
First Quarter 2016 Earnings Presentation

April 29, 2016



Agenda

Strategic Review

Edward Tilly

Chief Executive Officer

Financial Review

Alan Dean

*Executive Vice President,
CFO and Treasurer*

Questions and Answers

Edward Tilly

Alan Dean

Edward Provost

President and Chief Operating Officer

John Deters

*Chief Strategy Officer and
Head of Corporate Initiatives*

Forward-Looking Statements

This presentation may contain forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are those statements that reflect our expectations, assumptions or projections about the future and involve a number of risks and uncertainties. These statements are only predictions based on our current expectations and projections about future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. There are important factors that could cause actual results, level of activity, performance or achievements to differ materially from that expressed or implied by the forward-looking statements, including: the loss of our right to exclusively list and trade certain index options and futures products; economic, political and market conditions; compliance with legal and regulatory obligations, including our obligations under agreements with regulatory agencies; increasing price competition in our industry; decreases in trading volumes or a shift in the mix of products traded on our exchanges; legislative or regulatory changes; increasing competition by foreign and domestic entities; our dependence on third party service providers; our index providers' ability to perform under our agreements; our ability to operate our business without violating the intellectual property rights of others and the costs associated with protecting our intellectual property rights; our ability to accommodate trading volume and transaction traffic, including significant increases, without failure or degradation of performance of our systems; our ability to protect our systems and communication networks from security risks, including cyber-attacks; the accuracy of our estimates and expectations; our ability to maintain access fee revenues; our ability to meet our compliance obligations, including managing potential conflicts between our regulatory responsibilities and our for-profit status; the ability of our compliance and risk management methods to effectively monitor and manage our risks; our ability to attract and retain skilled management and other personnel; and our ability to manage our growth and strategic acquisitions or alliances effectively.

More detailed information about factors that may affect our performance may be found in our filings with the U.S. Securities and Exchange Commission, including in our Annual Report on Form 10-K for the year ended December 31, 2015 and other filings made from time to time with the SEC.

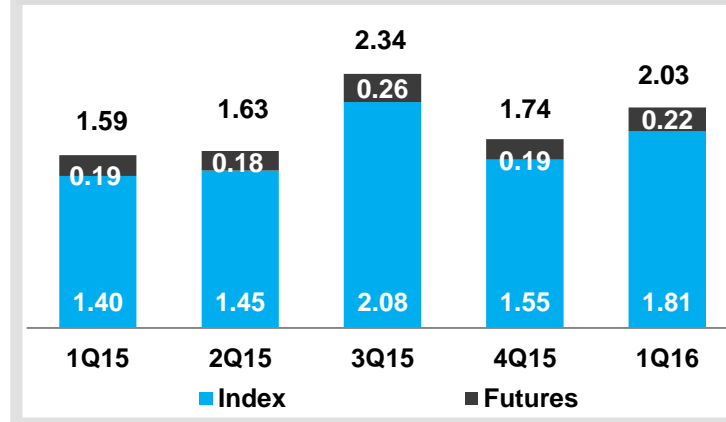
➤ Strategic Review
Edward Tilly
CEO

Record First-Quarter Results for 1Q16

Results fueled by strong trading in proprietary index products

- **Third consecutive quarter proprietary index products exceeded 40% of total volume**
- **1Q16 ADV for index complex, including index options and VIX futures**
 - Increased 17% compared to 4Q15
 - Increased 28% compared to 1Q15
- **Multiply-listed options traded industrywide increased by 3% in 1Q16 vs 1Q15**

Total ADV for CBOE Index Complex:
Index Options and VIX Futures
(in millions)



Translating Our Mission and Strategic Initiatives Into Value

Our mission is to be the market leader in providing innovative products that facilitate and enhance trading in a global marketplace

Strategic Initiatives

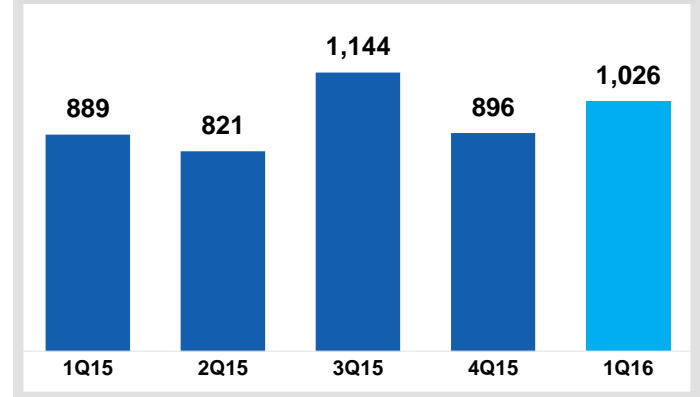
- **Develop unique products**
- **Expand our customer base globally**
- **Form alliances that leverage and complement our core business**
- **Define and lead the options and volatility space globally**

Further Developing Current Products to Grow Index Product Line

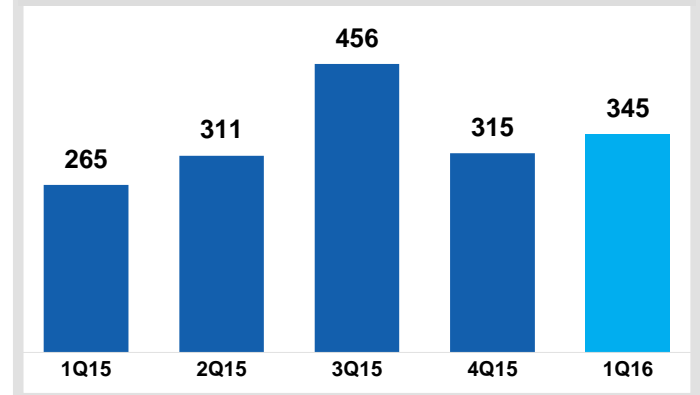
S&P 500 Index (SPX) options, the most actively traded U.S. index option

- **SPX ADV for 1Q16 up 15% vs 1Q15 and 4Q15**
 - Driven in part by strong Weeklys trading
- **Introduced SPX Weeklys with Wednesday Expirations on Feb. 23**
 - Increases opportunities to trade SPX
 - Enables investors to better target expirations
 - Wednesday expirations averaging over 71,000 contracts per day in April¹, 8% of SPX volume
- **Plan to add Monday-expiring Weeklys, following SEC approval**

SPX ADV* (in thousands)



SPX Weeklys ADV (in thousands)



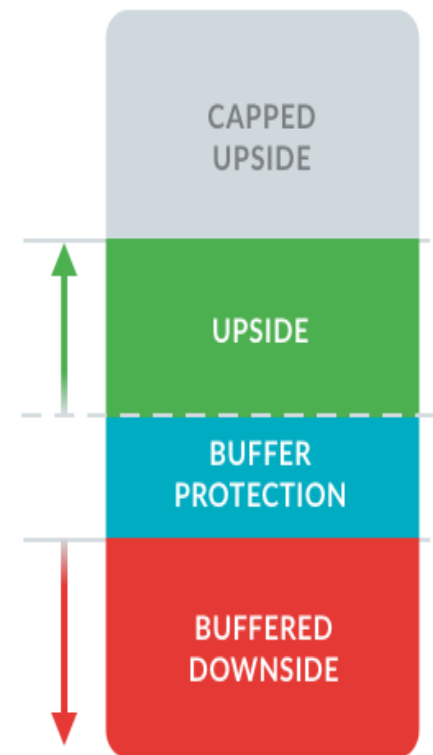
*Includes SPX Weeklys

¹Through April 22, 2016

CBOE Introduced First in Series of Indexes Designed to Target Investment Outcomes

CBOE S&P 500 Buffer Protect Indexes are designed to target the outcomes of specific investment strategies

- **Buffer Protect Indexes leverage options as risk management tool**
- **Began providing daily values for indexes April 1**
- **Vest Financial Group Inc. is the first to license the new indexes**
 - Vest plans to use indexes to create products that will trade on several full-service broker-dealer platforms
- **Target-outcome investing substantially reduces complexity of options for retail and high net-worth individuals**

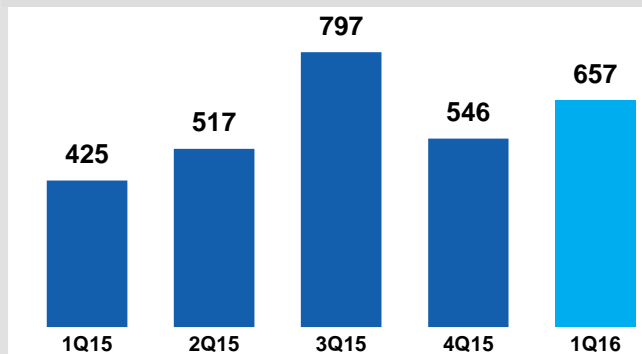


Leveraging VIX Methodology to Create New Products and Grow Index Product Line

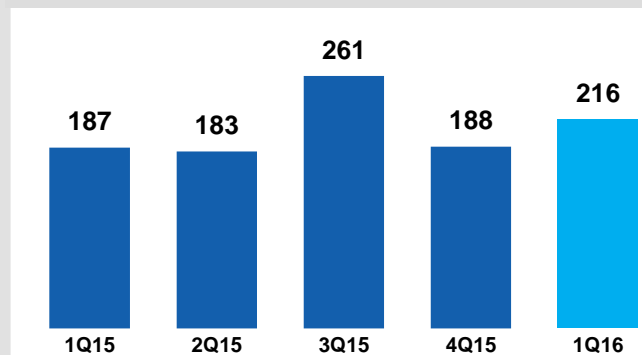
CBOE Volatility Index (VIX Index) is considered the world's barometer of equity market volatility

