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Franklin Templeton Announces the Acquisition of Lexington Partners

November 1, 2021

Forward-Looking Statements

Statements in this presentation that are not historical facts are “forward-looking statements” within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. When used in this presentation, words or phrases generally written in the future tense and/or preceded by words such as “will,” “may,” “could,” “expect,” “believe,” “anticipate,” “intend,” “plan,” “seek,” “estimate,” “preliminary” or other similar words are forward-looking statements.

Various forward-looking statements in this presentation relate to the acquisition by Franklin Resources, Inc. (“Franklin”) of Lexington Partners L.P. (“Lexington”), including regarding expected growth, client and stockholder benefits, key assumptions, timing of closing of the transaction, revenue realization, financial benefits or returns, accretion and integration costs.

Forward-looking statements involve a number of known and unknown risks, uncertainties and other important factors, some of which are listed below, that could cause actual results and outcomes to differ materially from any future results or outcomes expressed or implied by such forward-looking statements. Important transaction-related and other risk factors that may cause such differences include: (i) the occurrence of any event, change or other circumstances that could give rise to the termination of the acquisition agreement; (ii) the transaction closing conditions may not be satisfied in a timely manner or at all, including due to the failure to obtain regulatory and client approvals; (iii) the announcement and pendency of the acquisition may disrupt Lexington’s business operations (including the threatened or actual loss of employees, clients or suppliers); (iv) Lexington could experience financial or other setbacks if the transaction encounters unanticipated problems; and (v) anticipated benefits of the transaction, including the realization of revenue, accretion, and financial benefits or returns, may not be fully realized or may take longer to realize than expected.

Other important factors that may affect our business or the combined business’ future operating results, include, but are not limited to: (i) volatility and disruption of the capital and credit markets, and adverse changes in the global economy, may significantly affect our results of operations and may put pressure on our financial results; (ii) the amount and mix of assets under management (“AUM”) are subject to significant fluctuations; (iii) the significant risk of asset volatility from changes in the global financial, equity, debt and commodity markets; (iv) harm to our, or Lexington’s, reputation may negatively impact revenues and income; (v) Franklin may review and pursue other strategic transactions that could pose risks to our business operations; (vi) strong competition from numerous and sometimes larger companies with competing offerings and products could limit or reduce sales of our products, potentially resulting in a decline in their market share, revenues and income; (vii) the ability to manage and grow our business and the combined business successfully can be impeded by systems and other technological limitations; (viii) dependence on key personnel could negatively affect financial performance; (ix) the businesses are subject to extensive, complex, and frequently changing rules, regulations, policies, and legal interpretations; (x) our contractual obligations may subject us to indemnification costs and liability to third parties; (xi) any significant limitation, failure or security breach of information and cyber security infrastructure, software applications, technology or other systems that are critical to operations could disrupt the businesses and harm operations and reputation; and (xi) regulatory and governmental examinations and/or investigations, litigation and the legal risks associated with the businesses, could adversely impact AUM, increase costs and negatively impact profitability and/or our future financial results. For a detailed discussion of other risk factors, please refer to the risks, uncertainties and factors described in Franklin’s recent filings with the U.S. Securities and Exchange Commission (“SEC”), including, without limitation, Franklin’s most recent Annual Report on Form 10-K and subsequent periodic and current reports.

Any forward-looking statement made in this presentation speaks only as of the date on which it is made. Factors or events that could cause actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. Franklin and Lexington undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law.

Transaction Summary and Rationale

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1 Strategic Complement to Franklin Templeton's Alternative Asset Business

- Provides strong Private Equity based strategies alongside Clarion Partners (Real Estate), Benefit Street Partners (Private Credit) and K2 Advisors (Hedge Funds)
- Pro forma alternative AUM approaching $200 billion with approximately $1 billion in annualized base management fees and a combined pre-tax operating margin of ~40% at closing
- Consistent with priority of expanding our private markets business to represent a substantial portion of operating income

2 Lexington is a Global Leader in Secondary Private Equity and Co-Investment

- $55 billion in aggregate capital commitments ($34 billion in current fee-based AUM) with team of 139 employees across 8 global offices
- Long-term track record of generating strong returns for diverse global institutional investor base
- Consistent fundraising success – investing from $13.9 billion global secondary fund, $2.7 billion middle market secondary fund and $3.2 billion co-investment fund

3 Secondary Private Equity and Co-Investments Are Important Growth Strategies

- Strong and persistent macro drivers of long-term growth and expansion of the segment
- Investment strategy well-suited to provide private equity exposure to broader universe of potential investors over time

