



**ALLEGION™**

PIONEERING SAFETY™

BAML Global Industrials & EU Autos Conference 2015

# Allegion: Pioneering Safety Around the World

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March 17, 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 (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. The Company assumes no obligations to update these forward-looking statements.

This presentation also contains EBITDA, EBITDA margin and earnings from continuing operations on both a U.S. GAAP basis and 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 an appendix to this presentation.

# Allegion Overview

- A leading global provider of security products and solutions
- Serving residential and non-residential end markets
- Strong brands with leading market positions
- Industry leading EBITDA margins
- High level of cash conversion performance
- Broad distribution network
- Balanced and flexible capital allocation strategy



# Global Reach

\$2,118 Million in Revenue

7,000+ Channel Partners

## AMERICAS

\$1,560.0 Million in Revenue

5,500+ Employees



## EMEIA

\$393.4 Million in Revenue

2,000+ Employees



## APAC

\$164.9 Million in Revenue

500+ Employees



# Our Brands

## Enterprise Brand



## Strategic Brands



A Long Legacy of Excellence

# What We Sell

## Products

### Secure the Door

- Exit devices
- Mechanical locks
- Key systems
- Electronic locks
- Readers
- Credentials
- Electronic strikes
- Doors and frames
- Hinges
- Accessories

### Control the Door

- Door closers
- Automatic operators
- Coordinators

### Protect the Door

- Kick plates
- Door pulls
- Edge guards

### Portable Security

- Padlocks
- Cable locks
- Bike locks

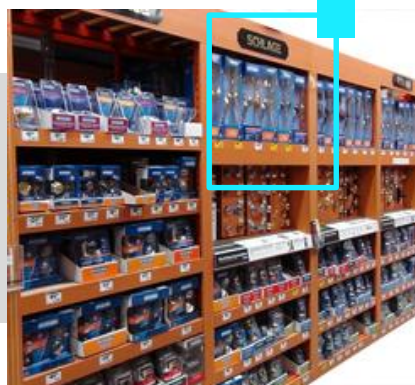
## Systems<sup>1</sup>

### Project Management

### Installation

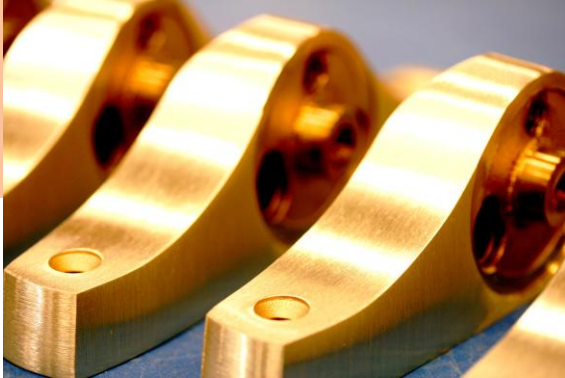
### System Design

- Access control
- Video systems
- Workforce management

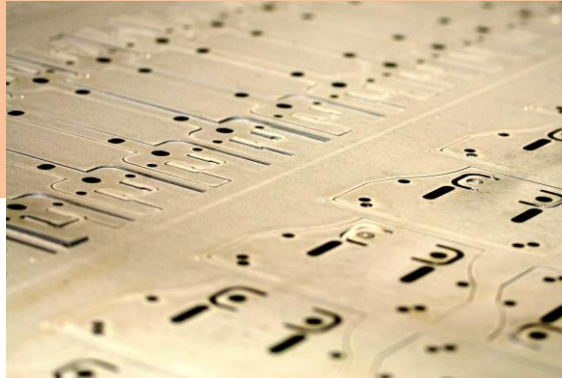


# Key Strategies

Expand in  
Core Markets



Innovation in Existing &  
New Product Categories



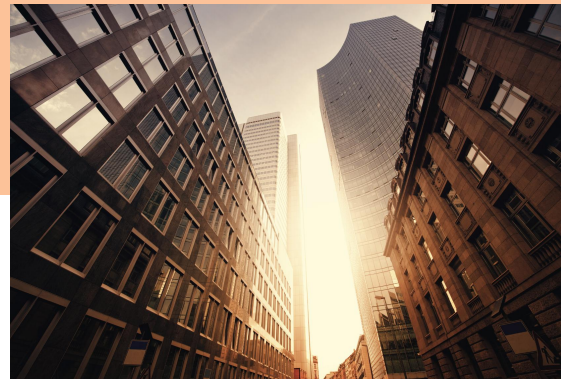
Opportunistic  
Acquisitions



Enterprise  
Excellence



Growth in  
Emerging Markets



# Capital Allocation Strategy

## Leverage Management

- Target 2.75-3.25x of gross Debt/Adj. EBITDA
- End 2014: 2.9x of gross Debt/Adj. EBITDA
- Amendment of existing credit facility in October; lowers cost of capital, continues to provide liquidity and flexibility to grow business

### Organic Growth Investment

- Accelerate new product development
- Expand channel capability
- Operational excellence

### M&A

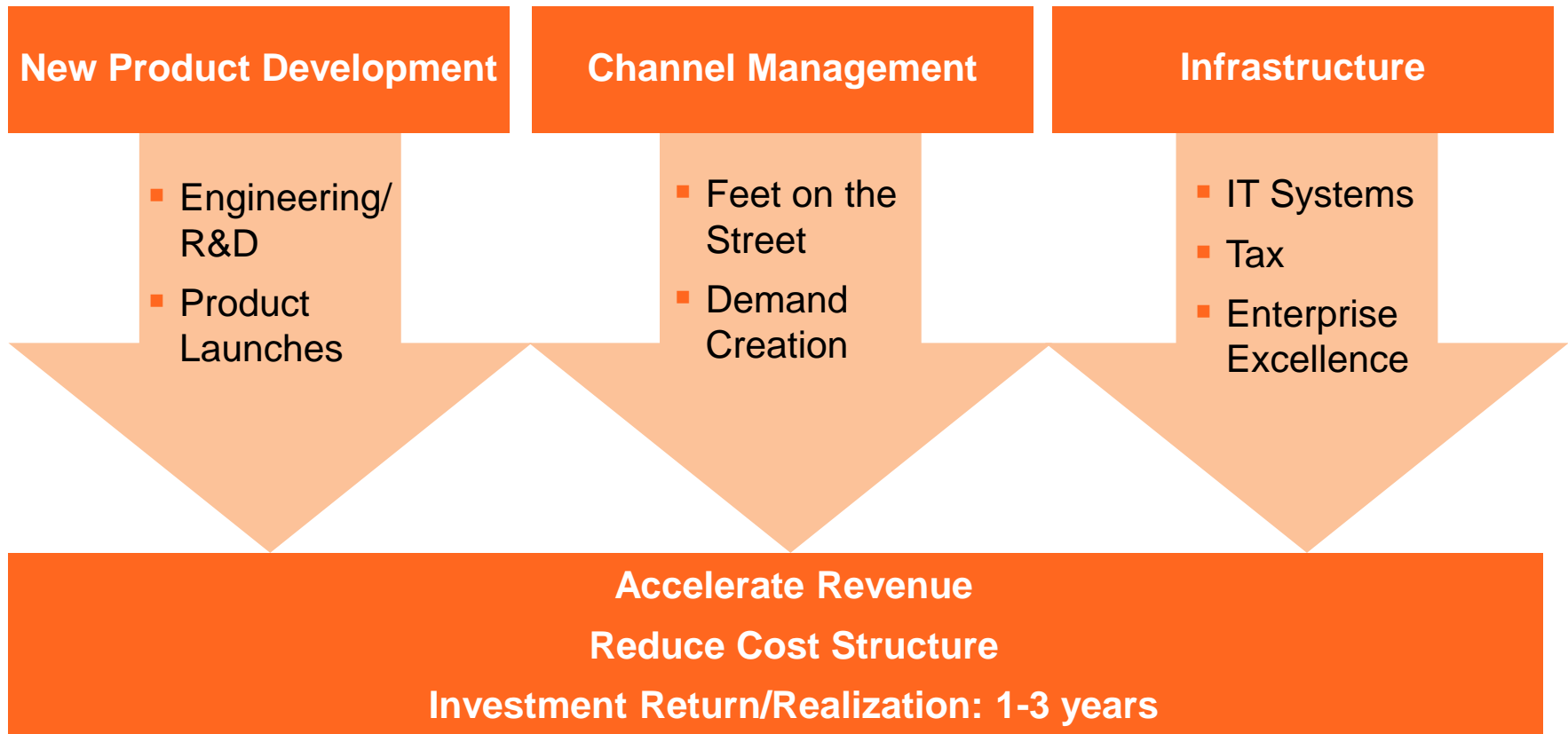
- Product/market expansion and increased presence in emerging markets and technologies
- Disciplined approach to acquisition management

