



ALLEGION™

Allegion First-Quarter 2020 Results

April 23, 2020

Forward-Looking Statements

This presentation contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934, including statements regarding the potential impacts of the global COVID-19 pandemic and the Company's 2020 financial performance, the Company's business plans and strategy, the Company's growth strategy, the Company's capital allocation strategy, the Company's tax planning strategies, and the performance of the markets in which the Company operates. These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "forecast," "outlook," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," or the negative thereof or variations thereon or similar expressions generally intended to identify forward-looking statements. Forward-looking statements may relate to such matters as projections of revenue, margins, expenses, tax provisions, earnings, cash flows, benefit obligations, dividends, share purchases, or other financial items; any statements of the plans, strategies, and objectives of management for future operations, including those relating to any statements concerning expected development, performance, or market share relating to our products and services; any statements regarding future economic conditions or our performance; any statements regarding pending investigations, claims or disputes; any statements of expectation or belief; and any statements of assumptions underlying any of the foregoing. These statements are based on the Company's currently available information and our current assumptions, expectations and projections about future events. They are subject to future events, risks and uncertainties - many of which are beyond the Company's control - as well as potentially inaccurate assumptions, that could cause actual results to differ materially from those in the forward-looking statements. Further information on these factors and other risks that may affect the Company's business is included in filings it makes with the Securities and Exchange Commission from time to time, including its Form 10-K for the year ended Dec. 31, 2019, Form 10-Q for the quarter ended March 31, 2020, and in its other SEC filings. The Company undertakes no obligation to update these forward-looking statements.

Reconciliation of Non-GAAP Measures

The Company presents operating income, operating margin, net earnings and diluted earnings per share (EPS) on both a U.S. GAAP basis and on an adjusted (non-GAAP) basis, revenue growth on a U.S. GAAP basis and organic revenue growth on a non-GAAP basis, and adjusted EBITDA and adjusted EBITDA margin (both non-GAAP measures). The Company presents these non-GAAP measures because management believes they provide useful perspective of the Company's underlying business results, trends and a more comparable measure of period-over-period results. These measures are also used to evaluate senior management and are a factor in determining at-risk compensation. Investors should not consider non-GAAP measures as alternatives to the related GAAP measures.

The Company defines the presented non-GAAP measures as follows:

- Adjustments to operating income, operating margin, net earnings, EPS and EBITDA include items such as goodwill, indefinite-lived trade name, and other asset impairment charges, restructuring charges, acquisition and integration costs, debt refinancing costs and charges related to the divestiture of businesses.
- Organic revenue growth is defined as U.S. GAAP revenue growth excluding the impact of divestitures, acquisitions and currency effects.
- Available cash flow is defined as U.S. GAAP net cash from operating activities less capital expenditures.

These non-GAAP measures may not be defined and calculated the same as similar measures used by other companies. A reconciliation of the non-GAAP measures used to their most directly comparable GAAP measure is presented as a supplemental schedule in the earnings release that can be found at www.allegion.com.

2020 First-Quarter Update – COVID-19

“During this time of uncertainty, we remain deeply committed to do what’s right for our employees, customers and the communities where we operate, as well as our business health and essential critical infrastructure.”

– CEO David D. Petratis

- Employee health and safety – a top priority
- Strong focus on business continuity and serving “Essential Critical Infrastructure”
- Adhering to public health decrees
- Monitoring demand – anticipate periodic work stoppages in response to temporary reductions in demand or material shortages
- Capital allocation
 - Freeze on share repurchases
 - Maintaining balanced and disciplined approach to capital allocation

**Adapting to the short-term impact;
Focused on long-term value proposition**

Mitigation actions

- ✓ Reduction in discretionary spending
- ✓ Elimination of non-essential investment spend
- ✓ Hiring freeze
- ✓ Re-prioritization of capital spending

2020 First-Quarter Update

Revenue Growth¹

Revenue growth of 3% and organic growth of 4.3% in the first quarter – driven by Americas growth of 7.7% (8.2% organic growth)

Electronics

Americas electronics growth of 12% in the quarter

Adjusted OI Margin¹

Adjusted operating margin up 190 bps in the quarter, led by the Americas region (+270 bps in the quarter)

