FRANKLIN TEMPLETON

Franklin Resources, Inc.

Third Quarter Results

July 28, 2023 | Executive earnings commentary

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Contents

Conference call details:

Access to the teleconference at 11:00 AM Eastern will be available via investors.franklinresources.com or by dialing (888) 396-8049 in North America or (416) 764-8646 in other locations using access code 10114833. A replay of the teleconference can also be accessed by calling (877) 674-7070 in North America or (416) 764-8692 in other locations using access code 114833 through August 4, 2023, 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. Refer to 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, refer to the appendix to this commentary and the "Supplemental Non-GAAP Financial Measures" section of the earnings release.

Third quarter highlights

Key metrics

($ in millions, except AUM in billions and per share data)	Q3 2023	% Change (except adj. EFR and margin) vs. Q2 2023	vs. Q3 2022
Ending AUM[1]	$1,431.5	0.7%	3.7%
Average AUM[1]	1,419.6	0.0%	(1.4%)
Adj. revenue	1,562.7	2.7%	(2.6%)
Adj. operating income	476.8	8.3%	(15.9%)
Adj. net income	326.1	3.0%	(21.6%)
Adj. diluted EPS	0.63	3.3%	(23.2%)
Adj. effective fee rate[2] (bps)	39.4	39.0	39.5
Adj. operating margin	30.5%	28.9%	35.3%

Summary highlights

- In a period of market volatility, we continued to make good progress on the execution of our long-term plan of further diversifying our business across asset classes, vehicles, and geographies. This quarter, we generated positive long-term net inflows of $0.2 billion, including $3.5 billion in reinvested distributions.
  - Long-term net flows were positive in key areas including Alternatives, Multi-Asset, SMAs, ETFs, and the high-net-worth channel. Our largest alternative managers, Benefit Street Partners, Clarion Partners, and Lexington Partners, generated a combined total of nearly $5 billion of net inflows, including over $1 billion from the wealth management channel.
  - We saw improving flow trends across all of our geographies compared to the prior quarter with positive long-term net flows in the EMEA and Asia-Pacific regions.
- Adjusted operating income increased by 8.3% to $476.8 million from the prior quarter. Adjusted operating margin expanded to 30.5% compared to 28.9% in the prior quarter. Adjusted net income of $326.1 million and EPS of $0.63 increased by 3.0% and 3.3% from the prior quarter, respectively.
- On May 31, we announced the pending acquisition of Putnam Investments ("Putnam") with $136 billion[3] in AUM from Great-West Lifeco ("Great-West"), a subsidiary of the Power Corporation of Canada ("Power"), for approximately $925 million[4] primarily funded with equity. As part of a long-term relationship with the Power group of companies, Great-West will make an initial incremental long-term asset allocation of $25 billion to our specialist investment managers and become a long-term shareholder in Franklin Resources. Of the equity issued to Great-West, common stock representing 4.9% of our shares outstanding are subject to a 5-year lock-up[5].
  - The transaction aligns with our long-term plan to increase our scale in key markets and channels such as insurance and retirement. Putnam will add complementary investment capabilities, for example, in Target Date and Stable Value, and will increase Franklin Templeton's defined contribution AUM to almost $100 billion. The transaction will also enable us to further increase our investment in the retirement and insurance sectors to better serve each and every client in these important segments.
  - The acquisition of Putnam is expected to be modestly accretive to run-rate adjusted earnings per share (EPS) by the end of the first year after closing, adding approximately $150 million of run-rate adjusted operating income in the first year post-closing inclusive of cost synergies. It is anticipated to close in the fourth calendar quarter of 2023, subject to customary closing conditions.
- Our balance sheet position remains strong with total cash and investments of $6.9 billion[6].

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. Putnam AUM as of April 30, 2023 and excludes $33 billion of PanAgora AUM, which is not a party to the transaction.
4. Of the $925 million upfront purchase price, approximately $825 million will be in stock consideration based on the closing stock price as of May 30, 2023, and $100 million is in cash 180 days after closing.
5. Franklin Resources, Inc. will issue 33.3 million shares with 26.2 million shares subject to a five-year lock-up and the remaining shares subject to a 180-day lock-up.
6. Includes our direct investments in CIPS of $1.0 billion and approximately $300 million of employee-owned and other third-party investments made through partnerships. Excludes $500 million undrawn revolving credit facility.

Third quarter highlights

Financial results

- Ending AUM was $1.43 trillion as of June 30, 2023, an increase of 0.7% from the prior quarter and 3.7% from the prior year quarter.
- Adjusted operating revenues were $1.56 billion, a 2.7% increase from the prior quarter and a 2.6% decrease from the prior year quarter. Adjusted performance fees were $116.1 million compared to $103.2 million in the prior quarter and $127.1 million in the prior year quarter.
- This quarter's adjusted effective fee rate was 39.4 bps compared to 39.0 bps in the prior quarter and 39.5 bps in the prior year quarter. This quarter's effective fee rate increased due to catch-up fees recognized at the closing of fundraising rounds in secondary private equity.
- Adjusted operating expenses were $1.09 billion, which were relatively flat from the prior quarter and a 4.7% increase from the prior year quarter primarily due to the addition of Alcentra and fundraising expenses.
- Adjusted operating income was $476.8 million, an 8.3% increase from the prior quarter and a 15.9% decline from the prior year quarter. Adjusted operating margin was 30.5% compared to 28.9% in the prior quarter and 35.3% in the prior year quarter.
- Adjusted net income and adjusted diluted EPS increased by 3.0% and 3.3% from the prior quarter to $326.1 million and $0.63, respectively. Adjusted net income and adjusted diluted EPS decreased by 21.6% and 23.2% from the prior year quarter, respectively.

Investment performance

- Investment performance continued to be strong and this quarter, 63%, 53%, 67%, and 63% of our strategy composite AUM[1] outperformed their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. Investment performance for the 5-year period improved compared to the prior quarter due to certain US taxable fixed income strategies.

