

# Section 1: 8-K (8-K ADJUSTED NET INCOME)

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## FORM 8-K

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

Date of Report (Date of earliest event reported)

July 11, 2019

LEGG MASON, INC.

(Exact name of registrant as specified in its charter)

Maryland

1-8529

52-1200960

(State or Other Jurisdiction  
of Incorporation)

(Commission File  
No.)

(IRS Employer  
Identification No.)

100 International Drive, Baltimore, Maryland

21202

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code:

410 539-0000

Not Applicable

(Former name or former address if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.10 par value	LM	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934

(§240.12b-2 of this chapter).

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

**Item 7.01 Regulation FD Disclosure**

Beginning with the release of its operating results for the quarter ended June 30, 2019, as supplemental financial information Legg Mason, Inc. (the "Company") will provide "Adjusted Net Income" and "Adjusted Earnings per Diluted Share" ("Adjusted EPS"), which are performance measures based on methodologies other than generally accepted accounting principles ("non-GAAP"). The Company's management uses these performance measures as benchmarks to evaluate and compare its period-to-period operating performance and believes that these measures provide useful information about operating results of the Company's core asset management business and facilitate the comparison of its results to other asset management firms.

A description and related reconciliation of Net Income (Loss) Attributable to Legg Mason, Inc. to Adjusted Net Income and of Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Shareholders to Adjusted EPS is attached hereto as Exhibit 99.1 and incorporated herein by reference.

The information furnished under this Item 7.01 and Exhibit 99.1 attached hereto shall not be deemed "filed" for purposes of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

**Item 9.01 Financial Statements and Exhibits.**

(d) Exhibits

<u>Exhibit No.</u>	<u>Subject Matter</u>
99.1	Description and related reconciliation of Net Income (Loss) Attributable to Legg Mason, Inc. to Adjusted Net Income and Reconciliation of Net Income (Loss) Per Diluted Share Attributable to Legg Mason, Inc. Shareholders to Adjusted Earnings Per Diluted Share

## **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

**LEGG MASON, INC.**

(Registrant)

Date: July 11, 2019

By: /s/ Thomas C. Merchant

Thomas C. Merchant

Executive Vice President and General  
Counsel

**LEGG MASON, INC.**  
**EXHIBIT INDEX**

<u>Exhibit No.</u>	<u>Subject Matter</u>
<a href="#"><u>99.1</u></a>	<a href="#"><u>Description and related reconciliation of Net Income (Loss) Attributable to Legg Mason, Inc. to Adjusted Net Income and Reconciliation of Net Income (Loss) Per Diluted Share Attributable to Legg Mason, Inc. Shareholders to Adjusted Earnings Per Diluted Share</u></a>

[\(Back To Top\)](#)

## **Section 2: EX-99.1 (EXHIBIT 99.1)**

### **Supplemental Non-GAAP Financial Information**

Beginning with the quarter ended June 30, 2019, as supplemental information, we will provide "Adjusted Net Income" and "Adjusted Earnings per Diluted Share", each of which is a performance measure based on methodologies other than generally accepted accounting principles ("non-GAAP"). Our management uses these performance measures as benchmarks to evaluate and compare our period-to-period operating performance. We believe that Adjusted Net Income and Adjusted Earnings per Diluted Share ("Adjusted EPS") provide useful information about the operating results of our core asset management business and facilitate comparison of our results to other asset management firms and period-to-period results. Adjusted Net Income and Adjusted EPS only include adjustments for certain items that relate to operating performance, and therefore, are most readily reconcilable to Net Income (Loss) Attributable to Legg Mason, Inc. and Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Shareholders, determined under generally accepted accounting principles ("GAAP"), respectively.

### **Adjusted Net Income and Adjusted Earnings per Diluted Share**

We define Adjusted Net Income as Net Income (Loss) Attributable to Legg Mason, Inc. adjusted to exclude the following:

- Restructuring costs, including:
  - Corporate charges related to the ongoing strategic restructuring and other cost saving and business initiatives, including severance, lease and other costs; and
  - Affiliate charges, including affiliate restructuring and severance costs, and certain one-time charges arising from the issuance of management equity plan awards
- Amortization of intangible assets
- Gains and losses on seed and other investments that are not offset by compensation or hedges
- Acquisition expenses and transition-related costs for integration activities, including certain related professional fees and costs associated with the transition and acquisition of acquired businesses
- Impairments of intangible assets
- Contingent consideration fair value adjustments
- Charges (credits) related to significant litigation or regulatory matters
- Income tax expense (benefit) adjustments to provide an effective non-GAAP tax rate commensurate with our expected annual pre-tax Adjusted Net Income, including:
  - The impact on income tax expense (benefit) of the above non-GAAP adjustments; and
  - Other tax items, including deferred tax asset and liability adjustments associated with statutory rate changes, the impact of other aspects of recent U.S. tax reform, and shortfalls (and windfalls) associated with stock-based compensation

