

# Investor Relations Presentation Q2 2023

Published August 4, 2023



## 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 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; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments, competitive threats and changing customer needs, including with respect to electric hybrid and fully electric commercial vehicles; increases in cost, disruption of supply or shortage of labor, freight, raw materials, energy or components used to manufacture or transport our products or those of our customers or suppliers, including as a result of geopolitical risks, wars and pandemics; global economic volatility; general economic and industry conditions, including the risk of recession; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers or suppliers; the duration and spread of the COVID-19 pandemic, including new variants of the virus and the pace and availability of vaccines and boosters, mitigating efforts deployed by government agencies and the public at large, and the overall impact from such outbreak on economic conditions, financial market volatility and our business, including but not limited to the operations of our manufacturing and other facilities, the availability of labor, our supply chain, our distribution processes and demand for our products and the corresponding impacts to our net sales and cash flow; the highly cyclical industries in which certain of our end users operate; uncertainty in the global regulatory and business environments in which we operate; the concentration of our net sales in our top five customers and the loss of any one of these; the failure of markets outside North America to increase adoption of fully automatic transmissions; the success of our research and development efforts, the outcome of which is uncertain; U.S. and foreign defense spending and the timing of defense programs; risks associated with our international operations, including acts of war and increased trade protectionism; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to identify, consummate and effectively integrate acquisitions and collaborations; and risks related to our indebtedness.

Allison Transmission cannot assure you that the assumptions made in preparing any of the forward-looking statements will prove accurate or that any long-term financial goals will be realized. All forward-looking statements included in this presentation speak only as of the date made, and Allison Transmission undertakes no obligation to update or revise publicly any such forward-looking statements, whether as a result of new information, future events, or otherwise. In particular, Allison Transmission cautions you not to place undue weight on certain forward-looking statements pertaining to potential growth opportunities or long-term financial goals set forth herein. Actual results may vary significantly from these statements.

Allison Transmission’s business is subject to numerous risks and uncertainties, which may cause future results of operations to vary significantly from those presented herein. Important factors that could cause actual results to differ materially are discussed in Allison Transmission’s Annual Report on Form 10-K for the year ended December 31, 2022.

# Business Overview

## Leading designer and manufacturer of propulsion solutions for commercial and defense vehicles

- World's largest manufacturer of medium- and heavy-duty fully-automatic transmissions
- A leader and established supplier of commercial-duty electrified propulsion systems

## Premier brand, offering superior performance, frequently specified by end users

- Premium price component
- Differentiated technology
- Lower total cost of ownership

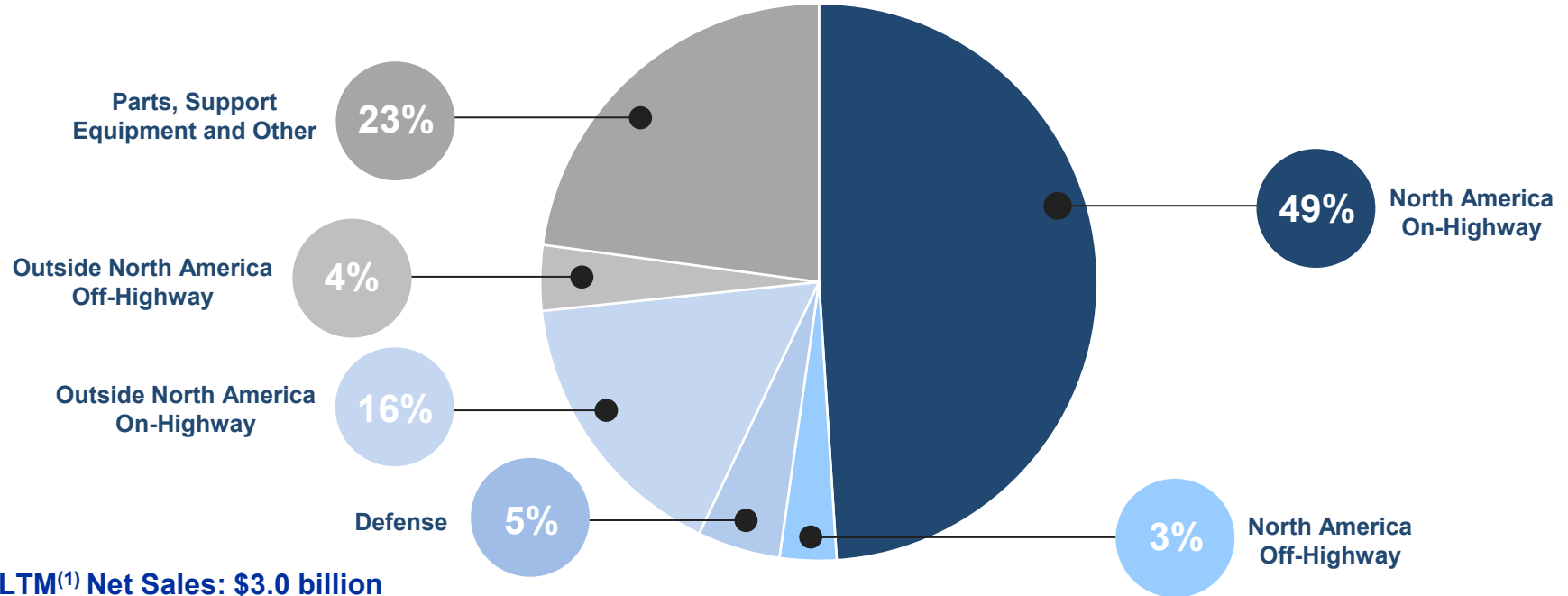
## Well positioned for revenue and earnings growth

- Further adoption outside North America
- Expanding addressable market
- Funded growth opportunities in asset-light business model
- \$400 million in incremental annual revenue opportunities

## Strong cash flow generation and well-defined capital allocation policy

- History of strong free cash flow generation
- Capital allocation priorities include: investing to grow the business, strategic acquisition priorities, and returning cash to shareholders

## LTM<sup>(1)</sup> Net Sales by End Market











**LTM<sup>(1)</sup> Net Sales: \$3.0 billion**

(1) LTM 6/30/2023

# North America On-Highway End Market



	Class 1-3	Underserved	Core Addressable Market				Underserved	Class 8 Tractor (Linehaul)
		Class 4-5	Motor Home	School Bus	Class 6-7	Class 8 Straight	Class 8 Tractor Daycab	
Vehicles								
Weight (000s of lbs)	<14 lbs	14-19 lbs	16-33 lbs	16-33 lbs	19-33 lbs	33 lbs+	33 lbs+	33 lbs+
Industry Units Produced (2022)	10,889,724	115,529	16,682	27,911	101,039	88,178	89,525	149,922
Allison Share 2022	0%	13%	44%	85%	79%	78%	5%	0%

- ~30-40% of Allison's North America On-Highway market volume is driven by municipal spending, reducing end-market volatility
- Opportunity to further grow share in Class 6/7 with All-New Mack MD Series and Isuzu F-Series medium-duty truck models, exclusively featuring Allison fully-automatic transmissions
- Increased infrastructure spending and construction will support demand for Class 8 ST opportunities
- \$100 million incremental annual revenue growth opportunity in the Class 8 Tractor Day Cab market with the Allison 4000 Series™ fully-automatic transmission and the award-winning Allison 3414 Regional Haul Series™(1) fully-automatic transmission, with proprietary xFE and FuelSense® 2.0 technology, launched with Navistar in 2020, Daimler Trucks North America (paired with diesel engine) and Volvo Trucks North America in 2021. Further releases in 2023 with Daimler Trucks North America, paired with natural gas engine in their Freightliner Cascadia and diesel engine in their M2 truck.

Note: Analysis excludes Allison's Dockspotter, Transit/Coach Bus, and Electric Hybrid Transit Bus volume.

Sources: Class 1-3 from WardsAuto North America Production (December 2022); Core Addressable Market from Allison Backcast, and Class 8 Tractor from Allison and ACT Research *State of the Industry* (January 2023)

(1) Addressable market for the 3414 Regional Haul Series (RHS) consists of approximately 25,000 units within the Class 8 Tractor Day Cab segment.

