



OTC Markets Group Inc.

First Quarter 2021 Earnings Presentation

May 6, 2021

OTCMarkets

OTCQX: OTCM

Earnings Call Agenda

I. Strategic Overview

II. Financial Review:
Q1 2021 Results

III. Q&A



Cromwell Coulson
President, Chief Executive Officer



Antonia Georgieva
Chief Financial Officer



Dan Zinn
General Counsel

This conference call and presentation materials may contain forward-looking statements about the Company's future plans, expectations, and objectives concerning, but not limited to, the Company's expected financial results for 2021. Words such as may, will, expect, intend, anticipate, plan, believe, could, estimate, and variations of these words and similar expressions are intended to identify as forward-looking statements. These forward-looking statements are not historical facts and are subject to risks and uncertainties that could cause the actual results to differ materially from those predicted in these forward-looking statements. These risks and uncertainties could include, but are not limited to, the risk factors described in the Risk Factors section of the Company's Annual Report for the year ended December 31, 2020. The Company does not intend and undertakes no obligation to update its forward-looking statements to reflect future events or circumstances.

In addition to disclosing results prepared in accordance with GAAP, the Company also discloses certain non-GAAP results of operations, including adjusted EBITDA and adjusted diluted earnings per share that either exclude or include amounts that are described in the reconciliation table of GAAP to non-GAAP information provided at the end of our first quarter 2021 earnings press release. The Non-GAAP financial measures do not replace and are not superior to the presentation of GAAP financial results but are provided to improve overall understanding of the Company's current financial performance. Management believes that this non-GAAP information is useful to both management and investors regarding certain additional financial and business trends related to the operating results. Management uses this non-GAAP information, along with GAAP information, in evaluating its historical operating performance.

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

**Connecting
Brokers**

**Organizing
Markets**

**Informing
Investors**

Mission

To create better informed and more efficient financial markets

Strategy

We share information widely through open networks that foster transparency

Connect broker-dealers, organize markets and inform investors; and

Deliver elegant, reliable and cost-effective subscription-based technology solutions

Our Regulated Alternative Trading Systems

OTCLinkATS

OTCLinkECN

OTCLinkNQB

Network-based

Matching Engine

Matching Engine

Fully-attributable

Anonymous

Fully-attributable

Negotiated

Maker / Taker

Maker / Taker

Regulatory & Legislative Developments

SEC Amendments to Rule 15c2-11 (Sept. 2020)

The SEC adopted amendments to Rule 15c2-11, which governs quoting on our OTC Link ATS. Key changes include:

- **Current Information Requirements:**
Companies will need to make current information publicly available to be eligible for continued public quoting, absent limited exemptions.
- **OTC Link ATS as a “Qualified IDQS”:**
Brokers can now rely on our current information designations, streamlining the process and ability of companies to come onto our markets.

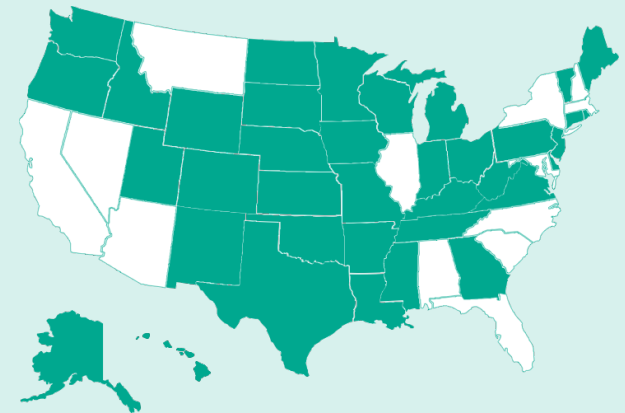
OTC Link ATS, our broker-dealer subscribers, and companies on our markets must comply with the amended rule by September 2021.

A proposed exemptive order for an Expert Market awaits final SEC approval.

