
FY 2015 Annual Shareholders Meeting

July 28, 2015

Joseph A. Sullivan
Chairman and Chief Executive Officer

John V. Murphy
Lead Independent Director

Peter H. Nachtwey
Chief Financial Officer



Important Disclosures

Forward-Looking Statements

This presentation may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

These forward-looking statements are not statements of facts or guarantees of future performance, and are subject to risks, uncertainties and other factors that may cause actual results to differ materially from those discussed in the statements.

For a discussion of these risks and uncertainties, please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended March 31, 2015 and in the Company’s quarterly reports on Form 10-Q.

Non-GAAP Financial Measures

This presentation includes certain non-GAAP financial measures. These non-GAAP measures are in addition to, not a substitute for or superior to, measures of financial performance determined in accordance with GAAP. The company undertakes no obligation to update the information contained in this presentation to reflect subsequently occurring events or circumstances.

Board Perspective on FY15

John V. Murphy

Lead Independent Director

Financial Overview

Peter H. Nachtwey

Chief Financial Officer

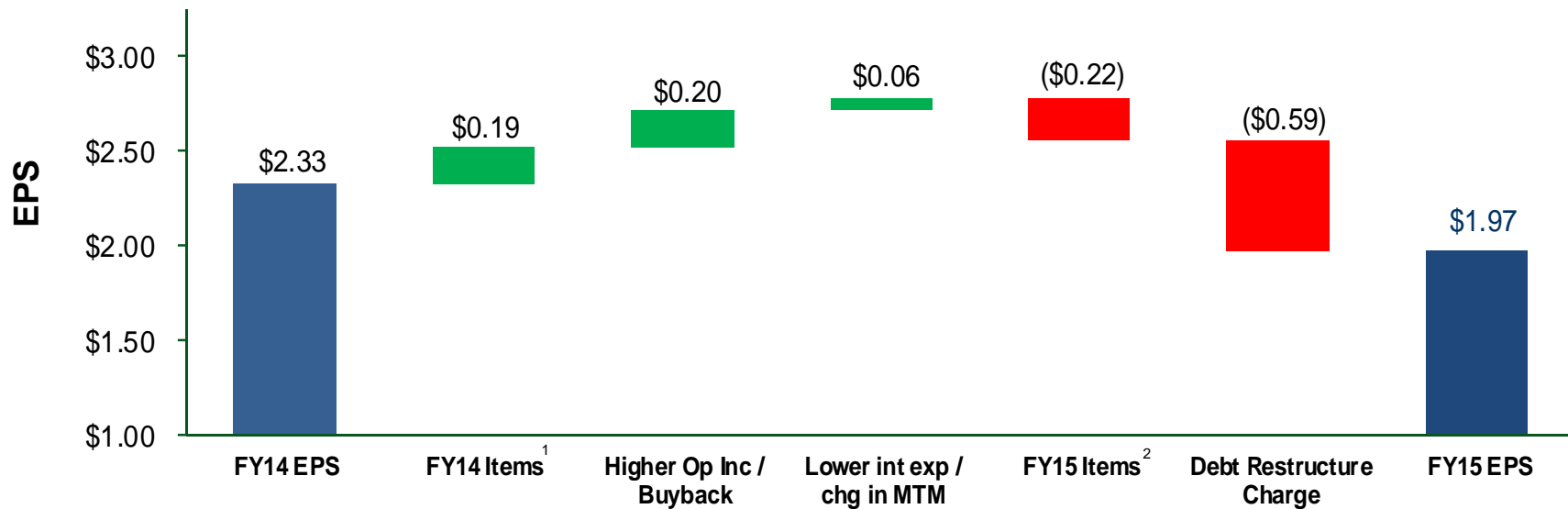
Operating Results FY 2015

(\$ millions, except per share amounts)	FY 15	FY 14
Operating Revenues	\$2,819.1	\$2,741.8
Operating Expenses	2,320.9	2,310.9
Operating Income	498.2	430.9
Net Income	237.1	284.8
Diluted EPS	2.04	2.33
Adjusted Income¹	378.8	417.8
Adjusted Income per diluted share¹	3.26	3.41
Operating Margin, as adjusted¹	23.0%	22.0%
Effective Tax Rate GAAP²	34.0%	32.8%

