Valvoline
Fourth Quarter Fiscal 2017
Earnings Presentation

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November 9, 2017

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, contained in this presentation, including statements regarding our industry, position, goals, strategy, operations, financial position, revenues, estimated costs, prospects, margins, profitability, capital expenditures, liquidity, capital resources, capital allocation, including dividends, plans and objectives of management are forward-looking statements. Valvoline has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “may,” “will,” “should” and “intends” and the negative of these words or other comparable terminology. In addition, Valvoline™ may, from time to time, make forward-looking statements in its annual report, quarterly reports and other filings with the Securities and Exchange Commission (“SEC”), news releases and other written and oral communications. These forward-looking statements are based on Valvoline’s current expectations and assumptions regarding, as of the date such statements are made, Valvoline’s future operating performance and financial condition, including Valvoline’s future financial and operating performance, strategic and competitive advantages, leadership and future opportunities, as well as the economy and other future events or circumstances. Valvoline’s expectations and assumptions include, without limitation, internal forecasts and analyses of current and future market conditions and trends, management plans and strategies, operating efficiencies and economic conditions (such as prices, supply and demand, cost of raw materials, and the ability to recover raw material cost increases through price increases), and risks and uncertainties associated with the following: demand for Valvoline’s products and services; sales growth in emerging markets; the prices and margins of Valvoline’s products and services; the strength of Valvoline’s reputation and brand; Valvoline’s ability to develop and successfully market new products; Valvoline’s ability to retain its largest customers; achievement of the expected benefits of Valvoline's separation from Ashland; Valvoline’s substantial indebtedness (including the possibility that such indebtedness and related restrictive covenants may adversely affect Valvoline’s future cash flows, results of operations, financial condition and Valvoline’s ability to repay debt) and other liabilities; operating as a stand-alone public company; failure, caused by Valvoline, of Ashland's distribution of Valvoline common stock to Ashland shareholders to qualify for tax-free treatment, which may result in significant tax liabilities to Ashland for which Valvoline may be required to indemnify Ashland; and the impact of acquisitions and/or divestitures Valvoline has made or may make (including the possibility that Valvoline may not realize the anticipated benefits from such transactions or difficulties with integration). These forward-looking statements are also subject to the risks and uncertainties affecting Valvoline that are described in its most recent Form 10-K (including in Item 1A Risk Factors and “Use of estimates, risks and uncertainties” in Note 2 of Notes to Consolidated Financial Statements) filed with the SEC, which is available on Valvoline’s website at http://investors.valvoline.com/sec-filings. In light of these risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this presentation may not occur, and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although Valvoline believes that the expectations reflected in these forward-looking statements are reasonable, Valvoline cannot guarantee that the expectations reflected herein will be achieved. In light of the significant uncertainties in these forward-looking statements, you should not regard these statements as a representation or warranty by Valvoline or any other person that Valvoline will achieve its objectives and plans in any specified time frame, or at all. These forward-looking statements speak only as of the date of this presentation. Except as required by law, Valvoline assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

All forward-looking statements attributable to Valvoline are expressly qualified in their entirety by these cautionary statements as well as others made in this presentation and hereafter in Valvoline’s other SEC filings and public communications. You should evaluate all forward-looking statements made by Valvoline in the context of these risks and uncertainties.

Regulation G: Adjusted Results

The information presented herein regarding certain financial measures that do not conform to generally accepted accounting principles in the United States (U.S. GAAP), including EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS and free cash flow, should not be construed as an alternative to the reported results determined in accordance with U.S. GAAP. Valvoline has included this non-GAAP information to assist in understanding the operating performance of the company and its reportable segments. The non-GAAP information provided may not be consistent with the methodologies used by other companies. Information regarding Valvoline’s definition, calculation and reconciliation of non-GAAP measures, including EBITDA, adjusted EBITDA, adjusted net income, adjusted EPS and free cash flow, can be found in the tables attached to Valvoline’s most recent earnings release dated November 8, 2017.

