



Allegion Fourth Quarter 2014 Results

February 18, 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, 2013, Form 10-Qs for the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014. 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.

Fourth Quarter Financial Highlights

- Revenue of \$573.5 million increased +5.5%, +7.6% on an organic basis¹
 - Americas organic revenue growth +8.4%
 - EMEIA organic revenue declined -0.3%
 - Asia Pacific organic revenue growth +17.0%
- Adjusted² operating income of \$106.6 million increased +9.0%; adjusted operating margin of 18.6% up 60 bps versus prior year
 - Adjusted operating margin by region:
 - Americas +110 bps, EMEIA -40 bps, Asia Pacific +220 bps
- Adjusted EPS of \$0.76 increased +26.7%
- Issuing full-year 2015 guidance:
 - Organic revenue growth 3% to 4%
 - EPS \$2.65 to \$2.75; Increase of 12% to 17% versus adjusted 2014 EPS excluding Venezuela

**Fourth Quarter Revenue +5.5%, Adjusted Operating Income +9.0%
(+60bps), Adjusted EPS +26.7%**

Allegion – Year 1 Scorecard

	2014 Guidance (2/20/14)	2014 Actual
Revenue¹	<ul style="list-style-type: none"> ▪ \$2.11 billion to \$2.13 billion ▪ Up 3.5% to 4.5% ▪ Price of 1% in core markets 	<ul style="list-style-type: none"> ▪ \$2.12 billion ▪ Up 5.1% ▪ Price of 2%; <0.5% in core markets
Effective Tax Rate²	<ul style="list-style-type: none"> ▪ ~ 31% 	<ul style="list-style-type: none"> ▪ 28.6%
Adjusted EPS²	<ul style="list-style-type: none"> ▪ \$2.25 to \$2.40 	<ul style="list-style-type: none"> ▪ \$2.49 ▪ \$2.40 at 31% effective tax rate assumption
Spin & Restructuring Expenses	<ul style="list-style-type: none"> ▪ (\$0.25) to (\$0.30) EPS impact 	<ul style="list-style-type: none"> ▪ (\$0.26) EPS impact
Available Cash Flow³	<ul style="list-style-type: none"> ▪ Approximately 100% of earnings from continuing operations 	<ul style="list-style-type: none"> ▪ 111% of earnings from continuing operations

(1) Organic growth based on 2013 adjusted revenue reflecting Asia consolidated joint venture order flow change; final 2013 basis reflects divestiture of UK door business

(2) See press release for non-GAAP reconciliations

(3) Cash from operating activities of continuing operations less capital expenditures

Allegion – 2014 Project Wins

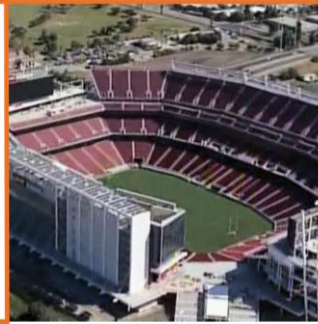
**Harrah's
Casino & Hotel**
Schlage, Von Duprin,
LCN, Steelcraft
Murphy, North Carolina
2015



