



# OTC Markets Group Inc.

FOURTH QUARTER AND FULL YEAR 2017 RESULTS

March 7, 2018

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# EARNINGS CALL AGENDA

- **Strategic Overview**
- **Financial Review: Q4 and Full Year**
- **Q&A**

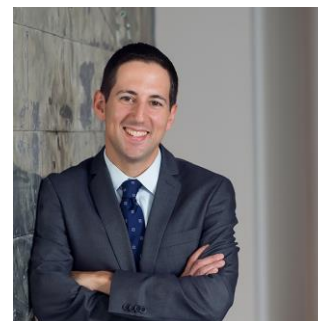
## **Senior Leadership:**



**Cromwell Coulson**  
**President, Chief  
Executive Officer**



**Bea Ordonez**  
**Chief Financial Officer**



**Dan Zinn**  
**General Counsel**

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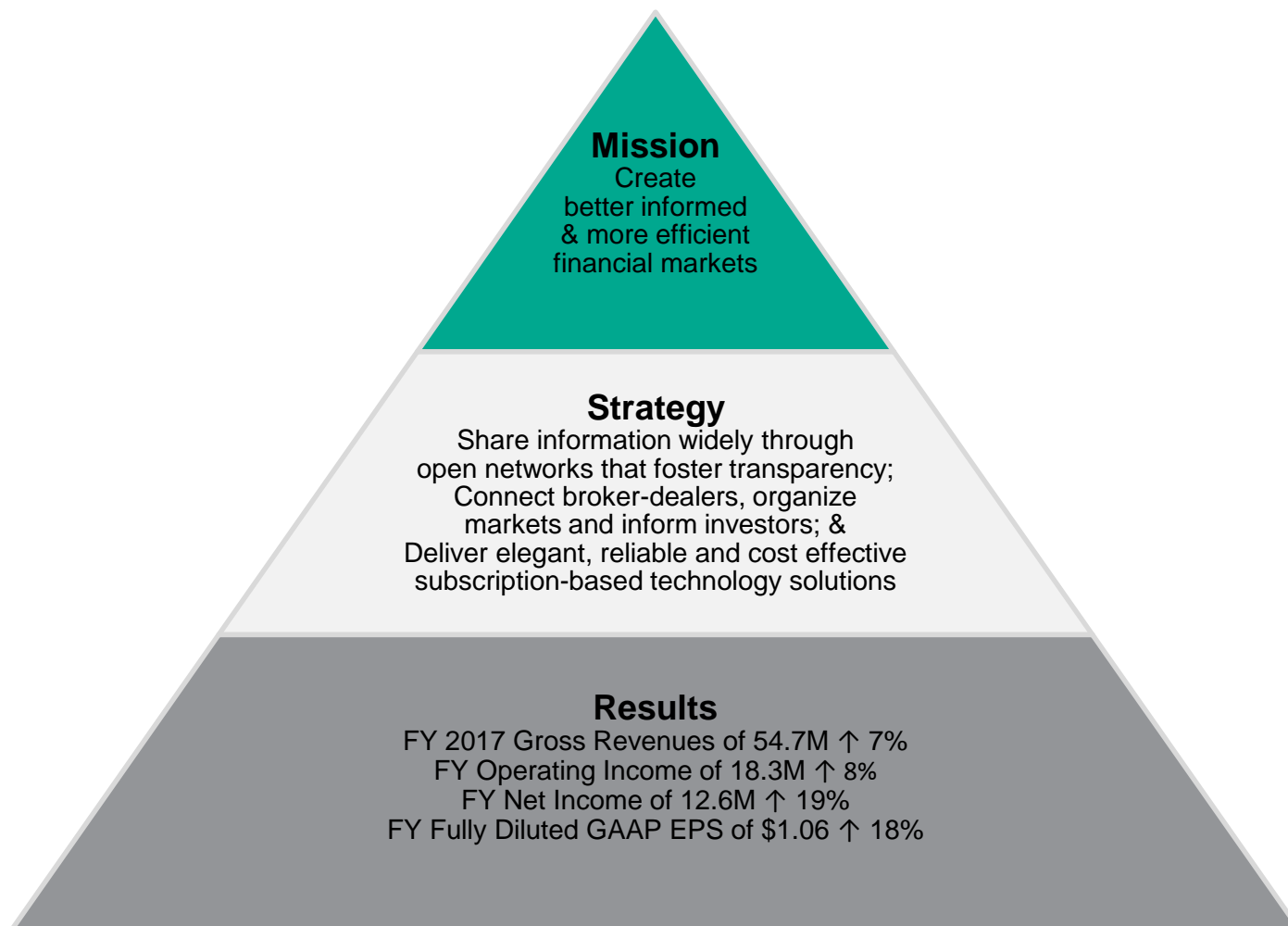
# CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

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 2018. 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, 2017. 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 second quarter 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.

