



ALLEGION™

Allegion Second-Quarter 2019 Results

July 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 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, 2018, Form 10-Q for the quarters ended March 31, 2019, and June 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 Second-Quarter Update

Revenue Growth¹

Total top-line growth of 3.8% and organic growth of 3% in the quarter; Grew 5.2% in the first half of the year and 4.3% organically

Electronics

Americas electronics growth of ~9% 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 inflationary pressures, driving operating margin expansion

Footprint Rationalization

Exited operations in Turkey

Adjusted EPS Performance¹

Adjusted EPS grew slightly

Outlook Adjusted¹

Total and organic revenue growth outlook updated to a range of 4.5% to 5.5%; Reported EPS outlook updated to a range of \$4.50 to \$4.65 and adjusted EPS at \$4.80 to \$4.90

Second-Quarter Financial Summary

Revenue¹

\$Millions

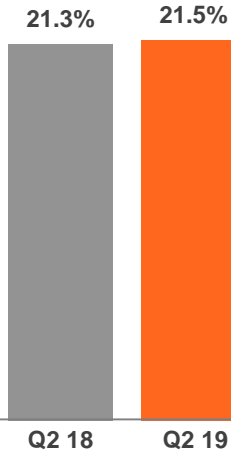
Up
3.8%



- Organic growth of 3% led by strong price realization
- Acquisitions more than offset currency headwinds

Adjusted OI Margin¹

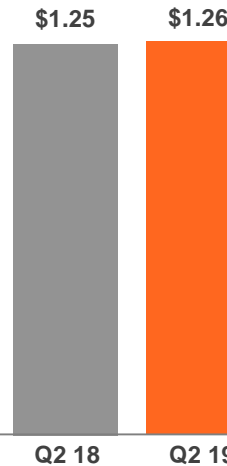
Up
20 bps



- Price and productivity more than offset inflation
- Operational improvements slightly offset by incremental investments

Adjusted EPS¹

Up
0.8%

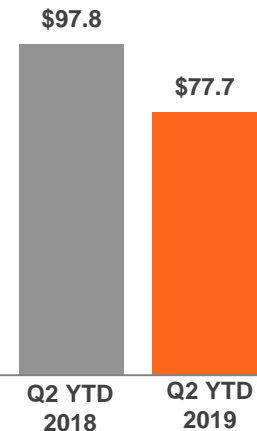


- Adjusted operating income up +4.8%
- Operations mostly offset by tax and other expense

