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 12, 2019

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))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§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 23, 2019, Allison Transmission Holdings, Inc. ("Allison") published an earnings release reporting its financial results for the three months ended March 31, 2019. 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 23, 2019 at 8:00 a.m. ET on which its financial results for the three months ended March 31, 2019 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On April 23, 2019, 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 8.01 Other Events.

On April 12, 2019, Allison acquired all of the outstanding shares of Vantage Power Limited, a privately-owned company based in the United Kingdom which designs and manufactures powertrain electrification and connectivity technologies applicable to a broad range of commercial vehicle end markets. Allison paid approximately £7 million, or $9 million, in cash on April 12, 2019 and may pay up to an additional £6 million, or $8 million, over the next three years based on specified conditions being met.

On April 16, 2019, Allison acquired from AxleTech, a technology company that engineers, designs, manufactures, sells and services powertrain solutions for on-highway and off-highway heavy-duty vehicles, all of the assets related to its electric vehicle systems division, which designs and manufactures fully integrated electrified-axle propulsion solutions for medium- and heavy-duty trucks and transit buses, for approximately $123 million in cash.

On April 23, 2019, Allison issued a press release announcing these acquisitions. A copy of the press release is attached as Exhibit 99.3 hereto and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Earnings release dated April 23, 2019.
99.2	Investor presentation materials dated April 23, 2019.
99.3	Press release dated April 23, 2019.

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 23, 2019

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

Exhibit 99.1

Allison Transmission

News Release

Allison Transmission Announces First Quarter 2019 Results

- **Net Sales of $675 million, up 2 percent year-over-year**
- **Net Income of $167 million, 25% of Net Sales**
- **Adjusted EBITDA of $290 million, 43% of Net Sales**
- **Diluted EPS of $1.32, up 22 percent year-over-year**

INDIANAPOLIS, April 23, 2019 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global provider of commercial duty fully-automatic transmissions, today reported net sales for the first quarter of $675 million, a 2 percent increase from the same period in 2018. The increase in net sales was principally driven by higher demand in the North America On-Highway and Outside North America Off-Highway end markets partially offset by lower demand in the Service Parts, Support Equipment & Other and North America Off-Highway end markets.

Net Income for the quarter was $167 million compared to $151 million for the same period in 2018. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $290 million compared to $275 million for the same period in 2018. Net Cash Provided by Operating Activities for the quarter was $194 million compared to $153 million for the same period in 2018. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was $175 million compared to $143 million for the same period in 2018.

David S. Graziosi, President and Chief Executive Officer of Allison Transmission commented, “I am pleased to report that first quarter 2019 Net Sales increased 2 percent from the same period in 2018. Furthermore, year-over-year Net Sales growth was surpassed by even stronger growth in Net Income, up 11 percent, Diluted EPS, up 22 percent and Adjusted EBITDA, up 5 percent. During the first quarter, we achieved Net Income and Adjusted EBITDA as a percent of Net Sales of 25 and 43 percent, respectively.” Graziosi continued, “Allison also maintained its well-defined approach to capital structure and allocation. During the quarter, we settled $50 million of share repurchases, paid a dividend of $0.15 per share, and refinanced our long-term debt, demonstrating once again, our commitment to prudent balance sheet management through a low-cost, flexible and pre-payable debt structure with long-dated maturities, while simultaneously investing in our business and returning capital to shareholders.”

First Quarter Net Sales by End Market

End Market	Q1 2019 Net Sales ($M)	Q1 2018 Net Sales ($M)	% Variance
North America On-Highway (a)	$ 377	$ 339	11%
North America Off-Highway	$ 14	$ 33	(58%)
Defense	$ 32	$ 37	(14%)
Outside North America On-Highway	$ 94	$ 91	3%
Outside North America Off-Highway	$ 27	$ 12	125%
Service Parts, Support Equipment & Other	$ 131	$ 151	(13%)
Total Net Sales	$ 675	$ 663	2%

(a) North America On-Highway end market net sales are inclusive of net sales for North America Electric Hybrid-Propulsion Systems for Transit Bus.

First Quarter Highlights

North America On-Highway end market net sales were up 11 percent from the same period in 2018 and up 24 percent on a sequential basis, in both cases principally driven by higher demand for Rugged Duty Series and Highway Series models.

North America Off-Highway end market net sales were down $19 million from the same period in 2018 and down $3 million sequentially, in both cases principally driven by lower demand from hydraulic fracturing applications.

Defense end market net sales were down 14 percent from the same period in 2018 and down 11 percent on a sequential basis, in both cases principally driven by lower Tracked vehicle demand.

