# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 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 27, 2015**

# ALLISON TRANSMISSION HOLDINGS, INC.
**(Exact name of registrant as specified in its 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 communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

On April 27, 2015, Allison Transmission Holdings, Inc. (“Allison”) published an earnings release reporting its financial results for the three months ended March 31, 2015. A copy of the earnings release is attached as Exhibit 99.1 hereto. Following the publication of the earnings release, Allison will host an earnings call on April 28, 2015 at 8:00 a.m. ET on which its financial results for the three months ended March 31, 2015 will be discussed. The investor presentation materials that will be used for the call are attached as Exhibit 99.2 hereto.

On April 27, 2015, 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 27, 2015. |
| 99.2 | Investor presentation materials dated April 27, 2015. |

**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 27, 2015

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

## EXHIBIT INDEX

| Exhibit Number | Description |
|---|---|
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| 99.2 | Investor presentation materials dated April 27, 2015. |

**Exhibit 99.1**

News Release

**Allison Transmission Announces First Quarter 2015 Results**

- **Net Sales $504 million, Adjusted Net Income $150 million, Adjusted EBITDA $190 million, Adjusted Free Cash Flow $87 million or $0.47 per Diluted Share**

**INDIANAPOLIS, April 27, 2015 – 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 $504 million, a 2 percent increase from the same period in 2014. The increase in net sales was principally driven by the continued recovery in the North America On-Highway end market, higher demand in the North America Off-Highway end market and price increases on certain products partially offset by lower demand in other end markets.

Adjusted Net Income, a non-GAAP financial measure, for the quarter was $150 million, compared to Adjusted Net Income of $108 million for the same period in 2014, an increase of $42 million. Adjusted EBITDA, a non-GAAP financial measure, for the quarter was $190 million, or 37.7 percent of net sales, compared to $166 million, or 33.6 percent of net sales, for the same period in 2014. Excluding $3 million of technology-related license expenses, Adjusted EBITDA for the first quarter of 2014 was $169 million, or 34.3 percent of net sales. Adjusted Free Cash Flow, a non-GAAP financial measure, for the quarter was $87 million, or $0.47 per diluted share, compared to $96 million for the same period in 2014, or $0.52 per diluted share.

Lawrence E. Dewey, Chairman, President and Chief Executive Officer of Allison Transmission commented, “Our first quarter 2015 results are within the full year guidance ranges we provided to the market on February 9. Net sales improved on a year-over-year basis for the sixth consecutive quarter led by the continued recovery in the North America On-Highway end market, higher demand in the North America Off-Highway end market and price increases on certain products partially offset by lower demand in other end markets. During the first quarter Allison started to experience the unfavorable impact of lower energy prices in the global Off-Highway and Service Parts, Support Equipment & Other end markets. We continued our prudent and well-defined approach to capital allocation during the first quarter by settling $35 million of share repurchases, paying a dividend of $0.15 per share, repaying $52 million of debt and commencing a refinancing of Allison’s Senior Notes due 2019. Given the increased level of uncertainty and lack of near-term visibility in the global Off-Highway and Service Parts, Support Equipment & Other end markets, we are updating our full year net sales guidance to a decrease in the range of 4 to 8 percent year-over-year, and executing several initiatives to align costs and programs across our business with those challenging end markets demand conditions.”

**First Quarter Net Sales by End Market**

| End Market | Q1 2015 Net Sales ($M) | Q1 2014 Net Sales ($M) | % Variance |
|---|---|---|---|
| **North America On-Highway** | **268** | **233** | **15%** |
| **North America Hybrid-Propulsion Systems for Transit Bus** | **18** | **24** | **(25%)** |
| **North America Off-Highway** | **22** | **12** | **83%** |
| **Defense** | **25** | **34** | **(26%)** |
| **Outside North America On-Highway** | **57** | **64** | **(11%)** |
| **Outside North America Off-Highway** | **16** | **21** | **(24%)** |
| **Service Parts, Support Equipment & Other** | **98** | **106** | **(8%)** |
| **Total Net Sales** | **504** | **494** | **2%** |

**First Quarter Highlights**

North America On-Highway end market net sales were up 15 percent from the same period in 2014 and up 5 percent on a sequential basis principally driven by higher demand for Rugged Duty Series models.

