



ALLEGIONTM

PIONEERING SAFETY

Fourth-Quarter 2020

Financial Results

February 16, 2021

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, the Company's 2021 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, 2020, Form 10-Q for the quarters ended March 31, 2020, June 30, 2020, and Sept. 30, 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 Highlights

Revenue

Strong revenue performance despite difficulties posed by COVID-19 pandemic; Americas residential and EMEA performed well in the 2nd half

Adjusted OI Margin¹

Adjusted operating income margins increased 20 bps for the year, with cost management actions mitigating the volume-related COVID-19 impacts

Adjusted EPS Performance¹

Adjusted EPS grew 4.5% to \$5.11 per share

Available Cash Flow Growth¹

Full-year available cash flow of \$443.2 million, an increase of \$20.6 million versus prior year

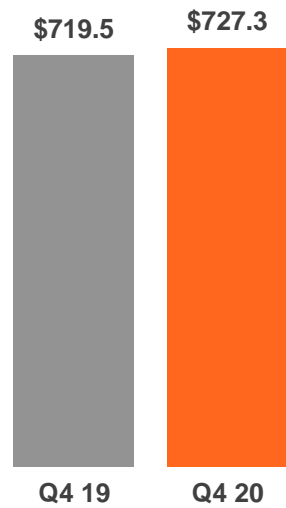
ESG

Made improvements in industry-leading employee safety metrics; Reduced greenhouse gases and water usage; Amplified diversity and inclusion

Fourth-Quarter 2020 Financial Summary

Revenue¹ \$Millions

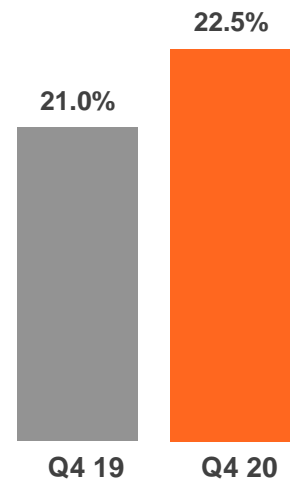
+1.1%



- Organic revenue decline of 0.6%
- Lower volume due to continued economic challenges stemming from the COVID-19 pandemic
- Sequential quarterly improvement in rate-of-change
- FX tailwinds

Adjusted OI Margin¹

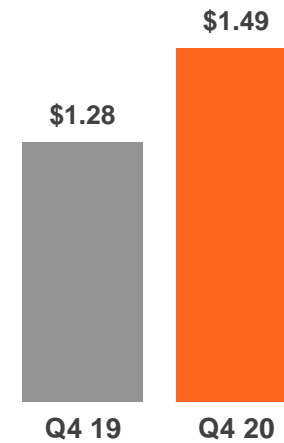
+150 bps



- Price, productivity, FX and commodity deflation contributing to YOY margin improvement
- Active cost management mitigating de-leverage from volume declines

Adjusted EPS¹

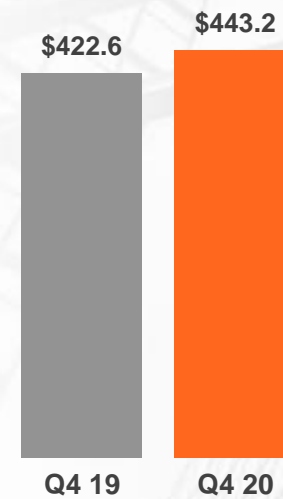
+16.4%



- Adjusted operating income up 8.3%
- Favorable adjusted operating income, tax rate and share count contributing to double-digit EPS growth

