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 26, 2017

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 26, 2017, Allison Transmission Holdings, Inc. ("Allison") published an earnings release reporting its financial results for the three months ended March 31, 2017. A copy of the earnings release is attached as Exhibit 99.1 hereto. Following the publication of the earnings release, Allison will host an earnings call on April 27, 2017 at 8:00 a.m. ET on which its financial results for the three months ended March 31, 2017 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On April 26, 2017, Allison posted the materials attached as Exhibits 99.1 and 99.2 on its web site (www.allisontransmission.com).

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

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

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit Number	Description
99.1	Earnings release dated April 26, 2017.
99.2	Investor presentation materials dated April 26, 2017.

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 26, 2017

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

EXHIBIT INDEX

Exhibit Number	Description
99.1	Earnings release dated April 26, 2017.
99.2	Investor presentation materials dated April 26, 2017.

Exhibit 99.1

Allison Transmission

News Release

Allison Transmission Announces First Quarter 2017 Results

- **Net Sales $499 million, Net Income $83 million, Adjusted EBITDA $192 million, Net Cash Provided by Operating Activities $111 million, Adjusted Free Cash Flow $103 million**

INDIANAPOLIS, April 26, 2017 – 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 $499 million, an 8 percent increase from the same period in 2016. The increase in net sales was principally driven by higher demand in the Service Parts, Support Equipment & Other end market.

Net Income for the quarter was $83 million compared to $48 million for the same period in 2016. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $192 million, or 38.5 percent of net sales, compared to $162 million, or 35.1 percent of net sales, for the same period in 2016. Net Cash Provided by Operating Activities for the quarter was $111 million compared to $118 million for the same period in 2016. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was $103 million compared to $113 million for the same period in 2016.

Lawrence E. Dewey, Chairman and Chief Executive Officer of Allison Transmission commented, "Allison's first quarter 2017 results exceeded the full year guidance ranges we provided to the market on February 6 principally driven by stronger than anticipated demand for North America service parts. Allison demonstrated solid operating margins and free cash flow while executing its well-defined approach to capital structure and allocation. During the first quarter, we settled $415 million of share repurchases and paid a dividend of $0.15 per share. Given first quarter 2017 results and current end markets conditions we are updating our full year net sales guidance to an increase in the range of 7.5 to 10.5 percent."

First Quarter Net Sales by End Market

End Market	Q1 2017 Net Sales ($M)	Q1 2016 Net Sales ($M)	% Variance
North America On-Highway	**255**	**257**	**(1%)**
North America Hybrid-Propulsion Systems for Transit Bus	**20**	**17**	**18%**
North America Off-Highway	**1**	**5**	**(80%)**
Defense	**27**	**25**	**8%**
Outside North America On-Highway	**72**	**70**	**3%**
Outside North America Off-Highway	**6**	**3**	**100%**
Service Parts, Support Equipment & Other	**118**	**85**	**39%**
Total Net Sales	**499**	**462**	**8%**

First Quarter Highlights

North America On-Highway end market net sales were down 1 percent from the same period in 2016 principally driven by lower demand for Highway Series and Rugged Duty Series models partially offset by higher demand in Pupil Transport/Shuttle and Transit/Other Bus models and up 18 percent on a sequential basis principally driven by higher demand for Rugged Duty Series, Pupil Transport/Shuttle Series and Transit/Other Bus models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were up 18 percent from the same period in 2016 principally driven by the timing of certain transit property orders and flat on a sequential basis.

North America Off-Highway end market net sales were down $4 million from the same period in 2016 and up $1 million on a sequential basis principally driven by the previously contemplated trailing impact of low energy prices.

Defense end market net sales were up 8 percent from the same period in 2016 and down 27 percent sequentially, in both cases principally driven by the intra-year movement in the timing of orders.

Outside North America On-Highway end market net sales were up 3 percent from the same period in 2016 principally driven by higher demand in India partially offset by lower demand in China and down 13 percent on a sequential basis principally driven by lower demand in Europe and China.

Outside North America Off-Highway end market net sales were up $3 million from the same period in 2016 principally driven by higher demand in the mining and energy sectors and up $2 million sequentially principally driven by higher demand in the mining sector.

Service Parts, Support Equipment & Other end market net sales were up 39 percent from the same period in 2016 and up 9 percent on a sequential basis principally driven by higher demand for North America service parts.