Outside North America On-Highway end market net sales were up 3 percent from the same period in 2018 principally driven by higher demand in Europe and down 1 percent sequentially.

Outside North America Off-Highway end market net sales were up $15 million from the same period in 2018 principally driven by higher demand in the energy sector and down $20 million on a sequential basis principally driven by lower demand in the energy, mining and construction sectors.

Service Parts, Support Equipment & Other end market net sales were down 13 percent from the same period in 2018 and down 12 percent sequentially, in both cases principally driven by lower demand for North America service parts.

Gross profit for the quarter was $359 million, an increase of 5 percent from $342 million for the same period in 2018. Gross margin for the quarter was 53.2 percent, an increase of 160 basis points from a gross margin of 51.6 percent for the same period in 2018. The increase in gross profit from the same period in 2018 was principally driven by a reduction in expenses related to the retirement incentive program for certain UAW Local 933 employees, increased net sales, price increases on certain products and lower incentive compensation expense.

Selling, general and administrative expenses for the quarter were $84 million, a decrease of $8 million from $92 million for the same period in 2018. The decrease was principally driven by 2018 product warranty adjustments and lower 2019 product warranty expense partially offset by increased commercial activities spending.

Engineering – research and development expenses for the quarter were $31 million, an increase of $3 million from $28 million for the same period in 2018. The increase was principally driven by increased product initiatives spending.

Interest expense for the quarter was $36 million, an increase of $6 million from $30 million for the same period in 2018. The increase was principally driven by expenses related to long-term debt refinancing.

Net income for the quarter was $167 million, an increase of $16 million from $151 million for the same period in 2018. The increase was principally driven by increased gross profit and lower selling, general and administrative expenses partially offset by increased interest expense and increased product initiatives spending.

Net cash provided by operating activities was $194 million, an increase of $41 from $153 million for the same period in 2018. The increase was principally driven by lower operating working capital requirements and increased gross profit partially offset by increased cash income taxes and increased cash interest expense.

First Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was $290 million, an increase of $15 million from $275 million for the same period in 2018. The increase in Adjusted EBITDA was principally driven by increased gross profit and lower selling, general and administrative expenses partially offset by increased product initiatives spending.

Adjusted Free Cash Flow for the quarter was $175 million, an increase of $32 million from $143 million for the same period in 2018. The increase was principally driven by increased cash provided by operating activities partially offset by increased capital expenditures.

Full Year 2019 Guidance Update

We are affirming the full year 2019 guidance ranges released to the market on February 25 for Net Sales, Adjusted EBITDA, Net Cash Provided by Operating Activities, Adjusted Free Cash Flow and cash income taxes. Allison expects 2019 net sales to be in the range of $2,580 to $2,680 million, Net Income in the range of $525 to $575 million, Adjusted EBITDA in the range of $1,000 to $1,060 million, Net Cash Provided by Operating Activities in the range of $710 to $750 million, Adjusted Free Cash Flow in the range of $550 to $600 million and cash income taxes in the range of $100 to $110 million.

Our 2019 net sales guidance reflects lower demand in the North America Off-Highway and Service Parts, Support Equipment & Other end markets principally driven by lower demand from hydraulic fracturing applications partially offset by increased demand in the North America On-Highway end market, price increases on certain products and continued execution of our growth initiatives.

Conference Call and Webcast

The company will host a conference call at 8:00 a.m. ET on Tuesday, April 23 to discuss its first quarter 2019 results. The dial-in number is 1-201-389-0878 and the U.S. toll-free dial-in number is 1-877-425-9470. A live webcast of the conference call will also be available online at http://ir.allisontransmission.com.

For those unable to participate on the conference call, a replay will be available from 11:00 a.m. ET on April 23 until 11:59 p.m. ET on April 30. The replay dial-in number is 1-844-512-2921 and the international replay dial-in number is 1-412-317-6671. The replay passcode is 13689370.

About Allison Transmission

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles. Allison transmissions are used in a variety of applications including refuse, construction, fire, distribution, bus, motorhomes, defense and energy. Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA and employs approximately 2,900 people worldwide. 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 1,400 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: 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; risks related to our substantial indebtedness; 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 after additions of long-lived assets.