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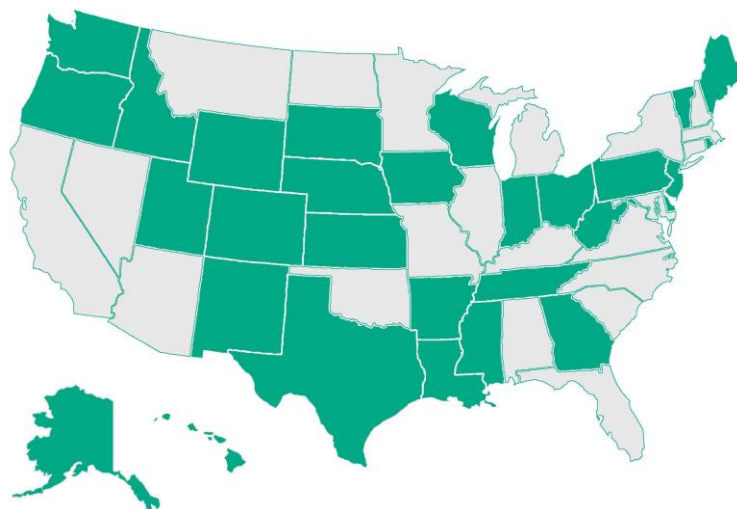
# CONNECTING BROKERS, ORGANIZING MARKETS, INFORMING INVESTORS



# REGULATORY & LEGISLATIVE DEVELOPMENTS

## Blue Sky Recognition

29 States now recognize our OTCQX Market for purposes of secondary trading exemptions from Blue Sky registration



OTCMarkets

OTCQX® & OTCQB®  
ARE ESTABLISHED  
PUBLIC MARKETS

Alaska  
Arkansas  
California  
Colorado  
Delaware  
Georgia  
Hawaii  
Idaho (OTCQX only)  
Indiana  
Iowa  
Kansas (OTCQX only)  
Louisiana  
Maine  
Mississippi  
Nebraska  
New Jersey  
New Mexico  
Ohio  
Oregon  
Pennsylvania  
Rhode Island  
South Dakota  
Tennessee  
Texas  
Utah  
Vermont (OTCQX only)  
Washington  
West Virginia  
Wisconsin  
Wyoming

