



OTC Markets Group Inc. (OTCM)

OTCM Delivers Impressive 3Q:21 Results Leading To EPS Beat And Estimate Raise; Announces Significant Increase To Year-End Special Dividend: Raise Price Target To \$60 (From \$50)

	2020		2021E		2022E		2023E	
		OLD	NEW	OLD	NEW	OLD	NEW	
Mar.	\$0.32	\$0.59A		\$0.47	\$0.57		\$0.59	
June	0.36	0.59A		0.52	0.59		0.61	
Sep.	0.37	0.46	0.62A	0.47	0.58		0.60	
Dec.	<u>0.48</u>	<u>0.50</u>	<u>0.55</u>	<u>0.52</u>	<u>0.54</u>		<u>0.56</u>	
EPS	\$1.53	\$2.14	\$2.35	\$1.98	\$2.28		\$2.37	
P/E			24.0x		24.8x		23.8x	

Note: NR = Not Rated. Risk Ratings: H = Highly risky; M = Moderately risky. 2020-2023E 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	2014	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E
Rev.(Mil.)	\$42.2	\$49.9	\$50.9	\$54.7	\$59.3	\$62.8	\$71.2	\$100.3	\$99.2	\$102.9
GAAP EPS*	\$0.69	\$0.88	\$0.90	\$1.06	\$1.36	\$1.25	\$1.53	\$2.35	\$1.28	\$2.37

Description: OTC Markets Group, Inc. (www.otcmkt.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.

- **OTCM reported 3Q:21 EPS of \$0.62, ahead of our \$0.46 forecast and up 68% versus \$0.37 in the prior year, with growth led by a 42% increase in gross revenue and strong operating leverage.**
- **Gross revenue in 3Q:21 was \$25.2 million, up 42%, compared with 3Q:20 and 11% ahead of our \$22.1 million forecast. All three operating segments posted solid year-over-year growth with Corporate Services up 57%, OTC Link up 60% and Market Data up 18%.**
- **The 3Q:21 operating margin of 39.5% was up 740 basis points versus the 32.1% posted in 3Q:20 and was ahead of our 30.4% forecast, as the increase in revenue provided greater operating leverage than we anticipated.**
- **Given the stronger 3Q:21 results, we now forecast 2021 EPS of \$2.35 (from \$2.14), raise our 2022 EPS forecast to \$2.28 (from \$1.98) and introduce our 2023 EPS estimate of \$2.37. We note we expect trading revenue to be pressured in 2022, leading to the modest EPS decline.**
- **OTCM exited 3Q:21 with cash of \$50.0 million (\$4.23 per share). We model FCF per share of \$2.93 in 2021, \$2.69 in 2022 and \$2.77 in 2023 and a cash balance of \$90 million (\$7.62) at the end of 2023.**
- **We note OTCM raised its quarterly dividend to \$0.18 per share (from \$0.15) and, in conjunction with the 3Q:21 release, announced a special dividend of \$1.50, up from \$0.65 a year earlier.**
- **We raise our price target to \$60 (from \$50); we apply an unchanged multiple of 25x to our newly introduced 2023 EPS forecast of \$2.37. (Previously, we valued the shares at 25x our prior 2022 EPS forecast of \$1.98.)**

OTCM reported 3Q:21 EPS of \$0.62. Gross revenue of \$25.2 million increased 42%, year over year, and was above our \$22.1 million forecast. On a segment basis, sales within the Corporate Services segment increased 57% versus the prior year, with the growth attributable

NR

Price Target: \$60

Price: \$56.51

Risk Rating: H

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Key Statistics

Analysts Covering	2
Market Cap (Mil)	\$640
Enterprise Value	\$634
52-Week Range (US OTC)	61-33
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	1.3%
FCF Per Share (2023E)	\$2.77
FCF Yield (2023E)	4.9%
Net Cash Per Share (2023E)	\$7.62
Price to Book Value	22.1x
Return on Equity (2023E)	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	2,413
Russell 2000 – Last 12 Months	37.6%
OTCM – Last 12 Months	68.4%



OTC Markets Group Inc.

