



ALLEGION™

Allegion Fourth-Quarter 2019 Results

February 18, 2020

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 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 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, 2019, Form 10-Q for the quarters ended March 31, 2019, June 30, 2019, and Sept. 30, 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 Fourth-Quarter / Full-Year Update

Revenue Growth¹

Revenue growth of 2.4% and organic growth of 3.5% in the fourth quarter – driven by the Americas region (6.8% both reported and organic); Full-year revenue growth of 4.5% (4.6% organic)

Electronics

Americas electronics growth exceeded 12% in the quarter and 10% for full year

End Markets

Non-residential U.S. end markets remain healthy; U.S. Residential markets have improved; weakness in EMEIA and Asia Pacific

Adjusted OI Margin¹

Adjusted operating margin up 30 bps in the quarter and 70 bps for the full year, led by the Americas region (+240 bps in the quarter; +120 bps for the year)

Adjusted EPS Performance¹

Adjusted EPS growth of 4.9% in the quarter and 8.7% full year

Available Cash Flow Growth¹

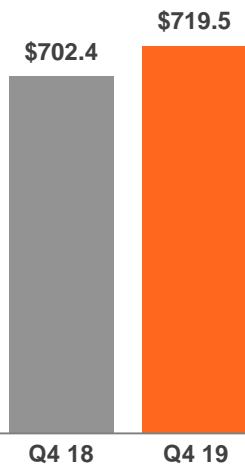
Full-year available cash flow of \$422.6 million

Fourth-Quarter Financial Summary

Revenue¹

\$Millions

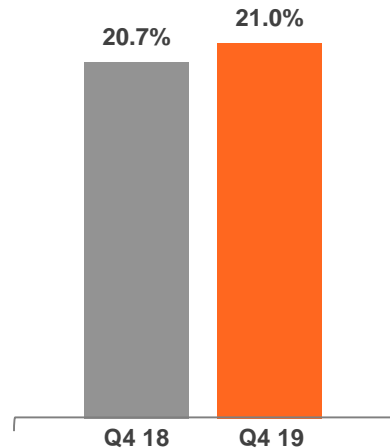
+2.4%



- Organic growth of 3.5%
- Strength in Americas partially offset by weakness in other regions
- Currency and divestitures headwinds

Adjusted OI Margin¹

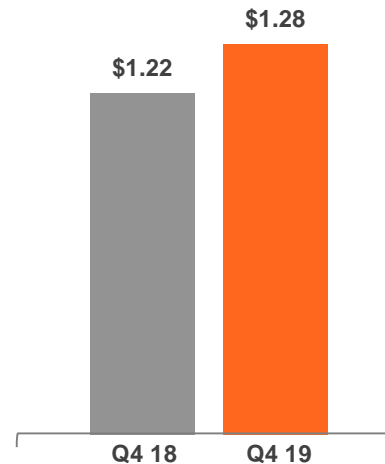
+30 bps



- Price and productivity outpaced inflation
- Operational improvements partially offset by incremental investments

Adjusted EPS¹

+4.9%



- Adjusted operating income up 4.0%
- Favorable share count and interest expense offset by unfavorable year-over-year tax rate increase

YTD ACF¹

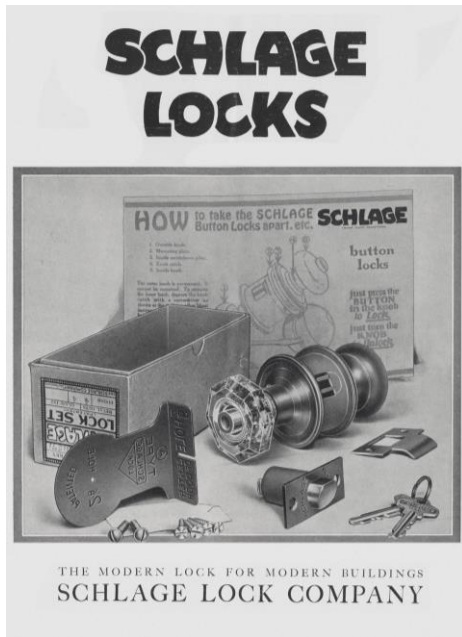
\$Millions

+3.4%



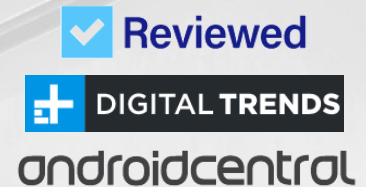
- Incremental adjusted net earnings and improvement in net working capital partially offset by increases in restructuring spend and capital expenditures

Our Legacy of Innovation Continues



Schlage
EncodeTM

Schlage's best smart lock honors



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All other marks are the property of their respective owners.