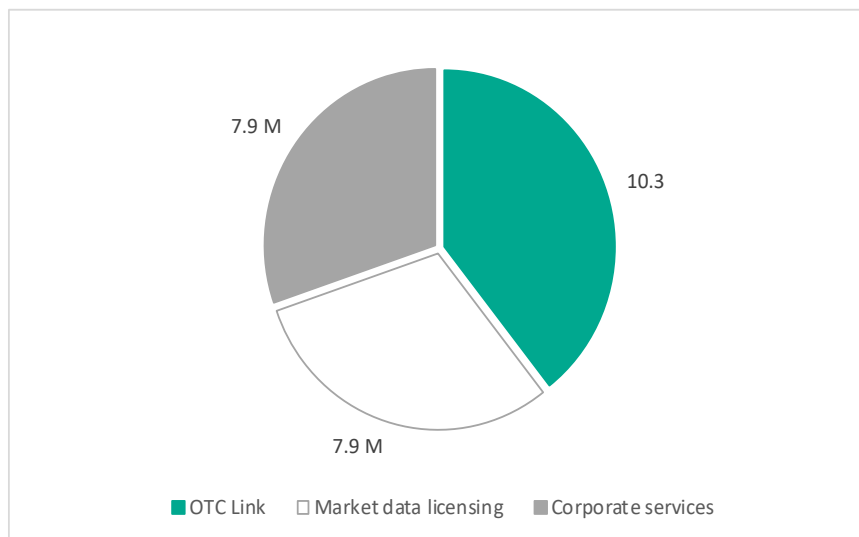
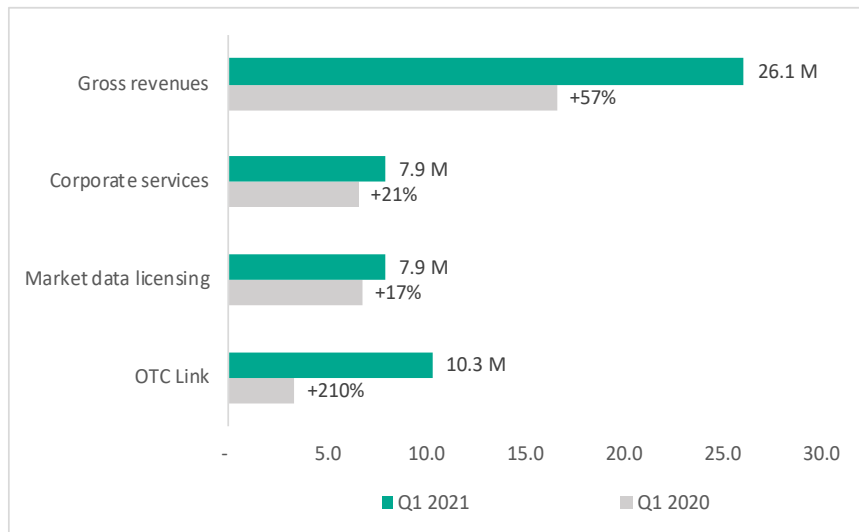
FINRA Proposed Rule 6439 and Retirement of OTCBB (Sept. 2020)

FINRA filed a proposed rule seeking to cease operating the OTC Bulletin Board® Service and enhance regulatory obligations applicable to interdealer quotation systems such as our OTC Link ATS.

