




Second-Quarter Fiscal 2021 Earnings

April 29, 2021



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Safe Harbor

Forward-Looking Statements

Certain statements in this presentation, other than statements of historical fact, including estimates, projections and statements related to Valvoline's business plans and operating results, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. 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 Form 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://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

The information presented herein, regarding certain financial measures that do not conform to generally accepted accounting principles in the United States (U.S. GAAP), 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 definitions, calculations and reconciliation of non-GAAP measures can be found in the Appendix.

Key Business Measures

Valvoline tracks its operating performance and manages its business using certain key business measures, which management believes are important to understanding Valvoline's operating performance. Information regarding Valvoline's definitions of key business measures and management's use of such measures are included in the Appendix.

Second-Quarter Results

Reported Results

(in millions, except per-share data)	Q2
Operating income	\$131
Net income	\$68
Reported earnings per diluted share (EPS)	\$0.37
YTD Cash flow from operating activities	\$190

Adjusted¹ Results

(in millions, except per-share data)	Q2
Adjusted ¹ operating income	\$129
Adjusted ¹ EBITDA	\$152
Adjusted ¹ EPS	\$0.46
YTD Free cash flow ¹	\$116

Key items¹

- Debt extinguishment impact: (-) \$27 million after-tax expense
- Non-service Pension and OPEB impact; (+) \$10M after-tax income
- Business recovery impact: (+) \$2 million after-tax income

YoY Performance

- Sales increased 21%
- Reported net income and EPS, up 8% and 12%, respectively
- Adjusted¹ EBITDA and adjusted EPS up 13% and 18%, respectively
- Excluding \$30 million unfavorable variable compensation and LIFO pre-tax impacts, adjusted EBITDA up 38%

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

Second-Quarter Overview

- Exceptional performance
 - Q2 results exceeded our expectations
 - Quick Lubes represented more than half adjusted¹ EBITDA for the first time
- Strong top- and bottom-line growth
 - Sales up 21%; adjusted¹ EBITDA up 13%
 - Excluding unfavorable, non-cash YoY variable compensation and LIFO impacts, adjusted¹ EBITDA grew 38%,
- Returned \$65 million in cash to shareholders via dividends and share repurchases
- Raising fiscal 2021 guidance for adjusted EBITDA and free cash flow

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

Segment Results Summary

Quick Lubes

(YoY change)	Q2
Sales	34%
SSS ¹ (system-wide)	20.2%
Store additions, net ^{1,2}	15
Adjusted ¹ EBITDA	\$79 million, up \$29 million

Core North America

(YoY change)	Q2
Sales	2%
Volume ¹	7%
Premium mix ¹	60.9%, up 320 bps
Adjusted ¹ EBITDA	\$42 million, down \$9 million (down \$2 million excluding LIFO)

International

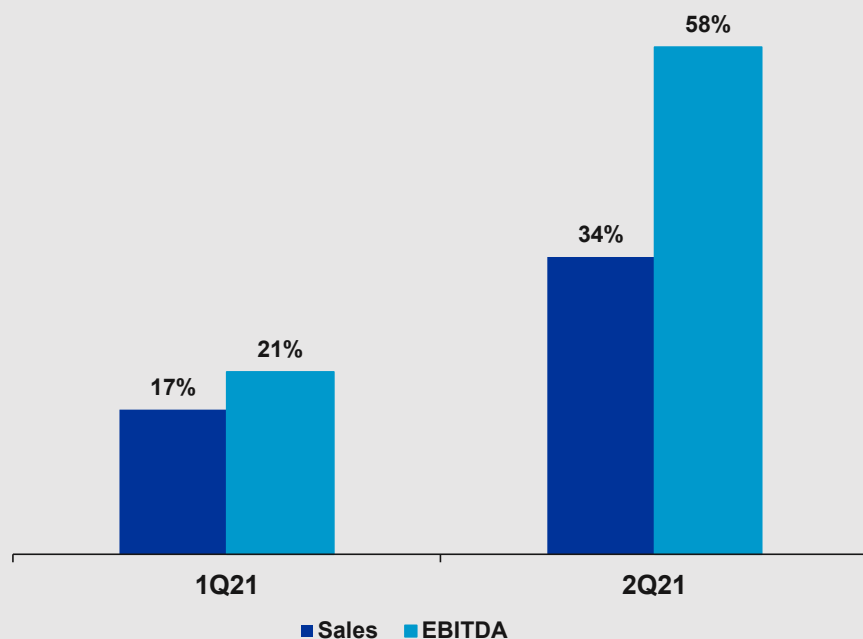
(YoY change)	Q2
Sales	36%
Volume ¹	28%
Volume with JVs ¹	38%
Adjusted ¹ EBITDA	\$31 million, up \$12 million

¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

² Company and franchised stores added in the current quarter.

