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Valvoline Reports Second-Quarter Results

- Reported net income of \$81 million grew 19% and earnings per diluted share (EPS) of \$0.45 increased 22%
- Adjusted EPS of \$0.48 was flat and adjusted EBITDA of \$158 million improved 1%
- Sales grew 26% to \$886 million driven by strong demand and pricing actions
- Retail Services sales grew 23% with system-wide same-store sales (SSS) increasing 13.1% and net system-wide unit additions of 7%
- Global Products sales increased 29% primarily driven by volume growth of 9% and pricing actions
- Returned \$57 million in cash to shareholders via dividends and share repurchases
- Reiterates full-year guidance for adjusted EBITDA of \$675 to \$700 million and adjusted EPS of \$2.07 to \$2.20

LEXINGTON, Ky., May 9, 2022 [/PRNewswire/](#) -- Valvoline Inc. (NYSE: VVV), a global leader in vehicle care powering the future of mobility through innovative services and products, today reported financial results for its second fiscal quarter ended March 31, 2022. All comparisons in this press release are made to the same prior-year period unless otherwise noted.

"Valvoline continues to generate outstanding top-line results, reflecting ongoing strong demand for our products and services," said Sam Mitchell, CEO. "Our performance was driven by ongoing share gains, price increases to recover cost inflation and continued strong operational execution by our team.

"Sales increased 23% in Retail Services driven by 13% same-store sales growth and a 7% increase in units. Profitability was impacted by the current inflationary environment, increasing labor and product costs. We have executed appropriate pricing actions which will improve profitability in Q3 and Q4.

"Global Products sales increased by an impressive 29%, highlighting strong volume growth of 9% and continued success in price pass-through of raw material cost increases. The volume growth we are seeing is broad-based and an indicator of continued share gains and our ability to meet customer demand despite supply chain challenges. Our unit margins continue to improve sequentially, and we are confident that we will recover cost increases with price pass-through – as we have done in prior periods of inflation."

Operating Segment Results

| (In millions) | | YoY growth (decline) |
|---|------------|-------------------------|
| Retail Services | Q2 results | |
| Segment sales | \$ 350 | 23% |
| System-wide store sales ^(a) | \$ 557 | 19% |
| Operating income | \$ 77 | (4)% |
| Adjusted EBITDA ^(a) | \$ 95 | —% |
| YoY growth | | |
| System-wide SSS ^(a) growth | 13.1% | |
| Global Products | Q2 results | YoY growth |
| Lubricant sales (gallons) ^(a) | 43.3 | 9% |
| Segment sales | \$ 536 | 29% |
| Operating income | \$ 74 | 1% |
| Adjusted EBITDA ^(a) | \$ 81 | 1% |
| Discretionary free cash flow ^(a) | \$ 52 | —% |

(a) Refer to Key Business Measures, Use of Non-GAAP Measures, and Tables 4 and 5, Information by Operating Segment, for a description of the metrics presented above.

Balance Sheet and Cash Flow

- Total debt of approximately \$1.7 billion and net debt of approximately \$1.6 billion

- Year-to-date cash flow from operations of \$96 million and free cash flow of \$29 million
- Returned \$35 million of cash to shareholders via share repurchases and \$22 million via dividends during the quarter

Outlook

"We are reaffirming our full-year profitability guidance despite a challenging supply chain and raw material environment, highlighting superior execution, the quality of our business and strong pricing power," said Mitchell. "Our adjusted EBITDA guidance represents high-single digit growth driven by share gains and pricing actions.

"Both segments remain healthy, and our separation process remains on track."

Information regarding the Company's outlook for fiscal 2022 is provided in the table below:

| | Updated Outlook | | | Prior Outlook | | |
|---|-----------------|---|---------------|---------------|---|---------------|
| Operating Items | | | | | | |
| Sales growth | 22 | — | 24% | 19 | — | 21% |
| Retail Services system-wide store additions | 140 | — | 160 | 110 | — | 130 |
| Retail Services system-wide SSS growth | 12 | — | 14% | 9 | — | 12% |
| Adjusted EBITDA | no | | change | \$675 | — | \$700 million |
| Corporate Items | | | | | | |
| Adjusted effective tax rate | no | | change | 24 | — | 25% |
| Adjusted EPS | no | | change | \$2.07 | — | \$2.20 |
| Capital expenditures | no | | change | \$180 | — | \$200 million |
| Free cash flow ^(a) | \$260 | — | \$280 million | \$260 | — | \$300 million |

(a) Updated outlook for free cash flow excludes non-recurring cash outflows associated with the separation.

