

CHORDIANT SOFTWARE INC

Form 425

January 08, 2010

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CDC Software Corporation
Investor Update Call
January 8, 2010

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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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This communication does not constitute an offer to sell or the solicitation of an offer to buy any securities or a solicitation of any securities in connection with the proposed transaction, CDC Software Corporation, and/or CDC Corporation or the company, plans to file a registration statement on Form F-4 containing a proxy statement/prospectus and other documents regarding the proposed transaction. The registration 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 OBTAIN 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
with
the
SEC
by
the
company
through
the
web
site
maintained
by
the
SEC
at
www.sec.gov

Free
copies
of
the
registration
statement

and the proxy statement/prospectus (when available) and other documents filed with the SEC can also be obtained by directing inquiries 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
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the
SEC
on
August
4,
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CDC
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Other
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Financial
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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 CHRD should consider this proposal:

Chordiant Perspective

CHRD 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
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of
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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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