Source: FactSet Prices

more companies on OTC markets, greater demand for its Disclosure and News Service product and price increases. We note the addition of 120 new companies on the OTCQX market, 193 additions to the OTCQB market and 834 added to the Pink market, equating to growth of 27%, 22% and 116% year over year, with growth aided by the recent adoption of rule 15c2-11. Sales in the OTC Link segment increased 60%, largely related to greater transactional volume and new subscribers on the OTC Link ECN, as well as an increase in revenues related to OTC Link ATS messages. Market Data sales increased 18%, with growth driven by a 13% in professional subscribers and 45% increase in non-professionals. The operating margin of 39.5% increased 740 basis points from the 32.1% posted in 3Q:20 and was ahead of our 30.4% forecast as the result of greater fixed cost leverage on the sales growth, versus our forecast. Net income of \$7.5 million was up 68% from 3Q:20, leading to 3Q:21 EPS of \$0.62, compared with the prior-year posting of \$0.37 and ahead of our \$0.46 forecast.

\$ in thousands except per share data					
	3Q:20A	3Q:21A	YoY Change	3Q:21 E	Estimate Variance
Gross Revenue	\$17,747	\$25,220	42.1%	\$22,131	14.0%
Operating Income	\$5,478	\$9,676	76.6%	\$6,717	44.1%
*Operating Margin	32.1%	39.5%		30.4%	
Net Income	\$4,459	\$7,512	68.0%	\$5,374	39.8%
Profit Margin	25.1%	29.8%		24.3%	
EPS	\$0.37	\$0.62	68.0%	\$0.46	35.1%

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

* Based on net revenue consistent with company operating metrics

OTCM posted impressive 3Q:21 results and is well positioned for long-term growth, in our view. OTCM's 3Q:21 results reflected broad-based growth, but importantly, continues to increase companies on its markets. All three of OTCM's markets, the OTCQB, OTCQX and Pink markets posted strong growth of new customers. We think the increase was attributable to the recent implementation of Rule 15c2-11, which placed greater restrictions on trading of securities with limited disclosures. We note that OTCM has been at the forefront of helping companies remain in compliance and has been vocal about the upcoming changes to help companies remain in compliance with the new rules. Ultimately, we think the increase in the companies on OTCM's markets shows a successful implementation of the new rule and has provided OTCM with a solid long-term growth opportunity to onboard companies more easily to its markets. We note that historically market-based revenue is very sticky, with over 90% retention rates and opportunities for annual price increases. Trends in 3Q:21 also benefited from elevated trading levels, which we think will normalize over time but will also likely create near-term revenue headwinds. We note that we do not think the lower trading levels are a meaningful part of the OTCM long-term story. Ultimately, we view OTCM as well positioned for growth in both the near- and long-term, outside of the current market volatility. We model revenue increases of 41% in 2021, then a revenue decline of 1% in 2022 due to our expectation of lower market volatility and introduce our 2023 revenue growth estimate of 4%. We now forecast EPS of \$2.35 (from \$2.14) in 2021, up 54% and 2022 EPS of \$2.28 (from \$1.98) equating to an EPS decline of 3%, as trading trends normalize, but would expect growth to resume in 2023 with EPS up 4%.

