



OTC Markets Group Inc. (OTCM)

Expect Continued Strong Growth In 3Q:21 On Market Volatility; Corporate Service Revenue Is Positioning OTCM For Long-Term Growth: Maintain \$50 Price Target

	2019		2020		2021E		2022E	
					OLD	NEW	OLD	NEW
Mar.	\$0.30	\$0.32			\$0.59A		\$0.47	
June	0.30	0.36			0.59A		0.52	
Sep.	0.34	0.37			0.46		0.47	
Dec.	<u>0.32</u>	<u>0.48</u>			<u>0.50</u>		<u>0.52</u>	
EPS	\$1.25	\$1.53			\$2.14		\$1.98	
P/E					23.3x		25.1x	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 2019-2022E include a respective \$0.08, \$0.09, \$0.07 and \$0.07 in stock-based compensation expense. 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	2013	2014	2015	2016	2017	2018	2019	2020	2021E	2022E
Rev.(Mil.)	\$33.6	\$39.8	\$49.9	\$50.9	\$54.7	\$59.3	\$62.8	\$71.2	\$96.1	\$92.7
GAAP EPS*	\$0.51	\$0.69	\$0.88	\$0.90	\$1.06	\$1.36	\$1.23	\$1.53	\$2.15	\$1.98

* Revenue is net of redistribution fees.

Description: OTC Markets Group, Inc. (www.otcm.com) operates three lines of business centered on 10,000 U.S. and global securities clients. 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 Link ATS (24% of revenue), Market Data (41%) and Corporate Services (35%). Headquarters are in New York, NY.

Release Date	Conference Call	Time (Eastern)	Contact	Co. Guidance	Consensus
November 10	November 11	8:30	(877)-665-5564	NA	\$0.46

- **We estimate 3Q:21 EPS of \$0.46, up 64% from the \$0.36 posted a year ago, on a projected increase of 25% in consolidated revenue.**
- **We model 3Q:21 year-over-year revenue growth of 10% in OTC Link, 20% in Market Data, and 38% in Corporate Services, with growth attributable to improving demand trends and more companies on OTCM markets, as well as elevated trading levels.**
- **We forecast EPS growth of 40% in 2021 to \$2.14, from the \$1.53 posted in 2020 and forecast an EPS decline of 7% in 2022 to \$1.98, as we expect the elevated trading levels of late 2020 and early 2021 become very difficult comparisons in 2022.**
- **OTCM exited 2Q:21 with cash of \$43.0 million (\$3.65 per share); We model FCF per share of \$2.60 in 2021 and \$2.40 in 2022 and a cash balance of \$76 million (\$6.46) at the end of 2022. We note OTCM raised its quarterly dividend to \$0.18 per share (from \$0.15) in 2Q:21.**
- **Aside from modest business disruption in the early part of the pandemic, OTCM has performed well, and is positioned to grow through expansion of product offerings and its ability to provide a cost-efficient way for companies to raise capital long-term in our view.**
- **We maintain our \$50 price target on shares of OTCM; we apply a multiple of 25x to our 2022 EPS forecast of \$1.98.**

We model 3Q:21 EPS of \$0.46. We estimate revenue of \$22.1 million, equating to a year-over-year increase of 25%, compared with \$17.7 million in 3Q:20. On a segment basis, we model a 10% increase in the OTC Link segment, 20% growth in Market Data segment, and

NR

Price Target: \$50

Price: \$50.00

Risk Rating: H

Christopher McGinnis
(212) 894-3353
(cmcginnis@sidoti.com)

Key Statistics

Analysts Covering	0
Market Cap (Mil)	\$560
Enterprise Value	\$569
52-Week Range (US OTC)	54-30
5-Year EPS CAGR	9%
Avg. Daily Trading Volume	5,000
Shares Out (Mil)	11.265
Float Shares (Mil)	6.904
Insider Ownership	47%
Institutional Holdings	53%
Annualized Dividend	\$0.72
Dividend Yield	1.4%
FCF Per Share (2022E)	\$2.40
FCF Yield (2022E)	4.8%
Net Cash Per Share (2022E)	\$6.46
Price to Book Value	19.9x
Return on Equity (2022E)	25.0%
Total Debt to Capital	36%
Interest Coverage Ratio	N/A
Short Interest %	N/A%
Short Interest Days To Cover	N/A
Russell 2000	2,348
Russell 2000 – Last 12 Months	47.1%
OTCM – Last 12 Months	68.3%



OTC Markets Group Inc.

