

Initiating Coverage:

Franklin Resources, Inc. (\$BEN)

It's Time to Look BENEath the Surface

Key Takeaway: Franklin Resources, Inc. (\$BEN) is undergoing a quiet but meaningful transformation. Long viewed as a traditional mutual fund shop, the firm has steadily expanded into ETFs, alternatives, and direct indexing through targeted acquisitions and a more flexible, tech-enabled operating model. Despite this evolution, the market continues to price Franklin as a legacy active manager – trading well below peers like T. Rowe Price and BlackRock. But with \$1.57 trillion in assets, 40 consecutive years of dividend growth, and growing exposure to high-growth, scalable strategies, Franklin is better positioned than its valuation implies. As investor preferences shift toward firms offering both specialization and platform versatility, Franklin's hybrid model presents a compelling re-rating opportunity that the market has yet to fully reflect.

Strategic Expansion into ETFs and Direct Indexing: While many asset managers are investing in digital capabilities, Franklin's quiet but consistent expansion into ETFs and direct indexing is particularly noteworthy given its legacy as a traditional active manager. The firm now offers over 60 ETFs across smart beta, active, and thematic strategies – with flows growing at double-digit rates year-over-year. Its 2022 acquisition of O'Shaughnessy Asset Management brought proprietary direct indexing technology that's gaining traction with financial advisors and high-net-worth investors. Although still a small portion of total AUM, this high-growth segment diversifies Franklin's product mix, modernizes its distribution, and helps counteract outflows from legacy active products. For a firm in transition, this signals adaptability – and positions it better against peers like BlackRock and Fidelity who already dominate the ETF space.

Assets Under Management Stability Signals a Turnaround: For years, Franklin faced persistent net outflows, particularly from traditional active strategies. That trend is now showing signs of reversal. As of May 2025, the firm reported \$1.57 trillion in AUM – a 2.6% increase from the previous month – driven by positive flows into ETFs and institutional mandates. This marks a notable shift in investor sentiment. If sustained, this kind of flow stabilization could support margin recovery, increase operating leverage, and potentially lead to a stock re-rating as confidence in the turnaround builds.

Valuation: We initiate coverage with a \$28 PT.



Consortium Research Group
FIG | Asset Management
July 12th, 2025

Stock Rating: Overweight

Price Target: \$28.00

Price: \$24.87

Potential Upside: 12.59%

Ticker: \$BEN

Market Cap: \$13.21b

Shares Outstanding: 525mm

Dividend Yield: 5.1%



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Company Overview

Company Description: Franklin Resources, Inc. (\$BEN), known as Franklin Templeton, is a global investment management firm headquartered in San Mateo, California. Founded in 1947, the company offers a broad range of investment products, including mutual funds, ETFs, institutional mandates, and alternatives. Operating in over 30 countries, Franklin Templeton manages approximately \$1.57 trillion in assets as of May 2025 and ranks among the largest independent asset managers worldwide.

While the broader asset management industry has seen a significant shift toward passive and index-based strategies, Franklin leverages its deep active management expertise and is evolving by integrating scalable, tech-enabled products like ETFs and direct indexing. This hybrid approach positions the firm to capture opportunities across changing investor preferences.

Blending Active Expertise with Modern Delivery: Unlike firms heavily reliant on passive strategies, Franklin continues to build on its core strength in active management – particularly through specialized affiliates and high-conviction strategies. Simultaneously, the firm has evolved its product mix and distribution by expanding into ETFs, direct indexing, and alternatives. Strategic acquisitions such as Legg Mason (2020) and O’Shaughnessy Asset Management (2022) underscore a shift toward personalization and platform flexibility. Today, Franklin combines differentiated active capabilities with scalable, tech-enabled delivery – well positioning it as investor preferences favor tailored, outcome-driven solutions.

Reliable Dividends with Value Appeal: Franklin is renowned for consistent dividend growth, having raised payouts for over 40 consecutive years. Its stock offers an attractive yield, appealing to income-focused and value-oriented investors. While legacy active fund outflows have pressured valuation in recent years, early signs of stabilization – coupled with the firm’s broader evolution – could support earnings recovery and a potential rerating over time.

