UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of report (Date of earliest event reported): August 4, 2020

ALLISON TRANSMISSION HOLDINGS, INC.
(Exact Name of Registrant as Specified in Charter)

Delaware	001-35456	26-0414014
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

One Allison Way, Indianapolis, Indiana	46222
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (317) 242-5000

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, $0.01 par value	**ALSN**	**New York Stock Exchange**

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition.

On August 4 2020, Allison Transmission Holdings, Inc. (“Allison”) published an earnings release reporting its financial results for the three months ended June 30, 2020. A copy of the earnings release is attached as Exhibit 99.1 hereto. Following the publication of the earnings release, Allison will host an earnings call on August 5, 2020 at 8:00 a.m. ET on which its financial results for the three months ended June 30, 2020 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On August 4, 2020, Allison posted the materials attached as Exhibits 99.1 and 99.2 on its web site (www.allisontransmission.com).

As discussed on page 2 of Exhibit 99.2, the investor presentation contains forward-looking statements within the meaning of the federal securities laws. These statements are present expectations, and are subject to the limitations listed therein and in Allison’s other Securities and Exchange Commission filings, including that actual events or results may differ materially from those in the forward-looking statements.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Earnings release dated August 4, 2020.
99.2	Investor presentation materials dated August 4, 2020.
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Allison Transmission Holdings, Inc.

Date: August 4, 2020

By:	/s/ Eric C. Scroggins
Name:	Eric C. Scroggins
Title:	Vice President, General Counsel and Secretary

Exhibit 99.1

News Release

Allison Transmission Announces Second Quarter 2020 Results

- **Net Income of $23 million**
- **Diluted EPS of $0.20**
- **Adjusted EBITDA of $115 million**
- **Net Cash Provided by Operating Activities of $92 million**
- **Adjusted Free Cash Flow of $67 million**

INDIANAPOLIS, August 4, 2020 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global manufacturer of medium- and heavy-duty fully automatic transmissions and a supplier of commercial vehicle propulsion solutions, including electric hybrid and fully electric propulsion systems, today reported net sales for the second quarter of $377 million, a 49 percent decrease from the same period in 2019. The decrease in net sales was principally driven by the ongoing effects of the COVID-19 pandemic on the global economy, resulting in lower demand in all end markets except for the Defense end market.

Net Income for the quarter was $23 million compared to $181 million for the same period in 2019. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $115 million compared to $308 million for the same period in 2019. Net Cash Provided by Operating Activities for the quarter was $92 million compared to $239 million for the same period in 2019. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was $67 million compared to $214 million for the same period in 2019.

David S. Graziosi, President and Chief Executive Officer of Allison Transmission commented, “Once again, I would like to thank all of Allison’s employees, customers and suppliers for their continued dedication and resilience. The health and well-being of Allison’s extended family remains our top priority, as we manage through this unprecedented period.”

Graziosi continued, “Second quarter results reflect the significant impact the pandemic continues to have on global supply chains and customer demand. Despite these ongoing disruptions, all of Allison’s global facilities are currently producing transmissions and components, and the majority of our manufacturing operations have run continuously throughout 2020. To date, we have achieved uninterrupted delivery of our products, and continued to generate earnings and positive cash flow. We remain focused on aligning our operations, programs and spending with current end market conditions, while maintaining the flexibility to respond quickly and appropriately as these conditions evolve. Allison is well capitalized and positioned to realize opportunities that may emerge from the current environment, as a result of our long-standing commitment to prudent balance sheet management, ample liquidity and profitable operations."

Second Quarter Net Sales by End Market

End Market	Q2 2020 Net Sales ($M)	Q2 2019 Net Sales ($M)	% Variance
North America On-Highway	**$ 164**	**$ 398**	**(59%)**
North America Off-Highway	**$ 3**	**$ 9**	**(67%)**
Defense	**$ 42**	**$ 37**	**14%**
Outside North America On-Highway	**$ 60**	**$ 106**	**(43%)**
Outside North America Off-Highway	**$ 19**	**$ 40**	**(53%)**
Service Parts, Support Equipment & Other	**$ 89**	**$ 147**	**(39%)**
Total Net Sales	**$ 377**	**$ 737**	**(49%)**

Second Quarter Highlights

North America On-Highway end market net sales were down 59 percent from the same period in 2019 and down 53 percent on a sequential basis, in both cases principally driven by lower demand for Rugged Duty Series and Highway Series models primarily due to the effects of the pandemic.

