UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2019

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______ to ______

Commission File Number 001-35971

ALLEGION PUBLIC LIMITED COMPANY
(Exact name of registrant as specified in its charter)

Ireland	**98-1108930**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

Block D
Iveagh Court
Harcourt Road
Dublin 2, Ireland
(Address of principal executive offices, including zip code)

+(353) (1) 2546200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of exchange on which registered
Ordinary shares, par value $0.01 per share	ALLE	New York Stock Exchange
3.500% Senior Notes due 2029	ALLE 3 ½	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of ordinary shares outstanding of Allegion plc as of October 21, 2019 was 92,916,555.

ALLEGION PLC

FORM 10-Q

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PART I-FINANCIAL INFORMATION

Item 1 – Financial Statements

Allegion plc

Condensed and Consolidated Statements of Comprehensive Income

(Unaudited)

In millions, except per share amounts	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Net revenues	$ 748.3	$ 711.5	$ 2,134.5	$ 2,029.3
Cost of goods sold	412.8	402.1	1,201.4	1,156.5
Selling and administrative expenses	167.4	167.1	511.3	488.4
Operating income	168.1	142.3	421.8	384.4
Interest expense	15.6	14.0	42.7	40.3
Other expense (income), net	2.0	(1.9)	1.6	(3.9)
Earnings before income taxes	150.5	130.2	377.5	348.0
Provision for income taxes	18.8	14.1	56.1	45.5
Net earnings	131.7	116.1	321.4	302.5
Less: Net earnings attributable to noncontrolling interests	0.1	0.1	0.3	0.4
Net earnings attributable to Allegion plc	$ 131.6	$ 116.0	$ 321.1	$ 302.1
Earnings per share attributable to Allegion plc ordinary shareholders:				
Basic net earnings	$ 1.41	$ 1.22	$ 3.42	$ 3.18
Diluted net earnings	$ 1.40	$ 1.21	$ 3.40	$ 3.15
Weighted-average shares outstanding				
Basic	93.3	95.1	93.8	95.1
Diluted	94.0	95.8	94.5	95.8
Total comprehensive income	$ 90.8	$ 103.3	$ 270.9	$ 265.3
Less: Total comprehensive loss attributable to noncontrolling interests	(0.9)	(0.6)	(0.7)	(1.6)
Total comprehensive income attributable to Allegion plc	$ 91.7	$ 103.9	$ 271.6	$ 266.9

See accompanying notes to condensed and consolidated financial statements.

Allegion plc

Condensed and Consolidated Balance Sheets

(Unaudited)

In millions	September 30, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 232.9	$ 283.8
Restricted cash	3.4	6.8
Accounts and notes receivable, net	367.5	324.9
Inventories	293.9	280.3
Other current assets	32.5	35.0
Assets held for sale	2.9	0.8
Total current assets	933.1	931.6
Property, plant and equipment, net	281.9	276.7
Goodwill	860.4	883.0
Intangible assets, net	511.7	547.1
Other noncurrent assets	278.3	171.8
Total assets	$ 2,865.4	$ 2,810.2
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 208.8	$ 235.0
Accrued expenses and other current liabilities	282.3	250.5
Short-term borrowings and current maturities of long-term debt	0.1	35.3
Total current liabilities	491.2	520.8
Long-term debt	1,427.0	1,409.5
Other noncurrent liabilities	260.0	225.9
Total liabilities	2,178.2	2,156.2
Equity:		
Allegion plc shareholders’ equity:		
Ordinary shares, $0.01 par value (93,018,092 and 94,637,450 shares issued and outstanding at September 30, 2019 and December 31, 2018, respectively)	0.9	0.9
Capital in excess of par value	—	—
Retained earnings	957.1	873.6
Accumulated other comprehensive loss	(273.0)	(223.5)
Total Allegion plc shareholders’ equity	685.0	651.0
Noncontrolling interests	2.2	3.0
Total equity	687.2	654.0
Total liabilities and equity	$ 2,865.4	$ 2,810.2

See accompanying notes to condensed and consolidated financial statements.

Allegion plc
Condensed and Consolidated Statements of Cash Flows
(Unaudited)

	Nine months ended September 30,	
In millions	2019	2018
Cash flows from operating activities:		
Net earnings	$ 321.4	$ 302.5
Adjustments to arrive at net cash provided by operating activities:		
Depreciation and amortization	62.6	65.8
Changes in assets and liabilities and other non-cash items	(104.6)	(107.9)
Net cash provided by operating activities	279.4	260.4
Cash flows from investing activities:		
Capital expenditures	(49.4)	(31.8)
Acquisition of and equity investments in businesses, net of cash acquired	(4.6)	(375.8)
Other investing activities, net	(2.0)	(1.1)
Net cash used in investing activities	(56.0)	(408.7)
Cash flows from financing activities:		
Payments of short-term borrowings	(0.3)	(0.7)
Proceeds from revolving facility	—	115.0
Repayments of revolving facility	—	(115.0)
Proceeds from issuance of senior notes	400.0	—
Payments of other long-term debt	(417.7)	(26.7)
Debt repayments, net	(18.0)	(27.4)
Debt issuance costs	(3.0)	—
Dividends paid to ordinary shareholders	(75.5)	(59.6)
Repurchase of ordinary shares	(179.7)	(30.0)
Other financing activities, net	1.8	0.1
Net cash used in financing activities	(274.4)	(116.9)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(3.3)	(4.5)
Net decrease in cash, cash equivalents and restricted cash	(54.3)	(269.7)
Cash, cash equivalents and restricted cash - beginning of period	290.6	466.2
Cash, cash equivalents and restricted cash - end of period	$ 236.3	$ 196.5

See accompanying notes to condensed and consolidated financial statements.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying Condensed and Consolidated Financial Statements of Allegion plc, an Irish public limited company, and its consolidated subsidiaries ("Allegion" or the "Company"), reflect the consolidated operations of the Company and have been prepared in accordance with United States ("U.S.") Securities and Exchange Commission ("SEC") interim reporting requirements. Accordingly, the accompanying Condensed and Consolidated Financial Statements do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for full financial statements and should be read in conjunction with the Consolidated Financial Statements included in the Allegion Annual Report on Form 10-K for the year ended December 31, 2018. In the opinion of management, the accompanying Condensed and Consolidated Financial Statements contain all adjustments, which include normal recurring adjustments, necessary to state fairly the consolidated unaudited results for the interim periods presented.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements:

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)." ASU 2016-02 requires the identification of arrangements that should be accounted for as leases. In general, for lease arrangements of a twelve-month term or greater, these arrangements are to be recognized as assets and liabilities on the balance sheet of the lessee. Under ASU 2016-02, a right-of-use asset and lease obligation are recorded for all leases, whether operating or financing, while the statement of comprehensive income reflects lease expense for operating leases and amortization/interest expense for financing leases. In July 2018, the FASB issued ASU 2018-10, "Codification Improvements to Topic 842 (Leases)", which provided narrow amendments to clarify how to apply certain aspects of ASU 2016-02, and ASU 2018-11, "Leases (Topic 842): Targeted Improvements", which provided an additional transition method by allowing entities to initially apply ASU 2016-02, and subsequent related standards, at the adoption date and recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. In March 2019, the FASB issued ASU 2019-01, "Leases (Topic 842): Codification Improvements", which exempted entities from having to provide certain interim disclosures in the fiscal year of adoption of ASU 2016-02 and its related standards. These ASUs (collectively “ASC 842”) were effective for annual periods beginning after December 15, 2018, and interim periods within those annual periods. Accordingly, the Company adopted ASC 842 on January 1, 2019, utilizing the transition method allowed per ASU 2018-11. Comparative period financial information has not been adjusted for the effects of adopting ASC 842, and no cumulative-effect adjustment was required to the opening balance of Retained earnings on the adoption date.

The Company has also made updates to its systems, policies and internal controls over financial reporting related to the adoption of ASC 842 on January 1, 2019. See Note 9 to the Condensed and Consolidated Financial Statements for further information and expanded disclosure related to the Company's lease portfolio.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." ASU 2016-13 and its subsequent related updates introduces an approach based on expected losses to estimate credit losses on certain types of financial instruments and replaces the current incurred loss impairment model. ASU 2016-13 and its subsequent related updates will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is assessing what impact ASU 2016-13 and its subsequent related updates will have on the Condensed and Consolidated Financial Statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract." The new guidance aligns the requirements for capitalizing implementation costs incurred in a cloud-based hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). ASU 2018-15 will be effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted. The Company is assessing what impact ASU 2018-15 will have on the Condensed and Consolidated Financial Statements.

NOTE 3 - INVENTORIES

Inventories are stated at the lower of cost and net realizable value using the first-in, first-out (FIFO) method.

The major classes of inventory were as follows:

In millions	September 30, 2019	December 31, 2018
Raw materials	$ 127.0	$ 117.2
Work-in-process	34.6	34.4
Finished goods	132.3	128.7
Total	$ 293.9	$ 280.3

NOTE 4 - GOODWILL

The changes in the carrying amount of goodwill for the nine months ended September 30, 2019, were as follows:

In millions	Americas	EMEIA	Asia Pacific	Total
December 31, 2018 (gross)	$ 486.1	$ 767.1	$ 115.3	$ 1,368.5
Accumulated impairment	—	(478.6)	(6.9)	(485.5)
December 31, 2018 (net)	486.1	288.5	108.4	883.0
Acquisitions and adjustments[(a)]	(1.3)	2.7	(4.4)	(3.0)
Currency translation	—	(13.7)	(5.9)	(19.6)
September 30, 2019 (net)	$ 484.8	$ 277.5	$ 98.1	$ 860.4

(a) In 2019, the Company made reclassifications to goodwill across all segments related to a change in how revenue is managed for a specific immaterial product line where revenue previously managed in the Asia Pacific segment is now being managed in the Americas and EMEIA segments.

NOTE 5 - INTANGIBLE ASSETS

The gross amount of the Company's intangible assets and related accumulated amortization were as follows:

	September 30, 2019			December 31, 2018		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$ 58.3	$ (17.4)	$ 40.9	$ 59.4	$ (14.2)	$ 45.2
Customer relationships	403.2	(99.6)	303.6	419.3	(88.5)	330.8
Trade names (finite-lived)	80.2	(47.2)	33.0	84.9	(47.4)	37.5
Other	14.9	(7.4)	7.5	9.5	(6.5)	3.0
Total finite-lived intangible assets	556.6	$ (171.6)	385.0	573.1	$ (156.6)	416.5
Trade names (indefinite-lived)	126.7		126.7	130.6		130.6
Total	$ 683.3		$ 511.7	$ 703.7		$ 547.1

Intangible asset amortization expense was $23.3 million and $28.6 million for the nine months ended September 30, 2019 and 2018, respectively. Future estimated amortization expense on existing intangible assets in each of the next five years amounts to approximately $30.3 million for full year 2019, $28.2 million for 2020, $28.2 million for 2021, $28.1 million for 2022 and $28.0 million for 2023.

NOTE 6 - ACQUISITIONS

2018

In 2018, the Company completed six acquisitions:

Business	Date
Technical Glass Products, Inc. ("TGP")	January 2018
Hammond Enterprises, Inc. ("Hammond")	January 2018
Qatar Metal Industries LLC ("QMI")	February 2018
AD Systems, Inc. ("AD Systems")	March 2018
Gainsborough Hardware and API Locksmiths ("Door and Access Systems")	July 2018
ISONAS Security Systems, Inc. ("ISONAS")	July 2018

Total cash paid for these acquisitions was approximately $373 million (net of cash acquired), including $4.6 million during the nine months ended September 30, 2019. These acquisitions were accounted for as business combinations. The allocation of the aggregate purchase price to assets acquired and liabilities assumed was complete for all six acquisitions as of June 30, 2019.

The allocation of the aggregate purchase price to assets acquired and liabilities assumed for the acquisitions listed above was as follows:

In millions		
Accounts receivable, net	$	28.9
Inventories		28.5
Other current assets		1.3
Property, plant and equipment, net		27.6
Goodwill		139.8
Intangible assets, net		204.3
Other noncurrent assets		2.0
Accounts payable		(11.1)
Accrued expenses and other current liabilities		(35.7)
Other noncurrent liabilities		(11.1)
Total	$	374.5

Intangible assets were primarily comprised of approximately $59 million of indefinite-lived trade names, $112 million of customer relationships and $33 million of completed technologies and other intangibles, which included approximately $6 million of acquired backlog revenue. The customer relationships have a 17-year weighted-average useful life, while the completed technologies and other intangibles, excluding the backlog revenue, have a 16-year weighted-average useful life. The backlog revenue was fully amortized as of June 30, 2018.

Goodwill results from several factors including Allegion-specific synergies that were excluded from the cash flow projections used in the valuation of intangible assets and intangible assets that do not qualify for separate recognition, for example, assembled workforce. The majority of the goodwill is expected to be deductible for tax purposes.

The following unaudited pro forma financial information for the three and nine months ended September 30, 2018, reflects the consolidated results of operations of the Company as if these acquisitions had taken place on January 1, 2017:

In millions		Three months ended September 30, 2018		Nine months ended September 30, 2018
Net revenues	$	711.5	$	2,071.8
Net earnings attributable to Allegion plc		119.3		313.1

The unaudited pro forma financial information is presented for informational purposes only and does not purport to be indicative of results of operations that would have occurred had the pro forma events taken place on the date indicated or the future consolidated results of operations of the combined company. The unaudited pro forma financial information has been calculated after applying the Company's accounting policies and adjusting the historical financial results to reflect additional items directly attributable to the acquisitions that would have been incurred assuming the acquisitions had occurred on January 1, 2017. Adjustments to historical financial information include removal of backlog revenue acquired as well as acquisition and integration expenses incurred related to these acquisitions, partially offset by incremental amortization of intangible assets.

