

ACCELERATING INTO THE FUTURE



## First Quarter Fiscal 2018 Earnings

Sam Mitchell, CEO

Mary Meixelsperger, CFO

Sean Cornett, Director of Investor Relations

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<http://investors.valvoline.com>



# Safe Harbor

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## Forward-Looking Statements

Certain statements in this presentation, other than statements of historical fact, including estimates, projections, statements related to our 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, including in the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections of our most recently filed periodic reports on Forms 10-K and Form 10-Q, which are available on Valvoline’s website at <http://investors.valvoline.com/sec-filings>. Valvoline assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

## 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 definition, calculation and reconciliation of non-GAAP measures can be found in the tables attached to Valvoline’s most recent earnings press release dated February 7, 2018, which is available on Valvoline’s website at <http://investors.valvoline.com/financial-reports/quarterly-reports>.

# First-Quarter Reported Results

(in millions, except per-share data)	Q1
Operating Income	\$88
Net Loss	\$10
Reported loss per share	\$0.05

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

### Pension-related items

- Pension income reclassified as non-operating; excluded from adjusted<sup>1</sup> results as a Key Item
  - Prior periods revised to conform
- Pension borrow-to-fund increasing interest expense

### Key items<sup>1</sup>

- Tax Reform<sup>2</sup> impacts: \$75 million reduction to net income
  - Remeasurement of deferred tax assets, deemed repatriation of foreign earnings: \$71 million
  - Tax Matters Agreement: \$4 million, net
- Pension income: \$10 million pre-tax
- Separation costs: \$2 million pre-tax

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

<sup>2</sup> The estimated net impact of the Tax Cuts and Jobs Act of 2017 (TCJA) may be refined in future periods as regulations and additional guidance become available.

# First-Quarter Adjusted<sup>1</sup> Results

(in millions, except per-share data)	Q1
Adjusted <sup>1</sup> Operating Income	\$97
Adjusted <sup>1</sup> EBITDA	\$108
Adjusted <sup>1</sup> EPS	\$0.29

## Q1 Fiscal 2018 Overview

- ✓ Adjusted<sup>1</sup> EBITDA consistent with expectations
- ✓ Sequential unit margin improvements
- ✓ Excellent performance in Quick Lubes; premium mix and volume gains
- ✓ Return of capital to shareholders – raised dividend, repurchased shares
- ✓ Increased share repurchase authorization in January

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

# Core North America

(YoY Change)	Q1
Total Volume	(1)%
Branded volume	Up slightly
Sales	+6%
Premium mix	47.8%, up 400 bps
EBITDA <sup>1</sup>	\$47 million, down \$(7) million

## Core North America steady progress on unit margins

### Volume and Mix

- Continued gains in premium mix
- Branded volume up slightly
- Non-branded volume declined due to promotional timing

### Unit margins and EBITDA

- Sequential unit margin improvement, continued progress expected in Q2
- YoY unit margin declines due to hurricane impacts on raw materials and to new packaging costs
- Planned increases in SG&A impacting EBITDA

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

# Innovation in Packaging and Products

## New Easy Pour Bottle



Faster. Cleaner. Proven.™

Now available in 18k+ DIY locations

## New Products for Today's Engines



EasyGDI™ product line  
for DIFM channels

Modern Engine synthetic  
motor oil for DIY

Designed to fight carbon buildup in vehicles  
2012 and newer

# Quick Lubes

(YoY Change)	Q1
SSS	+7.9%
Sales	+21%
EBITDA <sup>1</sup>	\$41 million, up \$7 million
VIOC Units (net added in period)	12

## Quick Lubes driving SSS growth from a strong base

### SSS Strength

- Excellent SSS growth on top of outstanding performance last year
  - Transactions and average ticket contributing
- Transactions driven by customer acquisition programs; average ticket improvements from pricing and in-store execution
- Overall Sales and EBITDA benefiting from recent acquisitions

### Store growth

- On track to deliver 23-25 new company stores and 25-35 new franchise stores this year
- Franchisees added 10 net new stores in Q1
- Opened 2 new company-owned stores in Q1

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

# International

## International volume growth continues

(YoY Change)	Q1
Volume	+4%
Volume with JVs	+9%
Sales	+12%
EBITDA <sup>1</sup>	\$20 million, down \$1 million

### Volume

- Strong volume growth in Europe and Latin America
- Volume in JVs with Cummins grew 16% to new record

### EBITDA

- Planned increases in SG&A impacting EBITDA
- Raw material and supply chain cost increases in certain markets
- Pricing actions implemented to pass through cost increases

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.



