Valvoline Inc.

Fourth Quarter Fiscal 2026 Earnings

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SAFE HARBOR

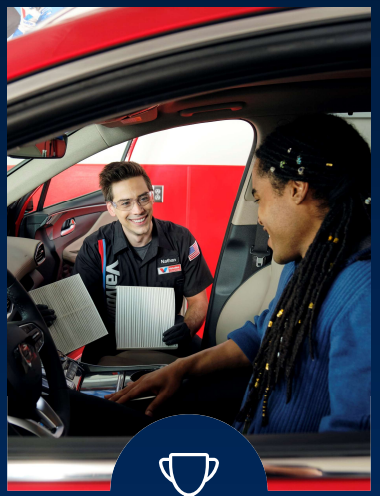
Forward-Looking Statements

Certain statements herein, other than statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements may include, without limitation, statements about executing on the growth strategy to create shareholder value by driving the full potential in Valvoline's core business, delivering sustainable network growth through new store development, franchise expansion and acquisitions, and innovating to meet the changing needs of customers and the car parc, including through fleet and non-oil change services; realizing the benefits from acquisitions and refranchising transactions, including the anticipated benefits and synergies of Breeze Autocare; the use of technology, including artificial intelligence, to support the business; and any other statements regarding Valvoline's future operations, financial or operating results, capital allocation, including share repurchases, debt reduction and leverage objectives, anticipated business levels, dividend policy, anticipated growth, market opportunities, strategies, competition, and other expectations and targets for future periods. Valvoline has identified some of these forward-looking statements with words such as "anticipates," "believes," "expects," "estimates," "intends," "plans," "targets," "is likely," "predicts," "projects," "forecasts," "may," "will," "should," "could," "would," and "continue," 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. Factors that might cause such differences include, but are not limited to: rising or volatile supply costs, supply constraints, including as a result of the conflict in the Middle East, and dependence on Valvoline Global Operations ("VGO") for substantially all lubricant supply; information technology, cybersecurity and artificial intelligence-related risks; economic conditions, inflation, interest rates and energy prices that affect consumer demand, miles driven and customer response to pricing actions; changes in vehicle technology, including electric vehicle adoption and longer service intervals; the financial performance and growth of, and access to financing by, franchisees; maintaining effective internal controls; competition and pricing pressure; the ability to achieve growth goals, including new store development, acquisitions, and the integration of Breeze Autocare and conversion of its Oil Changers stores to the VIOC℠ brand; the ability to attract and retain qualified employees and key management; damage to the Valvoline brand, including under the brand-sharing arrangement with VGO; Valvoline's substantial indebtedness and access to capital; changes in laws and regulations, including privacy, franchise and environmental, health and safety requirements; business disruptions from severe weather or other catastrophic eventsAdditional information regarding these risks and uncertainties are described in Valvoline's filings with the Securities and Exchange Commission (the "SEC"), including in the "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures about Market Risk" sections of Valvoline's most recently filed periodic reports on Forms 10-K and 10-Q, which are available on Valvoline's website at http://investors.valvoline.com/sec-filings or on the SEC's website at http://www.sec.gov. Valvoline assumes no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future, unless required by law.

Regulation G: Adjusted Results

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

FY2026: A Year of Milestones



20 Years

Consecutive System-Wide Same-Store Sales Growth



40 Years

As a Retail Services Company



>$4B

Annual System-Wide Sales

4Q FY2026 BUSINESS HIGHLIGHTS[1]



$1.1B
System-wide Store Sales[2]
↑ 20%

$555M
Adjusted Net Sales[3]
↑ 22%

$144M
Adjusted EBITDA[3]
↑ 10%

$0.42
Adjusted EPS[3]
↓ (7%)

9.4%
System-wide Same Store Sales[2] Growth

61
Store Additions

2,517
System locations[2]
↑ 15%

1. All comparisons are year over year unless otherwise noted.
2. Refer to the Appendix for further information regarding management's use of key business measures.
3. For a reconciliation of adjusted results to amounts reported under GAAP, please refer to the Appendix.

