



Allegion Third-Quarter 2017 Results

October 26, 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, June 30, 2017, and Sept. 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, 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.

Third-Quarter Financial Highlights

- Revenue of \$609.4 million increased +4.9%, +2.7% on an organic basis¹
 - Americas organic revenue growth +2.8%
 - EMEIA organic revenue growth +3.1%
 - Asia-Pacific organic revenue growth +0.4%
- Adjusted² operating income of \$134.6 million increased +6.2%; adjusted operating margin of 22.1% increased +30 bps versus prior year
 - Americas -10 bps, EMEIA +220 bps, Asia Pacific +130 bps
 - Incremental investment headwind 50 bps
- Adjusted EPS of \$1.02 increased +9.7%
- Updating full-year EPS guidance:
 - Reported full-year EPS to \$3.21 to \$3.26
 - Adjusted full-year EPS to \$3.75 to \$3.80

Continued Strong Earnings Growth

Foundation for Electro-Mechanical Convergence

Security our customers expect;
the **convenience & connectivity** they desire



EXTENSIVE MECHANICAL HERITAGE



LATEST TECHNOLOGY

Competitive advantage for growth in the ongoing
electro-mechanical convergence

Third-Quarter 2017 Allegion Revenue Results

| | <u>Q3-17</u> | | <u>Q3</u> <u>Reported</u> <u>Growth</u> | <u>Q3</u> <u>Organic</u> ¹ <u>Growth</u> |
|----------------|--------------|-----------------------|---|---|
| Price | 2.4% | Americas | 4.4% | 2.8% |
| Volume | 0.3% | EMEIA | 7.5% | 3.1% |
| Organic | 2.7% | Asia Pacific | 2.1% | 0.4% |
| Acquisition | 1.0% | | | |
| Currency | 1.2% | | | |
| Total | 4.9% | Total Allegion | 4.9% | 2.7% |

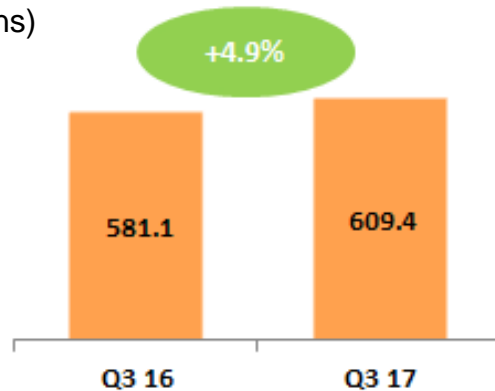
**Strong Price; Acquisition & Currency Tailwinds
Contributing to Overall Growth**

