

**BM&FBOVESPA**

*The New Exchange*



# Financial Highlights of the Proposed Business Combination

Investor Presentation

*April 11<sup>th</sup>, 2016*

*This presentation may include statements representing expectations about future events or results. These statements are based upon projections and analyses which reflect present views and/or expectations of the management of each company with regards to their performance and to the future of their businesses*

*Risks and uncertainties related to the companies' businesses, to the competitive and market environment, to the macro-economic conditions and other factors described in "Risk Factors" in the Reference Form of each company, filed with the CVM, may cause effective results to differ materially from such plans, objectives, expectations, projections and intentions*

*DISCLAIMER: this is a supplementary material which may have incomplete information, or information which is shown in a schematic format. It should be used by the reader only in conjunction with the official materials published by the companies on the offer, in particular the Material Fact published on April 8<sup>th</sup> 2016. In case of doubt, the information in the Material Fact published on April 8<sup>th</sup> 2016 shall prevail*

## Transaction structure and reference terms

### CASH AND STOCK TRANSACTION

- Total consideration per Cetip share of R\$30.75 in cash (Original Reference Value of the Cash Portion) + 0.8991 voting shares of BM&FBOVESPA (BVMF3) (Reference Exchange Ratio)
- The transaction resulting in Cetip's shareholders owning 11.8% of the combined company<sup>1</sup>, based on the Reference Exchange Ratio (not considering the "Protection Mechanism" and "Other Adjustments" described in pages 4 to 6)

#### Note

1. Based on 264,883,610 Cetip shares (262,978,823 shares issued less 3,513,011 treasury shares and plus 5,417,798 shares from the anticipated vesting of all Cetip's outstanding stock options) and 1,782,094,906 BVMF shares (1,815,000,000 shares issued less 32,905,094 treasury shares). Actual % ownership may vary depending on the number of total shares outstanding on transaction's closing date

# Pricing Structure (Cont'd)

## Protection mechanism

### Protection mechanism

#### PROTECTION MECHANISM

Total consideration will be subject to a cap and a floor. Therefore, shareholders are not fully exposed to BVMF3 price fluctuations between announcement and closing

- The cap and floor mechanism will be implemented if the market price<sup>1</sup> of BVMF3 is below R\$12.51 or above R\$19.75 as of the transaction's closing day (not considering “Other Adjustments” described in page 6), by augmenting or decreasing the Reference Exchange Ratio and/or by adding an Additional Cash Amount, if necessary
  - Cash portion will under no circumstances be above 85% of the total consideration
- Total consideration will range between R\$42.00 and R\$48.51 per Cetip share (not considering “Other Adjustments” described in page 6)

#### Note

1. Average closing price of BVMF3 in the 30 trading sections before the date the last regulatory approval is granted

# Pricing Structure (Cont'd)

## Protection mechanism

### Description of the cap and floor mechanism

**Objective:** ensure that total consideration made up of cash plus BVMF3 will, under no scenario, be less than R\$42.00 or more than R\$48.51 per Cetip share (not considering "Other Adjustments" described in page 6)

- If BVMF3 has a market price<sup>1</sup> as of the closing > R\$19.75, THEN:
  - The Reference Exchange Ratio decreases, SO THAT:
    - New Reduced Exchange Ratio \* BVMF3 market price<sup>1</sup> at closing = R\$17.76 (Maximum Unit Value)
- If BVMF3 has a market price<sup>1</sup> as of the closing < R\$12.51, THEN:
  - An Additional Cash Amount to be added to the total consideration, SO THAT:
    - Additional Cash Amount + (Reference Exchange Ratio \* BVMF3 market price<sup>1</sup> as of the closing) = R\$11.25 (Minimum Unit Value), PROVIDED THAT:
      - If, as a result of such addition of cash, the cash portion reaches a limit of 85% of the total consideration, THEN:
        - The Reference Exchange Ratio will be raised, SO THAT:
          - Additional Cash Amount + (Augmented Exchange Ratio \* BVMF's market price<sup>1</sup> at closing) = R\$11.25

