

Investor Relations Presentation

Third Quarter 2021 (Published December 7, 2021)



Safe Harbor Statement

The following information contains, or may be deemed to contain, “forward-looking statements” (as defined in the U.S. Private Securities Litigation Reform Act of 1995). The words “believe,” “expect,” “anticipate,” “intend,” “estimate” and other expressions that are predictions of or indicate future events and trends and that do not relate to historical matters identify forward-looking statements. You should not place undue reliance on these forward-looking statements. Although forward-looking statements reflect management’s good faith beliefs, reliance should not be placed on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which may cause 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: the duration and spread of the COVID-19 pandemic, including new variants of the virus and the pace and availability of vaccines, mitigating efforts deployed by government agencies and the public at large, and the overall impact from such outbreak on economic conditions, financial market volatility and our business, including but not limited to the operations of our manufacturing and other facilities, our supply chain, our distribution processes and demand for our products and the corresponding impacts to our net sales and cash flow; increases in cost, disruption of supply or shortage of labor, freight, raw materials or components used to manufacture or transport our products, including as a result of the COVID-19 pandemic; risks related to our substantial indebtedness; our participation in markets that are competitive; the highly cyclical industries in which certain of our end users operate; uncertainty in the global regulatory and business environments in which we operate; our ability to prepare for, respond to and successfully achieve our objectives relating to technological and market developments, competitive threats and changing customer needs; 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 increased trade protectionism; general economic and industry conditions; the discovery of defects in our products, resulting in delays in new model launches, recall campaigns and/or increased warranty costs and reduction in future sales or damage to our brand and reputation; our ability to identify, consummate and effectively integrate acquisitions; labor shortages, labor strikes, work stoppages or similar labor disputes, which could significantly disrupt our operations or those of our principal customers or suppliers; and our intention to pay dividends and repurchase shares of our common stock.

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

Allison Transmission’s business is subject to numerous risks and uncertainties, which may cause future results of operations to vary significantly from those presented herein. Important factors that could cause actual results to differ materially are discussed in Allison Transmission’s Annual Report on Form 10-K for the year ended December 31, 2020.

Business Overview

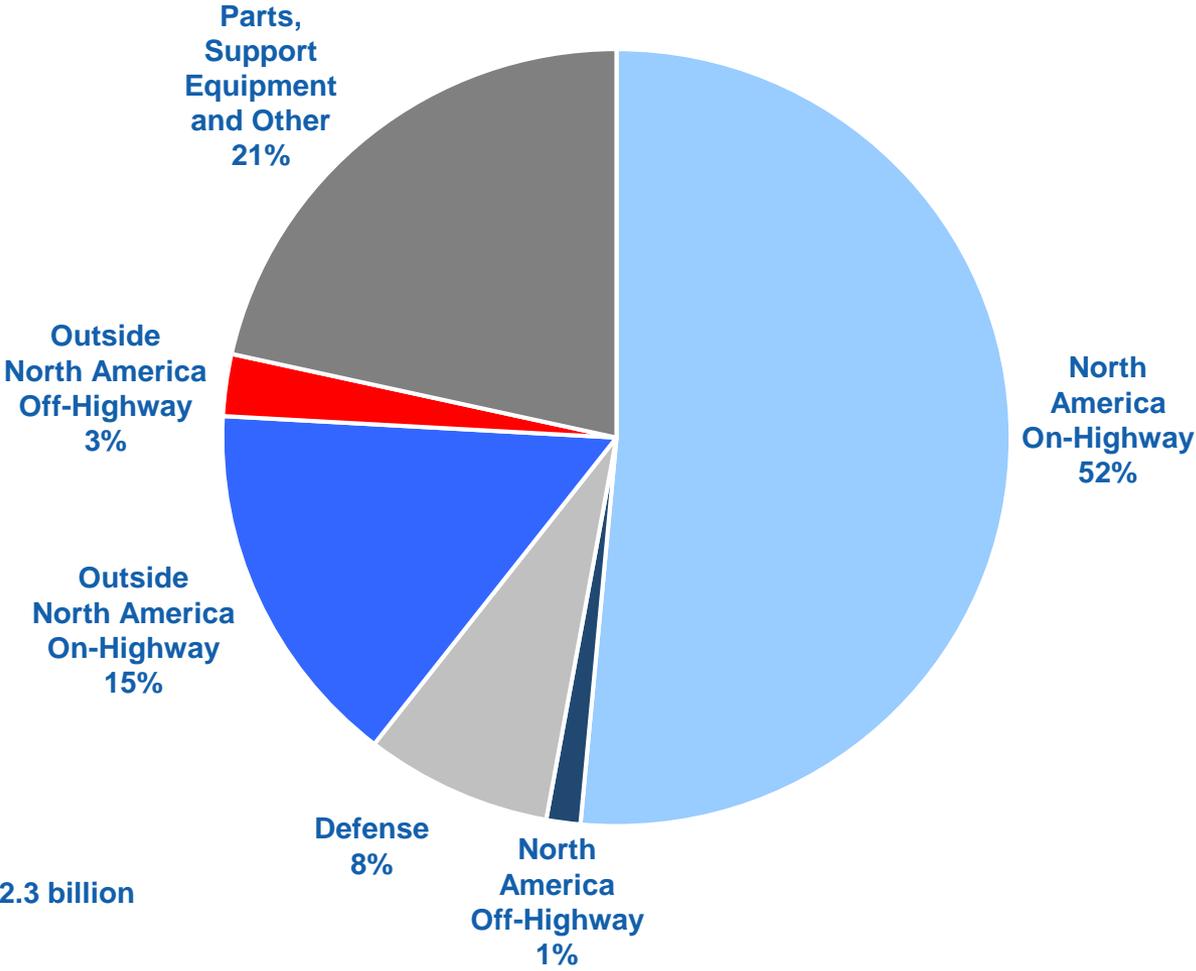


Allison Transmission at a Glance

- Leading designer and manufacturer of vehicle propulsion solutions for commercial and defense vehicles
 - World's largest manufacturer of medium- and heavy-duty fully-automatic transmissions
 - A leader and established supplier of commercial-duty electrified propulsion systems
- Premier brand, offering superior performance, frequently specified by end users
 - Premium price component
 - Differentiated technology
 - Lower total cost of ownership
- Well positioned for revenue and earnings growth
 - Further adoption outside North America
 - Expanding addressable market
 - Funded growth opportunities in asset light business model
- Strong cash flow generation and well-defined capital allocation policy

Allison Transmission at a Glance

LTM⁽¹⁾ Net Sales by End Market



LTM⁽¹⁾ Net Sales: \$2.3 billion

⁽¹⁾LTM 9/30/2021

North America On-Highway End Market

	Class 1-3	Underserved	Core Addressable Market				Underserved	Class 8 Tractor (Linehaul)
		Class 4-5	Motor Home	School Bus	Class 6-7	Class 8 Straight	Class 8 Metro ¹	
Vehicles								
Weight (000s of lbs)	< 14 lbs	14 – 19 lbs	16 – 33 lbs	16 – 33 lbs	19 – 33 lbs	33 lbs+	33 lbs+	33 lbs+
Industry Units Produced (2020)	9,809,392	114,352	14,316	29,553	78,014	66,297	46,443	101,466
Allison Share 2020	0%	14%	47%	84%	75%	80%	8%	0%

- ~30-40% of Allison’s North America On-Highway market volume is driven by municipal spending, reducing end-market volatility
- Multi-year opportunity to gain share in Class 4/5 with medium-duty commercial truck launches by Chevrolet, Navistar and Isuzu, exclusively with the Allison fully-automatic
- Opportunity to further grow share in Class 6/7 with the all-new Mack MD Series and new Isuzu F-Series medium-duty truck models, exclusively featuring Allison fully-automatic transmissions
- Growing opportunity in Class 8 Metro⁽¹⁾⁽²⁾ and Tractor markets with the award-winning Allison 3414 Regional Haul Series™ fully-automatic transmission, with proprietary xFE and FuelSense® 2.0 technology, launched with Navistar in 2020 and Daimler Trucks North America in 2021

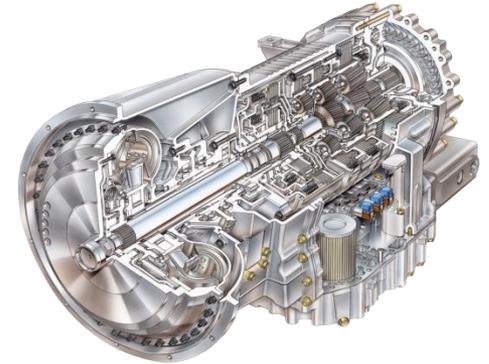
Note: Analysis excludes Allison’s Transit/Coach Bus and Electric Hybrid Transit Bus volume.

Source: Class 1-3 from WardsAuto North America Production (December 2020); Core Addressable Market and Class 8 Tractor from Allison and ACT Research *State of the Industry* (January 2021).

1. “Metro” is a term for tractors that are used in urban environments, currently representing ~30% of the Class 8 tractor market.
2. Market opportunity for the 3414 Regional Haul Series (RHS) is approximately 25,000 units within the Class 8 Metro segment.