Valvoline's outlook for adjusted EBITDA, adjusted EPS, free cash flow and the adjusted effective tax rate are non-GAAP financial measures that are expected to be impacted by items affecting comparability. Valvoline is unable to reconcile these forward-looking non-GAAP financial measures to the comparable GAAP measures estimated for fiscal 2022 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 these GAAP measures in fiscal 2022 but would not impact non-GAAP adjusted results.

Conference Call Webcast

Valvoline will host a live audio webcast of its fiscal second quarter 2022 conference call at 9 a.m. ET on Tuesday, May 10, 2022. The webcast and supporting materials will be accessible through Valvoline's website at <http://investors.valvoline.com>. Following the live event, an archived version of the webcast and supporting materials will be available.

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 franchise and Express Care operators, in addition to 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.

Use of Non-GAAP Measures

To supplement the financial measures prepared in accordance with U.S. GAAP, certain items within this press release 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 press release 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 flows. Refer to Tables 4-5 and 7-9 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, as well as 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 activity and indemnities; the separation of Valvoline's businesses; 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 and losses, and (iv) amortization of prior service costs and credits. 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 non-discretionary cash flows, such as mandatory debt repayments.

About Valvoline™

Valvoline Inc. (NYSE: VVV) is a global leader in vehicle care powering the future of mobility through innovative services and products for vehicles with [electric](#), [hybrid](#) and internal combustion powertrains. Established in 1866, the Company introduced the world's first branded motor oil and developed strong brand recognition and customer satisfaction ratings across multiple service and product channels over the years. The Company operates and franchises [approximately 1,600 service center locations](#) and is the No. 2 and No. 3 largest chain in the U.S. and Canada, respectively, by number of stores. With sales in more than 140 countries and territories, Valvoline's solutions are available for every engine and drivetrain, including high-mileage and heavy-duty vehicles, and are offered at more than 80,000 locations worldwide. Creating the next generation of advanced automotive solutions, Valvoline has established itself as the world's leading supplier of battery fluids to electric vehicle manufacturers, offering tailored products to help extend vehicle range and efficiency. To learn more, or to find a Valvoline service center near you, visit www.valvoline.com.

Forward-Looking Statements

Certain statements in this press release, 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 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.

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FOR FURTHER INFORMATION

Investor Inquiries

+1 (859) 357-3155

IR@valvoline.com

Media Inquiries

Michele Gaither Sparks

Sr. Director, Corporate Communications

+1 (859) 230-8097

michele.sparks@valvoline.com

| | Three months ended March 31 | | Six months ended March 31 | |
|--|--------------------------------|--------------|------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Sales | \$ 886 | \$ 701 | \$ 1,744 | \$ 1,354 |
| Cost of sales | 636 | 454 | 1,250 | 879 |
| GROSS PROFIT | 250 | 247 | 494 | 475 |
| Selling, general and administrative expenses | 137 | 129 | 272 | 246 |
| Legacy and separation-related expenses | 6 | — | 9 | 1 |
| Equity and other income, net | (10) | (13) | (25) | (27) |
| OPERATING INCOME | 117 | 131 | 238 | 255 |
| Net pension and other postretirement plan income | (9) | (14) | (18) | (27) |
| Net interest and other financing expenses | 18 | 55 | 35 | 75 |
| INCOME BEFORE INCOME TAXES | 108 | 90 | 221 | 207 |
| Income tax expense | 27 | 22 | 53 | 52 |
| NET INCOME | <u>\$ 81</u> | <u>\$ 68</u> | <u>\$ 168</u> | <u>\$ 155</u> |

NET EARNINGS PER SHARE

| | | | | |
|---------|---------|---------|---------|---------|
| BASIC | \$ 0.45 | \$ 0.37 | \$ 0.93 | \$ 0.84 |
| DILUTED | \$ 0.45 | \$ 0.37 | \$ 0.93 | \$ 0.84 |