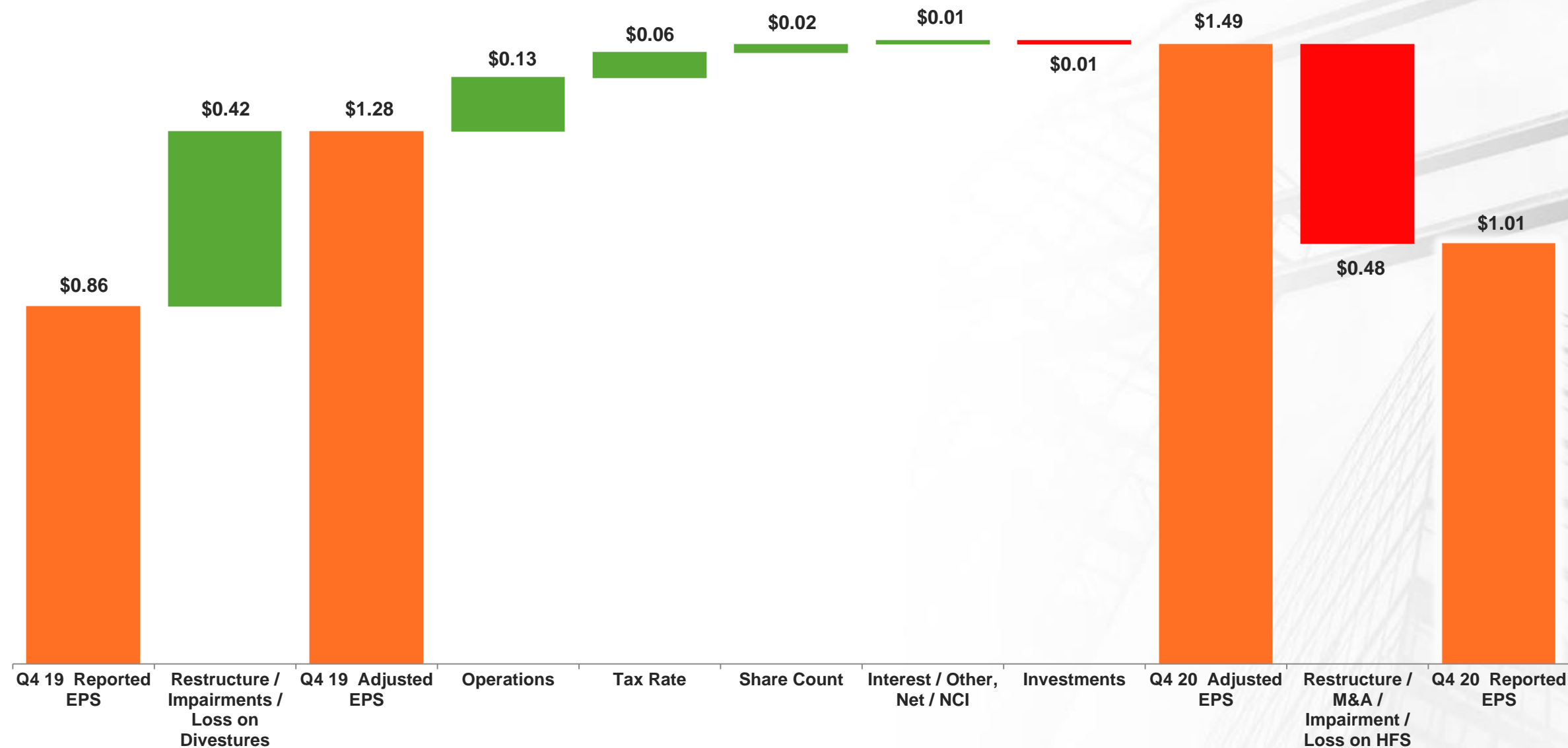
YTD ACF¹ \$Millions

+4.9%

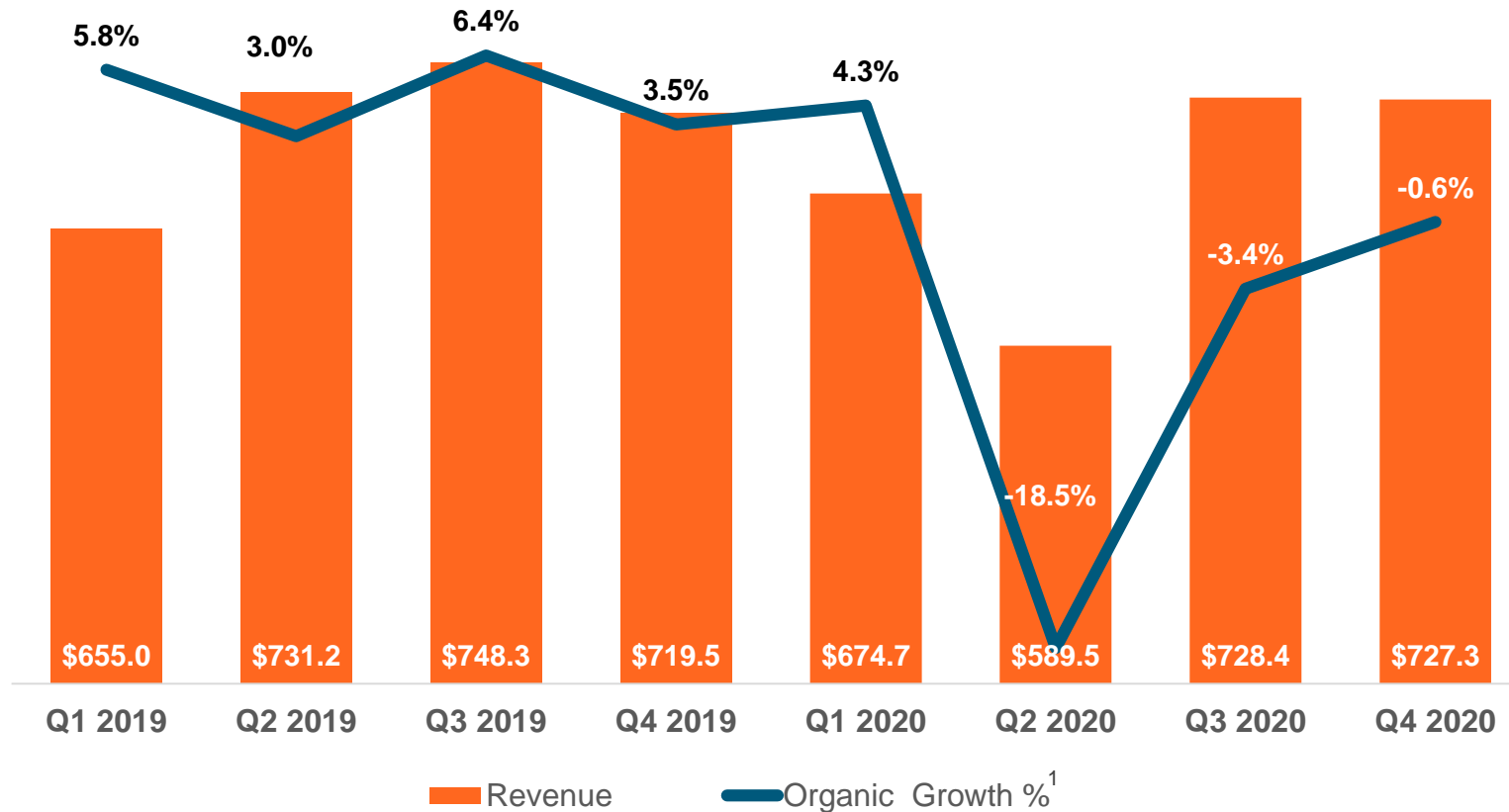


- Higher adjusted net earnings
- Lower capital expenditures

Fourth-Quarter 2020 Allegion EPS Performance



Fourth-Quarter 2020 Revenue Results

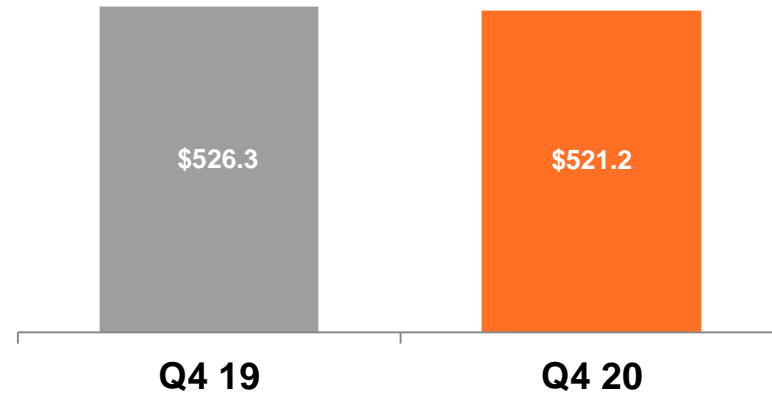


	<u>Q4'20</u> <u>Reported</u> <u>Growth</u>	<u>Q4'20</u> <u>Organic</u> ¹ <u>Growth</u>	<u>FY'20</u> <u>Reported</u> <u>Growth</u>	<u>FY'20</u> <u>Organic</u> ¹ <u>Growth</u>
Americas	-1.0%	-0.7%	-4.6%	-4.2%
EMEA	10.5%	3.1%	-3.1%	-5.1%
Asia Pacific	-6.4%	-11.9%	-11.0%	-10.6%
Total Allegion	1.1%	-0.6%	-4.7%	-4.8%

Q4 2020					
<u>Price</u>	<u>Volume</u>	<u>Organic</u> ¹	<u>Divestitures</u>	<u>Currency</u>	<u>Total</u>
1.2%	-1.8%	-0.6%	-0.2%	1.9%	1.1%

