



Allegion Fourth-Quarter 2016 Results

February 9, 2017

Safe Harbor

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding the Company's 2017 financial performance, the Company's growth strategy, the Company's capital allocation strategy, the Company's tax planning strategies, and the performance of the markets in which the Company operates. These forward-looking statements are based on the Company's currently available information and our current assumptions, expectations and projections about future events. They are subject to future events, risks and uncertainties - many of which are beyond the Company's control - as well as potentially inaccurate assumptions, that could cause actual results to differ materially from those in the forward-looking statements. Further information on these factors and other risks that may affect the Company's business is included in filings it makes with the Securities and Exchange Commission from time to time, including its Form 10-K for the year ended Dec. 31, 2015, Form 10-Qs for the quarters ended March 31, 2016, June 30, 2016, and Sept. 30, 2016, and in its other SEC filings. The Company assumes no obligations to update these forward-looking statements.

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

Safe Harbor

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

- Adjustments to revenue, operating income, operating margin, earnings from continuing operations, EPS from continuing operations, and EBITDA include items that are considered to be unusual or infrequent in nature such as goodwill impairment charges, restructuring charges, asset impairments, merger and acquisitions costs, charges related to the devaluation of the Venezuelan bolivar 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 of continuing operations less capital expenditures.

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

Fourth-Quarter Financial Highlights

- Revenue of \$569.7 million increased +4.4%, +5.2% on an organic basis¹
 - Americas organic revenue growth +7.0%
 - EMEIA organic revenue growth +1.4%
 - Asia Pacific organic revenue declined 0.7%
- Adjusted² operating income of \$102.0 million inclusive of \$15M environmental remediation charge; adjusted operating margin of 17.9% decreased 110 bps versus prior year
 - Americas -260 bps, EMEIA +180 bps, Asia Pacific +100 bps
 - Environmental remediation charge had operating margin impact of -260 bps on total Allegion and -370 bps on Americas
 - Incremental investment headwind 70 bps
- Adjusted EPS of \$0.81, inclusive of \$0.10 environmental remediation charge, decreased \$0.08 or 9.0% vs. Q4 2015
- Full-year available cash flow of \$335.0 million

Strong Organic Growth & Cash Generation



2016 Allegion Accomplishments

- Exceptional Safety Record: TRIR¹ of 0.52; LTIR² of 0.25; Continue to be a safety leader
- Organic revenue growth globally of 5.8%
- Continued growth from channel initiatives and new products increasing vitality index
- Expanded adjusted operating margins in all regions
- Delivered full-year adjusted EPS of \$3.34, an increase of 10.2% versus prior year
- Strong available cash flow generation increasing \$112.8 million, 50.8%, versus prior year

2016 Product Launches & Vitality Index

**Milre MI-480S
Rim Lock**
APAC
February 2016
Residential



**FSH FSS1
High Security Door
Monitoring Sensor**
APAC
October 2016
Commercial



**LCN 4050 Series
Cast Aluminum
Door Closers**
Americas
December 2015
Commercial



**CISA eGO
Electronic Lock**
APAC
March 2016
Commercial



**Briton 571 EL
Panic Exit Device**
EMEIA
October 2016
Commercial

**Schlage Control
Interconnect Lock**
Americas
May 2016
Multi-family



**SimonsVoss
MobileKey**
EMEIA
August 2016
Commercial

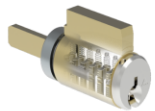
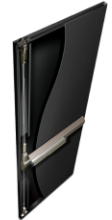