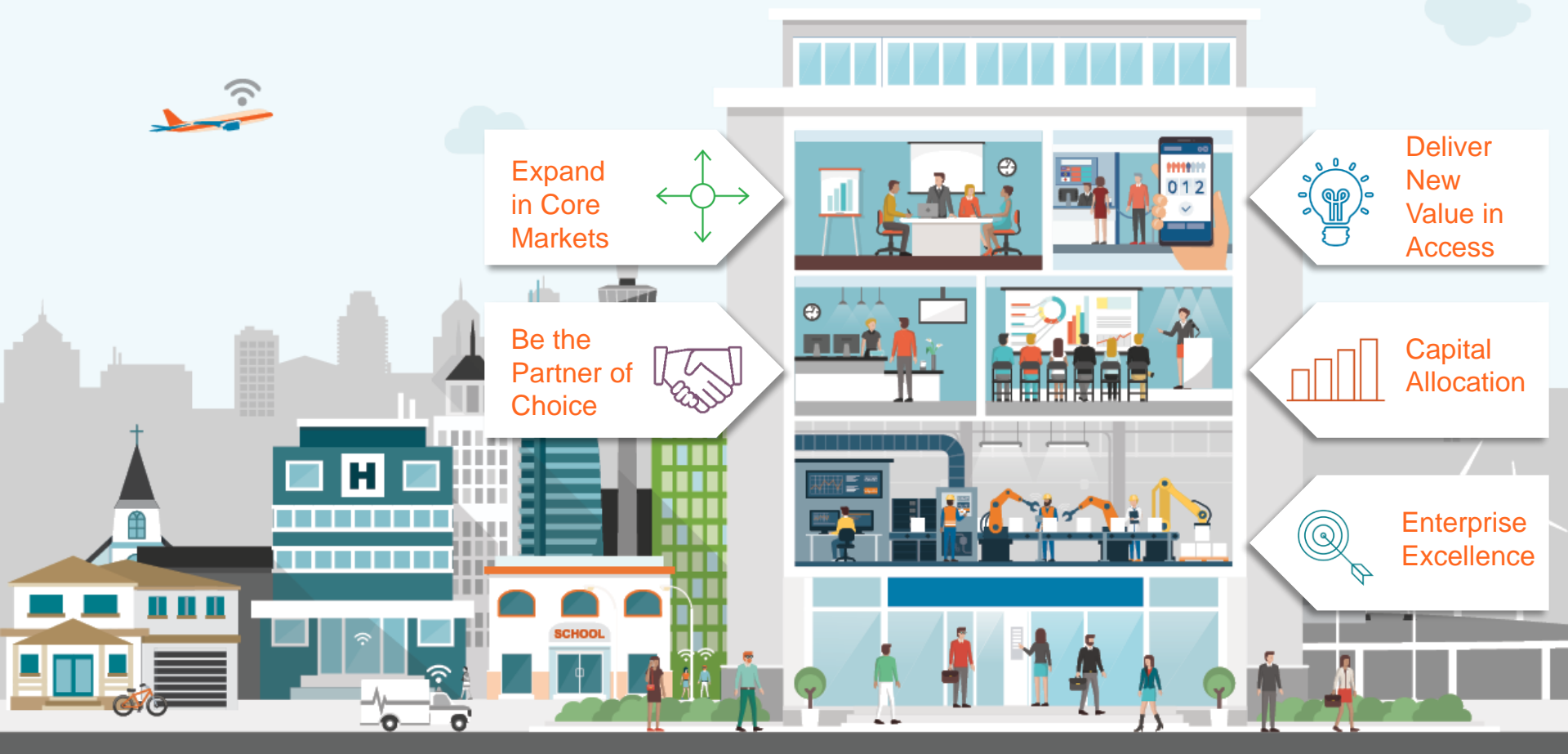


Vision

Seamless access and a safer world

Strategy

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



2019 Fourth-Quarter / Full-Year Allegion Revenue Results

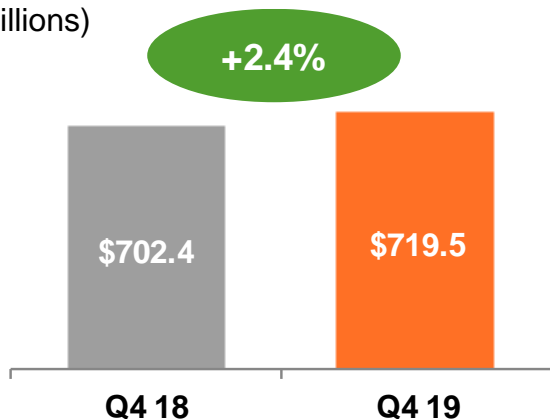
	<u>Q4-19</u>		<u>Q4'19</u> <u>Reported</u> <u>Growth</u>	<u>Q4'19</u> <u>Organic¹</u> <u>Growth</u>	<u>FY'19</u> <u>Reported</u> <u>Growth</u>	<u>FY'19</u> <u>Organic¹</u> <u>Growth</u>
Price	1.7%	Americas	6.8%	6.8%	6.3%	6.2%
Volume	1.8%	EMEIA	-5.0%	-1.5%	-2.9%	2.0%
Organic	3.5%	Asia Pacific	-16.6%	-13.4%	9.0%	-5.5%
