

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2024

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-35456

ALLISON TRANSMISSION HOLDINGS, INC.

(Exact name of registrant as specified in its charter)



Delaware

(State or other jurisdiction of incorporation or organization)

26-0414014

(I.R.S. Employer Identification Number)

One Allison Way

Indianapolis, IN

(Address of principal executive offices)

46222

(Zip Code)

(317) 242-5000

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, \$0.01 par value	ALSN	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of April 12, 2024, there were 87,478,168 shares of Common Stock outstanding.

TABLE OF CONTENTS

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. Financial Statements	3
Condensed Consolidated Balance Sheets	3
Condensed Consolidated Statements of Comprehensive Income	4
Condensed Consolidated Statements of Cash Flows	5
Condensed Consolidated Statements of Stockholders' Equity	6
Notes to Condensed Consolidated Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3. Quantitative and Qualitative Disclosures About Market Risk	32
Item 4. Controls and Procedures	33
<u>PART II. OTHER INFORMATION</u>	
Item 1. Legal Proceedings	34
Item 1A. Risk Factors	34
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	34
Item 5. Other Information	35
Item 6. Exhibits	36
Signatures	37

PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements

Allison Transmission Holdings, Inc.
Condensed Consolidated Balance Sheets
(unaudited, dollars in millions, except share and per share data)

	March 31, 2024	December 31, 2023
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 551	\$ 555
Accounts receivable – net of allowance for doubtful accounts of \$4	392	356
Inventories	289	276
Other current assets	68	63
Total Current Assets	1,300	1,250
Property, plant and equipment, net	762	774
Intangible assets, net	828	833
Goodwill	2,075	2,076
Marketable securities	14	20
Other non-current assets	77	72
TOTAL ASSETS	\$ 5,056	\$ 5,025
LIABILITIES		
Current Liabilities		
Accounts payable	\$ 244	\$ 210
Product warranty liability	30	32
Current portion of long-term debt	5	6
Deferred revenue	42	41
Other current liabilities	197	212
Total Current Liabilities	518	501
Product warranty liability	28	27
Deferred revenue	92	89
Long-term debt	2,398	2,497
Deferred income taxes	513	519
Other non-current liabilities	165	159
TOTAL LIABILITIES	3,714	3,792
Commitments and contingencies (see Note P)		
STOCKHOLDERS' EQUITY		
Common stock, \$0.01 par value, 1,880,000,000 shares authorized, 87,532,553 shares issued and outstanding and 87,648,046 shares issued and outstanding, respectively	1	1
Non-voting common stock, \$0.01 par value, 20,000,000 shares authorized, none issued and outstanding	—	—
Preferred stock, \$0.01 par value, 100,000,000 shares authorized, none issued and outstanding	—	—
Paid in capital	1,911	1,891
Accumulated deficit	(533)	(628)
Accumulated other comprehensive loss, net of tax	(37)	(31)
TOTAL STOCKHOLDERS' EQUITY	1,342	1,233
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 5,056	\$ 5,025

The accompanying notes are an integral part of the condensed consolidated financial statements.

Allison Transmission Holdings, Inc.
Condensed Consolidated Statements of Comprehensive Income
(unaudited, dollars in millions, except per share data)

	Three Months Ended March 31,	
	2024	2023
Net sales	\$ 789	\$ 741
Cost of sales	423	380
Gross profit	366	361
Selling, general and administrative	86	87
Engineering — research and development	46	44
Operating income	234	230
Interest expense, net	(25)	(28)
Other (expense) income, net	(5)	10
Income before income taxes	204	212
Income tax expense	(35)	(42)
Net income	\$ 169	\$ 170
Basic earnings per share attributable to common stockholders	\$ 1.92	\$ 1.85
Diluted earnings per share attributable to common stockholders	\$ 1.90	\$ 1.85
Comprehensive income, net of tax	\$ 163	\$ 167

The accompanying notes are an integral part of the condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 169	\$ 170
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of property, plant and equipment	27	26
Unrealized loss (gain) on marketable securities	7	(3)
Stock-based compensation	6	5
Amortization of intangible assets	5	11
Deferred income taxes	(5)	(8)
Technology-related investments gain	—	(3)
Other	2	1
Changes in assets and liabilities:		
Accounts receivable	(39)	(30)
Inventories	(15)	(32)
Accounts payable	28	30
Other assets and liabilities	(12)	26
Net cash provided by operating activities	173	193
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions of long-lived assets	(11)	(24)
Investment in equity method investee	(1)	—
Proceeds from technology-related investments	—	2
Net cash used for investing activities	(12)	(22)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on long-term debt	(101)	(1)
Repurchases of common stock	(52)	(40)
Dividend payments	(22)	(22)
Proceeds from exercise of stock options	22	9
Taxes paid related to net share settlement of equity awards	(8)	(5)
Debt financing fees	(3)	—
Net cash used for financing activities	(164)	(59)
Effect of exchange rate changes on cash	(1)	—
Net (decrease) increase in cash and cash equivalents	(4)	112
Cash and cash equivalents at beginning of period	555	232
Cash and cash equivalents at end of period	\$ 551	\$ 344
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Interest paid	\$ (29)	\$ (29)
Income taxes paid	\$ (4)	\$ (2)
Interest received from interest rate swaps	\$ 3	\$ 2
Non-cash investing activities:		
Capital expenditures in liabilities	\$ 10	\$ 6

The accompanying notes are an integral part of the condensed consolidated financial statements.

Allison Transmission Holdings, Inc.
Condensed Consolidated Statements of Stockholders' Equity
(unaudited, dollars in millions)

	Three months ended						
	Common Stock	Non-voting Common Stock	Preferred Stock	Paid-in Capital	Accumulate d (Deficit) Income	Accumulate d Other Comprehen sive (Loss) Income, net of tax	Stockholde rs' Equity
Balance at December 31, 2022	\$ 1	\$ —	\$ —	\$ 1,848	\$ (953)	\$ (22)	\$ 874
Stock-based compensation	—	—	—	5	—	—	5
Pension and OPEB liability adjustment	—	—	—	—	—	(2)	(2)
Foreign currency translation adjustment	—	—	—	—	—	2	2
Interest rate swaps	—	—	—	—	—	(3)	(3)
Issuance of common stock	—	—	—	4	—	—	4
Repurchase of common stock	—	—	—	—	(40)	—	(40)
Dividends on common stock	—	—	—	—	(22)	—	(22)
Net income	—	—	—	—	170	—	170
Balance at March 31, 2023	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,857</u>	<u>\$ (845)</u>	<u>\$ (25)</u>	<u>\$ 988</u>
Balance at December 31, 2023	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,891</u>	<u>\$ (628)</u>	<u>\$ (31)</u>	<u>\$ 1,233</u>
Stock-based compensation	—	—	—	6	—	—	6
Pension and OPEB liability adjustment	—	—	—	—	—	(2)	(2)
Foreign currency translation adjustment	—	—	—	—	—	(5)	(5)
Interest rate swaps	—	—	—	—	—	1	1
Issuance of common stock	—	—	—	14	—	—	14
Repurchase of common stock	—	—	—	—	(52)	—	(52)
Dividends on common stock	—	—	—	—	(22)	—	(22)
Net income	—	—	—	—	169	—	169
Balance at March 31, 2024	<u>\$ 1</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,911</u>	<u>\$ (533)</u>	<u>\$ (37)</u>	<u>\$ 1,342</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

Allison Transmission Holdings, Inc.
Notes to Condensed Consolidated Financial Statements
(UNAUDITED)

NOTE A. OVERVIEW

Overview

Allison Transmission Holdings, Inc. and its subsidiaries (“Allison” or the “Company”) design and manufacture vehicle propulsion solutions, including commercial-duty on-highway, off-highway and defense fully automatic transmissions and electric hybrid and fully electric systems. The business was founded in 1915 and has been headquartered in Indianapolis, Indiana since inception. Allison is traded on the New York Stock Exchange under the symbol “ALSN”.

The Company has a global presence by serving customers in North America, Asia, Europe, South America, and Africa, with approximately 75% of its revenues being generated in North America in 2023. The Company serves customers through an independent network of approximately 1,600 independent distributor and dealer locations worldwide.

NOTE B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

The condensed consolidated financial statements have been prepared in accordance with accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, the condensed consolidated financial statements do not include all information and footnotes required by accounting principles generally accepted in the United States of America (“GAAP”) for complete financial statements. The information herein reflects all normal recurring material adjustments, which are, in the opinion of management, necessary for the fair statement of the results for the periods presented. The condensed consolidated financial statements herein consist of all wholly-owned domestic and foreign subsidiaries with all significant intercompany transactions eliminated.

These condensed consolidated financial statements present the financial position, results of comprehensive income, cash flows and statements of stockholders’ equity of the Company. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on February 14, 2024. The interim period financial results for the three-month periods presented are not necessarily indicative of results to be expected for any other interim period or for the entire year.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses. Estimates include, but are not limited to, sales incentives, government price adjustments, fair market values and future cash flows associated with goodwill, indefinite-lived intangibles, definite-lived intangibles, long-lived asset impairment tests, useful lives for depreciation and amortization, warranty liabilities, core deposit liabilities, determination of discount rate and other assumptions for pension and other post-retirement benefit ("OPEB") expense, income taxes and deferred tax valuation allowances, derivative valuation, assumptions for business combinations and contingencies. The Company's accounting policies involve the application of judgments and assumptions made by management that include inherent risks and uncertainties. Actual results could differ materially from these estimates and from the assumptions used in the preparation of the Company's financial statements. Changes in estimates are recorded in results of operations in the period that the events or circumstances giving rise to such changes occur.

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued authoritative accounting guidance expanding public entities' reportable segment disclosures, primarily through enhanced disclosures about significant segment expenses that are regularly reviewed by the Chief Operating Decision Maker and included within each reported measure of segment profit or loss. The guidance will become effective for the Company starting with its fiscal year ending December 31, 2024 and the subsequent interim periods. The guidance will be applied retrospectively, and the Company does not plan to early adopt. Management is currently evaluating the impact of this guidance on the Company's consolidated financial statements.

In December 2023, the FASB issued authoritative accounting guidance to improve income tax disclosures by requiring disaggregated information about a reporting entity's effective tax rate reconciliation and information on income taxes paid. The guidance will become effective for the Company beginning with its fiscal year ending December 31, 2025. The guidance will be applied prospectively with the option to apply it retrospectively. Management is currently evaluating the impact of this guidance on the Company's consolidated financial statements.

All other recently issued accounting pronouncements were assessed as either not applicable to the Company or were not expected to have a material impact on the Company's condensed consolidated financial statements.

NOTE C. REVENUE

Revenue is recognized as each distinct performance obligation within a contract is satisfied. A performance obligation is a promise in a contract to transfer a distinct good or service to the customer. The Company enters into long-term agreements ("LTAs") and distributor agreements with certain customers. The LTAs and distributor agreements do not include committed volumes until underlying purchase orders are issued; therefore, the Company determined that purchase orders are the contract with a customer. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when the performance obligation is satisfied, as there is no right of return.

Some of the Company's contracts include multiple performance obligations, most commonly the sale of both a transmission and extended transmission coverage ("ETC"). The Company allocates the contract's transaction price to each performance obligation based on the standalone selling price of each distinct good or service in the contract.

The Company may also use volume-based discounts and rebates as marketing incentives in the sales of both vehicle propulsion solutions and service parts, which are accounted for as variable consideration. The Company records the impact of the incentives as a reduction to revenue when it is determined that the adjustment is not likely to reverse. The Company estimates the impact of all other incentives based on the related sales and market conditions in the end market location. The Company recorded no material adjustments based on variable consideration during either of the three months ended March 31, 2024 or 2023.

Net sales are made on credit terms, generally 30 days, based on an assessment of the customer's creditworthiness. For certain goods or services, the Company receives consideration prior to satisfying the related performance obligation. Such consideration is recorded as a contract liability in current and non-current deferred revenue as of March 31, 2024 and December 31, 2023. See "Note J. Deferred Revenue" for more information, including the amount of revenue earned during each of the three months ended March 31, 2024 and 2023 that had been previously deferred. The Company had no material contract assets as of either March 31, 2024 or December 31, 2023.

The Company has one operating segment and reportable segment. The Company is in one line of business, which is the manufacture and distribution of vehicle propulsion solutions. The following presents disaggregated revenue by categories that best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors (dollars in millions):

	Three Months Ended March 31,	
	2024	2023
North America On-Highway	\$ 420	\$ 376
North America Off-Highway	4	24
Defense	48	27
Outside North America On-Highway	115	108
Outside North America Off-Highway	42	23
Service Parts, Support Equipment and Other	160	183
Total Net Sales	\$ 789	\$ 741

NOTE D. INVENTORIES

Inventories consisted of the following components (dollars in millions):

	March 31, 2024	December 31, 2023
Purchased parts and raw materials	\$ 148	\$ 152
Work in progress	17	17
Service parts	58	54
Finished goods	66	53
Total inventories	<u>\$ 289</u>	<u>\$ 276</u>

Inventory components shipped to third parties, primarily cores, parts to re-manufacturers, and parts to contract manufacturers, which the Company has an obligation to buy back, are included in purchased parts and raw materials, with an offsetting liability in Other current liabilities. See "Note L. Other Current Liabilities" for more information.

NOTE E. GOODWILL AND OTHER INTANGIBLE ASSETS

As of March 31, 2024 and December 31, 2023, the carrying value of the Company's Goodwill was \$2,075 million and \$2,076 million, respectively.

