UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2024

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _________ to ___________

Commission file number 001-37884

VALVOLINE INC.

(Exact name of registrant as specified in its charter)

Kentucky	**30-0939371**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Valvoline Way, Suite 100
Lexington , Kentucky 40509
(Address of principal executive offices) (Zip Code)

Telephone Number (859) 357-7777
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $0.01 per share	**VVV**	**New York Stock Exchange**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☑	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No þ

At August 2, 2024, there were 128,866,347 shares of the registrant's common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Valvoline Inc. and Consolidated Subsidiaries
Condensed Consolidated Statements of Comprehensive Income

(In millions, except per share amounts - unaudited)	Three months ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
Net revenues	$ 421.4	$ 376.2	$ 1,183.5	$ 1,053.5
Cost of sales	253.9	225.5	735.0	657.3
Gross profit	167.5	150.7	448.5	396.2
Selling, general and administrative expenses	77.2	65.6	224.0	194.2
Net legacy and separation-related expenses	0.1	1.6	0.2	30.8
Other income, net	(3.2)	(3.0)	(8.3)	(5.8)
Operating income	93.4	86.5	232.6	177.0
Net pension and other postretirement plan expenses	3.4	3.7	10.4	11.0
Net interest and other financing expenses (income)	24.8	(4.6)	53.9	27.4
Income before income taxes	65.2	87.4	168.3	138.6
Income tax expense	17.0	22.9	42.9	14.2
Income from continuing operations	48.2	64.5	125.4	124.4
(Loss) income from discontinued operations, net of tax	(2.3)	(2.9)	(6.2)	1,246.4
Net income	$ 45.9	$ 61.6	$ 119.2	$ 1,370.8
Net earnings per share				
Basic earnings (loss) per share				
Continuing operations	$ 0.37	$ 0.40	$ 0.96	$ 0.74
Discontinued operations	(0.02)	(0.02)	(0.05)	7.35
Basic earnings per share	$ 0.35	$ 0.38	$ 0.91	$ 8.09
Diluted earnings (loss) per share				
Continuing operations	$ 0.37	$ 0.40	$ 0.96	$ 0.73
Discontinued operations	(0.02)	(0.02)	(0.05)	7.31
Diluted earnings per share	$ 0.35	$ 0.38	$ 0.91	$ 8.04
Weighted average common shares outstanding				
Basic	129.4	161.5	130.3	169.5
Diluted	130.2	162.5	131.2	170.6
Comprehensive income				
Net income	$ 45.9	$ 61.6	$ 119.2	$ 1,370.8
Other comprehensive (loss) income, net of tax				
Currency translation adjustments	(1.2)	1.0	2.9	45.5
Amortization of pension and other postretirement plan prior service credits	(0.4)	(0.4)	(1.3)	(1.3)
Unrealized loss on cash flow hedges	(1.5)	(1.5)	(4.8)	(5.9)
Other comprehensive (loss) income	(3.1)	(0.9)	(3.2)	38.3
Comprehensive income	$ 42.8	$ 60.7	$ 116.0	$ 1,409.1

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

Valvoline Inc. and Consolidated Subsidiaries
Condensed Consolidated Balance Sheets

(In millions, except per share amounts - unaudited)	June 30 2024	September 30 2023
Assets		
Current assets		
Cash and cash equivalents	$ 65.7	$ 409.1
Receivables, net	97.5	81.3
Inventories, net	40.2	33.3
Prepaid expenses and other current assets	53.0	65.5
Short-term investments	—	347.5
Total current assets	256.4	936.7
Noncurrent assets		
Property, plant and equipment, net	927.2	818.3
Operating lease assets	289.3	266.5
Goodwill and intangibles, net	693.7	680.6
Other noncurrent assets	209.0	187.8
Total noncurrent assets	2,119.2	1,953.2
Total assets	$ 2,375.6	$ 2,889.9
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	$ 23.8	$ 23.8
Trade and other payables	107.7	118.7
Accrued expenses and other liabilities	219.9	215.9
Current liabilities held for sale	—	3.9
Total current liabilities	351.4	362.3
Noncurrent liabilities		
Long-term debt	1,125.7	1,562.3
Employee benefit obligations	167.8	168.0
Operating lease liabilities	270.3	247.3
Other noncurrent liabilities	353.9	346.8
Total noncurrent liabilities	1,917.7	2,324.4
Commitments and contingencies		
Stockholders' equity		
Preferred stock, no par value, 40.0 shares authorized; no shares issued and outstanding	—	—
Common stock, par value $ 0.01 per share, 400.0 shares authorized; 128.9 and 134.8 shares issued and outstanding at June 30, 2024 and September 30, 2023, respectively	1.3	1.3
Paid-in capital	48.9	48.0
Retained earnings	46.3	140.7
Accumulated other comprehensive income	10.0	13.2
Stockholders' equity	106.5	203.2
Total liabilities and stockholders' equity	$ 2,375.6	$ 2,889.9

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

Valvoline Inc. and Consolidated Subsidiaries
Condensed Consolidated Statements of Cash Flows

(In millions - unaudited)	Nine months ended June 30 2024	Nine months ended June 30 2023
Cash flows from operating activities		
Net income	$ 119.2	$ 1,370.8
Adjustments to reconcile net income to cash flows from operating activities:		
Loss (income) from discontinued operations	6.2	(1,246.4)
Loss on extinguishment of debt	5.1	—
Depreciation and amortization	77.1	60.7
Deferred income taxes	—	(26.6)
Stock-based compensation expense	9.4	8.8
Other, net	1.6	2.1
Change in operating assets and liabilities		
Receivables	(14.5)	(3.5)
Inventories	(8.0)	(3.3)
Payables and accrued liabilities	(7.6)	76.4
Other assets and liabilities	(18.5)	10.9
Operating cash flows from continuing operations	170.0	249.9
Operating cash flows from discontinued operations	(6.2)	(298.3)
Total cash provided by (used in) operating activities	163.8	(48.4)
Cash flows from investing activities		
Additions to property, plant and equipment	(153.0)	(125.9)
Acquisitions of businesses	(27.9)	(27.8)
Proceeds from (purchases of) investments, net	348.0	(440.4)
Other investing activities, net	(5.7)	(0.8)
Investing cash flows from continuing operations	161.4	(594.9)
Investing cash flows from discontinued operations	—	2,621.0
Total cash provided by investing activities	161.4	2,026.1
Cash flows from financing activities		
Proceeds from borrowings	200.0	920.9
Repayments on borrowings	(642.8)	(915.0)
Repurchases of common stock	(212.2)	(1,395.5)
Cash dividends paid	—	(21.8)
Other financing activities	(17.4)	(16.0)
Financing cash flows from continuing operations	(672.4)	(1,427.4)
Financing cash flows from discontinued operations	—	(108.1)
Total cash used in financing activities	(672.4)	(1,535.5)
Effect of currency exchange rate changes on cash, cash equivalents and restricted cash	0.1	0.6
(Decrease) increase in cash, cash equivalents and restricted cash	(347.1)	442.8
Cash, cash equivalents and restricted cash - beginning of period	413.1	83.9
Cash, cash equivalents and restricted cash - end of period	$ 66.0	$ 526.7

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

Valvoline Inc. and Consolidated Subsidiaries
Condensed Consolidated Statements of Stockholders' Equity

	Nine months ended June 30, 2024						
	Common stock						
(In millions, except per share amounts - unaudited)	Shares	Amount	Paid-in capital	Retained earnings (deficit)	Accumulated other comprehensive income	Totals
Balance at September 30, 2023	134.8	$ 1.3	$ 48.0	$ 140.7	$ 13.2	$ 203.2
Net income	—	—	—	31.9	—	31.9
Stock-based compensation, net of issuances	0.2	—	(1.7)	—	—	(1.7)
Repurchases of common stock	(5.4)	—	—	(172.8)	—	(172.8)
Other comprehensive income, net of tax	—	—	—	—	4.2	4.2
Balance at December 31, 2023	129.6	$ 1.3	$ 46.3	$ (0.2)	$ 17.4	$ 64.8
Net income	—	—	—	41.4	—	41.4
Stock-based compensation, net of issuances	0.2	—	(1.0)	—	—	(1.0)
Repurchases of common stock	(1.0)	—	—	(40.8)	—	(40.8)
Other comprehensive loss, net of tax	—	—	—	—	(4.3)	(4.3)
Balance at March 31, 2024	128.8	$ 1.3	$ 45.3	$ 0.4	$ 13.1	$ 60.1
Net income	—	—	—	45.9	—	45.9
Stock-based compensation, net of issuances	0.1	—	3.6	—	—	3.6
Other comprehensive loss, net of tax	—	—	—	—	(3.1)	(3.1)
Balance at June 30, 2024	128.9	$ 1.3	$ 48.9	$ 46.3	$ 10.0	$ 106.5

(In millions, except per share amounts - unaudited)	Nine months ended June 30, 2023					
	Common stock					
	Shares	Amount	Paid-in capital	Retained earnings	Accumulated other comprehensive (loss) income	Totals
Balance at September 30, 2022	176.1	$ 1.8	$ 44.1	$ 282.0	$ (21.3)	$ 306.6
Net income	—	—	—	81.9	—	81.9
Dividends paid, $ 0.125 per common share	—	—	0.1	(21.9)	—	(21.8)
Stock-based compensation, net of issuances	0.3	—	(3.4)	—	—	(3.4)
Repurchases of common stock	(2.9)	(0.1)	—	(87.4)	—	(87.5)
Other comprehensive income, net of tax	—	—	—	—	13.5	13.5
Balance at December 31, 2022	173.5	$ 1.7	$ 40.8	$ 254.6	$ (7.8)	$ 289.3
Net income	—	—	—	1,227.3	—	1,227.3
Stock-based compensation, net of issuances	0.1	—	1.8	—	—	1.8
Repurchases of common stock	(4.9)	—	—	(171.7)	—	(171.7)
Other comprehensive income, net of tax	—	—	—	—	25.7	25.7
Balance at March 31, 2023	168.7	$ 1.7	$ 42.6	$ 1,310.2	$ 17.9	$ 1,372.4
Net income	—	—	—	61.6	—	61.6
Stock-based compensation, net of issuances	0.1	—	2.2	—	—	2.2
Repurchases of common stock	(30.1)	(0.3)	—	(1,149.6)	—	(1,149.9)
Other comprehensive income, net of tax	—	—	—	—	(0.9)	(0.9)
Balance at June 30, 2023	138.7	$ 1.4	$ 44.8	$ 222.2	$ 17.0	$ 285.4

The accompanying Notes to Condensed Consolidated Financial Statements are an integral part of these Condensed Consolidated Financial Statements.

