

#### **Press Releases**

# Valvoline Reports Third-Quarter Results

# Recently Announced Agreement for Sale of Global Products for \$2.65 Billion in Cash

- Reported net income of \$99 million grew 2% and earnings per diluted share (EPS) of \$0.55 increased 4%
- Adjusted EPS of \$0.58 improved 5% and adjusted EBITDA of \$180 million increased 4%
- Sales grew 21% to \$957 million driven by strong demand and pricing actions
- Retail Services sales grew 16% with system-wide same-store sales (SSS) increasing 9.9% and net system-wide unit additions of 8%
- · Global Products sales increased 24% primarily driven by volume growth of 9% and pricing actions
- Returned \$60 million in cash to shareholders via dividends and share repurchases
- Updates full-year guidance range for adjusted EBITDA to \$670 to \$680 million and adjusted EPS to \$2.07 to \$2.15
- Recently announced agreement for sale of the Global Products business to Aramco fos\$2.65 billion in cash

LEXINGTON, Ky., Aug. 3, 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 third fiscal quarter ended June 30, 2022. All comparisons in this press release are made to the same prior-year period unless otherwise noted.

"Valvoline's top-line growth in Q3 highlights the continuing robust demand for our products and services," saidSam Mitchell, CEO. "Record volume in Global Products and strong same-store sales growth in Retail Services illustrate the strength in both of our businesses and the performance of our global team. These results position us well for future margin expansion in the period beyond current raw-material inflationary cycle.

"Retail Services sales grew 16% led by same-store sales growth of nearly 10% — on track for what we expect to be our 16th consecutive year of same-store sales growth in fiscal 2022. While operating income was down slightly, adjusted EBITDA grew 1% year over year. The pricing actions we took in Q3 normalized our margins on a per-transaction basis, while product sales to our franchisees remain dilutive to overall margin percentage due to the price pass-through of higher raw material costs. Adjusted EBITDA margin rates improved 230 basis points sequentially, and we are confident in returning to our long-term margin target over time, although we do not expect a significant change in Q4 due to ongoing price pass-through.

"Global Products continues to generate strong top-line results and improving profitability. Sales increased 24% driven by record volume and successful price pass-through of raw material cost inflation. Volume growth was 9% as we continue to gain share and meet customer demand, despite ongoing challenges from COVID-19, particularly in China, and geopolitical disruption. Top-line demand and ongoing price pass-through drove strong growth in profitably both sequentially and versus last year."

### **Operating Segment Results**

(In millions)			YoY growth				
Retail Services	Q3	results	(decline)				
Segment sales	\$	384	16 %				
System-wide store sales (a)	\$	610	16 %				
Operating income	\$	96	(1) %				
Adjusted EBITDA (a)	\$	113	1 %				
	YoY growth						
System-wide SSS (a) growth		9.9	%				
Global Products	Q3	3 results	YoY growth				
Lubricant sales (gallons) (a)		45.4	9 %				
Segment sales	\$	573	24 %				
Operating income	\$	80	11 %				
Adjusted EBITDA (a)	\$	87	7 %				
Discretionary free cash flow (a)	\$	59	11 %				

<sup>(</sup>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.

#### Separation Update: Announced Sale of Global Products

As previously announced on August 1, 2022, Valvoline signed a definitive agreement to sell its Global Products business to Aramco for \$2.65 billion in cash and anticipates net proceeds of approximately\$2.25 billion. Valvoline expects to use the net proceeds to accelerate return of capital to shareholders through share repurchases with the remainder used for debt reduction and to invest in growth opportunities in Retail Services.

"The sale of Global Products will represent the successful outcome of our strategy to unlock the full, long-term value of our strong but

differentiated Retail Services and Global Products businesses," said Mitchell. "We have built two leading business that are well-positioned for continued success as they pursue their individual strategic priorities."

The transaction is expected to close in late calendar year 2022 or early 2023 subject to customary closing conditions and receipt of regulatory approval.

#### **Balance Sheet and Cash Flow**

- Total debt of \$1.7 billion and net debt of approximately \$1.6 billion
- Year-to-date cash flow from operations of \$191 million and free cash flow of \$89 million
- Returned \$38 million of cash to shareholders via share repurchases and\$22 million via dividends during the quarter

#### Outlook

"The core, underlying performance of our two segments continues to deliver results in the face of a challenging macro environment including the impacts of raw material inflation. With inflationary pressure continuing, we expect impacts to profitability in Q4 while maintaining a strong outlook for fiscal 2022. We are modestly updating our full-year guidance for adjusted EBITDA and now anticipate between \$670 million to \$680 million. At the midpoint, this represents 7% growth on a consolidated basis and low-double digit growth for the Retail Services segment driven by share gains, pricing actions and strong execution.

