



Valvoline

First Quarter Fiscal 2024 Earnings

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SAFE HARBOR



Forward-Looking Statements

Certain statements herein, other than statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, executing on its growth strategy to create shareholder value by driving the full potential in the Company's core business, accelerating network growth and innovating to meet the needs of customers and the evolving car parc; realizing the benefits from the sale of Global Products; and future opportunities for the remaining stand-alone retail business; and any other statements regarding Valvoline's future operations, financial or operating results, capital allocation, debt leverage ratio, anticipated business levels, dividend policy, anticipated growth, market opportunities, strategies, competition, and other expectations and targets for future periods. 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. These forward-looking statements are based on Valvoline's current expectations, estimates, projections, and assumptions as of the date such statements are made and are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. Additional information regarding these risks and uncertainties are described in the Company's filings with the Securities and Exchange Commission (the "SEC"), including in the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures about Market Risk" sections of Valvoline's most recently filed periodic reports on Forms 10-K and 10-Q, which are available on Valvoline's website at <http://investors.valvoline.com/sec-filings> or on the SEC's website at <http://www.sec.gov>. Valvoline assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future, unless required by law.

Regulation G: Adjusted Results

Information regarding Valvoline's definitions, calculations and reconciliation of non-GAAP measures can be found in the Appendix.

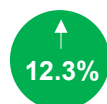
1Q24 KEY HIGHLIGHTS¹



Delivered Strong Financial Results



Deploying Capital to Drive Shareholder Value



\$722.9M
System-wide Store Sales²



7.1%
System-wide Same Store Sales² Growth



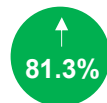
\$373.4M
Net Sales



\$90.2M
Adjusted EBITDA¹



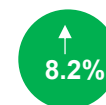
24.2%
Adjusted EBITDA Margin¹



\$0.29
Adjusted EPS¹



1,890
System Locations



QoQ +19 *Franchise Stores*
QoQ +19 *Company Stores*



\$35.3M Growth Capex
83.4% of \$42.3M Total Capex



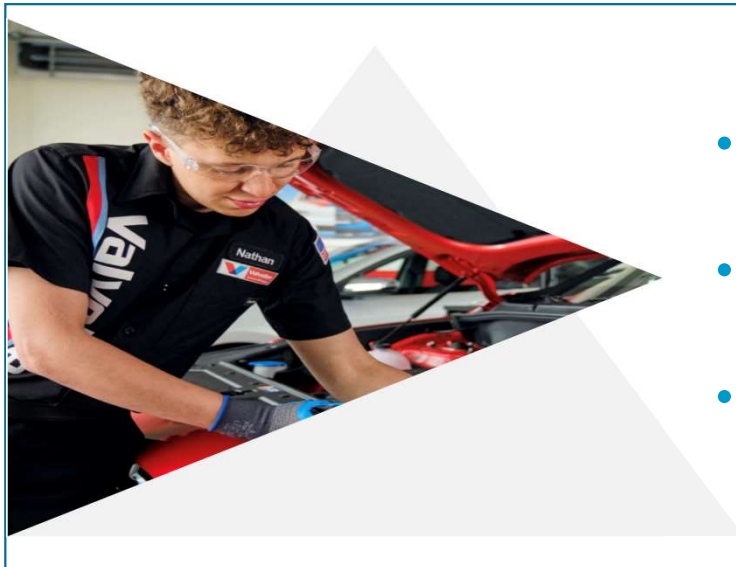
\$171.1M
Returned to Shareholders through Share Repurchases



5.4M
Shares Repurchased

1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.
2. Refer to the Appendix for further information regarding management's use of key business measures.