Maximum  
Unit Value per  
CETIP's share = **R\$17.76**

Minimum  
Unit Value per  
CETIP's share = **R\$11.25**

#### Note

1. Average closing price of BVMF3 in the 30 trading sections before the date the last regulatory approval is granted

## Price adjustments

### PRICE ADJUSTMENTS

- The Original Reference Value of the Cash Portion subject to adjustment by dividend/loC payments by Cetip from Nov. 4<sup>th</sup>, 2015<sup>1</sup> onwards and by CDI<sup>2</sup> from April 8<sup>th</sup>, 2016 until the Financial Settlement Date
- Reference Exchange Ratio to be adjusted by dividend/loC payments by BM&FBOVESPA from Nov. 4<sup>th</sup>, 2015<sup>1</sup> onwards
- Total consideration estimated on April 8, 2016 = R\$44.78 per Cetip's share

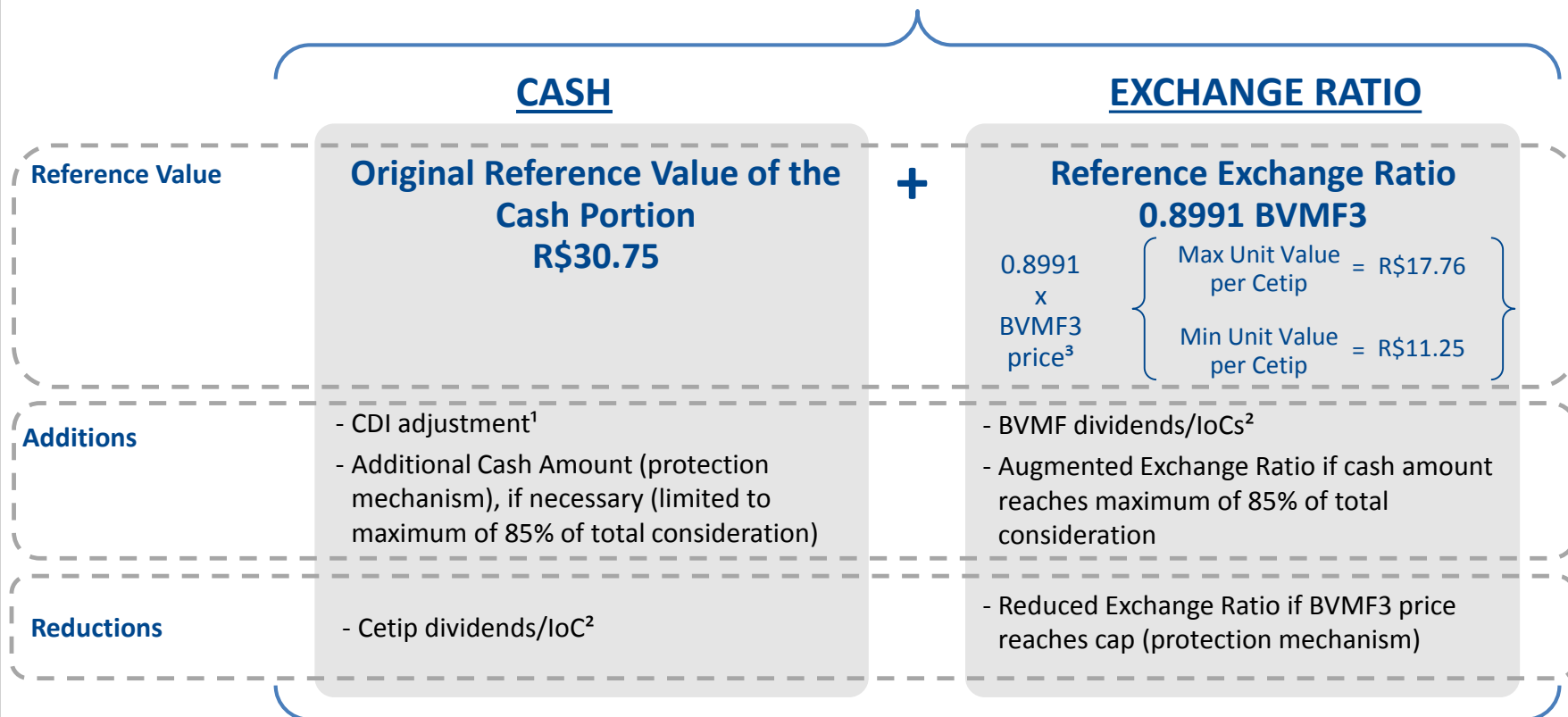
#### Notes

1. The amount in Brazilian currency to be paid to Cetip's shareholders will be reduced of any dividends, interest on capital (loC) and other corporate actions paid or payable by Cetip as from November 4, 2015 and will be deducted, when applicable, from taxes that might be due at redemption. The amount of BM&FBOVESPA shares to be delivered will be adjusted in order to reflect any dividends, loCs and other corporate actions declared by BM&FBOVESPA also as from November 4, 2015
2. The Original Reference Value of the Cash Portion to be adjusted by CDI (i) from April 8<sup>th</sup>, 2016 to the Financial Settlement Date if the shareholders meeting is called by April 15<sup>th</sup>, 2016 and the meeting is held by May 16<sup>th</sup>, 2016; or (ii) from the shareholders' approval date until settlement date if the shareholders meeting is called after April 15<sup>th</sup>, 2016