North America Off-Highway end market net sales were down $6 million from the same period in 2019 and down $5 million sequentially, in both cases principally driven by lower demand for hydraulic fracturing applications.

Defense end market net sales were up 14 percent from the same period in 2019 and up 5 percent on a sequential basis, in both cases principally driven by Tracked vehicle demand.

Outside North America On-Highway end market net sales were down 43 percent from the same period in 2019 and down 17 percent sequentially principally driven by lower global demand due to the effects of the pandemic.

Outside North America Off-Highway end market net sales were down $21 million from the same period in 2019 and down $8 million on a sequential basis, in both cases driven by lower demand in the energy, mining and construction sectors.

Service Parts, Support Equipment & Other end market net sales were down 39 percent from the same period in 2019 principally driven by lower demand for North America service parts and support equipment primarily due to the effects of the pandemic partially offset by aluminum die cast component volume associated with the acquisition of Walker Die Casting and down 36 percent sequentially principally driven by lower demand for North America service parts, aluminum die cast component volume and support equipment.

Gross profit for the quarter was $165 million, a decrease of 58 percent from $389 million for the same period in 2019. Gross margin for the quarter was 43.8 percent, a decrease of 900 basis points from a gross margin of 52.8 percent for the same period in 2019. The decrease in gross profit was principally driven by lower net sales and restructuring charges recorded in the second quarter of 2020 partially offset by lower manufacturing expense commensurate with decreased net sales, lower incentive compensation expense, price increases on certain products and favorable material costs.

Selling, general and administrative expenses for the quarter were $69 million, a decrease of $24 million from $93 million for the same period in 2019. The decrease was principally driven by lower commercial activities spending, lower incentive compensation expense, lower intangible amortization expense and lower stock compensation expense partially offset by product warranty adjustments and restructuring charges.

Engineering – research and development expenses for the quarter were $38 million, an increase of $1 million from $37 million for the same period in 2019.

Net income for the quarter was $23 million, a decrease of $158 million from $181 million for the same period in 2019. The decrease was principally driven by lower net sales and restructuring charges partially offset by lower selling, general and administrative expenses.

Net cash provided by operating activities was $92 million, a decrease of $147 million from $239 million for the same period in 2019. The decrease was principally driven by lower gross profit, higher cash interest expense and cash restructuring charges partially offset by lower cash income taxes, lower operating working capital requirements and lower commercial activities spending.

Second Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was $115 million, a decrease of $193 million from $308 million for the same period in 2019. The decrease in Adjusted EBITDA was principally driven by lower gross profit partially offset by lower selling, general and administrative expenses.

Adjusted Free Cash Flow for the quarter was $67 million, a decrease of $147 million from $214 million for the same period in 2019. The decrease was principally driven by lower net cash provided by operating activities.

COVID-19 Pandemic and Market Update

The pandemic continues to impact the United States and other major markets in which we operate across the world, resulting in severe disruptions to global markets and supply chains, significant uncertainty and a weaker global outlook. We anticipate continued disruptions to our business for the foreseeable future, and we continue to take a variety of measures to promote the safety and security of our employees and to maintain operations with as minimal impact as possible to our stakeholders. These measures include increased frequency of cleaning and disinfecting of facilities, social distancing, remote working when possible, travel restrictions and limitations on visitor access to facilities. Given the uncertain duration of the pandemic, as well as continuously evolving customer demand and supply chain readiness, we cannot conclusively provide a full year 2020 revenue, earnings or cash flow outlook at this time.

The Allison team continues working to proactively align operations, programs and spending across our entire business with current end market conditions, including reduced compensation expense through restructuring initiatives of both hourly and salary employees, furloughs of a portion of our workforce, reduced overtime and assessing the timing and cadence of various capital investment and product development initiatives. During the second quarter, we incurred $12 million in restructuring charges related to voluntary and involuntary separation programs for both hourly and salaried employees. Allison is reaffirming its full year 2020 Capital Expenditures target of approximately 35 percent lower, as compared to 2019. We will continue to monitor market conditions and make adjustments accordingly.