# Strategic Priorities



1000/2000 Series



3000 Series



4000 Series



FracTran



eGen Force



eGen Power Electric Axles

## Expand global market leadership

- Capitalize on improving developed markets demand
- New vocational offerings to expand addressable market
- Fully-integrated electrified propulsion solutions

## Emerging markets penetration

- Automaticity, fuel efficiency and safety trends
- Lower total cost of ownership
- Increasing number of vehicle releases

## Continued focus on new technologies and product development

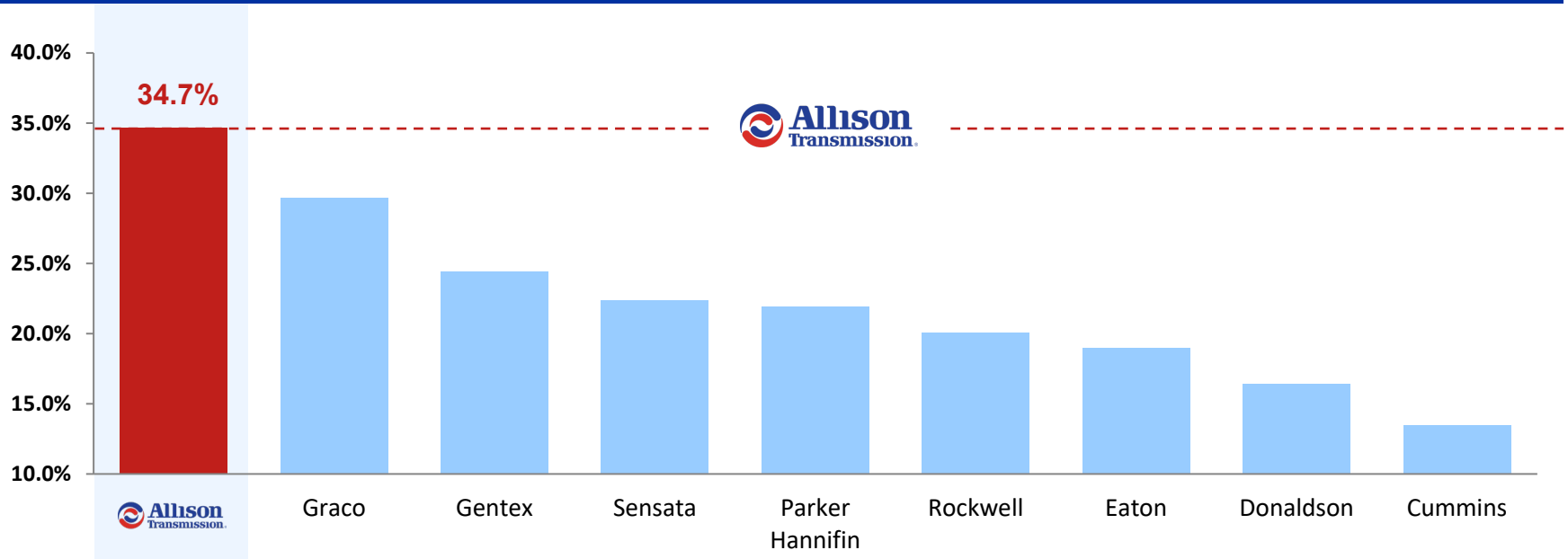
- Alternative fuels and electrified propulsion
- Advanced fuel efficient and emissions reduction technologies
- Enhancements to core technologies for new products and variants

## Deliver strong financial results

- Exploit capacity availability and asset-light business model
- Earnings growth and cash flow generation
- Focus on margin sustainment
- Well-defined capital allocation policy

# Elite EBITDA Margin

2022 EBITDA Margin<sup>(1)</sup>



(1) Fiscal year 2022 peer EBITDA provided by S&P Capital IQ Pro. EBITDA included above may not be consistent with such entity's reported EBITDA or Adjusted EBITDA, if available. EBITDA Margin: EBITDA or Adjusted EBITDA divided by net sales. \*See appendix for comments regarding the presentation of non-GAAP financial information.





1

**Next Generation of Commercial Propulsion**

2

**New Allison eGen™ Family of Electric Products**

3

**Allison eGen Power™ Electric Axle Solutions**

4

**Allison eGen Flex™ Electric Hybrid Propulsion**

5

**Allison eGen Force™ Electrified Transmission**

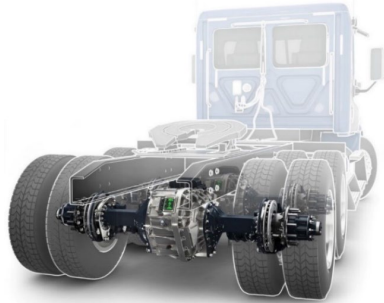
## Incremental growth opportunities for an established and experienced propulsion supplier such as Allison

- Expertise in commercial propulsion, vehicle controls and vocational duty cycles
- Deep experience in systems integration, battery management and power distribution
- State-of-the-art product development and testing capabilities
- Established service network
- Allison brand promise of quality, reliability and durability

## Positioning Allison to advance the next generation of commercial vehicle propulsion

- Expertise in commercial propulsion, vehicle controls and vocational duty cycles
- Deep experience in systems integration, battery management and power distribution
  - Fully-Integrated Electric Axles
  - Extended Range Electric Hybrid Propulsion
  - Systems & Battery Management
  - Multi-speed Centrally Located EV Drives
  - Transmission Integrated Generators
  - Electrification of Accessories

# Family of Electric Products



## eGEN Power™

- New line of fully-integrated zero-emission electric axles for medium- and heavy-duty commercial trucks
- Selected in Hino Trucks' "Project Z", Hino's zero-emission vehicle development program
- Strategic joint cooperation agreement with Anadolu Isuzu for electric axles to be integrated into light-duty truck and midibus platforms for refuse, distribution and public transportation applications
- Content per vehicle opportunity of more than 3x compared to a fully-automatic transmission



## eGEN Flex™

- Next generation zero-emission capable electric hybrid propulsion system
- Enables coach and transit bus fleets to evaluate full electric capability without range limitations or infrastructure investment
- Selected by multiple transit authorities across the United States including New York City, Indianapolis and Santa Clara Valley
- Released with major transit OEMs, GILLIG and New Flyer
- Content per vehicle of 10x-15x compared to a fully-automatic transmission for coach and transit buses

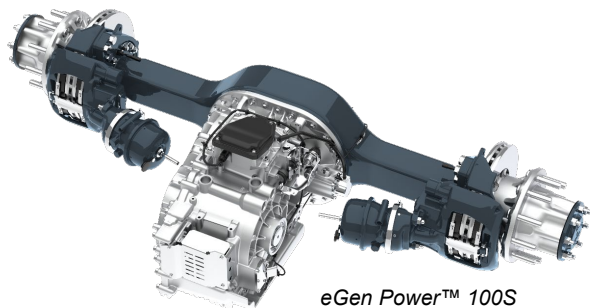


## eGEN Force™

- New electric hybrid propulsion system for tracked combat vehicles
- Designed for 50-ton tracked vehicles, also scalable to 70-ton tracked vehicles meeting future Main Battle Tank requirements
- Power distribution system featuring an electric motor and inverter for on-board vehicle power and parallel hybrid operation
- Engine-off mobility for reduced enemy detection, both acoustic and thermal, increasing soldier survivability
- Leverages use of established parts from X1100 transmission, used in Abrams Main Battle Tank

## eGEN Power™

- One of the most powerful and fully-integrated lines of zero-emission electric axles in the world
- Single and dual electric motor variants with multi-speeds and parallel axis architectures support high starting gradeability, top speed and energy efficiency
- Fully-integrated architectures eliminate many inefficiencies of competitive e-axle solutions
- Efficiency advantage enhances economic value and range capability
- Development and validation initiatives with major global OEMs, representing over 80% of North America On-Highway end market revenue
- Designed to fit between the wheels of medium- and heavy-duty trucks and buses



## eGEN Flex™

- Over \$1.5 billion in sales since 2003 launch
- Allison's electric hybrid propulsion system for coach and transit buses is among the most dependable and efficient electric hybrid systems in the world
- Demonstrated ability to operate in full engine-off mode for more than 50% of its time in operation across multiple routes within one of North America's largest transit fleets
- Drive unit integrates multiple electric motors and multi-speeds to optimize vehicle performance and fuel economy
- Allison is the lead electrification and system integrator, controlling the entire powertrain including the engine
- 9,500+ Allison electric hybrid propulsion systems delivered globally
  - 416 million gallons of fuel saved
  - 4.2 million metric tons of CO<sub>2</sub> emissions prevented
  - Serving 230+ cities
  - 3.5 billion miles of reliable operation



### Drive Unit

- Proven industry-leading reliability
- Disconnect clutch to enable disengaging input shaft from the engine
- Provides propulsion while the engine is at zero speed



### Inverter

- Improved efficiency
- Improved packaging – one-third the size and 50 lbs. lighter
- WEG cooling – no oil-coolant lines from drive unit, reducing installation complexity and maintenance costs