OTCM's balance sheet is solid; consistent cash flow led to a 20% increase in the quarterly dividend. OTCM exited 3Q:21 with cash of \$50.0 million (\$4.23 per share) and no debt. We model free cash flow per share of \$2.93 in 2021, \$2.69 in 2022 and \$2.77 in 2023, and a net cash balance of \$90.0 million (\$7.62 per share) at the end of 2023. In 2Q:21, OTCM announced a 20% increase in its quarterly dividend to \$0.18 per share (from \$0.15), while with 3Q:21 results, announced a special dividend of \$1.50, up from the \$0.65 special dividend announced in 3Q:20. Year-to-date OTCM through the quarterly dividend and share repurchase returned a total of \$7.2 million to shareholders, versus the \$8.8 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. 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 raise our price target to \$60 (from \$50) on OTCM shares. Our target is now based on 25x our newly introduced 2023 EPS forecast of \$2.37. (Our prior target was based on 25x our prior 2022 EPS forecast of \$1.98.) OTCM shares currently trade at 25x and 24x our respective 2022 and 2023 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)

	Mar	June	Sep	Dec	2020	MarA	JuneA	SepA	DecE	2021E	MarE	JuneE	SepE	DecE	2022E	2023E
OTC Link	\$3,320	\$3,659	\$3,816	\$5,095	\$15,890	\$10,282	\$7,682	\$6,110	\$4,331	\$28,405	\$5,141	\$5,377	\$5,499	\$4,331	\$20,348	\$20,755
Market Data	6,745	6,858	7,172	7,358	28,133	7,899	8,586	8,489	8,609	33,583	8,215	8,929	8,829	8,953	34,926	35,974
Corporate Services	6,539	6,582	6,759	7,326	27,206	7,895	9,182	10,621	10,623	38,321	11,053	11,018	10,940	10,941	43,952	46,150
Gross Revenue	\$16,604	\$17,099	\$17,747	\$19,779	\$71,229	\$26,076	\$25,450	\$25,220	\$23,562	\$100,308	\$24,409	\$25,325	\$25,267	\$24,225	\$99,227	\$102,879
Redistribution fees	1,139	1,313	1,303	2,077	5,832	4,280	3,233	2,412	1,178	11,103	1,220	1,266	1,263	1,211	4,961	5,144
Net Revenue	\$15,465	\$15,786	\$16,444	\$17,702	\$65,397	\$21,796	\$22,217	\$22,808	\$22,384	\$89,205	\$23,189	\$24,059	\$24,004	\$23,014	\$94,265	\$97,735
Compensation	7,487	7,380	7,052	6,977	28,896	8,946	8,497	8,471	8,718	34,632	9,275	9,624	9,602	9,206	37,706	39,094
IT Infrastructure	1,533	1,560	1,642	1,717	6,452	1,638	1,876	2,062	2,003	7,579	2,197	2,279	2,400	2,423	9,299	9,641
Professional fees	490	725	586	903	2,704	1,242	1,076	1,008	1,178	4,504	976	1,013	1,011	969	3,969	4,115
Marketing & Advertising	242	167	138	260	807	205	280	218	471	1,174	391	405	404	485	1,685	1,747
Occupancy costs	557	534	877	335	2,303	613	619	521	825	2,578	976	886	884	848	3,595	3,727
D&A	414	415	441	491	1,761	444	441	446	577	1,908	574	646	644	594	2,457	2,548
