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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 8-K**

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**CURRENT REPORT**  
**Pursuant to Section 13 OR 15(d)**  
**of The Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported) February 8, 2016**

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**ALLISON TRANSMISSION HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction  
of incorporation)

**001-35456**  
(Commission  
File Number)

**26-0414014**  
(IRS Employer  
Identification No.)

**One Allison Way, Indianapolis, Indiana**  
(Address of principal executive offices)

**46222**  
(Zip Code)

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

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

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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 communications 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))
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**Item 2.02 Results of Operations and Financial Condition.**

On February 8, 2016, Allison Transmission Holdings, Inc. (“Allison”) published an earnings release reporting its financial results for the three months and year ended December 31, 2015. 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 February 9, 2016 at 8:00 a.m. ET on which its financial results for the three months and year ended December 31, 2015 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On February 8, 2016, Allison posted the materials attached as Exhibits 99.1 and 99.2 on its web site ([www.allisontransmission.com](http://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.*

<u>Exhibit Number</u>	<u>Description</u>
99.1	Earnings release dated February 8, 2016.
99.2	Investor presentation materials dated February 8, 2016.

**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: February 8, 2016

By: /s/ Eric C. Scroggins

Name: Eric C. Scroggins

Title: Vice President, General Counsel and Secretary

**EXHIBIT INDEX**

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**Allison Transmission Announces Fourth Quarter and Full Year 2015 Results**

**Fourth Quarter 2015:**

- **Net Sales \$478 million, Adjusted Net Income \$123 million, Adjusted EBITDA \$170 million, Adjusted Free Cash Flow \$146 million or \$0.85 per Diluted Share**
- **Earnings of \$0.37 per Diluted Share excluding Trade Name Impairment Charge**

**Full Year 2015:**

- **Net Sales \$1,986 million, Adjusted Net Income \$493 million, Adjusted EBITDA \$720 million, Adjusted Free Cash Flow \$514 million or \$2.90 per Diluted Share**
- **Earnings of \$1.36 per Diluted Share excluding Trade Name Impairment and Environmental Remediation Charges**

**INDIANAPOLIS, February 8, 2016** – Allison Transmission Holdings, Inc. (NYSE: ALSN), the largest global provider of commercial duty fully-automatic transmissions, today reported net sales for the fourth quarter of \$478 million, a 12 percent decrease from the same period in 2014. The decrease in net sales was principally driven by lower demand in the global Off-Highway and Defense end markets, partially offset by price increases on certain products.

Adjusted Net Income, a non-GAAP financial measure, for the quarter was \$123 million, compared to Adjusted Net Income of \$117 million for the same period in 2014, an increase of \$6 million. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was \$170 million, or 35.6 percent of net sales, compared to \$185 million, or 34.0 percent of net sales, for the same period in 2014. Excluding \$3 million of technology-related license expenses, Adjusted EBITDA for the fourth quarter of 2014 was \$188 million, or 34.6 percent of net sales. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was \$146 million, or \$0.85 per diluted share, compared to \$129 million for the same period in 2014, or \$0.71 per diluted share.

Lawrence E. Dewey, Chairman and Chief Executive Officer of Allison Transmission commented, "Allison's fourth quarter 2015 results are within the full year guidance ranges we provided to the market on October 26. The year-over-year reductions in the global Off-Highway and Service Parts, Support Equipment & Other end markets net sales are consistent with the previously contemplated impact of lower energy and commodity prices. The year-over-year decrease in Defense end market net sales is commensurate with continued reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts. Allison demonstrated solid operating margins and free cash flow while executing its prudent and well-defined approach to capital structure and allocation. During the fourth quarter, we refinanced all debt maturing in 2017 to 2019, settled \$10 million of share repurchases, paid a dividend of \$0.15 per share and repaid \$6 million of debt. Given expectations for tempering demand conditions in the North America On-Highway end market, no meaningful relief from the global Off-Highway end markets challenges and divergent global economic environments, Allison is taking a guarded approach to 2016. As we have done during other periods of meaningful uncertainty, Allison will proactively implement initiatives to closely align costs and programs across our business with actual end market conditions and growth opportunities."

## Fourth Quarter Net Sales by End Market

<u>End Market</u>	<u>Q4 2015 Net Sales (\$M)</u>	<u>Q4 2014 Net Sales (\$M)</u>	<u>% Variance</u>
North America On-Highway	252	256	(2%)
North America Hybrid-Propulsion Systems for Transit Bus	23	17	35%
North America Off-Highway	11	36	(69%)
Defense	25	38	(34%)
Outside North America On-Highway	65	65	0%
Outside North America Off-Highway	7	19	(63%)
Service Parts, Support Equipment & Other	95	113	(16%)
<b>Total Net Sales</b>	<b>478</b>	<b>544</b>	<b>(12%)</b>

### Fourth Quarter Highlights

North America On-Highway end market net sales were down 2 percent from the same period in 2014 and down 4 percent on a sequential basis principally driven by lower demand for Pupil Transport/Shuttle Series models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were up 35 percent from the same period in 2014 and up 92 percent sequentially principally driven by intra-year movement in the timing of orders.

