

July 26, 2016

Financial Technology Partners

FT Partners Research – Transaction Profile

EXTRADE[®]

acquires

optionshouse.△

for

\$725 million

Courtesy of:



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

www.ftpartners.com



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E*TRADE Acquires OptionsHouse for \$725 mm

Transaction Summary

E*TRADE's acquisition of OptionsHouse follows other options-oriented consolidation in the online brokerage industry including Ameritrade's \$606 million acquisition of thinkorswim in 2009 and Charles Schwab's \$1.0 billion acquisition of optionsExpress in 2011

Online broker TradeKing was also recently acquired by Ally Financial

Transaction Overview

- On July 25, 2016, E*TRADE Financial Corporation announced it had entered into a definitive agreement to acquire Aperture New Holdings, the ultimate parent company of OptionsHouse, for \$725 mm
 - OptionsHouse was acquired by growth investor General Atlantic and merged with [tradeMONSTER](#) in 2014
- The deal will enhance E*TRADE's derivatives capabilities while offering OptionsHouse customers additional tools and services
- E*TRADE intends to fund the acquisition through the issuance of up \$400 mm of preferred stock with the balance paid in cash
 - The transaction is expected to close in Q4 2016
- E*TRADE expects the acquisition to be neutral to 2017 earnings and accretive in 2018 when full run-rate synergies of \$65 mm annually are expected
- E*TRADE's stock closed down 3.2% to \$24.99 on the day of the announcement

Transaction Rationale

*Meaningfully bolsters E*TRADE's derivatives capabilities by bringing the industry's #1 options platform in-house*

Adds scale with the addition of OptionsHouse's highly active customer base

- The acquisition of OptionsHouse will enable E*TRADE to offer enhanced options capabilities, along with giving it access to OptionsHouse's active customers
 - OptionsHouse customers are 3x more active than current E*TRADE customers on average
 - Over 60% of OptionsHouse customer trades are in options
- The merger of OptionsHouse and E*TRADE will combine complementary platforms, allowing the combined company to better serve active traders
- Will deliver compelling returns on capital for E*TRADE while enhancing its derivatives capabilities and accelerating organic growth
- Part of E*TRADE's plan to grow its balance sheet to above \$50 bn by early 2017

Transaction Commentary

"We are pleased to make this move to deliver greatly enriched options capabilities, while capitalizing on our scale with the addition of an active customer base...We believe options are an important component of an investor's arsenal, and this deal will intensify our derivatives firepower."



Paul Idzik
CEO, E*TRADE



Michael Curcio
CEO, Aperture Group, LLC

E*TRADE®

optionshouse.△

Source: Company press release, Company website, BusinessWire.

E*TRADE Acquires OptionsHouse for \$725 mm

OptionsHouse Overview



OptionsHouse Overview

CEO: Michael Curcio
Headquarters: Chicago, IL
Founded: 2005
Employees: 97

- OptionsHouse is an options-focused online broker that provides a trading platform for retail and institutional traders and investors
 - Dedicated to providing active traders unmatched value through competitive prices, platform speed and premium products
- OptionsHouse was acquired by global growth investor General Atlantic and merged with tradeMONSTER in 2014
- OptionsHouse is ranked as the industry's top options platform in Barron's annual rankings (3/19/16)
- The Company has had a 10% annual growth rate in its customer base since 2014, with 154,000 accounts currently
- Over 60% of all customer trades facilitated by OptionsHouse are in options

Key Metrics

Revenue ⁽¹⁾	\$104 mm
Customer Accounts	154,000
Customer Assets	\$3.6 bn
Daily Average Revenue Trades (DARTs) ⁽¹⁾	27,000

Source: Company website.

(1) Figures for 12 months ended 6/30/16.

