



Allegion Fourth-Quarter 2017 Results

February 20, 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, 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 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.

Fourth-Quarter Financial Highlights

- Revenue of \$623.0 million increased +9.4%, +6.1% on an organic basis
 - Americas organic revenue growth +4.8%
 - EMEIA organic revenue growth +7.7%
 - Asia Pacific organic revenue growth +16.4%
- Adjusted operating income of \$135.4 million; adjusted operating margin of 21.7% increased 380 bps versus prior year
 - Americas +480 bps, EMEIA +100 bps, Asia Pacific +540 bps
 - Year-over-year margin improvement includes impact of prior year environmental remediation charge (+260 bps on total Allegion and +370 bps on Americas)
- Adjusted EPS of \$1.11 increased \$0.30 or 37.0% vs. Q4 2016
- Reported EPS of \$0.10 down from \$0.77 for Q4 2016
 - \$0.56 per share charge related to U.S. tax reform
 - \$0.40 per share charge related to debt refinancing costs
- Full-year available cash flow of \$297.9 million

Strong Organic Growth & Margin Expansion in All Regions



ALLEGION

2017 Allegion Accomplishments

- Continued focus and improvement on exceptional safety record for TRIR¹ and LTIR²; Continue to be a safety leader
 - Recognized for safety record by National Safety Council in January 2018
 - Recognized as one of the best run companies by Wall Street Journal in December 2017
- Organic revenue growth globally of 5.7%
- Continued growth from channel initiatives and new products increasing vitality index
- Expanded adjusted operating margins in all regions
- Delivered full-year adjusted EPS of \$3.96, an increase of 18.6% versus prior year
- Solid available cash flow generation coming in at nearly \$300 million, inclusive of \$50 million discretionary pension funding

Opportunistic Acquisitions

Leading Brands – Natural Portfolio Extensions – Leverage Spec Writing Capability



TGP

- Acquisition of U.S. manufacturer of fire-rated glass and frames for doors, entrances and curtain walls



QMI

- Acquisition of Middle Eastern manufacturer of commercial steel and wood doors and frames



AD SYSTEMS™
HIGH PERFORMANCE DOORS

- Announced intent to acquire¹ U.S. manufacturer of high-performance interior and healthcare door systems

Strategic Deployment of Capital to Drive Shareholder Value

¹ AD Systems transaction expected to close in Q1 2018, subject to customary closing conditions



2017 Allegion Revenue Results

	<u>Q4-17</u>		<u>Q4</u> <u>Reported</u> <u>Growth</u>	<u>Q4</u> <u>Organic</u> <u>Growth</u>	<u>FY</u> <u>Reported</u> <u>Growth</u>	<u>FY</u> <u>Organic</u> <u>Growth</u>
Price	1.3%	Americas	6.4%	4.8%	7.4%	5.8%
Volume	4.8%	EMEIA	16.5%	7.7%	7.7%	4.7%
Organic	6.1%	Asia Pacific	19.1%	16.4%	10.2%	7.7%
Acquisition	0.9%					
Currency	2.4%					
Total	9.4%	Total Allegion	9.4%	6.1%	7.6%	5.7%

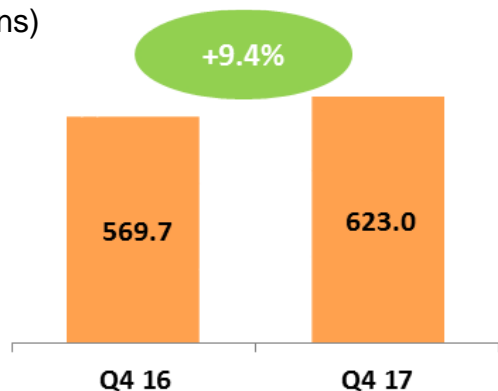
Solid Organic Growth; Tailwinds from Currency

** See press release for non-GAAP reconciliations*

Fourth-Quarter 2017 Allegion Results

Revenue

(\$millions)

