Valvoline

Fourth Quarter Fiscal 2023 Earnings

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11.09.2023

SAFE HARBOR

Forward-Looking Statements

Certain statements herein, other than statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, benefits and synergies of the sale of Global Products; future opportunities for the remaining stand-alone retail business; and any other statements regarding Valvoline's future operations, financial or operating results, capital allocation, debt leverage ratio, anticipated business levels, dividend policy, anticipated growth, market opportunities, strategies, competition, and other expectations and targets for future periods. Valvoline has identified some of these forward-looking statements with words such as “anticipates,” “believes,” “expects,” “estimates,” “is likely,” “predicts,” “projects,” “forecasts,” “may,” “will,” “should,” and “intends,” and the negative of these words or other comparable terminology. These forward-looking statements are based on Valvoline’s current expectations, estimates, projections, and assumptions as of the date such statements are made and are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. Additional information regarding these risks and uncertainties are described in the Company’s filings with the Securities and Exchange Commission (the “SEC”), including in the “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Quantitative and Qualitative Disclosures about Market Risk” sections of Valvoline’s most recently filed periodic reports on Forms 10-K and 10-Q, which are available on Valvoline’s website at http://investors.valvoline.com/sec-filings or on the SEC’s website at http://www.sec.gov. Valvoline assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future, unless required by law.

Regulation G: Adjusted Results

Information regarding Valvoline’s definitions, calculations and reconciliation of non-GAAP measures can be found in the Appendix.

AGENDA

- Best-in-Class Retail Services Platform
- Proven Formula for Growth
- Results & Guidance
- Wrap Up/Q&A


Best-in-Class Retail Services Perform
Valvoline

FOCUSED HIGH GROWTH PORTFOLIO

Takeaways for Shareholders

Completed Sale of Global Products Business
Pure-play automotive services company

Return Proceeds to Shareholders
$1.6B Share Repurchase Authorization with $212M Remaining

Positioned for Long-term Growth
Growth of Core Business + Store Additions + Customer & Service Expansion

New Valvoline is...

HIGH GROWTH | HIGH MARGIN | HIGH ROIC

RETAIL SERVICES PLATFORM

OUR BUSINESS AT A GLANCE

Best-in-Class Retail Service Provider Focused on Growth

$2.8B
System-wide Sales[2]

17 Years
Of Positive Same Store Sales[2] (SSS)

1,852
System-wide Stores with Strong Annual Growth

31M
Households

Ranked #1
Franchisor In Category[3]

53%
Franchised Stores

$1.4B
Net Revenues

~26%
Adjusted[1] EBITDA Margin

Mid-Teens
IRR

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. By both *Entrepreneur* and *Franchise Times*

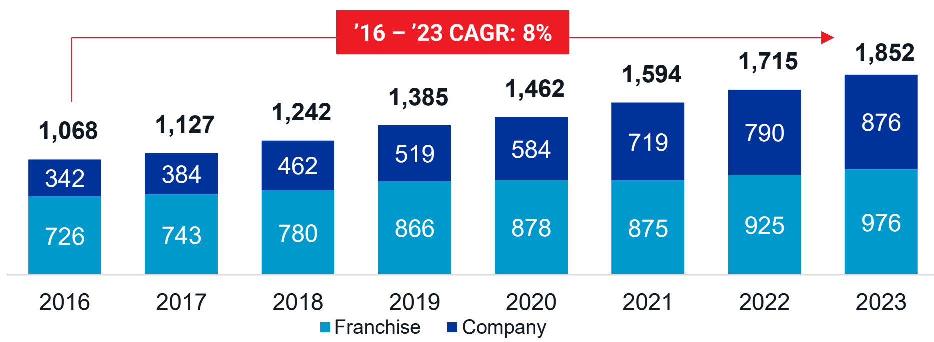
VALVOLINE OFFERS A BEST-IN-CLASS VALUE PROPOSITION FOR OUR SHAREHOLDERS

Leading Brand Awareness	***Trusted brand*** *for over 150+ years*
Scaled Platform	***One of the largest auto services companies*** *in U.S. and Canada with 1,852 stores*
Track Record of High Growth	***Proven track record of revenue and EBITDA growth*** *through new stores, same store sales growth and accretive M&A*
Strong Margins & Cash Flow Generation	*Highly franchised model generates* ***attractive margins and significant cash flows***
Significant Whitespace	*~5% market share of a growing and fragmented industry with* ***potential for 3,500+ stores***
Unlocking Value	***Accelerate franchise growth and lower net capital requirements over time***

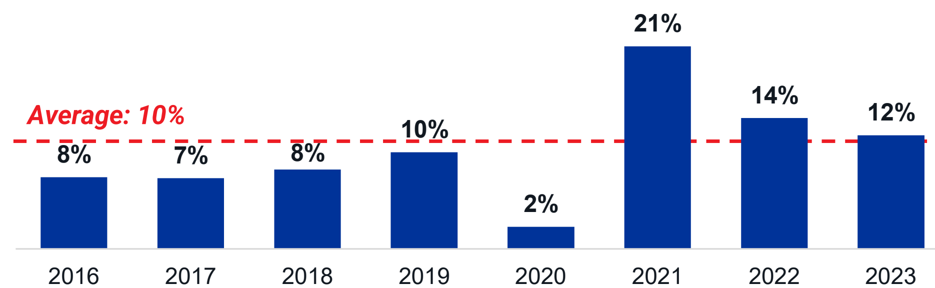
CONSISTENT TRACK RECORD OF FINANCIAL PERFORMANCE

Valvoline.

Store Count[1]