North America Hybrid-Propulsion Systems for Transit Bus end market net sales were down 25 percent from the same period in 2014 principally driven by lower demand due to engine emissions improvements and non-hybrid alternatives that generally require a fully-automatic transmission (e.g. xNG), and flat sequentially.

North America Off-Highway end market net sales were up 83 percent from the same period in 2014 principally driven by higher demand from hydraulic fracturing applications and down 39 percent on a sequential basis principally driven by lower demand from hydraulic fracturing applications.

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

Outside North America On-Highway end market net sales were down 11 percent from the same period in 2014 principally driven by weakness in China and down 12 percent on a sequential basis principally driven by lower demand in China and South America.

Outside North America Off-Highway end market net sales were down 24 percent from the same period in 2014 principally driven by lower demand in the mining sector and down 16 percent sequentially principally driven by lower demand in the China energy sector partially offset by higher demand in the mining sector.

Service Parts, Support Equipment & Other end market net sales were down 8 percent from the same period in 2014 principally driven by lower demand for North America service parts and down 13 percent on a sequential basis principally driven by lower demand for North America Off-Highway service parts.

Gross profit for the quarter was $239 million, an increase of 8 percent from $223 million for the same period in 2014. Gross margin for the quarter was 47.5 percent, an increase of 240 basis points from a gross margin of 45.1 percent for the same period in 2014. The increase in gross profit from the same period in 2014 was principally driven by price increases on certain products and increased net sales.

Selling, general and administrative expenses for the quarter were $73 million, a decrease of 12 percent from $83 million for the same period in 2014, principally driven by lower product warranty expense, a warranty expense reduction for the dual power inverter module ("DPIM") extended coverage program and decreased global commercial spending activities. The DPIM warranty expense reduction is attributable to favorable claims experience with the DPIM replacement introduced in late 2008.

Engineering – research and development expenses for the quarter were $22 million, an increase of $1 million after excluding the 2014 technology-related license expenses of $3 million to expand our position in transmission technologies, from $24 million for the same period in 2014. The increase was principally driven by increased product initiatives spending.

**First Quarter Non-GAAP Financial Measures**

Adjusted Net Income for the quarter was $150 million, compared to $108 million for the same period in 2014, an increase of $42 million. The increase was principally driven by increased Adjusted EBITDA and decreased cash interest expense.

Adjusted EBITDA for the quarter was $190 million, or 37.7 percent of net sales, compared to $166 million, or 33.6 percent of net sales, for the same period in 2014. Excluding $3 million of technology-related license expenses, Adjusted EBITDA for the first quarter of 2014 was $169 million, or 34.3 percent of net sales. The increase in Adjusted EBITDA from the same period in 2014 was principally driven by price increases on certain products, increased net sales, lower product warranty expense, $3 million of 2014 technology-related license expenses and decreased global commercial spending activities partially offset by increased product initiatives spending.

Adjusted Free Cash Flow for the quarter was $87 million compared to $96 million for the same period in 2014. The decrease was principally driven by decreased net cash provided by operating activities and $3 million of 2014 technology-related license expenses partially offset by decreased capital expenditures and increased excess tax benefit from stock-based compensation.

**Full Year 2015 Guidance**

Our updated full year 2015 guidance includes a year-over-year net sales decrease in the range of 4 to 8 percent, an Adjusted EBITDA margin in the range of 34.5 to 35.5 percent, an Adjusted Free Cash Flow in the range of $460 to $510 million, capital expenditures in the range of $60 to $70 million, and cash income taxes in the range of $10 to $15 million.

Although we are not providing specific second quarter 2015 guidance, Allison does expect second quarter net sales to be lower than the same period in 2014. The anticipated year-over-year decrease in second quarter net sales is expected to occur due to higher demand in the global On-Highway end markets being more than offset by lower demand in other end markets.