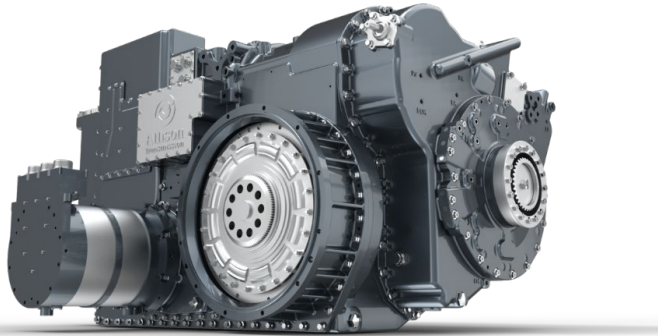


### Rechargeable Energy Storage System

- Lithium Titanate (LTO) chemistry, ideal for electric hybrid operation
- Increased energy capacity
- Industry-leading battery design life of eight years
- Faster charging than other chemistries

## eGEN Force™

- Newest product in Allison's extensive tracked vehicle portfolio
- Will enable electric hybrid propulsion, electric-only silent maneuverability and exportable power provisions for on- and off-board systems
- High efficiency range pack utilizes eight forward and three reverse gears providing an efficient 12:1 ratio coverage, generating 220 kilowatts of electrical power
- Designed to meet requirements across a broad spectrum of applications, including the heavy Infantry Fighting Vehicle and future Main Battle Tank markets
- Allison will provide the Next-Generation Electrified Transmission propulsion system for American Rheinmetall's Lynx vehicle, competing for the U.S. Army's XM30 Combat Vehicle (formerly, the Optionally Manned Fighting Vehicle) program
  - Strategic partnership with American Rheinmetall Vehicles, and its consortium including Raytheon Technologies, Textron Systems and L3 Harris
- The XM30 program is a priority ground modernization initiative that could replace nearly 4,000 Bradley Infantry Fighting Vehicles
- In June 2023, the U.S. Army down-selected from 5 to 2 OEMs, including American Rheinmetall Vehicles, to continue into the Detailed Design and Prototype Build and Testing phases
- The development of prototype vehicles is scheduled to begin in 2024, with government testing beginning in early 2026 and estimated start of production in 2029





1

**Global Market Leader and Premier Brand**

2

**End User Value Proposition**

3

**Leader in Commercial Propulsion**

4

**Diverse End Markets**

5

**Organic Growth Opportunities**

6

**Capital Allocation and Free Cash Flow Utilization**

# A Recognized Leader and Respected Brand



Over 100-year history of providing high-quality innovative products and demonstrated value to end users

Proprietary and patented technology developed over many decades and over eight million global units

End users frequently request Allison Transmission by name and pay a premium for them



## The Allison brand is associated with:

- High Quality
- Reliability
- Durability
- Vocational Value and Expertise
- Technological Leadership
- Superior Customer Service
- Attractive Total Lifecycle Value



## Advantages of a fully-automatic Allison Transmission

Productivity  
(acceleration)

Maintenance Savings  
(life cycle costs)

Fuel Efficiency and  
Reduced Emissions

Driver Skillset /  
Wages

Training  
(time, cost)

Shift Quality

Safety

Residual Value

End Users are Willing to Pay a Premium Price for Allison

Payback period for a premium Allison Transmission averages less than 3 years

Allison's addressable market encompasses a broad range of vocations with complex and diverse duty cycles

## On-Highway

- Fire and Emergency
- Pick-up, Delivery and Distribution
- Construction
- Refuse
- School, Transit, Shuttle and Coach Bus
- Day Cab Tractors
- Utility
- Motorhome

## Off-Highway

- Hydraulic Fracturing
- Oilfield Service and Support
- Rigid Mining Trucks
- Articulated Mining Trucks
- Underground Mining
- Construction
- Agriculture
- Specialty

## Defense

- Medium-tactical wheeled platforms (JLTV, FMTV)
- Heavy-tactical wheeled platforms (HEMTT, FHTV)
- Tracked combat platforms (M1 Abrams, M88A3, MPF)

Vocational diversity results in a complex application space that requires a range of propulsion solutions where Allison is a natural supplier

- Internal combustion engine applications
- Alternative fuel vehicles, including natural gas and propane, with proven performance and a funded infrastructure
- Electric hybrid systems, including flexible hybrid, range extender and plug-in options
- Full electric solutions, including hydrogen fuel cell and battery electric applications

# Very Diverse End Markets

	Distribution	Emergency	Motorhome	Rugged Duty	School/Shuttle Bus	Transit
Global	     	  	   	   	   	    
Off-Highway				 	 	
Defense					  	
Aftermarket						

# Over 350 OEMs Rely on Allison for Vehicle Propulsion Solutions



North America	On-Highway	
	Transit Bus	
	Off-Highway	
Outside North America	On-Highway	
	Off-Highway	
Defense	Medium- and Heavy-Tactical	



1

**\$400M of Incremental Annual Revenue Opportunities**

2

**Outside North America On-Highway Growth Strategy**

3

**Global Off-Highway Growth Strategy**

4

**North America On-Highway Growth Strategy**

5

**Global Defense Growth Strategy**

6

**Value Added On-Highway Variants & Enhancements**

# Growth Strategy – \$400M of Incremental Annual Revenue Opportunities



## Wide Body Mining Dump

- Penetration of new market for Allison's 4000 Series™ On-Highway transmission
- ALSN is released in all 10 OEMs operating in the WBMD truck market
- Quickly gaining market share in Chinese domestic market and export markets globally
  - Increased share from 0% to ~10% in 18 months
  - Estimated 25% share in 3-5 years
- Represents \$100M of incremental annual revenue opportunity

## FracTran™

- Purpose-built for hydraulic fracturing applications
- Introduced in 2021 and currently being tested in multiple oilfield fleets across the United States
- Expected start of production in mid-2023 with estimated realization of growth opportunity in 4-5 years
- Represents \$100M of incremental annual revenue opportunity

## Class 8 Day Cab and Regional Haul Tractor Market

- Allison 4000 Series™ transmission and 3414 Regional Haul Series™ transmission, an uprated variant of Allison's proven 3000 Series™ fully-automatic transmission designed to support the higher engine and torque requirements of Distribution and Regional Haul Class 8 tractors
- Lighter than competitive automated manual transmissions, and providing fleets with 25% faster acceleration and up to 8% fuel economy improvement
- Secured releases with top OEMs, including vertically integrated OEMs, such as Daimler and Volvo
- Represents \$100M of incremental annual revenue opportunity

## Defense End Market

- Growth opportunity based on increased global defense spending due to shifts in geopolitical dynamics, the war in Ukraine and US DoD modernization priorities
- Maintain long-standing relationship with US DoD with primary opportunity in tracked vehicle programs and international growth over the next few years accomplished through:
  - Expansion of sales of existing products to international allies
  - Growing relationships with global defense OEMs
  - New products and variants gaining interest globally
- Represents \$100M of incremental annual revenue opportunity

**Total of \$400M of Annual Incremental Revenue Opportunities**

# Outside North America On-Highway Growth Strategy



## Global market leadership expansion and emerging markets penetration

- Substantial investments in the expansion of global sales presence
- Ongoing OEM release activities
- Targeted end user initiatives drive demand for the Allison brand
- Vocational ladder approach facilitates service channel build out in developing markets

## Demand drivers vary by region

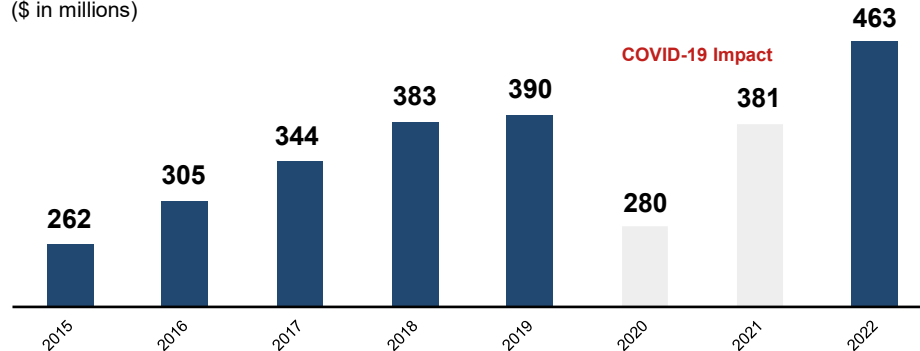
- Increasing vehicle sophistication
- Stricter emissions, fuel economy and safety standards
- Growing demand for productivity improvements
- Micro and demographic trends
- Focus on reducing lifecycle costs

## Focus on high value vocational vehicles

- Transit, refuse, fire & emergency, airport support, terminal tractors, dock spotters, mining and oil field support, construction, etc.
- Cost of vehicle downtime is higher
- Enhanced value proposition supported by 2-3 year payback period

## 5 years of consecutive revenue growth pre-COVID in Outside North America On-Highway, followed by record full-year net sales in 2022

