Valvoline

Fourth Quarter Fiscal 2024 Earnings

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11.19.2024

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 the 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.

KEY MESSAGES

1 **Delivered compelling growth** and results in line with our expectations in FY2024

2 Our performance is driven by a **market-leading position and our competitive advantages**, including a quality and well-recognized brand, well-capitalized franchisee network, operating excellence, proprietary technology and marketing expertise

3 Our robust and differentiated business model positions us to deliver **strong & durable profit growth** fueled by compounding of SSS[1] growth and new store additions

4 Our value creation is supported by **strong capital discipline** – growth that is focused on returns, commitment to a healthy balance sheet & consistent share repurchases

1. Refer to the Appendix for further information regarding management's use of key business measures. Management plans to revise its approach to determining SSS beginning in fiscal 2025 to define same stores as those that have been in operation within the system for at least 12 full months.

FISCAL YEAR 2024 KEY HIGHLIGHTS

Best-in-Class Retail Service Provider Focused on Growth

$3.1B
System-wide Store Sales[1] Increased 12% YoY

18 Years
Of System-wide Same Store Sales (SSS) Growth[1]

2,010
System-wide Stores[1] with 9% Annual Growth

28M+
System-wide Transactions[1]

Ranked #18
Forbes Best Customer Service[2]

53%
Franchised Stores

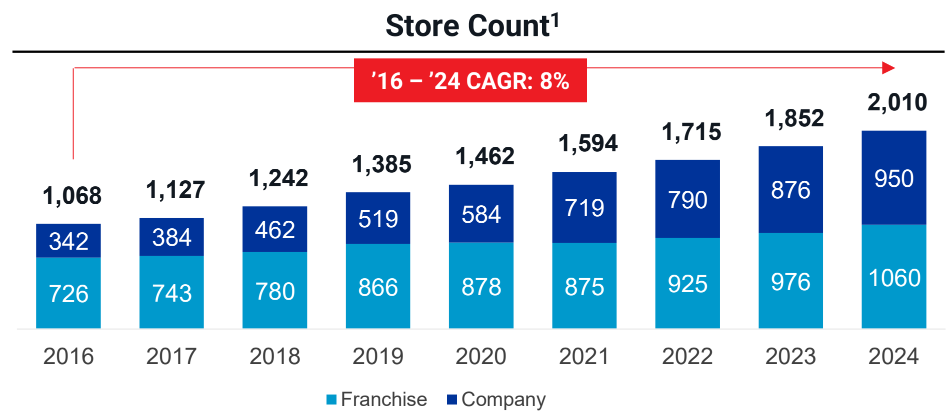
$1.6B
Net Revenues Increased 12% YoY

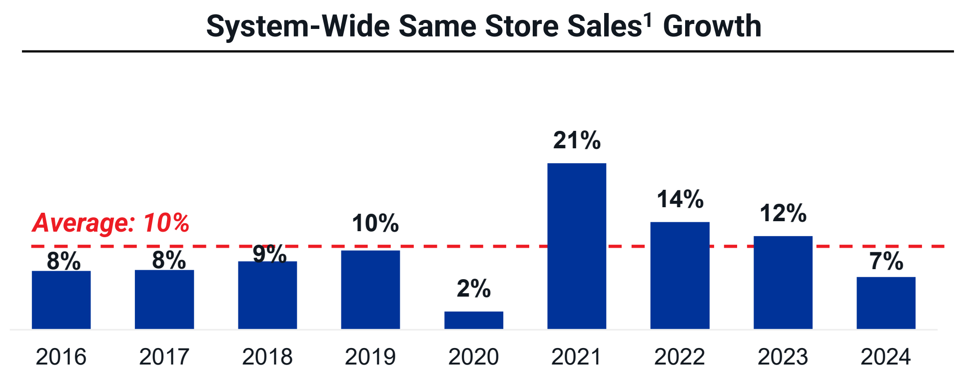
$443M
Adjusted[3] EBITDA Increased 17% YoY

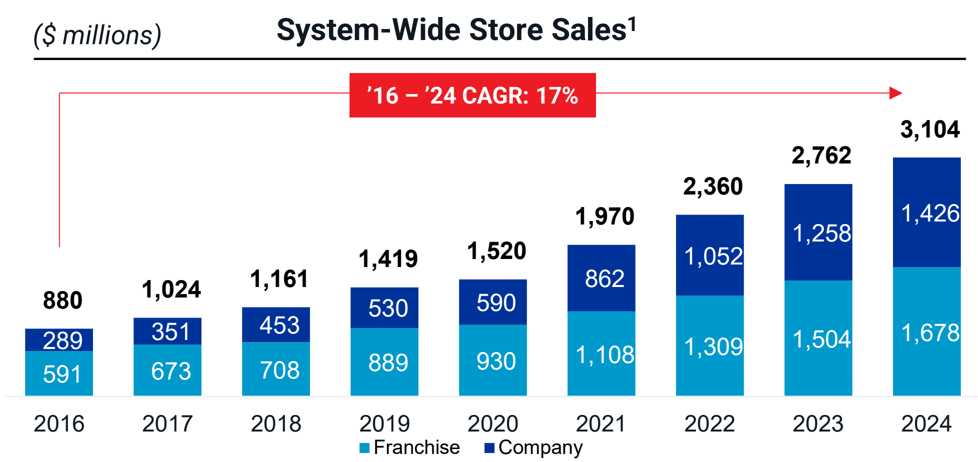
27.3%
Adjusted[3] EBITDA Margin 100 bps YoY Improvement

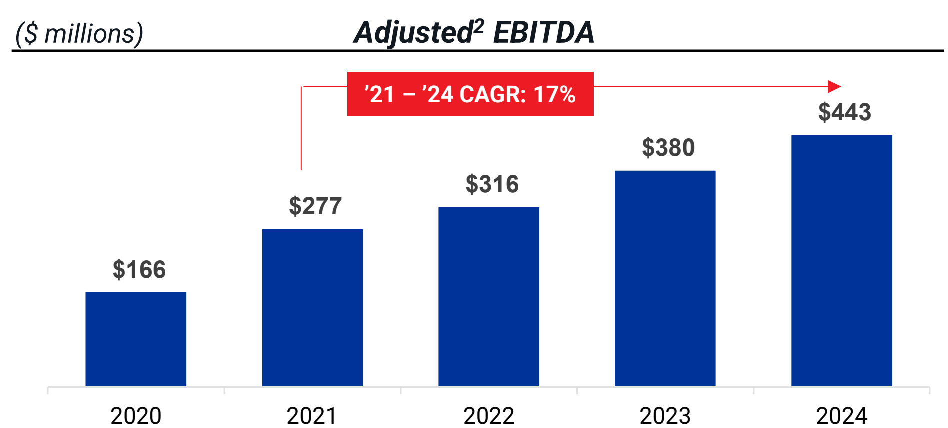
1. Refer to the Appendix for further information regarding management's use of key business measures.
2. Based upon Forbes' Best Customer Service 2025 list.
3. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

