



ALLEGION™

Allegion First-Quarter 2019 Results

April 25, 2019

Forward-Looking Statements

This presentation contains "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, including statements regarding the Company's 2019 financial performance, the Company's growth strategy, the Company's capital allocation strategy, the Company's tax planning strategies, and the performance of the markets in which the Company operates. These forward-looking statements 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 are based on the Company's currently available information and our current assumptions, expectations and projections about future events. They are subject to future events, risks and uncertainties - many of which are beyond the Company's control - as well as potentially inaccurate assumptions, that could cause actual results to differ materially from those in the forward-looking statements. Further information on these factors and other risks that may affect the Company's business is included in filings it makes with the Securities and Exchange Commission from time to time, including its Form 10-K for the year ended Dec. 31, 2018, Form 10-Q for the quarter ended March 31, 2019, and in its other SEC filings. The Company undertakes no obligation to update these forward-looking statements.

Reconciliation of Non-GAAP Measures

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

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

- Adjustments to operating income, operating margin, net earnings, EPS and EBITDA include items such as goodwill impairment charges, restructuring charges, asset impairments, acquisition and integration costs, debt refinancing costs, amounts related to U.S. Tax Reform (2018 only), and charges related to the divestiture of businesses.
- Organic revenue growth is defined as U.S. GAAP revenue growth excluding the impact of divestitures, acquisitions and currency effects.
- Available cash flow is defined as U.S. GAAP net cash from operating activities less capital expenditures.

These non-GAAP measures may not be defined and calculated the same as similar measures used by other companies. A reconciliation of the non-GAAP measures used to their most directly comparable GAAP measure is presented as a supplemental schedule in the earnings release that can be found at www.allegion.com.

2019 First Quarter Update

Solid Revenue Growth¹

Solid total top-line growth (6.8%) and organic growth (5.8%) in the quarter – driven by the Americas region

Electronics

Americas electronics growth of nearly 10% in the quarter

End Markets

Non-residential U.S. end markets remain healthy – continued strength in institutional verticals

Price, Productivity & Inflation

Price and productivity actions more than offset significant inflationary pressures, driving operating margin expansion

Adjusted EPS Performance¹

Adjusted EPS growth at 10% in the quarter

Outlook Affirmed¹

Outlook for total and organic revenue growth affirmed at a range of 5% to 6%; reported and adjusted EPS outlook affirmed with reported EPS at a range of \$4.60 to \$4.75 and adjusted EPS at \$4.75 to \$4.90

First-Quarter Financial Summary

Revenue¹

\$Millions

Up
6.8%



Q1 18

Q1 19

- Organic growth up 5.8%
- Solid volume and price
- Acquisitions more than offset currency headwinds

Adjusted OI Margin¹

Up
10 bps



Q1 18

Q1 19

- Price and productivity more than offset significant inflation
- Year-over-year margin improvement in all regions

Adjusted EPS¹

Up
10.0%



Q1 18

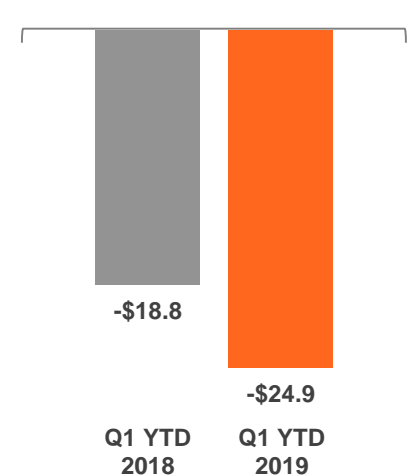
Q1 19

- Adjusted operating income up +7.6%
- Share count, tax rate and other income slightly favorable