North America Off-Highway end market net sales were down 69 percent from the same period in 2014 and down 8 percent on a sequential basis principally driven by lower demand from hydraulic fracturing applications.

Defense end market net sales were down 34 percent from the same period in 2014 and down 26 percent sequentially principally driven by reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts.

Outside North America On-Highway end market net sales were flat with the same period in 2014 principally driven by higher demand in Europe and Japan offset by lower demand in China and South America and down 3 percent on a sequential basis principally driven by lower demand in China and South America partially offset by higher demand in Europe and India.

Outside North America Off-Highway end market net sales were down 63 percent from the same period in 2014 principally driven by lower demand in the energy sector and up 75 percent sequentially principally driven by higher demand in the energy and mining sectors.

Service Parts, Support Equipment & Other end market net sales were down 16 percent from the same period in 2014 and down 7 percent on a sequential basis principally driven by lower demand for North America Off-Highway service parts partially offset by higher demand for global On-Highway service parts.

Gross profit for the quarter was \$222 million, a decrease of 13 percent from \$256 million for the same period in 2014. Gross margin for the quarter was 46.5 percent, a decrease of 50 basis points from a gross margin of 47.0 percent for the same period in 2014. The decrease in gross profit from the same period in 2014 was principally driven by decreased sales volume partially offset by price increases on certain products, favorable material costs and lower incentive compensation expense.

Selling, general and administrative expenses for the quarter were \$82 million, a decrease of 8 percent from \$89 million for the same period in 2014, principally driven by reduced global commercial activities spending and lower incentive compensation expense.

Engineering – research and development expenses for the quarter were \$24 million, a decrease of \$7 million after excluding the 2014 technology-related license expenses of \$3 million to expand our position in transmission technologies, from \$34 million for the same period in 2014. The decrease was principally driven by reduced product initiatives spending and lower incentive compensation expense.

During the fourth quarter of 2015, we recorded a trade name impairment charge of \$80 million as a result of lower forecasted net sales for certain of our end markets.

#### **Fourth Quarter Non-GAAP Financial Measures**

Adjusted Net Income for the quarter was \$123 million, compared to \$117 million for the same period in 2014, an increase of \$6 million. The increase was principally driven by decreased cash interest expense, price increases on certain products, favorable material costs, lower incentive compensation expense, reduced global commercial activities spending, reduced product initiatives spending, a favorable vendor settlement and 2014 foreign exchange losses on intercompany financing partially offset by decreased sales volume.

Adjusted EBITDA for the quarter was \$170 million, or 35.6 percent of net sales, compared to \$185 million, or 34.0 percent of net sales, for the same period in 2014. Excluding \$3 million of technology-related license expenses, Adjusted EBITDA for the fourth quarter of 2014 was \$188 million, or 34.6 percent of net sales. The decrease was principally driven by decreased sales volume and unfavorable product warranty adjustments partially offset by price increases on certain products, favorable material costs, lower incentive compensation expense, reduced global commercial activities spending, reduced product initiatives spending, a \$3 million reduction in technology-related license expenses and a favorable vendor settlement.

Adjusted Free Cash Flow for the quarter was \$146 million compared to \$129 million for the same period in 2014, an increase of \$17 million. The increase was principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures.

#### **2016 Guidance Update**

Allison expects 2016 net sales to be in the range of down 6.5 to 9.5 percent compared to 2015, an Adjusted EBITDA margin in the range of 32.5 to 34 percent, and an Adjusted Free Cash Flow in the range of \$400 to \$450 million, or \$2.30 to \$2.60 per diluted share. Capital expenditures are expected to be in the range of \$65 to \$75 million, which includes maintenance spending of approximately \$60 million. Cash income taxes are expected to be in the range of \$10 to \$15 million.

Our 2016 net sales guidance reflects expectations for tempering demand conditions in the North America On-Highway end market, no meaningful relief from the global Off-Highway end markets challenges and divergent global economic environments. Allison's 2016 net sales outlook also assumes previously considered reductions in demand for North America Hybrid-Propulsion Systems for Transit Bus due to engine emissions improvements and non-hybrid alternatives.

Although we are not providing specific first quarter 2016 guidance, Allison does expect first quarter net sales to be lower than the first and fourth quarters of 2015. The anticipated year-over-year decrease in first quarter net sales is expected to occur principally due to lower demand in the North America On-Highway and global Off-Highway end markets.

#### **Conference Call and Webcast**

The company will host a conference call at 8:00 a.m. ET on Tuesday, February 9 to discuss its fourth quarter 2015 results. Dial-in number is 1-201-689-8470 and the U.S. toll-free dial-in number is 1-877-407-9039. A live webcast of the conference call will also be available online at <http://ir.allisontransmission.com>.

