



FRANKLIN
TEMPLETON

FRANKLIN RESOURCES, INC.

Executive Earnings Commentary

Fourth Quarter & Fiscal Year 2020 Results

October 27, 2020

Jenny Johnson

President

Chief Executive Officer

Greg Johnson

Executive Chairman

Matthew Nicholls

Executive Vice President

Chief Financial Officer

Contents	Page(s)
Highlights	2
AUM & Investment Performance	4
Net Flows	5
Financial Results	8
Capital Management	12

Conference Call Details:

Access to the teleconference at 11:00 AM Eastern will be available via webcast at investors.franklinresources.com or by dialing (833) 350-1245 in the U.S. and Canada or (236) 712-2205 internationally. A replay of the teleconference can also be accessed by calling (800) 585-8367 in the U.S. and Canada or (416) 621-4642 internationally using access code 2537202, after 2:00 p.m. Eastern Time on October 27, 2020 through November 3, 2020, or via the webcast at investors.franklinresources.com. Analysts and investors are encouraged to review the Company's recent filings with the U.S. Securities and Exchange Commission for additional information.

Forward-Looking Statements and Non-GAAP Financial Information:

This commentary contains forward-looking statements that involve a number of known and unknown risks, uncertainties and other important factors. You should see the discussion on pages 18 to 19 for important information concerning such matters. This commentary also contains non-GAAP financial measures. For the reconciliations from U.S. GAAP to non-GAAP measures, you should see the appendix to this commentary and the "Supplemental Non-GAAP Financial Measures" section of the earnings release.

GENERAL COMPANY HIGHLIGHTS

- Successfully closed the acquisition of Legg Mason on July 31st, earlier than initially expected, creating the 6th largest independent asset manager globally with over \$1.4 trillion in assets under management (AUM) across a broad range of specialized investment teams. We believe that this powerful combination enhances our strategic positioning and long-term growth potential, while also delivering on our goal of creating a more diversified and balanced organization to better serve clients around the globe.
- Client engagement and reaction to the transaction has been notably positive. By marrying client access globally with our broader investment strategies, we have begun to build a pipeline that each individual firm would not have realized alone.
- Our new global distribution structure, under new leadership, further aligns functions to four sales regions, increasing end-to-end accountability for regional growth. Cross-selling capabilities are now in place so that the combined sales teams can sell across the organization.
 - Our Specialist Investment Managers (SIMs) also each retain their strong institutional distribution capabilities.
- Senior management across legacy Legg Mason SIMs are engaged in ensuring stability and continuity at the SIM level. In addition, we have appointed certain SIM leaders to global or regional leadership roles in different areas of the company to fully reinforce our strong alignment, our shared focus, and commitment to each other. We are also fortunate to be joined by so many talented professionals from Legg Mason with a 97% acceptance rate of employment offers made to Legg Mason holding company employees.
- Franklin Templeton Multi-Asset Solutions and QS Investors have combined to create a single best-in-class solutions platform that will deliver an expanded range of investment capabilities to clients. The combined team of more than 120 investment professionals will oversee more than \$120 billion in multi-asset strategies, leveraging a broad spectrum of investment capabilities from fundamental to quantitative. The combination has created a sizeable solutions business with scale to compete with the largest full-service providers, along with enhanced tools and reporting for our clients resulting from our ongoing strategic investments in fintech and data science.

INVESTMENT STRATEGY HIGHLIGHTS

- We now offer a broader range of strong performing strategies, with approximately half of mutual fund assets outperforming peers over the 1-, 3-, 5- and 10-year time periods, including over 100 funds rated 4 or 5 stars by Morningstar.¹ We also have strong institutional performance with 63%, 69%, 73% and 84% of assets beating the applicable benchmark for the 1-, 3-, 5- and 10-year periods, respectively, notably in fixed income and alternatives.
- U.S. fixed income strategies attracted record net flows of \$5.7 billion in the quarter, driven by Western Asset Management that reached its highest level of both long-term AUM of \$410 billion and total AUM of \$478 billion, in over a decade, while delivering outstanding investment performance. Our fixed income pipeline across most of the firm is strong, with at least \$6 billion of unfunded wins and a significant opportunity pipeline.
- Recently introduced a new portfolio management team structure for the Franklin Templeton Muni Bond team to align portfolio managers with common strategies across the platform to further enhance investment performance that rebounded this year with 85% of assets ahead of peers for the 1-year period. This contributed to positive net flows for the year, and on a combined basis our tax-free fixed income AUM increased to almost \$85 billion.

(1) © 2020 Morningstar, Inc. All rights reserved. The information herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

INVESTMENT STRATEGY HIGHLIGHTS, cont.

- While performance challenges and attrition from Franklin Templeton and Brandywine global macro strategies persist, these continue to be positioned for more challenging market conditions. These strategies also made up some ground on peers and the benchmark in the quarter as risk assets pulled back from their peak. Overall, through leading investment specialists at Franklin Templeton, Western and Brandywine SIMs, we are uniquely positioned across global macro strategies.
- In equities, the Franklin Equity Group continues to generate strong performance and attract inflows, highlighted by Franklin Dynatech with \$4.4 billion of net inflows for the year, more than doubling assets under management to over \$18 billion, and Franklin Technology that generated organic growth of nearly 50% for the year. Clearbridge AUM of \$153 billion is nearly at its all-time high with strong investment performance and flows in the International Growth, Select, Small Cap Growth and ESG strategies. Royce and Martin Currie strategies also have strong investment performance and essentially flat flows for the quarter. Templeton Global Equity and Franklin Mutual strategies continue to experience outflows but are well-positioned for periods that favor value.
- We now have over \$124 billion in alternative assets, including private real estate through Clarion Partners (\$56 billion of AUM), alternative credit through Benefit Street Partners and hedge fund investing via K2 Advisors. Clarion, which has one of the largest platforms in the U.S. industrial/logistics sector, is experiencing strong investor interest with an inbound queue of over \$1 billion. Benefit Street Partners priced two new CLOs in the quarter totaling \$800 million and received additional commitments of approximately \$300 million.
- Our acquisition significantly enhanced our ability to deliver our investment expertise via clients' vehicle of choice, particularly retail SMAs, where we are now a leading franchise with \$103 billion in assets compared to just \$6 billion a year ago, and an expanded ETF offering that doubled to over \$10 billion in assets under management this year. We are also planning to expand our closed-end fund capabilities.