Fourth-Quarter 2020 Americas Results

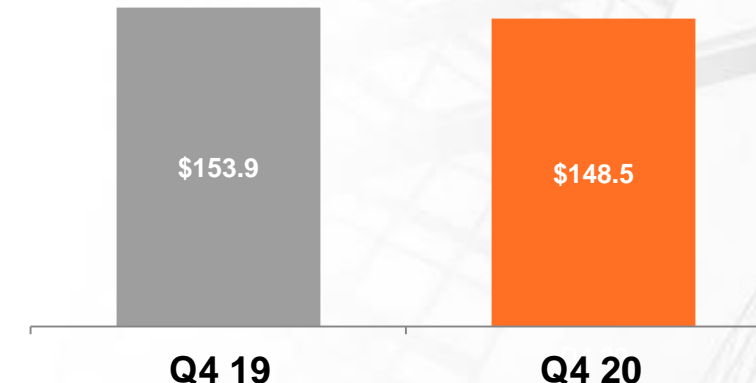
Revenue¹ \$Millions -1.0%



Q4 Revenue Performance

- Organic revenue decline of 0.7%
- Solid price realization
- Non-residential business down low-double digits; Residential business up mid-twenties
- Year-over-year electronics slightly negative with residential electronics growth offset by delays in non-residential discretionary projects

Adjusted Operating Income¹ \$Millions -3.5%



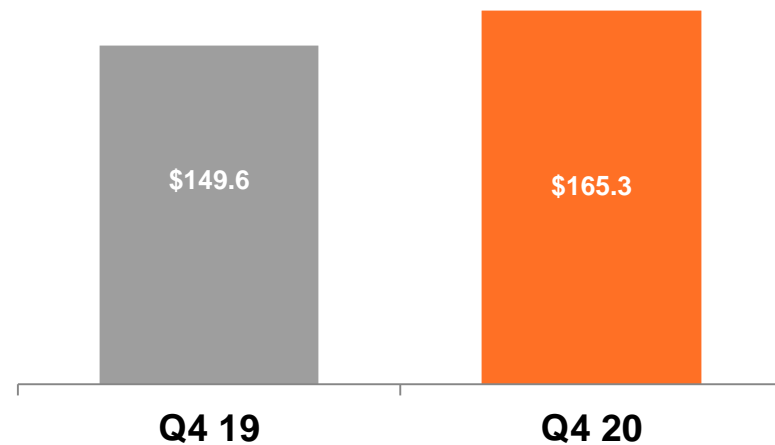
	Q4 19	Q4 20
Adj OP Margin	29.2%	28.5%
Adj EBITDA %	30.9%	30.2%

Q4 Adjusted Operating Margin -70 bps

- Negative mix and fixed cost deleverage contributing to year-over-year margin decline
- Positive price, productivity, inflation dynamic
- Discretionary cost actions, restructuring benefits and material deflation partially offset impacts of non-residential volume decline

Fourth-Quarter 2020 EMEA Results

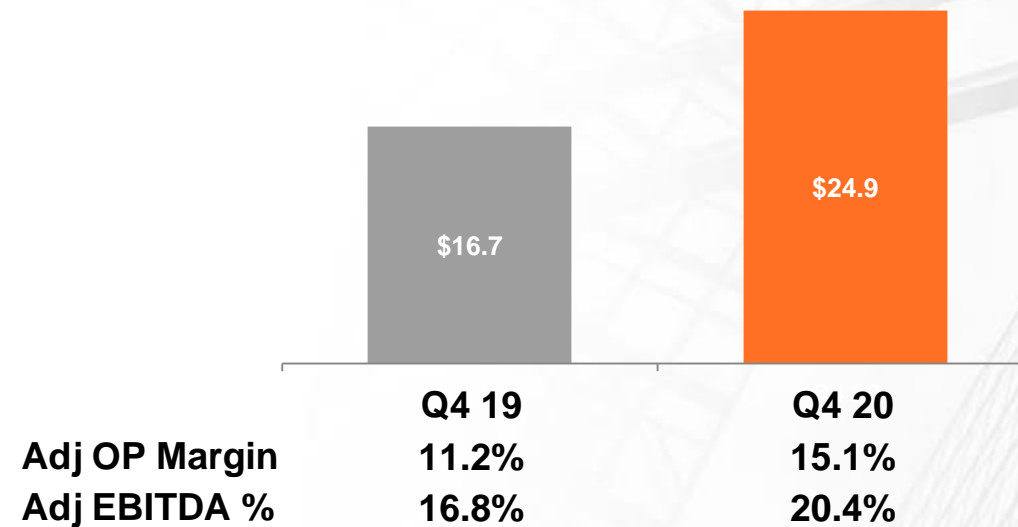
Revenue¹ \$Millions +10.5%



Q4 Revenue Performance

- Organic revenue growth of 3.1%
- Organic growth driven by strength in SimonsVoss, Interflex and Global Portable Security businesses
- Solid price realization
- Currency tailwinds

