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Valvoline Inc. (VVV) Q1 2025 Earnings Call Transcript

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Q1: 2025-02-06 Earnings Summary

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Play Call

EPS of \$0.32 **beats by \$0.02** | Revenue of \$414.30M (10.95% Y/Y) **beats by \$14.50M**Valvoline Inc. (NYSE:[VVV](#)) Q1 2025 Earnings Conference Call February 6, 2025 9:00 AM ET

Company Participants

Elizabeth Clevinger - Investor Relations

Lori Flees - President & Chief Executive Officer

Mary Meixelsperger - Chief Financial Officer

Conference Call Participants

Steve Shemesh - RBC Capital Markets

Simeon Gutman - Morgan Stanley

Chris O'Cull - Stifel

Steven Zacccone - Citi

Justin Kleber - Baird

David Bellinger - Mizuho

Alexia Morgan - Piper Sandler

Thomas Wendler - Stephens

Bret Jordan - Jefferies

David Lantz - Wells Fargo

Operator

Hello, everyone, and thank you for joining the Valvoline's First Quarter 2025 Earnings Conference Call and Webcast. My name is Marie and I will be coordinating your call today. [Operator Instructions]

I will now hand over to your host, Elizabeth Clevinger of Investor Relations to begin. Please go ahead.

Elizabeth Clevinger

Thank you. Good morning, and welcome to the Valvoline's first quarter fiscal 2025 conference call and webcast.

This morning, Valvoline released results for the first quarter ended December 31, 2024. This presentation should be viewed in conjunction with that earnings release, a copy of which is available on our Investor Relations website at investors.valvoline.com. Please note that these results are preliminary until we file our Form 10-Q with the Securities and Exchange Commission.

On this morning's call is Lori Flees, our President and CEO; and Mary Meixelsperger, our CFO.

As shown on Slide 2, any of our remarks today that are not statements of historical facts are forward-looking statements. These forward-looking statements are based on current assumptions as of the date of this presentation and are subject to certain risks and uncertainties that may cause actual results to differ materially from such statements. Valvoline assumes no obligation to update any forward-looking statements unless required by law.

In this presentation and in our remarks, we will be discussing our results on an adjusted non-GAAP basis, unless otherwise noted. Non-GAAP results are adjusted for key items, which are unusual, non-operational or restructuring in nature. We believe this approach enhances the understanding of our ongoing business. A reconciliation of our GAAP to adjusted non-GAAP results and a discussion of management's use of non-GAAP and key business measures is included in the presentation appendix. The information provided is used by our management and may not be comparable to similar measures used by other companies.

With that, I will turn it over to Lori.

Lori Flees

Thanks, Elizabeth, and thank you all for joining us today.

Let's start with a look at our first quarter highlights on Slide 3. We delivered financial results substantially in line with our expectations for the quarter. Our system-wide store sales grew 14% to \$820 million and our same-store sales growth for the quarter was 8%. Net sales increased 11% to \$414 million and adjusted EBITDA increased 14% to \$103 million.

We had a good quarter of new store additions, delivering 35 net new stores across the network. In addition, we closed our recently announced refranchising effort in Central and West Texas, transferring 39 stores to a new franchise partner. This refranchising transaction, along with the two we completed in Q4, give us great momentum to develop these markets significantly faster than we otherwise would have while delivering long-term value to shareholders.

Now, let's turn to an update on our strategic priorities. We remain focused on three priorities, driving full potential in the existing business, accelerating network growth, and targeting customer and service expansion. Actions across these three areas will enable us to deliver strong financial growth and best-in-class returns.

The highlight of this past quarter with our two annual meetings where we brought together our company operations team and our franchise partners. These events are a time for us to celebrate the progress we've made, align our focus for the coming year and provide training that can be taken back to the stores. The theme for both meetings this year was Elevate, as we look to elevate our performance in all aspects of the business.

At our company meeting, which we call our Vamily Reunion, we hosted our service center managers from across the United States and Canada, with our field operations management and key support team members. We recognized team members who have 20 or more years with the company, we celebrated our first company store to surpass \$5 million in annual sales, and we recognized the stores and markets with the highest customer satisfaction scores and the highest employee retention. The most impactful training sessions were focused on customer experience and employee engagement, key drivers of successful business performance and growth.

On customer experience, we continue to focus on how to educate our guests on the services their vehicles require without making a heavy sales push. Our session called [BOOM Town] (ph) was focused on behaviors, opportunities, ownership and mindset, or BOOM, to grow the ticket in the right way. The training needs to be memorable and fun so the information can make its way back into our stores. Our investment in this training has a huge payback as seen by the increase in our non-oil change services growth. In Q1, non-oil change revenue was again a significant contributor to ticket growth and we see a continued runway as our teams focus on improving the presentation of these services to educate guests.