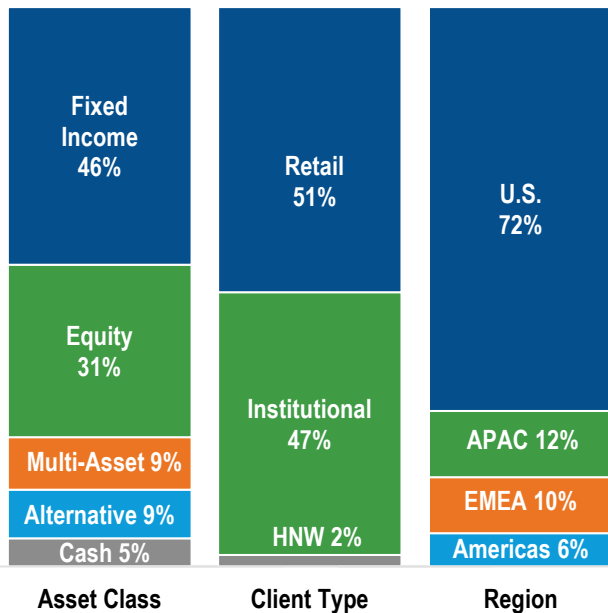
FINANCIAL HIGHLIGHTS

- Fourth quarter GAAP operating income decreased to \$104 million, which reflects operating as a combined company for two months along with acquisition-related execution costs. Adjusted operating income increased to \$429 million, or a 58% increase versus last quarter or 5% from the prior year, largely reflecting the addition of two months of Legg Mason.
- We are on track to realize \$300 million of gross synergies, with 85% of run rate savings expected to be realized by the end of fiscal year 2021. The cost to achieve these savings is expected to be approximately \$200 million, \$150 million less than originally anticipated.
- We expect to realize approximately \$600 million of cash tax benefit related to the various tax attributes and deductions which carried forward in the transaction, a 20% increase from our initial estimate.
- Completed the public offering of \$750 million aggregate principal senior notes due 2030, issuing at a 1.6% coupon and pre-funding our intention to call higher coupon junior subordinated notes, which are callable at par in March and September 2021.

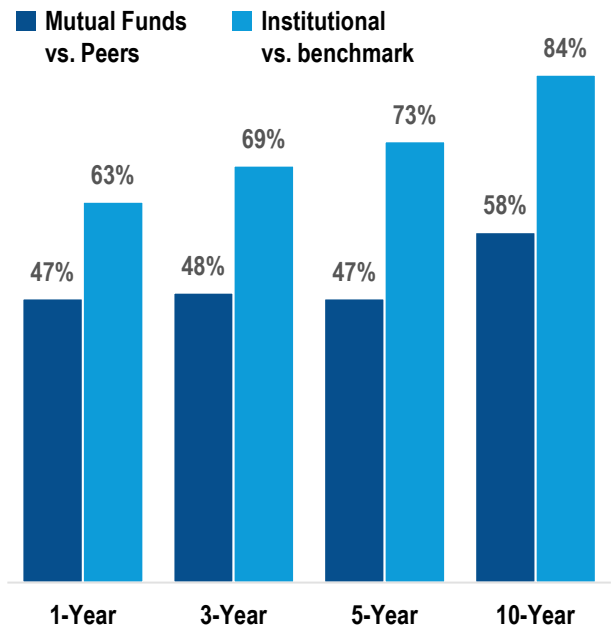
Assets Under Management (AUM) and Investment Performance

Globally Diversified by Asset Class, Client Type and Region

AUM of \$1.4 trillion as of September 30, 2020



Percentage of AUM Above Peer Median and Benchmark¹



- Reflecting the growth of our institutional business and the resulting balance with retail, we are presenting our performance disclosure to focus on relative performance against peers for mutual funds and performance against benchmarks for institutional.
- Overall institutional performance is strong, driven by exceptional performance across fixed income, in particular long-term core bond and tax-free strategies. On the equity side, concentration of the largest stocks in the benchmark continues to be a comparative performance headwind for active U.S. large growth managers such as us that manage more diversified portfolios.
- Relative performance against peers reflects good performance in U.S. taxable and tax-free funds, along with U.S. equities, particularly of growth-oriented equities that continued to demonstrate market leadership. Partially offsetting that performance is the performance of legacy Franklin Templeton global macro and value strategies, with notable recent periods of outperformance during challenging market conditions.
- As of quarter end, we now have over 100 funds rated 4 or 5 stars by Morningstar, led by U.S. fixed income where over 70% of assets are outperforming peers across all time periods.

(1) Mutual Fund performance is sourced from Morningstar and measures the percent of ranked AUM in the top two quartiles versus peers. Mutual Fund AUM measured for the 1, 3, 5, & 10-year periods represents 39%, 38%, 38% and 36%, respectively of the firm's total AUM as of September 30, 2020. Institutional performance measures the percent of institutional AUM beating its benchmark. The benchmark comparisons are based on each account's/composite's (composites may include retail SMA and mutual fund assets managed as part of the same strategy) return as compared to a market index that has been selected to be generally consistent with the investment objectives of the account. Institutional AUM measured for the 1, 3, 5 & 10-year periods represents 55%, 54%, 52% and 48% respectively of the firm's total AUM as of September 30, 2020.

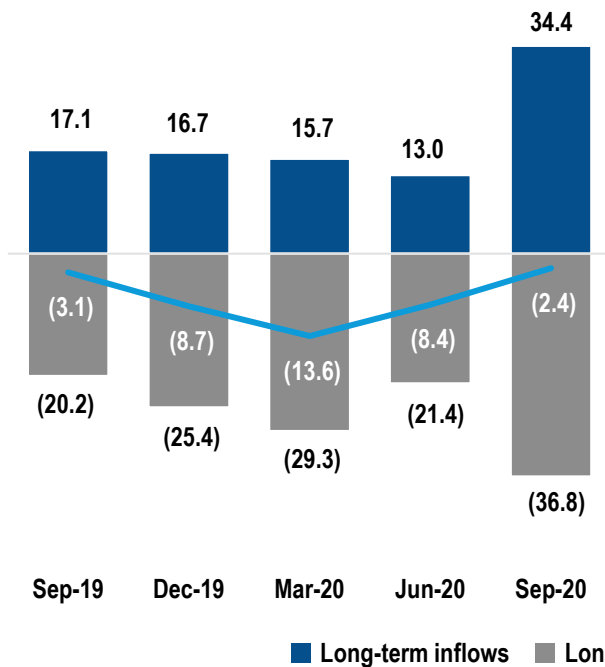
Net Flows

(in billions)	Three Months Ended September 30,		% Change	Twelve Months Ended September 30,		% Change
	2020	2019		2020	2019	
Beginning AUM	\$ 622.8	\$ 715.2	(13%)	\$ 692.6	\$ 717.1	(3%)
Long-term inflows	65.4	34.8	88%	182.4	175.0	4%
Long-term outflows	(78.0)	(47.6)	64%	(244.0)	(206.8)	18%
Long-term net flows	(12.6)	(12.8)	(2%)	(61.6)	(31.8)	94%
Cash management net flows	(11.1)	0.5	NM	(9.9)	0.9	NM
Total net flows	(23.7)	(12.3)	93%	(71.5)	(30.9)	131%
Acquisitions	797.4	-	NM	806.5	26.4	NM
Net market change, dist. & other	22.4	(10.3)	NM	(8.7)	(20.0)	(57%)
Ending AUM	\$ 1,418.9	\$ 692.6	105%	\$ 1,418.9	692.6	105%
Average AUM	\$ 1,227.8	\$ 702.0	75%	\$ 832.9	697.0	19%

