

## How Carlyle Creates Value

Deep industry expertise. Global scale and presence. An extensive network of Operating Executives. And a wealth of investment portfolio data; we call it The Carlyle Edge. These are the four pillars of Carlyle’s value creation model. By leveraging these core capabilities and resources—Carlyle has established a 26-year overall track record of investing in companies, working to make them better and serving our investors’ needs.



### About Allison and the Transaction

Founded in 1915, Allison Transmission, Inc. is a global designer, manufacturer and supplier of automatic transmissions for medium- and heavy-duty commercial vehicles and specialty military vehicles, including on-highway trucks, buses, motorhomes and off-highway vehicles.

Allison is headquartered in Indianapolis, Indiana and also has facilities in Hungary, the Netherlands, Brazil, India and China. Allison has approximately 2,700 employees worldwide with more than 2,500 employees in Indiana, approximately 1,500 of whom are represented by the United Automobile Workers. Allison has historically maintained strong relations with the UAW.



## AT A GLANCE

**Allison Transmission, Inc.**

**Industry:** Industrial & Transportation

**Region/Country:** Indiana, USA

**Fund:** Carlyle Partners IV

**Acquired:** August 2007

**Status:** Exited

### Key Value Creation Metrics

- Acquired the business, an orphaned division within General Motors, and transformed it into a standalone company listed on the New York Stock Exchange
- Generated over \$2 billion of free cash flow during ownership by Carlyle and Onex despite a severe market downturn in the commercial vehicle industry
- Invested more than \$450 million in product related research and development, including new hybrid, fuel-efficient electric drives
- Pursued international growth opportunities by expanding the company’s manufacturing presence in Europe and India

The Carlyle Group and Onex acquired Allison from General Motors in August 2007. At the time, Allison was a subsidiary of General Motors, lacking the resources necessary to grow the business. Carlyle and Onex saw the



*President Obama congratulates Allison CEO Lawrence Dewey during plant visit on May 6, 2011.*

#### ABOUT THE CARLYLE GROUP

The Carlyle Group (NASDAQ: CG) is a global alternative asset manager with \$183 billion of assets under management across 126 funds and 160 fund of funds vehicles as of December 31, 2015. Carlyle's purpose is to invest wisely and create value on behalf of its investors, many of whom are public pensions. Carlyle invests across four segments – Corporate Private Equity, Real Assets, Global Market Strategies and Investment Solutions – in Africa, Asia, Australia, Europe, the Middle East, North America and South America. Carlyle has expertise in various industries, including: aerospace, defense & government services, consumer & retail, energy, financial services, healthcare, industrial, real estate, technology & business services, telecommunications & media and transportation. The Carlyle Group employs more than 1,700 people in 36 offices across six continents.

Carlyle believes these selected case studies should be considered as a reflection of Carlyle's investment process, and references to these particular portfolio companies should not be considered a recommendation of any particular security, investment, or portfolio company. The information provided about these portfolio companies is intended to be illustrative, and is not intended to be used as an indication of the current or future performance of Carlyle's portfolio companies. The investments described in the selected case studies were not made by any single fund or other product and do not represent all of the investments purchased or sold by any fund or other product. The information provided in these case studies is for informational purposes only and may not be relied on in any manner as advice or as an offer to sell or a solicitation of an offer to buy interests in any fund or other product sponsored or managed by Carlyle or its affiliates. Any such offer or solicitation shall only be made pursuant to a final confidential private placement memorandum, which will be furnished to qualified investors on a confidential basis at their request.

opportunity to take an under-resourced and sub-optimized business, support leadership, infuse capital and transform it into a platform that could take advantage of the growing global demand for automatic transmissions.

During Carlyle's investment, Allison transitioned from an operating division at GM to a well-capitalized standalone company. In March 2012, Allison became a publicly-traded company and listed its shares on the New York Stock Exchange under the symbol ALSN. Following several secondary offerings, Carlyle sold its remaining shares in Allison in September 2014.

#### Strengthening its Core Domestic Business

During its ownership, Carlyle worked with Allison to execute a number of manufacturing and purchasing initiatives to increase efficiency, reduce operating costs and enhance profitability. For example, Allison implemented a mutually-beneficial labor agreement with the UAW that introduced an annual profit-sharing incentive compensation plan for the hourly workforce. Additionally, Allison's focus on manufacturing optimization resulted in a continued reduction of manufacturing hours per unit year after year, reducing operating costs. As a result, Allison was able to generate over \$2 billion of free cash flow under Carlyle and Onex ownership, despite experiencing one of the most severe economic downturns the commercial vehicle industry has ever faced.

#### Investing for the Future

With strategic assistance from Carlyle and Onex, Allison focused its research and development initiatives on next generation, fuel efficient technologies, investing more than \$450 million in product related research and development under the two firms' ownership. As a result, Allison had more new products under development than at any time in its history. For example, Allison utilized a cost-share grant from the U.S. Department of Energy to develop a hybrid-propulsion system for medium- and heavy-duty commercial trucks, which will improve fuel efficiency by 25% to 35% for a typical vehicle. Today, Allison is one of the largest providers of hybrid electric drives to the transit bus industry and continues to develop products for other commercial vehicle applications.

#### Investing in International Growth

While maintaining its leadership position in the U.S., Allison also pursued growth opportunities abroad, where investments in people and facilities led to market share gains in Europe and emerging economies. To support its international growth strategy, the company established new manufacturing facilities in India and Hungary. Furthermore, Allison increased marketing, sales and service headcount in China, India, Brazil and Russia regions by over 80% under Carlyle and Onex's ownership. These efforts contributed to significant sales growth outside of North America.