The following presents a summary of other intangible assets (dollars in millions):

	March 31, 2024			December 31, 2023		
	Intangible assets, gross	Accumulate d amortization	Intangible assets, net	Intangible assets, gross	Accumulate d amortization	Intangible assets, net
Other intangible assets:						
Trade name	\$ 791	\$ —	\$ 791	\$ 791	\$ —	\$ 791
In-process research and development	25	—	25	25	—	25
Customer relationships — commercial	839	(837)	2	839	(833)	6
Proprietary technology	484	(479)	5	484	(479)	5
Customer relationships — defense	62	(57)	5	62	(56)	6
Non-compete agreement	1	(1)	—	1	(1)	—
Total	<u>\$ 2,202</u>	<u>\$ (1,374)</u>	<u>\$ 828</u>	<u>\$ 2,202</u>	<u>\$ (1,369)</u>	<u>\$ 833</u>

Amortization expense related to other intangible assets for the next five fiscal years is expected to be (dollars in millions):

	2025	2026	2027	2028	2029
Amortization expense	<u>\$ 7</u>	<u>\$ 3</u>	<u>\$ 3</u>	<u>\$ 2</u>	<u>\$ 2</u>

NOTE F. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the price (exit price) that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The accounting guidance establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurement). The three levels of the fair value hierarchy defined by the relevant guidance are as follows:

Level 1 — Quoted prices are available in active markets for identical assets or liabilities as of the reporting date.

Level 2 — Inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes financial instruments that are valued using quoted prices in markets that are not active and those financial instruments that are valued using models or other valuation methodologies in which all significant value-drivers are observable in active markets or are supported by observable levels at which transactions are executed in the marketplace.

Level 3 — Certain inputs are unobservable or have little or no market data available. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. At each balance sheet date, the Company performs an analysis of all instruments subject to authoritative accounting guidance and includes, in Level 3, all of those whose fair value is based on significant unobservable inputs. As of March 31, 2024 and December 31, 2023, the Company did not have any Level 3 financial assets or liabilities.

The Company's assets and liabilities that are measured at fair value include cash equivalents, marketable securities, derivative instruments, assets held in a rabbi trust and a deferred compensation obligation. The Company's cash equivalents consist of short-term U.S. government backed securities and time deposits. The Company's marketable securities consist of publicly traded stock of Jing-Jin Electric Technologies Co. Ltd., which has a readily determinable fair value. The Company's derivative instruments consist of interest rate swaps. The Company's assets held in the rabbi trust consist principally of publicly available mutual funds and target date retirement funds. The Company's deferred compensation obligation is directly related to the fair value of assets held in the rabbi trust.

The Company's valuation techniques used to calculate the fair value of cash equivalents, marketable securities, assets held in the rabbi trust and the deferred compensation obligation represent a market approach in active markets for identical assets that qualify as Level 1 in the fair value hierarchy.

The Company's valuation techniques used to calculate the fair value of derivative instruments represent a market approach with observable inputs that qualify as Level 2 in the fair value hierarchy. The Company uses valuations from the issuing financial institutions for the fair value measurement of interest rate swaps. The floating-to-fixed interest rate swaps are based on the Secured Overnight Financing Rate ("SOFR"), which is observable at commonly quoted intervals. The fair values are included in other current and non-current assets in the Condensed Consolidated Balance Sheets. See "Note H. Derivatives" for more information regarding the Company's interest rate swaps.

[Table of Contents](#)

The following table summarizes the fair value of the Company's financial assets and (liabilities) as of March 31, 2024 and December 31, 2023 (dollars in millions):

	Fair Value Measurements Using					
	Quoted Prices in Active Markets for Identical Assets (Level 1)		Significant Other Observable Inputs (Level 2)		TOTAL	
	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023	March 31, 2024	December 31, 2023
Cash equivalents	\$ 370	\$ 421	\$ —	\$ —	\$ 370	\$ 421
Marketable securities	14	20	—	—	14	20
Rabbi trust assets	20	18	—	—	20	18
Deferred compensation obligation	(20)	(18)	—	—	(20)	(18)
Derivative assets	—	—	14	12	14	12
Total	\$ 384	\$ 441	\$ 14	\$ 12	\$ 398	\$ 453

The Company holds equity securities in an unconsolidated entity without a readily determinable fair value. This investment represents a less than a 20% ownership interest in the privately-held affiliate, and the Company does not maintain significant influence over or control of the entity. The Company has elected the measurement alternative and measures the investment at cost, less any impairment, plus or minus adjustments related to observable transactions for the same or similar securities. This equity investment is recorded in Other non-current assets in the Condensed Consolidated Balance Sheets, with changes in the value recorded in Other (expense) income, net in the Consolidated Statements of Comprehensive Income. As of both March 31, 2024 and December 31, 2023, the Company held equity securities without a readily determinable fair value of \$5 million.

NOTE G. DEBT

Long-term debt and maturities are as follows (dollars in millions):

	March 31, 2024	December 31, 2023
Long-term debt:		
Senior Secured Credit Facility Term Loan, variable, due 2026	\$ —	\$ 618
Senior Notes, fixed 4.75%, due 2027	400	400
Senior Notes, fixed 5.875%, due 2029	500	500
Senior Secured Credit Facility Term Loan, variable, due 2031	518	—
Senior Notes, fixed 3.75%, due 2031	1,000	1,000
Total long-term debt	\$ 2,418	\$ 2,518
Less: current maturities of long-term debt	5	6
deferred financing costs, net	15	15
Total long-term debt, net	\$ 2,398	\$ 2,497

As of March 31, 2024, the Company had \$2,418 million of indebtedness associated with Allison Transmission, Inc.'s ("ATI"), the Company's wholly-owned subsidiary, 4.75% Senior Notes due October 2027 ("4.75% Senior Notes"), ATI's 5.875% Senior Notes due June 2029 ("5.875% Senior Notes"), ATI's 3.75% Senior Notes due January 2031 ("3.75% Senior Notes" and, together with the 4.75% Senior Notes and 5.875% Senior Notes, the "Senior Notes") and the Second Amended and Restated Credit Agreement dated as of March 29, 2019, as amended (the "Credit Agreement"), governing ATI's term loan facility in the amount of \$518 million due March 2031 ("Term Loan") and ATI's revolving credit facility with commitments in the amount of \$750 million due March 2029 ("Revolving Credit Facility" and, together with the Term Loan, the "Senior Secured Credit Facility").

The fair value of the Company's long-term debt obligations as of March 31, 2024 was \$2,271 million. The fair value is based on quoted Level 2 market prices of the Company's debt as of March 31, 2024. The difference between the fair value and carrying value of the long-term debt is driven primarily by trends in the financial markets.

Senior Secured Credit Facility

In March 2024, the Company and ATI entered into Amendment No. 4 ("Amendment") to the Credit Agreement, after giving effect to a \$101 million principal prepayment, to remove the 0.10% credit spread adjustment to the SOFR benchmark for all available interest periods and increase the commitments under the existing Revolving Credit Facility by \$100 million. The Amendment also extended the maturity of the existing Term Loan from 2026 to 2031 and extended the existing Revolving Credit Facility termination date from 2025 to 2029. With the exception of the items noted above, the terms of the extended Term Loan and Revolving Credit Facility are materially the same as they were prior to the Amendment. The Amendment was treated as a modification to the Senior Secured Credit Facility under GAAP. The Company recorded \$4 million as new deferred financing fees in the Condensed Consolidated Balance Sheet as of March 31, 2024 and expensed \$1 million of prior deferred financing fees in the Condensed Consolidated Statement of Comprehensive Income during the first quarter of 2024.

The borrowings under the Senior Secured Credit Facility are collateralized by a lien on substantially all assets of the Company, ATI and certain existing and future U.S. subsidiary guarantors, as provided in the Credit Agreement. Interest on the Term Loan, as of March 31, 2024, is either (a) 1.75% over a SOFR rate on deposits in U.S. dollars for one-, three- or six-month periods (or a twelve-month period if, at the time of the borrowing, consented to by all relevant lenders and the administrative agent) ("Term SOFR"), or (b) 0.75% over the greater of the prime lending rate as quoted by the administrative agent, the Term SOFR Rate for an interest period of one month plus 1.00% and the federal funds effective rate published by the Federal Reserve Bank of New York plus 0.50%, subject to a 1.00% floor (the "Base Rate"). As of March 31, 2024, the Company elected to pay the lowest all-in rate of Term SOFR plus the applicable margin, or 7.07%, on the Term Loan. The Credit Agreement requires minimum quarterly principal payments on the Term Loan, as well as prepayments from certain net cash proceeds of non-ordinary course asset sales and casualty and condemnation events, the incurrence of certain debt and from a percentage of excess cash flow, if applicable. The minimum required quarterly principal payment on the Term Loan through its maturity date of March 2031 is \$1 million. As of March 31, 2024, there had been no payments required for certain net cash proceeds of non-ordinary course asset sales and casualty and condemnation events. The remaining principal balance is due upon maturity.

The Senior Secured Credit Facility also provides a Revolving Credit Facility, net of an allowance for up to \$75 million in outstanding letters of credit commitments. During the three months ended March 31, 2024, the Company made no withdrawals on the Revolving Credit Facility. As of March 31, 2024, the Company had \$745 million available under the Revolving Credit Facility, net of \$5 million in letters of credit. Borrowings under the Revolving Credit Facility bear interest at a variable base rate plus an applicable margin based on the Company's first lien net leverage ratio. When the Company's first lien net leverage ratio is above 4.00x, interest on the Revolving Credit Facility is (a) 0.75% over the Base Rate or (b) 1.75% over the Term SOFR Rate; when the Company's first lien net leverage ratio is equal to or less than 4.00x and above 3.50x, interest on the Revolving Credit Facility is (i) 0.50% over the Base Rate or (ii) 1.50% over the Term SOFR Rate; and when the Company's first lien net leverage ratio is equal to or below 3.50x, interest on the Revolving Credit Facility is (y) 0.25% over the Base Rate or (z) 1.25% over the Term SOFR Rate. As of March 31, 2024, the applicable margin for the Revolving Credit Facility was 1.25%. In addition, there is an annual commitment fee, based on the Company's first lien net leverage ratio, on the average unused revolving credit borrowings available under the Revolving Credit Facility. As of March 31, 2024, the commitment fee was 0.25%. Borrowings under the Revolving Credit Facility are payable at the option of the Company throughout the term of the Revolving Credit Facility with the balance due in March 2029.

The Senior Secured Credit Facility requires the Company to maintain a specified maximum first lien net leverage ratio of 5.50x when revolving loan commitments remain outstanding on the Revolving Credit Facility at the

end of a fiscal quarter. As of March 31, 2024, the Company had no amounts outstanding under the Revolving Credit Facility; however, the Company would have been in compliance with the maximum first lien net leverage ratio, achieving a (0.03x) ratio. Additionally, within the terms of the Senior Secured Credit Facility, a first lien net leverage ratio at or below 4.00x results in the elimination of excess cash flow payments on the Senior Secured Credit Facility for the applicable year.

In addition, the Credit Agreement, among other things, includes customary restrictions (subject to certain exceptions) on the Company's ability to incur certain indebtedness, grant certain liens, make certain investments, engage in acquisitions, consolidations and mergers, declare or pay certain dividends or repurchase shares of the Company's common stock. As of March 31, 2024, the Company was in compliance with all covenants under the Credit Agreement.

Senior Notes

Each series of the Senior Notes is unsecured and is guaranteed by each of ATI's domestic subsidiaries that is a borrower under or guarantees the Senior Secured Credit Facility and is unconditionally guaranteed, jointly and severally, by any of ATI's future domestic subsidiaries that are borrowers under or guarantee the Senior Secured Credit Facility. None of ATI's domestic subsidiaries currently guarantee its obligations under the Senior Secured Credit Facility, and therefore none of ATI's domestic subsidiaries currently guarantee any series of the Senior Notes. The indentures governing the Senior Notes contain negative covenants restricting or limiting the Company's ability to, among other things: incur or guarantee additional indebtedness, incur liens, pay dividends on, redeem or repurchase the Company's capital stock, make certain investments, permit payment or dividend restrictions on certain of the Company's subsidiaries, sell assets, engage in certain transactions with affiliates, and consolidate or merge or sell all or substantially all of the Company's assets. As of March 31, 2024, the Company was in compliance with all covenants under the indentures governing the Senior Notes.

ATI may from time to time seek to retire its Senior Notes through cash purchases, exchanges for equity securities, open market purchases, privately negotiated transactions, contractual redemptions or otherwise. Such repurchases or exchanges, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions and other factors and will be in accordance with the respective indenture governing such notes. The amounts involved may be material. Some or all of the 4.75% Senior Notes may be redeemed at any time at redemption prices specified in the indenture governing such notes. Some or all of the 5.875% Senior Notes may be redeemed prior to June 1, 2024 by paying a price equal to 100.00% of the principal amount being redeemed, plus an "applicable premium". At any time on or after June 1, 2024, ATI may redeem some or all of the 5.875% Senior Notes at redemption prices specified in the indenture governing such notes. Prior to January 30, 2026, ATI may redeem some or all of the 3.75% Senior Notes by paying a price equal to 100.00% of the principal amount being redeemed, plus an "applicable premium". At any time on or after January 30, 2026, ATI may redeem some or all of the 3.75% Senior Notes at redemption prices specified in the indenture governing such notes.