Long Runway For **Delivering Shareholder Value**



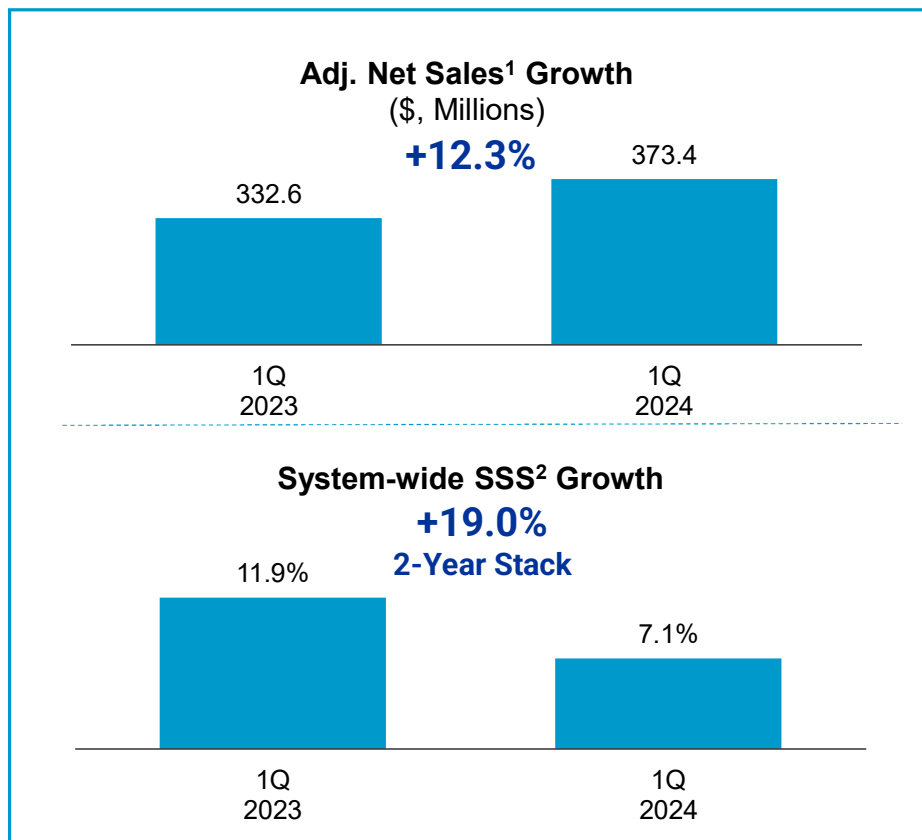
Strategic Imperatives

- Drive Full Potential in Existing Business
- Accelerate Network Growth
- Target Customer and Service Expansion

OUR PROVEN FORMULA FOR GROWTH

Same Store Sales **+** New Stores **+** Service Expansion **=** Long-term Shareholder Value

1Q 2024 Topline Performance



Highlights

↑ 144 stores YoY

Strong SSS continues

SSS deceleration from PY driven by lapping inflationary price increases

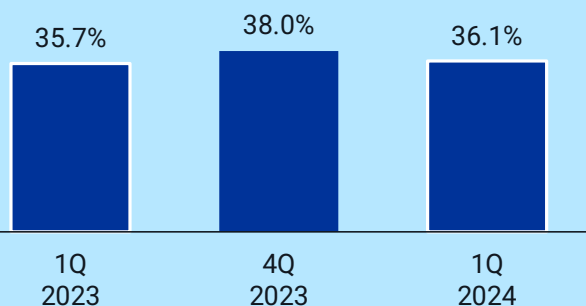
1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix
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1Q 2024 Financial Drivers¹



Gross Margin as a % of Net Sales

+40 bps Expansion YoY

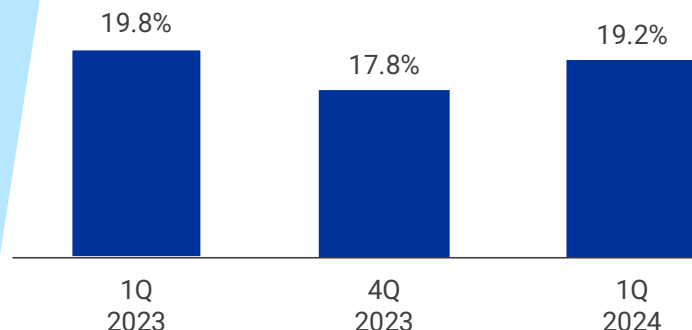


Key Drivers:

