

January 28, 2015

# Financial Technology Partners LP FTP Securities LLC

## Transaction Profile:



*acquires*

Hotspot FX

for \$365 million

*Courtesy of:*



***The Only Investment Bank  
Focused Exclusively on Financial Technology***

**Financial Technology Partners**  
555 Mission St., 23<sup>rd</sup> Floor  
San Francisco, CA 94105  
Tel: 415.512.8700

[www.ftpartners.com](http://www.ftpartners.com)



**Steve McLaughlin**  
Managing Partner  
Tel: 415.992.8880  
[steve.mclaughlin@ftpartners.com](mailto:steve.mclaughlin@ftpartners.com)

**Highly Confidential and proprietary information. Unauthorized distribution without prior consent from Financial Technology Partners LP or FTP Securities LLC (together "FT Partners") is strictly prohibited.**  
This communication should not be regarded as an offer to sell or as a solicitation of an offer to buy any financial product or service, nor is it an official confirmation of any transaction, or representative of an official position or statement of Financial Technology Partners LP, FTP Securities LLC or any other related entity. FTP Securities LLC is a FINRA registered broker-dealer. © 2014.

# BATS Global Market Acquires Hotspot FX for \$365 Million

## Transaction Overview

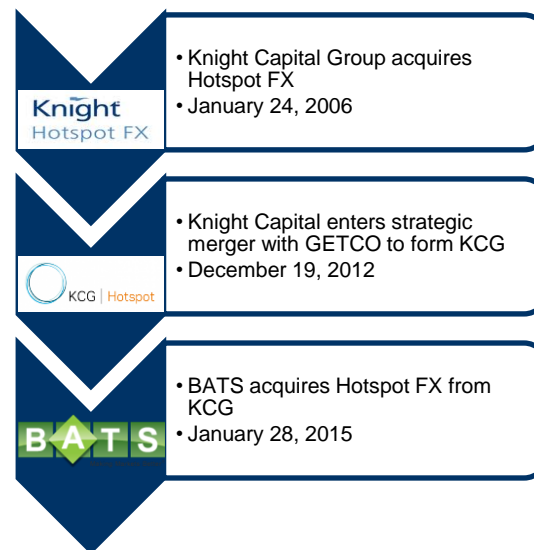
- On January 28, 2015, BATS Global Markets announced the acquisition of Hotspot FX, an institutional spot foreign exchange market, from KCG (NYSE: KCG) in a cash transaction valued at \$365 mm
  - BATS and KCG have agreed to share certain tax benefits that could result in additional payments to KCG of up to \$70 mm over the next 3 years
  - The deal values Hotspot at 16x its 2014 EBITDA <sup>(1)</sup>
  - Upon close, KCG's tangible book value is expected to increase by \$2.00 per share
  - For KCG, the sale is part of a shift to focus on the expansion of the Company's global FX market making business <sup>(2)</sup>
  - Hotspot's average daily trading volume was \$31.7 bn in the fourth quarter of 2014, an increase of 20% over the first half of the year <sup>(3)</sup>
- The acquisition represents BATS' commitment to expansion into non-equity trading businesses
  - Turnover in the global FX market was estimated at \$5.3 tn in 2013
- The acquisition is expected to close in the first half of 2015

### KCG Commentary

*"After conducting a thorough and competitive process, it became clear that BATS is the right strategic partner for Hotspot, as well as its clients and employees. BATS and Hotspot share a commitment to technological excellence. This, coupled with the experience, resources and insights derived from operating global multi-asset class markets, ensures that BATS is well positioned to further accelerate Hotspot's growth."*

- Daniel Coleman, CEO of KCG Holdings

### History of Hotspot FX



### BATS Commentary

*"Hotspot is an innovative foreign exchange leader which will become an important part of our expanding global footprint, and we are excited to welcome their highly-regarded team to BATS Global Markets. Their FX expertise and reputation, along with our technology excellence and global presence, will make for a powerful combination and enable us to have a meaningful and significant impact on the direction of the FX market in the years to come."*

- Joe Ratterman, CEO of BATS Global Market

# BATS Global Market Acquires Hotspot FX for \$365 Million

## BATS Overview

*In 2014, BATS merged with DirectEdge, bringing together two customer-focused securities exchange operators*

