FRANKLIN TEMPLETON

Franklin Resources, Inc.

Second Quarter Results

April 29, 2024 | 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) 259-6580 in North America or (416) 764-8624 in other locations using access code 23304402. 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 304402# through May 6, 2024, 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.

First quarter highlights

Key metrics

($US in millions, except AUM in billions and per share data)

	Q2 2024	% Change (except adj. EFR and margin) vs. Q1 2024	vs. Q2 2023
Ending AUM[1]	$1,644.7	13.0%	15.7%
Average AUM[1]	1,581.1	13.4%	11.4%
Adj. revenue	1,665.1	8.9%	9.4%
Adj. operating income	419.6	0.6%	(4.7%)
Adj. net income	306.6	(6.7%)	(3.2%)
Adj. diluted EPS	0.56	(13.8%)	(8.2%)
Adj. effective fee rate[2] (bps)	38.5	39.7	39.0
Adj. operating margin	25.2%	27.3%	28.9%

Summary highlights

- Ending AUM increased by 13.0% to $1.64 trillion from the prior quarter and increased by 15.7% from the prior year quarter primarily due to the addition of Putnam Investments ("Putnam"), as well as positive markets and net inflows. Average AUM increased by 13.4% from the prior quarter to $1.58 trillion and increased by 11.4% from the prior year quarter.
- Investment performance[3] improved across the 1-, 3-, 5-, and 10-year time periods benefitting from the addition of Putnam. This quarter, 62%, 51%, 62%, and 69% of our strategy composite AUM outperformed their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. For mutual funds, 51%, 60%, 44%, and 56% of our mutual funds AUM outperformed their peers on a 1-, 3-, 5-, and 10-year basis.
- Long-term net inflows were $6.9 billion. Reinvested distributions were $3.1 billion compared to $10.8 billion in the prior quarter and $2.4 billion in the prior year quarter.
  - $13.7 billion was funded out of the $25 billion allocation from Great-West Lifeco ("Great-West").
- We continue to see progress across asset classes, vehicles, and geographies.
  - **Asset class**: Three out of four asset classes (Fixed Income, Multi-Asset, and Alternatives) generated positive net flows. Our three largest alternative managers, Benefit Street Partners, Clarion Partners, and Lexington Partners each had net inflows with a combined total of $1.4 billion.
  - **Investment vehicle**: Long-term net flows were positive in key areas:
    - SMA AUM ended the quarter at $138 billion and generated positive net flows of $2.9 billion, the fourth consecutive quarter of net inflows.
      - Canvas®, our Custom Indexing solution platform, generated net inflows of $0.8 billion and continues to have a robust pipeline with AUM increasing by 23% to $7.2 billion from the prior quarter.
    - ETF AUM ended the quarter at $24 billion and generated net inflows of approximately $1.6 billion, representing another quarter of net inflows exceeding $1 billion and the tenth consecutive quarter of positive net flows.
  - **Non-US** AUM ended the quarter at $490 billion and we generated aggregate positive net flows in non-US regions for the fourth consecutive quarter.
- Our institutional pipeline of won but unfunded mandates increased by $6.6 billion to $19.8 billion and does not include the remaining allocation from Great-West.

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. 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 54%, 53%, 53%, and 49%, respectively of the firm's total AUM as of March 31, 2024. 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 38%, 37%, 37%, and 35%, respectively of the firm's total AUM as of March 31, 2024.

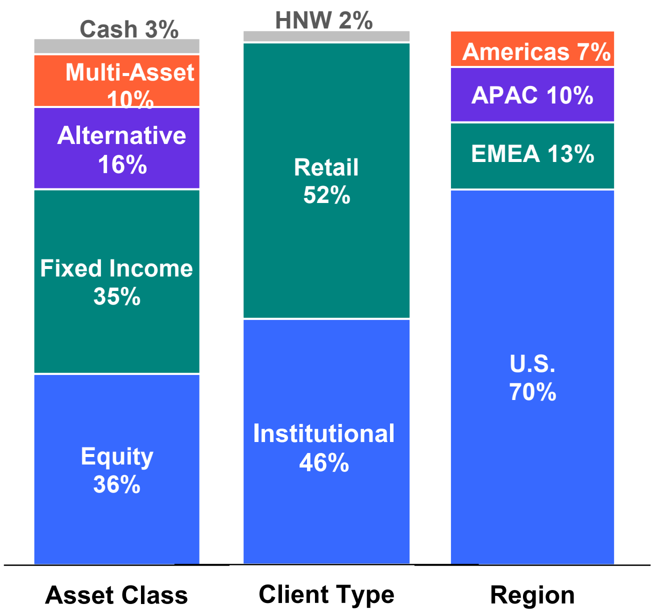
Summary highlights, continued

- **Putnam:** On January 1, we closed the acquisition of Putnam from Great-West. In the quarter, Putnam generated positive net flows and AUM increased by 8% to $159.8 billion. Investment performance continued to be strong with 89% or higher of mutual fund AUM outperforming peers in the 1-, 3-, 5-, and 10-year periods and 91% of mutual fund AUM in funds that are rated four- or five-star by Morningstar[1].
- **Alternatives:** As previously disclosed, on January 9, Lexington Partners announced the closing of its flagship global secondary fund (Lexington X) with $22.7 billion of total capital commitments including approximately 20% from the wealth management channel. Lexington X ranks among the largest funds raised to date in the global secondary private equity market and significantly exceeded its target. In addition, on January 24, Benefit Street Partners closed its fifth flagship private credit fund with $4.7 billion of total capital commitments, which exceeded its target.
- **Insurance and Retirement:** With the addition of Putnam, our AUM in the insurance and retirement channels exceeded $650 billion at quarter end. We continue to focus on strategic partnerships and product development given our breadth of capabilities across public and private markets.
- **Investment Solutions** leverages our capabilities across public and private asset classes to pursue strategic partnerships. This quarter, Investment Solutions generated positive net flows with AUM of over $75 billion[2], including the addition of Putnam.
- As anticipated, the adjusted effective fee rate[3] was 38.5 bps, reflecting the addition of Putnam, compared to 39.7 bps in the prior quarter and 39.0 bps in the prior year quarter. The prior quarter effective fee rate included approximately 1.0 bps related to catch-up fees recognized at the closing of fundraising rounds for Lexington X.
- Adjusted operating income was $419.6 million, an increase of 0.6% from the prior quarter and a decrease of 4.7% from the prior year quarter. This quarter includes $42.5 million of compensation and benefits expense related to the start of the calendar year, partially offset by the addition of Putnam and higher average AUM. As previously disclosed, this quarter includes a recurring additional occupancy expense of $12 million related to consolidation of office space which will end early fiscal year 2025.
- Adjusted operating margin was 25.2% compared to 27.3% in the prior quarter and 28.9% in the prior year quarter. This reflects the aforementioned elevated compensation expense related to the start of the calendar year. Additionally, double rent being recognized during fiscal year 2024 decreased this quarter's adjusted operating margin by 70 bps and the realization of the full quarterly Putnam-related cost savings target would have improved this quarter's margin by a further approximately 65 bps.
- Total cash and investments were $6.9 billion[4] as of March 31, 2024 compared to $6.7 billion as of December 31, 2023.

