



Allegion Fourth-Quarter 2015 Results

February 11, 2016

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 2016 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 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 Dec. 31, 2014, Form 10-Qs for the quarters ended March 31, June 30 and Sept. 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, 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 \$545.4 million decreased -4.9%, +4.8% on an organic basis¹
 - Americas organic revenue growth +6.6%
 - EMEIA organic revenue growth +3.1%
 - Asia Pacific organic revenue declined -1.6%²
- Adjusted³ operating income of \$103.5 million decreased -2.9%; adjusted operating margin of 19.0% up 40 bps versus prior year
 - Americas +60 bps, EMEIA +240 bps, Asia Pacific -560 bps²
 - Incremental investment headwind 20 bps
- Adjusted EPS of \$0.89 increased +17.1%
- Full year Available Cash Flow of \$222.2 million

Strong organic growth and margin improvement

¹Organic revenue excludes acquisition/divestments and currency impacts








²Asia Pacific excluding system integration business grew organic revenue 12.2% and adjusted operating margin improved approximately 400 bps

³See press release for non-GAAP reconciliations

Allegion – 2015 Financial Scorecard

2015 Guidance (2/18/15)

2015 Actual

	2015 Guidance (2/18/15)	2015 Actual
Revenue	<ul style="list-style-type: none"> Total revenue: Down 3% to 4% Organic revenue: Up 3% to 4% 	<ul style="list-style-type: none"> Total Revenue: Down 2.4 %  Organic Revenue: Up 5.4% 
Adjusted Effective Tax Rate¹	<ul style="list-style-type: none"> 22% 	<ul style="list-style-type: none"> 16.2% 
Adjusted EPS¹	<ul style="list-style-type: none"> \$2.65 to \$2.75 	<ul style="list-style-type: none"> \$3.03  \$2.82 at 22% effective tax rate assumption 
Investments	<ul style="list-style-type: none"> (\$0.15) to (\$0.20) EPS impact 	<ul style="list-style-type: none"> (\$0.16) EPS impact 
Available Cash Flow²	<ul style="list-style-type: none"> Approximately 95% of earnings from continuing operations 	<ul style="list-style-type: none"> 144% of earnings from continuing operations 

¹See press release for non-GAAP reconciliations
²Cash from operating activities of continuing operations less capital expenditures

Allegion – 2015 Accomplishments

- Exceptional Safety Record: TRIR¹ of 0.59 down 17% VPY; LTIR² of 0.11 down 21% VPY
- EMEIA Transformation – Region delivered most profitable year since 2008
- Implementation and growth of channel led business strategy
- Strong growth from new products increasing vitality index
- 2015 FY global electronics growth +20% (excluding acquisitions)
- Divestitures:
 - Venezuelan business
 - Bocom Wincent Technologies Co., Ltd
- Acquisitions / Investments:

Simons Voss
technologies

AXA

Milie



Brio

The logo for iDevices, featuring two interlocking gears above the word "iDevices" in a sans-serif font.

Leading Electro-Mechanical Convergence

Residential

1. AXA Remote 2.0 Window Opener
2. Milre Rim Lock 430 SD
3. Schlage (China) SEL 420 Electronic Anti-burglary Lock
4. Schlage Sense
5. Schlage Touch
6. Schlage Control

Commercial

7. aptiQ Mobile
8. CISA eSIGNO
9. Interflex eVAYO WLAN Reader
10. Schlage AD-400
11. Schlage L909x
12. Schlage NDE with ENGAGE
13. SimonsVoss Smart Intego System
14. Von Duprin Quiet Electric Latch Retraction