4Q

ADJUSTED RESULTS[1]

Adjusted Results Summary	4Q FY2026	4Q FY2025
Net Sales	$555	$454
Gross Profit Margin	36.1%	39.1%
SG&A[2]	$95	$80
EBITDA	$144	$130
EBITDA Margin	25.9%	28.7%
EPS	$0.42	$0.45
Free Cash Flow – FY2026	$204	$48

1. For a reconciliation of adjusted results to amounts reported under GAAP, please refer to the Appendix.
2. Prior year amounts have been reclassified to conform to current year presentation of sublease income, which was previously presented in Other loss (income), net and is now reported within SG&A expense.

FY26

ADJUSTED RESULTS[1]

Adjusted Results Summary	FY2026	FY2025
Net Sales	$2,066	$1,710
Gross Profit Margin	37.7%	38.5%
SG&A[2]	$368	$313
EBITDA	$557	$467
EBITDA Margin	27.0%	27.3%
EPS	$1.76	$1.59
Free Cash Flow	$204	$48

1. For a reconciliation of adjusted results to amounts reported under GAAP, please refer to the Appendix.
2. Prior year amounts have been reclassified to conform to current year presentation of sublease income, which was previously presented in Other loss (income), net and is now reported within SG&A expense.

Delivering Shareholder Value through Strategic Focus





FY2027 Guidance

	FY27 Guidance
System-wide SSS Growth[1]	5.0% - 7.0%
System-Wide Store Additions[1]	190 - 220
Net Revenues	$2.25B - $2.35B
Adjusted EBITDA[2]	$595M - $625M
Adjusted EPS[2]	$1.85 - $2.05
Capital Expenditures	$245M - $265M

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.



Key Takeaways

1. **Strong FY26 results** while navigating a dynamic macro environment.
2. **FY27 expected to be a year of growth** supported by resilient customer demand and disciplined execution.
3. **Durable business model** well positioned to deliver long-term shareholder value.

Appendix

4Q Financial Highlights

$555M
Adjusted Net Sales[1]

36.1%
300 bps decrease
Adjusted Gross Margin[1]
As a % of Adjusted Net Sales

17.2%
50 bps decrease
Adjusted SG&A[1]
As a % of Adjusted Net Sales

25.9%
280 bps decrease
Adjusted EBITDA[1]
As a % of Adjusted Net Sales

$54M
Adjusted Net Income[1]

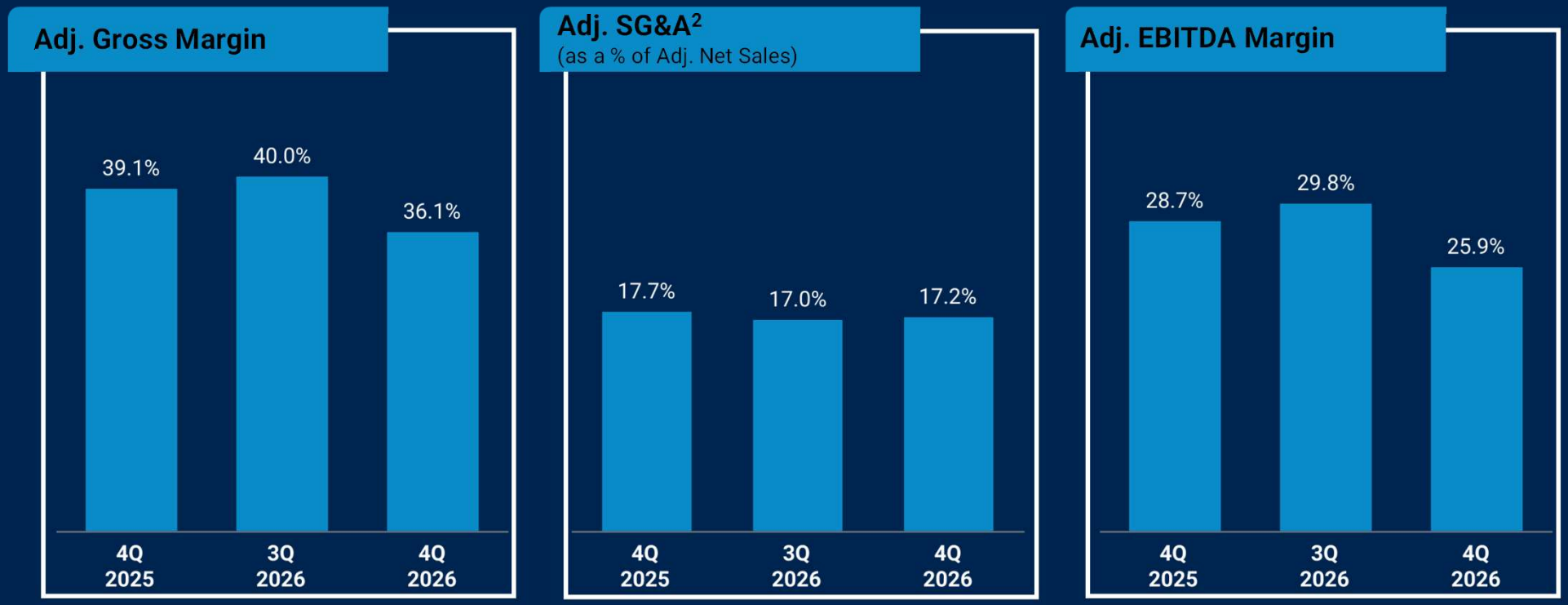
$0.42
7% decrease
Adjusted EPS[1]