YTD ACF¹

\$Millions

Down
20.6%



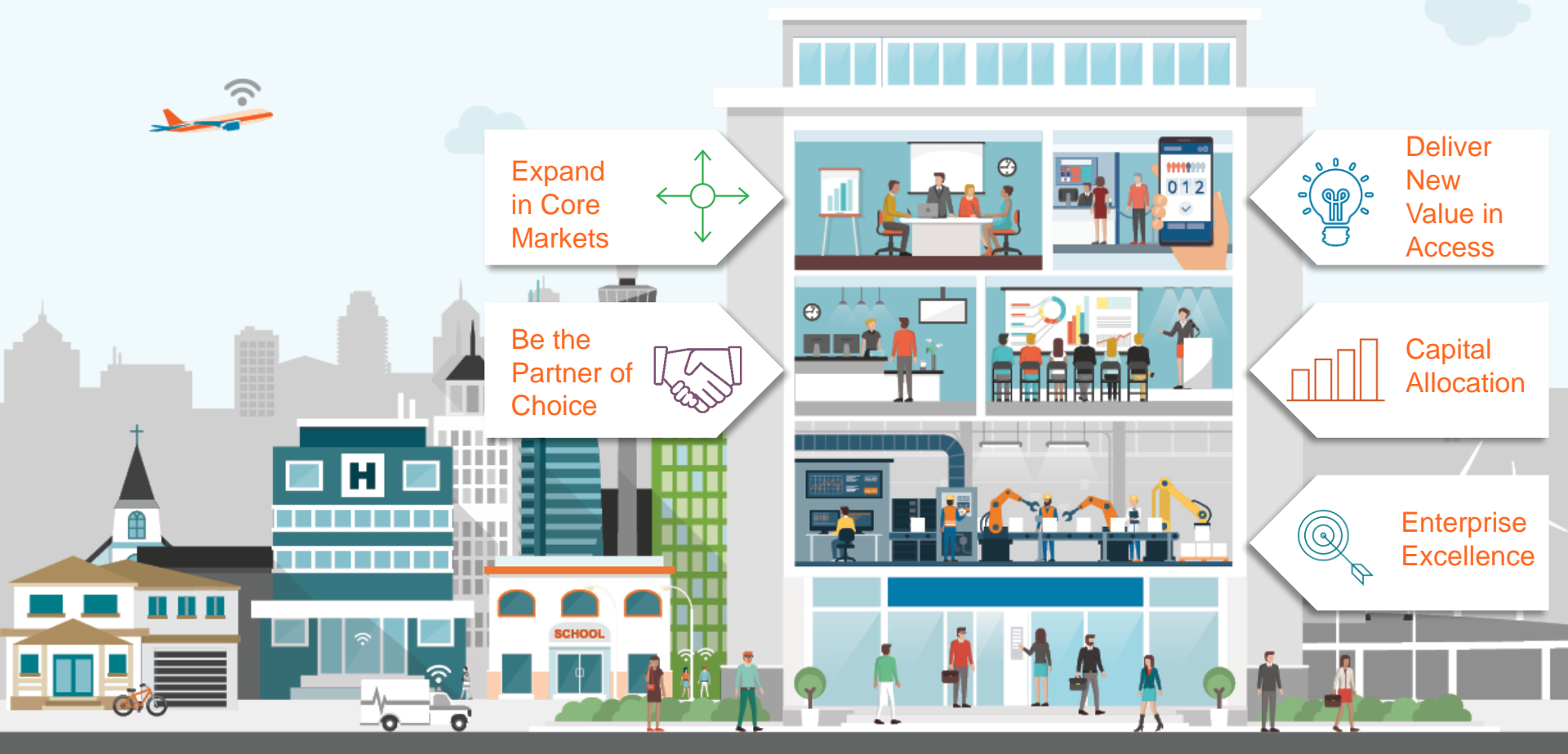
- Increased working capital and capital expenditures
- Inventory built in advance of the Turkey production closure

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





Partner of Choice for Connected Home



Retailers

Home security

Home automation

Broadband providers



ALARM.COM

Control4

xfinity



amazon

National home builders

LENNAR



TaylorMorrison

Works with

works with
key by amazon

works with the
Google Assistant

wink

WORKS WITH
ring

WORKS WITH
alexa

WORKS WITH
SmartThings

Yonomi

All marks are the property of their respective owners.

Second-Quarter 2019 Allegion Revenue Results

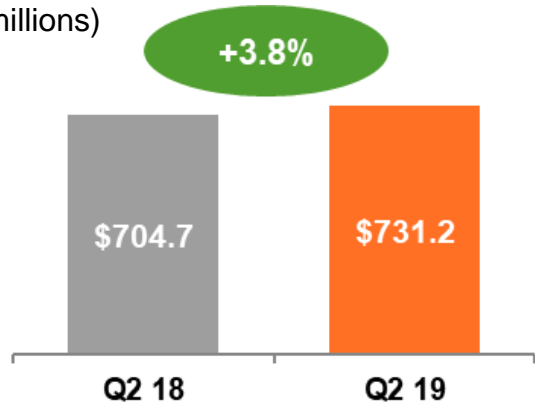
	<u>Q2-19</u>		<u>Q2'19</u> <u>Reported</u> <u>Growth</u>	<u>Q2'19</u> <u>Organic</u> ¹ <u>Growth</u>
Price	2.2%	Americas	3.5%	3.3%
Volume	0.8%	EMEIA	-3.8%	1.7%
Organic	3.0%	Asia Pacific	45.8%	4.7%
Acquisitions	2.3%			
Currency	-1.5%			
Total	3.8%	Total Allegion	3.8%	3.0%