- **VIX options ADV up 55% 1Q16 vs 1Q15 and 20% vs 4Q15**
- **VIX futures ADV up 16% 1Q16 vs 1Q15 and 15% vs 4Q15**
- **Began overnight dissemination of VIX Index on April 15**
 - Offers market participants the ability to view volatility when news breaks overnight

VIX Options ADV
(in thousands)



VIX Futures ADV
(in thousands)

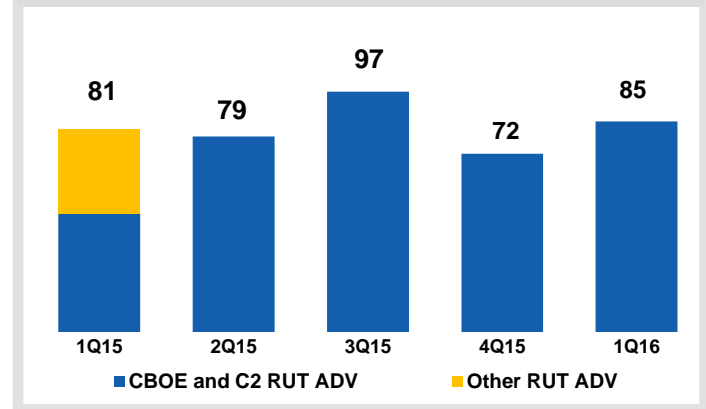


Leveraging Partnerships With Index Providers to Grow Index Product Line

Sole U.S. provider of major FTSE Russell products and MSCI index products

- RUT ADV up 5% in 1Q16 vs 1Q15 and up 18% vs 4Q15
- On March 29, launched FTSE 100 and FTSE China 50 mini-indexes
 - Adds to the growing international dimension of our index options franchise

RUT Options ADV
Industrywide¹
(in thousands)



¹CBOE became sole U.S. provider of Russell 2000 Index (RUT) on April 1, 2015
Source: OCC and CBOE



Expanding Our Global Customer Base

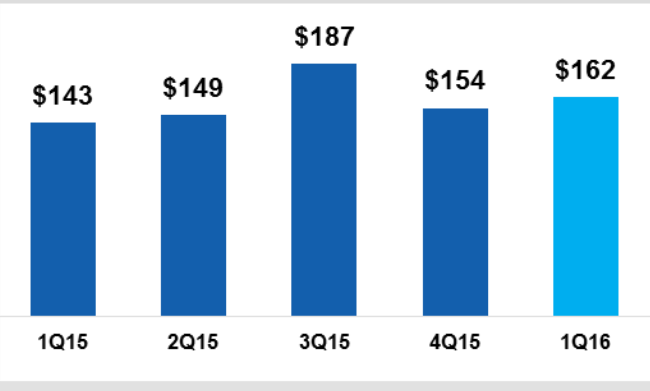
Expanding outreach and investor education around the world

- **Planning joint marketing and educational efforts with our index provider partners**
- **The fifth annual CBOE Risk Management Conference Europe will take place Sept. 26 through 28 in County Wicklow, Ireland**
- **Broadening global reach of VIX futures trading by establishing connectivity between CFE and Stellar Trading Systems**
- **In July, CBOE plans to establish its first international business development outpost with the opening of an office in London**

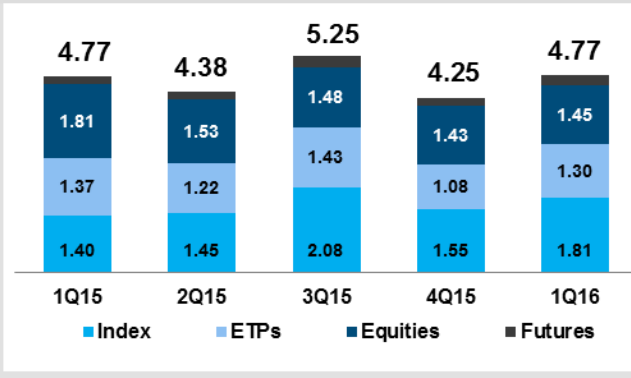


Strong Trading in Our Proprietary Products Continue to Fuel Growth

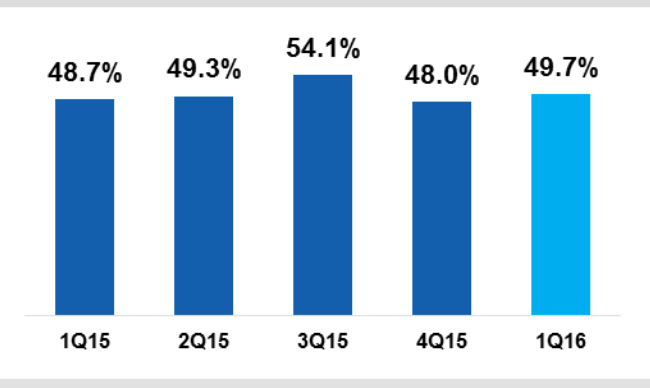
Adjusted Operating Revenue¹
(in millions)



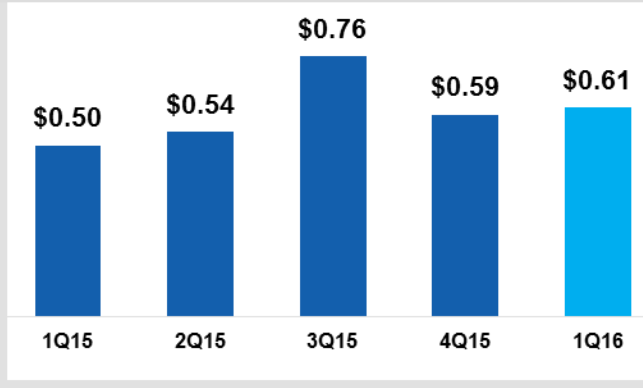
Total ADV by Product
(in millions)



Adjusted Operating Margin¹



Adjusted Diluted EPS¹



¹Adjusted to reflect the impact of certain items. See Appendix for "Non-GAAP Information."



Financial Review
Alan Dean
EVP, CFO and Treasurer

1Q16 Financial Overview

Adjusted Basis¹ (in millions, except EPS and RPC)	1Q16	1Q15	\$ Change	% Change
Operating Revenues	\$162.3	\$142.8	\$ 19.5	14%
Adjusted Operating Expenses	81.7	73.3	8.4	11%
Adjusted Operating Income	\$ 80.6	\$ 69.5	\$ 11.1	16%
<i>Adjusted Operating Margin %</i>	<i>49.7%</i>	<i>48.7%</i>		<i>100 bps</i>
Adjusted Net Income Allocated to Common Stockholders	\$ 49.9	\$ 42.3	\$ 7.6	18%
Adjusted Diluted EPS	\$ 0.61	\$ 0.50	\$ 0.11	22%
Total ADV	4.77	4.77		--
Revenue per Contract (RPC)	\$0.405	\$0.340	\$0.065	19%

¹Adjusted to reflect the impact of certain items. See Appendix for "Non-GAAP Information."

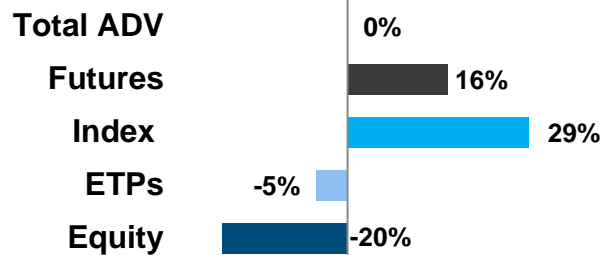
Operating Revenues Up 14%

Transaction fees key driver of revenue growth

► Transaction fees up \$19.3MM

- 19% increase in RPC
 - Favorable shift in product mix
 - Lower volume-related discounts
- Volume relatively unchanged

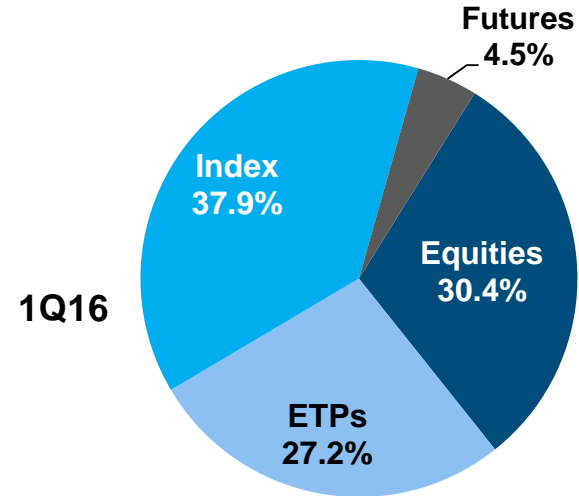
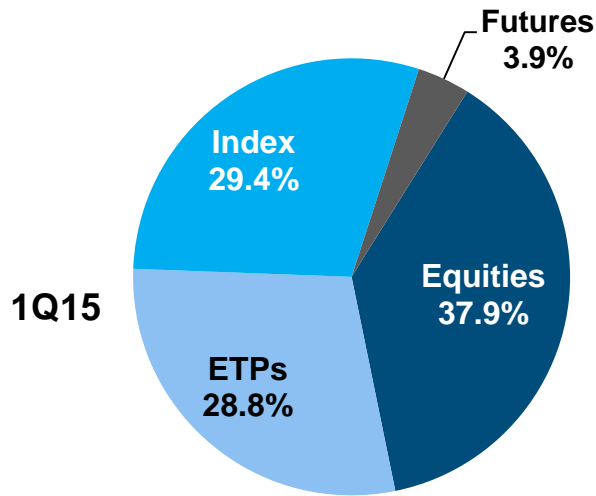
ADV Change By Product Category 1Q16 Versus 1Q15



