

## **CBOE Debut to Hog Spotlight; Exchange's IPO, One of Five This Week, Comes at Trying Time for New Deals**

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setTimeout("InvokeAdService('ArticleAd','Global','Article','Small','Ad','Ad')", 1000); There are five IPOs scheduled to debut in the U.S. this week, but in terms of investor attention span, there is really only one: the Chicago Board Options Exchange.

The Chicago-based options exchange is scheduled to begin trading as CBOE Holdings Inc. on Tuesday on the Nasdaq under the symbol CBOE. The \$339 million that it is hoping to raise through its initial public offering of stock is considered a small to moderate-sized deal in terms of proceeds. It isn't expected to be the best performer of the year, or even come close to the 44% gain that top dog Financial Engines Inc. achieved in March.

But the importance of the CBOE's offering looms large: This is a big-name stock coming at a particularly trying time for IPOs, and a lot depends on how it prices and trades. If it doesn't do well, then there isn't much hope for any new stock, and the four other deals expected this week—telecom software specialist BroadSoft Inc., mobile-data service provider Motricity Inc., oil and gas explorer Oasis Petroleum Inc., and college-payment service firm Higher One Holdings Inc.—might as well postpone their offerings.

Many investors believe that the CBOE could price and trade well no matter how dreadful the broader stock market appears.

As the company wound down its roadshow of marketing to investors last week, demand appeared to be running strong for shares of the offering, with large investors expecting to receive only a sliver of their hoped-for allocations.

"There is very big demand, even on an international level. It will certainly trade at a premium, but not a moonshot premium," said **Scott Sweet**, managing director of research firm IPOBoutique.com, referring to the high double- and triple-digit percentage gains from exchanges like the CME Group Inc. (parent of the Chicago Mercantile Exchange) and Nymex Holdings Inc. (then-parent of the New York Mercantile Exchange, later bought by the CME) during their stratospheric debuts years ago.

The CBOE is coming public just after its busiest month in history. Volatile markets, while unkind to IPOs, provide a favorable environment for options trading, much to the exchange's advantage. Also in the CBOE's corner is the general expectation that it will eventually be acquired at some point after its debut, resulting in a premium for shareholders.

Some say the price that the exchange seeks is a bit high, compared with other exchanges' valuations. Morningstar pegged the CBOE's fair market value at \$26 a share, a dollar below its \$27 to \$29 range. Most companies have had to scale back their price ranges lately, and even deals that were said to be oversubscribed have struggled.

The CBOE's IPO plans were delayed for years due to legal battles over ownership rights, and now that it is coming public in a rough market, it is hard not to consider how much more the exchange could have commanded in 2007 or earlier.

"Even beyond [the different IPO environments], the CBOE had a stronger market share back then. They didn't have as many competitors," said Michael Wong, an equity analyst at Morningstar.

There are other factors beyond the poor atmosphere for IPOs that will likely keep the CBOE's stock from going through the roof. Some regulatory and legal uncertainty dogging the company: the Securities and Exchange Commission has proposed a fee cap on options contract trades, and a competitor is seeking the right to list options on indexes for which the CBOE has exclusive licenses.

"It wouldn't shock me if they ended up pricing at the low end or below their range because of the environment they are in. But trading should be decent even if that happens because there is a fair amount of demand for this stock," said Nick Einhorn, an analyst at Greenwich-based research firm Renaissance Capital.

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