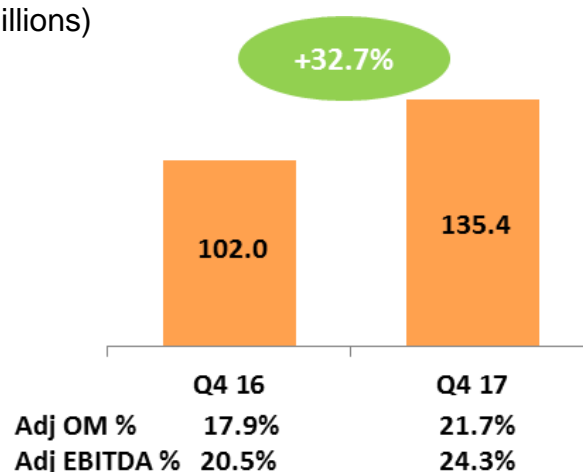


Q4 Revenue Performance

- Total reported growth +9.4%; organic growth +6.1%
- Strong organic growth in all regions attributed to solid price performance and volume growth
- FX tailwinds and acquisitions contributed to total growth

Adjusted Operating Income

(\$millions)



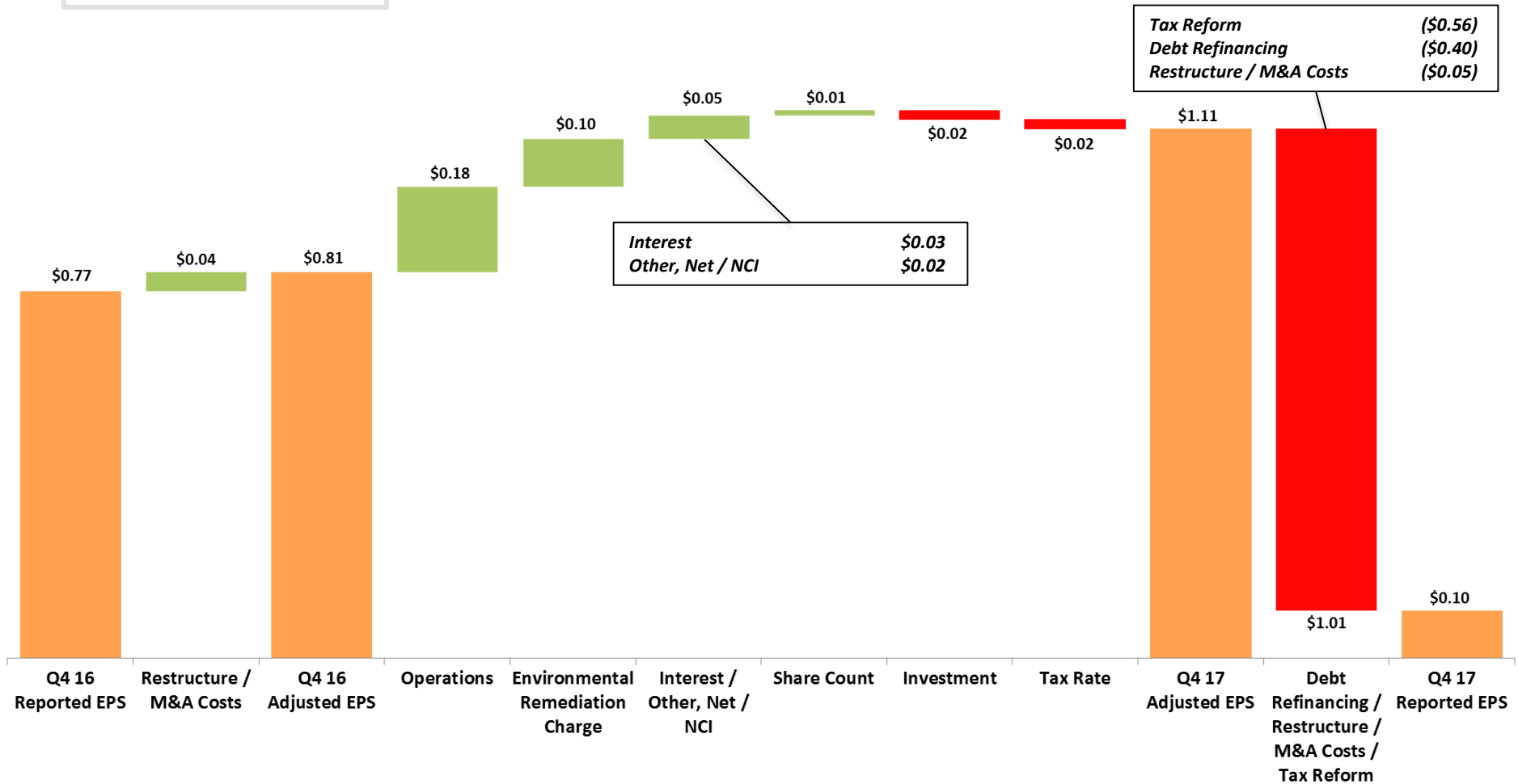
Q4 Adjusted Operating Margin +380bps

- Margin improvement in all regions
- Price and productivity more than offset inflation and incremental investments
- Year-over-year margin improvement includes +260 bps impact of prior year environmental remediation charge
- Full-year adjusted operating margin of 21%, +140 bps vs. prior year (+70 bps driven by prior year environmental charge)

* See press release for non-GAAP reconciliations

Fourth-Quarter 2017 Allegion EPS Performance

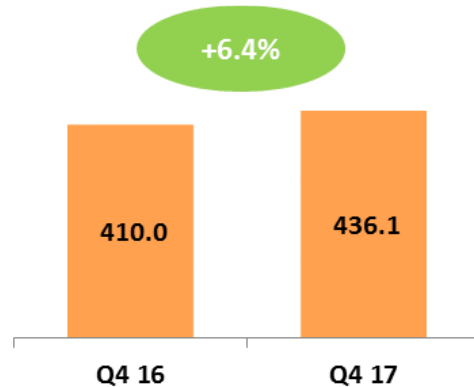
