



Allegion Third Quarter 2014 Results

October 30, 2014

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 2014 financial performance, the Company's growth strategy, the Company's capital allocation strategy, the Company's tax rate 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-Q for the quarter ended March 31, 2014, and the Form 10-Qs for the quarters ended 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.

Third Quarter Financial Highlights

- Revenue of \$546.7 million increased +6.8% on an adjusted basis¹, +6.4% on an adjusted *organic* basis²
 - Americas organic revenue growth of +8.5% on an adjusted basis
 - EMEIA organic revenue declined (0.9%)
 - Asia Pacific organic revenue growth +1.9%
- All regions delivered Q3 margin improvement
 - Adjusted operating income of \$110.4 million increased +15.4%; adjusted operating margin of 20.2% up 150 bps versus prior year
 - Adjusted margin improvement by region:
 - Americas +80 bps, EMEIA +570 bps, Asia Pacific +130 bps
- Adjusted EPS of \$0.68 increased +41.7%
- Raising full-year EPS outlook
 - Adjusted revenue growth approximately 4.5%
 - Adjusted EPS \$2.37 to \$2.42; reported EPS \$2.07 to \$2.12

Strong leverage in quarter...
Adjusted Revenue +6.8%, Adjusted Operating Income +15.4% (+150bps)

Strategy Update

Key Strategies

**Expand In
Core Markets**

**Innovation in
Existing and
New Product
Categories**

**Growth in
Emerging
Markets**

**Operational
Excellence**

**Opportunistic
Acquisitions**

- Launch of Engage platform, extending leadership in electronic offerings
- Continued execution of EMEIA margin recovery initiatives
- Beginning activities in the U.S. to build repair and renovation capability
- Focused capital allocation management
 - Credit facility amendment announced
 - Q3 share repurchase
 - Early acquisitions exceeding business expectations
 - Continuing to grow M&A pipeline and develop relationships

Maintaining focus and discipline on growth strategies

Engage Platform

This quarter we introduced ENGAGE™ technology to the market:

- This technology streamlines the transition from mechanical keys to electronic credentials
- Easy to install, manage and use
- Accommodates future expansion and reconfiguration
- Provides the opportunity for a global technology platform and extension into other product categories

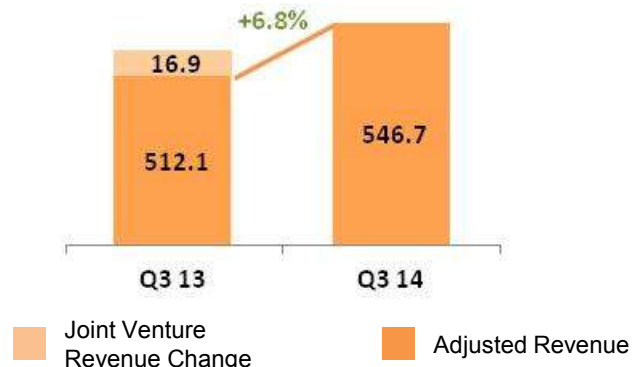


Leading the global convergence of mechanical & electronic solutions

Third Quarter 2014 Allegion Results

Adjusted Revenue⁽¹⁾

(\$millions)



Q3 Performance

- Total growth +6.8%; organic growth +6.4%
- Solid Americas performance with volume growth in all segments of the market
- European revenue down due to geopolitical uncertainty and selective exiting of certain markets
- Asia Pacific revenue growth driven by FSH acquisition and volume

Adjusted Operating Income⁽²⁾

(\$millions)