2.6x
Leverage Ratio[2]

$204M
$156M increase
FY2026 Free Cash Flow[1]

1. For a reconciliation of adjusted results to amounts reported under GAAP, please refer to the Appendix.
2. Based on total debt less cash and cash equivalents divided by adjusted EBITDA for the trailing twelve months.

4Q 2026 Financial Drivers[1]



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2. Prior year amounts have been reclassified to conform to current year presentation of sublease income, which was previously presented in Other loss (income), net, and is now reported within SG&A expense.

FY2026 Financial Highlights

$2.1B
Adjusted Net Sales[1]

37.7%
80 bps decrease
Adjusted Gross Margin[1]
As a % of Adjusted Net Sales

17.8%
50 bps decrease
Adjusted SG&A[1]
As a % of Adjusted Net Sales

27.0%
30 bps decrease
Adjusted EBITDA[1]
As a % of Adjusted Net Sales

$226M
Adjusted Net Income[1]

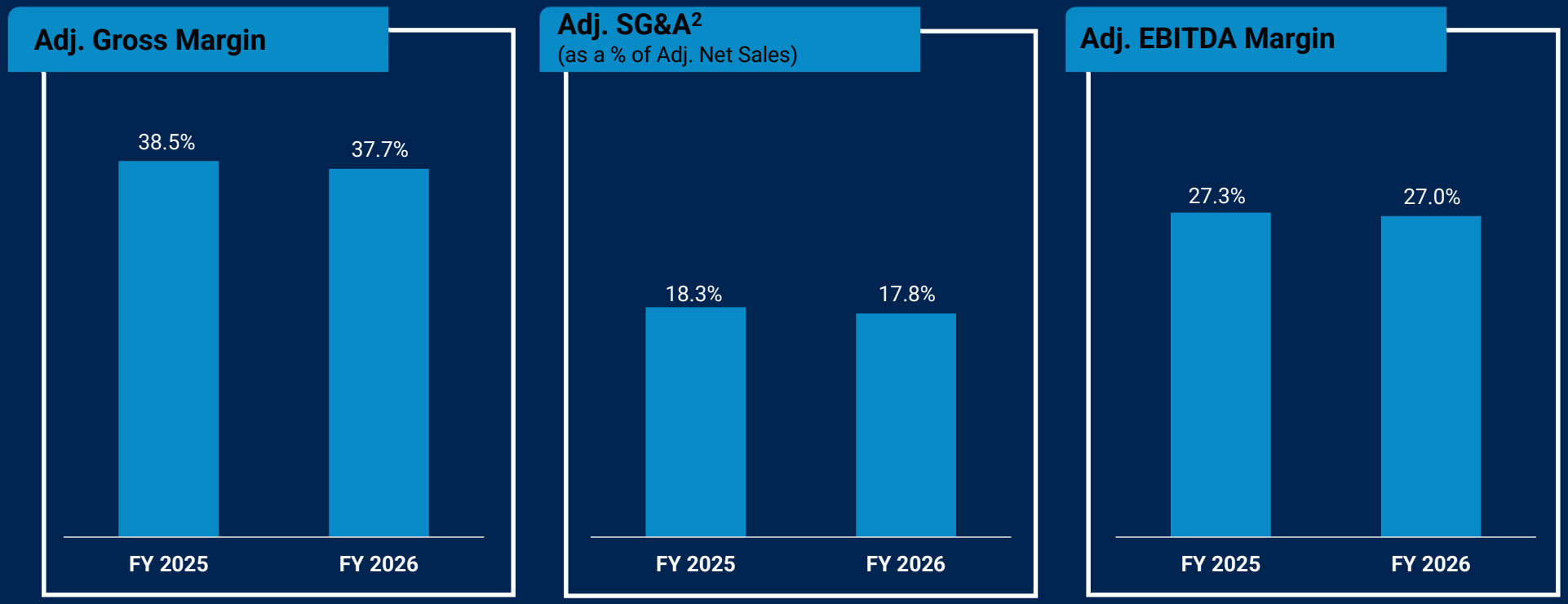
$1.76
11% increase
Adjusted EPS[1]