**Schlage Everest
29 SL Cylinder**
Americas
December 2016
Commercial

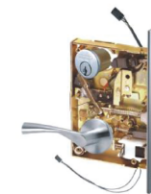
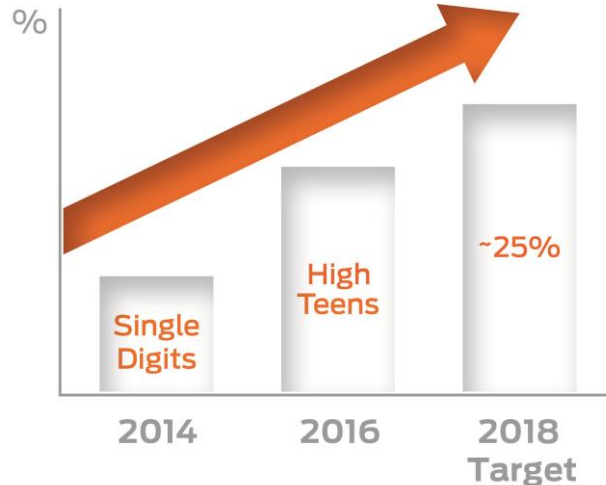



ALLEGION
Vitality Index

**Von Duprin
Field Sizeable
Concealed Cables**
Americas
August 2016
Commercial



**AXA Oyster
Window Fastener**
EMEIA
March 2016
Residential



**Schlage M80ES
Electrified Lock**
APAC
November 2016
Commercial

**Kryptonite
Street Light Series**
Americas, EMEIA
August 2016
Portable



**CISA Outside
Access Device**
EMEIA
April 2016
Commercial



2016 Allegion Revenue Results

	<u>Q4-16</u>	<u>FY - 16</u>
Price	1.4%	1.0%
Volume	3.8%	4.8%
Organic	5.2%	5.8%
Acq./Div.	-0.1%	3.0%
Currency	-0.7%	-0.6%
Total	4.4%	8.2%

	<u>Q4</u> <u>Reported</u> <u>Growth</u>	<u>Q4</u> <u>Organic</u> ¹ <u>Growth</u>	<u>FY</u> <u>Reported</u> <u>Growth</u>	<u>FY</u> <u>Organic</u> ¹ <u>Growth</u>
Americas	7.0%	7.0%	5.6%	6.5%
EMEIA	0.2%	1.4%	25.8%	2.2%
Asia Pacific	-8.5%	-0.7%	-13.8%	7.5%
Total Allegion	4.4%	5.2%	8.2%	5.8%

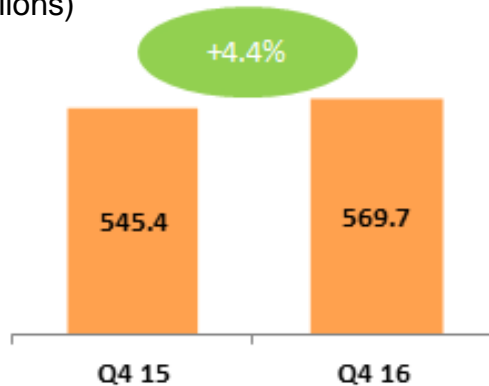
Solid Organic Growth; Headwinds from Currency

¹Organic excludes acquisitions/divestments and currency impacts

Fourth-Quarter 2016 Allegion Results

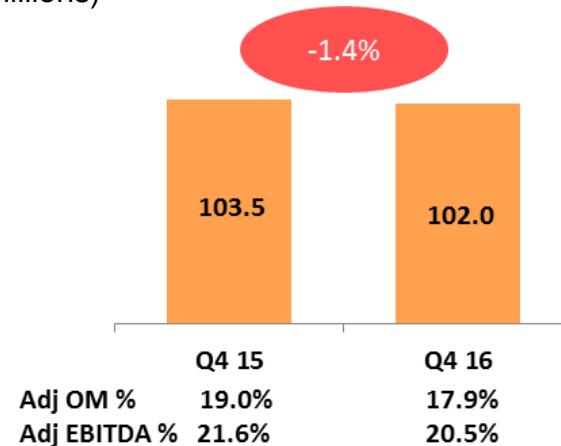
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

