



Allegion Third-Quarter 2016 Results

October 27, 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, June 30, 2016, and September 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.

Third-Quarter Financial Highlights

- Revenue of \$581.1 million increased +6.7%, +5.0% on an organic basis¹
 - Americas organic revenue growth +5.6%
 - EMEIA organic revenue growth +1.6%
 - Asia Pacific organic revenue growth +7.3%²
- Adjusted operating income of \$126.7 million increased +8.4%; adjusted operating margin of 21.8% increased 30 bps versus prior year
 - Americas +110 bps, EMEIA -10 bps, Asia Pacific +420 bps
 - Incremental investment headwind 70 bps
- Adjusted EPS of \$0.93 increased +1.1%
- Updating and tightening full-year outlook
 - Organic revenue growth 5% to 6%; Total revenue growth of 8% to 9%
 - Adjusted EPS \$3.38 to \$3.43 per share (inclusive of an estimated \$0.03 impact for adoption of accounting standard for stock-based compensation)

Delivering Solid Organic Growth

Schlage LE Series

Mortise Lock Launching Q1 2017

- Electro-mechanical convergence in commercial environments
- Wireless locks build on proven Schlage L-Series mechanical mortise platform
- Compatible with pre-existing systems to extend the benefit of electronic access control deeper into buildings
- Newest member of the Schlage family with ENGAGE™ technology



2016 Allegion Revenue Results

	<u>Q3-16</u>		<u>Q3</u> <u>Reported</u> <u>Growth</u>	<u>Q3</u> <u>Organic</u> ¹ <u>Growth</u>
Price	0.8%	Americas	4.1%	5.6%
Volume	4.2%	EMEIA	27.2%	1.6%
Organic	5.0%	Asia Pacific	-16.4%	7.3%
Acq./Div.	1.8%			
Currency	-0.1%			
Total	6.7%	Total Allegion	6.7%	5.0%

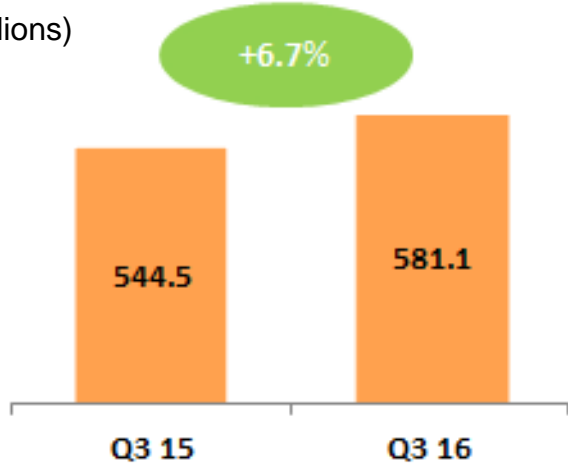
Solid Organic Growth; Acquisitions Contributing

¹Organic excludes acquisitions, divestitures, and currency impacts

Third-Quarter 2016 Allegion Results

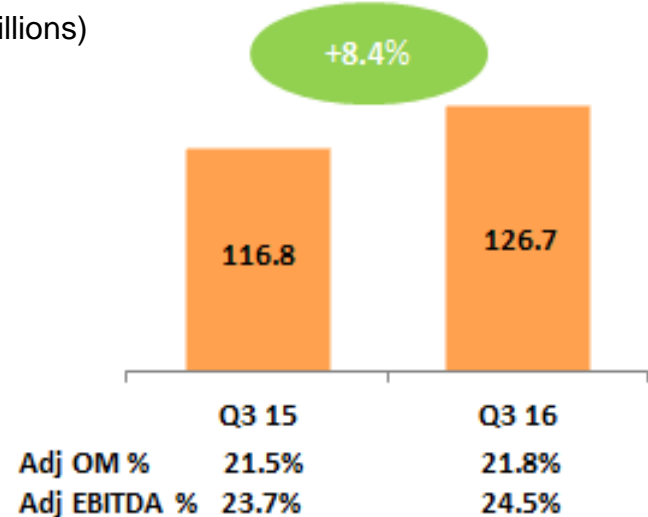
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Revenue Performance