**CEO:** Joe Ratterman

**Headquarters:** Lenexa, KS

**Founded:** 2005

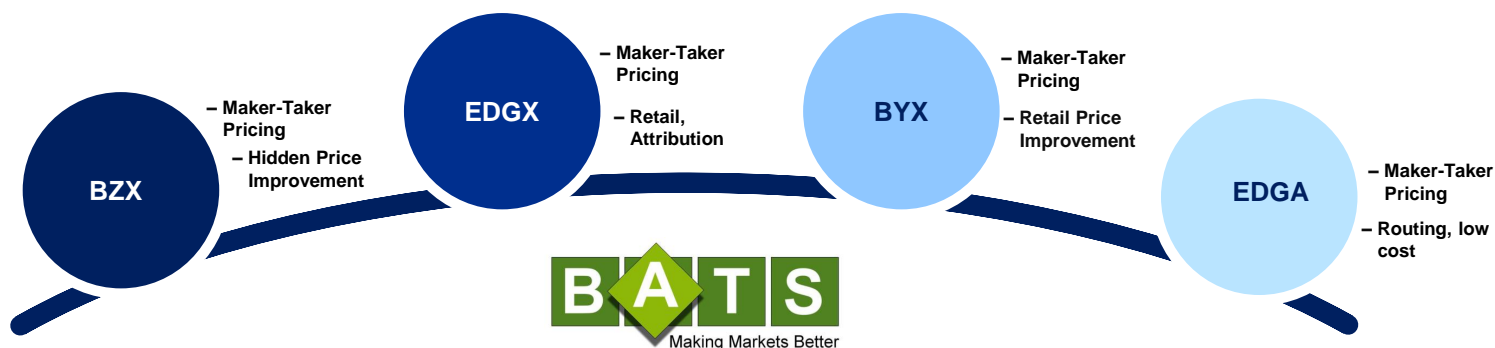
- BATS Global Markets is the operator of securities markets servicing US and European equities as well as the U.S. options market; the Company recently merged with DirectEdge Holdings LLC and is one of the largest equities markets operators in the U.S., operating four equities exchanges
- BATS Chi-X is the largest pan-European exchange by market share and value traded, trading across 25 indices and 15 European markets

## Products & Services Overview

- **Market Data** – Available for all three markets with various specifications, depth-of-book, order-to-quote latency, last sale feed; BATS One Feed features a comprehensive view of all four exchanges
- **Trading** – The One Connection for European equities and four different exchanges to choose from for US equities
- **Listing Services** – Lead Market Maker (LMM) and Competitive Liquidity Provider (CLP) programs to improve market quality for issuers, by providing incentives for quoting activity and more liquidity



## BATS US Exchanges



# BATS Global Market Acquires Hotspot FX for \$365 Million

## HotSpot FX Overview

### Hotspot FX Overview

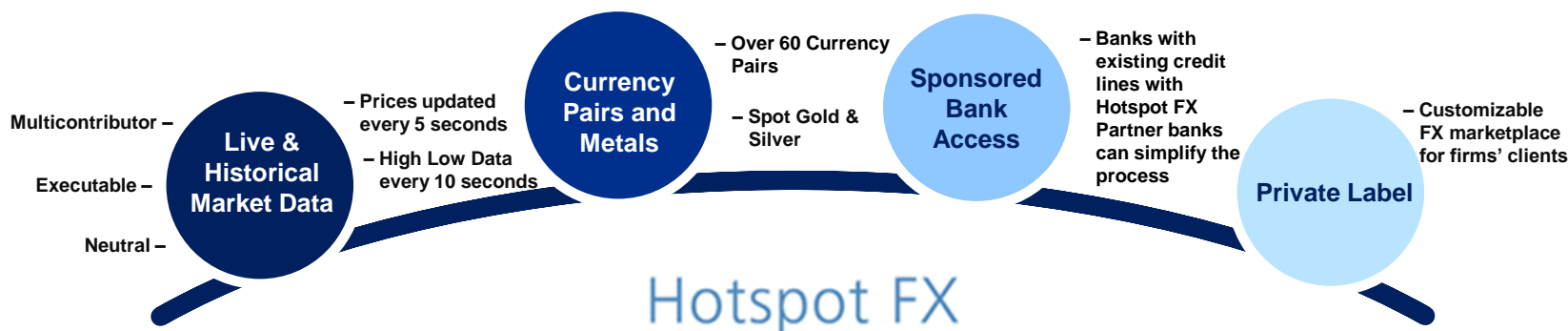
- Co-Founders:** Barry E. Calder & Howard Silverman
- Headquarters:** Jersey City, NJ
- Founded:** 2000
- Hotspot FX, provides electronic matching services and currency trading through its independent ECN marketplace, the first ECN for the institutional foreign exchange market
  - The Hotspot FX ECN includes full depth-of-book view, centralized price discovery, direct and anonymous market access, instantaneous live trading on streaming prices and robust real-time pricing, benchmark and reference data