On employee engagement, we provided our store managers the tools to attract, train and develop their teams, and ultimately, retain them. We have seen our retention rates improve significantly post-COVID, with the trailing 12-month retention once again decreasing as we close the first quarter. Our effective training, which starts with a 270-hour program for all technicians, helps employees feel confident in delivering our services to guests. And we also see stronger performance in vehicles served per day and non-oil change revenue service penetration in the stores with longer tenured employees.

At our annual franchise workshop, we were joined by partners representing over 90% of our franchise stores, including all of the partners who've recently joined our network. The engagement of our franchise community has never been higher. A significant focus of our time with franchisees was around development as we work towards our target of a 3,500-plus store network. With the development commitments that all of our large franchisees have made, we were focused on how to continue to build a robust pipeline. We spent time on our real estate analytics tools and how they could be further leveraged to assess new-build locations.

And we discussed how to convert the pipeline of acquisition targets. Our business development team has been successful engaging with nearly 4,000 independent Quick Lube operators to identify attractive acquisition targets. Those targets span both company and franchise geographies, so our focus was on how to transfer and convert the opportunities within the franchise territories.

But before we move on to look at our financials, I'd like to congratulate our franchise team on the recent recognitions our brand received from both entrepreneur and franchise times. We were recognized as the leading automotive services retailer and number 24 overall on the Entrepreneur Franchise 500 list for 2025. This recognition is a testament to the quality of our operating model and our franchise partners.

Getting to spend time with our teams was a great way to kick off fiscal 2025. I'd like to thank our team members and franchise partners for their work to start this fiscal year strong. The talents and capabilities of both our franchisees and team members truly differentiates our brand and provides a meaningful competitive advantage for Valvoline.

Now, I'll turn it over to Mary to look at our financial results.

Mary Meixelsperger

Thanks, Lori.

On Slide 5, let's take a look at the top-line performance for Q1. For the first quarter, net sales grew to \$414 million, an 11% increase over the prior year.

System-wide same-store sales grew 8% and 15.2% on a two-year stack, with company stores up 8.2% and franchise stores up 7.8%. As a reminder, we have updated our approach to determining same-store sales beginning in fiscal 2025. The amounts shown on the slide represent the updated approach for both the current quarter and the prior year's comparison.

We are pleased to see a return to a more balanced contribution from ticket and transaction this quarter, with transaction growth contributing nearly 50% of the comp. We saw a modest benefit in the quarter from weather that impacted the latter part of September in the Southeast, pushing some volume into early Q1.

Non-oil change revenue service penetration continued to be the largest contributor to the ticket component of same-store sales. Next quarter, we will lap the start of non-oil change revenue initiatives and some pricing actions. As a result, we expect to see some deceleration in the Q2 same-store sales comp that will remain for the balance of the year. In addition, in the second quarter, we will be comping up against the benefit we saw from Leap Day in the prior year.

Turning to the next slide, we'll take a look at the financial drivers for the quarter. Gross margin rate increased 80 basis points year-over-year to 36.9%, driven by labor efficiency as well as modestly lower product costs. Increased depreciation expense, primarily from new stores, offset these benefits by about 30 basis points.

SG&A as a percentage of sales increased 40 basis points to 19.6% year-over-year. As we mentioned in Q4, we are continuing to invest in technology, which is the main driver of the deleverage in SG&A for the quarter. The timing of the annual meetings and the typical seasonality of sales drove the sequential change.

Our adjusted EBITDA margin of 24.8% is a 60 basis point improvement over prior year.

On Slide 7, we'll take a look at overall profitability. During the quarter, adjusted net income increased 9% to \$42 million, driven by adjusted operating income growth of 14%. This was partially offset by higher net interest expense of \$4 million. As you may recall, the remaining proceeds from the global product sale that were used to retire the 2030 bonds were invested through the end of the second quarter of last fiscal year. On a GAAP basis, net income for the quarter is \$94 million and includes a \$71 million pre-tax gain related to the refranchising transactions.

Adjusted EBITDA increased 14% to \$103 million, largely from top-line growth and improvements in gross profit, partially offset by additional SG&A over the prior year. We saw modest impacts from the three refranchising transactions in the first quarter and we expect a larger impact from refranchising in the remainder of the year given the early December closing of the most recent transaction.

Adjusted EPS increased 10% to \$0.32 per share, primarily from the growth in earnings, partially offset by the increase in net interest expense.

Turning to Slide 8, we'll look at the balance sheet and cash position. We ended the quarter with just over \$1 billion of net debt and with a leverage ratio of 3.3 times on a rating agency adjusted basis.

Cash flows from operating activities were \$41 million, an increase of \$20 million over the prior year. Free cash flow was negative \$12 million, an improvement of \$8 million over the prior year, driven by improvement in cash from operations. Share repurchase totaled \$39 million for the quarter.

As we look at the remainder of the year, we remain confident in our guidance with full year same-store sales comp of 5% to 7%, net store additions of 160 units to 185 units, and adjusted EBITDA of \$450 million to \$470 million. Consistent with prior years, we expect to see 40% to 45% of adjusted EBITDA in the front half of the year, with 55% to 60% coming in the back half due to the seasonality of the business.