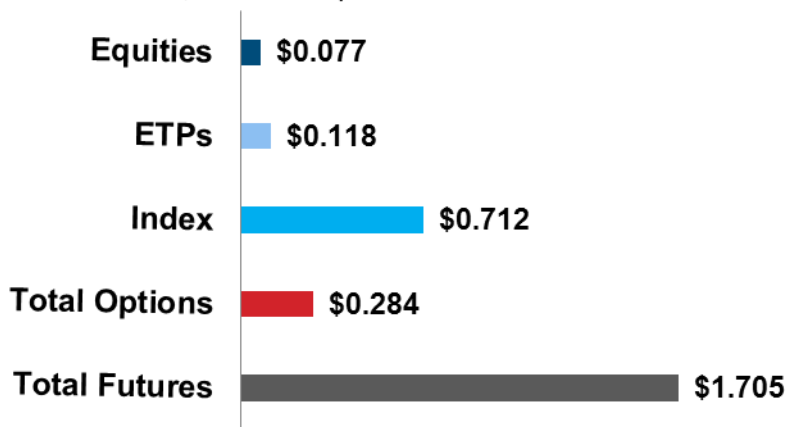
Operating Revenues (in millions)	1Q16	1Q15	% Chg
Transaction fees	\$118.0	\$ 98.7	20%
Access fees	13.2	13.7	-3%
Exchange services and other fees	11.4	9.7	17%
Market data fees	8.0	8.0	--
Regulatory fees	9.1	8.4	9%
Other revenue	2.6	4.3	-39%
Total Operating Revenues	\$162.3	\$142.8	14%

Increase in RPC Primarily Reflects Shift in Mix of Trading Volume

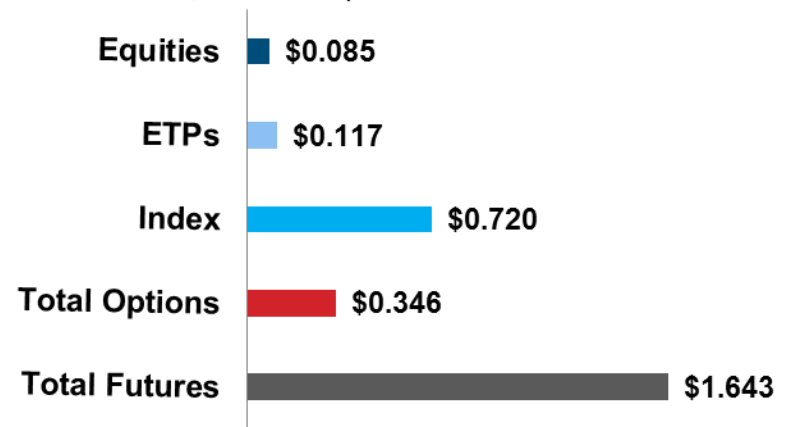
Trading volume mix and RPC 1Q16 versus 1Q15



1Q15 RPC \$0.340

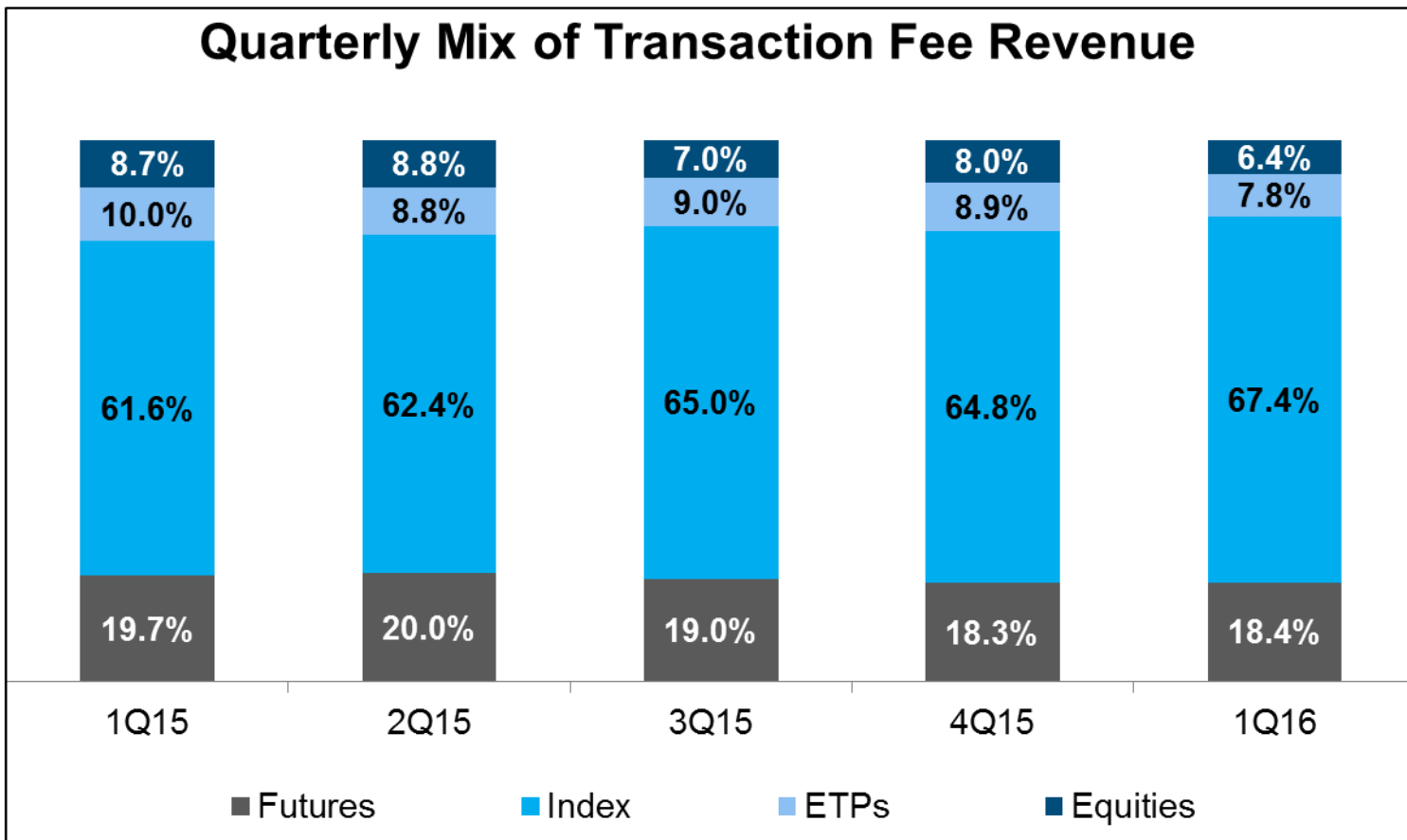


1Q16 RPC \$0.405



Proprietary Products Account for Growing Percentage of Transaction Fee Revenue

Index options and futures contracts accounted for 85.8% of transaction fees in 1Q16 versus 81.3% in 1Q15



Other Operating Revenue Drivers

- **Exchange services and other fees up \$1.7MM**
 - Primarily resulting from the addition of CBOE Livevol
- **Other revenue down \$1.7MM**
 - Primarily reflects lower revenue from fines

Operating Revenues (in millions)	1Q16	1Q15	% Chg
Transaction fees	\$ 118.0	\$ 98.7	20%
Access fees	13.2	13.7	-3%
Exchange services and other fees	11.4	9.7	17%
Market data fees	8.0	8.0	--
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Other revenue	2.6	4.3	-39%
Total Operating Revenues	\$162.3	\$142.8	14%

Ongoing Focus on Prudent Expense Management

Key drivers:

- Royalty fees up \$4.9MM
- Compensation and benefits up \$1.5MM
- Professional fees and outside services up \$1.3MM
- Depreciation and amortization up \$1.2MM

Adjusted Operating Expenses ¹ (in millions)	1Q16	1Q15	% Chg
Compensation and benefits	\$26.9	\$25.4	6%
Depreciation and amortization	11.6	10.4	12%
Technology support services	5.4	5.3	2%
Professional fees and outside services	13.3	12.0	11%
Royalty fees	19.1	14.2	35%
Order routing	0.1	0.8	-87%
Travel and promotional	2.5	2.5	--
Facilities costs	1.5	1.4	10%
Other expenses	1.3	1.3	--
Total Adjusted Operating Expenses	\$81.7	\$73.3	11%

¹Adjusted to reflect the impact of certain items. See appendix for "Non-GAAP Information." May not foot due to rounding.

Core Operating Expenses Up 6%

Key drivers:

- **Compensation and benefits up \$1.5MM**
 - Primarily due to higher costs for stock-based compensation and annual incentive compensation
- **Professional fees and outside services up \$1.3MM**
 - Primarily due to higher costs for legal and other professional services

Core Operating Expenses ¹ (in millions)	1Q16	1Q15	% Chg
Compensation and benefits	\$26.9	\$25.4	6%
Technology support services	5.4	5.3	2%
Professional fees and outside services	13.3	12.0	11%
Travel and promotional	2.5	2.5	--
Facilities costs	1.5	1.4	10%
Other expenses	1.3	1.3	--
Total	\$50.9	\$47.9	6%

¹Adjusted to reflect the impact of certain items. See appendix for "Non-GAAP Information." May not foot due to rounding.