"With our announced separation, we are excited about the compelling opportunities to drive shareholder value as a best-in-class, pure-play automotive retail service provider. With increased management and Board focus on Retail Services, we expect to continue driving growth, accelerating our evolution to a powertrain agnostic service provider and optimizing our capital structure and capital allocation policies."

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

	Up	odated	d Outlook	Prior Outlook				
Operating Items								
Sales growth	no		change	22	_	24 %		
Retail Services system-wide store additions	no		change	140	_	160		
Retail Services system-wide SSS growth	no		change	12	_	14 %		
Adjusted EBITDA	\$670	_	\$680 million	\$675	_	\$700 million		
Corporate Items								
Adjusted effective tax rate	no		change	24	_	25 %		
Adjusted EPS	\$2.07	_	\$2.15	\$2.07	_	\$2.20		
Capital expenditures	\$160	_	\$180 million	\$180	_	\$200 million		
Free cash flow <sup>(a)</sup>	\$140	_	\$160 million	\$260	_	\$280 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, 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 third quarter 2022 conference call at 9 a.m. ET on Thursday, August 4, 2022. The webcast and supporting materials will be accessible through Valvoline's website at <a href="http://investors.valvoline.com">http://investors.valvoline.com</a>. 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 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 herein 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.

The following non-GAAP measures are included herein: 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 the tables herein 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<sup>TM</sup>

Valvoline Inc. (NYSE: VVV) is a global leader in vehicle care powering the future of mobility through innovative services and products for vehicles with <u>electric</u>, <u>hybrid</u> 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 over the years across multiple service and product channels. The Company operates and franchises <u>approximately 1,700 service center locations</u> 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

#### **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 <a href="http://investors.valvoline.com/sec-filings">http://investors.valvoline.com/sec-filings</a> or on the SEC's website at <a href="http://www.sec.gov">http://investors.valvoline.com/sec-filings</a> or on the SEC's website at <a href="http://www.sec.gov">http://www.sec.gov</a>. 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.

#### FOR FURTHER INFORMATION

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Valvoline Inc. and Consolidated Subsidiaries STATEMENTS OF CONSOLIDATED INCOME

(In millions, except per share amounts - preliminary and unaudited)

Table 1

	Th	ree mor Jun	nths e e 30	ended	١	ended		
	2	022		021		2022	e 30 2	2021
Sales	\$	957	\$	792	\$	2,701	\$	2,146
Cost of sales		681		533		1,931		1,412
GROSS PROFIT		276		259		770		734
Selling, general and administrative expenses		138		136		410		382
Legacy and separation-related expenses		11		1		20		2
Equity and other income, net		(11)		(9)		(36)		(36)
OPERATING INCOME		138		131		376		386
Net pension and other postretirement plan income		(10)		(14)		(28)		(41)
Net interest and other financing expenses		19		17		54		92
INCOME BEFORE INCOME TAXES		129		128		350		335
Income tax expense		30		31		83		83
NET INCOME	\$	99	\$	97	\$	267	\$	252
NET EARNINGS PER SHARE					•	4 40		4 00
BASIC	\$	0.55	\$	0.53	\$	1.48	\$	1.38
DILUTED	\$	0.55	\$	0.53	\$	1.47	\$	1.37
WEIGHTED AVERAGE COMMON SHARES OUT	STAI	NDING						
BASIC		179		182		180		183
DILUTED		180		183		181		184

Valvoline Inc. and Consolidated Subsidiaries CONDENSED CONSOLIDATED BALANCE SHEETS (In millions - preliminary and unaudited) Table 2