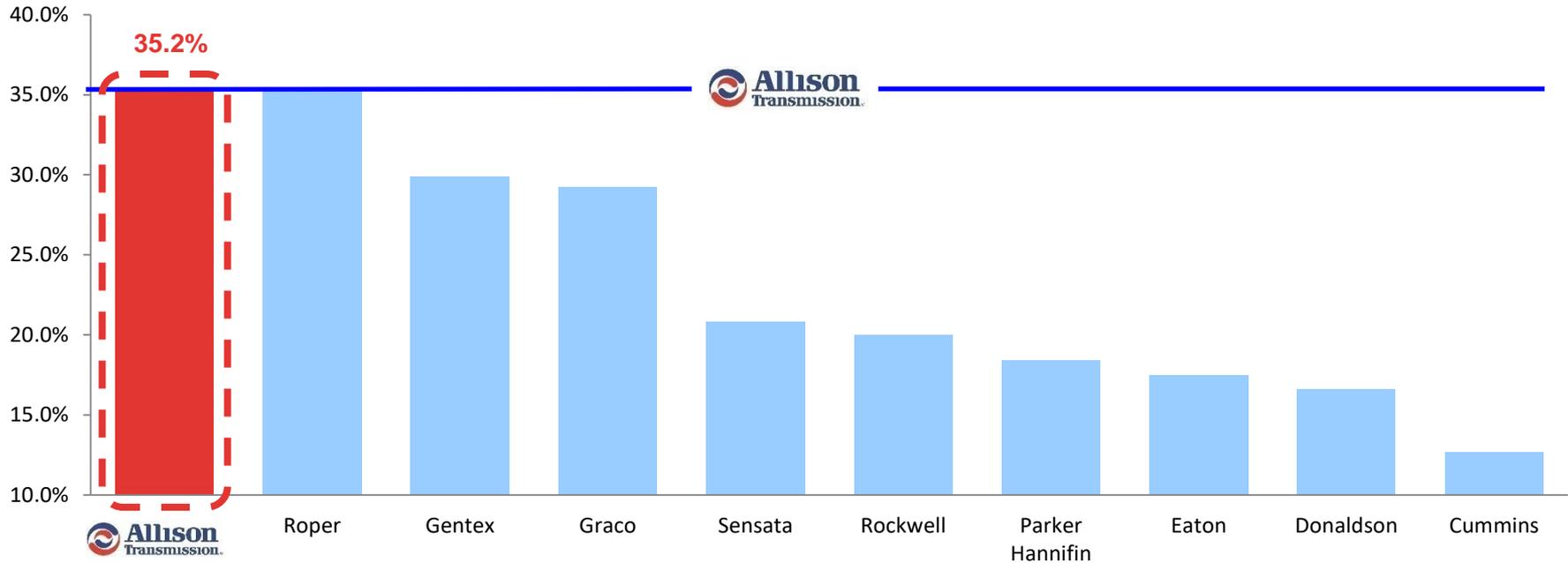
Strategic Priorities

- Expand global market leadership
 - Capitalize on improving developed markets demand
 - New vocational offerings to expand addressable market
 - Fully integrated electrified propulsion solutions
- Emerging markets penetration
 - Automaticity, fuel efficiency and safety trends
 - Lower total cost of ownership
 - Increasing number of vehicle releases
- Continued focus on new technologies and product development
 - Alternative fuels and electrified propulsion
 - Advanced fuel efficient and emissions reduction technologies
 - Enhancements to core technologies for new products and variants
- Deliver strong financial results
 - Exploit capacity availability and asset light business model
 - Earnings growth and cash flow generation
 - Focus on margin sustainment
 - Well-defined capital allocation policy



Industry Leading EBITDA Margin

EBITDA Margin¹



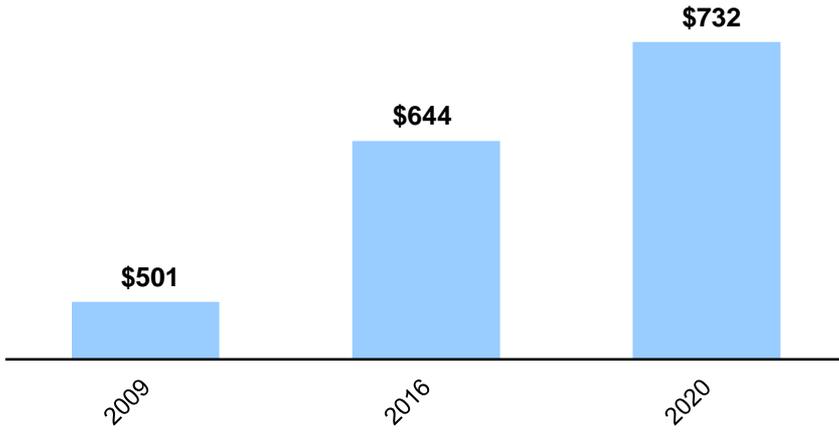
1. Fiscal year 2020 peer EBITDA provided by FactSet. EBITDA included above may not be consistent with such entity's reported EBITDA or Adjusted EBITDA, if available. EBITDA Margin: EBITDA or Adjusted EBITDA divided by net sales.

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

Increasing Returns Over Successive Troughs

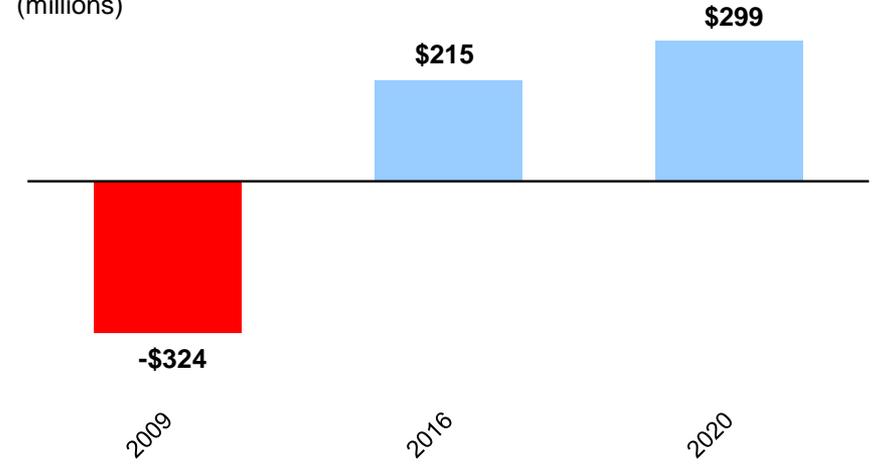
Adjusted EBITDA

(millions)



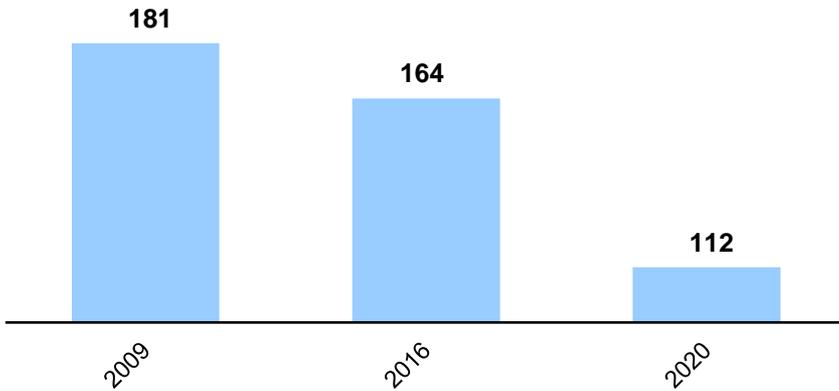
Net Income

(millions)

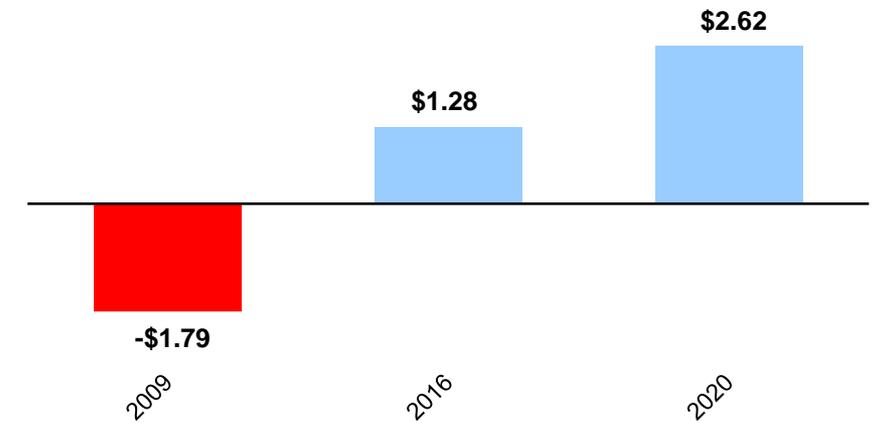


Common Shares Outstanding¹

(millions)