**City of Dreams
Manila**
Schlage, LCN,
Von Duprin, Ives
Manila, Philippines
2015



**Go Daddy
aptiQ**
Tempe, Arizona
2015



**Sanford
Medical Center**
Schlage, LCN,
Von Duprin, Ives
Fargo, North Dakota
2016



**Zhu Hang
Primary School**
Schlage
Shanghai, China
2014

**Le Saint James, a
Relais & Châteaux
Hotel & Restaurant**
Bouliac, France
CISA
2014



Levi's Stadium
Schlage, LCN,
Von Duprin
Santa Clara,
California
2014

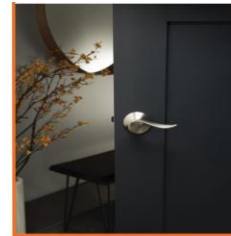


Allegion – 2014 Product Launches

**Schlage NDE Locks
+ ENGAGE™
Technology**
Americas
December 2014
Commercial



**Matte Black
Contemporary
Finish Expansion**
Americas
August 2014
Residential



**Schlage
Sacramento Lever**
Americas
July 2014
Residential



**Von Duprin 4200
Electric Strike**
Americas
July 2014
Commercial



**Von Duprin
AX Device**
Americas
May 2014
Commercial



Schlage Touch
Americas
October 2014
Residential



**CISA Multitop Pro
Electric Platform**
EMEIA
August 2014
Residential &
Commercial



**China-SEL 320
Electronic
Anti-Burglary Lock**
Asia Pacific, July 2014
Residential &
Commercial



**FSH FEL990
Series Electric
Mortice Lock**
South Asia
November 2014
Commercial



**Schlage,
Von Duprin
Decorative Levers**
Americas
January 2014
Commercial



**FSH VE1260
Motorized
Drop Bolt**
Asia Pacific/South Asia
June 2014
Commercial



**Schlage
L Indicator**
Americas
September 2014
Commercial



SCHLAGE SENSE™

- Launched Schlage Sense at the 2015 Consumer Electronics Show and made several top ten lists for innovation
- Schlage Sense is a smart deadbolt that allows consumers to “talk to unlock” their door or use a code
- Schlage Sense has been announced as being part of Apple’s HomeKit initiative
- The lock comes with a phone app that lets consumers easily manage their lock
- The new lock will be available later in 2015



2014 Allegion Adjusted Revenue Results

	<u>4Q14</u>	<u>FY14⁽¹⁾</u>
Price (ex VZ)	+0.4%	+0.3%
Price (VZ)	+2.0%	+2.0%
Volume	<u>+5.2%</u>	<u>+2.8%</u>
Organic	+7.6%	+5.1%
Acquisitions	+0.3%	+0.4%
Currency	<u>(2.4%)</u>	<u>(0.5%)</u>
Total	+5.5%	+5.0%

**Strong organic growth in quarter; Currency headwinds increasing;
Pricing improving sequentially**

(1) Growth rates based on 2013 adjusted revenue reflecting Asia consolidated joint venture order flow change

Fourth Quarter 2014 Allegion Results

Revenue

(\$millions)

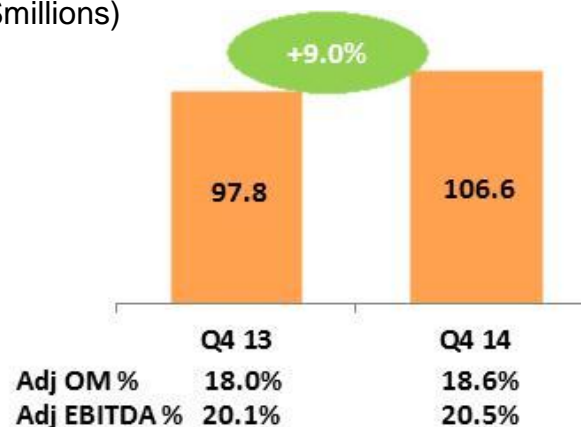


Q4 Revenue Performance

- Total growth +5.5%; organic growth +7.6%
- Solid Americas performance with volume growth in all segments of the market
- European revenue decline driven by currency headwind and continued market weakness
- Asia Pacific revenue growth driven by mechanical hardware and system integration projects

Adjusted Operating Income⁽¹⁾

(\$millions)



