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 September 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™

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 October 24, 2022 was 87,844,822.

ALLEGION PLC

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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 September 30, 2022	Three months ended September 30, 2021	Nine months ended September 30, 2022	Nine months ended September 30, 2021
Net revenues	$ 913.7	$ 717.0	$ 2,410.4	$ 2,158.2
Cost of goods sold	545.7	416.5	1,438.7	1,239.8
Selling and administrative expenses	205.1	162.1	544.7	503.3
Operating income	162.9	138.4	427.0	415.1
Interest expense	23.1	12.3	52.2	37.0
Loss on divestitures	7.6	—	7.6	—
Other income, net	(1.5)	(14.7)	(7.1)	(21.4)
Earnings before income taxes	133.7	140.8	374.3	399.5
Provision for (benefit from) income taxes	19.1	(2.8)	51.4	28.9
Net earnings	114.6	143.6	322.9	370.6
Less: Net earnings attributable to noncontrolling interests	—	0.1	0.2	0.4
Net earnings attributable to Allegion plc	$ 114.6	$ 143.5	$ 322.7	$ 370.2
Earnings per share attributable to Allegion plc ordinary shareholders:				
Basic net earnings	$ 1.30	$ 1.60	$ 3.67	$ 4.11
Diluted net earnings	$ 1.30	$ 1.59	$ 3.65	$ 4.08
Weighted-average shares outstanding:				
Basic	87.9	89.7	88.0	90.1
Diluted	88.2	90.3	88.4	90.7
Total comprehensive income	$ 46.3	$ 121.2	$ 183.8	$ 326.7
Less: Total comprehensive (loss) income attributable to noncontrolling interests	(0.4)	—	(0.8)	0.4
Total comprehensive income attributable to Allegion plc	$ 46.7	$ 121.2	$ 184.6	$ 326.3

See accompanying notes to condensed and consolidated financial statements.

Allegion plc

Condensed and Consolidated Balance Sheets

(Unaudited)

In millions, except share amounts		September 30, 2022		December 31, 2021
ASSETS				
Current assets:				
Cash and cash equivalents	$	282.2	$	397.9
Accounts and notes receivable, net		422.5		283.3
Inventories		477.9		380.4
Other current assets		53.3		56.0
Total current assets		1,235.9		1,117.6
Property, plant and equipment, net		290.7		283.7
Goodwill		1,373.5		803.8
Intangible assets, net		599.7		447.5
Other noncurrent assets		443.5		398.4
Total assets	$	3,943.3	$	3,051.0
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable	$	266.4	$	259.1
Accrued expenses and other current liabilities		410.2		329.5
Short-term borrowings and current maturities of long-term debt		12.6		12.6
Total current liabilities		689.2		601.2
Long-term debt		2,214.5		1,429.5
Other noncurrent liabilities		246.0		257.9
Total liabilities		3,149.7		2,288.6
Equity:				
Allegion plc shareholders’ equity:				
Ordinary shares, $0.01 par value (87,844,572 and 88,215,625 shares issued and outstanding at September 30, 2022 and December 31, 2021, respectively)		0.9		0.9
Capital in excess of par value		9.2		—
Retained earnings		1,113.7		952.6
Accumulated other comprehensive loss		(332.5)		(194.4)
Total Allegion plc shareholders’ equity		791.3		759.1
Noncontrolling interests		2.3		3.3
Total equity		793.6		762.4
Total liabilities and equity	$	3,943.3	$	3,051.0

See accompanying notes to condensed and consolidated financial statements.

Allegion plc

Condensed and Consolidated Statements of Cash Flows

(Unaudited)

In millions	Nine months ended September 30, 2022	2021
Cash flows from operating activities:		
Net earnings	$ 322.9	$ 370.6
Adjustments to arrive at net cash provided by operating activities:		
Depreciation and amortization	69.6	62.0
Loss on divestitures	7.1	—
Changes in assets and liabilities and other non-cash items	(132.5)	(76.2)
Net cash provided by operating activities	267.1	356.4
Cash flows from investing activities:		
Capital expenditures	(41.5)	(28.7)
Acquisition of and equity investments in businesses, net of cash acquired	(923.1)	(6.5)
Proceeds from sale of equity method investment	—	7.6
Other investing activities, net	(1.3)	12.7
Net cash used in investing activities	(965.9)	(14.9)
Cash flows from financing activities:		
Debt repayments, net	(9.4)	(0.1)
Proceeds from revolving facility	340.0	—
Repayments of revolving facility	(141.0)	—
Proceeds from issuance of senior notes	600.0	—
Net proceeds from (repayments of) debt	789.6	(0.1)
Debt financing costs	(10.2)	—
Dividends paid to ordinary shareholders	(107.9)	(96.9)
Repurchase of ordinary shares	(61.0)	(212.7)
Other financing activities, net	(4.4)	0.4
Net cash provided by (used in) financing activities	606.1	(309.3)
Effect of exchange rate changes on cash and cash equivalents	(23.0)	(8.7)
Net (decrease) increase in cash and cash equivalents	(115.7)	23.5
Cash and cash equivalents - beginning of period	397.9	480.4
Cash and cash equivalents - end of period	$ 282.2	$ 503.9

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 as such, applied this new guidance to the Access Technologies business combination (see Note 3), which did not result in a material impact to the Condensed and Consolidated Financial Statements for the three and nine months ended September 30, 2022.

NOTE 3 - ACQUISITIONS

On July 5, 2022, the Company, through its subsidiaries, completed the 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 total preliminary cash consideration paid for the acquisition was $923.1 million, and the acquisition was accounted for as a business combination.

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 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 has been integrated into the Allegion Americas segment.

The following table summarizes the preliminary allocation of the purchase price to assets acquired and liabilities assumed as of the acquisition date:

In millions		
Accounts receivable, net	$	78.2
Inventories		50.3
Other current assets		0.3
Property, plant and equipment		15.2
Goodwill		616.0
Intangible assets		222.5
Other noncurrent assets		13.7
Accounts payable		(22.4)
Accrued expenses and other current liabilities		(43.1)
Other noncurrent liabilities		(7.6)
Total net assets acquired and liabilities assumed	$	923.1

The valuation of assets acquired and liabilities assumed has not yet been finalized as of September 30, 2022. Finalization of the valuation during the measurement period could result in a change in the amounts recorded for acquired tangible and intangible assets, goodwill and income tax assets and liabilities, among other items. The completion of the valuation will occur no later than one year from the acquisition date. Intangible assets recognized as of the acquisition date were comprised of the following:

In millions	Value (in millions)		Useful life (in years)
Completed technologies/patents	$	6.2	5
Customer relationships		137.4	23
Trade names (finite-lived)		56.8	5
Backlog revenue		22.1	2

Goodwill results from several factors, including Allegion-specific synergies that were excluded from the cash flow projections used in the valuation of intangible assets and intangible assets that do not qualify for separate recognition, such as an assembled workforce. Goodwill resulting from this acquisition is expected to be deductible for tax purposes.

The following unaudited pro forma financial information for the three and nine months ended September 30, 2022 and 2021, reflects the consolidated results of operations of the Company as if this acquisition had taken place on January 1, 2021:

	Three months ended				Nine months ended			
In millions	2022		2021		2022		2021	
Net revenues	$	913.7	$	802.7	$	2,587.5	$	2,407.6
Net earnings attributable to Allegion plc		135.5		140.7		340.1		330.2

The unaudited pro forma financial information is presented for informational purposes only and does not purport to be indicative of results of operations that would have occurred had the pro forma events taken place on the date indicated or the future consolidated results of operations of the combined company. The unaudited pro forma financial information has been calculated after applying the Company's accounting policies and adjusting the historical financial results to reflect additional items directly attributable to the acquisition that would have been incurred assuming the acquisition had occurred on January 1, 2021. Adjustments to historical financial information for the three and nine months ended September 30 include:

	Three months ended				Nine months ended			
In millions	2022		2021		2022		2021	
Intangible asset amortization expense, net of tax	$	1.7	$	(5.0)	$	(10.1)	$	(18.3)
Interest expense, net of tax		1.6		(6.2)		(10.7)		(21.4)
Acquisition and integration costs, net of tax		13.5		—		19.4		(19.4)
Inventory fair value step-up amortization, net of tax		4.1		—		4.1		(4.1)

The following financial information reflects the Net revenues and Loss before income taxes generated by the Access Technologies business since the acquisition date included within the Company's Condensed and Consolidated Statements of Comprehensive Income:

In millions	Three and nine months ended September 30, 2022
Net revenues	$ 88.7
Loss before income taxes	(3.3)

Intangible asset amortization of $9.0 million and amortization of $5.5 million related to a fair value of inventory step-up are included in the Loss before income taxes amount presented above, while acquisition and integration related expenses and Interest expense related to acquisition financing, are excluded from this amount. During the three and nine months ended September 30, 2022, the Company incurred $18.6 million and $27.4 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 anticipates future integration expenses related to the Access Technologies business acquisition in the fourth quarter of 2022, which are not expected to exceed $5 million.

