

OTC MARKETS GROUP INC.

A Delaware Corporation

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Federal EIN: 13-3941069
NAICS: 523210
SIC Code: 6289

Issuer's Quarterly Report

For the quarterly period ended June 30, 2024

ISSUER'S EQUITY SECURITIES

COMMON STOCK

Class A Common Stock
\$0.01 Par Value Per Share
17,000,000 Shares Authorized
11,970,993 Shares Outstanding as of July 31, 2024
OTCQX: OTCM

OTC Markets Group Inc. is responsible for the content of this Quarterly Report. The securities described in this document are not registered with, and the information contained in this report has not been filed with, or approved by, the U.S. Securities and Exchange Commission.

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QUARTERLY REPORT

Cautionary Note Regarding Forward-Looking Statements

Information set forth in this Quarterly Report (the “Quarterly Report”) contains forward-looking statements, which involve a number of risks and uncertainties that could cause our actual results to differ materially from those reflected in the forward-looking statements. Forward-looking statements can be identified by use of the words “expect,” “project,” “may,” “might,” “potential,” and similar terms. OTC Markets Group Inc. and its subsidiaries (“OTC Markets Group,” “we,” or the “Company”) caution readers that any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information. Forward-looking statements involve a number of risks, uncertainties, or other factors beyond OTC Markets Group’s control. These factors include but are not limited to: our ability to implement our strategic initiatives; economic, political, and market conditions and price fluctuations; government and industry regulation; U.S. and global competition; changes to trading behavior broadly in the market; and other risk factors discussed under the heading “Risk Factors” in our Annual Report for the year ended December 31, 2023. We undertake no obligation to revise or publicly release the results of any revision to these forward-looking statements. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. We undertake no obligation to update any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 1. The exact name of the issuer and the address of its principal executive offices

The name of the issuer is OTC Markets Group Inc.

Company description

OTC Markets Group Inc. (OTCQX: OTCM) operates regulated markets for trading 12,000 U.S. and international securities. Our data-driven disclosure standards form the foundation of our three public markets: OTCQX® Best Market, OTCQB® Venture Market, and Pink® Open Market.

Our OTC Link® Alternative Trading Systems (“ATSS”) provide critical market infrastructure that broker-dealers rely on to facilitate trading. Our innovative model offers companies more efficient access to the U.S. financial markets.

OTC Link ATS, OTC Link ECN, and OTC Link NQB are each a Securities and Exchange Commission (“SEC”) regulated ATS, operated by the Company’s wholly owned subsidiary, OTC Link LLC (“OTC Link”), a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer, member SIPC.

There have been no changes in control of the Company since 1997. OTC Markets Group is currently conducting operations, and it is not now, nor has it at any time been, a “shell company” as that term is defined in the OTCQX U.S. Disclosure Guidelines and the federal securities laws.

The address of the issuer: **300 Vesey Street, 12th Floor
New York, NY 10282**

The issuer's telephone: **(212) 896-4400**

The issuer's website: **OTC Markets Group's corporate website, www.otcmarkets.com, contains general information about us and our products and services. As of June 30, 2024, we also maintained www.otciq.com, www.otcdealer.com, canari.otcmarkets.com, www.qaravan.com, www.virtualinvestorconferences.com, www.edgar-online.com, and www.edgarexplorer.com. The information contained on such websites shall not be deemed incorporated by reference herein.**

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Item 2. Shares outstanding

The Company is authorized to issue 17,000,000 shares of Class A Common Stock of \$0.01 par value.

None of OTC Markets Group's Class A Common Stock has been registered under the Securities Act of 1933 (the "Securities Act"), or qualified under any state securities laws, and we have no current plans to register or qualify any of our securities. Certain shares of our Class A Common Stock are currently eligible for resale in the public market pursuant to the exemption from registration offered by Rule 144 under the Securities Act ("Rule 144"). The remaining outstanding shares of our Class A Common Stock are "restricted securities" within the meaning of Rule 144 and may be eligible for resale in the future.

The following table shows the amount of the securities outstanding for our Class A Common Stock as of June 30, 2024 and December 31, 2023:

	June 30, 2024	December 31, 2023
Number of shares authorized	17,000,000	17,000,000
Number of shares outstanding	11,970,698	11,931,366
Number of shares freely tradable (public float) ⁽¹⁾⁽²⁾	7,747,991	7,766,846
Total number of holders of record	213	211

- (1) The number of shares freely tradable may include shares held by stockholders owning 10% or more of our Class A Common Stock. These stockholders may be considered "affiliates" within the meaning of Rule 144, and their shares may be "control shares" subject to the volume and manner of sale restrictions under Rule 144.
- (2) Our officers and directors hold approximately 4.2 million shares of our Class A Common Stock, which may be "control shares" subject to the volume and manner of sale restrictions under Rule 144. These shares are excluded from the number of shares freely tradable.

As of June 30, 2024 and December 31, 2023, there were 1,330 and 1,322 non-objecting beneficial stockholders owning at least 100 shares of the Company's Class A Common Stock, respectively.

Our Class A Common Stock trades on the OTCQX market under the symbol OTCM (CUSIP Number: 67106F108).

Dividends

The declaration of dividends by OTC Markets Group is subject to the discretion of our Board of Directors. Our Board of Directors will consider such matters as general business conditions, financial results, capital requirements, contractual, legal, and regulatory restrictions on the payment of dividends, and other factors as our Board of Directors may deem relevant.

During the six months ended June 30, 2024, our Board of Directors authorized and approved the following cash dividends:

<u>Declaration Date</u>	<u>Dividend Per Common Share</u>	<u>Record Date</u>	<u>Total Amount (in thousands)</u>	<u>Payment Date</u>
March 4, 2024	\$ 0.18	March 22, 2024	\$ 2,154	March 29, 2024
May 7, 2024	0.18	June 6, 2024	2,155	June 20, 2024

On August 6, 2024, the Board of Directors authorized and approved a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The quarterly cash dividend is payable on September 19, 2024, to stockholders of record on September 5, 2024. The ex-dividend date is September 4, 2024.

Stock Repurchase Program

The Company is authorized to purchase shares from time to time on the open market, from employees and consultants, and through block trades, in accordance with the safe harbor provision of Rule 10b-18 under the Securities Exchange Act of 1934 (the "Exchange Act").

The following table shows purchases by the Company of our Class A Common Stock during the six months ended June 30, 2024 and the number of shares remaining to be purchased under the Company's stock repurchase program:

<u>Date</u>	<u>Number of Shares Purchased</u>	<u>Average Price Paid Per Share</u>	<u>Number of Shares Purchased as Part of the Program</u>	<u>Number of Shares Remaining To Be Purchased Under the Program</u>
Jan 2024	51,141	\$57.56	51,141	248,859

On March 4, 2024, the Board of Directors refreshed the Company's stock repurchase program, giving the Company authorization to repurchase up to 300,000 shares of the Company's Class A Common Stock.

Item 3. Unaudited interim condensed consolidated financial statements

Copies of the unaudited interim condensed consolidated financial statements of OTC Markets Group for the three and six months ended June 30, 2024 and June 30, 2023, including the unaudited interim Condensed Consolidated Balance Sheets, Condensed Consolidated Statements of Income, Condensed Consolidated Statements of Stockholders' Equity, Condensed Consolidated Statements of Cash Flows and Notes to the condensed consolidated financial statements, are attached hereto as Exhibit 3.1 and are hereby incorporated by reference into this Quarterly Report.

The unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”). The accompanying unaudited interim condensed consolidated financial statements reflect all adjustments which are, in the opinion of management, necessary for a fair statement of the results for the interim periods presented. These adjustments are of a normal recurring nature. As permitted under U.S. GAAP, certain footnotes or other financial information are condensed or omitted in the unaudited interim condensed consolidated financial statements. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report for the year ended December 31, 2023. The December 31, 2023 unaudited Condensed Consolidated Balance Sheet was derived from audited consolidated financial statements contained in our Annual Report for the year ended December 31, 2023. Operating results for the interim periods are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2024.

Item 4. Management’s discussion and analysis

Overview

Our mission is to create better informed and more efficient financial markets.

We operate three business lines:

- OTC Link LLC is a FINRA member broker-dealer that operates three SEC regulated ATSs.
- Market Data Licensing distributes market data and financial information.
- Corporate Services operates the OTCQX and OTCQB markets and offers issuers disclosure and regulatory compliance products.

We provide critical infrastructure to the U.S. financial markets: connecting brokers, organizing markets, and incentivizing disclosure. Our market data provides price transparency, assists regulated entities in meeting their compliance obligations, and enables better informed investment decisions. Our platform empowers companies to be public and provides a global gateway to access U.S. investors. OTCQX and OTCQB offer companies a choice of premium markets to demonstrate their compliance with securities laws, corporate governance, and commitment to transparency.

Our Business

OTC Link

Our wholly owned subsidiary, OTC Link LLC, a FINRA member broker-dealer, operates OTC Link ATS, OTC Link ECN, and OTC Link NQB, each an SEC-regulated ATS. OTC Link LLC provides regulated quotation, messaging, trade execution, and reporting services to broker-dealers. By offering multiple market models, control of trades, and choice of counterparties, OTC Link allows broker-dealer subscribers to efficiently provide best execution, attract order flow, and comply with FINRA and SEC regulations.

OTC Link ATS offers a fully attributable, network-based model for quoting and facilitating transactions in over-the-counter (“OTC”) equity securities and serves a diverse community of FINRA member broker-dealers that operate as market makers, agency brokers, and ATSs, including Electronic Communication Networks (“ECNs”). OTC Link ATS consolidates broker-dealer quotations, delivers trade messages, and allows subscribers to execute or negotiate trades with known counterparties. All subscribers to OTC Link ATS are FINRA member broker-dealers, subject to all applicable FINRA rules. Unlike traditional exchanges and matching

engines, OTC Link ATS is not a party to any trade reports with respect to any trade executions that may result from trade messages.

OTC Link ATS operates as a Qualified Interdealer Quotation System (“Qualified IDQS”) as defined in Exchange Act Rule 15c2-11 (“Rule 15c2-11”). In this capacity, OTC Link ATS determines whether a security is eligible to be the subject of quotations under Rule 15c2-11 and makes those determinations publicly available on our website and via our market data feeds. Broker-dealers can rely on our determinations in submitting quotations in securities on our OTC Link ATS.

OTC Link ECN operates as an ECN and functions as a centralized matching engine and router for certain OTC equity securities by providing subscribers with anonymous order matching functionality.

OTC Link NQB operates as a fully attributable IDQS and a centralized matching engine, allowing distribution of depth-of-book market data.

When orders do not match internally on OTC Link ECN or OTC Link NQB, they are routed to other market destinations. OTC Link ECN and OTC Link NQB act as the executing party on an agency basis in relation to all transactions executed on these platforms. Pursuant to applicable FINRA rules, OTC Link ECN and OTC Link NQB submit trade reports to FINRA’s OTC Reporting Facility. All transactions executed on OTC Link ECN and OTC Link NQB are cleared and settled pursuant to a clearing agreement with Apex Clearing Corporation.

