



**ALLEGION™**

PIONEERING SAFETY

# Fourth-Quarter 2022

## Financial Results

February 22, 2023

# 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, but not limited to, statements under the heading "2023 Outlook," and statements regarding continued impacts of ongoing macroeconomic and industry factors, inflation, supply chain constraints and disruptions, electronic component and labor shortages, rising freight and material costs, the company's 2023 financial performance, the company's business plans and strategy, the company's growth strategy, the company's capital allocation strategy, tax rate and the global tax environment, competition, the company's ability to successfully complete and integrate acquisitions and achieve anticipated strategic and financial benefits, and the performance of the markets in which the company operates. These forward-looking statements generally are identified by the words "believe," "aim," "project," "expect," "anticipate," "project," "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 rate and 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. Undue reliance should not be placed on any forward-looking statements, as 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. Important factors and other risks that may affect the company's business or that could cause actual results to differ materially are included in filings the company makes with the Securities and Exchange Commission from time to time, including its Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q and in its other SEC filings. All forward-looking statements in this press release are expressly qualified by such cautionary statements and by reference to the underlying assumptions. The company undertakes no obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

# 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, amortization expense related to acquired intangible assets<sup>1</sup>, debt financing 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 acquisitions, divestitures 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. Reconciliations of the non-GAAP measures used to their most directly comparable GAAP measure are presented as supplemental schedules in the earnings release that can be found at [www.allegion.com](http://www.allegion.com).

# Business Review

## Market / Demand

Americas non-residential demand remains strong, while residential and international markets continue to be soft; Electronics demand still strong globally

## Supply Chain / Electronics

Mechanical backlogs and lead times normalized; Electronics demand and backlogs stay elevated – expected to continue through 2023

## Price vs Cost

Another strong quarter for price realization to manage inflationary pressure; Price, productivity, inflation dynamic positive on dollar and margin basis

## Cash Flow

Short-term reduction in ACF as Allegion invests in inventory to protect customers; Accelerate capital investment priorities to drive growth and supply chain resiliency

## 2023 Outlook

Reported revenue growth of 9% to 10.5%; Organic growth of 2.5% to 4.5%; Adjusted EPS on a recast basis up 5% to 9%, excluding amortization of acquired intangible assets

# Fourth-Quarter 2022 Financial Summary

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

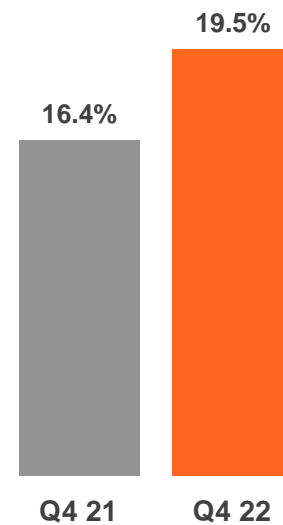
**+21.5%**



- Organic revenue growth of 11.4%
- Price realization of 12.2% to address inflationary pressure
- Access Technologies (“AT”) contributed ~14% to reported growth
- Currency impact -3.3% headwind

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

**+310 bps**

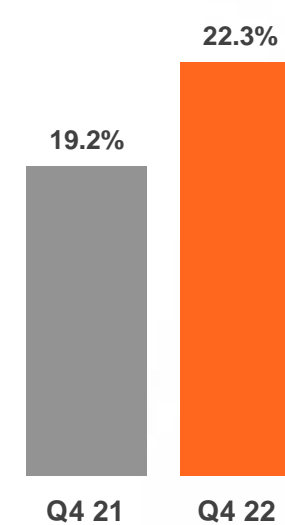


| Ex-AT | Q4 21 | Q4 22 |
|-------|-------|-------|
|       | 16.4% | 20.7% |

- Price and productivity exceeded inflation by \$40.9M (340-bps benefit to margins)
- AT acquisition delivered positive operating income with operating margin dilution of -120 bps (-80-bps dilution to EBITDA margins)
- Strong volume leverage and mix driving remainder of margin expansion