- Total AUM was \$1,419 billion at September 30, 2020, an increase of \$796 billion or 128% during the quarter and \$726 billion or 105% from the prior year, due primarily to the acquisition of Legg Mason. Average AUM was \$1,228 billion for the quarter, reflecting only two months of Legg Mason.
- As of this fourth quarter we are introducing a simplified presentation of long-term net flows to incorporate all client-driven flow activity, which is defined as long-term inflows and long-term outflows as shown above. This simplified view reflects the new breadth of our business and the expansion of our client base and investment vehicle offerings, both of which expanded significantly beyond retail mutual funds following the transaction. Additionally, we are reporting cash management net flows as a separate component of total net flows, given the increased scale of that business.
- We have successfully completed initial phases of our planned integration with Legg Mason holding company in a way designed to minimize disruption to our clients and immediately capitalize on the benefits of the combined entity. Thus far, flows of the combined organization have not been adversely impacted by the transaction as long-term sales in the quarter were comparable with the prior year on a full quarter basis.
- As of quarter end, our combined total of won but unfunded wins was \$11.5 billion. Now that we have a much larger institutional business, we expect to have greater velocity of inflows and outflows.
- Our recent ability to cross-sell Legg Mason and Franklin Templeton products to our combined client bases has started to yield positive results. For example, in the quarter an existing Franklin Templeton client changed its home office discretionary portfolio to pivot away from their defensive posture during a “risk-on” period, and reallocated to a core bond strategy managed by Western, resulting in an inflow of \$500 million, net of the lost Franklin Templeton allocation.

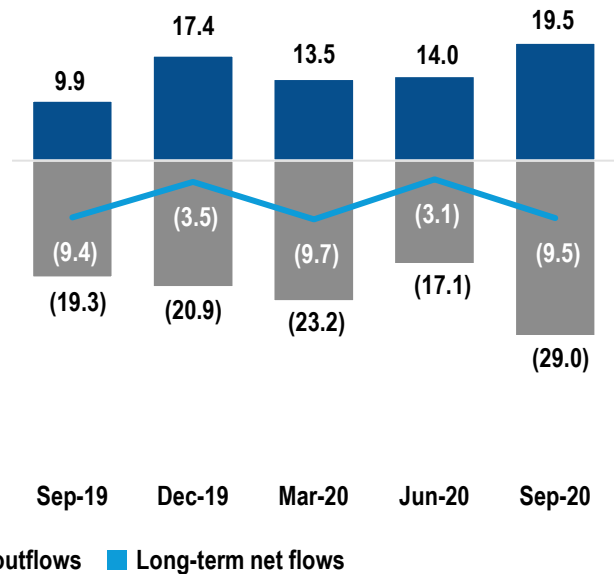
Fixed Income

(in US\$ billions, for the three months ended)



Equity

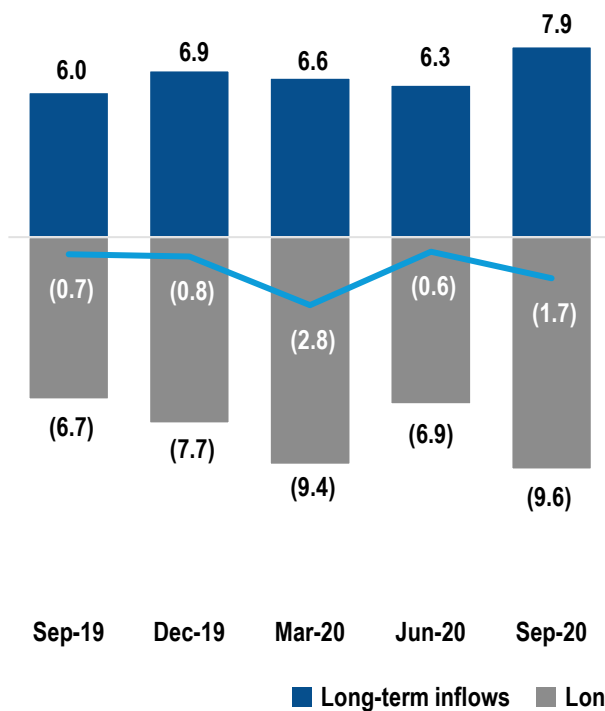
(in US\$ billions, for the three months ended)



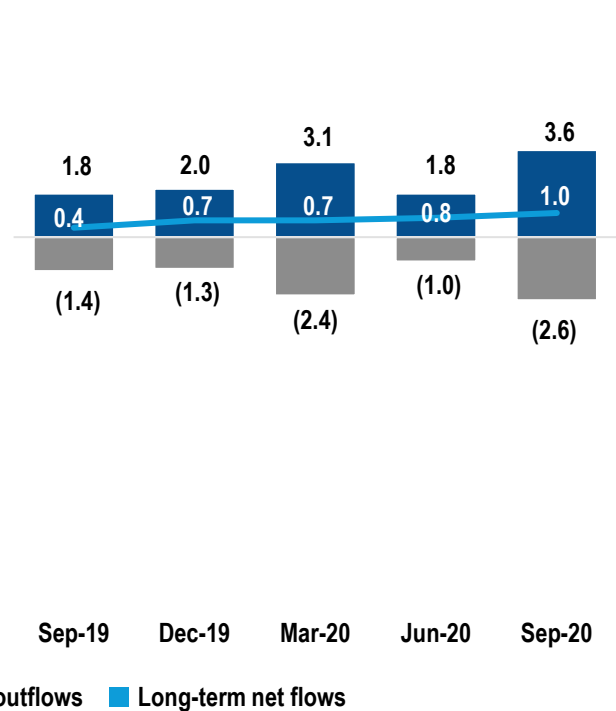
- Fixed income net outflows improved significantly in the quarter as record net inflows of \$5.7 billion to U.S. fixed income, particularly core bond, along with net inflows of \$800 million to tax-free fixed income were offset by outflows from global macro strategies.
- Western had a very strong quarter of inflows and continues to build a robust opportunity pipeline. Additionally, as of quarter end, Western's total assets under management were \$12 billion higher than at the time the Legg Mason acquisition was announced.
- As noted previously, our muni business saw an improvement in performance this year and continued to attract inflows, which totaled more than \$1 billion for the full year combined with two months of Western.
- Franklin's U.S. equity retail funds had an extraordinary year, not only with its highest sales of all time, but also in terms of positive net flows over the last six months including three consecutive months through June. This is notable relative to the overall industry, which had just three months of net inflows in the past five years and net outflows for 19 consecutive months. A key driver of this success is Franklin Dynatech that has more than doubled in assets under management to \$18 billion since last year, along with the \$19 billion Franklin Growth and \$7 billion Franklin Technology funds. Combined with Rising Dividends, the Franklin Equity Group now has three funds near or above \$20 billion of assets under management.
- Equity net outflows persisted as U.S. and global equities experienced net outflows for the quarter. Value-oriented strategies continued to be a headwind in the quarter along with large institutional redemptions in Australian equity of \$1.4 billion. Unrelated to our transaction, a \$3 billion sub-advisory account redeemed from a Franklin Templeton manager in October.

