Valvoline

Third-Quarter Fiscal 2022 Earnings

August 4, 2022

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SAFE HARBOR

Forward-Looking Statements

Certain statements in this presentation, 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, statements about the proposed transaction, the expected timetable for completing the proposed transaction, the benefits and synergies of the proposed transaction, future opportunities for the standalone Retail Services company and any other statements regarding Valvoline's future operations, financial or operating results, capital allocation, debt ratio, anticipated business levels, future earnings, dividend policy, anticipated growth, market opportunities, strategies, competitions, 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. Important factors that could cause Valvoline's actual results to differ materially from those in the forward-looking statements include: uncertainties as to the timing of the sale of Global Products and the risk that the transaction may not be completed in a timely manner or at all, the possibility that any or all of the conditions to the consummation of the sale of Global Products may not be satisfied or waived, the effect of the announcement or pendency of the transaction on Valvoline's ability to retain and hire key personnel and to maintain relationships with customers, supplier and other business partners, risks related to diverting management's attention from Valvoline's ongoing business operations, uncertainties as to Valvoline's ability and the amount of time necessary to realize the expected benefits of the transaction, changes in the economic and financial conditions of Valvoline's business and uncertainties and matters beyond the control of management and other factors 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://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.

Next Step in Our Transformation

SALE OF GLOBAL PRODUCTS – TRANSACTION SUMMARY

Structure and Consideration	• Purchase price of $2.65B in cash • Expected use of proceeds: majority for shareholder returns, remainder for debt reduction, including 2030 bonds, and reinvestment • Aramco obtains global rights to Valvoline brand related to Global Products sales • Valvoline Retail Services maintains global rights to Valvoline brand related to service sales[1] • Long term product agreement for Global Products to supply Valvoline Retail Services
Expected Financial Impact	• Estimated taxes of and other expenses resulting in anticipated net proceeds of ~$2.25B • Pro forma leverage targeted at 2.5x – 3.5x vs. current leverage of ~2.5x • Long-term pro forma EBITDA[2] margins in the mid-20% range • Long-term pro forma, annual EPS growth CAGR of 20%+
Timing and Closing	• Expect transaction to close in late calendar year 2022 or early 2023, subject to customary closing conditions and regulatory review

1. Excluding China and certain countries in the Middle East and North Africa.
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.

