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# Allison Transmission Holdings, Inc. (ALSN)

Q3 2025 Earnings Call

## CORPORATE PARTICIPANTS

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## OTHER PARTICIPANTS

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## MANAGEMENT DISCUSSION SECTION

**Operator:** Good afternoon. Thank you for standing by. Welcome to Allison Transmission's Third Quarter 2025 Earnings Conference Call. My name is Shamali, and I will be your conference call operator today. At this time, all participants are in a listen-only mode. After prepared remarks, Allison Transmission executives will conduct a question-and-answer session, and conference call participants will be given instructions at that time. As a reminder, this conference call is being recorded. [Operator Instructions]

I would now like to turn the conference call over to Jackie Bolles, Executive Director of Treasury and Investor Relations. Please go ahead, Jackie.

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**Jacalyn C. Bolles**

*Executive Director-Treasury and Investor Relations, Allison Transmission Holdings, Inc.*

Thank you, Shamali. Good afternoon and thank you for joining us for our third quarter 2025 earnings conference call. With me this afternoon are Dave Graziosi, our Chair and Chief Executive Officer; Fred Bohley, our Chief Operating Officer; and Scott Mell, our Chief Financial Officer and Treasurer.

As a reminder, this conference call, webcast and this afternoon's presentation are available on the Investor Relations section of [allisontransmission.com](http://allisontransmission.com). A replay of this call will be available through November 12.

As noted on slide 2 of the presentation, many of our remarks today contain forward-looking statements based on current expectations. These forward-looking statements are subject to known and unknown risks, including those set forth in our Annual Report on Form 10-K for the year ended December 31, 2024, and quarterly report on Form 10-Q for the quarter ended June 30, 2025. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those we express today.

In addition, as noted on slide 3 of the presentation, some of our remarks today contain non-GAAP financial measures as defined by the SEC. You can find reconciliations of the non-GAAP financial measures to the most comparable GAAP measures attached to the appendix to the presentation and to our third quarter 2025 earnings press release.

Today's call is set to end at 5:45 PM Eastern Time. In order to maximize participation opportunities on the call, we'll take just one question from each analyst.

Please turn to slide 4 of the presentation for the call agenda. During today's call, Dave Graziosi will provide a business update, and Fred Bohley will review recent announcements across our business. Scott Mell will then review our third quarter 2025 financial performance and full-year 2025 guidance update prior to commencing the Q&A.

Now, I'll turn the call over to Dave.

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## David S. Graziosi

*Chairman, President & Chief Executive Officer, Allison Transmission Holdings, Inc.*

Thank you, Jackie. Good afternoon and thank you for joining us. Throughout 2025, our largest end market, North America On-Highway, has been negatively affected by extraordinary and volatile global macroeconomic factors leading to substantial reductions in demand for commercial vehicles. External pressures related to tariffs, evolving trade policies and upcoming emissions regulations, in addition to broader economic uncertainties, have led to more cautious purchasing decisions from end users, which has impacted visibility and predictability in terms of demand.

We expect this operating environment to persist in the near-term, with market activity likely to remain subdued until there is greater clarity around these regulatory and economic factors. A meaningful shift will depend on a clear catalyst or resolution to the aforementioned issues impacting demand.

Despite these challenges, we remain focused on what we can control, including meeting our commitments to operational excellence, quality, customer service, and maintaining strong execution across all aspects of our business. Our performance during the third quarter reflects Allison's resilience with the ability to flex our operating cost structure and generate meaningful cash flow during low-demand environments.

For the quarter, although revenue decreased 16% year-over-year, we achieved an adjusted EBITDA margin of 37% and generated adjusted free cash flow of \$184 million.

Importantly, we remain agile and responsive to evolving market dynamics, ensuring we can quickly adapt as conditions change. As mentioned on our last earnings conference call, we see the reductions in demand in North America On-Highway as a deferral of purchases by end users as opposed to a permanent change in market size.

In summary, while the operating environment remains challenging, we are managing through the uncertainty with discipline, maintaining a solid balance sheet with over \$900 million of cash on hand, a sequential quarterly increase of \$124 million, and making prudent decisions to preserve financial strength, with a commitment to delivering long-term value to our stakeholders. At the same time, we are working diligently to successfully close our acquisition of Dana's Off-Highway business. I would like to thank the Allison team for their hard work and dedication during this period.