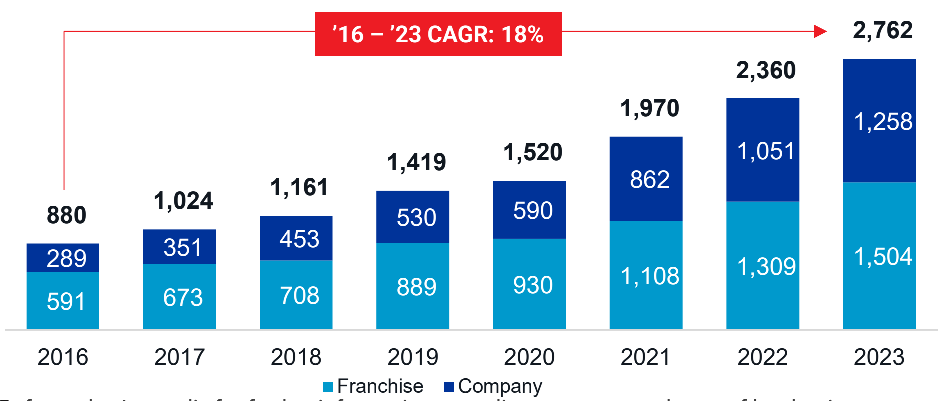


System-Wide Same Store Sales[1] Growth



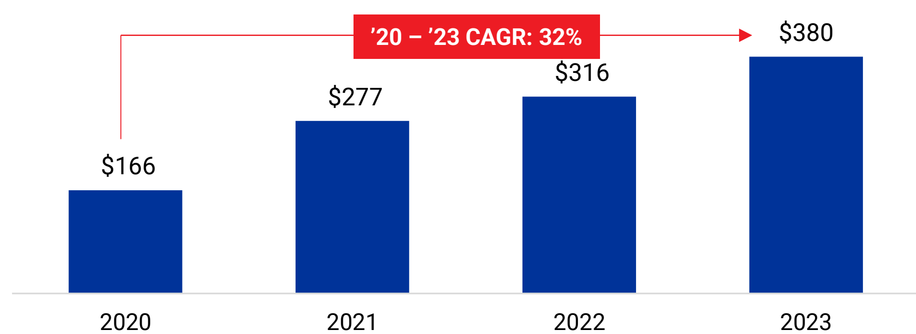
($ millions)

System-Wide Sales[1]



($ millions)

Adjusted[2] EBITDA



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

EXECUTED AT A HIGH LEVEL IN FY 2023

	FY 2023 Guidance[1]	FY 2023 Adjusted[2] Results	Long-Term Guidance
Sales Growth	14% - 18%	17%	14% - 16%
Store Growth Company Franchise	7% - 9% 80-90 50-70	8% 86 51	7% - 10% N/A N/A
SSS[3] Company Franchise	8% - 12% N/A N/A	11.9% 11.9% 11.9%	6% - 9% N/A N/A
Adj.[2] EBITDA Growth	17% - 23% 370M – 390M	20%	16% - 18%
Adj.[2] EBITDA Margin	Not Provided	26.3%	26% - 29%
Adj.[2] EPS Growth	Not Provided	62%	20% +

Delivering on long-term algorithm across metrics with momentum into FY24

1. Based on original guidance provided November 2022.
2. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.
3. Refer to the Appendix for further information regarding management's use of key business measures.

PROVEN FORMULA FOR VALUE CREATION

LONG RUNWAY FOR DELIVERING VALUE

Drive Full Potential in Existing Business

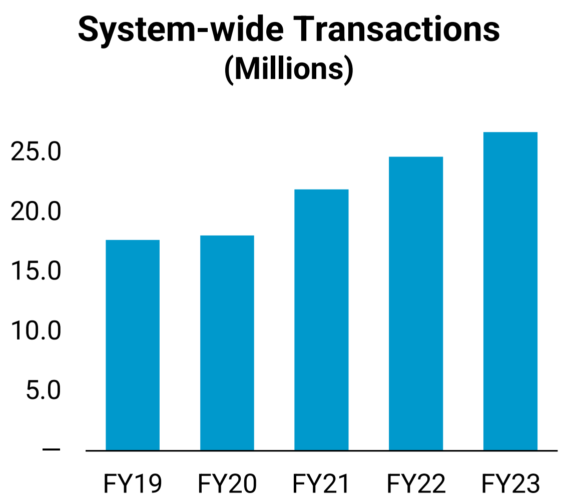
Accelerate Network Growth

Target Customer and Service Expansion

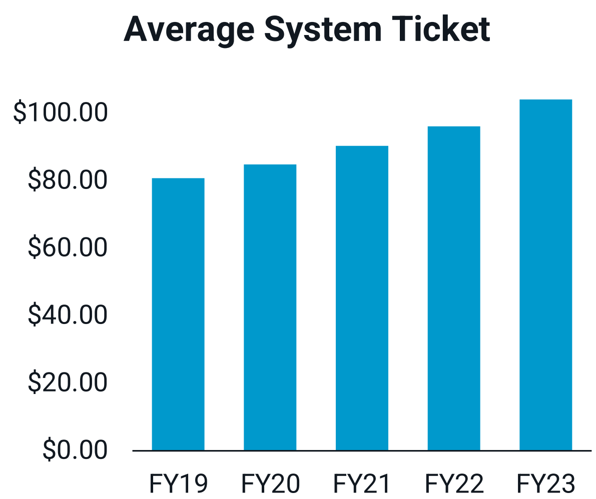
OUR PROVEN FORMULA FOR GROWTH

Same Store Sales + High ROIC Stores + Service Expansion = Long-term Value

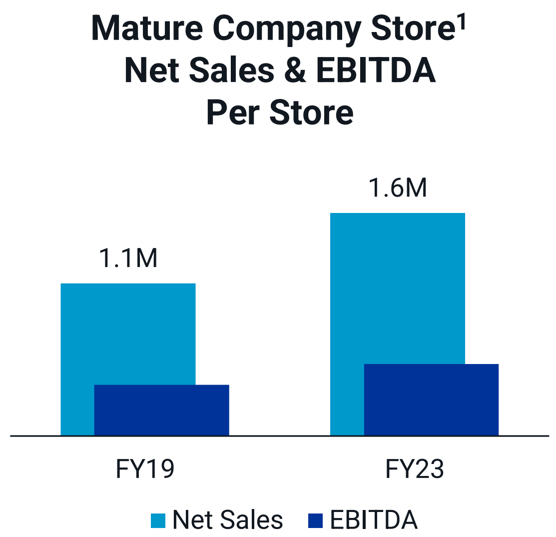
DRIVING FULL POTENTIAL IN EXISTING BUSINESS



- Customer database continues to expand at a high rate
- Marketing sophistication and scale are a competitive advantage to drive transaction growth



- Brand and service experience foster pricing power
- Positioned to capitalize on premiumization and drive additional services

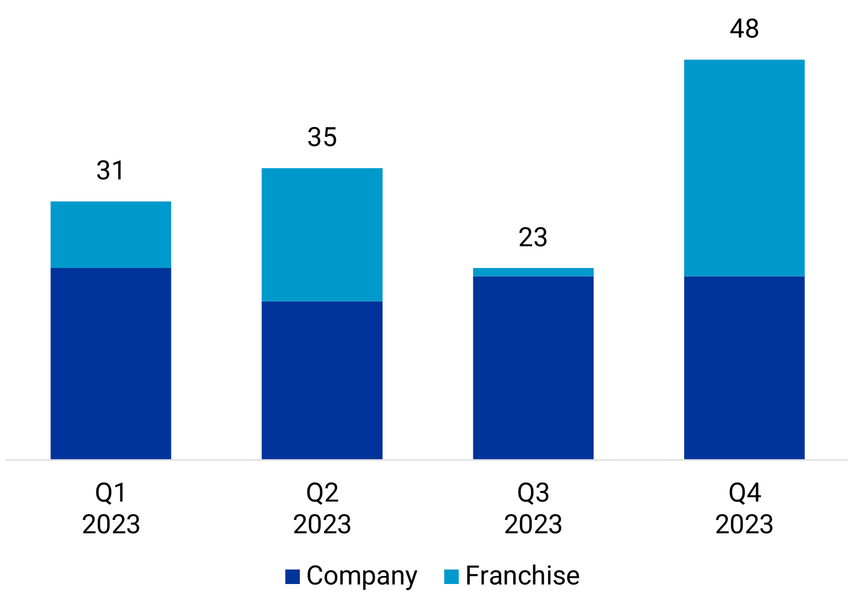


- Organic growth driving leverage in 4-wall profitability
- ~$70M additional EBITDA as current non-mature stores become mature

