

Edgar Filing: CBOT HOLDINGS INC - Form 425

CBOT HOLDINGS INC
Form 425
June 28, 2007

Filed by Chicago Mercantile Exchange Holdings Inc. pursuant
to Rule 425 under the Securities Act of 1933, as amended, and
deemed filed pursuant to Rule 14a-6 under the
Securities Exchange Act of 1934, as amended.

Subject Company: CBOT Holdings, Inc.

Subject Company's Commission File No.:001-32650

The Best Combination
June 28, 2007

2

Discussion of Forward-Looking Statements

Forward-Looking Statements

This presentation may contain forward-looking information regarding Chicago Mercantile Exchange Holdings Inc. and CBOT company after the completion of the merger that are intended

to
be
covered
by
the
safe
harbor
for
forward-looking

statements
provided
by
the
Private
Securities
Litigation
Reform
Act
of
1995.

These
statements
include,
but
are

not limited to, the benefits of the business combination transaction involving CME and CBOT,
including future financial and operating results, the new company's plans, objectives, expectations and intentions and other statements.
Such statements are based on current beliefs, expectations, forecasts and assumptions of CME and CBOT's management which
which
could
cause
actual
outcomes
and
results
to
differ
materially
from
these
statements.

Other
risks
and
uncertainties
relating
to
the
proposed
transaction

include,

but are not limited to, the satisfaction of conditions to closing, including receipt of shareholder, member, regulatory and other approvals; the proposed transaction may not be consummated on the proposed terms; uncertainty of the expected financial performance of the combined company after completion

of the proposed transaction;

The combined company may

not be able to achieve the

expected cost savings, synergies and

other strategic benefits

as a result

of the proposed transaction;

the integration of

CBOT's operations with

CME's may not

be successful or

may be materially

delayed or

may
be
more
costly
or
difficult
than
expected;
general
industry
and
market
conditions;

general domestic and international economic conditions; and governmental laws and regulations affecting domestic and foreign operations.

For more information regarding other related risks, see Item 1A of CME's Annual Report on Form 10-K for the fiscal year ended

recent

Quarterly

Report

on

Form

10-Q.

Copies

of

said

documents

are

available

online

at

<http://www.sec.gov>

or

on

request

from

the

CME.

You

should

not

place

undue

reliance on forward-looking statements, which speak only as of the date of this presentation. Except for any obligation to disclose

Federal

securities

laws,

CME

undertakes

no

obligation

to
release
publicly
any
revisions
to
any
forward-looking
statements
to
reflect
events
or
circumstances
after
the date of this presentation.

Additional Information

CME and CBOT have filed a definitive joint proxy statement/prospectus and a supplement thereto with the SEC in connection with the proposed transaction. This document is not a substitute for the definitive joint proxy statement/prospectus, as supplemented, or any other documents CME or CBOT have filed with the SEC. Investors and security holders are urged to read the definitive joint proxy statement/prospectus, as supplemented, and any other documents filed by CME or CBOT because they contain or will contain important information about the proposed transaction. The definitive joint proxy statement/prospectus

is,
and
the
supplement
thereto
and
other
documents
filed
or
to
be
filed
by
CME
and
CBOT
with
the
SEC
are
or
will
be,
available
free
of
charge

at the
SEC's
Web
site
(www.sec.gov)

or
from

Chicago
Mercantile
Exchange
Holdings

Inc.,
Shareholder
Relations
and
Membership
Services,

20
South
Wacker
Drive,

Chicago, Illinois 60606, Attention: Beth Hausoul or from CBOT Holdings, Inc., Attn: Investor Relations, at 141 West Jackson

CME

and
its
directors,
executive
officers
and
other
employees
may
be
deemed
to
be
participants
in
the
solicitation
of
proxies
in
connection
with
the
proposed
transaction.

Information
regarding

CME's
directors
and
executive
officers
is
available
in
CME's
proxy
statement
for
its
2007
annual
meeting
of
stockholders,
dated
March
17,
2007.

Additional
information
regarding
the
interests
of
such
potential
participants
is
available
in
the
definitive
joint
proxy
statement/prospectus,
as

supplemented, and the other relevant documents filed with the SEC.

CBOT and its directors, executive officers and other employees may be deemed to be participants in the solicitation of proxies transaction. Information regarding

CBOT
directors
and
executive
officers
is
available

in
CBOT's
proxy
statement
for
its
2007
annual
meeting
of
stockholders,
dated
March
29,
2007.
Additional
information
regarding
the
interests
of
such
potential
participants
is
included
in
the
joint
proxy
statement/prospectus
and
the
other
relevant documents filed with the SEC.
Statements
included
in
this
document
relating
to
the
ICE
offer
reflect
the
views
of
CME's

and
CBOT's
management.