Products & Services Overview

OptionsHouse Trading Platform

- ✓ Fully Customizable
- ✓ Robust, Customized Options Chains
- ✓ tradeLAB to Analyze Strategies
- ✓ Snapshot Analysis
- ✓ Spectral Analysis
- ✓ Trigger Alerts
- ✓ Enhanced Charting Based on Strategy
- ✓ strategySEEK to scan live market data for opportunities



BARRON'S

2016 ONLINE BROKER
RANKING - 4.5



Powerful Mobile Applications



Competitive Edge

Stocks
\$4.95
Flat Rate²
Options
50¢
Per Contract
+ \$4.95 Base

Lower Rates

- Flat rate on stocks at half the rate of other leading competitors
- 50c per options contract compared to 75c+ for leading competitors

Full Suite of Investment Choices

- Equities, options, futures, mutual funds, ETFs & bonds
- Individual accounts, joint tenants, retirement accounts, business and trusts accounts & education accounts

E*TRADE Acquires OptionsHouse for \$725 mm

E*TRADE Overview



Company Overview

CEO: Paul Idzik
Headquarters: New York, NY
Founded: 1982
Employees: 3,600

- E*TRADE Financial is a leading financial services company and a pioneer in the online brokerage industry, offering easy-to-use solutions for individual investors and stock plan participants
- The Company's offerings include tools, educational material and professional assistance to help individual investors and traders meet their investing goals
 - Services provided primarily online via E*TRADE's award-winning digital platforms and through its network of industry-licensed customer service representatives and financial consultants
- E*TRADE also operates a bank, E*TRADE Bank, aimed at maximizing the value of deposits generated from its brokerage business
- The Company's business model is positioned to capitalize on the shift toward the direct brokerage space from traditional wirehouses as consumers become more comfortable with digital channels

Stock Performance (NASDAQ:ETFC)



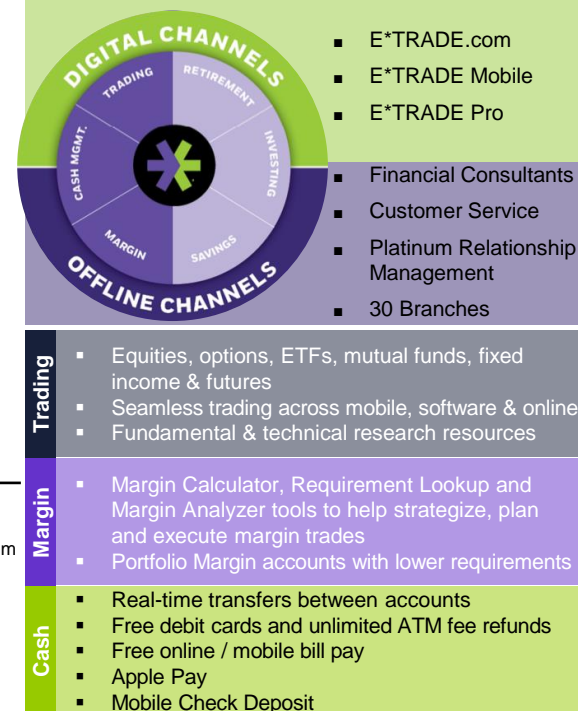
Key Metrics (as of 6/30/16)

Market Cap (7/25/16)	\$7.0 bn	Revenue ⁽¹⁾	\$1.8 bn
Customer Assets	\$286 bn	Net Income ⁽²⁾	\$439 mm
Brokerage Accounts	3.3 mm		

Selected Acquisitions

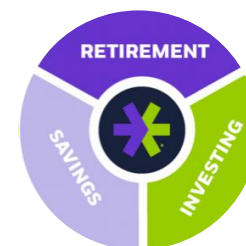
Date	Target	Deal Amt. (\$ mm)
01/14/10	Cake Financial	NA
09/29/05	BrownCo	\$1,600
08/07/05	Harrisdirect	700
05/21/01	Web Street	45
06/16/00	Versus Technologies	174
01/01/00	Telebank	NA

Products and Services Overview



Customer Experience

- Digital education and in-person learning
- Needs-based solutions
- Helpful resources
- Guidance and advice



Sources: Press Releases, Company websites; all metrics in USD.

(1) Revenue for 12 months ended 6/30/16 and adjusted to exclude \$370 mm losses on hedge accounting in 3Q15 related to termination of wholesale funding obligations.