1. Mature stores include stores opened as of October 1, 2018.

NEW STORE UPDATE

Net[1] New Store Additions

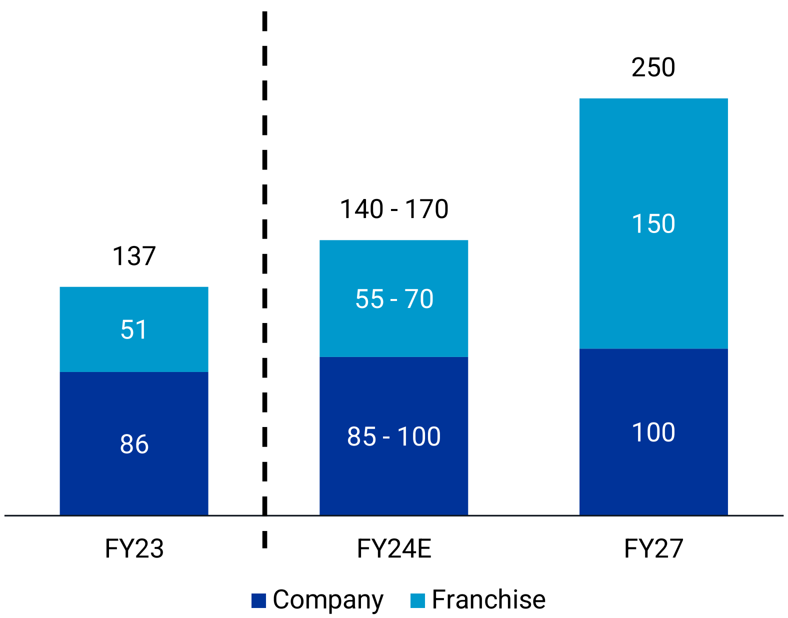


- Strong delivery to finish FY 2023
- Engaging with franchise partners in new ways to support new store growth
- Record year for new builds for both franchise and company systems

1. Net of 4 Franchise stores acquired and converted to Company operations. Refer to the Appendix for further information regarding management's use of key business measures.

ON TRACK WITH LARGE WHITESPACE OPPORTUNITY

Net[1] New Store Additions



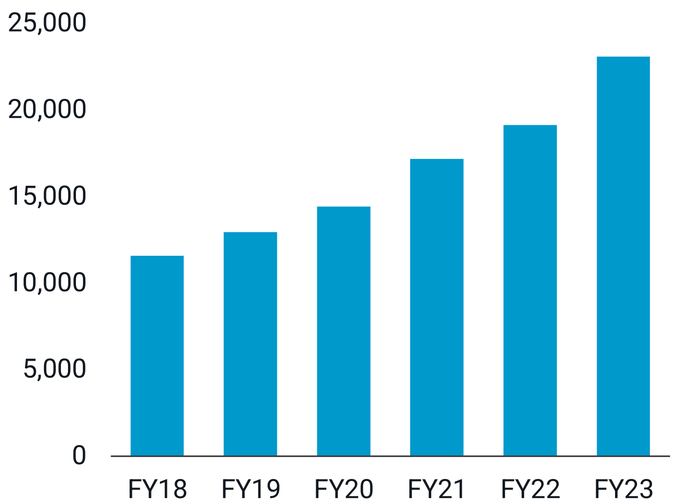
- Added 137 units (+8%) in 2023 in line with plan to deliver long-term target
- Multiple levers to fuel new store growth, including:
  - Partnering with existing franchisees
  - New franchise partners
  - Opportunistic M&A
- Targeting new stores of 250 per year by 2027
  - 150 franchise and 100 company

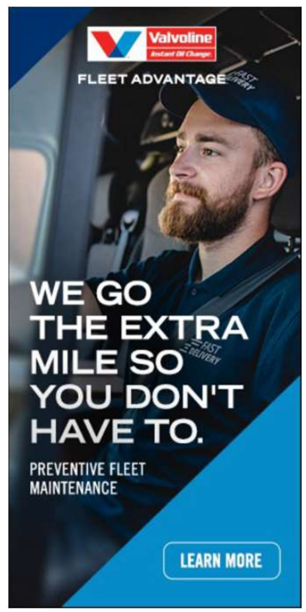
1. FY23 net of 4 Franchise stores acquired and converted to Company operations. Refer to the Appendix for further information regarding management's use of key business measures.

