



Allegion Second-Quarter 2015 Results

July 30, 2015

Safe Harbor

This presentation 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 (EMEA) strategy, the performance of the markets in which the Company operates, the Company's announced acquisitions, including the ability to timely close and the expected benefits and results of the acquisitions. 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-Qs for the quarters ended March 31, 2015 and June 30, 2015 and in our other SEC filings. The Company assumes no obligations to update these forward looking statements.

This presentation also contains 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.

Second-Quarter 2015 Financial Highlights

- Revenue of \$519.5 million decreased 2.3%, +5.8% on an organic basis⁽¹⁾
 - Americas organic revenue growth +7.2%
 - EMEIA organic revenue growth -0.3%
 - Asia Pacific organic revenue growth +7.7%
 - Allegion electronics revenue growth +20%
- Adjusted⁽²⁾ operating income of \$101.2 million decreased 0.1%, reflecting currency headwinds and incremental investments; Adjusted operating margin of 19.5% increased 40 bps versus prior year
 - Incremental investment headwind 140 bps
 - Adjusted operating margin expansion in all regions
- Adjusted EPS of \$0.71 increased +16.4%
- Raising full-year outlook
 - Organic revenue growth 4.0 to 5.0%; Total revenue growth -3.5 to -2.5%
 - Adjusted EPS \$2.70 to \$2.80; Reported EPS \$2.51 to \$2.63

Solid organic growth; Margin improvement in all regions; Raising FY outlook

Opportunistic Acquisitions



- Leading European electronic locks manufacturer based in Germany
- Strong legacy of innovation and technical expertise
- Strong cash flow characteristics
- Complementary product portfolio with digital cylinders and smart handles



- Innovative residential and portable security product provider headquartered in the Netherlands
- Strong channel and end-user relationships
- Good revenue growth (double-digit increase in 2015) and margin performance
- Complementary portfolio with portable locks, lighting and door accessories



- South Korea digital door lock manufacturer
- Complementary product portfolio with mortise, rim and locker locks
- Well-known brand, strong research and development capability
- Retail and commercial distribution channels

Allegion Leadership in the IoT



RESIDENTIAL

Projected to sell
1 million e-locks in
2015

Connected-home
lock revenue
growth +70% YTD

MULTI-FAMILY & COMMERCIAL

Top share of
multi-family e-locks

Next-generation
solution: Schlage
Control™ with
ENGAGE™
technology

RECOGNIZED LEADER

Key partnerships
Leading position in
retailers

Evaluated as #1 in
keyless and
connected categories

Highlights

- Unique in the IoT: leadership across residential, multi-family & commercial
- Schlage locks are a prevalent entry point for home automation
- Consumer applications migrate into commercial
- Collaboration with key partners in the IoT
- Open standard protocol

Second-Quarter 2015 Allegion Revenue Results

<u>2Q15</u>		<u>Q2 Reported</u>	<u>Q2 Organic</u> ⁽¹⁾	
		<u>Growth</u>	<u>Growth</u>	
Price	0.7%	Americas	0.3%	7.2%
Volume	5.1%	EMEIA	-17.1%	-0.3%
Organic	5.8%	Asia Pacific	13.2%	7.7%
Acq./Div.	1.2%			
Currency	-9.3%			
Total	-2.3%	Total Allegion	-2.3%	5.8%

Strong organic growth in quarter; Currency headwinds continue

Second-Quarter 2015 Allegion Results

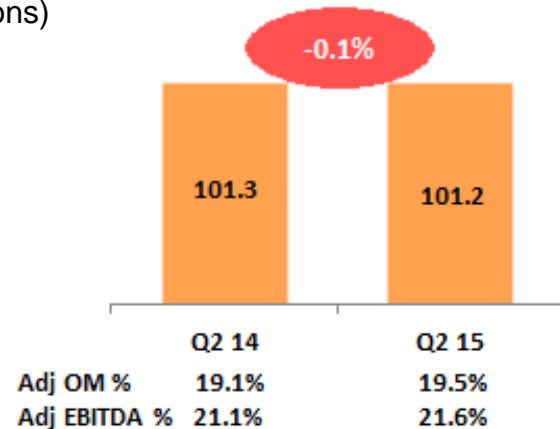
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q2 Revenue Performance

- Total growth -2.3%; organic growth +5.8%
- Strong organic growth led by the Americas
- Overall electronics growth +20%
- Currency headwinds continue
- Increased growth from new products and channel initiatives