Source: FactSet Prices

an increase of 38% in Corporate Services. We expect trading and messaging revenue continued to benefit from greater market volatility within the OTC Link segment, and that new service offerings within the Market Data segment also drove growth. While Corporate Services was the segment that was most pressured by the pandemic early on, growth has accelerated as economies stabilize and more companies join OTCM markets and expect that trend to continue in 3Q:21. We model operating margin of 30.4% in 3Q:21, down 50 basis points compared to 3Q:20, with the margin compression due to greater investment in growth and product mix. We model net income of \$5.4 million and EPS of \$0.46, versus the \$4.4 million and \$0.37 posted in 3Q:20..

\$ in thousands except per share data			
	<u>3Q:20A</u>	<u>3Q:21E</u>	<u>YoY Change</u>
Revenue	\$17,747	\$22,131	24.7%
Operating Income	\$5,478	\$6,717	22.6%
Operating Margin	30.9%	30.4%	
Net Income	\$4,353	\$5,374	23.4%
Profit Margin	24.5%	24.3%	
EPS	\$0.37	\$0.46	21.8%

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

In our view, OTCM is well positioned for growth, even in a changing regulatory environment. In our view, OTCM's business model showed its resiliency during the pandemic. Importantly, while greater market volatility has aided recent results, the improving trends across OTCM's Market Data and Corporate Services business line provide a greater long-term growth opportunity that is subscription based. As evidenced by the 157% increase in OTC Link revenue in 2021, market volatility has benefited OTCM and volatility is expected to remain elevated through 2021. While it may be hard to predict market volatility, we think it is more important to focus on new additions to the company's OTCQX and OTCQB markets; these were challenged in the early part of the pandemic, but trends began to improve in 2H:20 and OTCM posted Corporate Services growth of over 30% through 1H:21. We expect that as markets and global economies stabilize, OTCM will continue to add new companies to its markets. In addition, OTCM's new products continue to perform well. We highlight its Virtual Conference business, which was acquired in 2019 and had revenue growth of 160% in 2020. Lastly, regarding upcoming changes in the regulatory environment related to Rule 15c2-11, which went into effect on September 29, 2021, while this new rule will certainly create changes for OTCM's business model, we do not see a material risk, and view it as an opportunity for OTCM to bring on more companies either to its existing markets or possibly new markets. Ultimately, while we view OTCM as well positioned to for growth in the near and long term, we do expect difficult comparisons in 2022, due to what we expect will be lower levels of market volatility. We model revenue to increase 35% in 2021, but forecast a 4% decline in 2022, given the likely slowdown in trading volatility. We forecast EPS of \$2.14 in 2021, up 40% and forecast 2022 EPS of \$1.98, equating to a modest EPS decline of 7%.

OTCM's balance sheet is solid and consistent cash flow lead to a 20% increase in the quarterly dividend. OTCM exited 2Q:21 with cash of \$43.0 million (\$3.65 per share) and no debt. In 2020, OTCM generated \$2.14 in free cash flow per share, and we model free cash flow per share of \$2.60 in 2021 and \$2.40 in 2022, and a net cash balance of \$76.0 million (\$6.46 per share) at the end of 2022. Along with the 2Q:21 release, OTCM announced a 20% increase in its quarterly dividend to \$0.18 per share (from \$0.15). Year-to-date OTCM through the quarterly dividend and share repurchase returned a total of \$5.1 million to shareholders, versus the \$7.0 million returned a year earlier. In 2020, OTCM returned a total of \$18.1 million to shareholders in the form of dividends and share repurchase, up from the \$16.0 million in 2019. We note that in March 2021, the Board refreshed its 300,000 share repurchase authorization. While we think OTCM is focused on supporting organic investments in relation to the changing regulatory landscape, we think that OTCM could use its strong balance sheet for M&A purposes to expand its service offerings.

Valuation	We maintain our price target of \$50 on OTCM shares. The target is based on 25x our 2022 EPS forecast of \$1.98. OTCM shares currently trade at 23x and 25x our respective 2021 and 2022 EPS forecasts. In the past three years, OTCM stock traded at 16x-29x forward EPS and averaged 24x. Peers in the corporate service-based industry trade at 19x-33x (average 25x) consensus 2021 EPS forecasts. Although OTCM's lack of liquidity would seem to validate the discount to peers, we view the company's recurring-revenue model, profit profile, operating leverage, capital allocation and dividend payments as offsets. Due to the stock's relative lack of liquidity, we maintain a Highly Risky rating.		
Key Risks	Trading liquidity		

OTC MARKETS GROUP INC.