TARGET CUSTOMER AND SERVICE EXPANSION – FLEET & NOCR HIGHLIGHT

Fleet business remains a source of strength and opportunity

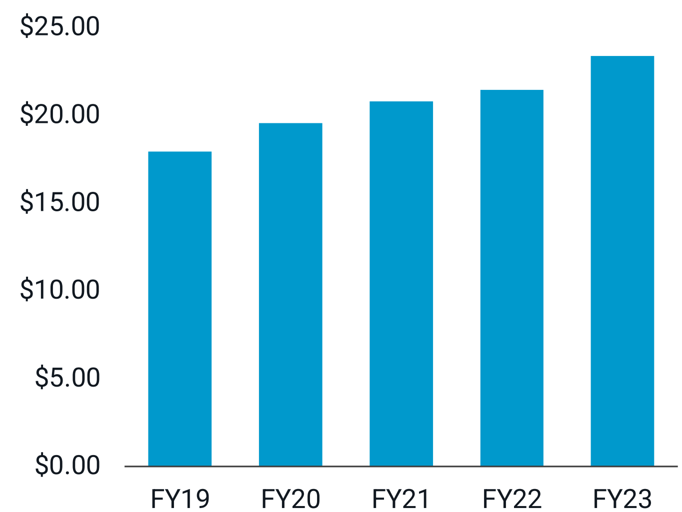
Fleet Accounts

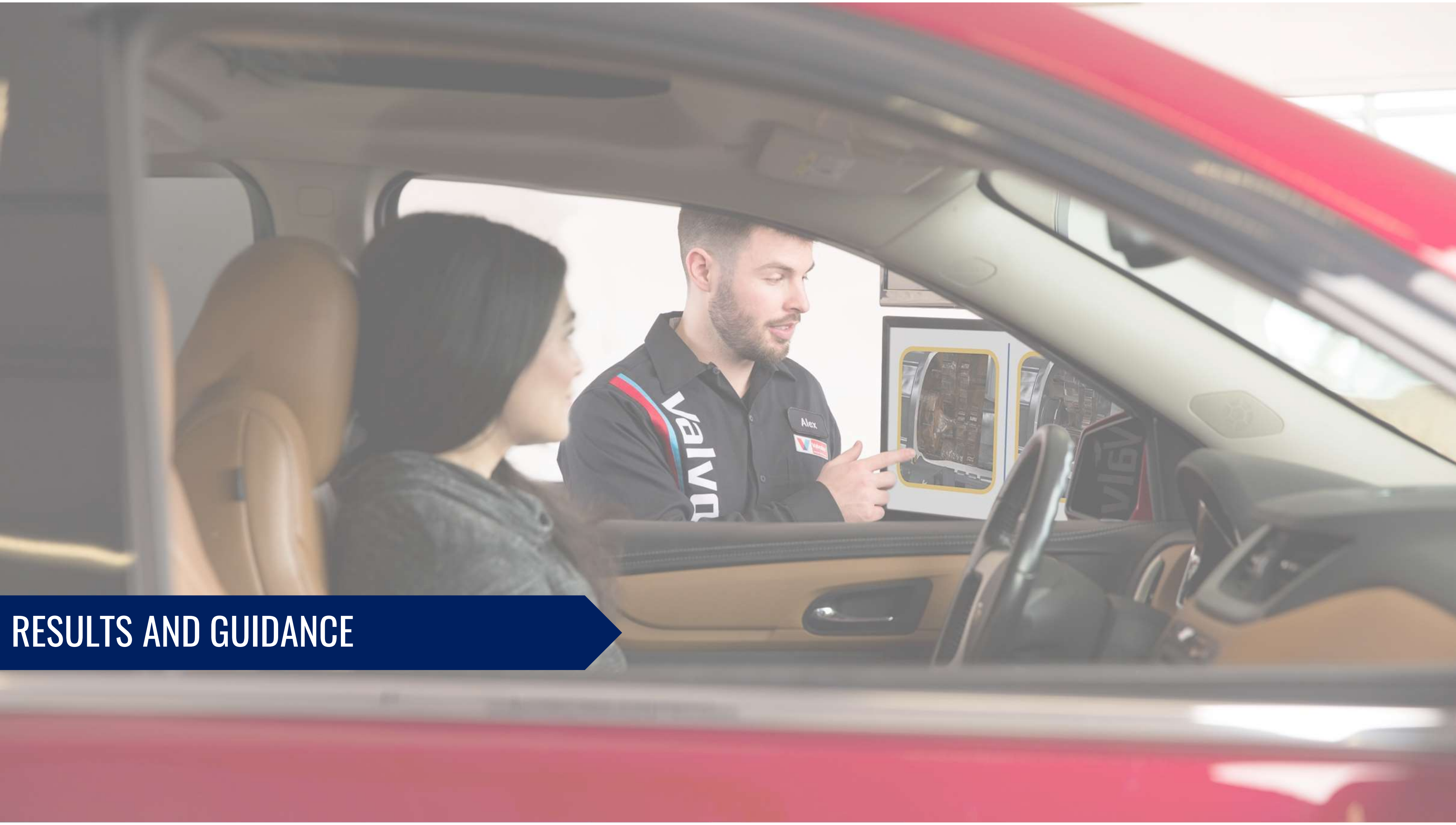




Additional services expected to support long-term ticket growth

System Non-Oil Change Revenue





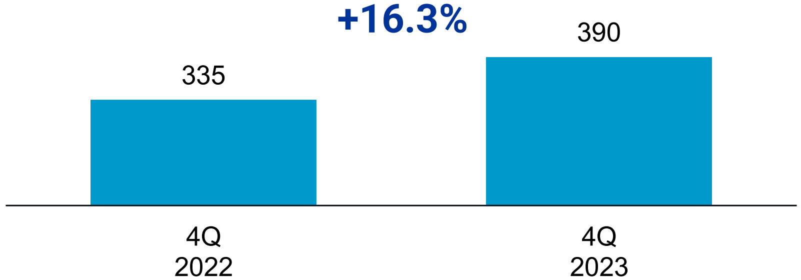
RESULTS AND GUIDANCE

REVENUE PERFORMANCE

4th Quarter

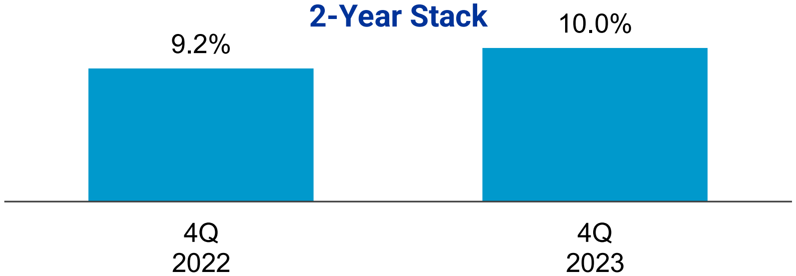
Net Sales Growth
($, Millions)

+16.3%



System-Wide SSS[1] Growth

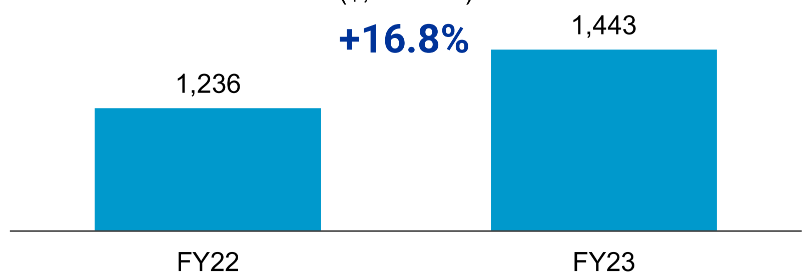
+19.2%
2-Year Stack



FY 2023

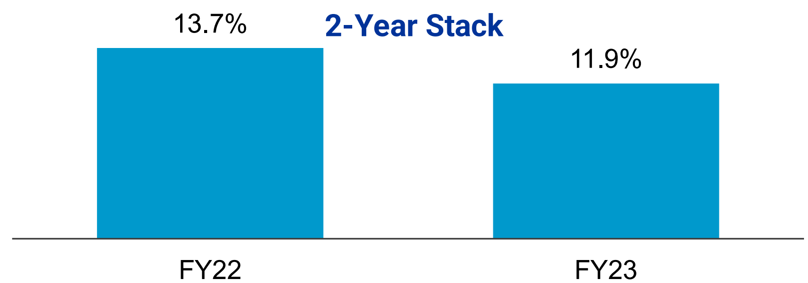
Net Sales Growth
($, Millions)