AUM and flows

- Ending AUM increased by 0.7% to $1.43 trillion from the prior quarter primarily due to market appreciation and by 3.7% from the prior year quarter primarily due to market appreciation and the addition of Alcentra. Average AUM was flat from the prior quarter at $1.42 trillion and decreased by 1.4% from the prior year quarter.
- Long-term inflows of $67.4 billion increased by 9.1% from the prior quarter and decreased by 12.9% from the prior year quarter. Reinvested distributions were $3.5 billion compared to $2.4 billion in the prior quarter and $3.7 billion in the prior year quarter.
- Long-term outflows were $67.2 billion, an increase of 2.6% from the prior quarter and a reduction of 30.9% from the prior year quarter.
- Long-term net inflows, inclusive of reinvested distributions, were $0.2 billion compared to net outflows of $3.7 billion in the prior quarter and net outflows of $19.8 billion in the prior year quarter.
  - **Alternative** net inflows were $4.0 billion driven by growth into private market strategies, which were partially offset by outflows in liquid alternative strategies. Benefit Street Partners, Clarion Partners, and Lexington Partners generated a combined total of net inflows of nearly $5 billion. As of July, our latest secondary private equity fund reached $18.2 billion in AUM surpassing its initial target and continues to fundraise.
  - **Multi-asset** net inflows were $2.3 billion driven by the Franklin Income Fund, Franklin Templeton Investment Solutions, and Canvas®, our Custom Indexing solution platform.
  - **Equity** net outflows were $3.0 billion and included the funding of a previously disclosed $3.2 billion institutional mandate. Despite the risk-off environment, we saw positive net flows into International, Large Cap Core, Emerging Markets, All Cap Value, and Small/Mid Cap equity strategies.
  - **Fixed income** net outflows were $3.1 billion. We benefitted from having a broad range of fixed income strategies with non-correlated investment philosophies and client interest continued with net inflows into Multi-Sector, Core Bond, Enhanced Liquidity, and TIPS strategies.

1. Composite AUM measured for the 1-, 3-, 5-, and 10-year periods represent 50%, 50%, 49%, and 47%, respectively of the firm's total AUM as of June 30, 2023.

Third quarter highlights

AUM and Flows, Cont’d.

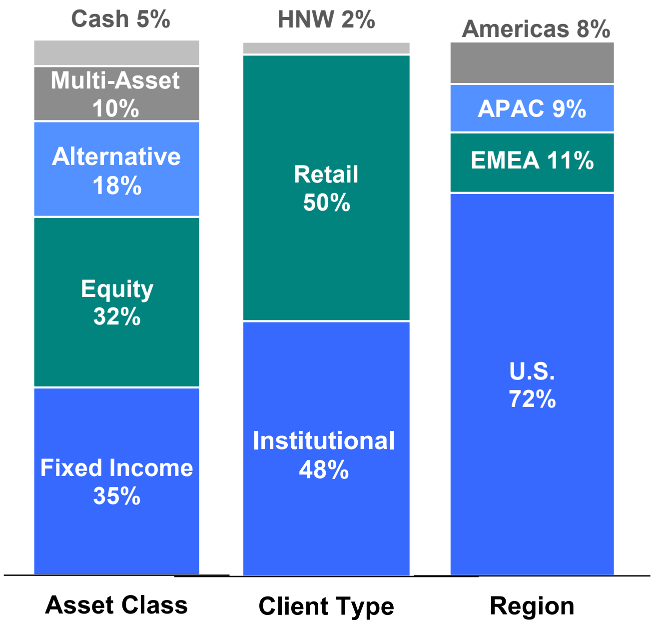
- **Regional diversification**: We continued to benefit from our regionally focused model and strategy, which resulted in improving flow trends across all our geographies compared to the prior quarter. This quarter, the EMEA and Asia-Pacific regions generated positive long-term net flows.
- We further diversified our business across products, vehicles, and asset classes to create broader sources of revenue.
  - 16 of our top 20 net inflow generating funds were outside our largest 20 funds by AUM across a broad range of investment strategies.
  - **ETFs** generated net inflows of $1.1 billion, representing the third consecutive quarter with net flows of approximately $1.0 billion, and AUM ended the quarter at $16.2 billion. We launched two new ETFs in Europe targeting the ‘Future of Food’ and ‘Health and Wellness’ investment themes.
  - **SMA** AUM ended the quarter at $116 billion and generated positive net flows. Our SMA platform continues to expand capabilities, with launches focused on customization such as tax-managed overlay and SMA products of key flagship strategies, including the Franklin Income SMA.
  - **Canvas®**, our Custom Indexing solution platform, has achieved net inflows each quarter since the platform launched in September 2019 and AUM has more than doubled to $4.5 billion since the announcement of the acquisition. This quarter, Canvas® generated net inflows of approximately $0.3 billion and continues to have a robust pipeline.