NOTE 4 - 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	September 30, 2022	December 31, 2021
Raw materials	$ 193.1	$ 144.4
Work-in-process	44.9	42.2
Finished goods	239.9	193.8
Total	$ 477.9	$ 380.4

NOTE 5 - GOODWILL

The changes in the carrying amount of goodwill for the nine months ended September 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
Acquisitions and adjustments	616.0	—	616.0
Currency translation	(6.1)	(40.2)	(46.3)
September 30, 2022 (net)	$ 1,111.1	$ 262.4	$ 1,373.5

NOTE 6 - INTANGIBLE ASSETS

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

	September 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	$ 60.7	$ (29.0)	$ 31.7	$ 57.9	$ (28.8)	$ 29.1
Customer relationships	488.9	(139.3)	349.6	395.9	(141.6)	254.3
Trade names (finite-lived)	128.9	(54.1)	74.8	84.0	(56.9)	27.1
Other	66.8	(28.9)	37.9	45.8	(22.7)	23.1
Total finite-lived intangible assets	745.3	$ (251.3)	494.0	583.6	$ (250.0)	333.6
Trade names (indefinite-lived)	105.7		105.7	113.9		113.9
Total	$ 851.0		$ 599.7	$ 697.5		$ 447.5

Intangible asset amortization expense was $32.6 million and $25.2 million for the nine months ended September 30, 2022 and 2021, respectively. Intangible asset amortization expense for the nine months ended September 30, 2022, included $9.0 million related to intangible assets acquired as part of the recent Access Technologies business acquisition.

Future estimated amortization expense on existing intangible assets in each of the next five years amounts to approximately $44.5 million for full year 2022, $56.4 million for 2023, $51.7 million for 2024, $46.1 million for 2025 and $43.1 million for 2026.

NOTE 7 - DIVESTITURES

In September 2022, the Company sold Milre Systek Co. Ltd. ("Milre") in South Korea for an immaterial amount. As a result of the sale, the Company recorded a Loss on divestiture of $7.6 million, of which $1.6 million related to the reclassification of accumulated foreign currency translation adjustments to earnings upon sale. This divestiture is not expected to have a material impact on the Company's future results of operations or cash flows.

NOTE 8 - DEBT AND CREDIT FACILITIES

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

In millions	September 30, 2022	December 31, 2021
2021 Term Facility	$ 240.6	$ 250.0
2021 Revolving Facility	199.0	—
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	0.2	0.3
Total borrowings outstanding	2,239.8	1,450.3
Discounts and debt issuance costs, net	(12.7)	(8.2)
Total debt	2,227.1	1,442.1
Less current portion of long-term debt	12.6	12.6
Total long-term debt	$ 2,214.5	$ 1,429.5

Unsecured Credit Facilities

As of September 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 $240.6 million was outstanding at September 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 $9.4 million of principal on its 2021 Term Facility during the nine months ended September 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. 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. The Company has subsequently made $141.0 million in repayments, resulting in $199.0 million of borrowings outstanding on the 2021 Revolving Facility as of September 30, 2022. The Company also had $7.6 million of letters of credit outstanding. 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 September 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 4.241%. 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 September 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 due 2032 (the “5.411% Senior Notes”) to partially fund the acquisition of the Access Technologies business, in addition to the $340.0 million drawn on the 2021 Revolving Facility, as discussed above. 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 nine months ended September 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 September 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 9 - FINANCIAL INSTRUMENTS

Currency Hedging Instruments

The gross notional amount of the Company’s currency derivatives was $168.1 million and $164.9 million at September 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 (Level 2 inputs under the fair value hierarchy described in Note 12), nor the balances included in Accumulated other comprehensive loss were material as of September 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 loss during the three or nine months ended September 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 September 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 10 - LEASES

Total rental expense for the nine months ended September 30, 2022 and 2021, was $34.9 million and $33.6 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 $7.0 million and $6.0 million, respectively, for the nine months ended September 30, 2022 and 2021. No material lease costs have been capitalized on the Condensed and Consolidated Balance Sheets as of September 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:

		September 30, 2022			December 31, 2021		
In millions	Balance Sheet classification	Real estate	Equipment	Total	Real estate	Equipment	Total
ROU asset	Other noncurrent assets	$ 70.9	$ 28.4	$ 99.3	$ 58.2	$ 31.7	$ 89.9
Lease liability - current	Accrued expenses and other current liabilities	17.5	13.4	30.9	15.5	13.6	29.1
Lease liability - noncurrent	Other noncurrent liabilities	56.6	15.0	71.6	45.1	18.2	63.3
Other information:							
Weighted-average remaining term (years)		5.9	2.5		6.5	2.8	
Weighted-average discount rate		3.4 %	1.9 %		3.4 %	2.1 %	

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

	2022			2021		
In millions	Real estate	Equipment	Total	Real estate	Equipment	Total
Cash paid for amounts included in the measurement of lease liabilities	$ 15.3	$ 12.6	$ 27.9	$ 14.7	$ 12.9	$ 27.6
ROU assets obtained in exchange for new lease liabilities	31.3	8.6	39.9	12.0	8.8	20.8

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 September 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 September 30, 2022, are as follows:

In millions	Remainder of 2022	2023	2024	2025	2026	Thereafter	Total
Real estate leases	$ 4.9	$ 19.3	$ 15.4	$ 13.0	$ 9.9	$ 20.0	$ 82.5
Equipment leases	3.9	12.9	7.9	3.6	0.6	0.1	29.0
Total	$ 8.8	$ 32.2	$ 23.3	$ 16.6	$ 10.5	$ 20.1	$ 111.5

The difference between the total undiscounted minimum lease payments and the combined current and noncurrent lease liabilities as of September 30, 2022, is due to imputed interest of $9.0 million.

NOTE 11 - 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 nine months ended September 30 were as follows:

	U.S.			
	Three months ended		Nine months ended	
In millions	2022	2021	2022	2021
Service cost	$ 1.7	$ 1.6	$ 4.6	$ 5.0
Interest cost	2.1	1.7	6.1	5.1
Expected return on plan assets	(3.3)	(3.6)	(10.1)	(10.5)
Administrative costs and other	0.2	0.3	0.8	0.9
Net amortization of:				
Prior service costs	—	0.1	0.1	0.2
Plan net actuarial losses	0.3	0.8	0.8	2.6
Net periodic pension benefit cost	$ 1.0	$ 0.9	$ 2.3	$ 3.3

	Non-U.S.			
	Three months ended		Nine months ended	
In millions	2022	2021	2022	2021
Service cost	$ 0.4	$ 0.6	$ 1.1	$ 1.7
Interest cost	1.8	1.3	5.4	3.8
Expected return on plan assets	(3.9)	(3.4)	(11.7)	(10.3)
Administrative costs and other	0.4	0.4	1.2	1.4
Net amortization of:				
Prior service costs	—	—	0.1	0.1
Plan net actuarial losses	0.2	0.4	0.6	1.1
Net periodic pension benefit income	$ (1.1)	$ (0.7)	$ (3.3)	$ (2.2)

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 nine months ended September 30, 2022 and 2021. Contributions of approximately $5 million are expected during the remainder of 2022.

NOTE 12 - 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 September 30, 2022, were as follows:

	Fair value measurements			
In millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total fair value
Recurring fair value measurements				
Assets:				
Investments	$ —	$ 19.1	$ —	$ 19.1
Total asset recurring fair value measurements	$ —	$ 19.1	$ —	$ 19.1
Liabilities:				
Deferred compensation and other retirement plans	$ —	$ 19.2	$ —	$ 19.2
Total liability recurring fair value measurements	$ —	$ 19.2	$ —	$ 19.2
Financial instruments not carried at fair value				
Total debt	$ —	$ 2,064.2	$ —	$ 2,064.2
Total financial instruments not carried at fair value	$ —	$ 2,064.2	$ —	$ 2,064.2

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

	Fair value measurements			
In millions	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	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 September 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 September 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 13 - EQUITY

The changes in the components of Equity for the nine months ended September 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
Net earnings	114.6	—	—	—	114.6	—	—
Other comprehensive loss, net	(68.3)	—	—	—	—	(67.9)	(0.4)
Share-based compensation activity	3.8	—	—	3.8	—	—	—
Dividends to noncontrolling interests	(0.1)	—	—	—	—	—	(0.1)
Dividends to ordinary shareholders ($0.41 per share)	(36.1)	—	—	—	(36.1)	—	—
Balance at September 30, 2022	$ 793.6	$ 0.9	87.8	$ 9.2	$ 1,113.7	$ (332.5)	$ 2.3