2016 Full-Year Guidance

As of April 29, 2016 (\$ in millions)	2016 Full-Year Guidance
Core operating expenses	\$211 to \$215
Continuing stock-based compensation ¹	\$13.5
Accelerated stock-based compensation ²	\$1.0
Depreciation and amortization	\$46 to \$48
Capital expenditures	\$47 to \$49
Effective tax rate	38.5% to 39.5%

¹Stock-based compensation expense is included in compensation and benefits and excludes accelerated stock-based compensation.

²This expense is expected to be reported in compensation and benefits and included in the company's non-GAAP reconciliation as an adjusted financial measure.

Volume-Based Expenses

➤ Royalty fees up \$4.9MM

- Higher trading volume in licensed products in 1Q16 versus 1Q15
 - Index complex volume up 28%
 - Index options volume up 29%
 - VIX futures volume up 16%

➤ Order routing down \$0.7MM

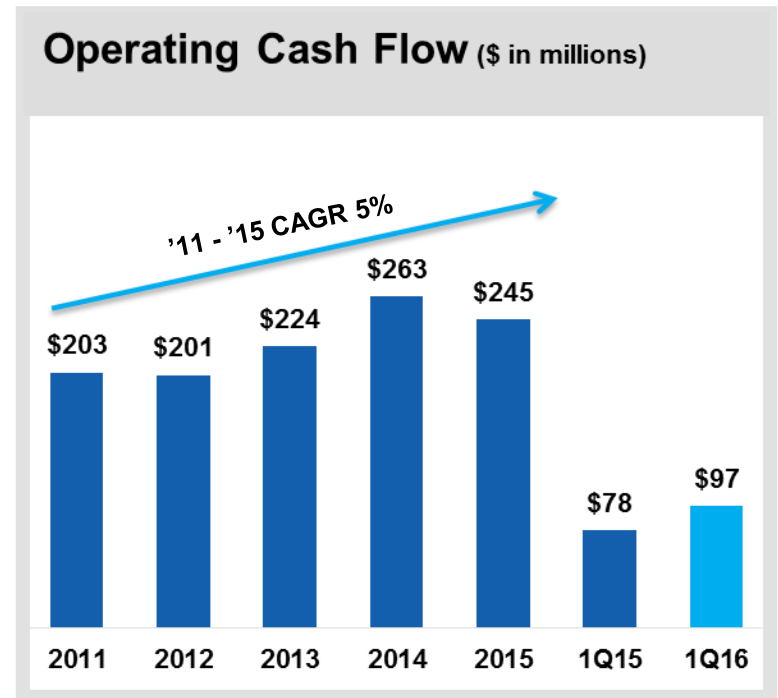
- Lower trading volume in multiply-listed options and favorable clearing fee rebate

Volume-Based Expenses (in millions)	1Q16	1Q15	% Chg
Royalty fees	\$ 19.1	\$ 14.2	35%
Order routing	0.1	0.8	-87%
Total	\$ 19.2	\$ 15.0	28%

Enhancing Shareholder Value

Strong cash flow generation and disciplined approach to managing cash

- Cash of \$107 million at March 31, 2016
- Generated \$97 million in operating cash flow in 1Q16
- Capital outlays for 1Q16 include:
 - \$19 million to pay dividends
 - \$47 million to repurchase shares¹
 - \$9 million in capital expenditures
- \$115.1 million available under share repurchase program at March 31, 2016

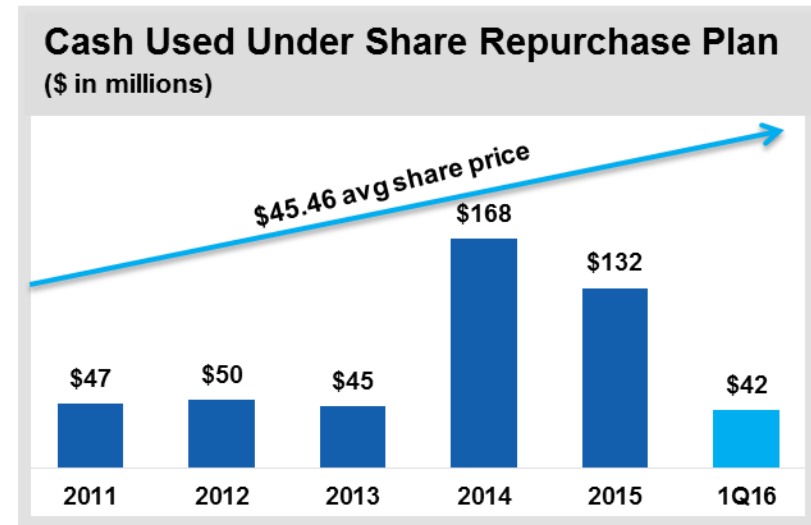
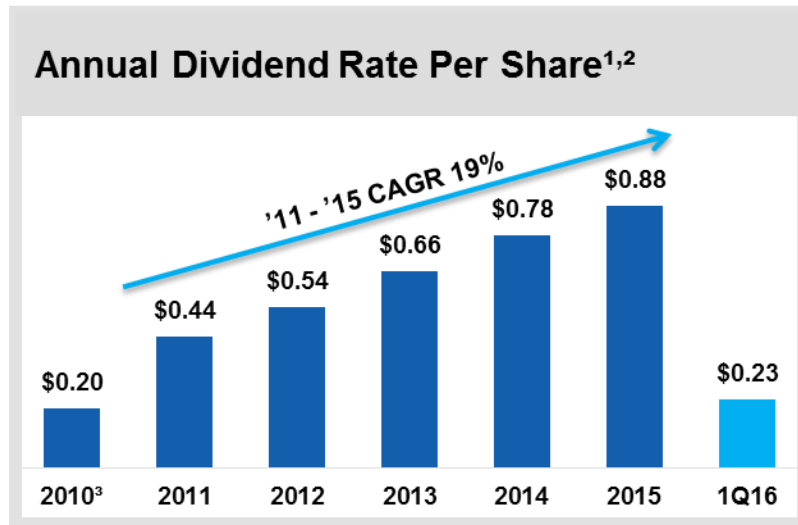


¹Includes stock purchased under repurchase plan and from employees

Committed to Returning Capital to Shareholders

▶ Capital allocation philosophy unchanged

- Reinvest in our business to fund growth
- Sustainable dividends and steady growth
- Opportunistic share repurchases



¹Excludes special dividends

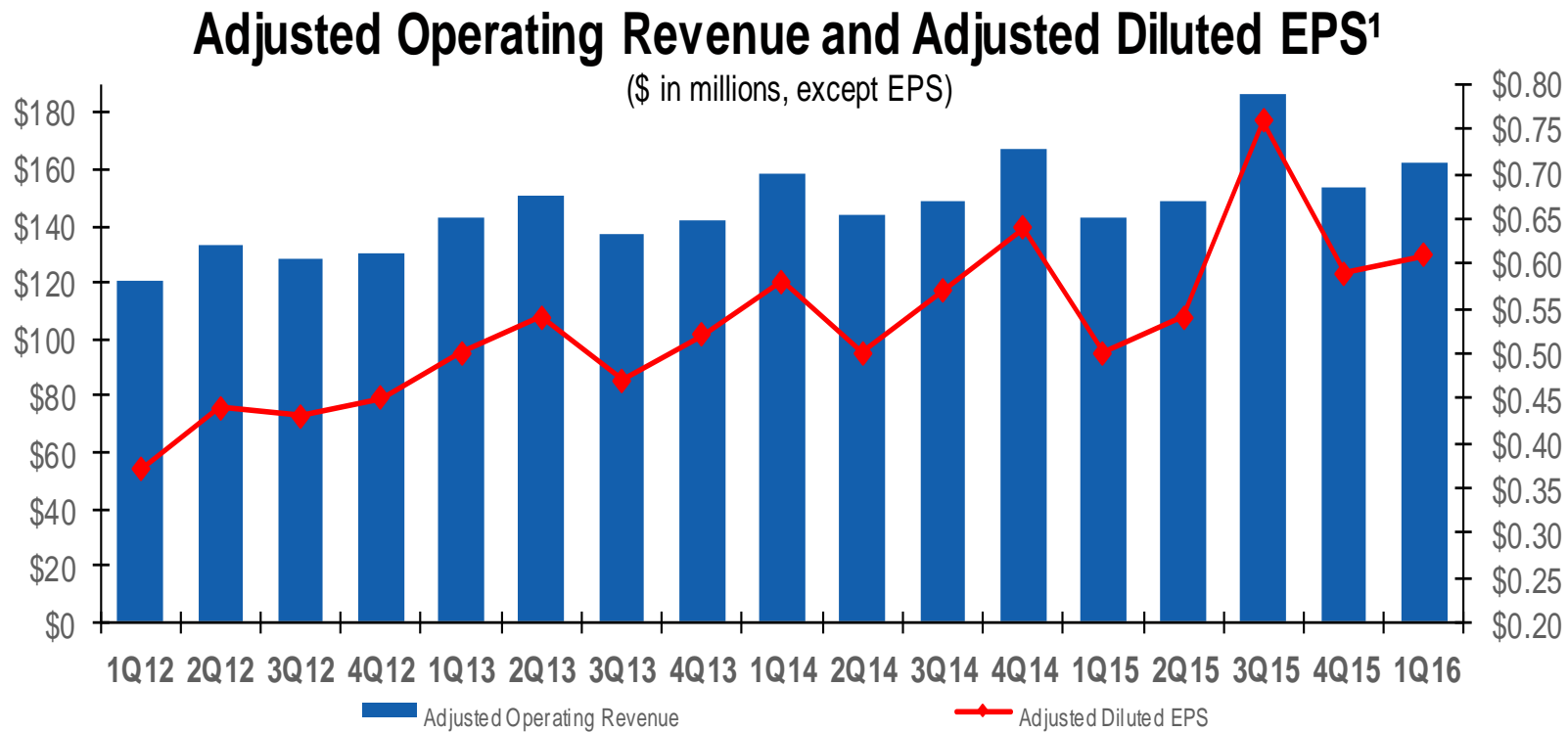
²Starting in 2016, dividend declarations may not align with quarterly earnings announcements due to the timing of Board actions