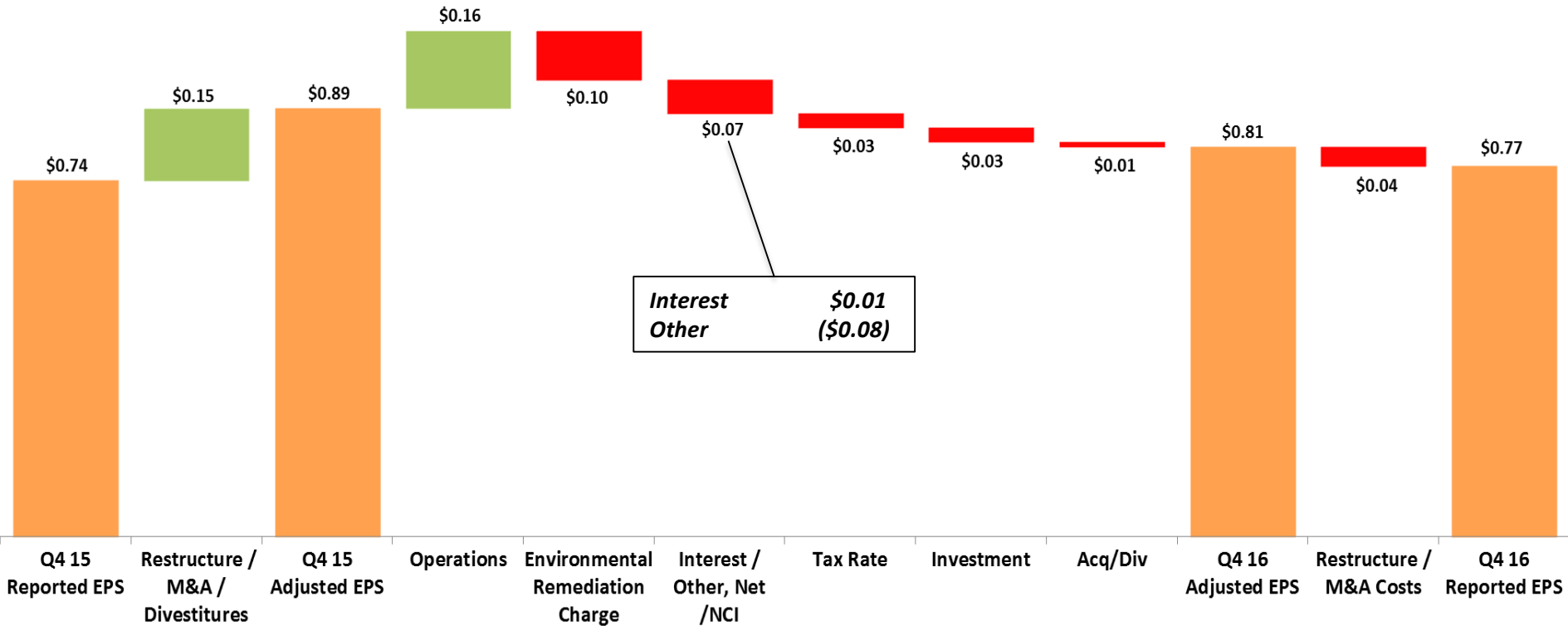
- Total growth +4.4%; organic growth +5.2%
- Strong organic growth in Americas
- Improved price realization partially offset by FX headwinds

Q4 Adjusted Operating Margin -110bps

- Year-over-year margin is down due to \$15 million or -260 bps environmental remediation charge
- Favorable margin improvement in EMEIA and Asia regions
- Solid operating leverage on incremental volume
- Price and productivity more than offset inflation and incremental investments