I will now turn it back to Lori for some closing remarks.

Lori Flees

Thanks, Mary.

I'm pleased with our results for the first quarter. The fundamentals of our business remain strong, allowing us to consistently deliver compelling growth as we demonstrate the attractiveness of our customer value proposition and the robustness of our business model. Accelerating network growth enables us to drive market share gains and capture the benefits of scale.

Completing the three refranchising transactions and seeing the momentum that our new franchise partners are adding, we are confident that we're on track to achieve our new store growth goals. We're well positioned to deliver strong and durable growth in fiscal year 2025, and I'm happy with our start of the year.

With that, I'll turn it back over to Elizabeth.

Elizabeth Clevinger

Thanks, Lori.

Before we start the Q&A, I want to remind everyone to limit your question to one and a follow-up so that we can get to everyone on the line.

With that, can the operator please open the line?

Question-and-Answer Session

Operator

[Operator Instructions] We have a question from Steve Shemesh of RBC Capital Markets. Please go ahead.

Steve Shemesh

Good morning, and thanks for taking the question. Wanted to start off on same-store sales. So, you guys have made clear that your compares on pricing and on oil change revenue are going to be a little bit tougher as we move into 2Q. Just any initial thoughts on what you're seeing quarter-to-date and how you expect the quarter to play out?

Mary Meixelsperger

Yes, Steve. Thanks for the question. We've continued to see good momentum at the beginning of the quarter, although it's been a little choppy because some of the weather that we've seen, but consistent with our history, when we see difficult weather in one week, we typically get that volume back in the following week, and the month of January with some of the choppiness in weather, especially down in the South, we've seen good recovery subsequent to the weather. And encouragingly, we're continuing to see strong transaction growth consistent with what we saw in the first quarter as well as we're moving into the quarter.

You're right, we are lapping some key initiatives, pricing and non-oil change initiatives that we started in the second quarter of last year, so we expect to see some deceleration there. And then the other key thing I would call out for Q2 is the impact of leap day. We expect the impact of leap day to have a negative 120-basis-point impact on our comp for the quarter, so it's a pretty big impact for the quarter for leap day. The year less so of it -- the full-year impact is more like 30 basis points, but you know, we are running up against that leap-day headwind as well for the second quarter.

Lori Flees

And Steve, I'll just comment on NOCR. While we're lapping a bunch of initiatives, we redoubled down in our Valvoline Reunion to talk about process. Our value proposition is about Quick, Easy, Trusted, and we've got the technology to pull all of the information on a customer's vehicle when they pull up to the bay, and that allows us -- our team members to know what added services are required on the vehicle. And so, as you think about -- since we started talking about NOCR, we did a lot of work focused on making sure we had machines in working order to do the services and supplies, particularly on the visuals for any vehicle that will come into our store. And we shifted to focus on training and process excellence.

And I'd just say that while we're lapping sort of an oversized contribution in the comp, we still expect to have positive contribution from NOCR service penetration for some time to come. And we look at that by saying what is the cars or customers that are coming into our store, on average, what do we think their mileage gains will be and what services will be required versus the services we deliver. And there is a very good opportunity there for us to continue to manage, and it comes down the process execution and training. And so, again, I think Mary's comments are right, it will lessen in the comp, but it still will be a positive contribution as we've been talking about for the last couple of years.

Steve Shemesh

Okay. That's great. Thank you. And maybe just a quick follow up here on gross margin, Mary. You guys had previously talked about gross margin being in the ballpark of flat for the year. Obviously, a really strong start to 1Q, up 80 basis points. Again know that pricing and non-oil change revenue contribution should be less, which should come out of that, but just any changes to how you're thinking about gross margin flowing through the full year?

Mary Meixelsperger

You know, we're encouraged by the first quarter results, but as Lori mentioned in her remarks, it is pretty consistent with our expectations. So, we saw a good margin performance, but we do expect to see some deleverage impact from the refranchising transactions that we announced last year, and we certainly are continuing to work on benefits from both scale and efficiency, but overall, our guidance for the year is unchanged.

Steve Shemesh

Okay. That's great. Thank you.

Operator

We have a question from Simeon Gutman of Morgan Stanley. Please go ahead.

Simeon Gutman

Hello. Good morning. I'm going to ask my one and follow-up. I'm just in a noisy spot. First, it was a good quarter. I wanted to ask the word "substantially in line" was used in the transcript and in the press release. Curious what was substantial? What either missed or what was better?

And then, the follow-up is on the prior question around the guidance range for the rest of the year. Were you always expecting -- we knew it would be above the range or at the high end. Are you saying the business is still running strong and we're not flowing upside through because it performed consistent with our expectations, or you're being more conservative, especially given that trends are continuing in the second quarter so far? Just thinking about upside to it like underlying run rate versus conservatism. Thanks.

