



Allegion Third-Quarter 2015 Results

October 29, 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 Italian restructuring plan, the performance of the markets in which the Company operates, and the Company's announced divestiture of Bocom Wincent, including the ability to timely close and the expected impact. 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, Form 10-Qs for the quarters ended March 31, June 30, September 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.

Third-Quarter 2015 Financial Highlights

- Revenue of \$544.5 million decreased 0.4%, +5.1% on an organic basis⁽¹⁾
 - Americas organic revenue growth +7.0%
 - EMEIA organic revenue growth +2.2%
 - Asia Pacific organic revenue decreased -10.2%
 - Allegion electronics revenue growth exceeding +30%
- Adjusted⁽²⁾ operating income of \$116.8 million increased 5.3%; Adjusted operating margin of 21.5% increased 120 bps versus prior year reflecting leverage on volume growth and productivity in excess of inflation and investments
 - Adjusted margin expansion in all regions
 - Incremental investment headwind 90 bps
- Adjusted EPS of \$0.92 increased +35.3%
- Raising and tightening full-year adjusted EPS outlook
 - Organic revenue growth 2.5 to 4.0%; Total revenue growth -2.5 to -1.5%
 - Adjusted EPS \$2.85 to \$2.90; Reported EPS \$1.46 to \$1.51

Solid organic growth and margin improvement; Raising FY EPS outlook

Notable Third-Quarter Events

- Three Acquisitions Completed
 - Milre System Co., Ltd. (7/31/15)
 - SimonsVoss Technologies GmbH (9/1/15)
 - Axa Stenman Holding (9/1/15)
- Two Divestitures Complete/Announced
 - Venezuelan business (9/1/15)
 - Bocom Wincent (Announced – Pending)
- Restructuring
 - Achieved ratification and agreement for CISA worksite transformation plan
- Debt Structure
 - Issuance of \$300 million of senior notes due 2023
 - Amendment and extension of senior credit facility



Schlage **Sense**TM

- Schlage Sense pre-orders started Sept. 1
- *Hardware and Building Supply Dealer*: “...one of the strongest, most intelligent Bluetooth-enabled locks on the market.”
- *Mashable*: “ ‘Siri, it’s bedtime.’ And with that, the Lutron Serena shades drop, the Schlage door lock bolts tight and the Philip Hue lights soften. This is Apple’s vision for your future smart home, but it’s not exactly in the future — it’s happening now...”
- *Mac Rumors*: “...the first door lock that works with Apple’s HomeKit home automation service.”
- Featured in *Fortune*, *CNBC*, *TechCrunch*, *CNET* & *App Advice*, among others

Third-Quarter 2015 Allegion Revenue Results

<u>3Q15</u>		<u>Q3 Reported</u>	<u>Q3 Organic⁽¹⁾</u>	
		<u>Growth</u>	<u>Growth</u>	
Price	1.2%	Americas	-1.0%	7.0%
Volume	<u>3.9%</u>	EMEIA	2.2%	2.2%
Organic	5.1%	Asia Pacific	0.0%	-10.2%
Acq./Div.	2.0%			
Currency	<u>-7.5%</u>			
Total	-0.4%	Total Allegion	-0.4%	5.1%

Americas strong organic growth continues; Acquisitions contributing; Currency headwinds persist

Third-Quarter 2015 Allegion Results

Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Revenue Performance

- Total growth -0.4%; organic growth +5.1%
- Strong organic growth in Americas and EMEIA
- Overall electronics up +30%
- Increased growth from new products, channel initiatives and acquisitions
- Currency headwinds continue