## Improving Access to Capital Bill (H.R. 2864)

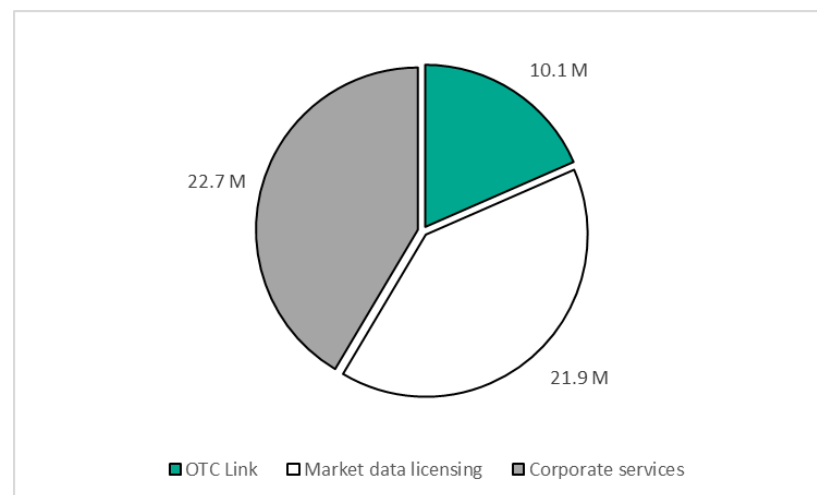
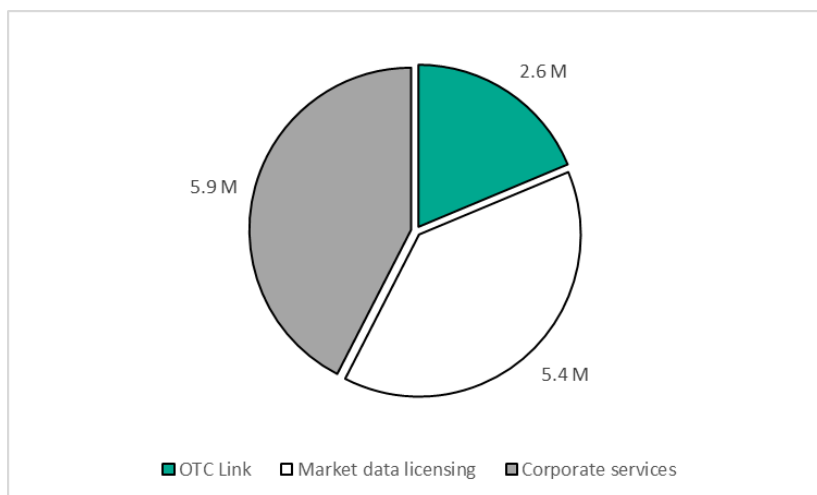
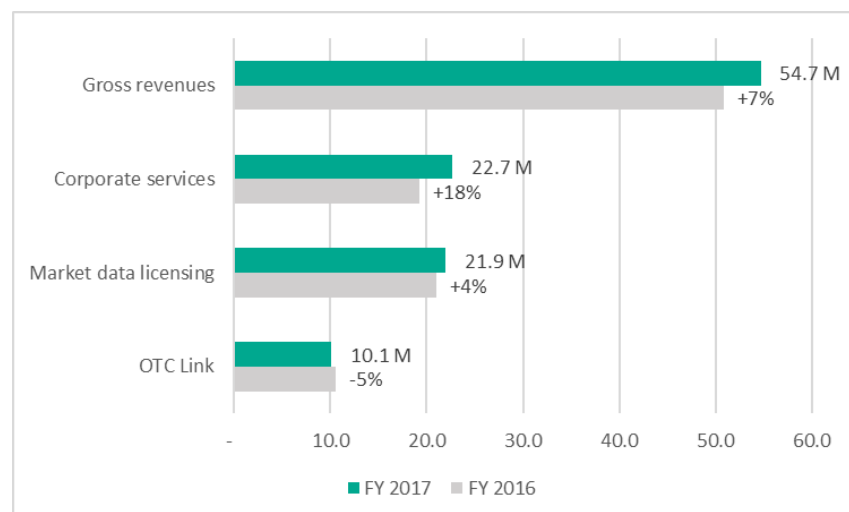
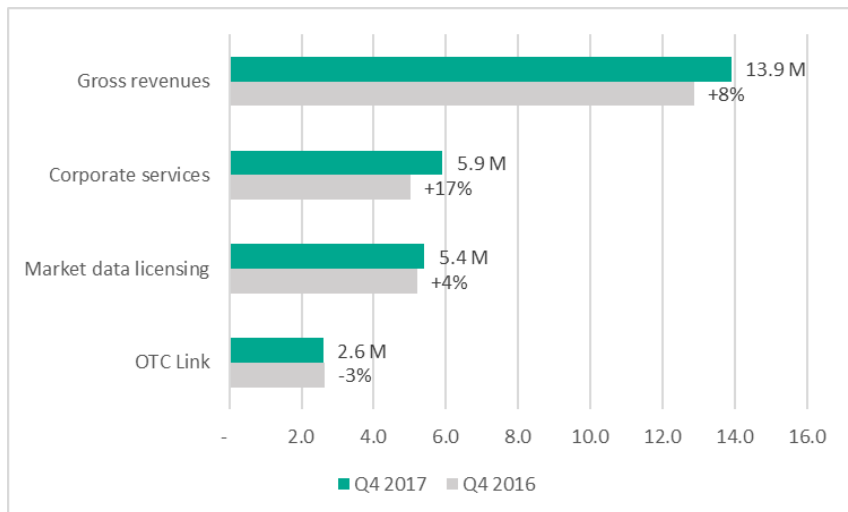
- Expand Regulation A+ to allow SEC reporting companies the opportunity to take part in this important form of online capital raising
- On September 5, 2017, the bipartisan bill passed in the House of Representatives with a vote of 403 to 3
- Working toward a Senate companion bill in 2018