Fourth-Quarter 2016 Allegion EPS Performance

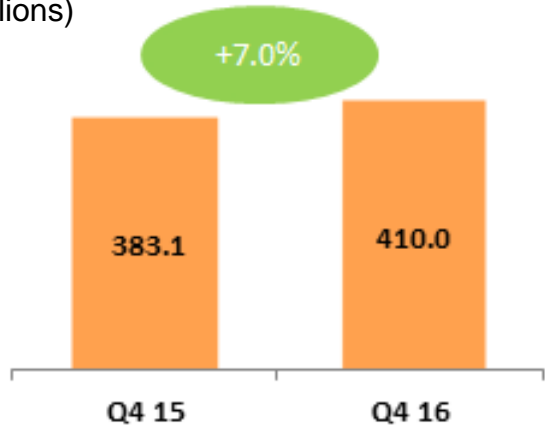
Q4



Fourth-Quarter 2016 Americas Results

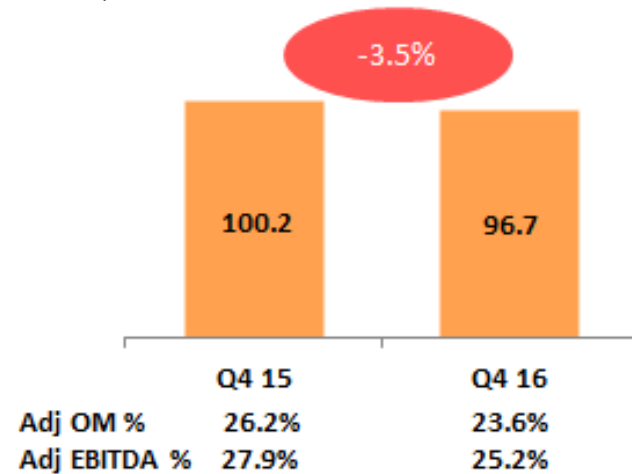
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

- Total reported and organic growth +7.0%
- Improved price realization of 1.6%
- Solid high-single digit growth in commercial with strength in premium brands
- Mid-single digit growth in residential
- Continued momentum in electronics growth

Q4 Adjusted Operating Margin -260bps

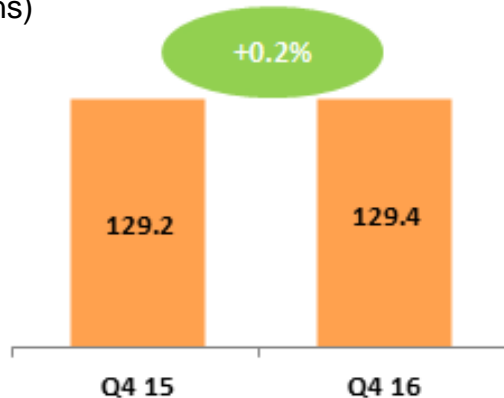
- Strong volume leverage, price, favorable mix and productivity more than offset inflation and incremental investments
- Unfavorable margin driven by \$15M or -370 bps environmental remediation charge
- Operational improvement year over year

(1) Current year adjusted to exclude restructuring costs

Fourth-Quarter 2016 EMEIA Results

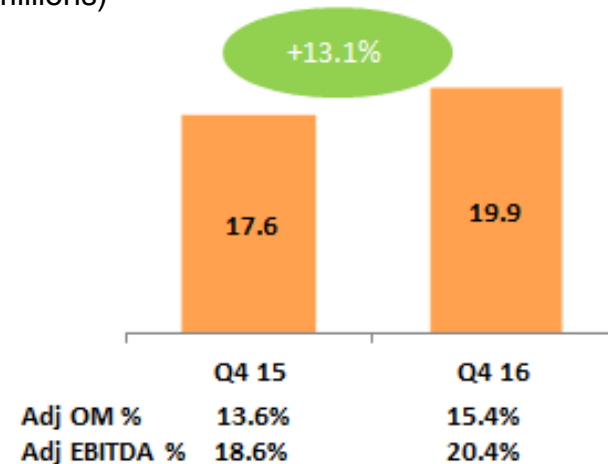
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q4 Revenue Performance

- Total growth +0.2%; organic growth +1.4%
- Overall growth driven by favorable price and volume along with impact of acquisitions offset by unfavorable foreign currency
- Solid growth in portable security and SimonsVoss