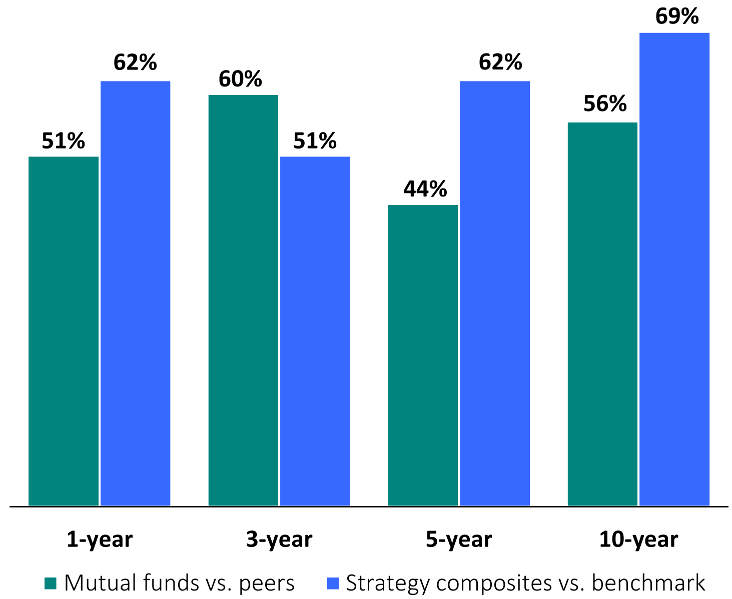
1.
2. Investment Solutions includes assets managed by other investment teams.
3. The adjusted effective fee rate is annualized adjusted investment management fees, excluding performance fees, divided by average AUM for the period.
4. Includes our direct investments in CIPS of $1.3 billion and approximately $350 million of employee-owned and other third-party investments made through partnerships, $353 million of investments related to long-term repurchase agreements and other net financing arrangements, and $447 million of cash and investments related to deferred compensation plans.

AUM, revenue, and investment performance

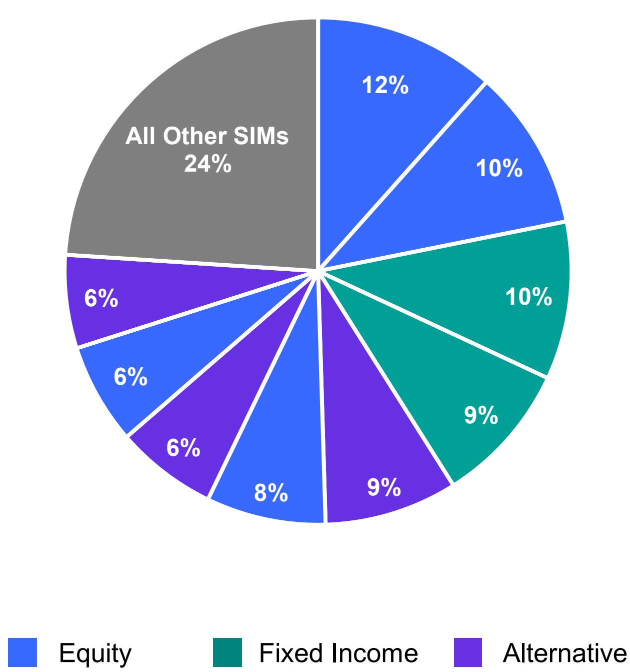
Diversified by asset class, client type, and region
AUM of $1.64 trillion as of March 31, 2024



Percentage of AUM above peer median and benchmark[1]
As of March 31, 2024



Diversified by Specialist Investment Manager
FQ2 Adjusted Operating Revenues



- **Strategy Composites:** Investment performance continues to be strong and resulted in 62%, 51%, 62%, and 69% of our strategy composite AUM outperforming their respective benchmarks on a 1-, 3-, 5-, and 10-year basis. All periods improved from the prior quarter. Certain equity strategies improved in all time periods and certain fixed income strategies in the 3- and 10-year periods.
- **Mutual Funds:** Investment performance resulted in 51%, 60%, 44%, and 56% of our mutual fund AUM outperforming their peers on a 1-, 3-, 5-, and 10-year basis. Mutual fund performance improved in the 3-, 5-, and 10-year periods from the prior quarter primarily due to improved performance in taxable and tax-free fixed income and U.S. equity.
- **Diversification:** By specialist investment manager, asset class, client type and region.

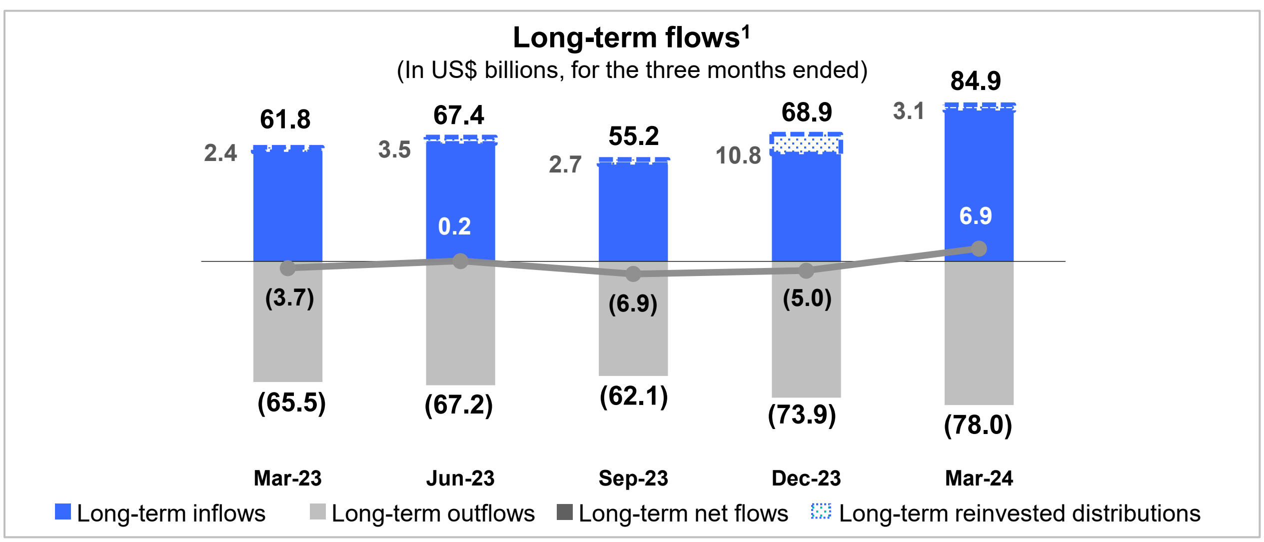
1. Benchmark comparisons are based on each strategy's composite returns (composites may include retail SMA and mutual fund assets managed as part of the same strategy) as compared to a market index that has been selected to be generally consistent with the investment objectives of the account. Multi-asset strategies that lack benchmarks consistent with their investment objectives are excluded. Composite AUM measured for the 1-, 3-, 5-, and 10-year periods represent 54%, 53%, 53%, and 49%, respectively of the firm's total AUM as of March 31, 2024. 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 38%, 37%, 37%, and 35%, respectively of the firm's total AUM as of March 31, 2024.