For those unable to participate in the conference call, a replay will be available from 11:00 a.m. ET on February 9 until 11:59 p.m. ET on February 16. The replay dial-in number is 1-858-384-5517 and the U.S. toll-free replay dial-in number is 1-877-870-5176. The replay passcode is 13627750.

#### **About Allison Transmission**

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles and is a leader in hybrid-propulsion systems for city buses. 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 2,700 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](http://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: risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; the failure of markets outside North America to increase adoption of fully-automatic transmissions; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies for hybrid vehicles, U.S. defense spending; 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 prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers; 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 which are not presented in accordance with accounting principles generally accepted in the United States (“GAAP”). Allison uses Adjusted net income to measure our overall profitability because we believe it better reflects our cash flow generation by capturing the actual cash interest paid and cash taxes paid rather than our interest expense and tax expense as calculated under GAAP and excludes the impact of the non-cash annual amortization of certain intangible assets and other certain non-recurring items. We use Adjusted EBITDA, and Adjusted free cash flow to evaluate and control our cash operating costs and to measure our operating profitability. Allison believes the presentation of Adjusted Net Income, Adjusted EBITDA and Adjusted Free Cash enhances our investors’ overall understanding of the financial performance and cash flow of our business. 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.

### **Attachment**

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

### **Contacts**

Investor Relations  
[ir@allisontransmission.com](mailto:ir@allisontransmission.com)  
(317) 242-3078

Media Relations  
[media@allisontransmission.com](mailto:media@allisontransmission.com)  
(317) 242-5000



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

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Net sales	\$ 478.2	\$ 544.4	\$ 1,985.8	\$ 2,127.4
Cost of sales	256.0	288.8	1,052.0	1,151.5
Gross profit	222.2	255.6	933.8	975.9
Selling, general and administrative expenses	81.5	88.8	317.1	344.6
Engineering - research and development	23.5	33.6	92.5	103.8
Trade name impairment	80.0	—	80.0	—
Environmental remediation	—	—	14.0	—
Loss associated with impairment of long-lived assets	—	15.4	1.3	15.4
Operating income	37.2	117.8	428.9	512.1
Interest expense, net	(20.8)	(37.4)	(114.5)	(138.4)
Premiums and expenses on tender offer and redemption of long-term debt	—	—	(25.3)	—
Other income (expense), net	3.3	(2.6)	(0.3)	(5.6)
Income before income taxes	19.7	77.8	288.8	368.1
Income tax expense	(6.7)	(27.3)	(106.5)	(139.5)
Net income	<u>\$ 13.0</u>	<u>\$ 50.5</u>	<u>\$ 182.3</u>	<u>\$ 228.6</u>
Basic earnings per share attributable to common stockholders	<u>\$ 0.08</u>	<u>\$ 0.28</u>	<u>\$ 1.03</u>	<u>\$ 1.27</u>
Diluted earnings per share attributable to common stockholders	<u>\$ 0.08</u>	<u>\$ 0.28</u>	<u>\$ 1.03</u>	<u>\$ 1.25</u>

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

	December 31, 2015	December 31, 2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 251.6	\$ 263.0
Accounts receivables - net of allowance for doubtful accounts of \$0.4 and \$0.3, respectively	195.0	207.4
Inventories	141.4	143.5
Other current assets	28.8	24.4
<b>Total Current Assets</b>	<b>616.8</b>	<b>638.3</b>
Property, plant and equipment, net	479.7	514.6
Intangible assets, net	3,275.8	3,453.0
Deferred income taxes, net	1.9	2.3
Other non-current assets	34.2	48.0
<b>TOTAL ASSETS</b>	<b>\$ 4,408.4</b>	<b>\$ 4,656.2</b>
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 126.2	\$ 151.7
Current portion of long term debt	24.5	17.9
Other current liabilities	150.8	176.3
<b>Total Current Liabilities</b>	<b>301.5</b>	<b>345.9</b>
Long term debt	2,352.7	2,473.3
Other non-current liabilities	565.6	439.2
<b>TOTAL LIABILITIES</b>	<b>3,219.8</b>	<b>3,258.4</b>
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>1,188.6</b>	<b>1,397.8</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 4,408.4</b>	<b>\$ 4,656.2</b>