### Selected Participating Prime Brokers

- Hotspot FX was the first multibank marketplace to create a prime brokerage clearing model, which allows clients to trade through a single line credit with their clearing bank



### HotSpot FX ECN Features



# BATS Global Market Acquires Hotspot FX for \$365 Million

## KCG Overview

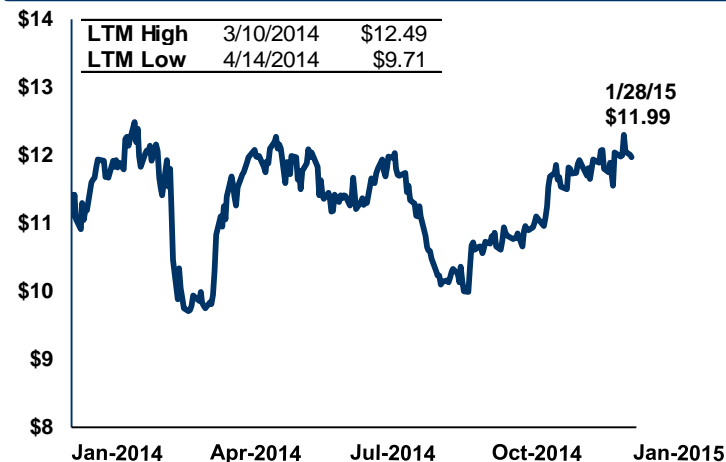
**KCG was formed in 2013 through the merger of Knight Capital Group and GETCO, two leading market making firms**

- CEO:** Daniel B. Coleman
- Market Cap:** \$1,401 mm
- Headquarters:** Jersey City, NJ
- KCG Holdings is an independent securities firm that provides a range of services designed to address trading needs across asset classes, product types and time zones
  - KCG was formed through the merger of Knight Capital Group and GETCO in 2013; Knight Capital Group was founded in 1995 and became one of the world's leading market makers; GETCO was a leading technology-based market maker operating across multiple assets classes and markets around the world
  - The Company operates through three main segments:
    - Market making: commits capital on a principal basis by offering to buy securities from, or sell securities to, broker dealers, institutions, and banks
    - Global Execution Services: provides agency execution services and trading venues for agency-based trading
    - Corporate / Other: invests principally in strategic financial services-oriented opportunities

### Selected Transactions

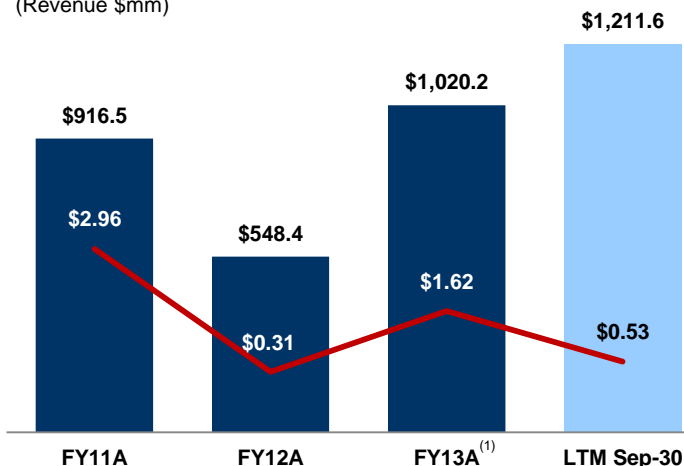
Company	Date	Description
<b>Bank of America Merrill Lynch</b>	11/30/11	Acquisition of the Designated Market Maker (DMM) business from BofA Merrill Lynch's NYSE DMM unit – expanding market making services and capabilities
<b>Automat</b>	07/08/11	Proprietary trading firm based in London; focuses on exchange-traded derivatives and spot foreign exchange markets

### Stock Price Chart – NYSE: KCG



### KCG Revenue & EPS

(Revenue \$mm)



Source: Capital IQ.

(1) GETCO and Knight Capital Group completed their merger in July 2013.

