Franklin Resources, Inc.

Third quarter results

July 28, 2022 | Executive earnings commentary

Jenny Johnson
President
Chief Executive Officer

Matthew Nicholls
Executive Vice President
Chief Financial Officer
Chief Operating Officer

Adam Spector
Executive Vice President
Head of Global Distribution

Contents

Conference call details:

Access to the teleconference at 11:00 AM Eastern will be available via investors.franklinresources.com or by dialing (844) 200-6205 in the US, (833) 950-0062 in Canada or (929) 526-1599 in other locations using access code 747484. A replay of the teleconference can also be accessed by calling (866) 813-9403 in the US using access code 388697 through August 4, 2022, or via investors.franklinresources.com. Analysts and investors are encouraged to review the Company's recent filings with the US Securities and Exchange Commission for additional information.

Forward-looking statements and non-GAAP financial information:

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

Third quarter fiscal 2022 highlights

Key metrics *(US$ in millions, except AUM in billions and per share data)*		**% Change (except adj. EFR and margin)**	
	Q3 2022	**vs. Q2 2022**	**vs. Q3 2021**
Ending AUM[1]	$1,379.8	-6.6%	-11.1%
Average AUM[1]	1,439.8	-5.0%	-6.0%
Adj. revenue	1,604.0	-0.7%	-2.6%
Adj. operating income	566.9	-1.7%	-5.7%
Adj. net income	416.0	-15.4%	-15.7%
Adj. diluted EPS	0.82	-14.6%	-14.6%
Adj. effective fee rate[2]	39.5 bps	38.5 bps	38.9 bps
Adj. operating margin	35.3%	35.7%	36.5%

Summary

- This quarter's macroeconomic and geopolitical backdrop resulted in significant declines across both equities and fixed income markets, and further challenged investor sentiment and industry flows, particularly in fixed income. Our assets under management (AUM) and flows were impacted by these industry-wide pressures, yet we continued to benefit from a diversified mix of assets. We generated net inflows, primarily into higher fee products, in the Alternative and Multi-Asset categories. In addition, notwithstanding flow pressures in fixed income, investor interest remains robust across the asset class.

- We made progress growing our Alternative AUM, which is less correlated to public markets and an increasing area of client demand. On April 1, we closed the acquisition of Lexington Partners (Lexington), a global leader in secondary private equity and co-investments. On May 31, we announced the acquisition of Alcentra, one of the largest European alternative credit managers with $38 billion in AUM[3], which would double the size of our alternative credit assets to $77 billion. Pro forma for Alcentra, Alternative AUM would total $263 billion, representing 19% of our AUM and an even higher percentage of our adjusted revenues would be derived from alternative assets.

- Our balance sheet position remains strong with total cash and investments of $6.4 billion[4] after cash consideration of approximately $1 billion was paid for the acquisition of Lexington.

Financial results

- This quarter's financial results reflect the closing of Lexington on April 1. Adjusted revenues of $1.6 billion were relatively flat from the prior quarter and decreased 3% from the prior year quarter. Adjusted performance fees were $127 million, compared to $114 million in the prior quarter and $103 million in the prior year quarter. This quarter's adjusted effective fee rate[2], which excludes performance fees, increased to 39.5 bps, compared to 38.5 bps the prior quarter and 38.9 bps in the prior year quarter.

- Adjusted operating expenses were $1.0 billion, in line with the prior quarter and a 1% improvement from the prior year quarter.

- Adjusted operating income was $567 million, a decrease of 2% from the prior quarter and a decline of 6% from the prior year quarter. Adjusted operating margin was 35.3% in line with prior quarter, which was 35.7%.

- Adjusted net income and adjusted diluted earnings per share declined by 15% from the prior quarter to $416 million and $0.82, respectively. The prior quarter included $53 million of investment income ($0.11 per share) from the sale of our minority stake in Embark to Lloyds Banking Group.

1. Excludes approximately $12 billion of AUM in our China joint venture.
2. The adjusted effective fee rate is annualized adjusted investment management fees, excluding performance fees, divided by average AUM for the period.
3. Alcentra AUM of $38 billion as of April 30, 2022.
4. Total cash and investments includes direct investments in CIPs of $1.0 billion and approximately $300 million of employee-owned and other third-party investments made through partnerships.

Third quarter fiscal 2022 highlights

Investment performance

- Investment performance resulted in 35%, 49%, 69%, and 73% of our strategy composite AUM outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. While our long-term track records remained strong, the decrease in our 1- and 3- year investment performance was primarily due to certain US taxable fixed income strategies, which was partially offset by improvements in equities including dividend and certain value strategies.

AUM and flows

- Ending AUM was $1.38 trillion, reflecting a decline of 7% from the prior quarter primarily due to market depreciation and long-term net outflows partially offset by the acquisition of Lexington. Average AUM decreased by 5% to $1.44 trillion.

- Long-term inflows of $77.4 billion slightly increased from the prior quarter of $76.1 billion. Reinvested distributions of $3.7 billion increased from $2.3 billion in the prior quarter.

- This quarter's long-term outflows were $97.2 billion compared to $87.8 billion in the prior quarter and $90.3 billion in the prior year quarter. Fiscal year to date redemptions improved by 10% compared to the year ago period.

- Fiscal year to date long-term net outflows were $7.4 billion, a 52% improvement compared to the year ago period. While this quarter's long-term net outflows were $19.8 billion, we continued to benefit from a diversified mix of assets:

  - **Alternative** net inflows increased to $2.1 billion this quarter, up from flat in the prior quarter, with both quarters including outflows in certain liquid alternative strategies. Our three largest alternative managers, Benefit Street Partners (BSP), Clarion Partners (Clarion) and Lexington, each had positive net flows, with a combined total of $4.0 billion.

  - **Multi-asset** net inflows were $1.6 billion, compared to $2.3 billion in the prior quarter.

  - **Fixed income:** The first half of the calendar year resulted in the worst fixed income net outflows for the US mutual fund industry since 2000. While client interest in the asset class continued to be strong and our inflows increased by 6% from the second quarter, net outflows were $14.3 billion primarily due to certain US taxable and muni strategies. We benefitted from having a broad range of fixed income strategies with non-correlated investment philosophies, including net flows into certain taxable US Income strategies, Multi-Sector Bond, Corporate and Enhanced Liquidity strategies during the quarter.

