



ALLEGION™

PIONEERING SAFETY

Q2-2023 Earnings Call

NYSE: ALLE

July 26, 2023

Cautionary Statements

Forward-Looking Statements

This presentation contains "forward-looking statements," which are statements that are not historical facts, including, but not limited to, statements related to the Full-Year 2023 Outlook, and statements regarding inflation, electronics growth, the company's 2023 financial performance, the company's business plans and strategy, the company's growth strategy, the company's capital allocation strategy, 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," "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.

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 presentation 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.

Non-GAAP Measures

This presentation also includes non-GAAP financial information which should be considered supplemental to, not a substitute for, or superior to, the financial measure calculated in accordance with GAAP. The definitions of our non-GAAP financial information are included as an appendix in our presentation. 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.

Allegion Delivers Strong Second Quarter



Continued margin expansion

(Adjusted OI margin +130 bps)

Electronics fueling revenue growth

(~40% in Americas)

Stable end markets

Increasing full-year adjusted EPS outlook

(\$6.70 to \$6.80)

Vision

Enabling seamless access and a safer world

Strategy

Allegion creates value as a solutions provider of security and access



**Build on
Our Legacy**



**Deliver New Value
in Access**



**Be the Partner
of Choice**



**Operate with
Excellence**

One Year In: Highly Strategic Combination



First-year highlights:

- Revenue of ~\$385M
- Operational EPS of ~\$0.43 per share
- \$0.11 accretive to adjusted EPS (including interest)

Quickly returned to pre-acquisition net debt leverage ratios

2.9x (Q3 2022) → 2.1x (Q2 2023)

Q2-2023 Financial Summary

Revenue¹ \$Millions

+18.0%



- Organic revenue growth of 5.6%
- Price realization of ~9%
- Access Technologies (“AT”) ~12% of total growth

Adjusted OI Margin¹

+130 bps



Ex-AT 20.9% 23.6%

- Price and productivity exceeded inflation and investment by ~\$44M
- Strong operational execution driving margin improvement globally

Adjusted EBITDA Margin¹

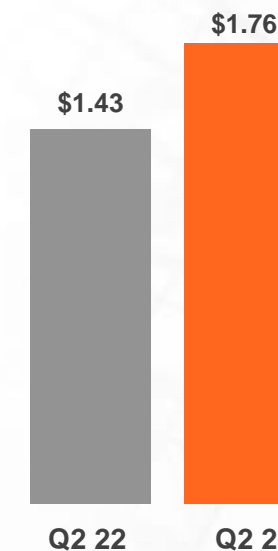
+110 bps



Ex-AT 22.5% 25.1%

Adjusted EPS¹

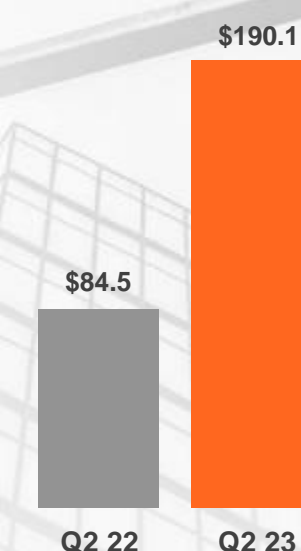
+23.1%



- Operational EPS growth of \$0.29
- Acquisitions contribution of \$0.09
- Interest, tax and other headwind of \$0.05