Adjusted Operating Income¹ \$Millions +49.1%

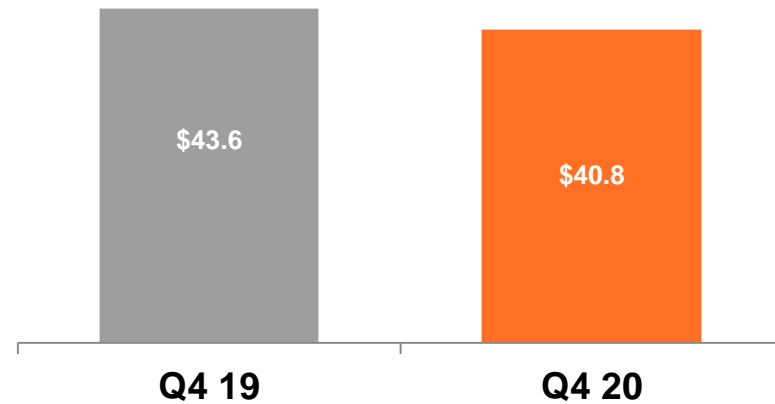


Q4 Adjusted Operating Margin +390 bps

- Realizing benefits of restructuring and cost control actions
- Favorable currency impacts
- Current year includes a \$5.1M unfavorable environmental remediation charge (-310 bps)

Fourth-Quarter 2020 Asia-Pacific Results

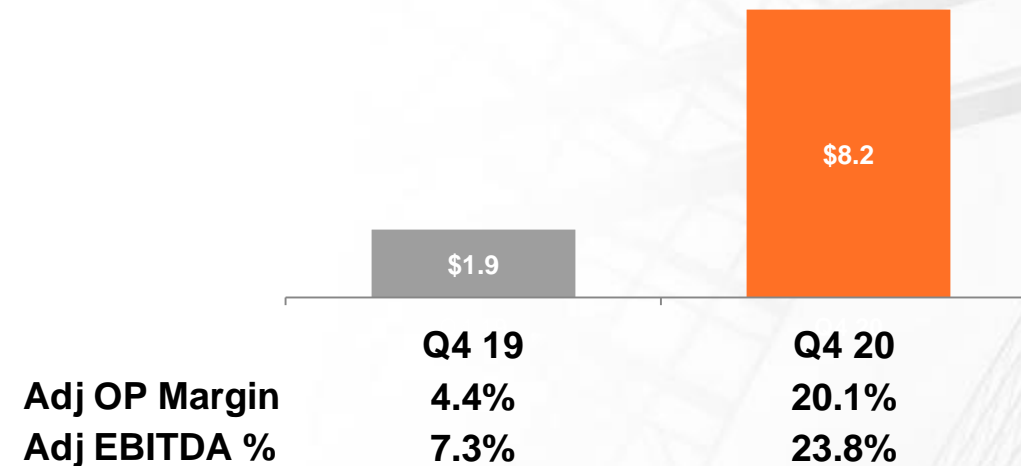
Revenue¹ \$Millions -6.4%



Q4 Revenue Performance

- Organic revenue decline of 11.9%
- Weakness in Korea
- Solid performance in Australia and New Zealand

Adjusted Operating Income¹ \$Millions +331.6%



	Q4 19	Q4 20
Adj OP Margin	4.4%	20.1%
Adj EBITDA %	7.3%	23.8%

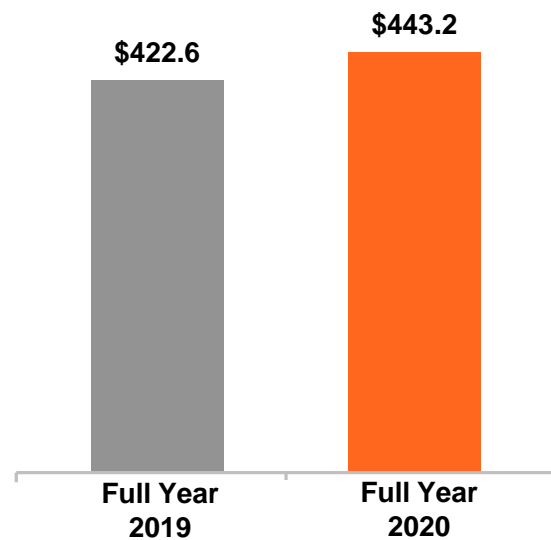
Q4 Adjusted Operating Margin +1570 bps

- Current year includes a \$4.0M favorable gain on the sale of a building (+980 bps)
- Realizing benefits of restructuring and cost control actions