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

**+310 bps**



| Ex-AT | Q4 21 | Q4 22 |
|-------|-------|-------|
|       | 19.2% | 23.1% |

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

**+44.1%**



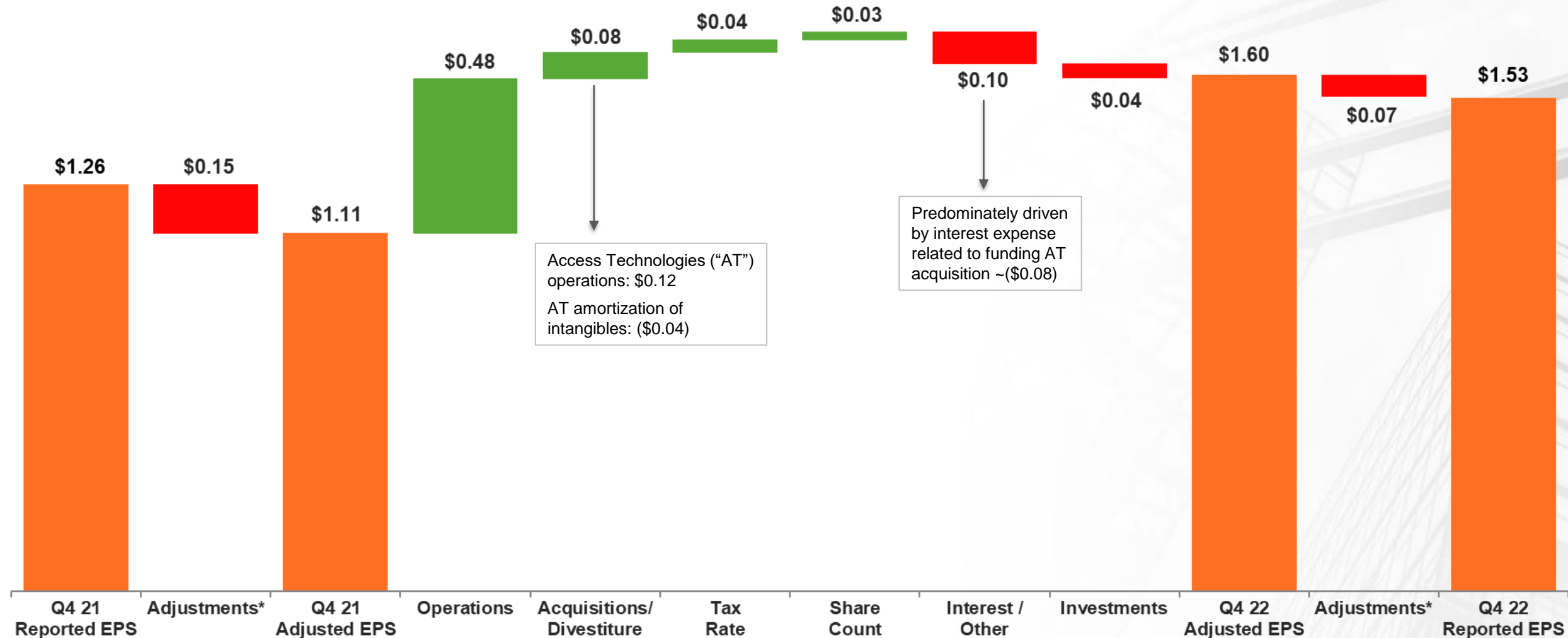
- Strong operations (+43.2%)
- Impact of acquisitions and divestitures accretive to adjusted EPS
- Interest was a \$0.12 drag for the quarter, driven by AT acquisition funding and higher variable interest rates

# Supply Chain Resiliency



- New 350,000-square-foot manufacturing operation in Mexico
- Adds in-region production for Allegion Americas
- Production expected to commence in late 2023
- Improves future cost position