  - **Equity** net outflows were $9.2 billion. This quarter, the risk-off environment impacted investor sentiment on certain growth strategies, which were partially offset by positive net flows into Infrastructure, Emerging Markets, and Sector specific equity strategies.

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

  - This quarter we benefited from a broad range of investment strategies as 15 of our top 20 funds that generated net inflows were outside our largest 20 funds by AUM.

  - Last year, we shifted to a regionally focused sales model to meet the varying demands of our global business, shifting decision making and resources closer to our clients. This quarter, we saw the benefits of geographical diversification outside the US with improving net sale trends in EMEA and positive net flows in the Americas, excluding the US. Fiscal year to date, net flows for non-US regions improved by $20.5 billion, or 79%, from the year ago period.

Third quarter fiscal 2022 highlights

- During this period of market uncertainty, we have been actively engaging with clients to navigate the latest market conditions and guide them to meet their de-risking needs to solve for high market volatility, rising rates and inflation. Client discussions have focused on solutions with market themes focused on income, inflation-hedged, alternative and customization strategies across asset classes. For example, our top selling products in income strategies have net inflows in fixed income (taxable US income), equities (dividend, infrastructure), multi-asset (income fund) and alternatives, including private credit and real estate. Our ability to meet the needs of our clients across a variety of asset classes and investment teams reflects the benefits of our diversification.

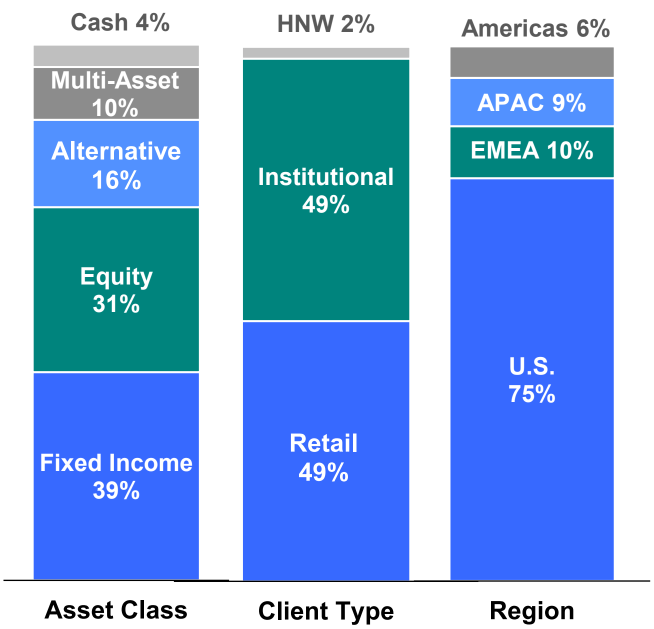
Other highlights

- **Alternative**: Several years ago, we announced our intention to expand into alternative asset strategies and we have been deliberate in building our capabilities through acquisitions. This quarter we continued to make progress on our long-term strategic plan. On April 1, we closed the acquisition of Lexington, a global leader in secondary private equity and co-investments. On May 31, we announced the acquisition of Alcentra, one of the largest European alternative credit managers with $38 billion in AUM[1], which would double the size of our alternative credit assets to $77 billion. Pro forma for Alcentra, Alternative AUM would total $263 billion, representing 19% of our AUM and an even higher percentage of our adjusted revenues would be derived from alternative assets.
  - Clarion completed its fund raise for its new European fund, Clarion Europe Logistics Fund, with total commitments of €1.0 billion.
  - **Wealth Management Alternatives**: We saw investor demand for our wealth management alternative products, including real estate, alternative credit, commodities and special situations. This quarter, Clarion Partners Real Estate Income Fund Inc and Franklin BSP Capital Corporation, a private BDC, were onboarded on two alternative fintech platforms that offer direct access to financial advisors and individuals. In addition, the Franklin Templeton Academy is developing an education platform and partnering with CAIS IQ on programs to educate advisors and our sales team on how alternative investments can potentially benefit their clients' portfolios. Separately, we continue to make progress with traditional wealth management platforms focusing on product development, sales and marketing, client education and ongoing operational support.
- **SMA** AUM ended the quarter at $107.5 billion. We continued to make progress with SMA strategies across our investment platform.
  - In addition, Canvas®, our Custom Indexing solution platform, has achieved positive net flows each quarter since the platform launched in September 2019. The number of partnerships grew by 13% this quarter.
- **Private Wealth Management** AUM ended the quarter at $30.6 billion. Fiduciary Trust International generated its 7th quarter of consecutive positive long-term net flows.
- We continued to see growth in **ETFs** with positive net flows and approximately $11.7 billion in AUM, which are balanced between actively managed and passive strategies. This quarter, we launched three sustainability-focused ETFs (MSCI China Paris, Catholic Principles EM, Responsible Gold). We also saw an increase in demand for our Euro Short Maturity ETF, increasing AUM by 46% in the quarter.

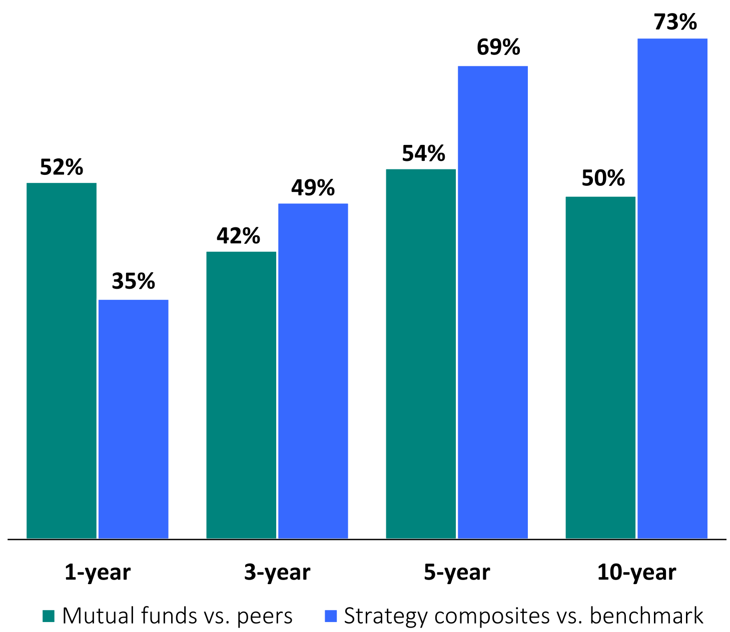
1. Alcentra AUM of $38 billion as of April 30, 2022.

