Fourth-Quarter Fiscal 2020 Earnings

October 29, 2020

Sam Mitchell, CEO
Mary Meixelsperger, CFO
Sean Cornett, Investor Relations

Valvoline™

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 Forms 10-K and Forms 10-Q, all of 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.

Fourth-Quarter & FY20 Results

Reported Results

(in millions, except per-share data)	Q4	FY20
Operating income	$176	$485
Net income	$122	$317
EPS (diluted)	$0.66	$1.69

Full-year cash flow from operating activities of $372 million

Adjusted[1] Results

(in millions, except per-share data)	Q4	FY20
Adjusted[1] Operating income	$132	$444
Adjusted[1] EBITDA	$150	$510
Adjusted[1] EPS (diluted)	$0.46	$1.48

Full-year free cash flow of $221 million

Key items[1] in Q4

- Net pension and OPEB impacts, including mark-to-market remeasurements: $24 million after-tax income
- Benefits policy change (compensated absences): $9 million after-tax benefit
- Tax-related key items: $30 million pre-tax; $2 million after-tax benefit
- Restructuring and related expenses: $1 million after-tax benefit
- Business interruption recovery: $1 million after-tax income

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

Strong FY20; Momentum into FY21

- Fiscal 2020 – YoY growth in profitability, despite COVID-19 impacts

(in millions, except per-share data)	Q1	Q2	Q3	Q4	FY20	FY20 YoY
Revenue	$607	$578	$516	$652	$2,353	(2%)
Adjusted[1] EBITDA	$120	$134	$106	$150	$510	7%
Adjusted[1] EPS	$0.35	$0.39	$0.28	$0.46	$1.48	6%

- Fiscal 2021 Outlook – Accelerating strategic shift to services
  - Revenue growth of 12 – 14%
  - Adjusted EBITDA growth of 10 – 14%

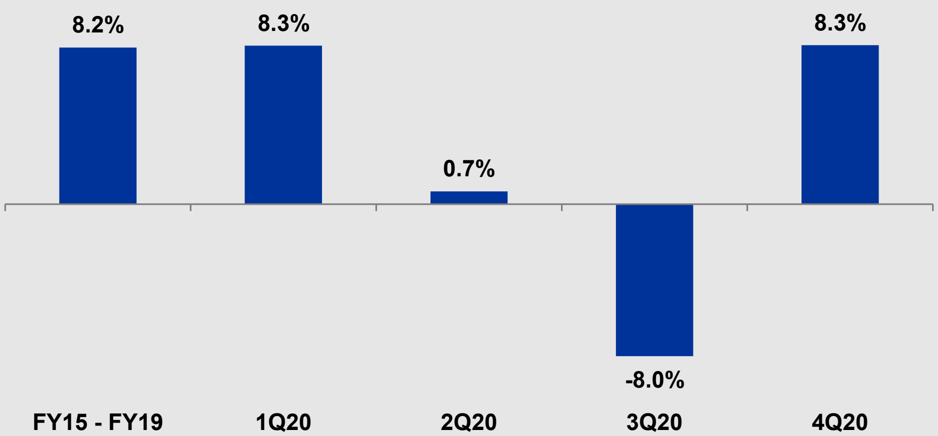
1 For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

Overview

Resilient business model	Results exceeded expectations	FY20 results & FY21 Outlook
• Substantial sequential improvements in profitability across all segments in Q4 • YoY growth in adjusted EBITDA across all segments in Q4	• Adjusted EBITDA – Q4 up 16%; FY20 up 7% • Adjusted EPS – Q4 up 15%; FY20 up 6%	• Portfolio drove growth in FY20, despite COVID-19 challenges • Positioned for accelerating growth in FY21; Quick Lubes 50+% of adjusted EBITDA

Quick Lubes – Q4 and FY20

System-wide SSS[1]



- Q4 system-wide SSS back to pre-COVID-19 growth rates
  - Share gains and ticket offsetting lower miles driven
  - YoY net sales up 14%, EBITDA up 16%
- 14th year of SSS growth

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

Unit Growth

- 30 net new units added in Q4
  - 22 newly built company-owned stores
- FY20 ending store count 1,462
  - 6% YoY increase in units
  - 36 newly built company-owned stores
- Recent acquisition announcements for FY21
  - 26 net new company-owned stores in Texas, Idaho
  - 21 franchise-to-company conversions in Kansas, Missouri

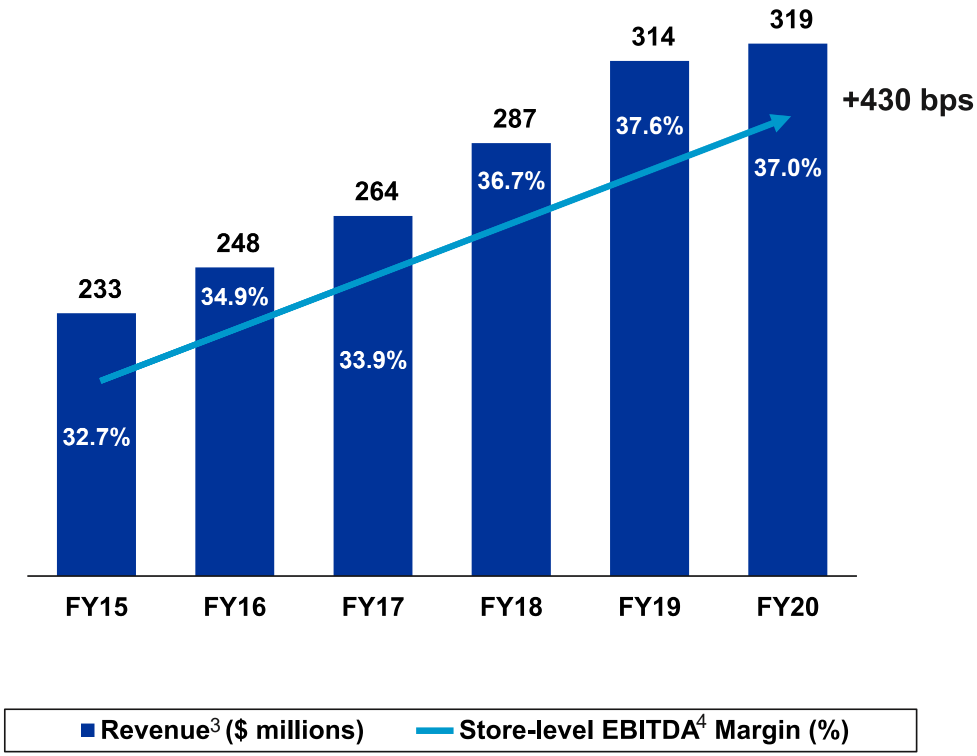
Quick Lubes – FY21 Outlook: SSS and Leverage

