Allison Transmission Holdings, Inc. (ALSN)

Updated February 28th, 2026, by Sure Dividend Analyst

Key Metrics

Current Price:	$125	**5 Year Annual Expected Total Return:**	5.5%	**Market Cap:**	$10.5 B
Fair Value Price:	$117	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	03/09/26
% Fair Value:	107%	**5 Year Valuation Multiple Estimate:**	-1.4%	**Dividend Payment Date:**	03/20/26
Dividend Yield:	0.9%	**5 Year Price Target**	$157	**Years Of Dividend Growth:**	7
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Hold

Overview & Current Events

Allison Transmission Holdings, Inc. (ALSN) is the largest manufacturer of fully automatic transmissions for commercial vehicles, with a 60% global market share in the on-highway segment. Its products power Class 4-8 trucks, buses, motorhomes, and military vehicles, offering superior fuel efficiency and durability over manual alternatives. The company is also developing e-powertrains to support vehicle electrification. Founded in 1915 and headquartered in Indianapolis, Indiana, Allison employs 4,000 people and serves customers in 150+ countries through a global network of manufacturing facilities, engineering centers, and distributors across on-highway, off-highway, defense, and electrification markets.

On February 23rd, 2026, Allison Transmission Holdings, Inc. announced its fourth-quarter and full-year 2025 financial results for the period ending December 31st, 2025. The company reported net income of $99 million, down 43% year-over-year, with net income representing 13.4% of net sales, down approximately 860 basis points year-over-year. Diluted earnings per share (EPS) were $1.18, compared with $2.01 in same quarter of last year.

Quarterly net sales were $737 million, down 7% year-over-year, driven by continued strength in the Defense and Outside North America On-Highway end markets but offset by declines in North America On-Highway and Global Off-Highway. Year-over-year by segment: Defense increased $5 million, Outside North America On-Highway increased $7 million, Service Parts, Support Equipment & Other decreased $9 million, Global Off-Highway decreased $4 million, and North America On-Highway decreased $58 million. Adjusted EBITDA was $265 million, down from $270 million a year ago, with the margin increasing to 36.0% (up 210 bps) despite a challenging demand environment and approximately $26 million in acquisition-related expenses tied to the acquisition of Dana Incorporated’s Off-Highway business, as well as a $29 million impairment charge related to electrification investments.

For the full year 2025, diluted EPS was $7.33 compared with $8.31 in 2024, representing a decline of approximately 12% year-over-year, reflecting lower revenue and one-time charges in the fourth quarter.

For full-year 2026, the company provided new guidance projecting consolidated net sales of $5.575 billion to $5.925 billion, net income of $600 million to $750 million, and adjusted EBITDA of $1.365 billion to $1.515 billion. Net cash from operations is expected at $970 million to $1.100 billion, capital expenditures of $295 million to $315 million, and adjusted free cash flow of $655 million to $805 million. Growth is expected to be driven by Defense and strong Outside North America On-Highway performance, while North America On-Highway remains pressured by weak vocational and medium-duty demand, with no Class 8 recovery assumed in 2026. The Dana Off-Highway acquisition closed on January 1, 2026, with ~$120 million in long-term annual synergies expected, though none are reflected in 2026 guidance.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$1.27	$3.36	$4.78	$4.91	$2.62	$4.13	$5.53	$7.40	$8.31	$7.33	***$9.00***	***$12.04***
DPS	$0.60	$0.60	$0.60	$0.60	$0.68	$0.76	$0.84	$0.92	$1.00	$1.08	***$1.16***	***$1.55***
Shares[1]	169	150	134	123	114	107	96	91	88	84	***84***	***80***

[1] In millions.

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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The company has grown earnings by 21.5% per year in the last decade and 16.9% over the past five years. We expect earnings to grow on average by 6% per year for the next five years. The company has been able to increase its dividend for seven consecutive years. Over the last five years, the average annual dividend growth rate is 8.8%, reflecting the company's consistent free cash flow generation. In February 2026, the company increased its quarterly dividend by 7.4% from $0.27 to $0.29 per share. Allison Transmission repurchased approximately $328 million of its shares in full-year 2025, representing about 4% of outstanding shares. The company indicated it will continue returning capital to shareholders through ongoing share repurchases to support EPS growth.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	34.0	19.1	8.6	9.4	14.4	10.4	8.0	8.3	13.2	12.0	***13.9***	***13.0***
Avg. Yld.	1.8%	1.4%	1.4%	1.2%	1.6%	2.1%	2.0%	1.6%	0.9%	1.1%	***0.9%***	***1.0%***

During the past decade shares of Allison Transmission have traded with an average price-to-earnings ratio of about 13.7 and today, it stands at 13.9. We are using 13 times earnings as a fair value baseline, implying the potential for a valuation headwind. The yield is currently 0.9%, which is below the average yield of 1.5% over the past decade.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	47%	18%	13%	12%	26%	18%	15%	12%	12%	15%	***13%***	***13%***