General and administrative	259	213	230	338	1,040	289	285	406	448	1,428	415	469	480	460	1,824	1,891
Total Operating Costs	\$10,982	\$10,994	\$10,966	\$11,021	\$43,963	\$13,377	\$13,074	\$13,132	\$14,220	\$53,803	\$14,804	\$15,322	\$15,426	\$14,983	\$60,535	\$62,763
Operating Income	\$4,483	\$4,792	\$5,478	\$6,681	\$21,434	\$8,419	\$9,143	\$9,676	\$8,164	\$35,402	\$8,384	\$8,737	\$8,578	\$8,031	\$33,731	\$34,972
Other incurr (costs)	16	10	(35)	(18)	(27)	5	0	12	0	17	0	0	0	0	0	0
Pretax Income	\$4,499	\$4,802	\$5,443	\$6,663	\$21,407	\$8,424	\$9,143	\$9,688	\$8,164	\$35,419	\$8,384	\$8,737	\$8,578	\$8,031	\$33,731	\$34,972
Income Taxes	(644)	(571)	(1,090)	(1,100)	(3,600)	(1,586)	(2,071)	(2,176)	(1,633)	(7,466)	(1,677)	(1,747)	(1,716)	(1,606)	(6,746)	(6,994)
Net Income	\$3,855	\$4,231	\$4,353	\$5,563	\$17,807	\$6,838	\$7,072	\$7,512	\$6,531	\$27,953	\$6,708	\$6,990	\$6,863	\$6,425	\$26,984	\$27,978
Less restricted stock	\$0	\$0	\$0	\$0	\$0	\$0	\$0	(\$173)	\$0	(\$173)	\$0	\$0	\$0	\$0	\$0	\$0
Net Income To Common	\$3,855	\$4,231	\$4,353	\$5,563	\$17,807	\$6,838	\$7,072	\$7,339	\$6,531	\$27,780	\$6,708	\$6,990	\$6,863	\$6,425	\$26,984	\$27,978
FD EPS	\$0.32	\$0.36	\$0.37	\$0.48	\$1.53	\$0.57	\$0.59	\$0.62	\$0.55	\$2.35	\$0.57	\$0.59	\$0.58	\$0.54	\$2.28	\$2.37
FD Shares Outstanding	11,673	11,673	11,620	11,661	11,657	11,710	11,779	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813	11,813
Dividend	\$0.15	\$0.15	\$0.15	\$0.75	\$1.20	\$0.15	\$0.15	\$0.18	\$1.68	\$2.16	\$1.68	\$1.68	\$1.68	\$1.68	\$6.72	\$6.72
EBITDA	\$5,807	\$5,926	\$6,601	\$7,886	\$26,220	\$9,865	\$10,348	\$10,916	\$9,390	\$40,519	\$8,384	\$8,737	\$8,578	\$8,031	\$33,731	\$34,972
Growth Analysis																
Revenue YOY Growth	8.1%	9.1%	12.6%	23.2%	13.3%	57.0%	48.8%	42.1%	19.1%	40.8%	(6.4%)	(0.5%)	0.2%	2.8%	(1.1%)	3.7%
Adjusted Net Income YoY Growth	8.7%	18.8%	10.9%	46.1%	22.1%	77.4%	67.1%	68.6%	17.4%	56.0%	(1.9%)	(1.2%)	(6.5%)	(1.6%)	(2.9%)	3.7%
Adjusted FD EPS YoY Growth	5.2%	18.9%	13.5%	46.9%	22.5%	78.1%	62.8%	65.8%	15.9%	53.9%	(0.4%)	0.3%	(6.5%)	(1.6%)	(2.9%)	3.7%
Margin Analysis																
Operating Margin	27.0%	28.0%	30.9%	33.8%	30.1%	32.3%	35.9%	38.4%	34.7%	35.3%	34.4%	34.5%	34.0%	33.2%	34.0%	34.0%
EBITDA Margin	37.5%	37.5%	40.1%	44.5%	40.1%	45.3%	46.6%	47.9%	42.0%	45.4%	36.2%	36.3%	35.7%	34.9%	35.8%	35.8%
Adjusted Profit Margin	23.2%	24.7%	24.5%	28.1%	25.0%	26.2%	27.8%	29.8%	27.7%	27.9%	27.5%	27.6%	27.2%	26.5%	27.2%	27.2%
Tax Rate	14.3%	11.9%	20.0%	16.5%	16.8%	18.8%	22.7%	22.5%	20.0%	21.1%	20.0%	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 tho usands except where noted)