Continued System-wide SSS[1] Growth

- FY21 System-wide SSS growth: 12 - 14%
  - Normalized[2] SSS growth of 6-8%
  - ~100 bps contribution to normalized SSS from FY18, FY19 new company stores

- SSS driving leverage in core stores

SSS[1] Leverage in Core Stores



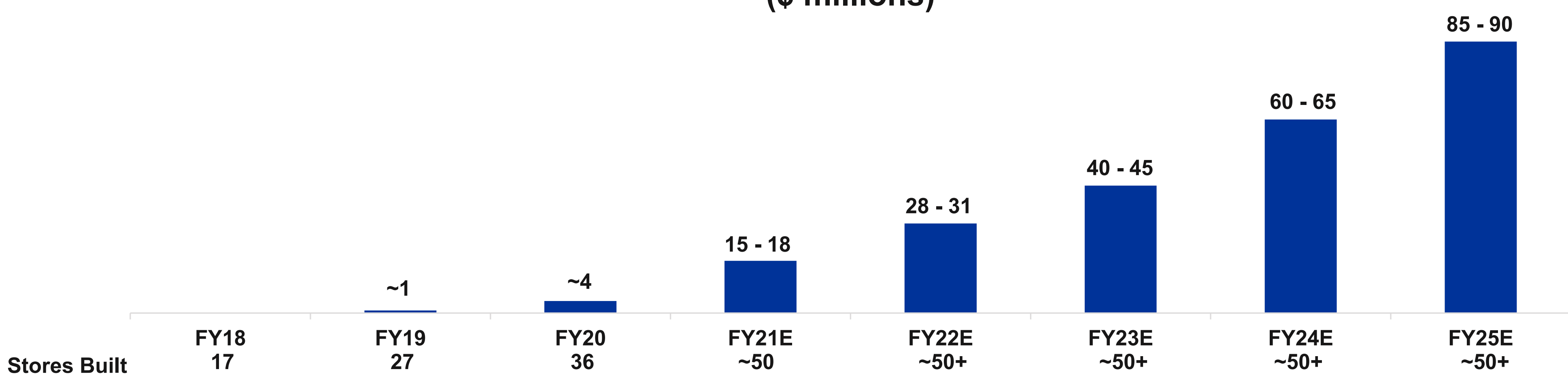
1 For a discussion of management's use of Key Business Measures, please refer to the Appendix.
2 Same-store sales growth excluding estimated COVID-19 impacts in March - May 2020 period; based on average two-year same-store sales growth between fiscal 2020 and 2021 outlook.
3 FY16 company same-store base of 270 stores used for all fiscal years. Store level EBITDA based on company estimates.
4 Excludes segment and corporate SG&A allocations.

Quick Lubes – FY21 Outlook: Unit Growth

- FY21 unit additions: 140 – 160
  - Company-owned stores: ~50 newly built
  - Franchise: 30 – 40 additions
  - Acquisitions: 26 announced, 30 – 40 incremental

- Newly built stores expected to drive substantial EBITDA growth

Cumulative EBITDA Contribution from Newly-constructed Company Stores[1]
($ millions)



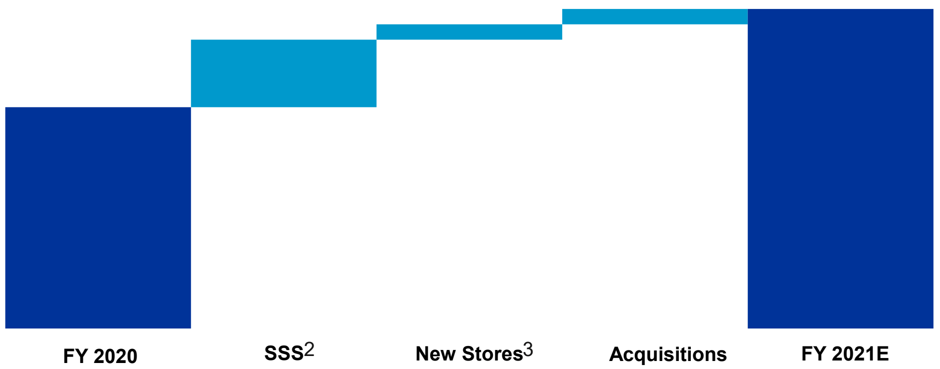
1 Store-level EBITDA ramp based on internal estimates for newly-built company stores opened between FY18 and FY20 and those anticipated to be built between FY21 and FY25