Fourth Quarter & Fiscal 2017 Reported Results

(in millions)	Q4	FY17
Operating Income	$191	$532
Net Income	$105	$304
Reported EPS	$0.52	$1.49

- Full year cash used in operating activities of $130 million, includes ~$400 million voluntary pension contribution

Notes on reporting and year-over-year (YoY) impacts

Separation-related items – timing of new capital structure

- Increase in interest expense YoY
- Transfer of pension plans drives increase in YoY pension income

Key items[1]

- Q4 Fiscal 2017: $74 million pre-tax, $37 million after-tax
  - Pension & OPEB remeasurements
  - Tax Matters Agreement activity
  - Separation costs
  - Change in estimate for insurance reserves
  - Lost tax credit due to voluntary pension contribution
- Q4 Fiscal 2016: $13 million pre-tax, $6 million after-tax
- Full year 2017: pre-tax income of $57 million, $21 million after-tax
- Full year 2016: pre-tax income of $7 million, $3 million after-tax

EBITDA from operating segments[1]

- Segment operating income (Core North America, Quick Lubes and International) plus depreciation and amortization
- Excludes certain corporate items, primarily pension income

[1] For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated November 8, 2017, available on Valvoline's website at http://investors.valvoline.com.

Fiscal 2017 – A Strong Start for Valvoline

- ✓ Grew the business in strategic areas
- ✓ Pursued and closed acquisition opportunities
- ✓ De-risked the pension plan
- ✓ Initiated return of capital to shareholders

Fourth Quarter & Fiscal 2017 Adjusted[1] Results

(in millions)	Q4	FY17
Adjusted[1] Operating Income	$117	$475
Adjusted[1] EBITDA	$129	$517
EBITDA from operating segments[1]	$111	$447
Adjusted[1] EPS	$0.33	$1.39

- Full year free cash flow[1] generation of $196 million

Q4 & Fiscal 2017 Overview

A good quarter in Q4

– Excellent SSS growth in VIOC

– Strong premium mix shift

– Solid international volume growth

A great year in FY17

– Progress on our core priorities
  - Grew volume in key markets across our segments
  - Added new quick lube stores
  - Invested in digital initiatives
  - Returned capital to shareholders

– Invested in SG&A and innovations, faced significant raw material inflation

– Delivered record EBITDA from operating segments, strong free cash flow

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Core North America

(YoY Change)	Q4	FY17
Total Volume	(1)%	(2)%
Branded volume	2%	1%
Sales	7%	3%
Premium mix	540 bps	440 bps
EBITDA[1]	4%	(6)%

Core North America mix and share gains continue

Q4

– Significant gains in premium mix
– Good growth in branded volume
– Launched new *Easy Pour* bottle packaging innovation for DIY

FY17

– Enhanced premium mix
– Grew branded volume, indicating share gain in DIY
– Launched packaging innovations for Installer and DIY customers
– Maintained full-year unit margins despite rising raw material costs

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New Easy Pour Bottle

Precision Pour Spout

Resealable Overcap



Anti-Glug Tube

Centralized Handle

Enhanced Communication

Learn more at **EasyPour.com**

Quick Lubes

(YoY Change)	Q4	FY17
SSS	8.6%	7.4%
Sales	18%	18%
EBITDA[1]	11%	13%
VIOC Units (net added in period)	14	59

Quick Lubes continues to drive sales and profit growth

Q4

- Exceptional SSS growth primarily driven by transactions
  - Boosted by new advertising campaign launched in Q3
- Added 14 net new VIOC stores
  - Strongest quarter of organic unit growth
- Signed 8 franchise development agreements

FY17

- 11th consecutive year of SSS growth
  - Retail model continues to improve
  - In-store execution and ongoing marketing programs
- Added 59 stores to VIOC system
  - Franchise expansion
  - Time-It Lube acquisition

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International

(YoY Change)	Q4	FY17
Volume	6%	9%
Volume with JVs	11%	11%
Sales	11%	9%
EBITDA[1]	(5)%	3%

International continues broad-based volume growth

Q4

– Emerging markets led by China and India JVs, Asia outside of China

– Europe continues to drive mature markets

– Pricing actions implemented in remaining markets to offset cost increases

FY17

– Strong volume growth across emerging markets

– Channel development in Europe, growth in heavy duty in Australia

– Cummins relationship

- Technology partnership driving growth inside China
- India JV benefiting from brand building and strong execution

