



Fourth-Quarter Fiscal 2021 Earnings

November 4, 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://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.



2021 KEY OPERATING HIGHLIGHTS

27%

Growth in total sales

32%

Growth in reported net income

36%

Growth in reported EPS

21%

Growth in system-wide SSS¹

28%

Growth in adjusted¹ EBITDA

28%

ROIC²

9%

Growth in system-wide units¹

16%

Volume¹ growth in Global Products

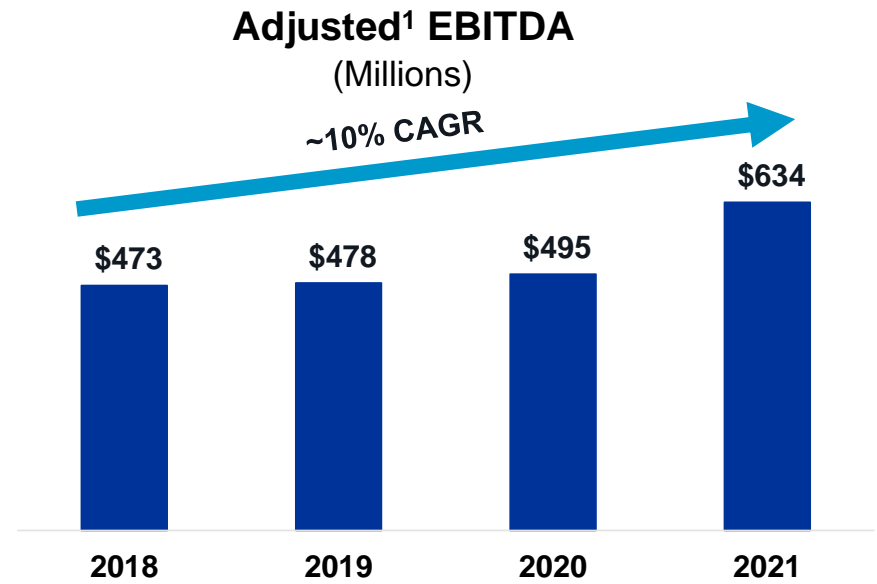
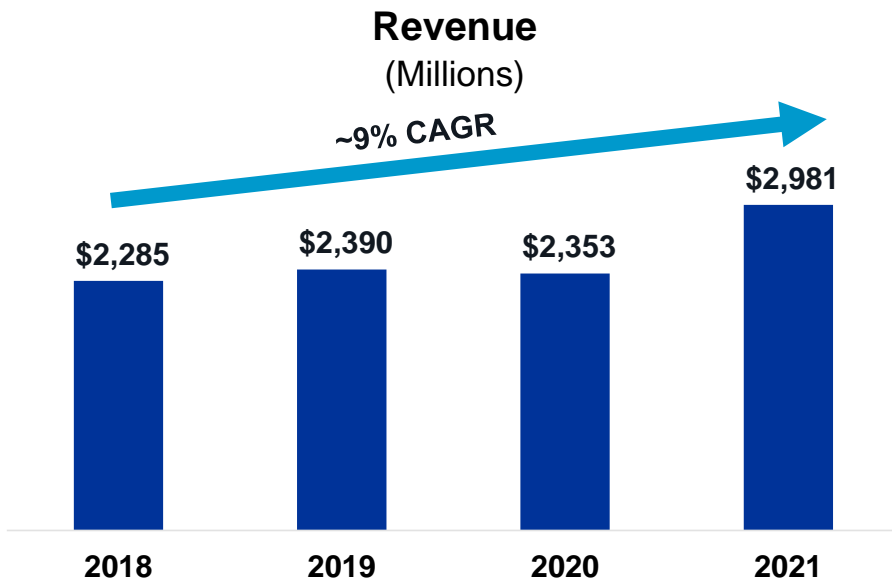
54%

Retail Services contribution to total segment adjusted¹ EBITDA



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. ROIC calculated as operating profit after tax adjusted for net key items divided by two-year average invested capital, which is comprised of equity, debt and finance lease obligations, less cash and cash equivalents.

GROWTH IS ACCELERATING



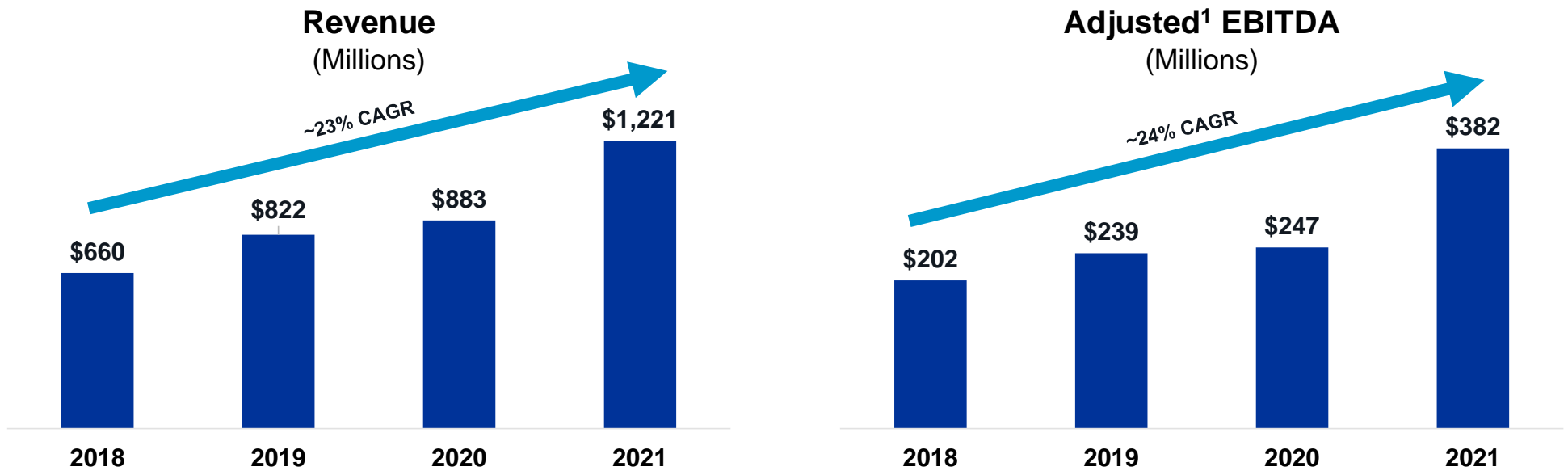
Transformation to a service-driven business has accelerated growth