WEIGHTED AVERAGE COMMON SHARES OUTSTANDING

| | | | | |
|---------|-----|-----|-----|-----|
| BASIC | 180 | 182 | 180 | 184 |
| DILUTED | 181 | 183 | 181 | 184 |

Valvoline Inc. and Consolidated Subsidiaries CONDENSED CONSOLIDATED BALANCE SHEETS (In millions - preliminary and unaudited)

Table 2

| | March 31 2022 | September 30 2021 |
|---|------------------|----------------------|
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents | \$ 118 | \$ 230 |
| Receivables, net | 563 | 496 |
| Inventories, net | 276 | 258 |
| Prepaid expenses and other current assets | 59 | 53 |
| Total current assets | <u>1,016</u> | <u>1,037</u> |
| Noncurrent assets | | |
| Property, plant and equipment, net | 843 | 817 |
| Operating lease assets | 313 | 307 |
| Goodwill and intangibles, net | 788 | 775 |
| Equity method investments | 53 | 47 |
| Deferred income taxes | 13 | 14 |
| Other noncurrent assets | 222 | 194 |
| Total noncurrent assets | <u>2,232</u> | <u>2,154</u> |
| Total assets | <u>\$ 3,248</u> | <u>\$ 3,191</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities | | |
| Current portion of long-term debt | \$ 47 | \$ 17 |
| Trade and other payables | 238 | 246 |
| Accrued expenses and other liabilities | 300 | 306 |
| Total current liabilities | <u>585</u> | <u>569</u> |
| Noncurrent liabilities | | |
| Long-term debt | 1,648 | 1,677 |
| Employee benefit obligations | 237 | 258 |
| Operating lease liabilities | 280 | 274 |

| | | |
|--|-----------------|-----------------|
| Deferred income taxes | 42 | 26 |
| Other noncurrent liabilities | 256 | 252 |
| Total noncurrent liabilities | <u>2,463</u> | <u>2,487</u> |
| Stockholders' equity | 200 | 135 |
| Total liabilities and stockholders' equity | <u>\$ 3,248</u> | <u>\$ 3,191</u> |

Valvoline Inc. and Consolidated Subsidiaries
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions - preliminary and unaudited)

Table 3

| | Six months ended March 31 | |
|--|------------------------------|---------------|
| | 2022 | 2021 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 168 | \$ 155 |
| Adjustments to reconcile net income to cash flows from operating activities | | |
| Loss on extinguishment of debt | — | 36 |
| Depreciation and amortization | 50 | 44 |
| Deferred income taxes | 15 | — |
| Pension contributions | (1) | (4) |
| Stock-based compensation expense | 7 | 6 |
| Other, net | (3) | 2 |
| Change in operating assets and liabilities | (140) | (49) |
| Total cash provided by operating activities | <u>96</u> | <u>190</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property, plant and equipment | (67) | (74) |
| Repayments of notes receivable | 5 | 12 |
| Acquisitions of businesses | (23) | (223) |
| Other investing activities, net | 1 | 9 |
| Total cash used in investing activities | <u>(84)</u> | <u>(276)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from borrowings | 185 | 546 |
| Repayments on borrowings | (186) | (800) |
| Premium paid to extinguish debt | — | (26) |
| Repurchases of common stock | (66) | (100) |
| Cash dividends paid | (45) | (46) |
| Other financing activities | (12) | (5) |
| Total cash used in financing activities | <u>(124)</u> | <u>(431)</u> |
| Effect of currency exchange rate changes on cash, cash equivalents and restricted cash | 1 | 4 |
| DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH | <u>(111)</u> | <u>(513)</u> |
| Cash, cash equivalents and restricted cash - beginning of period | 231 | 761 |
| CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD | <u>\$ 120</u> | <u>\$ 248</u> |

Valvoline Inc. and Consolidated Subsidiaries
INFORMATION BY OPERATING SEGMENT - RETAIL SERVICES
(In millions - preliminary and unaudited)