ACF¹ YTD

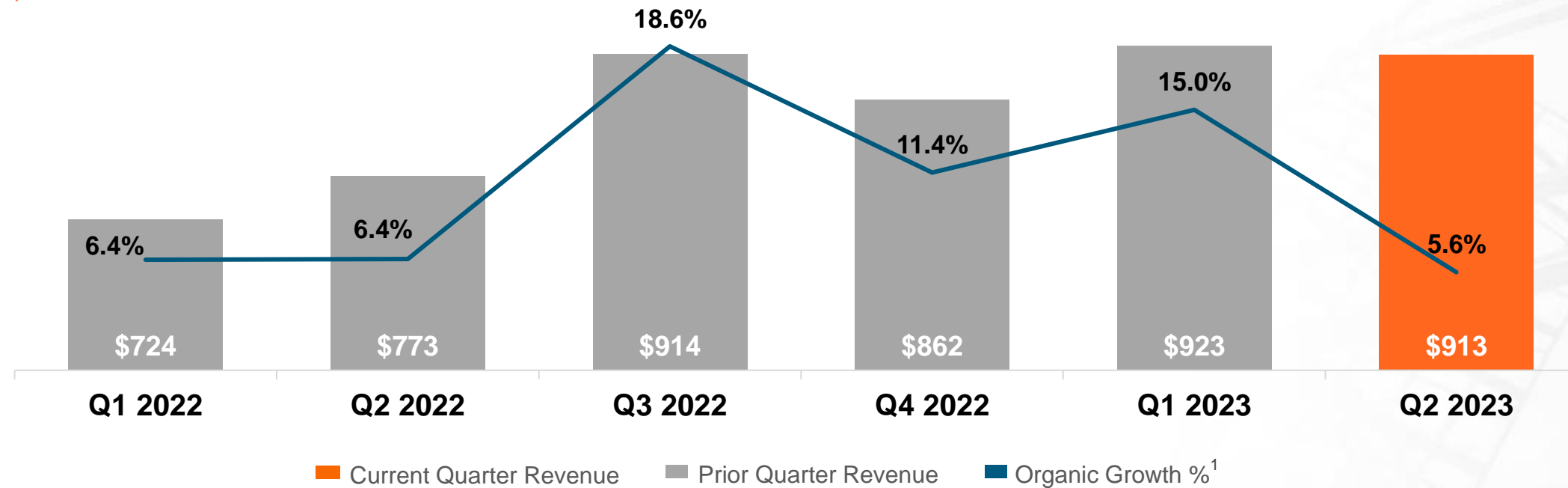
+125%



- Higher earnings partially offset by increased capital expenditures

Q2-2023 Revenue Results

\$Millions



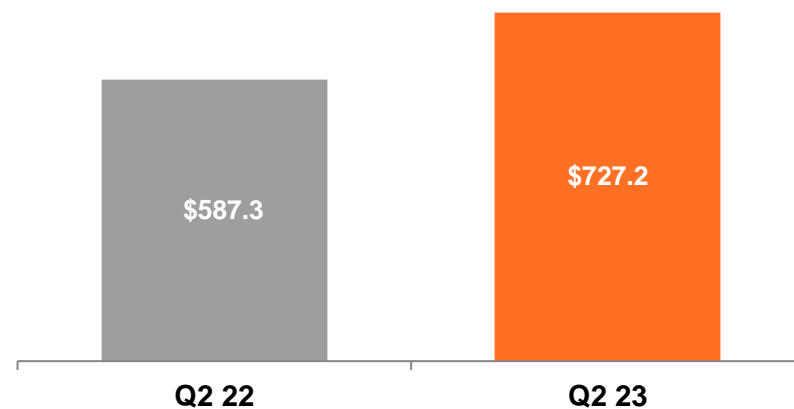
	Price	Volume	Organic ¹	Acq/Div	Currency	Total
Q2	8.9%	-3.3%	+5.6%	12.5%	-0.1%	+18.0%
Q2 YTD	9.7%	0.5%	+10.2%	13.2%	-0.8%	+22.6%

Revenue Growth		
	Reported	Organic ¹
Americas		
Q2	23.8%	7.7%
Q2 YTD	32.4%	14.7%
International		
Q2	-0.3%	-1.0%
Q2 YTD	-5.2%	-3.0%