# Fourth-Quarter 2022 Allegion EPS Performance

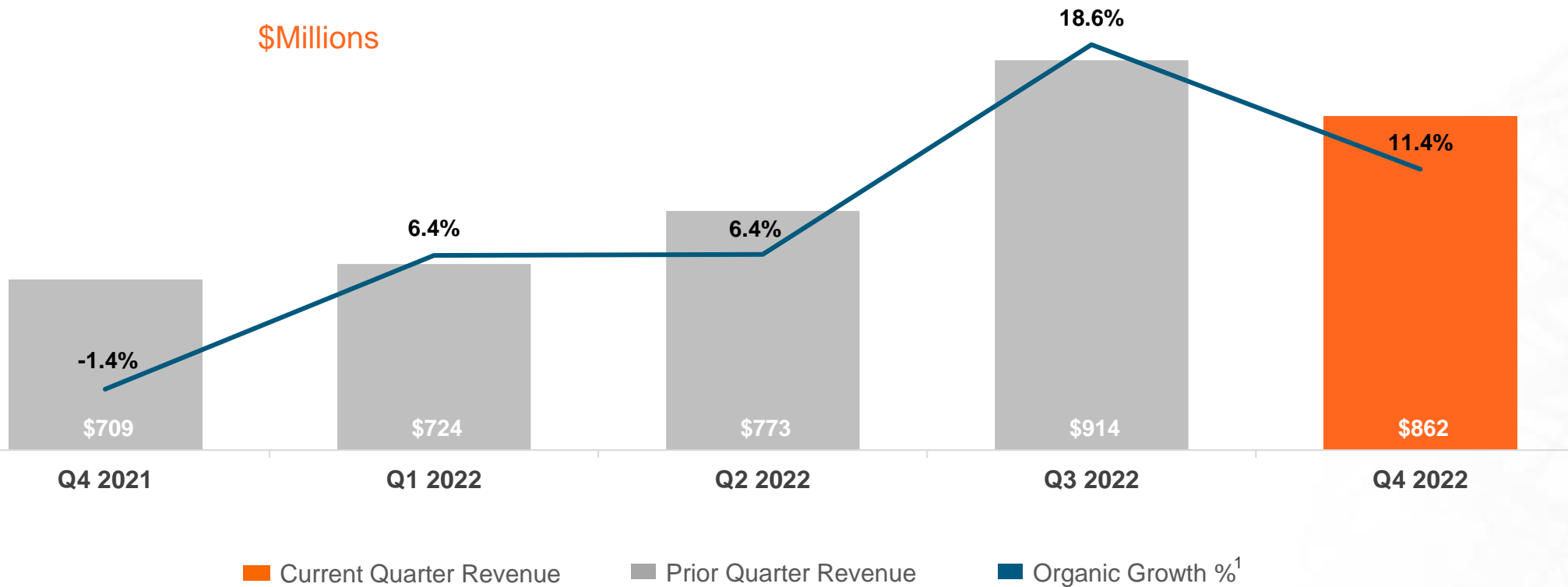


\* Adjustments to EPS in 2021 and 2022 include restructuring charges, acquisition and integration costs, amortization expense related to acquired backlog and a fair value of inventory step-up, debt financing costs and non-operating investment gains

See press release for non-GAAP reconciliations



# Fourth-Quarter 2022 Revenue Results

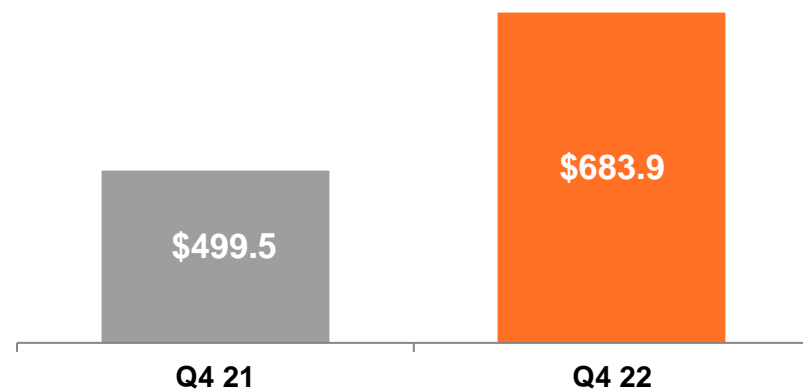


|                       | Q4 2022<br>Reported<br>Growth | Q4 2022<br>Organic <sup>1</sup><br>Growth | FY 2022<br>Reported<br>Growth | FY 2022<br>Organic <sup>1</sup><br>Growth |
|-----------------------|-------------------------------|---|-------------------------------|---|
| Americas              | 36.9%                         | 18.0%                                     | 23.1%                         | 14.4%                                     |
| International         | -15.3%                        | -4.3%                                     | -9.4%                         | 1.0%                                      |
| <b>Total Allegion</b> | <b>21.5%</b>                  | <b>11.4%</b>                              | <b>14.1%</b>                  | <b>10.7%</b>                              |

| Q4 2022      |               |                            |                |                 |               |
|--------------|---------------|----------------------------|----------------|-----------------|---------------|
| <u>Price</u> | <u>Volume</u> | <u>Organic<sup>1</sup></u> | <u>Acq/Div</u> | <u>Currency</u> | <u>Total</u>  |
| 12.2%        | -0.8%         | <b>+11.4%</b>              | 13.4%          | -3.3%           | <b>+21.5%</b> |