Divestiture	-0.3%					
Currency	-0.8%					
Total	2.4%	Total Allegion	2.4%	3.5%	4.5%	4.6%

Strong revenue growth in the Americas offsetting weakness in EMEIA and Asia Pacific

Fourth-Quarter 2019 Allegion Results

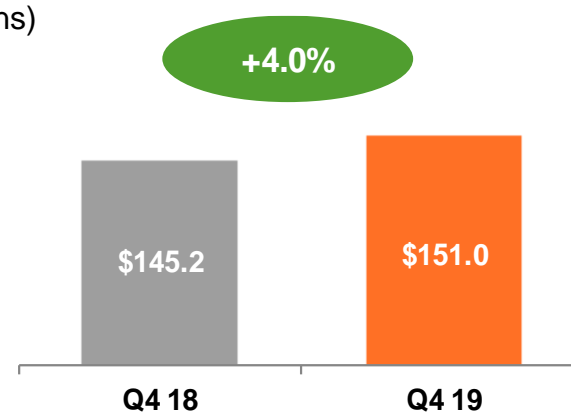
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



Adj Op Margin	20.7%	21.0%
Adj EBITDA %	23.4%	23.7%

Q4 Revenue Performance

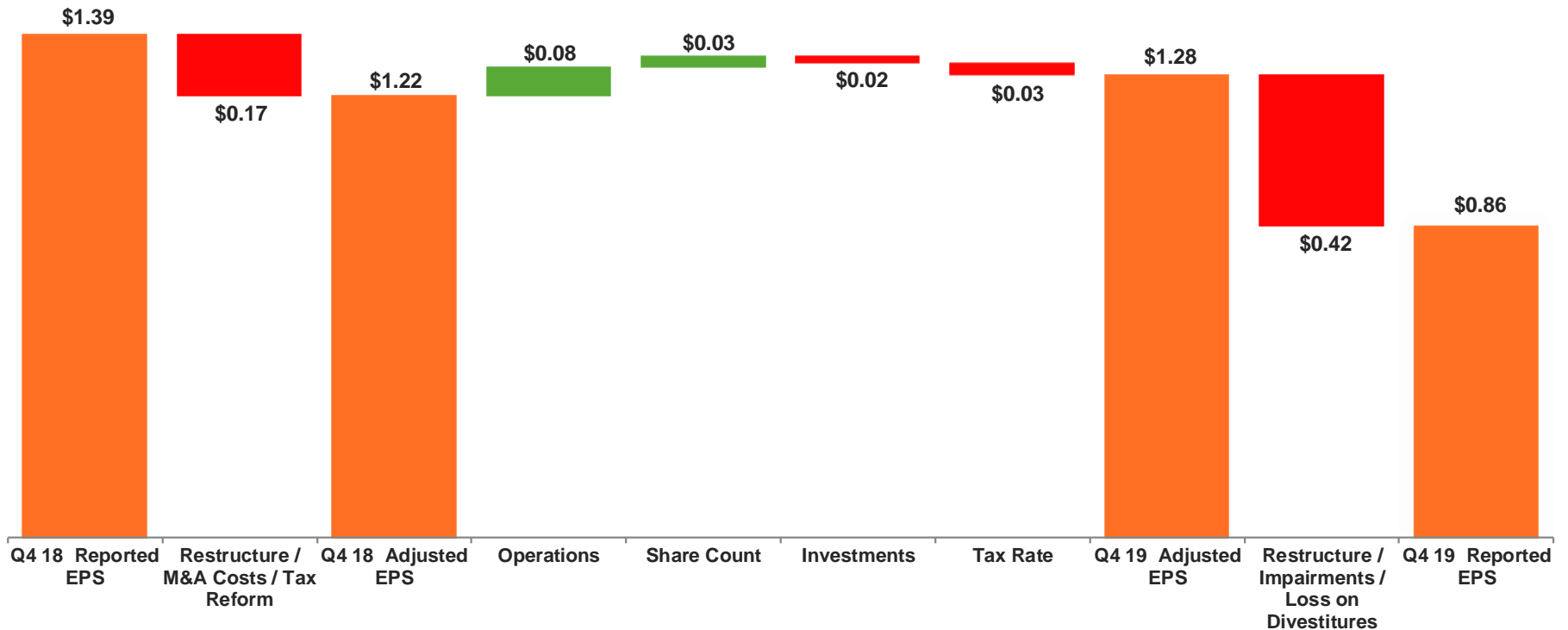
- Organic revenue growth of 3.5%
- Strength in Americas offset by weakness in EMEIA and Asia Pacific
- Headwinds driven by currency and divestitures