June 30 September 30 2022 2021

TM Trademark, Valvoline or its subsidiaries, registered in various countries

SM Service mark, Valvoline or its subsidiaries, registered in various countries

Current assets Cash and cash equivalents Receivables, net Inventories, net Prepaid expenses and other current assets Total current assets	\$ 98 583 306 64 1,051	\$ 230 496 258 53 1,037
Noncurrent assets Property, plant and equipment, net Operating lease assets Goodwill and intangibles, net Equity method investments Other noncurrent assets Total noncurrent assets	874 321 804 48 250 2,297	817 307 775 47 208
Total assets	\$ 3,348	\$ 3,191
Current liabilities Current portion of long-term debt Trade and other payables Accrued expenses and other liabilities Total current liabilities	\$ 61 265 315 641	\$ 17 246 306 569
Noncurrent liabilities Long-term debt Employee benefit obligations Operating lease liabilities	1,639 229 288	1,677 258 274
Deferred tax liabilities Other noncurrent liabilities Total noncurrent liabilities	 58 267 2,481	26 252 2,487
Stockholders' equity	226	135
Total liabilities and stockholders' equity	\$ 3,348	\$ 3,191

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

Table 3

	Nine mor Jun	nths o	
	 2022		2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 267	\$	252
Adjustments to reconcile net income to cash flows from operating activities			
Loss on extinguishment of debt			36
Depreciation and amortization	75		68
Deferred income taxes	30		24
Stock-based compensation expense	11		10
Other, net	(2)		(3)
Change in operating assets and liabilities	 (190)		(91)
Total cash provided by operating activities	191		296
CASH FLOWS FROM INVESTING ACTIVITIES  Additions to property, plant and equipment Repayments of notes receivable Acquisitions of businesses, net of cash acquired Other investing activities, net	(102) 9 (50)		(106) 14 (267) 8
Total cash used in investing activities	 (143)	-	(351)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings	414		555
Payments of debt issuance costs and discounts	_		(7)
Repayments on borrowings	(407)		(829)
Premium paid to extinguish debt	_		(26)
Repurchases of common stock	(104)		(100)
Cash dividends paid	(67)		(69)

Other financing activities	(14)	(7)
Total cash used in financing activities	(178)	(483)
Effect of currency exchange rate changes on cash, cash equivalents and restricted cash	(1)	5
DECREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	(131)	(533)
Cash, cash equivalents and restricted cash - beginning of period	231	761
CASH, CASH EQUIVALENTS AND RESTRICTED CASH - END OF PERIOD	\$ 100	\$ 228

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

Table 4

	Three months ended June 30 2022 2021				2	ended 2021			
Sales information				-					
Retail Services segment sales	\$	384	\$	330	\$	1,080	\$	869	
Year-over-year growth		16 %		66 %		24 %		38 %	
System-wide store sales <sup>(a)</sup>	\$	610	\$	526	\$	1,718	\$	1,415	
Year-over-year growth (a)		16 %		51 %		21 %		30 %	
Same-store sales growth (b)									
Company-operated	7.1 %		36.1 %		12.5 %		20.4 %		
Franchised <sup>(a)</sup>	12.1 %			43.9 %		17.6 %		22.5 %	
System-wide <sup>(a)</sup>		9.9 %	40.5 %		15.4 %			21.6 %	
Profitability information									
Operating income <sup>(c)</sup> Key items	\$	96 —	\$	97 —	\$	254 —	\$	233	
Adjusted operating income (c)	-	96		97		254		233	
Depreciation and amortization		17		15		52		44	
Adjusted EBITDA (c)	\$	113	\$	112	\$	306	\$	277	
Adjusted EBITDA margin <sup>(d)</sup>		29.4 %	-	33.9 %		28.3 %		31.9 %	
Discretionary cash flow information									
Adjusted operating income (c)	\$	96	\$	97	\$	254	\$	233	
Income tax expense (e)		(23)		(23)		(60)		(58)	
Maintenance additions to property, plant and equipment		`(5)		`(5)		(14)		(12)	
Discretionary free cash flow (f)	\$	68	\$	69	\$	180	\$	163	

- (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. Retail Services stores, with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation.
- (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 is 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.

