vvv-20240930false2024FY0001674910P7YP5YP5Yhttp://fasb.org/us-gaap/2023#PropertyPlantAndEquipmentAndFinanceLeaseRightOfUseAssetAfterAccumulatedDepreciationAndAmortizationhttp://fasb.org/us-gaap/2023#PropertyPlantAndEquipmentAndFinanceLeaseRightOfUseAssetAfterAccumulatedDepreciationAndAmortizationhttp://fasb.org/us-gaap/2023#AccruedLiabilitiesCurrenthttp://fasb.org/us-gaap/2023#AccruedLiabilitiesCurrenthttp://fasb.org/us-gaap/2023#AccruedLiabilitiesCurrenthttp://fasb.org/us-gaap/2023#AccruedLiabilitiesCurrenthttp://fasb.org/us-gaap/2023#OtherLiabilitiesNoncurrenthttp://fasb.org/us-gaap/2023#OtherLiabilitiesNoncurrenthttp://fasb.org/us-gaap/2023#OtherLiabilitiesNoncurrenthttp://fasb.org/us-gaap/2023#OtherLiabilitiesNoncurrentP1YP1Y157iso4217:USDxbrli:sharesiso4217:USDxbrli:sharesvvv:storesxbrli:purevvv:reporting_unitvvv:numberOfPrincipalActivitiesvvv:service_center_store
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registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Â â˜'If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statement. â˜Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrantsâ€™ executive officers during the relevant recovery period pursuant to Â§240.10D-1(b). â˜Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).Â Â Â YesÂ Â â˜Â Â Â Â NoÂ Â â˜'The aggregate market value of voting common stock held by non-affiliates at March 31, 2024 was approximately $5.7Â billion. At NovemberÂ 19, 2024, there were 128,373,010 shares of common stock outstanding.DOCUMENTS INCORPORATED BY REFERENCEPortions of the registrantâ€™s definitive proxy statement for its 2025 Annual Meeting of Shareholders (the â€œProxy Statementâ€) are incorporated by reference into Part III of this Annual Report on Form 10-K and will be filed within 120 days of the registrantâ€™s fiscal year end.TABLE OF CONTENTSÂ Page2Forward-Looking Statements Certain statements in this Annual Report on Form 10-K, 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 the growth strategy to create shareholder value by driving the full potential in the Companyâ€™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 â€œanticipates,â€ â€œbelieves,â€ â€œexpects,â€ â€œestimates,â€ â€œis likely,â€ â€œpredicts,â€ â€œprojects,â€ â€œforecasts,â€ â€œmay,â€ â€œwill,â€ â€œshould,â€ and â€œintends,â€ and the negative of these words or other comparable terminology. These forward-looking statements are based on Valvolineâ€™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 â€œRisk Factorsâ€ in Item 1A of Part I of this Annual Report on Form 10-K, â€œManagementâ€™s Discussion and Analysis of Financial Condition and Results of Operationâ€ in Item 7 of Part II of this Annual Report on Form 10-K and â€œQuantitative and Qualitative Disclosures about Market Riskâ€ in Item 7A of Part II of this 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.3PART IITEM 1.Â Â BUSINESSOverviewValvoline Inc. is a leader in automotive preventive maintenance delivering convenient and trusted services in its retail stores throughout the United States (â€œU.S.â€) and Canada. The terms â€œValvoline,â€ the â€œCompany,â€ â€œwe,â€ â€œus,â€ â€œmanagement,â€ and â€œourâ€ as used herein refer to Valvoline Inc., its predecessors and its consolidated subsidiaries, except where the context indicates otherwise. As the quick, easy, trusted leader in automotive preventive maintenance, Valvoline is creating shareholder value by driving the full potential of 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 Companyâ€™s franchise partners keep customers moving with approximately 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 more than 2,000 service center locations through its Valvoline Instant Oil ChangeSM (â€œVIOCâ€) and Valvoline Great Canadian Oil Change (â€œGCOCâ€) retail locations and supports nearly 270 locations through its Express CareTM platform. For over 15 decades, Valvoline has consistently adapted to address changing technologies and customer needs and is well positioned to service evolving vehicle maintenance needs with its growing network of stores.Company backgroundEstablished in 1866, Valvoline has a history of innovation spanning nearly 160 years when Dr. John Ellis founded Valvoline by discovering the lubricating properties of distilled crude oil and formulated the world's first petroleum-based lubricant. Valvoline was trademarked seven years later in 1873, making it the first trademarked motor oil brand in the U.S. Soon thereafter, as vehicle ownership rapidly grew, Valvoline became widely known in the automotive world through racing victories and as a recommended oil for the iconic Ford Model T, while expanding its product offerings and global reach through its innovative automotive maintenance and heavy-duty engine applications.Valvoline was acquired by Ashland (currently doing business as Ashland Inc., and together with its predecessors and consolidated subsidiaries, referred to herein as â€œAshlandâ€), in 1950 and continued accelerating through the development of all-climate and racing motor oils, in addition to supporting notable automobile racing victories by some of the biggest legends of the sport. By the late 1980s, Valvoline began operating and franchising VIOC service center stores, expanding into consumer-focused automotive preventive maintenance and quick lube services. Valvoline maintained its focus on innovating for evolving vehicle technologies and the needs of customers through the late 1990s and early 2000s by introducing synthetic and high-mileage motor oils.Valvoline was incorporated in May 2016 as a subsidiary of Ashland, followed by the transfer of the Valvoline business and certain other legacy Ashland assets and liabilities from Ashland to Valvoline. Valvoline completed its initial public offering of common stock in September 2016, and Ashland distributed its remaining ownership interest in Valvoline in May 2017 (the â€œDistributionâ€). Today, Valvoline operates as an independent corporation that trades on the New York Stock Exchange (â€œNYSEâ€) under the symbol â€œVVVâ€ as a pure play automotive retail services provider focused on delivering quick, easy, and trusted vehicle maintenance services. Discontinued operationsOn March 1, 2023, Valvoline completed the sale of its former Global Products reportable segment (currently doing business as â€œValvoline Global Operationsâ€ and referred to herein as â€œGlobal Productsâ€) to Aramco Overseas Company B.V. (the â€œBuyerâ€) (the â€œTransactionâ€). The operating results and cash flows associated with and directly attributed to the Global Products disposal group are reflected as discontinued operations. Refer to Note 3 included within the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Annual Report on Form 410-K for additional information regarding the Global Products business, including income from discontinued operations. Unless otherwise noted, disclosures herein relate solely to the Companyâ€™s continuing operations.Valvolineâ€™s retail services Valvoline operates and franchises more than 2,000 service center locations through its VIOC and GCOC retail locations and supports nearly 270 locations through its Express Care platform. The Company has built a reputation as the quick, easy, trusted name in automotive preventive maintenance through its full-service oil changes from certified technicians in approximately 15-minutes, including a free 18-point maintenance check. Valvoline continues to build its market share by leveraging its stay-in-your-car service model and providing each customer with service that can be seen by experts they can trust. Valvoline technicians utilize the Companyâ€™s proprietary SuperProTM system to deliver a superior customer experience and make timely service recommendations based upon visual inspection, vehicle service history, and original equipment manufacturer (â€œOEMâ€) recommendations. The SuperPro system is utilized in both company-operated and franchised service center locations, creating a consistent service experience for customers.The following summarizes the primary services Valvoline offers at most retail service center stores:5Valvolineâ€™s services are offered to a wide range of vehicle types, including fleets, as shown below:Industry overviewDemand for automotive aftermarket services benefits from the growing number and age of vehicles in operation as well as increasing vehicle complexity and ongoing increases in miles driven. In addition, the resilient North American automotive aftermarket services market is highly fragmented, which creates a significant opportunity for consolidation. Based on industry surveys and management estimates, the U.S. Do It For Me (â€œDIFMâ€) total addressable market depicted below demonstrates the magnitude of the opportunity in the U.S. for Valvoline:(a)VIOC oil changes in fiscal year 2024 (U.S. company-operated and franchised stores)(b)Management estimates developed utilizing internal and industry data for U.S. passenger car and light truck quick lube and DIFM oil changes Business and growth strategiesAs 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 Companyâ€™s strategic initiatives, which include:6â€¢Driving the full potential of the core business through increasing market share and improving operational efficiency in existing stores by building on Valvolineâ€™s strong foundation in marketing, technology, and data insights.â€¢Aggressively growing the retail footprint with company-operated store growth and an increased emphasis on franchisee store growth; andâ€¢Targeting customer and service expansion with a focus on fleet business, driving non-oil change service penetration, and meeting the needs of an evolving car parc.Retail store developmentValvolineâ€™s network of retail service centers delivered its 18th consecutive year of system-wide same-store sales (â€œSSSâ€) growth in fiscal 2024, demonstrating the system's operational excellence. As shown below, Valvoline operates, either directly or through its franchisees, 2,010 service center stores across the U.S. and Canada as of SeptemberÂ 30, 2024: lCompany-operatedlFranchisedValvoline utilizes a three-pronged approach to grow its retail network through 1) franchisee store expansion 2) opportunistic acquisitions, and 3) new store development. This approach drove system-wide store growth of over 45% over the last five years. During this period, Valvoline added 625 net new stores to the system and expanded its service centers internationally into Canada. The retail services store network and its same-store sales growth is summarized below:7 (a)Refer to "Key Business Measures" in Item 7 of Part II of this Annual Report on Form 10-K for a description of management's use and determination of key metrics, including store counts and SSS. Measures include franchisees, which are distinct independent legal entities and Valvoline does not consolidate the results of operations of its franchisees. (b)As of September 30, 2020, one franchised service center store included in the store count was temporarily closed at the discretion of the respective independent operator due to the impacts of COVID-19. CompetitionValvoline faces competition across its service offerings based on several key criteria, including brand recognition, product selection, quality of service, price, convenience, speed, location, and customer experience, in addition to the ability to deliver innovative services to meet evolving customer needs. Valvoline competes for customers in the highly fragmented automotive aftermarket service industry with automotive dealerships, automotive repair and maintenance centers, as well as other regional and independent quick lube operators. Additionally, Valvolineâ€™s retail stores compete for consumers and franchisees with other major franchised brands that offer a turn-key operations management system, such as Jiffy Lube, Grease Monkey, Take 5 Oil Change, Express Oil Change, and Mr. Lube in Canada. Valvoline competes with other franchisors in automotive services and across other industries on the basis of the expected return on investment and the value propositions offered to franchisees. Valvoline also competes for Express Care operators and customers with national branded companies that offer an independent quick lube platform with a professional signage program and limited business model support. 8Marketing and customer experienceValvoline places a high priority on delivering an in-store customer experience that is quick, easy, and trusted. To both acquire and retain customers, marketing plays an important role in demonstrating the distinct experience that Valvoline offers customers, as well as providing information on locations, promotions, services offered, and wait times. Techniques utilized by the Company are intended to build awareness of and create demand for its automotive preventive maintenance services. Valvoline markets through search and direct response channels, invests in advertising through social and digital media, and leverages targeted sponsorships to reach specific audiences. The Companyâ€™s modeled marketing strategies are efficient and yield strong rates of return. Valvoline leverages its digital tools to obtain customer feedback across the retail network of stores. Customer feedback is frequently measured and monitored to ensure that any service issues are quickly addressed to maintain high levels of customer satisfaction. Valvoline also utilizes its digital infrastructure and technology to more efficiently interact with customers, driving customer engagement, acquisition and retention, and consistency. The Company's strengths in digital marketing and data analytics are leveraged to attract new and retain existing customers, including tailored marketing campaigns directed to specific customers when they are in the market for their next service.Intellectual propertyValvoline holds approximately 390 trademarks in more than 70 countries across the world, including the Valvoline and â€œVâ€ brand logo trademarks. These trademarks have a perpetual life, are generally subject to renewal every ten years, and are among Valvoline's most protected and valuable assets. With the completion of the sale of Global Products, Valvoline owns the Valvoline brand for all global retail services, excluding China and certain countries in the Middle East and North Africa, while Global Products owns the Valvoline brand for all product uses globally. Valvoline partners with Global Products to ensure that Valvoline's iconic brand is managed in a consistent and holistic manner. Valvoline trade names and service marks used in its business include ValvolineTM and Valvoline Instant Oil ChangeSM, among others. Valvoline is also party to arrangements that license its intellectual property to others in return for revenues. Valvoline owns approximately 700 domain names that are used to promote Valvoline services and provide information about the Company.Product supply and priceThe products used in Valvolineâ€™s retail service delivery are principally sourced from Global Products. In connection with the sale of Global Products, Valvoline entered into a long-term supply agreement for the purchase of substantially all lubricant and certain ancillary products for its stores from Global Products (the â€œSupply Agreementâ€).Valvoline is able to leverage its scale, as well as the scale of its suppliers, for favorable terms in the arrangement of product supply for its store operations across the network. This benefit enhances the value proposition to new and existing independent store operators as well as to the profits of Valvolineâ€™s company store operations. Valvolineâ€™s arrangement of product supply for its independent operators provides recurring fees and margins that benefit ongoing results. As Valvoline continues to grow organically and through acquisitions, the business is well-positioned to continue driving increased benefits to the overall system of retail stores.Valvoline works diligently to preserve margins by adjusting its pricing in response to changes in costs. The Companyâ€™s customer value proposition focuses on convenience and quality service which provides the ability to leverage pricing power to raise prices while maintaining customer loyalty. Pricing adjustments to products sold to Valvoline's independent operators are made pursuant to their contracts and are generally based on movements in published base oil indices.9SeasonalityValvolineâ€™s business is moderately impacted by seasonality. Transaction volumes follow driving patterns of consumers, which generally trend with the length of daylight hours, North American holidays, and vacation timing. As a result, the second half of the fiscal year ordinarily is more robust as miles driven tends to be higher. Weather conditions can modestly affect transaction volumes, and geographic variation typically limits weather impacts to specific regions. Regulatory and environmental mattersValvoline operates to maintain compliance with various federal, state, local and non-U.S. laws and governmental regulations relating to the operation of its business, including those regarding employment and labor practices; workplace safety; building and zoning requirements; the handling, storage and disposal of hazardous substances contained in the products used in service, including used motor oil and lead-acid batteries; and the ownership, construction and operation of real property, among others. Valvoline maintains policies and procedures to control risks and monitor compliance with applicable laws and regulations. These laws and regulations require Valvoline to obtain and comply with permits, registrations or other authorizations issued by governmental authorities. These authorities can modify or revoke the Companyâ€™s permits, registrations or other authorizations and can enforce compliance through fines, sanctions and injunctions. The Company is also subject to regulation by various U.S. federal regulatory agencies and by the applicable regulatory authorities in locations in which Valvolineâ€™s services are offered. Such regulations principally relate to the operation of its service centers, advertising and marketing of Valvolineâ€™s services.Valvoline inventories lubricating and vehicle maintenance products and handles used automotive oils and filters. Accordingly, Valvoline is subject to numerous federal, state, local and non-U.S. environmental laws including the Comprehensive Environmental Response Compensation and Liability Act. In addition, the U.S. Environmental Protection Agency under the Resource Conservation and Recovery Act, as well as various state and local environmental protection agencies, regulate the handling and disposal of certain waste products and other materials. As a franchisor, Valvoline is subject to various federal, state, and non-U.S. franchising laws. The Federal Trade Commission (the â€œFTCâ€) regulates franchising activities in the U.S. and requires franchisors to make extensive disclosure to prospective franchisees before the execution of a franchise agreement. Certain jurisdictions require registration or specific disclosure in connection with franchise offers and sales, or have laws that limit franchisor rights regarding the termination, renewal or transfer of franchise agreements. Valvoline is subject to various federal, state, local and non-U.S. laws and regulations relating to information security, privacy, cashless payments and customer credit, protection and fraud. An increasing number of governments and industry groups have established data privacy laws and standards for the protection of personal information, including financial information (e.g., credit card numbers), social security numbers, and health information. The Company is also subject to labor and employment laws, including regulations established by the U.S. Department of Labor and other local regulatory agencies, governing working conditions, paid leave, workplace safety, wage and hour standards, and hiring and employment practices.Human capital management"It all starts with our people" is one of Valvoline's core values, and the Company endeavors to create an environment that promotes safety, fosters diversity, encourages creativity, rewards performance, and emphasizes culture and purpose. To recruit and retain the most qualified team members, Valvoline focuses on treating team members well by paying competitive wages, offering an attractive benefit package, and providing robust training and career development opportunities. Valvoline is committed to actively creating an environment where each team member is empowered to learn, grow, and maximize their personal contribution. WorkforceAs of SeptemberÂ 30, 2024, Valvoline had approximately 11,500 employees (excluding contract employees) in the U.S. and Canada, including approximately 10,500 full-time employees. Valvoline operates 950 company-owned 10retail service center stores throughout the U.S. and Canada and supports its network of more than 2,000 stores through centralized teams.The table below provides the Company's approximate distribution of employees, which includes its company-operated service center stores, central supporting teams, and excludes independent contractors:Number of employeesCompany-operated store employees10,300Â Central supporting team members1,200Â Total employee headcount11,500Â Valvoline seeks to attract, develop, and retain highly qualified talent as summarized further below.Talent acquisitionValvoline strives to foster a workplace culture that attracts and retains top, diverse talent at every level. Valvoline's talent acquisition is based on qualifications and experiences of target employees, including "building block" traits and capabilities that support strong development early in an employee's career with the Company. Valvoline continues to benefit from substantial investment in talent acquisition to ensure the Company has the right skill set to attract and recruit exceptional diverse talent along with supporting technology to increase efficiency in staffing stores. Valvoline utilizes innovative technology and structured processes intended to attract qualified candidates, including engaging job descriptions designed to reach a larger audience, a quick and mobile-friendly application process, online chat features to proactively address applicant questions, and video storytelling that offers a view of Valvoline's culture through the lens of its own employees. These tools have been created to convey what makes Valvoline unique as an employer to better attract diverse and ideal candidates, and these strong branding and sourcing efforts allow Valvoline to select among the very best.The Companyâ€™s focus on aggressive growth, including the addition of 158 net new system-wide stores in fiscal 2024, creates a critical need for talent to operate those stores. Valvoline utilizes its tools and processes to attract qualified candidates, including providing support to franchise sourcing efforts. Franchisees collaborate through periodic sharing of hiring experiences and best practices to ensure company-operated and franchised locations attract and hire the best candidates to deliver consistent and superior service to Valvolineâ€™s customers.Training and developmentThe opportunity to develop and advance, regardless of job role or location, is critical to the success of Valvoline. A key component of the Companyâ€™s talent development approach is to provide each team member with the necessary tools and training opportunities to develop within their area of subject matter knowledge. Training is tailored to specific job roles and functions incorporating both on-the-job training as well as virtual or in-person classes and e-learning. Valvoline provides new VIOC and GCOC employees 270 hours of training that is generally completed within the first 60 days of employment leading to their first certification and another 240 hours of training in the next 140 days that supports promotability.Valvoline provides an Introduction to Management program within its VIOC and GCOC stores where assistant managers interact with leadership team members and peers from other stores to learn about Valvoline's culture, share best practices, and receive management training to prepare them for career advancement. The combination of these efforts enable Valvoline to continue a promote-from-within strategy which has led to a majority of service center managers, area managers, and market manager promotions in the last year being earned by team members who started in hourly positions at VIOC. By engaging team members early, Valvoline provides them with the necessary tools to learn and acquire new skills which increases their value as an employee and, most importantly, affords them the opportunity to advance their careers.VIOC has been presented with Training magazineâ€™s Training APEX Award 11 times, which ranks companies that are unsurpassed in harnessing human capital and reflects the winnersâ€™ journey to attain peak performance in employee training and development and organizational success. Additionally, the Company is an eleven-time recipient of the BEST Award from The Association for Talent Development, that recognizes organizations that are 11building talent, enterprise-wide and strategically driving a talent development culture that delivers results. As an eleven-time winner of this award, the Company was also named to the associationâ€™s Best of the BEST list. Employee communication and feedbackIn an ongoing effort to understand employeesâ€™ needs and deliver on the Companyâ€™s values of trust, accountability and collaboration, Valvoline remains focused on transparency and employee feedback. The Company regularly hosts company-wide town halls in which Valvolineâ€™s Chief Executive Officer and other members of