2.6x
Leverage Ratio[2]

$204M
$156M increase
Free Cash Flow[1]

1. For a reconciliation of adjusted results to amounts reported under GAAP, please refer to the Appendix.
2. Based on total debt less cash and cash equivalents divided by adjusted EBITDA for the trailing twelve months.

FY2026 Financial Drivers[1]



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2. Prior year amounts have been reclassified to conform to current year presentation of sublease income, which was previously presented in Other loss (income), net, and is now reported within SG&A expense.

SIGNIFICANT EXPENSES SEGMENT DISCLOSURE
(Preliminary and unaudited)

(In millions)	Three months ended September 30 2026 GAAP	Key Items [b]	Adjusted	Three months ended September 30 2025 GAAP	Key Items [b]	Adjusted
Net revenues	$ 554.1	$ 1.2	$ 555.3	$ 453.8	$ —	$ 453.8
Less:						
Labor cost	133.0	—	133.0	108.1	—	108.1
Materials	113.3	(3.9)	109.4	78.5	—	78.5
Other service delivery costs	112.2	—	112.2	89.7	—	89.7
Advertising	24.0	—	24.0	20.6	—	20.6
Payroll and related costs	41.2	(1.5)	39.7	33.9	(0.8)	33.1
Other general and administrative	37.2	(5.6)	31.6	38.2	(11.8)	26.4
Other segment items [a]	83.4	(31.9)	51.5	59.2	(19.8)	39.4
Income from continuing operations	$ 9.8	$ 44.1	$ 53.9	25.6	$ 32.4	$ 58.0

(In millions)	Year ended September 30 2026 GAAP	Key Items [b]	Adjusted	Year ended September 30 2025 GAAP	Key Items [b]	Adjusted
Net revenues	$ 2,064.3	$ 1.2	$ 2,065.5	$ 1,710.3	$ —	$ 1,710.3
Less:						
Labor cost	499.7	—	499.7	415.4	—	415.4
Materials	368.1	(6.6)	361.5	297.4	—	297.4
Other service delivery costs	426.5	—	426.5	339.0	—	339.0
Advertising	87.8	—	87.8	74.3	—	74.3
Payroll and related costs	156.0	(6.3)	149.7	123.6	(1.5)	122.1
Other general and administrative	167.1	(37.0)	130.1	141.6	(25.4)	116.2
Other segment items [a]	271.2	(87.4)	183.8	104.2	36.8	141.0
Income from continuing operations	$ 87.9	$ 138.5	$ 226.4	$ 214.8	$ (9.9)	$ 204.9

(a) Other segment items primarily include items such as net legacy and separation-related expenses, other loss (income), net, net pension and postretirement costs, net interest and other financing expense, and income tax expense, which are included in the Company's Consolidated Statements of Comprehensive Income.

(b) Represents certain unusual, infrequent, or non-operational activity not directly attributable to the underlying business. Refer to the "Use of Non-GAAP Measures" slide in this Appendix for additional details.