Adjusted EPS Performance¹

Adjusted EPS growth of 18.2% in the quarter

Available Cash Flow Growth¹

Available cash flow of \$19.0 million in the quarter; \$43.9 million increase vs Q1 last year

Estimated COVID-19 Impacts

COVID-19 revenue impact estimated at ~\$10 million and adjusted OI impact estimated at ~\$4 million; primarily in EMEIA and Asia Pacific

Restructuring / Impairment

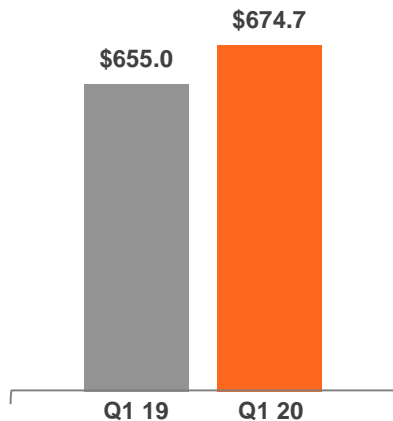
Restructuring actions announced to optimize and simplify the company's non-US operations and cost structure; \$96.3 million goodwill and indefinite-lived intangible asset impairment in non-US operations

First-Quarter 2020 Financial Summary

Revenue¹

\$Millions

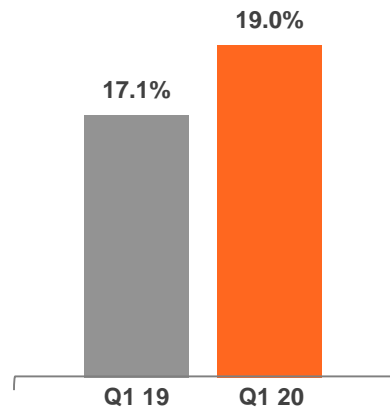
+3.0%



- Organic growth of 4.3%
- Strength in Americas partially offset by weakness in other regions
- Currency and divestitures headwinds

Adjusted OI Margin¹

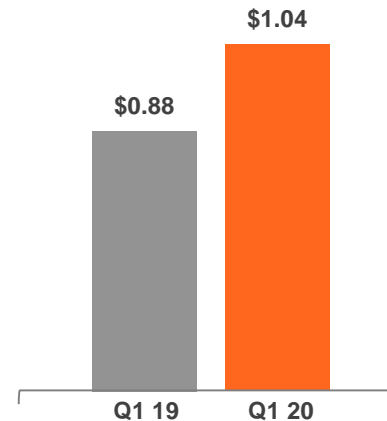
+190 bps



- Price and productivity more than offset inflation
- Operational improvements partially offset by incremental investments

Adjusted EPS¹

+18.2%

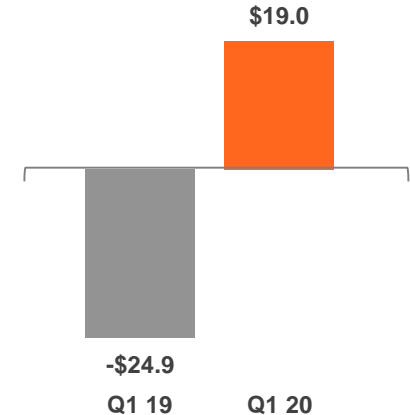


- Adjusted operating income up 14.4%
- Favorable share count and year-over-year tax rate decrease partially offset by other expense

YTD ACF¹

\$Millions

+176.3%



- Incremental net earnings (excluding non-cash impairment charges) and improvement in net working capital

2020 First-Quarter Revenue Results

| | <u>Q1</u> <u>2020</u> | | <u>Q1'20</u> <u>Reported</u> <u>Growth</u> | <u>Q1'20</u> <u>Organic¹</u> <u>Growth</u> |
|----------------|--------------------------|-----------------------|--|---|
| Price | 1.3% | Americas | 7.7% | 8.2% |
| Volume | 3.0% | EMEIA | -9.1% | -6.2% |
| Organic | 4.3% | Asia Pacific | -11.1% | -4.9% |
| Divestitures | -0.4% | | | |
| Currency | -0.9% | | | |
| Total | 3.0% | Total Allegion | 3.0% | 4.3% |