Q4 Adjusted Operating Margin +180bps

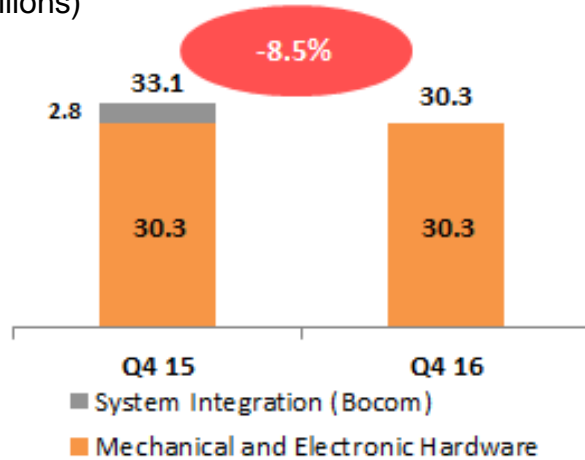
- Margin expansion driven by price and productivity, which more than offset FX headwinds
- Full-year adjusted operating margin up 140 bps vs. prior year

(1) Current year and prior year adjusted to exclude restructure and M&A costs

Fourth-Quarter 2016 Asia Pacific Results

Revenue

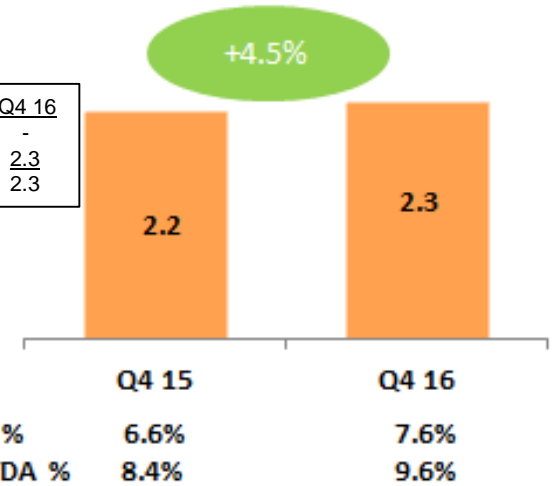
(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)

	Q4 15	Q4 16
Syst Integration	-0.7	-
Mech/Elec Hdw	2.9	2.3
Total	2.2	2.3



Q4 Revenue Performance

- Total revenue declined -8.5%; organic revenue declined -0.7%
- Organic revenue declined due to timing of orders and large non-recurring projects in 2015

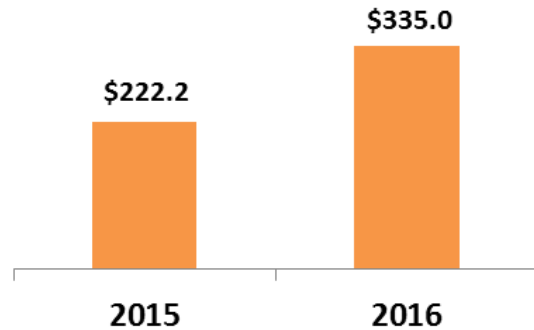
Q4 Adjusted Operating Margin +100bps

- Favorable year-over-year operating margin is primarily driven by the divestiture of the system integration business

Full-Year 2016 Allegion ACF

Available Cash Flow ¹

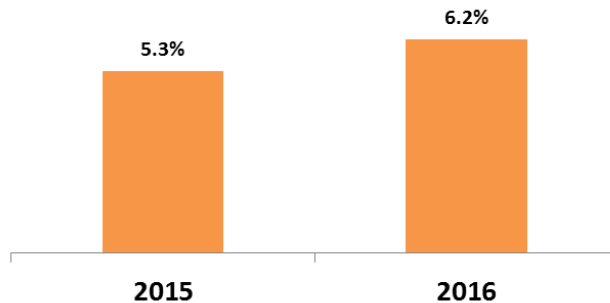
(\$millions)



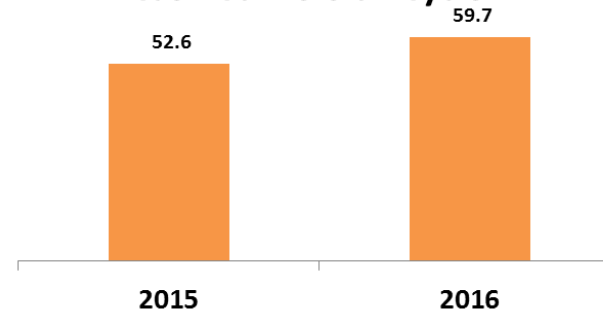
- 2016 FY ACF of \$335.0 million is \$112.8 million, or 50.8% percent higher than prior year
- Increase in ACF primarily due to higher net earnings