Now, I'll pass the call over to Fred to review recent announcements across our business. Fred?

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## G. Frederick Bohley

*Chief Operating Officer, Allison Transmission Holdings, Inc.*

Thank you, Dave, and good afternoon, everyone. Starting with our Outside North America On-Highway end market, in early August, we were excited to announce that Volare minibuses equipped with Allison T2100 fully automatic transmissions were delivered in Brazil in support of the country's student transportation modernization initiatives. In collaboration with the National Fund for Educational Development, these vehicles represent the first school buses utilizing fully automatic transmissions in South America.

Allison's fully automatic transmissions eliminate the need for manual gear shifts, simplifying operations on roads with mud, gravel, and steep inclines. Drivers report less physical strain and greater control, particularly in challenging driving conditions in rough terrain. We're pleased to support better access to education, while demonstrating the performance, reliability, and efficiency of Allison's fully automatic transmissions.

In addition to the social impact, this milestone reflects our strategic priorities for growth in markets outside of North America.

In our North American (sic) [America] On-Highway end market during the quarter, we announced that Allison's Neutral Stop (sic) [Neutral at Stop] technology has been standardized by PACCAR on the Kenworth and Peterbilt trucks equipped with Allison's 4700 Rugged Duty Series transmission.

Allison's Neutral at Stop technology is designed to improve fuel efficiency and lower operating costs by reducing engine load at stops and reducing unnecessary fuel consumption when vehicles are at idle. Our technology ensures that fuel is used for movement, not for idling, enhancing overall fuel efficiency.

We are proud to partner with PACCAR to make this innovative solution a standard offering for customers, supporting fleets in their goals to reduce fuel consumption and vehicle emissions.

Also in our North American (sic) [America] On-Highway end market, earlier this month, we announced that Ozinga Renewable Energy Logistics has successfully deployed Kenworth's T88 (sic) [T880] tractors utilizing the Cummins X15N natural gas engine integrated with our Allison 4500 Rugged Duty Series transmission. That pairing sets a new standard for sustainable, heavy-duty transportation, delivering exceptional power and innovative technology.

The integration also demonstrates how sustainability and operational excellence can go hand in hand, allowing industries to adopt cleaner fuel solutions like natural gas without compromising on performance.

With these announcements, [ph] we reiterate (00:22:54) the fuel-agnostic nature of Allison's fully automatic transmissions. Our products pair well with all propulsion solutions, providing customers with power of choice in selecting the energy source that best suits their needs.

Moving on to our Defense end market, this morning, we announced that WZM, a state-owned defense vehicle service provider in Poland, is now an official channel partner for tracked vehicles.

Allison's propulsion solutions power a wide range of wheeled and tracked defense vehicles that are actively deployed in more than 80 US allied and partner nations worldwide. As a result of our growing international defense presence, Allison now enables local commercial or government service providers to become Allison Authorized Channel partners.

We are excited to add WZM to our global network of authorized service providers to support Allison's cross-drive transmissions for defense applications.

Allison continues to enhance our global support capabilities through strategic partnerships with local service providers, further solidifying our commitment to improving the operational readiness of defense vehicles worldwide.

Also in our Defense end market, we're pleased to announce that Allison was selected by FNSS Defence Systems, a subsidiary of Nurol Holding (sic) [Holdings], to supply our 3040 MX medium-weight cross-drive transmissions for the Turkish Land Forces Korkut program. The Korkut system is a mobile air defense solution developed in Turkey to protect ground forces from drones, helicopters, and low-flying aircraft. The system consist of two tracked vehicles, is designed to move with armored units and operate across difficult terrain, adding fast and flexible protection for defense forces.

This partnership with FNSS and our participation in the Korkut program is a testament to the trust and confidence in Allison's capabilities to deliver high-quality, reliable transmissions that meet the demanding requirements in modern defense vehicles. In addition, this partnership further solidifies Allison's presence in the Turkish defense sector, where we are supporting numerous wheel platforms and actively engaged supplying our X1100 transmission for the Turkish Firtina Self-Propelled Howitzer program.