# Fourth-Quarter 2022 Allegion Americas Results

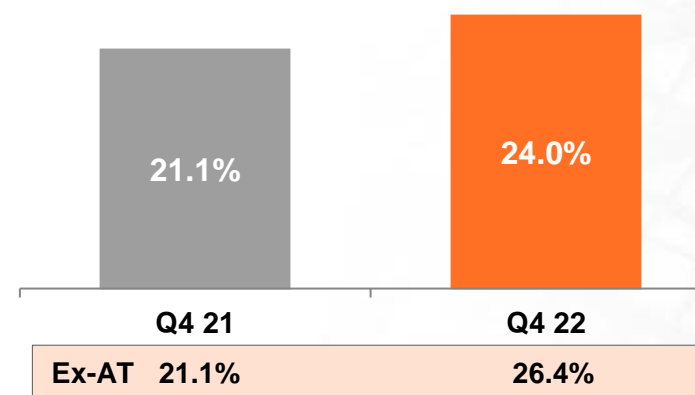
## Revenue<sup>1</sup> \$Millions +36.9%



### Q4 Revenue Performance

- Organic revenue growth of 18%; Price realization of 14.9% to address inflationary pressure
- Access Technologies (“AT”) acquisition contributed nearly 20% to total growth
- Non-residential organic growth in mid-twenties; Residential organic growth in low-single digits
- Electronics growth of ~50% for the quarter; FY growth ~20%

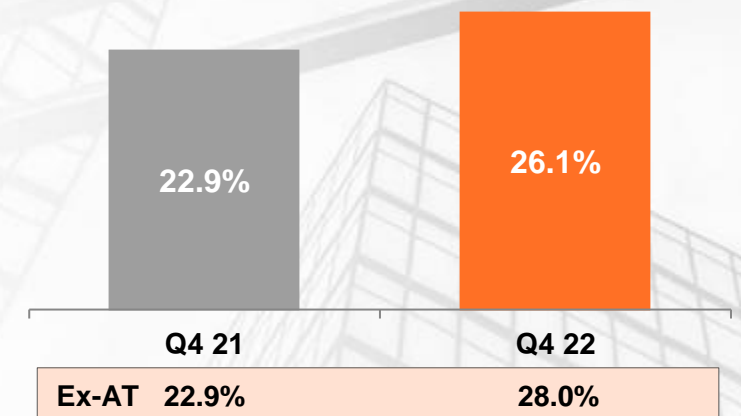
## Adjusted OI%<sup>1</sup> +290 bps



### Q4 Adjusted Margin Performance

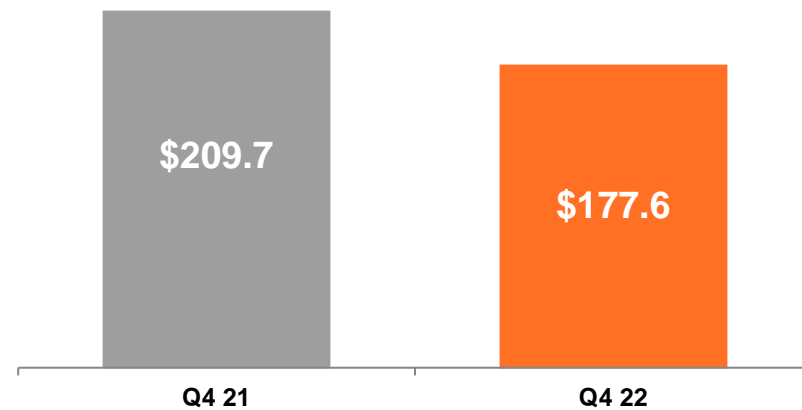
- Price and productivity exceeded inflation by \$34.4M (330-bps benefit to margins)
- AT acquisition delivered positive operating income with operating margin dilution of -240 bps
- Legacy business (ex-AT) operating margins up 530 bps

