

Edgar Filing: optionsXpress Holdings, Inc. - Form 425

optionsXpress Holdings, Inc.  
Form 425  
March 21, 2011

Filed by The Charles Schwab Corporation

Pursuant to Rule 425 under the Securities Act of 1933

and deemed filed pursuant to Rule 14a-12 under

the Securities Exchange Act of 1934

Subject Company: optionsXpress Holdings, Inc.

Commission File No.: 001-32419

This communication contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements that refer to expectations, projections or other characterizations of future events or circumstances and are identified by words such as believe, anticipate, expect, estimate, intend, plan, may, aim, target, could, should, continue, build, improve, growth, increase, and other similar expressions. These forward-looking statements relate to the business combination transaction involving The Charles Schwab Corporation ( Schwab ) and optionsXpress Holdings, Inc. ( optionsXpress ), including expected synergies; timing of closing; client and stockholder benefits; management; accretion; growth; client retention; and merger-related charges which reflect management's beliefs, objectives and expectations as of the date hereof. Achievement of the expressed beliefs, objectives and expectations is subject to risks and uncertainties that could cause actual results to differ materially from those beliefs, objectives or expectations. Important transaction-related factors that may cause such differences include, but are not limited to, the risk that expected revenue, expense and other synergies from the transaction may not be fully realized or may take longer to realize than expected; the parties are unable to successfully implement their integration strategies; failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all, including regulatory approvals; failure of the optionsXpress stockholders to approve the merger; and disruptions to the parties' businesses as a result of the announcement and pendency of the merger. Other important factors include general market conditions, including the level of interest rates, equity valuations and trading activity; the parties' ability to attract and retain clients and grow client assets/relationships; competitive pressures on rates and fees; the level of client assets, including cash balances; the impact of changes in market conditions on money market fund fee waivers, revenues, expenses and pre-tax margins; capital needs; the parties' ability to develop and launch new products, services and capabilities in a timely and successful manner; the effect of adverse developments in litigation or regulatory matters; any adverse impact of financial reform legislation and related regulations; and other factors set forth in Schwab's and optionsXpress Annual Reports on Form 10-K for the fiscal year ended December 31, 2010. Schwab and optionsXpress disclaim any obligation and do not intend to update or revise any forward-looking statements.

In connection with the proposed transaction, Schwab will file with the Securities and Exchange Commission ( SEC ) a registration statement on Form S-4 that will include a proxy statement/prospectus for the stockholders of optionsXpress. optionsXpress will mail the final proxy statement/prospectus to its stockholders. Investors and security holders are urged to read the proxy statement/prospectus regarding the proposed transaction and other relevant documents filed with the SEC when they become available because they will contain important information. Copies of all documents filed with the SEC regarding the proposed transaction may be obtained, free of charge, at the SEC's website (<http://www.sec.gov>). These documents, when available, may also be obtained, free of charge, from Schwab's website, [www.aboutschwab.com/investor](http://www.aboutschwab.com/investor), under the tab Financials and SEC Filings or from optionsXpress website, [www.optionsXpress.com/investor](http://www.optionsXpress.com/investor), under the item SEC Filings.

Schwab, optionsXpress and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from the optionsXpress stockholders in respect of the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed to be participants in the solicitation of the stockholders of optionsXpress in connection with the proposed transaction will be set forth in the proxy statement/prospectus when it is filed with the SEC. Information about Schwab's executive officers and

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directors is available in Schwab's Annual Report on Form 10-K filed with the SEC on February 25, 2011 and Schwab's definitive proxy statement filed with the SEC on March 30, 2010. Information about optionsXpress' executive officers and directors is available in optionsXpress' definitive proxy statement filed with the SEC on April 15, 2010. You can obtain free copies of these documents from Schwab and optionsXpress using the contact information above.

The following is an investor presentation by Schwab and optionsXpress in connection with the proposed transaction.

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Redefining Full-Service Investing  
A Best-in-Class Trading Platform for Clients

2  
Forward-Looking Statements  
This  
presentation  
contains  
forward-looking  
statements

within  
the  
meaning  
of  
Section  
27A  
of  
the  
Securities  
Act  
of  
1933

and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include statements that refer to expectations, projections or other characterizations of future events or circumstances and are identified by words such as believe,

anticipate,  
expect,  
estimate,  
intend,  
plan,  
will,  
may,  
aim,  
target,  
could,  
should,  
continue,  
build,  
improve,  
growth,

increase , and other similar expressions. These forward-looking statements relate to the business combination transaction involving Schwab and optionsXpress, including expected synergies; timing of closing; client and stockholder benefits; management; accretion; growth; client retention; and merger-related charges. These forward-looking statements, which reflect management's beliefs, objectives and expectations as of today, are necessarily

estimates  
based  
on  
the  
best  
judgment  
of  
the  
companies  
senior  
management.  
Achievement

of  
the  
expressed beliefs, expectations and objectives is subject to risks and uncertainties that could cause actual results to

differ materially from those beliefs, objectives or expectations.