The changes in the components of Equity for the nine months ended September 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
Net earnings	143.6	—	—	—	143.5	—	0.1
Other comprehensive loss, net	(22.4)	—	—	—	—	(22.3)	(0.1)
Repurchase of ordinary shares	(12.9)	—	(0.1)	(1.4)	(11.5)	—	—
Share-based compensation activity	4.2	—	—	4.2	—	—	—
Dividends to ordinary shareholders ($0.36 per share)	(32.3)	—	—	—	(32.3)	—	—
Balance at September 30, 2021	$ 867.6	$ 0.9	89.7	$ 2.8	$ 1,061.5	$ (201.0)	$ 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 nine months ended September 30, 2022 and 2021, the Company paid $61.0 million and $212.7 million, respectively, to repurchase the ordinary shares reflected in the tables above on the open market under the 2020 Share Repurchase Authorization. As of September 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 nine months ended September 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	8.8	10.0	(159.8)	(141.0)
Amounts reclassified from accumulated other comprehensive loss[(a)]	(0.1)	1.3	1.6	2.8
Tax (expense) benefit	(0.6)	0.7	—	0.1
September 30, 2022	$ 9.0	$ (84.0)	$ (257.5)	$ (332.5)

The changes in Accumulated other comprehensive loss for the nine months ended September 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	2.8	1.5	(50.8)	(46.5)
Amounts reclassified from accumulated other comprehensive loss[(a)]	(0.2)	3.5	—	3.3
Tax expense	(0.7)	—	—	(0.7)
September 30, 2021	$ 1.0	$ (115.3)	$ (86.7)	$ (201.0)

(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. Amounts reclassified from Accumulated other comprehensive loss and recognized into Net earnings related to foreign currency items are recorded in Loss on divestitures.

NOTE 14 - 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 nine months ended September 30:

	Three months ended		Nine months ended	
In millions	2022	2021	2022	2021
Stock options	$ 0.4	$ 0.5	$ 3.8	$ 3.7
RSUs	2.2	2.2	11.7	10.1
PSUs	1.5	0.5	4.5	4.4
Deferred compensation	(0.5)	(0.1)	(3.6)	1.3
Pre-tax expense	3.6	3.1	16.4	19.5
Tax benefit	(0.4)	(0.4)	(1.3)	(2.4)
After-tax expense	$ 3.2	$ 2.7	$ 15.1	$ 17.1

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 nine months ended September 30 were as follows:

	2022		2021	
	Number granted	Weighted-average fair value per award	Number granted	Weighted-average fair value per award
Stock options	234,809	$ 28.24	179,743	$ 24.99
RSUs	176,003	$ 112.07	130,126	$ 112.21

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

	2022	2021
Dividend yield	1.46 %	1.32 %
Volatility	27.12 %	27.14 %
Risk-free rate of return	2.13 %	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 nine months ended September 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 15 - RESTRUCTURING ACTIVITIES

During the nine months ended September 30, 2022 and 2021, the Company recorded $3.1 million and $3.8 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 nine months ended September 30, 2022, were as follows:

In millions	Total
December 31, 2021	$ 0.4
Additions, net of reversals	3.1
Cash payments	(3.2)
Currency translation	(0.1)
September 30, 2022	$ 0.2

The Company also incurred other non-qualified restructuring charges of $1.6 million during the nine months ended September 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 16 - OTHER INCOME, NET

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

	Three months ended		Nine months ended	
In millions	2022	2021	2022	2021
Interest income	$ (0.4)	$ (0.3)	$ (0.6)	$ (0.4)
Foreign currency exchange loss	—	0.8	1.9	2.0
Earnings from equity method investments, net	—	(6.3)	(0.6)	(6.0)
Net periodic pension and postretirement benefit income, less service cost	(2.1)	(2.1)	(7.1)	(6.0)
Other	1.0	(6.8)	(0.7)	(11.0)
Other income, net	$ (1.5)	$ (14.7)	$ (7.1)	$ (21.4)

Other income, net for the three and nine months ended September 30, 2021, included a gain of $6.4 million from the sale of the Company's interest in an equity method affiliate, which is included within Earnings from equity method investments, net in the table above.

NOTE 17 - INCOME TAXES

The effective income tax rates for the three months ended September 30, 2022 and 2021, were 14.3% and (2.0)%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the favorable resolutions of uncertain tax positions and other discrete tax benefits in 2021 that have not recurred in 2022, changes in jurisdictional tax rates, the mix of income earned in higher tax rate jurisdictions and the unfavorable tax impact from the divestiture of Milre.

The effective income tax rates for the nine months ended September 30, 2022 and 2021, were 13.7% and 7.2%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the favorable resolutions of uncertain tax positions and other discrete tax benefits in 2021 that have not recurred in 2022, changes in jurisdictional tax rates, the mix of income earned in higher tax rate jurisdictions and the unfavorable tax impact from the divestiture of Milre.

NOTE 18 - 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 nine months ended September 30:

	Three months ended		Nine months ended	
In millions	2022	2021	2022	2021
Weighted-average number of basic shares	87.9	89.7	88.0	90.1
Shares issuable under share-based compensation plans	0.3	0.6	0.4	0.6
Weighted-average number of diluted shares	88.2	90.3	88.4	90.7

At September 30, 2022, 0.5 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 19 - NET REVENUES

The following tables show the Company's Net revenues related to both tangible product sales and services for the three and nine months ended September 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 September 30, 2022			Nine months ended September 30, 2022		
In millions	Allegion Americas	Allegion International	Total	Allegion Americas	Allegion International	Total
Net revenues						
Products	$ 714.6	$ 156.8	$ 871.4	$ 1,834.0	$ 519.5	$ 2,353.5
Services	32.6	9.7	42.3	33.7	23.2	56.9
Total Net revenues	$ 747.2	$ 166.5	$ 913.7	$ 1,867.7	$ 542.7	$ 2,410.4

	Three months ended September 30, 2021			Nine months ended September 30, 2021		
In millions	Allegion Americas	Allegion International	Total	Allegion Americas	Allegion International	Total
Net revenues						
Products	$ 524.1	$ 185.5	$ 709.6	$ 1,571.2	$ 563.9	$ 2,135.1
Services	0.3	7.1	7.4	1.5	21.6	23.1
Total Net revenues	$ 524.4	$ 192.6	$ 717.0	$ 1,572.7	$ 585.5	$ 2,158.2

Historically, approximately 99% of the Company's consolidated Net revenues have involved contracts with a single performance obligation, the transfer of control of a product or bundle of products to a customer. However, the percentage of Net revenues from services is expected to increase with the recent acquisition of the Access Technologies business.

As of September 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 nine months ended September 30, 2022 and 2021, no adjustments related to performance obligations satisfied in previous periods were recorded.

NOTE 20 - 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 nine months ended September 30 was as follows:

	Three months ended		Nine months ended	
In millions	2022	2021	2022	2021
Net revenues				
Allegion Americas	$ 747.2	$ 524.4	$ 1,867.7	$ 1,572.7
Allegion International	166.5	192.6	542.7	585.5
Total	$ 913.7	$ 717.0	$ 2,410.4	$ 2,158.2
Segment operating income				
Allegion Americas	$ 178.4	$ 133.7	$ 455.9	$ 419.5
Allegion International	14.9	20.5	45.9	54.0
Total	193.3	154.2	501.8	473.5
Reconciliation to Operating income				
Unallocated corporate expense	(30.4)	(15.8)	(74.8)	(58.4)
Operating income	162.9	138.4	427.0	415.1
Reconciliation to earnings before income taxes				
Interest expense	23.1	12.3	52.2	37.0
Loss on divestitures	7.6	—	7.6	—
Other income, net	(1.5)	(14.7)	(7.1)	(21.4)
Earnings before income taxes	$ 133.7	$ 140.8	$ 374.3	$ 399.5

NOTE 21 - 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 September 30, 2022 and December 31, 2021, the Company has recorded reserves for environmental matters of $24.2 million and $16.4 million, respectively. The total reserve at September 30, 2022 and December 31, 2021, included $14.0 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 September 30, 2022 and December 31, 2021, was $4.1 million and $3.7 million, respectively, and the remainder is classified as noncurrent. During the nine months ended September 30, 2022 and 2021, the Company incurred $2.9 million and $0.9 million, respectively, of expenses for environmental remediation at sites presently or formerly owned or leased by the Company. 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 nine months ended September 30 were as follows:

In millions	2022	2021
Balance at beginning of period	$ 17.7	$ 16.5
Reductions for payments	(6.9)	(7.5)
Accruals for warranties issued during the current period	6.4	9.1
Acquisitions	1.7	—
Currency translation	(1.0)	(0.2)
Balance at end of period	$ 17.9	$ 17.9

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 current year, we have seen strong demand for our products and services, particularly non-residential products in our Allegion Americas segment. Our ability to meet this elevated level of customer demand improved throughout the year, due in part to our previous actions to mitigate industry-wide supply-chain challenges (particularly shortages of electronic components), as well as improving availability of non-electronic parts and materials.

Additionally, in an effort to combat the persistent, elevated levels of inflation, we have implemented a series of pricing initiatives across our global businesses. These initiatives have resulted in strong pricing momentum which we expect to continue to contribute to revenue growth and offset the impact of inflation throughout the remainder of 2022.