NOTE H. DERIVATIVES

The Company is subject to interest rate risk related to the Senior Secured Credit Facility and entered into interest rate swaps to manage a portion of this exposure. The interest rate swaps are designated as cash flow hedges that qualify for hedge accounting under the hypothetical derivative method. During the first quarter of 2024, the Company and ATI entered into the Amendment to the Credit Agreement that changed critical terms of the hedged item. Therefore, the Company performed a quantitative assessment that demonstrated a highly effective hedging relationship that qualifies for hedge accounting under the hypothetical derivative method.

As of March 31, 2024, the Company held interest rate swap contracts that, in the aggregate, effectively hedge \$500 million of the variable rate debt associated with the Term Loan at the Term SOFR weighted average fixed rate of 2.81% through September 2025.

Fair value adjustments are recorded as a component of Accumulated other comprehensive loss, net of tax ("AOCL") in the Condensed Consolidated Balance Sheets. Balances in AOCL are reclassified to earnings when transactions related to the underlying risk are settled. See "Note F. Fair Value of Financial Instruments" for information regarding the fair value of the Company's interest rate swaps.

The following tabular disclosures further describe the Company's interest rate derivatives qualifying and designated for hedge accounting and their impact on the financial condition of the Company (dollars in millions):

	Balance Sheet Location	Fair Value	
		March 31, 2024	December 31, 2023
Derivative Assets:			
Interest rate swaps	Other current assets	\$ 10	\$ 7
	Other non-current assets	4	5
Total derivative assets		<u>\$ 14</u>	<u>\$ 12</u>

The balance of net derivative gains recorded in AOCL as of March 31, 2024 and December 31, 2023 was \$14 million and \$12 million, respectively. See "Note O. Accumulated Other Comprehensive Loss" for information regarding activity recorded as a component of AOCL during the three months ended March 31, 2024 and 2023. As of March 31, 2024, the Company had \$9 million of derivative gains recorded in AOCL expected to be reclassified to earnings within the next twelve months.

NOTE I. PRODUCT WARRANTY LIABILITIES

As of March 31, 2024, current and non-current product warranty liabilities were \$30 million and \$28 million, respectively. As of March 31, 2023, current and non-current product warranty liabilities were \$27 million and \$32 million, respectively.

Product warranty liability activities consisted of the following (dollars in millions):

	Three Months Ended March 31,	
	2024	2023
Beginning balance	\$ 59	\$ 57
Payments	(12)	(8)
Increase in liability (warranty issued during period)	7	6
Net adjustments to liability	4	4
Ending balance	<u>\$ 58</u>	<u>\$ 59</u>

NOTE J. DEFERRED REVENUE

As of March 31, 2024, current and non-current deferred revenue were \$42 million and \$92 million, respectively. As of March 31, 2023, current and non-current deferred revenue were \$45 million and \$94 million, respectively.

Deferred revenue activity consisted of the following (dollars in millions):

	Three Months Ended March 31,	
	2024	2023
Beginning balance	\$ 130	\$ 131
Increases	13	17
Revenue earned	(9)	(9)
Ending balance	<u>\$ 134</u>	<u>\$ 139</u>

Deferred revenue recorded in current and non-current liabilities related to ETC as of March 31, 2024 was \$29 million and \$89 million, respectively. Deferred revenue recorded in current and non-current liabilities related to ETC as of March 31, 2023 was \$30 million and \$84 million, respectively.

NOTE K. LEASES

Contracts are assessed by the Company to determine if the contract conveys the right to control an identified asset in exchange for consideration during a period of time. The Company classifies all identified leases as either operating or finance leases. As of both March 31, 2024 and December 31, 2023, the Company was not a party to any finance leases. Contracts that contain leases are assessed to determine if the consideration in the contract is related to a lease component, non-lease component or other components not related to the lease. Lease components are recorded as right-of-use (“ROU”) assets and lease liabilities while any non-lease component is expensed as incurred. The consideration in the contract related to other components not related to the lease is allocated among the lease component and the non-lease component, as applicable, based on the stand-alone selling price of the lease and non-lease components.

Certain lease contracts may contain an option to extend or terminate the lease. The Company considers the economic impact of extension and termination options by contract. If the Company concludes it is reasonably certain an option will be exercised, that option is included in the lease term and impacts the amount recorded as an ROU asset and lease liability at inception of the contract.

The Company's lease liability is determined by discounting the future cash flows over the lease period. The Company determines its discount rates utilizing current secured financing rates based on the length of the lease period plus the Company's margin over Term SOFR on the Term Loan. The Company believes this rate effectively represents a borrowing rate the Company could obtain on a debt instrument possessing similar terms as the lease. Lease liabilities are classified between current and non-current liabilities based on the terms of the underlying leases. The weighted average discount rate on operating leases as of March 31, 2024 and December 31, 2023 was 4.76% and 4.75%, respectively.

As of March 31, 2024, the Company recorded current and non-current operating lease liabilities of \$5 million and \$15 million, respectively. As of December 31, 2023, the Company recorded current and non-current operating lease liabilities of \$4 million and \$14 million, respectively. The following table reconciles future undiscounted cash flows for operating leases to total operating lease liabilities as of March 31, 2024 (dollars in millions):

	March 31, 2024	
For the remainder of 2024	\$	4
2025		5
2026		3
2027		3
2028		3
Thereafter		5
Total lease payments	\$	23
Less: Interest		3
Present value of operating lease liabilities	\$	20

ROU assets are calculated as the related lease liability adjusted for lease incentives, prepayments and the effect of escalating lease payments on period expense. The below table depicts the ROU assets held by the Company based on the underlying asset (dollars in millions):

	March 31, 2024	December 31, 2023
Buildings	\$ 17	\$ 15
Equipment	2	2
Land	1	1
Vehicles	1	1
Total ROU assets	\$ 21	\$ 19

[Table of Contents](#)

The weighted average remaining lease term as of March 31, 2024 and March 31, 2023 was 5.8 years and 6.1 years, respectively.

Operating lease expense was \$2 million and \$1 million for the three months ended March 31, 2024 and 2023, respectively. Operating lease expense was recorded within Selling, general and administrative expense and Engineering — research and development on the Company's Condensed Consolidated Statements of Comprehensive Income. There was no material short-term operating lease expense for either of the three months ended March 31, 2024 or 2023.

During the three months ended March 31, 2024 and 2023, the Company recorded \$3 million and \$1 million, respectively, of new ROU assets obtained in exchange for lease obligations.

NOTE L. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following (dollars in millions):

	March 31, 2024	December 31, 2023
Taxes payable	\$ 52	\$ 17
Payroll and related costs	38	89
Sales incentives	36	41
Accrued interest payable	28	24
Vendor buyback obligation	19	18
Lease liability	5	4
Other accruals	19	19
Total	<u>\$ 197</u>	<u>\$ 212</u>

NOTE M. EMPLOYEE BENEFIT PLANS

Components of net periodic benefit cost (credit) consist of the following (dollars in millions):

	Pension Plans		Post-retirement Benefits	
	For the Three Months Ended March 31,		For the Three Months Ended March 31,	
	2024	2023	2024	2023
Net periodic benefit cost (credit):				
Service cost	\$ 1	\$ 1	\$ —	\$ —
Interest cost	2	2	1	1
Expected return on assets	(2)	(2)	—	—
Prior service credit	—	—	(2)	(2)
Recognized actuarial gain	—	—	(1)	(1)
Net periodic benefit cost (credit)	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ (2)</u>	<u>\$ (2)</u>

The components of net periodic benefit cost (credit) other than the service cost component are included in Other (expense) income, net in the Condensed Consolidated Statements of Comprehensive Income.

NOTE N. INCOME TAXES

For the three months ended March 31, 2024 and 2023, the Company recorded total income tax expense of \$35 million and \$42 million, respectively. The effective tax rate for the three months ended March 31, 2024 and 2023 was 17% and 20%, respectively. The decrease in the effective tax rate was principally driven by increased estimated U.S. federal income tax deductions.

The need to establish a valuation allowance against the deferred tax assets is assessed periodically based on a more-likely-than-not realization threshold, in accordance with authoritative accounting guidance. Appropriate consideration is given to all positive and negative evidence related to that realization. This assessment considers, among other matters, the nature, frequency and severity of recent losses, forecasts of future profitability, the duration of statutory carry-forward periods, experience with tax attributes expiring unused, and tax planning alternatives. The weight given to these considerations depends upon the degree to which they can be objectively verified.

The Company continues to provide for a valuation allowance on certain of its foreign deferred tax assets. The Company has determined, based on the evaluation of both objective and subjective evidence available, that this valuation allowance is necessary and that it is more likely than not that the deferred tax assets are not fully realizable.

NOTE O. ACCUMULATED OTHER COMPREHENSIVE LOSS

The following tables reconcile changes in AOCL by component (net of tax, dollars in millions):

	Three months ended			
	Pension and OPEB liability adjustments	Interest rate swaps	Foreign currency items	Total
AOCL as of December 31, 2022	\$ 5	\$ 15	\$ (42)	\$ (22)
Other comprehensive (loss) income before reclassifications	—	(2)	2	—
Amounts reclassified from AOCL	(3)	(2)	—	(5)
Income tax benefit	1	1	—	2
Net current period other comprehensive (loss) income	\$ (2)	\$ (3)	\$ 2	\$ (3)
AOCL as of March 31, 2023	\$ 3	\$ 12	\$ (40)	\$ (25)
AOCL as of December 31, 2023	\$ (2)	\$ 11	\$ (40)	\$ (31)
Other comprehensive income (loss) before reclassifications	—	5	(5)	—
Amounts reclassified from AOCL	(3)	(3)	—	(6)
Income tax benefit (expense)	1	(1)	—	—
Net current period other comprehensive (loss) income	\$ (2)	\$ 1	\$ (5)	\$ (6)
AOCL as of March 31, 2024	\$ (4)	\$ 12	\$ (45)	\$ (37)

AOCL Components	Amounts reclassified from AOCL		Affected line item in the Condensed Consolidated Statements of Comprehensive Income
	Three months ended March 31, 2024	Three months ended March 31, 2023	
Interest rate swaps	\$ 3	\$ 2	Interest expense, net
Prior service credit	2	2	Other (expense) income, net
Recognized actuarial gain	1	1	Other (expense) income, net
Total reclassifications, before tax	\$ 6	\$ 5	Income before income taxes
Income tax expense	(1)	(1)	Income tax expense
Total reclassifications, net of tax	\$ 5	\$ 4	

[Table of Contents](#)

Prior service credits and actuarial gains are included in the computation of the Company's net periodic benefit cost (credit). See "Note M. Employee Benefit Plans" for additional details.

NOTE P. COMMITMENTS AND CONTINGENCIES

The Company is party to various legal actions and administrative proceedings and subject to various claims arising in the ordinary course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims and workers' compensation claims. The Company believes that the ultimate liability, if any, in excess of amounts already provided for in the condensed consolidated financial statements or covered by insurance on the disposition of these matters will not have a material adverse effect on the financial position, results of operations or cash flows of the Company.

NOTE Q. EARNINGS PER SHARE

The following table reconciles the numerators and denominators used to calculate basic EPS and diluted EPS (in millions, except per share data):

	Three Months Ended March 31,	
	2024	2023
Net income	\$ 169	\$ 170
Weighted average shares of common stock outstanding	88	92
Dilutive effect of stock-based awards	1	—
Diluted weighted average shares of common stock outstanding	89	92
Basic earnings per share attributable to common stockholders	\$ 1.92	\$ 1.85
Diluted earnings per share attributable to common stockholders	\$ 1.90	\$ 1.85

The dilutive impact of stock-based compensation is calculated using the treasury stock method. The treasury stock method assumes that the Company uses the proceeds from the exercise of awards to repurchase common stock at the average market price during the period. For the three months ended March 31, 2024, there were no outstanding stock options excluded from the diluted EPS calculation because they were anti-dilutive. For the three months ended March 31, 2023, there were 1 million outstanding stock options excluded from the diluted EPS calculation because they were anti-dilutive. Basic and diluted EPS for the full-year are calculated using the weighted average shares of common stock outstanding during the year while quarterly basic and diluted EPS are calculated using the weighted average shares of common stock outstanding during the quarter; therefore, the sum of each quarter's EPS may not equal full-year EPS.

NOTE R. COMMON STOCK

The Company's Board of Directors has authorized the Company to repurchase up to \$4,000 million of its common stock pursuant to a stock repurchase program (the "Repurchase Program"). During the three months ended March 31, 2024, the Company repurchased \$52 million of its common stock under the Repurchase Program, leaving \$721 million of authorized repurchases remaining under the Repurchase Program as of March 31, 2024. The Repurchase Program has no termination date, and the timing and amount of stock purchases are subject to market conditions and corporate needs. The Repurchase Program may be modified, suspended or discontinued at any time at the Company's discretion.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis is intended to help the reader understand our business, financial condition, results of operations, liquidity and capital resources. You should read this discussion in conjunction with our condensed consolidated interim financial statements and the related notes contained elsewhere in this Quarterly Report on Form 10-Q.

The statements in this discussion regarding industry trends, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in “Cautionary Note Regarding Forward-Looking Statements” and Part II, Item 1A “Risk Factors” below, and in Part I, Item 1A “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on February 14, 2024. Our actual results may differ materially from those contained in or implied by any forward-looking statements.

Overview

Allison Transmission Holdings, Inc. and its subsidiaries (“Allison,” the “Company,” “we,” “us” or “our”) design and manufacture vehicle propulsion solutions, including commercial-duty on-highway, off-highway and defense fully automatic transmissions and electric hybrid and fully electric systems. The business was founded in 1915 and has been headquartered in Indianapolis, Indiana since inception. Allison is traded on the New York Stock Exchange under the symbol “ALSN”.