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

Segment Highlights



RETAIL SERVICES IS DRIVING SIGNIFICANT GROWTH



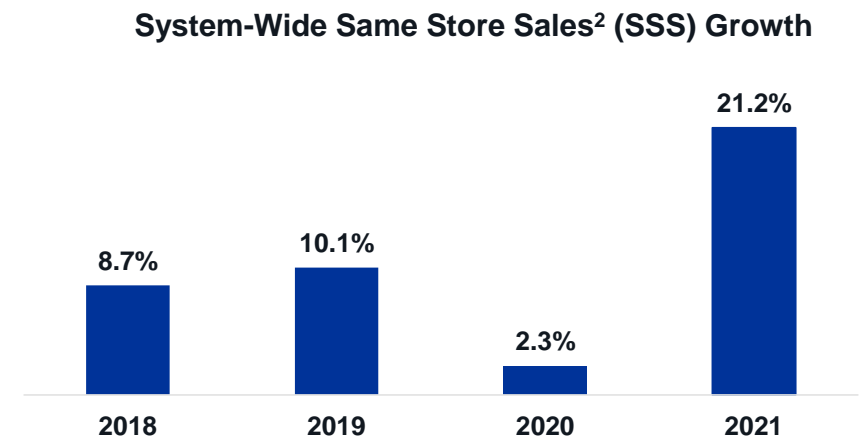
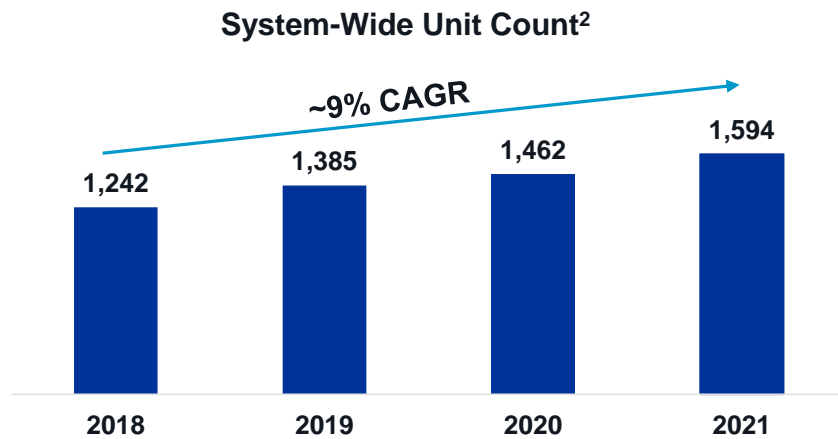
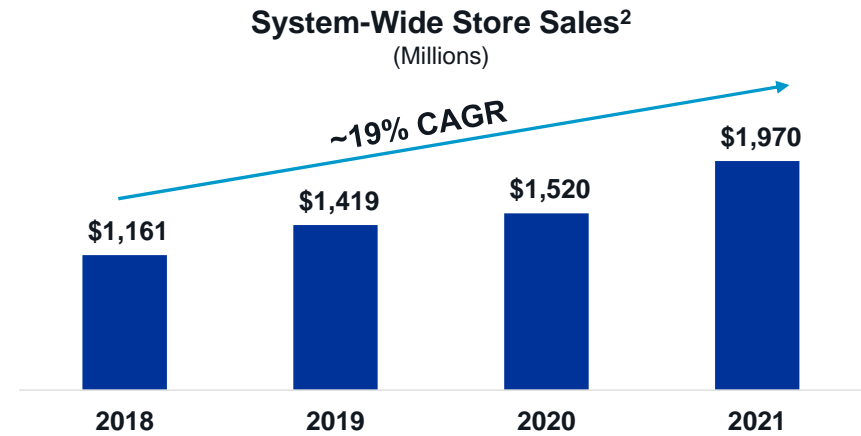
Expect 6 – 8% SSS growth and 5 – 7% unit growth annually through FY24

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.

RETAIL SERVICES

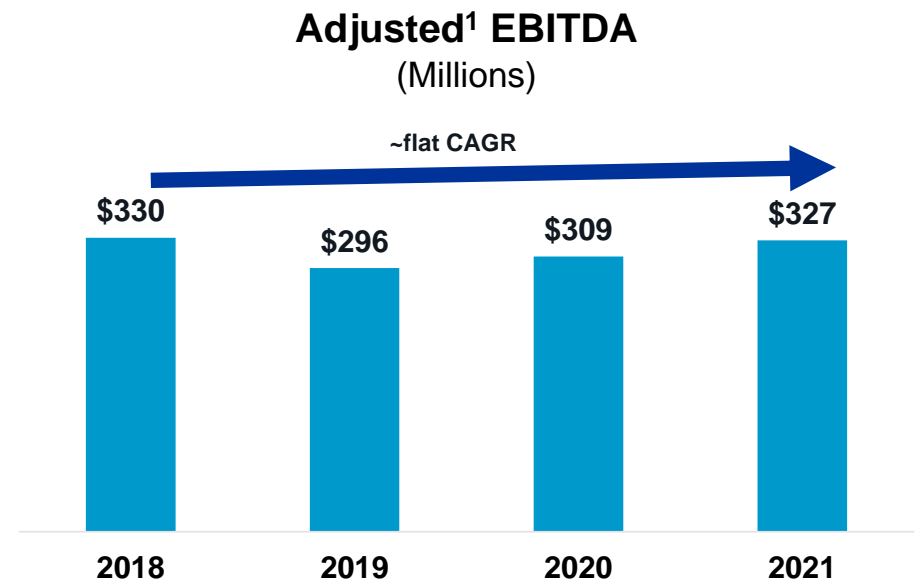
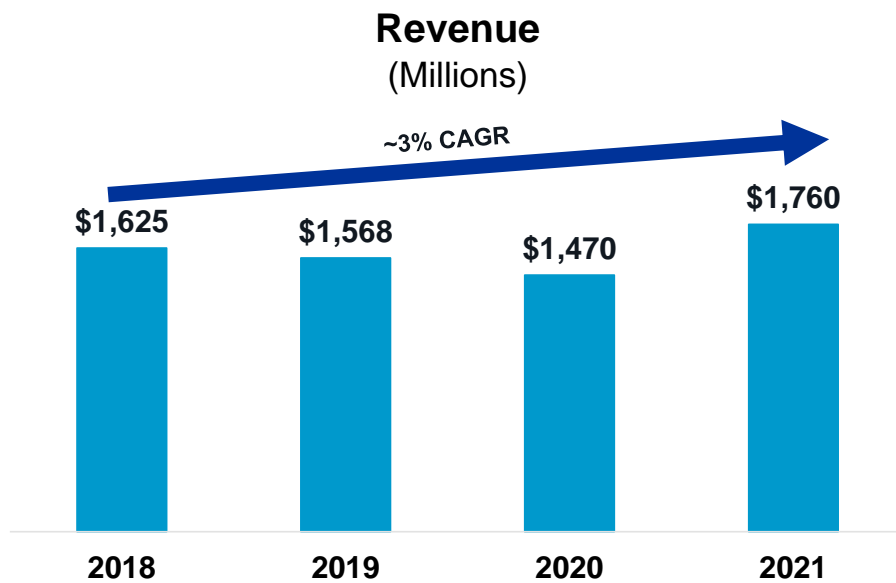
15 CONSECUTIVE YEARS OF SSS GROWTH

