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 1934**

For the quarterly period ended June 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 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 incorporation or organization)	*(I.R.S. Employer Identification No.)*

Block D
Iveagh Court
Harcourt Road
Dublin 2, D02 VH94, Ireland
(Address of principal executive offices, including zip code)

+(353) (1) 2546200
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol	Name of exchange on which registered
Ordinary shares, par value $0.01 per share	ALLE	New York Stock Exchange
3.500% Senior Notes due 2029	ALLE 3 ½	New York Stock Exchange

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 every Interactive Data File required to be submitted 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 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	☐
		Emerging growth company	☐

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 ☒

The number of ordinary shares outstanding of Allegion plc as of July 25, 2022 was 87,838,044.

ALLEGION PLC

FORM 10-Q

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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 June 30, 2022	Three months ended June 30, 2021	Six months ended June 30, 2022	Six months ended June 30, 2021
Net revenues	$ 773.1	$ 746.9	$ 1,496.7	$ 1,441.2
Cost of goods sold	458.1	426.4	893.0	823.3
Selling and administrative expenses	167.9	175.1	339.6	341.2
Operating income	147.1	145.4	264.1	276.7
Interest expense	17.2	12.4	29.1	24.7
Other income, net	(3.4)	(3.2)	(5.6)	(6.7)
Earnings before income taxes	133.3	136.2	240.6	258.7
Provision for income taxes	18.1	17.4	32.3	31.7
Net earnings	115.2	118.8	208.3	227.0
Less: Net earnings attributable to noncontrolling interests	0.1	0.1	0.2	0.3
Net earnings attributable to Allegion plc	$ 115.1	$ 118.7	$ 208.1	$ 226.7
Earnings per share attributable to Allegion plc ordinary shareholders:				
Basic net earnings	$ 1.31	$ 1.32	$ 2.36	$ 2.51
Diluted net earnings	$ 1.30	$ 1.31	$ 2.35	$ 2.49
Weighted-average shares outstanding:				
Basic	87.9	90.0	88.0	90.4
Diluted	88.2	90.6	88.4	90.9
Total comprehensive income	$ 65.4	$ 129.3	$ 137.5	$ 205.5
Less: Total comprehensive (loss) income attributable to noncontrolling interests	(0.5)	0.2	(0.4)	0.4
Total comprehensive income attributable to Allegion plc	$ 65.9	$ 129.1	$ 137.9	$ 205.1

See accompanying notes to condensed and consolidated financial statements.

Allegion plc

Condensed and Consolidated Balance Sheets

(Unaudited)

In millions, except share amounts	June 30, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	$ 919.6	$ 397.9
Accounts and notes receivable, net	333.3	283.3
Inventories	428.4	380.4
Other current assets	71.7	56.0
Total current assets	1,753.0	1,117.6
Property, plant and equipment, net	278.0	283.7
Goodwill	781.0	803.8
Intangible assets, net	412.1	447.5
Other noncurrent assets	429.6	398.4
Total assets	$ 3,653.7	$ 3,051.0
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	$ 278.4	$ 259.1
Accrued expenses and other current liabilities	319.4	329.5
Short-term borrowings and current maturities of long-term debt	12.6	12.6
Total current liabilities	610.4	601.2
Long-term debt	2,018.1	1,429.5
Other noncurrent liabilities	245.5	257.9
Total liabilities	2,874.0	2,288.6
Equity:		
Allegion plc shareholders’ equity:		
Ordinary shares, $0.01 par value (87,836,213 and 88,215,625 shares issued and outstanding at June 30, 2022 and December 31, 2021, respectively)	0.9	0.9
Capital in excess of par value	5.4	—
Retained earnings	1,035.2	952.6
Accumulated other comprehensive loss	(264.6)	(194.4)
Total Allegion plc shareholders’ equity	776.9	759.1
Noncontrolling interests	2.8	3.3
Total equity	779.7	762.4
Total liabilities and equity	$ 3,653.7	$ 3,051.0

See accompanying notes to condensed and consolidated financial statements.

Allegion plc

Condensed and Consolidated Statements of Cash Flows

(Unaudited)

In millions	Six months ended June 30, 2022	Six months ended June 30, 2021
Cash flows from operating activities:		
Net earnings	$ 208.3	$ 227.0
Adjustments to arrive at net cash provided by operating activities:		
Depreciation and amortization	40.1	41.9
Changes in assets and liabilities and other non-cash items	(139.3)	(1.4)
Net cash provided by operating activities	109.1	267.5
Cash flows from investing activities:		
Capital expenditures	(24.6)	(17.9)
Other investing activities, net	0.7	(0.8)
Net cash used in investing activities	(23.9)	(18.7)
Cash flows from financing activities:		
Debt repayments, net	(6.3)	(0.1)
Proceeds from issuance of senior notes	600.0	—
Net proceeds from (repayments of) debt	593.7	(0.1)
Debt financing costs	(9.1)	—
Dividends paid to ordinary shareholders	(71.5)	(64.6)
Repurchase of ordinary shares	(61.0)	(199.8)
Other financing activities, net	(3.7)	(0.6)
Net cash provided by (used in) financing activities	448.4	(265.1)
Effect of exchange rate changes on cash and cash equivalents	(11.9)	(3.9)
Net increase (decrease) in cash and cash equivalents	521.7	(20.2)
Cash and cash equivalents - beginning of period	397.9	480.4
Cash and cash equivalents - end of period	$ 919.6	$ 460.2

See accompanying notes to condensed and consolidated financial statements.

ALLEGION PLC
NOTES TO CONDENSED AND CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 - BASIS OF PRESENTATION

The accompanying Condensed and Consolidated Financial Statements of Allegion plc, an Irish public limited company, and its consolidated subsidiaries ("Allegion" or "the Company"), reflect the consolidated operations of the Company and have been prepared in accordance with United States ("U.S.") Securities and Exchange Commission ("SEC") interim reporting requirements. Accordingly, the accompanying Condensed and Consolidated Financial Statements do not include all disclosures required by accounting principles generally accepted in the United States of America ("GAAP") for full financial statements and should be read in conjunction with the Consolidated Financial Statements included in the Allegion Annual Report on Form 10-K for the year ended December 31, 2021. In the opinion of management, the accompanying Condensed and Consolidated Financial Statements contain all adjustments, which include normal recurring adjustments, necessary to state fairly the consolidated unaudited results for the interim periods presented.

NOTE 2 - RECENT ACCOUNTING PRONOUNCEMENTS

Recently Adopted Accounting Pronouncements:

In October 2021, the FASB issued ASU No. 2021-08, "Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers." This ASU requires contract assets and contract liabilities (e.g. deferred revenue) acquired in a business combination to be recognized and measured by the acquirer on the acquisition date in accordance with ASC 606, "Revenue from Contracts with Customers". Generally, this new guidance will result in the acquirer recognizing contract assets and contract liabilities at the same amounts recorded by the acquiree. Historically, such amounts were recognized by the acquirer at fair value in purchase accounting. This ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption is permitted, including in interim periods, for any financial statements that have not yet been issued. The Company elected to early adopt ASU 2021-08 on January 1, 2022, and will apply this new guidance to all business combinations consummated subsequent to this date, including the Access Technologies business acquisition (see Note 6).

NOTE 3 - INVENTORIES

Inventories are stated at the lower of cost and net realizable value using the first-in, first-out (FIFO) method.

The major classes of inventories were as follows:

In millions	June 30, 2022	December 31, 2021
Raw materials	$ 174.2	$ 144.4
Work-in-process	48.3	42.2
Finished goods	205.9	193.8
Total	$ 428.4	$ 380.4

NOTE 4 - GOODWILL

The changes in the carrying amount of goodwill for the six months ended June 30, 2022, were as follows:

In millions	Allegion Americas	Allegion International	Total
December 31, 2021 (gross)	$ 501.2	$ 876.2	$ 1,377.4
Accumulated impairment	—	(573.6)	(573.6)
December 31, 2021 (net)	501.2	302.6	803.8
Currency translation	(0.1)	(22.7)	(22.8)
June 30, 2022 (net)	$ 501.1	$ 279.9	$ 781.0

NOTE 5 - INTANGIBLE ASSETS

The gross amount of the Company's intangible assets and related accumulated amortization were as follows:

	June 30, 2022			December 31, 2021		
In millions	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Completed technologies/patents	$ 56.9	$ (29.5)	$ 27.4	$ 57.9	$ (28.8)	$ 29.1
Customer relationships	372.0	(141.5)	230.5	395.9	(141.6)	254.3
Trade names (finite-lived)	77.5	(54.1)	23.4	84.0	(56.9)	27.1
Other	45.7	(24.2)	21.5	45.8	(22.7)	23.1
Total finite-lived intangible assets	552.1	$ (249.3)	302.8	583.6	$ (250.0)	333.6
Trade names (indefinite-lived)	109.3		109.3	113.9		113.9
Total	$ 661.4		$ 412.1	$ 697.5		$ 447.5

Intangible asset amortization expense was $16.1 million and $15.9 million for the six months ended June 30, 2022 and 2021, respectively. Future estimated amortization expense on existing intangible assets (which does not include future estimated amortization expense related to the Access Technologies business acquisition) in each of the next five years amounts to approximately $31.5 million for full year 2022, $30.4 million for 2023, $30.1 million for 2024, $28.7 million for 2025 and $25.6 million for 2026.

NOTE 6 - ACQUISITIONS

On July 5, 2022, the Company, through its subsidiaries, completed the previously announced acquisition of Stanley Access Technologies LLC and assets related to the automatic entrance solutions business from Stanley Black & Decker, Inc. (the "Access Technologies business"). The closing purchase price for the acquisition was $923.1 million, inclusive of the previously announced purchase price of $900.0 million, in addition to customary working capital adjustments and the settlement of certain operating liabilities at closing. The Company used the net proceeds from the issuance of the 5.411% Senior Notes due 2032 (the "5.411% Senior Notes"), together with borrowings under the 2021 Revolving Facility, to finance the acquisition.

The Access Technologies business is a leading manufacturer, installer and service provider of automatic doors in North America, primarily in the U.S. and Canada. Its diversified customer base centers on non-residential settings, including retail, healthcare, education, commercial offices, hospitality and government. The Access Technologies business generated approximately $340 million in Net revenues in 2021. This acquisition helps the Company create a more comprehensive portfolio of access solutions, with the addition of automated entrances. Additionally, the Access Technologies business adds an expansive service and support network throughout the U.S. and Canada, broadening the Company's solutions to national, regional and local customers and complementing the Company's existing strengths in these non-residential markets. The Access Technologies business will be integrated into the Allegion Americas segment.

During the three and six months ended June 30, 2022, the Company incurred $4.0 million and $8.8 million, respectively, of acquisition and integration related expenses, which are included in Selling and administrative expenses in the Condensed and Consolidated Statements of Comprehensive Income. The Company currently anticipates additional acquisition and integration expenses in the second half of 2022 related to the Access Technologies business acquisition of approximately $20 million.

NOTE 7 - DEBT AND CREDIT FACILITIES

Long-term debt and other borrowings consisted of the following:

In millions	June 30, 2022	December 31, 2021
2021 Term Facility	$ 243.7	$ 250.0
2021 Revolving Facility	—	—
3.200% Senior Notes due 2024	400.0	400.0
3.550% Senior Notes due 2027	400.0	400.0
3.500% Senior Notes due 2029	400.0	400.0
5.411% Senior Notes due 2032	600.0	—
Other debt	0.3	0.3
Total borrowings outstanding	2,044.0	1,450.3
Discounts and debt issuance costs, net	(13.3)	(8.2)
Total debt	2,030.7	1,442.1
Less current portion of long-term debt	12.6	12.6
Total long-term debt	$ 2,018.1	$ 1,429.5

Unsecured Credit Facilities

As of June 30, 2022, the Company has an unsecured Credit Agreement in place, consisting of a $250.0 million term loan facility (the "2021 Term Facility"), of which $243.7 million was outstanding at June 30, 2022, and a $500.0 million revolving credit facility (the "2021 Revolving Facility" and, together with the 2021 Term Facility, the "2021 Credit Facilities"). The 2021 Credit Facilities mature on November 18, 2026, and are unconditionally guaranteed jointly and severally on an unsecured basis by Allegion plc and Allegion US Holding Company Inc. ("Allegion US Hold Co"), the Company's wholly-owned subsidiary. The 2021 Term Facility will amortize in quarterly installments at the following rates: 1.25% per quarter starting March 31, 2022 through March 31, 2025, 2.5% per quarter starting June 30, 2025 through September 30, 2026, with the balance due on November 18, 2026. The Company repaid $6.3 million of principal on its 2021 Term Facility during the six months ended June 30, 2022.