Q3 Adjusted Operating Margin

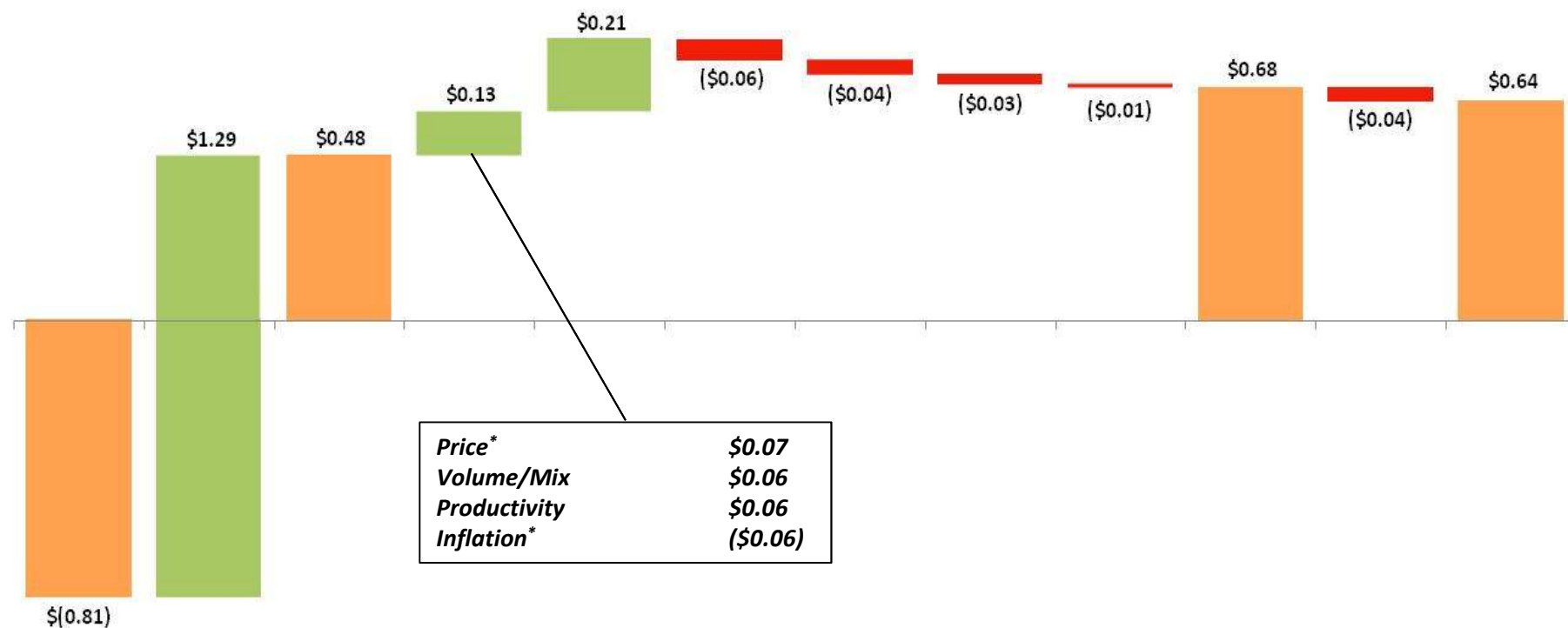
- Favorable margin improvement in all regions, strong volume leverage
- Price and productivity more than offset inflation
- Growth and operational improvements funded NPD and channel investments

(1) Revenue adjusted to reflect Asia consolidated joint venture order flow change

(2) Adjusted to exclude restructure, spin costs, land gain, asset impairment, and Asia consolidated joint venture order flow change

Third Quarter 2014 Allegion EPS Performance

Q3



Price*	\$0.07
Volume/Mix	\$0.06
Productivity	\$0.06
Inflation*	(\$0.06)

Q3 13 Reported EPS	Impairment / Land Gain / Restructure	Q3 13 Adjusted EPS	Operations	Tax	Interest	Investment	Non Controlling Interest	Share Dilution	Q3 14 Adjusted EPS	Spin / Restructure	Q3 14 Reported EPS
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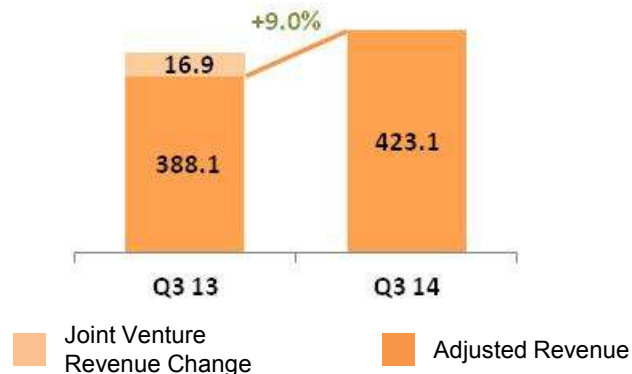
* Reflects price actions to compensate for higher inflation (primarily Venezuela)



Third Quarter 2014 Allegion Results - Americas

Adjusted Revenue⁽¹⁾

(\$millions)



Q3 Performance

- Adjusted revenue growth +9.0%; adjusted organic growth +8.5%
- Mid single-digit U.S. residential growth driven by strength in builder markets
- Mid single-digit non residential growth with strength in the mechanical segment
- Strong growth in Latin America

Adjusted Operating Income⁽²⁾

(\$millions)



Q3 Adjusted Operating Margin +80bps

- Volume leverage including ongoing investment in NPD and channels
- Price (Venezuela driven) and productivity offsetting inflation

(1) Revenue adjusted to reflect Asia consolidated joint venture order flow change