**Conference Call and Webcast**

The company will host a conference call at 8:00 a.m. ET on Tuesday, April 28 to discuss its first quarter 2015 results. Dial-in number is 1-201-689-8470 and the U.S. toll-free dial-in number is 1-877-407-9039. A live webcast of the conference call will also be available online at http://ir.allisontransmission.com.

For those unable to participate in the conference call, a replay will be available from 11:00 a.m. ET on April 28 until 11:59 p.m. ET on May 5. The replay dial-in number is 1-858-384-5517 and the U.S. toll-free replay dial-in number is 1-877-870-5176. The replay passcode is 13606433.

**About Allison Transmission**

Allison Transmission (NYSE: ALSN) is the world's largest manufacturer of fully automatic transmissions for medium- and heavy-duty commercial vehicles and is a leader in hybrid-propulsion systems for city buses. Allison transmissions are used in a variety of applications including refuse, construction, fire, distribution, bus, motorhomes, defense and energy. Founded in 1915, the company is headquartered in Indianapolis, Indiana, USA and employs approximately 2,700 people worldwide. With a market presence in more than 80 countries, Allison has regional headquarters in the Netherlands, China and Brazil with manufacturing facilities in the U.S., Hungary and India. Allison also has approximately 1,400 independent distributor and dealer locations worldwide. For more information, visit allisontransmission.com.

**Forward-Looking Statements**

This press release contains forward-looking statements. All statements other than statements of historical fact contained in this press release are forward-looking statements, including all statements regarding future financial results. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plans," "project," "anticipate," "believe," "estimate," "predict," "intend," "forecast," "could," "potential," "continue" or the negative of these terms or other similar terms or phrases. Forward-looking statements are not guarantees of future performance and involve known and unknown risks. Factors which may cause the actual results to differ materially from those anticipated at the time the forward-looking statements are made include, but are not limited to: risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; the failure of markets outside North America to increase adoption of fully-automatic transmissions; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies for hybrid vehicles, U.S. defense spending; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers; and other risks and uncertainties associated with our business described in our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that the expectations will be attained or that any deviation will not be material. All information is as of the date of this press release, and we undertake no obligation to update any forward-looking statement to conform the statement to actual results or changes in expectations.

**Use of Non-GAAP Financial Measures**

This press release contains information about Allison's financial results which are not presented in accordance with accounting principles generally accepted in the United States ("GAAP"). Such non-GAAP financial measures are reconciled to their closest GAAP financial measures at the end of this press release. Non-GAAP financial measures should not be considered in isolation or as a substitute for our reported results prepared in accordance with GAAP and, as calculated, may not be comparable to other similarly titled measures of other companies.

**Attachment**

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

**Contacts**

Investor Relations
ir@allisontransmission.com
(317) 242-3078

Media Relations
media@allisontransmission.com
(317) 242-5000

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

| | Three months ended March 31, 2015 | 2014 |
|---|---|---|
| Net sales | $ 503.6 | $ 493.6 |
| Cost of sales | 264.4 | 271.1 |
| Gross profit | 239.2 | 222.5 |
| Selling, general and administrative expenses | 73.4 | 83.2 |
| Engineering—research and development | 22.2 | 24.5 |
| Loss associated with impairment of long-lived assets | 1.3 | — |
| Operating income | 142.3 | 114.8 |
| Interest expense, net | (36.9) | (35.1) |
| Other income (expense), net | 2.8 | (0.4) |
| Income before income taxes | 108.2 | 79.3 |
| Income tax expense | (39.8) | (27.2) |
| Net income | $ 68.4 | $ 52.1 |
| Basic earnings per share attributable to common stockholders | $ 0.38 | $ 0.29 |
| Diluted earnings per share attributable to common stockholders | $ 0.38 | $ 0.28 |