The 2021 Revolving Facility provides aggregate commitments of up to $500.0 million, which includes up to $100.0 million for the issuance of letters of credit. At June 30, 2022, there were no borrowings outstanding on the 2021 Revolving Facility, and the Company had $7.6 million of letters of credit outstanding. However, on July 1, 2022, the Company borrowed $340.0 million on the 2021 Revolving Facility to partially fund the acquisition of the Access Technologies business. Commitments under the 2021 Revolving Facility may be reduced at any time without premium or penalty, and amounts repaid may be reborrowed.

Outstanding borrowings under the 2021 Credit Facilities accrue interest, at the option of the Company, of (i) a Bloomberg Short-Term Bank Yield Index ("BSBY") rate plus the applicable margin or (ii) a base rate plus the applicable margin. The applicable margin ranges from 0.875% to 1.375% depending on the Company's credit ratings. At June 30, 2022, the Company's outstanding borrowings under the 2021 Credit Facilities accrue interest at BSBY plus a margin of 1.125%, resulting in an interest rate of 2.726%. The 2021 Credit Facilities also contain negative and affirmative covenants and events of default that, among other things, limit or restrict the Company's ability to enter into certain transactions. In addition, the 2021 Credit Facilities require the Company to comply with a maximum leverage ratio as defined within the agreement. As of June 30, 2022, the Company was in compliance with all covenants.

Senior Notes

On June 22, 2022, Allegion US Hold Co issued $600.0 million aggregate principal amount of its 5.411% Senior Notes. The 5.411% Senior Notes require semi-annual interest payments on January 1 and July 1, beginning January 1, 2023, and will mature on July 1, 2032. The Company incurred and deferred $5.9 million of discounts and financing costs associated with the 5.411% Senior Notes, which will be amortized to Interest expense over their 10-year term, as well as $4.3 million of third party financing costs that were recorded within Interest expense on the Condensed and Consolidated Statement of Income for the three and six months ended June 30, 2022. The 5.411% Senior Notes are senior unsecured obligations of Allegion US Hold Co and rank equally with all of Allegion US Hold Co's existing and future senior unsecured and unsubordinated indebtedness. The guarantee of the 5.411% Senior Notes is the senior unsecured obligation of Allegion plc and ranks equally with all of the Company's existing and future senior unsecured and unsubordinated indebtedness.

As of June 30, 2022, Allegion US Hold Co also has $400.0 million outstanding of its 3.200% Senior Notes due 2024 (the "3.200% Senior Notes") and $400.0 million outstanding of its 3.550% Senior Notes due 2027 (the "3.550% Senior Notes"), while Allegion plc has $400.0 million outstanding of its 3.500% Senior Notes due 2029 (the "3.500% Senior Notes", and all four senior notes collectively, the "Senior Notes"). The 3.200% Senior Notes, 3.550% Senior Notes and 3.500% Senior Notes all require semi-annual interest payments on April 1 and October 1 of each year and will mature on October 1, 2024, October 1, 2027 and October 1, 2029, respectively. The 3.200% Senior Notes and the 3.550% Senior Notes are senior unsecured obligations of Allegion US Hold Co and rank equally with all of Allegion US Hold Co's existing and future senior unsecured and unsubordinated indebtedness. The guarantee of the 3.200% Senior Notes and the 3.550% Senior Notes is the senior unsecured obligation of Allegion plc and ranks equally with all of the Company's existing and future senior unsecured and unsubordinated indebtedness. The 3.500% Senior Notes are senior unsecured obligations of Allegion plc, are guaranteed by Allegion US Hold Co and rank equally with all of the Company's existing and future senior unsecured indebtedness.

NOTE 8 - FINANCIAL INSTRUMENTS

Currency Hedging Instruments

The gross notional amount of the Company's currency derivatives was $189.0 million and $164.9 million at June 30, 2022 and December 31, 2021, respectively. Neither the fair values of currency derivatives, which are determined based on a pricing model that uses spot rates and forward prices from actively quoted currency markets that are readily observable, nor the balances included in Accumulated other comprehensive loss were material as of June 30, 2022 and December 31, 2021. Currency derivatives designated as cash flow hedges did not have a material impact to either Net earnings or Other comprehensive income (loss) during the three or six months ended June 30, 2022 and 2021, nor is the amount to be reclassified into Net earnings over the next twelve months expected to be material, although the actual amounts that will be reclassified to Net earnings may vary as a result of future changes in market conditions. At June 30, 2022, the maximum term of the Company's currency derivatives, both those that are designated as cash flow hedges and those that are not, was less than one year.

Concentration of Credit Risk

The counterparties to the Company's forward contracts consist of a number of investment grade major international financial institutions. The Company could be exposed to losses in the event of nonperformance by the counterparties. However, the credit ratings and the concentration of risk in these financial institutions are monitored on a continuous basis and present no significant credit risk to the Company.

NOTE 9 - LEASES

Total rental expense for the six months ended June 30, 2022 and 2021, was $21.5 million and $22.0 million, respectively, and is classified within Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income. Rental expense related to short-term leases, variable lease payments or other leases or lease components not included within the ROU asset or lease liability totaled $3.5 million for each of the six months ended June 30, 2022 and 2021. No material lease costs have been capitalized on the Condensed and Consolidated Balance Sheets as of June 30, 2022 or December 31, 2021.

As a lessee, the Company categorizes its leases into two general categories: real estate leases and equipment leases.

Amounts included within the Condensed and Consolidated Balance Sheets related to the Company's ROU asset and lease liability were as follows:

		June 30, 2022			December 31, 2021		
In millions	Balance Sheet classification	Real estate	Equipment	Total	Real estate	Equipment	Total
ROU asset	Other noncurrent assets	$ 69.3	$ 27.9	$ 97.2	$ 58.2	$ 31.7	$ 89.9
Lease liability - current	Accrued expenses and other current liabilities	15.8	12.7	28.5	15.5	13.6	29.1
Lease liability - noncurrent	Other noncurrent liabilities	56.2	15.2	71.4	45.1	18.2	63.3
Other information:							
Weighted-average remaining term (years)		6.2	2.6		6.5	2.8	
Weighted-average discount rate		3.1 %	2.0 %		3.4 %	2.1 %	

The following table summarizes additional information related to the Company's leases for the six months ended June 30:

	2022			2021		
In millions	Real estate	Equipment	Total	Real estate	Equipment	Total
Cash paid for amounts included in the measurement of lease liabilities	$ 9.8	$ 8.2	$ 18.0	$ 10.0	$ 8.5	$ 18.5
ROU assets obtained in exchange for new lease liabilities	22.9	3.9	26.8	4.0	4.6	8.6

The Company frequently enters into both real estate and equipment leases in the normal course of business. While there have been lease agreements entered into that have not yet commenced as of June 30, 2022, none of these leases provide new rights or obligations to the Company that are material individually or in the aggregate.

Future Repayments

Scheduled minimum lease payments required under non-cancellable operating leases for both the real estate and equipment lease portfolios for the remainder of 2022 and for each of the years thereafter as of June 30, 2022, are as follows:

In millions	Remainder of 2022	2023	2024	2025	2026	Thereafter	Total
Real estate leases	$ 8.9	$ 17.1	$ 13.7	$ 11.9	$ 8.9	$ 19.7	$ 80.2
Equipment leases	7.0	11.0	6.9	3.1	0.5	0.1	28.6
Total	$ 15.9	$ 28.1	$ 20.6	$ 15.0	$ 9.4	$ 19.8	$ 108.8

The difference between the total undiscounted minimum lease payments and the combined current and noncurrent lease liabilities as of June 30, 2022, is due to imputed interest of $8.9 million.

NOTE 10 - DEFINED BENEFIT PLANS

The Company sponsors several U.S. and non-U.S. defined benefit pension plans to eligible employees and retirees. The noncontributory defined benefit pension plans covering non-collectively bargained U.S. employees provide benefits on an average pay formula while most plans for collectively bargained U.S. employees provide benefits on a flat dollar benefit formula. The non-U.S. pension plans generally provide benefits based on earnings and years of service. The Company also maintains other supplemental plans for officers and other key employees.

The components of the Company's Net periodic pension benefit cost (income) for the three and six months ended June 30 were as follows:

	U.S.			
	Three months ended		Six months ended	
In millions	2022	2021	2022	2021
Service cost	$ 1.4	$ 1.7	$ 2.9	$ 3.4
Interest cost	2.0	1.7	4.0	3.4
Expected return on plan assets	(3.4)	(3.4)	(6.8)	(6.9)
Administrative costs and other	0.3	0.3	0.6	0.6
Net amortization of:				
Prior service costs	0.1	—	0.1	0.1
Plan net actuarial losses	0.2	0.9	0.5	1.8
Net periodic pension benefit cost	$ 0.6	$ 1.2	$ 1.3	$ 2.4

	Non-U.S.			
	Three months ended		Six months ended	
In millions	2022	2021	2022	2021
Service cost	$ 0.4	$ 0.5	$ 0.7	$ 1.1
Interest cost	1.8	1.2	3.6	2.5
Expected return on plan assets	(3.9)	(3.4)	(7.8)	(6.9)
Administrative costs and other	0.3	0.5	0.8	1.0
Net amortization of:				
Prior service costs	0.1	0.1	0.1	0.1
Plan net actuarial losses	0.2	0.3	0.4	0.7
Net periodic pension benefit income	$ (1.1)	$ (0.8)	$ (2.2)	$ (1.5)

Service cost is recorded in Cost of goods sold and Selling and administrative expenses, while the remaining components of Net periodic pension benefit cost (income) are recorded in Other income, net within the Condensed and Consolidated Statements of Comprehensive Income. Employer contributions were not material during the six months ended June 30, 2022 and 2021. Contributions of approximately $5 million are expected during the remainder of 2022.

NOTE 11 - FAIR VALUE MEASUREMENTS

Fair value is defined as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Fair value measurements are based on a framework that utilizes the inputs market participants use to determine the fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The fair value hierarchy is comprised of three levels that are described below:

- Level 1 – Inputs based on quoted prices in active markets for identical assets or liabilities.
- Level 2 – Inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs based on little or no market activity and that are significant to the fair value of the assets and liabilities.

The fair value hierarchy requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs are obtained from independent sources and can be validated by a third party, whereas unobservable inputs reflect assumptions regarding what a third party would use in pricing an asset or liability based on the best information available under the circumstances. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Assets and liabilities measured at fair value at June 30, 2022, were as follows:

In millions	Fair value measurements: Quoted prices in active markets for identical assets (Level 1)	Fair value measurements: Significant other observable inputs (Level 2)	Fair value measurements: Significant unobservable inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Investments	$ —	$ 19.9	$ —	$ 19.9
Total asset recurring fair value measurements	$ —	$ 19.9	$ —	$ 19.9
Liabilities:				
Deferred compensation and other retirement plans	$ —	$ 19.9	$ —	$ 19.9
Total liability recurring fair value measurements	$ —	$ 19.9	$ —	$ 19.9
Financial instruments not carried at fair value				
Total debt	$ —	$ 1,949.6	$ —	$ 1,949.6
Total financial instruments not carried at fair value	$ —	$ 1,949.6	$ —	$ 1,949.6

Assets and liabilities measured at fair value at December 31, 2021, were as follows:

In millions	Fair value measurements: Quoted prices in active markets for identical assets (Level 1)	Fair value measurements: Significant other observable inputs (Level 2)	Fair value measurements: Significant unobservable inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Investments	$ —	$ 24.5	$ —	$ 24.5
Total asset recurring fair value measurements	$ —	$ 24.5	$ —	$ 24.5
Liabilities:				
Deferred compensation and other retirement plans	$ —	$ 25.9	$ —	$ 25.9
Total liability recurring fair value measurements	$ —	$ 25.9	$ —	$ 25.9
Financial instruments not carried at fair value				
Total debt	$ —	$ 1,510.4	$ —	$ 1,510.4
Total financial instruments not carried at fair value	$ —	$ 1,510.4	$ —	$ 1,510.4

The Company determines the fair value of its financial assets and liabilities using the following methodologies:

- *Investments* – These instruments include equity mutual funds and corporate bond funds. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.
- *Deferred compensation and other retirement plans* – These include obligations related to deferred compensation and other retirement plans adjusted for market performance. The fair value is obtained based on observable market prices quoted on public exchanges for similar instruments.
- *Debt* – These instruments are recorded at cost and include senior notes maturing through 2032. The fair value of these debt instruments is obtained based on observable market prices quoted on public exchanges for similar instruments.