- YoY labor improvement
- YoY 100 bps of deleverage due to depreciation

SG&A Expense as a % of Net Sales

-60 bps Decrease YoY

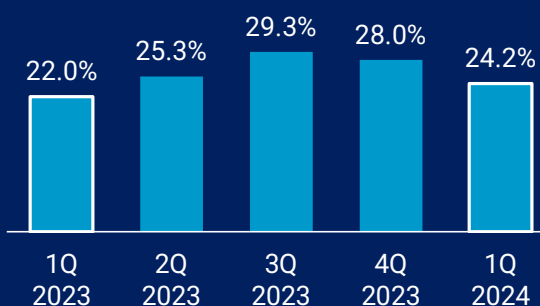


Key Drivers:

- YoY leverage through topline growth
- 1Q includes investment into annual meetings for Company and Franchise

Adjusted EBITDA as a % of Net Sales

+220 bps Expansion YoY



Key Drivers:

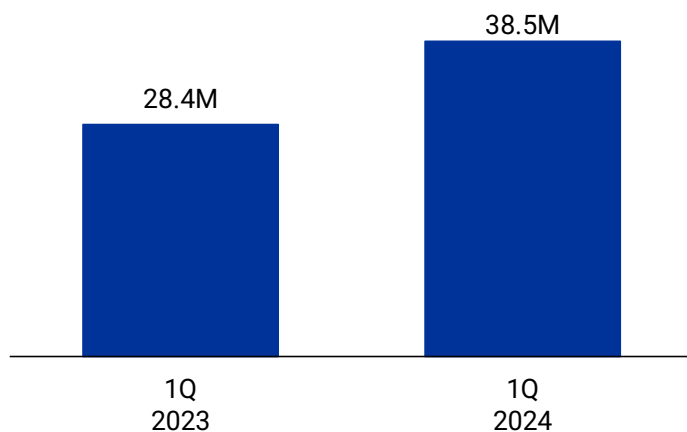
- Leverage in gross margin and SG&A
- \$6M increase in depreciation primarily due to growth-related capital

1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

1Q 2024 Profitability¹

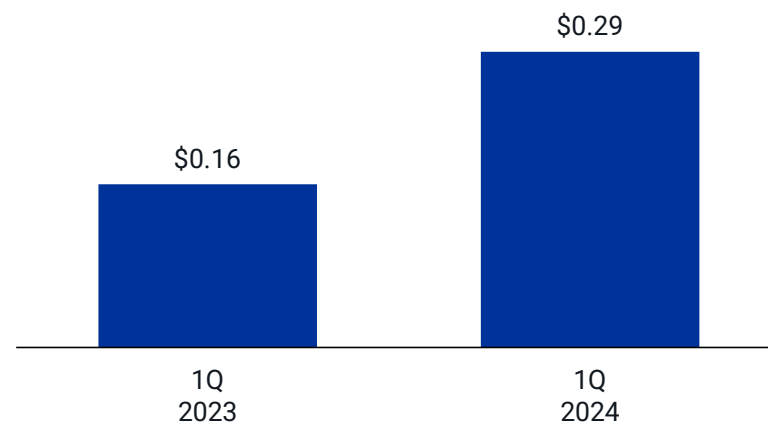


Adjusted Net Income +35.6% Increase



- Operating income +19.7% versus prior year
- \$5.1M lower net interest expense driven by investment of the remaining sale proceeds

Adjusted EPS +81.3% Increase



- Returned \$1.6B to shareholders since 1Q 2023 through share repurchases²
- Average share count down 43.6M shares

1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.
2. From a combination of the two most recent share repurchase authorizations.