Industry Overview

Structural Change in Asset Management: The asset and wealth management industry is undergoing significant transformation. Investors are increasingly allocating capital to lower-cost ETFs, private market alternatives, and personalized solutions such as direct indexing. Traditional active mutual funds face ongoing outflows as passive giants like BlackRock and Vanguard expand market share. Technological advances accelerate this shift by enabling customization at scale and increasing fee compression pressures on managers to deliver clear alpha.

However, firms that successfully combine active management capabilities with scalable, tech-enabled platforms and customized product offerings are best positioned to capture long-term growth, reflecting investor demand for both alpha generation and cost-efficient personalization.

Growth & Opportunities: Despite these headwinds, several growth avenues remain promising. Alternatives are gaining traction, especially among institutional investors seeking yield and diversification. Younger investors show greater appetite for risk, personalization, and thematic investing – favoring managers offering flexibility and digital accessibility. Additionally, generational wealth transfer is expected to reshape client preferences toward ESG, tech-driven strategies, and holistic financial planning. In this evolving landscape, firms blending traditional investment depth with modern packaging and delivery – via ETFs, separately managed accounts (SMAs), and alternative platforms – stand to benefit.

Industry Trends and Competitive Landscape: Although passive strategies continue to capture market share, the future landscape is not strictly binary. The most successful firms will combine boutique-style expertise with scalable, tech-enabled platforms. Franklin competes with ETF leaders like BlackRock but differentiates itself through affiliate-driven specialization and a growing alternatives platform. Expansion into private credit (Benefit Street Partners), secondaries (Lexington Partners), and real estate (Clarion) highlights a pivot toward segments with higher fees, lower beta, and greater customization potential. Rather than abandoning active management, Franklin is retooling it – and the market may be underestimating the magnitude of this shift.

Peer Comparisons

Comparable Companies						
\$mm						
Ticker	Mkt Cap	EV	P/E LTM	Revenue LTM	EBITDA LTM	
T. Rowe Price (TROW)	\$22,680	\$19,990	11.67x	\$ 7,094	\$ 3,052	
Invesco Ltd (IVZ)	\$7,790	\$4,810	14.01x	\$ 6,120	\$ 1,185	
BlackRock Inc (BLK)	\$186,280	\$169,000	26.82x	\$ 20,955	\$ 9,369	
Ameriprise Financial (AMP)	\$51,660	\$47,730	18.43x	\$ 18,080	\$ 3,918	
Franklin Resources (BEN)	\$13,210	\$22,740	36.97x	\$ 8,697	\$ 1,217	

Ticker	LTM EV/EBITDA	Gross Margin	EBITDA Margin	EBIT Margin	1 Yr Rev Growth Rate LF	
T. Rowe Price (TROW)	6.5x	34.5%	45.3%	33.2%	6.5%	
Invesco Ltd (IVZ)	4.1x	32.0%	20.8%	17.9%	3.7%	
BlackRock Inc (BLK)	18.0x	60.2%	40.16%	44.5%	11.6%	
Ameriprise Financial (AMP)	12.2x	45.3%	32.19%	35.3%	3.6%	
Franklin Resources (BEN)	18.7x	35.7%	14.0%	8.1%	8.1%	

High	18.69x	60.2%	45.3%	44.5%	11.6%	
75th Percentile	18.04x	41.8%	40.2%	35.3%	8.1%	
Average	11.90x	40.6%	30.5%	27.8%	6.7%	
Median	12.18x	35.1%	32.2%	33.2%	6.5%	
25th Percentile	6.55x	33.9%	20.8%	17.9%	3.7%	
Low	4.06x	32.0%	14.0%	8.1%	3.6%	

Franklin Valuation	
Implied Enterprise Value (25th Percentile)	\$7,971
Implied Enterprise Value (Median)	\$14,826
Implied Enterprise Value (75th Percentile)	\$21,953
Implied Share Price (25th Percentile)	\$15.17
Implied Share Price (Median)	\$28.21
Implied Share Price (75th Percentile)	\$41.77

Source: CapIQ

Investment Theses

Franklin's Scaled-Boutique Model Unlocks Specialized Growth

Franklin Resources is quietly evolving from a traditional mutual fund shop into a diversified, high-conviction platform. Through targeted acquisitions – like Benefit Street Partners (private credit), O'Shaughnessy (direct indexing), and Lexington Partners (PE secondaries) – Franklin has expanded into higher-fee, structurally growing asset classes.