Attachment

- 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

Contacts

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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, 2019	2018
Net sales	$ 675	$ 663
Cost of sales	316	321
Gross profit	359	342
Selling, general and administrative	84	92
Engineering - research and development	31	28
Operating income	244	222
Interest expense, net	(36)	(30)
Other income (expense), net	3	(1)
Income before income taxes	211	191
Income tax expense	(44)	(40)
Net income	$ 167	$ 151
Basic earnings per share attributable to common stockholders	$ 1.33	$ 1.09
Diluted earnings per share attributable to common stockholders	$ 1.32	$ 1.08

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

	March 31, 2019	December 31, 2018
ASSETS		
Current Assets		
Cash and cash equivalents	$ 324	$ 231
Accounts receivable	332	279
Inventories	189	170
Other current assets	36	45
Total Current Assets	881	725
Property, plant and equipment, net	473	466
Intangible assets, net	1,044	1,066
Goodwill	1,941	1,941
Other non-current assets	53	39
TOTAL ASSETS	$ 4,392	$ 4,237
LIABILITIES		
Current Liabilities		
Accounts payable	$ 209	$ 169
Product warranty liability	27	26
Current portion of long-term debt	5	—
Deferred revenue	34	34
Other current liabilities	190	197
Total Current Liabilities	465	426
Product warranty liability	37	40
Deferred revenue	97	88
Long-term debt	2,514	2,523
Deferred income taxes	339	329
Other non-current liabilities	194	172
TOTAL LIABILITIES	3,646	3,578
TOTAL STOCKHOLDERS’ EQUITY	746	659
TOTAL LIABILITIES & STOCKHOLDERS’ EQUITY	$ 4,392	$ 4,237

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

	Three months ended March 31, 2019	2018
Net cash provided by operating activities	$ 194	$ 153
Net cash used for investing activities (a)	(19)	(10)
Net cash used for financing activities	(83)	(149)
Effect of exchange rate changes on cash	1	2
Net increase (decrease) in cash and cash equivalents	93	(4)
Cash and cash equivalents at beginning of period	231	199
Cash and cash equivalents at end of period	$ 324	$ 195
Supplemental disclosures:		
Interest paid	$ 14	$ 10
Income taxes paid	$ 6	$ 1
(a) Additions of long-lived assets	$ (19)	$ (10)

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

	Three months ended March 31, 2019	2018
Net income (GAAP)	$ 167	$ 151
plus:		
Income tax expense	44	40
Interest expense, net	36	30
Amortization of intangible assets	22	22
Depreciation of property, plant and equipment	18	20
Stock-based compensation expense (a)	3	3
Unrealized (gain) loss on foreign exchange (b)	(1)	2
Expenses related to long-term debt refinancing (c)	1	—
UAW Local 933 retirement incentive (d)	—	7
Adjusted EBITDA (Non-GAAP)	$ 290	$ 275
Net sales (GAAP)	$ 675	$ 663
Net income as a percent of net sales (GAAP)	24.7%	22.8%
Adjusted EBITDA as a percent of net sales (Non-GAAP)	43.0%	41.5%
Net Cash Provided by Operating Activities (GAAP)	$ 194	$ 153
Deductions to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	(19)	(10)
Adjusted Free Cash Flow (Non-GAAP)	$ 175	$ 143

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

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

(c) Represents expenses (recorded in Other income (expense), net) related to the refinancing of the prior term loan due 2022 and prior revolving credit facility due 2021 (together, the "Prior Senior Secured Credit Facility").

(d) Represents a charge (recorded in Cost of sales) related to a retirement incentive program for certain employees represented by the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America ("UAW") pursuant to the UAW Local 933 collective bargaining agreement effective through November 2023.

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, 2019	
	Low	High
Net Income (GAAP)	$ 525	$ 575
plus:		
Income tax expense	155	165
Interest expense, net	134	134
Depreciation and amortization	162	162
Stock-based compensation expense (a)	15	15
Unrealized gain on foreign exchange (b)	(1)	(1)
Expenses related to long-term debt refinancing (c)	1	1
UAW Local 933 retirement incentive (d)	9	9
Adjusted EBITDA (Non-GAAP)	$ 1,000	$ 1,060
Net Cash Provided by Operating Activities (GAAP)	$ 710	$ 750
Deductions to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	(160)	(150)
Adjusted Free Cash Flow (Non-GAAP)	$ 550	$ 600

(a) Represents employee stock compensation expense (recorded in Cost of sales, Selling, general and administrative, and Engineering – research and development).
(b) Represents gains (recorded in Other income (expense), net) on intercompany financing transactions related to investments in plant assets for our India facility.
(c) Represents expenses (recorded in Other income (expense), net) related to the refinancing of the Prior Senior Secured Credit Facility.
(d) Represents a charge (recorded in Cost of sales) related to a retirement incentive program for certain employees represented by the UAW pursuant to the UAW Local 933 collective bargaining agreement effective through November 2023.