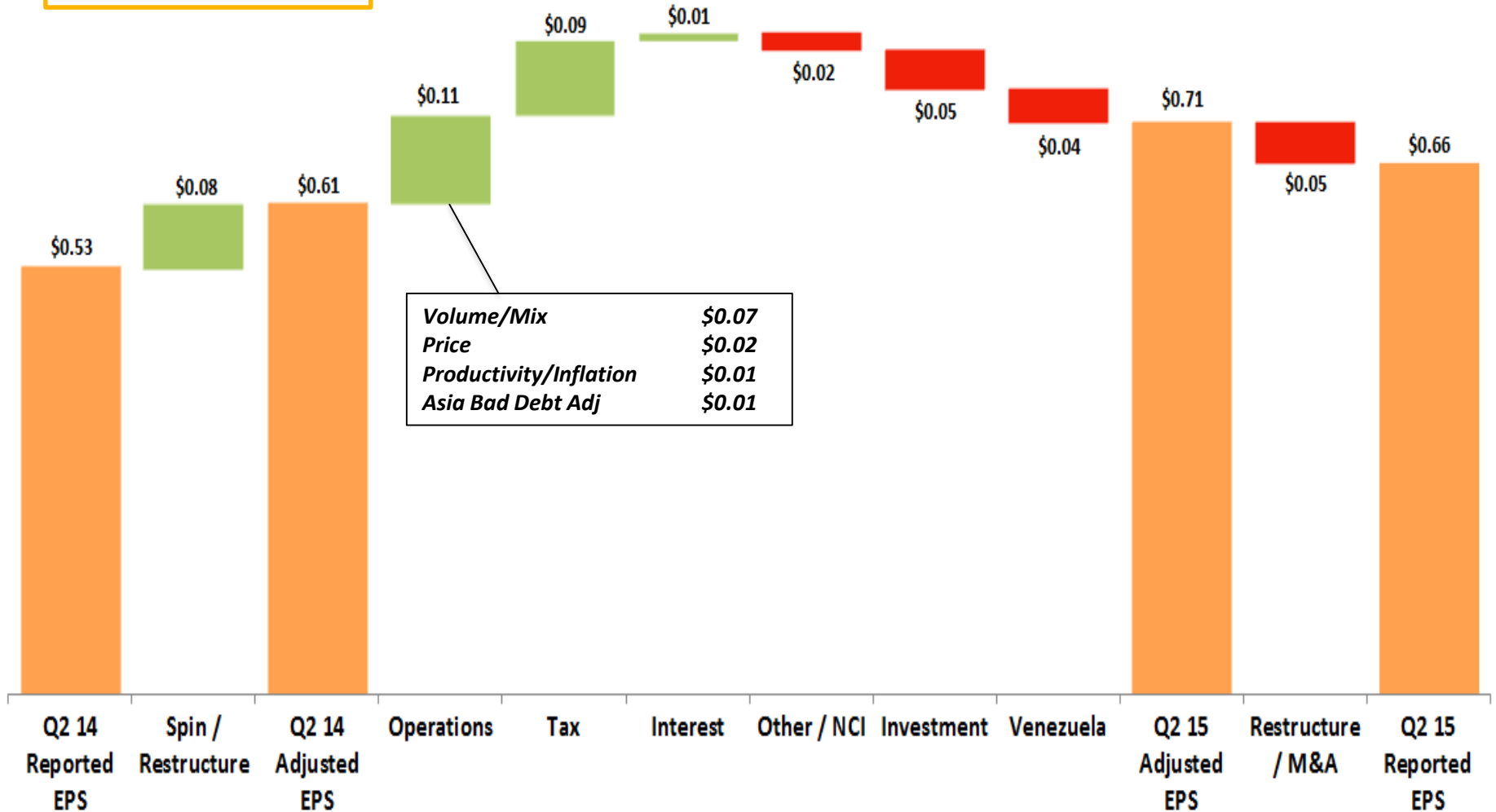
Q2 Adjusted Operating Margin +40bps

- Margin improvement in all regions
- Strong operating leverage on incremental volume
- Price, volume and productivity more than offset inflation and incremental investments

(1) Current year adjusted to exclude restructure and M&A costs; prior year excludes restructure and spin costs