Table 4

| | Three months ended March 31 | | Six months ended March 31 | |
|-------------------------------|--------------------------------|--------|------------------------------|--------|
| | 2022 | 2021 | 2022 | 2021 |
| Sales information | | | | |
| Retail Services segment sales | \$ 350 | \$ 285 | \$ 696 | \$ 539 |

| | | | | |
|-------------------------------|--------|--------|----------|--------|
| Asia Pacific | 98 | 88 | 202 | 171 |
| Latin America ^(a) | 41 | 32 | 78 | 62 |
| Global Products segment sales | \$ 536 | \$ 416 | \$ 1,048 | \$ 815 |
| Year-over-year growth | 29% | 14% | 29% | 8% |

Profitability information

| | | | | |
|--|-------|-------|--------|--------|
| Operating income ^(b) | \$ 74 | \$ 73 | \$ 144 | \$ 161 |
| Key items | — | — | — | — |
| Adjusted operating income ^(b) | 74 | 73 | 144 | 161 |
| Depreciation and amortization | 7 | 7 | 14 | 13 |
| Adjusted EBITDA ^(b) | \$ 81 | \$ 80 | \$ 158 | \$ 174 |
| Adjusted EBITDA margin ^(c) | 15.1% | 19.2% | 15.1% | 21.3% |

Discretionary cash flow information

| | | | | |
|--|-------|-------|--------|--------|
| Adjusted operating income ^(b) | \$ 74 | \$ 73 | \$ 144 | \$ 161 |
| Income tax expense ^(d) | (18) | (18) | (34) | (41) |
| Maintenance additions to property, plant and equipment | (4) | (3) | (6) | (5) |
| Discretionary free cash flow ^(e) | \$ 52 | \$ 52 | \$ 104 | \$ 115 |

- (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.
- (d) Income tax expense is estimated using the adjusted effective tax rate for the period multiplied by operating segment adjusted operating income.
- (e) Segment discretionary free cash flow is defined as operating segment adjusted operating income after-tax, less maintenance capital expenditures.

Valvoline Inc. and Consolidated Subsidiaries RETAIL SERVICES STORE INFORMATION (Preliminary and unaudited)

Table 6

| | System-wide stores ^(a) | | | | |
|--|-----------------------------------|--------------------|---------------------|--------------------|---------------------|
| | Second Quarter 2022 | First Quarter 2022 | Fourth Quarter 2021 | Third Quarter 2021 | Second Quarter 2021 |
| Beginning of period | 1,635 | 1,594 | 1,569 | 1,548 | 1,533 |
| Opened | 19 | 32 | 21 | 17 | 13 |
| Acquired | 9 | 12 | 7 | 5 | 3 |
| Closed | (2) | (3) | (3) | (1) | (1) |
| End of period | 1,661 | 1,635 | 1,594 | 1,569 | 1,548 |
| | Number of stores at end of period | | | | |
| | Second Quarter 2022 | First Quarter 2022 | Fourth Quarter 2021 | Third Quarter 2021 | Second Quarter 2021 |
| Company-operated | 757 | 738 | 719 | 698 | 673 |
| Franchised | 904 | 897 | 875 | 871 | 875 |
| | | | | March 31 | |
| | | | | 2022 | 2021 |
| System-wide store count ^(a) | | | | 1,661 | 1,548 |

- (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.

Valvoline Inc. and Consolidated Subsidiaries

Table 7

**RECONCILIATION OF NON-GAAP DATA - NET INCOME AND DILUTED EARNINGS PER SHARE
(In millions, except per share amounts - preliminary and unaudited)**