The methodologies used by the Company to determine the fair value of its financial assets and liabilities at June 30, 2022, are the same as those used at December 31, 2021. The carrying values of Cash and cash equivalents, Accounts and notes receivable, net, Accounts payable and Accrued expenses and other current liabilities are a reasonable estimate of their fair value due to the short-term nature of these instruments.

The Company also had investments in debt and equity securities without readily determinable fair values of $41.6 million and $35.8 million as of June 30, 2022 and December 31, 2021, respectively, which are classified as Other noncurrent assets within the Condensed and Consolidated Balance Sheets. These investments are considered to be nonrecurring fair value measurements, and thus, are not included in the fair value tables above.

NOTE 12 - EQUITY

The changes in the components of Equity for the six months ended June 30, 2022, were as follows:

		Allegion plc shareholders' equity					
		Ordinary shares					
In millions, except per share amounts	Total equity	Amount	Shares	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interests
Balance at December 31, 2021	$ 762.4	$ 0.9	88.2	$ —	$ 952.6	$ (194.4)	$ 3.3
Net earnings	93.1	—	—	—	93.0	—	0.1
Other comprehensive loss, net	(21.0)	—	—	—	—	(21.0)	—
Repurchase of ordinary shares	(61.0)	—	(0.5)	(7.5)	(53.5)	—	—
Share-based compensation activity	7.5	—	0.1	7.5	—	—	—
Dividends to ordinary shareholders ($0.41 per share)	(36.0)	—	—	—	(36.0)	—	—
Balance at March 31, 2022	745.0	0.9	87.8	—	956.1	(215.4)	3.4
Net earnings	115.2	—	—	—	115.1	—	0.1
Other comprehensive loss, net	(49.8)	—	—	—	—	(49.2)	(0.6)
Share-based compensation activity	5.4	—	—	5.4	—	—	—
Dividends to noncontrolling interests	(0.1)	—	—	—	—	—	(0.1)
Dividends to ordinary shareholders ($0.41 per share)	(36.0)	—	—	—	(36.0)	—	—
Balance at June 30, 2022	$ 779.7	$ 0.9	87.8	$ 5.4	$ 1,035.2	$ (264.6)	$ 2.8

The changes in the components of Equity for the six months ended June 30, 2021, were as follows:

		Allegion plc shareholders' equity					
		Ordinary shares					
In millions, except per share amounts	Total equity	Amount	Shares	Capital in excess of par value	Retained earnings	Accumulated other comprehensive loss	Noncontrolling interests
Balance at December 31, 2020	$ 832.6	$ 0.9	91.2	$ —	$ 985.6	$ (157.1)	$ 3.2
Net earnings	108.2	—	—	—	108.0	—	0.2
Other comprehensive loss, net	(32.0)	—	—	—	—	(32.0)	—
Repurchase of ordinary shares	(149.7)	—	(1.3)	(4.4)	(145.3)	—	—
Share-based compensation activity	4.4	—	0.1	4.4	—	—	—
Dividends to ordinary shareholders ($0.36 per share)	(32.5)	—	—	—	(32.5)	—	—
Other	—	—	—	—	0.1	—	(0.1)
Balance at March 31, 2021	731.0	0.9	90.0	—	915.9	(189.1)	3.3
Net earnings	118.8	—	—	—	118.7	—	0.1
Other comprehensive income, net	10.5	—	—	—	—	10.4	0.1
Repurchase of ordinary shares	(50.1)	—	(0.4)	(9.7)	(40.4)	—	—
Share-based compensation activity	9.7	—	0.2	9.7	—	—	—
Dividends to noncontrolling interests	(0.1)	—	—	—	—	—	(0.1)
Dividends to ordinary shareholders ($0.36 per share)	(32.4)	—	—	—	(32.4)	—	—
Balance at June 30, 2021	$ 787.4	$ 0.9	89.8	$ —	$ 961.8	$ (178.7)	$ 3.4

In February 2020, the Company's Board of Directors approved a share repurchase authorization of up to, and including, $800 million of the Company's ordinary shares (the "2020 Share Repurchase Authorization"). During the six months ended June 30, 2022 and 2021, the Company paid $61.0 million and $199.8 million, respectively, to repurchase the ordinary shares reflected in the tables above on the open market under the 2020 Share Repurchase Authorization. As of June 30, 2022, the Company has approximately $140.5 million still available to be repurchased under the 2020 Share Repurchase Authorization.

Accumulated Other Comprehensive Loss

The changes in Accumulated other comprehensive loss for the six months ended June 30, 2022, were as follows:

In millions	Cash flow hedges	Pension and OPEB items	Foreign currency items	Total
December 31, 2021	$ 0.9	$ (96.0)	$ (99.3)	$ (194.4)
Other comprehensive income (loss) before reclassifications	6.7	5.7	(83.8)	(71.4)
Amounts reclassified from accumulated other comprehensive loss[(a)]	—	0.9	—	0.9
Tax (expense) benefit	(0.1)	0.4	—	0.3
June 30, 2022	$ 7.5	$ (89.0)	$ (183.1)	$ (264.6)

The changes in Accumulated other comprehensive loss for the six months ended June 30, 2021, were as follows:

In millions	Cash flow hedges	Pension and OPEB items	Foreign currency items	Total
December 31, 2020	$ (0.9)	$ (120.3)	$ (35.9)	$ (157.1)
Other comprehensive income (loss) before reclassifications	2.4	(0.5)	(24.4)	(22.5)
Amounts reclassified from accumulated other comprehensive loss[(a)]	(1.2)	2.5	—	1.3
Tax expense	(0.3)	(0.1)	—	(0.4)
June 30, 2021	$ —	$ (118.4)	$ (60.3)	$ (178.7)

(a) Amounts reclassified from Accumulated other comprehensive loss and recognized into Net earnings related to cash flow hedges are recorded in Cost of goods sold and Interest expense. Amounts reclassified from Accumulated other comprehensive loss and recognized into Net earnings related to pension and postretirement benefits other than pensions ("OPEB") items are recorded in Other income, net.

NOTE 13 - SHARE-BASED COMPENSATION

The Company's share-based compensation plans include programs for stock options, restricted stock units ("RSUs"), performance stock units ("PSUs") and deferred compensation. Share-based compensation expense is included in Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income. The following table summarizes the expenses recognized for the three and six months ended June 30:

	Three months ended		Six months ended	
In millions	2022	2021	2022	2021
Stock options	$ 0.5	$ 0.4	$ 3.4	$ 3.2
RSUs	2.2	2.3	9.5	7.9
PSUs	1.4	2.6	3.0	3.9
Deferred compensation	(2.0)	1.0	(3.1)	1.4
Pre-tax expense	2.1	6.3	12.8	16.4
Tax benefit	—	(0.9)	(0.9)	(2.0)
After-tax expense	$ 2.1	$ 5.4	$ 11.9	$ 14.4

Stock Options / RSUs

Eligible participants may receive (i) stock options, (ii) RSUs or (iii) a combination of both stock options and RSUs. Grants issued during the six months ended June 30 were as follows:

	2022		2021	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	157,880	$ 28.59	179,743	$ 24.99
RSUs	116,055	$ 115.36	124,762	$ 111.05

The average fair value of the stock options granted is determined using the Black-Scholes option-pricing model. The following assumptions were used during the six months ended June 30:

	2022	2021
Dividend yield	1.42 %	1.32 %
Volatility	27.05 %	27.14 %
Risk-free rate of return	1.89 %	0.75 %
Expected life (years)	6.0	6.0

Volatility is based on the Company's historic volatility. The risk-free rate of return is based on the yield curve of a zero-coupon U.S. Treasury bond on the date the award is granted with a maturity equal to the expected term of the award. The expected life of the Company's stock option awards is derived from the simplified approach based on the weighted-average time to vest and the remaining contractual term and represents the period of time that awards are expected to be outstanding.

Performance Stock

During the six months ended June 30, 2022, the Company granted PSUs with a maximum award level of approximately 0.1 million shares. In February 2020, 2021 and 2022, the Company's Compensation Committee granted PSUs that were earned based 50% upon a performance condition, measured at each reporting period by earnings per share ("EPS") performance in relation to pre-established targets set by the Compensation Committee, and 50% upon a market condition, measured by the Company's relative total shareholder return against the S&P 400 Capital Goods Index over a three-year performance period. The fair values of the market conditions are estimated using a Monte Carlo Simulation approach in a risk-neutral framework to model future stock price movements based upon historical volatility, risk-free rates of return and correlation matrix.

Deferred Compensation

Prior to 2019, the Company allowed key employees to defer a portion of their eligible granted PSUs and/or compensation into a number of investment choices including its ordinary share equivalents. Any amounts invested in ordinary share equivalents will be settled in ordinary shares of the Company at the time of distribution.

NOTE 14 - RESTRUCTURING ACTIVITIES

During the six months ended June 30, 2022 and 2021, the Company recorded $3.1 million and $3.2 million, respectively, of expenses associated with restructuring activities, which are included within Cost of goods sold and Selling and administrative expenses within the Condensed and Consolidated Statements of Comprehensive Income.

The changes in the restructuring reserve during the six months ended June 30, 2022, were as follows:

In millions	Total
December 31, 2021	$ 0.4
Additions, net of reversals	3.1
Cash payments	(0.8)
June 30, 2022	$ 2.7

The Company also incurred other non-qualified restructuring charges of $1.4 million during the six months ended June 30, 2022, which represent costs that are directly attributable to restructuring activities, but that do not fall into the severance, exit or disposal category. These expenses are included in Cost of goods sold within the Condensed and Consolidated Statements of Comprehensive Income.

NOTE 15 - OTHER INCOME, NET

The components of Other income, net for the three and six months ended June 30 were as follows:

	Three months ended		Six months ended	
In millions	2022	2021	2022	2021
Interest income	$ (0.1)	$ (0.1)	$ (0.2)	$ (0.1)
Foreign currency exchange loss	0.9	0.8	1.9	1.2
(Earnings) loss from equity method investments, net	(0.5)	(0.4)	(0.6)	0.3
Net periodic pension and postretirement benefit income, less service cost	(2.4)	(2.0)	(5.0)	(3.9)
Other	(1.3)	(1.5)	(1.7)	(4.2)
Other income, net	$ (3.4)	$ (3.2)	$ (5.6)	$ (6.7)

NOTE 16 - INCOME TAXES

The effective income tax rates for the three months ended June 30, 2022 and 2021, were 13.6% and 12.8%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the prior year impact of the remeasurement of deferred tax balances resulting from the enactment of a jurisdictional tax rate change and unfavorable year-over-year changes in the amount of share-based compensation deductions, which were partially offset by the favorable mix of income earned in higher tax rate jurisdictions.

The effective income tax rates for the six months ended June 30, 2022 and 2021, were 13.4% and 12.3%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the prior year impact of the remeasurement of deferred tax balances resulting from the enactment of a jurisdictional tax rate change and unfavorable year-over-year changes in the amount of share-based compensation deductions, which were partially offset by the favorable mix of income earned in higher tax rate jurisdictions.

NOTE 17 - EARNINGS PER SHARE (EPS)

Basic EPS is calculated by dividing Net earnings attributable to Allegion plc by the weighted-average number of ordinary shares outstanding for the applicable period. Diluted EPS is calculated after adjusting the denominator of the basic EPS calculation for the effect of all potentially dilutive ordinary shares, which in the Company’s case, includes shares issuable under share-based compensation plans.

The following table summarizes the weighted-average number of ordinary shares outstanding for basic and diluted EPS calculations for the three and six months ended June 30:

	Three months ended		Six months ended	
In millions	2022	2021	2022	2021
Weighted-average number of basic shares	87.9	90.0	88.0	90.4
Shares issuable under share-based compensation plans	0.3	0.6	0.4	0.5
Weighted-average number of diluted shares	88.2	90.6	88.4	90.9

At June 30, 2022, 0.3 million stock options were excluded from the computation of weighted-average diluted shares outstanding because the effect of including these shares would have been anti-dilutive.

