



**FRANKLIN  
TEMPLETON**

# Franklin Templeton Announces the Acquisition of Legg Mason and Its Group of Leading Asset Managers

February 18, 2020

## Franklin Templeton Management Attendees

**Greg Johnson**

Executive Chairman of the Board

**Jenny Johnson**

President and CEO

**Matthew Nicholls**

Executive Vice President and CFO

## Legg Mason Management Attendees

**Joseph Sullivan**

Chairman and CEO

# Forward-Looking Statements



Statements in this presentation that are not historical facts are “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When used in this presentation, words or phrases generally written in the future tense and/or preceded by words such as “will,” “may,” “could,” “expect,” “believe,” “anticipate,” “intend,” “plan,” “seek,” “estimate,” “preliminary” or other similar words are forward-looking statements.

Various forward-looking statements in this presentation relate to the acquisition by Franklin Resources, Inc. (“Franklin”) of Legg Mason, Inc. (“Legg Mason”), including regarding expected scale opportunities, operating efficiencies and results, growth, client and stockholder benefits, key assumptions, timing of closing of the transaction, revenue realization, cost and expense synergies, financial benefits or returns, accretion and integration costs.

Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors, some of which are listed below, that could cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. Important transaction-related and other risk factors that may cause such differences include: (i) the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; (ii) the transaction closing conditions may not be satisfied in a timely manner or at all, including due to the failure to obtain Legg Mason stockholder approval and regulatory and client approvals; (iii) the announcement and pendency of the merger may disrupt Franklin’s and Legg Mason’s business operations (including the threatened or actual loss of employees, clients or suppliers); (iv) Franklin or Legg Mason could experience financial or other setbacks if the transaction encounters unanticipated problems; (v) anticipated benefits of the transaction, including the realization of revenue, accretion, financial benefits or returns and expense and other synergies, may not be fully realized or may take longer to realize than expected; and (vi) Franklin may be unable to successfully integrate Legg Mason’s businesses with those of Franklin or to integrate the businesses within the anticipated timeframe.

Other important factors that may affect our business or the combined business’ future operating results, include, but are not limited to: (i) volatility and disruption of the capital and credit markets, and adverse changes in the global economy, may significantly affect our results of operations and may put pressure on our financial results; (ii) the amount and mix of assets under management (“AUM”) are subject to significant fluctuations; (iii) the significant risk of asset volatility from changes in the global financial, equity, debt and commodity markets; (iv) harm to our, or Legg Mason’s, reputation may negatively impact revenues and income; (v) Franklin may review and pursue other strategic transactions that could pose risks to our business operations; (vi) strong competition from numerous and sometimes larger companies with competing offerings and products could limit or reduce sales of our products, potentially resulting in a decline in their market share, revenues and income; (vii) the ability to manage and grow our business and the combined business successfully can be impeded by systems and other technological limitations; (viii) dependence on key personnel could negatively affect financial performance; (ix) the businesses are subject to extensive, complex, and frequently changing rules, regulations, policies, and legal interpretations; (x) our contractual obligations may subject us to indemnification costs and liability to third parties; (xi) any significant limitation, failure or security breach of information and cyber security infrastructure, software applications, technology or other systems that are critical to operations could disrupt the businesses and harm operations and reputation; and (xii) regulatory and governmental examinations and/or investigations, litigation and the legal risks associated with the businesses, could adversely impact AUM, increase costs and negatively impact profitability and/or our future financial results. For a detailed discussion of other risk factors, please refer to the risks, uncertainties and factors described in Franklin’s and Legg Mason’s recent filings with the U.S. Securities and Exchange Commission (“SEC”), including, without limitation, each company’s most recent Annual Report on Form 10-K and subsequent periodic and current reports.

Any forward-looking statement made in this presentation speaks only as of the date on which it is made. Factors or events that could cause actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Franklin and Legg Mason undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

# Additional Information About the Transaction



## Additional Information and Where to Find It

This filing may be deemed solicitation material in respect of the proposed acquisition of Legg Mason by Franklin. In connection with the proposed merger, Legg Mason will file with the SEC and furnish to Legg Mason's stockholders a proxy statement and other relevant documents. This filing does not constitute a solicitation of any vote or approval. Stockholders are urged to read the proxy statement when it becomes available and any other documents to be filed with the SEC in connection with the proposed merger or incorporated by reference in the proxy statement because they will contain important information about the proposed merger.

