

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission File Number: 001-09318

FRANKLIN RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

13-2670991

(I.R.S. Employer Identification No.)

One Franklin Parkway, San Mateo, CA 94403

(Address of principal executive offices) (Zip code)

(650) 312-2000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.10 per share	BEN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Smaller Reporting Company	☐
		Emerging Growth Company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Number of shares of the registrant's common stock outstanding at July 21, 2022: 498,357,111.

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PART I – FINANCIAL INFORMATION
Item 1. Financial Statements.
FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF INCOME
Unaudited

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
<i>(in millions, except per share data)</i>				
Operating Revenues				
Investment management fees	\$ 1,636.1	\$ 1,697.3	\$ 5,045.8	\$ 4,836.1
Sales and distribution fees	335.6	416.9	1,104.0	1,227.4
Shareholder servicing fees	46.9	50.5	146.8	155.6
Other	12.7	8.2	39.7	25.4
Total operating revenues	2,031.3	2,172.9	6,336.3	6,244.5
Operating Expenses				
Compensation and benefits	766.7	771.4	2,321.8	2,229.2
Sales, distribution and marketing	440.3	531.0	1,432.8	1,579.3
Information systems and technology	125.9	121.8	376.6	355.8
Occupancy	53.8	54.6	163.1	164.1
Amortization of intangible assets	81.8	58.0	200.5	174.1
General, administrative and other	158.1	158.0	416.1	398.5
Total operating expenses	1,626.6	1,694.8	4,910.9	4,901.0
Operating Income	404.7	478.1	1,425.4	1,343.5
Other Income (Expenses)				
Investment and other income, net	13.0	52.9	97.7	197.2
Interest expense	(28.9)	(25.7)	(71.1)	(71.3)
Investment and other income (losses) of consolidated investment products, net	(74.4)	61.0	33.3	263.3
Expenses of consolidated investment products	(1.3)	(10.9)	(10.1)	(26.5)
Other income (expenses), net	(91.6)	77.3	49.8	362.7
Income before taxes	313.1	555.4	1,475.2	1,706.2
Taxes on income	89.5	83.8	347.7	354.4
Net income	223.6	471.6	1,127.5	1,351.8
Less: net income (loss) attributable to				
Redeemable noncontrolling interests	(0.5)	33.7	(50.2)	64.4
Nonredeemable noncontrolling interests	(32.3)	(0.5)	118.5	121.9
Net Income Attributable to Franklin Resources, Inc.	\$ 256.4	\$ 438.4	\$ 1,059.2	\$ 1,165.5
Earnings per Share				
Basic	\$ 0.50	\$ 0.86	\$ 2.07	\$ 2.27
Diluted	0.50	0.86	2.07	2.27

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Unaudited

<i>(in millions)</i>	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Net Income	\$ 223.6	\$ 471.6	\$ 1,127.5	\$ 1,351.8
Other Comprehensive Income (Loss)				
Currency translation adjustments, net of tax	(100.6)	22.6	(123.8)	81.3
Net unrealized gains (losses) on defined benefit plans, net of tax	(2.4)	(0.2)	(2.2)	0.2
Total other comprehensive income (loss)	(103.0)	22.4	(126.0)	81.5
Total comprehensive income	120.6	494.0	1,001.5	1,433.3
Less: comprehensive income (loss) attributable to				
Redeemable noncontrolling interests	(0.5)	33.7	(50.2)	64.4
Nonredeemable noncontrolling interests	(32.3)	(0.5)	118.5	121.9
Comprehensive Income Attributable to Franklin Resources, Inc.	<u>\$ 153.4</u>	<u>\$ 460.8</u>	<u>\$ 933.2</u>	<u>\$ 1,247.0</u>

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED BALANCE SHEETS
Unaudited

(in millions, except share and per share data)

	June 30, 2022	September 30, 2021
Assets		
Cash and cash equivalents	\$ 3,806.3	\$ 4,357.8
Receivables	1,414.8	1,428.2
Investments (including \$660.8 and \$588.3 at fair value at June 30, 2022 and September 30, 2021)	1,658.5	1,510.3
Assets of consolidated investment products		
Cash and cash equivalents	672.4	289.4
Investments, at fair value	7,475.3	5,820.1
Property and equipment, net	759.1	770.0
Goodwill	5,807.1	4,457.7
Intangible assets, net	5,177.4	4,710.2
Operating lease right-of-use assets	486.8	448.4
Other	338.3	376.3
Total Assets	\$ 27,596.0	\$ 24,168.4
Liabilities		
Compensation and benefits	\$ 1,234.3	\$ 1,179.3
Accounts payable and accrued expenses	541.7	479.3
Commissions	209.8	259.8
Income taxes	521.2	693.6
Debt	3,382.2	3,399.4
Liabilities of consolidated investment products		
Accounts payable and accrued expenses	451.4	558.0
Debt	5,496.5	3,671.0
Deferred tax liabilities	290.9	311.7
Operating lease liabilities	555.3	518.4
Other	1,133.9	354.3
Total liabilities	13,817.2	11,424.8
Commitments and Contingencies (Note 11)		
Redeemable Noncontrolling Interests	1,493.7	933.0
Stockholders' Equity		
Preferred stock, \$1.00 par value, 1,000,000 shares authorized; none issued	—	—
Common stock, \$0.10 par value, 1,000,000,000 shares authorized; 498,356,132 and 501,807,677 shares issued and outstanding at June 30, 2022 and September 30, 2021	49.8	50.2
Retained earnings	11,997.5	11,550.8
Accumulated other comprehensive loss	(503.6)	(377.6)
Total Franklin Resources, Inc. stockholders' equity	11,543.7	11,223.4
Nonredeemable noncontrolling interests	741.4	587.2
Total stockholders' equity	12,285.1	11,810.6
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders' Equity	\$ 27,596.0	\$ 24,168.4

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

	Franklin Resources, Inc.							
(in millions) for the nine months ended June 30, 2022	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accum- ulated Other Compre- hensive Loss	Stockholders' Equity	Non- redeemable Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount						
Balance at October 1, 2021	501.8	\$ 50.2	\$ —	\$ 11,550.8	\$ (377.6)	\$ 11,223.4	\$ 587.2	\$ 11,810.6
Net income				453.2		453.2	84.1	537.3
Other comprehensive loss					(12.0)	(12.0)		(12.0)
Dividends declared on common stock (\$0.29 per share)				(148.9)		(148.9)		(148.9)
Repurchase of common stock	(0.7)	—	(58.8)	37.1		(21.7)		(21.7)
Issuance of common stock	1.4	0.1	47.6			47.7		47.7
Stock-based compensation			11.2			11.2		11.2
Net distributions and other							(27.8)	(27.8)
Balance at December 31, 2021	502.5	\$ 50.3	\$ —	\$ 11,892.2	\$ (389.6)	\$ 11,552.9	\$ 643.5	\$ 12,196.4
Net income				349.6		349.6	66.7	416.3
Other comprehensive loss					(11.0)	(11.0)		(11.0)
Dividends declared on common stock (\$0.29 per share)				(148.3)		(148.3)		(148.3)
Repurchase of common stock	(2.7)	(0.4)	(66.7)	(13.7)		(80.8)		(80.8)
Issuance of common stock	0.6	0.1	18.5			18.6		18.6
Stock-based compensation			48.2			48.2		48.2
Net distributions and other							(21.7)	(21.7)
Net deconsolidation of investment products							(39.6)	(39.6)
Adjustment to fair value of redeemable noncontrolling interests				(188.5)		(188.5)		(188.5)
Balance at March 31, 2022	500.4	\$ 50.0	\$ —	\$ 11,891.3	\$ (400.6)	\$ 11,540.7	\$ 648.9	\$ 12,189.6
Net income (loss)				256.4		256.4	(32.3)	224.1
Other comprehensive loss					(103.0)	(103.0)		(103.0)
Dividends declared on common stock (\$0.29 per share)				(147.7)		(147.7)		(147.7)
Repurchase of common stock	(2.0)	(0.2)	(48.3)	(2.5)		(51.0)		(51.0)
Issuance of common stock	—	—	1.8			1.8		1.8
Stock-based compensation			46.5			46.5		46.5
Net distributions and other							(24.8)	(24.8)
Net deconsolidation of investment products							(0.3)	(0.3)
Acquisition							149.9	149.9
Balance at June 30, 2022	498.4	\$ 49.8	\$ —	\$ 11,997.5	\$ (503.6)	\$ 11,543.7	\$ 741.4	\$ 12,285.1

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
Unaudited

(in millions) for the nine months ended June 30, 2021	Franklin Resources, Inc.							
	Common Stock		Capital in Excess of Par Value	Retained Earnings	Accum- ulated Other Compre- hensive Loss	Stockholders' Equity	Non- redeemable Non- controlling Interests	Total Stockholders' Equity
	Shares	Amount						
Balance at October 1, 2020	495.1	\$ 49.5	\$ —	\$ 10,472.6	\$ (407.6)	\$ 10,114.5	\$ 754.6	\$ 10,869.1
Adoption of new accounting guidance				(3.3)		(3.3)		(3.3)
Net income				345.3		345.3	30.8	376.1
Other comprehensive income					92.9	92.9		92.9
Dividends declared on common stock (\$0.28 per share)				(144.0)		(144.0)		(144.0)
Repurchase of common stock	(2.1)	(0.2)	(39.9)	(5.5)		(45.6)		(45.6)
Issuance of common stock	12.5	1.2	32.5			33.7		33.7
Stock-based compensation			7.4			7.4		7.4
Net subscriptions and other							93.3	93.3
Balance at December 31, 2020	505.5	\$ 50.5	\$ —	\$ 10,665.1	\$ (314.7)	\$ 10,400.9	\$ 878.7	\$ 11,279.6
Net income				381.8		381.8	91.6	473.4
Other comprehensive loss					(33.8)	(33.8)		(33.8)
Dividends declared on common stock (\$0.28 per share)				(143.7)		(143.7)		(143.7)
Repurchase of common stock	(1.7)	(0.2)	(56.2)	10.6		(45.8)		(45.8)
Issuance of common stock	0.5	0.1	14.1			14.2		14.2
Stock-based compensation			42.1			42.1		42.1
Net subscriptions and other							16.5	16.5
Net deconsolidation of investment products							(31.6)	(31.6)
Adjustment to fair value of redeemable noncontrolling interests				(52.3)		(52.3)		(52.3)
Balance at March 31, 2021	504.3	\$ 50.4	\$ —	\$ 10,861.5	\$ (348.5)	\$ 10,563.4	\$ 955.2	\$ 11,518.6
Net income (loss)				438.4		438.4	(0.5)	437.9
Other comprehensive income					22.4	22.4		22.4
Dividends declared on common stock (\$0.28 per share)				(143.3)		(143.3)		(143.3)
Repurchase of common stock	(1.4)	(0.1)	(40.7)	(5.6)		(46.4)		(46.4)
Issuance of common stock	—	—	0.2			0.2		0.2
Stock-based compensation			40.5			40.5		40.5
Net subscriptions and other							87.9	87.9
Net deconsolidation of investment products							(487.0)	(487.0)
Balance at June 30, 2021	502.9	\$ 50.3	\$ —	\$ 11,151.0	\$ (326.1)	\$ 10,875.2	\$ 555.6	\$ 11,430.8

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(in millions)	Nine Months Ended June 30,	
	2022	2021
Net Income	\$ 1,127.5	\$ 1,351.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Stock-based compensation	160.9	126.6
Amortization of deferred sales commissions	49.6	58.8
Depreciation and other amortization	68.8	70.9
Amortization of intangible assets	200.5	174.1
Net losses (gains) on investments	32.9	(67.7)
Income from investments in equity method investees	(51.6)	(123.8)
Net losses (gains) on investments of consolidated investment products	22.0	(176.1)
Net purchase of investments by consolidated investment products	(312.2)	(434.4)
Deferred income taxes	55.9	(42.3)
Other	33.0	12.3
Changes in operating assets and liabilities:		
Increase in receivables and other assets	(97.3)	(115.2)
Decrease (increase) in investments, net	(33.2)	15.6
Increase (decrease) in accrued compensation and benefits	45.1	(88.9)
Increase (decrease) in commissions payable	(50.0)	14.2
Decrease in income taxes payable	(176.3)	(50.4)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	40.9	(1.7)
Increase (decrease) in accounts payable and accrued expenses of consolidated investment products	(26.2)	15.5
Net cash provided by operating activities	1,090.3	739.3
Purchase of investments	(676.5)	(624.8)
Liquidation of investments	872.0	383.7
Purchase of investments by consolidated collateralized loan obligations	(3,198.4)	(2,731.1)
Liquidation of investments by consolidated collateralized loan obligations	1,501.4	1,148.7
Decrease in loans receivable, net	—	42.7
Additions of property and equipment, net	(55.6)	(34.9)
Acquisitions, net of cash acquired	(1,354.7)	—
Payments of contingent consideration asset	20.9	15.6
Net consolidation (deconsolidation) of investment products	211.0	(135.9)
Net cash used in investing activities	(2,679.9)	(1,936.0)

[Table continued on next page]

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

[Table continued from previous page]

<i>(in millions)</i>	Nine Months Ended June 30,	
	2022	2021
Issuance of common stock	\$ 13.6	\$ 11.0
Dividends paid on common stock	(437.1)	(418.6)
Repurchase of common stock	(154.0)	(135.8)
Proceeds from issuance of debt	—	748.3
Payment of debt issuance costs	—	(6.7)
Payment on debt	—	(250.0)
Proceeds from debt of consolidated investment products	4,345.2	1,636.2
Payments on debt of consolidated investment products	(2,469.3)	(488.7)
Payments on contingent consideration liabilities	(4.1)	—
Noncontrolling interests	194.9	447.2
Net cash provided by financing activities	1,489.2	1,542.9
Effect of exchange rate changes on cash and cash equivalents	(68.1)	25.1
Increase (decrease) in cash and cash equivalents	(168.5)	371.3
Cash and cash equivalents, beginning of period	4,647.2	3,989.8
Cash and Cash Equivalents, End of Period	\$ 4,478.7	\$ 4,361.1
Supplemental Disclosure of Cash Flow Information		
Cash paid for income taxes	\$ 456.7	\$ 434.6
Cash paid for interest	61.8	76.2
Cash paid for interest by consolidated investment products	107.0	75.7

See Notes to Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2022
(Unaudited)

Note 1 – Basis of Presentation

The unaudited interim financial statements of Franklin Resources, Inc. (“Franklin”) and its consolidated subsidiaries (collectively, the “Company”) included herein have been prepared in accordance with the instructions to Form 10-Q and the rules and regulations of the U.S. Securities and Exchange Commission. Under these rules and regulations, some information and footnote disclosures normally included in financial statements prepared under accounting principles generally accepted in the United States of America have been shortened or omitted. Management believes that all adjustments necessary for a fair statement of the financial position and the results of operations for the periods shown have been made. All adjustments are normal and recurring. Management also believes that the accounting estimates are appropriate, and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates, actual amounts may differ from these estimates. These financial statements should be read together with the Company’s audited financial statements included in its Annual Report on Form 10-K for the fiscal year ended September 30, 2021 (“fiscal year 2021”). Certain comparative amounts for the prior fiscal year period have been reclassified to conform to the financial statement presentation as of and for the period ended June 30, 2022.

Note 2 – Acquisitions***Lexington Partners L.P.***

On April 1, 2022, the Company acquired all of the outstanding ownership interests in Lexington Partners L.P. (“Lexington”), a leading global manager of secondary private equity and co-investment funds, for cash consideration of \$984.7 million paid at the time of close and deferred consideration of \$750.0 million that has an acquisition-date fair value of \$706.4 million. The consideration paid at close was funded from existing cash. In connection with the acquisition, the Company granted a 25% profits interest in Lexington and performance-based cash retention awards that both vest over approximately five years. The acquisition bolsters the Company’s alternative asset capabilities, complementing its existing strengths in real estate, private credit, and hedge fund strategies.

The preliminary allocation of estimated fair values of the assets acquired and liabilities and noncontrolling interests assumed was as follows:

<i>(in millions)</i>	
as of April 1, 2022	Estimated Fair Value
Goodwill	\$ 1,105.3
Definite-lived intangible assets	552.0
Investments	163.0
Operating lease right-of-use assets	84.4
Other assets and liabilities, net	28.1
Operating lease liabilities	(91.8)
Nonredeemable noncontrolling interests	(149.9)
Total Identifiable Net Assets	\$ 1,691.1

The goodwill is primarily attributable to expected growth opportunities from the combined operations and is deductible for tax purposes. The definite-lived intangible assets relate to acquired investment management contracts and trade names, which are amortized over their estimated useful lives ranging from 6.0 years to 20.0 years. Amortization expense related to the definite-lived intangible assets was \$21.3 million for the period ended June 30, 2022. These assets had a weighted-average remaining useful life of 7.3 years at June 30, 2022, with estimated remaining amortization expense as follows:

<i>(in millions)</i>	
for the fiscal years ending September 30,	Amount
2022 (remainder of year)	\$ 21.3
2023	85.3
2024	85.3
2025	85.3
2026	85.3
Thereafter	168.2
Total	\$ 530.7

Costs incurred in connection with the acquisition were \$16.3 million for the nine months ended June 30, 2022.

Lexington contributed \$90.7 million of revenue and did not have a material impact to net income attributable to Franklin Resources, Inc. for the period ended June 30, 2022. Consequently, the Company has not presented pro forma combined results of operations for this acquisition.

O'Shaughnessy Asset Management, LLC

On December 31, 2021, the Company acquired all of the outstanding ownership interests in O'Shaughnessy Asset Management, LLC ("OSAM"), a leading quantitative asset management firm, for cash consideration paid of approximately \$300.0 million, excluding future payments to be made subject to the attainment of certain performance measures. The acquisition resulted in \$262.3 million of goodwill attributable to expected growth opportunities and synergies from the combined operations and is deductible for tax purposes.

Note 3 – Earnings per Share

The components of basic and diluted earnings per share were as follows:

<i>(in millions, except per share data)</i>	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Net income attributable to Franklin Resources, Inc.	\$ 256.4	\$ 438.4	\$ 1,059.2	\$ 1,165.5
Less: allocation of earnings to participating nonvested stock and stock unit awards	11.2	19.4	45.6	50.6
Net Income Available to Common Stockholders	\$ 245.2	\$ 419.0	\$ 1,013.6	\$ 1,114.9
Weighted-average shares outstanding – basic	487.5	489.2	489.1	490.3
Dilutive effect of nonparticipating nonvested stock unit awards	0.4	0.7	0.6	0.6
Weighted-Average Shares Outstanding – Diluted	487.9	489.9	489.7	490.9
Earnings per Share				
Basic	\$ 0.50	\$ 0.86	\$ 2.07	\$ 2.27
Diluted	0.50	0.86	2.07	2.27

Nonparticipating nonvested stock unit awards excluded from the calculation of diluted earnings per share because their effect would have been antidilutive were insignificant for the three and nine months ended June 30, 2022 and 2021.