We have a global presence by serving customers in North America, Asia, Europe, South America, and Africa, with approximately 75% of our revenues being generated in North America in 2023. We serve customers through an independent network of approximately 1,600 independent distributor and dealer locations worldwide.

Trends Impacting Our Business

In January 2024, the International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (“UAW”) Local 933 ratified a new four-year collective bargaining agreement with us that expires in November 2027. We will have a significant increase in labor costs under the terms of this new agreement.

Our net sales are driven by commercial vehicle production, which tends to be highly correlated to macroeconomic conditions and continues to be impacted by global supply chain constraints.

First Quarter Net Sales by End Market (dollars in millions)

End Market	Q1 2024 Net Sales	Q1 2023 Net Sales	% Variance
North America On-Highway	\$ 420	\$ 376	12 %
North America Off-Highway	4	24	(83) %
Defense	48	27	78 %
Outside North America On-Highway	115	108	6 %
Outside North America Off-Highway	42	23	83 %
Service Parts, Support Equipment and Other	160	183	(13) %
Total Net Sales	<u>\$ 789</u>	<u>\$ 741</u>	6 %

North America On-Highway end market net sales were up 12% for the first quarter 2024 compared to the first quarter 2023, principally driven by strength in demand for Class 8 vocational and medium-duty trucks and price increases on certain products.

Global Off-Highway net sales were down 2% for the first quarter 2024 compared to the first quarter 2023, principally driven by lower demand from the energy sector in North America, partially offset by strength in demand from the energy, mining and construction sectors outside of North America.

Defense end market net sales were up 78% for the first quarter 2024 compared to the first quarter 2023, principally driven by increased demand for Tracked vehicle applications.

Outside North America On-Highway end market net sales were up 6% for the first quarter 2024 compared to the first quarter 2023, principally driven by higher demand in Asia and price increases on certain products, partially offset by lower demand in Europe.

Service Parts, Support Equipment and Other end market net sales were down 13% for the first quarter 2024 compared to the first quarter 2023, principally driven by lower demand for North America service parts.

Key Components of our Results of Operations

Net sales

We generate our net sales primarily from the sale of vehicle propulsion solutions, service and component parts, support equipment, defense kits, engineering services, royalties and extended transmission coverage to a wide array of original equipment manufacturers, distributors and the U.S. government. Sales are recorded in accordance with the terms of the contract, net of provisions for customer incentives and other rebates. Engineering services are recorded as net sales in accordance with the terms of the contract. The associated costs are recorded in cost of sales. We also have royalty agreements with third parties that provide net sales as a result of joint efforts in developing marketable products.

Cost of sales

Our primary components of cost of sales are purchased parts, the overhead expense related to our manufacturing operations and direct labor associated with the manufacture and assembly of vehicle propulsion solutions and parts. For the three months ended March 31, 2024, direct material costs were approximately 64%, overhead costs were approximately 28%, and direct labor costs were approximately 8% of cost of sales. The increase in overhead costs as a percentage of cost of sales was a result of non-recurring UAW contract signing incentives. We are subject to changes in our cost of sales caused by movements in underlying commodity prices. We seek to hedge against this risk by using LTAs, as appropriate. See Part I, Item 3, "Quantitative and Qualitative Disclosures about Market Risk—Commodity Price Risk" included below.

Selling, general and administrative

The principal components of our selling, general and administrative expenses are salaries and benefits for our office personnel, advertising and promotional expenses, product warranty expense, expenses relating to certain information technology systems and amortization of our intangible assets.

Engineering — research and development

We incur costs in connection with research and development programs that are expected to contribute to future earnings. Such costs are expensed as incurred.

Non-GAAP Financial Measures

We use Adjusted Earnings before Interest, Taxes, Depreciation, and Amortization ("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 earnings before interest expense, net, income tax expense, amortization of intangible assets, depreciation of property, plant and equipment and other adjustments as defined by the Second Amended and Restated Credit Agreement dated as of March 29, 2019, as amended (the "Credit Agreement"), governing Allison Transmission, Inc.'s ("ATI"), our wholly-owned subsidiary, term loan facility in the amount of \$518 million due March 2031 ("Term Loan") and ATI's revolving credit facility with commitments in the amount of \$750 million due March 2029 ("Revolving Credit Facility" and, together with the Term Loan, the "Senior Secured Credit Facility"). 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.

The following is a reconciliation of Net income and Net income as a percent of net sales to Adjusted EBITDA and Adjusted EBITDA as a percent of net sales and a reconciliation of Net cash provided by operating activities to Adjusted free cash flow:

<i>(unaudited, dollars in millions)</i>	Three Months Ended March 31,	
	2024	2023
Net income (GAAP)	\$ 169	\$ 170
plus:		
Income tax expense	35	42
Depreciation of property, plant and equipment	27	26
Interest expense, net	25	28
UAW Local 933 contract signing incentives (a)	14	—
Unrealized loss (gain) on marketable securities (b)	7	(3)
Stock-based compensation expense (c)	6	5
Amortization of intangible assets	5	11
Loss associated with impairment of long-lived assets	1	—
Technology-related investments gain (d)	—	(3)
Adjusted EBITDA (Non-GAAP)	\$ 289	\$ 276
Net sales (GAAP)	\$ 789	\$ 741
Net income as a percent of net sales (GAAP)	21.4%	22.9%
Adjusted EBITDA as a percent of net sales (Non-GAAP)	36.6%	37.2%
Net cash provided by operating activities (GAAP)	\$ 173	\$ 193
Deductions to reconcile to Adjusted free cash flow:		
Additions of long-lived assets	(11)	(24)
Adjusted free cash flow (Non-GAAP)	\$ 162	\$ 169

[Table of Contents](#)

- (a) Represents non-recurring incentives (recorded in Cost of sales, Selling, general and administrative, and Engineering - research and development) to eligible employees as a result of UAW Local 933 represented employees ratifying a four-year collective bargaining agreement effective through November 2027.
- (b) Represents a loss (gain) (recorded in Other (expense) income, net) related to an investment in the common stock of Jing-Jin Electric Technologies Co. Ltd.
- (c) Represents stock-based compensation expense (recorded in Cost of sales, Selling, general and administrative, and Engineering — research and development).
- (d) Represents a gain (recorded in Other (expense) income, net) related to investments in co-development agreements to expand our position in propulsion solution technologies.

Results of Operations

Comparison of three months ended March 31, 2024 and 2023

The following table sets forth certain financial information for the three months ended March 31, 2024 and 2023. The following table and discussion should be read in conjunction with the information contained in our condensed consolidated financial statements and the notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

<i>(unaudited, dollars in millions)</i>	Three Months Ended March 31,			
	2024	% of net sales	2023	% of net sales
Net sales	\$ 789	100 %	\$ 741	100 %
Cost of sales	423	54	380	51
Gross profit	366	46	361	49
Operating expenses:				
Selling, general and administrative	86	11	87	12
Engineering — research and development	46	5	44	6
Total operating expenses	132	16	131	18
Operating income	234	30	230	31
Interest expense, net	(25)	(3)	(28)	(4)
Other (expense) income, net	(5)	(1)	10	2
Income before income taxes	204	26	212	29
Income tax expense	(35)	(5)	(42)	(6)
Net income	\$ 169	21 %	\$ 170	23 %

Net sales

Net sales for the quarter ended March 31, 2024 were \$789 million compared to \$741 million for the quarter ended March 31, 2023, an increase of 6%. The increase was principally driven by a \$44 million, or 12%, increase in net sales in the North America On-Highway end market principally driven by strength in demand for Class 8 vocational and medium-duty trucks and price increases on certain products, a \$21 million, or 78%, increase in net sales in the Defense end market principally driven by increased demand for Tracked vehicle applications and a \$7 million, or 6%, increase in net sales in the Outside North America On-Highway end market principally driven by higher demand in Asia and price increases on certain products, partially offset by lower demand in Europe, partially offset by a \$23 million, or 13%, decrease in net sales in the Service Parts, Support Equipment and Other end market principally driven by lower demand for North America service parts and a \$1 million, or 2%, decrease in Global Off-Highway net sales principally driven by lower demand from the energy sector in North America, partially offset by strength in demand from the energy, mining and construction sectors outside of North America.

Cost of sales

Cost of sales for the quarter ended March 31, 2024 was \$423 million compared to \$380 million for the quarter ended March 31, 2023, an increase of 11%. The increase was principally driven by higher manufacturing expense, including \$13 million of non-recurring UAW contract signing incentives, and higher direct material costs.

Gross profit

Gross profit for the quarter ended March 31, 2024 was \$366 million compared to \$361 million for the quarter ended March 31, 2023, an increase of 1%. The increase was principally driven by \$20 million related to increased net sales and \$14 million of price increases on certain products, partially offset by \$13 million of higher manufacturing expense, \$13 million of non-recurring UAW contract signing incentives and \$4 million of higher direct material costs. Gross profit as a percent of net sales for the three months ended March 31, 2024 decreased 230 basis points compared to the same period in 2023 principally driven by increased cost of sales, including \$13 million

of non-recurring UAW contract signing incentives, partially offset by increased net sales and price increases on certain products.

Selling, general and administrative

Selling, general and administrative expenses for the quarter ended March 31, 2024 were \$86 million compared to \$87 million for the quarter ended March 31, 2023, a decrease of 1%. The decrease was principally driven by lower intangible amortization expense and favorable product warranty expense, partially offset by higher commercial activities spending.

Engineering — research and development

Engineering expenses for the quarter ended March 31, 2024 were \$46 million compared to \$44 million for the quarter ended March 31, 2023, an increase of 5%. The increase was principally driven by increased product initiatives spending.

Interest expense, net

Interest expense, net for the quarter ended March 31, 2024 was \$25 million compared to \$28 million for the quarter ended March 31, 2023, a decrease of 11%. The decrease was principally driven by higher interest income on cash and cash equivalents.

Other (expense) income, net

Other (expense) income, net for the quarter ended March 31, 2024 was \$(5) million compared to \$10 million for the quarter ended March 31, 2023. The change was principally driven by \$10 million of unrealized mark-to-market adjustments for marketable securities, \$3 million of unfavorable foreign exchange and \$3 million of technology-related investment gains during 2023 that did not reoccur in 2024.

Income tax expense

Income tax expense for the three months ended March 31, 2024 was \$35 million, resulting in an effective tax rate of 17%, compared to \$42 million of income tax expense and an effective tax rate of 20% for the three months ended March 31, 2023. The decrease in the effective tax rate was principally driven by increased estimated U.S. federal income tax deductions.

Liquidity and Capital Resources

We generate cash primarily from our operations to fund our operating, investing and financing activities. Our principal uses of cash are operating expenses, capital expenditures, working capital needs, debt service, dividends on common stock, stock repurchases and strategic growth initiatives, including investments, acquisitions and collaborations. Our ability to generate cash in the future and our future uses of cash are subject to general economic, financial, competitive, legislative, regulatory and other factors that may be beyond our control. We had total available cash and cash equivalents of \$551 million and \$555 million as of March 31, 2024 and December 31, 2023, respectively. Of the available cash and cash equivalents, \$181 million was deposited in operating accounts and \$370 million was invested in U.S. government backed securities and time deposits as of March 31, 2024, compared to \$134 million deposited in operating accounts and \$421 million invested in U.S. government backed securities as of December 31, 2023.

As of March 31, 2024, the total of cash held by foreign subsidiaries was \$96 million, the majority of which was at our subsidiaries located in China, the Netherlands, India and Japan. We manage our worldwide cash requirements considering available funds among the subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. As a result, we do not currently anticipate that local liquidity restrictions will preclude us from funding our targeted initiatives or operating needs with local resources.

[Table of Contents](#)

We have not recognized any deferred tax liabilities associated with earnings in foreign subsidiaries, except for our subsidiary located in China, as they are intended to be permanently reinvested and used to support foreign operations or have no associated tax requirements. We have recorded a deferred tax liability of \$3 million for the tax liability associated with the remittance of previously taxed income and unremitted earnings for our subsidiary located in China. The remaining deferred tax liabilities, if recorded, related to unremitted earnings that are indefinitely reinvested are not material.

Our liquidity requirements are significant, primarily due to our debt service requirements. As of March 31, 2024, we had \$518 million of indebtedness associated with ATI's Term Loan, \$400 million of indebtedness associated with ATI's 4.75% Senior Notes due October 2027 ("4.75% Senior Notes"), \$500 million of indebtedness associated with ATI's 5.875% Senior Notes due June 2029 ("5.875% Senior Notes") and \$1,000 million of indebtedness associated with ATI's 3.75% Senior Notes due January 2031 ("3.75% Senior Notes" and, together with the 4.75% Senior Notes and 5.875% Senior Notes, the "Senior Notes"). Short-term and long-term debt service liquidity requirements consist of \$1 million of minimum required quarterly principal payments on ATI's Term Loan through its maturity date of March 2031 and periodic interest payments on ATI's Term Loan and the Senior Notes. There are no required quarterly principal payments on the Senior Notes. Long-term debt service liquidity requirements also consist of the payment in full of any remaining principal balance of ATI's Term Loan and the Senior Notes upon their respective maturity dates.

We made \$101 million and \$1 million of principal payments on the Term Loan during the three months ended March 31, 2024 and 2023, respectively. Our ability to make payments on and refinance our indebtedness and to fund planned capital expenditures and growth initiatives will depend on our ability to generate cash in the future.