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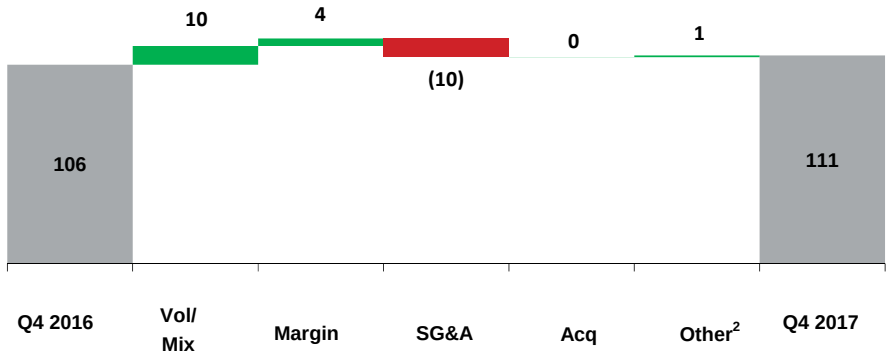
Adjusted[1] Results for Q4

($ in millions) Preliminary	Fiscal Fourth Quarter Three months ended Sept 30,		
Results from Operating Segments	2017	2016	Change
Lubricant gallons (in millions)	45.6	44.5	*2 %*
Sales	$ 547	$ 494	*11 %*
Operating income	$ 99	$ 96	*3 %*
Depreciation and amortization	12	10	*20 %*
Earnings before interest, taxes, depreciation and amortization (EBITDA) from Operating Segments[1]	$ 111	$ 106	*5 %*
EBITDA as a percent of sales	*20.3 %*	*21.5 %*	*(120) bp*
Total Adjusted[1] Results			
Adjusted[1] EBITDA in Unallocated & Other	$ 18	$ 5	*260 %*
Total Adjusted[1] EBITDA	$ 129	$ 111	*16 %*
Total Adjusted EBITDA as a percent of sales	*23.6 %*	*22.5 %*	*110 bp*

Factors affecting year-over-year EBITDA from Operating Segments[1]



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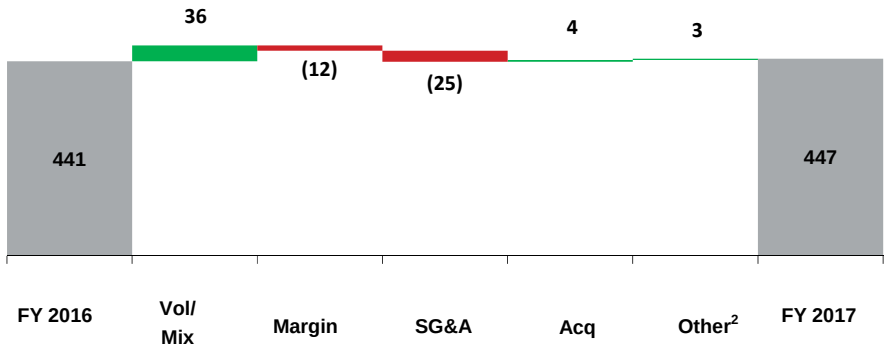
2 Other includes foreign exchange impacts as well as equity, royalty, and other income/expense.

Adjusted[1] Results for FY17

($ in millions) Preliminary	Fiscal Year Twelve months ended Sept 30,		
Results from Operating Segments	2017	2016	Change
Lubricant gallons (in millions)	179.7	174.5	*3 %*
Sales	$ 2,084	$ 1,929	*8 %*
Operating income	$ 405	$ 403	*- %*
Depreciation and amortization	42	38	*11 %*
Earnings before interest, taxes, depreciation and amortization (EBITDA) from Operating Segments[1]	$ 447	$ 441	*1 %*
EBITDA as a percent of sales	*21.4 %*	*22.9 %*	*(150) bp*
Total Adjusted[1] Results			
Adjusted[1] EBITDA in Unallocated & Other	$ 70	$ 16	*338 %*
Total Adjusted[1] EBITDA	$ 517	$ 457	*13 %*
Total Adjusted EBITDA as a percent of sales	*24.8 %*	*23.7 %*	*110 bp*

Factors affecting year-over-year EBITDA from Operating Segments[1]



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Pension De-risking Actions

- Voluntary pension contribution
- Retiree annuity purchase

NPV positive actions reduce pension risk and volatility

Borrowing to fund U.S. qualified pension plan

- Reduces risk and volatility
- Reduces costs
- Net Present Value positive
- Leverage neutral

Retiree Annuity Purchase

- Reduces risk and volatility
- Reduces administrative costs
- Transfers nearly $600 million of gross obligations to a third party.