senior management inform employees about performance, strategic initiatives, activities, and policies along with providing opportunities for them to ask questions. In addition, Valvoline management is focused on listening to understand what is on the minds of employees by regularly surveying team members to gather real-time feedback as well as identifying opportunities for continuous improvement. Valvoline believes employee survey results are important to evaluate areas for improved communication and are meaningful to recruit and retain top talent, believing satisfied employees are more likely to have a positive impact in the workplace and deliver great customer service.Total rewardsValvolineâ€™s total rewards philosophy is to help attract, motivate, develop and retain a qualified and diverse workforce. The Company offers competitive, comprehensive compensation and benefits programs designed to care for the physical, mental, emotional, social and financial well-being of its employees. The Companyâ€™s objective is to base compensation on employee position, experience, location, performance, and the labor market in order to not be influenced by factors such as gender, race, or ethnicity. Additionally, the Compensation Committee of the Board of Directors (the â€œBoardâ€) and senior management are actively involved in determining the Companyâ€™s total rewards strategy to help Valvoline provide a positive employee experience.The Company provides a wide variety of benefits to eligible full-time and part-time employees. Valvolineâ€™s strategy is to provide competitive benefit programs which align to the competitive business environment and meet the needs of employees through all stages of life. These include:â€¢Affordable healthcare plans (medical, prescription, dental, vision, maternity, fertility, adoption and telehealth)12â€¢Life, disability, and accident insurance coverageâ€¢Health savings account (HSA) with company contributionsâ€¢401(k) retirement savings plan with generous company basic and matching contributionsâ€¢Personalized employee well-being programs to support taking care of the whole employee and familyâ€¢Tuition reimbursementâ€¢Paid time off, plus holiday pay, paid disability, paid maternity and family leave, and other leave programs.Health and safetyThe Company designs, builds and operates its facilities to promote and protect the health and safety of its employees, known as its "Vamily." Valvoline strives to create a safe and secure environment for every employee and customer and fosters a sense of belonging to promote emotional well-being that enables employees to deliver â€œV-Classâ€ service to customers. To help reduce the number of incidents at the Company, Valvoline employs safety-specific education as part of its training programs for all employees. Employees begin this training on day one to instill safety precautions and best practices. As part of the broader training curriculum, team members are required to successfully complete execution reports confirming a strong understanding of Valvoline safety measures.Diversity, equity and inclusion (â€œDEIâ€)Valvoline is committed to creating an inclusive and welcoming environment for its employees and customers by fostering a strong sense of belonging, where diverse backgrounds are represented, engaged and empowered to inspire innovative ideas and decisions. Valvolineâ€™s goal is for the Companyâ€™s workforce to represent the diverse communities served.The Company is committed to the inclusion of federally-insured minority depository institutions (â€œMDIsâ€) alongside larger banks and financial institutions as part of its overall cash management strategy and has $2.6 million of its cash equivalents as of September 30, 2024 with MDIs.The Company also supports employee-led networking groups (Employee Resource Groups or â€œERGsâ€), which are open to all employees. These ERGs provide a forum to communicate and exchange ideas, build a network of relationships across the Company and pursue personal and professional development. The Company also actively sponsors events that promote diversity and inclusion across the business and its operations.CitizenshipValvolineâ€™s citizenship efforts support social and educational needs within the communities the Company serves. Throughout the year, Valvoline supports its employees in volunteering their time and talents to give back to their communities. Valvoline employees support the United Way, Red Cross, Childrenâ€™s Miracle Network, Habitat for Humanity, Big Brothers Big Sisters, and many more national and local organizations. Valvoline's Charitable Giving Program encourages its team members to support the communities in which they live and in which the Company operates, through hands-on service, focused generosity and the continuous pursuit of innovative and sustainable solutions. A major focus of Valvolineâ€™s charitable giving programs is the annual employee giving campaign where employees are encouraged to donate to the charity of their choice. Valvolineâ€™s matching program will match the donations given to the organizations that align with at least one of the Companyâ€™s fiscal 2024 giving pillars: (1) disadvantaged families and children, (2) education, (3) environment, (4) health care, and/or (5) diversity, equity and inclusion.Additionally, Valvoline employees support a program that assists Company employees during times of personal hardship by providing short-term financial assistance to eligible service center and corporate employees in immediate financial need because of an accident, illness, injury, death, natural disaster, or other catastrophic event or emergency.Available informationMore information about Valvoline is available on the Companyâ€™s website at http://investors.valvoline.com. On this website, Valvoline makes available, free of charge, its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and any amendments to those reports, as well as any beneficial ownership 13reports of officers and directors filed on Forms 3, 4 and 5. All such reports are available as soon as reasonably practicable after they are electronically filed with, or electronically furnished to, the U.S. Securities and Exchange Commission (the â€œSEC"). Valvoline also makes available, free of charge on its website, its Amended and Restated Articles of Incorporation, By-Laws, Corporate Governance Guidelines, Board Committee Charters, Director Independence Standards, and Code of Conduct that apply to Valvolineâ€™s directors, officers and employees. These documents are also available in print to any shareholder who requests them. The information contained on Valvolineâ€™s website is not part of this Annual Report on Form 10-K and is not incorporated by reference in this document. References to website addresses are provided as inactive textual references only. The SEC also maintains a website (http://www.sec.gov) that contains reports, proxy and other information and statements regarding issuers, including Valvoline, that file electronically with the SEC.Executive officers of ValvolineThe following table sets forth information concerning Valvoline's executive officers as of NovemberÂ 19, 2024:NameAgeTitleLori A. Flees54President and Chief Executive Officer and DirectorMary E. Meixelsperger64Chief Financial OfficerJulie M. Oâ€™Daniel57Senior Vice President, Chief Legal Officer and Corporate SecretaryJonathan L. Caldwell47Senior Vice President and Chief People OfficerR. Travis Dobbins52Senior Vice President and Chief Technology OfficerLinwood R. Fulcher53Senior Vice President and Chief Operating OfficerDione R. Sturgeon47Vice President, Chief Accounting Officer and ControllerLori A. Flees has served as a director and President and Chief Executive Officer of Valvoline since October 2023. Ms. Flees served as President, Retail Services of Valvoline from April 2022 to September 2023. Prior to joining Valvoline, Ms. Flees held various leadership positions at Walmart Inc., serving as Senior Vice President and Chief Operating Officer of Health & Wellness from August 2020 to March 2022; Senior Vice President and General Merchandising Manager, Samâ€™s Club Health & Wellness from June 2018 to August 2020; and Senior Vice President, Next Generation Retail and Principal Store No.8 from September 2017 to June 2019. Mary E. Meixelsperger has served as Valvoline's Chief Financial Officer since June 2016. Prior to joining Valvoline, Ms. Meixelsperger was Senior Vice President and Chief Financial Officer of DSW Inc. from April 2014 to June 2016. In October 2024, Ms. Meixelsperger announced her plans to retire. Ms. Meixelsperger will continue as Chief Financial Officer until a successor is hired and will remain with the Company through a subsequent transition period.Julie M. Oâ€™Daniel has served as Valvolineâ€™s Senior Vice President, Chief Legal Officer and Corporate Secretary since January 2017. Ms. Oâ€™Daniel served as General Counsel and Corporate Secretary of Valvoline from September 2016 to January 2017 and as Lead Commercial Counsel of Valvoline from April 2014 to September 2016. Jonathan L. Caldwell has served as Valvoline's Senior Vice President and Chief People Officer since April 2020. Mr. Caldwell served as Senior Director, Human Resources of Valvoline from March 2018 to April 2020 and as Senior Director, Global Talent Management of Valvoline from October 2016 to March 2018. R. Travis Dobbins has served as Valvoline's Senior Vice President and Chief Technology Officer since March 2023. Mr. Dobbins served as Vice President of Information Technology of Valvoline from January 2019 to February 2023 and as Information Technology Director, Commercial Solutions from September 2016 to January 2019.Linwood R. Fulcher has served as Valvoline's Senior Vice President and Chief Operating Officer since October 2023. Mr. Fulcher served as Vice President, Central Operations and Customer Experience Optimization from August 2022 to September 2023. Prior to joining Valvoline, Mr. Fulcher held various leadership positions at Walmart Inc., serving as Vice President Customer Strategy, Science and Journeys from October 2019 to August 2021; and Vice President Returns from February 2017 to October 2019.14Dione R. Sturgeon has served as Valvoline's Vice President, Chief Accounting Officer and Controller since March 2023. Ms. Sturgeon served as Vice President, Corporate Controller from March 2022 to February 2023; as Senior Director, Global Accounting, Reporting & Controls from October 2020 to March 2022; and as Director, Corporate Accounting of Valvoline from August 2016 to October 2020.ITEM 1A.Â Â RISK FACTORS The following risks could materially and adversely affect Valvolineâ€™s business, operations, financial position or future financial performance. This information should be considered when reviewing this Annual Report on Form 10-K, including Managementâ€™s Discussion and Analysis of Financial Condition and Results of Operations, in addition to the consolidated financial statements and related notes thereto.Â These risk factors could cause future results to differ from those in forward-looking statements and from historical trends. These risks are not the only risks that Valvoline faces. Additional risks and uncertainties that are not presently known, or that Valvoline currently believes are not material, may also become meaningful and adversely affect Valvolineâ€™s business.Â Risks related to the industries in which Valvoline operatesValvoline faces significant competition from other companies, which places downward pressure on prices and margins and may adversely affect Valvolineâ€™s business and results of operations.Valvoline operates in a highly competitive market, competing against a wide variety of companies across the automotive services industry. Competition is based on several key criteria, including brand recognition, quality, price, customer service, and the ability to bring innovative services to the marketplace. Competitors include international, national, regional and local automotive repair and maintenance shops, automobile dealerships, and oil change shops. Certain competitors are larger than Valvoline and have greater financial resources and more diversified portfolios, leading to greater operating and financial flexibility. As a result, these competitors may be better able to withstand adverse changes in conditions within the industry, market dynamics, the price of supplies or general economic conditions. In addition, competitorsâ€™ pricing decisions could compel Valvoline to decrease its prices, which could negatively affect Valvolineâ€™s margins and profitability.Rising and volatile supply costs and supply chain constraints or disruptions could adversely affect Valvolineâ€™s results of operations.Valvolineâ€™s service center locations require large quantities of automotive products and supplies. The Companyâ€™s success depends in part on the ability to anticipate and react to changes in supply costs, and the Company is susceptible to increases in primary and secondary supply costs as a result of factors beyond its control. These factors include general economic conditions, including recessions, significant variations in supply and demand, potential increases in taxes and tariffs, pandemics, armed conflicts, war, weather conditions, currency fluctuations where Valvoline operates, commodity market speculation, labor strikes, including rail strikes, and government regulations. For example, Valvolineâ€™s supplier for air filters experienced supply constraints in fiscal 2024 leading to delivery delays to Valvoline until the supplier was able to diversify its supply chain, which impacted non-oil change revenue in the first half of fiscal 2024. Additionally, the International Longshoremanâ€™s Association (â€œILAâ€) union of maritime workers contract expired on September 30, 2024 without a renewed contract negotiated until early October 2024, resulting in a brief labor strike. A more lengthy strike from the ILA could have had a negative impact on Valvolineâ€™s suppliers resulting in an unfavorable impact to product availability and cost and negatively impacted the Companyâ€™s consolidated results of operations. Higher product and supply costs could reduce the Companyâ€™s profits, which in turn may adversely affect the business and results of operations for both company-operated and franchised stores. Additionally, should conditions such as supply chain congestion or availability related to severe weather or climate conditions become severe or last for an extended period of time, Valvoline's inventory of supplies may not be sufficient to meet customer demands. Government regulations related to the manufacture or transport of products provided by the supplier may also impede Valvolineâ€™s ability to obtain those supplies on commercially reasonable terms. If Valvoline is unable to obtain and retain product supply under commercially acceptable terms, its ability to deliver services in a competitive and profitable manner or grow its business successfully could be adversely affected.15Demand for Valvolineâ€™s services could be adversely affected by spending trends, declining economic conditions, industry trends and a number of other factors, all of which are beyond its control.Demand for Valvolineâ€™s services may be affected by a number of factors it cannot control, including the number and age of vehicles in current service, regulation and legislation, technological advances in the automotive industry and changes in engine technology, including the adoption rate of electric or other alternative engine technologies, changing automotive OEM specifications and longer recommended intervals between services. In addition, during periods of declining economic conditions, including recessions, customers may defer vehicle maintenance. Similarly, increases in energy prices or other factors may cause miles driven to decline, resulting in less vehicle wear and tear and reducing demand for maintenance, which may lead to customers deferring or foregoing Valvolineâ€™s services. All of these factors, which impact metrics such as drain intervals and vehicles served per day, could result in a decline in the demand for Valvolineâ€™s services and adversely affect its sales, cash flows and overall financial condition.Failure to develop and market new services and technologies could impact Valvolineâ€™s competitive position and have an adverse effect on its business and results of operations.Valvolineâ€™s efforts to respond to changes in customer demand in a timely and cost-efficient manner to drive growth could be adversely affected by difficulties or delays in service innovation, including the inability to identify or gain market acceptance of new service techniques. Due to the rigorous development process and intense competition, there can be no assurance that any of the services Valvoline is currently developing, or could develop in the future, will achieve substantial commercial success. Moreover, Valvoline may experience operating losses for new services after they are introduced and commercialized because of start-up costs or lack of demand.The automotive maintenance service industry is subject to periodic technological change and ongoing product improvements. The adoption of electric vehicles is increasing, which reduces demand for lubricant services, but expands the opportunity for other services required by electric vehicles, including coolants, fluids and greases. If Valvoline is unable to develop and market services for electric vehicles, its business and results of operations could be adversely impacted. As automotive technologies evolve, Valvoline could be required to comply with any new or stricter laws or regulations, which could require additional expenditures by Valvoline that could adversely impact business results.Damage to Valvolineâ€™s brand and reputation could have an adverse effect on its business.Maintaining Valvolineâ€™s strong reputation with customers is a key component of its business. Liability claims, false advertising claims, service complaints, and governmental investigations could result in substantial and unexpected expenditures and affect consumer or customer confidence in Valvoline's services, which may materially and adversely affect its business operations, decrease sales and increase costs. Additionally, as customers are shifting to more environmentally-conscious electric and hybrid vehicles, the inability of Valvoline to continue its development of new services to adapt to those changing demands could affect the Company's reputation as an environmentally friendly choice for vehicle care and could reduce demand for its services. Further, legislators, customers, investors and other stakeholders are increasingly focusing on environmental, social and governance policies of companies. This focus could result in new or increased legislation or disclosure requirements. In the event that such requirements result in increased costs or a negative perception of the Company, there could be an adverse effect on the business or its results of operations.If allegations are made that Valvolineâ€™s automotive maintenance services were not provided in a manner consistent with its vision and values, the public may develop a negative perception of Valvoline, its brands, image and reputation. In addition, if Valvolineâ€™s franchise or Express Care operators experience service failures or do not successfully operate their service centers in a manner consistent with Valvolineâ€™s standards, its brand, image and reputation could be harmed, which in turn could negatively impact its business and operating results. A negative public perception of Valvolineâ€™s brands, whether justified or not, could impair its reputation, involve it in litigation, damage its brand equity and have a material adverse effect on its business. In addition, damage to the reputation of Valvolineâ€™s competitors or others in the automotive maintenance services industry could negatively impact Valvolineâ€™s reputation and business.16In connection with the sale of Global Products, the parties entered into a brand agreement (the â€œBrand Agreementâ€). Pursuant to the Brand Agreement, Valvoline retains ownership of the Valvoline brand for generally all retail services purposes, and Global Products owns the brand for all product uses. The brand sharing arrangement may increase the risk of inconsistency in its use, messaging, or overall damage to the brand, which could have an adverse impact on Valvolineâ€™s reputation and business and result in lengthy and expensive litigation or settlements. Risks related to executing Valvolineâ€™s strategyValvoline has set aggressive growth goals for its business, including increasing sales, cash flow, market share, margins and number of service center stores, to achieve its long-term strategic objectives. Execution of Valvolineâ€™s growth strategies and business plans to facilitate that growth involves a number of risks.Valvoline has set aggressive growth goals for its business to meet its long-term strategic objectives and improve shareholder value by aggressively growing through new store development, opportunistic acquisitions and increased emphasis on franchise development. Valvolineâ€™s failure to meet one or more of these goals or objectives could negatively impact its business. Aspects of that risk include, among others, changes to the global economy, availability of or failure to identify acquisition targets or real estate for new stores to grow the Companyâ€™s network of retail service center stores, real estate and construction costs or delays limiting new store growth, changes to the competitive landscape, including those related to automotive maintenance recommendations and customer preferences, entry of new competitors, attraction and retention of skilled employees, failure to successfully develop and implement digital platforms to support the Companyâ€™s growth initiatives, failure to comply with existing or new regulatory requirements, failure to maintain a competitive cost structure and other risks outlined in greater detail in this â€œRisk Factorsâ€ section.Another component of the Companyâ€™s network growth strategy is dependent on the success of recent refranchising activities taken during fiscal 2024 and planned for early fiscal 2025. Failure to achieve the expected benefits of the refranchising transactions could negatively impact the Companyâ€™s operating results and its overall long-term strategic growth objectives, including accelerating franchise store growth. In addition, if the Companyâ€™s franchise partners are unsuccessful in continuing productivity and growth objectives within their respective markets, the Companyâ€™s business results could be adversely affected. Valvoline has also guaranteed future lease commitments related to certain refranchised stores and the Companyâ€™s operating results could be negatively impacted by any increased rent obligations to the extent the franchisees default on such lease agreements.Valvoline's performance is also highly dependent on attracting and retaining appropriately qualified employees in its service center stores and supporting and corporate teams. A tight labor market in recent years has led to challenges in staffing service center stores due to labor shortages as a number of trends conflate reflecting changing demographics, governmental policies, employee sentiment, and technological change. In response, Valvoline made labor investments and enhanced its recruiting programs to attract new employees. As trends in the labor market evolve, the Company may experience future challenges in recruiting and retaining talent in various locations. Valvoline operates in a competitive labor market, and failure to recruit or retain qualified employees in the future, or the Company's inability to implement corresponding adjustments to its labor model, including compensation and benefit packages, could impair the Company's ability to grow and meet its strategic goals. Valvoline may be unable to execute its growth strategy, and acquisitions, investments and strategic partnerships could result in operating difficulties, dilution and other harmful consequences that may adversely impact Valvolineâ€™s business and results of operations.Acquisitions are an important element of Valvolineâ€™s overall growth strategy. Valvoline has completed a significant number of acquisitions in recent years and has developed a pipeline of future viable targets expected to complement the Companyâ€™s growth initiatives. An insufficient quantity of strategic acquisition targets in the marketplace with limited targets remaining, or the inability of Valvoline to successfully acquire those targets, may have a negative impact on Valvoline's ability to achieve its future growth projections. Valvoline expects to continue to evaluate and enter into discussions regarding a wide array of potential strategic transactions and to continue to grow organically and through acquisitions. An inability to execute these plans could have an adverse impact on Valvolineâ€™s financial condition and results of operations. In addition, the anticipated benefits of Valvolineâ€™s acquisitions may not be realized and the process of integrating an acquired company, business, or product may create unforeseen operating difficulties or expenditures. 