	Mar	June	Sep	Dec	2020	MarA	JuneA	SepA	DecE	2021E	MarE	JuneE	SepE	DecE	2022E	2023E
Operating Activities																
Net Income	\$3,855	\$4,236	\$4,459	\$5,724	\$18,274	\$6,838	\$7,072	\$7,512	\$6,531	\$27,953	\$6,708	\$6,990	\$6,863	\$6,425	\$26,984	\$27,978
Depreciation & amortization	414	416	440	491	1,761	444	441	445	445	1,775	416	416	416	416	1,664	1,764
Provision for bad debts	(5)	(13)	7	41	30	24	19	109	0	152	0	0	0	0	0	0
Share based compensation	910	718	717	714	3,059	1,002	764	781	781	3,328	781	781	781	781	3,124	3,124
Excess tax benefit	(345)	(18)	(28)	(559)	(950)	(318)	(27)	(55)	0	(400)	0	0	0	0	0	0
Deferred rent	0	0	0	361	361	0	0	0	0	0	0	0	0	0	0	0
Deferred income taxes	389	109	59	(567)	(10)	(94)	(57)	109	0	(42)	0	0	0	0	0	0
Change in Operating Assets & Liabilities	\$5,218	\$5,448	\$5,654	\$6,205	\$22,525	\$7,896	\$8,212	\$8,901	\$7,757	\$32,766	\$7,905	\$8,187	\$8,060	\$7,622	\$31,772	\$32,866
Net Change in Working Capital	(5,018)	(1,258)	277	9,487	3,488	(4,330)	3,264	1,133	3,860	3,927	(2,862)	(989)	(1,004)	5,909	1,054	817
Net Cash Provided by Operations	\$200	\$4,190	\$5,931	\$15,692	\$26,013	\$3,566	\$11,476	\$10,034	\$11,617	\$36,693	\$5,042	\$7,198	\$7,055	\$13,531	\$32,827	\$33,683
Investing Activities																
Capital expenditures	(344)	(60)	(480)	(150)	(1,034)	(180)	(170)	(846)	(846)	(2,042)	(250)	(250)	(250)	(250)	(1,000)	(1,000)
Net Cash Provided by Investing Activities	(\$344)	(\$60)	(\$480)	(\$150)	(\$1,034)	(\$180)	(\$170)	(\$846)	(\$846)	(\$2,042)	(\$250)	(\$250)	(\$250)	(\$250)	(\$1,000)	(\$1,000)
Financing Activities																
Dividends	(1,748)	(1,749)	(1,750)	(9,363)	(14,610)	(1,765)	(1,766)	(2,120)	(19,846)	(25,497)	(2,120)	(2,120)	(2,120)	(2,120)	(8,480)	(8,480)
Proceeds from stock options	(151)	(28)	(61)	283	43	(320)	(54)	(81)	0	(455)	0	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	0	0	0	(1,373)	(1,373)	0	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	(3,520)	0	0	0	(3,520)	(1,522)	0	0	0	(1,522)	0	0	0	0	0	0
Net Cash Provided by Financing	(\$5,419)	(\$1,777)	(\$1,811)	(\$10,453)	(\$19,460)	(\$3,607)	(\$1,820)	(\$2,201)	(\$19,846)	(\$27,474)	(\$2,120)	(\$2,120)	(\$2,120)	(\$2,120)	(\$8,480)	(\$8,480)
Net Cash Increase (decrease) in cash	(\$5,563)	\$2,353	\$3,640	\$5,089	\$5,519	(\$221)	\$9,486	\$6,987	(\$9,075)	\$7,177	\$2,672	\$4,828	\$4,685	\$11,161	\$23,347	\$24,203
Beginning cash balance	29,778	24,215	26,568	30,208	29,778	35,297	35,076	44,562	51,549	35,297	42,474	45,147	49,975	54,660	42,474	65,821
Ending Cash Balance	\$24,215	\$26,568	\$30,208	\$35,297	\$35,297	\$35,076	\$44,562	\$51,549	\$42,474	\$42,474	\$45,147	\$49,975	\$54,660	\$65,821	\$65,821	\$90,024
CFFO	\$200	\$4,190	\$5,931	\$15,692	\$26,013	\$3,566	\$11,476	\$10,034	\$11,617	\$36,693	\$5,042	\$7,198	\$7,055	\$13,531	\$32,827	\$33,683
CapEx	(344)	(60)	(480)	(150)	(1,034)	(180)	(170)	(846)	(846)	(2,042)	(250)	(250)	(250)	(250)	(1,000)	(1,000)
Free Cash Flow	(\$144)	\$4,130	\$5,451	\$15,542	\$24,979	\$3,386	\$11,306	\$9,188	\$10,771	\$34,651	\$4,792	\$6,948	\$6,805	\$13,281	\$31,827	\$32,683
FCF / Share	(\$0.01)	\$0.35	\$0.47	\$1.33	\$2.14	\$0.29	\$0.96	\$0.78	\$0.91	\$2.93	\$0.41	\$0.59	\$0.58	\$1.12	\$2.69	\$2.77