Multi-Asset

(in US\$ billions, for the three months ended)

**Alternative**

(in US\$ billions, for the three months ended)



- Multi-asset net outflows increased to \$1.7 billion, driven by continued performance headwinds in our flagship retail strategy, which despite being in net outflows, remained one of our top selling funds. The fund is sold primarily for its income generating capability, which it has consistently delivered as it maintains a yield that is approximately 2.5x the industry average. Significant progress has been made in expanding our Model Portfolio Solutions on platforms and recommended lists and the previously mentioned, newly-combined solutions platform is expected to allow us to continue to drive growth.
- During the quarter we also introduced our Goals Optimization Engine, which is aimed at engaging firms looking to digitally deliver personalized solutions to investors.
- This is the first quarter we have broken out alternative flows as the asset class now represents 9% of assets under management at \$124 billion.
- Our alternative asset strategies have steadily attracted net inflows for several years, reaching \$1 billion in the quarter and \$3.2 billion for the fiscal year.
- Clarion Partners also contributed to inflows for the quarter and continues to source investments for its almost \$1 billion of uncalled committed capital.
- Benefit Street Partners (BSP) is launching a private BDC which will grow our alternatives offerings of permanent capital vehicles. BSP has closed on an additional \$210 million of commitments in BSP Dislocation Fund (bringing total first close commitments to \$470 million), closed on an additional \$75 million of commitments in Senior Secured Opportunities Fund II (bringing total commitments to \$695 million), closed a \$100M separately managed account, and priced two new CLOs (BSP's 20th and 21st under management) of about \$400 million each.

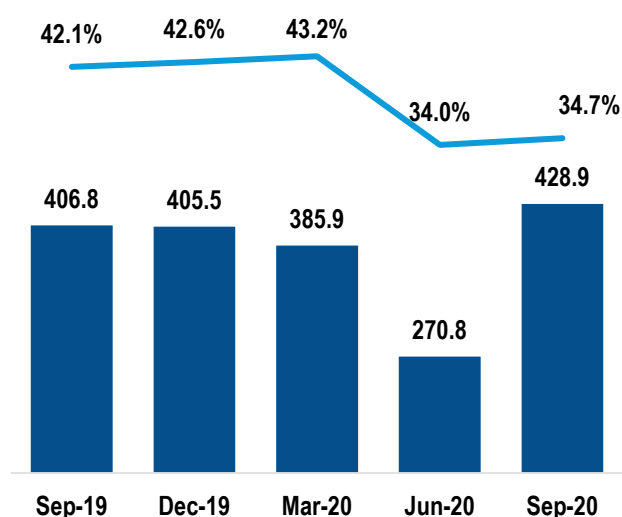
Financial Highlights

(GAAP and non-GAAP in US\$ millions except per share data, for the three months ended)

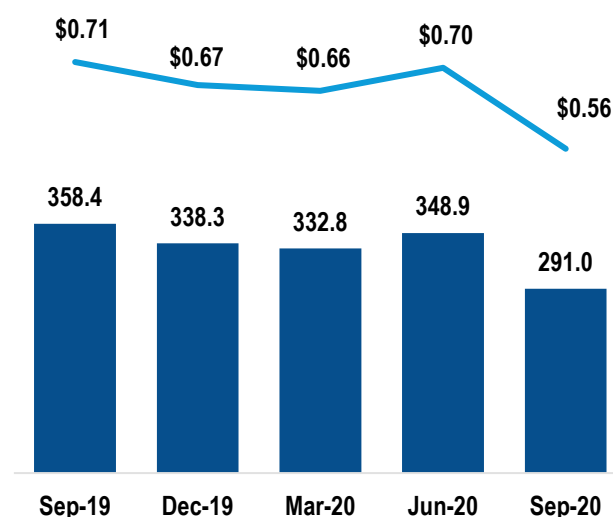
US GAAP	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Operating Income	365.1	372.9	339.9	232.5	103.6
Operating Margin	25.7%	26.8%	25.9%	20.0%	6.1%

US GAAP	Sep-19	Dec-19	Mar-20	Jun-20	Sep-20
Net Income	306.4	350.5	79.1	290.4	78.9
Diluted EPS	\$0.61	\$0.70	\$0.16	\$0.58	\$0.15

Adjusted Operating Income and Adjusted Operating Margin



Adjusted Net Income and Adjusted Diluted Earnings Per Share



■ Adjusted Operating Income ■ Adjusted Operating Margin

■ Adjusted Net Income ■ Adjusted Diluted Earnings Per Share

- Adjusted operating income for the quarter was \$429 million, a 58% increase from the prior quarter, resulting from two months of operating as a combined company.
- Our cost reduction initiatives are progressing as planned. We identified gross expected synergies of approximately \$300 million in connection with the Legg Mason acquisition. Approximately 25% of the synergies have been realized as of September 30th, and we currently remain on schedule to realize 85% of run rate cost savings by next year. These anticipated savings relate to redundancies in corporate functions, distribution, occupancy, and systems and supplement the standalone expense reduction plans put in place by each company prior to closing. On a stand-alone basis, Franklin Templeton reduced adjusted expenses by over 5% versus the prior year, within the expected range.
- Adjusted net income and adjusted earnings per share were lower at \$291 million, or \$0.56 per share, respectively this quarter, due to higher than anticipated taxes in the current quarter, as a result of an increase in the effective tax rate in certain foreign jurisdictions and certain adjustments to our tax assets, and non-operating items in the prior quarter.
- For the fiscal year, adjusted operating income of \$1.5 billion declined from \$1.7 billion in the prior year, while net income of \$1.3 billion and diluted earnings per share of \$2.61 were essentially flat.

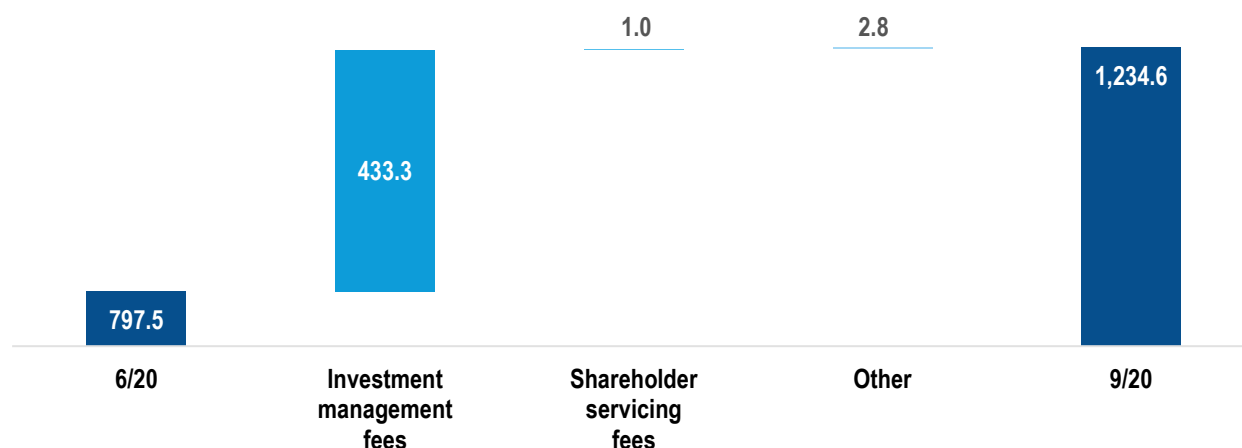
Non-GAAP measures. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release.