Table 1. OTC Markets Group Inc., Income Statement

(\$ in thousands, except where noted)

	2019	Mar	June	Sep	Dec	2020	MarA	JuneA	SepE	DecE	2021E	MarE	JuneE	SepE	DecE	2022E
OTC Link	\$11,676	\$3,320	\$3,659	\$3,816	\$5,095	\$15,890	\$10,282	\$7,682	\$4,198	\$4,331	\$26,492	\$5,141	\$6,146	\$4,198	\$4,331	\$19,815
Market Data	24,447	6,745	6,858	7,172	7,358	28,133	7,899	8,586	8,606	8,609	33,700	8,057	8,758	8,779	8,781	34,374
Corporate Services	26,717	6,539	6,582	6,759	7,326	27,206	7,895	9,182	9,327	9,524	35,928	9,632	9,457	9,607	9,810	38,506
Total Revenue	\$62,840	\$16,604	\$17,099	\$17,747	\$19,779	\$71,229	\$26,076	\$25,450	\$22,131	\$22,463	\$96,121	\$22,830	\$24,361	\$22,583	\$22,921	\$92,695
Redistribution fees	3,235	1,139	1,313	1,303	2,077	5,832	4,280	3,233	1,107	1,123	9,743	1,141	1,218	1,129	1,146	4,635
Net Revenue	\$59,605	\$15,465	\$15,786	\$16,444	\$17,702	\$65,397	\$21,796	\$22,217	\$21,025	\$21,340	\$86,378	\$21,688	\$23,143	\$21,454	\$21,775	\$88,061
Compensation	26,994	7,487	7,380	7,052	6,977	28,896	8,946	8,497	9,207	8,761	35,410	9,589	9,988	9,259	8,710	37,546
IT Infrastructure	6,382	1,533	1,560	1,642	1,717	6,452	1,638	1,876	1,881	1,909	7,305	2,055	2,192	2,145	2,292	8,685
Professional fees	1,994	490	725	586	903	2,704	1,242	1,076	1,107	1,123	4,548	913	974	903	917	3,708
Marketing & Advertising	1,117	242	167	138	260	807	205	280	354	449	1,288	365	390	361	458	1,575
Occupancy costs	2,561	557	534	877	335	2,303	613	619	775	786	2,793	913	853	790	802	3,358
D&A	1,491	414	415	441	491	1,761	444	441	564	550	2,000	537	621	576	562	2,295
General and administrative	1,184	259	213	230	338	1,040	289	285	420	427	1,421	388	451	429	436	1,703
Total Operating Costs	\$41,723	\$10,982	\$10,994	\$10,966	\$11,021	\$43,963	\$13,377	\$13,074	\$14,308	\$14,006	\$54,765	\$14,760	\$15,469	\$14,465	\$14,177	\$58,870
Operating Income	\$17,882	\$4,483	\$4,792	\$5,478	\$6,681	\$21,434	\$8,419	\$9,143	\$6,717	\$7,334	\$31,613	\$6,929	\$7,674	\$6,990	\$7,598	\$29,190
Other incurr (costs)	103	16	10	(35)	(18)	(27)	5	0	0	0	5	0	0	0	0	0