Pension expectations for 2018

Pension & OPEB income reclassified as non-operating

- New accounting guidelines reclassify pension & OPEB income as non-operating
- Will be excluded from adjusted EBITDA[1] and adjusted EPS[1] in FY18
- FY17 adjusted EBITDA[1] included $70 million and adjusted EPS[1] included $0.21 of pension & OPEB income

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Fiscal 2017 Q4 Corporate Items

- Effective tax rate of 40.7% for the quarter impacted by geographic mix of earnings and tax treatment of Key Items; full-year effective rate of 38.0%
  - Adjusted effective tax rate[1] of 34.0% in Q4; full-year adjusted rate[1] of 34.6%
- Borrowing to fund pension impacted interest expense, operating cash flow and debt
  - Raised $400 million in new debt to make voluntary contribution to U.S. qualified pension plan
  - Incremental interest of ~$3 million in Q4 FY17 and ~$15 million for FY18
- Full year capital expenditures totaled $68 million
- Full year free cash flow[1,2] generation of $196 million
- Total debt of $1,124 million
  - Net debt of $923 million
- Net year-end pension and OPEB obligations of $357 million, down $547 million YoY

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2 Definition of free cash flow: operating cash flow less capital expenditures and certain other adjustments.

FY18 Guidance

- Growing volume, sales, and earnings
- Adding new quick lube stores
- Removing non-operating pension income from adjusted EBITDA and adjusted EPS[1]

	2018 Outlook	2017 Performance
Operating Segments		
• Lubricant Gallons	3-4%	3%
• Revenues	7-9%	8%
• VIOC Company Stores (excluding franchise conversions)	23-25	28
• VIOC Franchised Stores (excluding franchise conversions)	25-35	31
• VIOC same-store sales	4-6%	7.4%
• Adjusted EBITDA[1] (excluding pension & OPEB income)	$480-$500 million	$447 million
Corporate Items		
• Pension & OPEB Income	$40 million	$70 million
• Adjusted effective tax rate	34-35%	34.6%
• Diluted adjusted EPS[1] (excluding pension & OPEB income)	$1.20-$1.28	$1.18
• Capital expenditures	$80-90 million	$68 million
• Free cash flow[1] (inclusive of cash tax benefit for pension funding)	$260-$290 million	$196 million

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2018 Focus & Expectations – Accelerating Growth

Core North America

- Continued share and mix gains – innovation, targeted marketing and sales execution
- Unit margin expansion
- Continued progress on digital initiatives

Quick Lubes

- New unit growth
- Supplemental growth through acquisitions
- Continued SSS growth – customer acquisition/retention tools, ticket opportunities

International

- Continued volume growth – channel development, improved products & services
- Unit margin improvement
- Further leverage Cummins partnership, capturing new OEM opportunities

Appendix

Key Items[1] Affecting Income

($ in millions, except per share data) Preliminary	Fourth Quarter Impact			
		Total		
2017	Operating Income	Pre-tax	After-tax	Earnings per Share
Pension & OPEB remeasurements	$ 60	60	37	0.18
Tax Matters Agreement activity	$ 14	14	-	-
Separation Costs	$ (5)	(5)	-	-
Insurance reserve reversals	$ 5	5	3	0.02
Lost tax credit due to pension funding	$ -	-	(3)	(0.01)
Total	$ 74	$ 74	$ 37	$ 0.19
2016				
Pension & OPEB remeasurements	$ 23	$ 23	$ 12	$ 0.07
Separation Costs	$ (6)	$ (6)	$ (4)	$ (0.03)
Accelerated amortization due to debt repayment	$ -	(4)	(2)	(0.01)