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Valvoline Inc. and Consolidated Subsidiaries
Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements have been prepared by Valvoline Inc. (“Valvoline” or the “Company”) in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and Securities and Exchange Commission regulations for interim financial reporting, which do not include all information and footnote disclosures normally included in annual financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with Valvoline’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Certain prior period amounts disclosed herein have been reclassified to conform to the current presentation.

Use of estimates, risks and uncertainties

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the disclosures of contingent matters. Although management bases its estimates on historical experience and various other assumptions that are believed to be reasonable under the circumstances, actual results could differ significantly from the estimates under different assumptions or conditions.

Sale of Global Products business

On March 1, 2023, Valvoline completed the sale of its former Global Products reportable segment (“Global Products”) to Aramco Overseas Company B.V. (the “Transaction”). The operating results and cash flows associated with and directly attributed to the Global Products disposal group are reflected as discontinued operations within these condensed consolidated financial statements. Refer to Note 2 for additional information regarding the Global Products business, including income from discontinued operations. Unless otherwise noted, disclosures within these remaining Notes to Condensed Consolidated Financial Statements relate solely to the Company's continuing operations.

Recent accounting pronouncements

The following accounting guidance relevant to Valvoline was either issued or adopted in the current fiscal year or is expected to have a meaningful impact on Valvoline in future periods upon adoption.

Issued but not yet adopted

In November 2023, the Financial Accounting Standards Board (“FASB”) issued guidance that enhances reportable segment disclosures by requiring disclosure of significant reportable segment expenses and other items regularly provided to the Chief Operating Decision Maker (“CODM”) and included within measures of a segment’s profit or loss, inclusive of entities that operate in a single reportable segment. This guidance must be applied retrospectively to all prior periods presented and will become effective for Valvoline beginning with its fiscal 2025 annual financial statements and interim periods starting in fiscal 2026, with early adoption permitted. Valvoline is currently evaluating the impact this guidance will have on the Company and expects adoption will require enhanced disclosures regarding its CODM and the information used in assessing performance and allocating resources, including significant expenses.

In December 2023, the FASB issued guidance which enhances income tax disclosure requirements to include additional disaggregation within the effective tax rate reconciliation and income taxes paid. This guidance will be effective for Valvoline beginning with its fiscal 2026 annual financial statements, with early adoption permitted. The guidance must be applied prospectively, while retrospective application is permitted. The Company is currently assessing the impact of adoption, which is expected to result in enhanced income tax disclosures.

NOTE 2 - DISCONTINUED OPERATIONS

Sale of Global Products

Financial results

On March 1, 2023, Valvoline completed the sale of Global Products for a cash purchase price of $ 2.650 billion and recognized a pre-tax gain on the sale within Income from discontinued operations, net of tax, during the second quarter of fiscal 2023, coinciding with the completion of the sale. The Transaction was subject to customary closing settlements that were finalized in the third quarter of fiscal 2023 and resulted in the recognition of a pre-tax gain on sale of $ 1.572 billion during the fiscal year ended September 30, 2023.

The following table summarizes Income from discontinued operations within the Condensed Consolidated Statements of Comprehensive Income:

(In millions)	Three months ended June 30 2024	Three months ended June 30 2023	Nine months ended June 30 2024	Nine months ended June 30 2023
Net revenues	$ —	$ —	$ —	$ 1,174.4
Cost of sales	—	—	—	924.2
Gross profit	—	—	—	250.2
Selling, general and administrative expenses	—	—	—	125.0
Net legacy and separation-related expenses	4.3	5.6	9.2	26.2
Equity and other income, net	—	—	—	(14.2)
Operating (loss) income from discontinued operations	(4.3)	(5.6)	(9.2)	113.2
Net pension and other postretirement plan expense	—	—	—	0.1
Net interest and other financing (income) expenses	—	(0.7)	—	4.3
Gain on sale of discontinued operations [(a)]	—	(0.8)	—	(1,571.6)
(Loss) income before income taxes - discontinued operations	(4.3)	(4.1)	(9.2)	1,680.4
Income tax (benefit) expense [(b)]	(2.0)	(1.2)	(3.0)	434.0
(Loss) income from discontinued operations, net of tax	$ (2.3)	$ (2.9)	$ (6.2)	$ 1,246.4

(a) The gain on sale recorded in the nine months ended June 30, 2023 includes the release of Accumulated other comprehensive income of $ 30.7 million associated with the realization of cumulative translation losses attributed to the Global Products business.

(b) During the three and nine months ended June 30, 2024 Valvoline recognized an adjustment to reduce the tax on the gain on sale of $ 0.9 million. The prior year periods include $ 0.2 million and $ 420.4 million of expense for the three and nine months ended June 30, 2023, respectively. The total tax expense on the gain on sale recognized to-date is $ 423.4 million.

Post-closing arrangements

Valvoline sources substantially all lubricant and certain ancillary products for its stores through a long-term supply agreement with Global Products. Net revenues within the results of Global Products above include product sales to the Company's continuing operations prior to the closing of the Transaction, which were considered to be effectively settled and were not eliminated. These transactions totaled $ 89.7 million for the nine months ended June 30, 2023.

Valvoline also entered into a Transition Services Agreement with Global Products, effective March 1, 2023, to provide and receive services including information technology (“IT”), legal, finance, and human resources support. Transition services have lapsed periodically as business process transitions have occurred since the sale, and remaining services are generally expected to conclude within 18 months post-closing with limited IT transition services that may extend through early calendar year 2025. The income and costs associated with these services were not material during the three and nine months ended June 30, 2024.

NOTE 3 - FAIR VALUE MEASUREMENTS

Recurring fair value measurements

The following tables set forth the Company’s financial assets and liabilities by level within the fair value hierarchy for those measured at fair value on a recurring basis:

	As of June 30, 2024				
(In millions)	Total	Level 1	Level 2	Level 3	NAV [(a)]
Cash and cash equivalents					
Money market funds	$ 0.3	$ 0.3	$ —	$ —	$ —
Time deposits	2.4	—	2.4	—	—
Prepaid expenses and other current assets					
Interest rate swap agreements	1.2	—	1.2	—	—
Other noncurrent assets					
Non-qualified trust funds	1.1	—	—	—	1.1
Deferred compensation investments	21.9	21.9	—	—	—
Total assets at fair value	$ 26.9	$ 22.2	$ 3.6	$ —	$ 1.1
Other noncurrent liabilities					
Deferred compensation obligations	$ 21.1	$ —	$ —	$ —	$ 21.1
Total liabilities at fair value	$ 21.1	$ —	$ —	$ —	$ 21.1

	As of September 30, 2023				
(In millions)	Total	Level 1	Level 2	Level 3	NAV [(a)]
Cash and cash equivalents					
Money market funds	$ 0.6	$ 0.6	$ —	$ —	$ —
Time deposits	277.3	—	277.3	—	—
Prepaid expenses and other current assets					
Currency derivatives [(b)]	0.1	—	0.1	—	—
Interest rate swap agreements	7.8	—	7.8	—	—
Other noncurrent assets					
Non-qualified trust funds	2.1	—	—	—	2.1
Deferred compensation investments	19.0	19.0	—	—	—
Total assets at fair value	$ 306.9	$ 19.6	$ 285.2	$ —	$ 2.1
Accrued expenses and other liabilities					
Currency derivatives [(b)]	$ 0.1	$ —	$ 0.1	$ —	$ —
Other noncurrent liabilities					
Deferred compensation obligations	20.8	—	—	—	20.8
Total liabilities at fair value	$ 20.9	$ —	$ 0.1	$ —	$ 20.8

(a) Funds measured at fair value using the net asset value ("NAV") per share practical expedient have not been classified in the fair value hierarchy.

(b) The Company had outstanding contracts with notional values of $ 29.7 million as of September 30, 2023.

Fair value disclosures

The Company’s held-to-maturity U.S. treasury securities and long-term debt are reported in the Condensed Consolidated Balance Sheets at carrying value, rather than fair value, and are therefore excluded from the disclosure above of financial assets and liabilities measured at fair value within the condensed consolidated financial statements on a recurring basis. The following disclosures summarize the fair value of these assets and liabilities at each relevant balance sheet date.

U.S. treasury securities

The fair values of the Company’s U.S. treasury securities summarized below were determined utilizing quoted prices for identical securities from less active markets, which are considered Level 2 inputs within the fair value hierarchy. The U.S. treasury securities were fully matured as of March 31, 2024.

	September 30, 2023		
(In millions)	Amortized cost	Gross unrealized losses	Fair value
Cash and cash equivalents			
U.S. treasury securities [(a)]	$ 2.2	$ —	$ 2.2
Short-term investments			
U.S. treasury securities [(b)]	$ 347.5	$ (0.5)	$ 347.0

(a) U.S. treasury securities with original maturity dates of three months or less.