CONSISTENT TRACK RECORD OF FINANCIAL PERFORMANCE





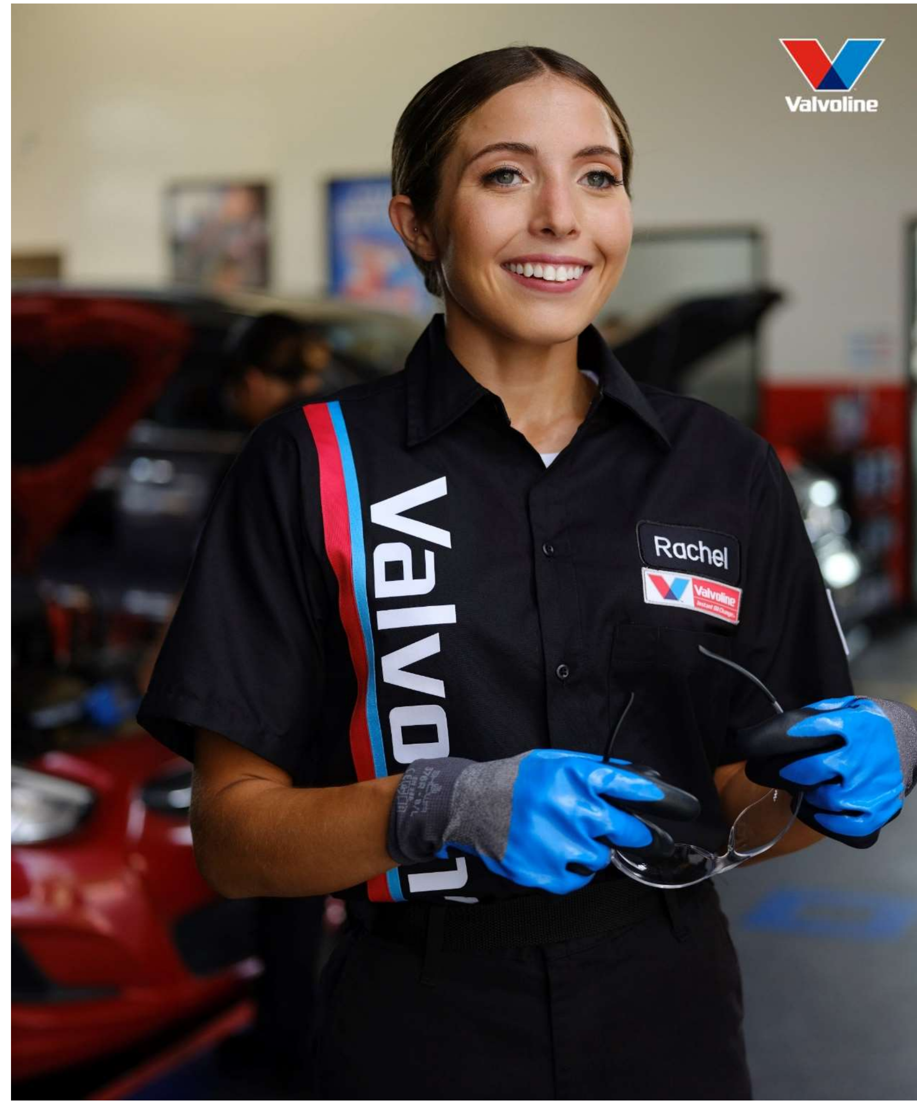




1. Refer to the Appendix for further information regarding management's use of key business measures.
2. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

EXECUTED AT A HIGH LEVEL IN FY 2024

	FY 2024 Guidance[1]	FY 2024 Adjusted[2] Results
Net Revenues	$1.6B - $1.65B	$1.62B
Store Additions[3,4] Company Franchise	140 - 170 85-100 55-70	158 97 61
SSS[4]	6% - 8%	6.7%
Adj.[2] EBITDA	$430M – $455M	$442.6M
Adj.[2] EPS	$1.45 - $1.65	$1.57
Capital Expenditures	$185M - $215M	$224.4M



1. Based on updated guidance provided May 2024.
2. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.
3. Company and Franchise additions do not include company/franchise conversions that occurred during FY24.
4. Refer to the Appendix for further information regarding management's use of key business measures.

PROVEN FORMULA FOR VALUE CREATION

Long Runway For **Delivering Shareholder Value**

Strategic Priorities

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

OUR PROVEN FORMULA FOR GROWTH

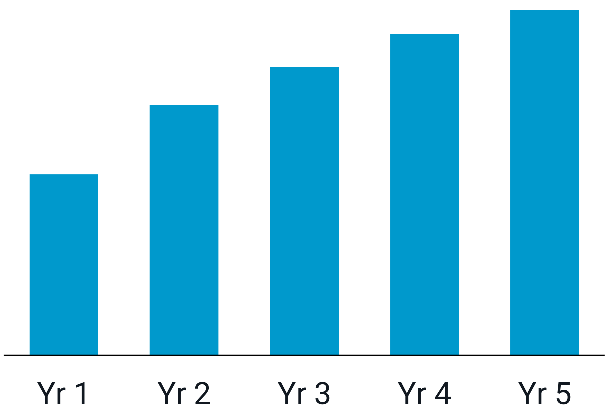
Same Store Sales + New Stores + Service Expansion = Long-term Shareholder Value

DRIVING FULL POTENTIAL IN EXISTING BUSINESS

Source of New VIOC Customers[1]

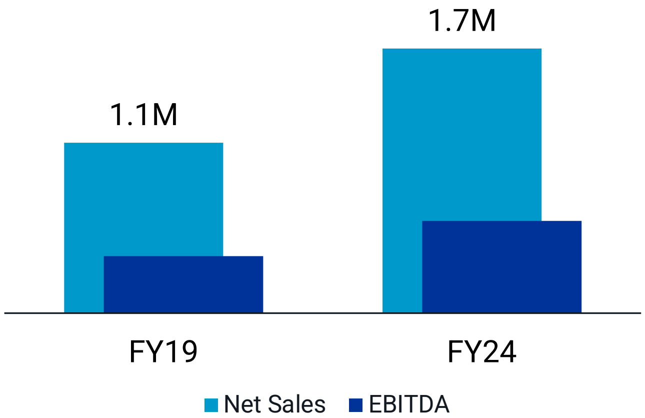
- Attracting new customers from a broad addressable market
- Brand, marketing and scale continue to be a differentiator

