



Allegion Second-Quarter 2016 Results

July 28, 2016

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 2016 financial performance, the Company's growth strategy, the Company's capital allocation strategy, the Company's tax planning strategies, the Company's ability to successfully implement new information technology systems 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 and June 30, 2016 and in its other SEC filings. The Company assumes no obligations to update these forward-looking statements.

This presentation also contains operating income, operating margin, EBITDA, EBITDA margin, diluted earnings per share (EPS) from continuing operations and effective tax rate on both a U.S. GAAP basis and on an adjusted basis because the Company's management believes it may assist investors in evaluating the Company's on-going operations. The Company believes these non-GAAP disclosures provide important supplemental information to management and investors regarding financial and business trends relating to the Company's financial condition and results of operations. Investors should not consider these non-GAAP measures as alternatives to the related GAAP measures. 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.

Second-Quarter Financial Highlights

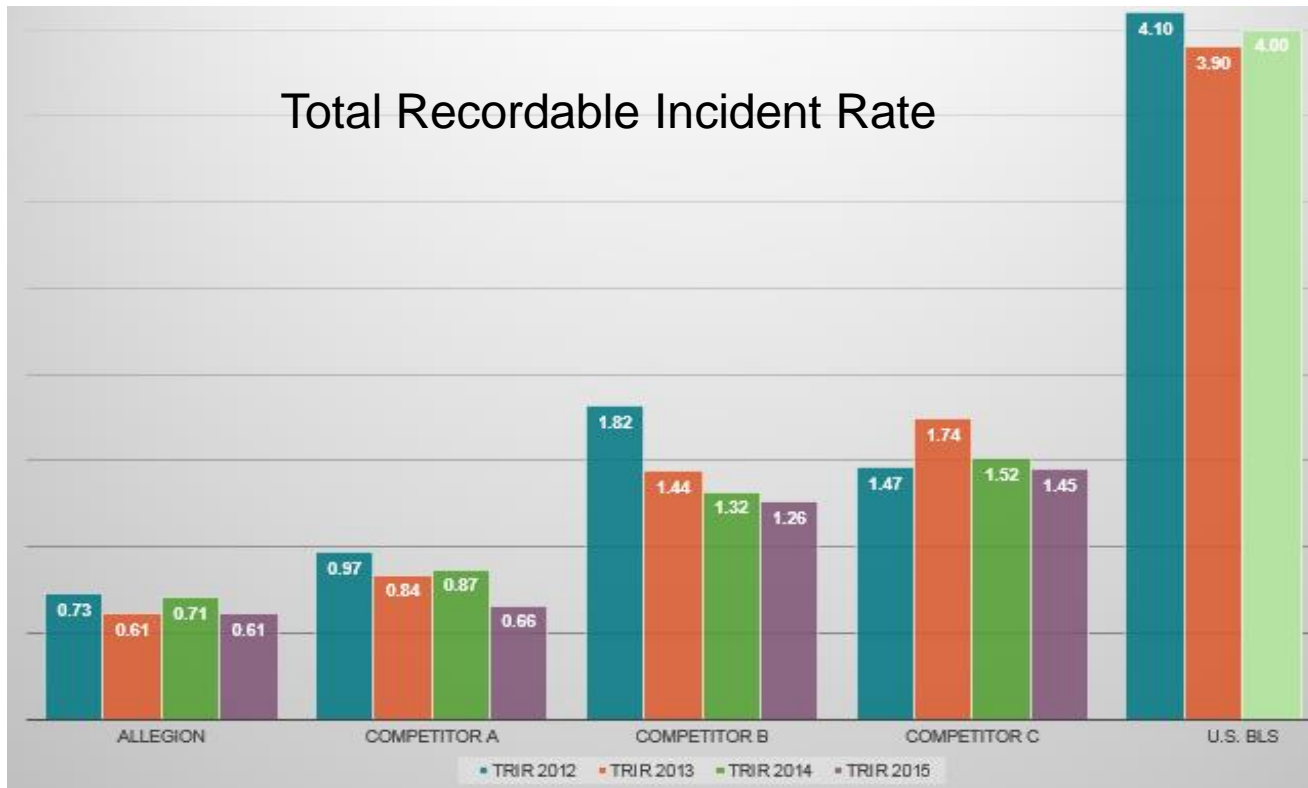
- Revenue of \$584.9 million increased +12.6%, +8.9% on an organic basis¹
 - Americas organic revenue growth +9.8%
 - EMEIA organic revenue growth +3.0%
 - Asia Pacific organic revenue growth +12.9%²
- Adjusted operating income of \$125.7 million increased +24.2%; adjusted operating margin of 21.5% increased 200 bps versus prior year
 - Americas +200 bps, EMEIA +250 bps, Asia Pacific +1280 bps
 - Incremental investment headwind 20 bps
- Adjusted EPS of \$0.99 increased +39.4%
- Improving full-year guidance
 - Organic revenue growth 5% to 6%; Total revenue growth of 8% to 9%
 - Adjusted EPS \$3.30 to \$3.40 per share