Strong price realization drove organic growth

Second-Quarter 2019 Allegion Results

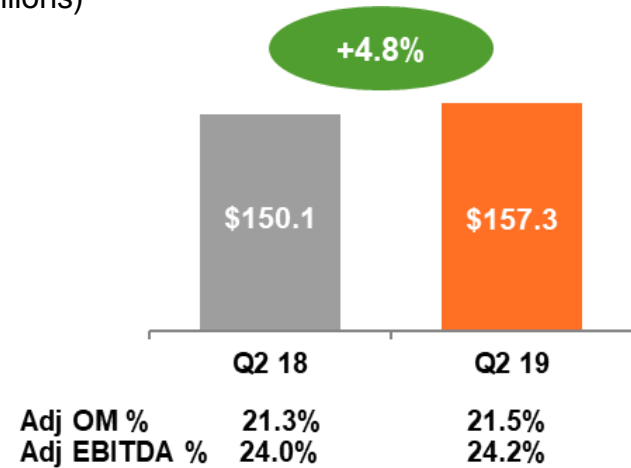
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q2 Revenue Performance

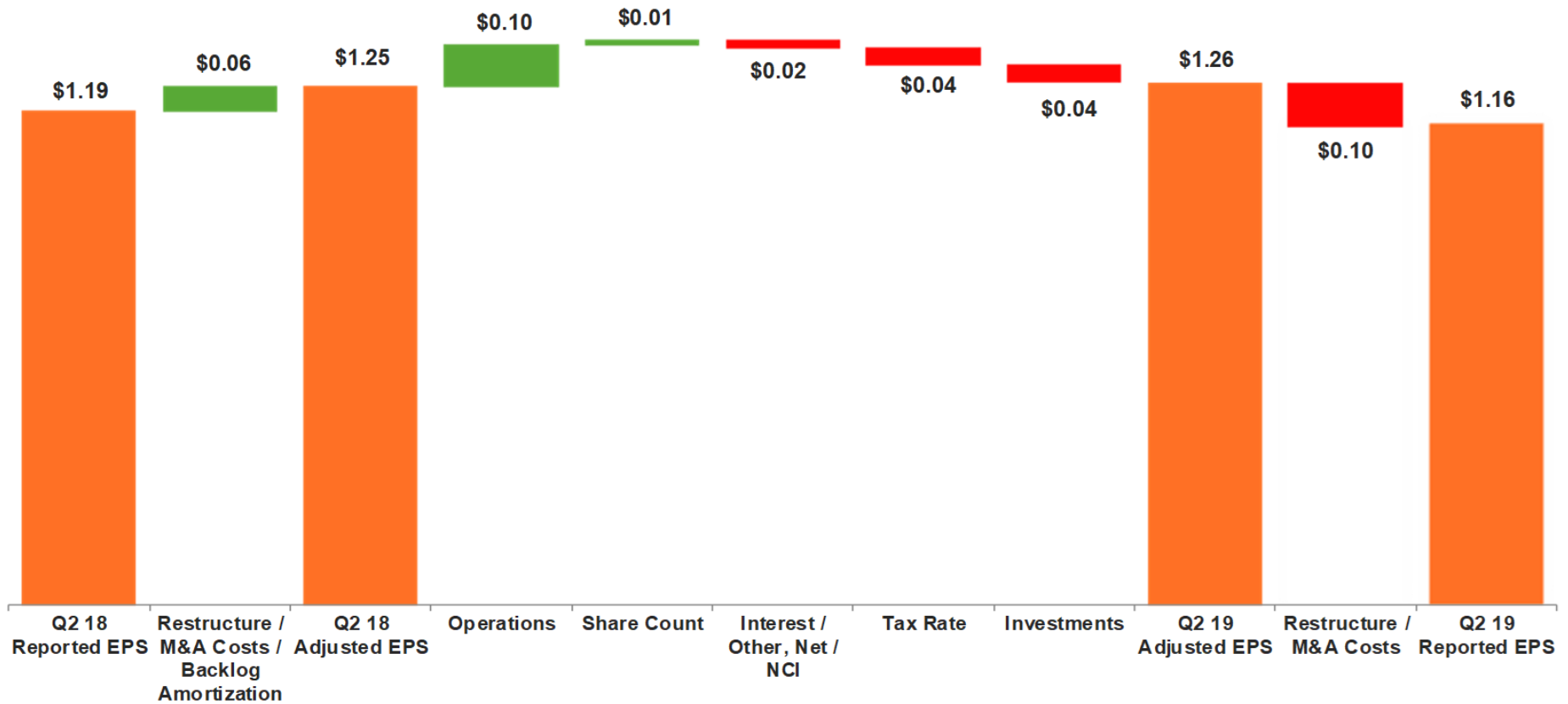
- Organic growth +3%
- Strong price performance at +2.2%
- Acquisitions more than offsetting currency headwinds