(2) Net Income for 12 months ended 6/30/16 adjusted to exclude \$31 mm income tax benefit related to the release of a valuation allowance against state deferred tax assets in 1Q16 and for \$413 mm pre-tax charges in 3Q15 related to the termination of wholesale funding obligations.

Overview of FT Partners

FT Partners is the Leader in Financial Technology Investment Banking

Wealth Management

Financial Technology Partners LP
FTP Securities LLC
*is pleased to announce its exclusive role as
Capital Markets & IPO Advisor to*

ENVESTNET

In its

\$69,000,000
Initial Public Offering

valuing the equity at approximately

\$ 300,000,000

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EISI

In its sale to

ZYWAVE

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Financial Technology Partners LP
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*is pleased to announce its
exclusive role as advisor to*

BLACKROCK

in its 100% acquisition of

FutureAdvisor

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Data / Analytics

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FTP Securities LLC
*is pleased to announce its exclusive role as
sole strategic and financial advisor to*

Zephyr
ASSOCIATES, INC.

In its sale to

informa

for total cash consideration of

\$ 62,000,000

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*is pleased to announce its exclusive role as
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THE MARKETS.com

in its sale to

Capital IQ
A Division of Standard & Poor's

for total consideration of approximately

\$ 300,000,000

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MERGENT

In the sale of its Index Business to

NASDAQ OMX

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High Frequency Trading

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FTP Securities LLC
*is pleased to announce its exclusive role as
sole strategic and financial advisor to*

ATD
Automated Trading Partners, LLC

in its sale to

citi

*for cash and stock consideration of
approximately*

\$ 700,000,000

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QUANTHOUSE
SOLUTIONS FOR TRADING

In its growth financing with

ViewPoint.
Capital Partners

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Financial Technology Partners LP
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WOMBAT
FINANCIAL SOFTWARE

in its sale to

NYSE Euronext

for total consideration of approximately

\$ 225,000,000

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Overview of FT Partners

FT Partners is the Leader in Financial Technology Investment Banking

Trading Technology

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 **ITG** INVESTMENT
TECHNOLOGY
GROUP

In its acquisition of

 **macgregor**

for cash consideration of approximately

\$ 230,000,000

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TORA 

TECHNOLOGY. TRADING. LIQUIDITY.™

In its minority capital raise with

 **Goldman
Sachs**  **Bank of America
Merrill Lynch**

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FTP Securities LLC

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 **TradingScreen**
SIMPLIFYING GLOBAL MARKETS®

In its minority recapitalization for

\$ 110,000,000

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Other Capital Markets Technology

Financial Technology Partners LP
FTP Securities LLC

is pleased to announce its exclusive role as
sole strategic and financial advisor to

 **MajesticResearch**

In its sale to

 **ITG** INVESTMENT
TECHNOLOGY
GROUP

for total consideration of approximately

\$ 56,000,000

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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**

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Financial Technology Partners LP
FTP Securities LLC

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INSTINET

In the sale of its stake in

CHIXEUROPE
to

 **BATS**
Trading Markets Better

for total consideration of approximately

\$ 305,000,000

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Overview of FT Partners

FT Partners Advises BlackRock in its Acquisition of FutureAdvisor

Transaction Overview and Rationale

Overview of Transaction

- On August 26, 2015, BlackRock (NYSE: BLK) announced a definitive agreement to acquire 100% of FutureAdvisor
- FutureAdvisor is a leading digital wealth management platform with technology-enabled investment advice capabilities
- BlackRock offers investment management, risk management and advisory services to institutional and retail clients worldwide and has over \$4.7tn in assets under management⁽¹⁾
- Following the transaction, FutureAdvisor will operate as a business within BlackRock Solutions ("BRS"), BlackRock's investment and risk management platform
- The transaction is expected to close in Q4 2015

Significance of Transaction

- Combines FutureAdvisor's tech-enabled advice capabilities with BRS' investment and risk management solutions
- Enables BlackRock to provide a B2B digital advice platform, which helps financial institution partners both improve their clients' investment experiences and grow advisory assets
- Empowers partners to meet the growing demand among consumers to engage with technology to gain insights on their investment portfolios
 - Demand is particularly strong among the mass-affluent, who account for ~30% of investable assets in the U.S.