# Pricing Structure (Cont'd)

## Adjustments

***Total Consideration per Cetip share: minimum of R\$42.00 and maximum of R\$48.51***  
*(plus CDI<sup>1</sup> and less Cetip's dividends<sup>2</sup> adjustments in the original Reference Value of the Cash Portion)*



### Notes

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# Pricing Structure (Cont'd)

## Numerical examples

### Illustrative Price Scenarios for BVMF3

	5.00	8.00	12.02	15.90	18.98	25.00
<b>Cash Consideration</b>						
Original Reference Value of the Cash Portion	30.75	30.75	30.75	30.75	30.75	30.75
Cash Portion as of April 8, 2016 <sup>1</sup>	29.90	29.90	29.90	29.90	29.90	29.90
Additional Cash Amount, if Applicable	5.08	3.76	-	-	-	-
<b>Total Cash Consideration</b>	<b>34.98</b>	<b>33.66</b>	<b>29.90</b>	<b>29.90</b>	<b>29.90</b>	<b>29.90</b>
<b>% of Total</b>	<b>85.0%</b>	<b>81.8%</b>	<b>72.7%</b>	<b>66.8%</b>	<b>62.7%</b>	<b>62.7%</b>
<b>Stock Consideration</b>						
Reference Exchange Ratio	0.8991	0.8991	0.8991	0.8991	0.8991	0.8991
Corporate Actions Adjusted Exchange Ratio <sup>1</sup>	0.9358	0.9358	0.9358	0.9358	0.9358	0.9358
Average Closing Price (numerical example)	5.00	8.00	12.02	15.90	18.98	25.00
Reduced or Augmented Exchange Ratio, if applicable	1.2345	0.9358	0.9358	0.9358	0.9358	0.7103
<b>Total Stock Consideration</b>	<b>6.17</b>	<b>7.49</b>	<b>11.25</b>	<b>14.88</b>	<b>17.76</b>	<b>17.76</b>
<b>% of Total</b>	<b>15.0%</b>	<b>18.2%</b>	<b>27.3%</b>	<b>33.2%</b>	<b>37.3%</b>	<b>37.3%</b>
<b>Total Consideration</b>	<b>41.15</b>	<b>41.15</b>	<b>41.15</b>	<b>44.78</b>	<b>47.66</b>	<b>47.66</b>
<b>Cetip's Shareholders Share of the Combined Company<sup>2</sup></b>	<b>15.5%</b>	<b>12.2%</b>	<b>12.2%</b>	<b>12.2%</b>	<b>12.2%</b>	<b>9.5%</b>

#### Notes

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- Based on 264,883,610 Cetip shares (262,978,823 shares issued less 3,513,011 treasury shares and plus 5,417,798 shares from the anticipated vesting of all Cetip's outstanding stock options) and 1,782,094,906 BVMF shares (1,815,000,000 shares issued less 32,905,094 treasury shares). Actual % ownership may vary depending on the number of total shares outstanding on transaction's closing date



# Other Terms of the Combination Proposal

## Corporate Governance

- Governance model will seek to efficiently integrate the companies and add knowledge about Cetip's business to BVMF's Board of Directors
- Number of members in BVMF's Board of Directors to increase from 11 to 13
- 2 new Board Members to come from Cetip

