



Allegion First Quarter 2015 Results

April 30, 2015

Safe Harbor

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the Company's 2015 financial performance, the Company's growth strategy, the Company's capital allocation strategy, the Company's tax planning strategies, the Company's Europe, Middle East, India and Africa (EMEIA) strategy and the performance of the markets in which the Company operates. These forward-looking statements are based on the Company's currently available information and our current assumptions, expectations and projections about future events. They are subject to future events, risks and uncertainties – many of which are beyond our control – as well as potentially inaccurate assumptions, that could cause actual results to differ materially from those in the forward-looking statements. Further information on these factors and other risks that may affect the Company's business is included in filings it makes with the Securities and Exchange Commission from time to time, including its Form 10-K for the year ended December 31, 2014, Form 10-Q for the quarter ended March 31, 2015 and in our other SEC filings. The Company assumes no obligations to update these forward looking statements.

This presentation also contains revenue, operating income, operating margin, EBITDA, EBITDA margin, earnings from continuing operations, diluted earnings per share (EPS) from continuing operations and effective tax rate on both a U.S. GAAP basis and on an adjusted basis because the Company's management believes it may assist investors in evaluating the Company's on-going operations as a standalone company. The Company believes these non-GAAP disclosures provide important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. Investors should not consider these non-GAAP measures as alternatives to the related GAAP measures. A reconciliation of the non-GAAP measures used to their most directly comparable GAAP measure is presented as a supplemental schedule in the earnings release that can be found at www.allegion.com.

First Quarter Financial Highlights

- Revenue of \$458.7 million decreased -1.7%, +5.9% on an organic basis¹
 - Americas organic revenue growth +7.7%
 - EMEIA organic revenue growth +0.7%
 - Asia Pacific organic revenue growth +1.4%
- Adjusted² operating income of \$75.2 million decreased -2.5% reflecting currency headwinds and incremental investments; adjusted operating margin of 16.4% down 10 bps versus prior year
 - Incremental investment headwind 170 bps
 - Adjusted operating margin by region:
 - Americas -10 bps, EMEIA +200 bps, Asia Pacific +170 bps
- Adjusted EPS of \$0.51 increased +15.9%
- Repurchased ~0.5 million shares in Q1
- Affirming full year adjusted EPS guidance of \$2.65 to \$2.75

First quarter revenue -1.7%, organic revenue growth +5.9%; adjusted EPS +15.9%

Opportunistic Acquisitions



- Americas acquisition
 - Bronx, NY HQ
- Pioneer in high-quality commercial door and window solutions:
 - Sound control sealing
 - Fire and smoke protection
 - Threshold, weather-stripping applications
- 90+ years in operation
- Tuck-in acquisition that leverages our selling capability and channel



- Asia Pacific acquisition
 - Sydney, Australia HQ
- Market-leading designer / manufacturer of hardware and accessories for:
 - Interior sliding and folding doors
 - Weatherfold™ exterior folding doors
 - Top-hung and bottom-roller doors
- Leverage position in AUS/NZ, potential expansion into US/EU
- Established in the 1970s
- Expected to close in second quarter

Expand portfolio, leveraging existing strengths

First Quarter 2015 Allegion Revenue Results

	<u>1Q15</u>	<u>Q1 Reported Growth</u>	<u>Q1 Organic Growth</u>
Price	0.4%	Americas 2.6%	7.7%
Volume	5.5%	EMEIA -17.6%	0.7%
Organic	5.9%	Asia Pacific 3.2%	1.4%
Acq./Div.	-0.2%	Total Allegion -1.7%	5.9%
Currency	-7.4%		
Total	-1.7%		

