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): April 27, 2022

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 April 27, 2022, Allison Transmission Holdings, Inc. (“Allison”) published an earnings release reporting its financial results for the three months ended March 31, 2022. 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 April 27, 2022 at 5:00 p.m. ET on which its financial results for the three months ended March 31, 2022 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On April 27, 2022, 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.

The foregoing information (including the exhibits hereto) is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Earnings release dated April 27, 2022.
99.2	Investor presentation materials dated April 27, 2022.
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: April 27, 2022

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

News Release

Allison Transmission Announces First Quarter 2022 Results

* **Net Sales of $677 million, up 15% year over year**
* **Diluted EPS of $1.30, up 21% year over year**
* **Record quarterly net sales in the Outside North America On-Highway end market**
* **Company affirms full year 2022 guidance**

INDIANAPOLIS, April 27, 2022 – Allison Transmission Holdings Inc. (NYSE: ALSN), a leading designer and manufacturer of propulsion solutions for commercial and defense vehicles and the largest global manufacturer of medium- and heavy-duty fully automatic transmissions, today reported net sales for the first quarter of $677 million, a 15 percent increase from the same period in 2021 and the strongest revenue quarter since 2019, as production continues to accelerate to meet resilient customer demand, and is further driven by the continued execution of Allison's growth initiatives.

David S. Graziosi, Chairman and Chief Executive Officer of Allison Transmission commented, "Following a notable year in 2021, first quarter 2022 results continue to demonstrate momentum for Allison's growth objectives. Net sales accelerated into the first quarter, producing the third strongest revenue quarter in Allison's history, including record quarterly revenue in the Outside North America On-Highway end market. The Allison team continues to deliver solid execution and strong performance, despite persistent global supply chain challenges."

Graziosi continued, "We are affirming the full year 2022 guidance ranges released to the market on February 16. During the first quarter, we further settled $81 million of share repurchases, or over 2% of outstanding shares, and increased the quarterly dividend for the third consecutive year, from $0.19 to $0.21 per share. In February, the Board of Directors approved a $1 billion increase to the stock repurchase authorization, bringing the total amount authorized under the program to $4 billion. Allison's disciplined, prudent and well-defined approach to capital allocation continues to drive substantial per share returns while simultaneously facilitating investments across all of our end markets."

First Quarter Financial Highlights

Net sales for the quarter were $677 million. Year over year results were led by:

- An 8 percent increase in net sales in the North America On-Highway end market principally driven by continued strength in customer demand for last mile delivery, regional haul and vocational trucks,
- Record quarterly net sales in the Outside North America On-Highway end market, as a result of a 30 percent increase in net sales driven by improving demand across all regions and the continued execution of growth initiatives,
- A 14 percent increase in net sales in the Service Parts, Support Equipment and Other end market principally driven by increased demand for North America service parts and global support equipment, and
- A $30 million increase in net sales in the Global Off-Highway end markets driven by improving demand for hydraulic fracturing applications in the energy sector as well as higher demand in the mining and construction sectors.

Net income for the quarter was $129 million. Diluted EPS for the quarter was $1.30. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $244 million. Net cash provided by operating activities for the quarter was $163 million. Adjusted free cash flow, a non-GAAP financial measure, for the quarter was $143 million.

First Quarter Net Sales by End Market

End Market	Q1 2022 Net Sales ($M)	Q1 2021 Net Sales ($M)	% Variance
North America On-Highway	**$ 346**	**$ 319**	**8%**
North America Off-Highway	**$ 18**	**$ 2**	**800%**
Defense	**$ 35**	**$ 45**	**(22%)**
Outside North America On-Highway	**$ 109**	**$ 84**	**30%**
Outside North America Off-Highway	**$ 30**	**$ 16**	**88%**
Service Parts, Support Equipment & Other	**$ 139**	**$ 122**	**14%**
Total Net Sales	**$ 677**	**$ 588**	**15%**

First Quarter Financial Results

Gross profit for the quarter was $320 million, an increase of 10 percent from $291 million for the same period in 2021. The increase in gross profit was principally driven by higher net sales and price increases on certain products partially offset by unfavorable material costs and higher manufacturing expense commensurate with increased net sales.