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

| | March 31, 2015 | December 31, 2014 |
|---|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and cash equivalents | $ 265.1 | $ 263.0 |
| Accounts receivables—net of allowance for doubtful accounts of $0.4 and $0.3, respectively | 231.3 | 207.4 |
| Inventories | 160.9 | 143.5 |
| Deferred income taxes, net | 113.0 | 119.7 |
| Other current assets | 25.0 | 24.4 |
| Total Current Assets | 795.3 | 758.0 |
| Property, plant and equipment, net | 495.6 | 514.6 |
| Intangible assets, net | 3,428.7 | 3,453.0 |
| Deferred income taxes, net | 1.3 | 1.3 |
| Other non-current assets | 68.6 | 77.3 |
| TOTAL ASSETS | $4,789.5 | $ 4,804.2 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts payable | $ 157.1 | $ 151.7 |
| Current portion of long term debt | 17.9 | 17.9 |
| Other current liabilities | 159.2 | 176.3 |
| Total Current Liabilities | 334.2 | 345.9 |
| Long term debt | 2,450.9 | 2,502.6 |
| Other non-current liabilities | 585.4 | 557.9 |
| TOTAL LIABILITIES | 3,370.5 | 3,406.4 |
| TOTAL STOCKHOLDERS’ EQUITY | 1,419.0 | 1,397.8 |
| TOTAL LIABILITIES & STOCKHOLDERS’ EQUITY | $4,789.5 | $ 4,804.2 |

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

| | Three months ended March 31, 2015 | 2014 |
|---|---|---|
| Net cash provided by operating activities | $ 80.1 | $ 98.6 |
| Net cash used for investing activities (a) | (1.2) | (15.1) |
| Net cash used for financing activities | (85.6) | (105.7) |
| Effect of exchange rate changes in cash | 8.8 | (2.6) |
| Net increase (decrease) in cash and cash equivalents | 2.1 | (24.8) |
| Cash and cash equivalents at beginning of period | 263.0 | 184.7 |
| Cash and cash equivalents at end of period | $ 265.1 | $ 159.9 |
| Supplemental disclosures: | | |
| Interest paid | $ 18.5 | $ 29.4 |
| Income taxes paid | $ 2.5 | $ 2.1 |
| (a) Additions of long-lived assets | $ (1.3) | $ (11.1) |

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

| | Three months ended March 31, 2015 | Three months ended March 31, 2014 |
|---|---|---|
| Net income | $ 68.4 | $ 52.1 |
| plus: | | |
| Interest expense, net | 36.9 | 35.1 |
| Cash interest expense | (18.5) | (29.4) |
| Income tax expense | 39.8 | 27.2 |
| Cash income taxes | (2.5) | (2.1) |
| Amortization of intangible assets | 24.3 | 24.7 |
| Loss associated with impairment of long-lived assets (a) | 1.3 | — |
| Public offering expenses (b) | — | 0.3 |
| Adjusted net income | $149.7 | $107.9 |
| Cash interest expense | 18.5 | 29.4 |
| Cash income taxes | 2.5 | 2.1 |
| Depreciation of property, plant and equipment | 21.4 | 23.3 |
| Unrealized gain on foreign exchange (c) | (2.3) | (0.3) |
| Dual power inverter module extended coverage (d) | (1.8) | — |
| Unrealized (gain) loss on commodity hedge contracts (e) | (0.2) | 0.1 |
| Loss on repayments of long-term debt (f) | 0.2 | — |
| Stock-based compensation expense (g) | 2.1 | 3.3 |
| Adjusted EBITDA | $190.1 | $165.8 |
| Adjusted EBITDA excluding technology-related license expenses (h) | $190.1 | $169.1 |
| Net sales | $503.6 | $493.6 |
| Adjusted EBITDA margin | 37.7% | 33.6% |
| Adjusted EBITDA margin excluding technology-related license expenses (h) | 37.7% | 34.3% |
| Net Cash Provided by Operating Activities | $ 80.1 | $ 98.6 |
| (Deductions) or Additions to Reconcile to Adjusted Free Cash Flow: | | |
| Additions of long-lived assets | (1.3) | (11.1) |
| Excess tax benefit from stock-based compensation (i) | 7.8 | 5.0 |
| Technology-related license expenses (h) | — | 3.3 |
| Adjusted Free Cash Flow | $ 86.6 | $ 95.8 |

(a) Represents a charge associated with the impairment of long-lived assets related to the production of the H3000 and H4000 hybrid-propulsion systems.