NOTE 18 - NET REVENUES

The following tables show the Company’s Net revenues related to both tangible product sales and services for the three and six months ended June 30, 2022 and 2021, respectively, disaggregated by business segment. Net revenues are shown by tangible product sales and services, as contract terms, conditions and economic factors affecting the nature, amount, timing and uncertainty around revenue recognition and cash flows are substantially similar within each of these two principal revenue streams:

	Three months ended June 30, 2022			Six months ended June 30, 2022		
In millions	Allegion Americas	Allegion International	Total	Allegion Americas	Allegion International	Total
Net revenues						
Products	$ 591.7	$ 173.9	$ 765.6	$ 1,119.4	$ 362.7	$ 1,482.1
Services	0.6	6.9	7.5	1.1	13.5	14.6
Total Net revenues	$ 592.3	$ 180.8	$ 773.1	$ 1,120.5	$ 376.2	$ 1,496.7

	Three months ended June 30, 2021			Six months ended June 30, 2021		
In millions	Allegion Americas	Allegion International	Total	Allegion Americas	Allegion International	Total
Net revenues						
Products	$ 548.9	$ 189.3	$ 738.2	$ 1,047.1	$ 378.4	$ 1,425.5
Services	0.5	8.2	8.7	1.2	14.5	15.7
Total Net revenues	$ 549.4	$ 197.5	$ 746.9	$ 1,048.3	$ 392.9	$ 1,441.2

As of June 30, 2022, neither the contract assets related to the Company's right to consideration for work completed but not billed, nor the contract liabilities associated with contract revenue were material. The Company does not have any costs to obtain or fulfill a contract that are capitalized on its Condensed and Consolidated Balance Sheets. During the three and six months ended June 30, 2022 and 2021, no adjustments related to performance obligations satisfied in previous periods were recorded.

NOTE 19 - BUSINESS SEGMENT INFORMATION

The Company classifies its business into the following two reportable segments based on industry and market focus: Allegion Americas and Allegion International. The Company largely evaluates performance based on Segment operating income and Segment operating margins. Segment operating income is the measure of profit and loss that the Company's chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews and compensation. For these reasons, the Company believes that Segment operating income represents the most relevant measure of segment profit and loss. The Company's chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, from Operating income to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base operating decisions. The Company defines Segment operating margin as Segment operating income as a percentage of the segment's Net revenues.

A summary of operations by reportable segment for the three and six months ended June 30 was as follows:

	Three months ended		Six months ended	
In millions	2022	2021	2022	2021
Net revenues				
Allegion Americas	$ 592.3	$ 549.4	$ 1,120.5	$ 1,048.3
Allegion International	180.8	197.5	376.2	392.9
Total	$ 773.1	$ 746.9	$ 1,496.7	$ 1,441.2
Segment operating income				
Allegion Americas	$ 153.6	$ 150.4	$ 277.5	$ 285.8
Allegion International	11.4	18.1	31.0	33.5
Total	165.0	168.5	308.5	319.3
Reconciliation to Operating income				
Unallocated corporate expense	(17.9)	(23.1)	(44.4)	(42.6)
Operating income	147.1	145.4	264.1	276.7
Reconciliation to earnings before income taxes				
Interest expense	17.2	12.4	29.1	24.7
Other income, net	(3.4)	(3.2)	(5.6)	(6.7)
Earnings before income taxes	$ 133.3	$ 136.2	$ 240.6	$ 258.7

NOTE 20 - COMMITMENTS AND CONTINGENCIES

The Company is involved in various litigation, claims and administrative proceedings, including those related to environmental and product warranty matters. Amounts recorded for identified contingent liabilities are estimates, which are reviewed periodically and adjusted to reflect additional information when it becomes available. Subject to the uncertainties inherent in estimating future costs for contingent liabilities, except as expressly set forth in this note, management believes that any liability which may result from these legal matters would not have a material adverse effect on the financial condition, results of operations, liquidity or cash flows of the Company.

Environmental Matters

As of June 30, 2022 and December 31, 2021, the Company has recorded reserves for environmental matters of $14.4 million and $16.4 million, respectively. The total reserve at June 30, 2022 and December 31, 2021, included $3.3 million and $4.3 million, respectively, related to remediation of sites previously disposed by the Company. Environmental reserves are classified as Accrued expenses and other current liabilities or Other noncurrent liabilities within the Condensed and Consolidated Balance Sheets based on the timing of their expected future payment. The Company's total current environmental reserve at June 30, 2022 and December 31, 2021, was $2.9 million and $3.7 million, respectively, and the remainder is classified as noncurrent. Expenses related to environmental remediation were not material during either the six months ended June 30, 2022 or 2021. Given the evolving nature of environmental laws, regulations and technology, the ultimate cost of future compliance is uncertain.

Warranty Liability

The changes in the standard product warranty liability for the six months ended June 30 were as follows:

In millions	2022	2021
Balance at beginning of period	$ 17.7	$ 16.5
Reductions for payments	(4.5)	(5.1)
Accruals for warranties issued during the current period	4.4	6.8
Currency translation	(0.5)	(0.1)
Balance at end of period	$ 17.1	$ 18.1

Standard product warranty liabilities are classified as either Accrued expenses and other current liabilities or Other noncurrent liabilities within the Condensed and Consolidated Balance Sheets based on the timing of the expected future payments.

Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that may cause a difference include, but are not limited to, those discussed under Part I, Item 1A – Risk Factors in the Annual Report on Form 10-K for the fiscal year ended December 31, 2021. The following section is qualified in its entirety by the more detailed information, including our Condensed and Consolidated Financial Statements and the notes thereto, which appears elsewhere in this Quarterly Report.

Overview

Organization

Allegion plc and its consolidated subsidiaries ("Allegion," "the Company", "we," "our," or "us") is a leading global provider of security products and solutions operating in two segments: Allegion Americas and Allegion International. We sell a wide range of security products and solutions for end-users in commercial, institutional and residential facilities worldwide, including the education, healthcare, government, hospitality, commercial office and single and multi-family residential markets. Our leading brands include CISA®, Interflex®, LCN®, Schlage®, SimonsVoss® and Von Duprin®.

Recent Developments

Industry Trends and Outlook

Throughout the first half of 2022, we have experienced strong demand for our products and services in most of the markets we serve. Demand for our non-residential products, particularly in our Allegion Americas segment, continues to be robust; however, we are starting to see softening demand for our Allegion Americas residential products. Macroeconomic challenges, including the on-going war in Ukraine and COVID-19 related lockdowns in China, have also negatively impacted demand in the second quarter throughout many of the markets we serve through our Allegion International businesses.

Supply chain disruptions and delays and shortages in materials and labor availability persist, and continue to negatively impact our ability to meet the elevated levels of customer demand. These challenges also continue to create operational and logistical inefficiencies, including periodic production interruptions and elevated levels of inventory, which have negatively impacted our productivity, margin performance, working capital and cash flows throughout the first half of 2022. In the second quarter of 2022, however, we did see improvement in the supply of parts and components, particularly for our Allegion Americas non-residential products, although we continue to experience shortages of electronic components from key suppliers. We expect these challenges to continue throughout the year. Persistent, elevated levels of inflation also continue to impact margin performance, although we continue to see strong momentum from the pricing initiatives we began in 2021 across all of our global businesses. We expect this pricing momentum to continue to contribute to revenue growth and offset the impact of inflation on margin performance throughout the remainder of 2022.

While we anticipate fiscal year 2022 will continue to be a dynamic macroeconomic environment, we remain focused on providing exceptional service and innovation to our customers. We have implemented measures to mitigate operational and distribution inefficiencies, such as re-engineering product designs and configurations to accept alternate electronic components and developing alternate sources of supply; and investing in business initiatives to drive future growth and add value through seamless access. We will continue to explore various options to control costs and enhance financial performance while minimizing disruption to customers and our overall business.

The on-going COVID-19 pandemic, the Russian invasion of Ukraine and the macroeconomic challenges noted above will likely continue to affect us in numerous and evolving ways. The full impact of these challenges and uncertainties on our business will continue to depend on future developments that we may not be able to accurately predict. These challenges and uncertainties, and their potential or heightened impact on our business, results of operations, financial condition and cash flows, as well as other challenges and uncertainties that could affect our businesses are described further under Part I, Item 1A. "Risk Factors" contained in our Annual Report on Form 10-K for the year ended December 31, 2021.

Acquisition of the Access Technologies business

On July 5, 2022, we completed the previously announced acquisition of the Access Technologies business. The closing purchase price for the acquisition was $923.1 million, inclusive of the previously announced purchase price of $900 million, in addition to customary working capital adjustments and the settlement of certain operating liabilities at closing. To finance this acquisition, we used the net proceeds from the issuance of our 5.411% Senior Notes, together with borrowings under our 2021 Revolving Facility.

The Access Technologies business is a leading manufacturer, installer and service provider of automatic doors in North America, primarily in the U.S. and Canada. Its diversified customer base centers on non-residential settings, including retail, healthcare, education, commercial offices, hospitality and government. This acquisition helps us create a more comprehensive portfolio of access solutions, with the addition of automated entrances. Additionally, the Access Technologies business adds an expansive service and support network throughout the U.S. and Canada, broadening our solutions to national, regional and local customers, and complementing our existing strengths in these non-residential markets. The Access Technologies business will be integrated into our Allegion Americas segment.

2022 Dividends and Share Repurchases

During the six months ended June 30, 2022, we paid dividends of $0.82 per ordinary share to shareholders and repurchased approximately 0.5 million shares for $61.0 million.

Results of Operations – Three months ended June 30

In millions, except per share amounts	2022	% of revenues	2021	% of revenues
Net revenues	$ 773.1		$ 746.9	
Cost of goods sold	458.1	59.3 %	426.4	57.1 %
Selling and administrative expenses	167.9	21.7 %	175.1	23.4 %
Operating income	147.1	19.0 %	145.4	19.5 %
Interest expense	17.2		12.4	
Other income, net	(3.4)		(3.2)	
Earnings before income taxes	133.3		136.2	
Provision for income taxes	18.1		17.4	
Net earnings	115.2		118.8	
Less: Net earnings attributable to noncontrolling interests	0.1		0.1	
Net earnings attributable to Allegion plc	$ 115.1		$ 118.7	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:	$ 1.30		$ 1.31	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented and form the basis used by management to evaluate the financial performance of the business.

Net Revenues

Net revenues for the three months ended June 30, 2022, increased by 3.5%, or $26.2 million, compared with the same period in 2021, due to the following:

Pricing	8.4 %
Volume	(2.0)%
Acquisitions	0.1 %
Currency exchange rates	(3.0)%
Total	3.5 %

The increase in Net revenues was primarily driven by improved pricing across all our major businesses, partially offset by unfavorable foreign currency exchange rate movements and lower volumes, particularly in our Allegion Americas residential and Allegion International businesses.

Pricing includes increases or decreases of price, including discounts, surcharges and/or other sales deductions, on our existing products and services. As discussed above, in response to the persistent, elevated levels of inflation discussed above, we continue to implement various pricing initiatives across our global businesses, which drove the overall increase in Net revenues compared to the same period in 2021. Volume includes increases or decreases of revenue due to changes in unit volume of existing products and services, as well as new products and services.

Operating Income/Margin

Operating income for the three months ended June 30, 2022, increased $1.7 million compared to the same period in 2021. Operating margin, which we define as Operating income as a percentage of total Net revenues, for the three months ended June 30, 2022, decreased to 19.0% from 19.5% for the same period in 2021, due to the following:

In millions	Operating Income		Operating Margin
June 30, 2021	$	145.4	19.5 %
Pricing and productivity in excess of inflation		20.3	1.0 %
Volume / product mix		(1.9)	0.1 %
Restructuring / acquisition expenses		(7.0)	(0.9)%
Currency exchange rates		(4.9)	(0.1)%
Investment spending		(5.5)	(0.7)%
Acquisitions		0.7	0.1 %
June 30, 2022	$	147.1	19.0 %

The increase in Operating income was driven by pricing improvements in excess of inflation and productivity challenges, as well as the impact of a prior year acquisition. These increases were partially offset by unfavorable volume/product mix, a year-over-year increase in restructuring and acquisition expenses, unfavorable foreign currency exchange rate movements and increased investment spending.