Mary Meixelsperger

So, on your first question, Simeon, in terms of substantially in line, I mean, I think it was substantially in line. It's not -- no performance is ever perfect in terms of meeting expectations. There -- as you said, there's things that are slightly above and slightly below, but overall, we were very substantially in line with our expectations for the quarter.

In terms of your second comment on the guide range for the balance of the year, we still have a lot of the year to go. We are cautiously optimistic based on the good performance we saw in Q1. We're really pleased that we've seen transaction growth tick up to a more balanced level and continue here into the early parts of Q2. And I would tell you that I certainly think that we have some upside opportunity toward the top end of our range -- guidance range. And we're going to continue to focus on managing the business to be able to deliver really great outcomes for the year. But as we sit right now, we're still very comfortable with the guidance range that we provided last quarter.

Lori Flees

I think some of -- Simeon, some of the difference maybe between [indiscernible] could be around the transaction and the timing of the transaction for the last refranchising. I'm not sure, overall, the assumptions made in -- for Q1 may have been consistent with what we were expecting. So, I think that maybe drove some of the consensus being lower than where we were expecting. But other than that, I think Mary's comments are spot on around we're substantially in line and there's always going to be pluses and minuses, but we're really pleased with where we started.

Simeon Gutman

Thanks, Lori. Thanks, Mary.

Operator

We have a question from Chris O'Cull from Stifel. Please go ahead.

Chris O'Cull

Good morning, everyone. Thanks for taking the questions. Lori, I know the company has been working on ways to reduce the investment outlay for new units. Can you provide an update on the amount of cost you expect to take out of the buildout or what you're targeting for the investment outlay? And then I had a follow-up.

Lori Flees

Sure. It's a great question and one that we spend a lot of time on. In fact, just spent some time with our Board last week. We have always talked -- we started this process a year ago, give or take, and we went through a process to redesign our prototype, which hadn't been done in quite some time. We looked at the size of the building, we looked at the structural elements that add cost and make us different than other competitors who have touted lower capital costs, and really value engineered the building. We also value engineered every piece of equipment.

Some of the equipment changes were already flowing through. Some of the builds that will happen this week, that's actually -- those are hundreds of thousands of savings with every change, but it could be [5,000, 10,000] (ph) by element, and those add up to really attractive savings. And they don't take away from the -- a team member experience and efficiency, and they certainly don't take away from the customer experience. They're just re-contracting with suppliers to get the best rates on the equipment that we need to serve our guest.

On the prototype builds, we are just getting the bids back from contractors. We have some franchisees who have already gotten bids back, and very encouraged. Obviously, we haven't gone -- we're going to construction, so I don't want to overstate what the savings will be until we actually see final build costs at the end, because there is plus or minuses with our contractors as they start to build. But we've always said we think, 10% to 20% is certainly reasonable.

And I think the other thing we're looking at, we've been very open about is really looking at rightsizing the number of bays to the market, and going through an exercise of do we need to build a three-bay or will a -- or will two bays serve the market better, drive more share and higher return. So, we've gone to more of a -- we're moving to more of a modular design. It won't impact a lot of what we have in place to open this year, but I think in future years, you'll see the mix shift between three-bay and two-bay will also bring our average new unit build cost down.

Now, the way that we've done it is we keep flexibility to add a bay, both in the way we design all of the electrical and plumbing as well as the pit design and everything. So, we can actually add a third bay should we need it and not spend the capital today, but spend it when we need it, which actually does drive our capital cost down. And we factor in future build into the overall NPV calculations that we're expecting. And so, feel really good about our new store returns.

Chris O'Cull

My follow-up is, are there opportunities to reduce the time it takes for a new store to reach maturity? I believe it's now three to five years. Can you shorten that in order to improve the return as well?

Lori Flees

Yeah. It definitely is something we've spent some time on in the last couple of years as we've opened up new builds at a higher rate. I think part of what we're doing is, it depends by the market. So, if a market is -- already got a good presence with the Valvoline brand, we tend to see the first year ramp be a little higher and the ramp to maturity a little shorter. But as we try to extend our footprint into markets that we have less presence, which by the way, there's fantastic returns in those markets, we have to balance the right marketing spend, pre-opening, and then in opening, to build the car count more quickly.

So that's always -- when we look at every location, we look at marketing spend for the area and marketing spend for the new unit and we try to adjust to try to bring those maturities -- the maturity faster. I think if you look over time, the maturity has shortened, but we still -- it still varies by location and that's why we talk about it from a three- to five-year perspective.

Chris O'Cull

Okay. Thanks, guys.

Mary Meixelsperger

Thanks, Chris.

Operator

We have a question from Steven Zaccone from Citi. Please go ahead.

Steven Zaccone

Great. Good morning. Thanks very much for taking my question. I was hoping, Lori, you could talk a bit more about that improved transaction performance. What do you think is driving that? Are you seeing some changes in the competitive landscape? Just anything to chime in there?