+16.8%



System-Wide SSS[1] Growth

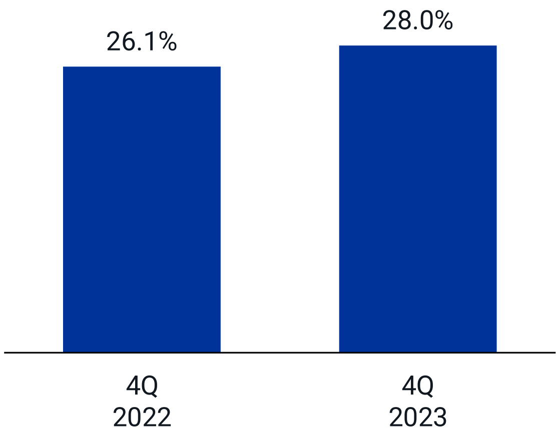
+25.6%
2-Year Stack



1. Refer to the Appendix for further information regarding management's use of key business measures

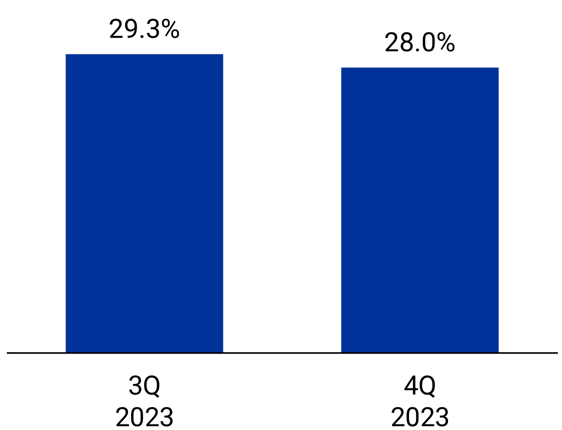
ADJUSTED EBITDA MARGIN[1] PERFORMANCE

4Q - YOY
+190bps Increase



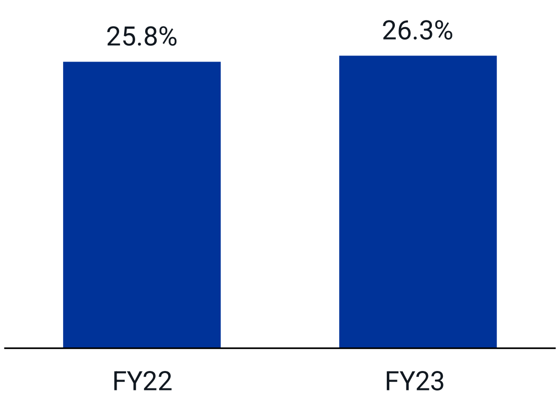
- Waste oil headwinds offset by lubricant costs declines and improved labor efficiency

4Q - Sequential
-130bps Decrease



- Sequential decline from seasonally higher benefits expense in labor

Full Year - YOY
+50bps Increase



- Full year improvement largely driven by SG&A leverage

YoY leverage with 20% growth in EBITDA and 18% adjusted[1] topline growth

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

FINANICAL RESULTS - ADJUSTED[1]

(Millions)	4Q23	YoY
Net revenues	$390.0	16.3%
Operating income	$81.1	18.9%
Operating margin	20.8%	50 bps
Income from continuing operations	$53.6	42.2%
EBITDA	$109.2	24.8%
EBITDA margin	28.0%	190 bps
EPS	$0.39	86%

(Millions)	FY23	YoY
Net revenues	$1,443.3	18%
Operating income	$291.2	12%
Operating margin	20.2%	20 bps
Income from continuing operations	$191.3	45%
EBITDA	$380.0	20%
EBITDA margin	26.3%	50 bps
EPS	$1.18	62%

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

4Q23 REPORTING HIGHLIGHTS

Balance Sheet Highlights

(Millions)	FY23
Cash & Cash Equivalents	$409.1
Short Term Investments	$347.5
Total Debt	$1,586.1

- Continue to target net leverage ratio[1] of 2.5x – 3.5x; timing impacted by anticipated share repurchases, tax payments and debt repayment
- Expect to make an offer to repurchase all of the 2030 Senior Notes during 2QFY24, subject to market conditions

Cash Flow Highlights

(Millions)	FY23
Cash Flows from Operating Activities	$353.0
Free Cash Flow[2]	$172.5

- Cash flows from operating activities increased $219M over prior year; includes a significant one-time benefit related to net working capital
- Interest Income of $11M earned during the quarter on invested net proceeds from the sale of Global Products; bringing FY23 total to $44M

1. Based on rating agency adjusted amounts.
2. For reconciliation of adjusted amounts for the continuing operations to amounts reported under GAAP, please refer to the Appendix

FY2024 GUIDANCE

	Outlook
Same Store Sales Growth[1] %	6% - 9%
System-Wide Store Additions[1]	140 – 170
Net Revenues	$1.6B – $1.7B
Adjusted[2] EBITDA	$420M – $460M
Adjusted[2] EPS	$1.40 – $1.65
Capital Expenditures	$185M - $215M

Delivering on long-term growth algorithm and growth consistent with best-in-class high-growth retail

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.

SUMMARY

FY2023 was a strong year.

17% Net Sales Growth, 20% Adj.[1] EBITDA Growth, and 62% Adj. [1] EPS Growth

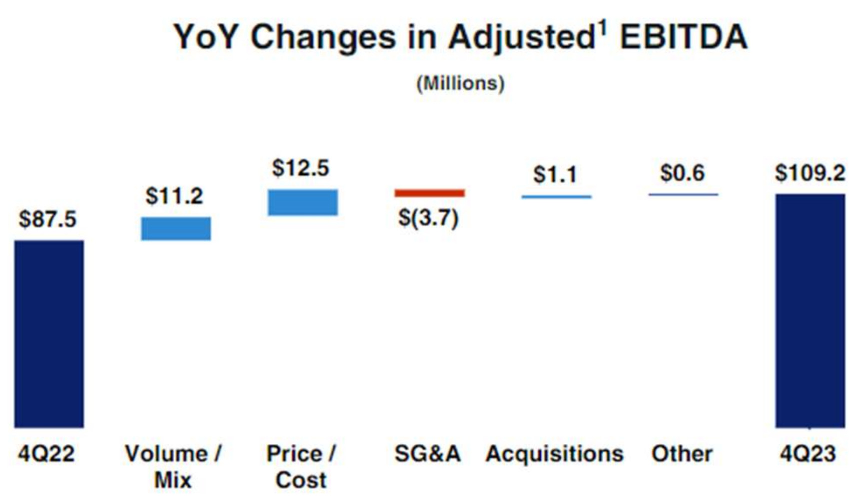
Delivering best-in-class results for high-growth retail.