Company Store New Build Revenue Ramp



- Ramp to maturity continues to improve for ground-up build

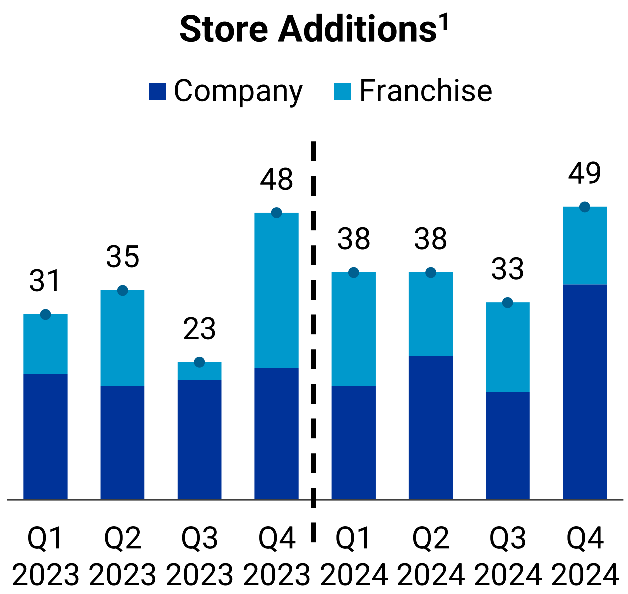
Mature Company Store[2] Revenue & EBITDA - Per Store



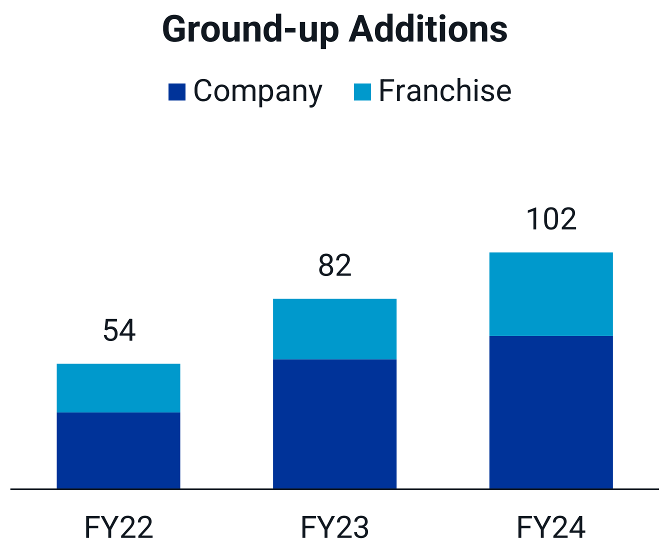
- Mature store margins continuing to improve
- ~$70M additional EBITDA as current non-mature stores become mature[3]

1. Service Management Group system-wide post-visit survey data provided by customers July 1, 2021 – June 30, 2024.
2. Mature stores defined as stores opened as of October 1, 2018.
3. Additional EBITDA includes the impact of announced refranchising activities

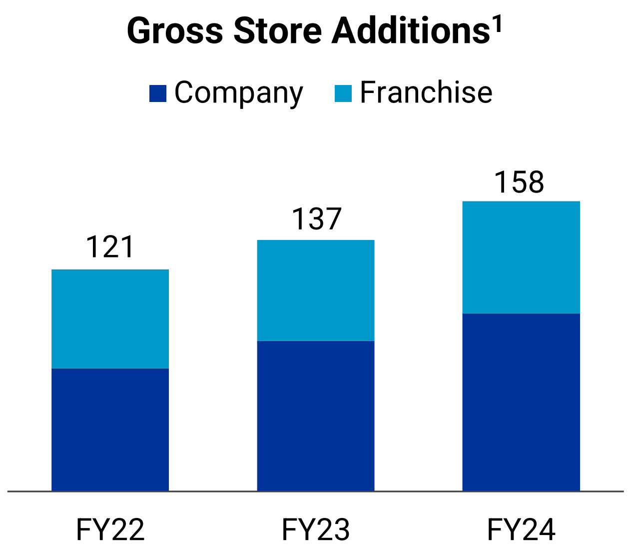
ACCELERATING NETWORK GROWTH



- Improving capabilities to drive consistency and predictability



- Another record year for new build deliveries



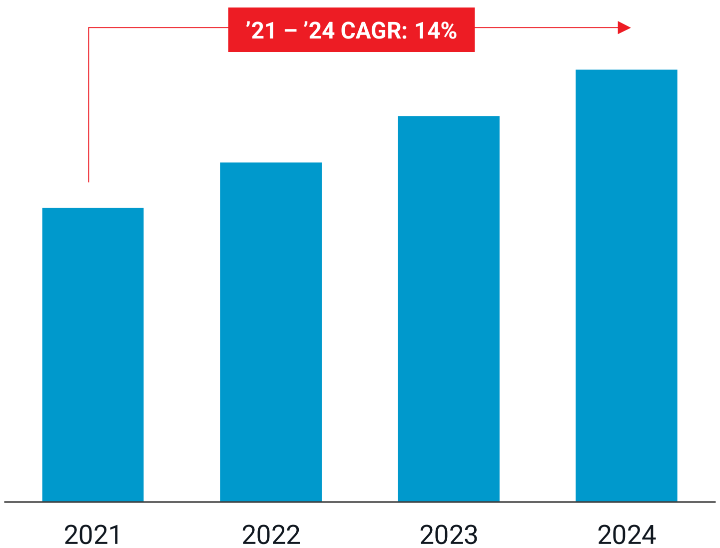
- Continuing to ramp toward target of 250 stores per year by 2027

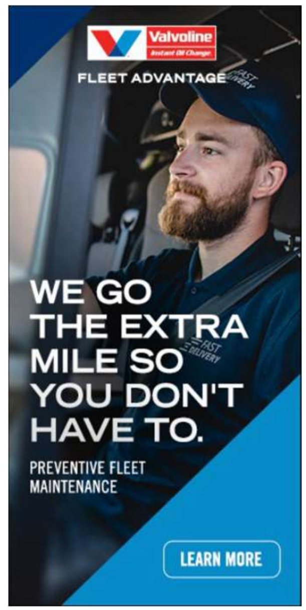
1. Store additions are presented without the impact of company/franchise conversions during each period. Refer to the Appendix for further information regarding management's use of key business measures.

