expenses trended flat in 3Q:24 compared to 3Q:23, as OTCM continues to invest in personnel and IT infrastructure to support growth, offset by the exclusion of one-time expenses likely connected to the EDGAR Online acquisition. In total, net income rose marginally in 3Q:24 to \$7.4 million while EPS was flat at \$0.61.

OTC Link turned in another strong quarter with 16% year-over-year revenue growth while Corporate Services and Market Data Licensing revenue slightly declined. OTC Link revenues rose 16% in 3Q:24 compared to the prior year period due to a higher volume of trades and messages on its regulated ATS's. Gross revenues from OTC Link ECN and OTC Link NQB increased 24% in 3Q:24 compared to the prior year period. While OTC Link transaction derived revenue has trended favorably in recent quarters, we note future trading volumes remain unpredictable. In the Market Data Licensing segment, which provides subscribers with access to real time market data and financial information, revenue declined 1% compared to the prior year period, largely due to a decline in revenues from professional and non-professional users. Corporate Services revenues decreased 2% in 3Q:24 compared to 3Q:23, primarily due to a lower average number of companies on OTCQB, which experienced a 3% revenue decline. OTCQX had 566 companies as of 3Q:24 (595 at 3Q:23) with broad macroeconomic pressure responsible for slower sales and a lower retention rate among subscribers. Still, OTCQX revenue rose 3% in 3Q:24 due to incremental pricing adjustments. OTCQB subscribers equaled 1,062 in 3Q:24 (1,166 at 3Q:23), due to the same trends previously mentioned and amplified by financing challenges in the elevated interest rate environment which, in our view, is driving compliance downgrades. 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.

Exhibit 1: OTC Markets Group Inc. 3Q:24 Variance Table					
\$ in thousands except per share data					
	3Q:23A	3Q:24A	3Q:24E	% Change	\$ Variance
OTC Link	4,532	5,240	4,804	9%	436
Market Data Licensing	11,002	10,862	11,112	(2%)	(250)
Corporate Services	11,503	11,292	11,158	1%	134
Gross Revenue	27,037	27,394	27,074	1%	320
Operating Expenses	16,505	16,575	16,650	(0%)	(75)
Operating Income	8,573	8,624	8,473	2%	151
Operating Margin*	33%	32%	32%		
Net Income	\$7,381	\$7,428	\$6,986	6%	442
Profit Margin*	28%	28%	27%		
EPS	\$0.61	\$0.61	\$0.60	1%	\$ 0.01
Consensus EPS			\$0.62		

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

* Based on net revenue consistent with company operating metrics

Valuation	We maintain a \$63 price target on OTCM. Our target applies a multiple of 23x (from 24x) to our 2026 EPS forecast of \$2.74 after we shift our base valuation year to 2026. 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. 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)