The decrease in Operating margin was primarily due to a year-over-year increase in restructuring and acquisition expenses, unfavorable foreign currency exchange rate movements and increased investment spending. These decreases were partially offset by pricing improvements in excess of inflation and productivity challenges, the favorable impact of product mix on operating margin, which exceeded the impact from lower volumes, as well as the impact of a prior year acquisition.

Pricing and productivity in excess of inflation includes the impact to both Operating income and Operating margin from pricing, as defined above, in addition to productivity and inflation. Productivity represents improvements in unit costs of materials, cost reductions related to improvements to our manufacturing design and processes and reductions in selling and administrative expenses due to productivity projects. Inflation includes both unit costs for the current period compared to the average actual cost for the prior period, multiplied by current year volumes, and current period costs of ongoing selling and administrative functions compared to the same ongoing expenses in the prior period. Expenses related to increased head count for strategic initiatives, new facilities or other significant spending for strategic initiatives or new product and channel development, are captured in Investment spending in the table above.

Volume/product mix represents the impact to both Operating income and Operating margin due to increases or decreases of revenue due to changes in unit volume, including new products and services, including the effect of changes in the mix of products and services sold on Cost of goods sold.

Interest Expense

Interest expense for the three months ended June 30, 2022, increased $4.8 million compared with the same period in 2021, primarily due to $4.3 million of third party costs related to the financing of the Access Technologies business acquisition. The recent rise in interest rates has also contributed to a higher weighted-average interest rate on our outstanding indebtedness.

Other Income, Net

The components of Other income, net for the three months ended June 30, 2022 and 2021, were as follows:

In millions	2022		2021	
Interest income	$	(0.1)	$	(0.1)
Foreign currency exchange loss		0.9		0.8
Earnings from equity method investments, net		(0.5)		(0.4)
Net periodic pension and postretirement benefit income, less service cost		(2.4)		(2.0)
Other		(1.3)		(1.5)
Other income, net	$	(3.4)	$	(3.2)

Provision for Income Taxes

The effective income tax rates for the three months ended June 30, 2022 and 2021, were 13.6% and 12.8%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the prior year impact of the remeasurement of deferred tax balances resulting from the enactment of a jurisdictional tax rate change and unfavorable year-over-year changes in the amount of share-based compensation deductions, which were partially offset by the favorable mix of income earned in higher tax rate jurisdictions.

Results of Operations – Six months ended June 30

In millions, except per share amounts	2022	% of revenues	2021	% of revenues
Net revenues	$ 1,496.7		$ 1,441.2	
Cost of goods sold	893.0	59.7 %	823.3	57.1 %
Selling and administrative expenses	339.6	22.7 %	341.2	23.7 %
Operating income	264.1	17.6 %	276.7	19.2 %
Interest expense	29.1		24.7	
Other income, net	(5.6)		(6.7)	
Earnings before income taxes	240.6		258.7	
Provision for income taxes	32.3		31.7	
Net earnings	208.3		227.0	
Less: Net earnings attributable to noncontrolling interests	0.2		0.3	
Net earnings attributable to Allegion plc	$ 208.1		$ 226.7	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:	$ 2.35		$ 2.49	

The discussions that follow describe the significant factors contributing to the changes in our results of operations for the periods presented and form the basis used by management to evaluate the financial performance of the business.

Net revenues

Net revenues for the six months ended June 30, 2022, increased by 3.9%, or $55.5 million, compared with the same period in 2021, due to the following:

Pricing	7.2 %
Volume	(0.8)%
Currency exchange rates	(2.5)%
Total	3.9 %

The increase in Net revenues was primarily driven by improved pricing across all our major businesses, partially offset by unfavorable foreign currency exchange rate movements and lower volumes, particularly in our Allegion Americas residential business.

Operating Income/Margin

Operating income for the six months ended June 30, 2022, decreased $12.6 million compared to the same period in 2021, and Operating margin for the six months ended June 30, 2022, decreased to 17.6% from 19.2% for the same period in 2021, due to the following:

In millions	Operating Income	Operating Margin
June 30, 2021	$ 276.7	19.2 %
Pricing and productivity in excess of inflation	13.3	(0.4)%
Volume / product mix	(0.2)	0.2 %
Restructuring / acquisition expenses	(9.8)	(0.7)%
Currency exchange rates	(8.0)	(0.1)%
Investment spending	(9.4)	(0.7)%
Acquisitions / divestitures	1.5	0.1 %
June 30, 2022	$ 264.1	17.6 %

The decrease in Operating income was primarily due to unfavorable volume/product mix, a year-over-year increase in restructuring and acquisition expenses, unfavorable foreign currency exchange rate movements and increased investment spending. These decreases were partially offset by improved pricing in excess of inflation and productivity challenges and the impacts of a prior year acquisition and the prior year divestiture of our QMI business.

The decrease in Operating margin was primarily due to the detrimental impacts to margin from inflation and productivity challenges exceeding the positive impact from improved pricing, in addition to a year-over-year increase in restructuring and acquisition expenses, unfavorable foreign currency exchange rate movements and increased investment spending. These decreases were partially offset by the favorable impact of product mix on operating margin, which exceeded the impact from lower volumes and the impacts of a prior year acquisition and the prior year divestiture of our QMI business.

Interest Expense

Interest expense for the six months ended June 30, 2022, increased $4.4 million compared with the same period in 2021, primarily due to the $4.3 million of third party costs related to the financing of the Access Technologies business acquisition.

Other Income, Net

The components of Other income, net for the six months ended June 30, 2022 and 2021, were as follows:

In millions	2022	2021
Interest income	$ (0.2)	$ (0.1)
Foreign currency exchange loss	1.9	1.2
(Earnings) loss from equity investments	(0.6)	0.3
Net periodic pension and postretirement benefit income, less service cost	(5.0)	(3.9)
Other	(1.7)	(4.2)
Other income, net	$ (5.6)	$ (6.7)

Provision for Income Taxes

The effective income tax rates for the six months ended June 30, 2022 and 2021, were 13.4% and 12.3%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the prior year impact of the remeasurement of deferred tax balances resulting from the enactment of a jurisdictional tax rate change and unfavorable year-over-year changes in the amount of share-based compensation deductions, which were partially offset by the favorable mix of income earned in higher tax rate jurisdictions.

Review of Business Segments

We operate in and report financial results for two segments: Allegion Americas and Allegion International. These segments represent the level at which our chief operating decision maker reviews our financial performance and makes operating decisions.

Segment operating income is the measure of profit and loss that our chief operating decision maker uses to evaluate the financial performance of the business and as the basis for resource allocation, performance reviews and compensation. For these reasons, we believe that Segment operating income represents the most relevant measure of Segment profit and loss. Our chief operating decision maker may exclude certain charges or gains, such as corporate charges and other special charges, to arrive at a Segment operating income that is a more meaningful measure of profit and loss upon which to base our operating decisions. We define Segment operating margin as Segment operating income as a percentage of the segment’s Net revenues.

The segment discussions that follow describe the significant factors contributing to the changes in results for each segment included in Net earnings.

Segment Results of Operations - For the three and six months ended June 30

In millions	Three months ended 2022	Three months ended 2021	% Change	Six months ended 2022	Six months ended 2021	% Change
Net revenues						
Allegion Americas	$ 592.3	$ 549.4	7.8 %	$ 1,120.5	$ 1,048.3	6.9 %
Allegion International	180.8	197.5	(8.5)%	376.2	392.9	(4.3)%
Total	$ 773.1	$ 746.9		$ 1,496.7	$ 1,441.2	
Segment operating income						
Allegion Americas	$ 153.6	$ 150.4	2.1 %	$ 277.5	$ 285.8	(2.9)%
Allegion International	11.4	18.1	(37.0)%	31.0	33.5	(7.5)%
Total	$ 165.0	$ 168.5		$ 308.5	$ 319.3	
Segment operating margin						
Allegion Americas	25.9 %	27.4 %		24.8 %	27.3 %	
Allegion International	6.3 %	9.2 %		8.2 %	8.5 %	

Allegion Americas

Our Allegion Americas segment is a leading provider of security products and solutions throughout North America, Central America, the Caribbean and South America. The segment sells a broad range of products and solutions including locks, locksets, portable locks, key systems, door closers, exit devices, doors, door systems, electronic products and access control systems to customers in commercial, institutional and residential facilities, including the education, healthcare, government, hospitality, commercial office and single and multi-family residential markets. This segment's primary brands are LCN, Schlage, Steelcraft, Technical Glass Products ("TGP") and Von Duprin.

Net Revenues

Net revenues for the three months ended June 30, 2022, increased by 7.8%, or $42.9 million, compared to the same period in 2021, due to the following:

Pricing	9.4 %
Volume	(1.4)%
Currency exchange rates	(0.2)%
Total	7.8 %

The increase in Net revenues was driven by substantially improved pricing, partially offset by lower volumes in our residential business and unfavorable foreign currency exchange rate movements. As discussed above, the Allegion Americas segment has implemented various pricing initiatives to help offset increased inflationary pressures, driving the overall increase in Net revenues compared to the same period in 2021.

Net revenues from non-residential products for the three months ended June 30, 2022, increased by a high teens percent compared to the same period in the prior year, driven by improved pricing and higher volumes. Improved availability of materials and components helped drive the increase in volumes compared to the same period in the prior year.

Net revenues from residential products for the three months ended June 30, 2022, decreased by a mid-teens percent compared to the same period in the prior year. This decrease was primarily driven by lower volumes and was partially offset by improved pricing. Although we continue to face challenges around the supply of electronic components and have also seen a slight softening in market demand for residential products in the current quarter, we expect to revert to revenue growth in the second half of 2022, given the combination of our pricing initiatives and the comparable impact to the second half of 2021, when the supply chain challenges and shortages of materials began to negatively impact revenue growth.

Growth in electronic security products and solutions is a metric that is actively monitored by management and a focus of our investors. Electronic products encompass both residential and non-residential products and include all electrified product categories including, but not limited to, electronic locks, access controls and electrified exit devices and door controls. For the three months ended June 30, 2022, Net revenues from the sale of electronic products in the Allegion Americas segment decreased by a low single digits percent compared to the same period in the prior year. We continue to face supply chain challenges around shortages of electronic components from key suppliers, which is impacting our ability to meet the level of demand for our electronic products. We expect these challenges around the availability of electronic components to continue throughout the year, and as a result, we are actively implementing measures to mitigate the operational and distribution inefficiencies these component shortages and other challenges are creating, such as re-engineering product designs and configurations to accept alternate electronic components and developing alternate sources of supply.

Net revenues for the six months ended June 30, 2022, increased by 6.9%, or $72.2 million, compared to the same period in 2021, due to the following:

Pricing	8.1 %
Volume	(1.1)%
Currency exchange rates	(0.1)%
Total	6.9 %

The increase in Net revenues was driven by improved pricing and was partially offset by lower volumes in our residential business and unfavorable foreign currency exchange rate movements. Net revenues from non-residential products for the six months ended June 30, 2022, increased by a mid-teens percent compared to the same period in the prior year, driven by improved pricing and higher volumes. Net revenues from residential products for the six months ended June 30, 2022, decreased by a low double digits percent compared to the same period in the prior year, driven by lower volumes, which were partially offset by increased pricing. Net revenues from the sale of electronic products for the six months ended June 30, 2022, were flat compared to the same period in the prior year.

Operating income/margin

Segment operating income for the three months ended June 30, 2022, increased $3.2 million compared to the same period in 2021, and Segment operating margin for the three months ended June 30, 2022, decreased to 25.9% from 27.4%, due to the following:

In millions	**Operating Income**	**Operating Margin**
June 30, 2021	$ 150.4	27.4 %
Pricing and productivity in excess of inflation	5.8	(1.5)%
Volume / product mix	2.1	0.8 %
Currency exchange rates	(0.8)	(0.1)%
Investment spending	(3.9)	(0.7)%
June 30, 2022	$ 153.6	25.9 %

The increase in Segment operating income was primarily driven by pricing improvements in excess of inflation and productivity challenges, as well as favorable product mix, which exceeded the impact from lower volumes. These increases were partially offset by unfavorable foreign currency exchange rate movements and increased investment spending.

