



**ALLEGION™**

PIONEERING SAFETY

# First-Quarter 2023

## Financial Results

April 26, 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 related to the Full-Year 2023 Revenue and EPS Outlook, and statements regarding inflation, supply chain constraints, electronic component shortages, 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 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.

# 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 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: Outstanding Operational Performance

## **Market / Demand**

Americas non-residential demand robust; Residential mechanical and certain international markets continue to be soft; Electronics demand remains strong globally

## **Revenue Growth**

Organic revenue growth of 15%; Americas electronics growth of 30%+

## **Margin Expansion**

Substantial margin expansion (+290 bps) led by Americas; Price, productivity, inflation dynamic positive on dollar and margin basis

## **Cash Generation**

Improving cash generation delivering significant growth vs. prior year

## **Raised Outlook**

Strong Q1 execution; Raising full-year revenue, EPS and cash flow guidance

# First-Quarter 2023 Financial Summary

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

+27.6%



- Organic revenue growth of 15%
- Price realization of 10.6%
- Currency impact -1.5%
- Access Technologies ("AT") ~14% of total growth

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

+290 bps

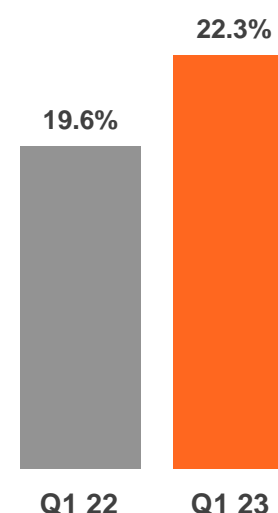


Ex-AT	Q1 22	Q1 23
	17.9%	21.7%

- Price and productivity exceeded inflation and investment by ~\$34M (260-bps benefit to margins)
- Favorable volume leverage and mix
- Operational execution improving, AT integration going well

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

+270 bps



Ex-AT	Q1 22	Q1 23
	19.6%	23.3%

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

+39.8%



- Strong operational execution partially offset by interest and tax
- Interest expense was an \$0.11 drag, primarily driven by AT acquisition financing