During the three months ended September 30, 2019 and 2018, the Company incurred $0.1 million and $4.1 million, respectively, of acquisition and integration related expenses. During the nine months ended September 30, 2019 and 2018, the Company incurred $1.9 million and $8.6 million, respectively, of acquisition and integration related expenses. These expenses are included in Selling and administrative expenses in the Condensed and Consolidated Statements of Comprehensive Income.

In 2018, the Company also made $8 million of equity method investments in three entities, Yonomi Inc., a U.S. based mobile application and cloud platform provider for connected living, Nuki GmbH, a European retrofit residential smart lock innovator, and Conneqtech, a European based IoT platform developer specializing in connected mobility and tracking features for bicycles and healthcare.

NOTE 7 - DEBT AND CREDIT FACILITIES

Long-term debt and other borrowings consisted of the following:

In millions	September 30, 2019	December 31, 2018
Term Facility	$ 238.8	$ 656.3
Revolving Facility	—	—
3.200% Senior Notes due 2024	400.0	400.0
3.550% Senior Notes due 2027	400.0	400.0
3.500% Senior Notes due 2029	400.0	—
Other debt	0.7	1.2
Total borrowings outstanding	1,439.5	1,457.5
Less discounts and debt issuance costs, net	(12.4)	(12.7)
Total debt	1,427.1	1,444.8
Less current portion of long-term debt	0.1	35.3
Total long-term debt	$ 1,427.0	$ 1,409.5

Unsecured Credit Facilities

As of September 30, 2019, the Company has an unsecured Credit Agreement in place, consisting of a $700.0 million term loan facility (the “Term Facility”), of which $238.8 million is outstanding at September 30, 2019, and a $500.0 million revolving credit facility (the “Revolving Facility” and, together with the Term Facility, the “Credit Facilities”). The Credit Facilities mature on September 12, 2022, and are unconditionally guaranteed jointly and severally on an unsecured basis by the Company and Allegion US Holding Company Inc. ("Allegion US Hold Co"), the Company's wholly-owned subsidiary.

At inception, the Term Facility was scheduled to amortize in quarterly installments at the following rates: 1.25% per quarter starting December 31, 2017 through December 31, 2020, 2.5% per quarter from March 31, 2021 through June 30, 2022, with the balance due on September 12, 2022. Principal amounts repaid on the Term Facility may not be reborrowed. During the three months ended September 30, 2019, the Company made a $400.0 million principal payment to partially pay down the outstanding Term Facility balance, utilizing all of the net proceeds from the issuance of the 3.500% Senior Notes due 2029 (see below), plus cash on hand. As a result of this payment, the Company has satisfied its obligation to make quarterly installments on the Term Facility up to the maturity date, with the remaining outstanding balance due on September 12, 2022. In conjunction with this principal pay down, the Company recognized a $2.7 million charge related to the write-off of previously deferred financing costs related to the Term Facility, which is included in Interest expense in the Condensed and Consolidated Statements of Comprehensive Income for both the three and nine month periods ended September 30, 2019.

The Revolving Facility provides aggregate commitments of up to $500.0 million, which includes up to $100.0 million for the issuance of letters of credit. At September 30, 2019, there were no borrowings outstanding on the Revolving Facility and the Company had $16.2 million of letters of credit outstanding. Commitments under the Revolving Facility may be reduced at any time without premium or penalty, and amounts repaid may be reborrowed.

Outstanding borrowings under the Credit Facilities accrue interest, at the option of the Company, of (i) a LIBOR rate plus the applicable margin or (ii) a base rate plus the applicable margin. The applicable margin ranges from 1.125% to 1.500% depending on the Company's credit ratings. At September 30, 2019, the outstanding borrowings under the Credit Facilities accrue interest at LIBOR plus a margin of 1.250%. To manage the Company's exposure to fluctuations in LIBOR rates, the Company has interest rate swaps to fix the interest rate for $200.0 million of the outstanding borrowings as of September 30, 2019 (see Note 8).

The Credit Facilities contain negative and affirmative covenants and events of default that, among other things, limit or restrict the Company's ability to enter into certain transactions. In addition, the Credit Facilities require the Company to comply with a maximum leverage ratio and a minimum interest expense coverage ratio, as defined within the agreement. As of September 30, 2019, the Company was in compliance with all covenants.

Senior Notes

As of September 30, 2019, Allegion US Hold Co has $400.0 million outstanding of its 3.200% Senior Notes due 2024 (the “3.200% Senior Notes”) and $400.0 million outstanding of its 3.550% Senior Notes due 2027 (the “3.550% Senior Notes”). The 3.200% Senior Notes and the 3.550% Senior Notes require semi-annual interest payments on April 1 and October 1 of each year, and will mature on October 1, 2024 and October 1, 2027, respectively. The 3.200% Senior Notes and the 3.550% Senior Notes are senior unsecured obligations of Allegion US Hold Co and rank equally with all of Allegion US Hold Co’s existing and future senior unsecured and unsubordinated indebtedness. The guarantee of the 3.200% Senior Notes and the 3.550% Senior Notes is the senior unsecured obligation of the Company and ranks equally with all of the Company's existing and future senior unsecured and unsubordinated indebtedness.

During the three months ended September 30, 2019, Allegion plc issued $400.0 million aggregate principal amount of its 3.500% Senior Notes due 2029 (the “3.500% Senior Notes”). The 3.500% Senior Notes require semi-annual interest payments on April 1 and October 1, beginning April 1, 2020, and will mature on October 1, 2029. Net proceeds from the issuance of the 3.500% Senior Notes, along with cash on hand, were utilized to make the $400.0 million principal payment on the Term Facility discussed above. The Company incurred and deferred $4.3 million of discounts and financing costs associated with the 3.500% Senior Notes, which will be amortized to Interest expense over the 10-year term of the 3.500% Senior Notes. The 3.500% Senior Notes are senior unsecured obligations of Allegion plc, are guaranteed by Allegion US Hold Co and rank equally with all of the Company's existing and future senior unsecured indebtedness.

The weighted-average interest rate for borrowings was 2.70% under the Credit Facilities (including the effect of interest rate swaps), 3.200% under the 3.200% Senior Notes, 3.550% under the 3.550% Senior Notes, and 3.500% under the 3.500% Senior Notes at September 30, 2019.

NOTE 8 - FINANCIAL INSTRUMENTS

In the normal course of business, the Company uses various financial instruments, including derivative instruments, to manage the risks associated with interest and currency rate exposures. These financial instruments are not used for trading or speculative purposes.

When a derivative contract is entered into, the Company designates the derivative instrument as a cash flow hedge of a forecasted transaction, a cash flow hedge of a recognized asset or liability or as an undesignated derivative. The Company formally documents its hedge relationships, including identification of the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transaction. This process includes linking derivative instruments that are designated as hedges to specific assets, liabilities or forecasted transactions.

The fair market value of derivative instruments is determined through market-based valuations and may not be representative of the actual gains or losses that will be recorded when these instruments mature due to future fluctuations in the markets in which they are traded.

The Company assesses at inception and at least quarterly thereafter, whether the derivatives used in cash flow hedging transactions are effective in offsetting the changes in the cash flows of the hedged item. To the extent the derivative is deemed to be an effective hedge, the fair market value changes of the instrument are recorded to Accumulated other comprehensive income (AOCI) and subsequently reclassified into Net earnings when the hedged transaction affects earnings. Changes in the fair market value of derivatives not deemed to be an effective hedge are recorded in Net earnings in the period of change. If the hedging relationship ceases to be effective subsequent to inception, or it becomes probable that a forecasted transaction is no longer expected to occur, the hedging relationship will be undesignated and any future gains and losses on the derivative instrument will be recorded in Net earnings.

Currency Hedging Instruments

The gross notional amount of the Company’s currency derivatives was $133.2 million and $ 81.8 million at September 30, 2019 and December 31, 2018, respectively. At September 30, 2019 and December 31, 2018, gains of $0.3 million and $ 1.8 million, net of tax, were included in Accumulated other comprehensive loss related to the fair value of the Company’s currency derivatives designated as cash flow hedges. The amount expected to be reclassified into Net earnings over the next twelve months is a gain of $0.3 million. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions. Gains and losses associated with the Company’s currency derivatives not designated as hedges are recorded in Net earnings as changes in fair value occur. At September 30, 2019, the maximum term of the Company’s currency derivatives was less than one year.

Interest Rate Swaps

The Company has interest rate swaps to fix the interest rate paid during the contract period related to the Company's variable rate Term Facility. The notional amount of these interest rate swaps was $200.0 million and $250.0 million at September 30, 2019 and December 31, 2018, respectively. During the three months ended September 30, 2019, the Company settled an interest rate swap with a $50.0 million notional amount in conjunction with the principal pay down on the outstanding Term Facility (see Note 7). The remaining interest rate swaps expire in September 2020 and meet the criteria to be accounted for as cash flow hedges of variable rate interest payments. Consequently, the changes in fair value of the interest rate swaps are recognized in Accumulated other comprehensive loss. At September 30, 2019 and December 31, 2018, gains of $0.7 million and $4.3 million, net of tax, were included in Accumulated other comprehensive loss related to these interest rate swaps. The amount expected to be reclassified into Net earnings over the next twelve months is a gain of approximately $0.7 million. The actual amounts that will be reclassified to Net earnings may vary from this amount as a result of changes in market conditions.

The fair values of derivative instruments included within the Condensed and Consolidated Balance Sheets were as follows:

		Designated as hedge instruments		Not designated as hedge instruments	
In millions	Balance Sheet classification	September 30, 2019	December 31, 2018	September 30, 2019	December 31, 2018
Asset derivatives					
Currency derivatives	Other current assets	$ —	$ 1.7	$ 0.3	$ 0.4
Interest rate swaps	Other current assets	1.0	—	—	—
Interest rate swaps	Other noncurrent assets	—	5.7	—	—
Total asset derivatives		1.0	7.4	0.3	0.4
Liability derivatives					
Currency derivatives	Accrued expenses and other current liabilities	0.2	—	1.1	0.1
Total liability derivatives		$ 0.2	$ —	$ 1.1	$ 0.1

The amounts associated with derivatives designated as hedges affecting Net earnings and Accumulated other comprehensive loss for the three months ended September 30 were as follows:

	Amount of gain recognized in Accumulated other comprehensive loss					Location of gain recognized in Net earnings	Amount of gain reclassified from Accumulated other comprehensive loss and recognized into Net earnings			
In millions	2019		2018				2019		2018	
Currency derivatives	$	0.6	$	—		Cost of goods sold	$	0.2	$	1.3
Interest rate swaps		0.1		1.5		Interest expense		1.0		0.6
Total	$	0.7	$	1.5			$	1.2	$	1.9

The amounts associated with derivatives designated as hedges affecting Net earnings and Accumulated other comprehensive loss for the nine months ended September 30 were as follows:

	Amount of gain (loss) recognized in Accumulated other comprehensive loss					Location of gain recognized in Net earnings	Amount of gain reclassified from Accumulated other comprehensive loss and recognized into Net earnings			
In millions	2019		2018				2019		2018	
Currency derivatives	$	1.6	$	2.2		Cost of goods sold	$	3.5	$	2.3
Interest rate swaps		(2.1)		4.1		Interest expense		2.7		1.5
Total	$	(0.5)	$	6.3			$	6.2	$	3.8

The gains and losses associated with the Company's non-designated currency derivatives, which are offset by changes in the fair value of the underlying transactions, are included within Other expense (income), net in the Condensed and Consolidated Statements of Comprehensive Income.

Concentration of Credit Risk

The counterparties to the Company’s forward contracts and swaps consist of a number of investment grade major international financial institutions. The Company could be exposed to losses in the event of nonperformance by the counterparties. However, the credit ratings and the concentration of risk in these financial institutions are monitored on a continuous basis and present no significant credit risk to the Company.

NOTE 9 - LEASES

The Company records a right-of-use ("ROU") asset and lease liability for substantially all leases for which it is a lessee, in accordance with ASC 842. At inception of a contract, the Company considers all relevant facts and circumstances to assess whether or not the contract represents a lease by determining whether or not the contract conveys the right to control the use of an identified asset, either explicit or implicit, for a period of time in exchange for consideration. The Company has no significant lease agreements in place for which the Company is a lessor, and substantially all of the Company's leases for which the Company is a lessee are classified as operating leases. Total rental expense for the nine months ended September 30, 2019, was $32.2 million and is classified within Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income. Rental expense related to short-term leases, variable lease payments or other leases or lease components not included within the ROU asset or lease liability totaled $7.5 million for the nine months ended September 30, 2019. No material lease costs have been capitalized on the Condensed and Consolidated Balance Sheet as of September 30, 2019.

Upon adoption of ASC 842, the Company utilized the following elections and practical expedients:

- The Company elected to not separate non-lease components from lease components and instead to account for each separate lease component, and the non-lease components associated with that lease component, as a single lease component.
- If at the lease commencement date, a lease had a term of less than 12 months and did not include a purchase option that was reasonably certain to be exercised, the Company elected not to apply ASC 842 recognition requirements. Nonetheless, the Company will include leases of less than 12 months within the updated footnote disclosures where applicable.

- If the Company enters into a large number of leases in the same month with the same terms and conditions, these will be looked at as a group (portfolio) assuming the lease model under this approach will not materially differ from applying ASC 842 to each individual lease.
- The Company elected to not reassess arrangements entered into prior than January 1, 2019, in terms of whether an arrangement is or contained a lease, the lease classification applied or to separate initial direct costs.
- The Company elected to use hindsight in determining the lease term for lease contracts that have historically been renewed or amended.

When available, the Company will utilize the rate implicit in the lease as the discount rate to determine the lease liability in accordance with ASC 842. However, if this rate is not available, the Company will use its incremental borrowing rate as the discount rate, which is the rate at inception of the lease the Company would hypothetically incur to borrow over a similar term the funds needed to purchase the leased asset.

As a lessee, the Company categorizes its leases into two general categories: real estate leases and equipment leases.