Investors will be able to obtain free of charge the proxy statement and other documents filed with the SEC at the SEC's website at <http://www.sec.gov>. In addition, the proxy statement and our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to section 13(a) or 15(d) of the Securities Exchange Act of 1934 are or will be available free of charge through our website at [www.leggmason.com](http://www.leggmason.com) as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

The directors, executive officers and certain other members of management and employees of Legg Mason may be deemed "participants" in the solicitation of proxies from stockholders of Legg Mason in favor of the proposed merger. Information regarding the persons who may, under the rules of the SEC, be considered participants in the solicitation of the stockholders of Legg Mason in connection with the proposed merger will be set forth in the proxy statement and the other relevant documents to be filed with the SEC. You can find information about Legg Mason's executive officers and directors in the definitive proxy statement on Schedule 14A in connection with Legg Mason's 2019 Annual Meeting of Shareholders, filed with the SEC on June 6, 2019.

# Achieves Multiple Strategic Objectives in a Single Transaction



**Adds Leading and Scaled Global Fixed Income Capabilities**



**More Than Doubles Alternative Asset Presence With World Class Real Estate Manager**



**Brings Leadership Position in Important Retail SMA Market**



**Creates Balance Between Institutional and Retail Clients Globally**



**Unlocks Potential of Combined Global Distribution Capability**



**Provides Scale in Key Global Markets**

# A Differentiated Transaction That Combines Franklin Templeton With the World Class Investment Organizations of Legg Mason



Promotes Stability for Clients and Investment Teams

Significantly Increases and Diversifies AUM, Distribution, Investment Objectives and Related Earnings

Preserves Balance Sheet Strength and Flexibility to Fund Further Growth Initiatives

# Transaction Summary



<b>Consideration</b>	<ul style="list-style-type: none"><li>Franklin to acquire 100% of Legg Mason for \$4.5Bn at \$50.00 per share of common stock in an all-cash deal</li></ul>
<b>Organizational</b>	<ul style="list-style-type: none"><li>Legg Mason affiliates to remain in place with current leadership, strategies and brands</li><li>Expect to rationalize the parent company and integrate parent company distribution with our existing operations</li><li>Strong existing and enhanced long-term retention mechanisms in place across the combined organization, including ~\$350MM in new equity-based retention and performance awards</li><li>EnTrust Global to be repurchased by its management team reflecting their desire to return to being an independent, private company</li></ul>
<b>Funding, Pro Forma Capital Structure and Cash Flow</b>	<ul style="list-style-type: none"><li>Cash consideration to be funded from existing balance sheet cash</li><li>As part of the transaction, Franklin will assume ~\$2Bn of Legg Mason's outstanding debt resulting in modest pro forma gross leverage (~1x Debt/EBITDA)<sup>(1)</sup></li><li>Substantial remaining excess cash provides flexibility to invest in further growth and innovation</li><li>Combined EBITDA of \$2.4Bn<sup>(1)</sup></li></ul>
<b>Financial Impact</b>	<ul style="list-style-type: none"><li>Highly attractive financial returns<sup>(2)</sup><ul style="list-style-type: none"><li>Mid-teens GAAP EPS accretion in FY21 excluding one-time integration charges</li><li>Upper-twenties EPS accretion excluding other non-recurring and acquisition-related expenses</li></ul></li><li>Approximately \$200MM in anticipated run rate cost savings, net of significant growth investments in the combined organization, with the majority to be achieved within a year of closing</li><li>Near-term efficiencies focused on rationalizing holding company functions and integrating holding company distribution</li></ul>
<b>Timing</b>	<ul style="list-style-type: none"><li>Subject to customary closing conditions, the transaction is expected to close by no later than the third calendar quarter of 2020</li></ul>

Notes:

- LTM as of 12/31/19 and excluding EnTrust; EBITDA calculated as Operating Income plus D&A for Franklin and Adjusted Operating Income plus D&A for Legg Mason; Includes run rate net cost savings of approximately \$200MM
- Based upon street consensus earnings estimates for each company