Q1 2019 Earnings Release

Earnings Conference Call April 23, 2019

David Graziosi, President & Chief Executive Officer
Fred Bohley, Vice President & Chief Financial Officer

Allison Transmission

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: 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; risks related to our substantial indebtedness; 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, 2018.

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 after additions of long-lived assets.

Call Agenda

- Q1 2019 Performance
- 2019 Guidance Update
- April 2019 Acquisitions

Q1 2019 Performance Summary

($ in millions)	Q1 2019	Q1 2018	% Variance
Net Sales	$675	$663	1.8%
Gross Margin %	53.2%	51.6%	160 bps
Net Income	$167	$151	10.6%
Adjusted EBITDA[(1)]	$290	$275	5.5%

Commentary

Net Sales: increase was principally driven by higher demand in the North America On-Highway and Outside North America Off-Highway end markets partially offset by lower demand in the Service Parts, Support Equipment & Other and North America Off-Highway end markets.

Gross Margin: increase was principally driven by a reduction in expenses related to the retirement incentive program for certain UAW Local 933 employees, increased net sales, price increases on certain products and lower incentive compensation expense.

Net Income: increase was principally driven by increased gross profit and lower selling, general and administrative expenses partially offset by increased interest expense and increased product initiatives spending.

Adjusted EBITDA: increase was principally driven by increased gross profit and lower selling, general and administrative expenses partially offset by increased product initiatives spending.

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

Allison Transmission

Q1 2019 Sales Performance

($ in millions)

End Markets	Q1 2019	Q1 2018	% Variance	Commentary
North America On-Hwy	$377	$339	11%	Principally driven by higher demand for Rugged Duty Series and Highway Series models
North America Off-Hwy	$14	$33	(58%)	Principally driven by lower demand from hydraulic fracturing applications
Defense	$32	$37	(14%)	Principally driven by lower Tracked vehicle demand
Outside North America On-Hwy	$94	$91	3%	Principally driven by higher demand in Europe
Outside North America Off-Hwy	$27	$12	125%	Principally driven by higher demand in the energy sector
Service Parts, Support Equipment & Other	$131	$151	(13%)	Principally driven by lower demand for North America service parts
Total	**$675**	**$663**	**2%**	

Q1 2019 Financial Performance

($ in millions, except per share data)	Q1 2019	Q1 2018	$ Var	% Var	Commentary
Net Sales	$675	$663	$12	1.8%	Increase was principally driven by higher demand in the North America On-Highway and Outside North America Off-Highway end markets partially offset by lower demand in the Service Parts, Support Equipment & Other and North America Off-Highway end markets
Cost of Sales	$316	$321	$5	1.6%	
Gross Profit	$359	$342	$17	5.0%	Increase was principally driven by a reduction in expenses related to the retirement incentive program for certain UAW Local 933 employees, increased net sales, price increases on certain products and lower incentive compensation expense
Operating Expenses					
Selling, General and Administrative	$84	$92	$8	8.7%	Decrease was principally driven by 2018 product warranty adjustments and lower 2019 product warranty expense partially offset by increased commercial activities spending
Engineering – Research and Development	$31	$28	($3)	(10.7%)	Increase was principally driven by increased product initiatives spending
Total Operating Expenses	$115	$120	$5	4.2%	
Operating Income	$244	$222	$22	9.9%	
Interest Expense, net	($36)	($30)	($6)	(20.0%)	Increase was principally driven by expenses related to long-term debt refinancing
Other Income (Expense), net	$3	($1)	$4	400.0%	Principally driven by a favorable change in foreign exchange on intercompany financing
Income Before Income Taxes	$211	$191	$20	10.5%	
Income Tax Expense	($44)	($40)	($4)	(10.0%)	Increase was principally driven by increased taxable income
Net Income	$167	$151	$16	10.6%	
Diluted Earnings Per Share	$1.32	$1.08	$0.24	22.2%	Q1 2019: 127M shares; Q1 2018: 140M shares
Adjusted EBITDA[1]	$290	$275	$15	5.5%	

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

Q1 2019 Cash Flow Performance

($ in millions)	Q1 2019	Q1 2018	$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	$194	$153	$41	26.8%	Principally driven by lower operating working capital requirements and increased gross profit partially offset by higher cash income taxes and cash interest expense
CapEx	$19	$10	$9	90.0%	Principally driven by increased spending related to investments in productivity and replacement programs, and engineering and testing capabilities
Adjusted Free Cash Flow (1)	$175	$143	$32	22.4%	Principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures