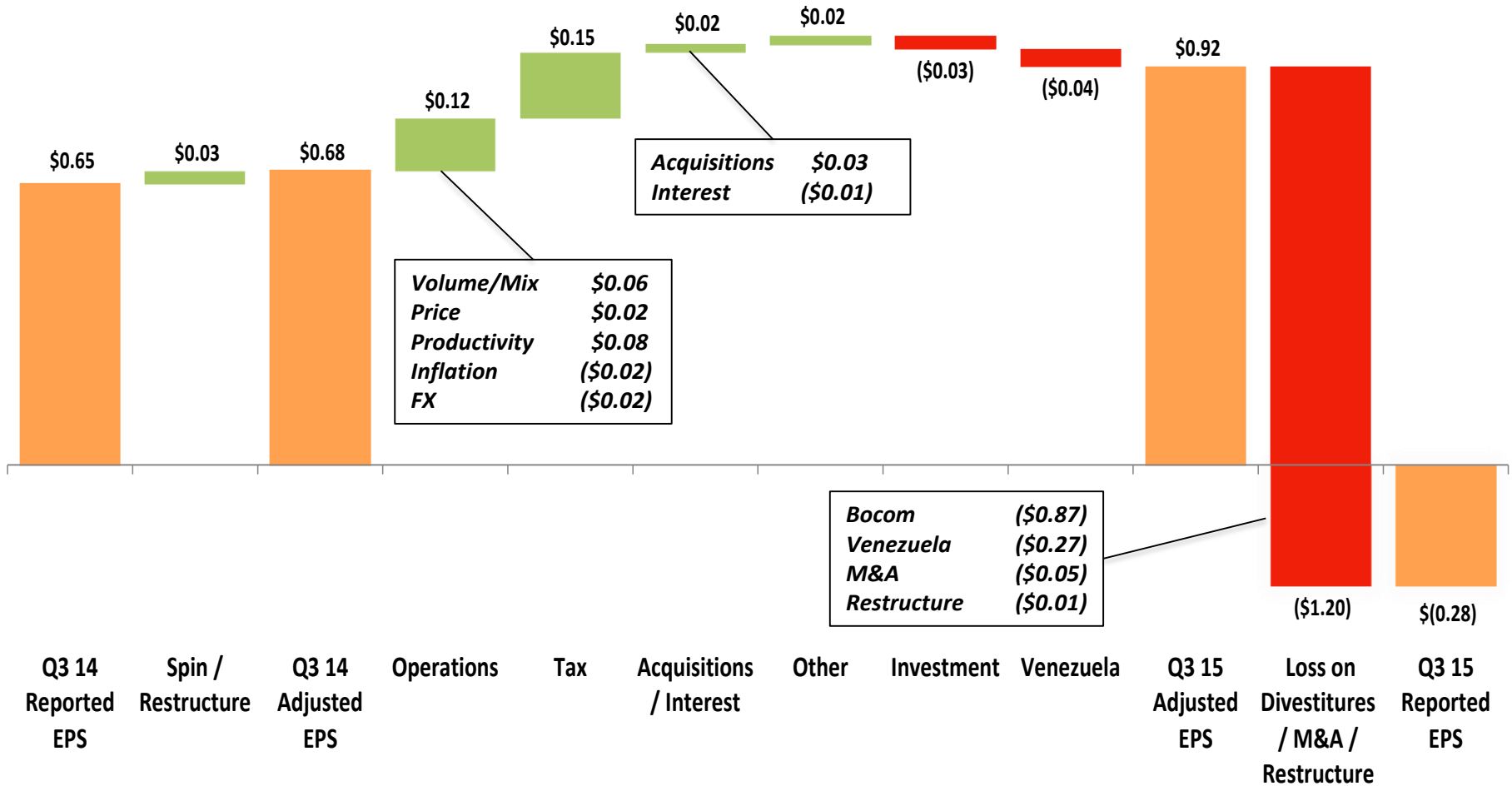
Q3 Adjusted Operating Margin +120bps

- Margin improvement in all regions
- Strong operating leverage on incremental volume
- Price and productivity more than offset inflation and incremental investments

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

Third-Quarter 2015 Allegion EPS Performance

Q3



Third-Quarter 2015 Americas Results

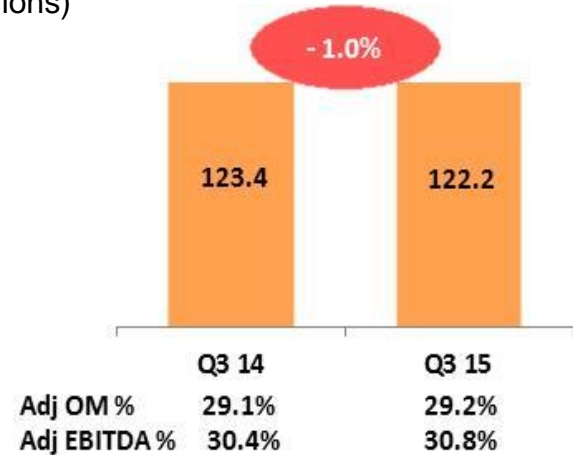
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Revenue Performance

- Total growth -1.0%; organic growth +7.0%
- Strong growth in non-residential and residential products
- Double-digit electronic product growth
- Venezuela bolivar devaluation and divestiture offsetting organic strength

Q3 Adjusted Operating Margin +10bps

- Positive margin expansion inclusive of Venezuelan FX headwinds and divestiture
- Price and productivity exceeded inflation and investment
- Continued investment in new product development and channel initiatives

Third-Quarter 2015 EMEIA Results

Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Revenue Performance

- Total growth +2.2%; organic growth +2.2%
- Benefit of acquisitions offsetting currency headwind
- Strong electronics growth continues

Q3 Adjusted Operating Margin +510bps

- Continued progress on EMEIA margin transformation
- Good price realization
- Strong productivity offsetting inflation and investments
- Acquisitions accretive to margins, adding approximately 200 bps improvement

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

Third-Quarter 2015 Asia Pacific Results

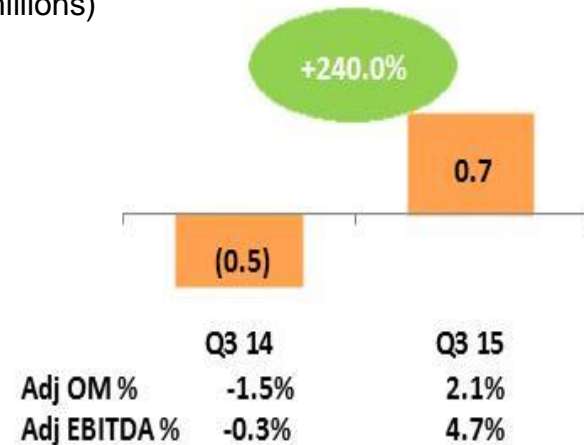
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Revenue Performance