(b) U.S. treasury securities with original maturities greater than three months and less than 12 months.

Debt

The fair values of the Company's outstanding fixed rate senior notes shown below are based on recent trading values, which are considered Level 2 inputs within the fair value hierarchy.

	June 30, 2024			September 30, 2023		
(In millions)	Fair value	Carrying value [(a)]	Unamortized discounts and issuance costs	Fair value	Carrying value [(a)]	Unamortized discounts and issuance costs
2030 Notes [(b)]	$ —	$ —	$ —	$ 589.8	$ 594.5	$ (5.5)
2031 Notes	461.5	535.0	(4.7)	416.6	529.9	(5.2)
Total	$ 461.5	$ 535.0	$ (4.7)	$ 1,006.4	$ 1,124.4	$ (10.7)

(a) Carrying values shown are net of unamortized discounts and debt issuance costs.

(b) The Company completed a tender offer to purchase the outstanding 2030 Notes in April 2024 as further described in Note 5.

Refer to Note 5 for details of these senior notes as well as Valvoline's other debt instruments that have variable interest rates with carrying amounts that approximate fair value.

NOTE 4 - BUSINESS COMBINATIONS

The Company acquired 21 service center stores in single and multi-store transactions for an aggregate purchase price of $ 28.2 million during the nine months ended June 30, 2024. These acquisitions expand Valvoline's retail presence in key North American markets, increase the number of company-operated service center stores, and contribute to growing the retail footprint to 1,961 system-wide service center stores.

The Company’s acquisitions are accounted for as business combinations. A summary follows of the aggregate cash consideration paid and the total assets acquired and liabilities assumed for the nine months ended June 30:

(In millions)	2024	2023
Inventories	$ —	$ 0.4
Property, plant and equipment [(a)]	4.8	5.9
Operating lease assets	8.6	6.1
Goodwill [(b)]	26.3	21.1
Intangible assets [(c)]		
Reacquired franchise rights [(d)]	—	4.0
Other	0.2	0.2
Other current liabilities [(a)]	(0.1)	(0.6)
Operating lease liabilities	(8.6)	(5.7)
Other noncurrent liabilities [(a)]	(3.0)	(3.6)
Total net assets acquired	$ 28.2	$ 27.8
Non-cash consideration	(0.3)	—
Total cash consideration transferred	$ 27.9	$ 27.8

(a) Includes finance lease assets in property, plant and equipment and finance lease liabilities in other current and noncurrent liabilities. During the nine months ended June 30, 2024, finance lease assets acquired were $ 3.1 million and finance lease liabilities of $ 0.1 million and $ 3.0 million in other current and noncurrent liabilities, respectively. During the nine months ended June 30, 2023, finance lease assets acquired were $ 3.8 million and finance lease liabilities of $ 0.2 million and $ 3.6 million in other current and noncurrent liabilities.

(b) Goodwill is generally expected to be deductible for income tax purposes and is primarily attributed to the operational synergies and potential growth expected to result in economic benefits in the respective markets of the acquisitions.

(c) Intangible assets acquired during the nine months ended June 30, 2024 and 2023 have weighted average amortization periods of five and nine years , respectively.

(d) Prior to the acquisition of former franchise service center stores, the Company licensed the right to operate franchised service centers, including the use of Valvoline's trademarks and trade name. In connection with these acquisitions, Valvoline reacquired those rights and recognized separate definite-lived reacquired franchise rights intangible assets, which are being amortized on a straight-line basis over the weighted average remaining term of approximately nine years for the rights reacquired in fiscal 2023. The effective settlement of these arrangements resulted in no settlement gain or loss as the contractual terms were at market. There have been no franchise rights reacquired during fiscal 2024.

The fair values above are preliminary for up to one year from the date of acquisition as they may be subject to measurement period adjustments if new information is obtained about facts and circumstances that existed as of the acquisition date. The Company does not currently expect any material changes to the preliminary purchase price allocations for acquisitions completed during the last twelve months.

NOTE 5 - DEBT

The following table summarizes Valvoline's total debt as of:

(In millions)	June 30 2024	September 30 2023
2031 Notes	$ 535.0	$ 535.0
2030 Notes	—	600.0
Term Loan	445.3	463.1
Revolver [(a)]	175.0	—
Debt issuance costs and discounts	(5.8)	(12.0)
Total debt	1,149.5	1,586.1
Current portion of long-term debt	23.8	23.8
Long-term debt	$ 1,125.7	$ 1,562.3

(a) As of June 30, 2024, the total borrowing capacity remaining under the $ 475.0 million revolving credit facility was $ 296.8 million due to a reduction of $ 175.0 million from borrowings and $ 3.2 million for letters of credit outstanding.

2030 Notes

On April 16, 2024, Valvoline completed a tender offer (the "Debt Tender Offer") to purchase its outstanding 4.250 % senior unsecured notes due 2030 with an aggregate principal amount of $ 600.0 million (the "2030 Notes"). The Debt Tender Offer was made to comply with the requirements of the asset sale covenant under the indenture governing the 2030 Notes in connection with the sale of Global Products and Valvoline's use of the related net proceeds. The Company used cash and cash equivalents on hand, in addition to borrowing $ 175.0 million on the Revolver to facilitate the $ 598.3 million, or 99.7 % of the outstanding principal amount, purchase of the 2030 Notes at par, plus accrued and unpaid interest, and cancelled the 2030 Notes accepted for purchase. The Company elected to redeem the remaining balance outstanding of $ 1.7 million on April 29, 2024 pursuant to the terms and conditions of the indenture governing the 2030 Notes. During the three and nine months ended June 30, 2024, Valvoline recognized a loss on extinguishment of $ 5.1 million on the 2030 Notes due to the write-off of unamortized debt issuance costs and discounts.

As of June 30, 2024, Valvoline was in compliance with all covenants under its long-term borrowings.

NOTE 6 – INCOME TAXES

Income tax provisions for interim quarterly periods are based on an estimated annual effective income tax rate calculated separately from the effect of significant, infrequent or unusual discrete items related specifically to interim periods. The following summarizes income tax expense and the effective tax rate in each interim period:

	Three months ended June 30		Nine months ended June 30	
(In millions)	2024	2023	2024	2023
Income tax expense	$ 17.0	$ 22.9	$ 42.9	$ 14.2
Effective tax rate percentage	26.1 %	26.2 %	25.5 %	10.2 %

The decrease in income tax expense for the three months ended June 30, 2024 is primarily attributed to lower pre-tax income in the current year. The increases in income tax expense and the effective tax rate for the nine months ended June 30, 2024 were driven by more normalized activity in the current year period as compared to the prior year period which included the recognition of a $ 26.5 million income tax benefit for the release of a valuation allowance due to the change in expectations regarding the utilization of certain legacy tax attributes as a result of the terms of the amended tax matters agreement with Valvoline's former parent company. This amendment also resulted in higher Net legacy and separation-related expenses of $ 24.4 million for the related increased indemnity obligation for the nine months ended June 30, 2023.

NOTE 7 – EMPLOYEE BENEFIT PLANS

The following table summarizes the components of pension and other postretirement plan expense:

(In millions)	Pension benefits 2024	Pension benefits 2023	Other postretirement benefits 2024	Other postretirement benefits 2023
Three months ended June 30				
Interest cost	$ 20.7	$ 20.6	$ 0.3	$ 0.4
Expected return on plan assets	(17.2)	(16.8)	—	—
Amortization of prior service credits	0.1	0.1	(0.5)	(0.6)
Net periodic benefit costs (income)	$ 3.6	$ 3.9	$ (0.2)	$ (0.2)
Nine months ended June 30				
Interest cost	$ 62.5	$ 61.8	$ 0.9	$ 1.2
Expected return on plan assets	(51.5)	(50.4)	—	—
Amortization of prior service credit	0.1	0.1	(1.6)	(1.7)
Net periodic benefit costs (income)	$ 11.1	$ 11.5	$ (0.7)	$ (0.5)

NOTE 8 – LITIGATION, CLAIMS AND CONTINGENCIES

From time to time, Valvoline is party to lawsuits, claims and other legal proceedings that arise in the ordinary course of business. The Company establishes liabilities for the outcome of such matters where losses are determined to be probable and reasonably estimable. Where appropriate, the Company has recorded liabilities with respect to these matters, which were not material for the periods presented as reflected in the condensed consolidated financial statements herein. There are certain claims and legal proceedings pending where loss is not determined to be probable or reasonably estimable, and therefore, accruals have not been made. In addition, Valvoline discloses matters when management believes a material loss is at least reasonably possible.

In all instances, management has assessed each matter based on current information available and made a judgment concerning its potential outcome, giving due consideration to the amount and nature of the claim and the probability of success. The Company believes it has established adequate accruals for liabilities that are probable and reasonably estimable.

Although the ultimate resolution of these matters cannot be predicted with certainty and there can be no assurances that the actual amounts required to satisfy liabilities from these matters will not exceed the amounts reflected in the condensed consolidated financial statements, based on information available at this time, it is the opinion of management that such pending claims or proceedings will not have a material adverse effect on its condensed consolidated financial statements.