YTD ACF¹

\$Millions

Down
32.4%



Q1 YTD
2018

Q1 YTD
2019

- Increased working capital and capital expenditures
- Increased earnings

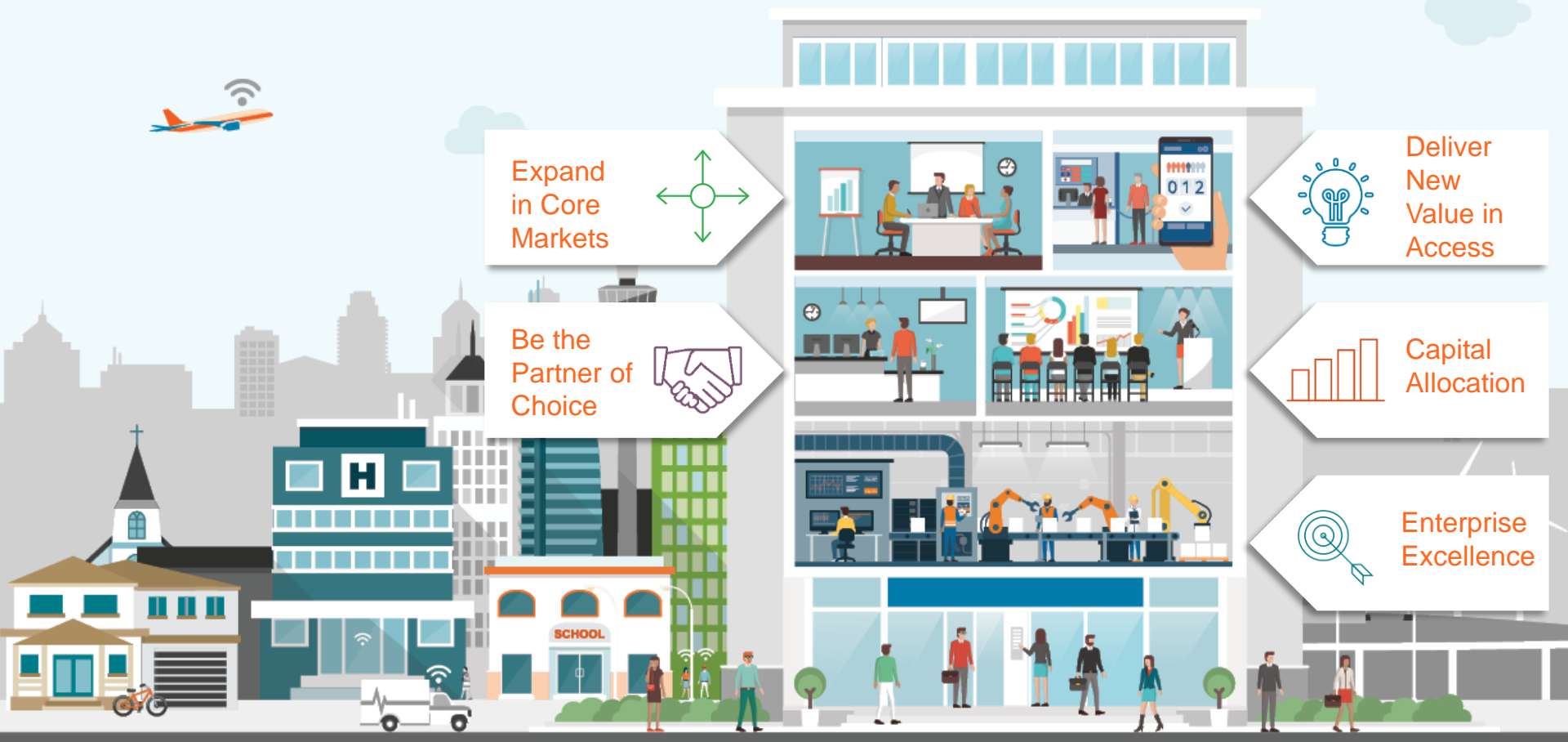
Solid top-line growth with +10% adjusted EPS growth

Vision

Seamless access and a safer world

Strategy

Allegion creates value by securing people and assets with seamless access wherever they reside, work and thrive



