



OTC Markets Group Inc. (OTCM)

OTC Link Outperformed In 2024; Trim Estimates On Continuing Economic Uncertainty Impacting Corporate Subscribers; Overnight Trading, OTCID Remain Strategic Focuses; Maintain \$63 Target

| | 2023 | 2024 | | 2025E | | 2026E | |
|------|--------|---------|--------|--------|--------|--------|--------|
| | | OLD | NEW | OLD | NEW | OLD | NEW |
| Mar. | \$0.52 | \$0.49A | | \$0.54 | \$0.53 | \$0.56 | \$0.55 |
| June | 0.57 | 0.56A | | 0.65 | 0.62 | 0.67 | 0.66 |
| Sep. | 0.61 | 0.61A | | 0.66 | 0.64 | 0.70 | 0.70 |
| Dec. | 0.58 | 0.70 | 0.60A | 0.75 | 0.66 | 0.80 | 0.75 |
| EPS | \$2.28 | \$2.40 | \$2.26 | \$2.60 | \$2.44 | \$2.74 | \$2.65 |
| P/E | | | | 19.2x | | 17.7x | |

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 | 2024 | 2025E | 2026E |
|------------|--------|--------|--------|--------|---------|---------|---------|---------|---------|---------|
| Rev.(Mil.) | \$54.7 | \$59.3 | \$62.8 | \$71.2 | \$102.9 | \$105.1 | \$109.9 | \$111.1 | \$112.5 | \$116.2 |
| GAAP EPS | \$1.06 | \$1.36 | \$1.25 | \$1.53 | \$2.52 | \$2.53 | \$2.28 | \$2.26 | \$2.44 | \$2.65 |

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.

- Our estimates reflect OTCM's expanding product suite, subscription derived revenue, stable capital structure, and progress toward commercializing its regulatory status.
- OTCM generated EPS of \$2.26 in 2024, slightly under EPS of \$2.28 in 2023. Strong OTC Link results were outweighed by continued weakness in Corporate Services segment due to macroeconomic headwinds.
- We trim our 2025 and 2026 estimates to reflect economic uncertainty around trade policy and interest rates weighing on subscribers. Furthermore, we sense that OTCM has work to do on expanding the use of EDGAR Online data and developing new solutions for subscribers.
- 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 U.S. markets while increasing the value proposition for subscribers.
- On the regulatory front, management is encouraged by the renewed focus on capital formation initiatives and improving market structure, key to future growth for OTCM.
- OTCM's balance sheet remains a key strength, with no debt and ample liquidity for capital allocation priorities, which have included a stable, consistent dividend.
- Our \$63 price target is based on about 23x our 2026 EPS forecast of \$2.65 (from \$2.74). We find our multiple is justified by OTCM's strong market position, recurring and predictable revenue streams, and regulatory capture.

In 2025, we expect OTCM will prioritize broadening its offerings through overnight trading while improving market quality through the launch of OTCID. Our outlook considers OTCM's status as a provider of critical financial market infrastructure that organizes markets, incentivizes disclosure, and aims to increase transparency. In 2H:24, OTCM launched OTC Overnight, which is operated on its alternative trading system (ATS), OTC Link NQB. OTC Overnight enables broker-dealer subscribers in other time zones to trade

NR

Price Target: \$63

Price: \$46.78

Risk Rating: M

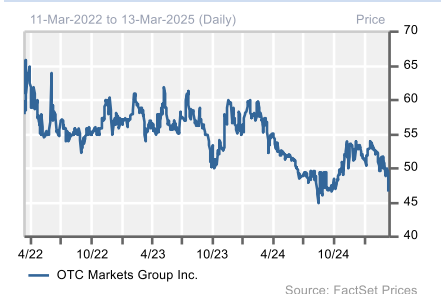
Brendan McCarthy, CFA

(212) 453-7057

(bmccarthy@sidoti.com)