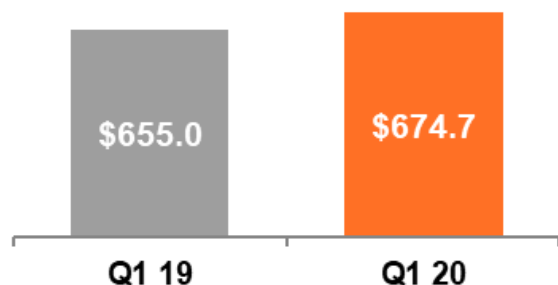
Strong growth in the Americas offsetting weakness in EMEIA and Asia Pacific

First-Quarter 2020 Allegion Results

Revenue¹

(\$millions)

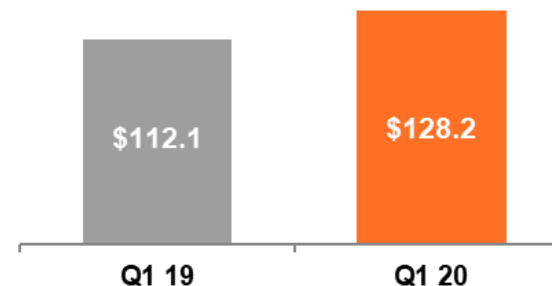
+3.0%



Adjusted Operating Income¹

(\$millions)

+14.4%



| | | |
|---------------|-------|-------|
| Adj Op Margin | 17.1% | 19.0% |
| Adj EBITDA % | 20.1% | 21.8% |

Q1 Revenue Performance

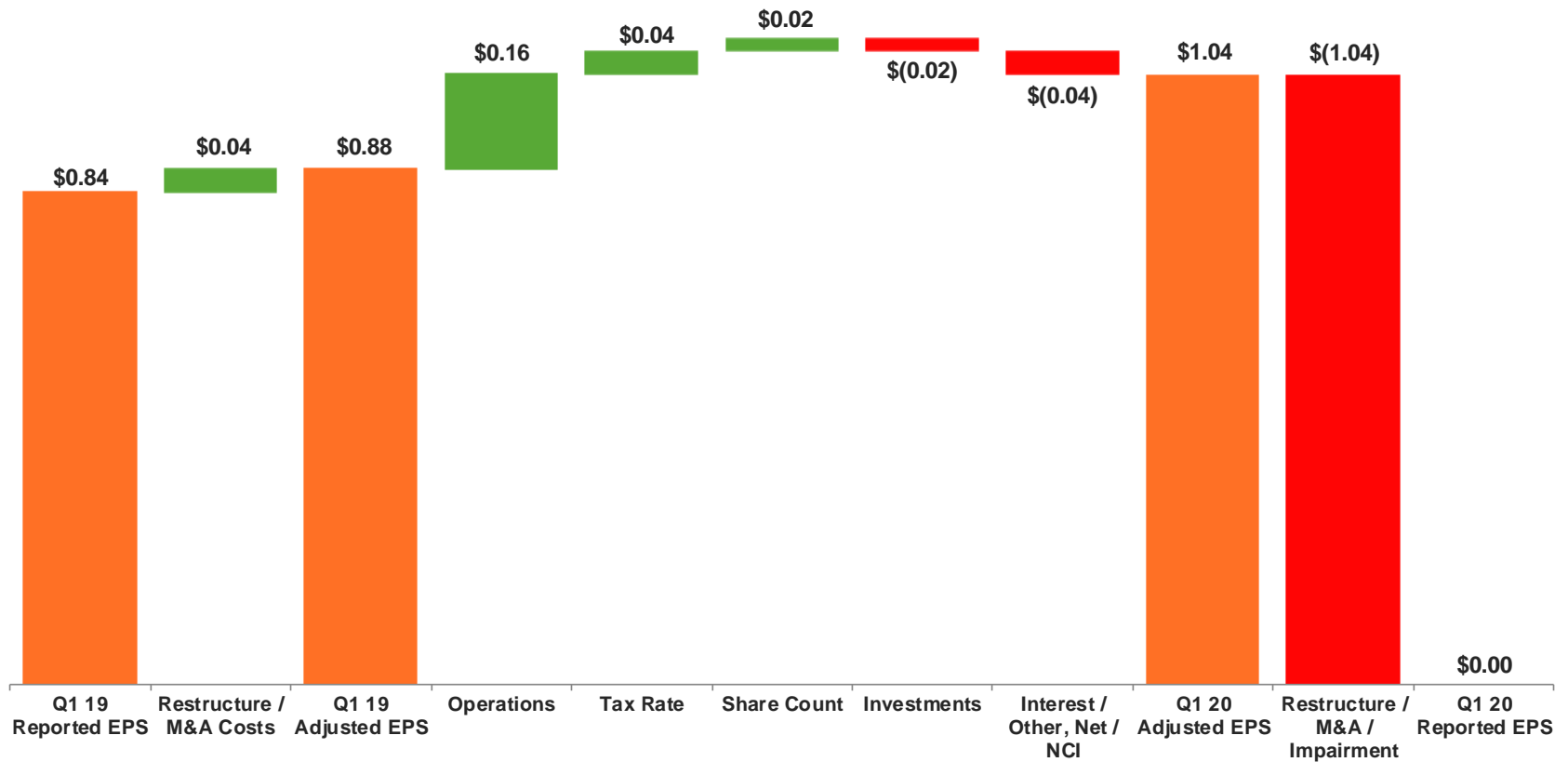
- Organic revenue growth of 4.3%
- Good price realization
- Strength in Americas offset by weakness in EMEA and Asia Pacific
- Currency and divestitures headwinds
- Estimated COVID-19 impact of ~\$10 million