³Dividends paid for last two quarters of the year, post IPO

➤ Questions & Answers

➤ Appendix Materials

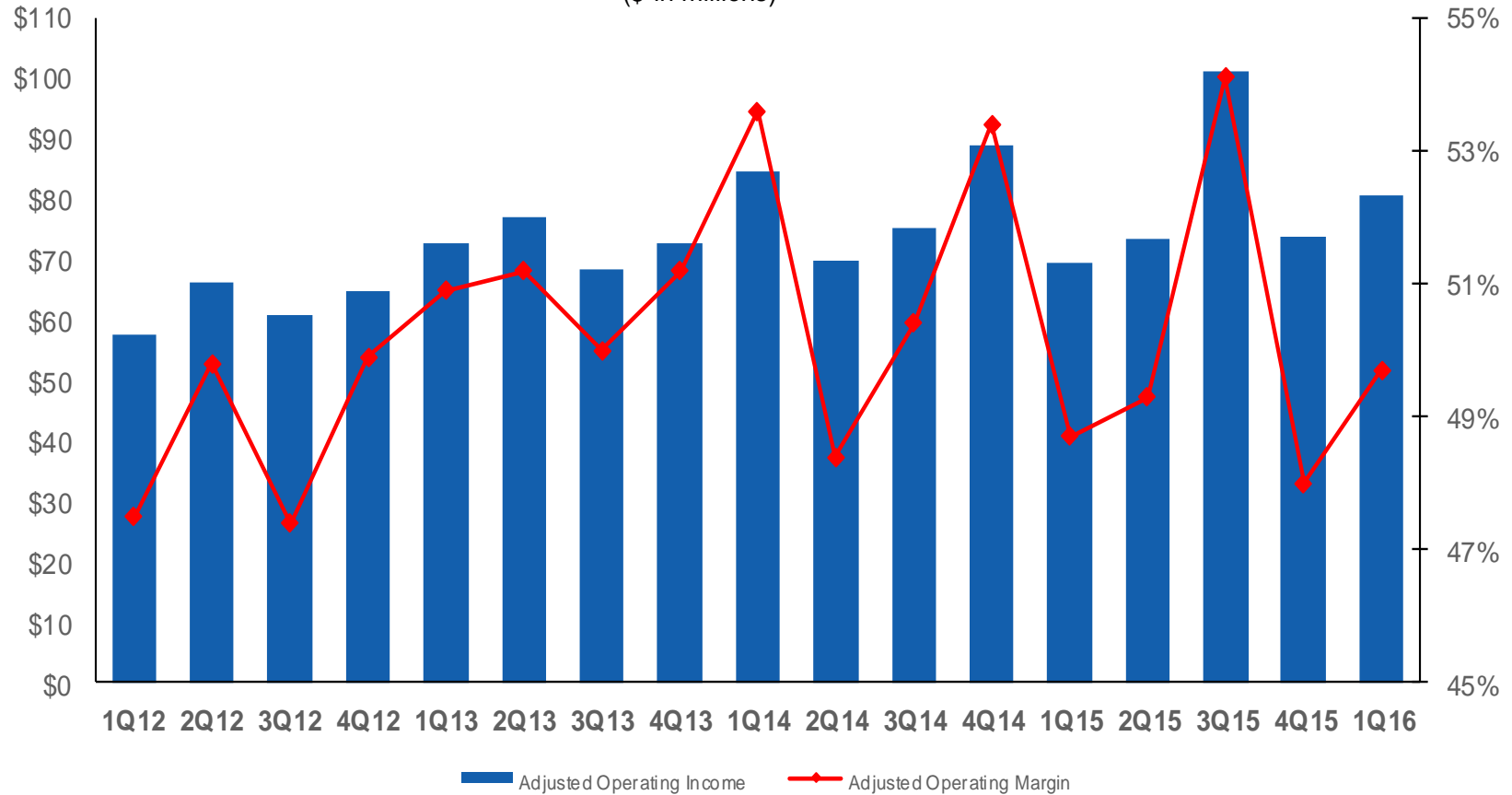
Optimistic About Long-Term Growth Prospects



¹Adjusted to reflect the impact of certain items. See Appendix for "Non-GAAP Information."

Well Positioned to Gain Additional Leverage

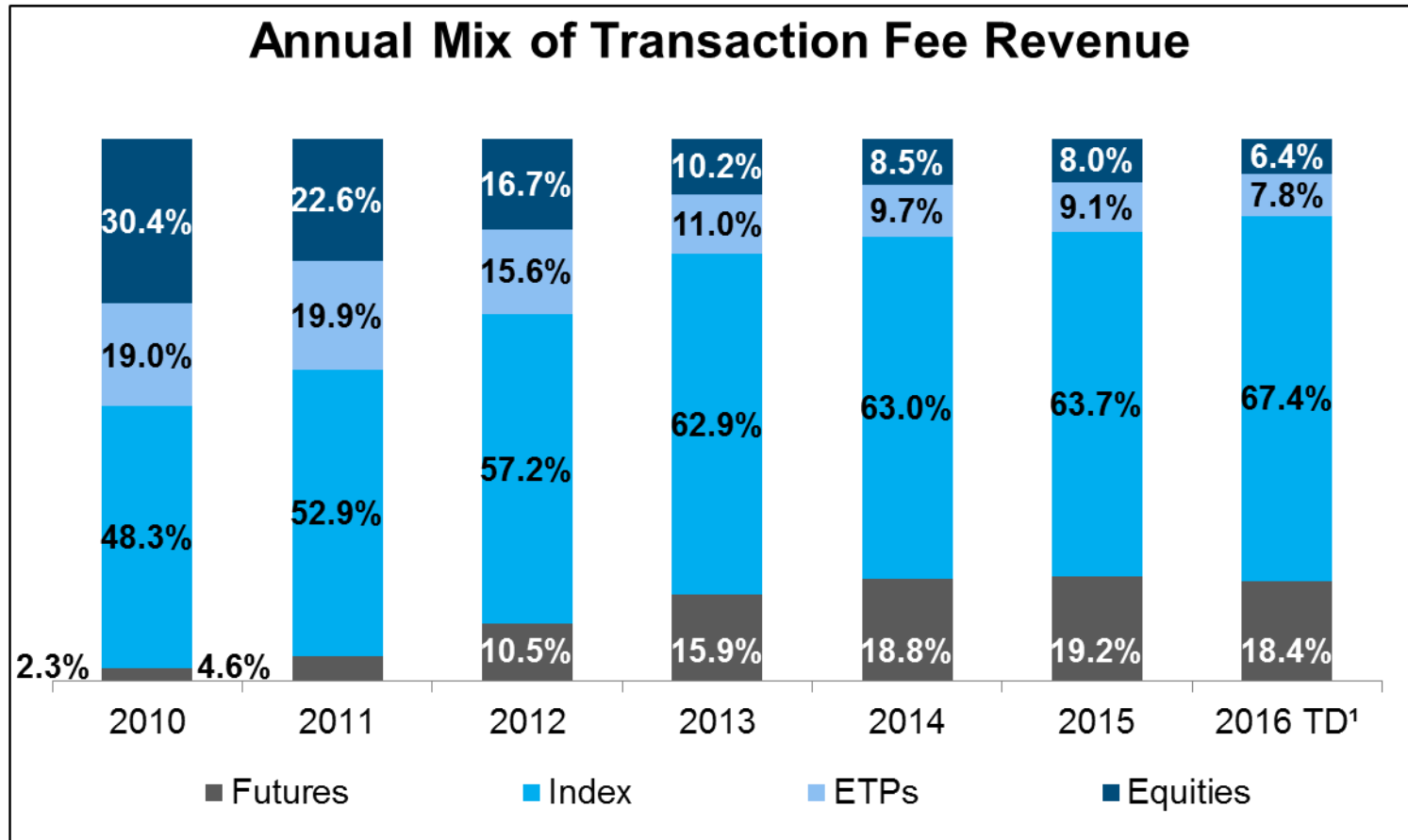
Adjusted Operating Income and Margin¹
(\$ in millions)



¹Adjusted to reflect the impact of certain items. See Appendix for "Non-GAAP Information."