Pretax Income	\$17,985	\$4,499	\$4,802	\$5,443	\$6,663	\$21,407	\$8,424	\$9,143	\$6,717	\$7,334	\$31,618	\$6,929	\$7,674	\$6,990	\$7,598	\$29,190
Income Taxes	(3,397)	(644)	(571)	(1,090)	(1,100)	(3,600)	(1,586)	(2,071)	(1,343)	(1,467)	(6,467)	(1,386)	(1,535)	(1,398)	(1,520)	(5,838)
Net Income	\$14,588	\$3,855	\$4,231	\$4,353	\$5,563	\$17,807	\$6,838	\$7,072	\$5,374	\$5,867	\$25,151	\$5,543	\$6,139	\$5,592	\$6,079	\$23,352
Less restricted stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Income To Common	\$14,588	\$3,855	\$4,231	\$4,353	\$5,563	\$17,807	\$6,838	\$7,072	\$5,374	\$5,867	\$25,151	\$5,543	\$6,139	\$5,592	\$6,079	\$23,352
FD EPS	\$1.25	\$0.32	\$0.36	\$0.37	\$0.48	\$1.53	\$0.57	\$0.59	\$0.46	\$0.50	\$2.14	\$0.47	\$0.52	\$0.47	\$0.52	\$1.98
FD Shares Outstanding	11,703	11,673	11,673	11,620	11,661	11,657	11,710	11,779	11,779	11,779	11,779	11,779	11,779	11,779	11,779	11,779
Dividend	\$1.25	\$0.15	\$0.15	\$0.15	\$0.15	\$0.60	\$0.15	\$0.15	\$0.18	\$0.18	\$0.66	\$0.18	\$0.18	\$0.18	\$0.18	\$0.72
EBITDA	\$22,071	\$5,807	\$5,926	\$6,635	\$7,886	\$26,254	\$9,865	\$10,348	\$7,922	\$8,539	\$36,674	\$6,929	\$7,674	\$6,990	\$7,598	\$29,190
Growth Analysis																
Revenue YOY Growth	6.0%	8.1%	9.1%	12.6%	23.2%	13.3%	57.0%	48.8%	24.7%	13.6%	34.9%	(12.4%)	(4.3%)	2.0%	2.0%	(3.6%)
Adjusted Net Income YoY Growth	(8.0%)	8.7%	18.8%	10.9%	46.1%	22.1%	77.4%	67.1%	23.4%	5.5%	41.2%	(18.9%)	(13.2%)	4.1%	3.6%	(7.2%)
Adjusted FD EPS YoY Growth	(8.7%)	5.2%	18.9%	13.5%	46.9%	22.5%	78.1%	62.8%	21.8%	4.4%	39.8%	(17.4%)	(11.7%)	4.1%	3.6%	(7.2%)
Margin Analysis																
Operating Margin	28.5%	27.0%	28.0%	30.9%	33.8%	30.1%	32.3%	35.9%	30.4%	32.7%	32.9%	30.4%	31.5%	31.0%	33.2%	31.5%
EBITDA Margin	37.0%	37.5%	37.5%	40.3%	44.5%	40.1%	45.3%	46.6%	37.7%	40.0%	42.5%	31.9%	33.2%	32.6%	34.9%	33.1%
Adjusted Profit Margin	23.2%	23.2%	24.7%	24.5%	28.1%	25.0%	26.2%	27.8%	24.3%	26.1%	26.2%	24.3%	25.2%	24.8%	26.5%	25.2%
Tax Rate	18.9%	14.3%	11.9%	20.0%	16.5%	16.8%	18.8%	22.7%	20.0%	20.0%	20.5%	20.0%	20.0%	20.0%	20.0%	20.0%