Key Statistics

| | |
|-------------------------------|--------|
| Market Cap (Mil) | \$560 |
| Enterprise Value | \$527 |
| 52-Week Range (US OTC) | 56-45 |
| 5-Year EPS CAGR | 9% |
| Avg. Daily Trading Volume | 4,000 |
| Shares Out (Mil) | 11.975 |
| Float Shares (Mil) | 7.753 |
| Insider Ownership | 35% |
| Institutional Holdings | 10% |
| Annualized Dividend | \$0.72 |
| Dividend Yield | 1.5% |
| FCF Per Share (2026E) | \$3.40 |
| FCF Yield (2026E) | 7.3% |
| Net Cash Per Share (2026E) | \$5.49 |
| Price to Book Value | 11.8x |
| 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 | 1,994 |
| Russell 2000 – Last 12 Months | -3.8% |
| OTCM – Last 12 Months | -15.6% |



certain 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, making OTCM one of the first platforms to facilitate trades from multiple exchanges overnight. These initiatives continue to increase the value proposition for OTCM subscribers, in our view. We also expect OTCM will aim to monetize the market data for overnight trading to grow the number of subscribers to Market Data Licensing products. Separately, OTCM is expected to launch OTCID in July 2025, which will provide more distinction between OTCM's markets. OTCID will support companies that publish basic disclosure for investors, including companies which may not be able to qualify for OTCQX or OTCQB. OTCID will carry a \$7,500 annual fee.

OTCM generated EPS of \$0.60 in 4Q:24, up 3% from 4Q:23; full year 2024 EPS declined marginally on mixed revenue results and a small increase in expenses. Gross revenue in 4Q:24 equaled \$28.5 million, up 3% from 4Q:23, as transaction-based revenues from OTC Link ECN and OTC Link NQB rose 56% on the back of higher trading volumes on these platforms. For 2024, OTC Link revenue rose 14% year over year on similar trends, with an average of about 38,000 transactions per day executed on ECN and NQB during 2024, compared to about 32,000 transactions per day in 2023. Market Data licensing revenue was flat in 4Q:24 and up marginally in 2024 relative to 2023 due to higher revenue from direct sold licenses. Corporate Services generated a 4% year over year revenue decline in 2024, due to a lower number of subscribers. Operating expenses experienced a modest 1% annual increase in both 4Q:24 and 2024, as OTCM continues to invest in personnel and IT infrastructure to support growth. OTCM's operating income was flat in 4Q:24 compared to 4Q:23. 4Q:24 EPS equaled \$0.60 in the quarter versus \$0.58 in the prior year period. For 2024, EPS declined 1% to \$2.26 compared to \$2.28 in 2023 as net margin was marginally lower at 25%.

Transaction-based revenue from OTC Link continues to drive results while Corporate Services faces headwinds. OTC Link revenues rose 14% in 2024 compared to the prior year period due to a higher volume of trades and messages on its regulated ATS's. Looking ahead, while OTC Link transaction derived revenue has trended favorably in recent quarters, we note future trading volumes remain unpredictable. Market Data licensing revenue saw mixed trends with more direct licenses sold, leading to a 1% annual revenue increase, partly offset by lower professional and non-professional users. In our view, OTCM will continue to work to increase the value proposition of its vast amount of data. The Corporate Services segment continues to face macroeconomic headwinds weighing on subscriber growth, with revenue 4% lower in 2024. OTCQX had 567 companies as of 4Q:24, below the 600 companies as of 4Q:23, largely driven by slower sales and a lower retention rate during 2024. OTCQX revenue was flat as lower subscribers was offset by price increases. On the positive end, we note the retention rate for the 2025 OTCQX subscription period was 96%, up from 93% at the start of 2024. OTCQB had 1,050 companies as of 4Q:24, down from 1,140 companies at 4Q:23, with a 90% retention rate in line with historical trends. OTCQB revenue declined 5% in 2024 compared to 2023 as a result. We expect future pressure in Corporate Subscribers to be partly buffered by incremental price increases implemented in 1Q:25 across all three segments. 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. In addition, OTCM will aim to grow subscribers by targeting companies meeting the new market eligibility standards for the OTCID market.