# Combination of Highly Complementary Investment Organizations

Shared View on the Industry	Common View of Investment Independence	Complementary Areas of Strength
<ul style="list-style-type: none"><li>• Investment performance excellence is paramount</li><li>• Scaled and specialized → offering clients the very best choices</li><li>• Advantage of being global with presence in emerging markets</li><li>• Importance of technology and data investments</li><li>• Evolving client interactions with the investment industry</li></ul>	<ul style="list-style-type: none"><li>• Independent investment decisions necessary for truly diversified offerings</li><li>• Range of successful organizational approaches to investment independence</li><li>• Essential to respect choices clients make in selecting managers</li><li>• Multiple brands reinforce distinctiveness of specialists</li></ul>	<ul style="list-style-type: none"><li>• Complementary distribution strengths (geography, channel and vehicle)</li><li>• Leading positions within wider range of distribution partners</li><li>• Focused on innovation in similar areas of asset and wealth management</li><li>• Creates additional opportunities for solutions business</li></ul>

- ✓ **Focused on a common sense organizational model – integrated where it makes sense, while preserving independence and autonomy of differentiated capabilities**
- ✓ **Long track record of successful acquisitions, both in preserving autonomy and maintaining the strengths of the investment process (i.e., Templeton, Mutual Series, Benefit Street)**

# Enhanced Range of Specialized, High Quality Investment Capabilities Across Institutional and Retail Channels



Asset Class AUM (\$Bn) <sup>(1)</sup>	Selected Branded Specialists	Selected World Class Capabilities
<b>Fixed Income / Liquidity</b>  <b>\$769</b>	WESTERN ASSET  FRANKLIN TEMPLETON Brandywine GLOBAL	<ul style="list-style-type: none"> <li>• Core and core+</li> <li>• Global macro</li> <li>• Municipals</li> <li>• Broad range of specialty capabilities</li> </ul> <ul style="list-style-type: none"> <li>• Strong institutional presence</li> <li>• MMF / Liquidity management</li> </ul>
<b>Equity</b>  <b>\$491</b>	FRANKLIN TEMPLETON ClearBridge Investments ROYCE Investment Partners Brandywine GLOBAL MARTIN CURRIE	<ul style="list-style-type: none"> <li>• Growth</li> <li>• International</li> <li>• Specialties</li> <li>• Global</li> </ul> <ul style="list-style-type: none"> <li>• Emerging markets</li> <li>• Value</li> <li>• Income</li> <li>• ESG</li> </ul>
<b>Alternatives</b>  <b>\$101</b>	BENEFIT STREET PARTNERS K2 ADVISORS CLARION PARTNERS RARE	<ul style="list-style-type: none"> <li>• Real estate</li> <li>• Private / alternative debt</li> <li>• Private equity</li> <li>• Infrastructure</li> </ul> <ul style="list-style-type: none"> <li>• Skilled assembly</li> </ul>
<b>Multi-Asset</b>  <b>\$136</b>	FRANKLIN TEMPLETON QS Investors Fiduciary Trust International	<ul style="list-style-type: none"> <li>• Multi-asset customized solutions</li> <li>• Multi-factor equity customized solutions</li> <li>• Broad multi-asset offering across income, allocation and balanced</li> <li>• Wealth management (UHNW)</li> </ul>

Innovation Addressing Client Experience, Distribution and Product, Investment Management Data Science and Operations



Notes:  
1. Reflects AUM as of 12/31/2019, excluding EnTrust and including the pending acquisitions of Athena Capital and Pennsylvania Trust