All Regions Delivering Profitable Growth

¹Organic revenue excludes acquisition/divestitures and currency impacts
²Asia Pacific excluding system integration business grew organic revenue 23.6%



Allegion has a relentless focus on safety, a key driver of enterprise excellence



Source: company reports and U.S. Bureau Labor Statistics for Manufacturers
2015 U.S. Bureau Labor Statistics for Manufacturers figures will not be published until Dec 2016

**Safety ingrained in culture and values; Allegion is a leader among peers
and manufacturing companies**

2016 Allegion Revenue Results

| | <u>Q2-16</u> | | <u>Q2</u> <u>Reported</u> <u>Growth</u> | <u>Q2</u> <u>Organic</u> ¹ <u>Growth</u> |
|----------------|--------------|-----------------------|---|---|
| Price | 0.4% | Americas | 8.6% | 9.8% |
| Volume | <u>8.5%</u> | EMEIA | 44.9% | 3.0% |
| Organic | 8.9% | Asia Pacific | -20.0% | 12.9% |
| Acq./Div. | 4.1% | | | |
| Currency | <u>-0.4%</u> | | | |
| Total | 12.6% | Total Allegion | 12.6% | 8.9% |

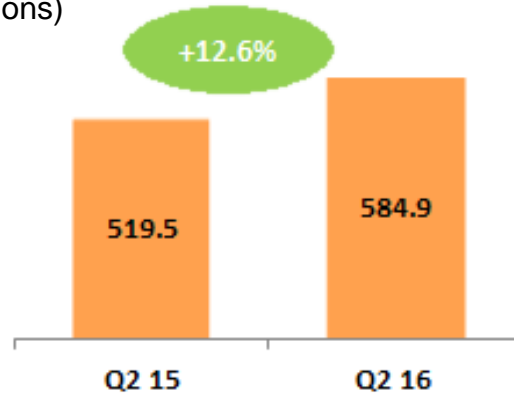
Significant Organic Growth; Acquisitions Contributing

¹Organic excludes acquisitions/divestitures and currency impacts

Second-Quarter 2016 Allegion Results

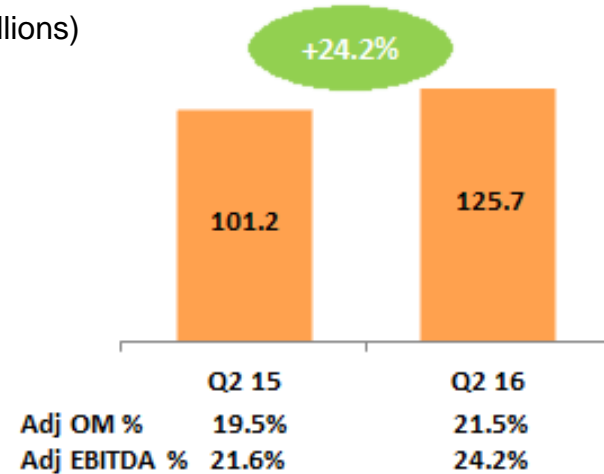
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q2 Revenue Performance

- Total growth +12.6%; organic growth +8.9%
- Strong organic growth across all regions; Growth reflects anticipated increased shipments following Q1 ERP implementation
- Incremental contribution from acquisitions of \$40 million

