

Deal of the Week: Franklin Resources to Buy Legg Mason for \$4.5B

Announcement Date	<ul style="list-style-type: none"> February 18, 2020 	
Acquirer	<ul style="list-style-type: none"> Franklin Resources, Inc. (d.b.a. "Franklin Templeton") (NYSE: BEN) 	
Acquirer Description	<ul style="list-style-type: none"> A global investment management organization operating, together with its subsidiaries, as Franklin Templeton The firm provides its services to individuals, institutions, pension plans, trusts, and partnerships. It launches equity, fixed income, balanced, and multi-asset mutual funds through its subsidiaries. The firm invests in the public equity, fixed income, and alternative markets Assets under management totaled \$688 billion as of January 31, 2020 Founded in 1947 and headquartered in San Mateo, CA 	
Acquirer Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$9.1 billion EV: \$4.2 billion LTM Revenue: \$5.8 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$1.6 billion LTM EV / Revenue: 0.7x LTM EV / EBITDA: 2.2x
Target Company	<ul style="list-style-type: none"> Legg Mason, Inc. (NYSE: LM) 	
Target Description	<ul style="list-style-type: none"> A publicly owned asset management holding company The firm helps investors globally achieve better financial outcomes by expanding choice across investment strategies, vehicles and investor access through independent investment managers with diverse expertise in equity, fixed income, alternative and liquidity investments Assets under management totaled \$806 billion as of January 31, 2020 Founded in 1899 and headquartered in Baltimore, MD 	
Target Financial Statistics	<ul style="list-style-type: none"> Mkt Cap: \$4.2 billion EV: \$5.2 billion LTM Revenue: \$2.9 billion 	<ul style="list-style-type: none"> LTM EBITDA: \$569.8 million LTM EV / Revenue: 1.8x LTM EV / EBITDA: 9.2x
Acquirer Advisor	<ul style="list-style-type: none"> Broadhaven Capital Partners, Morgan Stanley and Ardea Partners 	
Target Advisor	<ul style="list-style-type: none"> PJT Partners and J.P. Morgan 	
Price / Consideration	<ul style="list-style-type: none"> \$4.5 billion 	<ul style="list-style-type: none"> Cash
Rationale	<ul style="list-style-type: none"> The transaction is expected to generate between 25% - 30% GAAP EPS accretion in 2021, excluding non-recurring expenses The combination is expected to result in approximately \$200 million in annual cost savings with the majority of these savings expected to be realized within a year, following the close of the transaction, and the remaining synergies being realized over the next one to two years The resulting entity will be one the world's largest independent global investment managers with \$1.5 trillion assets under management, resulting in a deeper geographical footprint, and providing an investment platform that is well-balanced between institutional and retail clients "This is a landmark acquisition for our organization that unlocks substantial value and growth opportunities driven by greater scale, diversity and balance across investment strategies, distribution channels and geographies," said Greg Johnson, executive chairman of the Board of Franklin Resources, Inc. 	
Deal Points	<ul style="list-style-type: none"> Purchase price of \$4.5 billion or \$50 per share represents a 23% premium above where Legg Mason stock closed on Friday Transaction will be funded via Franklin Templeton's existing balance sheet cash Franklin Templeton will also assume approximately \$2 billion in Legg Mason's outstanding debt 	
Of Note	<ul style="list-style-type: none"> At close, the acquirer expects to maintain a healthy balance sheet with \$2.7 billion in debt and \$5.3 billion of cash and investments 	