Note 4 – Revenues

Operating revenues by geographic area were as follows:

<i>(in millions)</i>						
for the three months ended June 30, 2022	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	\$ 1,234.7	\$ 211.6	\$ 71.2	\$ 59.4	\$ 59.2	\$ 1,636.1
Sales and distribution fees	238.1	80.2	5.8	11.5	—	335.6
Shareholder servicing fees	37.5	8.5	0.4	0.1	0.4	46.9
Other	12.0	0.3	0.2	—	0.2	12.7
Total	\$ 1,522.3	\$ 300.6	\$ 77.6	\$ 71.0	\$ 59.8	\$ 2,031.3

<i>(in millions)</i>						
for the nine months ended June 30, 2022	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	\$ 3,720.8	\$ 707.2	\$ 242.5	\$ 194.3	\$ 181.0	\$ 5,045.8
Sales and distribution fees	778.1	268.3	20.0	37.6	—	1,104.0
Shareholder servicing fees	116.4	27.9	1.1	0.2	1.2	146.8
Other	38.2	0.8	0.5	—	0.2	39.7
Total	\$ 4,653.5	\$ 1,004.2	\$ 264.1	\$ 232.1	\$ 182.4	\$ 6,336.3

<i>(in millions)</i>						
for the three months ended June 30, 2021	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	\$ 1,213.0	\$ 269.9	\$ 85.7	\$ 73.1	\$ 55.6	\$ 1,697.3
Sales and distribution fees	293.7	100.5	8.4	14.0	0.3	416.9
Shareholder servicing fees	38.3	10.1	2.0	0.1	—	50.5
Other	7.8	0.3	0.1	—	—	8.2
Total	\$ 1,552.8	\$ 380.8	\$ 96.2	\$ 87.2	\$ 55.9	\$ 2,172.9

<i>(in millions)</i>						
for the nine months ended June 30, 2021	United States	Luxembourg	Asia-Pacific	Americas Excluding United States	Europe, Middle East and Africa, Excluding Luxembourg	Total
Investment management fees	\$ 3,416.1	\$ 803.2	\$ 248.0	\$ 212.7	\$ 156.1	\$ 4,836.1
Sales and distribution fees	852.4	295.2	37.4	38.9	3.5	1,227.4
Shareholder servicing fees	119.9	26.0	5.9	0.2	3.6	155.6
Other	17.9	0.8	1.6	—	5.1	25.4
Total	\$ 4,406.3	\$ 1,125.2	\$ 292.9	\$ 251.8	\$ 168.3	\$ 6,244.5

Operating revenues are attributed to geographic areas based on the locations of the subsidiaries that provide the services, which may differ from the regions in which the related investment products are sold.

Revenues earned from sponsored funds were 83% and 81% of the Company's total operating revenues for the three and nine months ended June 30, 2022 and 78% and 80% for the three and nine months ended June 30, 2021.

Note 5 – Investments

The disclosures below include details of the Company’s investments, excluding those of consolidated investment products (“CIPs”). See Note 8 – Consolidated Investment Products for information related to the investments held by these entities.

Investments consisted of the following:

<i>(in millions)</i>	June 30, 2022	September 30, 2021
Investments, at fair value		
Sponsored funds and separate accounts	\$ 463.5	\$ 368.3
Investments related to long-term incentive plans	141.0	160.0
Other equity and debt investments	56.3	60.0
Total investments, at fair value	660.8	588.3
Investments in equity method investees	744.5	814.3
Other investments	253.2	107.7
Total	\$ 1,658.5	\$ 1,510.3

The Company recognized other-than-temporary impairment of \$8.7 million and \$29.9 million in earnings during the three and nine months ended June 30, 2022.

Note 6 – Fair Value Measurements

The disclosures below include details of the Company’s fair value measurements, excluding those of CIPs. See Note 8 – Consolidated Investment Products for information related to fair value measurements of the assets and liabilities of these entities.

The assets and liabilities measured at fair value on a recurring basis were as follows:

<i>(in millions)</i>				NAV as a Practical Expedient	Total
as of June 30, 2022	Level 1	Level 2	Level 3		
Assets					
Investments, at fair value					
Sponsored funds and separate accounts	\$ 334.2	\$ 48.4	\$ 19.2	\$ 61.7	\$ 463.5
Investments related to long-term incentive plans	141.0	—	—	—	141.0
Other equity and debt investments	3.2	19.5	—	33.6	56.3
Contingent consideration asset	—	—	8.8	—	8.8
Total Assets Measured at Fair Value	\$ 478.4	\$ 67.9	\$ 28.0	\$ 95.3	\$ 669.6
Liabilities					
Contingent consideration liabilities	\$ —	\$ —	\$ 60.1	\$ —	\$ 60.1

(in millions)

as of September 30, 2021	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Investments, at fair value					
Sponsored funds and separate accounts	\$ 241.3	\$ 18.4	\$ 24.6	\$ 84.0	\$ 368.3
Investments related to long-term incentive plans	160.0	—	—	—	160.0
Other equity and debt investments	3.3	13.3	—	43.4	60.0
Contingent consideration asset	—	—	19.4	—	19.4
Total Assets Measured at Fair Value	\$ 404.6	\$ 31.7	\$ 44.0	\$ 127.4	\$ 607.7
Liabilities					
Contingent consideration liabilities	\$ —	\$ —	\$ 42.4	\$ —	\$ 42.4

Investments for which fair value was estimated using reported NAV as a practical expedient primarily consist of nonredeemable private debt, equity and infrastructure funds, and redeemable global equity and private real estate funds. These investments were as follows:

(in millions)

	June 30, 2022	September 30, 2021
Nonredeemable investments¹		
Investments with unknown liquidation periods	\$ 35.8	\$ 46.6
Investments with known liquidation periods	33.9	53.9
Redeemable investments²	25.6	26.9
Unfunded commitments	51.4	51.8

¹ The investments are expected to be returned through distributions over the life of the funds as a result of liquidations of the funds' underlying assets. Investments with known liquidation periods have an expected weighted-average life of 3.6 years and 4.0 years at June 30, 2022 and September 30, 2021.

² Investments are redeemable on a monthly and quarterly basis.

Changes in the Level 3 assets and liabilities were as follows:

(in millions) for the three months ended June 30,	2022			2021		
	Investments	Contingent Consideration Asset	Contingent Consideration Liabilities	Investments	Contingent Consideration Asset	Contingent Consideration Liabilities
Balance at beginning of period	\$ 21.9	\$ 17.1	\$ (56.5)	\$ 19.5	\$ 29.1	\$ (25.3)
Total realized and unrealized gains (losses)						
Included in investment and other income, net	1.2	—	—	0.2	—	—
Included in general, administrative and other expense	—	—	(3.7)	—	—	—
Purchases	3.8	—	—	5.3	—	—
Sales	(1.6)	—	—	(0.3)	—	—
Settlements	(1.1)	(8.3)	—	—	(5.0)	—
Consolidation of investment product	(5.0)	—	—	—	—	—
Foreign exchange revaluation	—	—	0.1	—	—	—
Balance at End of Period	\$ 19.2	\$ 8.8	\$ (60.1)	\$ 24.7	\$ 24.1	\$ (25.3)
Change in unrealized gains (losses) included in net income relating to assets and liabilities held at end of period	\$ (0.3)	\$ —	\$ (3.7)	\$ 0.2	\$ —	\$ —

(in millions) for the nine months ended June 30,	2022			2021		
	Investments	Contingent Consideration Asset	Contingent Consideration Liabilities	Investments	Contingent Consideration Asset	Contingent Consideration Liabilities
Balance at beginning of period	\$ 24.6	\$ 19.4	\$ (42.4)	\$ 17.4	\$ 39.7	\$ (25.3)
Acquisitions	—	—	(24.5)	—	—	—
Total realized and unrealized gains (losses)						
Included in investment and other income, net	(0.4)	—	—	—	—	—
Included in general, administrative and other expense	—	10.3	(2.6)	—	—	—
Purchases	14.1	—	—	13.8	—	—
Sales	(7.9)	—	—	(5.8)	—	—
Settlements	(4.3)	(20.9)	9.1	(0.5)	(15.6)	—
Consolidation of investment product	(5.0)	—	—	—	—	—
Transfers out of Level 3	(1.9)	—	—	(0.2)	—	—
Foreign exchange revaluation	—	—	0.3	—	—	—
Balance at End of Period	\$ 19.2	\$ 8.8	\$ (60.1)	\$ 24.7	\$ 24.1	\$ (25.3)
Change in unrealized gains (losses) included in net income relating to assets and liabilities held at end of period	\$ (0.7)	\$ 10.3	\$ (2.4)	\$ —	\$ —	\$ —

Financial instruments that were not measured at fair value were as follows:

		June 30, 2022		September 30, 2021	
(in millions)	Fair Value Level	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Assets					
Cash and cash equivalents	1	\$ 3,806.3	\$ 3,806.3	\$ 4,357.8	\$ 4,357.8
Other investments					
Time deposits	2	10.8	10.8	13.2	13.2
Equity securities	3	242.4	242.4	94.5	99.1
Financial Liability					
Debt	2	\$ 3,382.2	\$ 2,878.6	\$ 3,399.4	\$ 3,434.1

Note 7 – Debt

On January 10, 2022, the Company entered into a bi-lateral credit agreement with Bank of America, N.A. to establish a 364 day revolving credit facility with an aggregate commitment of \$500.0 million. As of June 30, 2022, there were no amounts outstanding.

There were no other material changes to the Company’s debt during the nine months ended June 30, 2022.

Note 8 – Consolidated Investment Products

CIPs consist of mutual and other investment funds, limited partnerships and similar structures and CLOs, all of which are sponsored by the Company, and include both voting interest entities and variable interest entities (“VIEs”). The Company had 58 CIPs, including 14 CLOs, as of June 30, 2022 and 60 CIPs, including 10 CLOs, as of September 30, 2021.

The balances related to CIPs included in the Company’s consolidated balance sheets were as follows:

(in millions)	June 30, 2022	September 30, 2021
Assets		
Cash and cash equivalents	\$ 672.4	\$ 289.4
Receivables	178.8	127.8
Investments, at fair value	7,475.3	5,820.1
Total Assets	\$ 8,326.5	\$ 6,237.3
Liabilities		
Accounts payable and accrued expenses	\$ 451.4	\$ 558.0
Debt	5,496.5	3,671.0
Other liabilities	22.5	13.8
Total liabilities	5,970.4	4,242.8
Redeemable Noncontrolling Interests	994.5	622.5
Stockholders’ Equity		
Franklin Resources, Inc.’s interests	957.7	1,000.7
Nonredeemable noncontrolling interests	403.9	371.3
Total stockholders’ equity	1,361.6	1,372.0
Total Liabilities, Redeemable Noncontrolling Interests and Stockholders’ Equity	\$ 8,326.5	\$ 6,237.3

The CIPs did not have a significant impact on net income attributable to the Company during the three and nine months ended June 30, 2022 and 2021.

The Company has no right to the CIPs' assets, other than its direct equity investments in them and investment management and other fees earned from them. The debt holders of the CIPs have no recourse to the Company's assets beyond the level of its direct investment, therefore the Company bears no other risks associated with the CIPs' liabilities.

Fair Value Measurements

Assets of CIPs measured at fair value on a recurring basis were as follows:

(in millions)

as of June 30, 2022	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Cash and cash equivalents of CLOs	\$ 299.5	\$ —	\$ —	\$ —	\$ 299.5
Receivables of CLOs	—	105.0	—	—	105.0
Investments					
Equity and debt securities	79.5	875.2	557.0	217.7	1,729.4
Loans	—	5,467.8	37.6	—	5,505.4
Real estate	—	—	240.5	—	240.5
Total Assets Measured at Fair Value	\$ 379.0	\$ 6,448.0	\$ 835.1	\$ 217.7	\$ 7,879.8

(in millions)

as of September 30, 2021	Level 1	Level 2	Level 3	NAV as a Practical Expedient	Total
Assets					
Cash and cash equivalents of CLOs	\$ 145.4	\$ —	\$ —	\$ —	\$ 145.4
Receivables of CLOs	—	84.0	—	—	84.0
Investments					
Equity and debt securities	310.8	647.3	453.3	343.5	1,754.9
Loans	—	3,955.3	20.5	—	3,975.8
Real estate	—	—	89.4	—	89.4
Total Assets Measured at Fair Value	\$ 456.2	\$ 4,686.6	\$ 563.2	\$ 343.5	\$ 6,049.5

Investments for which fair value was estimated using reported NAV as a practical expedient consist of a redeemable global hedge fund, nonredeemable private equity funds and a redeemable U.S. equity fund. These investments were as follows:

(in millions)

	June 30, 2022	September 30, 2021
Nonredeemable investments¹		
Investments with known liquidation periods	\$ 38.2	\$ 141.4
Investments with unknown liquidation periods	12.2	—
Redeemable investments²	167.3	202.1
Unfunded commitments³	0.2	0.5

¹ The investments are expected to be returned through distributions over the life of the funds as a result of liquidations of the funds' underlying assets. Investments with known liquidation periods have an expected weighted-average life of 0.5 year at June 30, 2022 and 1.3 years at September 30, 2021.

² Investments are redeemable on a monthly basis and liquidation periods are unknown.

³ Of the total unfunded commitments, the Company was contractually obligated to fund \$0.1 million and \$0.2 million based on its ownership percentage in the CIPs, at June 30, 2022 and September 30, 2021.

Changes in Level 3 assets were as follows:

<i>(in millions)</i>	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
for the three months ended June 30, 2022				
Balance at April 1, 2022	\$ 595.4	\$ 175.4	\$ 33.6	\$ 804.4
Realized and unrealized gains (losses) included in investment and other income (losses) of consolidated investment products, net	(31.7)	4.1	0.2	(27.4)
Purchases	6.5	61.0	(0.1)	67.4
Sales and settlements	(13.1)	—	(0.1)	(13.2)
Deconsolidations	—	—	(1.7)	(1.7)
Transfers into Level 3	—	—	5.7	5.7
Transfers out of Level 3	(0.1)	—	—	(0.1)
Balance at June 30, 2022	\$ 557.0	\$ 240.5	\$ 37.6	\$ 835.1
Change in unrealized gains (losses) included in net income relating to assets held at June 30, 2022	\$ (32.2)	\$ 4.1	\$ 0.2	\$ (27.9)

<i>(in millions)</i>	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
for the nine months ended June 30, 2022				
Balance at October 1, 2021	\$ 453.3	\$ 89.4	\$ 20.5	\$ 563.2
Realized and unrealized gains (losses) included in investment and other income (losses) of consolidated investment products, net	138.6	18.4	0.2	157.2
Purchases	140.0	132.7	14.0	286.7
Sales and settlements	(118.9)	—	(1.1)	(120.0)
Deconsolidations	(55.0)	—	(1.7)	(56.7)
Transfers into Level 3	0.1	—	5.7	5.8
Transfers out of Level 3	(1.1)	—	—	(1.1)
Balance at June 30, 2022	\$ 557.0	\$ 240.5	\$ 37.6	\$ 835.1
Change in unrealized gains included in net income relating to assets held at June 30, 2022	\$ 126.6	\$ 18.4	\$ —	\$ 145.0

<i>(in millions)</i>	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
for the three months ended June 30, 2021				
Balance at April 1, 2021	\$ 271.2	\$ 423.5	\$ 22.4	\$ 717.1
Realized and unrealized gains included in investment and other income (losses) of consolidated investment products, net	6.2	2.4	0.2	8.8
Purchases	14.0	44.2	—	58.2
Sales and settlements	(2.4)	—	(1.2)	(3.6)
Deconsolidations	—	(448.8)	—	(448.8)
Transfers into Level 3	0.9	—	—	0.9
Transfers out of Level 3	(1.0)	—	—	(1.0)
Foreign exchange revaluation	—	1.2	—	1.2
Balance at June 30, 2021	\$ 288.9	\$ 22.5	\$ 21.4	\$ 332.8
Change in unrealized gains (losses) included in net income relating to assets held at June 30, 2021	\$ 6.2	\$ (0.5)	\$ 0.2	\$ 5.9

<i>(in millions)</i>				
for the nine months ended June 30, 2021				
	Equity and Debt Securities	Real Estate	Loans	Total Level 3 Assets
Balance at October 1, 2020	\$ 322.3	\$ 339.2	\$ 24.9	\$ 686.4
Realized and unrealized gains included in investment and other income (losses) of consolidated investment products, net	26.3	5.1	0.2	31.6
Purchases	34.1	116.5	—	150.6
Sales and settlements	(59.4)	—	(3.7)	(63.1)
Deconsolidations	(36.2)	(448.8)	—	(485.0)
Transfers into Level 3	2.1	—	—	2.1
Transfers out of Level 3	(1.0)	—	—	(1.0)
Foreign exchange revaluation	0.7	10.5	—	11.2
Balance at June 30, 2021	\$ 288.9	\$ 22.5	\$ 21.4	\$ 332.8
Change in unrealized gains included in net income relating to assets held at June 30, 2021	\$ 25.9	\$ 2.2	\$ 0.3	\$ 28.4

Valuation techniques and significant unobservable inputs used in Level 3 fair value measurements were as follows:

<i>(in millions)</i>				
as of June 30, 2022	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average ¹)
Equity and debt securities	\$ 492.7	Market pricing	Private sale pricing	\$0.39–\$789.78 (\$45.27) per share
	64.3	Market comparable companies	Enterprise value/EBITDA multiple	14.7
			Discount for lack of marketability	14.6%–25.0% (19.4%)
			Price-to-book value ratio	1.2
Real estate	240.5	Discounted cash flow	Discount rate	5.5%–6.3% (6.0%)
			Exit capitalization rate	4.5%–5.5% (4.9%)
<i>(in millions)</i>				
as of September 30, 2021	Fair Value	Valuation Technique	Significant Unobservable Inputs	Range (Weighted Average ¹)
Equity and debt securities	\$ 301.1	Market pricing	Private sale pricing	\$0.39–\$100.00 (\$19.34) per share
	102.3	Market comparable companies	Enterprise value/EBITDA multiple	6.0–20.6 (13.7)
			Discount for lack of marketability	6.0%–25.5% (17.6%)
			Enterprise value/Revenue multiple	0.6–7.2 (5.1)
			Price-to-book value ratio	0.7–1.8 (1.4)
			Control premium	20%
			Price-to-earnings ratio	28.8
	49.9	Discounted cash flow	Discount rate	3.3%–6.3% (4.3%)
Real estate	89.4	Discounted cash flow	Discount rate	5.8%–6.0% (5.9%)
			Exit capitalization rate	5.0%–5.3% (5.1%)

¹ Based on the relative fair value of the instruments.