EPS²



(1) End of period common shares outstanding

(2) Basic earnings per share

Leading Technology and Innovation



Next Generation of Commercial Propulsion



New Allison eGen Family of Electric Products



Allison eGen Power™ Electric Axle Solutions



Allison eGen Flex™ Electric Hybrid Propulsion



Allison Next-Generation Electrified Transmission



Strategic Partnership Agreement with Jing-Jin Electric

Next Generation of Commercial Propulsion

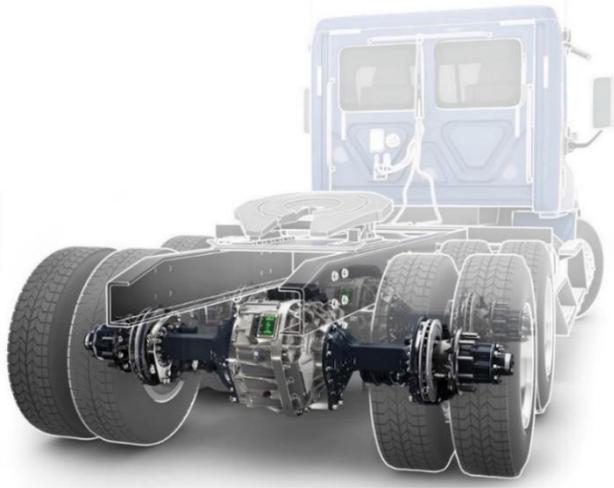
The complexities of propelling and maneuvering an electric truck through different terrains and changing environments, presents incremental growth opportunities for an established and experienced propulsion supplier such as Allison

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

Positioning Allison to advance the next generation of commercial vehicle propulsion

- Developing and delivering differentiated solutions that provide a premium experience and exceed customer expectations
- Engineering electric solutions that are among the most powerful, efficient and fully-integrated in the world
 - Fully Integrated Electric Axles
 - Extended Range Electric Hybrid Propulsion
 - Systems & Battery Management
 - Multi-speed Centrally Located EV drives
 - Transmission Integrated Generators
 - Electrification of accessories

eGEN Power™



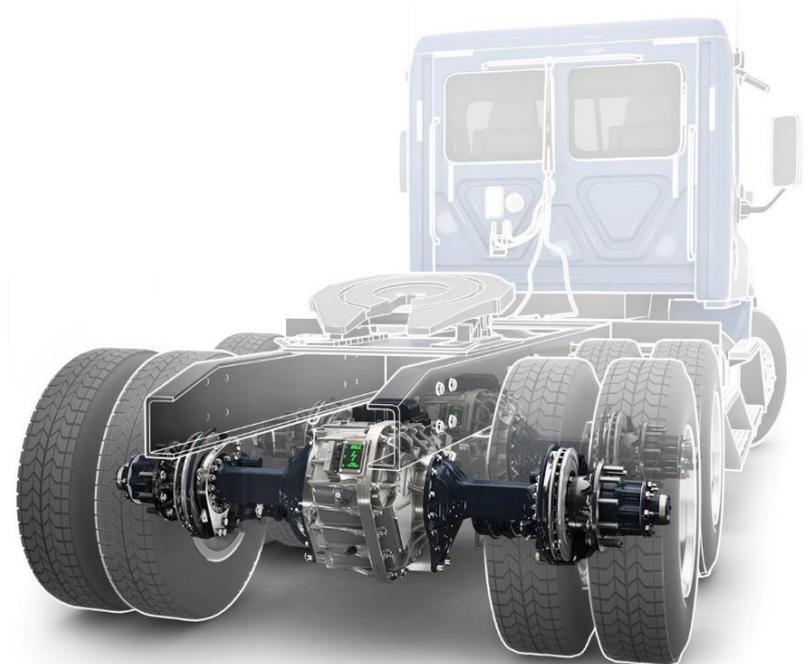
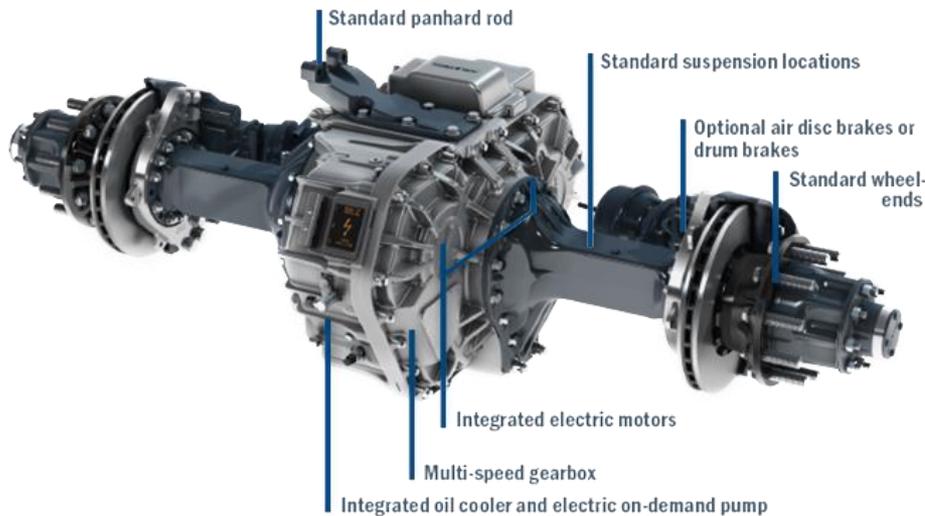
- New line of fully integrated zero emission electric axles for medium- and heavy-duty commercial trucks
- Featured in Hino Trucks' "Project Z", Hino's zero emission vehicle development program
- Strategic MOU with Emergency One for fire rescue and emergency vehicle platform integration
- Strategic MOU with SAIC Hongyan for regional and long haul tractor integration
- Content per vehicle opportunity of more than 3x compared to a fully automatic transmission

eGEN Flex™

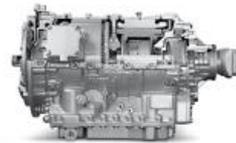


- Next generation zero emission capable electric hybrid propulsion system
- Enables coach and transit bus fleets to evaluate full electric capability without range limitations or infrastructure investment
- Introduced into revenue service by New York City Transit in May 2021
- Integration programs underway with major transit OEMs, Gillig and New Flyer
- Content per vehicle of 10x-15x compared to a fully automatic transmission for coach and transit buses

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



- Launched in 2003, Allison's electric hybrid propulsion system for coach and transit buses is among the most dependable and efficient electric hybrid systems in the world
- Drive unit integrates multiple electric motors and multi-speeds to optimize vehicle performance and fuel economy
- Offers full electric engine off propulsion for up to 10 miles and improved fuel economy up to 25% vs. conventional diesel buses
- Allison is the lead electrification and system integrator, controlling the entire powertrain including the engine
- 9,000 Allison electric hybrid propulsion systems delivered globally
 - 305 million gallons of fuel saved
 - 3 million metric tons of CO₂ emissions prevented
 - Serving 230 cities
 - 2.6 billion miles of reliable operation



Drive Unit

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



Inverter

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



Rechargeable Energy Storage System

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

- Newest product in Allison's extensive tracked vehicle portfolio
- Will enable electric hybrid propulsion, electric-only silent maneuverability and exportable power provisions for on- and off-board systems
- Designed to meet requirements across a broad spectrum of applications, including the heavy Infantry Fighting Vehicle and future Main Battle Tank markets



- Strategic partnership with American Rheinmetall Vehicles, and its consortium including Raytheon Technologies, Textron Systems and L3 Harris
 - Allison will provide the Next-Generation Electrified Transmission propulsion system for American Rheinmetall's Lynx vehicle, competing for the U.S. Army's Optionally Manned Fighting Vehicle (OMFV) program
- The OMFV program is a priority ground modernization initiative that could replace nearly 4,000 Bradley Infantry Fighting Vehicles
- In July 2021, the U.S. Army announced that the American Rheinmetall consortium were among the parties chosen to participate in the OMFV concept design phase
- The OMFV design phase continues through early 2023, followed by development of prototype vehicles in 2024, and government testing beginning in early 2026

Strategic Partnership Agreement with Jing-Jin Electric



- A leading designer, manufacturer and supplier of electric vehicle propulsion components
 - Electric Motors
 - Power Inverters & Electronics
 - Integrated Central & Direct Drive Systems
- Established presence in the Chinese electric vehicle market (largest EV market in the world)
- Founded in 2008
- Headquartered in Beijing, China
 - Sales, manufacturing and R&D facilities throughout China
 - Manufacturing and technical center in Farmington Hills, MI
- Winner of the FCA North America Outstanding Quality Award in 2019
- Initial Public Offering on the Shanghai Stock Exchange Science and Technology Innovation Board in October 2021¹



- Collaboration to jointly develop industry-leading electrified powertrain solutions
 - Proprietary Fully Integrated Electric Propulsion Portfolio
 - Differentiated Value Proposition for Global Commercial Vehicle Markets
 - Proprietary Intellectual Property
- Compliments Allison's deep experience and investments in fully electric and electric hybrid propulsion, duty cycle expertise, global OEM relationships and global service channel
- Partnership will leverage global manufacturing capabilities, R&D, sales and service networks to support customers in local markets
- Strategic investments
 - Financial commitment by Allison in support of JJE's North America product development, testing and manufacturing efforts²
 - Allison participation in JJE's initial public offering³

(1) Jing-Jin Electric Technologies Shanghai Stock Exchange stock code: 688280

(2) \$11 million loan to JJE's United States-based subsidiary

(3) \$42 million investment in JJE's IPO, representing 3.25% of JJE's outstanding common stock

Premier Industrial Company

-  Global Market Leader and Premier Brand
-  End User Value Proposition
-  Leader in Commercial Propulsion
-  Diverse End Markets
-  Organic Growth Opportunities
-  Capital Allocation & Free Cash Flow Utilization

A Recognized Leader and Respected Brand

- Over 100 year history of providing high-quality innovative products and demonstrated value to end users
- Proprietary and patented technology developed over many decades and nearly seven million units
- The Allison brand is associated with:
 - High Quality
 - Reliability
 - Durability
 - Vocational Value and Expertise
 - Technological Leadership
 - Superior Customer Service
 - Attractive Total Lifecycle Value



FUELSENSE

UP TO 20% BETTER FUEL ECONOMY

The Savings Are Automatic

Discover fuel economy you never thought possible. Introducing FuelSense® from Allison Transmission. Your fleet and drivers can get up to 20% better fuel economy. All with the ease and dependability you expect from an Allison fully automatic transmission.