Q1 Adjusted Operating Margin +190 bps

- Solid operating leverage on incremental volume from the Americas region
- Price and productivity exceeded inflation
- Incremental investments were a 30-bps headwind
- Estimated COVID-19 impact of ~\$4 million

First-Quarter 2020 Allegion EPS Performance

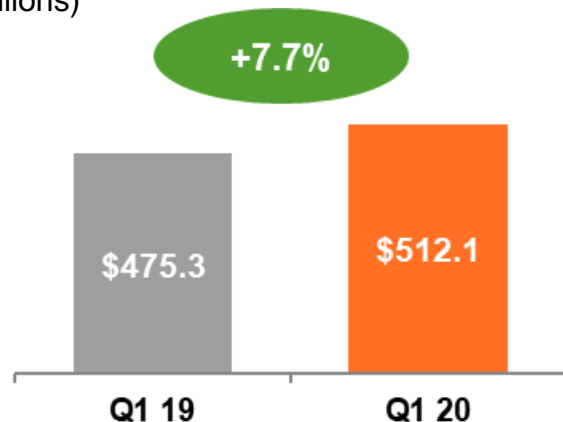
Q1



First-Quarter 2020 Americas Results

Revenue¹

(\$millions)

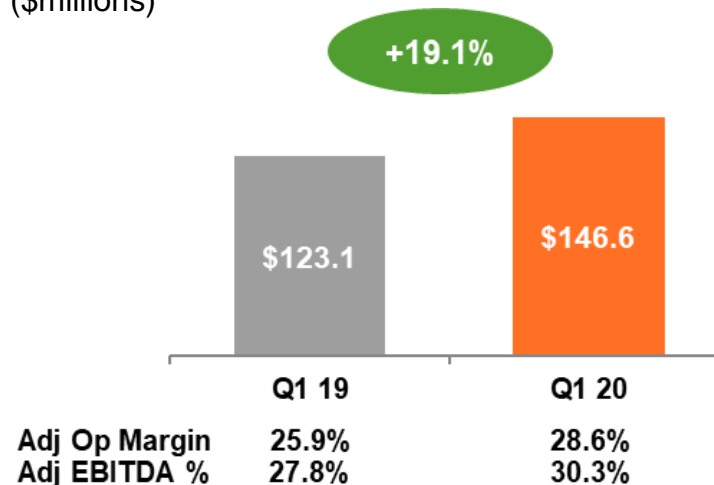


Q1 Revenue Performance

- Organic revenue growth of 8.2%
- Solid price realization of 1.6%
- Year-over-year electronics growth of 12%
- Non-residential and residential businesses both grew high-single digits

