

FRANKLIN RESOURCES INC
Form 10-Q
July 30, 2012

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 June 30, 2012

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
(State or other jurisdiction of
incorporation or organization)

13-2670991
(I.R.S. Employer
Identification No.)

One Franklin Parkway, San Mateo, CA
(Address of principal executive offices)

94403
(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.

Outstanding: 212,602,957 shares of common stock, par value \$0.10 per share, of Franklin Resources, Inc. as of July 23, 2012.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

FRANKLIN RESOURCES, INC.

Condensed Consolidated Statements of Income

Unaudited

| (in thousands, except per share data) | Three Months Ended | | Nine Months Ended | |
|---|--------------------|-------------|-------------------|-------------|
| | June 30, 2012 | 2011 | June 30, 2012 | 2011 |
| Operating Revenues | | | | |
| Investment management fees | \$1,114,404 | \$1,168,920 | \$3,315,861 | \$3,338,159 |
| Sales and distribution fees | 569,138 | 594,187 | 1,679,387 | 1,707,517 |
| Shareholder servicing fees | 77,221 | 77,520 | 229,365 | 225,325 |
| Other, net | 22,821 | 12,406 | 60,196 | 31,908 |
| Total operating revenues | 1,783,584 | 1,853,033 | 5,284,809 | 5,302,909 |
| Operating Expenses | | | | |
| Sales, distribution and marketing | 692,038 | 719,311 | 2,038,099 | 2,043,399 |
| Compensation and benefits | 314,563 | 313,592 | 938,006 | 921,796 |
| Information systems and technology | 44,079 | 41,266 | 128,805 | 123,110 |
| Occupancy | 31,444 | 32,112 | 95,180 | 95,683 |
| General, administrative and other | 58,538 | 64,055 | 192,260 | 147,508 |
| Total operating expenses | 1,140,662 | 1,170,336 | 3,392,350 | 3,331,496 |
| Operating Income | 642,922 | 682,697 | 1,892,459 | 1,971,413 |
| Other Income (Expenses) | | | | |
| Investment and other income (losses), net | (17,975) |) 14,503 | 135,612 | 118,282 |
| Interest expense | (10,089) |) (10,056) |) (28,287) |) (26,315) |
| Other income (expenses), net | (28,064) |) 4,447 | 107,325 | 91,967 |
| Income before taxes | 614,858 | 687,144 | 1,999,784 | 2,063,380 |
| Taxes on income | 184,906 | 208,944 | 588,322 | 599,498 |
| Net income | 429,952 | 478,200 | 1,411,462 | 1,463,882 |
| Less: Net income (loss) attributable to Nonredeemable noncontrolling interests | (24,209) |) (24,575) |) (30,027) |) (44,029) |
| Redeemable noncontrolling interests | (1,106) |) (572) |) 2,218 | 307 |
| Net Income Attributable to Franklin Resources, Inc. | \$455,267 | \$503,347 | \$1,439,271 | \$1,507,604 |
| Earnings per Share | | | | |
| Basic | \$2.12 | \$2.27 | \$6.66 | \$6.76 |
| Diluted | 2.12 | 2.26 | 6.65 | 6.73 |
| Dividends per Share | \$0.27 | \$0.25 | \$2.81 | \$0.75 |

See Notes to Condensed Consolidated Financial Statements.

FRANKLIN RESOURCES, INC.
 Condensed Consolidated Balance Sheets
 Unaudited

| (in thousands) | June 30, 2012 | September 30, 2011 |
|---|------------------|-----------------------|
| Assets | | |
| Current Assets | | |
| Cash and cash equivalents | \$4,676,520 | \$4,699,994 |
| Cash and cash equivalents of consolidated variable interest entities | 42,363 | 88,238 |
| Receivables | 793,914 | 772,475 |
| Investment securities, trading | 1,019,226 | 889,686 |
| Investment securities, available-for-sale | 602,917 | 990,976 |
| Investments of consolidated variable interest entities, at fair value | — | 10,994 |
| Investments in equity method investees and other | 69,049 | 21,861 |
| Deferred taxes | 96,639 | 107,898 |
| Prepaid expenses and other | 41,024 | 34,646 |
| Total current assets | 7,341,652 | 7,616,768 |
| Banking/Finance Assets | | |