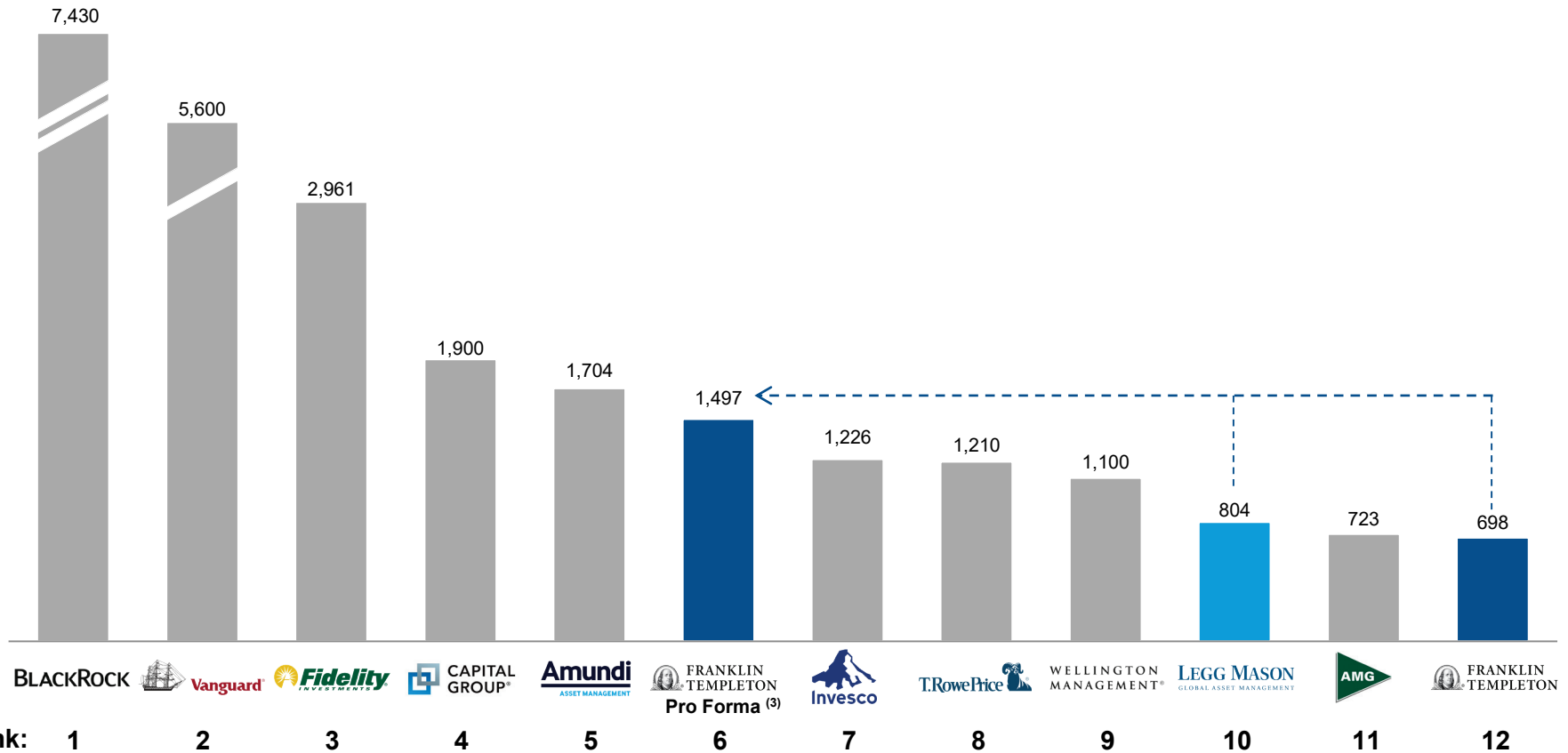
# Specialization That Is Scaled for Growth



Pro Forma Company Is the World's 6<sup>th</sup> Largest Independent Asset Manager