## Adjusted EBITDA%<sup>1</sup> +320 bps



# Fourth-Quarter 2022 Allegion International Results

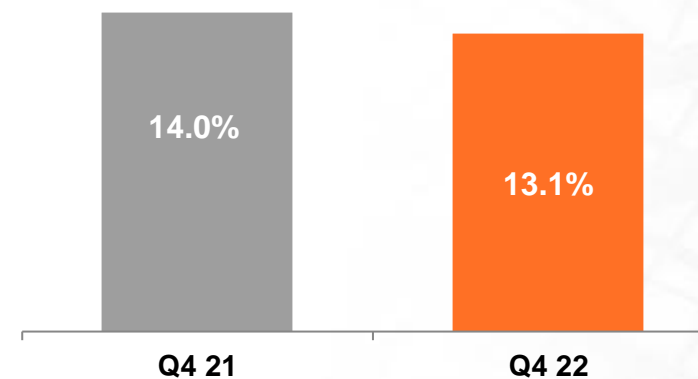
## Revenue<sup>1</sup> \$Millions -15.3%



### Q4 Revenue Performance

- Organic revenue decline of 4.3%; Price realization of 5.9% to address inflationary pressure
- 10.2% volume decline attributable to softening end markets
- Currency headwinds 9.9%

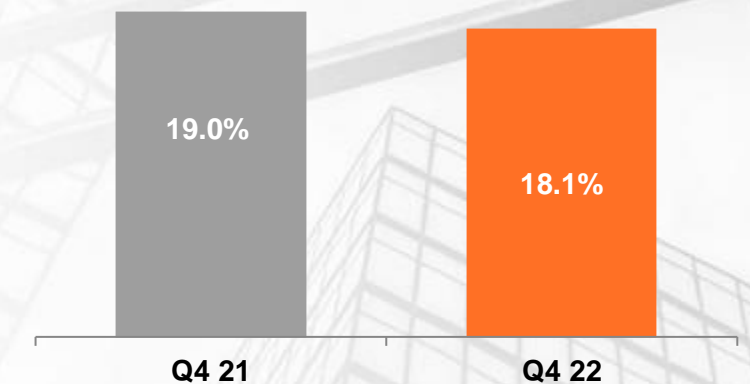
## Adjusted OI%<sup>1</sup> -90 bps



### Q4 Adjusted Margin Performance

- Reduced volume (-320-bps impact to margins)
- Price and productivity exceeded inflation by \$7.8M (270-bps benefit to margins)
- All other items inclusive of FX and investment -40 bps

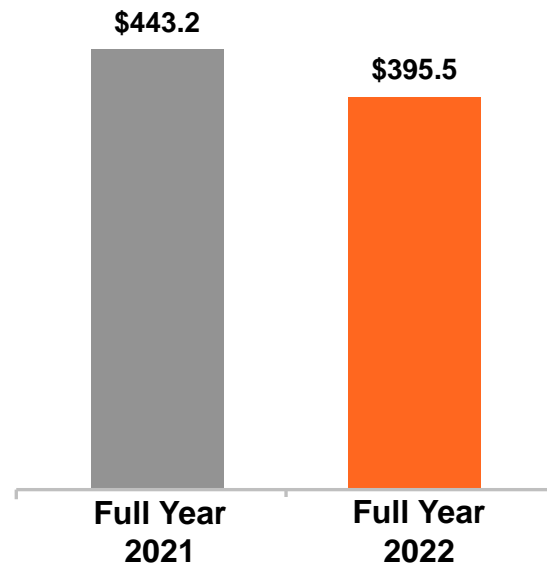
## Adjusted EBITDA%<sup>1</sup> -90 bps



# 2022 Allegion ACF / Balance Sheet

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

\$Millions

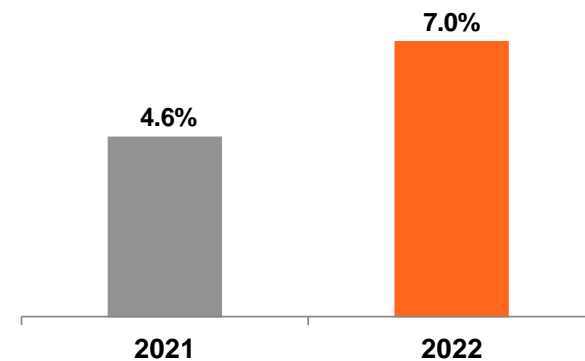


- Lower FY ACF due to higher working capital change and higher capex investment
- Inventory build to protect customers

