



**ALLEGION™**

PIONEERING SAFETY

# First-Quarter 2022

## Financial Results

April 26, 2022



# 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 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, the Company's 2022 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, 2021, Form 10-Q for the quarters ended March 31, 2022, 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 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, gains or losses related to the divestiture of businesses or equity method investments and non-operating investment gains or losses.
- 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](http://www.allegion.com).

# Business Review

## *Market / Demand*

Market demand remains robust, particularly in Allegion Americas non-residential and Allegion International; Allegion Americas residential markets stable

## *Supply Chain / Electronics*

Steady progress on product redesign and alternative sourcing; Electronic component challenges expected to continue

## *Price vs Cost*

Inflationary pressures persist; Price realization accelerated in Q1; Additional price increases announced; Pricing expected to exceed inflation in 2022

## *2022 Standalone Outlook<sup>1</sup>*

Raising revenue outlook, reflecting higher price realization to combat continued inflation; Affirming prior EPS outlook

## *Stanley Access Technologies Acquisition*

Announced acquisition of the Access Technologies business; Complementary asset with strong business fundamentals and financial profile; Transaction expected to close in Q3

# First-Quarter 2022 Financial Summary

## Revenue<sup>1</sup> \$Millions

**+4.2%**



- Organic revenue growth of 6.4%
- Significant price realization of 6%
- Positive volume mainly due to growth in Allegion International and Allegion Americas non-residential business

## Adjusted OI Margin<sup>1</sup>

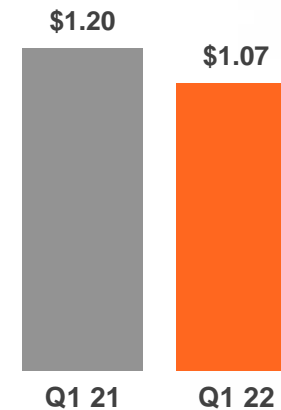
**-240 bps**



- Margin decline driven by continued inflationary pressures, productivity challenges and FX headwinds
- Incremental investments were a 60-bps headwind

## Adjusted EPS<sup>1</sup>

**-10.8%**



- Adjusted operating income down 8.6%
- Unfavorable tax and other income, partially offset by favorable share count