Q4



Fourth-Quarter 2017 Americas Results

Revenue

(\$millions)

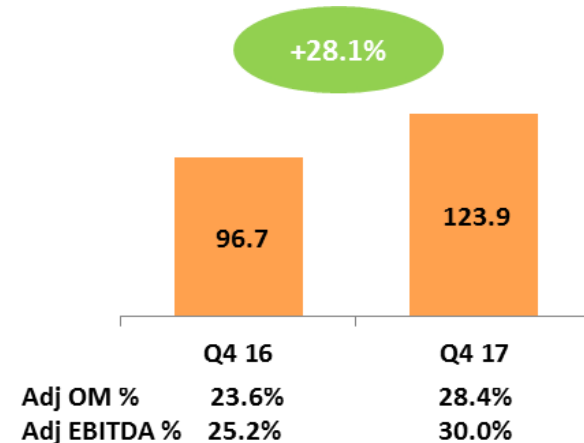


Q4 Revenue Performance

- Total reported growth +6.4%; organic growth +4.8%
- Mid-single digit growth in both non-residential and residential
- Continued momentum in electronics with mid-teens growth

Adjusted Operating Income

(\$millions)



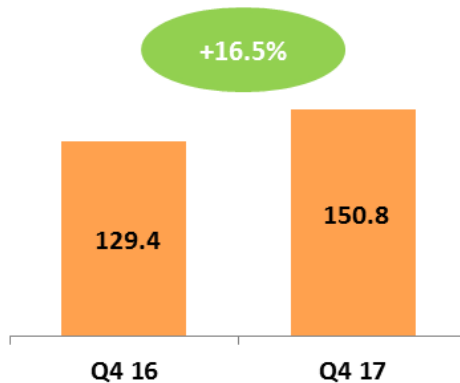
Q4 Adjusted Operating Margin +480bps

- Volume leverage, price and productivity more than offset inflation, incremental investments and unfavorable mix
- Year-over-year margin improvement includes +370 bps impact of prior year environmental remediation charge
- Full-year adjusted operating margin of 28.8%, +150 bps vs. prior year (+90 bps driven by prior year environmental charge)

Fourth-Quarter 2017 EMEIA Results

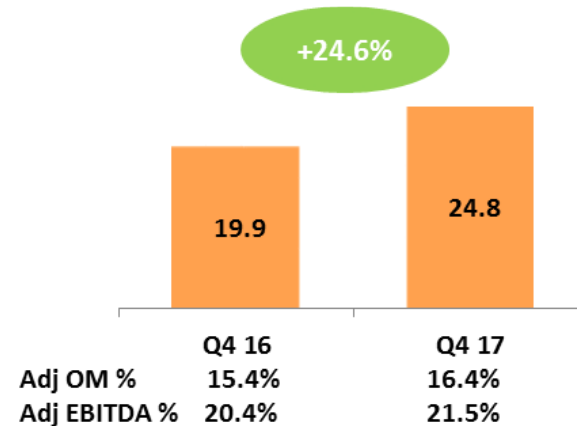
Revenue

(\$millions)