(b) Represents fees and expenses (recorded in Other income (expense), net) related to our secondary offering in February 2014.

(c) Represents gains (recorded in Other income (expense), net) on the mark-to-market of our foreign currency hedge contracts and on intercompany financing transactions related to investments in plant assets for our India facility.

(d) 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.

(e) Represents unrealized (gains) losses (recorded in Other income (expense), net) on the mark-to-market of our commodity hedge contracts.

(f) Represents losses (recorded in Other income (expense), net) realized on the repayments of Allison Transmission, Inc.'s, our wholly owned subsidiary, long-term debt.

(g) Represents employee stock compensation expense (recorded in Cost of sales, Selling, general and administrative expenses, and Engineering – research and development).

(h) Represents payments (recorded in Engineering – research and development) for licenses to expand our position in transmission technologies.

(i) Represents the amount of tax benefit (recorded in Income tax expense) related to stock-based compensation adjusted from cash flows from operating activities to cash flows from financing activities.

# Q1 2015 Earnings Release

## Published April 27, 2015 (Earnings Conference Call April 28, 2015)

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

# 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; the concentration of our net sales in our top five customers and the loss of any one of these; future reductions or changes in government subsidies and other external factors impacting demand for hybrid vehicles; U.S. defense spending; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments and changing customer needs; risks associated with our international operations; and labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers.

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

Allison Transmission’s business is subject to numerous risks and uncertainties, which may cause future results of operations to vary significantly from those presented herein. Important factors that could cause actual results to differ materially are discussed in Allison Transmission’s Annual Report on Form 10-K for the year ended December 31, 2014.

# Non-GAAP Financial Information

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

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

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

# Call Agenda

- Q1 2015 Performance
- Full Year 2015 Guidance Update

# Q1 2015 Performance Summary

| ($ in millions) | Q1 2015 | Q1 2014 | % Variance |
|---|---|---|---|
| Net Sales | $504 | $494 | 2.0% |
| Gross Margin % | 47.5% | 45.1% | +240 bps |
| Adjusted Net Income (1) | $150 | $108 | 38.7% |
| Adjusted Free Cash Flow (1) | $87 | $96 | (9.6%) |

**Commentary**

**Net Sales: the increase was principally driven by the continued recovery in the North America On-Highway end market, higher demand in the North America Off-Highway end market and price increases on certain products partially offset by lower demand in other end markets.**

**Gross Margin: the increase was principally driven by price increases on certain products and increased net sales.**

**Adjusted Net Income: the increase was principally driven by decreased cash interest expense, price increases on certain products, increased net sales, lower warranty expense, $3 million of 2014 technology-related license expenses and decreased global commercial spending activities partially offset by increased product initiatives spending.**

**Adjusted Free Cash Flow: the decrease was principally driven by decreased incentive compensation accruals ($14 million), deferred revenue ($9 million) and miscellaneous other current liabilities ($10 million), and 2014 technology-related license expenses ($3 million) partially offset by decreased capital expenditures, price increases on certain products, increased net sales, decreased global commercial spending activities and increased excess tax benefit from stock-based compensation.**

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

# Q1 2015 Sales Performance

**($ in millions)**

| End Markets | Q1 2015 | Q1 2014 | % Variance | Commentary |
|---|---|---|---|---|
| North America On-Hwy | $268 | $233 | 15% | Principally driven by higher demand for Rugged Duty Series models |
| North America Hybrid-Propulsion Systems for Transit Bus | $18 | $24 | (25%) | Principally driven by lower demand due to engine emissions improvements and non-hybrid alternatives that generally require a fully-automatic transmission (e.g. xNG) |
| North America Off-Hwy | $22 | $12 | 83% | Principally driven by higher demand from hydraulic fracturing applications |
| Defense | $25 | $34 | (26%) | Principally driven by reductions in U.S. defense spending to longer term averages experienced during periods without active conflicts |
| Outside North America On-Hwy | $57 | $64 | (11%) | Principally driven by weakness in China |
| Outside North America Off-Hwy | $16 | $21 | (24%) | Principally driven by lower demand in the mining sector |
| Service Parts, Support Equipment & Other | $98 | $106 | (8%) | Principally driven by lower demand for North America service parts |
| **Total** | **$504** | **$494** | **2%** | |

