

CHORDIANT SOFTWARE INC

Form 425

January 08, 2010

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CDC Software Corporation  
Investor Update Call  
January 8, 2010

Edgar Filing: CHORDIANT SOFTWARE INC - Form 425

Filed by CDC Software Corporation pursuant to Rule 425 of  
the Securities Act of 1933 and deemed filed pursuant to  
Rule 14a-12 of the Securities Exchange Act of 1934  
Subject Company: Chordiant  
Software Inc.  
Commission File No.: 001-34179

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CDC Software Safe Harbor

This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of a recommendation in connection with the proposed transaction, CDC Software Corporation, and/or CDC Corporation or the company, plans to file a proxy statement on Form F-4 containing a proxy statement/prospectus and other documents regarding the proposed transaction. The statement/prospectus will be

mailed  
to  
shareholders  
of  
Chordiant  
Software  
Inc.

INVESTORS AND SECURITY HOLDERS OF CHORDIANT SOFTWARE INC. ARE URGED TO READ THE PROXY STATEMENT AND OTHER DOCUMENTS CAREFULLY WHEN FILED WITH THE SEC IN THEIR ENTIRETY BECAUSE THEY WILL RECEIVE IMPORTANT INFORMATION ABOUT THE PROPOSED TRANSACTION.

Investors and security holders will be able to obtain free copies of the registration statement and the proxy statement/prospectus documents

filed  
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the  
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by  
the  
company  
through  
the  
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maintained  
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the  
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statement

and the proxy statement/prospectus (when available) and other documents filed with the SEC can also be obtained by directing your request to  
Bahl, Senior Vice President, Investor Relations (678) 259-8510.

The company and its directors and executive officers and other persons may be deemed to be participants in the solicitation of the proposed transaction. Information regarding the company's directors and executive officers is available in its Registration Statement (333-160600),

which  
was  
filed  
with  
the  
SEC  
on  
August  
4,  
2009.

CDC  
Corporation's  
information  
can  
be  
found  
at  
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and  
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its  
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As  
of  
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5,  
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CDC  
Software  
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392,762  
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Chordiant  
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Inc.  
Other  
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regarding  
the  
participants  
in  
the  
proxy  
solicitation  
and  
a  
description  
of  
their  
direct  
and  
indirect  
interests,  
by  
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or  
otherwise,  
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Actual  
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Financial  
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www.cdcssoftware.com

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Please  
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to  
update any forward-looking statement to conform the statement to actual results or changes in the company's expectations. His

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A Good Fit -  
Why We Believe This Deal Makes Sense for  
Stakeholders  
We  
believe

Chordiant  
is  
a  
good  
fit  
based  
on  
CDC  
Software s  
acquisition criteria:  
Technology

highly  
complimentary,  
adds  
call  
center  
technology  
to  
CDC  
front  
office  
portfolio  
Value  
Offer fair value at a premium in-line with recent acquisitions  
Geographic  
footprint

complimentary  
markets  
with  
minimal  
geographic  
overlap  
despite  
similar  
customers  
Back  
Office  
Integration

opportunity  
to  
eliminate  
redundant  
costs  
Scale

CDC  
SW

global  
infrastructure  
adds  
critical  
mass  
to  
Chordiant  
to  
help  
compete  
in  
today's  
environment  
We believe  
deal  
is  
accretive  
immediately  
based  
on  
our  
analysis.

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Transaction Overview

Some  
CDC  
Software

executives  
have  
had  
working  
relationships  
with  
members  
of  
Chordiant's  
management, including its CEO and CTO.

As of January 5, 2010, CDC SW owned 392,762 CHRD shares (or approximately 1.3% of CHRD shares outstanding).

CDC  
SW  
is  
proposing  
to  
buy  
all  
the  
outstanding  
shares  
of  
CHRD  
at  
a  
premium  
of  
21%  
over  
the  
30 day trading average through Jan. 5, 2010, amounting to \$3.46 per share.

Two options for payment:

40% cash, 60% shares (50/50 combination of CDC SW and CDC Corp.)

50% cash, 50% CDC SW shares

Shareholders can choose either or both of these two options, in any combination, in 1,000 share increments

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2009 Software M&A Premiums \*  
Acquiror  
Target  
Announced  
Date

Market Value

(\$mm)

Enterprise Value

(\$mm)

Premium to Avg

Pre-Annc. Stock

Price

1-Day

1-Month

3-Month

Thoma

Bravo

AMICAS

12/24/2009

216.5

176.3

21.0%

19.5%

35.3%

Technology Resource Hld.