Quick Lubes Growth Levers for FY21 and Beyond

Multiple levers for long-term growth

- System-wide SSS[1]
- New stores – company and franchise
- Acquisitions

Projected Drivers of YoY Adjusted EBITDA Growth



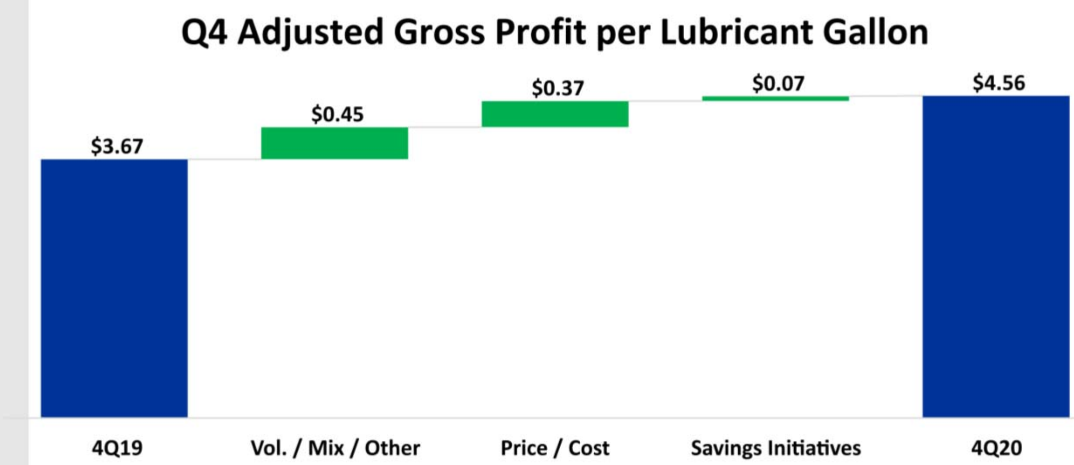
Substantial top- and bottom-line growth from multiple drivers

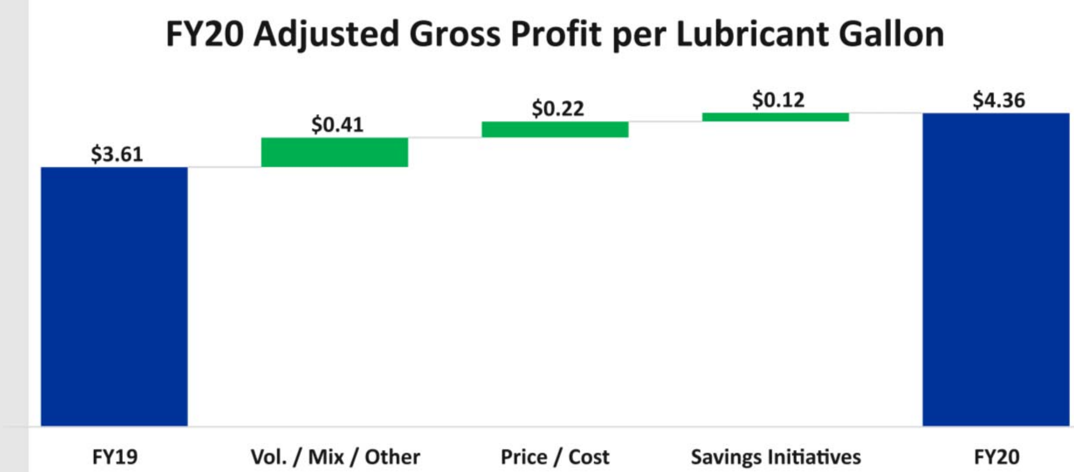
1 For a discussion of management's use of Key Business Measures, please refer to the Appendix.
2 System-wide same-store sales excluding FY18 and FY19 new company stores
3 Includes newly opened company and franchise stores

Core North America – Q4 and FY20

- Volume performance
  - Retail Channel
    - YoY volume up modestly in Q4
    - FY20 volume flat
  - Installer Channel
    - Substantial sequential improvement in Q4
    - COVID-19 recovery continues to build

- Margin improvement
  - Favorable channel, product mix
  - Price cost lag benefits
  - Operating expense savings initiative





Core North America – FY21 Outlook

Retail channel

- Expect ~flat volume YoY
  - Solid merchandising and promotional plans in place
- Macro DIY category expected to be consistent with long-term trends
  - Continued shift to synthetics

Installer channel

- Expect YoY volume growth
  - Continued recovery from COVID-19
  - Winning new customers with value-added selling approach
- Completed renewals with key national accounts

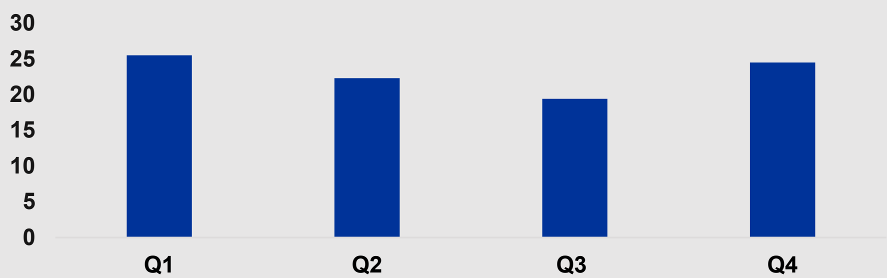
Modest volume growth; Unit margins remain solid

International – Q4 and FY20

Volume Including JVs[1]

- Q4 performance:
  - Strong sequential improvement in all regions
  - YoY declines in Latin America, EMEA, India
  - YoY growth in China and Australia
- FY20 performance:
  - YoY growth in China
  - YoY declines led by Latin America and India

FY20 International Volume with JVs
(gallons, in millions)



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

Adjusted EBITDA

- Q4 YoY growth:
  - Favorable geographic mix
  - Improved margins and contribution from JVs
- FY20 impacted by COVID-19:
  - Lower volume
  - Lower contribution from JVs

International – FY21 Outlook

Focus on reigniting profitable growth

Expect volume[1] growth across regions	China plant	Investing for future growth
• Significant YoY improvement • Lingering COVID-19 impacts in certain regions	• Online by December, fully operational by end of FY21 • Ramp costs expected in FY21	• Channel development – field salesforce and service platforms • Brand building – Original Motor Oil campaign and Sevilla FC