Strong organic growth in quarter; Currency headwinds continue

First Quarter 2015 Allegion Results

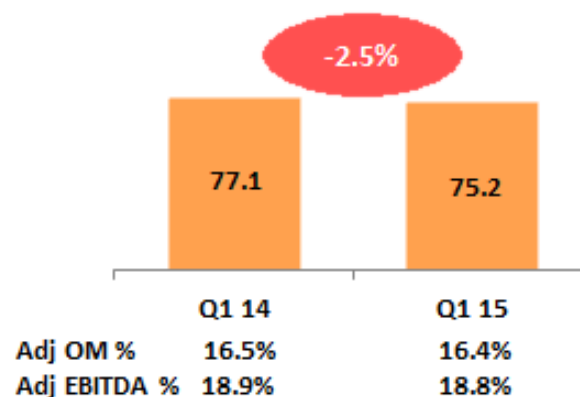
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q1 Revenue Performance

- Total growth -1.7 %; organic growth +5.9%
- Organic growth across all regions led by the Americas
- Increased currency headwinds (EUR, GBP, CAD, VEF/SIMADI)
- Increased growth from new products and channel initiatives

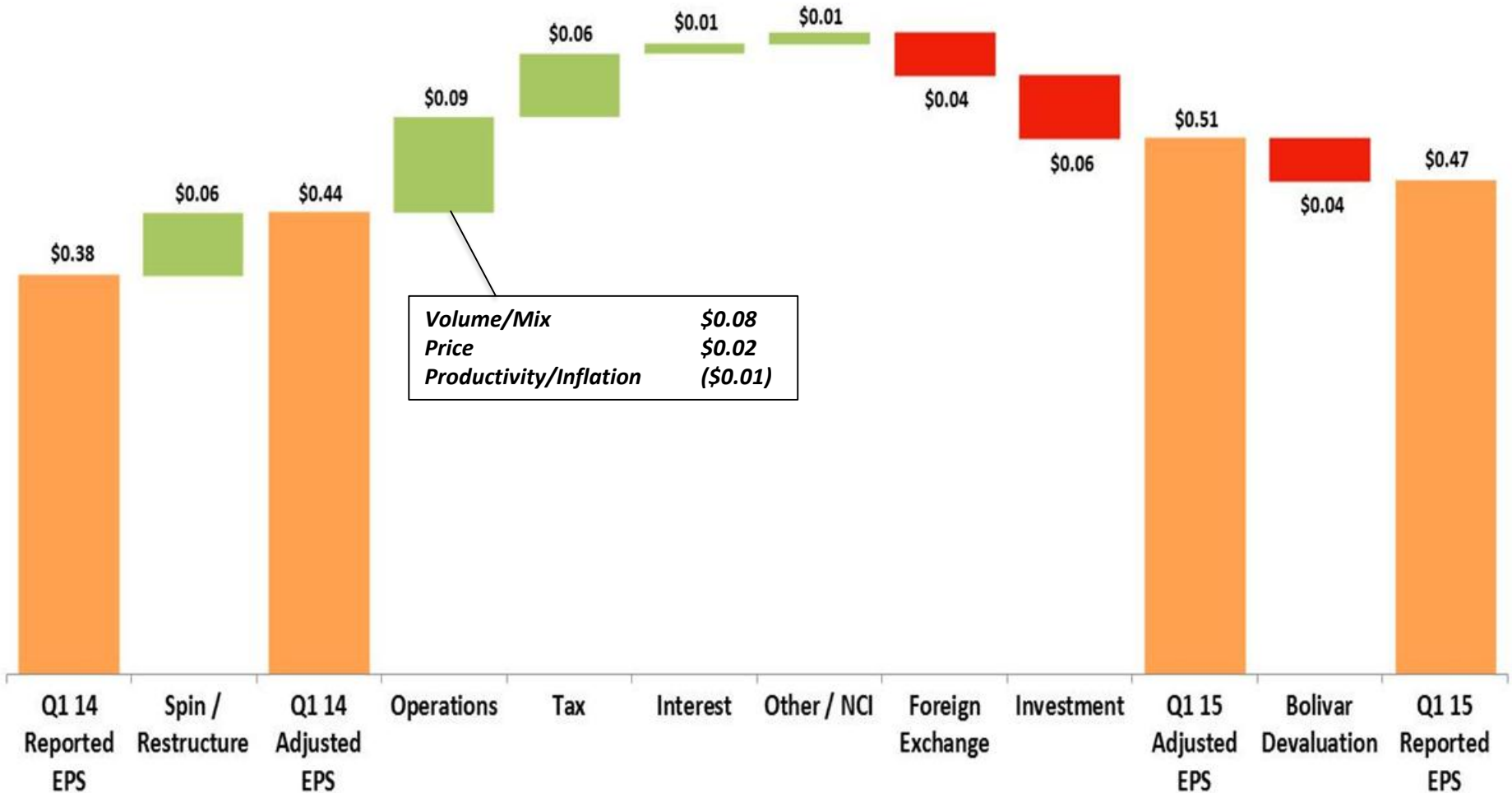
Q1 Adjusted Operating Margin -10bps

- Strong operating leverage on incremental volume
- Price, volume, and productivity mostly offset inflation and incremental investments
- Margin improvement in EMEIA and Asia Pacific regions

(1) Adjusted to exclude 2015 Venezuela inventory impairment and prior year restructure and spin costs