Market Data Licensing

Due to the role OTC Link plays in supporting the broker-dealer trading process and our interaction with issuers, we generate a significant amount of market data and information. Our Market Data Licensing business provides our subscribers with access to extensive market data and financial information, including real-time, delayed, and end-of-day quotation and trading data, as well as a security master with issuer-level data. In addition, our Market Data Licensing business offers a number of data products and tools for compliance teams, including our Blue Sky data, which provides state securities law compliance data for a wide spectrum of equity and fixed-income securities. Our Blue Sky data and other compliance data products are available through market data feeds and our Canari[®] platform.

Our Market Data Licensing business also operates EDGAR[®] Online, which we acquired in November 2022. EDGAR Online includes the EDGAR Pro platform and provides structured data sets containing company disclosure and financial information from public company filings.

We generate a significant portion of our Market Data Licensing revenues from sales through market data redistributors, some of whom are entitled to redistribution fees and rebates.

We also charge for the display of advertisements on www.otcmarkets.com.

Corporate Services

Our Corporate Services business includes the OTCQX Best Market, the OTCQB Venture Market, the Pink Open Market, and our suite of additional services. These services include the OTC Disclosure & News Service[®] (“DNS”) and OTCIQ Basic, which allow issuers to publish disclosure, news, and company information to our website and other distribution channels and the Virtual Investor Conferences[®] (“VIC”) product that allows issuers to communicate and engage with stockholders and potential investors through an interactive, online platform.

The OTCQX Best Market provides efficient public trading without the complexity and cost of a national securities exchange listing. To join OTCQX, companies must meet minimum financial, disclosure, and qualitative standards set out in our OTCQX Rules.

The OTCQX market is divided into OTCQX U.S. and OTCQX International. OTCQX for Banks, an expansion of the OTCQX market for U.S. companies, is specifically aimed at meeting the needs of community and regional banks. The OTCQX International market is targeted towards (i) large global companies that meet the listing standards of a qualified non-U.S. stock exchange in their primary market and do not see value in meeting multiple regulatory, compliance, disclosure, and accounting standards associated with a U.S. exchange listing, and (ii) emerging growth companies that are listed on a qualified non-U.S. stock exchange and may be working towards a U.S. exchange listing but are not yet ready to deploy the management resources necessary to handle the associated operational complexity and cost burdens.

The OTCQB Venture Market provides public trading for entrepreneurial and development-stage companies and applies standards that promote price transparency and facilitate public disclosure. OTCQB is open to international and domestic companies that meet the OTCQB Standards.

Companies that do not meet the standards of, or choose not to apply for, the OTCQX Best Market or the OTCQB Venture Market may have their securities traded on the Pink Open Market. OTC Markets Group categorizes companies on the Pink market as “Pink Current Information” or “Pink Limited Information” based on the sufficiency and timeliness of the information provided to investors. Companies on the Pink market may publish disclosure via DNS, to the SEC, or to certain other regulatory authorities.

We publish issuer and security-level compliance flags to help investors identify opportunities and quantify risk. For example, companies whose stock is the subject of a public interest concern are flagged “Caveat Emptor,” or buyer beware.

We also operate an Expert Market® with restricted quote distribution. The Expert Market allows broker-dealers to publish unsolicited quotes and meet their best execution responsibilities while serving the needs of sophisticated investors.

Recent Business Developments

Overnight Trading in OTC Equity Securities

In May 2024, OTC Markets Group announced OTC Overnight, a new offering that will make OTC equity securities available for trading Sunday through Thursday between 8 PM and 4 AM eastern time. Active securities across the OTC markets will be eligible for trading in an overnight session by broker-dealer subscribers in U.S. dollars. We expect that OTC Overnight will be available in the third quarter of 2024 on OTC Link NQB. This will allow investors to track and trade thousands of global equity securities during Asian market hours, at European market open, and overnight in the U.S. We expect overnight trading to expand accessibility and comprehensive market data coverage for the OTC markets; however, it is not yet possible to predict how successful we will be in attracting subscriber activity to the overnight trading offering, or to estimate the impact it will have on our financial results.

Closing Auction Functionality on OTC Link

In May 2024, we launched closing auction functionality on OTC Link ECN and OTC Link NQB. Subscribers with existing access to these platforms are able to send auction-eligible orders, and this closing auction data is included in the OTC Link NQB market data feed. This additional functionality provides greater flexibility to our subscribers in how they engage with our trading platforms; however, it is not yet possible to predict how successful we will be in attracting subscriber trading activity to the closing auction, or to estimate the impact it will have on our financial results.

Recent Regulatory Developments Impacting our Business

Blue Sky Secondary Trading Exemptions for OTCQX and OTCQB

As of August 1, 2024, our OTCQX and OTCQB markets are exempt from state Blue Sky laws regarding secondary trading in 39 states and one U.S. territory: Alaska, Arkansas, Colorado, Connecticut, Delaware, Georgia, Hawaii, Idaho (OTCQX only), Indiana, Iowa, Kansas (OTCQX only), Kentucky, Louisiana, Maine, Michigan, Minnesota, Mississippi, Missouri, Nebraska, New Jersey, New Mexico, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont (OTCQX only), Virginia (OTCQX only), Washington, West Virginia, Wisconsin, and Wyoming. State Blue Sky laws generally help investors make informed decisions by mandating that companies disclose accurate and current information when offering or marketing securities. We believe recognition of our markets by state regulators and the resulting Blue Sky exemptions make OTCQX and OTCQB more attractive to current and prospective companies. However, the impact of this initiative on our financial results is indirect and therefore difficult to determine.

Trends in Our Business

The economic environment in which we operated during the three and six months ended June 30, 2024, was characterized by slower global economic growth and persistent, albeit more moderate, inflation, elevated interest rates, changes in trading volumes and trading behavior, and continuing geopolitical developments. The scope and extent of the potential impact of these macro trends on our business in future quarters depend on several factors that are highly uncertain and cannot be predicted. These factors adversely affected certain business drivers and operating metrics, particularly, our Corporate Services subscribers, as discussed below. Our overall gross revenues for the three and six months ended June 30, 2024 were largely unchanged from the same prior year periods, with increases in Market Data Licensing and OTC Link revenues substantially offset by lower Corporate Services revenues. Additional information regarding the potential risks impacting our business is included in the “*Risk Factors*” section of our Annual Report for the year ended December 31, 2023.

During the three months ended June 30, 2024, our Corporate Services business saw a lower average and period-end number of companies subscribing to our premium OTCQX and OTCQB markets, and DNS product compared to the prior year period. OTC Link benefited from increased trading activity on our markets, while Market Data Licensing experienced growth in enterprise subscribers and the Blue Sky data product, which offset a continued decline in non-professional users and lower contribution from the EDGAR Online business, compared to the prior year period (see *Financial Results*, below).

For the three months ended June 30, 2024, 83% of our gross revenues were derived from recurring subscription-based arrangements, and 17% were transaction-based revenues, compared to 85% and 15%, respectively, for the prior year period. The subscription-based component of our revenues declined by 1%, while the transaction-based component increased by 12% as a result of the increase in trading activity on OTC Link, compared to the three months ended June 30, 2023.

OTC Link

Our OTC Link business executed a higher volume of trades on OTC Link ECN and OTC Link NQB but saw a lower number of trade messages on OTC Link ATS during the three months ended June 30, 2024, compared to the prior year period. The total dollar volume traded in OTCQX, OTCQB, and Pink securities increased by 44% from \$85 billion in the prior year period to \$122 billion in the three months ended June 30, 2024. The total number of securities quoted

by broker-dealers on OTC Link ATS declined slightly to 12,372 securities as of June 30, 2024, compared to 12,512 securities as of June 30, 2023.

We executed an average of approximately 35,000 transactions per day on OTC Link ECN and OTC Link NQB during the three months ended June 30, 2024, compared to an average of approximately 32,000 transactions per day during the prior year period. Gross revenues from OTC Link ECN and OTC Link NQB increased 19%, as compared to the prior year period.

OTC Link ECN and OTC Link NQB generated \$2.5 million in transaction-based revenues during the three months ended June 30, 2024 and paid \$1.5 million in transaction-based expenses in the form of rebates for posted liquidity, compared to \$2.1 million in transaction-based revenues and \$1.3 million in transaction-based expenses in the prior year period. The transaction-based revenues and transaction-based expenses that OTC Link generates, as well as OTC Link's regulatory and clearing costs, which are included in professional and consulting fees, are positively correlated with the volume of trading activity on our markets. However, future trading volumes remain highly uncertain and cannot be predicted.

The number of unique subscribers to OTC Link's trading platforms was 140 as of June 30, 2024, compared to 136 as of the prior year period. The number of broker-dealer subscribers to OTC Link ECN was 114 as of June 30, 2024, up from 104 subscribers as of June 30, 2023. OTC Link ATS had 80 broker-dealer subscribers as of June 30, 2024, compared to 88 as of the prior year period. We expect to continue to attract new subscribers to our OTC Link platform and to grow our market share; however, the total addressable market is relatively limited.

Effective January 1, 2024, we increased certain OTC Link fees.

Market Data Licensing

In our Market Data Licensing business, we had 27,382 professional users subscribing to our data products as of June 30, 2024, compared to 27,605 as of June 30, 2023.

The number of non-professional users of our market data saw a continued decline during the three months ended June 30, 2024 compared to the prior year period, decreasing by 13% to 10,882 users as of June 30, 2024, down from 12,486 users as of June 30, 2023. As a result, revenues from non-professional users declined 13% year over year. The number of non-professional users of our market data generally correlates to the level of retail participation in the U.S. equity markets. Non-professional users' interest in our data tends to fluctuate significantly in response to volatility in the markets and changes in retail trading activity, and we may experience a further decline in the number of users in the future.

We continue to focus resources on developing and enhancing the relevance of our data products for our Market Data Licensing subscribers. As of June 30, 2024, we had 57 subscriptions to our Compliance Data or Compliance Analytics products, compared to 55 as of June 30, 2023. The EDGAR Online business, which offers SEC disclosure and financial data for issuers and their securities, had approximately 500 subscribers as of June 30, 2024.

Effective January 1, 2024, we increased certain Market Data Licensing fees.

Corporate Services

During the three months ended June 30, 2024, our Corporate Services business saw a lower average and period-end number of companies on our premium OTCQX and OTCQB markets, and a reduced number of DNS subscribers, compared to the prior year period. The month-to-month variability in subscriber numbers is driven by new sales, offset by voluntary non-renewals, and the impact of compliance downgrades, which occur when companies are removed from OTCQX or OTCQB for noncompliance with the OTCQX Rules or the OTCQB

Standards, or corporate events such as mergers, acquisitions, or other change of control events.

