



ALLEGION™

Allegion Third-Quarter 2019 Results

October 24, 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, 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 Third-Quarter Update

Strong Revenue Growth¹

Strong total top-line growth (5.2%) and organic growth (6.4%) in the quarter – driven by the Americas and EMEIA regions

Electronics

Americas electronics growth of 10% in the quarter

End Markets

Non-residential U.S. end markets remain healthy – continued strength in institutional verticals

Price, Productivity & Inflation

Price and productivity significantly outpaced inflationary pressures, driving strong operating margin expansion

Adjusted EPS Performance¹

Adjusted EPS growth at nearly 20% in the quarter

Outlook¹

Total and organic revenue growth outlook affirmed at a range of 4.5% to 5.5%; Reported EPS outlook updated to a range of \$4.55 to \$4.65 and adjusted EPS to \$4.85 to \$4.90

Third-Quarter Financial Summary

Revenue¹

\$Millions

+5.2%



- Organic growth of 6.4%, driven by price and volume
- Continued currency headwinds

Adjusted OI Margin¹

+220 bps



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

Adjusted EPS¹

+19.5%



- Adjusted operating income up 16.1%
- Favorable share count and tax rate more than offset the increase in other expense

YTD ACF¹

\$Millions

+0.6%



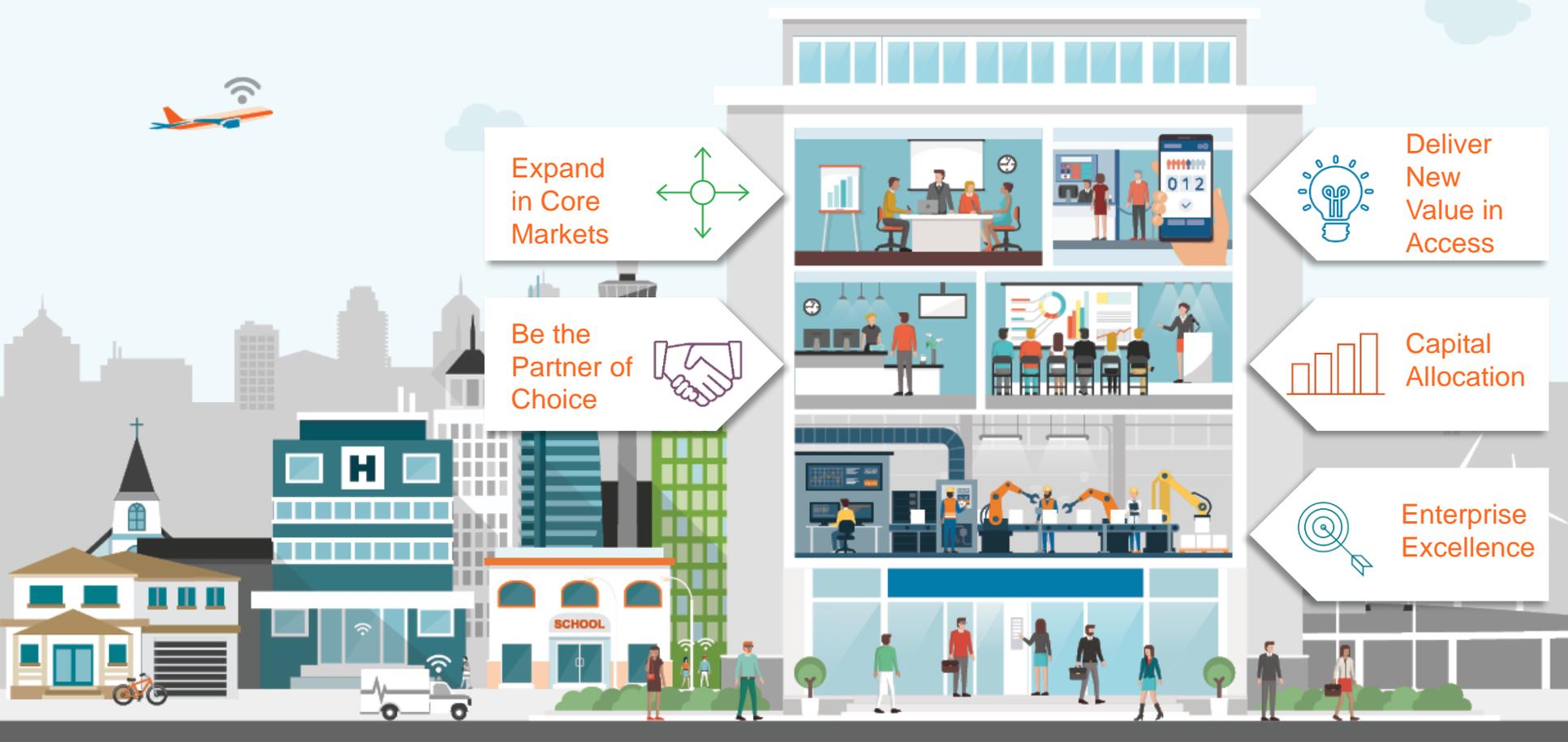
- Increased earnings mostly offset by increased capital expenditures

