Allison Transmission Holdings, Inc. (ALSN)

Updated May 23rd, 2026, by Sure Dividend Analyst

Key Metrics

Current Price:	$110	**5 Year Annual Expected Total Return:**	8.0%	**Market Cap:**	$9.2 B
Fair Value Price:	$116	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	05/18/26
% Fair Value:	95%	**5 Year Valuation Multiple Estimate:**	1.0%	**Dividend Payment Date:**	05/29/26
Dividend Yield:	1.1%	**5 Year Price Target**	$155	**Years Of Dividend Growth:**	7
Dividend Risk Score:	B	**Sector:**	Industrials	**Rating:**	Buy

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 May 4th, 2026, Allison Transmission Holdings, Inc. announced its first-quarter 2026 financial results for the period ending March 31st, 2026. The company reported net income of $112 million, down 42% year-over-year, with net income representing 8.0% of net sales, down approximately 17.1 percentage points year-over-year. Diluted earnings per share (EPS) were $1.33, compared with $2.23 in the same quarter of last year. Adjusted diluted EPS was up 6% $2.57.

Quarterly net sales were $1.406 billion, up 84% year-over-year, driven primarily by the addition of the Allison Off-Highway business unit acquired on January 1, 2026, partially offset by a decline in the legacy Allison Transmission business. Year-over-year by segment: Allison Transmission revenue was $733 million, down 4% year-over-year, while Allison Off-Highway contributed $673 million of revenue. Within the Allison Transmission business unit, Defense increased 64% year-over-year and remained a key area of strength, while North America On-Highway remained cautiously optimistic amid uncertainty surrounding tariffs and emissions regulations. Adjusted EBITDA was $362 million, up from $296 million a year ago, with an adjusted EBITDA margin of 26.0%, while profitability was impacted by approximately $76 million of acquisition-related purchase accounting impacts, $17 million of integration expenses, and $23 million of intangible amortization expense.

For full-year 2026, the company reaffirmed 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 recovering North America On-Highway conditions, continued Defense strength, Mining demand, Agriculture improvement, and synergy realization later in 2026. The Allison Off-Highway acquisition, which closed on January 1, 2026, remains expected to generate approximately $120 million of annual run-rate synergies, with management indicating that value capture and synergy realization are expected to materialize later in 2026.

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	***$8.90***	***$11.91***
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 16.6% 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 more than $20 million of its common stock during the first quarter of 2026 and ended the quarter with approximately $1.171 billion remaining under its share repurchase authorization.

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	***12.3***	***13.0***
Avg. Yld.	1.8%	1.4%	1.4%	1.2%	1.6%	2.1%	2.0%	1.6%	0.9%	1.1%	***1.1%***	***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 12.3. We are using 13 times earnings as a fair value baseline, implying the potential for a valuation tailwind. The yield is currently 1.1%, 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%***

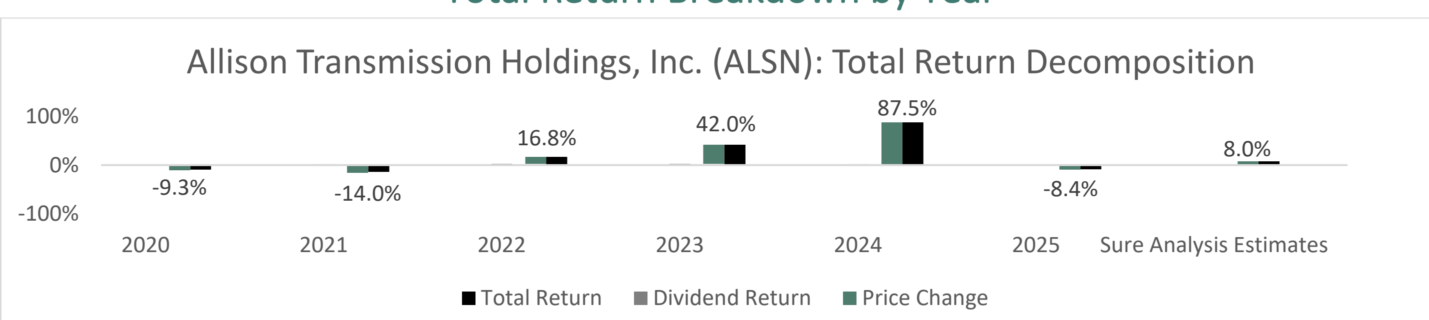
During the past five years, the company's dividend payout ratio has averaged around 16%. Allison Transmission 's dividend is comfortably covered by earnings. Given the expected earnings growth, there is room for the dividend to continue to grow at least at the same pace and keep the payout ratio around 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 8% per year for the stock over the next five years based on a 6% earnings-per-share growth, the dividend yield of 1.1%, and a valuation tailwind. Shares earn buy rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1,840	2,262	2,713	2,698	2,081	2,402	2,769	3,035	3,225	3,010
Gross Profit	864	1,131	1,422	1,394	998	1,145	1,297	1,470	1,529	1,456
Gross Margin	47.0%	50.0%	52.4%	51.7%	48.0%	47.7%	46.8%	48.4%	47.4%	48.4%
SG&A Exp.	324	342	368	356	317	305	328	357	337	380
D&A Exp.	176	170	164	167	148	150	155	154	121	124
Operating Profit	452	684	923	892	534	669	784	919	992	973
Op. Margin	24.6%	30.2%	34.0%	33.1%	25.7%	27.9%	28.3%	30.3%	30.8%	32.3%
Net Profit	215	504	639	604	299	442	531	673	731	623
Net Margin	11.7%	22.3%	23.6%	22.4%	14.4%	18.4%	19.2%	22.2%	22.7%	20.7%
Free Cash Flow	520	567	737	675	446	460	490	659	658	649
Income Tax	126	23	166	164	94	130	114	154	166	181

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	4,219	4,205	4,237	4,450	4,477	4,457	4,671	5,025	5,336	6,082
Cash & Equivalents	205	199	231	192	310	127	232	555	781	1,495
Acc. Receivable	197	221	279	253	228	301	363	356	360	333
Inventories	126	154	170	199	181	204	224	276	315	316
Goodwill & Int.	3,183	3,094	3,007	3,083	3,027	3,054	3,139	2,909	2,897	2,869
Total Liabilities	3,138	3,516	3,578	3,669	3,721	3,823	3,797	3,792	3,685	4,215
Accounts Payable	128	159	169	150	157	179	195	210	212	190
Long-Term Debt	2,159	2,546	2,523	2,518	2,513	2,510	2,507	2,503	2,400	2,903
Total Equity	1,081	689	659	781	756	634	874	1,233	1,651	1,867
D/E Ratio	2.00	3.70	3.83	3.22	3.32	3.96	2.87	2.03	1.45	1.56

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	5.0%	12.0%	15.1%	13.9%	6.7%	9.9%	11.6%	13.9%	14.1%	10.9%
Return on Equity	18.9%	56.9%	94.8%	83.9%	38.9%	63.6%	70.4%	63.9%	50.7%	35.4%
ROIC	6.3%	15.6%	19.9%	18.6%	9.1%	13.8%	16.3%	18.9%	18.8%	14.1%
Shares Out.	169	150	134	123	114	107	96	91	88	85
Revenue/Share	10.89	15.08	20.25	21.94	18.25	22.45	28.84	33.35	36.65	35.41
FCF/Share	3.08	3.78	5.50	5.49	3.91	4.30	5.10	7.24	7.48	7.64

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