Adjusted Operating Income¹

(\$millions)



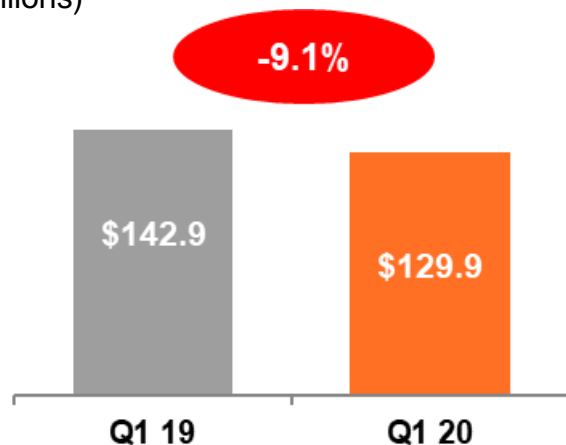
Q1 Adjusted Operating Margin +270 bps

- Strong operating leverage on incremental volume
- Price and productivity significantly exceeded inflation
- Incremental investments were a 40-bps headwind

First-Quarter 2020 EMEIA Results

Revenue¹

(\$millions)

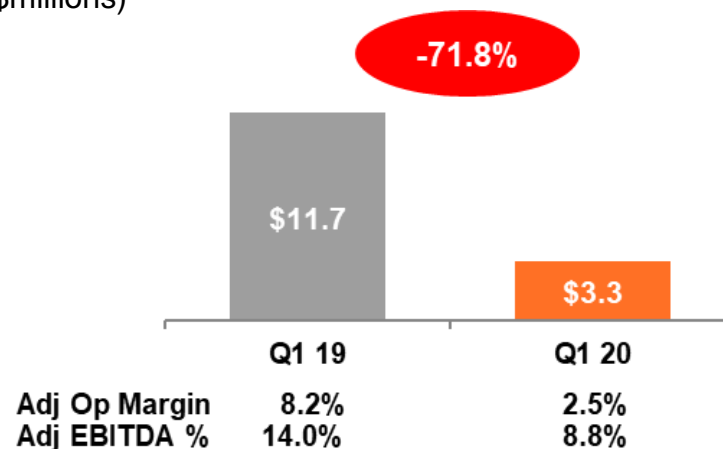


Q1 Revenue Performance

- Organic revenue decline of 6.2%
- Lower volume driven by softening end markets across the region and COVID-19 impact primarily in the southern region
- Other headwinds driven by currency and the divestiture of the business in Turkey

Adjusted Operating Income¹

(\$millions)



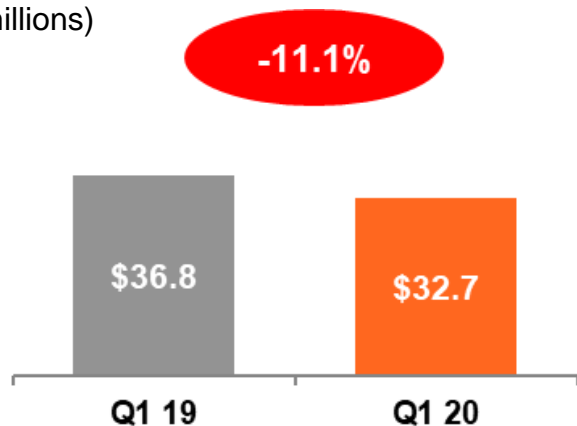
Q1 Adjusted Operating Margin -570 bps

- Inflation exceeded price plus productivity
- Reduced operating income on significant volume declines
- Continued cost pressure due to Turkey plant relocation to Poland
- Cost reduction actions announced to optimize and simplify operations and address cost structure

First-Quarter 2020 Asia-Pacific Results

Revenue¹

(\$millions)