### Shareholder Distribution

- 1Q15 quarterly dividend announced: \$0.10 per ordinary share
- \$200 million share repurchase program announced; Executed \$50.3 million in 2014

**Continued Focus on Balanced & Flexible Capital Allocation Management**

# Organic Investments



**Standardized Process, Prioritization & Post-Implementation Review**

# M&A Platforms / Thresholds

## Platforms

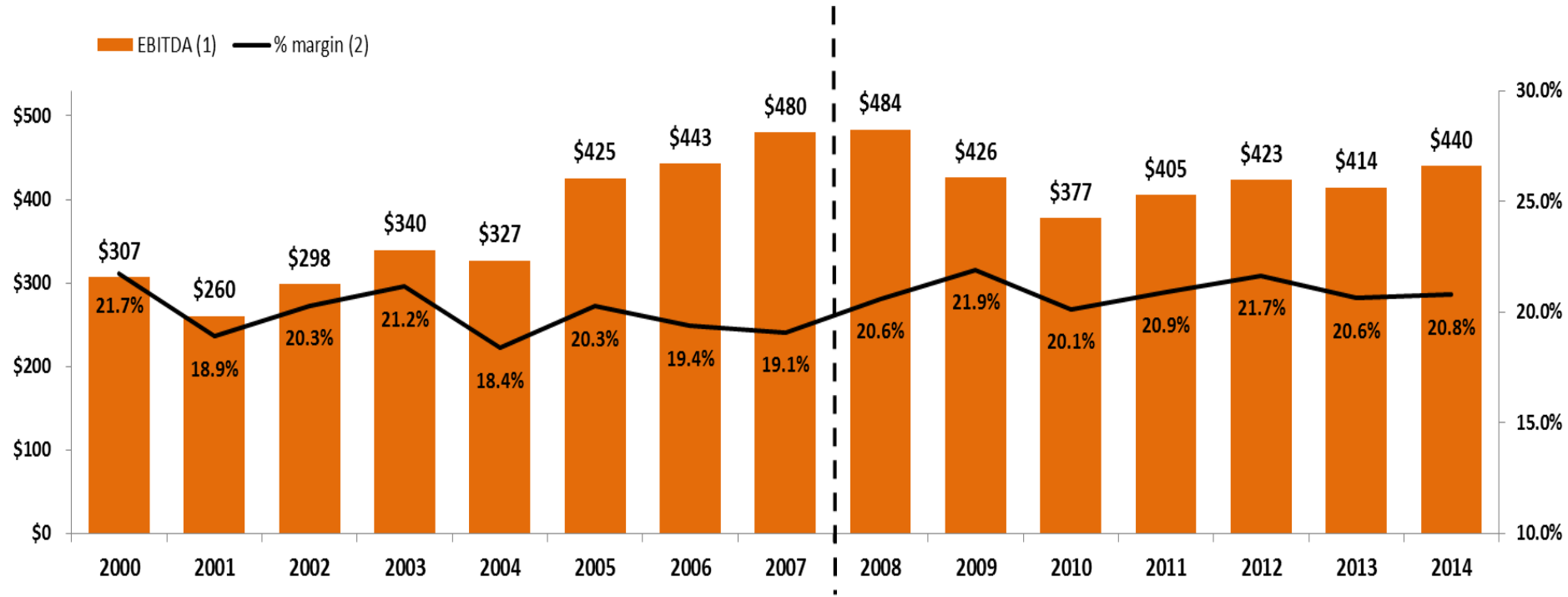


## Key Acquisition Criteria

- Aligned with strategic direction and in our core
  - Strong business and market fundamentals
  - Targets with leadership position and ability to scale
  - Clear synergy opportunities
- Return on Invested Capital >12% by year 3