Adjusted Operating Income

(\$millions)



Q4 Revenue Performance

- Total reported growth +16.5%; organic growth +7.7%
- Solid organic growth across most business units and geographies
- Strong growth driven by volume, price and FX tailwinds

Q4 Adjusted Operating Margin +100bps

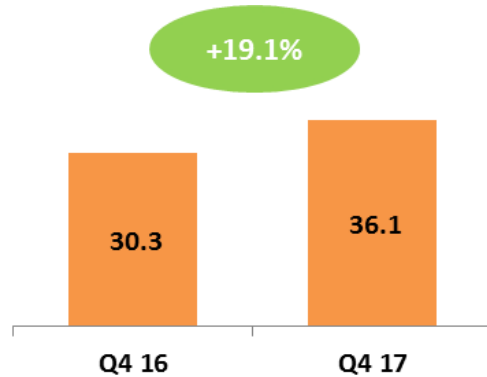
- Margin expansion driven by price, volume leverage, FX tailwinds, partially offset by inflation and unfavorable mix
- Full-year adjusted operating margin of 10.2%, +90 bps vs. prior year

* See press release for non-GAAP reconciliations

Fourth-Quarter 2017 Asia-Pacific Results

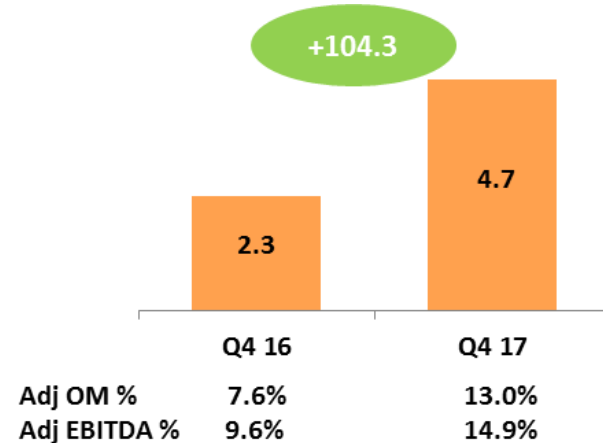
Revenue

(\$millions)



Adjusted Operating Income

(\$millions)



Q4 Revenue Performance

- Total reported growth +19.1%; organic growth +16.4%
- Organic revenue driven by volume across most geographies and product portfolios

Q4 Adjusted Operating Margin +540bps

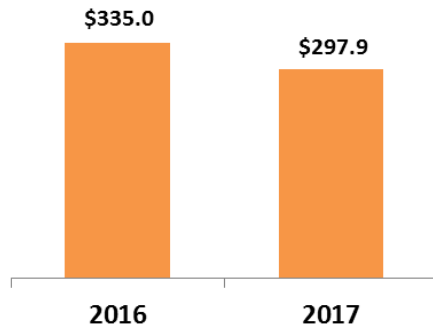
- Leverage on incremental volume and productivity more than offset inflation and incremental investment
- Full-year adjusted operating margin of 8.4%, +240 bps vs. prior year

* See press release for non-GAAP reconciliations

Full-Year 2017 Allegion ACF

Available Cash Flow¹

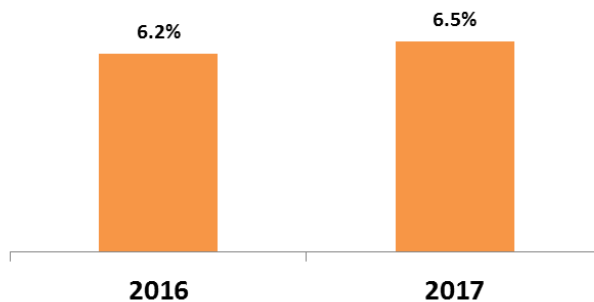
(\$millions)