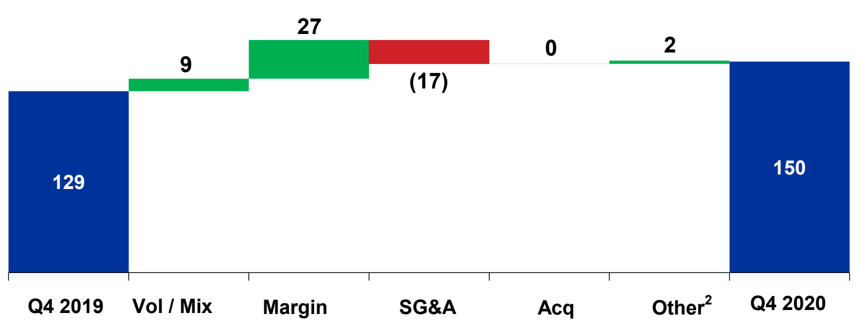
Low double-digit volume growth[1]; EBITDA growth moderated by channel, brand building investments

1 Volume is inclusive of JVs.

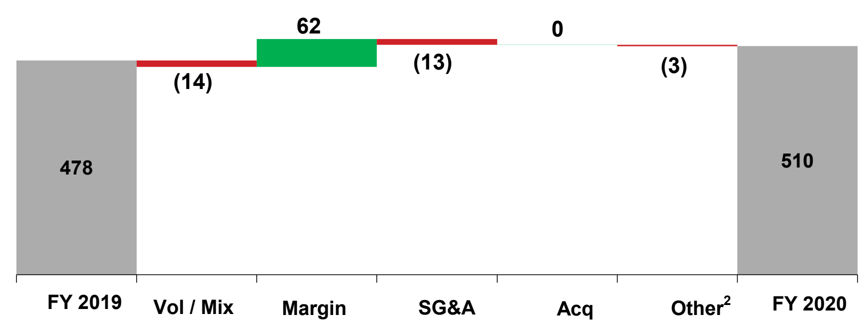
Fourth-Quarter & FY20 Financials

($ in millions, except per-share data) Preliminary and unaudited	Fiscal Fourth Quarter Three months ended Sept. 30,			Fiscal Year Twelve months ended Sept. 30,		
Adjusted[1] P&L Results and Ratios	2020	2019	Change	2020	2019	Change
Lubricant gallons (in millions)	46.2	46.4	- %	168.0	178.4	(6) %
Sales	$ 652	$ 629	4 %	$ 2,353	$ 2,390	(2) %
Gross profit as a percent of sales[1]	38.8 %	34.5 %	430 bp	36.5 %	34.1 %	240 bp
SG&A[1]	130	113	15 %	447	435	3 %
Equity and other income[1]	9	7	29 %	33	36	(8) %
Adjusted[1] operating income	$ 132	$ 111	19 %	$ 444	$ 417	6 %
Depreciation and amortization	18	18	- %	66	61	8 %
Adjusted[1] Earnings before interest, taxes, depreciation and amortization (EBITDA)	$ 150	$ 129	16 %	$ 510	$ 478	7 %
Adjusted[1] EBITDA as a percent of sales	*23.0 %*	*20.5 %*	*250 bp*	*21.7 %*	*20.0 %*	*170 bp*
Adjusted[1] EPS	$ 0.46	$ 0.40	15 %	$ 1.48	$ 1.39	6 %

Factors affecting year-over-year adjusted EBITDA[1]



Factors affecting year-over-year adjusted EBITDA[1]



1. For 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.

Corporate Items

- Net interest and other financing expense of $20 million in Q4, up $2 million YoY
- Net interest and other financing expense of $93 million in FY20, up $20 million YoY

- Effective tax rate of 35.1% in Q4; adjusted[1] effective tax rate of 24.1%
- Full-year effective tax rate of 29.7%; adjusted[1] effective tax rate of 24.9%

- Total net pension and OPEB obligations of $328 million as of Sept. 30, with a total funded status of 86% (93% for U.S. qualified plans)

- Full-year cash flow from operating activities of $372 million, YoY increase driven by higher earnings
- Full-year capital expenditures of $151 million; full-year free cash flow[1] generation of $221 million

- Total liquidity of ~$1.3 billion, including $760 million of cash and cash equivalents

- Total debt of ~$2 billion and net debt of ~$1.2 billion remain steady

- $144 million returned to shareholders via dividends and share repurchases

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

Fiscal 2021 Guidance

- Low double-digit adjusted[1] EBITDA growth
- Quick Lubes momentum expected to continue
  - Strong system-wide SSS[1] and unit growth
- Increase in CapEx from store additions

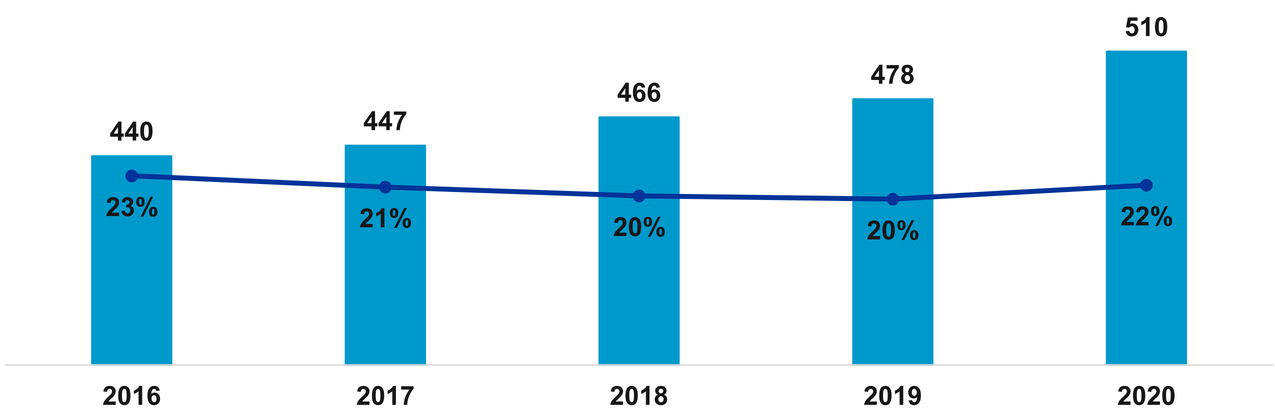
	2021 Outlook
Operating Segments	
• Sales growth	14 - 16%
• New Quick Lube stores (includes company-owned, franchise and acquisitions)	140 - 160
• Quick Lubes system-wide SSS[1] growth	12 - 14%
• Normalized[2] system-wide SSS growth	6 – 8%
• Adjusted[1] EBITDA (excluding pension & OPEB income)	\$560 - \$580 million
Corporate Items	
• Adjusted[1] effective tax rate	25-26%
• Diluted adjusted[1] EPS	\$1.57 - \$1.67
• Capital expenditures	\$160 - \$170 million
• Free cash flow[1]	\$200 - \$220 million