Sources: Company reports, Sidoti & Company, LLC estimates

OTC MARKETS GROUP INC.

Table 3. OTC Markets Group Inc., Balance Sheet

(\$ in thousands except where noted)

	Mar	June	Sep	2020	MarA	JuneA	SepA	2021E	MarE	JuneE	SepE	2022E	2023E
ASSETS													
Current Assets													
Cash	\$22,654	\$25,007	\$28,647	\$33,765	\$33,512	\$42,998	\$49,985	\$42,474	\$45,147	\$49,975	\$54,660	\$65,821	\$90,024
Receivables	5,720	6,307	5,802	6,609	9,500	7,743	7,601	6,018	9,864	9,852	9,856	5,954	6,173
Prepaid income taxes	413	33	568	356	0	801	894	894	894	894	894	894	894
Prepaid expenses	1,187	1,572	1,417	1,375	1,478	1,078	1,450	1,450	1,450	1,450	1,450	1,450	1,450
Deferred tax asset	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Assets	\$29,974	\$32,919	\$36,434	\$42,105	\$44,490	\$52,620	\$59,930	\$50,837	\$57,355	\$62,170	\$66,860	\$74,119	\$98,541
PP&E	5,921	5,716	5,666	5,367	5,083	5,184	5,208	5,208	5,208	5,208	5,208	5,208	5,208
Non-current deferred tax asset	15,730	15,711	15,357	15,187	14,979	15,497	15,194	15,194	15,194	15,194	15,194	15,194	15,194
Goodwill	633	251	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	1,980	2,028	1,873	1,860	1,900	2,311	2,143	2,143	2,143	2,143	2,143	2,143	2,143
Total Assets	\$54,278	\$56,665	\$59,621	\$64,810	\$66,743	\$75,903	\$82,766	\$73,673	\$80,191	\$85,006	\$89,696	\$96,955	\$121,377
Liabilities													
Accounts payable	716	460	718	1,251	1,125	1,290	726	1,003	986	985	986	992	1,029
Income tax payable	107	850	183	16	6,109	16	54	54	54	54	54	54	54
Accrued expenses	5,036	7,185	8,772	9,965	1,102	8,678	10,792	10,792	10,792	10,792	10,792	10,792	10,792
Deferred revenue	14,308	12,128	10,922	18,765	19,569	20,069	19,521	21,521	22,521	21,521	20,521	22,521	23,521
Current Liabilities	\$20,167	\$20,623	\$20,595	\$29,997	\$27,905	\$30,053	\$31,093	\$33,370	\$34,353	\$33,352	\$32,353	\$34,359	\$35,396
Deferred rent	15,240	14,948	14,708	14,466	14,220	15,163	14,849	14,849	14,849	14,849	14,849	14,849	14,849
Income tax reserve	1,852	898	757	801	839	892	937	937	937	937	937	937	937
Total Liabilities	\$37,259	\$36,469	\$36,060	\$45,264	\$42,964	\$46,108	\$46,879	\$49,156	\$50,139	\$49,138	\$48,139	\$50,145	\$51,182
Shareholders' Equity													
Class A	123	123	123	123	124	125	125	125	125	125	125	125	125
Additional paid-in cap	18,800	19,490	20,146	19,770	20,451	21,160	21,860	21,860	21,860	21,860	21,860	21,860	21,860
Retained earnings	10,213	12,700	15,409	11,770	16,843	22,149	27,541	16,171	22,878	28,678	34,350	39,585	63,992
Treasury shares	(12,117)	(12,117)	(12,117)	(12,117)	(13,639)	(13,639)	(13,639)	(13,639)	(14,812)	(14,795)	(14,778)	(14,760)	(15,782)
Total Stockholders' Equity	\$17,019	\$20,196	\$23,561	\$19,546	\$23,779	\$29,795	\$35,887	\$24,517	\$30,051	\$35,868	\$41,558	\$46,809	\$70,195
Total Liabilities & Stockholders' Equity	\$54,278	\$56,665	\$59,621	\$64,810	\$66,743	\$75,903	\$82,766	\$73,673	\$80,191	\$85,006	\$89,696	\$96,955	\$121,377
Key Metrics													
ROA	6.7%	7.6%	7.5%	27.5%	10.4%	9.9%	9.5%	37.9%	8.7%	8.5%	7.9%	27.8%	23.1%
ROE	11.1%	17.1%	14.9%	25.0%	15.8%	19.8%	17.2%	25.0%	12.3%	15.9%	13.3%	25.0%	25.0%
ROIC	16.8%	14.0%	12.3%	54.1%	16.5%	11.1%	9.4%	47.4%	11.6%	9.7%	8.6%	33.0%	25.0%
Cash per share	\$1.94	\$2.14	\$2.47	\$2.90	\$2.86	\$3.65	\$4.23	\$3.60	\$3.82	\$4.23	\$4.63	\$5.57	\$7.62