Thank you. And I'll now turn the call over to Scott.

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## Scott A. Mell

*Chief Financial Officer & Treasurer, Allison Transmission Holdings, Inc.*

Thank you, Fred. I will now review our third quarter financial performance and provide an update to our full-year 2025 guidance. Please turn to slide 5 of the presentation, the Q3 2025 performance summary.

Year-over-year, net sales of \$693 million were down 16% from the same period in 2024, primarily due to lower demand for Class 8 vocational and medium-duty trucks in the North American (sic) [America] On-Highway end market.

In the Defense end market, we continue to execute on our growth initiatives, with third quarter net sales increasing 47% year-over-year. Net income for the quarter was \$137 million, a decrease of \$63 million from \$200 million in the same period of 2024. The decrease was primarily driven by lower gross profit and \$14 million of expenses related to the acquisition of Dana's Off-Highway segment.

Despite a challenging operating environment, adjusted EBITDA margin was essentially flat year-over-year at 37%.

Net cash provided by operating activities for the quarter was \$228 million, a decrease of \$18 million from the same period in 2024. The decrease was primarily driven by lower gross profit and \$13 million of payments for acquisition-related expenses, partially offset by lower cash income taxes and lower operating working capital funding requirements.

Our strong cash generation remains a key strength of our business, with adjusted free cash flow of \$184 million in the third quarter. We continue to maintain solid operating cash flow, reflecting the resilience of our operations and disciplined cost management.

We ended the third quarter with a net leverage ratio of 1.33 times and \$1.65 billion of liquidity comprised of \$902 million of cash and \$745 million of available revolving credit facility commitments. We continue to maintain a flexible, long-dated, and covenant-light debt structure, with our earliest maturity due in October 2027.

A detailed overview of our net sales by end market and Q3 2025 financial performance can be found on slides 6, 7, and 8 of the presentation.

Please turn to slide 9 of the presentation for our 2025 guidance update. Given third quarter results and current market end – pardon me, and current end market conditions, we are revising our full-year 2025 guidance provided to the market on August 4.

Allison now expects net sales to be in the range of \$2,975 billion to \$3,025 million. In addition to Allison's 2025 net sales guidance, we anticipate net income in the range of \$620 million to \$650 million, including over \$60 million of expenses related to our acquisition of Dana's Off-Highway business.

Adjusted EBITDA in the range of \$1,090 million to \$1,125 million. Net cash provided by operating activities in the range of \$765 million to \$795 million, which includes approximately \$70 million of cash outlays related to our acquisition of Dana's Off-Highway business. Capital expenditures in the range of \$165 million to \$175 million and adjusted free cash flow in the range of \$600 million to \$620 million. We are maintaining the midpoint of the implied full-year adjusted EBITDA margin guidance.

This concludes our prepared remarks. Shamali, please open the call for questions.

## QUESTION AND ANSWER SECTION

**Operator:** Thank you. We will now be conducting a question-and-answer session. [Operator Instructions] Our first question comes from the line of Rob Wertheimer with Melius Research. Please proceed with your question.

### Rob Wertheimer

*Analyst, Melius Research LLC*

Q

Hi. Good evening and thank you. So, it's really no surprise, I guess, given truck orders, that On-Highway sales are down. This is a little bit of a steeper decline than we modeled, and maybe we should apologize for that. But even so, it felt a little steeper than I would have thought. And I wonder if you could give, maybe this is a little bit of a soft question, but your opinion, because there's some different factors this cycle with bodybuilders having been a bit backed up. So, maybe there's more channel inventory. This cycle is a bit higher than it was in recent downturns, at least. And so, I wonder if you could help us disaggregate the suddenness of this fall versus channel inventory and end market demand, which may or may not be as dramatic as this. Thank you.

### David S. Graziosi

*Chairman, President & Chief Executive Officer, Allison Transmission Holdings, Inc.*

A

Rob, thank you for the question [indiscernible] (00:31:32). And so, just a quick reference back to our August call when we talked about, I mentioned what we were starting to see in terms of revisions to build rates. Getting to your question, with the OEM announcements that were – we referenced at the time, layoffs, et cetera, that just was early Q3, there was certainly an expectation that those build rates would at some level start to normalize.