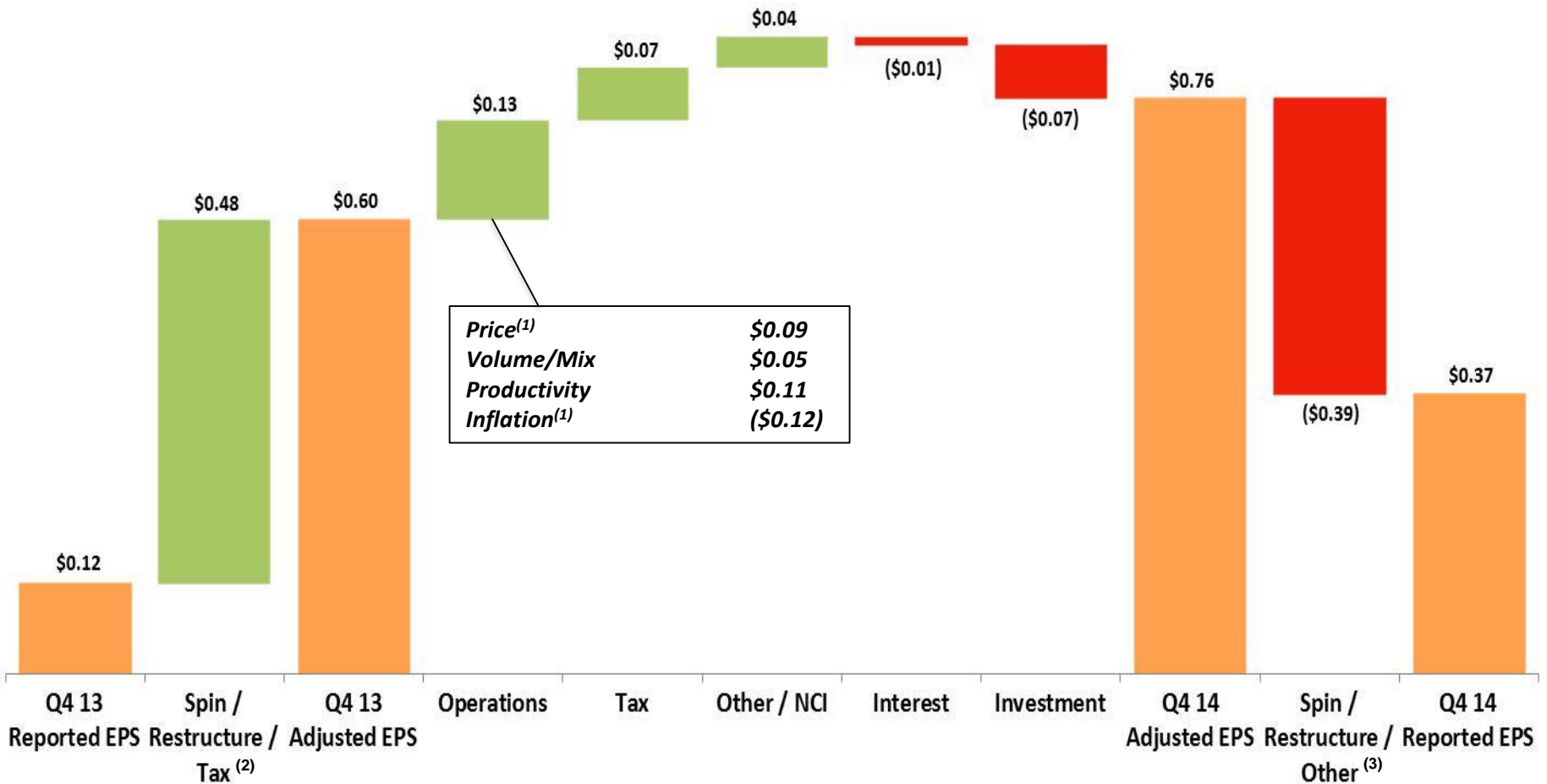
Q4 Adjusted Operating Margin +60bps

- Favorable margin improvement in Americas and Asia Pacific regions
- Price and productivity more than offset inflation and incremental investments
- Strong operating leverage on incremental volume

(1) Adjusted to exclude restructure, spin costs, and Venezuela inventory impairment

Fourth Quarter 2014 Allegion EPS Performance

Q4



Price ⁽¹⁾	\$0.09
Volume/Mix	\$0.05
Productivity	\$0.11
Inflation ⁽¹⁾	(\$0.12)

(1) Reflects price actions to compensate for higher inflation (Venezuela driven)

(2) Discrete tax items \$0.44; Spin/Restructure \$0.04

(3) Spin/Restructure \$0.08; VZ Devaluation \$0.09; VZ inventory impairment \$0.19; Extinguishment of capitalized debt costs \$0.03