Selling, general and administrative expenses for the quarter were $75 million, an increase of $2 million from $73 million for the same period in 2021.

Engineering – research and development expenses for the quarter were $43 million, an increase of $5 million from $38 million for the same period in 2021. The increase was principally driven by increased product initiatives spending.

Net income for the quarter was $129 million, an increase of $9 million from $120 million for the same period in 2021. The increase was principally driven by higher gross profit partially offset by a $15 million unrealized loss on marketable securities.

Net cash provided by operating activities was $163 million, an increase of $32 million from $131 million for the same period in 2021. The increase was principally driven by lower operating working capital funding requirements and higher gross profit partially offset by higher cash incentive compensation payments and higher cash interest payments.

First Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was $244 million, an increase of $22 million from $222 million for the same period in 2021. The increase in Adjusted EBITDA was principally driven by higher gross profit partially offset by increased product initiatives spending.

Adjusted free cash flow for the quarter was $143 million, an increase of $36 million from $107 million for the same period in 2021. The increase was driven by higher net cash provided by operating activities and lower capital expenditures.

Full Year 2022 Guidance Update

We are affirming the full year 2022 guidance ranges released to the market on February 16. Allison expects 2022 Net Sales in the range of $2,625 to $2,775 million, Net Income in the range of $430 to $520 million, Adjusted EBITDA in the range of $865 to $975 million, Net Cash Provided by Operating Activities in the range of $570 to $680 million, Adjusted Free Cash Flow in the range of $400 to $500 million and Capital Expenditures in the range of $170 to $180 million.

Our 2022 net sales guidance reflects higher demand in the Global On-Highway, Global Off-Highway and Service Parts, Support Equipment & Other end markets as a result of the ongoing global economic recovery, continued strength in customer demand and price increases on certain products.

Conference Call and Webcast

The company will host a conference call at 5:00 p.m. ET on Wednesday, April 27 to discuss its first quarter 2022 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 8:00 p.m. ET on April 27 until 11:59 p.m. ET on May 4. 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 13728348.

About Allison Transmission

Allison Transmission (NYSE: ALSN) is a leading designer and manufacturer of propulsion solutions for commercial and defense vehicles and the largest global manufacturer of medium- and heavy-duty fully automatic transmissions that *Improve the Way the World Works*. 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 (tactical wheeled and tracked). Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA. With a presence in more than 150 countries, Allison has regional headquarters in the Netherlands, China and Brazil, manufacturing facilities in the USA, Hungary and India, as well as global engineering resources, including electrification engineering centers in Indianapolis, Indiana, Auburn Hills, Michigan and London in the United Kingdom. Allison also has more than 1,400 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. 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 pandemic, including new variants of the virus and the pace and availability of vaccines and boosters, 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, the availability of labor, our supply chain, our distribution processes and demand for our products and the corresponding impacts to our net sales and cash flow; increases in cost, disruption of supply or shortage of labor, freight, raw materials or components used to manufacture or transport our products or those of our customers or suppliers, including as a result of the war in Ukraine and the COVID-19 pandemic; our participation in markets that are competitive; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments, competitive threats and changing customer needs, including with respect to electric hybrid and fully electric commercial vehicles; the highly cyclical industries in which certain of our end users operate; uncertainty in the global regulatory and business environments in which we operate; 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; U.S. and foreign defense spending; risks associated with our international operations, including acts of war and increased trade protectionism; general economic and industry conditions; 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; our ability to identify, consummate and effectively integrate acquisitions and collaborations; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers or suppliers; risks related to our indebtedness; and other risks and uncertainties associated with our business described in our Annual Report on Form 10-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, net, 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, 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
- Reconciliation of GAAP to Non-GAAP Financial Measures for Full Year Guidance