(Millions, except store count)	FY21	YoY	Growth vs. FY19
Segment Sales	\$1,221	38%	49%
SSS² Growth (system-wide)	N/A	21.2%	21.9% ³
Store Count² (system-wide)	1,594	9%	15%
Adjusted¹ EBITDA	\$382	55%	60%



1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.
2. Refer to the Appendix for further information regarding management's use of key business measures.
3. Versus 2019 same stores base.

GLOBAL PRODUCTS DELIVERING PROFITABLE SHARE GROWTH



Expect ~\$200+ million in discretionary free cash flow annually through 2024

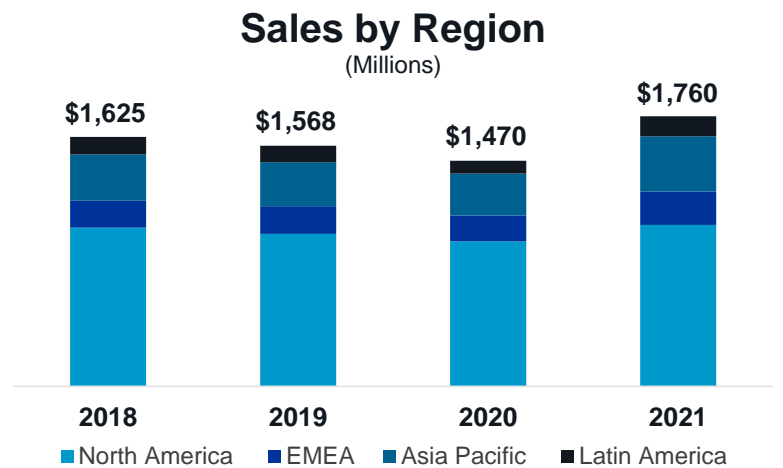
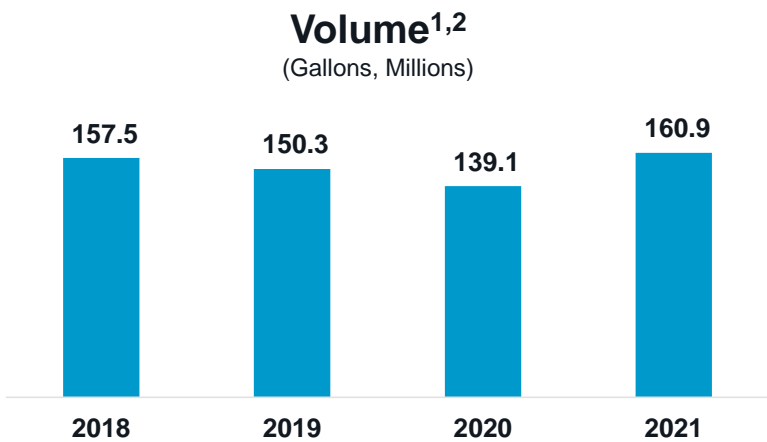
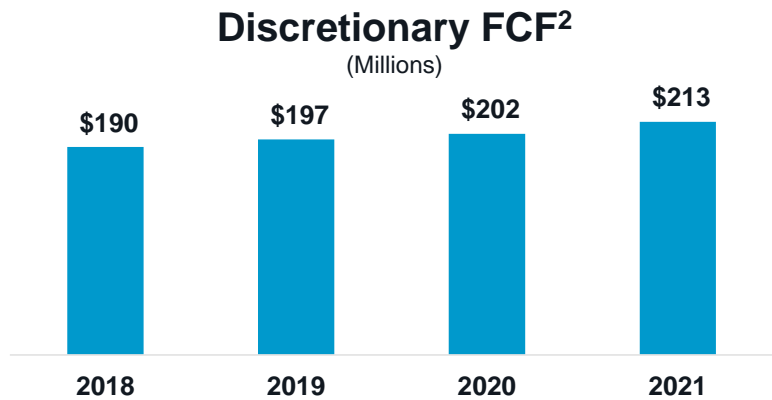
1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

GLOBAL PRODUCTS

DRIVING SHARE GAINS AND STEADY CASH GENERATION



(Millions, except store count)	FY21	YoY	Growth vs. FY19
Segment Sales	\$1,760	20%	12%
Volume ¹ (gallons)	160.9	16%	7%
Adjusted ² EBITDA	\$327	6%	10%
Discretionary FCF ²	\$213	5%	8%



1. Includes 3.3 million gallons in fiscal 2021 sold to Valvoline's unconsolidated joint-venture with Cummins in China.
 2. 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.



Q4 & FY21 Earnings

FOURTH QUARTER RESULTS

(Millions, except per-share data)	4Q21	YoY	Growth vs. 4Q19
Sales	\$835	28%	33%
Gross Profit	\$246	(5)%	13%
Adjusted¹ Gross Profit	\$261	4%	20%
Operating Income	\$142	(19)%	26%
Adjusted¹ Operating Income	\$131	2%	18%
Net Income	\$168	38%	522%
Adjusted¹ EBITDA	\$155	5%	20%
Earnings per Diluted Share (EPS)	\$0.92	39%	557%
Adjusted¹ EPS	\$0.50	11%	25%

YoY Changes in Adjusted¹ EBITDA
(Millions)



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

FOURTH QUARTER RESULTS – ADJUSTED EBITDA MARGINS

Retail Services

(Millions)	4Q21	YoY	Growth (Decline) vs. 4Q19
Segment Sales	\$352	39%	59%
Adjusted¹ EBITDA	\$105	36%	59%
Adjusted² EBITDA Margin	29.8%	(50) bps	10 bps

Global Products

(Millions)	4Q21	YoY	Growth (Decline) vs. 4Q19
Segment Sales	\$483	21%	19%
Adjusted¹ EBITDA	\$72	(21)%	(9)%
Adjusted² EBITDA Margin	14.9%	(800) bps	(450) bps