The Company’s real estate lease portfolio includes leased production and assembly facilities, warehouses and distribution centers, office space and to a lesser degree, employee housing. The terms and conditions of real estate leases can vary significantly from lease to lease. The Company has assessed the specific terms and conditions of each real estate lease to determine the amount of the lease payments and the length of the lease term, which includes the minimum period over which lease payments are required plus any renewal options that are both within the Company's control to exercise and reasonably certain of being exercised upon lease commencement. In determining whether or not a renewal option is reasonably certain of being exercised, the Company assesses all relevant factors to determine if sufficient incentives exist as of lease commencement to conclude renewal is reasonably certain. There are no material residual value guarantees provided by the Company nor any restrictions or covenants imposed by the real estate leases to which the Company is a party. In determining the lease liability, the Company utilizes its incremental borrowing rate to discount the future lease payments over the lease term to present value. The Company does incur variable lease payments for certain of its real estate leases, such as reimbursements of property taxes, maintenance and other operational costs to the lessor. In general, these variable lease payments are not captured as part of the lease liability or ROU asset, but are expensed as incurred.

The Company’s equipment leases include vehicles, material handling equipment, other machinery and equipment utilized in the Company's production and assembly facilities, warehouses and distribution centers, laptops and other IT equipment, as well as other miscellaneous leased equipment. Most of the equipment leases are for terms ranging from two to five years, although terms and conditions can vary from lease to lease. The Company applies similar estimates and judgments to its equipment lease portfolio in determining the lease payments and lease term as it does to its real estate lease portfolio. There are no material residual value guarantees provided by the Company nor any restrictions or covenants imposed by the equipment leases to which the Company is a party. In determining the lease liability, the Company utilizes its incremental borrowing rate to discount the future lease payments over the lease term to present value. The Company does not typically incur variable lease payments related to its equipment leases.

The amounts included within the Condensed and Consolidated Balance Sheet related to the Company's ROU asset and lease liability at September 30, 2019, were as follows:

In millions	**Balance Sheet classification**	**Real estate**	**Equipment**	**Total**
ROU asset	Other noncurrent assets	$ 57.7	$ 22.7	$ 80.4
Lease liability - current	Accrued expenses and other current liabilities	14.9	10.5	25.4
Lease liability - noncurrent	Other noncurrent liabilities	42.8	12.2	55.0
Other information:				
Weighted-average remaining term (in years)		6.7	2.5	
Weighted-average discount rate		4.6%	3.9%	

The following table summarizes additional information related to the Company's lease liability for the nine months ended September 30, 2019:

In millions	Real estate	Equipment	Total
Cash paid for amounts included in the measurement of lease liabilities	$ 14.2	$ 10.5	$ 24.7
ROU assets obtained in exchange for new lease liabilities	8.5	12.1	20.6

The Company frequently enters into both real estate and equipment leases in the normal course of business. While there have been lease agreements entered into that have not yet commenced as of September 30, 2019, none of these leases provide new rights or obligations to the Company that are material individually or in the aggregate.

Future Repayments

Future minimum rental commitments for the subsequent five years under non-cancellable operating leases with terms in excess of one year as of December 31, 2018 were as follows:

In millions	Total
2019	$ 30.3
2020	21.5
2021	14.1
2022	9.3
2023	5.5

Scheduled minimum lease payments required under non-cancellable operating leases for both the real estate and equipment lease portfolios for the remainder of 2019 and each of the years thereafter as of September 30, 2019, are as follows:

In millions	Remainder of 2019	2020	2021	2022	2023	Thereafter	Total
Real estate leases	$ 4.6	$ 16.2	$ 12.9	$ 9.8	$ 5.8	$ 18.5	$ 67.8
Equipment leases	3.3	10.1	6.5	2.9	0.9	0.1	23.8
Total	$ 7.9	$ 26.3	$ 19.4	$ 12.7	$ 6.7	$ 18.6	$ 91.6

The difference between the total undiscounted minimum lease payments and the combined current and noncurrent lease liabilities as of September 30, 2019, is due to imputed interest of $11.2 million.

NOTE 10 - PENSIONS AND POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

The Company sponsors several U.S. defined benefit and defined contribution plans covering substantially all of its U.S. employees. Additionally, the Company has non-U.S. defined benefit and defined contribution plans covering eligible non-U.S. employees. Postretirement benefits, other than pensions, provide healthcare benefits, and in some instances, life insurance benefits, for certain eligible employees.

Pension Plans

The noncontributory defined benefit pension plans covering non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat dollar benefit formula. The non-U.S. pension plans generally provide benefits based on earnings and years of service. The Company also maintains additional other supplemental plans for officers and other key employees.

The components of the Company’s Net periodic pension benefit cost (income) for the three and nine months ended September 30 were as follows:

	U.S.			
	Three months ended		Nine months ended	
In millions	2019	2018	2019	2018
Service cost	$ 1.9	$ 1.7	$ 4.9	$ 5.2
Interest cost	3.1	2.6	8.8	7.7
Expected return on plan assets	(3.1)	(3.6)	(9.4)	(10.9)
Administrative costs and other	0.5	0.5	1.3	1.4
Net amortization of:				
Prior service costs	—	—	0.2	0.2
Plan net actuarial losses	1.4	1.1	3.5	3.0
Net periodic pension benefit cost	$ 3.8	$ 2.3	$ 9.3	$ 6.6

	Non-U.S.			
	Three months ended		Nine months ended	
In millions	2019	2018	2019	2018
Service cost	$ 0.4	$ 0.4	$ 1.2	$ 1.4
Interest cost	2.1	2.2	6.5	6.4
Expected return on plan assets	(3.2)	(3.9)	(9.7)	(11.7)
Administrative costs and other	0.3	0.4	1.0	1.2
Net amortization of:				
Prior service costs	0.1	—	0.2	—
Plan net actuarial losses	0.3	0.3	1.0	0.7
Net curtailment and settlement losses	0.1	—	1.5	—
Net periodic pension benefit cost (income)	$ 0.1	$ (0.6)	$ 1.7	$ (2.0)

The Service cost component of Net periodic pension benefit cost (income) and the Net curtailment and settlement losses are recorded in Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income. The remaining components of Net periodic pension benefit cost (income) are recorded within Other expense (income), net within the Condensed and Consolidated Statements of Comprehensive Income.

The Company made employer contributions of $6.8 million and $6.6 million during the nine months ended September 30, 2019 and 2018, respectively, to its defined benefit pension plans. Additional contributions of approximately $3.3 million are expected during the remainder of 2019.

Postretirement Benefits Other Than Pensions

The Company sponsors a postretirement ("OPEB") plan that provides for healthcare benefits, and in some instances, life insurance benefits, that cover certain eligible retired employees. The Company funds postretirement benefit obligations principally on a pay-as-you-go basis. Generally, postretirement health benefits are contributory with contributions adjusted annually. Life insurance plans for retirees are primarily noncontributory. Net periodic postretirement benefit cost (income) is included within Other expense (income), net within the Condensed and Consolidated Statements of Comprehensive Income.

NOTE 11 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on a framework that utilizes the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is comprised of three levels that are described below:

- Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at fair value at September 30, 2019, were as follows:

	Fair value measurements			
In millions	**Quoted prices in active markets for identical assets (Level 1)**	**Significant other observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total fair value**
Recurring fair value measurements				
Assets:				
Investments	$ —	$ 16.3	$ —	$ 16.3
Interest rate swaps	—	1.0	—	1.0
Foreign currency contracts	—	0.3	—	0.3
Total asset recurring fair value measurements	$ —	$ 17.6	$ —	$ 17.6
Liabilities:				
Foreign currency contracts	$ —	$ 1.3	$ —	$ 1.3
Deferred compensation and other retirement plans	—	21.6	—	21.6
Total liability recurring fair value measurements	$ —	$ 22.9	$ —	$ 22.9
Financial instruments not carried at fair value				
Total debt	$ —	$ 1,461.5	$ —	$ 1,461.5
Total financial instruments not carried at fair value	$ —	$ 1,461.5	$ —	$ 1,461.5

Assets and liabilities measured at fair value at December 31, 2018, were as follows:

	Fair value measurements			
In millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Investments	$ —	$ 14.3	$ —	$ 14.3
Interest rate swaps	—	5.7	—	5.7
Foreign currency contracts	—	2.1	—	2.1
Total asset recurring fair value measurements	$ —	$ 22.1	$ —	$ 22.1
Liabilities:				
Foreign currency contracts	$ —	$ 0.1	$ —	$ 0.1
Deferred compensation and other retirement plans	—	19.1	—	19.1
Total liability recurring fair value measurements	$ —	$ 19.2	$ —	$ 19.2
Financial instruments not carried at fair value				
Total debt	$ —	$ 1,403.2	$ —	$ 1,403.2
Total financial instruments not carried at fair value	$ —	$ 1,403.2	$ —	$ 1,403.2

The Company determines the fair value of its financial assets and liabilities using the following methodologies:

- *Investments* – These instruments include equity mutual funds and corporate bond funds. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.
- *Interest rate swaps* – These instruments include interest rate swap contracts related to the Company's variable rate Term Facility. The fair value of the derivative instruments is determined based on quoted prices for the Company's swaps, which is not considered an active market.
- *Foreign currency contracts* – These instruments include foreign currency contracts for non-functional currency balance sheet exposures. The fair value of the foreign currency contracts is determined based on a pricing model that uses spot rates and forward prices from actively quoted currency markets that are readily accessible and observable.
- *Deferred compensation and other retirement plans* – These include obligations related to deferred compensation and other retirement plans adjusted for market performance. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.
- *Debt* – These instruments are recorded at cost and include senior notes maturing through 2029. The fair value of the long-term debt instruments is obtained based on observable market prices quoted on public exchanges for similar instruments.

The carrying values of Cash and cash equivalents, Restricted cash, Accounts and notes receivable, Accounts payable and Accrued expenses and other current liabilities are a reasonable estimate of their fair value due to the short-term nature of these instruments.

The methodologies used by the Company to determine the fair value of its financial assets and liabilities at September 30, 2019, are the same as those used at December 31, 2018.

NOTE 12 - EQUITY

The changes in the components of Equity for the nine months ended September 30, 2019, were as follows:

		Allegion plc shareholders' equity					
		Ordinary shares					
In millions	**Total equity**	**Amount**	**Shares**	**Capital in excess of par value**	**Retained earnings**	**Accumulated other comprehensive loss**	**Noncontrolling interests**
Balance at December 31, 2018	$ 654.0	$ 0.9	94.6	$ —	$ 873.6	$ (223.5)	$ 3.0
Net earnings	80.3	—	—	—	80.2	—	0.1
Other comprehensive (loss) income, net	(14.7)	—	—	—	—	(15.3)	0.6
Share-based compensation activity	7.1	—	0.2	7.1	—	—	—
Dividends to ordinary shareholders ($0.27 per share)	(25.5)	—	—	—	(25.5)	—	—
Repurchase of ordinary shares	(63.8)	—	(0.7)	(7.1)	(56.7)	—	—
Balance at March 31, 2019	637.4	0.9	94.1	—	871.6	(238.8)	3.7
Net earnings	109.4	—	—	—	109.3	—	0.1
Other comprehensive income (loss), net	5.1	—	—	—	—	5.7	(0.6)
Share-based compensation activity	6.8	—	0.1	6.8	—	—	—
Dividends to noncontrolling interests	(0.1)	—	—	—	—	—	(0.1)
Dividends to ordinary shareholders ($0.27 per share)	(25.2)	—	—	—	(25.2)	—	—
Repurchase of ordinary shares	(69.8)	—	(0.7)	(6.8)	(63.0)	—	—
Balance at June 30, 2019	663.6	0.9	93.5	—	892.7	(233.1)	3.1
Net earnings	131.7	—	—	—	131.6	—	0.1
Other comprehensive loss, net	(40.9)	—	—	—	—	(39.9)	(1.0)
Share-based compensation activity	4.2	—	—	4.2	—	—	—
Dividends to ordinary shareholders ($0.27 per share)	(25.1)	—	—	—	(25.1)	—	—
Repurchase of ordinary shares	(46.1)	—	(0.5)	(4.2)	(41.9)	—	—
Other	(0.2)	—	—	—	(0.2)	—	—
Balance at September 30, 2019	$ 687.2	$ 0.9	93.0	$ —	$ 957.1	$ (273.0)	$ 2.2

The changes in the components of Equity for the nine months ended September 30, 2018, were as follows:

		Allegion plc shareholders' equity					
		Ordinary shares					
In millions	Total equity	Amount	Shares	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interests
Balance at December 31, 2017	$ 405.5	$ 1.0	95.1	$ 9.1	$ 544.4	$ (152.9)	$ 3.9
Net earnings	72.4	—	—	—	72.2	—	0.2
Other comprehensive income, net	27.1	—	—	—	—	26.1	1.0
Share-based compensation activity	6.0	—	0.3	6.0	—	—	—
Dividends to ordinary shareholders ($0.21 per share)	(19.9)	—	—	—	(19.9)	—	—
Repurchase of ordinary shares	(30.0)	(0.1)	(0.4)	(15.1)	(14.8)	—	—
Balance at March 31, 2018	461.1	0.9	95.0	—	581.9	(126.8)	5.1
Net earnings	114.0	—	—	—	113.9	—	0.1
Other comprehensive loss, net	(51.5)	—	—	—	—	(49.2)	(2.3)
Share-based compensation activity	5.2	—	—	5.2	—	—	—
Dividends to noncontrolling interests	(0.2)	—	—	—	—	—	(0.2)
Dividends to ordinary shareholders ($0.21 per share)	(20.0)	—	—	—	(20.0)	—	—
Other	0.1	—	—	—	—	0.1	—
Balance at June 30, 2018	508.7	0.9	95.0	5.2	675.8	(175.9)	2.7
Net earnings	116.1	—	—	—	116.0	—	0.1
Other comprehensive loss, net	(12.8)	—	—	—	—	(12.1)	(0.7)
Share-based compensation activity	7.1	0.1	0.1	7.0	—	—	—
Dividends to ordinary shareholders ($0.21 per share)	(20.0)	—	—	—	(20.0)	—	—
Other	(0.1)	—	—	—	0.1	(0.2)	—
Balance at September 30, 2018	$ 599.0	$ 1.0	95.1	$ 12.2	$ 771.9	$ (188.2)	$ 2.1

During the nine months ended September 30, 2019 and 2018, the Company paid $179.7 million and $30.0 million, respectively, to repurchase the ordinary shares reflected in the tables above on the open market under a share repurchase authorization previously approved by its Board of Directors.