**Focused & Disciplined Approach**

# Historical Adjusted EBITDA Margins



(1) EBITDA defined as operating income plus depreciation and amortization.

(2) EBITDA Margin for 2008-2013 calculated using revenue adjusted for Asia joint venture order flow change.

2000 - 2007 represents the Security & Safety or Security Technologies segment as reported in Ingersoll Rand's 10K.

2008-2013 net income is adjusted for LIFO to FIFO conversion

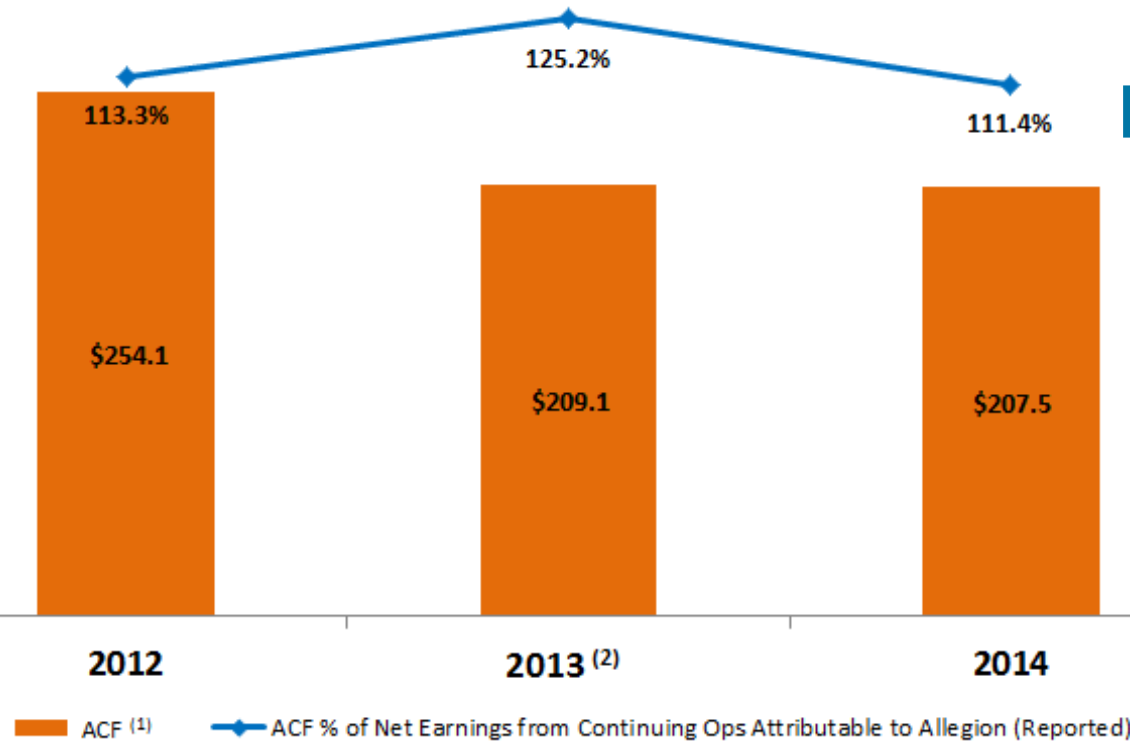
2009-2013 revenues and net income are adjusted for the UK Door Business

See appendix for reconciliation of GAAP revenue and net income to adjusted revenue and EBITDA.