Ranking by AUM<sup>(1)(2)</sup>

\$Bn



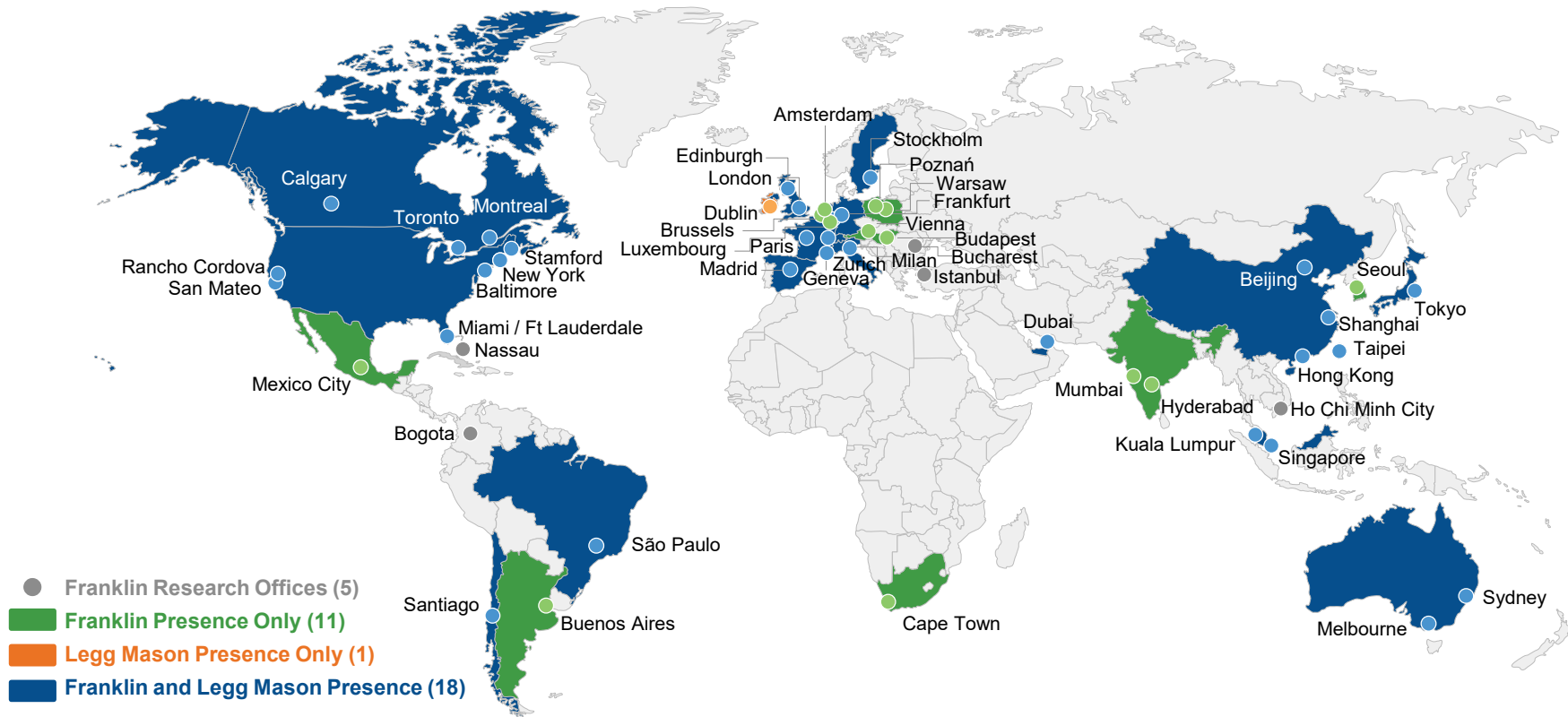
- Notes:
1. Managers based on 2019 Willis Towers Watson, *The World's Largest 500 Asset Managers*
  2. AUM data based on latest available figures
  3. Reflects AUM as of 12/31/2019, excluding EnTrust and including the pending acquisitions of Athena Capital and Pennsylvania Trust

# Positioned to Capture Outsized Growth Globally



## Unmatched Reach With Expanded Local Presence in Key International Markets Across U.K., Japan and Australia

- Presence in Countries Accounting for >85% of Global GDP With 35 Worldwide Locations<sup>(1)</sup>



## Leveraging Each Firm's Geographic Strengths<sup>(2)</sup>



- EMEA: 13% AUM
- Asia Pacific: 13% AUM



- EMEA: 10% AUM
- Japan: 6% AUM
- Australia: 3% AUM

Notes:

1. Reflects core distribution offices for Franklin in the United States and India; smaller distribution offices in both regions not shown here
2. Certain AUM figures are illustrative estimates (based on each company's then-current disclosure conventions, which are subject to change), as of 12/31/2019.