The decrease in Segment operating margin was primarily due to the detrimental impacts to margin from inflation and productivity challenges exceeding the impact from improved pricing, as well as increased investment spending and unfavorable foreign currency exchange rate movements. These decreases were partially offset by the positive impact to margin from product mix, which exceeded the impact from lower volumes.

Segment operating income for the six months ended June 30, 2022, decreased $8.3 million compared to the same period in 2021, and Segment operating margin for the six months ended June 30, 2022, decreased to 24.8% from 27.3%, due to the following:

In millions	**Operating Income**	**Operating Margin**
June 30, 2021	$ 285.8	27.3 %
Inflation in excess of pricing and productivity	(1.6)	(2.2)%
Volume / product mix	0.6	0.4 %
Currency exchange rates	(0.7)	(0.1)%
Investment spending	(6.8)	(0.6)%
Restructuring / acquisition expenses	0.2	— %
June 30, 2022	$ 277.5	24.8 %

The decrease in Segment operating income was primarily driven by inflation and productivity challenges in excess of pricing improvements, unfavorable foreign currency exchange rate movements and increased investment spending. These decreases were partially offset by favorable product mix, which exceeded the impact from lower volumes, and a year-over-year decrease in restructuring and acquisition expenses.

The decrease in Segment operating margin was primarily driven by inflation and productivity challenges in excess of pricing improvements, as well as increased investment spending and unfavorable foreign currency exchange rate movements. These decreases were partially offset by the positive impact to margin from product mix, which exceeded the impact from lower volumes.

Allegion International

Our Allegion International segment provides security products, services and solutions primarily throughout Europe, Asia and Oceania. The segment offers end-users a broad range of products, services and solutions including locks, locksets, portable locks, key systems, door closers, exit devices, doors and door systems, electronic products and access control systems, as well as time and attendance and workforce productivity solutions. This segment's primary brands are AXA, Bricard, Briton, CISA, Gainsborough, Interflex and SimonsVoss.

Net Revenues

Net revenues for the three months ended June 30, 2022, decreased by 8.5%, or $16.7 million, compared to the same period in 2021, due to the following:

Pricing	5.5 %
Volume	(3.6)%
Acquisitions	0.5 %
Currency exchange rates	(10.9)%
Total	(8.5)%

The decrease in Net revenues was driven primarily by unfavorable foreign currency exchange rate movements due to the significant strengthening of the U.S. dollar relative to most of the currencies in which we do business throughout our Allegion International segment. Lower volumes, inclusive of our discontinuing to sell into Russia and COVID-19 related lockdowns in China, also contributed to the decrease in Net revenues. These decreases were partially offset by improved pricing and the impact of a prior year acquisition.

Net revenues for the six months ended June 30, 2022, decreased by 4.3%, or $16.7 million, compared to the same period in 2021, due to the following:

Pricing	4.9 %
Volume	(0.2)%
Acquisitions / divestitures	(0.2)%
Currency exchange rates	(8.8)%
Total	(4.3)%

The decrease in Net revenues was primarily driven by unfavorable foreign currency exchange rate movements, slightly lower volumes and the prior year divestiture of our QMI business. These decreases were partially offset by improved pricing.

Operating income/margin

Segment operating income for the three months ended June 30, 2022, decreased $6.7 million compared to the same period in 2021, and Segment operating margin for the three months ended June 30, 2022, decreased to 6.3% from 9.2%, due to the following:

In millions	Operating Income	Operating Margin
June 30, 2021	$ 18.1	9.2 %
Pricing and productivity in excess of inflation	5.7	2.3 %
Volume / product mix	(4.0)	(1.8)%
Currency exchange rates	(4.1)	(1.2)%
Investment spending	(1.6)	(0.8)%
Acquisitions	0.7	0.3 %
Restructuring / acquisition expenses	(3.4)	(1.7)%
June 30, 2022	$ 11.4	6.3 %

The decreases in Segment operating income and Segment operating margin were primarily driven by unfavorable volume/product mix, unfavorable foreign currency exchange rate movements, a year-over-year increase in restructuring and acquisition expenses and increased investment spending. These decreases were partially offset by pricing and productivity improvements in excess of inflation and the impact of a prior year acquisition.

Segment operating income for the six months ended June 30, 2022, decreased $2.5 million compared to the same period in 2021, and Segment operating margin for the six months ended June 30, 2022, decreased to 8.2% from 8.5%, due to the following:

In millions	Operating Income	Operating Margin
June 30, 2021	$ 33.5	8.5 %
Pricing and productivity in excess of inflation	8.3	1.6 %
Volume / product mix	(0.8)	(0.2)%
Currency exchange rates	(7.3)	(1.1)%
Investment spending	(2.6)	(0.6)%
Acquisitions / divestitures	1.5	0.4 %
Restructuring expenses	(1.6)	(0.4)%
June 30, 2022	$ 31.0	8.2 %

The decreases in Segment operating income and Segment operating margin were primarily driven by unfavorable volume/product mix, unfavorable foreign currency exchange rate movements, a year-over-year increase in restructuring and acquisition expenses and increased investment spending. These decreases were partially offset by pricing and productivity improvements in excess of inflation, as well as the impacts of a prior year acquisition and the prior year divestiture of our QMI business.

Liquidity and Capital Resources

Liquidity Outlook, Sources and Uses

Our primary source of liquidity is cash provided by operating activities. Cash provided by operating activities is used to invest in new product development and fund capital expenditures and working capital requirements. Our ability to generate cash from our operating activities, our unused availability under our 2021 Revolving Facility and our access to the capital and credit markets enable us to fund these capital needs, execute our long-term growth strategies and return value to our shareholders. Further, our business operates with strong operating cash flows, low leverage and low capital intensity, providing financial flexibility, including sufficient access to credit markets.

As discussed above, on July 5, 2022, we completed our acquisition of the Access Technologies business. We used the net proceeds from the issuance of our 5.411% Senior Notes, together with borrowings of $340.0 million under the 2021 Revolving Facility, which was drawn on July 1, 2022, to finance the acquisition. While the financing of this acquisition has increased our leverage, we remain comfortably within all our financial covenants. Further, we do not believe this acquisition or the related financing will diminish our sound financial position or our ability to meet our short-term financing needs for at least the next 12 months.

Short-term financing needs primarily consist of working capital requirements, restructuring initiatives, capital spending, dividend payments and principal and interest payments on our long-term debt. Long-term financing needs depend largely on potential growth opportunities, including potential acquisitions, repayment or refinancing of our long-term obligations and repurchases of our ordinary shares. Based upon our operations, existing cash balances and availability under our 2021 Revolving Facility, we expect cash flows from operations to be sufficient to maintain a sound financial position and liquidity and to meet our financing needs for at least the next 12 months. Further, we do not anticipate any covenant compliance challenges with any of our outstanding indebtedness for at least the next 12 months. We also believe the availability under our 2021 Credit Facilities and access to credit and capital markets are sufficient to achieve our longer-term strategic plans.

The following table reflects the major categories of cash flows for the six months ended June 30. For additional details, see the Condensed and Consolidated Statements of Cash Flows in the Condensed and Consolidated Financial Statements.

In millions	2022	2021
Net cash provided by operating activities	$ 109.1	$ 267.5
Net cash used in investing activities	(23.9)	(18.7)
Net cash provided by (used) in financing activities	448.4	(265.1)

Operating Activities: Net cash provided by operating activities during the six months ended June 30, 2022, decreased $158.4 million compared to the same period in 2021, primarily driven by changes in working capital and decreased Net earnings.

Investing Activities: Net cash used in investing activities during the six months ended June 30, 2022, increased $5.2 million compared to the same period in 2021, primarily due to an increase in capital expenditures.

Financing Activities: Net cash provided by (used in) financing activities during the six months ended June 30, 2022, fluctuated $713.5 million compared to the same period in 2021, primarily due to the issuance of our 5.411% Senior Notes and a reduction of $138.8 million in cash used to repurchase shares.

Capitalization

Long-term debt and other borrowings consisted of the following:

In millions	June 30, 2022	December 31, 2021
2021 Term Facility	$ 243.7	$ 250.0
2021 Revolving Facility	—	—
3.200% Senior Notes due 2024	400.0	400.0
3.550% Senior Notes due 2027	400.0	400.0
3.500% Senior Notes due 2029	400.0	400.0
5.411% Senior Notes due 2032	600.0	—
Other debt	0.3	0.3
Total borrowings outstanding	2,044.0	1,450.3
Discounts and debt issuance costs, net	(13.3)	(8.2)
Total debt	2,030.7	1,442.1
Less current portion of long-term debt	12.6	12.6
Total long-term debt	$ 2,018.1	$ 1,429.5

As of June 30, 2022, we have an unsecured Credit Agreement in place, consisting of a $250.0 million term loan facility (the “2021 Term Facility”), of which $243.7 million is outstanding at June 30, 2022, and a $500.0 million revolving credit facility (the “2021 Revolving Facility” and, together with the 2021 Term Facility, the “2021 Credit Facilities”). The 2021 Credit Facilities mature on November 18, 2026. The 2021 Term Facility will amortize in quarterly installments at the following rates: 1.25% per quarter starting March 31, 2022 through March 31, 2025, 2.5% per quarter starting June 30, 2025 through September 30, 2026, with the balance due on November 18, 2026. Principal amounts repaid on the Term Facility may not be reborrowed.

The 2021 Revolving Facility provides aggregate commitments of up to $500.0 million, which includes up to $100.0 million for the issuance of letters of credit. At June 30, 2022, there were no borrowings outstanding on the 2021 Revolving Facility, and we had $7.6 million of letters of credit outstanding. However, on July 1, 2022, the Company borrowed $340.0 million on the 2021 Revolving Facility to partially fund the acquisition of the Access Technologies business. Commitments under the 2021 Revolving Facility may be reduced at any time without premium or penalty, and amounts repaid may be reborrowed.

Outstanding borrowings under the 2021 Credit Facilities accrue interest at our option of (i) a Bloomberg Short-Term Bank Yield Index ("BSBY") rate plus the applicable margin or (ii) a base rate plus the applicable margin. The applicable margin ranges from 0.875% to 1.375% depending on our credit ratings. At June 30, 2022, outstanding borrowings under the 2021 Credit Facilities accrue interest at BSBY plus a margin of 1.125%, resulting in an interest rate of 2.726%. The 2021 Credit Facilities also contain negative and affirmative covenants and events of default that, among other things, limit or restrict our ability to enter into certain transactions. In addition, the 2021 Credit Facilities require us to comply with a maximum leverage ratio as defined within the agreement. As of June 30, 2022, we were in compliance with all covenants.

On June 22, 2022, Allegion US Hold Co issued $600.0 million aggregate principal amount of its 5.411% Senior Notes. The 5.411% Senior Notes require semi-annual interest payments on January 1 and July 1, beginning January 1, 2023, and will mature on July 1, 2032. We incurred and deferred $5.9 million of discounts and financing costs associated with the 5.411% Senior Notes, which will be amortized to Interest expense over their 10-year term, as well as $4.3 million of third party costs that were recorded within Interest expense on the Condensed and Consolidated Statement of Income for the three and six months ended June 30, 2022.

As of June 30, 2022, Allegion US Hold Co has $400.0 million outstanding of its 3.200% Senior Notes due 2024 (the “3.200% Senior Notes”), $400.0 million outstanding of its 3.550% Senior Notes due 2027 (the “3.550% Senior Notes”) and $600.0 million outstanding of the 5.411% Senior Notes, while Allegion plc has $400.0 million outstanding of its 3.500% Senior Notes due 2029 (the “3.500% Senior Notes”, and all four senior notes collectively, the “Senior Notes”). The 3.200% Senior Notes, 3.550% Senior Notes and 3.500% Senior Notes all require semi-annual interest payments on April 1 and October 1 of each year and will mature on October 1, 2024, October 1, 2027 and October 1, 2029, respectively.

Historically, the majority of our earnings were considered to be permanently reinvested in jurisdictions where we have made, and intend to continue to make, substantial investments to support the ongoing development and growth of our global operations. At June 30, 2022, we analyzed our working capital requirements and the potential tax liabilities that would be incurred if certain subsidiaries made distributions and concluded that no material changes to our historic permanent reinvestment assertions are required.