Expand in Core Markets



Be the Partner of Choice



Deliver New Value in Access



Capital Allocation



Enterprise Excellence



First-Quarter 2019 Allegion Revenue Results

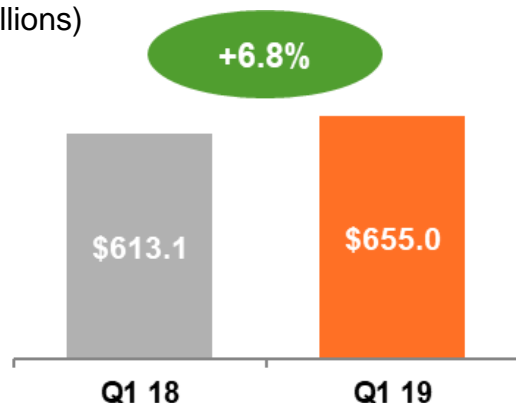
	<u>Q1-19</u>		<u>Q1'19</u> <u>Reported</u> <u>Growth</u>	<u>Q1'19</u> <u>Organic</u> ¹ <u>Growth</u>
Price	2.1%	Americas	8.2%	7.6%
Volume	3.7%	EMEIA	-4.9%	1.7%
Organic	5.8%	Asia-Pacific	55.3%	-2.2%
Acquisitions	3.3%			
Currency	-2.3%			
Total	6.8%	Total Allegion	6.8%	5.8%

Strong organic growth

First-Quarter 2019 Allegion Results

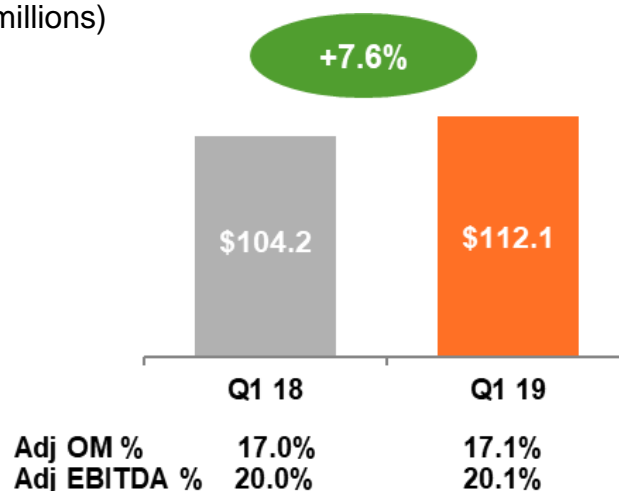
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q1 Revenue Performance

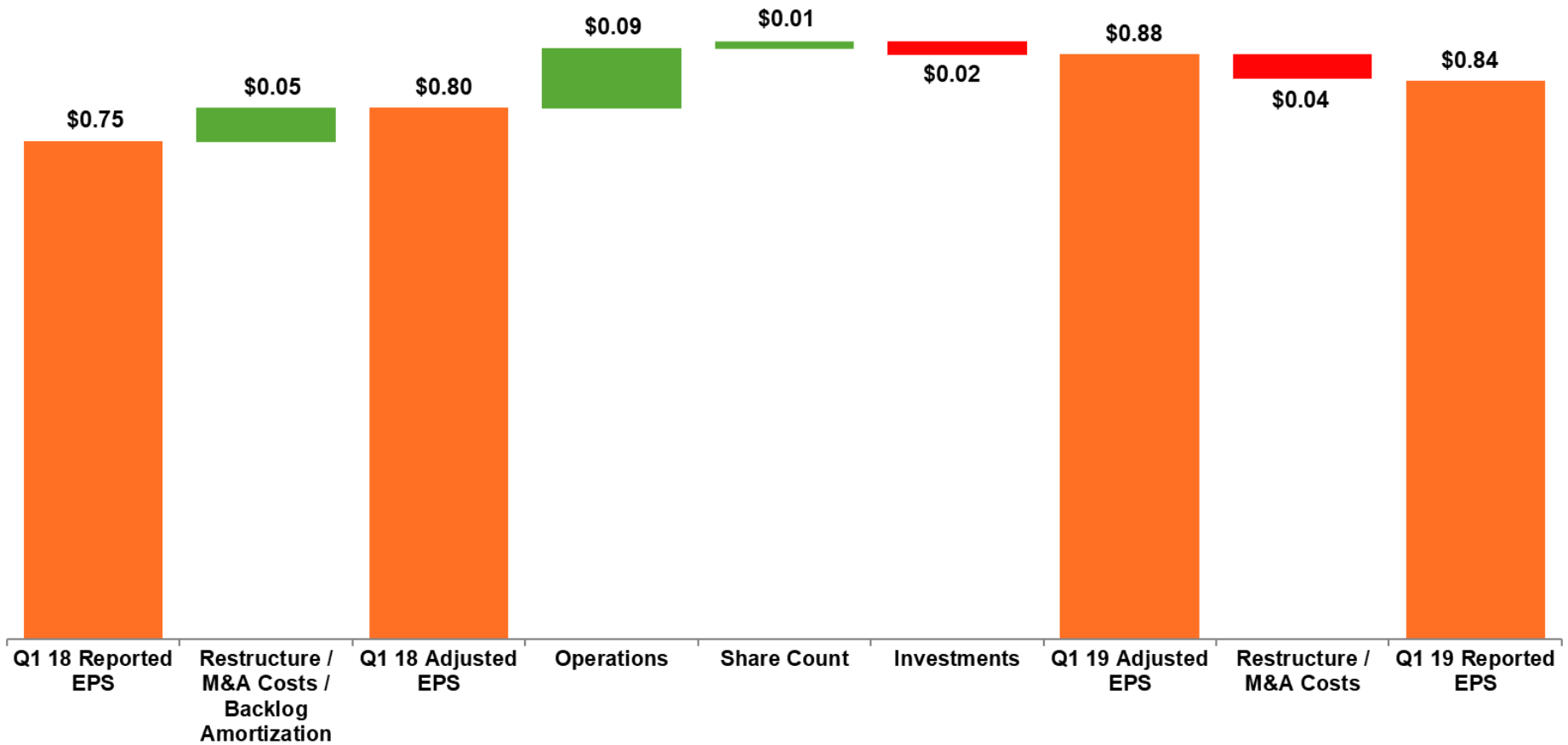
- Organic growth +5.8%
- Solid volume mainly driven by non-residential Americas
- Strong price performance at +2.1%
- Acquisitions more than offset currency headwinds

