Q4 2024 Earnings Release

February 11th, 2025

Dave Graziosi, Chair & CEO
Fred Bohley, COO, CFO & Treasurer

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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, 2023.

Non-GAAP Financial Information

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 GAAP measure to Adjusted EBITDA is Net income. The most directly comparable GAAP measure to Adjusted EBITDA as a percent of net sales is Net Income as a percent of net sales. 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, after additions of long-lived assets.

Call Agenda

- Q4 2024 Performance
- 2025 Guidance

Q4 2024 Performance Summary

($ in millions, except per share data; variance % from Q4 2023)

Net Sales	Gross Profit	Net Income	Adjusted EBITDA*	Diluted Earnings Per Share
$796	$373	$175	$270	$2.01
+3%	+1%	+3%	-3%	+5%

Net Sales: Increase principally driven by:
- 10 percent increase in net sales in the North America On-Highway end market
- 5 percent increase in net sales in the Service Parts, Support Equipment and Other end market
- 8 percent increase in net sales in the Defense end market

Gross Profit: Increase was principally driven by price increases on certain products, partially offset by higher manufacturing expense.

Net Income: Increase was principally driven by lower selling, general and administrative expenses, lower interest expense, net and higher gross profit, partially offset by unfavorable foreign exchange.

Adjusted EBITDA*: Decrease of $7 million year-over-year.

Diluted Earnings Per Share: Increase was driven by higher net income and lower total diluted shares outstanding.

*See Appendix for the reconciliation from Net Income

Q4 2024 Net Sales Performance

($ in millions, variance % from Q4 2023)

	End Markets	Q4 2024	Variance	Commentary
	**North America On-Hwy**	**$419**	10%	Principally driven by strength in demand for Class 8 vocational vehicles and price increases on certain products
	**North America Off-Hwy**	**$2**	(60%)	Principally driven by lower demand in the energy sector
	**Defense**	**$68**	8%	Principally driven by increased demand for Tracked vehicle applications
	**Outside North America On-Hwy**	**$124**	(3%)	Principally driven by lower demand in Europe, partially offset by higher demand in South America
	**Outside North America Off-Hwy**	**$14**	(63%)	Principally driven by lower demand in the mining and construction sectors
	**Service Parts, Support Equipment & Other**	**$169**	5%	Principally driven by price increases on certain products

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Q4 2024 Financial Performance

($ in millions, except per share data)	Q4 2024	$ Variance*	% Variance*	Commentary
Net Sales	$796	$21	3%	Increase was principally driven by strength in the North America On-Highway, Service Parts, Support Equipment and Other, and Defense end markets, and price increases on certain products
Cost of Sales	$423	$19	5%	Increase was principally driven by higher manufacturing expense
Gross Profit	$373	$2	1%	Increase was principally driven by price increases on certain products, partially offset by higher manufacturing expense
Operating Expenses				
Selling, General and Administrative	$84	($8)	(9%)	Decrease was principally driven by lower intangible amortization expense
Engineering - Research and Development	$54	$0	0%	
Total Operating Expenses	$138	($8)	(5%)	
Operating Income	$235	$10	4%	
Interest Expense, net	($21)	$3	(13%)	
Other Income, net	($4)	($9)	(180%)	Decrease was principally driven by unfavorable foreign exchange
Income Before Income Taxes	$210	$4	2%	
Income Tax Expense	($35)	$1	(3%)	
Net Income	$175	$5	3%	Increase was principally driven by lower selling, general and administrative expenses, lower interest expense, net and higher gross profit, partially offset by unfavorable foreign exchange
Diluted Earnings Per Share	$2.01	$0.10	5%	Increase was driven by higher net income and lower total diluted shares outstanding (Q4 2024: 87m shares, Q4 2023: 89m shares)
Adjusted EBITDA**	$270	**($7)**	**(3%)**	

*Variance from Q4 2023
**See Appendix for the reconciliation from Net Income

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Q4 2024 Cash Flow Performance

($ in millions, variance from Q4 2023)	Q4 2024	$ Variance	% Variance	Commentary
Net Cash Provided by Operating Activities	**$211**	($27)	(11.3%)	Principally driven by higher operating working capital funding requirements and higher cash income taxes
CapEx	**$75**	$23	44.2%	Principally driven by intra-year timing and higher full year spending on increased capacity
Adjusted Free Cash Flow*	**$136**	($50)	(26.9%)	Driven by lower net cash provided by operating activities and higher capital expenditures
Operating Working Capital Percentage of LTM Sales**	**14.6%**	N/A	60 bps	Principally driven by increased operating working capital, partially offset by increased net sales
Net Cash Paid for Interest	**$31**	($1)	(3.1%)	Principally driven by lower interest expense on ATI's Term Loan due to repayment of $101 million of principal in Q1 2024
Cash Paid for Income Taxes	**$40**	$10	33.3%	Principally driven by increased full year taxable income