(\$ in millions)



## Wide Body Mining Dump Truck market represents growth opportunity of \$100 million in incremental annual revenue



# Growth Strategy – Wide Body Mining Dump Truck

**\$100M**  
GROWTH OPPORTUNITY



● Wide Body Mining Dump Truck market represents growth opportunity of up to \$100 million in incremental annual revenue, including:

- Sales within China
- Export sales out of China
- SANY has established localized production in India for their WBMD truck, increasing opportunities for global penetration and market share gains

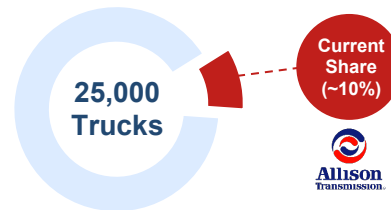


SANY SKT105S with Allison 4800 WBD™

Allison availability in all major OEMs



## Market Size





# Global Off-Highway Growth Opportunities



## Energy Sectors

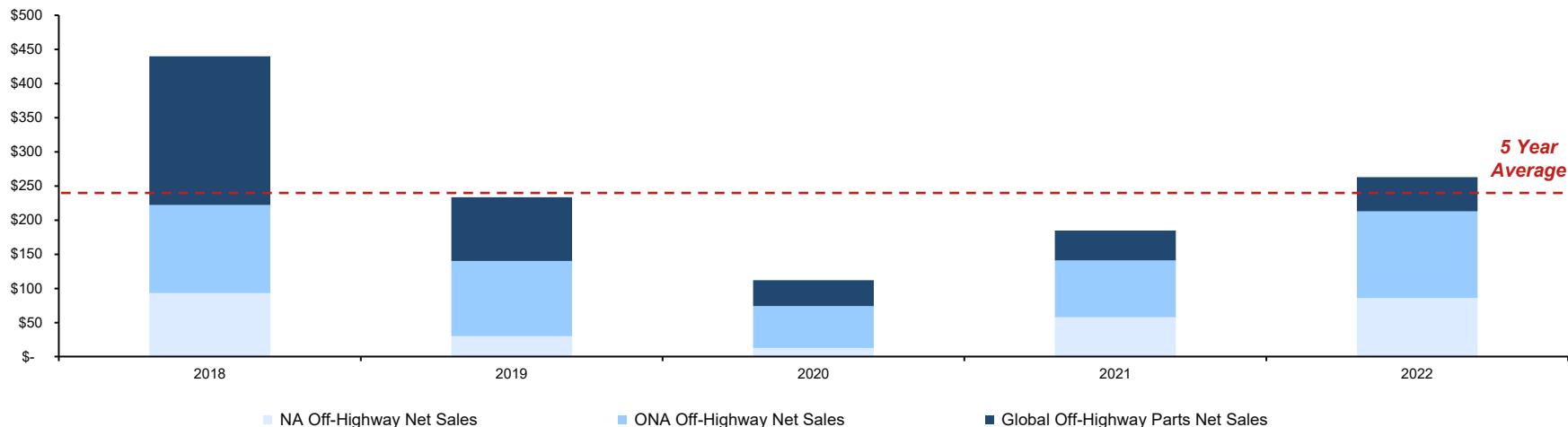
- Demand expected to be less cyclical with continued supply issues solved by multi-year investments
- Market tightness remains with capital discipline and limited equipment availability
- Continued investments in differentiated and higher horsepower solutions

## High Horsepower Hydraulic Fracturing Transmissions

- Launched FracTran™ in 2021, purpose-built to meet the harsh demands of global oil and gas fields with expected SOP mid-2023
- Addressing global market demand for higher horsepower, extended duty cycles, lower days-to-depth, higher recovery factors and smaller footprints
- New Oil Field Series (OFS) models based on six decades of industry expertise

## Mining and Construction

- Considerable end market cyclical, recovering from trough levels due to pent up demand and aging fleets
- Commodity prices support further expansion projects and continued demand
- Global economic recovery and increasing global urbanization, driving increased construction activity and raw material demand



## FRACTRAN™

- Allison's next generation, designed-from-the-ground-up Oil Field Series transmission for the hydraulic fracturing industry
- Represents a growth opportunity of \$100 million in incremental annual revenue, with SOP mid-2023
- FracTran™ is the result of extensive voice of customer insights and decades of duty cycle analysis
- Purpose-built for hydraulic fracturing to maximize customer productivity with high reliability and powerful performance
- Dual fuel compatibility for natural gas-powered engines, increased horsepower ratings and substantially reduced idle time
- Service life up to 25,000 hours, and an overhaul that provides a second life, reduces total cost of ownership
- The perfect combination of size, strength and features

### FEATURES THAT MATTER

Count on FracTran™ to deliver leading edge prognostics, diagnostics and connectivity so you can increase productivity and peace of mind, and maintain total control over your operations

#### Digital + Connected Services

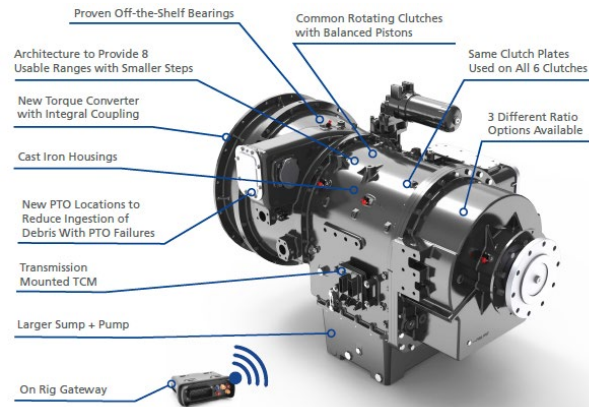
- On-rig telematics gateway provides fast, consistent access to data in and from the field enabling real-time learning and response to any issues

#### Prognostics

- Filter life monitoring
- Oil life monitoring
- Oil level monitoring

#### Diagnostics

- Next generation controls with increased diagnostic capability
- Torsional measuring diagnostics
- Dedicated converter temperature sensor
- Easy access to clutch pressure taps



# North America On-Highway Industry Outlook



- Ongoing global supply chain disruptions continue to limit production, despite very strong demand, resulting in long lead times and an extended cycle

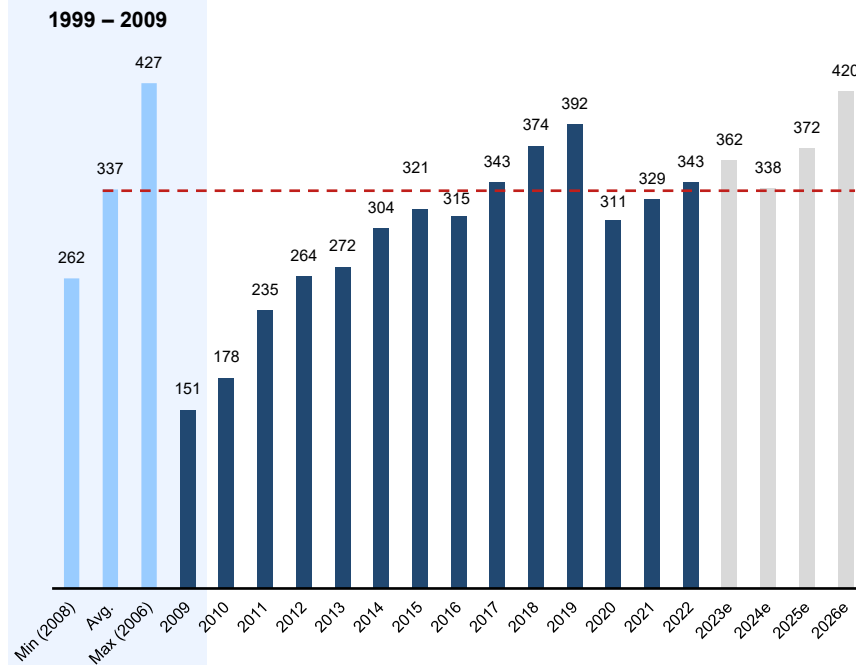
- Structural growth drivers remain intact

- Relative stability of Class 6/7 medium-duty market
- Continued growth in first and last mile delivery sector
- Increasing demand for fuel efficient vehicles

- Increased penetration opportunities

- A growth opportunity of \$100 million in incremental annual revenue in the Class 8 Regional Haul Day Cab market with the Allison 4000 Series™ fully-automatic transmission and 3414 RHS (Regional Haul Series™)
- Launched with Navistar in 2020, Daimler Trucks North America (paired with diesel engine) and Volvo Trucks North America in 2021, and further release with Daimler Trucks North America for natural gas engine in 2023
- All-New Mack MD Series line of medium-duty trucks and Isuzu F-Series Class 6/7 models, exclusive with the Allison fully-automatic transmission
- Class 4/5 commercial trucks launched by Chevrolet, Navistar and Isuzu, exclusively with the Allison fully-automatic