FT Partners' Role

- **FT Partners served as exclusive advisor to BlackRock**
- Highlights FT Partners' continued success advising a broad range of top-tier strategic investors across the financial technology landscape

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*is pleased to announce its
exclusive role as advisor to*

BLACKROCK

in its 100% acquisition of



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Overview of FT Partners

FT Partners Advises PENSICO Trust Company in its \$104 Million Sale to Opus Bank

Transaction Overview and Rationale

Overview of Transaction

- On January 25, 2016, PENSICO Trust Company ("PENSICO") announced its sale to Opus Bank ("Opus") (NASDAQ: OPB) for approximately \$104 million (as adjusted) in a mix of cash and stock
- Backed by Panorama Point Partners, PENSICO is a leading custodian of self-directed IRA and alternative investments
- Opus is an FDIC insured California-chartered commercial bank with \$6.2 billion of total assets, \$5.0 billion of total loans, and \$4.9 billion in total deposits⁽¹⁾
- Following the transaction, PENSICO will operate as a subsidiary of Opus
- The transaction is expected to close in Q2 2016

Significance of Transaction

- The acquisition positions Opus at the forefront of the alternative asset wealth services business
- PENSICO provides Opus with strong, recurring non-interest income based on assets under custody
- The transaction also presents additional potential revenue opportunities through Opus' Merchant Bank, Commercial Bank, Retail Bank and Opus Financial Partners, Opus' broker-dealer subsidiary

FT Partners' Role

- FT Partners served as exclusive strategic and financial advisor to PENSICO and its Board of Directors
- Highlights FT Partners' continued success advising a broad range of top-tier strategic investors across the financial technology landscape

Financial Technology Partners LP FTP Securities LLC

*is pleased to announce its exclusive role as
sole strategic and financial advisor to*



PENSICO
TRUST COMPANY

in its sale to



for total consideration of approximately

\$ 104,000,000

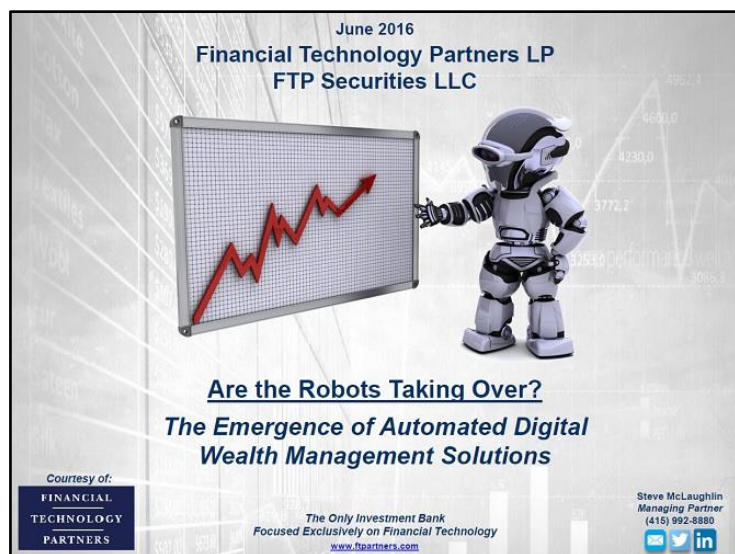
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Overview of FT Partners

Selected FT Partners Research – Digital Wealth Management ([click to view](#))

Are the Robots Taking Over? The Emergence of Automated Digital Wealth Management Solutions



FT Partners' 145-page report provides a comprehensive overview of key industry trends driving innovation in the wealth management space and how the industry is reacting to the emergence of Robo Advisors and other Digital Wealth Management disruptors.