Conference Call and Webcast

The company will host a conference call at 8:00 a.m. ET on Wednesday, August 5 to discuss its second quarter 2020 results. The dial-in phone number for the conference call is 1-877-425-9470 and the international dial-in number is 1-201-389-0878. A live webcast of the conference call will also be available online at http://ir.allisontransmission.com.

For those unable to participate in the conference call, a replay will be available from 11:00 a.m. ET on August 5 until 11:59 p.m. ET on August 12. The replay dial-in phone number is 1-844-512-2921 and the international replay dial-in number is 1-412-317-6671. The replay passcode is 13705164.

About Allison Transmission

Allison Transmission (NYSE: ALSN) is the world’s largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles and medium- and heavy-tactical U.S. defense vehicles, as well as a supplier of commercial vehicle propulsion solutions, including electric hybrid and fully electric propulsion systems. Allison products are used in a wide variety of applications, including on-highway trucks (distribution, refuse, construction, fire and emergency), buses (school, transit and coach), motorhomes, off-highway vehicles and equipment (energy, mining and construction applications) and defense vehicles (wheeled and tracked). Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA. With a market presence in more than 80 countries, Allison has regional headquarters in the Netherlands, China and Brazil with manufacturing facilities in the U.S., Hungary and India. Allison also has approximately 1,500 independent distributor and dealer locations worldwide. For more information, visit allisontransmission.com.

Forward-Looking Statements

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements, including all statements regarding future financial results or expected ability to re-open our facilities promptly. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expect,” “plans,” “project,” “anticipate,” “believe,” “estimate,” “predict,” “intend,” “forecast,” “could,” “potential,” “continue” or the negative of these terms or other similar terms or phrases. Forward-looking statements are not guarantees of future performance and involve known and unknown risks. Factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made include, but are not limited to: the duration and spread of the COVID-19 outbreak, mitigating efforts deployed by government agencies and the public at large, and the overall impact from such outbreak on economic conditions, financial market volatility and our business, including but not limited to the operations of our manufacturing and other facilities, our supply chain, our distribution processes and demand for our products and the corresponding impacts to our net sales and cash flow; risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; uncertainty in the global regulatory and business environments in which we operate; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments, competitive threats and changing customer needs; the concentration of our net sales in our top five customers and the loss of any one of these; the failure of markets outside North America to increase adoption of fully-automatic transmissions; U.S. and foreign defense spending; general economic and industry conditions; increases in cost, disruption of supply or shortage of raw materials or components used in our products; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; risks associated with our international operations, including increased trade protectionism; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers; our intention to pay dividends and repurchase shares of our common stock and other risks and uncertainties associated with our business described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this press release, and we undertake no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

Use of Non-GAAP Financial Measures

This press release contains information about Allison's financial results and forward-looking estimates of financial results which are not presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Such non-GAAP financial measures are reconciled to their closest GAAP financial measures at the end of this press release. Non-GAAP financial measures should not be considered in isolation or as a substitute for our reported results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures of other companies.

We use Adjusted EBITDA and Adjusted EBITDA as a percent of net sales to measure our operating profitability. We believe that Adjusted EBITDA and Adjusted EBITDA as a percent of net sales provide management, investors and creditors with useful measures of the operational results of our business and increase the period-to-period comparability of our operating profitability and comparability with other companies. Adjusted EBITDA as a percent of net sales is also used in the calculation of management's incentive compensation program. The most directly comparable GAAP measure to Adjusted EBITDA is Net income. The most directly comparable GAAP measure to Adjusted EBITDA as a percent of net sales is Net Income as a percent of net sales. Adjusted EBITDA is calculated as the earnings before interest expense, income tax expense, amortization of intangible assets, depreciation of property, plant and equipment and other adjustments as defined by Allison Transmission, Inc.'s, the Company's wholly-owned subsidiary, Second Amended and Restated Credit Agreement. Adjusted EBITDA as a percent of net sales is calculated as Adjusted EBITDA divided by net sales.