Other highlights

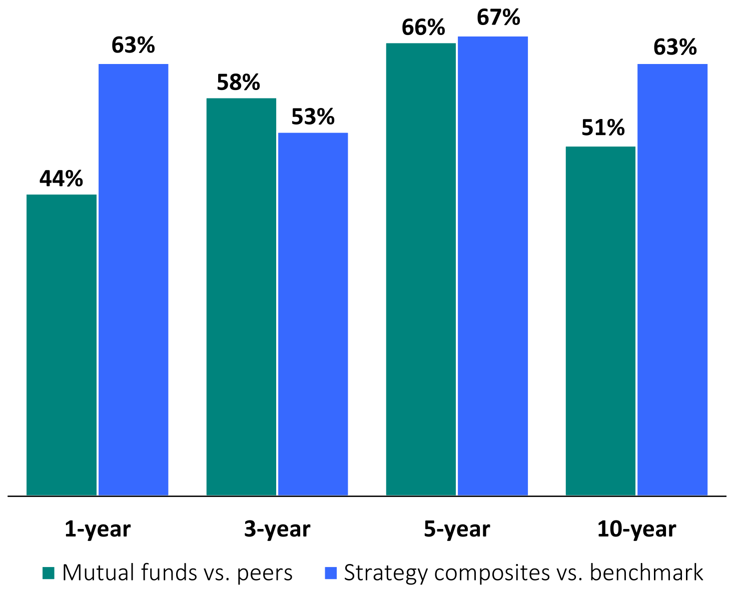
- **Wealth Management Alternatives**: Retail and high-net-worth investors continue to remain under-allocated to alternatives relative to institutional investors. Providing wealth clients the opportunity to benefit from potentially higher returns and lower correlations to traditional assets is a significant method to improve investor outcomes.
  - Client interest was strong across a number of alternatives strategies on wealth management platforms under the Alternatives by Franklin Templeton brand in the US. This quarter, we raised $1.1 billion in secondary private equity and the wealth management channel will exceed 20% of this total fund raise. Additionally, we continue to focus on client education initiatives through our alternative-focused podcasts and webinars partnering with the Franklin Templeton Academy.
- **Private Wealth Management** AUM ended the quarter at $34.0 billion. Fiduciary Trust International generated its 11th consecutive quarter of long-term net inflows.
- Franklin Templeton was appointed as investment manager and sole administrator of Fondul Proprietatea. Over the past 13 years, Franklin Templeton worked closely with the companies in the Fondul portfolio supporting the development of the Romanian capital market. On July 12, Hidroelectrica, the largest holding in the Fondul Proprietatea, successfully listed on the Bucharest Stock Exchange making it Romania’s largest ever initial public offering and this year’s biggest share listing in Europe. The listing reflects our ability to build partnerships with public and private institutions in emerging markets and to deliver long-term value for all stakeholders.

AUM and investment performance

Diversified by asset class, client type and region
AUM of $1.43 trillion as June 30, 2023



Percentage of AUM above peer median and benchmark[1]
As of June 30, 2023



- AUM of approximately $1.43 trillion is diversified across asset classes, client types, and regions.
- Investment performance continues to be strong and resulted in 63%, 53%, 67%, and 63% of our strategy composite AUM outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. The 5-year period improved due to certain US taxable fixed income strategies.
- Investment performance resulted in 44%, 58%, 66%, and 51% of our mutual fund AUM outperforming their peers on a 1-, 3-, 5-, and 10-year basis. Mutual fund performance improved in the 3- and 5-year periods from the prior quarter due to an improvement in performance in equity and certain fixed income strategies and declined in the 1-year period primarily due to our one of our largest funds managed for yield.

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 50%, 50%, 49%, and 47%, respectively of the firm's total AUM as of June 30, 2023. 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 36%, 36%, 35%, and 34%, respectively of the firm's total AUM as of June 30, 2023.
2.

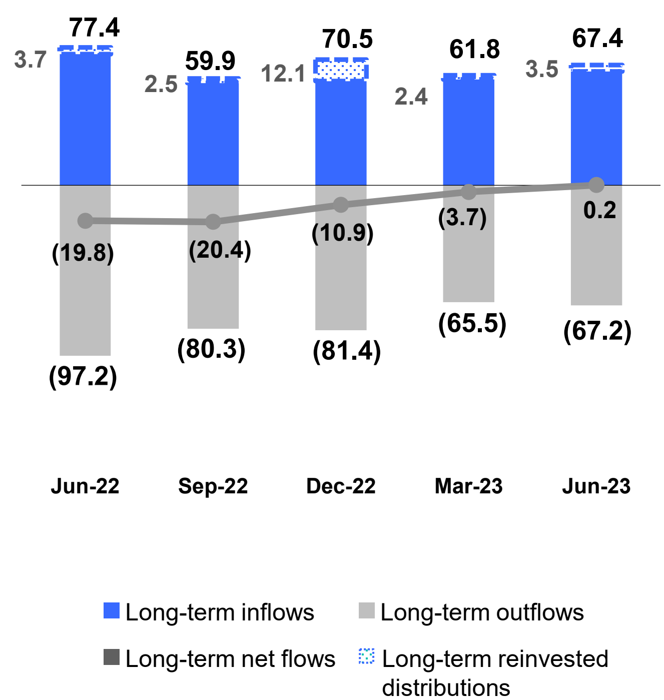
AUM and flows

(In US$ billions)[1]	Jun 30, 2023	Mar 31, 2023	% Change	Jun 30, 2022	% Change
Beginning AUM	$1,422.1	$1,387.7	2%	$1,477.5	(4%)
Long-term inflows	67.4	61.8	9%	77.4	(13%)
Long-term outflows	(67.2)	(65.5)	3%	(97.2)	(31%)
Long-term net flows	**0.2**	**(3.7)**	**NM**	**(19.8)**	**NM**
Cash management net flows	(7.3)	(4.3)	70%	0.4	NM
Total net flows	**(7.1)**	**(8.0)**	**(11%)**	**(19.4)**	**(63%)**
Acquisitions	-	-	NM	57.2	NM
Net market change, dist. & other	16.5	42.4	(61%)	(135.5)	NM
Ending AUM	**$1,431.5**	**$1,422.1**	**1%**	**$1,379.8**	**4%**
Average AUM	**$1,419.6**	**$1,419.5**	**0%**	**$1,439.8**	**(1%)**