## North America Production in Allison's Core Addressable Market (units in 000s)<sup>(1)</sup>



(1) Source: ACT Research, July 2023. Includes: Class 4 through 8 less Class 8 Tractor & Class 8 Straight with Sleeper. 2023: Total 613,614 less Class 8 Tractor of 247,764 less Class 8 Straight with Sleeper of 3,441

# Growth Strategy – Regional Haul Tractor Market



Opportunity for growth in the Class 8 Day Cab and Regional Haul tractor markets

- Undeserved market for Allison with 5% market share in 2022

Increased fleet adoption and penetration opportunities with the Allison 4000 Series™ fully-automatic transmission and new 3414 RHS (Regional Haul Series™), an updated variant of Allison's proven 3000 Series™ fully-automatic transmission

The 3414 RHS is designed to support the higher engine and torque requirements of Distribution and Regional Haul Class 8 tractors, primarily serving urban environments

- Lighter than competitive automatic manual transmissions, and providing fleets with 25% faster acceleration and up to 8% fuel economy improvement
- Launched with Navistar in 2020, Daimler Trucks North America (paired with diesel engine) and Volvo Trucks North America in 2021, and further release with Daimler Trucks North America for natural gas engine in 2023
- Currently running in 3 of the top 5 private fleets in North America, which operate approximately 25,000 trucks combined

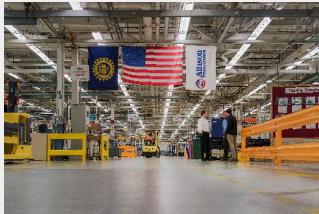
Class 8 Day Cab and Regional Haul tractor markets represents growth opportunity of \$100 million in incremental annual revenue



- Allison is committed to investing in and pursuing opportunities resulting from increased global defense spending in a multi-year growth cycle representing a \$100 million incremental annual revenue opportunity over the next few years
- Poised to capture growth through continuation of long-standing partnership with United States Department of Defense and diversifying revenue through increased international defense sales
- Opportunities for future long-term growth including eGen Force™ electric hybrid propulsion system for tracked combat vehicles. The eGen Force™ system has been selected by American Rheinmetall for their XM30 offering

## United States

- Allison provides transmissions to the US Department of Defense for all wheeled vehicles heavier than the Humvee and more than half of the armored combat vehicles used by the US Military
- Expectation of substantial growth in tracked vehicle programs including the Army's Mobile Protected Firepower (MPF), the M88A3 recovery vehicle and the continuation of the Abrams Main Battle Tank contract
- Growth and sustainment for numerous wheeled vehicle programs including the continuation of the JLTV program



## International

- Opportunities through expansion of sales of existing products
  - US Government planning to sell over 430 Abrams Main Battle Tanks (equipped with the Allison X1100) to Taiwan, Australia and Poland
- Increased relationships with global defense OEMs
  - Growing relationship with South Korea's Hanwha Aerospace as Allison's largest defense OEM
  - Hanwha's K9 Thunder Self-Propelled Howitzer planned sales to Egypt and Poland
- Development of new products and product variants driving growth
  - Allison's new 3040 MX medium-weight cross drive transmission
    - Selected by US Army for the MPF (Mobile Protected Firepower) program
    - Selected by India for their FICV (Future Infantry Combat Vehicle) as well as programs in Turkey and Poland
  - Allison's X1100 variant developed for the Turkish Firtina Self-Propelled Howitzer program

## FuelSense® 2.0

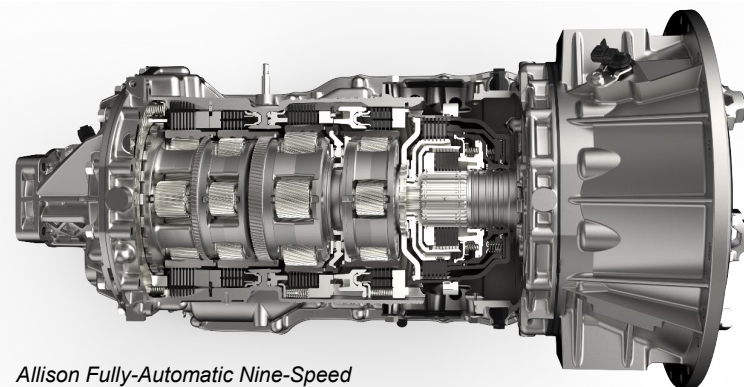
- Proprietary software launched in 2017, ideally suited for shift dense vocations such as transit, school bus, refuse, construction and distribution
- DynActive® Shifting utilizes learning algorithm to continuously find the ideal balance of fuel economy and performance
- Neutral at Stop trims fuel consumption and emissions by reducing load on the engine when the vehicle is stopped
- Acceleration Rate Management limits vehicle acceleration to a customized calibrated rate

## xFE Models

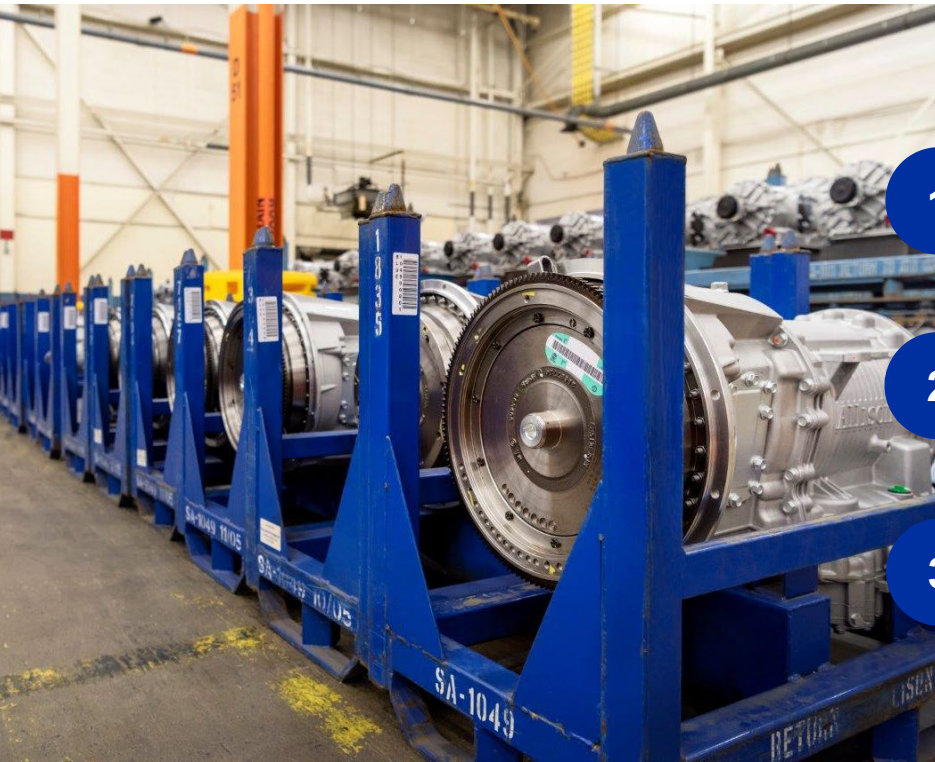
- New transmissions with redesigned torque converter damper, optimized gear ratios and coupled with FuelSense Max™ packages
- Represents the latest in fuel savings innovation
  - Fuel savings of up to 7% over comparatively equipped models with FuelSense® features
  - Best fuel economy from an automatic transmission
- Available in the 1000, 2000 and 3000 Series fully-automatic transmission models

## Nine-Speed Transmission

- New design leverages the proven reliability of the Allison six-speed 2000 Series™
- New benchmark in fuel efficiency and reduced emissions standards
- Significant fuel savings due to deep first gear ratio, industry leading ratio coverage and advanced engine stop-start capability
- Improved driver comfort and acceleration, allowing for a smoother launch and increased productivity