Accumulated Other Comprehensive Loss

The changes in Accumulated other comprehensive loss for the nine months ended September 30, 2019, were as follows:

In millions	Cash flow hedges	Pension and OPEB items	Foreign currency items	Total
December 31, 2018	$ 6.1	$ (123.2)	$ (106.4)	$ (223.5)
Other comprehensive (loss) income before reclassifications	(0.5)	2.8	(51.2)	(48.9)
Amounts reclassified from accumulated other comprehensive loss[a]	(6.2)	4.7	—	(1.5)
Tax benefit (expense)	1.7	(0.8)	—	0.9
September 30, 2019	$ 1.1	$ (116.5)	$ (157.6)	$ (273.0)

The changes in Accumulated other comprehensive loss for the nine months ended September 30, 2018, were as follows:

In millions	Cash flow hedges	Pension and OPEB items	Foreign currency items	Total
December 31, 2017	$ 3.8	$ (107.6)	$ (49.1)	$ (152.9)
Other comprehensive income (loss) before reclassifications	6.3	2.4	(42.2)	(33.5)
Amounts reclassified from accumulated other comprehensive loss[(a)]	(3.8)	3.3	—	(0.5)
Tax expense	(0.7)	(0.6)	—	(1.3)
September 30, 2018	$ 5.6	$ (102.5)	$ (91.3)	$ (188.2)

(a) Amounts reclassified from Accumulated other comprehensive loss and recognized into Net earnings related to cash flow hedges are recorded in Cost of goods sold and Interest expense. Amounts reclassified from Accumulated other comprehensive loss and recognized into Net earnings related to pension and OPEB items and foreign currency items are recorded in Other expense (income), net.

NOTE 13 - SHARE-BASED COMPENSATION

The Company records share-based compensation awards using a fair value method and recognizes compensation expense for an amount equal to the fair value of the share-based payment issued in its financial statements. The Company's share-based compensation plans include programs for stock options, restricted stock units ("RSUs"), performance share units ("PSUs") and deferred compensation.

Compensation Expense

Share-based compensation expense is included in Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income. The following table summarizes the expenses recognized for the three and nine months ended September 30:

	Three months ended		Nine months ended	
In millions	2019	2018	2019	2018
Stock options	$ 0.4	$ 1.0	$ 3.2	$ 3.9
RSUs	1.6	2.6	8.0	8.1
PSUs	1.7	1.1	5.1	4.2
Deferred compensation	(0.1)	0.6	2.1	1.2
Pre-tax expense	3.6	5.3	18.4	17.4
Tax benefit	(0.5)	(1.0)	(2.3)	(1.9)
After-tax expense	$ 3.1	$ 4.3	$ 16.1	$ 15.5

Stock Options / RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. Grants issued during the nine months ended September 30 were as follows:

	2019		2018	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	195,675	$ 19.58	160,849	$ 21.29
RSUs	129,835	$ 90.91	121,928	$ 84.86

The fair value of each of the Company's stock option and RSU awards is expensed on a straight-line basis over the required service period, which is generally the three-year vesting period. However, for stock options and RSUs granted to retirement eligible employees, the Company recognizes expense for the fair value at the grant date.

The average fair value of the stock options granted is determined using the Black-Scholes option-pricing model. The following assumptions were used during the nine months ended September 30:

	2019	2018
Dividend yield	1.23%	0.97%
Volatility	21.44%	22.38%
Risk-free rate of return	2.53%	2.75%
Expected life (in years)	6.0	6.0

Expected volatility is based on the weighted-average combination of the Company's historic volatility and of the implied volatility of a group of the Company's peers. The risk-free rate of return is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. The expected life of the Company's stock option awards is derived from the simplified approach based on the weighted-average time to vest and the remaining contractual term and represents the period of time that awards are expected to be outstanding.

Performance Shares

The Company has a Performance Share Program ("PSP") for key employees which provides awards in the form of PSUs based on performance against pre-established objectives. The annual target award level is expressed as a number of the Company's ordinary shares. All PSUs are settled in the form of ordinary shares unless deferred. The 2018 grant is the last eligible grant to defer under the plan. During the nine months ended September 30, 2019, the Company granted PSUs with a maximum award level of approximately 0.1 million shares.

In February 2017, 2018 and 2019, the Company's Compensation Committee granted PSUs that were earned based 50% upon a performance condition, measured at each reporting period by earnings per share ("EPS") performance in relation to pre-established targets set by the Compensation Committee, and 50% upon a market condition, measured by the Company's relative total shareholder return ("TSR") against the S&P 400 Capital Goods Index over a three-year performance period. The fair values of the market conditions are estimated using a Monte Carlo Simulation approach in a risk-neutral framework to model future stock price movements based upon historical volatility, risk-free rates of return and correlation matrix.

Deferred Compensation

Prior to 2019, the Company allowed key employees to defer a portion of their eligible granted performance shares and/or compensation into a number of investment choices including its ordinary share equivalents. Any amounts invested in ordinary share equivalents will be settled in ordinary shares of the Company at the time of distribution.

NOTE 14 - RESTRUCTURING ACTIVITIES

During the three months ended September 30, 2019 and 2018, the Company recorded $4.4 million and $2.7 million, respectively, of expenses associated with restructuring activities. During the nine months ended September 30, 2019 and 2018, the Company recorded $14.2 million and $4.1 million, respectively, of expenses associated with restructuring activities. These expenses are included within Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income.

Included within these current year restructuring expenses are approximately $3.6 million during the three months ended September 30, 2019, and $7.2 million during the nine months ended September 30, 2019, relating to the Company's closure of its production facility in Turkey in June 2019. The facility was closed to help streamline the Company's operational footprint in the EMEIA region, and these expenses are primarily related to severance and other employee separation costs. During the three months ended September 30, 2019, the Company committed to a plan to sell certain of the production assets previously utilized in its Turkish operations. As a result, these assets were reclassified to Assets held for sale within the Condensed and Consolidated Balance Sheet at September 30, 2019.

The changes in the restructuring reserve during the nine months ended September 30, 2019, were as follows:

In millions	Total
December 31, 2018	$ 2.1
Additions, net of reversals	14.2
Cash and non-cash uses	(12.9)
September 30, 2019	$ 3.4

The majority of the costs accrued as of September 30, 2019, are expected to be paid within one year.

The Company also incurred other non-qualified restructuring expenses of $0.4 million during the three months ended September 30, 2019, and $4.5 million during the nine months ended September 30, 2019, in conjunction with restructuring plans, which represent costs that are directly attributable to restructuring activities, but that do not fall into the severance, exit or disposal category. All of the non-qualified restructuring expenses incurred during the three months ended September 30, 2019, and approximately $3.1 million during the nine months ended September 30, 2019, related to the closure of the Company's production facility in Turkey discussed above.

The Company anticipates additional future expenses in the fourth quarter of 2019 related to the closure of its Turkey operations and associated restructuring activity. These future costs, including what are anticipated to be classified as both qualified and non-qualified restructuring expenses, are not expected to exceed $5 million.

NOTE 15 - OTHER EXPENSE (INCOME), NET

The components of Other expense (income), net for the three and nine months ended September 30 were as follows:

	Three months ended		Nine months ended	
In millions	2019	2018	2019	2018
Interest income	$ (0.4)	$ (0.4)	$ (1.1)	$ (0.7)
Foreign currency exchange loss (gain)	0.8	(0.8)	1.1	(1.0)
Loss (earnings) from equity method investments	0.1	—	0.5	(0.1)
Net periodic pension and postretirement benefit cost (income), less service cost	1.4	(0.7)	3.2	(2.3)
Other	0.1	—	(2.1)	0.2
Other expense (income), net	$ 2.0	$ (1.9)	$ 1.6	$ (3.9)

NOTE 16 - INCOME TAXES

The effective income tax rates for the three months ended September 30, 2019 and 2018, were 12.5% and 10.8%, respectively. The increase in the effective tax rate compared to 2018 is primarily due to a tax benefit recognized in 2018 related to a true-up of the 2017 U.S. Tax Cuts and Jobs Act (the "Tax Reform Act") provisional tax computation, which is partially offset by a favorable year-over-year change in amounts recognized for uncertain tax positions.

The effective income tax rates for the nine months ended September 30, 2019 and 2018 were 14.9% and 13.1%, respectively. The increase in the effective tax rate compared to 2018 is primarily due to a tax benefit recognized in 2018 related to a true-up of the 2017 Tax Reform Act provisional tax computation and an unfavorable mix of income earned in higher tax rate jurisdictions, which are partially offset by a favorable year-over-year change in amounts recognized for uncertain tax positions.

NOTE 17 - EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing Net earnings attributable to Allegion plc by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company’s case, includes shares issuable under share-based compensation plans.

The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted EPS calculations for the three and nine months ended September 30:

	Three months ended		Nine months ended	
In millions	2019	2018	2019	2018
Weighted-average number of basic shares	93.3	95.1	93.8	95.1
Shares issuable under incentive stock plans	0.7	0.7	0.7	0.7
Weighted-average number of diluted shares	94.0	95.8	94.5	95.8

At September 30, 2019, 0.2 million stock options were excluded from the computation of weighted-average diluted shares outstanding because the effect of including these shares would have been anti-dilutive.

NOTE 18 - NET REVENUES

Net revenues are recognized based on the satisfaction of performance obligations under the terms of a contract. A performance obligation is a promise in a contract to transfer control of a distinct product or to provide a service, or a bundle of products or services, to a customer, and is the unit of account under ASC Topic 606, "Revenue from Contracts with Customers" (ASC 606). The Company has two principal revenue streams, tangible product sales and services. Approximately 99% of consolidated Net revenues involve contracts with a single performance obligation, which is the transfer of control of a product or bundle of products to a customer. Transfer of control typically occurs when goods are shipped from the Company's facilities or at other predetermined control transfer points (for instance, destination terms). Net revenues are measured as the amount of consideration expected to be received in exchange for transferring control of the products and takes into account variable consideration, such as sales incentive programs including discounts and volume rebates. The existence of these programs does not preclude revenue recognition but does require the Company's best estimate of the variable consideration to be made based on expected activity, as these items are reserved for as a deduction to Net revenues over time based on the Company's historical rates of providing these incentives and annual forecasted sales volumes. The Company also offers a standard warranty with most product sales, and the value of such warranty is included in the contractual price. The corresponding expense of the warranty obligation is accrued as a liability (see Note 20).

The Company's remaining Net revenues involve services, including installation and consulting. Unlike the single performance obligation to ship a product or bundle of products, revenue recognition related to services is delayed until the service performance obligations are satisfied. In some instances, customer acceptance provisions are included in sales arrangements to give the buyer the ability to ensure the service meets the criteria established in the order. In these instances, revenue recognition is deferred until the performance obligations are satisfied, which could include acceptance terms specified in the arrangement being fulfilled through customer acceptance or a demonstration that established criteria have been satisfied. During the nine months ended September 30, 2019 and 2018, no adjustments were recorded related to performance obligations satisfied in previous periods.

The Company applies the practical expedients allowed under ASC 606 to omit the disclosure of remaining performance obligations for contracts with an original expected duration of one year or less and for contracts where the Company has the right to invoice for performance completed to date. The transaction price is not adjusted for the effects of a significant financing component, as the time period between control transfer of goods and services is less than one year. Sales, value-added and other similar taxes collected by the Company are excluded from Net revenues. The Company has also elected to account for shipping and handling activities that occur after control of the related goods transfers as fulfillment activities instead of performance obligations. These activities are included in Cost of goods sold in the Condensed and Consolidated Statements of Comprehensive Income. The Company’s payment terms are generally consistent with the industries in which its businesses operate.

The following tables show the Company's Net revenues related to both tangible product sales and services for the three and nine months ended September 30, 2019 and 2018, respectively, disaggregated by business segment. Net revenues are shown by tangible product sales and services, as contract terms, conditions and economic factors affecting the nature, amount, timing and uncertainty around revenue recognition and cash flows are substantially similar within each of these two principal revenue streams:

	Three months ended September 30, 2019				Nine months ended September 30, 2019			
In millions	Americas	EMEIA	Asia Pacific	Consolidated	Americas	EMEIA	Asia Pacific	Consolidated
Net revenues								
Products	$ 567.8	$ 130.5	$ 40.7	$ 739.0	$ 1,588.2	$ 406.3	$ 117.2	$ 2,111.7
Services	—	7.3	2.0	9.3	—	16.6	6.2	22.8
Total Net revenues	$ 567.8	$ 137.8	$ 42.7	$ 748.3	$ 1,588.2	$ 422.9	$ 123.4	$ 2,134.5

	Three months ended September 30, 2018				Nine months ended September 30, 2018			
In millions	Americas	EMEIA	Asia Pacific	Consolidated	Americas	EMEIA	Asia Pacific	Consolidated
Net revenues								
Products	$ 530.1	$ 129.5	$ 44.8	$ 704.4	$ 1,495.9	$ 419.6	$ 98.7	$ 2,014.2
Services	—	4.9	2.2	7.1	—	12.9	2.2	15.1
Total Net revenues	$ 530.1	$ 134.4	$ 47.0	$ 711.5	$ 1,495.9	$ 432.5	$ 100.9	$ 2,029.3

As of September 30, 2019, neither the contract assets related to the Company's right to consideration for work completed but not billed nor the contract liabilities associated with contract revenue were material. As a practical expedient, the Company recognizes incremental costs of obtaining a contract, if any, as an expense when incurred if the amortization period of the asset would have been one year or less. The Company does not have any costs to obtain or fulfill a contract that are capitalized under ASC 606.