2020 Allegion ACF

Strong cash generation; Liquidity stable

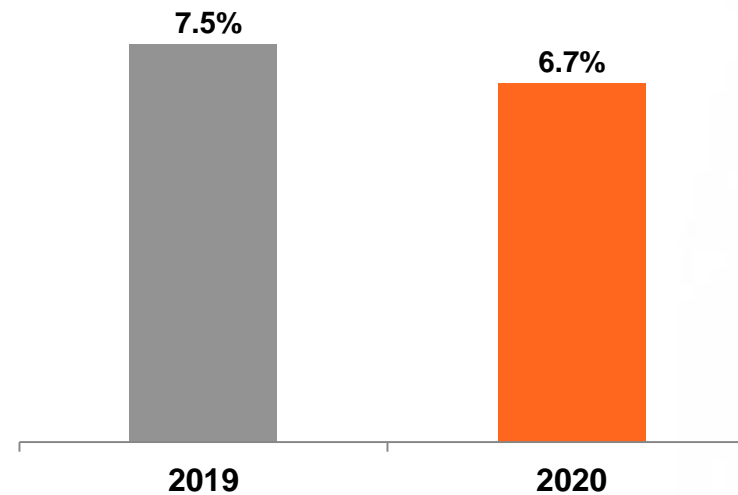
Available Cash Flow¹ \$Millions



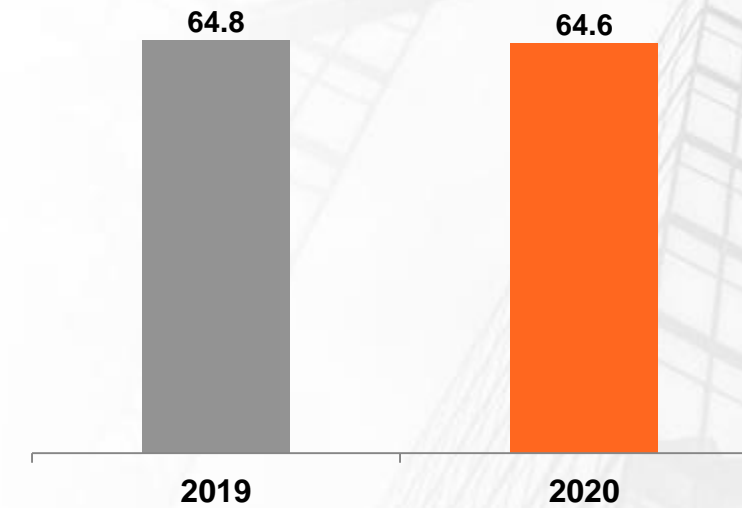
- Higher adjusted net earnings
- Lower capital expenditures