| Exhibit 1: OTC Markets Group Inc. Variance Table | | | | | | | | | |
|--|---------|---------|---------|----------|-------------|---------|---------|--------------|-----------------|
| \$ in thousands except per share data | | | | | | | | | |
| | 4Q:23A | 4Q:24A | 4Q:24E | % Change | \$ Variance | 2023A | 2024A | YoY % Change | YoY \$ Variance |
| OTC Link | 4,802 | 6,364 | 5,242 | 21% | 1,122 | 19,600 | 22,409 | 14% | 2,809 |
| Market Data Licensing | 10,881 | 10,893 | 11,099 | (2%) | (206) | 43,368 | 43,625 | 1% | 257 |
| Corporate Services | 11,922 | 11,194 | 11,484 | (3%) | (290) | 46,928 | 45,030 | (4%) | (1,898) |
| Gross Revenue | 27,605 | 28,451 | 27,824 | 2% | 627 | 109,896 | 111,064 | 1% | 1,168 |
| Operating Expenses | 16,651 | 16,753 | 15,749 | 6% | 1,004 | 68,540 | 69,020 | 1% | 480 |
| Operating Income | 8,791 | 8,750 | 10,076 | (13%) | (1,326) | 32,594 | 32,213 | (1%) | (381) |
| Operating Margin* | 33% | 32% | 37% | | | 31% | 30% | | |
| Net Income | \$7,001 | \$7,215 | \$8,293 | (13%) | (1,078) | 27,661 | 27,360 | (1%) | (301) |
| Profit Margin* | 26% | 26% | 31% | | | 26% | 25% | | |
| EPS | \$0.58 | \$0.60 | \$0.70 | (15%) | \$ (0.10) | \$ 2.28 | \$ 2.26 | (1%) | \$ (0.02) |
| Consensus EPS | | \$0.68 | | | | | | | |

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 price target applies an unchanged multiple of 23x to our 2026 EPS forecast of \$2.65 (prior \$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 trading liquidity could validate a discount to peers. Yet, we view the recurring, subscription-derived revenue model (85% of 2024 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. Our Moderate risk rating reflects strengths in OTCM's business model as a provider of critical market infrastructure with diverse end markets and subscription-derived revenue of 80%-90%.