Revenues

(GAAP and non-GAAP results, in US\$ millions, for the three months ended)

	Sep-20 US GAAP	Adjustments	Sep-20 Adjusted	Jun-20 Adjusted	Sep-20 Adjusted vs. Jun-20 Adjusted	Sep-19 Adjusted	Sep-20 Adjusted vs. Sep-19 Adjusted
Investment management fees	1,284.6	(103.7)	1,180.9	747.6	58%	909.1	30%
Sales and distribution fees	366.7	(366.7)	-	-	-	-	-
Shareholder servicing fees	45.7	-	45.7	44.7	2%	51.4	(11%)
Other	8.0	-	8.0	5.2	54%	6.0	33%
Total Operating Revenues	1,705.0	(470.4)	1,234.6	797.5	55%	966.5	28%

Adjusted Operating Revenues—Quarter Ended June 30, 2020 vs September 30, 2020



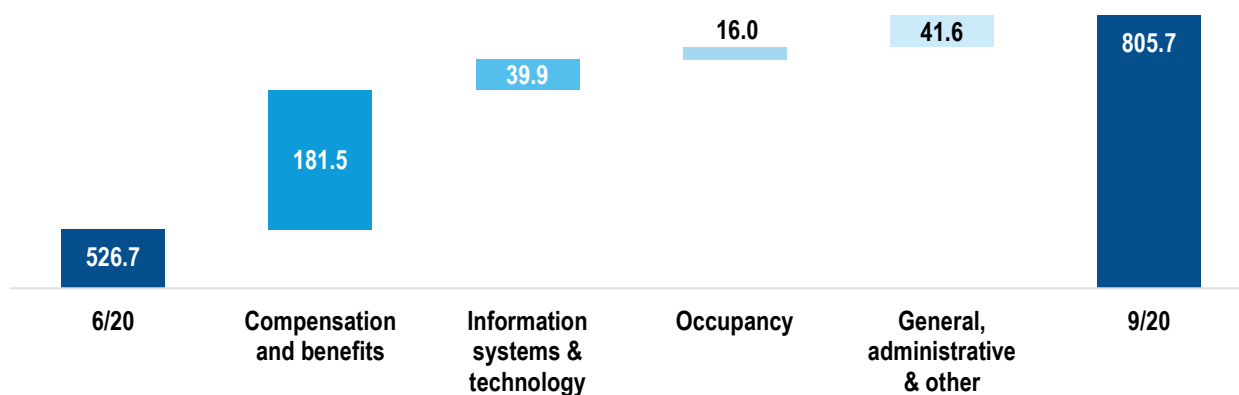
- Adjusted operating revenue of \$1.2 billion increased 55% from the June quarter, and 28% compared to the prior year.
- Investment management fees, as adjusted, were \$1,181 million, an increase of \$433 million or 58% from last quarter. This increase was primarily due to higher average assets under management, and performance fees of \$9.9 million (a \$9.7 million increase from the June quarter). The adjusted effective fee rate (EFR) of 38 basis points, compared to 50 basis points last quarter, reflects two months of revenue from Legg Mason and the change in mix to a higher concentration of fixed income and institutional clients. Going forward, with full periods combined, we expect the EFR to be in the range of 36 to 38 basis points.
- We changed the presentation of our consolidated statement of income to include certain income and expenses from consolidated investment products (CIP) in non-operating income rather than in operating results to conform with the presentation of industry peers. This change does not impact net income or our adjusted earnings measures.

Expenses

(GAAP and non-GAAP results, in US\$ millions, for the three months ended)

	Sep-20 US GAAP	Adjustments	Sep-20 Adjusted	Jun-20 Adjusted	Sep-20 Adjusted vs. Jun-20 Adjusted	Sep-19 Adjusted	Sep-20 Adjusted vs. Sep-19 Adjusted
Compensation & benefits	732.3	(188.5)	543.8	362.3	50%	356.8	52%
Sales, distribution & marketing	466.7	(466.7)	-	-	-	-	-
Information systems & technology	102.0	-	102.0	62.1	64%	69.8	46%
Occupancy	47.5	-	47.5	31.5	51%	38.8	22%
Amortization of intangible assets	40.1	(40.1)	-	-	-	-	-
General, administrative & other	212.8	(100.4)	112.4	70.8	59%	94.3	19%
Total Operating Expenses	1,601.4	(795.7)	805.7	526.7	53%	559.7	44%

Adjusted Operating Expenses—Quarter Ended June 30, 2020 vs September 30, 2020

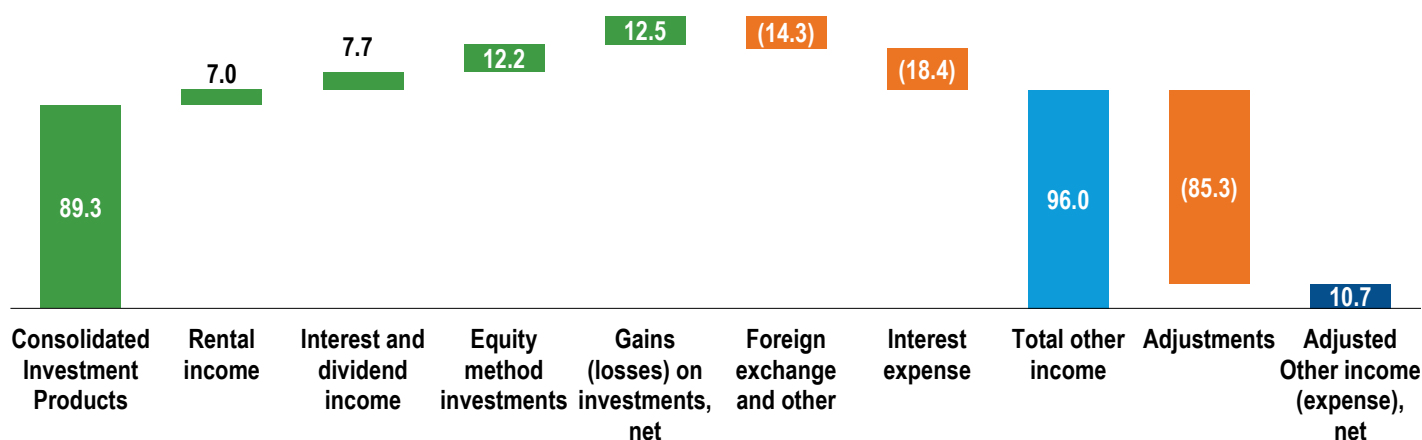


- Adjusted operating expenses increased 53% during the quarter to \$806 million, resulting from the acquisition, partially offset by initial expense synergies.
- Compensation and benefits expense, adjusted to exclude \$141 million of acquisition-related retention compensation and \$46 million of special termination benefits resulting from the expense synergy initiatives already mentioned, increased 50% to \$544 million.
- The increase in non-compensation expense was principally a result of operating as a combined company for the past two months. Included in the non-GAAP adjustments to general, administrative and other expenses are acquisition-related expenses of \$48 million tied to the closing of the transaction and \$53 million from impairments to goodwill and intangibles from prior acquisitions, partially offset by a \$16 million reduction to non-controlling interest.
- We plan to continue addressing redundancies to realize target expense synergies while also investing in key growth initiatives. All else being equal, we are forecasting for adjusted expenses, including realized synergies, of approximately \$3.7 billion in fiscal 2021.

