



Allegion First-Quarter 2018 Results

April 26, 2018

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 2018 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 the Company's 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, 2017, Form 10-Q for the quarter ended March 31, 2018, and in its other SEC filings. The Company assumes no obligations to update these forward-looking statements.

The Company presents operating income, operating margin, net earnings, diluted earnings per share (EPS), on both a U.S. GAAP basis and on an adjusted basis, organic revenue growth on a U.S. GAAP basis, and also presents adjusted EBITDA and adjusted EBITDA margin. The Company presents these measures because management believes they provide useful perspective of the Company's underlying business results, trends and a more comparable measure of period-over-period results. These measures are also used to evaluate senior management and are a factor in determining at-risk compensation. Investors should not consider non-GAAP measures as alternatives to the related GAAP measures.

Safe Harbor

The Company defines the presented non-GAAP measures as follows:

- Adjustments to operating income, operating margin, net earnings, EPS and EBITDA include items such as goodwill impairment charges, restructuring charges, asset impairments, merger and acquisitions costs, debt refinancing costs, and charges related to the divestiture of businesses.
- Organic revenue growth is defined as U.S. GAAP revenue growth excluding the impact of divestitures, acquisitions and currency effects.
- Available cash flow is defined as U.S. GAAP net cash from operating activities less capital expenditures.

These non-GAAP measures may not be defined and calculated the same as similar measures used by other companies. 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.

First-Quarter Financial Highlights

- Revenue of \$613.1 million increased +11.7%, +3.3% on an organic basis¹
 - Americas organic revenue growth +2.7%
 - EMEIA organic revenue growth +5.9%
 - Asia-Pacific organic revenue growth +0.2%
- Adjusted² operating income of \$104.2 million increased 2.8%; adjusted operating margin of 17% decreased 150 bps versus prior year
 - Margin pressure across all three regions driven primarily by inflationary pressures
 - Incremental investment headwind 70 bps
 - Acquisitions reduced margins 40 bps
- Adjusted EPS of \$0.80 increased +9.6%
- Affirming full-year outlook:
 - Reported revenue growth of 10.5% to 11.5% and organic revenue growth of 4% to 5%
 - Reported full-year EPS of \$4.20 to \$4.35 and adjusted full-year EPS of \$4.35 to \$4.50, reflecting growth of ~10% to 14%



Award-Winning Von Duprin RM/RU School Solution

Reading is Your Ticket to the World!

- Launched February 2018 as retrofit solution to provide increased perimeter security for K-12 schools
- Won prestigious “Judges Choice” award from Security Industry Association at ISC West 2018
- Enables centralized, remote daily lockup or emergency lockdown
- Allows convenient monitoring with a comprehensive view of door status that includes electronic sensors
- Provides wireless electronic override of mechanical security

First-Quarter 2018 Allegion Revenue Results

	<u>Q1-18</u>		<u>Q1</u> <u>Reported</u> <u>Growth</u>	<u>Q1</u> <u>Organic</u> ¹ <u>Growth</u>
Price	1.3%	Americas	7.7%	2.7%
Volume	2.0%	EMEIA	26.9%	5.9%
Organic	3.3%	Asia Pacific	3.9%	0.2%
Acquisition	4.7%			
Currency	3.7%			
Total	11.7%	Total Allegion	11.7%	3.3%

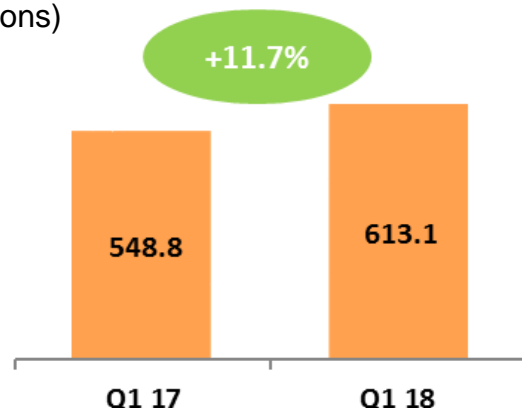
Double-Digit, Top-line Growth with Contributions from Acquisitions & Currency Adding to Modest Organic Growth

