

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 this offering. 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

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  
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Upside: potentially +\$1.25M\*\* per ERP holder (beyond  
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