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

- Ending AUM increased by 0.7% to $1.43 trillion from the prior quarter primarily due to market appreciation. Average AUM was flat from the prior quarter.
- Long-term inflows of $67.4 billion increased by 9.1% from the prior quarter. Reinvested distributions were $3.5 billion this quarter compared to $2.4 billion in the prior quarter.
- Long-term outflows were $67.2 billion compared to $65.5 billion in the prior quarter.
- Long-term net inflows were $0.2 billion compared to net outflows of $3.7 billion in the prior quarter, inclusive of reinvested distributions.
  - **Alternative** net inflows were $4.0 billion driven by growth into private market strategies, which were partially offset by outflows in liquid alternative strategies. Benefit Street Partners, Clarion Partners, and Lexington Partners generated a combined total of net inflows of nearly $5 billion.
  - **Multi-asset** net inflows were $2.3 billion driven by the Franklin Income Fund, Franklin Templeton Investment Solutions, and Canvas®.
  - **Equity** net outflows were $3.0 billion and included the funding of a previously disclosed $3.2 billion institutional mandate. Despite the risk-off environment, we saw positive net flows into International, Large Cap Core, Emerging Markets, All Cap Value, and Small/Mid Cap equity strategies.
  - **Fixed income** net outflows were $3.1 billion. We benefitted from having a broad range of fixed income strategies with non-correlated investment philosophies and client interest continued with net inflows into Multi-Sector, Core Bond, Enhanced Liquidity, and TIPS strategies.
- This quarter, we saw an increased level of fundings bringing our institutional pipeline of won but unfunded mandates to $13.4 billion. The pipeline remains diversified by asset class and across our specialist investment managers.

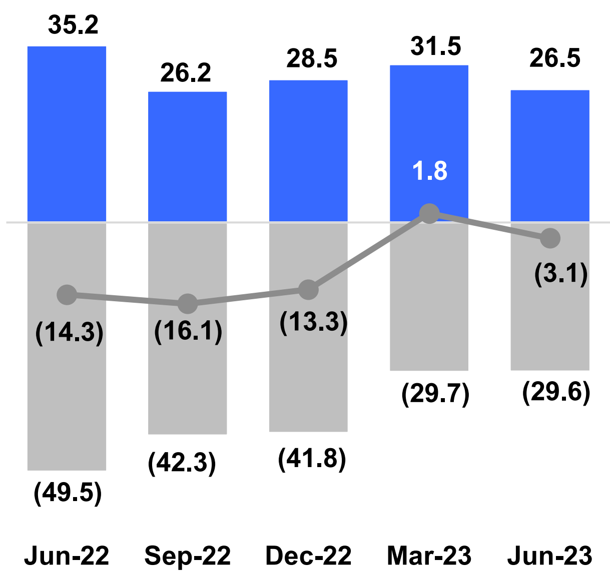
Long-term flows[1]
(In US$ billions, for the three months ended)



1. Excludes money market funds.

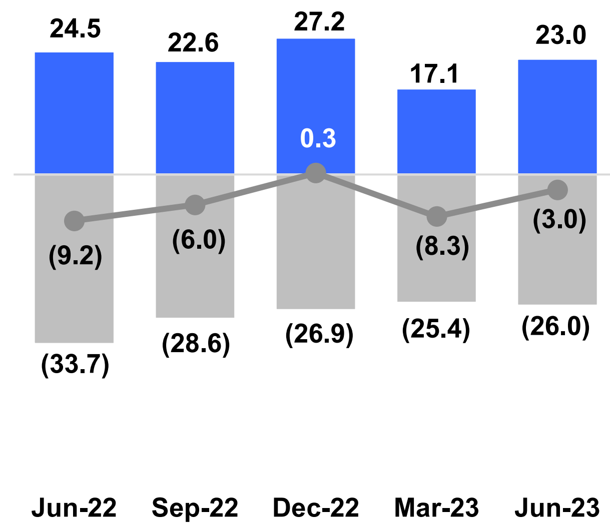
Fixed Income: $505 billion

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



Equity: $458 billion

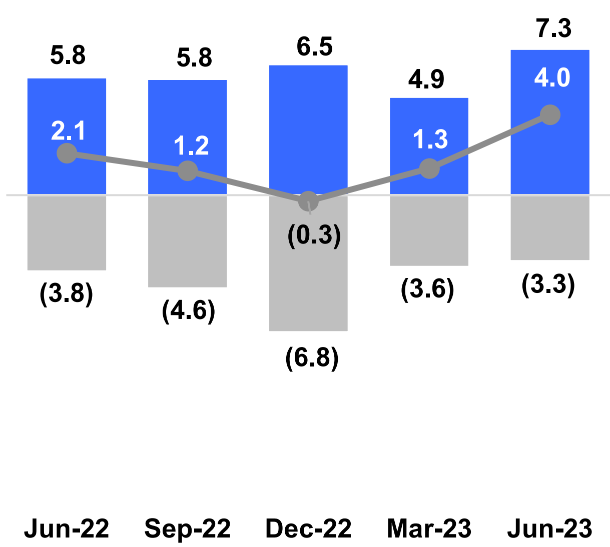
(in US$ billions, for the three months ended)



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

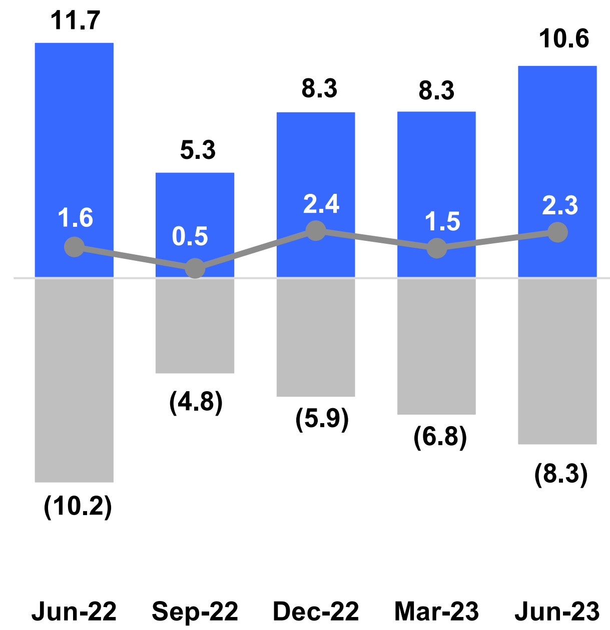
Alternative: $257 billion

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



Multi-Asset: $148 billion

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



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

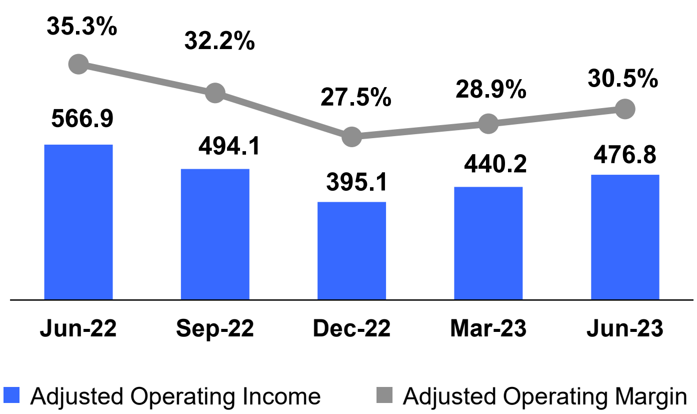
Financial results[1]

