

Letter from our President & CEO



Fellow Shareholders,

In December, Allegion celebrated 10 years as a standalone company. During this time, we have grown Allegion from a market capitalization of just over \$4 billion to over \$11 billion, building a global leader in seamless access. Allegion is distinctly advantaged with deep expertise in building codes and specifications, the ability to manufacture millions of SKUs in a made-to-order environment and, arguably, the strongest distribution channel in our industry. We have one of the safest and most engaged workforces in manufacturing. We regularly give back to our communities, through organizations like Habitat for Humanity, the Red Cross and many other local causes, all while holding ourselves accountable to a set of unwavering core values and environmental, social and governance commitments. Our Board of Directors has a strong composition of skills and diversity, with two new directors appointed in 2023.

True to our mission of pioneering safety, Allegion is continuously innovating to better secure people and their property where they live, learn, work and connect. We are trusted advisors, uniquely qualified to help our customers design and create safe and secure environments from small spaces to entire campuses. For our K-12 and university customers, the products we develop are integral to the layered security approach needed to create safer schools. For our healthcare customers, the broad Allegion portfolio solves for security and access needs, as well as patient experience and staff requirements that range from privacy to accessibility and connectivity. Software and services are rapidly becoming a key differentiator for our company, ensuring Allegion products are interoperable with the wide spectrum of building automation ecosystems in the marketplace.

Allegion delivered record revenue of \$3.7 billion and adjusted EPS of \$6.96 in 2023. We also closed the year with record adjusted operating income, and full-year adjusted operating margin increased by 160 basis points versus 2022. Demand for our most innovative solutions remained strong in 2023, and we delivered approximately 20% organic growth in electronics and software for the year, on top of mid-teens organic growth in 2022. Our available cash flow generation was up 30.6% versus the prior year, resulting in a balance sheet primed to support continued growth of our company and distributions to our shareholders.¹

Allegion has much to be proud of – but the future is even more exciting. Seamless access, the ability to provide the most secure and convenient experiences possible, remains our strategy. Technology will fuel our growth. As our world is more connected, digital and mobile, we see secular growth opportunities in seamless access where our distinct advantages will further expand Allegion's leadership position. While our core portfolio of mechanical products is stronger than ever, electronics, software and services now account for a third of total revenue. I see a great future driven by disciplined organic investments and acquisitions that will grow our core hardware business while expanding electronics, software and services to represent more than half of our revenue. Allegion will continue to be a partner of choice. Our strategic partnerships and investments in companies like Ambient.ai will complement our growth, while our research and development combined with our commitment to interoperability and open standards will accelerate it.

Over the last 10 years, Allegion has provided peace of mind through safety and security to millions of people. And with our vision of enabling seamless access and a safer world, Allegion still has even more opportunities ahead to fulfill our mission while creating long-term shareholder value. I look forward to updating you in the future as we propel our company into its next decade of growth.

Regards,

John H. Stone
President & CEO, Allegion plc

We are many. We are one. We are Allegion.



225%

Total Shareholder Return
(IPO - Dec. 31, 2023)

1,000+

Patents Granted Globally
(Dec. 2013 - Dec. 2023)

74th percentile

Employee Engagement²
(vs. industry peers as of Feb. 2024)

Visit allegion.com/annualreport to learn more about Allegion's 2023 performance

(1) Each of adjusted earnings per share (EPS), adjusted operating income, adjusted operating margin, organic revenue growth and available cash flow generation is a non-GAAP measure. See Appendix A to the accompanying 2024 Proxy Statement for the definitions of these non-GAAP financial measures as well as reconciliations to the most directly comparable U.S. generally accepted accounting principles measure.

(2) Percentiles are based on Gallup's Q12 Manufacturing Company Database from the survey year. GALLUP is a registered trademark of Gallup, Inc. and the property of its owner.
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