To your point about steeper than we thought, so to speak, we, all of us, those reductions continued, frankly. So, as we looked at getting by the end of third quarter or certainly earlier this quarter, you started to – you've started to see some level of normalization at those lower levels. So, to your question in terms of how everybody is reading the market right now, no question that bodybuilders continue to, in many cases, sit with quite a few chassis there. It really does depend on the end use, as you know. In terms of overall inventory levels that are out there, I think that's starting to improve in most cases, but the reality is that inventories needed to be further rationalized. I think the OEM comments about even third quarter results that are pretty fresh here all support that point.

So, as you know, again, we talked about in August, medium-duty being a very tough year, vocational certainly starting to soften. And I think the comments that we referenced in our prepared script, certainly, there is no doubt that the level of uncertainty is extremely high. So, it makes anybody's job at this point relatively difficult to forecast. And I think, frankly, even the ranges that the OEMs have provided for the balance of this year and even thinking about 2026 are pretty wide, as you know. So, we've had a very strong cycle coming out of COVID, as you mentioned. I think that certainly filled some of the gap that was there.

Having said all that, equipment is being utilized. So, to our prepared comments, we don't really view this as a change in market size. It's more a deferral. And you can't blame, frankly, the end users with the amount of uncertainty that they're all facing. Capital costs more. There's a higher risk premium. So, from our perspective, anybody that's making investment decisions right now is likely looking for a more attractive risk-reward balance, and that's very difficult to come by until we all have more certainty around whether it be emissions, interest rates, trade, et cetera.

So, there's a lot out there at this point for all of us to digest. We feel very good about our market position as we continue to have very strong share, strong pull in terms of end users, and our positioning to respond to whatever demand the market presents to us. So, with our structure, as we talked about, whether that be cost, labor, et cetera, the investments that we've made in capacity, [ph] we though (00:34:50) we feel very well-placed to respond to whatever the market conditions are. But we're going to, as I said, focus on the things we can control at this point.

And the revenue, when you look at the revenue reduction on a year-over-year basis, I think, again, supports the idea that we are a flexible organization, we respond accordingly, and the margin performance really speaks to that.

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**Rob Wertheimer**

*Analyst, Melius Research LLC*

Q

And then with – I mean, you're seeing some mixed trends, let's say, in construction equipment, which maybe overlaps a little bit on the heavy side on vocational. Was vocational as bad as medium-duty? And then if you have any way to quantify how much inventory was in the channel versus prior cycles, that would just help a little bit to understand where we are. But the answer was comprehensive and I appreciate it. Thank you.

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**David S. Graziosi**

*Chairman, President & Chief Executive Officer, Allison Transmission Holdings, Inc.*

A

Yeah. I would just offer on the medium duty, by far, much tougher sledding right now in terms of overall market. We don't necessarily view vocational as nearly as that has been challenged, and I would just point you to, I think, the OEM comments that do have meaningful share in the vocational space. They continue to support that very overtly, and we're – we believe, given all the infrastructure investment that's underway with AI, data centers, et cetera, that that certainly bodes well for the utilization of those relevant fleets. And as I said, that equipment is certainly being used right now.

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**Rob Wertheimer**

*Analyst, Melius Research LLC*

Q

Thank you.

**Operator:** Thank you. Our next question comes from the line of Tim Thein with Raymond James. Please proceed with your question.

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**Tim W. Thein**

*Analyst, Raymond James & Associates, Inc.*

Q

Thank you. Good evening. Just a quick one. It's just on the implied revenues for the fourth quarter. The full-year guide implies something like a 5% sequential improvement. And we just spent plenty of time talking about the challenges in North America On-Highway, and fewer build days and OEM build plan certainly not being revised higher. So, what's the offset there? Again, just what – I don't know if Defense or other segments that you'd point to in terms of why we see an improvement sequentially on the top line. Thank you.