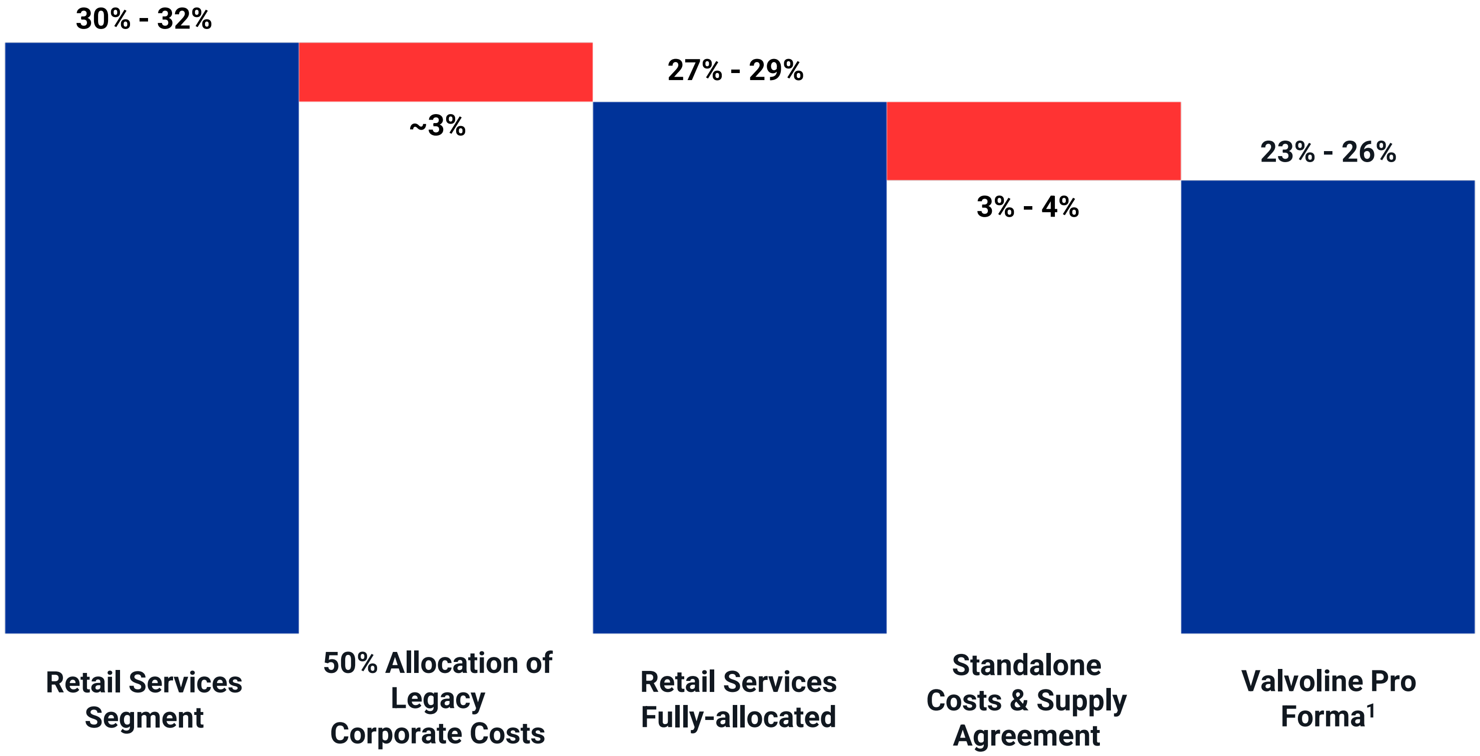
USE OF PROCEEDS TO DRIVE SHAREHOLDER VALUE

- **Retail Services expected to receive ~$2.25B of net proceeds**
- **Return majority of net proceeds to shareholders via share repurchases to right-size capital structure**
- **Expect to repay certain debt including 2030 Senior Notes and AR securitization facility**

Use of proceeds expected to minimize earnings dilution and target 2.5x – 3.5x net leverage ratio

PRO FORMA[1] FINANCIAL MODELING ASSUMPTIONS

Long-term Adjusted EBITDA[2] Margin Targets



Long-term Targets

Sales Growth	12 – 14%
EBITDA[2] Margin	23 – 26%
Tax Rate	25 – 27%
Leverage Ratio	2.5 – 3.5x
EPS Growth[3]	~20%+

1. Pro forma reflects certain transactions and activity that will be effective upon the close of the sale of Global Products.
2. Denotes a forward-looking non-GAAP financial measure that Valvoline is unable to reconcile without unreasonable efforts, as the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP results but would not impact non-GAAP adjusted results.
3. Assumes an estimated amount of share repurchases dependent on Board approval.

Fiscal Q3 Earnings

3Q22 KEY OPERATING HIGHLIGHTS

VVV

21%
Growth in total sales

2%
Growth in reported net income

4%
Growth in adjusted[1] EBITDA

4%
Growth in reported EPS

5%
Growth in adjusted[1] EPS

Retail Services

9.9%
Growth in system-wide SSS[1]

8%
Growth in system-wide units[1]

1%
Growth in adjusted[1] EBITDA

Global Products

24%
Growth in sales

9%
Growth in volume[1]

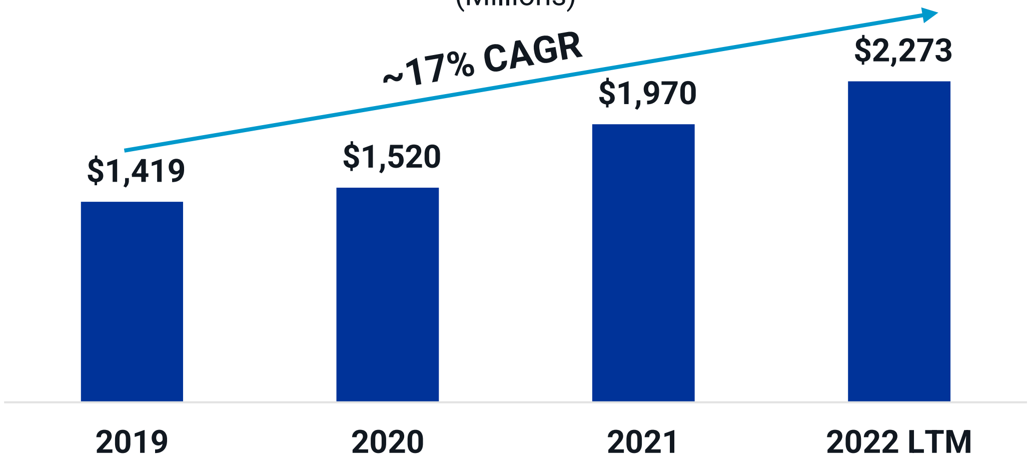
$59M
Discretionary free cash flow[1] generation