We use Adjusted Free Cash Flow to evaluate the amount of cash generated by our business that, after the capital investment needed to maintain and grow our business and certain mandatory debt service requirements, can be used for the repayment of debt, stockholder distributions and strategic opportunities, including investing in our business. We believe that Adjusted Free Cash Flow enhances the understanding of the cash flows of our business for management, investors and creditors. Adjusted Free Cash Flow is also used in the calculation of management's incentive compensation program. The most directly comparable GAAP measure to Adjusted Free Cash Flow is Net cash provided by operating activities. Adjusted Free Cash Flow is calculated as Net cash provided by operating activities, excluding non-recurring restructuring charges, after additions of long-lived assets.

Attachments

- Condensed Consolidated Statements of Operations
- Condensed Consolidated Balance Sheets
- Condensed Consolidated Statements of Cash Flows
- Reconciliation of GAAP to Non-GAAP Financial Measures

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Allison Transmission Holdings, Inc.
Condensed Consolidated Statements of Operations
(Unaudited, dollars in millions, except per share data)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net sales	$ 377	$ 737	$ 1,014	$ 1,412
Cost of sales	212	348	523	664
Gross profit	165	389	491	748
Selling, general and administrative	69	93	144	177
Engineering - research and development	38	37	74	68
Operating income	58	259	273	503
Interest expense, net	(33)	(33)	(66)	(69)
Other income, net	5	3	4	6
Income before income taxes	30	229	211	440
Income tax expense	(7)	(48)	(49)	(92)
Net income	$ 23	$ 181	$ 162	$ 348
Basic earnings per share attributable to common stockholders	$ 0.20	$ 1.47	$ 1.42	$ 2.81
Diluted earnings per share attributable to common stockholders	$ 0.20	$ 1.46	$ 1.41	$ 2.78

Allison Transmission Holdings, Inc.
Condensed Consolidated Balance Sheets
(Unaudited, dollars in millions)

	June 30, 2020	December 31, 2019
ASSETS		
Current Assets		
Cash and cash equivalents	$ 434	$ 192
Accounts receivable, net	212	253
Inventories	201	199
Other current assets	40	42
Total Current Assets	887	686
Property, plant and equipment, net	634	616
Intangible assets, net	986	1,042
Goodwill	2,062	2,041
Other non-current assets	64	65
TOTAL ASSETS	$4,633	$ 4,450
LIABILITIES		
Current Liabilities		
Accounts payable	$ 138	$ 150
Product warranty liability	29	24
Current portion of long-term debt	6	6
Deferred revenue	34	35
Other current liabilities	149	202
Total Current Liabilities	356	417
Product warranty liability	19	28
Deferred revenue	111	104
Long-term debt	2,786	2,512
Deferred income taxes	421	387
Other non-current liabilities	245	221
TOTAL LIABILITIES	3,938	3,669
TOTAL STOCKHOLDERS’ EQUITY	695	781
TOTAL LIABILITIES & STOCKHOLDERS’ EQUITY	$4,633	$ 4,450

Allison Transmission Holdings, Inc.
Condensed Consolidated Statements of Cash Flows
(Unaudited, dollars in millions)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net cash provided by operating activities (a)	$ 92	$ 239	$ 240	$ 433
Net cash used for investing activities (b) (c)	(24)	(158)	(45)	(177)
Net cash provided by (used for) financing activities	252	(251)	49	(334)
Effect of exchange rate changes on cash	—	(1)	(2)	—
Net increase (decrease) in cash and cash equivalents	320	(171)	242	(78)
Cash and cash equivalents at beginning of period	114	324	192	231
Cash and cash equivalents at end of period	$ 434	$ 153	$ 434	$ 153
Supplemental disclosures:				
Interest paid	$ 57	$ 39	$ 65	$ 53
Income taxes paid	$ 2	$ 49	$ 8	$ 55
(a) Restructuring charges	$ 3	$ —	$ 3	$ —
(b) Business acquisitions	$ 4	$ (133)	$ 4	$ (133)
(c) Additions of long-lived assets	$ (28)	$ (25)	$ (49)	$ (44)

Allison Transmission Holdings, Inc.
Reconciliation of GAAP to Non-GAAP Financial Measures
(Unaudited, dollars in millions)