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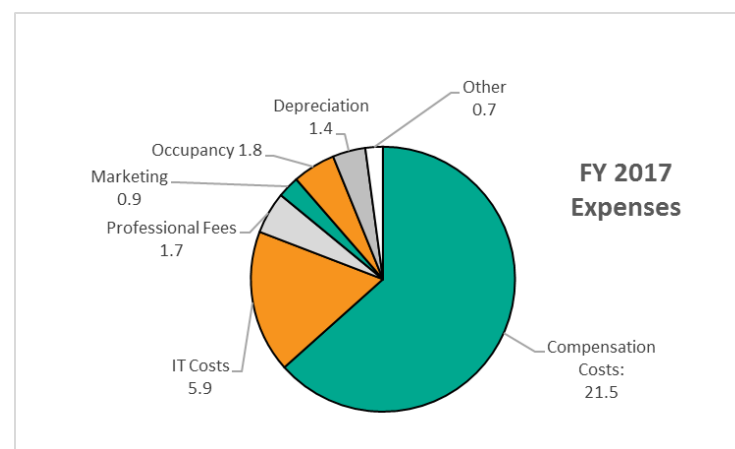
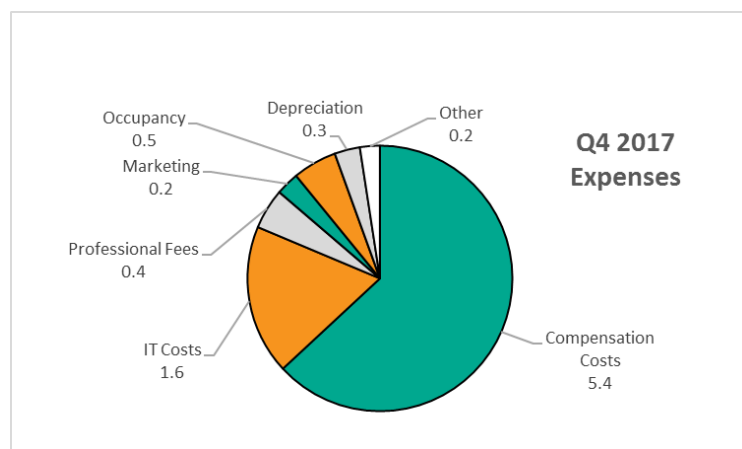
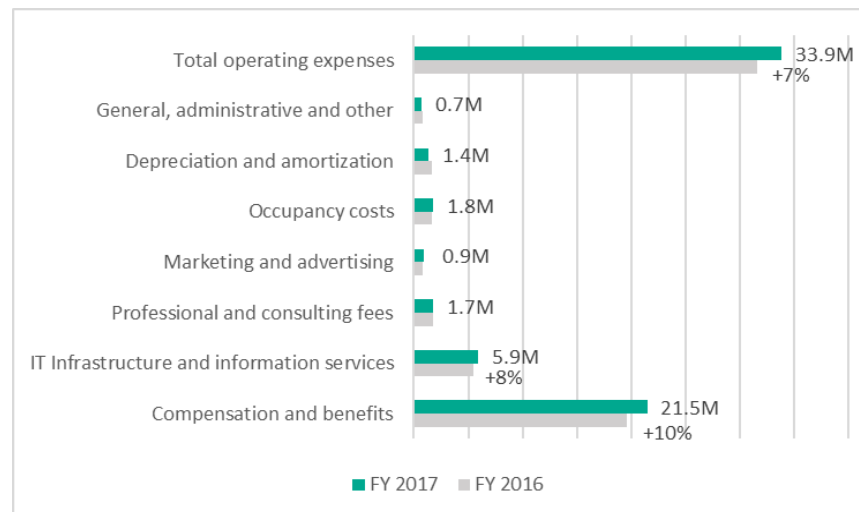
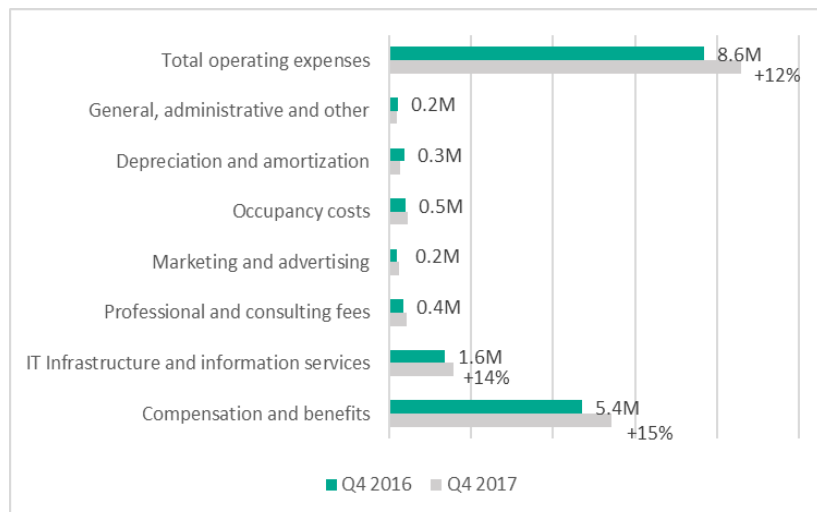
# 2017 HIGHLIGHTS