AUM and flows

(in US$ billions)[1]	March 31, 2024	December 31, 2023	% Change	March 31, 2023	% Change
Beginning AUM	$1,455.5	$1,374.2	6%	$1,387.7	5%
Long-term inflows	84.9	68.9	23%	61.8	37%
Long-term outflows	(78.0)	(73.9)	(6%)	(65.5)	(19%)
Long-term net flows	**6.9**	**(5.0)**	**NM**	**(3.7)**	**NM**
Cash management net flows	(4.8)	4.7	NM	(4.3)	(12%)
Total net flows	**2.1**	**(0.3)**	**NM**	**(8.0)**	**NM**
Acquisitions	148.3	-	NM	-	NM
Net market change, dist. & other	38.8	81.6	(52%)	42.4	(8%)
Ending AUM	**$1,644.7**	**$1,455.5**	**13%**	**$1,422.1**	**16%**
Average AUM	**$1,581.1**	**$1,394.2**	**13%**	**$1,419.5**	**11%**

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

- Ending AUM increased by 13.0% to $1.64 trillion from the prior quarter primarily due to the addition of Putnam and market appreciation. Average AUM increased by 13.4% and 11.4% to $1.58 trillion from the prior quarter and the prior year quarter, respectively.
- Long-term inflows of $84.9 billion increased by 23.2% from the prior quarter and 37.4% from the prior year quarter. Reinvested distributions were $3.1 billion compared to $10.8 billion in the prior quarter and $2.4 billion in the prior year quarter. $13.7 billion was funded out of the $25 billion allocation from Great-West.
  - Excluding reinvested distributions, which are seasonally elevated in the prior quarter, and inflows from Great-West, long-term inflows increased by 17.2% from the prior quarter and 14.6% from the prior year quarter.
- Long-term outflows were $78.0 billion, an increase of 5.5% from the prior quarter and 19.1% from the prior year quarter. The current quarter included a fixed income institutional redemption of $2.0 billion.
- Long-term net inflows, inclusive of reinvested distributions, were $6.9 billion compared to net outflows of $5.0 billion in the prior quarter and $3.7 billion in the prior year quarter.
- **Region:** We continued to see aggregate positive net flows in non-US regions.
- We further diversified our business across vehicles:
  - **SMA** AUM ended the quarter at $138 billion and generated positive net flows of $2.9 billion, the fourth consecutive quarter of net inflows.
    - **Canvas**® generated net inflows of $0.8 billion and continues to have a robust pipeline with AUM increasing by 23% to $7.2 billion from the prior quarter.
  - **ETF** AUM ended the quarter at $24 billion and generated net inflows of approximately $1.6 billion, representing another quarter of net inflows exceeding $1 billion and the tenth consecutive quarter of positive net flows.
- This quarter, our institutional pipeline of won but unfunded mandates was $19.8 billion, an increase of $6.6 billion from the prior quarter. The pipeline remains diversified by asset class and across our specialist investment managers and does not include the remaining allocation from Great-West.

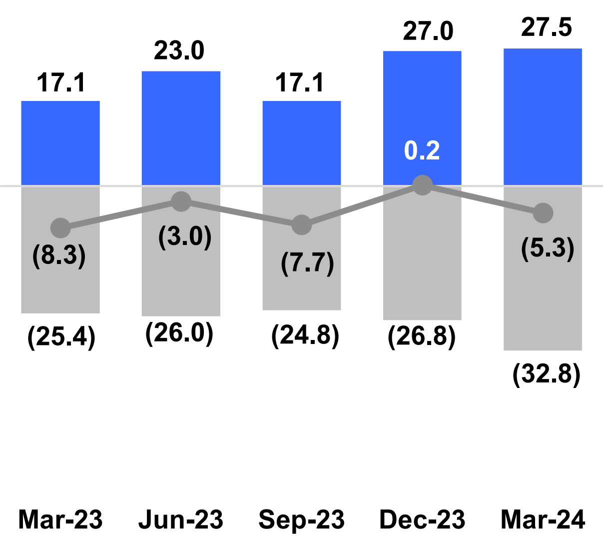


1. Excludes all cash management AUM.

Equity: $593 billion

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

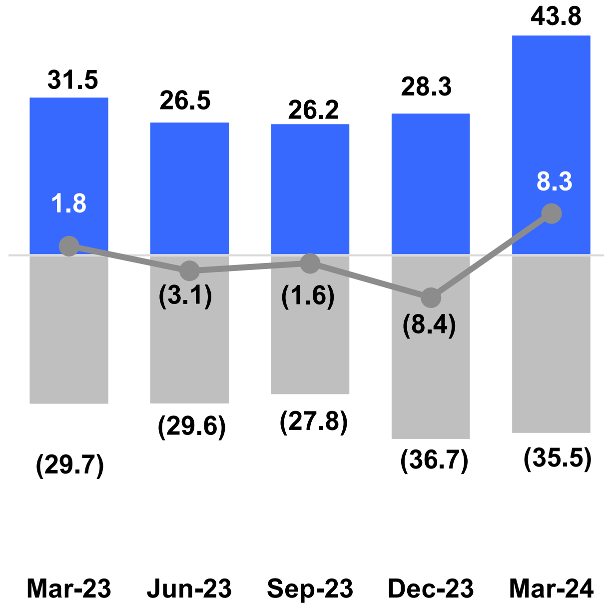
Equity net outflows were $5.3 billion. We saw positive net flows into Large Cap Value and Smart Beta. Excluding reinvested distributions, which are seasonally elevated in the prior quarter, equity net outflows improved by 28.5% from the prior quarter.