1Q24 REPORTING HIGHLIGHTS



Balance Sheet Highlights

(Millions)	1QFY24
Cash & Cash Equivalents	\$420.7
Short Term Investments	\$119.7
Total Debt	\$1,580.6

- Continue to target net leverage ratio¹ of 2.5x – 3.5x
- Expect to make an offer to repurchase all of the 2030 Senior Notes during 2QFY24, subject to market conditions

Cash Flow Highlights

(Millions)	1QFY24
Cash Flows from Operating Activities	\$21.9
Free Cash Flow ²	\$(20.4)

- Cash flows from operating activities decreased \$26.6M largely driven by timing of payments
- Interest Income of \$8M earned during the quarter on invested net proceeds from the sale of Global Products

1. Based on rating agency adjusted amounts.

2. For reconciliation of adjusted amounts for the continuing operations to amounts reported under GAAP, please refer to the Appendix

SUMMARY



Delivered profitability consistent with our expectations



Added 38 new stores including 19 franchise stores



Continued focus on expanding services and customer base

APPENDIX



RETAIL SERVICES – Q1 SYSTEM RESULTS



	Three months ended December 31				
	2023	2022			
Sales information					
System-wide store sales - in millions (a)	\$ 722.9	\$ 644.0			
Year-over-year growth (a)	12.3 %	16.9 %			
Same-store sales growth (b)					
Company-operated	6.1 %	12.7 %			
Franchised (a)	8.0 %	11.2 %			
System-wide (a)	7.1 %	11.9 %			
	Number of stores at end of period				
	First Quarter 2024	Fourth Quarter 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023
Company-operated	895	876	854	832	813
Franchised (a)	995	976	950	949	933
	December 31				
	2023	2022			
System-wide store count (a)	1,890	1,746			
Year-over-year growth (a)	8.2 %	6.8 %			

(a) Measures include Valvoline franchisees, which are independent legal entities. Valvoline does not consolidate the results of operations of its franchisees.

(b) Valvoline determines SSS growth as sales by U.S. VIOC stores (company-operated, franchised, and the combination of these for system-wide SSS), with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation.

RETAIL SERVICES – STORE INFORMATION



	Company-operated				
	First Quarter 2024	Fourth Quarter 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023
Beginning of period	876	854	832	813	790
Opened	14	14	12	13	17
Acquired	5	8	8	6	5
Net conversions between company-operated and franchised	—	—	2	—	2
Closed	—	—	—	—	(1)
End of period	895	876	854	832	813

	Franchised ^(a)				
	First Quarter 2024	Fourth Quarter 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023
Beginning of period	976	950	949	933	925
Opened	19	26	3	16	11
Acquired (b)	—	—	—	—	—
Net conversions between company-operated and franchised	—	—	(2)	—	(2)
Closed	—	—	—	—	(1)
End of period	995	976	950	949	933

Total system-wide stores (a)	1,890	1,852	1,804	1,781	1,746
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(a) Measures include Valvoline franchisees, which are independent legal entities. Valvoline does not consolidate the results of operations of its franchisees.

(b) Represents the acquisition of franchise stores that are new to the Valvoline system by Valvoline Inc.

RECONCILIATION OF NON-GAAP DATA – INCOME FROM CONTINUING OPERATIONS & DILUTED EARNINGS PER SHARE



	Three months ended December 31	
	2023	2022
Reported income from continuing operations	\$ 33.9	\$ 27.0
<i>Adjustments:</i>		
Net pension and other postretirement plan expense	3.4	3.7
Net legacy and separation-related expenses	0.1	25.4
Information technology transition costs	2.7	0.3
Suspended operations	—	(0.2)
Total adjustments, pre-tax	6.2	29.2
Income tax benefit of adjustments	(1.6)	(27.8)
Total adjustments, after tax	4.6	1.4
Adjusted income from continuing operations (a)(b)	<u>\$ 38.5</u>	<u>\$ 28.4</u>
Reported diluted earnings per share from continuing operations	\$ 0.26	\$ 0.15
Adjusted diluted earnings per share from continuing operations (b)(c)	\$ 0.29	\$ 0.16
Weighted average diluted common shares outstanding	132.7	176.3

(a) Adjusted income from continuing operations is defined as income from continuing operations adjusted for the effects of key items.