Proprietary Products Account for Growing Percentage of Transaction Fee Revenue

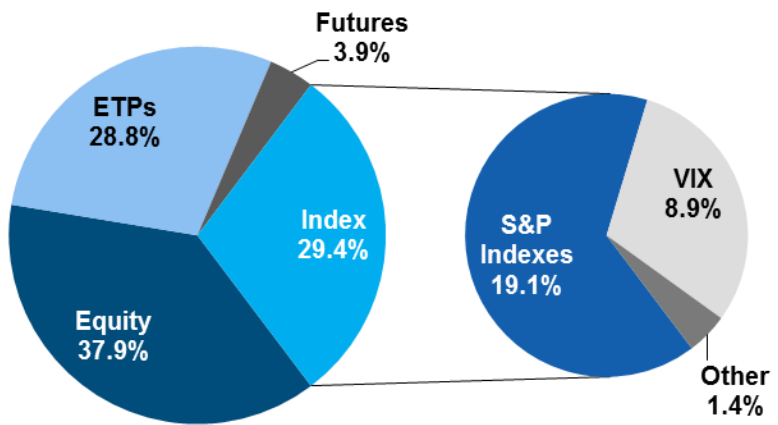
Index options and futures contracts account for 85.8% of transaction fees in 1Q16, up from 50.6% in 2010



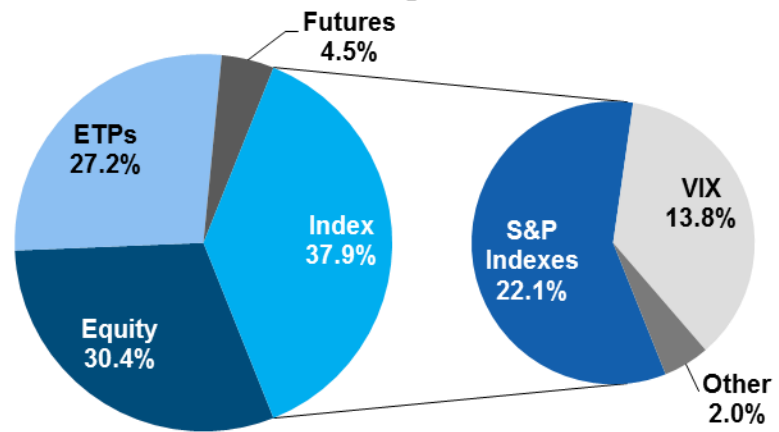
¹Through March 31, 2016

Increase in RPC Primarily Reflects Favorable Shift in Mix of Products Traded

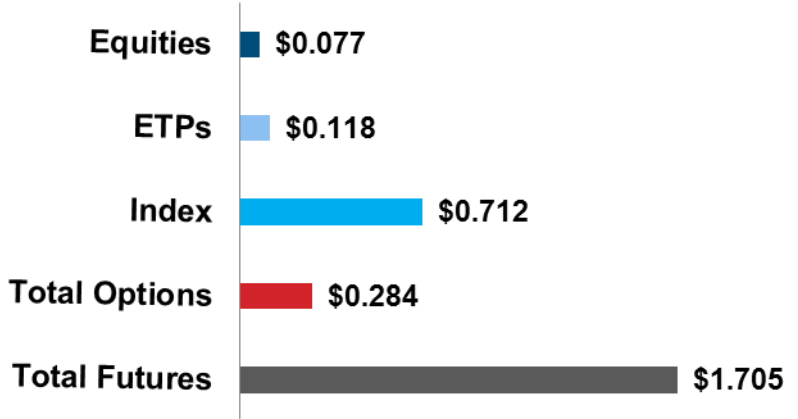
1Q15 Trading Volume Mix



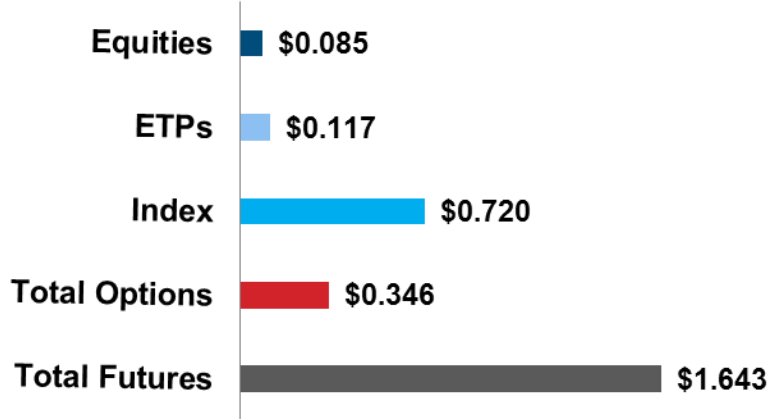
1Q16 Trading Volume Mix



1Q15 RPC \$0.340

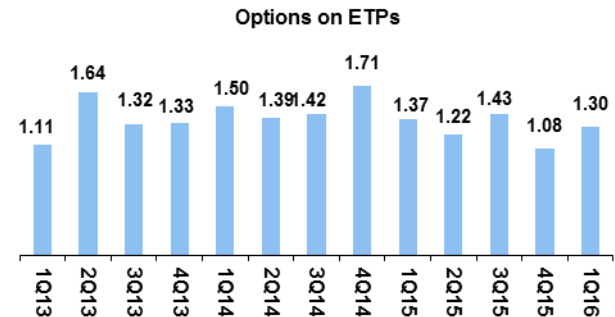
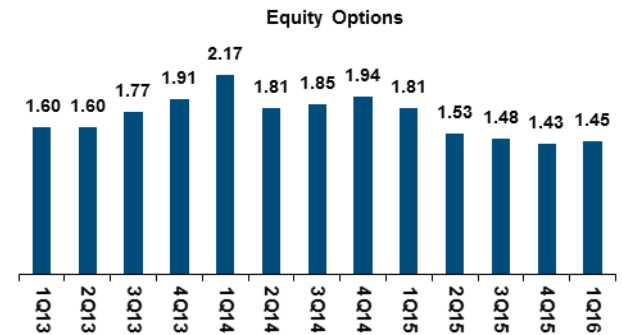
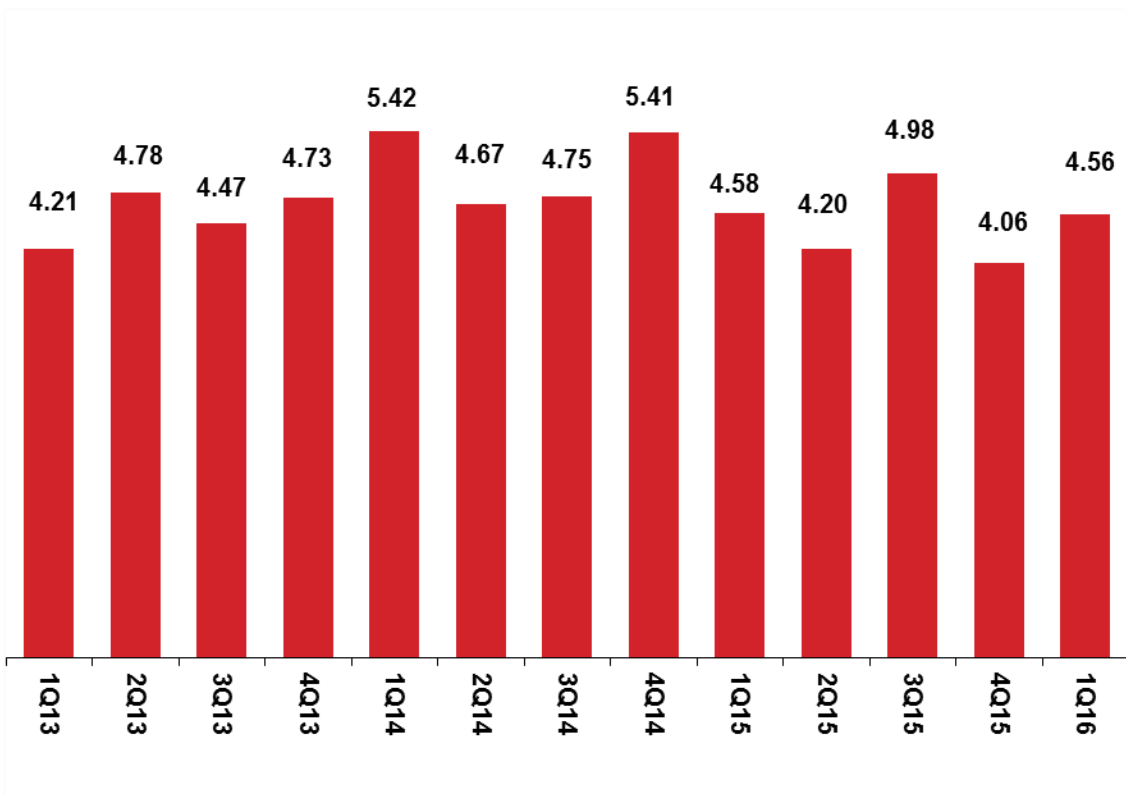


1Q16 RPC \$0.405



Quarterly Options ADV

CBOE and C2 Quarterly Options ADV (in millions)



CBOE Holdings Rolling 3-Month RPC

2016	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Equities	\$0.095	\$0.092	\$0.085									
Indexes	0.738	0.733	0.720									
Exchange-traded products	0.138	0.131	0.117									
Total options RPC	0.351	0.351	0.346									
Futures	1.636	1.623	1.643									
Total RPC	\$0.412	\$0.413	\$0.405									

2015	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Equities	\$0.069	\$0.070	\$0.077	\$0.077	\$0.087	\$0.093	\$0.098	\$0.104	\$0.106	\$0.105	\$0.098	\$0.097
Indexes	0.702	0.704	0.712	0.707	0.701	0.697	0.702	0.703	0.709	0.706	0.718	0.726
Exchange-traded products	0.111	0.115	0.118	0.115	0.114	0.117	0.123	0.133	0.143	0.146	0.144	0.143
Total options RPC	0.279	0.283	0.284	0.280	0.290	0.308	0.328	0.352	0.368	0.370	0.357	0.349
Futures	1.647	1.649	1.705	1.762	1.775	1.758	1.712	1.661	1.647	1.662	1.686	1.686
Total RPC	\$0.333	\$0.340	\$0.340	\$0.336	\$0.348	\$0.368	\$0.391	\$0.416	\$0.431	\$0.432	\$0.417	\$0.408