Defined Benefit Plans

Our investment objective in managing defined benefit plan assets is to ensure that all present and future benefit obligations are met as they come due. We seek to achieve this goal while trying to mitigate volatility in plan funded status, contributions and expense by better matching the characteristics of the plan assets to that of the plan liabilities. Global asset allocation decisions are based on a dynamic approach whereby a plan's allocation to fixed income assets increases as the funded status increases. We monitor plan funded status, asset allocation and the impact of market conditions on our defined benefit plans regularly in addition to investment manager performance. For further details on pension plan activity, see Note 10 to the Condensed and Consolidated Financial Statements.

For a further discussion of Liquidity and Capital Resources, refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," contained in our Annual Report on Form 10-K for the year ended December 31, 2021.

Guarantor Financial Information

Allegion US Hold Co is the issuer of the 3.200% Senior Notes, 3.550% Senior Notes, and 5.411% Senior Notes and is the guarantor of the 3.500% Senior Notes. Allegion plc (the "Parent") is the issuer of the 3.500% Senior Notes and is the guarantor of the 3.200% Senior Notes, 3.550% Senior Notes, and 5.411% Senior Notes. Allegion US Hold Co is directly or indirectly 100% owned by the Parent and each of the guarantees of Allegion US Hold Co and the Parent is full and unconditional and joint and several.

The 3.200% Senior Notes, 3.550% Senior Notes, and 5.411% Senior Notes are senior unsecured obligations of Allegion US Hold Co and rank equally with all of Allegion US Hold Co's existing and future senior unsecured and unsubordinated indebtedness. The guarantee of the 3.200% Senior Notes, 3.550% Senior Notes, and 5.411% Senior Notes is the senior unsecured obligation of the Parent and ranks equally with all of the Parent's existing and future senior unsecured and unsubordinated indebtedness. The 3.500% Senior Notes are senior unsecured obligations of the Parent and rank equally with all of the Parent's existing and future senior unsecured and unsubordinated indebtedness. The guarantee of the 3.500% Senior Notes is the senior unsecured obligation of Allegion US Hold Co and ranks equally with all of Allegion US Hold Co's existing and future senior unsecured and unsubordinated indebtedness.

Each guarantee is effectively subordinated to any secured indebtedness of the Guarantor to the extent of the value of the assets securing such indebtedness. The Senior Notes are structurally subordinated to indebtedness and other liabilities of the subsidiaries of the Guarantor, none of which guarantee the notes. The obligations of the Guarantor under its Guarantee are limited as necessary to prevent such Guarantee from constituting a fraudulent conveyance under applicable law and, therefore, are limited to the amount that the Guarantor could guarantee without such Guarantee constituting a fraudulent conveyance; this limitation, however, may not be effective to prevent such Guarantee from constituting a fraudulent conveyance. If the Guarantee was rendered voidable, it could be subordinated by a court to all other indebtedness (including guarantees and other contingent liabilities) of the Guarantor, and, depending on the amount of such indebtedness, the Guarantor's liability on its Guarantee could be reduced to zero. In such an event, the notes would be structurally subordinated to the indebtedness and other liabilities of the Guarantor.

For further details, terms and conditions of the Senior Notes refer to the Company's Forms 8-K filed October 2, 2017, September 27, 2019, and June 22, 2022.

The following tables present the summarized financial information specified in Rule 1-02(bb)(1) of Regulation S-X for each issuer and guarantor. The summarized financial information has been prepared in accordance with Rule 13-01 of Regulation S-X.

Selected Condensed Statement of Comprehensive Income Information

In millions	Six months ended June 30, 2022		Year ended December 31, 2021	
	Allegion plc	Allegion US Hold Co	Allegion plc	Allegion US Hold Co
Net revenues	$ —	$ —	$ —	$ —
Gross profit	—	—	—	—
Operating loss	(3.5)	(0.3)	(6.6)	(0.5)
Equity earnings in affiliates, net of tax	228.1	66.2	521.6	173.6
Transactions with related parties and subsidiaries[(a)]	(6.8)	(42.5)	(12.5)	(85.0)
Net earnings	208.1	12.0	483.0	87.1
Net earnings attributable to the entity	208.1	12.0	483.0	87.1

(a) Transactions with related parties and subsidiaries include intercompany interest and fees.

Selected Condensed Balance Sheet Information

In millions	June 30, 2022		December 31, 2021	
	Allegion plc	Allegion US Hold Co	Allegion plc	Allegion US Hold Co
Current assets:				
Amounts due from related parties and subsidiaries	$ —	$ 749.1	$ 0.6	$ 753.7
Total current assets	5.8	1,353.5	60.8	785.5
Noncurrent assets:				
Amounts due from related parties and subsidiaries	—	1,240.9	—	1,240.9
Total noncurrent assets	1,792.7	1,300.7	1,793.1	1,292.7
Current liabilities:				
Amounts due to related parties and subsidiaries	$ 71.4	$ 275.8	$ 62.8	$ 233.9
Total current liabilities	91.4	285.2	82.6	241.3
Noncurrent liabilities:				
Amounts due to related parties and subsidiaries	488.4	2,694.5	761.8	2,660.5
Total noncurrent liabilities	1,116.8	4,094.3	1,396.5	3,466.9

Critical Accounting Policies

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon our Condensed and Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of financial statements in conformity with those accounting principles requires management to use judgments in making estimates and assumptions based on the relevant information available at the end of each period. These estimates and assumptions have a significant effect on reported amounts of assets and liabilities, revenue and expenses, as well as the disclosure of contingent assets and liabilities because they result primarily from the need to make estimates and assumptions on matters that are inherently uncertain. Actual results may differ from estimates.

Management believes there have been no significant changes during the six months ended June 30, 2022, to the items we disclosed as our critical accounting policies in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021.

Recent Accounting Pronouncements

See Note 2 to our Condensed and Consolidated Financial Statements for a discussion of recently issued and adopted accounting pronouncements.

Forward-Looking Statements

Certain statements in this report, other than purely historical information, are “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. 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: statements regarding the continued impacts of the global COVID-19 pandemic, supply chain constraints, electronic component and labor shortages, inflation, rising freight and material costs, impacts of Russia's invasion of Ukraine, including further supply chain disruptions and the increased risk of cyber-attacks in connection with such invasion, 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 currently available information and our current assumptions, expectations and projections about future events. While we believe that our assumptions, expectations and projections are reasonable in view of the currently available information, you are cautioned not to place undue reliance on our forward-looking statements. You are advised to review any further disclosures we make on related subjects in materials we file with or furnish to the SEC. Forward-looking statements speak only as of the date they are made and are not guarantees of future performance. They are subject to future events, risks and uncertainties - many of which are beyond our control - as well as potentially inaccurate assumptions, that could cause actual results to differ materially from our expectations and projections. We do not undertake to update any forward-looking statements.

Factors that might affect our forward-looking statements include, among other things:

- adverse impacts to our business operations due to the global COVID-19 pandemic and our ability to predict the full extent of such impacts;
- competitive factors in the industry in which we compete, including technological developments and increased competition from private label brands;
- the development, commercialization and acceptance of new products and services that meet the varied and evolving needs of our customers;
- the demand for our products and services, including changes in customer and consumer preferences, and our ability to maintain beneficial relationships with large customers;
- our products or solutions fail to meet certification and specification requirements, are defective or otherwise fall short of customers’ needs and expectations;
- the ability to complete and integrate any acquisitions and/or losses related to our investments in external companies;
- business opportunities that diverge from our core business;
- our ability to operate efficiently and productively;
- our ability to effectively manage and implement restructuring initiatives or other organizational changes;
- the effects of global climate change or other unexpected events, including global health crises, that may disrupt our operations;
- our ability to manage risks related to our information technology and operational technology systems and cybersecurity, including implementation of new processes that may cause disruptions and be more difficult, costly or time consuming than expected;
- our reliance on third-party vendors for many of the critical elements of our global information and operational technology infrastructure and their failure to provide effective support for such infrastructure;
- disruption and breaches of our information systems;
- ability to recruit and retain a highly qualified and diverse workforce;
- disruptions in our global supply chain, including supply chain constraints, electronic component and labor shortages and product manufacturing and logistical services provided by our supplier partners;

- availability of and increased inflation impacting the prices of raw materials, parts and components, freight, packaging, labor and energy;
- economic, political and business conditions in the markets in which we operate, including changes to trade agreements, sanctions, import and export regulations and custom duties;
- conditions of the institutional, commercial and residential construction and remodeling markets, including the impact of work-from-home trends;
- fluctuations in currency exchange rates;
- potential impairment of our goodwill, indefinite-lived intangible assets and/or our long-lived assets;
- interest rate fluctuations and other changes in borrowing costs, in addition to risks associated with our outstanding and future indebtedness;
- the impact our outstanding indebtedness may have on our business and operations and other capital market conditions, including availability of funding sources and currency exchange rate fluctuations;
- risks related to corporate social responsibility and reputational matters;
- the ability to protect our brand reputation and trademarks;
- the outcome of any litigation, governmental investigations or proceedings;
- claims of infringement of intellectual property rights by third parties;
- adverse publicity or improper conduct by any of our employees, agents or business partners;
- changes to, or changes in interpretations of, current laws and regulations;
- uncertainty and inherent subjectivity related to transfer pricing regulations;
- changes in tax requirements, including tax rate changes, the adoption of new tax legislation or exposure to additional tax liabilities and revised tax law interpretations; and
- risks related to our incorporation in Ireland, including the possible effects on us of future legislation or interpretations in the U.S. that may limit or eliminate potential U.S. tax benefits resulting from our incorporation in a non-U.S. jurisdiction, such as Ireland, or deny U.S. government contracts to us based upon our incorporation in such non-U.S. jurisdiction.

Some of the significant risks and uncertainties that could cause actual results to differ materially from our expectations and projections are described more fully in the "Risk Factors" section of this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the fiscal year ended December 31, 2021. There may also be other factors that have not been anticipated or that are not described in our periodic filings with the SEC, generally because we did not believe them to be significant at the time, which could cause results to differ materially from our expectations.

Item 3 – Quantitative and Qualitative Disclosures about Market Risk

There have been no material changes in our exposure to market risk during the second quarter of 2022. For a discussion of the Company's exposure to market risk, refer to Part II, Item 7A, "Quantitative and Qualitative Disclosures About Market Risk," contained in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Item 4 – Controls and Procedures

The Company's management, including its Chief Executive Officer and Chief Financial Officer, have conducted an evaluation of the effectiveness of disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded as of June 30, 2022, that the disclosure controls and procedures are effective in ensuring that all material information required to be filed in this Quarterly Report on Form 10-Q has been recorded, processed, summarized and reported when required and the information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There have not been any changes in the Company's internal control over financial reporting that occurred during the second quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1 – Legal Proceedings

In the normal course of business, we are involved in a variety of lawsuits, claims and legal proceedings, including commercial and contract disputes, labor and employment matters, product liability claims, environmental liabilities, antitrust and trade regulation matters, intellectual property disputes and tax-related matters. In our opinion, pending legal matters are not expected to have a material adverse impact on our results of operations, financial condition, liquidity or cash flows.

Item 1A – Risk Factors

There have been no material changes to our risk factors contained in our Annual Report on Form 10-K for the period ended December 31, 2021. For a further discussion of our Risk Factors, refer to the “Risk Factors” discussion contained in our Annual Report on Form 10-K for the year ended December 31, 2021.

Item 2 - Unregistered Sales of Equity Securities and Use of Proceeds

Issuer Purchases of Equity Securities

Period	Total number of shares purchased (000s)	Average price paid per share	Total number of shares purchased as part of the 2020 Share Repurchase Authorization (000s)	Approximate dollar value of shares still available to be purchased under the 2020 Share Repurchase Authorization (000s)
April 1 - April 30	—	—	—	140,454
May 1 - May 31	—	—	—	140,454
June 1 - June 30	—	—	—	140,454
Total	—	$ —	—	$ 140,454

On February 6, 2020, our Board of Directors approved a share repurchase authorization of up to, and including, $800 million of the Company’s ordinary shares (the "2020 Share Repurchase Authorization"). The 2020 Share Repurchase Authorization does not have a prescribed expiration date. Based on market conditions, share repurchases are made from time to time in the open market at the discretion of management.