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

Summary – FY20 Performance

- FY20 results demonstrated accelerating growth in a challenging environment
  - Diversified product and service offerings drive durable growth
  - 20% or higher adjusted EBITDA margins
  - ROIC consistently above 20%

Adjusted[1] EBITDA and Margin
($ millions, % sales)



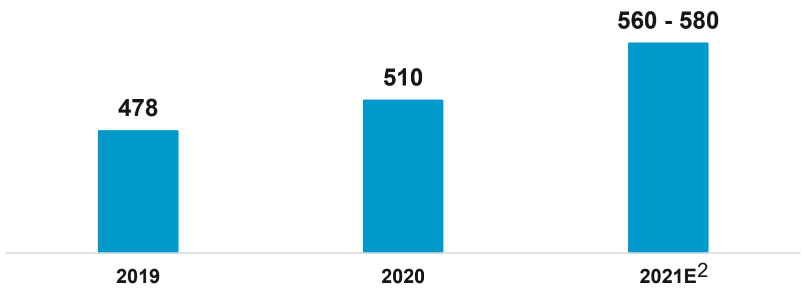
1 For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

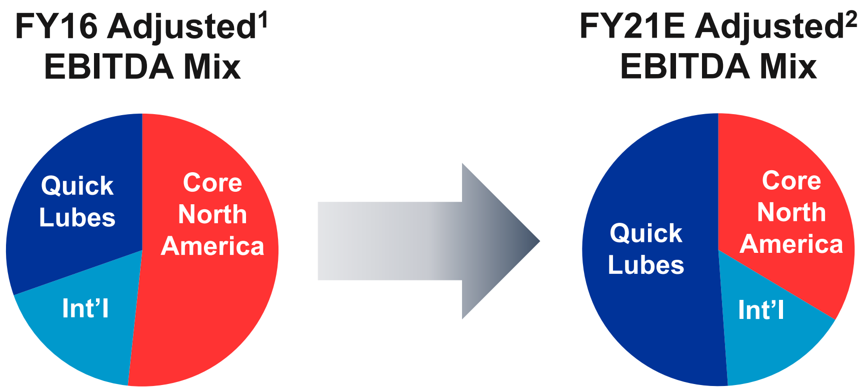
Summary – FY21 and Beyond

Expect FY21 to be an inflection point

- Quick Lubes becomes 50+% of total adjusted EBITDA mix
- Core NA fundamentals strengthening
- International returns to growth

Adjusted[1] EBITDA
($ millions)





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

Segment Results Summary

Quick Lubes

(YoY change)	Q4	FY20
SSS[1] (system-wide)	8.3%	2.3%
Sales	+14%	+7%
Net new stores[2] (company/franchised)	30	77
Adjusted[1] EBITDA	$67 million, up 16%	$212 million, down 1%

Core North America

(YoY change)	Q4	FY20
Total Volume	-3%	-8%
Sales	-3%	-5%
Premium mix	58.9%, up 530 bps	58.0%, up 540 bps
Adjusted[1] EBITDA	$62 million, up 29%	$218 million, up 25%

International

(YoY change)	Q4	FY20
Volume	-2%	-6%
Volume with JVs[1]	-1%	-7%
Sales	-1%	-9%
Adjusted[1] EBITDA	$25 million, up 9%	$80 million, down 11%

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 Net new stores added in the current quarter.

Key Items[1] Affecting Income

($ in millions, except per-share data) Preliminary and unaudited Fiscal 2020	Fourth-Quarter Impact Operating Income	Total Pre-tax	After-tax	Earnings per Share
Net Pension & OPEB expense	$ -	$ 32	$ 24	$ 0.13
Legacy and separation-related costs, net	$ 30	$ 30	$ -	$ -
Compensated absences benefits change	$ 11	$ 11	$ 9	$ 0.04
Business interruption recovery	$ 2	2	1	0.01
Restructuring and related income	$ 1	1	1	0.01
Income tax adjustments	$ -	-	2	0.01
Total	$ 44	$ 76	$ 37	$ 0.20
Fiscal 2019				
Pension & OPEB expense	$ -	$ (67)	$ (50)	$ (0.27)
Acquisition- and divestiture-related income	$ 4	$ 4	$ 4	$ 0.02
Restructuring and related expenses	$ (2)	$ (2)	$ (2)	$ (0.01)
Total	$ 2	$ (65)	$ (48)	$ (0.26)

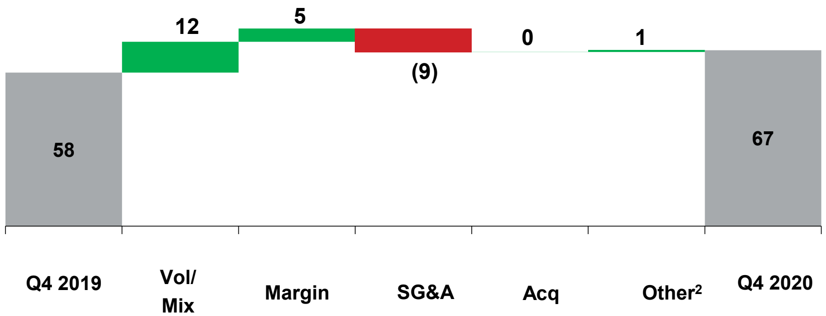
1 For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix

Quick Lubes

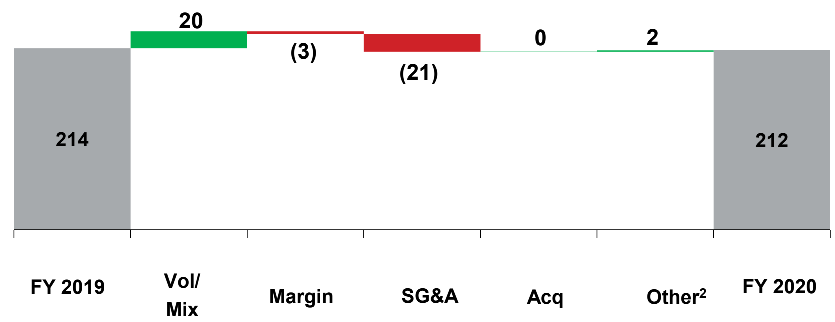
($ in millions) Preliminary and unaudited	Fiscal Fourth Quarter Three months ended Sept. 30, 2020	2019	Change
Lubricant gallons (in millions)	8.3	7.4	12 %
Sales	$ 254	$ 222	14 %
Adjusted[1] Operating income	$ 55	$ 48	15 %
Depreciation and amortization	12	10	20 %
Adjusted[1] EBITDA	$ 67	$ 58	16 %
Adjusted EBITDA as a percent of sales	*26.4 %*	*26.1 %*	*30 bp*

Fiscal Year Twelve months ended Sept. 30, 2020	2019	Change
28.9	28.1	3 %
$ 883	$ 822	7 %
$ 169	$ 178	(5) %
43	36	19 %
$ 212	$ 214	(1) %
24.0 %	*26.0 %*	*(200) bp*

Factors affecting year-over-year Adjusted[1] EBITDA



Factors affecting year-over-year Adjusted[1] EBITDA



1 For 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.

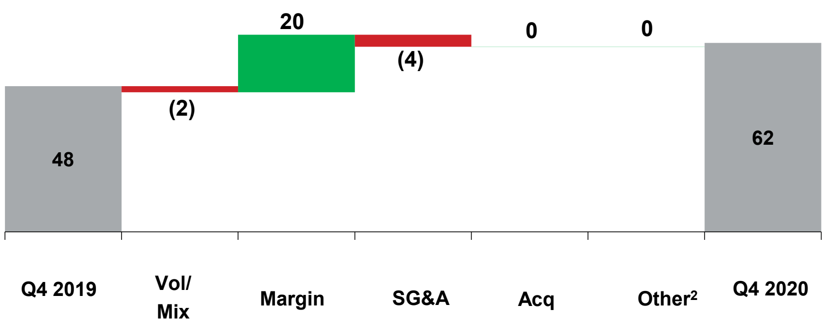
Valvoline.

Core North America

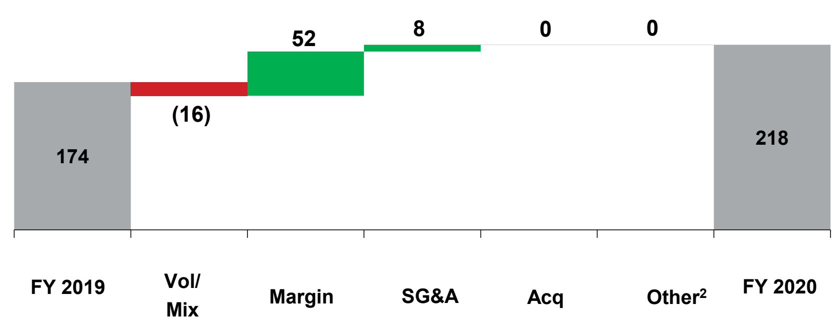
($ in millions) Preliminary an unaudited	Fiscal Fourth Quarter Three months ended Sept. 30,		
	2020	2019	Change
Lubricant gallons (in millions)	23.1	23.9	(3) %
Sales	$ 252	$ 259	(3) %
Adjusted[1] Operating income	$ 58	$ 43	35 %
Depreciation and amortization	4	5	(20) %
Adjusted[1] EBITDA	$ 62	$ 48	29 %
Adjusted [1] EBITDA as a percent of sales	*24.6 %*	*18.5 %*	*610 bp*

Fiscal Year Twelve months ended Sept. 30,		
2020	2019	Change
84.4	92.1	(8) %
$ 945	$ 994	(5) %
$ 202	$ 156	29 %
16	18	(11) %
$ 218	$ 174	25 %
23.1 %	*17.5 %*	*560 bp*

Factors affecting year-over-year Adjusted[1] EBITDA



Factors affecting year-over-year Adjusted[1] EBITDA

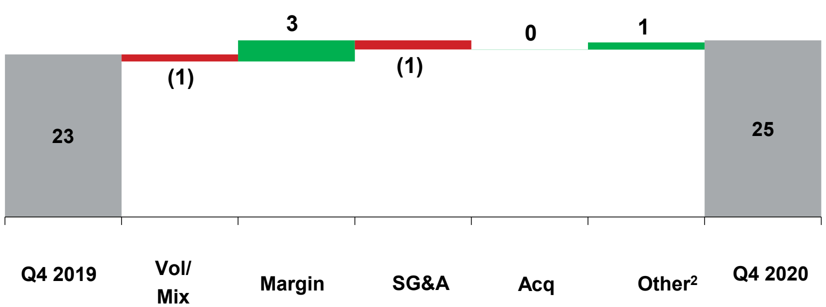


1 For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix
2 Other includes foreign exchange impacts as well as equity, royalty, and other income/expense.