Fourth Quarter 2014 Americas Results

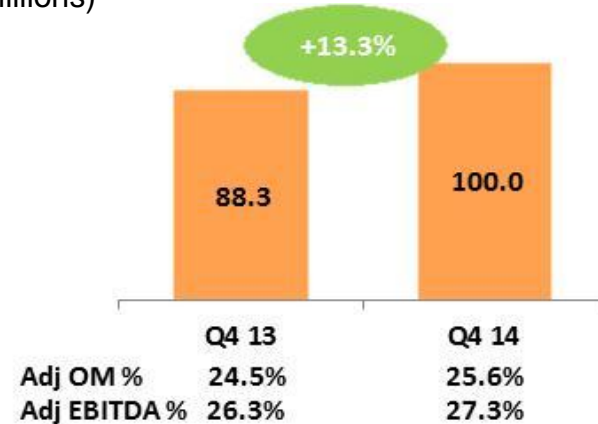
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

- Total growth +8.4%; organic growth +8.4%
- Low-single digit growth in non-residential led by strength in commercial mechanical; Mid-single digit growth in residential with strength in builder and e-commerce channels
- Venezuela revenue doubled; primarily from price generated to cover inflation

Q4 Adjusted Operating Margin +110bps

- Price and productivity more than offset inflation and incremental investment
- Strong operating leverage reflecting good pull through of incremental volume
- Continuing investment in new product development and channel/marketing initiatives

(1) Adjusted to exclude Venezuela inventory impairment

Fourth Quarter 2014 EMEIA Results

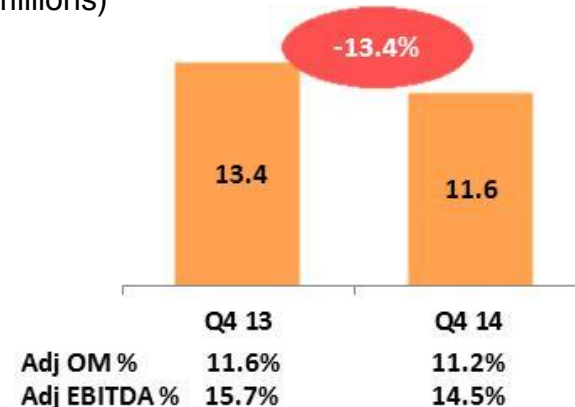
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

- Total growth -10.3%; organic growth -0.3%
- Currency headwind reflecting strengthening dollar versus Euro and lower revenue in Eastern Europe due to deflation of Russian Ruble
- Mid to high single digit growth in electronics and Interflex businesses

Q4 Adjusted Operating Margin -40bps

- Slightly lower margin due to unfavorable mix
- EMEIA recovery plan accelerating productivity
- Operating income doubled for the year; FY margin improved 280 bps inclusive of the impact of UK Door divestiture
- Continuing to prune unprofitable business

Fourth Quarter 2014 Asia Pacific Results

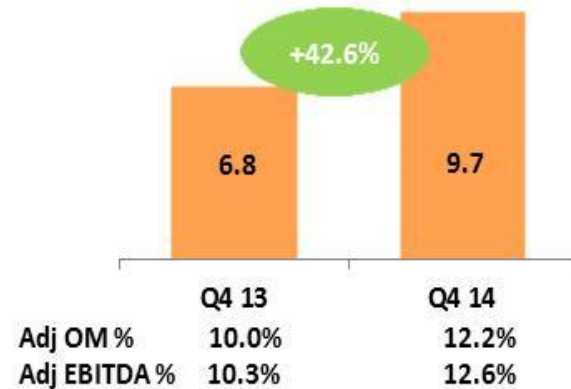
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

- Total growth +17.0%; organic growth +17.0%
- Good growth in mechanical hardware and systems integration businesses including FSH acquisition partially offset by exchange rate headwinds

Q4 Adjusted Operating Margin +220bps

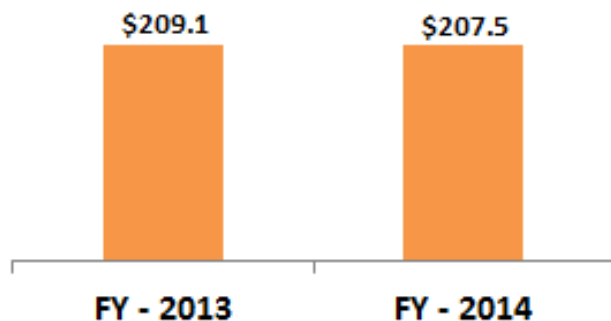
- Productivity more than offset inflation and investment
- Strong leverage on additional revenue

