Franklin Resources, Inc.

Second quarter results

May 3, 2022 | Executive earnings commentary

Jenny Johnson
President
Chief Executive Officer

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Chief Financial Officer
Chief Operating Officer

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Head of Global Distribution

Contents

Conference call details:

Access to the teleconference at 11:00 AM Eastern will be available via investors.franklinresources.com or by dialing (833) 350-1245 in the US and Canada or (236) 712-2205 internationally. A replay of the teleconference can also be accessed by calling (800) 585-8367 in the US and Canada or (416) 621-4642 internationally using access code 7452235, after 2:00 p.m. Eastern Time on May 3, 2022 through May 10, 2022, or via investors.franklinresources.com. Analysts and investors are encouraged to review the Company's recent filings with the US 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 appendix for important information concerning such matters. This commentary also contains non-GAAP financial measures. For the reconciliations from US 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.

Second quarter fiscal 2022 highlights

Key metrics *($ in millions, except per share data)*	**Q2 2022**	**% Change (except adj. EFR and margin)** vs. Q1 2022	vs. Q2 2021
Ending AUM[1]	$1,477.5	-6%	-1%
Average AUM[1]	1,516.1	-2%	1%
Adj. revenue	1,615.8	-6%	6%
Adj. operating income	576.6	-16%	-1%
Adj. net income[2]	491.6	-11%	22%
Adj. diluted EPS[2]	0.96	-11%	22%
Adj. effective fee rate[3] (bps)	38.5 bps	38.7 bps	38.7 bps
Adj. operating margin	35.7%	39.8%	38.0%

Summary

- We saw continued progress in the areas of Alternatives (Benefit Street Partners and Clarion), Customization in SMAs (Canvas), Wealth Management (Fiduciary Trust International), and ETFs.
- This quarter's volatile market environment challenged industry flows, particularly in taxable fixed income strategies. Our flows were impacted by these industry-wide pressures, yet we continued to benefit from a diversified mix of assets. We experienced long-term net inflows, primarily into higher fee products, in the Multi-Asset category, Benefit Street Partners, and Clarion.
- On April 1, we closed the acquisition of Lexington Partners, a global leader in secondary private equity and co-investments, adding $57 billion of assets under management (AUM) and increasing our alternative asset strategies to $215 billion in aggregate AUM.

Financial results

- Adjusted revenues were $1.6 billion, an increase of 6% from the prior year quarter and a decrease of 6% from the prior quarter. Adjusted performance fees were $114 million compared to $36 million in the prior year quarter and $140 million in the prior quarter. This quarter's adjusted effective fee rate[3] was 38.5 bps, excluding performance fees, compared to 38.7 bps in both the prior year quarter and the prior quarter.
- Adjusted operating expenses remained flat from the prior quarter and included $23 million of expenses related to non-recurring costs associated with the Transfer Agent (TA) outsourcing transaction in the US, episodic third-party placement fees, and other pass-through fees.
- Adjusted operating income was $577 million for the quarter, a decrease of 1% from the prior year quarter and a decrease of 16% from the prior quarter.
- Adjusted operating margin was 35.7%. The aforementioned $23 million of expenses represented 140 bps reduction in our adjusted operating margin in the quarter.
- Adjusted net income and adjusted diluted earnings per share were $492 million[2] and $0.96[2], compared to $554 million and $1.08 from the prior quarter, respectively. Adjusted net income and adjusted diluted earnings per share both improved by 22% from the prior year quarter.
- Cash and investments totaled $6.8 billion as of March 31, 2022.

1. Excludes approximately $11.5 billion of AUM in our China joint venture, and $57 billion of AUM from the acquisition of Lexington Partners, which closed on April 1, 2022.
2. Includes $53 million of investment income from the sale of our minority stake in Embark to Lloyds Banking Group.
3. The adjusted effective fee rate is annualized adjusted investment management fees, excluding performance fees, divided by average AUM for the period.

Second quarter fiscal 2022 highlights

Investment performance

- Investment performance resulted in 39%, 65%, 68%, and 77% of our strategy composite AUM outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. While our long-term track records remained strong, the decrease in our 1-year investment performance was primarily due to certain US taxable fixed income strategies, which was partially offset by strong performance in global fixed income.

Assets under management and flows

- Ending AUM was $1.48 trillion, reflecting a decline of 6% from the prior quarter primarily due to market depreciation and long-term net outflows. Average AUM decreased by 2% to $1.52 trillion.

- Long-term inflows of $76.1 billion were in line with the prior quarter after excluding reinvested distributions (which were seasonally elevated in the prior quarter) and $7.4 billion of new client accounts won in the prior quarter by the newly joined US Investment Grade Credit team.

- This quarter's long-term outflows were $87.8 billion compared to $82.9 billion in the prior quarter and $105.9 billion in the prior year quarter. Fiscal year to date redemptions improved by 15% compared to the year ago period and redemptions for the quarter improved by 18% from the prior year quarter.

- While long-term net outflows were $11.7 billion, we continued to benefit from a diversified mix of assets.

  - **Multi-asset** net inflows were $2.3 billion, compared to $0.3 billion of net inflows in the prior quarter.

  - **Alternative:** Benefit Street Partners and Clarion each reached record high AUM and had combined positive net inflows of approximately $2 billion, which were largely offset by outflows in certain liquid alternative strategies.

  - **Fixed income** net outflows were $7.9 billion primarily due to certain US and Global taxable strategies, partially offset by net inflows into Short Duration, Bank Loan, and Corporate strategies. Brandywine Global and Franklin Templeton Fixed Income investment teams generated positive net flows in US taxable fixed income institutional separate accounts.

  - **Equity** net outflows were $6.1 billion. This quarter, the risk-off environment impacted investor sentiment on certain growth strategies, which were partially offset by positive net flows into emerging markets, mid-cap and sector specific equity strategies.

- We continued to diversify our business across products, vehicles, and asset classes to create broader sources of revenue.

  - 17 of our top 20 funds with net inflows are outside of our largest 20 funds and on average these funds exceed $5 billion in AUM.

  - We continued to see growth in our **ETF** business with positive net flows and approximately $13 billion in AUM, which are balanced between actively managed and passive strategies.