# Capital Allocation Framework

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## New share repurchase authorization

- \$300 million through fiscal 2020
- Begins after current \$150 million authorization is complete

## Balanced approach to capital allocation – growth and shareholder returns

1. Organic growth
2. Inorganic growth, primarily bolt-on quick lube acquisitions
3. Dividend growth<sup>1</sup>
4. Shares repurchases with excess cash

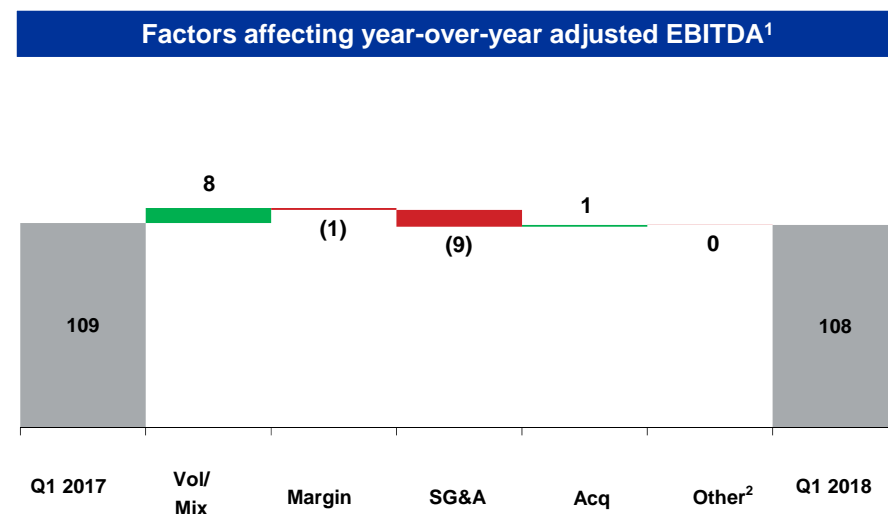
<sup>1</sup> Future declarations of dividends are subject to Board of Director approval and may be adjusted as business needs or market conditions change.

# Hands-on Highlights



# First-Quarter Financials

P&L Results and Ratios	Fiscal First Quarter Three months ended Dec 31,		
	2017	2016	Change
Lubricant gallons (in millions)	43.8	43.1	2 %
Sales	\$ 545	\$ 489	11 %
Gross profit as a percent of sales	35.8 %	37.8 %	(200) bp
Adjusted <sup>1</sup> SG&A	107	95	13 %
Equity and other income	9	10	(10) %
Adjusted <sup>1</sup> Operating income	\$ 97	\$ 100	(3) %
Depreciation and amortization	11	9	22 %
Adjusted <sup>1</sup> Earnings before interest, taxes, depreciation and amortization (EBITDA)	\$ 108	\$ 109	(1) %
<i>EBITDA as a percent of sales</i>	<i>19.8 %</i>	<i>22.3 %</i>	<i>(250) bp</i>
Adjusted <sup>1</sup> EPS	\$ 0.29	\$ 0.29	- %



<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

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

# Tax Reform

- 2-cent benefit to adjusted EPS in Q1
- Lower cash taxes beginning in 2019

## Valvoline is a net beneficiary of tax reform

### Lower effective tax rates

- Fiscal 2018 consolidated adjusted<sup>1</sup> effective tax rate of 27-28%
- Adjusted<sup>1</sup> effective tax rate of 25-26% assuming a full year of tax reform benefits
- Q1 effective tax rate of 111.9%; adjusted effective tax rate of 28.9%

### Cash tax benefits<sup>2</sup> driven by

- Lower rates
- 100% expensing of certain capital expenditures

### EPS benefits<sup>2</sup> from lower tax rates

<sup>1</sup> Adjusted effective tax rate is a forward-looking non-GAAP financial measure that Valvoline is unable to reconcile without unreasonable effort as described in Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.  
<sup>2</sup> The estimated net impact of the TCJA may be refined in future periods as regulations and additional guidance become available.