¹ See Appendix for GAAP reconciliation

² Includes the impact of Consolidated Investment Vehicles (CIVs) of (0.5%) and 0.2% for FY15 and FY14, respectively

Fiscal Year 15 Earnings Per Share Rollforward




- Higher operating income driven by increased revenue on higher average AUM, partially offset by lower performance fees
- FY15 items QS integration costs of \$0.19 per share
- FY14 items include corporate initiatives and QS integration costs of \$0.17 per share

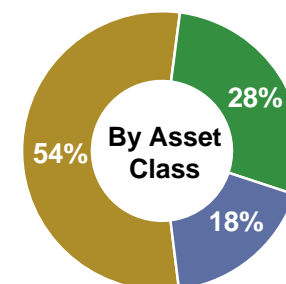
¹Includes debt refinancing charge, QS integration costs, closed-end fund launch costs, sales costs of Luxembourg funds administrative office and expenses related to the Martin Currie acquisition partially offset by lease reserve adjustment

²Includes QS integration costs \$12.8M, costs related to purchase of Martin Currie and sale of LMIC \$5.7M, partially offset by a reduction in tax reserves \$3.5M and gain on LMIC \$1.9M

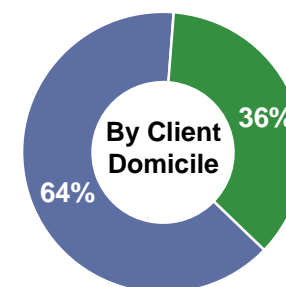
Assets Under Management (\$ billions)

Affiliate ¹	Mar 15	Mar 14	Mar 13	% Change	
				Mar 14	Mar 13
 WESTERN ASSET	\$445.9	\$467.1	\$458.9	(5%)	(3%)
 ClearBridge ² Investments	110.5	95.9	65.9	15%	68%
Royce & Associates	29.6	38.6	37.4	(23%)	(21%)
 Brandywine GLOBAL	66.4	52.2	46.0	27%	44%
 PERMAL	19.2	19.7	21.3	(3%)	(10%)
 QS Investors ³	13.9	11.3	N/A	23%	-
 martin currie ⁴	12.4	2.2	N/A	-	-

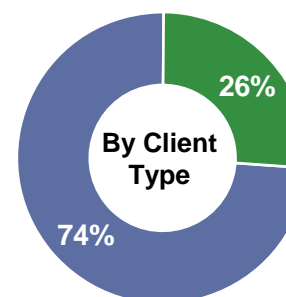
Total AUM \$703B



■ Fixed Income ■ Equity ■ Liquidity



■ US ■ Non-US



■ Institutional ■ Retail

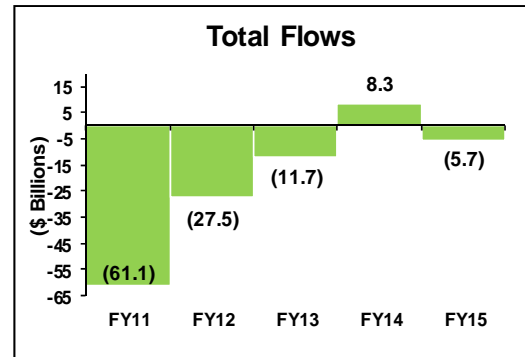
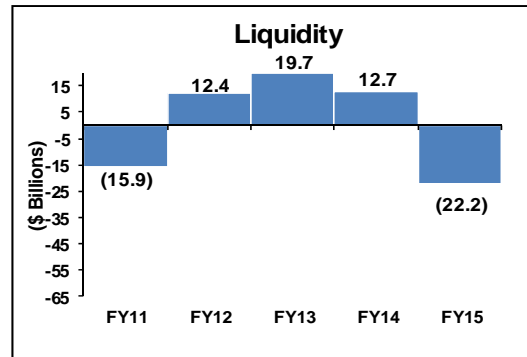
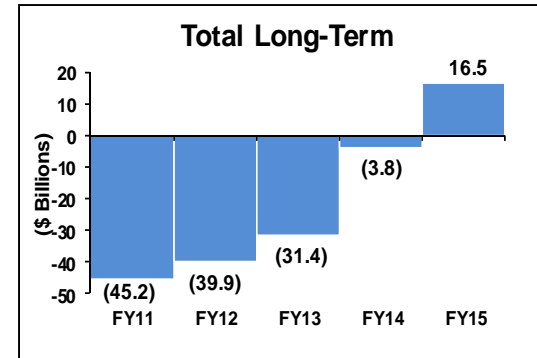
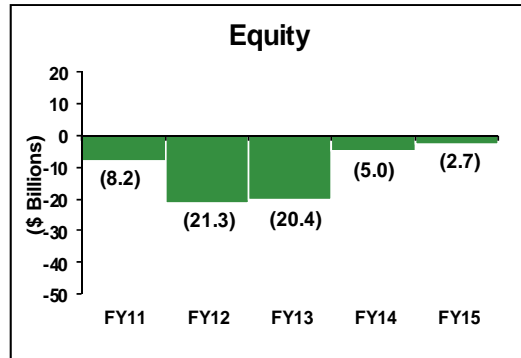
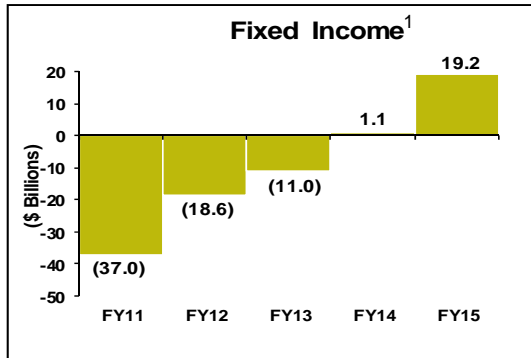
¹ Primary affiliates ordered by contribution to fiscal year 2015 pre-tax earnings