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

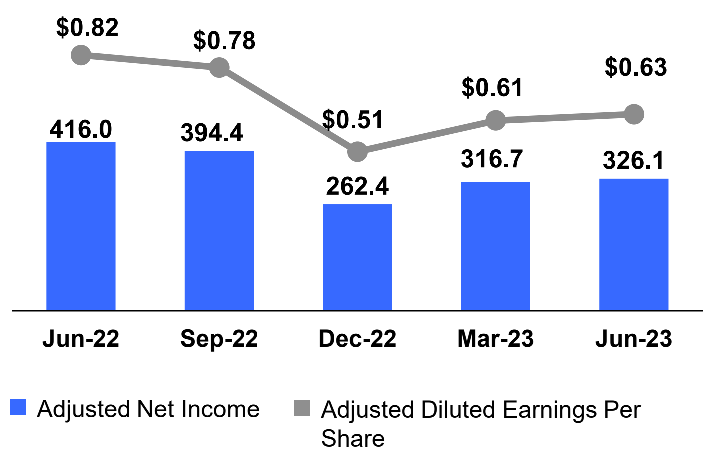
US GAAP	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Operating Income	404.7	348.5	194.0	255.1	314.9
Operating Margin	19.9%	18.0%	9.9%	13.2%	16.0%

US GAAP	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23
Net Income	256.4	232.7	165.6	194.2	227.5
Diluted EPS	$0.50	$0.46	$0.32	$0.38	$0.44

Adjusted operating income and adjusted operating margin



Adjusted net income and adjusted diluted earnings per share



- Adjusted operating income was $476.8 million, an increase of 8.3% from the prior quarter primarily due to higher investment management fees, higher performance fees, and lower G&A expense, partially offset by higher compensation and benefits expense, and a decrease of 15.9% from the prior year quarter primarily due to higher expenses following the addition of Alcentra and lower operating revenues. This quarter the expenses associated with fundraising closings in secondary private equity were offset by related catch-up fees.
- Adjusted operating margin was 30.5% compared to 28.9% in the prior quarter and 35.3% in the prior year quarter.
- Adjusted net income and adjusted diluted EPS increased by 3.0% and 3.3% from the prior quarter to $326.1 million and $0.63, respectively. Adjusted net income and adjusted diluted EPS declined by 21.6% and 23.2% from the prior year quarter, respectively.

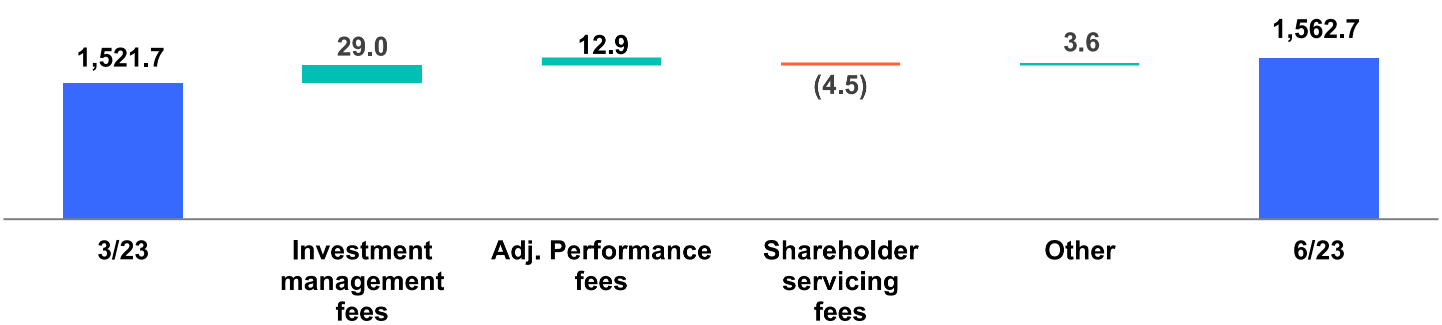
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

Revenues[1]

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

	Jun-23 US GAAP	Adjustments	Jun-23 Adjusted	Mar-23 Adjusted	Jun-23 Adjusted vs. Mar-23 Adjusted	Jun-22 Adjusted	Jun-23 Adjusted vs. Jun-22 Adjusted
Investment management fees, ex. performance fees	1,487.5	(92.5)	1,395.0	1,366.0	2%	1,417.3	(2%)
Performance fees	125.9	(9.8)	116.1	103.2	13%	127.1	(9%)
Sales and distribution fees	304.0	(304.0)	-	-	NM	-	NM
Shareholder servicing fees	38.8	-	38.8	43.3	(10%)	46.9	(17%)
Other	12.8	-	12.8	9.2	39%	12.7	1%
Total Operating Revenues	**1,969.0**	**(406.3)**	**1,562.7**	**1,521.7**	**3%**	**1,604.0**	**(3%)**
Effective fee rate			*39.4 bps*	*39.0 bps*		*39.5 bps*	

Adjusted Operating Revenues – Quarters Ended March 31, 2023 and June 30, 2023



- Adjusted operating revenues of $1.56 billion increased 2.7% from the prior quarter and declined 2.6% from the prior year quarter. This quarter's increase is primarily due to higher investment management fees and performance fees from our alternative managers.
- Adjusted investment management fees of $1.40 billion, excluding performance fees, increased 2.1% from the prior quarter and decreased 1.6% from the prior year quarter. This quarter's increase is primarily due to catch-up fees in secondary private equity.
- Adjusted performance fees were $116.1 million compared to $103.2 million in the prior quarter and $127.1 million in the prior year quarter.
- The adjusted effective fee rate[2] was 39.4 bps compared to 39.0 bps in the prior quarter and 39.5 bps in the prior year quarter. This quarter's effective fee rate increased due to catch-up fees in secondary private equity.