Key Takeaways

- Incremental labor investment, raw material cost pressures impact short-term margins
- Adjusted EBITDA up 36% YoY and 59% vs 4Q19

Key Takeaways

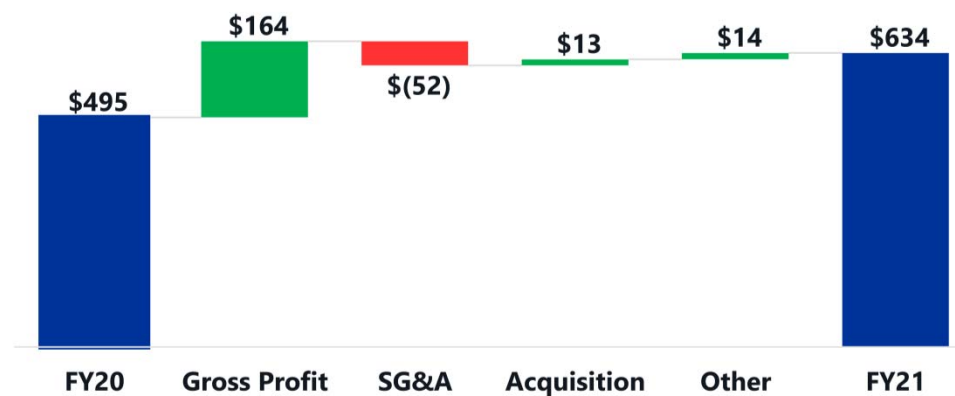
- Peak price-cost lag impacting margins in Q4
- Executing incremental pricing actions to drive recovery in FY22
- Adjusted EBITDA margins down 800 bps YoY and 450 bps vs 4Q19

1. For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.
 2. Adjusted EBITDA margin is determined as Adjusted EBITDA divided by sales.

FISCAL YEAR RESULTS

(Millions, except per-share data)	FY21	YoY	Growth vs. FY19
Sales	\$2,981	27%	25%
Gross Profit	\$980	14%	21%
Adjusted¹ Gross Profit	\$1,021	21%	25%
Operating Income	\$528	9%	33%
Adjusted¹ Operating Income	\$542	26%	30%
Net Income	\$420	32%	102%
Adjusted¹ EBITDA	\$634	28%	33%
Earnings per Diluted Share (EPS)	\$2.29	36%	108%
Adjusted¹ EPS	\$1.95	37%	40%

YoY Changes in Adjusted¹ EBITDA
(Millions)



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

CAPITAL LIGHT MODEL DRIVES SIGNIFICANT FREE CASH FLOW



(Millions)	FY21
Cash Flow from Operating Activities	\$404
Less: Maintenance Capital Expenditures	\$36
Discretionary Free Cash Flow	\$368
Less: Growth Capital Expenditures	\$108
Free Cash Flow	\$260
Maintenance Capital Expenditures % of Sales	1.2%
Free Cash Flow % of Sales	8.7%

Note: Discretionary Free Cash Flow and Free Cash Flow are non-GAAP measures that have been reconciled to GAAP as presented above; for further information, please refer to Use of Non-GAAP Measures in the Appendix.

2022 GUIDANCE

FY22 Outlook	
Operating Items	
Total company sales growth	19 – 21%
Retail Services ¹ store additions	110 – 130 (7 – 8%)
Retail Services ¹ SSS growth	9 – 12%
Adjusted ² EBITDA	\$675 – \$700 million
<i>Retail Services</i>	<i>\$440 – \$455 million</i>
<i>Global Products</i>	<i>\$315 – \$330 million</i>
Corporate Items	
Adjusted ² effective tax rate	25 – 26%
Adjusted ² EPS	\$2.06 – \$2.18
Capital expenditures	\$180 – \$200 million
Free cash flow ³	\$260 – \$300 million

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

2. 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.

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

Separation of Retail Services and Global Products



SUCCESS OF STRATEGIC TRANSFORMATION



Global Products

Retail Services

EBITDA¹ CONTRIBUTION

■ Global Products ■ Retail Services

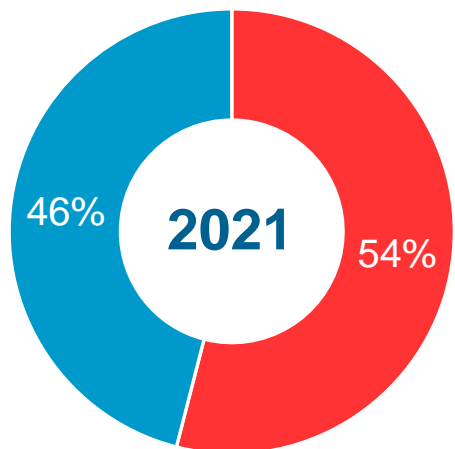
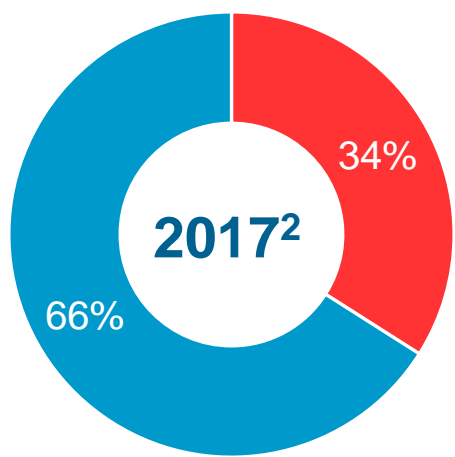
Global Products FY21

~\$1.8B

Segment sales

\$327M

Adjusted² EBITDA



Retail Services FY21

~\$1.2B

Segment sales

\$382M

Adjusted² EBITDA

1. EBITDA contribution as percentage of total business segment Adjusted EBITDA. For reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.
 2. Based on Adjusted EBITDA as previously reported.