Gross profit for the quarter was $251 million, an increase of 17 percent from $215 million for the same period in 2016. Gross margin for the quarter was 50.3 percent, an increase of 380 basis points from a gross margin of 46.5 percent for the same period in 2016. The increase in gross profit from the same period in 2016 was principally driven by increased net sales, price increases on certain products and favorable manufacturing expense partially offset by higher incentive compensation expense.

Selling, general and administrative expenses for the quarter were $79 million, a decrease of $4 million from $83 million for the same period in 2016. The decrease was principally driven by favorable product warranty adjustments and 2016 stockholder activism expense partially offset by higher incentive compensation expense.

Engineering – research and development expenses for the quarter were $23 million, an increase of $2 million from $21 million for the same period in 2016. The increase was principally driven by higher incentive compensation expense.

Net income for the quarter was $83 million compared to $48 million for the same period in 2016. The increase was principally driven by increased gross profit, decreased interest expense and decreased selling, general and administrative expense partially offset by increased income tax expense.

First Quarter Non-GAAP Financial Measures

Adjusted EBITDA for the quarter was $192 million, or 38.5 percent of net sales, compared to $162 million, or 35.1 percent of net sales, for the same period in 2016. The increase was principally driven by increased net sales, price increases on certain products, favorable product warranty adjustments and favorable manufacturing expense partially offset by higher incentive compensation expense.

Adjusted Free Cash Flow for the quarter was $103 million compared to $113 million for the same period in 2016, a decrease of $10 million. The decrease was principally driven by increased accounts receivable commensurate with increased net sales and increased incentive compensation payments partially offset by increased gross profit and decreased cash interest expense.

Full Year 2017 Guidance Update

Our updated full year 2017 guidance includes a year-over-year net sales increase in the range of 7.5 to 10.5 percent, an Adjusted EBITDA margin in the range of 34 to 36 percent, an Adjusted Free Cash Flow in the range of $415 to $455 million, capital expenditures in the range of $70 to $80 million, which includes maintenance spending of approximately $65 million, and cash income taxes in the range of $65 to $75 million.

Allison’s full year 2017 net sales guidance reflects stronger demand for North America Off-Highway service parts and North America On-Highway products. Our full year 2017 net sales outlook also assumes price increases on certain products and a modest recovery in the Global Off-Highway end markets.

Although we are not providing specific second quarter 2017 guidance, Allison does expect second quarter net sales to be up sequentially principally driven by increased demand in the Global On-Highway end markets.

Conference Call and Webcast

The company will host a conference call at 8:00 a.m. ET on Thursday, April 27 to discuss its first quarter 2017 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 April 27 until 11:59 p.m. ET on May 4. 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 13659385.

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 2,600 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: risks related to our substantial indebtedness; uncertainty in the global regulatory and business environments in which we operate; 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 and other external factors impacting demand; 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, competitive threats 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; 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 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.

This press release also contains forward-looking estimates of non-GAAP Adjusted EBITDA Margin and Adjusted Free Cash Flow for fiscal year 2017. We are unable to provide a reconciliation of our forward-looking estimate of non-GAAP Adjusted EBITDA Margin to a forward-looking estimate of GAAP Net Income because certain information needed to make a reasonable forward-looking estimate of GAAP Net Income is difficult to predict and estimate and is often dependent on future events which may be uncertain or outside of our control. These may include unanticipated charges related to asset impairments (fixed assets, investments, intangibles or goodwill) and unanticipated non-recurring items not reflective of ongoing operations. We are unable to provide a reconciliation of our forward-looking estimate of non-GAAP Adjusted Free Cash Flow to a forward-looking estimate of GAAP Net Cash Provided by Operating Activities because certain information needed to make a reasonable forward-looking estimate of GAAP Net Cash Provided by Operating Activities is difficult to predict and estimate and is often dependent on future events which may be uncertain or outside of our control. These may include unanticipated non-recurring items.

