



# Allegion First-Quarter 2017 Results

April 27, 2017

# 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 2017 financial performance, the Company's growth strategy, the Company's capital allocation strategy, the Company's tax planning strategies, 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 the Company's 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 Dec. 31, 2016, Form 10-Q for the quarter ended March 31, 2017, and in its other SEC filings. The Company assumes no obligations to update these forward-looking statements.

The Company presents operating income, operating margin, net earnings, diluted earnings per share (EPS), on both a U.S. GAAP basis and on an adjusted basis, organic revenue growth on a U.S. GAAP basis, and also presents adjusted EBITDA and adjusted EBITDA margin. The Company presents these measures because management believes they provide useful perspective of the Company's underlying business results, trends and a more comparable measure of period-over-period results. These measures are also used to evaluate senior management and are a factor in determining at-risk compensation. Investors should not consider non-GAAP measures as alternatives to the related GAAP measures.

# Safe Harbor

The Company defines the presented non-GAAP measures as follows:

- Adjustments to revenue, operating income, operating margin, net earnings, EPS, and EBITDA include items that are considered to be unusual or infrequent in nature such as goodwill impairment charges, restructuring charges, asset impairments, merger and acquisitions costs, and charges related to the divestiture of businesses.
- Organic revenue growth is defined as U.S. GAAP revenue growth excluding the impact of divestitures, acquisitions and currency effects.
- Available cash flow is defined as U.S. GAAP net cash from operating activities less capital expenditures.

These non-GAAP measures may not be defined and calculated the same as similar measures used by other companies. 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](http://www.allegion.com).

# First-Quarter Financial Highlights

- Revenue of \$548.8 million increased +9.3%, +8.0% on an organic basis<sup>1</sup>
  - Americas organic revenue growth +10.3%
  - EMEIA organic revenue growth +1.3%
  - Asia Pacific organic revenue growth +4.8%
- Adjusted<sup>2</sup> operating income of \$100.7 million increased 19%; adjusted operating margin of 18.3% increased 150 bps versus prior year
  - Americas +120 bps, EMEIA +20 bps, Asia Pacific +260 bps
  - Incremental investment headwind 90 bps
- Adjusted EPS of \$0.73 increased +19.7%
- Raising full-year EPS guidance:
  - Reported full-year EPS to \$3.57 to \$3.72 per share
  - Adjusted full-year EPS to \$3.60 to \$3.75 per share

**Continued Strong Organic Revenue and Earnings Growth**



# First-Quarter 2017 Allegion Revenue Results

	<u>Q1-17</u>		<u>Q1</u> <u>Reported</u> <u>Growth</u>	<u>Q1</u> <u>Organic</u> <sup>1</sup> <u>Growth</u>
Price	1.1%	Americas	12.3%	10.3%
Volume	6.9%	EMEIA	-0.1%	1.3%
<b>Organic</b>	<b>8.0%</b>	Asia Pacific	9.6%	4.8%
Acquisition	2.0%			
Currency	-0.7%			
<b>Total</b>	<b>9.3%</b>	<b>Total Allegion</b>	<b>9.3%</b>	<b>8.0%</b>

**Robust organic growth; Contributions from acquisitions partially offset by currency headwinds**

<sup>1</sup> Organic excludes acquisitions and currency impacts  
See press release for non-GAAP reconciliations

# First-Quarter 2017 Allegion Results

## Revenue

(\$millions)

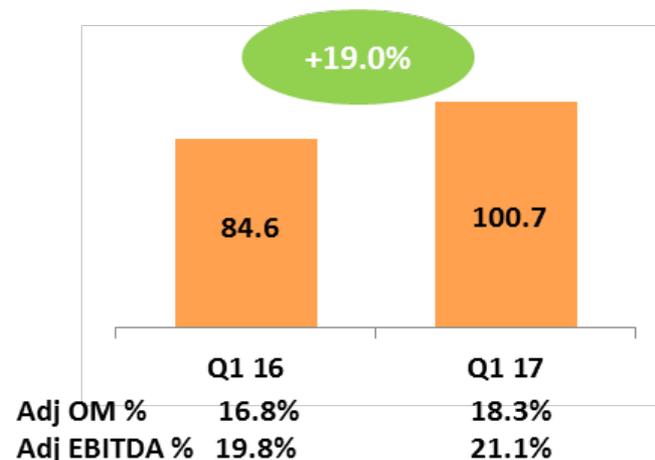


### Q1 Revenue Performance

- Total growth +9.3%; Organic growth +8.0%
- Double-digit organic growth in Americas
- Strong volume along with good price realization partially offset by FX headwinds