Q1 Adjusted Operating Margin +10bps

- Price and productivity exceeded significant inflation
- Solid volume leverage
- Incremental investments were a 40 bps headwind

First-Quarter 2019 Allegion EPS Performance

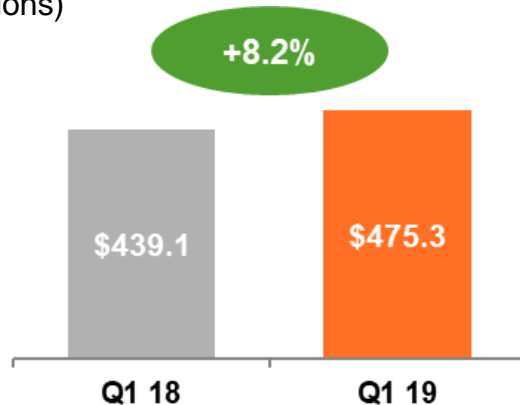
Q1



First-Quarter 2019 Americas Results

Revenue¹

(\$millions)

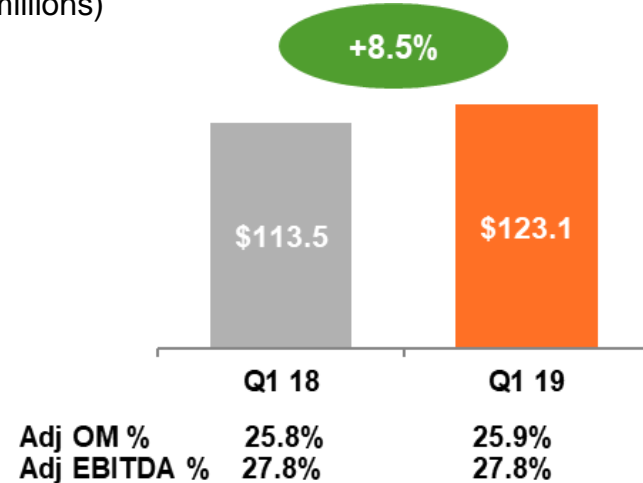


Q1 Revenue Performance

- Organic growth +7.6%
- Year-over-year growth in electronics of nearly 10%
- Strong price realization +2.6%
- Low double-digit organic growth in non-residential; residential was flat

Adjusted Operating Income¹

(\$millions)