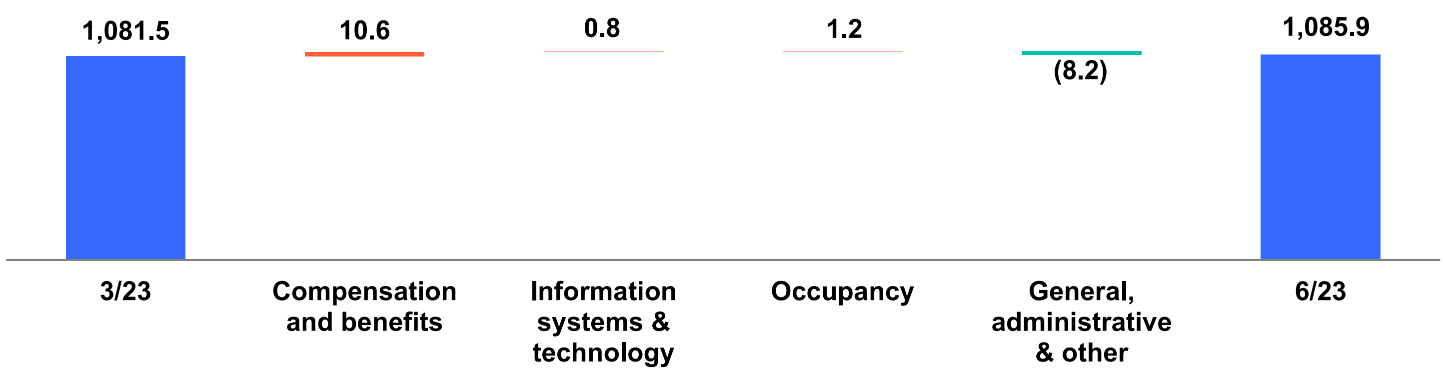
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. The adjusted effective 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-23 US GAAP	Adjustments	Jun-23 Adjusted	Mar-23 Adjusted	Jun-23 Adjusted vs. Mar-23 Adjusted	Jun-22 Adjusted	Jun-23 Adjusted vs. Jun-22 Adjusted
Compensation & benefits	841.2	(67.3)	773.9	763.3	1%	730.8	6%
Sales, distribution & marketing	406.8	(406.8)	-	-	NM	-	NM
Information systems & technology	127.3	(5.5)	121.8	121.0	1%	119.6	2%
Occupancy	56.9	-	56.9	55.7	2%	53.8	6%
Amortization of intangible assets	85.4	(85.4)	-	-	NM	-	NM
General, administrative & other	136.5	(3.2)	133.3	141.5	(6%)	132.9	0%
Total Operating Expenses	**1,654.1**	**(568.2)**	**1,085.9**	**1,081.5**	**0%**	**1,037.1**	**5%**

Adjusted Operating Expenses – Quarters Ended March 31, 2023 and June 30, 2023



- Adjusted operating expenses were $1.09 billion, an increase of 0.4% from the prior quarter and 4.7% from the prior year quarter which excluded Alcentra.
- Adjusted compensation and benefits increased 1.4% from the prior quarter and 5.9% from the prior year quarter. The increase from the prior quarter is primarily related to fundraising closings in secondary private equity and the increase from the prior year quarter also includes the addition of Alcentra.
- Adjusted compensation and benefits was approximately 49.5% of adjusted revenues compared to 50.2% in the prior quarter and 45.6% in the prior year quarter.
- Non-compensation adjusted expenses were $312.0 million, a 1.9% decrease from the prior quarter and a 1.9% increase from the prior year quarter. This quarter's decrease from the prior quarter is primarily due to lower episodic costs.

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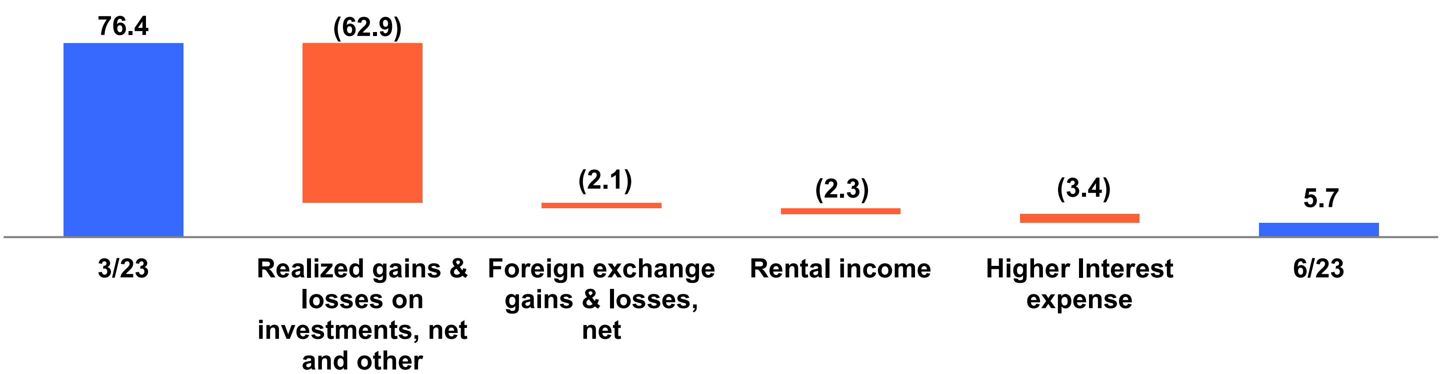
Other Income (Expense), Net[1]