In spite of these positive factors, supply chain challenges around the availability of electronic parts and components persist, and continue to negatively impact our ability to meet the elevated levels of demand for our connected electronic security products. Labor availability also continues to impact our operational efficiency. Additionally, we have experienced a further softening of demand throughout many of the Eurozone economies, impacting several of our businesses in our Allegion International segment.

We remain focused on providing exceptional service and innovation to our customers. We are beginning to realize the benefits from the measures we have taken 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. We continue to invest in business initiatives to drive future growth and add value through seamless access and 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 and the macroeconomic uncertainties noted above will likely continue to affect us in numerous and evolving ways. The full impact of these uncertainties on our business will continue to depend on future developments that we may not be able to accurately predict. These 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 acquisition of the Access Technologies business for a closing purchase price of $923.1 million. This acquisition was financed by the net proceeds from the issuance of our 5.411% Senior Notes, together with borrowings under our 2021 Revolving Facility and cash on hand. The Access Technologies business has been integrated into our Allegion Americas segment.

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 generated $88.7 million in Net revenues during the third quarter.

Divestiture of Milre

In September 2022, we sold Milre Systek Co. Ltd. ("Milre") in South Korea for an immaterial amount. As a result of the sale, we recorded a net loss on divestiture of $7.6 million.

2022 Dividends and Share Repurchases

During the nine months ended September 30, 2022, we paid dividends of $1.23 per ordinary share to shareholders and repurchased approximately 0.5 million shares for $61.0 million.

Results of Operations – Three months ended September 30

In millions, except per share amounts	2022	% of revenues	2021	% of revenues
Net revenues	$ 913.7		$ 717.0	
Cost of goods sold	545.7	59.7 %	416.5	58.1 %
Selling and administrative expenses	205.1	22.4 %	162.1	22.6 %
Operating income	162.9	17.8 %	138.4	19.3 %
Interest expense	23.1		12.3	
Loss on divestitures	7.6		—	
Other income, net	(1.5)		(14.7)	
Earnings before income taxes	133.7		140.8	
Provision for (benefit from) income taxes	19.1		(2.8)	
Net earnings	114.6		143.6	
Less: Net earnings attributable to noncontrolling interests	—		0.1	
Net earnings attributable to Allegion plc	$ 114.6		$ 143.5	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:	$ 1.30		$ 1.59	

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 September 30, 2022, increased by 27.4%, or $196.7 million, compared with the same period in 2021, due to the following:

Pricing	12.6 %
Volume	6.0 %
Acquisitions / divestitures	12.4 %
Currency exchange rates	(3.6)%
Total	27.4 %

The increase in Net revenues was driven by improved pricing across our major businesses, our recently acquired Access Technologies business and higher volumes in our Allegion Americas segment. These increases were partially offset by unfavorable foreign currency exchange rate movements and lower volumes in our Allegion International segment.

Pricing includes increases or decreases of price, including discounts, surcharges and/or other sales deductions, on our existing products and services. As discussed above, the pricing initiatives we have implemented in response to the persistent, elevated levels of inflation continue to be a key driver in the overall increase in Net revenues. 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 September 30, 2022, increased $24.5 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 September 30, 2022, decreased to 17.8% from 19.3% for the same period in 2021, due to the following:

In millions		Operating Income	Operating Margin
September 30, 2021	$	138.4	19.3 %
Pricing and productivity in excess of inflation		25.5	1.1 %
Volume / product mix		24.5	2.2 %
Restructuring / acquisition expenses		(23.8)	(3.2)%
Currency exchange rates		(6.5)	(0.1)%
Investment spending		(2.3)	(0.3)%
Acquisitions / divestitures		7.1	(1.2)%
September 30, 2022	$	162.9	17.8 %

The increase in Operating income was driven by pricing improvements in excess of inflation and productivity, favorable volume/product mix and the contribution to operating income from our recently acquired Access Technologies business. These increases were partially offset by 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, increased investment spending and the impact to operating margin from our recently acquired Access Technologies business. These decreases were partially offset by pricing improvements in excess of inflation and productivity and favorable volume/product mix.

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 September 30, 2022, increased $10.8 million compared with the same period in 2021, primarily due to interest on our 5.411% Senior Notes and our 2021 Revolving Facility. The recent rise in interest rates has also contributed to a higher weighted-average interest rate on our variable rate outstanding indebtedness.

Loss on Divestiture

As discussed above, in September 2022, we sold Milre for an immaterial amount, resulting in a net loss of $7.6 million.

Other Income, Net

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

In millions		2022		2021
Interest income	$	(0.4)	$	(0.3)
Foreign currency exchange loss		—		0.8
Earnings from equity method investments, net		—		(6.3)
Net periodic pension and postretirement benefit income, less service cost		(2.1)		(2.1)
Other		1.0		(6.8)
Other income, net	$	(1.5)	$	(14.7)

Other income, net for the three months ended September 30, 2022 decreased $13.2 million compared with the same period in 2021. This decrease is due to a prior year gain of $6.4 million from the sale of our interest in an equity method affiliate, as well as other investment gains and income of $6.8 million during the three months ended September 30, 2021, which did not recur in the current year.

Provision for (benefit from) Income Taxes

The effective income tax rates for the three months ended September 30, 2022 and 2021, were 14.3% and (2.0)%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the favorable resolutions of uncertain tax positions and other discrete tax benefits in 2021 that have not recurred in 2022, changes in jurisdictional tax rates, the mix of income earned in higher tax rate jurisdictions and the unfavorable tax impact from the divestiture of Milre.

Results of Operations – Nine months ended September 30

In millions, except per share amounts	2022	% of revenues	2021	% of revenues
Net revenues	$ 2,410.4		$ 2,158.2	
Cost of goods sold	1,438.7	59.7 %	1,239.8	57.4 %
Selling and administrative expenses	544.7	22.6 %	503.3	23.3 %
Operating income	427.0	17.7 %	415.1	19.2 %
Interest expense	52.2		37.0	
Loss on divestitures	7.6		—	
Other income, net	(7.1)		(21.4)	
Earnings before income taxes	374.3		399.5	
Provision for income taxes	51.4		28.9	
Net earnings	322.9		370.6	
Less: Net earnings attributable to noncontrolling interests	0.2		0.4	
Net earnings attributable to Allegion plc	$ 322.7		$ 370.2	
Diluted net earnings per ordinary share attributable to Allegion plc ordinary shareholders:	$ 3.65		$ 4.08	

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 nine months ended September 30, 2022, increased by 11.7%, or $252.2 million, compared with the same period in 2021, due to the following:

Pricing	9.0 %
Volume	1.5 %
Acquisitions / divestitures	4.1 %
Currency exchange rates	(2.9)%
Total	11.7 %

The increase in Net revenues was driven by improved pricing across all our major businesses, our recently acquired Access Technologies business and higher volumes in our Allegion Americas segment. These increases were partially offset by unfavorable foreign currency exchange rate movements and lower volumes in our Allegion International segment.

Operating Income/Margin

Operating income for the nine months ended September 30, 2022, increased $11.9 million compared to the same period in 2021, and Operating margin for the nine months ended September 30, 2022, decreased to 17.7% from 19.2% for the same period in 2021, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2021	$ 415.1	19.2 %
Pricing and productivity in excess of inflation	38.8	0.1 %
Volume / product mix	24.3	0.8 %
Restructuring / acquisition expenses	(33.6)	(1.5)%
Currency exchange rates	(14.5)	(0.1)%
Investment spending	(11.7)	(0.5)%
Acquisitions / divestitures	8.6	(0.3)%
September 30, 2022	$ 427.0	17.7 %

The increase in Operating income was driven by pricing improvements in excess of inflation and productivity, favorable volume/product mix and the contribution to operating income from our recently acquired Access Technologies business and divestiture of QMI. These increases were partially offset by 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, increased investment spending and the impact to operating margin from our recently acquired Access Technologies business and divestiture of QMI. These decreases were partially offset by pricing improvements in excess of inflation and productivity and favorable volume/product mix.

Interest Expense

Interest expense for the nine months ended September 30, 2022, increased $15.2 million compared with the same period in 2021, primarily due to interest on our 5.411% Senior Notes and our 2021 Revolving Facility, as well as the $4.3 million of third party costs related to the financing of the recently acquired Access Technologies business. The recent rise in interest rates has also contributed to a higher weighted-average interest rate on our variable rate outstanding indebtedness.

Loss on Divestiture

As discussed above, in September 2022, we sold Milre for an immaterial amount, resulting in a net loss of $7.6 million.

Other Income, Net

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

In millions	2022	2021
Interest income	$ (0.6)	$ (0.4)
Foreign currency exchange loss	1.9	2.0
Earnings from equity method investments, net	(0.6)	(6.0)
Net periodic pension and postretirement benefit income, less service cost	(7.1)	(6.0)
Other	(0.7)	(11.0)
Other income, net	$ (7.1)	$ (21.4)

Other income, net for the nine months ended September 30, 2022 decreased $14.3 million compared with the same period in 2021, due to decreased investment gains and income, and the gain of $6.4 million from the sale of our interest in an equity method affiliate during the prior year, which did not recur in the current year.