NOTE 19 - BUSINESS SEGMENT INFORMATION

The Company classifies its business into the following three reportable segments based on industry and market focus: Americas, EMEIA and Asia Pacific.

The Company largely evaluates performance based on Segment operating income and Segment operating margins. Segment operating income is the measure of profit and loss that the Company’s chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews and compensation. For these reasons, the Company believes that Segment operating income represents the most relevant measure of segment profit and loss. The Company’s chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, from Operating income to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base operating decisions. The Company defines Segment operating margin as Segment operating income as a percentage of the segment's Net revenues.

A summary of operations by reportable segment for the three and nine months ended September 30 was as follows:

	Three months ended		Nine months ended	
In millions	2019	2018	2019	2018
Net revenues				
Americas	$ 567.8	$ 530.1	$ 1,588.2	$ 1,495.9
EMEIA	137.8	134.4	422.9	432.5
Asia Pacific	42.7	47.0	123.4	100.9
Total	$ 748.3	$ 711.5	$ 2,134.5	$ 2,029.3
Segment operating income				
Americas	$ 175.6	$ 153.8	$ 457.7	$ 415.5
EMEIA	7.5	7.6	19.9	27.3
Asia Pacific	4.1	1.5	3.9	0.8
Total	187.2	162.9	481.5	443.6
Reconciliation to Operating income				
Unallocated corporate expense	(19.1)	(20.6)	(59.7)	(59.2)
Operating income	168.1	142.3	421.8	384.4
Reconciliation to earnings before income taxes				
Interest expense	15.6	14.0	42.7	40.3
Other expense (income), net	2.0	(1.9)	1.6	(3.9)
Earnings before income taxes	$ 150.5	$ 130.2	$ 377.5	$ 348.0

NOTE 20 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various litigations, claims and administrative proceedings, including those related to environmental and product warranty matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

Environmental Matters

The Company is dedicated to an environmental program to reduce the utilization and generation of hazardous materials during the manufacturing process and to remediate identified environmental concerns. As to the latter, the Company is currently engaged in site investigations and remediation activities to address environmental cleanup from past operations at current and former production facilities. The Company regularly evaluates its remediation programs and considers alternative remediation methods that are in addition to, or in replacement of, those currently utilized by the Company based upon enhanced technology and regulatory changes. Changes to the Company's remediation programs may result in increased expenses and increased environmental reserves.

The Company is sometimes a party to environmental lawsuits and claims and has received notices of potential violations of environmental laws and regulations from the U.S. Environmental Protection Agency and similar state authorities. It has also been identified as a potentially responsible party ("PRP") for cleanup costs associated with off-site waste disposal at federal Superfund and state remediation sites. For all such sites, there are other PRPs and, in most instances, the Company’s involvement is minimal.

In estimating its liability, the Company has assumed it will not bear the entire cost of remediation of any site to the exclusion of other PRPs who may be jointly and severally liable. The ability of other PRPs to participate has been taken into account, based on our understanding of the parties’ financial condition and probable contributions on a per site basis. Additional lawsuits and claims involving environmental matters are likely to arise from time to time in the future.

During the three months ended September 30, 2019 and 2018, the Company incurred $0.6 million and $0.4 million, respectively, of expenses for environmental remediation at sites presently or formerly owned or leased by the Company. During the nine months ended September 30, 2019 and 2018, the Company incurred $1.6 million and $1.7 million, respectively, of expenses for environmental remediation at sites presently or formerly owned or leased by the Company. As of September 30, 2019 and December 31, 2018, the Company has recorded reserves for environmental matters of $19.8 million and $22.6 million, respectively. The total reserve at September 30, 2019 and December 31, 2018, included $4.5 million and $6.3 million, respectively, related to remediation of sites previously disposed by the Company. Environmental reserves are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities within the Condensed and Consolidated Balance Sheets based on their expected term. The Company's total current environmental reserve at September 30, 2019 and December 31, 2018, was $4.4 million and $5.6 million, respectively, and the remainder is classified as noncurrent. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Warranty Liability

Standard product warranty accruals are recorded at the time of sale and are estimated based upon product warranty terms and historical experience. The Company assesses the adequacy of its liabilities and will make adjustments as necessary based on known or anticipated warranty claims, or as new information becomes available.

The changes in the standard product warranty liability for the nine months ended September 30 were as follows:

In millions	**2019**	**2018**
Balance at beginning of period	$ 14.5	$ 14.1
Reductions for payments	(6.6)	(5.9)
Accruals for warranties issued during the current period	8.4	6.1
Changes to accruals related to preexisting warranties	(0.4)	(0.1)
Acquisitions	—	0.5
Currency translation	(0.2)	(0.1)
Balance at end of period	$ 15.7	$ 14.6

Standard product warranty liabilities are classified as Accrued expenses and other current liabilities within the Condensed and Consolidated Balance Sheets.

NOTE 21 - GUARANTOR INFORMATION

Allegion US Hold Co is the issuer of the 3.200% Senior Notes and 3.550% Senior Notes and is the guarantor of the 3.500% Senior Notes (all three senior notes, collectively, the "Senior Notes"). Allegion plc is the issuer of the 3.500% Senior Notes and is the guarantor of the 3.200% Senior Notes and 3.550% Senior Notes. The following condensed and consolidated financial information of Allegion plc, Allegion US Hold Co, and the other Allegion subsidiaries that are not guarantors (the "Other Subsidiaries") on a combined basis as of September 30, 2019 and December 31, 2018, and for the three and nine months ended September 30, 2019 and 2018, is being presented in order to meet the reporting requirements under the Senior Notes indentures and Rule 3-10 of Regulation S-X. In accordance with Rule 3-10(d) of Regulation S-X, separate financial statements for the Issuers, Allegion plc and Allegion US Hold Co, whom are guarantors, are not required to be filed with the SEC as the subsidiary debt issuers are directly or indirectly 100% owned by the Parent, whom is a guarantor, and the guarantees are full and unconditional and joint and several.

Condensed and Consolidated Statement of Comprehensive Income
For the three months ended September 30, 2019

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Net revenues	$ —	$ —	$ 748.3	$ —	$ 748.3
Cost of goods sold	—	—	412.8	—	412.8
Selling and administrative expenses	1.6	—	165.8	—	167.4
Operating (loss) income	(1.6)	—	169.7	—	168.1
Equity earnings (loss) in affiliates, net of tax	145.2	88.9	—	(234.1)	—
Interest expense	9.5	6.0	0.1	—	15.6
Intercompany interest and fees	2.5	27.0	(29.5)	—	—
Other expense, net	—	—	2.0	—	2.0
Earnings (loss) before income taxes	131.6	55.9	197.1	(234.1)	150.5
Provision (benefit) for income taxes	—	(8.1)	26.9	—	18.8
Net earnings (loss)	131.6	64.0	170.2	(234.1)	131.7
Less: Net earnings attributable to noncontrolling interests	—	—	0.1	—	0.1
Net earnings (loss) attributable to Allegion plc	$ 131.6	$ 64.0	$ 170.1	$ (234.1)	$ 131.6
Total comprehensive income (loss)	$ 91.7	$ 63.0	$ 130.2	$ (194.1)	$ 90.8
Less: Total comprehensive loss attributable to noncontrolling interests	—	—	(0.9)	—	(0.9)
Total comprehensive income (loss) attributable to Allegion plc	$ 91.7	$ 63.0	$ 131.1	$ (194.1)	$ 91.7

Condensed and Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2019

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Net revenues	$ —	$ —	$ 2,134.5	$ —	$ 2,134.5
Cost of goods sold	—	—	1,201.4	—	1,201.4
Selling and administrative expenses	4.7	—	506.6	—	511.3
Operating (loss) income	(4.7)	—	426.5	—	421.8
Equity earnings (loss) in affiliates, net of tax	354.2	196.9	—	(551.1)	—
Interest expense	24.2	18.3	0.2	—	42.7
Intercompany interest and fees	4.2	79.8	(84.0)	—	—
Other income, net	—	—	1.6	—	1.6
Earnings (loss) before income taxes	321.1	98.8	508.7	(551.1)	377.5
Provision (benefit) for income taxes	—	(24.1)	80.2	—	56.1
Net earnings (loss)	321.1	122.9	428.5	(551.1)	321.4
Less: Net earnings attributable to noncontrolling interests	—	—	0.3	—	0.3
Net earnings (loss) attributable to Allegion plc	$ 321.1	$ 122.9	$ 428.2	$ (551.1)	$ 321.1
Total comprehensive income (loss)	$ 271.6	$ 118.4	$ 381.4	$ (500.5)	$ 270.9
Less: Total comprehensive loss attributable to noncontrolling interests	—	—	(0.7)	—	(0.7)
Total comprehensive income (loss) attributable to Allegion plc	$ 271.6	$ 118.4	$ 382.1	$ (500.5)	$ 271.6

Condensed and Consolidated Statement of Comprehensive Income
For the three months ended September 30, 2018

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Net revenues	$ —	$ —	$ 711.5	$ —	$ 711.5
Cost of goods sold	—	—	402.1	—	402.1
Selling and administrative expenses	1.3	—	165.8	—	167.1
Operating (loss) income	(1.3)	—	143.6	—	142.3
Equity earnings (loss) in affiliates, net of tax	124.5	73.2	—	(197.7)	—
Interest expense	7.2	6.4	0.4	—	14.0
Intercompany interest and fees	—	26.3	(26.3)	—	—
Other income, net	—	—	(1.9)	—	(1.9)
Earnings (loss) before income taxes	116.0	40.5	171.4	(197.7)	130.2
Provision (benefit) for income taxes	—	(7.7)	21.8	—	14.1
Net earnings (loss)	116.0	48.2	149.6	(197.7)	116.1
Less: Net earnings attributable to noncontrolling interests	—	—	0.1	—	0.1
Net earnings (loss) attributable to Allegion plc	$ 116.0	$ 48.2	$ 149.5	$ (197.7)	$ 116.0
Total comprehensive income (loss)	$ 103.9	$ 48.1	$ 142.5	$ (191.2)	$ 103.3
Less: Total comprehensive loss attributable to noncontrolling interests	—	—	(0.6)	—	(0.6)
Total comprehensive income (loss) attributable to Allegion plc	$ 103.9	$ 48.1	$ 143.1	$ (191.2)	$ 103.9

Condensed and Consolidated Statement of Comprehensive Income
For the nine months ended September 30, 2018

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Net revenues	$ —	$ —	$ 2,029.3	$ —	$ 2,029.3
Cost of goods sold	—	—	1,156.5	—	1,156.5
Selling and administrative expenses	4.6	—	483.8	—	488.4
Operating (loss) income	(4.6)	—	389.0	—	384.4
Equity earnings (loss) in affiliates, net of tax	327.0	146.4	—	(473.4)	—
Interest expense	20.3	19.4	0.6	—	40.3
Intercompany interest and fees	—	78.2	(78.2)	—	—
Other income, net	—	—	(3.9)	—	(3.9)
Earnings (loss) before income taxes	302.1	48.8	470.5	(473.4)	348.0
Provision (benefit) for income taxes	—	(20.0)	65.5	—	45.5
Net earnings (loss)	302.1	68.8	405.0	(473.4)	302.5
Less: Net earnings attributable to noncontrolling interests	—	—	0.4	—	0.4
Net earnings (loss) attributable to Allegion plc	$ 302.1	$ 68.8	$ 404.6	$ (473.4)	$ 302.1
Total comprehensive income (loss)	$ 266.9	$ 70.7	$ 365.8	$ (438.1)	$ 265.3
Less: Total comprehensive loss attributable to noncontrolling interests	—	—	(1.6)	—	(1.6)
Total comprehensive income (loss) attributable to Allegion plc	$ 266.9	$ 70.7	$ 367.4	$ (438.1)	$ 266.9

Condensed and Consolidated Balance Sheet
September 30, 2019

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Current assets:					
Cash and cash equivalents	$ 16.6	$ 2.4	$ 213.9	$ —	$ 232.9
Restricted cash	—	—	3.4	—	3.4
Accounts and notes receivable, net	—	—	367.5	—	367.5
Inventories	—	—	293.9	—	293.9
Other current assets	1.2	25.8	19.8	(14.3)	32.5
Assets held for sale	—	—	2.9	—	2.9
Accounts and notes receivable affiliates	—	510.1	408.1	(918.2)	—
Total current assets	17.8	538.3	1,309.5	(932.5)	933.1
Investment in affiliates	1,571.6	873.7	—	(2,445.3)	—
Property, plant and equipment, net	—	—	281.9	—	281.9
Intangible assets, net	—	—	1,372.1	—	1,372.1
Notes receivable affiliates	31.2	1,404.8	2,868.4	(4,304.4)	—
Other noncurrent assets	4.8	56.3	217.2	—	278.3
Total assets	$ 1,625.4	$ 2,873.1	$ 6,049.1	$ (7,682.2)	$ 2,865.4
Current liabilities:					
Accounts payable and other current liabilities	$ 3.8	$ 13.5	$ 488.1	$ (14.3)	$ 491.1
Short-term borrowings and current maturities of long-term debt	—	—	0.1	—	0.1
Accounts and notes payable affiliates	4.3	403.8	510.1	(918.2)	—
Total current liabilities	8.1	417.3	998.3	(932.5)	491.2
Long-term debt	632.8	793.5	0.7	—	1,427.0
Notes payable affiliates	297.0	2,571.4	1,436.0	(4,304.4)	—
Other noncurrent liabilities	2.5	6.1	251.4	—	260.0
Total liabilities	940.4	3,788.3	2,686.4	(5,236.9)	2,178.2
Equity:					
Total shareholders' equity (deficit)	685.0	(915.2)	3,360.5	(2,445.3)	685.0
Noncontrolling interests	—	—	2.2	—	2.2
Total equity (deficit)	685.0	(915.2)	3,362.7	(2,445.3)	687.2
Total liabilities and equity	$ 1,625.4	$ 2,873.1	$ 6,049.1	$ (7,682.2)	$ 2,865.4