	MarA	JuneA	SepA	DecA	2023	MarA	JuneA	SepE	DecE	2024E	2025E	2026E
Operating Segments												
OTC Link	\$5,445	\$4,821	\$4,532	\$4,802	\$19,600	\$5,397	\$5,408	\$5,240	\$5,242	\$21,287	\$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	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	46,377	47,957
Gross Revenue	\$28,027	\$27,227	\$27,037	\$27,605	\$109,896	\$27,657	\$27,562	\$27,394	\$27,824	\$110,437	\$113,271	\$117,449
Redistribution fees and rebates	796	803	805	833	3,237	840	791	760	820	3,211	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	\$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	5,321	5,516
Revenues less transaction-based expenses	\$25,446	\$25,169	\$25,078	\$25,442	\$101,134	\$25,309	\$25,222	\$25,199	\$25,825	\$101,555	\$104,551	\$108,410
Compensation	11,914	10,657	10,436	9,460	42,467	12,522	10,934	10,506	9,655	43,617	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	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	6,290	6,312
Marketing & Advertising	318	270	292	315	1,194	263	362	320	556	1,501	1,133	1,174
Occupancy costs	579	592	599	591	2,360	585	576	589	556	2,306	2,265	2,349
D&A	650	621	572	554	2,398	653	682	677	556	2,568	2,265	2,349
General and administrative	776	307	336	356	1,762	422	462	301	556	1,741	1,983	1,763
Total Operating Costs	\$18,523	\$16,874	\$16,505	\$16,651	\$68,540	\$18,610	\$17,082	\$16,575	\$15,749	\$68,016	\$68,150	\$69,261
Operating Income	\$6,923	\$8,295	\$8,573	\$8,791	\$32,594	\$6,699	\$8,140	\$8,624	\$10,076	\$33,539	\$36,401	\$39,149
Interest Income & Other income	147	261	233	274	903	175	184	270	290	919	730	730
Pretax Income	\$7,070	\$8,556	\$8,806	\$9,065	\$33,497	\$6,874	\$8,324	\$8,894	\$10,366	\$34,458	\$37,131	\$39,879
Income Taxes	(751)	(1,596)	(1,425)	(2,064)	(5,836)	(890)	(1,591)	(1,466)	(2,073)	(6,020)	(6,899)	(7,515)
Net Income	\$6,319	\$6,960	\$7,381	\$7,001	\$27,661	\$5,984	\$6,733	\$7,428	\$8,293	\$28,438	\$30,232	\$32,364
Less restricted stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income To Common	\$6,319	\$6,960	\$7,381	\$7,001	\$27,661	\$5,984	\$6,733	\$7,428	\$8,293	\$28,438	\$30,232	\$32,364
Basic EPS	\$0.53	\$0.58	\$0.62	\$0.59	\$2.32	\$0.50	\$0.56	\$0.62	\$0.71	\$2.43	\$2.58	\$2.76
FD EPS	\$0.52	\$0.57	\$0.61	\$0.58	\$2.28	\$0.49	\$0.56	\$0.61	\$0.70	\$2.40	\$2.60	\$2.74
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
Dividend	\$0.18	\$0.18	\$0.18	\$1.68	\$2.22	\$0.18	\$0.18	\$0.18	\$1.68	\$2.22	\$2.28	\$2.32
Payout Ratio	34%	31%	29%	285%	96%	36%	32%	29%	238%	92%	88%	84%
EBITDA	\$9,153	\$10,412	\$10,542	\$10,800	\$40,907	\$9,178	\$10,315	\$10,775	\$12,027	\$42,295	\$44,611	\$47,659
Growth Analysis												
OTC Link	0.2%	(6.1%)	(9.8%)	(10.2%)	(6.4%)	(0.9%)	12.2%	15.6%	9.2%	8.6%	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%	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%)	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%	2.6%	3.7%
Seq. Rev Growth	2.7%	(2.9%)	(0.7%)	2.1%		0.2%	(0.3%)	(0.6%)	1.6%			
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%	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%	5.0%
Adjusted EBITDA	9,153	10,412	10,542	10,800	40,909	9,178	10,315	10,775	12,027	42,187	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%	3.1%	7.0%	7.1%
Margin Analysis												
Operating Margin	25.4%	31.4%	32.7%	32.8%	30.6%	25.0%	30.4%	32.4%	37.3%	31.3%	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%	27.5%	28.4%
Tax Rate	11%	19%	16%	23%	17%	13%	19%	16%	20%	17%	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	SepE	DecE	2024E	2025E	2026E
Operating Activities													
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	569	660	2,565	2,785	3,005
Provision for bad debts	260	439	(89)	5	12	367	29	5	0	0	34	0	0
Share based compensation	4,345	1,574	1,394	1,397	1,493	5,858	1,826	1,496	1,370	1,391	6,083	5,944	6,161
Excess tax benefit	(1,089)	(698)	(144)	(70)	97	(815)	(486)	(55)	0	0	(541)	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)	0	0	(1,358)	0	0
Loss on fixed assets	0	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	\$9,366	\$10,344	\$35,221	\$38,961	\$41,530
Net Change in Working Capital	1,724	(7,591)	(2,958)	(1,582)	12,505	374	(8,025)	(2,019)	1,913	4,803	(3,329)	6,634	6,650
Net Cash Provided by Operations	\$33,680	(\$416)	\$4,697	\$7,909	\$20,846	\$33,036	(\$709)	\$6,175	\$11,279	\$15,147	\$31,892	\$45,595	\$48,180
Investing Activities													
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)	(329)	(334)	(1,846)	(1,697)	(1,758)
Net proceeds/purchase of short term investments	0	0	0	(2,201)	(1,421)	(3,622)	(14)	(769)	0	0	(783)	0	0
Net Cash Provided by Investing Activities	(\$16,393)	(\$1,025)	(\$260)	(\$2,257)	(\$1,647)	(\$5,189)	(\$536)	(\$1,430)	(\$329)	(\$334)	(\$2,629)	(\$1,697)	(\$1,758)
Financing Activities													
Dividends	(26,355)	(2,145)	(2,145)	(2,147)	(20,045)	(26,482)	(2,154)	(2,155)	(2,145)	(19,907)	(26,361)	(26,993)	(27,472)
Proceeds from stock options	60	0	0	0	0	0	0	428	0	0	428	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	0	0	0	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
Net Cash Provided by Financing	(\$30,309)	(\$6,039)	(\$2,451)	(\$2,344)	(\$20,262)	(\$31,096)	(\$5,504)	(\$2,205)	(\$2,145)	(\$19,907)	(\$29,761)	(\$26,993)	(\$27,472)
Net Cash Increase (decrease) in cash	(\$13,022)	(\$7,480)	\$1,986	\$3,308	(\$1,063)	(\$3,249)	(\$6,749)	\$2,540	\$8,805	(\$5,094)	(\$497)	\$16,905	\$18,951
Beginning cash balance	50,394	37,372	29,892	31,878	35,168	38,936	35,687	27,346	29,886	38,691	35,687	35,190	52,095
Ending Cash Balance	\$37,372	\$29,892	\$31,878	\$35,168	\$34,105	\$35,687	\$28,938	\$29,886	\$38,691	\$33,598	\$35,190	\$52,095	\$71,046
CFFO	\$33,680	(\$416)	\$4,697	\$7,909	\$20,846	\$33,036	(\$709)	\$6,175	\$11,279	\$15,147	\$31,892	\$45,595	\$48,180
CapEx	(1,443)	(1,025)	(260)	(56)	(226)	(1,567)	(522)	(661)	(329)	(334)	(1,846)	(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	\$9,580	\$13,422	\$23,963	\$37,954	\$40,261
FCF / Share	\$2.71	(\$0.25)	\$0.26	\$0.34	\$1.61	\$2.16	(\$0.26)	\$0.34	\$0.81	\$1.13	\$2.02	\$3.21	\$3.40