	Three months ended June 30, 2020	Three months ended June 30, 2019	Six months ended June 30, 2020	Six months ended June 30, 2019
Net income (GAAP)	$ 23	$ 181	$ 162	$ 348
plus:				
Interest expense, net	33	33	66	69
Income tax expense	7	48	49	92
Depreciation of property, plant and equipment	24	19	46	37
Amortization of intangible assets	13	21	29	43
Restructuring charges (a)	12	—	12	—
Stock-based compensation expense (b)	2	5	5	8
Unrealized loss on foreign exchange (c)	—	1	2	—
Acquisition-related earnouts (d)	1	—	1	—
Expenses related to long-term debt refinancing (e)	—	—	—	1
Adjusted EBITDA (Non-GAAP)	$ 115	$ 308	$ 372	$ 598
Net sales (GAAP)	$ 377	$ 737	$1,014	$1,412
Net income as a percent of net sales (GAAP)	6.1%	24.6%	16.0%	24.6%
Adjusted EBITDA as a percent of net sales (Non-GAAP)	30.5%	41.8%	36.7%	42.4%
Net cash provided by operating activities (GAAP)	$ 92	$ 239	$ 240	$ 433
Deductions to Reconcile to Adjusted Free Cash Flow:				
Additions of long-lived assets	(28)	(25)	(49)	(44)
Restructuring charges (a)	3	—	3	—
Adjusted free cash flow (Non-GAAP)	$ 67	$ 214	$ 194	$ 389

(a) Represents restructuring charges (recorded in Cost of sales, Selling, general and administrative, and Engineering – research and development) related to voluntary and involuntary separation programs for hourly and salaried employees in the second quarter of 2020.

(b) Represents stock-based compensation expense (recorded in Cost of sales, Selling, general and administrative, and Engineering – research and development).

(c) Represents losses (recorded in Other income, net) on intercompany financing transactions related to investments in plant assets for our India facility.

(d) Represents expense (recorded in Selling, general and administrative and Engineering - research and development) for earnouts related to our acquisition of Vantage Power Limited.

(e) Represents expenses (recorded in Other income, net) related to the refinancing of the prior term loan due 2022 and prior revolving credit facility due 2021 in the first quarter of 2019.

Exhibit 99.2

Q2 2020 Earnings Release

Published August 4, 2020

Dave Graziosi, President & Chief Executive Officer
Fred Bohley, Senior Vice President & Chief Financial Officer

Safe Harbor Statement

The following information contains, or may be deemed to contain, "forward-looking statements" (as defined in the U.S. Private Securities Litigation Reform Act of 1995). The words "believe," "expect," "anticipate," "intend," "estimate" and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although forward-looking statements reflect management's good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from anticipated future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements speak only as of the date the statements are made. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, changed circumstances or otherwise. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to: the duration and spread of the COVID-19 outbreak, mitigating efforts deployed by government agencies and the public at large, and the overall impact from such outbreak on economic conditions, financial market volatility and our business, including but not limited to the operations of our manufacturing and other facilities, our supply chain, our distribution processes and demand for our products and the corresponding impacts to our net sales and cash flows; risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; uncertainty in the global regulatory and business environments in which we operate; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments, competitive threats and changing customer needs; the concentration of our net sales in our top five customers and the loss of any one of these; the failure of markets outside North America to increase adoption of fully automatic transmissions; the success of our research and development efforts, the outcome of which is uncertain; our failure to identify, consummate or effectively integrate acquisitions; U.S. and foreign defense spending; general economic and industry conditions; increases in cost, disruption of supply or shortage of raw materials or components used in our products; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; risks associated with our international operations, including increased trade protectionism; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers; and our intention to pay dividends and repurchase shares of our common stock.

Allison Transmission cannot assure you that the assumptions made in preparing any of the forward-looking statements will prove accurate or that any long-term financial goals will be realized. All forward-looking statements included in this presentation speak only as of the date made, and Allison Transmission undertakes no obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise. In particular, Allison Transmission cautions you not to place undue weight on certain forward-looking statements pertaining to potential growth opportunities, long-term financial goals or the value we currently ascribe to certain tax attributes set forth herein. Actual results may vary significantly from these statements.

