



ALLEGION™

PIONEERING SAFETY

Third-Quarter 2021

Financial Results

October 21, 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 continued impacts of the global COVID-19 pandemic, supply chain constraints, electronic component and labor shortages, inflation, rising freight and material costs, 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, 2021, June 30, 2021, and Sept. 30, 2021, 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 gains or losses related to the divestiture of businesses or equity method investments.
- 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.

Allegion Recognized for ESG Leadership

U.S. National Safety Council honors Allegion with prestigious 2021 Robert W. Campbell Award for EHS excellence; Indiana Chamber names Allegion as inaugural Jackson Lewis Diversity, Equity & Inclusion Champion



2021 National Safety Council Robert W. Campbell Award

- Campbell Award winners are an elite group of organizations selected based on a **rigorous evaluation of their environmental, health and safety management systems**
- **Better business, better outcomes:**
 - Employee safety
 - Employee engagement
 - Productivity
 - Financial performance

2021 Indiana Chamber Jackson Lewis Diversity, Equity & Inclusion Champion Award



- Honoring Allegion for proactive and intentional diversity, equity and inclusion efforts

Business Update



End Markets

Continued strength in market demand; leading indicators remain positive



Electronics

Q3 impacted by availability of electronic components; global issue across multiple industries; redesigning products and developing alternate sources of supply to help mitigate



Inflation / Supply Chain

Higher material and freight costs persist; parts and labor shortages remain a challenge; global constraints expected beyond 2021; strong pricing power will be used to help combat pressures



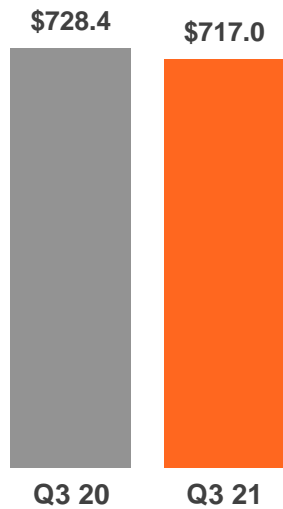
Backlog

Backlog continued to build due to increased market demand coupled with macroeconomic supply chain pressures; widespread shortages delay approximately \$80-\$100 million of FY 2021 revenue

Third-Quarter 2021 Financial Summary

Revenue¹ \$Millions

-1.6%



- Organic revenue decline of 1.6%
- Lower volume in Allegion Americas due to electronics, components and labor shortages
- Good price realization

Adjusted OI Margin¹

-330 bps



- Margin decline driven by higher material and freight costs, productivity challenges, volume de-leverage
- Incremental investments were a 90-bps headwind

Adjusted EPS¹

-6.6%



- Adjusted operating income down 15.5%
- Favorable tax rate and share count partially offsetting the income decline