Fixed Income: $571 billion

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

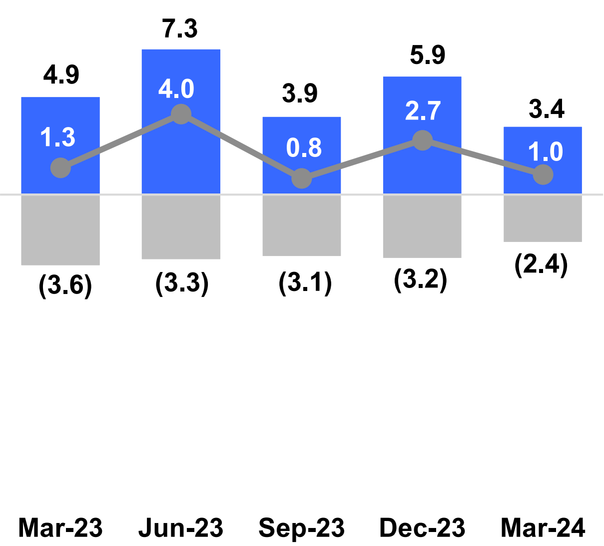
Fixed income net inflows were $8.3 billion and included an institutional redemption of $2.0 billion. We saw client interest reflected in positive net flows into Core Bond, Highly Customized, Corporate Bond, Multi-Sector, Municipal, and High Yield strategies.



Alternative: $255 billion

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

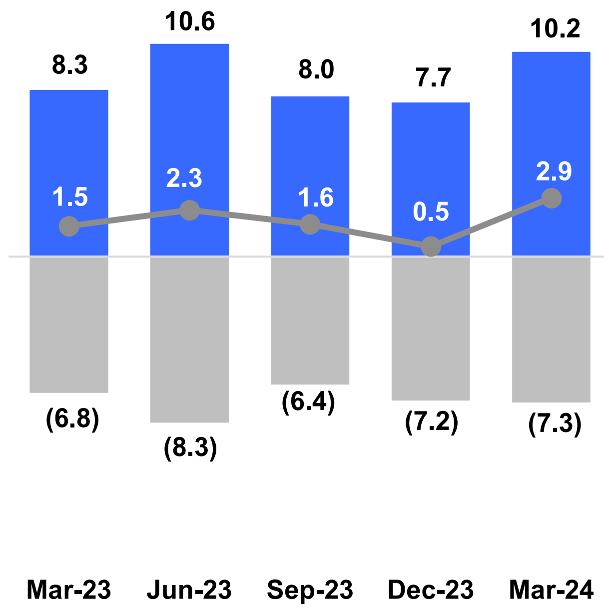
Alternative net inflows were $1.0 billion driven by growth into private market strategies, which were partially offset by outflows in liquid alternative strategies. Benefit Street Partners, Clarion Partners, and Lexington Partners each had net inflows in the current quarter, with a combined total of $1.4 billion.



Multi-Asset: $163 billion

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

Multi-asset net inflows were $2.9 billion driven by Franklin Templeton Investment Solutions, the Franklin Income Fund, and Canvas®.



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

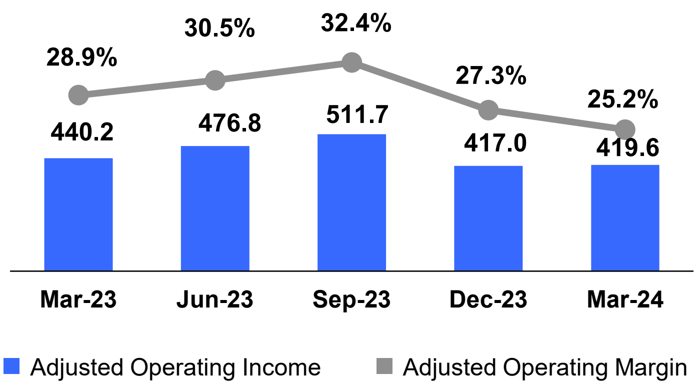
Financial results[1]

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

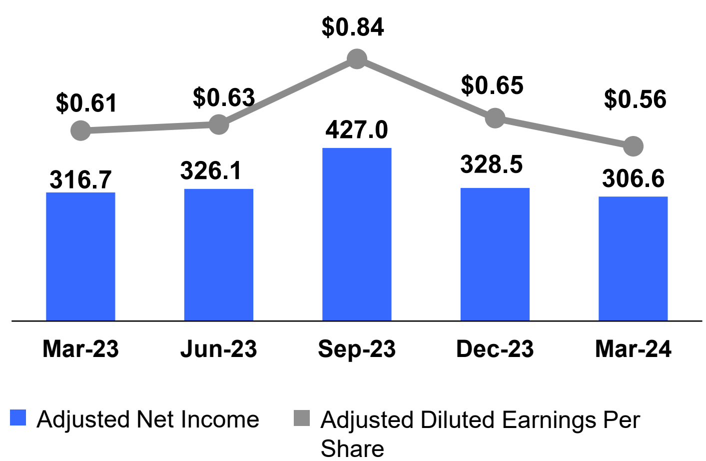
US GAAP	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Operating Income	255.1	314.9	338.3	206.5	129.3
Operating Margin	13.2%	16.0%	17.0%	10.4%	6.0%

US GAAP	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
Net Income	194.2	227.5	295.5	251.3	124.2
Diluted EPS	$0.38	$0.44	$0.58	$0.50	$0.23

Adjusted operating income and adjusted operating margin



Adjusted net income and adjusted diluted earnings per share



- This quarter's financials results reflect three months of Putnam, which includes $27 million of realized cost savings. There are $11 million of additional quarterly expense savings yet to be realized to achieve our full quarterly cost savings target.
- Adjusted operating income was $419.6 million, an increase of 0.6% from the prior quarter and a decrease of 4.7% from the prior year quarter.
- Adjusted operating margin was 25.2% compared to 27.3% in the prior quarter and 28.9% in the prior year quarter. This reflects the aforementioned elevated compensation expense related to the start of the calendar year. Additionally, double rent being recognized during fiscal year 2024 decreased this quarter's adjusted operating margin by 70 bps and the realization of the full quarterly Putnam-related cost savings target would have improved this quarter's margin by a further approximately 65 bps.
  - We remain on schedule to realize $150 million of cost savings related to Putnam during fiscal year 2025.
- Adjusted net income and adjusted diluted EPS declined by 6.7% and 13.8% from the prior quarter to $306.6 million and $0.56, respectively. Adjusted net income and adjusted diluted EPS declined by 3.2% and 8.2% from the prior year quarter, respectively.
  - The decline from the prior quarter includes higher compensation and benefits expense related to the start of the calendar year, lower performance fees, a higher effective tax rate due to discrete tax items and prior quarter catch-up fees related to Lexington X, partially offset by the prior quarter annual deferred compensation acceleration, the addition of Putnam and higher average AUM. The addition of Putnam, net of the issuance of shares to Great-West, was slightly accretive to adjusted EPS in the quarter.
  - The decline from the prior year quarter includes a higher effective tax rate, lower performance fees, and higher occupancy expense related to consolidation of office space, partially offset by the addition of Putnam and higher average AUM.