Quick Lubes

YoY Growth in Sales and adjusted¹ EBITDA



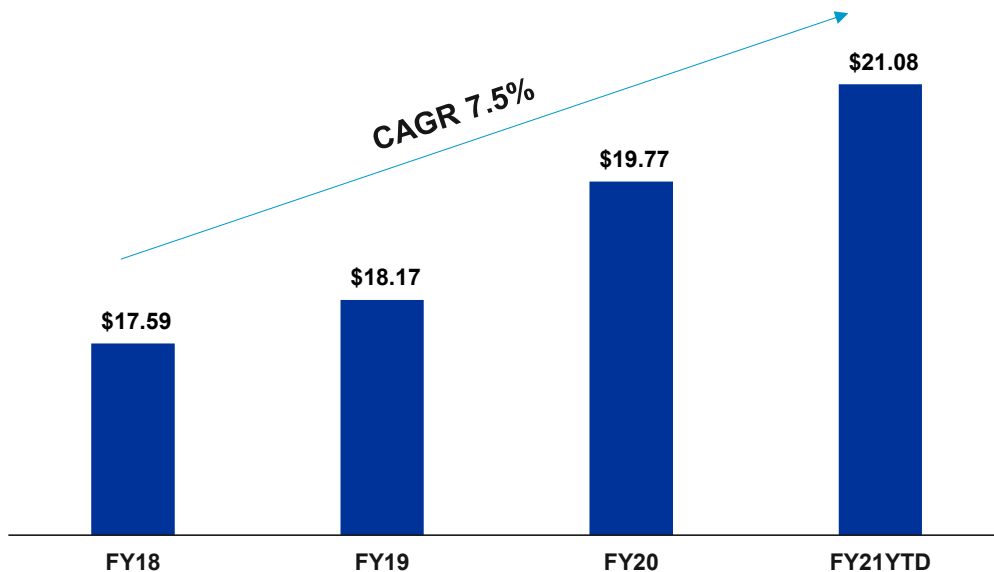
- Outstanding Q2 SSS¹ performance
 - 20.2% growth system-wide
 - Normalized² SSS up more than 10%
- Unit additions up 9% YoY
 - 129 net new store units¹ added since 2Q20
 - 15 net new stores added in Q2
- Strong sales and EBITDA¹ growth
 - YoY sales up 34%, EBITDA up 58%
 - Improved margins driven by store utilization

¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

² Based on average of two-year same-stores sales growth between fiscal 2020 and 2021.

Quick Lubes is More Than Oil Changes

Non-oil Change Revenue (NOCR)¹ (based on average ticket)



Components of NOCR

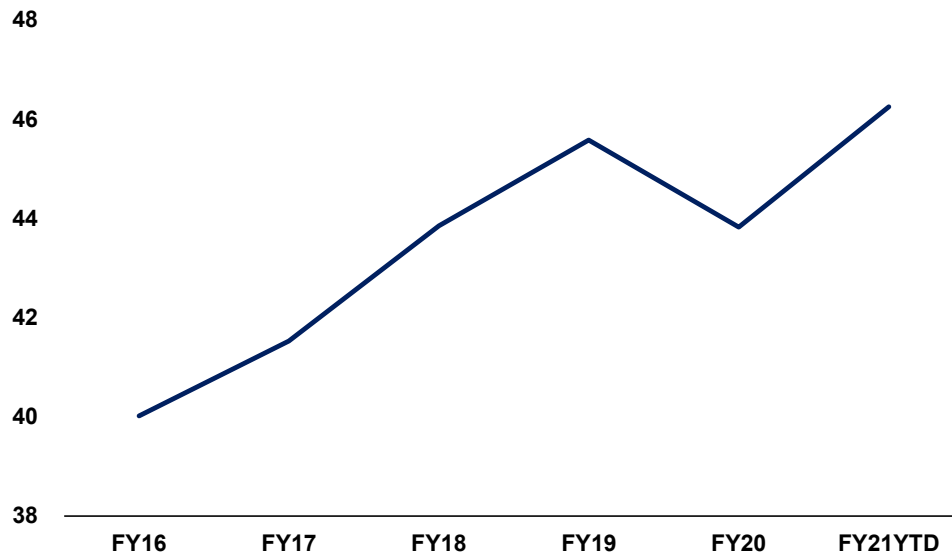
- Transmission fluid change, coolant flush, fuel system cleaning, batteries, bulbs, wiper blades, belts, tire rotation, etc.
- Cabin air filter services returning after COVID-19 pause
 - Expect to contribute to NOCR in Q3, Q4
- Battery change service
 - Revamped program driving improved service penetration

Opportunity to grow NOCR services and drive SSS

¹ Represents core non-oil change revenue from all system stores open as of FY16, 900 stores total.