First Quarter 2015 Allegion EPS Performance

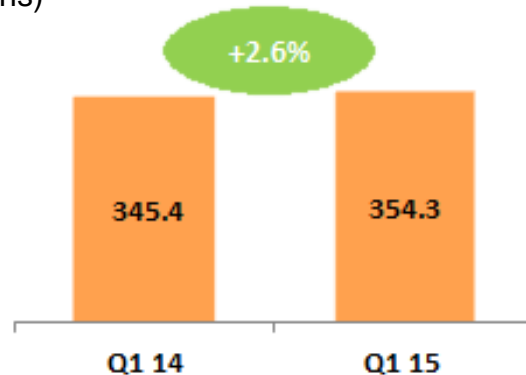
Q1



First Quarter 2015 Americas Results

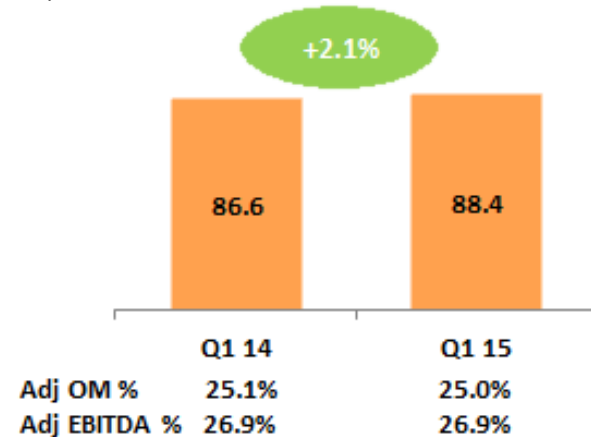
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q1 Revenue Performance

- Total growth +2.6%; organic growth +7.7%
- High single digit growth in non-residential
- Low single digit residential growth
- Continued FX headwinds from Venezuelan Bolivar devaluation and Canadian Dollar

Q1 Adjusted Operating Margin -10bps

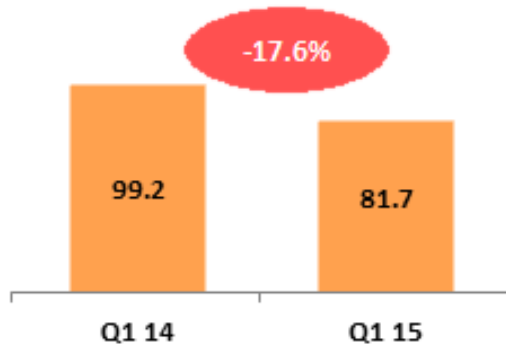
- Strong operating leverage on incremental volume
- Inflation mostly offset by price and productivity
- Continued investment in new product development and channel initiatives resulting in essentially flat margins

(1) Adjusted to exclude 2015 Venezuela inventory impairment and prior year spin costs