($ in millions)	Q1 2019	Q1 2018	$ Variance	% Variance	Commentary
Operating Working Capital(2) Percentage of LTM Sales	11.4%	11.6%	N/A	20 Bps	Principally driven by higher LTM net sales partially offset by increased operating working capital commensurate with increased net sales
Cash Paid for Interest	$14	$10	$4	40.0%	Principally driven by long-term refinancing activities and higher interest rates on the senior secured credit facility
Cash Paid for Income Taxes	$6	$1	$5	500.0%	Principally driven by intra-year timing of payments

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

2019 Guidance Update

($ in millions)	Guidance	Commentary
Net Sales Change	$2,580 to $2,680	Guidance reflects lower demand in the North America Off-Highway and Service Parts, Support Equipment & Other end markets principally driven by hydraulic fracturing applications partially offset by increased demand in the North America On-Highway end market, price increases on certain products and continued execution of our growth initiatives
Net Income	$525 to $575	
Adjusted EBITDA	$1,000 to $1,060	
Net Cash provided by Operating Activities	$710 to $750	
Adjusted Free Cash Flow	$550 to $600	Net Cash Provided by Operating Activities less CapEx
Cash Income Taxes	$100 to $110	

Note: Guidance is inclusive of Vantage Power and AxleTech Electric Vehicle Systems acquisitions subject to finalization of purchase accounting.

April 2019 Acquisitions of Vantage Power and AxleTech Electric Vehicle Systems

Transactions Summary

Allison acquired Vantage Power (VP)

- Transaction Price: approximately £7 million ($9 million)
  - Potential to pay up to an additional approximately £6 million ($8 million) over the next three years based on specific conditions being met
  - Cash consideration for 100% stock sale
- Closed transaction on April 12, 2019

Allison acquired AxleTech's Electric Vehicle Systems (EVS) division

- Transaction Price: $123 million
  - Cash consideration for asset purchase
- Closed transaction on April 16, 2019

Pro forma net leverage of approximately 2.1x

VANTAGE POWER

An Allison Transmission Company

Business Overview

Vantage Power designs and manufactures vehicle electrification and connectivity technologies applicable to a broad range of commercial end markets. VP is recognized as a leader and pioneer in the United Kingdom electrification and connectivity ecosystem.

- West London based, award winning technology-focused start-up, dedicated to the electrification and connectivity of commercial vehicles
- Broad portfolio of innovations including energy storage systems, hybrid and electric control systems, and an Internet of Things big data telemetry system
- Technologies and solutions that span the entire value chain from design to integration and in-service support
- Spearheaded the hybrid and electric repower concept, designing a first-of-its-kind fully integrated hybrid repower system for buses
- Proprietary remote control, monitoring and diagnostics technology

Allison Transmission

Technologies Portfolio

Hybrid and Electric System Design and Integration

- Highly-developed integrated solutions for hybrid and electric propulsion systems
- Large and complex programs with OEM and tier one manufacturers
- Design, test and validation, rapid prototyping and battery pack pilot manufacturing capabilities

Battery Systems

- Innovative battery systems for demanding, commercial applications
- Advanced battery management software (BMS) with market leading features such as geo-fenced cell balancing, machine learning failure prognostics and fully wireless BMS
- Unique cell cooling technologies and advanced cell welding methods

Control Systems

- Powertrain control systems for both hybrid and full electric commercial vehicles
- Proprietary remote control, monitoring and diagnostics technology
- Advanced energy management algorithms

Telemetry Data Systems

- Scalable cloud based platform and on-board hardware to connect vehicles with secure and encrypted authentication and two-way communication
- Platform access for OEMs to create new product specific functions such as predictive maintenance, performance analysis and location-based services
- Developed and tested for compatibility and scalability with other VP technologies

Acquisition Benefits

- History of innovation in components and sub-systems complement Allison's strengths in electrified propulsion
- Highly skilled, experienced and specialized engineers and operational staff
- Complements Allison's integration expertise with battery systems, vehicle control systems and vehicle telematics
- Aligns with Allison's electric vehicle (EV) strategy to be the global leader in electrified propulsion for commercial vehicles