Q2 Adjusted Operating Margin +20 bps

- Solid leverage on incremental volume
- Price and productivity exceeded continued inflationary pressure
- Incremental investments were a 70 bps headwind

Second-Quarter 2019 Allegion EPS Performance

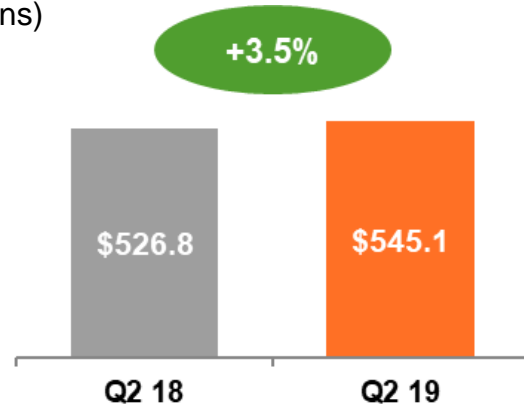
Q2



Second-Quarter 2019 Americas Results

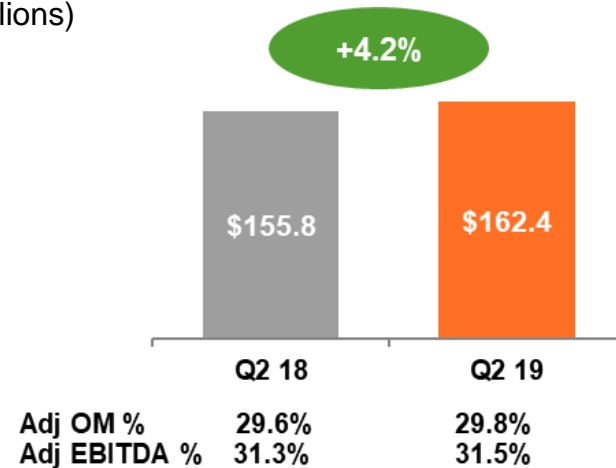
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q2 Revenue Performance

- Organic growth +3.3%
- Strong price realization +2.5%
- Year-over-year growth in electronics of ~9%
- Mid-single-digit growth in non-residential; Residential was flat
- YTD: Total revenue growth 5.7%; Organic 5.3%

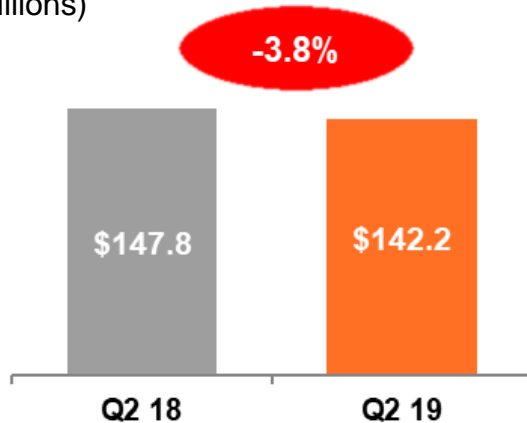
Q2 Adjusted Operating Margin +20 bps

- Price and productivity exceeded inflation
- Solid leverage on incremental volume
- Incremental investments were a 60 bps headwind