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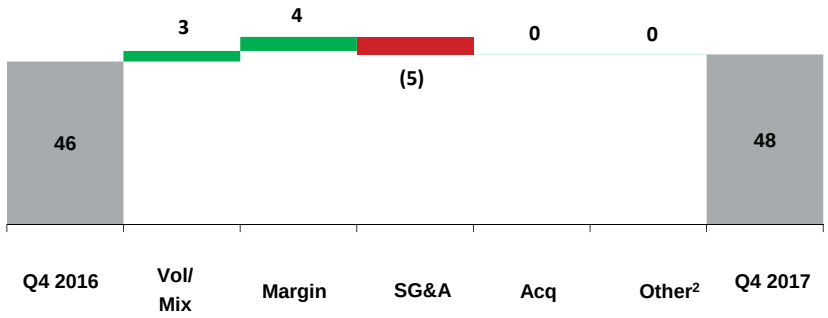
Core North America

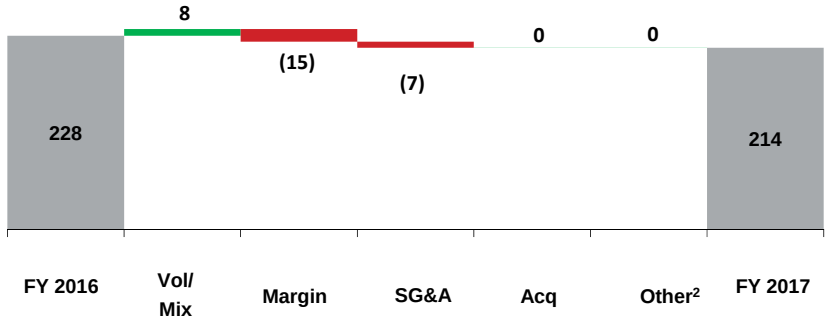
($ in millions) Preliminary	Fiscal Fourth Quarter Three months ended Sept. 30,		
	2017	2016	Change
Lubricant gallons (in millions)	24.9	25.1	*(1) %*
Sales	$ 256	$ 239	*7 %*
Operating income	$ 43	$ 42	*2 %*
Depreciation and amortization	5	4	*25 %*
EBITDA[1]	$ 48	$ 46	*4 %*
EBITDA as a percent of sales	*18.8 %*	*19.2 %*	*(40) bp*

Fiscal Year Twelve months ended Sept. 30,		
2017	2016	Change
99.4	101.2	*(2) %*
$ 1,004	$ 979	*3 %*
$ 199	$ 212	*(6) %*
15	16	*(6) %*
$ 214	$ 228	*(6) %*
21.3 %	*23.3 %*	*(200) bp*

Factors affecting year-over-year EBITDA[1]



Factors affecting year-over-year EBITDA[1]



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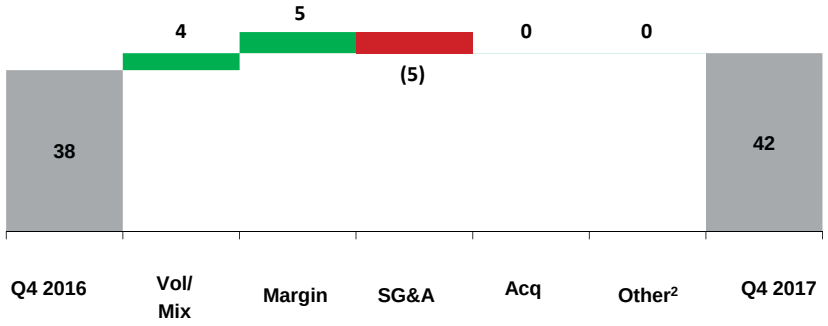
2 Other includes foreign exchange impacts as well as equity, royalty, and other income/expense.