1. For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

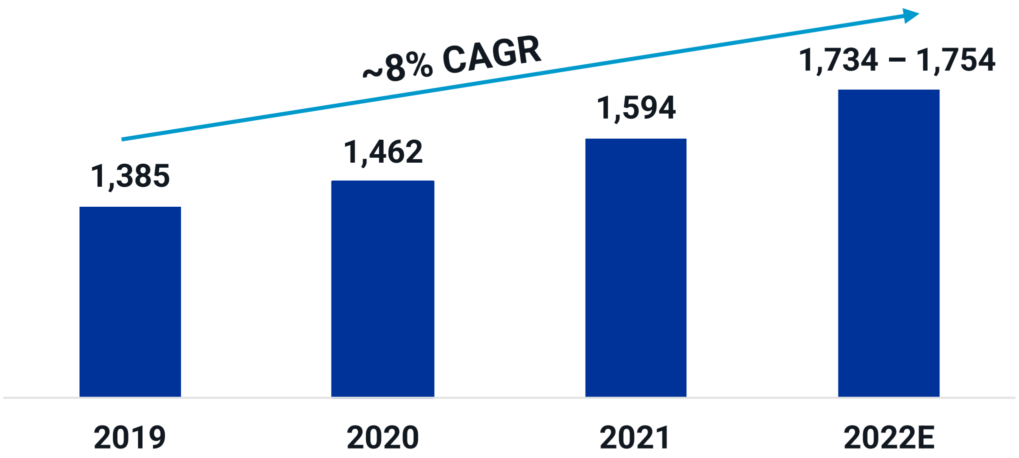
RETAIL SERVICES
SSS, UNIT GROWTH CONTINUE DRIVING TOPLINE PERFORMANCE

(Millions, except store count)	3Q22	YoY
Segment Sales	$384	16%
SSS[1] Growth (system-wide)	N/A	9.9%
Store Count[1] (system-wide)	1,690	8%
Adjusted[2] EBITDA	$113	1%

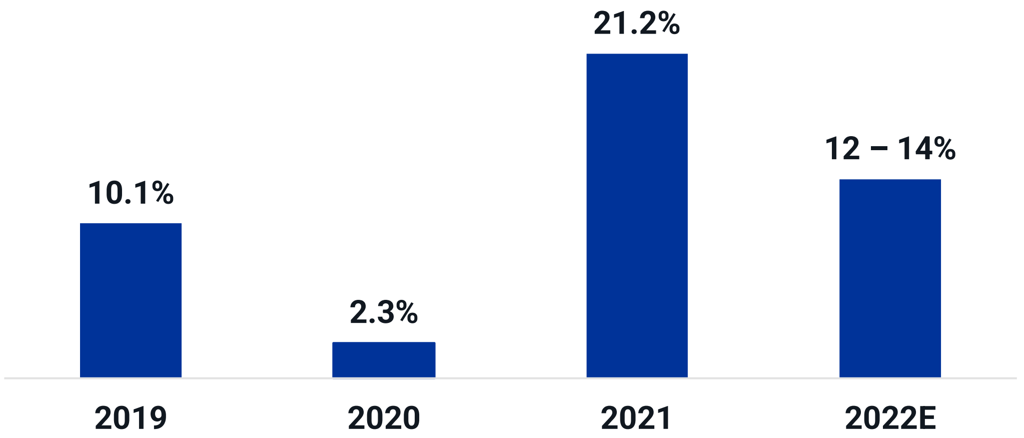
System-Wide Store Sales[1]
(Millions)



System-Wide Unit Count[1]