Second-Quarter 2019 EMEIA Results

Revenue¹

(\$millions)

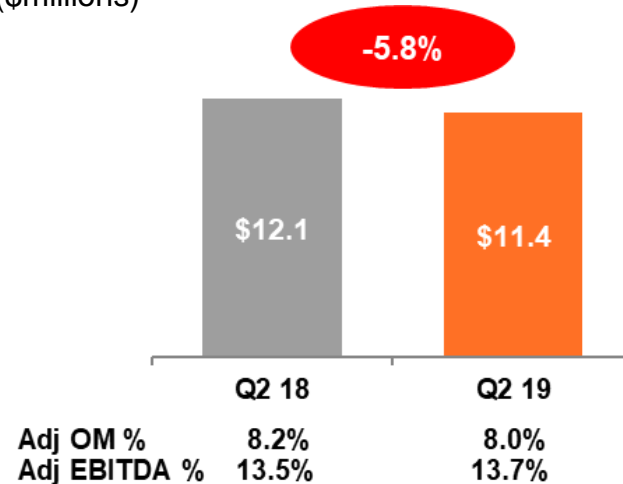


Q2 Revenue Performance

- Organic growth +1.7%
- Solid price realization; Significant currency headwinds
- Closed operations in Turkey in late Q2 2019; Minimal impact to Q2 revenue and adjusted operating income

Adjusted Operating Income¹

(\$millions)



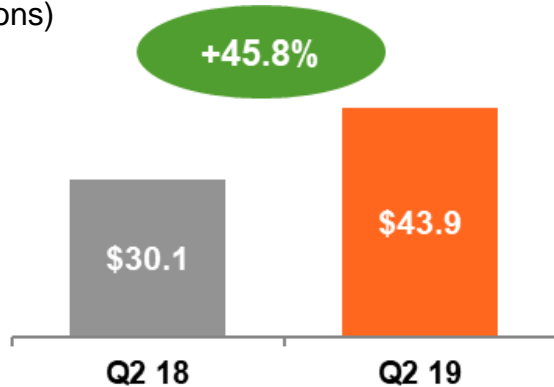
Q2 Adjusted Operating Margin -20 bps

- Price and productivity exceeded inflation
- Currency pressure (30 bps headwind) more than offset volume leverage
- Incremental investments were a 60 bps headwind

Second-Quarter 2019 Asia-Pacific Results

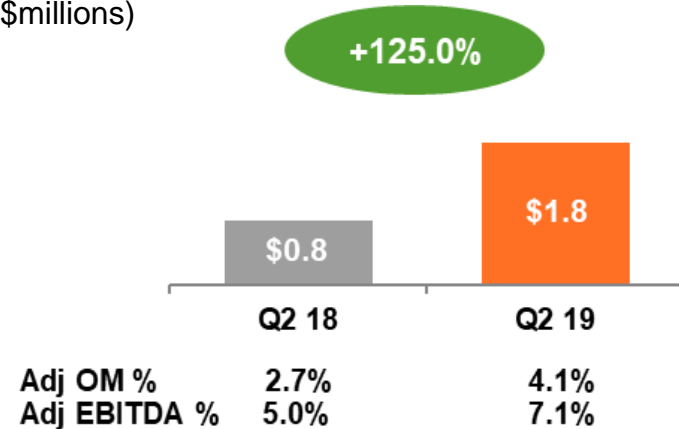
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q2 Revenue Performance

- Organic growth +4.7%
- Acquisitions contributed 47.3% to total growth
- Significant currency headwinds reduced reported growth by 6.2%