(1) Adjusted to exclude spin costs

Full Year 2014 Allegion ACF

Available Cash Flow ¹

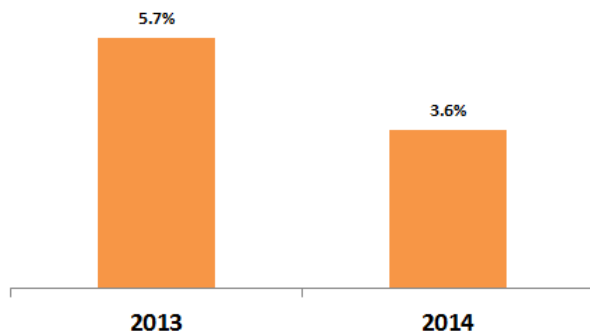
(\$millions)



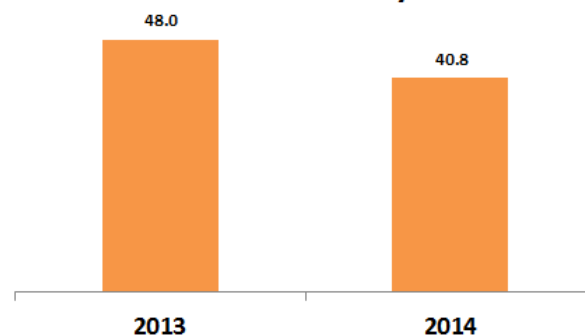
- 2014 FY ACF is \$1.6 million lower than prior year
- ACF decrease due to higher capital expenditures of \$31.3 million from new product development, information systems and spin related projects, mostly offset by improved working capital

Working Capital ² and Cash Conversion Cycle(CCC)³

FY Working Capital² % of Revenue



FY Cash Conversion Cycle³



Full Year ACF at 111% 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)

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

- Expand core portfolio and channel capability
- Accelerate new product development
- Operational excellence
- Self-funding

M&A

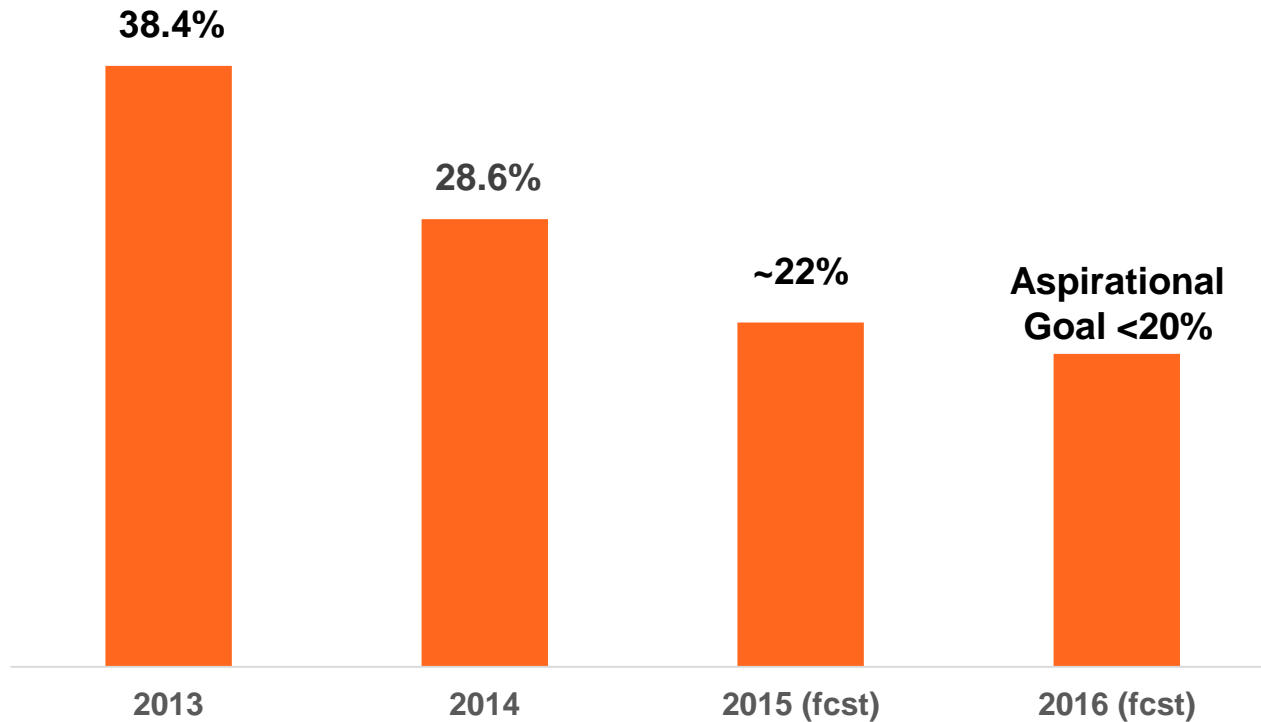
- Product/market expansion and increased presence in emerging markets and technologies
- Disciplined approach to acquisition management