## YTD ACF<sup>1</sup> \$Millions

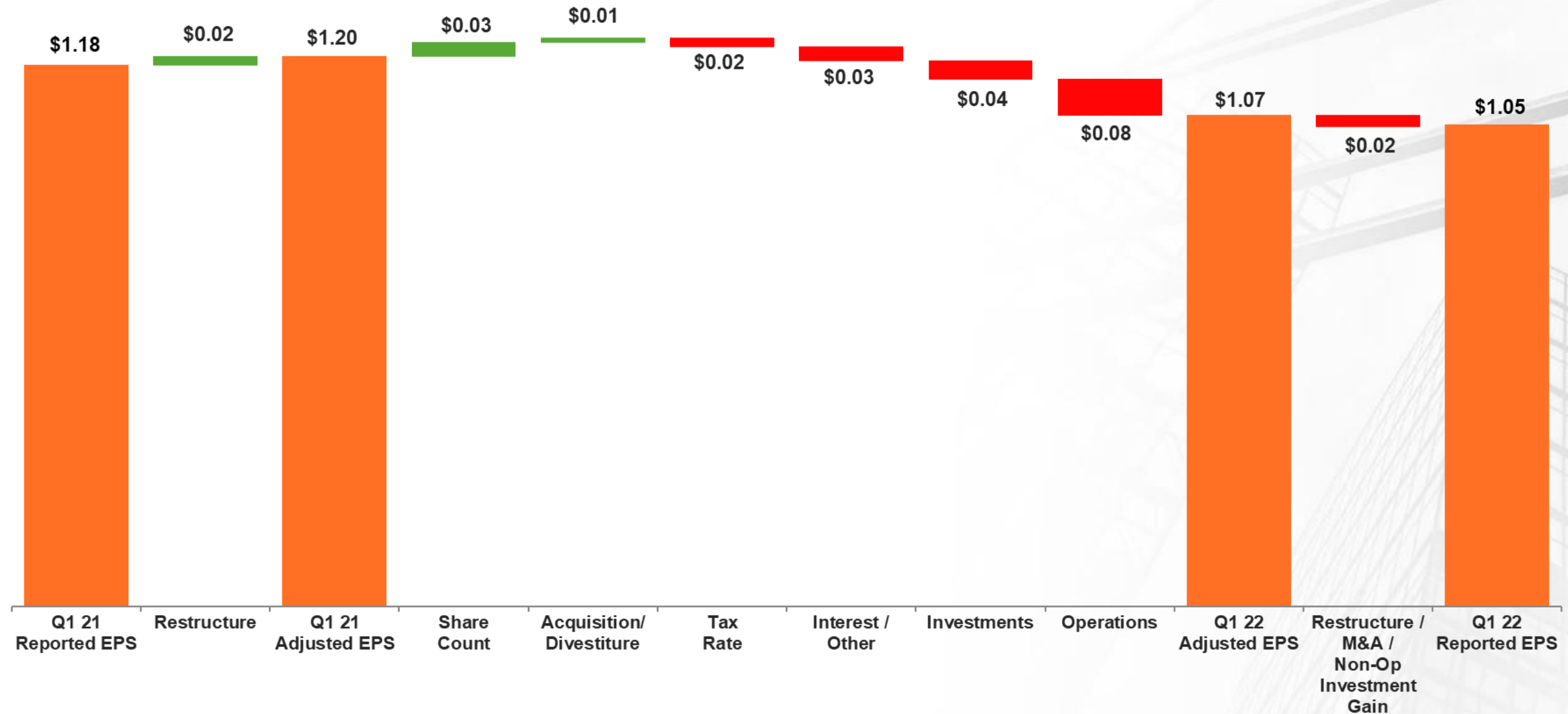
**-88.8%**



- ACF generation in line with historical trends
- Decrease vs prior year driven by investments in net working capital (last year lower due to COVID)