Q4 Adjusted Operating Margin +30 bps

- Solid operating leverage on incremental volume, driven by Americas
- Price and productivity exceeded inflation
- Incremental investments were a 30-bps headwind
- Full-year adjusted operating margin up 70 bps

Fourth-Quarter 2019 Allegion EPS Performance

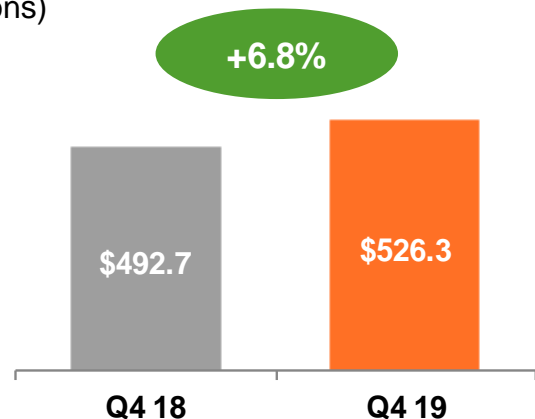
Q4



Fourth-Quarter 2019 Americas Results

Revenue¹

(\$millions)

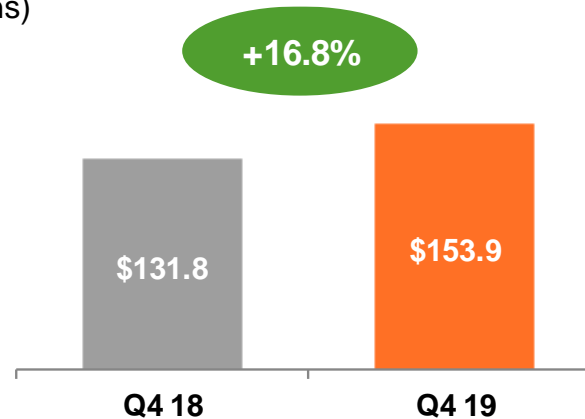


Q4 Revenue Performance

- Organic revenue growth of 6.8%
- Strong price realization of 2.2%
- Year-over-year growth in electronics exceeded 12%
- Non-residential and residential businesses grew at similar levels
- Healthy end markets

Adjusted Operating Income¹

(\$millions)