Allison Transmission's business is subject to numerous risks and uncertainties, which may cause future results of operations to vary significantly from those presented herein. Important factors that could cause actual results to differ materially are discussed in Allison Transmission's Annual Report on Form 10-K for the year ended December 31, 2019 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2020.

Non-GAAP Financial Information

We use Adjusted EBITDA and Adjusted EBITDA as a percent of net sales to measure our operating profitability. We believe that Adjusted EBITDA and Adjusted EBITDA as a percent of net sales provide management, investors and creditors with useful measures of the operational results of our business and increase the period-to-period comparability of our operating profitability and comparability with other companies. Adjusted EBITDA as a percent of net sales is also used in the calculation of management's incentive compensation program. The most directly comparable U.S. generally accepted accounting principles ("GAAP") measure to Adjusted EBITDA and Adjusted EBITDA as a percent of net sales is Net income and Net income as a percent of net sales, respectively. Adjusted EBITDA is calculated as the earnings before interest expense, income tax expense, amortization of intangible assets, depreciation of property, plant and equipment and other adjustments as defined by Allison Transmission, Inc.'s, the Company's wholly-owned subsidiary, Second Amended and Restated Credit Agreement. Adjusted EBITDA as a percent of net sales is calculated as Adjusted EBITDA divided by net sales.

We use Adjusted Free Cash Flow to evaluate the amount of cash generated by our business that, after the capital investment needed to maintain and grow our business and certain mandatory debt service requirements, can be used for repayment of debt, stockholder distributions and strategic opportunities, including investing in our business. We believe that Adjusted Free Cash Flow enhances the understanding of the cash flows of our business for management, investors and creditors. Adjusted Free Cash Flow is also used in the calculation of management's incentive compensation program. The most directly comparable GAAP measure to Adjusted Free Cash Flow is Net cash provided by operating activities. Adjusted Free Cash Flow is calculated as Net cash provided by operating activities, excluding non-recurring restructuring charges, after additions of long-lived assets.

Call Agenda

- Q2 2020 Performance
- Q2 2020 Liquidity Update

Q2 2020 Performance Summary

($ in millions)	Q2 2020	Q2 2019	% Variance
Net Sales	$377	$737	(48.8%)
Gross Margin %	43.8%	52.8%	(900) bps
Net Income	$23	$181	(87.3%)
Adjusted EBITDA(1)	$115	$308	(62.7%)

Commentary

Net Sales: decrease was principally driven by the ongoing effects of the COVID-19 pandemic on the global economy, resulting in lower demand in all end markets except for the Defense end market.

Gross Margin: decrease was principally driven by lower net sales and restructuring charges recorded in the second quarter of 2020 partially offset by lower incentive compensation expense, price increases on certain products and favorable material costs.

Net Income: decrease was principally driven by lower net sales and restructuring charges partially offset by lower selling, general and administrative expenses.

Adjusted EBITDA: decrease was principally driven by lower gross profit partially offset by lower selling, general and administrative expenses.

(1) See Appendix for a reconciliation of Adjusted EBITDA.

Q2 2020 Sales Performance

($ in millions)

End Markets	Q2 2020	Q2 2019	% Variance	Commentary
North America On-Hwy	$164	$398	(59%)	Principally driven by lower demand for Rugged Duty Series and Highway Series models primarily due to the effects of the pandemic
North America Off-Hwy	$3	$9	(67%)	Principally driven by lower demand for hydraulic fracturing applications
Defense	$42	$37	14%	Principally driven by higher Tracked vehicle demand
Outside North America On-Hwy	$60	$106	(43%)	Principally driven by lower global demand due to the effects of the pandemic
Outside North America Off-Hwy	$19	$40	(53%)	Principally driven by lower demand in the energy, mining and construction sectors
Service Parts, Support Equipment & Other	$89	$147	(39%)	Principally driven by lower demand for North America service parts and support equipment primarily due to the effects of the pandemic partially offset by aluminum die cast component volume associated with the acquisition of Walker Die Casting
Total	**$377**	**$737**	**(49%)**	