Sources: Company reports, Sidoti & Company, LLC estimates

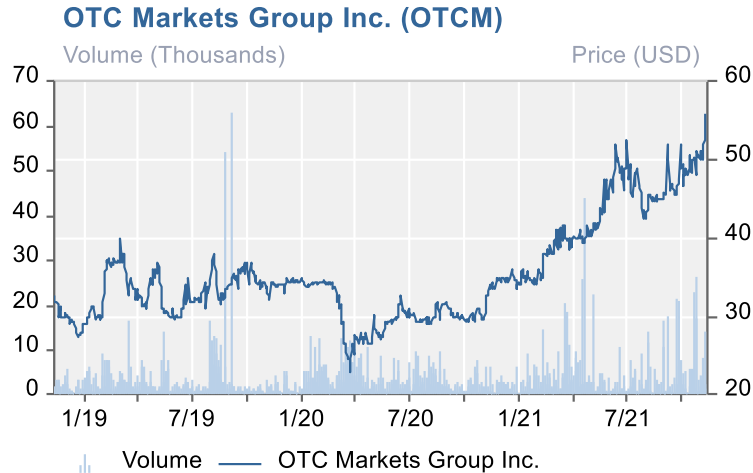
Appendix
Required Disclosures

Required Disclosures

OTC Markets Group Inc. (OTCM-\$56.51) NR Price Target: \$60 Risk Rating: H

Rating and Price Target History Table

Action	Date	Px	Rating	PT	Risk Rating
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	
PT	11/9/21	50		50	



Source: FactSet Prices

Valuation	We raise our price target to \$60 (from \$50) on OTCM shares. Our target is now based on 25x our newly introduced 2023 EPS forecast of \$2.37. (Our prior target was based on 25x our prior 2022 EPS forecast of \$1.98.) OTCM shares currently trade at 25x and 24x our respective 2022 and 2023 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		

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