17Valvolineâ€™s acquisitions, investments and strategic partnerships could also result in dilutive issuances of its equity securities, the incurrence of debt, contingent liabilities or amortization expenses, impairment of goodwill or purchased long-lived assets and restructuring charges, any of which could harm its financial condition, results of operations and cash flows. The business model for Valvoline is affected by the financial results of its franchisees.Valvolineâ€™s business is made up of a network of both company-operated and franchised stores. Valvolineâ€™s success relies in part on the operational and financial success, as well as the cooperation of, its franchisees to implement the Companyâ€™s growth strategy, which may be dependent upon their ability to secure adequate financing to meet store development requirements. However, Valvoline has limited influence over its franchiseesâ€™ operations and the quality of franchised store operations may be diminished by a number of factors beyond the Companyâ€™s control. Valvolineâ€™s franchisees manage their businesses independently and are responsible for the day-to-day operations of 53% of the Companyâ€™s system-wide service center stores as of SeptemberÂ 30, 2024. Valvolineâ€™s royalty, product, and other revenues from franchised stores are largely dependent on franchisee sales and compliance with franchise agreements. Valvolineâ€™s revenues and margins could be negatively affected should franchisees experience limited or no sales growth, or if the franchisee fails to renew its franchise agreements or otherwise fulfill its obligations under negotiated business development, franchise, or supply agreements with Valvoline. Additionally, if the franchisees are impacted by weak economic conditions and are unable to secure adequate sources of financing, their financial health may worsen, and Valvolineâ€™s revenues may decline. If sales or business performance trends worsen for franchisees, their financial results may deteriorate, which could result in, among other things, store closures, delayed or reduced royalties and purchases and reduced growth in the number of service center stores.Valvolineâ€™s success also depends on the willingness and ability of its independent franchisees to implement major initiatives, which may require additional investment by them, and to remain aligned with Valvoline on operating, promotional and capital-intensive reinvestment plans. The ability of Valvolineâ€™s franchisees to contribute to the achievement of Valvolineâ€™s overall plans is dependent in large part on the availability of financing to its franchisees at reasonable interest rates and may be negatively impacted by the financial markets in general or the creditworthiness of individual franchisees. The size of Valvolineâ€™s largest franchisees creates additional risk due to their importance to the Companyâ€™s growth strategy, requiring their cooperation and alignment with Valvolineâ€™s initiatives. Furthermore, if the franchisees are not able to obtain the financing necessary to complete planned remodel and construction projects, they may be forced to postpone or cancel such projects, impacting the Companyâ€™s ability to grow and expand the Valvoline retail footprint.Risks related to operating Valvoline's businessThe Companyâ€™s recently implemented enterprise resource planning (â€œERPâ€) system has adversely impacted Valvolineâ€™s internal controls 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 Valvolineâ€™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 Companyâ€™s continued growth. A material weakness in internal control over financial reporting arose in connection with the Companyâ€™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 Valvolineâ€™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, including the planned implementation of a human resources information system expected in fiscal 2025, exposes the Company to additional risks and 18possible continued disruptions. This includes 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 managementâ€™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 9A, Controls and Procedures, which substantial progress has been made during 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 system. If this remediation fails or other material weaknesses arise, it may adversely affect operating results, the trading price of Valvolineâ€™s common stock, internal control over financial reporting, or the ability to effectively manage the business. Changes in economic conditions that impact customer spending could harm Valvolineâ€™s business.Economic downturns, including a recession, may reduce customer demand or inhibit Valvolineâ€™s ability to provide its services. Valvolineâ€™s business and operating results are sensitive to declining economic conditions, credit market tightness, declining customer and business confidence, volatile exchange and interest rates, continuing inflation and other challenges, including those related to acts of aggression or threatened aggression that can affect the economy and financial markets. In the event of adverse developments or stagnation in the economy or financial markets, Valvolineâ€™s customers may defer vehicle maintenance, oil changes, or other services, may repair and maintain their vehicles themselves or be unable to obtain credit reducing their ability to spend. In a prolonged economic downturn or recession, these risks and uncertainties could have a material negative impact on Valvolineâ€™s business, financial condition and results of operations. The severity and duration of a downturn in economic and financial market conditions, as well as the timing, strength, and sustainability of a recovery, are unknown and are not within the Companyâ€™s control. If the U.S. economy were to enter a recession, the recessionary risks discussed above and elsewhere within these risk factors could be more pronounced in such an economic climate. Economic weakness and uncertainty may cause changes in customer preferences and habits, and if such economic conditions persist for an extended period of time, this may result in customers making long-lasting changes to their spending behaviors, which could unfavorably impact Valvolineâ€™s business, its results of operations and cash flows. Additionally, during periods of favorable economic conditions, customers may be more likely to purchase new vehicles rather than maintaining and servicing older vehicles, which could also have an adverse impact on Valvolineâ€™s business, results of operations, cash flows and strategic objectives.If Valvoline does not attract, train and retain quality employees in appropriate numbers, including key employees and management, performance could be adversely affected.Valvolineâ€™s performance is dependent on recruiting, developing, training, and retaining quality and diverse service center employees in large numbers. Valvolineâ€™s service centers positions are subject to high rates of turnover. Valvolineâ€™s ability to meet labor needs while controlling costs is subject to external factors, such as unemployment levels, prevailing wage rates, wage legislation, and changes in rules governing eligibility for overtime and changing demographics. In the event of increasing wage rates, if Valvoline does not increase wages competitively, staffing levels and customer service could suffer because of declining workforce quality. Valvolineâ€™s earnings could decrease if wage rates increase, whether in response to market demands or new wage legislation, and Valvoline is unable to adjust pricing to offset the additional costs. In addition, inflation and economic uncertainty may negatively impact Valvolineâ€™s ability to attract and retain employees.Valvolineâ€™s success also depends on the efforts of key management personnel. Valvolineâ€™s failure to develop an adequate succession plan for one or more of these key positions could reduce Valvolineâ€™s institutional knowledge base and competitive advantage during a transition. The loss or limited availability of the services of one or more key management personnel, or Valvolineâ€™s inability to recruit and retain qualified diverse candidates in the future, 19could, at least temporarily, have an adverse effect on Valvolineâ€™s operating results and financial condition. Additionally, turnover in other key positions can disrupt progress in implementing business strategies, result in a loss of institutional knowledge, cause greater workload demands for remaining team members and divert attention away from key areas of the business, or otherwise negatively impact the Companyâ€™s growth prospects or future operating results. Valvoline uses information technology systems to conduct business, and a cybersecurity threat, data breach, security incident, failure of a key information technology system, or inability to enhance its capabilities could adversely affect Valvolineâ€™s business and reputation.Valvoline relies on its information technology systems, including systems which are managed or provided by third-party service providers, to conduct its business. The Companyâ€™s point-of-sale platforms for company-operated and franchisee retail stores could be subject to cybersecurity threats, service outages, or data breaches, such as the July 2024 software update by CrowdStrike Holdings, Inc., a cybersecurity technology company, which caused a global information technology outage. This incident required temporary manual processes to maintain operations. Although it was brief and did not have a material impact to business, Valvolineâ€™s business was adversely impacted by the outage and slowed service. Similar software-induced interruptions or any security breach involving the point-of-sale or other systems within the Valvoline network could harm business operations, result in a loss of consumer confidence, or cause costs to be incurred associated with data recovery, investigation, remediation, and data breach notification obligations required under data privacy laws, which can be significant and vary by jurisdiction. Despite employee training and other measures to mitigate them, cybersecurity threats to its information technology systems, and those of its third-party service providers, are increasing and becoming more advanced and cyber incidents have occurred and could occur as a result of unauthorized access, business email compromise, viruses, malicious code, ransomware, phishing, organized cyber-attacks, social engineering, break-ins, and security breaches due to error or misconduct by its employees, contractors or third-party service providers. The cyber incidents that have occurred have not resulted in a material loss to Valvoline; however, a material breach of or failure of Valvolineâ€™s information technology systems, including systems in which data is stored or may be transferred across third-party platforms, could lead to the loss and destruction of trade secrets, confidential information, proprietary data, intellectual property, customer and supplier data, and employee personal information, and could disrupt business operations which could adversely affect Valvolineâ€™s relationships with business partners and harm its brands, reputation and financial results. Valvolineâ€™s customer and vendor data may include names, addresses, phone numbers, email addresses and payment account information, among other information. Depending on the nature of the data that is compromised, Valvoline may also have obligations to notify individuals, regulators, law enforcement or payment companies about the incident and may need to provide some form of remedy. Valvoline could also face fines and penalties should it fail to adequately notify affected parties pursuant to new and evolving privacy laws in various jurisdictions in which it does business, as outlined in greater detail in the "Regulatory, legal, and financial risks" section below.Valvoline is continuing to expand, upgrade and develop its information technology capabilities, including, the Companyâ€™s core ERP system. If the Company is unable to adequately transition its information technology organizationâ€™s skills and capabilities rapidly enough, including the ability to capitalize on the advancements in Artificial Intelligence software and platforms, it may not effectively support the modernization of Valvolineâ€™s technology architecture and environment. This could hinder Valvolineâ€™s ability to keep pace with its growth and digital initiatives for the consumer-oriented, data driven, mobility enabled nature of the business. Consequently, this might inhibit Valvolineâ€™s ability to meet stakeholder needs and preferences. Business disruptions from natural, operational and other catastrophic risks could seriously harm Valvolineâ€™s operations and financial performance. In addition, a catastrophic event at one of Valvolineâ€™s service center stores or involving its services or employees could lead to liabilities that could further impair its operations and financial performance.Business disruptions, including those related to operating hazards inherent in servicing vehicles, natural disasters, severe weather conditions, climate change, supply or logistics disruptions, increasing costs for energy, temporary store and/or power outages, information technology systems and network disruptions, cybersecurity breaches, terrorist attacks, armed conflicts, war, pandemic diseases, fires, floods or other catastrophic events, could harm Valvolineâ€™s operations as well as the operations of Valvolineâ€™s customers and suppliers, and may adversely impact Valvolineâ€™s financial performance. Although the impact to the Companyâ€™s results of operations and financial 20condition were not material, the recent hurricanes Beryl, Helene and Milton caused certain company-operated and franchised service center stores to temporarily pause operations for a period of time for safety and evacuations, in addition to being impacted by intermittent connectivity issues and limited damage to stores. In these cases when the stores remain open, they often rely upon manual processes which can slow service times and minimize transactions, or in the cases where the stores have to close for a period of time, the inability to service customers until the stores are safe to operate. Although it is impossible to predict the occurrence or consequences of any such events, they could result in reduced demand for Valvolineâ€™s services or make it difficult or impossible for Valvoline to deliver services to its customers. In addition to leading to a disruption of Valvolineâ€™s businesses, a catastrophic event at one of Valvolineâ€™s service center stores or involving its employees could lead to substantial legal liability to or claims by parties allegedly harmed by the event.While Valvoline maintains business continuity plans that are intended to allow it to continue operations or mitigate the effects of events that could disrupt its business, Valvoline cannot provide assurances that its plans would fully protect it from all such events. In addition, insurance maintained by Valvoline to protect against property damage, loss of business and other related consequences resulting from catastrophic events is subject to significant retentions and coverage limitations, depending on the nature of the risk insured. This insurance may not be sufficient to cover all of Valvolineâ€™s damages or damages to others in the event of a catastrophe. In addition, insurance related to these types of risks may not be available now or, if available, may not be available in the future at commercially reasonable rates.Pandemics, epidemics or disease outbreaks may disrupt Valvolineâ€™s business and operations, which could materially affect Valvolineâ€™s financial condition, results of operations and forward-looking expectations.Disruptions caused by pandemics, epidemics or disease outbreaks, such as COVID-19, in the United States or Canada, could materially affect Valvoline's results of operations, financial condition and forward-looking expectations. These events could impact Valvoline's business, particularly as it relates to congestion in the supply chain and related cost, as well as disruptions in the labor market. The Company could experience reduced traffic and sales volume due to changes in customer behavior as individuals may decrease automobile use and practice social distancing and other behavioral changes which may be mandated by governmental authorities or independently undertaken out of an abundance of caution. The extent to which these events could impact Valvoline's business results and operations depends upon the duration and severity, emerging variants, vaccine and booster effectiveness, public acceptance of safety protocols, and governmental measures, including vaccine mandates, among others. Worsening conditions in the severity and spread of pandemics, epidemics, or disease outbreaks, could result in the resurgence of lockdowns or stay-at-home guidelines which could adversely affect Valvolineâ€™s ability to implement its growth plans, including, without limitation, delay the construction or acquisition of service center stores, or negatively impact Valvolineâ€™s ability to successfully execute plans to enter into new markets; reduce demand for Valvolineâ€™s services; affect the ability and cost to attract and retain talent within the labor market; reduce sales or profitability; negatively impact Valvolineâ€™s ability to maintain operations; or lead to significant disruption of financial markets in which the Company operates, and may reduce Valvolineâ€™s ability to access capital and, in the future, negatively affect the Companyâ€™s liquidity.The limited diversification of Valvolineâ€™s operations subjects it to risks.Historically, Valvoline has been able to take advantage of its size and global reach as a combined products and services company. The sale of Global Products reportable segment during fiscal 2023 resulted in Valvoline being a smaller, less diversified company, potentially making it more vulnerable to changing market, regulatory and economic conditions. Following completion of the sale of Global Products, Valvoline is more concentrated geographically in the U.S. and Canada and in serving the automotive aftermarket through company-operated, independent franchise and Express Care stores that service vehicles with Valvoline products. In addition, as a smaller company, Valvoline may be unable to obtain goods or services at prices or on terms that are as favorable as those obtained by Valvoline prior to the sale of Global Products, and Valvolineâ€™s ability to absorb costs or unexpected expenses whether due to contingencies or other risks as described herein, may be negatively impacted. Any of these factors could have an adverse effect on Valvolineâ€™s business, financial condition, results of operations, or cash flows. 21Operating in numerous locations in the U.S. and Canada increases the scrutiny on Valvolineâ€™s reputation for safety, quality, friendliness, trustworthy service, integrity and business ethics. Any negative publicity about these or other areas involving the business, including Valvolineâ€™s response or lack thereof to external events involving civil unrest, social justice, and political issues, whether or not based in fact, could damage Valvolineâ€™s reputation and the value of the brand. Regulatory, legal, and financial risksData protection requirements could increase operating costs and requirements and a breach in information privacy or other related risks could negatively impact operations.Valvoline is subject to federal, state and local laws, and regulations in the U.S. and Canada relating to the collection, use, retention, disclosure, security and transfer of personal data relating to its customers and employees. These laws and regulations, and their interpretation and enforcement continue to evolve and may be inconsistent from jurisdiction to jurisdiction. For example, the California Consumer Privacy Act ("CCPA") applies to Valvoline's activities conducted in the state of California. Valvoline is also subject to Canada data privacy laws, such as The Personal Information Protection and Electronic Documents Act (â€œPIPEDAâ€), due to operations throughout Canada. Complying with the CCPA, PIPEDA and other similar emerging and changing privacy and data protection requirements can be resource-intensive and may cause Valvoline to incur substantial costs as compliance requires investment in new processes, technologies, and training.Failure to protect customer personal data or comply with these legal obligations relating to privacy and data protection could damage Valvoline's reputation and affect its ability to retain and attract customers. Additionally, any failure or perceived failure by Valvoline or any third parties with which it does business, to comply with these privacy and data protection laws and regulations, or with respect to similar obligations to which Valvoline may be or become subject, may result in actions against Valvoline by governmental entities, private claims and litigation, fines, penalties or other liabilities. Any such action would be expensive to defend, damage Valvolineâ€™s reputation and adversely affect business, operating results, financial position and cash flows.The impact of changing laws or regulations or the manner of interpretation or enforcement of existing laws or regulations could adversely impact Valvolineâ€™s financial performance and restrict its ability to operate its business or execute its strategies.New laws or regulations, or changes in existing laws or regulations or the manner of their interpretation or enforcement, could increase Valvolineâ€™s cost of doing business and restrict its ability to operate its business or execute its strategies. This risk includes, among other things, compliance with a myriad of U.S. tax laws and regulations; franchise laws and regulations; securities laws and regulations; environmental laws and regulations; labor laws and regulations; anti-competition laws and regulations; product compliance regulations; anti-corruption and anti-bribery laws, including the Foreign Corrupt Practices Act (â€œFCPAâ€); anti-money-laundering laws; and other laws governing Valvolineâ€™s operations. Although Valvoline has implemented policies and procedures to ensure compliance with these laws and regulations, it cannot be sure that its policies and procedures are sufficient or that directors, officers, employees, representatives, consultants and agents have not engaged in, and will not engage in, conduct for which Valvoline may be held responsible, nor can Valvoline be sure that its business partners, including franchisees, have not engaged in, and will not engage in, conduct that could materially affect their ability to perform their contractual obligations to Valvoline or even result in Valvoline being held liable for such conduct. Violations of these laws or regulations may result in severe criminal or civil sanctions or penalties, or significant changes in existing laws and regulations may subject Valvoline to other liabilities, which could have a material adverse effect on its business, financial condition, cash flows and results of operations.Valvolineâ€™s substantial indebtedness may adversely affect its business, results of operations and financial condition.Valvoline has substantial indebtedness and financial obligations. As of SeptemberÂ 30, 2024, Valvoline had outstanding indebtedness of $1.094 billion and available borrowing capacity of $346.8 million under its revolving 22credit facility. Valvoline may incur substantial additional debt from time to time to finance working capital, capital expenditures, investments or acquisitions, or for other general corporate purposes. Valvoline's substantial indebtedness could adversely affect its business, results of operations and financial condition by, among other things: requiring Valvoline to dedicate a substantial portion of its cash flows to pay principal and interest on its debt, which would reduce the availability of its cash flow to fund working capital, capital expenditures, acquisitions, execution of its growth strategy and other general corporate purposes; limiting Valvolineâ€™s ability to borrow additional amounts to fund working capital, capital expenditures, acquisitions, debt service requirements, execution of its growth strategy and other general corporate purposes; making Valvoline more vulnerable to adverse changes in general economic, industry and regulatory conditions and in its business by limiting its flexibility in planning for or reacting to changing conditions; placing Valvoline at a competitive disadvantage compared with its competitors that have less debt and lower debt service requirements; making Valvoline more vulnerable to increases in interest rates since some of its indebtedness is subject to variable rates of interest; and making it more difficult for Valvoline to satisfy its financial obligations.In addition, Valvoline may not be able to generate sufficient cash flows to repay its indebtedness when it becomes due and to meet its other cash needs. If Valvoline is not able to pay its debts as they become due, it could be in default under the terms of its indebtedness. Valvoline might also be required to pursue one or more alternative strategies to repay indebtedness, such as selling assets, refinancing or restructuring its indebtedness or selling additional debt or equity securities. Valvoline may not be able to refinance its debt or sell additional debt or equity securities or its assets on favorable terms, if at all, and if it must sell its assets, it may negatively affect Valvolineâ€™s ability to generate revenues.Adverse developments and instability in financial institutions and markets may adversely impact Valvolineâ€™s business and financial condition.The global macroeconomic environment could be negatively affected by, among other things, disruptions to the banking system and financial market volatility resulting from bank failures and actions to reduce inflation. The Company utilizes and maintains material balances of cash and cash equivalents, therefore is reliant on banks and financial