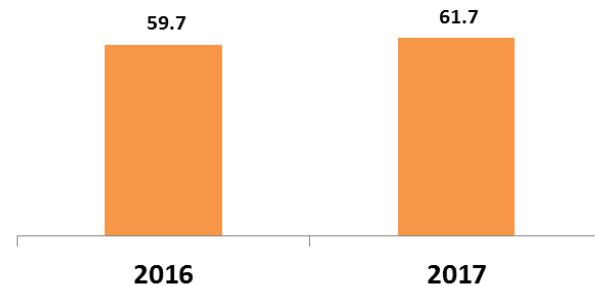
- 2017 ACF of \$297.9 million decreased \$37.1 million driven by a \$50M discretionary pension payment, made in Q1 2017, partially offset by increased earnings

Working Capital² and Cash Conversion Cycle (CCC)³

FY Working Capital % of Revenue



FY Cash Conversion Cycle






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)

Impact of U.S. Tax Reform

- 2017 Impact
 - \$53.5 million charge recorded in Q4 largely driven by a non-cash deferred tax asset revaluation resulting from the reduction in U.S. statutory tax rates and the uncertainty of future realizability of certain deferred tax assets
 - Minimal \$5 million repatriation tax (payable over 8 years)
- 2018 Outlook
 - Tax rate outlook not materially impacted by U.S. tax reform
 - Future tax rate expected to be mid- to high-teens
 - Tax rate for 2018 expected to be ~16%
 - 2018 cash taxes are increasing due to impacts of tax reform, inclusive of one-time items
 - Additional interpretative guidance from U.S. governmental and regulatory agencies may result in discrete impacts to the one-time charge of \$53.5 million referenced above

Full-Year 2018 Allegion Revenue Guidance

Region	Revenue Change ¹	Markets
Americas 	Total: 10% to 11% Organic: 4% to 5%	<ul style="list-style-type: none"> U.S. non-residential and residential markets remain solid at low-to mid-single digits Electromechanical continues to outpace mechanical Total growth inclusive of TGP and AD Systems²
EMEIA 	Total: 13% to 15% Organic: 2% to 4%	<ul style="list-style-type: none"> Overall growth in core markets expected to be low-single digits 2018 macroeconomic indicators continue to rebound Currency tailwinds and acquisition of QMI increasing overall growth
Asia Pacific 	Total: 8% to 10% Organic: 6% to 8%	<ul style="list-style-type: none"> Continued strength in China and North Asia end markets Modest growth outlook for Australia-New Zealand end market Currency tailwinds increasing overall growth
Total	Total: 10.5% to 11.5% Organic: 4% to 5%	<ul style="list-style-type: none"> Solid organic growth and price realization in all regions Total growth benefitting from acquisitions and favorable currency impact

¹Organic excludes acquisition/divestiture and currency impacts

²AD Systems transaction expected to close in Q1 2018, subject to customary closing conditions

Full-Year 2018 Allegion EPS Guidance

2017 Reported EPS	\$2.85
Adjustments	\$1.11
2017 Adjusted EPS	\$3.96
Operational Improvements (Growth/OPEX)	\$0.32 to \$0.44
Investments	(\$0.10)
Tax Rate	\$0.03
Interest , Other	Flat
FX	\$0.03
Acquisitions	\$0.11 to \$0.14
2018 Adjusted EPS	\$4.35 to \$4.50
Adjustments ¹	(\$0.15)
2018 Reported EPS	\$4.20 to \$4.35

Assumptions and Notes:

- Full-year effective tax rate assumption of approximately 16%
- Average diluted share count for the full year of approximately 96 million shares

Adj. EPS Growth of ~10% to 14%; ACF \$380 to \$400 Million

Summary

- Delivered strong 2017 full-year organic revenue growth of +5.7%
 - Continued progress on vitality index
- Increased 2017 full-year adjusted operating margins +140 bps (+70 bps excluding impact from 2016 environmental remediation charge of \$15 million)
- Strong cash generation, increasing after excluding impact of \$50 million discretionary pension funding
- Continue to execute on flexible capital allocation strategy
 - Strategic acquisitions
 - Q1 2018 dividend at \$0.21 per share, an increase of 31% vs. prior year
- For 2018, forecasting continued growth in revenue and earnings and continued strong ACF performance
 - Total revenue growth 10.5% to 11.5%
 - Organic revenue growth 4% to 5%
 - Adjusted EPS \$4.35 to \$4.50; Increase of ~10% to 14%
 - ACF \$380 to \$400 million