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net sales	$ 677	$ 588
Cost of sales	357	297
Gross profit	320	291
Selling, general and administrative	75	73
Engineering - research and development	43	38
Operating income	202	180
Interest expense, net	(29)	(29)
Other (expense) income, net	(10)	3
Income before income taxes	163	154
Income tax expense	(34)	(34)
Net income	$ 129	$ 120
Basic earnings per share attributable to common stockholders	$ 1.32	$ 1.08
Diluted earnings per share attributable to common stockholders	$ 1.30	$ 1.07

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

	March 31, 2022	December 31, 2021
ASSETS		
Current Assets		
Cash	$ 145	$ 127
Accounts receivable, net	343	301
Inventories	210	204
Other current assets	47	39
Total Current Assets	745	671
Property, plant and equipment, net	708	706
Intangible assets, net	913	917
Goodwill	2,077	2,064
Other non-current assets	84	99
TOTAL ASSETS	$ 4,527	$ 4,457
LIABILITIES		
Current Liabilities		
Accounts payable	$ 228	$ 179
Product warranty liability	30	33
Current portion of long-term debt	6	6
Deferred revenue	35	37
Other current liabilities	190	204
Total Current Liabilities	489	459
Product warranty liability	23	20
Deferred revenue	97	99
Long-term debt	2,503	2,504
Deferred income taxes	525	514
Other non-current liabilities	211	227
TOTAL LIABILITIES	3,848	3,823
TOTAL STOCKHOLDERS’ EQUITY	679	634
TOTAL LIABILITIES & STOCKHOLDERS’ EQUITY	$ 4,527	$ 4,457

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

	Three months ended March 31, 2022	2021
Net cash provided by operating activities	$ 163	$ 131
Net cash used for investing activities (a)	(38)	(24)
Net cash used for financing activities	(106)	(121)
Effect of exchange rate changes on cash	(1)	(1)
Net increase (decrease) in cash and cash equivalents	18	(15)
Cash and cash equivalents at beginning of period	127	310
Cash and cash equivalents at end of period	$ 145	$ 295
Supplemental disclosures:		
Interest paid	$ 26	$ 7
Income taxes paid	$ 1	$ 1
(a) Additions of long-lived assets	$ (20)	$ (24)

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

	Three months ended March 31, 2022	Three months ended March 31, 2021
Net income (GAAP)	$ 129	$ 120
plus:		
Income tax expense	34	34
Interest expense, net	29	29
Depreciation of property, plant and equipment	27	25
Amortization of intangible assets	11	12
Unrealized loss on marketable securities (a)	15	—
Technology-related investments gain (b)	(6)	—
Stock-based compensation expense (c)	3	3
Acquisition-related earnouts (d)	1	—
Unrealized loss (gain) on foreign exchange (e)	1	(1)
Adjusted EBITDA (Non-GAAP)	$ 244	$ 222
Net sales (GAAP)	$ 677	$ 588
Net income as a percent of net sales (GAAP)	19.1%	20.4%
Adjusted EBITDA as a percent of net sales (Non-GAAP)	36.0%	37.8%
Net cash provided by operating activities (GAAP)	$ 163	$ 131
Deductions to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	(20)	(24)
Adjusted free cash flow (Non-GAAP)	$ 143	$ 107

(a) Represents a loss (recorded in Other (expense) income, net) related to an investment in the common stock of Jing-Jin Electric Technologies Co. Ltd.

(b) Represents a gain (recorded in Other (expense) income, net) related to investments in co-development agreements to expand our position in propulsion solutions.