¹ Organic excludes acquisitions and currency impacts
See press release for non-GAAP reconciliations

First-Quarter 2018 Allegion Results

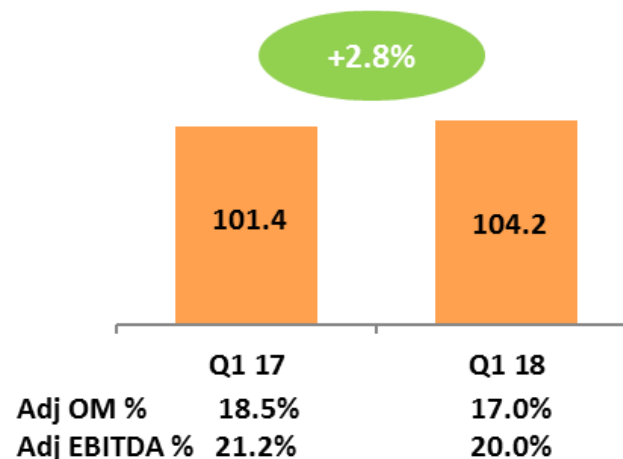
Revenue

(\$millions)



Adjusted Operating Income

(\$millions)



Q1 Revenue Performance

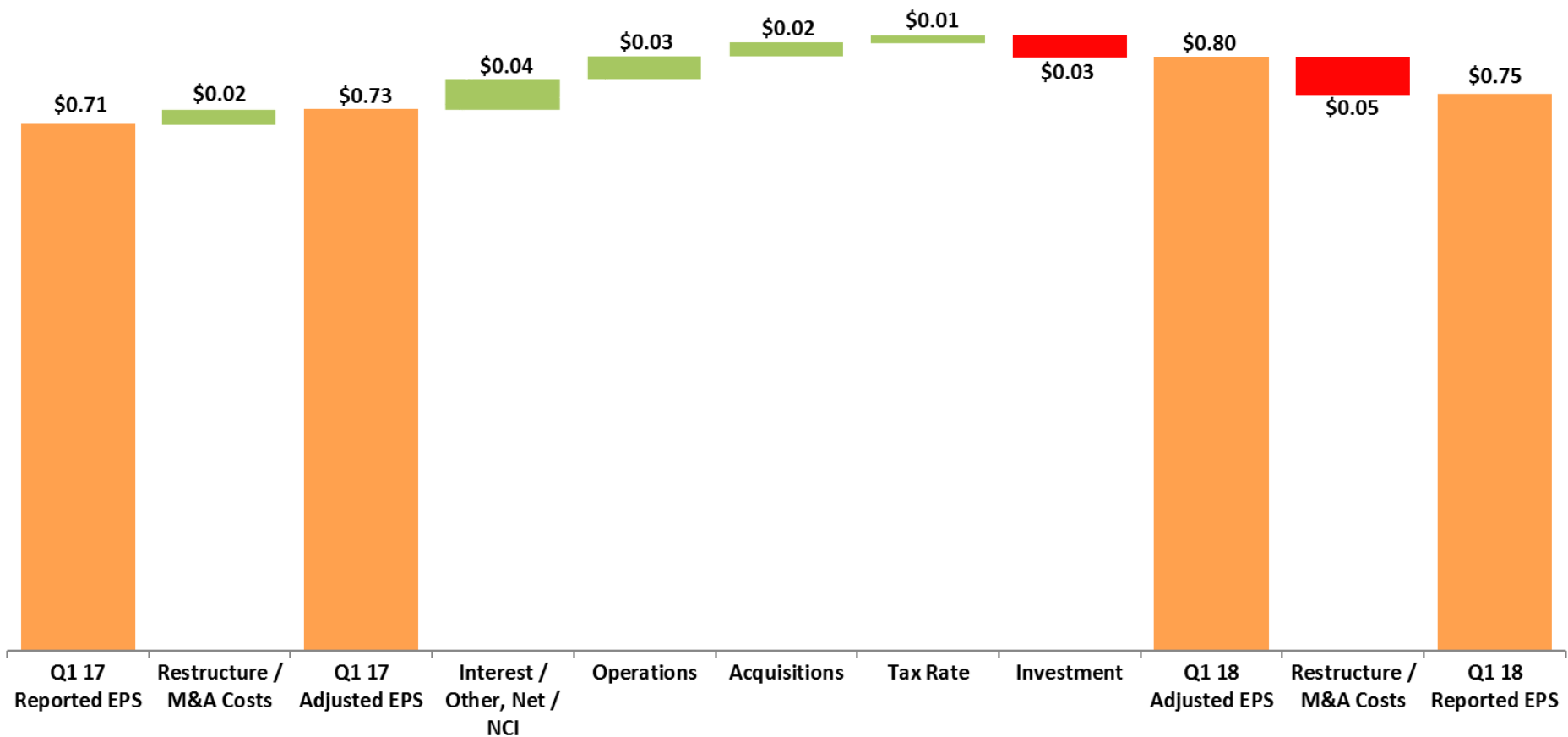
- Total revenue growth +11.7%; Organic growth +3.3%
- Strong organic growth in EMEIA
- Acquisitions added 4.7% growth or ~\$26 million
- Currency tailwinds added to good price realization and modest volume