Other Income

(GAAP and non-GAAP results, in US\$ millions, for the three months ended September 30, 2020)

Other Income

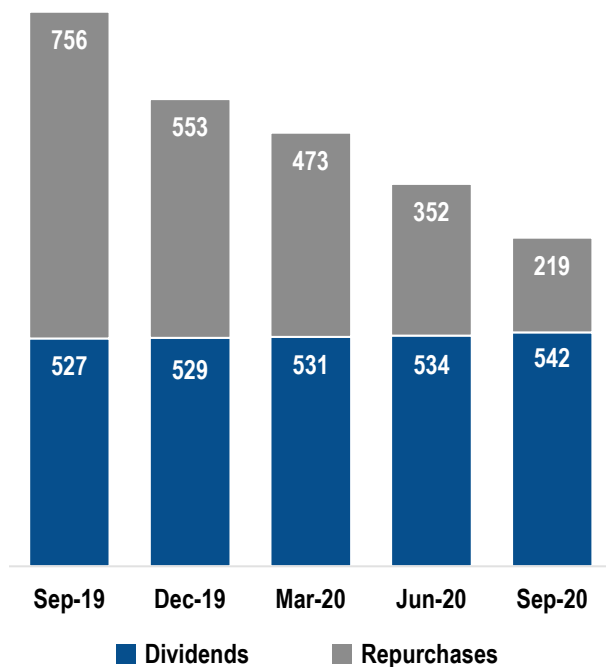


- Other income adjusted for unrealized investment gains was \$10.7 million this quarter. The decrease from the prior quarter was attributable to realized gains in the prior quarter and additional interest expense from \$2 billion of debt assumed in the acquisition.
- As detailed in our pro forma financials, purchase price accounting requires us to carry acquired debt at fair value, which was over a \$300 million premium to its principal amount. As a result, the amortization of that premium reduced interest expense for the quarter. Adjusted earnings excludes this amortization.
- As we noted last quarter, we were targeting annual interest expense savings of at least \$20 to \$25 million by refinancing select aspects of our capital structure starting in 2021. Following our recent debt issuance, we expect to realize annual interest expense saving of approximately \$30 million once higher cost notes are redeemed in 2021.
- The effective tax rate for the full year was 22.7%, above the anticipated rate of 22% primarily as the result of an increase in the effective tax rate in certain foreign jurisdictions and certain adjustments to our tax assets. This resulted in a higher effective tax rate of 36.6% for the quarter.
- Our expectation for fiscal 2021 is an effective tax rate of approximately 26% on a GAAP basis. Non-GAAP adjustments can have a meaningful impact on the rate applied to adjusted earnings.

Capital Management

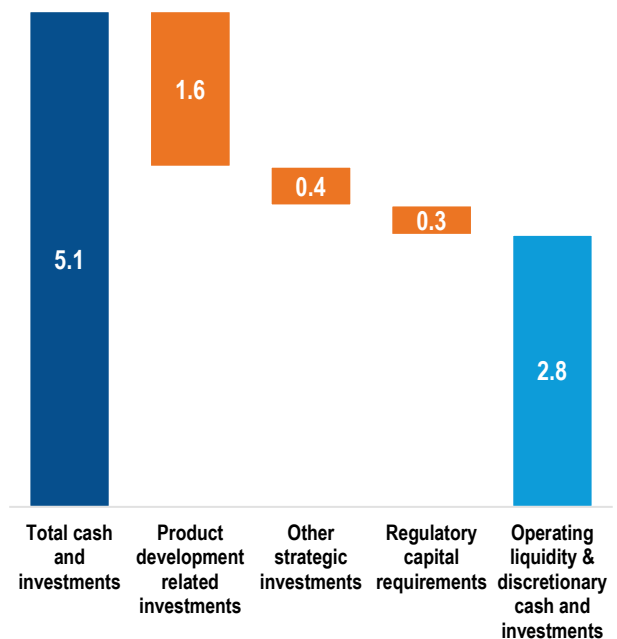
Dividends and Share Repurchases

(in US\$ millions, for the trailing twelve months ended)



Allocation of Cash and Investments¹

(In US\$ billions, as of September 30, 2020)



- The quarterly dividend of \$0.27 per share was declared in August while share repurchases were limited this quarter (repurchased 1.5 million shares for \$31 million) following the Legg Mason acquisition, primarily to offset dilution related to employee compensation plans.
- Total cash and investments were \$5.1 billion as of September 30, 2020, including our direct investments in consolidated investment products, compared to \$8.2 billion at June 30, 2020. The reduction in cash and investments was primarily attributable to the purchase of Legg Mason and our regular dividend, partially offset by acquired cash and investments and cash generated from operations during the period.
- Product development related investments and other strategic investments each increased \$100 million compared to the previous quarter, primarily due to positions acquired in the Legg Mason transaction.
- We expect to continue our history of annual regular cash dividend growth, opportunistic share repurchases and debt management, while maintaining a strong liquidity and credit profile.

1. Includes direct investments in CIPs of \$785 million

Reconciliation of US GAAP results to Non-GAAP results: Three months ended September 30, 2020

(in US\$ millions except per share data)

	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition- related	Special Termination Benefits	Unrealized investment (gains) losses	Legacy LM Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	1,284.6	5.4	(99.7)	(9.4)	-	-	-	1,180.9
Sales and distribution fees	366.7	0.3	(367.0)	-	-	-	-	-
Shareholder servicing fees	45.7	-	-	-	-	-	-	45.7
Other	8.0	-	-	-	-	-	-	8.0
Total Operating Revenues	1,705.0	5.7	(466.7)	(9.4)	-	-	-	1,234.6
Expenses								
Compensation and benefits	732.3	-	-	(141.2)	(46.1)	-	(1.2)	543.8
Sales, distribution and marketing	466.7	-	(466.7)	-	-	-	-	-
Information systems and technology	102.0	-	-	-	-	-	-	102.0
Occupancy	47.5	-	-	-	-	-	-	47.5
Amortization of intangible assets	40.1	-	-	(40.1)	-	-	-	-
General, administrative and other	212.8	-	-	(100.4)	-	-	-	112.4
Total Operating Expenses	1,601.4	-	(466.7)	(281.7)	(46.1)	-	(1.2)	805.7
Operating Income	103.6	5.7	-	272.3	46.1	-	1.2	428.9
Other Income (Expense)								
Other income (expenses), net	96.0	(55.3)	-	(1.8)	-	(26.9)	(1.3)	10.7
Income before taxes	199.6	(49.6)	-	270.5	46.1	(26.9)	(0.1)	439.6
Taxes on income	73.1	-	-	57.1	10.8	(5.6)	-	135.4
Net income	126.5	(49.6)	-	213.4	35.3	(21.3)	(0.1)	304.2
Less: Net income (loss) attributable to noncontrolling interests	47.6	(51.1)	-	16.7	-	-	-	13.2
Net Income Attributable to Franklin Resources, Inc.	78.9	1.5	-	196.7	35.3	(21.3)	(0.1)	291.0
Less: allocation of earnings to participating nonvested stock and stock unit awards	4.9	-	-	-	-	-	-	18.1
Diluted EPS	\$0.15				Adjusted Diluted EPS			\$0.56
Diluted Shares Outstanding	491.7				Diluted Shares Outstanding			491.7
Operating Margin	6.1%				Adjusted Operating Margin			34.7%