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**G. Frederick Bohley**

*Chief Operating Officer, Allison Transmission Holdings, Inc.*

A

Thanks, Tim. This is Fred. As Dave mentioned, a tremendous amount of downtime by the OEMs in Q3, aggressively adjusting inventory levels. Rolling into Q4, clearly, we're going to have fewer workdays, which would

generally drive that down versus Q3, but you need to take in consideration the significant amount of down days. And you also saw Defense ramp pretty aggressively off of Q2 into Q3, and we expect that to continue into Q4.

**Tim W. Thein**

*Analyst, Raymond James & Associates, Inc.*



Very good. Thank you, Fred.

**Operator:** Thank you. And just a reminder to please limit yourself to only one question per analyst. Our next question comes from the line of Ian Zaffino with Oppenheimer & Company. Please proceed with your question.

**Ian Zaffino**

*Analyst, Oppenheimer & Co., Inc.*



Hey, great. Thank you very much. Just trying to understand maybe when you guys started to notice the weakness and how did it look maybe by month throughout the quarter. And I guess what I'm trying to get at here is you guys did a great job of kind of curtailing SG&A, some of the R&D. So, was that kind of a reaction to what you had seen or was this kind of pre-planned? And then how do we think about kind of going forward in this environment? Thanks.

**David S. Graziosi**

*Chairman, President & Chief Executive Officer, Allison Transmission Holdings, Inc.*



Ian, it's Dave. Appreciate the questions there. So, as we mentioned on the Q4 – or the August 4 call, we really started to – this weakness in build and reductions in build rates really started to manifest itself early Q3. What – to Fred's comments, there was certainly an expectation, at least what we were being provided with from a build rate or forecast perspective at that stage was really [ph] in that (00:39:16) – really focused on Q3 at that point in terms of adjustments.

So, what has since transpired is some level of adjustment. We would certainly look at it from a bit of a normalization from Q3 into Q4. So, I think it appears to be starting to settle out simply because adjustments have been made, to Fred's comments, around inventory. Also, importantly, just build rate capabilities. Once you start taking out your head count, it very much does restrict output, obviously. So, we see that some level of balance from Q3 into Q4.

Our cost approaches, as you know, you've covered us for a number of years, is pretty consistent. As we entered the year and certainly focused on the macro environment, and frankly, the volatility, the uncertainty, we would view as almost unprecedented other than COVID, to a level, because you had so many things coming into the market that became clear to us that that was going to have the impact, we believed at the time, of really inserting a tremendous amount of uncertainty into the end market for end users.

So, that implies that they're – that they had the ability to defer, which they in fact had done, then we needed to better align ourselves accordingly. So, what we've done has really been throughout the year [ph] wasn't – we arrived (00:40:49) in Q3 and decided to do certain things. It's been more of a full-year approach.

And I'd, again, thank the Allison team for their managing that situation in a way that is certainly consistent with our view, which is what we can control, and really looking at the broader markets in terms of feedback to take whatever advantage we can. But also, I think understanding the voice of the market in terms of what's needed, absolutely needed at this stage, and that's what's been reflected in our activity level.

**Ian Zaffino***Analyst, Oppenheimer & Co., Inc.*

Great. Thank you very much.

**Operator:** Thank you. Our next question comes from the line of Tami Zakaria with JPMorgan. Please proceed with your question.

**Tami Zakaria***Analyst, JPMorgan Securities LLC*

Hi. Good afternoon. Thank you so much. I wanted to ask about tariffs. Given the latest Section 232 announcement, how should we think about your tariff impact, if there was any at all before this? And also the ability to offset some of these past tariffs given your US-based manufacturing? So, any color on the latest about tariffs would be helpful.

**G. Frederick Bohley***Chief Operating Officer, Allison Transmission Holdings, Inc.*

Sure, Tami. This is Fred. I think, first, maybe just stepping back, big picture, our guide is \$3 billion in revenue. That's down \$250 million year-over-year, so down 7%. Dave talked through certainly that the driver is our largest end market, North America On-Highway, primarily Class 6, 7, Class 8 straight, which are 80% of that total end market, and the build just being down. But operationally, we're performing at a very high level, 7% revenue down, and EBITDA margin we're guiding to be an 80 basis points up. So, certainly, we're able to perform well in this challenging environment.

