



Allison Transmission

Acquisition of Dana Off-Highway Business

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C O R P O R A T E P A R T I C I P A N T S

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Tami Zakaria, *JPMorgan Chase*

Jatin Khanna, *Goldman Sachs*

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P R E S E N T A T I O N

Operator

Good morning. Welcome to Allison Transmission's analyst and investor call covering the recently announced acquisition of Dana Incorporated's off-highway business. My name is Melissa and I will be your conference call operator today.

At this time all participants are in a listen-only mode. After prepared remarks, Allison Transmission executives will conduct a question-and-answer session and conference call participants will be given instructions at that time.

As a reminder, this conference is being recorded.

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

Jacalyn Bolles

Thank you, Melissa. Good morning and thank you for joining us.

With me this morning are Dave Graziosi, our Chair and Chief Executive Officer; Fred Bohley, our Chief Operating Officer; and Scott Mell, our Chief Financial Officer and Treasurer. As a reminder, this conference call, webcast, and presentation are available on the Investor Relations section of allisontransmission.com.

As noted on Slide 2 of the presentation, many of our remarks today contain forward-looking statements based on our current expectations. These forward-looking statements are subject to known and unknown risks, including those set forth in our Annual Report on Form 10-K for the year ended December 31, 2024, and the press release we issued on June 11, 2025. Should one or more of these risks or uncertainties materialize, or should underlying assumptions or estimates prove incorrect, actual results may vary materially from those that we express today.

Please turn to Slide 3 of the presentation for the call agenda. Today's call is set to end at 9:30 a.m. Eastern time.

During today's call, Dave Graziosi will provide an overview of the transaction and its alignment with Allison's strategic priorities. Fred Bohley will then give an overview of Dana's off-highway business and cover strategic rationale behind the acquisition. Scott Mell will cover financial details of the transaction and acquisition benefits prior to commencing the Q&A.

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

Dave Graziosi

Thank you, Jackie, and thank you to those joining us on this call. We are pleased to host this call today to discuss our acquisition of Dana's off-highway business.

As shown on Slide 4 of the presentation, this acquisition aligns with Allison's strategic priorities to expand our emerging markets footprint, enhance our core technologies and deliver strong financial results. We believe this transaction will accelerate Allison's growth and innovation as a global commercial-duty work solutions provider to the on-highway, off-highway and defense end markets. Upon closing of the transaction, Allison will be able to offer a wider range of commercial duty powertrain and industrial solutions to more customers and end users worldwide. Please turn to Slide 5 of the presentation for transaction highlights.

The purchase price of \$2.7 billion to be financed with new debt and cash on hand represents a 6.8x multiple on 2024 Adjusted EBITDA of approximately \$400 million. Including identified annual run rate synergies of around \$120 million, the transaction value represents a 5.2x multiple on 2024's Adjusted EBITDA. We expect to substantially achieve identified annual run rate synergies by Year 4, primarily from operations, procurement, IR&D and SG&A. The acquisition of Dana's Off-Highway business is expected to be immediately accretive to Allison's diluted earnings per share and has been approved by both Boards of Directors. The transaction is supported by fully committed debt financing and is subject to customary regulatory approvals. From a financial perspective, this acquisition will substantially increase Allison's revenue while increasing our Adjusted EBITDA by 40% and provides a broad range of new growth opportunities. We are confident in our ability to maintain our strong financial performance with continued commitment to prudent balance sheet management and stockholder-friendly capital allocation priorities.

I want to express my gratitude to the Allison and Dana teams and their advisers and partners. Your efforts have been instrumental in making this opportunity possible. This acquisition marks a transformative step in Allison's commitment to empowering our current and future customers with propulsion and powertrain solutions that *Improve the Way the World Works*.

Thank you, and I'll now turn the call over to Fred.

Fred Bohley

Thanks, Dave. Please turn to Slide 7 of the presentation for an overview of Dana's off-highway business.

The business currently operates in over 25 countries and serves a global customer base supported by approximately 11,000 employees. For 2024, the business generated \$2.8 billion of revenue with adjusted EBITDA of \$400 million and adjusted free cash flow of \$280 million. Importantly, aligning with our strategic priorities to expand our global presence, last year over 70% of revenue was generated outside of North America and over 90% of revenue was generated in product categories other than transmissions.

Providing solutions for a wide range of applications in construction, forestry, agriculture, specialty, aftermarket, industrial and mining segments, Dana's off-highway business is recognized for its industry-leading powertrain technologies encompassing axles, propulsion solutions and drivetrain components. Additionally, the business specializes in electric and hybrid drivetrain systems tailored to diverse customer needs and is further distinguished by its global network of manufacturing facilities and technical centers. A detailed overview of Dana's off-highway product portfolio and end markets and its combination with Allison's current product portfolio can be found on Slide 8 and 9 of the presentation.