institutions to safeguard and allow ready access to these assets. Specifically, the Company has $68.3 million of cash and cash equivalents as of SeptemberÂ 30, 2024 held by various financial institutions. The failure of a bank, or other adverse conditions in the financial markets, impacting the institutions or counterparties with which the Company, or its customers or vendors, maintain deposits or financing activities, could impact Valvolineâ€™s timely access to liquid assets or its financial performance. There are no assurances or guarantees that deposits greater than the Federal Deposit Insurance Corporation limits will be protected by the U.S. government or that any bank, government or financial institution will be able to obtain the needed liquidity in the event of a failure or similar crisis. If financial institutions are unable to provide timely access to deposits and funds, the Company, its vendors, customers, or lenders could be required to seek additional sources of liquidity to maintain operating and cash requirements. As a result of uncertainty in the broader financial markets, there may be additional impacts to Valvolineâ€™s business that cannot be predicted at this time.Valvolineâ€™s pension and other postretirement benefit plan obligations are currently underfunded, and Valvoline may have to make significant cash payments to some or all of these plans, which would reduce the cash available for its business.In connection with Valvolineâ€™s separation from Ashland, Valvoline assumed certain of Ashlandâ€™s historical pension and other postretirement benefit plans and related liabilities. The most significant of these plans, the U.S. qualified pension plans, are estimated to be underfunded by $51.5Â million as of SeptemberÂ 30, 2024. The funded status of Valvoline's pension plans is dependent upon many factors, including returns on invested assets, the level of certain market interest rates and the discount rate used to determine pension obligations. Valvoline has taken a number of actions to reduce the risk and volatility associated with the pension plans; however, changing market conditions or laws and regulations could require material increases in the expected cash contributions to these plans in future years. Specifically, unfavorable returns on plan assets or unfavorable changes in applicable laws or regulations could materially change the timing and amount of required plan funding. In addition, a decrease in the discount rate used to determine pension obligations could result in an increase in the valuation of pension obligations, which could affect the reported funded status of Valvolineâ€™s pension plans and future contributions. Similarly, an increase in discount rates could increase the periodic pension cost in subsequent fiscal years. If any of these events occur, 23Valvoline may have to make cash payments to its pension plans to satisfy minimum funding requirements, which based on current data and assumptions, are not expected for at least the next five years. If such payments are required, it would reduce the cash available for Valvolineâ€™s business. Finally, Valvolineâ€™s policy to recognize changes in the fair value of the pension assets and liabilities annually and as otherwise required through mark to market accounting could result in volatility in Valvolineâ€™s earnings, which could be material.Valvoline may fail to adequately protect its intellectual property rights or may be accused of infringing the intellectual property rights of third parties.Valvoline relies heavily upon its trademarks, domain names and logos to market its brands and to build and maintain brand loyalty and recognition. The Companyâ€™s success depends on the continued ability of Valvolineâ€™s company-operated and franchised service center stores to use the intellectual property and on the adequate protection and enforcement of such intellectual property. Valvoline also relies on a combination of laws and contractual restrictions with employees, customers, suppliers, affiliates and others, to establish and protect its various intellectual property rights. There can be no assurance that steps taken to protect and maintain the rights in Valvolineâ€™s intellectual property will be adequate, or that third parties will not infringe, misappropriate or violate the intellectual property. If any efforts to protect the intellectual property are not adequate, or if any third party infringes, misappropriates or violates Valvolineâ€™s intellectual property, or if brand standards are not upheld in connection with the Brand Agreement, the value of its brands may be harmed. The occurrence of any of these events could result in the erosion of Valvolineâ€™s brands and limit its ability to market its brands using its various trademarks, cause Valvoline to lose such trade secrets, as well as impede its ability to effectively compete against competitors with similar products and services, any of which could adversely affect its business, financial condition and results of operations.From time to time, Valvoline has been subject to legal proceedings and claims, including claims of alleged infringement of trademarks, copyrights, patents and other intellectual property rights held by third parties. In the future, third parties may sue Valvoline for alleged infringement of their proprietary or intellectual property rights. In addition, litigation may be necessary to enforce Valvolineâ€™s intellectual property rights, protect its trade secrets or determine the validity and scope of proprietary rights claimed by others. Any litigation or other intellectual property proceedings of this nature, regardless of outcome or merit, could result in substantial costs and diversion of management and technical resources, or loss of rights in Valvolineâ€™s intellectual property, any of which could adversely affect Valvolineâ€™s business, financial condition and results of operations.Valvoline has incurred, and will continue to incur, costs as a result of Environmental Health and Safety (â€œEHSâ€) compliance requirements, which could adversely impact Valvolineâ€™s cash flow, results of operations or financial condition.Valvoline is subject to extensive federal, state, local and non-U.S. laws, regulations, rules and ordinances relating to pollution, protection of the environment and human health and safety, as well as the storage, handling, treatment, disposal and remediation of hazardous substances and waste materials. Valvoline has incurred, and will continue to incur, costs and capital expenditures to comply with these laws and regulations.EHS regulations change frequently, and such regulations and their enforcement have tended to become more stringent over time. Accordingly, changes in EHS laws and regulations and the enforcement of such laws and regulations could interrupt Valvolineâ€™s operations, require modifications to its facilities or cause it to incur significant liabilities, costs or losses that could adversely affect its profitability. Actual or alleged violations of EHS laws and regulations could result in restrictions or prohibitions on service center operations as well as substantial damages, penalties, fines, civil or criminal sanctions and remediation costs.Valvolineâ€™s business involves the purchase, storage and transportation of hazardous substances. Under some environmental laws, Valvoline may be strictly liable and/or jointly and severally liable for environmental damages caused by releases of hazardous substances and waste materials into the environment. For instance, under relevant laws and regulations Valvoline may be deemed liable for soil and/or groundwater contamination at sites it currently owns and/or operates even though the contamination was caused by a third party such as a former owner or operator, and at sites it formerly owned and operated if the release of hazardous substances or waste materials was caused by it or by a third party during the period it owned and/or operated the site. Valvoline also may be deemed liable for soil and/or groundwater contamination at sites to which it sent hazardous wastes for treatment or 24disposal, notwithstanding that the original treatment or disposal activity accorded with all applicable regulatory requirements.The Companyâ€™s Amended and Restated Articles of Incorporation (the â€œArticlesâ€) designate the Fayette County Circuit Court of the Commonwealth of Kentucky as the sole and exclusive forum for substantially all disputes between the Company and its shareholders, which may limit a shareholderâ€™s ability to bring a claim in a favorable judicial forum for disputes with the Company and its directors, officers or employees.The Companyâ€™s Articles specify that the Fayette County Circuit Court of the Commonwealth of Kentucky shall be the sole and exclusive forum for any derivative action or proceeding brought on behalf of the Company, any action asserting a breach of a fiduciary duty, any action asserting a claim arising pursuant to the Kentucky Business Corporation Act, or any action asserting a claim governed by the internal affairs doctrine. This exclusive forum provision does not apply to suits brought to enforce any duty or liability created by the Securities Exchange Act of 1934, as amended, (â€œExchange Actâ€) or by the Securities Act of 1933, as amended.The Company believes that the exclusive forum provision in the Articles benefits the Company by providing increased consistency in the application of Kentucky law for the specified types of actions and may benefit the Company by preventing it from having to litigate claims in multiple jurisdictions (and incur additional expenses) and be subject to potential inconsistent or contrary rulings by different courts, among other considerations. The exclusive forum provision in the Articles, however, may have the effect of discouraging lawsuits against Valvoline's directors, officers or employees as it could increase a shareholderâ€™s cost to bring a claim or limit a shareholderâ€™s ability to bring a claim in a judicial forum that it finds favorable for such claims. In connection with any applicable action brought against the Company, it is possible that a court could find the forum selection provisions contained in the Articles to be inapplicable or unenforceable in such action. If a court were to render such a finding, the Company may incur additional costs to resolve the action in other jurisdictions, which could adversely affect Valvolineâ€™s business, financial condition or results of operations.Risks related to the sale of the Global Products businessValvoline may be unable to achieve some or all of the strategic and financial benefits that it expects to achieve from the Transaction.In connection with completing the sale of its former Global Products reportable segment, Valvoline received net proceeds of $2.383 billion. Valvoline focused on accelerating the return of capital to shareholders through share repurchases, reductions of debt, and investments in attractive retail service growth opportunities. In connection with the sale of Global Products and the use of the net proceeds, Valvoline expects to drive growth and shareholder value as a best-in-class, pure-play automotive retail service provider. The anticipated operational, financial, strategic and other benefits may not be achieved from the Transaction, which could have an adverse impact on Valvolineâ€™s business, financial condition and results of operations. The anticipated benefits are based on a number of assumptions, some of which may prove incorrect and could be affected by a number of factors beyond Valvolineâ€™s control, including without limitation, general economic conditions, increased operating costs, challenges in separating the businesses information technology infrastructure and processes, regulatory developments and the other risks described in these risk factors. Valvoline is dependent on Global Products for its product supply and certain remaining transition services and certain indemnities have been agreed to with the Buyer, for which the Company may be negatively impacted if Global Products is unable to provide these products and services or is unable to satisfy its indemnification obligations.In connection with the sale of Global Products in fiscal 2023, the parties entered into a Supply Agreement and an agreement for certain transition services. Pursuant to the Supply Agreement, Valvoline purchases substantially all lubricant and certain ancillary products for its stores from Global Products and certain transition services remain in place, which includes limited information technology support expected to continue through early calendar year 2025. Valvoline is dependent on Global Products for product supply and each party is reliant on one another for the remaining transition services. Any interruption, delay, quality issue or other failure in product supply or service could 25adversely affect the business and results of operations and result in disputes between the parties. In addition, if either party has issues or delays with finalizing the remaining transitions, Valvoline may not be able to operate its business effectively which could cause adverse effects to its financial condition, results of operations, or cash flows. As part of the sale of Global Products, the parties agreed to indemnify and reimburse one another for various matters, which include tax indemnities. Each business will be responsible for taxes related to its operations, breaches of its tax covenants, and its share of transfer taxes, while Valvoline assumes responsibility for tax matters associated with the pre-closing reorganization. There is no guarantee that these indemnification arrangements will sufficiently protect Valvoline from potential exposures or liability claims from third parties, including taxing authorities. Additionally, there can be no assurance that Global Products can fulfill its indemnification obligations in the future. Valvoline could experience negative impacts on its business, financial position, and cash flows due to these risks.Risks related to Valvolineâ€™s separation from AshlandAshland has agreed to indemnify Valvoline for certain liabilities. However, there can be no assurance that the indemnity will be sufficient to insure Valvoline against the full amount of such liabilities, or that Ashlandâ€™s ability to satisfy its indemnification obligation will not be impaired in the future.Pursuant to the terms of the Separation Agreement and certain other agreements with Ashland, Ashland agreed to indemnify Valvoline for certain liabilities. However, third parties could also seek to hold Valvoline responsible for any of the liabilities that Ashland agreed to retain, and there can be no assurance that the indemnity from Ashland will be sufficient to protect Valvoline against the full amount of such liabilities, or that Ashland will be able to fully satisfy its indemnification obligations in the future. Even if Valvoline ultimately succeeded in recovering from Ashland any amounts for which Valvoline is held liable, Valvoline may be temporarily required to bear these losses. Each of these risks could negatively affect Valvolineâ€™s business, financial position, results of operations and cash flows.ITEM 1B.Â Â UNRESOLVED STAFF COMMENTSNone.ITEM 1C.Â Â CYBERSECURITYValvoline is committed to protecting information that is valuable to customers and critical to business operations from unauthorized access and disclosure by devoting significant resources to protecting information systems and data through investing in people, technology, and processes to protect data and systems against evolving cybersecurity threats. A cybersecurity program has been designed and implemented that is believed to reasonably manage risks from cybersecurity threats and enable the Company to prevent, monitor, identify, detect, investigate, respond to, mitigate, and report on threats and incidents.Cybersecurity governanceValvoline has adopted a cross-functional and multi-management level approach to assessing and managing risks arising from cybersecurity threats. The Audit Committee of the Board (the â€œAudit Committeeâ€) oversees the Companyâ€™s enterprise risk management program. As part of this oversight, the Audit Committee has primary responsibility for overseeing risks related to cybersecurity, although the Board retains ultimate oversight over these risks. The Audit Committee reviews and discusses cybersecurity risks along with the Companyâ€™s cybersecurity programs and strategy with management. The Audit Committee receives reports and presentations from the Senior Vice President and Chief Technology Officer (â€œCTOâ€) and Senior Director of Information Security during bi-annual meetings, and as needed, on a range of topics including, but not limited to, the cybersecurity program and processes, information systems, business risk identification and mitigation strategies, strategic updates, operational matters, the evolving cybersecurity threat landscape, regulatory developments, and notable incidents or threats affecting the Company.26The CTO, who serves as the Chief Information Security Officer (â€œCISOâ€) for the Company, is the primary executive responsible for leading the Companyâ€™s cybersecurity risk management program and has over 25 years of experience in various technology-related roles, including responsibilities related to managing information security, developing cybersecurity strategy, and implementing cybersecurity programs. The Companyâ€™s Computer Security Incident Response Team (â€œCSIRTâ€) has primary responsibility for monitoring and enacting the incident response program and is led by the Senior Director of Information Security who reports to the CTO.The CSIRT receives direction and guidance from various departments including operations, information technology, communications, legal, and human resources while being responsible for maintaining and operating incident response capabilities at Valvoline by collecting, aggregating, and analyzing detected alerts and events from computer systems across the enterprise. Valvolineâ€™s CSIRT meets at least quarterly, and more frequently as appropriate, to review and discuss the Companyâ€™s cybersecurity program. The CSIRT has the authority and system entitlements to confiscate, isolate, or disconnect equipment; investigate suspicious activity; monitor usage; and disable system access in the proper execution of their duties. The CSIRT is responsible for declaring an incident and initiating escalation to the Incident Response Team (â€œIRTâ€). The IRT is responsible for coordinating incident response activities across functions and is comprised of cross-functional and multi-management level personnel including, but not limited to, the Senior Director of Information Security, CSIRT Manager, Chief Legal Officer, Chief Audit Executive, Privacy & Compliance Counsel, Chief Technology Officer, Head of Global Insurance, Director of Corporate Communications, Chief Financial Officer, Chief Operating Officer, Chief Human Resource Officer, and Head of Physical Security.The IRT is also responsible for reporting incidents, following Valvolineâ€™s Information Security Incident Response Plan (â€œIRPâ€), in accordance with legal requirements, coordinating external communications, and setting information sharing restrictions. Other departments or individuals may be engaged according to the specific nature of the incident and will operate at the direction of the IRT. Valvolineâ€™s Senior Director of Information Security is responsible for the implementation of, and amendments to, the IRP and supporting procedures.Risk management and strategyValvoline has developed and implemented a cybersecurity risk management program intended to protect the confidentiality, integrity, and availability of critical systems and information in addition to a cybersecurity incident response plan based on the National Institute of Standards (â€œNISTâ€) Cybersecurity Framework (â€œCSFâ€). The program applies, where appropriate, to the Companyâ€™s internal and external information systems, applications, networks, and operations which includes scanning, testing, and assessments designed to identify risks from cybersecurity threats. Management across various functional teams administer the enterprise risk management program, which is designed to identify, assess, and manage top enterprise risks, including risks arising from cybersecurity threats. Valvoline continually evaluates and makes updates to the Companyâ€™s cybersecurity programs to align with regulatory requirements and industry best practices in order to keep company-wide training initiatives related to cybersecurity risks robust and up to date.The IRP was designed to comprehensively leverage capabilities throughout the Company and to provide a standardized framework for responding to cybersecurity incidents by coordinating an approach to investigate, contain, mitigate, fix vulnerabilities, determine legally required responses or notifications, and document cybersecurity incidents including reporting and escalating findings as appropriate. The CSIRT, being responsible for incident response, assembles the IRT and assigns responsibilities based on the circumstances of the information security incident.Valvoline employs a risk-based approach to secure access to networks, systems, and applications for business partners and vendors receiving access to the environments and data. Business partners and vendors with whom information is shared to conduct business are required to safeguard it by appropriate means, including elevated contractual commitments when appropriate. The Company provides cybersecurity training to team members during onboarding and regularly thereafter and deploy technologies to automate and enhance operational security capabilities. In addition, Valvoline also uses third-party managed security services to augment the cybersecurity teamâ€™s capabilities.To date, risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected the Company, including the business strategy, results of operations or financial condition, and management does not believe that such risks are reasonably likely to have such an effect over the long term. 27However, due to evolving cybersecurity threats, and despite security measures taken, it may not be possible to anticipate, prevent, and stop future cybersecurity incidents, including attacks on information systems and data or those of relevant business partners. Additional information on cybersecurity risks identified is discussed in Item 1A of Part I, â€œRisk Factorsâ€, which should be read in conjunction with this Item 1C. Cybersecurity.ITEM 2.Â Â PROPERTIESValvoline is headquartered in Lexington, Kentucky, where the Company leases approximately 135,000 square feet of office and warehouse space to support operations across its business, which excludes certain properties that the Company currently subleases to others. In addition, Valvoline owns or leases the property associated with 950 company-operated retail service center stores under the Valvoline Instant Oil ChangeSM and Valvoline Great Canadian Oil Change brands throughout the United States and Canada, respectively. Valvolineâ€™s store leases typically have initial terms of up to 15 years with renewal options, exercisable at the Companyâ€™s discretion.Valvoline believes its physical properties are suitable and adequate for the Companyâ€™s business, and none of the property owned by Valvoline is subject to any major known encumbrances. Additional information regarding lease obligations may be found in Note 6 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Annual Report on Form 10-K.ITEM 3.Â Â LEGAL PROCEEDINGSFrom 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 11 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K.ITEM 4.Â Â MINE SAFETY DISCLOSURESNot applicable.28PART IIITEM 5.Â Â MARKET FOR REGISTRANTâ€™S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES Market informationValvoline common stock is listed on the NYSE and trades under the symbol â€œVVV.â€ As of NovemberÂ 19, 2024, there were approximately 7,400 registered holders of Valvoline common stock.Dividend policyThe Company currently does not anticipate declaring or paying any cash dividends for the foreseeable future. The declaration, amount and payment of any future dividends to holders of Valvoline common stock is at the sole discretion of Valvoline's Board of Directors (the â€œBoardâ€) after considering various factors, including Valvolineâ€™s financial condition, operating results, current and anticipated cash needs, cash flows, impact on Valvolineâ€™s effective tax rate, indebtedness, legal requirements and other factors that the Board considers relevant. In addition, the instruments governing Valvolineâ€™s indebtedness may limit the Companyâ€™s ability to pay dividends. Therefore, no assurance are given that Valvoline will pay any dividends to its shareholders, or as to the amount of any such dividends if the Board determines to do so. Stock performance graphThe following graph compares the cumulative total shareholder return on a $100 investment in Valvoline common stock, the S&P MidCap 400 Index, and the S&P MidCap 400 Specialty Retail Index for the period from September 30, 2019 to SeptemberÂ 30, 2024. This graph assumes an investment in Valvoline common stock and each index were $100 on September 30, 2019 and that all dividends were reinvested.29Years ended September 30Cumulative total returns20202021202220232024Valvoline Inc.