NOTE 9 - EARNINGS PER SHARE

The following table summarizes basic and diluted earnings per share:

(In millions, except per share amounts)	Three months ended June 30 2024	Three months ended June 30 2023	Nine months ended June 30 2024	Nine months ended June 30 2023
Numerator				
Income from continuing operations	$ 48.2	$ 64.5	$ 125.4	$ 124.4
(Loss) income from discontinued operations, net of tax	(2.3)	(2.9)	(6.2)	1,246.4
Net income	$ 45.9	$ 61.6	$ 119.2	$ 1,370.8
Denominator				
Weighted average common shares outstanding	129.4	161.5	130.3	169.5
Effect of potentially dilutive securities [(a)]	0.8	1.0	0.9	1.1
Weighted average diluted shares outstanding	130.2	162.5	131.2	170.6
Basic earnings (loss) per share				
Continuing operations	$ 0.37	$ 0.40	$ 0.96	$ 0.74
Discontinued operations	(0.02)	(0.02)	(0.05)	7.35
Basic earnings per share	$ 0.35	$ 0.38	$ 0.91	$ 8.09
Diluted earnings (loss) per share				
Continuing operations	$ 0.37	$ 0.40	$ 0.96	$ 0.73
Discontinued operations	(0.02)	(0.02)	(0.05)	7.31
Diluted earnings per share	$ 0.35	$ 0.38	$ 0.91	$ 8.04

(a) There were 0.1 million outstanding stock appreciation rights not included in the computation of diluted earnings per share in both the three months ended June 30, 2024 and 2023, and 0.1 million and 0.2 million in the nine months ended June 30, 2024 and 2023, respectively, because the effect would have been antidilutive.

NOTE 10 - SUPPLEMENTAL FINANCIAL INFORMATION

Cash, cash equivalents and restricted cash

The following provides a reconciliation of cash, cash equivalents and restricted cash reported within the Condensed Consolidated Statements of Cash Flows to the Condensed Consolidated Balance Sheets:

(In millions)	June 30 2024	September 30 2023	June 30 2023
Cash and cash equivalents - continuing operations	$ 65.7	$ 409.1	$ 526.7
Cash and cash equivalents - held for sale [(a)]	—	4.0	—
Restricted cash - continuing operations [(b)]	0.3	—	—
Total cash, cash equivalents and restricted cash	$ 66.0	$ 413.1	$ 526.7

(a) Former Global Products business whose operations were suspended during fiscal 2022, classified as held for sale and impaired as of September 30, 2023, and subsequently sold during the first quarter of fiscal 2024.

(b) Included in Prepaid expenses and other current assets within the Condensed Consolidated Balance Sheets.

Accounts and other receivables

The following summarizes Valvoline's accounts and other receivables in the Condensed Consolidated Balance Sheets as of:

(In millions)	June 30 2024	September 30 2023
Current		
Trade	$ 85.4	$ 64.0
Notes receivable from franchisees	3.7	1.6
Other	8.9	16.3
Receivables, gross	98.0	81.9
Allowance for credit losses	(0.5)	(0.6)
Receivables, net	$ 97.5	$ 81.3
Non-current [(a)]		
Notes receivable	$ 2.4	$ 2.3
Other	7.1	7.5
Noncurrent notes receivable, gross	9.5	9.8
Allowance for losses	(2.5)	(2.4)
Noncurrent notes receivable, net	$ 7.0	$ 7.4

(a) Included in Other noncurrent assets within the Condensed Consolidated Balance Sheets.

Revenue recognition

The following disaggregates the Company's net revenues by timing of revenue recognized:

	Three months ended June 30		Nine months ended June 30	
(In millions)	2024	2023	2024	2023
Net revenues transferred at a point in time	$ 401.7	$ 358.3	$ 1,127.7	$ 1,003.4
Franchised revenues transferred over time	19.7	17.9	55.8	50.1
Net revenues	$ 421.4	$ 376.2	$ 1,183.5	$ 1,053.5

The following table summarizes net revenues by category:

	Three months ended June 30		Nine months ended June 30	
(In millions)	2024	2023	2024	2023
Oil changes and related fees	$ 307.9	$ 280.7	$ 868.6	$ 782.8
Non-oil changes and related fees	93.6	77.2	258.6	219.9
Franchise fees and other [(a)]	19.9	18.3	56.3	50.8
Total	$ 421.4	$ 376.2	$ 1,183.5	$ 1,053.5

(a) Includes $ 0.2 million of net revenues associated with suspended operations for the nine months ended June 30, 2023.

NOTE 11 – SUBSEQUENT EVENTS

Disposition

During July 2024, the Company entered into an agreement and completed the sale of 17 company-owned service center stores to a franchisee. The Company will derecognize the related net assets and expects to recognize a gain on sale in the fourth quarter of fiscal 2024 to reflect the completion of this transaction.

Acquisitions

From July 1, 2024 through August 7, 2024, Valvoline acquired 12 service center stores for an aggregate purchase price of $ 18.7 million. These transactions included five former franchise service center stores in Texas acquired from TL2 Services, LLC on July 31, 2024 and seven service center stores in a multi-store transaction. These acquisitions provide an opportunity to expand Valvoline’s store locations in key markets and contribute to company-owned service center store growth.

Share repurchase authorization

During July 2024, Valvoline’s Board of Directors (the “Board”) approved a share repurchase authorization of $ 400.0 million, which has no expiration date (the “2024 Share Repurchase Authorization”). The timing and amount of any repurchases of common stock will be solely at the discretion of the Company and is subject to general business and market conditions, as well as other factors. The Board approved the 2024 Share Repurchase Authorization as part of the Company’s broader capital allocation framework to deliver value to shareholders.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q, 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, executing on its growth strategy to create shareholder value by driving the full potential in the Company's core business, accelerating network growth and innovating to meet the needs of customers and the evolving car parc; realizing the benefits from the sale of Global Products; and future opportunities for the remaining stand-alone retail business; and any other statements regarding Valvoline's future operations, financial or operating results, capital allocation, debt leverage ratio, 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," "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. Factors that might cause such differences include, but are not limited to, those discussed under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures about Market Risk" in this Quarterly Report on Form 10-Q and Valvoline's most recently filed Annual Report on Form 10-K. 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.

Index to Management's Discussion and Analysis of Financial Condition and Results of Operations

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended September 30, 2023, as well as the condensed consolidated financial statements and the accompanying Notes to Condensed Consolidated Financial Statements included in Item 1 of Part I in this Quarterly Report on Form 10-Q. Unless otherwise noted, disclosures within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations relate solely to the Company's continuing operations.

BUSINESS OVERVIEW AND PURPOSE

As the quick, easy, trusted leader in automotive preventive maintenance. Valvoline Inc. is creating shareholder value by driving the full potential in its core business, accelerating network growth and innovating to meet the needs of customers and the evolving car parc. With average customer ratings that indicate high levels of service satisfaction, Valvoline and the Company's franchise partners keep customers moving with 15-minute stay-in-your-car oil changes; battery, bulb and wiper replacements; tire rotations; and other manufacturer recommended maintenance services. The Company operates and franchises approximately 2,000 service center locations through its Valvoline Instant Oil Change℠ and Great Canadian Oil Change retail locations and supports nearly 300 locations through its Express Care™ platform.

BUSINESS STRATEGY

As a pure play automotive retail services provider and the trusted leader in preventive automotive maintenance, Valvoline is well positioned to create long-term shareholder value through executing the Company's strategic initiatives, which include:

- Driving the full potential of the core business through increasing market share and non-oil change revenue growth in existing stores by building on Valvoline's strong foundation in marketing, technology, and data;

- Aggressively growing the retail footprint with company-operated store growth and an increased emphasis on franchisee store growth; and

- Developing capabilities to capture new customers through services expansion focused on fleet manager needs and needs of the evolving car parc.

THIRD FISCAL QUARTER 2024 OVERVIEW

The following were the significant events for the third fiscal quarter of 2024, each of which is discussed more fully in this Quarterly Report on Form 10-Q:

- Valvoline's net revenues grew 12% over the prior year period driven by system-wide same-store sales ("SSS") growth of 6.5% and the addition of 157 net new stores to the system from the prior year.

- Income from continuing operations declined 25% to $48.2 million for the three months ended June 30, 2024 compared to the prior year period. This reduction was primarily due to higher interest expense as prior year income earned on invested net proceeds from the sale of Global Products did not recur, in addition to increased expense related to the repurchase of the 2030 Notes in the current year. This increased interest expense drove lower pre-tax earnings and a lower income tax provision that coupled with improved operating income from gross profit expansion which was moderated by investments in selling, general and administrative expenses to partially offset the impacts of higher interest expense.

- Diluted earnings per share from continuing operations decreased 8% for the three months ended June 30, 2024 compared to the prior year period driven by unfavorable changes in interest expense, which were partially offset by benefits from the lower current year share count and increased operating income.

- Adjusted EBITDA increased 12% over the prior year period due to top-line growth driven by higher ticket from non-oil change service penetration and increased premiumization as well as modest benefits from cost management. These benefits were partially offset by growth investments in selling, general and administrative expenses.

Use of Non-GAAP Measures

To aid in the understanding of Valvoline's ongoing business performance, certain items within this document are presented on an adjusted, non-GAAP basis. These non-GAAP measures have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, or more meaningful than, the financial statements presented in accordance with U.S. GAAP. The financial results presented in accordance with U.S. GAAP and reconciliations of non-GAAP measures included within this Quarterly Report on Form 10-Q should be carefully evaluated.

The following are the non-GAAP measures management has included and how management defines them:

- ***EBITDA*** - net income/loss, plus income tax expense/benefit, net interest and other financing expenses, and depreciation and amortization;

- ***Adjusted EBITDA -*** EBITDA adjusted for the impacts 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," as further described below);

- ***Adjusted EBITDA margin*** - adjusted EBITDA divided by adjusted net revenues;

- ***Adjusted net revenues*** - reported net revenues adjusted for key items;

- ***Free cash flow -*** cash flows from operating activities less capital expenditures and certain other adjustments as applicable; and

- ***Discretionary free cash flow -*** cash flows from operating activities less maintenance capital expenditures and certain other adjustments as applicable.