COMPELLING RATIONALE FOR SEPARATION

1

Best positions each business strategically to evolve their business models to effectively and sustainably compete in an evolving powertrain environment

2

Strong financial and operational performance with scale in both segments – drives a solid foundation for two independent companies

3

Ability to drive separate capital structure, capital allocation and target appropriate investor base

4

Clear path to unlocking significant shareholder value

Separation is the Next Step in Our Transformation

RETAIL SERVICES: AN AUTO-AFTERMARKET POWERHOUSE

Industry Dynamics



- Auto aftermarket services is a \$300 billion, fragmented, and growing total addressable market
- Non-discretionary, economically resilient business model
- Levered to a growing car parc, increasing miles driven and vehicle complexity
- Data analytics are increasingly important to capture customers and optimize marketing
- Opportunity exists for a national, branded services provider with scale

Retail Services Strategy

- Utilize best in class operating model to continue taking market share
- Execute three-pronged growth strategy of company new builds, franchise developments and acquisitions
- Leverage proprietary data analytics from ~22M transactions to create distinct customer loyalty experience
- Service model evolution across passenger car including expansion into fleet service

RETAIL SERVICES: A COMPELLING VALUE PROPOSITION



	Valvoline Retail Services	Auto Aftermarket Service Peers (median) ^{1,2}
		
2020 – 2021E Same Store Sales Stack	23.5%	2.8%
2018– 2021E Revenue CAGR	22.8%	9.2 %
2018 – 2021E EBITDA CAGR	23.7%	23.8 %
2021E EBITDA Margin	31.3%	19.9 %
2021E EV / EBITDA Multiple		19.0 x
2022E EV / EBITDA Multiple		15.7 x

Source: Capital IQ, Eikon, Wall Street Research, Company Filings

Note: All peers calendarized to calendar year end, VVV metrics based on period ended 30-Sep-2021. EBITDA represents adjusted EBITDA for peers and VVV.

1. Market data as of October 21, 2021.

2. Represents median of auto aftermarket companies including The Boyd Group, Driven Brands, Mister Carwash, Monro.

GLOBAL PRODUCTS: A LEADING AUTOMOTIVE SOLUTIONS PROVIDER

Industry Dynamics



- Growing international car parc and miles driven creates lubricant demand
- International lubricant market is 3.5x U.S.
- Non-discretionary demand drives resilience
- Shift towards synthetic, premium lubricants drive margin expansion
- Slow growth, high FCF generation drives potential for consolidation

Global Products Strategy

- Drive market share gains in key international markets by leveraging VVV brand
- Leverage proprietary distribution footprint across all customer channels and segments to drive broader product portfolio penetration
- Utilize digital infrastructure, data analytics and proprietary distribution to drive pricing power
- Leverage R&D as the leading fluids provider for electric vehicles

GLOBAL PRODUCTS: A COMPELLING VALUE PROPOSITION



	Valvoline Global Products	Global Products Peers (median) ^{1,2}
		
2018 – 2021E Revenue CAGR	2.7%	2.8 %
2018 – 2021E EBITDA CAGR	Flat	0.7 %
2021E EBITDA Margin	18.6%	15.6 %
2021E EV / EBITDA Multiple		12.1 x
2022E EV / EBITDA Multiple		11.0 x

Source: Capital IQ, Eikon, Wall Street Research, Company Filings

Note: No figures available for SSS growth. All peers calendarized to calendar year end, VVV metrics based on period ended 30-Sep-2021. EBITDA represents adjusted EBITDA for peers and VVV.

1. Market data as of October 21, 2021.

2. Represents median of global products companies including Castrol (India), Fuchs, Innospec, NewMarket.

KEY DECISIONS AND NEXT STEPS

Product Supply and Brand Agreements

Commercially beneficial arrangements for both Global Products and Retail Services

Transaction Structure

Multiple transaction structures under consideration
Tax basis¹:
Retail Services \$0.7 - \$0.8B
Global Products \$0.6 - \$1.3B

Pro Forma Capital Structures

Analysis to include debt, credit ratings and other considerations

1. Tax basis provided is unaudited and estimated through 9/30/2021. These management tax basis estimates are based on nonpublic pro-forma segment balance sheets, excluding cash and long-term debt, through 9/30/2020 and estimated adjustments for FY 2021 activity. Actual tax basis may be materially different depending on transaction structure, changes in segment or transferred assets and liabilities, and adjustments for FY 2021 actual results.

SUMMARY

- Record results in FY21
- Solid FY22 Plan
 - Continue strong SSS performance and unit additions for Retail Services
 - Topline growth in Global Products, building cost recovery
 - Investments in organic growth, acquisitions and share buybacks
- Continue to focus on execution
- Working to set up each segment for long-term success via a separation



Appendix

RECONCILIATION OF RECAST¹ ADJUSTED EBITDA



(In millions)	For the years ended September 30				
	2017	2018	2019	2020	2021
Net income	\$ 304	\$ 166	\$ 208	\$ 317	\$ 420
Income tax expense	186	166	57	134	123
Net interest and other financing expenses	42	63	73	93	111
Depreciation and amortization	42	54	61	66	92
EBITDA	574	449	399	610	746
Net pension and other retirement plan (income) expenses	(138)	—	60	(59)	(126)
Net legacy and separation-related expenses (income)	11	14	3	(30)	(24)
LIFO charge (credit)	5	7	—	(15)	41
Business interruption expenses and (recovery)	—	—	6	(2)	(3)
Compensated absences and benefits change	—	—	—	(11)	—
Acquisition and divestiture-related costs (income)	—	3	(4)	2	—
Restructuring and related expenses	—	—	14	—	—
Adjusted EBITDA	\$ 452	\$ 473	\$ 478	\$ 495	\$ 634

1. Valvoline realigned its global operations and related reporting during the third quarter of fiscal 2021. Prior period amounts have been recast to conform to the current presentation consistent with the realignment of Valvoline's global operations. These changes have no impact on the Company's historical consolidated GAAP balance sheets, statements of income or cash flows.

PRE- AND POST REALIGNMENT¹ ADJUSTED EBITDA



(In millions)	Three months ended September 30			Years ended September 30		
	2021	2020	2019	2021	2020	2019
Sales	\$ 835	\$ 652	\$ 629	\$ 2,981	\$ 2,353	\$ 2,390
Pre-realignment Adjusted EBITDA	\$ 140	\$ 150	\$ 129	\$ 593	\$ 510	\$ 478
<i>Pre-realignment Adjusted EBITDA % of sales</i>	16.8 %	23.0 %	20.5 %	19.9 %	21.7 %	20.0 %
Indirect allocation change	—	—	—	—	—	—
LIFO charge (credit)	15	(3)	—	41	(15)	—
Realigned Adjusted EBITDA	\$ 155	\$ 147	\$ 129	\$ 634	\$ 495	\$ 478
<i>Realigned Adjusted EBITDA % of sales</i>	18.6 %	22.5 %	20.5 %	21.3 %	21.0 %	20.0 %

1. Valvoline realigned its global operations and related reporting during the third quarter of fiscal 2021. Prior period amounts have been recast to conform to the current presentation consistent with the realignment of Valvoline's global operations. These changes have no impact on the Company's historical consolidated GAAP balance sheets, statements of income or cash flows.