If the relevant significant inputs used in the market-based valuations, other than discount for lack of marketability, were independently higher (lower) as of June 30, 2022, the resulting fair value of the assets would be higher (lower). If the relevant significant inputs used in the discounted cash flow valuations, as well as the discount for lack of marketability used in the market-based valuations, were independently higher (lower) as of June 30, 2022, the resulting fair value of the assets would be lower (higher).

Financial instruments of CIPs that were not measured at fair value were as follows:

(in millions)	Fair Value Level	June 30, 2022		September 30, 2021	
		Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Financial Asset					
Cash and cash equivalents	1	\$ 372.9	\$ 372.9	\$ 144.0	\$ 144.0
Receivables of CLOs	2	16.7	16.7	—	—
Financial Liabilities					
Debt of CLOs ¹	2 or 3	\$ 5,396.8	\$ 5,437.8	\$ 3,634.1	\$ 3,610.6
Other debt	3	99.7	92.9	36.9	36.6

¹ Substantially all was Level 2.

Debt

Debt of CIPs consisted of the following:

(in millions)	June 30, 2022		September 30, 2021	
	Amount	Weighted-Average Effective Interest Rate	Amount	Weighted-Average Effective Interest Rate
Debt of CLOs	\$ 5,396.8	2.03%	\$ 3,634.1	2.11%
Other debt	99.7	3.73%	36.9	1.95%
Total	\$ 5,496.5		\$ 3,671.0	

The debt of CLOs had fixed and floating interest rates ranging from 1.00% to 8.27% at June 30, 2022, and from 1.00% to 8.22% at September 30, 2021. The other debt had fixed and floating interest rates ranging from 3.31% to 6.00% at June 30, 2022, and from 1.63% to 2.42% at September 30, 2021. The floating rates were primarily based on LIBOR.

The contractual maturities for the debt of CIPs at June 30, 2022 were as follows:

(in millions)	Amount
for the fiscal years ending September 30,	
2022 (remainder of year)	\$ 99.4
2023	21.9
2024	84.2
2025	—
2026	—
Thereafter	5,291.0
Total	\$ 5,496.5

Collateralized Loan Obligations

The unpaid principal balance and fair value of the investments of CLOs were as follows:

(in millions)	June 30, 2022	September 30, 2021
Unpaid principal balance	\$ 5,549.5	\$ 3,951.1
Difference between unpaid principal balance and fair value	(46.9)	20.9
Fair Value	\$ 5,502.6	\$ 3,972.0

There were no investments 90 days or more past due at June 30, 2022 and September 30, 2021.

The Company recognized \$4.9 million and \$17.8 million of net gains during the three and nine months ended June 30, 2022 and \$1.1 million and \$8.5 million of net gains during the three and nine months ended June 30, 2021, related to its own economic interests in the CLOs. The aggregate principal amount due of the debt of CLOs was \$5,463.1 million and \$3,629.9 million at June 30, 2022 and September 30, 2021.

Note 9 – Redeemable Noncontrolling Interests

Changes in redeemable noncontrolling interests were as follows:

	2022			2021		
<i>(in millions)</i>						
for the three months ended June 30,	CIPs	Minority Interests	Total	CIPs	Minority Interests	Total
Balance at beginning of period	\$ 625.3	\$ 512.8	\$ 1,138.1	\$ 609.9	\$ 205.8	\$ 815.7
Net income (loss)	(16.5)	16.0	(0.5)	23.5	10.2	33.7
Net subscriptions (distributions) and other	5.4	(29.6)	(24.2)	190.1	(18.1)	172.0
Net consolidations	380.3	—	380.3	31.3	—	31.3
Balance at End of Period	\$ 994.5	\$ 499.2	\$ 1,493.7	\$ 854.8	\$ 197.9	\$ 1,052.7

	2022			2021		
<i>(in millions)</i>						
for the nine months ended June 30,	CIPs	Minority Interests	Total	CIPs	Minority Interests	Total
Balance at beginning of period	\$ 622.5	\$ 310.5	\$ 933.0	\$ 397.3	\$ 144.6	\$ 541.9
Net income (loss)	(90.9)	40.7	(50.2)	42.9	21.5	64.4
Net subscriptions (distributions) and other	320.0	(40.5)	279.5	270.0	(20.5)	249.5
Net consolidations	142.9	—	142.9	144.6	—	144.6
Adjustment to fair value	—	188.5	188.5	—	52.3	52.3
Balance at End of Period	\$ 994.5	\$ 499.2	\$ 1,493.7	\$ 854.8	\$ 197.9	\$ 1,052.7

Note 10 – Nonconsolidated Variable Interest Entities

VIEs for which the Company is not the primary beneficiary consist of sponsored funds and other investment products in which the Company has an equity ownership interest. The Company's maximum exposure to loss from these VIEs consists of equity investments, investment management and other fee receivables as follows:

	June 30, 2022	September 30, 2021
<i>(in millions)</i>		
Investments	\$ 728.7	\$ 639.2
Receivables	175.9	172.1
Total	\$ 904.6	\$ 811.3

While the Company has no legal or contractual obligation to do so, it routinely makes cash investments in the course of launching sponsored funds. As it has done in the past, the Company also may voluntarily elect to provide its sponsored funds with additional direct or indirect financial support based on its business objectives. The Company did not provide financial or other support to its sponsored funds assessed as VIEs during the nine months ended June 30, 2022. During the fiscal year ended September 30, 2020, the Company authorized loans to certain sponsored funds in India that experienced increased liquidity risks and redemptions. The loans were fully repaid by March 31, 2021. See Note 16 – Commitments and Contingencies in the notes to consolidated financial statements in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2021 for further information.

Note 11 – Commitments and Contingencies

Legal Proceedings

India Credit Fund Closure Matters. During the nine months ended June 30, 2022, there were no significant changes from the disclosure in the Form 10-K for the fiscal year ended September 30, 2021. As of June 30, 2022, the amount reported as distributed to Fund unitholders is approximately \$3.5 billion.

Other Litigation Matters. The Company is from time to time involved in other litigation relating to claims arising in the normal course of business. Management is of the opinion that the ultimate resolution of such claims will not materially affect the Company's business, financial position, results of operations or liquidity. In management's opinion, an adequate accrual has been made as of June 30, 2022 to provide for any probable losses that may arise from such matters for which the Company could reasonably estimate an amount.

Indemnifications and Guarantees

In the ordinary course of business or in connection with certain acquisition agreements, the Company enters into contracts that provide for indemnifications by the Company in certain circumstances. In addition, certain Company entities guarantee certain financial and performance-related obligations of various Franklin subsidiaries. The Company is also subject to certain legal requirements and agreements providing for indemnifications of directors, officers and personnel against liabilities and expenses they may incur under certain circumstances in connection with their service in those positions. The terms of these indemnities and guarantees vary pursuant to applicable facts and circumstances, and from agreement to agreement. Future payments for claims against the Company under these indemnities or guarantees could negatively impact the Company's financial condition. In management's opinion, no material loss was deemed probable or reasonably possible pursuant to such indemnification agreements and/or guarantees as of June 30, 2022.

Other Commitments and Contingencies

At June 30, 2022, there were no material changes in the other commitments and contingencies as reported in the Company's Annual Report on Form 10-K for fiscal year 2021.

Note 12 – Stock-Based Compensation

Stock and stock unit award activity was as follows:

<i>(shares in thousands)</i>				
for the nine months ended June 30, 2022	Time-Based Shares	Performance- Based Shares	Total Shares	Weighted- Average Grant-Date Fair Value
Nonvested balance at October 1, 2021	14,176	3,658	17,834	\$ 22.27
Granted	4,713	227	4,940	34.36
Vested	(1,891)	(98)	(1,989)	25.43
Forfeited/canceled	(435)	(188)	(623)	26.20
Nonvested Balance at June 30, 2022	16,563	3,599	20,162	\$ 24.48

Total unrecognized compensation expense related to nonvested stock and stock unit awards was \$286.4 million at June 30, 2022. This expense is expected to be recognized over a remaining weighted-average vesting period of 2.0 years.

Note 13 – Investment and Other Income, Net

Investment and other income, net consisted of the following:

<i>(in millions)</i>	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Dividend and interest income	\$ 6.3	\$ 3.4	\$ 17.5	\$ 12.4
Gains (losses) on investments, net	(35.6)	17.3	(32.9)	76.2
Income (losses) from investments in equity method investees	(0.1)	39.4	51.6	123.8
Gains (losses) on derivatives, net	17.5	(9.1)	15.2	(25.2)
Rental income	9.6	7.2	27.9	22.7
Foreign currency exchange gains (losses), net	14.5	(7.2)	24.2	(17.2)
Other, net	0.8	1.9	(5.8)	4.5
Investment and other income, net	\$ 13.0	\$ 52.9	\$ 97.7	\$ 197.2

Net gains (losses) recognized on equity securities measured at fair value and trading debt securities that were held by the Company at June 30, 2022 and 2021 were \$(50.3) million and \$(79.1) million for the three and nine months ended June 30, 2022, and \$(0.2) million and \$27.2 million for the three and nine months ended June 30, 2021.

Note 14 – Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) by component were as follows:

<i>(in millions)</i> for the three months ended June 30, 2022	Currency Translation Adjustments	Unrealized Losses on Defined Benefit Plans	Total
Balance at April 1, 2022	\$ (393.7)	\$ (6.9)	\$ (400.6)
Other comprehensive loss			
Other comprehensive loss before reclassifications, net of tax	(101.5)	(2.4)	(103.9)
Reclassifications to net investment and other income, net of tax	0.9	—	0.9
Total other comprehensive loss	(100.6)	(2.4)	(103.0)
Balance at June 30, 2022	\$ (494.3)	\$ (9.3)	\$ (503.6)

<i>(in millions)</i> for the nine months ended June 30, 2022	Currency Translation Adjustments	Unrealized Losses on Defined Benefit Plans	Total
Balance at October 1, 2021	\$ (370.5)	\$ (7.1)	\$ (377.6)
Other comprehensive loss			
Other comprehensive loss before reclassifications, net of tax	(125.8)	(1.6)	(127.4)
Reclassifications to compensation and benefits expense, net of tax	—	(0.6)	(0.6)
Reclassifications to net investment and other income, net of tax	2.0	—	2.0
Total other comprehensive loss	(123.8)	(2.2)	(126.0)
Balance at June 30, 2022	\$ (494.3)	\$ (9.3)	\$ (503.6)

<i>(in millions)</i>			
for the three months ended June 30, 2021	Currency Translation Adjustments	Unrealized Losses on Defined Benefit Plans	Total
Balance at April 1, 2021	\$ (340.9)	\$ (7.6)	\$ (348.5)
Other comprehensive income (loss)			
Other comprehensive income (loss) before reclassifications, net of tax	21.5	(0.2)	21.3
Reclassifications to net investment and other income, net of tax	1.1	—	1.1
Total other comprehensive income (loss)	22.6	(0.2)	22.4
Balance at June 30, 2021	\$ (318.3)	\$ (7.8)	\$ (326.1)

<i>(in millions)</i>			
for the nine months ended June 30, 2021	Currency Translation Adjustments	Unrealized Losses on Defined Benefit Plans	Total
Balance at October 1, 2020	\$ (399.6)	\$ (8.0)	\$ (407.6)
Other comprehensive income			
Other comprehensive income before reclassifications, net of tax	79.3	0.2	79.5
Reclassifications to net investment and other income, net of tax	2.0	—	2.0
Total other comprehensive income	81.3	0.2	81.5
Balance at June 30, 2021	\$ (318.3)	\$ (7.8)	\$ (326.1)

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

FORWARD-LOOKING STATEMENTS

This Form 10-Q and the documents incorporated by reference 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. The forward-looking statements contained in this Form 10-Q or that are incorporated by reference herein are qualified in their entirety by reference to the risks and uncertainties disclosed in this Form 10-Q, including those discussed under the heading “Risk Factors” below, and/or discussed under the headings “Risk Factors” and “Quantitative and Qualitative Disclosures About Market Risk” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 (“fiscal year 2021”).

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.

If a circumstance occurs after the date of this Form 10-Q 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.

In this section, we discuss and analyze the results of operations and financial condition of Franklin Resources, Inc. (“Franklin”) and its subsidiaries (collectively, the “Company”). The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year 2021 filed with the U.S. Securities and Exchange Commission, and the consolidated financial statements and notes thereto included elsewhere in this Form 10-Q.

OVERVIEW

Franklin is a holding company with subsidiaries operating under our Franklin Templeton® and/or subsidiary brand names. We are a global investment management organization that derives operating revenues and net income from providing investment management and related services to investors in jurisdictions worldwide. We deliver our investment capabilities through a variety of investment products, which include our sponsored funds, as well as institutional and high-net-worth separate accounts, retail separately managed account programs, sub-advised products, and other investment vehicles. In addition to investment management, our services include fund administration, sales and distribution, and shareholder servicing. We may perform services directly or through third parties. We offer our services and products under our various distinct brand names, including, but not limited to, Franklin®, Templeton®, Legg Mason®, Benefit Street Partners®, Brandywine Global Investment Management®, Clarion Partners®, ClearBridge Investments®, Fiduciary Trust International™, Franklin Bissett®, Franklin Mutual Series®, K2®, Lexington Partners®, LibertyShares®, Martin Currie®, O’Shaughnessy® Asset Management, Royce® Investment Partners and Western Asset Management Company®. We offer a broad product mix of fixed income, equity, alternative, multi-asset and cash management asset classes and solutions that meet a wide variety of specific investment goals and needs for individual and institutional investors. We also provide sub-advisory services to certain investment products sponsored by other companies which may be sold to investors under the brand names of those other companies or on a co-branded basis.

The level of our revenues depends largely on the level and relative mix of assets under management (“AUM”). As noted in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year 2021, the amount and mix of our AUM are subject to significant fluctuations that can negatively impact our revenues and income. The level of our revenues also depends on the fees charged for our services, which are based on contracts with our funds and customers, fund sales, and the number of shareholder transactions and accounts. These arrangements could change in the future.

During our third fiscal quarter, global equity markets remained challenged amid continued concerns about further interest rate increases, the global economic growth outlook and the risk of a recession. The S&P 500 Index and MSCI World Index each decreased 16.1% for the quarter, and decreased 11.1% and 14.0% for the fiscal year to date. The global bond markets had negative returns, with the Bloomberg Global Aggregate Index decreasing 8.3% during the quarter and 14.5% for the fiscal year to date, as the Federal Reserve and other developed market central banks continued to increase interest rates in an effort to combat inflation.

Our total AUM at June 30, 2022 was \$1,379.8 billion, 10% lower than at September 30, 2021 and 11% lower than at June 30, 2021. Monthly average AUM (“average AUM”) for the three and nine months ended June 30, 2022 decreased 6% and increased 1% from the same periods in the prior fiscal year.

On April 1, 2022, we acquired all of the outstanding ownership interests in Lexington Partners L.P. (“Lexington”), a leading global manager of secondary private equity and co-investment funds, for cash consideration of \$1.0 billion and additional payments totaling \$750.0 million to be paid in cash over the next three years. In connection with the acquisition, we granted a 25% ownership stake in Lexington and performance-based cash retention awards that both vest over approximately five years. On December 31, 2021, we acquired all of the outstanding ownership interest in O’Shaughnessy Asset Management, LLC (“OSAM”), a leading quantitative asset management firm, for cash consideration paid of approximately \$300 million, excluding future payments to be made subject to the attainment of certain performance measures.

The business and regulatory environments in which we operate globally remain complex, uncertain and subject to change. We are subject to various laws, rules and regulations globally that impose restrictions, limitations, registration, reporting and disclosure requirements on our business, and add complexity to our global compliance operations.

As we continue to confront the challenges of the current economic and regulatory environments, we remain focused on the investment performance of our products and on providing high quality service to our clients. We continuously perform reviews of our business model. While we remain focused on expense management, we will also seek to attract, retain and develop personnel and invest strategically in systems and technology that will provide a secure and stable environment. We will continue to seek to protect and further our brand recognition while developing and maintaining broker-dealer and client relationships. The success of these and other strategies may be influenced by the factors discussed under the heading “Risk Factors” below and in the “Risk Factors” section of our Annual Report on Form 10-K for the fiscal year 2021.

RESULTS OF OPERATIONS

(in millions, except per share data)	Three Months Ended June 30,			Percent Change	Nine Months Ended June 30,			Percent Change
	2022	2021			2022	2021		
Operating revenues	\$ 2,031.3	\$ 2,172.9		(7 %)	\$ 6,336.3	\$ 6,244.5		1 %
Operating income	404.7	478.1		(15 %)	1,425.4	1,343.5		6 %
Operating margin ¹	19.9 %	22.0 %			22.5 %	21.5 %		
Net income attributable to Franklin Resources, Inc.	\$ 256.4	\$ 438.4		(42 %)	\$ 1,059.2	\$ 1,165.5		(9 %)
Diluted earnings per share	0.50	0.86		(42 %)	2.07	2.27		(9 %)
As adjusted (non-GAAP):²								
Adjusted operating income	\$ 566.9	\$ 601.2		(6 %)	\$ 1,829.4	\$ 1,732.2		6 %
Adjusted operating margin	35.3 %	36.5 %			37.0 %	37.2 %		
Adjusted net income	\$ 416.0	\$ 493.7		(16 %)	\$ 1,461.2	\$ 1,270.6		15 %
Adjusted diluted earnings per share	0.82	0.96		(15 %)	2.86	2.48		15 %

¹ Defined as operating income divided by operating revenues.

² “Adjusted operating income,” “adjusted operating margin,” “adjusted net income” and “adjusted diluted earnings per share” are based on methodologies other than generally accepted accounting principles. See “Supplemental Non-GAAP Financial Measures” for definitions and reconciliations of these measures.

ASSETS UNDER MANAGEMENT

AUM by asset class was as follows:

(in billions)	June 30, 2022	June 30, 2021	Percent Change
Fixed Income	\$ 536.3	\$ 658.1	(19 %)
Equity	424.9	536.9	(21 %)
Alternative	224.8	140.8	60 %
Multi-Asset	136.2	153.0	(11 %)
Cash Management	57.6	63.3	(9 %)
Total	\$ 1,379.8	\$ 1,552.1	(11 %)

Average AUM and the mix of average AUM by asset class are shown below.

(in billions) for the three months ended June 30,	Average AUM		Percent Change	Mix of Average AUM	
	2022	2021		2022	2021
Fixed Income	\$ 563.4	\$ 651.5	(14 %)	39 %	42 %
Equity	467.8	529.0	(12 %)	33 %	35 %
Alternative	205.4	135.3	52 %	14 %	9 %
Multi-Asset	144.4	152.0	(5 %)	10 %	10 %
Cash Management	58.8	63.2	(7 %)	4 %	4 %
Total	\$ 1,439.8	\$ 1,531.0	(6 %)	100 %	100 %

(in billions) for the nine months ended June 30,	Average AUM		Percent Change	Mix of Average AUM	
	2022	2021		2022	2021
Fixed Income	\$ 606.2	\$ 657.5	(8 %)	40 %	44 %
Equity	510.4	492.9	4 %	34 %	33 %
Alternative	172.9	129.1	34 %	12 %	9 %
Multi-Asset	148.4	144.1	3 %	10 %	10 %
Cash Management	60.5	65.8	(8 %)	4 %	4 %
Total	\$ 1,498.4	\$ 1,489.4	1 %	100 %	100 %

Components of the change in AUM are shown below. Net market change, distributions and other includes appreciation (depreciation), distributions to investors that represent return on investments and return of capital, and foreign exchange revaluation.