Quick Lubes – Drivers of SSS Growth

Oil Changes Per Day (OCPD)¹



Drivers of SSS

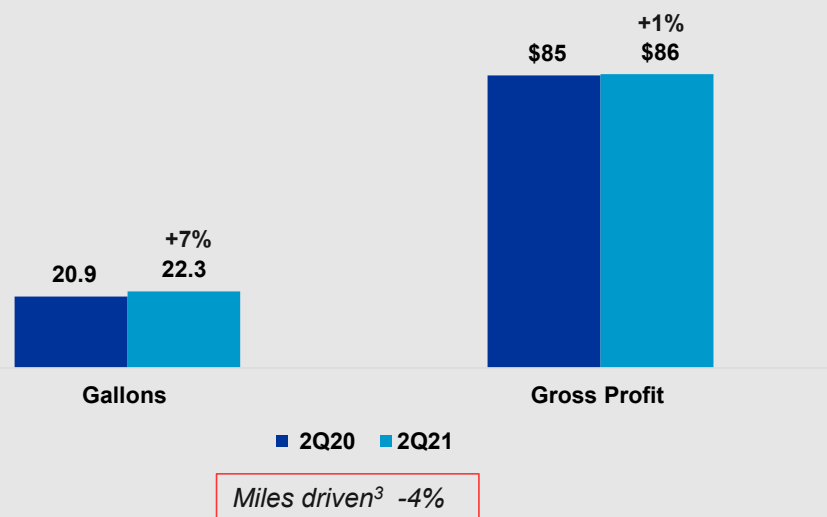
- Transactions – share gains
 - New customer acquisition
 - Current customer retention
- Average ticket
 - Pricing power
 - Premiumization
 - Non-oil change revenue

Confident in sustainability of long-term SSS growth

¹ Represents all system stores open as of FY16, 900 stores total.

Core North America

Volume¹ and Gross Profit² vs. 2Q20 (gallons in millions; USD in millions)



- Cash flow generation remains strong
- Volumes performing ahead of miles driven
- Indexed and negotiated pricing increases continue
- Excluding non-cash LIFO impacts, gross profit up slightly and adjusted¹ EBITDA down modestly YoY

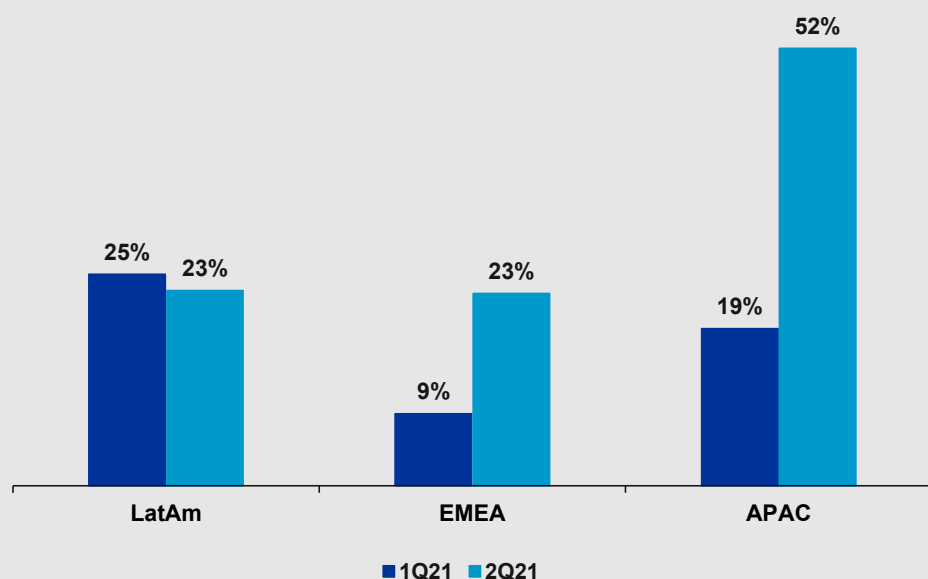
¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

² Gross profit excluding LIFO inventory accounting impacts.

³ Estimated miles driven for 2Q21 (Jan. – Mar. 2021) versus 2020 using U.S. Energy Information Administration weekly gasoline demand.

International

YoY Growth in Sales by Region



Volume¹

- YOY growth across all regions led by APAC
 - Continued organic growth in China and lapping COVID-19 impacts from prior year
- Increased demand in LatAm, EMEA and India
 - Driven by ongoing recovery

Adjusted¹ EBITDA

- Top- and bottom-line growth across all regions
- Contribution from JVs nearly doubled YoY
- Raw material cost increases partially offset by pricing pass-through and favorable FX impacts

¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

International – Brand Building with Mechanics' Month

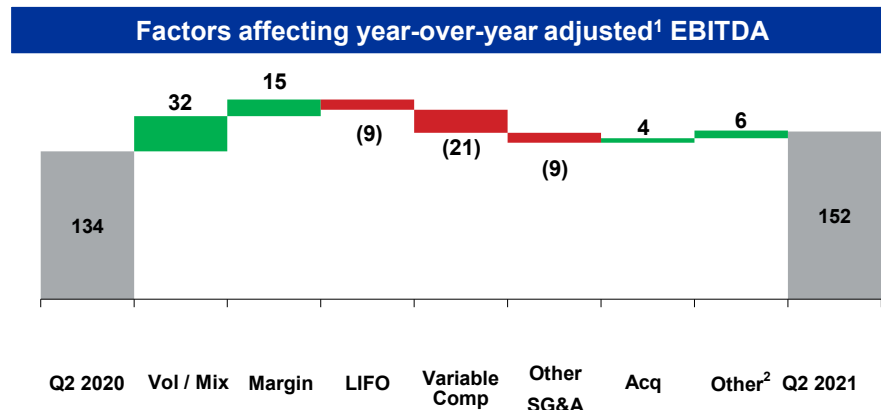
Mechanics' Month 2021

- 2nd annual global campaign in March
- Activation in 50+ countries
 - Digital, PR and retail activation
- Supported record volume month in March