Strategically, this acquisition will expand our product portfolio with a complementary range of products including axles, gears and gearboxes. We will leverage share core competencies in software and controls, system integration and electrified propulsion to accelerate product innovation and expand into adjacent, diverse and attractive end markets. We believe these advantages will not only improve our position today, but will also lay the foundation for future growth.

This acquisition will further enhance our ability to deliver innovative solutions, positioning Allison as a leader in the transition to more sustainable future across a wide variety of end markets. Please turn to Slide 10 of the presentation.

Consistent with our strategic priority of growing our international presence, this transaction will provide Allison with access to new end markets while also expanding our off-highway product offerings in construction, mining and agricultural sectors, all while preserving our current portfolio mix that has historically been less cyclical than the broader end markets.

Slide 11 of the presentation highlights the expanded global platform achieved by the acquisition, including enlarging our local innovation, research and development, engineering and manufacturing footprints outside North America, and broadening our customer base globally.

To summarize, this acquisition aligns with Allison's strategic priorities to expand our emerging market footprint, enhance our core technology, and deliver industry-leading financial results.

With this transaction, Allison will be able to offer a wider range of commercial duty powertrain and industrial solutions, expanding our position as a leader in the end markets we serve.

Thank you, and I'll now pass the call to Scott.

Scott Mell

Thanks, Fred. Please turn to Slide 13 of the presentation.

With the acquisition of Dana's off-highway business, Allison's net sales will nearly double to approximately \$6 billion. We expect to maintain our designation as a premier industrial asset.

Including anticipated annual run rate synergies of \$120 million, we expect Adjusted EBITDA to grow over 40% to \$1.7 billion and maintain our industry-leading Adjusted EBITDA margins.

Moving on to Slide 14 of the presentation, Allison is committed to prudent balance sheet management, maintaining ample liquidity and flexible financing. Our debt structure remains long-dated and covenant-light with our earliest maturity due in October 2027.

Importantly, our commitment to our capital allocation priorities remains unchanged. Allison's robust cash flow enables our continued prioritization of returning excess cash to stockholders through our quarterly dividend and share repurchase authorization. We remain confident in our financial outlook and our ability to execute on both near-term and long-term priorities and growth opportunities.

We are pleased to share this announcement with our stakeholders and look forward to providing further updates as we progress through integration.

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

Operator

Thank you. If you'd like to ask a question, please press star, one on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star, two if you would like to remove your question from the queue. For participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. To allow for as many questions as possible, we ask that you each keep to one question and one follow-up. Thank you. One moment, please, while we poll for questions.

Thank you. Our first question comes from the line of Rob Wertheimer with Melius Research. Please proceed with your question.

Paddy Bogart

Hi guys. This is Paddy Bogart on the call for Rob Wertheimer. Congrats on the deal. We're just trying to get an understanding of what the rough market share would be of Dana's off-highway business. And aside from the synergies, how do you think about margin potential?

Dave Graziosi

Paddy, it's Dave. Thank you for the question. In terms of Dana's off-highway market share, certainly a significant player in that particular end market. Obviously, when you look at the combination, as we've talked about here this morning of Dana's off-highway business with Allison's, we're certainly looking forward to a broader platform, both products and solutions for that particular end market. So I think from an execution perspective, certainly looking forward to having that talented team join ours and certainly be able to approach the market again from a broader local platform perspective.

Paddy Bogart

Okay. Thanks, guys.

Operator

Thank you. Our next question comes from the line of Ian Zaffino with Oppenheimer & Company. Please proceed with your question.

Ian Zaffino

Great. Thank you very much and congratulations on the deal. My question would be on, I guess, help us understand the go-to-market strategy here. I know Allison has been very successful on kind of a two-prong where you go to the OE, you go to the customer and you drive your pricing more in vocational. What's sort of the opportunity to do that at the new acquired company? Can you do that? Is there anything to learn from the other side as well as you kind of go to market and think about your pricing and kind of the value of your product? Thanks.

Dave Graziosi

Ian, it's Dave. Thank you for the question.

First of all, we look at both of our businesses in terms of values and frankly, brand promises, very consistent: quality, innovation, integrity, teamwork, customer focused. From a brand, you think about reliability, durability, value, performance.