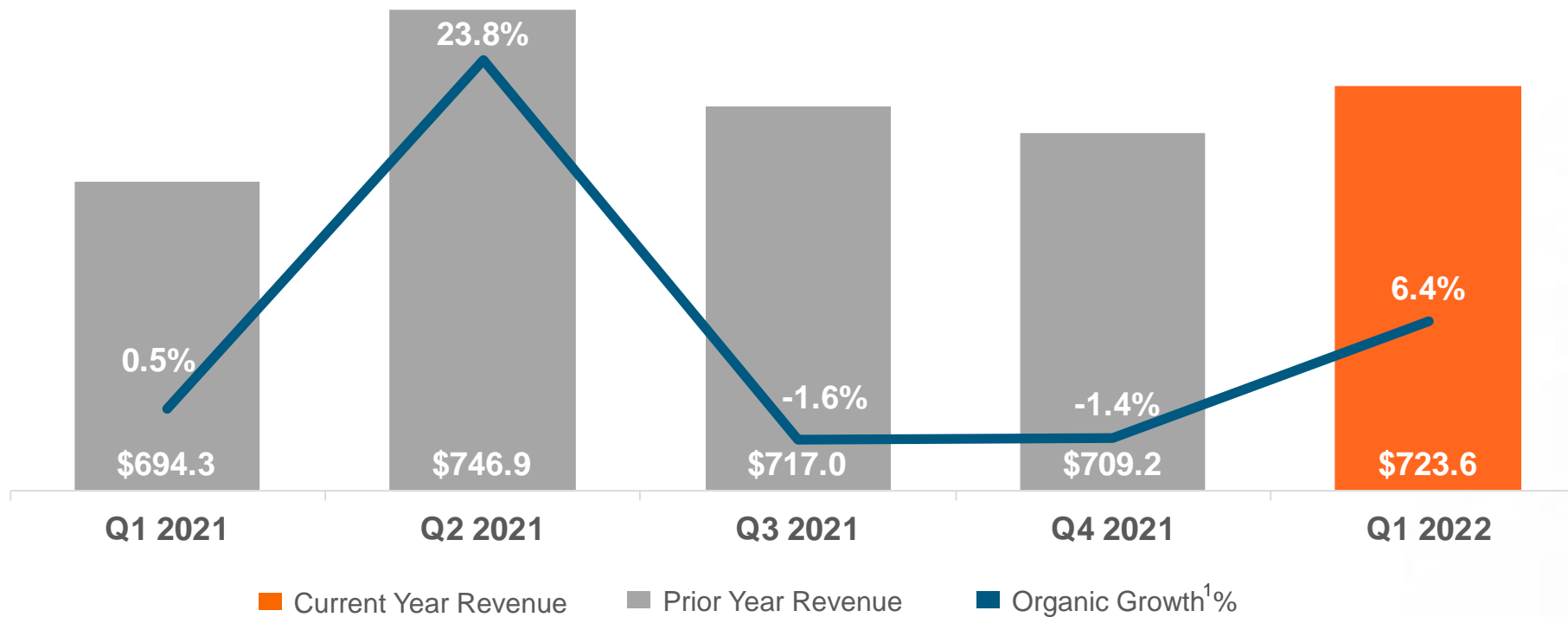


# First-Quarter 2022 Allegion EPS Performance



# First-Quarter 2022 Revenue Results

\$Millions

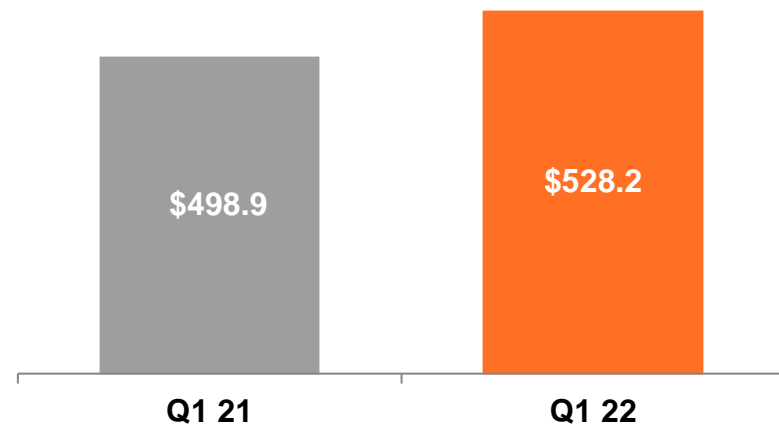


	<u>Q1'22</u> <u>Reported</u> <u>Growth</u>	<u>Q1'22</u> <u>Organic<sup>1</sup></u> <u>Growth</u>
Allegion Americas	5.9%	5.9%
Allegion International	0.0%	7.6%
<b>Total</b>	<b>4.2%</b>	<b>6.4%</b>

<u>Price</u>	<u>Volume</u>	<u>Organic<sup>1</sup></u>	<u>Acq/Div</u>	<u>Currency</u>	<u>Total</u>
+6.0%	0.4%	<b>+6.4%</b>	-0.3%	-1.9%	<b>+4.2%</b>

# First-Quarter 2022 Allegion Americas Results

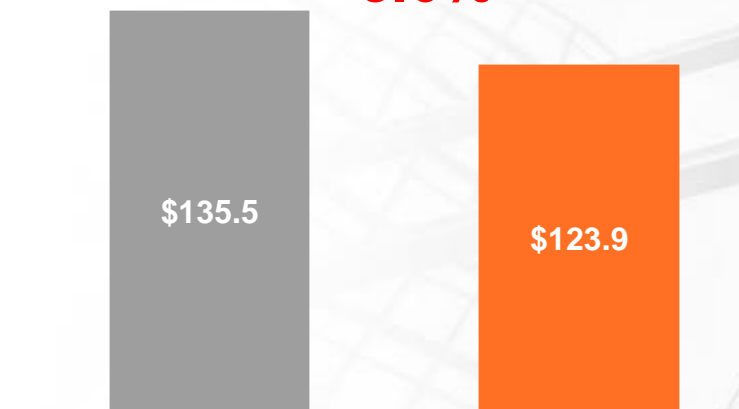
## Revenue<sup>1</sup> \$Millions **+5.9%**