Provision for Income Taxes

The effective income tax rates for the nine months ended September 30, 2022 and 2021, were 13.7% and 7.2%, respectively. The increase in the effective tax rate compared to 2021 is primarily due to the favorable resolutions of uncertain tax positions and other discrete tax benefits in 2021 that have not recurred in 2022, changes in jurisdictional tax rates, the mix of income earned in higher tax rate jurisdictions and the unfavorable tax impact from the divestiture of Milre.

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 nine months ended September 30

	Three months ended			Nine months ended		
In millions	2022	2021	% Change	2022	2021	% Change
Net revenues						
Allegion Americas	$ 747.2	$ 524.4	42.5 %	$ 1,867.7	$ 1,572.7	18.8 %
Allegion International	166.5	192.6	(13.6)%	542.7	585.5	(7.3)%
Total	$ 913.7	$ 717.0		$ 2,410.4	$ 2,158.2	
Segment operating income						
Allegion Americas	$ 178.4	$ 133.7	33.4 %	$ 455.9	$ 419.5	8.7 %
Allegion International	14.9	20.5	(27.3)%	45.9	54.0	(15.0)%
Total	$ 193.3	$ 154.2		$ 501.8	$ 473.5	
Segment operating margin						
Allegion Americas	23.9 %	25.5 %		24.4 %	26.7 %	
Allegion International	8.9 %	10.6 %		8.5 %	9.2 %	

Allegion Americas

Our Allegion Americas segment is a leading provider of security products and solutions throughout North 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, access control systems, and entrance solutions (with our recent acquisition of the Access Technologies business) 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 September 30, 2022, increased by 42.5%, or $222.8 million, compared to the same period in 2021, due to the following:

Pricing	14.7 %
Volume	11.1 %
Acquisitions	16.9 %
Currency exchange rates	(0.2)%
Total	42.5 %

The increase in Net revenues was driven by significantly improved pricing, higher volumes for both our residential and non-residential products and services and the impact of our recently acquired Access Technologies business. These increases were partially offset by unfavorable foreign currency exchange rate movements.

Net revenues from non-residential products (excluding Net revenues from our recently acquired Access Technologies business) for the three months ended September 30, 2022, increased by nearly thirty percent compared to the same period in the prior year, driven by substantially improved pricing and higher volumes. Continued strong demand and improvements around the availability of materials and components, driven in part by our previous actions to mitigate these supply-chain challenges, 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 September 30, 2022, increased by a mid-teens percent compared to the same period in the prior year. This increase was driven by substantially improved pricing and higher volumes. Although we continue to face challenges around the supply of electronic components and have also seen a softening in market demand for residential products, we expect our pricing initiative to continue contributing to revenue growth for the remainder of the year.

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 solutions 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 September 30, 2022, Net revenues from the sale of electronic products in the Allegion Americas segment (excluding Net revenues from our recently acquired Access Technologies business) increased by nearly thirty percent compared to the same period in the prior year. While we continue to experience delays and shortages of electronic components from key suppliers, we expect continued growth in Net revenues from the sale of electronic products for the remainder of the year, given the combination of our pricing initiatives and the comparable impact to the fourth quarter of 2021, when the supply chain challenges and shortages of materials and components negatively impacted revenue.

Net revenues for the nine months ended September 30, 2022, increased by 18.8%, or $295.0 million, compared to the same period in 2021, due to the following:

Pricing	10.3 %
Volume	3.0 %
Acquisitions	5.6 %
Currency exchange rates	(0.1)%
Total	18.8 %

The increase in Net revenues was driven by significantly improved pricing and higher volumes for our non-residential products, as well as the impact of our recently acquired Access Technologies business. These increases were partially offset by unfavorable foreign currency exchange rate movements and lower volumes for our residential products.

Net revenues from non-residential products (excluding Net revenues from our recently acquired Access Technologies business) for the nine months ended September 30, 2022, increased by approximately twenty percent compared to the same period in the prior year, driven by improved pricing and higher volumes. Net revenues from residential products for the nine months ended September 30, 2022, decreased by a low single 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 nine months ended September 30, 2022, were up by a high single digits percent compared to the same period in the prior year.

Operating income/margin

Segment operating income for the three months ended September 30, 2022, increased $44.7 million compared to the same period in 2021, and Segment operating margin for the three months ended September 30, 2022, decreased to 23.9% from 25.5%, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2021	$ 133.7	25.5 %
Pricing and productivity in excess of inflation	24.2	1.0 %
Volume / product mix	30.8	2.9 %
Currency exchange rates	(0.6)	— %
Investment spending	(0.7)	(0.1)%
Acquisitions	6.8	(2.5)%
Acquisition expenses	(15.8)	(2.9)%
September 30, 2022	$ 178.4	23.9 %

The increase in Segment operating income was primarily driven by pricing improvements in excess of inflation and productivity, favorable volume/product mix and the contribution to operating income from our recently acquired Access Technologies business. These increases were partially offset by a year-over-year increase in acquisition and integration expenses, unfavorable foreign currency exchange rate movements and increased investment spending.

The decrease in Segment operating margin was primarily due to a year-over-year increase in acquisition and integration expenses, the impact to operating margin from our recently acquired Access Technologies business and increased investment spending. These decreases were partially offset by pricing improvements in excess of inflation and productivity and favorable volume/product mix.

Segment operating income for the nine months ended September 30, 2022, increased $36.4 million compared to the same period in 2021, and Segment operating margin for the nine months ended September 30, 2022, decreased to 24.4% from 26.7%, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2021	$ 419.5	26.7 %
Pricing and productivity in excess of inflation	22.7	(1.1)%
Volume / product mix	31.4	1.2 %
Currency exchange rates	(1.4)	— %
Investment spending	(7.5)	(0.4)%
Acquisitions	6.8	(1.0)%
Restructuring / acquisition expenses	(15.6)	(1.0)%
September 30, 2022	$ 455.9	24.4 %

The increase in Segment operating income was primarily driven by pricing improvements in excess of inflation and productivity, favorable volume/product mix and the contribution to operating income from our recently acquired Access Technologies business. These increases were partially offset by a year-over-year increase in restructuring and acquisition expenses, unfavorable foreign currency exchange rate movements and increased investment spending.

The decrease in Segment operating margin was primarily due to a year-over-year increase in restructuring and acquisition expenses, the impact to operating margin from our recently acquired Access Technologies business, increased investment spending and the dilutive impact to operating margin from inflation and productivity exceeding the benefit to operating margin from pricing improvements. These decreases were partially offset by favorable volume/product mix.

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 September 30, 2022, decreased by 13.6%, or $26.1 million, compared to the same period in 2021, due to the following:

Pricing	6.9 %
Volume	(7.7)%
Currency exchange rates	(12.8)%
Total	(13.6)%

The decrease in Net revenues was driven by lower volumes and 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. Also, as discussed above, softening demand throughout much of the Eurozone has impacted several of our businesses in the segment, resulting in lower volumes. These decreases were partially offset by improved pricing.

Net revenues for the nine months ended September 30, 2022, decreased by 7.3%, or $42.8 million, compared to the same period in 2021, due to the following:

Pricing	5.6 %
Volume	(2.7)%
Acquisitions / divestitures	(0.1)%
Currency exchange rates	(10.1)%
Total	(7.3)%

The decrease in Net revenues was primarily driven by unfavorable foreign currency exchange rate movements, lower volumes and the divestitures of QMI and Milre. These decreases were partially offset by improved pricing.

Operating income/margin

Segment operating income for the three months ended September 30, 2022, decreased $5.6 million compared to the same period in 2021, and Segment operating margin for the three months ended September 30, 2022, decreased to 8.9% from 10.6%, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2021	$ 20.5	10.6 %
Pricing and productivity in excess of inflation	7.5	3.0 %
Volume / product mix	(6.3)	(2.6)%
Currency exchange rates	(5.8)	(1.8)%
Investment spending	(1.5)	(0.7)%
Acquisitions / divestitures	0.3	0.2 %
Restructuring / acquisition expenses	0.2	0.2 %
September 30, 2022	$ 14.9	8.9 %

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

Segment operating income for the nine months ended September 30, 2022, decreased $8.1 million compared to the same period in 2021, and Segment operating margin for the nine months ended September 30, 2022, decreased to 8.5% from 9.2%, due to the following:

In millions	Operating Income	Operating Margin
September 30, 2021	$ 54.0	9.2 %
Pricing and productivity in excess of inflation	15.9	2.1 %
Volume / product mix	(7.1)	(0.9)%
Currency exchange rates	(13.1)	(1.4)%
Investment spending	(4.2)	(0.6)%
Acquisitions / divestitures	1.8	0.3 %
Restructuring / acquisition expenses	(1.4)	(0.2)%
September 30, 2022	$ 45.9	8.5 %

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

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.