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	SepE	DecE	2024E	2025E	2026E
ASSETS												
Current Assets												
Cash	\$29,884	\$31,865	\$35,168	\$34,101	34,101	\$27,346	\$29,881	\$38,691	\$33,598	33,598	50,503	69,454
Short-term investments	-	-	2,201	3,622	3,622	3,636	4,405	4,405	4,405	4,405	4,405	4,405
Receivables	9,284	7,505	7,431	7,680	7,680	7,535	7,443	7,343	7,543	7,543	7,743	7,943
Prepaid income taxes	24	863	2,525	1,324	1,324	942	699	699	699	699	699	699
Prepaid expenses	2,058	2,018	2,238	1,865	1,865	2,584	2,789	2,789	2,789	2,789	2,789	2,789
Total Current Assets	\$41,250	\$42,251	\$49,563	\$48,592	\$48,592	\$42,043	\$45,217	\$53,927	\$49,034	\$49,034	\$66,139	\$85,290
PP&E	8,717	8,492	8,745	8,429	8,429	8,538	8,105	7,860	7,534	7,534	6,446	5,199
Operating lease right-of-use assets	13,313	12,987	12,657	12,324	12,324	11,987	11,646	11,646	11,646	11,646	11,646	11,646
Non-current deferred tax asset	5,962	7,049	6,844	7,691	7,691	8,381	9,049	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	7,847	7,702	7,556	7,411	7,411	7,265	7,120	7,120	7,120	7,120	7,120	7,120
Other Assets	2,169	2,230	2,141	2,094	2,094	2,543	2,418	2,418	2,418	2,418	2,418	2,418
Total Assets	\$83,242	\$84,695	\$91,490	\$90,525	\$90,525	\$84,741	\$87,539	\$96,004	\$90,785	\$90,785	\$106,802	\$124,706
Liabilities												
Accounts payable	1,097	515	923	2,152	2,152	1,684	1,510	1,323	1,325	1,325	1,359	1,409
Income tax payable	1,719	2	54	141	141	1,316	12	12	12	12	12	12
Accrued expenses	7,271	9,522	12,973	14,065	14,065	8,503	10,442	11,442	13,442	13,442	14,242	15,042
Deferred revenue	27,827	23,746	20,560	29,267	29,267	26,378	23,031	24,031	27,031	27,031	33,031	39,031
Current Liabilities	\$37,914	\$33,785	\$34,510	\$45,625	\$45,625	\$37,881	\$34,995	\$36,808	\$41,810	\$41,810	\$48,644	\$55,494
Operating Lease Liabilities	12,989	12,635	12,267	11,895	11,895	11,518	11,137	11,137	11,137	11,137	11,137	11,137
Income tax reserve	681	714	718	778	778	809	850	850	850	850	850	850
Total Liabilities	\$51,584	\$47,134	\$47,495	\$58,298	\$58,298	\$50,208	\$46,982	\$48,795	\$53,797	\$53,797	\$60,631	\$67,481
Shareholders' Equity												
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	33,704	35,095	35,095	41,039	47,200
Retained earnings	25,420	30,235	35,469	22,425	22,425	26,255	30,833	36,116	24,502	24,502	27,742	32,634
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)
Total Stockholders' Equity	\$31,658	\$37,561	\$43,995	\$32,227	\$32,227	\$34,533	\$40,557	\$47,210	\$36,987	\$36,987	\$46,171	\$57,224
Total Liabilities & Stockholders' Equity	\$83,242	\$84,695	\$91,490	\$90,525	\$90,525	\$84,741	\$87,539	\$96,004	\$90,785	\$90,785	\$106,802	\$124,706
Key Metrics												
ROA	34.2%	34.6%	33.2%	30.4%	30.4%	31.2%	31.5%	29.6%	30.4%	30.4%	27.6%	25.4%
ROE	96.1%	84.0%	71.8%	72.6%	72.6%	81.9%	72.2%	61.9%	67.6%	67.6%	58.9%	52.0%
ROIC	66.3%	60.4%	54.3%	54.3%	54.3%	59.6%	54.5%	48.6%	52.6%	52.6%	47.7%	43.6%
Cash per share	\$2.52	\$2.69	\$2.96	\$2.87	\$2.87	\$2.31	\$2.52	\$3.27	\$2.84	\$2.84	\$4.27	\$5.87