## ACF<sup>1</sup> YTD

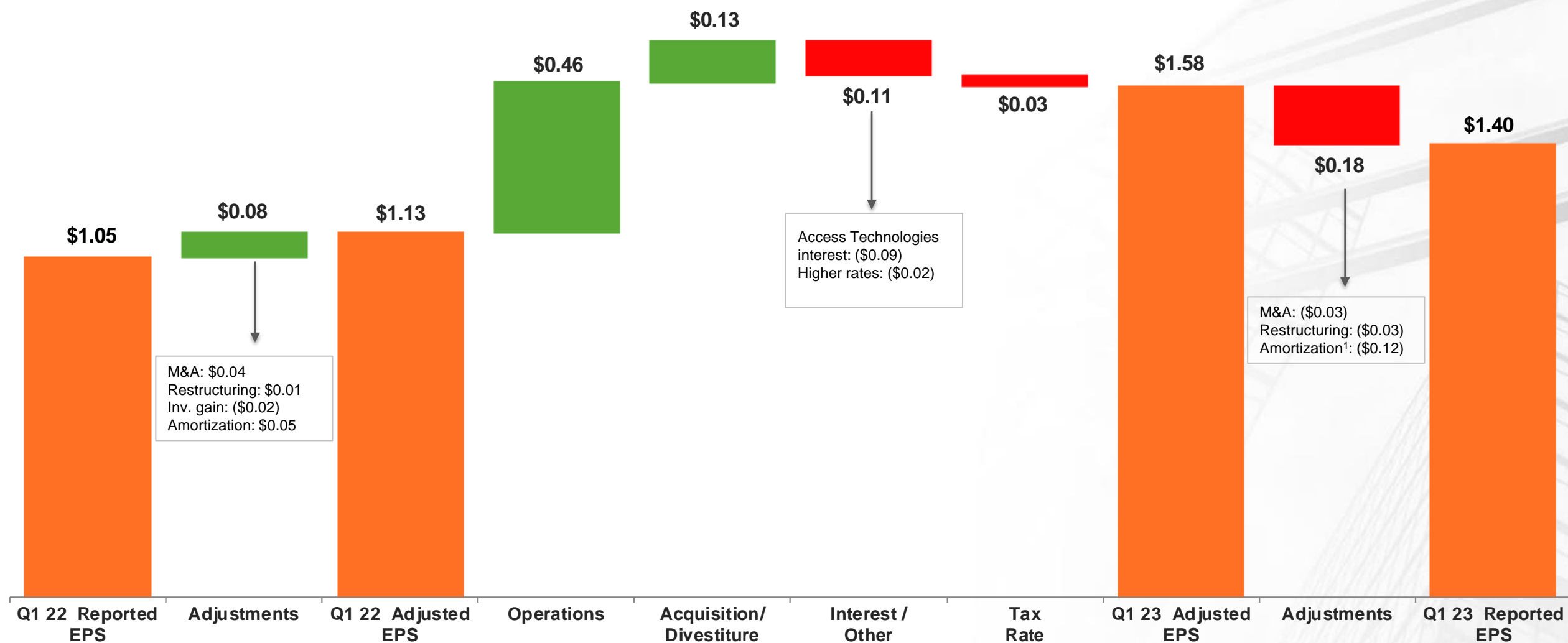
+295.8%



- Higher earnings partially offset by increased capital expenditures

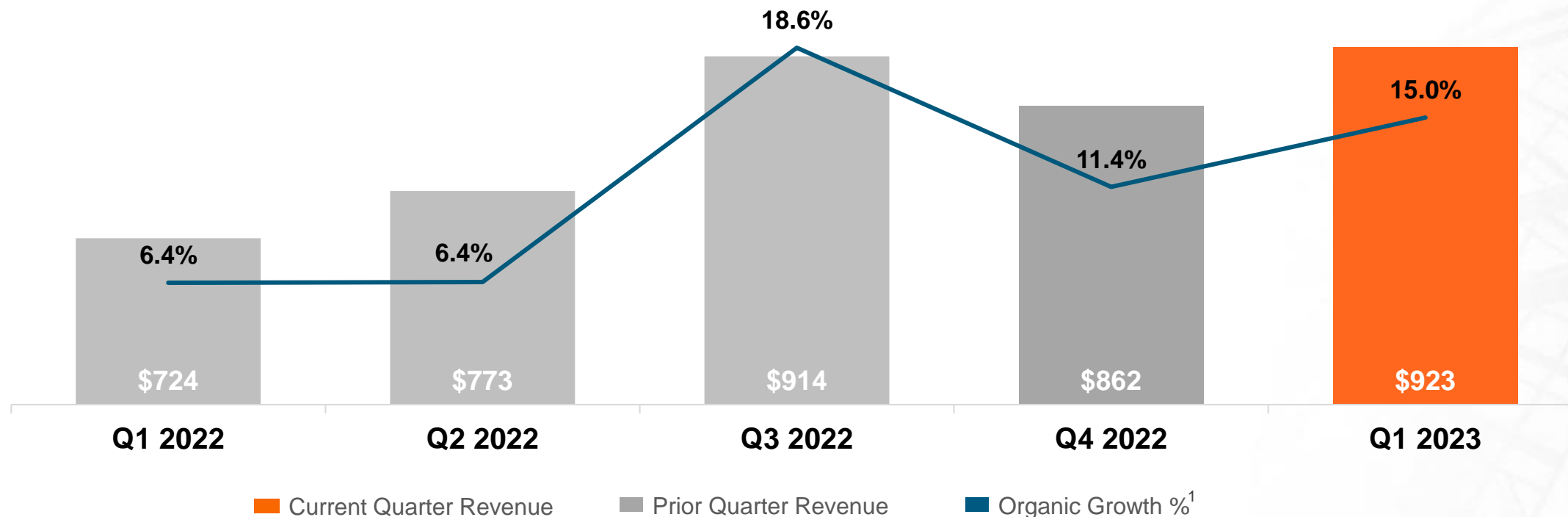


# First-Quarter 2023 Allegion EPS Performance



# First-Quarter 2023 Revenue Results

\$Millions

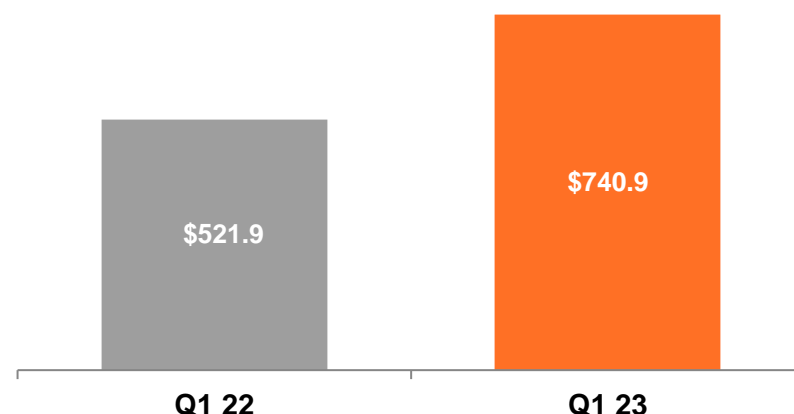


	<u>Q1'23 Reported Growth</u>	<u>Q1'23 Organic<sup>1</sup> Growth</u>
Allegion Americas	42.0%	22.6%
Allegion International	-9.7%	-4.8%
<b>Total</b>	<b>27.6%</b>	<b>15.0%</b>