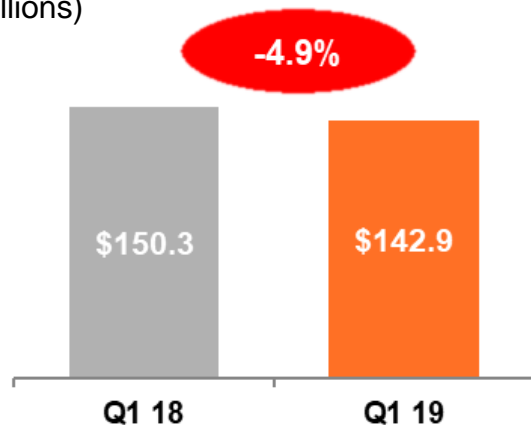
Q1 Adjusted Operating Margin +10 bps

- Price and productivity exceeded significant inflation
- Solid volume leverage
- Incremental investments were a 30 bps headwind

First-Quarter 2019 EMEIA Results

Revenue¹

(\$millions)

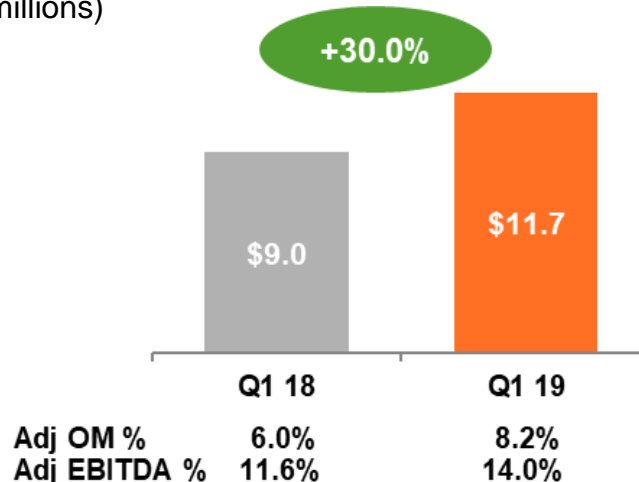


Q1 Revenue Performance

- Organic growth +1.7%
- Price and slightly favorable volume driven by strength in the SimonsVoss and Interflex businesses, offsetting weakness in southern Europe
- Significant currency headwinds

Adjusted Operating Income¹

(\$millions)



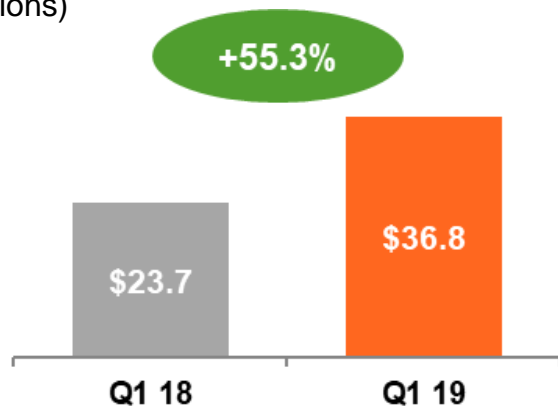
Q1 Adjusted Operating Margin +220 bps

- Price and productivity exceeded moderate inflation
- Volume leverage and mix partially offsetting currency pressure
- Incremental investments were a 30 bps headwind

First-Quarter 2019 Asia-Pacific Results

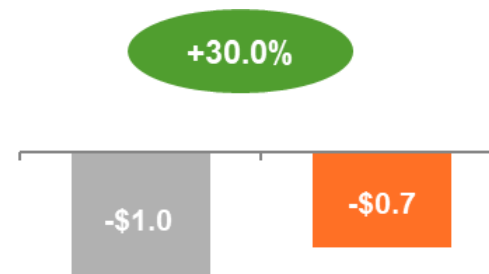
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



	Q1 18	Q1 19
Adj OM %	-4.2%	-1.9%
Adj EBITDA %	-1.2%	1.4%

Q1 Revenue Performance

- Organic revenue declined -2.2%
- Organic decline driven by \$1.5 million internal transfer to other regions in 2019
- Acquisitions contributed 63.2% to total growth
- Significant currency headwinds reduced total growth by 5.7%

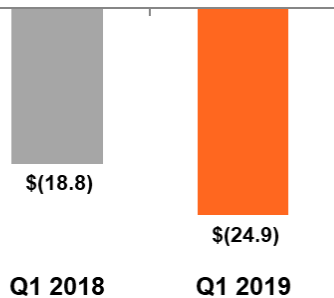
Q1 Adjusted Operating Margin +230 bps

- Price and productivity slightly exceeded inflation
- Gainsborough acquisition accretive to adjusted operating margins in the quarter