Specify FuelSense. This package delivers.

Ask your truck dealer about FuelSense.
allisontransmission.com/fuelsense

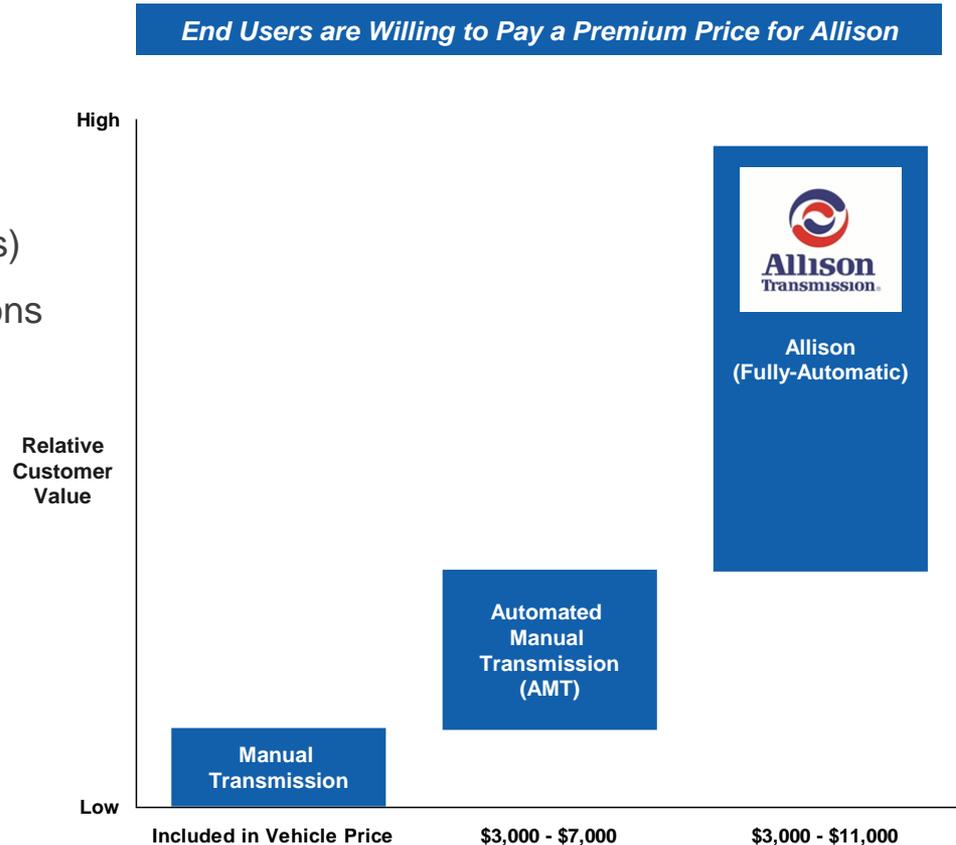
© 2018 ALLISON TRANSMISSION INC.



End Users Frequently Request Allison Transmissions by Name and Pay a Premium for Them

End User Value Proposition

- Advantages of a fully-automatic Allison Transmission
 - Productivity (acceleration)
 - Maintenance Savings (life cycle costs)
 - Fuel Efficiency and Reduced Emissions
 - Driver Skillset / Wages
 - Training (time, cost)
 - Shift Quality
 - Safety
 - Residual Value



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

Leader in Commercial Propulsion

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

- On-Highway

- Fire and Emergency
- Pick-up, Delivery and Distribution
- Construction
- Refuse
- School, Transit, Shuttle and Coach Bus
- Airport Support Equipment
- Utility
- Motorhome

- Off-Highway

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

- Defense

- Medium-tactical wheeled platforms (JLTV, FMTV)
- Heavy-tactical wheeled platforms (HEMTT, FHTV)
- Tracked combat platforms (M1 Abrams, M113, MPF)

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

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

Very Diverse End Markets

	Distribution	Emergency	Motorhome	Rugged Duty	School/Shuttle Bus	Transit
Global	<p>On-Highway</p>     	  	   	   	   	     
	<p>Off-Highway</p>       					
Defense	<p>Medium- and Heavy-Tactical</p>        					
Aftermarket	<p>Parts, Support Equipment & Other</p>   					

Over 70 Year Relationship with Industry-Leading OEMs

North America	On-Highway	 PACCAR NAVISTAR [®]          GILLIG    
	Off-Highway	 HITACHI HALLIBURTON    PACCAR
Outside North America	On-Highway	DAIMLER   ISUZU MAN SCANIA VAN HOO DAF       
	Off-Highway	BELAZ     VOLVO CONSTRUCTION EQUIPMENT TEREX  
Defense	Medium- and Heavy-Tactical	 OSHKOSH BAE SYSTEMS GENERAL DYNAMICS NAVISTAR [®] DEFENSE

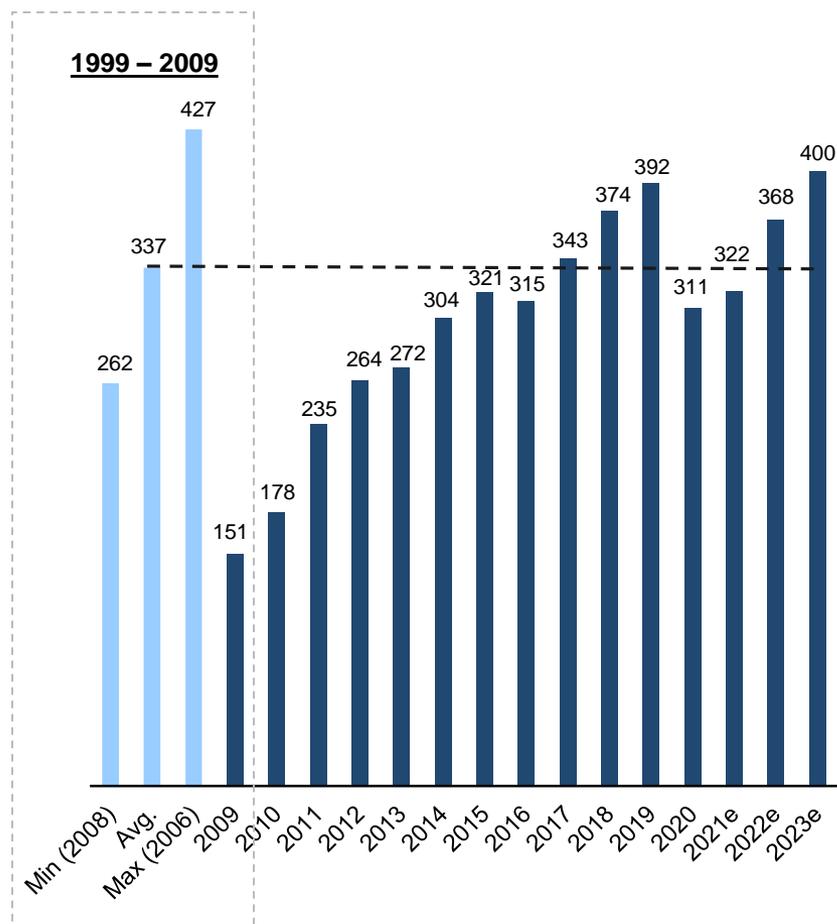
Organic Growth Opportunities

-  **North America On-Highway Industry Outlook**
-  **Global On-Highway Growth Strategy**
-  **Value Added On-Highway Variants & Enhancements**
-  **Global Off-Highway Growth Opportunities**
-  **Allison FracTran™ Oil Field Series Transmission**

North America On-Highway Industry Outlook

- Global supply chain disruptions continue to limit production in 2021, resulting in pent up demand and an extended cycle
- Structural growth drivers remain intact
 - Relative stability of Class 6/7 Medium-duty market
 - Continued growth in first and last mile delivery sector
 - Increasing demand for fuel efficient vehicles
- Increased penetration opportunities
 - Class 4/5 commercial truck launched by Chevrolet, Navistar and Isuzu, exclusively with the Allison fully-automatic transmission
 - Launch of the Mack MD Series line of medium-duty trucks and new Isuzu F-Series Class 6/7 models, exclusively with the Allison fully-automatic
 - New Allison 3414 Regional Haul Series for the Class 8 Tractor market, launched with Navistar in 2020 and Daimler Trucks North America in 2021