Q2 2020 Financial Performance

($ in millions, except per share data)	Q2 2020	Q2 2019	$ Var	% Var	Commentary
Net Sales	$377	$737	($360)	(48.8%)	Decrease was principally driven by the ongoing effects of the pandemic on the global economy, resulting in lower demand in all end markets except for the Defense end market
Cost of Sales	$212	$348	$136	39.1%	
Gross Profit	$165	$389	($224)	(57.6%)	Decrease was principally driven by lower net sales and restructuring charges partially offset by lower manufacturing expense commensurate with decreased net sales, lower incentive compensation expense, price increases on certain products and favorable material costs
Operating Expenses					
Selling, General and Administrative	$69	$93	$24	25.8%	Decrease was principally driven lower commercial activities spending, lower incentive compensation expense, lower intangible amortization expense and lower stock compensation expense partially offset by product warranty adjustments and restructuring charges
Engineering – Research and Development	$38	$37	($1)	(2.7%)	
Total Operating Expenses	$107	$130	$23	17.7%	
Operating Income	$58	$259	($201)	(77.6%)	
Interest Expense, net	($33)	($33)	$0	0.0%	
Other Income, net	$5	$3	$2	66.7%	
Income Before Income Taxes	$30	$229	($199)	(86.9%)	
Income Tax Expense	($7)	($48)	$41	85.4%	Decrease was principally driven by decreased taxable income
Net Income	$23	$181	($158)	(87.3%)	
Diluted Earnings Per Share	$0.20	$1.46	($1.26)	(86.3%)	Q2 2020: 114M shares; Q2 2019: 124M shares
Adjusted EBITDA[(1)]	$115	$308	($193)	(62.7%)	

(1) See Appendix for the reconciliation from Net Income.

Allison Transmission

Q2 2020 Cash Flow Performance

($ in millions)	Q2 2020	Q2 2019	$ Var	% Var	Commentary
Net Cash Provided by Operating Activities	$92	$239	($147)	(61.5%)	Principally driven by lower gross profit, higher cash interest expense and cash restructuring charges partially offset by lower cash income taxes, lower operating working capital requirements and lower commercial activities spending
CapEx	$28	$25	$3	12.0%	Principally driven by increased spending related to investments in productivity and replacement programs, and engineering and testing capabilities
Adjusted Free Cash Flow (1)	$67	$214	($147)	(68.7%)	Principally driven by lower net cash provided by operating activities

($ in millions)	Q2 2020	Q2 2019	$ Var	% Var	Commentary
Operating Working Capital(2) Percentage of LTM Sales	12.9%	11.5%	N/A	140 Bps	Principally driven by lower net sales
Cash Paid for Interest	$57	$39	$18	46.2%	Principally driven by intra-year timing of payments
Cash Paid for Income Taxes	$2	$49	($47)	(95.9%)	Principally driven by decreased taxable income

(1) See Appendix for a reconciliation of Adjusted Free Cash Flow.
(2) Operating Working Capital = A/R + Inventory – A/P.

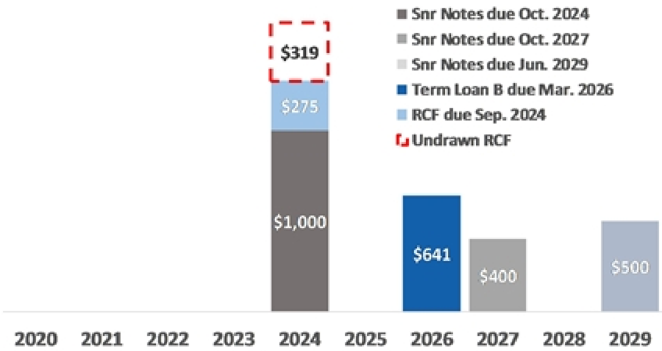
Strong Liquidity Profile

- Cash and Available Borrowing Capacity of $753 million as of June 30, 2020
  - $434 million of cash and cash equivalents
  - $319 million of available revolving credit facility commitments, expiring in September 2024
- History of robust free cash flow generation
- Staggered, flexible, long-dated and covenant light debt structure with the earliest maturity due in Sep 2024
- Financial Covenants point to First Lien Net Leverage Ratio
  - Maximum threshold of 5.5x First Lien Net Leverage ratio (Net First Lien Debt to LTM Adj. EBITDA)
  - First Lien Net Leverage ratio of 0.56x as of June 30, 2020
- Net Leverage of 2.78x (Net Debt to LTM Adj. EBITDA) as of June 30, 2020