Adj Op Margin	26.8%	29.2%
Adj EBITDA %	28.6%	30.9%

Q4 Adjusted Operating Margin +240 bps

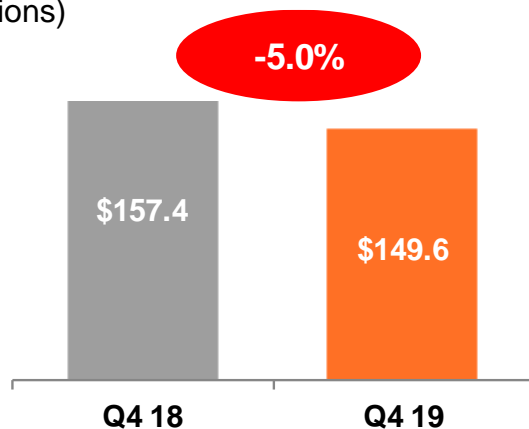
- Strong operating leverage on incremental volume
- Price and productivity significantly exceeded inflation
- Incremental investments were a 40-bps headwind
- Full-year adjusted operating margin up 120 bps

¹ See press release for non-GAAP reconciliations

Fourth-Quarter 2019 EMEIA Results

Revenue¹

(\$millions)

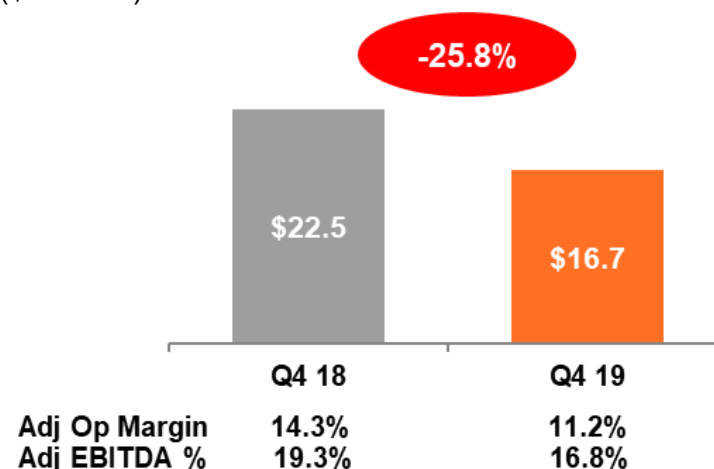


Q4 Revenue Performance

- Organic revenue decline of 1.5%
- Lower volume driven by softening end markets across the region
- Other headwinds driven by currency and the divestiture of the business in Turkey

Adjusted Operating Income¹

(\$millions)



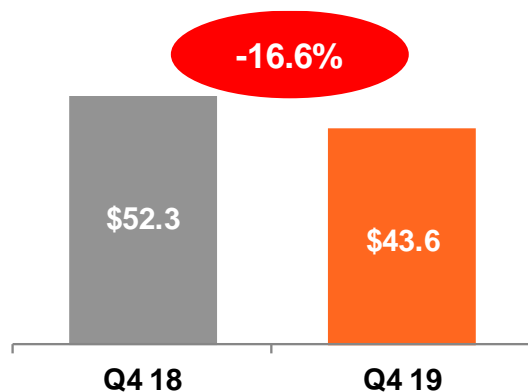
Q4 Adjusted Operating Margin -310 bps

- Inflation exceeded price plus productivity
- Currency headwinds continued to be a drag on operating margins
- Plant relocation from Turkey drove additional costs for the quarter
- Full-year adjusted operating margin down 10 bps

Fourth-Quarter 2019 Asia-Pacific Results

Revenue¹

(\$millions)

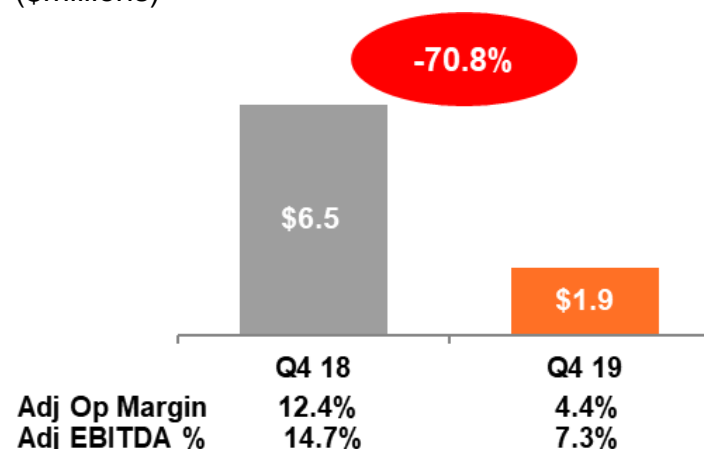


Q4 Revenue Performance

- Organic revenue decline of 13.4%
- Further weakness in Australian end markets, particularly residential
- Significant declines experienced in China