## Adjusted Operating Income<sup>1</sup>

(\$millions)

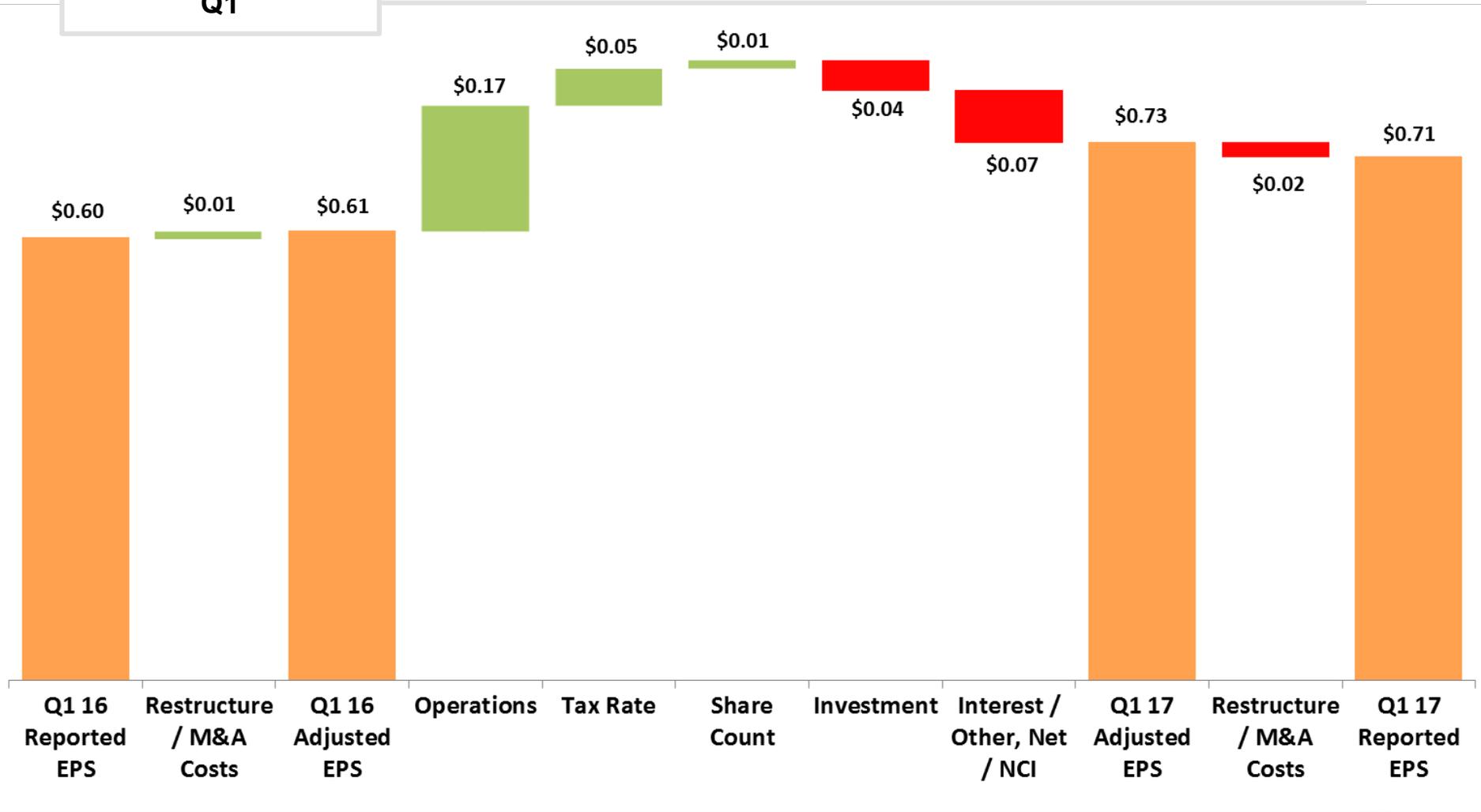


### Q1 Adjusted Operating Margin +150bps

- Favorable margin improvement in all regions
- Solid operating leverage on incremental volume
- Price, productivity, and product mix more than offset inflation and incremental investments

# First-Quarter 2017 Allegion EPS Performance

Q1



# First-Quarter 2017 Americas Results

## Revenue

(\$millions)

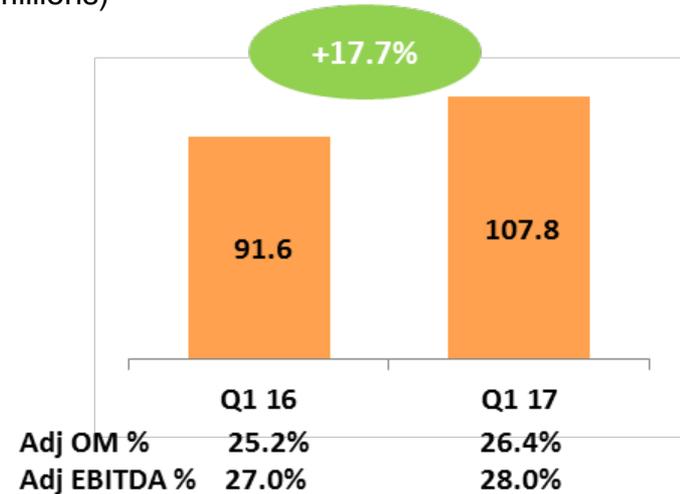


### Q1 Revenue Performance

- Total reported growth +12.3%; Organic growth +10.3%