- Total growth +6.7%; organic growth +5.0%
- Organic growth across all regions; Solid volume growth from Americas and Asia
- Continued price realization
- Incremental contribution from acquisitions of \$26.4 million

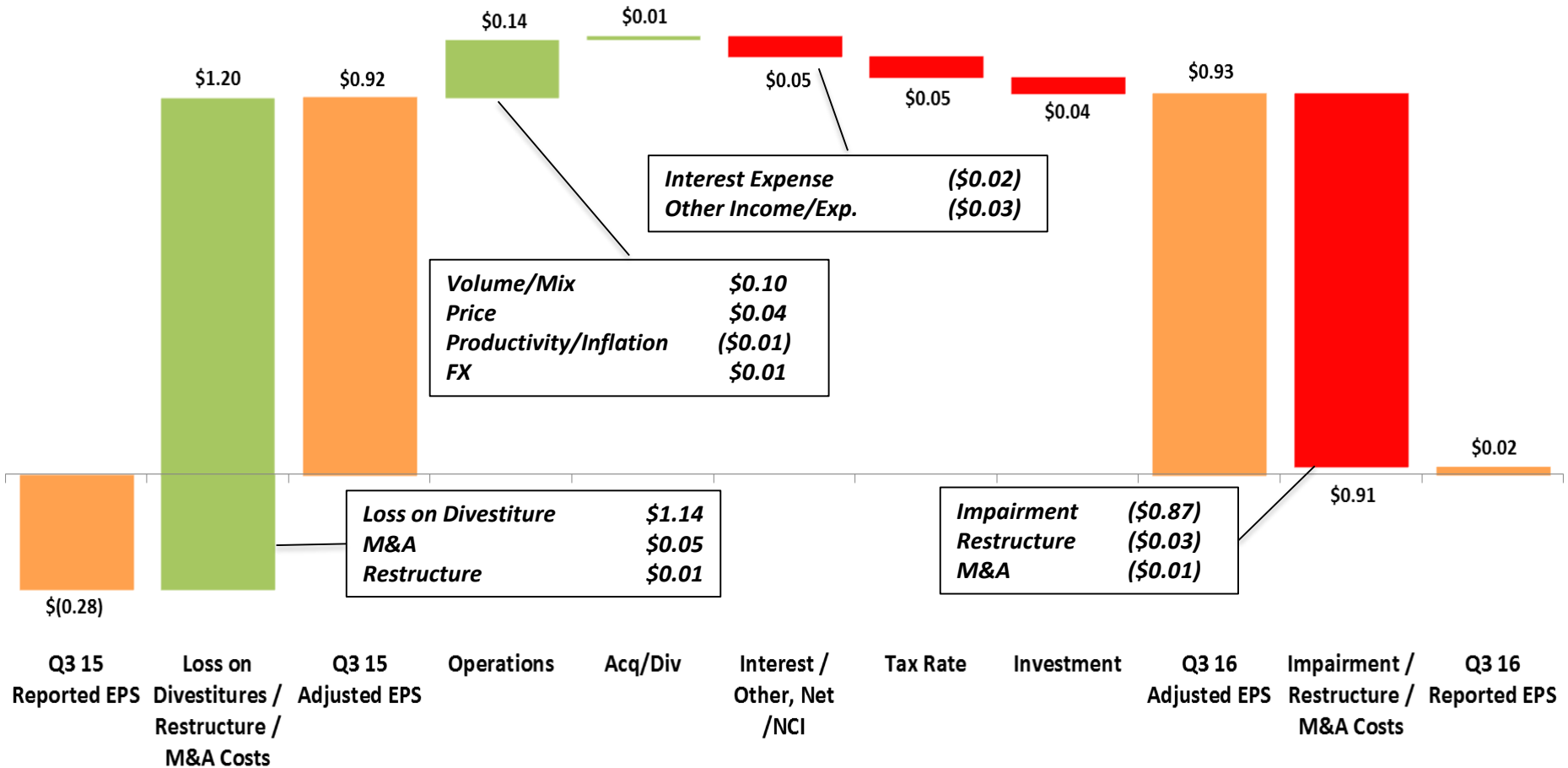
Q3 Adjusted Operating Margin +30bps

- Modest margin expansion from incremental volume, net of investments
- Sixth straight quarter with year-over-year margin improvement