Working Capital ² and Cash Conversion Cycle(CCC)³

FY Working Capital² % of Revenue



FY Cash Conversion Cycle³



2016 FY ACF of \$335.0 Million Exceeded Guidance of ~\$300 Million

¹ Net cash from continuing operating activities less capital expenditures

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

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

Capital Allocation Strategy

Leverage Management

- Target 2.75-3.25x of gross Debt/Adj. EBITDA
- End 2016: 2.9x of gross Debt/Adj. EBITDA¹

Organic Growth Investment

- Expand core portfolio and channel capability
- Accelerate new product development
- Enterprise excellence
- Self-funding

M&A

- Product/market expansion and increased presence in emerging markets and technologies
- Disciplined approach to acquisition management




Shareholder Distribution

- Q1 2017 quarterly dividend increased 33% to \$0.16 per ordinary share
- \$500 million share repurchase authorization announced
- Repurchased \$55 million in Q4 2016 under previous authorization

Balanced & Flexible Capital Allocation Remains a Priority

¹Net Debt /Adjusted EBITDA of 2.3X as of December 31, 2016. See current and previous press releases for reconciliation of adjusted LTM EBITDA

Full-Year 2017 Allegion Revenue Guidance

Region	Revenue Change ¹	Markets
Americas 	Total: 7% to 8% Organic: 6% to 7%	<ul style="list-style-type: none"> U.S. non-residential growing mid-single digits driven by strong institutional and commercial verticals U.S. residential growing mid-single digits, driven by both builder and retail channels Acquisition of Republic Doors increasing overall growth
EMEIA 	Total: -1% to 1% Organic: 1% to 3%	<ul style="list-style-type: none"> Overall growth in core markets expected to be low-single digits Currency headwinds related to weakness in Euro and GBP Uncertainty about the impact of Brexit, impacting confidence and investments throughout Europe (UK construction market expected to be lower)
Asia Pacific 	Total: 7% to 9% Organic: 10% to 12%	<ul style="list-style-type: none"> Continued strength in Australia/New Zealand China and North Asia growth driven by targeted vertical markets
Total	Total: 5.5% to 6.5% Organic: 5.5% to 6.5%	<ul style="list-style-type: none"> Solid organic growth and price realization in all regions Continued progress on channel initiatives and revenue growth from new products driving above market growth

Full-Year 2017 Allegion EPS Guidance

2016 Reported EPS from Continuing Operations	\$2.36
Adjustments (see press release for non-GAAP reconciliations)	\$0.98
2016 Adjusted EPS from Continuing Operations	\$3.34
Operational Improvements (Growth/OPEX)	\$0.55 to \$0.60
Investments	(\$0.15) to (\$0.20)
Interest, Tax Rate, Other	(\$0.05) to (\$0.10)
FX	(\$0.02)
Sale of Marketable Securities (impact from 2016)	(\$0.12)
Environmental (impact from 2016)	\$0.10
2017 Adjusted EPS from Continuing Operations	\$3.55 to \$3.70
Adjustments (restructuring and acquisition costs)	\$0.00
2017 Reported EPS from Continuing Operations	\$3.55 to \$3.70

Assumptions and Notes:

- Full-year effective tax rate assumption of 19-20%
- Average diluted share count for the full year of approximately 96 million shares

**Adj. EPS Growth +6.3% to +10.8%; ACF \$300 to \$320 Million
(Inclusive of \$50 Million Discretionary Pension Funding)**

Summary

- Delivered strong 2016 full-year organic revenue growth of +5.8% driven by market and growth initiatives; solid progress on vitality index
- Increased 2016 full-year adjusted operating margins +40 bps (including -70 basis point impact from environmental remediation charge of \$15 million)
- Strong cash generation, increased available cash flows by \$112.8 million
- For 2017, forecasting continued growth in revenue and earnings and continued strong ACF performance
 - Organic revenue growth 5.5% to 6.5%
 - EPS \$3.55 to \$3.70; Increase of 6.3% to 10.8%
 - ACF \$300 to \$320 million, inclusive of \$50 million discretionary pension contribution