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

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

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

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

	Guidance Year Ending December 31, 2022	
	Low	High
Net Income (GAAP)	$ 430	$ 520
plus:		
Depreciation and amortization	160	160
Income tax expense	127	147
Interest expense, net	118	118
Stock-based compensation expense (a)	18	18
Unrealized loss on marketable securities (b)	15	15
Acquisition-related earnouts (c)	2	2
Unrealized loss on foreign exchange (d)	1	1
Technology-related investments gain (e)	(6)	(6)
Adjusted EBITDA (Non-GAAP)	$ 865	$ 975
Net Cash Provided by Operating Activities (GAAP)	$ 570	$ 680
(Deductions) to Reconcile to Adjusted Free Cash Flow:		
Additions of long-live assets	$ (170)	$ (180)
Adjusted Free Cash Flow (Non-GAAP)	$ 400	$ 500

(a) Represents stock-based compensation expense (recorded in Cost of sales, Selling, general and administrative, and Engineering – research and development).
(b) Represents a loss (recorded in Other (expense) income, net) related to an investment in the common stock of Jing-Jin Electric Technologies Co. Ltd.
(c) Represents expenses (recorded in Selling, general and administrative, Engineering - research and development and Other (expense) income, net) for earnouts related to our acquisition of Vantage Power Limited.
(d) Represents losses (recorded in Other (expense) income, net) on intercompany financing transactions related to investments in plant assets for our India facility.
(e) Represents gains (recorded in Other (expense) income, net) related to investments in co-development agreements to expand our position in transmission technologies. earnouts related to our acquisition of Vantage Power Limited.

Q1 2022 Earnings Release

April 27th, 2022

Dave Graziosi, Chairman & 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 pandemic, including new variants of the virus and the pace and availability of vaccines and boosters, 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, the availability of labor, our supply chain, our distribution processes and demand for our products and the corresponding impacts to our net sales and cash flow; increases in cost, disruption of supply or shortage of labor, freight, raw materials or components used to manufacture or transport our products or those of our customers or suppliers, including as a result of the war in Ukraine and the COVID-19 pandemic; our participation in markets that are competitive; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments, competitive threats and changing customer needs, including with respect to electric hybrid and fully electric commercial vehicles; the highly cyclical industries in which certain of our end users operate; uncertainty in the global regulatory and business environments in which we operate; 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; U.S. and foreign defense spending; risks associated with our international operations, including acts of war and increased trade protectionism; general economic and industry conditions; 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; our ability to identify, consummate and effectively integrate acquisitions and collaborations; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers or suppliers; and risks related to our indebtedness.

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 or long-term financial goals 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, 2021.

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, net, 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

- Q1 2022 Performance
- 2022 Guidance

Q1 2022 Performance Summary

($ in millions)	Q1 2022	Q1 2021	% Variance
Net Sales	$677	$588	15.1%
Gross Profit	$320	$291	10.0%
Net Income	$129	$120	7.5%
Adjusted EBITDA(1)	$244	$222	9.9%
Diluted Earnings Per Share	$1.30	$1.07	21.5%

- Net Sales: increase principally driven by:
  - 8 percent increase in net sales in the North America On-Highway end market
  - Record quarterly net sales in the Outside North America On-Highway end market, as a result of a 30 percent increase in net sales
  - 14 percent increase in net sales in the Service Parts, Support Equipment & Other end market
  - $30 million increase in net sales in the Global Off-Highway end markets
- Gross Profit: increase was principally driven by higher net sales and price increases on certain products partially offset by unfavorable material costs and higher manufacturing expense commensurate with increased net sales
- Net Income: increase was principally driven by higher gross profit partially offset by a $15 million unrealized loss on marketable securities
- Adjusted EBITDA: increase was principally driven by higher gross profit partially offset by increased product initiatives spending
- Diluted Earnings Per Share: increase was principally driven by higher net income and lower total shares outstanding

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

Q1 2022 Net Sales Performance

($ in millions)

End Markets	Q1 2022	Q1 2021	% Variance	Commentary
North America On-Hwy	$346	$319	8%	Principally driven by continued strength in customer demand for last mile delivery, regional haul and vocational trucks
North America Off-Hwy	$18	$2	800%	Principally driven by higher demand for hydraulic fracturing applications
Defense	$35	$45	-22%	Principally driven by lower demand for Tracked vehicle applications
Outside North America On-Hwy	$109	$84	30%	Record quarterly net sales, principally driven by improving demand across all regions and the continued execution of growth initiatives
Outside North America Off-Hwy	$30	$16	88%	Principally driven by higher demand in the mining, construction and energy sectors
Service Parts, Support Equipment & Other	$139	$122	14%	Principally driven by increased demand for North America service parts and global support equipment
Total	**$677**	**$588**	**15%**	