$88.36Â $147.37Â $121.61Â $155.32Â $201.62Â S&P MidCap 400 Index$97.84Â $140.58Â $119.14Â $137.62Â $174.49Â S&P MidCap 400 Specialty Retail Index$110.75Â $187.47Â $126.52Â $142.05Â $203.20Â Purchases of Company common stockValvoline has returned value to shareholders through share repurchases, the timing and amount of which will be at the discretion of the Company and based on Valvolineâ€™s liquidity, general business and market conditions, and other factors, including alternative investment opportunities.Repurchases of the Companyâ€™s common stock during the three months ended SeptemberÂ 30, 2024 pursuant to the July 30, 2024 Board authorization to repurchase up to $400 million of common stock with no expiration date were:Fiscal periodTotal number of shares purchasedAverage price paid per shareTotal number of shares purchased as part of publicly announced plans or programsDollar value of shares that may yet be purchased under the plans or programs (in millions)July 1, 2024 - July 31, 2024â€”Â $â€”Â â€”Â $400.0Â August 1, 2024 - August 31, 202470,886Â $42.11Â 70,886Â $397.0Â September 1, 2024 - September 30, 2024299,082Â $40.75Â 299,082Â $384.8Â Total369,968Â $41.01Â 369,968Â ITEM 6.Â Â RESERVED30Index to Managementâ€™s Discussion and Analysis of Financial Condition and Results of OperationsPageBusiness Overview31Results of Operations - Consolidated Review35Financial Position, Liquidity and Capital Resources40New Accounting Pronouncements43Critical Accounting Estimates44ITEM 7.Â Â MANAGEMENTâ€™S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONSThe following discussion should be read in conjunction with the consolidated financial statements and the accompanying Notes to Consolidated Financial Statements included in Item 8 of Part II of this Annual Report on Form 10-K. Unless otherwise noted, disclosures herein relate solely to the Companyâ€™s continuing operations.BUSINESS OVERVIEW AND PURPOSEAs the quick, easy, trusted leader in automotive preventive maintenance, Valvoline is creating shareholder value by driving the full potential of 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 Companyâ€™s franchise partners keep customers moving with approximately 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 more than 2,000 service center locations through its Valvoline Instant Oil ChangeSM (â€œVIOCâ€) and Valvoline Great Canadian Oil Change (â€œGCOCâ€) retail locations and supports nearly 270 locations through its Express CareTM platform. Valvoline's fiscal year ends on September 30 of each year.31FISCAL 2024 OVERVIEWKey operating highlights from continuing operations are presented below, each of which is discussed more fully in this Annual Report on Form 10-K:12%Growth in Net revenues$367.2Â millionOperating income from continuing operations33%Growth in Diluted EPS$3.1Â billionSystem-wide store sales (a)$226.8 millionReturned to shareholders through share repurchases$282.9Â millionCash flows from operations2,010System-wide stores (a) with 8.5% annual growth18 yearsof consecutive system-wide same-store sales growth (b)16.5%Growth in adjusted EBITDA (c)(a)Measures include Valvoline franchisees, which are independent legal entities. Valvoline does not consolidate the results of operations of its franchisees.(b)Valvoline currently determines same-store sales growth as sales by U.S. VIOC stores (company-operated, franchised and the combination of these for system-wide same-store sales), with new stores, including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation. (c)Represents a non-GAAP measure. Refer to â€œUse of Non-GAAP Measuresâ€ and the Appendix for additional details.Summarized below are Valvoline's trends in the results of its continuing operations Net revenues, Income from continuing operations, and Adjusted EBITDA over the last five fiscal years: (a)Adjusted EBITDA is a non-GAAP measure, further described and defined within the â€œUse of Non-GAAP Measuresâ€ section below. Also refer to the â€œContinuing operations EBITDA and Adjusted EBITDAâ€ section within â€œResults of Operationsâ€ below for a reconciliation of income from continuing operations to Adjusted EBITDA for each fiscal year presented.Net revenues and Adjusted EBITDA trends have significantly increased over the past five fiscal years largely driven by strong system-wide same-store sales (â€œSSSâ€) growth, which benefited from increased transactions, higher average ticket, and continued non-oil change penetration, in addition to acquisitions and overall store expansion. Income from continuing operations has also followed an upward trend largely from strong top-line performance with the exception of fiscal 2022 where the decrease was primarily driven by a loss due to the remeasurement of pension and other postretirement plans, as well as higher separation-related expenses in connection with the planning and evaluation of the separation of the Companyâ€™s businesses that ultimately culminated in the sale of Global Products.32Results for Fiscal 2023 compared to Fiscal 2022For comparisons of Valvoline's consolidated results of operations and cash flows for the fiscal years endedSeptemberÂ 30, 2023 to SeptemberÂ 30, 2022, refer to Item 7 of Part II of the Annual Report on Form 10-K for the fiscal year ended SeptemberÂ 30, 2023, filed with the Securities and Exchange Commission on November 20, 2023.Use of Non-GAAP MeasuresTo aid in the understanding of Valvolineâ€™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 Annual Report on Form 10-K should be carefully evaluated. The following are the non-GAAP measures management has included and how management defines them:â€¢EBITDA - net income/loss, plus income tax expense/benefit, net interest and other financing expenses, and depreciation and amortization;â€¢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);â€¢Adjusted EBITDA margin - adjusted EBITDA divided by adjusted net revenues;â€¢Adjusted net revenues - reported net revenues adjusted for key items; â€¢Free cash flow - cash flows from operating activities less capital expenditures and certain other adjustments as applicable; andâ€¢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 â€œResults of Operationsâ€ and â€œFinancial Position, Liquidity and Capital Resourcesâ€ sections below. Management believes EBITDA measures provide a meaningful supplemental presentation of Valvolineâ€™s operating performance between periods on a comparable basis due to the depreciable assets associated with the nature of the Companyâ€™s operations as well as income tax and interest costs related to Valvolineâ€™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 Companyâ€™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. 33The 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 Valvolineâ€™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 â€œEBITDA and Adjusted EBITDAâ€ section of â€œResults of Operationsâ€ that follows.Key Business MeasuresValvoline 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. For the periods presented herein, SSS is defined as net revenues of 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. Beginning in fiscal 2025, management is updating its definition of same-store sales and in connection with this change, prior periods will be recast to present SSS on a consistent basis with the new approach. The new approach will define same stores at the beginning of the month following the completion of 12 full months in operation within the system to more closely conform with common retail practice. 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.34RESULTS OF OPERATIONSThe following summarizes the results of the Companyâ€™s continuing operations for the years ended September 30:2024 vs. 2023(In millions)20242023$%Net revenues$1,619.0Â $1,443.5Â $175.5Â 12.2Â %Gross profit$618.8Â $544.5Â $74.3Â 13.6Â %Gross profit margin38.2Â %37.7Â %50 bpsNet operating expenses$251.6Â $297.3Â $(45.7)(15.4)%Percentage of net revenues15.5Â %20.6Â %(510) bpsOperating income$367.2Â $247.2Â $120.0Â 48.5Â %Operating margin22.7Â %17.1Â %560 bpsIncome from continuing operations$214.5Â $199.4Â $15.1Â 7.6Â %EBITDA (a)$461.4Â $363.6Â $97.8Â 26.9Â %Adjusted EBITDA (a)$442.6Â $380.0Â $62.6Â 16.5Â %Adjusted EBITDA margin (a)27.3Â %26.3Â %100 bps(a)Refer to the â€œUse of Non-GAAP Measuresâ€ and Continuing operations EBITDA and Adjusted EBITDA for managementâ€™s definitions of the metrics presented above and reconciliation to the corresponding GAAP measures, where applicable. Fiscal 2024 marked the 18th consecutive year for system-wide SSS growth with 158 net store additions to the system. The table below highlights the growth over the last year:(In millions, except store count)Fiscal year 2024Growth vs.2023System-wide store sales (a)$3,104.3Â 12.4Â %System-wide store count (a)2,010Â 8.5Â %Years ended September 3020242023System-wide SSS growth (a)6.7Â %11.9Â %(a)Measures include Valvoline franchisees, which are independent legal entities. Refer to the â€œKey Business Measuresâ€ section above for additional details on these key business measures, including managementâ€™s definitions. Net revenuesNet revenues increased $175.5 million, or 12.2% over the prior year period primarily driven by improvements in volume, mix, and pricing. System-wide SSS growth increased 6.7% with the majority of the gains coming from ticket growth, driven by higher non-oil change penetration, pricing adjustments, and premiumization while transaction growth accounted for the remaining balance. Year-over-year system-wide store growth of 8.5% also contributed to net revenues and volumes through the addition of 158 net new stores. The following reconciles the year-over-year changes in Net revenues: 35Gross profitGross profit improved 13.6% year-over-year, largely driven by strong top-line growth from higher transaction volumes, increased average ticket, and continued store expansion. These benefits were partially offset by increased store operating costs, including depreciation, as well as higher labor and material expenses. The following reconciles the year-over-year changes in gross profit: Gross profit margin rate improved compared to the prior year, driven by increased labor efficiency from effective management, along with lower product costs as a percentage of sales. These benefits were partially offset by business mix and higher depreciation.Net operating expensesDetails of the components of Net operating expenses are summarized below for the years ended September 30:36Variance(In millions)20242023$%Selling, general and administrative expenses$305.1Â $264.5Â $40.6Â 15.3Â %Net legacy and separation-related (income) expenses(0.7)32.8Â (33.5)(102.1)%Other income, net(52.8)â€”Â (52.8)â€”Â %Net operating expenses$251.6Â $297.3Â $(45.7)(15.4)%Selling, general and administrative (â€œSG&Aâ€) expenses increased $40.6Â million compared to the prior year period. This increase reflects ongoing investments in growth, particularly related to the expansion of the stand-alone retail services business following the sale of Global Products in fiscal 2023. The higher costs were primarily driven by investments in stand-alone technology platforms, outside services, and implementation costs which together contributed an increase in expense of $23.8 million. Additionally, increased spending on advertising to attract and retain customers as well as investments in talent combined to increase expense by $16.8 million. Net legacy and separation-related activity was favorable compared to the prior year by $33.5Â million as a result of prior year expenses that generally did not recur. In fiscal 2023, $25.7Â million of expense was recognized due to the amendment of the tax matters agreement with Valvolineâ€™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 associated with the modification of certain unvested performance-based stock awards for the continuing operation in connection with the sale of Global Products. Other income, net increased by $52.8Â million primarily driven by a $41.8 million gain on sale of operations recognized from the sale of company-operated service center stores to franchisees and higher rental income of $1.7 million from subleasing portions of certain properties to Global Products, which only included a partial year of income in the prior year. The prior year also includes impairment charges of $9.2 million related to suspended operations and an investment that did not recur.Net pension and other postretirement plan expense (income)Net pension and other postretirement plan income decreased $39.3Â million from the prior year, primarily due to a lower current year gain on pension and other postretirement plan remeasurement of $2.4Â million compared to a gain of $41.6Â million in the prior year. The lower remeasurement gain was primarily attributed to a decline in discount rates, which was moderated by higher actual returns on plan assets in the current year compared to the prior year.Net interest and other financing expensesNet interest and other financing expense increased $33.6Â million during fiscal 2024, primarily due to a $26.9 million decrease in interest income following the maturity of invested net proceeds from the sale of Global Products. These investments began maturing in late fiscal 2023 and fully matured in the second quarter of fiscal 2024 and were utilized to complete the tender offer to repurchase 27.0 million shares of its common stock for $1.024Â billion (the â€œEquity Tender Offerâ€) in fiscal 2023. They were also utilized in fiscal 2024 to complete a tender offer (the â€œDebt Tender Offerâ€) for $598.3 million, or 99.7%, of the outstanding principal amount tendered by the holders of the 2030 Notes. Additionally, debt modification charges and related fees were $6.2 million higher, driven by the current yearâ€™s repurchase of the 2030 Notes, which resulted in the write-off of previously capitalized debt issuance costs and discounts, as well as third-party fees associated with the execution of the Debt Tender Offer, which were higher than those recognized in the prior year modification of the Senior Credit Agreement.37Income tax expenseThe following table summarizes Income tax expense and the effective tax rate during the years ended September 30:(In millions)20242023Income tax expense$69.1Â $37.1Â Effective tax rate percentage24.4Â %15.7Â %The higher effective tax rate in fiscal 2024 is primarily due to more normalized activity compared to the prior year period, which included a $29.0Â million income tax benefit. This benefit resulted from 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 Valvolineâ€™s former parent company. (Loss) income from discontinued operations, net of tax(Loss) income from discontinued operations, net of tax for the years ended September 30 are as follows:(In millions)20242023(Loss) income from discontinued operations, net of tax(3.0)1,220.3Â Earnings from discontinued operations declined $1.223 billion compared to the prior year primarily due to the recognition of an after-tax gain of $1.147 billion from the sale of the Global Products business in the prior year period, along with partial-year results from the underlying business in the pre-closing period. In contrast, the current year no longer reflects operational results from the underlying business and includes certain remaining costs to facilitate the separation of processes and systems, which were partially offset by favorable tax adjustments to the gain on sale. Continuing operations adjusted net revenuesThe following reconciles Net revenues to Adjusted net revenues for the years ended September 30: (In millions)Â 20242023Reported net revenues$1,619.0Â $1,443.5Â Key items:Suspended operations (a)â€”Â (0.2)Adjusted net revenues (b) (c)$1,619.0Â $1,443.3Â (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 is defined as net revenue adjusted for key items.(c)Represents a non-GAAP measure. Refer to â€œUse of Non-GAAP Measuresâ€ for managementâ€™s definitions of the metrics presented above.38Continuing operations EBITDA and Adjusted EBITDAThe following reconciles Income from continuing operations to EBITDA and Adjusted EBITDA for the years ended September 30: Â (In millions)Â 20242023202220212020Income from continuing operations$214.5Â $199.4Â $109.4Â $200.1Â $69.6Â Income tax expense69.1Â 37.1Â 34.7Â 59.9Â 53.4Â Net interest and other financing expenses71.9Â 38.3Â 69.3Â 108.3Â 92.1Â Depreciation and amortization105.9Â 88.8Â 71.4Â 62.1Â 40.5Â EBITDA from continuing operations (a)461.4Â 363.6Â 284.8Â 430.4Â 255.6Â Net pension and postretirement plan expense (income) (b)11.7Â (27.6)6.9Â (128.2)(54.9)Net legacy and separation-related (income) expenses (c)(0.7)32.8Â 20.5Â (23.6)(30.0)Information technology transition costs (d)10.4Â 3.0Â 2.6Â â€”Â â€”Â Investment and divestiture-related (income) costs (e)(40.2)1.1Â â€”Â â€”Â 1.3Â Suspended operations (f)â€”Â 7.1Â 0.9Â (1.5)(1.3)Restructuring and related adjustments (g)â€”Â â€”Â â€”Â (0.1)0.3Â Compensated absences benefits change (h)â€”Â â€”Â â€”Â â€”Â (4.9)Adjusted EBITDA from continuing operations (a)$442.6Â $380.0Â $315.7Â $277.0Â $166.1Â (a)EBITDA from continuing operations is defined as income from continuing operations, plus income tax expense, net interest and other financing expenses, and depreciation and amortization attributable to continuing operations. Adjusted EBITDA from continuing operations is EBITDA adjusted for key items attributable to continuing operations.(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 10 in the Notes to Consolidated Financial Statements in Item 8 of Part II in this Annual Report on Form 10-K for further details.(c)Activity associated with legacy businesses, including the separation from Valvolineâ€™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 Companyâ€™s continuing operations. During fiscal three months ended September 30, 2023, the Company recognized $25.7Â million of pre-tax expense to reflect its increased estimated indemnity obligation which also resulted in an income tax benefit of $29.0Â million to reflect the release of valuations allowances in connection with the amendment of the Tax Matters Agreement with Valvolineâ€™s former parent company.(d)Consists of expenses incurred related to the Companyâ€™s information technology transitions, primarily related to implementing stand-alone enterprise resource planning and human resource information systems during fiscal years 2023 and 2024. These expenses include data conversion, temporary support, training, and redundant expenses incurred from duplicative technology platforms, which are incremental costs directly associated with technology transitions and are not considered to be reflective of the ongoing expenses of operating the Companyâ€™s technology platforms.(e)Consists of activity associated with significant acquisitions, investments and divestitures, including legal, advisory and consulting fees, such as diligence costs, in addition to gains or losses recognized upon disposition and expense recognized to reduce the carrying values of investments determined to be impaired. These costs are not considered to be reflective of the underlying performance of the Companyâ€™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 Companyâ€™s ongoing continuing operations. (g)Adjustments to employee termination benefits recognized over remaining employee service periods as a result of company-wide restructuring activities that are not considered reflective of the underlying operating performance of the Companyâ€™s ongoing operations.(h)Adjustment associated with the Companyâ€™s change in its policy for benefits associated with compensated absences, the results of which are not indicative of the operating performance of the Companyâ€™s underlying operations.Adjusted EBITDA increased $62.6Â million, or 16.5%, for the year ended SeptemberÂ 30, 2024 compared to the prior year. This growth was primarily attributable to strong gross profit expansion, which benefited from higher average ticket driven by non-oil change service penetration, net pricing benefits, and increased premiumization, along with increased transactions and unit growth, in addition to operational efficiencies, primarily in labor management, that 39further contributed to the increase. These benefits were partially offset by investments in SG&A expenses to support the stand-alone business and future growth.FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCESOverviewThe Company closely manages its liquidity and capital resources. Valvolineâ€™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, and share repurchases are components of the Companyâ€™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 Valvolineâ€™s business and growth strategies and returning capital to shareholders, while funding ongoing operations.Continuing operations cash flowsValvolineâ€™s continuing operations cash flows as reflected in the Consolidated Statements of Cash Flows are summarized as follows for the years ended September 30:(In millions)20242023Cash provided by (used in):Operating activities$282.9Â $353.0Â Investing activities$136.8Â $(577.2)Financing activities(746.3)(1,565.5)Operating activitiesThe decrease in cash flows provided by operating activities of $70.1 million from the prior year was primarily driven by changes in net working capital. Net working capital in the prior year period benefited approximately $70Â 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.Investing activitiesThe increase in cash flows from investing activities of $714.0 million from the prior year was substantially driven by net proceeds from investments of $346.5 million during the current year in comparison to the net purchase of investments of $360.4 million during the prior year. The Company invested a substantial portion of the 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. In addition, the Company received proceeds, net of cash disposed of, of $71.5Â million primarily as a result of completing two refranchising transactions in the current year. These year-over-year changes in cash flows from investing activities were partially offset by increased capital expenditures of $43.9Â million and an increase in acquisition activity of $16.4Â million in the current year to support store growth. Financing activitiesThe decrease in cash flows used in financing activities of $819.2Â million from the prior year was principally driven by year over year reductions in share repurchases partially offset by higher net payments on borrowings. In the prior year, the Company completed the Equity Tender Offer to repurchase 27.0 million shares of its common stock for $1.024Â billion coupled with other share repurchases of $500.6Â million, which utilized a substantial portion of the net proceeds from the sale of Global Products to return cash to shareholders. In the current year, share repurchases of $226.8Â million drove lower uses of cash year-over-year of $1.298Â billion. Further contributing to lower uses of cash for financing activities were prior year dividend payments of $21.8Â million that did not recur as the Company discontinued its dividend during the second quarter of fiscal 2023 following the sale of Global Products. 40These decreases in cash flows used in financing activities were partially offset by higher net payments on borrowings of $498.9Â million. Higher net payments in the current year were driven by the Debt Tender Offer, which utilized cash and cash equivalents and borrowings of $175.0Â million on the Revolver to facilitate the repurchase of the $600.0Â million 2030 Notes in accordance with the asset sale covenant of the governing indenture. These net payments on borrowings 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 flowThe following table sets forth free cash flow and discretionary free cash flow from continuing operations and reconciles cash flows from operating activities to both measures. As previously noted, free cash flow has certain limitations, including that it does not reflect adjustments for certain non-discretionary cash flows, such as mandatory debt repayments. Refer to â€œUse of Non-GAAP Measuresâ€ within this Item 7 for additional information regarding this non-GAAP measure.