Adjustments for restructuring costs, gains and losses on seed and other investments that are not offset by compensation or hedges, and the income tax expense (benefit) items described above are included in the calculation because these items are not reflective of our core asset management business of providing investment management and related products and services. We adjust for acquisition-related items, including amortization of intangible assets, impairments of intangible assets, and contingent consideration fair value adjustments, to make it easier to identify trends affecting our underlying business that are not related to acquisitions to facilitate comparison of our operating results with the results of other asset management firms that have not engaged in significant acquisitions. We adjust for charges (credits) related to significant litigation or regulatory matters, net of any insurance proceeds and revenue share adjustments, because these matters do not reflect the underlying operations and performance of our business.

In calculating Adjusted EPS, we adjust Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Shareholders determined under GAAP for the per share impact of each adjustment (net of taxes) included in the calculation of Adjusted Net Income.

**Limitations of Adjusted Net Income and Adjusted EPS**

These measures are provided in addition to Net Income (Loss) Attributable to Legg Mason, Inc., and Net Income (Loss) per Diluted Share Attributable to Legg Mason, Inc. Shareholders, and are not substitutes for these measures. These non-GAAP measures should not be considered in isolation and may not be comparable to non-GAAP performance measures, including measures of adjusted earnings or adjusted income, and adjusted earnings per share, of other companies, respectively. Further, Adjusted Net Income and Adjusted EPS are not liquidity measures and should not be used in place of cash flow measures determined under GAAP.

**LEGG MASON, INC. AND SUBSIDIARIES**  
**SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION**  
**RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO LEGG MASON, INC. TO ADJUSTED NET INCOME AND**  
**RECONCILIATION OF NET INCOME (LOSS) PER DILUTED SHARE ATTRIBUTABLE TO LEGG MASON, INC. SHAREHOLDERS TO**  
**ADJUSTED EARNINGS PER DILUTED SHARE**  
**(Amounts in thousands, except per share amounts)**  
**(Unaudited)**

	Quarters Ended							
	March	December	September	June	March	December	September	June
	2019	2018	2018	2018	2018	2017	2017	2017
<b>Net Income (Loss) Attributable to Legg Mason, Inc.</b>	\$ 49,487	\$ (216,888)	\$ 72,803	\$ 66,090	\$ 9,269	\$ 149,222	\$ 75,664	\$ 50,920
Plus (less):								
Restructuring costs:								
Strategic restructuring and other corporate initiatives	9,352	5,881	5,647	2,775	2,201	—	1,372	1,481
Affiliate charges	7,526	—	—	—	—	—	—	—
Amortization of intangible assets	6,033	6,089	6,102	6,180	6,112	6,071	6,082	6,339
Gains and losses on seed and other investments not offset by compensation or hedges	(5,763)	(4,314)	(1,285)	(6,415)	11,358	(2,958)	(2,886)	(6,242)
Acquisition and transition-related costs	998	—	—	1,468	1,817	1,312	1,358	2,562
Impairments of intangible assets	—	365,200	—	—	—	195,000	—	34,000
Contingent consideration fair value adjustments	—	—	145	426	(15,518)	739	—	(16,550)
Charges related to significant regulatory matters	—	—	151	4,000	67,000	—	—	—
Income tax adjustments:								
Impacts of non-GAAP adjustments	(4,718)	(94,568)	(2,721)	(1,042)	(6,554)	(34,500)	(1,807)	(11,463)
Other tax items	(3,115)	14,856	(2,806)	1,045	(4,412)	(206,223)	542	1,100
<b>Adjusted Net Income</b>	<b>\$ 59,800</b>	<b>\$ 76,256</b>	<b>\$ 78,036</b>	<b>\$ 74,527</b>	<b>\$ 71,273</b>	<b>\$ 108,663</b>	<b>\$ 80,325</b>	<b>\$ 62,147</b>