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

Third-Quarter 2016 Allegion EPS Performance

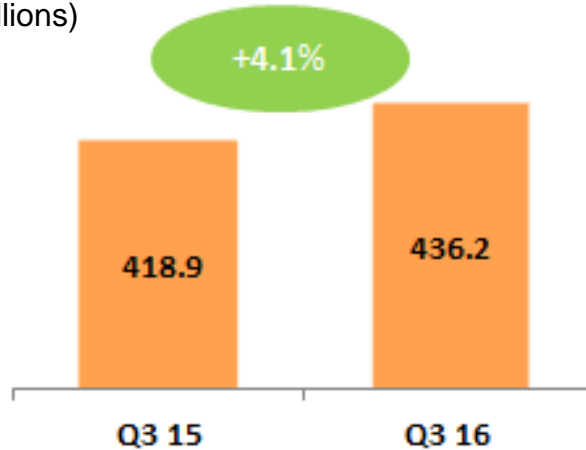
Q3



Third-Quarter 2016 Americas Results

Revenue

(\$millions)

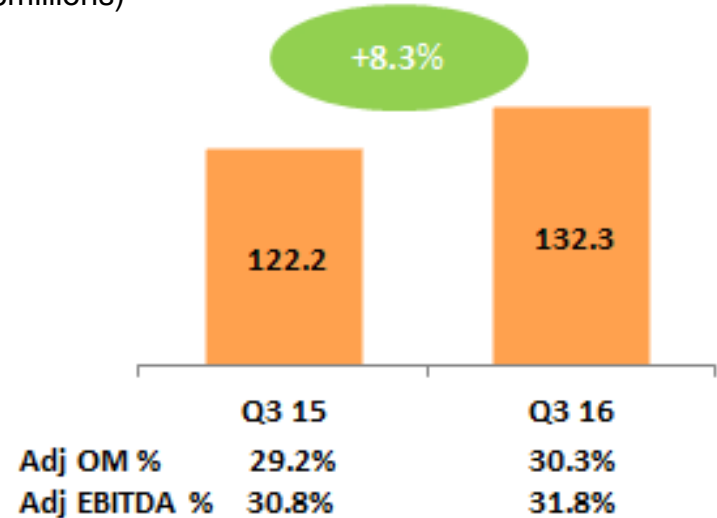


Q3 Revenue Performance

- Total growth +4.1%; organic growth +5.6%
- High-single digit non-residential growth reflecting strength across product portfolio
- Low-single digit residential growth (ex-VZ)

Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Adjusted Operating Margin +110bps

- Favorable margin improvement driven by strong volume leverage, pricing and favorable mix
- Price and productivity more than offset inflation and incremental investments
- Incremental investment headwind 60 bps

Third-Quarter 2016 EMEIA Results

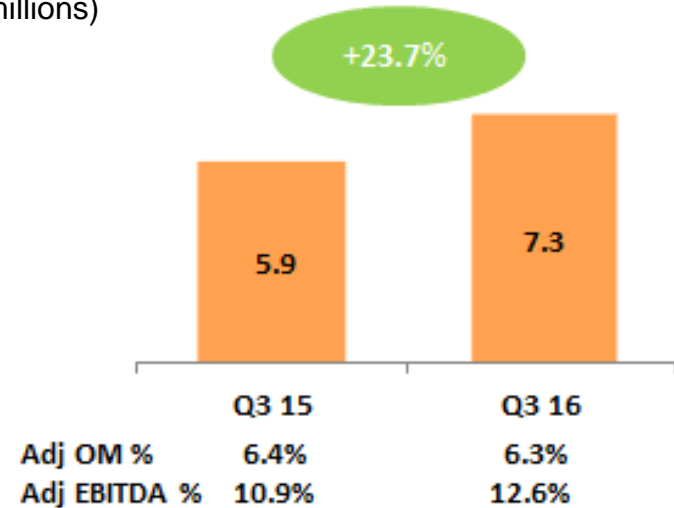
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Revenue Performance