RETAIL SERVICES – Q4 AND FISCAL YEAR RESULTS

	Three months ended			Year ended		
	September 30			September 30		
	2021	2020	2019	2021	2020	2019
Sales information						
Retail Services segment sales	\$ 352	\$ 254	\$ 222	\$1,221	\$ 883	\$ 822
<i>Year-over-year growth</i>	39 %	14 %	23 %	38 %	7 %	25 %
System-wide store sales ^(a)						
System-wide store sales ^(a)	\$ 555	\$ 430	\$ 380	\$1,970	\$1,520	\$1,419
<i>Year-over-year growth ^(a)</i>	29 %	13 %	19 %	30 %	7 %	22 %
Same-store sales growth ^(b)						
Company-operated	17.3 %	9.0 %	9.4 %	19.6 %	2.6 %	9.6 %
Franchised ^(a)	22.1 %	7.9 %	10.3 %	22.4 %	2.1 %	10.4 %
System-wide ^(a)	20.1 %	8.4 %	10.0 %	21.2 %	2.3 %	10.1 %
Profitability information						
Operating income ^(c)	\$ 88	\$ 66	\$ 56	\$ 321	\$ 208	\$ 205
Key items	—	—	—	—	—	—
Adjusted operating income ^(c)	88	66	56	321	208	205
Depreciation and amortization	17	11	10	61	39	34
Adjusted EBITDA ^(c)	\$ 105	\$ 77	\$ 66	\$ 382	\$ 247	\$ 239
<i>Adjusted EBITDA margin ^(d)</i>	29.8 %	30.3 %	29.7 %	31.3 %	28.0 %	29.1 %
Discretionary cash flow information						
Adjusted operating income ^(c)	\$ 88	\$ 66	\$ 56	\$ 321	\$ 208	\$ 205
Income tax expense ^(e)	(17)	(16)	(11)	(75)	(52)	(48)
Maintenance additions to property, plant, and equipment	(8)	(4)	(4)	(20)	(10)	(9)
Discretionary free cash flow ^(f)	\$ 63	\$ 46	\$ 41	\$ 226	\$ 146	\$ 148

- a) Measure includes Valvoline franchisees, which are independent legal entities. Valvoline does not consolidate the results of operations of its franchisees.
- b) Beginning in fiscal 2021, Valvoline determines SSS growth as sales by U.S. Retail Services stores, with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation. Previously, SSS growth was determined as sales by U.S. Retail Services stores, with stores new to the U.S. Retail Services system excluded from the metric until completion of their first full year in operation. Prior period measures have been revised to conform to the current basis of presentation.
- c) Segment adjusted operating income is segment operating income adjusted for key items impacting comparability. Segment adjusted operating income is further adjusted for depreciation and amortization to determine segment adjusted EBITDA. Valvoline does not generally allocate activity below operating income to its operating segments; therefore, the table above reconciles operating income to Adjusted EBITDA.
- d) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by segment sales.
- e) Income tax expense estimated using the adjusted effective tax rate for the period multiplied by operating segment adjusted operating income.
- f) Segment discretionary free cash flow is defined as operating segment adjusted operating income after-tax less maintenance capital expenditures.

RETAIL SERVICES – STORE INFORMATION

	System-wide stores ^(a)				
	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020
Beginning of period	1,569	1,548	1,533	1,462	1,432
Opened	21	17	13	18	29
Acquired	7	5	3	54	2
Closed	(3)	(1)	(1)	(1)	(1)
End of period ^(b)	1,594	1,569	1,548	1,533	1,462

	Number of stores at end of period				
	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021	Fourth Quarter 2020
Company-operated	719	698	673	663	584
Franchised ^(b)	875	871	875	870	878

	September 30		
	2021	2020	2019
System-wide store count ^{(a) (b)}	1,594	1,462	1,385
Year-over-year growth	9 %	6 %	12 %

a) System-wide store count includes franchised service center stores. Valvoline franchises are independent legal entities, and Valvoline does not consolidate the results of operations of its franchisees.

b) As of September 30, 2020, one franchised service center store included in the store count was temporarily closed at the discretion of the respective independent operator due to the impacts of COVID-19.

GLOBAL PRODUCTS – Q4 AND FISCAL YEAR RESULTS

	Three months ended			Year ended		
	September 30			September 30		
	2021	2020	2019	2021	2020	2019
Volume information						
Lubricant sales (gallons)	41.2	37.9	39.0	160.9	139.1	150.3
Sales information						
<u>Sales by geographic region</u>						
North America ^(a)	\$ 297	\$ 252	\$ 259	\$ 1,052	\$ 945	\$ 994
Europe, Middle East, and Africa ("EMEA")	58	44	47	219	169	181
Asia Pacific	91	80	73	358	273	285
Latin America ^(a)	37	22	28	131	83	108
Global Products segment sales	<u>\$ 483</u>	<u>\$ 398</u>	<u>\$ 407</u>	<u>\$ 1,760</u>	<u>\$ 1,470</u>	<u>\$ 1,568</u>
Profitability information						
Operating income ^(b)	\$ 65	\$ 85	\$ 76	\$ 298	\$ 284	\$ 269
Key items:						
Acquisition-related gain	—	—	(4)	—	—	(4)
Business interruption expenses	—	—	—	—	—	6
Adjusted operating income ^(b)	65	85	72	298	284	271
Depreciation and amortization	7	6	7	29	25	25
Adjusted EBITDA ^(b)	<u>\$ 72</u>	<u>\$ 91</u>	<u>\$ 79</u>	<u>\$ 327</u>	<u>\$ 309</u>	<u>\$ 296</u>
Adjusted EBITDA margin ^(c)	14.9 %	22.9 %	19.4 %	18.6 %	21.0 %	18.9 %

a) Valvoline includes the United States and Canada in its North America region. Mexico is included within the Latin America region.

b) Segment adjusted operating income is segment operating income adjusted for key items impacting comparability. Segment adjusted operating income is further adjusted for depreciation and amortization to determine segment adjusted EBITDA. Valvoline does not generally allocate activity below operating income to its operating segments; therefore, the table above reconciles operating income to Adjusted EBITDA.

c) Adjusted EBITDA margin is calculated as Adjusted EBITDA divided by segment sales.