While the financing of our acquisition of the Access Technologies business 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. 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. Further, of our total outstanding indebtedness at September 30, 2022, approximately 80% incurs fixed-rate interest and is therefore not exposed to the risk of rising variable interest rates.

Based upon our operations, existing cash balances and unused availability under our 2021 Revolving Facility, as of September 30, 2022, 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 nine months ended September 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	$ 267.1	$ 356.4
Net cash used in investing activities	(965.9)	(14.9)
Net cash provided by (used) in financing activities	606.1	(309.3)

Operating Activities: Net cash provided by operating activities during the nine months ended September 30, 2022, decreased $89.3 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 nine months ended September 30, 2022, increased $951.0 million compared to the same period in 2021, primarily due to $923.1 million of cash paid for the acquisition of the Access Technologies business.

Financing Activities: Net cash provided by (used in) financing activities during the nine months ended September 30, 2022, fluctuated $915.4 million compared to the same period in 2021, primarily due to the issuance of our 5.411% Senior Notes and draw on our 2021 Revolving Facility to finance the acquisition of the Access Technologies business. Additionally, cash used to repurchase shares was $151.7 million lower in 2022 compared to the same period in 2021.

Capitalization

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

In millions	September 30, 2022	December 31, 2021
2021 Term Facility	$ 240.6	$ 250.0
2021 Revolving Facility	199.0	—
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	0.2	0.3
Total borrowings outstanding	2,239.8	1,450.3
Discounts and debt issuance costs, net	(12.7)	(8.2)
Total debt	2,227.1	1,442.1
Less current portion of long-term debt	12.6	12.6
Total long-term debt	$ 2,214.5	$ 1,429.5

As of September 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 $240.6 million is outstanding at September 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. On July 1, 2022, we borrowed $340.0 million on the 2021 Revolving Facility to partially fund the acquisition of the Access Technologies business. We subsequently made $141.0 million in repayments, resulting in $199.0 million borrowings outstanding as of September 30, 2022, and we had $7.6 million of letters of credit outstanding. 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 September 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 4.241%. 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 September 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 due 2032 (the “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 financing costs that were recorded within Interest expense on the Condensed and Consolidated Statement of Income for the nine months ended September 30, 2022.

As of September 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.

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 September 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

	Nine months ended September 30, 2022		Year ended December 31, 2021	
In millions	**Allegion plc**	**Allegion US Hold Co**	**Allegion plc**	**Allegion US Hold Co**
Net revenues	$ —	$ —	$ —	$ —
Gross profit	—	—	—	—
Operating loss	(5.2)	(14.4)	(6.6)	(0.5)
Equity earnings in affiliates, net of tax	353.8	126.9	521.6	173.6
Transactions with related parties and subsidiaries[(a)]	(10.5)	(61.3)	(12.5)	(85.0)
Net earnings	322.7	43.1	483.0	87.1
Net earnings attributable to the entity	322.7	43.1	483.0	87.1

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

Selected Condensed Balance Sheet Information

	September 30, 2022		December 31, 2021	
In millions	**Allegion plc**	**Allegion US Hold Co**	**Allegion plc**	**Allegion US Hold Co**
Current assets:				
Amounts due from related parties and subsidiaries	$ —	$ 314.0	$ 0.6	$ 753.7
Total current assets	10.2	344.2	60.8	785.5
Noncurrent assets:				
Amounts due from related parties and subsidiaries	—	1,647.8	—	1,240.9
Total noncurrent assets	1,792.6	1,710.3	1,793.1	1,292.7
Current liabilities:				
Amounts due to related parties and subsidiaries	$ 75.2	$ 273.0	$ 62.8	$ 233.9
Total current liabilities	98.1	296.7	82.6	241.3
Noncurrent liabilities:				
Amounts due to related parties and subsidiaries	576.4	2,694.5	761.8	2,660.5
Total noncurrent liabilities	1,201.8	4,260.9	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 nine months ended September 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 third 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 September 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 third 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)
July 1 - July 31	—	$ —	—	$ 140,454
August 1 - August 31	—	—	—	140,454
September 1 - September 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).
10.1	John H. Stone Restricted Stock Unit Award Agreement dated August 1, 2022.*	Filed herewith.
10.2	John H. Stone Stock Option Award Agreement dated August 1, 2022.*	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: October 27, 2022	/s/ Michael J. Wagnes **Michael J. Wagnes, Senior Vice President and Chief Financial Officer Principal Financial Officer**
Date: October 27, 2022	/s/ Nickolas A. Musial **Nickolas A. Musial, Vice President, Controller and Chief Accounting Officer Principal Accounting Officer**

Allegion plc
Incentive Stock Plan of 2013

Restricted Stock Unit Award Agreement

Dated as of August 1, 2022 ("Grant Date")

Allegion plc (the "Company") hereby grants to John H. Stone ("Participant") a restricted stock unit award (the "RSUs") with respect to 52,035 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 2013 (the "Plan") and to the terms and conditions set forth in this Global Restricted Stock Unit Award Agreement (the "Award Agreement"). Unless otherwise defined herein, the terms defined in the Plan shall have the same meanings in this Award Agreement.

1. Vesting Schedule.

Participant's right to receive Shares subject to the RSUs shall vest in accordance with the table below (each date being a "Vesting Date"), subject to Participant's continued employment with the Company or an Affiliate on each Vesting Date unless otherwise specified in Section 3. Any fractional installments shall be carried forward and vest when such combined fractional installments result in a full Share.

Number of Shares	Vesting Date
25% of the Shares subject to the RSUs	August 1, 2024
25% of the Shares subject to the RSUs	August 1, 2025
50% of the Shares subject to the RSUs	August 1, 2026

2. Dividend Equivalents.

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, (i) Participant shall have no right to receive the Dividend Equivalents unless and until the associated RSUs vest, (ii) Dividend Equivalents shall not accrue interest and (iii) Dividend Equivalents shall be paid in cash at the time that the associated RSUs vest.

3. Termination of Employment.

(a) Involuntary Termination without Cause, Resignation for Good Reason, or Termination due to Death or Disability

If (i) Participant's employment is terminated involuntarily by the Company or an Affiliate for any reason other than Cause, (ii) Participant voluntarily resigns from employment for Good Reason, or (iii) Participant's employment terminates by reason of Participant's death or Disability, the Shares subject to the RSUs that have not yet vested shall vest as of the date of such termination of employment (such date also being a "Vesting Date"). For purposes of this Section 3(a), (A) "Disability" shall mean a disability determined under the long-term disability plan maintained by the Company under which Participant is covered, or, in the event no such plan exists or Participant is not covered under any such plan, a total and permanent disability pursuant to the Employer's human resources determination and (B) "Good Reason" shall mean (i) a substantial diminution in Participant's job responsibilities or a material adverse change in Participant's title or status; (ii) a reduction of Participant's base salary or target bonus (*provided*, *however*, a reduction of Participant's base salary or target bonus shall not constitute Good Reason hereunder if there is a broad-based reduction in the base salary or target bonus applicable to employees in the Company) or the failure to pay Participant's base salary or bonus when due, or the failure to maintain on behalf of Participant (and Participant's dependents) benefits which are at least comparable in the aggregate to those prior to such reduction in benefits, or (iii) the relocation of the principal place of Participant's employment by more than thirty five (35) miles from Participant's principal place of employment; *provided*, that any of the events described in clauses (i) - (iii) above shall constitute Good Reason only if the Company fails to cure such event within 30 days after receipt from Participant of written notice of the event which constitutes Good Reason; and *provided further*, that such Participant shall cease to have a right to resign due to Good Reason on the 90th day following the later of the occurrence of the event or Participant's knowledge thereof (the "Good Reason Expiration Date"), unless in the case of a Change in Control, Participant has given the surviving entity following a Change in Control (or other Affiliate thereof employing Participant) notice thereof prior to the Good Reason Expiration Date.

(b) Termination Due to Any Other Reason

If (i) Participant's employment terminates for any reason or in any circumstances other than those specified in Section 3(a) above or (ii) Participant engages in any conduct that would constitute Cause or Participant is terminated for Cause, all unvested RSUs and associated Dividend Equivalents shall be forfeited as of the date of termination of active employment and Participant shall have no right to or interest in such RSUs, the underlying Shares or any associated Dividend Equivalents.

For the avoidance of doubt, if Participant voluntarily terminates Participant's employment with the Company or an Affiliate under any circumstances other than resignation for Good Reason, all unvested RSUs and associated Dividend Equivalents shall be forfeited as of the date of termination of active employment and Participant shall have no right to or interest in such RSUs, the underlying Shares or any associated Dividend Equivalents.

4. <u>Settlement</u>.