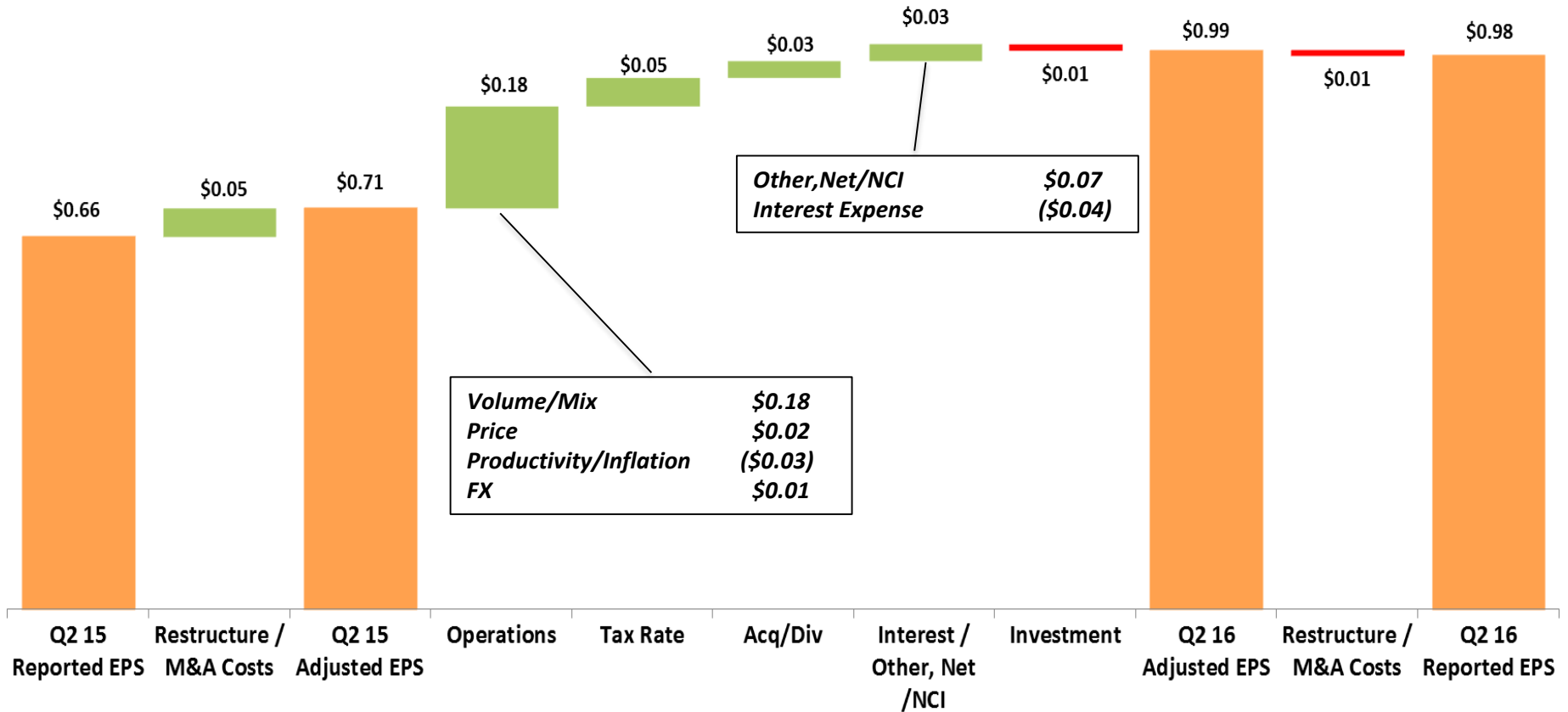
Q2 Adjusted Operating Margin +200bps

- Margin improvement in all regions
- Strong operating leverage on incremental volume
- Fifth straight quarter with year-over-year margin improvement