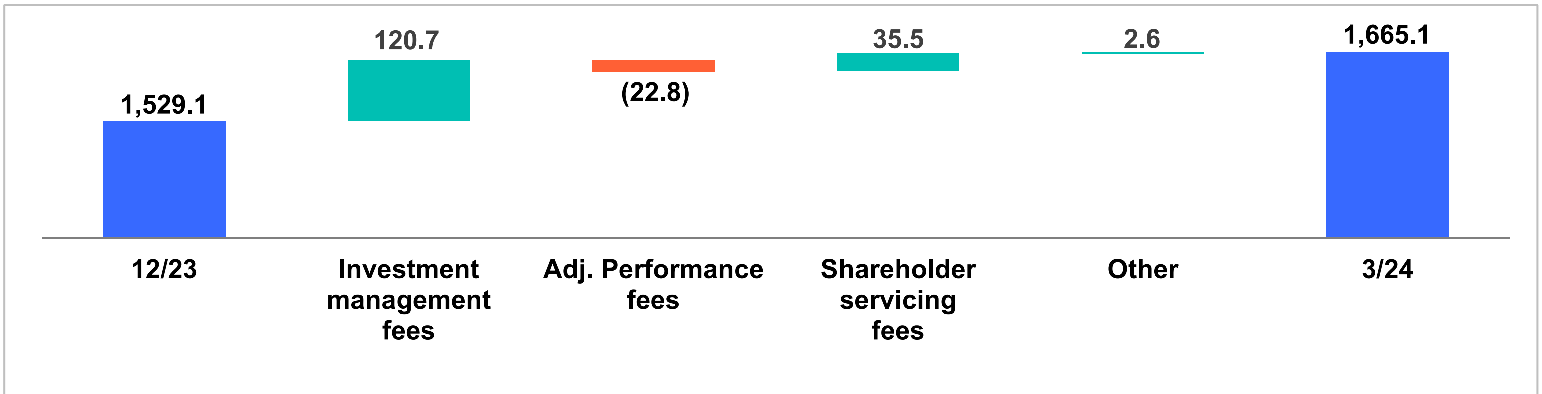
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

Revenues[1]

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

	Mar-24 US GAAP	Adjustments	Mar-24 Adjusted	Dec-23 Adjusted	Mar-24 Adjusted vs. Dec-23 Adjusted	Mar-23 Adjusted	Mar-24 Adjusted vs. Mar-23 Adjusted
Investment management fees, ex. performance fees	1,628.7	(115.2)	1,513.5	1,392.8	9%	1,366.0	11%
Performance fees	85.2	(14.2)	71.0	93.8	(24%)	103.2	(31%)
Sales and distribution fees	358.3	(358.3)	-	-	NM	-	NM
Shareholder servicing fees	68.0	-	68.0	32.5	109%	43.3	57%
Other	12.6	-	12.6	10.0	26%	9.2	37%
Total Operating Revenues	**2,152.8**	**(487.7)**	**1,665.1**	**1,529.1**	**9%**	**1,521.7**	**9%**
Effective fee rate			*38.5 bps*	*39.7 bps*		*39.0 bps*	

Adjusted Operating Revenues – Quarters Ended December 31, 2023 and March 31, 2024



- Adjusted operating revenues of $1.67 billion increased 8.9% from the prior quarter and 9.4% from the prior year quarter, due to the addition of $160 million of adjusted operating revenues from Putnam.
- Adjusted investment management fees of $1.51 billion, excluding performance fees, increased 8.7% from the prior quarter and 10.8% from the prior year quarter. This quarter's increase is due to the addition of Putnam and higher average AUM, partially offset by $33 million of catch-up fees recognized in the prior quarter at the closing of fundraising rounds for Lexington X. The increase from the prior year quarter is due to the addition of Putnam and higher average AUM.
- Adjusted performance fees were $71.0 million compared to $93.8 million in the prior quarter and $103.2 million in the prior year quarter. Performance fees were primarily earned by our alternative specialist investment managers.
- Adjusted shareholder servicing fees of $68.0 million increased 109.2% from the prior quarter and 57.0% from the prior year quarter primarily due to the addition of Putnam.
- As anticipated, the adjusted effective fee rate[2] was 38.5 bps, reflecting the addition of Putnam, compared to 39.7 bps in the prior quarter and 39.0 bps in the prior year quarter. The prior quarter effective fee rate included approximately 1.0 bps related to catch-up fees recognized at the closing of fundraising rounds for Lexington X.

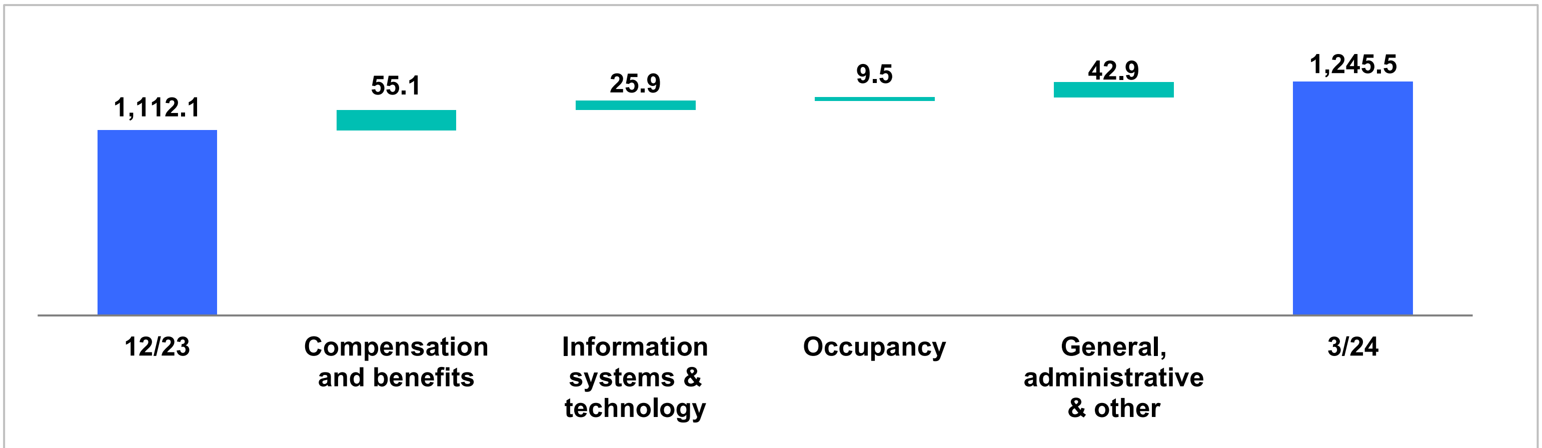
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. The adjusted effective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