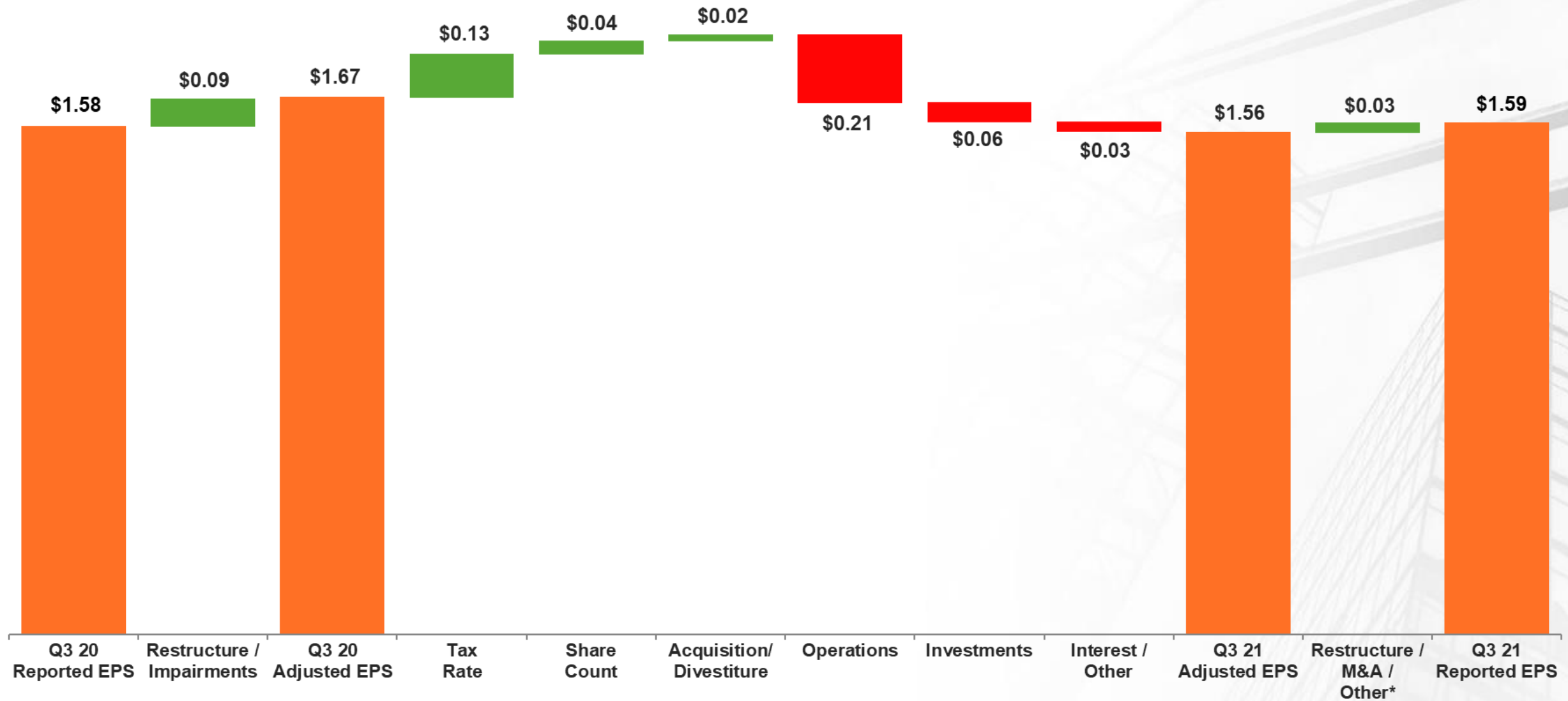
YTD ACF¹ \$Millions

+28%

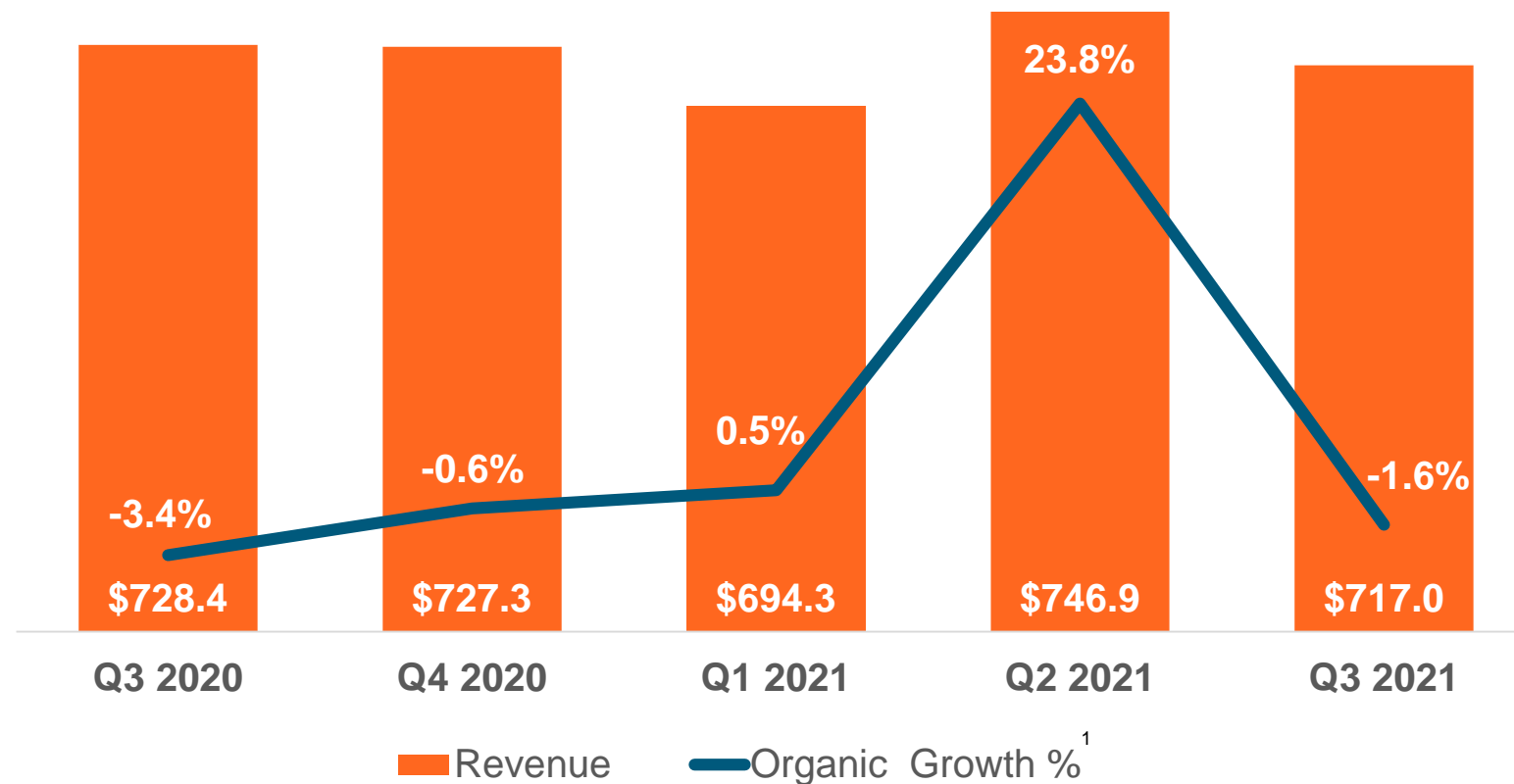


- Higher year-to-date net earnings
- Improvements in net working capital
- Lower capital expenditures

Third-Quarter 2021 Allegion EPS Performance



Third-Quarter 2021 Revenue Results

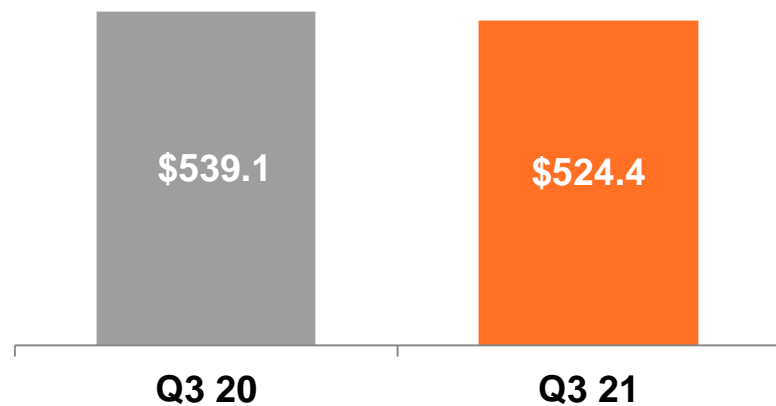


	<u>Q3'21</u> <u>Reported</u> <u>Growth</u>	<u>Q3'21</u> <u>Organic¹</u> <u>Growth</u>
Allegion Americas	-2.7%	-3.0%
Allegion International	1.7%	2.5%
