



Allegion Second-Quarter 2017 Results

July 27, 2017

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 2017 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, 2016, Form 10-Qs for the quarters ended March 31, 2017, and June 30, 2017, 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 revenue, operating income, operating margin, net earnings, EPS and EBITDA include items that are considered to be unusual or infrequent in nature such as goodwill impairment charges, restructuring charges, asset impairments, merger and acquisitions 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.

Second-Quarter Financial Highlights

- Revenue of \$627 million increased +7.2%, +6.2% on an organic basis¹
 - Americas organic revenue growth +6.1%
 - EMEIA organic revenue growth +6.3%
 - Asia-Pacific organic revenue growth +7.8%
- Adjusted² operating income of \$136 million increased 8.2%; adjusted operating margin of 21.7% increased 20 bps versus prior year
 - Americas +20 bps, EMEIA -30 bps, Asia Pacific -70 bps
 - Incremental investment headwind 100 bps
- Adjusted EPS of \$1.11 increased +12.1%
- Raising full-year EPS guidance:
 - Reported full-year EPS to \$3.55 to \$3.72 per share
 - Adjusted full-year EPS to \$3.65 to \$3.80 per share

Continued Strong Organic Revenue & Earnings Growth



Organic Investments

Driving above-market growth



Channel Segmentation & Initiatives

Innovation & New Product Development



Strategic Relationships in Connected Products



Second-Quarter 2017 Allegion Revenue Results

	<u>Q2-17</u>		<u>Q2</u> <u>Reported</u> <u>Growth</u>	<u>Q2</u> <u>Organic</u> ¹ <u>Growth</u>
Price	2.4%	Americas	7.4%	6.1%
Volume	3.8%	EMEIA	6.3%	6.3%
Organic	6.2%	Asia Pacific	9.0%	7.8%
Acquisitions	1.9%			
Currency	-0.9%			
Total	7.2%	Total Allegion	7.2%	6.2%

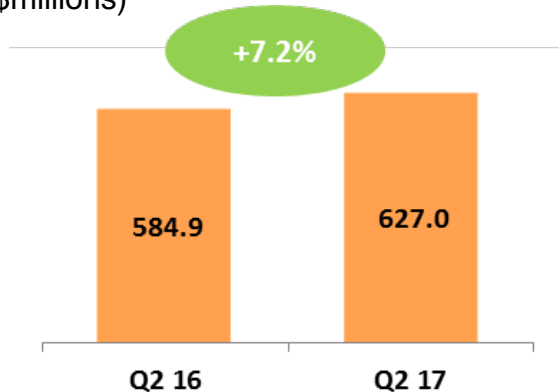
Strong Organic Growth (volume & price); Contributions from Acquisitions Partially Offset by Currency Headwinds

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

Second-Quarter 2017 Allegion Results

Revenue

(\$millions)

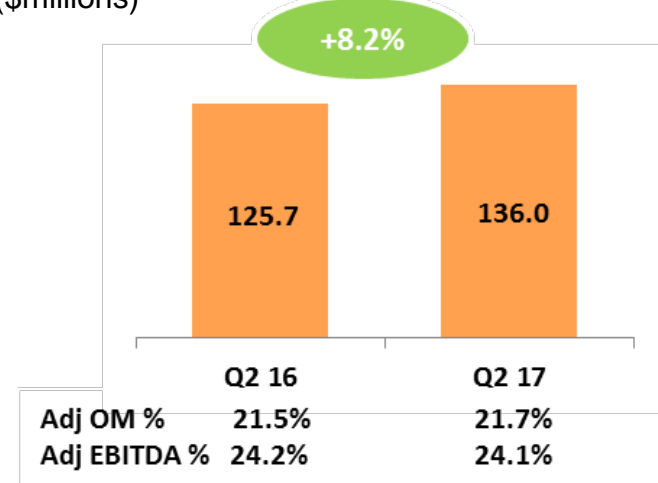


Q2 Revenue Performance

- Total reported growth +7.2%; Organic growth +6.2%
- Mid-single digit organic growth in all regions
- Strong volume and price partially offset by FX headwinds