Quick Lubes

($ in millions) Preliminary	Fiscal Fourth Quarter Three months ended Sept. 30,		
	2017	2016	Change
Lubricant gallons (in millions)	6.1	5.6	*9 %*
Sales	$ 147	$ 125	*18 %*
Operating income	$ 36	$ 33	*9 %*
Depreciation and amortization	*6*	*5*	*20 %*
EBITDA[1]	$ 42	$ 38	*11 %*
EBITDA as a percent of sales	*28.6 %*	*30.4 %*	*(180) bp*

Fiscal Year Twelve months ended Sept. 30,		
2017	2016	Change
22.5	20.2	*11 %*
$ 541	$ 457	*18 %*
$ 130	$ 117	*11 %*
22	17	*29 %*
$ 152	$ 134	*13 %*
28.1 %	*29.3 %*	*(120) bp*

Factors affecting year-over-year EBITDA[1]



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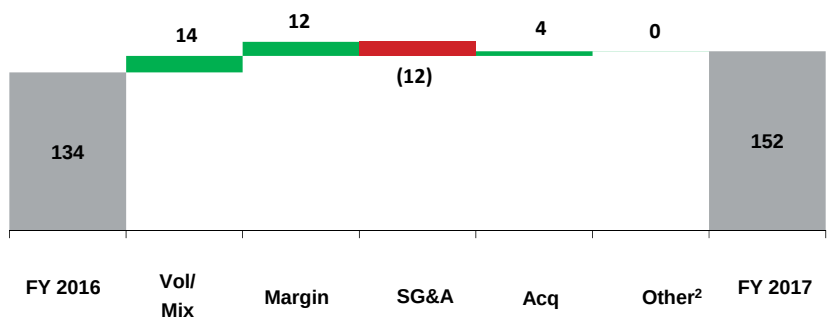

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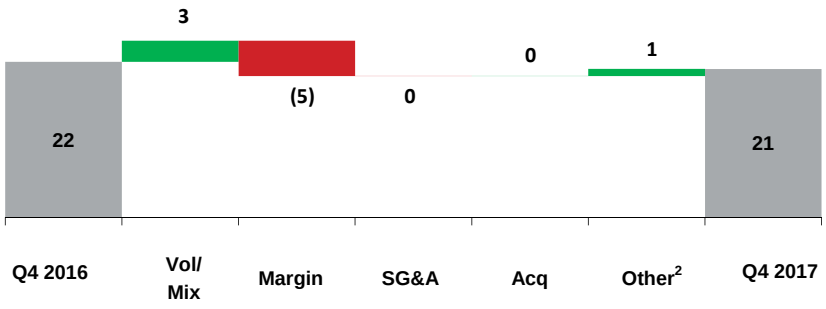
International

($ in millions) Preliminary	Fiscal Fourth Quarter Three months ended Sept. 30,		
	2017	2016	Change
Lubricant gallons (in millions)	14.6	13.8	*6 %*
Sales	$ 144	$ 130	*11 %*
Operating income	$ 20	$ 21	*(5) %*
Depreciation and amortization	1	1	*- %*
EBITDA[1]	$ 21	$ 22	*(5) %*
EBITDA as a percent of sales	*14.6 %*	*16.9 %*	*(230) bps*

Fiscal Year Twelve months ended Sept. 30,			
2017	2016	Change	
57.8	53.1	*9 %*	
$ 539	$ 493	*9 %*	
$ 76	$ 74	*3 %*	
5	5	*- %*	
$ 81	$ 79	*3 %*	
15.0 %	*16.0 %*	*(100) bp*	

Factors affecting year-over-year EBITDA[1]



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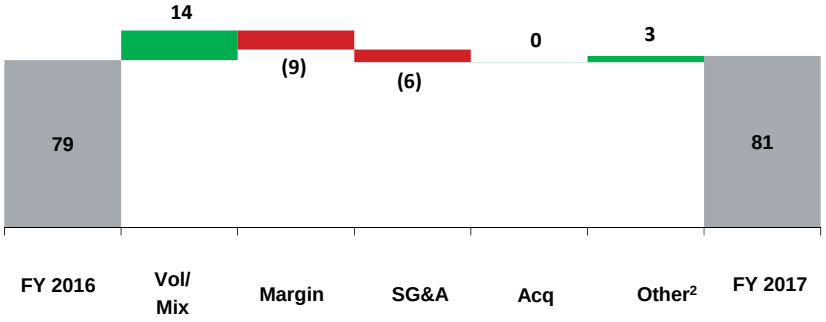

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