Silicon Storage Tech

11/13/2009

201.3

22.6

12.9%

1.4%

-2.8%

JDA Software Group

i2 Technologies

11/5/2009

431.9

393.6

9.0%

9.4%

11.5%

Symphony Technology

MSC Software

9/17/2009

381.8

232.7

20.7%

22.4%

24.1%

Ebay

Gmarket

4/15/2009

1,227.0

925.5

20.2%

38.4%

54.6%  
Thoma  
Bravo  
Entrust  
4/13/2009  
113.7  
89.4  
20.8%  
19.6%  
24.0%

The average premium percentages of the six software target companies for 1-Day, 1-Month, and 3-Months are 17.4%, 18.5% and 24.5%, respectively.

Software Equity Value Premiums

1-Day  
1-Month  
3-Month  
Max  
21.0%  
38.4%  
54.6%  
Mean  
17.4%  
18.5%  
24.5%  
Median  
20.5%  
19.6%  
24.1%  
Min  
9.0%  
1.4%  
-2.8%

\* Based upon CDC Software's review of publicly-available information.



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Global Snapshot  
Company Background  
\$48.6 million in total revenue for Q3 2009  
Non-GAAP earnings per share of \$0.33 and Non-GAAP net income of \$9.6 million, exceeded Wall Street's expectations

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Increase in net cash from operations: \$19.2 million in Q3 2009 compared to \$15.2 million in Q2 2009

Sequential increase in maintenance revenue: \$25.4 million in Q3 2009 compared to \$24.8 in Q2 2009

On

January

5,

2010,

CDC

Software

pre-announced

Q4

09

license

results

that

demonstrate

double-digit

organic

growth

Provider of integrated end to end solutions: ERP, SCM and CRM applications

Targeted vertical markets such as Food and Beverage, CPG Financial Services

Retail, and more.

Direct operations and subsidiaries in over 20 countries

CDC

Software

Q3

09

and

Preliminary

Q04

09

Financial

Results

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Acquisition Experience: Experience with Public Companies  
Ross and Pivotal  
Acquisition of Pivotal and Ross  
Acquisition of Pivotal and Ross

CDC acquired Ross in 2004 as a foundation for its Back Office Solutions business and has grown this segment from \$45 million in revenue to over \$95 million in revenue\*

CDC acquired Pivotal in 2004 and has grown the Front Office business from \$45 million in revenue to over \$85 million in revenue\*

Other tuck-in applications

CDC acquired Ross in 2004 as a foundation for its Back Office Solutions business and has grown this segment from \$45 million in revenue to over \$95 million in revenue\*

CDC acquired Pivotal in 2004 and has grown the Front Office business from \$45 million in revenue to over \$85 million in revenue\*

Other tuck-in applications

\*

Estimated based on management's analysis of historical revenue amounts, product mix and trends.

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CDC Software:

Adjusted EBITDA and  
Non GAAP Net Income  
for prior periods are pro

forma

0%

5%

10%

15%

20%

25%

30%

2007

2008

YTD 2009

Adj EBITDA as % of Rev

-

5.0

10.0

15.0

20.0

25.0

30.0

35.0

40.0

45.0

50.0

2007

2008

YTD 2009

Net Cash from Operations (\$US M)

0%

2%

4%

6%

8%

10%

12%

14%

16%

18%

20%

2007

2008

YTD 2009

Non GAAP Net Income as % of Rev

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Market Cap: US\$309 million  
Net Cash: US\$ 62 million  
Market Cap: US\$58 million  
Net Cash: US\$60 million  
Market Cap: US\$274 million

Net Cash: US\$ 90 million

CDC Corporation: Overview

NASDAQ: CDCS

Enterprise Software

84% owned by CDC

(98.1% controlled)

IT Services

100% owned by CDC

Online Games

100% owned by CDC

(HKGEM: 8006)

Internet and Media Portal

79% owned by CDC

CDC Corp.

(NASDAQ:China)



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CDC Software  
Chordiant Combination

We believe Chordiant is a natural extension of CDC Front Office.

CDC SW has a good track record of acquiring sub-scale software companies of similar size, i.e. Ross and Pivotal

expects to eliminate duplicate positions and ratchet margins.

Share same verticals with many common customers: AIG, RBS, ING, Prudential, Barclays, etc.

CDC SW Front Office sales team expected to cross-sell CHRD products into our installed bases, especially in Japan, Australia, China, India, and Singapore, where CHRD has minimal presence.

CDC SW has a good track record of cross-selling Front Office products into our back office installed bases, ie. ERP/Supply Chain/CDC Factory.

CDC SW has an established platform that provides cost effective R&D and global support in India/China

75% of total R&D.

CDC SW has an excellent track record of managing costs despite a challenging economic climate. In the last 2 years, CDC SW doubled Non GAAP Net income margin to 18% despite

lower revenue.

CDC SW estimates organic growth in Q4 with double digit license revenue growth as compared to average of previous 3 quarters.

Talking

Points

-

Specifics

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Why we believe CHR D should consider this proposal:

Chordiant Perspective

CHR D has good customers and strong technology.

We believe CHR D is subscale.