AUM and investment performance

Globally diversified by asset class, client type and region
AUM of $1.4 trillion as June 30, 2022



Percentage of AUM above peer median and benchmark[1]
As of June 30, 2022



- AUM of approximately $1.4 trillion remain diversified across asset classes, client types, and regions.
- Investment performance resulted in 35%, 49%, 69%, and 73% of our strategy composite AUM outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. While our long-term track records remained strong, the decrease in our 1- and 3- year investment performance was primarily due to certain US taxable fixed income strategies, which was partially offset by improvements in equities including dividend and certain value strategies.
- Investment performance resulted in 52%, 42%, 54%, and 50% of our mutual funds AUM outperforming their peers on a 1-, 3-, 5-, and 10-year basis. While long-term mutual fund relative performance maintained consistent from the prior quarter in the 1-year and 3-year periods, our 5-year relative performance was impacted primarily by certain US taxable bond strategies. One of our largest funds managed for yield was recategorized by Morningstar[2] in April resulting in a decline in our 10-year relative performance but continued to outperform in its new peer group for the 1-, 3- and 5-year periods.

1. Benchmark comparisons are based on each strategy's composite returns (composites may include retail SMA and mutual fund assets managed as part of the same strategy) as compared to a market index that has been selected to be generally consistent with the investment objectives of the account. Multi-asset strategies that lack benchmarks consistent with their investment objectives are excluded. Composite AUM measured for the 1-, 3-, 5-, and 10-year periods represent 65%, 64%, 64%, and 59%, respectively of the firm's total AUM as of June 30, 2022. Mutual fund performance is sourced from Morningstar and measures the percentage of ranked fund AUM in the top two quartiles of their peer groups. Mutual Fund AUM measured for the 1-, 3-, 5- and 10-year periods represents 37%, 37%, 37% and 35%, respectively of the firm's total AUM as of June 30, 2022.
2.

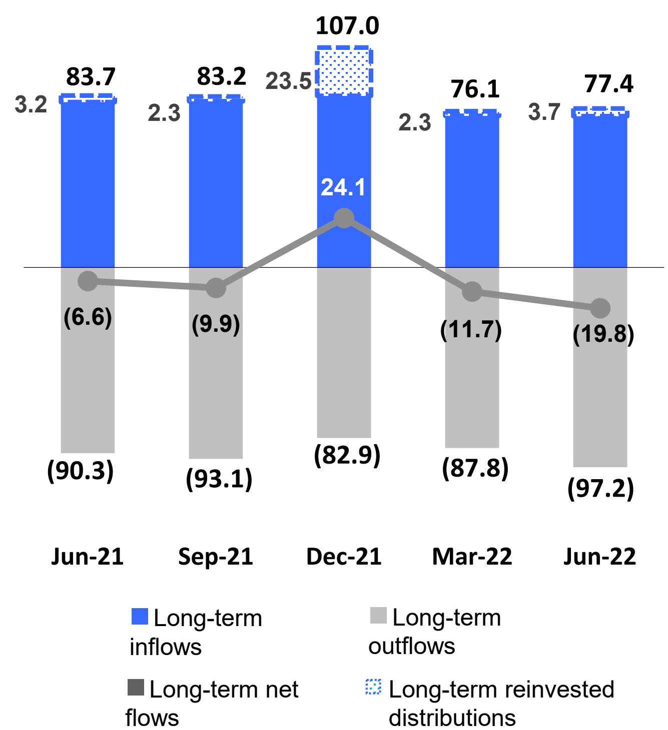
AUM and flows

(In US$ billions)[1]	Jun-22	Mar-22	Jun-22 vs. Mar-22	Jun-21	Jun-22 vs. Jun-21
Beginning AUM	$ 1,477.5	$ 1,578.1	(6%)	$ 1,498.9	(1%)
Long-term inflows	77.4	76.1	2%	83.7	(8%)
Long-term outflows	(97.2)	(87.8)	(11%)	(90.3)	(8%)
Long-term net flows	**(19.8)**	**(11.7)**	**(69%)**	**(6.6)**	**NM**
Cash management net flows	0.4	(7.1)	NM	(2.2)	NM
Total net flows	**(19.4)**	**(18.8)**	**(3%)**	**(8.8)**	**NM**
Acquisitions	57.2	-	NM	-	NM
Net market change, dist. & other	(135.5)	(81.8)	(66%)	62.0	NM
Ending AUM	**$ 1,379.8**	**$ 1,477.5**	**(7%)**	**$ 1,552.1**	**(11%)**
Average AUM	**$ 1,439.8**	**$ 1,516.1**	**(5%)**	**$ 1,531.0**	**(6%)**

1. Excludes approximately $12 billion of AUM in our China joint venture.

- Ending AUM was $1.38 trillion, a decline of 7% from the prior quarter primarily due to market depreciation and long-term net outflows. Average AUM decreased by 5% to $1.44 trillion.
- Long-term inflows of $77.4 billion slightly increased from the prior quarter of $76.1 billion. Reinvested distributions of $3.7 billion increased from $2.3 billion in the prior quarter. Long-term outflows were $97.2 billion compared to $87.8 billion in the prior quarter.
- While long-term net outflows were $19.8 billion, we continued to benefit from a diversified mix of assets.
  - **Alternative** net inflows increased to $2.1 billion, up from flat in the prior quarter, with both quarters including outflows in certain liquid alternative strategies. Our three largest alternative managers, BSP, Clarion and Lexington, each had positive net flows, with a combined total of $4.0 billion.
  - **Multi-asset** net inflows were $1.6 billion, compared to $2.3 billion in the prior quarter.
  - **Fixed Income:** The first half of the calendar year resulted in the worst fixed income net outflows for the US mutual fund industry since 2000. While client interest in the asset class continued to be strong and our inflows increased by 6% from the second quarter, net outflows were $14.3 billion primarily due to certain US taxable and muni strategies. We benefitted from having a broad range of fixed income strategies with non-correlated investment philosophies, including net flows into certain taxable US Income strategies, Multi-Sector Bond, Corporate and Enhanced Liquidity strategies during the quarter.
  - **Equity** net outflows were $9.2 billion. This quarter, the risk-off environment impacted investor sentiment on certain growth strategies, which were partially offset by positive net flows into Infrastructure, Emerging Markets, and Sector specific equity strategies.