The OTCQX Best Market had 569 companies as of June 30, 2024, compared to 587 companies as of June 30, 2023. The decline stems from a lower number of OTCQX companies as of December 31, 2023, and a lower retention rate, offsetting increased sales during the six months ended June 30, 2024, as our OTCQX companies and prospects continued to navigate an uncertain global macroeconomic environment. Companies on our OTCQX market choose to renew their services at the end of each calendar year. For the annual OTCQX subscription period beginning January 1, 2024, we achieved a 93% retention rate, compared to 95% retention rate achieved for the annual subscription period beginning January 1, 2023.

As of June 30, 2024, there were 1,085 companies on the OTCQB Venture Market, compared to 1,191 companies as of June 30, 2023. During the six months ended June 30, 2024, continued challenging economic conditions facing our OTCQB subscribers and prospects, particularly Canadian resource companies, resulted in a lower number of OTCQB companies as of December 31, 2023, a slower pace of new sales, and higher rates of non-renewals, which drove down the number of companies on our OTCQB market, compared to the prior year period. OTCQB companies renew on an annual or semi-annual basis, based on the date they joined the market. During the three and six months ended June 30, 2024, over 90% of OTCQB companies that remained in compliance with our OTCQB Standards chose to renew their services at the end of their service terms, in line with our historical renewal experience.

International issuers remain a significant component of companies on our OTCQX and OTCQB markets, with 12 international companies joining OTCQX and 33 international companies joining OTCQB during the three months ended June 30, 2024, compared to 20 and 40 international companies joining OTCQX and OTCQB during the prior year period, respectively.

Effective January 1, 2024, we increased certain Corporate Services fees, including applying annual, incremental pricing adjustments to our OTCQX, OTCQB, and DNS fees.

General Business Matters

We continue to evaluate both the current and future period impact of increasing costs related to our personnel, IT infrastructure, and expense base more generally. Consistent with other companies in the financial technology sector, compensation and information technology costs comprise a significant proportion of our overall expenses, representing approximately 79% and 80% of our total operating expenses in the three months ended June 30, 2024 and 2023, respectively.

We recognize the importance of attracting and retaining the talent required to develop our service offerings and manage our infrastructure. We have added headcount where we believe those additional resources can drive future earnings growth, help integrate acquired businesses, or provide reliable services to our clients. Adding headcount also allows us to comply with our regulatory obligations, including those under Regulation Systems Compliance and Integrity (“SCI”), Rule 15c2-11, and our Consolidated Audit Trail (“CAT”) reporting responsibilities. We expect that future investments related to our regulatory compliance obligations will be material to our financial results. Our headcount as of June 30, 2024 was 132, a decrease of two versus our headcount of 134 employees as of June 30, 2023.

How OTC Markets Group Generates Revenues

OTC Markets Group generates a significant proportion of our revenues pursuant to subscription arrangements that are recurring in nature. Each of our three business lines offers a distinct fee structure designed to serve its subscribers. OTC Link operates OTC Link ATS, with a

subscription model and usage-based fees, and OTC Link ECN and OTC Link NQB, with transaction-based fees. Corporate Services charges application fees and subscription fees on an annual and semi-annual basis. Market Data Licensing charges licensing and subscription fees. The revenue model for each of our business lines is described in detail below.

OTC Link

OTC Link generates revenues through subscription arrangements and transaction-based fees to broker-dealer subscribers.

Broker-dealers pay monthly subscription and connectivity fees to access OTC Link ATS, including our OTC Dealer[®] application, which provides broker-dealers a user interface into OTC Link ATS. Fees for such access are based on the number of authorized OTC Dealer users per subscriber, which are discounted in graduated amounts in relation to total users per subscriber, or the number and type of services per connection.

OTC Link ATS's FINRA member broker-dealer subscribers pay per security usage fees to (i) publish quotes and (ii) communicate and negotiate with counterparties on OTC Link ATS. Monthly OTC Link ATS position fees are based on the number of daily quote positions in OTCQX, OTCQB, and Pink securities, with tiered pricing arrangements based on volume. Monthly OTC Link ATS message fees are based on the daily number of securities on OTC Link ATS for which trade messages are sent or received, with tiered pricing arrangements based on volume. The daily quoting and messaging fees allow subscribers to make unlimited quote updates in a single security and to send and receive an unlimited number of trade messages in a security on a given day. OTC Link ATS also generates revenues from the Quote Access Payment ("QAP[®]") One Statement service as well as from our CAT reporting service.

OTC Link ECN generates transactional revenues based on share volume executed. Broker-dealer subscribers pay a fixed fee per share executed where their orders remove posted liquidity on OTC Link ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for orders that provide liquidity, while paying a fee for those orders that remove liquidity. OTC Link NQB generates transactional revenues and incurs transaction-based expenses in a manner similar to OTC Link ECN. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses.

Market Data Licensing

Market Data Licensing generates revenues by licensing, on a subscription basis, our extensive market data, compliance data, Blue Sky data, and issuer data and security information, including SEC filings.

Market Data Licensing subscribers include broker-dealers, investors, traders, institutions, companies, accountants, and regulators, among others, which pay monthly, quarterly, or annual license fees to access this information. We offer a suite of market data licenses, priced at per enterprise or per user rates, through direct connectivity, extranet connectivity, third-party market data redistributors, OMS providers, and certain of our websites. Depending on the license type, subscribers may distribute our market data on an internal-only basis, to clients, or to the public. We generate a significant portion of our Market Data Licensing revenues from sales through market data redistributors.

Certain of our Market Data Licensing agreements include redistribution fees and rebates, which represented 7% and 8% of Market Data Licensing gross revenues in the three-month periods ended June 30, 2024 and 2023, respectively, and 7% during each of the six-month periods ended June 30, 2024 and 2023.

Market Data Licensing pricing information is publicly available on our website.

We also charge for the right to display advertisements on www.otcmarkets.com. Website advertising revenue is included in our Market Data Licensing business line.

Corporate Services

We generate revenue from the OTCQX Best Market and the OTCQB Venture Market, as well as a suite of Corporate Services products, including DNS; OTCIQ Basic; Real-Time Level 2 Quote Display, a service that companies sponsor to provide their investors with access to free real-time level 2 quotes on www.otcmarkets.com and the issuer's website; the Blue Sky Monitoring Service for issuers; and our VIC product, which allows issuers to communicate and engage with their stockholders and potential investors.

Companies that choose to have their securities designated as OTCQX securities do so annually, on a calendar year basis, while companies on the OTCQB market renew their services annually or semi-annually on the anniversary of the date on which they joined the market. All companies traded on the OTCQX or OTCQB markets pay a one-time application fee and annual or semi-annual fees. These fees are fixed and do not vary based on outstanding shares, market capitalization, market segment, or otherwise. Companies on both markets also receive access to DNS, Real-Time Level 2 Quote Display, and the Blue Sky Monitoring Service.

Pink companies may subscribe separately to these services and pay one-time application fees and annual or semi-annual subscription fees, as applicable.

Each of these services may be accessed through www.otciq.com.

Our VIC product is available on a per event basis to companies that choose to participate.

Key Metrics

The table below presents key metrics for our OTC Link, Corporate Services, and Market Data Licensing business lines for the three and six months ended June 30, 2024 and 2023.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
OTC Link				
Number of active ATS subscribers ⁽¹⁾	80	88	80	88
Number of active ECN subscribers ⁽¹⁾	114	104	114	104
Number of unique active OTC Link subscribers ⁽¹⁾	140	136	140	136
New Form 211 filings ⁽³⁾	49	64	101	137
Number of securities quoted ⁽¹⁾			-	
OTCQX	633	644	633	644
OTCQB	1,137	1,240	1,137	1,240
Pink	10,602	10,628	10,602	10,628
Total	12,372	12,512	12,372	12,512
<i>Dollar volume traded (in thousands):</i>				
OTCQX	\$ 29,141,447	\$ 16,406,750	\$ 55,435,252	\$ 33,914,634
OTCQB	1,718,287	1,318,808	3,906,917	2,802,146
Pink	91,396,808	67,120,619	179,441,521	144,187,400
Total	\$ 122,256,542	\$ 84,846,177	\$ 238,783,690	\$ 180,904,180
<i>Dollar volume per security (in thousands):</i>				
OTCQX	\$ 46,037	\$ 25,476	\$ 87,575	\$ 52,662
OTCQB	1,511	1,064	3,436	2,260
Pink	8,621	6,315	16,925	13,567
Corporate Services				
Graduates to a national securities exchange	12	11	19	21
<i>Number of corporate clients: ⁽¹⁾/⁽²⁾</i>				
OTCQX	569	587	569	587
OTCQB	1,085	1,191	1,085	1,191
Pink	1,432	1,553	1,432	1,553
Total	3,086	3,331	3,086	3,331
Market Data Licensing				
Market data professional users ⁽¹⁾	27,382	27,605	27,382	27,605
Market data non-professional users ⁽¹⁾	10,882	12,486	10,882	12,486
Market data compliance file users ⁽¹⁾	57	55	57	55

(1) Figures presented are at period end.

(2) Figures presented represent the number of companies subscribing to our services.

(3) Starting in September 2021, OTC Link ATS began conducting initial reviews under Rule 15c2-11 for certain companies seeking to join the OTCQX and OTCQB markets. In the event that OTC Link ATS approves the initial review, it subsequently files a modified Form 211 with FINRA. Figures presented include 12 and 43, and 9 and 18 Form 211s filed by OTC Link ATS during the three and six months ended June 30, 2024 and 2023, respectively.

Financial Results

Consolidated Results from Operations

The table below presents comparative information from the Company's unaudited interim Condensed Consolidated Statements of Income for the three and six months ended June 30, 2024 and 2023.

(in thousands, except shares and per share data)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
Gross revenues	\$ 27,562	\$ 27,227	1%	\$ 55,219	\$ 55,253	-
Net revenues	26,771	26,424	1%	53,588	53,654	-
Revenues less transaction-based expenses	25,222	25,169	-	50,531	50,614	-
Operating expenses	17,082	16,874	1%	35,693	35,396	1%
Income from operations	8,140	8,295	(2%)	14,838	15,218	(2%)
Operating profit margin	30.4%	31.4%		27.7%	28.4%	
Income before provision for income taxes	8,324	8,556	(3%)	15,197	15,626	(3%)
Net income	\$ 6,733	\$ 6,960	(3%)	\$ 12,717	\$ 13,279	(4%)
Diluted earnings per share	\$ 0.56	\$ 0.57	(2%)	\$ 1.05	\$ 1.10	(5%)
Weighted-average shares outstanding, diluted	11,838,453	11,854,762	-	11,846,340	11,858,712	-

Revenues and Transaction-Based Expenses

The following table presents OTC Markets Group's gross revenues by business line and consolidated revenues less transaction-based expenses for the three and six months ended June 30, 2024 and 2023.