Q1 2023					
<u>Price</u>	<u>Volume</u>	<u>Organic<sup>1</sup></u>	<u>Acq/Div</u>	<u>Currency</u>	<u>Total</u>
10.6%	4.4%	+15.0%	14.1%	-1.5%	+27.6%

# First-Quarter 2023 Allegion Americas Results

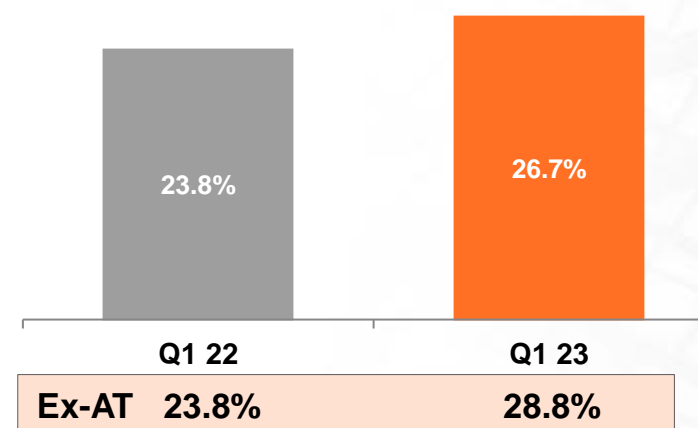
## Revenue<sup>1</sup> \$Millions +42.0%



### Q1 Revenue Performance

- Organic revenue growth of 22.6%; Price realization of 12.8%; Volume growth of 9.8%
- Non-residential organic growth of nearly 30%; Residential organic growth in mid-single digits
- Electronics growth exceeded 30%; Strength across both residential and non-residential
- Access Technologies (“AT”) acquisition contributed \$103.1M

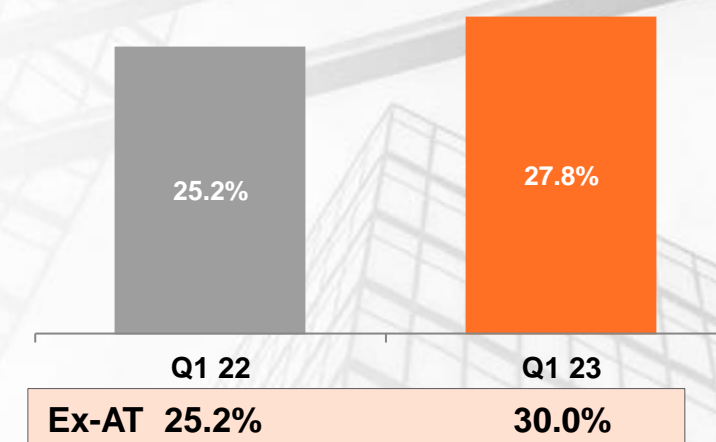
## Adjusted OI%<sup>1</sup> +290 bps



### Q1 Adjusted Margin Performance

- Strong price, volume and favorable mix driving margin improvement
- Price and productivity exceeded inflation and investments by ~\$38M (370-bps benefits to margins)
- AT acquisition delivering mid-teens EBITDA margin
- Legacy business (ex-AT) adjusted OI margins up 500 bps

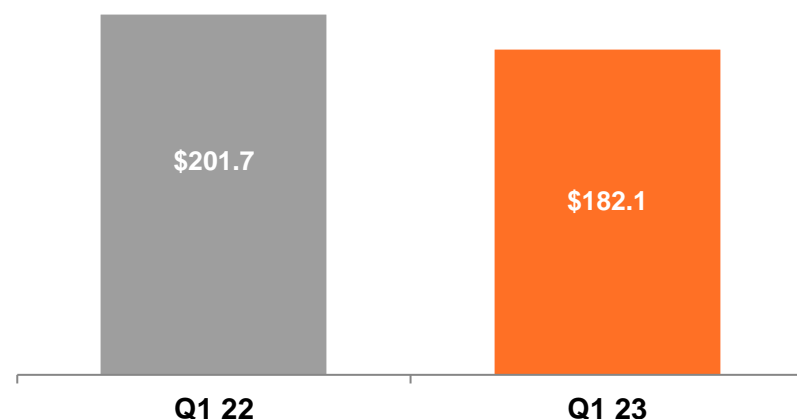
## Adjusted EBITDA%<sup>1</sup> +260 bps