(b) Represents a non-GAAP measure. Refer to “Use of Non-GAAP Measures” and the Appendix for additional details.

(c) Adjusted diluted earnings per share from continuing operations is defined as diluted earnings per share calculated using adjusted income from continuing operations.

RECONCILIATION OF NON-GAAP DATA – Q1 ADJUSTED EBITDA



	Three months ended December 31	
	2023	2022
Reported net revenues	\$ 373.4	\$ 332.8
<i>Key items:</i>		
Suspended operations	—	(0.2)
Adjusted net revenues ^{(a) (b)}	\$ 373.4	\$ 332.6
Income from continuing operations	\$ 33.9	\$ 27.0
<i>Add:</i>		
Income tax expense (benefit)	11.9	(20.1)
Net interest and other financing expenses	13.6	18.7
Depreciation and amortization	24.6	18.5
EBITDA from continuing operations ^{(b) (c)}	84.0	44.1
<i>Key items:</i>		
Net pension and other postretirement plan expense	3.4	3.7
Net legacy and separation-related expenses	0.1	25.4
Information technology transition costs	2.7	0.3
Suspended operations	—	(0.2)
Key items - subtotal	6.2	29.2
Adjusted EBITDA from continuing operations ^{(b) (c)}	\$ 90.2	\$ 73.3
Net profit margin ^(d)	9.1 %	8.1 %
Adjusted EBITDA margin ^{(b) (e)}	24.2 %	22.0 %

(a) Adjusted net revenues are reported net revenues adjusted for key items.

(b) Represents a non-GAAP measure. Refer to "Use of Non-GAAP Measures" and the Appendix for additional details.

(c) EBITDA from continuing operations is defined as Income from continuing operations, plus Income tax expense (benefit), Net interest and other financing expenses, and Depreciation and amortization attributable to continuing operations. Adjusted EBITDA from continuing operations is EBITDA adjusted for key items attributable to continuing operations.

(d) Net profit margin is defined as reported income from continuing operations divided by reported net revenues.

(e) Adjusted EBITDA margin is defined as Adjusted EBITDA from continuing operations divided by adjusted net revenues.

RECONCILIATION OF NON-GAAP DATA – ADJUSTED NET REVENUES & OPERATING INCOME



In millions - preliminary and unaudited	Three months ended December 31			
	Net revenues		Operating income	
	2023	2022	2023	2022
As reported	\$ 373.4	\$ 332.8	\$ 62.8	\$ 29.3
<i>Key items:</i>				
Net legacy and separation-related expenses	—	—	0.1	25.4
Information technology transition costs	—	—	2.7	0.3
Suspended operations	—	(0.2)	—	(0.2)
As adjusted ^(a)	\$ 373.4	\$ 332.6	\$ 65.6	\$ 54.8
	<i>Operating margin - as reported ^(b)</i>		16.8 %	8.8 %
	<i>Adjusted operating margin ^(b)</i>		17.6 %	16.5 %

(a) Adjusted net revenues, operating income and adjusted operating margin represent non-GAAP measures. Refer to “Use of Non-GAAP Measures” and the Appendix for additional details.

(b) Operating margin is defined as operating income divided by net revenues. Adjusted operating margin is defined as operating income adjusted for key items divided by net revenues adjusted for key items.

RECONCILIATION OF NON-GAAP DATA – FREE CASH FLOWS

Free cash flow ^(a)	Three months ended December 31	
	2023	2022
Total cash flows provided by operating activities from continuing operations	\$ 21.9	\$ 48.5
<i>Adjustments:</i>		
Additions to property, plant and equipment from continuing operations	(42.3)	(39.9)
Free cash flow from continuing operations ^(b)	<u>\$ (20.4)</u>	<u>\$ 8.6</u>

Discretionary free cash flow ^(c)	Three months ended December 31	
	2023	2022
Total cash flows provided by operating activities from continuing operations	\$ 21.9	\$ 48.5
<i>Adjustments:</i>		
Maintenance additions to property, plant and equipment from continuing operations	(7.0)	(4.3)
Discretionary free cash flow from continuing operations ^(b)	<u>\$ 14.9</u>	<u>\$ 44.2</u>

(a) Free cash flow from continuing operations is defined as operating cash flows from continuing operations less capital expenditures of the continuing operations and certain other adjustments attributable to continuing operations, as applicable.