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 | SepA | DecA | 2024 | MarE | JuneE | SepE | DecE | 2025E | 2026E |
|---|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| Operating Segments | | | | | | | | | | | | | | | | |
| OTC Link | \$5,445 | \$4,821 | \$4,532 | \$4,802 | \$19,600 | \$5,397 | \$5,408 | \$5,240 | \$6,364 | \$22,409 | \$5,478 | \$5,516 | \$5,408 | \$6,396 | \$22,798 | \$23,212 |
| Market Data Licensing | 10,842 | 10,643 | 11,002 | 10,881 | 43,368 | 11,088 | 10,782 | 10,862 | 10,893 | 43,625 | 11,199 | 10,944 | 11,025 | 11,089 | 44,257 | 45,768 |
| Corporate Services | 11,740 | 11,763 | 11,503 | 11,922 | 46,928 | 11,172 | 11,372 | 11,292 | 11,194 | 45,030 | 11,284 | 11,372 | 11,405 | 11,395 | 45,456 | 47,219 |
| Gross Revenue | \$28,027 | \$27,227 | \$27,037 | \$27,605 | \$109,896 | \$27,657 | \$27,562 | \$27,394 | \$28,451 | \$111,064 | \$27,961 | \$27,832 | \$27,838 | \$28,880 | \$112,510 | \$116,198 |
| Redistribution fees and rebates | 796 | 803 | 805 | 833 | 3,237 | 840 | 791 | 760 | 791 | 3,182 | 832 | 835 | 835 | 866 | 3,372 | 3,486 |
| Net Revenue | \$27,231 | \$26,424 | \$26,232 | \$26,772 | \$106,659 | \$26,817 | \$26,771 | \$26,634 | \$27,660 | \$107,882 | \$27,122 | \$26,997 | \$27,002 | \$28,014 | \$109,135 | \$112,712 |
| Redistribution & Transaction fees | 1,785 | 1,255 | 1,154 | 1,330 | 5,524 | 1,508 | 1,549 | 1,435 | 2,157 | 6,649 | 1,510 | 1,392 | 1,392 | 1,444 | 5,737 | 5,924 |
| Revenues less transaction-based expenses | \$25,446 | \$25,169 | \$25,078 | \$25,442 | \$101,134 | \$25,309 | \$25,222 | \$25,199 | \$25,503 | \$101,233 | \$25,612 | \$25,605 | \$25,611 | \$26,570 | \$103,398 | \$106,788 |
| Compensation | 11,914 | 10,657 | 10,436 | 9,460 | 42,467 | 12,522 | 10,934 | 10,506 | 10,160 | 44,122 | 12,610 | 10,666 | 10,634 | 10,524 | 44,434 | 45,031 |
| IT Infrastructure | 2,651 | 2,771 | 2,592 | 2,298 | 10,311 | 2,699 | 2,545 | 2,657 | 2,673 | 10,574 | 2,656 | 2,505 | 2,645 | 2,657 | 10,463 | 10,571 |
| Professional fees | 1,635 | 1,656 | 1,678 | 3,077 | 8,048 | 1,466 | 1,521 | 1,525 | 1,783 | 6,295 | 1,398 | 1,614 | 1,670 | 1,733 | 6,415 | 6,453 |
| Marketing & Advertising | 318 | 270 | 292 | 315 | 1,194 | 263 | 362 | 320 | 422 | 1,367 | 363 | 334 | 390 | 347 | 1,434 | 1,451 |
| Occupancy costs | 579 | 592 | 599 | 591 | 2,360 | 585 | 576 | 589 | 619 | 2,369 | 559 | 557 | 585 | 578 | 2,278 | 2,265 |
| D&A | 650 | 621 | 572 | 554 | 2,398 | 653 | 682 | 677 | 668 | 2,680 | 660 | 689 | 688 | 678 | 2,715 | 2,740 |
| General and administrative | 776 | 307 | 336 | 356 | 1,762 | 422 | 462 | 301 | 428 | 1,613 | 427 | 467 | 306 | 434 | 1,633 | 1,545 |
| Total Operating Costs | \$18,523 | \$16,874 | \$16,505 | \$16,651 | \$68,540 | \$18,610 | \$17,082 | \$16,575 | \$16,753 | \$69,020 | \$18,674 | \$16,831 | \$16,917 | \$16,950 | \$69,372 | \$70,056 |
| Operating Income | \$6,923 | \$8,295 | \$8,573 | \$8,791 | \$32,594 | \$6,699 | \$8,140 | \$8,624 | \$8,750 | \$32,213 | \$6,938 | \$8,775 | \$8,694 | \$9,620 | \$34,026 | \$36,732 |
| Interest Income & Other income | 147 | 261 | 233 | 274 | 903 | 175 | 184 | 270 | 300 | 929 | 250 | 250 | 250 | 250 | 1,000 | 1,200 |
| Pretax Income | \$7,070 | \$8,556 | \$8,806 | \$9,065 | \$33,497 | \$6,874 | \$8,324 | \$8,894 | \$9,050 | \$33,142 | \$7,188 | \$9,025 | \$8,944 | \$9,870 | \$35,026 | \$37,932 |
| Income Taxes | (751) | (1,596) | (1,425) | (2,064) | (5,836) | (890) | (1,591) | (1,466) | (1,835) | (5,782) | (1,006) | (1,715) | (1,431) | (1,974) | (6,126) | (6,494) |
| Net Income | \$6,319 | \$6,960 | \$7,381 | \$7,001 | \$27,661 | \$5,984 | \$6,733 | \$7,428 | \$7,215 | \$27,360 | \$6,182 | \$7,310 | \$7,513 | \$7,896 | \$28,900 | \$31,437 |
| Less restricted stock | \$0 | \$0 | \$0 | \$0 | \$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 | \$7,215 | \$27,360 | \$6,182 | \$7,310 | \$7,513 | \$7,896 | \$28,900 | \$31,437 |
| Basic EPS | \$0.53 | \$0.58 | \$0.62 | \$0.59 | \$2.32 | \$0.50 | \$0.56 | \$0.62 | \$0.61 | \$2.29 | \$0.53 | \$0.62 | \$0.64 | \$0.66 | \$2.46 | \$2.68 |
| FD EPS | \$0.52 | \$0.57 | \$0.61 | \$0.58 | \$2.28 | \$0.49 | \$0.56 | \$0.61 | \$0.60 | \$2.26 | \$0.53 | \$0.62 | \$0.64 | \$0.66 | \$2.44 | \$2.65 |
| FD Shares Outstanding | 11,867 | 11,855 | 11,866 | 11,874 | 11,863 | 11,863 | 11,838 | 11,833 | 11,855 | 11,841 | 11,855 | 11,855 | 11,855 | 11,855 | 11,855 | 11,855 |
| Dividend | \$0.18 | \$0.18 | \$0.18 | \$1.68 | \$2.22 | \$0.18 | \$0.18 | \$0.18 | \$1.62 | \$2.16 | \$0.18 | \$0.18 | \$0.18 | \$1.66 | \$2.20 | \$2.26 |
| Payout Ratio | 34% | 31% | 29% | 285% | 96% | 36% | 32% | 29% | 267% | 94% | 34% | 29% | 28% | 250% | 89% | 84% |
| EBITDA | \$9,153 | \$10,412 | \$10,542 | \$10,800 | \$40,907 | \$9,178 | \$10,315 | \$10,775 | \$10,979 | \$41,247 | \$9,276 | \$10,855 | \$10,773 | \$11,742 | \$42,646 | \$45,567 |
| Growth Analysis | | | | | | | | | | | | | | | | |
| OTC Link | 0.2% | (6.1%) | (9.8%) | (10.2%) | (6.4%) | (0.9%) | 12.2% | 15.6% | 32.5% | 14.3% | 1.5% | 2.0% | 3.2% | 0.5% | 1.7% | 1.8% |
| Market Data Licensing | 26.3% | 19.6% | 21.9% | 10.0% | 19.1% | 2.3% | 1.3% | (1.3%) | 0.1% | 0.6% | 1.0% | 1.5% | 1.5% | 1.8% | 1.4% | 3.4% |
| Corporate Services | (1.6%) | (1.6%) | (3.0%) | (1.1%) | (1.8%) | (4.8%) | (3.3%) | (1.8%) | (6.1%) | (4.0%) | 1.0% | 0.0% | 1.0% | 1.8% | 0.9% | 3.9% |
| Revenue YOY Growth | 8.0% | 4.8% | 4.3% | 1.1% | 4.5% | (1.3%) | 1.2% | 1.3% | 3.1% | 1.1% | 1.1% | 1.0% | 1.6% | 1.5% | 1.3% | 3.3% |
| Seq. Rev Growth | 2.7% | (2.9%) | (0.7%) | 2.1% | | 0.2% | (0.3%) | (0.6%) | 3.9% | (1.7%) | (0.5%) | 0.0% | 0.0% | 3.7% | | |
| Adjusted Net Income YoY Growth | (17.0%) | (6.0%) | 3.0% | (18.9%) | (10.2%) | (5.3%) | (3.3%) | 0.6% | 3.1% | (1.1%) | 3.3% | 8.6% | 1.1% | 9.4% | 5.6% | 8.8% |
| Adjusted FD EPS YoY Growth | (15.7%) | (7.0%) | 1.3% | (16.7%) | (9.8%) | (5.4%) | (1.5%) | (0.7%) | 3.3% | (0.9%) | 7.5% | 10.4% | 5.9% | 9.6% | 7.8% | 8.8% |
| Adjusted EBITDA | 9,153 | 10,412 | 10,542 | 10,800 | 40,909 | 9,178 | 10,315 | 10,775 | 10,979 | 41,173 | 9,276 | 10,855 | 10,773 | 11,742 | 42,784 | 45,900 |
| EBITDA YOY Growth | (11.0%) | (3.0%) | (1.1%) | (6.8%) | (5.4%) | 0.3% | (0.9%) | 2.2% | 1.7% | 0.6% | 1.1% | 5.2% | (0.0%) | 7.0% | 3.9% | 7.3% |
| Margin Analysis | | | | | | | | | | | | | | | | |
| Operating Margin | 25.4% | 31.4% | 32.7% | 32.8% | 30.6% | 25.0% | 30.4% | 32.4% | 31.6% | 29.9% | 25.6% | 32.5% | 32.2% | 34.3% | 31.2% | 32.6% |
| Adjusted Profit Margin | 23.2% | 26.3% | 28.1% | 26.2% | 25.9% | 22.3% | 25.2% | 27.9% | 26.1% | 25.4% | 22.8% | 27.1% | 27.8% | 28.2% | 26.5% | 27.9% |
| Tax Rate | 11% | 19% | 16% | 23% | 17% | 13% | 19% | 16% | 20% | 17% | 14% | 19% | 16% | 20% | 17% | 17% |