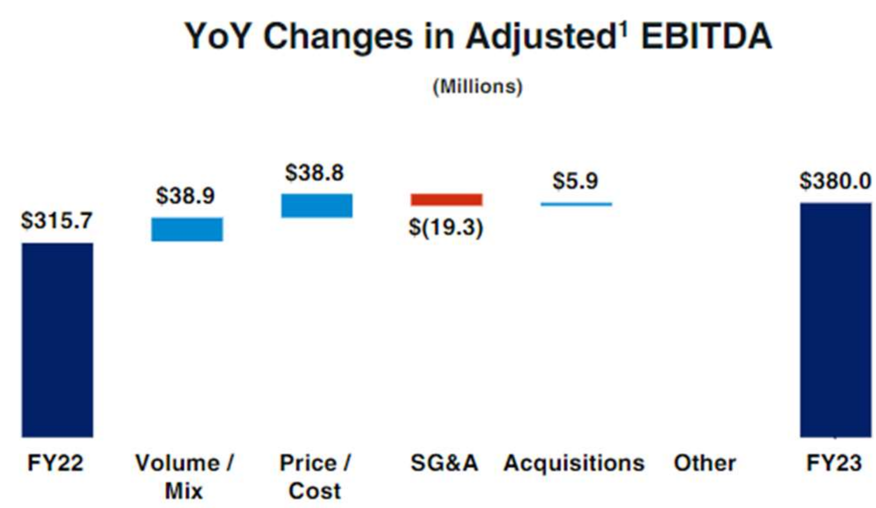
We will continue to focus on delivering long-term growth algorithm.

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

APPENDIX

EBITDA BRIDGE- SEQUENTIAL & Y/Y

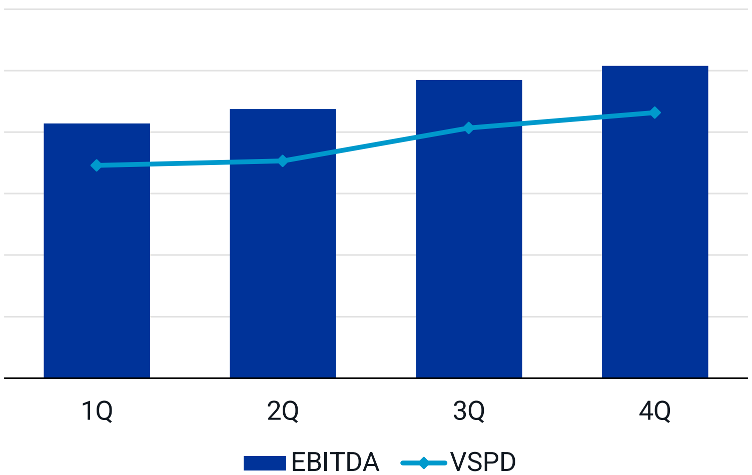




1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

SEASONALITY SLIDE

3-Year Average Quarterly Performance[1]



- Retail Services performance tracks with seasonal driving patterns
- Anticipate stronger volume and profit in back half of fiscal year through operating leverage
- Generally, annual EBITDA contribution is 40% - 45% in first half and 55 – 60% in second half

1. Refer to the Appendix for further information regarding management's use of key business measures.

RETAIL SERVICES – Q4 SYSTEM RESULTS

	Three months ended September 30		Twelve months ended September 30	
	2023	2022	2023	2022
Sales information				
System-wide store sales - in millions (a)	$ 738.3	$ 641.9	$ 2,761.8	$ 2,360.2
Year-over-year growth (a)	*15.0 %*	*15.7 %*	*17.0 %*	*19.8 %*
Same-store sales growth (b)				
Company-operated	9.1 %	8.5 %	11.9 %	11.4 %
Franchised (a)	10.8 %	9.8 %	11.9 %	15.5 %
System-wide (a)	10.0 %	9.2 %	11.9 %	13.7 %

	Number of stores at end of period				
	Fourth Quarter 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023	Fourth Quarter 2022
Company-operated	876	854	832	813	790
Franchised [(a)]	976	950	949	933	925

	September 30	
	2023	2022
System-wide store count [(a)]	1,852	1,715
Year-over-year growth [(a)]	*8.0 %*	*7.6 %*

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

(b) Valvoline determines SSS growth as sales by U.S. stores, with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation.

RETAIL SERVICES – STORE INFORMATION

	Company-operated				
	Fourth Quarter 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023	Fourth Quarter 2022
Beginning of period	854	832	813	790	772
Opened	14	12	13	17	12
Acquired	8	8	6	5	3
Net conversions between company-operated and franchised	—	2	—	2	3
Closed	—	—	—	(1)	—
End of period	876	854	832	813	790

	Franchised (a)				
	Fourth Quarter 2023	Third Quarter 2023	Second Quarter 2023	First Quarter 2023	Fourth Quarter 2022
Beginning of period	950	949	933	925	918
Opened	26	3	16	11	10
Acquired	—	—	—	—	—
Net conversions between company-operated and franchised	—	(2)	—	(2)	(3)
Closed	—	—	—	(1)	—
End of period	976	950	949	933	925
Total system-wide stores (a)	1,852	1,804	1,781	1,746	1,715

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

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

Valvoline.

	Three months ended September 30		Twelve months ended September 30	
	2023	2022	2023	2022
Reported income from continuing operations	$ 75.0	$ 12.4	$ 199.4	$ 109.4
Adjustments:				
Net pension and other postretirement plan (income) expense	(38.6)	34.6	(27.6)	6.9
Net legacy and separation-related expenses	2.0	1.6	32.8	20.5
Information technology transition costs	1.2	—	3.0	2.6
Suspended operations	7.6	(0.6)	7.1	0.9
Investment and divestiture-related costs	0.1	—	1.1	—
Debt extinguishment and modification costs	0.1	—	1.1	—
Total adjustments, pre-tax	(27.6)	35.6	17.5	30.9
Income tax expense (benefit) of adjustments	6.2	(10.3)	(25.6)	(8.5)
Total adjustments, after tax	(21.4)	25.3	(8.1)	22.4
Adjusted income from continuing operations (b)(c)	$ 53.6	$ 37.7	$ 191.3	$ 131.8
Reported diluted earnings per share from continuing operations	$ 0.53	$ 0.07	$ 1.23	$ 0.61
Adjusted diluted earnings per share from continuing operations (c)(d)	$ 0.39	$ 0.21	$ 1.18	$ 0.73
Weighted average diluted common shares outstanding	139.2	178.6	162.6	180.4

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

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

(d) Adjusted diluted earnings per share from continuing operations is defined as diluted earnings per share calculated using adjusted income from continuing operations.