Q1 Adjusted Operating Margin -150bps

- Inflation in excess of price and productivity, primarily in EMEIA and Asia Pacific
- Incremental investments a headwind
- Acquisitions dilutive to consolidated margins, accretive to adjusted EPS
- Unfavorable product and geographic mix

First-Quarter 2018 Allegion EPS Performance

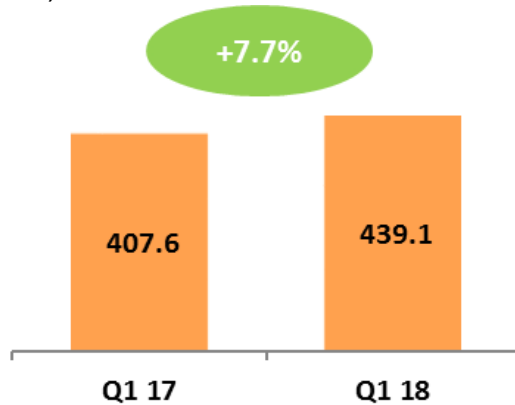
Q1



First-Quarter 2018 Americas Results

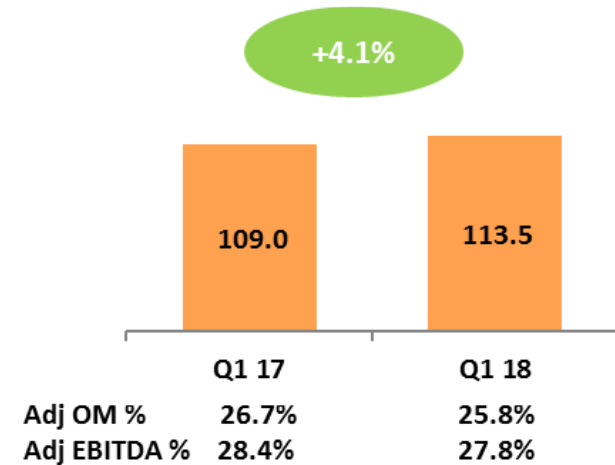
Revenue

(\$millions)



Adjusted Operating Income

(\$millions)



Q1 Revenue Performance

- Total revenue growth +7.7%; Organic growth +2.7%
- High-teens growth in electromechanical products
- TGP and AD Systems acquisitions adding 4.7% to total growth
- Mid-single digit growth in residential; Non-residential (ex-acquisitions) up low-single digits