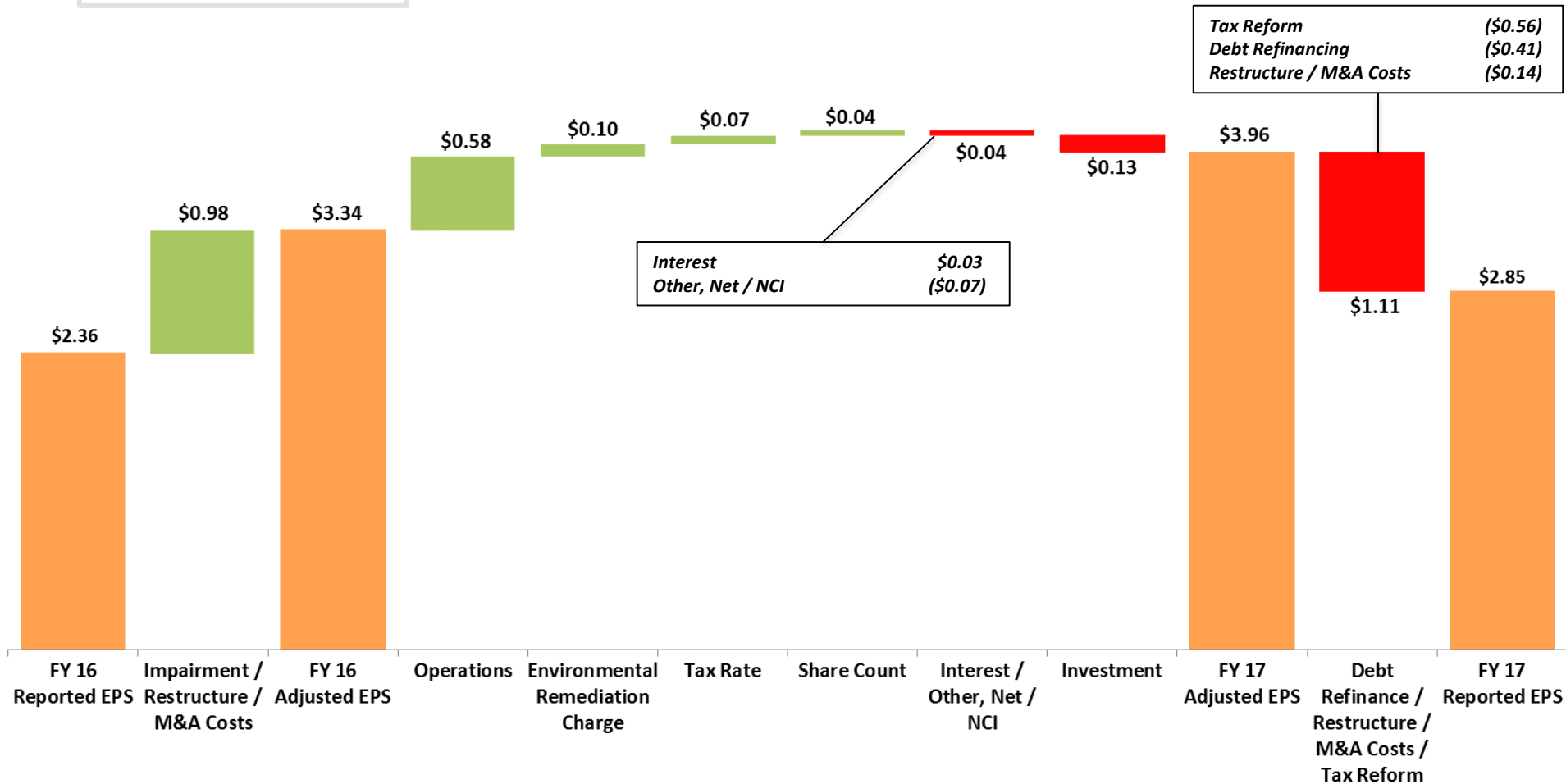
**Strong Performance; Delivering on Commitments;
Positioned Well for 2018**