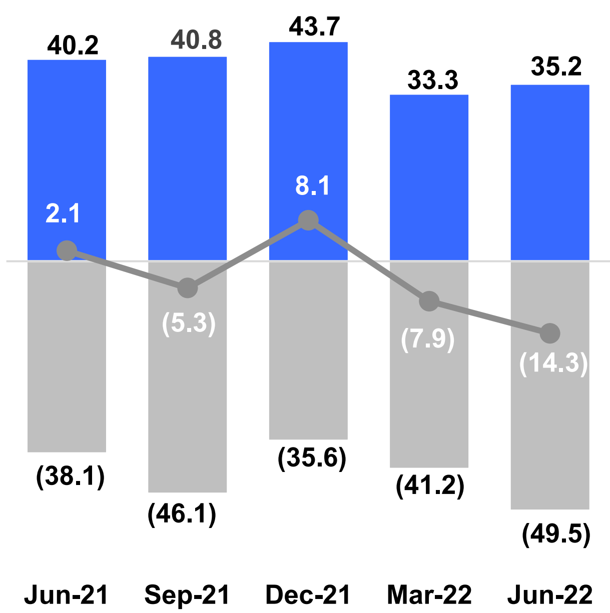
Long-term flows
(In US$ billions, for the three months ended)



- Our institutional pipeline of won but unfunded mandates was $12.4 billion and remained diversified by asset class and across our specialist investment managers, with an increase in equity and alternative strategies.

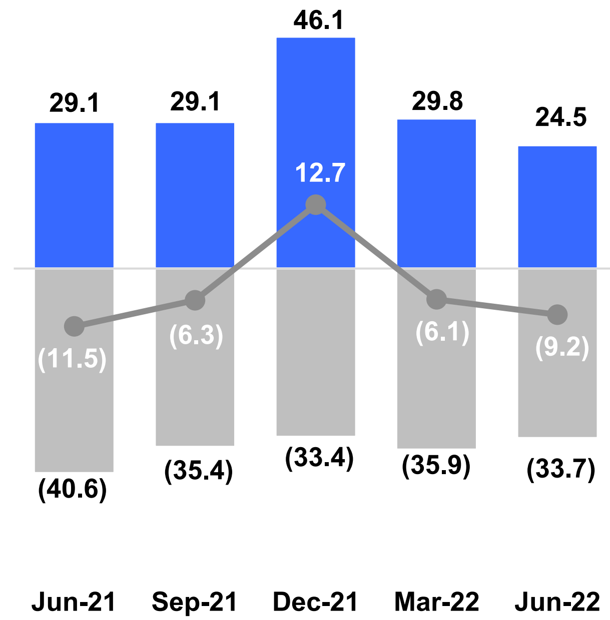
Fixed Income: $536 billion

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



Equity: $425 billion

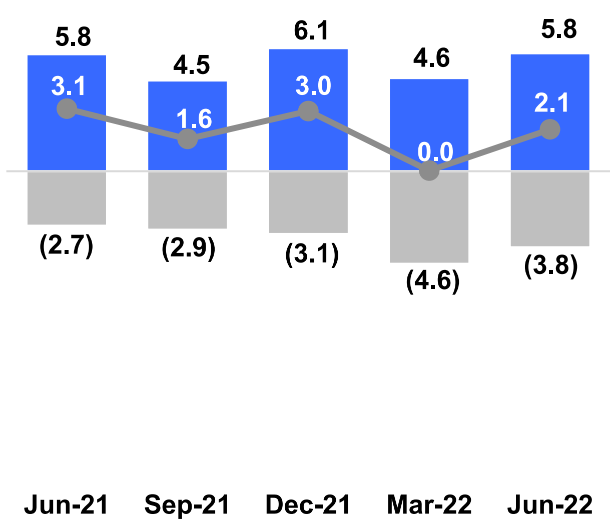
(in US$ billions, for the three months ended)



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

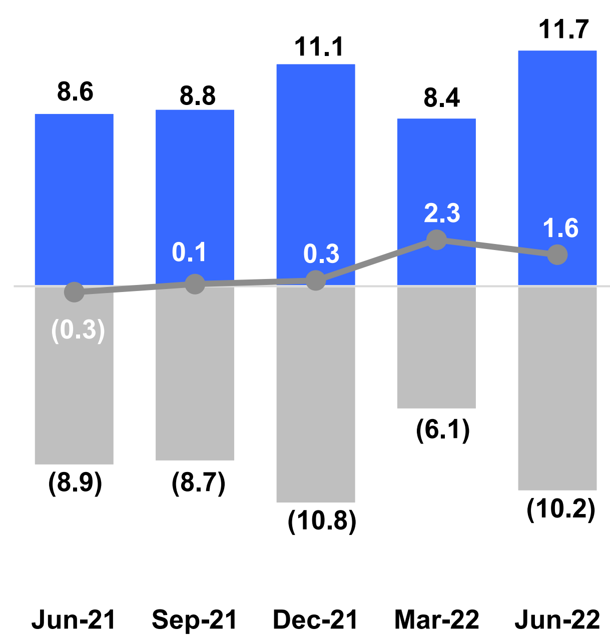
Alternative: $225 billion

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



Multi-Asset: $136 billion

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



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

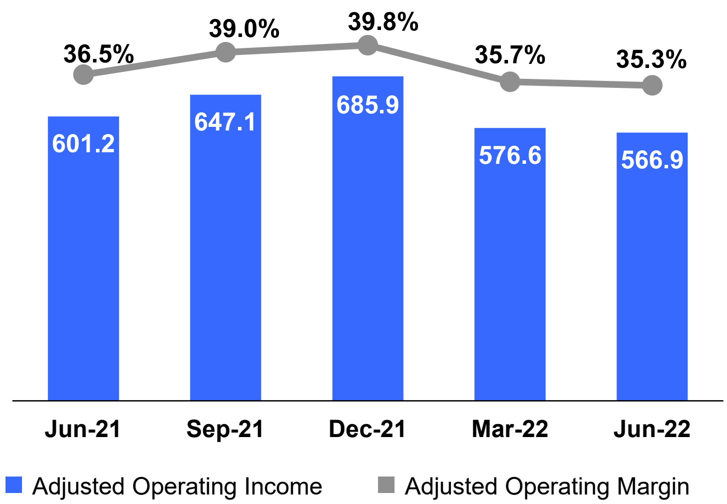
Financial results[1]