And then a follow-up on Simeon's question just in the context of same-store sales. You had some prior commentary on the last call that you could potentially have a quarter below the comp range. Given the strength that you've seen here in the first quarter and that's carried into 2Q, is it fair to say that's kind of off the table that you should pretty much be in the range for the remainder of the year?

Lori Flees

Sure. I'll cover the first one. I'll let Mary cover the same-store sales range for the rest of the year. I think when we look at performance in Q1, we were pretty clear on last quarter's guide or discussion that we knew we would have some increased transaction flow from the push-out given the two hurricanes that happened and hit most of the Southeast region. More outsized on the franchise, but still hitting some of our company stores. So, we knew that the transactions would be quite strong in October. We also had, as you may recall, a year ago, we talked about a softness in the starting last financial year, just given some marketing agency changes. So, we knew going into October that we'd have a really strong transaction growth in October.

When we look at the rest of the quarter, we still had very good transaction growth. And really, the - most of that comes from the compounding effect of growing our customer base. So, as we acquire new customers into our location, when we serve them well and we -- our customer satisfaction scores are 200 basis points higher year-over-year than they have been. And when that happens, our retention rate stays strong and we are building on the base.

So, the biggest contributor to transaction growth is our active customer base growing year-over-year. Obviously, we know how much new stores contribute as well. But I would say there's nothing competitive wise that is creating an outsized impact. These are just the core fundamentals of our business. In fact, I'd just say that there's not really been any change in what we're seeing from a competitive standpoint, apart from the typical pullback that starts after the busy drive season. So, we feel really good about our performance, really good about our ability to acquire new customers and retain the customers we've served.

Mary, do you want to comment on that number?

Mary Meixelsperger

Sure. On -- your question on same-store sales and range, there's always the risk of a significant weather event happening at the end of a quarter that can shift volume between quarters. In January, we actually saw the significant weather events happened early in the second week of the month and that shifted a lot of volume into the third week of the month. But those types of timing things can happen during the quarter. Do I think that it's a probability or a likelihood? No, I don't. But I think there's always a remote possibility that those types of events could happen.

We feel good about our guidance for the full year. We had a strong start to the first quarter and we continue to see good momentum in the early part of the second quarter. I did mention that we're lapping some pricing and non-oil change initiatives that we started in the second quarter of last year, that will cause some deceleration. And then, again, leap day will have a significant year-over-year impact on Q2 well in excess of 100 basis points. So, those are really kind of the highlights in terms of same-store sales.

Steven Zaccone

Okay. Thanks for all the detail. The brief follow-up I had was just on gross margin. I know someone asked earlier, but on the last call, you had talked about some risk with some of your -- I guess, you'd say people you're selling waste oil to adjusting their pricing. Has anything changed in that scenario? It sounds like your gross margin expectations are the same, but just help us understand if anything is coming in a little bit better or worse than expected?

Mary Meixelsperger

Yeah, nothing has really changed. We've worked hard to be able to minimize the impact from the waste oil collection challenges, but typical with what we've seen historically, when the revenue from waste oil collection goes down, it typically is correlated with the underlying product cost declining as well. And you might have noticed in my comments, I said we saw some modest benefits in margin for the Q1 from lower product cost. And so, we did not see and did not expect to see the lower waste oil recovery in Q1, we expect that -- more of that in Q2. But again, I do believe that we'll see a correlation with some modestly lower product cost as well. And I don't expect it to have a significant impact on us for the year.

Steven Zaccone

Okay. Thanks for that detail.

Operator

We have a question from Justin Kleber from Baird. Please go ahead. Justin, your line is now open. Please go ahead.

Justin Kleber

Hey. Good morning, everyone. Sorry about that. Thanks for taking the question. So, first one just on guidance. 14% EBITDA growth here in 1Q. The midpoint of the full-year guide implies sub 2% over the balance of the year. It seems like a fairly big change even if we take into account the greater headwind from refranchising. So, can you maybe unpack what's changing? It doesn't sound like waste oil dynamics are a major headwind here, so is the pacing of your investment spend weighted to the back half of the year, or are you just maintaining a conservative approach to guidance?

Mary Meixelsperger

So, Justin, thanks for the question. I don't think you can discount the impacts that refranchising will have for the balance of the year. And so, there -- from a Q1 perspective, we saw some modest impacts from refranchising, but we didn't close on the largest of the three transactions until early December of the quarter. And so, we had the benefit of those 39 stores in our quarterly results for most of the quarter.

If I were to take out and show the quarter on a pro-forma basis for refranchising, I would have removed an additional \$12 million of revenue and an additional \$3 million of EBITDA for the quarter. And I'd have to do a similar kind of pro-forma adjustment for last year's first quarter taking out the refranchised stores, I would have reduced revenue by about \$24 million and EBITDA by about \$5 million for the first quarter of last year.