(In millions)20242023Cash flows provided by operating activities$282.9Â $353.0Â Â Â Â Less: Maintenance capital expenditures(35.9)(29.5)Discretionary free cash flow247.0Â 323.5Â Â Â Less: Growth capital expenditures(188.5)(151.0)Free cash flow$58.5Â $172.5Â The decrease in free cash flow from continuing operations over the prior year was driven primarily by lower cash flows provided by operating activities in the current year as described above. These changes, in addition to higher capital expenditures, resulted in lower free cash flow from the prior year. New store construction primarily drove increased capital expenditures during the current year, as the Company continues to focus the majority of its capital spend toward growth, which is expected to drive a high return on invested capital.Discontinued operations cash flowsThe cash flows attributable to the discontinued operation are reflected in the Consolidated Statements of Cash Flows and are summarized below for the years ended September 30:(In millions)20242023Cash (used by) provided in:Operating activities(17.8)(393.8)Investing activities$â€”Â $2,620.9Â Financing activities$â€”Â $(108.1)The decrease in operating cash flows provided by discontinued operations was largely due to prior year tax payments of $300.8 million relating to the gain on sale of discontinued operations, in addition to payments of separation-related costs attributed to the sale of the Global Products business, including the success fee which coincided with the close of the Transaction on March 1, 2023. In addition, unfavorable changes in net working capital during the pre-close period in the prior year 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.41DebtThe following table summarizes Valvolineâ€™s continuing operations debt as ofÂ SeptemberÂ 30:(In millions)202420232031 Notes$535.0Â $535.0Â 2030 Notes â€”Â 600.0Â Term Loan 439.4Â 463.1Â Revolver125.0Â â€”Â Debt issuance costs and discounts(5.6)(12.0)Total debt1,093.8Â 1,586.1Â Current portion of long-term debt23.8Â 23.8Â Long-term debt$1,070.0Â $1,562.3Â Approximately 49% of Valvoline's outstanding borrowings as of September 30, 2024 had fixed rates, with the remainder bearing variable interest rates. As of September 30, 2024, Valvoline was in compliance with all covenants of its debt obligations and had borrowing capacity remaining of $346.8Â million. Refer to Note 8 of the Notes to Consolidated Financial Statements included in Item 8 of Part II of this Annual Report on Form 10-K for additional details regarding the Companyâ€™s debt instruments.On April 16, 2024, Valvoline completed the Debt Tender Offer with 99.7% of the outstanding principal amount tendered by the holders of 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 Valvolineâ€™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 purchase of the 2030 Notes at par, plus accrued and unpaid interest, and cancelled the 2030 Notes accepted for purchase. The Company elected to repurchase 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. In connection with the completion of the Debt Tender Offer, Valvoline recognized a loss on extinguishment of the 2030 Notes of $5.1 million within Net interest and other financing expenses in the Consolidated Statements of Comprehensive Income during the year ended September 30, 2024, comprised of the write-off of related unamortized debt issuance costs and discounts.Material cash requirements and other commitmentsThe Company's material cash requirements for the continuing operations include the following contractual obligations and commitments as of SeptemberÂ 30, 2024:(In millions)TotalÂ LessÂ than 1Â yearÂ 1-3 years3-5 yearsÂ 5 yearsÂ and moreLong-term debt$1,099.4Â $23.8Â $47.5Â $493.1Â $535.0Â Interest payments (a)264.7Â 59.0Â 112.9Â 54.0Â 38.8Â Operating lease obligations403.6Â 45.9Â 87.5Â 77.1Â 193.1Â Finance lease obligations296.1Â 24.1Â 50.1Â 50.4Â 171.5Â Employee benefit obligations (b)73.4Â 7.8Â 17.7Â 15.9Â 32.0Â Total$2,137.2Â $160.6Â $315.7Â $690.5Â $970.4Â (a)Includes interest expense on both variable and fixed rate debt, assuming no prepayments. Variable interest rates have been assumed to remain constant through payment at the rates that existed as of September 30, 2024.(b)Includes projected benefit payments through fiscal 2034 for Valvolineâ€™s unfunded benefit plans. Excludes benefit payments from pension plan trust funds.The Company guaranteed future lease commitments related to certain facilities in connection with the sale and disposal of certain retail stores and the Global Products business. Valvoline is obligated to perform if the buyers of the divested businesses default on the leases under the guarantees, which extend through 2037. The undiscounted 42maximum potential future payments under the guarantees were $32.8 million as of SeptemberÂ 30, 2024. The Company has not recorded a liability for these guarantees as the likelihood of making future payments is considered remote.Fiscal 2025 capital expendituresValvoline is currently forecasting approximately $230 million to $250 million of capital expenditures for fiscal 2025, funded primarily from operating cash flows.Pension and other postretirement plan obligationsThe Company makes cash and non-cash contributions and benefit payments for its pension and other postretirement plans. During fiscal 2024, the Company made $16.6Â million in benefit payments for its non-qualified pension and other postretirement plans, consisting of $8.3 million of cash payments and $8.3 million of non-cash payments. Based on current data and assumptions, the Company does not anticipate the need to satisfy any minimum funding requirements to its qualified pension plans for at least the next 5 years. Refer to Note 10 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K for additional information regarding the Company's U.S. pension and other postretirement plans.Share repurchasesDuring the year ended SeptemberÂ 30, 2024, the Company repurchased 6.7 million shares of its common stock for a principal amount of $226.7 million, which completed the November 2022 Board authorization to repurchase up to $1.6 billion of its common stock (the â€œ2022 Share Repurchase Authorizationâ€). During July 2024, the Board approved a share repurchase authorization of $400.0 million (the â€œ2024 Share Repurchase Authorizationâ€), which has no expiration date. As of SeptemberÂ 30, 2024, $384.8 million remained available for repurchase under the 2024 Share Repurchase Authorization. Additionally, the Company repurchased 0.2Â million shares for an aggregate amount of $9.8Â million from October 1, 2024 through NovemberÂ 19, 2024 pursuant to the 2024 Share Repurchase Authorization, leaving $375.0Â million in aggregate repurchase authority remaining as of NovemberÂ 19, 2024.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.SummaryValvolineâ€™s continuing operations had cash and cash equivalents of $68.3 million, total debt of $1.1 billion, and total remaining borrowing capacity of $346.8Â million as of SeptemberÂ 30, 2024. Valvolineâ€™s ability 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 I of this Annual Report on Form 10-K. 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 and adopted accounting pronouncements and the impact on Valvoline, refer to Note 2 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K. 43CRITICAL ACCOUNTING ESTIMATESThe preparation of Valvolineâ€™s consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, sales and expenses, and the disclosures of contingent matters. Significant items that are subject to such estimates and assumptions include, but are not limited to, employee benefit obligations, business combinations, and income taxes.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. Valvolineâ€™s significant accounting policies are discussed in Note 2 of the Notes to Consolidated Financial Statements in Item 8 of Part II of this Annual Report on Form 10-K. The Company believes the accounting estimates listed below are the most critical to aid in fully understanding and evaluating the reported financial results, and require the most difficult, subjective, or complex judgments, resulting from the need to make estimates about the effects of matters that are inherently uncertain.Employee benefit obligationsDescriptionJudgments and uncertaintiesEffect if actual results differ from assumptionsValvoline sponsors defined benefit pension and other postretirement plans in the U.S. As of September 30, 2024, Valvolineâ€™s net unfunded pension and other postretirement plan liabilities included in the Consolidated Balance Sheet totaled $136.6Â million. Total pension and other postretirement net periodic benefit income recognized in fiscal 2024 was $11.7 million, inclusive of a $2.4Â million remeasurement gain. Valvoline recognizes the change in the fair value of plan assets and the net actuarial gains and losses calculated using updated actuarial assumptions as of the measurement date, which for Valvoline is September 30, and when a plan qualifies for an interim remeasurement. Refer to Note 10 of the Notes to Consolidated Financial Statements included in Item 8 for Part II of this Annual Report on Form 10-K for additional information regarding the Companyâ€™s pension and other postretirement plans.The Companyâ€™s pension and other postretirement benefit costs and obligations are dependent on actuarial valuations and various assumptions that attempt to anticipate future events and are used in calculating the expense and liabilities relating to these plans. These assumptions include estimates and judgments the Company makes about discount rates, expected long-term investment return on plan assets, and mortality, among others. Significant assumptions the Company must review and set annually and at each measurement date related to its pension and other postretirement benefit obligations are described further below.Though management considers current market conditions and other relevant factors in establishing these assumptions, the actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, longer or shorter life spans of participants, and differences between the actual and expected return on plan assets. These differences may result in a significant impact to the amount of pension or other postretirement benefits cost recorded or that may be recorded. Changes in assumptions or asset values may have a significant effect on the measurement of expense or income. Actuarial assumptionsSignificant assumptions the Company must review and set annually and at each measurement date related to its pension and other postretirement benefit obligations are:â€¢Expected long-term return on plan assetsÂ â€” The expected long-term return on plan assets assumption reflects the long-term average rate of return plan assets are expected to earn. This assumption is determined considering each plan's asset allocation targets and overall expected performance, including evaluation of the most recent long-term historical returns, as applicable. The weighted-average long-term expected rate of return on assets assumption was 5.30% for fiscal 2024. The pension plan assets generated an actual weighted-average return of 16.50% in fiscal 2024 primarily driven by the market 44performance of the plan assets of the qualified pension plans based on the Companyâ€™s investment strategy to hedge the movement in liabilities related to changes in discount rates with investments of a matched duration that provide offsetting returns aligned with changes in interest rates. The expected return on plan assets is designed to be a long-term assumption, and therefore, actual returns will be subject to year-to-year variances. For fiscal 2025, the expected rate of return on assets assumptionÂ for the qualified pension plans will be 5.20%. The expected long-term return on plan assets assumption has no impact on the reported net liability or net actuarial gains or losses upon remeasurement but does impact the recurring non-service net periodic income recognized ratably throughout the year.Valvolineâ€™s pension plans hold a variety of investments designed to diversify risk. Plan assets are invested in equity securities, government and agency securities, corporate debt, and other non-traditional assets such as hedge funds.Â The investment goal of the pension plans is to achieve an adequate net investment return to provide for future benefit payments to its participants. Target asset allocation percentagesÂ as ofÂ September 30, 2024Â for the qualified pension plans were 90% fixed income and 10% equity investments. The qualified pension plans are managed by professional investment managers that operate under investment management contracts that include specific investment guidelines, requiring among other actions, adequate diversification and prudent use of risk management practices such as portfolio constraints relating to established benchmarks. Holding all other assumptions constant, a hypothetical 1.00% change in the expected long-term return on plan assets assumption for the qualified pension plans would impact fiscal 2024 recurring non-service pension income by $13.0 million.â€¢Discount rate â€” Reflects the rates at which benefits could effectively be settled and is based on current investment yields of high-quality corporate bonds. Consistent with historical practice, the Company uses an actuarially-developed full yield curve approach, the above mean yield curve, to match the timing of cash flows of expected future benefit payments from the plans by applying specific spot rates along the yield curve to determine the assumed discount rate. Valvolineâ€™s fiscal 2024 expense, excluding actuarial gains and losses, for pension plans was determined using the spot discount rates as of the beginning of the fiscal year. The interest cost discount rates for fiscal 2024 pension expense and other postretirement expense were each

5.92%. The weighted-average discount rate at the end of fiscal 2024 was 4.94% for the pension plans and 4.89% for the postretirement health and life plans.The following table illustrates the estimated impact on hypothetical pension and other postretirement expense that would have resulted from a one percentage point change in discount rates in isolation of impacts on other significant assumptions in the years ended September 30:(In millions)20242023Increase (decrease) in pension and other postretirement plan expense - 1.00% decrease in discount rates:Pension benefitsIncrease in benefit obligation$142.6Â $126.6Â Increased return on plan assets (a)(138.0)(122.0)Estimated hypothetical increase in expense4.6Â 4.6Â Other postretirement benefitsIncrease in benefit obligation1.9Â 1.7Â Total estimated hypothetical increase in expense$6.5Â $6.3Â (a)The qualified pension plans employ an investing strategy to match the duration of its obligation and investments. These plans represent approximately 95% of Valvolineâ€™s total gross pension plan obligation as of September 30, 2024 and 2023. This strategy hedges approximately 100% of the movement in liabilities related to changes in discount rates as of September 30, 2024 and 2023. Therefore, when discount rates change, asset returns generally mirror the impacts, minimizing the net impact to the consolidated financial statements. This estimated impact does not include increased returns of other plan assets that may also benefit from increased interest rates. 45â€¢Mortality â€" The mortality assumption for Valvoline's U.S. pension and other postretirement plans is utilizes the Society of Actuaries PRI-2012 mortality base tables and a mortality improvement scale that follows the 2024 Trustees Report of the Social Security Administration Intermediate Alternative as reflected in the MSS-2024 improvement scale. Valvoline believes the updated mortality improvement scales provide a reasonable assessment of current mortality trends and is an appropriate estimate of future mortality projections.Other assumptions, including the rate of compensation increase and healthcare cost trend rate, do not have a significant impact on Valvoline's pension and other postretirement benefit plan costs and obligations based upon current plan provisions that have generally frozen benefits and limited costs.46Business combinations and intangible assetsDescriptionJudgments and uncertaintiesEffect if actual results differ from assumptionsValvoline acquired 36 service center stores during fiscal 2024 for an aggregate purchase price of $53.3 million. The Company allocates the purchase price of an acquired business to its identifiable assets acquired and liabilities assumed at the acquisition date based upon their estimated fair values. The excess of the fair value of purchase consideration over the fair value of these assets acquired and liabilities assumed is recorded as goodwill or if the fair value of the assets acquired and liabilities assumed exceed the purchase price consideration, a bargain purchase gain is recorded.Goodwill is tested at the reporting unit level for impairment on an annual basis during the fourth fiscal quarter as of July 1 or more frequently if certain events occur indicating that the carrying value of goodwill may be impaired. At the time of the Companyâ€™s annual impairment assessment, Valvoline consisted of a singular reporting unit, Retail Services. The Companyâ€™s amortizable intangible assets were $90.3 million, net of $83.2 million of accumulated amortization as of September 30, 2024. Other intangible assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. Various factors are considered in determining whether a trigger requiring impairment assessment has occurred, such as, but not limited to, changes in the expected use of the assets, technology or development of alternative assets, economic conditions, operating performance, and expected future cash flows.Purchase price allocations contain uncertainties because they require management to make significant estimates and assumptions and to apply judgment to estimate the fair value of assets acquired and liabilities assumed, particularly with respect to intangible assets.Management estimates the fair value of assets acquired and liabilities assumed based on quoted market prices, the carrying value of the acquired assets and widely accepted valuation techniques, including discounted cash flows and market multiple analyses.Critical estimates in valuing intangible assets include, but are not limited to, estimates about: expected future cash flows from customers, including revenue and operating expenses; royalty and customer attrition rates; proprietary technology obsolescence curve; the acquired company's brand awareness and market position; the market awareness of the acquired company's branded technology solutions and services; assumptions about the period of time the brands will continue to be valuable; as well as discount rates. The Company's estimates of fair value are based upon reasonable assumptions, but which are inherently uncertain and unpredictable. Assumptions may be incomplete or inaccurate, and unanticipated events and circumstances may occur.If actual results are materially different than the assumptions used to determine fair value of the assets acquired and liabilities assumed through a business combination, or the useful lives of the acquired intangible assets, it is possible that adjustments to the carrying values of such assets and liabilities will have a material impact on the Company's financial position and results of operations. Furthermore, if actual results are not consistent with estimates or assumptions, the Company may be exposed to an impairment charge that could materially adversely impact its consolidated financial position and results of operations.There were no impairments to intangible assets recognized by the Company during fiscal 2024 or 2023. Valvoline elected to perform a quantitative impairment assessment of goodwill in 2024 and a qualitative impairment assessment of goodwill in 2023, which indicated that it was more likely than not that the fair values of the reporting unit in fiscal 2024 and 2023 were in excess of carrying amounts.47Income taxesDescriptionJudgments and uncertaintiesEffect if actual results differ from assumptionsValvoline is subject to income taxes in the United States and international jurisdictions where its businesses operate. The provision for income taxes includes current income taxes as well as deferred income taxes. Under U.S. GAAP, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax basis of assets and liabilities and are measured using enacted tax rates and laws that are expected to be in effect when the deferred assets or liabilities are expected to be settled or realized. The effect of changes in tax rates on deferred taxes is recognized in the period in which such changes are enacted. Once the consolidated income tax provision is computed, the tax effect of pre-tax income is determined without consideration of the current year pre-tax income or loss from other financial statement components, including discontinued operations. The portion of total income tax that remains after the attribution of tax to continuing operations is allocated to the remaining components. The separation from Global Products resulted in a pre-tax gain of $1.572 billion during fiscal 2023 and related income tax expense recognized to-date of $419.1 million which includes federal, state, and international considerations for the jurisdictions where the proceeds were allocated and the respective tax bases of the net assets transferred. In connection with completing separation transactions, both from Valvolineâ€™s former parent company and the sale of Global Products, the parties generally indemnify one another for various tax matters between the businesses. Judgment in forecasting taxable income using historical and projected future operating results is required in determining Valvolineâ€™s provision for income taxes and the related assets and liabilities. Valuation allowances are established when necessary on a jurisdictional basis to reduce deferred tax assets to the amounts expected to be realized when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The determination as to whether a deferred tax asset will be realized is based on the evaluation of positive and negative evidence, which includes historical profitability, future market growth, future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. The Company assesses deferred taxes and the adequacy or need for a valuation allowance on a quarterly basis. The Company is subject to ongoing tax examinations and assessments in various jurisdictions. At any time, multiple tax years are subject to audit by the various tax authorities and a number of years may elapse before a particular matter, for which a liability has been established, is audited and fully resolved or clarified. In evaluating the exposures associated with various tax filing positions, the Company may record liabilities for such exposures. Valvoline generally adjusts its liabilities for unrecognized tax benefits and related indemnification obligations through earnings in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available. Although management believes that the judgments and estimates discussed herein are reasonable, actual results could differ, and may materially increase or decrease the effective tax rate, as well as impact the Companyâ€™s operating results.Income tax impacts associated with the gain on the sale of Global Products were complex and included high degree of judgment due to the pre-sale restructuring transactions completed to facilitate the sale in additional to the large volume of federal, state, and international jurisdictions that were required to be evaluated and completed.Indemnifications among parties regarding tax matters require judgment in determining the timing and measurement of related receivables and payables to resolve these obligations. If the Company is unable to generate sufficient future taxable income, there is a material change in the actual effective tax rates, the time period within which the underlying temporary differences become taxable or deductible, or if the tax laws change unfavorably, then Valvoline could be required to increase the valuation allowance against deferred tax assets, resulting in an increase in income tax expense and the effective tax rate. Adjustments to indemnifications impact pre-tax results and are not directly related to the ongoing business. These adjustments may also affect the income tax provision of the continuing operation dependent on the nature of the underlying issue.Each change of $2.8 million and $2.7 million for continuing operations and consolidated income tax provisions, respectively, would impact the respective fiscal 2024 effective tax rates by one percentage point.48ITEM 7A.Â Â QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISKValvoline is exposed to market risks arising from adverse changes in:â€¢Inflation and changing prices; â€¢Interest rates; â€¢Credit risk; andâ€¢Currency exchange rates.These market risks are described further below. In addition, refer to Item 1A of Part I in this Annual Report on Form 10-K for additional discussion of these and other risks.Inflation and changing pricesThe cost of materials and labor used in Valvolineâ€™s automotive preventive maintenance services are affected by cost inflation and global commodity prices that could expose Valvoline to risks in its results. Fiscal 2024, 2023, and 2022 all experienced high rates of inflation and Valvoline mitigates this risk by passing along price increases to its customers; however, the ability to pass on these price increases is largely dependent upon market conditions. Contracts with Valvolineâ€™s independent operators are generally indexed to accommodate changes in material prices. Valvoline may not always be able to raise prices in response to increased costs or may experience delays in passing through such costs, as its ability to do so is largely dependent upon market conditions. Interest rate riskThe Company is subject to interest rate risk in relation to its variable-rate debt. Approximately 49% of the Companyâ€™s outstanding borrowings as of September 30, 2024 carried fixed rates. A hypothetical 100 basis point change in variable interest rates would impact the Companyâ€™s interest expense and pre-tax earnings by $5.6Â million for the year ended September 30, 2024.In addition, the Company is exposed to market risk relative to the impact of changes in interest rates and investment returns on its pension and other postretirement plans. Declines in the discount rates used in measuring the Company's pension and other postretirement plan obligations result in a higher obligation and decrease the funded status. The pension plans hold a variety of investments designed to diversify risk, protect against declines in interest rates, and achieve an adequate net investment return to provide for future benefit payments to its participants. These investments are subject to variability that can be caused by fluctuations in general economic conditions. Decreases in the fair value of plan assets and discount rates increase net pension and other postretirement plan expense and can also result in requirements to make contributions to the plans. Pension and other postretirement plans were underfunded by $136.6Â million at September 30, 2024 as the projected benefit obligation exceeded the fair value of plan assets. Credit riskThe Company is potentially subject to concentrations of credit risk on financial instruments for its cash and cash equivalents. Credit risk includes the risk of nonperformance by counterparties, and the maximum potential loss may exceed the amount recognized within the Consolidated Balance Sheets. Exposure to credit risk is managed by selecting highly-rated financial institutions as counterparties to transactions and monitoring procedures. As ofÂ September 30, 2024, there was not a significant concentration of credit risk related to financial instruments.Currency exchange riskSubstantially all of Valvolineâ€™s business and results of its continuing operations occur within the U.S., resulting in limited exposure to the effects of currency exchange. The impacts from currency exchange have not been material to Valvolineâ€™s continuing operations, and the Company will continue to monitor its exposure to determine if changes in its business and operations may warrant undertaking strategies to minimize currency exchange risk.49ITEM 8.