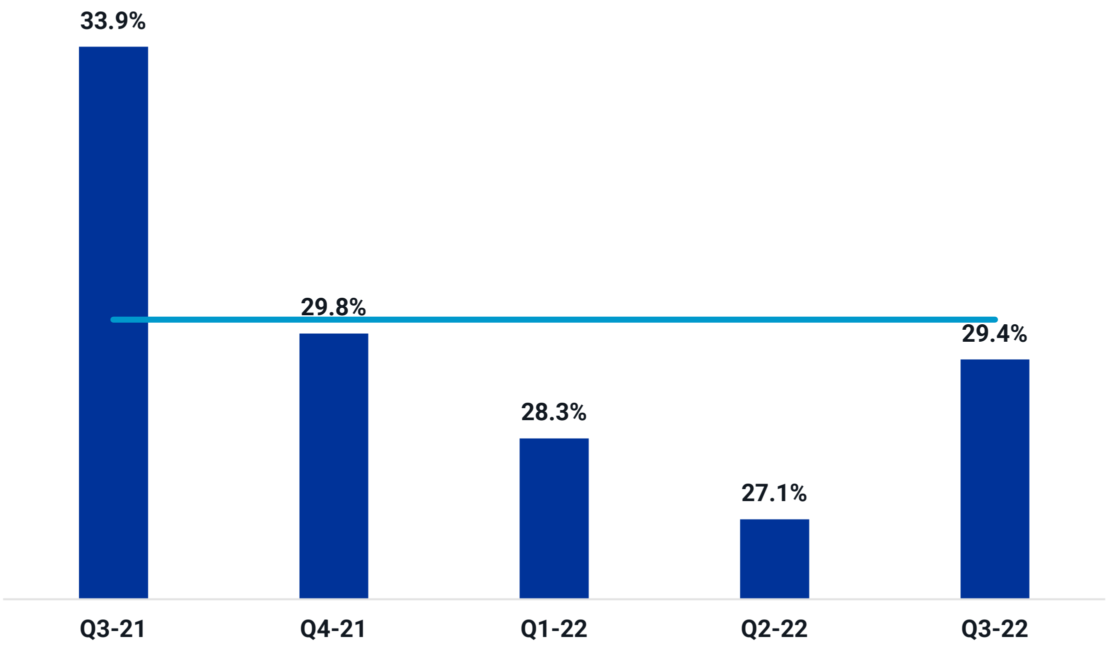
System-Wide Same Store Sales[1] (SSS) Growth



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, please refer to the Appendix.

RETAIL SERVICES
EBITDA MARGIN TREND

Retail Services Segment Adjusted[1] EBITDA Margin



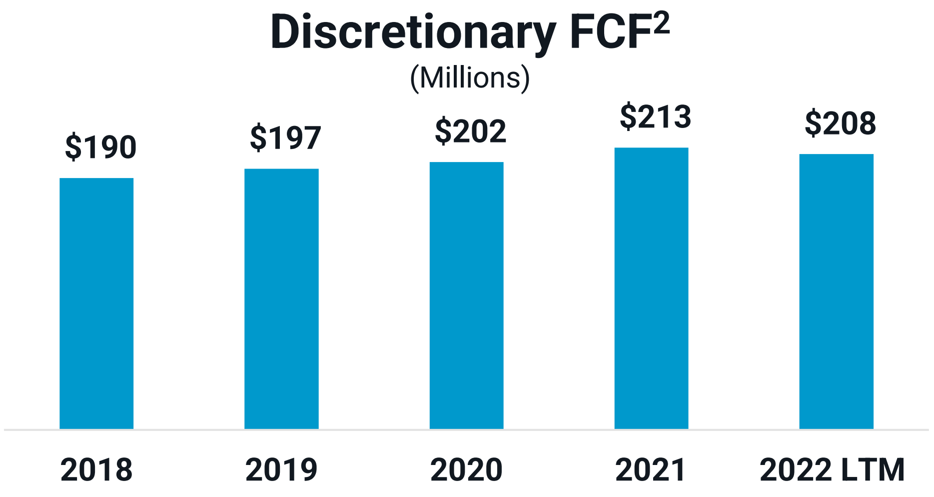
- **3Q21 – Higher rate due to lower labor costs from understaffing**
- **2Q22 – Challenged by inflationary pressures**
- **3Q22 – Returning to segment target**

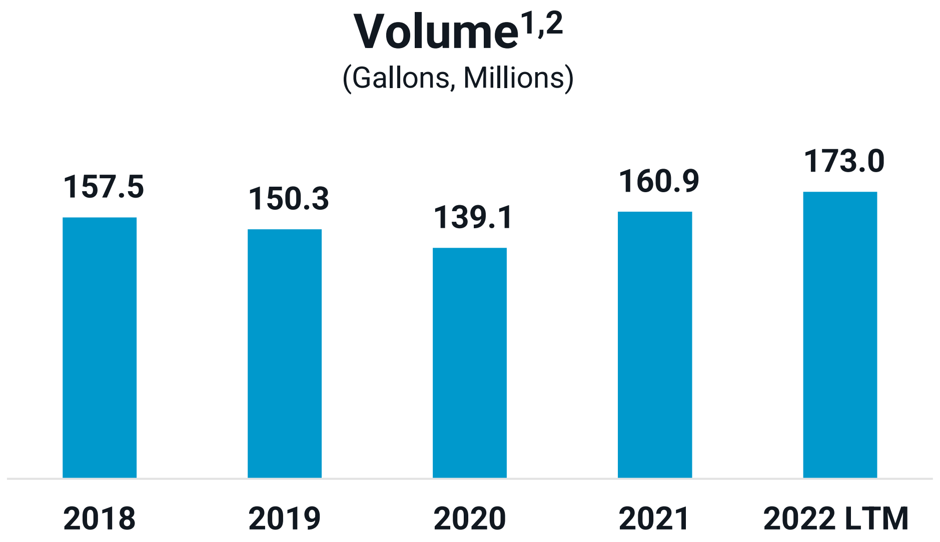
We are confident in returning to long-term target margins