*Allison Fully-Automatic Nine-Speed*



1

**Significant Cash Flow Generation**

2

**Capital Allocation Priorities**

3

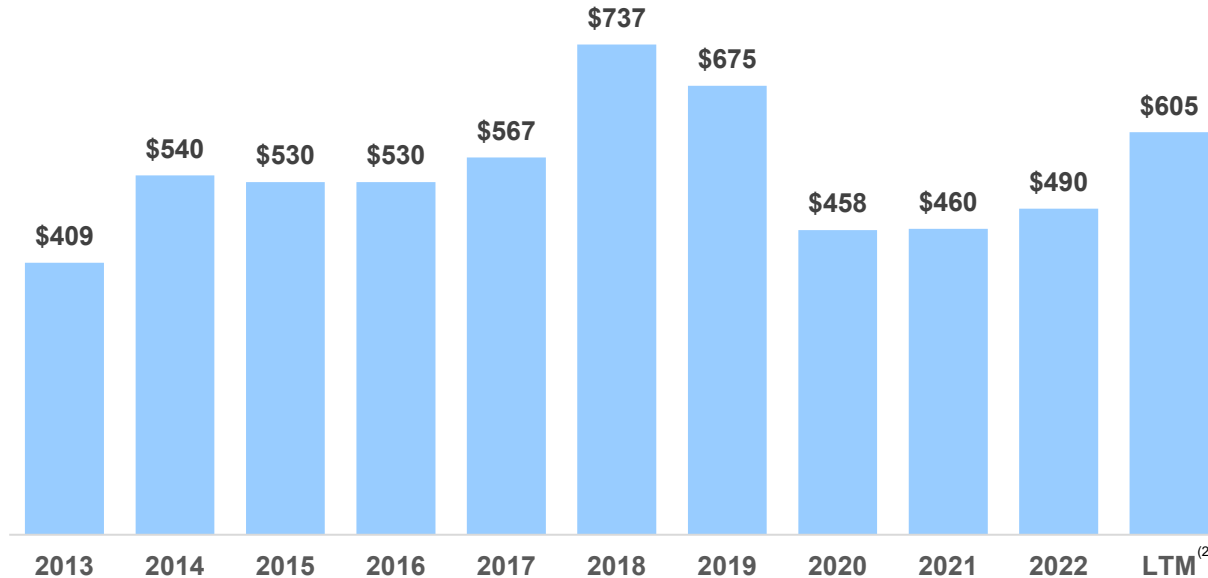
**Free Cash Flow Utilization**

# Significant Cash Flow Generation



## Adj. Free Cash Flow Generation<sup>(1)</sup>

(\$ in millions)



Note: See appendix for comments regarding the presentation of non-GAAP financial information.

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

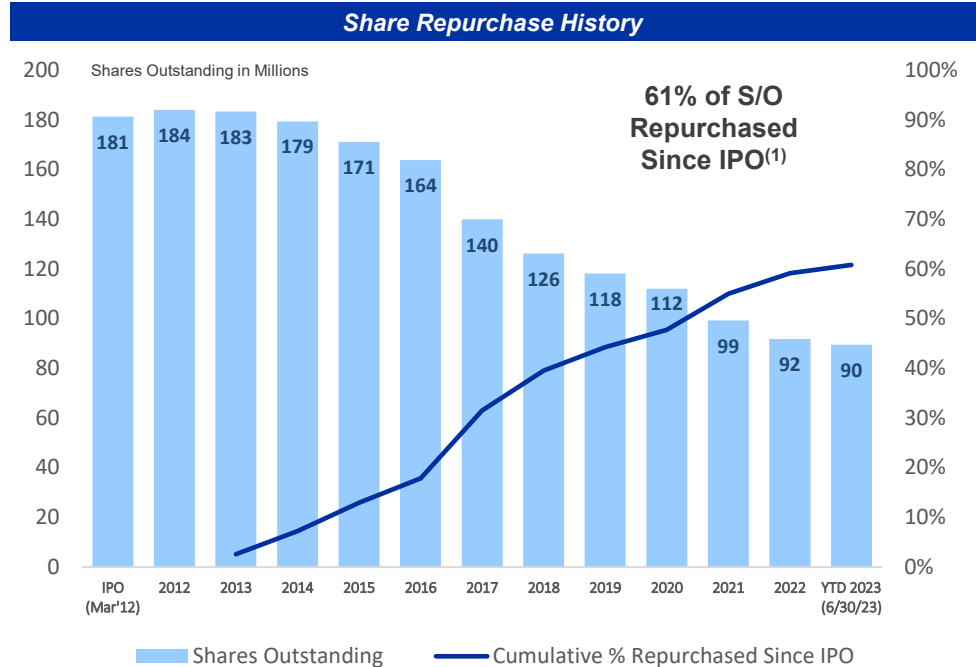
(2) LTM 6/30/23



# Capital Allocation Priorities



- Organic revenue and earnings growth
- New product and technology development
- Strategic acquisition opportunities
- Return of capital to shareholders
- Prudent balance sheet management
- Low-cost, flexible and pre-payable debt structure with long dated maturities
- As of 6/30/23, 61% of shares outstanding repurchased since IPO with \$0.9B of share repurchase authorization remaining
- Annual increases in the dividend since 2020



(1) Repurchased ~110M shares outstanding as of 6/30/23

# Free Cash Flow Utilization



- M&A Activity
- Other, Net<sup>(3)</sup>
- Share Repurchase
- Change in Cash, FX on Cash and Stock Options, Net<sup>(2)</sup>
- Debt Repayment/Refinancing/Borrowing
- Dividends

Note: See appendix for comments regarding the presentation of non-GAAP financial information.

(1) LTM 6/30/2023

(2) Net of change in Cash & Cash Equivalents

(3) 2009 adjusted for certain non-recurring activity: (a) capitalized accrued interest on Senior Toggle Notes (\$29) million, (b) cash restructuring charge \$51 million, (c) accounts payable early payments \$3 million, (d) delayed accounts receivable receipts \$19 million and (e) Lehman LIBOR swap settlement \$17 million. All periods adjusted for collateral for interest rate derivatives, purchase of available-for-sale securities, proceeds from disposal of assets, investments in technology-related initiatives and license expenses, and fee to terminate services agreement with Sponsors.

(4) \$898 million of authorized share repurchase capacity remaining as of 06/30/23

## Well-Defined Capital Allocation Policy

- Realize returns from completed investments in global commercial capabilities, and new product and technology development
- Prudent balance sheet management
- Return capital to shareholders
  - Quarterly dividend increased to \$0.23 per share in Q1 2023
  - Share repurchase authorization increased by \$1.0 billion to \$4.0 billion in Q1 2022<sup>(4)</sup>
- Low-cost, flexible and pre-payable debt structure with long dated maturities



# Financial Overview

# Allison Financial Highlights



- Solid operating margins
  - End markets diversity
  - Premium vocational pricing model
  - Cost controls and productivity improvements
- Low recurring (maintenance) capital expenditure requirements
- Positioned for long-term cash earnings growth
  - Multiple growth opportunities in asset light business model
- Strong free cash flow

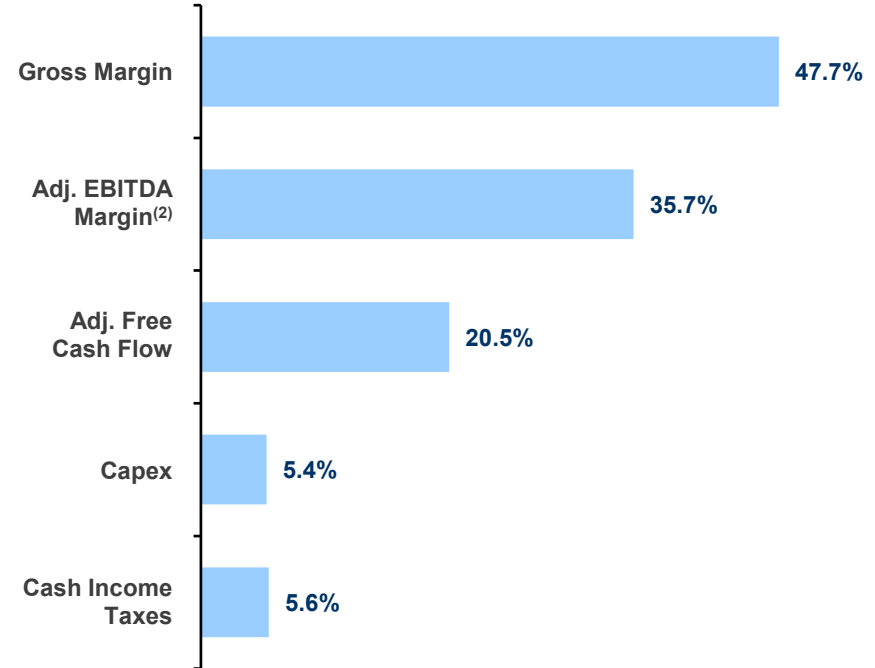
(1) LTM 6/30/2023.

(2) Adjusted EBITDA margin: Adjusted EBITDA divided by net sales.

Note: See appendix for comments regarding the presentation of non-GAAP financial information.