2015 Allegion Adjusted Revenue Results

	<u>Q4</u>	<u>FY - 15</u>		<u>Q4</u> <u>Reported</u> <u>Growth</u>	<u>Q4</u> <u>Organic</u> ¹ <u>Growth</u>	<u>FY</u> <u>Reported</u> <u>Growth</u>	<u>FY</u> <u>Organic</u> ¹ <u>Growth</u>
Price	0.0%	0.6%	Americas	-2.0%	6.6%	-0.1%	7.1%
Volume	4.8%	4.8%	EMEIA	24.8%	3.1%	-1.8%	1.4%
Organic	4.8%	5.4%	Asia Pacific ²	-58.2%	-1.6%	-25.2%	-1.3%
Acquisition	7.9%	3.4%					
Divestiture	-14.4%	-4.4%					
Currency	-3.2%	-6.8%					
Total	-4.9%	-2.4%	Total Allegion	-4.9%	4.8%	-2.4%	5.4%

Solid organic growth; Headwinds from currency and divestitures

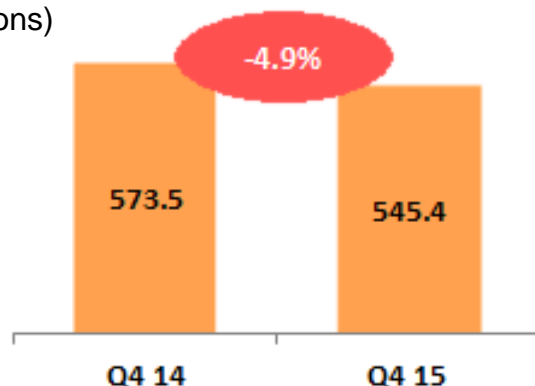
¹Organic excludes acquisitions/divestments and currency impacts

²Asia Pacific excluding system integration business Q4 reported growth 42.7%, organic growth 12.2%;
FY reported growth 25.7%, organic growth 7.5%

Fourth-Quarter 2015 Allegion Results

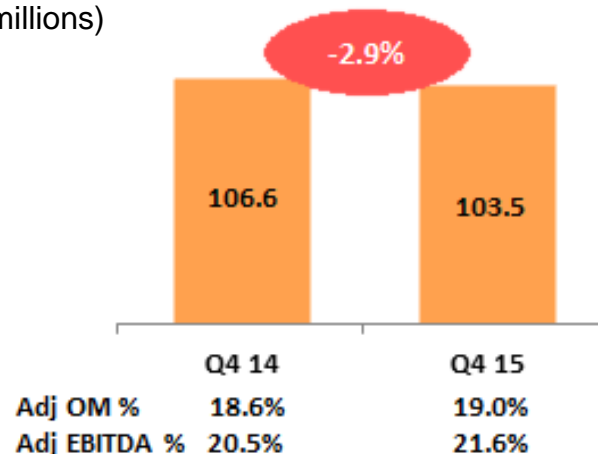
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