Specific to tariffs, it's really important to continue to highlight that 85% of our components are purchased in the US, Mexico, and Canada, with the majority of those being in the US. The bigger impact on tariffs and then Section 232 tariffs becomes, I think, vehicle pricing, total uncertainty, and how that impacts demand. But when you think about Section 232, our OEMs are certainly going to increase their prioritization on US-made content and components, and that really well positions us as everything that we're providing to the OEMs in the US is manufactured here in Indianapolis. So, I think we're well-positioned there.

As far as additional cost to us, I think you can see in our disclosures, our material cost has been very minimal because of just the footprint we have from a supply chain standpoint. And as we've talked about, we've always intended to offset that. And even in a challenging top line revenue, you see that we are doing that.

**Operator:** Thank you. Our next question comes from the line of Angel Castillo with Morgan Stanley. Please proceed with your question.

**Angel O. Castillo***Analyst, Morgan Stanley & Co. LLC*

Hi. Good evening. Thanks for taking my question. Just, Dave, I guess as you roll everything up, that we kind of have in place all the puts and takes exiting 2025, I know it's still early, but if we do assume everything stays as it is today, Dana acquisition aside, and assuming you continue to focus on what costs or what you can control on your end, as you noted, do you believe that, I guess, ultimately, you can grow earnings next year or do we need to see volume recovery in order for earnings to grow next year? How should we kind of think about that?

**G. Frederick Bohley**

*Chief Operating Officer, Allison Transmission Holdings, Inc.*

A

That's a – that's a tough one. We'll provide our guide in February. What we have talked about publicly is we've gotten meaningful price this year. We'll end up for the year with over \$130 million in price, north of 450 basis points of price. And we also talked about the long-term agreements that we've signed. We didn't take all that price in year one. So, we have some visibility on pricing going into 2026. Clearly, good visibility on cost structure.

I think what everybody's still really trying to get their arms around is going to be end user demand, and Dave talked to it, the uncertainty with tariffs, do people feel a little bit better with 232 with some, I guess, some level of more clarity now, the emissions change, is there going to be any sort of meaningful pre-buy in 2026. So, fortunately, we have a couple months to continue to gather data points and really try to model the top line. And we'll provide our viewpoint in February of 2026.

**Angel O. Castillo**

*Analyst, Morgan Stanley & Co. LLC*

Q

Understood. Maybe just, I guess, given the part that you have visibility into [ph] the top (00:46:52) price, with the 450 bps that you did this year, the long-term agreements you have in place and the pass-through of kind of the tariffs that are – have already kind of rolled through, what's kind of the price increase we should expect next year?

**G. Frederick Bohley**

*Chief Operating Officer, Allison Transmission Holdings, Inc.*

A

If you go back to pre-pandemic, we would pick up 50 basis points to 100 basis points of price. And as we've got things modeled out, it's going to certainly be quite a bit higher than that.

**Angel O. Castillo**

*Analyst, Morgan Stanley & Co. LLC*

Q

Got it. Thank you.

**Operator:** Thank you. Our next question comes from the line of Luke Junk with Baird. Please proceed with your question.

**Luke L. Junk**

*Analyst, Robert W. Baird & Co., Inc.*

Q

Good afternoon. Thanks for taking the question. Maybe a tricky question to answer, but I'm just wondering maybe what your gut says in terms of how much more leeway there is in the model to maintain similar margins or at least to prevent decremental margins from getting closer. I think 60% maybe is the historical threshold. I know there's inefficiencies that were in the P&L last year because of the huge surge in production. You're clearly on the front foot in terms to taking tactical actions, plus the incremental price into next year. Just how do you think through those permutations and sort of the level of buffer that's left in the business right now? Thank you.

**David S. Graziosi**

*Chairman, President & Chief Executive Officer, Allison Transmission Holdings, Inc.*

A

Hey Luke. It's Dave. Appreciate the question there. So, certainly, our approach, our history is that we focus a fair bit, as we should, on margins. I think to your question on incrementals and thinking about that, the biggest unknown for us right now as we think about the future is just what this overall demand picture is going to look like.