Adjusted Operating Income¹

(\$millions)



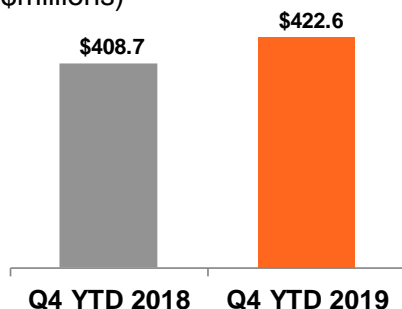
Q4 Adjusted Operating Margin -800 bps

- Inflation exceeded price plus productivity by approximately \$1 million
- Reduced operating income on significant volume declines and unfavorable mix
- Initiated restructuring actions to address cost base and end-market dynamics
- Full-year adjusted operating margin down 180 bps

Fourth-Quarter 2019 Allegion ACF

Available Cash Flow¹

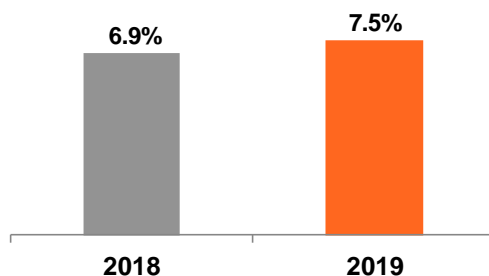
(\$millions)



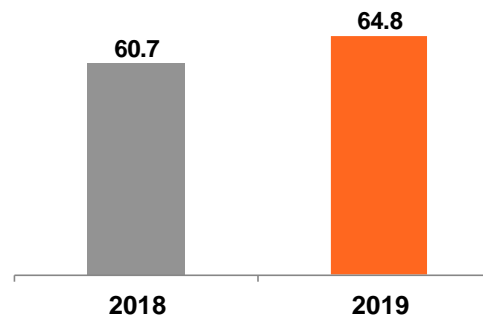
- Increase in ACF driven by incremental adjusted net earnings and improvements in net working capital; partially offset by increased restructuring payments and higher capital expenditures

Working Capital² & Cash Conversion Cycle (CCC)³

Working Capital % of Revenue



Cash Conversion Cycle






¹ Net cash from operating activities less capital expenditures

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

³ CCC = DSO + Inventory Days - DPO (calculated using 4pt quarter average)
See press release for non-GAAP reconciliations

Full-Year 2020 Allegion Revenue Outlook

Region	Revenue Projection ¹	Markets
Americas 	Total: 4% to 5% Organic: 4.5% to 5.5%	<ul style="list-style-type: none"> Continued strength in Non-residential verticals, led by institutional Residential new construction improving Electronics projected to continue to outpace mechanical Total growth includes impact of divestiture of Colombia business
EMEIA 	Total: 1.5% to 2.5% Organic: 1.5% to 2.5%	<ul style="list-style-type: none"> Softening markets in Germany and southern Europe Organic growth expected to be driven by SimonsVoss and Interflex
Asia Pacific 	Total: Flat Organic: Flat	<ul style="list-style-type: none"> Continued weakness in Australia markets, particularly Residential Softening markets in China
Total	Total: 3% to 4% Organic: 3.5% to 4.5%	<ul style="list-style-type: none"> Strength in Americas leading organic growth for the year Total growth includes impact of divestitures

North American end markets and electronics drive organic growth

Full-Year 2020 Allegion EPS Outlook

2019 Reported EPS	\$4.26
Adjustments ¹	\$0.63
2019 Adjusted EPS	\$4.89
Operational Improvements (Growth / OPEX / FX / Divest)	~\$0.43 to \$0.53
Investments	~(\$0.15)
Interest / Other	~\$0.01
Tax Rate	~(\$0.15)
Share Count	~\$0.07
2020 Adjusted EPS	\$5.10 to \$5.20
Adjustments ²	~(\$0.10)
2020 Reported EPS	\$5.00 to \$5.10

Adj. Op. Income EPS impact
 +\$0.28 to \$0.38 or
 ~6% to 8%

Assumptions and Notes:

- Full-year adjusted effective tax rate assumption of approximately 16.5% to 17%
- Average diluted share count for the full year of approximately 93 million shares