- Double-digit growth in non-residential with strength across portfolio
- Mid-single digit growth in residential
- Mid-teens growth in Electromechanical products

## Adjusted Operating Income<sup>1</sup>

(\$millions)



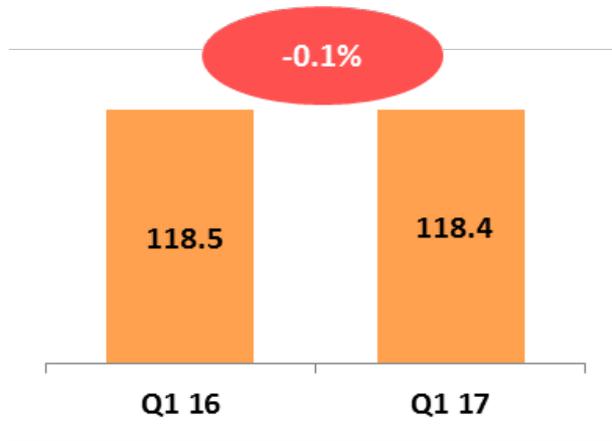
### Q1 Adjusted Operating Margin +120bps

- Strong operating leverage on incremental volume
- Price and productivity more than offset inflation
- Incremental investment headwind 100 bps

# First-Quarter 2017 EMEIA Results

## Revenue

(\$millions)