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

Second-Quarter 2016 Allegion EPS Performance

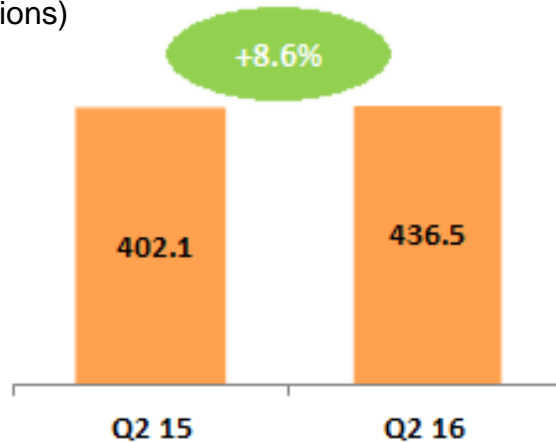
Q2



Second-Quarter 2016 Americas Results

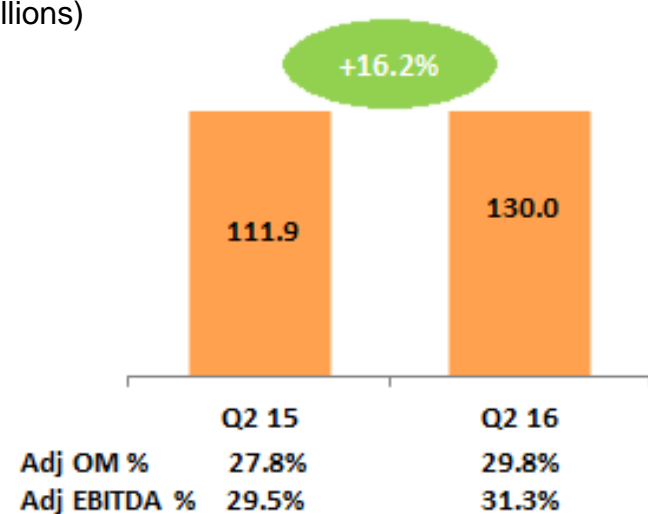
Revenue

(\$millions)



Adjusted Operating Income

(\$millions)



Q2 Revenue Performance

- Total growth +8.6%; organic growth +9.8%
- Mid-teens electronics growth
- Double-digit non-residential growth reflecting strength in all products
- Low-single digit residential growth (ex-VZ)
- Solid non-residential pricing offsetting residential pricing weakness

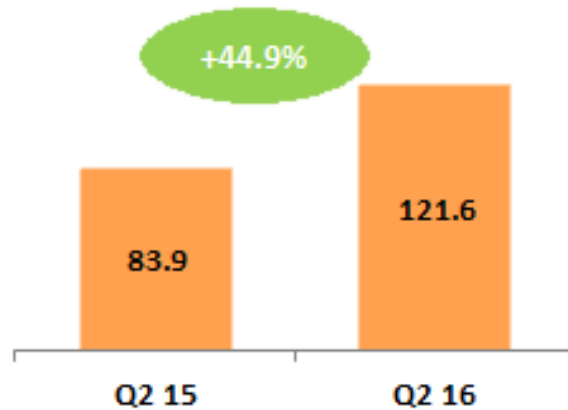
Q2 Adjusted Operating Margin +200bps

- Favorable margin improvement driven by strong volume leverage
- Favorable mix driven by strong non-residential revenue growth
- Modest investment headwind YTD; Investment headwind accelerates in 2H16

Second-Quarter 2016 EMEIA Results

Revenue

(\$millions)

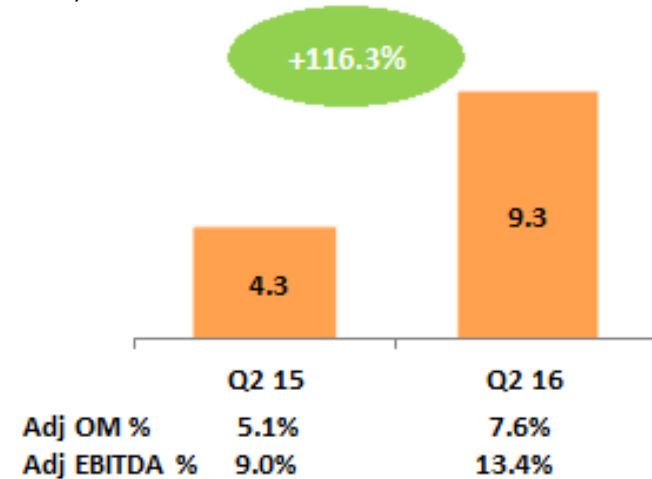


Q2 Revenue Performance

- Total growth +44.9%; organic growth +3.0%
- Strong price realization +1.5%
- Good growth and performance across most geographies
- Acquisitions contributed ~\$35 million in the quarter