Adjusted Operating Income¹

(\$millions)

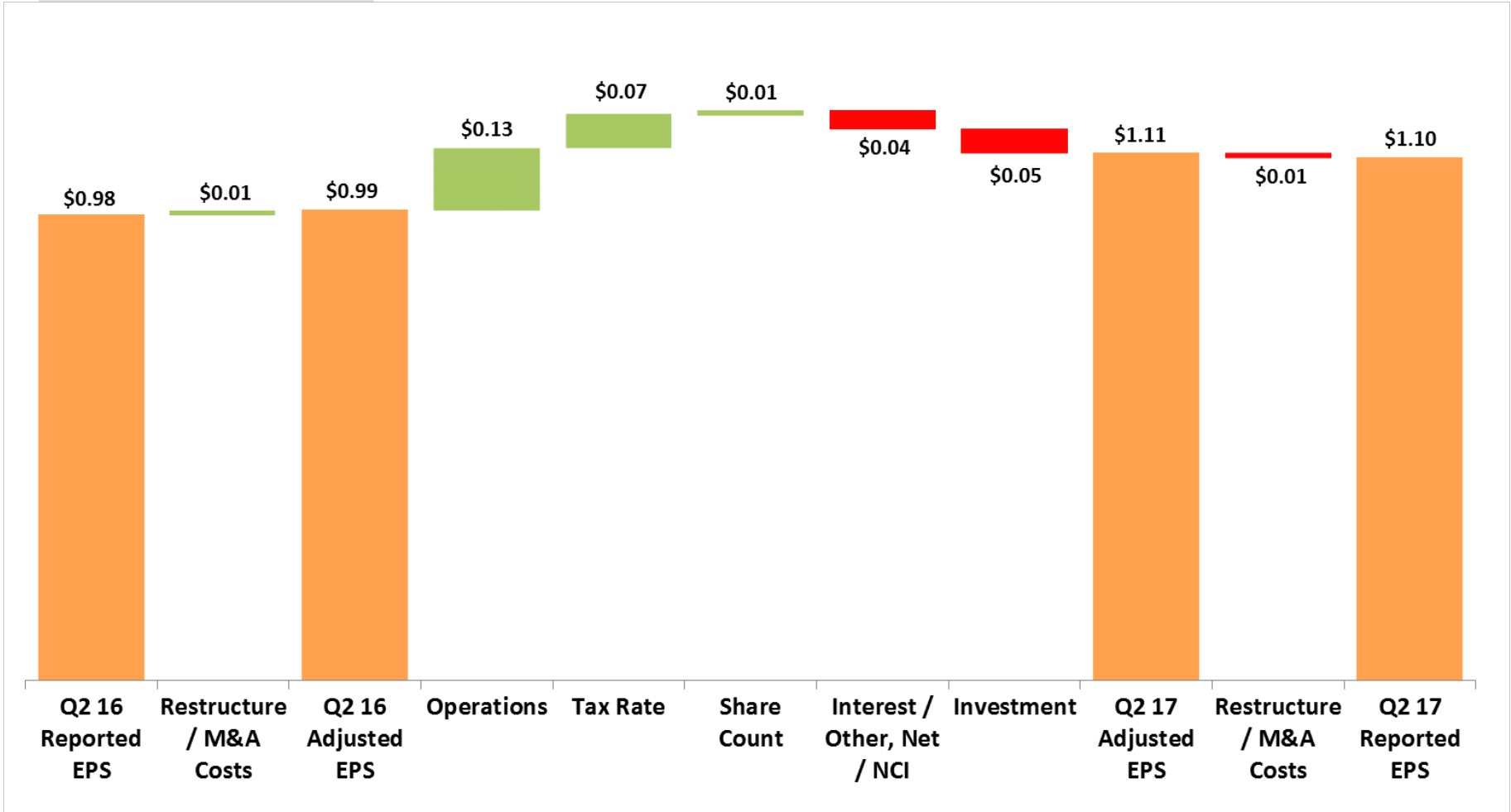


Q2 Adjusted Operating Margin +20bps

- Operating leverage on incremental volume is partially offset by unfavorable mix
- Price and productivity more than offset inflation, incremental investments and FX