4 Structured for Continuity and Alignment with Experienced Management Team and Partners

- Will operate as Lexington Partners, a specialist investment manager, with no changes to the leadership or team
- Transaction includes new long-term management retention and incentive programs

5 Attractive Financial Profile and Pro Forma Impact

- Long-term capital, management fee driven revenues
- Expected to be immediately accretive to EPS
- Expected to generate revenue of ~$350 million and EBITDA of ~$150 million in 2022 (1)
- Transaction related payments to be made over 5-year period
- Franklin Templeton's pro forma cash and investments at closing expected to be in excess of $6 billion

1 Represents 100% of Lexington financials

Lexington – A Secondary and Co-Investment Market Leader

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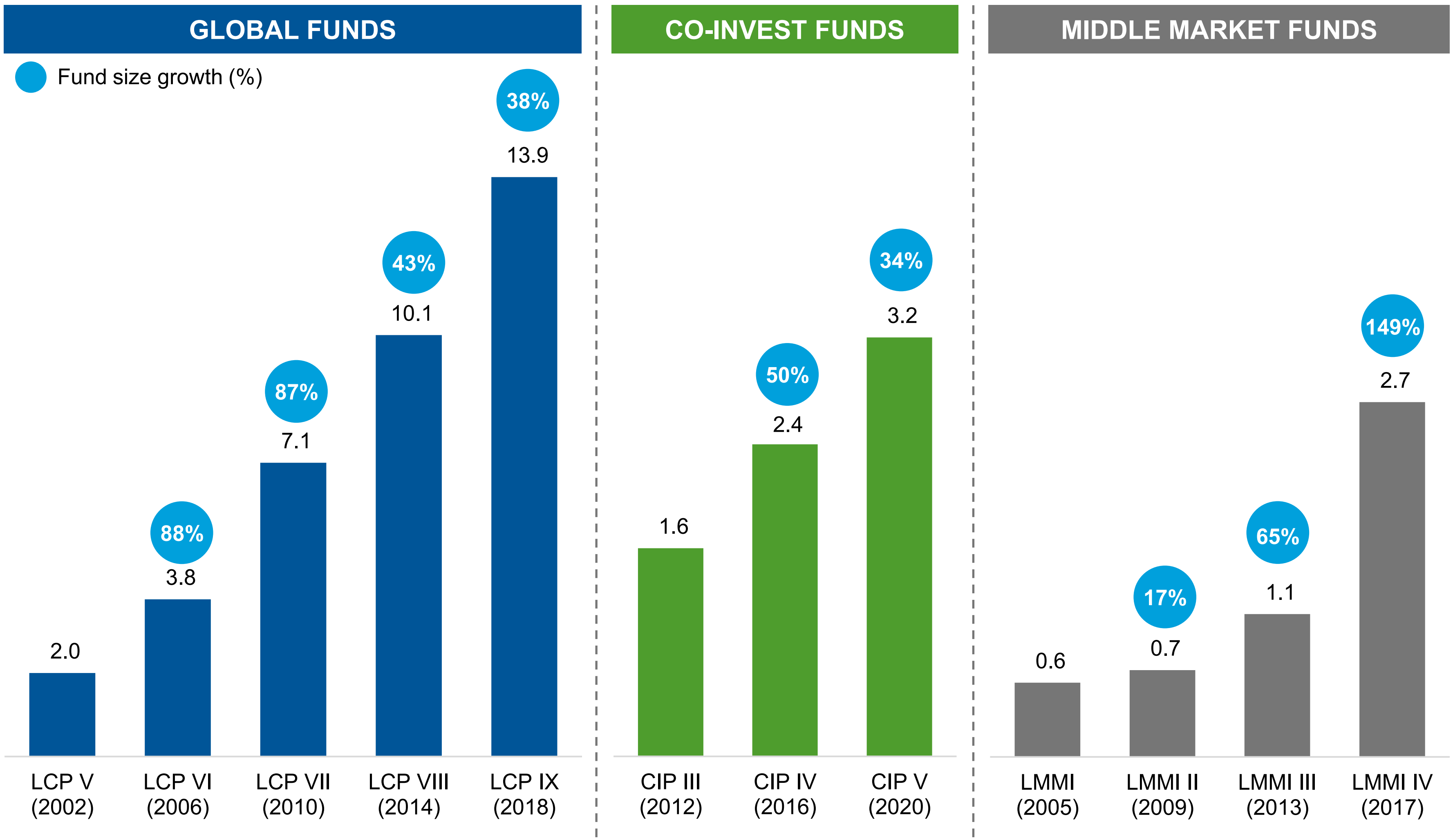
- **Founded in 1994, Lexington is one of the world's largest independent managers of secondary private equity and co-investment funds**