RECONCILIATION OF NON-GAAP DATA – Q4 ADJUSTED EBITDA

	Three months ended September 30		Twelve months ended September 30	
	2023	2022	2023	2022
Reported net revenues	$ 390.0	$ 335.4	$ 1,443.5	$ 1236.1
Key items:				
Suspended operations	—	(0.2)	(0.2)	(11.6)
Adjusted net revenues [(a)] [(b)]	$ 390.0	$ 335.2	$ 1,443.3	$ 1224.5
Income from continuing operations	$ 75.0	$ 12.4	$ 199.4	$ 109.4
Add:				
Income tax expense	22.9	2.1	37.1	34.7
Net interest and other financing expense	10.9	18.1	38.3	69.3
Depreciation and amortization	28.1	19.3	88.8	71.4
EBITDA from continuing operations [(b)] [(c)]	136.9	51.9	363.6	284.8
Key items:				
Net pension and other postretirement plan (income) expense	(38.6)	34.6	(27.6)	6.9
Net legacy and separation-related expenses	2.0	1.6	32.8	20.5
Information technology transition costs	1.2	—	3.0	2.6
Suspended operations	7.6	(0.6)	7.1	0.9
Investment and divestiture-related costs	0.1	—	1.1	—
Key items - subtotal	(27.7)	35.6	16.4	30.9
Adjusted EBITDA from continuing operations [(b)] [(c)]	$ 109.2	$ 87.5	$ 380.0	$ 315.7
Net profit margin [(d)]	19.2 %	3.7 %	13.8 %	8.9 %
Adjusted EBITDA margin [(b)] [(e)]	28.0 %	26.1 %	26.3 %	25.8 %

(a) Adjusted net revenues are reported net revenues adjusted for key items.
(b) Represents a non-GAAP measure. Refer to “Use of Non-GAAP Measures” and the Appendix for additional details.
(c) EBITDA from continuing operations is defined as Income from continuing operations, plus Income tax expense, Net interest and other financing expense, and Depreciation and amortization attributable to continuing operations. Adjusted EBITDA from continuing operations is EBITDA adjusted for key items attributable to continuing operations.
(d) Net profit margin is defined as reported income from continuing operations divided by reported net revenues.
(e) Adjusted EBITDA margin is defined as Adjusted EBITDA from continuing operations divided by adjusted net revenues.

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

In millions - preliminary and unaudited	Three months ended September 30			
	Net revenues		Operating income	
	2023	2022	2023	2022
As reported	$ 390.0	$ 335.4	$ 70.2	$ 67.2
Key items:				
Net legacy and separation-related expenses	—	—	2.0	1.6
Information technology transition costs	—	—	1.2	—
Suspended operations	—	(0.2)	7.6	(0.6)
Investment and divestiture-related costs	—	—	0.1	—
As adjusted [(a)]	$ 390.0	$ 335.2	$ 81.1	$ 68.2
Operating margin - as reported [(b)]			*18.0 %*	*20.0 %*
Adjusted operating margin [(b)]			*20.8 %*	*20.3 %*

In millions - preliminary and unaudited	Twelve months ended September 30			
	Net revenues		Operating income	
	2023	2022	2023	2022
As reported	$ 1,443.5	$ 1,236.1	$ 247.2	$ 220.3
Key items:				
Net legacy and separation-related expenses	—	—	32.8	20.5
Information technology transition costs	—	—	3.0	2.6
Suspended operations	(0.2)	(11.6)	7.1	0.9
Investment and divestiture-related costs	—	—	1.1	—
As adjusted [(a)]	$ 1,443.3	$ 1,224.5	$ 291.2	$ 244.3
Operating margin - as reported [(b)]			*17.1 %*	*17.8 %*
Adjusted operating margin [(b)]			*20.2 %*	*20.0 %*

(a) Adjusted net revenues, operating income and adjusted operating margin represent non-GAAP measures. Refer to "Use of Non-GAAP Measures" and the Appendix for additional details.

(b) Operating margin is defined as operating income divided by net revenues. Adjusted operating margin is defined as operating income adjusted for key items divided by net revenues adjusted for key items.

RECONCILIATION OF NON-GAAP DATA – FREE CASH FLOWS

Free cash flow [a]	Year ended September 30 2023	Year ended September 30 2022
Total cash flows provided by operating activities from continuing operations	$ 353.0	$ 134.4
Adjustments:		
Additions to property, plant and equipment from continuing operations	(180.5)	(132.0)
Free cash flow from continuing operations [b]	$ 172.5	$ 2.4

Discretionary free cash flow [c]	Year ended September 30 2023	Year ended September 30 2022
Total cash flows provided by operating activities from continuing operations	$ 353.0	$ 134.4
Adjustments:		
Maintenance additions to property, plant and equipment from continuing operations	(29.5)	(19.3)
Discretionary free cash flow from continuing operations [b]	$ 323.5	$ 115.1

(a) Free cash flow from continuing operations is defined as operating cash flows from continuing operations less capital expenditures of the continuing operations and certain other adjustments attributable to continuing operations, as applicable.

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

(c) Discretionary free cash flow from continuing operations is defined as operating cash flows from continuing operations less maintenance capital expenditures of the continuing operations and certain other adjustments attributable to continuing operations, as applicable.

GAAP RESULTS – TOTAL COMPANY

	Three months ended September 30		Twelve months ended September 30	
	2023	2022	2023	2022
Net revenues	$ 390.0	$ 335.4	$ 1,443.5	$ 1,236.1
Cost of sales	241.7	206.3	899.0	759.7
Gross profit	148.3	129.1	544.5	476.4
Selling, general and administrative expenses	70.3	62.1	264.5	244.7
Net legacy and separation-related expenses	2.0	1.6	32.8	20.5
Other loss (income), net	5.8	(1.8)	—	(9.1)
Operating income	70.2	67.2	247.2	220.3
Net pension and other postretirement plan (income) expense	(38.6)	34.6	(27.6)	6.9
Net interest and other financing expense	10.9	18.1	38.3	69.3
Income before income taxes	97.9	14.5	236.5	144.1
Income tax expense	22.9	2.1	37.1	34.7
Income from continuing operations	75.0	12.4	199.4	109.4
(Loss) income from discontinued operations	(29.8)	145.3	1,216.6	314.9
Net income	45.2	$ 157.7	1,416.0	$ 424.3
Net earnings per share				
Basic earnings per share				
Continuing operations	$ 0.54	$ 0.07	$ 1.23	$ 0.61
Discontinued operations	(0.21)	0.82	7.53	1.76
Basic earnings per share	$ 0.33	$ 0.89	$ 8.76	$ 2.37
Diluted earnings per share				
Continuing operations	$ 0.53	$ 0.07	$ 1.23	$ 0.61
Discontinued operations	(0.21)	0.81	7.48	1.74
Diluted earnings per share	$ 0.32	$ 0.88	$ 8.71	$ 2.35
Weighted average common shares outstanding				
Basic	138.2	177.4	161.6	179.1
Diluted	139.2	178.6	162.6	180.4

USE OF NON-GAAP MEASURES

This presentation includes the following non-GAAP measures: Adjusted operating income and adjusted operating margin; Adjusted net revenues; EBITDA, adjusted EBITDA, and adjusted EBITDA margin; adjusted net income and adjusted diluted earnings per share; and free cash flow and discretionary free cash flow. Refer to this Appendix for management's definition of each non-GAAP measure and reconciliation to the most comparable U.S. GAAP measure.