North America Production in Allison's Core Addressable Market (units in 000s)⁽¹⁾



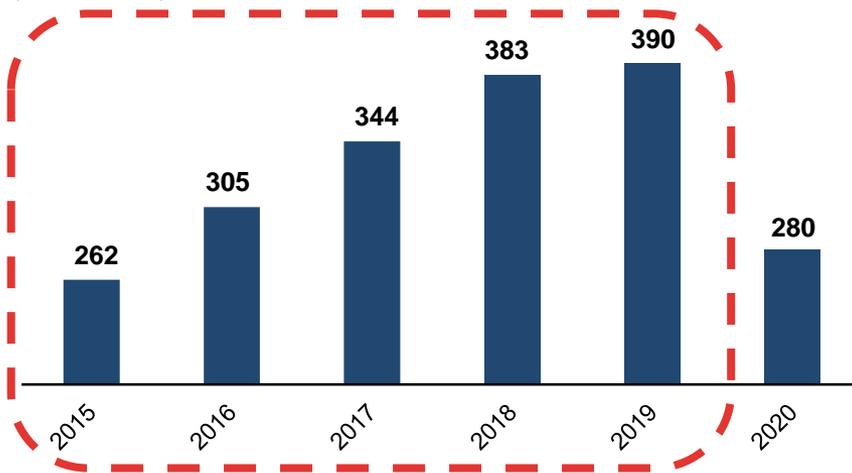
(1) Source: ACT Research, October 2021. Includes: Class 4 thru 8 less Class 8 Tractor & Class 8 Straight with Sleeper. 2021: Total 523,183 less Class 8 Tractor of 199,080 less Class 8 Straight with Sleeper of 1,793

Global On-Highway Growth Strategy

- Global market leadership expansion and emerging markets penetration
 - Substantial investments in the expansion of global sales presence
 - Ongoing OEM release activities
 - Targeted end user initiatives drive demand for the Allison brand
 - Vocational ladder approach facilitates service channel build out in developing markets
- Focus on high value vocational vehicles
 - Transit, refuse, fire & emergency, airport support, terminal tractors, dock spotters, mining and oil field support, construction, etc.
 - Cost of vehicle downtime is higher
 - Enhanced value proposition supported by 2-3 year payback period
- Demand drivers vary by region
 - Increasing vehicle sophistication
 - Stricter emissions, fuel economy and safety standards
 - Growing demand for productivity improvements
 - Micro and demographic trends
 - Focus on reducing life cycle costs

4 Years of Consecutive Revenue Growth pre-COVID, in Outside North America On-Highway

(\$ in millions)



Latest International OEM Release Activities¹



(1) UD Trucks: Heavy-Duty Quester and Medium-Duty Croner, Isuzu: Heavy-Duty F-Series, Daimler/Mercedes-Benz: OF 1721 front-engine bus chassis, Hyundai: Light-Duty Mighty, MAN (Brazil): Volkswagen Constellation, Hino: Medium-Duty 500 Series

Value Added On-Highway Variants & Enhancements

FuelSense® 2.0

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

xFE Models

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

Nine Speed Transmission

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

3414 Regional Haul Series™

- New updated variant of Allison's proven 3000 Series™ fully-automatic transmission
- Designed to support the higher engine and torque requirements of Distribution and Regional Haul Class 8 tractors, primarily serving urban environments
- Lighter than competitive automated manual transmissions, and providing fleets with 25% faster acceleration and up to 8% fuel economy improvement
- Launched with Navistar in 2020 and Daimler Trucks North America in 2021

FuelSense is a registered trademark of Allison Transmission Inc.

Global Off-Highway Growth Opportunities

● Energy Sectors

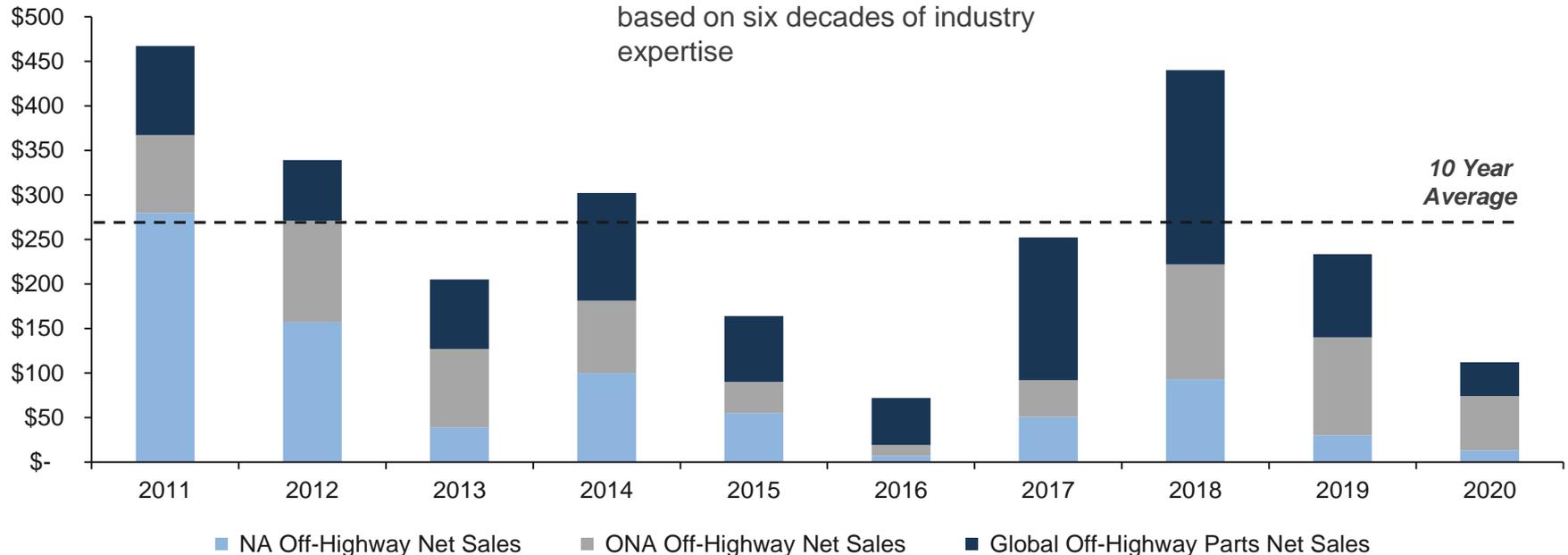
- Considerable end market cyclical, currently at trough levels
- Multiple opportunities in exploration, fracturing and oil & gas support
- Continued investments in differentiated and higher horsepower solutions

● High Horsepower Hydraulic Fracturing Transmissions

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

● Mining and Construction

- Considerable end market cyclical, recovering from trough levels
- North America, Europe, Middle East, Africa and China
- Global economic recovery and increasing global urbanization, driving increased construction activity and raw material demand



- Allison's next generation, designed-from-the-ground-up Oil Field Series transmission, is designed to meet the harsh demands of oil and gas fields throughout the world
- FracTran is the result of extensive voice of customer insights and decades of duty cycle analysis
- Purpose-built for hydraulic fracturing to maximize customer productivity with high reliability and powerful performance
- Dual fuel compatibility for natural gas powered engines, increased horsepower ratings and substantially reduced idle time
- Service life up to 25,000 hours, and an overhaul that provides a second life, reduces total cost of ownership
- The perfect combination of size, strength and features



Features That Matter

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

Digital + Connected Services

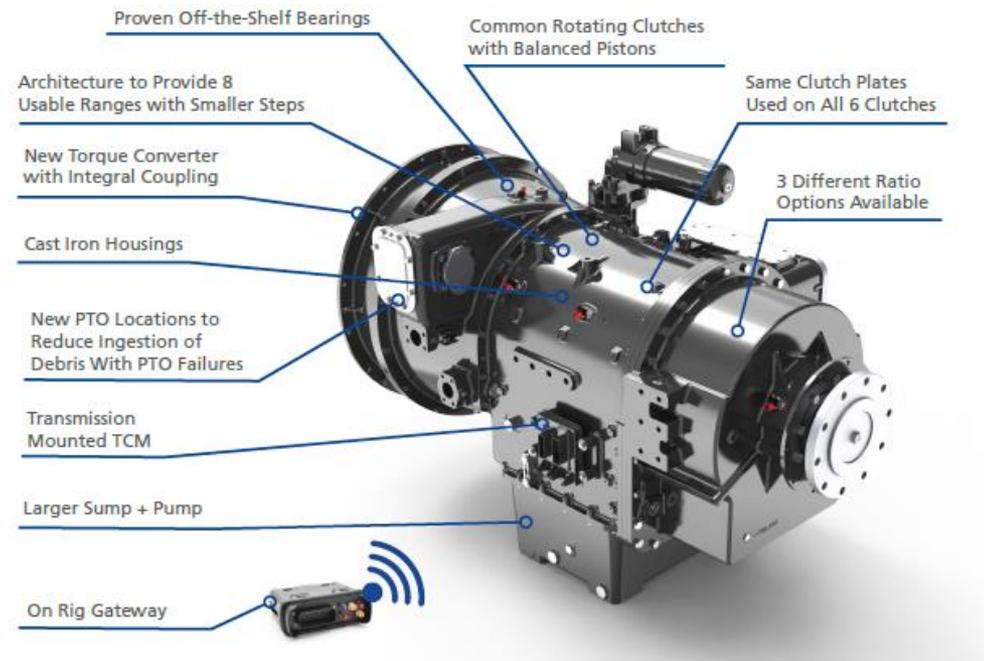
On-rig telematics gateway provides fast, consistent access to data in and from the field enabling real-time learning and response to any issues