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

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

(\$ in thousands except where noted)

	2019	Mar	June	Sep	Dec	2020	MarA	JuneA	SepE	DecE	2021E	MarE	JuneE	SepE	DecE	2022E
Operating Activities																
Net Income	\$14,942	\$3,855	\$4,236	\$4,459	\$5,724	\$18,274	\$6,838	\$7,072	\$5,374	\$5,867	\$25,151	\$5,543	\$6,139	\$5,592	\$6,079	\$23,352
Depreciation & amortization	1,492	414	416	440	491	1,761	444	441	441	441	1,767	416	416	416	416	1,664
Provision for bad debts	108	(5)	(13)	7	41	30	24	19	0	0	43	0	0	0	0	0
Share based compensation	2,703	910	718	717	714	3,059	1,002	764	764	764	3,294	764	764	764	764	3,056
Excess tax benefit	(744)	(345)	(18)	(28)	(559)	(950)	(318)	(27)	0	0	(345)	0	0	0	0	0
Deferred rent	129	0	0	0	361	361	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	15	389	109	59	(567)	(10)	(94)	(57)	0	0	(151)	0	0	0	0	0
Change in Operating Assets & Liabilities	\$18,645	\$5,218	\$5,448	\$5,654	\$6,205	\$22,525	\$7,896	\$8,212	\$6,579	\$7,072	\$29,759	\$6,723	\$7,319	\$6,772	\$7,259	\$28,072
Net Change in Working Capital	2,768	(5,018)	(1,258)	277	9,487	3,488	(4,330)	3,264	(2,956)	5,603	1,581	(2,553)	(902)	(1,041)	5,667	1,171
Net Cash Provided by Operations	\$21,413	\$200	\$4,190	\$5,931	\$15,692	\$26,013	\$3,566	\$11,476	\$3,622	\$12,676	\$31,340	\$4,170	\$6,417	\$5,731	\$12,925	\$29,244
Investing Activities																
Capital expenditures	(5,516)	(344)	(60)	(480)	(150)	(1,034)	(180)	(170)	(170)	(170)	(690)	(250)	(250)	(250)	(250)	(1,000)
Net Cash Provided by Investing Activities	(\$5,516)	(\$344)	(\$60)	(\$480)	(\$150)	(\$1,034)	(\$180)	(\$170)	(\$170)	(\$170)	(\$690)	(\$250)	(\$250)	(\$250)	(\$250)	(\$1,000)
Financing Activities																
Dividends	(14,560)	(1,748)	(1,749)	(1,750)	(9,363)	(14,610)	(1,765)	(1,766)	(2,120)	(2,120)	(7,771)	(2,120)	(2,120)	(2,120)	(2,120)	(8,481)
Proceeds from stock options	85	(151)	(28)	(61)	283	43	(320)	(54)	0	0	(374)	0	0	0	0	0
Restricted stock	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Withholding taxes paid	(788)	0	0	0	(1,373)	(1,373)	0	0	0	0	0	0	0	0	0	0
Excess tax benefits	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Purchase of treasury stock	(1,390)	(3,520)	0	0	0	(3,520)	(1,522)	0	0	0	(1,522)	0	0	0	0	0
Net Cash Provided by Financing	(\$16,653)	(\$5,419)	(\$1,777)	(\$1,811)	(\$10,453)	(\$19,460)	(\$3,607)	(\$1,820)	(\$2,120)	(\$2,120)	(\$9,667)	(\$2,120)	(\$2,120)	(\$2,120)	(\$2,120)	(\$8,481)
Net Cash Increase (decrease) in cash	(\$756)	(\$5,563)	\$2,353	\$3,640	\$5,089	\$5,519	(\$221)	\$9,486	\$1,332	\$10,385	\$20,983	\$1,800	\$4,047	\$3,361	\$10,555	\$19,763
Beginning cash balance	30,534	29,778	24,215	26,568	30,208	29,778	35,297	35,076	44,562	45,894	35,297	56,280	58,080	62,126	65,487	56,280
Ending Cash Balance	\$29,778	\$24,215	\$26,568	\$30,208	\$35,297	\$35,297	\$35,076	\$44,562	\$45,894	\$56,280	\$56,280	\$58,080	\$62,126	\$65,487	\$76,042	\$76,042
CFFO	\$21,413	\$200	\$4,190	\$5,931	\$15,692	\$26,013	\$3,566	\$11,476	\$3,622	\$12,676	\$31,340	\$4,170	\$6,417	\$5,731	\$12,925	\$29,244
CapEx	(5,516)	(344)	(60)	(480)	(150)	(1,034)	(180)	(170)	(170)	(170)	(690)	(250)	(250)	(250)	(250)	(1,000)
Free Cash Flow	\$15,897	(\$144)	\$4,130	\$5,451	\$15,542	\$24,979	\$3,386	\$11,306	\$3,452	\$12,506	\$30,650	\$3,920	\$6,167	\$5,481	\$12,675	\$28,244
FCF / Share	\$1.36	(\$0.01)	\$0.35	\$0.47	\$1.33	\$2.14	\$0.29	\$0.96	\$0.29	\$1.06	\$2.60	\$0.33	\$0.52	\$0.47	\$1.08	\$2.40

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

Table 3. OTC Markets Group Inc., Balance Sheet

(\$ in thousands except where noted)