(a) General

On or as soon as administratively practicable (and in any event within 30 days) following each Vesting Date, the Company shall cause to be issued to Participant Shares with respect to the RSUs that become vested on such Vesting Date. Notwithstanding the foregoing, if Participant is subject to U.S. federal income tax on any part of the payment of the RSUs and the RSUs are considered non-qualified deferred compensation subject to Section 409A of the Code, the RSUs shall be settled within 30 days of the earliest to occur of the following dates or events, subject to any delay required by Section 4(b) below: (i) the Vesting Dates set forth in Section 1 in the case of RSUs that vest pursuant to Section 1, (ii) a "separation from service" within the meaning of Section 409A of the Code in the case of RSUs that vest pursuant to Section 3(a)(i) or Section 3(a)(ii) above, upon Participant's Disability or pursuant to Section 9(b)(iv)(D) of the Plan and (iii) a "change in control event" within the meaning of U.S. Treasury Regulation §1.409A-3(i)(5) in the case of RSUs that vest pursuant to Section 9(b)(ii) of the Plan. 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.

(b) Delayed Payment

Notwithstanding Section 4(a) above, if the RSUs are considered an item of deferred compensation under Section 409A of the Code and the Shares are distributable by reason of a Participant's separation from service during the period that Participant is both subject to U.S. federal income taxation and a "specified employee" (within the meaning of Section 409A(a)(2)(B)(i) of the Code), any Shares that would otherwise be issuable during the 6-month period immediately following Participant's separation from service will be issued on the first day of the 7th month following Participant's separation from service (or, if Participant dies during such period, within 30 days after Participant's death).

5. <u>Change in Control</u>.

In the event of a Change in Control, the treatment of the RSUs will be governed by the terms of the Plan, subject to Section 4 above.

6. Responsibility for Taxes.

Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable or deemed legally applicable to Participant ("Tax-Related Items") is and remains Participant's responsibility and may exceed the amount (if any) actually withheld by the Company or the Employer. Participant further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSUs; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the RSUs to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

To satisfy any withholding obligations of the Company and/or the Employer with respect to Tax-Related Items (other than U.S. Federal Insurance Contribution Act taxes or other Tax-Related Items which become payable in a year prior to the year in which the Shares are issued pursuant to the RSUs, and other than Tax-Related Items due on Dividend Equivalents), the Company will withhold Shares otherwise issuable upon settlement of the RSUs. Alternatively, or in addition, in connection with any applicable taxable or tax withholding event, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their obligations (if any) with regard to all Tax-Related Items by one or a combination of the following:

(a) withholding from Participant's wages or other cash compensation payable to Participant by the Company, the Employer, or any 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; and/or

(d) any other method of withholding determined by the Company to be permitted under the Plan and, to the extent required by applicable law or the Plan, approved by the Committee;

provided, however, that if Participant is a Section 16 officer of the Company under the Act, the withholding methods described in this Section 6 (a) through (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 such withholding method will be used in lieu of withholding Shares.

The Company may withhold for Tax-Related Items by considering statutory or other withholding rates, including maximum withholding rates applicable in Participant's jurisdiction(s). In the event of over-withholding, Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in Shares) from the Company or the Employer; otherwise, Participant may be able to seek a refund from the local tax authority. In the event of under-withholding, Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority. If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the vested portion of the RSUs, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Company may refuse to issue or deliver the Shares or the proceeds of the sale of

Shares, if Participant fails to comply with Participant's obligations in connection with the Tax-Related Items.

7. **Nature of Grant.**

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

(c) 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) Participant is voluntarily participating in the Plan;

(d) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not intended to replace any pension rights or compensation;

(e) the RSUs and the Shares subject to the RSUs, and the income and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;

(f) unless otherwise agreed with the Company, the RSUs and the Shares subject to the RSUs, and the income and value of same, are not granted as consideration for, or in connection with, services Participant may provide as a director of an Affiliate;

(g) the RSU grant and Participant's participation in the Plan will not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate and will not interfere with the ability of the Company, the Employer or any Affiliate, as applicable, to terminate Participant's employment or service relationship (if any);

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

(i) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSUs resulting from Participant ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of applicable laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) or from cancellation of the RSUs or recoupment of any financial gain resulting from the RSUs as described in Section 12 below;

(j) for purposes of the RSUs, Participant's employment or other service relationship will be considered terminated as of the date Participant is no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of applicable laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) and, unless otherwise expressly provided in this Award Agreement or determined by the Company, Participant's right to vest in the RSUs under the Plan, if any, will terminate as of such date, or will be measured with reference to such date in the case of termination due to Disability or death, and will not be extended by any notice period (e.g., Participant's period of active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); the Committee shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the RSUs (including whether Participant may still be considered to be providing services while on a leave of absence); and

(k) unless otherwise provided in the Plan or by the Company, in its discretion, the RSUs and the benefits evidenced by this 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.

8. No Advice Regarding Grant.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. *Participant should consult with Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.*

9. *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 Participant 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 Participant 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.

10. 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 or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

11. 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.

12. 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 (i) cancel any outstanding portion of the RSUs and (ii) recover all or a portion of the financial gain realized by Participant through the RSUs. Further, Participant agrees that the RSUs and any financial gain realized by Participant through the RSUs shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any applicable laws or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, including, without limitation, pursuant to Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

13. 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.

14. Code Section 409A.

To the extent Participant is subject to U.S. federal income tax (a "U.S. Taxpayer"), the RSUs are intended to be exempt from, or otherwise comply with, the requirements of Section 409A of the Code. Accordingly, all provisions included in this Award Agreement, or incorporated by reference, will be interpreted and administered in accordance with that intent. If any provision of the Plan or this Award Agreement would otherwise conflict with or frustrate this intent, that provision will be interpreted and deemed amended or limited so as to avoid the conflict. However, the Company makes no representation that the RSUs are exempt from or compliant with Section 409A of the Code and makes no undertaking to preclude Section 409A from applying to the RSUs. In no event shall the Committee or Board (or any member thereof), or the Company (or its employees, officers, directors or Affiliates) have any liability to Participant or to any other party if the RSUs or payment of the RSUs that is intended to be exempt from or compliant with Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee with respect thereto.

15. 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.

16. Waiver.

Participant acknowledges that a waiver by the Company of breach of any provision of this 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.

17. **<u>Acknowledgement of Availability of Plan Prospectus</u>**.

Participant acknowledges that he or she has been provided with access to a copy of the Plan prospectus and Plan document, links to both of which are available below:

[EMBED LINK TO PLAN PROSPECTUS] [EMBED LINK TO PLAN DOCUMENT]

Paper copies of the Plan prospectus and Plan document are also available upon request from the Company's stock administration department, at the contact information provided on the cover page of the Plan prospectus.

18. **<u>Acknowledgement & Acceptance within 120 Days</u>.**

This grant is subject to acceptance, within 120 days of the Grant Date, by electronic acceptance through the website of UBS, the Company's stock plan administrator. **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:

/s/ Jeffrey N. Braun

____

Jeffrey Braun
Senior Vice President and General Counsel
Allegion plc

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

Allegion plc
Incentive Stock Plan of 2013

Stock Option Award Agreement

Dated as of August 1, 2022 (“Grant Date”)

Allegion plc (the “Company”) hereby grants to John H. Stone (“Participant”) a non-qualified stock option (the “Option”) to purchase 72,675 ordinary shares of the Company (the “Shares”) at an exercise price of US$ 105.70 per Share, pursuant to and subject to the terms and conditions set forth in the Company’s Incentive Stock Plan of 2013 (the “Plan”) and to the terms and conditions set forth in this Global Stock Option Award Agreement (the “Award Agreement”). Unless otherwise defined herein, the terms defined in the Plan shall have the same meanings in this Award Agreement.

1. Vesting.

Participant’s right to purchase Shares subject to the Option shall vest in accordance with the table below (each date being a “Vesting Date”), subject to Participant’s continued employment with the Company or an Affiliate on each Vesting Date unless otherwise specified in Section 3. Any fractional installments shall be carried forward and vest when such combined fractional installments result in an Option to purchase a full Share.

Number of Options	Vesting Date
Options to purchase 33.3% of the Shares	August 1, 2023
Options to purchase 33.3% of the Shares	August 1, 2024
Options to purchase 33.3% of the Shares	August 1 2025

2. Term of Option.

The term of the Option shall be 10 years from the Grant Date, subject to the provisions of Section 3 below.