Second-Quarter 2015 Allegion EPS Performance

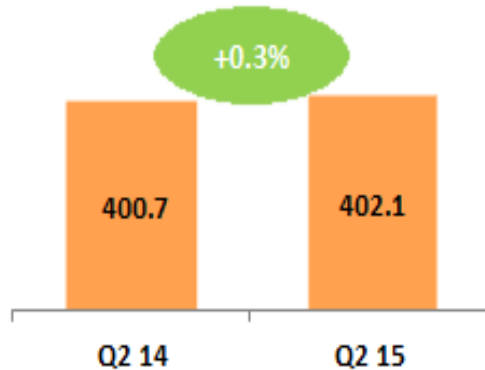
Q2



Second-Quarter 2015 Americas Results

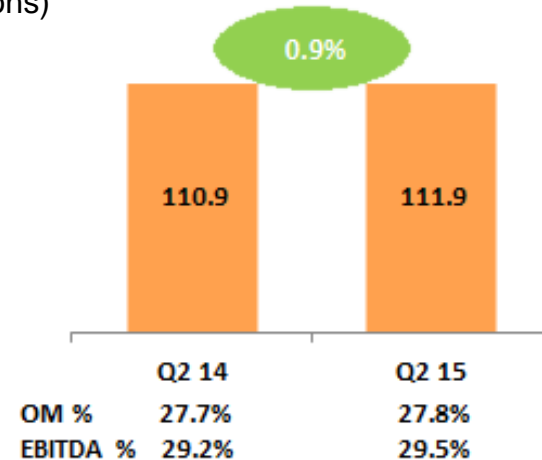
Revenue

(\$millions)



Operating Income

(\$millions)



Q2 Revenue Performance

- Total growth +0.3%; organic growth +7.2%
- Mid-single-digit growth in non-residential and residential products
- Strong growth in electronics products
- Continued FX headwinds from Venezuelan Bolivar devaluation and Canadian Dollar

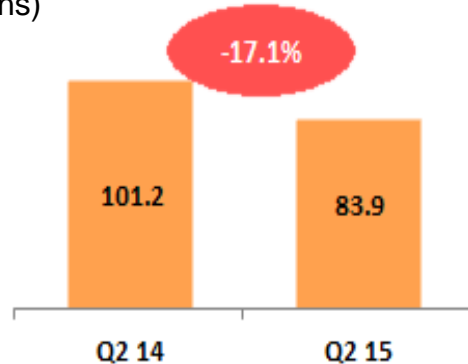
Q2 Operating Margin +10bps

- Price and productivity exceeded inflation
- Continued investment in new product development and channel initiatives

Second-Quarter 2015 EMEIA Results

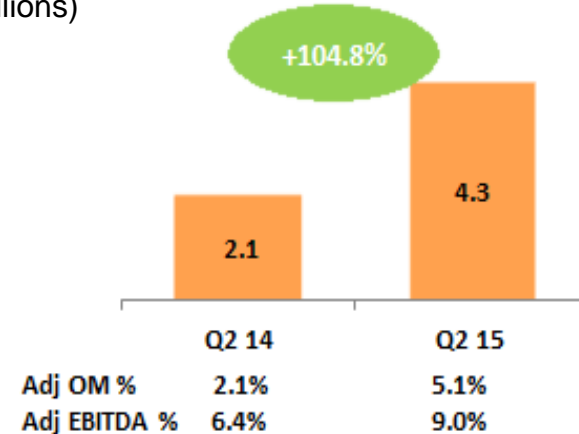
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q2 Revenue Performance

- Total growth -17.1%; organic growth -0.3%
- Currency headwinds resulting from strengthening Dollar versus Euro and GBP
- Market declines in Eastern Europe due to deflation of Russian Ruble
- Electronics business growth in the mid-teens

Q2 Adjusted Operating Margin +300bps

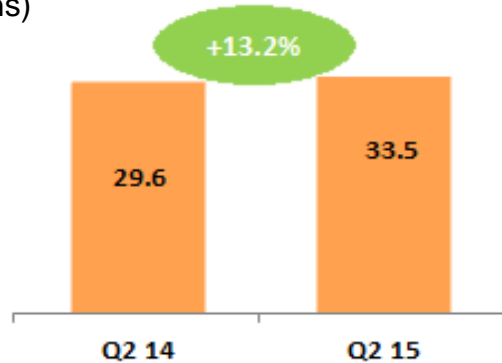
- Continued progress on EMEIA margin transformation
- Good price realization
- Strong productivity offsetting inflation and investments

(1) Current year adjusted to exclude restructure costs; prior year excludes restructure and spin costs