Additional highlights of the report include:

- A discussion of the different Automated Digital Wealth Management platforms and business models
- The responses of incumbents in the wealth management space, including the innovations, partnerships and acquisitions being made to stay ahead of the game
- Interviews with eight CEOs of leading Digital Wealth pioneers including Betterment, Link Pacific Advisors, MyVest, NextCapital, Nutmeg, Riskalyze, SigFig and Vanare
- A detailed industry landscape of Digital Wealth Management providers as well as other innovative, tangential companies, profiles of 33 companies and a comprehensive list of private equity financing and M&A transactions in the space

FT Partners regularly publishes research highlighting the most important transactions, trends and insights impacting the global Financial Technology landscape. Our unique insight into FinTech is a direct result of executing hundreds of transactions in the sector combined with over 13 years of exclusive focus on Financial Technology. Please visit our [subscription form](#) to subscribe to our exclusive monthly newsletter and receive our research reports.

Overview of FT Partners

Selected FT Partners Research (click to view)



Research Report: Innovations in Capital Markets Technology



PENSICO Trust Company's Sale to Opus Bank



BlackRock's acquisition of FutureAdvisor



AlphaSense's \$33 mm growth financing



Ally's acquisition of TradeKing for \$275 mm



IHS & Markit Agree to Merge



LSE & Deutsche Borse Agree to Merge



Nasdaq's acquisition of ISE for \$1.1 bn

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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

2016	<ul style="list-style-type: none"> ■ Investment Banking Firm of the Year ■ Cross Border Deal of the Year
2015	<ul style="list-style-type: none"> ■ Dealmaker of the Year ■ Technology Deal of the Year
2014	<ul style="list-style-type: none"> ■ Equity Financing Deal of the Year ■ Professional Services Deal of the Year, Above \$100mm
2012	<ul style="list-style-type: none"> ■ Dealmaker of the Year ■ Professional Services Deal of the Year, Above \$100mm
2011	<ul style="list-style-type: none"> ■ Boutique Investment Bank of the Year ■ Deal of the Decade ■ <i>10 Deal of the Year Nominations Across 9 Categories</i>
2010	<ul style="list-style-type: none"> ■ Upper Middle Market Deal of the Year, Above \$500 mm ■ IT Services Deal of the Year, Below \$500mm ■ Cross-Border Deal of the Year, Below \$500mm
2007	<ul style="list-style-type: none"> ■ Dealmaker of the Year – Steve McLaughlin ■ Business to Business Services Deal of the Year ■ Computer and Information Technology Deal of the Year, Above \$100mm ■ Financial Services Deal of the Year, Above \$100mm



Institutional Investor Annual Ranking

2015	■ Steve McLaughlin ranked #4 in Institutional Investor's FinTech 35 List
2006-2008	■ Consecutively ranked (2006, 2007 and 2008) among the top Bankers in Financial Technology









Middle Market Financing Awards

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

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

Overview of FT Partners

The FT Partners Senior Banker Team

Name / Position	Prior Background	Experience / Education	Years of Experience
Steve McLaughlin <i>Founder, CEO and Managing Partner</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. in New York and San Francisco from 1995-2002 Formerly Co-Head of Goldman Sachs' Financial Technology Group (#1 market share) Wharton M.B.A. 	21
Larry Furlong <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. in New York, London and Los Angeles beginning in 1995 Wharton M.B.A. 	21
Greg Smith <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly award winning Equity Research Analyst at Merrill Lynch / J.P. Morgan / Sterne Agee Recent coverage included DST, ENV, FISV, FIS, WU, EEFT, V, MA, GPN & HPY among others 	20
Steve Stout <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with J.P. Morgan and UBS Formerly Global Head of Strategy at First Data 	18
Tim Wolfe <i>Managing Director</i>		<ul style="list-style-type: none"> Formerly with Goldman, Sachs & Co. beginning in 2000 Started at FT Partners beginning in 2002 40 Under 40 M&A Advisor Award Winner 2013 Harvard M.B.A. 	14
Andrew McLaughlin <i>Managing Director, Research & Business Development</i>		<ul style="list-style-type: none"> Leads FT Partners' Research and Business Development Team Formerly with Deloitte Consulting 	10