Non-GAAP measures include adjustments from results based on U.S. GAAP that management believes enables comparison of certain financial trends and results between periods and provides 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. The manner used to compute non-GAAP information used by management may differ from the methods used by other companies, and may not be comparable. For a reconciliation of the most comparable U.S. GAAP measures to the non-GAAP measures, refer to the “Results of Operations” and “Financial Position, Liquidity and Capital Resources” sections below.

Management believes EBITDA measures provide a meaningful supplemental presentation of Valvoline’s operating performance between periods on a comparable basis due to the depreciable assets associated with the nature of the Company’s operations as well as income tax and interest costs related to Valvoline’s tax and capital structures, respectively. Adjusted EBITDA measures enable comparison of financial trends and results between periods where certain items may not be reflective of the Company’s underlying and ongoing operations performance or vary independent of business performance.

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.

The non-GAAP measures used by management exclude 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 former Global Products reportable segment, and associated impacts of related activity and indemnities; non-service pension and other postretirement plan activity; restructuring-related matters, including organizational restructuring plans, the separation of Valvoline’s businesses, 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.

Details with respect to the description and composition of key items recognized during the respective periods presented herein are set forth below in the “EBITDA and Adjusted EBITDA” section of “Results of Operations” that follows.

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; and system-wide store sales. 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 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 by U.S. Valvoline Instant Oil Change ("VIOC") 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.

Net revenues are limited to 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 Statements of Condensed 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 operating performance.

RESULTS OF OPERATIONS

The following summarizes the results of the Company's continuing operations for the periods ended June 30:

	Three months ended June 30				Nine months ended June 30			
	2024		2023		2024		2023	
(In millions)	Amount	% of Net revenues	Amount	% of Net revenues	Amount	% of Net revenues	Amount	% of Net revenues
Net revenues	$ 421.4	100.0%	$ 376.2	100.0%	$ 1,183.5	100.0%	$ 1,053.5	100.0%
Gross profit	$ 167.5	39.7%	$ 150.7	40.1%	$ 448.5	37.9%	$ 396.2	37.6%
Net operating expenses	$ 74.1	17.6%	$ 64.2	17.1%	$ 215.9	18.2%	$ 219.2	20.8%
Operating income	$ 93.4	22.2%	$ 86.5	23.0%	$ 232.6	19.7%	$ 177.0	16.8%
Income from continuing operations	$ 48.2	11.4%	$ 64.5	17.1%	$ 125.4	10.6%	$ 124.4	11.8%
EBITDA [(a)]	$ 116.9	27.7%	$ 104.4	27.8%	$ 299.3	25.3%	$ 226.7	21.5%
Adjusted EBITDA [(a)]	$ 123.2	29.2%	$ 110.4	29.3%	$ 318.5	26.9%	$ 270.8	25.7%

(a) Refer to the "Use of Non-GAAP Measures" and Continuing operations EBITDA and Adjusted EBITDA for management's definitions of the metrics presented above and reconciliation to the corresponding GAAP measures, where applicable.

	Three months ended June 30		Nine months ended June 30	
	2024	2023	2024	2023
System-wide store sales - in millions [(a)]	$ 808.5	$ 719.6	$ 2,277.5	$ 2,023.5
Year-over-year growth [(a)]	*12.4 %*	*17.9 %*	*12.6 %*	*17.8 %*
Same-store sales growth [(b)]				
Company-operated	6.7 %	12.1 %	6.8 %	13.0 %
Franchised [(a)]	6.4 %	12.8 %	7.4 %	12.3 %
System-wide [(a)]	6.5 %	12.5 %	7.1 %	12.6 %

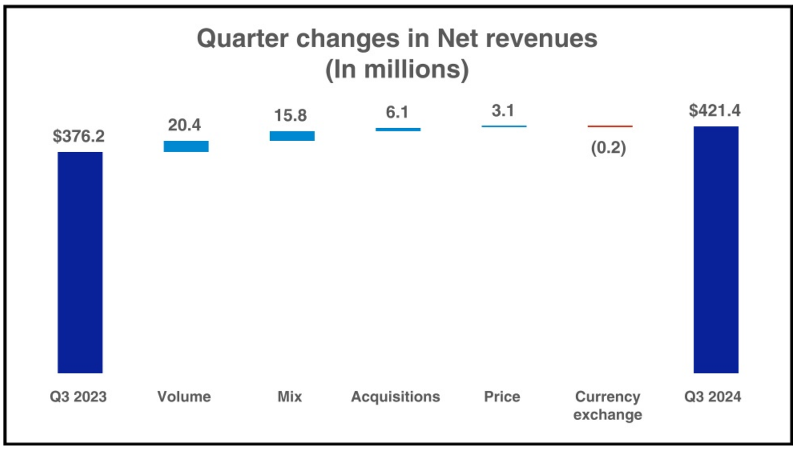
	Number of stores at end of period				
	Third Quarter 2024	Second Quarter 2024	First Quarter 2024	Fourth Quarter 2023	Third Quarter 2023
Company-operated	937	919	895	876	854
Franchised [(a)]	1,024	1,009	995	976	950
Total system-wide stores [(a)]	1,961	1,928	1,890	1,852	1,804

(a) Measures include Valvoline franchisees, which are independent legal entities. Valvoline does not consolidate the results of operations of its franchisees.

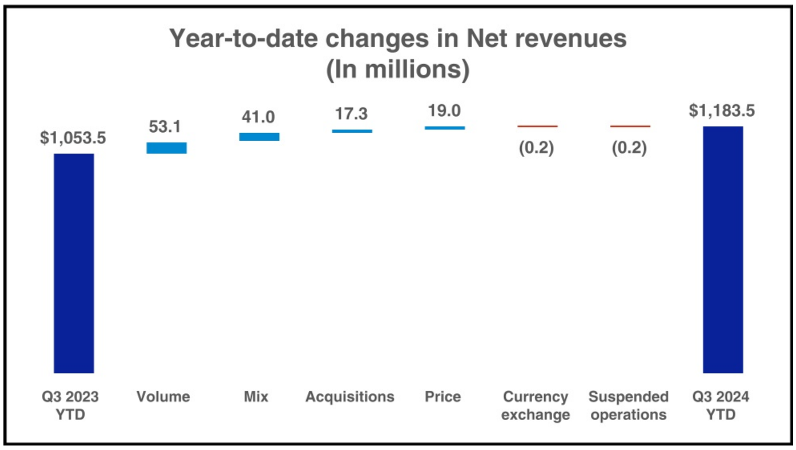
(b) Valvoline determines SSS growth as sales by U.S. VIOC stores (company-operated, franchised, and the combination of these for system-wide SSS), with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation.

Net revenues

Net revenues increased $45.2 million, or 12.0% for the three months ended June 30, 2024 compared to the prior year period. System-wide SSS grew 6.5% over the prior year primarily from increased ticket as a result of continued non-oil change service penetration, increased premiumization, and net pricing benefits, while transaction growth drove modest improvements. Additionally, net revenue growth also benefited from the addition of 157 net new stores over the prior year. The following reconciles the year-over-year change in net revenues:

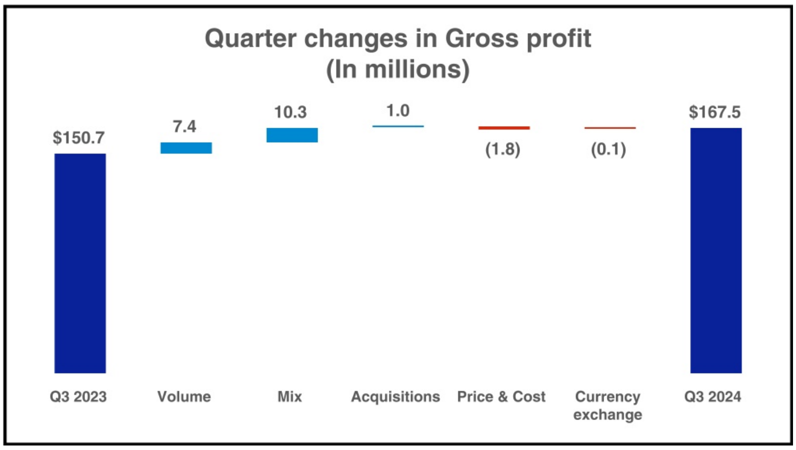


Net revenues increased $130.0 million, or 12.3% for the nine months ended June 30, 2024 compared to the prior year period largely due to volume, mix, and pricing improvements. System-wide SSS grew 7.1% compared to the prior year with ticket contributing the majority of the benefits from non-oil change service penetration, pricing, and premiumization, while transaction growth drove the remaining improvements. The following reconciles the year-over-year change in year-to-date net revenues:



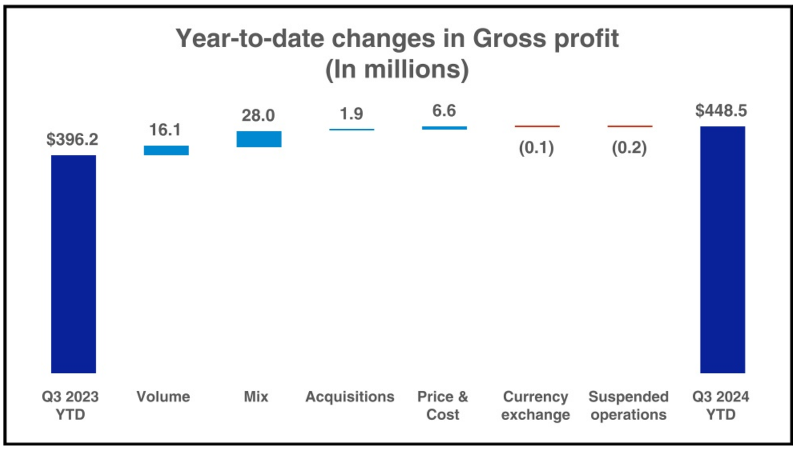
Gross profit

Gross profit increased $16.8 million, or 11.1%, for the three months ended June 30, 2024 compared to the prior year period. Profitability rose largely due to mix improvements from non-oil change service penetration and premiumization, in addition to volume expansion from store growth. Modest cost efficiencies from materials also increased profitability and were partially offset by higher store operating expenses, including higher depreciation. The following reconciles the year-over-year change in gross profit:



Gross profit margin declined modestly in the three months ended June 30, 2024 compared to the prior year period primarily due to increased store operating expenses, including higher depreciation from unit growth, as well as more consistent franchise incentives throughout fiscal 2024 where the prior year period benefited from timing of these offerings. This margin deleverage was partially offset by benefits from service mix and cost efficiencies in materials.