² Includes Legg Mason Capital Management. Mar 14 has been restated

³ Mar 14 consists of Batterymarch and Legg Mason Global Asset Allocation, which are being integrated into QS Investors over time

⁴ Mar 15 includes \$3.6B of AUM from Legg Mason Australian Equities, respectively, which was integrated into Martin Currie. Mar 14 represents Legg Mason Australian Equities only

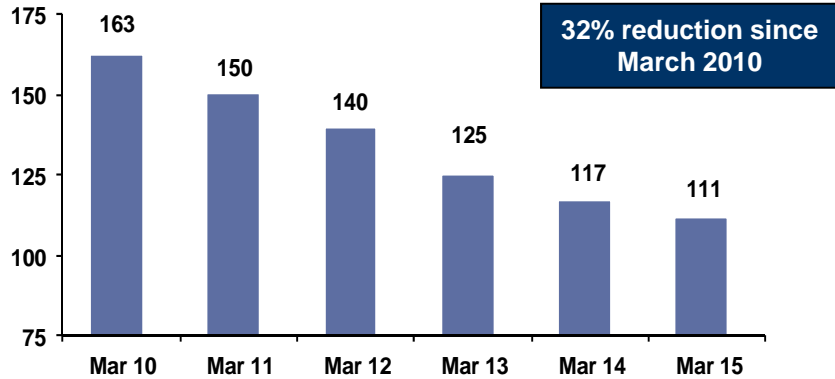
Net Flows - Annual



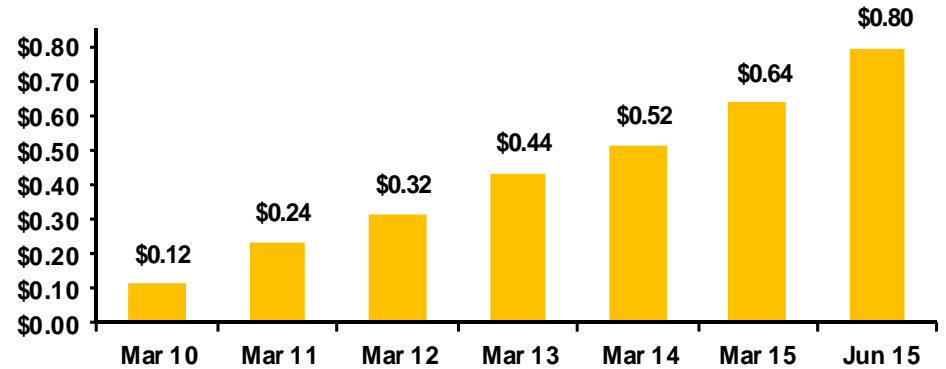
¹ Low fee global sovereign mandate outflows for FY15 (\$3.3B) are excluded from the table. Included in prior period outflows were (\$1.1B) FY11, (\$1.4B) FY12, (\$1.1B) FY13 and (\$1.4B) FY14