## Conditions precedent to closing and other key terms

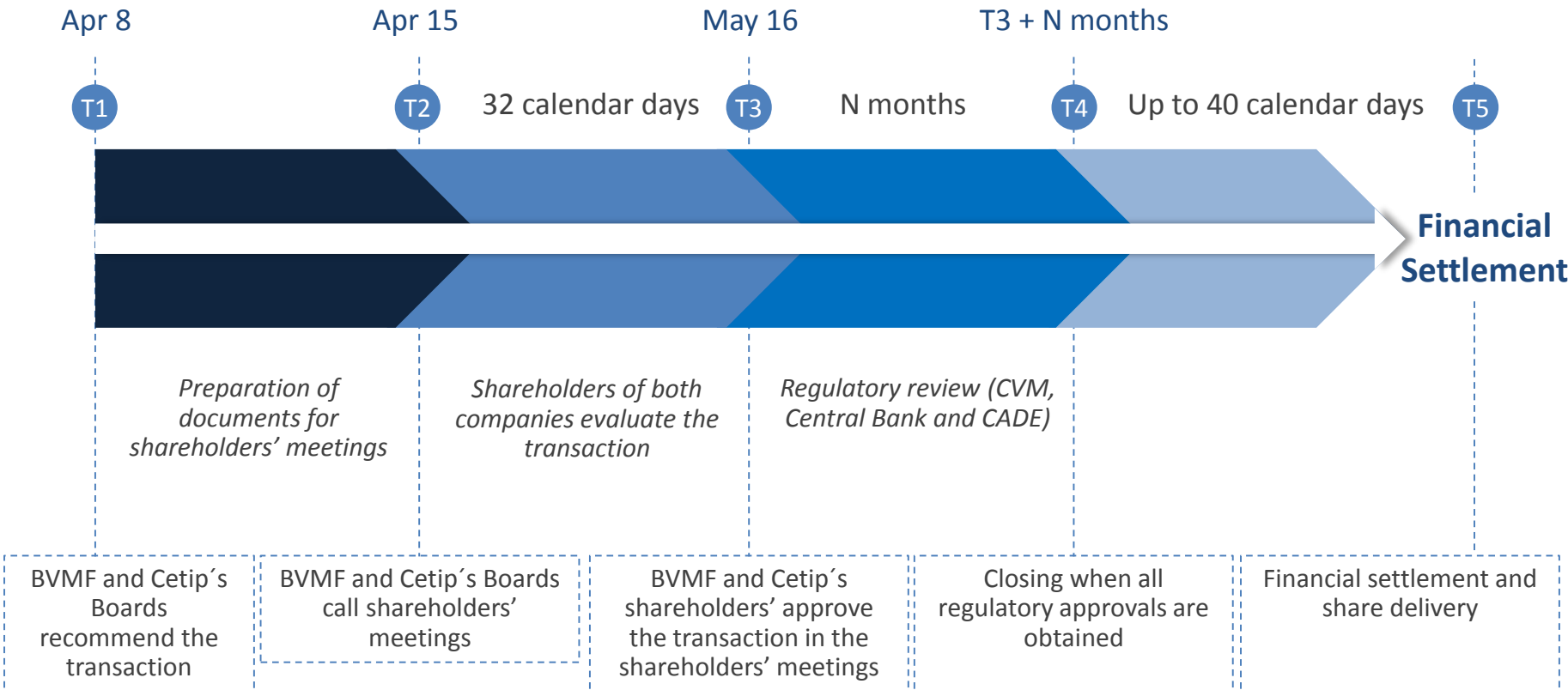
- Both Boards of Directors to call Shareholders Meetings once formal transaction documentation (*Protocolo e Justificação de Incorporação*) has been jointly prepared
- BVMF and CETIP's shareholders approval
- Regulatory approvals: Brazilian Central Bank, Brazilian Securities Commission (CVM) and Economic Defense Administrative Council (CADE)
- Financial Settlement Date to occur within 40 days of all regulatory approvals have being obtained
- Subject to certain conditions, if the transaction is not completed<sup>1</sup>, BVMF will pay a fee of R\$250 million to Cetip

Note:

- 1 Except if it is due to a Cetip's failure to fulfill any of the obligations established in the Protocol

# Proposed Timeline and Phases of the Process

*With the approval of both shareholders' meetings the closing of the transaction would be subject to regulatory approvals from CADE, CVM and Central Bank*



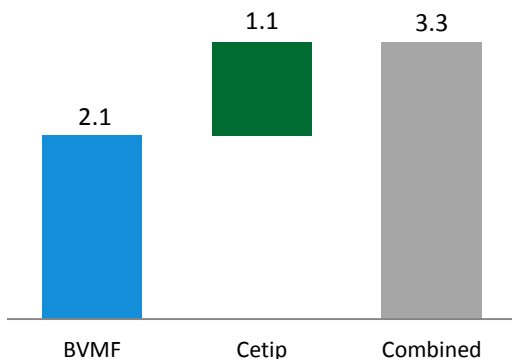
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# Pro-Forma Financial Highlights