Second-Quarter Financials

Adjusted ¹ P&L Results and Ratios	Fiscal Second Quarter Three months ended Mar. 31,		
	2021	2020	Change
(\$ in millions, except per-share data) Preliminary and unaudited			
Lubricant gallons (in millions) ¹	48.0	41.7	15 %
Sales	\$ 701	\$ 578	21 %
Gross profit as a percent of sales	35.2 %	35.8 %	(60) bp
SG&A ¹	129	95	36 %
Equity and other income ¹	(11)	(7)	57 %
Adjusted ¹ Operating income	\$ 129	\$ 119	8 %
Depreciation and amortization	23	15	53 %
Adjusted ¹ Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 152	\$ 134	13 %
Adjusted EBITDA ¹ as a percent of sales	21.7 %	23.2 %	(150) bp
Adjusted ¹ EPS	\$ 0.46	\$ 0.39	18 %



YoY unfavorable variable compensation and LIFO impacts of \$30 million

¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix

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

Balance Sheet and Cash Flow

- Effective tax rate of 24.4% in Q2; adjusted¹ effective tax rate of 24.5%
- YTD cash flow from operating activities of \$190 million
- YTD capital expenditures totaled \$74 million; free cash flow¹ generation of \$116 million
 - YTD discretionary cash generation (operating cash flow before growth CapEx) of \$175 million
- Net interest and other financing expense of \$55 million in Q2, including \$36 million of debt redemption costs
- Returned \$65 million in cash to shareholders via dividends and share repurchases
- Gross debt of ~\$1.7 billion and net debt of ~\$1.5 billion as of Mar. 31

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

Outlook

Raising guidance

Guidance is based on current expectations, including those surrounding the ongoing COVID-19 pandemic

	<u>2021 Outlook</u>	<u>2021 Prior Outlook</u>
Operating Segments		
• Sales growth	23 – 25%	14 – 16%
• New Quick Lube stores ¹ (includes company-owned, franchise and acquisitions)	No change	140 – 160
• Quick Lubes system-wide SSS ¹ growth	18 – 20%	12 – 14%
• Normalized ² system-wide SSS growth	9 – 11%	6 – 8%
• Adjusted ³ EBITDA	\$590 – \$610 million	\$560 – \$580 million
Corporate Items		
• Adjusted ³ effective tax rate	No change	25 – 26%
• Adjusted ³ EPS	\$1.72 - \$1.82	\$1.57 – \$1.67
• Capital expenditures	No change	\$160 – \$170 million
• Free cash flow ⁴	\$250 - \$270 million	\$200 – \$220 million

1 For a discussion of management's use of Key Business Measures, please refer to the Appendix.

2 Same-store sales growth excluding estimated COVID-19 impacts in March - May 2020 period; based on average two-year same-store sales growth between fiscal 2020 and 2021 outlook.

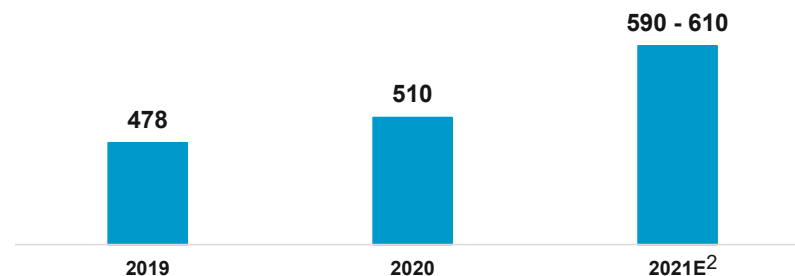
3 Denotes a forward-looking non-GAAP financial measure that Valvoline is unable to reconcile without unreasonable efforts, as the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP results but would not impact non-GAAP adjusted results.

4 For reconciliation of adjusted outlook amounts expected to be reported under GAAP and additional details, please refer to the appendix.