TARGET CUSTOMER AND SERVICE EXPANSION – FLEET & NOCR HIGHLIGHT

Fleet business remains a source of strength and opportunity

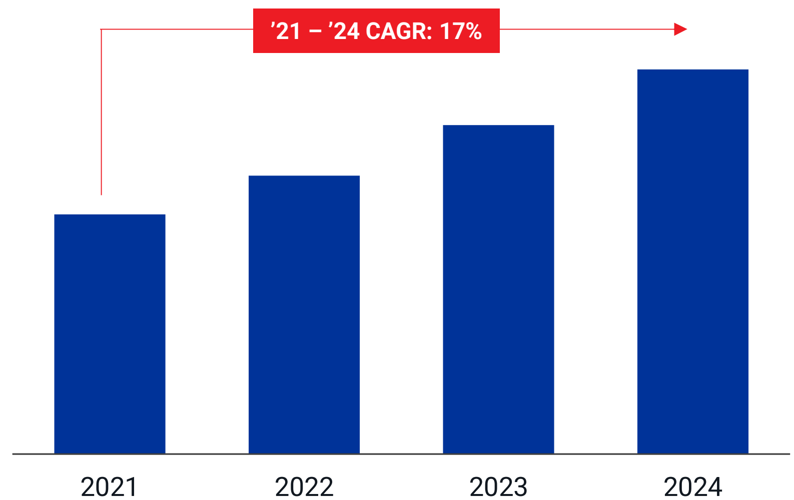
System-wide Fleet Transactions





Additional services expected to support long-term ticket growth

System-wide Non-Oil Change Revenue
($, millions)

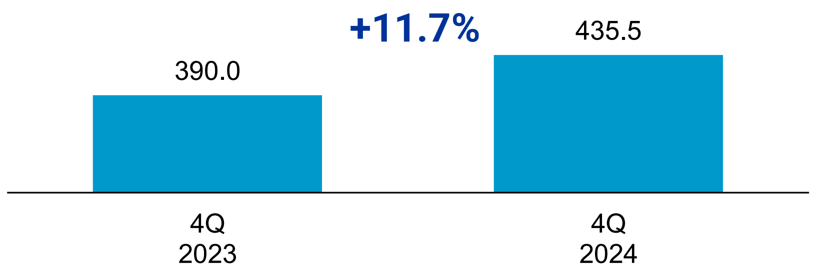


FY24 FINANCIAL PERFORMANCE

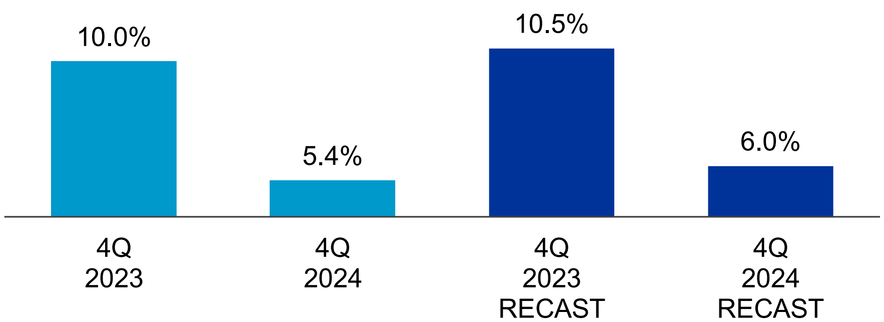
REVENUE PERFORMANCE

4th Quarter

Net Sales Growth
($, Millions)

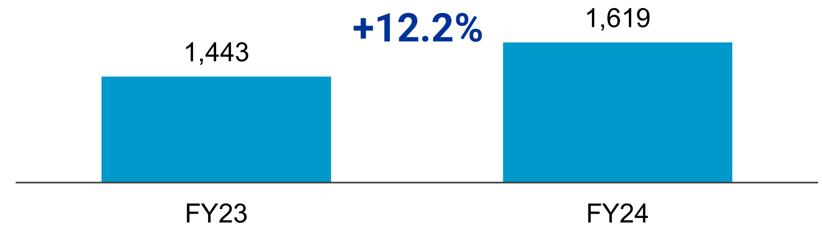


System-Wide SSS[2] Growth

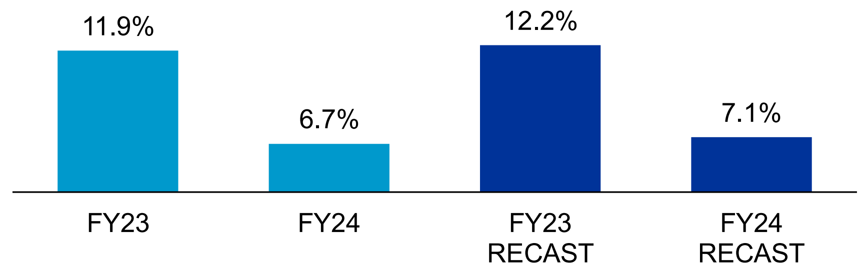


FY 2024

Net Sales[1] Growth
($, Millions)



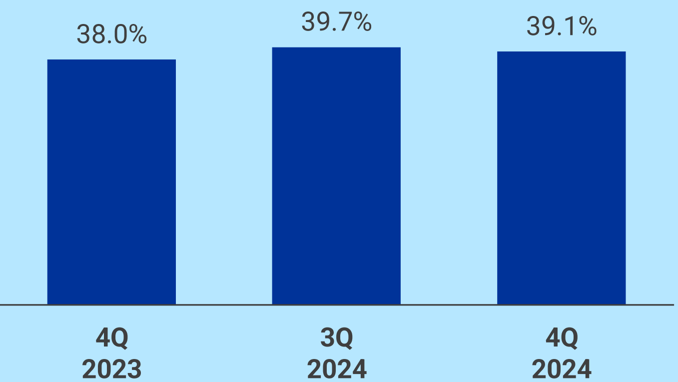
System-Wide SSS[2] Growth



1. For a reconciliation of adjusted amounts to amounts reported under GAAP, refer to the Appendix.
2. Refer to the Appendix for further information regarding management's use of key business measures. Management plans to revise its approach to determining SSS beginning in fiscal 2025 to define same stores as those that have been in operation within the system for at least 12 full months. Comparative measures for FY23 and FY24 using this updated approach are presented above for reference.