GLOBAL PLATFORM & TEAM	• **139** employees across **8** global offices • **18** partners averaging **18** years together at Lexington • **60** investment professionals averaging **12** years of PE experience • **1,000+** investors in **40+** countries
EXTENSIVE MARKET EXPERIENCE	• **$55** billion in aggregate capital commitments raised since inception • **$34** billion in current fee-based AUM • **20** secondary PE funds (global secondary and middle market funds) / **10** co-investment pools • Acquired **3,500+** secondary interests and made **550+** primary fund commitments • Secondary interests diversified across **1,800+** underlying funds from **800+** sponsor relationships
SECONDARY HIGHLIGHTS	• **$35** billion invested • **600+** transactions purchased at aggregate **$7.3 billion discount** to market value since inception • Track record of generating strong returns
CO-INVESTMENT HIGHLIGHTS	• **$6** billion invested • **440+** transactions since inception • Track record of generating strong returns

Lexington – Consistent Growth Across Vintages

- **Lexington has expanded its investor base and increased capital raises with each successive fundraising**
- **Potential to expand this further into additional investor segments over time with Franklin Templeton's distribution reach**
- **Fund offerings could also be extended into adjacent secondary strategies such as real estate and private credit**



Note: Fund size metrics in $bn and based on total investor commitments

Secondary PE and Co-Invest are Highly Attractive Strategies

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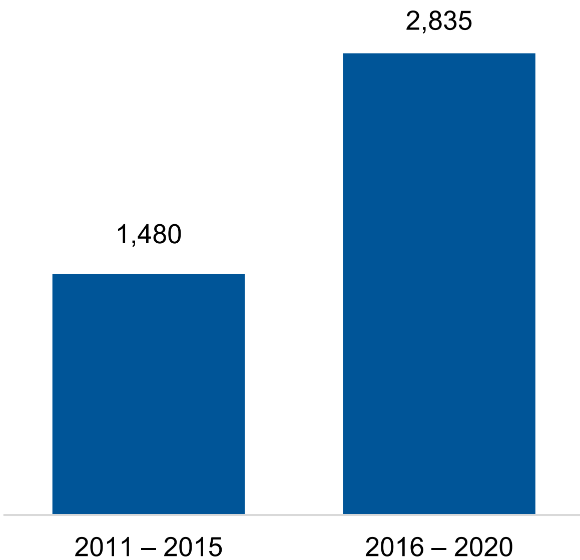
- **The secondary private equity market is experiencing strong growth and is directly linked to the growth in overall private equity**

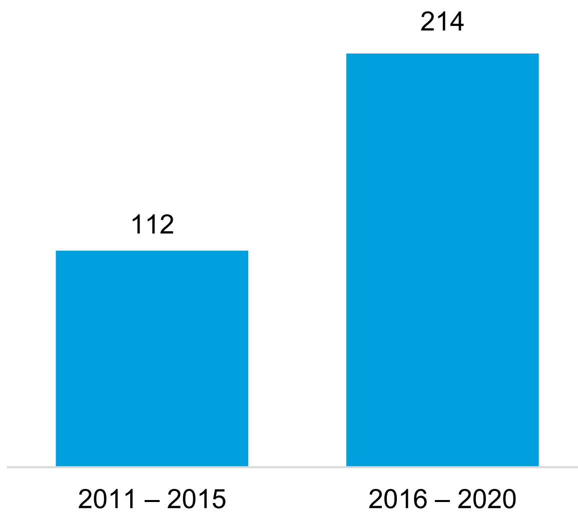
Growth of Global PE Market [1]

Aggregate Fundraising ($bn)



Growth of PE Secondary Market [1]

Aggregate Fundraising ($bn)



Outlook for Secondary Market Growth

- On average, 10-12% of LP commitments in each vintage of PE funds eventually transact in the secondary market [2]
- Recent large vintages are still very early in this cycle
- **Suggests average annual secondary transaction volumes of ~$100 billion for next 5 years from the seasoning of recent PE vintages**

- **Secondary strategies bring characteristics that could fit the needs of an expanded set of potential PE investors, including defined contribution and retail**
  - Highly diversified exposure to the asset class
  - Avoids traditional private equity “J Curve” return pattern
  - Provides early and regular cash distributions to investors
  - Purchase discounts relative to fund NAV provide important additional source of returns