Strong financial infrastructure company

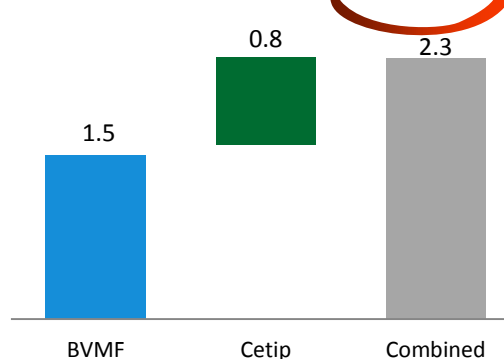
## Pro-Forma Net Revenues

2015 – R\$Bn



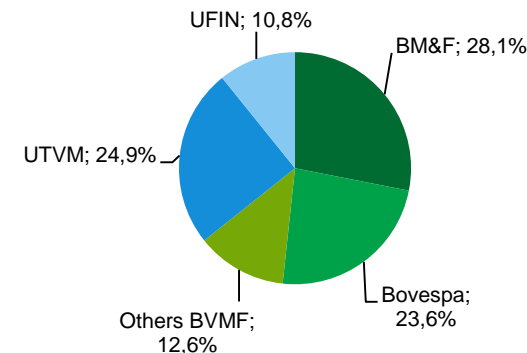
## Pro-Forma EBITDA<sup>1</sup>

2015 – R\$Bn



## PF Total Revenues Breakdown

2015



### Solid capital structure at the core of Brazilian financial markets

- Sale of CME stake will help BVMF to finance the transaction and maintain its solid credit profile
- Strong balance sheet is key, given BVMF and Cetip's systemic role in the Brazilian financial markets
- Financial deleverage in few years:
  - Net debt<sup>2</sup> / EBITDA: below 2.0x at closing<sup>3</sup> – Target in year 3 (Dec-19): below 1.0x
- Depending on market conditions and three-years deleveraging target, we expect to preserve current high payout practice

#### Notes

- 1 Excludes D&A and stock option expense for Cetip and principal amount of the stock grant expense for BM&FBOVESPA, with no cash impact. Pre-Synergies, as of 2015
- 2 Excludes the Company's minimum cash
- 3 Assuming closing in Dec-16 and that the floor of the protection mechanism is not reached

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The merits of the merger between BM&FBOVESPA and Cetip apply to regulators, clients and shareholders



## Regulators

### Global regulatory trend could lead to the migration of OTC derivatives to CCPs in Brazil

- ✓ Brazilian regulator to move forward the timeline for adjusting local regulatory framework to that trend

### Reduction of systemic risk and increase in financial system robustness

- ✓ Two CCPs could create short-term economic incentives to ease risk management standards (“race to the bottom”), making regulatory and supervisory activities more challenging

### Consolidation and strengthening of market surveillance activities

- ✓ Standardization of practices and removal of overlaps and operating costs for the entire financial system

### Existence of only one CCP/CSD does not avoid the establishment of other trading platforms in Brazil

- ✓ Post-trade service will be offered by BM&FBOVESPA



## Clients

### More efficiency on capital and liquidity management

- ✓ Two CCPs could make transactions more expensive from a capital allocation and collateral standpoints

### Incentives for the growth of the derivatives market

- ✓ The higher demand for capital/collateral could increase the cost of hedge structures offered by banks to their clients, inhibiting market growth and making it less competitive internationally

### Operational costs reduction

- ✓ Consolidation of processes and back-office systems of trading desks, custodians, asset managers and brokers, and reduction in costs related to market supervision/compliance

### Fees Reduction

- ✓ Part of the combination cost synergies to be translated in lower prices

### Expansion of products offering

- ✓ Expansion of the range of OTC products with CCP



## Shareholders

### Strengthening the new company strategic position in the long-term

- ✓ Higher value proposition by increased efficiency
- ✓ Creating a first-class player by global standards

### Additional value created by capturing synergies in revenues and expenses

- ✓ Operational and administrative synergies are available

### More revenue diversification

- ✓ Addition of high growth business lines
- ✓ Reduced volatility in results

### Mitigate execution risk of new businesses

- ✓ Fixed income registration, OTC derivatives, real estate etc.



**BM&FBOVESPA**

**Investor Relations Department**

55 11 2565-4729/4418/4207/4834/7938

[ri@bmfbovespa.com.br](mailto:ri@bmfbovespa.com.br)



**Cetip**

**Investor Relations Department**

55 11 3111-1913/1915/8094

[dri@cetip.com.br](mailto:dri@cetip.com.br)