(in billions)	Three Months Ended June 30,		Percent Change	Nine Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Beginning AUM	\$ 1,477.5	\$ 1,498.9	(1 %)	\$ 1,530.1	\$ 1,418.9	8 %
Long-term inflows	77.4	83.7	(8 %)	260.5	281.5	(7 %)
Long-term outflows	(97.2)	(90.3)	8 %	(267.9)	(296.8)	(10 %)
Long-term net flows	(19.8)	(6.6)	200 %	(7.4)	(15.3)	(52%)
Cash management net flows	0.4	(2.2)	NM	(0.9)	(11.2)	(92%)
Total net flows	(19.4)	(8.8)	120 %	(8.3)	(26.5)	(69%)
Acquisitions	57.2	—	NM	64.9	—	NM
Net market change, distributions and other	(135.5)	62.0	NM	(206.9)	159.7	NM
Ending AUM	\$ 1,379.8	\$ 1,552.1	(11 %)	\$ 1,379.8	\$ 1,552.1	(11 %)

Components of the change in AUM by asset class were as follows:

(in billions) for the three months ended June 30, 2022						
	Fixed Income	Equity	Alternative	Multi-Asset	Cash Management	Total
AUM at April 1, 2022	\$ 595.0	\$ 515.4	\$ 157.9	\$ 151.9	\$ 57.3	\$ 1,477.5
Long-term inflows	35.2	24.5	5.9	11.8	—	77.4
Long-term outflows	(49.5)	(33.7)	(3.8)	(10.2)	—	(97.2)
Long-term net flows	(14.3)	(9.2)	2.1	1.6	—	(19.8)
Cash management net flows	—	—	—	—	0.4	0.4
Total net flows	(14.3)	(9.2)	2.1	1.6	0.4	(19.4)
Acquisition	—	—	57.2	—	—	57.2
Net market change, distributions and other	(44.4)	(81.3)	7.6	(17.3)	(0.1)	(135.5)
AUM at June 30, 2022	\$ 536.3	\$ 424.9	\$ 224.8	\$ 136.2	\$ 57.6	\$ 1,379.8

AUM decreased \$97.7 billion, or 7%, during the three months ended June 30, 2022 due to the negative impact of \$135.5 billion of net market change, distributions and other and \$19.8 billion of long-term net outflows, partially offset by an acquisition of \$57.2 billion and \$0.4 billion of cash management net inflows. Net market change, distributions and other primarily consists of \$117.3 billion of market depreciation, a \$10.3 billion decrease from foreign exchange revaluation and \$7.9 billion of long-term distributions. The market depreciation occurred in all long-term asset classes with the exception of the alternative asset class. Foreign exchange revaluation from AUM in products that are not U.S. dollar denominated, which represented 10% of total AUM as of June 30, 2022, was primarily due to a stronger U.S. dollar compared to the Australian dollar, Japanese Yen, Pound sterling and Euro.

AUM decreased \$172.3 billion, or 11%, as compared to the prior year period. Long-term inflows decreased 8% to \$77.4 billion, driven by lower inflows in fixed income, equity and alternative open-end funds and equity investment trusts,

partially offset by higher inflows in multi-asset open end funds, alternative private closed-end funds and multi-asset and equity sub-advised mutual funds. Long-term outflows increased 8% to \$97.2 billion driven by higher redemptions in fixed income open-end funds and institutional separate accounts, multi-asset sub-advised mutual funds, and equity retail separate accounts, partially offset by lower redemptions in equity sub-advised mutual funds, open-end funds and institutional separate accounts.

(in billions)

for the three months ended
June 30, 2021

	Fixed Income	Equity	Alternative	Multi-Asset	Cash Management	Total
AUM at April 1, 2021	\$ 642.3	\$ 511.9	\$ 131.1	\$ 148.2	\$ 65.4	\$ 1,498.9
Long-term inflows	40.2	29.1	5.8	8.6	—	83.7
Long-term outflows	(38.1)	(40.6)	(2.7)	(8.9)	—	(90.3)
Long-term net flows	2.1	(11.5)	3.1	(0.3)	—	(6.6)
Cash management net flows	—	—	—	—	(2.2)	(2.2)
Total net flows	2.1	(11.5)	3.1	(0.3)	(2.2)	(8.8)
Net market change, distributions and other	13.7	36.5	6.6	5.1	0.1	62.0
AUM at June 30, 2021	\$ 658.1	\$ 536.9	\$ 140.8	\$ 153.0	\$ 63.3	\$ 1,552.1

AUM increased \$53.2 billion, or 4%, during the three months ended June 30, 2021 due to \$62.0 billion of net market change, distributions and other, partially offset by \$6.6 billion of long-term net outflows and \$2.2 billion of cash management net outflows. Net market change, distributions and other consists of \$66.1 billion of market appreciation and a \$1.5 billion increase from foreign exchange revaluation, partially offset by \$5.6 billion of long-term distributions. The market appreciation occurred in all long-term asset classes, most significantly in the equity and fixed income asset classes, and reflected positive returns in global equity and fixed income markets. Foreign exchange revaluation was primarily due to a weaker U.S. dollar compared to the Brazilian Real, Canadian dollar and Euro, partially offset by a stronger U.S. dollar compared to the Australian dollar.

Long-term outflows included outflows of \$7.0 billion from three institutional products, including two equity redemptions of \$3.7 billion and \$2.2 billion, and \$2.5 billion from six fixed income funds, including \$1.2 billion from five India credit funds that were non-management fee earning which are in the process of winding up. Long-term outflows were partially offset by inflows of \$3.8 billion in two fixed income funds, including the \$1.0 billion launch of a closed-end fund.

(in billions)

for the nine months ended
June 30, 2022

	Fixed Income	Equity	Alternative	Multi-Asset	Cash Management	Total
AUM at October 1, 2021	\$ 650.3	\$ 523.6	\$ 145.2	\$ 152.4	\$ 58.6	\$ 1,530.1
Long-term inflows	112.2	100.4	16.6	31.3	—	260.5
Long-term outflows	(126.3)	(103.0)	(11.5)	(27.1)	—	(267.9)
Long-term net flows	(14.1)	(2.6)	5.1	4.2	—	(7.4)
Cash management net flows	—	—	—	—	(0.9)	(0.9)
Total net flows	(14.1)	(2.6)	5.1	4.2	(0.9)	(8.3)
Acquisitions	—	4.6	58.0	2.3	—	64.9
Net market change, distributions and other	(99.9)	(100.7)	16.5	(22.7)	(0.1)	(206.9)
AUM at June 30, 2022	\$ 536.3	\$ 424.9	\$ 224.8	\$ 136.2	\$ 57.6	\$ 1,379.8

AUM decreased \$150.3 billion, or 10%, during the nine months ended June 30, 2022 due to the negative impact of \$206.9 billion of net market change, distributions and other, \$7.4 billion of long-term net outflows and \$0.9 billion of cash management net outflows, partially offset by \$64.9 billion from acquisitions. Net market change, distributions and other primarily consists of \$152.5 billion of market depreciation, \$42.6 billion of long-term distributions and \$11.8 billion decrease from foreign exchange revaluation. The market depreciation occurred in all asset classes with the exception of the alternative asset class. Foreign exchange revaluation from AUM in products that are not U.S. dollar denominated was primarily due to a stronger U.S. dollar compared to the Japanese Yen, Euro, Pound Sterling and Australian dollar.

Long-term inflows decreased 7% to \$260.5 billion, as compared to the prior-year period, driven by lower inflows in fixed income open-end funds and institutional separate accounts, partially offset by higher inflows for alternative private closed end funds. Long-term outflows decreased 10% to \$267.9 billion due to lower outflows in fixed income institutional separate accounts and equity open-end funds, partially offset by higher outflows for multi-asset sub-advised mutual funds.

(in billions)

for the nine months ended
June 30, 2021

	Fixed Income	Equity	Alternative	Multi-Asset	Cash Management	Total
AUM at October 1, 2020	\$ 656.9	\$ 438.1	\$ 122.1	\$ 129.4	\$ 72.4	\$ 1,418.9
Long-term inflows	135.7	103.0	15.3	27.5	—	281.5
Long-term outflows	(142.1)	(118.8)	(8.9)	(27.0)	—	(296.8)
Long-term net flows	(6.4)	(15.8)	6.4	0.5	—	(15.3)
Cash management net flows	—	—	—	—	(11.2)	(11.2)
Total net flows	(6.4)	(15.8)	6.4	0.5	(11.2)	(26.5)
Net market change, distributions and other	7.6	114.6	12.3	23.1	2.1	159.7
AUM at June 30, 2021	\$ 658.1	\$ 536.9	\$ 140.8	\$ 153.0	\$ 63.3	\$ 1,552.1

AUM increased \$133.2 billion, or 9%, during the nine months ended June 30, 2021 due to \$159.7 billion of net market change, distributions and other, partially offset by \$15.3 billion of long-term net outflows and \$11.2 billion of cash management net outflows. Net market change, distributions and other consists of \$179.9 billion of market appreciation and a \$4.9 billion increase from foreign exchange revaluation, partially offset by \$25.1 billion of long-term distributions. The market appreciation occurred in all asset classes, most significantly in the equity and multi-asset asset classes, and reflected positive returns in global equity markets. Foreign exchange revaluation was primarily due to a weaker U.S. dollar compared to the Canadian dollar, Australian dollar, Pound Sterling and Brazilian Real, partially offset by a stronger U.S. dollar compared to the Japanese Yen.

Long-term outflows included outflows of \$26.9 billion from eleven institutional products, including a single fixed income redemption of \$5.9 billion, and two equity redemptions of \$3.7 billion and \$2.2 billion, \$10.2 billion from seven fixed income funds, including \$2.5 billion from five India credit funds that were non-management fee earning which are in the process of winding up, \$3.6 billion from two equity funds and \$3.1 billion from a multi-asset fund. Long-term outflows were partially offset by inflows of \$10.6 billion in three fixed income funds, including the \$1.0 billion launch of a closed-end fund, \$5.3 billion in two institutional separate accounts, \$3.1 billion in a multi-asset fund and \$3.0 billion in an equity fund. Additionally, long-term outflows in the equity asset class included \$2.1 billion of exchanges that are included as long-term inflows in the multi-asset asset class.

AUM by sales region was as follows:

(in billions)	June 30, 2022	June 30, 2021	Percent Change
United States	\$ 1,034.3	\$ 1,151.2	(10 %)
International			
Asia-Pacific	131.1	161.1	(19 %)
Europe, Middle East and Africa	133.6	156.2	(14 %)
Americas, excl. U.S.	80.8	83.6	(3 %)
Total international	345.5	400.9	(14 %)
Total	\$ 1,379.8	\$ 1,552.1	(11 %)

Investment Performance Overview

A key driver of our overall success is the long-term investment performance of our investment products. A measure of the performance of these products is the percentage of AUM exceeding peer group medians and benchmarks. We compare the relative performance of our mutual funds against peers, and of our strategy composites against benchmarks.

The performance of our mutual fund products against peer group medians and of our strategy composites against benchmarks is presented in the table below.

as of June 30, 2022	Peer Group Comparison ¹ % of Mutual Fund AUM in Top Two Peer Group Quartiles				Benchmark Comparison ² % of Strategy Composite AUM Exceeding Benchmark			
	1-Year	3-Year	5-Year	10-Year	1-Year	3-Year	5-Year	10-Year
Fixed Income	38 %	38 %	32 %	68 %	18 %	48 %	84 %	95 %
Equity	46 %	27 %	55 %	50 %	41 %	34 %	42 %	40 %
Total AUM ³	52 %	42 %	54 %	50 %	35 %	49 %	69 %	73 %

¹ Mutual fund performance is sourced from Morningstar and measures the percent of ranked AUM in the top two quartiles versus peers. Total mutual fund AUM measured for the 1-, 3-, 5- and 10-year periods represents 37%, 37%, 37% and 35% of our total AUM as of June 30, 2022.

² Strategy composite performance measures the percent of composite AUM beating its benchmark. The benchmark comparisons are based on each account's/composite's (strategy composites may include retail separately managed accounts 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 asset class of the account/composite. Total strategy composite AUM measured for the 1-, 3-, 5- and 10-year periods represents 65%, 64%, 64% and 59% of our total AUM as of June 30, 2022.

³ Total mutual fund AUM includes performance of our alternative and multi-asset funds, and total strategy composite AUM includes performance of our alternative composites. Alternative and multi-asset AUM represent 16% and 10% of our total AUM at June 30, 2022.

Mutual fund performance data includes U.S. and cross-border domiciled mutual funds and exchange-traded funds, and excludes cash management and fund of funds. These results assume the reinvestment of dividends, are based on data available as of July 10, 2022, and are subject to revision.

Past performance is not indicative of future results. For AUM included in institutional and retail separate accounts and investment funds managed in the same strategy as separate accounts, performance comparisons are based on gross-of-fee performance. For investment funds which are not managed in a separate account format, performance comparisons are based on net-of-fee performance. These performance comparisons do not reflect the actual performance of any specific separate account or investment fund; individual separate account and investment fund performance may differ. The information in this presentation is provided solely for use in connection with this document, and is not directed toward existing or potential clients of Franklin.

OPERATING REVENUES

The table below presents the percentage change in each operating revenue category.

(in millions)	Three Months Ended June 30,		Percent Change	Nine Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Investment management fees	\$ 1,636.1	\$ 1,697.3	(4 %)	\$ 5,045.8	\$ 4,836.1	4 %
Sales and distribution fees	335.6	416.9	(20 %)	1,104.0	1,227.4	(10 %)
Shareholder servicing fees	46.9	50.5	(7 %)	146.8	155.6	(6 %)
Other	12.7	8.2	55 %	39.7	25.4	56 %
Total Operating Revenues	\$ 2,031.3	\$ 2,172.9	(7 %)	\$ 6,336.3	\$ 6,244.5	1 %

Investment Management Fees

Investment management fees decreased \$61.2 million for the three months ended June 30, 2022 primarily due to a 6% decrease in average AUM, partially offset by higher performance fees. The decrease in average AUM occurred primarily in the fixed income and equity asset classes, partially offset by an increase in the alternative asset class that includes the acquisition of Lexington.

Investment management fees increased \$209.7 million for the nine months ended June 30, 2022 primarily due to higher performance fees and a 1% increase in average AUM. The increase in average AUM occurred primarily in the alternative and equity asset classes, partially offset by decreases in the fixed income asset class.

Our effective investment management fee rate excluding performance fees (annualized investment management fees excluding performance fees divided by average AUM) increased to 42.3 and 41.8 basis points for the three and nine months ended June 30, 2022, from 41.8 and 41.7 basis points for the same periods in the prior fiscal year. The increases were primarily due to the acquisition of Lexington, partially offset by a shift in assets from higher-fee products to lower-fee products in the fixed income and equity asset classes.

Performance fees were \$119.3 million and \$364.3 million for the three and nine months ended June 30, 2022, and \$102.6 million and \$189.7 million for the same periods in the prior fiscal year, with the increase due to strong performance by our alternative specialist investment managers.

Sales and Distribution Fees

Sales and distribution fees by revenue driver are presented below.

(in millions)	Three Months Ended June 30,		Percent Change	Nine Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Asset-based fees	\$ 272.5	\$ 332.0	(18 %)	\$ 890.5	\$ 971.2	(8 %)
Sales-based fees	59.4	80.9	(27 %)	202.6	240.9	(16 %)
Contingent sales charges	3.7	4.0	(8 %)	10.9	15.3	(29 %)
Sales and Distribution Fees	\$ 335.6	\$ 416.9	(20 %)	\$ 1,104.0	\$ 1,227.4	(10 %)

Asset-based distribution fees decreased \$59.5 million and \$80.7 million for the three and nine months ended June 30, 2022 primarily due to \$44.9 million and \$41.2 million from decreases of 15% and 5% in the related average AUM, and \$9.4 million and \$30.4 million from a higher mix of lower-fee assets.

Sales-based fees decreased \$21.5 million and \$38.3 million for the three and nine months ended June 30, 2022 primarily due to \$22.6 million and \$42.3 million from lower commissionable sales, partially offset by \$1.2 million and \$4.2 million from a higher mix of equity sales, which typically generate higher sales fees than fixed income products.

Other

Other revenue increased \$4.5 million and \$14.3 million for the three and nine months ended June 30, 2022 primarily due to an increase in real estate transaction fees earned by certain of our alternative asset managers.

OPERATING EXPENSES

The table below presents the percentage change in each operating expense category.

(in millions)	Three Months Ended June 30,		Percent Change	Nine Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Compensation and benefits	\$ 766.7	\$ 771.4	(1 %)	\$ 2,321.8	\$ 2,229.2	4 %
Sales, distribution and marketing	440.3	531.0	(17 %)	1,432.8	1,579.3	(9 %)
Information systems and technology	125.9	121.8	3 %	376.6	355.8	6 %
Occupancy	53.8	54.6	(1 %)	163.1	164.1	(1 %)
Amortization of intangible assets	81.8	58.0	41 %	200.5	174.1	15 %
General, administrative and other	158.1	158.0	0 %	416.1	398.5	4 %
Total Operating Expenses	\$ 1,626.6	\$ 1,694.8	(4 %)	\$ 4,910.9	\$ 4,901.0	0 %

Compensation and Benefits

The components of compensation and benefits expenses are presented below.

(in millions)	Three Months Ended June 30,		Percent Change	Nine Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Salaries, wages and benefits	\$ 366.5	\$ 366.7	0 %	\$ 1,078.9	\$ 1,091.1	(1 %)
Incentive compensation	364.3	352.1	3 %	1,136.8	963.2	18 %
Acquisition-related retention	44.2	39.1	13 %	118.4	129.2	(8 %)
Other ¹	(8.3)	13.5	NM	(12.3)	45.7	NM
Compensation and Benefits Expenses	\$ 766.7	\$ 771.4	(1 %)	\$ 2,321.8	\$ 2,229.2	4 %

¹ Includes impact of gains and losses on investments related to deferred compensation plans and seed investments, which is offset in investment and other income (losses), net, minority interests in certain subsidiaries, which is offset in net income (loss) attributable to redeemable noncontrolling interests and special termination benefits.

Salaries, wages and benefits remained flat for the three months ended June 30, 2022 and decreased \$12.2 million for the nine months ended June 30, 2022, as the impact of headcount reductions associated with strategic initiatives and a \$15.5 million decrease in termination benefits for the nine-month period, were substantially offset by salaries, wages and benefits expense due to the acquisitions of Lexington and OSAM.