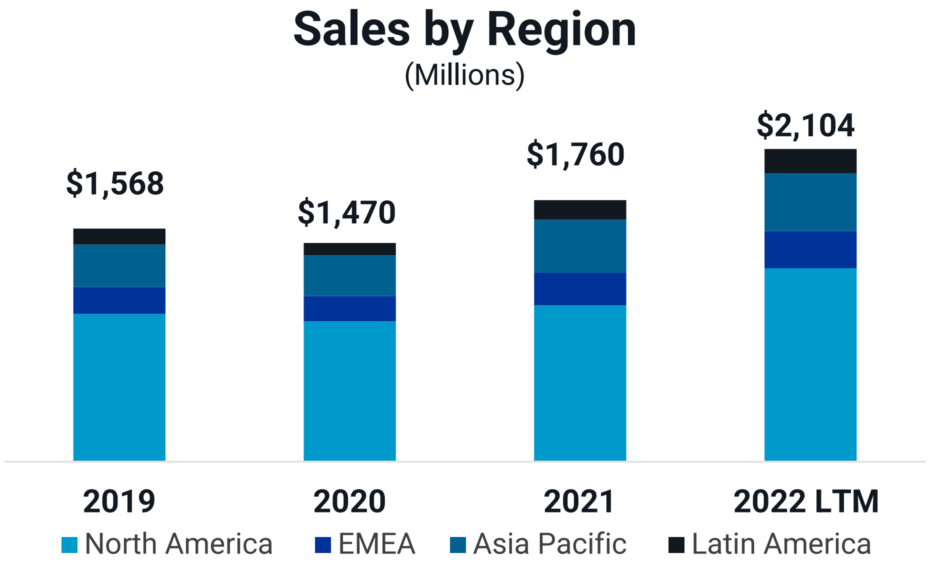
1. For a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

GLOBAL PRODUCTS
DRIVING SHARE GAINS AND STEADY CASH GENERATION

(Millions)	3Q22	YoY
Segment Sales	$573	24%
Volume[1] (gallons)	45.4	9%
Adjusted[2] EBITDA	$87	7%
Discretionary FCF[2]	$59	11%