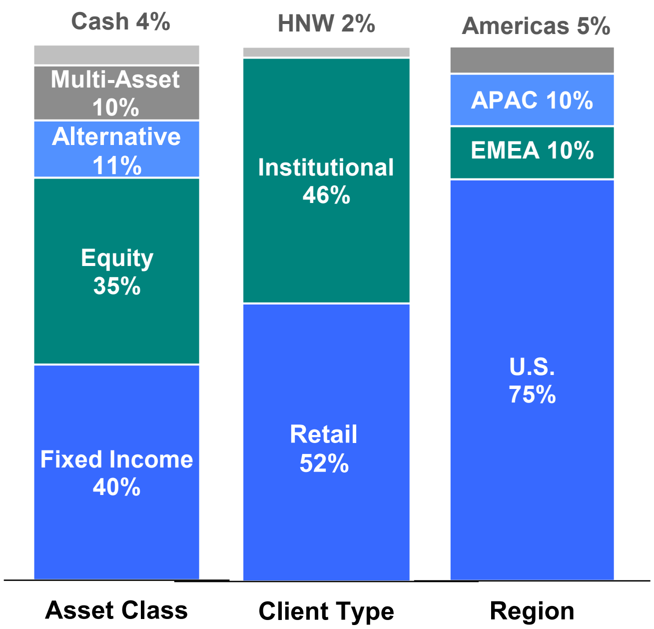
Second quarter fiscal 2022 highlights

Other highlights

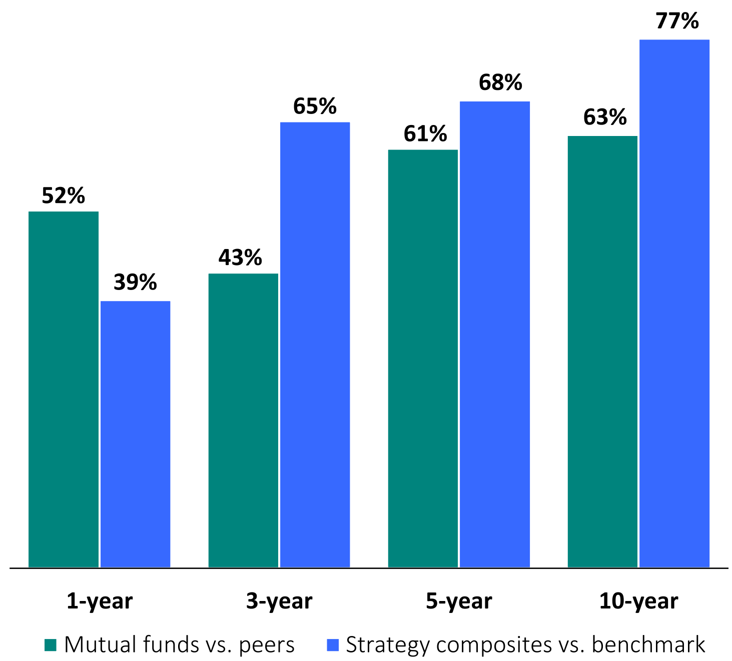
- **Alternative** AUM grew by 2.3% from the prior quarter to a record $157.9 billion in AUM with contributions from a diverse group of strategies. We saw investor demand for our retail alternative products, including alternative credit, hedge funds, MLPs, and real estate. Benefit Street Partners and Clarion both generated positive net inflows and reached record AUM.
  - On April 1st, we closed the acquisition of Lexington Partners, a global leader in secondary private equity and co-investments. The acquisition added total AUM of $57 billion, expanding our alternative asset strategies to approximately $215 billion in aggregate AUM.
- **SMA** AUM ended the quarter at $126.1 billion. We continued to make progress with SMA strategies broadly across our investment platform.
  - Canvas® (our Custom Indexing solution platform): AUM increased by 21% driven by net inflows of $0.6 billion and the number of partnerships grew by 15% this quarter.
  - We launched Municipal SMAs to offer clients diversification, lower volatility and tax-exempt benefits. One of our largest flagship funds, the Franklin Income Fund, was also launched in an SMA format.
- **Wealth Management** AUM ended the quarter at $34.9 billion. Fiduciary Trust International generated its 6th quarter of consecutive positive long-term net flows.
- We have a long history of innovation and embracing **financial technology**.
  - In January, we created a new strategic relationship with Lloyds Banking Group that allows us to develop further opportunities in the investment and retirement solutions space in the UK, following the sale of our minority investment in UK-based Embark, a fast-growing investment and retirement platform. This sale resulted in $53 million of investment income.
- We published our annual **Corporate Social Responsibility Report** in recognition of our long-standing belief that being a responsible corporate citizen is essential to the long-term sustainability of our business and to the well-being of the communities in which our employees and clients live and work. In alignment with certain standards from the Sustainability Accounting Standards Board, we have established goals and priorities for fiscal year 2022.
- We have been actively engaging with our clients with thought leadership from the FT Institute and our specialist investment managers to help navigate how geopolitical and macroeconomic shifts impact their investment decisions. Webinar attendance by financial advisors increased by 62% and video views grew by 90% this quarter.
- Matthew Nicholls, Executive Vice President and Chief Financial Officer, was appointed to the additional role of Chief Operating Officer effective April 15, 2022. His expanded responsibilities include technology, operations and human resources. Since joining the firm in 2019, Matthew has worked in close partnership with all these groups to improve operational capabilities across the firm.
- On April 19, Sandy Kaul was appointed Senior Vice President to provide advisory consulting and thought leadership as part of the Franklin Templeton Institute. She will deliver actionable intelligence and insights on the future of the investment and wealth management industry for the firm and its clients. Sandy brings over 25 years of well-rounded industry experience, joining from Citi, where she served as Managing Director and Global Head of Business Advisory Services.

Assets under management (AUM) and investment performance

Globally diversified by asset class, client type and region
AUM of $1.5 trillion as of March 31, 2022[1]



Percentage of AUM above peer median and benchmark[2]
As of March 31, 2022



- AUM of approximately $1.5 trillion[1] remain diversified across asset classes, client types, and regions.
  - Pro forma for the acquisition of Lexington Partners, alternative strategies would represent 14% of AUM.
- Investment performance resulted in 39%, 65%, 68%, and 77% of our strategy composite AUM outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. While our long-term track records remained strong, the decrease in our 1-year investment performance is primarily due to certain US taxable fixed income strategies, which was partially offset by strong performance in global fixed income strategies.
- This quarter we had 47% of mutual fund AUM in funds rated four- or five-star by Morningstar[3], compared to 54% in the prior quarter. Long-term mutual fund relative performance improved from the prior quarter in the 1-year period, primarily due to improvement in our global/international fixed income and US equities strategies, and we continue to have strong long-term performance in the 5- year and 10- year periods. The decline in our 3- year relative performance is primarily driven by certain US taxable bond and US growth equity strategies.