Incentive compensation increased \$12.2 million for the three months ended June 30, 2022 primarily due to an increase of approximately \$50.0 million at alternative specialist investment managers, including the acquisition of Lexington, partially offset by lower incentive compensation at other specialist investment managers and declines in our sales-based and discretionary incentive expense. Incentive compensation increased \$173.6 million for the nine months ended June 30, 2022 primarily due to a \$142.0 million increase related to higher incentive compensation at the specialist investment managers, driven by higher performance fees and the acquisition of Lexington, and an increase of \$39.1 million in stock and stock unit award amortization.

Acquisition-related retention expenses increased \$5.1 million for the three months ended June 30, 2022, primarily due to the acquisition of Lexington.

Other compensation and benefits was \$(8.3) million and \$13.5 million for the three months ended June 30, 2022 and 2021, and \$(12.3) million and \$45.7 million for the nine months ended June 30, 2022 and 2021. The changes for both periods were primarily related to market adjustments on investments related to our deferred compensation plans and compensation related to minority interests. Special termination benefits also decreased \$3.2 million and \$14.0 million for the three and nine months ended June 30, 2022 primarily due to workforce optimization initiatives related to the acquisition of Legg Mason, Inc. ("Legg Mason") in the prior year periods.

We expect to incur additional acquisition-related retention expenses of approximately \$60 million during the remainder of the current fiscal year, and annual amounts beginning at approximately \$230 million in the fiscal year ending September 30, 2023 and decreasing over the following two fiscal years by approximately \$30 million and \$70 million. At June 30, 2022, our global workforce had decreased to approximately 9,800 employees from approximately 10,600 at June 30, 2021.

Sales, Distribution and Marketing

Sales, distribution and marketing expenses by cost driver are presented below.

(in millions)	Three Months Ended June 30,		Percent Change	Nine Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Asset-based expenses	\$ 367.0	\$ 430.7	(15 %)	\$ 1,182.8	\$ 1,282.3	(8 %)
Sales-based expenses	58.7	79.9	(27 %)	200.4	238.2	(16 %)
Amortization of deferred sales commissions	14.6	20.4	(28 %)	49.6	58.8	(16 %)
Sales, Distribution and Marketing	\$ 440.3	\$ 531.0	(17 %)	\$ 1,432.8	\$ 1,579.3	(9 %)

Asset-based expenses decreased \$63.7 million and \$99.5 million for the three and nine months ended June 30, 2022 primarily due to \$42.0 million and \$33.0 million from decreases of 12% and 3% in related average AUM, and \$23.7 million and \$48.1 million from a higher mix of lower-fee assets. Distribution expenses are generally not directly correlated with distribution fee revenues due to certain fee structures that do not provide full recovery of distribution costs.

Sales-based expenses decreased \$21.2 million and \$37.8 million for the three and nine months ended June 30, 2022 substantially all due to lower commissionable sales.

Information Systems and Technology

Information systems and technology expenses increased \$4.1 million and \$20.8 million for the three and nine months ended June 30, 2022, primarily due to higher costs incurred for consulting and software.

Amortization of intangible assets

Amortization of intangible assets increased \$23.8 million and \$26.4 million for the three and nine months ended June 30, 2022, primarily related to intangible assets recognized as part of the acquisition of Lexington.

General, Administrative and Other

General, administrative and other operating expenses increased \$0.1 million and \$17.6 million for the three and nine months ended June 30, 2022, primarily due increases of \$14.1 million and \$7.8 million in professional fees, largely related to acquisition-related costs, as well as increases of \$10.0 million and \$24.3 million in advertising and promotion expenses primarily related to our global brand campaign and \$12.2 million and \$23.6 million in travel and entertainment expenses. The nine months ended June 30, 2022, also included \$15.7 million of non-recurring costs incurred in connection with the outsourcing of our global transfer agent functions. The increases for both the three- and nine-month periods were partially offset by \$43.0 million of closed-end fund product launch costs incurred in the prior year and the increase for the nine-month period was also partially offset by a net \$7.7 million credit to adjust the fair value of our contingent consideration asset and liabilities recognized in the current year.

OTHER INCOME (EXPENSES)

Other income (expenses) consisted of the following:

(in millions)	Three Months Ended June 30,		Percent Change	Nine Months Ended June 30,		Percent Change
	2022	2021		2022	2021	
Investment and other income, net	\$ 13.0	\$ 52.9	(75 %)	\$ 97.7	\$ 197.2	(50 %)
Interest expense	(28.9)	(25.7)	12 %	(71.1)	(71.3)	0 %
Investment and other income (losses) of consolidated investment products, net	(74.4)	61.0	NM	33.3	263.3	(87 %)
Expenses of consolidated investment products	(1.3)	(10.9)	(88 %)	(10.1)	(26.5)	(62 %)
Other Income (Expenses), Net	\$ (91.6)	\$ 77.3	NM	\$ 49.8	\$ 362.7	(86 %)

Investment and other income, net decreased \$39.9 million and \$99.5 million for the three and nine months ended June 30, 2022 primarily due to the impact of market declines in the current year periods.

Equity method investees generated net losses of \$0.1 million for the three months ended June 30, 2022, as compared to income of \$39.4 million in the prior year, and for the nine-month periods generated income of \$51.6 million and \$123.8 million, largely related to various global equity and alternative funds. The nine-month period in the current year also reflects a \$52.6 million gain recognized on the sale of our investment in Embark.

Investments held by the Company generated net losses of \$35.6 million and \$32.9 million for the three and nine months ended June 30, 2022, as compared to net gains of \$17.3 million and \$76.2 million in the prior year periods, primarily from investments in nonconsolidated funds and separate accounts and assets invested for deferred compensation plans, partially offset by net gains from investments measured at cost adjusted for observable price changes.

Net foreign currency exchange gains were \$14.5 million and \$24.2 million for the three and nine months ended June 30, 2022, as compared to net losses of \$7.2 million and \$17.2 million for the three and nine months ended June 30, 2021. The increases were primarily due to the impact of the strengthening of the U.S. dollar against the Euro and British Pound.

Derivatives generated \$17.5 million and \$15.2 million of gains for the three and nine months ended June 30, 2022 as compared to losses of \$9.1 million and \$25.2 million in the prior year periods.

Interest expense increased \$3.2 million for the three months ended June 30, 2022 and decreased \$0.2 million for the nine months ended June 30, 2022. The increase for the three-month period was primarily due to \$6.1 million of accretion on the Lexington deferred consideration and \$3.1 million of interest expense recognized on the senior unsecured unsubordinated notes issued in August 2021, offset in part by a \$6.8 million decrease due to the redemption in September 2021 of the junior notes issued by Legg Mason.

Investments held by consolidated investment products ("CIPs") generated losses of \$78.5 million and \$4.0 million in the three and nine months ended June 30, 2022, as compared to gains of \$33.2 million and \$182.8 million in the prior year periods, largely related to losses on holdings of various equity, fixed income and alternative funds for the three month-period, and losses on holdings of various equity and fixed income funds, partially offset by higher gains on holdings of various alternative funds for the nine-month period. Dividend and interest income of CIPs was \$4.1 million and \$37.3 million for the three and nine months ended June 30, 2022, as compared to \$27.8 million and \$80.5 million in the prior year periods.

Expenses of consolidated investments products decreased \$9.6 million and \$16.4 million for the three- and nine- months ended June 30, 2022, primarily due to lower expenses incurred by an alternative fund.

Our cash, cash equivalents and investments portfolio by asset class and accounting classification at June 30, 2022, excluding third-party assets of CIPs, was as follows:

(in millions)	Accounting Classification ¹				Direct Investments in CIPs	Total
	Cash and Cash Equivalents	Investments at Fair Value	Equity Method Investments	Other Investments		
Cash and Cash Equivalents	\$ 3,806.3	\$ —	\$ —	\$ —	\$ —	\$ 3,806.3
Investments						
Alternative	—	99.0	517.9	65.7	478.0	1,160.6
Equity	—	315.3	191.0	150.0	139.1	795.4
Fixed Income	—	206.2	22.0	37.5	269.5	535.2
Multi-Asset	—	40.3	13.6	—	75.0	128.9
Total investments	—	660.8	744.5	253.2	961.6	2,620.1
Total Cash and Cash Equivalents and Investments^{2,3}	\$ 3,806.3	\$ 660.8	\$ 744.5	\$ 253.2	\$ 961.6	\$ 6,426.4

¹ See Note 1 – Significant Accounting Policies in the notes to consolidated financial statements in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2021 for information on investment accounting classifications.

² Total cash and cash equivalents and investments includes \$3,620.8 million used for operational activities, including investments in sponsored funds and other products, and \$229.7 million necessary to comply with regulatory requirements.

³ Total cash and cash equivalents and investments includes \$308.7 million attributable to employee-owned and other third-party investments made through partnerships which are offset in nonredeemable noncontrolling interests.

TAXES ON INCOME

Our effective income tax rate was 28.6% and 23.6% for the three and nine months ended June 30, 2022, as compared to 15.1% and 20.8% for the three and nine months ended June 30, 2021. The rate increase for three-month period was primarily due to net losses on investments held by CIPs for which there are no related tax benefits, benefits in the prior year from the release of the valuation allowance for interest expense carryforward and a decrease in foreign earnings. The rate increase for the nine-month period was primarily due to a decrease in foreign earnings.

Our effective income tax rate reflects the relative contributions of earnings in the jurisdictions in which we operate, which have varying tax rates. Changes in our pre-tax income mix, tax rates or tax legislation in such jurisdictions may affect our effective income tax rate and net income.

SUPPLEMENTAL NON-GAAP FINANCIAL MEASURES

As supplemental information, we are providing performance measures for “adjusted operating income,” “adjusted operating margin,” “adjusted net income” and “adjusted diluted earnings per share,” each of which is based on methodologies other than generally accepted accounting principles (“non-GAAP measures”). Management believes these non-GAAP measures are useful indicators of our financial performance and may be helpful to investors in evaluating our relative performance against industry peers as these measures exclude the impact of CIPs and mitigate the margin variability related to sales and distribution revenues and expenses across multiple distribution channels globally. These measures also exclude performance-based investment management fees which are fully passed through as compensation and benefits expense per the terms of certain acquisitions and have no impact on net income. These measures also exclude acquisition-related expenses, certain items which management considers to be nonrecurring, unrealized investment gains and losses included in investment and other income (losses), net, and the related income tax effect of these adjustments, as applicable. These measures also exclude the impact on compensation and benefits expense from arrangements which are offset in investment and other income (loss), net or net income (loss) attributable to noncontrolling interests.

“Adjusted operating income,” “adjusted operating margin,” “adjusted net income” and “adjusted diluted earnings per share” are defined below, followed by reconciliations of operating income, operating margin, net income attributable to Franklin Resources, Inc. and diluted earnings per share on a U.S. GAAP basis to these non-GAAP measures. Non-GAAP measures should not be considered in isolation from, or as substitutes for, any financial information prepared in accordance with U.S. GAAP, and may not be comparable to other similarly titled measures of other companies. Additional reconciling items may be added in the future to these non-GAAP measures if deemed appropriate.

Adjusted Operating Income

We define adjusted operating income as operating income adjusted to exclude the following:

- Elimination of operating revenues upon consolidation of investment products.
- Acquisition-related retention compensation.
- Impact on compensation and benefits expense from gains and losses on investments related to deferred compensation plans and seed investments, which is offset in investment and other income (losses), net.
- Other acquisition-related expenses including professional fees, technology costs and fair value adjustments related to contingent consideration assets and liabilities.
- Amortization and impairment of intangible assets, if any.
- Special termination benefits related to workforce optimization initiatives related to past acquisitions and specific initiatives announced by the Company.
- Impact on compensation and benefits expense related to minority interests in certain subsidiaries, which is offset in net income (loss) attributable to redeemable noncontrolling interests.

Adjusted Operating Margin

We calculate adjusted operating margin as adjusted operating income divided by adjusted operating revenues. We define adjusted operating revenues as operating revenues adjusted to exclude the following:

- Acquisition-related performance-based investment management fees which are passed through as compensation and benefits expense.
- Sales and distribution fees and a portion of investment management fees allocated to cover sales, distribution and marketing expenses paid to the financial advisers and other intermediaries who sell our funds on our behalf.
- Elimination of operating revenues upon consolidation of investment products.

Adjusted Net Income

We define adjusted net income as net income attributable to Franklin Resources, Inc. adjusted to exclude the following:

- Activities of CIPs, including investment and other income (losses), net, and income (loss) attributable to noncontrolling interests, net of revenues eliminated upon consolidation of investment products.
- Acquisition-related retention compensation.
- Other acquisition-related expenses including professional fees, technology costs and fair value adjustments related to contingent consideration assets and liabilities.
- Amortization and impairment of intangible assets, if any.
- Special termination benefits related to workforce optimization initiatives related to past acquisitions and specific initiatives announced by the Company.
- Net gains or losses on investments related to deferred compensation plans which are not offset by compensation and benefits expense.
- Unrealized investment gains and losses other than those that are offset by compensation and benefits expense.

- Interest expense for amortization of Legg Mason debt premium from acquisition-date fair value adjustment.
- Net compensation and benefits expense related to minority interests in certain subsidiaries not offset by net income (loss) attributable to redeemable noncontrolling interests.
- Net income tax expense of the above adjustments based on the respective blended rates applicable to the adjustments.

Adjusted Diluted Earnings Per Share

We define adjusted diluted earnings per share as diluted earnings per share adjusted to exclude the per share impacts of the adjustments applied to net income in calculating adjusted net income.

In calculating adjusted operating income, adjusted operating margin, adjusted net income and adjusted diluted earnings per share, we adjust for activities of CIPs because the impact of consolidated products is not considered reflective of the underlying results of our operations. We adjust for acquisition-related retention compensation, other acquisition-related expenses, amortization and impairment of intangible assets, if any, and interest expense for amortization of the Legg Mason debt premium to facilitate comparability of our operating results with the results of other asset management firms. We adjust for special termination benefits related to workforce optimization initiatives related to past acquisitions and specific initiatives announced by the Company because these items are deemed nonrecurring. In calculating adjusted net income and adjusted diluted earnings per share, we adjust for unrealized investment gains and losses included in investment and other income (losses), net, net compensation and benefits expense related to minority interests in certain subsidiaries not offset by net income

(loss) attributable to redeemable noncontrolling interests because these items relate to profits interest shares and net gains or losses on investments related to deferred compensation plans which are not offset by compensation and benefits expense because these items primarily relate to seed and strategic investments which have been and are generally expected to be held long term.

The calculations of adjusted operating income, adjusted operating margin, adjusted net income and adjusted diluted earnings per share are as follows:

(in millions)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Operating income	\$ 404.7	\$ 478.1	\$ 1,425.4	\$ 1,343.5
Add (subtract):				
Elimination of operating revenues upon consolidation of investment products ¹	13.0	5.2	38.5	16.7
Acquisition-related retention	44.2	39.1	118.4	129.2
Compensation and benefits expense from gains (losses) on deferred compensation and seed investments, net	(19.3)	9.6	(30.4)	23.9
Other acquisition-related expenses	31.5	7.3	58.9	23.0
Amortization of intangible assets	81.8	58.0	200.5	174.1
Special termination benefits	0.7	3.9	7.8	21.8
Compensation and benefits expense related to minority interests in certain subsidiaries	10.3	—	10.3	—
Adjusted operating income	\$ 566.9	\$ 601.2	\$ 1,829.4	\$ 1,732.2
Total operating revenues	\$ 2,031.3	\$ 2,172.9	\$ 6,336.3	\$ 6,244.5
Add (subtract):				
Acquisition-related pass through performance fees	—	—	(0.4)	(25.3)
Sales and distribution fees	(335.6)	(416.9)	(1,104.0)	(1,227.4)
Allocation of investment management fees for sales, distribution and marketing expenses	(104.7)	(114.1)	(328.8)	(351.9)
Elimination of operating revenues upon consolidation of investment products ¹	13.0	5.2	38.5	16.7
Adjusted operating revenues	\$ 1,604.0	\$ 1,647.1	\$ 4,941.6	\$ 4,656.6
Operating margin	19.9%	22.0%	22.5%	21.5%
Adjusted operating margin	35.3%	36.5%	37.0%	37.2%

(in millions, except per share data)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Net income attributable to Franklin Resources, Inc.	\$ 256.4	\$ 438.4	\$ 1,059.2	\$ 1,165.5
Add (subtract):				
Net (income) loss of consolidated investment products ¹	(6.8)	(0.6)	3.3	14.3
Acquisition-related retention	44.2	39.1	118.4	129.2
Other acquisition-related expenses	37.6	7.2	65.4	21.0
Amortization of intangible assets	81.8	58.0	200.5	174.1
Special termination benefits	0.7	3.9	7.8	21.8
Net (gains) losses on deferred compensation plan investments not offset by compensation and benefits expense	6.1	(0.9)	8.6	(2.3)
Unrealized investment losses (gains)	45.7	(30.1)	117.8	(186.6)
Interest expense for amortization of debt premium	(6.3)	(6.4)	(18.9)	(29.3)
Net compensation and benefits expense related to minority interests in certain subsidiaries not offset by net income (loss) attributable to redeemable noncontrolling interests	0.5	—	0.5	—
Net income tax expense of adjustments	(43.9)	(14.9)	(101.4)	(37.1)
Adjusted net income	\$ 416.0	\$ 493.7	\$ 1,461.2	\$ 1,270.6
Diluted earnings per share	\$ 0.50	\$ 0.86	\$ 2.07	\$ 2.27
Adjusted diluted earnings per share	0.82	0.96	2.86	2.48

¹ The impact of CIPs is summarized as follows:

(in millions)	Three Months Ended June 30,		Nine Months Ended June 30,	
	2022	2021	2022	2021
Elimination of operating revenues upon consolidation	\$ (13.0)	\$ (5.2)	\$ (38.5)	\$ (16.7)
Other income (expenses), net	(33.6)	13.1	48.8	129.0
Less: income (loss) attributable to noncontrolling interests	(53.4)	7.3	13.6	126.6
Net income (loss)	\$ 6.8	\$ 0.6	\$ (3.3)	\$ (14.3)

LIQUIDITY AND CAPITAL RESOURCES

Cash flows were as follows:

(in millions)	Nine Months Ended June 30,	
	2022	2021
Operating cash flows	\$ 1,090.3	\$ 739.3
Investing cash flows	(2,679.9)	(1,936.0)
Financing cash flows	1,489.2	1,542.9

Net cash provided by operating activities increased during the nine months ended June 30, 2022 primarily due to adjustments for losses from CIPs as compared to gains in the prior year, increases in acquisition-related accrued compensation and benefits, lower net purchases of investments by CIPs and net losses on investments as compared to net gains in the prior year, partially offset by lower net income. Net cash used in investing activities increased primarily due to cash paid for acquisitions in the current year, partially offset by net liquidations of our investments as compared to net purchases in the prior year. Net cash provided by financing activities decreased primarily due to proceeds from the issuance of debt in the prior year, partially offset by higher net proceeds from the debt of CIPs.