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

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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, 2017	2016
Net sales	$ 499	$ 462
Cost of sales	248	247
Gross profit	251	215
Selling, general and administrative	79	83
Engineering - research and development	23	21
Operating income	149	111
Interest expense, net	(25)	(34)
Other income, net	3	—
Income before income taxes	127	77
Income tax expense	(44)	(29)
Net income	$ 83	$ 48
Basic earnings per share attributable to common stockholders	$ 0.53	$ 0.28
Diluted earnings per share attributable to common stockholders	$ 0.52	$ 0.28

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

	March 31, 2017	December 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 120	$ 205
Accounts receivable	250	197
Inventories	144	126
Other current assets	23	20
Total Current Assets	537	548
Property, plant and equipment, net	457	464
Intangible assets, net	3,161	3,183
Other non-current assets	24	24
TOTAL ASSETS	$ 4,179	$ 4,219
LIABILITIES		
Current Liabilities		
Accounts payable	$ 158	$ 128
Current portion of long term debt	12	12
Other current liabilities	208	202
Total Current Liabilities	378	342
Long term debt	2,390	2,147
Other non-current liabilities	674	649
TOTAL LIABILITIES	3,442	3,138
TOTAL STOCKHOLDERS’ EQUITY	737	1,081
TOTAL LIABILITIES & STOCKHOLDERS’ EQUITY	$ 4,179	$ 4,219

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

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net cash provided by operating activities	$ 111	$ 118
Net cash used for investing activities (a)	(8)	(6)
Net cash used for financing activities	(189)	(65)
Effect of exchange rate changes on cash	1	—
Net (decrease) increase in cash and cash equivalents	(85)	47
Cash and cash equivalents at beginning of period	205	252
Cash and cash equivalents at end of period	$ 120	$ 299
Supplemental disclosures:		
Interest paid	$ 14	$ 22
Income taxes paid	$ 3	$ 3
(a) Additions of long-lived assets	$ (8)	$ (6)

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

	Three months ended March 31, 2017	Three months ended March 31, 2016
Net income (GAAP) plus:	$ 83	$ 48
Income tax expense	44	29
Interest expense, net	25	34
Amortization of intangible assets	22	23
Depreciation of property, plant and equipment	19	21
Stock-based compensation expense (a)	2	2
Unrealized (gain) loss on foreign exchange (b)	(2)	1
Unrealized gain on commodity hedge contracts (c)	(1)	(1)
Stockholder activism expenses (d)	—	4
Dual power inverter module units extended coverage (e)	—	1
Adjusted EBITDA (Non-GAAP)	$ 192	$ 162
Net sales (GAAP)	$ 499	$ 462
Adjusted EBITDA margin (Non-GAAP)	38.5%	35.1%
Net Cash Provided by Operating Activities (GAAP)	$ 111	$ 118
(Deductions) or Additions to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	(8)	(6)
Stockholder activism expenses (d)	—	1
Adjusted Free Cash Flow (Non-GAAP)	$ 103	$ 113

(a) Represents employee stock compensation expense (recorded in Cost of sales, Selling, general and administrative expenses, and Engineering – research and development).
(b) Represents (gains) losses (recorded in Other income, net) on intercompany financing transactions related to investments in plant assets for our India facility.
(c) Represents unrealized gains (recorded in Other income, net) on the mark-to-market of our commodity hedge contracts.
(d) Represents expenses (recorded in Selling, general and administrative) of $4 million and payments of $1 million directly associated with stockholder activism activity including the notice, and subsequent withdrawal, of director nomination and governance proposals by Ashe Capital Management, LP in the first quarter of 2016.
(e) Represents an adjustment (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.

Exhibit 99.2

Q1 2017 Earnings Release

Published April 26, 2017 (Earnings Conference Call April 27, 2017)

Lawrence Dewey, Chairman & Chief Executive Officer
David Graziosi, 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 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; uncertainty in the global regulatory and business environments in which we operate; the concentration of our net sales in our top five customers and the loss of any one of these; 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, competitive threats 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 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, 2016.

Non-GAAP Financial Information

We use Adjusted EBITDA and Adjusted EBITDA margin to measure our operating profitability. We believe that Adjusted EBITDA and Adjusted EBITDA margin 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 margin 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 is Net income. 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 our debt agreement. Adjusted EBITDA margin 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 and strengthening our balance sheet. 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.

Call Agenda

- Q1 2017 Performance
- 2017 Guidance Update

Q1 2017 Performance Summary

($ in millions)	Q1 2017	Q1 2016	% Variance
Net Sales	$499	$462	8.0%
Gross Margin %	50.3%	46.5%	380 bps
Net Income	$83	$48	72.9%
Adjusted EBITDA[(1)]	$192	$162	18.5%
Adjusted Free Cash Flow [(1)]	$103	$113	(8.8%)

Commentary

Net Sales: increase was principally driven by higher demand in the Service Parts, Support Equipment & Other end market.