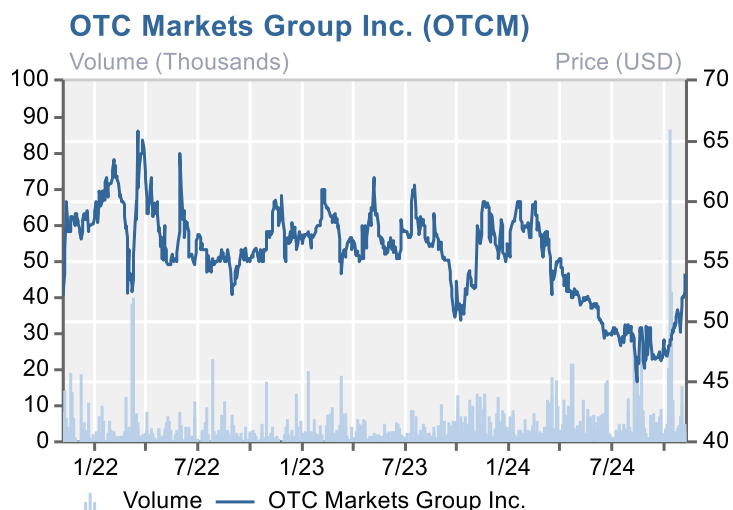
Sources: Company reports, Sidoti & Company, LLC estimates

Required Disclosures

OTC Markets Group Inc. (OTCM-\$53.97) 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	



Source: FactSet Prices

Valuation	We maintain a \$63 price target on OTCM. Our target applies a multiple of 23x (from 24x) to our 2026 EPS forecast of \$2.74 after we shift our base valuation year to 2026. 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. 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	37	25.5%	3	8.1%
NEUTRAL(a)	15	10.3%	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 9 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

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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:

- 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.

Source(s)

Key Statistics data is sourced from FactSet Research Systems