NON-GAAP OPERATING SEGMENT FINANCIAL RESULTS RECONCILIATION

(In millions - unaudited)	Three months ended September 30		
	2019	2020	2021
Global Products			
Operating income ^(a)	\$ 76	\$ 85	\$ 65
Key items:			
Acquisition related gain	(4)	—	—
Adjusted operating income ^(a)	72	85	65
Depreciation and amortization	7	6	7
Adjusted EBITDA ^(a)	\$ 79	\$ 91	\$ 72
Adjusted operating income ^(a)	\$ 72	\$ 85	\$ 65
Income tax expense ^(b)	(14)	(20)	(13)
Maintenance additions to property, plant and equipment	(6)	(5)	(7)
Discretionary free cash flow ^(c)	\$ 52	\$ 60	\$ 45

(In millions - unaudited)	Years ended September 30			
	2018	2019	2020	2021
Global Products				
Operating income ^(a)	\$ 304	\$ 269	\$ 284	\$ 298
Key items:				
Acquisition and divestiture-related costs (income)	1	(4)	—	—
Business interruption expenses	—	6	—	—
Adjusted operating income ^(a)	305	271	284	298
Depreciation and amortization	25	25	25	29
Adjusted EBITDA	\$ 330	\$ 296	\$ 309	\$ 327
Adjusted operating income ^(a)	\$ 305	\$ 271	\$ 284	\$ 298
Income tax expense ^(b)	(97)	(64)	(70)	(71)
Maintenance additions to property, plant and equipment	(18)	(10)	(12)	(14)
Discretionary free cash flow ^(c)	\$ 190	\$ 197	\$ 202	\$ 213

- a) Segment adjusted operating income is segment operating income adjusted for key items impacting comparability. Segment adjusted operating income is further adjusted for depreciation and amortization to determine segment adjusted EBITDA. Valvoline does not generally allocate activity below operating income to its operating segments; therefore, the table above reconciles operating income to Adjusted EBITDA.
- b) Income tax expense estimated using the adjusted effective tax rate for the period multiplied by operating segment adjusted operating income. Segment discretionary free cash flow is defined as operating segment adjusted operating income after-tax less maintenance capital expenditures.

KEY ITEMS AFFECTING INCOME



(In millions, except per share data - preliminary and unaudited)	Fourth Quarter Impact			
	Operating Income	Total		Earnings per share
		Pre-tax	After-tax	
Fiscal 2021				
Pension & OPEB income	\$ —	\$ 85	\$ 63	\$ 0.34
Net legacy and separation-related income	26	26	26	0.14
LIFO charge	(15)	(15)	(11)	(0.06)
Total	<u>\$ 11</u>	<u>\$ 96</u>	<u>\$ 78</u>	<u>\$ 0.42</u>
Fiscal 2020				
Pension & OPEB income	\$ —	\$ 32	\$ 24	\$ 0.13
Net legacy and separation-related income	30	30	—	—
Compensated absences benefits change	11	11	9	0.04
LIFO credit	3	3	2	0.01
Business interruption recovery	2	2	1	0.01
Restructuring and related income	1	1	1	0.01
Income tax adjustments	—	—	2	0.01
Total	<u>\$ 47</u>	<u>\$ 79</u>	<u>\$ 39</u>	<u>\$ 0.21</u>

RECONCILIATION OF NON-GAAP DATA – GROSS PROFIT AND OPERATING INCOME



(In millions - preliminary and unaudited)	Three months ended September 30					
	Gross Profit			Operating income		
	2021	2020	2019	2021	2020	2019
As reported	\$ 246	\$ 258	\$ 217	\$ 142	\$ 176	\$ 113
<i>Adjustments:</i>						
LIFO charge (credit)	15	(3)	—	15	(3)	—
Net legacy and separation-related income	—	—	—	(26)	(30)	—
Business interruption recovery	—	—	—	—	(2)	—
Compensated absences benefits change	—	(5)	—	—	(11)	—
Restructuring and related (income) expenses	—	—	—	—	(1)	2
Acquisition and divestiture-related income	—	—	—	—	—	(4)
As adjusted	\$ 261	\$ 250	\$ 217	\$ 131	\$ 129	\$ 111

(In millions - preliminary and unaudited)	Years ended September 30					
	Gross Profit			Operating income		
	2021	2020	2019	2021	2020	2019
As reported	\$ 980	\$ 863	\$ 810	\$ 528	\$ 485	\$ 398
<i>Adjustments:</i>						
LIFO charge (credit)	41	(15)	—	41	(15)	—
Net legacy and separation-related (income) expenses	—	—	—	(24)	(30)	3
Business interruption expenses (recovery)	—	—	6	(3)	(2)	6
Compensated absences benefits change	—	(5)	—	—	(11)	—
Restructuring and related expenses	—	—	—	—	—	14
Acquisition and divestiture-related costs (income)	—	—	—	—	2	(4)
As adjusted	\$ 1,021	\$ 843	\$ 816	\$ 542	\$ 429	\$ 417

RECONCILIATION OF NON-GAAP DATA – ADJUSTED EBITDA



	Three months ended			Year ended		
	September 30			September 30		
	2021	2020	2019	2021	2020	2019
Adjusted EBITDA - Valvoline						
Net income	\$ 168	\$ 122	\$ 27	\$ 420	\$ 317	\$ 208
Add:						
Income tax expense	40	66	1	123	134	57
Net interest and other financing expenses	19	20	18	111	93	73
Depreciation and amortization	24	18	18	92	66	61
EBITDA ^(a)	251	226	64	746	610	399
Key items:						
Net pension and other postretirement plan (income) expenses	(85)	(32)	67	(126)	(59)	60
Net legacy and separation-related (income) expenses	(26)	(30)	—	(24)	(30)	3
LIFO charge (credit)	15	(3)	—	41	(15)	—
Business interruption (recovery) expenses	—	(2)	—	(3)	(2)	6
Compensated absences benefits change	—	(11)	—	—	(11)	—
Acquisition and divestiture-related costs	—	—	(4)	—	2	(4)
Restructuring and related expenses	—	(1)	2	—	—	14
Key items - subtotal	(96)	(79)	65	(112)	(115)	79
Adjusted EBITDA ^(a)	\$ 155	\$ 147	\$ 129	\$ 634	\$ 495	\$ 478
Segment Adjusted EBITDA						
Retail Services	\$ 105	\$ 77	\$ 66	\$ 382	\$ 247	\$ 239
Global Products	72	91	79	327	309	296
Segment Adjusted EBITDA ^(b)	177	168	145	709	556	535
Corporate	(22)	(21)	(16)	(75)	(61)	(57)
Total Adjusted EBITDA ^(a)	155	147	129	634	495	478
Net interest and other financing expenses	(19)	(20)	(18)	(111)	(93)	(73)
Depreciation and amortization	(24)	(18)	(18)	(92)	(66)	(61)
Key items	96	79	(65)	112	115	(79)
Income before income taxes	\$ 208	\$ 188	\$ 28	\$ 543	\$ 451	\$ 265

(a) EBITDA is defined as net income, plus income tax expense, net interest and other financing expenses, and depreciation and amortization. Adjusted EBITDA is EBITDA adjusted for key items, as described in "Use of Non-GAAP Measures" within this appendix.