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 |
|---|-------------------|------------------|------------------|------------------|-------------------|-------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| 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 | 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 |
| Change in Operating Assets & Liabilities | \$31,957 | \$7,175 | \$7,655 | \$9,491 | \$8,341 | \$32,662 | \$7,316 | \$8,194 | \$9,329 | \$10,344 | \$35,183 | \$38,961 | \$41,530 |
| 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 |
| Net Cash Provided by Operations | \$33,680 | (\$416) | \$4,697 | \$7,909 | \$20,846 | \$33,036 | (\$709) | \$6,175 | \$5,871 | \$15,836 | \$26,995 | \$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) | (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 |
| Net Cash Provided by Investing Activities | (\$16,393) | (\$1,025) | (\$260) | (\$2,257) | (\$1,647) | (\$5,189) | (\$536) | (\$1,430) | (\$163) | (\$254) | (\$2,383) | (\$1,697) | (\$1,758) |
| Financing Activities | | | | | | | | | | | | | |
| 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 |
| Net Cash Provided by Financing | (\$30,309) | (\$6,039) | (\$2,451) | (\$2,344) | (\$20,262) | (\$31,096) | (\$5,504) | (\$2,205) | (\$2,179) | (\$19,907) | (\$29,795) | (\$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 | \$3,529 | (\$4,325) | (\$5,183) | \$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 | 33,415 | 35,687 | 30,504 | 47,409 |
| Ending Cash Balance | \$37,372 | \$29,892 | \$31,878 | \$35,168 | \$34,105 | \$35,687 | \$28,938 | \$29,886 | \$33,415 | \$29,090 | \$30,504 | \$47,409 | \$66,360 |
| 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 |
| FCF / Share | \$2.71 | (\$0.25) | \$0.26 | \$0.54 | \$1.61 | \$2.16 | (\$0.26) | \$0.34 | \$0.37 | \$1.19 | \$1.64 | \$3.21 | \$3.40 |