Blue Sky Exemptions in 37 States for OTCQX and 33 states for OTCQB



Q1 2021 Revenues



**82 ECN
Subscribers
Connected**

+21 vs PYQ

**ECN Revenues
6.7M**

vs 0.7M in the PYQ

**# Pro Users
24,404
+9%**

**# Non-Pro Users
27,814, +138%**

**46 users of our
Compliance
Products**

+15% in YoY
Related Revenues

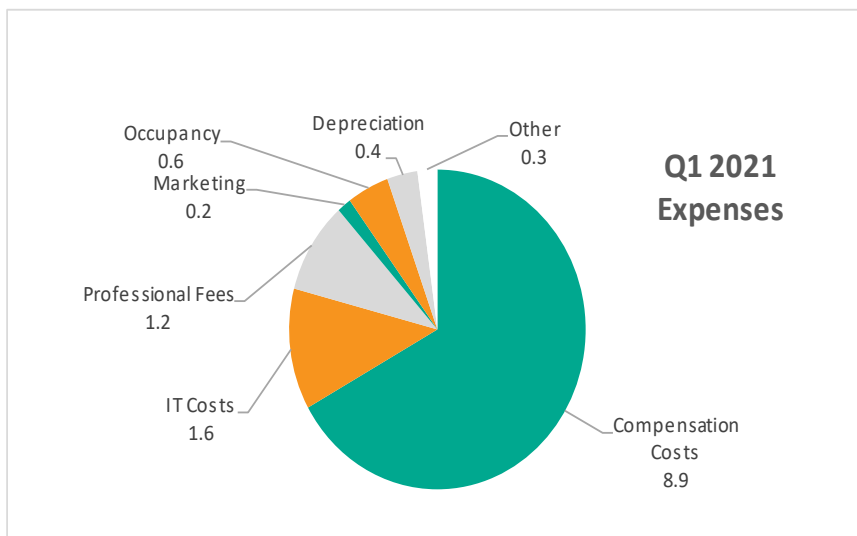
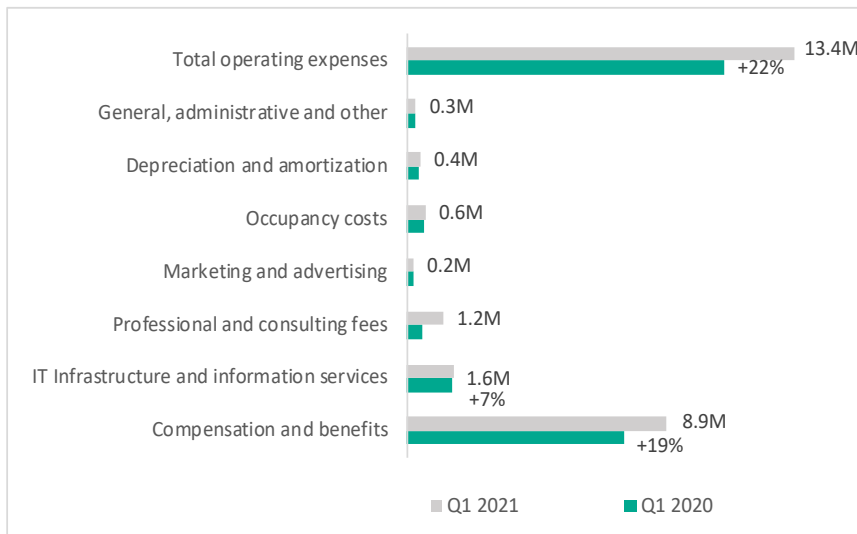
**# of OTCQX
Companies
482**