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
OTC Link	\$ 5,408	\$ 4,821	12%	\$ 10,805	\$ 10,265	5%
Market data licensing	10,782	10,643	1%	21,870	21,485	2%
Corporate services	11,372	11,763	(3%)	22,544	23,503	(4%)
Gross revenues	27,562	27,227	1%	55,219	55,253	-
Redistribution fees and rebates	(791)	(803)	(1%)	(1,631)	(1,599)	2%
Net revenues	26,771	26,424	1%	53,588	53,654	-
Transaction-based expenses	(1,549)	(1,255)	23%	(3,057)	(3,040)	1%
Revenues less transaction-based expenses	\$ 25,222	\$ 25,169	-	\$ 50,531	\$ 50,614	-

Gross revenues increased by \$335 thousand, or 1%, in the second quarter and were essentially flat in the first six months of 2024 compared to the same periods in 2023. Gross revenues and transaction-based expenses described below are for the three and six months ended June 30, 2024, as compared to the same prior year periods.

- OTC Link revenues increased \$587 thousand, or 12%, and \$540 thousand, or 5%, in the second quarter and first six months of 2024, respectively. The overall increase primarily resulted from a \$405 thousand, or 19%, and \$187 thousand, or 4%, increase in revenues from OTC Link ECN and OTC Link NQB, due to a higher volume of shares traded on those platforms. Contributing to the overall increase in OTC Link revenues was a \$134 thousand, or 130%, and \$261 thousand, or 127%, increase in certain

connectivity revenue in the second quarter and first six months of 2024, respectively, due to the introduction of additional fees at the beginning of 2024. Additionally, revenue from OTC Link ATS messages increased \$114 thousand, or 15%, and \$183 thousand, or 12%, in the second quarter and first six months of 2024, respectively, due to fee increases offsetting a lower number of messages.

- Market Data Licensing revenues increased \$139 thousand, or 1%, and \$385 thousand, or 2%, in the second quarter and first six months of 2024, respectively. The increase was the result of a \$182 thousand, or 35%, and \$355 thousand, or 34%, increase in revenues from our Blue Sky data product, and a \$161 thousand, or 10%, and \$339 thousand, or 11%, increase in revenues from internal system licenses, delayed data licenses, and certain other data services in the second quarter and first six months of 2024, respectively, in each case due to a higher number of subscribers to our data products and price increases for certain licenses. Revenue from professional user licenses was essentially flat in the second quarter, and increased \$356 thousand, or 4%, in the first six months of 2024. Revenue from non-professional users decreased \$57 thousand, or 13%, and \$142 thousand, or 16%, in the second quarter and first six months of 2024, respectively, due to a perceived reduced retail participation in our markets resulting in a 13% reduction in period-end non-professional user counts. Revenues from the EDGAR Online products declined \$262 thousand, or 22%, in the second quarter of 2024, due to subscriber cancellations, and declined \$718 thousand, or 28%, in the first six months of 2024, due to subscriber cancellations and the impact of certain non-recurring revenue in the prior year period.
- Corporate Services revenues decreased \$391 thousand, or 3%, and \$959 thousand, or 4%, in the second quarter and first six months of 2024, respectively. OTCQB revenues decreased \$326 thousand, or 6%, and \$741 thousand, or 7%, while DNS revenues decreased \$163 thousand, or 7%, and \$292 thousand, or 6%, in the second quarter and first six months of 2024, respectively, due to a lower number of companies subscribing to OTCQB and DNS, which more than offset the impact of pricing adjustments. These decreases were partially offset by a \$71 thousand, or 2%, and \$83 thousand, or 1%, increase in OTCQX revenue in the second quarter and first six months of 2024, respectively, resulting from incremental pricing adjustments, offsetting the lower number of companies on the OTCQX market.
- Transaction-based expenses, representing rebates paid to OTC Link subscribers providing liquidity, increased \$294 thousand, or 23%, in the second quarter and \$17 thousand, or 1%, in the first six months of 2024, respectively, consistent with the higher trading volumes on OTC Link ECN and OTC Link NQB, offsetting the impact of certain fee changes.

Operating Expenses

The following table presents OTC Markets Group's consolidated operating expenses for the three and six months ended June 30, 2024 and 2023.

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
Compensation and benefits	\$ 10,934	\$ 10,657	3%	\$ 23,456	\$ 22,571	4%
IT Infrastructure and information services	2,545	2,771	(8%)	5,245	5,421	(3%)
Professional and consulting fees	1,521	1,656	(8%)	2,987	3,291	(9%)
Marketing and advertising	362	270	34%	624	588	6%
Occupancy costs	576	592	(3%)	1,161	1,170	(1%)
Depreciation and amortization	682	621	10%	1,336	1,271	5%
General, administrative and other	462	307	50%	884	1,084	(18%)
Total operating expenses	<u>\$ 17,082</u>	<u>\$ 16,874</u>	1%	<u>\$ 35,693</u>	<u>\$ 35,396</u>	1%

Operating expenses increased \$208 thousand and \$297 thousand, each a 1% increase, in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. All operating expenses below are for the three and six months ended June 30, 2024, as compared to the same prior year periods.

- Compensation and benefits expenses increased \$277 thousand, or 3%, and \$885 thousand, or 4%, in the second quarter and first six months of 2024, respectively. The increase in both periods was primarily related to certain one-time expenses. Contributing to the increase in compensation and benefits expenses in the second quarter and first six months of 2024, respectively, was also an \$86 thousand, or 6%, and \$335 thousand, or 12%, increase in stock-based compensation expense as a result of the cumulative effect of prior year increases in annual awards, partially offset by lower cash-based incentive compensation and commissions. As a percentage of gross revenues, compensation and benefits costs represented 40% and 39% for the second quarter of 2024 and 2023, respectively, and 42% and 41% for the six months ended June 30, 2024 and 2023, respectively. Compensation and benefits expenses for the prior year periods included certain non-recurring accruals related to the EDGAR Online acquisition.
- IT infrastructure and information services expenses decreased \$226 thousand, or 8%, and \$176 thousand, or 3%, in the second quarter and first six months of 2024, respectively, primarily as a result of lower data center costs due to the elimination of one-time integration costs related to EDGAR Online that were unique to the prior year periods and restructuring of certain of our cloud services contracts.
- Professional and consulting fees decreased \$135 thousand, or 8%, and \$304 thousand, or 9%, in the second quarter and first six months of 2024, respectively. The decrease in both periods was primarily due to the elimination of certain non-recurring professional and consulting expenses for the integration of EDGAR Online incurred in the prior year periods, and lower placement fees.
- Marketing and advertising expenses increased \$92 thousand, or 34%, and \$36 thousand, or 6%, in the second quarter and first six months of 2024, respectively, primarily due to higher spending on marketing events, public relations, and professional marketing services.
- Occupancy costs decreased \$16 thousand, or 3%, and \$9 thousand, or 1%, in the second quarter and first six months of 2024, respectively, as a result of lower common charges and real estate taxes allocated to us by our landlords.

- Depreciation and amortization increased \$61 thousand, or 10%, and \$65 thousand, or 5%, in the second quarter and first six months of 2024, respectively. The increase during these periods was primarily due to timing of amortization charges for software placed in service in 2023 related to EDGAR Online, partially offset by lower depreciation of computer equipment.
- General, administrative and other costs increased \$155 thousand, or 50%, in the second quarter and decreased \$200 thousand, or 18%, in the first six months of 2024, respectively. The increase in the second quarter of 2024 was primarily related to higher bad debt, internal travel and entertainment, and bank fees. The decrease in the first six months of 2024 was primarily due to lower bad debt, partially offset by higher internal travel and entertainment expenses and bank fees. The increased provision for bad debt in the first six months of 2023 primarily related to accounts receivable acquired as part of the EDGAR Online acquisition and did not recur during the first six months of 2024.

Income from Operations and Operating Profit Margin

(in thousands)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
Income from operations	\$ 8,140	\$ 8,295	(2%)	\$ 14,838	\$ 15,218	(2%)
Operating profit margin	30.4%	31.4%	(3%)	27.7%	28.4%	(2%)

Income from operations decreased \$155 thousand and \$380 thousand, each a 2% decline, in the second quarter and first six months of 2024, compared to the same periods in 2023. The Company's operating profit margin contracted slightly during the three and six months ended June 30, 2024, as shown in the table above. Operating profit margin in the first six months of 2023 was impacted by approximately \$1.1 million in one-time integration expenses related to the EDGAR Online acquisition.

Net Income

(in thousands, except shares and per share data)	Three Months Ended June 30,			Six Months Ended June 30,		
	2024	2023	% change	2024	2023	% change
Income before provision for income taxes	\$ 8,324	\$ 8,556	(3%)	\$ 15,197	\$ 15,626	(3%)
Provision for income taxes	1,591	1,596	-	2,480	2,347	6%
Effective income tax rate	19.1%	18.7%	2%	16.3%	15.0%	9%
Net income	<u>\$ 6,733</u>	<u>\$ 6,960</u>	(3%)	<u>\$ 12,717</u>	<u>\$ 13,279</u>	(4%)

Net income decreased \$227 thousand, or 3%, and \$562 thousand, or 4%, in the second quarter and first six months of 2024, respectively, compared to the same periods in 2023. The decrease during these periods was due to the 2% reduction in income from operations, combined with an increase in the Company's effective tax rates. The effective tax rates for both periods increased as a result of lower Foreign Derived Intangible Income tax deduction and excess tax benefit on stock-based compensation.

Liquidity and Capital Resources

Our liquidity is primarily derived from our working capital and cash flows from operations. We require cash to support our current operating levels, fund strategic growth initiatives, including acquisitions, develop new services and enhance existing services, make capital expenditures, fund dividends and stock repurchases, and pay federal, state, and local corporate taxes. We expect that our operations will provide sufficient cash to fund our strategic initiatives. We have no outstanding debt and, as described further below, \$3.0 million available for business operations under our line of credit, which gives us additional flexibility in managing our cash flows (see *Line of Credit*, below).

Cash Available for Operations

The following table presents cash available for operations, which consists of cash and cash equivalents and short-term investments, as of June 30, 2024 and December 31, 2023.

(in thousands)	June 30, 2024	December 31, 2023	% change
Cash available for operations	\$ 34,286	\$ 37,723	(9%)

Cash available for operations decreased \$3.4 million, or 9%, to \$34.3 million as of June 30, 2024, from \$37.7 million as of December 31, 2023. During the first six months of 2024, the Company generated \$5.5 million of cash from operations and utilized operating cash flows and cash on hand to fund \$1.2 million in IT infrastructure enhancements, \$4.3 million in quarterly dividends, and \$2.9 million in respect of repurchases of our Class A Common Stock.

Cash Flow

The following table presents sources and uses of cash flows during the six months ended June 30, 2024 and 2023.

	Six Months Ended June 30,		
	2024	2023	% change
Net cash provided by operating activities	\$ 5,466	\$ 4,281	28%
Net cash used in investing activities	(1,966)	(1,285)	53%
Net cash used in financing activities	(7,709)	(8,490)	(9%)
Net Increase (decrease) in cash and restricted cash	\$ (4,209)	\$ (5,494)	(23%)

Operating Activities

Net cash provided by operating activities for the six months ended June 30, 2024 was \$5.5 million, as compared to \$4.3 million during the same prior year period. Net cash provided by operating activities for the first six months consisted of net income of \$12.7 million, which was adjusted for non-cash items of \$2.8 million and offset by changes in assets and liabilities of \$10.0 million. The higher net cash provided by operating activities during the first six months of 2024, compared to the same prior year period, was primarily due to lower cash paid for income taxes.