The assets and liabilities of CIPs attributable to third-party investors do not impact our liquidity and capital resources. We have no right to the CIPs' assets, other than our direct equity investment in them and investment management and other fees earned from them. The debt holders of the CIPs have no recourse to our assets beyond the level of our direct investment, therefore we bear no other risks associated with the CIPs' liabilities. Accordingly, the assets and liabilities of CIPs, other than our direct investments in them, are excluded from the amounts and discussion below.

Our liquid assets and debt consisted of the following:

<i>(in millions)</i>	June 30, 2022	September 30, 2021
Assets		
Cash and cash equivalents	\$ 3,697.5	\$ 4,357.8
Receivables	1,236.0	1,300.4
Investments	859.5	1,042.2
Total Liquid Assets	\$ 5,793.0	\$ 6,700.4
Liability		
Debt	\$ 3,382.2	\$ 3,399.4

Liquidity

Liquid assets consist of cash and cash equivalents, receivables and certain investments. Cash and cash equivalents at June 30, 2022 primarily consist of money market funds and deposits with financial institutions. Liquid investments consist of investments in sponsored and other funds, direct investments in redeemable CIPs, other equity and debt securities, and time deposits with maturities greater than three months.

We utilize a significant portion of our liquid assets to satisfy operational and regulatory requirements and fund capital contributions to sponsored and other products. Certain of our subsidiaries are required by our internal policy or regulation to maintain minimum levels of cash and/or capital, and may be restricted in their ability to transfer cash to their parent companies. Should we require more capital than is available for use, we could elect to reduce the level of discretionary activities, such as share repurchases or investments in sponsored and other products, we could raise capital through debt or equity issuances, or utilize existing or new credit facilities. These alternatives could result in increased interest expense, decreased dividend or interest income, or other dilution to our earnings.

Capital Resources

We believe that we can meet our present and reasonably foreseeable operating cash needs and future commitments through existing liquid assets, continuing cash flows from operations, amounts available under the credit facility discussed below, the ability to issue debt or equity securities and borrowing capacity under our uncommitted commercial paper private placement program.

On January 10, 2022, the Company entered into a bi-lateral credit agreement with Bank of America, N.A. to establish a 364 day revolving credit facility with an aggregate commitment of \$500.0 million. As of the time of this filing, there were no amounts outstanding.

In prior fiscal years, we issued senior unsecured unsubordinated notes for general corporate purposes and to redeem outstanding notes. At June 30, 2022, Franklin's outstanding senior notes had an aggregate principal amount due of \$1,900.0 million. The notes have fixed interest rates from 1.600% to 2.950% with interest paid semi-annually and have an aggregate carrying value, inclusive of unamortized discounts and debt issuance costs, of \$1,882.7 million. We are considering repaying the \$300.0 million 2.800% senior notes due September 2022 by refinancing or using existing cash. At June 30, 2022, Legg Mason's outstanding senior notes had an aggregate principal amount due of \$1,250.0 million. The notes have fixed interest rates from 3.950% to 5.625% with interest payable semi-annually for senior notes, and have an aggregate carrying value, inclusive of unamortized premium and debt issuance costs, of \$1,499.5 million at June 30, 2022. Effective August 2, 2021, Franklin agreed to unconditionally and irrevocably guarantee all of the outstanding notes issued by Legg Mason.

The senior notes contain an optional redemption feature that allows us to redeem each series of notes prior to maturity in whole or in part at any time, at a make-whole redemption price. The indentures governing the senior notes contain limitations on our ability and the ability of our subsidiaries to pledge voting stock or profit participating equity interests in our subsidiaries to secure other debt without similarly securing the notes equally and ratably. In addition, the indentures include requirements that must be met if we consolidate or merge with, or sell all of our assets to, another entity. We were in compliance with all debt covenants at June 30, 2022.

At June 30, 2022, we had \$500.0 million of short-term commercial paper available for issuance under an uncommitted private placement program which has been inactive since 2012 and is unrated.

Our ability to access the capital markets in a timely manner depends on a number of factors, including our credit rating, the condition of the global economy, investors' willingness to purchase our securities, interest rates, credit spreads and the valuation levels of equity markets. If we are unable to access capital markets in a timely manner, our business could be adversely impacted.

Uses of Capital

We expect that our main uses of cash will be to invest in and grow our business including through acquisitions, pay stockholder dividends, invest in our products, pay income taxes and operating expenses of the business, enhance technology infrastructure and business processes, repurchase shares of our common stock, and repay and service debt. While we expect to continue to repurchase shares to offset dilution from share-based compensation, and expect to continue to repurchase shares opportunistically from time to time, we will likely spend more of our post-dividend free cash flow investing in our business, including seed capital and acquiring resources to help grow our investment teams and operations.

On November 15, 2021, we entered into an agreement with FIS, a financial technology leader, to assume operation of the Company's global transfer agent function as a sub-agent or delegate, depending on the jurisdiction. We will incur transfer agent expenses for the services provided by FIS which will be recorded gross of shareholder servicing revenue earned from the funds.

We typically declare cash dividends on a quarterly basis, subject to approval by our Board of Directors. We declared regular dividends of \$0.87 per share during the nine months ended June 30, 2022 and \$0.84 per share during the nine months ended June 30, 2021. We currently expect to continue paying comparable regular dividends on a quarterly basis to holders of our common stock depending upon earnings and other relevant factors.

We maintain a stock repurchase program to manage our equity capital with the objective of maximizing shareholder value. Our stock repurchase program is effected through open-market purchases and private transactions in accordance with applicable laws and regulations, and is not subject to an expiration date. The size and timing of these purchases will depend on business conditions, price, market and other factors. During the three and nine months ended June 30, 2022, we repurchased 2.0 million and 5.4 million shares of our common stock at a cost of \$51.0 million and \$153.5 million. At June 30, 2022, 25.4 million shares remained available for repurchase under the authorization of 80.0 million shares approved by our Board of Directors in April 2018. During the three and nine months ended June 30, 2021, we repurchased 1.4 million and 5.2 million shares of our common stock at a cost of \$46.4 million and \$137.8 million.

We invested \$19.7 million and \$199.2 million, net of redemptions, into our sponsored products during the nine months ended June 30, 2022 and 2021.

On May 31, 2022, we entered into an acquisition agreement to acquire all of the outstanding ownership interests in BNY Alcentra Group Holdings, Inc. from BNY Mellon for cash consideration of approximately \$350 million to be paid at closing and up to \$350 million in contingent consideration to be paid upon the achievement of certain performance thresholds over the next four years. The acquisition is expected to be funded from our existing balance sheet resources.

On April 1, 2021, we acquired all of the outstanding ownership interests in Lexington, a leading global manager of secondary private equity and co-investment funds, for cash consideration of approximately \$1.0 billion, excluding future payments to be made subject to the attainment of certain performance measures. In connection with the acquisition, we granted a 25% profits interest in Lexington and performance-based cash retention awards that both vest over approximately five years. We paid the purchase price from our existing cash.

On December 31, 2021, we acquired all of the outstanding ownership interests in OSAM, a leading quantitative asset management firm, for cash consideration of approximately \$300 million, excluding future payments to be made subject to the attainment of certain performance measures. We paid the purchase price from our existing cash.

The funds that we manage have their own resources available for purposes of providing liquidity to meet shareholder redemptions, including securities that can be sold or provided to investors as in-kind redemptions, and lines of credit. Increased liquidity risks and redemptions have required, and may continue to require, increased cash in the form of loans or other lines of credit to help settle redemptions and for other related purposes. While we have no legal or contractual obligation to do so, we have in certain instances voluntarily elected to provide the funds with direct or indirect financial support based on our business objectives. During the fiscal year ended September 30, 2020, the Company authorized loans to certain sponsored funds in India that experienced increased liquidity risks and redemptions. The loans were fully repaid during the second quarter of fiscal year 2021. See Note 16 – Commitments and Contingencies in the notes to consolidated financial statements in Item 8 of Part II of our Annual Report on Form 10-K for fiscal year 2021 for further information. We did not provide financial or other support to our sponsored funds during the nine months ended June 30, 2022.

CRITICAL ACCOUNTING POLICIES

Our consolidated financial statements and accompanying notes are prepared in accordance with accounting principles generally accepted in the United States of America, which require the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. These estimates, judgments and assumptions are affected by our application of accounting policies. Further, global concerns about the the global economic growth outlook and the risk of a recession as well as the ongoing COVID-19 pandemic have adversely affected, and may continue to adversely affect, our business, financial condition and results of operations including the estimates and assumptions made by management. Actual results could differ from the estimates. The following are updates to our critical accounting policies disclosed in Management’s Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for fiscal year 2021.

Consolidation

We consolidate our subsidiaries and investment products in which we have a controlling financial interest. We have a controlling financial interest when we own a majority of the voting interest in a voting interest entity or are the primary beneficiary of a variable interest entity (“VIE”). Our VIEs are primarily investment products and our variable interests consist of our equity ownership interests in and investment management fees earned from these products. As of June 30, 2022, we were the primary beneficiary of 51 investment product VIEs.

Business Combinations

Business combinations are accounted for by recognizing the acquired assets, including separately identifiable intangible assets, and assumed liabilities at their acquisition-date estimated fair values. Any excess of the purchase consideration over the acquisition-date fair values of these identifiable assets and liabilities is recognized as goodwill. Goodwill and indefinite-lived intangible assets are tested for impairment annually and when an event occurs or circumstances change that more likely than not reduce the fair value of the related reporting unit or indefinite-lived intangible asset below its carrying value. Definite-lived intangible assets are tested for impairment quarterly.

Subsequent to the annual impairment tests performed as of August 1, 2021, we monitored both macroeconomic and entity-specific factors, including changes in our AUM to determine whether circumstances have changed that would more likely than not reduce the fair value of the reporting unit below its carrying value or indicate that the indefinite-lived intangible assets might be impaired. We also monitored fluctuations of our common stock per share price to evaluate our market capitalization relative to the reporting unit as a whole. During the nine months ended June 30, 2022, there were no events or circumstances which would indicate that goodwill, indefinite-lived intangible assets or definite-lived intangible assets might be impaired.

While we believe that the assumptions used to estimate fair value in our impairment tests are reasonable and appropriate, future changes in the assumptions could result in recognition of impairment.

Fair Value Measurements

A substantial amount of our investments are recorded at fair value or amounts that approximate fair value on a recurring basis. We use a three-level fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value based on whether the inputs to those valuation techniques are observable or unobservable.

As of June 30, 2022, Level 3 assets represented 10% of total assets measured at fair value, which primarily related to CIPs’ investments in equity and debt securities. There were insignificant transfers into and out of Level 3 during the nine months ended June 30, 2022.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

During the nine months ended June 30, 2022, there were no material changes from the market risk disclosures in our Form 10-K for the fiscal year ended September 30, 2021.

Item 4. Controls and Procedures.

The Company's management evaluated, with the participation of the Company's principal executive and principal financial officers, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of June 30, 2022. Based on their evaluation, the Company's principal executive and principal financial officers concluded that the Company's disclosure controls and procedures as of June 30, 2022 were designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the Company's fiscal quarter ended June 30, 2022, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

For a description of our legal proceedings, please see the description set forth in the “Legal Proceedings” section in Note 11 – Commitments and Contingencies in the notes to consolidated financial statements in Item 1 of Part I of this Form 10-Q, which is incorporated herein by reference.

Item 1A. Risk Factors.

The following Risk Factor disclosure supplements the discussion of our Risk Factors previously disclosed in our Annual Report on Form 10-K for fiscal year 2021. The Risk Factors disclosed in our Annual Report on Form 10-K for fiscal year 2021 and the Risk Factor below could materially and adversely affect our business, financial condition and results of operations, and our business also could be impacted by other risk factors that are not presently known to us or that we currently consider to be immaterial. Further, our disclosure of a risk should not be interpreted to imply that the risk has not already developed or materialized.

Volatility and disruption of our business and financial markets and adverse changes in the global economy may significantly affect our results of operations and put pressure on our financial results.

We derive substantially all of our operating revenues and income from providing investment management and related services to investors in jurisdictions worldwide through our investment products, which include our funds, as well as institutional and high-net-worth separate accounts, retail separately managed account programs, sub-advised products, and other investment vehicles. In addition to investment management, our services include fund administration, sales and distribution, and shareholder servicing. We may perform services directly or through third parties. The asset management industry continues to experience disruption and challenges, including increased fee pressure, regulatory changes, an increasing and changing role of technology in asset management services, the continuous introduction of new products and services, and the consolidation of financial services firms through mergers and acquisitions. Further, financial markets have and may continue, from time to time, to experience volatility and disruption worldwide. Declines in global economic conditions have in the past resulted in significant decreases in our AUM, revenues and income, and future declines may further negatively impact our financial results. Such declines have had, and may in the future have, a material adverse impact on our business. We may need to modify our business, strategies or operations and we may be subject to additional constraints or costs in order to compete in a changing global economy and business environment.

Individual financial, equity, debt and commodity markets may be adversely affected by financial, economic, political, electoral, diplomatic or other instabilities that are particular to the country or region in which a market is located, including without limitation local acts of terrorism, economic crises, political protests, war, insurrection or other business, social or political crises. For example, the Russian invasion of Ukraine, and the threat that Russia’s military aggression may expand beyond Ukraine, has significantly impacted the global economy and financial markets, which has had, and may continue to have, an adverse effect on our investment performance and flows in certain products. Global economic conditions, exacerbated by war, terrorism, social, civil or political unrest, natural disasters, public health crises, such as epidemics or pandemics, or financial crises, changes in the equity, debt or commodity marketplaces, changes in currency exchange rates, interest rates, inflation rates, the yield curve, defaults by trading counterparties, bond defaults, revaluation and bond market liquidity risks, geopolitical risks, the imposition of economic sanctions and other factors that are difficult to predict, affect the mix, market values and levels of our AUM. Changing market conditions could also cause an impairment to the value of our goodwill and other intangible assets.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table provides information with respect to the shares of our common stock that we repurchased during the three months ended June 30, 2022.

Month	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
April 2022	580,651	\$ 26.40	580,651	26,873,739
May 2022	1,039,302	24.68	1,039,302	25,834,437
June 2022	404,784	24.75	404,784	25,429,653
Total	2,024,737		2,024,737	

Under our stock repurchase program, which is not subject to an expiration date, we can repurchase shares of our common stock from time to time in the open market and in private transactions in accordance with applicable laws and regulations, including without limitation applicable federal securities laws. In order to pay taxes due in connection with the vesting of employee and executive officer stock and stock unit awards, we may repurchase shares under our program using a net stock issuance method. In April 2018, we announced that our Board of Directors authorized the repurchase of up to 80.0 million additional shares of our common stock under the stock repurchase program.

Item 6. Exhibits.

The exhibits listed on the Exhibit Index to this Form 10-Q are incorporated herein by reference.

EXHIBIT INDEX

Exhibit No.	Description
3.1	Certificate of Incorporation of Registrant, as filed November 28, 1969, incorporated by reference to Exhibit (3)(i) to our Annual Report on Form 10-K for the fiscal year ended September 30, 1994 (File No. 001-09318) (the “1994 Annual Report”)
3.2	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed March 1, 1985, incorporated by reference to Exhibit 3(ii) to the 1994 Annual Report
3.3	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed April 1, 1987, incorporated by reference to Exhibit 3(iii) to the 1994 Annual Report
3.4	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed February 2, 1994, incorporated by reference to Exhibit 3(iv) to the 1994 Annual Report
3.5	Certificate of Amendment of Certificate of Incorporation of Registrant, as filed February 4, 2005, incorporated by reference to Exhibit (3)(i)(e) to our Quarterly Report on Form 10-Q for the period ended December 31, 2004 (File No. 001-09318)
3.6	Amended and Restated Bylaws of Registrant (as adopted and effective June 29, 2021), incorporated by reference to Exhibit 3.1 to our Current Report on Form 8-K filed on July 1, 2021 (File No. 001-09318)
10.1	1998 Employee Stock Investment Plan (as amended and restated effective June 21, 2022) (filed herewith)*
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith)
101	The following materials from Registrant’s Quarterly Report on Form 10-Q for the quarter ended June 30, 2022, formatted in Inline Extensible Business Reporting Language (iXBRL), include: (i) the Consolidated Statements of Income, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Stockholders’ Equity, (v) the Consolidated Statements of Cash Flows, and (vi) related notes (filed herewith)
104	Cover Page Interactive Data File (formatted in iXBRL and contained in Exhibit 101)

* Management contract or compensatory plan or arrangement

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FRANKLIN RESOURCES, INC.

Date: July 28, 2022

By: /s/ Matthew Nicholls
Matthew Nicholls
Executive Vice President, Chief Financial Officer and Chief Operating Officer

Date: July 28, 2022

By: /s/ Gwen L. Shaneyfelt
Gwen L. Shaneyfelt
Chief Accounting Officer

FRANKLIN RESOURCES, INC.

1998 EMPLOYEE STOCK INVESTMENT PLAN

As Amended and Restated effective as of June 21, 2022

The following constitute the provisions of the 1998 Employee Stock Investment Plan of Franklin Resources, Inc.

1. Purpose. The purpose of the Plan is to provide Eligible Employees of the Company and its Designated Parents, Subsidiaries or Affiliates with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. This Plan includes two components: a Code Section 423 Component (the "423 Component") and a non-Code Section 423 Component (the "Non-423 Component"). It is the intention of the Company to have the 423 Component qualify as an "Employee Stock Investment Plan" under Section 423 of the Code and the applicable regulations thereunder. The provisions of the Plan, accordingly, shall be construed so as to extend and limit participation in the 423 Component in a manner consistent with the requirements of that section of the Code. Except as otherwise indicated or determined by the Plan Administrator pursuant to the terms hereof, the Non-423 Component will operate and be administered in the same manner as the 423 Component.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Affiliate" shall mean any corporation or other entity affiliated with the Company or in which the Company has an interest.

(b) "Applicable Laws" means the legal requirements relating to the administration of employee stock investment plans, if any, under applicable provisions of federal securities laws, state corporate and securities laws, the Code and the applicable regulations thereunder, the rules of any applicable stock exchange or national market system, and the rules of any foreign jurisdiction applicable to participation in the Plan by residents therein.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Common Stock" means the common stock of the Company.

(f) "Company" means Franklin Resources, Inc., a Delaware corporation.