- Celebrated 10 Year Anniversary of OTCQX
- Announced strategic alliances with Issuer Direct and the Canadian Securities Exchange
- Enhanced market transparency through new Stock Promotion Policy
- Continued to expand the Transfer Agent Shares Verification Program
- Launched OTC Link ECN
- Introduced new Execution Quality product

# Q4 AND FULL YEAR REVENUES



# Q4 AND FULL YEAR OPERATING EXPENSES





# Q4 AND FULL YEAR HIGHLIGHTS

**Q4 Gross  
Revenues**  
**13.9M**

**+8%**

**FY Gross  
Revenues**  
**54.7M**

**+7%**

**Q4 Operating  
Income**  
**4.7M**

**+1%**

**FY Operating  
Income**  
**18.3M**

**+8%**

**Q4 Net Income**  
**2.9M**

**+8%**

**FY Net Income**  
**12.6M**

**+19%**

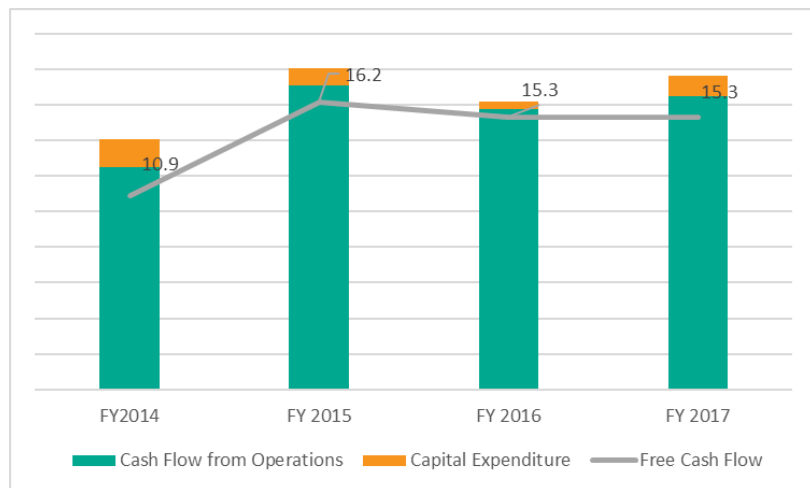
**FY Fully Diluted  
GAAP EPS**  
**\$1.06**

**+18%**

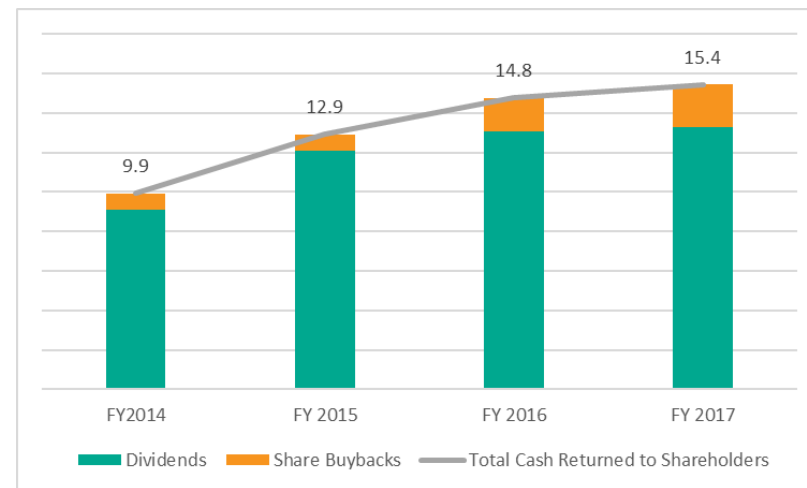
**FY Cash Returned  
to Shareholders**  
**15.4M**