Reconciliation of US GAAP results to Non-GAAP results: Three months ended June 30, 2020

(in US\$ millions except per share data)

	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition- related	Special Termination Benefits	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues							
Investment management fees	809.2	4.8	(66.4)	-	-	-	747.6
Sales and distribution fees	302.1	0.1	(302.2)	-	-	-	-
Shareholder servicing fees	44.6	0.1	-	-	-	-	44.7
Other	5.2	-	-	-	-	-	5.2
Total Operating Revenues	1,161.1	5.0	(368.6)	-	-	-	797.5
Expenses							
Compensation and benefits	386.5	-	-	(15.5)	(8.7)	-	362.3
Sales, distribution and marketing	368.6	-	(368.6)	-	-	-	-
Information systems and technology	62.1	-	-	-	-	-	62.1
Occupancy	31.5	-	-	-	-	-	31.5
Amortization of intangible asset	4.7	-	-	(4.7)	-	-	-
General, administrative and other	75.2	-	-	(4.4)	-	-	70.8
Total Operating Expenses	928.6	-	(368.6)	(24.6)	(8.7)	-	526.7
Operating Income	232.5	5.0	-	24.6	8.7	-	270.8
Other Income (Expense)							
Other income (expenses), net	37.3	20.8	-	(1.7)	-	26.7	83.1
Income before taxes	269.8	25.8	-	22.9	8.7	26.7	353.9
Taxes on income	16.1	-	-	5.4	2.0	(1.9)	21.6
Net income	253.7	25.8	-	17.5	6.7	28.6	332.3
Less: Net income (loss) attributable to noncontrolling interests	(36.7)	20.1	-	-	-	-	(16.6)
Net Income Attributable to Franklin Resources, Inc.	290.4	5.7	-	17.5	6.7	28.6	348.9
Less: allocation of earnings to participating nonvested stock and stock unit awards	4.2						5.0
Diluted EPS	\$0.58						Adjusted Diluted EPS \$0.70
Diluted Shares Outstanding	490.7						Diluted Shares Outstanding 490.7
Operating Margin	20.0%						Adjusted Operating Margin 34.0%

Reconciliation of US GAAP results to Non-GAAP results: Three months ended September 30, 2019

(in US\$ millions except per share data)

	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition- related	Special Termination Benefits	Unrealized investment (gains) losses	Non-GAAP Basis
Revenues							
Investment management fees	1,001.6	7.0	(99.5)	-	-	-	909.1
Sales and distribution fees	363.8	-	(363.8)	-	-	-	-
Shareholder servicing fees	51.4	-	-	-	-	-	51.4
Other	6.0	-	-	-	-	-	6.0
Total Operating Revenues	1,422.8	7.0	(463.3)	-	-	-	966.5
Expenses							
Compensation and benefits	382.4	-	-	(20.7)	(4.9)	-	356.8
Sales, distribution and marketing	463.3	-	(463.3)	-	-	-	-
Information systems and technology	69.8	-	-	-	-	-	69.8
Occupancy	38.8	-	-	-	-	-	38.8
Amortization of intangible assets	5.0	-	-	(5.0)	-	-	-
General, administrative and other	98.4	-	-	(4.1)	-	-	94.3
Total Operating Expenses	1,057.7	-	(463.3)	(29.8)	(4.9)	-	559.7
Operating Income	365.1	7.0	-	29.8	4.9	-	406.8
Other Income (Expense)							
Other income (expenses), net	30.7	(14.0)	-	-	-	29.9	46.6
Income before taxes	395.8	(7.0)	-	29.8	4.9	29.9	453.4
Taxes on income	86.5	-	-	7.1	1.2	(1.0)	93.8
Net income	309.3	(7.0)	-	22.7	3.7	30.9	359.6
Less: Net income (loss) attributable to noncontrolling interests	2.9	(1.7)	-	-	-	-	1.2
Net Income Attributable to Franklin Resources, Inc.	306.4	(5.3)	-	22.7	3.7	30.9	358.4
Less: allocation of earnings to participating nonvested stock and stock unit awards	2.1	-	-	-	-	-	2.5
Diluted EPS	\$0.61				Adjusted Diluted EPS		\$0.71
Diluted Shares Outstanding	498.8				Diluted Shares Outstanding		498.8
Operating Margin	25.7%				Adjusted Operating Margin		42.1%

Reconciliation of US GAAP results to Non-GAAP results: Fiscal Year ended September 30, 2020

(in US\$ millions except per share data)

	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition- related	Special Termination Benefits	Unrealized investment (gains) losses	Legacy LM Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	3,981.7	21.9	(339.4)	(9.4)	-	-	-	3,654.8
Sales and distribution fees	1,362.0	1.7	(1,363.7)	-	-	-	-	-
Shareholder servicing fees	195.1	-	-	-	-	-	-	195.1
Other	27.7	-	-	-	-	-	-	27.7
Total Operating Revenues	5,566.5	23.6	(1,703.1)	(9.4)	-	-	-	3,877.6
Expenses								
Compensation and benefits	1,873.9	-	-	(205.2)	(54.8)	-	(1.2)	1,612.7
Sales, distribution and marketing	1,703.1	-	(1,703.1)	-	-	-	-	-
Information systems and technology	288.4	-	-	-	-	-	-	288.4
Occupancy	147.9	-	-	-	-	-	-	147.9
Amortization of intangible assets	54.0	-	-	(54.0)	-	-	-	-
General, administrative and other	450.3	-	-	(112.8)	-	-	-	337.5
Total Operating Expenses	4,517.6	-	(1,703.1)	(372.0)	(54.8)	-	(1.2)	2,386.5
Operating Income	1,048.9	23.6	-	362.6	54.8	-	1.2	1,491.1
Other Income (Expense)								
Other income (expenses), net	(31.0)	(33.6)	-	(3.5)	-	221.0	(1.3)	151.6
Income before taxes	1,017.9	(10.0)	-	359.1	54.8	221.0	(0.1)	1,642.7
Taxes on income	230.8	-	-	77.6	12.8	11.0	-	332.2
Net income	787.1	(10.0)	-	281.5	42.0	210.0	(0.1)	1,310.5
Less: Net income (loss) attributable to noncontrolling interests	(11.8)	(5.4)	-	16.7	-	-	-	(0.5)
Net Income Attributable to Franklin Resources, Inc.	798.9	(4.6)	-	264.8	42.0	210.0	(0.1)	1,311.0
Less: allocation of earnings to participating nonvested stock and stock unit awards	15.4							25.3
Diluted EPS	\$1.59				Adjusted Diluted EPS			\$2.61
Diluted Shares Outstanding	492.4				Diluted Shares Outstanding			492.4
Operating Margin	18.8%				Adjusted Operating Margin			38.5%

Reconciliation of US GAAP results to Non-GAAP results: Fiscal Year ended September 30, 2019

(in US\$ millions except per share data)