Consistent and Balanced Approach to Capital Allocation

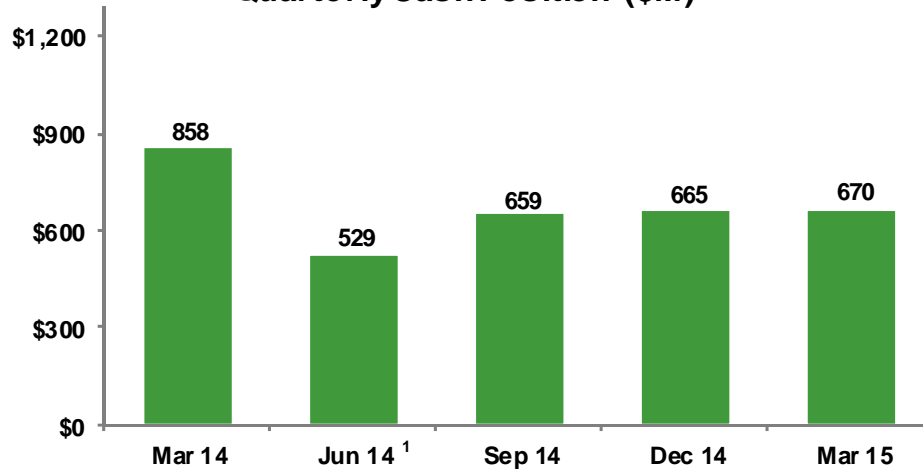
Shares Outstanding (M)



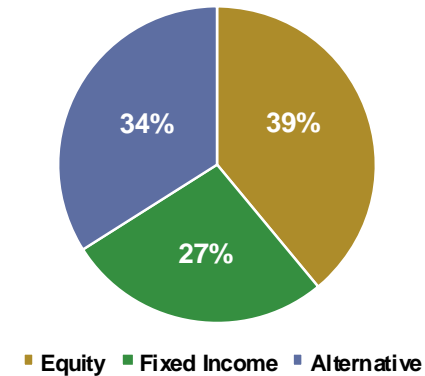
Annualized Quarterly Dividend Declared (Per Share)



Quarterly Cash Position (\$M)



Seed Investments of \$391M ²



¹ Excludes \$750M of cash held on June 30, 2014 but used to repay debt on July 23, 2014

² Market value as of March 31, 2015

Expanding Opportunities

Joseph A. Sullivan

Chairman and Chief Executive Officer

FY 2013



FY 2014



FY 2015



FY15 Retrospective

-
- Long-term AUM organic growth
-
- Record Global Distribution gross and net sales
-
- Continued strong investment performance
-
- Multiple awards and recognitions
-
- Completed strategic acquisitions of QS Investors and Martin Currie, divested LMIC
-
- Invested in Global Distribution, focused primarily in sales, client service, and technology platforms
-
- Refinanced debt and significantly extended maturities
-
- Continued share buyback and increased dividend payout
-