Shareholder Distribution

- 1Q15 quarterly dividend announced: \$0.10 per ordinary share.
- \$200 million share repurchase program announced. Executed \$50.3 million year-to-date.

Continued focus on balanced and flexible capital allocation management

Effective Tax Rate¹ Update






Accelerating reduction in effective tax rate

⁽¹⁾ Effective tax rate adjusted for spin-off and other charges; Updated to reflect UK door business divestiture; See press release for non-GAAP reconciliations

Venezuela Exchange Rate Update

- Adoption of SICAD II exchange rate effective December 31, 2014
 - Devaluation of net monetary assets
 - Before tax and noncontrolling interest charge of \$12.1 million, or (\$0.09) EPS (recorded in other, net)
 - Impairment charge of Venezuelan inventory balances
 - Non-cash charge of \$33.3 million before tax and noncontrolling interest, or (\$0.19) EPS (recorded in cost of goods sold)
- Significant translation impact
 - 2014 full-year revenues of \$106.4 million, EPS of \$0.13
 - Venezuelan government announced on February 9, 2015 a move to the Simadi exchange rate to replace SICAD II
 - Adoption of the Simadi rate would result in additional charges to remeasure the net monetary assets and impair other assets

Full-Year 2015 Revenue Guidance

Region	Revenue Change ¹	Markets
Americas 	Total: -3% to -2% Organic: 4% to 5%	<ul style="list-style-type: none"> U.S. non-residential markets growing low single-digit <ul style="list-style-type: none"> Commercial new construction growth continues; institutional segment improving U.S. residential up mid single-digit driven by both builder and big box segments
EMEIA 	Total: -11% to -9% Organic: -2% to Flat	<ul style="list-style-type: none"> Southern security markets remain soft, flat to +1% UK and Germany construction markets improving; slight growth in France and Italy Developing economies mixed; Middle East and Africa growth improves while Eastern Europe struggles
Asia Pacific 	Total: 5% to 7% Organic: 6% to 8%	<ul style="list-style-type: none"> Non-residential markets growing mid single-digit Residential markets growing low to mid single-digits Growth in China, Southeast Asia and Australia/New Zealand; flat North Asia
Total	Total: -4% to -3% Organic: 3% to 4%	<ul style="list-style-type: none"> Difference between total and organic revenue reflect currency headwind, primarily Venezuelan Bolivar and Euro

¹Organic excludes acquisition/divestments and currency impacts

Full-Year 2015 EPS Guidance

2014 Reported EPS from Continuing Operations **\$1.92**

Adjustments (see press release for non-GAAP reconciliations) \$0.57

2014 Adjusted EPS from Continuing Operations **\$2.49**

Operational Improvements	\$0.25 to \$0.40
Investments	(\$0.15) to (\$0.20)
Venezuela	(\$0.13)
Tax Rate, Other Items	\$0.19

<u>Investment Focus</u>	
New Products	50%
Channel/Marketing	25%
IT Systems/Tax	25%

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

Assumptions and Notes:

- Full-year effective tax rate assumption of 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