Total	-1.6%	-1.6%

Q3 2021					
<u>Price</u>	<u>Volume</u>	<u>Organic¹</u>	<u>Acq/Div</u>	<u>Currency</u>	<u>Total</u>
1.4%	-3.0%	-1.6%	-0.6%	0.6%	-1.6%

Third-Quarter 2021 Allegion Americas Results

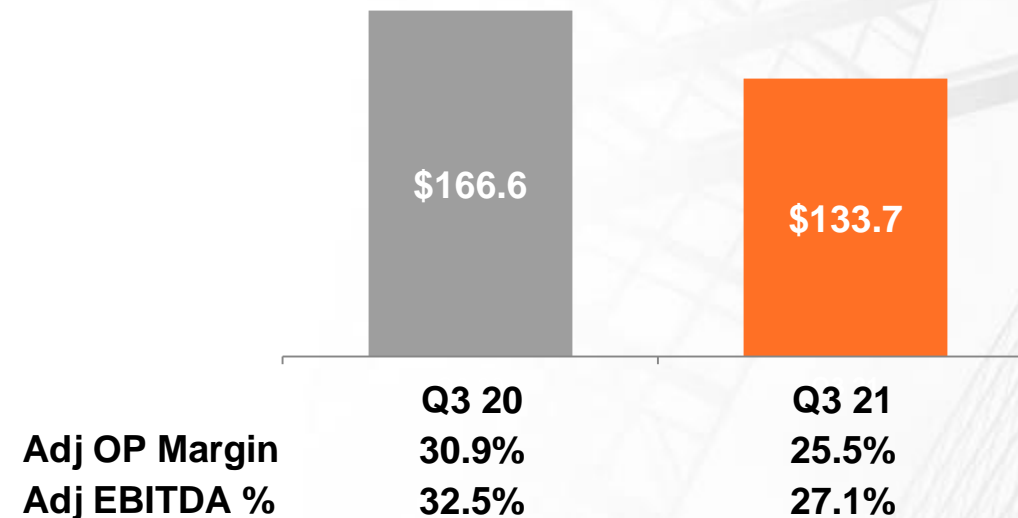
Revenue¹ \$Millions -2.7%



Q3 Revenue Performance

- Organic revenue decline of 3.0%
- Good price realization
- Non-residential business down low-single digits
- Residential business down high-single digits
- YOY electronics down high-single digits