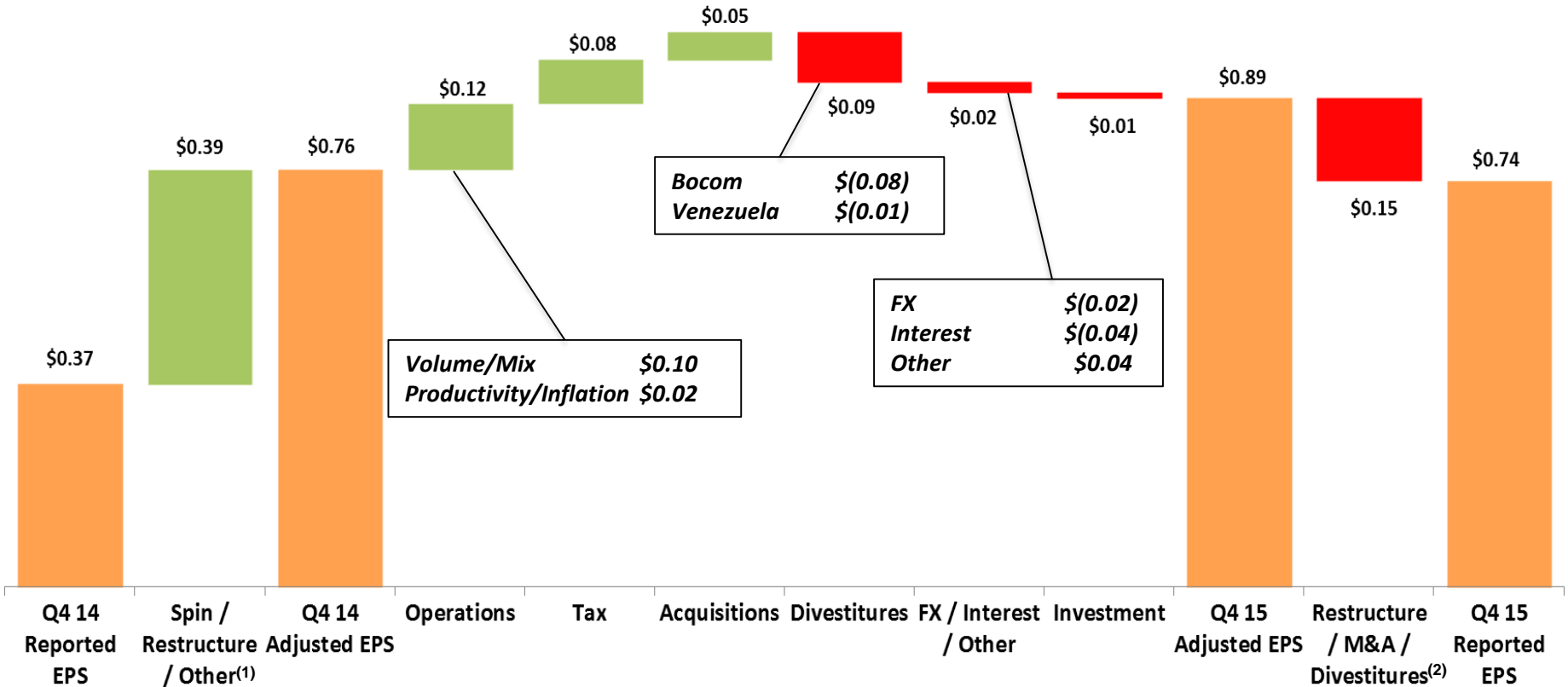
- Total growth -4.9%; organic growth +4.8%
- Solid organic growth in Americas more than offset by currency and Venezuelan divestiture
- Strong EMEIA revenue performance as organic growth and acquisitions offset currency headwind
- Strong Asia Pacific growth excluding system integration

Q4 Adjusted Operating Margin +40bps

- Favorable margin improvement in Americas and EMEIA regions
- Strong operating leverage on incremental volume
- Price and productivity more than offset inflation and incremental investments
- Third straight quarter with year-over-year margin improvement

Fourth-Quarter 2015 Allegion EPS Performance

Q4



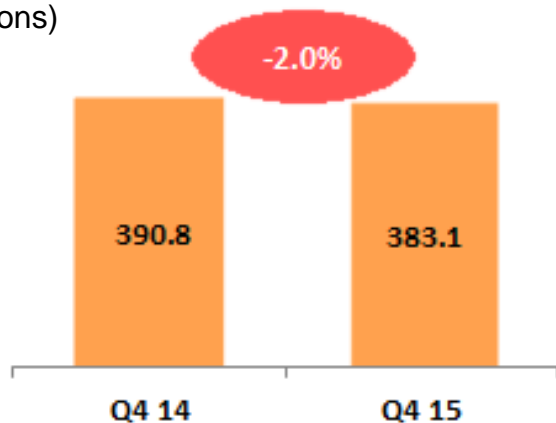
(1) Other includes VZ devaluation and inventory impairment and extinguishment of capitalized debt costs