Long-term Debt Profile & Credit Statistics

($ in millions)	6/30/2020
Cash and cash equivalents	$434
Revolving Credit Facility due Sep 2024	$275
Senior Secured Term Loan B due Mar 2026	$641
Total First Lien Debt	$916
Senior Notes due Oct 2024	$1,000
Senior Notes due Oct 2027	$400
Senior Notes due Jun 2029	$500
Total Debt	$2,816
Net Debt	$2,382
First Lien Net Debt	$482
Credit Statistics:	6/30/2020
LTM Adjusted EBITDA	$857
First Lien Net Leverage Ratio	0.56x
Net Leverage Ratio	2.78x

Current Debt Maturity Profile



APPENDIX
Non-GAAP Financial Information

Non-GAAP Reconciliations (1 of 2)

Adjusted EBITDA reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended June 30,		Last twelve months ended June 30,
	2015	2016	2017	2018	2019	2019	2020	2020
Net income (GAAP)	**$182**	**$215**	**$504**	**$639**	**$604**	**$181**	**$23**	**$418**
plus:								
Interest expense, net	114	101	103	121	134	33	33	131
Income tax expense	107	126	23	166	164	48	7	121
Loss associated with impairment of long-lived assets	—	—	—	—	2	—	—	2
Technology-related investment expenses	—	1	16	3	—	—	—	—
Impairments	81	—	32	4	—	—	—	—
Environmental remediation	14	—	—	—	(8)	—	—	(8)
Amortization of intangible assets	97	92	90	87	86	21	13	72
Depreciation of property, plant and equipment	88	84	80	77	81	19	24	90
Loss on redemptions and repayments of long-term debt	1	—	—	—	—	—	—	—
Stockholder activism expenses	—	4	—	—	—	—	—	—
Dual power inverter module extended coverage	(2)	1	(2)	—	—	—	—	—
Restructuring charges	—	—	—	—	—	—	12	12
UAW Local 933 signing bonus	—	—	10	—	—	—	—	—
UAW Local 933 retirement incentive	—	—	—	15	5	—	—	5
Unrealized loss (gain) on commodity hedge contracts	1	(2)	—	—	—	—	—	—
Unrealized loss on foreign exchange	1	1	—	3	—	1	—	2
Expenses related to long-term debt refinancing	25	12	—	—	1	—	—	—
Acquisition-Related Earnouts	—	—	—	—	1	—	1	2
Stock-based compensation expense	11	9	12	13	13	5	2	10
Adjusted EBITDA (Non-GAAP)	**$720**	**$644**	**$868**	**$1,128**	**$1,083**	**$308**	**$115**	**$857**
Net Sales (GAAP)	**$1,986**	**$1,840**	**$2,262**	**$2,713**	**$2,698**	**$737**	**$377**	**$2,300**
Net income as a percent of net sales	**9.2%**	**11.7%**	**22.3%**	**23.6%**	**22.4%**	**24.6%**	**6.1%**	**18.2%**
Adjusted EBITDA as a percent of net sales	**36.2%**	**35.0%**	**38.4%**	**41.6%**	**40.1%**	**41.8%**	**30.5%**	**37.3%**

Non-GAAP Reconciliations (2 of 2)

Adjusted Free Cash Flow reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended June 30,		Last twelve months ended June 30,
	2015	2016	2017	2018	2019	2019	2020	2020
Net Cash Provided by Operating Activities (GAAP)	**$580**	**$591**	**$658**	**$837**	**$847**	**$239**	**$92**	**$654**
(Deductions) or Additions:								
Long-lived assets	(58)	(71)	(91)	(100)	(172)	(25)	(28)	(177)
Restructuring charges	—	—	—	—	—	—	3	3
Stockholder activism expenses	—	4	—	—	—	—	—	—
Excess tax benefit from stock-based compensation	8	6	—	—	—	—	—	—
Adjusted Free Cash Flow (Non-GAAP)	**$530**	**$530**	**$567**	**$737**	**$675**	**$214**	**$67**	**$480**