## Working Capital<sup>2</sup>

\$Millions

### Working Capital % of Revenue

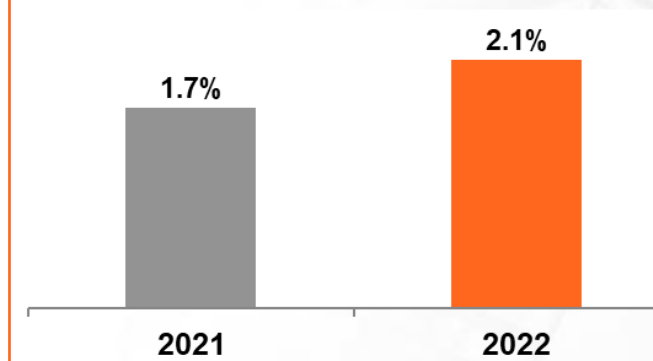


- Working capital increase driven by increased inventory and Access Technologies (“AT”) acquisition
- Focus on working capital improvement in 2023

## Capital Expenditures

%Revenue

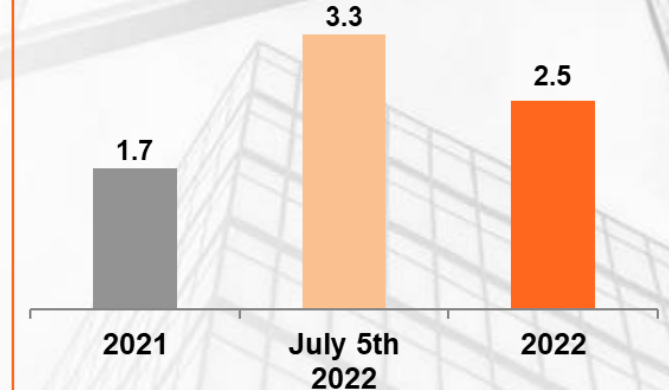
### CAPEX as % of Revenue



- Increasing capital investments to drive future growth and supply chain resiliency

## Net Leverage<sup>3</sup>

### Net Debt / EBITDA Ratio



- Increased leverage reflects funding for AT acquisition
- Business de-leverages quickly post acquisition

**Healthy balance sheet; Business de-leverages quickly; Accelerating investments**

<sup>1</sup> Net cash from operating activities less capital expenditures

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

<sup>3</sup> Net Leverage calculation net of reported cash balances

See press release for non-GAAP reconciliations

# Full-Year 2023 Outlook

| 2023 Outlook                                    |   |                               |                              |
|---|---|-------------------------------|------------------------------|
| Reported & Organic <sup>1</sup> Revenue Outlook | <u>Allegion Americas</u>  | <u>Allegion International</u> | <u>Total Allegion</u>        |
|   | <b>Reported: 11.5% to 13.5%</b>   | <b>Reported: -1% to 1%</b>    | <b>Reported: 9% to 10.5%</b> |
|   | <b>Organic: 4% to 6%</b>  | <b>Organic: -2% to Flat</b>   | <b>Organic: 2.5% to 4.5%</b> |
| Other Items                                     | <ul style="list-style-type: none"> <li>▪ Inorganic for Allegion Americas predominately driven by 1H impact from Access Technologies acquisition</li> <li>▪ Inorganic for Allegion International includes recent plano acquisition</li> <li>▪ Full-year adjusted effective tax rate ~15% to 15.5%</li> <li>▪ Average diluted share count for the full year of ~88.3M shares (no change from prior year)</li> </ul> |                               |                              |

| EPS Reconciliation                                  |                         |
|---|-------------------------|
| <b>2022 Reported EPS</b>                            | <b>\$5.19</b>           |
| Adjustments <sup>2</sup>                            | \$0.50                  |
| Acquired Intangible Asset Amortization <sup>3</sup> | \$0.30                  |
| <b>2022 Adjusted EPS As Recasted</b>                | <b>\$5.99</b>           |
| Operational Performance (incl. FX / Invest)         | ~\$0.55 to \$0.70       |
| Acquisitions / Divestitures                         | ~\$0.25 to \$0.30       |
| Interest Expense                                    | ~(\$0.24)               |
| Other Income/Expense                                | ~(\$0.05)               |
| Tax Rate  | ~(\$0.20)               |
| Share Count   | ~\$0.00                 |
| <b>2023 Adjusted EPS</b>                            | <b>\$6.30 to \$6.50</b> |
| Acquired Intangible Asset Amortization <sup>3</sup> | ~(\$0.40)               |
| Adjustments <sup>4</sup>                            | ~(\$0.20)               |
| <b>2023 Reported EPS</b>                            | <b>\$5.70 to \$5.90</b> |