This document shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities, in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

No offering of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the U.S. Securities Act

of
1933,
as
amended.

The Best Combination
June 28, 2007 Charlie Carey, Terry Duffy and Craig Donohue

4

Valuable equity
Strong currency
Best strategic fit
Compelling long-term growth opportunities
Lower risk

Strong trading rights value/income potential
Commitment to hybrid trading model
Maintains pricing differential for members

Flexible and creative ERP solution

Cash dividend + minimum guarantee/payment

Upside: potentially +\$1.25M

**

per ERP holder (beyond
guarantee)

\$15M cap on litigation expenses removed

CME/CBOT Offer Responds to Your Concerns

**

Assumes CBOE value of \$3.3B and CBOT full member with ERP entitled to equal share of value

5

CBOT/CME Contributions to the Combined Company

The original and revised CME/CBOT merger agreements were based on information unavailable to analysts (IBES) at the time

Exchange Ratio

0.3500

CBOT Shares Outstanding

53.0

CME Exchange Ratio

0.3500

CME Shares Outstanding

35.1

Shares Issued to CBOT

18.6

Pro Forma CME Group Shares

53.7

CBOT Pro Forma Ownership

34.6%

1 2007 YTD ADV as of June 25, 2007

2 Base case projections from joint proxy/prospectus dated June 5, 2007

3 IBES Consensus estimates as of June 25, 2007

CBOT Contribution %

2007E

2008E

Volume

38.1%

-

Revenue -

Base Case

2

36.0%

34.8%

Net Income -

Base Case

2

32.4%

30.5%

Net Income -

IBES Consensus

3

33.5%

32.2%

CBOT Pro Forma Ownership

34.6%

1

IBES Long-Term Growth Rates

1

CME

23.0%

CBOT

17.0%

Notes:

1) IBES Consensus estimates as of June 25, 2007.

6

CME's Offer per Share from CBOT Member Perspective

CME's offer is compelling:

better growth prospects, ERP upside and lower risk

CME

Implied Offer Price (0.35 Rate)*

\$189.76

Plus \$485m Dividend

\$9.14

Plus \$3.5B @ \$560 Tender Offer**

\$6.24

Value to all CBOT Shareholders

\$205.14

Plus \$333m ERP Guarantee

\$9.14

Value to Full B1 w/ERP

\$214.28

Incremental \$1.25m ERP Upside***

\$45.72

Potential Full Value

\$260.00

*

Implied offer price based on closing price on 6/27/07

**

Reflects difference between closing price on 6/27/07 and \$560 multiplied by 0.35 exchange ratio; \$3.5B tender offer limited to

Assumes CBOE value of \$3.3B and CBOT full member with ERP entitled to equal share of value

7

CME's Offer per Share Compared to ICE

CME's offer is significantly more compelling than ICE's offer:

better growth prospects, ERP upside and lower risk

ICE

CME

Implied Offer Price (1.42 Rate)*

\$214.49

Less Takeover Premium*****

-\$10.72

Less \$294m Breakup Fee

-\$5.54

Value to all CBOT Shareholders

\$198.23
Plus \$666m ICE/CBOE ERP Offer
\$18.28
Value to Full B1 w/ERP
\$216.51
Incremental \$60k ERP Upside*****
\$2.21
Potential Full Value
\$218.72
Implied Offer Price (0.35 Rate)*
\$189.76
Plus \$485m Dividend
\$9.14
Plus \$3.5B @ \$560Tender Offer**
\$6.24
Value to all CBOT Shareholders
\$205.14
Plus \$333m ERP Guarantee
\$9.14
Value to Full B1 w/ERP
\$214.28
Incremental \$1.25m ERP Upside***
\$45.72
Potential Full Value
\$260.00

*
Implied offer
price
based
on
closing
price
on
6/27/07
** Reflects difference
between
closing
price
on
6/27/07
and
\$560
multiplied
by
0.35
exchange
ratio;
\$3.5B
tender
offer

limited
to
6.25m
shares
***Assumes CBOE
value
of
\$3.3B
and
CBOT
full
member
with
ERP
entitled
to
equal
share
of
value
**** ISS estimated
a
5%
takeover
premium
in
the
6/27
report
and
BMO
Capital
markets
analyst
Mike
Vinciguerra
assumed
6/15
ICE s
stock
price
may
drop
11%
to
\$135
if
the
takeover
premium

is
taken
out
***** Assumes CBOE
value
of
\$3.3B
and
CBOT
full
member
with
ERP
entitled
to
equal
share
of
value.
Incremental
\$60K
upside
based
on
difference
between
potential
equity
value
in
the
ICE
ERP
proposal,
less
the
ICE
ERP
guarantee,
on
a
per-share
basis.