Versus 414 at the
PYQ

**# of OTCQB
companies
962**

Versus 893 at the
PYQ

Q1 2021 Expenses



**OpEx (ex DEPR)
as % of Gross
Revenue**

50%

vs 64%
for the PYQ

**Operating
Margin**

33.2%

vs 28.2%
for the PYQ

**Compensation as
% of Gross
Revenues**

34%

vs 45%
for the PY

Headcount

+1

~4% Annual Base
Salary Increase

Q1 2021 Highlights

Gross Revenues
26.1M
+57%

Operating Expenses 13.4M
+22%

17th consecutive Quarter of Revenue Growth

Compensation Expenses +19%

FY Effective Tax Rate of
18.8%

vs 14.3% PYQ

Adjusted EBITDA
9.9M
+70%

\$0.82
per Diluted Share

Operating Income
8.4M
+88%

Operating Margin
+500 bps

Net Income
6.8M
+77%

Fully Diluted GAAP EPS
\$0.57

Cash Flow from Operations
3.6M

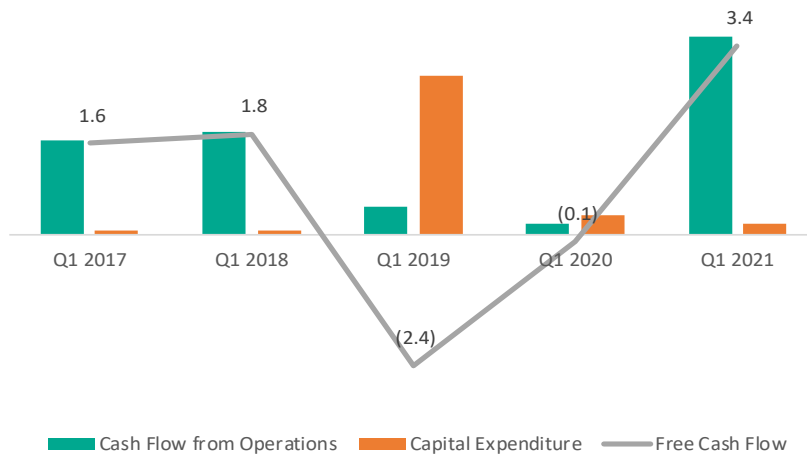
vs 200k PYQ

Cash used in investing activities of 180k

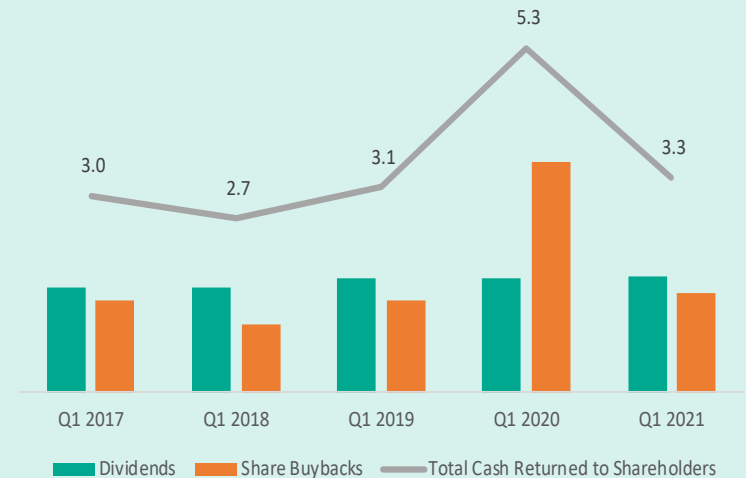
Cash Returned to Shareholders
3.3M

vs 5.3M PYQ

Cash Flows And Capital Allocation Strategy



Invest in products and technologies that will deliver long term sustainable growth in earnings and free cash flow per share



Grow shareholder returns and utilize buybacks to reduce the dilutive impact of our equity compensation program

The background is a solid teal color. On the left side, there is a thin white vertical line. In the center, the text "Questions & Answers" is written in a white, bold, sans-serif font. The background also features a faint, semi-transparent image of a city skyline, likely New York City, with the Empire State Building being the most prominent structure. The skyline is reflected in the water at the bottom of the image.

Questions & Answers

Q1 2021 Highlights

- Strong quarterly results driven by market volumes and robust sales
 - Gross revenue up 57%
 - Net Income up 77%
- Unprecedented volumes on our OTC Link[®] ATS and OTC Link ECN
 - >10x increase in average trades per day vs. Q1 2020
 - +9 new ECN subscribers for a total of 82
 - Quarter over quarter revenue up 210%
- Record pace of new OTCQX and OTCQB sales:
 - 52 OTCQX and 83 OTCQB companies joining
- Hosted 7 Virtual Investor Conferences[®]
- Continued growth of pro and non-pro users of our market data
 - 138% increase in non-professional users