- Total growth +27.2%; organic growth +1.6%
- Acquisitions contributed approximately \$25 million in the quarter
- Consistent price realization at +1.0%

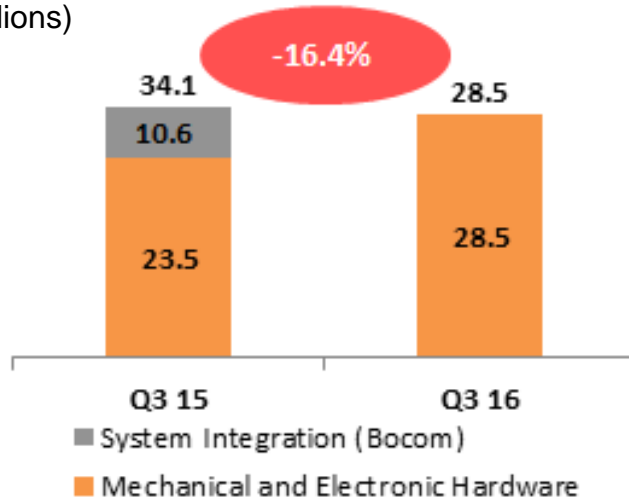
Q3 Adjusted Operating Margin -10bps

- Base business shows margin expansion, offset by margin deterioration driven by recent Trelock acquisition
- Price and productivity more than offset inflation and incremental investments
- GBP weakness creating headwinds
- YTD adjusted operating margin up 200bps compared to YTD in prior year

Third-Quarter 2016 Asia Pacific Results

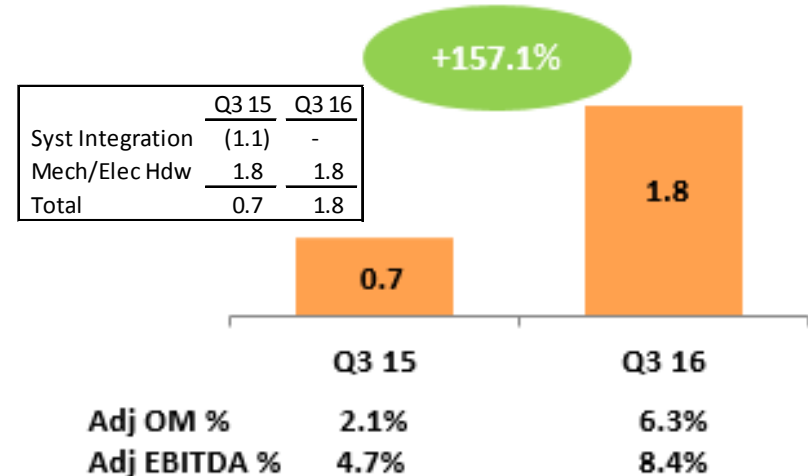
Revenue

(\$millions)



Adjusted Operating Income⁽¹⁾

(\$millions)



Q3 Revenue Performance

- Total growth -16.4%; organic growth +7.3%
- Organic growth excluding system integration +10.6%
- Strong year over year growth in Australia/New Zealand
- Acquisitions contributed approximately \$2 million in the quarter

Q3 Adjusted Operating Margin +420bps

- Year over year operating income favorably impacted from the system integration business divestiture
- Favorable incremental volume and FX offset inflation and incremental investments

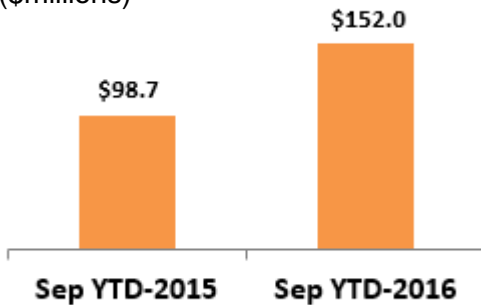
(1) Prior year adjusted to exclude M&A and other costs