1. AUM does not include $57 billion of AUM from the acquisition of Lexington Partners, which closed on April 1, 2022.
2. Benchmark comparisons are based on each strategy's composite returns (composites may include retail SMA and mutual fund assets managed as part of the same strategy) as compared to a market index that has been selected to be generally consistent with the investment objectives of the account. Multi-asset strategies that lack benchmarks consistent with their investment objectives are excluded. Composite AUM measured for the 1-, 3-, 5-, and 10-year periods represent 68%, 68%, 67%, and 63%, respectively of the firm's total AUM as of March 31, 2022. Mutual fund performance is sourced from Morningstar and measures the percentage of ranked fund AUM in the top two quartiles of their peer groups. Mutual Fund AUM measured for the 1-, 3-, 5- and 10-year periods represents 41%, 41%, 40% and 38%, respectively of the firm's total AUM as of March 31, 2022.
3.

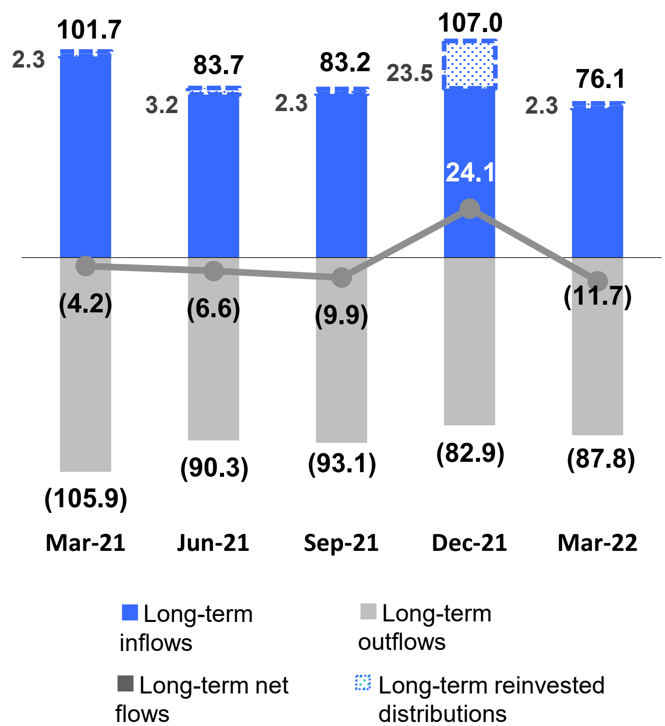
AUM and flows

(In US$ billions)[1]	Mar-22	Dec-21	Mar-22 vs. Dec-21	Mar-21	Mar-22 vs. Mar-21
Beginning AUM	$ 1,578.1	$ 1,530.1	3%	$ 1,498.0	5%
Long-term inflows	76.1	107.0	(29%)	101.7	(25%)
Long-term outflows	(87.8)	(82.9)	6%	(105.9)	(17%)
Long-term net flows	**(11.7)**	**24.1**	**NM**	**(4.2)**	**NM**
Cash management net flows	(7.1)	5.8	NM	1.2	NM
Total net flows	**(18.8)**	**29.9**	**NM**	**(3.0)**	**NM**
Acquisitions	-	7.7	NM	-	NM
Net market change, dist. & other	(81.8)	10.4	NM	3.9	NM
Ending AUM	**$ 1,477.5**	**$ 1,578.1**	**(6%)**	**$ 1,498.9**	**(1%)**
Average AUM	**$ 1,516.1**	**$ 1,554.2**	**(2%)**	**$ 1,497.9**	**1%**

1. Excludes approximately $11.5 billion of AUM in our China joint venture, and $57 billion of AUM from the acquisition of Lexington Partners.

- Ending AUM of $1.48 trillion, reflected a decline of 6% primarily due to market depreciation. Average AUM decreased by 2% to $1.52 trillion.
- Long-term inflows of $76.1 billion were in line with the prior quarter after excluding reinvested distributions (which were seasonally elevated in the prior quarter) and $7.4 billion of new client accounts won in the prior quarter by the newly joined US Investment Grade Credit team.
- This quarter's long-term outflows were $87.8 billion compared to $82.9 billion in the prior quarter and $105.9 from the prior year quarter. Fiscal year to date redemptions improved by 15% compared to the year ago period and redemptions for the quarter improved by 18% from the prior year quarter.
- While long-term net outflows were $11.7 billion, we continued to benefit from a diversified mix of assets.
  - **Multi-asset** net inflows were $2.3 billion, compared to $0.3 billion of net inflows in the prior quarter.
  - **Alternative:** Benefit Street Partners and Clarion each reached record high AUM and had combined positive net inflows of approximately $2 billion, which were largely offset by outflows in certain liquid alternative strategies.
  - **Fixed income** net outflows were $7.9 billion primarily due to certain US and Global taxable strategies, partially offset by net inflows into Short Duration, Bank Loan, and Corporate strategies. Brandywine Global and Franklin Templeton Fixed Income investment teams generated positive net flows in US taxable fixed income institutional separate accounts.
  - **Equity** net outflows were $6.1 billion. This quarter, the risk-off environment impacted investor sentiment on certain growth strategies, which were partially offset by positive net flows into emerging markets, mid-cap and sector specific equity strategies.

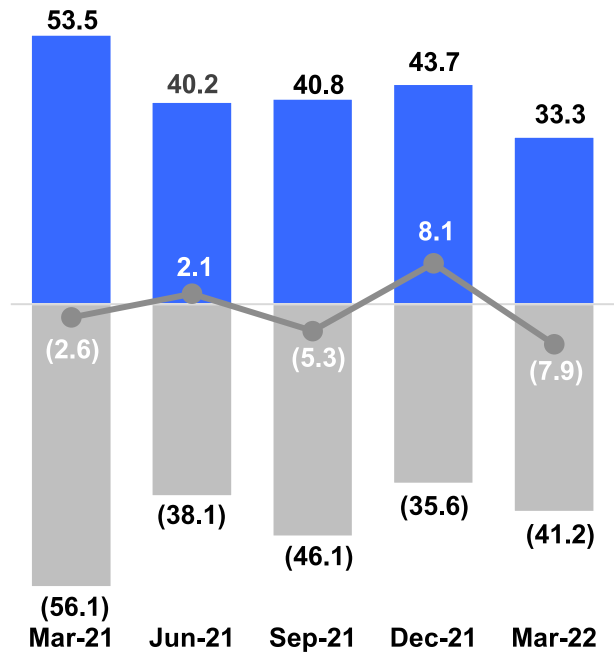
Long-term flows
(In US$ billions, for the three months ended)



- As of quarter-end, our institutional pipeline of won but unfunded mandates increased to $13.9 billion and remained diversified by asset class and across our specialist investment managers. The asset class mix remained generally consistent with the prior quarter, with a slight increase in equity strategies.