Gross Margin: increase was principally driven by increased net sales, price increases on certain products and favorable manufacturing expense partially offset by higher incentive compensation expense.

Net Income: increase was principally driven by increased gross profit, decreased interest expense and decreased selling, general and administrative expense partially offset by increased income tax expense.

Adjusted EBITDA: increase was principally driven by increased net sales, price increases on certain products, favorable product warranty adjustments and favorable manufacturing expense partially offset by higher incentive compensation expense.

Adjusted Free Cash Flow: decrease was principally driven by increased accounts receivable commensurate with increased net sales and increased incentive compensation payments partially offset by increased gross profit and decreased cash interest expense.

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

Allison Transmission

Q1 2017 Sales Performance

($ in millions)

End Markets	Q1 2017	Q1 2016	% Variance	Commentary
North America On-Hwy	$255	$257	(1%)	Principally driven by lower demand for Highway Series and Rugged Duty Series models partially offset by higher demand in Pupil Transport/Shuttle and Transit/Other Bus models
North America Hybrid-Propulsion Systems for Transit Bus	$20	$17	18%	Principally driven by the timing of certain transit property orders
North America Off-Hwy	$1	$5	(80%)	Principally driven by the previously contemplated trailing impact of low energy prices
Defense	$27	$25	8%	Principally driven by the intra-year movement in the timing of orders
Outside North America On-Hwy	$72	$70	3%	Principally driven by higher demand in India partially offset by lower demand in China
Outside North America Off-Hwy	$6	$3	100%	Principally driven by higher demand in the mining and energy sectors
Service Parts, Support Equipment & Other	$118	$85	39%	Principally driven by higher demand for North America service parts
Total	**$499**	**$462**	**8%**	

Q1 2017 Financial Performance

($ in millions, except per share data)	Q1 2017	Q1 2016	$ Var	% Var	Commentary
Net Sales	$499	$462	$37	8.0%	Increase was principally driven by higher demand in the Service Parts, Support Equipment & Other end market
Cost of Sales	$248	$247	($1)	(0.4%)	
Gross Profit	$251	$215	$36	16.7%	Increase was principally driven by increased net sales, price increases on certain products and favorable manufacturing expense partially offset by higher incentive compensation expense
Operating Expenses					
Selling, General and Administrative	$79	$83	$4	4.8%	Decrease was principally driven by favorable product warranty adjustments and 2016 stockholder activism expense partially offset by higher incentive compensation expense
Engineering – Research and Development	$23	$21	($2)	(9.5%)	Increase was principally driven by higher incentive compensation expense
Total Operating Expenses	$102	$104	$2	1.9%	
Operating Income	$149	$111	$38	34.2%	
Interest Expense, net	($25)	($34)	$9	26.5%	Decrease principally driven by favorable mark-to-market adjustments for our interest rate derivatives partially offset by interest expense for our interest rate derivatives that became effective in August 2016 and interest expense for revolving loans borrowing
Other Income, net	$3	$0	$3	N/A	
Income Before Income Taxes	$127	$77	$50	64.9%	
Income Tax Expense	($44)	($29)	($15)	(51.7%)	Decrease in effective tax rate principally driven by 2017 discrete activity related to the excess tax benefit from stock-based compensation
Net Income	$83	$48	$35	72.9%	
Diluted Earnings Per Share	$0.52	$0.28	$0.24	85.7%	Q1 2017: 159M shares; Q1 2016: 172M shares
Adjusted EBITDA[1]	$192	$162	$30	18.5%	
Adjusted EBITDA Margin[1]	38.5%	35.1%	-	3.4%	

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

Q1 2017 Cash Flow Performance

($ in millions)	Q1 2017	Q1 2016	$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	$111	$118	($7)	(5.9%)	Principally driven by higher accounts receivable commensurate with increased net sales, higher inventories and increased incentive compensation payments partially offset by increased gross profit, higher accounts payable and decreased cash interest expense as a result of the intra-year timing of debt payments
CapEx	$8	$6	$2	33.3%	Principally driven by timing of productivity and replacement program spending
Adjusted Free Cash Flow (1)	$103	$113	($10)	(8.8%)	Principally driven by decreased Cash Provided by Operating Activities and increased capital expenditures