Second-Quarter 2015 Asia Pacific Results

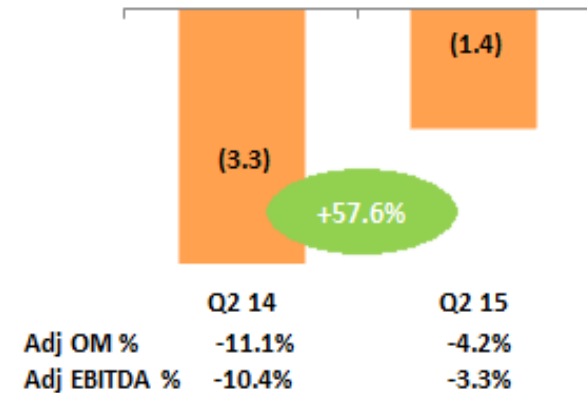
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q2 Revenue Performance

- Total growth +13.2%; organic growth +7.7%
- Good contributions from the hardware business and Brio acquisition

Q2 Adjusted Operating Margin +690bps

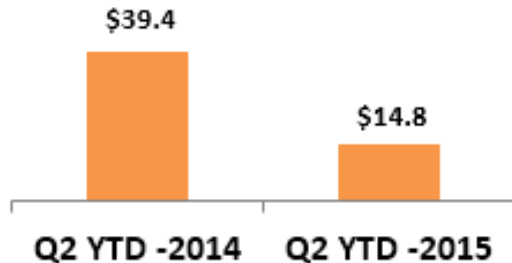
- Improved margins from leverage of acquisitions
- Price and productivity offset inflation and investments
- Reduction in bad debt (\$1.2 million) contributing to margin improvement

(1) Adjusted to exclude prior year spin costs

Second-Quarter 2015 Allegion ACF

Available Cash Flow ¹

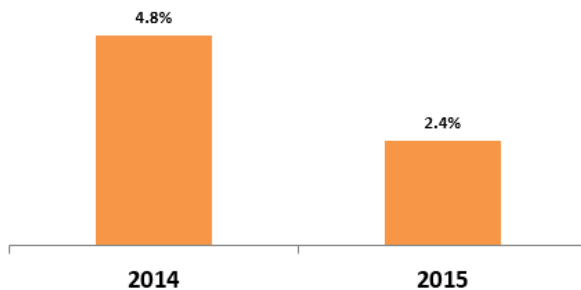
(\$millions)



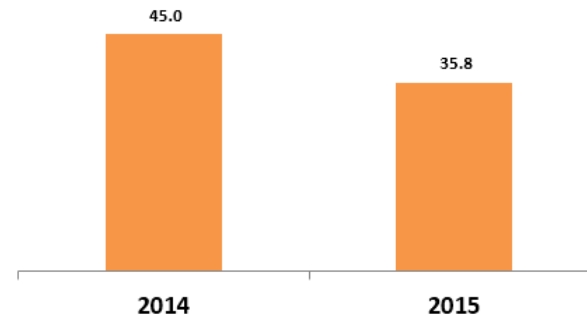
- Q2 YTD ACF is \$24.6 million less than prior year, primarily due to increased operating cash requirements offset by increased earnings and reduced capital expenditures

Working Capital ² and Cash Conversion Cycle(CCC)³

Q2 Working Capital² % of Revenue



Q2 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)

Full-Year 2015 Guidance

YOY Total Revenue Growth -3.5% to -2.5%

YOY Organic⁽¹⁾ Revenue Growth 4.0% to 5.0%

2015 Reported EPS from Continuing Operations \$2.51 to \$2.63

2015 Venezuela Devaluation, Restructuring and M&A expenses (\$0.19) to (\$0.17)

2015 Adjusted EPS from Continuing Operations \$2.70 to \$2.80

Americas	Total	-1.5% to -0.5%
	Organic	5.0% to 6.0%
EMEIA	Total	-17% to -15%
	Organic	-2% to Flat
Asia Pacific	Total	8% to 10%
	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
- Guidance does not include recently announced acquisitions not closed

Adjusted EPS Growth +8% to +12%⁽²⁾; Deliver ACF at ~95% of earnings

*(1) Organic excludes acquisitions/divestments and currency impacts
(2) +14% to +18% EPS growth based on adjusted EPS excluding Venezuela*

Summary

- Q2 adjusted organic revenue growth +5.8%
 - All regions delivered operating margin expansion
 - Balanced growth in U.S. non-residential and residential segments
- U.S. markets continue to improve, European markets mixed, Asia Pacific continues to grow, but China slowing
- EMEA profitability improvement continues (+300 bps operating margin)
- Continuing to execute on new products and channel initiatives
- Announced three acquisitions: SimonsVoss, Milre Systek, Axa Stenman
- Raising 2015 full-year outlook
 - Organic revenue growth 4.0 to 5.0%
 - Adjusted EPS \$2.70 to \$2.80 - Growth of +8 to +12%

Solid Q2; Positioned well to deliver FY outlook



ALLEGIONTM