**Consistent EBITDA Margin Performance**

# Strong Cash Flow Generation

(\$ millions)



**2015 Target ~95%  
2016 & Beyond  
~100+%**

**Target ACF 100+% of Net Earnings Over Time**

*(1) ACF is cash from continuing operating activities less capital expenditures*

*(2) 2013 ACF% is based on net earnings from continuing ops adjusted for \$137.6M goodwill impairment net of \$6.5M tax benefit*



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# Summary

- Executing strategy, delivering on commitments
- Delivering solid organic revenue growth
- Increasing operating margins net of incremental investments
- Reduction in effective tax rate
- Continuing to invest in new products and channel development
- Driving EMEIA profitability improvement
- High level of cash conversion performance



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Allegion Investor Day

# Appendix

# Adjusted EBITDA Reconciliation

(in USD Millions)

	2008	2009	2010	2011	2012	2013	2014
<b>Revenue</b>	\$ 2,413.9	\$ 2,006.7	\$ 1,942.4	\$ 1,998.3	\$ 2,023.3	\$ 2,069.6	\$ 2,118.3
Asia Joint Venture Revenue	(65.3)	(64.5)	(68.9)	(58.6)	(78.0)	(52.0)	0.0
<b>Adjusted Revenue</b>	<b>2,348.6</b>	<b>1,942.2</b>	<b>1,873.5</b>	<b>1,939.7</b>	<b>1,945.3</b>	<b>2,017.6</b>	<b>2,118.3</b>
<b>Net Income</b>	<b>(76.4)</b>	<b>175.6</b>	<b>194.1</b>	<b>218.9</b>	<b>220.1</b>	<b>32.3</b>	<b>175.2</b>
<i>Adjustments to arrive at operating income:</i>							
Income tax provision	145.0	144.2	126.8	130.7	136.7	175.0	84.2
Interest expense (income), net	(1.1)	1.2	1.8	1.4	1.5	10.2	53.8
Other (income) / expense	(0.7)	14.9	(3.5)	(4.6)	3.1	7.2	4.6
Noncontrolling interest	0.4	12.4	6.7	6.3	5.7	12.5	(2.6)
Discontinued operations	(0.6)	1.3	1.1	6.3	4.2	3.6	11.1
<b>Operating Income</b>	<b>66.4</b>	<b>349.6</b>	<b>327.1</b>	<b>359.1</b>	<b>371.3</b>	<b>240.8</b>	<b>326.3</b>
<i>% margin (Unadjusted Revenue)</i>	<i>2.8%</i>	<i>17.4%</i>	<i>16.8%</i>	<i>18.0%</i>	<i>18.4%</i>	<i>11.6%</i>	<i>15.4%</i>
Restructuring and Other Costs	13.1	25.2	3.0	0.3	8.2	5.8	7.1
Spin Costs	0.0	0.0	0.0	0.0	0.0	5.8	29.3
Goodwill Impairment	356.8	5.0	0.0	0.0	0.0	137.6	0.0
Gain on Property Sale	0.0	0.0	0.0	0.0	0.0	(21.5)	0.0
Venezuela Inventory Impairment	0.0	0.0	0.0	0.0	0.0	0.0	33.3
<b>Adjusted Operating Income</b>	<b>436.3</b>	<b>379.8</b>	<b>330.1</b>	<b>359.4</b>	<b>379.5</b>	<b>368.5</b>	<b>396.0</b>
<i>% margin (Adjusted Revenue)</i>	<i>18.6%</i>	<i>19.6%</i>	<i>17.6%</i>	<i>18.5%</i>	<i>19.5%</i>	<i>18.3%</i>	<i>18.7%</i>
Depreciation & amortization	47.5	46.0	47.3	46.0	43.8	45.7	44.2
<b>Adjusted EBITDA</b>	<b>\$ 483.8</b>	<b>\$ 425.8</b>	<b>\$ 377.4</b>	<b>\$ 405.4</b>	<b>\$ 423.3</b>	<b>\$ 414.2</b>	<b>\$ 440.2</b>
<i>% margin (Adjusted Revenue)</i>	<i>20.6%</i>	<i>21.9%</i>	<i>20.1%</i>	<i>20.9%</i>	<i>21.7%</i>	<i>20.6%</i>	<i>20.8%</i>