¹ Organic excludes acquisitions/divestitures and currency impacts

Q2-2023 Allegion Americas Results

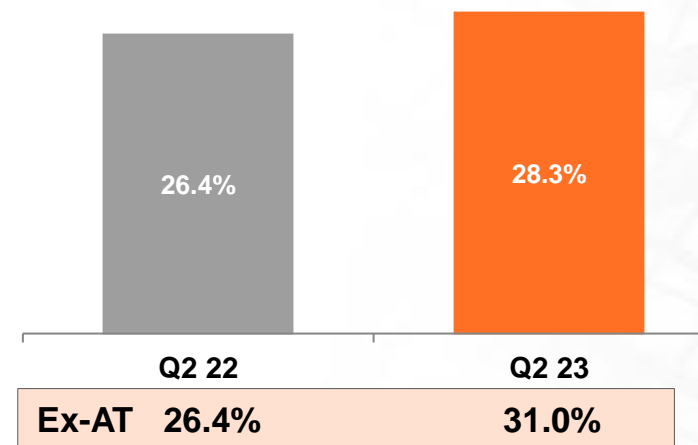
Revenue¹ \$Millions +23.8%



Q2 Revenue Performance

- Organic revenue growth of 7.7%; Price realization of 10%; Volume decline of 2.3%
- Electronics growth ~40%; Strength across both residential and non-residential
- Non-residential and residential organic growth of high-single digits
- Access Technologies (“AT”) acquisition contributed \$96.1M (16.4%)

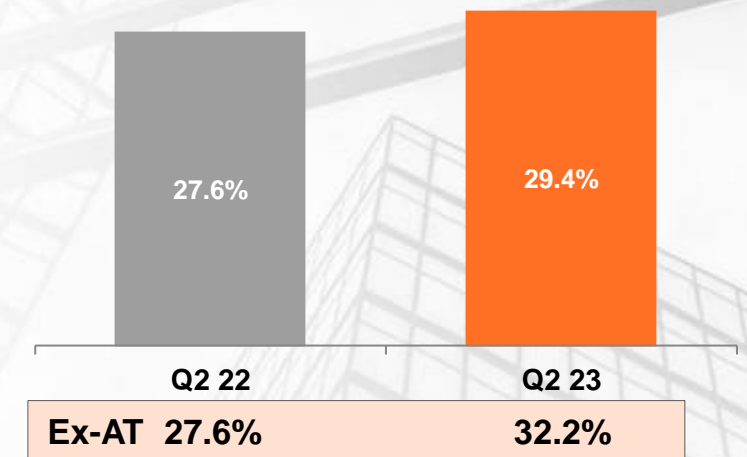
Adjusted OI%¹ +190 bps



Q2 Adjusted Margin Performance

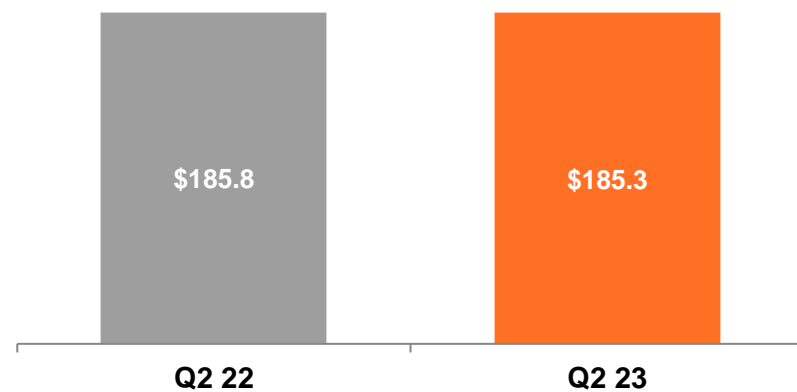
- Price and productivity exceeded inflation and investments by ~\$51M
- AT acquisition delivering low-teens EBITDA margin
- Legacy business (ex-AT) adjusted OI margin up 460 bps

Adjusted EBITDA%¹ +180 bps



Q2-2023 Allegion International Results

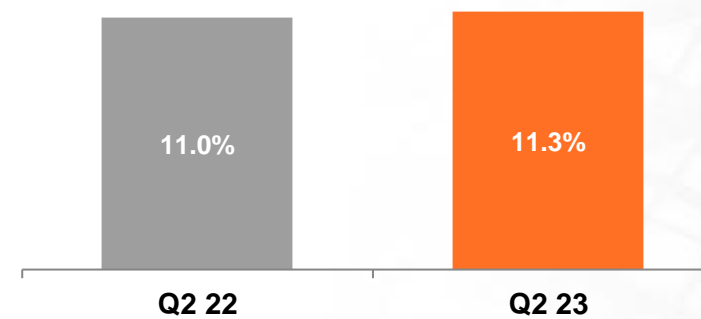
Revenue¹ \$Millions Flat



Q2 Revenue Performance

- Organic revenue decline of 1.0%; Price realization of 5.4%; Volume down 6.4%, primarily driven by Global Portable Security
- Continued strength in electronics and software solutions
- Currency tailwind of 0.6%