Condensed and Consolidated Balance Sheet
December 31, 2018

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Current assets:					
Cash and cash equivalents	$ 4.2	$ 1.0	$ 278.6	$ —	$ 283.8
Restricted cash	—	—	6.8	—	6.8
Accounts and notes receivable, net	—	—	324.9	—	324.9
Inventories	—	—	280.3	—	280.3
Other current assets	0.5	33.7	19.1	(18.3)	35.0
Assets held for sale	—	—	0.8	—	0.8
Accounts and notes receivable affiliates	—	816.2	369.8	(1,186.0)	—
Total current assets	4.7	850.9	1,280.3	(1,204.3)	931.6
Investment in affiliates	1,265.8	718.2	—	(1,984.0)	—
Property, plant and equipment, net	—	—	276.7	—	276.7
Intangible assets, net	—	—	1,430.1	—	1,430.1
Notes receivable affiliates	30.8	1,061.2	2,553.4	(3,645.4)	—
Other noncurrent assets	4.0	61.2	106.6	—	171.8
Total assets	$ 1,305.3	$ 2,691.5	$ 5,647.1	$ (6,833.7)	$ 2,810.2
Current liabilities:					
Accounts payable and other current liabilities	$ 2.0	$ 6.8	$ 495.0	$ (18.3)	$ 485.5
Short-term borrowings and current maturities of long-term debt	35.0	—	0.3	—	35.3
Accounts and notes payable affiliates	0.3	369.5	816.2	(1,186.0)	—
Total current liabilities	37.3	376.3	1,311.5	(1,204.3)	520.8
Long-term debt	615.8	792.8	0.9	—	1,409.5
Notes payable affiliates	—	2,553.4	1,092.0	(3,645.4)	—
Other noncurrent liabilities	1.2	5.5	219.2	—	225.9
Total liabilities	654.3	3,728.0	2,623.6	(4,849.7)	2,156.2
Equity:					
Total shareholders' equity (deficit)	651.0	(1,036.5)	3,020.5	(1,984.0)	651.0
Noncontrolling interests	—	—	3.0	—	3.0
Total equity (deficit)	651.0	(1,036.5)	3,023.5	(1,984.0)	654.0
Total liabilities and equity	$ 1,305.3	$ 2,691.5	$ 5,647.1	$ (6,833.7)	$ 2,810.2

Condensed and Consolidated Statement of Cash Flows
For the nine months ended September 30, 2019

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Net cash (used in) provided by operating activities	$ (10.4)	$ (43.2)	$ 410.9	$ (77.9)	$ 279.4
Cash flows from investing activities:					
Capital expenditures	—	—	(49.4)	—	(49.4)
Acquisition of and equity investments in businesses, net of cash acquired	—	—	(4.6)	—	(4.6)
Other investing activities, net	—	(1.5)	(2.2)	1.7	(2.0)
Net cash (used in) provided by investing activities	—	(1.5)	(56.2)	1.7	(56.0)
Cash flows from financing activities:					
Debt repayments, net	(17.5)	—	(0.5)	—	(18.0)
Debt issuance costs	(3.0)	—	—	—	(3.0)
Net inter-company proceeds (payments)	296.6	46.0	(342.6)	—	—
Dividends paid	—	—	(77.9)	77.9	—
Dividends paid to shareholders	(75.5)	—	—	—	(75.5)
Repurchase of ordinary shares	(179.7)	—	—	—	(179.7)
Other financing activities, net	1.9	0.1	1.5	(1.7)	1.8
Net cash provided by (used in) financing activities	22.8	46.1	(419.5)	76.2	(274.4)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—	—	(3.3)	—	(3.3)
Net increase (decrease) in cash, cash equivalents and restricted cash	12.4	1.4	(68.1)	—	(54.3)
Cash, cash equivalents and restricted cash - beginning of period	4.2	1.0	285.4	—	290.6
Cash, cash equivalents and restricted cash - end of period	$ 16.6	$ 2.4	$ 217.3	$ —	$ 236.3

Condensed and Consolidated Statement of Cash Flows
For the nine months ended September 30, 2018

In millions	Allegion plc	Allegion US Holding	Other subsidiaries	Consolidating adjustments	Total
Net cash provided by (used in) operating activities	$ 135.4	$ (68.5)	$ 402.5	$ (209.0)	$ 260.4
Cash flows from investing activities:					
Capital expenditures	—	—	(31.8)	—	(31.8)
Acquisition of and equity investments in businesses, net of cash acquired	—	(247.1)	(128.7)	—	(375.8)
Other investing activities, net	—	—	(1.1)	—	(1.1)
Net cash used in investing activities	—	(247.1)	(161.6)	—	(408.7)
Cash flows from financing activities:					
Debt repayments, net	(26.3)	—	(1.1)	—	(27.4)
Net inter-company (payments) proceeds	(22.0)	329.3	(307.3)	—	—
Dividends paid	—	—	(209.0)	209.0	—
Dividends paid to shareholders	(59.6)	—	—	—	(59.6)
Repurchase of ordinary shares	(30.0)	—	—	—	(30.0)
Other financing activities, net	2.4	—	(2.3)	—	0.1
Net cash (used in) provided by financing activities	(135.5)	329.3	(519.7)	209.0	(116.9)
Effect of exchange rate changes on cash and cash equivalents	—	—	(4.5)	—	(4.5)
Net (decrease) increase in cash and cash equivalents	(0.1)	13.7	(283.3)	—	(269.7)
Cash and cash equivalents - beginning of period	0.7	0.3	465.2	—	466.2
Cash and cash equivalents - end of period	$ 0.6	$ 14.0	$ 181.9	$ —	$ 196.5

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following Management’s Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that may cause a difference include, but are not limited to, those discussed under Part I, Item 1A – Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2018. The following section is qualified in its entirety by the more detailed information, including our Condensed and Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organization

Allegion plc ("Allegion," "we," "our," or "us") is a leading global provider of security products and solutions operating in three geographic regions: Americas, EMEIA and Asia Pacific. We sell a wide range of security products and solutions for end-users in commercial, institutional and residential markets worldwide, including the education, healthcare, government, commercial office and single and multi-family residential markets. Our leading brands include CISA®, Interflex®, LCN®, Schlage®, SimonsVoss® and Von Duprin®.

Recent Developments

Turkey restructuring

In June 2019, we closed our production facility in Turkey to help us streamline our operational footprint in EMEIA. Associated with this closure, we have incurred approximately $7.2 million of qualified restructuring expenses during the nine months ended September 30, 2019, which primarily relate to severance and other employee separation costs. We also incurred approximately $3.1 million of non-qualified restructuring expenses during the nine months ended September 30, 2019, which represent costs that were directly attributable to the closure of the facility, but that did not fall into the severance, exit or disposal category. We anticipate additional future expenses in the fourth quarter of 2019 related to the closure of our Turkey operations and associated restructuring activity, which are not expected to exceed $5 million.

Additionally, during the three months ended September 30, 2019, management committed to a plan to sell certain of the production assets previously utilized in our Turkish operations. As a result, these assets were reclassified to Assets held for sale within the Condensed and Consolidated Balance Sheet at September 30, 2019.

2019 Dividends

Through September 30, 2019, we paid dividends of $0.81 per ordinary share to shareholders.

Share repurchases

During the first nine months of 2019, we repurchased approximately 1.9 million shares for approximately $179.7 million.

Results of Operations – Three months ended September 30

In millions, except per share amounts	2019	% of revenues	2018	% of revenues
Net revenues	$ 748.3		$ 711.5	
Cost of goods sold	412.8	55.2%	402.1	56.5%
Selling and administrative expenses	167.4	22.4%	167.1	23.5%
Operating income	168.1	22.5%	142.3	20.0%
Interest expense	15.6		14.0	
Other expense (income), net	2.0		(1.9)	
Earnings before income taxes	150.5		130.2	
Provision for income taxes	18.8		14.1	
Net earnings	131.7		116.1	
Less: Net earnings attributable to noncontrolling interests	0.1		0.1	
Net earnings attributable to Allegion plc	$ 131.6		$ 116.0	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:				
Net earnings	$ 1.40		$ 1.21	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented.

Net Revenues

Net revenues for the three months ended September 30, 2019, increased by 5.2%, or $36.8 million, compared with the same period in 2018, which resulted from the following:

Pricing	1.4 %
Volume	5.0 %
Currency exchange rates	(1.2)%
Total	5.2 %

The increase in Net revenues was primarily driven by higher volumes and improved pricing, partially offset by unfavorable foreign currency exchange rate movements.

Operating Income/Margin

Operating income for the three months ended September 30, 2019, increased $25.8 million compared to the same period in 2018, and Operating margin for the three months ended September 30, 2019, increased to 22.5% from 20.0% for the same period in 2018, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 142.3	20.0 %
Pricing and productivity in excess of inflation	14.9	1.8 %
Volume / product mix	12.9	0.8 %
Restructuring / acquisition expenses	1.8	0.3 %
Currency exchange rates	(1.7)	(0.1)%
Investment spending	(2.1)	(0.3)%
September 30, 2019	$ 168.1	22.5 %

The increases were primarily due to pricing improvements and productivity in excess of inflation, favorable volume/product mix and year-over-year decreases in restructuring and acquisition expenses. These increases were partially offset by unfavorable foreign currency exchange rate movements and increased investment spending.

Interest Expense

Interest expense for the three months ended September 30, 2019, increased $1.6 million compared with the same period in 2018, primarily due to a $2.7 million charge related to the write-off of previously deferred financing costs related to the Term Facility. This charge was recognized in conjunction with a $400.0 million principal payment to partially pay down the outstanding Term Facility balance during the three months ended September 30, 2019. This increase to Interest expense was partially offset by lower average interest rates on our Term Facility.

Other Expense (Income), Net

The components of Other expense (income), net for the three months ended September 30, 2019 and 2018, were as follows:

In millions	2019	2018
Interest income	$ (0.4)	$ (0.4)
Foreign currency exchange loss (gain)	0.8	(0.8)
Loss from equity method investments	0.1	—
Net periodic pension and postretirement benefit cost (income), less service cost	1.4	(0.7)
Other	0.1	—
Other expense (income), net	$ 2.0	$ (1.9)

Other expense (income), net for the three months ended September 30, 2019, was unfavorable $3.9 million compared to the same period in 2018, due primarily to increased Net periodic pension and postretirement benefit cost, less service cost, of $2.1 million compared to the same period in 2018, and a foreign currency exchange loss during the three months ended September 30, 2019, compared to a foreign currency exchange gain during the three months ended September 30, 2018.

Provision for Income Taxes

The effective income tax rates for the three months ended September 30, 2019 and 2018, were 12.5% and 10.8%, respectively. The increase in the effective tax rate compared to 2018 is primarily due to a tax benefit recognized in 2018 related to a true-up of the 2017 Tax Reform Act provisional tax computation, which is partially offset by a favorable year-over-year change in amounts recognized for uncertain tax positions.

Results of Operations – Nine months ended September 30

In millions, except per share amounts	2019	% of revenues	2018	% of revenues
Net revenues	$ 2,134.5		$ 2,029.3	
Cost of goods sold	1,201.4	56.3%	1,156.5	57.0%
Selling and administrative expenses	511.3	24.0%	488.4	24.1%
Operating income	421.8	19.8%	384.4	18.9%
Interest expense	42.7		40.3	
Other expense (income), net	1.6		(3.9)	
Earnings before income taxes	377.5		348.0	
Provision for income taxes	56.1		45.5	
Net earnings	321.4		302.5	
Less: Net earnings attributable to noncontrolling interests	0.3		0.4	
Net earnings attributable to Allegion plc	$ 321.1		$ 302.1	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:				
Net earnings	$ 3.40		$ 3.15	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented.

Net Revenues

Net revenues for the nine months ended September 30, 2019, increased by 5.2%, or $105.2 million, compared with the same period in 2018, which resulted from the following:

Pricing	1.8 %
Volume	3.2 %
Acquisitions	1.8 %
Currency exchange rates	(1.6)%
Total	5.2 %

The increase in Net revenues was primarily driven by higher volumes, improved pricing and acquisitions during the prior year, partially offset by unfavorable foreign currency exchange rate movements.

Operating Income/Margin

Operating income for the nine months ended September 30, 2019, increased $37.4 million compared to the same period in 2018, and Operating margin for the nine months ended September 30, 2019, increased to 19.8% from 18.9% for the same period in 2018 due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 384.4	18.9 %
Pricing and productivity in excess of inflation	35.6	1.4 %
Volume / product mix	25.2	0.6 %
Restructuring / acquisition expenses	(7.9)	(0.4)%
Currency exchange rates	(6.4)	— %
Investment spending	(9.0)	(0.4)%
Acquisitions	(0.1)	(0.3)%
September 30, 2019	$ 421.8	19.8 %

Operating income increased primarily due to favorable volume/product mix and pricing improvements and productivity in excess of inflation. These increases were partially offset by year-over-year increases in restructuring and acquisition expenses, unfavorable foreign currency exchange rate movements, increased investment spending and the impact from acquisitions made in 2018.

Operating margin increased primarily due to favorable volume/product mix and pricing improvements and productivity in excess of inflation. These increases were partially offset by year-over-year increases in restructuring and acquisition expenses, increased investment spending and the impact from acquisitions made in 2018.

Interest Expense

Interest expense for the nine months ended September 30, 2019, increased $2.4 million compared with the same period in 2018, primarily due to a $2.7 million charge related to the write-off of previously deferred financing costs related to the Term Facility. This charge was recognized in conjunction with a $400.0 million principal payment to partially pay down the outstanding Term Facility balance during the nine months ended September 30, 2019.