## LTM<sup>(1)</sup> Financial Metrics

(% of Net Sales)



# Strong Liquidity Profile

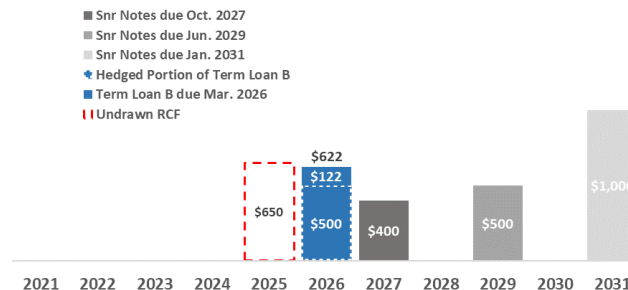


- Cash and Available Borrowing Capacity of \$996 million as of June 30, 2023
  - \$351 million of cash and cash equivalents
  - \$645 million of available revolving credit facility commitments, expiring in September 2025
- History of robust free cash flow generation
- Staggered, flexible, long-dated and covenant light debt structure with the earliest maturity due in March 2026
  - As of June 30, 2023, Allison held interest rate swaps that effectively hedge \$500 million of the variable rate debt associated with the Term Loan through September 2025
- Financial Covenants point to First Lien Net Leverage Ratio
  - Maximum threshold of 5.5x First Lien Net Leverage ratio (Net First Lien Debt to LTM Adj. EBITDA)
  - First Lien Net Leverage ratio of 0.26x as of June 30, 2023
- Net Leverage of 2.06x (Net Debt to LTM Adj. EBITDA) as of June 30, 2023
- Capital Allocation
  - Increased the quarterly dividend to \$0.23 per share in Q1 2023, the fourth consecutive year of dividend increases
  - 2% of outstanding shares repurchased in Q2 2023, with 61% of outstanding shares repurchased since IPO in 2012

## Long-Term Debt Profile & Credit Statistics

<i>(\$ in millions)</i>	6/30/2023
Cash and cash equivalents	\$351
Revolving Credit Facility due Sep 2025	\$0
Senior Secured Term Loan B due Mar 2026	\$622
Total First Lien Debt	\$622
Senior Notes due Oct 2027 (Fixed 4.75%)	\$400
Senior Notes due Jun 2029 (Fixed 5.875%)	\$500
Senior Notes due Jan 2031 (Fixed 3.75%)	\$1,000
Total Debt	\$2,522
Net Debt	\$2,171
First Lien Net Debt	\$271
<b>Credit Statistics:</b>	
LTM Adjusted EBITDA	\$1,054
First Lien Net Leverage Ratio	0.26x
Net Leverage Ratio	2.06x

## Current Debt Maturity Profile



## Allison Transmission is the global leader in the markets it serves

- Premier fully-automatic transmission brand
- Leading and established supplier of fully-integrated electrified propulsion systems
- Over 100-year operating history

## Strong financial position

- Elite EBITDA margin
- Asset light business model
- Significant free cash flow generation
- Returning capital to shareholders

## Substantial long-term growth opportunities

- Expand global leadership
- Penetrate emerging markets
- Address underserved markets
- Continuous product innovation



## Guidance/ Supplemental Financial Data

## 2023 Guidance (provided on July 27, 2023)



(\$ in millions)

Increased full year 2023 Net Sales, Net Income, Adjusted EBITDA, Net Cash Provided by Operating Activities and Adjusted Free Cash Flow guidance ranges

<b>\$2,960 - \$3,040</b>	<b>\$575 - \$625</b>	<b>\$1,050 - \$1,110</b>	<b>\$675 - \$725</b>	<b>\$125 - \$135</b>	<b>\$550 - \$590</b>
Net Sales	Net Income	Adjusted EBITDA*	Net Cash Provided by Operating Activities	Capital Expenditures	Adjusted Free Cash Flow*

Net sales guidance reflects higher customer demand in the Global On-Highway and Service Parts, Support Equipment & Other end markets, price increases on certain products and the continued execution of growth initiatives.

\*See Appendix for the Guidance Reconciliation



## Financial Summary

In \$ millions	LTM <sup>(1)</sup>										
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Net Sales	\$1,927	\$2,127	\$1,986	\$1,840	\$2,262	\$2,713	\$2,698	\$2,081	\$2,402	\$2,769	\$2,952
% Growth	(10.0%)	10.4%	(6.7%)	(7.3%)	22.9%	19.9%	(0.6%)	(22.9%)	15.4%	15.3%	15.7%
Adj. EBITDA <sup>(2)</sup>	633	745	720	644	868	1,128	1,083	732	844	961	1,054
% of Net Sales	32.8%	35.0%	36.3%	35.0%	38.4%	41.6%	40.1%	35.2%	35.1%	34.7%	35.7%
Total CapEx	74	64	58	71	91	100	172	115	175	167	160
% of Net Sales	3.9%	3.0%	2.9%	3.8%	4.0%	3.7%	6.4%	5.5%	7.3%	6.0%	5.4%
Adj. Free Cash Flow	409	540	530	530	567	737	675	458	460	490	605
% of Net Sales	21.2%	25.4%	26.7%	28.8%	25.1%	27.2%	25.0%	22.0%	19.2%	17.7%	20.5%

Note: See appendix for comments regarding the presentation of non-GAAP financial information.

(1) LTM 6/30/2023.

(2) Excluding technology-related license expenses 2012 of \$12 million, 2013 of \$6 million, 2014 of \$6 million.

# Allison Quarterly Sales Summary



## Quarterly Net Sales by End Market (\$ in millions)

Net Sales	2015					2016					2017				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
NA On-Highway	\$286	\$297	\$274	\$275	\$1,132	\$274	\$280	\$232	\$237	\$1,023	\$275	\$314	\$301	\$287	\$1,177
NA Off-Highway	\$22	\$10	\$12	\$11	\$55	\$5	\$1	\$1	\$0	\$7	\$1	\$5	\$17	\$28	\$51
Defense	\$25	\$29	\$34	\$25	\$113	\$25	\$28	\$25	\$37	\$115	\$27	\$30	\$35	\$25	\$117
ONA On-Highway	\$57	\$73	\$67	\$65	\$262	\$70	\$74	\$78	\$83	\$305	\$72	\$85	\$89	\$98	\$344
ONA Off-Highway	\$16	\$8	\$4	\$7	\$35	\$3	\$3	\$2	\$4	\$12	\$6	\$10	\$14	\$11	\$41
Parts, Support Equipment & Other	\$98	\$94	\$102	\$95	\$389	\$85	\$89	\$96	\$108	\$378	\$118	\$136	\$139	\$139	\$532
<b>Total Net Sales</b>	<b>\$504</b>	<b>\$511</b>	<b>\$493</b>	<b>\$478</b>	<b>\$1,986</b>	<b>\$462</b>	<b>\$475</b>	<b>\$434</b>	<b>\$469</b>	<b>\$1,840</b>	<b>\$499</b>	<b>\$580</b>	<b>\$595</b>	<b>\$588</b>	<b>\$2,262</b>
Net Sales	2018					2019					2020				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
NA On-Highway	\$339	\$343	\$332	\$303	\$1,317	\$377	\$398	\$369	\$330	\$1,474	\$352	\$164	\$281	\$284	\$1,081
NA Off-Highway	\$33	\$31	\$12	\$17	\$93	\$14	\$9	\$6	\$1	\$30	\$8	\$3	\$1	\$1	\$13
Defense	\$37	\$43	\$42	\$36	\$158	\$32	\$37	\$40	\$42	\$151	\$40	\$42	\$56	\$44	\$182
ONA On-Highway	\$91	\$101	\$96	\$95	\$383	\$94	\$106	\$99	\$91	\$390	\$72	\$60	\$71	\$77	\$280
ONA Off-Highway	\$12	\$24	\$46	\$47	\$129	\$27	\$40	\$24	\$18	\$109	\$27	\$19	\$4	\$11	\$61
Parts, Support Equipment & Other	\$151	\$169	\$164	\$149	\$633	\$131	\$147	\$131	\$135	\$544	\$138	\$89	\$119	\$118	\$464
<b>Total Net Sales</b>	<b>\$663</b>	<b>\$711</b>	<b>\$692</b>	<b>\$647</b>	<b>\$2,713</b>	<b>\$675</b>	<b>\$737</b>	<b>\$669</b>	<b>\$617</b>	<b>\$2,698</b>	<b>\$637</b>	<b>\$377</b>	<b>\$532</b>	<b>\$535</b>	<b>\$2,081</b>
Net Sales	2021					2022					2023				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	LTM		
NA On-Highway	\$319	\$302	\$275	\$281	\$1,177	\$346	\$340	\$340	\$333	\$1,359	\$376	\$397	\$1,446		
NA Off-Highway	\$2	\$9	\$20	\$27	\$58	\$18	\$20	\$24	\$24	\$86	\$24	\$25	\$97		
Defense	\$45	\$48	\$39	\$54	\$186	\$35	\$29	\$35	\$47	\$146	\$27	\$33	\$142		
ONA On-Highway	\$84	\$98	\$93	\$106	\$381	\$109	\$105	\$118	\$131	\$463	\$108	\$123	\$480		
ONA Off-Highway	\$16	\$18	\$14	\$35	\$83	\$30	\$32	\$36	\$29	\$127	\$23	\$24	\$112		
Parts, Support Equipment & Other	\$122	\$128	\$126	\$141	\$517	\$139	\$138	\$157	\$154	\$588	\$183	\$181	\$675		
<b>Total Net Sales</b>	<b>\$588</b>	<b>\$603</b>	<b>\$567</b>	<b>\$644</b>	<b>\$2,402</b>	<b>\$677</b>	<b>\$664</b>	<b>\$710</b>	<b>\$718</b>	<b>\$2,769</b>	<b>\$741</b>	<b>\$783</b>	<b>\$2,952</b>		