First Quarter 2015 EMEIA Results

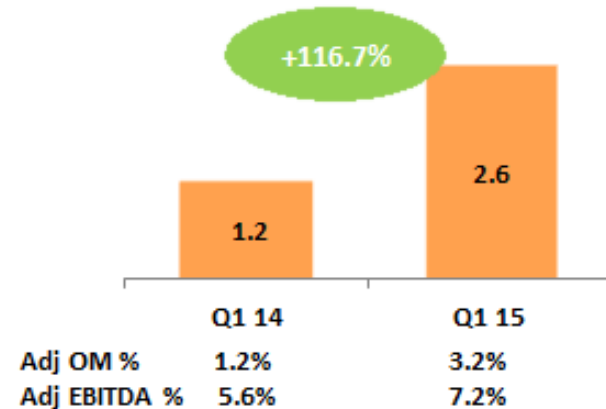
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q1 Revenue Performance

- Total growth -17.6%; organic growth +0.7%
- Currency headwinds resulting from strengthening dollar versus Euro and GBP
- Market declines in Eastern Europe due to deflation of Russian Ruble
- Mid to high single digit growth in electronics and Interflex businesses

Q1 Adjusted Operating Margin +200bps

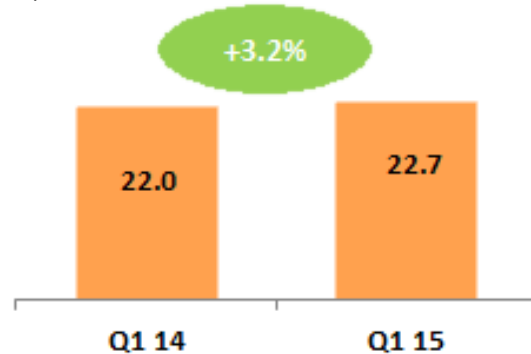
- EMEIA recovery plan delivering on productivity expectations
- Currency headwinds partially offset by pricing actions

(1) Adjusted to exclude prior year restructure and spin costs

First Quarter 2015 Asia Pacific Results

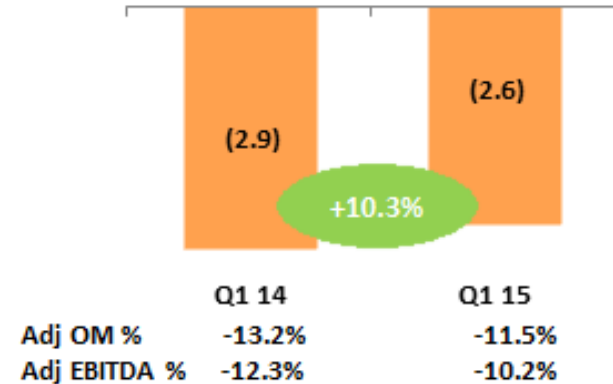
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q1 Revenue Performance

- Total growth +3.2%; organic growth +1.4%
- Good traction on residential electronic locks
- Strong System Integration pipeline supporting full year outlook

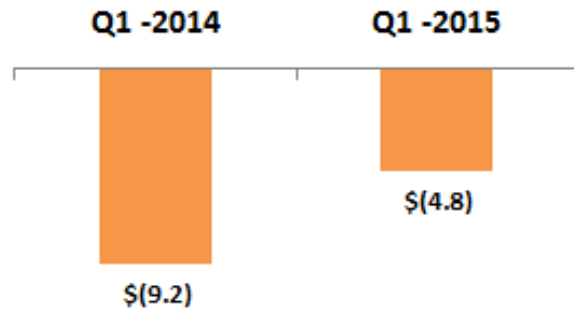
Q1 Adjusted Operating Margin +170bps

- Improved margins from leverage of FSH acquisition and productivity partially offset by erosion from currency headwinds