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

Third-Quarter 2017 Allegion Results

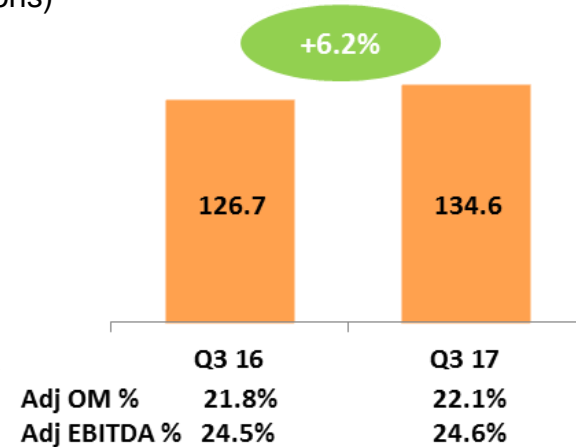
Revenue

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q3 Revenue Performance

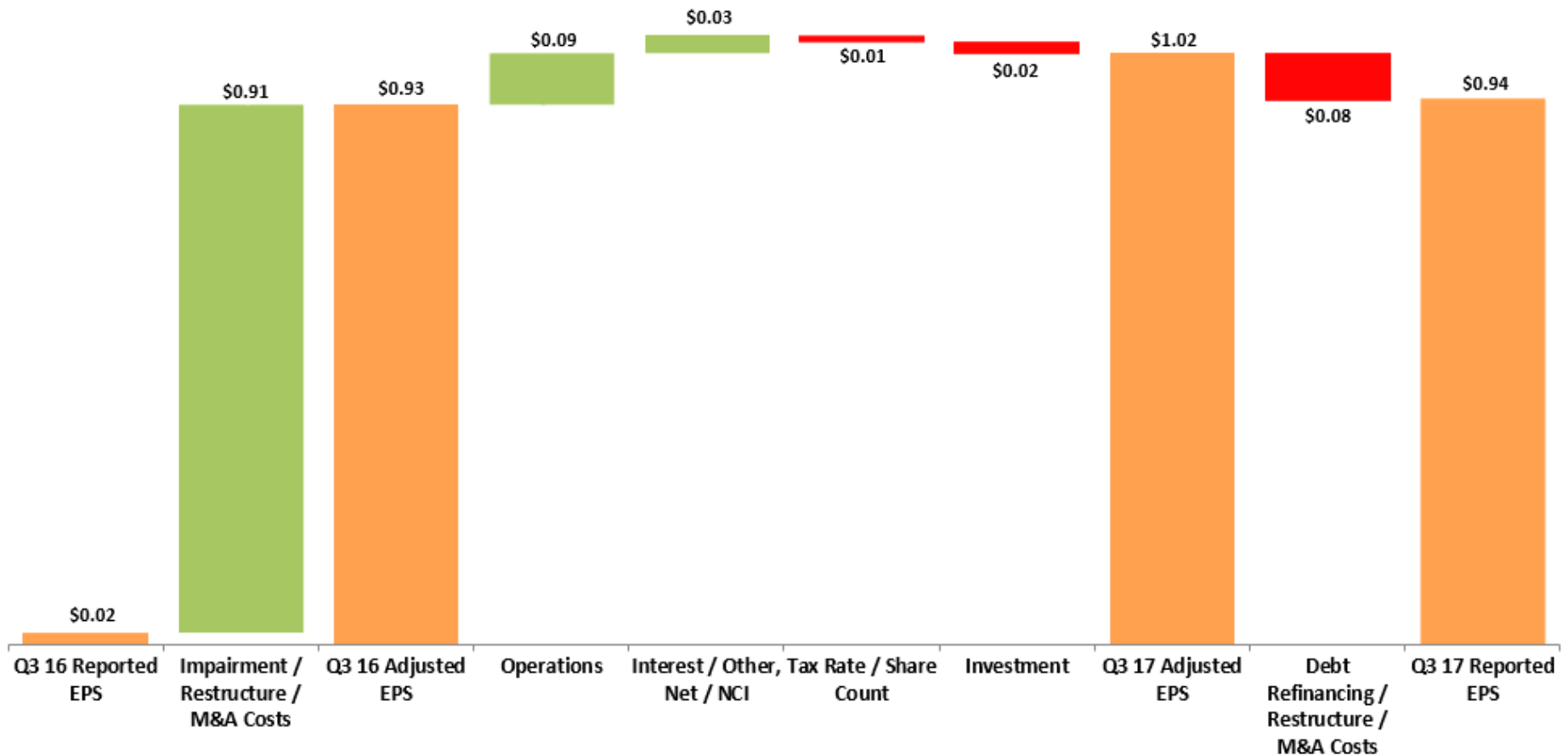
- Total reported growth +4.9%; Organic growth +2.7%
- Strong price
- Acquisition and currency tailwinds contributing to the overall growth

Q3 Adjusted Operating Margin +30bps

- Price and productivity more than offset inflation and incremental investments
- Margin expansion helped by strong margin performance in EMEIA