Q1 2022 Financial Performance

($ in millions, except per share data)	Q1 2022	Q1 2021	$ Var	% Var	Commentary
Net Sales	$677	$588	$89	15%	Increase was principally driven by higher demand in the NA On-Highway, ONA On-Highway, Service Parts, Support Equipment & Other and Global Off-Highway end markets
Cost of Sales	$357	$297	($60)	-20%	Increase was principally driven by unfavorable material costs and increased direct material and manufacturing expense commensurate with increased net sales.
Gross Profit	$320	$291	$29	10%	Increase was principally driven by higher net sales and price increases on certain products partially offset by unfavorable material costs and higher manufacturing expense commensurate with increased net sales.
Operating Expenses					
Selling, General and Administrative	$75	$73	($2)	-3%	
Engineering – Research and Development	$43	$38	($5)	-13%	Increase was principally driven by increased product initiatives spending.
Total Operating Expenses	$118	$111	($7)	-6%	
Operating Income	$202	$180	$22	12%	
Interest Expense, net	($29)	($29)	$0	0%	
Other (Expense) Income, net	($10)	$3	($13)	-433%	Increase was principally driven by a $15 million unrealized loss on marketable securities.
Income Before Income Taxes	$163	$154	$9	6%	
Income Tax Expense	($34)	($34)	$0	0%	
Net Income	$129	$120	$9	8%	Increase was principally driven by higher gross profit partially offset by a $15 million unrealized loss on marketable securities.
Diluted Earnings Per Share	$1.30	$1.07	$0.27	21%	Increase was principally driven by higher net income and lower total shares outstanding. (Q1 2022: 97m shares, Q1 2021: 110m shares)
Adjusted EBITDA[(1)]	$244	$222	$22	10%	

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

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Q1 2022 Cash Flow Performance

($ in millions)	Q1 2022	Q1 2021	$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	$163	$131	$32	24.4%	Principally driven by lower operating working capital funding requirements and higher gross profit partially offset by higher cash incentive compensation expense and higher cash interest expense
CapEx	$20	$24	($4)	(16.7%)	Principally driven by intra-year timing
Adjusted Free Cash Flow[1]	$143	$107	$36	33.6%	Principally driven by higher net cash provided by operating activities and lower capital expenditures
($ in millions)	**Q1 2022**	**Q1 2021**	**$ Variance**	**% Variance**	**Commentary**
Operating Working Capital[2] Percentage of LTM Sales	13.7%	16.7%	N/A	(300 bps)	Principally driven by increased net sales partially offset by an increase in operating working capital
Cash Paid for Interest	$26	$7	$19	271.4%	Principally driven by intra-year timing of payments
Cash Paid for Income Taxes	$1	$1	$0	0.0%	In line with prior year

(1) See Appendix for a reconciliation from Net Cash Provided by Operating Activities.
(2) Operating Working Capital = A/R + Inventory – A/P.

2022 Guidance

Affirming the full year 2022 guidance ranges provided to the market on February 16, 2022

($ in millions)	Guidance
Net Sales	$2,625 to $2,775
Net Income	$430 to $520
Adjusted EBITDA[1]	$865 to $975
Net Cash Provided by Operating Activities	$570 to $680
Capital Expenditures	$170 to $180
Adjusted Free Cash Flow[1]	$400 to $500

- Guidance reflects higher demand in the Global On-Highway, Global Off-Highway and Service Parts, Support Equipment & Other end markets as a result of the ongoing global economic recovery, continued strength in customer demand and price increases on certain products.

(1) See Appendix for the Guidance Reconciliation.

