Allison Transmission Holdings, Inc. (ALSN)

Updated August 11th, 2026, by Sure Dividend Analyst

Key Metrics

Current Price:	$125	**5 Year Annual Expected Total Return:**	4.7%	**Market Cap:**	$10.4 B
Fair Value Price:	$112	**5 Year Growth Estimate:**	6.0%	**Ex-Dividend Date:**	08/18/26
% Fair Value:	111%	**5 Year Valuation Multiple Estimate:**	-2.1%	**Dividend Payment Date:**	08/28/26
Dividend Yield:	0.9%	**5 Year Price Target:**	$155	**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 August 3rd, 2026, Allison Transmission Holdings, Inc. announced its second-quarter 2026 financial results for the period ending June 30th, 2026. The company reported net income of $181 million, down 7% year-over-year, with net income representing 11.6% of net sales, down approximately 12.4 percentage points year-over-year. Diluted earnings per share (EPS) were $2.15, compared with $2.29 in the same quarter of last year. Adjusted diluted EPS was up 8% to $2.73. Quarterly net sales were $1.566 billion, up 92% year-over-year, driven primarily by the addition of the Allison Off-Highway business unit acquired on January 1, 2026, along with record quarterly sales in the legacy Allison Transmission business. Year-over-year by segment: Allison Transmission revenue was $860 million, up 6% year-over-year, while Allison Off-Highway contributed $706 million of revenue. Within the Allison Transmission business unit, execution of growth initiatives in Defense and continued momentum in the North American truck market supported record quarterly sales, while Allison Off-Highway recorded strong year-over-year growth in Construction & Material Handling and Mining as demand continued to rebound from trough levels. Adjusted EBITDA was $404 million, up from $313 million a year ago, with an adjusted EBITDA margin of 25.8%, while profitability was impacted by higher operating costs related to the Allison Off-Highway acquisition, including increased depreciation and amortization expense, higher interest expense, and acquisition-related expenses.

For full-year 2026, the company increased guidance for net sales to $5.800 billion to $6.000 billion, net income to $600 million to $700 million, and adjusted EBITDA to $1.465 billion to $1.575 billion. Adjusted free cash flow is expected at $745 million to $865 million. Growth is expected from improving end markets, continued Defense and North American truck strength, and recovering Construction & Material Handling and Mining demand. The Allison Off-Highway acquisition remains expected to generate approximately $120 million of annual run-rate synergies, with integration and synergy capture remaining key priorities.

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	***$8.60***	***$11.51***
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.

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The company has grown earnings by 21.5% per year in the last decade and 15.8% 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 cashflow generation. In February 2026, the company increased its quarterly dividend by 7.4% from $0.27 to $0.29 per share. Allison Transmission repurchased $46 million of its common stock during the second quarter of 2026 and ended the quarter with approximately $1.125 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	***14.5***	***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 14.5. 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

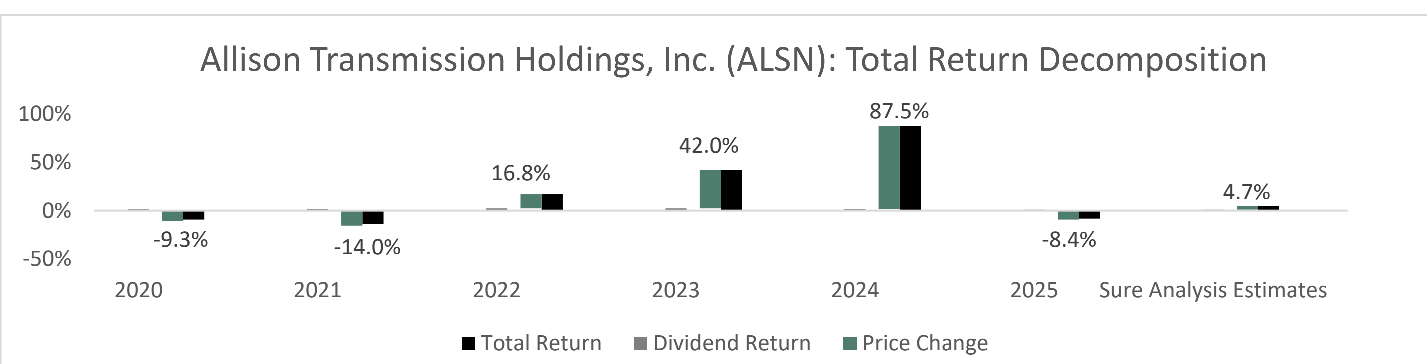
Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	47%	18%	13%	12%	26%	18%	15%	12%	12%	15%	***13%***	***13%***

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 position in fully automatic transmissions, particularly in vocational and defense vehicles, supported by premium pricing, a strong brand, and an expanded global footprint following the Dana Off-Highway acquisition. The broader platform provides growth opportunities through recovering end markets and synergies, while strong cash flow supports investment, debt reduction, and shareholder returns. However, profitability remains cyclical and exposed to commercial vehicle demand, commodity cycles, tariffs, and inflation. Improving North American truck, Construction & Material Handling, and Mining demand should support growth, while Agriculture remains relatively weak.

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 4.7% per year 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	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.