(2) Adjusted to exclude restructure, spin costs, and Asia consolidated joint venture order flow change

Third Quarter 2014 Allegion Results - EMEIA

Revenue

(\$millions)



Q3 Performance

- Revenue declined (2.8%); organic (0.9%)
- Favorable FX early in the quarter; offset by September movement
- Geopolitical headwinds; continued market weakness across key markets

Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Adjusted Operating Margin +570bps

- Realizing results of margin improvement initiatives
- Price, productivity, prior restructuring and selective exiting of certain markets driving margin improvement

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

Third Quarter 2014 Allegion Results – Asia Pacific

Revenue

(\$millions)



Q3 Performance

- Revenue growth +6.9%; organic +1.9%
- High single digit hardware growth led by strength in North Asia, Australia, and New Zealand
- Strong system integration backlog exiting Q3

Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Adjusted Operating Margin +130bps

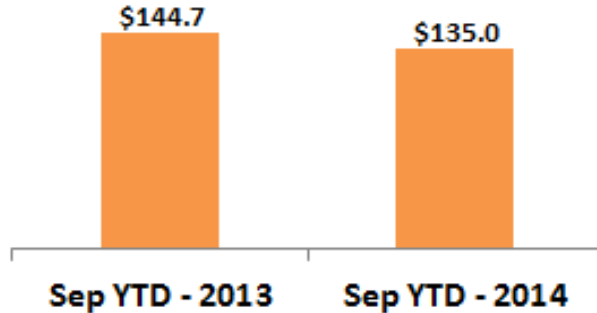
- Price and productivity offsetting inflation
- Accretive margins from FSH acquisition

(1) Adjusted to exclude restructure, spin costs, and land gain

Third Quarter 2014 Allegion ACF

Available Cash Flow ¹

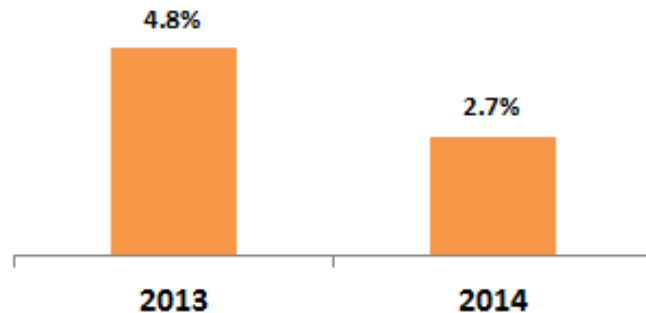
(\$millions)



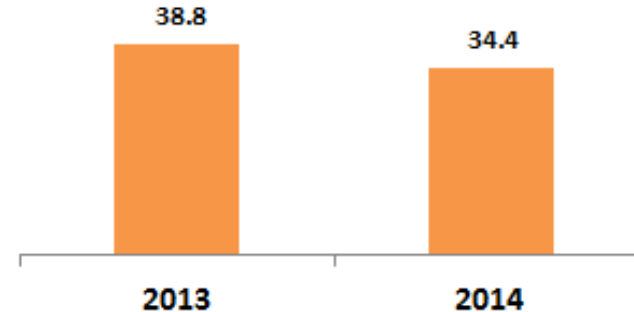
- Q3 YTD ACF is \$9.7 million lower than prior year
- Q3 YTD CAPEX is \$27.8 million higher than prior year due to new product development, information systems and spin related projects

Working Capital ² and Cash Conversion Cycle(CCC)³

Q3 Working Capital % of Revenue



Q3 Cash Conversion Cycle



Continuing to target ACF at ~100% of earnings

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/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 vertical markets
- Accelerate new product development
- Operational excellence
- Self-funding