Â Â FINANCIAL STATEMENTS AND SUPPLEMENTARY DATAIndex to Financial Statements and Supplementary DataPage50REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMTo the Stockholders and Board of Directors ofValvoline Inc. and Consolidated SubsidiariesÂ Opinion on the Financial StatementsWe have audited the accompanying consolidated balance sheets of Valvoline Inc. and Consolidated Subsidiaries (the Company) as of September 30, 2024 and 2023, the related consolidated statements of comprehensive income, stockholdersâ€™ equity and cash flows for each of the three years in the period ended September 30, 2024, and the related notes and financial statement schedule listed in the Index at Item 15(a) (collectively referred to as the â€œconsolidated financial statementsâ€). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at September 30, 2024 and 2023, and the results of its operations and its cash flows for each of the three years in the period ended September 30, 2024, in conformity with U.S. generally accepted accounting principles.We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of September 30, 2024, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework), and our report dated NovemberÂ 22, 2024, expressed an adverse opinion thereon.Basis for OpinionThese financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Companyâ€™s financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB. We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.Critical Audit MatterThe critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosure to which it relates.51 Accounting for pension benefit obligationsDescription of the MatterAt September 30, 2024, the Companyâ€™s aggregate defined benefit pension benefit obligation was $1,565.7 million and exceeded the fair value of pension plan assets of $1,452.9 million, resulting in an unfunded status of $112.8 million. As disclosed in Note 10 of the consolidated financial statements, the Company recognizes the change in the net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for a remeasurement to reflect the updated actuarial assumptions. The remaining components of pension benefit costs are recorded ratably throughout the year.Auditing the valuation of the pension benefit obligation was complex due to the judgmental nature of certain of the actuarial assumptions (i.e., discount rate and mortality rate) used in the measurement process. These assumptions have a significant effect on the projected pension benefit obligation.How We Addressed the Matter in Our AuditTo test the pension benefit obligation, we performed audit procedures that included, among others, evaluating the methodology used, testing the significant actuarial assumptions (i.e., discount rate and mortality rate), and testing the completeness and accuracy of the underlying data used by management, including participant data. In addition, we involved our actuarial specialists to assist with our procedures. We compared the significant actuarial assumptions (i.e., discount rate and mortality rate) used by management to its historical accounting practices and evaluated the change in the pension benefit obligation from the prior year. For example, the discount rate reflects the rates at which benefits could effectively be settled and is based on current investment yields of high-quality corporate bonds. The Company uses an actuarially-developed full yield curve approach in establishing its discount rate. We evaluated managementâ€™s methodology for determining the discount rate that reflects the maturity and duration of the benefit payments. As part of this assessment, we tested the underlying securities used to develop the yield curve to evaluate whether they were appropriate for use in a yield curve and whether the provided yield curve reasonably followed from those securities. To evaluate the mortality rate, we assessed whether the information was consistent with publicly available information, and whether any market data adjusted for entity-specific adjustments were applied. /s/ Ernst & Young LLPWe have served as the Companyâ€™s auditor since 2016.Louisville, KentuckyNovemberÂ 22, 202452Valvoline Inc. and Consolidated SubsidiariesConsolidated Statements of Comprehensive IncomeYears ended September 30(In millions, except per share amounts)202420232022Net revenues$1,619.0Â $1,443.5Â $1,236.1Â Cost of sales1,000.2Â 899.0Â 759.7Â Gross profit618.8Â 544.5Â 476.4Â Selling, general and administrative expenses305.1Â 264.5Â 244.7Â Net legacy and separation-related (income) expenses(0.7)32.8Â 20.5Â Other income, net(52.8)â€”Â (9.1)Operating income367.2Â 247.2Â 220.3Â Net pension and other postretirement plan expense (income)11.7Â (27.6)6.9Â Net interest and other financing expense71.9Â 38.3Â 69.3Â Income before income taxes283.6Â 236.5Â 144.1Â Income tax expense69.1Â 37.1Â 34.7Â Income from continuing operations214.5Â 199.4Â 109.4Â (Loss) income from discontinued operations, net of tax(3.0)1,220.3Â 314.9Â Net income$211.5Â $1,419.7Â $424.3Â NET EARNINGS PER SHAREBasic earnings (loss) per shareContinuing operations$1.65Â $1.24Â $0.61Â Discontinued operations(0.02)7.55Â 1.76Â Basic earnings per share$1.63Â $8.79Â $2.37Â Diluted earnings (loss) per shareContinuing operations$1.63Â $1.23Â $0.61Â Discontinued operations(0.02)7.50Â 1.74Â Diluted earnings per share$1.61Â $8.73Â $2.35Â WEIGHTED AVERAGE COMMON SHARES OUTSTANDINGBasic130.1Â 161.6Â 179.1Â Diluted131.0Â 162.6Â 180.4Â COMPREHENSIVE INCOMENet income$211.5Â $1,419.7Â $424.3Â Other comprehensive income (loss), net of taxCurrency translation adjustments4.2Â 43.7Â (39.6)Amortization of pension and other postretirement plan prior service credits(1.7)(1.7)(1.7)Unrealized (loss) gain on cash flow hedges(5.8)(7.5)12.5Â Other comprehensive (loss) income(3.3)34.5Â (28.8)Comprehensive income$208.2Â $1,454.2Â $395.5Â The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.53Valvoline Inc. and Consolidated SubsidiariesConsolidated Balance SheetsAs of September 30(In millions, except per share amounts)20242023AssetsCurrent assetsCash and cash equivalents$68.3Â $409.1Â Receivables, net86.4Â 81.3Â Inventories, net39.7Â 33.3Â Prepaid expenses and other current assets61.0Â 65.5Â Short-term investmentsâ€”Â 347.5Â Total current assets255.4Â 936.7Â Noncurrent assetsProperty, plant and equipment, net958.7Â 818.3Â Operating lease assets298.6Â 266.5Â Goodwill and intangibles, net705.6Â 680.6Â Other noncurrent assets220.4Â 187.8Â Total noncurrent assets2,183.3Â 1,953.2Â Total assets$2,438.7Â $2,889.9Â Liabilities and Stockholdersâ€™ EquityCurrent liabilitiesCurrent portion of long-term debt$23.8Â $23.8Â Trade and other payables117.4Â 118.7Â Accrued expenses and other liabilities212.7Â 215.9Â Current liabilities held for saleâ€”Â 3.9Â Total current liabilities353.9Â 362.3Â Noncurrent liabilitiesLong-term debt1,070.0Â 1,562.3Â Employee benefit obligations176.2Â 168.0Â Operating lease liabilities279.7Â 247.3Â Other noncurrent liabilities373.3Â 346.8Â Total noncurrent liabilities1,899.2Â 2,324.4Â Commitments and contingencies Stockholders' EquityPreferred stock, no par value, 40 shares authorized; no shares issued and outstandingâ€”Â â€”Â Common stock, par value $0.01 per share, 400.0 shares authorized, 128.5 and 134.8 shares issued and outstanding at SeptemberÂ 30, 2024 and 2023, respectively1.3Â 1.3Â Paid-in capital51.2Â 48.0Â Retained earnings123.2Â 140.7Â Accumulated other comprehensive income9.9Â 13.2Â Stockholders' equity185.6Â 203.2Â Total liabilities and stockholdersâ€™ equity$2,438.7Â $2,889.9Â The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.54Valvoline Inc. and Consolidated SubsidiariesConsolidated Statements of Cash FlowsYears ended September 30(In millions)202420232022Cash flows from operating activitiesNet income$211.5Â $1,419.7Â $424.3Â Adjustments to reconcile net income to cash flows from operating activities:Loss (income) from discontinued operations3.0Â (1,220.3)(314.9)Loss on extinguishment of debt5.1Â â€”Â â€”Â Gain on sale of operations(41.8)â€”Â â€”Â Depreciation and amortization105.9Â 88.8Â 71.4Â Deferred income taxes23.5Â 33.6Â 18.0Â (Gain) loss on pension and other postretirement plan remeasurements(2.4)(41.6)43.9Â Stock-based compensation expense12.0Â 12.2Â 14.4Â Other, net(0.1)11.9Â 4.2Â Change in assets and liabilitiesReceivables(0.9)26.4Â (17.5)Inventories(7.7)(3.3)(5.4)Payables and accrued liabilities(6.4)111.3Â 24.5Â Other assets and liabilities(18.8)(85.7)(128.5)Operating cash flows from continuing operations282.9Â 353.0Â 134.4Â Operating cash flows from discontinued operations(17.8)(393.8)149.8Â Total cash provided by (used in) operating activities265.1Â (40.8)284.2Â Cash flows from investing activitiesAdditions to property, plant and equipment(224.4)(180.5)(132.0)Acquisitions of businesses(52.7)(36.3)(50.7)Proceeds from sale of operations, net of cash disposed71.5Â â€”Â â€”Â Purchases of investments(3.5)(440.4)â€”Â Proceeds from investments350.0Â 80.0Â â€”Â Other investing activities, net(4.1)â€”Â 11.8Â Investing cash flows from continuing operations136.8Â (577.2)(170.9)Investing cash flows from discontinued operationsâ€”Â 2,620.9Â (36.7)Total cash provided by (used in) investing activities136.8Â 2,043.7Â (207.6)Cash flows from financing activitiesProceeds from borrowings, net of issuance costs of $3.0 million in 2023200.0Â 921.0Â 23.0Â Repayments on borrowings(698.8)(920.9)(38.1)Repurchases of common stock(226.8)(1,524.8)(142.6)Cash dividends paidâ€”Â (21.8)(89.2)Other financing activities(20.7)(19.0)(16.0)Financing cash flows from continuing operations(746.3)(1,565.5)(262.9)Financing cash flows from discontinued operationsâ€”Â (108.1)44.0Â Total cash used in financing activities(746.3)(1,673.6)(218.9)Effect of currency exchange rate changes on cash, cash equivalents and restricted cashâ€”Â (0.1)(5.2)(Decrease) increase in cash, cash equivalents and restricted cash(344.4)329.2Â (147.5)Cash, cash equivalents and restricted cash - beginning of year413.1Â 83.9Â 231.4Â Cash, cash equivalents and restricted cash - end of year$68.7Â $413.1Â $83.9Â Supplemental disclosuresInterest paid$78.2Â $69.6Â $59.4Â Income taxes paid$31.3Â $373.8Â $73.9Â The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.55Valvoline Inc. and Consolidated SubsidiariesConsolidated Statements of Stockholdersâ€™ EquityPaid-in capitalRetained earningsAccumulated other comprehensive income (loss)TotalsCommon stock(In millions, except per share amounts)SharesAmountBalance at SeptemberÂ 30, 2021180.3Â $1.8Â $35.2Â $90.0Â $7.5Â $134.5Â Net incomeâ€”Â â€”Â â€”Â 424.3Â â€”Â 424.3Â Dividends paid, $0.500 per common shareâ€”Â â€”Â 0.5Â (89.7)â€”Â (89.2)Stock-based compensation, net of issuances0.3Â â€”Â 8.4Â â€”Â â€”Â 8.4Â Repurchases of common stock(4.5)â€”Â â€”Â (142.6)â€”Â (142.6)Other comprehensive loss, net of taxâ€”Â â€”Â â€”Â â€”Â (28.8)(28.8)Balance at SeptemberÂ 30, 2022176.1Â 1.8Â 44.1Â 282.0Â (21.3)306.6Â Net incomeâ€”Â â€”Â â€”Â 1,419.7Â â€”Â 1,419.7Â Dividends paid, $0.125 per common shareâ€”Â â€”Â 0.1Â (21.9)â€”Â (21.8)Stock-based compensation, net of issuances0.5Â â€”Â 3.8Â â€”Â â€”Â 3.8Â Repurchases of common stock(41.8)(0.5)â€”Â (1,539.1)â€”Â (1,539.6)Other comprehensive income, net of taxâ€”Â â€”Â â€”Â â€”Â 34.5Â 34.5Â Balance at SeptemberÂ 30, 2023134.8Â 1.3Â 48.0Â 140.7Â 13.2Â 203.2Â Net incomeâ€”Â â€”Â â€”Â 211.5Â â€”Â 211.5Â Stock-based compensation, net of issuances0.4Â â€”Â 3.2Â â€”Â â€”Â 3.2Â Repurchases of common stock(6.7)â€”Â â€”Â (229.0)â€”Â (229.0)Other comprehensive loss, net of taxâ€”Â â€”Â â€”Â â€”Â (3.3)(3.3)Balance at SeptemberÂ 30, 2024128.5Â $1.3Â $51.2Â $123.2Â $9.9Â $185.6Â The accompanying Notes to Consolidated Financial Statements are an integral part of these Consolidated Financial Statements.56Valvoline Inc. and Consolidated SubsidiariesNotes to Consolidated Financial StatementsNOTE 1 â€“ DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATIONDescription of businessValvoline Inc. (â€œValvolineâ€ or the â€œCompanyâ€) is a leader in automotive preventive maintenance delivering convenient and trusted services in its retail stores throughout the United States (â€œU.S.â€) and Canada. The Company operates and franchises more than 2,000 service center locations through its Valvoline Instant Oil ChangeSM (â€œVIOCâ€) and Valvoline Great Canadian Oil Change (â€œGCOCâ€) retail locations and supports nearly 270 locations through its Express CareTM platform. As the quick, easy, trusted leader in automotive preventive maintenance, Valvoline is creating shareholder value by driving the full potential of 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 Companyâ€™s franchise partners keep customers moving with approximately 15-minute stay-in-your-car oil changes; battery, bulb and wiper replacements; tire rotations; and other manufacturer recommended maintenance services. For over 15 decades, Valvoline has consistently adapted to address changing technologies and customer needs and is well positioned to service evolving vehicle maintenance needs with its growing network of stores.Sale of Global Products businessOn MarchÂ 1, 2023, Valvoline completed the sale of its former Global Products reportable segment (â€œGlobal Productsâ€) to Aramco Overseas Company B.V. (the â€œTransactionâ€). The operating results and cash flows associated with and directly attributed to the Global Products disposal group are reflected as discontinued operations within these consolidated financial statements. Refer to Note 3 for additional information regarding the Global Products business, including income from discontinued operations. Unless otherwise noted, disclosures within these remaining Notes to Consolidated Financial Statements relate solely to the Company's continuing operations.Basis of presentation and consolidationThe accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (â€œU.S. GAAPâ€) and Securities and Exchange Commission (â€œSECâ€) regulations.Â The financial statements are presented on a consolidated basis for all periods presented and include the operations of the Company and its majority-owned and controlled subsidiaries. All intercompany transactions and balances have been eliminated in consolidation.Â Certain prior period amounts have been reclassified in the accompanying consolidated financial statements and notes thereto to conform to the current period presentation. NOTE 2 â€“ SIGNIFICANT ACCOUNTING POLICIESValvolineâ€™s significant accounting policies, which conform to U.S. GAAP and are applied on a consistent basis in all periods presented, except when otherwise disclosed, are described below.Use of estimates, risks and uncertaintiesThe preparation of the 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.Â 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.57Held for sale and discontinued operationsThe Company classifies assets and liabilities to be sold (disposal group) as held for sale in the period when all of the applicable criteria are met, including: (i) management commits to a plan to sell, (ii) the disposal group is available to sell in its present condition, (iii) there is an active program to locate a buyer, (iv) the disposal group is being actively marketed at a reasonable price in relation to its fair value, (v) significant changes to the plan to sell are unlikely, and (vi) the sale of the disposal group is generally probable of being completed within one year. Management performs an assessment at least quarterly or when events or changes in business circumstances indicate that a change in classification may be necessary.Assets and liabilities held for sale are presented separately within the Consolidated Balance Sheets with any adjustments necessary to measure the disposal group at the lower of its carrying value or fair value less costs to sell. Depreciation of property, plant and equipment and amortization of intangible and right-of-use assets are not recorded while these assets are classified as held for sale. For each period the disposal group remains classified as held for sale, its recoverability is reassessed and any necessary adjustments are made to its carrying value. The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that will have a major effect on its operations and financial results. The results of discontinued operations are reported as (Loss) income from discontinued operations, net of tax in the Consolidated Statements of Comprehensive Income for the current and prior periods commencing in the period in which the held for sale criteria are met. (Loss) income from discontinued operations, net of tax includes direct costs attributable to the divested business and excludes any cost allocations associated with any shared or corporate functions unless otherwise dedicated to the divested business. (Loss) income from discontinued operations, net of tax will include any gain or loss recognized upon disposition or from adjustment of the carrying amount to fair value less costs to sell while classified as held for sale.Transactions between the businesses held for sale and businesses held for use that are expected to continue after the disposal are not eliminated in order to appropriately reflect the continuing operations as well as the activity to be disposed of. Interest costs are included as a component of (Loss) income from discontinued operations, net of tax for debt specifically attributable to the discontinued operation or debt that is obligated to be repaid in connection with the completion of the divestiture. Activity within comprehensive income directly associated with a divested business is not realized as a component of (Loss) income from discontinued operations, net of tax until completion of the sale or disposition.Cash and cash equivalentsAll short-term, highly liquid investments having original maturities of three months or less are considered to be cash equivalents. Short-term investmentsAs part of the Companyâ€™s commitment to using proceeds from the sale of the Global Products business, the Company invested in U.S. treasury securities classified as short-term investments, which had maturities of greater than three months and less than one year. Valvoline determined the classification of these securities as trading, available for sale or held-to-maturity at the time of purchase and evaluated those determinations at each balance sheet date the investments were held for. The Companyâ€™s short-term investments were stated at amortized cost within the Consolidated Balance Sheet and classified as held-to-maturity based on the intent and ability to hold to these investments to maturity. These investments were held to maturity and used to complete the tender offer to repurchase the 4.250% senior unsecured notes due 2030 with an aggregate principal amount of $600.0 million (the â€œ2030 Notesâ€) in fiscal 2024, which was the final step in utilizing the net proceeds from the sale of Global Products. Receivables and allowance for credit lossesThe majority of Valvolineâ€™s sales are tendered at the point of service in its retail stores, and its receivables are generally limited to those with its fleet customers and independent store operators, in addition to credit card receivables. Valvoline recognizes a receivable within its Consolidated Balance Sheets once control is transferred, typically upon the completion of services, at which point its right to consideration becomes unconditional and only the passage of time is required before payment of that consideration is due. As the majority of the Companyâ€™s 58performance obligations are satisfied at a point in time and customers typically do not make material payments in advance, nor does Valvoline generally have a right to consideration in advance of control transfer, the Company has no contract assets or material contract liabilities. Valvoline recognizes credit losses following the current expected credit loss model, which results in the immediate recognition of losses that are expected to occur over the life of the financial instruments, principally trade and other receivables. Allowances are maintained to estimate expected lifetime credit losses that are based on a broad range of reasonable and supportable information and factors, including the length of time receivables are past due, the financial health of its customers, macroeconomic conditions, and historical collection experience. If the financial condition of its customers deteriorates or other circumstances occur that result in an impairment of customersâ€™ ability to make payments, the Company records additional allowances as needed. The Company writes off uncollectible receivables against the allowance when collection efforts have been exhausted and/or any legal action taken by the Company has concluded.InventoriesInventories are comprised of purchased finished goods that are carried at the lower of cost or net realizable value using the weighted average cost method. The Company regularly reviews inventory quantities on hand and the estimated utilization of inventory. Excess and obsolete reserves are established when inventory is estimated to not be usable based on forecasts, demand, life cycle, or utility.Property, plant and equipmentProperty, plant and equipment is recorded at cost and is depreciated using the straight-line method over the estimated useful lives of the assets.Â Buildings generally have useful lives of seven to 20 years and machinery and equipment typically have five to seven year useful lives, dependent on the nature and utility of the assets.Â Building and leasehold improvements are depreciated over the shorter of their estimated useful lives or the period from which the date the assets are placed in service to the end of the lease term, as appropriate. Depreciation expense is recognized in Cost of sales or Selling, general and administrative expenses within the Consolidated Statements of Comprehensive Income based on the function the underlying asset supports. Property, plant and equipment is relieved of the cost and related accumulated depreciation when assets are disposed of or otherwise retired. Gains or losses on the dispositions of property, plant and equipment are included in the Consolidated Statements of Comprehensive Income and generally reported in Other income, net. Property, plant and equipment carrying values are evaluated for recoverability at the lowest level of identifiable cash flows when impairment indicators are present.Â Such indicators could include, among other factors, operating losses, unused capacity, market value declines and technological obsolescence.