And so, I think when you look at the balance of the year, on a pro-forma basis, for refranchising, you would expect to see sales and EBITDA growth numbers that are very consistent with our trend longer-term. But I think that the year-over-year compare with those stores in last year and out of the current year is going to cause that EBITDA growth to be substantially lower on a reported basis.

We will make sure that we call it out for you all to -- we did say last quarter that the full-year impact on last year was about \$100 million in sales and about \$25 million in earnings. So, I think if you put that kind of \$25 million in earnings back in, you get back to a more normalized EBITDA growth level, and that's the primary driver of the deceleration in the growth rate.

Justin Kleber

Okay. That's very helpful, Mary. Thanks for framing the refranchising impacts. And my follow-up is just related to the tailwind from premiumization. If I look at your latest [FDD] (ph), it shows your premium oil mix is about 80%. Curious how much higher you think that penetration can realistically go. And then, also, just if you could share any insights on maybe how that 80% breaks down between fully synthetic versus some sort of synthetic blend?

Lori Flees

Yeah. I think the point is when we reported in the FDD, we include both MaxLife, which is our synthetic blend, and our full synthetic. And so, as we're seeing and we've been looking at consumer behavior, we're seeing continued trade up to -- from conventional to both the MaxLife product as well as the full synthetic, and we see a trade up from MaxLife into full synthetic. And that continues to be a very positive tailwind for us that will continue.

Some of that is driven -- there are really two key drivers. The biggest one is that the car park as it evolves, there are more vehicles coming into that four- to six-year window when we start to see an oversized percentage of the car park that are requiring or recommending full synthetic. And so that's an easy education for the customers.

But the other factor that's contributing is the age of the vehicle, which I think has clicked over 12 years now. And when we get to older vehicles with high mileage, high mileage being over 100,000 miles, we tend to educate the customers around how to take care of their vehicles so that it can stay on the road for even longer. And that creates a trade-up environment even for customers that we have seen for years.

So, both of those things, we've always talked about it being 100 basis points to 150 basis points of comp tailwind for many years to come. And I think that still remains to be true.

Justin Kleber

All right. Thanks so much for the insights and best of luck.

Lori Flees

Thank you.

Operator

We have a question from David Bellinger of Mizuho. Please go ahead.

David Bellinger

Hey. Thank you all, and good morning. I might as well go back to your Q2 comments, just on the decel again. Maybe if we take a bigger step back here, right, it seems like the Q2 comp is mainly - so impacted by the ticket comparison, the leap day shift. So, if you ex-out all that, it still seems like the transaction piece of the business is running pretty strong quarter-to-date. Is that all correct?

And then second part of this is, you mentioned some of the transaction flow being pushed out from the hurricane, some of the other weather. So, is that all in the system now and we should look at potentially post Q2 back half of the year getting to somewhat of a more normalized transaction growth level?

Mary Meixelsperger

So, on the first part of your question, David, in terms of the Q2 comp, if I understand your question correctly, from a comp deceleration perspective, we certainly expect to see continued transaction growth. We certainly will see offset to that transaction growth from leap day and lapping leap day. So, it won't be -- well, once we get here through the end of February, we're going to see some offset of the transactions because we had the extra day in the quarter last year, and that will affect transactions more significantly than it will affect ticket, because ticket, well, we would expect it to see some relative consistency over the quarter timeframe.

So, I'm not sure if that answers the first part of your question in terms of the deceleration of the comp and the impact of that deceleration on transactions?

David Bellinger

No, that's fair enough, but it's not like you've seen a step change on the transaction growth side as you entered Q2 being absent these other pieces of the business as these one-time like shifts, just the underlying growth rate on the transaction side has not changed materially?

Mary Meixelsperger

No, we continue to see strong -- see good performance in terms of the transaction contribution to the overall comp.

Lori Flees

And I think also still balanced. So again, while we're going to lap some of the ticket items, we're still having growth on the ticket side. So, I think what -- I think your question is right in that, one, we're seeing continued good transaction growth as we're getting -- as we're into Q2, and we're continuing to see good ticket growth, although slightly slower than what we would have seen in the past 12 months because of some of the lapping activity on NOCR improvement as well as some pricing actions.

Mary Meixelsperger

And then, your second part of your question on the transaction -- go ahead. Go ahead, David.

David Bellinger

No, go ahead. Sorry, for cutting you up. Go ahead.

Mary Meixelsperger

I was just going to say on the second part of your question in terms of transaction growth for the balance of the year, we are comping up against weaker transaction growth in the back half of last year. So, when we get to the back half of the year, my expectation would be we'll continue to see some good balanced -- balance between transactions and ticket in the back half, especially given that we're going to be comping up against some weaker numbers from fiscal '24.

David Bellinger

Yeah, understood. That's very helpful. And then just to shift over, changing gears on to the buybacks, you repurchased almost \$40 million this quarter alone, that's really towards the low-end of your full-year guide. So, how should we think about buybacks over the balance of the year? And what would allow you to potentially go to the high end of the range or even above? Is there anything you need to see in the marketplace or just how are you thinking about that change over the balance of the year?