*See Appendix for a reconciliation from Net Cash Provided by Operating Activities
** Operating Working Capital = A/R + Inventory - A/P

2025 Guidance

($ in millions)

Full year 2025 guidance ranges provided to the market on February 11, 2025

$3,200 - $3,300	$735 - $785	$1,170 - $1,230	$800 - $860	$165 - $175	$635 - $685
Net Sales	Net Income	Adjusted EBITDA*	Net Cash Provided by Operating Activities	Capital Expenditures	Adjusted Free Cash Flow*

Net sales guidance reflects another record revenue year for 2025 driven by price increases on certain products, increased demand for Tracked vehicle applications and robust North America vocational demand

*See Appendix for the Guidance Reconciliation

2025 Guidance: Net Sales by End Market

($ in millions)

End Markets		2024 Net Sales	2025 Midpoint
	North America On-Hwy	$1,752	1%
	Defense	$212	18%
	Outside North America On-Hwy	$493	0%
	Global Off-Hwy	$105	(22%)
	Service Parts, Support Equipment & Other	$663	(1%)
	Total	$3,225	1%

Appendix

Non-GAAP Financial Information

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Non-GAAP Reconciliations (1 of 3)

Adjusted EBITDA Reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended December 31,	
	2020	**2021**	**2022**	**2023**	**2024**	**2023**	**2024**
Net income (GAAP)	**$299**	**$442**	**$531**	**$673**	**$731**	**$170**	**$175**
plus:							
Income tax expense	94	130	114	154	166	36	35
Depreciation of property, plant and equipment	96	104	109	109	111	28	29
Interest expense, net	137	116	118	107	89	24	21
Amortization of intangible assets	52	46	46	45	10	12	2
Stock-based compensation expense	17	14	18	22	26	5	6
Unrealized (gain) loss on marketable securities	—	(4)	22	1	9	2	1
Technology-related investments (gain) loss	—	(3)	(6)	(3)	2	—	1
UAW Local 933 contract signing incentives	—	—	—	—	14	—	—
Pension plan settlement loss	—	—	—	—	4	—	—
Unrealized loss on foreign exchange	2	—	6	—	1	—	—
Other	35	(1)	3	—	2	—	—
Adjusted EBITDA (Non-GAAP)	**$732**	**$844**	**$961**	**$1,108**	**$1,165**	**$277**	**$270**
Net sales (GAAP)	**$2,081**	**$2,402**	**$2,769**	**$3,035**	**$3,225**	**$775**	**$796**
Net income as a percent of Net sales (GAAP)	**14.4%**	**18.4%**	**19.2%**	**22.2%**	**22.7%**	**21.9%**	**22.0%**
Adjusted EBITDA as a percent of Net sales (Non-GAAP)	**35.2%**	**35.1%**	**34.7%**	**36.5%**	**36.1%**	**35.7%**	**33.9%**

Non-GAAP Reconciliations (2 of 3)

Adjusted Free Cash Flow Reconciliation

$ in millions, Unaudited	For the year ended December 31,					Three months ended December 31,	
	2020	**2021**	**2022**	**2023**	**2024**	**2023**	**2024**
Net cash provided by operating activities (GAAP)	**$561**	**$635**	**$657**	**$784**	**$801**	**$238**	**$211**
(Deductions) or additions:							
Long-lived assets	(115)	(175)	(167)	(125)	(143)	(52)	(75)
Restructuring charges	12	—	—	—	—	—	—
Adjusted free cash flow (Non-GAAP)	**$458**	**$460**	**$490**	**$659**	**$658**	**$186**	**$136**

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Non-GAAP Reconciliations (3 of 3)

Guidance Reconciliation

$ in millions	Guidance Year Ending December 31, 2025	
	Low	High
Net income (GAAP)	**$ 735**	**$ 785**
plus:		
Income tax expense	185	195
Depreciation of property, plant and equipment	123	123
Interest expense, net	91	91
Amortization of intangible assets	7	7
Stock-based compensation expense	29	29
Adjusted EBITDA (Non-GAAP)	**$ 1,170**	**$ 1,230**
Net cash provided by operating activities (GAAP)	**$ 800**	**$ 860**
Deductions to reconcile to Adjusted free cash flow:		
Additions of long-lived assets	$ (165)	$ (175)
Adjusted free cash flow (Non-GAAP)	**$ 635**	**$ 685**

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