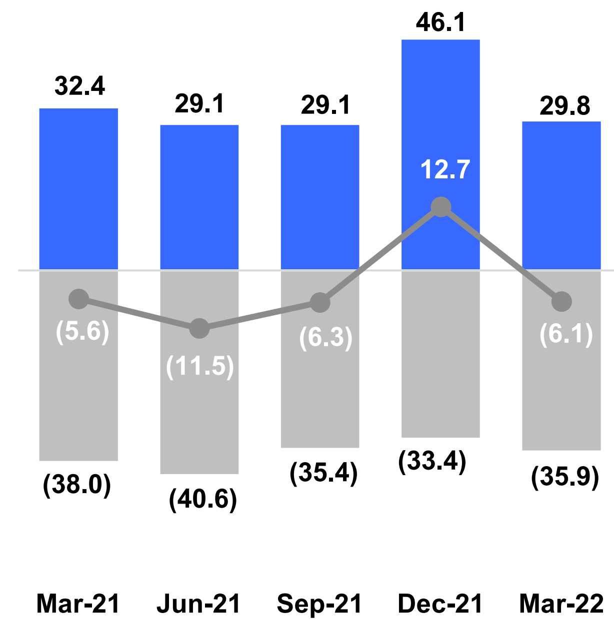
Fixed Income: $595 billion

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



Equity: $515 billion

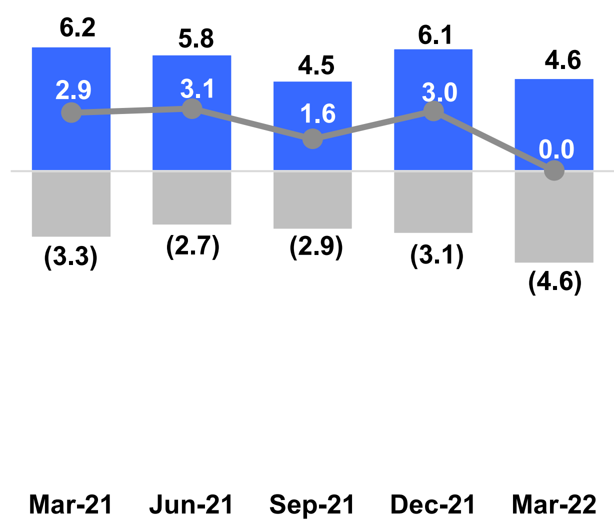
(in US$ billions, for the three months ended)



Long-term inflows | Long-term outflows | Long-term net flows

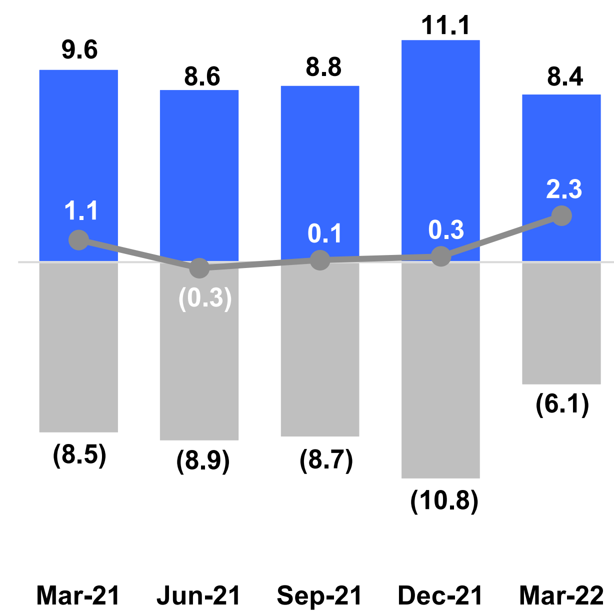
Alternative (excludes Lexington): $158 billion[1]

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



Multi-Asset: $152 billion

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



Long-term inflows | Long-term outflows | Long-term net flows

1. Alternative AUM does not include $57 billion of AUM from the acquisition of Lexington Partners, which closed on April 1, 2022.

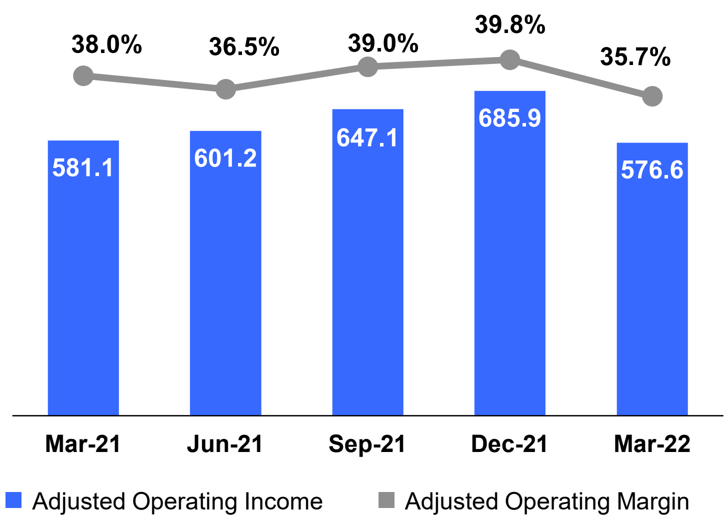
Financial results[1]