**Organic growth of 2.5% to 4.5%; Adjusted EPS growth of 5% to 9%; ACF of \$470-\$490M**

<sup>1</sup>Organic revenue excludes acquisitions/divestitures and currency impacts

<sup>2</sup>2022 adjustments include costs related to restructuring and M&A, non-cash amortization expense related to acquired backlog and a fair value of inventory step-up, debt financing, and non-operating investment gains / losses

<sup>3</sup>Reflects change in reporting, effective Jan. 1, 2023, to exclude all acquisition related amortization from adjusted results

<sup>4</sup>2023 adjustments include anticipated costs related to restructuring and M&A, and non-cash amortization expense related to acquired backlog of ~\$9M pre-tax. See press release for non-GAAP reconciliations

# Summary

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- Electronic solutions continue to drive significant growth opportunities
- Americas non-residential demand remains solid
- Access Technologies performing well
- Operating margins improving; Focused on working capital improvement

**Great finish to the year; Strong momentum entering 2023**



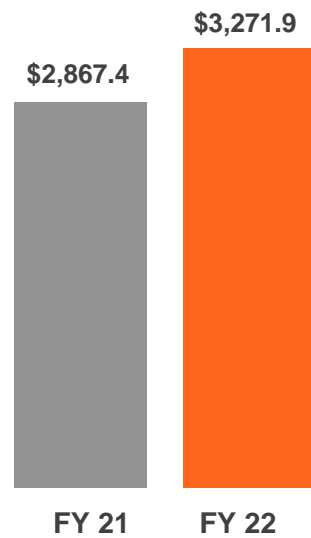
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# Appendix

# Full-Year 2022 Financial Summary

**Revenue<sup>1</sup>**  
\$Millions  
**+14.1%**



- Organic revenue growth of 10.7%
- Significant price realization of ~10% to address inflationary pressure
- Access Technologies (“AT”) contributed ~6.5% of growth
- Currency impact -3.0%

**Adjusted OI Margin<sup>1</sup>**  
**+70 bps**



| Ex-AT | FY 21 | FY 22 |
|-------|-------|-------|
|       | 18.8% | 20.1% |

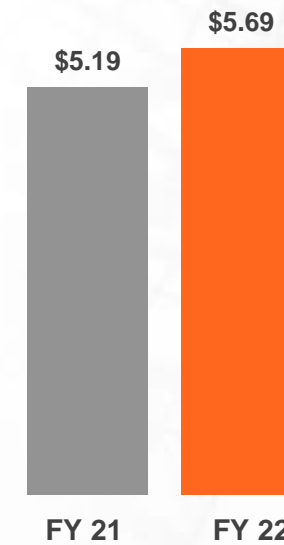
- Price and productivity exceeded inflation by \$79.7M (90-bps benefit to margins)
- AT acquisition delivered positive operating income with operating margin dilution of -60 bps (-50-bps dilution to EBITDA margins)
- Strong volume leverage and mix driving remainder of margin expansion

**Adjusted EBITDA Margin<sup>1</sup>**  
**+50 bps**



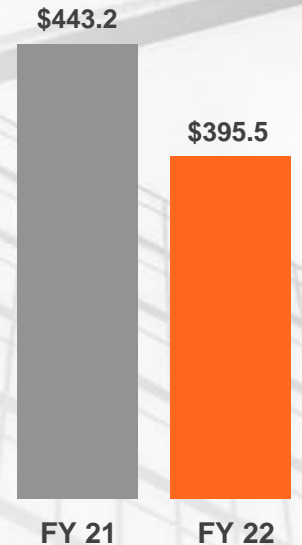
| Ex-AT | FY 21 | FY 22 |
|-------|-------|-------|
|       | 21.6% | 22.6% |