	2019	Mar	June	Sep	2020	MarA	JuneA	SepE	2021E	MarE	JuneE	SepE	2022E
ASSETS													
Current Assets													
Cash	\$28,217	\$22,654	\$25,007	\$28,647	\$33,765	\$33,512	\$42,998	\$45,894	\$56,280	\$58,080	\$62,126	\$65,487	\$76,042
Receivables	5,157	5,720	6,307	5,802	6,609	9,500	7,743	9,344	5,767	9,287	9,179	9,224	5,562
Prepaid income taxes	318	413	33	568	356	0	801	801	801	801	801	801	801
Prepaid expenses	1,338	1,187	1,572	1,417	1,375	1,478	1,078	1,078	1,078	1,078	1,078	1,078	1,078
Deferred tax asset	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	\$35,030	\$29,974	\$32,919	\$36,434	\$42,105	\$44,490	\$52,620	\$57,117	\$63,926	\$69,246	\$73,184	\$76,590	\$83,483
PP&E	6,418	5,921	5,716	5,666	5,367	5,083	5,184	5,184	5,184	5,184	5,184	5,184	5,184
Non-current deferred tax asset	16,789	15,730	15,711	15,357	15,187	14,979	15,497	15,497	15,497	15,497	15,497	15,497	15,497
Goodwill	251	633	251	251	251	251	251	251	251	251	251	251	251
Intangible assets	40	40	40	40	40	40	40	40	40	40	40	40	40
Security deposits	1,827	1,980	2,028	1,873	1,860	1,900	2,311	2,311	2,311	2,311	2,311	2,311	2,311
Total Assets	\$60,355	\$54,278	\$56,665	\$59,621	\$64,810	\$66,743	\$75,903	\$80,400	\$87,209	\$92,529	\$96,467	\$99,873	\$106,766
Liabilities													
Accounts payable	321	716	460	718	1,251	1,125	1,290	934	961	929	918	922	927
Income tax payable	99	107	850	183	16	6,109	16	16	16	16	16	16	16
Accrued expenses	9,154	5,036	7,185	8,772	9,965	1,102	8,678	8,678	8,678	8,678	8,678	8,678	8,678
Deferred revenue	15,815	14,308	12,128	10,922	18,765	19,569	20,069	19,069	21,069	22,069	21,069	20,069	22,069
Current Liabilities	\$25,389	\$20,167	\$20,623	\$20,595	\$29,997	\$27,905	\$30,053	\$28,697	\$30,724	\$31,692	\$30,681	\$29,685	\$31,690
Deferred rent	15,529	15,240	14,948	14,708	14,466	14,220	15,163	15,163	15,163	15,163	15,163	15,163	15,163
Income tax reserve	1,764	1,852	898	757	801	839	892	892	892	892	892	892	892
Total Liabilities	\$42,682	\$37,259	\$36,469	\$36,060	\$45,264	\$42,964	\$46,108	\$44,752	\$46,779	\$47,747	\$46,736	\$45,740	\$47,745
Shareholders' Equity													
Class A	122	123	123	123	123	124	125	125	125	125	125	125	125
Additional paid-in cap	18,042	18,800	19,490	20,146	19,770	20,451	21,160	21,160	21,160	21,160	21,160	21,160	21,160
Retained earnings	8,106	10,213	12,700	15,409	11,770	16,843	22,149	28,001	32,784	37,136	42,085	46,487	51,375
Treasury shares	(8,597)	(12,117)	(12,117)	(12,117)	(12,117)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)	(13,639)
Total Stockholders' Equity	\$17,673	\$17,019	\$20,196	\$23,561	\$19,546	\$23,779	\$29,795	\$35,647	\$40,430	\$44,782	\$49,731	\$54,133	\$59,021
Total Liabilities & Stockholders' Equity	\$60,355	\$54,278	\$56,665	\$59,621	\$64,810	\$66,743	\$75,903	\$80,400	\$87,209	\$92,529	\$96,467	\$99,873	\$106,766
Key Metrics													
ROA	24.2%	6.7%	7.6%	7.5%	27.5%	10.4%	9.9%	6.9%	28.8%	6.2%	6.5%	5.7%	21.9%
ROE	19.0%	11.1%	17.1%	14.9%	25.0%	15.8%	19.8%	12.3%	25.0%	6.5%	9.7%	8.1%	25.0%
ROIC	54.9%	16.8%	14.0%	12.3%	54.1%	16.5%	11.1%	9.7%	37.2%	9.5%	8.1%	7.4%	28.9%
Cash per share	\$2.41	\$1.94	\$2.14	\$2.47	\$2.90	\$2.86	\$3.65	\$3.90	\$4.78	\$4.93	\$5.27	\$5.56	\$6.46