# First-Quarter 2023 Allegion International Results

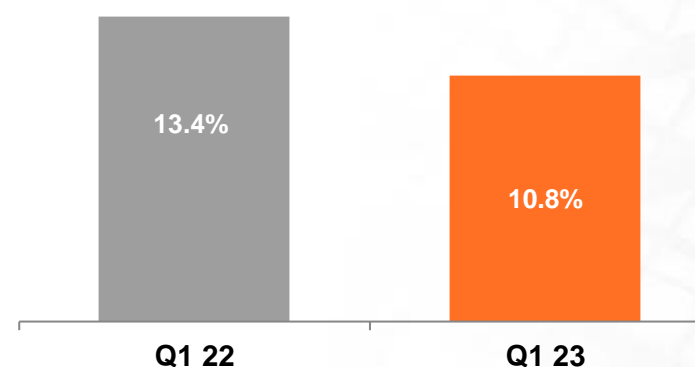
## Revenue<sup>1</sup> \$Millions -9.7%



### Q1 Revenue Performance

- Organic revenue decline of 4.8%; Price realization of 5.0%; Volume down nearly 10%, driven by Global Portable Security
- Continued strength in SimonsVoss and Interflex businesses
- Currency headwinds 4.4%

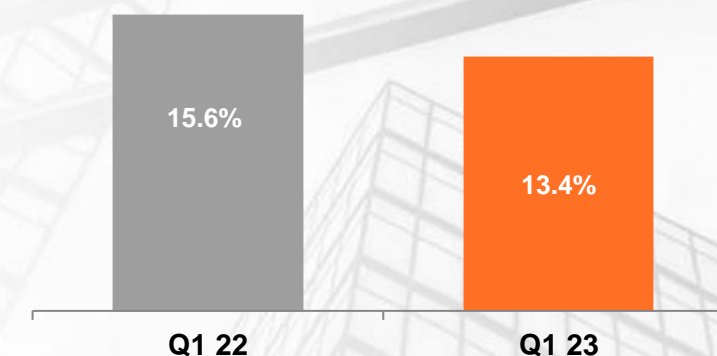
## Adjusted OI%<sup>1</sup> -260 bps



### Q1 Adjusted Margin Performance

- Volume de-leverage (-290-bps impact to margins) partially offset by favorable mix due to strength in electronic solutions
- Positive adjusted operating income for the net of price, productivity, inflation and investments

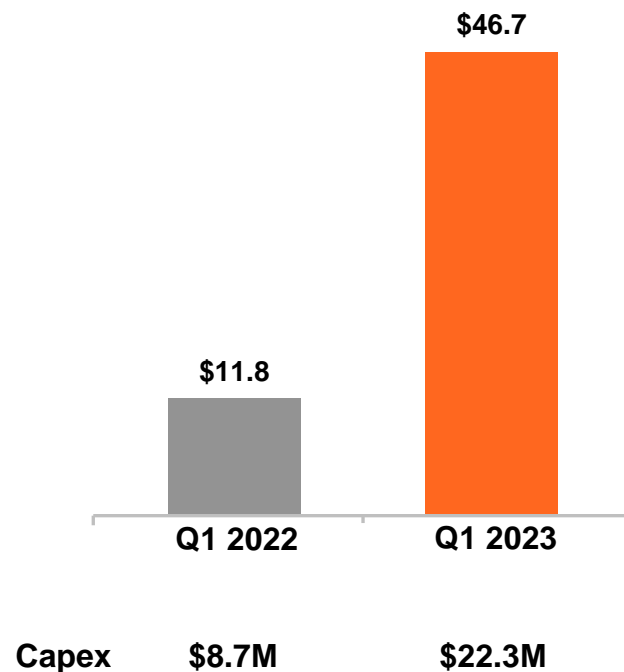
## Adjusted EBITDA%<sup>1</sup> -220 bps