Other Expense (Income), Net

The components of Other expense (income), net for the nine months ended September 30, 2019 and 2018, were as follows:

In millions	2019	2018
Interest income	$ (1.1)	$ (0.7)
Foreign currency exchange loss (gain)	1.1	(1.0)
Loss (earnings) from equity method investments	0.5	(0.1)
Net periodic pension and postretirement benefit cost (income), less service cost	3.2	(2.3)
Other	(2.1)	0.2
Other expense (income), net	$ 1.6	$ (3.9)

Other expense (income), net for the nine months ended September 30, 2019, was unfavorable $5.5 million compared to the same period in 2018, due primarily to increased Net periodic pension and postretirement benefit cost, less service cost, of $5.5 million compared to the same period in 2018, and a foreign currency exchange loss during the nine months ended September 30, 2019, compared to a foreign currency exchange gain during the nine months ended September 30, 2018. These decreases were partially offset by investment income of $2.0 million, which is included in Other in the table above.

Provision for Income Taxes

The effective income tax rates for the nine months ended September 30, 2019 and 2018 were 14.9% and 13.1%, respectively. The increase in the effective tax rate compared to 2018 is primarily due a tax benefit recognized in 2018 related to a true-up of the 2017 Tax Reform Act provisional tax computation and an unfavorable mix of income earned in higher tax rate jurisdictions, which are partially offset by a favorable year-over-year change in amounts recognized for uncertain tax positions.

Review of Business Segments

We operate in and report financial results for three segments: Americas, EMEIA and Asia Pacific. These segments represent the level at which our chief operating decision maker reviews our financial performance and makes operating decisions.

Segment operating income is the measure of profit and loss that our chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews and compensation. For these reasons, we believe that Segment operating income represents the most relevant measure of Segment profit and loss. Our chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base our operating decisions. We define Segment operating margin as Segment operating income as a percentage of the segment's Net revenues.

The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in Net earnings.

Segment Results of Operations - For the three and nine months ended September 30

	Three months ended			Nine months ended		
In millions	2019	2018	% Change	2019	2018	% Change
Net revenues						
Americas	$ 567.8	$ 530.1	7.1 %	$ 1,588.2	$ 1,495.9	6.2 %
EMEIA	137.8	134.4	2.5 %	422.9	432.5	(2.2)%
Asia Pacific	42.7	47.0	(9.1)%	123.4	100.9	22.3 %
Total	$ 748.3	$ 711.5		$ 2,134.5	$ 2,029.3	
Segment operating income						
Americas	$ 175.6	$ 153.8	14.2 %	$ 457.7	$ 415.5	10.2 %
EMEIA	7.5	7.6	(1.3)%	19.9	27.3	(27.1)%
Asia Pacific	4.1	1.5	173.3 %	3.9	0.8	387.5 %
Total	$ 187.2	$ 162.9		$ 481.5	$ 443.6	
Segment operating margin						
Americas	30.9%	29.0%		28.8%	27.8%	
EMEIA	5.4%	5.7%		4.7%	6.3%	
Asia Pacific	9.6%	3.2%		3.2%	0.8%	

Americas

Our Americas segment is a leading provider of security products and solutions in approximately 30 countries throughout North America, Central America, the Caribbean and South America. The segment sells a broad range of products and solutions including locks, locksets, portable locks, key systems, door closers, exit devices, doors and door systems, electronic products and access control systems to end-users in commercial, institutional and residential facilities, including the education, healthcare, government, commercial office and single and multi-family residential markets. This segment's primary brands are LCN, Schlage, Steelcraft and Von Duprin.

Net Revenues

Net revenues for the three months ended September 30, 2019, increased by 7.1%, or $37.7 million, compared to the same period in 2018, due to the following:

Pricing	1.5 %
Volume	5.7 %
Currency exchange rates	(0.1)%
Total	7.1 %

The increase in Net revenues is primarily due to higher volumes and improved pricing. These increases were partially offset by unfavorable foreign currency exchange rate movements. Net revenues from non-residential products for the three months ended September 30, 2019, increased high single digits compared to the same period in the prior year, primarily driven by higher volumes and improved pricing. Net revenues from residential products for the three months ended September 30, 2019, increased high single digits compared to the same period in the prior year, primarily driven by higher volumes.

Net revenues for the nine months ended September 30, 2019, increased by 6.2%, or $92.3 million, compared to the same period in 2018, due to the following:

Pricing	2.2 %
Volume	3.8 %
Acquisitions	0.4 %
Currency exchange rates	(0.2)%
Total	6.2 %

The increase in Net revenues is primarily due to higher volumes, improved pricing and acquisitions during the prior year. These increases were partially offset by unfavorable foreign currency exchange rate movements. Net revenues from non-residential products for the nine months ended September 30, 2019, increased high single digits compared to the same period in the prior year, primarily driven by higher volumes, improved pricing and acquisitions during the prior year. Net revenues from residential products for the nine months ended September 30, 2019, increased low single digits compared to the same period in the prior year.

Operating income/margin

Segment operating income for the three months ended September 30, 2019, increased $21.8 million compared to the same period in 2018, and Segment operating margin for the three months ended September 30, 2019, increased to 30.9% from 29.0%, compared to the same period in 2018, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 153.8	29.0 %
Pricing and productivity in excess of inflation	13.8	2.1 %
Volume / product mix	10.6	0.3 %
Currency exchange rates	(0.3)	(0.1)%
Investment spending	(2.8)	(0.5)%
Restructuring / acquisition expenses	0.5	0.1 %
September 30, 2019	$ 175.6	30.9 %

The increases were primarily due to pricing improvements and productivity in excess of inflation, favorable volume/product mix and year-over-year decreases in restructuring and acquisitions expenses. These increases were partially offset by unfavorable foreign currency exchange rate movements and increased investment spending.

Segment operating income for the nine months ended September 30, 2019, increased $42.2 million compared to the same period in 2018, and Segment operating margin for the nine months ended September 30, 2019, increased to 28.8% from 27.8%, compared to the same period in 2018, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 415.5	27.8 %
Pricing and productivity in excess of inflation	34.0	1.6 %
Volume / product mix	20.0	0.3 %
Currency exchange rates	(1.8)	(0.1)%
Investment spending	(7.7)	(0.5)%
Acquisitions	(0.7)	(0.2)%
Restructuring / acquisition expenses	(1.6)	(0.1)%
September 30, 2019	$ 457.7	28.8 %

The increases were primarily due to pricing improvements and productivity in excess of inflation and favorable volume/product mix. These increases were partially offset by unfavorable foreign currency exchange rate movements, increased investment spending, year-over-year increases in restructuring and acquisition expense and the impact from acquisitions made in 2018.

EMEIA

Our EMEIA segment provides security products, services and solutions in approximately 85 countries throughout Europe, the Middle East, India and Africa. The segment offers end-users a broad range of products, services and solutions including locks, locksets, portable locks, key systems, door closers, exit devices, doors and door systems, electronic products and access control systems, as well as time and attendance and workforce productivity solutions. This segment's primary brands are AXA, Bricard, Briton, CISA, Interflex and SimonsVoss. This segment also resells LCN, Schlage and Von Duprin products, primarily in the Middle East.

Net Revenues

Net revenues for the three months ended September 30, 2019, increased by 2.5%, or $3.4 million, compared to the same period in 2018, due to the following:

Pricing	1.3 %
Volume	5.6 %
Currency exchange rates	(4.4)%
Total	2.5 %

The increase in Net revenues is primarily due to higher volumes and improved pricing. These increases were partially offset by unfavorable foreign currency exchange rate movements.

Net revenues for the nine months ended September 30, 2019, decreased by 2.2%, or $9.6 million, compared to the same period in 2018, due to the following:

Pricing	1.1 %
Volume	2.2 %
Acquisitions	0.3 %
Currency exchange rates	(5.8)%
Total	(2.2)%

The decrease in Net revenues is primarily due to unfavorable foreign currency exchange rate movements. This decrease is partially offset by higher volumes, improved pricing and an acquisition in the prior year.

Operating income/margin

Segment operating income for the three months ended September 30, 2019, decreased $0.1 million compared to the same period in 2018, and Segment operating margin for the three months ended September 30, 2019, decreased to 5.4% from 5.7% compared to the same period in 2018, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 7.6	5.7 %
Inflation in excess of pricing and productivity	(0.9)	(0.7)%
Volume / product mix	2.9	1.7 %
Currency exchange rates	(1.3)	(0.7)%
Investment spending	1.1	0.8 %
Restructuring / acquisition expenses	(1.9)	(1.4)%
September 30, 2019	$ 7.5	5.4 %

The decreases were primarily due to inflation in excess of pricing and productivity, unfavorable foreign currency exchange rate movements and year-over-year increases in restructuring and acquisition expenses. These decreases were partially offset by favorable volume/product mix and year-over-year decreases in investment spending due to prior year facility start-up costs that did not repeat in the current period.

Segment operating income for the nine months ended September 30, 2019, decreased $7.4 million compared to the same period in 2018, and Segment operating margin for the nine months ended September 30, 2019, decreased to 4.7% from 6.3% compared to the same period in 2018, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 27.3	6.3 %
Pricing and productivity in excess of inflation	3.1	0.6 %
Volume / product mix	5.3	1.1 %
Currency exchange rates	(4.3)	(0.6)%
Investment spending	(0.4)	(0.1)%
Restructuring / acquisition expenses	(11.1)	(2.6)%
September 30, 2019	$ 19.9	4.7 %

The decreases were primarily due to year-over-year increases in restructuring and acquisition expenses, unfavorable foreign currency exchange rate movements and increased investment spending. These decreases were partially offset by pricing improvements and productivity in excess of inflation and favorable volume/product mix.

Asia Pacific

Our Asia Pacific segment provides security products, services and solutions in approximately 15 countries throughout the Asia Pacific region. The segment offers end-users a broad range of products, services and solutions including locks, locksets, portable locks, key systems, door closers, exit devices, electronic products and access control systems. This segment's primary brands are Brio, Briton, FSH, Gainsborough, Legge, Milre and Schlage.

Net Revenues

Net revenues for the three months ended September 30, 2019, decreased by 9.1%, or $4.3 million, compared to the same period in 2018, due to the following:

Pricing	(0.4)%
Volume	(4.4)%
Currency exchange rates	(4.3)%
Total	(9.1)%

The decrease in Net revenues was primarily due to lower volumes and pricing and unfavorable foreign currency exchange rate movements.

Net revenues for the nine months ended September 30, 2019, increased by 22.3%, or $22.5 million, compared to the same period in 2018, due to the following:

Pricing	(0.2)%
Volume	(1.1)%
Acquisitions	29.0 %
Currency exchange rates	(5.4)%
Total	22.3 %

The increase in Net revenues was primarily due to an acquisition during the prior year. This increase was partially offset by unfavorable foreign currency exchange rate movements and lower volumes and pricing.

Operating income/margin

Segment operating income for the three months ended September 30, 2019, increased $2.6 million compared to the same period in 2018, and Segment operating margin for the three months ended September 30, 2019, increased to 9.6% from 3.2% compared to the same period in 2018, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 1.5	3.2 %
Pricing and productivity in excess of inflation	2.2	4.6 %
Volume / product mix	(0.6)	(1.0)%
Currency exchange rates	(0.1)	(0.1)%
Investment spending	(0.3)	(0.5)%
Restructuring / acquisition expenses	1.4	3.4 %
September 30, 2019	$ 4.1	9.6 %

The increases were primarily due to pricing improvements and productivity in excess of inflation, which includes a $1.1 million recovery of previously remitted non-income taxes, and year-over-year decreases in restructuring and acquisition expenses. These increases were partially offset by unfavorable volume/product mix, unfavorable foreign currency exchange rate movements and increased investment spending.

Segment operating income for the nine months ended September 30, 2019, increased $3.1 million compared to the same period in 2018, and Segment operating margin for the nine months ended September 30, 2019, increased to 3.2% from 0.8% compared to the same period in 2018, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2018	$ 0.8	0.8 %
Pricing and productivity in excess of inflation	3.1	3.0 %
Volume / product mix	(0.2)	(0.2)%
Currency exchange rates	(0.2)	(0.2)%
Investment spending	(0.8)	(1.0)%
Acquisitions	0.6	0.2 %
Restructuring / acquisition expenses	0.6	0.6 %
September 30, 2019	$ 3.9	3.2 %

The increases were primarily due to pricing improvements and productivity in excess of inflation, which includes a $1.1 million recovery of previously remitted non-income taxes, year-over-year decreases in restructuring and acquisition expenses and the impact of an acquisition in the prior year. These increases were partially offset by unfavorable volume/product mix, unfavorable foreign currency exchange rate movements and increased investment spending.

Liquidity and Capital Resources

Sources and uses of liquidity

Our primary source of liquidity is cash provided by operating activities. Cash provided by operating activities is used to invest in new product development, fund capital expenditures and fund working capital requirements and is expected to be adequate to service any future debt, pay any declared dividends and potentially fund acquisitions and share repurchases. Our ability to fund these capital needs depends on our ongoing ability to generate cash provided by operating activities and to access our borrowing facilities (including unused availability under our Revolving Facility) and capital markets. We believe that our future cash provided by operating activities, availability under our Revolving Facility and access to funds on hand and capital markets will provide adequate resources to fund our operating and financing needs.

The following table reflects the major categories of cash flows for the nine months ended September 30. For additional details, see the Condensed and Consolidated Statements of Cash Flows in the Condensed and Consolidated Financial Statements.

In millions	2019	2018
Net cash provided by operating activities	$ 279.4	$ 260.4
Net cash used in investing activities	(56.0)	(408.7)
Net cash used in financing activities	(274.4)	(116.9)

Operating Activities

Net cash provided by operating activities during the nine months ended September 30, 2019, increased $19.0 million compared to the same period in 2018. This increase in net cash provided by operating activities for the nine months ended September 30, 2019, was primarily due to higher Net earnings.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2019, decreased $352.7 million compared to the same period in 2018. The decrease in net cash used in investing activities is primarily due to reduced cash payments related to acquisitions compared to the prior year, partially offset by an increase in capital expenditures during the nine months ended September 30, 2019, compared to the same period in 2018.

Financing Activities

Net cash used in financing activities during the nine months ended September 30, 2019, increased $157.5 million compared to the same period in 2018. The increase in net cash used in financing activities is primarily due to $179.7 million of cash used to repurchase shares during the nine months ended September 30, 2019, compared to $30.0 million during the same period in 2018. Additionally, dividend payments increased by $15.9 million during the nine months ended September 30, 2019, compared to the same period in 2018. Partially offsetting these increases was a $9.4 million decrease in debt repayments, net during the nine months ended September 30, 2019, compared to the same period in 2018.