# Q1 2015 Financial Performance

| ($ in millions, except share data) | Q1 2015 | Q1 2014 | $ Var | % Var | Commentary |
|---|---|---|---|---|---|
| Net Sales | $503.6 | $493.6 | $10.0 | 2.0% | Increase principally driven by the continued recovery in the North America On-Highway end market, higher demand in the North America Off-Highway end market and price increases on certain products partially offset be lower demand in other end markets |
| Cost of Sales | $264.4 | $271.1 | $6.7 | 2.5% | |
| Gross Profit | $239.2 | $222.5 | $16.7 | 7.5% | Increase principally driven by price increases on certain products and increased net sales |
| Operating Expenses | | | | | |
| Selling, General and Administrative Expenses | $73.4 | $83.2 | $9.8 | 11.8% | Decrease principally driven by lower product warranty expense, a warranty expense reduction for the dual power inverter module extended coverage program and decreased global commercial spending activities |
| Engineering – Research and Development | $22.2 | $24.5 | $2.3 | 9.4% | After excluding the 2014 technology-related license expenses of $3 million to expand our position in transmission technologies the increase was principally driven by increased product initiatives spending |
| Impairment Loss(1) | $1.3 | $0.0 | ($1.3) | N/A | |
| Total Operating Expenses | $96.9 | $107.7 | $10.8 | 10.0% | |
| Operating Income | $142.3 | $114.8 | $27.5 | 24.0% | |
| Interest Expense, net | ($36.9) | ($35.1) | ($1.8) | (5.1%) | Increase principally driven by unfavorable mark-to-market adjustments for LIBOR swaps partially offset by the expiration of certain LIBOR swaps and debt repayments |
| Other Income (Expense), net | $2.8 | ($0.4) | $3.2 | 800.0% | Increase principally driven by favorable foreign exchange |
| Income Before Income Taxes | $108.2 | $79.3 | $28.9 | 36.4% | |
| Income Tax Expense | ($39.8) | ($27.2) | ($12.6) | (46.3%) | Change in effective tax rate principally driven by the change in discrete activity |
| Net Income | $68.4 | $52.1 | $16.3 | 31.3% | |
| Diluted Earnings Per Share | $0.38 | $0.28 | $0.10 | 35.7% | Q1 2015: 182.4M shares; Q1 2014: 185.9M shares |
| **Adjusted Net Income(2)** | $149.7 | $107.9 | $41.8 | 38.7% | |
| **Adjusted EBITDA(2)** | $190.1 | $165.8 | $24.3 | 14.7% | |
| **Adjusted EBITDA excluding technology-related license expenses(2)** | $190.1 | $169.1 | $21.0 | 12.4% | |

**(1) Long-lived assets and accrued expenses related to the production of the H3000 and H4000 hybrid-propulsion systems.**
**(2) See Appendix for a reconciliation from Net Income.**