Appendix

Full-Year 2017 Allegion EPS Performance

Full Year

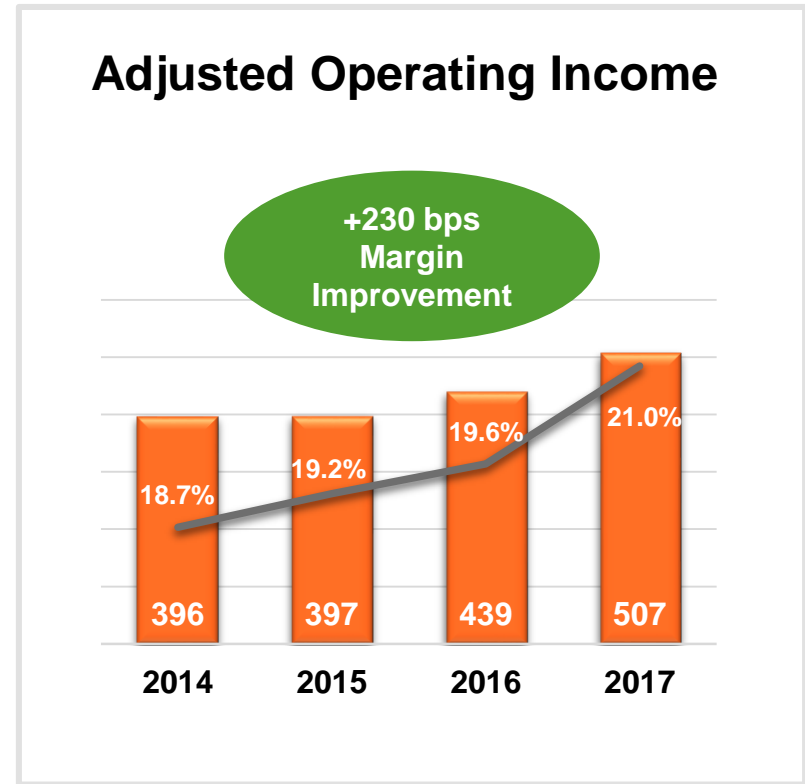
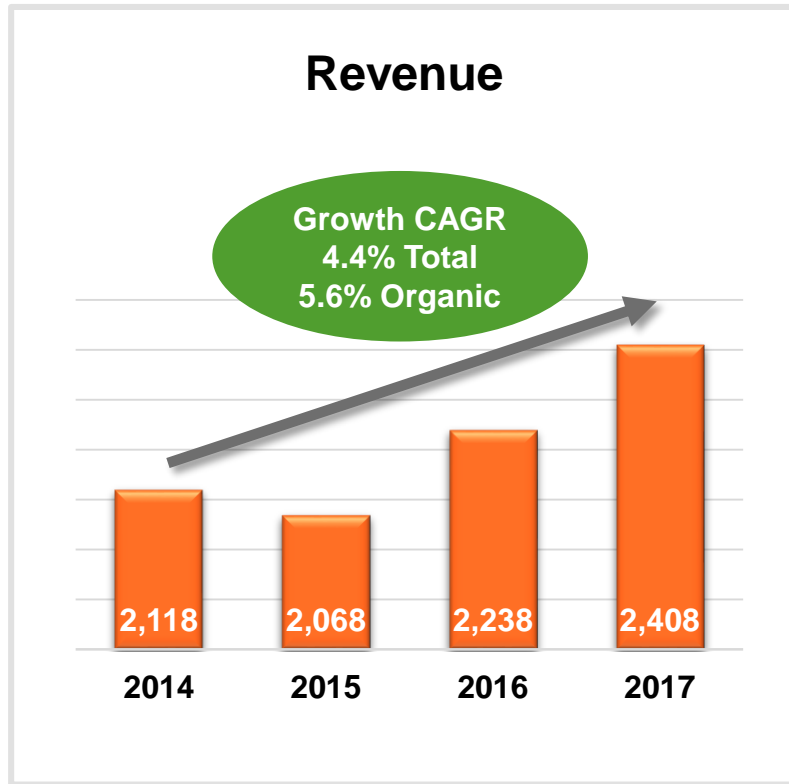


Interest / Other, Net / NCI
\$0.03 / (\$0.07)

Tax Reform (\$0.56)
Debt Refinancing (\$0.41)
Restructure / M&A Costs (\$0.14)



Operating Trends



Consistent, Solid Organic Growth; Expanding Margins



ALLEGIONTM