# Overview of FT Partners

## FT Partners is the Leader in Financial Technology Investment Banking

**FT Partners has advised on the most prominent transactions in the Securities and Capital Markets Technology sector**

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**ShareholderInSite**

in its sale to

**IPREO**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**Alpha**

in its acquisition by

**TMX Maple Group**

valued at approximately

**\$ 175,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**THE MARKETS.com**

in its sale to

**Capital IQ**

A Division of Standard & Poor's

for total consideration of approximately

**\$ 300,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**INSTINET**

in the sale of its stake in

**CHIX EUROPE**

to

**BATS**

for total consideration of approximately

**\$ 305,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**WOMBAT**

FINANCIAL SOFTWARE

in its sale to

**NYSE Euronext**

for total consideration of approximately

**\$ 225,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**MERGENT**

In the sale of its 100% business to

**NASDAQ OMX**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**TORA**

TECHNOLOGY, TRADING, LIQUIDITY.™

In its minority capital raise with

**Goldman Sachs Bank of America Merrill Lynch**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**liquidnet**

in its financing for approximately

**\$ 250,000,000**

valued at approximately

**\$ 1,800,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**chi-x**

In its sale of a minority stake to

**Bank of America Merrill Lynch GETCO Goldman Sachs Morgan Stanley QUANTLIB FINANCIAL LLC**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**MarketAxess**

In its minority capital raise with

**TCV**

for approximately

**\$ 35,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**TradingScreen**

SIMPLIFYING GLOBAL MARKETS.™

In its minority recapitalization for

**\$ 110,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

Financial Technology Partners LP  
FTP Securities LLC  
is pleased to announce its exclusive role as sole strategic and financial advisor to

**ENVESTNET**

in its

**\$69,000,000 Initial Public Offering**

valuing the equity at approximately

**\$ 300,000,000**

FINANCIAL TECHNOLOGY PARTNERS  
The Only Investment Bank  
Focused Exclusively on Financial Technology

FINANCIAL  
TECHNOLOGY  
PARTNERS

# Overview of FT Partners

## Award-Winning Investment Banking Franchise Focused on Superior Client Results

*FT Partners has been recognized as Investment Banking Firm of the Year and regularly achieves Merger and Financing Deal of the Year recognition*



M&A Advisor Awards

- |      |  |
|------|--|
| 2014 | <ul style="list-style-type: none"> <li>■ <b>Equity Financing Deal of the Year</b></li> <li>■ Professional Services Deal of the Year, Above \$100mm</li> </ul>  |
| 2012 | <ul style="list-style-type: none"> <li>■ <b>Dealmaker of the Year</b></li> <li>■ Professional Services Deal of the Year, Above \$100 mm</li> </ul>   |
| 2011 | <ul style="list-style-type: none"> <li>■ <b>Boutique Investment Bank of the Year</b></li> <li>■ Deal of the Decade</li> <li>■ <i>10 Deal of the Year Nominations Across 9 Categories</i></li> </ul>  |
| 2010 | <ul style="list-style-type: none"> <li>■ <b>Upper Middle Market Deal of the Year, Above \$500 mm</b></li> <li>■ IT Services Deal of the Year, Below \$500mm</li> <li>■ Cross-Border Deal of the Year, Below \$500mm</li> </ul>   |
| 2007 | <ul style="list-style-type: none"> <li>■ <b>Dealmaker of the Year – Steve McLaughlin</b></li> <li>■ Business to Business Services Deal of the Year</li> <li>■ Computer and Information Technology Deal of the Year, Above \$100mm</li> <li>■ Financial Services Deal of the Year, Above \$100mm</li> </ul> |

**Institutional Investor**  
Institutional Investor  
Annual Ranking

- |           |   |
|-----------|---|
| 2006-2008 | ■ Steve McLaughlin consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology |
|-----------|---|



Middle Market  
Financing Awards

- |      |  |
|------|--|
| 2008 | <ul style="list-style-type: none"> <li>■ <b>Equity Financing Dealmaker of the Year – Steve McLaughlin</b></li> <li>■ <b>Information Technology Deal of the Year</b></li> <li>■ <b>Financial Services Deal of the Year</b></li> </ul> |
| 2006 | <ul style="list-style-type: none"> <li>■ <b>Financing Professional of the Year – Steve McLaughlin</b></li> <li>■ <i>Financing Deal of the Year - Equity</i></li> <li>■ <i>Financing Deal of the Year - Debt</i></li> </ul>           |

FINANCIAL  
TECHNOLOGY  
PARTNERS

Note: **Bold** represents awards that FT Partners has won, *italics* represents nominations.