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

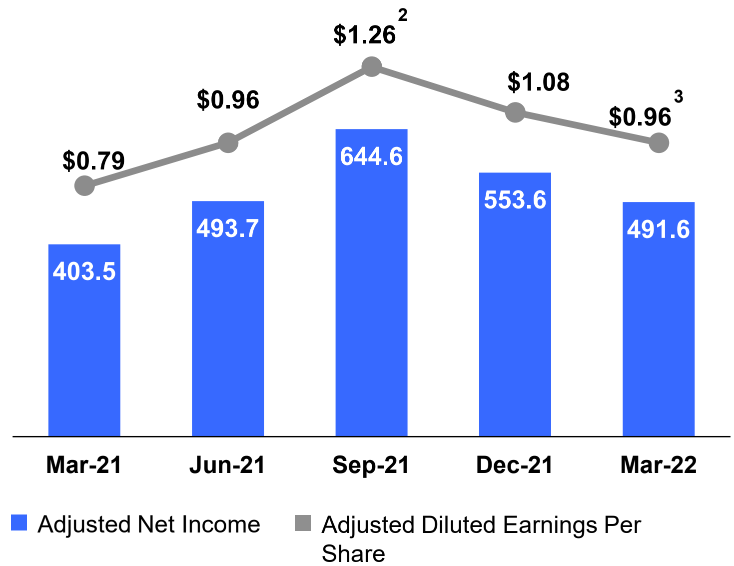
US GAAP	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Operating Income	456.3	478.1	531.5	557.7	463.0
Operating Margin	22.0%	22.0%	24.4%	25.1%	22.2%

US GAAP	Mar-21	Jun-21	Sep-21	Dec-21	Mar-22
Net Income	381.8	438.4	665.7[2]	453.2	349.6[3]
Diluted EPS	$0.74	$0.86	$1.30	$0.88	$0.68

Adjusted operating income and adjusted operating margin



Adjusted net income and adjusted diluted earnings per share



- Adjusted operating income was $577 million, a 16% decrease from the prior quarter and a 1% decrease from prior year quarter.
- Adjusted operating margin was 35.7%. The $23 million of expenses relating to non-recurring costs associated with TA outsourcing transaction in the US, episodic third-party placement fees, and other pass-through fees, represented 140 bps reduction in our adjusted operating margin in the quarter.
- Adjusted net income and adjusted diluted earnings per share were $492 million[3] and $0.96[3], compared to $554 million and $1.08 from the prior quarter, respectively. Adjusted net income and adjusted diluted earnings per share both improved by 22% from the prior year quarter.

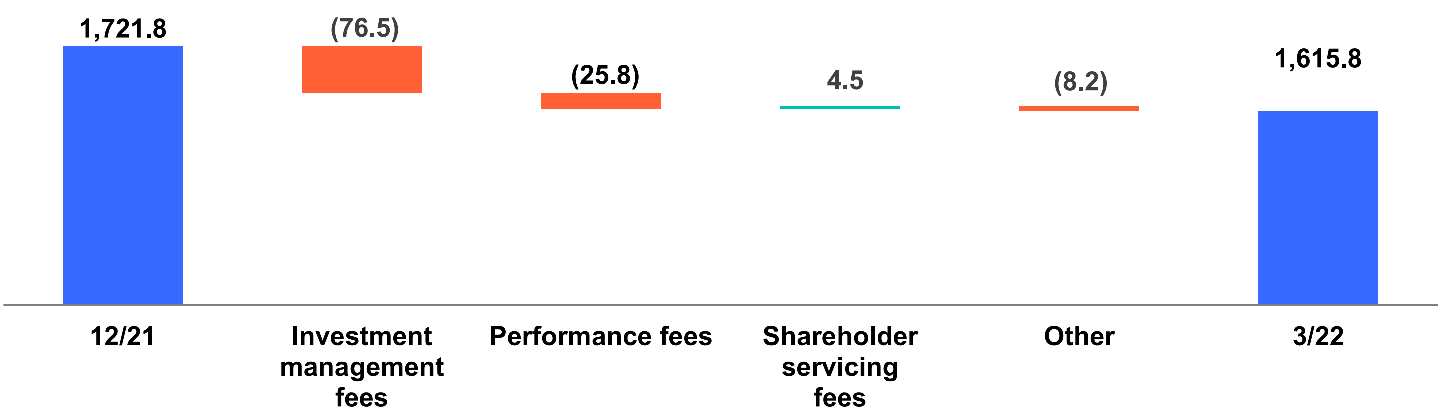
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. Q4 2021 included a one-time tax benefit of $155 million ($0.30 per share).
3. Includes $53 million of investment income from the sale of our minority stake in Embark to Lloyds Banking Group.

Revenues[1]

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

	Mar-22 US GAAP	Adjustments	Mar-22 Adjusted	Dec-21 Adjusted	Mar-22 Adjusted vs. Dec-21 Adjusted	Mar-21 Adjusted	Mar-22 Adjusted vs. Mar-21 Adjusted
Investment management fees, ex. performance fees	1,544.1	(103.6)	1,440.5	1,517.0	(5%)	1,430.7	1%
Performance fees	105.1	8.6	113.7	139.5	(18%)	36.0	NM
Sales and distribution fees	370.2	(370.2)	-	-	NM	-	NM
Shareholder servicing fees	52.2	-	52.2	47.7	9%	55.7	(6%)
Other	9.4	-	9.4	17.6	(47%)	8.8	7%
Total Operating Revenues	**2,081.0**	**(465.2)**	**1,615.8**	**1,721.8**	**(6%)**	**1,531.2**	**6%**
Effective fee rate			*38.5 bps*	*38.7 bps*		*38.7 bps*	

Adjusted Operating Revenues – Quarter Ended December 31, 2021 and March 31, 2022



- Adjusted revenues were $1.6 billion, a decrease of 6% from prior quarter primarily due to lower average AUM, two fewer calendar days and a decrease in performance fees.
- Investment management fees, excluding performance fees, decreased 5% from the prior quarter primarily due to lower average AUM and two fewer calendar days.
- Adjusted performance fees decreased by 18% to $114 million compared to $140 million in the prior quarter and $36 million in prior year quarter.
- The adjusted effective fee rate[2] stayed relatively consistent at 38.5 bps, excluding performance fees, compared to 38.7 bps in both prior quarter and prior year quarter.