3. Termination of Employment.

Participant’s rights with respect to the Option after termination of Participant’s employment shall be as set forth below:

(a) Involuntary Termination without Cause, Resignation for Good Reason, or Termination due to Death or Disability

If (i) Participant’s employment is terminated involuntarily by the Company or an Affiliate for any reason other than Cause, (ii) Participant voluntarily resigns from employment for Good Reason, or (iii) Participant’s employment terminates by reason of Participant’s death or Disability, all unvested Options shall vest as of the date of such termination of employment and Participant’s right to exercise vested Options will expire 5 years following termination of active employment. For purposes of this Section 3(a), (A) “Disability” shall mean a disability determined under the long-term disability plan maintained by the Company under which Participant is covered, or, in the event no such plan exists or Participant is not covered under any such plan, a total and permanent disability pursuant to the Employer's human resources determination, and (B) "Good Reason" shall mean (i) a substantial diminution in Participant's job responsibilities or a material adverse change in Participant's title or status; (ii) a reduction of Participant's base salary or target bonus (*provided*, *however*, a reduction of Participant's base salary or target bonus shall not constitute Good Reason hereunder if there is a broad-based reduction in the base salary or target bonus applicable to employees in the Company) or the failure to pay Participant's base salary or bonus when due, or the failure to maintain on behalf of Participant (and Participant's dependents) benefits which are at least comparable in the aggregate to those prior to such reduction in benefits, or (iii) the relocation of the principal place of Participant's employment by more than thirty five (35) miles from Participant's principal place of employment; *provided*, that any of the events described in clauses (i) - (iii) above shall constitute Good Reason only if the Company fails to cure such event within 30 days after receipt from Participant of written notice of the event which constitutes Good Reason; and *provided further*, that such Participant shall cease to have a right to resign due to Good Reason on the 90th day following the later of the occurrence of the event or Participant's knowledge thereof (the "Good Reason Expiration Date"), unless in the case of a Change in Control, Participant has given the surviving entity following a Change in Control (or other Affiliate thereof employing Participant) notice thereof prior to the Good Reason Expiration Date .

(b) Termination for Cause

In the event Participant engages in any conduct that would constitute Cause or Participant is terminated for Cause, all Options, whether vested or unvested, shall be cancelled immediately upon termination of active employment.

(c) Termination Due to Any Other Reason

If Participant's employment terminates for any reason or in any circumstances other than those specified in Sections 3(a) or 3(b) above, Participant's right to exercise vested Options will expire 90 days following termination of active employment and all unvested Options shall be cancelled as of the date of termination of active employment.

For the avoidance of doubt, if Participant voluntarily terminates Participant's employment with the Company or an Affiliate under any circumstances other than a resignation for Good Reason, Participant's right to exercise vested Options will expire 90 days following termination of active employment and all unvested Options shall be cancelled as of the date of termination of active employment.

(d) Expiration of Options

Notwithstanding the provisions of Sections 3(a) through (c) above, in no event shall any portion of the Options be exercisable more than 10 years after the Grant Date.

4. Change in Control.

In the event of a Change in Control, the treatment of the Options will be governed by the terms of the Plan.

5. Responsibility for Taxes.

Participant acknowledges that, regardless of any action taken by the Company or, if different, Participant's employer (the "Employer"), the ultimate liability for all income tax, social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to Participant's participation in the Plan and legally applicable or deemed legally applicable to Participant ("Tax-Related Items") is and remains Participant's responsibility and may exceed the amount (if any) actually withheld by the Company or the Employer. Participant further acknowledges that the Company and the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option; and (ii) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Participant's liability for Tax-Related Items or achieve any particular tax result. Further, if Participant is subject to Tax-Related Items in more than one jurisdiction, Participant acknowledges that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

In connection with any relevant taxable or tax withholding event, as applicable, Participant will make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, Participant authorizes the Company and/or the Employer, or their respective agents, at their discretion, to satisfy their obligations (if any) with regard to all Tax-Related Items by one or a combination of the following:

(e) withholding from Participant's wages or other cash compensation payable to Participant by the Company, the Employer or any Affiliate;

(a) withholding from proceeds of the sale of Shares acquired upon exercise of the Option 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);

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

(c) withholding in Shares to be issued upon exercise of the Option; and/or

(d) any other method of withholding determined by the Company to be permitted under the Plan and, to the extent required by applicable law or the Plan, approved by the Committee;

provided, however, that if Participant is a Section 16 officer of the Company under the Act, then the Committee (as constituted to satisfy Rule 16b-3 of the Act) will determine the method of withholding from alternatives (a) – (e) above and, if the Committee does not exercise its discretion prior to the applicable withholding event, then Participant will be entitled to elect the method of withholding from alternatives (a) – (e) above.

The Company may withhold for Tax-Related Items by considering statutory or other withholding rates, including maximum withholding rates applicable in Participant's jurisdiction(s). In the event of over-withholding, Participant may receive a refund of any over-withheld amount in cash (with no entitlement to the equivalent amount in Shares) from the Company or the Employer; otherwise, Participant may be able to seek a refund from the local tax authority. In the event of under-withholding, Participant may be required to pay any additional Tax-Related Items directly to the applicable tax authority. If the obligation for Tax-Related Items is satisfied by withholding Shares, for tax purposes, Participant is deemed to have been issued the full number of Shares subject to the exercised Option, notwithstanding that a number of the Shares are held back solely for the purpose of paying the Tax-Related Items. The Company may refuse to honor the exercise of the Option or refuse to issue or deliver the Shares or the proceeds of the sale of Shares, if Participant fails to comply with Participant's obligations in connection with the Tax-Related Items.

6. <u>Nature of Grant</u>.

By accepting the Option, Participant acknowledges, understands and agrees that:

(a) 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;

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

(c) all decisions with respect to future option grants, if any, will be at the sole discretion of the Company;

(d) Participant is voluntarily participating in the Plan;

(e) the Option and the Shares subject to the Option, and the income and value of same, are not intended to replace any pension rights or compensation;

(f) the Option and the Shares subject to the Option, and the income and value of same, are not part of normal or expected compensation or salary for any purpose, including, but not limited to, calculating any severance, resignation, termination, redundancy, dismissal, end of service payments, bonuses, long-service awards, holiday pay, pension or retirement or welfare benefits or similar payments;

(g) unless otherwise agreed with the Company, the Option and the Shares subject to the Option, and the income and value of same, are not granted as consideration for, or in connection with, services Participant may provide as a director of an Affiliate;

(h) the grant of the Option and Participant's participation in the Plan will not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate and will not interfere with the ability of the Company, the Employer or any Affiliate, as applicable, to terminate Participant's employment or service relationship (if any);

(i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty; if the Shares subject to the Option do not increase in value, the Option will have no value; if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease, even below the exercise price;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from Participant ceasing to provide employment or other services to the Company or the Employer (for any reason whatsoever, whether or not later found to be invalid or in breach of applicable laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) or from cancellation of the Option or recoupment of any financial gain resulting from exercise of the Option as described in Section 11 below;

(k) for purposes of the Option, Participant's employment or other service relationship will be considered terminated as of the date Participant is no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of applicable laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any) and, unless otherwise expressly provided in this Award Agreement or determined by the Company, Participant's right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of active service would not include any contractual notice period or any period of "garden leave" or similar period mandated under applicable laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any); furthermore, in the event of termination of Participant's employment or other service relationship (regardless of the reason for such termination and whether or not later found to be invalid or in breach of applicable laws in the jurisdiction where Participant is employed or the terms of Participant's employment agreement, if any), Participant's right to exercise the Option after termination of employment, if any, will be measured with reference to such date and will not be extended by any notice period; the Committee shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Option (including whether Participant may still be considered to be providing services while on a leave of absence); and

(l) unless otherwise provided in the Plan or by the Company, in its discretion, the Option and the benefits evidenced by this Award Agreement do not create any entitlement to have the Option 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.

7. <u>No Advice Regarding Grant</u>.

The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan or Participant's acquisition or sale of the underlying Shares. *Participant should consult with Participant's own personal tax, legal and financial advisors regarding Participant's participation in the Plan before taking any action related to the Plan.*

8. ***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 Options 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 Participant 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 Participant 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.

9. **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 or to request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

10. **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 Option 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.

11. **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 (i) cancel any outstanding portion of the Option and (ii) recover all or a portion of the financial gain realized by Participant through exercise of the Option. Further, Participant agrees that the Option and any financial gain realized by Participant through exercise of the Option shall be subject to forfeiture and/or repayment to the Company to the extent required to comply with any applicable laws or the rules and regulations of the securities exchange or inter-dealer quotation system on which the Shares are listed or quoted, including, without limitation, pursuant to Section 954 of the U.S. Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

12. Choice of Law and Venue.

The Option 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.

13. 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.

14. Waiver.

Participant acknowledges that a waiver by the Company of breach of any provision of this 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.

15. Acknowledgement of Availability of Plan Prospectus.

Participant acknowledges that he or she has been provided with access to a copy of the Plan prospectus and Plan document, links to both of which are available below:

[EMBED LINK TO PLAN PROSPECTUS] [EMBED LINK TO PLAN DOCUMENT]

Paper copies of the Plan prospectus and Plan document are also available upon request from the Company's stock administration department, at the contact information provided on the cover page of the Plan prospectus.

16. Acknowledgement & Acceptance within 120 Days.

This grant is subject to acceptance, within 120 days of the Grant Date, by electronic acceptance through the website of UBS, the Company's stock plan administrator. **Failure to accept the Option within 120 days of the Grant Date may result in cancellation of the Option**.

Signed for and on behalf of the Company:

/s/ Jeffrey N. Braun

Jeffrey Braun
Senior Vice President and General Counsel
Allegion plc

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

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 nine months ended September 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: October 27, 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 nine months ended September 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: October 27, 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 nine months ended September 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
October 27, 2022

/s/ Michael J. Wagnes

Michael J. Wagnes
Principal Financial Officer
October 27, 2022