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

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Net cash provided by operating activities	\$ 173.8	\$ 140.9	\$ 563.8	\$ 556.9
Net cash used for investing activities (a)	(27.9)	(26.5)	(59.7)	(67.9)
Net cash used for financing activities	(43.5)	(66.5)	(528.7)	(424.1)
Effect of exchange rate changes in cash	0.8	7.0	13.2	13.4
Net increase (decrease) in cash and cash equivalents	103.2	54.9	(11.4)	78.3
Cash and cash equivalents at beginning of period	148.4	208.1	263.0	184.7
Cash and cash equivalents at end of period	<u>\$ 251.6</u>	<u>\$ 263.0</u>	<u>\$ 251.6</u>	<u>\$ 263.0</u>
Supplemental disclosures:				
Interest paid	\$ 21.7	\$ 36.7	\$ 97.1	\$ 140.0
Income taxes paid	\$ 0.2	\$ 1.5	\$ 5.2	\$ 5.0
(a) Additions of long-lived assets	\$ (28.0)	\$ (26.5)	\$ (58.1)	\$ (64.1)

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

	Three months ended December 31,		Year ended December 31,	
	2015	2014	2015	2014
Net income	\$ 13.0	\$ 50.5	\$ 182.3	\$ 228.6
plus:				
Interest expense, net	20.8	37.4	114.5	138.4
Cash interest expense	(21.7)	(36.7)	(97.1)	(140.0)
Income tax expense	6.7	27.3	106.5	139.5
Cash income taxes	(0.2)	(1.5)	(5.2)	(5.0)
Amortization of intangible assets	24.2	24.7	97.1	98.8
Trade name impairment (a)	80.0	—	80.0	—
Environmental remediation (b)	—	—	14.0	—
Loss associated with impairment of long-lived assets (c)	—	15.4	1.3	15.4
Loss on impairment of technology-related investments (d)	—	—	—	2.0
Public offering expenses (e)	—	—	—	1.4
Adjusted net income	<u>\$122.8</u>	<u>\$117.1</u>	<u>\$ 493.4</u>	<u>\$ 479.1</u>
Cash interest expense	21.7	36.7	97.1	140.0
Cash income taxes	0.2	1.5	5.2	5.0
Depreciation of property, plant and equipment	22.5	22.8	88.3	93.8
Premiums and expenses on tender offer and redemption of long-term debt (f)	—	—	25.3	—
Dual power inverter module extended coverage (g)	—	1.0	(2.1)	1.0
Unrealized (gain) loss on foreign exchange (h)	(0.2)	1.8	1.4	5.2
Unrealized loss (gain) on commodity hedge contracts (i)	0.4	0.7	1.1	(1.0)
Restructuring charge (j)	—	—	—	0.7
Loss on repayments of long-term debt (k)	0.1	0.2	0.3	0.5
Other (l)	2.6	3.5	9.8	14.7
Adjusted EBITDA	<u>\$170.1</u>	<u>\$185.3</u>	<u>\$ 719.8</u>	<u>\$ 739.0</u>
Adjusted EBITDA excluding technology-related license expenses (m)	<u>\$170.1</u>	<u>\$188.1</u>	<u>\$ 720.0</u>	<u>\$ 745.1</u>
Net sales	<u>\$478.2</u>	<u>\$544.4</u>	<u>\$1,985.8</u>	<u>\$2,127.4</u>
Adjusted EBITDA margin	35.6%	34.0%	36.2%	34.7%
Adjusted EBITDA margin excluding technology-related license expenses (m)	35.6%	34.6%	36.3%	35.0%
Net Cash Provided by Operating Activities	<u>\$173.8</u>	<u>\$140.9</u>	<u>\$ 563.8</u>	<u>\$ 556.9</u>
(Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:				
Additions of long-lived assets	(28.0)	(26.5)	(58.1)	(64.1)
Excess tax benefit from stock-based compensation (n)	0.2	11.8	8.4	24.6
Technology-related license expenses (m)	—	2.8	0.2	6.1
Adjusted Free Cash Flow	<u>\$146.0</u>	<u>\$129.0</u>	<u>\$ 514.3</u>	<u>\$ 523.5</u>

- (a) Represents a charge associated with the impairment of our trade name as a result of lower forecasted net sales for certain of our end markets.
- (b) Represents environmental remediation expenses for ongoing operating, monitoring and maintenance activities at our Indianapolis, Indiana manufacturing facilities as a result of the U.S. Environmental Protection Agency determining that we are responsible for future operating, monitoring and maintenance activities and that General Motor's environmental remediation activities, pursuant the asset purchase agreement, were completed in the third quarter of 2015.
- (c) Represents a charge associated with the impairment of long-lived assets related to the production of a new hybrid propulsion system.
- (d) Represents a charge (recorded in Other income (expense), net) for investments in co-development agreements to expand our position in transmission technologies.
- (e) Represents fees and expenses (recorded in Other income (expense), net) related to our secondary offerings in September 2014, June 2014, April 2014 and February 2014.
- (f) Represents premiums and expenses related to the tender offer and redemption of Allison Transmission, Inc.'s ("ATI"), our wholly owned subsidiary, 7.125% Senior Notes due 2019.
- (g) Represents adjustments (recorded in Selling, general and administrative expenses) associated with the Dual Power Inverter Module ("DPIM") extended coverage program liability. The DPIM liability will continue to be reviewed for any changes in estimates as additional claims data and field information become available.
- (h) Represents (gains) losses (recorded in Other income (expense), net) on the mark-to-market of our foreign currency hedge contracts and on intercompany financing transactions related to investments in plant assets for our India facility.
- (i) Represents unrealized losses (gains) (recorded in Other income (expense), net) on the mark-to-market of our commodity hedge contracts.
- (j) Represents a charge (recorded in Selling, general and administrative, and Engineering - research and development) related to employee headcount reductions in the second quarter of 2014.
- (k) Represents losses (recorded in Other income (expense), net) realized on the repayments of ATI's long-term debt.
- (l) Represents employee stock compensation expense (recorded in Cost of sales, Selling, general and administrative expenses, and Engineering – research and development).
- (m) Represents payments (recorded in Engineering – research and development) for licenses to expand our position in transmission technologies.
- (n) Represents the amount of tax benefit (recorded in Income tax expense) related to stock-based compensation adjusted from cash flows from operating activities to cash flows from financing activities.