Third-Quarter 2017 Allegion EPS Performance

Q3



Third-Quarter 2017 Americas Results

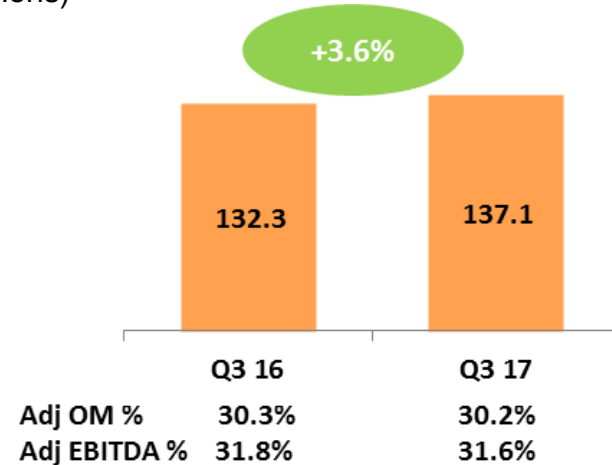
Revenue

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q3 Revenue Performance

- Total reported growth +4.4%; Organic growth +2.8%
- Strong contribution from price
- Mid-teens electronics growth
- YTD organic growth +6.2%

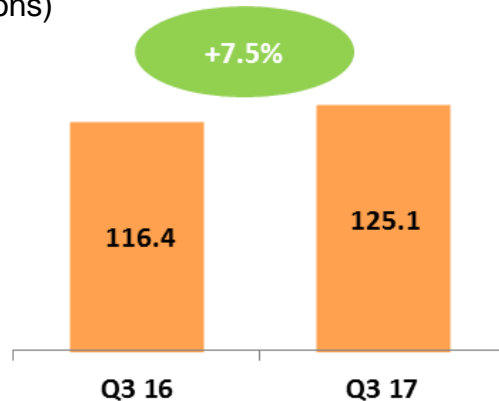
Q3 Adjusted Operating Margin -10bps

- Price and productivity exceeded inflation
- Margin decline driven by unfavorable mix and incremental investments

Third-Quarter 2017 EMEIA Results

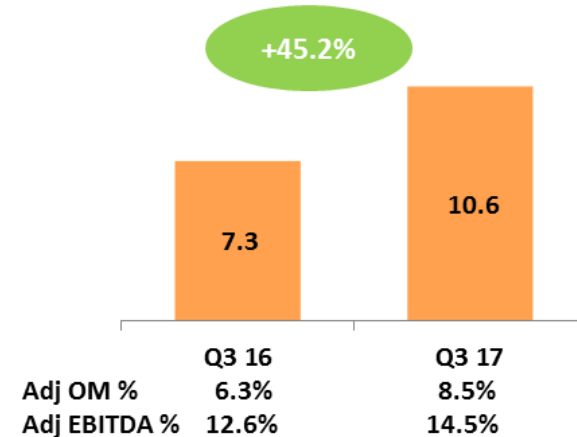
Revenue

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q3 Revenue Performance

- Total reported revenue growth +7.5%; Organic growth +3.1%
- Strong growth in Portable Security and SimonsVoss, solid price and favorable currency contributing to overall EMEIA growth for the quarter

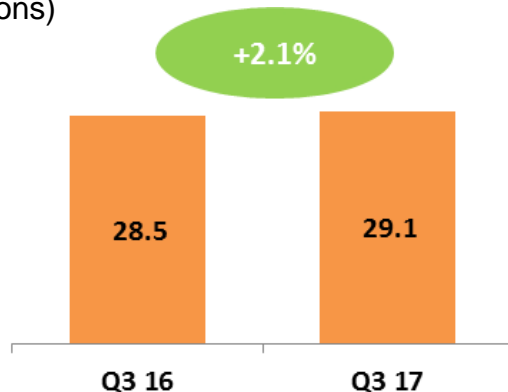
Q3 Adjusted Operating Margin +220bps

- Price and productivity offset inflation and incremental investments
- Solid margin expansion for the quarter driven by favorable leverage on incremental volume, favorable mix and currency tailwinds