(2) Includes favorable adjustment related to divestitures made in Q3 2015

Fourth-Quarter 2015 Americas Results

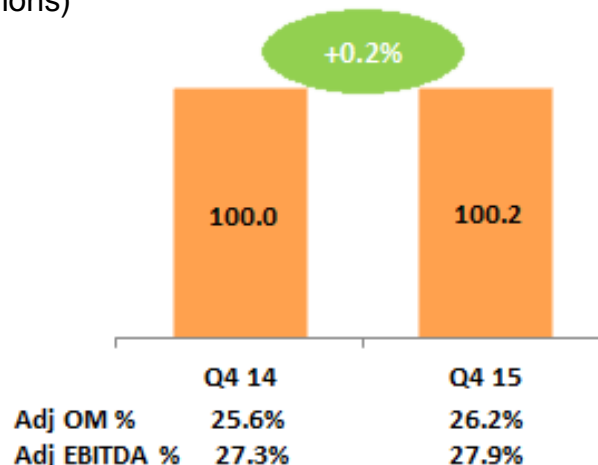
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

- Total growth -2.0%; organic growth +6.6%
- Double digit growth in residential with strength in retail and e-commerce
- Mid-single digit growth in non-residential
- Venezuelan business divestiture results in headwind vs prior year

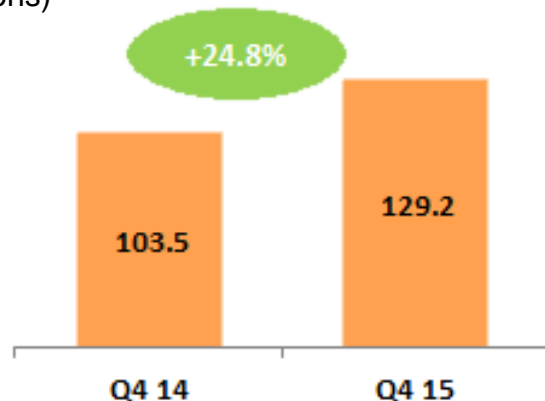
Q4 Adjusted Operating Margin +60bps

- Favorable margin improvement while absorbing currency headwind and divestiture
- Ex-Venezuela, margins improved +140 bps
- Productivity and material deflation more than offset other inflation and incremental investment
- Strong leverage on organic revenue growth

Fourth-Quarter 2015 EMEIA Results

Revenue

(\$millions)

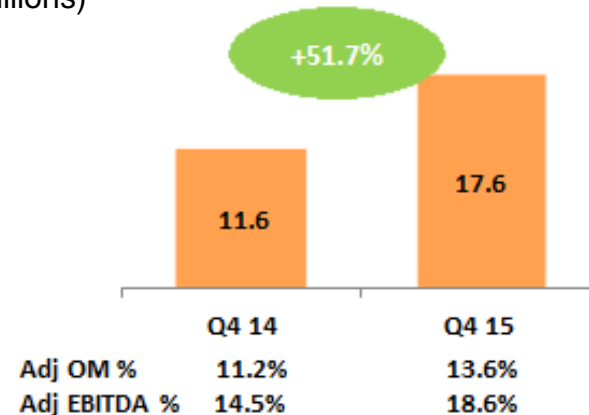


Q4 Revenue Performance

- Total growth +24.8%; organic growth +3.1%
- Strong revenue performance in Interflex and hospitality; partially offset by weak markets in Eastern Europe
- Strong growth from acquired companies added approximately \$35 million in the quarter

Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Adjusted Operating Margin +240bps