# Q4 2015 Earnings Release

Published February 8, 2016 (Earnings Conference Call February 9, 2016)

Lawrence Dewey, Chairman & Chief Executive Officer  
David Graziosi, President & Chief Financial Officer



# Safe Harbor Statement

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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 the 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; the failure of markets outside North America to increase adoption of fully-automatic transmissions; risks related to our substantial indebtedness; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies and other external factors impacting demand for hybrid vehicles; U.S. defense spending; 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 prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; and labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers.

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, 2014.

# Non-GAAP Financial Information

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We use Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses, adjusted free cash flow and free cash flow to evaluate our performance relative to that of our peers. In addition, the Senior Secured Credit Facility has certain covenants that incorporate Adjusted EBITDA. However, Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses, adjusted free cash flow and free cash flow are not measurements of financial performance under GAAP, and these metrics may not be comparable to similarly titled measures of other companies. Adjusted net income is calculated as the sum of net income, interest expense, net, income tax expense (benefit), trade name impairment and amortization of intangible assets, less cash interest, net and cash income taxes, and adjusted for certain non-recurring items. Adjusted EBITDA is calculated as the sum of Adjusted net income, cash interest, net, cash income taxes, depreciation of property, plant and equipment and other adjustments as defined by the Senior Secured Credit Facility and as further described below. Adjusted EBITDA excluding technology-related license expenses is calculated as Adjusted EBITDA less technology-related license expenses. Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by net sales. Adjusted EBITDA margin excluding technology-related license expenses is calculated as Adjusted EBITDA excluding technology-related license expenses divided by net sales. Free cash flow is calculated as net cash provided by operating activities less capital expenditures. Adjusted free cash flow is free cash flow adjusted for non-recurring items.

We use Adjusted net income to measure our overall profitability because it better reflects our cash flow generation by capturing the actual cash interest paid and cash taxes paid rather than our interest expense and tax expense as calculated under GAAP and excludes the impact of the non-cash annual amortization of certain intangible assets. We use Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin and Adjusted EBITDA margin excluding technology-related license expenses to evaluate and control our cash operating costs and to measure our operating profitability. We use adjusted free cash flow and free cash flow to evaluate the amount of cash generated by the business that, after the capital investment needed to maintain and grow our business, can be used for strategic opportunities, including investing in our business and strengthening our balance sheet. We believe the presentation of Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses and adjusted free cash flow enhances our investors' overall understanding of the financial performance and cash flow of our business.

You should not consider Adjusted net income, Adjusted EBITDA, Adjusted EBITDA excluding technology-related license expenses, Adjusted EBITDA margin, Adjusted EBITDA margin excluding technology-related license expenses, adjusted free cash flow and free cash flow as an alternative to net income, determined in accordance with GAAP, as an indicator of operating performance, or as an alternative to net cash provided by operating activities, determined in accordance with GAAP, as an indicator of Allison's cash flow.

# Call Agenda

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- **Q4 2015 Performance**
- **2016 Guidance**



## Q4 2015 Performance Summary

(\$ in millions)	Q4 2015	Q4 2014	% Variance
Net Sales	\$478	\$544	(12.2%)
Gross Margin %	46.5%	47.0%	(50 bps)
Adjusted Net Income <sup>(1)</sup>	\$123	\$117	4.9%
Adjusted Free Cash Flow <sup>(1)</sup>	\$146	\$129	13.2%

### Commentary

**Net Sales:** the decrease was principally driven by lower demand in the global Off-Highway and Defense end markets, partially offset by price increases on certain products.

**Gross Margin:** the decrease was principally driven by decreased sales volume partially offset price increases on certain products and favorable material costs.

**Adjusted Net Income:** the increase was principally driven by decreased cash interest expense, price increases on certain products, favorable material costs, lower incentive compensation expense, reduced global commercial activities spending, reduced product initiatives spending, a favorable vendor settlement and 2014 foreign exchange losses on intercompany financing partially offset by decreased sales volume.