To your question in terms of how we—Allison—has historically priced its products, as you know, we priced on the value that's delivered to the end user. I do not believe that you would find a different answer in terms of Dana's off-highway business. Their customers, their end users expect and deserve a high level of reliability and performance. So we expect and certainly we'll approach it from the standpoint historically that that team has approached the market from go-to-market, which is to ultimately sell based on value and ultimately stand behind that in terms of reliability and performance. So we see tremendous amount of consistency and are excited to have the combination of the two organizations and these teams with very extensive go-to-market reach as well as duty cycle application and market knowledge, etc.

So it's very exciting, as I said, for our team and ultimately welcome the opportunity to work with Dana's off-highway team.

Ian Zaffino

Thank you very much.

Operator

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

Brendan Shea

Hi. Thank you. This is Brendan on for Angel. You mentioned a robust combined free cash flow and the ability to continue to prioritize returning cash to shareholders. Does that mean that you plan on maintaining your dividend and share repurchase programs while deleveraging back to that near-term below 2 times leverage target?

Fred Bohley

Hi Brendan, this is Fred. Thanks for the question. What I would say is when you think about our capital allocation priorities, nothing has changed. First and foremost, we're going to fund the business for organic revenue growth, new product development.

Obviously, this is a meaningful acquisition. If you think about what we've done in the M&A space, really pre-pandemic and supply chain challenges, the acquisition of aluminum die-cast manufacturer, the pace at which we've spent on electrification, acquiring the AxleTech Electric Vehicle System division, but also spending at a pace for when we thought market adoption would be there. One thing that we benefit from is a very consistent cash flow stream. Thinking back all the way into the middle of the pandemic, we generated in 2020 over \$450 million in free cash flow.

One thing that's attracting about the Dana off-highway business is it also consistently delivers from a financial performance: generates significant cash and, like us, has a relatively low capital requirement, something like 2%, maybe 2.5% of sales.

As we think about going forward, fortunately we're in a position where we can delever. We can continue, obviously, to pay the dividend. I mean, we've raised the dividend over the last five years by 67% and we're still going to be repurchasing shares.

Just thinking about coming up through this acquisition in the second quarter, we've already repurchased close to a million shares: 1.1% of shares outstanding quarter-to-date. We still look at the marketplace and see our shares as being meaningfully undervalued, so that's certainly a place that we plan to allocate capital.

Obviously, we'll be focused on delevering as well in the near term. But again, our business generates consistent cash flow combined with the Dana business. All the things that Dave said. I mean, this acquisition of Dana checks a significant number of marks, but it's also a business that generates significant cash flow, which is something that we find very attractive.

Brendan Shea

Got it. Thank you for that color.

And then can you talk to the carve-out portion of the transaction that's associated with this? I think Dana said this morning that they were going to keep a portion of their off-highway business that was \$130 million in revenue or so. Just curious if you could provide more color there, please.

Dave Graziosi

Brendan, it's Dave. To Dana's comments, yes, there is a portion of their off-highway segment that they will retain. When you think about the balance of the portfolio and the integration efforts that will have to take place, historically, this business has largely been operated very much standalone with some level of oversight obviously from the Dana corporate side, but very much operated standalone over time. I think the team there has proven themselves very capable over the years. As I'm sure you know, portions of this business were acquired not that long ago, so the team is certainly steeped in integration efforts as well in M&A. So we're, again, looking forward to having them join us and do not expect significant issues with the integration and ultimately carving out this business as there are some, as you would expect, entanglements there.

Brendan Shea

Got it. Thank you.

Operator

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

Tami Zakaria

Hey, good morning. Thank you so much. Exciting news. My first question is, I think the synergy of \$120 million, it seems more like on the cost side. Just wanted to understand how you're thinking about potential revenue synergies going forward? Can Allison's North America products go into Europe and vis-à-vis, or are the technologies quite different in those markets, so not a lot of overlap? Any color on revenue synergies as you see today?

Dave Graziosi

Good morning, Tami. It's Dave. I appreciate that question.

As you know, Allison's footprint has been very much focused in North America. We do obviously have operations in Hungary and India, etc., but I would say to your question in terms of penetration of fully automatics on highway outside of North America, a tremendous amount of opportunity there with that market around 5%. As I'm sure you know, one of the challenges that we've had as a business is really accessing certain markets for growth.

As we said in the prepared remarks, the part of this transaction is attractive to us—to answer your question on commercial opportunities—is having a platform to actually be in market, so to speak. And certainly with some developments earlier this year in terms of tariffs and non-tariff barriers, this transaction opens up and mitigates, from our perspective, a number of those barriers.