### Q1 Revenue Performance

- Organic revenue growth of 5.9%
- Significant price realization led by non-residential; Residential pricing improving
- Non-residential business up low-double digits as favorable pricing and volume both contributing to the overall growth
- Residential business down mid-single digit due to tough comparison from large channel load-in
- Electronics up low-single digit

## Adjusted Operating Income<sup>1</sup> \$Millions **-8.6%**



	Q1 21	Q1 22
Adj OP Margin	27.2%	23.5%
Adj EBITDA %	28.9%	25.1%

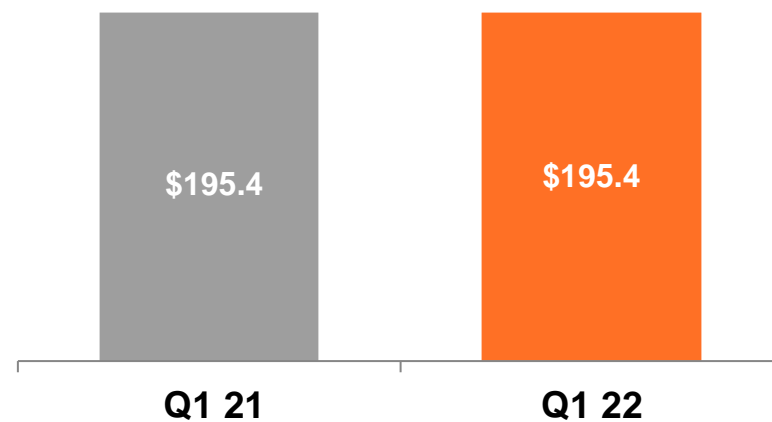
### Q1 Adjusted Operating Margin -370 bps

- Margin decline driven by continued inflationary pressures, productivity challenges and volume de-leverage
- Incremental investments were a 60-bps headwind



# First-Quarter 2022 Allegion International Results

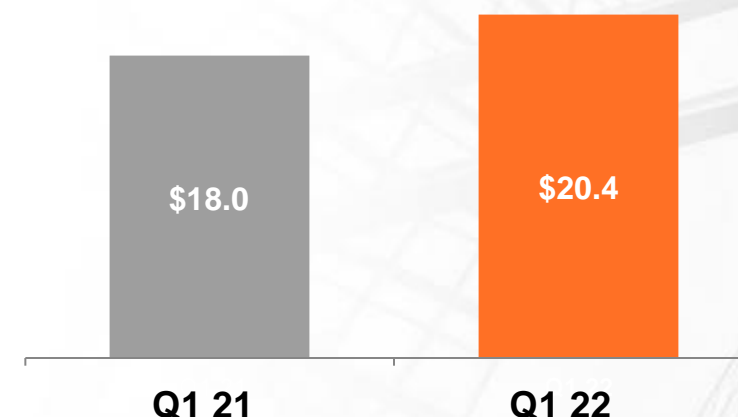
## Revenue<sup>1</sup> \$Millions Flat



### Q1 Revenue Performance

- Organic revenue growth of 7.6%
- Organic growth driven by strength in SimonsVoss, Interflex and Global Portable Security businesses
- Solid price realization
- Currency headwinds (6.8%)