Sources: Company reports, Sidoti & Company, LLC estimates

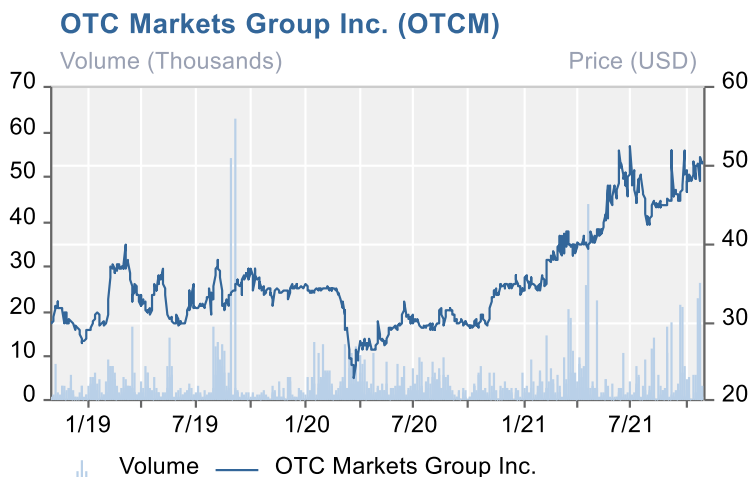
Appendix Required Disclosures

Required Disclosures

OTC Markets Group Inc. (OTCM-\$50.00) NR Price Target: \$50 Risk Rating: H

Rating and Price Target History Table

Action Date	Px	Rating	PT	Risk Rating
PT 11/8/18	32		36	
PT 3/7/19	37.4		38	
PT 4/13/20	27.9		36	
PT 11/12/20	33.2		38	
PT 2/25/21	38.2		38	
PT 3/19/21	40		44	
PT 5/4/21	40.2		44	
PT 5/10/21	42		46	
PT 8/3/21	44		46	
PT 8/6/21	45		50	



Valuation	We maintain our price target of \$50 on OTCM shares. The target is based on 25x our 2022 EPS forecast of \$1.98. OTCM shares currently trade at 23x and 25x our respective 2021 and 2022 EPS forecasts. In the past three years, OTCM stock traded at 16x-29x forward EPS and averaged 24x. Peers in the corporate service-based industry trade at 19x-33x (average 25x) consensus 2021 EPS forecasts. Although OTCM's lack of liquidity would seem to validate the discount to peers, we view the company's recurring-revenue model, profit profile, operating leverage, capital allocation and dividend payments as offsets. Due to the stock's relative lack of liquidity, we maintain a Highly Risky rating.	
Key Risks	Trading liquidity	

Sidoti & Company. Sidoti & Company, LLC is a licensed broker/dealer, and publishes research reports about some of the securities it follows. All research published by Sidoti & Company, LLC is based on public information, or on information from the company discussed in the report that that company is required to promptly make public. This report was prepared for market professionals and institutional investor customers. Market professionals and institutional investors should consider this report as only one factor in making their investment decisions. This report is for information purposes only and is not intended as an offer to sell or a solicitation to buy securities. This research report is not a substitute for the exercise of your independent judgment. Information contained herein is based on sources we believe to be reliable but we do not guarantee their accuracy. The stock rating on this report reflects the analyst's recommendation based on a 12-month period. 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.

Sidoti does NOT own securities of the issuers described herein, and Sidoti does not make a market in any securities. Sidoti does not engage in, or receive compensation from, any investment banking or corporate finance-related activities with the company discussed in the report. Sidoti's contracts with issuers protect Sidoti's full editorial control of all research, timing of release of reports, and release from liability for negative reports. To ensure further independence, the company discussed in the report has agreed to a minimum coverage term of one Initiation Report and three Update Reports, which that company cannot unilaterally terminate earlier. Sidoti & Company, LLC takes steps to ensure analyst independence including setting fees in advance and utilizing analysts who must abide by the CFA Institute Code of Ethics and Standards of Professional Conduct. Each Sidoti & Company, LLC analyst has full discretion on the rating and revenue target based on his or her own due diligence. Analysts are paid in part based on overall profitability of Sidoti & Company, LLC. Such profitability is derived from a variety of sources and includes payments received from issuers of securities covered by Sidoti & Company, LLC for services described below. No part of analyst compensation was, or will be, directly or indirectly, related to the specific recommendations or views expressed in any

report or article. All issuers to be considered for research obtain the approval of a stock selection committee comprised of the Director of Research, the Chief Compliance Officer, and an independent outside person for screening applicants.

Sidoti Company Sponsored Research Rating System The Sidoti & Company, LLC *Company Sponsored Research* rating system consists of “Moderately Risky” (M) and “Highly Risky” (H) ratings. “Moderately Risky” suggests companies, that while still subject to relatively high price volatility, are characterized by more stable and predictable cash flow, a more established operating history, and an operating environment that is somewhat less competitive with a potential for loss of principal. “Highly Risky” suggests high risk equities of companies with a short or unprofitable operating history, limited or less predictable revenues, very high risk associated with success, significant financial or legal issues, or a substantial risk/loss of principal. As of 11/09/21 and immediately prior to the publication of this report, Company Sponsored Research provides research on 28 companies, of which 24 (85.7%) are rated Moderately Risky and 4 (14.3%) are rated Highly Risky. *Earnings* targets and opinions concerning the composition of market sectors included in this report reflect analyst judgments as of this date and are subject to change without notice. A risk to our *earnings* targets is that the analyst’s estimates or forecasts may not be met. 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 differences include, but are not limited to, those discussed in the “Risk Factors” section in the issuer’s SEC filings available in electronic format through SEC Edgar filings at www.sec.gov.