# Non-GAAP Reconciliation

	Year Ended December 31, 2014			Year Ended December 31, 2013		
	Reported	Adjustments	Adjusted (non-GAAP)	Reported	Adjustments	Adjusted (non-GAAP)
Net revenues	\$ 2,118.3	\$ —	\$ 2,118.3	\$ 2,069.6	\$ (52.0) <sup>(1)</sup>	\$ 2,017.6
Operating income	326.3	69.7 <sup>(2)</sup>	396.0	240.8	127.7 <sup>(2)</sup>	368.5
Operating margin	15.4%		18.7%	11.6%		18.3%
Earnings before income taxes	267.9	86.3 <sup>(3)</sup>	354.2	223.4	127.7	351.1
Provision for income taxes	84.2	17.1 <sup>(4)</sup>	101.3	175.0	(40.1) <sup>(4)</sup>	134.9
Effective income tax rate	31.4 %		28.6 %	78.3 %		38.4 %
Earnings from continuing operations	183.7	69.2	252.9	48.4	167.8	216.2
Non-controlling interest	(2.6)	13.7 <sup>(5)</sup>	11.1	12.5	(5.3) <sup>(5)</sup>	7.2
Net earnings from continuing operations attributable to Allegion plc	\$ 186.3	\$ 55.5	\$ 241.8	\$ 35.9	\$ 173.1	\$ 209.0
Diluted earnings per ordinary share attributable to Allegion plc shareholders:	\$ 1.92	\$ 0.57	\$ 2.49	\$ 0.37	\$ 1.81	\$ 2.18

- (1) Adjustment to net revenue for the year ended December 31, 2013 reflects the impact of a change in order flow through the Company's consolidated joint venture in Asia resulting from a revised joint venture operating agreement signed in late 2013. Previously, the joint venture acted as a pass-through to the end customer. Products are now shipped direct to the end customer with the joint venture receiving a royalty in an amount that approximates the lost margin. The consolidated joint venture no longer recognizes the revenue and cost of goods sold on these products. The change did not have a material impact on operating income or on cash flows for the year ended December 31, 2014.
- (2) Adjustments to operating income for the year ended December 31, 2014 include \$36.4 million of costs incurred as part of the spin-off from Ingersoll Rand and restructuring charges as well as a \$33.3 million non-cash impairment charge to write inventory in Venezuela down to the lower of cost or market. Adjustments to operating income for the year ended December 31, 2013 consist of \$11.6 million of cost incurred as part of the spin-off from Ingersoll Rand and restructuring charges, a \$137.6 million goodwill impairment charge and a \$21.5 million gain on a property sale in China.
- (3) Adjustments to earnings before taxes for the year ended December 31, 2014 consist of the adjustments to operating income discussed above, a \$4.5 million charge due to write-off unamortized debt issuance costs associated with the Company's Term B Loans and a \$12.1 million charge to devalue the Company's Venezuelan bolivar-denominated net monetary assets.
- (4) Adjustments to the provision for income taxes for the year ended December 31, 2014 consist of \$17.1 million of tax expense related to the excluded items discussed above. Adjustments to the provision for income taxes for the year ended December 31, 2013 consist of tax expense related to the excluded items discussed above as well as \$44.8 million of discrete tax adjustments.
- (5) Adjustments to non-controlling interest for the year ended December 31, 2014 and 2013 consist of the portions of adjustments (1) through (3) that are non attributable to Allegion plc shareholders.



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### **About Allegion™**

Allegion (NYSE: ALLE) is a global pioneer in safety and security, with leading brands like CISA®, Interflex®, LCN®, Schlage® and Von Duprin®. Focusing on security around the door and adjacent areas, Allegion produces a range of solutions for homes, businesses, schools and other institutions. Allegion is a \$2 billion company, with products sold in almost 130 countries.

**NYSE: ALLE**

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