**Adjusted Free Cash Flow:** the increase was principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures.

(1) See Appendix for a reconciliation of Adjusted Net Income and Adjusted Free Cash Flow.

## Q4 2015 Sales Performance

(\$ in millions)

End Markets	Q4 2015	Q4 2014	% Variance	Commentary
North America On-Hwy	\$252	\$256	(2%)	Principally driven by lower demand for Pupil Transport / Shuttle Series models
North America Hybrid-Propulsion Systems for Transit Bus	\$23	\$17	35%	Principally driven by intra-year movement in the timing of orders
North America Off-Hwy	\$11	\$36	(69%)	Principally driven by lower demand from hydraulic fracturing applications
Defense	\$25	\$38	(34%)	Principally driven by reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts
Outside North America On-Hwy	\$65	\$65	0%	Principally driven by higher demand in Europe and Japan offset by lower demand in China and South America
Outside North America Off-Hwy	\$7	\$19	(63%)	Principally driven by lower demand in the energy sector
Service Parts, Support Equipment & Other	\$95	\$113	(16%)	Principally driven by lower demand for North America Off-Highway service parts partially offset by higher demand for global On-Highway service parts
<b>Total</b>	<b>\$478</b>	<b>\$544</b>	<b>(12%)</b>	

# Q4 2015 Financial Performance

(\$ in millions, except share data)	Q4 2015	Q4 2014	\$ Var	% Var	Commentary
Net Sales	\$478.2	\$544.4	(\$66.2)	(12.2%)	Decrease was principally driven by lower demand in the global Off-Highway and Defense end markets, partially offset by price increases on certain products
Cost of Sales	\$256.0	\$288.8	\$32.8	11.4%	
Gross Profit	\$222.2	\$255.6	(\$33.4)	(13.1%)	Decrease was principally driven by decreased sales volume partially by offset price increases on certain products, favorable material costs and lower incentive compensation expense
Operating Expenses					
Selling, General and Administrative Expenses	\$81.5	\$88.8	\$7.3	8.2%	Decrease principally driven by reduced global commercial activities spending and lower incentive compensation expense
Engineering – Research and Development	\$23.5	\$33.6	\$10.1	30.1%	Decrease principally driven by reduced product initiatives spending, lower incentive compensation expense and 2014 technology-related license expenses
Impairment Loss <sup>(1)</sup>	\$80.0	\$15.4	(\$64.6)	(419.5%)	Trade name impairment charge of \$80 million as a result of lower forecasted net sales for certain of our end markets
Total Operating Expenses	\$185.0	\$137.8	(\$47.2)	(34.3%)	
Operating Income	\$37.2	\$117.8	(\$80.6)	(68.4%)	
Interest Expense, net	(\$20.8)	(\$37.4)	\$16.6	44.4%	Decrease principally driven by mark-to-market adjustments for LIBOR swaps and debt repayments and refinancing
Other Income (Expense), net	\$3.3	(\$2.6)	\$5.9	226.9%	
Income Before Income Taxes	\$19.7	\$77.8	(\$58.1)	(74.7%)	
Income Tax Expense	(\$6.7)	(\$27.3)	\$20.6	75.5%	
Net Income	\$13.0	\$50.5	(\$37.5)	(74.3%)	
Diluted Earnings Per Share	\$0.08	\$0.28	(\$0.20)	(71.4%)	Q4 2015: 171.9M shares; Q4 2014: 180.8M shares
Adjusted Net Income <sup>(2)</sup>	\$122.8	\$117.1	\$5.7	4.9%	
Adjusted EBITDA <sup>(2)</sup>	\$170.1	\$185.3	(\$15.2)	(8.2%)	
Adjusted EBITDA excluding technology-related license expenses <sup>(2)</sup>	\$170.1	\$188.1	(\$18.0)	(9.6%)	

(1) 2014: Impairment of long lived assets and accrued expenses related to the production of the H3000 and H4000 hybrid propulsion systems.

(2) See Appendix for a reconciliation from Net Income.

## Q4 2015 Cash Flow Performance

(\$ in millions)	Q4 2015	Q4 2014	\$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	\$174	\$141	\$33	23.4%	Principally driven by lower excess tax benefit from stock-based compensation, reduced operating working capital, price increases on certain products, favorable material costs, lower global commercial activities and product initiatives spending, reduced technology-related license expenses and a favorable vendor settlement partially offset decreased sales volume and unfavorable product warranty adjustments
CapEx	\$28	\$27	\$1	5.7%	In line with prior period
Adjusted Free Cash Flow <sup>(1)</sup>	\$146	\$129	\$17	13.2%	Principally driven by increased net cash provided by operating activities partially offset by increased capital expenditures
(\$ in millions)	Q4 2015	Q4 2014	\$ Variance	% Variance	Commentary
Operating Working Capital <sup>(2)</sup> Percentage of LTM Sales	10.6%	9.4%	N/A	120 bps	Principally driven by reduced Accounts Payable due to 2014 payment timing partially offset by lower Accounts Receivable and Inventory due to decreased sales volume
Cash Paid for Interest	\$22	\$37	(\$15)	(40.9%)	Principally driven by debt repayments and refinancing
Cash Paid for Income Taxes	\$0	\$1	(\$1)	(86.7%)	In line with prior period

(1) See Appendix for a reconciliation of Adjusted Free Cash Flow.