Adjusted Operating Income⁽¹⁾

(\$millions)



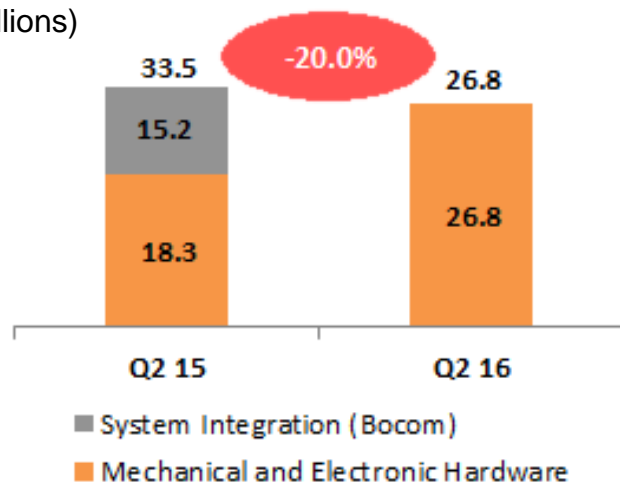
Q2 Adjusted Operating Margin +250bps

- Sixth consecutive quarter with year-over-year margin improvement
- Price and productivity more than offset inflation and investments
- EBITDA margin increased +440bps

Second-Quarter 2016 Asia Pacific Results

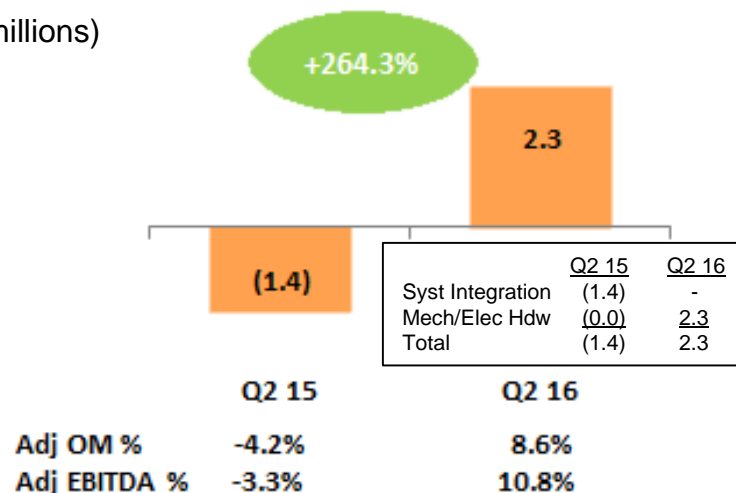
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q2 Revenue Performance

- Total growth -20.0%; organic growth +12.9%
- Organic growth excluding system integration +23.6%
- Strong YOY growth in Australia/New Zealand multi-family and hospitality verticals, and China residential and transportation verticals
- Acquisitions contributed over \$5 million in the quarter

Q2 Adjusted Operating Margin +1280bps

- Operating margin improved approximately +830bps VPY (excluding system integration business and acquisitions)
- Favorable margin improvement driven by strong volume leverage, acquisitions and cost improvement

(1) Current year adjusted to exclude restructure costs

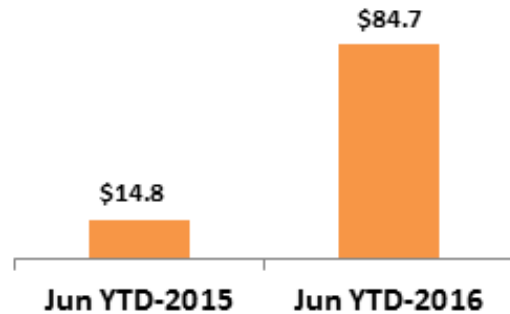


ALLEGION™

Second-Quarter 2016 Allegion ACF

Available Cash Flow ¹

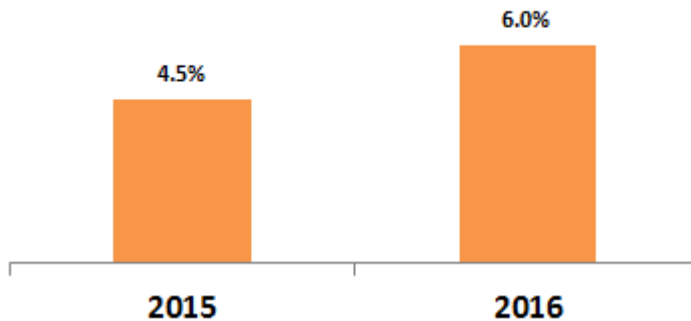
(\$millions)