# Valvoline Inc. and Consolidated Subsidiaries INFORMATION BY OPERATING SEGMENT - GLOBAL PRODUCTS (In millions - preliminary and unaudited)

Table 5

	Three mon		Nine mon June	
	2022	2022 2021		2021
Volume information Lubricant sales (gallons)	45.4	41.8	131.8	119.7

Sales information           Sales by geographic region         Sales by geographic region           North America (a)         \$ 370         \$ 278         \$ 1,004         \$ 755           Europe, Middle East and Africa ("EMEA")         58         56         192         161           Asia Pacific         96         96         298         267           Latin America (a)         49         32         127         94           Global Products segment sales         \$ 573         \$ 462         \$ 1,621         \$ 1,277           Year-over-year growth         24%         46%         27%         19%           Profitability information           Operating income (b)         \$ 80         72         \$ 224         \$ 233           Key items         —         —         —         —         —           Adjusted operating income (b)         80         72         224         233           Depreciation and amortization         7         9         21         22           Adjusted EBITDA (b)         \$ 87         \$ 81         \$ 245         \$ 255           Adjusted EBITDA margin (c)         \$ 80         72         \$ 224         \$ 233           Income tax expense (d) <th>Year-over-year growth</th> <th></th> <th>9 %</th> <th><i>37</i> %</th> <th>10 %</th> <th>18 %</th>	Year-over-year growth		9 %	<i>37</i> %	10 %	18 %
North America (a)         \$ 370         \$ 278         \$ 1,004         \$ 755           Europe, Middle East and Africa ("EMEA")         58         56         192         161           Asia Pacific         96         96         298         267           Latin America (a)         49         32         127         94           Global Products segment sales         \$ 573         \$ 462         \$ 1,621         \$ 1,277           Year-over-year growth         24 %         46 %         27 %         19 %           Profitability information           Operating income (b)         \$ 80         72         \$ 224         \$ 233           Key items         —         —         —         —         —           Adjusted operating income (b)         80         72         224         233           Depreciation and amortization         7         9         21         22           Adjusted EBITDA (b)         \$ 87         \$ 81         \$ 245         \$ 255           Adjusted EBITDA margin (c)         15.2 %         17.5 %         15.1 %         20.0 %           Discretionary cash flow information           Adjusted operating income (b)         \$ 80         72         \$ 224						
Asia Pacific       96       96       298       267         Latin America (a)       49       32       127       94         Global Products segment sales       \$ 573       \$ 462       \$ 1,621       \$ 1,277         Year-over-year growth       24 %       46 %       27 %       19 %         Profitability information         Operating income (b)       \$ 80       72       \$ 224       \$ 233         Key items       —       —       —       —       —         Adjusted operating income (b)       80       72       224       233         Depreciation and amortization       7       9       21       22         Adjusted EBITDA (b)       \$ 87       \$ 81       \$ 245       \$ 255         Adjusted EBITDA margin (c)       15.2 %       17.5 %       15.1 %       20.0 %         Discretionary cash flow information         Adjusted operating income (b)       \$ 80       72       \$ 224       \$ 233         Income tax expense (d)       (19)       (17)       (53)       (58)         Maintenance additions to property, plant and equipment       (2)       (2)       (8)       (7)		\$	370	\$ 278	\$ 1,004	\$ 755
Latin America (a)         49         32         127         94           Global Products segment sales         \$ 573         \$ 462         \$ 1,621         \$ 1,277           Year-over-year growth         24 %         46 %         27 %         19 %           Profitability information           Operating income (b)         \$ 80         72         \$ 224         \$ 233           Key items         —         —         —         —         —           Adjusted operating income (b)         80         72         224         233           Depreciation and amortization         7         9         21         22           Adjusted EBITDA (b)         \$ 87         \$ 81         \$ 245         \$ 255           Adjusted EBITDA margin (c)         15.2 %         17.5 %         15.1 %         20.0 %           Discretionary cash flow information           Adjusted operating income (b)         \$ 80         72         \$ 224         \$ 233           Income tax expense (d)         (19)         (17)         (53)         (58)           Maintenance additions to property, plant and equipment         (2)         (2)         (8)         (7)	Europe, Middle East and Africa ("EMEA")		58	56	192	161
Strain   S			96	96	298	267