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

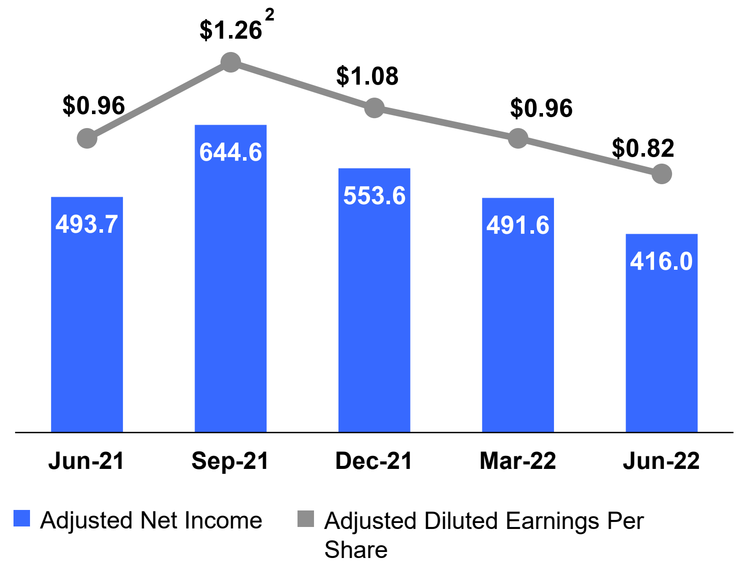
US GAAP	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Operating Income	478.1	531.5	557.7	463.0	404.7
Operating Margin	22.0%	24.4%	25.1%	22.2%	19.9%

US GAAP	Jun-21	Sep-21	Dec-21	Mar-22	Jun-22
Net Income	438.4	665.7 [2]	453.2	349.6	256.4
Diluted EPS	$0.86	$1.30	$0.88	$0.68	$0.50

Adjusted operating income and adjusted operating margin



Adjusted net income and adjusted diluted earnings per share



- This quarter's financial results reflect the closing of Lexington on April 1.
- Adjusted operating income was $567 million for the quarter, a decrease of 2% from the prior quarter. The change is primarily due to lower average AUM, partially offset by the addition of Lexington and higher performance fees.
- Adjusted operating margin was 35.3% compared to 35.7% from the prior quarter.
- Adjusted net income and adjusted diluted earnings per share declined by 15% from the prior quarter to $416 million and $0.82, respectively. The prior quarter included $53 million of investment income ($0.11 per share) from the sale of our minority stake in Embark to Lloyds Banking Group.

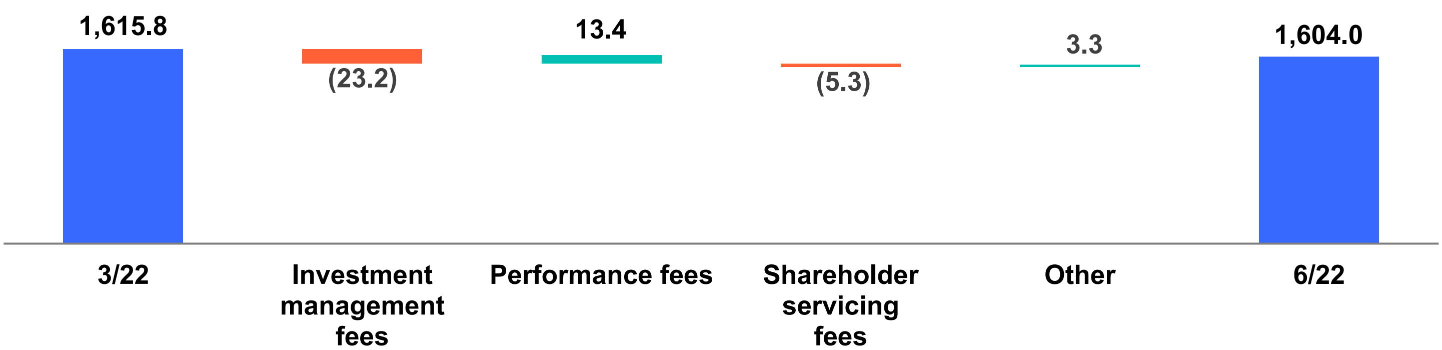
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. Q4 2021 included a one-time tax benefit of $155 million ($0.30 per share).

Revenues[1]

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

	Jun-22 US GAAP	Adjustments	Jun-22 Adjusted	Mar-22 Adjusted	Jun-22 Adjusted vs. Mar-22 Adjusted	Jun-21 Adjusted	Jun-22 Adjusted vs. Jun-21 Adjusted
Investment management fees, ex. performance fees	1,516.8	(99.5)	1,417.3	1,440.5	(2%)	1,485.9	(5%)
Performance fees	119.3	7.8	127.1	113.7	12%	102.5	24%
Sales and distribution fees	335.6	(335.6)	-	-	NM	-	NM
Shareholder servicing fees	46.9	-	46.9	52.2	(10%)	50.5	(7%)
Other	12.7	-	12.7	9.4	35%	8.2	55%
Total Operating Revenues	**2,031.3**	**(427.3)**	**1,604.0**	**1,615.8**	**(1%)**	**1,647.1**	**(3%)**
Effective fee rate[2]			*39.5 bps*	*38.5 bps*		*38.9 bps*	

Adjusted Operating Revenues – Quarter Ended March 31, 2022 and June 30, 2022



- Adjusted revenues were $1.6 billion, a decrease of 1% from prior quarter primarily due to lower average AUM, partially offset by the closing of Lexington and increased performance fees.
- Investment management fees, excluding performance fees, decreased 2% from the prior quarter primarily due to lower average AUM, partially offset by the acquisition of Lexington.
- Adjusted performance fees increased by 12% to $127 million compared to $114 million in the prior quarter and $103 million in prior year quarter.
- The adjusted effective fee rate[2] increased to 39.5 bps, excluding performance fees and including the closing of Lexington, compared to 38.5 bps in the prior quarter and 38.9 bps prior year quarter.