Second-Quarter 2017 Allegion EPS Performance

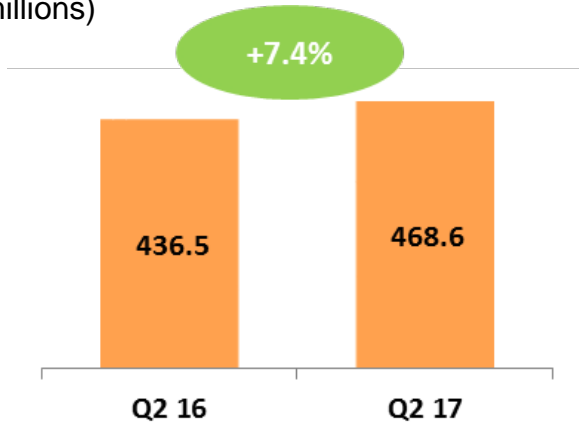
Q2



Second-Quarter 2017 Americas Results

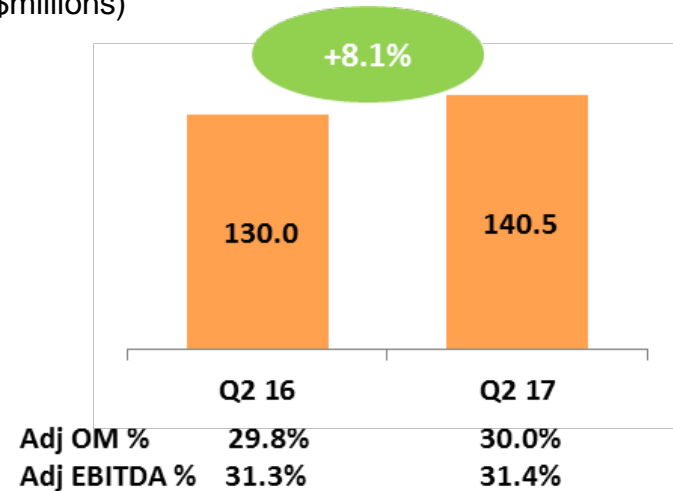
Revenue

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q2 Revenue Performance

- Total reported growth +7.4%; Organic growth +6.1%. Solid contribution from price and volume
- Low double-digit organic growth in residential
- Mid single-digit organic growth in non-residential
- Low double-digit Electronics growth
- 1H growth: Reported +9.6%; Organic +8.0%

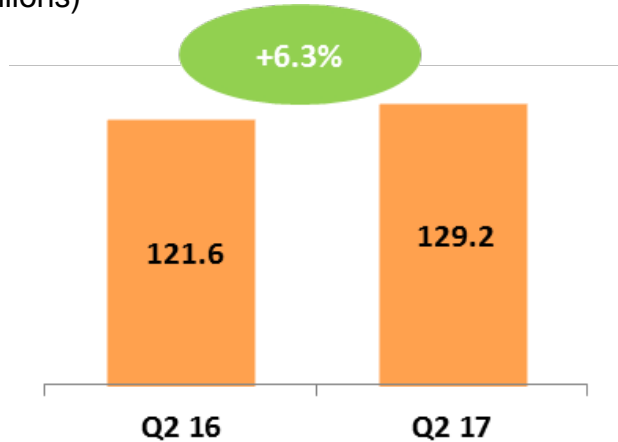
Q2 Adjusted Operating Margin +20bps

- Strong price for the quarter
- Price and volume more than offset inflation, unfavorable mix and incremental investment
- Incremental investment headwind 90 bps

Second-Quarter 2017 EMEIA Results

Revenue

(\$millions)