The Senior Secured Credit Facility provides for a \$750 million Revolving Credit Facility, net of an allowance for up to \$75 million in outstanding letter of credit commitments. As of March 31, 2024, we had \$745 million available under the Revolving Credit Facility, net of \$5 million in letters of credit. As of March 31, 2024, we had no amounts outstanding under the Revolving Credit Facility. If we have commitments outstanding on the Revolving Credit Facility at the end of a fiscal quarter, the Senior Secured Credit Facility requires us to maintain a specified maximum first lien net leverage ratio of 5.50x. Additionally, within the terms of the Senior Secured Credit Facility, a first lien net leverage ratio at or below 4.00x results in the elimination of excess cash flow payments on the Senior Secured Credit Facility for the applicable year. As of March 31, 2024, our first lien net leverage ratio was (0.03x). The Senior Secured Credit Facility also provides certain financial incentives based on our first lien net leverage ratio. A first lien net leverage ratio at or below 4.00x and above 3.50x results in a 25 basis point reduction to the applicable margin on the Revolving Credit Facility. A first lien net leverage ratio at or below 3.50x results in an additional 25 basis point reduction to the applicable margin on the Revolving Credit Facility. These reductions remain in effect as long as we achieve a first lien net leverage ratio at or below the related threshold.

In addition, the Credit Agreement includes, among other things, customary restrictions (subject to certain exceptions) on our ability to incur certain indebtedness, grant certain liens, make certain investments, engage in acquisitions, consolidations and mergers, declare or pay certain dividends, and repurchase shares of our common stock. The indentures governing the Senior Notes contain negative covenants restricting or limiting our ability to, among other things, incur or guarantee additional indebtedness, incur liens, pay dividends on, redeem or repurchase our capital stock, make certain investments, permit payment or dividend restrictions on certain of our subsidiaries, sell assets, engage in certain transactions with affiliates, and consolidate or merge or sell all or substantially all of our assets. As of March 31, 2024, we are in compliance with all covenants under the Senior Secured Credit Facility and indentures governing the Senior Notes.

[Table of Contents](#)

Our credit ratings and outlook are reviewed periodically by Moody's Investors Service, Inc. ("Moody's") and Fitch Ratings, Inc. ("Fitch"). As of March 31, 2024, our credit ratings from both Moody's and Fitch are shown in the table below:

<i>Credit Ratings</i>	March 31, 2024	
	Moody's	Fitch
Corporate Credit	Ba1	BB+
Term Loan	Baa2	BBB-
4.75% Senior Notes	Ba2	BB+
5.875% Senior Notes	Ba2	BB+
3.75% Senior Notes	Ba2	BB+

Our Board of Directors has authorized us to repurchase up to \$4,000 million of our common stock pursuant to a stock repurchase program (the "Repurchase Program"). During the three months ended March 31, 2024, we repurchased \$52 million of our common stock under the Repurchase Program. All of the repurchase transactions during the three months ended March 31, 2024 were settled in cash during the same period. As of March 31, 2024, we had approximately \$721 million available under the Repurchase Program.

The following table shows our sources and uses of funds for the three months ended March 31, 2024 and 2023 (dollars in millions):

<i>Statements of Cash Flows Data</i>	Three Months Ended March 31,	
	2024	2023
Cash flows provided by operating activities	\$ 173	\$ 193
Cash flows used for investing activities	\$ (12)	\$ (22)
Cash flows used for financing activities	\$ (164)	\$ (59)

Generally, cash provided by operating activities has been adequate to fund our operations. We have significant liquidity, including \$551 million of cash and cash equivalents and \$745 million available under the Revolving Credit Facility, net of \$5 million of letters of credit, as of March 31, 2024. At this time, we believe cash provided by operating activities, cash and cash equivalents and borrowing capacity under the Revolving Credit Facility will be sufficient to meet our known and anticipated cash requirements for the next twelve months and thereafter.

Cash provided by operating activities

Operating activities for the three months ended March 31, 2024 generated \$173 million of cash compared to \$193 million for the three months ended March 31, 2023. The decrease was principally driven by higher cash incentive compensation payments and non-recurring UAW contract signing incentive payments, partially offset by higher gross profit and lower operating working capital funding requirements.

Cash used for investing activities

Investing activities for the three months ended March 31, 2024 used \$12 million of cash compared to \$22 million for the three months ended March 31, 2023. The decrease was principally driven by a \$13 million decrease in capital expenditures.

Cash used for financing activities

Financing activities for the three months ended March 31, 2024 used \$164 million of cash compared to \$59 million for the three months ended March 31, 2023. The increase was principally driven by \$100 million of increased payments on our long-term debt, \$12 million of higher stock repurchases under the Repurchase Program and \$3 million of debt financing fees associated with the amendment of the Credit Agreement governing our Senior Secured Credit Facility, partially offset by \$13 million of higher proceeds from the exercise of stock options.

Contingencies

We are a party to various legal actions and administrative proceedings and subject to various claims arising in the ordinary course of business, including those relating to commercial transactions, product liability, personal injury and workers' compensation, safety, health, taxes, environmental and other matters. For more information, see "Note P. Commitments and Contingencies" of our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Significant Accounting Estimates

A discussion of our critical accounting policies and significant accounting estimates is included in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on February 14, 2024. The preparation of the condensed consolidated financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of some assets and liabilities and, in some instances, the reported amounts of revenues and expenses during the applicable reporting period. Actual results could differ materially from these estimates. Changes in estimates are recorded in results of operations in the period that the events or circumstances giving rise to such changes occur. Within the context of these critical accounting estimates, we are not currently aware of any reasonably likely events or circumstances that would result in different policies or estimates being reported for the three months ended March 31, 2024.

Recently Issued Accounting Pronouncements

See "Note B. Summary of Significant Accounting Policies" in Part I, Item 1, of this Quarterly Report on Form 10-Q.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. 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 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; 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.

Important factors that could cause actual results to differ materially from our expectations are disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on February 14, 2024 and Part II, Item 1A of this Quarterly Report on Form 10-Q. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by these cautionary statements as well as other cautionary statements that are made from time to time in our other Securities and Exchange Commission filings or public communications. You should evaluate all forward-looking statements made in this Quarterly Report on Form 10-Q in the context of these risks and uncertainties.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

Our exposure to market risk consists of changes in interest rates, foreign currency rate fluctuations and movements in commodity prices.

Interest Rate Risk

Our principal interest rate exposure relates to outstanding amounts under our Senior Secured Credit Facility. Our Senior Secured Credit Facility provides for variable rate borrowings of up to \$1,263 million, including our \$518 million Term Loan and \$745 million under our Revolving Credit Facility, net of \$5 million of letters of credit. As of March 31, 2024, we held interest rate swap contracts that, in the aggregate, effectively hedge \$500 million of the variable rate debt associated with the Term Loan at the forward-looking term rate based on the Secured Overnight Financing Rate weighted average fixed rate of 2.81% through September 2025. A one-eighth percent increase or decrease in assumed interest rates for the Senior Secured Credit Facility, if fully drawn as of March 31, 2024, would have an impact of approximately \$1 million on interest expense per year. As of March 31, 2024, we had no outstanding borrowings against the Revolving Credit Facility.

Exchange Rate Risk

While our net sales and costs are denominated primarily in U.S. Dollars, net sales, costs, assets and liabilities are generated in other currencies including Brazilian Real, British Pound, Canadian Dollar, Chinese Yuan Renminbi, Euro, Hungarian Forint, Indian Rupee and Japanese Yen. The expansion of our business outside North America may further increase the risk that cash flows resulting from these activities may be adversely affected by changes in currency exchange rates.

Assuming current levels of foreign currency transactions, a 10% aggregate increase or decrease in the Chinese Yuan Renminbi, Euro, Indian Rupee, and Japanese Yen would correspondingly change our earnings, net of tax, by an estimated \$8 million per year. We believe our other direct exposure to foreign currencies is immaterial.

Commodity Price Risk

We are subject to changes in our cost of sales caused by movements in underlying commodity prices. As of March 31, 2024, approximately 64% of our cost of sales consisted of purchased components. A substantial portion of the purchased parts are made of aluminum and steel. The cost of aluminum parts includes an adjustment factor on future purchases for fluctuations in aluminum prices based on accepted industry indices. In addition, a substantial amount of steel-based contracts also includes an index-based component. As our costs change, we are able to pass through a portion of the changes in commodity prices to certain of our customers according to our LTAs. We historically have not entered into long-term purchase contracts related to the purchase of aluminum and steel.

Assuming current levels of commodity purchases, a 10% variation in the price of aluminum and steel would correspondingly change our earnings by approximately \$8 million and \$13 million per year, respectively.

Many of our LTAs have incorporated a cost-sharing arrangement related to potential future commodity price fluctuations. For purposes of the sensitivity analysis above, the impact of these cost sharing arrangements has not been included.

ITEM 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Based on the evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q were effective to provide reasonable assurance that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we are a party to various legal actions in the normal course of our business, including those related to commercial transactions, product liability, personal injury and workers' compensation, safety, health, taxes, environmental and other matters. Information pertaining to legal proceedings can be found in "Note P. Commitments and Contingencies" in the notes to the condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors

There have been no material changes from our risk factors as previously reported in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023 as filed with the Securities and Exchange Commission on February 14, 2024.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table sets forth information related to our repurchases of our common stock on a monthly basis during the three months ended March 31, 2024:

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs(1)
January 1 – January 31, 2024	425,645	\$ 57.50	425,645	\$ 748,218,325
February 1 – February 29, 2024	264,189	\$ 66.24	264,189	\$ 730,719,757
March 1 – March 31, 2024	129,978	\$ 76.92	129,978	\$ 720,721,252
	<u>819,812</u>	\$ 63.40	<u>819,812</u>	

- (1) These values reflect the amounts that may be repurchased under the Repurchase Program approved by the Board of Directors on November 14, 2016 and the increases approved by the Board of Directors on November 8, 2017, July 30, 2018, May 9, 2019 and February 24, 2022, which in the aggregate total authorized repurchases of \$4,000 million. The Repurchase Program has no termination date.

Item 5. Other Information**Insider Trading Arrangements**

The following table sets forth information related to the Company's directors and officers who adopted, modified or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) ("Rule 10b5-1 trading arrangement") or any "non-Rule 10b5-1 trading arrangement," as such term is defined in Item 408(c) of Regulation S-K, during the three months ended March 31, 2024:

Name	Title	Action	Date	Trading Arrangement		Total Shares to be Sold	Expiration Date
				Rule 10b5-1*	Non-Rule 10b5-1**		
Ryan A. Milburn	Vice President, Engineering & Technology Development	Adopted	2/29/2024	X		5,231	3/31/2025
Rafael Basso	Vice President, Operations	Adopted	2/29/2024	X		12,624	5/29/2025

* Intended to satisfy the affirmative defense of Rule 10b5-1(c)

** Not intended to satisfy the affirmative defense of Rule 10b5-1(c)

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description
10.1	Amendment No. 4 to Credit Agreement, dated March 13, 2024, by and among Allison Transmission Inc., Allison Transmission Holdings, Inc., and Citibank, N.A., as administrative agent, to the Second Amended and Restated Credit Agreement, dated as of March 29, 2019, among Allison Transmission, Inc., as borrower, Allison Transmission Holdings, Inc., Citibank, N.A., as administrative agent and the several banks and other financial institutions or entities from time to time parties thereto as lenders (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 18, 2024).
10.2	Form of 2015 Equity Incentive Award Plan Restricted Stock Unit Agreement (revised 2024) (filed herewith)
10.3	Form of 2015 Equity Incentive Award Plan Stock Option Agreement (revised 2024) (filed herewith)
10.4	Form of 2015 Equity Incentive Award Plan Performance Stock Unit Agreement (revised 2024) (filed herewith)
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith)
32.1	Certification of Periodic Report by Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith)
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document (filed herewith)
104	Cover Page Interactive Data File – The cover page from the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2024, formatted in Inline XBRL and contained in Exhibit 101

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 thereunto duly authorized.

ALLISON TRANSMISSION HOLDINGS, INC.

Date: April 26, 2024

By: /s/ David S. Graziosi

Name: David S. Graziosi
Title: Chair, President and Chief Executive Officer
(Principal Executive Officer)

Date: April 26, 2024

By: /s/ G. Frederick Bohley

Name: G. Frederick Bohley
Title: Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer and Principal Accounting Officer)

ALLISON TRANSMISSION HOLDINGS, INC. 2015 EQUITY
INCENTIVE AWARD PLAN

RESTRICTED STOCK UNIT GRANT NOTICE

Allison Transmission Holdings, Inc., a Delaware corporation (the “Company”), pursuant to its 2015 Equity Incentive Award Plan, as amended from time to time (the “Plan”), hereby grants to the holder listed below (“Participant”) the number of Restricted Stock Units (the “RSUs”) set forth below. The RSUs are subject to the terms and conditions set forth in this Restricted Stock Unit Grant Notice (the “Grant Notice”) and the Restricted Stock Unit Agreement attached hereto as Exhibit A (the “Agreement”) and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement.

Participant:

Grant Date:

Number of RSUs:

Type of Shares Issuable: Common Stock of Allison Transmission Holdings, Inc.

Vesting Schedule: [To be specified in individual agreements]

By his or her signature, and the Company’s signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

ALLISON TRANSMISSION HOLDINGS, INC. PARTICIPANT

By:
Print Name:
Title:

By:
Print Name:

Address:



EXHIBIT A
TO RESTRICTED STOCK UNIT GRANT NOTICE RESTRICTED
STOCK UNIT AGREEMENT

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the number of RSUs set forth in the Grant Notice.