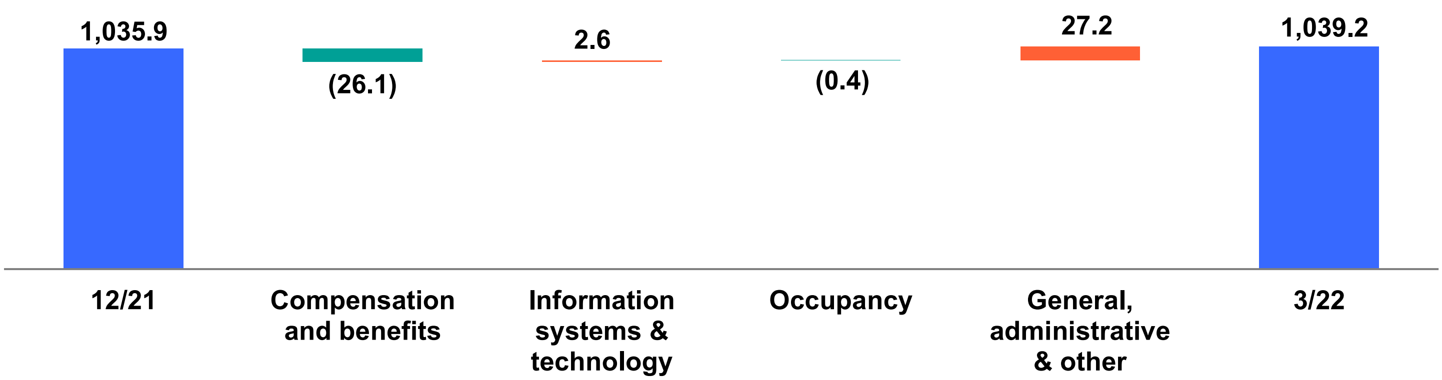
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. The adjusted effective fee rate is annualized adjusted investment management fees, excluding performance fees, divided by average AUM for the period.

Expenses[1]

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

	Mar-22 US GAAP	Adjustments	Mar-22 Adjusted	Dec-21 Adjusted	Mar-22 Adjusted vs. Dec-21 Adjusted	Mar-21 Adjusted	Mar-22 Adjusted vs. Mar-21 Adjusted
Compensation & benefits	752.5	(23.3)	729.2	755.3	(3%)	665.7	10%
Sales, distribution & marketing	482.4	(482.4)	-	-	NM	-	NM
Information systems & technology	126.9	(6.8)	120.1	117.5	2%	114.4	5%
Occupancy	53.0	(0.5)	52.5	52.9	(1%)	56.9	(8%)
Amortization of intangible assets	60.4	(60.4)	-	-	NM	-	NM
General, administrative & other	142.8	(5.4)	137.4	110.2	25%	113.1	21%
Total Operating Expenses	**1,618.0**	**(578.8)**	**1,039.2**	**1,035.9**	**0%**	**950.1**	**9%**

Adjusted Operating Expenses – Quarter Ended December 31, 2021 and March 31, 2022



- Adjusted operating expenses of $1.0 billion were in line with the prior quarter and increased by 9% from the prior year quarter. This quarter included $23 million of expenses from non-recurring costs associated with the TA outsourcing transaction in the US, episodic third-party placement fees, and other pass-through fees.
- Adjusted compensation and benefits expense decreased by 3% from the prior quarter, primarily due to lower performance fee compensation partially offset by higher expenses due to the start of the calendar year. Adjusted compensation and benefits was approximately 45% of adjusted revenues this quarter compared to 44% in the prior quarter.
- Non-compensation adjusted expenses were $310 million for the quarter, an increase of 10% from the prior quarter. General, administrative and other included $23 million of expenses mentioned above.

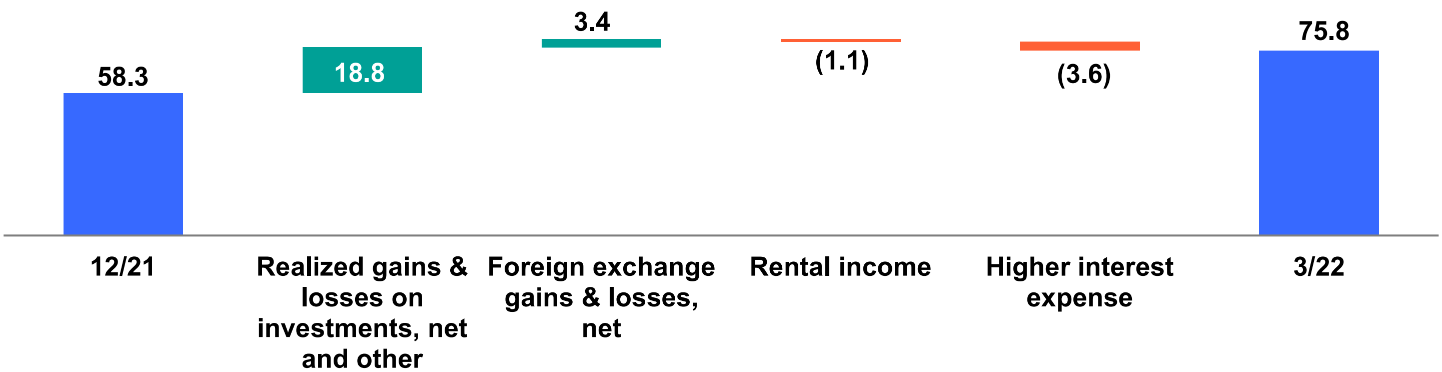
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

Other Income[1]

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

	Mar-22 US GAAP	Adjustments	Mar-22 Adjusted	Dec-21 Adjusted	Mar-22 Adjusted vs. Dec-21 Adjusted	Mar-21 Adjusted	Mar-22 Adjusted vs. Mar-21 Adjusted
Investment and other income, net	27.7	77.3	105.0	83.9	25%	7.5	NM
Interest expense	(22.9)	(6.3)	(29.2)	(25.6)	14%	(32.8)	(11%)
Investment and other income of CIPs	3.0	(3.0)	-	-	NM	-	NM
Expenses of CIPs	(4.6)	4.6	-	-	NM	-	NM
Other Income (Expense), Net	**3.2**	**72.6**	**75.8**	**58.3**	**30%**	**(25.3)**	**NM**

Adjusted Other Income – Quarter Ended December 31, 2021 and March 31, 2022

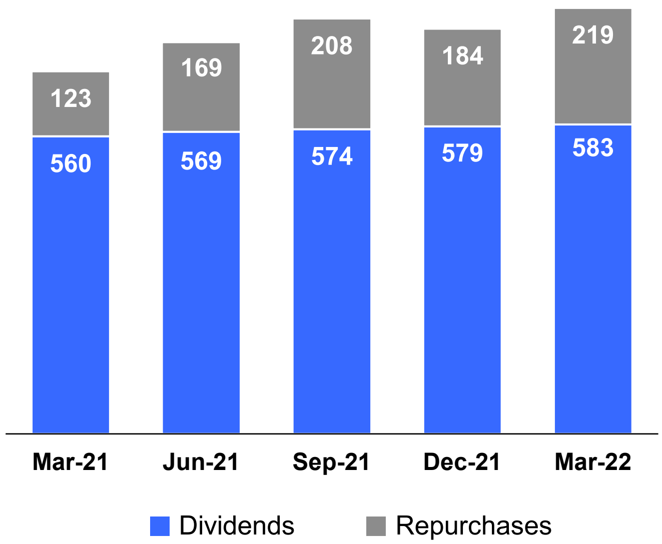


- Adjusted other income (expense), net was $75.8 million compared to $58.3 million in the prior quarter. The 25% increase was primarily attributable to realized gains & losses on investments, net and other, which includes $53 million from the sale of our minority stake in Embark.
- Interest due to debt holders was $26.9 million, consistent with the prior quarter. Rental income was $8.6 million, compared to $9.7 million in the prior quarter.
- This quarter's GAAP tax rate was 23%. Assuming our current mix of earnings and without considering proposed changes to corporate tax rates, we anticipate our annual effective tax rate to be 23 – 24%.