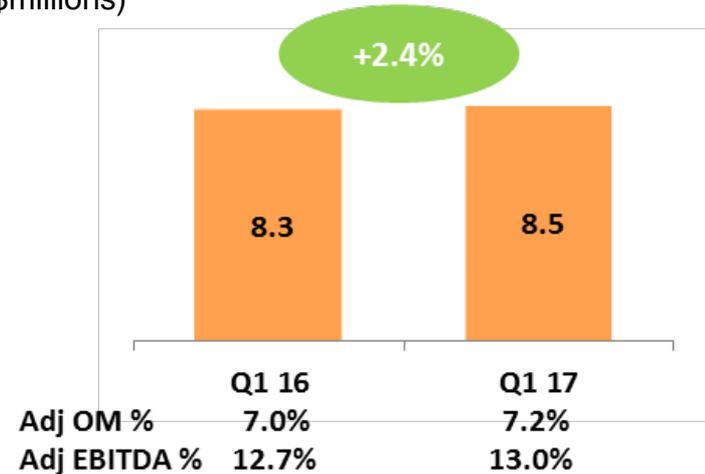


### Q1 Revenue Performance

- Total revenue declined -0.1%; Organic growth +1.3%
- Overall decline driven by unfavorable foreign currency which offset contributions from improved price realization and acquisitions
- Strong growth in SimonsVoss business

## Adjusted Operating Income<sup>1</sup>

(\$millions)



### Q1 Adjusted Operating Margin +20bps

- Price and productivity more than offset inflation, currency headwinds and incremental investments
- Continued margin expansion despite delays in redeploying our manufacturing capabilities related to our Italy restructuring plan

# First-Quarter 2017 Asia-Pacific Results

## Revenue

(\$millions)

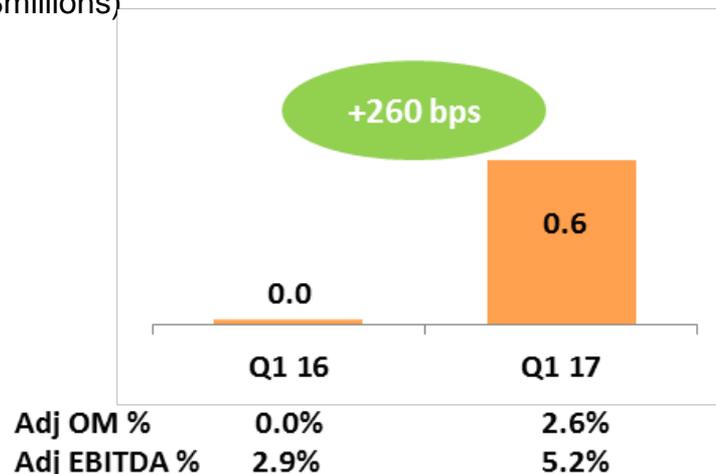


### Q1 Revenue Performance

- Total reported growth +9.6%; Organic growth +4.8%
- Solid growth in Australia-New Zealand
- Positive traction on channel expansion initiatives

## Adjusted Operating Income<sup>1</sup>

(\$millions)



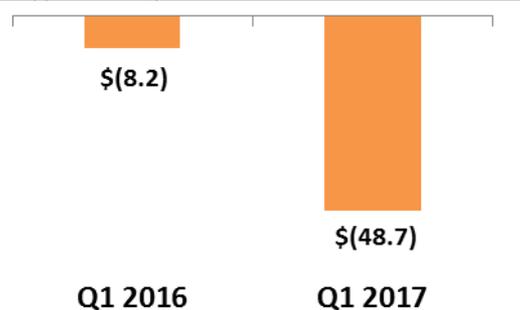
### Q1 Adjusted Operating Margin +260bps

- Good volume leverage
- Price and productivity more than offset inflation and incremental investments

# First-Quarter 2017 Allegion ACF

## Available Cash Flow<sup>1</sup>

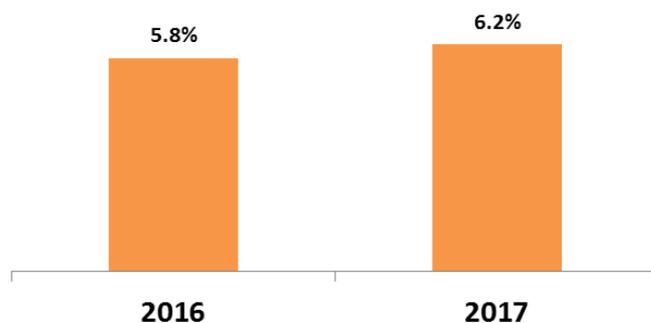
(\$millions)