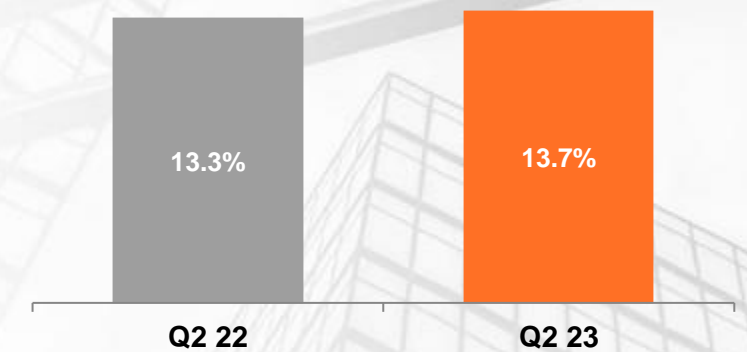
Adjusted OI%¹ +30 bps



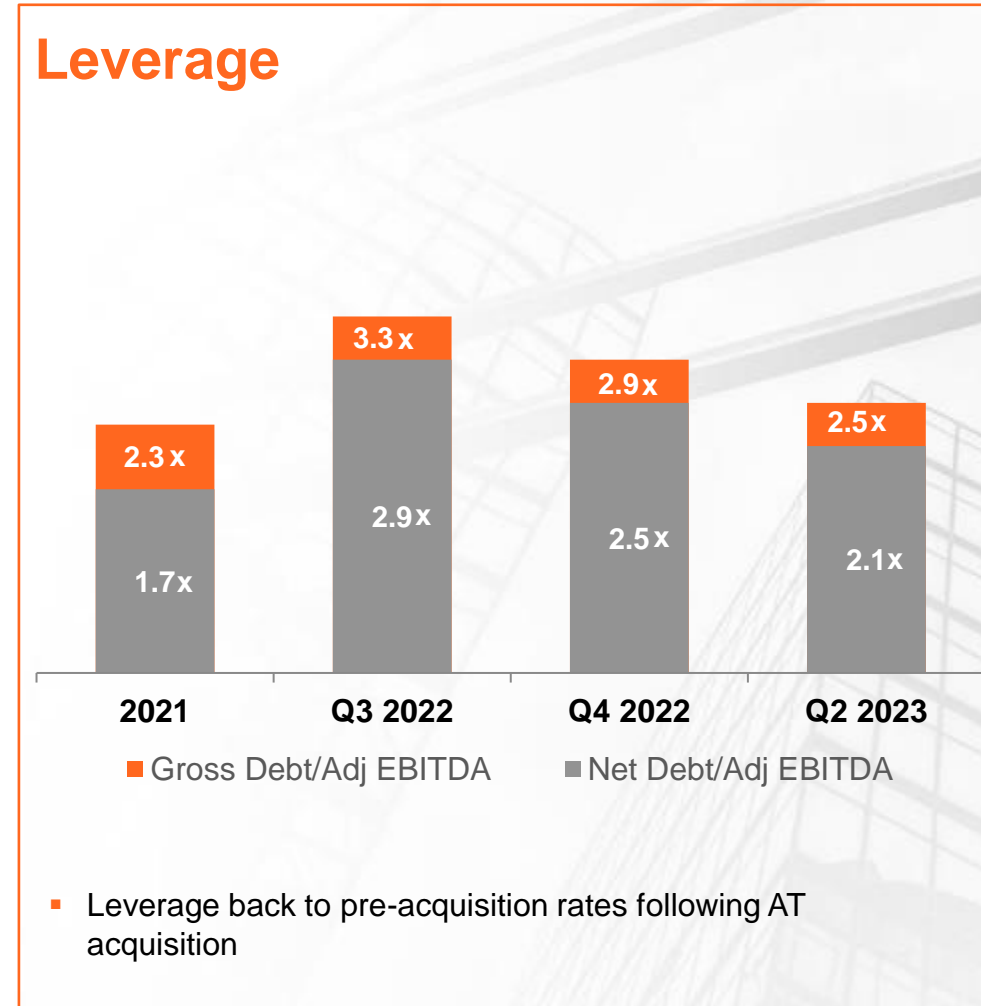