Important

factors

that

may

cause

such

differences

are

discussed

in

Schwab's

and

optionsXpress

filings

with

the

Securities and Exchange Commission, including their Annual Reports on Form 10-K. Other important transaction-related factors include, but are not limited to, the risk that expected revenue, expense and other synergies from the transaction may not be fully realized or may take longer to realize than expected; the parties are unable to successfully implement their integration strategies; failure of the parties to satisfy the closing conditions in the merger agreement in a

timely

manner

or

at

all,

including

regulatory

approvals;

failure

of

the

optionsXpress

stockholders

to

approve

the

merger;

and disruptions to the parties

businesses as a result of the announcement and pendency of the merger. Other

important factors include general market conditions, including the level of interest rates, equity valuations and trading activity;

the

parties

ability

to

attract

and

retain

clients

and  
grow  
client  
assets/relationships;  
competitive  
pressures  
on  
rates and fees; the level of client assets, including cash balances; the impact of changes in market conditions on money  
market  
fund  
fee  
waivers,  
revenues,  
expenses  
and  
pre-tax  
margins;  
capital  
needs;  
the  
parties  
ability  
to  
develop  
and  
launch new products, services and capabilities in a timely and successful manner; the effect of unanticipated adverse  
developments in litigation or regulatory matters; and any adverse impact of financial reform legislation and related  
regulations.  
The  
information  
in  
this  
presentation  
speaks  
only  
as  
of  
March  
21,  
2011  
(or  
such  
earlier  
date  
as  
may  
be  
specified  
herein).  
The company makes no commitment to update any of this information.

3  
Two financial services leaders are joining forces  
The Charles Schwab Corporation, one of the nation's largest brokerage service providers  
is acquiring  
optionsXpress Holdings, Inc, a pioneer in online brokerage focused on derivatives  
Unites  
complementary



trading  
platform  
strengths  
across  
equities,  
options  
and  
futures

Combines broad range of investment products and services with extensive trading tools,  
analytics and education for the benefit of all investors

Increases stockholder value through enhanced growth and operating leverage

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Transaction Summary

Structured as a stock-for-stock exchange

\$17.91 per share based on 3/18 close

1.02 shares of SCHW per share of OXPS

Approximately \$1.0 billion total purchase price

Purchase price implies valuation multiples of 10.0x and 8.6x 2011 and 2012 EBITDA, respectively

(1)

Targeted to close Q3 2011

Expected to be accretive (~1-2%) over first full year, including synergies in the valuable options and futures trading arena

Increases Schwab total DART by 15%

Approximately \$80 million in synergies

Voting agreement representing approximately 23% of outstanding shares

Requires approvals from regulators and optionsXpress stockholders; subject to customary closing conditions

(1) Based on I/B/E/S analyst consensus estimates.

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The opportunity: derivatives trading volume continues to expand,

Source: OCC (options), BIS (futures), and Aite Group (forex).

Global Retail FX Trading Volumes (\$ in Billions)

Global Futures Volume

(Contracts in Millions)

U.S. Listed Equity Options

(Contracts in Millions)

CAGR = 21.0%

CAGR = 19.2%

0  
1,000  
3,000  
4,000  
5,000  
6,000  
7,000  
1999  
2000  
2001  
2002  
2003  
2004  
2005  
2006  
2007  
2008  
2009  
2010  
0  
500  
1,000  
1,500  
2,000  
2,500  
3,000  
3,500  
4,000  
1999  
2000  
2001  
2002  
2003  
2004  
2005  
2006  
2007  
2008  
2009  
2010  
\$0  
\$20  
\$40  
\$60  
\$80  
\$100  
\$120

\$140

\$160

\$180

2001

2010

CAGR = 35.9%

2,000

6

the investors using these instruments represent a large and valuable client segment

We believe there are 750K

1MM U.S. investors trading at least 120 times/year.

Estimated growth rates range into double digits

Compared

to  
our  
average  
Investor  
Services  
client,  
option  
traders  
at  
Schwab  
have:  
3X the assets held at the company  
2X the estimated assets held outside  
6X the trading activity  
2X the Schwab bank product utilization rate  
25% longer Schwab tenure  
Schwab clients are increasingly utilizing derivatives to generate income and mitigate risk, with  
approximately 10% of DARTs coming from options.  
4Q 2010 Options DARTs  
45K  
(000 s)  
27K  
0  
10  
20  
30  
40  
50  
SCHW  
SCHW + OXPS  
27K  
27K  
18K



7

and we recognize the importance of offering a full range of investment platform capabilities to meet client needs.

The  
general  
investor  
population

needs  
ease,  
convenience  
and  
education

Schwab offers branch/phone/web access, a broad range of investment products and services including advice; integrated brokerage and banking capabilities; and a host of resources to help investors achieve better outcomes.

optionsXpress client-focused approach to derivatives trading includes all-in-one account functionality; a choice of platforms; and an extensive education program that includes tutorials, webinars and workshops.