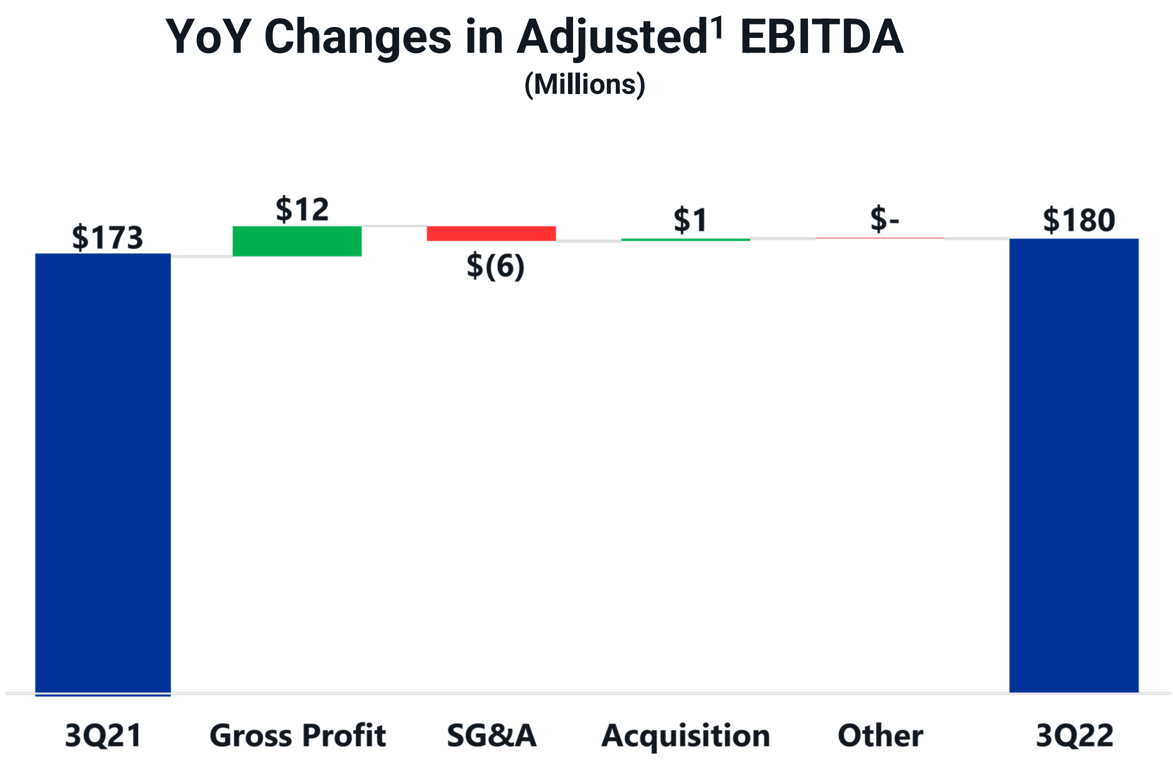


1. Includes 2.3 million gallons in Q3 fiscal 2022 sold to Valvoline's unconsolidated joint-venture with Cummins in China.
2. For a discussion of management's use of Key Business Measures and a reconciliation of adjusted amounts to amounts reported under GAAP, please refer to the Appendix.

3Q22 Earnings

THIRD QUARTER RESULTS

(Millions, except per-share data)	3Q22	YoY
Sales	$957	21%
Gross Profit	$276	7%
Adjusted[1] Gross Profit	$284	3%
Operating Income	$138	5%
Adjusted[1] Operating Income	$155	4%
Net Income	$99	2%
Adjusted[1] EBITDA	$180	4%
Earnings per Diluted Share (EPS)	$0.55	4%
Adjusted[1] EPS	$0.58	5%



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

THIRD QUARTER RESULTS – SEGMENT PERFORMANCE

Retail Services

(Millions)	3Q22	YoY
Segment Sales	$384	16%
Adjusted[1] EBITDA	$113	1%
Adjusted[2] EBITDA Margin	29.4%	(450) bps

Global Products

(Millions)	3Q22	YoY
Segment Sales	$573	24%
Adjusted[1] EBITDA	$87	7%
Adjusted[2] EBITDA Margin	15.2%	(230) bps

Retail Services Takeaways

- Sales growth driven by ticket and transaction growth
- Pricing actions drove 230 bps sequential improvement in margin
- Expect margin in Q4 to be similar to Q3

Global Products Takeaways

- Demand strength continues to be broad-based
- EBITDA unit margins continued to improved in Q3
- Expect Q4 unit margins to be impacted by continuing raw material cost increases

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

2022 GUIDANCE

	Current Outlook	Prior Outlook
Operating Items		
Total company sales growth	No change	22 – 24%
Retail Services store additions[1]	No change	140 – 160 (9 – 10%)
Retail Services SSS[1] growth	No change	12 – 14%
Adjusted[2] EBITDA	$670 – $680 million	$675 - $700 million
Retail Services	$415 - $425 million	$440 - $455 million
Global Products	$320 - $330 million	$315 - $330 million
Corporate Items		
Adjusted[2] effective tax rate	No change	24 – 25%
Adjusted[2] EPS	$2.07 - $2.15	$2.07 - $2.20
Capital expenditures	$160 - $180 million	$180 - $200 million
Free cash flow[2,3]	$140 – $160 million	$260 – $280 million

1. For a discussion of management's use of Key Business Measures, please refer to the Appendix.
2. Denotes a forward-looking non-GAAP financial measure that Valvoline is unable to reconcile without unreasonable efforts, as the Company is currently unable to predict with a reasonable degree of certainty the type and extent of certain items that would be expected to impact GAAP results but would not impact non-GAAP adjusted results.
3. Outlook for free cash flow excludes non-recurring cash outflows associated with the separation.

ROADMAP TO UNLOCK VALUE

Invest in Growth

Financial flexibility to drive growth via organic capex, unit additions, M&A and service expansion

Drive Focus

Optimize talent and resource allocation and align incentives with growth and strong returns

Expand Retail Network

Add stores in key markets with increased emphasis on franchisee growth

Shareholder Returns

Driven by accelerated earnings growth, strong ROIC and share repurchases

Capital Structure

Target 2.5x - 3.5x net debt to LTM EBITDA

Maximize Potential of Core Business

Capture share and maximize non-oil change services revenue

Appendix

RECONCILIATION OF ADJUSTED EBITDA

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

RETAIL SERVICES – Q3 RESULTS

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
Sales information				
Retail Services segment sales	$ 384	$ 330	$ 1,080	$ 869
Year-over-year growth	*16 %*	*66 %*	*24 %*	*38 %*
System-wide store sales [(a)]	$ 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 [(a)]	12.1 %	43.9 %	17.6 %	22.5 %
System-wide [(a)]	9.9 %	40.5 %	15.4 %	21.6 %
Profitability information				
Operating income [(c)]	$ 96	$ 97	$ 254	$ 233
Key items	—	—	—	—
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 [(d)]	*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) Measure includes 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 estimated using the adjusted effective tax rate for the period multiplied by operating segment adjusted operating income.
f) Segment discretionary free cash flow is defined as operating segment adjusted operating income after-tax less maintenance capital expenditures