First Quarter 2015 Allegion ACF

Available Cash Flow ¹

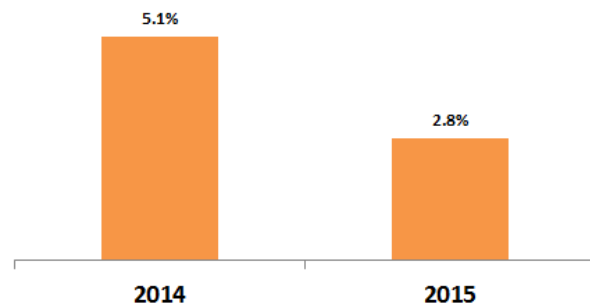
(\$millions)



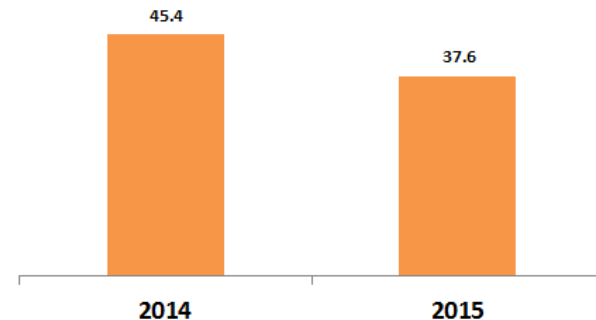
- First quarter use of cash consistent with historic seasonal cash flow trend
- ACF is favorable to prior year primarily due to increased earnings

Working Capital ² and Cash Conversion Cycle(CCC)³

Q1 Working Capital² % of Revenue



Q1 Cash Conversion Cycle³



Guiding full year ACF at ~95% of net earnings from continuing operations

¹ Net cash from continuing operating activities less capital expenditures
² Working capital defined as accounts receivable plus inventories less accounts payable and other accrued expenses (calculated using 4pt quarter end WC average)
³ CCC = DSO + Inventory Days - DPO (calculated using 4pt quarter average)

Venezuela Exchange Rate Update

- Adopted SICAD II exchange rate of 50 bolivars per US dollar effective December 31, 2014
- Adopted the market-based SIMADI rate after its introduction in February of 2015 and recorded the following charges:
 - Devaluation of net monetary assets
 - Before tax and noncontrolling interest charge of \$2.8 million (recorded in other, net)
 - Impairment charge of Venezuelan inventory balances
 - Non-cash charge of \$4.2 million (recorded in cost of goods sold) before noncontrolling interest

\$0.04 EPS impact due to devaluation charge

Full Year 2015 Guidance

YOY Total Revenue Growth -4.5% to -3.5%

YOY Organic Revenue Growth 3.5% to 4.5%

2015 Reported EPS from Continuing Operations \$2.61 to \$2.71

2015 Q1 Venezuela Devaluation \$(0.04)

2015 Adjusted EPS from Continuing Operations \$2.65 to \$2.75

Americas	Total	-2.5% to -1.5%
	Organic	4.5% to 5.5%
EMEIA	Total	-17% to -15%
	Organic	-2% to Flat
Asia Pacific	Total	5% to 7%
	Organic	6% to 8%

Assumptions and Notes:

- Full-year effective tax rate assumption remains at 22%
- Average diluted share count for the full year of approximately 97 million shares
- Guidance assumes minimal contribution from Venezuela

EPS Growth⁽¹⁾ +12% to +17%; Deliver ACF at ~95% of earnings

(1) EPS growth based on adjusted 2014 EPS excluding Venezuela

Summary

- Q1 adjusted organic revenue growth +5.9%
 - All regions delivered positive organic revenue growth
 - Solid growth in U.S. non-residential segments
- Managing through currency headwinds
- EMEIA profitability improvement continues (+200 bps operating margin)
- Executing on new products and channel initiatives
- Repurchased ~0.5 million shares in Q1
- Announced 2 acquisitions: Zero International and Brio
- Full-year 2015 guidance:
 - Organic revenue growth 3.5% to 4.5%
 - Adjusted EPS \$2.65 to \$2.75, growth of +12 to +17%

Good start to the year



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