ARTICLE I. GENERAL

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1.2 Incorporation of Terms of Plan. The RSUs and the shares of Common Stock (“Stock”) issued to Participant hereunder (“Shares”) are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

AWARD OF RESTRICTED STOCK UNITS AND DIVIDEND EQUIVALENTS

2.1 Award of RSUs and Dividend Equivalents.

(a) In consideration of Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the “Grant Date”), the Company has granted to Participant the number of RSUs set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Section 12.2 of the Plan. Each RSU represents the right to receive one Share or, at the option of the Company, an amount of cash as set forth in Section 2.3(b), in either case, at the times and subject to the conditions set forth herein. However, unless and until the RSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the RSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each RSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable RSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each RSU shall be equal to the amount of cash which is paid as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant and be deemed to be reinvested in additional RSUs as of the date of payment of any such dividend based on the Fair Market Value of a share of Stock on such date. Each additional RSU which results from such deemed reinvestment of Dividend Equivalents



granted hereunder shall be subject to the same vesting, distribution or payment, adjustment and other provisions which apply to the underlying RSU to which such additional RSU relates.

2

III

2.2 Vesting of RSUs and Dividend Equivalents.

(a) Subject to Participant's continued employment with or service to the Company or a Subsidiary on each applicable vesting date and subject to the terms of this Agreement, the RSUs shall vest in such amounts and at such times as are set forth in the Grant Notice and this Agreement. Each additional RSU which results from deemed reinvestments of Dividend Equivalents pursuant to Section 2.1(b) hereof shall vest whenever the underlying RSU to which such additional RSU relates vests.

(b) In the event Participant incurs a Termination of Service, except as may be otherwise provided by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all RSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such RSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(c) Notwithstanding anything in the Grant Notice or this Agreement, in the event of Participant's Termination of Service by the Company without Cause or due to Participant's death or disability, in each case, within twenty-four (24) months following a Change in Control, all unvested RSUs will vest in full; provided, however, that if Participant is a party to a written employment or consulting agreement or change in control severance agreement or plan with the Company (or its Subsidiary) (each, a "Relevant Agreement") that provides more favorable treatment for unvested RSUs in connection with a Change in Control, then the RSUs shall be treated as provided in the applicable Relevant Agreement.

(d) Notwithstanding anything in the Grant Notice or this Agreement to the contrary, in the event of Participant's Retirement, a pro-rated portion of the RSUs shall vest on the date of Participant's Retirement in an amount determined by multiplying (i) the number of Shares subject to the RSUs that were scheduled to vest on the next regularly scheduled vesting date following Participant's Retirement by (ii) a fraction, the numerator of which is the number of days from and including the first day of the applicable twelve (12) month vesting period through the date of Participant's Retirement, and the denominator of which is the total number of days in such twelve (12) month vesting period (excluding the actual vesting date for such vesting period), with any partial Shares that result rounded up to the nearest whole Share. For example, if the Grant Date is February 21, 20[XX] and Participant's Retirement occurs on July 21, 20[XX], the number of Shares subject to the RSUs that are next regularly scheduled to vest and will vest upon Participant's Retirement shall be based on a fraction equal to 183/366.

As used in this Agreement, "Cause" shall mean shall mean (a) the Board's determination that Participant failed to substantially perform his or her duties (other than any such failure resulting from Participant's disability); (b) the Board's determination that Participant failed to carry out, or comply with any lawful and reasonable directive of the Board or Participant's immediate supervisor; (c) Participant's conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony, indictable offense or crime involving moral turpitude; (d) Participant's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its Subsidiaries') premises or while performing Participant's duties and responsibilities; or (e) Participant's commission of an act of fraud, embezzlement, misappropriation, misconduct, or breach of fiduciary duty against the Company or any of its Subsidiaries. Notwithstanding the foregoing, if Participant is a party to a Relevant Agreement, then "Cause" shall be as such term is defined in the applicable Relevant Agreement.

As used in this Agreement, “Retirement” shall mean Participant’s voluntary Termination of Service on or after the date on which Participant satisfies the definition of “Retirement” in the Company’s Retirement Policy applicable to Participant.

2.3 Distribution or Payment of RSUs.

(a) Participant’s RSUs shall be distributed in Shares (either in book-entry form or otherwise) or, at the option of the Company, paid in an amount of cash as set forth in Section 2.3(b), in either case, as soon as administratively practicable following the vesting of the applicable RSU pursuant to Section 2.2, and, in any event, within sixty (60) days following such vesting. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of RSUs if it reasonably determines that such payment or distribution will violate Federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and *provided further* that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A of the Code.

(b) In the event that the Company elects to make payment of Participant’s RSUs in cash, the amount of cash payable with respect to each RSU shall be equal to the Fair Market Value of a Share on the day immediately preceding the applicable distribution or payment date set forth in Section 2.3(a). All distributions made in Shares shall be made by the Company in the form of whole Shares, and any fractional share shall be distributed in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value as of the date immediately preceding the date of such distribution.

2.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares prior to the fulfillment of all of the following conditions: (A) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (B) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, and (C) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable.

2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Company and its Subsidiaries have the authority to deduct or withhold, or require Participant to remit to the Company or the applicable Subsidiary, an amount sufficient to satisfy applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Company and its Subsidiaries may withhold or the Participant may make such payment in one or more of the forms specified below:

- (i) by cash or check made payable to the Company or the Subsidiary with respect to which the withholding obligation arises;
- (ii) by the deduction of such amount from other compensation payable to Participant;
- (iii) with respect to any withholding taxes arising in connection with the



distribution of the RSUs, with the consent of the Administrator, by requesting that the Company and its Subsidiaries withhold a net number of vested shares of Stock otherwise issuable pursuant to the RSUs having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(iv)with respect to any withholding taxes arising in connection with the distribution of the RSUs, with the consent of the Administrator, by tendering to the Company vested shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(v)with respect to any withholding taxes arising in connection with the distribution of the RSUs, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable to Participant pursuant to the RSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the RSUs, in the event Participant fails to provide timely payment of all sums required pursuant to Section 2.5(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 2.5(a)(ii) or Section 2.5(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing shares of Stock issuable with respect to the RSUs to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the RSUs or any other taxable event related to the RSUs.

(c) In the event any tax withholding obligation arising in connection with the RSUs will be satisfied under Section 2.5(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Stock then issuable to Participant pursuant to the RSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.5(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Stock in settlement of the RSUs to Participant until the foregoing tax withholding obligations are satisfied, *provided* that no payment shall be delayed under this Section 2.5(c) if such delay will result in a violation of Section 409A of the Code.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the RSUs, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding

obligations that arise in connection with the RSUs. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the RSUs or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the RSUs to reduce or eliminate Participant's tax liability.

2.6 Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

ARTICLE III. OTHER PROVISIONS

3.1 Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

3.2 RSUs Not Transferable. The RSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the RSUs have been issued, and all restrictions applicable to such Shares have lapsed. No RSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

3.3 Adjustments. The Administrator may accelerate the vesting of all or a portion of the RSUs in such circumstances as it, in its sole discretion, may determine. Participant acknowledges that the RSUs and the Shares subject to the RSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 12.2 of the Plan.

3.4 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.4, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given

when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

3.5Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.6Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.7Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the RSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

3.8Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the RSUs in any material way without the prior written consent of Participant.

3.9Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 3.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.10Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the RSUs (including RSUs which result from the deemed reinvestment of Dividend Equivalents), the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.11Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

3.12Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings

and agreements of the Company and Participant with respect to the subject matter hereof.

3.13 Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “Section 409A”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.14 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

3.15 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the RSUs and Dividend Equivalents.

3.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

3.17 Broker-Assisted Sales. In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 2.5(a)(iii) or Section 2.5(a)(v):

(A) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such shares of Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker’s fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the Company’s or the applicable Subsidiary’s withholding obligation.

* * *

ALLISON TRANSMISSION HOLDINGS, INC. 2015 EQUITY
INCENTIVE AWARD PLAN

STOCK OPTION GRANT NOTICE

Allison Transmission Holdings, Inc., a Delaware corporation, (the “Company”), pursuant to its 2015 Equity Incentive Award Plan, as amended from time to time (the “Plan”), hereby grants to the holder listed below (“Participant”), an option to purchase the number of shares of Common Stock (“Stock”) set forth below (the “Option”). The Option is subject to the terms and conditions set forth in this Stock Option Grant Notice (the “Grant Notice”) and the Stock Option Agreement attached hereto as Exhibit A (the “Agreement”) and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement.

Participant:

Grant Date:

Exercise Price per Share: \$

Total Exercise Price: \$

Total Number of Shares

Subject to the Option: shares

Expiration Date:

Vesting Schedule: [To be specified in individual agreements]

Type of Option: Non-Qualified Stock Option

By his or her signature and the Company’s signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

ALLISON TRANSMISSION HOLDINGS, INC. PARTICIPANT

By:
Print Name:
Title:

By:
Print Name:

Address:

EXHIBIT A
TO STOCK OPTION GRANT NOTICE STOCK OPTION
AGREEMENT

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant an Option under the Plan to purchase the number of shares of Stock set forth in the Grant Notice.

ARTICLE 1. GENERAL

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1.2 Incorporation of Terms of Plan. The Option is subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE 2.

GRANT OF OPTION

2.1 Grant of Option. In consideration of Participant's past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the "Grant Date"), the Company has granted to Participant the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Section 12.2 of the Plan.

2.2 Exercise Price. The exercise price per share of the shares of Stock subject to the Option (the "Exercise Price") shall be as set forth in the Grant Notice.

2.3 Consideration to the Company. In consideration of the grant of the Option by the Company, Participant agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Plan, the Grant Notice or this Agreement shall confer upon Participant any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

ARTICLE 3.

PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability.

(a) Subject to Sections 3.1 (c) and (d), 3.2, 3.3, 5.9 and 5.14 hereof, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of Participant's Termination of Service shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and Participant.

(c) Notwithstanding anything in the Grant Notice or this Agreement to the contrary, in the event of Participant's Termination of Service by the Company without Cause (as defined below) or due to Participant's death or disability, in each case, within twenty-four (24) months following a Change in Control, all unvested Options will vest in full; provided, however, that if Participant is a party to a written employment or consulting agreement or change in control severance agreement or plan with the Company (or its Subsidiary) (each, a "Relevant Agreement") that provides more favorable treatment for unvested Options in connection with a Change in Control, then the Options shall be treated as provided in the applicable Relevant Agreement.

(d) Notwithstanding anything in the Grant Notice or this Agreement to the contrary, in the event of Participant's Retirement, a pro-rated portion of the Option shall vest on the date of Participant's Retirement in an amount determined by multiplying (i) the number of shares subject to the Option that were scheduled to vest on the next regularly scheduled vesting date following Participant's Retirement by (ii) a fraction, the numerator of which is the number of days from and including the first day of the applicable twelve (12) month vesting period through the date of Participant's Retirement, and the denominator of which is the total number of days in such twelve (12) month vesting period (excluding the actual vesting date for such vesting period), with any partial shares that result rounded up to the nearest whole share. For example, if the Grant Date is February 21, 20[XX] and Participant's Retirement occurs on July 21, 20[XX], the number of shares subject to the Option that are next regularly scheduled to vest and will vest upon Participant's Retirement shall be based on a fraction equal to 183/366.

As used in this Agreement, "Retirement" shall mean Participant's voluntary Termination of Service on or after the date on which Participant satisfies the definition of "Retirement" in the Company's Retirement Policy applicable to Participant.

3.2 Duration of Exercisability. The installments provided for in the vesting schedule set forth in the Grant Notice and this Agreement are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice and this Agreement shall remain vested and exercisable until it becomes unexercisable under Section 3.3 hereof.

3.3 Expiration of Option. The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration date set forth in the Grant Notice;

(b) Except as the Administrator may otherwise approve, in the event of Participant's Termination of Service other than for Cause or by reason of Participant's death, disability or Retirement, the expiration of three (3) months from the date of Participant's Termination of Service;

(c) Except as the Administrator may otherwise approve, the expiration of one (1) year from the date of Participant's Termination of Service by reason of Participant's death or disability;

(d) Except as the Administrator may otherwise approve, the expiration of two (2) years from the date of Participant's Retirement; or

(e) Except as the Administrator may otherwise approve, upon Participant's Termination of Service for Cause.

As used in this Agreement, "Cause" shall mean (a) the Board's determination that Participant failed to substantially perform his or her duties (other than any such failure resulting from Participant's disability);

(b) the Board's determination that Participant failed to carry out, or comply with any lawful and reasonable directive of the Board or Participant's immediate supervisor; (c) Participant's conviction, plea of no contest, plea of *nolo contendere*, or imposition of unadjudicated probation for any felony, indictable offense or crime involving moral turpitude; (d) Participant's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its Subsidiaries') premises or while performing Participant's duties and responsibilities; or (e) Participant's commission of an act of fraud, embezzlement, misappropriation, misconduct, or breach of fiduciary duty against the Company or any of its Subsidiaries. Notwithstanding the foregoing, if Participant is a party to a Relevant Agreement, then "Cause" shall be as such term is defined in the applicable Relevant Agreement.

3.4 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Company and its Subsidiaries have the authority to deduct or withhold, or require Participant to remit to the Company or the applicable Subsidiary, an amount sufficient to satisfy applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Company and its Subsidiaries may withhold or the Participant may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Company or the Subsidiary with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Participant;

(iii) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by requesting that the Company withhold a net number of shares of Stock issuable upon the exercise of the Option having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(iv) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by tendering to the Company shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(v) with respect to any withholding taxes arising in connection with the exercise of the Option, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable upon exercise of the Option, and

that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the Option, in the event Participant fails to provide timely payment of all sums required pursuant to Section 3.4(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 3.4(a)(ii) or Section 3.4(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing shares of Stock issuable with respect to the exercise of the Option to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the exercise of the Option or any other taxable event related to the Option.