1 Source: McKinsey Global Private Markets Review, April 2021. Global PE market data excludes secondaries, fund of funds, and co-investment vehicles to avoid double counting of capital raised
2 Lexington estimates

Lexington Strengthens FT's Alternative Asset Business

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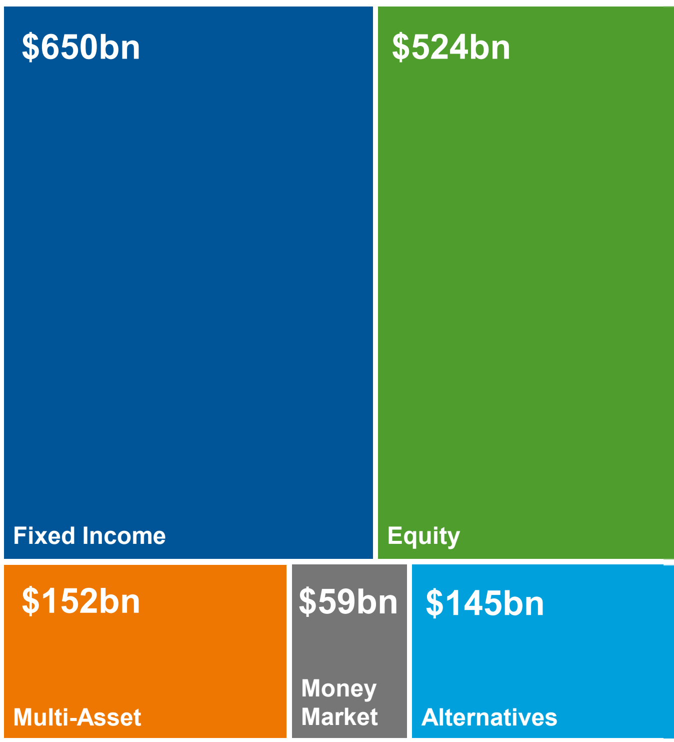
- **With the addition of Lexington, Franklin Templeton will offer strong investment capabilities and brand recognition in a wide range of key alternative asset categories**

As of 9/30/21



Total Assets Under Management: $1.53 Trillion

As of 9/30/22

Specialist Investment Manager	Private Debt / Alternative Credit	Real Estate / Real Assets	Hedge Funds	Private Equity / Venture Capital
Lexington Partners				✓
Clarion Partners	✓	✓		
Benefit Street Partners	✓	✓		
K2 Advisors			✓	
Franklin Venture Partners				✓

Dedicated Private Markets / Alternative Asset Businesses: Pro Forma ~$200 Billion AUM

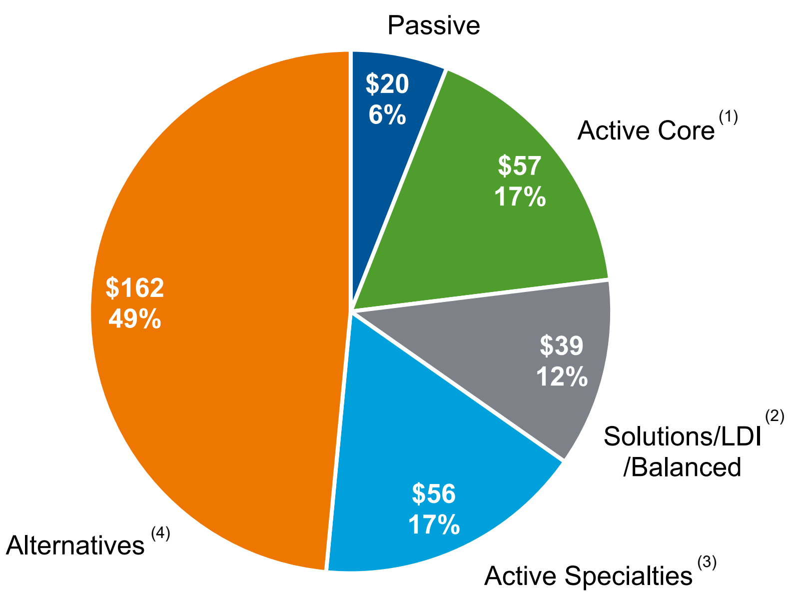
Franklin Templeton's Commitment to Alternatives

- **Alternatives represent an increasing share of the asset management industry and a key strategic priority for Franklin Templeton**
- **Franklin Templeton has created an alternatives platform through thoughtful acquisitions combined with attractive organic growth**