**Adjusted EPS<sup>1</sup>**  
**+9.6%**



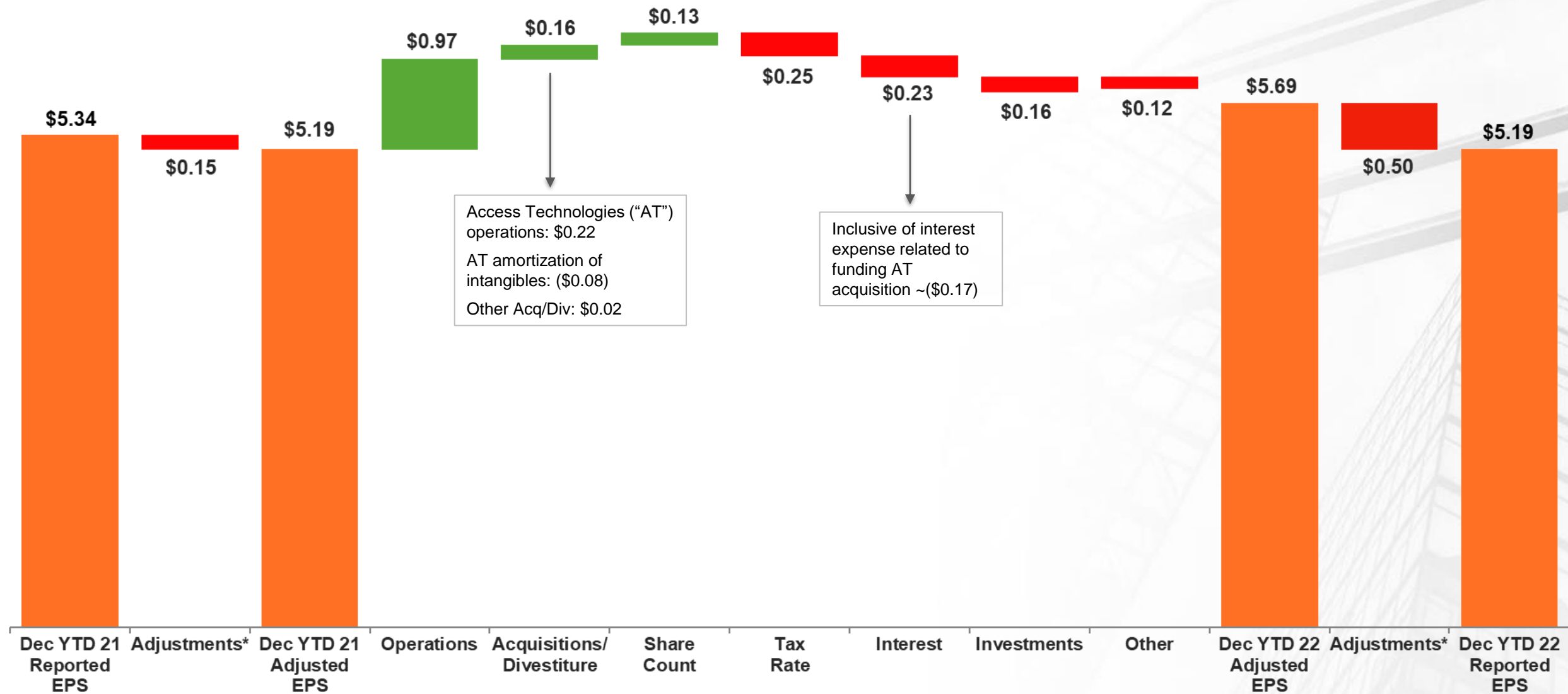
- Strong operations (+18.7%)
- Unfavorable tax rate and higher interest were a \$0.25 and \$0.23 drag for the year, respectively

**ACF<sup>1</sup>**  
**-10.8%**



- Lower FY ACF due to higher working capital change, primarily inventory, and higher capex
- Inventory build to protect customers
- Accelerating certain investments for growth

# Full-Year 2022 Allegion EPS Performance



\* Adjustments to EPS in 2021 and 2022 include restructuring charges, acquisition and integration costs, amortization expense related to acquired backlog and a fair value of inventory step-up, debt financing costs, gains and losses related to the sale of businesses and equity method investments, and non-operating investment gains and losses

See press release for non-GAAP reconciliations



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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 \$3.3 billion in revenue in 2022, and its security products are sold around the world.

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

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