	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition related	Special Termination Benefits	Unrealized investment (gains) losses	Non-GAAP Basis	
Revenues								
Investment management fees	3,985.2	30.7	(375.0)	-	-	-	3,640.9	
Sales and distribution fees	1,444.6	-	(1,444.6)	-	-	-	-	
Shareholder servicing fees	216.3	-	-	-	-	-	216.3	
Other	23.3	-	-	-	-	-	23.3	
Total Operating Revenues	5,669.4	30.7	(1,819.6)	-	-	-	3,880.5	
Expenses								
Compensation and benefits	1,584.7	-	-	(63.7)	(55.5)	-	1,465.5	
Sales, distribution and marketing	1,819.6	-	(1,819.6)	-	-	-	-	
Information systems and technology	258.5	-	-	-	-	-	258.5	
Occupancy	133.6	-	-	-	-	-	133.6	
Amortization of intangible assets	14.7	-	-	(14.7)	-	-	-	
General, administrative and other	391.4	-	-	(22.7)	-	-	368.7	
Total Operating Expenses	4,202.5	-	(1,819.6)	(37.4)	-	-	2,226.3	
Operating Income	1,466.9	30.7	-	37.4	-	-	1,654.2	
Other Income (Expense)								
Other income (expenses), net	180.9	(39.8)	-	-	-	20.0	161.1	
Income before taxes	1,647.8	(9.1)	-	37.4	-	20.0	1,815.3	
Taxes on income	442.3	-	-	24.6	13.3	(0.6)	479.6	
Net income	1,205.5	(9.1)	-	12.8	(13.3)	20.6	1,335.7	
Less: Net income (loss) attributable to noncontrolling interests	9.8	(5.4)	-	-	-	-	4.4	
Net Income Attributable to Franklin Resources, Inc.	1,195.7	(3.7)	-	12.8	(13.3)	20.6	1,331.3	
Less: allocation of earnings to participating nonvested stock and stock unit awards	10.9						12.1	
Diluted EPS	\$2.35						Adjusted Diluted EPS	\$2.62
Diluted Shares Outstanding	504.3						Diluted Shares Outstanding	504.3
Operating Margin	25.9%						Adjusted Operating Margin	42.6%

Forward-Looking Statements

The financial results in this commentary are preliminary. Some of the statements included in this commentary regarding Franklin Resources, Inc. and its subsidiaries are “forward-looking statements” that reflect our current views with respect to future events and financial performance that are provided under the “safe harbor” protection of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that do not relate solely to historical or current facts and generally can be identified by words or phrases generally written in the future tense and/or preceded by words such as “anticipate,” “believe,” “could,” “depends,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “potential,” “preliminary,” “seek,” “should,” “will,” “would” or other similar words or variations thereof, or the negative thereof, but these terms are not the exclusive means of identifying such statements.

Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors, some of which are listed below, that may cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. While forward-looking statements are our best prediction at the time that they are made, you should not rely on them and are cautioned against doing so. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other possible future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They are neither statements of historical fact nor guarantees or assurances of future performance. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them.

These and other risks, uncertainties and other important factors are described in more detail in our recent filings with the U.S. Securities and Exchange Commission, including, without limitation, in Risk Factors and Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 30, 2019 and our subsequent Quarterly Reports on Form 10-Q:

- Our acquisition of Legg Mason, Inc. remains subject to integration-related and other risks.
- Our business operations are subject to adverse effects from the outbreak and spread of contagious diseases such as COVID-19, and we expect such adverse effects to continue.
- Failure to establish adequate controls and risk management policies, or the circumvention of controls and policies, could have an adverse effect on our operations.
- Failure to protect our intellectual property may negatively impact our business.
- 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.
- The amount and mix of our AUM are subject to significant fluctuations.
- We are subject to significant risk of asset volatility from changes in the global financial, equity, debt and commodity markets.
- Our funds may be subject to liquidity risks or an unanticipated large number of redemptions.
- A shift in our asset mix toward lower fee products may negatively impact our revenues.
- We may not effectively manage risks associated with the replacement of benchmark indices.
- Poor investment performance of our products could reduce the level of our AUM or affect our sales, and negatively impact our revenues and income.
- Harm to our reputation may negatively impact our revenues and income.
- Our business operations are complex and a failure to perform operational tasks properly or the misrepresentation of our services and products resulting, without limitation, in the termination of investment management agreements representing a significant portion of our AUM, could have an adverse effect on our revenues and income.
- We face risks, and corresponding potential costs and expenses, associated with conducting operations and growing our business in numerous countries.
- Our increasing focus on international markets as a source of investments and sales of our products subjects us to increased exchange rate and market-specific political, economic or other risks that may adversely impact our revenues and income generated overseas.
- We may review and pursue strategic transactions that could pose risks to our business.

Forward-Looking Statements (continued)

- 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 our market share, revenues and income.
- Increasing competition and other changes in the third-party distribution and sales channels on which we depend could reduce our income and hinder our growth.
- Any failure of our third-party providers to fulfill their obligations, or our failure to maintain good relationships with our providers, could adversely impact our business.
- We may be adversely affected if any of our third-party providers is subject to a successful cyber or security attack.
- Our ability to manage and grow our business successfully can be impeded by systems and other technological limitations.
- Any significant limitation, failure or security breach of our information and cyber security infrastructure, software applications, technology or other systems that are critical to our operations could disrupt our business and harm our operations and reputation.
- Our inability to recover successfully, should we experience a disaster or other business continuity problem, could cause material financial loss, regulatory actions, legal liability, and/or reputational harm.
- We depend on key personnel and our financial performance could be negatively affected by the loss of their services.
- Our future results are dependent upon maintaining an appropriate expense level.
- Our ability to meet cash needs depends upon certain factors, including the market value of our assets, our operating cash flows and our perceived creditworthiness.
- We are dependent on the earnings of our subsidiaries.
- We are subject to extensive, complex, overlapping and frequently changing rules, regulations, policies, and legal interpretations.
- We may be adversely affected as a result of new or revised legislation or regulations or by changes in the interpretation of existing laws and regulations.
- Global regulatory and legislative actions and reforms have made the regulatory environment in which we operate more costly and future actions and reforms could adversely impact our financial condition and results of operations.
- Failure to comply with the laws, rules or regulations in any of the jurisdictions in which we operate could result in substantial harm to our reputation and results of operations.
- Changes in tax laws or exposure to additional income tax liabilities could have a material impact on our financial condition, results of operations and liquidity.
- Regulatory and governmental examinations and/or investigations, litigation and the legal risks associated with our business, could adversely impact our AUM, increase costs and negatively impact our profitability and/or our future financial results.
- Our contractual obligations may subject us to indemnification costs and liability to third parties.

If a circumstance occurs after the date of this commentary that causes any of our forward-looking statements to be inaccurate, whether as a result of new information, future developments or otherwise, we undertake no obligation to announce publicly the change to our expectations, or to make any revision to our forward-looking statements, to reflect any change in assumptions, beliefs or expectations, or any change in events, conditions or circumstances upon which any forward-looking statement is based, unless required by law.

The information in this commentary is provided solely in connection with this commentary, and is not directed toward existing or potential investment advisory clients or fund shareholders.

[Investor Relations Contacts](#)

1 (650) 312-4091