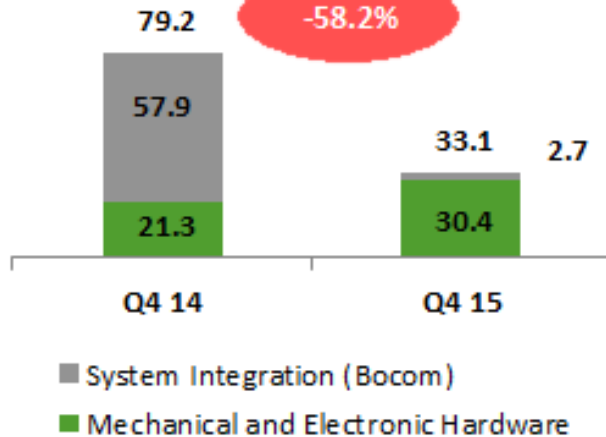
- Achieved margin improvement in every quarter of 2015 through transformation initiatives
- Price and productivity more than offset inflation
- Strong margin contribution from base business and acquisitions

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

Fourth-Quarter 2015 Asia Pacific Results

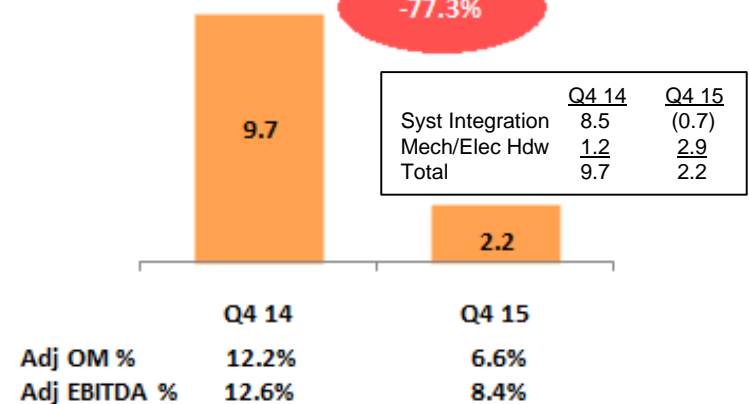
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

- Total growth -58.2%; organic growth -1.6%
- System integration business divestiture in Q4 driving total revenue decline.
- Mechanical and electronic hardware growth +42.7% driven by acquisitions and organic growth +12.2%

Q4 Adjusted Operating Margin -560bps

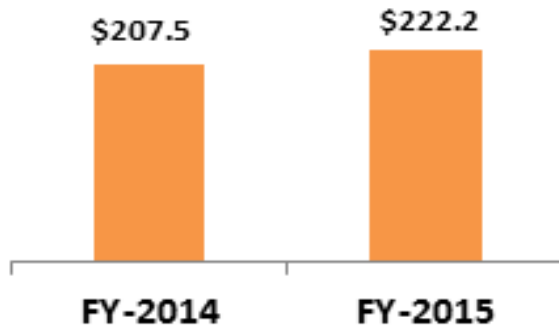
- Operating margin improved approximately +400bps VPY (excluding System integration business and including acquisitions)
- Price and productivity more than offsets inflation

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

Full-Year 2015 Allegion ACF

Available Cash Flow ¹

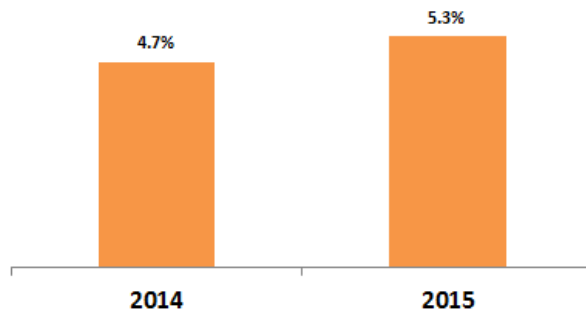
(\$millions)



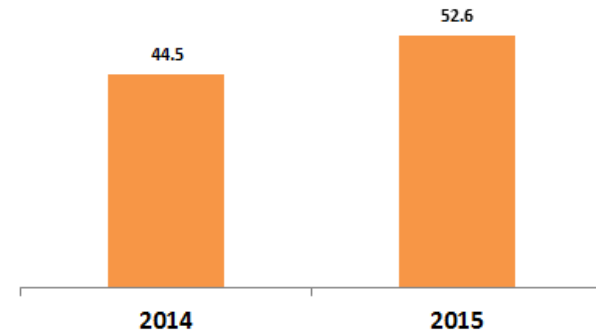
- 2015 FY ACF of \$222.2 million is \$14.7 million, or 7.1 percent, higher than prior year
- Increase in ACF primarily due to lower capital expenditures