($ in millions)	Q1 2017	Q1 2016	$ Variance	% Variance	Commentary
Operating Working Capital(2) Percentage of LTM Sales	12.6%	11.7%	N/A	90 bps	Principally driven by increased net sales
Cash Paid for Interest	$14	$22	($8)	(36.4%)	Principally driven by the intra-year timing of debt payments
Cash Paid for Income Taxes	$3	$3	$0	0.0%	Principally driven by increased income before taxes offset by the intra-year timing of income tax payments

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

2017 Guidance Update

	Guidance	Commentary
Net Sales Change from 2016	7.5 to 10.5 percent	Guidance reflects stronger demand for North America Off-Highway service parts and North America On-Highway products. Our full year 2017 net sales outlook also assumes price increases on certain products and a modest recovery in the Global Off-Highway end markets.
Adjusted EBITDA Margin	34 to 36 percent	
Adjusted Free Cash Flow ($ in millions)	$415 to $455	
CapEx ($ in millions) Maintenance New Products	 $65 to $70 $5 to $10	Subject to timely completion of development and sourcing milestones
Cash Income Taxes ($ in millions)	$65 to $75	

Allison Transmission

APPENDIX
Non-GAAP Financial Information

Non-GAAP Reconciliations (1 of 2)

Adjusted EBITDA reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended March 31,		Last twelve months ended March 31,
	2012	2013	2014	2015	2016	2016	2017	2017
Net income	**$514**	**$165**	**$229**	**$182**	**$215**	**$48**	**$83**	**$250**
plus:								
Interest expense, net	151	133	138	114	101	34	25	92
Income tax expense (benefit)	(298)	101	139	107	126	29	44	141
Fee to terminate services agreement with Sponsors	16	—	—	—	—	—	—	—
Technology-related investment expenses	14	5	2	—	1	—	—	1
Public offering expenses	6	2	1	—	—	—	—	—
Impairments	—	—	15	81	—	—	—	—
Environmental remediation	—	—	—	14	—	—	—	—
Amortization of intangible assets	150	105	99	97	92	23	22	91
Depreciation of property, plant and equipment	103	99	94	88	84	21	19	82
Loss on redemptions and repayments of long-term debt	22	1	1	1	—	—	—	—
Stockholder activism expenses	—	—	—	—	4	4	—	—
Dual power inverter module extended coverage	9	(2)	1	(2)	1	1	—	—
UAW Local 933 signing bonus	9	—	—	—	—	—	—	—
Benefit plan re-measurement	2	—	—	—	—	—	—	—
Unrealized loss (gain) on commodity hedge contracts	(1)	2	(1)	1	(2)	(1)	(1)	(2)
Unrealized loss (gain) on foreign exchange	—	2	5	1	1	1	(2)	(2)
Expenses related to long-term debt refinancing	—	—	—	25	12	—	—	12
Restructuring charges	—	1	1	—	—	—	—	—
Other, net[1]	8	13	15	11	9	2	2	9
Adjusted EBITDA	**$705**	**$627**	**$739**	**$720**	**$644**	**$162**	**$192**	**$674**
Net Sales	**$2,142**	**$1,927**	**$2,127**	**$1,986**	**$1,840**	**$462**	**$499**	**$1,877**
Adjusted EBITDA margin	**32.9%**	**32.5%**	**34.7%**	**36.2%**	**35.0%**	**35.1%**	**38.5%**	**35.9%**

(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 March 31,		Last twelve months ended March 31,
	2012	2013	2014	2015	2016	2016	2017	2017
Net Cash Provided by Operating Activities	**$498**	**$464**	**$573**	**$580**	**$591**	**$118**	**$111**	**$584**
(Deductions) or Additions:								
Long-lived assets	(124)	(75)	(64)	(58)	(71)	(6)	(8)	(73)
Fee to terminate services agreement with Sponsors	16	—	—	—	—	—	—	—
Technology-related license expenses	12	6	6	—	—	—	—	—
Stockholder activism expenses	—	—	—	—	4	1	—	3
Excess tax benefit from stock-based compensation	5	14	25	8	6	—	—	6
Adjusted Free Cash Flow	**$407**	**$409**	**$540**	**$530**	**$530**	**$113**	**$103**	**$520**
Net Sales	**$2,142**	**$1,927**	**$2,127**	**$1,986**	**$1,840**	**$462**	**$499**	**$1,877**
Adjusted Free Cash Flow (% to Net Sales)	**19.0%**	**21.2%**	**25.4%**	**26.7%**	**28.8%**	**24.5%**	**20.6%**	**27.7%**