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APPENDIX
Non-GAAP Financial Information

Non-GAAP Reconciliations (1 of 3)

Adjusted EBITDA Reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended March 31,		Last twelve months ended March 31,
	2017	2018	2019	2020	2021	2021	2022	2022
Net Income (GAAP)	**$504**	**$639**	**$604**	**$299**	**$442**	**$120**	**$129**	**$451**
plus:								
Interest expense, net	103	121	134	137	116	29	29	116
Income tax expense	23	166	164	94	130	34	34	130
Loss associated with impairment of long-lived assets	—	—	2	—	—	—	—	—
Technology-related investments expense/(gain)	16	3	—	—	(3)	—	(6)	(9)
Impairments	32	4	—	—	—	—	—	—
Environmental remediation benefit	—	—	(8)	—	—	—	—	—
Amortization of intangible assets	90	87	86	52	46	12	11	45
Depreciation of property, plant and equipment	80	77	81	96	104	25	27	106
Dual power inverter module extended coverage	(2)	—	—	—	—	—	—	—
Restructuring charges	—	—	—	14	—	—	—	—
UAW Local 933 signing bonus	10	—	—	—	—	—	—	—
UAW Local 933 retirement incentive	—	15	5	7	(2)	—	—	(2)
Unrealized loss/(gain) on foreign exchange	—	3	—	2	—	(1)	1	2
Expenses related to long-term debt refinancing	—	—	1	13	—	—	—	—
Acquisition-Related Earnouts	—	—	1	1	1	—	1	2
Unrealized (gain)/loss on marketable securities	—	—	—	—	(4)	—	15	11
Stock-based compensation expense	12	13	13	17	14	3	3	14
Adjusted EBITDA (Non-GAAP)	**$868**	**$1,128**	**$1,083**	**$732**	**$844**	**$222**	**$244**	**$866**
Net Sales (GAAP)	**$2,262**	**$2,713**	**$2,698**	**$2,081**	**$2,402**	**$588**	**$677**	**$2,491**
Net income as a percent of net sales	**22.3%**	**23.6%**	**22.4%**	**14.4%**	**19.8%**	**20.4%**	**19.1%**	**18.1%**
Adjusted EBITDA as a percent of net sales	**38.4%**	**41.6%**	**40.1%**	**35.2%**	**35.1%**	**37.8%**	**36.0%**	**34.8%**

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Non-GAAP Reconciliations (2 of 3)

Adjusted Free Cash Flow Reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended March 31,		Last twelve months ended March 31,
	2017	**2018**	**2019**	**2020**	**2021**	**2021**	**2022**	**2022**
Net Cash Provided by Operating Activities (GAAP)	**$658**	**$837**	**$847**	**$561**	**$635**	**$131**	**$163**	**$667**
(Deductions) or Additions:								
Long-lived assets	(91)	(100)	(172)	(115)	(175)	(24)	(20)	(171)
Restructuring charges	—	—	—	12	—	—	—	—
Adjusted Free Cash Flow (non-GAAP)	**$567**	**$737**	**$675**	**$458**	**$460**	**$107**	**$143**	**$496**

Non-GAAP Reconciliations (3 of 3)

Guidance Reconciliation

$ in millions	Guidance Year Ending December 31, 2022 Low	Guidance Year Ending December 31, 2022 High
Net Income (GAAP)	$ 430	$ 520
plus:		
Depreciation and amortization	160	160
Income tax expense	127	147
Interest expense, net	118	118
Stock-based compensation expense	18	18
Unrealized loss on marketable securities	15	15
Acquisition-related earnouts	2	2
Unrealized loss on foreign exchange	1	1
Technology-related investments gain	(6)	(6)
Adjusted EBITDA (Non-GAAP)	$ 865	$ 975
Net Cash Provided by Operating Activities (GAAP)	$ 570	$ 680
(Deductions) to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	$ (170)	$ (180)
Adjusted Free Cash Flow (Non-GAAP)	$ 400	$ 500