Working Capital ² and Cash Conversion Cycle(CCC)³

FY Working Capital² % of Revenue



FY Cash Conversion Cycle³



**Continuing to deliver consistent cash flow;
Working capital now reflects recent acquisitions and divestitures**

Capital Allocation Strategy

Leverage Management

- Target 2.75-3.25x of gross Debt/Adj. EBITDA
- End 2015: 3.5x of gross Debt/Adj. EBITDA
- Continued EBITDA growth and debt amortization will reduce leverage to target range in 2016

Organic Growth Investment

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

M&A




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

Shareholder Distribution

- Q1 2016 quarterly dividend increased 20% to \$0.12 per ordinary share
- \$200 million share repurchase program announced. Executed \$80.3 million LTD

Balanced & Flexible Capital Allocation Remains a Priority

Full-Year 2016 Revenue Guidance

Region	Revenue Change ¹	Markets
Americas 	Total: 4% to 5% Organic: 5% to 6%	<ul style="list-style-type: none"> U.S. non-residential growing low to mid-single digit <ul style="list-style-type: none"> Institutional slowly improving; Commercial/Industrial cautious growth U.S. residential up mid-single digit driven by both builder and big box segments
EMEIA 	Total: 25% to 27% Organic: 1% to 3%	<ul style="list-style-type: none"> Southern security markets improving slightly, Eastern Europe continues to contract UK and Germany construction markets improving; Italy leaning positive after years of decline Middle East markets leading growth in region
Asia Pacific 	Total: -18% to -16% Organic: 5% to 7%	<ul style="list-style-type: none"> Non-residential markets growing low single-digit Residential markets growing mid single-digits China growth moderating; Australia, New Zealand, and Korea construction markets holding
Total	Total: 7% to 8% Organic: 4% to 5%	<ul style="list-style-type: none"> Solid organic growth in all regions Net acquisition/divestitures offset persistent currency headwinds

Full-Year 2016 EPS Guidance

2015 Reported EPS from Continuing Operations **\$1.59**

Adjustments (see press release for non-GAAP reconciliations) \$1.44

2015 Adjusted EPS from Continuing Operations **\$3.03**

Operational Improvements	\$0.55 to \$0.60
Acquisitions/Divestitures	\$0.10 to \$0.15
Investments	(\$0.10) to (\$0.15)
FX	(\$0.03) to (\$0.05)
Interest, Tax Rate, Other	(\$0.20) to (\$0.25)

<u>Investment Focus</u>	
New Products	40%
Channel/Marketing	40%
IT Systems	20%

2016 Adjusted EPS from Continuing Operations **\$3.25 to \$3.40**

Adjustments (restructuring and acquisition costs) (\$0.05) to (\$0.10)

2016 Reported EPS from Continuing Operations **\$3.15 to \$3.35**

Assumptions and Notes:

- Full-year effective tax rate assumption of 18% to 19%
- Average diluted share count for the full year of approximately 97 million shares

Adj. EPS Growth +7.3% to +12.2%; ACF \$280 to \$300 Million

Summary

- Delivered strong 2015 FY organic revenue growth of +5.4%
- Increased 2015 FY operating margins +50 bps
- Significant progress on EMEIA profitability transformation resulting in FY adjusted operating margin of approximately 8 percent
- Strong cash generation
- Reduced full year adjusted effective tax rate below 20%
- Strengthened business portfolio with strategic acquisitions and divestitures
- Superior growth from organic investments; solid progress on vitality index
- Forecasting continued growth in revenue, earnings and ACF
 - Organic revenue growth 4% to 5%
 - EPS \$3.25 to \$3.40; Increase of 7.3% to 12.2%
 - ACF \$280 to \$300 million, an increase of 26% to 35%