(c) In the event any tax withholding obligation arising in connection with the Option will be satisfied under Section 3.4(a)(iii) above, then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those shares of Stock that are issuable upon exercise of the Option as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 3.4(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Stock to Participant until the foregoing tax withholding obligations are satisfied.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the Option, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Option. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Stock. The Company and the Subsidiaries do not commit and are under no obligation to structure the Option to reduce or eliminate Participant's tax liability.

ARTICLE 4.

EXERCISE OF OPTION

4.1 Person Eligible to Exercise. During the lifetime of Participant, only Participant may exercise the Option or any portion thereof. After the death of Participant, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 hereof, be exercised by Participant's personal representative or by any person empowered to do so under the deceased Participant's will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise. Subject to Section 5.2, any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 hereof.

4.3 Manner of Exercise. Subject to Section 5.8 of the Plan, the Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company), during regular business hours, of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3 hereof:

(a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the shares of Stock with respect to which the Option or portion thereof is exercised, in such form of consideration permitted under Section 4.4 hereof that is acceptable to the Administrator;

(c) The payment of any applicable withholding tax in accordance with Section 3.4;

(d) Any other written representations or documents as may be required in the Administrator's sole discretion to effect compliance with Applicable Law; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 hereof by any person or persons other than Participant, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Administrator shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

4.4 Method of Payment. Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of Participant:

(a) Cash or check;

(b) Unless otherwise determined by the Administrator, surrender of shares of Stock (including, without limitation, shares of Stock otherwise issuable upon exercise of the Option) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof;

(c) Through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(d) Any other form of legal consideration acceptable to the Administrator.

4.5 Conditions to Issuance of Stock. The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions: (A) the admission of such shares of Stock to listing on all stock exchanges on

which such Stock is then listed, (B) the completion of any registration or other qualification of such shares of Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (C) the obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable, (D) the receipt by the Company of full payment for such shares of Stock, which may be in one or more of the forms of consideration permitted under Section 4.4 hereof, and (E) the receipt of full payment of any applicable withholding tax in accordance with Section 3.4 by the Company or its Subsidiary with respect to which the applicable withholding obligation arises.

4.6Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any shares of Stock purchasable upon the exercise of any part of the Option unless and until certificates representing such shares of Stock (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars and delivered to Participant (including through electronic delivery to a brokerage account). No adjustment will be made for a dividend or other right for which the record date is prior to the date of such issuance, recordation and delivery, except as provided in Section 12.2 of the Plan. Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such shares of Stock, including, without limitation, the right to receipt of dividends and distributions on such shares.

ARTICLE 5.

OTHER PROVISIONS

5.1Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

5.2 Whole Shares. The Option may only be exercised for whole shares of Stock.

5.3Option Not Transferable. Subject to Section 4.1 hereof, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the shares of Stock underlying the Option have been issued, and all restrictions applicable to such shares of Stock have lapsed. Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

5.4Adjustments. The Administrator may accelerate the vesting of all or a portion of the Option in such circumstances as it, in its sole discretion, may determine. In addition, upon the occurrence of certain events relating to the Stock contemplated by Section 12.2 of the Plan (including, without limitation, an extraordinary cash dividend on such Stock), the Administrator shall make such adjustments as the

Administrator deems appropriate in the number of shares of Stock subject to the Option, the exercise price of the Option and the kind of securities that may be issued upon exercise of the Option. Participant acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 12.2 of the Plan.

5.5Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 5.5, either party may hereafter designate a different address for notices to be given to that party. Any notice which is required to be given to Participant shall, if Participant is then deceased, be given to the person entitled to exercise the Option pursuant to Section 4.1 hereof by written notice under this Section 5.5. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.6Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.7Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.8Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

5.9Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Participant.

5.10Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5.3 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

5.11Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the Option, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such

applicable exemptive rule.

5.12 Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

5.13 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

5.14 Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “Section 409A”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

5.15 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

5.16 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Stock as a general unsecured creditor with respect to options, as and when exercised pursuant to the terms hereof.

5.17 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

5.18 Broker-Assisted Sales. In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 3.4(a)(v) or Section 3.4(c) or the payment of the exercise price as provided in Section 4.4(c): (A) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation or exercise of the Option, as applicable, occurs or arises, or as soon thereafter as practicable; (B) such shares of Stock may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker’s fees and other costs of sale, and Participant agrees to

indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation or exercise price, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation or exercise price; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises, an amount sufficient to satisfy any remaining portion of the Company's or the applicable Subsidiary's withholding obligation.

* * *

**ALLISON TRANSMISSION HOLDINGS, INC. 2015 EQUITY
INCENTIVE AWARD PLAN**

PERFORMANCE STOCK UNIT GRANT NOTICE

Allison Transmission Holdings, Inc., a Delaware corporation (the "Company"), pursuant to its 2015 Equity Incentive Award Plan, as amended from time to time (the "Plan"), hereby grants to the holder listed below ("Participant") the number of performance stock units (the "PSUs") set forth below. The PSUs are subject to the terms and conditions set forth in this Performance Stock Unit Grant Notice (the "Grant Notice") and the Performance Stock Unit Agreement attached hereto as Exhibit A (the "Agreement") and the Plan, which are incorporated herein by reference. Unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement.

Participant:

Grant Date:

**Target Number of PSUs (the
"Target PSUs"):**

Type of Shares Issuable: Common Stock of Allison Transmission Holdings, Inc.

Vesting Schedule: The award will vest in accordance with the vesting schedule set forth in Exhibit A.

By his or her signature, and the Company's signature below, Participant agrees to be bound by the terms and conditions of the Plan, the Agreement and the Grant Notice. Participant has reviewed the Agreement, the Plan and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice, the Agreement and the Plan. Participant hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Plan, the Grant Notice or the Agreement.

ALLISON TRANSMISSION HOLDINGS, INC.

PARTICIPANT

By:
Print Name:
Title:

By:
Print Name:

Address:

EXHIBIT A
TO PERFORMANCE STOCK UNIT GRANT NOTICE PERFORMANCE
STOCK UNIT AGREEMENT

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Participant the Target PSUs set forth in the Grant Notice.

ARTICLE I. GENERAL

1.1 Defined Terms. Capitalized terms not specifically defined herein shall have the meanings specified in the Plan or the Grant Notice.

1.2 Incorporation of Terms of Plan. The PSUs and the shares of Common Stock (“Stock”) issued to Participant hereunder (“Shares”) are subject to the terms and conditions set forth in this Agreement and the Plan, which is incorporated herein by reference. In the event of any inconsistency between the Plan and this Agreement, the terms of the Plan shall control.

ARTICLE II.

AWARD OF PERFORMANCE STOCK UNITS AND DIVIDEND EQUIVALENTS

2.1 Award of PSUs and Dividend Equivalents.

(a) In consideration of Participant’s past and/or continued employment with or service to the Company or a Subsidiary and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the “Grant Date”), the Company has granted to Participant the Target PSUs upon the terms and conditions set forth in the Grant Notice, the Plan and this Agreement, subject to adjustments as provided in Section 12.2 of the Plan. Each PSU represents the right to receive one Share or, at the option of the Company, an amount of cash as set forth in Section 2.3(b), in either case, at the times and subject to the conditions set forth herein. However, unless and until the PSUs have vested, Participant will have no right to the payment of any Shares subject thereto. Prior to the actual delivery of any Shares, the PSUs will represent an unsecured obligation of the Company, payable only from the general assets of the Company.

(b) The Company hereby grants to Participant an Award of Dividend Equivalents with respect to each PSU granted pursuant to the Grant Notice for all ordinary cash dividends which are paid to all or substantially all holders of the outstanding shares of Stock between the Grant Date and the date when the applicable PSU is distributed or paid to Participant or is forfeited or expires. The Dividend Equivalents for each PSU shall be equal to the amount of cash which is paid as a dividend on one share of Stock. All such Dividend Equivalents shall be credited to Participant and paid in cash at the same time as the distribution or payment is made on the PSUs to which such Dividend Equivalent relates in accordance with Section 2.3 below. Any Dividend Equivalents that relate to PSUs that are forfeited shall likewise be forfeited without consideration.

2.2 Vesting of PSUs.

(a) *TSR Vesting Schedule.* Subject to Sections 2.2(b) and (c) below, the PSUs shall vest, if at all, in amounts up to 200% of the Target PSUs (the “Maximum PSUs”) on the Determination Date (or such earlier date specified in Section 2.2(b)(ii) or (c) below), as follows:

(i) If the Company achieves a TSR over the Performance Period that is below the 25th percentile of the TSRs of the component members of the Company’s Peer Group over the Performance Period, none of the PSUs shall vest;

(ii) If the Company achieves a TSR over the Performance Period that is at the 25th percentile of the TSRs of the component members of the Company’s Peer Group over the Performance Period, a number of PSUs equal to 50% (rounded up to the nearest whole Share) of the Target PSUs shall vest;

(iii) If the Company achieves a TSR over the Performance Period that is at the 50th percentile of the TSRs of the component members of the Company’s Peer Group over the Performance Period, a number of PSUs equal to 100% (rounded up to the nearest whole Share) of the Target PSUs shall vest; or

(iv) If the Company achieves a TSR over the Performance Period that is at or above the 75th percentile of the TSRs of the component members of the Company’s Peer Group over the Performance Period, a number of PSUs equal to the Maximum PSUs shall vest.

(v) To the extent that the Company achieves a TSR over the Performance Period that is between two thresholds specified in this Section 2.2(a), the percentage of the PSUs that vest shall be determined by the use of straight-line interpolation and the remaining PSUs shall thereupon be forfeited.

(b) *Effect of Termination of Service.*

(i) Notwithstanding any contrary provision of this Agreement, upon Participant’s Termination of Service for any reason (other than due to Participant’s death, Disability or Retirement) prior to the Determination Date or the Change in Control Determination Date, as applicable, any and all PSUs and Dividend Equivalents shall immediately be forfeited and Participant’s rights with respect thereto shall lapse and expire.

(ii) In the event of Participant’s Termination of Service due to Participant’s death or Disability at any time prior to December 31, 20[XX] or a Change in Control, Participant shall vest in a pro rata portion of the number of PSUs determined to vest in accordance with Section 2.2(a), which pro rata portion will be calculated by multiplying the total number of PSUs that vest based on actual performance for the period beginning on January 1, 20[XX] and ending on the date of Participant’s Termination of Service, as determined by the Administrator, by a fraction, the numerator of which equals the number of days Participant was employed with or provided service to the Company or any Subsidiary during the Performance Period and the denominator of which is 1,096, effective as of the date of such Participant’s Termination of Service. In the event of Participant’s Termination of Service due to Participant’s death or Disability on or after December 31, 20[XX] and prior to the Determination Date, Participant shall vest in the total number of PSUs that vest based on actual performance for the Performance Period, as determined by the Administrator in accordance with Section 2.2(a).

(iii) In the event of Participant’s Retirement at any time prior to December 31, 20[XX] or a Change in Control, Participant shall vest on the Determination Date in a pro rata portion of the number of PSUs determined to vest in accordance with Section 2.2(a), which pro rata portion will be calculated by multiplying the total number of PSUs that vest based on actual performance for the

Performance Period, as determined by the Administrator, by a fraction, the numerator of which equals the number of days Participant was employed with or provided service to the Company or any Subsidiary during the Performance Period and the denominator of which is 1,096.

(c) *Change in Control.* Notwithstanding any contrary provision of this Agreement, in the event of a Change in Control at any time prior to December 31, 20[XX], the number of PSUs determined to vest pursuant to Section 2.2(a) hereof for the period beginning on January 1, 20[XX] and ending on the Change in Control Determination Date shall vest on December 31, 20[XX], subject to the Participant not incurring a Termination of Service prior to December 31, 20[XX]; provided, that, such unvested PSUs shall immediately vest and no longer represent unvested PSUs (i) on the date of Participant's Termination of Service, in the event of Participant's Termination of Service by the Company without Cause, by Participant for Good Reason or due to Participant's death or Disability, in each case, after the Change in Control and (ii) immediately prior to (and subject to the consummation of) the Change in Control in the event the successor corporation (or any of its parent entities) does not assume or substitute the PSUs for equivalent rights in connection with such Change in Control.

(d) *Definitions.* For purposes of this Agreement, the following definitions shall apply:

(i) "Average Market Value" of the Company or a member of the Peer Group, as applicable, means, as of any day, the average closing price per share of Common Stock (or per share of common stock of a member of the Peer Group, as applicable) over the 20-consecutive-trading days ending with and including that day (or, if there is no closing price on that day, the last trading day before that day).

(ii) "Beginning Average Market Value" means the Average Market Value as of January 1, 20[XX].

(iii) "Cause" means (a) the Board's determination that Participant failed to substantially perform his or her duties (other than any such failure resulting from Participant's Disability); (b) the Board's determination that Participant failed to carry out, or comply with any lawful and reasonable directive of the Board or Participant's immediate supervisor; (c) Participant's conviction, plea of no contest, plea of nolo contendere, or imposition of unadjudicated probation for any felony, indictable offense or crime involving moral turpitude; (d) Participant's unlawful use (including being under the influence) or possession of illegal drugs on the Company's (or any of its Subsidiaries') premises or while performing Participant's duties and responsibilities; or (e) Participant's commission of an act of fraud, embezzlement, misappropriation, misconduct, or breach of fiduciary duty against the Company or any of its Subsidiaries. Notwithstanding the foregoing, if Participant is a party to a written employment or change in control severance agreement with the Company (or its Subsidiary) that contains a definition of Cause, then "Cause" shall be as such term is defined in the applicable written employment or change in control severance agreement.