CDC SW has exceeded Wall Street expectations since its IPO in terms of Non GAAP net income and adjusted EBITDA, while CHR D has missed analyst expectations over the last several quarters.

As evidenced by a recent failed acquisition attempt, we believe management realizes that CHR D needs to add more scale to compete.

We believe that CHR D investors fear this pursuit of an acquisition strategy will result in high levels of cash outflow, while the business is simultaneously burning cash.

CHR D business model is based on elephant hunting

large mega deals with long sales cycles. CDC SW has a bread and butter core base of business. We

believe  
that  
when  
you  
marry  
the  
two,  
the  
result  
is  
highly  
synergistic.

Favorable  
consideration

-  
mix  
of  
cash  
and  
stock.

Tax  
structure  
could  
be  
favorable  
for  
holders  
of  
CHRD.

CDC  
SW  
is  
offering  
a  
premium  
of  
21%,  
in-line  
with  
recent  
transactions.

©  
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Customer Synergies  
Known Joint Customers of CDC Software and  
Chordiant

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What some of our Common Customers have to say?

We use Chordiant  
heavily as a company and I was excited to hear the news. I  
think this puts CDC in a strong position having best-of-breed applications for



CRM & CEM

--Leading global institutional asset management company

"Huge  
value  
to  
have  
both  
under  
one  
umbrella  
definitive  
advantage  
to  
have  
best  
of breed CEM; rounds out the product suite"

--Large financial services organization

"For  
CDC  
this  
is  
good  
thing,  
to  
acquire  
more  
of  
the  
front  
office  
support  
products  
that insurance & investment companies need"

--Large ranking financial investment firm

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CDC Front Office Suite  
Best in Class  
Marketing  
Pivotal Sales  
Miller Heiman

Edition  
Pivotal Mobile  
Pivotal Handheld  
Customer  
Experience  
Cross/Up Sell  
Case Management  
Decision  
Management  
Ecommerce  
SaaS  
eCommerce  
Store Front  
Auction  
Feedback  
Management  
Feedback  
Management  
Customer Self-  
Service  
Collections  
Manager  
CX Retention  
Customer Loyalty  
Sales  
CDC MarketFirst  
Pivotal eMarketing

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Principal Financial Group  
Customer Profile

\$280.5 Billion Assets Under  
Management

14,900 Employees Globally

18.6 Million Customers

Lines of business:

Asset Management

Retirements & Investments

Insurance

Health and Wellness

Banking

Could allow for unified view of the customer and key customer information to create a true 360 degree view.

Pivotal and Chordiant integration could allow business to harness some of the following:

Chordiant users - cross-sell products and services based on historical information stored in Pivotal

Pivotal users - insight into key issues surrounding the customer

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WellPoint  
Customer Profile

Leading US Health Benefits Company

42,000 Employees

35 Million Medical Members

Part of S&P 500  
WLP

Could allow for a complete end  
to end solution.

Little  
capability  
overlap

only  
true synergies between solutions

Could provide a unified  
application for entire customer  
lifecycle.





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ING  
Customer Profile

Multi-National Leading Financial Services Provider

Over 85 Million Private and Corporate Customers

110,000 Employees

\$226 Billion in Revenue

Could allow ING to have unified front office vendor for their business.

Possible cross-selling synergies to provide Pivotal to the Banking business and Chordiant to the Investment Management business

Could allow ING to establish and manage a Center of Excellence and drive down costs of ownership.

ING Banking

ING Banking

ING

Investment

Management

ING

Investment

Management

Cross-Selling

Synergies

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Large UK Retail Banking Group  
  
Over 145,000 Employees Globally  
  
Operations in over 50 countries

49 Million Customers

Over 1700 UK Branches

Over 33,000 users of CDC Respond  
Solution

Lines of business:

Retail banking

Credit cards

Corporate banking

Investment banking

Wealth management

Investment management services

Could provide complimentary solutions to  
improve customer engagement management  
and call centre throughput.

Could allow for seamless integration of sales  
and complaint management processes that  
could allow easy access to complaint history  
and the quick capture of complaints

Holistic view of customer could improve  
experience that can help reduce churn and  
improve selling opportunities

Customer Profile

CHRD

Contact

Center

CDC

Respond

Quick Complaint

Capture

Complaint History

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Comparison of Operating Expenses \*

\* Data based upon last three quarters of publicly available information.

CDCS

CHRD

Revenue

100%  
100%  
Sales & Marketing  
16%  
35%  
R&D  
8%  
25%  
G&A  
12%  
16%  
Other  
2%  
0%  
Total OpEx  
39%  
77%  
Non GAAP Earnings  
18%  
-6%

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Summary

We  
believe  
that



the  
transaction  
could  
help  
increase  
earnings  
via  
cost  
reductions,  
as well as improved scale and global reach.

We believe that the potential combination of solutions form a compelling front office value proposition.

We believe that the deal is immediately accretive.

Offering a premium to CHRD holders.

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