RETAIL SERVICES – HISTORICAL RESULTS

	Three months ended		
	September 30 2021	December 31 2021	March 31 2022
Sales information			
Retail Services segment sales	$ 352	$ 346	$ 350
Profitability information			
Operating income [(a)]	$ 88	$ 81	$ 77
Key items	—	—	—
Adjusted operating income [(a)]	88	81	77
Depreciation and amortization	17	17	18
Adjusted EBITDA [(a)]	$ 105	$ 98	$ 95
Adjusted EBITDA margin [(b)]	*29.8 %*	*28.3 %*	*27.1 %*

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

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

RETAIL SERVICES – STORE INFORMATION

	System-wide stores [a]				
	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021
Beginning of period	1,661	1,635	1,594	1,569	1,548
Opened	21	19	32	21	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

	Number of stores at end of period				
	Third Quarter 2022	Second Quarter 2022	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021
Company-operated	772	757	738	719	698
Franchised	918	904	897	875	871

	June 30	
	2022	2021
System-wide store count [a]	1,690	1,569
Year-over-year growth	*8 %*	*10 %*

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.

GLOBAL PRODUCTS – Q3 RESULTS

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
Volume information				
Lubricant sales (gallons)	45.4	41.8	131.8	119.7
Year-over-year growth	*9 %*	*37 %*	*10 %*	*18 %*
Sales information				
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)]	*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)
Discretionary free cash flow [(e)]	$ 59	$ 53	$ 163	$ 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 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

KEY ITEMS AFFECTING INCOME

(In millions, except per share data - preliminary and unaudited)	Third Quarter Impact			
		Total		
	Operating Income	Pre-tax	After-tax	Earnings per share
Fiscal 2022				
Pension & OPEB income	$ —	$ 10	$ 7	$ 0.03
Net legacy and separation-related expenses	(11)	(11)	(8)	(0.04)
LIFO charge	(8)	(8)	(6)	(0.03)
Business interruption losses	2	2	2	0.01
Total	$ (17)	$ (7)	$ (5)	$ (0.03)
Fiscal 2021				
Pension & OPEB income	$ —	$ 14	$ 11	$ 0.05
LIFO charge	(17)	(17)	(13)	(0.07)
Total	$ (18)	$ (4)	$ (3)	$ (0.02)

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

(In millions - preliminary and unaudited)	Three months ended June 30			
	Gross profit		Operating income	
	2022	2021	2022	2021
As reported	$ 276	$ 259	$ 138	$ 131
Adjustments:				
LIFO charge	8	17	8	17
Legacy and separation-related expenses	—	—	11	1
Information technology transition costs	—	—	—	—
Business interruption (recoveries) losses	—	—	(2)	—
As adjusted	$ 284	$ 276	$ 155	$ 149

RECONCILIATION OF NON-GAAP DATA – ADJUSTED EBITDA

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
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 [a]	173	169	479	495
Key items:				
Net pension and other postretirement plan income	(10)	(14)	(28)	(41)
Net legacy and separation-related expenses	11	1	20	2
LIFO charge	8	17	17	26
Information technology transition costs	—	—	3	—
Business interruption losses (recoveries)	(2)	—	3	(3)
Key items - subtotal	7	4	15	(16)
Adjusted EBITDA [a]	$ 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 corporate and non-operational matters, or key items, are not included in segment adjusted EBITDA. The table above reconciles segment adjusted EBITDA to consolidated pre-tax income.

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

	Three months ended June 30		Nine months ended June 30	
	2022	2021	2022	2021
Reported net income	$ 99	$ 97	$ 267	$ 252
Adjustments:				
Net pension and other postretirement plan income	(10)	(14)	(28)	(41)
Net 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	—
Debt extinguishment and modification	—	—	—	36
Total adjustments, pre-tax	7	4	15	20
Income tax expense 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	$ 1.48	$ 1.37
Adjusted diluted earnings per share (b)	$ 0.58	$ 0.55	$ 1.54	$ 1.45
Weighted average diluted common shares outstanding	180	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.