2014	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Equities	\$0.079	\$0.079	\$0.081	\$0.082	\$0.081	\$0.079	\$0.074	\$0.076	\$0.077	\$0.078	\$0.074	\$0.068
Indexes	0.664	0.667	0.669	0.674	0.674	0.670	0.671	0.677	0.680	0.690	0.692	0.696
Exchange-traded products	0.124	0.119	0.117	0.113	0.113	0.111	0.112	0.114	0.115	0.112	0.107	0.105
Total options RPC	0.273	0.281	0.281	0.277	0.275	0.275	0.275	0.281	0.275	0.288	0.279	0.284
Futures	1.602	1.614	1.617	1.610	1.616	1.639	1.651	1.631	1.625	1.598	1.628	1.616
Total RPC	\$0.317	\$0.329	\$0.329	\$0.325	\$0.321	\$0.322	\$0.324	\$0.336	\$0.329	\$0.344	\$0.331	\$0.340

2013	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Equities	\$0.149	\$0.153	\$0.140	\$0.114	\$0.094	\$0.090	\$0.082	\$0.081	\$0.077	\$0.076	\$0.076	\$0.075
Indexes	0.665	0.670	0.671	0.679	0.674	0.675	0.670	0.671	0.669	0.666	0.666	0.666
Exchange-traded products	0.194	0.181	0.155	0.127	0.119	0.119	0.121	0.122	0.123	0.124	0.126	0.125
Total options RPC	0.340	0.341	0.333	0.308	0.295	0.289	0.282	0.278	0.273	0.278	0.275	0.275
Futures	1.484	1.560	1.618	1.598	1.594	1.544	1.544	1.533	1.559	1.548	1.556	1.565
Total RPC	\$0.376	\$0.382	\$0.378	\$0.357	\$0.341	\$0.334	\$0.324	\$0.321	\$0.315	\$0.320	\$0.315	\$0.316

Quarterly Core Operating Expenses¹

(\$ in thousands)

	1Q 2016	% rev	4Q 2015	% rev	3Q 2015	% rev	2Q 2015	% rev	1Q 2015	% rev
Total Operating Expenses	\$82,849	51%	\$80,052	52%	\$85,925	43%	\$75,355	51%	\$73,286	51%
Less:										
Depreciation and amortization	11,851	7%	12,202	8%	12,394	7%	11,275	8%	10,402	7%
Acquisition related costs	368	-	-	-	-	-	-	-	-	-
Accelerated stock-based depreciations	200	-	-	-	-	-	-	-	-	-
Statutory software lease taxes related to prior year	298	-	-	-	-	-	-	-	-	-
Volume-based expenses:										
Royalty fees	19,114	12%	17,830	12%	21,840	10%	16,755	11%	14,150	10%
Order routing	104	-	299	-	581	-	627	0%	787	1%
Core Operating Expenses (non-GAAP)¹:	\$50,914	31%	\$49,721	32%	\$51,110	27%	\$46,698	31%	\$47,947	34%
Less: Continuing stock-based compensation	3,163	2%	3,194	2%	3,185	2%	3,147	2%	2,655	2%
Core Operating Expenses excluding continuing stock-based compensation (non-GAAP)¹:	\$47,751	29%	\$46,527	30%	\$47,925	25%	\$43,551	29%	\$45,292	32%
Core Operating Expense Detail:										
Compensation and benefits	\$26,906	17%	\$26,768	17%	\$29,583	14%	\$24,136	16%	\$25,439	18%
Technology support services	5,380	3%	5,182	3%	5,342	3%	4,813	3%	5,325	4%
Profession fees and outside services	13,263	8%	12,897	8%	12,619	7%	12,594	8%	11,950	8%
Travel and promotional expenses	2,515	2%	2,548	2%	1,407	1%	2,526	2%	2,501	2%
Facilities costs	1,528	1%	1,446	1%	874	-	1,293	1%	1,384	1%
Other expenses	1,322	1%	880	1%	1,285	0%	1,336	1%	1,348	1%
Total	\$50,914	31%	\$49,721	32%	\$51,110	27%	\$46,698	31%	\$47,947	34%
Number of full-time employees at quarter end	561		564		553		532		528	

¹Please see our disclaimer regarding non-GAAP financial measures.

May not foot due to rounding

Annual Core Operating Expenses¹

(\$ in thousands)

	2015	% rev	2014	% rev	2013	% rev	2012	% rev	2011	% rev
Total Operating Expenses	\$314,617	50%	\$303,424	51%	\$286,236	50%	\$268,241	52%	\$266,512	52%
Less:										
Depreciation and amortization	46,274	7%	39,913	7%	34,488	6%	31,485	6%	34,094	7%
Accelerated stock-based compensation	-	-	2,530	-	3,996	1%	343	-	453	-
Severance	-	-	1,863	-	-	-	-	-	3,709	1%
Estimated liability/expense related to SEC investigation	-	-	-	-	1,000	-	5,000	1%	-	-
Volume-based expenses:										
Royalty fees	70,574	11%	66,110	11%	56,576	10%	46,135	9%	47,822	9%
Order routing	2,293	0%	4,080	0%	4,355	1%	6,275	1%	14,239	3%
Core Operating Expenses (non-GAAP)¹:	\$195,476	31%	\$188,928	32%	\$185,821	32%	\$179,003	35%	\$166,195	33%
Less: Continuing stock-based compensation	12,181	2%	13,047	2%	16,828	3%	12,005	2%	12,166	2%
Core Operating Expenses excluding continuing stock-based compensation (non-GAAP)¹:	\$183,295	29%	\$175,881	30%	\$168,993	30%	\$166,998	33%	\$154,029	30%
Core Operating Expense Detail:										
Compensation and benefits	\$105,925	17%	\$117,341	17%	\$114,087	20%	\$103,853	20%	\$100,292	20%
Technology support services	20,662	3%	19,189	3%	17,898	3%	19,603	4%	17,933	4%
Professional fees and outside services	50,060	8%	31,976	8%	34,473	6%	36,300	7%	27,310	5%
Travel and promotion expenses	8,982	1%	9,046	1%	9,806	2%	10,006	2%	9,812	2%
Facilities costs	4,998	1%	5,721	1%	5,053	1%	5,066	1%	5,400	1%
Other expenses	4,849	1%	5,655	1%	4,504	1%	4,175	1%	5,448	1%
Total	\$195,476	31%	\$188,928	32%	\$185,821	32%	\$179,003	35%	\$166,195	33%
Number of Full Time Employees at year end	564		520		650		605		596	

¹Please see our disclaimer regarding non-GAAP financial measures.

May not foot due to rounding

GAAP to Non-GAAP Reconciliation For 2010 and 2011

GAAP to Non-GAAP Reconciliation
(in thousands, except per share amounts)

	3Q10	4Q10	1Q11	2Q11	3Q11	4Q11	FY2010	FY2011
Reconciliation of GAAP Net Income Allocated to Common Stockholder to Non-GAAP								
GAAP net income allocated to common stockholders	\$ 20,020	\$ 30,687	\$ 32,089	\$ 32,609	\$ 40,597	\$ 31,287	\$ 98,166	\$ 136,582
Less: Recognition of prior-period revenue		(4,406)					(4,406)	
Add: Accelerated stock-based compensation	10,965	2,004	340	113			12,968	453
Add: Severance expense pursuant to an executive employment agreement						3,709		3,709
Add: Impairment change		1,620	460				1,620	460
Income tax benefit/(expense) related to the items above	(4,461)	291	(337)	(46)		(1,478)	(4,034)	(1,861)
Add: Income tax provision adjustment					4,223	(322)		3,901
Net income allocated to participating securities - effect on reconciling items	(144)	11	(11)	(2)	(75)	(32)	(76)	(109)
Adjusted net income allocated to common stockholders	\$ 26,380	\$ 30,207	\$ 32,540	\$ 32,674	\$ 44,745	\$ 33,164	\$ 104,238	\$ 143,134

Reconciliation of GAAP Diluted EPS to Non-GAAP

GAAP diluted earnings per common share	\$ 0.20	\$ 0.31	\$ 0.36	\$ 0.36	\$ 0.45	\$ 0.35	\$ 1.03	\$ 1.52
Per share impact of items above	0.06				0.05	0.02	0.06	0.07
Non-GAAP diluted earnings per common share	\$ 0.26	\$ 0.31	\$ 0.36	\$ 0.36	\$ 0.50	\$ 0.37	\$ 1.09	\$ 1.59

Reconciliation of GAAP Operating Margin to Non-GAAP

GAAP operating revenue	\$ 106,015	\$ 117,391	\$ 124,042	\$ 120,290	\$ 143,604	\$ 120,208	\$ 437,104	\$ 508,144
Non-GAAP adjustments noted above		(4,406)					(4,406)	
Adjusted operating revenue	\$ 106,015	\$ 112,985	\$ 124,042	\$ 120,290	\$ 143,604	\$ 120,208	\$ 432,698	\$ 508,144
GAAP operating income	\$ 34,933	\$ 51,854	\$ 57,535	\$ 56,452	\$ 74,966	\$ 52,679	\$ 167,341	\$ 241,632
Non-GAAP adjustments noted above	10,965	(2,402)	340	113	-	3,709	8,562	4,162
Adjusted operating income	\$ 45,898	\$ 49,452	\$ 57,875	\$ 56,565	\$ 74,966	\$ 56,388	\$ 175,903	\$ 245,794
Adjusted operating margin	43.3%	43.8%	46.7%	47.0%	52.2%	46.9%	40.7%	48.4%