Expenses[1]

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

	Mar-24 US GAAP	Adjustments	Mar-24 Adjusted	Dec-23 Adjusted	Mar-24 Adjusted vs. Dec-23 Adjusted	Mar-23 Adjusted	Mar-24 Adjusted vs. Mar-23 Adjusted
Compensation & benefits	1,028.2	(183.9)	844.3	789.2	7%	763.3	11%
Sales, distribution & marketing	484.3	(484.3)	-	-	NM	-	NM
Information systems & technology	155.1	(4.7)	150.4	124.5	21%	121.0	24%
Occupancy	76.2	-	76.2	66.7	14%	55.7	37%
Amortization of intangible assets	84.6	(84.6)	-	-	NM	-	NM
General, administrative & other	195.1	(20.5)	174.6	131.7	33%	141.5	23%
Total Operating Expenses	**2,023.5**	**(778.0)**	**1,245.5**	**1,112.1**	**12%**	**1,081.5**	**15%**

Adjusted Operating Expenses – Quarters Ended December 31, 2023 and March 31, 2024



- Adjusted operating expenses were $1.25 billion, an increase of 12.0% from the prior quarter and 15.2% from the prior year quarter with substantially all of the increase due to the addition of Putnam.
- Adjusted compensation and benefits increased 7.0% from the prior quarter and 10.6% from the prior year quarter, primarily due to the addition of Putnam. Elevated payroll and benefits expense of $42.5 million related to the start of the calendar year was largely offset by the prior quarter's annual deferred compensation acceleration for retirement-eligible employees. Additionally, the prior quarter included higher incentive compensation related to the closing of fundraising rounds for Lexington X.
- Adjusted compensation and benefits was 50.7% of adjusted operating revenues compared to 51.6% in the prior quarter and 50.2% in the prior year quarter.
- Non-compensation adjusted operating expenses were $401.2 million, an increase of 24.2% from the prior quarter and 26.1% from the prior year quarter primarily due to the addition of Putnam.
- We realized $27 million of Putnam-related cost savings during the quarter, expect to realize between $90 million and $100 million during fiscal year 2024, and will realize $150 million of cost savings in fiscal year 2025.

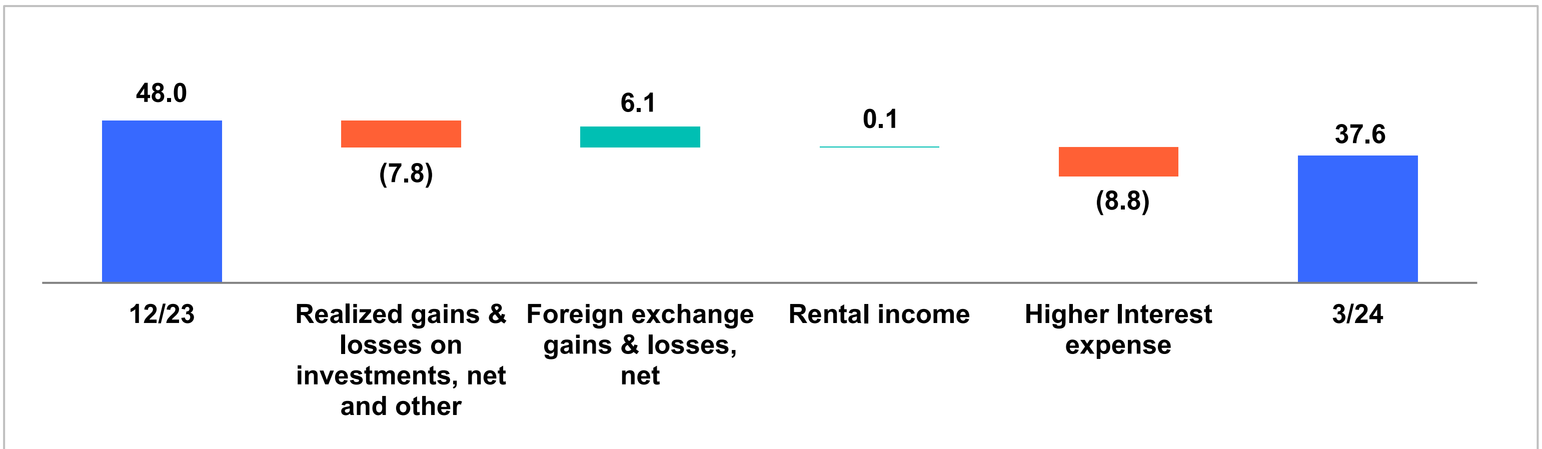
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.

Other Income (Expense), Net[1]

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

	Mar-24 US GAAP	Adjustments	Mar-24 Adjusted	Dec-23 Adjusted	Mar-24 Adjusted vs. Dec-23 Adjusted	Mar-23 Adjusted[2]	Mar-24 Adjusted vs. Mar-23 Adjusted
Investment and other income, net	52.5	15.1	67.6	69.2	(2%)	60.7	11%
Interest expense	(27.7)	(2.3)	(30.0)	(21.2)	42%	(33.8)	(11%)
Investment and other income (losses) of CIPs	89.9	(89.9)	-	-	NM	-	NM
Expenses of CIPs	(5.9)	5.9	-	-	NM	-	NM
Other Income (Expense), Net	**108.8**	**(71.2)**	**37.6**	**48.0**	**(22%)**	**26.9**	**40%**

Adjusted Other Income – Quarters Ended December 31, 2023 and March 31, 2024



- Adjusted other income was $37.6 million compared to $48.0 million in the prior quarter and $26.9 million in the prior year quarter. The decrease is primarily due to the prior quarter reversal of interest expense related to tax reserves and lower income on cash and investments, partially offset by lower foreign exchange losses. The increase from the prior year quarter is primarily due to higher income on cash and investments.