(g) "Compensation" means an Eligible Employee's (1) base salary including paid time off and overtime (whether such amount is reflected by one amount or several separate components making up an aggregate amount), (2) commissions, and (3) discretionary cash bonuses (paid annually, semi-annually or quarterly), in each case as received from the Company or one (1) or more Designated Parents, Subsidiaries or Affiliates, including such amounts of base salary, commissions and cash bonuses as are deferred by the Eligible Employee (i) under a qualified cash or deferred arrangement described in Section 401(k) of the Code, or (ii) to a plan qualified under Section 125 of the Code. Compensation does **not** include other cash bonuses, restricted stock awards, other annual awards, other incentive payments, reimbursements or other expense allowances, fringe benefits (cash or noncash), moving expenses, other deferred compensation, profit sharing or other employer matching contributions (other than employee deferral contributions described in the first sentence) made on the Eligible Employee's behalf by the Company or one (1) or more Designated Parents, Subsidiaries or Affiliates under any employee benefit or welfare plan now or hereafter established, and any other payments not specifically referenced in the first sentence.

(h) "Corporate Transaction" means any of the following stockholder-approved transactions to which the Company is a party:

(1) a merger or consolidation in which the Company is not the surviving entity, except for a transaction the principal purpose of which is to change the state in which the Company is incorporated;

(2) the sale, transfer or other disposition of all or substantially all of the assets of the Company (including the capital stock of the Company's subsidiary corporations) in connection with complete liquidation or dissolution of the Company; or

(3) any reverse merger in which the Company is the surviving entity, but in which securities possessing more than fifty percent (50%) of the total combined voting power of the Company's outstanding securities are transferred to a person or persons different from those who held such securities immediately prior to such merger.

(i) "Designated Parents or Subsidiaries" means the Parents or Subsidiaries which have been designated by the Plan Administrator from time to time as eligible to participate in the 423 Component.

(j) "Designated Affiliate" shall mean any Affiliate selected by the Plan Administrator as eligible to participate in the Non-423 Component.

(k) "Eligible Employee" means any individual, including an officer or director, who is (i) an employee of the Company or a Designated Parent or Subsidiary for purposes of Section 423 of the Code or (ii) treated as an active employee in the records of any Designated Affiliate other than an individual who, as of the commencement of a Purchase Period, resides in a country that has been specifically excluded from participation in the Non-423 Component at the discretion of the Plan Administrator. For purposes of the Plan, the employment relationship shall be treated as continuing intact while the individual is on a Leave of Absence. Where the period of leave exceeds three (3) months and the individual's right to reemployment is not guaranteed either by statute or by contract, the employment relationship will be deemed to have terminated on the day that is three (3) months and one (1) day of such leave for purposes of determining eligibility to participate in the Plan. Unless otherwise determined by the Plan Administrator, the employment relationship shall be treated as continuing intact where an Eligible Employee transfers employment from one Designated Parent, Designated Subsidiary or Designated Affiliate to another, provided, however, that to be eligible to participate in the 423 Component, the Participant must be employed by a Designated Parent or Designated Subsidiary on the commencement of a Purchase Period and through a date that is at least three (3) months prior to the Exercise Date. The Plan Administrator may in its discretion establish rules to govern other such transfers consistent with the applicable requirements of Section 423 of the Code.

(l) "Enrollment Date" means the first day of each Purchase Period.

(m) "Exercise Date" means the last day of each Purchase Period.

(n) "Fair Market Value" means, as of any date, the closing price of the Common Stock on the New York Stock Exchange Composite Tape on such date. In the event such date is not a Market Trading Day, then such closing price for the next Market Trading Day immediately following such date shall be used.

(o) "Leave of Absence" means the following types of unpaid or reduced pay leaves of absence authorized by the Participant's employer: pregnancy leave and/or parental leave, bereavement leave, compassionate care leave, family responsibility or family medical leave, emergency leave, sick or medical leave, or any other similar leave of absence as approved by the Company.

(p) "Market Trading Day" means a day on which the New York Stock Exchange is open for trading and the Company's Common Stock was traded on such date.

(q) "Offering" means an offer under the Plan of an option that may be exercised during a Purchase Period as further described in Section 4. Unless otherwise specified by the Plan Administrator, each Offering to the Eligible Employees of the Company, a Designated Subsidiary or a Designated Affiliate shall be deemed a separate Offering (the terms of which Offering under the Non-423 Component need not be identical), even if the dates and other terms of each such Offering are identical, and the provisions of the Plan will separately

apply to each Offering. To the extent permitted by U.S. Treasury Regulation Section 1.423-2(a)(1), the terms of each separate Offering under the Section 423 Component need not be identical, provided that the terms of the Plan and an Offering together satisfy U.S. Treasury Regulation Section 1.423-2(a)(2) and (a)(3).

(r) “Parent” means a “parent corporation” of the Company, whether now or hereafter existing, as defined in Section 424(e) of the Code.

(s) “Participant” means an Eligible Employee of the Company or Designated Parent or Subsidiary or Designated Affiliate who has completed a subscription agreement as set forth in Section 5(a) and is thereby enrolled in the Plan.

(t) “Plan” means this 1998 Employee Stock Investment Plan, as amended and restated.

(u) “Plan Administrator” means, separately and not jointly, the Board, the Compensation Committee of the Board, and the duly appointed executive officers of the Company, each of whom shall have the authority to administer the Plan as set forth herein.

(v) “Purchase Period” means a purchase period established pursuant to Section 4 hereof.

(w) “Purchase Price” shall mean an amount equal to Eighty-Five Percent (85%) of the Fair Market Value of a share of Common Stock on the Enrollment Date or on the Exercise Date, whichever is lower.

(x) “Reserves” means, as of any date, the sum of (1) the number of shares of Common Stock covered by each then outstanding option under the Plan which has not yet been exercised and (2) the number of shares of Common Stock which have been authorized for issuance under the Plan but not then subject to an outstanding option.

(y) “Subsidiary” means a “subsidiary corporation” of the Company, whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Eligibility.

(a) General. Any individual who is an Eligible Employee for the ten (10) business day period prior to and including a given Enrollment Date shall be eligible to participate in the Plan for the Purchase Period commencing with such Enrollment Date. No individual who is not an Eligible Employee shall be eligible to participate in the Plan.

(b) Limitations on Grant and Accrual. Any provisions of the Plan to the contrary notwithstanding, no Eligible Employee shall be granted an option under the Plan (i) if, immediately after the grant, such Eligible Employee (taking into account stock owned by any other person whose stock would be attributed to such Eligible Employee pursuant to Section 424(d) of the Code) would own stock and/or hold outstanding options to purchase stock possessing five percent (5%) or more of the total combined voting power or value of all classes of stock of the Company or of any Parent or Subsidiary, or (ii) which permits the Eligible Employee's rights to purchase stock under all employee stock investment plans of the Company and its Parents or Subsidiaries to accrue at a rate which exceeds Twenty-Five Thousand Dollars (US\$25,000) worth of stock (determined at the Fair Market Value of the shares at the time such option is granted) for each calendar year in which such option is outstanding at any time. The determination of the accrual of the right to purchase stock shall be made in accordance with Section 423(b)(8) of the Code and the regulations thereunder. Notwithstanding the foregoing, the Plan Administrator may waive the limits set forth in this Section 3(b) with respect to any Offering under the Non-423 Component if necessary, in the Plan Administrator's discretion, to comply with Applicable Laws.

(c) Other Limits on Eligibility. Notwithstanding subsection (a) above, Eligible Employees who are subject to rules or laws of a foreign jurisdiction (x) that prohibit the participation of such Eligible Employees in the Plan, or (y) in the case of the 423 Component, compliance with which would cause the Plan to be in violation of any requirement of Section 423 of the Code or the regulations thereunder, shall not be eligible to participate in the Plan for any relevant Purchase Period. Further, in the case of the Non-423 Component, Eligible Employees may be excluded from participation in the Plan if the Plan Administrator has determined that participation of such Eligible Employees is not advisable or practicable.

4. Purchase Periods.

(a) The Plan shall be implemented through separate Offerings and overlapping or consecutive Purchase Periods until such time as (i) the maximum number of shares of Common Stock available for issuance under the Plan shall have been purchased or (ii) the Plan shall have been sooner terminated in accordance with Section 19 hereof. The Plan Administrator shall designate, in its discretion, whether each Offering falls under the 423 Component or the Non-423 Component. As of February 1, 2012, the Plan shall be implemented through consecutive Purchase Periods of six (6) months' duration commencing on each February 1 and August 1 and concluding on each July 31 and January 31, respectively; provided that the Purchase Period commencing on February 1, 2023 shall conclude on June 30, 2023. As of July 1, 2023, the Plan shall be implemented through consecutive Purchase Periods of six (6) months' duration commencing on each January 1 and July 1 and concluding on each June 30 and December 31, respectively. The Plan Administrator shall have the authority to change the length and commencement date of any Purchase Period. Notwithstanding the foregoing, in the event the Company determines it is inadvisable to issue and/or purchase shares of Common Stock under the Plan as of any Exercise Date, issuances and/or purchases under the Plan shall be delayed until a date specified by the Plan Administrator.

(b) A Participant shall be granted a separate option for each Purchase Period in which he or she participates. The option shall be granted on the Enrollment Date and shall be automatically exercised on the Exercise Date for the Purchase Period.

(c) Except as specifically provided herein, the acquisition of Common Stock through participation in the Plan for any Purchase Period shall neither limit nor require the acquisition of Common Stock by a Participant in any subsequent Purchase Period.

5. Participation.

(a) Subject to Section 3, an Eligible Employee may become a Participant in the Plan by completing a subscription agreement, in a form designated by the Plan Administrator from time to time, whether in hard copy or in electronic form, authorizing payroll deductions (where permitted) and submitting it with the designated payroll office of the Company (where required) prior to the Enrollment Date for the Purchase Period in which such participation will commence, unless a later time for filing the subscription agreement is set by the Plan Administrator for all Eligible Employees who may participate in a given Offering. In the event an Eligible Employee is on a Leave of Absence, such Eligible Employee may participate in the Plan by making direct contributions to the Plan in the form and manner as authorized by the Plan Administrator.

(b) Subject to the provisions of Section 6(b), payroll deductions for a Participant shall commence with the first payroll period following the Enrollment Date and shall end on the last complete payroll period during the Purchase Period, unless sooner terminated by the Participant as provided in Section 10. A Participant who is on a Leave of Absence may make direct contributions to the Plan in the form and manner as authorized by the Plan Administrator.

6. Payroll Deductions.

(a) Subject to the provisions of Section 6(b), at the time a Participant files a subscription agreement, the Participant shall elect to have payroll deductions made during the Purchase Period in amounts between one percent (1%) and not exceeding ten percent (10%) of the Compensation which the Participant receives during the Purchase Period. Subject to Section 6(c), if a Participant has been participating in the Plan prior to taking a Leave of Absence, any direct contributions to the Plan made by such Participant during a Leave of Absence together with any payroll deductions continuing during such Leave of Absence shall in combination be at the same rate as in effect prior to such Leave of Absence. A Participant may commence participation in the Plan even if on a Leave of Absence by filing a subscription agreement as provided in this Section 6(a) and by making direct contributions, along with any payroll deductions which, either individually or together, as the case may be, total between one percent (1%) and ten percent (10%) of the Compensation which such Participant received immediately preceding the commencement of such Leave of Absence.

(b) A Participant may not make any additional payments into such Participant's account under the Plan except as provided above for a Participant on a Leave of Absence and except as may be required to comply with the laws of certain non-U.S. jurisdictions where payroll deductions may be prohibited by law or to

conform to local practice in such non-U.S. jurisdictions. All payroll deductions made for a Participant (and/or any direct contributions, as permitted under the Plan) shall be credited to such Participant's account under the Plan and will be withheld in whole percentages only.

(c) A Participant may discontinue participation in the Plan as provided in Section 10, or may decrease the rate of payroll deductions (and/or direct contributions, if applicable), during the Purchase Period by completing and filing with the Company a new subscription agreement authorizing a decrease in the payroll deduction rate (and/or rate of direct contribution, if applicable). The decrease in rate shall be effective with the first full payroll period commencing fifteen (15) days after the Company's receipt of the new subscription agreement unless the Company elects to process a given change in participation more quickly. A Participant may increase the rate of payroll deductions (and/or direct contributions, if applicable), for a future Purchase Period by filing with the Company a new subscription agreement authorizing an increase in the payroll deduction rate within fifteen (15) days (unless the Company elects to process a given change in participation more quickly) before the commencement of the upcoming Purchase Period. A Participant's subscription agreement shall remain in effect for successive Purchase Periods unless terminated as provided in Section 10. The Plan Administrator shall be authorized to limit the number of payroll deduction rate changes during any Purchase Period.

(d) Notwithstanding the foregoing, to the extent necessary to comply with Section 423(b)(8) of the Code and Section 3(b) herein, a Participant's payroll deductions (and/or direct contributions for a Participant on a Leave of Absence or in non-U.S. jurisdictions, as applicable and as provided in Sections 6(a) and (b) hereof) shall be decreased to 0%. Payroll deductions (and/or direct contributions, if applicable) shall recommence at the rate provided in such Participant's subscription agreement, as amended, at the time when permitted under Section 423(b)(8) of the Code (in the case of participation in the 423 Component) and Section 3(b) herein, unless such participation is sooner terminated by the Participant as provided in Section 10.

(e) At the time the option is exercised, in whole or in part, or at the time some or all of the Company's Common Stock issued under the Plan is disposed of, the Participant must make adequate provision for the Company's or its Parent's, Subsidiary's, or Affiliate's federal, state, or any other tax liability payable to any authority, national insurance, social security, payment on account or other tax withholding obligations, if any, which arise upon the exercise of the option or the disposition of the Common Stock including, for the avoidance of doubt, any liability of the Participant to pay an employer tax or social contribution obligation, which liability has been shifted to the Participant as a matter of law or contract. At any time, the Company or its Parent, Subsidiary or Affiliate, as applicable, may, but shall not be obligated to, withhold from the Participant's compensation the amount necessary for the Company or its Parent, Subsidiary or Affiliate, as applicable, to meet applicable withholding obligations, including any withholding required to make available to the Company or its Parent, Subsidiary or Affiliate, as applicable, any tax deductions or benefits attributable to sale or early disposition of Common Stock by the Eligible Employee. In addition, the Company or its Parent, Subsidiary or Affiliate, as applicable, may, but will not be obligated to, withhold from the proceeds of the sale of Common Stock or employ any other method of withholding the Company or its Parent, Subsidiary or Affiliate, as applicable, deems appropriate.

7. Grant of Option. On the Enrollment Date, each Participant in an Offering shall be granted an option to purchase on the Exercise Date of the applicable Purchase Period (at the applicable Purchase Price) up to a number of shares of the Common Stock determined by dividing such Participant's payroll deductions (and/or direct contributions, if applicable) accumulated prior to such Exercise Date by the applicable Purchase Price; provided (i) that such option shall be subject to the limitations set forth in Sections 3(b), 6 and 12 hereof, and (ii) the maximum number of shares of Common Stock a Participant shall be permitted to purchase in any Purchase Period shall be six thousand (6,000) shares, subject to adjustment as provided in Section 18 hereof. Exercise of the option shall occur as provided in Section 8, unless the Participant has withdrawn pursuant to Section 10, and the option, to the extent not exercised, shall expire on the last day of the Purchase Period with respect to which such option was granted. Notwithstanding the foregoing, shares subject to the option may only be purchased with accumulated payroll deductions (and/or any direct contributions, as permitted under the Plan) credited to a Participant's account in accordance with Section 6 of the Plan. In addition, to the extent an option is not exercised on each Exercise Date, the option shall lapse and thereafter cease to be exercisable.

8. Exercise of Option. Unless a Participant withdraws from the Plan as provided in Section 10 below, such Participant's option for the purchase of shares will be exercised automatically on each Exercise Date, and the maximum number of shares (including fractional shares) subject to the option shall be purchased for such Participant at the applicable Purchase Price with the accumulated payroll deductions (and/or direct contributions, if applicable) in such Participant's account. The Plan Administrator shall be authorized to establish procedures for the

handling of fractional shares, including the distribution of cash in lieu thereof. Notwithstanding the foregoing, any amount remaining in a Participant's account following the purchase of shares on the Exercise Date due to the application of Section 423(b)(8) of the Code or Section 7, above, shall be returned to the Participant and shall not be carried over to the next Purchase Period. During a Participant's lifetime, a Participant's option to purchase shares hereunder is exercisable only by the Participant.

9. Delivery. The shares purchased under the Plan will be delivered in uncertificated form by way of an electronic transfer to the individual account of a Participant. Upon receipt of a request from a Participant after each Exercise Date on which a purchase of shares occurs, the Company shall arrange the delivery to such Participant, as promptly as practicable, of a certificate representing the shares purchased upon exercise of the Participant's option.

10. Withdrawal; Termination of Employment.

(a) A Participant (i) may withdraw all, but not less than all of the payroll deductions (and/or direct contributions, if applicable) credited to such Participant's account and not yet used to exercise such Participant's option under the Plan at any time or (ii) terminate future payroll deductions (and/or direct contributions, if applicable), but allow accumulated payroll deductions (and/or direct contributions, if applicable) to be used to exercise the Participant's option under the Plan at any time by giving at least fifteen (15) days prior written notice to the Company (subject to any shorter period as may be required under Applicable Laws), in a form designated by the Plan Administrator from time to time, whether in hard copy or electronic form. If the Participant elects withdrawal alternative (i) described above, all of the Participant's payroll deductions (and/or direct contributions, if applicable) credited to the Participant's account will be paid to such Participant as promptly as practicable after receipt of the notice of withdrawal, such Participant's option for the Purchase Period will be automatically terminated, and no further payroll deductions (and/or direct contributions, if applicable) for the purchase of shares will be made during the Purchase Period. If the Participant elects withdrawal alternative (ii) described above, no further payroll deductions (and/or direct contributions, if applicable) for the purchase of shares will be made during the Purchase Period, all of the Participant's payroll deductions (and/or direct contributions, if applicable) credited to the Participant's account will be applied to the exercise of the Participant's option on the Exercise Date (subject to Sections 3(b), 6, 7 and 12) and after such Exercise Date, such Participant's option for the Purchase Period will be automatically terminated and all remaining accumulated payroll deduction amounts (and/or direct contributions, if applicable) shall be returned to the Participant. If a Participant withdraws from a Purchase Period, payroll deductions (and/or direct contributions, if applicable) will not resume at the beginning of the succeeding Purchase Period unless the Participant delivers a new subscription agreement to the Company.

(b) Upon a Participant's ceasing to be an Eligible Employee for any reason or upon termination of a Participant's employment relationship (as described in Section 2(k)), the payroll deductions (and/or direct contributions, if applicable) credited to such Participant's account during the Purchase Period, but not yet used to purchase shares will be returned to such Participant or, in the case of such Participant's death, to the person or persons entitled thereto under Section 14, and such Participant's option will be automatically terminated.