Working Capital² & Cash Conversion Cycle (CCC)³ \$Millions

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

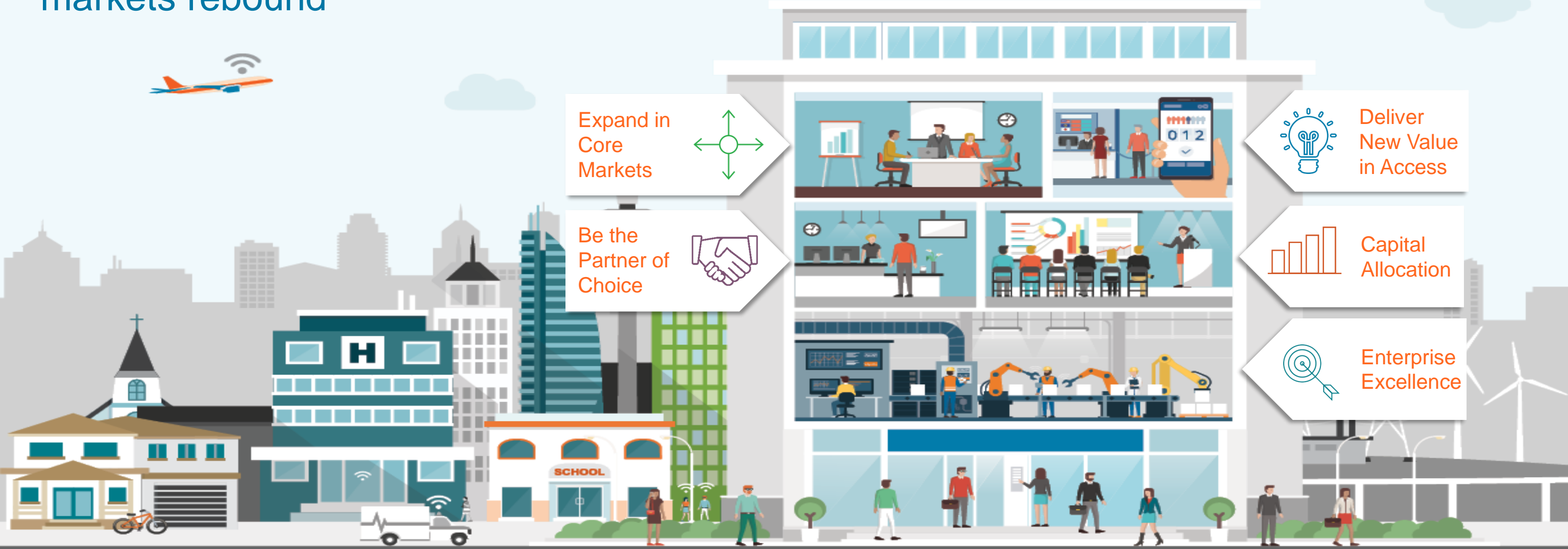
Strategic investments position us for long-term growth as global markets rebound

Vision

Seamless access and a safer world

Strategy

Allegion creates value by securing people and assets with seamless access wherever they reside, work and thrive



Allegion International



This business unit is designed to drive speed and efficiency, simplify our operating segments and optimize our non-U.S. operations.



-CEO David D. Petratis



Seamless access and our business fundamentals stand strong



Focused on the growth opportunities of electronics in Allegion International markets






Led by Tim Eckersley, a proven industry leader



Committed to customer excellence and bringing outstanding value

Full-Year 2021 Allegion Revenue Outlook

International markets recovering, Americas residential remains strong; Softness in Americas non-residential

Region	Revenue Projection ¹	Markets
Americas 	Total: -4% to -3% Organic: -4% to -3%	<ul style="list-style-type: none"> Strength in residential expected to continue Non-residential new construction expected to remain soft Non-residential discretionary projects expected to pick up 2nd half Electronics continues to be long-term growth driver
International 	Total: 6% to 7% Organic: 2% to 3%	<ul style="list-style-type: none"> Organic growth expected to be driven by Germanic and Global Portable Security businesses Currency tailwinds aiding top-line growth partially offset by expected QMI divestiture
Total 	Total: -1.5% to -0.5% Organic: -2.5% to -1.5%	<ul style="list-style-type: none"> Softness in Allegion Americas expected to outweigh recovery in Allegion International Total growth includes impact of favorable currency and expected QMI divestiture in Allegion International segment

Full-Year 2021 Allegion EPS Outlook

Adj. EPS decline of ~5% to 8%; ACF \$400–\$420 million

2020 Reported EPS	\$3.39
Adjustments ¹	\$1.72
2020 Adjusted EPS	\$5.11
Operational Performance (Reduced Volume / Mix / Inflation)	~(\$0.14) to (\$0.29)
Investments	~(\$0.10)
Interest and Other Income/Expense	~(\$0.07)
Tax Rate	~(\$0.04)
Share Count	~\$0.09
2021 Adjusted EPS	\$4.70 to \$4.85
Adjustments ²	~(\$0.10) to (\$0.15)
2021 Reported EPS	\$4.55 to \$4.75

Adj. Op. Income EPS impact
(\$0.24) to (\$0.39) or
approx. -5% to -8%

Assumptions and Notes:

- Full-year adjusted effective tax rate assumption of approximately 12%
- Average diluted share count for the full year of approximately 91 million shares

Summary



- Q4 revenue growth of 1.1%; Organic revenue¹ decline of 0.6%
- Q4 adjusted operating margin¹ of 22.5%; Up 150 bps vs prior year
- Adjusted Q4 EPS¹ of \$1.49 or +16.4% growth vs prior year
- 2021 full-year revenue outlook
 - Total revenue decline of 0.5% to 1.5%
 - Organic revenue decline of 1.5% to 2.5%
- 2021 full-year EPS outlook
 - Reported EPS of \$4.55 to \$4.75
 - Adjusted EPS¹ of \$4.70 to \$4.85
- 2021 available cash flow¹ outlook to \$400-\$420 million