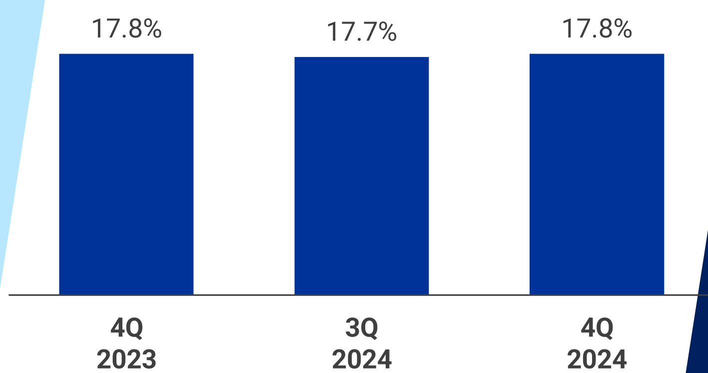
4Q FINANCIAL DRIVERS[1]

Gross Margin
as a % of Net Sales



Key Drivers:
- Higher volumes and lower product costs
- Sequential decline in gross margin driven by business mix

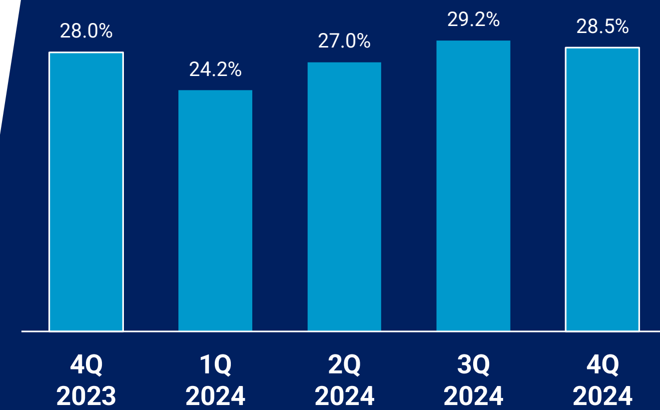
SG&A Expense
as a % of Net Sales



Key Drivers:
- Advertising investments
- Includes 70bps of leverage on depreciation
- Planned technology investments

Adjusted EBITDA
as a % of Net Sales

50 bps Increase YoY

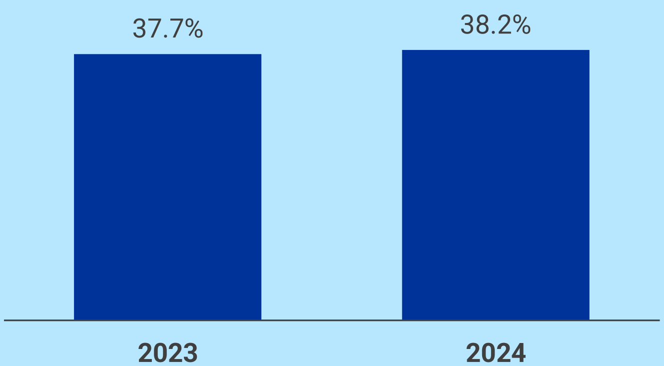


Key Drivers:
- Quarterly cadence in line with expectations
- Gross margin improvements

1. All measures presented on an adjusted basis. For metrics that include non-GAAP adjustments for key items, a reconciliation to amounts reported under GAAP can be found in the Appendix.

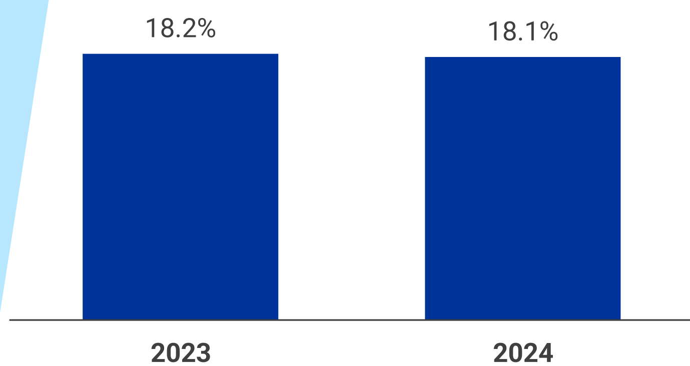
FULL YEAR 2024 FINANCIAL DRIVERS[1]

Gross Margin
as a % of Net Sales



Key Drivers:
- Labor efficiency in front half of the year
- Lower product costs
- Partially offset by increased store expenses

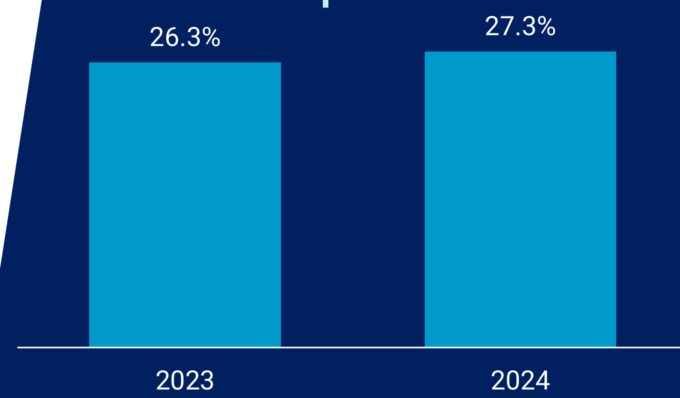
SG&A Expense
as a % of Net Sales



Key Drivers:
- Advertising & technology investments
- Increased store growth and overall store count

Adjusted EBITDA
as a % of Net Sales

100 bps Increase YoY



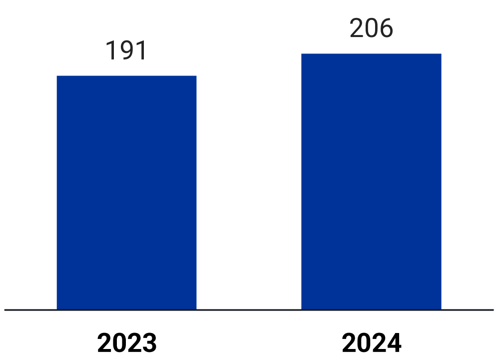
Key Drivers:
- Gross margin improvements
- SG&A as a % of sales essentially flat while investing in advertising and technology

1. All measures presented on an adjusted basis. For metrics that include non-GAAP adjustments for key items, a reconciliation to amounts reported under GAAP can be found in the Appendix.