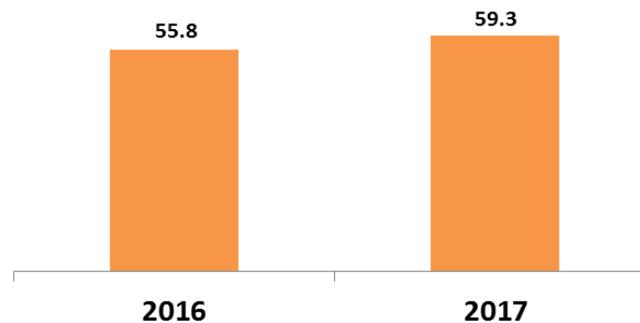
- Decrease in ACF is due to \$50 million discretionary pension funding and is partially offset by increased earnings

## Working Capital<sup>2</sup> & Cash Conversion Cycle (CCC)<sup>3</sup>

### Q1 Working Capital % of Revenue



### Q1 Cash Conversion Cycle



**Affirming Full-Year ACF Guidance Range of \$300 to \$320 Million (inclusive of \$50 million discretionary pension funding)**

<sup>1</sup> Net cash from operating activities less capital expenditures  
<sup>2</sup> Working capital defined as accounts receivable plus inventories less accounts payable and other accrued expenses (calculated using 4pt quarter end WC average).  
<sup>3</sup> CCC = DSO + Inventory Days - DPO (calculated using 4pt quarter average)  
 See press release for non-GAAP reconciliations

# Full-Year 2017 Guidance

	<u>Annual Guidance</u>
<b>2017 Reported EPS - Previous Guidance</b>	<b>\$3.55 to \$3.70</b>
Adjustments - Previous Guidance	\$0.00
<b>2017 Adjusted EPS - Previous Guidance</b>	<b>\$3.55 to \$3.70</b>
Interest / Other Income, Net / Taxes	\$0.05
<b>2017 Adjusted EPS - Updated Guidance</b>	<b>\$3.60 to \$3.75</b>
Adjustments - Revised	(\$0.03)
<b>2017 Reported EPS - Updated Guidance</b>	<b>\$3.57 to \$3.72</b>

## Assumptions & Notes

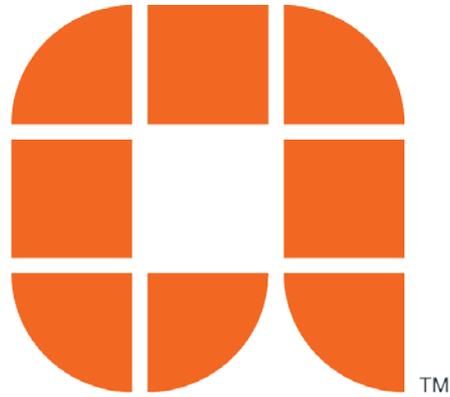
- Affirming Full Year total and organic revenue growth of 5.5% to 6.5%
- Full-year effective tax rate assumption of 18.5% to 19.5%
- Average diluted share count for the full year of approximately 96 million shares
- Affirming Available Cash Flow guidance of \$300 to \$320 Million
- Updated reported guidance with \$0.03 per share of restructuring/acquisition expenses

**Affirming Full Year Total and Organic Revenue Growth of 5.5%-6.5%;  
Raising Adjusted EPS +\$0.05 to \$3.60-\$3.75 representing growth of +7.8% to +12.3%**

# Summary

- Q1 revenue increased \$46.5 million, +9.3% vs. prior year
  - Organic revenue growth +8.0%
  - Acquisitions contributing \$10.0 million
- Increased Q1 2017 adjusted operating margins +150 bps
- Adjusted EPS of \$0.73 increased +19.7%
- Affirming Available Cash Flow Guidance \$300 to 320 million
- Raising full-year EPS guidance
  - Reported EPS \$3.57 to \$3.72 per share
  - Adjusted EPS \$3.60 to \$3.75 per share, growth of 7.8% to 12.3%

**Strong Q1; Well-positioned to Deliver Full-Year Outlook**



**ALLEGION**<sup>TM</sup>