# Q1 2015 Cash Flow Performance

| ($ in millions) | Q1 2015 | Q1 2014 | $ Variance | % Variance | Commentary |
|---|---|---|---|---|---|
| Net Cash Provided by Operating Activities | $80 | $99 | ($19) | (18.8%) | Principally driven by decreased deferred revenue, incentive compensation accruals and miscellaneous other liabilities partially offset by price increases on certain products, increased net sales and decreased SG&A and engineering spending |
| CapEx | $1 | $11 | ($10) | (88.3%) | Principally driven by timing of certain 2015 productivity and replacement programs spending |
| Adjusted Free Cash Flow (1) | $87 | $96 | ($9) | (9.6%) | Principally driven by decreased net cash provided by operating activities partially offset by decreased capital expenditures |
| **($ in millions)** | **Q1 2015** | **Q1 2014** | **$ Variance** | **% Variance** | **Commentary** |
| Operating Working Capital(2) Percentage of LTM Sales | 11.0% | 11.7% | N/A | 70 bps | In line with prior period after excluding the 2014 impact of deferred tracked defense revenue |
| Cash Paid for Interest | $18 | $29 | ($11) | (37.1%) | Principally driven by expiration of certain LIBOR swaps and debt repayments |
| Cash Paid for Income Taxes | $2 | $2 | $0 | 19.0% | In line with prior period |

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

# Full Year 2015 Guidance Update

| | Guidance | Commentary |
|---|---|---|
| Net Sales Change from 2014 | (4) to (8) percent | Guidance reflects the increased level of uncertainty and the lack of near term visibility in the global Off-Highway and Service Parts, Support Equipment & Other end markets |
| Adjusted EBITDA Margin | 34.5 to 35.5 percent | Principally driven by Net Sales and the execution of several initiatives to align costs and programs across our business with challenging end markets demand conditions |
| Adjusted Free Cash Flow ($ in millions) | $460 to $510 | $2.50 to $2.80 per diluted share |
| CapEx ($ in millions)<br>Maintenance<br>New Product Programs | <br>$60 to $65<br>$0 to $5 | Subject to timely completion of development and sourcing milestones |
| Cash Income Taxes ($ in millions) | $10 to $15 | U.S. income tax shield and net operating loss utilization |

# APPENDIX
# Non-GAAP Financial Information

# Non-GAAP Reconciliations (1 of 2)

## Adjusted Net Income and Adjusted EBITDA reconciliation

| $ in millions, Unaudited | For the year ended December 31, | | | | | Three months ended March 31, | | Last twelve months ended March 31, |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2014 | 2015 | 2015 |
| **Net income** | **$29.6** | **$103.0** | **$514.2** | **$165.4** | **$228.6** | **$52.1** | **$68.4** | **$244.9** |
| plus: | | | | | | | | |
| Interest expense, net | 277.5 | 217.3 | 151.2 | 132.9 | 138.4 | 35.1 | 36.9 | 140.2 |
| Cash interest expense | (239.1) | (208.6) | (167.3) | (159.2) | (140.0) | (29.4) | (18.5) | (129.1) |
| Income tax expense (benefit) | 53.7 | 47.6 | (298.0) | 100.7 | 139.5 | 27.2 | 39.8 | 152.1 |
| Cash income taxes | (2.2) | (5.8) | (10.7) | (3.8) | (5.0) | (2.1) | (2.5) | (5.4) |
| Fee to terminate services agreement with Sponsors | — | — | 16.0 | — | — | — | — | — |
| Technology-related investment expenses | — | — | 14.4 | 5.0 | 2.0 | — | — | 2.0 |
| Public offering expenses | — | — | 6.1 | 1.6 | 1.4 | 0.3 | — | 1.1 |
| Impairments | — | — | — | — | 15.4 | — | 1.3 | 16.7 |
| Amortization of intangible assets | 154.2 | 151.9 | 150.0 | 105.3 | 98.8 | 24.7 | 24.3 | 98.4 |
| **Adjusted net income** | **$273.7** | **$305.4** | **$375.9** | **$347.9** | **$479.1** | **$107.9** | **$149.7** | **$520.9** |
| Cash interest expense | 239.1 | 208.6 | 167.3 | 159.2 | 140.0 | 29.4 | 18.5 | 129.1 |
| Cash income taxes | 2.2 | 5.8 | 10.7 | 3.8 | 5.0 | 2.1 | 2.5 | 5.4 |
| Depreciation of property, plant and equipment | 99.6 | 103.8 | 102.5 | 98.7 | 93.8 | 23.3 | 21.4 | 91.9 |
| (Gain)/loss on redemptions and repayments of long-term debt | (3.3) | 16.0 | 22.1 | 0.8 | 0.5 | — | 0.2 | 0.7 |
| Dual power inverter module extended coverage | (1.9) | — | 9.4 | (2.4) | 1.0 | — | (1.8) | (0.8) |
| UAW Local 933 signing bonus | — | — | 8.8 | — | — | — | — | — |
| Benefit plan re-measurement | — | — | 2.3 | — | — | — | — | — |
| Unrealized loss (gain) on commodity hedge contracts | 0.3 | 6.5 | (1.0) | 1.5 | (1.0) | 0.1 | (0.2) | (1.3) |
| Unrealized (gain) loss on foreign exchange | (0.2) | 0.3 | 0.1 | 2.3 | 5.2 | (0.3) | (2.3) | 3.2 |
| Premiums and expenses on tender offer for long-term debt | — | 56.9 | — | — | — | — | — | — |
| Restructuring charges | — | — | — | 1.0 | 0.7 | — | — | 0.7 |
| Reduction of supply contract liability | (3.4) | — | — | — | — | — | — | — |
| Other, net[(1)] | 10.9 | 8.6 | 7.0 | 13.8 | 14.7 | 3.3 | 2.1 | 13.5 |
| **Adjusted EBITDA** | **$617.0** | **$711.9** | **$705.1** | **$626.6** | **$739.0** | **$165.8** | **$190.1** | **$763.3** |
| **Adjusted EBITDA excluding technology-related license expenses** | **$617.0** | **$711.9** | **$717.1** | **$632.6** | **$745.1** | **$169.1** | **$190.1** | **$766.1** |
| **Net Sales** | **$1,926.3** | **$2,162.8** | **$2,141.8** | **$1,926.8** | **$2,127.4** | **$493.6** | **$503.6** | **$2,137.4** |
| **Adjusted EBITDA margin** | **32.0%** | **32.9%** | **32.9%** | **32.5%** | **34.7%** | **33.6%** | **37.7%** | **35.7%** |
| **Adjusted EBITDA margin excl technology-related license expenses** | **32.0%** | **32.9%** | **33.5%** | **32.8%** | **35.0%** | **34.3%** | **37.7%** | **35.8%** |