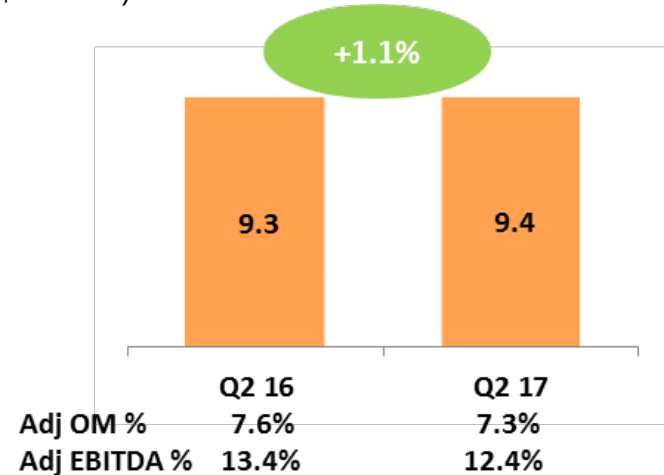


Q2 Revenue Performance

- Total reported revenue growth +6.3%; Organic growth +6.3%
- Strong growth in Portable Security and solid price for the quarter partially offset by FX headwinds

Adjusted Operating Income¹

(\$millions)



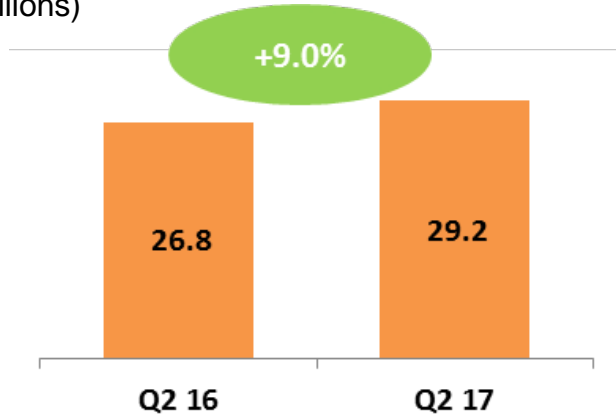
Q2 Adjusted Operating Margin -30bps

- Price and productivity offset inflation and incremental investments
- YOY margin declined primarily due to unfavorable product and geographic mix and FX headwinds

Second-Quarter 2017 Asia-Pacific Results

Revenue

(\$millions)

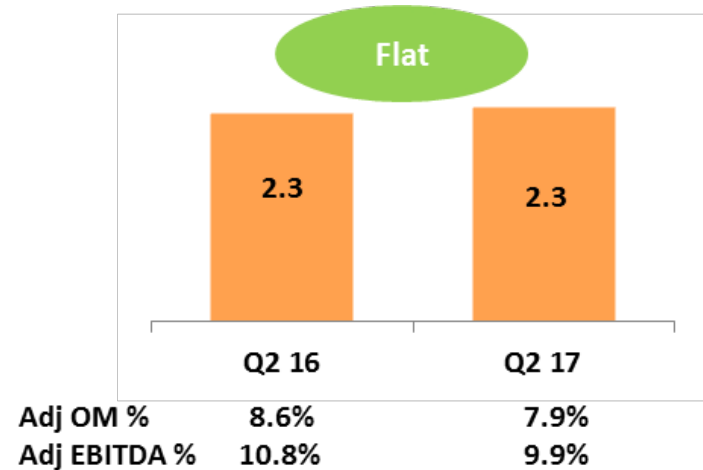


Q2 Revenue Performance

- Total reported growth +9.0%; Organic growth +7.8%
- Strong growth in electronic locks

Adjusted Operating Income¹

(\$millions)



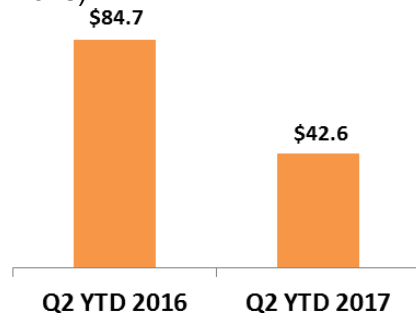
Q2 Adjusted Operating Margin -70bps

- Price, volume and productivity is offset by inflation, unfavorable regional mix and incremental investments
- YTD adjusted operating margin +80bps