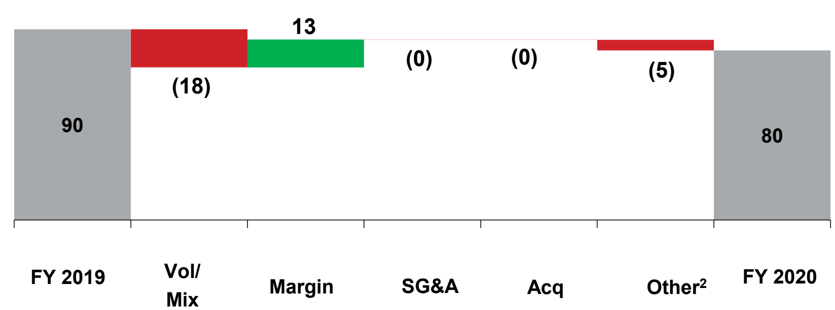
International

($ in millions) Preliminary and unaudited	Fiscal Fourth Quarter Three months ended Sept. 30, 2020	2019	Change	Fiscal Year Twelve months ended Sept. 30, 2020	2019	Change
Lubricant gallons (in millions)	14.8	15.1	*(2) %*	54.7	58.2	*(6) %*
Sales	$ 146	$ 148	*(1) %*	$ 525	$ 574	*(9) %*
Adjusted[1] Operating income	$ 23	$ 20	*15 %*	$ 73	$ 83	*(12) %*
Depreciation and amortization	2	3	*(33) %*	7	7	*- %*
Adjusted[1] EBITDA	$ 25	$ 23	*9 %*	$ 80	$ 90	*(11) %*
Adjusted EBITDA as a percent of sales	*17.1 %*	*15.5 %*	*160 bp*	*15.2 %*	*15.7 %*	*(50) bp*

Factors affecting year-over-year Adjusted[1] EBITDA



Factors affecting year-over-year Adjusted[1] EBITDA



1 For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix
2 Other includes revenue recognition and foreign exchange impacts as well as equity, royalty, and other income/expense.

Valvoline.

Reconciliation of Valvoline Historical EBITDA

	For the years ended September 30				
(in millions)	2016	2017	2018	2019	2020
Net Income	$ 273	$ 304	$ 166	$ 208	$ 317
Income tax expense	148	186	166	57	134
Net interest and other financing expenses	9	42	63	73	93
Depreciation and amortization	38	42	54	61	66
EBITDA	468	574	449	399	610
Net Pension and other postretirement plan expense (income)	(35)	(138)	-	60	(59)
Net legacy and separation-related expenses (income)	6	11	14	3	(30)
Compensated absences benefits change	-	-	-	-	(11)
Business interruption expenses (recovery)	-	-	-	6	(2)
Acquisition and divestiture related costs (income)	1	-	3	(4)	2
Restructuring and related expenses	-	-	-	14	-
Adjusted EBITDA	$ 440	$ 447	$ 466	$ 478	$ 510

Reconciliation of Non-GAAP Data – Net Income and EPS

	Three months ended September 30		Year ended September 30	
	2020	2019	2020	2019
Reported net income	$ 122	$ 27	$ 317	$ 208
Adjustments:				
Net pension and other postretirement plan (income) expenses	(32)	67	(59)	60
Net legacy and separation-related (income) expenses	(30)	—	(30)	3
Compensated absences benefits change [(a) (b)]	(11)	—	(11)	—
Debt extinguishment and modification costs	—	—	19	—
Business interruption (recovery) expenses [(a) (c)]	(2)	—	(2)	6
Acquisition and divestiture-related (income) costs [(b) (c)]	—	(4)	2	(4)
Restructuring and related (income) expenses [(b)]	(1)	2	—	14
Total adjustments, pre-tax	(76)	65	(81)	79
Income tax expense (benefit) of adjustments	41	(17)	42	(22)
Income tax adjustments [(d)]	(2)	—	—	(2)
Total adjustments, after tax	(37)	48	(39)	55
Adjusted net income	$ 85	$ 75	$ 278	$ 263
Reported diluted earnings per share	$ 0.66	$ 0.14	$ 1.69	$ 1.10
Adjusted diluted earnings per share	$ 0.46	$ 0.40	$ 1.48	$ 1.39
Weighted average diluted common shares outstanding	186	189	188	189

(a) Business interruption expenses incurred in fiscal 2019 and $5 million of the compensated absences policy change adjustment in fiscal 2020 were included in Cost of sales within the Statements of Consolidated Income. Reported and adjusted consolidated gross profit as a percent of sales were 39.6% and 38.8%, respectively, for the three months ended September 30, 2020; 36.7% and 36.5%, respectively, for the year ended September 30, 2020; and 33.9% and 34.1%, respectively, for the year ended September 30, 2019.

(b) Pre-tax adjustments of $6 million associated with the compensated absences policy change, in addition to $1 million of acquisition-related costs and restructuring and related activity were recorded in Selling, general and administrative expenses as reported within the Statements of Consolidated Income. Adjusted Selling, general and administrative expenses for the three months and year ended September 30, 2020 were $130 million and $447 million, respectively, and $113 million and $435 million for the three months and year ended September 30, 2019, respectively.

(c) Business interruption recovery and certain acquisition and divestiture-related adjustments were recorded in Equity and other income, net, as reported within the Statements of Consolidated Income. Adjusted Equity and other income, net, was $9 million and $33 million for the three months and year ended September 30, 2020, respectively, and $7 million and $36 million for the three months and year ended September 30, 2019, respectively.

(d) Income tax adjustments primarily relate to the discrete impacts associated with tax legislation changes in the U.S. and India in fiscal 2020 and in Kentucky in fiscal 2019.