Gross profit improved $52.3 million, or 13.2%, for the nine months ended June 30, 2024 compared to the prior year period driven by increased ticket from continued non-oil change service penetration, strategic pricing actions, and premiumization. Additionally, increased transactions from store and customer base growth, as well as improved labor management, also provided benefits. The following reconciles the year-over-year change in year-to-date gross profit:



Gross profit margin improved modestly in the nine months ended June 30, 2024 compared to the prior year and was primarily due to labor efficiency from effective management which resulted in best-in-class service delivery that also improved overall service mix. These benefits were partially offset by increased store operating expenses, including depreciation.

Net operating expenses

Details of the components of net operating expenses are summarized below for the periods ended June 30:

	Three months ended June 30				Nine months ended June 30			
	2024		2023		2024		2023	
(In millions)	Amount	% of Net revenues	Amount	% of Net revenues	Amount	% of Net revenues	Amount	% of Net revenues
Selling, general and administrative expenses	$ 77.2	18.3 %	$ 65.6	17.5 %	$ 224.0	18.9 %	$ 194.2	18.4 %
Net legacy and separation-related expenses	0.1	— %	1.6	0.4 %	0.2	— %	30.8	2.9 %
Other income, net	(3.2)	(0.7) %	(3.0)	(0.8) %	(8.3)	(0.7) %	(5.8)	(0.5) %
Net operating expenses	$ 74.1	17.6 %	$ 64.2	17.1 %	$ 215.9	18.2 %	$ 219.2	20.8 %

Selling, general and administrative ("SG&A") expenses increased $11.6 million and $29.8 million for the three and nine months ended June 30, 2024, respectively, compared to the prior year periods. Higher SG&A expenses support investments in growth, including the stand-alone retail business, and its increasing size and scale, following the sale of Global Products in fiscal 2023. Specifically, investments in implementing stand-alone information technology platforms and advertising drove higher costs that included license fees, outside services and implementation costs, which combined to increase expense by $9.6 million and $22.5 million in the three and nine months ended June 30, 2024, respectively.

Net legacy and separation-related expenses decreased $1.5 million and $30.6 million for the three and nine months ended June 30, 2024, respectively, compared to the prior year periods as a result of expenses that generally did not recur. During the nine months ended June 30, 2023, $24.4 million of expense was recognized due to the amendment of the tax matters agreement with Valvoline's former parent company that resulted in an increased indemnity obligation for the utilization of certain legacy tax attributes. Additionally, expense was recognized in the prior year-to-date period associated with the modification of certain performance-based unvested stock awards for the continuing operation in connection with the sale of Global Products.

Other income, net increased $0.2 million and $2.5 million in the three and nine months ended June 30, 2024 compared to the prior year period. This increase in the nine months ended June 30, 2024 was largely attributed to the entire current year-to-date period including rental income from subleasing properties in connection with the sale of Global Products compared to a partial year following the sale of this business in the prior year. Additionally, expense associated with an investment impairment of $1.0 million in the prior year-to-date period did not recur.

During the fourth quarter of fiscal 2024, the Company expects to recognize a gain to reflect the completion of the sale of 17 company-owned service center stores to a franchisee during July 2024. This refranchising transaction provides an opportunity to accelerate network growth in a capital efficient manner.

Net pension and other postretirement plan expenses

Net pension and other postretirement plan expenses decreased $0.3 million and $0.6 million in the three and nine months ended June 30, 2024, respectively, compared to the prior year periods. The decrease was generally attributable to higher recurring expected returns on plan assets partially offset by higher interest costs of the rate environment as a result of the most recent annual remeasurement of the plans.

Net interest and other financing expenses

Net interest and other financing expenses increased $29.4 million and $26.5 million for the three and nine months ended June 30, 2024, respectively, compared to the prior year periods. Increased interest expense in the current year is largely attributed to lower interest income of $23.0 million and $17.3 million in the three and nine months ended June 30, 2024, respectively, as a result of maturities of invested net proceeds from the sale of Global Products, which began in late fiscal 2023 and completely matured in the second quarter of fiscal 2024. Additionally, debt modification charges and related fees were higher in the three and nine months ended June 30, 2024 by $7.2 million and $6.3 million, respectively, due to the current year repurchase of the 2030 Notes that resulted in the write-off of previously capitalized debt issuance costs and discounts, as well as third-party fees incurred in connection with the execution of the Debt Tender Offer, which were higher than those recognized in the prior year modification of the Senior Credit Agreement.

Income tax provision

The following table summarizes the income tax provision and the effective tax rate for the current and prior year periods:

	Three months ended June 30		Nine months ended June 30	
(In millions)	2024	2023	2024	2023
Income tax expense	$ 17.0	$ 22.9	$ 42.9	$ 14.2
Effective tax rate percentage	26.1 %	26.2 %	25.5 %	10.2 %

The decrease in income tax expense for the three months ended June 30, 2024 is primarily attributed to lower pre-tax income in the current year. The increases in income tax expense and the effective tax rate for the nine months ended June 30, 2024 were driven by more normalized activity in the current year period as compared to the prior year period which included the recognition of a $26.5 million income tax benefit for the release of a valuation allowance due to the change in expectations regarding the utilization of certain legacy tax attributes as a result of the terms of the amended tax matters agreement with Valvoline’s former parent company. This amendment also resulted in higher Net legacy and separation-related expenses of $24.4 million for the related increased indemnity obligation for the nine months ended June 30, 2023.

(Loss) income from discontinued operations, net of tax

The following summarizes (Loss) income from discontinued operations, net of tax for the current and prior year periods:

	Three months ended June 30		Nine months ended June 30	
(In millions)	2024	2023	2024	2023
(Loss) income from discontinued operations, net of tax	$ (2.3)	$ (2.9)	$ (6.2)	$ 1,246.4

The loss from discontinued operations, net of tax decreased $0.6 million in the three months ended June 30, 2024 from the prior year due to lower costs associated with the separation of processes and systems related to the sale of Global Products in March 2023. In the nine months ended June 30, 2024, earnings from discontinued operations decreased $1.253 billion, which was driven by the prior year recognition of the gain on the sale of Global Products, in addition to the current year period no longer reflecting operational results from the underlying business.

Continuing operations adjusted net revenues

The following table reconciles Net revenues to Adjusted net revenues for the current and prior year periods:

	Three months ended June 30		Nine months ended June 30	
(In millions)	2024	2023	2024	2023
Reported net revenues	$ 421.4	$ 376.2	$ 1,183.5	$ 1,053.5
Key items:				
Suspended operations [a]	—	—	—	(0.2)
Adjusted net revenues [b] [c]	$ 421.4	$ 376.2	$ 1,183.5	$ 1,053.3

(a) Represents the results of a former Global Products business where operations were suspended during fiscal 2022 that were not included in the sale.

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

(c) Represents a non-GAAP measure. Refer to “Use of Non-GAAP Measures” for management’s definitions of the metrics presented above.

Continuing operations EBITDA and Adjusted EBITDA

The following table reconciles Income from continuing operations to EBITDA and Adjusted EBITDA for the current and prior year periods:

	Three months ended June 30		Nine months ended June 30	
(In millions)	2024	2023	2024	2023
Income from continuing operations	$ 48.2	$ 64.5	$ 125.4	$ 124.4
Income tax expense	17.0	22.9	42.9	14.2
Net interest and other financing expenses (income)	24.8	(4.6)	53.9	27.4
Depreciation and amortization	26.9	21.6	77.1	60.7
EBITDA from continuing operations [(a)]	116.9	104.4	299.3	226.7
Net pension and other postretirement plan expenses [(b)]	3.4	3.7	10.4	11.0
Net legacy and separation-related expenses [(c)]	0.1	1.6	0.2	30.8
Information technology transition costs [(d)]	1.9	1.1	7.7	1.8
Investment and divestiture-related costs [(e)]	0.9	—	0.9	1.0
Suspended operations [(f)]	—	(0.4)	—	(0.5)
Adjusted EBITDA from continuing operations [(a)]	$ 123.2	$ 110.4	$ 318.5	$ 270.8

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

(b) 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 are 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. Refer to Note 7 in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I in this Quarterly Report on Form 10-Q for further details.

(c) 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. During the nine months ended June 30, 2023, the Company recognized $24.4 million of pre-tax expense to reflect its increased estimated indemnity obligation which also resulted in an income tax benefit of $26.5 million to reflect the release of valuations allowances in connection with the amended tax matters agreement with Valvoline's former parent company.

(d) Consists of expenses incurred related to the Company's transition to a stand-alone enterprise resource planning software system during fiscal years 2023 and 2024, including data conversion, temporary support, training, and redundant expenses incurred from duplicative technology platforms. These expenses are reflective of incremental costs directly associated with technology transitions and data migration that are not considered to be reflective of the ongoing expenses of operating the Company's technology platforms.