- Executing strategy, delivering on commitments
 - Delivering solid organic revenue growth
 - Increasing operating margins
 - High level of cash conversion performance
 - Reduction in effective tax rate
 - Continuing to invest in new products and channel development
 - Driving EMEIA profitability improvement
- Issuing full-year 2015 guidance:
 - Organic revenue growth 3% to 4%
 - EPS \$2.65 to \$2.75; Increase of 12% to 17% versus adjusted 2014 EPS excluding Venezuela

Positioned well for 2015 and long-term growth



Appendix

Full Year 2014 Allegion EPS Performance

Full Year



(1) Reflects price actions to compensate for higher inflation (Venezuela driven)

(2) Goodwill impairment \$1.37; Discrete tax items \$0.44; Spin/Restructure \$0.08; Land sale gain (\$0.08)

(3) Spin/Restructure \$0.26; VZ Devaluation \$0.09; VZ inventory impairment \$0.19; Extinguishment of capitalized debt costs \$0.03

2013 Quarterly Non-GAAP Reconciliation

	Three Months Ended				Year Ended
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013	December 31, 2013
Net revenues (GAAP)	\$ 468.2	\$ 528.7	\$ 529.0	\$ 543.7	\$ 2,069.6
Adjustments	(17.7)	(17.4)	(16.9)	-	(52.0)
Adjusted net revenues (non-GAAP)	450.5	511.3	512.1	543.7	2,017.6
Operating income (loss)	69.9	99.6	(20.4)	91.7	240.8
Adjustments	4.5	0.1	117.1	6.1	127.7
Adjusted operating income	74.4	99.7	96.7	97.8	368.5
Other (income)/expense	7.5	(0.7)	0.1	0.3	7.2
Interest expense	0.4	0.4	0.6	8.8	10.2
Adjusted earnings before income taxes	66.5	100.0	96.0	88.7	351.1
Income tax expense	20.0	36.8	46.0	72.2	175.0
Adjustments	1.3	-	1.3	(42.7)	(40.1)
Adjusted income tax expense	21.3	36.8	47.3	29.5	134.9
Adjusted earnings from continuing operations	45.2	63.2	48.7	59.2	216.2
Non-controlling interest	1.7	2.1	10.1	(1.4)	12.5
Adjustments	-	-	(7.9)	2.6	(5.3)
Adjusted non-controlling interest	1.7	2.1	2.2	1.2	7.2
Net earnings from continuing operations attributable to Allegion plc	\$ 43.5	\$ 61.1	\$ 46.5	\$ 58.0	\$ 209.0
Diluted earnings per ordinary share attributable to Allegion plc ordinary shareholders:	\$ 0.45	\$ 0.64	\$ 0.48	\$ 0.60	\$ 2.18

2014 Quarterly Non-GAAP Reconciliation

	Three Months Ended			Nine Months Ended
	March 31, 2014	June 30, 2014	September 30, 2014	September 30, 2014
Net revenues (GAAP)	\$ 466.6	\$ 531.5	\$ 546.7	\$ 1,544.8
Adjustments	-	-	-	-
Adjusted net revenues (non-GAAP)	466.6	531.5	546.7	1,544.8
Operating income (loss)	67.8	89.4	106.1	263.3
Adjustments	9.3	12.0	4.8	26.1
Adjusted operating income	77.1	101.4	110.9	289.4
Other (income)/expense	(0.1)	(1.0)	(2.0)	(3.1)
Interest expense	13.1	12.5	12.7	38.3
Adjusted earnings before income taxes	64.1	89.9	100.2	254.2
Income tax expense	16.5	23.0	27.3	66.8
Adjustments	2.7	3.8	1.7	8.2
Adjusted income tax expense	19.2	26.8	29.0	75.0
Adjusted earnings from continuing operations	44.9	63.1	71.2	179.2
Non-controlling interest	1.8	3.5	5.3	10.6
Adjustments	-	-	-	-
Adjusted non-controlling interest	1.8	3.5	5.3	10.6
Net earnings from continuing operations attributable to Allegion plc	\$ 43.1	\$ 59.6	\$ 65.9	\$ 168.6
Diluted earnings per ordinary share attributable to Allegion plc ordinary shareholders:	\$ 0.44	\$ 0.61	\$ 0.69	\$ 1.75



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