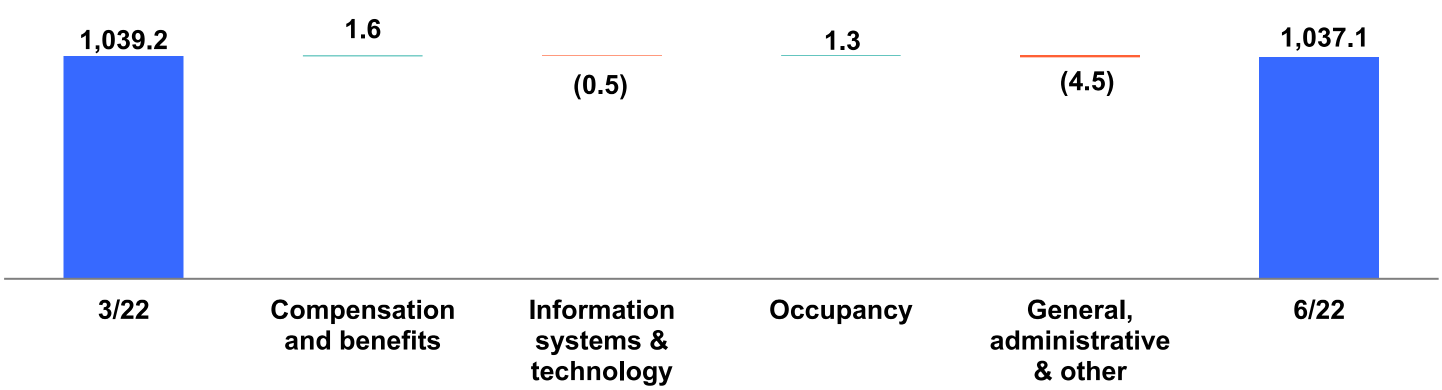
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. The adjusted effective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

Expenses[1]

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

	Jun-22 US GAAP	Adjustments	Jun-22 Adjusted	Mar-22 Adjusted	Jun-22 Adjusted vs. Mar-22 Adjusted	Jun-21 Adjusted	Jun-22 Adjusted vs. Jun-21 Adjusted
Compensation & benefits	766.7	(35.9)	730.8	729.2	0%	718.8	2%
Sales, distribution & marketing	440.3	(440.3)	-	-	NM	-	NM
Information systems & technology	125.9	(6.3)	119.6	120.1	(0%)	117.9	1%
Occupancy	53.8	-	53.8	52.5	2%	53.3	1%
Amortization of intangible assets	81.8	(81.8)	-	-	NM	-	NM
General, administrative & other	158.1	(25.2)	132.9	137.4	(3%)	155.9	(15%)
Total Operating Expenses	**1,626.6**	**(589.5)**	**1,037.1**	**1,039.2**	**(0%)**	**1,045.9**	**(1%)**

Adjusted Operating Expenses – Quarter Ended March 31, 2022 and June 30, 2022



- Adjusted operating expenses were $1.0 billion, approximately flat from the prior quarter. This quarter includes our acquisition of Lexington.
- Adjusted compensation and benefits expense stayed flat. Lower incentive compensation offset the addition of Lexington. Adjusted compensation and benefits was approximately 45.6% of adjusted revenues this quarter compared to 45.1% in the prior quarter.
- Non-compensation adjusted expenses were $306 million for the quarter, approximately flat from the prior quarter. The prior quarter included non-recurring and episodic costs[2] partially offset by an increase in T&E expenses this quarter.

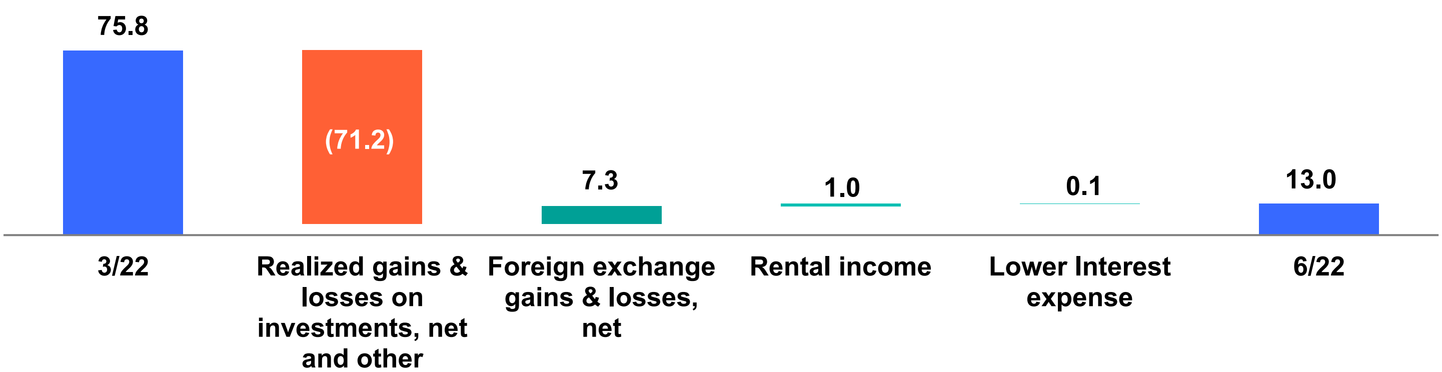
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. Q2 2022 included $23 million of expenses related to non-recurring costs associated with the Transfer Agent (TA) outsourcing transaction in the US, episodic third-party placement fees, and other pass-through fees.