Sources: Company reports, Sidoti & Company, LLC estimates

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 |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|------------------|------------------|
| ASSETS | | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | | |
| 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 |
| Total Current Assets | \$41,250 | \$42,251 | \$49,563 | \$48,592 | \$48,592 | \$42,043 | \$45,217 | \$49,416 | \$45,301 | \$45,301 | \$62,406 | \$81,557 |
| 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 |
| Total Assets | \$83,242 | \$84,695 | \$91,490 | \$90,525 | \$90,525 | \$84,741 | \$87,539 | \$90,769 | \$86,238 | \$86,238 | \$102,255 | \$120,159 |
| Liabilities | | | | | | | | | | | | |
| 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 |
| Current Liabilities | \$37,914 | \$33,785 | \$34,510 | \$45,625 | \$45,625 | \$37,881 | \$34,995 | \$31,857 | \$37,548 | \$37,548 | \$44,382 | \$51,232 |
| 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 |
| Total Liabilities | \$51,584 | \$47,134 | \$47,495 | \$58,298 | \$58,298 | \$50,208 | \$46,982 | \$43,488 | \$49,179 | \$49,179 | \$56,013 | \$62,863 |
| 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 | 33,784 | 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) |
| Total Stockholders' Equity | \$31,658 | \$37,561 | \$43,995 | \$32,227 | \$32,227 | \$34,533 | \$40,557 | \$47,281 | \$37,059 | \$37,059 | \$46,242 | \$57,296 |
| Total Liabilities & Stockholders' Equity | \$83,242 | \$84,695 | \$91,490 | \$90,525 | \$90,525 | \$84,741 | \$87,539 | \$90,769 | \$86,238 | \$86,238 | \$102,255 | \$120,159 |
| Key Metrics | | | | | | | | | | | | |
| 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 |