2024 PROFITABILITY[1]

Adjusted Net Income
($, Millions)

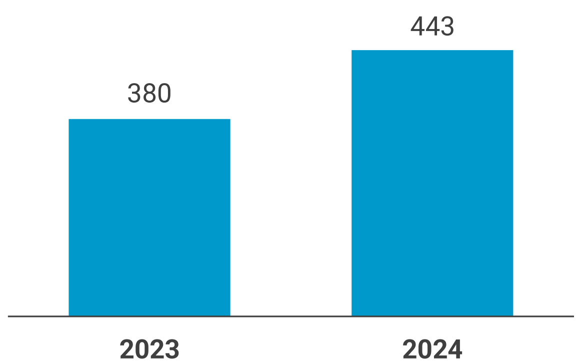
7% Increase



- Increase of operating income of 16%, partially offset by higher net interest expense

Adjusted EBITDA
($, Millions)

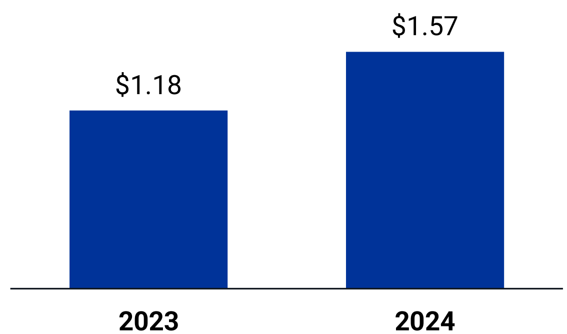
17% Increase



- Driven by increased topline and gross profit improvement
- Offset by investments in SG&A

Adjusted EPS

33% Increase



- Increase primarily driven by:
  - Reduced shared count of ~30M
  - Increased operating income, offset in higher net interest expense

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

2024 REPORTING HIGHLIGHTS

Balance Sheet Highlights

(Millions)	FY24
Cash & Cash Equivalents	$68.3
Total Debt	$1,093.8

- Material weakness reported in Q2 remains in process of remediation
- Ended fiscal year below rating agency adjusted net leverage ratio of 3.5x

Cash Flow Highlights

(Millions)	FY24
Cash Flows from Operating Activities	$282.9
Free Cash Flow[1]	$58.5

- Cash flows from operating activities decreased $70.1M over prior year, largely due to one-time benefit in prior year
- Share repurchases of $227 million with $385 million remaining on authorization

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

1 Valvoline delivered **compelling growth and financial results** in fiscal year 2024.

2 **Accelerating network** through organic growth, refranchising of certain markets and welcoming new franchise partners.

3 Positioned to deliver **strong and durable growth** in fiscal year 2025 and beyond.

FISCAL YEAR 2025 GUIDANCE

	FY24 Actual Results	FY24 Pro Forma[1,2] Results	FY25 Outlook[2,4]
Same Store Sales Growth %	6.7%	7.1%	5% – 7%
System-Wide Store Additions[2]	158	158	160 – 185
Net Revenues	$1.62B	$1.52B	$1.67B – $1.73B
Adjusted[3] EBITDA	$443M	$419M	$450M – $470M
Adjusted[3] EPS	$1.57	$1.45	$1.57 – $1.67
Capital Expenditures	$224M	$210M	$230M – $250M
Share Repurchase	$227M	$227M	$40M – $70M

1. Fiscal 2024 as reported results adjusted to present as-if the refranchising transactions completed in fiscal 2024 and those expected to be completed in early fiscal 2025 had occurred prior to October 1, 2023.
2. For a discussion of management's use of Key Business Measures, please refer to the Appendix. Same Store Sales outlook reflects updated definition of stores open for at least 12 months for the Pro Forma and FY25 Outlook.
3. Denotes a forward-looking non-GAAP financial measure that Valvoline is unable to reconcile without unreasonable efforts, as the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP results but would not impact non-GAAP adjusted results.
4. Subject to market conditions.

APPENDIX

RETAIL SERVICES – Q4 SYSTEM RESULTS
(Preliminary and unaudited)

	Three months ended September 30		Twelve months ended September 30	
	2024	2023	2024	2023
Sales information				
System-wide store sales - in millions (a)	$ 826.8	$ 738.3	$ 3,104.3	$ 2,761.8
Year-over-year growth (a)	*12.0 %*	*15.0 %*	*12.4 %*	*17.0 %*
Same-store sales growth (b)				
Company-operated	5.9 %	9.1 %	6.5 %	11.9 %
Franchised (a)	5.1 %	10.8 %	6.8 %	11.9 %
System-wide (a)	5.4 %	10.0 %	6.7 %	11.9 %

	Number of stores at end of period				
	Fourth Quarter 2024	Third Quarter 2024	Second Quarter 2024	First Quarter 2024	Fourth Quarter 2023
Company-operated	950	937	919	895	876
Franchised [a]	1,060	1,024	1,009	995	976

	September 30	
	2024	2023
System-wide store count [a]	2,010	1,852
Year-over-year growth [a]	*8.5 %*	*8.0 %*

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

(b) For the periods presented herein, Valvoline determined 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
(Preliminary and unaudited)

	Company-operated				
	Fourth Quarter 2024	Third Quarter 2024	Second Quarter 2024	First Quarter 2024	Fourth Quarter 2023
Beginning of period	937	919	895	876	854
Opened	26	12	14	14	14
Acquired	10	6	10	5	8
Net conversions between company-operated and franchised	(23)	—	—	—	—
Closed	—	—	—	—	—
End of period	950	937	919	895	876

	Franchised (a)				
	Fourth Quarter 2024	Third Quarter 2024	Second Quarter 2024	First Quarter 2024	Fourth Quarter 2023
Beginning of period	1,024	1,009	995	976	950
Opened	13	15	15	19	26
Acquired (b)	—	—	—	—	—
Net conversions between company-operated and franchised	23	—	—	—	—
Closed	—	—	(1)	—	—
End of period	1,060	1,024	1,009	995	976
Total system-wide stores (a)	2,010	1,961	1,928	1,890	1,852

(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 retail store system by Valvoline Inc.

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

(Preliminary and unaudited)

(in millions, except per share amounts)	Three months ended September 30				Twelve months ended September 30			
	2024		2023		2024		2023	
Reported income from continuing operations	$	89.1	$	75.0	$	214.5	$	199.4
Adjustments:								
Net pension and other postretirement plan expenses (income) [a]		1.3		(38.6)		11.7		(27.6)
Net legacy and separation-related (income) expenses [b]		(0.9)		2.0		(0.7)		32.8
Information technology transition costs		2.7		1.2		10.4		3.0
Debt extinguishment and modification costs		—		0.1		7.3		1.1
Investment and divestiture-related (income) costs		(41.1)		0.1		(40.2)		1.1
Suspended operations		—		7.6		—		7.1
Total adjustments, pre-tax		(38.0)		(27.6)		(11.5)		17.5
Income tax expense (benefit) of adjustments [b]		9.4		6.2		2.6		(25.6)
Total adjustments, after tax		(28.6)		(21.4)		(8.9)		(8.1)
Adjusted income from continuing operations [c] [d]	$	60.5	$	53.6	$	205.6	$	191.3
Reported diluted earnings per share from continuing operations	$	0.68	$	0.54	$	1.63	$	1.23
Adjusted diluted earnings per share from continuing operations [d] [e]	$	0.46	$	0.39	$	1.57	$	1.18
Weighted average diluted common shares outstanding		130.3		139.2		131.0		162.6

(a) Includes remeasurement adjustments recorded in the fourth quarter, which resulted in a gain of $2.4 million and a gain of $41.6 million in fiscal 2024 and 2023, respectively.