What makes Franklin stand out is its “scaled boutique” model: investment affiliates maintain autonomy while leveraging centralized compliance, tech, and global distribution. This structure supports differentiated strategies without the bureaucracy of larger firms. Today, alternatives comprise ~18% of AUM and are gaining traction with institutional allocators.

Despite this strategic repositioning, Franklin trades at ~10.6x forward earnings – below T. Rowe and BlackRock – suggesting the market undervalues its growth potential and multi-asset alignment. As demand rises for personalized and outcome-based solutions, Franklin’s hybrid structure is well-suited to compete and expand margins.

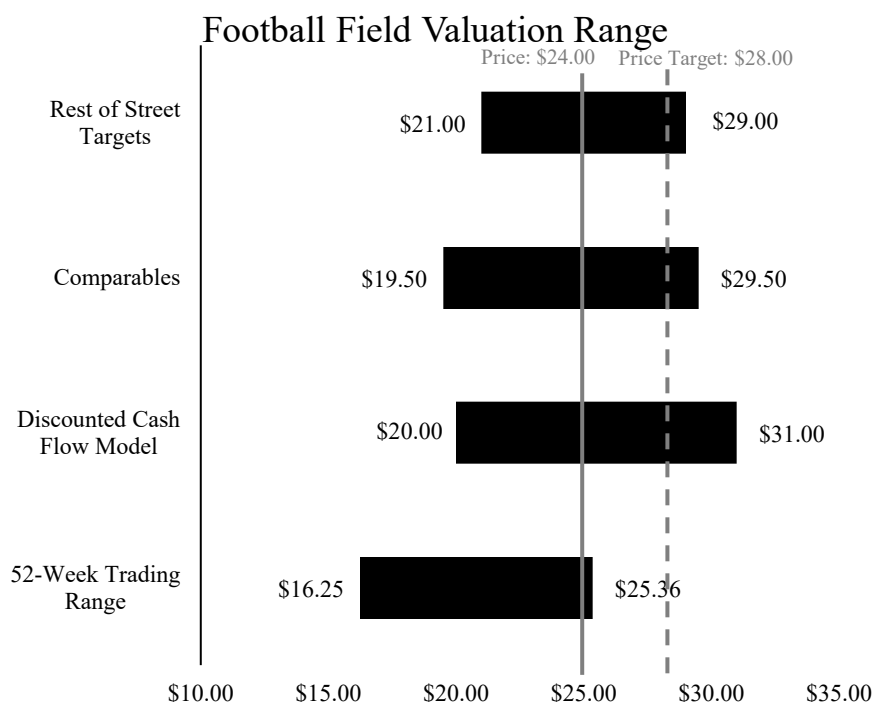
Tech-Driven Active Management And Lead in Tokenization Will Unlock Scalable Alpha Delivery

Franklin’s legacy as a global active manager with deep custody, fund accounting, and distribution infrastructure is often viewed as a liability in a low-fee world. But this same infrastructure is becoming a competitive asset as tokenized funds and blockchain-native investment vehicles gain traction. Franklin was the first traditional asset manager to launch a U.S.-registered mutual fund on a public blockchain (BENJI on Stellar) – a move that combines regulatory credibility with digital-native innovation.

As tokenization moves from proof-of-concept to institutional use cases, Franklin is better positioned than both fintechs (who lack regulatory clout) and large incumbents (who move slower) to serve as a trusted on-ramp for asset digitization. The firm’s full-stack control enables it to experiment with scalable alpha delivery while remaining compliant with SEC frameworks. Over time, this foundation could become a core differentiator – allowing Franklin to tap new distribution channels, reduce operational costs, and widen margins in ways that passive-only platforms cannot replicate.

Price Target & Valuation

Our analysis gives Franklin Resources (BEN) a price target of \$28 and an Overweight rating.



Potential Downsides to Our Rating

Fee Compression and AUM Decline: Despite Franklin's efforts to reposition its business, the broader trend toward low-cost passive products and ETFs poses ongoing pressure. Active equity strategies – once a cornerstone of the firm – continue to experience outflows. If this trend accelerates, it could impact Franklin's ability to defend its fee structure, pressuring margins and dampening top-line growth.