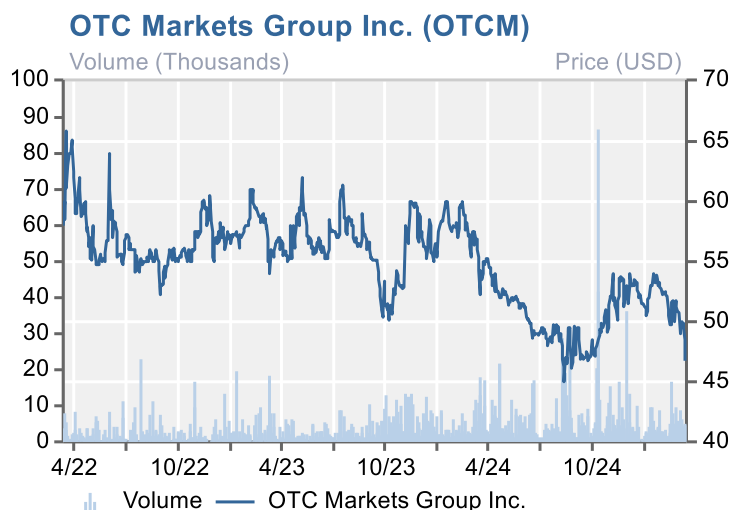
Sources: Company reports, Sidoti & Company, LLC estimates

Required Disclosures

OTC Markets Group Inc. (OTCM-\$46.78) NR Price Target: \$63 Risk Rating: M

Rating and Price Target History Table

| Action | Date | Px | Rating | PT | Risk Rating |
|-------------|---------|------|-----------|----|-------------|
| Rating | 6/8/22 | 0 | Suspended | 68 | |
| Initiation | 6/29/22 | 55.8 | NR | 68 | H |
| ACHG | 1/9/23 | 57.3 | NR | 68 | |
| Risk Rating | 3/8/24 | 57.5 | | | M |
| PT | 8/8/24 | 47.2 | | 63 | |



Valuation

We maintain a \$63 price target on OTCM. Our price target applies an unchanged multiple of 23x to our 2026 EPS forecast of \$2.65 (prior \$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 trading liquidity could validate a discount to peers. Yet, we view the recurring, subscription-derived revenue model (85% of 2024 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. Our Moderate risk rating reflects strengths in OTCM's business model as a provider of critical market infrastructure with diverse end markets and subscription-derived revenue of 80%-90%.

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; |

| | | |
|------------------------|--------------------|--|
| | | <ul style="list-style-type: none"> • potentially significant issues regarding operational and/or financial success; • 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 | 25.3% | 1 | 2.7% |
| NEUTRAL(a) | 13 | 8.9% | 1 | 7.7% |
| NOT RATED | 0 | 0.0% | 0 | 0.0% |
| NR -CSRs Moderate Risk (c) | 83 | 56.8% | 1 | 1.2% |
| NR -CSRs High Risk (c) | 13 | 8.9% | 0 | 0.0% |
| TOTAL | 146 | 100% | 3 | 2.1% |

(a) Of the NEUTRALS 2 trade above our price target.

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

(c) 86.5% of our CSRs are moderate risk, while 13.5% 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.

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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.

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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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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.

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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.

Source(s)

Key Statistics data is sourced from FactSet Research Systems