Every company in the Microcap sector bears certain inherent risks and Sidoti & Company, LLC will not provide any company subject to those risks with a rating below moderate because stock in the Microcap segment of the market have many risks that are not as prevalent in Large-Cap, Blue Chips, or even Small-Cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. 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.

Sidoti & Company policy is to update research reports as and when the Research Analyst and Research Management deem appropriate, based on developments with the issuer, the sector, or the market that may have a material impact on the research views or opinions stated therein. In addition, certain Research publications are intended to be updated on a regular periodic basis (weekly/monthly/quarterly/annual) and will ordinarily be updated with that frequency, unless the Research Analyst and Research Management determine that a different publication schedule is appropriate based on current conditions.

Sidoti & Company Research does not provide individually tailored investment advice. Sidoti & Company Research has been prepared without regard to the circumstances and objectives of those who receive it. Sidoti & Company recommends that investors independently evaluate particular investments and strategies, and encourages investors to seek the advice of a financial adviser. The appropriateness of an investment or strategy will depend on an investor’s circumstances and objectives. The securities, instruments, or strategies discussed in Sidoti & Company Research may not be suitable for all investors, and certain investors may not be eligible to purchase or participate in some or all of them. Sidoti & Company Research is not an offer to buy or sell or the solicitation of an offer to buy or sell any security/instrument or to participate in any particular trading strategy. The value of and income from your investments may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions of companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance. Estimates of future performance are based on assumptions that may not be realized. If provided, and unless otherwise stated, the closing price on the cover page is that of the primary exchange for the subject company’s securities/instruments.

These opinions may not fit to your financial status, risk and return preferences. For this reason, to make an investment decision by relying solely to this information stated here may not bring about outcomes that fit your expectations. 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.

Investors should consider Sidoti & Company Research as only a single factor in making their investment decision. For valuation methodology and risks associated with any recommendation, rating or price target referenced in this research report, please contact the Client Support Team as follows: US/Canada +1 212-453-7000. Alternatively you may contact your investment representative or Sidoti & Company Research at 1177 Avenue of the Americas 5th Floor, (Attention: Director of Research), New York, NY 10036 USA.

Compensation. Sidoti & Company, LLC receives a flat fee of \$40,000, renewable annually from the company discussed in Company Sponsored Research reports for the creation and dissemination of an Initiation Report and three Update Reports. The purpose of the fee is to subsidize the high costs of research and monitoring. Sidoti holds multiple conferences a year and charges a fee of \$3,500 to \$5,500 per conference to presenting companies depending on the event. Sidoti does not currently have a current investment banking services relationship with companies discussed in Company Sponsored Research Reports, or contemporaneously with any other companies discussed in other (Sidoti) Company Sponsored Research reports. Investment banking services, as defined under FINRA Rule 2241, include, among other things, acting as an underwriter in, or as a member of the selling group in, a securities underwriting. Sidoti’s role in any issuer’s investment banking transaction can be viewed in that issuer’s filings at www.sec.gov.

Sidoti has non-research employees who will seek compensation for brokerage commission revenue in connection with market trading the securities of this company. Sidoti & Company, LLC has received compensation for non-investment banking services on the Small-Cap Universe, and expects to receive additional compensation for non-investment banking services on the Small-Cap Universe, paid by issuers of securities covered by Sidoti & Company, LLC analysts. These non-investment banking services include investor relations services and software, financial database analysis, advertising services, brokerage services, advisory services, investment research, investment management, non-deal road shows, and attendance fees for conferences sponsored or co-sponsored by Sidoti & Company, LLC.

Sidoti Analysts. Sidoti policy does not allow an analyst or a member of their household (i) to own, trade, or have any beneficial interest in any securities of any company that analyst covers, or (ii) serve as an officer or director of a covered company. 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 and brokerage activities, but compensation is not directly related to investment banking or brokerage revenues.

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 research analysts seek to have management of their covered companies meet with investors during non-deal road shows. Analysts' compensation may be related to their success in scheduling non-deal road shows. This approach could be viewed as presenting potential conflicts of interest.

Reprints of Sidoti & Company, LLC reports are prohibited without permission. Additional information is available upon request. For any further questions, please contact the Chief Compliance Officer at Sidoti.

Analyst Certification. Christopher McGinnis 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.

Source

Key Statistics data is sourced from FactSet Research Systems