Investing Activities

Net cash used in investing activities during the six months ended June 30, 2024 was \$2.0 million, compared to \$1.3 million used during the same prior year period. Net cash used in the first six months of 2024 was for IT infrastructure enhancements and treasury bill purchases, partially offset by treasury bill maturities. The increase in net cash used in investing activities during the first six months of 2024, compared to the same prior year period, was due to net purchases of treasury bills.

Financing Activities

Net cash used in financing activities during the six months ended June 30, 2024 was \$7.7 million, as compared to \$8.5 million during the same prior year period. The net cash used in both periods was primarily related to dividends paid to our stockholders and repurchases of our Class A Common Stock. The decrease in net cash used in financing activities during the current period was primarily related to the Company's share repurchases of \$2.9 million, compared to \$3.4 million in the same prior year period.

Capital Resources and Working Capital

OTC Markets Group's working capital at June 30, 2024 was \$10.2 million, an increase of \$7.2 million, or 243%, from \$3.0 million at December 31, 2023. Working capital includes certain non-operating assets and liabilities, such as prepaid income taxes and income taxes payable. The increase in working capital during the six months ended June 30, 2024 was primarily attributable to lower deferred revenue and accrued operating expenses.

Line of Credit

On July 7, 2012, the Company entered into a line of credit agreement with JPMorgan Chase (the "Line of Credit") that initially provided up to \$1.5 million of available borrowing capacity to fund business operations. The Line of Credit has been increased to \$3.0 million and has been extended through June 21, 2025. The effective interest rate of the Line of Credit is benchmarked to the Prime Rate. We have not drawn funds on the Line of Credit. Under the terms of the Line of Credit, we agreed to fulfill certain affirmative and negative covenants and other specified terms. As of June 30, 2024, the Company was in compliance with all of the covenants and other terms of the Line of Credit.

Operating Leases

We have entered into operating lease agreements for our offices and recognize rent expense on a straight-line basis over the terms of the leases.

Off-Balance Sheet Arrangements

None.

Item 5. Legal proceedings

There are no current, past, pending, or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on our business, financial condition, or operations. We are not a party to any past or pending trading suspensions by a securities regulator.

In the ordinary course of business, the nature of the Company's business subjects it to claims, lawsuits, regulatory examinations or investigations, and other proceedings. OTC Link is regularly the subject of various regulatory reviews, inquiries, investigations, and subpoenas or requests for information by FINRA and the SEC. Since 2022, we have been in discussions with the SEC's Division of Enforcement regarding certain OTC Link policies and procedures related to the filing of Suspicious Activity Reports. These discussions have progressed towards settlement such that in 2023, the Company accrued \$1.2 million in regulatory costs, included in accrued expenses and other current liabilities in the unaudited interim Condensed Consolidated Balance Sheets, reflecting the Company's current estimate of the reasonably probable cost to resolve this matter. The Company has not revised this estimate, and we believe we are close to reaching a settlement with the SEC. However, as the settlement is not yet final and given the ongoing nature of this matter, it remains uncertain what the exact timing, amount, or terms of a resolution with the SEC will be. The Company does not believe that this matter will have a

material adverse effect on its consolidated financial statements, results of operation, or liquidity; however, the amount of loss may differ from the Company's estimate and as such the Company cannot be sure of the ultimate impact on its business or financial statements. We have also recently responded to an information request from the SEC's Division of Enforcement regarding certain OTC Link policies and procedures related to Regulation SCI. Given the nascent nature of the inquiry and related discussions, we cannot yet anticipate the timing, outcome, or possible impact of this inquiry, financial or otherwise.

Item 6. Defaults upon senior securities

None.

Item 7. Other information

None.

Item 8. Exhibits

Exhibit 3.1 Unaudited interim condensed consolidated financial statements

Exhibit 9.1 Certification of principal executive officer

Exhibit 9.2 Certification of principal financial officer

Item 9. Certifications

Current certifications are filed as Exhibits 9.1 and 9.2 to this Quarterly Report.

EXHIBIT 3.1

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share information)
(Unaudited)

	June 30, 2024	December 31, 2023
Assets		
Current assets		
Cash and cash equivalents	\$ 29,881	\$ 34,101
Short-term investments	4,405	3,622
Accounts receivable, net of allowance for credit losses of \$463 and \$451	7,443	7,680
Prepaid income taxes	699	1,324
Prepaid expenses and other current assets	2,789	1,865
Total current assets	45,217	48,592
Property and equipment, net	8,105	8,429
Operating lease right-of-use assets	11,646	12,324
Deferred tax assets, net	9,049	7,691
Goodwill	3,984	3,984
Intangible assets, net	7,120	7,411
Long-term restricted cash	1,597	1,586
Other assets	821	508
Total Assets	<u>\$ 87,539</u>	<u>\$ 90,525</u>
Liabilities and stockholders' equity		
Current liabilities		
Accounts payable	\$ 1,510	\$ 2,152
Accrued expenses and other current liabilities	10,442	14,065
Income taxes payable	12	141
Deferred revenue	23,031	29,267
Total current liabilities	34,995	45,625
Income tax reserve	850	778
Operating lease liabilities	11,137	11,895
Total Liabilities	46,982	58,298
Commitments and contingencies		
Stockholders' equity		
Common stock - par value \$0.01 per share		
Class A - 17,000,000 authorized, 12,806,608 issued, 11,970,698 outstanding at		
June 30, 2024; 12,716,135 issued, 11,931,366 outstanding at December 31, 2023	128	127
Additional paid-in capital	32,334	29,469
Retained earnings	30,833	22,425
Treasury stock - 835,910 shares at June 30, 2024 and 784,769 shares at December 31, 2023	(22,738)	(19,794)
Total Stockholders' Equity	40,557	32,227
Total Liabilities and Stockholders' Equity	<u>\$ 87,539</u>	<u>\$ 90,525</u>

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except per share information)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Gross revenues	\$ 27,562	\$ 27,227	\$ 55,219	\$ 55,253
Redistribution fees and rebates	(791)	(803)	(1,631)	(1,599)
Net revenues	26,771	26,424	53,588	53,654
Transaction-based expenses	(1,549)	(1,255)	(3,057)	(3,040)
Revenues less transaction-based expenses	25,222	25,169	50,531	50,614
Operating expenses				
Compensation and benefits	10,934	10,657	23,456	22,571
IT Infrastructure and information services	2,545	2,771	5,245	5,421
Professional and consulting fees	1,521	1,656	2,987	3,291
Marketing and advertising	362	270	624	588
Occupancy costs	576	592	1,161	1,170
Depreciation and amortization	682	621	1,336	1,271
General, administrative and other	462	307	884	1,084
Total operating expenses	17,082	16,874	35,693	35,396
Income from operations	8,140	8,295	14,838	15,218
Other income(expense)				
Interest income	187	158	362	299
Other income(expense), net	(3)	103	(3)	109
Income before provision for income taxes	8,324	8,556	15,197	15,626
Provision for income taxes	1,591	1,596	2,480	2,347
Net income	\$ 6,733	\$ 6,960	\$ 12,717	\$ 13,279
Net income per share				
Basic	0.56	\$ 0.58	\$ 1.06	\$ 1.11
Diluted	0.56	\$ 0.57	\$ 1.05	\$ 1.10

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
Beginning balance	\$ 32,227	\$ 29,804
Increase from net income	12,717	13,279
Dividends paid	(4,309)	(4,290)
Stock-based compensation	3,322	2,968
Issuance of restricted and common shares, net of withholding taxes paid related to cashless exercise of stock options	(456)	(821)
Purchases of treasury stock	(2,944)	(3,379)
Ending balance	<u>\$ 40,557</u>	<u>\$ 37,561</u>

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Six Months Ended June 30,	
	2024	2023
Cash flows from operating activities		
Net income	\$ 12,717	\$ 13,279
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	1,336	1,271
Provision for credit losses	34	350
Stock-based compensation	3,322	2,968
Excess tax benefits related to stock-based compensation	(541)	(842)
Deferred income taxes	(1,358)	(2,196)
Changes in assets and liabilities:		
Accounts receivable	203	1,630
Prepaid expenses and other current assets	(924)	(549)
Prepaid income taxes	625	(804)
Accounts payable	(180)	(896)
Accrued expenses and other current liabilities	(3,675)	(3,476)
Income tax payable	412	277
Income tax reserve	72	57
Deferred revenue	(6,236)	(6,710)
Other changes in assets and liabilities	(341)	(78)
Net cash provided by operating activities	5,466	4,281
Cash flows from investing activities		
Purchases of property and equipment	(1,183)	(1,285)
Purchases of short-term investments	(4,533)	-
Maturities of short-term investments	3,750	-
Net cash used in investing activities	(1,966)	(1,285)
Cash flows from financing activities		
Dividends paid	(4,309)	(4,290)
Proceeds from the exercise of stock options	21	-
Issuance of restricted and common shares, net	1	1
Withholding taxes paid related to cashless exercise of stock options	(478)	(822)
Purchases of treasury stock	(2,944)	(3,379)
Net cash used in financing activities	(7,709)	(8,490)
Net decrease in cash and restricted cash	(4,209)	(5,494)
Cash and restricted cash at beginning of period	35,687	38,936
Cash and restricted cash at end of period	<u><u>\$ 31,478</u></u>	<u><u>\$ 33,442</u></u>
Reconciliation of cash and restricted cash:		
Cash	\$ 29,881	\$ 31,865
Long-term restricted cash	1,597	1,577
Total Cash and restricted cash	<u><u>\$ 31,478</u></u>	<u><u>\$ 33,442</u></u>
Supplemental Disclosure of Cash Flow Information		
Income taxes paid, net of refund	\$ 3,271	\$ 5,842
Non-cash investing activities:		
Property and equipment included in accounts payable or accrued expenses	60	-

See accompanying notes to unaudited condensed consolidated financial statements

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share information)

Note 1. Description of Business

Overview

OTC Markets Group Inc. (“OTC Markets Group” or the “Company”) (OTCQX: OTCM) operates regulated markets for trading 12,000 U.S. and international securities. Our data-driven disclosure standards form the foundation of our three public markets: OTCQX® Best Market, OTCQB® Venture Market, and Pink® Open Market.

Our OTC Link® Alternative Trading Systems (“ATSS”) provide critical market infrastructure that broker-dealers rely on to facilitate trading. Our innovative model offers companies more efficient access to the U.S. financial markets.

OTC Link ATS, OTC Link ECN, and OTC Link NQB are each a Securities and Exchange Commission (“SEC”) regulated ATS, operated by the Company’s wholly owned subsidiary, OTC Link LLC (“OTC Link”), a Financial Industry Regulatory Authority, Inc. (“FINRA”) and SEC registered broker-dealer, member SIPC.