(b) Represents a non-GAAP measure. Refer to "Use of Non-GAAP Measures" and the Appendix for additional details.

(c) Discretionary free cash flow from continuing operations is defined as operating cash flows from continuing operations less maintenance capital expenditures of the continuing operations and certain other adjustments attributable to continuing operations, as applicable.

GAAP RESULTS – TOTAL COMPANY



	Three months ended December 31	
	2023	2022
Net revenues	\$ 373.4	\$ 332.8
Cost of sales	238.6	214.0
Gross profit	134.8	118.8
Selling, general and administrative expenses	74.5	66.0
Net legacy and separation-related expenses	0.1	25.4
Other income, net	(2.6)	(1.9)
Operating income	62.8	29.3
Net pension and other postretirement plan expenses	3.4	3.7
Net interest and other financing expenses	13.6	18.7
Income before income taxes	45.8	6.9
Income tax expense (benefit)	11.9	(20.1)
Income from continuing operations	33.9	27.0
(Loss) income from discontinued operations, net of tax	(2.0)	54.9
Net income	31.9	\$ 81.9
Net earnings per share		
Basic earnings per share		
Continuing operations	\$ 0.26	\$ 0.16
Discontinued operations	(0.02)	0.31
	\$ 0.24	\$ 0.47
Diluted earnings per share		
Continuing operations	\$ 0.26	\$ 0.15
Discontinued operations	(0.02)	0.31
	\$ 0.24	\$ 0.46
Weighted average common shares outstanding		
Basic	131.8	175.2
Diluted	132.7	176.3

USE OF NON-GAAP MEASURES



This presentation includes the following non-GAAP measures: Adjusted operating income and adjusted operating margin; Adjusted net revenues; EBITDA, adjusted EBITDA, and adjusted EBITDA margin; adjusted net income and adjusted diluted earnings per share; and free cash flow and discretionary free cash flow. Refer to this Appendix for management's definition of each non-GAAP measure and reconciliation to the most comparable U.S. GAAP measure.

Non-GAAP measures include adjustments from results based on U.S. GAAP that management believes enables comparison of certain financial trends and results between periods and provides a useful supplemental presentation of Valvoline's operating performance that allows for transparency with respect to key metrics used by management in operating the business and measuring performance. These non-GAAP measures have limitations as analytical tools and should not be considered in isolation from, an alternative to, or more meaningful than, the financial results presented in accordance with U.S. GAAP. The financial results presented in accordance with U.S. GAAP and the reconciliations of non-GAAP measures should be carefully evaluated. The manner used to compute the non-GAAP information used by management may differ from the methods used by other companies and may not be comparable.

Management believes EBITDA measures provide a meaningful supplemental presentation of Valvoline's operating performance between periods on a comparable basis due to the depreciable assets associated with the nature of the Company's operations, as well as income tax and interest costs related to Valvoline's tax and capital structures, respectively. Management uses free cash flow and discretionary free cash flow as additional non-GAAP metrics of cash flow generation. By including capital expenditures and certain other adjustments, as applicable, management is able to provide an indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Free cash flow includes the impact of capital expenditures, providing a supplemental view of cash generation. Discretionary free cash flow includes maintenance capital expenditures, which are routine uses of cash that are necessary to maintain the Company's operations and provides a supplemental view of cash flow generation to maintain operations before discretionary investments in growth. Free cash flow and discretionary free cash flow have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash flows, such as mandatory debt repayments.