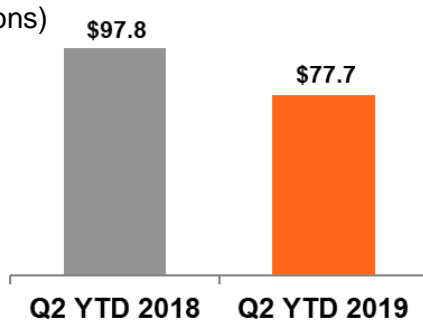
Q2 Adjusted Operating Margin +140 bps

- Price and productivity significantly exceeded inflation
- Incremental investments were a 120 bps headwind

Second-Quarter 2019 Allegion ACF

Available Cash Flow (ACF)¹

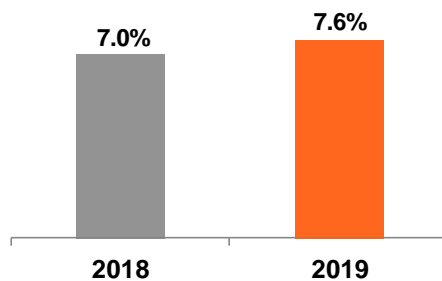
(\$millions)



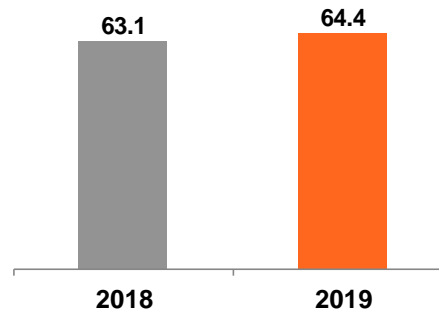
- Decrease in ACF driven by increased capex and higher working capital to build inventory in anticipation of Turkey production closure

Working Capital² & Cash Conversion Cycle (CCC)³

Working Capital % of Revenue



Cash Conversion Cycle



**Updated outlook full-year ACF of \$410 to \$430 million;
Reduction from prior outlook attributable to closure of Turkey operations**

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>	<u>Prior FY Outlook</u>
Total	Americas	5.5% to 6%	5% to 6%
Organic	Americas	5.5% to 6%	5% to 6%
Total	EMEIA	-3% to -2%	Flat to 2%
Organic	EMEIA	2% to 3%	2.5% to 4.5%
Total	AP	21% to 23%	22% to 24%
Organic	AP	4% to 6%	4% to 6%
Total	Allegion	4.5% to 5.5%	5% to 6%
Organic	Allegion	4.5% to 5.5%	5% to 6%

Assumptions and notes:

- EMEIA organic revenue outlook reduced primarily for closure of Turkey operations

EPS

	<u>FY Outlook</u>	<u>Prior FY Outlook</u>
2019 Reported EPS	\$4.50 to \$4.65	\$4.60 to \$4.75
Adjustments ¹	\$0.25 to \$0.30	~\$0.15
2019 Adjusted EPS	\$4.80 to \$4.90	\$4.75 to \$4.90

Assumptions and notes:

- Investment spend unchanged at ~\$0.15 per share
- Full-year adjusted effective tax rate assumption unchanged at ~16%
- Updating average diluted share count for the full year to ~94 million shares, inclusive of anticipated share repurchases in the back half of 2019
- Closure of Turkey operations expected to be a \$0.14 to \$0.17 reduction to reported EPS and \$0.02 to adjusted EPS
- Closure of Turkey operations expected to be ~\$20 million reduction to 2019 ACF

Adjusted EPS growth of ~7% to 9%; ACF \$410-\$430 million

Summary

- Q2 revenue growth 3.8% versus prior year; Organic revenue growth 3%
- YTD revenue growth 5.2%; Organic revenue growth 4.3%
- Q2 2019 adjusted operating margins +20 bps
- Adjusted Q2 EPS of \$1.26 (+0.8%)
- Updating full-year revenue outlook – total and organic growth of 4.5% to 5.5%
- Updating full-year EPS outlook
 - Reported EPS \$4.50 to \$4.65 per share
 - Adjusted EPS \$4.80 to \$4.90 per share, growth of ~7% to 9%
- Updating available cash flow outlook to \$410-\$430 million

Updates to outlooks 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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