Strong execution in 2020 in difficult markets; Positioned for long-term success



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Appendix

Full-Year 2020 Financial Summary

Revenue¹ \$Millions

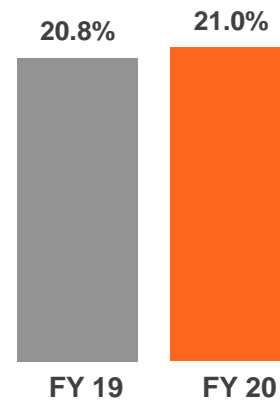
-4.7%



- Organic revenue decline of -4.8%
- Lower volume due to economic challenges stemming from the COVID-19 pandemic

Adjusted OI Margin¹

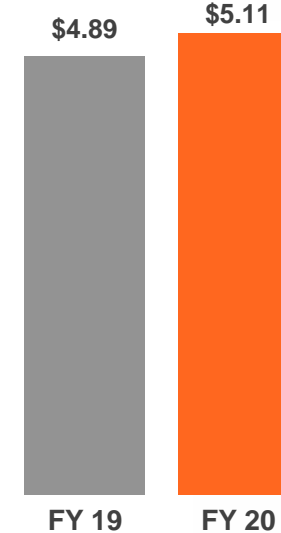
+20 bps



- Price, productivity, FX and commodity deflation contributed to year-over-year margin improvement
- Active cost management mitigating de-leverage from volume declines

Adjusted EPS¹

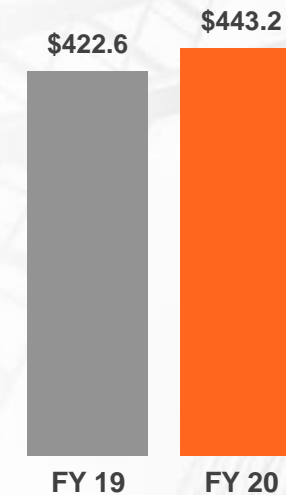
+4.5%



- Favorable other income
- Favorable tax rate and share count offsetting adjusted operating income decline

YTD ACF¹ \$Millions

+4.9%



- Higher adjusted net earnings
- Lower capital expenditures

Full-Year 2020 Allegion EPS Performance



Pro-Forma International

RECONCILIATION OF GAAP TO NON-GAAP REVENUE AND OPERATING INCOME (In millions)

	Three Months Ended							
	March 31, 2020		June 30, 2020		September 30, 2020		December 31, 2020	
	As Reported	Margin	As Reported	Margin	As Reported	Margin	As Reported	Margin
Allegion International								
Net revenues (GAAP)	\$ 162.6		\$ 145.2		\$ 189.3		\$ 206.1	
Operating (loss) income (GAAP)	\$ (96.8)	(59.5)%	\$ (9.2)	(6.3)%	\$ 13.2	7.0 %	\$ (9.3)	(4.5)%
Restructuring charges	2.2	1.3 %	9.5	6.5 %	4.5	2.4 %	1.7	0.8 %
Impairment of goodwill and intangible assets	96.3	59.2 %	—	— %	2.6	1.3 %	2.8	1.4 %
Loss on assets held for sale	—	— %	—	— %	—	— %	37.9	18.4 %
Adjusted operating income	1.7	1.0 %	0.3	0.2 %	20.3	10.7 %	33.1	16.1 %
Depreciation and amortization	9.3	5.8 %	9.3	6.4 %	10.0	5.3 %	10.4	5.0 %
Adjusted EBITDA	\$ 11.0	6.8 %	\$ 9.6	6.6 %	\$ 30.3	16.0 %	\$ 43.5	21.1 %

	Year ended December 31,			
	2020		2019	
	As Reported	Margin	As Reported	Margin
Allegion International				
Net revenues (GAAP)	\$ 703.2		\$ 739.5	
Operating income (GAAP)	\$ (102.1)	(14.5)%	\$ 34.8	4.7 %
Restructuring charges	17.9	2.5 %	17.6	2.4 %
Acquisition and integration costs	—	— %	0.9	0.1 %
Impairment of goodwill and intangible assets	101.7	14.5 %	5.9	0.8 %
Loss on assets held for sale	37.9	5.4 %	—	— %
Adjusted operating income	55.4	7.9 %	59.2	8.0 %
Depreciation and amortization	39.0	5.5 %	38.0	5.1 %
Adjusted EBITDA	\$ 94.4	13.4 %	\$ 97.2	13.1 %



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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 \$2.7 billion in revenue in 2020 and its security products are sold around the world.

For more, visit www.allegion.com.

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