When you think about our footprint over the years, relatively small in places like South America, China, which has been a consuming market for us for many years, Europe being viewed as very much an outside looking in, and then ultimately, India, where we've been for now a little over a decade and are expanding our operations, certainly, the ability to gain access to the Dana off-highway footprint in that particular country and end market and especially with the amount of demand that's moving into India, this is a very attractive access point from a valuation perspective, to acquire assets in India.

Ultimately, all of that enabling growth from our perspective, both from a near and longer term when you think about opportunities from a commercial perspective and the results that should accrue to us from that perspective.

We have not included those in the synergies. To your point, they're very much cost focused. They will be, for us, certainly the near-term -- from a near-term perspective, as you would imagine, from integration efforts and transition, etc., but the commercial will be quickly followed.

Tami Zakaria

Understood. That's very helpful. I apologize if I missed it earlier, but is there a timeline of getting back to that 2 times leverage from 3 turns right out of the gate?

Dave Graziosi

We didn't provide a timeline to your question, I will say, to the prepared comments and Fred's follow-up comments. Certainly, near to medium term is the target there. As you know, we've talked about our reoccurring view on net leverage and ultimately how that impacts the capital allocation. To Fred's comments, we continue to be committed to prudent balance sheet management, but also continuing to return capital to shareholders.

Tami Zakaria

Great. Thank you.

Operator

Thank you. Our next question comes from the line of Jerry Revich with Goldman Sachs. Please proceed with your question.

Jatin Khanna

Hi. Good morning everyone. This is Jatin Khanna on behalf of Jerry Revich. Could you please provide any color on the drivers of opportunity set related to wallet share expansion and maybe product capability expansion?

Dave Graziosi

Sure. This is Dave. Just quickly to our prepared comments and as you could see the broad portfolio that the Dana off-highway business will provide access to, when you look across their portfolio and compare that to where Allison historically has been, when you think about accessing for us construction, agriculture, etc., and then you think about other areas where we have some connectivity context in terms of adjacency, from our perspective, when you start to think about growth areas ultimately for us, that's where the focus really is, having access to that type of footprint.

But across, when you start to really think about where we've been, where we'd like to be, we've talked for a number of years with our growth intentions in adjacent markets. This, from our perspective, fits very well, especially when you start to expand opportunities across, whether it be powertrain, driveline or industrial applications. With our core competencies, the overlay that we have, we're very excited to ultimately get access to this combined portfolio and ultimately bring that into the market.

We expect as we ultimately close on the transaction, we will then provide the Street with follow-up in terms of what that opportunity set starts to look like. But certainly, from our perspective, having access to a much broader portfolio we see as very additive to our intentions to grow our business.

Jatin Khanna

Got it. Thank you very much.

Operator

Thank you. Our next question comes from the line of Sherif El-Sabbahy with Bank of America. Please proceed with your question.

Sherif El-Sabbahy

Hi. Good morning. Just a quick follow-up on the business mix by products and the product portfolio. It looks like a large portion of off-highway sales from our Dana are coming from axle. You mentioned core competencies being leveraged, but what opportunities do you see to leverage Allison's platform to expand outside of axles? Where do you see the most focus to be initially when you're looking through the product portfolio?

Dave Graziosi

I appreciate the question. When you think about—again, let's talk about a bit about corporate core competencies. Both of us—Dana's off-highway business and Allison—you think about precision gearing, high-to-low torque, software and control, systems integration, testing and development, validation; these are really deep competencies. When you start to then think about what else we can do with those, as I said earlier, we've been somewhat constrained from a footprint perspective over the years. We've also noticed as we're trying and executing the team as against growth initiatives, it becomes much more challenging with lack of a more localized footprint, and frankly, the view, especially now, as I said earlier, in terms of some changes from an international trades perspective, where that takes things, it will become that much more, in our view, complicated. We also look at opportunities to accelerate product innovation and electrified capabilities with this acquisition of Dana's business.

I'd say overall, for us, when you start to think about what's next, as I said earlier, getting the transaction closed and starting to really take much broader control of these particular end markets from our perspective to really start to apply our combined core competencies and technologies. But from just a pure perspective of looking at really high-quality businesses, we're, as we said, very excited about having an extremely accomplished Dana off-highway team and their capabilities combined with what we believe is a world-class team here.

Operator

Thank you. Ladies and gentlemen, that concludes our time allowed for questions. I'll turn the floor back to Mr. Graziosi for any final comments.

Dave Graziosi

Thank you, Melissa, and thank you for your continued interest in Allison and your participation on today's call. Enjoy your day.

Operator

You may disconnect your lines at this time, and thank you for your participation.