

FRANKLIN RESOURCES INC
Form 10-Q
January 27, 2017
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(MARK ONE)

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

For the quarterly period ended December 31, 2016

OR

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

For the transition period from _____ to _____

Commission File Number: 001-09318

FRANKLIN RESOURCES, INC.

(Exact name of registrant as specified in its charter)

Delaware	13-2670991
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

One Franklin Parkway, San Mateo, CA 94403
(Address of principal executive offices) (Zip Code)
(650) 312-2000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

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

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

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Outstanding: 565,321,260 shares of common stock, par value \$0.10 per share, of Franklin Resources, Inc. as of January 20, 2017.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

FRANKLIN RESOURCES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

Unaudited

(in millions, except per share data)	Three Months Ended	
	December 31,	
	2016	2015
Operating Revenues		
Investment management fees	\$1,063.2	\$1,186.7
Sales and distribution fees	419.3	478.4
Shareholder servicing fees	56.6	61.9
Other	21.7	31.0
Total operating revenues	1,560.8	1,758.0
Operating Expenses		
Sales, distribution and marketing	520.0	588.6
Compensation and benefits	311.5	342.5
Information systems and technology	51.7	51.2
Occupancy	29.1	30.7
General, administrative and other	61.6	91.4
Total operating expenses	973.9	1,104.4
Operating Income	586.9	653.6
Other Income (Expenses)		
Investment and other income, net	46.1	30.5
Interest expense	(13.3) (12.0
Other income, net	32.8	18.5
Income before taxes	619.7	672.1
Taxes on income	200.9	209.7
Net income	418.8	462.4
Less: net income (loss) attributable to		
Nonredeemable noncontrolling interests	2.1	13.6
Redeemable noncontrolling interests	(23.5) 1.0
Net Income Attributable to Franklin Resources, Inc.	\$440.2	\$447.8
Earnings per Share		
Basic	\$0.77	\$0.74
Diluted	0.77	0.74
Dividends Declared per Share	\$0.20	\$0.18

See Notes to Condensed Consolidated Financial Statements.

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FRANKLIN RESOURCES, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 Unaudited

(in millions)	Three Months Ended December 31,	
	2016	2015
Net Income	\$418.8	\$462.4
Other Comprehensive Income (Loss)		
Net unrealized losses on investments, net of tax	(2.4)	(5.9)
Currency translation adjustments, net of tax	(60.9)	(23.6)
Net unrealized gains on defined benefit plans, net of tax	—	0.6
Total other comprehensive loss	(63.3)	(28.9)
Total comprehensive income	355.5	433.5
Less: comprehensive income (loss) attributable to		
Nonredeemable noncontrolling interests	2.1	13.6
Redeemable noncontrolling interests	(23.5)	1.0
Comprehensive Income Attributable to Franklin Resources, Inc.	\$376.9	\$418.9

See Notes to Condensed Consolidated Financial Statements.

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FRANKLIN RESOURCES, INC.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 Unaudited

(in millions, except share and per share data)	December 31, 2016	September 30, 2016
Assets		
Cash and cash equivalents	\$ 8,223.6	\$ 8,247.1
Receivables	930.0	794.3
Investments (including \$521.6 and \$1,437.6 at fair value at December 31, 2016 and September 30, 2016)	1,512.8	2,416.6
Assets of consolidated sponsored investment products		
Cash and cash equivalents		