(1) Includes charges or income related to benefit plan adjustments, employee stock compensation expense, service fees paid to Allison's Sponsors and an adjustment for the settlement of litigation which originated with the Predecessor but was assumed by the Company as part of the Acquisition Transaction.

100 Years of Excellence
Allison Transmission

# 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, |
|---|---|---|---|---|---|---|---|---|
| | 2010 | 2011 | 2012 | 2013 | 2014 | 2014 | 2015 | 2015 |
| **Net Cash Provided by Operating Activities** | **$388.9** | **$469.2** | **$497.5** | **$453.5** | **$556.9** | **$98.6** | **$80.1** | **$538.4** |
| (Deductions) or Additions: | | | | | | | | |
| Long-lived assets | (73.8) | (96.9) | (123.9) | (74.4) | (64.1) | (11.1) | (1.3) | (54.3) |
| Fee to terminate services agreement with Sponsors | — | — | 16.0 | — | — | — | — | — |
| Technology-related license expenses | — | — | 12.0 | 6.0 | 6.1 | 3.3 | — | 2.8 |
| Excess tax benefit from stock-based compensation | — | — | 5.3 | 13.7 | 24.6 | 5.0 | 7.8 | 27.4 |
| **Adjusted Free Cash Flow** | **$315.1** | **$372.3** | **$406.9** | **$398.8** | **$523.5** | **$95.8** | **$86.6** | **$514.3** |
| | | | | | | | | |
| **Net Sales** | **$1,926.3** | **$2,162.8** | **$2,141.8** | **$1,926.8** | **$2,127.4** | **$493.6** | **$503.6** | **$2,137.4** |
| **Adjusted Free Cash Flow (% to Net Sales)** | **16.4%** | **17.2%** | **19.0%** | **20.7%** | **24.6%** | **19.4%** | **17.2%** | **24.1%** |