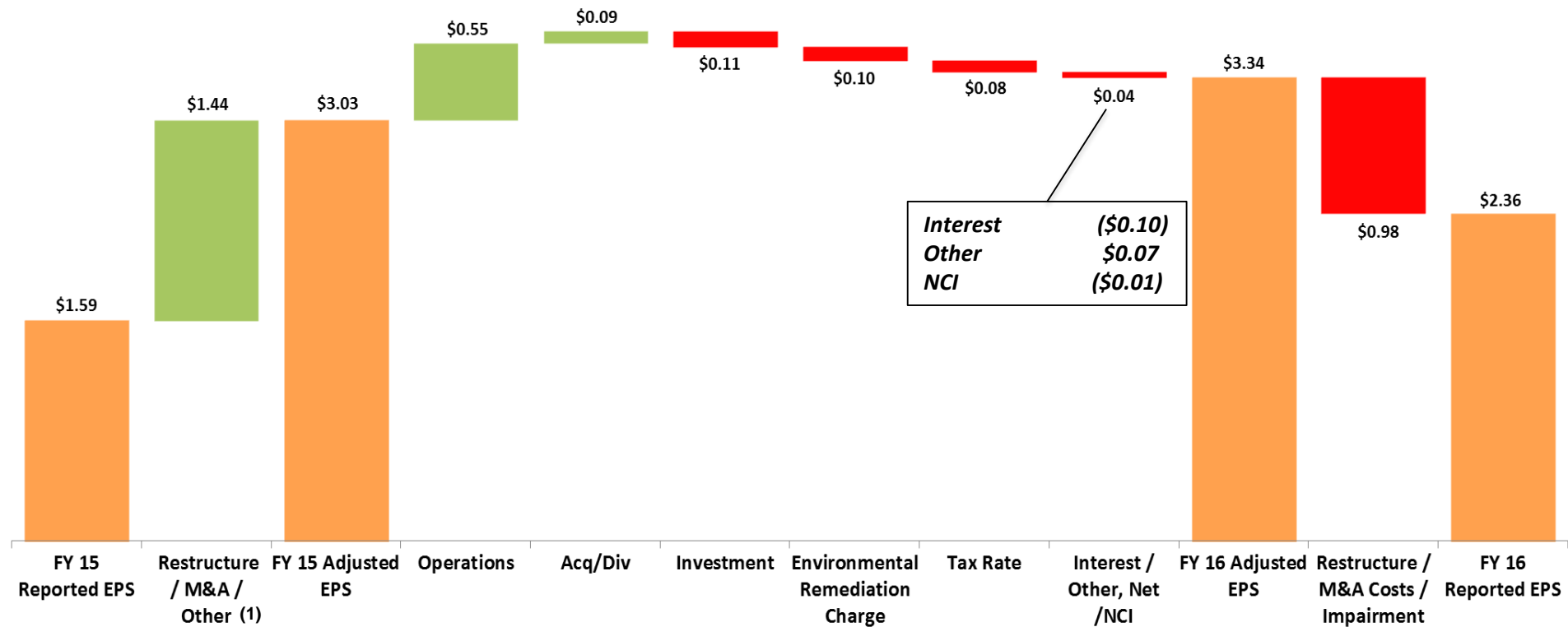
**Consistent Performance; Balanced Capital Deployment;
Delivering on Commitments; Positioned Well for 2017**



Appendix

Full Year 2016 Allegion EPS Performance

Full Year



<i>Interest</i>	<i>(\$0.10)</i>
<i>Other</i>	<i>\$0.07</i>
<i>NCI</i>	<i>(\$0.01)</i>

(1) Other includes VZ inventory impairment, VZ devaluation and loss from divestiture of VZ and system integration



ALLEGIONTM