(e) Consists of legal, advisory and consulting fees, including diligence costs, associated with significant acquisitions, investments and divestitures, in addition to expense recognized to reduce the carrying value of an investment interest determined to be impaired. These costs are not considered to be reflective of the underlying performance of the Company's ongoing continuing operations.

(f) Represents the results of a former Global Products business where operations were suspended during fiscal 2022. This business was not included in the sale of the Global Products business in March 2023. It was classified as held for sale and impaired as of September 30, 2023, and subsequently sold during the first fiscal quarter of 2024. These results are not indicative of the operating performance of the Company's ongoing continuing operations.

Adjusted EBITDA from continuing operations increased $12.8 million and $47.7 million for the three and nine months ended June 30, 2024, respectively, compared to the prior year periods driven by strong top-line expansion due to higher ticket from continued non-oil change service penetration and premiumization as well as from increased transactions, and unit growth. The nine months ended June 30, 2024 also benefited from improved labor cost efficiency. These benefits were partially offset by investments in SG&A expenses to support future growth.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Overview

The Company closely manages its liquidity and capital resources. Valvoline's liquidity requirements depend on key variables, including the level of investment needed to support business strategies, the performance of the business, capital expenditures, borrowing arrangements, and working capital management. Capital expenditures, acquisitions, share repurchases, and dividend payments are components of the Company's cash flow and capital management strategy, which to a large extent, can be adjusted in response to economic and other changes in the business environment. The Company has a disciplined approach to capital allocation, which focuses on investing in key priorities that support Valvoline's business and growth strategies and returning capital to shareholders, while funding ongoing operations.

Continuing operations cash flows

Valvoline's continuing operations cash flows as reflected in the Condensed Consolidated Statements of Cash Flows are summarized as follows for the nine months ended June 30:

(In millions)		2024		2023
Cash provided (used by):				
Operating activities	$	170.0	$	249.9
Investing activities	$	161.4	$	(594.9)
Financing activities	$	(672.4)	$	(1,427.4)

Operating activities

The decrease in cash flows provided by operating activities of $79.9 million from the prior year was primarily driven by changes in net working capital. Net working capital in the prior year period benefited approximately $70 million from the establishment of the supply agreement,which includes a full conversion cycle of related outstanding payables, in addition to other separation-related accruals in connection with the sale of Global Products. Additionally, increased receivables contributed $11.0 million to the growth in net working capital, most of which is attributed to a lengthened collection cycle that improved from the prior quarter and continues to normalize following billing delays in connection with the implementation of a new enterprise resource planning ("ERP") system in the current year.

Investing activities

The increase in cash flows provided by investing activities of $756.3 million from the prior year was substantially driven by net proceeds from the maturities of short-term investments of $348.0 million during the current year in comparison to the purchase of investments of $440.4 million during the prior year. The Company invested a substantial portion of the remaining net proceeds from the sale of Global Products in short-term investments in the prior year, which completely matured in the second quarter of fiscal 2024 to support the repurchase of the 2030 Notes that took place in April 2024 discussed in financing activities below. These year-over-year changes in cash flows from investments were partially offset by increased capital expenditures of $27.1 million in the current year to support store growth.

From July 1, 2024 through August 7, 2024, Valvoline acquired 12 service center stores for an aggregate purchase price of $18.7 million. These acquisitions provide an opportunity to expand Valvoline's store locations in key markets and contribute to regional scale from company-owned service center store growth.

Financing activities

Cash flows used in financing activities decreased $755.0 million from the prior year attributed to changes driven by or related to the sale of Global Products in the prior year. The largest reduction of cash flows used in financing activities were share repurchases, primarily impacted by the execution of the tender offer in the prior year to repurchase 27.0 million shares for $1.024 billion (the "Equity Tender Offer"), which utilized a substantial portion of the net proceeds from the sale of Global Products to return cash to shareholders. Coupled with other share repurchases outside of the Equity Tender Offer in the prior year of $371.3 million and $212.2 million in the current year to complete the November 2022 Board authorization to repurchase up to $1.6 billion of its common stock (the “2022 Share Repurchase Authorization”), share repurchase activity drove lower uses of cash year-over-year of $1.183 billion. Further contributing to lower uses of cash for financing activities were prior year dividend payments of $21.8 million that did not recur as the Company discontinued its dividend during the second quarter of fiscal 2023 following the sale of Global Products.

These decreases in cash uses were partially offset by higher net payments on borrowings of $448.7 million. Higher net payments in the current year were driven by the Debt Tender Offer, which utilized cash and cash equivalents and borrowings of $175.0 million on the Revolver to facilitate the repurchase of the $600.0 million 2030 Notes in accordance with the the asset sale covenant of the governing indenture. Finally, higher payments on borrowings were also attributed to quarterly repayments on the Term Loan in the current year compared to net inflows in the prior year associated with the modification of the Senior Credit Agreement in connection with closing the sale of Global Products.

Continuing operations free cash flow

The following sets forth free cash flow and discretionary free cash flow and reconciles cash flows from operating activities to both measures. These free cash flow measures have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash flows, such as mandatory debt repayments. Refer to the “Use of Non-GAAP Measures” section included above in this Item 2 for additional information regarding these non-GAAP measures.

	Nine months ended June 30	
(In millions)	2024	2023
Cash flows provided by operating activities	$ 170.0	$ 249.9
Less: Maintenance capital expenditures	(23.0)	(18.0)
Discretionary free cash flow	147.0	231.9
Less: Growth capital expenditures	(130.0)	(107.9)
Free cash flow	$ 17.0	$ 124.0

The decrease in free cash flow from continuing operations over the prior year was driven primarily by growth in working capital described above and higher tax and interest payments in the current year that more than offset growth in cash earnings. These changes, in addition to higher capital expenditures resulted in lower free cash flow from the prior year. New store construction primarily drove increased capital expenditures during the current year, as the Company continues to focus the majority of its capital spend toward growth, which is expected to drive a high return on invested capital.

Discontinued operations cash flows

The cash flows of the discontinued operation are reflected in the Condensed Consolidated Statements of Cash Flows and are summarized below for the nine months ended June 30:

(In millions)	2024	2023
Cash (used in) provided by:		
Operating activities	$ (6.2)	$ (298.3)
Investing activities	$ —	$ 2,621.0
Financing activities	$ —	$ (108.1)

The declines in cash flows used in operating and financing activities and those provided from investing activities of the discontinued operation were due to the completion of the sale of Global Products in March 2023, where prior year cash flows were from conducting business within the former Global Products segment and the current year cash flows generally relate to the completion of the separation of the business processes and systems. During the prior year period, cash flows used in operating activities of the discontinued operation were largely due to the first estimated tax payment of $225.5 million relating to the gain on sale of discontinued operations, along with payments of separation-related costs attributed to the sale of the Global Products business. In addition, unfavorable changes in net working capital during the pre-close period contributed to the use of cash flows that were primarily due to trade and other payables activity in the cost inflationary environment and growth in accounts receivable from increased sales. Prior year discontinued operations cash flows provided by investing activities were due to the cash consideration received, net of cash transferred, at the close of the sale of Global Products of $2.6 billion. The prior year cash flows used in financing activities were due to net repayments on borrowings driven by the extinguishment of the $175 million Trade Receivables Facility.

Debt

Inclusive of the interest rate swap agreements, approximately 61% of Valvoline's outstanding borrowings at June 30, 2024 had fixed interest rates, with the remainder bearing variable rates. As of June 30, 2024, Valvoline was in compliance with all covenants of its debt obligations and had borrowing capacity remaining of $296.8 million under its Revolver.

On April 16, 2024, Valvoline completed the Debt Tender Offer to purchase its outstanding 2030 Notes. The Debt Tender Offer was made to comply with the requirements of the asset sale covenant under the indenture governing the 2030 Notes in connection with the sale of Global Products and Valvoline’s use of the related net proceeds. The Company used cash and cash equivalents on hand, in addition to borrowing $175.0 million on the Revolver to facilitate the $598.3 million, or 99.7% of the outstanding principal amount, purchase of the 2030 Notes at par, plus accrued and unpaid interest, and cancelled the 2030 Notes accepted for purchase. The Company elected to redeem the remaining balance outstanding of $1.7 million on April 29, 2024 pursuant to the terms and conditions of the indenture governing the 2030 Notes. During the three and nine months ended June 30, 2024, Valvoline recognized a loss on extinguishment of $5.1 million on the 2030 Notes due to the write-off of unamortized debt issuance costs and discounts.

Refer to Note 5 of the Notes to Condensed Consolidated Financial Statements for additional details regarding the Company’s debt instruments.

Share repurchases

During the nine months ended June 30, 2024, the Company repurchased 6.3 million shares of its common stock for $211.5 million, utilizing the remaining 2022 Share Repurchase Authorization. During July 2024, the Board approved a share repurchase authorization of $400.0 million, which has no expiration date.

The timing and amount of any repurchases of common stock will be solely at the discretion of the Company and is subject to general business and market conditions, as well as other factors. The share repurchase authorization is part of a broader capital allocation framework to deliver value to shareholders by first, driving profitable growth in the business, organically and through acquisitions and franchise development; second, to remain within a ratings agency target adjusted EBITDA net leverage ratio of 2.5 to 3.5 times; and third, to continue returning excess capital to shareholders.

Summary

Valvoline had cash and cash equivalents of $65.7 million, total debt of $1,149.5 million, and total remaining borrowing capacity of $296.8 million as of June 30, 2024. Valvoline’s ability to continue to generate positive cash flows from operations is dependent on general economic conditions, the competitive environment in the industry, and is subject to the business and other risk factors described in Item 1A of Part II of this Quarterly Report on Form 10-Q and Item 1A of Part I of the Annual Report on Form 10-K for the fiscal year ended September 30, 2023.