First-Quarter 2019 Allegion ACF

Available Cash Flow (ACF)¹

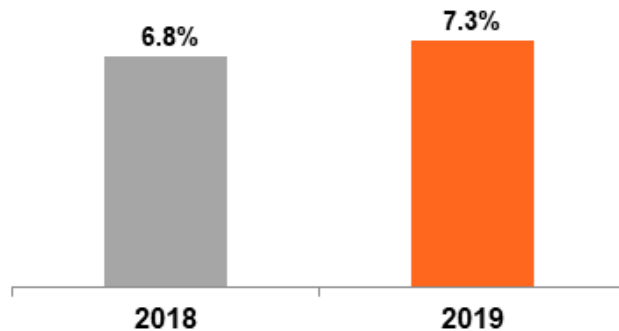
(\$millions)



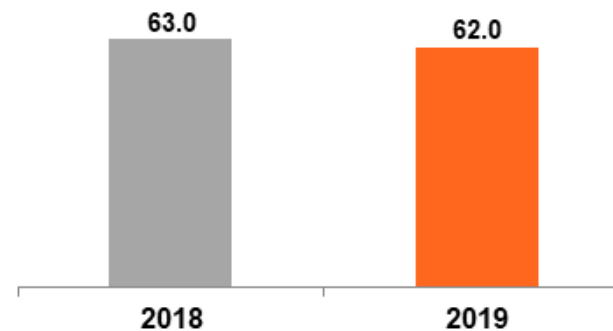
Decrease in ACF driven by higher working capital and increased capex; partially offset by increased net earnings

Working Capital² & Cash Conversion Cycle (CCC)³

Working Capital % of Revenue



Cash Conversion Cycle



Affirming full-year ACF outlook range of \$430-\$450 million

¹ Net cash from operating activities less capital expenditures

² Working capital (WC) defined as accounts receivable plus inventories less accounts payable and other accrued expenses (calculated using 4pt quarter-end WC average)

³ CCC = DSO + Inventory Days - DPO (calculated using 4pt quarter average)

See press release for non-GAAP reconciliations

Full-Year 2019 Outlook

Revenue

		<u>FY Outlook</u>
Total	Americas	5% to 6%
Organic	Americas	5% to 6%
Total	EMEIA	Flat to 2%
Organic	EMEIA	2.5% to 4.5%
Total	AP	22% to 24%
Organic	AP	4% to 6%
Total	Allegion	5% to 6%
Organic	Allegion	5% to 6%

Assumptions and notes:

No change to prior revenue outlook

EPS

	<u>FY Outlook</u>	<u>Prior FY Outlook</u>
2019 Reported EPS	\$4.60 to \$4.75	\$4.60 to \$4.75
Adjustments ¹	~\$0.15	~\$0.15
2019 Adjusted EPS	\$4.75 to \$4.90	\$4.75 to \$4.90

Assumptions and notes:

- Investment spend unchanged at approximately \$0.15 per share
- Full-year adjusted effective tax rate assumption unchanged at approximately 16%
- Average diluted share count for the full year of approximately 95 million shares
- Affirming available cash flow outlook of \$430-\$450 million

Adjusted EPS growth of ~6% to 9%; ACF \$430-\$450 million

Summary

- Q1 revenue growth 6.8% versus prior year; organic revenue growth 5.8%
- Q1 2019 adjusted operating margins +10 bps
- Adjusted Q1 EPS of \$0.88 (+10.0%)
- Affirming full-year revenue outlook – total and organic growth of 5% to 6%
- Affirming full-year EPS outlook
 - Reported EPS \$4.60 to \$4.75 per share
 - Adjusted EPS \$4.75 to \$4.90 per share, growth of ~6% to 9%
- Affirming available cash flow outlook of \$430-\$450 million

Affirming full-year outlook for revenue, EPS and available cash flow



ALLEGIONTM



About Allegion™

Allegion is a global pioneer in seamless access, with leading brands like CISA®, Interflex®, LCN®, Schlage®, SimonsVoss® and Von Duprin®. Focusing on security around the door and adjacent areas, Allegion secures people and assets with a range of solutions for homes, businesses, schools and institutions. Allegion had \$2.7 billion in revenue in 2018, and sells products in almost 130 countries.

NYSE: ALLE

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