<b>Net Income (Loss) Per Diluted Share Attributable to Legg Mason, Inc. Shareholders</b>	\$ 0.56	\$ (2.55)	\$ 0.82	\$ 0.75	\$ 0.10	\$ 1.58	\$ 0.78	\$ 0.52
------------------------------------------------------------------------------------------	---------	-----------	---------	---------	---------	---------	---------	---------

Plus (less), net of tax impacts:

Restructuring costs:								
Strategic restructuring and other corporate initiatives	0.08	0.05	0.05	0.02	0.02	—	0.01	0.01
Affiliate charges	0.06	—	—	—	—	—	—	—
Amortization of intangible assets	0.05	0.05	0.05	0.05	0.05	0.04	0.04	0.04
Gains and losses on seed and other investments not offset by compensation or hedges	(0.05)	(0.04)	(0.01)	(0.05)	0.09	(0.02)	(0.02)	(0.04)
Acquisition and transition-related costs	0.01	—	—	0.01	0.01	0.01	0.01	0.02

Impairments of intangible assets	—	3.17	—	—	—	1.72	—	0.24
Contingent consideration fair value adjustments	—	—	—	—	(0.17)	0.01	—	(0.17)
Charges related to significant regulatory matters	—	—	—	0.05	0.76	—	—	—
Other tax items	(0.04)	0.18	(0.03)	0.01	(0.05)	(2.19)	0.01	0.01
<b>Adjusted Earnings per Diluted Share</b>	<u>\$ 0.67</u>	<u>\$ 0.86</u>	<u>\$ 0.88</u>	<u>\$ 0.84</u>	<u>\$ 0.81</u>	<u>\$ 1.15</u>	<u>\$ 0.83</u>	<u>\$ 0.63</u>



**LEGG MASON, INC. AND SUBSIDIARIES**  
**SUPPLEMENTAL NON-GAAP FINANCIAL INFORMATION**  
**RECONCILIATION OF NET INCOME (LOSS) ATTRIBUTABLE TO LEGG MASON, INC. TO ADJUSTED NET INCOME AND**  
**RECONCILIATION OF NET INCOME (LOSS) PER DILUTED SHARE ATTRIBUTABLE TO LEGG MASON, INC. SHAREHOLDERS TO**  
**ADJUSTED EARNINGS PER DILUTED SHARE**  
(Amounts in thousands, except per share amounts)  
(Unaudited)  
(Continued)

	Fiscal Years Ended	
	March 2019	March 2018
<b>Net Income (Loss) Attributable to Legg Mason, Inc.</b>	\$ (28,508)	\$ 285,075
Plus (less):		
Restructuring costs:		
Strategic restructuring and other corporate initiatives	23,655	5,054
Affiliate charges	7,526	—
Amortization of intangible assets	24,404	24,604
Gains and losses on seed and other investments not offset by compensation or hedges	(17,777)	(728)
Acquisition and transition-related costs	2,466	7,049
Impairments of intangible assets	365,200	229,000
Contingent consideration fair value adjustments	571	(31,329)
Charges related to significant regulatory matters	4,151	67,000
Income tax adjustments:		
Impacts of non-GAAP adjustments	(103,049)	(54,324)
Other tax items	9,980	(208,993)
<b>Adjusted Net Income</b>	<b>\$ 288,619</b>	<b>\$ 322,408</b>
<b>Net Income (Loss) Per Diluted Share Attributable to Legg Mason, Inc. Shareholders</b>	<b>\$ (0.38)</b>	<b>\$ 3.01</b>
Plus (less), net of tax impacts:		
Restructuring costs:		
Strategic restructuring and other corporate initiatives	0.20	0.04
Affiliate charges	0.06	—
Amortization of intangible assets	0.21	0.18
Gains and losses on seed and other investments not offset by compensation or hedges	(0.15)	—
Acquisition and transition-related costs	0.02	0.05
Impairments of intangible assets	3.12	1.96
Contingent consideration fair value adjustments	0.01	(0.33)
Charges related to significant regulatory matters	0.05	0.71
Other tax items	0.12	(2.21)
<b>Adjusted Earnings Per Diluted Share</b>	<b>\$ 3.26</b>	<b>\$ 3.41</b>

## Section 3: EX-99.1 (EXHIBIT 99.1 PDF)

[Click here to view PDF](#)

Note: This PDF document represents an **unofficial** copy of information contained within this document, as allowed by the recent EDGAR system modernization.

SNL Interactive cannot take responsibility for the integrity of this file or its appearance, layout, or legibility. It is provided **as is** by the filer of this document.

[\(Back To Top\)](#)