Other Income[1]

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

	Jun-22 US GAAP	Adjustments	Jun-22 Adjusted	Mar-22 Adjusted	Jun-22 Adjusted vs. Mar-22 Adjusted	Jun-21 Adjusted	Jun-22 Adjusted vs. Jun-21 Adjusted
Investment and other income, net	13.0	29.1	42.1	105.0	(60%)	41.3	2%
Interest expense	(28.9)	(0.2)	(29.1)	(29.2)	(0%)	(32.1)	(9%)
Investment and other income of CIPs	(74.4)	74.4	-	-	NM	-	NM
Expenses of CIPs	(1.3)	1.3	-	-	NM	-	NM
Other Income (Expense), Net	**(91.6)**	**104.6**	**13.0**	**75.8**	**(83%)**	**9.2**	**41%**

Adjusted Other Income – Quarter Ended March 31, 2022 and June 30, 2022

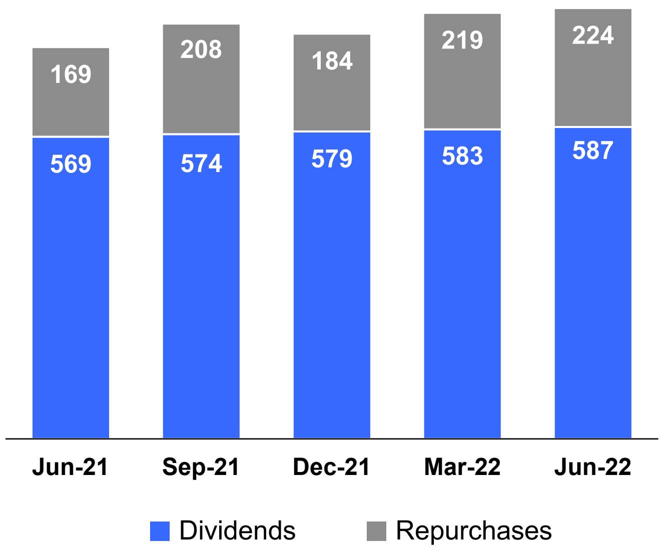


- Adjusted other income (expense), net was $13.0 million compared to $75.8 million in the prior quarter. The 83% decrease was primarily attributable to the prior quarter's realized gains and losses on investments, net and other, which includes $53 million from the sale of our minority stake in Embark ($0.11 per share).
- Interest due to debt holders was $26.9 million, consistent with the prior quarter. Rental income was $9.6 million, compared to $8.6 million in the prior quarter.
- This quarter's GAAP tax rate was 29% primarily related to CIP losses which provide no tax benefit to the company. Assuming our current mix of earnings, we anticipate our annual effective tax rate to be between 23 – 24%.

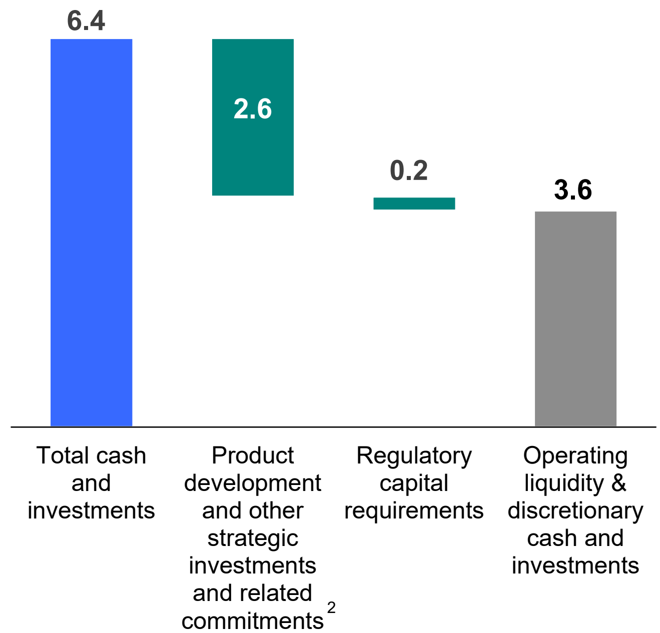
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

Capital management

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



Allocation of cash and investments[1]
(In US$ billions, as of June 30, 2022)



- In June, we announced a quarterly cash dividend of $0.29 per share, representing an approximately 4% increase over the prior year quarter, bringing total dividends declared for the trailing 12 months to $587 million. During the quarter, we repurchased 2.0 million shares for a total cost of $51 million and year to date, we have purchased 5.4 million shares for $154 million. We typically repurchase shares to approximately offset employee-related equity issuances.

- Total cash and investments declined by approximately $500 million from the prior quarter to $6.4 billion as of June 30, 2022, including our direct investments in consolidated investment products. Cash generated by operations and net investment activity was offset by cash consideration of approximately $1 billion paid for the acquisition of Lexington, our regular quarterly dividend and share repurchases.

1. Numbers may not exactly foot due to rounding and includes direct investments in CIPs of $1.0 billion and approximately $300 million of employee-owned and other third-party investments made through partnerships.
2. Includes undrawn capital commitments of $246 million.