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



Third-Quarter 2019 Allegion Revenue Results

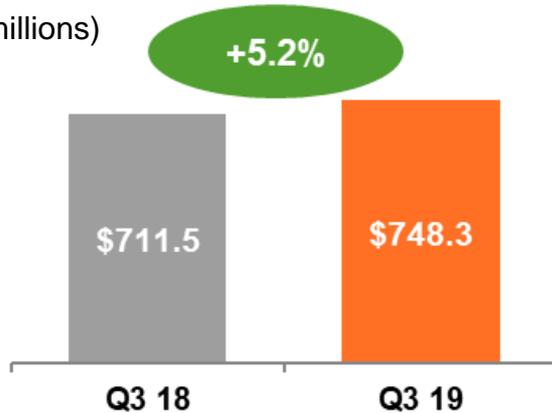
	<u>Q3-19</u>		<u>Q3'19</u> <u>Reported</u> <u>Growth</u>	<u>Q3'19</u> <u>Organic¹</u> <u>Growth</u>
Price	1.4%	Americas	7.1%	7.2%
Volume	5.0%	EMEIA	2.5%	6.9%
Organic	6.4%	Asia Pacific	-9.1%	-4.8%
Currency	-1.2%			
Total	5.2%	Total Allegion	5.2%	6.4%

Strong organic growth partially offset by currency headwinds

Third-Quarter 2019 Allegion Results

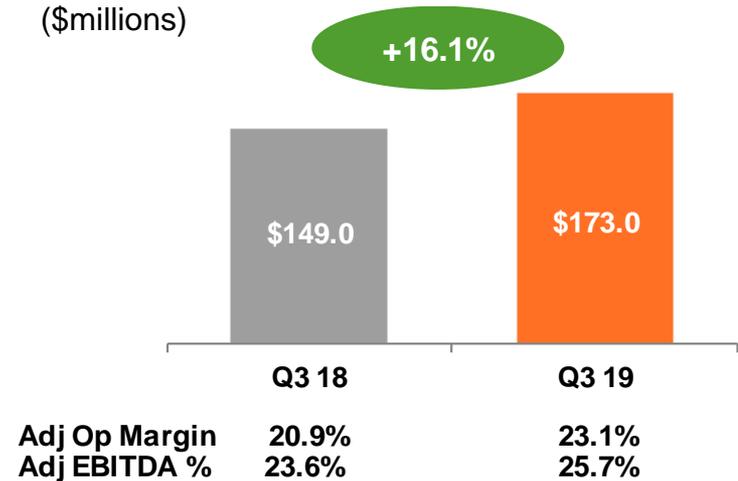
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q3 Revenue Performance

- Organic revenue growth of 6.4%
- Strong volume and price partially offset by continued currency headwinds

Q3 Adjusted Operating Margin +220 bps

- Solid operating leverage on incremental volume
- Price and productivity significantly exceeded inflation, contributing to highest quarterly adjusted operating margin since spin
- Incremental investments were a 30-bps headwind

Third-Quarter 2019 Allegion EPS Performance

Q3



Third-Quarter 2019 Americas Results

Revenue¹

(\$millions)



Q3 Revenue Performance

- Organic revenue growth of 7.2%
- Solid price realization of 1.5%
- Year-over-year growth in electronics of 10%
- High-single-digit growth in both non-residential and residential businesses

Adjusted Operating Income¹

(\$millions)



Adj Op Margin	29.1%	30.9%
Adj EBITDA %	30.8%	32.4%

Q3 Adjusted Operating Margin +180 bps

- Solid operating leverage on incremental volume
- Price and productivity significantly exceeded inflation
- Incremental investments were a 50-bps headwind

Third-Quarter 2019 EMEIA Results

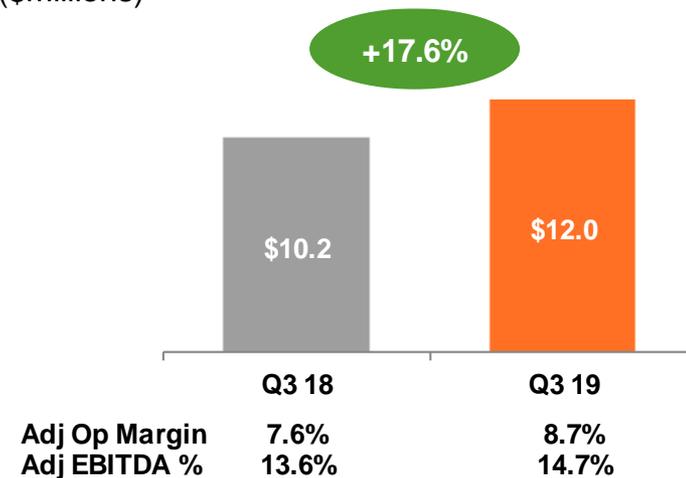
Revenue¹

(\$millions)



Adjusted Operating Income¹

(\$millions)



Q3 Revenue Performance

- Organic revenue growth of 6.9%
- Solid price realization; Continued currency headwinds
- Volume growth across most products