| | Three months ended March 31 | | Six months ended March 31 | |
|--|--------------------------------|--------------|------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Reported net income | \$ 81 | \$ 68 | \$ 168 | \$ 155 |
| <i>Adjustments:</i> | | | | |
| Net pension and other postretirement plan income | (9) | (14) | (18) | (27) |
| Legacy and separation-related expenses | 6 | — | 9 | 1 |
| LIFO charge | 3 | 5 | 9 | 9 |
| Business interruption losses (recoveries) | 5 | (2) | 5 | (3) |
| Information technology transition costs | 2 | — | 3 | — |
| Debt extinguishment and modification costs | — | 36 | — | 36 |
| Total adjustments, pre-tax | 7 | 25 | 8 | 16 |
| Income tax benefit of adjustments | (1) | (6) | (1) | (4) |
| Total adjustments, after tax | 6 | 19 | 7 | 12 |
| Adjusted net income (a) | <u>\$ 87</u> | <u>\$ 87</u> | <u>\$ 175</u> | <u>\$ 167</u> |
| Reported diluted earnings per share | \$ 0.45 | \$ 0.37 | \$ 0.93 | \$ 0.84 |
| Adjusted diluted earnings per share (b) | \$ 0.48 | \$ 0.48 | \$ 0.96 | \$ 0.91 |
| Weighted average diluted common shares outstanding | 181 | 183 | 181 | 184 |

(a) Adjusted net income is defined as net income adjusted for key items. Refer to "Use of Non-GAAP Measures" in this press release for management's definition of key items.

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

Valvoline Inc. and Consolidated Subsidiaries

Table 8

**RECONCILIATION OF NON-GAAP DATA - ADJUSTED EBITDA
(In millions - preliminary and unaudited)**

| | Three months ended March 31 | | Six months ended March 31 | |
|--|--------------------------------|---------------|------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Adjusted EBITDA - Valvoline | | | | |
| Net income | \$ 81 | \$ 68 | \$ 168 | \$ 155 |
| Add: | | | | |
| Income tax expense | 27 | 22 | 53 | 52 |
| Net interest and other financing expenses | 18 | 55 | 35 | 75 |
| Depreciation and amortization | 25 | 23 | 50 | 44 |
| EBITDA (a) | 151 | 168 | 306 | 326 |
| Key items: | | | | |
| Net pension and other postretirement plan income | (9) | (14) | (18) | (27) |
| Legacy and separation-related expenses | 6 | — | 9 | 1 |
| LIFO charge | 3 | 5 | 9 | 9 |
| Business interruption losses (recoveries) | 5 | (2) | 5 | (3) |
| Information technology transition costs | 2 | — | 3 | — |
| Key items - subtotal | 7 | (11) | 8 | (20) |
| Adjusted EBITDA (a) | <u>\$ 158</u> | <u>\$ 157</u> | <u>\$ 314</u> | <u>\$ 306</u> |

Segment Adjusted EBITDA

| | | | | |
|---|---------------|--------------|---------------|---------------|
| Retail Services | \$ 95 | \$ 95 | \$ 193 | \$ 165 |
| Global Products | 81 | 80 | 158 | 174 |
| Segment Adjusted EBITDA ^(b) | 176 | 175 | 351 | 339 |
| Corporate | (18) | (18) | (37) | (33) |
| Total Adjusted EBITDA ^(a) | 158 | 157 | 314 | 306 |
| Net interest and other financing expenses | (18) | (55) | (35) | (75) |
| Depreciation and amortization | (25) | (23) | (50) | (44) |
| Key items | (7) | 11 | (8) | 20 |
| Income before income taxes | <u>\$ 108</u> | <u>\$ 90</u> | <u>\$ 221</u> | <u>\$ 207</u> |

(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 press release.

(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 certain 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.

Valvoline Inc. and Consolidated Subsidiaries
RECONCILIATION OF NON-GAAP DATA - FREE CASH FLOWS
(In millions - preliminary and unaudited)

Table 9

| Free cash flow ^(a) | Six months ended March 31 | |
|---|------------------------------|---------------|
| | 2022 | 2021 |
| Total cash flows provided by operating activities | \$ 96 | \$ 190 |
| Adjustments: | | |
| Additions to property, plant and equipment | (67) | (74) |
| Free cash flow | <u>\$ 29</u> | <u>\$ 116</u> |

| Discretionary free cash flow ^(b) | Six months ended March 31 | |
|--|------------------------------|---------------|
| | 2022 | 2021 |
| Total cash flows provided by operating activities | \$ 96 | \$ 190 |
| Adjustments: | | |
| Maintenance additions to property, plant and equipment | (16) | (15) |
| Discretionary free cash flow | <u>\$ 80</u> | <u>\$ 175</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.

SOURCE Valvoline Inc.