# First-Quarter Corporate Items

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- Cash flow from operating activities of \$20 million
  - YoY decline due primarily to the timing of settlements for working capital
- Capital expenditures totaled \$14 million
- Free cash flow<sup>1</sup> generation of \$6 million
- Total debt of ~\$1.2 billion and net debt of ~\$1.1 billion

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

# Fiscal 2018 Guidance

- Adjusted<sup>1</sup> EPS increasing to \$1.30 - \$1.38 reflecting tax reform benefits
- Revenue and same-store sales growth increasing
- Maintaining adjusted<sup>1</sup> EBITDA range

	<u>Updated Outlook</u>	<u>Prior Outlook</u>
<b>Operating Segments</b>		
• Lubricant Gallons	No change	3-4%
• Revenues	10-12%	7-9%
• VIOC Company Stores (excluding franchise conversions)	No change	23-25
• VIOC Franchised Stores (excluding franchise conversions)	No change	25-35
• VIOC same-store sales	5-7%	4-6%
• Adjusted EBITDA <sup>1</sup> (excluding pension & OPEB income)	No change	\$480-\$500 million
<b>Corporate Items</b>		
• Pension & OPEB Income	No change	\$40 million
• Adjusted effective tax rate	27-28%	34-35%
• Diluted adjusted EPS <sup>1</sup> (excluding pension & OPEB income)	\$1.30-\$1.38	\$1.20-\$1.28
• Capital expenditures	No change	\$80-90 million
• Free cash flow <sup>1</sup> (inclusive of cash tax benefit for pension funding)	No change	\$260-\$290 million

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP and a discussion of forward-looking non-GAAP financial measures that Valvoline is unable to reconcile without unreasonable effort, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

# First-Quarter Summary

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Executing against our core priorities to accelerate growth

## On track to meet our fiscal 2018 goals

- ✓ Good start to the year
- ✓ Excellent performance in Quick Lubes; raising SSS guidance
- ✓ Committed to returning capital to shareholders

# Appendix

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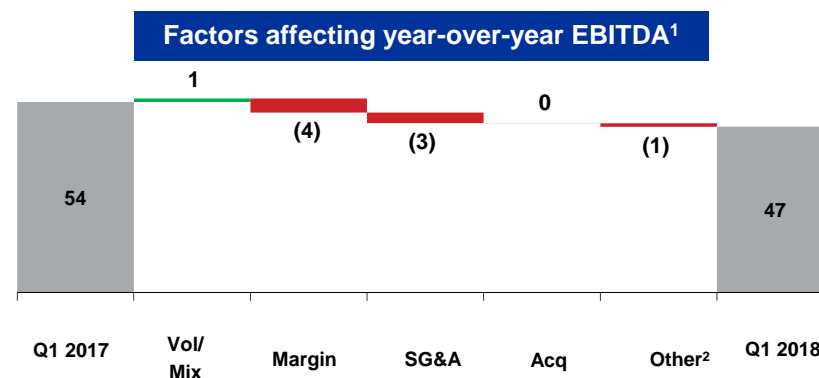
# Key Items<sup>1</sup> Affecting Income

(\$ in millions, except per-share data) Preliminary		First Quarter Impact		
		Operating Income	Total	
2018	Pre-tax		After-tax	
Tax Reform: remeasurements and deemed repatriation	\$ -	-	(71)	(0.35)
Tax Reform: Tax Matters Agreement	\$ (7)	(7)	(4)	(0.02)
Separation Costs	\$ (2)	(2)	(1)	(0.00)
Pension & OPEB income	\$ 10	10	7	0.03
<b>Total</b>	<b>\$ 1</b>	<b>\$ 1</b>	<b>\$ (69)</b>	<b>\$ (0.34)</b>
2017				
Pension & OPEB income & remeasurements	\$ 26	\$ 26	\$ 16	\$ 0.08
Separation Costs	\$ (6)	\$ (6)	\$ (4)	\$ (0.02)
<b>Total</b>	<b>\$ 20</b>	<b>\$ 20</b>	<b>\$ 12</b>	<b>\$ 0.06</b>

<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

# Core North America

(\$ in millions) Preliminary	Fiscal First Quarter Three months ended Dec. 31,		
	2017	2016	Change
Lubricant gallons (in millions)	23.8	24.1	(1) %
Sales	\$ 251	\$ 237	6 %
Operating income	\$ 43	\$ 51	(16) %
Depreciation and amortization	4	3	33 %
EBITDA <sup>1</sup>	\$ 47	\$ 54	(13) %
<i>EBITDA as a percent of sales</i>	<i>18.7 %</i>	<i>22.8 %</i>	<i>(410) bp</i>