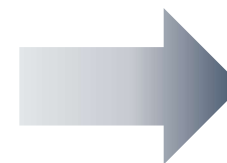
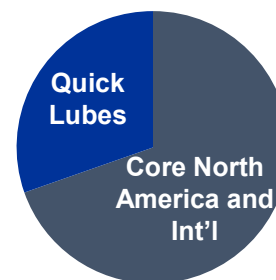
Outlook Summary – FY21 Is an Inflection Point

- Quick Lubes becomes 50+% of total adjusted EBITDA mix
- Core NA continuing to deliver stable cash flow
- International growth continues

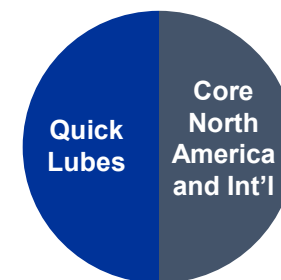
Adjusted¹ EBITDA (\$ millions)



FY16 Adjusted¹ EBITDA Mix



FY21E Adjusted² EBITDA Mix



¹ Refer to Valvoline's earnings release dated Nov. 8, 2016.

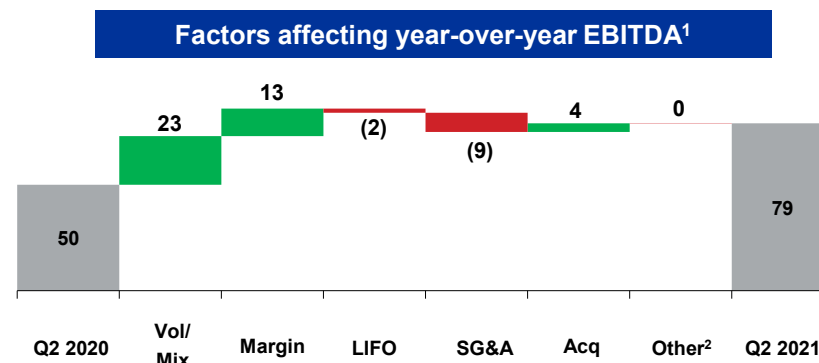
² Denotes a forward-looking non-GAAP financial measure that Valvoline is unable to reconcile without unreasonable effort as described in the Appendix.

Appendix



Quick Lubes

(\$ in millions) Preliminary and unaudited	Fiscal Second Quarter Three months ended Mar. 31,		
	2021	2020	Change
Lubricant gallons ¹ (in millions)	8.1	7.1	14 %
Sales	\$ 285	\$ 212	34 %
Operating income	\$ 63	\$ 40	58 %
Depreciation and amortization	16	10	60 %
Adjusted EBITDA ¹	\$ 79	\$ 50	58 %
EBITDA as a percent of sales	27.7 %	23.6 %	410 bp

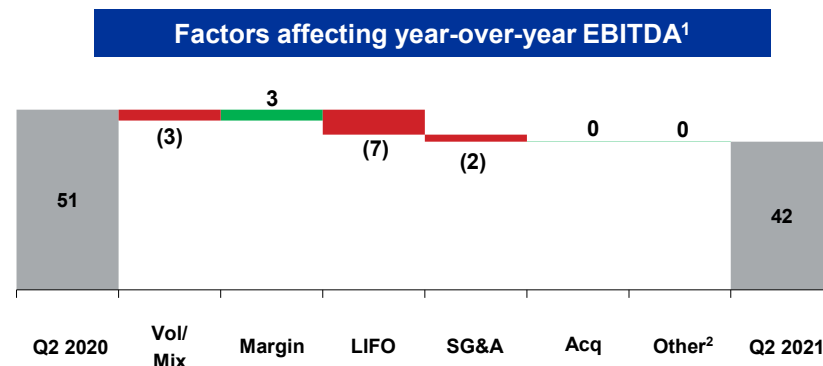


¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to this Appendix.

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

Core North America

(\$ in millions) Preliminary and unaudited	Fiscal Second Quarter Three months ended Mar. 31,		
	2021	2020	Change
Lubricant gallons ¹ (in millions)	22.3	20.9	7 %
Sales	\$ 242	\$ 238	2 %
Operating income	\$ 38	\$ 47	(19) %
Depreciation and amortization	4	4	- %
Adjusted EBITDA ¹	\$ 42	\$ 51	(18) %
EBITDA as a percent of sales	17.4 %	21.4 %	(400) bp

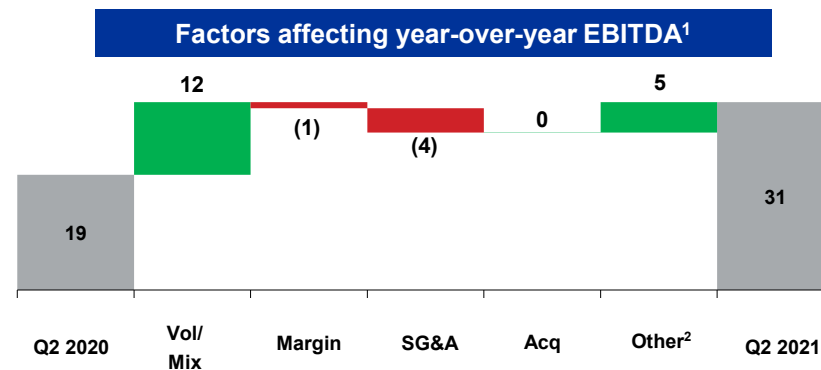


¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to this Appendix.

