

Allison Transmission Holdings Inc  
Form 10-Q  
July 25, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

For the quarterly period ended June 30, 2014

OR

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

Commission File No. 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)

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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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company)

Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

As of July 14, 2014, there were 176,685,429 shares of Common Stock and 1,185 shares of Non-voting Common Stock outstanding.

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**Table of Contents****PART I. FINANCIAL INFORMATION****ITEM 1. Financial Statements****Allison Transmission Holdings, Inc.****Condensed Consolidated Balance Sheets****(unaudited, dollars in millions, except share data)**

	June 30, 2014	December 31, 2013
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 126.7	\$ 184.7
Accounts receivables net of allowance for doubtful accounts of \$0.6 and \$0.4	227.0	175.1
Inventories	169.5	160.4
Deferred income taxes, net	94.9	58.1
Other current assets	29.4	28.6
Total Current Assets	647.5	606.9
Property, plant and equipment, net	538.2	563.4
Intangible assets, net	1,561.4	1,610.8
Goodwill	1,941.0	1,941.0
Deferred income taxes, net	1.1	1.1
Other non-current assets	82.7	89.4
TOTAL ASSETS	\$ 4,771.9	\$ 4,812.6
<b>LIABILITIES</b>		
Current Liabilities		
Accounts payable	\$ 174.4	\$ 150.4
Product warranty liability	23.2	37.4
Current portion of long-term debt	17.9	17.9
Deferred revenue	22.0	29.2
Other current liabilities	140.8	152.3
Total Current Liabilities	378.3	387.2
Product warranty liability	63.5	53.1
Deferred revenue	47.1	43.2
Long-term debt	2,651.5	2,660.4
Deferred income taxes	165.8	76.2
Other non-current liabilities	171.7	153.7
TOTAL LIABILITIES	3,477.9	3,373.8

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Commitments and contingencies (see NOTE O)

**STOCKHOLDERS EQUITY**

Common stock, \$0.01 par value, 1,880,000,000 shares authorized, 176,577,025 and 183,375,436 shares issued and outstanding	<b>1.8</b>	1.8
Non-voting common stock, \$0.01 par value, 20,000,000 shares authorized, 1,185 shares issued and outstanding	<b>0.0</b>	0.0
Preferred stock, \$0.01 par value, 100,000,000 shares authorized, none issued and outstanding		
Paid in capital	<b>1,598.0</b>	1,631.8
Accumulated deficit	<b>(286.7)</b>	(173.8)
Accumulated other comprehensive loss, net of tax	<b>(19.1)</b>	(21.0)
<b>TOTAL STOCKHOLDERS EQUITY</b>	<b>1,294.0</b>	1,438.8
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS EQUITY</b>	<b>\$ 4,771.9</b>	\$ 4,812.6

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

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

	<b>Three months ended June 30,</b>		<b>Six months ended June 30,</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net sales	\$ 536.1	\$ 512.1	\$ 1,029.7	\$ 969.5
Cost of sales	297.6	286.0	568.7	545.1
<b>Gross profit</b>	<b>238.5</b>	226.1	<b>461.0</b>	424.4
Selling, general and administrative expenses	85.1	85.6	168.3	173.5
Engineering research and development	21.2	22.8	45.7	51.8
<b>Operating income</b>	<b>132.2</b>	117.7	<b>247.0</b>	199.1
Interest income	0.2	0.2	0.4	0.4
Interest expense	(36.8)	(33.5)	(72.1)	(67.6)
Other expense, net	(0.9)	(2.6)	(1.3)	(5.7)
<b>Income before income taxes</b>	<b>94.7</b>	81.8	<b>174.0</b>	126.2
Income tax expense	(37.5)	(31.3)	(64.7)	(48.2)
<b>Net income</b>	<b>\$ 57.2</b>	\$ 50.5	<b>\$ 109.3</b>	\$ 78.0
<b>Basic earnings per share attributable to common stockholders</b>	<b>\$ 0.32</b>	\$ 0.27	<b>\$ 0.61</b>	\$ 0.42
<b>Diluted earnings per share attributable to common stockholders</b>	<b>\$ 0.31</b>	\$ 0.26	<b>\$ 0.59</b>	\$ 0.41
<b>Dividends declared per common share</b>	<b>\$ 0.12</b>	\$ 0.12	<b>\$ 0.24</b>	\$ 0.18
<b>Comprehensive income</b>	<b>\$ 57.0</b>	\$ 44.0	<b>\$ 111.2</b>	\$ 68.9

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

**Table of Contents****Allison Transmission Holdings, Inc.****Condensed Consolidated Statements of Cash Flows**

(unaudited, dollars in millions)

	Six months ended June 30,	
	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 109.3	\$ 78.0
Add (deduct) items included in net income not using (providing) cash:		
Amortization of intangible assets	49.4	55.0
Depreciation of property, plant and equipment	47.4	49.7
Deferred income taxes	61.7	49.0
Unrealized gain on derivatives	(8.0)	(15.7)
Stock-based compensation	7.3	7.7
Excess tax benefit from stock-based compensation	(7.8)	(7.0)
Amortization of deferred financing costs	4.3	4.7
Impairment loss on investment in technology-related initiatives		2.5
Other	0.2	(0.2)
Changes in assets and liabilities:		
Accounts receivable	(52.0)	(44.2)
Inventories	(8.8)	(7.8)
Accounts payable	24.0	35.6
Other assets and liabilities	15.0	(22.9)
Net cash provided by operating activities	242.0	184.4
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Additions of long-lived assets	(22.7)	(25.8)
Investments in technology-related initiatives	(3.8)	(6.3)
Collateral for interest rate derivatives	1.7	1.3
Proceeds from disposal of assets	0.1	0.2
Net cash used for investing activities	(24.7)	(30.6)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Repurchase of common stock	(249.8)	
Dividend payments	(43.4)	(33.4)
Proceeds from exercise of stock options	22.4	25.2
Payments on long-term debt	(8.9)	(11.8)
Excess tax benefit from stock-based compensation	7.8	7.0
Taxes paid related to net share settlement of equity awards	(0.2)	(3.1)
Debt financing fees	(1.0)	(1.6)
Net cash used for financing activities	(273.1)	(17.7)
Effect of exchange rate changes on cash	(2.2)	11.1
Net (decrease) increase in cash and cash equivalents	(58.0)	147.2