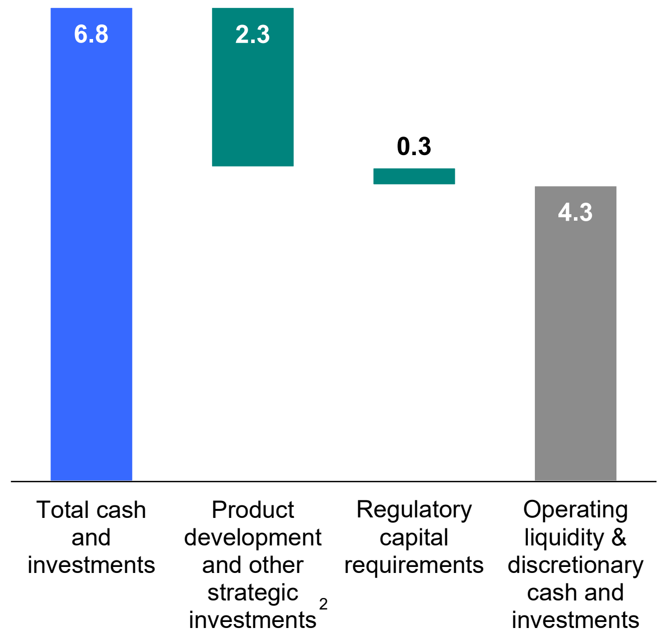
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

Capital management

Dividends and share repurchases
(In US$ millions, for the trailing twelve months ended)



Allocation of cash and investments[1]
(In US$ billions, as of March 31, 2022)



- In February, we announced a quarterly cash dividend of $0.29 per share, representing an approximately 4% increase over the prior year quarter, bringing total dividends declared for the trailing 12 months to $583 million. During the quarter we repurchased 2.7 million shares for a total cost of $80.8 million.
- Total cash and investments were $6.8 billion as of March 31, 2022, including our direct investments in consolidated investment products, unchanged from December 31, 2021. While total cash and investments remained flat compared to the previous quarter, the increase from cash generated by operations and net investment activity was offset by our regular quarterly dividend and share repurchases[3].

1. Numbers may not exactly foot due to rounding and includes direct investments in CIPs of $1.0 billion.
2. Includes undrawn capital commitments of $189 million.
3. On April 1, 2022, we paid cash consideration of $1 billion for the acquisition of Lexington Partners.

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended March 31, 2022

(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	Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	**1,649.2**	17.2	(112.2)	-	-	-	-	**1,554.2**
Sales and distribution fees	**370.2**	-	(370.2)	-	-	-	-	**-**
Shareholder servicing fees	**52.2**	-	-	-	-	-	-	**52.2**
Other	**9.4**	-	-	-	-	-	-	**9.4**
Total Operating Revenues	**2,081.0**	**17.2**	**(482.4)**	**-**	**-**	**-**	**-**	**1,615.8**
Expenses								
Compensation and benefits	**752.5**	-	-	(34.2)	(4.4)	-	15.3	**729.2**
Sales, distribution and marketing	**482.4**	-	(482.4)	-	-	-	-	**-**
Information systems and technology	**126.9**	-	-	(6.8)	-	-	-	**120.1**
Occupancy	**53.0**	-	-	(0.5)	-	-	-	**52.5**
Amortization of intangible assets	**60.4**	-	-	(60.4)	-	-	-	**-**
General, administrative and other	**142.8**	-	-	(5.4)	-	-	-	**137.4**
Total Operating Expenses	**1,618.0**	**-**	**(482.4)**	**(107.3)**	**(4.4)**	**-**	**15.3**	**1,039.2**
Operating Income	**463.0**	**17.2**	**-**	**107.3**	**4.4**	**-**	**(15.3)**	**576.6**
Other Income (Expense)								
Investment and other income (losses) net	**27.7**	(11.5)	-	-	-	70.7	18.1	**105.0**
Interest expense	**(22.9)**	-	-	(6.3)	-	-	-	**(29.2)**
Investment and other income of CIPs	**3.0**	(3.0)	-	-	-	-	-	**-**
Expenses of CIPs	**(4.6)**	4.6	-	-	-	-	-	**-**
Total Other Income (Expense)	**3.2**	**(9.9)**	**-**	**(6.3)**	**-**	**70.7**	**18.1**	**75.8**
Income before taxes	**466.2**	**7.3**	**-**	**101.0**	**4.4**	**70.7**	**2.8**	**652.4**
Taxes on income	**107.1**	-	-	26.1	1.0	8.8	0.7	**143.7**
Net income	**359.1**	**7.3**	**-**	**74.9**	**3.4**	**61.9**	**2.1**	**508.7**
Less: Net income (loss) attributable to noncontrolling interests	**9.5**	7.2	-	-	-	0.4	-	**17.1**
Net Income Attributable to Franklin Resources, Inc.	**349.6**	**0.1**	**-**	**74.9**	**3.4**	**61.5**	**2.1**	**491.6**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**15.1**							**21.3**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**334.5**							**470.3**
Diluted EPS	**$0.68**				**Adjusted Diluted EPS**			**$0.96**
Diluted Shares Outstanding	**490.5**				**Diluted Shares Outstanding**			**490.5**
Operating Margin	**22.2%**				**Adjusted Operating Margin**			**35.7%**