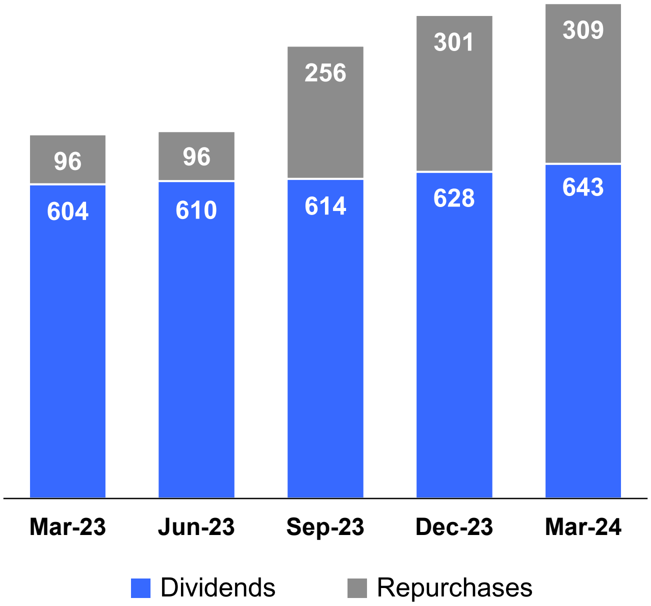
- Interest due to debt holders was $24.4 million for both the current and prior quarter and $28.5 million in the prior year quarter due to lower debt outstanding. Rental income was $10.9 million compared to $10.8 million in the prior quarter and $13.4 million in the prior year quarter.

- This quarter's GAAP tax rate increased to 26.4% compared to 22.6% in the prior quarter and 25.4% in the prior year quarter primarily due to discrete tax items. We expect our annual GAAP tax rate to be in the 24 - 26% range. The actual effective tax rate may differ due to nonrecurring or discrete items or potential changes in tax legislation.

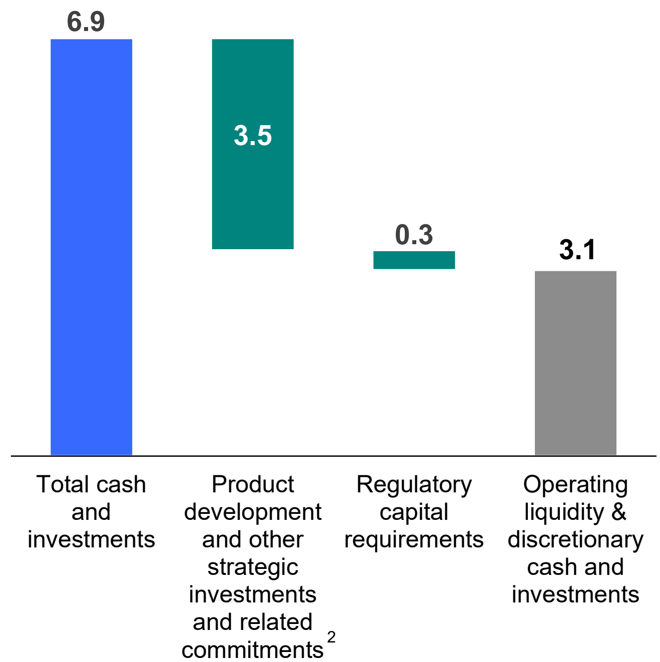
1. For the reconciliations from US GAAP to non-GAAP measures see the appendix to this commentary and the Supplemental Non-GAAP Financial Measures section of the earnings release. For prior periods please refer to historical earnings commentaries available at franklinresources.com.
2. During the quarter ended March 31, 2024, the Company identified that it did not eliminate the investment income from certain consolidated limited partnerships for the fiscal year ended September 30, 2023, resulting in offsetting adjustments to Investment and other income, net and Net income attributable to nonredeemable noncontrolling interest. For comparability, the Company has revised the comparative prior period amounts in the Consolidated Statements of Income. There was no impact to Operating income, Net income attributable to Franklin Resources, Inc. or Earnings per share.

Capital management

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



Allocation of cash and investments[1]
(In US$ billions, as of March 31, 2024)



- In February, we announced a quarterly cash dividend of $0.31 per share, representing a 3.3% increase over the dividends paid for the prior year quarter.
- During the quarter, we returned $181 million to shareholders including $169 million in dividends and $12 million in share repurchases. We typically plan to repurchase shares to offset employee-related equity issuances throughout the year. In addition, we opportunistically repurchase shares taking into account acquisition-related payments, debt maturities, and general market conditions.
- Total cash and investments were $6.9 billion[1] as of March 31, 2024 compared to $6.7 billion as of December 31, 2023.
- As of March 31, 2024, we maintained senior debt with an aggregate principal amount due of $2.85 billion[3] and an undrawn $800 million revolving credit facility. We expect to repay the $250 million senior notes due July 2024 from existing cash and other sources of liquidity.
- On January 1, 2024, we acquired Putnam from Great-West for 31.6 million[4] shares of our common stock and deferred cash consideration of $100.0 million to be paid in our third fiscal quarter of 2024.
- We have approximately $875 million of nominal cash tax benefits available related to acquisitions, which we expect to realize over the next 15 years.

1. Includes our direct investments in CIPS of $1.3 billion and approximately $350 million of employee-owned and other third-party investments made through partnerships, $353 million of investments related to long-term repurchase agreements and other net financing arrangements, and $447 million of cash and investments related to deferred compensation plans.
2. Includes undrawn capital commitments of $300 million.
3. Excludes fair value adjustments from purchase accounting.
4. Excludes shares to be granted under a deferred compensation program.