Item 6 – Exhibits

(a) Exhibits

Exhibit No.	Description	Method of Filing
3.1	Amended and restated Memorandum and Articles of Association of Allegion plc.	Incorporated by reference to Exhibit 3.1 to the Company's Form 8-K filed with the SEC on June 13, 2016 (File No. 001-35971).
4.2	Fourth Supplemental Indenture dated as of June 22, 2022, among Allegion plc, Allegion US Holding Company Inc., and Computershare Trust Company, N.A., as successor to Wells Fargo Bank, National Association	Incorporated by reference to Exhibit 4.2 to the Company's Form 8-K filed with the SEC on June 22, 2022 (File No. 001-35971).
4.3	Form of Global Note representing the 5.411% Senior Notes due 2032.	Incorporated by reference to Exhibit 4.3 to the Company's Form 8-K filed with the SEC on June 22, 2022 (File No. 001-35971).
10.1	Transaction Agreement, dated as of April 22, 2022, by and between Allegion US Holding Company Inc., Stanley Black & Decker, Inc., Stanley Black & Decker Canada Corporation, various selling entities thereto and Stanley Access Technologies LLC.	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on April 22, 2022 (File No. 001-35971).
10.2	John H. Stone Offer Letter, dated May 24, 2022. *	Incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed with the SEC on May 31, 2022 (File No.001-35971).
10.3	Form of Non-Employee Director Restricted Stock Unit Award Agreement. *	Filed herewith.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	Filed herewith.
32.1	Certifications of Chief Executive Officer and Chief Financial Officer Pursuant to Rule 13a-14(b) or Rule 15d-14(b) and 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	Furnished herewith.
101.INS	XBRL Instance Document.	The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.	Filed herewith.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.	Filed herewith.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.	Filed herewith.
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document.	Filed herewith.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.	Filed herewith.
104	Cover Page Interactive Data File.	Formatted as Inline XBRL and contained in Exhibit 101.
	* Compensatory plan or arrangement.	

ALLEGION PLC

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ALLEGION PLC
(Registrant)

Date: July 28, 2022	/s/ Michael J. Wagnes **Michael J. Wagnes, Senior Vice President and Chief Financial Officer Principal Financial Officer**
Date: July 28, 2022	/s/ Nickolas A. Musial **Nickolas A. Musial, Vice President, Controller and Chief Accounting Officer Principal Accounting Officer**

Allegion plc
Incentive Stock Plan of 20__

Restricted Stock Unit Award Agreement - Director
Dated as of [_______] ("Grant Date")

Allegion plc (the "Company") hereby grants to [_______] ("Participant") a restricted stock unit award (the "RSUs") with respect to [_______] ordinary shares of the Company (the "Shares"), pursuant to and subject to the terms and conditions set forth in the Company's Incentive Stock Plan of 20__ (the "Plan") and to such further terms and conditions set forth in this Restricted Stock Unit Award Agreement (the "Award Agreement"), including any appendix to the Award Agreement for Participant's country (the "Appendix"). Unless otherwise defined herein, the terms defined in the Plan shall have the same meanings in this Award Agreement.

1. <u>Vesting and Issuance of Shares</u>.

(a) Participant's right to receive Shares subject to the RSUs shall vest on the first anniversary of the Grant Date (the "Vesting Date"), subject to Participant's continued service as a member of the Board on the Vesting Date.

(b) If Participant's service as a member of the Board terminates by reason of retirement, death or disability, the Shares subject to the RSUs that have not yet vested shall vest as of the date of such termination. If Participant's service as a member of the Board terminates for any reason other than retirement, death or disability, all unvested RSUs shall be immediately forfeited as of the date of such termination.

(c) The Company shall cause to be issued to Participant Shares with respect to the RSUs that become vested within 30 days of the earlier of the Vesting Date or, if the RSUs become vested pursuant to Section 1(b) above, the date that the Participant experiences a "separation from service" within the meaning of Section 409A of the Code, or in the case of Participant's death, within such period as permitted under Section 409A of the Code. Such Shares shall be fully paid and non-assessable. Participant will not have any of the rights or privileges of a shareholder of the Company in respect of any Shares subject to the RSUs unless and until such Shares have been issued to Participant.

2. <u>Dividend Equivalents</u>.

Participant shall be entitled to receive an amount equal to any cash dividend paid by the Company upon one Share for each RSU held by Participant when such dividend is paid ("Dividend Equivalent"), provided that (a) Participant shall have no right to receive the Dividend Equivalents unless and until the associated RSUs vest, (b) Dividend Equivalents shall not accrue interest and (c) Dividend Equivalents shall be paid in cash at the time that the associated RSUs are settled in accordance with Section 1(c) above.

3. <u>Taxes</u>.

Regardless of any action the Company and/or an Affiliate take with respect to any and all federal, state, local or other tax related to Participant's participation in the Plan and legally applicable to Participant ("Tax-Related Items"), Participant acknowledges that the ultimate liability for all Tax-Related Items is and remains Participant's responsibility. To satisfy any withholding obligations of the Company or an Affiliate with respect to Tax-Related Items, the Company will withhold Shares otherwise issuable upon settlement of the RSUs. The Company may withhold for Tax-Related Items by considering applicable minimum statutory withholding amounts or other applicable withholding rates.

Alternatively, or in addition, the Company may satisfy such withholding obligations by

(a) withholding from any cash compensation paid to Participant by the Company or an Affiliate,

(b) withholding from proceeds of the sale of Shares acquired upon settlement of the RSUs either through a voluntary sale or through a mandatory sale arranged by the Company (on Participant's behalf pursuant to this authorization without further consent),

(c) requiring Participant to tender a cash payment to the Company or an Affiliate in the amount of the Tax-Related Items, or

(d) any other method of withholding determined by the Company to be permitted under the Plan;

provided, however, that the withholding methods described in this Section 3 (a), (b), (c) and (d) will only be used if the Committee (as constituted to satisfy Rule 16b-3 of the Act) determines, in advance of the applicable withholding event, that one of these withholding methods will be used in lieu of withholding Shares. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with his or her obligations in connection with the Tax-Related Items.

4. Recoupment Provision.

In the event that Participant commits fraud or engages in intentional misconduct that results in a need for the Company to restate its financial statements, then the Committee may direct the Company to (a) cancel any outstanding portion of the RSUs and (b) recover all or a portion of the financial gain realized by Participant through the RSUs.

5. Nature of Grant.

In accepting the RSUs, Participant acknowledges, understands and agrees that:

(d) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be amended, altered or discontinued by the Company at any time, to the extent permitted by the Plan;

(a) the grant of the RSUs is voluntary and occasional and does not create any contractual or other right to receive future grants of restricted stock units, or benefits in lieu of restricted stock units, even if restricted stock units have been granted in the past;

(b) all decisions with respect to future restricted stock unit grants, if any, will be at the sole discretion of the Company;

(c) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(d) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from Participant ceasing to provide services to the Company or from cancellation of the RSUs or recoupment of any financial gain resulting from the RSUs as described in Section 4 of the Award Agreement and, in consideration of the grant of the RSUs to which Participant is otherwise not entitled, Participant irrevocably agrees never to institute any claim against the Company, waives the ability, if any, to bring any such claim and releases the Company and any Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, Participant will be deemed irrevocably to have agreed not to pursue such claim and agrees to execute any and all documents necessary to request dismissal or withdrawal of such claims; and

(e) unless otherwise provided in the Plan or by the Company, in its discretion, the RSUs and the benefits evidenced by the Award Agreement do not create any entitlement to have the RSUs or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares.

6. Data Privacy.

Participant understands that the Company may collect, use, store, and otherwise process certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, any shares of stock or directorships held in the Company, details of all RSUs or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor, for the purpose of implementing, administering and managing the Plan ("Data").

Participant understands that Data will be transferred to UBS or such other stock plan service provider as may be selected by the Company in the future, which is assisting the Company with the implementation, administration and management of the Plan. Participant understands that the recipients of Data may be located in the United States or elsewhere, and that the recipients' country (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that he or she may request a list of any recipients of Data by contacting the Secretary of the Company. Participant authorizes the Company, UBS and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the purpose of implementing, administering and managing Participant's participation in the Plan. Participant understands that Data will be retained only as long as is necessary to implement, administer and manage Participant's participation in the Plan or as otherwise required by applicable law. Participant understands that he or she may be entitled under applicable law to request to view Data, request additional information about the storage and processing of Data, make any necessary amendments to Data, in any case without cost, by contacting in writing the Secretary of the Company.

7. Choice of Law and Venue.

The RSU grant and the provisions of this Award Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to such state's conflict of laws or provisions, as provided in the Plan. For purposes of litigating any dispute that arises under this grant or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of Delaware and agree that such litigation shall be conducted in the courts of New Castle County, Delaware, or the federal courts for the United States for the District of Delaware, where this grant is made and/or to be performed

8. Severability.

The provisions of this Award Agreement are severable and if any one or more provisions are determined to be illegal or otherwise unenforceable, in whole or in part, the remaining provisions shall nevertheless be binding and enforceable.

9. Imposition of Other Requirements.

This grant is subject to, and limited by, all applicable laws and regulations and to such approvals by any governmental agencies or national securities exchanges as may be required. Participant agrees that the Company shall have unilateral authority to amend the Plan and this Award Agreement without Participant's consent to the extent necessary to comply with securities or other laws applicable to the issuance of Shares. The Company reserves the right to impose other requirements on Participant's participation in the Plan, on the RSUs and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

10. Waiver.

Participant acknowledges that a waiver by the Company of breach of any provision of the Award Agreement shall not operate or be construed as a waiver of any other provision of this Award Agreement, or of any subsequent breach by Participant or any other participant in the Plan.

11. Electronic Delivery and Participation.

The Company may, in its sole discretion, decide to deliver any documents related to participation in the Plan by electronic means.

12. Country-Specific Terms and Conditions.

The RSUs and the Shares subject to the RSUs shall be subject to any special terms and conditions set forth in the Appendix if Participant resides outside the United States. Moreover, if Participant relocates outside the United States, the special terms and conditions set forth in the Appendix will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Award Agreement.

13. Acknowledgement & Acceptance within 120 Days.

This grant is subject to acceptance, within 120 days of the Grant Date, by written notice to the Secretary of the Company. **Failure to accept the RSUs within 120 days of the Grant Date may result in cancellation of the RSUs.**

Signed for and on behalf of the Company:

[___________________________]
Chairman and Chief Executive Officer
Allegion plc

Acknowledged and Accepted by Participant:

___________________________________ Date ______________
Signature

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

Allegion plc
Incentive Stock Plan of 20__

Appendix to the
Restricted Stock Unit Award Agreement - Director

This Appendix includes special terms and conditions applicable to Participant if Participant resides outside the United States. These terms and conditions supplement or replace (as indicated) the terms and conditions set forth in the Restricted Stock Unit Award Agreement (the "Award Agreement"). Unless otherwise defined herein, the terms defined in the Plan or the Award Agreement, as applicable, shall have the same meanings in this Appendix.

This Appendix also includes information relating to exchange control and other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of November 2014. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the information herein as the only source of information relating to the consequences of participation in the Plan because the information may be out of date at the time the RSUs vest or the Shares acquired under the Plan are sold.

In addition, the information is general in nature and may not apply to Participant's particular situation. The Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in his or her country may apply to his or her situation.

A. General Provisions for Non-U.S. Participants

In accepting the RSUs, Participant acknowledges, understands and agrees that:

(a) neither the Company nor any Affiliate shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the RSUs or of any amounts due to Participant pursuant to the settlement of the RSUs or the subsequent sale of any Shares acquired upon settlement.

B. Country-Specific provisions for Non-U.S. Participants

N/A

Exhibit 31.1

CERTIFICATION

I, John H. Stone, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Allegion plc for the three and six months ended June 30, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

/s/ John H. Stone

John H. Stone

Principal Executive Officer

Exhibit 31.2

CERTIFICATION

I, Michael J. Wagnes, certify that:

1. I have reviewed the Quarterly Report on Form 10-Q of Allegion plc for the three and six months ended June 30, 2022;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 28, 2022

/s/ Michael J. Wagnes
Michael J. Wagnes
Principal Financial Officer

Exhibit 32.1

Section 1350 Certifications
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Allegion plc (the Company), does hereby certify that:

The Quarterly Report on Form 10-Q for the three and six months ended June 30, 2022 (the Form 10-Q) of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John H. Stone
John H. Stone
Principal Executive Officer
July 28, 2022

/s/ Michael J. Wagnes
Michael J. Wagnes
Principal Financial Officer
July 28, 2022