Reconciliation of Non-GAAP Data - Adjusted EBITDA FY20

	Three months ended September 30 2020	Three months ended September 30 2019	Year ended September 30 2020	Year ended September 30 2019
Adjusted EBITDA - Valvoline				
Net income	$ 122	$ 27	$ 317	$ 208
Add:				
Income tax expense	66	1	134	57
Net interest and other financing expenses	20	18	93	73
Depreciation and amortization	18	18	66	61
EBITDA	226	64	610	399
Key items: [a]				
Net pension and other postretirement plan (income) expenses	(32)	67	(59)	60
Net legacy and separation-related (income) expenses	(30)	—	(30)	3
Compensated absences benefits change	(11)	—	(11)	—
Business interruption (recovery) expenses	(2)	—	(2)	6
Acquisition and divestiture-related (income) costs	—	(4)	2	(4)
Restructuring and related (income) expenses	(1)	2	—	14
Adjusted EBITDA	$ 150	$ 129	$ 510	$ 478
Adjusted EBITDA - Quick Lubes				
Operating income	$ 55	$ 48	$ 169	$ 178
Key item: [a]				
Business interruption expenses	—	—	—	—
Adjusted operating income	55	48	169	178
Add:				
Depreciation and amortization	12	10	43	36
Adjusted EBITDA	$ 67	$ 58	$ 212	$ 214
Adjusted EBITDA - Core North America				
Operating income	$ 58	$ 43	$ 202	$ 152
Key item: [a]				
Business interruption expenses	—	—	—	4
Adjusted operating income	58	43	202	156
Add:				
Depreciation and amortization	4	5	16	18
Adjusted EBITDA	$ 62	$ 48	$ 218	$ 174

	Three months ended September 30 2020	Three months ended September 30 2019	Year ended September 30 2020	Year ended September 30 2019
Adjusted EBITDA - International				
Operating income	$ 23	$ 24	$ 73	$ 85
Key items: [a]				
Business interruption expenses	—	—	—	2
Acquisition and divestiture-related income	—	(4)	—	(4)
Adjusted operating income	23	20	73	83
Add:				
Depreciation and amortization	2	3	7	7
Adjusted EBITDA	$ 25	$ 23	$ 80	$ 90
Adjusted EBITDA - Unallocated and other				
Operating income (loss)	$ 40	$ (2)	$ 41	$ (17)
Add:				
Depreciation and amortization	—	—	—	—
Net pension and other postretirement plan income (expenses)	32	(67)	59	(60)
EBITDA	72	(69)	100	(77)
Key items: [a]				
Net pension and other postretirement plan (income) expenses	(32)	67	(59)	60
Net legacy and separation-related (income) expenses	(30)	—	(30)	3
Compensated absences benefits change	(11)	—	(11)	—
Business interruption (recovery) expenses	(2)	—	(2)	—
Acquisition and divestiture-related costs	—	—	2	—
Restructuring and related (income) expenses	(1)	2	—	14
Adjusted EBITDA	$ (4)	$ —	$ —	$ —

(a) Key items were recorded in operating segment results and Unallocated and other. The tables above reconcile consolidated reported net income to EBITDA and adjusted EBITDA, as well as operating segment reported operating income to adjusted operating income and adjusted EBITDA. Refer to Table 4 for the reconciliation of operating income to EBITDA for each operating segment. The tables above also reconcile operating income (loss) for Unallocated and other and relevant other items reported below operating income (loss) to EBITDA and Adjusted EBITDA.

Valvoline

Reconciliation of Non-GAAP Data – Free Cash Flow

Free cash flow [a]	Year ended September 30 2020	2019
Total cash flows provided by operating activities	$ 372	$ 325
Adjustments:		
Additions to property, plant and equipment	(151)	(108)
Free cash flow	$ 221	$ 217

Free cash flow [a]	Fiscal year 2021 Outlook
Total cash flows provided by operating activities	$370 - $380
Adjustments:	
Additions to property, plant and equipment	(160 - 170)
Free cash flow	$200 - $220

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

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, non-GAAP basis. These non-GAAP measures are not defined within accounting principles generally accepted in the United States of America ("U.S. GAAP") and do not purport to be alternatives to net income/loss or cash flows from operating activities as measures of operating performance or cash flows. 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 key items, as further described below, and net pension and other postretirement plan expense/income; and
- Free cash flow, which management defines as operating cash flows less capital expenditures and certain other adjustments as applicable.

These measures are not prepared in accordance with U.S. GAAP and management believes the use of non-GAAP measures 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 and free cash flow. EBITDA, Adjusted EBITDA, and free cash flow provide a supplemental presentation of Valvoline's operating performance. For a reconciliation of non-GAAP measures, refer to the Appendix.

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.

Management believes Adjusted EBITDA provides investors with a meaningful supplemental presentation of Valvoline's operating performance. Adjusted EBITDA excludes the impact of the following:

- Key items - Key items consist of income or expenses associated with certain unusual, infrequent or non-operational income or expenses not directly attributable to the underlying business, which management believes impacts the comparability of operational results between periods. Key items may consist of adjustments related to: the impairment of an equity investment; legacy businesses, including the separation from Ashland and associated impacts of related indemnities; significant acquisitions or divestitures; restructuring-related matters; and other matters that are non-operational or unusual in nature. Key items are considered by management to be outside the comparable operational performance of the business and are also often related to legacy matters or market-driven events that are not directly related to the underlying business and do not have an immediate, corresponding impact on the Company's ongoing performance.
- Net pension and other postretirement plan expense/income - Net pension and other postretirement plan expense/income 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. Adjusted EBITDA will continue to 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 and free cash flow are not necessarily comparable with similar information for other comparable companies. EBITDA, Adjusted EBITDA and free cash flow each have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, or more meaningful than, net income and cash flows from operating activities as determined in accordance with U.S. GAAP. Because of these limitations, net income and cash flows from operating activities should primarily be relied upon as determined in accordance with U.S. GAAP, and EBITDA, Adjusted EBITDA, and free cash flow should only be used as supplements. In evaluating EBITDA, Adjusted EBITDA, and free cash flow, 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, and free cash flow. Valvoline's presentation of EBITDA, Adjusted EBITDA, and free cash flow 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 end of period store counts and activity. 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 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. Differences in SSS are calculated to determine the percentage change between comparative periods. 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 venture 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 Condensed Consolidated Statements of Comprehensive 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 U.S. branded lubricant volumes for the Quick Lubes and Core North America segments 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.

Valvoline™