Prognostics

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

Diagnostics

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



Capital Allocation & Free Cash Flow Utilization

 Significant Cash Flow Generation

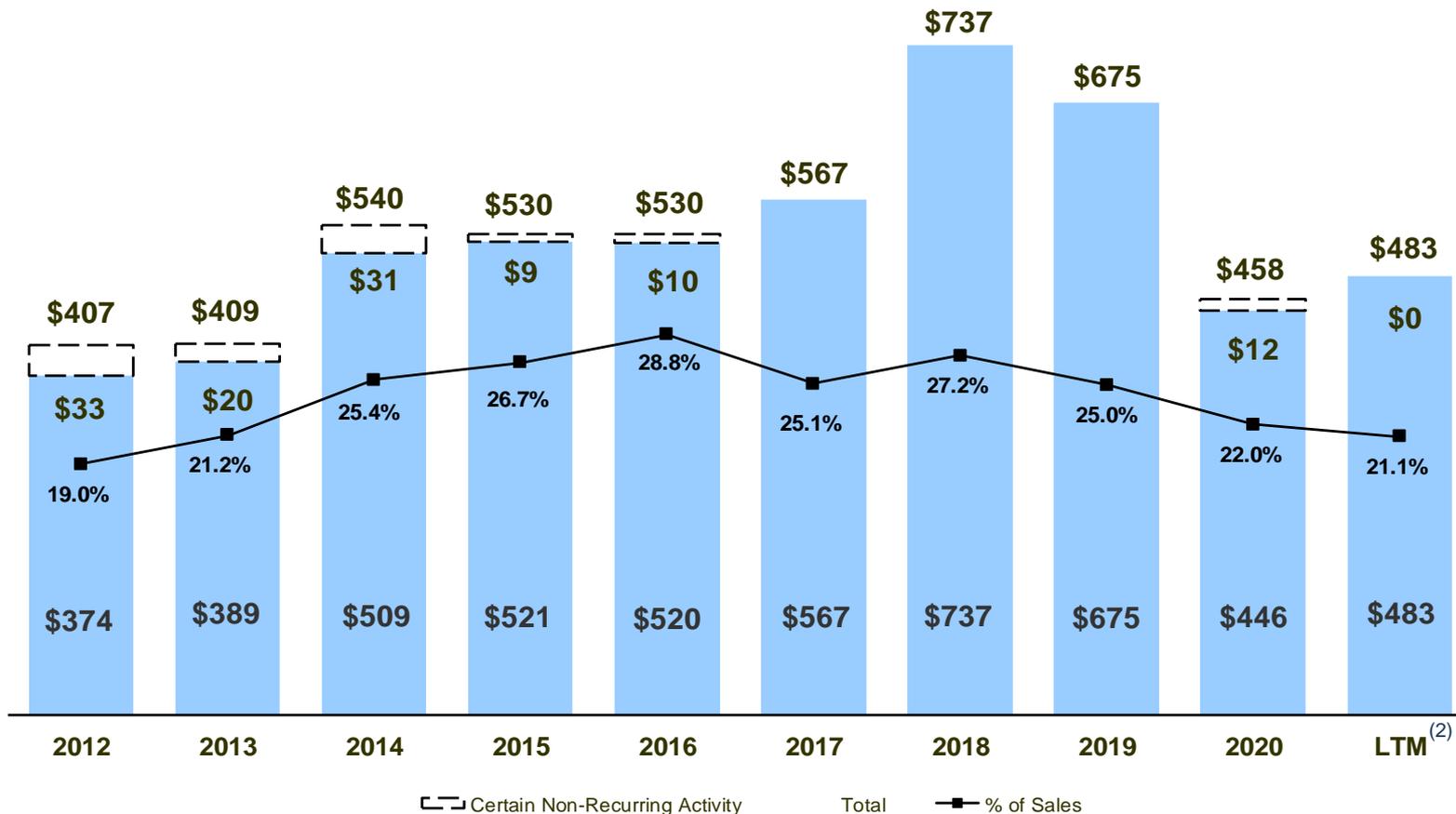
 Capital Allocation Priorities

 Free Cash Flow Utilization

Significant Cash Flow Generation

Adj. Free Cash Flow Generation⁽¹⁾

(\$ in millions)



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

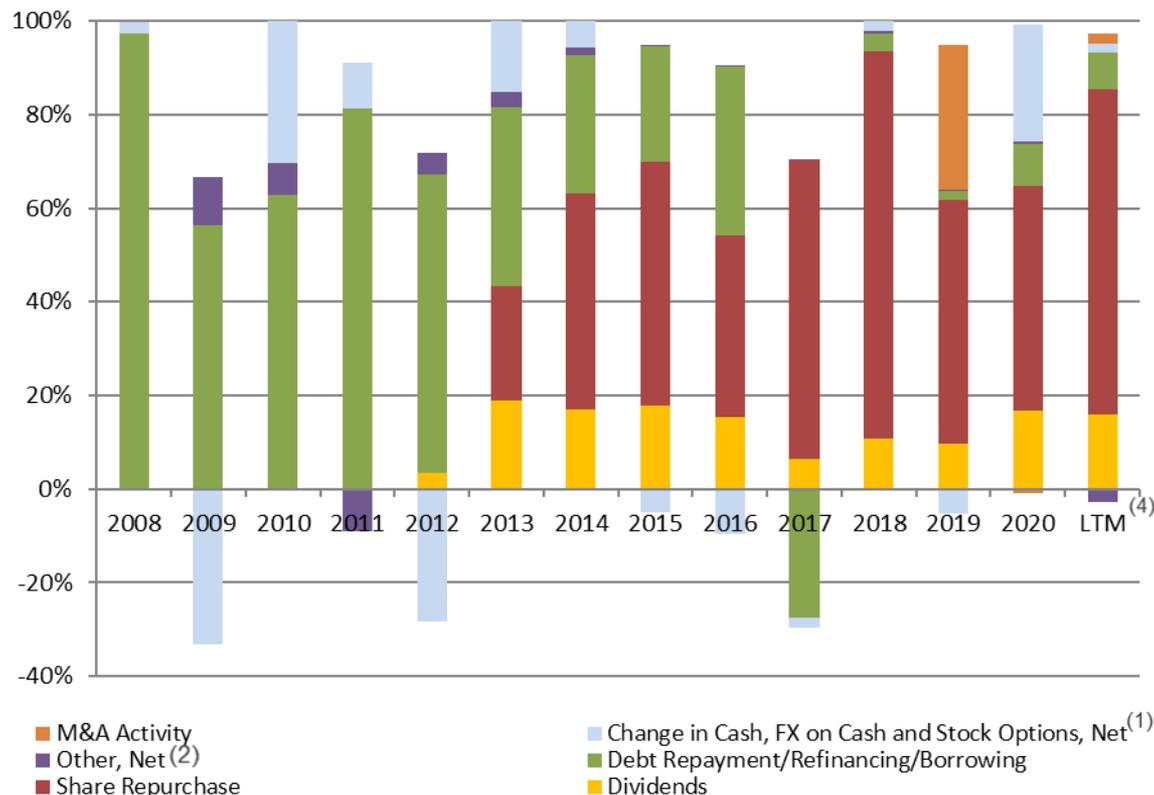
(1) See appendix for a reconciliation of Adjusted Free Cash Flow.

(2) LTM 09/30/21

Capital Allocation Priorities

- Organic revenue and earnings growth
- New product and technology development
- Strategic acquisition opportunities
- Return of capital to shareholders
- Prudent balance sheet management
- Low-cost, flexible and pre-payable debt structure with long dated maturities

Free Cash Flow Utilization



Well-Defined Capital Allocation Policy

- Realize returns from completed investments in global commercial capabilities, and new product and technology development
- Prudent balance sheet management
- Return capital to shareholders
 - Quarterly dividend increased to \$0.19 per share in Q1 2021
 - \$3.0 billion share repurchase authorization⁽³⁾
- Low-cost, flexible and pre-payable debt structure with long dated maturities

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

(1) Net of change in Cash & Cash Equivalents

(2) 2009 adjusted for certain non-recurring activity: (a) capitalized accrued interest on Senior Toggle Notes (\$29) million, (b) cash restructuring charge \$51 million, (c) accounts payable early payments \$3 million, (d) delayed accounts receivable receipts \$19 million and (e) Lehman LIBOR swap settlement \$17 million. All periods adjusted for collateral for interest rate derivatives, purchase of available-for-sale securities, proceeds from disposal of assets, investments in technology-related initiatives and license expenses, and fee to terminate services agreement with Sponsors.