Third-Quarter 2017 Asia-Pacific Results

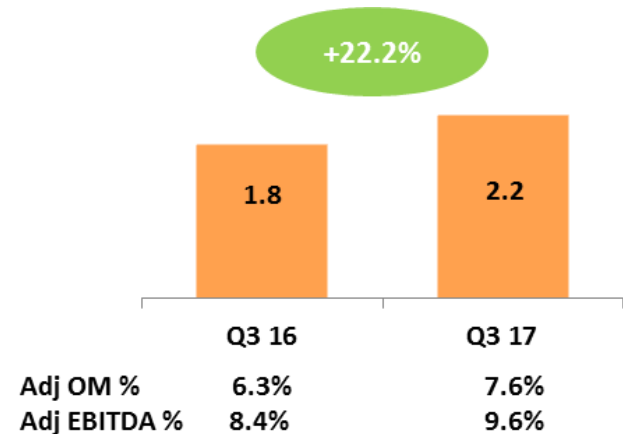
Revenue

(\$millions)



Adjusted Operating Income

(\$millions)



Q3 Revenue Performance

- Total reported growth +2.1%; Organic growth +0.4%
- Total growth driven by price and currency benefit

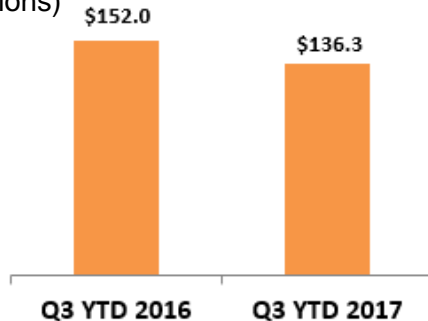
Q3 Adjusted Operating Margin +130bps

- Price, FX and productivity more than offset inflation and incremental investments

Third-Quarter 2017 Allegion ACF

Available Cash Flow¹

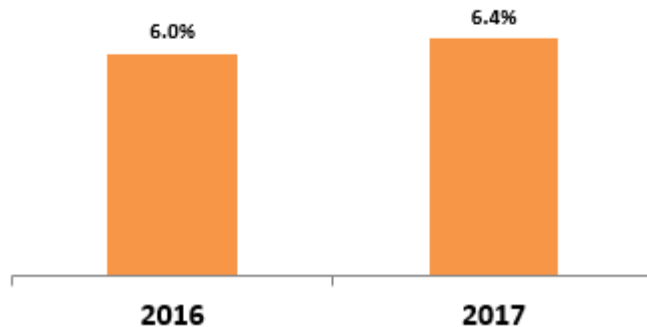
(\$millions)



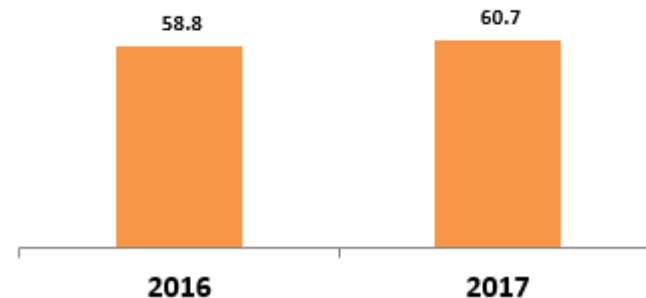
- Decrease in ACF is due to \$50 million discretionary pension funding in Q1 and is partially offset by increased earnings