## Adjusted Operating Income<sup>1</sup> \$Millions +13.3%



	Q1 21	Q1 22
Adj OP Margin	9.2%	10.4%
Adj EBITDA %	14.4%	15.4%

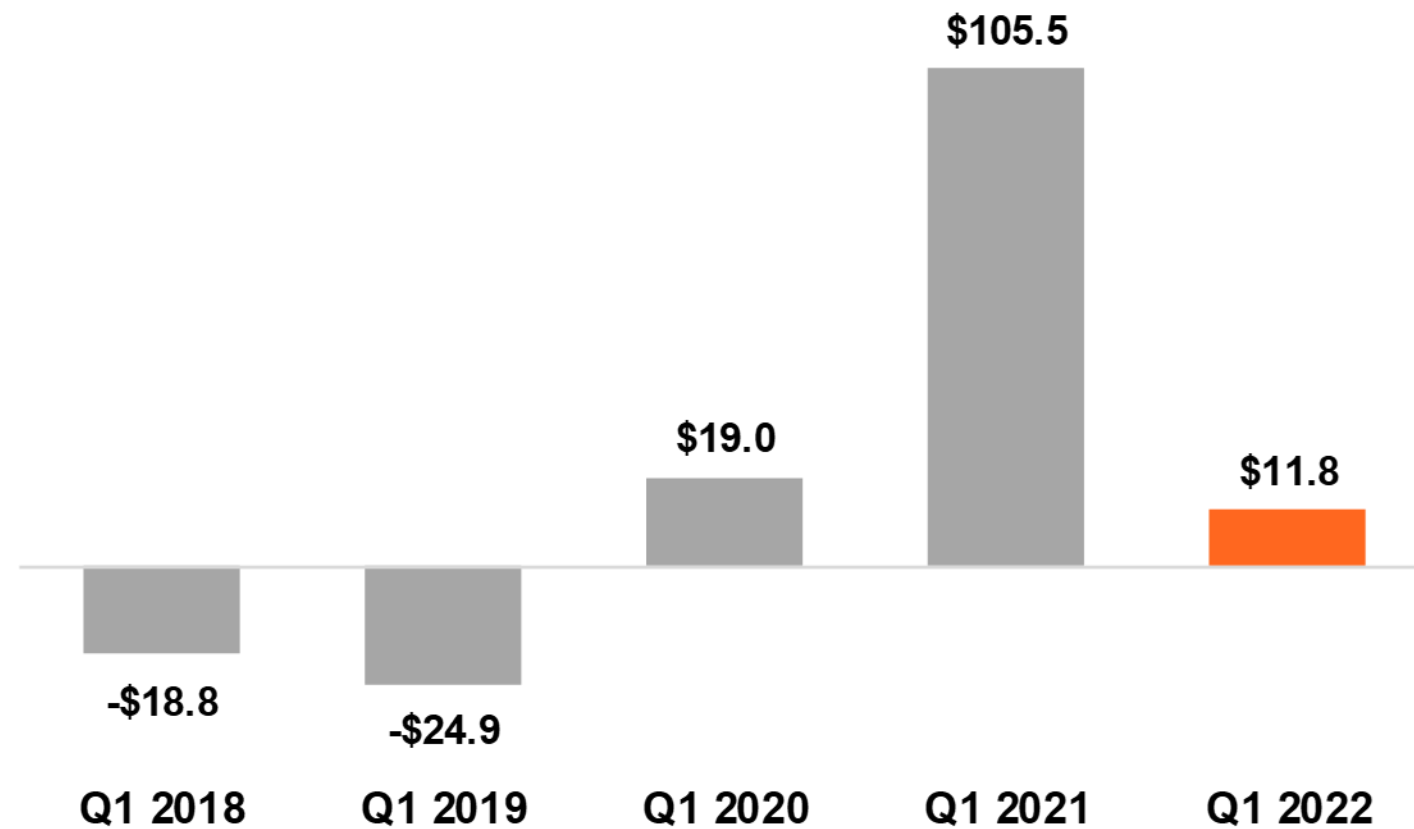
### Q1 Adjusted Operating Margin +120 bps

- Record Q1 operating margin performance
- Price and productivity exceeded inflation
- Currency headwinds
- Incremental investments were a 50-bps headwind

# 2022 Allegion ACF

## Available Cash Flow<sup>1</sup>

\$Millions



### Notes:

- ACF generation in line with historical trends
- Lower net earnings than prior year
- Higher net working capital requirements (last year lower due to COVID)
- Slightly higher capital expenditures than prior year

Cash generation as expected; Healthy balance sheet

# Full-Year 2022 Revenue Outlook

## 2022 Revenue Outlook - Current

Reported & Organic <sup>1</sup> Revenue Outlook	<u>Allegion Americas</u>		<u>Allegion International</u>	
	Reported:	10% to 11.5%	Reported:	0.5% to 2%
Organic:	10% to 11.5%	Organic:	5% to 6.5%	
Total Company – Reported: 7.5%-9%; Organic: 8.5%-10%				

