

2020 Reflections

Letter from our CEO



Dear Fellow Shareholders,

There are countless ways to describe 2020. The word “challenging” tops my list – but just as clearly at the top is “noteworthy.” The Allegion team put up a noteworthy performance and achieved noteworthy outcomes, while remaining dedicated to our values and high standards – truly rising above, even in the headwinds of a global pandemic.

Environmental, social, and governance (ESG) commitments are a vital part of how we achieve results. And in 2020, we formed a cross-functional ESG Council that will guide our commitments across health and safety, sustainability, corporate responsibility, and governance moving forward.

We intentionally chose to lead with our “be safe, be healthy” value, which has allowed us to operate continually throughout the pandemic and stay dedicated to meeting the needs of employees, customers, and communities. We kept our essential employees working and took extra protections to help keep them safe, whether they were at our manufacturing sites or remote locations. We made improvements in all our employee safety metrics: In 2020, Allegion drove a 9-percent year-over-year reduction in our Total Recordable Incident Rate (TRIR)* and a 29-percent improvement in our year-over-year Lost Time Injury Rate (LTIR)*. What’s more, our overall 2020 incident rate was 88 percent** below the reported 2019 U.S. industry average. These safety results are the best in our company’s history.

The people of Allegion continued to create positive change in our company and communities in other ways, too. In 2020, we held forums and trainings with employees to create open dialogue around engagement, equity, inclusion and diversity. We believe that a diverse and engaged workforce, where people bring different experiences, skillsets, and perspectives to the table, helps make us better problem solvers and a better company. Our 2020 Gallup survey results show that Allegion team members are more engaged – meaning our employees believe in our vision and our work more than ever before.

These investments are making a difference in our culture and our business results, as showcased in 2020: We had solid top-line performance despite the pandemic – posting \$2.72 billion in revenue and shipping the third highest volume of products in our company’s history. We delivered margin expansion, with adjusted operating income margins increasing 20 basis points for the year. We generated a record \$443.2 million in available cash flow. And I’m proud to say that we ended 2020 with full-year adjusted earnings per share of \$5.11 – an increase of 4.5 percent compared to 2019 and the highest in our company’s history. These results are a testament to Allegion’s sound fundamental business practices as well as our commitment to driving shareholder value.

What’s more, we continued to invest in technology and capabilities to realize Allegion’s vision of seamless access and a safer world and its five strategic pillars: expand in core markets, deliver new value in access, be the partner of choice, enterprise excellence, and capital allocation. Seamless access allows authorized, automated, and safe passage and movement through spaces and places in the most efficient and frictionless manner possible. Central to our vision is partnering and developing ecosystems to create a flawless experience and enable an uninterrupted and secure flow of people and assets. In the realities of a COVID-19 world, customers have new concerns and new needs for healthy environments and touchless solutions. The importance of making home, work, and institutions safer has never been so important to our communities. Seamless access, software, and electronics continue to be a long-term growth driver, and remain our top investment priority – they are the future of Allegion.

Finally, in late 2020, we announced the unification of our EMEA and APAC regions – which became Allegion International on January 1, 2021 – to drive speed and efficiency. By reducing layers and moving decisions closer to the customer, we have simplified our operating segments, reduced overhead, and freed up capital for strategic investments.

Looking forward, I believe we will be stronger coming out of the pandemic than we were going into it. Our people make the difference – and they are standing strong. We have a proven culture of safety and a resilient supply chain. Our business is disciplined and focused, prioritizing investments in our seamless access strategy and brand strength. As a result, Allegion continues to deliver leadership and innovation across our global portfolio – and we will exit the COVID-19 pandemic primed to drive value and shareholder returns.

The future is bright at Allegion.

Sincerely,

David Petratis

Chairman, President & Chief Executive Officer, Allegion plc

* Data is normalized to hours worked. To the extent actual hours worked are not available for any full-time employee, an average of 40 hours per week is used.

** Based on the U.S. average for our general industry (NAICS 332), as reported by the U.S. Bureau of Labor Statistics.

Adjustments to operating income, operating margin, net earnings and EPS 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.

Available cash flow is defined as U.S. GAAP net cash from operating activities less capital expenditures.

Our Future

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.



Expand
in core markets

**Broaden &
evolve the core**



Deliver new
value in access

**Create innovative
access solutions
& platforms**



Be the partner
of choice

**Leverage partners
& ecosystems**



Enterprise
excellence

**Focus on total
value creation**



Capital
allocation

**Take a flexible,
balanced & disciplined
approach**



Watch this video
to see our vision
and strategy
in action.