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended June 30, 2022

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Special Termination Plan	Unrealized investment (gains) losses	Deferred Comp Plan and other	Non-GAAP Basis
Revenues								
Investment management fees	**1,636.1**	13.0	(104.7)	-	-	-	-	**1,544.4**
Sales and distribution fees	**335.6**	-	(335.6)	-	-	-	-	**-**
Shareholder servicing fees	**46.9**	-	-	-	-	-	-	**46.9**
Other	**12.7**	-	-	-	-	-	-	**12.7**
Total Operating Revenues	**2,031.3**	**13.0**	**(440.3)**	**-**	**-**	**-**	**-**	**1,604.0**
Expenses								
Compensation and benefits	**766.7**	-	-	(44.2)	(0.7)	-	9.0	**730.8**
Sales, distribution and marketing	**440.3**	-	(440.3)	-	-	-	-	**-**
Information systems and technology	**125.9**	-	-	(6.3)	-	-	-	**119.6**
Occupancy	**53.8**	-	-	-	-	-	-	**53.8**
Amortization of intangible assets	**81.8**	-	-	(81.8)	-	-	-	**-**
General, administrative and other	**158.1**	-	-	(25.2)	-	-	-	**132.9**
Total Operating Expenses	**1,626.6**	**-**	**(440.3)**	**(157.5)**	**(0.7)**	**-**	**9.0**	**1,037.1**
Operating Income	**404.7**	**13.0**	**-**	**157.5**	**0.7**	**-**	**(9.0)**	**566.9**
Other Income (Expense)								
Investment and other income (losses) net	**13.0**	(42.1)	-	-	-	45.8	25.4	**42.1**
Interest expense	**(28.9)**	-	-	(0.2)	-	-	-	**(29.1)**
Investment and other income of CIPs	**(74.4)**	74.4	-	-	-	-	-	**-**
Expenses of CIPs	**(1.3)**	1.3	-	-	-	-	-	**-**
Total Other Income (Expense)	**(91.6)**	**33.6**	**-**	**(0.2)**	**-**	**45.8**	**25.4**	**13.0**
Income before taxes	**313.1**	**46.6**	**-**	**157.3**	**0.7**	**45.8**	**16.4**	**579.9**
Taxes on income	**89.5**	-	-	38.1	0.2	1.5	4.1	**133.4**
Net income	**223.6**	**46.6**	**-**	**119.2**	**0.5**	**44.3**	**12.3**	**446.5**
Less: Net income (loss) attributable to noncontrolling interests	**(32.8)**	53.4	-	-	-	0.1	9.8	**30.5**
Net Income Attributable to Franklin Resources, Inc.	**256.4**	**(6.8)**	**-**	**119.2**	**0.5**	**44.2**	**2.5**	**416.0**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**11.2**							**18.1**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**245.2**							**397.9**
Diluted EPS	**$0.50**				**Adjusted Diluted EPS**			**$0.82**
Diluted Shares Outstanding	**487.9**				**Diluted Shares Outstanding**			**487.9**
Operating Margin	**19.9%**				**Adjusted Operating Margin**			**35.3%**

Appendix

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

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

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended June 30, 2021

(in US$ millions except per share data)	US GAAP Basis	Consolidated Investment Products	Sales, distribution and marketing	Acquisition-related	Special Termination Benefits	Unrealized investment (gains) losses	Deferred Comp Plan	Non-GAAP Basis
Revenues								
Investment management fees	**1,697.3**	5.2	(114.1)	-	-	-	-	**1,588.4**
Sales and distribution fees	**416.9**	-	(416.9)	-	-	-	-	**-**
Shareholder servicing fees	**50.5**	-	-	-	-	-	-	**50.5**
Other	**8.2**	-	-	-	-	-	-	**8.2**
Total Operating Revenues	**2,172.9**	**5.2**	**(531.0)**	**-**	**-**	**-**	**-**	**1,647.1**
Expenses								
Compensation and benefits	**771.4**	-	-	(39.1)	(3.9)	-	(9.6)	**718.8**
Sales, distribution and marketing	**531.0**	-	(531.0)	-	-	-	-	**-**
Information systems and technology	**121.8**	-	-	(3.9)	-	-	-	**117.9**
Occupancy	**54.6**	-	-	(1.3)	-	-	-	**53.3**
Amortization of intangible assets	**58.0**	-	-	(58.0)	-	-	-	**-**
General, administrative and other	**158.0**	-	-	(2.1)	-	-	-	**155.9**
Total Operating Expenses	**1,694.8**	**-**	**(531.0)**	**(104.4)**	**(3.9)**	**-**	**(9.6)**	**1,045.9**
Operating Income	**478.1**	**5.2**	**-**	**104.4**	**3.9**	**-**	**9.6**	**601.2**
Other Income (Expense)								
Investment and other income (losses) net	**52.9**	37.0	-	(0.1)	-	(38.0)	(10.5)	**41.3**
Interest expense	**(25.7)**	-	-	(6.4)	-	-	-	**(32.1)**
Investment and other income of CIPs	**61.0**	(61.0)	-	-	-	-	-	**-**
Expenses of CIPs	**(10.9)**	10.9	-	-	-	-	-	**-**
Total Other Income (Expense)	**77.3**	**(13.1)**	**-**	**(6.5)**	**-**	**(38.0)**	**(10.5)**	**9.2**
Income before taxes	**555.4**	**(7.9)**	**-**	**97.9**	**3.9**	**(38.0)**	**(0.9)**	**610.4**
Taxes on income	**83.8**	-	-	24.5	0.9	(10.2)	(0.3)	**98.7**
Net income	**471.6**	**(7.9)**	**-**	**73.4**	**3.0**	**(27.8)**	**(0.6)**	**511.7**
Less: Net income (loss) attributable to noncontrolling interests	**33.2**	(7.3)	-	-	-	(7.9)	-	**18.0**
Net Income Attributable to Franklin Resources, Inc.	**438.4**	**(0.6)**	**-**	**73.4**	**3.0**	**(19.9)**	**(0.6)**	**493.7**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**19.4**							**21.9**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**419.0**							**471.8**
Diluted EPS	**$0.86**				**Adjusted Diluted EPS**			**$0.96**
Diluted Shares Outstanding	**489.9**				**Diluted Shares Outstanding**			**489.9**
Operating Margin	**22.0%**				**Adjusted Operating Margin**			**36.5%**

Appendix

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

Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors that may cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements, including pandemic-related risks, market and volatility risks, investment performance and reputational risks, global operational risks, competition and distribution risks, third-party risks, technology and security risks, human capital risks, cash management risks, and legal and regulatory risks. While forward-looking statements are our best prediction at the time that they are made, you should not rely on them and are cautioned against doing so. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other possible future conditions. Because forward-looking statements relate to the future, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. They are neither statements of historical fact nor guarantees or assurances of future performance. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them.

These and other risks, uncertainties and other important factors are described in more detail in our recent filings with the US Securities and Exchange Commission, including, without limitation, in Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K for the fiscal year ended September 30, 2021 and our subsequent Quarterly Reports on Form 10-Q. If a circumstance occurs after the date of this press release that causes any of our forward-looking statements to be inaccurate, whether as a result of new information, future developments or otherwise, we undertake no obligation to announce publicly the change to our expectations, or to make any revision to our forward-looking statements, to reflect any change in assumptions, beliefs or expectations, or any change in events, conditions or circumstances upon which any forward-looking statement is based, unless required by law.

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1 (650) 312-4091