The Company has three business lines: OTC Link, Market Data Licensing, and Corporate Services.

- OTC Link – OTC Link LLC operates three ATSS, OTC Link ATS, OTC Link ECN, and OTC Link NQB, that provide trading services to FINRA member broker-dealer subscribers.
- Market Data Licensing – OTC Markets Group provides market data and compliance data, including SEC filings, for a wide spectrum of securities and issuers. The Market Data Licensing business provides broker-dealers, investors, traders, institutions, companies, accountants, and regulators, among others, with a suite of enterprise and user market data licenses, offered via direct or extranet connectivity, through third-party market data redistributors or Order Management Systems (“OMS”) as well as through certain of the Company’s websites.
- Corporate Services – OTC Markets Group operates the OTCQX Best Market and the OTCQB Venture Market and offers companies access to a suite of services that are designed to facilitate public disclosure and communication with investors, promote greater transparency, and allow companies to demonstrate regulatory compliance and mitigate market risk. These services include the OTC Disclosure & News Service® (“DNS”), OTCIQ Basic, Real-Time Level 2 Quote Display, Blue Sky Monitoring Service for issuers, and the Virtual Investor Conferences® (“VIC”) product.

Corporate Form

OTC Markets Group is a Delaware corporation. The Company is a “C” Corporation for federal, state, and local income tax purposes.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and include the accounts of the Company and its wholly owned subsidiaries, OTC Link LLC, OTC Markets Group International Ltd, and Edgar Online LLC. The unaudited interim condensed consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, that are, in the opinion of management, necessary

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

for a fair statement of the results for the periods presented. All intercompany transactions have been eliminated in consolidation. Management has assessed the segment reporting standards and the availability of discrete financial information, analyzed how the chief operating decision maker (the Chief Executive Officer) manages the businesses, assesses performance, and allocates resources; and has concluded that the Company's three business lines are managed as one operating segment, which is the Company's reportable segment. Refer to Note 2, *Summary of Significant Accounting Policies*, in the Company's Annual Report for the year ended December 31, 2023 for a full discussion of significant accounting policies.

The interim condensed consolidated financial statements are unaudited and should be read in conjunction with the audited financial statements of the Company as of and for the year ended December 31, 2023. Operating results for the three and six months ended June 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024.

Use of Estimates

The preparation of these unaudited interim condensed consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the unaudited interim consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. Estimates included in the unaudited interim condensed consolidated financial statements include allowance for credit losses, certain accrued expenses, stock-based compensation expense, the incremental borrowing rate used to calculate the present value of the operating lease liabilities, fair values of intangible assets and goodwill, useful lives of intangible assets, income tax reserve and provision for income taxes. Actual results could differ from those estimates.

Recently Adopted Accounting Standards

There are no applicable material accounting pronouncements that have been recently adopted by the Company.

Recently Issued Accounting Standards Not Yet Adopted

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*, which updates the reportable segment disclosure requirement, primarily through enhanced disclosures about significant segment expenses. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the adoption of this ASU but does not expect it would have a material impact on its consolidated financial statements and related disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires that an entity discloses consistent categories and greater disaggregation of information in the income tax rate reconciliation, and income taxes paid disaggregated by jurisdiction, among other amendments that expand income tax disclosures. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. The Company is currently evaluating the impact of the adoption of this ASU but does not expect it would have a material impact on its consolidated financial statements and related disclosures.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 3. Revenue Recognition

Substantially all of OTC Markets Group's revenues are derived from contracts with customers. Revenues are recognized when control of the promised goods or services is transferred to the Company's customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. In accordance with ASC Topic 606, the Company evaluates its contracts with customers based on a five-step methodology. The Company: (1) identifies the contract with the customer; (2) identifies the performance obligations under the contract; (3) determines the transaction price; (4) allocates the transaction price to the separate performance obligations; and (5) recognizes revenue when each performance obligation is satisfied. Certain of the Company's ancillary Market Data Licensing and Corporate Services offerings, including VIC, news release and advertising services, are usage-based and are delivered at a point in time. Accordingly, the Company recognizes revenue upon delivery of the service in line with the contractual agreement.

OTC Link

OTC Link LLC operates three ATSS: OTC Link ATS, OTC Link ECN, and OTC Link NQB. Broker-dealers pay monthly subscription and connectivity fees that permit access to the trading system, including the OTC Dealer[®] application and related support and updates, if applicable, during the contract term. Fees for such access are based on the number of authorized OTC Dealer users per subscriber, which are calculated based on a tiered pricing arrangement, or the number and type of services per connection. These fees are invoiced monthly and in advance of the monthly service period. The Company satisfies its performance obligations over the contract term and records revenue from these fees ratably over the month, with the unrealized portion recorded as deferred revenue on the Company's Consolidated Balance Sheets.

In addition to the aforementioned monthly access fees, broker-dealer subscribers to OTC Link ATS pay usage-based fees to publish quotes and deliver trade messages electronically to counterparties. Those fees are recognized at the point in time when the performance obligation, the publication of the quote or delivery of the message, is satisfied. OTC Link ECN generates revenues based on share volume executed on the ECN matching platform. Broker-dealer counterparties pay a fixed fee per share executed where their orders remove posted liquidity on the ECN, while receiving a rebate on shares executed against their own posted liquidity. To the extent that OTC Link ECN routes orders to OTC Link ATS, OTC Link ECN may earn fees for orders that provide liquidity, while paying a fee for orders that remove liquidity. OTC Link NQB generates revenues in a manner similar to OTC Link ECN. Fees earned are recognized as transaction-based revenues, while fees paid are recognized as transaction-based expenses. These fees are invoiced monthly, in arrears, and are due upon receipt. The Company recognizes transaction-based revenue earned upon the execution of a trade when the Company's obligations are substantially met. Similarly, payments made to subscribers providing liquidity are recognized upon execution and are recorded as transaction-based expenses within the Consolidated Statements of Income.

Market Data Licensing

Market Data Licensing generates revenues by providing subscribers with continuous access to market data, compliance data, Blue Sky data, company data and security information, including SEC filings. Subscribers pay monthly, quarterly, or annual fees to access this information priced at per enterprise or per user rates. Market Data Licensing revenues are recognized ratably over the term of the contract period, beginning on the date on which the data is made available to the customer, as the Company's continuing performance obligations are met.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

A significant portion of Market Data Licensing revenues result from sales through redistributors, some of whom earn redistribution fees based on a contractual fixed rate. These fees are invoiced monthly based on the contractual period and are recognized as a reduction of gross revenues. Substantially all of the Company's redistribution fees and rebates are related to these arrangements with market data redistributors.

Corporate Services

Corporate Services generates revenues from the OTCQX Best Market and OTCQB Venture Market and from a suite of other services. Issuers pay annual or semi-annual subscription fees upfront to have their securities traded on the OTCQX or OTCQB markets and to subscribe to OTC Markets Group's various other services. The Company recognizes these revenues ratably over time based on the subscription period as the performance obligations are met and the transfer of services occurs. Issuers pay one-time non-refundable application fees. These fees are not related to distinct performance obligations and are recognized ratably over the contractual service period, which is one year or shorter. For declined applications, the Company recognizes revenue when the application review is completed. The Company also charges for the right to host webcast presentations and online events on the VIC platform. VIC presentation fees are recognized at the point in time when the services are rendered, which corresponds to the date of the webcast or online event and the point in time that the performance obligation is satisfied.

The following tables present the Company's revenues disaggregated by timing of revenue recognition:

	Three Months Ended June 30,					
	2024			2023		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 4,106	\$ 1,302	\$ 5,408	\$ 3,631	\$ 1,190	\$ 4,821
Market data licensing	9	10,773	10,782	25	10,618	10,643
Corporate services	532	10,840	11,372	492	11,271	11,763
Gross revenues	4,647	22,915	27,562	4,148	23,079	27,227
Redistribution fees and rebates	(4)	(787)	(791)	(10)	(793)	(803)
Net revenues	4,643	22,128	26,771	4,138	22,286	26,424
Transaction-based expenses	(1,549)	-	(1,549)	(1,255)	-	(1,255)
Revenues less transaction-based expenses	\$ 3,094	\$ 22,128	\$ 25,222	\$ 2,883	\$ 22,286	\$ 25,169

	Six Months Ended June 30,					
	2024			2023		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
OTC Link	\$ 8,202	\$ 2,603	\$ 10,805	\$ 7,876	\$ 2,389	\$ 10,265
Market data licensing	15	21,855	21,870	97	21,388	21,485
Corporate services	897	21,647	22,544	956	22,547	23,503
Gross revenues	9,114	46,105	55,219	8,929	46,324	55,253
Redistribution fees and rebates	(6)	(1,625)	(1,631)	(25)	(1,574)	(1,599)
Net revenues	9,108	44,480	53,588	8,904	44,750	53,654
Transaction-based expenses	(3,057)	-	(3,057)	(3,040)	-	(3,040)
Revenues less transaction-based expenses	\$ 6,051	\$ 44,480	\$ 50,531	\$ 5,864	\$ 44,750	\$ 50,614

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements

(in thousands, except share and per share information)

The following tables present the Company's revenues disaggregated by geography:

	Three Months Ended June 30,					
	2024			2023		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 5,408	\$ -	\$ 5,408	\$ 4,821	\$ -	\$ 4,821
Market data licensing	8,704	2,078	10,782	8,530	2,113	10,643
Corporate services	5,084	6,288	11,372	5,178	6,585	11,763
Gross revenues	19,196	8,366	27,562	18,529	8,698	27,227
Redistribution fees and rebates	(704)	(87)	(791)	(734)	(69)	(803)
Net revenues	18,492	8,279	26,771	17,795	8,629	26,424
Transaction-based expenses	(1,549)	-	(1,549)	(1,255)	-	(1,255)
Revenues less transaction-based expenses	<u>\$ 16,943</u>	<u>\$ 8,279</u>	<u>\$ 25,222</u>	<u>\$ 16,540</u>	<u>\$ 8,629</u>	<u>\$ 25,169</u>

	Six Months Ended June 30,					
	2024			2023		
	U.S	International	Total	U.S	International	Total
OTC Link	\$ 10,805	\$ -	\$ 10,805	\$ 10,265	\$ -	\$ 10,265
Market data licensing	17,454	4,416	21,870	17,642	3,843	21,485
Corporate services	9,978	12,566	22,544	10,387	13,116	23,503
Gross revenues	38,237	16,982	55,219	38,294	16,959	55,253
Redistribution fees and rebates	(1,426)	(205)	(1,631)	(1,462)	(137)	(1,599)
Net revenues	36,811	16,777	53,588	36,832	16,822	53,654
Transaction-based expenses	(3,057)	-	(3,057)	(3,040)	-	(3,040)
Revenues less transaction-based expenses	<u>\$ 33,754</u>	<u>\$ 16,777</u>	<u>\$ 50,531</u>	<u>\$ 33,792</u>	<u>\$ 16,822</u>	<u>\$ 50,614</u>

Accounts Receivable, net

As of June 30, 2024 and December 31, 2023, accounts receivable, net of allowance for credit losses, were \$7,443 and \$7,680, respectively. The allowance for credit losses reflects the Company's best estimate of expected losses inherent in the accounts receivable balances. The Company determines the allowance based on historical experience, the age of the accounts receivable balances, specific account information, and estimates of current and future economic conditions that may affect customers' ability to pay.