Working Capital² & Cash Conversion Cycle (CCC)³

Q3 Working Capital % of Revenue



Q3 Cash Conversion Cycle



**Full-Year ACF Guidance of ~\$300 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

Capital Structure

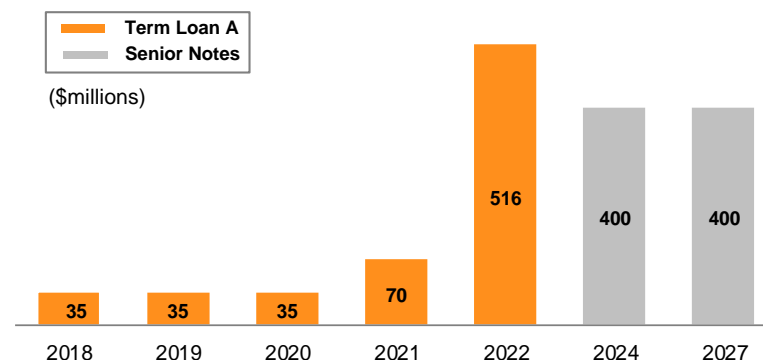
| | September 30, 2017 | October 3, 2017 |
|------------------------------|-----------------------|--------------------|
| Term Loan | \$ 700.0 | \$ 700.0 |
| Revolving Facility | 165.0 | |
| Senior Notes | 600.0 | 800.0 |
| Other short-term debt | 1.0 | 1.0 |
| Total Indebtedness | \$ 1,466.0 | \$ 1,501.0 |
| Unamortized Debt Issue Costs | (19.0) | (14.7) |
| Total Debt | \$ 1,447.0 | \$ 1,486.3 |

| | | |
|---|------|------|
| Debt to Adj EBITDA Ratio ¹ | 2.7x | 2.8x |
| Net Debt to Adj EBITDA Ratio ¹ | 2.1x | 2.2x |

Completed Debt Refinancing in October 2017

- Investment grade by all three rating agencies
- Unsecured capital structure
- Extended maturity profile by 3½ years
- Reduced annual interest expense

Debt Maturity Profile



Reduced Annual Interest Expense by ~\$13 Million (\$0.09 per share)

¹ See current and previous press releases for reconciliation of adjusted LTM EBITDA

Full-Year 2017 Guidance

Revenue

| | | <u>Prior FY Guidance</u> | <u>Updated FY Guidance</u> |
|----------------|-----------------|------------------------------|--------------------------------|
| Total | Americas | 7.5% to 8.5% | 7% to 7.5% |
| Organic | Americas | 6.5% to 7.5% | 5.5% to 6% |
| Total | EMEIA | 2.5% to 3.5% | 5% to 6% |
| Organic | EMEIA | 2.5% to 3.5% | 3% to 4% |
| Total | AP | 8% to 10% | 7% to 8% |
| Organic | AP | 6% to 8% | 4.5% to 5.5% |
| Total | Allegion | 6.5% to 7.5% | 6.5% to 7% |
| Organic | Allegion | 6% to 7% | 5% to 5.5% |

EPS

| | <u>Prior Annual Guidance</u> | <u>Current Annual Guidance</u> |
|--------------------------|----------------------------------|------------------------------------|
| 2017 Reported EPS | \$3.55 to \$3.72 | \$3.21 to \$3.26 |
| Adjustments ¹ | \$0.08 to \$0.10 | \$0.54 |
| 2017 Adjusted EPS | \$3.65 to \$3.80 | \$3.75 to \$3.80 |

Assumptions and Notes:

- Full-year adjusted effective tax rate assumption of approximately 18% to 18.5%
- Average diluted share count for the full year of approximately 96 million shares
- Available Cash Flow guidance of approximately \$300 Million

Adj. EPS Growth approximately +12% to +14%; ACF ~\$300 Million

¹ Adjustments include costs related to debt refinance, restructuring, and M&A; Current Annual Guidance adjustments include debt refinancing costs of approximately \$0.41 per share
See press release for non-GAAP reconciliations

Summary

- Q3 revenue increased \$28.3 million, +4.9% vs. prior year
 - Organic revenue growth +2.7%
- YTD organic revenue growth +5.5%
- Increased Q3 2017 adjusted operating margins +30 bps
- Q3 Adjusted EPS of \$1.02 increased +9.7%
- YTD Adjusted EPS increased +12.6%
- Available Cash Flow Guidance of approximately \$300 million
- Updating full-year EPS guidance
 - Reported EPS \$3.21 to \$3.26
 - Adjusted EPS \$3.75 to \$3.80, growth of ~12% to 14%

Well-positioned to Deliver Full-Year Outlook



ALLEGIONTM