(2) Operating Working Capital = A/R + Inventory – A/P.

# 2016 Guidance – End Markets Net Sales Commentary

(\$ in millions)

End Market	2015 Net Sales	2016 Midpoint	Commentary
North America On-Hwy	\$1,059	(7%)	Principally driven by persistently high commercial vehicle retail inventory levels and lower Class 8 straight truck production
North America Hybrid-Propulsion Systems for Transit Bus	\$73	(16%)	Principally driven by engine emissions improvements and non-hybrid alternative technologies that generally require a fully-automatic transmission (e.g. xNG)
North America Off-Hwy	\$55	(80%)	Principally driven by decreased demand from hydraulic fracturing applications
Defense	\$113	(1%)	Principally driven by decreased Tracked Defense demand partially offset by increased Wheeled Defense demand
Outside North America On-Hwy	\$262	2%	Principally driven by increased fully-automatic penetration partially offset by continued challenging market demand conditions
Outside North America Off-Hwy	\$35	(34%)	Principally driven by continued weakness in the energy and mining sectors
Service Parts, Support Equipment & Other	\$389	(6%)	Principally driven by decreased demand for global Off-Highway service parts

*Allison expects first quarter net sales to be lower than the first and fourth quarters of 2015. The anticipated year-over-year decrease in first quarter net sales is expected to occur principally due to lower demand in the North America On-Highway and global Off-Highway end markets.*

## 2016 Guidance - Summary

	Guidance	Commentary
Net Sales Change from 2015	(6.5) to (9.5) percent	Guidance reflects expectations for tempering demand conditions in the North America On-Highway end market, no meaningful relief from the global Off-Highway end market challenges and divergent global economic environments. Guidance also assumes previously considered reductions in demand for North America Hybrid-Propulsion Systems for Transit Bus due to engine emissions improvements and non-hybrid alternatives.
Adjusted EBITDA Margin	32.5 to 34.0 percent	Principally driven by Net Sales and the execution of several initiatives to align costs and programs across our business with challenging end markets demand conditions
Adjusted Free Cash Flow (\$ in millions)	\$400 to \$450	\$2.30 to \$2.60 per diluted share
CapEx (\$ in millions)		
Maintenance	\$60	Subject to timely completion of development and sourcing milestones
New Product Programs	\$5 to \$15	
Cash Income Taxes (\$ in millions)	\$10 to \$15	U.S. income tax shield and net operating loss utilization