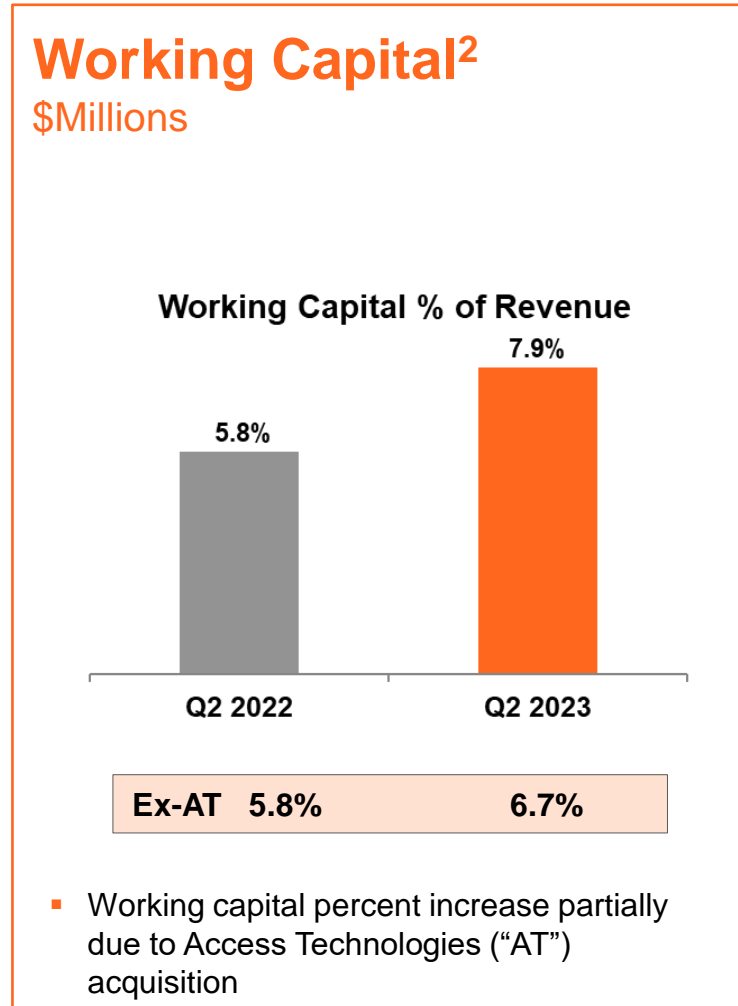
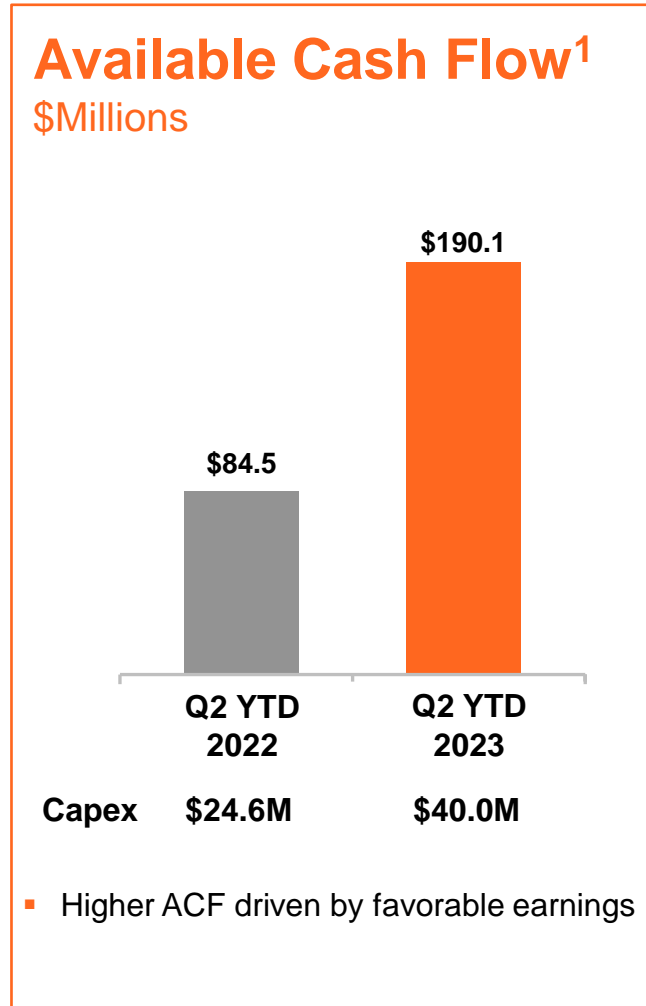
Q2 Adjusted Margin Performance