SYSTEM-WIDE STORE INFORMATION
(Preliminary and unaudited)

	Company-operated				
	Fourth Quarter 2026	Third Quarter 2026	Second Quarter 2026	First Quarter 2026	Fourth Quarter 2025
Beginning of period	1,232	1,210	1,196	1,016	983
Opened	26	15	8	26	26
Acquired	7	8	3	210	8
Divested [a]	—	—	—	(45)	—
Net conversions between company-operated and franchised	—	—	4	(10)	—
Closed	—	(1)	(1)	(1)	(1)
End of period	1,265	1,232	1,210	1,196	1,016

	Franchised [b]				
	Fourth Quarter 2026	Third Quarter 2026	Second Quarter 2026	First Quarter 2026	Fourth Quarter 2025
Beginning of period	1,224	1,199	1,184	1,164	1,141
Opened	28	26	20	13	24
Acquired [c]	—	—	—	—	—
Net conversions between company-operated and franchised	—	—	(4)	10	—
Closed	—	(1)	(1)	(3)	(1)
End of period	1,252	1,224	1,199	1,184	1,164
Total system-wide stores [b]	2,517	2,456	2,409	2,380	2,180

(a) Divested stores represent those acquired in connection with the Breeze Autocare acquisition and immediately divested as required by the Federal Trade Commission.
(b) Measures include Valvoline franchisees, which are independent legal entities. Valvoline does not consolidate the results of operations of its franchisees.
(c) Represents the acquisition of franchise stores that are new to the Valvoline retail store system by Valvoline Inc.

RETAIL STORES OPERATING INFORMATION
(Preliminary and unaudited)

	Three months ended September 30		Twelve months ended September 30	
	2026	2025	2026	2025
Sales information				
Store sales - in millions				
Company-operated	$ 507.2	$ 399.0	$ 1,847.2	$ 1,499.6
Franchised [a]	596.2	519.4	2,220.3	1,954.2
System-wide store sales [a]	$ 1,103.4	$ 918.4	$ 4,067.5	$ 3,453.8
Year-over-year growth [a]	*20.1 %*	*11.1 %*	*17.8 %*	*11.3 %*
System-wide same-store sales growth [a][b]	9.4 %	6.0 %	7.9 %	6.1 %

	Number of stores at end of period				
	Fourth Quarter 2026	Third Quarter 2026	Second Quarter 2026	First Quarter 2026	Fourth Quarter 2025
Company-operated	1,265	1,232	1,210	1,196	1,016
Franchised [a]	1,252	1,224	1,199	1,184	1,164

	September 30	
	2026	2025
System-wide store count [a]	2,517	2,180
Year-over-year growth [a]	*15.5 %*	*8.5 %*

(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 the year-over-year change in net revenues of U.S. VIOC system-wide same stores with same stores defined as those that have been in operation within the system for at least 12 full months. Beginning in fiscal 2026, SSS also includes mobile service net revenues in markets that leverage store marketing channels.

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

(Preliminary and unaudited)

	Three months ended September 30		Year ended September 30	
	2026	2025	2026	2025
Reported income from continuing operations	$ 9.8	$ 25.6	$ 87.9	$ 214.8
Adjustments:				
Net pension and other postretirement plan expenses	16.7	26.3	13.0	23.6
Net legacy and separation-related expenses (income)	20.3	(0.2)	26.5	1.4
Information technology transition and material weakness remediation costs	6.5	3.0	19.3	11.5
Debt extinguishment and modification costs	5.3	—	6.1	—
Investment and divestiture-related costs (income) [a]	6.4	13.8	81.7	(50.2)
Total adjustments, pre-tax	55.2	42.9	146.6	(13.7)
Income tax (benefit) expense of adjustments	(11.3)	(10.5)	(10.0)	3.8
Income tax adjustments [b]	0.2	—	1.9	—
Total adjustments, after tax	44.1	32.4	138.5	(9.9)
Adjusted income from continuing operations [c] [d]	$ 53.9	$ 58.0	$ 226.4	$ 204.9
Reported diluted earnings per share from continuing operations	$ 0.08	$ 0.20	$ 0.69	$ 1.67
Adjusted diluted earnings per share from continuing operations [d] [e]	$ 0.42	$ 0.45	$ 1.76	$ 1.59
Weighted average diluted common shares outstanding	128.4	128.4	128.3	128.6

(a) Includes certain pre-tax key item activity within amortization and net interest and other financing expenses that do not impact EBITDA but impact pre-tax adjusted earnings.

(b) Income tax adjustments include the effects associated with investment and divestiture-related activity, which is further described in the Appendix.