(3) \$501 million of authorized share repurchase capacity remaining as of 09/30/21

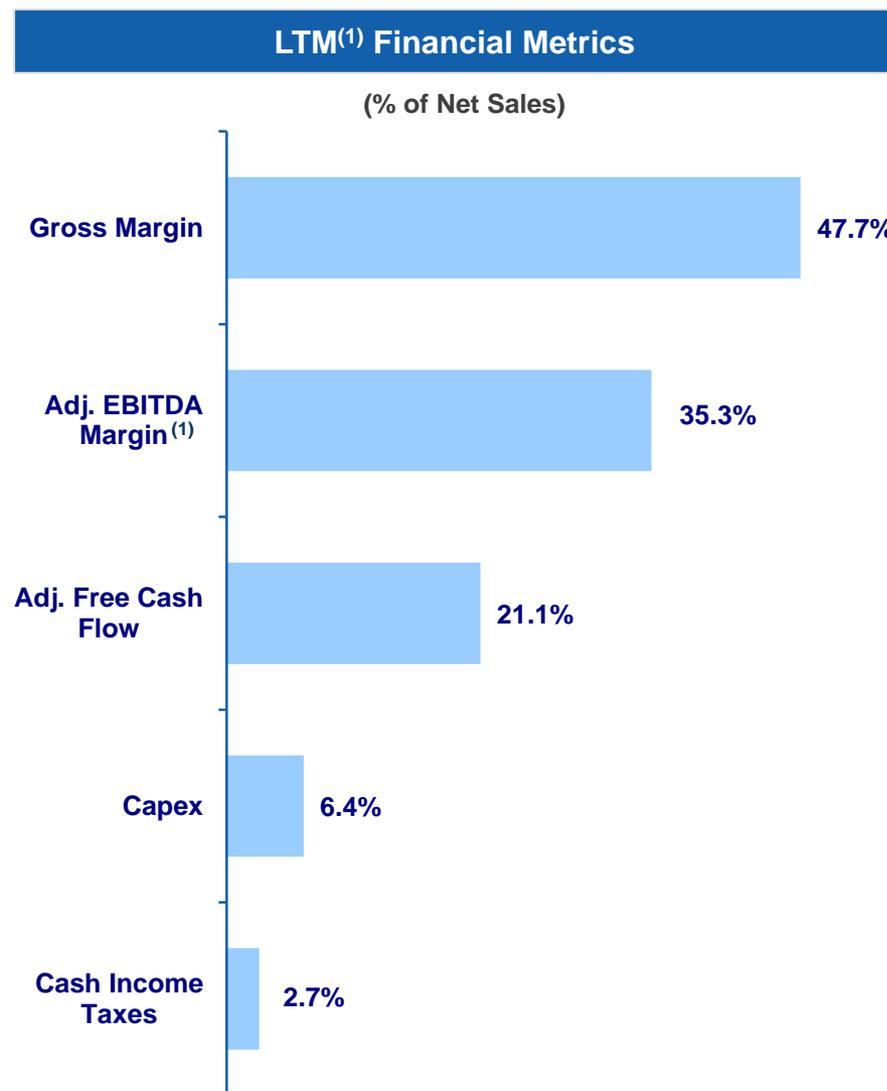
(4) LTM 09/30/21

Financial Overview



Allison Financial Highlights

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



(1) LTM 9/30/2021.

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

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

Strong Liquidity Profile

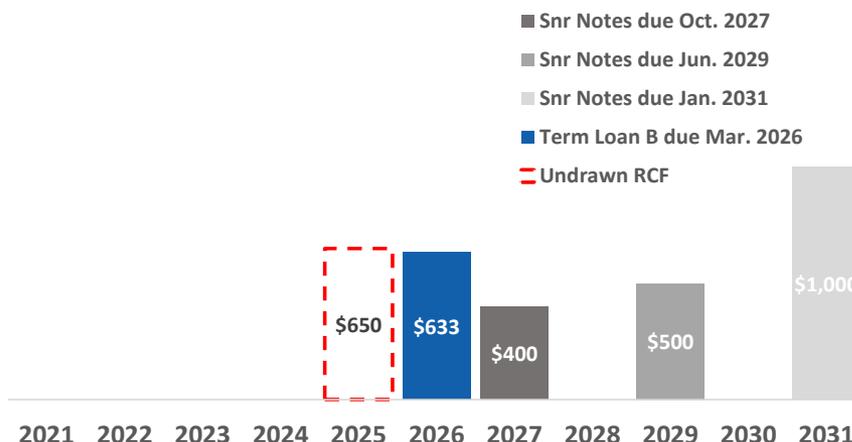
- Cash and Available Borrowing Capacity of \$906 million as of September 30, 2021
 - \$261 million of cash and cash equivalents
 - \$645 million of available revolving credit facility commitments, expiring in September 2025
- History of robust free cash flow generation
- Staggered, flexible, long-dated and covenant light debt structure with the earliest maturity due in March 2026
- Financial Covenants point to First Lien Net Leverage Ratio
 - Maximum threshold of 5.5x First Lien Net Leverage ratio (Net First Lien Debt to LTM Adj. EBITDA)
 - First Lien Net Leverage ratio of 0.5x as of September 30, 2021
- Net Leverage of 2.8x (Net Debt to LTM Adj. EBITDA) as of September 30, 2021
- Capital Allocation
 - Paid a dividend of \$0.19 per share in Q3 2021
 - Settled \$100M of share repurchases at an average price of \$39.91 in Q3 2021

Long-term Debt Profile & Credit Statistics

(\$ in millions)	9/30/2021
Cash and cash equivalents	\$261
Revolving Credit Facility due Sep 2025	\$0
Senior Secured Term Loan B due Mar 2026	\$633
Total First Lien Debt	\$633
Senior Notes due Oct 2027	\$400
Senior Notes due Jun 2029	\$500
Senior Notes due Jan 2031	\$1,000
Total Debt	\$2,533
Net Debt	\$2,272
First Lien Net Debt	\$372

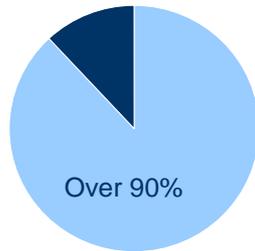
Credit Statistics:	9/30/2021
LTM Adjusted EBITDA	\$810
First Lien Net Leverage Ratio	0.46x
Net Leverage Ratio	2.80x

Current Debt Maturity Profile



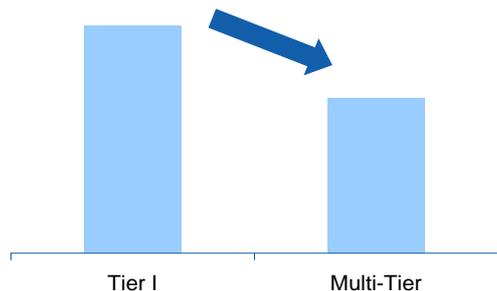
Solid Operating Margins

Long-Term Customer Supply Agreements



Over 90% of 2020 N.A. On-Highway Unit Volume was covered by long-term customer supply agreements

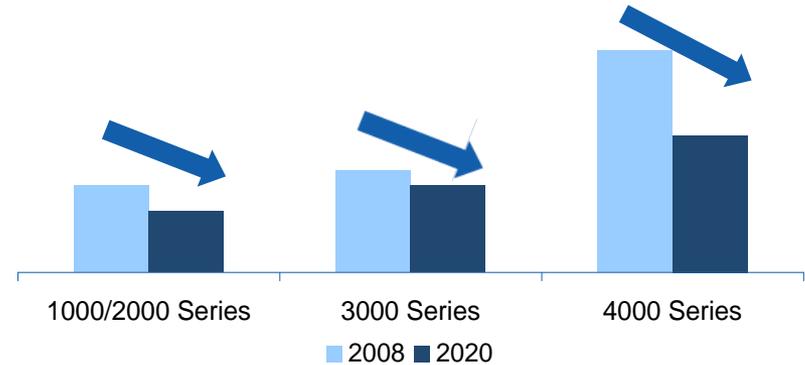
Workforce Optimization (cost/employee) ⁽¹⁾



Significant savings driven by retirement of Tier I workers; 258 hourly employees are retirement eligible (~19% of workforce)

Source: Allison.
(1) As of 12/31/20

Manufacturing Efficiencies (hours/unit)



Hours Per Unit continue to decline

International Manufacturing

India (~\$103mm total investment)

- New facility constructed to better serve Asia-Pacific
- Assembly of 1000/2000 Series
- In-sourced component manufacturing

Hungary (~\$17mm total investment)

- Assembly of 3000/4000 Series

Summary

- Allison Transmission is the global leader in the markets it serves
 - Premier fully-automatic transmission brand
 - Leading and established supplier of fully integrated electrified propulsion systems
 - Over 100 year operating history
- Strong financial position
 - Industry leading EBITDA margin
 - Asset light business model
 - Significant free cash flow generation
 - Returning capital to shareholders
- Substantial long-term growth opportunities
 - Expand global leadership
 - Penetrate emerging markets
 - Address underserved markets
 - Continuous product innovation

Guidance / Supplemental Financial Data



2021 Guidance Update

(\$ in millions)	Guidance	Commentary
Net Sales	\$2,325 to \$2,400	Guidance reflects higher demand in the Global On-Highway, Global Off-Highway, and Service Parts, Support Equipment & Other end markets as a result of the ongoing global economic recovery and price increases on certain products
Net Income	\$395 to \$440	
Adjusted EBITDA	\$795 to \$845	
Net Cash Provided by Operating Activities	\$585 to \$635	
Adjusted Free Cash Flow	\$415 to \$455	Net Cash Provided by Operating Activities less Capital Expenditures
Capital Expenditures	\$170 to \$180	

Historical Financial Summary

Financial Summary											
In \$ millions	Annual										LTM ⁽¹⁾
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	
Net Sales	\$2,163	\$2,142	\$1,927	\$2,127	\$1,986	\$1,840	\$2,262	\$2,713	\$2,698	\$2,081	\$2,293
% Growth	12.3%	(1.0%)	(10.0%)	10.4%	(6.7%)	(7.3%)	22.9%	19.9%	(0.6%)	(22.9%)	6.0%
Adjusted EBITDA ⁽²⁾	722	717	633	745	720	644	868	1,128	1,083	732	810
% of Net Sales	33.4%	33.5%	32.8%	35.0%	36.3%	35.0%	38.4%	41.6%	40.1%	35.2%	35.3%
Effective Cash Tax Rate ⁽³⁾	3.9%	4.9%	1.4%	1.4%	1.8%	3.8%	18.2%	12.5%	11.6%	6.6%	12.2%
Total CapEx	97	124	74	64	58	71	91	100	172	115	147
% of Net Sales	4.5%	5.8%	3.9%	3.0%	2.9%	3.8%	4.0%	3.7%	6.4%	5.5%	6.4%
Adj. Free Cash Flow	383	407	409	540	530	530	567	737	675	458	483
% of Net Sales	17.7%	19.0%	21.2%	25.4%	26.7%	28.8%	25.1%	27.2%	25.0%	22.0%	21.1%

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

(1) LTM 9/30/2021.