Adjusted Operating Income¹ \$Millions -19.7%

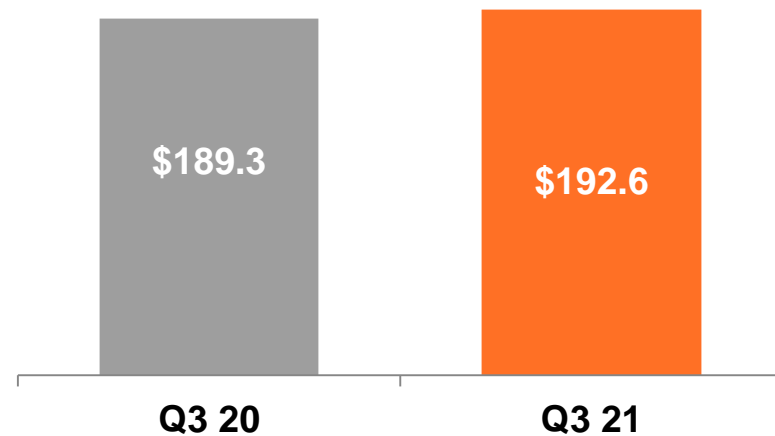


Q3 Adjusted Operating Margin -540 bps

- Margin decline driven by higher material and freight costs, productivity challenges, volume de-leverage
- Incremental investments were a 100-bps headwind

Third-Quarter 2021 Allegion International Results

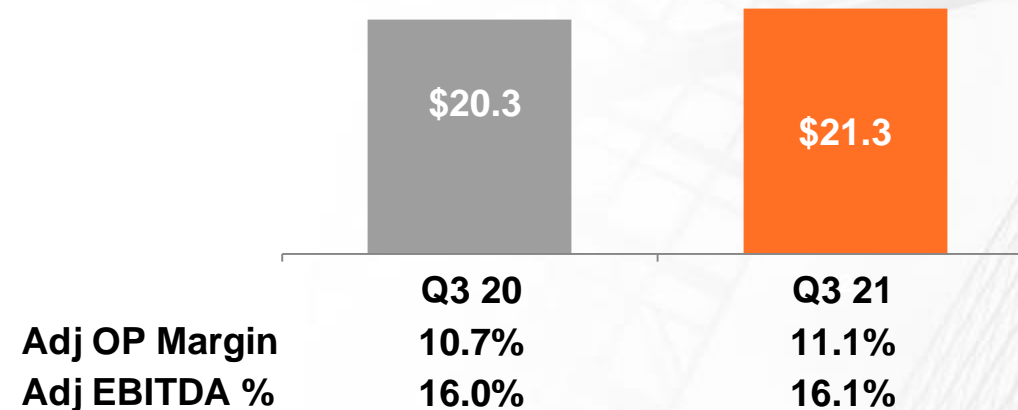
Revenue¹ \$Millions +1.7%



Q3 Revenue Performance

- Organic revenue growth of 2.5%
- Organic growth driven by strength in SimonsVoss, Interflex and Global Portable Security businesses
- Good price realization

Adjusted Operating Income¹ \$Millions +4.9%



	Q3 20	Q3 21
Adj OP Margin	10.7%	11.1%
Adj EBITDA %	16.0%	16.1%

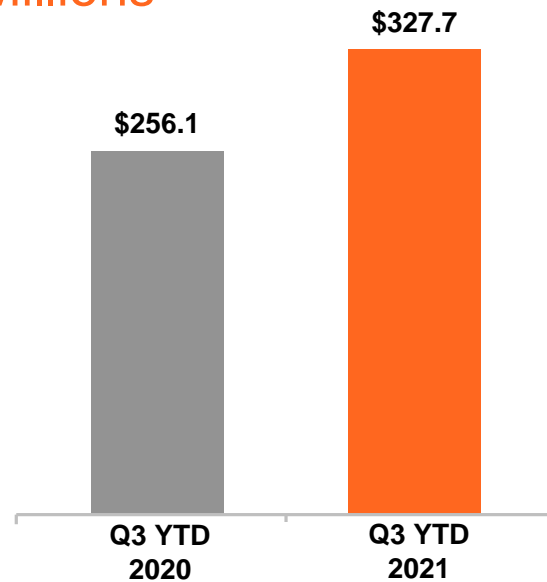
Q3 Adjusted Operating Margin +40 bps

- Volume, divestiture and FX contributing to margin increase
- Inflation in excess of price and productivity was an 80-bps headwind
- Incremental investments were a 40-bps headwind