11. Interest. No interest shall accrue on the payroll deductions (and/or direct contributions, if applicable) credited to a Participant's account under the Plan. Notwithstanding the foregoing, if the Plan Administrator determines that interest is required to be accrued on the payroll deductions or contributions for Participants in the Non-423 Component or any separate Offering under the 423 Component, then the Plan Administrator shall cause such interest to accrue to the extent required by applicable non-U.S. requirements.

12. Stock.

(a) The maximum number of shares of Common Stock which shall be made available for sale under the Plan shall be twenty-nine million (29,000,000) shares, subject to adjustment upon changes in capitalization of the Company as provided in Section 18. For avoidance of doubt, such maximum number of shares may be used to satisfy exercises of options under the 423 Component or the Non-423 Component, or both. With respect to any amendment to increase the total number of shares of Common Stock under the Plan, the Plan Administrator shall have discretion to disallow the purchase of any increased shares of Common Stock for the Purchase Period in existence prior to such increase. If the Plan Administrator determines that on a given Exercise Date the number of shares with respect to which options are to be exercised may exceed (x) the number of shares then available for sale under the Plan or (y) the number of shares available for sale under the Plan on the Enrollment Date of the Purchase Period in which such Exercise Date is to occur, the Plan Administrator may make a

pro rata allocation of the shares remaining available for purchase on such Enrollment Date or Exercise Date, as applicable, in as uniform a manner as shall be practicable and as it shall determine to be equitable, and shall either continue all Offerings then in effect or terminate any one or more Offerings then in effect pursuant to Section 19, below. Any amount remaining in a Participant's payroll account following such pro rata allocation shall be returned to the Participant and shall not be carried over to any future Purchase Period, as determined by the Plan Administrator.

(b) A Participant will have no interest or voting right in shares covered by the Participant's option until such shares are actually purchased on the Participant's behalf in accordance with the applicable provisions of the Plan. No adjustment shall be made for dividends, distributions or other rights for which the record date is prior to the date of such purchase.

(c) Shares to be delivered to a Participant under the Plan will be registered in the name of the Participant.

13. Administration. The Plan shall be administered by the Plan Administrator, which shall have full and exclusive discretionary authority to construe, interpret and apply the terms of the Plan, to determine eligibility and to adjudicate all disputed claims filed under the Plan, including whether Participants shall participate in the 423 Component or the Non-423 Component and which entities shall be Designated Subsidiaries or Designated Affiliates. Every finding, decision and determination made by the Plan Administrator shall, to the full extent permitted by Applicable Law, be final and binding upon all persons. Notwithstanding any provision to the contrary in this Plan, the Plan Administrator may adopt rules or procedures relating to the operation and administration of the Plan to accommodate the specific requirements of local laws and procedures for jurisdictions outside of the United States. Without limiting the generality of the foregoing, the Plan Administrator is specifically authorized to adopt rules, procedures and subplans, which for purposes of the Non-423 Component may be outside the scope of Section 423 of the Code, regarding, but not limited to, eligibility to participate, the definition of Compensation, handling of payroll deductions, making of contributions to the Plan (including, without limitation, in forms other than payroll deductions), establishment of bank or trust accounts to hold payroll deductions, payment of interest, conversion of local currency, obligations to pay payroll tax, determination of beneficiary designation requirements, withholding procedures and handling of stock certificates which vary with local requirements.

14. Designation of Beneficiary.

(a) Subject to any alternative rules promulgated by the Plan Administrator pursuant to Section 13, each Participant will file a written or electronic designation of a beneficiary who is to receive any shares and cash, if any, from the Participant's account under the Plan in the event of such Participant's death.

(b) Such designation of beneficiary may be changed by the Participant (and the Participant's spouse, if any) at any time by written notice. In the event of the death of a Participant and in the absence of a beneficiary validly designated under the Plan who is living (or in existence) at the time of such Participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the Participant, or if no such executor or administrator has been appointed (to the knowledge of the Plan Administrator), the Plan Administrator shall deliver such shares and/or cash to the spouse (or domestic partner, as determined by the Plan Administrator) of the Participant, or if no spouse (or domestic partner) is known to the Plan Administrator, then to the issue of the Participant, such distribution to be made per stirpes (by right of representation), or if no issue are known to the Plan Administrator, then to the heirs at law of the Participant determined in accordance with applicable law. Notwithstanding the foregoing, in the absence of a beneficiary validly designated under the Plan who is living (or in existence) at the time of death of a Participant residing outside the U.S., any required distribution under the Plan shall be made to the executor or administrator of the estate of the Participant, or to such other individual as may be prescribed by applicable law.

15. Transferability. No payroll deductions (and/or direct contributions, if applicable) credited to a Participant's account, options granted hereunder, or any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution, or as provided in Section 14 hereof) by the Participant, nor shall it be subject to attachment or other legal process of whatever nature. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Plan Administrator may, in its sole discretion, treat such act as an election to withdraw funds from a Purchase Period in accordance with Section 10; provided, however, that

the shares purchased under the Plan may also be delivered in uncertificated form by way of an electronic transfer to the individual account of Participant.

16. Use of Funds. All payroll deductions (and/or direct contributions, if applicable) received or held by the Company under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions or hold them exclusively for the benefit of Participants, except for payroll deductions (and/or direct contributions, if applicable) made to a Non-423 Component Offering or a separate Offering under the 423 Component where, as determined by the Plan Administrator, non-U.S. law requires segregation of such amounts. Except as required by applicable local law, all payroll deductions (and/or direct contributions, if applicable) received or held by the Company may be subject to the claims of the Company's general creditors. Participants shall have the status of general unsecured creditors of the Company. Any amounts payable to Participants pursuant to the Plan shall be unfunded and unsecured obligations for all purposes, including, without limitation, Title I of the Employee Retirement Income Security Act of 1974, as amended. The Company shall retain at all times beneficial ownership of any investments, including trust investments, which the Company may make to fulfill its payment obligations hereunder. Any investments or the creation or maintenance of any trust or any Participant account shall not create or constitute a trust or fiduciary relationship between the Plan Administrator, the Company or any Designated Parent, Subsidiary or Affiliate and a Participant, or otherwise create any vested or beneficial interest in any Participant or the Participant's creditors in any assets of the Company or a Designated Parent, Subsidiary or Affiliate. The Participants shall have no claim against the Company or any Designated Parent, Subsidiary or Affiliate for any changes in the value of any assets that may be invested or reinvested by the Company with respect to the Plan. Notwithstanding the other provisions of this Section 16, Participants in the Non-423 Component or a separate Offering under the 423 Component may have additional rights where required under local law, as determined by the Plan Administrator in its discretion.

17. Reports. Individual accounts will be maintained for each Participant in the Plan. Statements of account will be given to Participants at least annually, which statements will set forth the amounts of payroll deductions (and/or direct contributions, if applicable), the Purchase Price, the number of shares purchased and the remaining cash balance, if any.

18. Adjustments Upon Changes in Capitalization; Corporate Transactions.

(a) Adjustments Upon Changes in Capitalization. Subject to any required action by the stockholders of the Company, the Reserves, the Purchase Price, the maximum number of shares that may be purchased in any Purchase Period, as well as any other terms that the Plan Administrator determines require adjustment shall be proportionately adjusted for any increase or decrease in the number of issued shares of Common Stock resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued shares of Common Stock effected without receipt of consideration by the Company; provided, however that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment, if any, shall be made by the Plan Administrator and its determination shall be final, binding and conclusive. Except as the Plan Administrator determines, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason hereof shall be made with respect to, the Reserves and the Purchase Price.

(b) Corporate Transactions. In the event of a proposed Corporate Transaction, each option under the Plan shall be assumed by such successor corporation or a parent or subsidiary of such successor corporation, unless the Plan Administrator, in the exercise of its sole discretion and in lieu of such assumption, determines to shorten the Purchase Period then in progress by setting a new Exercise Date (the "New Exercise Date"). If the Plan Administrator shortens the Purchase Period then in progress in lieu of assumption in the event of a Corporate Transaction, the Plan Administrator shall notify each Participant in writing at least ten (10) business days prior to the New Exercise Date, that the Exercise Date for the Participant's option has been changed to the New Exercise Date and that either:

(1) the Participant's option will be exercised automatically on the New Exercise Date, unless prior to such date the Participant has withdrawn from the Purchase Period as provided in Section 10; or

(2) the Company shall pay to the Participant on the New Exercise Date an amount in cash, cash equivalents, or property as determined by the Plan Administrator that is equal to the excess, if any, of (i) the Fair Market Value of the shares subject to the option over (ii) the Purchase Price due had the Participant's option

been exercised automatically under Subsection (b)(1) above. In addition, all remaining accumulated payroll deduction (and/or direct contributions, if applicable) amounts shall be returned to the Participant.

(c) For purposes of this Section 18, an option granted under the Plan shall be deemed to be assumed if, in connection with the Corporate Transaction, the option is replaced with a comparable option with respect to shares of capital stock of the successor corporation or Parent thereof. The determination of option comparability shall be made by the Plan Administrator prior to the Corporate Transaction and its determination shall be final, binding and conclusive on all persons.

19. Amendment or Termination.

(a) The Board or a Committee of the Board that is responsible for the administration of the Plan may at any time and for any reason terminate or amend the Plan. Except as provided in Section 18, this Section 19 and Section 26, no such termination can adversely affect options previously granted, provided that the Plan or any one or more Offerings may be terminated by the Plan Administrator on any Exercise Date or by the Plan Administrator establishing a new Exercise Date with respect to any Offering then in progress if the Plan Administrator determines that the termination of the Plan or such one or more Offerings is in the best interests of the Company and its stockholders. Except as provided in Section 18, this Section 19 and Section 26, no amendment may make any change in any option theretofore granted which adversely affects the rights of any Participant without the consent of affected Participants. To the extent necessary to comply with Section 423 of the Code (or any successor rule or provision or any other Applicable Law), the Company shall obtain stockholder approval of any amendment in such a manner and to such a degree as required.

(b) Without stockholder consent and without regard to whether any Participant rights may be considered to have been "adversely affected," the Plan Administrator shall be entitled to limit the frequency and/or number of changes in the amount withheld during Purchase Periods, determine the length of any future Purchase Period, determine whether future Purchase Periods shall be consecutive or overlapping, establish the exchange ratio applicable to amounts withheld in a currency other than U.S. dollars, establish additional terms, conditions, rules or procedures to accommodate the rules or laws of applicable foreign jurisdictions, permit payroll withholding in excess of the amount designated by a Participant in order to adjust for delays or mistakes in the Company's processing of properly completed withholding elections, establish reasonable waiting and adjustment periods and/or accounting and crediting procedures to ensure that amounts applied toward the purchase of Common Stock for each Participant properly correspond with amounts withheld from the Participant's Compensation, amend an outstanding option if, in the Plan Administrator's discretion, it determines that such amendment is necessary or advisable to comply with Applicable Laws and establish such other limitations or procedures as the Plan Administrator determines in its sole discretion advisable and which are consistent with the Plan, in each case to the extent consistent with the requirements of Code Section 423 (with respect to the 423 Component) and other Applicable Laws.

(c) On December 13, 2006, the Board approved an amendment and restatement of the Plan to (i) increase the maximum number of shares available for sale or as a matching grant under the Plan to eight million (8,000,000) shares, (ii) extend the term of the Plan to January 31, 2018, and (iii) remove, for Purchase Periods occurring on and after the date the Board approved such amendment and restatement, the provision that an Eligible Employee will not be eligible to participate in the Plan for any relevant Purchase Period if such Eligible Employee's customary employment is less than 20 hours per week. The increase in the maximum number of shares available under the Plan required the approval of the Company's stockholders, which was obtained on January 25, 2007. On June 19, 2007, the Plan was amended to allow direct contributions to the Plan for Participants on Leaves of Absence. On July 9, 2007, the Plan was amended to (A) provide that the term "Accrual Period" shall refer to a "Purchase Period" effective for Purchase Periods commencing on and after August 1, 2007; and (B) provide that the duration of Purchase Periods commencing on and after August 1, 2007 shall be shortened from twenty-four (24) months to six (6) months. The 2007 Plan amendments did not require the approval of the Company's stockholders. On June 17, 2008, the Plan was amended to change the definition of "Purchase Price" so that it referred to an amount equal to 85% (rather than 90%) of the Fair Market Value of a share of Common Stock, and to eliminate the provision regarding Company discretionary matching grants under the Plan for Purchase Periods commencing on or after August 1, 2008. The June 2008 amendments did not require the approval of the Company's stockholders. On October 12, 2009, the Plan was amended, effective as of February 1, 2010 (such amendments not subject to stockholder approval) to (A) bring the Plan in to compliance with proposed changes to the regulations promulgated under Section 423 of the Code, (B) modify the definitions of "Exercise Date" and "Purchase Price" to clarify treatment in the event a Purchase Period ends on a date other than a Market Trading Day, and (C) make certain other clarifying and administrative changes. On October 17, 2011, the Plan was amended to update the definition of

“Fair Market Value” to better correspond to the previously modified definitions of “Exercise Date” and “Purchase Price.” Such amendments did not require stockholder approval. On December 15, 2011, the Plan was amended and restated, effective as of February 1, 2012, to add a Plan component not subject to Section 423 of the Code, to add the capacity for separate Offerings, to adjust the operation of Purchase Periods, and to effect certain other updates to the Plan’s terms. Such amendments did not require stockholder approval. The Plan was amended and restated, effective as of September 13, 2017, to extend the term of the Plan to February 1, 2022. Such amendment did not require stockholder approval. On December 10, 2019, the Board approved an amendment and restatement of the Plan to (i) increase the maximum number of shares available for sale under the Plan to twenty-nine million (29,000,000) shares, and (ii) extend the term of the Plan to February 1, 2029. The increase in the maximum number of shares available under the Plan required the approval of the Company’s stockholders, which was obtained on February 11, 2020. The Plan was amended and restated, effective as of June 21, 2022, to (A) expand the definition of Compensation to include annual, semi-annual and quarterly discretionary cash bonuses, and (B) update the Purchase Periods pursuant to Section 4(a) of the Plan to correspond to calendar year. Such amendments did not require stockholder approval.

20. Notices. All notices or other communications by a Participant to the Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Plan Administrator at the location, or by the person, designated by the Plan Administrator for the receipt thereof.

21. Conditions Upon Issuance of Shares. Shares shall not be issued with respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all Applicable Laws and shall be further subject to the approval of counsel for the Company with respect to such compliance. As a condition to the exercise of an option, the Company may require the Participant to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned Applicable Laws or is otherwise advisable.

22. Term of Plan. The Plan became effective upon January 1, 1998. It shall continue in effect until February 1, 2029, unless sooner terminated under Section 19.

23. No Employment Rights. The Plan does not, directly or indirectly, create any right for the benefit of any employee or class of employees to purchase any shares under the Plan, or create in any employee or class of employees any right with respect to continuation of employment by the Company or a Designated Parent, Subsidiary or Affiliate, and it shall not be deemed to interfere in any way with such employer’s right to terminate, or otherwise modify, an employee’s employment at any time.

24. No Effect on Retirement and Other Benefit Plans. Except as specifically provided in a retirement or other benefit plan of the Company or a Designated Parent, Subsidiary or Affiliate, participation in the Plan shall not be deemed compensation for purposes of computing benefits or contributions under any retirement plan of the Company or a Designated Parent, Subsidiary or Affiliate, and shall not affect any benefits under any other benefit plan of any kind or any benefit plan subsequently instituted under which the availability or amount of benefits is related to level of compensation. The Plan is not a “Retirement Plan” or “Welfare Plan” under the Employee Retirement Income Security Act of 1974, as amended.

25. Effect of Plan. The provisions of the Plan shall, in accordance with its terms, be binding upon, and inure to the benefit of, all successors of each Participant, including, without limitation, such Participant’s estate and the executors, administrators or trustees thereof, heirs and legatees, and any receiver, trustee in bankruptcy or representative of creditors of such Participant.

26. Code Section 409A. The Plan is exempt from the application of Code Section 409A and any ambiguities herein will be interpreted to so be exempt from Code Section 409A. The Non-423 Component is intended to be exempt from the application of Code Section 409A under the short-term deferral exception and any ambiguities shall be construed and interpreted in accordance with such intent. In furtherance of the foregoing and notwithstanding any provision in the Plan to the contrary, if the Plan Administrator determines that an option granted under the Plan may be subject to Code Section 409A or that any provision in the Plan would cause an option under the Plan to be subject to Code Section 409A, the Plan Administrator may amend the terms of an outstanding option granted under the Plan, or take such other action the Plan Administrator determines is necessary or appropriate, in each case, without the Participant’s consent, to exempt any outstanding option or future option that may be granted under the Plan from or to allow any such options to comply with Code Section 409A, but only to the extent any such amendments or action by the Plan Administrator would not violate Code Section 409A. Notwithstanding the

foregoing, the Company shall have no liability to a Participant or any other party if the option to purchase Common Stock under the Plan that is intended to be exempt from or compliant with Code Section 409A is not so exempt or compliant or for any action taken by the Plan Administrator with respect thereto.

27. Tax-Qualification. Although the Company may endeavor to (a) qualify an option for favorable tax treatment under the laws of the U.S. or jurisdictions outside of the U.S. or (b) avoid adverse tax treatment (e.g., under Section 409A of the Code), the Company makes no representation to that effect and expressly disavows any covenant to maintain favorable or avoid unfavorable tax treatment, notwithstanding anything to the contrary in this Plan, including Section 26. The Company shall be unconstrained in its corporate activities without regard to the potential negative tax impact on Participants under the Plan.

28. Governing Law. The Plan is to be construed in accordance with and governed by the internal laws of the State of Delaware without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the State of Delaware to the rights and duties of the parties, except to the extent the internal laws of the State of Delaware are superseded by the laws of the United States. Should any provision of the Plan be determined by a court of law to be illegal or unenforceable, the other provisions shall nevertheless remain effective and shall remain enforceable.

CERTIFICATION

I, Jennifer M. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Franklin Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

/s/ Jennifer M. Johnson

Jennifer M. Johnson
President and Chief Executive Officer

CERTIFICATION

I, Matthew Nicholls, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Franklin Resources, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

/s/ Matthew Nicholls

Matthew Nicholls

Executive Vice President, Chief Financial Officer and Chief Operating Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002 (FURNISHED HEREWITH)**

I, Jennifer M. Johnson, President and Chief Executive Officer of Franklin Resources, Inc. (the “Company”), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: July 28, 2022

/s/ Jennifer M. Johnson

Jennifer M. Johnson
President and Chief Executive Officer

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002 (FURNISHED HEREWITH)**

I, Matthew Nicholls, Executive Vice President, Chief Financial Officer and Chief Operating Officer of Franklin Resources, Inc. (the “Company”), certify, as of the date hereof and solely for purposes of and pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company at the dates and for the periods indicated.

This Certification has not been, and shall not be deemed, “filed” with the Securities and Exchange Commission.

Date: July 28, 2022

/s/ Matthew Nicholls

Matthew Nicholls
Executive Vice President, Chief Financial Officer and Chief Operating Officer