Execution Risk in Strategic Expansion: Franklin has undertaken a series of acquisitions aimed at diversifying its offerings. While these moves support the long-term pivot to higher growth areas such as alternatives and direct indexing, there is risk that integration efforts may fall short. Delays or missteps could hinder the realization of synergies and weaken investor confidence in the firm's strategic roadmap.

Operating Leverage in a Weak Market: Franklin's revenue remains closely tied to asset values due to its AUM-based fee model. In prolonged downturns or heightened volatility, declining AUM and fund performance could trigger disproportionate drops in earnings, particularly given the company's fixed cost base.

Our Price Target: \$28.00

We assign a price target of \$28.00 to Franklin Resources (\$BEN), reflecting our view that its shift toward alternatives, direct indexing, and boutique asset management will drive long-term growth. While fee compression and passive flows remain headwinds, Franklin's diversified platform positions it to outperform peers in higher-margin segments. Our valuation is supported by a DCF model and comparable trading multiples.

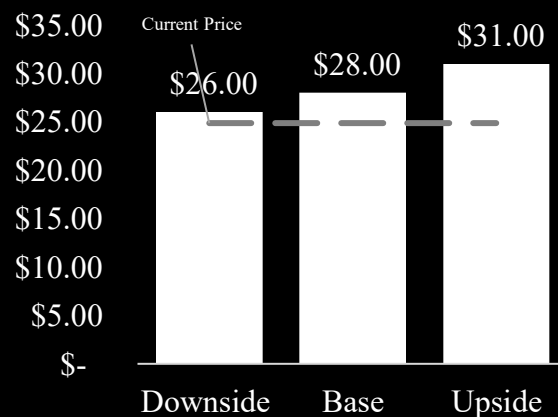
Our Upside Case: \$31.00

In an optimistic scenario, BEN could reach \$31 per share if it delivers stronger-than-expected AUM growth, expands margins through improved cost discipline, and benefits from favorable market performance. This case assumes BEN successfully retains existing clients, attracts inflows into higher-margin products, and fully capitalizes on recent acquisitions. A renewed investor appetite for active management – especially in global and alternative strategies – could also lead to a re-rating at higher earnings multiple.

Our Downside Case: \$26.00

In our downside case, Franklin Resources struggles to retain flows, cut costs, or defend margins in the face of ongoing fee compression. The firm risks losing relevance to larger, more diversified peers like BlackRock and Vanguard. If recent acquisitions fail to scale or flagship funds underperform, earnings may deteriorate further – eroding investor confidence and driving the stock to lower valuation levels.

DCF Case Values



However, recent efforts to build recurring-fee alternatives may offer some resilience.

Projections

Income Statement (\$mm)	2024A	2025E	2026E	2027E	2028E	CAGR%
Revenue	8,000	8,203	8,472	8,943	9,620	6.3%
EBITDA	1,708	1,667	1,279	1,404	1,605	-2.0%
EBIT	1,253	1,155	1,173	1,297	1,496	6.1%
NOPAT	1,069	1,746	1,557	1,188	1,038	-1.0%
Margin & Growth Data	2024A	2025E	2026E	2027E	2028E	AVG%
EBITDA Margin	21.3%	20.3%	15.1%	15.7%	16.7%	17.8%
EBIT Margin	15.7%	14.1%	13.8%	14.5%	15.6%	14.7%
Revenue Growth	1.9%	2.5%	3.3%	5.6%	7.6%	4.2%
EBIT Growth	-16.5%	-7.9%	1.6%	10.6%	15.3%	0.6%
Valuation Metrics	2024A	2025E	2026E	2027E	2028E	AVG%
P/FCF	10.7x	9.8x	13.1x	12.4x	12.7x	11.7x
EV/Sales	1.6x	1.6x	1.5x	1.5x	1.5x	1.5x
EV/EBITDA	7.9x	8.1x	10.1x	8.3x	7.0x	8.3x
FCF Yield	9.3%	10.2%	7.7%	8.1%	7.9%	9.4%

About \$BEN

\$BEN, or Franklin Resources, is a global investment management firm offering actively managed strategies across equities, fixed income, multi-asset, and alternatives. Operating under the Franklin Templeton brand, the company serves retail and institutional clients in over 150 countries. Known for its scaled-boutique model, Franklin leverages specialized affiliates to deliver differentiated investment solutions across public and private markets.