# Multiple Opportunities for Significant Growth in Retail



## Enhanced coverage of critical distribution partners

- Complementary, long-standing relationships leveraging Legg Mason's strength in wirehouses and Franklin's strength among independent financial advisors
- Benefits from Legg Mason's penetration of fee-based programs
- Opportunity to realign combined resources with greater specialist support
- Enhanced ability to create multi-asset solutions for clients
- Maximize utilization of global distribution force

## Leadership across multiple vehicles to provide investment capabilities in packaging best-suited for clients<sup>(2)</sup>

- #1 in retail SMA (model delivery)
- #3 in overall SMA
- #5 in mutual funds in US
- #6 in mutual funds globally
- Among fastest growing ETF platforms

## Largest Distribution Partners

Rank	Distributor	Franklin <sup>(1)</sup>	Legg Mason <sup>(1)</sup>
1.	Wirehouse	5	1
2.	Independent	1	18
3.	Wirehouse	3	2
4.	Wirehouse	2	11
5.	Independent	4	17
6.	Independent	6	9
7.	Wirehouse	7	8
8.	RIA Network	13	4
9.	Wirehouse	N/A	3
10.	Independent	8	14

## Leading SMA Manager<sup>(2)</sup>

Rank	Manager	AUM (\$Bn)
1.	Manager 1	\$141
2.	Manager 2	\$113
3.	<b>Legg Mason</b>	<b>\$88</b>
4.	Manager 4	\$65
5.	Manager 5	\$62
6.	Manager 6	\$37
7.	Manager 7	\$30
8.	Manager 8	\$29
9.	Manager 9	\$29
10.	Manager 10	\$28
<b>N/R</b>	<b>Franklin</b>	<b>\$4</b>

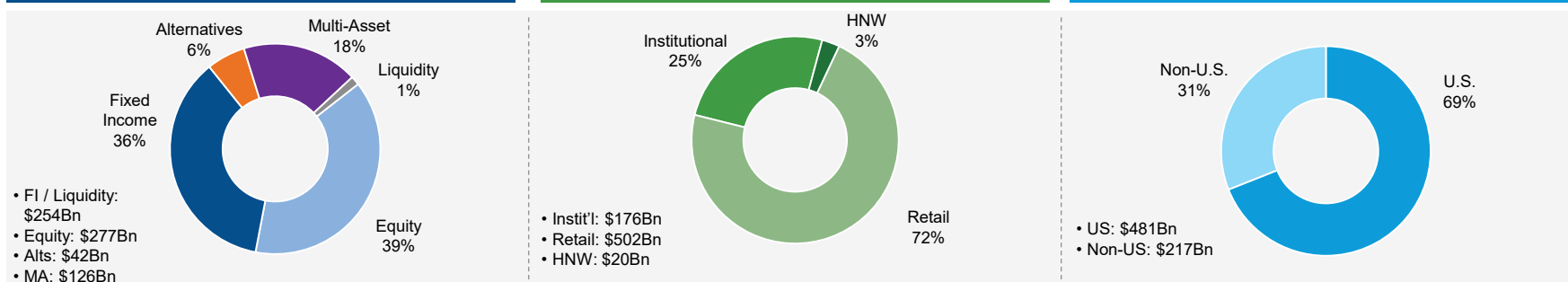
Notes:

1. Represents the rank of the distribution partner at Franklin and at Legg Mason based on AUM as of 9/30/2019
2. Total SMA AUM as of 9/30/2019. Based on Money Management Institute & Cerulli Associates, *Advisory Solutions Quarterly* – 3Q 2019