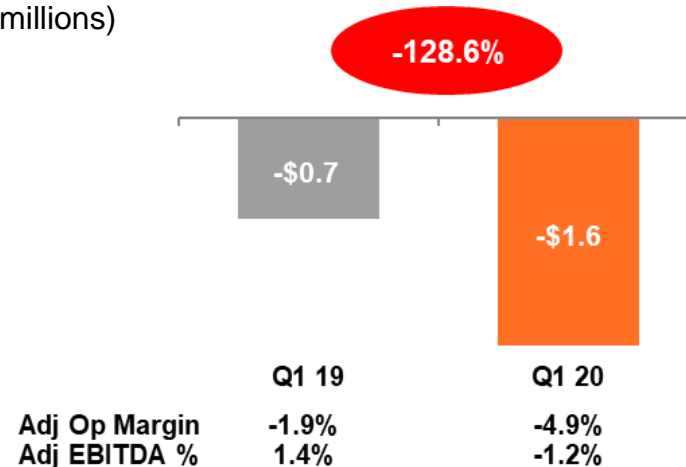


Q1 Revenue Performance

- Organic revenue decline of 4.9%
- Lower demand due to further weakness in Australian end markets, particularly residential, and COVID-19 impact
- Significant FX headwinds continued to be a drag on revenue

Adjusted Operating Income¹

(\$millions)



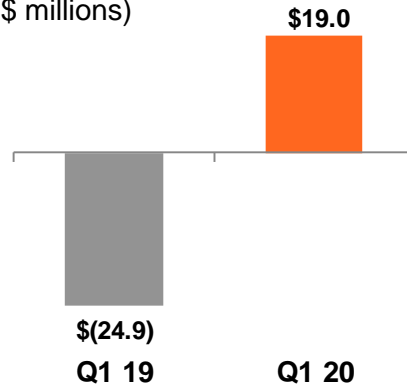
Q1 Adjusted Operating Margin -300 bps

- Reduced operating income on significant volume declines and unfavorable mix
- Cost reduction actions announced to optimize and simplify operations and address cost structure
- Adjusted operating income excludes ~\$95 million non-cash impairment charges

First-Quarter 2020 Allegion ACF

Available Cash Flow¹

(\$ millions)



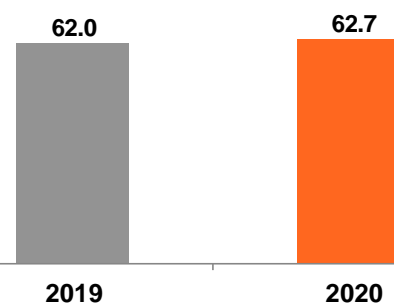
- Increase in ACF driven by incremental net earnings (excluding non-cash impairment charges) and improvements in net working capital