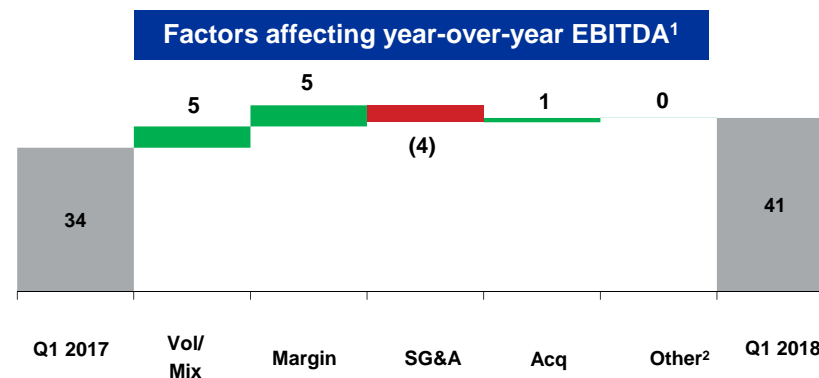


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<sup>2</sup> Other includes foreign exchange impacts as well as equity, royalty, and other income/expense.

# Quick Lubes

(\$ in millions) Preliminary	Fiscal First Quarter Three months ended Dec. 31,		
	2017	2016	Change
Lubricant gallons (in millions)	5.7	5.3	8 %
Sales	\$ 154	\$ 127	21 %
Operating income	\$ 35	\$ 29	21 %
Depreciation and amortization	6	5	20 %
EBITDA <sup>1</sup>	\$ 41	\$ 34	21 %
<i>EBITDA as a percent of sales</i>	26.6 %	26.8 %	(20) bp

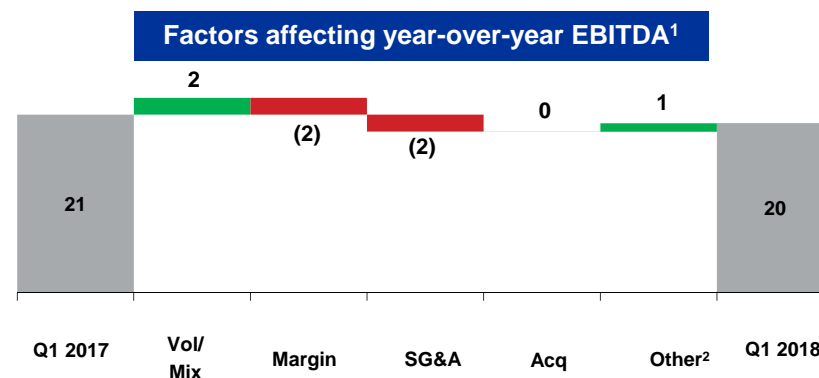


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<sup>2</sup> Other includes foreign exchange impacts as well as equity, royalty, and other income/expense.

# International

(\$ in millions) Preliminary	Fiscal First Quarter Three months ended Dec. 31,		
	2017	2016	Change
Lubricant gallons (in millions)	14.3	13.7	4 %
Sales	\$ 140	\$ 125	12 %
Operating income	\$ 19	\$ 20	(5) %
Depreciation and amortization	1	1	- %
EBITDA <sup>1</sup>	\$ 20	\$ 21	(5) %
<i>EBITDA as a percent of sales</i>	14.3 %	16.8 %	(250) bp



<sup>1</sup> For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to Valvoline's earnings release dated February 7, 2018, available on Valvoline's website at <http://investors.valvoline.com>.

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

# Fiscal 2018 Presentation of Fiscal 2017 Adjusted Results

Results for fiscal 2017 below reflect adjustments for Key Items as previously reported but now includes the addition of Pension and other post-retirement plan non-service income, which is treated as a Key Item beginning in fiscal 2018

	Quarters ended				Fiscal 2017
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	
Reported net income	\$ 72	\$ 71	\$ 56	\$ 105	\$ 304
<i>Adjustments</i>					
Gain on pension and other postretirement plan remeasurements	(8)	-	-	(60)	(68)
Pension and other postretirement plan non-service income	(18)	(17)	(17)	(18)	(70)
Separation costs	6	6	15	5	32
Adjustments associated with Ashland tax indemnity	-	-	(2)	(14)	(16)
Other adjustments	-	-	-	(5)	(5)
Total adjustments, pre-tax	(20)	(11)	(4)	(92)	(127)
Income tax expense of adjustments	8	5	7	43	63
Total adjustments, after tax	(12)	(6)	3	(49)	(64)
Adjusted net income	\$ 60	\$ 65	\$ 59	\$ 56	\$ 240
Reported diluted earnings per share	\$ 0.35	\$ 0.35	\$ 0.27	\$ 0.52	\$ 1.49
Adjusted diluted earnings per share	\$ 0.29	\$ 0.32	\$ 0.29	\$ 0.28	\$ 1.18
Weighted average diluted common shares outstanding	205	205	204	203	204

# ACCELERATING INTO THE FUTURE

