

Allegion plc
Form 10-Q
October 25, 2018
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF
^x 1934

For the quarterly period ended September 30, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF
^o 1934

For the transition period from _____ to _____

Commission File Number 001-35971

ALLEGION PUBLIC LIMITED COMPANY
(Exact name of registrant as specified in its charter)

Ireland 98-1108930
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

Block D

Iveagh Court

Harcourt Road

Dublin 2, Ireland

(Address of principal executive offices, including zip code)

+(353) (1) 2546200

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES NO

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Table of Contents

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. "

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES " NO x

The number of ordinary shares outstanding of Allegion plc as of October 22, 2018 was 95,055,763.

Table of Contents

ALLEGION PLC
FORM 10-Q
INDEX

<u>PART I FINANCIAL INFORMATION</u>	<u>1</u>
Item 1 - <u>Financial Statements</u>	<u>1</u>
<u>Condensed and Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2018 and 2017 (Unaudited)</u>	<u>1</u>
<u>Condensed and Consolidated Balance Sheets at September 30, 2018 and December 31, 2017 (Unaudited)</u>	<u>2</u>
<u>Condensed and Consolidated Statements of Cash Flows for the nine months ended September 30, 2018 and 2017 (Unaudited)</u>	<u>3</u>
<u>Notes to Condensed and Consolidated Financial Statements (Unaudited)</u>	<u>4</u>
Item 2 - <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>33</u>
Item 3 - <u>Quantitative and Qualitative Disclosures about Market Risk</u>	<u>47</u>
Item 4 - <u>Controls and Procedures</u>	<u>47</u>
<u>PART II OTHER INFORMATION</u>	<u>48</u>
Item 1 - <u>Legal Proceedings</u>	<u>48</u>
Item 1A - <u>Risk Factors</u>	<u>48</u>
Item 2 - <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>48</u>
Item 6 - <u>Exhibits</u>	<u>49</u>
<u>SIGNATURES</u>	<u>50</u>

Table of Contents

PART I-FINANCIAL INFORMATION

Item 1. Financial Statements

ALLEGION PLC
 CONDENSED AND CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

In millions, except per share amounts	Three months ended		Nine months ended	
	September 30, 2018	September 30, 2017	September 30, 2018	September 30, 2017
Net revenues	\$711.5	\$609.4	\$2,029.3	\$1,785.1
Cost of goods sold	402.1	335.0	1,156.5	988.2
Selling and administrative expenses	167.1	147.3	488.4	435.3
Operating income	142.3	127.1	384.4	361.6
Interest expense	14.0	17.8	40.3	49.7
Other income, net	(1.9)	(2.7)	(3.9)	(5.6)
Earnings before income taxes	130.2	112.0	348.0	317.5
Provision for income taxes	14.1	21.9	45.5	52.9
Net earnings	116.1	90.1	302.5	264.6
Less: Net earnings attributable to noncontrolling interests	0.1	0.3	0.4	0.9
Net earnings attributable to Allegion plc	\$116.0	\$89.8	\$302.1	\$263.7
Earnings per share attributable to Allegion plc ordinary shareholders:				
Basic net earnings	\$1.22	\$0.95	\$3.18	\$2.77
Diluted net earnings	\$1.21	\$0.94	\$3.15	\$2.75
Weighted-average shares outstanding				
Basic	95.1	95.0	95.1	95.2
Diluted	95.8	95.8	95.8	96.0
Dividends declared per ordinary share	\$0.21	\$0.16	\$0.63	\$0.48
Total comprehensive income	\$103.3	\$112.7	\$265.3	\$347.5
Less: Total comprehensive (loss) income attributable to noncontrolling interests	(0.6)	0.8	(1.6)	2.0
Total comprehensive income attributable to Allegion plc	\$103.9	\$111.9	\$266.9	\$345.5

See accompanying notes to condensed and consolidated financial statements.

Table of Contents

ALLEGION PLC
 CONDENSED AND CONSOLIDATED BALANCE SHEETS
 (Unaudited)

In millions	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 189.7	\$ 466.2
Restricted cash	6.8	—
Accounts and notes receivable, net	361.4	296.6
Inventories	278.3	239.8
Other current assets	37.1	30.1
Total current assets	873.3	1,032.7
Property, plant and equipment, net	273.3	252.2
Goodwill		