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May not foot due to rounding and/or change in shares outstanding

GAAP to Non-GAAP Reconciliation For 2012 and 2013

GAAP to Non-GAAP Reconciliation

(in thousands, except per share amounts)

	1Q12	2Q12	3Q12	4Q12	FY2012	1Q13	2Q13	3Q13	4Q13	FY2013
Reconciliation of GAAP Net Income Allocated to Common Stockholder to Non-GAAP										
GAAP net income allocated to common stockholders	\$ 32,863	\$ 37,903	\$ 45,243	\$ 39,246	\$ 155,254	\$ 41,789	\$ 45,477	\$ 40,955	\$ 45,649	\$ 173,863
Add: Accelerated stock-based compensation	194			149	343	3,180	816			3,996
Add: Estimated liability related to SEC investigation				5,000	5,000		1,000			1,000
Add: Impairment charge						245				245
Income tax benefit/(expense) related to the items above	(80)			(63)	(139)	(1,311)	(313)			(1,611)
Add: Income tax provision adjustment			(7,654)	(5,415)	(13,054)					
Net income allocated to participating securities - effect on reconciling items	(2)		86	4	106	(29)	(22)			(46)
Adjusted net income allocated to common stockholders	\$ 32,975	\$ 37,903	\$ 37,675	\$ 38,921	\$ 147,510	\$ 43,874	\$ 46,958	\$ 40,955	\$ 45,649	\$ 177,447
Reconciliation of GAAP Diluted EPS to Non-GAAP										
GAAP diluted earnings per common share	\$ 0.37	\$ 0.44	\$ 0.52	\$ 0.45	\$ 1.78	\$ 0.48	\$ 0.52	\$ 0.47	\$ 0.52	\$ 1.99
Per share impact of items above			(0.09)		(0.09)	0.02	0.02			0.04
Non-GAAP diluted earnings per common share	\$ 0.37	\$ 0.44	\$ 0.43	\$ 0.45	\$ 1.69	\$ 0.50	\$ 0.54	\$ 0.47	\$ 0.52	\$ 2.03
Reconciliation of GAAP Operating Margin to Non-GAAP										
GAAP operating revenue	\$ 121,392	\$ 132,549	\$ 128,319	\$ 130,077	\$ 512,338	\$ 142,705	\$ 150,772	\$ 136,743	\$ 141,830	\$ 572,050
Non-GAAP adjustments noted above										
Adjusted operating revenue	\$ 121,392	\$ 132,549	\$ 128,319	\$ 130,077	\$ 512,338	\$ 142,705	\$ 150,772	\$ 136,743	\$ 141,830	\$ 572,050
GAAP operating income	\$ 57,415	\$ 66,069	\$ 60,861	\$ 59,752	\$ 244,097	\$ 69,430	\$ 75,358	\$ 68,427	\$ 72,599	\$ 285,814
Non-GAAP adjustments noted above	194			5,149	5,343	3,180	1,816			4,996
Adjusted operating income	\$ 57,609	\$ 66,069	\$ 60,861	\$ 64,901	\$ 249,440	\$ 72,610	\$ 77,174	\$ 68,427	\$ 72,599	\$ 290,810
Adjusted operating margin	47.5%	49.8%	47.4%	49.9%	48.7%	50.9%	51.2%	50.0%	51.2%	50.8%

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GAAP to Non-GAAP Reconciliation For 2014 and 2015

GAAP to Non-GAAP Reconciliation

(in thousands, except per share amounts)

	1Q14	2Q14	3Q14	4Q14	FY2014	1Q15	2Q15	3Q15	4Q15	FY2015
Reconciliation of GAAP Net Income Allocated to Common Stockholder to Non-GAAP										
GAAP net income allocated to common stockholders	\$ 48,528	\$ 42,598	\$ 48,146	\$ 49,119	\$ 188,392	\$ 42,079	\$ 44,646	\$ 67,219	\$ 50,180	204,125
Less: Revenue recognized from prior years									\$ (1,995)	(1,995)
Add: Accelerated stock-based compensation	2,530				2,530					-
Add: Sevice expense related to outsourcing certain regulatory services				1,863	1,863					-
Add: Impairment charge				3,000	3,000	364				364
Add: Tax adjustment related to prior year				1,600	1,600			(4,286)		(4,286)
Income tax benefit/(expense) related to the items above	(1,009)			(2,005)	(2,861)	(142)			732	620
Net income allocated to participating securities - effect on reconciling items	(15)			(20)	(43)	(3)		19	6	26
Adjusted net income allocated to common stockholders	\$ 50,034	\$ 42,598	\$ 48,146	\$ 53,557	\$ 194,481	\$ 42,299	\$ 44,646	\$ 62,952	\$ 48,923	\$ 198,854
Reconciliation of GAAP Diluted EPS to Non-GAAP										
GAAP diluted earnings per common share	\$ 0.56	\$ 0.50	\$ 0.57	\$ 0.58	\$ 2.21	\$ 0.50	\$ 0.54	\$ 0.81	\$ 0.61	\$ 2.46
Per share impact of items above	0.02			0.06	0.07			(0.05)	(0.02)	(0.06)
Non-GAAP diluted earnings per common share	\$ 0.58	\$ 0.50	\$ 0.57	\$ 0.64	\$ 2.28	\$ 0.50	\$ 0.54	\$ 0.76	\$ 0.59	\$ 2.40
Reconciliation of GAAP Operating Margin to Non-GAAP										
GAAP operating revenue	\$ 157,885	\$ 143,942	\$ 148,910	\$ 166,487	\$ 617,225	\$ 142,839	\$ 148,725	\$ 187,035	\$ 155,946	\$ 634,545
Non-GAAP adjustments noted above									(1,995)	(1,995)
Adjusted operating revenue	\$ 157,885	\$ 143,942	\$ 148,910	\$ 166,487	\$ 617,225	\$ 142,839	\$ 148,725	\$ 187,035	\$ 153,951	\$ 632,550
GAAP operating income	\$ 82,038	\$ 69,716	\$ 75,084	\$ 86,962	\$ 313,801	\$ 69,553	\$ 73,370	\$ 101,110	\$ 75,894	\$ 319,928
Non-GAAP adjustments noted above	2,530			1,863	4,393				(1,995)	(1,995)
Adjusted operating income	\$ 84,568	\$ 69,716	\$ 75,084	\$ 88,825	\$ 318,194	\$ 69,553	\$ 73,370	\$ 101,110	\$ 73,899	\$ 317,933
Adjusted operating margin	53.6%	48.4%	50.4%	53.4%	51.6%	48.7%	49.3%	54.1%	48.0%	50.3%
Free Cash Flow Reconciliation										
Net cash flows provided by operating activities										\$ 245,278
Capital expenditures										(39,340)
Free Cash Flow										\$ 205,938

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GAAP to Non-GAAP Reconciliation For 2016

GAAP to Non-GAAP Reconciliation

(in thousands, except per share amounts)

	1Q16	2Q16	3Q16	4Q16	FY2016
<u>Reconciliation of GAAP Net Income Allocated to Common Stockholder to Non-GAAP</u>					
GAAP net income allocated to common stockholders	\$	49,198			
Add: Accelerated stock-based compensation		200			
Add: Acquisition related costs		368			
Add: Amortization of intangible assets		261			
Add: Statutory software lease tax related to prior periods		296			
Add: Impairment charge		-			
Income tax expense related to the items above		(378)			
Net income allocated to participating securities - effect on reconciling items		(3)			
Adjusted net income allocated to common stockholders	\$	49,942			
<u>Reconciliation of GAAP Diluted EPS to Non-GAAP</u>					
GAAP diluted earnings per common share	\$	0.60			
Per share impact of items above		0.01			
Non-GAAP diluted earnings per common share	\$	0.61			
<u>Reconciliation of GAAP Operating Margin to Non-GAAP</u>					
GAAP operating revenue	\$	162,330			
Non-GAAP adjustments noted above		-			
Adjusted operating revenue	\$	162,330			
GAAP operating income	\$	79,481			
Non-GAAP adjustments noted above		1,125			
Adjusted operating income	\$	80,606			
Adjusted operating margin		49.7%			
GAAP operating expenses	\$	82,849			
Non-GAAP adjustments noted above		(1,125)			
Adjusted operating expenses	\$	81,724			

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Non-GAAP Information

- In addition to disclosing results determined in accordance with GAAP, CBOE Holdings has disclosed certain non-GAAP measures of operating performance. These measures are not in accordance with, or a substitute for, GAAP, and may be different from or inconsistent with non-GAAP financial measures used by other companies. The non-GAAP measures provided in this presentation include core operating expenses, adjusted operating revenue, adjusted operating expenses, adjusted operating income, adjusted operating margin, adjusted effective tax rate, adjusted net income allocated to common stockholders, adjusted diluted earnings per share and free cash flow.
- Management believes that the non-GAAP financial measures in this presentation, including adjusted net income allocated to common stockholders and core operating expenses, provide useful and comparative information to assess trends in our core operations and a means to evaluate period-to-period comparisons. Non-GAAP financial measures disclosed by management, including adjusted diluted EPS, are provided as additional information to investors in order to provide them with an alternative method for assessing our financial condition and operating results.
- Core operating expenses is the company's operating expenses after excluding (i) volume-based expenses, (ii) depreciation and amortization expense, (iii) accelerated stock-based compensation expense and (iv) other unusual or one-time expenses.

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