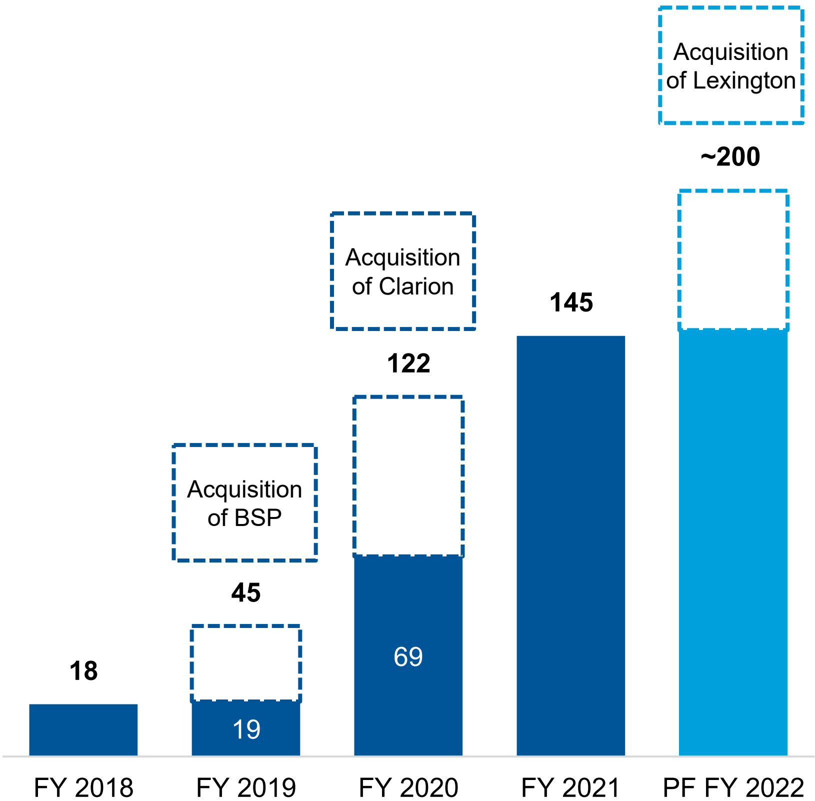
Asset Management Revenue Breakdown ($bn)

Alternatives projected to be 49% of global asset management revenue by 2024

2024 Global Asset Management Industry Revenue ($333 billion)



Franklin Templeton Alternative AUM Growth ($bn)



Source: Preqin, Boston Consulting Group ("BCG").

1 Includes actively managed domestic large-cap equity, domestic government and corporate debt, money market, and structured products
2 Includes target-date, global asset allocation, flexible, income, liability-driven, and traditional balanced investments
3 Includes equity specialties (foreign, global, emerging markets, small and mid caps, and sectors) and fixed-income specialties (emerging markets, global, high-yield, and convertibles)
4 Includes hedge funds, private equity, real estate, infrastructure, commodities, private debt, and liquid alternative mutual funds (such as absolute return, long and short, market-neutral, and trading-oriented); private equity and hedge fund revenues do not include performance fees

Summary Financial Impact

Key Financial Terms of Transaction

- **Purchase Price**: Franklin Templeton to pay current shareholders $1 billion in cash at closing and an additional $750 million in cash over the next three years
- **Post-Transaction Ownership**: Partners and employees will be granted 25% interest in Lexington as part of the transaction subject to vesting over 5 years
- **Transaction Retention Pool**: Up to $338 million in cash retention awards to be paid over approximately five years subject to certain performance criteria
- **Carried Interest**: Franklin Templeton will participate in the carried interests on all future Lexington funds

Lexington Financial Profile (1)

- Estimated revenue of **~$350 million** in 2022
- Estimated EBITDA of **~$150 million** in 2022

Pro Forma Financial Impact

- Transaction to be funded from existing cash on balance sheet
  - Pro forma Franklin Templeton cash and investments at close expected to be in excess of **$6 billion**
- Expected to be **immediately accretive** to adjusted diluted earnings per share (2)
- Closing expected by end of fiscal 2nd quarter 2022, subject to customary closing conditions

1 Represents 100% of Lexington financials

2 Non-GAAP financial results adjusted for activities of CIPs, acquisition-related retention compensation, other acquisition-related expenses, amortization and impairment of intangible assets, interest expense for amortization of the Legg Mason debt premium, special termination benefits related to workforce optimization initiatives, unrealized investment gains and losses included in investment and other income (losses), net because these items primarily relate to seed and strategic investments which have been and are generally expected to be held long term, and net gains or losses on investments related to Legg Mason deferred compensation plans which are not offset by compensation and benefits expense