VANTAGE POWER
An Allison Transmission Company

Allison Transmission

AXLETECH
ELECTRIC VEHICLE SYSTEMS

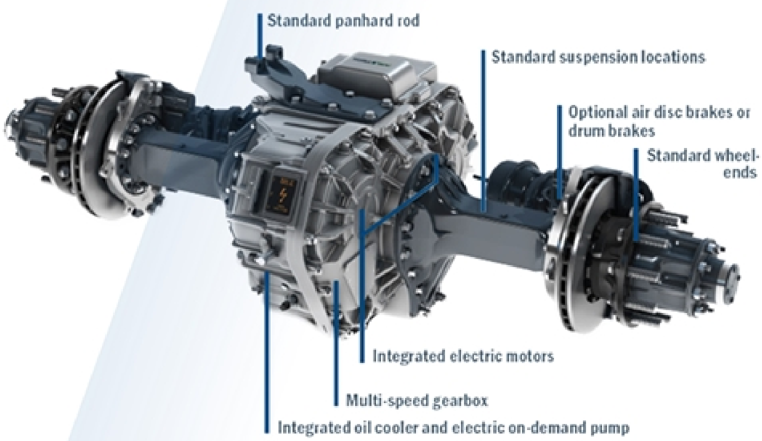
Business Overview

AxleTech's Electric Vehicle Systems division designs and manufactures fully integrated electrified-axle propulsion solutions for medium- and heavy-duty trucks and buses.

- Fully integrated electrified solutions designed to fit between the wheels, with adoption by broad customer base
- Systems engineering approach for completely integrated propulsion solutions, including electric motors, single or multi-speed gear boxes, propulsion controls and software
- Strategic relationships with OEMs to further develop fully integrated electrification solutions in the commercial truck and bus markets
- Collaboration with Allison led to the acquisition of the EVS division from AxleTech, to leverage Allison's position as a market leader in commercial vehicle propulsion solutions

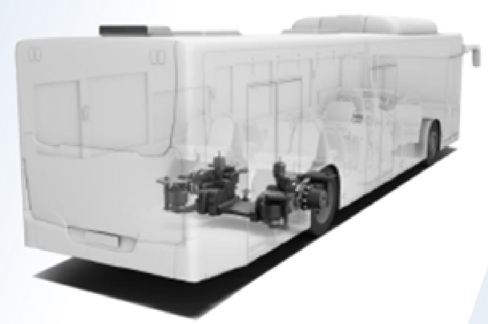
Commercial Truck and Bus Solutions

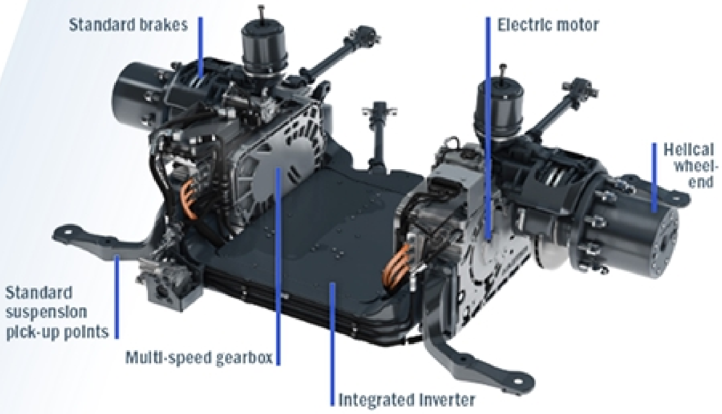
- Line of fully integrated electric axles designed to fit between the wheels of medium- and heavy-duty trucks and buses
- Allison's latest electrified bolt-in solution is compatible within the current vehicle frame, suspension, wheel-ends, and OEM vehicle assembly process
- Features fully integrated electric motors, a multi-speed gearbox, proprietary oil cooling and pump, providing one of the industry's top performing and most efficient solutions
- Ideal propulsion solution for battery electric, fuel cell electric and range extending electric hybrid vehicles



Transit Bus Solutions

- Line of fully-integrated electric axles designed to fit a variety of transit configurations, including low and ultra-low floor, articulated, double-decker and conventional chassis
- Bolt-in solution, available in single- and multi-speed options, requiring no modifications to existing bus frame or suspension
- Features integrated electric motors, power electronics, multi-speed gearing, proprietary oil cooling and pump, providing continuous power and ability to run closer to peak power for longer durations
- Efficient and powerful solution for bus fleets today, capable of operating without restrictions at highway speeds and on all required grades





Acquisition Benefits

- Portfolio of highly integrated electric axles for medium- and heavy-duty truck and bus applications
- Global customer relationships and active OEM programs
- Talented, cross-functional and experienced engineering team
- Collaborative efforts facilitated thorough knowledge of the technology
- Aligns with Allison's EV strategy
- Allison believes it is well positioned to commercialize
    - OEM and end-user relationships
    - Manufacturing capabilities
    - Service and distribution network