Second-Quarter 2017 Allegion ACF

Available Cash Flow¹

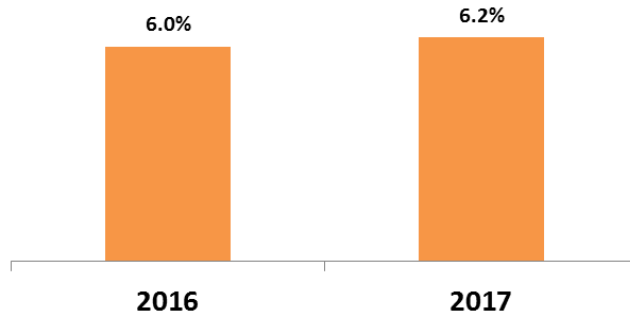
(\$millions)



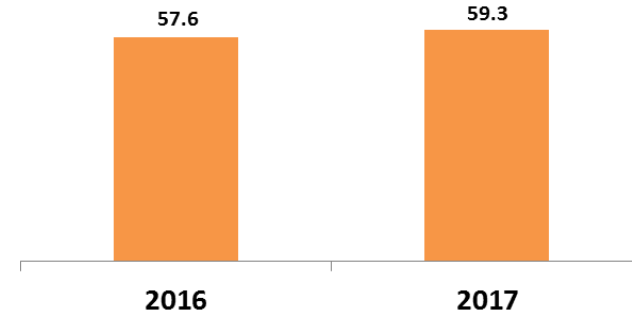
- Decrease in ACF is due to \$50 million discretionary pension funding in Q1 and is partially offset by increased earnings

Working Capital² & Cash Conversion Cycle (CCC)³

Q2 Working Capital % of Revenue



Q2 Cash Conversion Cycle



**Affirming Full-Year ACF Guidance Range of \$300 to \$320 Million
(inclusive of \$50 million discretionary pension funding)**

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 2017 Guidance

Revenue

		<u>Prior FY Guidance</u>	<u>Updated FY Guidance</u>
Total	Americas	7% to 8%	7.5% to 8.5%
Organic	Americas	6% to 7%	6.5% to 7.5%
Total	EMEIA	-1% to 1%	2.5% to 3.5%
Organic	EMEIA	1% to 3%	2.5% to 3.5%
Total	AP	7% to 9%	8% to 10%
Organic	AP	10% to 12%	6% to 8%
Total	Allegion	5.5% to 6.5%	6.5% to 7.5%
Organic	Allegion	5.5% to 6.5%	6% to 7%

EPS

	<u>Prior Annual Guidance</u>	<u>Current Annual Guidance</u>
2017 Reported EPS	\$3.57 to \$3.72	\$3.55 to \$3.72
Adjustments	\$0.03	\$0.08 to \$0.10
2017 Adjusted EPS	\$3.60 to \$3.75	\$3.65 to \$3.80

Assumptions and Notes:

- Full-year adjusted effective tax rate assumption of approximately 18.5% to 19%
- Average diluted share count for the full year of approximately 96 million shares
- Affirming Available Cash Flow guidance of \$300 to \$320 Million

Adj. EPS Growth +9.3% to +13.8%; ACF \$300-\$320 Million

Summary

- Q2 revenue increased \$42.1 million, +7.2% vs. prior year
 - Organic revenue growth +6.2%
 - Acquisitions contributing \$11.0 million
- Increased Q2 2017 adjusted operating margins +20 bps
- Adjusted EPS of \$1.11 increased +12.1%
- Affirming Available Cash Flow Guidance \$300 to \$320 million
- Raising full-year EPS guidance
 - Reported EPS \$3.55 to \$3.72 per share
 - Adjusted EPS \$3.65 to \$3.80 per share, growth of 9.3% to 13.8%

Well-positioned to Deliver Full-Year Outlook



ALLEGION™