Year-over-year growth         24 %         46 %         27 %         19 %           Profitability information           Operating income (b)         \$80         72         \$224         \$233           Key items         —         —         —         —         —           Adjusted operating income (b)         80         72         224         233           Depreciation and amortization         7         9         21         22           Adjusted EBITDA (b)         \$87         \$81         \$245         \$255           Adjusted EBITDA margin (c)         15.2 %         17.5 %         15.1 %         20.0 %           Discretionary cash flow information         80         72         \$224         \$233           Income tax expense (d)         (19)         (17)         (53)         (58)           Maintenance additions to property, plant and equipment         (2)         (2)         (8)         (7)	Latin America <sup>(a)</sup>		49	32	127	94
Profitability information           Operating income (b)         \$ 80         \$ 72         \$ 224         \$ 233           Key items         —         224         233          255         —         —         —         —         —         —         —         —         —         —         —         —         —         — </td <td>Global Products segment sales</td> <td>\$</td> <td>573</td> <td>\$ 462</td> <td>\$ 1,621</td> <td>\$ 1,277</td>	Global Products segment sales	\$	573	\$ 462	\$ 1,621	\$ 1,277
Operating income (b)         \$ 80         \$ 72         \$ 224         \$ 233           Key items         —         224         233         —         2         2         —         —         —         —         —         —         —         —         —         —         —         —         —         —         —         —         —         2         2         2<	Year-over-year growth		24 %	46 %	27 %	19 %
Key items         —	Profitability information					
Adjusted operating income (b)         80         72         224         233           Depreciation and amortization         7         9         21         22           Adjusted EBITDA (b)         \$87         \$81         \$245         \$255           Adjusted EBITDA margin (c)         15.2 %         17.5 %         15.1 %         20.0 %           Discretionary cash flow information           Adjusted operating income (b)         \$80         \$72         \$224         \$233           Income tax expense (d)         (19)         (17)         (53)         (58)           Maintenance additions to property, plant and equipment         (2)         (2)         (8)         (7)	Operating income (b)	\$	80	\$ 72	\$ 224	\$ 233
Depreciation and amortization         7         9         21         22           Adjusted EBITDA (b)         \$87         \$81         \$245         \$255           Adjusted EBITDA margin (c)         15.2 %         17.5 %         15.1 %         20.0 %           Discretionary cash flow information           Adjusted operating income (b)         \$80         72         \$224         \$233           Income tax expense (d)         (19)         (17)         (53)         (58)           Maintenance additions to property, plant and equipment         (2)         (2)         (8)         (7)	Key items			 	 	 
Adjusted EBITDA (b)         \$ 87         \$ 81         \$ 245         \$ 255           Adjusted EBITDA margin (c)         15.2 %         17.5 %         15.1 %         20.0 %           Discretionary cash flow information           Adjusted operating income (b)         \$ 80         72         \$ 224         \$ 233           Income tax expense (d)         (19)         (17)         (53)         (58)           Maintenance additions to property, plant and equipment         (2)         (2)         (8)         (7)	Adjusted operating income (b)		80	72	224	233
Adjusted EBITDA margin (c)         15.2 %         17.5 %         15.1 %         20.0 %           Discretionary cash flow information           Adjusted operating income (b)         \$ 80         \$ 72         \$ 224         \$ 233           Income tax expense (d)         (19)         (17)         (53)         (58)           Maintenance additions to property, plant and equipment         (2)         (2)         (8)         (7)	Depreciation and amortization		7	9	21	22
Discretionary cash flow information  Adjusted operating income (b) \$ 80 \$ 72 \$ 224 \$ 233  Income tax expense (d) (19) (17) (53) (58)  Maintenance additions to property, plant and equipment (2) (2) (8) (7)	Adjusted EBITDA <sup>(b)</sup>	\$	87	\$ 81	\$ 245	\$ 255
Adjusted operating income (b)       \$ 80       \$ 72       \$ 224       \$ 233         Income tax expense (d)       (19)       (17)       (53)       (58)         Maintenance additions to property, plant and equipment       (2)       (2)       (8)       (7)	Adjusted EBITDA margin <sup>(c)</sup>	-	15.2 %	 17.5 %	 15.1 %	 20.0 %
Income tax expense (d) (19) (17) (53) (58)  Maintenance additions to property, plant and equipment (2) (2) (8) (7)	Discretionary cash flow information					
Maintenance additions to property, plant and equipment (2) (2) (8) (7)	Adjusted operating income (b)	\$	80	\$ 72	\$ 224	\$ 233
Maintenance additions to property, plant and equipment (2) (8) (7)	Income tax expense (d)		(19)	(17)	(53)	(58)
	Maintenance additions to property, plant and equipment					
	Discretionary free cash flow (e)	\$	59	\$	\$	\$ 168