Active investors need access to

a  
full  
suite  
of  
products  
and  
tools  
and  
the  
ability  
to

execute more complex transactions, without losing ease and convenience

Schwab's StreetSmart Edge is the company's most powerful, flexible and intuitive securities trading platform to date.

optionsXpress combines web-based, software and mobile applications; online trading tools that are both easy to use and powerful; and expert client support to help derivatives traders execute both the simplest and most sophisticated strategies.

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optionsXpress is a pioneer in equity options and futures trading

Launched in 2001, headquartered in Chicago, 408 employees (Dec. 2010)

Leading online broker focusing on equity options, futures and foreign exchange

379K client accounts; \$7.8 billion client assets, 44K DARTs in 2010

Offers three distinct platforms

browser-based, downloadable software and mobile -  
to provide a  
range of solutions for retail active investors

Trade securities and futures from same platform

Culture  
of  
persistent  
innovation

portfolio  
margin,ing,  
IDEAS,  
Universal  
Trade  
Ticket  
Education  
Services  
offers  
a  
range  
of  
education  
products  
covering  
equities,  
market  
analysis,  
options, financial planning and foreign exchange  
Consistently top-rated by multiple publications  
Commissions currently 2/3 of revenue, followed by education, interest and other

Options and futures account for over 75% of retail DARTs

9  
that will help our combined organization offer active investors an  
unparalleled level of service and platform capabilities.

A  
more  
flexible  
&

extendable  
technology  
platform  
that  
positions  
Schwab  
to  
better  
meet  
active investor client needs today and in the future.  
Schwab  
Strong equity trading  
capabilities  
Broad product lineup, including  
mutual funds, ETFs and bonds  
Range of help and advice  
options  
Relentless client focus  
optionsXpress  
Strong derivatives trading  
capabilities  
Options and futures, also  
foreign exchange  
Trading tools and education for  
all experience levels  
Relentless client focus

10  
Pro  
Forma  
Client  
and  
Financial  
Data



4Q  
2010  
Schwab  
optionsXpress  
Combined  
Brokerage Accounts  
7,998K  
379K  
8,377K  
Client Assets  
\$1,574.5B  
\$7.8B  
\$1,582.3B  
DARTs  
272K  
43K  
315K  
Options/DARTs  
10%  
43%  
14%  
Trading Revenue  
\$206  
\$45  
\$251  
Total Revenue  
\$1,127  
\$56  
\$1,183

11  
Synergies and 2012 Accretion  
Accretion

1-2%  
based  
on

issuing  
approximately  
60  
million  
shares

(1)  
Total synergies = \$80 million in the first full year.  
Expenses  
25%

Public company expense, redundancies, duplicative project and marketing spend  
Revenues  
75%

Sweep cash  
optionsXpress client cash balances roughly 40% of total client assets at  
February 2010

Incremental options and futures trading by Schwab clients, portfolio margining offer,  
incremental asset gathering / share-of-wallet among optionsXpress clients  
Restructuring / merger-related charges = \$55 million.  
optionsXpress will join Schwab Investor Services, initially maintaining brand and existing  
operations  
/  
locations.  
David  
Fisher  
will  
continue  
as  
President  
of  
optionsXpress  
and  
be  
named a Schwab Senior Vice President.

(1) Based on current fully-diluted shares of optionsXpress and 1.02 fixed exchange ratio.

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This combination helps to build a best-in-class full-service investing experience.

Improves the organization's scale, long-term growth and client retention

Complementary strengths across equities, options and futures

optionsXpress

derivative trading tools, analytics and education, as well as foreign

exchange capabilities, for Schwab's existing client base  
Schwab's breadth of products and services for optionsXpress clients

A  
more  
flexible  
&  
extendable  
technology  
platform  
that  
positions  
Schwab  
to  
better  
meet  
active investor client needs today and in the future.

Redefining Full-Service Investing  
A Best-in-Class Trading Platform for Clients

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**Additional Information**

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all documents filed with the SEC regarding the proposed transaction may be obtained, free of charge, at the SEC's website

These documents, when available, may also be obtained, free of charge, from Schwab's website, under the tab

Financials and SEC Filings or from optionsXpress website, under the item SEC Filings.

Schwab, optionsXpress and their respective directors, executive officers and certain other members of management and employees may be deemed to be participants in the solicitation of proxies from the optionsXpress stockholders in respect of the proposed transaction. Information regarding the persons who may, under the rules of the SEC, be deemed to be participants in the solicitation of the stockholders of optionsXpress in connection with the proposed transaction will be set forth in the proxy statement/prospectus when it is filed with the SEC. Information about Schwab's executive officers and directors is available in Schwab's Annual Report on Form 10-K filed with the SEC on February 25, 2011 and Schwab's definitive proxy statement filed with the SEC on March 30, 2010. Information about optionsXpress

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(<http://www.sec.gov>).

[www.aboutschwab.com/investor](http://www.aboutschwab.com/investor),

[www.optionsXpress.com/investor](http://www.optionsXpress.com/investor),