AXLETECH®
ELECTRIC VEHICLE SYSTEMS

Acquisitions Strategic Fit

- Extends Allison's position as a leader in propulsion for medium- and heavy-duty commercial vehicles
- Augments Allison's portfolio of products to provide a full range of propulsion solutions
  - From conventional powertrains and alternative fuels to electric hybrid and fully electric systems
- Leverages strategic alliances to identify and access complementary core propulsion technology competencies and capabilities
- Expands vocational expertise and over 15 years of electrification experience to the majority of global commercial vehicle electrification opportunities
- Accelerates the efficient, timely and differentiated provision of preferred electrification solutions to our end markets
  - Enhanced electric hybrid and fully electric systems capabilities and integration
  - Collaborative development and acquisition of emerging electric axle technology
  - Multi-speed central drive solutions currently in development
- Enhances broader Innovation Research & Development engineering team to accelerate the realization of Allison's electrification vision

Allison Transmission

Leader in Commercial Propulsion

Allison's addressable market is a complex application space due to vocational fragmentation, requiring a range of propulsion solutions where we are a natural supplier

- Internal Combustion Engines
- Alternative Fuels with proven performance and a funded infrastructure
- Electric Hybrid Systems, including flexible hybrid, range extender and plug-in options
- Full Electric Solutions, including fuel cell and battery electric applications

Allison intends to remain a global leader in commercial vehicle propulsion and is positioning to meet the market's future demands with the right products, for the right customers, at the right time

- Ongoing initiatives for opportunities across all of our end markets (On-Highway, Off-Highway, Defense, Hybrid, EV)
- Multiple electrified solutions currently in development:
  - Multi-speed Centrally located EV drives
  - Extended Range Electric Hybrid Propulsion
  - Systems & Battery Management
  - Integrated e-Axles
  - Transmission Integrated Generators
  - Power distribution for electrification of accessories

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,
	2014	2015	2016	2017	2018	2018	2019	2019
Net income (GAAP)	**$229**	**$182**	**$215**	**$504**	**$639**	**$151**	**$167**	**$655**
plus:								
Interest expense, net	138	114	101	103	121	30	36	127
Income tax expense	139	107	126	23	166	40	44	170
Technology-related investment expenses	2	—	1	16	3	—	—	3
Public offering expenses	1	—	—	—	—	—	—	—
Impairments	15	81	—	32	4	—	—	4
Environmental remediation	—	14	—	—	—	—	—	—
Amortization of intangible assets	99	97	92	90	87	22	22	87
Depreciation of property, plant and equipment	94	88	84	80	77	20	18	75
Loss on redemptions and repayments of long-term debt	1	1	—	—	—	—	—	—
Stockholder activism expenses	—	—	4	—	—	—	—	—
Dual power inverter module extended coverage	1	(2)	1	(2)	—	—	—	—
UAW Local 933 signing bonus	—	—	—	10	—	—	—	—
UAW Local 933 retirement incentive	—	—	—	—	15	7	—	8
Unrealized loss (gain) on commodity hedge contracts	(1)	1	(2)	—	—	—	—	—
Unrealized loss (gain) on foreign exchange	5	1	1	—	3	2	(1)	—
Expenses related to long-term debt refinancing	—	25	12	—	—	—	1	1
Restructuring charges	1	—	—	—	—	—	—	—
Stock-based compensation expense	15	11	9	12	13	3	3	13
Adjusted EBITDA (Non-GAAP)	**$739**	**$720**	**$644**	**$868**	**$1,128**	**$275**	**$290**	**$1,143**
Net Sales (GAAP)	**$2,127**	**$1,986**	**$1,840**	**$2,262**	**$2,713**	**$663**	**$675**	**$2,725**
Net income as a percent of net sales	**10.8%**	**9.2%**	**11.7%**	**22.3%**	**23.6%**	**22.8%**	**24.7%**	**24.0%**
Adjusted EBITDA as a percent of net sales	**34.7%**	**36.2%**	**35.0%**	**38.4%**	**41.6%**	**41.5%**	**43.0%**	**41.9%**

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,
	2014	**2015**	**2016**	**2017**	**2018**	**2018**	**2019**	**2019**
Net Cash Provided by Operating Activities (GAAP)	**$573**	**$580**	**$591**	**$658**	**$837**	**$153**	**$194**	**$878**
(Deductions) or Additions:								
Long-lived assets	(64)	(58)	(71)	(91)	(100)	(10)	(19)	(109)
Technology-related license expenses	6	—	—	—	—	—	—	—
Stockholder activism expenses	—	—	4	—	—	—	—	—
Excess tax benefit from stock-based compensation	25	8	6	—	—	—	—	—
Adjusted Free Cash Flow (Non-GAAP)	**$540**	**$530**	**$530**	**$567**	**$737**	**$143**	**$175**	**$769**