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

International

(\$ in millions) Preliminary and unaudited	Fiscal Second Quarter Three months ended Mar. 31,		
	2021	2020	Change
Lubricant gallons ¹ (in millions)	17.6	13.7	28 %
Sales	\$ 174	\$ 128	36 %
Operating income	\$ 28	\$ 18	56 %
Depreciation and amortization	3	1	200 %
Adjusted ¹ EBITDA	\$ 31	\$ 19	63 %
EBITDA as a percent of sales	17.8 %	14.8 %	300 bp



¹ For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to this Appendix.

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

Key Items¹ Affecting Income

(\$ in millions, except per-share data) Preliminary and unaudited		Second-Quarter Impact		
		Operating Income	Total	
Fiscal 2021	Pre-tax		After-tax	
Pension & OPEB income	\$ -	\$ 14	\$ 10	\$ 0.05
Debt extinguishments and mod costs	\$ (36)	\$ (36)	\$ (27)	\$ (0.15)
Business interruption recovery	\$ 2	\$ 2	\$ 2	\$ 0.01
Total	\$ (34)	\$ (20)	\$ (15)	\$ (0.09)
Fiscal 2020				
Pension & OPEB income	\$ -	\$ 9	\$ 7	\$ 0.04
Debt extinguishments and mod costs	\$ (19)	\$ (19)	\$ (14)	\$ (0.08)
Acquisition and divestiture-related cots	\$ (2)	\$ (2)	\$ (2)	\$ (0.01)
Income tax adjustments	\$ -	\$ -	\$ (2)	\$ (0.01)
Total	\$ (21)	\$ (12)	\$ (11)	\$ (0.06)

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

Reconciliation of Non-GAAP Data – Net Earnings and P&L

	Three months ended		Six months ended	
	March 31		March 31	
	2021	2020	2021	2020
Reported net income	\$ 68	\$ 63	\$ 155	\$ 136
<i>Adjustments:</i>				
Net pension and other postretirement plan income	(14)	(9)	(27)	(18)
Net legacy and separation-related expenses (income)	—	—	1	(1)
Debt extinguishment and modification costs	36	19	36	19
Business interruption recovery	(2)	—	(3)	—
Acquisition and divestiture-related costs	—	2	—	2
Restructuring and related expenses	—	—	—	1
Total adjustments, pre-tax	20	12	7	3
Income tax expense of adjustments	(5)	(3)	(2)	(1)
Income tax adjustments ^(a)	—	2	—	2
Total adjustments, after tax	15	11	5	4
Adjusted net income	\$ 83	\$ 74	\$ 160	\$ 140
Reported diluted earnings per share	\$ 0.37	\$ 0.33	\$ 0.84	\$ 0.72
Adjusted diluted earnings per share	\$ 0.46	\$ 0.39	\$ 0.87	\$ 0.74
Weighted average diluted common shares outstanding	183	188	184	189

	Three months ended March 31					
	Operating income		Selling, general and administrative expenses		Equity and other income, net	
	2021	2020	2021	2020	2021	2020
As reported	\$ 131	\$ 117	\$ 129	\$ 96	\$ (13)	\$ (6)
<i>Adjustments:</i>						
Business interruption recovery	(2)	—	—	—	2	—
Acquisition and divestiture-related costs	—	2	—	(1)	—	(1)
As adjusted	\$ 129	\$ 119	\$ 129	\$ 95	\$ (11)	\$ (7)

(a) Income tax adjustments relate to the discrete impacts associated with tax legislation changes in India.

Reconciliation of Non-GAAP Data - Adjusted EBITDA

	Three months ended		Six months ended	
	March 31		March 31	
	2021	2020	2021	2020
Adjusted EBITDA - Valvoline				
Net income	\$ 68	\$ 63	\$ 155	\$ 136
Add:				
Income tax expense	22	25	52	49
Net interest and other financing expenses	55	38	75	54
Depreciation and amortization	23	15	44	31
EBITDA	168	141	326	270
Key items: ^(a)				
Net pension and other postretirement plan income	(14)	(9)	(27)	(18)
Net legacy and separation-related expenses (income)	—	—	1	(1)
Business interruption recovery	(2)	—	(3)	—
Acquisition and divestiture-related costs	—	2	—	2
Restructuring and related expenses	—	—	—	1
Adjusted EBITDA	\$ 152	\$ 134	\$ 297	\$ 254
Adjusted EBITDA - Quick Lubes				
Operating income	\$ 63	\$ 40	\$ 106	\$ 78
Key items: ^(a)				
N/A	—	—	—	—
Adjusted operating income	63	40	106	78
Add:				
Depreciation and amortization	16	10	31	20
Adjusted EBITDA	\$ 79	\$ 50	\$ 137	\$ 98
Adjusted EBITDA - Core North America				
Operating income	\$ 38	\$ 47	\$ 85	\$ 93
Key items: ^(a)				
N/A	—	—	—	—
Adjusted operating income	38	47	85	93
Add:				
Depreciation and amortization	4	4	8	8
Adjusted EBITDA	\$ 42	\$ 51	\$ 93	\$ 101