Appendix

(in thousands, except share and per share information)	Three Months Ended March 31,		% change
	2021	2020	
OTC Link	\$ 10,282	\$ 3,320	210%
Market data licensing	7,899	6,745	17%
Corporate services	7,895	6,539	21%
Gross revenues	26,076	16,604	57%
Redistribution fees and rebates	(741)	(701)	6%
Net revenues	25,335	15,903	59%
Transaction-based expenses	(3,539)	(438)	708%
Revenues less transaction-based expenses	21,796	15,465	41%
Operating expenses			
Compensation and benefits	8,946	7,487	19%
IT Infrastructure and information services	1,638	1,533	7%
Professional and consulting fees	1,242	490	153%
Marketing and advertising	205	242	-15%
Occupancy costs	613	557	10%
Depreciation and amortization	444	414	7%
General, administrative and other	289	259	12%
Total operating expenses	13,377	10,982	22%
Income from operations	8,419	4,483	88%
Other income			
Other income, net	5	16	-69%
Income before provision for income taxes	8,424	4,499	87%
Provision for income taxes	1,586	644	146%
Net Income	\$ 6,838	\$ 3,855	77%
Earnings per share			
Basic	\$ 0.58	\$ 0.33	76%
Diluted	\$ 0.57	\$ 0.32	78%
Basic weighted average shares outstanding	11,506,875	11,415,322	1%
Diluted weighted average shares outstanding	11,710,262	11,672,767	0%

Income Statement Summary

(in thousands)	March 31, 2021	December 31, 2020	Net Change
Assets			
Cash and cash equivalents	\$ 33,512	\$ 33,765	\$ (253)
Accounts receivable, net of allowance for credit losses of \$228 and \$194	9,500	6,609	2,891
Other Current Assets	1,478	1,731	(253)
Total current assets	44,490	42,105	2,385
Property and equipment, net	5,083	5,367	(284)
Other Assets	17,170	17,338	(168)
Total Assets	\$ 66,743	\$ 64,810	\$ 1,933
Liabilities and stockholders' equity			
Current liabilities	\$ 27,905	\$ 29,997	\$ (2,092)
Other Liabilities	15,059	15,267	(208)
Total Liabilities	42,964	45,264	(2,300)
Total Stockholders' Equity	23,779	19,546	4,233
Total Liabilities and Stockholders' Equity	\$ 66,743	\$ 64,810	\$ 1,933

Balance Sheet Summary

	Three Months Ended March 31,				
(in thousands)	2021	2020	2019	2018	2017
Cash Flow from Operations	3,566	200	481	1,857	1,690
Capital Expenditure	(180)	(344)	(2,861)	(55)	(62)
Free Cash Flow	\$ 3,386	\$ (144)	\$ (2,380)	\$ 1,802	\$ 1,628
Dividends Paid	(1,765)	(1,748)	(1,743)	(1,611)	(1,599)
Share Buybacks	(1,522)	(3,520)	(1,390)	(1,047)	(1,408)
Other	(320)	(151)	(928)	(87)	(172)
Uses of free cash flow	(3,607)	(5,419)	(4,061)	(2,745)	(3,179)
Net change in cash, cash equivalents, and restricted cash	(221)	(5,563)	(6,441)	(943)	(1,551)

Cash Flow Summary

(in thousands, except share and per share information)	Three Months Ended March 31,		% change
	2021	2020	
Net Income	\$ 6,838	\$ 3,855	77%
Excluding:			
Interest Income	-	(16)	-100%
Provision for income taxes	1,586	644	146%
Depreciation and amortization	444	414	7%
Stock-based compensation expense	1,002	910	10%
Adjusted EBITDA	<u>\$ 9,870</u>	<u>\$ 5,807</u>	70%
Adjusted diluted earnings per share	\$ 0.82	\$ 0.49	67%

Note: We use non-GAAP financial measures of operating performance. Non-GAAP measures do not replace and are not superior to the presentation of our GAAP financial results, but are provided to improve overall understanding of the Company's current financial performance.

Reconciliation of GAAP to Non-GAAP Results