Adjusted net revenue and profitability measures (i.e., adjusted net income, diluted earnings per share and EBITDA) enable the comparison of financial trends and results between periods where certain items may not be reflective of the Company's underlying and ongoing operational performance or vary independent of business performance. The non-GAAP measures used by management exclude the impact of certain unusual, infrequent or non-operational activity not directly attributable to the underlying business, which management believes impacts the comparability of operational results between periods ("key items"). Key items are often related to legacy matters or market-driven events considered by management to not be reflective of the ongoing operating performance. Key items may consist of adjustments related to: legacy businesses, including the separation from Valvoline's former parent company, the former Global Products reportable segment, and associated impacts of related activity and indemnities; non-service pension and other postretirement plan activity; restructuring-related matters, including organizational restructuring plans, the separation of Valvoline's businesses, significant acquisitions or divestitures, debt extinguishment and modification, and tax reform legislation; in addition to other matters that management considers non-operational, infrequent or unusual in nature.

USE OF NON-GAAP MEASURES, CONTINUED



Refer to the below for descriptions of the key items that comprise the adjustments which depart from the computations in accordance with U.S. GAAP:

Net pension and other postretirement plan expense: Includes several elements impacted by changes in plan assets and obligations that are primarily driven by the debt and equity markets, including remeasurement gains and losses, when applicable; and recurring non-service pension and other postretirement net periodic activity, which consists of interest cost, expected return on plan assets and amortization of prior service credits. Management considers these elements are more reflective of changes in current conditions in global markets (in particular, interest rates), outside the operational performance of the business, and are also legacy amounts that are not directly related to the underlying business and do not have an impact on the compensation and benefits provided to eligible employees for current service.

Net legacy and separation-related expenses: Activity associated with legacy businesses, including the separation from Valvoline's former parent company and its former Global Products reportable segment. This activity includes the recognition of and adjustments to indemnity obligations to its former parent company; certain legal, financial, professional advisory and consulting fees; and other expenses incurred by the continuing operations in connection with and directly related to these separation transactions and legacy matters. This incremental activity directly attributable to legacy matters and separation transactions is not considered reflective of the underlying operating performance of the Company's continuing operations.

During the three months ended December 31, 2022, the Company recognized \$24.4 million of pre-tax expense to reflect its increased estimated indemnity obligation which also resulted in an income tax benefit of \$26.5 million to reflect the release of valuations allowances in connection with the amendment of the Tax Matters Agreement with Valvoline's former parent company.

Information technology transition costs: Consists of expenses incurred related to the Company's transition to a stand-alone enterprise resource planning software system during fiscal years 2023 and 2024, including redundant expenses incurred from duplicative technology platforms during implementation. These expenses are reflective of incremental costs directly associated with technology transitions and are not considered to be reflective of the ongoing expenses of operating the Company's technology platforms.

Suspended operations: Represents the results of a former Global Products business where operations were suspended during fiscal 2022. This business was not included in the sale of the Global Products business in March 2023 and was sold during the three months ended December 31, 2023. These results are not indicative of the operating performance of the Company's ongoing continuing operations.

KEY BUSINESS MEASURES



Valvoline tracks its operating performance and manages its business using certain key measures, including system-wide, company-operated and franchised store counts and SSS; and system-wide store sales. Management believes these measures are useful to evaluating and understanding Valvoline's operating performance and should be considered as supplements to, not substitutes for, Valvoline's net revenues and operating income, as determined in accordance with U.S. GAAP.

Net revenues are influenced by the number of service center stores and the business performance of those stores. Stores are considered open upon acquisition or opening for business. Temporary store closings remain in the respective store counts with only permanent store closures reflected in the activity and end of period store counts. SSS is defined as net revenues by U.S. Valvoline Instant Oil Change (“VIOC”) stores (company-operated, franchised and the combination of these for system-wide SSS), with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation as this period is generally required for new store sales levels to begin to normalize.

Net revenues are limited to sales at company-operated stores, in addition to royalties and other fees from independent franchised and Express Care stores. Although Valvoline does not recognize store-level sales from franchised stores as net revenues in its Statements of Condensed Consolidated Income, management believes system-wide and franchised SSS comparisons, store counts, and total system-wide store sales are useful to assess market position relative to competitors and overall store and operating performance.