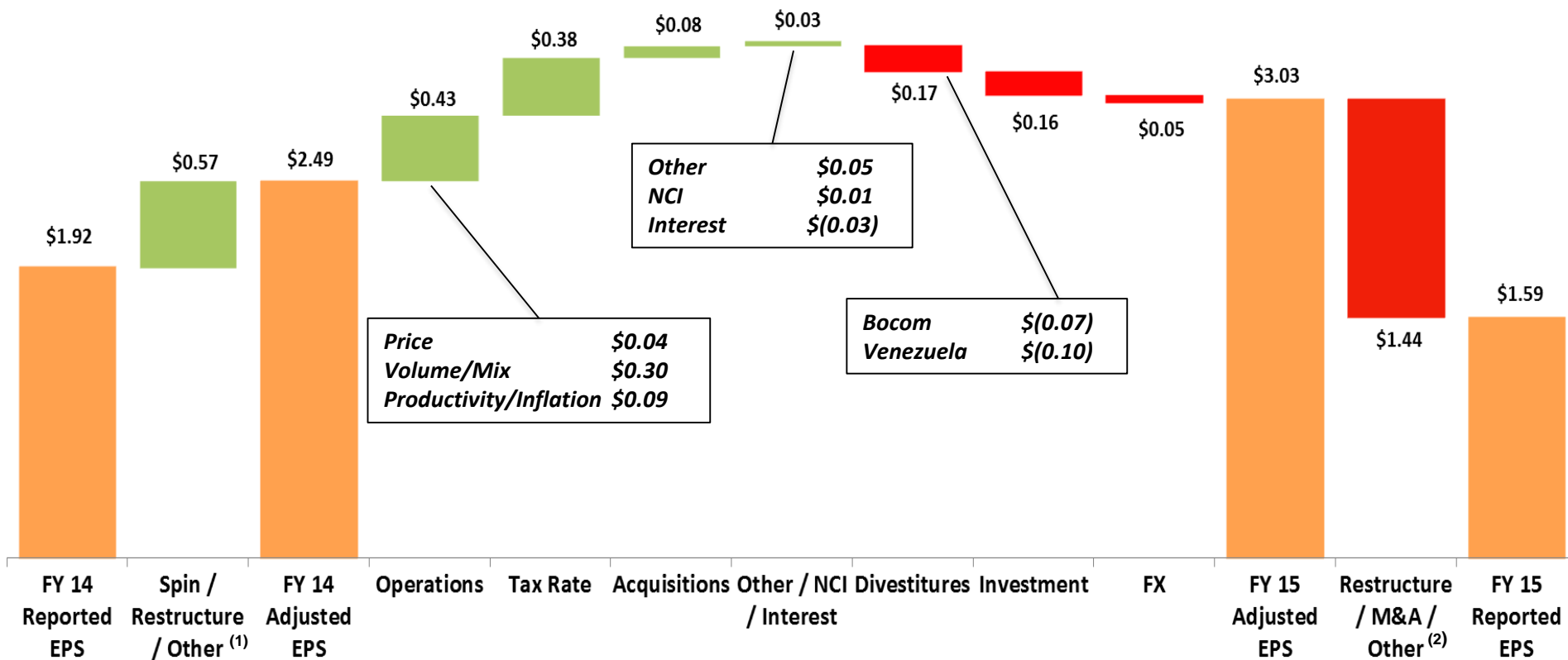
**Consistent performance since spin; Delivering on commitments;
Positioned well for 2016**



Appendix

Full Year 2015 Allegion EPS Performance

Full Year



(1) Other includes VZ inventory impairment, VZ devaluation and extinguishment of capitalized debt costs

(2) Other includes VZ inventory impairment, VZ devaluation and loss from divestitures of VZ & Bocom



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