Adj. EPS growth of ~4% to 6%; ACF \$450–\$470 million

Summary

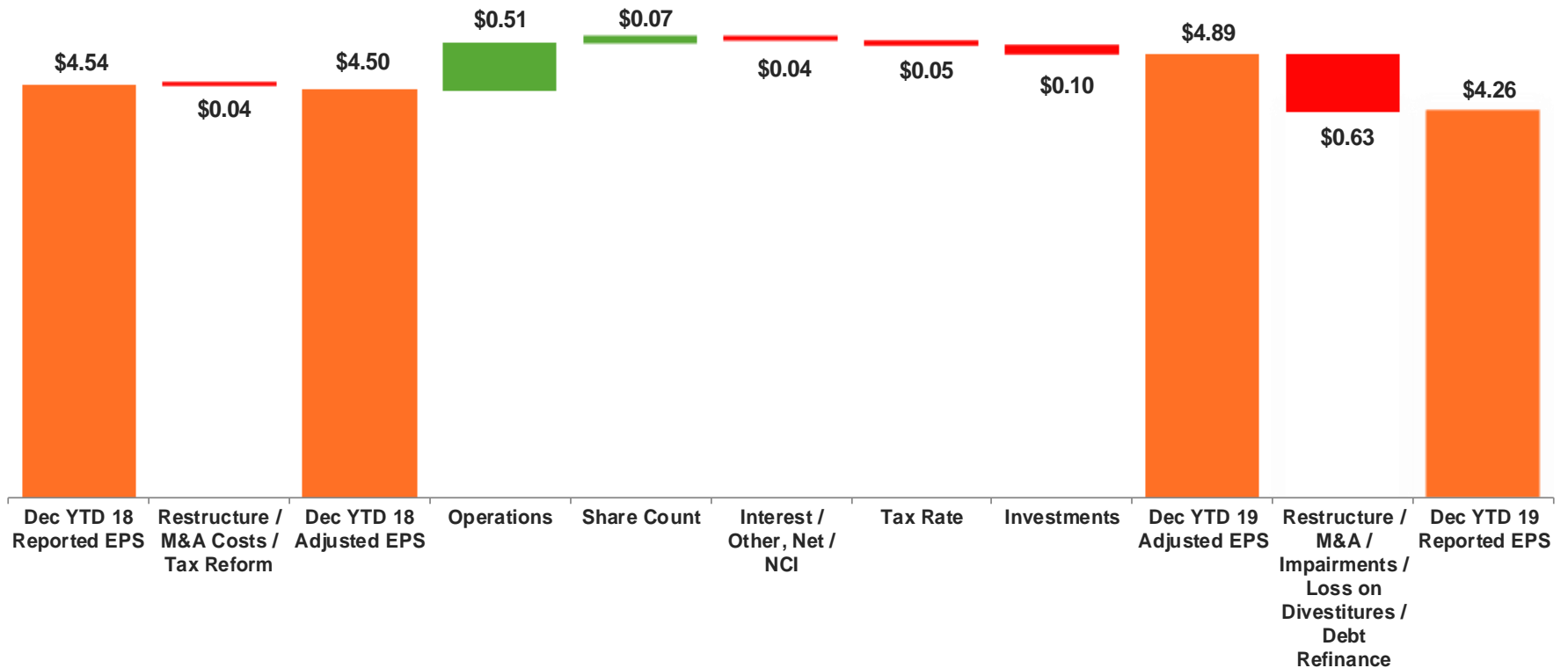
- Delivered solid full-year organic revenue growth of 4.6%
- 2019 full-year adjusted operating margins up 70 bps versus 2018
- Full-year adjusted EPS of \$4.89, up nearly 9% compared to prior year
- Strong available cash flow of \$422.6 million, up \$13.9 million versus prior year
- For 2020, projecting continued growth in revenue and earnings
 - Total revenue growth outlook of 3% to 4%
 - Organic revenue growth outlook of 3.5% to 4.5%
 - Reported EPS outlook at \$5.00 to \$5.10 per share
 - Adjusted EPS outlook at \$5.10 to \$5.20 per share, growth of ~4% to 6%
- 2020 available cash flow outlook of \$450-\$470 million



Appendix

Full-Year 2019 Allegion EPS Performance

FY





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 \$2.9 billion in revenue in 2019, and sells products in almost 130 countries.

NYSE: ALLE

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