Questions & Answers

EXPANDING OPPORTUNITIES

One should learn to sail in all winds.
-Italian proverb

LEGG MASON
GLOBAL ASSET MANAGEMENT

Appendix



Brandywine  GLOBAL

ClearBridge
Investments

martin
currie

 **PERMAL**

 **QS** Investors

Royce & Associates

 **WESTERN ASSET**

LEGG MASON
GLOBAL ASSET MANAGEMENT

Appendix – GAAP Reconciliation Adjusted Income¹

RECONCILIATION OF NET INCOME ATTRIBUTABLE TO LEGG MASON, INC. TO ADJUSTED INCOME¹

(\$ millions, except per share amounts)	Quarters Ended			Years Ended	
	Mar 15	Dec 14	Mar 14	Mar 15	Mar 14
Net Income Attributable to Legg Mason, Inc.	\$ 83.0	\$ 77.0	\$ 68.9	\$ 237.1	\$ 284.8
Plus (less):					
Amortization of intangible assets	0.6	0.7	0.9	2.6	12.3
Contingent consideration fair value adjustment	-	-	-	-	5.0
Deferred income taxes on intangible assets:					
Tax amortization benefit	34.3	35.4	33.7	139.1	134.9
U.K. tax rate adjustment	-	-	-	-	(19.2)
Adjusted Income	<u>\$ 117.9</u>	<u>\$ 113.1</u>	<u>\$ 103.5</u>	<u>\$ 378.8</u>	<u>\$ 417.8</u>
Net Income per Diluted Share Attributable to Legg Mason, Inc.	\$ 0.73	\$ 0.67	\$ 0.58	\$ 2.04	\$ 2.33
Plus (less):					
Amortization of intangible assets	-	0.01	-	0.02	0.10
Contingent consideration fair value adjustment	-	-	-	-	0.04
Deferred income taxes on intangible assets:					
Tax amortization benefit	0.30	0.30	0.28	1.20	1.10
U.K. tax rate adjustment	-	-	-	-	(0.16)
Adjusted Income per Diluted Share	<u>\$ 1.03</u>	<u>\$ 0.98</u>	<u>\$ 0.86</u>	<u>\$ 3.26</u>	<u>\$ 3.41</u>

¹ See explanations for Use of Supplemental Non-GAAP Financial Information in earnings release.

Appendix – GAAP Reconciliation

Operating Margin, as adjusted¹

(\$ millions)	Quarters Ended									Years Ended	
	Mar 13	Jun 13	Sep 13	Dec 13	Mar 14	Jun 14	Sep 14	Dec 14	Mar 15	Mar 14	Mar 15
Operating Revenues, GAAP basis	\$ 667.8	\$ 670.4	\$ 669.9	\$ 720.1	\$ 681.4	\$ 693.9	\$ 703.9	\$ 719.0	\$ 702.3	\$ 2,741.8	\$ 2,819.1
Plus (less):										-	-
Operating revenues eliminated upon consolidation of investment vehicles	0.6	0.6	0.5	0.5	0.3	0.2	0.2	0.2	0.2	1.9	0.7
Distribution and servicing expense excluding consolidated investment vehicles	(142.3)	(170.1)	(155.1)	(148.8)	(144.9)	(148.7)	(155.1)	(147.5)	(143.5)	(619.0)	(594.7)
Operating Revenues, as Adjusted	<u>\$ 526.1</u>	<u>\$ 500.9</u>	<u>\$ 515.3</u>	<u>\$ 571.8</u>	<u>\$ 536.8</u>	<u>\$ 545.4</u>	<u>\$ 549.0</u>	<u>\$ 571.7</u>	<u>\$ 559.0</u>	<u>\$ 2,124.7</u>	<u>\$ 2,225.1</u>
Operating Income (Loss), GAAP basis	\$ 43.0	\$ 83.5	\$ 106.4	\$ 121.7	\$ 119.3	\$ 119.5	\$ 130.4	\$ 119.4	\$ 128.9	\$ 430.9	\$ 498.1
Plus (less):											
Gains on deferred compensation and seed investments	7.2	1.9	4.2	6.5	4.4	4.5	(0.4)	2.1	3.1	17.0	9.4
Amortization of intangible assets	3.5	3.6	3.6	4.2	0.9	0.9	0.5	0.7	0.6	12.3	2.6
Contingent consideration fair value adjustment	-	-	-	5.0	-	-	-	-	-	5.0	-
Operating income and expenses of consolidated investment vehicles	0.8	0.7	0.6	0.6	0.5	0.2	0.2	0.2	0.3	2.4	1.0
Operating Income, as Adjusted	<u>\$ 54.5</u>	<u>\$ 89.7</u>	<u>\$ 114.8</u>	<u>\$ 138.0</u>	<u>\$ 125.1</u>	<u>\$ 125.1</u>	<u>\$ 130.7</u>	<u>\$ 122.4</u>	<u>\$ 132.9</u>	<u>\$ 467.6</u>	<u>\$ 511.1</u>
Operating Margin, GAAP basis	6.4%	12.5%	15.9%	16.9%	17.5%	17.2%	18.5%	16.6%	18.4%	15.7%	17.7%
Operating Margin, as Adjusted	10.4%	17.9%	22.3%	24.1%	23.3%	22.9%	23.8%	21.4%	23.8%	22.0%	23.0%

¹ See explanations for Use of Supplemental Data as Non-GAAP Financial Information in earnings release.

Note: Adjusted results have been changed to remove the impact of Amortization of intangible assets. Prior periods have been restated.