- Price and productivity exceeded inflation and investments by ~\$3M
- Positive business mix from strength in electronic solutions offsetting margin declines from reduced volumes

Adjusted EBITDA%¹ +40 bps



2023 Allegion ACF / Leverage / Balance Sheet



Strong cash generation; Quick deleverage post acquisition

Full-Year 2023 Outlook

	Prior Outlook	Current Outlook
Reported Revenue	Americas: 15% to 17% International: -1% to 1% Total: 11.5% to 13.5%	Americas: 15% to 16% International: -1% to flat Total: 11.5% to 12.5%
Organic Revenue	Americas: 7.5% to 9.5% International: -2% to flat% Total: 5.5% to 7.5%	Americas: 7.5% to 8.5% International: -2% to -1% Total: 5.5% to 6.5%
Adjusted EPS	\$6.55 to \$6.75	\$6.70 to \$6.80
ACF	\$480M to \$500M	\$500M to \$520M

Raising EPS & ACF outlook; Tightening revenue outlook



Allegion Delivers Solid First Half, Raises EPS Outlook

Returned to high operating level

Stable end markets

Electronics is key growth driver

Q&A



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Appendix

Q2-2023 Allegion EPS Performance



¹ Inclusive of (\$0.02) of backlog amortization
 See press release for non-GAAP reconciliations

Full-Year 2023 EPS Outlook Details

	Prior Outlook	Current Outlook
2022 Reported EPS	\$5.19	\$5.19
Adjustments ¹	\$0.50	\$0.50
Acquired Intangible Asset Amortization ²	\$0.30	\$0.30
2022 Adjusted EPS As Recasted	\$5.99	\$5.99
Operational Performance (incl. FX / Invest)	~\$0.80 to \$0.95	~\$0.95 to \$1.05
Acquisitions / Divestitures	~\$0.25 to \$0.30	~\$0.25
Interest Expense	~(\$0.24)	~(\$0.24)
Other Income/Expense	~(\$0.05)	~(\$0.05)
Tax Rate	~(\$0.20)	~(\$0.20)
Share Count	~\$0.00	~\$0.00
2023 Adjusted EPS	\$6.55 to \$6.75	\$6.70 to \$6.80
Acquired Intangible Asset Amortization ²	~(\$0.40)	~(\$0.40)
Adjustments ³	~(\$0.20)	~(\$0.20)
2023 Reported EPS	\$5.95 to \$6.15	\$6.10 to \$6.20

Notes:

- Operational performance driving higher outlook
- Full-year adjusted effective tax rate of ~15%-15.5%
- Full-year average diluted share count remains at ~88.3M

Raising adjusted EPS outlook to \$6.70 to \$6.80, +11.9% to +13.5%

¹ 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

² Reflects change in reporting, effective Jan. 1, 2023, to exclude all acquisition-related amortization from adjusted results

³ 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

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, EBITDA, adjusted EBITDA and adjusted EBITDA margin (all non-GAAP measures) and Available Cash Flow (“ACF”, a non-GAAP measure). The company presents these non-GAAP measures because management believes they provide useful perspective of the company’s underlying business results and 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 U.S. 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, amortization expense related to acquired intangible assets¹, 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.



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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.

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