Disclosures & Ratings

Consortium Equity Research does not hold any professional relationships with any reported equities.

Overweight means the analyst team believes the stock price will outperform the coverage industry benchmark (TMT, Healthcare, Industrial, Consumer, FIG, Energy & Sustainability) in the next 6-12 months. **Equal Weight** means the team expects performance in line with the industry benchmark. **Underweight** means the team expects underperformance relative to the industry benchmark.

Appendix

Franklin Resources
Discounted Cash Flow

Active Case:	2 Base
Current Share Price	\$24.87

DCF Analysis (\$mm)											
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	FY2026	FY2027	FY2028	FY2029	FY2030
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/2025	12/31/26	12/31/27	12/30/28	12/30/29	12/31/30
Stub						0.53	1.53	2.53	3.53	4.53	5.53
Discount Period						0.24	0.97	1.97	2.97	3.97	4.97
Revenue	5,567	8,426	8,275	7,849	8,000	8,203	8,472	8,943	9,620	9,196	9,325
Revenue Growth	0%	51%	-2%	-5%	2%	3%	3%	6%	8%	-4%	1%
Investment Management	4,481	6,783	6,662	6,319	6,825	7,001	7,106	7,213	7,321	7,431	7,542
Sales and Distribution	907	1,373	1,349	1,279	1,382	1,418	1,432	1,446	1,461	1,475	1,490
Others	178	270	265	251	271	278	281	284	287	290	292
EBIT	1,300	2,095	1,954	1,500	1,253	1,155	1,173	1,297	1,496	1,839	2,052
EBIT Margin	23%	25%	24%	19%	16%	14%	14%	15%	16%	20%	22%
Tax Expense	231	350	396	312	215	190	194	218	254	313	349
Effective Tax Rate	18%	17%	20%	21%	17%	16%	17%	17%	17%	17%	17%
NOPAT	1,068.70	1,745.60	1,557.30	1,187.80	1,037.70	964.70	979.00	1,079.00	1,242.00	1,526.00	1,703.00
D&A	129	311	378	445	455	513	106	107	109	110	112
Capex	104	79	90	149	177	225	291	295	299	303	308
Changes in NWC	527	128	278	132	96	(83)	5	5	5	6	6
UFCF	1,570	1,849	1,567	1,353	1,219	1,335	1,000	1,053	1,028	1,229	1,435
PV of FCF						1,311	929	908	822	911	987

Weighted Average Cost of Capital (\$mm)	
Market Risk Premium	4.33%
Beta	1.49
Risk Free Rate	4.39%
Cost of Equity	5.64%
Weighted Average Cost of Debt	6.75%
Tax Rate	32.50%
Cost of Debt	2.19%
Total Equity	\$13,070
Total Debt	\$435
Equity/Total Capitalization	52.00%
Debt/Total Capitalization	48.00%
WACC	7.83%

Terminal Value	
Perpetuity Growth Method	
2034 FCF	\$1,435
Growth	1.00%
Terminal Value	\$21,019
PV of Terminal Value	\$14,451
PV of Projection Period	\$5,868
PV of Terminal Value	\$14,451
Implied TEV	\$20,319
(-) Debt	\$3,189
(+) Cash	\$2,754
Implied Equity Value	\$19,884
Basic Shares Outstanding	526
Implied Share Price	\$37.84
Upside/Downside	52.14%

Implied Exit BF EV/EBIT	9.9x
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Terminal Value	
Exit Multiple Method	
2034 EBIT	\$2,052
EV/EBIT Exit Multiple	10.0x
Terminal Value	\$20,520
PV of Terminal Value	\$14,108
PV of Projection Period	\$5,868
PV of Terminal Value	\$14,108
Implied TEV	\$19,976
(-) Debt	\$3,189
(+) Cash	\$2,754
Implied Equity Value	\$19,541
Diluted Shares Outstanding	526
Implied Share Price	\$37.18
Upside/Downside	49.5%

Implied PGR	-2.1%
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Blended Share Price	
Perpetuity Growth Method	0%
Exit Multiple Method	100%
Blended Share Price	\$37.18
Upside/Downside	69.11%