(b) During the fiscal 2023, the Company recognized $25.7 million of expense within Net legacy and separation-related expenses in the Statement of Consolidated Income, in addition to an income tax benefit of $29.0 million to reflect its increased indemnity obligation and the release of valuation allowances, respectively, in connection with the amendment of its tax matters agreement with Valvoline's former parent company.

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

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

(e) 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 – Q4 ADJUSTED EBITDA
(Preliminary and unaudited)

(in millions)	Three months ended September 30 2024	Three months ended September 30 2023	Twelve months ended September 30 2024	Twelve months ended September 30 2023
Reported net revenues	$ 435.5	$ 390.0	$ 1,619.0	$ 1,443.5
Key items:				
Suspended operations	—	—	—	(0.2)
Adjusted net revenues [(a)] [(b)]	$ 435.5	$ 390.0	$ 1,619.0	$ 1,443.3
Income from continuing operations	$ 89.1	$ 75.0	$ 214.5	$ 199.4
Add:				
Income tax expense	26.2	22.9	69.1	37.1
Net interest and other financing expenses	18.0	10.9	71.9	38.3
Depreciation and amortization	28.8	28.1	105.9	88.8
EBITDA from continuing operations [(b)] [(c)]	162.1	136.9	461.4	363.6
Key items:				
Net pension and other postretirement plan expenses (income)	1.3	(38.6)	11.7	(27.6)
Net legacy and separation-related (income) expenses	(0.9)	2.0	(0.7)	32.8
Information technology transition costs	2.7	1.2	10.4	3.0
Investment and divestiture-related (income) costs	(41.1)	0.1	(40.2)	1.1
Suspended operations	—	7.6	—	7.1
Key items - subtotal	(38.0)	(27.7)	(18.8)	16.4
Adjusted EBITDA from continuing operations [(b)] [(c)]	$ 124.1	$ 109.2	$ 442.6	$ 380.0
Net profit margin [(d)]	20.5 %	19.2 %	13.2 %	13.8 %
Adjusted EBITDA margin [(b)] [(e)]	28.5 %	28.0 %	27.3 %	26.3 %

(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 – ANNUAL ADJUSTED EBITDA
(Preliminary and unaudited)

(In millions)	2024	2023	2022	2021	2020
Income from continuing operations	$ 214.5	$ 199.4	$ 109.4	$ 200.1	$ 69.6
Income tax expense	69.1	37.1	34.7	59.9	53.4
Net interest and other financing expenses	71.9	38.3	69.3	108.3	92.1
Depreciation and amortization	105.9	88.8	71.4	62.1	40.5
EBITDA from continuing operations (a)	461.4	363.6	284.8	430.4	255.6
Net pension and postretirement plan expense (income) (b)	11.7	(27.6)	6.9	(128.2)	(54.9)
Net legacy and separation-related (income) expenses (c)	(0.7)	32.8	20.5	(23.6)	(30.0)
Information technology transition costs (d)	10.4	3.0	2.6	—	—
Investment and divestiture-related (income) costs (e)	(40.2)	1.1	—	—	1.3
Suspended operations (f)	—	7.1	0.9	(1.5)	(1.3)
Restructuring and related adjustments (g)	—	—	—	(0.1)	0.3
Compensated absences benefits change (h)	—	—	—	—	(4.9)
Adjusted EBITDA from continuing operations (a)	$ 442.6	$ 380.0	$ 315.7	$ 277.0	$ 166.1

a. EBITDA from continuing operations is defined as income from continuing operations, plus income tax expense, 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.

b. (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. Refer to Note 10 in the Notes to Consolidated Financial Statements in Item 8 of Part II in this Annual Report on Form 10-K for further details.

c. 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 fiscal three months ended September 30, 2023, the Company recognized $25.7 million of pre-tax expense to reflect its increased estimated indemnity obligation which also resulted in an income tax benefit of $29.0 million to reflect the release of valuations allowances in connection with the amendment of the Tax Matters Agreement with Valvoline's former parent company.

d. Consists of expenses incurred related to the Company's information technology transitions, primarily related to implementing stand-alone enterprise resource planning and human resource information systems during fiscal years 2023 and 2024. These expenses include data conversion, temporary support, training, and redundant expenses incurred from duplicative technology platforms, which are 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.

e. Consists of activity associated with significant acquisitions, investments and divestitures, including legal, advisory and consulting fees, such as diligence costs, in addition to gains or losses recognized upon disposition and expense recognized to reduce the carrying values of investments determined to be impaired. These costs are not considered to be reflective of the underlying performance of the Company's ongoing continuing operations.

f. 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. It was classified as held for sale and impaired as of September 30, 2023, and subsequently sold during the first fiscal quarter of 2024. These results are not indicative of the operating performance of the Company's ongoing continuing operations.

g. Adjustments to employee termination benefits recognized over remaining employee service periods as a result of company-wide restructuring activities that are not considered reflective of the underlying operating performance of the Company's ongoing operations.

h. Adjustment associated with the Company's change in its policy for benefits associated with compensated absences, the results of which are not indicative of the operating performance of the Company's underlying operations.

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

In millions - preliminary and unaudited	Three months ended September 30					
	Net revenues		Selling, general and administrative expenses		Operating income	
	2024	2023	2024	2023	2024	2023
As reported	$ 435.5	$ 390.0	$ 81.1	$ 70.3	$ 134.6	$ 70.2
Key items:						
Net legacy and separation-related (income) expenses	—	—	—	—	(0.9)	2.0
Information technology transition costs	—	—	2.7	1.2	2.7	1.2
Suspended operations	—	—	—	(0.5)	—	7.6
Investment and divestiture-related (income)	—	—	0.7	—	(41.1)	0.1
As adjusted [(a)]	$ 435.5	$ 390.0	$ 77.7	$ 69.6	$ 95.3	$ 81.1
% of net revenues as reported [(b)]			*18.6 %*	*18.0 %*	*30.9 %*	*18.0 %*
% of net revenues as adjusted [(c)]			*17.8 %*	*17.8 %*	*21.9 %*	*20.8 %*