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended March 31, 2024

(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	**1,713.9**	10.8	(125.8)	(14.4)[1]	-	-	-	**1,584.5**
Sales and distribution fees	**358.3**	0.2	(358.5)	-	-	-	-	**0.0**
Shareholder servicing fees	**68.0**	-	-	-	-	-	-	**68.0**
Other	**12.6**	-	-	-	-	-	-	**12.6**
Total Operating Revenues	**2,152.8**	**11.0**	**(484.3)**	**(14.4)**	**-**	**-**	**-**	**1,665.1**
Expenses								
Compensation and benefits	**1,028.2**	-	-	(118.9)[1]	(40.4)	-	(24.6)	**844.3**
Sales, distribution and marketing	**484.3**	-	(484.3)	-	-	-	-	**-**
Information systems and technology	**155.1**	-	-	(4.7)	-	-	-	**150.4**
Occupancy	**76.2**	-	-	-	-	-	-	**76.2**
Amortization of intangible assets	**84.6**	-	-	(84.6)	-	-	-	**-**
General, administrative and other	**195.1**	-	-	(20.5)	-	-	-	**174.6**
Total Operating Expenses	**2,023.5**	**-**	**(484.3)**	**(228.7)**	**(40.4)**	**-**	**(24.6)**	**1,245.5**
Operating Income	**129.3**	**11.0**	**-**	**214.3**	**40.4**	**-**	**24.6**	**419.6**
Other Income (Expense)								
Investment and other income (losses) net	**52.5**	45.4	-	-	-	(12.4)	(17.9)	**67.6**
Interest expense	**(27.7)**	-	-	(2.3)	-	-	-	**(30.0)**
Investment and other income (losses) of CIPs, net	**89.9**	(89.9)	-	-	-	-	-	**-**
Expenses of CIPs	**(5.9)**	5.9	-	-	-	-	-	**-**
Total Other Income (Expense)	**108.8**	**(38.6)**	**-**	**(2.3)**	**-**	**(12.4)**	**(17.9)**	**37.6**
Income before taxes	**238.1**	**(27.6)**	**-**	**212.0**	**40.4**	**(12.4)**	**6.7**	**457.2**
Taxes on income	**62.8**	-	-	51.2	9.8	(2.3)	1.7	**123.2**
Net income	**175.3**	**(27.6)**	**-**	**160.8**	**30.6**	**(10.1)**	**5.0**	**334.0**
Less: Net income (loss) attributable to noncontrolling interests	**51.1**	(31.1)	-	-	-	(2.8)	10.2	**27.4**
Net Income Attributable to Franklin Resources, Inc.	**124.2**	**3.5**	**-**	**160.8**	**30.6**	**(7.3)**	**(5.2)**	**306.6**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**7.2**							**14.1**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**117.0**							**292.5**
Diluted EPS	**$0.23**			**Adjusted Diluted EPS**				**$0.56**
Avg. Diluted Shares Outstanding	**519.2**			**Avg. Diluted Shares Outstanding**				**519.2**
Operating Margin	**6.0%**			**Adjusted Operating Margin**				**25.2%**

1. Includes $14.4 million of performance fees that were passed through as compensation per the terms of the acquisition agreement.

Appendix

Reconciliation of US GAAP results to Non-GAAP results: Three months ended December 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	**1,652.2**	11.4	(104.4)	(72.6)[1]	-	-	-	**1,486.6**
Sales and distribution fees	**296.4**	-	(296.4)	-	-	-	-	**-**
Shareholder servicing fees	**32.5**	-	-	-	-	-	-	**32.5**
Other	**10.0**	-	-	-	-	-	-	**10.0**
Total Operating Revenues	**1,991.1**	**11.4**	**(400.8)**	**(72.6)**	**-**	**-**	**-**	**1,529.1**
Expenses								
Compensation and benefits	**968.3**	-	-	(141.7)[1]	(6.7)	-	(30.7)	**789.2**
Sales, distribution and marketing	**400.8**	-	(400.8)	-	-	-	-	**-**
Information systems and technology	**131.0**	-	-	(6.5)	-	-	-	**124.5**
Occupancy	**66.7**	-	-	-	-	-	-	**66.7**
Amortization of intangible assets	**85.8**	-	-	(85.8)	-	-	-	**-**
General, administrative and other	**132.0**	-	-	(0.3)	-	-	-	**131.7**
Total Operating Expenses	**1,784.6**	**-**	**(400.8)**	**(234.3)**	**(6.7)**	**-**	**(30.7)**	**1,112.1**
Operating Income	**206.5**	**11.4**	**-**	**161.7**	**6.7**	**-**	**30.7**	**417.0**
Other Income (Expense)								
Investment and other income (losses) net	**173.2**	(21.1)	-	-	-	(57.9)	(25.0)	**69.2**
Interest expense	**(18.8)**	-	-	(2.4)	-	-	-	**(21.2)**
Investment and other income (losses) of CIPs, net	**(23.8)**	23.8	-	-	-	-	-	**-**
Expenses of CIPs	**(5.9)**	5.9	-	-	-	-	-	**-**
Total Other Income (Expense)	**124.7**	**8.6**	**-**	**(2.4)**	**-**	**(57.9)**	**(25.0)**	**48.0**
Income before taxes	**331.2**	**20.0**	**-**	**159.3**	**6.7**	**(57.9)**	**5.7**	**465.0**
Taxes on income	**74.9**	-	-	38.6	1.6	(11.9)	1.3	**104.5**
Net income	**256.3**	**20.0**	**-**	**120.7**	**5.1**	**(46.0)**	**4.4**	**360.5**
Less: Net income (loss) attributable to noncontrolling interests	**5.0**	22.2	-	-	-	(8.9)	13.7	**32.0**
Net Income Attributable to Franklin Resources, Inc.	**251.3**	**(2.2)**	**-**	**120.7**	**5.1**	**(37.1)**	**(9.3)**	**328.5**
Less: allocation of earnings to participating nonvested stock and stock unit awards	**9.7**							**12.9**
Net Income Available to Franklin Resources, Inc. Common Stockholders	**241.6**							**315.6**
Diluted EPS	**$0.50**			**Adjusted Diluted EPS**				**$0.65**
Avg. Diluted Shares Outstanding	**487.9**			**Avg. Diluted Shares Outstanding**				**487.9**
Operating Margin	**10.4%**			**Adjusted Operating Margin**				**27.3%**

1. Includes $72.6 million of performance fees that were passed through as compensation per the terms of the acquisition agreement.

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[1]	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)[2]	-	-	-	**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)[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	**60.6**	20.9	-	-	-	(4.2)	(16.6)	**60.7**
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)	**110.9**	**(62.9)**	**-**	**(0.3)**	**-**	**(4.2)**	**(16.6)**	**26.9**
Income before taxes	**366.0**	**(53.8)**	**-**	**122.9**	**31.8**	**(4.2)**	**4.4**	**467.1**
Taxes on income	**92.9**	-	-	29.6	7.7	(6.0)	1.2	**125.4**
Net income	**273.1**	**(53.8)**	**-**	**93.3**	**24.1**	**1.8**	**3.2**	**341.7**
Less: Net income (loss) attributable to noncontrolling interests	**78.9**	(62.3)	-	-	-	(2.3)	10.7	**25.0**
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%**

1. During the quarter ended March 31, 2024, the Company identified that it did not eliminate the investment income from certain consolidated limited partnerships for the fiscal year ended September 30, 2023, resulting in offsetting adjustments to Investment and other income, net and Net income attributable to nonredeemable noncontrolling interest. For comparability, the Company has revised the comparative prior period amounts in the Consolidated Statements of Income. There was no impact to Operating income, Net income attributable to Franklin Resources, Inc. or Earnings per share.
2. Includes $8.0 million of performance fees that were passed through as compensation per the terms of the acquisition agreement.

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 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, 2023 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.

The information in this commentary is provided solely in connection with this commentary, and is not directed toward existing or potential investment advisory clients or fund shareholders.

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