# Diversified and Balanced Platform by Asset Class, Distribution Channel and Geography



## Franklin Today: AUM of \$698Bn<sup>(1)</sup>

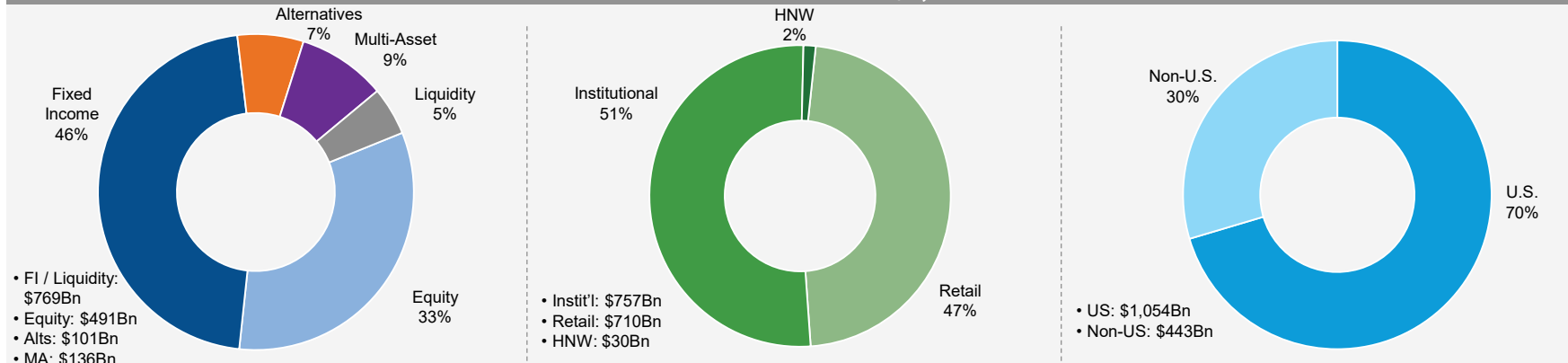


**Increased contribution from attractive asset classes such as alternatives**

**Creates more balance across institutional and retail channels**

**Expands presence outside of the U.S. with complementary footprint**

## Franklin Pro Forma: AUM of \$1,497Bn<sup>(1)(2)</sup>

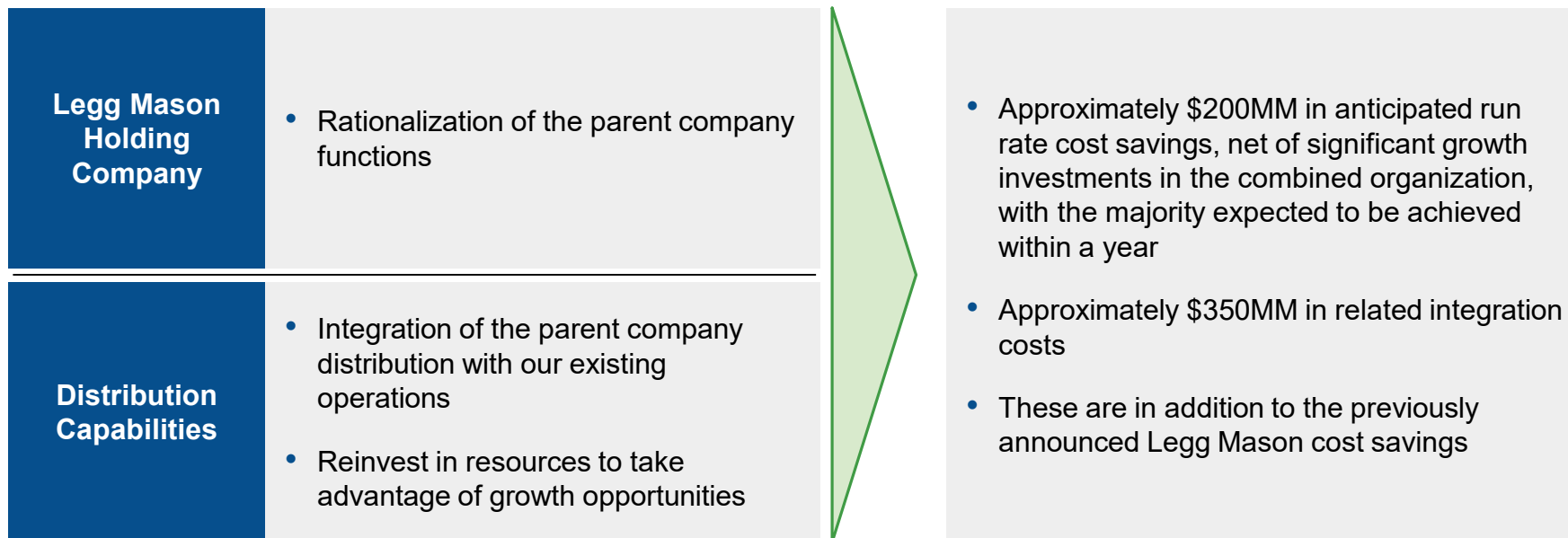


**Notes:**

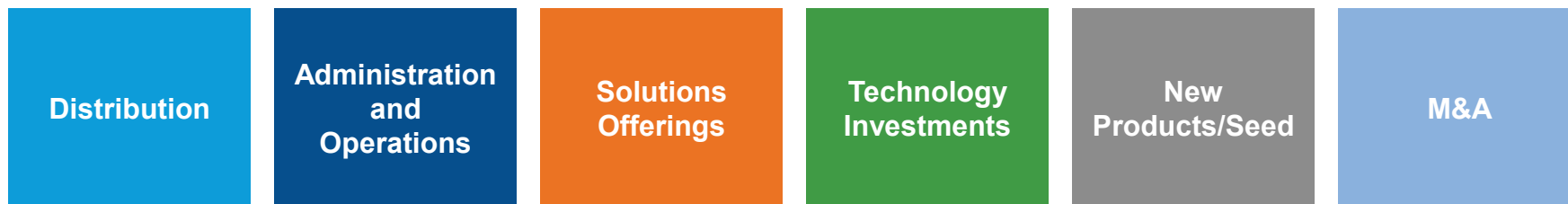
1. As of 12/31/2019. Certain AUM figures are illustrative estimates (based on each company's then-current disclosure conventions, which are subject to change)
2. Pro forma AUM statistics shown as of 12/31/2019, excluding EnTrust and including the pending acquisitions of Athena Capital and Pennsylvania Trust

# Unlocks Substantial Value Through Efficiency and Expanded Growth Opportunities

## Near-Term Efficiencies



## Expanded Efficiencies, Growth Opportunities and Areas of Collaboration



# Attractive Near-Term Financial Impact While Maintaining Financial Strength and Flexibility



	FRANKLIN TEMPLETON	LEGG MASON GLOBAL ASSET MANAGEMENT	FRANKLIN TEMPLETON Pro Forma <sup>(1)(2)(3)</sup>
<b>AUM (12/31/2019)</b>	\$698Bn	\$804Bn	\$1,497Bn
<b>LTM Total Operating Revenue</b>	\$5.8Bn	\$2.9Bn	\$8.5Bn
<b>LTM EBITDA<sup>(4)</sup></b>	\$1.6Bn	\$0.6Bn	\$2.4Bn
<b>LTM EBITDA Margin</b>	28%	21%	28%
<b>Cash &amp; Investments</b>	\$8.6Bn	\$1.2Bn	\$5.3Bn
<b>Gross Debt / EBITDA</b>	0.4x	3.2x	1.1x

<b>Financial Impact<sup>(5)</sup></b>	<ul style="list-style-type: none"> <li>• Mid-teens GAAP EPS accretion in FY21 excluding one-time integration charges</li> <li>• Upper-twenties EPS accretion excluding other non-recurring and acquisition-related expenses</li> </ul>