Deferred Revenue

Deferred revenue primarily represents the Company's contractual performance obligations related to annual and semi-annual Corporate Services subscription fees; monthly, quarterly, and annual Market Data Licensing fees; as well as monthly OTC Link subscription fees. The following table presents the changes in deferred revenue during the six months ended June 30, 2024 and 2023:

	Six Months Ended June 30,	
	2024	2023
Balance at beginning of period	\$ 29,267	\$ 30,456
Net changes	(6,236)	(6,710)
Balance at end of period	<u>23,031</u>	<u>23,746</u>

During the six months ended June 30, 2024 and 2023, the Company recognized \$19,331 and \$20,576 of revenues, respectively, that were included in the balance of deferred revenue at the beginning of the year.

OTC MARKETS GROUP INC.**Notes to Unaudited Condensed Consolidated Financial Statements (continued)**

(in thousands, except share and per share information)

Payment Terms

The Company's payment terms vary by business line and the products or services offered and range from due upon receipt to net 45 days. For certain products, OTC Markets Group requires payment before services are rendered.

Note 4. Concentrations and Uncertainties

During each of the three and six months ended June 30, 2024 and 2023, Market Data Licensing revenues earned through one market data redistributor amounted to approximately 8% of gross revenues. As of each of June 30, 2024 and 2023, accounts receivable from that same redistributor amounted to 23% of total accounts receivable.

Note 5. Fair Value of Financial Instruments

The Company accounts for certain financial instruments at fair value, in accordance with the provisions of the standard for fair value measurement, which utilizes a three-tier hierarchy to determine the fair value of financial assets and liabilities based on the quality of observable inputs and enhances disclosure requirements for fair value measurement. The three tiers are:

- Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in an active market;
- Level 2 – Other inputs that are directly or indirectly observable in the market; and
- Level 3 – Unobservable inputs that are supported by little or no market activity.

The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and in the principal or most advantageous market for that asset or liability.

Assets and liabilities on the unaudited interim Condensed Consolidated Balance Sheets that are measured at carrying value, which approximates fair value due to the short-term nature of these balances, include prepaid expenses, accrued expenses and other current liabilities, and deferred revenue. These balances are classified as Level 1 and Level 2 in the fair value hierarchy.

Note 6. Property and Equipment, net

Property and equipment, net consisted of the following:

	June 30, 2024	December 31, 2023	Estimated useful life (years)
Computer software	\$ 7,727	\$ 7,695	3 - 10
Computer equipment	7,631	7,155	1 - 4
Furniture and fixtures	691	691	5 - 7
Leasehold improvements	2,917	2,917	Term of lease
Total property and equipment	18,966	18,458	
Accumulated depreciation and amortization	(10,861)	(10,029)	
Total property and equipment, net	\$ 8,105	\$ 8,429	

Depreciation and amortization on property and equipment, including computer software acquired as part of the EDGAR Online acquisition, included in the unaudited interim Condensed Consolidated Statements of Income amounted to \$537 and \$1,045 for the three and six months

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

ended June 30, 2024, respectively, and \$476 and \$980 during the comparable three and six months in 2023, respectively.

Note 7. Leases

The Company has two non-cancelable operating leases. One is for office space at 300 Vesey Street, New York, NY that was executed in October 2018 and expires on December 30, 2031. The other is for office space at 100 M Street SE, Washington, D.C. that was amended in April 2021 and expires on January 31, 2028. These operating leases are recorded as operating lease right-of-use assets on the Company's unaudited interim Condensed Consolidated Balance Sheets and represent the Company's right to use the underlying asset during the lease term. The Company's obligation in respect of future payments due under the leases is included in accrued expenses and other current liabilities and in the operating lease liabilities section on the Company's unaudited interim Condensed Consolidated Balance Sheets.

The components of lease expense were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Operating Lease cost	\$ 499	\$ 499	\$ 998	\$ 998
Short-term Lease cost	16	19	32	29
Total lease cost	<u>\$ 515</u>	<u>\$ 518</u>	<u>\$ 1,030</u>	<u>\$ 1,027</u>

Supplemental cash flow information related to leases was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Cash Paid for operating lease liabilities	\$ 529	\$ 495	\$ 1,026	\$ 990
Right-of-use assets obtained in exchange for operating lease obligations	-	-	-	-

Supplemental balance sheet information related to leases was as follows:

	June 30, 2024	December 31, 2023
Operating lease right-of use assets	\$ 11,646	\$ 12,324
Other current liabilities	2,104	2,052
Operating lease liabilities	<u>11,137</u>	<u>11,895</u>
Total operating lease liabilities	<u>13,241</u>	<u>13,947</u>
Weighted-average remaining lease term	8 Years	8 Years
Weighted-average discount rate	4.7%	4.7%

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Maturities of lease liabilities were as follows:

Remainder of 2024	\$	1,078
2025		2,160
2026		2,165
2027		2,171
2028		1,945
Thereafter		6,223
Total lease payments		15,742
Less imputed interest		(2,501)
Total	\$	13,241

Note 8. Goodwill and Intangible Assets

The following table presents goodwill activity for the period:

	December 31, 2023	Goodwill Acquired	Other Adjustments	June 30, 2024
Goodwill	\$ 3,984	\$ -	\$ -	\$ 3,984

Intangible assets consisted of the following:

	June 30, 2024	December 31, 2023	Estimated useful life (years)
Intangible assets:			
Website	\$ 100	\$ 100	2
Subscription services	150	150	8-15
Customer Relationships	8,200	8,200	15
Data Asset	140	140	4
Distributor relations	27	27	15
Intellectual property	40	40	Indefinite
Total intangible assets	8,657	8,657	
Accumulated amortization	(1,537)	(1,246)	
Intangible assets, net	\$ 7,120	\$ 7,411	

Amortization expense for finite-lived intangible assets was \$145 and \$291 for the three and six months ended June 30, 2024 and 2023. The amortization expense in all periods was related to acquired intangible assets in connection with the Blue Sky Data Corp acquisition, which closed in May 2022. No impairment charges were recorded to goodwill or intangible assets during the three and six months ended June 30, 2024 and 2023.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Note 9. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	June 30, 2024	December 31, 2023
Payroll and employee withholdings	\$ 5,990	\$ 9,765
Accrued operating expenses	2,348	2,248
Current operating lease liabilities	2,104	2,052
Total accrued expenses and other current liabilities	\$ 10,442	\$ 14,065

Payroll and employee withholdings primarily consisted of accrued discretionary bonus, discretionary employer 401(k) contribution, vacation, and sales commissions. The balance of payroll and employee withholdings as of December 31, 2023 represents a full year of accrual, which was paid out in January and February 2024.

Note 10. Stock-Based Compensation

OTC Markets Group grants stock options to employees and certain consultants and restricted stock awards ("RSAs") to certain employees and consultants, as well as directors. The grant date fair value of each stock option is estimated using the Black-Scholes option pricing model and is then amortized into compensation and benefits expense on a straight-line basis over the requisite service period, which is generally the vesting period. The grant date fair value of each RSA is based on the closing stock price on the day prior to the grant date. These charges are included in compensation and benefits expense and, in respect of compensation for the Company's Board of Directors, professional and consulting fees on the unaudited interim Condensed Consolidated Statements of Income.

Stock Options

A summary of the Company's stock option activity for the six months ended June 30, 2024 is as follows:

(in thousands, except W/A exercise price)	Stock options	Weighted-average exercise price	Aggregate intrinsic value	Remaining contractual term (years)
Outstanding, January 1, 2024	796	\$ 47.38	\$ 7,547	7.50
Granted	103	52.39	7	
Exercised	(43)	28.22	1,254	
Forfeited	(52)	54.40	196	
Outstanding, June 30, 2024	804	\$ 48.59	\$ 4,234	7.45
Exercisable, June 30, 2024	302	\$ 39.89	\$ 3,630	5.69

The Company recognized compensation expense related to stock options, net of estimated forfeitures, of \$503 and \$475 for the three months ended June 30, 2024 and 2023, respectively, and \$963 and \$922 for the six months ended June 30, 2024 and 2023, respectively. Management has estimated forfeiture rates of 5% for stock options granted to management and 21% for stock options granted to other employees. Such charges are included in compensation and benefits expenses on the unaudited interim Condensed Consolidated Statements of Income.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

As of June 30, 2024, unrecognized compensation cost related to non-vested stock options was \$5,969, which will be recognized over approximately 3.7 years.

Restricted Stock Awards

A summary of the Company's RSA activity for the six months ended June 30, 2024 is as follows:

(in thousands, except W/A fair value)	Restricted stock	Weighted-average fair value	Aggregate intrinsic value
Outstanding, January 1, 2024	263	\$ 48.88	\$ 14,722
Granted	84	57.56	4,857
Vested	(91)	43.92	5,221
Forfeited	(7)	55.01	379
Outstanding, June 30, 2024	249	\$ 53.43	\$ 12,177

The Company recognized compensation expense related to RSAs, net of estimated forfeitures, of \$931 and \$873 for the three months ended June 30, 2024 and 2023, respectively, and \$2,250 and \$1,956 for the six months ended June 30, 2024 and 2023, respectively. Management has estimated forfeiture rates of 6% for RSAs granted to management and 10% for RSAs granted to other employees. In addition, the Company recognized professional fees of \$62 and \$45 for the three months ended June 30, 2024 and 2023, and \$109 and \$90 for the six months ended June 30, 2024 and 2023, respectively, related to the issuance of RSAs to the Board of Directors.

As of June 30, 2024, unrecognized compensation cost related to non-vested RSAs totaled \$10,597, which will be recognized over approximately 3.4 years.

Performance Unit Awards

In March 2022, OTC Markets Group's Board of Directors approved and authorized the award of Performance Units to certain employees under the Company's 2019 Equity Incentive Plan (the "Plan"). Under the Performance Unit Award agreements, the Company is obligated to deliver a variable number of Performance Units on a fixed monetary amount to certain eligible employees if the Company achieves defined Gross Revenue and Diluted Earnings Per Share targets within the defined performance periods. Each Performance Unit represents the right to receive the value of one share of Class A Common Stock of the Company and will be settled 50% in Class A Common Stock and 50% in cash upon vesting, subject to continued employment vesting requirements set forth in the Performance Unit Award agreements.