Non-GAAP measures include adjustments from results based on U.S. GAAP that management believes enables comparison of certain financial trends and results between periods and provides a useful supplemental presentation of Valvoline's operating performance that allows for transparency with respect to key metrics used by management in operating the business and measuring performance. These non-GAAP measures have limitations as analytical tools and should not be considered in isolation from, an alternative to, or more meaningful than, the financial results presented in accordance with U.S. GAAP. The financial results presented in accordance with U.S. GAAP and the reconciliations of non-GAAP measures should be carefully evaluated. The manner used to compute the non-GAAP information used by management may differ from the methods used by other companies and may not be comparable.

Management believes EBITDA measures provide a meaningful supplemental presentation of Valvoline's operating performance between periods on a comparable basis due to the depreciable assets associated with the nature of the Company's operations, as well as income tax and interest costs related to Valvoline's tax and capital structures, respectively. Management uses free cash flow and discretionary free cash flow as additional non-GAAP metrics of cash flow generation. By including capital expenditures and certain other adjustments, as applicable, management is able to provide an indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Free cash flow includes the impact of capital expenditures, providing a supplemental view of cash generation. Discretionary free cash flow includes maintenance capital expenditures, which are routine uses of cash that are necessary to maintain the Company's operations and provides a supplemental view of cash flow generation to maintain operations before discretionary investments in growth. Free cash flow and discretionary free cash flow have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash flows, such as mandatory debt repayments.

Adjusted net revenue and profitability measures (i.e., adjusted net income, diluted earnings per share and EBITDA) enable the comparison of financial trends and results between periods where certain items may not be reflective of the Company's underlying and ongoing operational performance or vary independent of business performance. The non-GAAP measures used by management exclude the impact of certain unusual, infrequent or non-operational activity not directly attributable to the underlying business, which management believes impacts the comparability of operational results between periods ("key items"). Key items are often related to legacy matters or market-driven events considered by management to not be reflective of the ongoing operating performance. Key items may consist of adjustments related to: legacy businesses, including the separation from Valvoline's former parent company, the former Global Products reportable segment, and associated impacts of related activity and indemnities; non-service pension and other postretirement plan activity; restructuring-related matters, including organizational restructuring plans, the separation of Valvoline's businesses, significant acquisitions or divestitures, debt extinguishment and modification, and tax reform legislation; in addition to other matters that management considers non-operational, infrequent or unusual in nature.

USE OF NON-GAAP MEASURES, CONTINUED

Refer to the below for descriptions of the key items that comprise the adjustments which depart from the computations in accordance with U.S. GAAP:

Net pension and other postretirement plan (income) expense: Includes several elements impacted by changes in plan assets and obligations that are primarily driven by the debt and equity markets, including remeasurement gains and losses, when applicable; and recurring non-service pension and other postretirement net periodic activity, which consists of interest cost, expected return on plan assets and amortization of prior service credits. Management considers that these elements are more reflective of changes in current conditions in global markets (in particular, interest rates), outside the operational performance of the business, and are also legacy amounts that are not directly related to the underlying business and do not have an impact on the compensation and benefits provided to eligible employees for current service.

The Company recognized remeasurement adjustments in the fourth quarter of each fiscal year, which resulted in a gain of $41.6 million and a loss of $43.9 million in fiscal 2023 and 2022, respectively.

Net legacy and separation-related expenses: Activity associated with legacy businesses and the separation from Valvoline's former parent company and its former Global Products reportable segment. This activity includes the recognition of and adjustments to indemnity obligations to its former parent company; certain legal, financial, professional advisory and consulting fees; and other expenses incurred by the continuing operations in connection with and directly related to these separation transactions and legacy matters. This incremental activity directly attributable to legacy matters and separation transactions is not considered reflective of the underlying operating performance of the Company's continuing operations. Of specific note, the Company recognized $25.7 million of pre-tax expense during the twelve months ended September 30, 2023 to reflect its increased estimated indemnity obligation, which also resulted in an income tax benefit of $29.0 million to reflect the release of valuation allowances in connection with the amendment of the Tax Matters Agreement with Valvoline's former parent company.

Information technology transition costs: Consists of redundant expenses incurred from duplicative technology platforms required while implementing the Company's stand-alone enterprise resource planning software system during fiscal 2023 and transitioning its data centers during fiscal 2022. These expenses are reflective of incremental costs directly associated with technology transitions and are not considered to be reflective of the ongoing expenses of operating the Company's technology platforms.

Suspended operations: Represents the results of a former Global Products business where operations were suspended during fiscal 2022 that were not sold with the Global Products business. These results included an impairment loss of $8.1 million recognized in the fourth quarter of fiscal 2023 upon classifying the suspended operations as held for sale. These results are not indicative of the operating performance of the Company's ongoing continuing operations.

Investment and divestiture-related costs: Expense recognized to reduce the carrying value of an investment interest determined to be impaired. This cost is not considered to be reflective of the underlying performance of the Company's ongoing continuing operations.

Debt extinguishment and modification costs: Relates to the modification of the Senior Credit Agreement and includes the accelerated amortization of previously capitalized debt issuance costs, as well as third-party fees expensed in connection with the execution of the amended Senior Credit Agreement. These expenses are not considered to be indicative of the future servicing costs of the Company's ongoing debt facilities.

KEY BUSINESS MEASURES

Valvoline tracks its operating performance and manages its business using certain key measures, including system-wide, company-operated and franchised store counts and SSS; and system-wide store sales. Management believes these measures are useful to evaluating and understanding Valvoline's operating performance and should be considered as supplements to, not substitutes for, Valvoline's net revenues and operating income, as determined in accordance with U.S. GAAP.

Net revenues are influenced by the number of service center stores and the business performance of those stores. Stores are considered open upon acquisition or opening for business. Temporary store closings remain in the respective store counts with only permanent store closures reflected in the activity and end of period store counts. SSS is defined as net revenues by U.S. 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.

Net revenues are limited to sales at company-operated stores, in addition to royalties and other fees from independent franchised and Express Care stores. Although Valvoline does not recognize store-level sales from franchised stores as net revenues in its Statements of 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 operating performance.