# APPENDIX

## Non-GAAP Financial Information

# Non-GAAP Reconciliations (1 of 2)

## Adjusted Net Income and Adjusted EBITDA reconciliation

\$ in millions, Unaudited	For the year ended December 31						Three months ended December 31,	
	2010	2011	2012	2013	2014	2015	2014	2015
<b>Net income</b>	<b>\$29.6</b>	<b>\$103.0</b>	<b>\$514.2</b>	<b>\$165.4</b>	<b>\$228.6</b>	<b>\$182.3</b>	<b>\$50.5</b>	<b>\$13.0</b>
plus:								
Interest expense, net	277.5	217.3	151.2	132.9	138.4	114.5	37.4	20.8
Cash interest expense, net	(239.1)	(208.6)	(167.3)	(159.2)	(140.0)	(97.1)	(36.7)	(21.7)
Income tax expense (benefit)	53.7	47.6	(298.0)	100.7	139.5	106.5	27.3	6.7
Cash income taxes	(2.2)	(5.8)	(10.7)	(3.8)	(5.0)	(5.2)	(1.5)	(0.2)
Fee to terminate services agreement with Sponsors	—	—	16.0	—	—	—	—	—
Technology-related investment expenses	—	—	14.4	5.0	2.0	—	—	—
Public offering expenses	—	—	6.1	1.6	1.4	—	—	—
Impairments	—	—	—	—	15.4	81.3	15.4	80.0
Environmental Remediation	—	—	—	—	—	14.0	—	—
Amortization of intangible assets	154.2	151.9	150.0	105.3	98.8	97.1	24.7	24.2
<b>Adjusted net income</b>	<b>\$273.7</b>	<b>\$305.4</b>	<b>\$375.9</b>	<b>\$347.9</b>	<b>\$479.1</b>	<b>\$493.4</b>	<b>\$117.1</b>	<b>\$122.8</b>
Cash interest expense	239.1	208.6	167.3	159.2	140.0	97.1	36.7	21.7
Cash income taxes	2.2	5.8	10.7	3.8	5.0	5.2	1.5	0.2
Depreciation of property, plant and equipment	99.6	103.8	102.5	98.7	93.8	88.3	22.8	22.5
(Gain)/loss on redemptions and repayments of long-term debt	(3.3)	16.0	22.1	0.8	0.5	0.3	0.2	0.1
Dual power inverter module extended coverage	(1.9)	—	9.4	(2.4)	1.0	(2.1)	1.0	—
UAW Local 933 signing bonus	—	—	8.8	—	—	—	—	—
Benefit plan re-measurement	—	—	2.3	—	—	—	—	—
Unrealized loss (gain) on commodity hedge contracts	0.3	6.5	(1.0)	1.5	(1.0)	1.1	0.7	0.4
Unrealized (gain) loss on foreign exchange	(0.2)	0.3	0.1	2.3	5.2	1.4	1.8	(0.2)
Premiums and expenses on tender offer and redemption of long-term debt	—	56.9	—	—	—	25.3	—	—
Restructuring charges	—	—	—	1.0	0.7	—	—	—
Reduction of supply contract liability	(3.4)	—	—	—	—	—	—	—
Other, net <sup>(1)</sup>	10.9	8.6	7.0	13.8	14.7	9.8	3.5	2.6
<b>Adjusted EBITDA</b>	<b>\$617.0</b>	<b>\$711.9</b>	<b>\$705.1</b>	<b>\$626.6</b>	<b>\$739.0</b>	<b>\$719.8</b>	<b>\$185.3</b>	<b>\$170.1</b>
<b>Adjusted EBITDA excluding technology-related license expenses</b>	<b>\$617.0</b>	<b>\$711.9</b>	<b>\$717.1</b>	<b>\$632.6</b>	<b>\$745.1</b>	<b>\$720.0</b>	<b>\$188.1</b>	<b>\$170.1</b>
<b>Net Sales</b>	<b>\$1,926.3</b>	<b>\$2,162.8</b>	<b>\$2,141.8</b>	<b>\$1,926.8</b>	<b>\$2,127.4</b>	<b>\$1,985.8</b>	<b>\$544.4</b>	<b>\$478.2</b>
<b>Adjusted EBITDA margin</b>	<b>32.0%</b>	<b>32.9%</b>	<b>32.9%</b>	<b>32.5%</b>	<b>34.7%</b>	<b>36.2%</b>	<b>34.0%</b>	<b>35.6%</b>
<b>Adjusted EBITDA margin excl technology-related license expenses</b>	<b>32.0%</b>	<b>32.9%</b>	<b>33.5%</b>	<b>32.8%</b>	<b>35.0%</b>	<b>36.3%</b>	<b>34.6%</b>	<b>35.6%</b>

(1) Includes income related to benefit plan adjustments, employee stock compensation expense, service fees paid to Allison's Sponsors



## Non-GAAP Reconciliations (2 of 2)

### Adjusted Free Cash Flow reconciliation

\$ in millions, Unaudited	For the year ended December 31,						Three months ended December 31,	
	2010	2011	2012	2013	2014	2015	2014	2015
<b>Net Cash Provided by Operating Activities</b> (Deductions) or Additions:	<b>\$388.9</b>	<b>\$469.2</b>	<b>\$497.5</b>	<b>\$453.5</b>	<b>\$556.9</b>	<b>\$563.8</b>	<b>\$140.9</b>	<b>\$173.8</b>
Long-lived assets	(73.8)	(96.9)	(123.9)	(74.4)	(64.1)	(58.1)	(26.5)	(28.0)
Fee to terminate services agreement with Sponsors	—	—	16.0	—	—	—	—	—
Technology-related license expenses	—	—	12.0	6.0	6.1	0.2	2.8	—
Excess tax benefit from stock-based compensation	—	—	5.3	13.7	24.6	8.4	11.8	0.2
<b>Adjusted Free Cash Flow</b>	<b>\$315.1</b>	<b>\$372.3</b>	<b>\$406.9</b>	<b>\$398.8</b>	<b>\$523.5</b>	<b>\$514.3</b>	<b>\$129.0</b>	<b>\$146.0</b>
<b>Net Sales</b>	<b>\$1,926.3</b>	<b>\$2,162.8</b>	<b>\$2,141.8</b>	<b>\$1,926.8</b>	<b>\$2,127.4</b>	<b>\$1,985.8</b>	<b>\$544.4</b>	<b>\$478.2</b>
<b>Adjusted Free Cash Flow (% to Net Sales)</b>	<b>16.4%</b>	<b>17.2%</b>	<b>19.0%</b>	<b>20.7%</b>	<b>24.6%</b>	<b>25.9%</b>	<b>23.7%</b>	<b>30.5%</b>