During the three months ended September 30, 2019, we issued $400.0 million aggregate principal amount of our 3.500% Senior Notes due 2029 (the “3.500% Senior Notes”). Utilizing the net proceeds from the issuance of the 3.500% Senior Notes, we made a $400.0 million principal payment to partially pay down the outstanding Term Facility balance. As a result of this payment, we have satisfied our obligation to make quarterly installments on the Term Facility up to its maturity date, with the remaining outstanding balance of $238.8 million due on September 12, 2022.

Capitalization

Long-term debt consisted of the following:

In millions	**September 30, 2019**	**December 31, 2018**
Term Facility	$ 238.8	$ 656.3
Revolving Facility	—	—
3.200% Senior Notes due 2024	400.0	400.0
3.550% Senior Notes due 2027	400.0	400.0
3.500% Senior Notes due 2029	400.0	—
Other debt	0.7	1.2
Total borrowings outstanding	1,439.5	1,457.5
Less discounts and debt issuance costs, net	(12.4)	(12.7)
Total debt	1,427.1	1,444.8
Less current portion of long-term debt	0.1	35.3
Total long-term debt	$ 1,427.0	$ 1,409.5

As of September 30, 2019, we have an unsecured Credit Agreement in place, consisting of a $700.0 million term loan facility (the “Term Facility”), of which $238.8 million is outstanding at September 30, 2019, and a $500.0 million revolving credit facility (the “Revolving Facility” and, together with the Term Facility, the “Credit Facilities”). The Credit Facilities mature on September 12, 2022.

At inception, the Term Facility was scheduled to amortize in quarterly installments at the following rates: 1.25% per quarter starting December 31, 2017 through December 31, 2020, 2.5% per quarter from March 31, 2021 through June 30, 2022, with the balance due on September 12, 2022. Principal amounts repaid on the Term Facility may not be reborrowed. During the three months ended September 30, 2019, the Company made a $400.0 million principal payment to partially pay down the outstanding Term Facility balance, utilizing all of the net proceeds from the issuance of the 3.500% Senior Notes, plus cash on hand. As a result of this payment, the Company has satisfied its obligation to make quarterly installments on the Term Facility up to the maturity date, with the remaining outstanding balance due on September 12, 2022.

The Revolving Facility provides aggregate commitments of up to $500.0 million, which includes up to $100.0 million for the issuance of letters of credit. At September 30, 2019, we had no borrowings outstanding on the Revolving Facility, and we had $16.2 million of letters of credit outstanding. Commitments under the Revolving Facility may be reduced at any time without premium or penalty, and amounts repaid may be reborrowed.

Outstanding borrowings under the Credit Facilities accrue interest at our option of (i) a LIBOR rate plus the applicable margin or (ii) a base rate plus the applicable margin. The applicable margin ranges from 1.125% to 1.500% depending on our credit ratings. To manage our exposure to fluctuations in LIBOR rates, we have interest rate swaps to fix the interest rate for $200.0 million of the outstanding borrowings as of September 30, 2019 (see Note 8 to the Condensed and Consolidated Financial Statements).

As of September 30, 2019, we also have $400.0 million outstanding of 3.200% Senior Notes due 2024 (the "3.200% Senior Notes") and $400.0 million outstanding of 3.550% Senior Notes due 2027 (the "3.550% Senior Notes"). The Notes require semi-annual interest payments on April 1 and October 1 of each year, and will mature on October 1, 2024 and October 1, 2027, respectively.

During the three months ended September 30, 2019, we issued $400.0 million aggregate principal amount of our 3.500% Senior Notes. The 3.500% Senior Notes require semi-annual interest payments on April 1 and October 1, beginning April 1, 2020, and will mature on October 1, 2029. Net proceeds from the issuance of the 3.500% Senior Notes, along with cash on hand, were utilized to make the $400.0 million principal payment on the Term Facility discussed above.

Historically, the majority of our earnings were considered to be permanently reinvested in jurisdictions where we have made, and intend to continue to make, substantial investments to support the ongoing development and growth of our global operations. At September 30, 2019, we analyzed our working capital requirements and the potential tax liabilities that would be incurred if certain subsidiaries made distributions and concluded that no material changes to our historic permanent reinvestment assertions are required.

Pension Plans

Our investment objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. We seek to achieve this goal while trying to mitigate volatility in plan funded status, contributions and expense by better matching the characteristics of the plan assets to that of the plan liabilities. Global asset allocation decisions are based on a dynamic approach whereby a plan's allocation to fixed income assets increases as the funded status increases. We monitor plan funded status, asset allocation and the impact of market conditions on our defined benefit plans regularly in addition to investment manager performance. For further details on pension plan activity, see Note 10 to the Condensed and Consolidated Financial Statements.

For a further discussion of Liquidity and Capital Resources, refer to Part II, Item 7, "Management’s Discussion and Analysis of Financial Condition and Results of Operations," contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

Critical Accounting Policies

Management’s Discussion and Analysis of Financial Condition and Results of Operations are based upon our Condensed and Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with those accounting principles requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets and liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results may differ from estimates.

Management believes there have been no significant changes during the nine months ended September 30, 2019, to the items that we disclosed as our critical accounting policies in "Management’s Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2018, aside from our adoption of ASC 842 on January 1, 2019.

In accordance with this new guidance, we record a right-of-use ("ROU") asset and lease liability for substantially all leases for which we are a lessee. In determining if a contract represents a lease, consideration is given to all relevant facts and circumstances to assess whether or not the contract conveys to us the right to control the use of an identified asset, either explicit or implicit, for a period of time in exchange for consideration. In addition to the judgment involved in determining whether or not a contract represents a lease, further judgment and estimation is required in determining the lease classification and the amount of the ROU asset and corresponding lease liability for each lease, which includes determining the appropriate lease term and an applicable discount rate. We assess the specific terms and conditions of each lease to determine the appropriate classification as either an operating or finance lease. In determining the appropriate length of the lease term, we consider both the minimum period over which lease payments are required plus any renewal options that are both within our control to exercise and are reasonably certain of being exercised as of lease commencement. In determining whether or not a renewal option is reasonably certain of being exercised, we assess all relevant factors to determine if sufficient incentives exist as of lease commencement to conclude renewal is reasonably certain. When available, we utilize the rate implicit in the lease as the discount rate to determine the lease liability. If this rate is unavailable, we utilize our incremental borrowing rate as the discount rate, which is the rate at inception of the lease that we would hypothetically incur to borrow over a similar term the funds needed to purchase the leased asset. The impact to the amount of ROU assets and lease liabilities included on our financial position could be materially impacted by the change in or initial selection of these assumptions and estimates.

Recent Accounting Pronouncements

See Note 2 to our Condensed and Consolidated Financial Statements for a discussion of recently issued and adopted accounting pronouncements.

Forward-Looking Statements

Certain statements in this report, other than purely historical information, are “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These forward-looking statements generally are identified by the words “believe,” “project,” “expect,” “anticipate,” “estimate,” “forecast,” “outlook,” “intend,” “strategy,” “future,” “opportunity,” “plan,” “may,” “should,” “will,” “would,” “will be,” “will continue,” “will likely result,” or the negative thereof or variations thereon or similar expressions generally intended to identify forward-looking statements.

Forward-looking statements may relate to such matters as projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, dividends, share purchases or other financial items; any statements of the plans, strategies and objectives of management for future operations, including those relating to any statements concerning expected development, performance or market share relating to our products and services; any statements regarding future economic conditions or our performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. These statements are based on currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on our forward-looking statements. You are advised to review any further disclosures we make on related subjects in materials we file with or furnish to the SEC. Forward-looking statements speak only as of the date they are made and are not guarantees of future performance. 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 our expectations and projections. We do not undertake to update any forward-looking statements.

Factors that might affect our forward-looking statements include, among other things:

- economic, political and business conditions in the markets in which we operate;
- the demand for our products and services, including changes in customer preferences, conditions of the commercial and residential construction and remodeling markets and our ability to maintain beneficial relationships with large customers;
- competitive factors in the industry in which we compete, including technological developments;
- the development, commercialization and acceptance of new products and services;
- the ability to protect and use intellectual property;
- fluctuations in currency exchange rates;
- the ability to complete and integrate any acquisitions;
- results of investments made to complement our existing businesses and our pursuit of business opportunities that may diverge from our core businesses;
- our ability to operate efficiently and productively;
- our ability to achieve or sustain the expected growth or cost savings benefits from our periodic restructuring plans;

- disruptions in our global supply chain, including product manufacturing and logistical services provided by outsourcing partners;
- improper conduct by any of our employees, agents or business partners;
- our ability to manage risks related to our information technology and operational technology systems and cyber-security, including disruption and breaches of our information systems and implementation of new processes that may cause disruptions and be more difficult, costly or time consuming than expected;
- our reliance on third-party vendors for many of the critical elements of our global information and operational technology infrastructure and their failure to provide effective support for such infrastructure;
- changes in tax requirements, including tax rate changes, the adoption of new U.S. or non-U.S. tax legislation or exposure to additional tax liabilities and revised tax law interpretations;
- changes to trade agreements, sanctions, import and export regulations and custom duties;
- the outcome of any litigation, governmental investigations or proceedings;
- interest rate fluctuations and other changes in borrowing costs, in addition to risks associated with our outstanding and future indebtedness;
- other capital market conditions, including availability of funding sources;
- availability of and fluctuations in the prices of key commodities and the impact of higher energy prices;
- potential further impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets;
- ability to recruit and retain a highly qualified and diverse workforce;
- risks related to our spin-off from Ingersoll Rand plc;
- the possible effects on us of future legislation or interpretations in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Ireland, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction; and
- the impact our outstanding indebtedness may have on our business and operations.

Some of the significant risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in the “Risk Factors” section of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2018. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be significant at the time, which could cause results to differ materially from our expectations.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our exposure to market risk during the third quarter of 2019. For a discussion of the Company's exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

Item 4 – Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of September 30, 2019, that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Quarterly Report on Form 10-Q has been recorded, processed, summarized and reported when required and the information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's internal control over financial reporting that occurred during the third quarter of 2019 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting. The Company has implemented changes to internal controls due to the adoption of ASC 842 effective January 1, 2019. These changes include implementing a new lease accounting system and processes to evaluate and account for contracts under the new accounting standard. There were no significant changes to the Company's internal control over financial reporting due to the adoption of the new standard.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

In the normal course of business, we are involved in a variety of lawsuits, claims and legal proceedings, including commercial and contract disputes, labor and employment matters, product liability claims, environmental liabilities, antitrust and trade regulation matters, intellectual property disputes and tax-related matters. In our opinion, pending legal matters are not expected to have a material adverse impact on our results of operations, financial condition, liquidity or cash flows.

Item 1A – Risk Factors

There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2018. For a further discussion of our Risk Factors, refer to the “Risk Factors” discussion contained in our Annual Report on Form 10-K for the year ended December 31, 2018.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total number of shares purchased (000s)	Average price paid per share	Total number of shares purchased as part of program (000s)	Approximate dollar value of shares still available to be purchased under the program (000s)
July 1 - July 31	128	$ 108.81	128	$ 225,185
August 1 - August 31	184	97.11	184	207,321
September 1 - September 30	144	99.49	144	192,970
Total	456	$ 101.14	456	$ 192,970

In February 2017, our Board of Directors approved a stock repurchase authorization of up to $500 million of the Company's ordinary shares (the "2017 Share Repurchase Authorization"). Based on market conditions, share repurchases are made from time to time in the open market at the discretion of management. The 2017 Share Repurchase Authorization does not have a prescribed expiration date.

Item 6 – Exhibits

(a) Exhibits

Exhibit No.	Description	Method of Filing
3.1	Amended and restated Memorandum and Articles of Association of Allegion plc.	Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on June 13, 2016 (File No. 001-35971).
4.1	Indenture, dated as of October 2, 2017, among Allegion US Holding Company Inc., Allegion plc and Wells Fargo Bank, National Association.	Incorporated by reference to Exhibit 4.1 of the Company’s Form 8-K filed on October 2, 2017 (File No. 001-35971).
4.2	Third Supplemental Indenture, dated as of September 27, 2019, among Allegion plc, Allegion US Holding Company Inc. and Wells Fargo Bank, National Association.	Incorporated by reference to Exhibit 4.2 of the Company’s Form 8-K filed on September 27, 2019 (File No. 001-35971).
4.3	Form of Global Note representing the 3.500% Senior Notes due 2029.	Incorporated by reference to Exhibit 4.3 of the Company’s Form 8-K filed on September 27, 2019 (included in Exhibit 4.2) (File No. 001-35971).
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	XBRL Instance Document.	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.

ALLEGION PLC

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLEGION PLC
(Registrant)

Date: October 24, 2019	/s/ Patrick S. Shannon **Patrick S. Shannon, Senior Vice President and Chief Financial Officer Principal Financial Officer**
Date: October 24, 2019	/s/ Douglas P. Ranck **Douglas P. Ranck, Vice President, Controller and Chief Accounting Officer Principal Accounting Officer**

Exhibit 31.1

CERTIFICATION

I, David D. Petratis, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Allegion plc for the three and nine months ended September 30, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2019

/s/ David D. Petratis

David D. Petratis
Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, Patrick S. Shannon, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Allegion plc for the three and nine months ended September 30, 2019;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: October 24, 2019	/s/ Patrick S. Shannon
	Patrick S. Shannon
	Principal Financial Officer

Exhibit 32.1

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Allegion plc (the Company), does hereby certify that:

The Quarterly Report on Form 10-Q for the three and nine months ended September 30, 2019 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David D. Petratis

David D. Petratis
Principal Executive Officer
October 24, 2019

/s/ Patrick S. Shannon

Patrick S. Shannon
Principal Financial Officer
October 24, 2019