## 2022 Revenue Outlook - Prior

Reported & Organic <sup>1</sup> Revenue Outlook	<u>Allegion Americas</u>		<u>Allegion International</u>	
	Reported:	8.5% to 10%	Reported:	-1% to 1%
Organic:	8.5% to 10%	Organic:	3% to 5%	
Total Company – Reported: 6%-7.5%; Organic: 7%-8.5%				

**Reported growth of 7.5% to 9%; Organic growth of 8.5% to 10%**

### Notes:

- Robust Allegion Americas non-residential market demand
- Stable Allegion Americas residential market demand
- Strong Allegion International markets
- Increases from prior outlook driven primarily by higher price realization assumption
- Does not include Stanley Access Technologies business



# Full-Year 2022 EPS & ACF Outlook

## 2022 EPS Reconciliation - Current

<b>2021 Reported EPS</b>	<b>\$5.34</b>
Adjustments <sup>1</sup>	(\$0.15)
<b>2021 Adjusted EPS</b>	<b>\$5.19</b>
Operational Performance	~\$0.94 to \$1.09
Investments	~(\$0.20) to (\$0.15)
Interest and Other Income/Expense	~(\$0.15)
Tax Rate	~(\$0.35)
Share Count	~\$0.12
<b>2022 Adjusted EPS</b>	<b>\$5.55 to \$5.75</b>
Adjustments <sup>2</sup>	~(\$0.05)
<b>2022 Reported EPS</b>	<b>\$5.50 to \$5.70</b>

## 2022 EPS Reconciliation - Prior

<b>2021 Reported EPS</b>	<b>\$5.34</b>
Adjustments <sup>1</sup>	(\$0.15)
<b>2021 Adjusted EPS</b>	<b>\$5.19</b>
Operational Performance	~\$0.91 to \$1.06
Investments	~(\$0.20) to (\$0.15)
Interest and Other Income/Expense	~(\$0.15)
Tax Rate	~(\$0.35)
Share Count	~\$0.15
<b>2022 Adjusted EPS</b>	<b>\$5.55 to \$5.75</b>
Adjustments <sup>2</sup>	~(\$0.05)
<b>2022 Reported EPS</b>	<b>\$5.50 to \$5.70</b>

### Other Items:

- Full-year adjusted effective tax rate ~13%
- Average diluted share count for the full year of ~88.5 million shares
- Available cash flow of \$470-\$490 million
- Operational improvements offset higher outlook for share count
- Does not include Stanley Access Technologies business or anticipated future costs related to the transaction

**Adjusted EPS growth of 7% to 11%; ACF of \$470-\$490 million**





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# Acquisition of Stanley Access Technologies Business



# Highly Strategic Combination

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- ✓ **Strategic asset that further enhances Allegion's seamless access strategy and presence in security markets**
  - Complementary non-residential specified business
  - Fully integrated end-to-end solution provider with robust product portfolio across a range of end markets
- ✓ **Attractive services business with opportunity to build presence across existing products**
  - Increases exposure to a high-growth service and support network across a large installed base
  - Opportunity to capitalize on trends in touchless access, healthcare and ADA regulatory requirements
  - Acquisition adds services that provide ongoing and consistent revenue streams
- ✓ **Significant shareholder value creation opportunities**
  - Value and cash-accretive strategic M&A transaction
  - Synergies with the combination of Allegion's core hardware business and specification team



# Delivering Value for Allegion Shareholders



## Seamless Access Enhancement

- Further expansion of seamless access offerings, addressing current portfolio gap



## M&A Strategy Consistency

- Strong business and market fundamentals
- Fits with specification capabilities
- Helps expand in core markets



## Strong Financial Profile

- Projected revenue growth<sup>1</sup> of high-single digit with strong free cash flow conversion



## Disciplined Capital Allocation

- Strong balance sheet and cash flow to maintain current investment grade ratings and financial flexibility

<sup>1</sup> Based on 2022E





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## About Allegion™

Allegion (NYSE: ALLE) 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 2021 and its security products are sold around the world.

For more, visit [www.allegion.com](http://www.allegion.com).

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