- (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)										
	Third	Second	First	Fourth	Third							
	Quarter	Quarter	Quarter	Quarter	Quarter							
	2022	2022	2022	2021	2021							
Beginning of period	1,661	1,635	1,594	1,569	1,548							
Opened	21	<sup>^</sup> 19	32	21	<sup>^</sup> 17							
Acquired	9	9	12	7	5							
Closed	(1)	(2)	(3)	(3)	(1)							
End of period	1,690	1,661	1,635	1,594	1,569							
	ı	Number of s	stores at en	d of period	I							
	Third	Second	First	Fourth	Third							
	Quarter	Quarter	Quarter	Quarter	Quarter							
	2022	2022	2022	2021	2021							
Company-operated	772	757	738	719	698							
Franchised	918	904	897	875	871							
				Jun	e 30							
				2022	2021							
System-wide store count (a)				1,690	1,569							
Year-over-year growth				8 %	10 %							

<sup>(</sup>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.

June 30 June 30 2022 2022 2021 2021 Reported net income 99 \$ 97 \$ 267 252 Adjustments: Net pension and other postretirement plan income (10)(14)(28)(41)Legacy and separation-related expenses 11 20 2 1 17 LIFO charge 8 17 26 Business interruption (recoveries) losses (2) 3 (3)Information technology transition costs 3 Debt extinguishment and modification costs 36 15 4 Total adjustments, pre-tax 20 Income tax benefit of adjustments (2)(1)(3)(5)Total adjustments, after tax 5 3 12 15 Adjusted net income (a) \$ 104 100 279 267 Reported diluted earnings per share \$ 0.55 \$ 0.53 \$ 1.47 \$ 1.37 Adjusted diluted earnings per share (b) \$ 0.58 \$ 0.55 \$ 1.54 \$ 1.45

(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.

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Three months ended

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

# Valvoline Inc. and Consolidated Subsidiaries RECONCILIATION OF NON-GAAP DATA - ADJUSTED EBITDA (In millions - preliminary and unaudited)

Weighted average diluted common shares outstanding

Table 8

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Nine months ended

	Three months ended June 30					Nine months ended June 30			
	2	022	2	021	2022		2	021	
Adjusted EBITDA - Valvoline									
Net income	\$	99	\$	97	\$	267	\$	252	
Add:									
Income tax expense		30		31		83		83	
Net interest and other financing expenses		19		17		54		92	
Depreciation and amortization		25		24		75		68	
EBITDA <sup>(a)</sup>		173		169		479		495	
Key items:									
Net pension and other postretirement plan income		(10)		(14)		(28)		(41)	
Legacy and separation-related expenses		11		1		20		2	
LIFO charge		8		17		17		26	
Business interruption (recoveries) losses		(2)		_		3		(3)	
Information technology transition costs		_		_		3		_	
Key items - subtotal		7		4		15		(16)	
Adjusted EBITDA <sup>(a)</sup>	\$	180	\$	173	\$	494	\$	479	
Segment Adjusted EBITDA									
Retail Services	\$	113	\$	112	\$	306	\$	277	
Global Products		87		81		245		255	
Segment Adjusted EBITDA (b)		200		193		551		532	
Corporate		(20)		(20)		(57)		(53)	
Total Adjusted EBITDA (a)		180		173		494		479	
Net interest and other financing expenses		(19)		(17)		(54)		(92)	
Depreciation and amortization		(25)		(24)		(75)		(68)	
Key items		`(7)		(4)		(15)		`16	
Income before income taxes	\$	129	\$	128	\$	350	\$	335	

- (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

	Nine months ended							
		Jun	e 30					
Free cash flow <sup>(a)</sup>		2022		2021				
Total cash flows provided by operating activities Adjustments:	\$	191	\$	296				
Additions to property, plant and equipment		(102)		(106)				
Free cash flow	\$	89	\$	190				
Discretionary free cash flow (b)			nths ended e 30					
Discretionary free cash flow (b)		2022		2021				
Total cash flows provided by operating activities Adjustments:	\$	191	\$	296				
Maintenance additions to property, plant and equipment		(24)		(21)				
Discretionary free cash flow	\$	167	\$	275				
		Fisca	al year					
Free cash flow <sup>(a)</sup>	-	2022 (	Outlook					
Total cash flows provided by operating activities Adjustments:	\$	290 -	<b>-</b> \$	300				
Separation-related cash outflows		20 -	_	30				
Additions to property, plant and equipment		(160) -	_	(180)				
Free cash flow <sup>(a)</sup>	\$	140 -	- \$	160				

- (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.