	Three months ended		Six months ended	
	March 31		March 31	
	2021	2020	2021	2020
Adjusted EBITDA - International				
Operating income	\$ 28	\$ 18	\$ 62	\$ 38
Key items: ^(a)				
N/A	—	—	—	—
Adjusted operating income	28	18	62	38
Add:				
Depreciation and amortization	3	1	5	3
Adjusted EBITDA	\$ 31	\$ 19	\$ 67	\$ 41
Adjusted EBITDA - Unallocated and other				
Operating income	\$ 2	\$ 12	\$ 2	\$ 12
Add:				
Depreciation and amortization	—	—	—	—
Net pension and other postretirement plan income	14	9	27	18
EBITDA	16	21	29	30
Key items: ^(a)				
Net pension and other postretirement plan income	(14)	(9)	(27)	(18)
Net legacy and separation-related expenses (income)	—	—	1	(1)
Business interruption recovery	(2)	—	(3)	—
Acquisition and divestiture-related costs	—	2	—	2
Restructuring and related expenses	—	—	—	1
Adjusted EBITDA	\$ —	\$ 14	\$ —	\$ 14

(a) Key items were recorded in Unallocated and other and none were recognized in the operating segment results. The table above reconciles Unallocated and other operating income and relevant other items reported below operating income to EBITDA and Adjusted EBITDA.

Reconciliation of Non-GAAP Data – Free Cash Flow

	Six months ended March 31	
	2021	2020
Free cash flow ^(a)		
Total cash flows provided by operating activities	\$ 190	\$ 154
Adjustments:		
Additions to property, plant and equipment	(74)	(57)
Free cash flow	<u>\$ 116</u>	<u>\$ 97</u>

	Six months ended March 31
	2021
Discretionary free cash flow ^(b)	
Total cash flows provided by operating activities	\$ 190
Adjustments:	
Maintenance additions to property, plant and equipment	(15)
Discretionary free cash flow	<u>\$ 175</u>

	Fiscal year 2021 Outlook
	Free cash flow ^(a)
Total cash flows provided by operating activities	\$420 - \$430
Adjustments:	
Additions to property, plant and equipment	(160 - 170)
Free cash flow	<u>\$250 - \$270</u>

(a) Free cash flow is defined as cash flows from operating activities less capital expenditures and certain other adjustments as applicable.

(b) Discretionary free cash flow is defined as cash flows from operating activities less maintenance capital expenditures. Maintenance capital expenditures are routine uses of cash that are necessary to maintain the Company's operations. Management believes discretionary free cash flow is a useful measure of the Company's operational business performance and should be used as a supplement, rather than an alternative to, the GAAP measure of cash flows from operating activities.

Use of Non-GAAP Measures

To aid in the understanding of Valvoline's ongoing business performance, certain items within this presentation are presented on an adjusted basis. These non-GAAP measures, presented on both a consolidated and operating segment basis, which are not defined within U.S. GAAP and do not purport to be alternatives to net or operating income/loss, earnings/loss per share or cash flows from operating activities as a measure of operating performance or cash flows. For a reconciliation of non-GAAP measures, refer to the tables in this Appendix.

The following are the non-GAAP measures management has included and how management defines them:

- EBITDA, which management defines as net income/loss, plus income tax expense/benefit, net interest and other financing expenses, and depreciation and amortization;
- Adjusted EBITDA, which management defines as EBITDA adjusted for certain non-operational items, including net pension and other postretirement plan expense/income; impairment of equity investment; and other items (which can include costs related to the separation from Ashland, impact of significant acquisitions or divestitures, restructuring costs, or other non-operational activity not directly attributable to the underlying business);
- Adjusted operating income, which management defines as operating income adjusted for certain key items impacting comparability as noted in the definition of Adjusted EBITDA above;
- Free cash flow, which management defines as operating cash flows less capital expenditures and certain other adjustments, as applicable;
- Adjusted net income, which management defines as net income/loss adjusted for certain key items impacting comparability as noted in the definition of Adjusted EBITDA above, as well as the estimated net impact of the enactment of tax reform legislation and debt extinguishment and modification costs that are not reflective of the Company's ongoing operational performance or liquidity; and
- Adjusted EPS, which management defines as earnings per diluted share calculated using adjusted net income.

These measures are not prepared in accordance with U.S. GAAP and contain management's best estimates of cost allocations and shared resource costs. Management believes the use of non-GAAP measures on a consolidated and operating segment basis assists investors in understanding the ongoing operating performance of Valvoline's business by presenting comparable financial results between periods. The non-GAAP information provided is used by Valvoline's management and may not be comparable to similar measures disclosed by other companies, because of differing methods used by other companies in calculating EBITDA, Adjusted EBITDA, free cash flow, Adjusted net and operating income, and Adjusted EPS. These non-GAAP measures provide a supplemental presentation of Valvoline's operating performance.