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended December 31, 2021

(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	Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	**1,760.5**	8.3	(111.9)	(0.4)	-	-	-	**1,656.5**
Sales and distribution fees	**398.2**	-	(398.2)	-	-	-	-	**-**
Shareholder servicing fees	**47.7**	-	-	-	-	-	-	**47.7**
Other	**17.6**	-	-	-	-	-	-	**17.6**
Total Operating Revenues	**2,224.0**	**8.3**	**(510.1)**	**(0.4)**	**-**	**-**	**-**	**1,721.8**
Expenses								**-**
Compensation and benefits	**802.6**	-	-	(40.4)	(2.7)	-	(4.2)	**755.3**
Sales, distribution and marketing	**510.1**	-	(510.1)	-	-	-	-	**-**
Information systems and technology	**123.8**	-	-	(6.3)	-	-	-	**117.5**
Occupancy	**56.3**	-	-	(3.4)	-	-	-	**52.9**
Amortization of intangible assets	**58.3**	-	-	(58.3)	-	-	-	**-**
General, administrative and other	**115.2**	-	-	(5.0)	-	-	-	**110.2**
Total Operating Expenses	**1,666.3**	**-**	**(510.1)**	**(113.4)**	**(2.7)**	**-**	**(4.2)**	**1,035.9**
Operating Income	**557.7**	**8.3**	**-**	**113.0**	**2.7**	**-**	**4.2**	**685.9**
Other Income (Expense)								
Investment and other income (losses) net	**57.0**	28.0	-	0.4	-	3.0	(4.5)	**83.9**
Interest expense	**(19.3)**	-	-	(6.3)	-	-	-	**(25.6)**
Investment and other income of CIPs	**104.7**	(104.7)	-	-	-	-	-	**-**
Expenses of CIPs	**(4.2)**	4.2	-	-	-	-	-	**-**
Total Other Income (Expense)	**138.2**	**(72.5)**	**-**	**(5.9)**	**-**	**3.0**	**(4.5)**	**58.3**
Income before taxes	**695.9**	**(64.2)**	**-**	**107.1**	**2.7**	**3.0**	**(0.3)**	**744.2**
Taxes on income	**151.1**	-	-	25.3	0.6	(4.9)	(0.1)	**172.0**
Net income	**544.8**	**(64.2)**	**-**	**81.8**	**2.1**	**7.9**	**(0.2)**	**572.2**
Less: Net income (loss) attributable to noncontrolling interests	**91.6**	(74.2)	-	-	-	1.2	-	**18.6**
Net Income Attributable to Franklin Resources, Inc.	**453.2**	**10.0**	**-**	**81.8**	**2.1**	**6.7**	**(0.2)**	**553.6**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**19.3**							**23.4**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**433.9**							**530.2**
Diluted EPS	**$0.88**				**Adjusted Diluted EPS**			**$1.08**
Diluted Shares Outstanding	**490.6**				**Diluted Shares Outstanding**			**490.6**
Operating Margin	**25.1%**				**Adjusted Operating Margin**			**39.8%**

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended March 31, 2021

(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	Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	**1,598.4**	5.8	(128.2)	(9.3)	-	-	-	**1,466.7**
Sales and distribution fees	**413.6**	-	(413.6)	-	-	-	-	**-**
Shareholder servicing fees	**55.7**	-	-	-	-	-	-	**55.7**
Other	**8.8**	-	-	-	-	-	-	**8.8**
Total Operating Revenues	**2,076.5**	**5.8**	**(541.8)**	**(9.3)**	**-**	**-**	**-**	**1,531.2**
Expenses								
Compensation and benefits	**732.3**	-	-	(55.9)	(10.5)	-	(0.2)	**665.7**
Sales, distribution and marketing	**541.8**	-	(541.8)		-	-	-	**-**
Information systems and technology	**117.5**	-	-	(3.1)	-	-	-	**114.4**
Occupancy	**53.8**	-	-	3.1	-	-	-	**56.9**
Amortization of intangible assets	**57.9**	-	-	(57.9)	-	-	-	**-**
General, administrative and other	**116.9**	-	-	(3.8)	-	-	-	**113.1**
Total Operating Expenses	**1,620.2**	**-**	**(541.8)**	**(117.6)**	**(10.5)**	**-**	**(0.2)**	**950.1**
Operating Income	**456.3**	**5.8**	**-**	**108.3**	**10.5**	**-**	**0.2**	**581.1**
Other Income (Expense)								
Investment and other income (losses) net	**67.1**	10.4	-	(0.1)		(69.5)	(0.4)	**7.5**
Interest expense	**(15.9)**	-	-	(16.9)	-	-	-	**(32.8)**
Investment and other income of CIPs	**111.2**	(111.2)	-	-	-	-	-	**-**
Expenses of CIPs	**(5.2)**	5.2	-	-	-	-	-	**-**
Total Other Income (Expense)	**157.2**	**(95.6)**	**-**	**(17.0)**	**-**	**(69.5)**	**(0.4)**	**(25.3)**
Income before taxes	**613.5**	**(89.8)**	**-**	**91.3**	**10.5**	**(69.5)**	**(0.2)**	**555.8**
Taxes on income	**128.1**	-	-	22.9	2.8	(12.7)	-	**141.1**
Net income	**485.4**	**(89.8)**	**-**	**68.4**	**7.7**	**(56.8)**	**(0.2)**	**414.7**
Less: Net income (loss) attributable to noncontrolling interests	**103.6**	(83.5)	-	-	-	(8.9)	-	**11.2**
Net Income Attributable to Franklin Resources, Inc.	**381.8**	**(6.3)**	**-**	**68.4**	**7.7**	**(47.9)**	**(0.2)**	**403.5**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**16.9**							**17.9**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**364.9**							**385.6**
Diluted EPS	**$0.74**				**Adjusted Diluted EPS**			**$0.79**
Diluted Shares Outstanding	**490.9**				**Diluted Shares Outstanding**			**490.9**
Operating Margin	**22.0%**				**Adjusted Operating Margin**			**38.0%**

Appendix

Some of the statements herein may include forward-looking statements that reflect our current views with respect to future events, financial performance and market conditions. Such statements 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 written in the future tense and/or preceded by words such as “anticipate,” “believe,” “could,” “depends,” “estimate,” “expect,” “intend,” “likely,” “may,” “plan,” “potential,” “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 that may cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements, including pandemic-related risks, market and volatility risks, investment performance and reputational risks, global operational risks, competition and distribution risks, third-party risks, technology and security risks, human capital risks, cash management risks, and legal and regulatory risks. 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 US 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, 2021 and our subsequent Quarterly Reports on Form 10-Q. If a circumstance occurs after the date of this press release 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.

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