Working Capital² & Cash Conversion Cycle (CCC)³

Working Capital % of Revenue



Cash Conversion Cycle

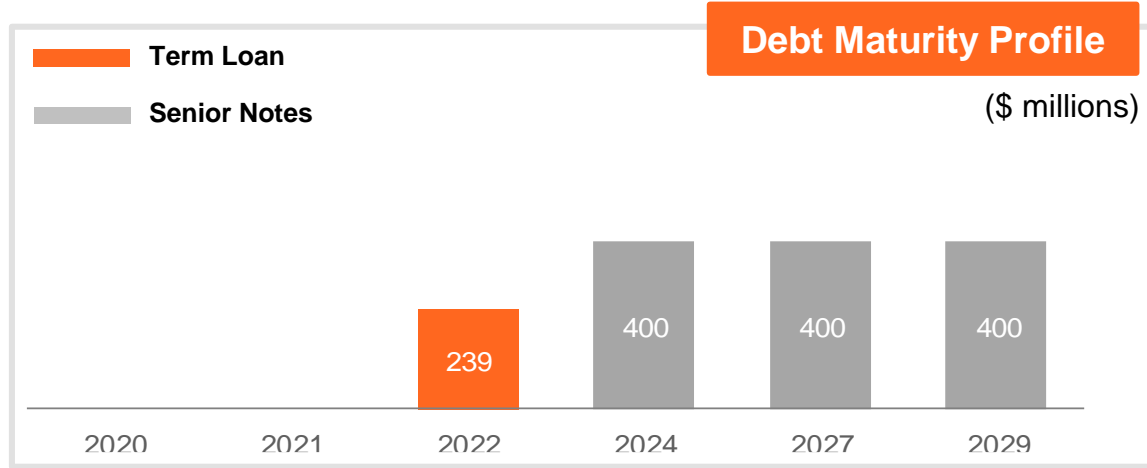
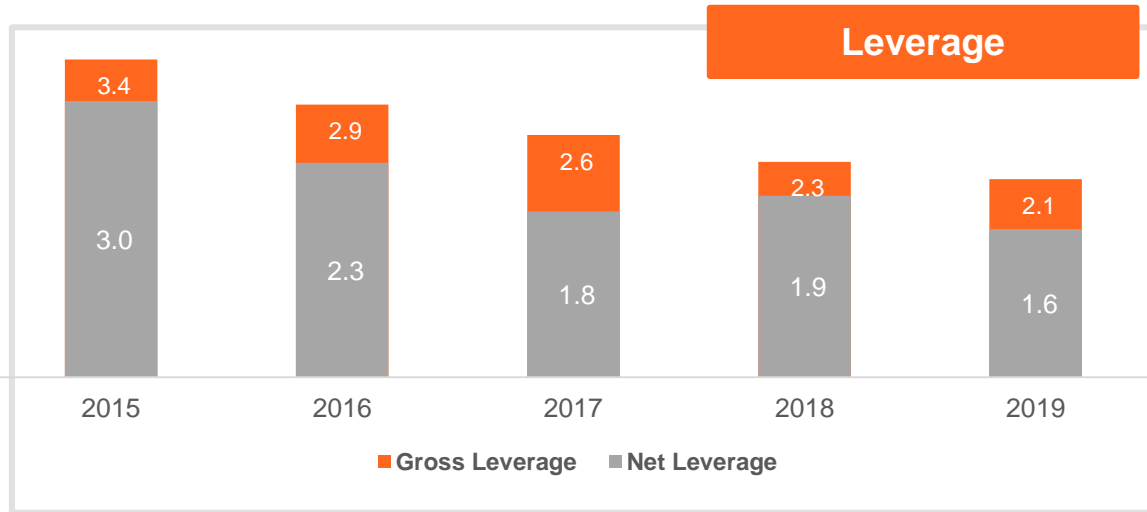


¹ Net cash from operating activities less capital expenditures

² Working capital defined as accounts receivable plus inventories less accounts payable and other accrued expenses (calculated using 4pt quarter end WC average)

³ CCC = DSO + Inventory Days - DPO (calculated using 4pt quarter average)
See press release for non-GAAP reconciliations

Capital Structure



- 1.6x Net debt / EBITDA at the end of 2019
- No near-term debt maturities
- Untapped \$500 million credit facility
- Dividend increase of 18.5% in Q1; expected to remain in place
- Share repurchase program on hold; will re-evaluate later in the year

Strong balance sheet position

Investment Thesis

- Above-market organic growth¹
 - Strength of channel / large installed base
 - Q1 saw total company organic growth at 4.3%; Americas at 8.2%
- Seamless access / electronics growth
 - Electronics and keyless convergence trend
 - Americas delivered 12% electronics growth in Q1
- Industry-leading adjusted EBITDA margins¹
 - Historical EBITDA margin profile demonstrates resiliency through economic cycles
 - 170-bps adjusted EBITDA margin expansion in Q1
- Strong balance sheet
 - No near-term debt repayments
 - Low working capital and capital spending requirements
- High level of cash flow conversion
 - Company ACF % of Net Income has averaged greater than 100% from 2014 – 2019
 - Drives capital allocation flexibility and optionality



ALLEGIONTM



About Allegion

Allegion is a global pioneer in seamless access, with leading brands like CISA®, Interflex®, LCN®, Schlage®, SimonsVoss® and Von Duprin®. Focusing on security around the door and adjacent areas, Allegion secures people and assets with a range of solutions for homes, businesses, schools and institutions. Allegion had \$2.9 billion in revenue in 2019, and sells products in almost 130 countries.

NYSE: ALLE

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