**+5%**

# 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

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# Q&A

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# APPENDIX

# INCOME STATEMENT SUMMARY

(in thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
OTC Link	\$ 2,546	\$ 2,631	\$ 10,075	\$ 10,573
Market data licensing	5,445	5,218	21,922	21,054
Corporate services	5,898	5,029	22,659	19,254
<b>Gross revenues</b>	<b>13,889</b>	<b>12,878</b>	<b>54,656</b>	<b>50,881</b>
<b>Net revenues</b>	<b>13,243</b>	<b>12,295</b>	<b>52,176</b>	<b>48,565</b>
Compensation and benefits	5,421	4,720	21,481	19,591
IT Infrastructure and information services	1,565	1,376	5,895	5,470
Professional and consulting fees	424	356	1,732	1,732
Marketing and advertising	244	210	902	848
Occupancy costs	462	412	1,776	1,625
Depreciation and amortization	267	392	1,361	1,606
General, administrative and other	209	217	725	766
<b>Total operating expenses</b>	<b>8,592</b>	<b>7,683</b>	<b>33,872</b>	<b>31,638</b>
Income from operations	4,651	4,612	18,304	16,927
<b>Income before provision for income taxes</b>	<b>4,657</b>	<b>4,614</b>	<b>18,351</b>	<b>16,935</b>
<b>Net Income</b>	<b>\$ 2,915</b>	<b>\$ 2,693</b>	<b>\$ 12,559</b>	<b>\$ 10,528</b>
Diluted earnings per share	\$ 0.24	\$ 0.23	\$ 1.06	\$ 0.90
Adjusted diluted earnings per share	\$ 0.45	\$ 0.46	\$ 1.82	\$ 1.73
Diluted weighted average shares outstanding	11,614,683	11,370,655	11,566,086	11,339,603

# BALANCE SHEET SUMMARY

	December 31,		
(in thousands)	2017	2016	Net Change
Assets			
Cash	\$ 23,683	\$ 25,034	\$ (1,351)
Accounts receivable, net of allowance for doubtful accounts of \$146 and \$145	6,450	6,262	188
Other Current Assets	2,316	1,681	635
Total current assets	32,449	32,977	(528)
Property and equipment, net	2,018	2,279	(261)
Other Assets	1,850	1,387	463
Total Assets	\$ 36,317	\$ 36,643	\$ (326)
Liabilities and stockholders' equity			
Current liabilities	\$ 21,175	\$ 20,036	\$ 1,139
Other Liabilities	1,351	1,101	250
Total Liabilities	22,526	21,137	1,389
Total Stockholders' Equity	13,791	15,506	(1,715)
Total Liabilities and Stockholders' Equity	\$ 36,317	\$ 36,643	\$ (326)

# CASH FLOW SUMMARY

(in thousands)	2017	2016	2015	2014
Cash Flow from Operations	16,483	15,740	17,107	12,473
Capital Expenditure	(1,165)	(415)	(940)	(1,582)
<b>Free Cash Flow</b>	<b>\$ 15,318</b>	<b>\$ 15,325</b>	<b>\$ 16,167</b>	<b>\$ 10,891</b>
Dividends Paid	(13,262)	(13,059)	(12,094)	(9,109)
Share Buybacks	(2,176)	(1,714)	(817)	(832)
Other	(749)	557	397	386
<b>Uses of free cash flow</b>	<b>(16,187)</b>	<b>(14,216)</b>	<b>(12,514)</b>	<b>(9,555)</b>
Net change in cash	(869)	1,109	3,653	1,336

# RECONCILIATION OF GAAP TO NON GAAP RESULTS

(in thousands)	Three Months Ended December 31,		Year Ended December 31,	
	2017	2016	2017	2016
<b>Net Income</b>	\$ 2,915	\$ 2,693	\$ 12,559	\$ 10,528
Excluding:				
Interest Income	(9)	(3)	(21)	(2)
Provision for income taxes	1,742	1,921	5,792	6,407
Depreciation and amortization	267	392	1,361	1,606
Stock-based compensation expense	454	372	1,913	1,646
<b>Adjusted EBITDA</b>	<u>\$ 5,369</u>	<u>\$ 5,375</u>	<u>\$ 21,604</u>	<u>\$ 20,185</u>
Adjusted diluted earnings per share	\$ 0.45	\$ 0.46	\$ 1.82	\$ 1.73