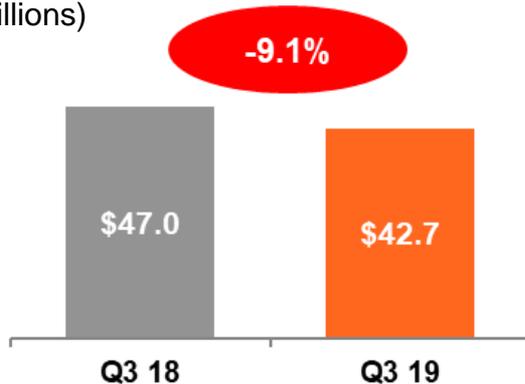
Q3 Adjusted Operating Margin +110 bps

- Solid operating leverage on incremental volume
- Investments were an 80-bps tailwind, driven primarily by prior year facility start-up costs that did not repeat
- Currency headwinds were a minor drag on operating margins

Third-Quarter 2019 Asia-Pacific Results

Revenue¹

(\$millions)



Q3 Revenue Performance

- Organic revenue decline of 4.8%
- \$1.5 million internal transfer to other regions contributed to organic revenue decline
- Weak Australian end markets, particularly residential
- Significant currency headwinds reduced reported growth by 4.3%

Adjusted Operating Income¹

(\$millions)



	Q3 18	Q3 19
Adj Op Margin	6.8%	10.3%
Adj EBITDA %	9.6%	12.9%

Q3 Adjusted Operating Margin +350 bps

- Continued strong productivity driven by acquisition integration and restructuring actions taken at the end of last year
- Operating income favorably impacted by a \$1.1M (260 bps) recovery of previously remitted non-income tax
- Incremental investments were a 70-bps headwind

Third-Quarter 2019 Allegion ACF

Available Cash Flow¹

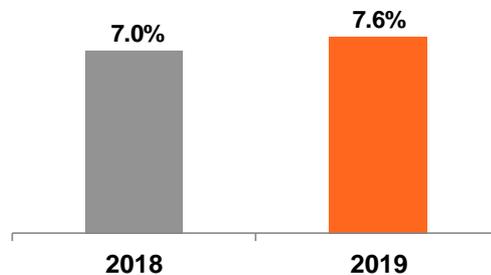
(\$millions)



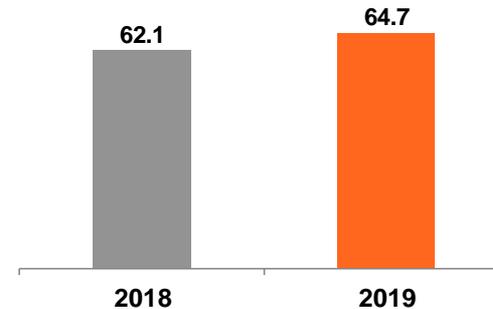
- Increase in ACF driven by additional net earnings mostly offset by increased capital expenditures

Working Capital² & Cash Conversion Cycle (CCC)³

Working Capital % of Revenue



Cash Conversion Cycle



Affirming full-year ACF outlook range of \$410 to \$430 Million

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 2019 Outlook

Revenue

		<u>FY Outlook</u>	<u>Prior FY Outlook</u>
Total	Americas	5.75% to 6.25%	5.5% to 6%
Organic	Americas	5.75% to 6.25%	5.5% to 6%
Total	EMEIA	-3.5% to -2.5%	-3% to -2%
Organic	EMEIA	2% to 3%	2% to 3%
Total	AP	14% to 16%	21% to 23%
Organic	AP	Flat to 2%	4% to 6%
Total	Allegion	4.5% to 5.5%	4.5% to 5.5%
Organic	Allegion	4.5% to 5.5%	4.5% to 5.5%

EPS

	<u>FY Outlook</u>	<u>Prior FY Outlook</u>
2019 Reported EPS	\$4.55 to \$4.65	\$4.50 to \$4.65
Adjustments ¹	\$0.25 to \$0.30	\$0.25 to \$0.30
2019 Adjusted EPS	\$4.85 to \$4.90	\$4.80 to \$4.90

Other assumptions and notes:

- Updating investment spend to approximately \$0.11-\$0.13 per share
- Updating full-year adjusted effective tax rate assumption to approximately 15.5%
- Updating average diluted share count for the full year to approximately 94.3 million shares, inclusive of estimated Q4 activity
- Available cash flow unchanged at a range of \$410-\$430 million

Adjusted EPS growth of ~8% to 9%; ACF \$410-\$430 million

Summary

- Q3 revenue growth 5.2% versus prior year; Organic revenue growth 6.4%
- Q3 2019 adjusted operating margin +220 bps
- Adjusted Q3 EPS of \$1.47 (+19.5%)
- Affirming full-year revenue outlook – total and organic growth of 4.5% to 5.5%
- Updating full-year EPS outlook
 - Reported EPS \$4.55 to \$4.65 per share
 - Adjusted EPS \$4.85 to \$4.90 per share, growth of ~8% to 9%
- Affirming available cash flow outlook of \$410-\$430 million

**Tightening EPS outlook;
Affirming outlook for revenue 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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