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

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

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

RECONCILIATION OF NON-GAAP DATA – 4Q ADJUSTED NET REVENUES & EBITDA
(Preliminary and unaudited)

(in millions)	Three months ended September 30		Twelve months ended September 30	
	2026	2025	2026	2025
Reported net revenues [a]	$ 554.1	$ 453.8	$ 2,064.3	$ 1,710.3
Key items:				
Information technology transition and material weakness remediation costs	1.2	–	1.2	–
Adjusted net revenues [a] [b]	$ 555.3	$ 453.8	$ 2,065.5	$ 1,710.3
Income from continuing operations	$ 9.8	$ 25.6	$ 87.9	$ 214.8
Add:				
Income tax expense	13.1	11.6	74.1	77.5
Net interest and other financing expenses	32.4	21.0	113.5	74.0
Depreciation and amortization	39.3	32.8	148.6	119.4
EBITDA from continuing operations [b] [c]	94.6	91.0	424.1	485.7
Key items:				
Net pension and other postretirement plan expenses	16.7	26.3	13.0	23.6
Net legacy and separation-related expenses (income)	20.3	(0.2)	26.5	1.4
Information technology transition and material weakness remediation costs	6.5	3.0	19.3	11.5
Investment and divestiture-related costs (income) [d]	5.5	10.0	74.1	(55.4)
Key items - subtotal	49.0	39.1	132.9	(18.9)
Adjusted EBITDA from continuing operations [b] [c]	$ 143.6	$ 130.1	$ 557.0	$ 466.8
Net profit margin [e]	1.8 %	5.6 %	4.3 %	12.6 %
Adjusted EBITDA margin [b] [f]	25.9 %	28.7 %	27.0 %	27.3 %

(a) Adjusted net revenues are reported Net revenues adjusted for key items.

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

(c) EBITDA from continuing operations is defined as income from continuing operations, plus income tax expense, net interest and other financing expenses, and depreciation and amortization attributable to continuing operations. Adjusted EBITDA from continuing operations is EBITDA adjusted for key items attributable to continuing operations.

(d) Includes certain pre-tax key item activity within amortization and net interest and other financing expenses that do not impact Adjusted EBITDA but impact pre-tax adjusted earnings.

(e) Net profit margin is defined as reported income from continuing operations divided by reported net revenues.

(f) Adjusted EBITDA margin is defined as Adjusted EBITDA from continuing operations divided by adjusted net revenues.

RECONCILIATION OF NON-GAAP DATA – FREE CASH FLOWS
(Preliminary and unaudited)

(In millions) Free cash flow [a]	Year ended September 30 2026	2025
Operating cash flows from continuing operations	$ 431.7	$ 307.1
Adjustments:		
Additions to property, plant and equipment	(228.0)	(259.2)
Free cash flow from continuing operations [b]	$ 203.7	$ 47.9

Free cash flow excluding growth capital expenditures [c]	Year ended September 30 2026	2025
Operating cash flows from continuing operations	$ 431.7	$ 307.1
Adjustments:		
Maintenance additions to property, plant and equipment	(61.8)	(66.1)
Free cash flow excluding growth capital expenditures [b]	$ 369.9	$ 241.0

(a) Free cash flow is defined as operating cash flows less additions to property, plant and equipment.
(b) Represents a non-GAAP measure. Refer to "Use of Non-GAAP Measures" and the Appendix for additional details.
(c) Free cash flow excluding growth capital expenditures is defined as operating cash flows less maintenance additions to property, plant and equipment.

CONSOLIDATED GAAP INCOME STATEMENT
(Preliminary and unaudited)