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

	Jun-23 US GAAP	Adjustments	Jun-23 Adjusted	Mar-23 Adjusted	Jun-23 Adjusted vs. Mar-23 Adjusted	Jun-22 Adjusted	Jun-23 Adjusted vs. Jun-22 Adjusted
Investment and other income, net	51.2	(8.3)	42.9	110.2	(61%)	42.1	2%
Interest expense	(34.9)	(2.3)	(37.2)	(33.8)	10%	(29.1)	28%
Investment and other income (losses) of CIPs	1.7	(1.7)	-	-	NM	-	NM
Expenses of CIPs	(0.8)	0.8	-	-	NM	-	NM
Other Income (Expense), Net	**17.2**	**(11.5)**	**5.7**	**76.4**	**(93%)**	**13.0**	**(56%)**

Adjusted Other Income – Quarters Ended March 31, 2023 and June 30, 2023

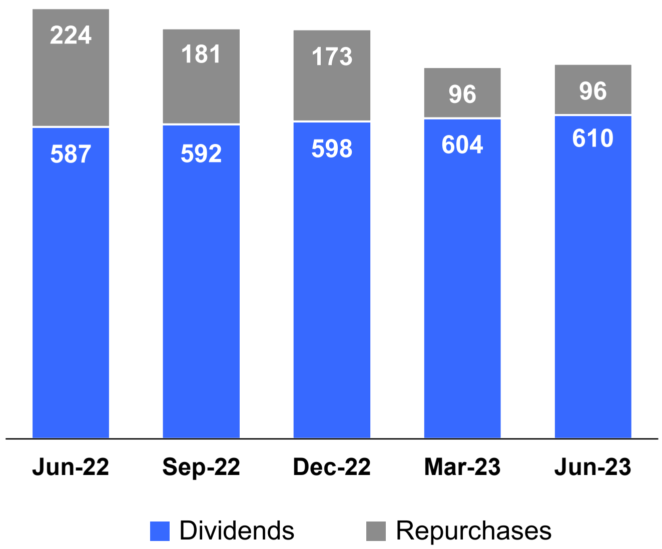


- Adjusted other income was $5.7 million compared to $76.4 million in the prior quarter and $13.0 million in the prior year quarter. The prior quarter included $49.5 million of realized gains on equity method investments that were fully offset in noncontrolling interests.
- Interest due to debt holders was $28.8 million compared to $28.5 million in the prior quarter and $26.9 million in the prior year quarter. Rental income was $11.1 million compared to $13.4 million in the prior quarter and $9.6 million in the prior year quarter.
- This quarter's GAAP tax rate was 25.3% compared to 21.6% in the prior quarter and 28.6% in the prior year quarter, which included CIP losses which provide no tax benefit to the company. We expect our annual tax rate to be at the lower end of the 25 - 27% range. The actual effective tax rate may differ due to nonrecurring or discrete items or potential changes in tax legislation.

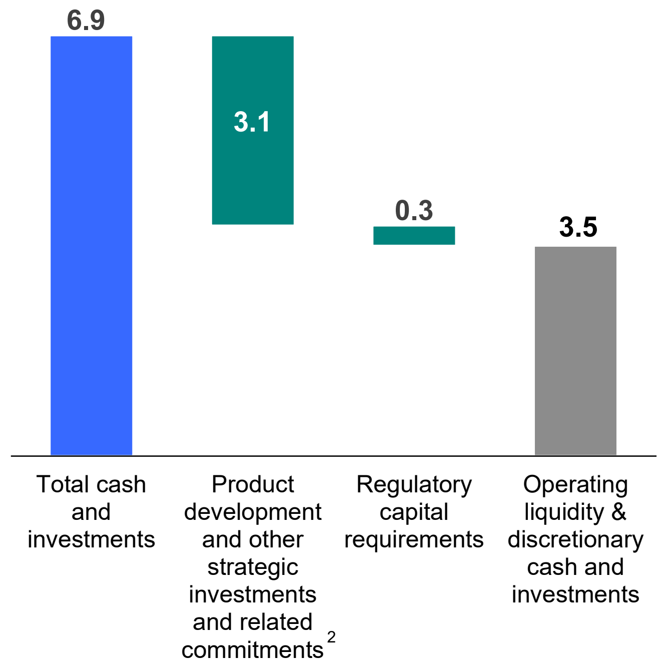
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

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, 2023)



- In June, we announced a quarterly cash dividend of $0.30 per share, representing a 3.4% increase over the dividends paid for the prior year quarter.
- During the quarter, we returned $205 million to shareholders including $154 million in dividends and $51 million in share repurchases. We typically plan to repurchase shares to offset employee-related equity issuances throughout the year.
- Total cash and investments were $6.9 billion as of June 30, 2023 compared to $6.8 billion as of March 31, 2023.
- In July, we repaid our $300.0 million term loan credit agreement with existing cash which will generate $4.5 million in net annual interest expense savings at current rates. In addition, we terminated our $500 million 364-day revolving credit facility and entered into a new undrawn $800 million 5-year revolving credit facility with a syndicate of banks, thereby further enhancing our financial flexibility.

1. Includes our direct investments in CIPS of $1.0 billion and approximately $300 million of employee-owned and other third-party investments made through partnerships. Excludes $500 million undrawn revolving credit facility.
2. Includes undrawn capital commitments of $311 million.