Mary Meixelsperger

Sure. So, you'll see that when we issue our 10-Q that subsequent to the end of the quarter, we did some additional buyback as well. We did about \$20 million of additional buyback since the end of Q1. So, the fiscal year-to-date, we're more in the \$60 million in terms of total buybacks. And we've looked opportunistically. We saw weakness in the share price after our last quarter call, and we're taking advantage of that. We think that there's significant undervaluation of the business in the marketplace and we thought it was -- made a lot of good sense for us to accelerate some of that buyback to take advantage of that.

David Bellinger

Perfect. Thank you.

Operator

We have a question from Peter Keith of Piper Sandler. Please go ahead.

Alexia Morgan

Hi. This is Alexia Morgan on for Peter Keith. Thanks for taking our question. My first question would be on the promotional environment. We've heard from our checks that it's -- or the promotions have come down a bit or promotions have moderated recently. Can you talk about what you saw there in Q1? Just is it related to prior quarters? And then, how you're thinking about promotions in Q2?

Lori Flees

Sure. I think, we're not seeing any significant change on the competitive standpoint. From a promotion standpoint, we feel really good about our performance. I think in the last couple of quarters, we talked about some episodic activity from our competitors outside of our Quick Lube segment, and it's been pretty transitory in nature and not had a material impact on our business. Now, that's -- whether we think about discounting in the category or discounting by folks in our category.

And I think as we step back and reflect, we have a very high-quality brand and that really attracts customers for trial. And then, we have a best-in-class customer experience once they're there, which enables us to continue to capture share of the do-it-for-me market and outperform the market overall.

So, again, we're not seeing any outside -- outsized competitor actions, promotional or marketing, that's having a significant impact on us. And we're really pleased on how our marketing team is driving really good return on ad spend.

Alexia Morgan

Great. Thank you. And then, my follow-up is just more on unit growth, specifically on the franchise side. Are you still on track to -- for your longer-term target, 150 franchise opens a year by 2027? And how you're thinking about the bridge to that?

Lori Flees

Yeah. As I mentioned in my remarks, we have really strong engagement from our franchise partners. In the US, we have about 40 partners, and at our workshop, we had the most engagement and focus on development. All of our large franchisees and many of the smaller ones have committed to upsize development agreements, and our pipeline for new units is very strong.

So, the momentum of both the existing partners that we've been working with as well as the new partners we've welcomed to the network, it really has increased our confidence in our new unit growth goals. Overall, we stated we wanted to get to 250 new units by fiscal '27, with 100 -- give or take 100 coming from company and 150 coming from franchise. And I think the momentum that our franchisees have as well as some of the things we're doing to support them, give us a lot of confidence we're on track to hit those goals.

Alexia Morgan

Thank you.

Operator

We have a question from Thomas Wendler of Stephens. Please go ahead.

Thomas Wendler

Hey. Good morning, everyone. I just wanted to touch on the waste oil one more time. It sounds like that didn't really float through or becoming the issue to the margins this quarter, but I think there was a mention of maybe it impacting 2Q. So, maybe if you could touch on that? And then, just maybe your thoughts on how the company could be impacted if we see increasing oil prices? Thank you.

Mary Meixelsperger

Yeah, good questions. In terms of waste oil, for Q2 and beyond, our expectation is that there'll be a very little impact because we think that any reduction in the waste oil recoveries will be offset by lower product costs. And so, we're really expecting it to have a negligible impact in the balance of the year.

As it relates to rising oil prices, it typically would take a while for any kind of increases in crude oil to pass-through into the base oil markets, and those base oil markets then impacting the cost of our lubricant products. That also has an impact by the inventory that's in the system that has to flow through as well. So, rising crude prices, at this point in the year, would likely not have a really significant impact to us until the back half of the year.

And we would, of course, be looking at opportunities for us to offset any increases through any efficiencies. And then, we always would have the opportunity to potentially look at our pricing and pass-through pricing as well. Our expectation is that any increases would impact competitors in the same way that it would impact us, and the market has always behaved pretty rationally when it comes to passing through cost increases from a pricing perspective. So, I wouldn't expect it to have a significant impact on our results for the year if we did see some increases.

Thomas Wendler

All right. I appreciate the color. Thank you.

Operator

We have a question from Bret Jordan of Jefferies. Please go ahead.

Bret Jordan

Hey. Good morning, guys. Could you talk about the...

Lori Flees

Good morning.

Bret Jordan

...seasonality of the non-oil change business? Obviously, you think batteries and wipers would benefit from the winter weather we've been having, but could you sort of talk about the mix there and what the weather impact has been?