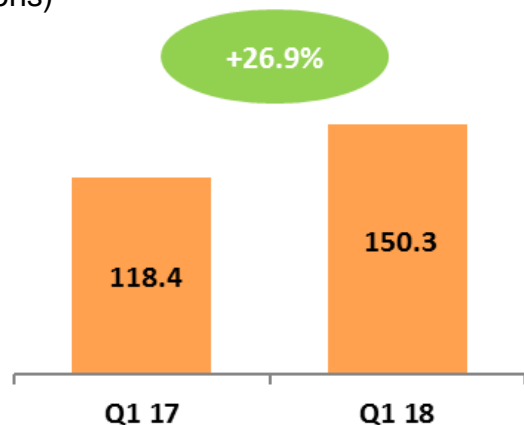
Q1 Adjusted Operating Margin -90bps

- Price and productivity in excess of inflation, driving +30 bps
- Incremental investment headwind 30 bps
- Acquisitions dilutive to margins 70 bps, as expected
- Unfavorable product and business mix

First-Quarter 2018 EMEIA Results

Revenue

(\$millions)

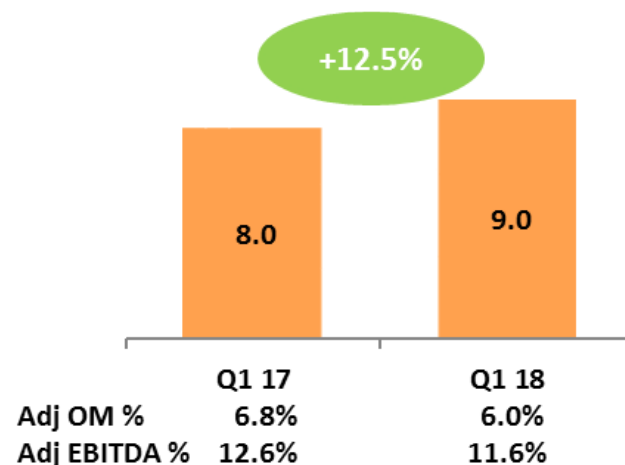


Q1 Revenue Performance

- Total revenue growth +26.9%; Organic growth +5.9%
- Strong organic growth across most business units and geographies
- Total growth driven by organic growth, FX tailwinds and benefits of QMI acquisition

Adjusted Operating Income

(\$millions)



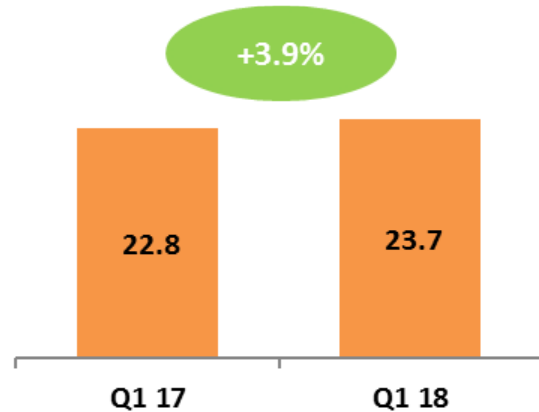
Q1 Adjusted Operating Margin -80bps

- Inflationary pressures exceeded price and productivity
- Incremental investment headwind 120 bps
- Leverage from incremental volume partially offsets margin declines noted above

First-Quarter 2018 Asia-Pacific Results

Revenue

(\$millions)

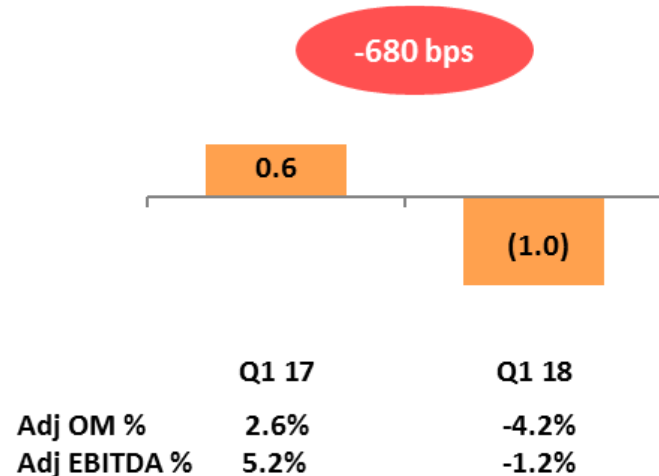


Q1 Revenue Performance

- Total revenue growth +3.9%; Organic growth +0.2%
- Flat organic growth driven by project timing
- Total growth driven by FX tailwinds