Management believes that the Company has sufficient liquidity based on its current cash, cash equivalents, cash generated from business operations and existing financing to meet its pension and other postretirement plan, debt servicing, tax-related and other material cash and operating requirements for the next twelve months.

NEW ACCOUNTING PRONOUNCEMENTS

For a discussion and analysis of recently issued accounting pronouncements and the impacts on Valvoline, refer to Note 1 in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I of this Quarterly Report on Form 10-Q.

CRITICAL ACCOUNTING ESTIMATES

The Company’s critical accounting estimates are described in Item 7 of Part II in Valvoline’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Management reassessed the critical accounting estimates as disclosed in the Annual Report on Form 10-K, and determined there were no changes in the nine months ended June 30, 2024.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company’s market risks are discussed in Item 7A of Part II in Valvoline's Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Management reassessed the quantitative and qualitative market risk disclosures as described in the Annual Report on Form 10-K and determined there were no material changes to market risks in the nine months ended June 30, 2024.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (“Exchange Act”)) are designed to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and that such information is accumulated and communicated to Valvoline’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives.

Valvoline’s CEO and CFO, with the assistance of management, have evaluated the effectiveness of the Company’s disclosure controls and procedures, as of the end of the period covered by this Quarterly Report on Form 10-Q (the “Evaluation Date”), and based upon such evaluation, have concluded that as of the Evaluation Date, the Company’s disclosure controls and procedures were not effective at the reasonable assurance level due to a material weakness in internal control over financial reporting as described below.

Notwithstanding the conclusion that disclosure controls and procedures were not effective as of June 30, 2024 due to the material weakness, management executed certain manual controls intended to ensure the condensed consolidated financial statements included in this Quarterly Report on Form 10-Q are fairly presented in all material respects. Accordingly, the Company believes there are no material inaccuracies or omissions of material fact in its condensed consolidated financial statements included in this Quarterly Report on Form 10-Q and that such financial statements present fairly, in all material respects, the financial position, results of operations and cash flows as of and for each of the periods presented herein in accordance with U.S. GAAP.

Changes in Internal Control

Valvoline has substantially completed remedial efforts to address the deficiencies in internal control over financial reporting that aggregated to the material weakness described further below, which was reported as of March 31, 2024. Other than these efforts that began during the fiscal quarter ended March 31, 2024 and where implementation efforts were completed during the third quarter of fiscal 2024, there have been no changes in the Company’s internal control over financial reporting that occurred during the fiscal quarter ended June 30, 2024 that materially affected, or are reasonably likely to materially affect, Valvoline's internal control over financial reporting.

Material Weakness in Internal Control over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weakness reported herein relates to the Company's January 2024 implementation of a new ERP system and its related impact on information technology ("IT") general controls. Specifically, the Company did not ensure adequate (a) system design for certain business processes, (b) segregation of duties reviews for a portion of time during the three-month period ended March 31, 2024, and (c) evidence to support the rigor of change management activities, sensitive access reviews, and design of user roles and application controls, including certain reports, automated jobs and interfaces.

The material weakness did not result in any identified misstatements to the condensed consolidated interim financial statements. However, if not timely and sufficiently remediated, the material weakness could impact maintaining effective systematic access, as well as the effectiveness of IT-dependent controls (such as automated controls and underlying information that supports the effectiveness of IT system-generated data and reports to address the risk of material misstatement).

Remedial Measures

Management has actively executed against the remedial plan described below following the ERP implementation, which includes the following:

- Established a plan to stabilize the ERP system for the classes of transactions with inadequate initial system design, including the continued execution of manual control activities to address the periods of time with systematic deficiencies;
- Enhanced the design of access provisioning controls, including reviews of privileged access and segregation of duties, to centrally retain evidence supporting the rigor and execution for the complete three-month period ended March 31, 2024 and throughout the subsequent periods, in addition to the reviews which remained in place and operating as of each quarter end;
- Improved the consistency of manually reviewing the appropriateness of changes to the ERP environment for proper authorization, testing, and implementation and deployed a change management tool to centrally retain this evidence; and
- Substantially completed end-to-end business process walkthroughs to identify the points in the process for each significant class of transactions where risk of material misstatement exists to validate the design and operational effectiveness of responsive controls, including application controls, such as system configuration, reports, automated jobs and interfaces.

Management believes the foregoing efforts will remediate the material weakness, and these efforts are planned to be completed during the course of management's annual assessment of the effectiveness of its internal control over financial reporting as of fiscal year-end. In addition to the measures outlined above, remediation will be complete upon management's consistent execution and validation through sufficient testing to support operational effectiveness as of fiscal year-end.

The Company started the remediation process outlined above prior to March 31, 2024.

ITEM 5. OTHER INFORMATION

Rule 10b5-1 Trading Plans

From time to time, the Company's officers and directors enter into equity trading plans with their brokers, which are intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Securities and Exchange Act of 1934 (a "Rule 10b5-1 Trading Plan"). A Rule 10b5-1 Trading Plan is a written agreement between the officer or director and such person's broker that pre-establishes the formula for determining the amounts, prices, and dates of

Valvoline common stock and does not permit the officer or director to exercise any subsequent influence over how, when or whether to effect purchases or sales. In addition, the officer or director must represent that he or she is not aware of any material nonpublic information concerning Valvoline or its common stock upon execution of the Rule 10b5-1 Trading Plan. The Company’s insider trading policy requires a 90-day cooling-off period before transactions may be executed pursuant an officer’s or director’s Rule 10b5-1 Trading Plan.

During the three months ended June 30, 2024, no director or officer, as defined in Rule 16a-1(f), of Valvoline adopted or terminated any contract, instruction or written plan for the purchase or sale of the Company’s securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any “non-Rule 10b5-1 trading arrangement” as defined in Item 408 of Regulation S-K.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, Valvoline is party to lawsuits, claims and other legal proceedings that arise in the ordinary course of business. For a description of Valvoline's legal proceedings, refer to Note 8 of the Notes to Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

Information about the Company’s risk factors is contained in Item 1A of Part I in Valvoline’s Annual Report on Form 10-K for the fiscal year ended September 30, 2023. Except for the addition of the risk factor set forth below, there have been no material changes to the Company’s risk factors previously disclosed.

The Company’s recently implemented ERP system has adversely impacted Valvoline’s internal controls and working capital and could continue to negatively impact the business if remedial efforts are not timely and effective.

Valvoline relies upon its ERP application to assist in managing certain business processes and summarizing operational and financial results. Following the sale of the former Global Products reportable segment in fiscal 2023, and as part of Valvoline’s continued evolution to a standalone retail business, the Company has been in the process of separating certain business processes, information systems and applications that were previously shared to support both businesses. On January 1, 2024, Valvoline implemented a new ERP application intended to better accommodate the retail business model and support the Company’s continued growth.

A material weakness in internal control over financial reporting arose in connection with the Company’s implementation of the new ERP system and its related impact on IT general controls, which included deficiencies related to certain business processes that were not adequately designed at the time of system implementation. While the ERP system is intended to ultimately improve and enhance business processes, its implementation resulted in disruptions to maintaining an effective internal control environment and the timely processing of invoices and billings to franchisee, independent operator and fleet customers. Although the new ERP application is not currently utilized in the day-to-day operations of Valvoline’s retail stores and there have been no material impacts on its ability to serve customers to-date, the conversion to any new IT system exposes the Company to additional risks and possible continued disruptions, including the loss of information, unauthorized access and systematic changes, disruption to normal operations, and risks associated with integrations with other applications and processes.

Implementing the new ERP system has required, and the efforts associated with mitigation, remediation, and enhancements will continue to require, the investment of significant personnel and financial resources. Failure to adequately and timely address any known or potential issues to ensure the new ERP system operates as intended could result in unexpected incremental costs and diversion of management’s attention and resources, further interruptions or delays in processes and challenges with vendor and customer relationships, difficulty in achieving and maintaining effective internal controls and issuing timely and accurate financial results. Valvoline management has implemented a remedial plan, as described in Item 4, Evaluation of Disclosure Controls and Procedures, which is expected to be completed by the end of fiscal 2024. However, management cannot provide any assurance that such remedial measures, or any other remedial measures taken, will be effective and identify or address all inherent risks from implementing an ERP application. If this remediation fails or other material weaknesses arise, it may adversely affect operating results, the trading price of Valvoline’s common stock, internal control over financial reporting, or the ability to effectively manage the business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 6. EXHIBITS

31.1*	Certification of Lori A. Flees, Chief Executive Officer of Valvoline, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Mary E. Meixelsperger, Chief Financial Officer of Valvoline, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Lori A. Flees, Chief Executive Officer of Valvoline, and Mary E. Meixelsperger, Chief Financial Officer of Valvoline, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

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

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

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VALVOLINE INC.

(Registrant)

August 7, 2024	By:	/s/ Mary E. Meixelsperger
		Mary E. Meixelsperger
		Chief Financial Officer

EXHIBIT 31.1

CERTIFICATION

I, Lori A. Flees, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Valvoline Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 7, 2024

/s/ Lori A. Flees

Lori A. Flees
Chief Executive Officer and Director
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Mary E. Meixelsperger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Valvoline Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the Audit Committee of the registrant’s Board of Directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 7, 2024

/s/ Mary E. Meixelsperger

Mary E. Meixelsperger
Chief Financial Officer
(Principal Financial Officer)

EXHIBIT 32

VALVOLINE INC.

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Valvoline Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned, Lori A. Flees, Chief Executive Officer of the Company, and Mary E. Meixelsperger, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Lori A. Flees
Lori A. Flees
Chief Executive Officer
August 7, 2024

/s/ Mary E. Meixelsperger
Mary E. Meixelsperger
Chief Financial Officer
August 7, 2024