- Total growth flat to PY; organic growth -10.2%
- Strong double-digit growth in hardware business offset currency headwinds
- Acquisitions offset declines in the systems integration business, Bocom Wincent, resulting from softening economy and project delays

Q3 Adjusted Operating Margin +360bps

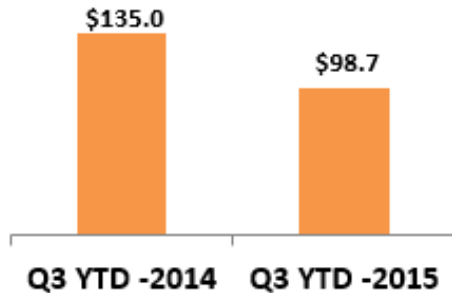
- Acquisitions accretive to margins
- Price and productivity offset inflation and investments

(1) Current year adjusted to exclude restructure and M&A costs

Third-Quarter 2015 Allegion ACF

Available Cash Flow ¹

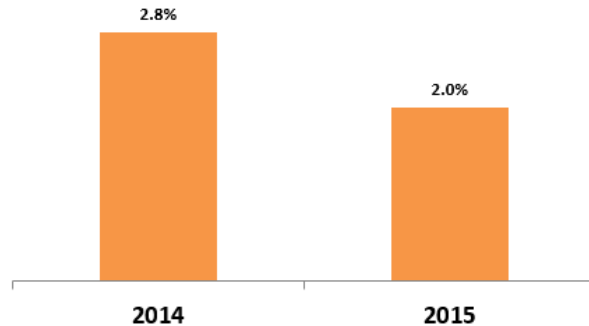
(\$millions)



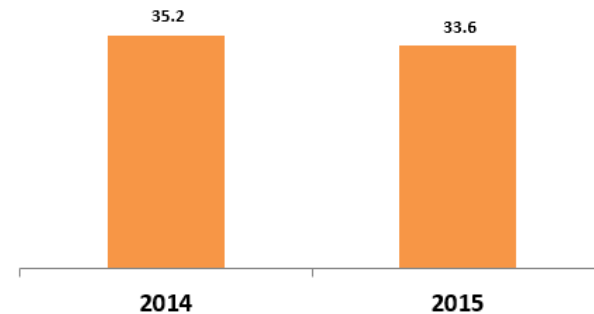
- Q3 YTD ACF is \$36.3 million less than prior year, primarily due to increased operating cash requirements and one-time cash tax payments partially offset by reduced capital expenditures

Working Capital ² and Cash Conversion Cycle(CCC)³

Q3 Working Capital² % of Revenue



Q3 Cash Conversion Cycle³



Estimating full-year available cash flow of approximately \$200M

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)

Full-Year 2015 Guidance

YOY Total Revenue Growth -2.5% to -1.5%

YOY Organic⁽¹⁾ Revenue Growth 2.5% to 4.0%

2015 Reported EPS from Continuing Operations \$1.46 to \$1.51

Impairment of Bocom business, Loss on Venezuela divestment, 2015 Venezuela Devaluation, Restructuring, and M&A expenses ~\$1.39

2015 Adjusted EPS from Continuing Operations \$2.85 to \$2.90

Assumptions and Notes:

- Full-year adjusted effective tax rate assumption updated to approximately 20%
- Average diluted share count for the full year of approximately 97 million shares
- Reported EPS guidance excludes additional \$5.5 to \$7.5M estimated charge at time of closing of the Bocom Wincent sale

Americas	Total	-1.5% to -0.5%
	Organic	5.5% to 6.5%
EMEA	Total	-4% to -2%
	Organic	-2% to Flat
Asia Pacific	Total	-10% to -8%
	Organic	-15% to -13%

Adjusted EPS Growth +14% to +16%

(1) Organic excludes acquisitions/divestments and currency impacts

Summary

- Q3 adjusted organic revenue growth +5.1%; Adjusted operating margin +120bps
 - Growth and expansion of electronic portfolio
 - Accretive acquisitions
 - Slowing of China system integration business
- U.S. markets continue slow but steady improvement; European markets more positive
- EMEA profitability improvement continues (+510bps operating margin)
- Completed three acquisitions: SimonsVoss, Axa Stenman, Milre System
- Schlage Sense adding to a leading portfolio of residential electronic solutions
- Raising 2015 full-year outlook
 - Organic revenue growth 2.5% to 4.0%
 - Adjusted EPS \$2.85 to \$2.90; Growth of +14% to +16%

Slow and choppy economy; Performing and executing at a high level



TM

ALLEGIONTM