Non-GAAP Reconciliations (3 of 3)

Guidance reconciliation

$ in millions	Guidance Year Ending December 31, 2019 Low	High
Net Income (GAAP)	$ 525	$ 575
plus:		
Income tax expense	155	165
Interest expense, net	134	134
Depreciation and amortization	162	162
Stock-based compensation expense	15	15
Unrealized gain on foreign exchange	(1)	(1)
Expenses related to long-term debt refinancing	1	1
UAW Local 933 retirement incentive	9	9
Adjusted EBITDA (Non-GAAP)	$ 1,000	$ 1,060
Net Cash Provided by Operating Activities (GAAP)	$ 710	$ 750
Deductions to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	(160)	(150)
Adjusted Free Cash Flow (Non-GAAP)	$ 550	$ 600

News Release

Allison Transmission acquires Vantage Power and AxleTech's electric vehicle systems division

INDIANAPOLIS, April 23, 2019 – Allison Transmission Holdings Inc. (NYSE: ALSN), the largest global manufacturer of medium- and heavy-duty fully automatic transmissions, announced today that it has purchased Vantage Power and AxleTech's electric vehicle (EV) systems division.

Allison Transmission has a more than 103-year history of leading technological advancements: from James Allison owning the winning racecar of the Indianapolis 500 Mile Race in 1915 to building every transmission that is in the United States Army's Abrams Battle Tank. Allison is building upon the legacy of those and other advancements with an electrification strategy that leverages and extends current electric hybrid technologies, develops new electrified propulsion solutions, and expands system and integration level capabilities in alternative propulsion. Both of these acquisitions align with Allison's leading innovator position in propulsion technology, and will complement its existing capabilities to advance electrification adoption in commercial vehicles.

Vantage Power is an award-winning London-based technology company specializing in developing electrified propulsion and connected vehicle technologies for medium- and heavy-duty vehicle manufacturers and their suppliers. With particular focus on battery technology development, vehicle integration and control systems, as well as vehicle connectivity and telemetry, Vantage Power technologies have been deployed in a wide range of applications including complete electric hybrid repower systems for buses to grid energy storage.

"Vantage Power's entrepreneurial spirit and technological advancements complement our strategic priorities to meet and exceed our customers' demands," said David S. Graziosi, President and CEO of Allison Transmission. "Through this and other growth initiatives, we will continue to build upon our conventional and electric hybrid products today while differentiating ourselves in the electrification and fuel cell markets."

AxleTech is a leading technology company that designs, engineers, manufactures, sells and services axles and integrated electrified axle solutions for on- and off-highway heavy-duty commercial vehicles. With industrial roots established in 1919, the company's nearly 800 worldwide employees drive the company to develop advanced powertrain systems, axles, components and aftermarket parts for global customers. The EV systems division is located at AxleTech's headquarters in Troy, Michigan.

"AxleTech's highly integrated solutions in the EV space and their presence in Allison's end markets complement our position as a leading propulsion solutions provider," said Graziosi. "The talented individuals and products within AxleTech's EV systems division and their capabilities will combine well with our current products expertise to create and provide unmatched propulsion solutions."

About Vantage Power

Vantage Power is an award-winning London-based technology company specializing in developing electrified and connected technologies for heavy-duty vehicle manufacturers and tier 1 suppliers. With a particular focus on battery packs, control systems, next generation telemetry and system design and integration expertise, Vantage Power technology has been deployed in a wide range of applications from hybrid repower systems for buses through to grid energy storage systems. For more information about Vantage Power, please visit vantage-power.com

About AxleTech

AxleTech is a leading technology company that engineers, designs, manufactures, sells and services powertrain solutions for on-and off-highway heavy-duty commercial vehicles. With industrial roots established in 1919, the company's nearly 800 worldwide employees drive the company to develop advanced powertrain systems, axles, brakes, components and aftermarket parts for global customers. Headquartered in Troy, Michigan, the company has locations in Oshkosh, Wisconsin; Chicago; Saint-Étienne, France; Osasco, Brazil; Pune, India; and Shanghai, China. For more information about AxleTech, please visit axletech.com

About Allison Transmission

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles. Allison transmissions are used in a variety of applications including refuse, construction, fire, distribution, bus, motorhomes, defense and energy. Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA and employs approximately 2,900 people worldwide. 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 1,400 independent distributor and dealer locations worldwide. For more information, visit allisontransmission.com.

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