(2) Excluding technology-related license expenses 2011 of \$10 million, 2012 of \$12 million, 2013 of \$6 million, 2014 of \$6 million.

(3) Effective cash tax rate defined as cash income taxes divided by income (loss) before taxes.

Allison Quarterly Sales Summary

Quarterly Net Sales by End Market (\$ millions)															
Net Sales	2013					2014					2015				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
NA On-Highway	\$219	\$243	\$226	\$242	\$930	\$257	\$271	\$279	\$273	\$1,080	\$286	\$297	\$274	\$275	\$1,132
NA Off-Highway	8	8	9	14	39	12	23	30	36	101	22	10	12	11	55
Defense	57	58	52	35	202	34	49	35	38	156	25	29	34	25	113
ONA On-Highway	62	75	70	86	293	64	62	73	65	264	57	73	67	65	262
ONA Off-Highway	21	36	17	14	88	21	24	18	19	82	16	8	4	7	35
Parts, Support Equipment & Other	90	92	93	100	375	106	107	118	113	444	98	94	102	95	389
Total Net Sales	\$457	\$512	\$467	\$491	\$1,927	\$494	\$536	\$553	\$544	\$2,127	\$504	\$511	\$493	\$478	\$1,986
Net Sales	2016					2017					2018				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
NA On-Highway	\$274	\$280	\$232	\$237	\$1,023	\$275	\$314	\$301	\$287	\$1,177	\$339	\$343	\$332	\$303	\$1,317
NA Off-Highway	5	1	1	0	7	1	5	17	28	51	33	31	12	17	93
Defense	25	28	25	37	115	27	30	35	25	117	37	43	42	36	158
ONA On-Highway	70	74	78	83	305	72	85	89	98	344	91	101	96	95	383
ONA Off-Highway	3	3	2	4	12	6	10	14	11	41	12	24	46	47	129
Parts, Support Equipment & Other	85	89	96	108	378	118	136	139	139	532	151	169	164	149	633
Total Net Sales	\$462	\$475	\$434	\$469	\$1,840	\$499	\$580	\$595	\$588	\$2,262	\$663	\$711	\$692	\$647	\$2,713
Net Sales	2019					2020					2021				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	LTM	
NA On-Highway	\$377	\$398	\$369	\$330	\$1,474	\$352	\$164	\$281	\$284	\$1,081	\$319	\$302	\$275	\$1,180	
NA Off-Highway	14	9	6	1	30	8	3	1	1	13	2	9	20	32	
Defense	32	37	40	42	151	40	42	56	44	182	45	48	39	176	
ONA On-Highway	94	106	99	91	390	72	60	71	77	280	84	98	93	352	
ONA Off-Highway	27	40	24	18	109	27	19	4	11	61	16	18	14	59	
Parts, Support Equipment & Other	131	147	131	135	544	138	89	119	118	464	122	128	126	494	
Total Net Sales	\$675	\$737	\$669	\$617	\$2,698	\$637	\$377	\$532	\$535	\$2,081	\$588	\$603	\$567	\$2,293	

Appendix: Non-GAAP Financial Information



Non-GAAP Financial Information

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

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

Non-GAAP Reconciliations (1 of 3)

Adjusted EBITDA reconciliation

\$ in millions, Unaudited	For the year ended December 31,										Last twelve months ended
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	September 30, 2021
Net income (GAAP)	\$103	\$514	\$165	\$229	\$182	\$215	\$504	\$639	\$604	\$299	\$384
plus:											
Interest expense, net	217	151	133	138	114	101	103	121	134	137	124
Income tax expense (benefit)	48	(298)	101	139	107	126	23	166	164	94	118
Technology-related investments expenses / (gains)	—	14	5	2	—	1	16	3	—	—	(3)
Trade name impairments	—	—	—	—	80	—	—	—	—	—	—
Impairments of long-lived assets	—	—	—	15	1	—	32	4	2	—	—
Environmental remediation	—	—	—	—	14	—	—	—	(8)	—	—
Amortization of intangible assets	152	150	105	99	97	92	90	87	86	52	47
Depreciation of property, plant and equipment	104	103	99	94	88	84	80	77	81	96	102
Loss (gain) on redemptions and repayments of long-term debt	16	22	1	1	1	—	—	—	—	—	—
Stockholder activism expenses	—	—	—	—	—	4	—	—	—	—	—
Dual power inverter module extended coverage	—	9	(2)	1	(2)	1	(2)	—	—	—	—
UAW Local 933 signing bonus	—	9	—	—	—	—	10	—	—	—	—
UAW Local 933 retirement incentive	—	—	—	—	—	—	—	15	5	7	6
Unrealized loss (gain) on commodity hedge contracts	7	(1)	2	(1)	1	(2)	—	—	—	—	—
Unrealized loss on foreign exchange	—	—	2	5	1	1	—	3	—	2	(1)
Expenses related to long-term debt refinancing	57	—	—	—	25	12	—	—	1	13	13
Restructuring charges	—	—	1	1	—	—	—	—	—	14	2
Stock based compensation expense	8	6	14	15	10	9	12	13	13	17	17
Other, net ⁽¹⁾	—	26	1	1	1	—	—	—	1	1	1
Adjusted EBITDA (non-GAAP)	\$712	\$705	\$627	\$739	\$720	\$644	\$868	\$1,128	\$1,083	\$732	\$810
Net Sales (GAAP)	\$2,163	\$2,142	\$1,927	\$2,127	\$1,986	\$1,840	\$2,262	\$2,713	\$2,698	\$2,081	\$2,293
Net income as a percent of net sales	4.8%	24.0%	8.6%	10.8%	9.2%	11.7%	22.3%	23.6%	22.4%	14.4%	16.7%
Adjusted EBITDA as a percent of net sales	32.9%	32.9%	32.5%	34.7%	36.2%	35.0%	38.4%	41.6%	40.1%	35.2%	35.3%

(1) Includes charges or income related to benefit plan adjustments, termination and service fees paid to Allison's Sponsors, public offering expenses, reductions of supply contract liabilities, and acquisition related earnouts.

Non-GAAP Reconciliations (2 of 3)

Adjusted Free Cash Flow reconciliation

	For the year ended December 31,										Last twelve months ended September 30,	
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	
\$ in millions, Unaudited												
Net Cash Provided by Operating Activities (GAAP)	\$469	\$498	\$464	\$573	\$580	\$591	\$658	\$837	\$847	\$561	\$630	
(Deductions) or Additions:												
Long-lived assets	(97)	(124)	(75)	(64)	(58)	(71)	(91)	(100)	(172)	(115)	(147)	
Restructuring charges	—	—	—	—	—	—	—	—	—	12	—	
Fee to terminate services agreement with Sponsors	—	16	—	—	—	—	—	—	—	—	—	
Technology-related license expenses	10	12	6	6	—	—	—	—	—	—	—	
Stockholder activism expenses	—	—	—	—	—	4	—	—	—	—	—	
Excess tax benefit from stock-based compensation	—	5	14	25	8	6	—	—	—	—	—	
Adjusted Free Cash Flow (non-GAAP)	\$383	\$407	\$409	\$540	\$530	\$530	\$567	\$737	\$675	\$458	\$483	

Non-GAAP Reconciliations (3 of 3)

Guidance Reconciliation

\$ in millions

	Guidance	
	Year Ending December 31, 2021	
	Low	High
Net Income (GAAP)	\$ 395	\$ 440
plus:		
Depreciation and amortization	152	152
Interest expense, net	117	117
Income tax expense	120	125
Stock-based compensation expense	15	15
Acquisition-related earnouts	1	1
UAW Local 933 retirement incentive	(1)	(1)
Technology-related investments gain	(3)	(3)
Adjusted EBITDA (Non-GAAP)	<u>\$ 795</u>	<u>\$ 845</u>
Net Cash Provided by Operating Activities (GAAP)	\$ 585	\$ 635
(Deductions) to Reconcile to Adjusted Free Cash Flow:		
Additions of long-lived assets	\$ (170)	\$ (180)
Adjusted Free Cash Flow (Non-GAAP)	<u>\$ 415</u>	<u>\$ 455</u>

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