(b) Segment adjusted EBITDA represents the operations of the Company's two operating segments, including expenses associated with each segment's utilization of indirect resources. The costs of corporate functions, in addition to corporate and non-operational matters, or key items, are not included in segment adjusted EBITDA. The table above reconciles segment adjusted EBITDA to consolidated pre-tax income

RECONCILIATION OF NON-GAAP DATA – NET INCOME AND DILUTED EARNINGS PER SHARE



(In millions, except per share amounts - preliminary and unaudited)	Three months ended September 30			Years ended September 30		
	2021	2020	2019	2021	2020	2019
Reported net income	\$ 168	\$ 122	\$ 27	\$ 420	\$ 317	\$ 208
<i>Adjustments:</i>						
Net pension and other postretirement plan (income) expenses	(85)	(32)	67	(126)	(59)	60
Net legacy and separation-related (income) expenses	(26)	(30)	—	(24)	(30)	3
LIFO charge (credit)	15	(3)	—	41	(15)	—
Debt extinguishment and modification costs	—	—	—	36	19	—
Business interruption (recovery) expenses	—	(2)	—	(3)	(2)	6
Compensated absences benefits change	—	(11)	—	—	(11)	—
Acquisition and divestiture-related costs	—	—	(4)	—	2	(4)
Restructuring and related expenses	—	(1)	2	—	—	14
Total adjustments, pre-tax	(96)	(79)	65	(76)	(96)	79
Income tax (expense) benefit of adjustments	18	42	(17)	13	46	(22)
Income tax adjustments ^(a)	—	(2)	—	—	—	(2)
Total adjustments, after tax	(78)	(39)	48	(63)	(50)	55
Adjusted net income ^(b)	\$ 90	\$ 83	\$ 75	\$ 357	\$ 267	\$ 263
Reported diluted earnings per share	\$ 0.92	\$ 0.66	\$ 0.14	\$ 2.29	\$ 1.69	\$ 1.10
Adjusted diluted earnings per share ^(c)	\$ 0.50	\$ 0.45	\$ 0.40	\$ 1.95	\$ 1.42	\$ 1.39
Weighted average diluted common shares outstanding	182	186	189	183	188	189

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

(b) Adjusted net income is defined as net income adjusted for key items. Refer to "Use of Non-GAAP measures" in appendix for management's definition of key items.

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

RECONCILIATION OF NON-GAAP DATA – FREE CASH FLOW



Free cash flow ^(a)	Year ended September 30	
	2021	2020
Total cash flows provided by operating activities	\$ 404	\$ 372
Adjustments:		
Additions to property, plant, and equipment	(144)	(151)
Free cash flow	<u>\$ 260</u>	<u>\$ 221</u>

Discretionary free cash flow ^(b)	Year ended September 30	
	2021	2020
Total cash flows provided by operating activities	\$ 404	\$ 372
Adjustments:		
Maintenance additions to property, plant, and equipment	(36)	(30)
Discretionary free cash flow	<u>\$ 368</u>	<u>\$ 342</u>

Free cash flow ^(a)	Fiscal year	
	2022 Outlook	
Total cash flows provided by operating activities	\$ 460	– \$ 480
Adjustments:		
Additions to property, plant, and equipment	180	– 200
Free cash flow	<u>\$ 260</u>	<u>– \$ 300</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 and certain other adjustments as applicable.

USE OF NON-GAAP MEASURES



To supplement the financial measures prepared in accordance with U.S. GAAP, certain items within this presentation are presented on an adjusted basis. These non-GAAP measures, presented on both a consolidated and operating segment basis, have limitations as analytical tools and should not be considered in isolation from, or as 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 non-GAAP information used by management may not be comparable to similar measures disclosed by other companies, because of differing methods used in calculating such measures.

This presentation includes the following non-GAAP measures: segment adjusted operating income, consolidated EBITDA, consolidated and segment adjusted EBITDA, consolidated adjusted net income and earnings per share, consolidated free cash flow, and consolidated and segment 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.

Management believes the use of non-GAAP measures on a consolidated and operating segment basis provides a useful supplemental presentation of Valvoline's operating performance and allows for transparency with respect to key metrics used by management in operating the business and measuring performance. 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, income tax and interest costs related to Valvoline's tax and capital structures, respectively.

Adjusted profitability measures enable comparison of financial trends and results between periods where certain items may vary independent of business performance. These adjusted measures 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 and associated impacts of related indemnities; significant acquisitions or divestitures; restructuring-related matters; tax reform legislation; debt extinguishment and modification costs; and other matters that are non-operational or unusual in nature, including the following:

- 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 and 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 may be more reflective of changes in current conditions in global financial markets (in particular, interest rates), 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 profitability measures include the costs of benefits provided to employees for current service, including pension and other postretirement service costs.
- Changes in the last-in, first out (LIFO) inventory reserve - charges or credits recognized in Cost of sales to value certain lubricant inventories at the lower of cost or market using the LIFO method. During inflationary or deflationary pricing environments, the application of LIFO can result in variability of the cost of sales recognized each period as the most recent costs are matched against current sales, while preceding costs are retained in inventories. LIFO adjustments are determined based on published prices, which are difficult to predict and largely dependent on future events. The application of LIFO can impact comparability and enhance the lag period effects between changes in inventory costs and related pricing adjustments.

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 nondiscretionary cash flows, such as mandatory debt repayments..

KEY BUSINESS MEASURES



Valvoline tracks its operating performance and manages its business using certain key measures, including system-wide, company-operated and franchised store counts and SSS; system-wide store sales; and lubricant volumes 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 Retail Services 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. Retail Services stores (company-operated, franchised and the combination of these for system-wide SSS), with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation as this period is generally required for new store sales levels to begin to normalize.

Retail Services sales are limited to sales at company-operated 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 stores as sales in its Statements of Consolidated Income, management believes system-wide and franchised SSS comparisons, store counts, and total system-wide store sales are useful to assess market position relative to competitors and overall store and segment operating performance.

Management believes lubricant volumes sold in gallons by its consolidated subsidiaries is a useful measure in evaluating and understanding the operating performance of the Global Products segment. Volumes sold in other units of measure, including liters, are converted to gallons utilizing standard conversions.