Adjusted Operating Income

(\$millions)



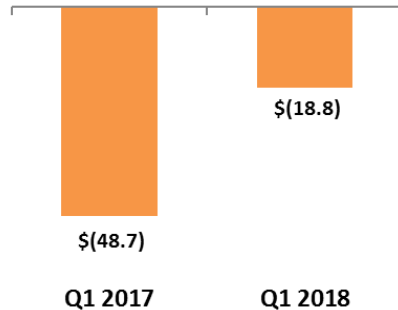
Q1 Adjusted Operating Margin -680bps

- Unfavorable product and geographic mix
- Inflation exceeded price and productivity
- Incremental investment headwind 180 bps

First-Quarter 2018 Allegion ACF

Available Cash Flow¹

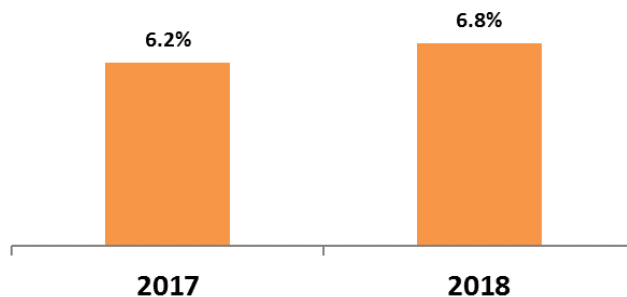
(\$millions)



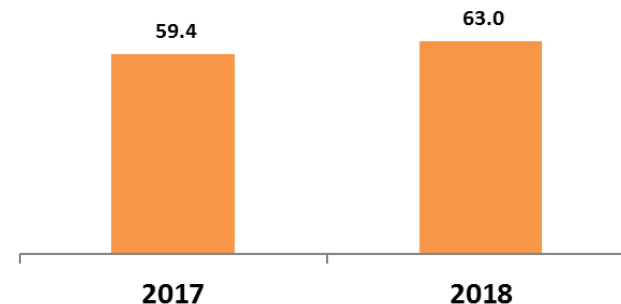
- Increase in ACF is due to Q1 2017 \$50 million discretionary pension funding and incremental earnings, partially offset by higher cash taxes and increased working capital

Working Capital² & Cash Conversion Cycle (CCC)³

Q1 Working Capital % of Revenue



Q1 Cash Conversion Cycle



Affirming Full-Year ACF Outlook Range of \$380 to \$400 Million

¹ Net cash from 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)
See press release for non-GAAP reconciliations

Full-Year 2018 Outlook

- **Affirming Annual Outlook**

- Total revenue growth at +10.5% to +11.5%
- Organic revenue growth of +4% to +5%
- Reported EPS of \$4.20 to \$4.35
- Adjusted EPS of \$4.35 to \$4.50, representing growth of ~10% to 14%
- Available cash flow of \$380 to \$400 million
- Full-year tax rate assumption at approximately 16%
- Share count at approximately 96 million shares

Affirming Full-Year Outlook

Summary

- Q1 revenue increased \$64.3 million, +11.7% vs. prior year
 - Organic revenue growth +3.3%
 - Acquisitions contributing \$25.8 million
- Q1 2018 adjusted operating margins down 150 bps, primarily driven by inflationary pressures
- Adjusted EPS of \$0.80 increased 9.6%
- Affirming consolidated full-year revenue outlook
 - Total revenue growth of +10.5% to +11.5%
 - Organic revenue growth of +4% to +5%
- Affirming full-year EPS outlook
 - Reported EPS \$4.20 to \$4.35 per share
 - Adjusted EPS \$4.35 to \$4.50 per share, growth of ~10% to 14%
- Affirming Available Cash Flow outlook \$380 to 400 million

Positioned to Deliver Full-Year Outlook



ALLEGIONTM