We've made, I think, good progress on our growth initiatives. The investments have been made in terms of capacity. We'll be winding up the balance of those by the end of next year, certainly early 2027. So, the efforts that we've also put into resourcing as well and optimizing our footprint, and again, pre the Dana acquisition. But we feel very good about our ability to certainly come in within a reasonable range of maintaining margins. So, we will size our – continue to size our investments and initiatives with market opportunities.

But as to Fred's point, certainly have some initiatives around price and cost line going into 2026. And we'll take whatever appropriate actions there are consistent with the end market conditions, which you would certainly view today in terms of North America On-Highway being a bit of a question mark. But when you look at our business in terms of whether it's parts, support equipment, et cetera, Defense, Off-Highway relatively, I think, stabilized at a lower level right now, we feel very good about positioning overall in terms of approaching market needs.

But margins are right at the top of our list in terms of focus and, we continue to work through our plans, and feel relatively good about what we're seeing, at least from an initial [ph] pass (00:50:10). And we'll provide our guidance come February.

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**Luke L. Junk**

*Analyst, Robert W. Baird & Co., Inc.*



Got it. Thank you very much.

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**Operator:** Thank you. Our next question comes from the line of Kyle Menges with Citigroup. Please proceed with your question.

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**Kyle Menges**

*Analyst, Citigroup Global Markets, Inc.*



Thank you. Good evening, guys. I understand you're not wanting to give too much guidance on 2026 yet, but I would love to hear your thoughts on what you need to see for International On-Highway to hit your double-digit growth target next year. And then perhaps would be good to hear an update on how you think the Dana acquisition positions you to win in international markets. Thank you.

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**David S. Graziosi**

*Chairman, President & Chief Executive Officer, Allison Transmission Holdings, Inc.*



Yeah, to be – it's Dave, Kyle. So, on the – overall, I would say International On-Highway continues to be a very significant opportunity for our team. We're actually, in this time of year, involved in a number of regional meetings to look at the status of our growth initiatives. I believe the team there is doing a great job identifying a number of different opportunities for us. I think our relationships are where they need to be from an OEM and release plan perspective. There's always been a tremendous amount of opportunity out there. I think the team has become very focused on that, adjusting for some regional differences.

The Japanese market last year moved around a fair bit because of emissions and safety regs and a number of things coming into the market that that's a softer market this year. We expect that certainly to improve next year, and again, their ability to sell into the balance of Asia and relevant markets, we're excited about.

The team has done a very good job looking at applications for our product that certainly made the most sense, but we're – we sell based on value, as you know, versus cost. So, I think On-Highway Outside North America continues to be a relatively large opportunity for us with very low penetration.

So, as you think about, what that means over the longer-term, all the investments that we've made in regional production, et cetera, and the investments specifically in China now to really be able to support Asia [ph] from – the (00:52:35) Asian region is important to us. It also reduces cost in a number of other areas. So, I think all of that fits together.

In terms of the Dana acquisition, we continue to work diligently towards closing that. We're pleased with the progress to date. As we mentioned on the calls around the announcement, as well as the August earnings call, there – the attributes are very attractive to us. It's an accomplished team. It's a high-quality business. It really does allow us as a legacy Allison business to have a global footprint that starts to address some of the macro issues that I mentioned earlier.

It's clear with tariffs and trade developments that there is much more of a focus from a number – in a number of different regions for local-for-local content. The Dana footprint certainly fits well with that overall outcome, and you can look at that across all of our end markets. So, for us, it's very attractive to have access to that type of footprint. It also allows us to further analyze make-versus-buy in a number of areas for our products as well. And ultimately, really start to leverage, although we've not quantified revenue synergies, we do have common customers in a number of different end markets but also allowing our respective teams access to new customers, new markets.

So, overall, I think it's an exciting time for both respective teams, and we look forward to getting the acquisition closed and getting on with the business.

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**Operator:** Thank you. And we have reached the end of the question-and-answer session. I would like to turn the floor back to CEO, David Graziosi for closing remarks.

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**David S. Graziosi**

*Chairman, President & Chief Executive Officer, Allison Transmission Holdings, Inc.*

Thank you, Shamali, and thank you for your continued interest in Allison and for participating on today's call. Enjoy your evening.

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**Operator:** Thank you. And this concludes today's conference, and you may disconnect your lines at this time. Thank you for your participation.

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