(In millions, except per share amounts)	Three months ended September 30		Twelve months ended September 30	
	2026	2025	2026	2025
Net revenues	$ 554.1	$ 453.8	$ 2,064.3	$ 1,710.3
Cost of sales	358.5	276.3	1,294.3	1,051.8
Gross profit	195.6	177.5	770.0	658.5
Selling, general and administrative expenses	102.4	92.7	410.9	339.5
Net legacy and separation-related expenses (income)	19.6	(0.2)	25.8	1.4
Other loss (income), net	1.6	0.5	44.8	(72.3)
Operating income	72.0	84.5	288.5	389.9
Net pension and other postretirement plan expenses	16.7	26.3	13.0	23.6
Net interest and other financing expenses	32.4	21.0	113.5	74.0
Income before income taxes	22.9	37.2	162.0	292.3
Income tax expense	13.1	11.6	74.1	77.5
Income from continuing operations	9.8	25.6	87.9	214.8
Loss from discontinued operations, net of tax	(0.4)	(0.6)	(2.0)	(4.1)
Net income	$ 9.4	$ 25.0	$ 85.9	$ 210.7
Net earnings per share				
Basic earnings (loss) per share				
Continuing operations	$ 0.08	$ 0.20	$ 0.69	$ 1.68
Discontinued operations	—	—	(0.02)	(0.03)
Basic earnings per share	$ 0.08	$ 0.20	$ 0.67	$ 1.65
Diluted earnings (loss) per share				
Continuing operations	$ 0.08	$ 0.20	$ 0.69	$ 1.67
Discontinued operations	—	—	(0.02)	(0.03)
Diluted earnings per share	$ 0.08	$ 0.20	$ 0.67	$ 1.64
Weighted average common shares outstanding				
Basic	127.9	127.6	127.8	127.9
Diluted	128.4	128.4	128.3	128.6

RECONCILIATION OF NON-GAAP DATA – ADJUSTED GROSS PROFIT, SG&A, & OPERATING INCOME

In millions - preliminary and unaudited	Three months ended September 30					
	Gross profit		Selling, general and administrative expenses [d]		Operating income	
	2026	2025	2026	2025	2026	2025
As reported	$ 195.6	$ 177.5	$ 102.4	$ 92.7	$ 72.0	$ 84.5
Key items:						
Net legacy and separation-related expenses (income)	0.7	–	–	–	20.3	(0.2)
Information technology transition and material weakness remediation costs	4.2	–	2.3	3.0	6.5	3.0
Investment and divestiture-related costs (income)	0.2	–	4.8	9.6	6.3	10.0
As adjusted [a]	$ 200.7	$ 177.5	$ 95.3	$ 80.1	$ 105.1	$ 97.3
% of net revenues as reported [b]	*35.3 %*	*39.1 %*	*18.5 %*	*20.4 %*	*13.0 %*	*18.6 %*
% of net revenues as adjusted [c]	*36.1 %*	*39.1 %*	*17.2 %*	*17.7 %*	*18.9 %*	*21.4 %*

In millions - preliminary and unaudited	Twelve months ended September 30					
	Gross profit		Selling, general and administrative expenses [d]		Operating income	
	2026	2025	2026	2025	2026	2025
As reported	$ 770.0	$ 658.5	$ 410.9	$ 339.5	$ 288.5	$ 389.9
Key items:						
Net legacy and separation-related expenses (income)	0.7	–	–	–	26.5	1.4
Information technology transition and material weakness remediation costs	6.9	–	12.4	11.1	19.3	11.5
Investment and divestiture-related costs (income)	0.2	–	30.9	15.8	76.9	(55.4)
As adjusted [a]	$ 777.8	$ 658.5	$ 367.6	$ 312.6	$ 411.2	$ 347.4
% of net revenues as reported [b]	*37.3 %*	*38.5 %*	*19.9 %*	*19.9 %*	*14.0 %*	*22.8 %*
% of net revenues as adjusted [c]	*37.7 %*	*38.5 %*	*17.8 %*	*18.3 %*	*19.9 %*	*20.3 %*

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

(b) Financial measures presented as the activity for the relevant period reported in accordance with US GAAP divided by net revenues for the relevant period as reported in accordance with US GAAP.

(c) Financial measures presented as the activity for the relevant period where the results reported in accordance with US GAAP are adjusted for key items divided by net revenues for the relevant period as reported in accordance with US GAAP adjusted for key items.

(d) Prior year amounts have been reclassified to conform to current year presentation of sublease income, which was previously presented in Other loss (income), net, and is now reported within SG&A expense. Prior year amounts include a reclass related to sublease income previously presented in Other loss (income), net which is now presented in SG&A.

USE OF NON-GAAP MEASURES

This presentation includes the following non-GAAP measures: Adjusted net revenues (Adjusted net sales); Adjusted gross profit; adjusted selling, general and administrative expenses; adjusted selling, general and administrative margin; EBITDA, adjusted EBITDA, and adjusted EBITDA margin; adjusted net income and adjusted diluted earnings per share; and free cash flow and free cash flow excluding growth capital expenditures. Refer to this Appendix for management's definition of each non-GAAP measure and reconciliation to the most comparable U.S. GAAP measure.