RECONCILIATION OF NON-GAAP DATA – FREE CASH FLOW

Free cash flow [(a)]	Nine months ended June 30 2022	Nine months ended June 30 2021
Total cash flows provided by operating activities	$ 191	$ 296
Adjustments:		
Additions to property, plant and equipment	(102)	(106)
Free cash flow	$ 89	$ 190

Discretionary free cash flow [(b)]	Nine months ended June 30 2022	Nine months ended June 30 2021
Total cash flows provided by operating activities	$ 191	$ 296
Adjustments:		
Maintenance additions to property, plant and equipment	(24)	(21)
Discretionary free cash flow	$ 167	$ 275

Free cash flow [(a)]	Fiscal year 2022 Outlook		
Total cash flows provided by operating activities	$ 290	–	$ 300
Adjustments:			
Separation-related cash outflows	20	–	30
Additions to property, plant and equipment	(160)	–	(180)
Free cash flow [(a)]	$ 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.

USE OF NON-GAAP MEASURES

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

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

Management believes the use of non-GAAP measures on a consolidated and operating segment basis provides a useful supplemental presentation of Valvoline's operating performance and allows for transparency with respect to key metrics used by management in operating the business and measuring performance. Management believes EBITDA measures provide a meaningful supplemental presentation of Valvoline’s operating performance between periods on a comparable basis due to the depreciable assets associated with the nature of the Company’s operations, and income tax and interest costs related to Valvoline’s tax and capital structures, respectively.

Adjusted profitability measures enable comparison of financial trends and results between periods where certain items may vary independent of business performance. These adjusted measures exclude the impact of certain unusual, infrequent or non-operational activity not directly attributable to the underlying business, which management believes impacts the comparability of operational results between periods ("key items"). Key items are often related to legacy matters or market-driven events considered by management to not be reflective of the ongoing operating performance. Key items may consist of adjustments related to: legacy businesses, including the separation from Valvoline's former parent company and associated impacts of related indemnities; 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/losses, and (iv) amortization of prior service cost/credit. Significant factors that can contribute to changes in these elements include changes in discount rates used to remeasure pension and other postretirement obligations on an annual basis or upon a qualifying remeasurement, differences between actual and expected returns on plan assets, and other changes in actuarial assumptions, such as the life expectancy of plan participants. Accordingly, management considers that these elements may be more reflective of changes in current conditions in global financial markets (in particular, interest rates), outside the operational performance of the business, and are also primarily legacy amounts that are not directly related to the underlying business and do not have an immediate, corresponding impact on the compensation and benefits provided to eligible employees for current service. Adjusted profitability measures include the costs of benefits provided to employees for current service, including pension and other postretirement service costs.

- Changes in the last-in, first out (LIFO) inventory reserve - charges or credits recognized in Cost of sales to value certain lubricant inventories at the lower of cost or market using the LIFO method. During inflationary or deflationary pricing environments, the application of LIFO can result in variability of the cost of sales recognized each period as the most recent costs are matched against current sales, while preceding costs are retained in inventories. LIFO adjustments are determined based on published prices, which are difficult to predict and largely dependent on future events. The application of LIFO can impact comparability and enhance the lag period effects between changes in inventory costs and related pricing adjustments.

Management uses free cash flow and discretionary free cash flow as additional non-GAAP metrics of cash flow generation. By including capital expenditures and certain other adjustments, as applicable, management is able to provide an indication of the ongoing cash being generated that is ultimately available for both debt and equity holders as well as other investment opportunities. Free cash flow includes the impact of capital expenditures, providing a supplemental view of cash generation. Discretionary free cash flow includes maintenance capital expenditures, which are routine uses of cash that are necessary to maintain the Company's operations and provides a supplemental view of cash flow generation to maintain operations before discretionary investments in growth. Free cash flow and discretionary free cash flow have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash flows, such as mandatory debt repayments.

KEY BUSINESS MEASURES

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

Sales in the Retail Services reportable segment are influenced by the number of service center stores and the business performance of those stores. Stores are considered open upon acquisition or opening for business. Temporary store closings remain in the respective store counts with only permanent store closures reflected in the activity and end of period store counts. SSS is defined as sales by U.S. Retail Services stores (company-operated, franchised and the combination of these for system-wide SSS), with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation as this period is generally required for new store sales levels to begin to normalize.

Retail Services sales are limited to sales at company-operated stores, sales of lubricants and other products to independent franchisees and Express Care operators and royalties and other fees from franchised stores. Although Valvoline does not recognize store-level sales from franchised stores as sales in its Statements of Consolidated Income, management believes system-wide and franchised SSS comparisons, store counts, and total system-wide store sales are useful to assess market position relative to competitors and overall store and segment operating performance.

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