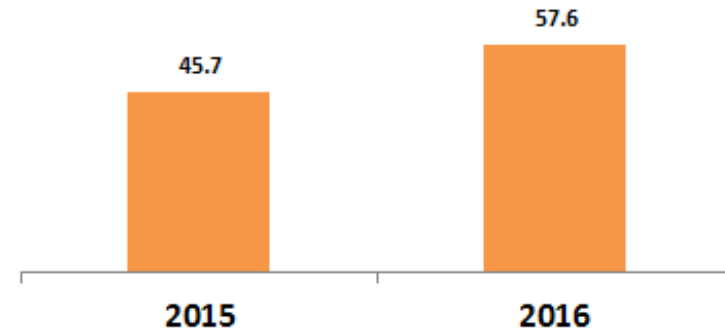
- Improvement in ACF due to decreased operating cash requirements, increased earnings and reduced capital expenditures

Working Capital ² & Cash Conversion Cycle (CCC) ³

Q2 Working Capital² % of Revenue



Q2 Cash Conversion Cycle³



Affirming full year ACF of \$280 to \$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). Working capital excludes \$60.9M of short-term loan receivables

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
- June 30, 2016: 3.0x of gross Debt/Adj. EBITDA¹
- Upgraded to investment grade by S&P during the second quarter 2016

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 and Q2 2016 quarterly dividend \$0.12 per ordinary share; increased 20% versus 2015
- \$200 million share repurchase program announced. Executed \$110.3 million LTD

Balanced & Flexible Capital Allocation Remains a Priority

¹Net Debt /Adjusted EBITDA of 2.7X as of June 30, 2016. See current and previous press releases for reconciliation of adjusted LTM EBITDA

Full-Year 2016 Guidance

Revenue

| | | <u>Prior FY Guidance</u> | <u>Updated FY Guidance</u> |
|----------------|-----------------|------------------------------|--------------------------------|
| Total | Americas | 4% to 5% | 4.5% to 5% |
| Organic | Americas | 5% to 6% | 5.5% to 6% |
| Total | EMEIA | 25% to 27% | 29% to 31% |
| Organic | EMEIA | 1% to 3% | 3% to 4% |
| Total | AP | -18% to -16% | -15% to -13% |
| Organic | AP | 5% to 7% | 7% to 9% |
| Total | Allegion | 7% to 8% | 8% to 9% |
| Organic | Allegion | 4% to 5% | 5% to 6% |

EPS

| | <u>Prior FY Guidance</u> | <u>Current FY Guidance</u> |
|--------------------------|------------------------------|--------------------------------|
| 2016 Reported EPS | \$3.15 to \$3.35 | \$3.20 to \$3.35 |
| Adjustments | (\$0.05) to (\$0.10) | (\$0.05) to (\$0.10) |
| 2016 Adjusted EPS | \$3.25 to \$3.40 | \$3.30 to \$3.40 |

Assumptions and Notes:

- Full-year effective tax rate assumption of approximately 19%
- Average diluted share count for the full year of approximately 97 million shares
- Inclusive of Trelock acquisition

Adj. EPS Growth +8.9% to +12.2%; ACF \$280 to \$300 Million

Summary

- Q2 revenue increased \$65.4 million, +12.6% vs. prior year
 - Organic revenue growth +8.9%
 - Acquisitions contributing \$40 million
- Increased Q2 2016 adjusted operating margins +200 bps
 - All regions delivering operating margin improvement
 - EMEIA continues margin transformation; Adjusted operating margin +250 bps
- Adjusted EPS of \$0.99 grew 39.4%
- Improving full-year 2016 guidance
 - Organic revenue growth 5% to 6%; Total revenue growth of 8% to 9%
 - Adjusted EPS \$3.30 to \$3.40 per share, growth of 8.9% to 12.2%
 - ACF \$280 to \$300 million; Increase of 26% to 35%

Solid Q2; Continuing to deliver profitable growth



ALLEGIONTM