8

If it became evident ICE would win [CBOT], ICE stock would fall substantially.

~Mike Vinciguerra, BMO Capital Markets (6/15/07)

Takeout speculation has been fueling the stock of late, but we do not believe a takeout is likely near-term. And while fundamentals have been decent, we are not sure they are strong enough to support the stock at current levels.

~Chris Allen, Bank of America (6/14/07)

"We believe that ICE's stock has traded higher [...] in

expectation that ICE would not succeed in its bid attempt and would itself become a takeover target".

~ Niamh

Alexander, CIBC World Markets (6/13/07)

ICE's recent stock price performance has been driven by takeout speculation

CME/CBOT: Analysts

Perspective

Permission to use quotes neither sought nor obtained

9

Strategic Fit and Growth Opportunities

\$29.6B

Pro forma Market Capitalization

\$2.6B

Combined 2008 Revenues

*

\$1.0B

Combined 2008 Income

*

10.3M

Combined Q1 2007 ADV

*Combined revenues and income projected before merger related items according to base case included in joint proxy statement

10

Strategic Fit and Growth Opportunities

- + **World's largest exchange and clearing house**
- + **Benchmark products in every major asset class**
- + **Industry leading trading and clearing platforms**
- + **Broadest customer base and global distribution**

network (83 countries)

= Large / Achievable Growth Opportunities

11
0
1,600
3,200
4,800
6,400
\$0
\$400
\$800
\$1,200
\$1,600
CME
ICE/NYBOT Futures

ICE OTC ADV Commissions

*2007 figure represents OTC YTD May 2007 data

(contracts in 000s)

OTC ADV commissions

(\$ in 000s)

749

182

\$335

\$734

*

2000

2001

2002

2003

2004

2005

2006

2007

to date

917

6,372

CME's Long-Term Growth Higher Than ICE's

CME

32% CAGR

ICE/NYBOT

22% CAGR

ICE OTC

17% CAGR

12
0
3,000
6,000
9,000
\$0
\$400
\$800
\$1,200
\$1,600

*NYBOT Jun07 ADV through Jun 22
CME's Short-Term Growth Significantly Higher
(contracts in 000s)
745

\$918
834
8,244
5,522
\$711
JAN
07
FEB
07
MAR
07
APR
07
MAY
07
*JUN
07
CME
ICE/NYBOT Futures
ICE OTC ADV Commissions
CME
+49%
ICE/NYBOT
+12%
ICE OTC
-23%
(through May)
OTC ADV commissions
(\$ in 000s)

13
\$0
\$50
\$100
\$150
\$200
\$250
\$300
Growth: Larger, More Valuable OTC Growth Opportunities
Source: June
2006
Notional
Value

Outstanding
per
March
2007
BIS
Quarterly
Review
\$262T
\$38T
\$20T
\$7T
\$6T
CBOT/CME
Opportunities
ICE
Opportunities

OTC
Foreign
Exchange

OTC
Interest
Rate
Swaps
Credit Default Swaps

Indexes

Baskets

Single Name

OTC
Commodity
Swaps
Interest Rate
Market
FX
Market
Credit
Market
Equity
Market
Commodity
Market
CBOT/CME is
better positioned to
immediately pursue the
full scope of OTC growth

opportunities

14

Growth: FXMarketSpace

Rapid volume growth

Growing customer base

Broad reach

OTC FX Market Trends

Largest OTC market -
\$2 trillion/day

15% overall CAGR
1

Electronic

Centralized clearing

Algorithmic trading

Transparency/
anonymity

\$0

\$150

\$300

\$450

\$600

\$750

\$900

\$1,050

\$1,200

\$1,350

Apr-07

May-07

June-07

MTD

\$331

\$509

ADV

(notional value in millions, USD)

\$1,071

Sources: [1] CAGRs

are for 2001-2004; Triennial BIS

surveys of FX markets, December 2004

15
Growth: Swapstream

Interest Rate
Swaps
\$150 Trillion
Outstanding
5-year CAGR of
28%

Trend towards
electronic trading

Cutting edge functionality

Euro-denominated Swaps

Expanding to U.S. Dollar
products

Launching dealer-to-
client platform in May

Integration of
Swapstream platform
with Clearing360
Market data sourced from Bank for International Settlements

16

Growth: Transaction Processing

Energy

Metals

Soft Commodities

Transaction Processing

Customer Benefits

Scalable platforms

Advanced functionality

CME customer service
standards

Broad distribution/network
effects

Proven integration/ time-to-
market advantages

Increased profit potential
through CME scale
advantages

World's largest energy
exchange

\$51M -
2007 Revenue
[1]

10-yr exclusive agreement

Note: [1] Based upon 2007 analyst consensus

Future opportunities in Asia, South America and possibly Europe

17

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