# 2023 Allegion ACF / Balance Sheet

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

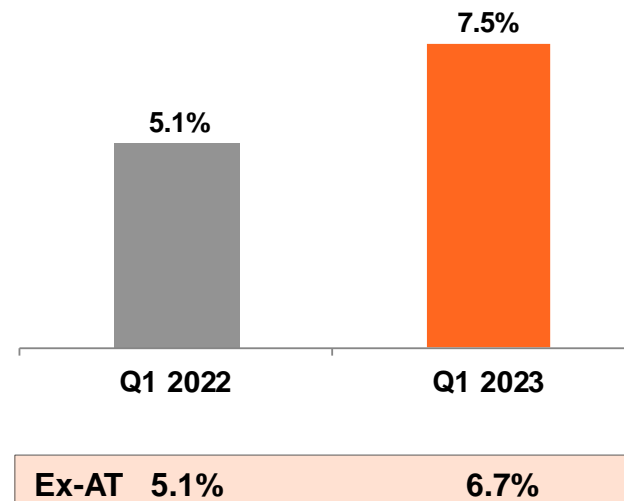
\$Millions



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

\$Millions

### Working Capital % of Revenue



## Notes:

- Higher ACF driven by favorable earnings
- Working capital percent increase due to Access Technologies (“AT”) acquisition and increased inventory
- Inventory turns improving as company focuses on driving down inventory

**Healthy balance sheet; Solid start for the year**

<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)  
See press release for non-GAAP reconciliations

# Full-Year 2023 Revenue Outlook

## 2023 Revenue Outlook - *Current*

Reported & Organic <sup>1</sup> Revenue Outlook	<u>Allegion Americas</u>	<u>Allegion International</u>	<u>Total Allegion</u>
	Reported: 15% to 17% Organic: 7.5% to 9.5%	Reported: -1% to 1% Organic: -2% to flat	Reported: 11.5% to 13.5% Organic: 5.5% to 7.5%

## 2023 Revenue Outlook - *Prior*

Reported & Organic <sup>1</sup> Revenue Outlook	<u>Allegion Americas</u>	<u>Allegion International</u>	<u>Total Allegion</u>
	Reported: 11.5% to 13.5% Organic: 4% to 6%	Reported: -1% to 1% Organic: -2% to flat	Reported: 9% to 10.5% Organic: 2.5% to 4.5%

**Raising revenue outlook to 11.5%-13.5% reported and 5.5%-7.5% organic**



# Full-Year 2023 EPS Outlook

## EPS Reconciliation

	Current Outlook	Prior Outlook
<b>2022 Reported EPS</b>	<b>\$5.19</b>	<b>\$5.19</b>
Adjustments <sup>1</sup>	\$0.50	\$0.50
Acquired Intangible Asset Amortization <sup>2</sup>	\$0.30	\$0.30
<b>2022 Adjusted EPS As Recasted</b>	<b>\$5.99</b>	<b>\$5.99</b>
Operational Performance (incl. FX / Invest)	~\$0.80 to \$0.95	~\$0.55 to \$0.70
Acquisitions / Divestitures	~\$0.25 to \$0.30	~\$0.25 to \$0.30
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
<b>2023 Adjusted EPS</b>	<b>\$6.55 to \$6.75</b>	<b>\$6.30 to \$6.50</b>
Acquired Intangible Asset Amortization <sup>2</sup>	~(\$0.40)	~(\$0.40)
Adjustments <sup>3</sup>	~(\$0.20)	~(\$0.20)
<b>2023 Reported EPS</b>	<b>\$5.95 to \$6.15</b>	<b>\$5.70 to \$5.90</b>

### Notes:

- Operational performance driving higher outlook
- Full-year adjusted effective tax rate of ~15%-15.5%
- Full-year average diluted share count remains at ~88.3 million
- Raising available cash flow outlook to \$480-\$500 million

**Raising adjusted EPS outlook to \$6.55 to \$6.75, +9.3% to +12.7%**

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

<sup>3</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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- Strength in Americas non-residential business
- Electronic solutions driving sustained growth opportunity globally
- Access Technologies integration and performance going well
- Continued margin expansion; Cash flow improving
- Team is executing well

**Great start to 2023; Raising full-year outlook**





# Securing the Future

## 2023 Allegion Investor & Analyst Day

**Join us on Tuesday, May 2, at 12 p.m. ET in Carmel, Indiana**

Or watch formal presentations, held from 12:30 p.m. to 2:30 p.m. ET, via our real-time, listen-only webcast of the meeting. Individuals can access the webcast through Allegion's website at <https://investor.allegion.com/>.





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# Q&A





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

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