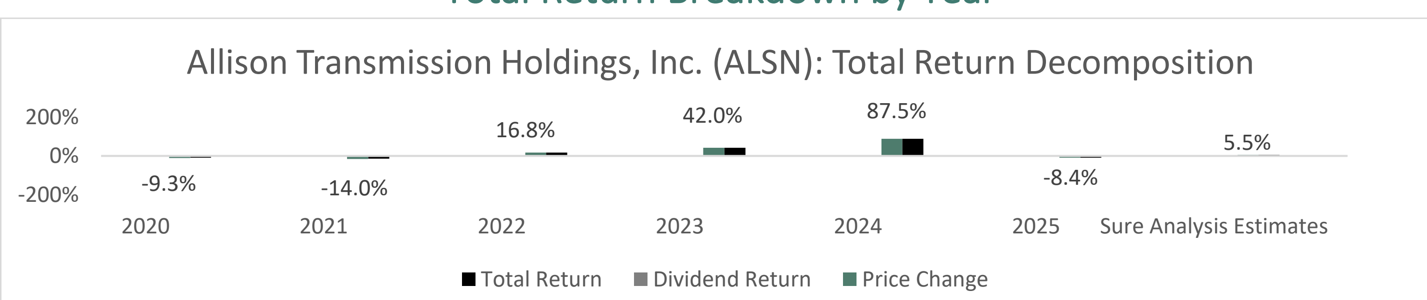
During the past five years, the company's dividend payout ratio has averaged around 16%. Allison Transmission 's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around the same levels which is safe.

Allison Transmission benefits from a leading market position in fully automatic transmissions, particularly in vocational and defense vehicles, supported by its premium pricing, strong brand reputation, and expanded global footprint following the acquisition of Dana's Off-Highway business. The broader platform enhances its presence across industrial and off-highway end markets while providing long-term growth opportunities through procurement and cost synergies. The company's strong cash flow and disciplined capital allocation continue to support R&D, debt reduction, acquisitions, and shareholder returns. However, profitability remains cyclical and influenced by commercial vehicle demand, infrastructure spending, commodity cycles, and defense budgets. Soft medium-duty and Class 8 vocational truck demand, near-trough off-highway markets, tariff exposure, and inflationary pressures could weigh on margins in 2026, though pricing actions and operational efficiencies are expected to help offset these headwinds.

Final Thoughts & Recommendation

Allison Transmission is a market leader in fully automatic transmissions, recognized for its strong brand, pricing power, and disciplined capital allocation. The company's expanding electrification portfolio and defense segment growth position it well for the future. We estimate total return potential of 5.5% per year for the stock over the next five years based on a 6% earnings-per-share growth, the dividend yield of 0.9%, and a valuation headwind. Shares earn a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Revenue	1,986	1,840	2,262	2,713	2,698	2,081	2,402	2,769	3,035	3,225
Gross Profit	934	864	1,131	1,422	1,394	998	1,145	1,297	1,470	1,529
Gross Margin	47.0%	47.0%	50.0%	52.4%	51.7%	48.0%	47.7%	46.8%	48.4%	47.4%
SG&A Exp.	317	324	342	368	356	317	305	328	357	337
D&A Exp.	185	176	170	164	167	148	150	155	154	121
Operating Profit	510	452	684	923	892	534	669	784	919	992
Op. Margin	25.7%	24.6%	30.2%	34.0%	33.1%	25.7%	27.9%	28.3%	30.3%	30.8%
Net Profit	182	215	504	639	604	299	442	531	673	731
Net Margin	9.2%	11.7%	22.3%	23.6%	22.4%	14.4%	18.4%	19.2%	22.2%	22.7%
Free Cash Flow	522	520	567	737	675	446	460	490	659	658
Income Tax	107	126	23	166	164	94	130	114	154	166

Balance Sheet Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Total Assets	4,408	4,219	4,205	4,237	4,450	4,477	4,457	4,671	5,025	5,336
Cash & Equivalents	252	205	199	231	192	310	127	232	555	781
Acc. Receivable	195	197	221	279	253	228	301	363	356	360
Inventories	141	126	154	170	199	181	204	224	276	315
Goodwill & Int.	3,276	3,183	3,094	3,007	3,083	3,027	3,054	3,139	2,909	2,897
Total Liabilities	3,220	3,138	3,516	3,578	3,669	3,721	3,823	3,797	3,792	3,685
Accounts Payable	126	128	159	169	150	157	179	195	210	212
Long-Term Debt	2,377	2,159	2,546	2,523	2,518	2,513	2,510	2,507	2,503	2,400
Total Equity	1,189	1,081	689	659	781	756	634	874	1,233	1,651
D/E Ratio	2.00	2.00	3.70	3.83	3.22	3.32	3.96	2.87	2.03	1.45

Profitability & Per Share Metrics

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Return on Assets	4.0%	5.0%	12.0%	15.1%	13.9%	6.7%	9.9%	11.6%	13.9%	14.1%
Return on Equity	14.1%	18.9%	56.9%	94.8%	83.9%	38.9%	63.6%	70.4%	63.9%	50.7%
ROIC	4.9%	6.3%	15.6%	19.9%	18.6%	9.1%	13.8%	16.3%	18.9%	18.8%
Shares Out.	177	169	150	134	123	114	107	96	91	88
Revenue/Share	11.22	10.89	15.08	20.25	21.94	18.25	22.45	28.84	33.35	36.65
FCF/Share	2.95	3.08	3.78	5.50	5.49	3.91	4.30	5.10	7.24	7.48

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.