M&A

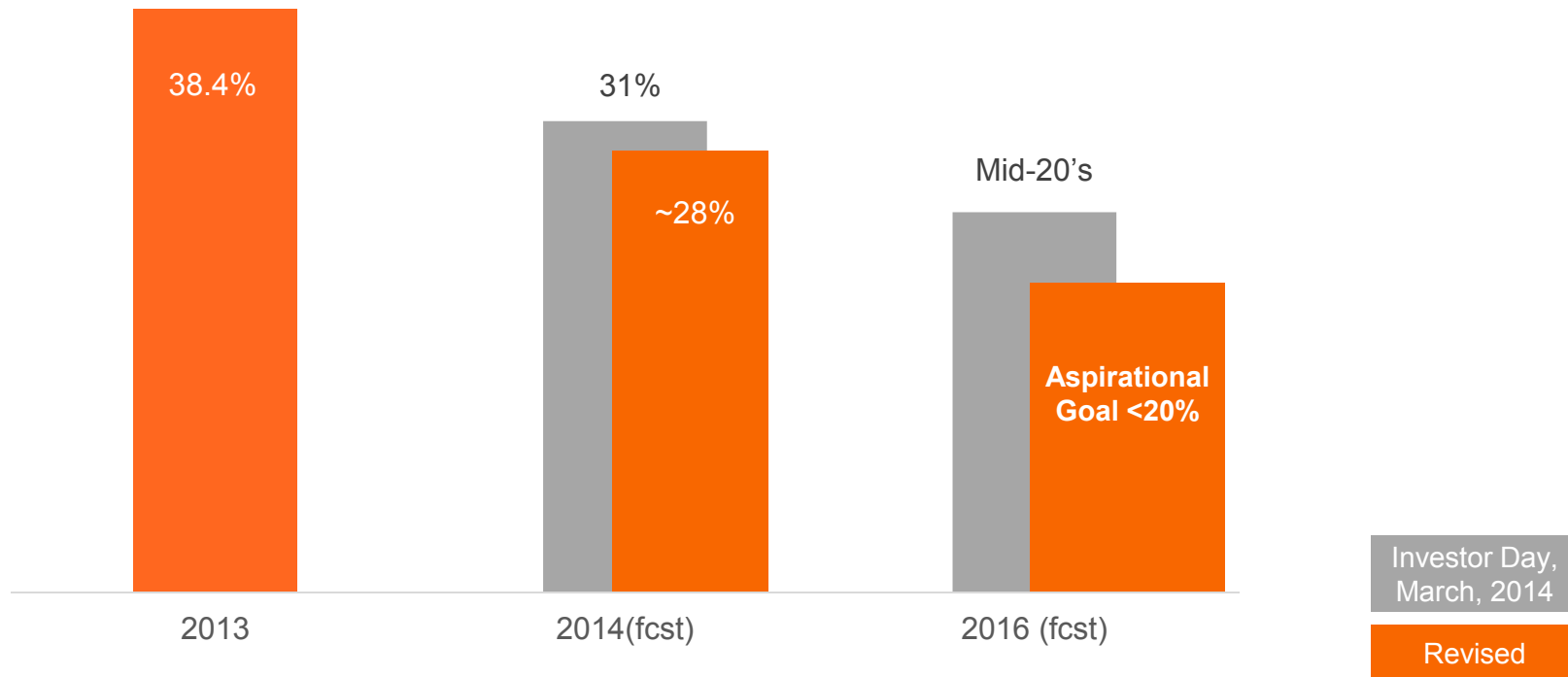
- Product expansion and increased presence in emerging markets and technologies
- Disciplined approach to acquisition management

Shareholder Distribution

- 2014 quarterly dividends: \$0.08 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; exceeding initial target by 2015.

⁽¹⁾ Effective tax rate adjusted for spin-off and other charges; Updated to reflect UK door business divestiture

Full-Year 2014 Revenue Update*



Americas

FY ~5%

- High single-digit residential growth and strong Venezuelan growth (pricing driven) offsetting modest non-residential growth as choppy markets continue
- Non-residential price increase announced early October



EMEIA

FY ~(2%)

- Lower revenue after restatement of divested UK door businesses and portfolio optimization actions
- Geo-political headwinds and general market weakness driving softness in core regions
- Currency driving additional headwind



Asia Pacific

FY ~10%

- Strong Q4 growth driven by system integration timing (exiting Q3 with strong backlog)
- China markets softening in both residential and non-residential segments

Total

FY ~4.5%

2014 Guidance Update

Adjusted YOY revenue change	~4.5%
2014 reported EPS from continuing operations	\$2.07 to \$2.12
2014 restructure, spin costs and the write-off of debt issuance costs	~\$(0.30)
Adjusted 2014 EPS from continuing operations	\$2.37 to \$2.42

Assumptions and Notes:

- Full-year effective tax rate assumption of 28%
- Average diluted share count for the full year of approximately 97 million shares
- Guidance does not reflect the potential risk of further devaluation of the Venezuelan bolivar

**Developing full year 2015 guidance;
anticipating modest market growth with double-digit earnings growth**

Summary

- Q3 adjusted organic revenue growth +6.4%
 - Solid growth in U.S. residential and non-residential segments
 - Managing through soft U.S. institutional and southern Europe markets
- All regions delivered Q3 margin improvement; total adjusted operating margin improved 150 bps
- Reduction in effective tax rate
- Driving innovation pipeline
- Solid working capital and cash conversion performance
- Raising full-year EPS outlook

Solid Q3; managing through uncertain markets



ALLEGION™