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended June 30, 2023

(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	**1,613.4**	12.1	(102.8)	(11.6)	-	-	-	**1,511.1**
Sales and distribution fees	**304.0**	-	(304.0)	-	-	-	-	**-**
Shareholder servicing fees	**38.8**	-	-	-	-	-	-	**38.8**
Other	**12.8**	-	-	-	-	-	-	**12.8**
Total Operating Revenues	**1,969.0**	**12.1**	**(406.8)**	**(11.6)**	**-**	**-**	**-**	**1,562.7**
Expenses								
Compensation and benefits	**841.2**	-	-	(32.9)	(12.2)	-	(22.2)	**773.9**
Sales, distribution and marketing	**406.8**	-	(406.8)	-	-	-	-	**-**
Information systems and technology	**127.3**	-	-	(5.5)	-	-	-	**121.8**
Occupancy	**56.9**	-	-	-	-	-	-	**56.9**
Amortization of intangible assets	**85.4**	-	-	(85.4)	-	-	-	**-**
General, administrative and other	**136.5**	-	-	(3.2)	-	-	-	**133.3**
Total Operating Expenses	**1,654.1**	**-**	**(406.8)**	**(127.0)**	**(12.2)**	**-**	**(22.2)**	**1,085.9**
Operating Income	**314.9**	**12.1**	**-**	**115.4**	**12.2**	**-**	**22.2**	**476.8**
Other Income (Expense)								
Investment and other income (losses) net	**51.2**	(6.4)	-	-	-	8.7	(10.6)	**42.9**
Interest expense	**(34.9)**	-	-	(2.3)	-	-	-	**(37.2)**
Investment and other income (losses) of CIPs, net	**1.7**	(1.7)	-	-	-	-	-	**-**
Expenses of CIPs	**(0.8)**	0.8	-	-	-	-	-	**-**
Total Other Income (Expense)	**17.2**	**(7.3)**	**-**	**(2.3)**	**-**	**8.7**	**(10.6)**	**5.7**
Income before taxes	**332.1**	**4.8**	**-**	**113.1**	**12.2**	**8.7**	**11.6**	**482.5**
Taxes on income	**84.1**	-	-	27.4	3.0	2.9	2.8	**120.2**
Net income	**248.0**	**4.8**	**-**	**85.7**	**9.2**	**5.8**	**8.8**	**362.3**
Less: Net income (loss) attributable to noncontrolling interests	**20.5**	3.3	-	-	-	(0.7)	13.1	**36.2**
Net Income Attributable to Franklin Resources, Inc.	**227.5**	**1.5**	**-**	**85.7**	**9.2**	**6.5**	**(4.3)**	**326.1**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**10.2**							**14.7**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**217.3**							**311.4**
Diluted EPS	**$0.44**				**Adjusted Diluted EPS**			**$0.63**
Avg. Diluted Shares Outstanding	**491.4**				**Avg. Diluted Shares Outstanding**			**491.4**
Operating Margin	**16.0%**				**Adjusted Operating Margin**			**30.5%**

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended March 31, 2023

(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	**1,573.3**	9.1	(105.2)	(8.0)	-	-	-	**1,469.2**
Sales and distribution fees	**301.4**	-	(301.4)	-	-	-	-	**-**
Shareholder servicing fees	**43.3**	-	-	-	-	-	-	**43.3**
Other	**9.2**	-	-	-	-	-	-	**9.2**
Total Operating Revenues	**1,927.2**	**9.1**	**(406.6)**	**(8.0)**	**-**	**-**	**-**	**1,521.7**
Expenses								
Compensation and benefits	**847.3**	-	-	(31.2)	(31.8)	-	(21.0)	**763.3**
Sales, distribution and marketing	**406.6**	-	(406.6)	-	-	-	-	**-**
Information systems and technology	**128.0**	-	-	(7.0)	-	-	-	**121.0**
Occupancy	**59.7**	-	-	(4.0)	-	-	-	**55.7**
Amortization of intangible assets	**86.0**	-	-	(86.0)	-	-	-	**-**
General, administrative and other	**144.5**	-	-	(3.0)	-	-	-	**141.5**
Total Operating Expenses	**1,672.1**	**-**	**(406.6)**	**(131.2)**	**(31.8)**	**-**	**(21.0)**	**1,081.5**
Operating Income	**255.1**	**9.1**	**-**	**123.2**	**31.8**	**-**	**21.0**	**440.2**
Other Income (Expense)								
Investment and other income (losses) net	**125.6**	20.9	-	-	-	(19.7)	(16.6)	**110.2**
Interest expense	**(33.5)**	-	-	(0.3)	-	-	-	**(33.8)**
Investment and other income (losses) of CIPs, net	**87.2**	(87.2)	-	-	-	-	-	**-**
Expenses of CIPs	**(3.4)**	3.4	-	-	-	-	-	**-**
Total Other Income (Expense)	**175.9**	**(62.9)**	**-**	**(0.3)**	**-**	**(19.7)**	**(16.6)**	**76.4**
Income before taxes	**431.0**	**(53.8)**	**-**	**122.9**	**31.8**	**(19.7)**	**4.4**	**516.6**
Taxes on income	**92.9**	-	-	29.6	7.7	(6.0)	1.2	**125.4**
Net income	**338.1**	**(53.8)**	**-**	**93.3**	**24.1**	**(13.7)**	**3.2**	**391.2**
Less: Net income (loss) attributable to noncontrolling interests	**143.9**	(62.3)	-	-	-	(17.8)	10.7	**74.5**
Net Income Attributable to Franklin Resources, Inc.	**194.2**	**8.5**	**-**	**93.3**	**24.1**	**4.1**	**(7.5)**	**316.7**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**9.0**							**14.7**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**185.2**							**302.0**
Diluted EPS	**$0.38**				**Adjusted Diluted EPS**			**$0.61**
Avg. Diluted Shares Outstanding	**491.4**				**Avg. Diluted Shares Outstanding**			**491.4**
Operating Margin	**13.2%**				**Adjusted Operating Margin**			**28.9%**

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 (losses) of CIPs, net	**(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**
Avg. Diluted Shares Outstanding	**487.9**				**Avg. Diluted Shares Outstanding**			**487.9**
Operating Margin	**19.9%**				**Adjusted Operating Margin**			**35.3%**

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, 2022 and our subsequent Quarterly Reports on Form 10-Q. If a circumstance occurs after the date of this presentation 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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