In millions - preliminary and unaudited	Twelve months ended September 30					
	Net revenues		Selling, general and administrative expenses		Operating income	
	2024	2023	2024	2023	2024	2023
As reported	$ 1,619.0	$ 1,443.5	$ 305.1	$ 264.5	$ 367.2	$ 247.2
Key items:						
Net legacy and separation-related (income) expenses	—	—	—	—	(0.7)	32.8
Information technology transition costs	—	—	10.4	3.0	10.4	3.0
Suspended operations	—	(0.2)	—	(0.8)	—	7.1
Investment and divestiture-related (income) costs	—	—	1.6	—	(40.2)	1.1
As adjusted [(a)]	$ 1,619.0	$ 1,443.3	$ 293.1	$ 262.3	$ 336.7	$ 291.2
% of net revenues as reported [(b)]			*18.8 %*	*18.3 %*	*22.7 %*	*17.1 %*
% of net revenues as adjusted [(c)]			*18.1 %*	*18.2 %*	*20.8 %*	*20.2 %*

(a) Represents non-GAAP measure. Refer to "Use of Non-GAAP Measures" and this Appendix for additional details.
(b) Financial measures presented as the activity for the relevant period reported in accordance with US GAAP divided by net revenues for the relevant period as reported in accordance with US GAAP.
(c) Financial measures presented as the activity for the relevant period where the results reported in accordance with US GAAP are adjusted for key items divided by net revenues for the relevant period as reported in accordance with US GAAP adjusted for key items.

RECONCILIATION OF NON-GAAP DATA – FREE CASH FLOWS
(Preliminary and unaudited)

(In millions) Free cash flow [a]	Year ended September 30 2024	Year ended September 30 2023
Operating cash flows from continuing operations	$ 282.9	$ 353.0
Adjustments:		
Additions to property, plant and equipment from continuing operations	(224.4)	(180.5)
Free cash flow from continuing operations [b]	$ 58.5	$ 172.5

Discretionary free cash flow [c]	Year ended September 30 2024	Year ended September 30 2023
Operating cash flows from continuing operations	$ 282.9	$ 353.0
Adjustments:		
Maintenance additions to property, plant and equipment	(35.9)	(29.5)
Discretionary free cash flow from continuing operations [b]	$ 247.0	$ 323.5

(a) Free cash flow is defined as operating cash flows less Additions to property, plant and equipment and certain other adjustments, 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 is defined as operating cash flows less Maintenance additions to property, plant and equipment and certain other adjustments, as applicable.

CONSOLIDATED GAAP INCOME STATEMENT
(Preliminary and unaudited)

(In millions, except per share amounts)	Three months ended September 30 2024	Three months ended September 30 2023	Twelve months ended September 30 2024	Twelve months ended September 30 2023
Net revenues	$ 435.5	$ 390.0	$ 1,619.0	$ 1,443.5
Cost of sales	265.2	241.7	1,000.2	899.0
Gross profit	170.3	148.3	618.8	544.5
Selling, general and administrative expenses	81.1	70.3	305.1	264.5
Net legacy and separation-related (income) expenses	(0.9)	2.0	(0.7)	32.8
Other (income) loss, net	(44.5)	5.8	(52.8)	—
Operating income	134.6	70.2	367.2	247.2
Net pension and other postretirement plan expenses (income)	1.3	(38.6)	11.7	(27.6)
Net interest and other financing expenses	18.0	10.9	71.9	38.3
Income before income taxes	115.3	97.9	283.6	236.5
Income tax expense	26.2	22.9	69.1	37.1
Income from continuing operations	89.1	75.0	214.5	199.4
Income (loss) from discontinued operations, net of tax	3.2	(26.1)	(3.0)	1,220.3
Net income	92.3	$ 48.9	211.5	$ 1,419.7
Net earnings per share				
Basic earnings (loss) per share				
Continuing operations	$ 0.69	$ 0.54	$ 1.65	$ 1.24
Discontinued operations	0.02	(0.19)	(0.02)	7.55
Basic earnings per share	$ 0.71	$ 0.35	$ 1.63	$ 8.79
Diluted earnings (loss) per share				
Continuing operations	$ 0.68	$ 0.54	$ 1.63	$ 1.23
Discontinued operations	0.03	(0.19)	(0.02)	7.50
Diluted earnings per share	$ 0.71	$ 0.35	$ 1.61	$ 8.73
Weighted average common shares outstanding				
Basic	129.3	138.2	130.1	161.6
Diluted	130.3	139.2	131.0	162.6

USE OF NON-GAAP MEASURES

This presentation includes the following non-GAAP measures: Adjusted operating income; adjusted operating margin; adjusted selling, general, and administrative expenses; adjusted selling, general, and administrative 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 expenses (income): 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 (income) 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 fiscal 2023, the Company recognized $25.7 million of pre-tax expense to reflect its increased estimated indemnity obligation which also resulted in an income tax benefit of $29.0 million to reflect the release of valuations allowances in connection with the amended tax matters agreement with Valvoline's former parent company.

Information technology transition costs: Consists of expenses incurred related to the Company's information technology transitions, primarily related to implementing stand-alone enterprise resource planning and human resource information systems during fiscal years 2023 and 2024. These expenses include data conversion, temporary support, training, and redundant expenses incurred from duplicative technology platforms, which are 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. It was classified as held for sale and impaired as of September 30, 2023, and subsequently sold during the first fiscal quarter of 2024. These results are not indicative of the operating performance of the Company's ongoing continuing operations.

Investment and divestiture-related (income) costs: Consists of activity associated with significant acquisitions, investments and divestitures, including legal, advisory and consulting fees, such as diligence costs, in addition to gains or losses recognized upon disposition and expense recognized to reduce the carrying values of investments determined to be impaired. These costs are not considered to be reflective of the underlying performance of the Company's ongoing continuing operations.

Debt extinguishment and modification costs: Consists of accelerated amortization of previously capitalized debt issuance costs as well as third-party fees expensed in connection with the execution of the 2030 Notes redemption during the three months ended June 30, 2024 as well as the amended Senior Credit Agreement during fiscal 2023. These expenses are not considered to be indicative of the future servicing costs of the Company's ongoing debt facilities.

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; SSS; system-wide store sales; and system-wise transactions. 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. For the periods presented herein, SSS is defined as net revenues of 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. Beginning in fiscal 2025, management is updating its definition of same-store sales and in connection with this change, prior periods will be recast to present SSS on a consistent basis with the new approach. The new approach will define same stores at the beginning of the month following the completion of 12 full months in operation within the system to more closely conform with common retail practice.

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, total system-wide store sales, and system-wide transaction volume are useful to assess market position relative to competitors and overall store and operating performance.