# Appendix

Non-GAAP Financial Information

## Appendix: Non-GAAP Financial Information

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We use Adjusted EBITDA and Adjusted EBITDA as a percent of net sales to measure our operating profitability. We believe that Adjusted EBITDA and Adjusted EBITDA as a percent of net sales provide management, investors and creditors with useful measures of the operational results of our business and increase the period-to-period comparability of our operating profitability and comparability with other companies. Adjusted EBITDA as a percent of net sales is also used in the calculation of management's incentive compensation program. The most directly comparable U.S. generally accepted accounting principles ("GAAP") measure to Adjusted EBITDA and Adjusted EBITDA as a percent of net sales is Net income and Net income as a percent of net sales, respectively. Adjusted EBITDA is calculated as the earnings before interest expense, net, income tax expense, amortization of intangible assets, depreciation of property, plant and equipment and other adjustments as defined by Allison Transmission, Inc.'s, the Company's wholly-owned subsidiary, Second Amended and Restated Credit Agreement. Adjusted EBITDA as a percent of net sales is calculated as Adjusted EBITDA divided by net sales.

We use Adjusted Free Cash Flow to evaluate the amount of cash generated by our business that, after the capital investment needed to maintain and grow our business and certain mandatory debt service requirements, can be used for repayment of debt, stockholder distributions and strategic opportunities, including investing in our business. We believe that Adjusted Free Cash Flow enhances the understanding of the cash flows of our business for management, investors and creditors. Adjusted Free Cash Flow is also used in the calculation of management's incentive compensation program. The most directly comparable GAAP measure to Adjusted Free Cash Flow is Net cash provided by operating activities. Adjusted Free Cash Flow is calculated as Net cash provided by operating activities, excluding non-recurring restructuring charges, after additions of long-lived assets.

# Non-GAAP Reconciliations (1 of 3)



## Adjusted EBITDA Reconciliation

\$ in millions, Unaudited	For the year ended December 31,										Last twelve months ended
											June 30,
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Net income (GAAP)</b>	<b>\$165</b>	<b>\$229</b>	<b>\$182</b>	<b>\$215</b>	<b>\$504</b>	<b>\$639</b>	<b>\$604</b>	<b>\$299</b>	<b>\$442</b>	<b>\$531</b>	<b>\$625</b>
plus:											
Interest expense, net	133	138	114	101	103	121	134	137	116	118	115
Income tax expense (benefit)	101	139	107	126	23	166	164	94	130	114	131
Technology-related investment expenses	5	2	—	1	16	3	—	—	(3)	(6)	(3)
Trade name impairments	—	—	80	—	—	—	—	—	—	—	—
Impairments of long-lived assets	—	15	1	—	32	4	2	—	—	—	—
Environmental remediation	—	—	14	—	—	—	(8)	—	—	—	—
Amortization of intangible assets	105	99	97	92	90	87	86	52	46	46	45
Depreciation of property, plant and equipment	99	94	88	84	80	77	81	96	104	109	109
Loss (gain) on redemptions and repayments of long-term debt	1	1	1	—	—	—	—	—	—	—	—
Stockholder activism expenses	—	—	—	4	—	—	—	—	—	—	—
Dual power inverter module extended coverage	(2)	1	(2)	1	(2)	—	—	—	—	—	—
UAW Local 933 signing bonus	—	—	—	—	10	—	—	—	—	—	—
UAW Local 933 retirement incentive	—	—	—	—	—	15	5	7	(2)	0	—
Unrealized loss/(gain) on commodity hedge contracts	2	(1)	1	(2)	—	—	—	—	—	—	—
Unrealized loss/(gain) on foreign exchange	2	5	1	1	—	3	—	2	—	6	3
Unrealized loss/(gain) on marketable securities	—	—	—	—	—	—	—	—	—	22	8
Expenses related to long-term debt refinancing	—	—	25	12	—	—	1	13	—	—	—
Restructuring charges	1	1	—	—	—	—	—	14	(4)	—	—
Stock based compensation expense	14	15	10	9	12	13	13	17	14	18	20
Other, net	79	(111)	20	—	—	—	1	1	1	3	1
<b>Adjusted EBITDA (non-GAAP)</b>	<b>\$705</b>	<b>\$627</b>	<b>\$739</b>	<b>\$644</b>	<b>\$868</b>	<b>\$1,128</b>	<b>\$1,083</b>	<b>\$732</b>	<b>\$844</b>	<b>\$961</b>	<b>\$1,054</b>
<b>Net Sales (GAAP)</b>	<b>\$1,927</b>	<b>\$2,127</b>	<b>\$1,986</b>	<b>\$1,840</b>	<b>\$2,262</b>	<b>\$2,713</b>	<b>\$2,698</b>	<b>\$2,081</b>	<b>\$2,402</b>	<b>\$2,769</b>	<b>\$2,952</b>
<b>Net income as a percent of net sales</b>	<b>8.6%</b>	<b>10.8%</b>	<b>9.2%</b>	<b>11.7%</b>	<b>22.3%</b>	<b>23.6%</b>	<b>22.4%</b>	<b>14.4%</b>	<b>18.4%</b>	<b>19.2%</b>	<b>21.2%</b>
<b>Adjusted EBITDA as a percent of net sales</b>	<b>36.6%</b>	<b>29.5%</b>	<b>36.2%</b>	<b>35.0%</b>	<b>38.4%</b>	<b>41.6%</b>	<b>40.1%</b>	<b>35.2%</b>	<b>35.1%</b>	<b>34.7%</b>	<b>35.7%</b>

## Non-GAAP Reconciliations (2 of 3)

### Adjusted Free Cash Flow Reconciliation

\$ in millions, Unaudited	For the year ended December 31,										Last twelve months ended June 30,
	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Net Cash Provided by Operating Activities (GAAP)</b>	<b>\$464</b>	<b>\$573</b>	<b>\$580</b>	<b>\$591</b>	<b>\$658</b>	<b>\$837</b>	<b>\$847</b>	<b>\$561</b>	<b>\$635</b>	<b>\$657</b>	<b>\$765</b>
(Deductions) or Additions:											
Long-lived assets	(75)	(64)	(58)	(71)	(91)	(100)	(172)	(115)	(175)	(167)	(160)
Restructuring charges	—	—	—	—	—	—	—	12	—	—	—
Technology-related license expenses	6	6	—	—	—	—	—	—	—	—	—
Stockholder activism expenses	—	—	—	4	—	—	—	—	—	—	—
Excess tax benefit from stock-based compensation	14	25	8	6	—	—	—	—	—	—	—
<b>Adjusted Free Cash Flow (non-GAAP)</b>	<b>\$409</b>	<b>\$540</b>	<b>\$530</b>	<b>\$530</b>	<b>\$567</b>	<b>\$737</b>	<b>\$675</b>	<b>\$458</b>	<b>\$460</b>	<b>\$490</b>	<b>\$605</b>

## Guidance Reconciliation

\$ in millions	Guidance	
	Year Ending December 31, 2023	
	Low	High
<b>Net Income (GAAP)</b>	<b>\$ 575</b>	<b>\$ 625</b>
plus:		
Depreciation and amortization	170	170
Income tax expense	171	181
Interest expense, net	118	118
Stock-based compensation expense	22	22
Unrealized gain on marketable securities	(3)	(3)
Technology-related investments gain	(3)	(3)
<b>Adjusted EBITDA (Non-GAAP)</b>	<b>\$ 1,050</b>	<b>\$ 1,110</b>
<b>Net Cash Provided by Operating Activities (GAAP)</b>	<b>\$ 675</b>	<b>\$ 725</b>
(Deductions) to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	\$ (125)	\$ (135)
<b>Adjusted Free Cash Flow (Non-GAAP)</b>	<b>\$ 550</b>	<b>\$ 590</b>

## Certain Trademarks

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