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Notes: Financial metrics based on LTM financials as of 12/31/2019

1. Pro forma figures exclude EnTrust; Pro forma AUM excludes EnTrust and includes the pending acquisitions of Athena Capital and Pennsylvania Trust
2. Pro forma EBITDA includes run rate net cost savings of approximately \$200MM
3. Pro forma cash and investments is net of \$4.5Bn of cash used in transaction
4. EBITDA calculated as Operating Income plus D&A for Franklin and Adjusted Operating Income plus D&A for Legg Mason
5. Based upon street consensus earnings estimates

# A Combination Focused on Growth for the Long-Term



## Stability

- Committed to providing long-term continuity and stability to benefit all key constituents
- All parties aligned toward our common goals and vision
- Significant diversification on all metrics (channels, clients, geography, products)
- “All weather” business model

## Growth and Efficiency

- Focused on identifying and executing on new growth opportunities, and will re-double efforts to position for the future in terms of financial technology, data, and platform investments
- Integration initiatives concentrated on centralized activities and better utilization of existing resources
- Primary objective: Long-term growth and resilience of the business, not maximizing near-term cost savings

## Financial Strength and Flexibility

- Significant balance sheet cash, low leverage and substantial free cash generation post-transaction
- Financial firepower allows us to remain flexible and continue to invest in initiatives that anticipate and adapt to changes in the industry and to the needs of our clients