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

Management believes EBITDA measures provide a meaningful supplemental presentation of Valvoline’s operating performance between periods on a comparable basis due to the depreciable assets associated with the nature of the Company’s operations, as well as income tax and interest costs related to Valvoline’s tax and capital structures, respectively. Management uses free cash flow and free cash flow excluding growth capital expenditures as additional non-GAAP metrics of cash flow generation. By including capital expenditures, 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. Free cash flow excluding growth capital expenditures includes maintenance capital expenditures, which are uses of cash that are necessary to maintain the Company's existing business operations, including its retail service center store network, service portfolio, and support functions. Free cash flow excluding growth capital expenditures provides a supplemental view of cash flow generation before investments in growth capital, which expand future business operations, including the opening or expansion of retail service center stores and service capabilities. Free cash flow and free cash flow excluding growth capital expenditures have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash expenditures, such as mandatory debt repayments.

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

USE OF NON-GAAP MEASURES, CONTINUED

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

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

Net legacy and separation-related expenses (income): Activity associated with legacy businesses, including the separation from Valvoline's former parent company and its former Global Products reportable segment. This activity includes the recognition of and adjustments to indemnity obligations to its former parent company; certain legal, financial, professional advisory and consulting fees; and other expenses incurred by the continuing operations in connection with and directly related to these separation transactions and legacy matters. This incremental activity directly attributable to legacy matters and separation transactions is not considered reflective of the underlying operating performance of the Company's continuing operations.

Information technology transition and material weakness remediation costs: Consists of expenses incurred directly related to the Company's information technology transitions, primarily efforts related to implementing stand-alone enterprise resource planning and human resource information systems that generally began in fiscal 2023 following the sale of the former Global Products reportable segment. These expenses include data conversion, training, redundant expenses incurred from duplicative technology platforms, and temporary support, which includes consulting fees and professional services to support certain enhanced manual procedures and material weakness remediation efforts, including adjustments resulting from process changes implemented in remediating the material weakness. These incremental costs are directly associated with technology transitions and material weakness remediation efforts and are not considered to be reflective of the ongoing expenses of operating the Company's technology platforms and control environment following the remediation of the material weakness.

Investment and divestiture-related costs (income): Consists of activity directly associated with specific significant acquisitions, investments and divestitures, including professional and consulting fees for legal and advisory services, in addition to gains or losses recognized upon disposition, temporary financing costs directly associated with transactions, certain acquisition-related incentive compensation costs, amortization of Breeze acquired intangible assets, and expense recognized to adjust the carrying values of related assets determined to be impaired. This activity is not considered to be reflective of the underlying operating performance of the Company's ongoing continuing operations.

Debt extinguishment and modification costs: Consists of fees paid to creditors and accelerated amortization of previously capitalized debt issuance costs as well as third-party fees expensed in connection with amendments to the Company's debt facilities. These expenses are not considered to be indicative of the future servicing costs of the Company's ongoing debt facilities.

KEY BUSINESS MEASURES

Valvoline tracks its operating performance and manages its business using certain key measures, including system-wide, company-operated and franchised store counts and system-wide SSS and store sales, along with select financial metrics such target leverage on a rating agency adjusted basis. Management believes these measures are useful in evaluating and understanding Valvoline's operating performance and should be considered as supplements to, not substitutes for, Valvoline's net revenues and operating income, as determined in accordance with U.S. GAAP.

Net revenues are influenced by the number of service center stores and the business performance of those stores. Stores are considered open upon acquisition or opening for business. Temporary store closings remain in the respective store counts with only permanent store closures reflected in the activity and end of period store counts. SSS is defined as net revenues of U.S. Valvoline Instant Oil Change℠ (VIOC℠) system-wide stores that have been in operation for at least 12 full months within the system. Beginning in fiscal 2026, SSS also includes mobile service net revenues in markets that leverage store marketing channels.

Net revenues consist of sales at company-operated stores, in addition to royalties and other fees from independent franchised and Express Care stores. Although Valvoline does not recognize store-level sales from franchised stores as net revenues in its Consolidated Statements of Comprehensive Income, management believes system-wide and franchised SSS comparisons, store counts, and total system-wide store sales are useful to assess market position relative to competitors and overall store and operating performance.