Year-to-Date 2021 Allegion ACF

Strong cash generation

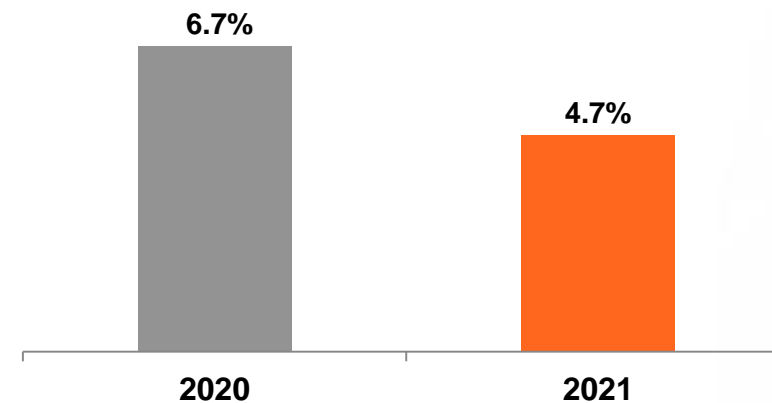
Available Cash Flow¹ \$Millions



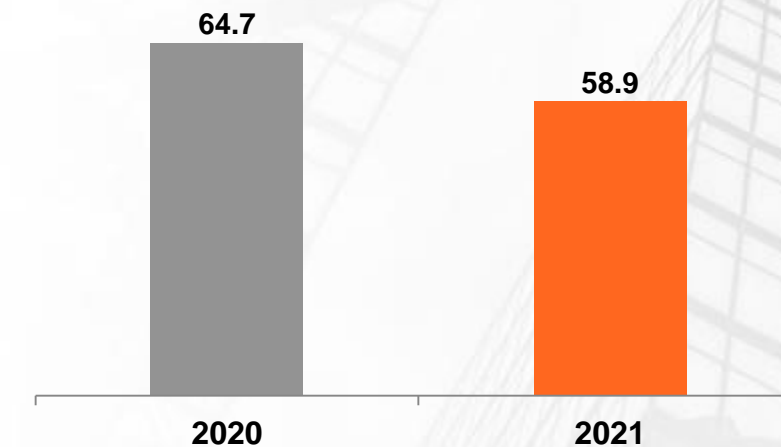
- Increase in ACF driven by higher year-to-date earnings, improvements in net working capital and lower capital expenditures

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

Full-Year 2021 Outlook

<u>Revenue</u>		<u>FY Outlook</u>	<u>EPS</u>	<u>FY Outlook</u>
Total	Americas	+1% to +1.5%	2021 Reported EPS	\$4.95 to \$5.05
Organic	Americas	+0.5% to +1%	Adjustments ¹	~\$0.05
Total	International	+12% to +13%	2021 Adjusted EPS	\$5.00 to \$5.10
Organic	International	+9% to +10%		
Total	Allegion	+4% to +4.5%		
Organic	Allegion	+3% to +3.5%		

Assumptions and Notes:

- Consistent with pre-release update provided on Oct. 1, 2021
- Investment assumption of approximately \$0.15 to \$0.20 per share
- Full-year adjusted effective tax rate assumption of approximately 9%
- Average diluted share count for the full year of approximately 90.5 million shares
- Full-year available cash flow estimated to be \$460-\$480 million

Strong Long-Term Fundamentals



- Seamless access and electronics transformation strategies remain sound
- ESG programs recognized and progressing
- End markets remain strong – anticipate this will continue
 - Positive macroeconomic indicators (ABI, Dodge, etc.)
 - Continued strength in SimonsVoss, Interflex and Global Portable Security businesses (Allegion International segment)
- Resources aligned to navigate and adapt to supply chain pressures
 - Redesigning products
 - Developing alternate suppliers
 - Pricing initiatives
- Profitable growth expected in 2022



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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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