Due to depreciable assets associated with the nature of the Company's operations and interest costs related to Valvoline's capital structure, management believes EBITDA is an important supplemental measure to evaluate the Company's operating results between periods on a comparable basis.

Adjusted EBITDA, Adjusted net and operating income, and Adjusted EPS generally include adjustments for unusual, non-operational or restructuring-related activities, which impact the comparability of results between periods. Management believes these non-GAAP measures provide investors with a meaningful supplemental presentation of Valvoline's operating performance. These measures include adjustments for net pension and other postretirement plan expense/income, which includes several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets, as well as those that are predominantly legacy in nature and related to prior service to the Company from employees (e.g., retirees, former employees, current employees with frozen benefits). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) actuarial gains/losses, and (iv) amortization of prior service cost/credit. Significant factors that can contribute to changes in these elements include changes in discount rates used to remeasure pension and other postretirement obligations on an annual basis or upon a qualifying remeasurement, differences between actual and expected returns on plan assets, and other changes in actuarial assumptions, such as the life expectancy of plan participants. Accordingly, management considers that these elements are more reflective of changes in current conditions in global financial markets (in particular, interest rates) and are outside the operational performance of the business and are also primarily legacy amounts that are not directly related to the underlying business and do not have an immediate, corresponding impact on the compensation and benefits provided to eligible employees for current service. These measures include pension and other postretirement service costs related to current employee service as well as the costs of other benefits provided to employees for current service.

Management uses free cash flow as an additional non-GAAP metric 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. Unlike cash flow from operating activities, free cash flow includes the impact of capital expenditures, providing a supplemental view of cash generation. Free cash flow has certain limitations, including that it does not reflect adjustments for certain non-discretionary cash flows, such as mandatory debt repayments. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

Valvoline's results of operations are presented based on Valvoline's management structure and internal accounting practices. The structure and practices are specific to Valvoline; therefore, Valvoline's financial results, EBITDA, Adjusted EBITDA, free cash flow, Adjusted net and operating income and Adjusted EPS are not necessarily comparable with similar information for other comparable companies. EBITDA, Adjusted EBITDA, free cash flow, Adjusted net and operating income and Adjusted EPS each have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, or more meaningful than, net and operating income and cash flows from operating activities as determined in accordance with U.S. GAAP. Because of these limitations, one should rely primarily on net and operating income and cash flows provided from operating activities as determined in accordance with U.S. GAAP and use EBITDA, Adjusted EBITDA, free cash flow, Adjusted net and operating income and Adjusted EPS only as supplements. In evaluating EBITDA, Adjusted EBITDA, free cash flow, Adjusted net and operating income and Adjusted EPS, one should be aware that in the future Valvoline may incur expenses/income similar to those for which adjustments are made in calculating EBITDA, Adjusted EBITDA, free cash flow, Adjusted net and operating income and Adjusted EPS. Valvoline's presentation of EBITDA, Adjusted EBITDA, free cash flow, Adjusted net and operating income and Adjusted EPS should not be construed as a basis to infer that Valvoline's future results will be unaffected by unusual or nonrecurring items.

Key Business Measures

Valvoline tracks its operating performance and manages its business using certain key measures, including system-wide, company-owned and franchised store counts and same-store sales; Express Care store counts; lubricant volumes sold by unconsolidated joint ventures and total lubricant volumes sold; and percentage of premium lubricants sold. 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 sales and operating income, as determined in accordance with U.S. GAAP.

Sales in the Quick Lubes reportable segment 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 sales by U.S. Quick Lubes service center stores (company-owned, 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. Quick Lubes revenue is limited to sales at company-owned stores, sales of lubricants and other products to independent franchisees and Express Care operators and royalties and other fees from franchised stores. Although Valvoline does not recognize store-level sales from franchised or Express Care stores as revenue in its Statements of Consolidated Income, management believes system-wide and franchised SSS comparisons and store counts, in addition to Express Care store counts, are useful to assess the operating performance of the Quick Lubes reportable segment and the operating performance of an average Quick Lubes store.

Lubricant volumes sold by unconsolidated joint ventures are used to measure the operating performance of the International operating segment. Valvoline does not record lubricant sales from unconsolidated joint ventures as International reportable segment revenue. International revenue is limited to sales by Valvoline's consolidated affiliates. Although Valvoline does not record sales by unconsolidated joint ventures as revenue in its Statements of Consolidated Income, management believes lubricant volumes including and sold by unconsolidated joint ventures is useful to assess the operating performance of its investments in joint ventures.

Management also evaluates lubricant volumes sold in gallons by each of its reportable segments and premium lubricant percentage, defined as premium lubricant gallons sold as a percentage of segment U.S branded lubricant volumes for Quick Lubes and Core North America and as a percentage of total segment lubricant volume for the International segment. Premium lubricant products generally provide a higher contribution to segment profitability and the percentage of premium volumes is useful to evaluating and understanding Valvoline's operating performance.



ValvolineTM