Lori Flees

Yeah, and it's a great question. When you look at our services, there are very -- there are a few things that are highly seasonal. Wipers, obviously, we have an outsized demand for those as we get into wet weather seasons, in the spring and also in the fall. Battery definitely impacts in the winter and we've seen a significant uptake in battery -- in our battery penetration, which we would expect in the summer. Our air-conditioning recharge services, obviously is when that starts to become into play, but most of the services that we have, it's really driven by the miles driven of the vehicle. So, tire rotations every 5,000 miles, when we look at air filters and cabin air filters, and the things that drive most of the non-oil change revenue because they're highly recurring, most of those have limited seasonality.

Bret Jordan

Okay. And then like, you talked about the independent Quick Lube operators as sort of a potential, I guess, acquisition pond. What are the valuation trends there? Are they sort of looking at this business as seeing a lot of franchise Quick Lube additions in the market, making them inclined to sell, or how do you -- what's the average multiple for those independents?

Lori Flees

Well, the multiple definitely varies based on the quality of the asset and the real estate location. But what -- we're not seeing -- I think post-COVID when employment and the turnover of people was really high and supply chain was more challenging, we had a lot of independent operators just putting their hands up saying, okay, this is too difficult. I don't have all the support in place. And so, we went through a period of time when there may have been more interest. But I don't -- I think we're gone back to a normal course and people just getting to an age and/or a point in their career where they are not transitioning the business down to the next generation and they're looking to exit.

So, I don't think there's any significant changes that are driving more or less of the independent operators in terms of them wanting to transition. I do think that when we come into a market and we start to build, some of the independents that impacts them and then they express more interest, because they see us slowly taking business away from them and adding business from dealers, and that sometimes will precipitate a raising of the hand. And if the location is additive, then we're very interested.

But I don't think there's any significant changes in that dynamic other than it's still incredibly fragmented. There are still 4,000 independent Quick Lube operators out there, not all of them do we want to own, but if it's in the right real estate location that's complementary to our network, we have a playbook. We know how to do that, whether it's a onesie-twosie owner, or something of more scale. It is a great return on invested capital. It has a faster path to maturity because you're buying a business that's already existing and you're building upon it. So, we love those. Obviously, we're selective when we buy them.

Bret Jordan

Great. Thank you.

Operator

We have a question from David Lantz of Wells Fargo. Please go ahead.

David Lantz

Hey. Good morning, and thanks for taking my questions. So, SG&A per store -- per company-operated store grew high-single-digits in Q1, but considering the franchising activity and the recently closed acquisition, curious how you're thinking about these trends throughout the balance of the year?

Mary Meixelsperger

Yeah. So, we talked last quarter, David, about, there -- we expected to see some deleverage in SG&A, partially due to a refranchising, but really driven by some of the investments that we are making in technology. So, we really, since we sold the products business, are focusing on systems that are retail-focused that can help us to support the continued growth and scaling of the business over time. So, we've replaced our ERP system. We're in the process of replacing our HRIS system, both with systems that are really -- have the ability to help us from a pure-play retail perspective to drive growth in the business. So, I do expect to see some modest deleverage in SG&A over time -- excuse me, over the remainder of the year. And it's primarily being driven by our technology investments.

The only other thing I did want to add for some clarity in terms of some of the questions we've had about the cadence of earnings and what we're -- what our expectations are for the balance of the years, in my comments, I did say that we expect the first half of this fiscal year to be -- produce 40% to 45% of our overall earnings. And because of the refranchising impact, I do expect that to be the -- towards the top of that range in the front half relative to the 55% to 60% in the back half. So, I just wanted to provide some clarity in terms of the cadence of earnings as well.

David Lantz

Got it. That's really helpful. Last one from me. Can you just...

Mary Meixelsperger

Do you have another question, David?

David Lantz

Yeah, just one more. Can you talk about Fleet performance in the quarter and any additional color you can provide around account wins as well?

Lori Flees

Yeah, Fleet, it continues to be a great business. Our investments in both team and capabilities that our Fleet managers look for is really paying off as the growth continues to outpace our consumer transaction growth. The business -- our service proposition is very attractive to Fleets, and we've had some success growing the account base, but continue to focus on increasing penetration and ensuring as we grow our network of stores, the Fleet customers that we're already serving know that we can handle more of their portfolio as their geographies span ours.

I think we have a significant market opportunity to continue to drive same-store sales coming from Fleet. That's some of the transactional growth that we've been driving and expect to continue to drive. And at our franchise workshop, we did have some discussion with franchisees around how we could partner and support them. We're actually helping all of our large franchisees as it relates to administrative support in terms of billing with the franchisees, but also some regional sales support, just taking the tools and programs that have been very successful in company markets and ensuring that our franchisees get the benefit of those.

David Lantz

Got it. Thanks so much.

Operator

We currently have no further questions, so I will hand back to Elizabeth Clevinger for closing remarks.

Elizabeth Clevinger

Thank you all for joining us today. This concludes our call.

Operator

This concludes today's call. Thank you for joining. You may now disconnect your lines.

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