The liability-classified Performance Unit Awards are considered unearned until the issuance requirements are met and would be included in accrued expenses and other current liabilities in the Company's unaudited interim Condensed Consolidated Balance Sheets. As of June 30, 2024 and December 31, 2023, there was no accrued unrecognized compensation expense related to this obligation in accrued expenses and other current liabilities in the Company's unaudited interim Condensed Consolidated Balance Sheets because the Company determined, based on its financial results for the three and six months ended June 30, 2024 and the year ended December 31, 2023, that the performance objectives set forth in the Performance Unit Award agreements have not been met.

The maximum total compensation expense to be recognized under the Performance Unit Awards is \$2,508 if the performance objectives are met each performance year, which would result in the issuance of approximately 51,288 Performance Units, payable in 25,644 shares of Class A Common Stock and \$1,254 in cash, based on the closing share price of the Company's

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Class A Common Stock of \$48.90 on June 30, 2024. However, the actual number of Performance Units issued may fluctuate based on the share price at the date of settlement.

Note 11. Contingencies

Legal Matters

There are no current, past, pending, or threatened legal proceedings or administrative actions either by or against OTC Markets Group that could have a material effect on its business, financial condition, or operations. OTC Markets Group is not a party to any past or pending trading suspensions by a securities regulator.

In the ordinary course of business, the nature of the Company's business subjects it to claims, lawsuits, regulatory examinations or investigations, and other proceedings. OTC Link is regularly the subject of various regulatory reviews, inquiries, investigations, and subpoenas or requests for information by FINRA and the SEC. Where it is determined, in consultation with legal counsel based on litigation and settlement risks, that a loss is probable and estimable in a given matter, the Company establishes an accrual.

Since 2022, the Company has been in discussions with the SEC's Division of Enforcement regarding certain OTC Link policies and procedures related to the filing of Suspicious Activity Reports. These discussions have progressed towards settlement such that the Company has accrued \$1,200 in regulatory costs, included in accrued expenses and other current liabilities in the unaudited interim Condensed Consolidated Balance Sheets as of June 30, 2024 and December 31, 2023, reflecting the Company's current estimate of the reasonably probable cost to resolve this matter. The Company has not revised this estimate, and believes it is close to reaching a settlement with the SEC. However, as the settlement is not yet final and given the ongoing nature of this matter, it remains uncertain what the exact timing, amount, or terms of a resolution with the SEC will be. The Company does not believe that this matter will have a material adverse effect on its consolidated financial statements, results of operation, or liquidity; however, the amount of loss may differ from the Company's estimate and as such the Company cannot be sure of the ultimate impact on its business or financial statements. The Company has also recently responded to an information request from the SEC's Division of Enforcement regarding certain OTC Link policies and procedures related to Regulation Systems Compliance and Integrity (SCI). Given the nascent nature of the inquiry and related discussions, the Company cannot yet anticipate the timing, outcome, or possible impact of this inquiry, financial or otherwise.

Note 12. Stockholders' Equity

Common Stock

The Company has one class of shares, Class A Common Stock, outstanding. Holders of Class A Common Stock, which include holders of unvested RSAs, are entitled to receive such dividends and other distributions in cash or stock of any corporation or property of the Company, as may be authorized and declared by the Board of Directors from time to time out of the assets or funds of the Company legally available for the payment of dividends. Upon the voluntary or involuntary liquidation, dissolution, or winding up of the Company, holders of Class A Common Stock are entitled to a pro rata share of the net assets of the Company available for distribution in proportion to the number of shares of Class A Common Stock held by each.

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

The Company is authorized to issue 17,000,000 shares of Class A Common Stock of \$0.01 par value. As of June 30, 2024, there were a total of 12,806,608 shares issued and 11,970,698 shares outstanding. As of December 31, 2023, there were a total of 12,716,135 shares issued and 11,931,366 shares outstanding.

Treasury Stock

In August 2011, the Board of Directors authorized the Company to repurchase up to 300,000 shares of Class A Common Stock in compliance with Rule 10b-18 under the Securities Exchange Act of 1934 (the "Exchange Act"). On March 4, 2024, the Board of Directors refreshed the Company's stock repurchase program, authorizing the repurchase of up to 300,000 shares of Class A Common Stock.

During the six months ended June 30, 2024, the Company repurchased 51,141 shares of Class A Common Stock at an average price of \$57.56 per share for a total of \$2,944. During the same prior year period, the Company repurchased 58,262 shares of Class A Common Stock at an average price of \$58.00 per share for a total of \$3,379. All repurchased shares are held in treasury. As of June 30, 2024, there are 300,000 shares remaining to be purchased.

Dividends

The Company declared and paid a quarterly cash dividend of \$0.18 per share of Class A Common Stock during each of the three months ended June 30, 2024 and 2023, totaling \$2,155 and \$2,145, respectively. The Company declared and paid cash dividends of \$0.36 per share of Class A Common Stock during each of the six months ended June 30, 2024 and 2023, totaling \$4,309 and \$4,290, respectively.

Equity Incentive Plan

The Company's Plan, as adopted by the Board of Directors on May 7, 2019, and approved by a vote of the Company's stockholders on December 19, 2019, provides for the grant of incentive stock options, non-statutory stock options, restricted stock, restricted stock units, stock appreciation rights, performance units and performance shares, and governs options awarded (see Note 10, *Stock-Based Compensation*). In each of November 2023 and 2022, the Board of Directors authorized an increase in the number of shares available for issuance under the Plan by 200,000 shares.

Note 13. Income Taxes

The Company's effective tax rates were 19.1% and 18.7% for the three months ended June 30, 2024 and 2023, respectively, and 16.3% and 15.0% for the six months ended June 30, 2024 and 2023, respectively. The rates reflect the inclusion of state and local income taxes at the federal statutory rate of 21%. The effective tax rates for the three and six months ended June 30, 2024 differed from the federal statutory rate primarily due to the recognition of the U.S. federal research and development credit, the impact of the Foreign-Derived Intangible Income deduction available pursuant to provisions of the Tax Cuts and Jobs Act, and the impact of excess tax benefits from stock-based compensation. During the six months ended June 30, 2024 and 2023, the Company recognized an income tax benefit related to the excess tax benefit on stock-based compensation of \$541 and \$842, respectively.

As required by the uncertain tax position guidance in ASC Topic 740, the Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

the largest benefit that has a greater than 50 percent likelihood of being realized upon settlement with the relevant tax authority. The gross amount of unrecognized tax benefits as of June 30, 2024 and December 31, 2023 was \$606 and \$568, respectively, and was classified in income tax reserve in the unaudited interim Condensed Consolidated Balance Sheets. It is not reasonably possible that any unrecognized tax benefits will reverse within the next twelve months from settlements with taxing authorities.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of tax expense. The Company recognized interest and penalties of \$22 for the three months ended June 30, 2024 and \$33 for the six months ended June 30, 2024. The Company recognized interest and penalties of \$17 for the three months ended June 30, 2023 and \$20 for the six months ended June 30, 2023, respectively. Interest and penalties accrued as of June 30, 2024 and December 31, 2023 were \$243 and \$210, respectively.

Note 14. Earnings Per Share

The Company calculates earnings per share pursuant to the two-class method, which is an earnings allocation formula that determines earnings per share for common stock and participating securities according to dividends declared and participation rights in undistributed earnings. Under this method, all earnings (distributed and undistributed) are allocated to common shares and participating securities based on their respective rights to receive dividends. RSAs granted to employees, consultants, and directors (see Note 10, *Stock-Based Compensation*) participate in dividends on the same basis as common shares and such dividends are nonforfeitable by the holder. As a result, these RSAs meet the definition of a participating security.

The tables below present the calculations of earnings per share under the two-class method:

Basic Earnings per common share

(in thousands, except shares and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income available to common shareholders	\$ 6,733	\$ 6,960	\$ 12,717	\$ 13,279
Less: Undistributed earnings allocated to unvested RSAs	(95)	(106)	(175)	(198)
Less: Dividend equivalents on unvested RSAs	(45)	(47)	(90)	(94)
Net income allocated to common shareholders	<u>\$ 6,593</u>	<u>\$ 6,807</u>	<u>\$ 12,452</u>	<u>\$ 12,987</u>
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	<u>11,723,459</u>	<u>11,657,736</u>	<u>11,714,421</u>	<u>11,650,393</u>
Basic earnings per share	\$ 0.56	\$ 0.58	\$ 1.06	\$ 1.11

OTC MARKETS GROUP INC.

Notes to Unaudited Condensed Consolidated Financial Statements (continued)

(in thousands, except share and per share information)

Diluted Earnings per common share

(in thousands, except shares and per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2024	2023	2024	2023
Net income available to common shareholders	\$ 6,733	\$ 6,960	\$ 12,717	\$ 13,279
Less: Undistributed earnings allocated to unvested RSAs	(94)	(104)	(173)	(194)
Less: Dividend equivalents on unvested RSAs	(45)	(47)	(90)	(94)
Net income allocated to common shareholders	<u>\$ 6,594</u>	<u>\$ 6,809</u>	<u>\$ 12,454</u>	<u>\$ 12,991</u>
Shares of common stock and common stock equivalents				
Weighted-average common shares outstanding	11,723,459	11,657,736	11,714,421	11,650,393
Dilutive effect of employee stock options and RSAs	114,994	197,026	131,919	208,319
Weighted-average shares used in diluted computation	<u>11,838,453</u>	<u>11,854,762</u>	<u>11,846,340</u>	<u>11,858,712</u>
Diluted earnings per share	\$ 0.56	\$ 0.57	\$ 1.05	\$ 1.10

Note 15. Regulatory Authorities

OTC Link LLC is a U.S. registered broker-dealer and is subject to the net capital requirements of Rule 15c3-1 under the Exchange Act. Rule 15c3-1 requires the maintenance of net capital, as defined, which shall be the greater of \$5 or 6-2/3% of aggregate indebtedness, as defined. OTC Link LLC's regulatory net capital as of June 30, 2024 and December 31, 2023 was \$1,566 and \$2,242, respectively, which exceeded the minimum net capital requirement by \$1,281 and \$1,919, respectively.

Note 16. Subsequent Events

For purposes of disclosure in the unaudited interim condensed consolidated financial statements, the Company has evaluated subsequent events through August 7, 2024, the date the financial statements were available to be issued.

On August 6, 2024, the Board of Directors authorized and approved a quarterly cash dividend of \$0.18 per share of Class A Common Stock. The quarterly cash dividend is payable on September 19, 2024, to stockholders of record as of September 5, 2024. The ex-dividend date is September 4, 2024.

EXHIBIT 9.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

I, R. Cromwell Coulson, Chief Executive Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ R. Cromwell Coulson

R. Cromwell Coulson
Chief Executive Officer

August 7, 2024

Date

EXHIBIT 9.2

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

I, Antonia Georgieva, Chief Financial Officer of OTC Markets Group Inc., certify that:

1. I have reviewed this Quarterly Report of OTC Markets Group Inc.;
2. Based on my knowledge, this Quarterly Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Quarterly Report; and
3. Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this Quarterly Report, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this Quarterly Report.

/s/ Antonia Georgieva
Antonia Georgieva
Chief Financial Officer

August 7, 2024
Date