(iv) "Change in Control Determination Date" means any date within thirty days prior to the date of a Change in Control, as determined by the Administrator.

(v) "Determination Date" means the date the Administrator determines the number of PSUs that shall vest pursuant to Section 2.2(a) based on the TSR of the Company and the Peer Group, which date shall be no later than February 28, 20[XX].

(vi) "Ending Average Market Value" means the Average Market Value as of December 31, 20[XX]; provided, that, in the event a Change in Control occurs after calendar year 20[XX]

and prior to December 31, 20[XX], “Ending Average Market Value” means the Average Market Value as of the Change in Control Determination Date.

(vii) “Good Reason” means the occurrence of any of the following events or conditions without Participant’s written consent (a) a material diminution in Participant’s authority, duties or responsibilities, other than as a result of a Change in Control where Participant remains in a position with the Company or its successor (or any other entity that owns substantially all of the Company’s business after such sale) that is substantially equivalent in duties, rank, reporting structure and authority with Participant’s position prior to such sale, solely as such duties, rank, reporting structure and authority relate to the Company’s business; (b) a material diminution in Participant’s base salary or target annual bonus level; or (c) a material change in the geographic location at which Participant must perform his or her duties, which shall not include a relocation of Participant’s principal place of employment to any location within a fifty (50) mile radius of the location from which Participant served the Company immediately prior to the relocation. Participant must provide written notice to the Company of the occurrence of any of the foregoing events or conditions without Participant’s written consent within ninety (90) days of the occurrence of such event or the date upon which Participant reasonably became aware that such an event or condition had occurred. The Company or any successor or affiliate shall have a period of thirty (30) days to cure such event or condition after receipt of written notice of such event from Participant. Any voluntary termination for “Good Reason” following such thirty (30) day cure period must occur no later than the date that is six (6) months following the date notice was provided by Participant. Notwithstanding the foregoing, if Participant is a party to a written employment agreement or change in control severance agreement with the Company (or its Subsidiary) that contains a definition of Good Reason, then “Good Reason” shall be as such term is defined in the applicable written employment or change in control severance agreement.

(viii) “Peer Group” shall consist of the companies listed on Schedule A hereto; *provided, however*, that if a member of the Peer Group ceases to be a Publicly Traded Company for any reason during the Performance Period or is acquired by another Publicly Traded Company (other than a transaction the principal purpose of which is to change the name, corporate form or jurisdiction of incorporation or formation of the Peer Group member), the member shall be automatically removed from and treated as never having been included in the Peer Group.

(ix) “Performance Period” means the period beginning on January 1, 20[XX] and ending on December 31, 20[XX].

(x) “Publicly Traded Company” means a company whose shares are regularly quoted or traded on an active securities exchange, over-the-counter market or inter-dealer quotation system.

“Retirement” means Participant’s voluntary Termination of Service on or after the date on which Participant satisfies the definition of “Retirement” in the Company’s Retirement Policy applicable to Participant.

(xi) “TSR” means the percentage appreciation (positive or negative) in the Common Stock price (or common stock price of a member of the Peer Group, as applicable) over the Performance Period, determined by dividing (i) the difference obtained by subtracting (A) the Beginning Average Market Value, from (B) the Ending Average Market Value plus all cash dividends for the Performance Period, assuming same-day reinvestment into Common Stock (or common stock of the applicable member of the Peer Group) on the applicable ex-dividend date, by (ii) the Beginning Average Market Value. TSR shall be equitably adjusted to reflect stock dividends, stock-splits, spin-offs, and other corporate changes having similar effect.

(e) *Lapse of PSUs.*

(i) In the event of Participant's Termination of Service, except as may be otherwise provided under Section 2.2(b)(ii), 2.2(b)(iii) or 2.2(c) above, by the Administrator or as set forth in a written agreement between Participant and the Company, Participant shall immediately forfeit any and all PSUs and Dividend Equivalents granted under this Agreement which have not vested or do not vest on or prior to the date on which such Termination of Service occurs, and Participant's rights in any such PSUs and Dividend Equivalents which are not so vested shall lapse and expire.

(ii) Subject to Sections 2.2(b)(ii), 2.2(b)(iii) and 2.2(c), in the event the PSUs do not vest at the maximum level in accordance with the provisions of Section 2.2(a), such PSUs that do not vest in accordance with the provisions of Section 2.2(a) shall be forfeited and Participant's rights in any such PSUs and related Dividend Equivalents shall lapse and expire.

2.3 Distribution or Payment of PSUs.

(a) Participant's PSUs shall be distributed in Shares (either in book-entry form or otherwise) or, at the option of the Company, paid in an amount of cash as set forth in Section 2.3(b), in either case, as soon as administratively practicable following the vesting of the applicable PSU pursuant to Section 2.2(a), and, in any event, within sixty (60) days following such vesting and no later than March 15 of the calendar year following the calendar year in which the Performance Period ends. Notwithstanding the foregoing, the Company may delay a distribution or payment in settlement of PSUs if it reasonably determines that such payment or distribution will violate Federal securities laws or any other Applicable Law, *provided* that such distribution or payment shall be made at the earliest date at which the Company reasonably determines that the making of such distribution or payment will not cause such violation, as required by Treasury Regulation Section 1.409A-2(b)(7)(ii), and *provided further* that no payment or distribution shall be delayed under this Section 2.3(a) if such delay will result in a violation of Section 409A of the Code.

(b) In the event that the Company elects to make payment of Participant's PSUs in cash, the amount of cash payable with respect to each PSU shall be equal to the Fair Market Value of a Share on the day immediately preceding the applicable distribution or payment date set forth in Section 2.3(a). All distributions made in Shares shall be made by the Company in the form of whole Shares, and any fractional share shall be distributed in cash in an amount equal to the value of such fractional share determined based on the Fair Market Value as of the date immediately preceding the date of such distribution.

2.4 Conditions to Issuance of Certificates. The Company shall not be required to issue or deliver any certificate or certificates for any Shares prior to the fulfillment of all of the following conditions: (A) the admission of the Shares to listing on all stock exchanges on which such Shares are then listed, (B) the completion of any registration or other qualification of the Shares under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, and (C) the obtaining of any approval or other clearance from any state or federal governmental agency that the Administrator shall, in its absolute discretion, determine to be necessary or advisable.

2.5 Tax Withholding. Notwithstanding any other provision of this Agreement:

(a) The Company and its Subsidiaries have the authority to deduct or withhold, or require Participant to remit to the Company or the applicable Subsidiary, an amount sufficient to satisfy applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The

Company and its Subsidiaries may withhold or the Participant may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Company or the Subsidiary with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Participant;

(iii) with respect to any withholding taxes arising in connection with the distribution of the PSUs, with the consent of the Administrator, by requesting that the Company and its Subsidiaries withhold a net number of vested Shares otherwise issuable pursuant to the PSUs having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the maximum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes (or such lesser amount as may be determined by the Participant or the Administrator);

(iv) with respect to any withholding taxes arising in connection with the distribution of the PSUs, with the consent of the Administrator, by tendering to the Company vested Shares having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the maximum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes (or such lesser amount as may be determined by the Participant or the Administrator);

(v) with respect to any withholding taxes arising in connection with the distribution of the PSUs, through the delivery of a notice that Participant has placed a market sell order with a broker acceptable to the Company with respect to Shares then issuable to Participant pursuant to the PSUs, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the PSUs, in the event Participant fails to provide timely payment of all sums required pursuant to Section 2.5(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Participant to satisfy all or any portion of Participant's required payment obligation pursuant to Section 2.5(a)(ii) or Section 2.5(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing Shares issuable with respect to the PSUs to Participant or his or her legal representative unless and until Participant or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Participant resulting from the vesting or settlement of the PSUs or any other taxable event related to the PSUs.

(c) In the event any tax withholding obligation arising in connection with the PSUs will be satisfied under Section 2.5(a)(iii), then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Participant's behalf a whole number of shares from those Shares then issuable to Participant pursuant to the PSUs as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of

such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Participant's acceptance of this Award constitutes Participant's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 2.5(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any Shares in settlement of the PSUs to Participant until the foregoing tax withholding obligations are satisfied, *provided* that no payment shall be delayed under this Section 2.5(c) if such delay will result in a violation of Section 409A of the Code.

(d) Participant is ultimately liable and responsible for all taxes owed in connection with the PSUs, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the PSUs. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or payment of the PSUs or the subsequent sale of Shares. The Company and the Subsidiaries do not commit and are under no obligation to structure the PSUs to reduce or eliminate Participant's tax liability.

2.6Rights as Stockholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a stockholder of the Company in respect of any Shares deliverable hereunder unless and until certificates representing such Shares (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars, and delivered to Participant (including through electronic delivery to a brokerage account). Except as otherwise provided herein, after such issuance, recordation and delivery, Participant will have all the rights of a stockholder of the Company with respect to such Shares, including, without limitation, the right to receipt of dividends and distributions on such Shares.

ARTICLE III. OTHER PROVISIONS

3.1Administration. The Administrator shall have the power to interpret the Plan, the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Plan, the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Participant, the Company and all other interested persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Plan, the Grant Notice or this Agreement.

3.2PSUs Not Transferable. The PSUs may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, unless and until the Shares underlying the PSUs have been issued, and all restrictions applicable to such Shares have lapsed. No PSUs or any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Participant or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

3.3Adjustments. Participant acknowledges that the PSUs and the Shares subject to the PSUs are subject to adjustment, modification and termination in certain events as provided in this Agreement and Section 12.2 of the Plan.

3.4Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Participant shall be addressed to Participant at Participant's last address reflected on the Company's records. By a notice given pursuant to this Section 3.4, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

3.5Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

3.6Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

3.7Conformity to Securities Laws. Participant acknowledges that the Plan, the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act, and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission, and state securities laws and regulations. Notwithstanding anything herein to the contrary, the Plan shall be administered, and the PSUs are granted, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, the Plan and this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

3.8Amendment, Suspension and Termination. To the extent permitted by the Plan, this Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that, except as may otherwise be provided by the Plan, no amendment, modification, suspension or termination of this Agreement shall adversely affect the PSUs in any material way without the prior written consent of Participant.

3.9Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 3.2 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

3.10Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of the Plan or this Agreement, if Participant is subject to Section 16 of the Exchange Act, the Plan, the PSUs, the Dividend Equivalents, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

3.11Not a Contract of Employment. Nothing in this Agreement or in the Plan shall confer upon Participant any right to continue to serve as an employee or other service provider of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Participant at any time for any reason whatsoever, with or without Cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Participant.

3.12 Entire Agreement. The Plan, the Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof.

3.13 Section 409A. This Award is not intended to constitute “nonqualified deferred compensation” within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, “Section 409A”). However, notwithstanding any other provision of the Plan, the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Participant or any other person for failure to do so) to adopt such amendments to the Plan, the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

3.14 Agreement Severable. In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

3.15 Limitation on Participant’s Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. Participant shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the PSUs and Dividend Equivalents.

3.16 Counterparts. The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

3.17 Broker-Assisted Sales. In the event of any broker-assisted sale of Shares in connection with the payment of withholding taxes as provided in Section 2.5(a)(iii) or Section 2.5(a)(v): (A) any Shares to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation arises or as soon thereafter as practicable; (B) such Shares may be sold as part of a block trade with other participants in the Plan in which all participants receive an average price; (C) Participant will be responsible for all broker’s fees and other costs of sale, and Participant agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (D) to the extent the proceeds of such sale exceed the applicable tax withholding obligation, the Company agrees to pay such excess in cash to Participant as soon as reasonably practicable; (E) Participant acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation; and (F) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Participant agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises an amount in cash sufficient to satisfy any remaining portion of the Company’s or the applicable Subsidiary’s withholding obligation.

* * *

SCHEDULE A
TO PERFORMANCE STOCK UNIT AGREEMENT PEER GROUP

BorgWarner Inc.
Crane Co.
Cummins Inc.
Curtiss-Wright Corporation Donaldson Company,
Inc. Eaton Corporation plc
Flowserve Corporation
Gates Industrial Corporation plc Gentex Corporation
Graco Inc.
HEICO Corporation
IDEX Corporation ITT Inc.
Lincoln Electric Holdings, Inc. Middleby
Corporation Nordson Corporation
Parker-Hannifin Corporation
Roper Technologies, Inc.
Sensata Technologies Holding N.V.
The Timken Company
TransDigm Group Incorporated Woodward, Inc.
Zurn Elkay Water Solutions Corporation

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, David S. Graziosi, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Allison Transmission Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 26, 2024

/s/ David S. Graziosi

Name: David S. Graziosi

Title: Chair, President and Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a)/15d-14(a) OF THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, G. Frederick Bohley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Allison Transmission Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: April 26, 2024

/s/ G. Frederick Bohley

Name: G. Frederick Bohley

Title: Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Allison Transmission Holdings, Inc. (the “Company”) on Form 10-Q for the quarter ending March 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), we, David S. Graziosi, Chair, President and Chief Executive Officer of the Company, and G. Frederick Bohley, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 26, 2024

/s/ David S. Graziosi

David S. Graziosi

Chair, President and Chief Executive Officer

(Principal Executive Officer)

Dated: April 26, 2024

/s/ G. Frederick Bohley

G. Frederick Bohley

Senior Vice President, Chief Financial Officer and Treasurer

(Principal Financial Officer)
