

LEGG MASON, INC.
Form FWP
June 23, 2014

Brandywine Global
ClearBridge Investments
Legg Mason Global Equities Group
Permal
QS Investors
Royce & Associates
Western Asset Management
Joseph A. Sullivan
Chief Executive Officer
Peter H. Nachtwey
Chief Financial Officer
June 23, 2014
If the wind will not serve, take to the oars.

-Latin proverb

Debt Restructuring

Issuer Free Writing Prospectus

Filed Pursuant to Rule 433

Registration Statement No. 333-193321

Current Capital Structure

\$650M of 5.500% notes due 2019

\$400M of 5.625% notes due 2044

Both note offerings favorably received by the market

The 2044 notes issued at an attractive coupon

Each offering improved debt capital structure and credit profile

2019 Notes

7 year notes issued in May 2012 in a very different environment: no comparable LM securities outstanding at the time and a less robust credit story resulting in less favorable terms for the notes:

Coupon significantly higher than our current credit profile and market conditions warrant (5.5% vs current trading yield of <3.0% for these notes due to a combination of lower rates, tighter corporate spreads and improved LM credit metrics)

Certain non-standard covenants for investment grade credits

Ability to refinance now at current low interest rates

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Significant progress made to date to improve capital structure, replacing \$1.5B of privately offered convertible notes and short term bank debt with long term publicly traded fixed rate notes

Capital Structure Considerations

We have an opportunity to implement an enhanced long term capital structure with leverage remaining neutral:

\$550M of upsized 30-year debt

Permanent" debt capital at today's favorable rates to finance core needs, which include regulatory capital requirements and seed capital

\$250M
of
new
10-year
debt

Provides flexibility to de-lever down the road and to take advantage of strong demand in this tenor

Meaningful
interest
expense
savings
over
the
term
as
compared
to
current
debt

\$250M of new 5-year debt swapped to floating

Provides flexibility to de-lever in the future if we choose to do so

Expected
to
generate
incremental
near
term
interest
expense
savings
as
compared
to
current
debt

Our cash balances provide a natural hedge against rising rates

Extending debt maturities out to 10 and 30 years further enhances credit profile and increases financial flexibility

Strong cash generation and extended maturities provides maximum flexibility for projected corporate and strategic initiatives

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Post January 2014 Notes Offering and Illustrative Debt Restructuring
Prior to 2012 Notes Offering
Post 2012 Notes Offering
Capital Structure Summary
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Summary

Actions

Retire all 2019 notes by exercise of make whole call

New financing:

Reopen 30-year notes for \$150M

Issue \$250M of new 10-year notes

Issue \$250M of new 5-year notes

Swap \$250M of newly issued 5-year notes to floating

Improving our capital structure at this time presents a number of compelling benefits, including:

Refinancing high coupon debt at current low interest rates

Improving our capital structure to enhance financial flexibility

Reducing refinancing risk in 2019

Putting in place debt with standard, investment-grade covenants

The call premium, plus other non-cash charges associated with retiring the 2019 Notes, are anticipated to approximate \$105-110M and are expected to be offset by interest savings over the life of the debt

The higher the increase in rates between now and 2019, the greater the benefit

The
call premium
will
not
impact
future
plans
to
use
cash
generated
for
share
buybacks
and
additional
seed
investments,
or to
potentially fund
possible new
acquisitions
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About This Presentation

The issuer has filed a registration statement, including a prospectus, with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting EDGAR on the SEC Web site at www.sec.gov. Alternatively, the Joint Book-Running Managers in the offering will arrange to send you the prospectus if you request it by contacting J.P. Morgan Securities LLC collect at (212) 834-4533 or Citigroup Global Markets Inc. at (800) 831-9146.

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