Third-Quarter 2016 Allegion ACF

Available Cash Flow ¹

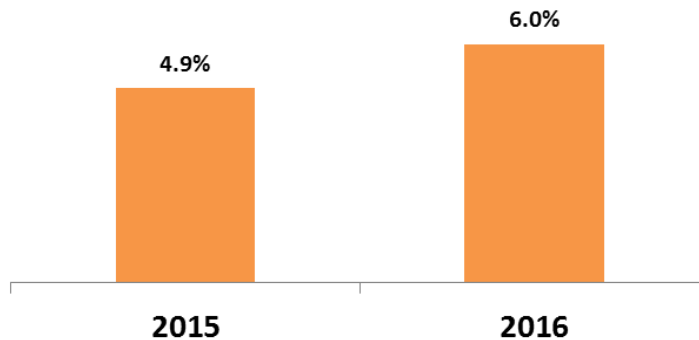
(\$millions)



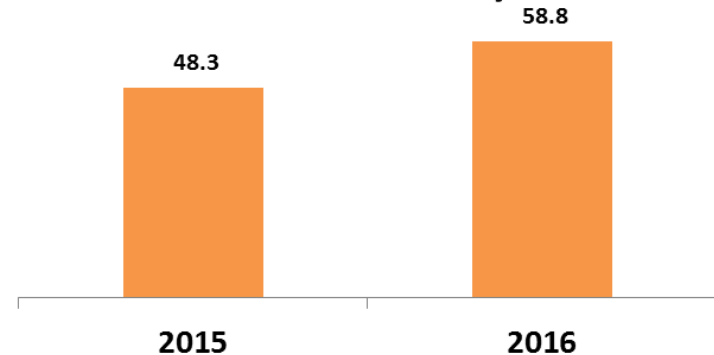
- Improvement in ACF due to increased earnings

Working Capital ² & Cash Conversion Cycle (CCC) ³

Q3 Working Capital² % of Revenue



Q3 Cash Conversion Cycle³



Raising full year ACF guidance to approximately \$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)

Full-Year 2016 Guidance

Revenue

		<u>Prior FY Guidance</u>	<u>Updated FY Guidance</u>
Total	Americas	4.5% to 5%	4.5% to 5%
Organic	Americas	5.5% to 6%	5.5% to 6%
Total	EMEIA	29% to 31%	29% to 30%
Organic	EMEIA	3% to 4%	3.5% to 4%
Total	AP	-15% to -13%	-13% to -12%
Organic	AP	7% to 9%	8% to 9%
Total	Allegion	8% to 9%	8% to 9%
Organic	Allegion	5% to 6%	5% to 6%

EPS

	<u>Prior Annual Guidance</u>	<u>Current Annual Guidance</u>
2016 Reported EPS	\$3.20 to \$3.35	\$2.40 to \$2.45
Adjustments	\$0.05 to \$0.10	~ \$0.98
2016 Adjusted EPS	\$3.30 to \$3.40	\$3.38 to \$3.43

Assumptions and Notes:

- Full-year adjusted effective tax rate assumption of approximately 18%
- Average diluted share count for the full year of approximately 97 million shares
- Inclusive of an estimated \$0.03 impact from adoption of accounting standard for stock based compensation in Q4. This amount is included in the tax rate guidance above.

Adj. EPS Growth +11.6% to +13.2%; ACF approximately \$300 Million

Summary

- Q3 revenue increased \$36.6 million, +6.7% vs. prior year
 - Organic revenue growth +5.0%
 - Acquisitions contributing \$26.4 million
- Increased Q3 2016 adjusted operating margins +30 bps
- Adjusted EPS of \$0.93, in-line with our annual expectation
- Updating and tightening full-year outlook
 - Organic revenue growth 5% to 6%; Total revenue growth of 8% to 9%
 - Adjusted EPS \$3.38 to \$3.43 per share (inclusive of \$0.03 impact from adoption of accounting standard for stock based comp), growth of 11.6% to 13.2%
 - ACF approximately \$300 million; Increase of 35%

Solid Q3; Positioned to deliver full year outlook



TM

ALLEGIONTM