Â Recorded values of asset groups of long-lived assets that are not expected to be recovered through undiscounted future net cash flows are written down to fair value, which generally is determined from estimated discounted future net cash flows (assets held for use) or net realizable value (assets held for sale).Cloud computing arrangementsThe Company periodically enters into cloud computing arrangements to access and use third-party software in support of its operations. The Company assesses its cloud computing arrangements to determine whether the contract meets the definition of a service contract or conveys a software license. For cloud computing arrangements that meet the definition of a service contract, the Company capitalizes implementation costs incurred during the application development stage and amortizes the costs on a straight-line basis over the term of the service contract.As of SeptemberÂ 30, 2024, 2023 and 2022, the Company had capitalized implementation costs, net of amortization, of $33.1Â million, $20.5Â million, 21.9Â million, respectively, included in Other noncurrent assets within the Consolidated Balance Sheets. Amortization expense for the implementation costs was $4.2Â million, $3.3Â million and $3.0Â million for fiscal 2024, 2023 and 2022, respectively, and is included in Selling, general and administrative expenses within the Consolidated Statements of Comprehensive Income.59Leases Certain of the properties Valvoline utilizes, including its retail service center stores, offices, and storage facilities, in addition to certain equipment, are leased. Valvoline determines if an arrangement contains a lease at inception primarily based on whether or not the Company has the right to control the asset during the contract period. For all agreements where it is determined that a lease exists, the related lease assets and liabilities are recognized within the Consolidated Balance Sheets as either operating or finance leases at the commencement date. The lease liability is measured based on the present value of future payments over the lease term, and the right-of-use asset is measured as the lease liability, adjusted for prepaid lease payments, lease incentives, and initial direct costs (e.g., commissions). Valvoline's leases generally have terms ranging from five to 20 years, and leases with an initial term of 12 months or less are included in the measurement of its right-of-use asset and lease liability balances. The lease term includes options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Fixed rental payments, including variable payments based on a rate or index, are included in the determination of the lease liability. Many leases also require the payment of taxes, insurance, operating expenses, and maintenance. In instances where these other components are fixed, they are included in the measurement of the lease liability due to Valvoline's election to combine lease and non-lease components and account for them as a single component. Otherwise, these components are recognized along with other variable lease payments in the Consolidated Statements of Comprehensive Income in the period in which the obligation for those payments is incurred. As most leases do not provide the rate implicit in the lease, the Company estimates its incremental borrowing rate to best approximate the rate of interest that Valvoline would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. Valvoline applies the incremental borrowing rate to groups of leases with similar lease terms in determining the present value of future payments. In determining the incremental borrowing rate, the Company considers information available at the commencement date, including lease term, interest rate yields for specific interest rate environments and the Company's credit spread. Lessor arrangementsValvoline is the lessor in arrangements to sublease and lease certain properties and equipment. Sublease income is recognized in Other income, net within the Companyâ€™s Consolidated Statements of Comprehensive Income. Business combinationsThe Company allocates the purchase consideration to the identifiable assets acquired and liabilities assumed in business combinations based on their acquisition-date fair values. The excess of the purchase consideration over the amounts assigned to the identifiable assets and liabilities is recognized as goodwill, or if the fair value of the net assets acquired exceeds the purchase consideration, a bargain purchase gain is recorded. Factors giving rise to goodwill generally include operational synergies that are anticipated as a result of the business combination and growth expected to result in economic benefits from access to new customers and markets. The fair values of identifiable intangible assets acquired in business combinations are generally determined using an income approach, requiring financial forecasts and estimates as well as market participant assumptions. The fair values are preliminary for up to one year from the date of acquisition as they are subject to measurement period adjustments as new information is obtained about facts and circumstances that existed as of the acquisition date. The incremental financial results of the businesses that Valvoline has acquired are included in the Companyâ€™s consolidated financial results from the respective dates of each acquisition. Goodwill and other intangible assetsValvoline evaluates goodwill for impairment annually as of July 1 or when events and circumstances indicate an impairment may have occurred by monitoring for the existence of potential impairment indicators throughout the fiscal year.Â This assessment consists of evaluating a reporting unitâ€™s fair value compared to its carrying value. Reporting units may be operating segments as a whole or an operation one level below an operating segment, 60referred to as a component. Goodwill is assigned to reporting units for purposes of impairment testing based upon the relative fair value of the asset to reporting units. The Company determined that it has one reporting unit in fiscal 2024.In evaluating goodwill for impairment, Valvoline has the option to first perform a qualitative assessment to determine whether further impairment testing is necessary or to perform a quantitative assessment by comparing the fair value of a reporting unit to its carrying amount, including goodwill. Under the qualitative assessment, the Company is not required to calculate the fair value of a reporting unit unless the entity determines that it is more likely than not that its fair value is less than its carrying amount. Qualitative factors considered include macroeconomic conditions, industry and market conditions, cost factors, and overall financial performance, among others. Under the quantitative assessment, if the fair value of a reporting unit is less than its carrying amount, then the amount of the impairment loss, if any, is measured as the excess of the carrying value of the reporting unitâ€™s goodwill over its fair value, not to exceed the total goodwill allocated to the reporting unit. Fair values of the reporting units are estimated using a weighted methodology considering the output from both the income and market approaches. The income approach incorporates the use of a discounted cash flow (â€œDCFâ€) analysis, and a number of significant assumptions and estimates are involved in the application of the DCF model to forecast operating cash flows, including markets and market shares, sales volumes and prices, costs to produce, tax rates, capital spending, discount rate, weighted average cost of capital, terminal values, and working capital changes. Several of these assumptions vary among reporting units, and the cash flow forecasts are generally based on approved strategic operating plans. The market approach is performed using the Market Capitalization Method utilizing the Companyâ€™s stock price to derive fair value and the Guideline Public Companies method based on earnings multiple data. The Company also performs a reconciliation between market capitalization and the estimated aggregate fair value of the reporting units, including consideration of a control premium.Acquired finite-lived intangible assets principally consist of certain trademarks and trade names, reacquired franchise rights, and customer relationships. Intangible assets acquired in an asset acquisition are carried at cost, less accumulated amortization. For intangible assets acquired in a business combination, the estimated fair values of the assets acquired are used to establish the carrying values, which are determined using assumptions from the perspective of a market participant and generally an income approach. These intangible assets are amortized on a straight-line basis over their estimated useful lives. Valvoline evaluates finite-lived intangible assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable, and any assets not expected to be recovered through undiscounted future net cash flows are written down to current fair value. Pension and other postretirement benefit plansValvoline sponsors defined benefit pension and other postretirement plans in the U.S. The Company's U.S. pension plans are closed to new participants and the accrual of pension benefits has been frozen since September 30, 2016. Valvoline also sponsors retiree healthcare and life insurance plans for certain qualifying participants with amendments effective in fiscal 2017 to limit annual per capita costs. Valvoline recognizes the funded status of each applicable plan within the Consolidated Balance Sheets whereby each unfunded plan is recognized as a liability and each funded plan is recognized as either an asset or liability based on its funded status. The funded status is measured as the difference between the fair value of plan assets and the benefit obligation. Changes in the fair value of plan assets and net actuarial gains or losses are recognized upon remeasurement as of September 30, the annual measurement date, and whenever a remeasurement is triggered. The remaining components of pension and other postretirement benefits income or expense are recorded ratably throughout the year. The fair value of plan assets represents the current market value of assets held by irrevocable trust funds for the sole benefit of participants, and the benefit obligation is the actuarial present value of the benefits expected to be paid upon retirement, death, or other distributable event based on estimates. These valuations reflect the terms of the plans and use participant-specific information such as compensation, age and years of service, as well as certain key assumptions that require significant judgment, including, but not limited to, estimates of discount rates, rate of compensation increases, interest rates and mortality rates. Actuarial gains and losses may be related to actual results that differ from assumptions as well as changes in assumptions, which may occur each year. All 61components of net periodic benefit income or costs are recognized below operating income within Net pension and other postretirement plan (income) expenses in the Consolidated Statements of Comprehensive Income. Commitments and contingenciesLiabilities for loss contingencies arising from claims, assessments, litigation, fines, penalties and other sources are recorded when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. Legal costs such as outside counsel fees and expenses are charged to expense in the period incurred and are recorded inÂ Selling, general and administrativeÂ expenses in the Consolidated Statements of Comprehensive Income.The Company guaranteed future lease commitments related to certain facilities in connection with the sale and disposal of certain retail stores and the Global Products business. Valvoline is obligated to perform if the buyers of the divested businesses default on the leases under the guarantees, which extend through 2037. The undiscounted maximum potential future payments under the guarantees were $32.8 million as of SeptemberÂ 30, 2024. The Company has not recorded a liability for these guarantees as the likelihood of making future payments is considered remote.Revenue recognitionRevenue is recognized for the amount that reflects the consideration the Company is expected to be entitled to receive based on when control of the promised good or service is transferred to the customer. Revenue recognition is evaluated through the following five steps: (i) identification of the contract(s) with a customer; (ii) identification of the performance obligation(s) in the contract(s); (iii) determination of the transaction price; (iv) allocation of the transaction price to the performance obligation(s) in the contract(s); and (v) recognition of revenue when or as a performance obligation is satisfied. Nature of servicesValvoline generates all revenues from contracts with customers, primarily as a result of delivery of automotive maintenance services through the following two principal activities: (i) company-operated service center operations and (ii) independent service center operations. Valvolineâ€™s revenues from delivering preventive vehicle maintenance and related services are from end consumers, independent franchisees and operators, and other end customers, including fleet managers and others that require service solutions to address light and medium-duty vehicles.Valvoline's net revenues are predominantly derived at a point in time with approximately 95% recognized either through services delivered at company-operated service centers or fees for arranging product supply to independent store operators. The remainder of the Company's sales generally relate to fees, including royalties, transferred over time. The following table summarizes Valvoline's sales by timing of revenue recognized for the fiscal years ended September 30:(In millions)202420232022Net revenues transferred at a point in time$1,543.0Â $1,375.0Â $1,177.2Â Franchised revenues transferred over time76.0Â 68.5Â 58.9Â Net revenues$1,619.0Â $1,443.5Â $1,236.1Â Below is a summary of the key considerations for Valvoline's material revenue-generating activities:Company-operated service center operationsPerformance obligations related to company-operated service center operations primarily include the sale of engine and automotive maintenance products and related services. These performance obligations are distinct and are delivered simultaneously at a point in time. Accordingly, sales from company-operated service center operations is recognized at the completion of product and service delivery upon the transfer of control and benefits from the performance obligations to the customer, which generally coincides with the tender of payment at the point of sale.62Non-company operated service center operationsThe primary performance obligations related to independent service center operations include arrangement of product supply and the license of intellectual property, which provides access to the Valvoline brand and proprietary information to operate service center stores over the term of a franchise agreement. Other franchise performance obligations do not result in material revenue. Each performance obligation is distinct, and franchisees generally receive and consume the benefits provided by the Companyâ€™s performance over the course of the franchise agreement, which typically ranges from 10 to 15 years. Billings and payments occur monthly. Variable consideration is not disclosed as remaining performance obligations qualify for the sales-based royalty and usage-based exemptions. In exchange for the license of Valvoline intellectual property, franchisees generally remit initial fees upon renewal or store opening and royalties at a contractual rate of the applicable service center store sales over the term of the franchise agreement. The license provides access to the intellectual property over the term of the franchise agreements and is considered a right-to-access license of symbolic intellectual property as substantially all of its utility is derived from association with the Companyâ€™s past and ongoing activities. The license granted to operate each franchised service center store is the predominant item to which the royalties relate and represents a distinct performance obligation which is recognized over time as the underlying sales occur, as this is the most appropriate measure of progress toward complete satisfaction of the performance obligation. Valvoline also receives development fees from franchisees in exchange for exclusive rights to territory development arrangements. In exchange for these fees, the Company provides its franchisees with assistance in identifying potential sites and targets within designated territories, in addition to operational support for new service center stores. The Company defers these fees as a contract liability and recognizes them as revenue on a straight-line basis over the term of the underlying agreements. All upfront fees from franchisees and the related contract liabilities are not material to any periods presented herein.Valvoline is the agent in arranging product supply for its independent operators as the Company has no control of the products prior to transfer to the customer. Accordingly, revenue is recognized on a net basis for the fees charged for this service. The Company determines the point in time at which service delivery occurs and the performance obligation is satisfied by considering when the customer has the ability to direct the use of and obtain substantially all of the remaining benefits of the product, which generally coincides with the transfer of title and risk of loss from the supplier to the independent operators.Customer payment terms vary by customer and are generally 30 to 60 days after service delivery. Valvoline does not provide extended payment terms greater than one year and therefore, does not adjust the promised amount of consideration for the effects of a significant financing component. Revenue disaggregationThe following table summarizes net revenues by category for the years ended September 30:(In millions)202420232022Oil changes and related fees$1,188.7Â $1,074.3Â $913.4Â Non-oil changes and related fees350.1Â 297.6Â 248.3Â Franchise fees and other (a)80.2Â 71.6Â 74.4Â Total$1,619.0Â $1,443.5Â $1,236.1Â (a)Includes net revenues of $0.2Â million, and $11.6Â million for the years ended September 30, 2023, and 2022, respectively, associated with suspended operations of a former Global Products business that was sold in fiscal 2024.63The following presents net revenues by geographic area where services are delivered forÂ the years ended September 30:(In millions)202420232022United States$1,571.8Â $1,407.7Â $1,191.8Â Non-U.S. (a)47.2Â 35.8Â 44.3Â Total$1,619.0Â $1,443.5Â $1,236.1Â (a)Includes the amounts noted above in each fiscal year of net revenues associated with suspended operations of a former Global Products business which was not included in the sale.Valvoline did not have a single customer that represented 10% or more of consolidated net revenues in fiscal 2024, 2023 or 2022.Variable considerationThe nature of Valvolineâ€™s transactions with its customers often gives rise to variable consideration consisting of customer discounts, incentives or rebates. The Company determines transaction price as the amount of consideration it expects to be entitled to in exchange for fulfilling the performance obligations, including variable consideration to the extent it is probable that a significant future reversal will not occur. Variable consideration is recorded as a reduction of the transaction price at the time of sale and is primarily estimated utilizing the most likely amount method that is expected to be earned as the Company is able to estimate the anticipated discounts within a sufficiently narrow range of possible outcomes based on its extensive historical experience with certain customers and similar programs. Variable consideration is reassessed at each reporting date and adjustments are made, when necessary. The reduction of revenues due to customer incentives was $222.6 million, $190.3 million, and $176.5 million in the Consolidated Statements of Comprehensive Income for the years ended September 30, 2024, 2023, and 2022, respectively. Reserves for these customer programs and incentives were $3.4 million, $3.2 million, and $2.8 million as of September 30, 2024, 2023, and 2022 respectively, and are recorded within Accrued expenses and other liabilities in the Consolidated Balance Sheets.Allocation of transaction priceIn each contract with multiple performance obligations, Valvoline allocates the transaction price, including variable consideration, to each performance obligation on a relative standalone selling price basis, which is generally determined based on the directly observable data of the Companyâ€™s standalone sales of the performance obligations in similar circumstances to similar customers. The amount allocated to each performance obligation is recognized as revenue commensurate with the transfer of control to the customer. The Company excludes taxes collected from customers from sales, which are reflected in accrued expenses until remitted to the appropriate governmental authority. Incremental direct costs of obtaining a contract, primarily sales commissions, are expensed when incurred due to the short-term nature of individual contracts, which would result in amortization periods of one year or less. These costs are not material and are recorded within Selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income. Expense recognitionCost of sales are expensed as incurred and include product, labor and benefits, store operating and occupancy, and depreciation expenses. Selling, general and administrative expenses are recognized as incurred and include sales and marketing costs, advertising, customer support, and other corporate and administrative costs. Advertising costs were $69.4Â million in fiscal 2024, $60.5Â million in fiscal 2023 and $54.8 million in fiscal 2022. Stock-based compensationThe Company recognizes expense related to stock-based compensation, net of actual forfeitures, over the requisite vesting period based on the grant date fair value of new or modified awards. Substantially all of the awards granted 64by the Company are routine annual grants. Management evaluates its award grants and modifications and will adjust the fair value if any are determined to be spring-loaded. Income taxesIncome tax expense is provided based on income before income taxes. The Company estimates its tax expense based on current tax laws in the statutory jurisdictions in which it operates. These estimates include judgments about the recognition and realization of deferred tax assets and liabilities resulting from the expected future tax consequences of events that have been included in the financial statements. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement carrying amounts and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to be recovered or settled. As changes in tax laws or rates occur, deferred tax assets and liabilities are adjusted in the period changes are enacted through income tax expense. Valvoline records valuation allowances related to its deferred income tax assets when it is more likely than not that some portion or all of the deferred income tax assets will not be realized.The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than fifty percent likelihood of being sustained upon examination by authorities. Interest and penalties related to unrecognized tax benefits are recognized as part of the provision for income taxes and are accrued beginning in the period that such interest and penalties would be applicable under relevant tax law and until such time that the related tax benefits are recognized. Interest and penalties were not material to any of the periods presented herein.Once the consolidated income tax provision is computed, the tax effect of pre-tax income from continuing operations is determined without consideration of the current year pre-tax income or loss from other financial statement components, including discontinued operations. The portion of total income tax that remains after the attribution of tax to continuing operations is allocated to the remaining components. DerivativesValvolineâ€™s derivative instruments consist of currency exchange and interest rate swap agreements, each of which is described further below. Currency derivativesThe Company's currency exchange contracts are used to manage non-functional currency denominated balance sheet exposures and exchange on currency for another at a fixed rate on a future date of generally a month or less. These contracts are not designated as hedging instruments and are accounted for as either assets or liabilities in the Consolidated Balance Sheets at fair value with the resulting gains or losses recognized as adjustments to earnings within Selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income. Gains and losses are recognized as exchange rates change the fair value of these instruments and upon settlement to offset the remeasurement gain or loss on the related currency-denominated exposures in the same period. The Company classifies its cash flows related to currency exchange contracts as investing activities in the Consolidated Statements of Cash Flows. Interest rate swap agreementsThe Company's interest rate swap agreements effectively modify its exposure to interest rate risk by converting floating rate debt to a fixed rate for the term of the swap agreements, reducing the impact of interest rate changes on future interest expense. These agreements involve the receipt of floating rate amounts in exchange for fixed rate interest payments over the life of the agreement without an exchange of the underlying principal amount. Valvoline's interest rate swap agreements are designated as cash flow hedges with effectiveness of the hedges assessed at inception and quarterly thereafter. To the extent the hedging relationship is highly effective, the unrealized gains or losses on the swaps are recorded in Accumulated other comprehensive income and reclassified into earnings within Net interest and other financing expense when the payments occur. The Company classifies its 65cash flows related to interest rate swap agreements as operating activities in the Consolidated Statements of Cash Flows. The fair values of the interest rate swaps are reflected as an asset or liability in the Consolidated Balance Sheets and the change in fair value is reported in Accumulated other comprehensive income. The fair values of the interest rate swaps are estimated as the net present value of projected cash flows based upon forward interest rates at the balance sheet date. The Company does not offset fair value amounts recognized in its Consolidated Balance Sheets for presentation purposes. Fair value measurementsFair value is defined as an exit price, representing an amount that would be received to sell an asset or the amount paid to transfer a liability in an orderly transaction between market participants at the measurement date. As such, fair value is a market-based measurement determined based on assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, the accounting guidance prioritizes the inputs used to measure fair value into the following three-tier fair value hierarchy for which an instrumentâ€™s classification within the fair value hierarchy is based upon the lowest level of input that is significant to the instrumentâ€™s fair value measurement:â€¢Level 1 - Observable inputs such as unadjusted quoted prices in active markets for identical assets or liabilities.â€¢Level 2 - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.â€¢Level 3 - Unobservable inputs for the asset or liability for which there is little, if any, market activity at the measurement date. Unobservable inputs reflect the Valvoline's assumptions about what market participants would use to price the asset or liability. The inputs are developed based on the best information available in the circumstances, which may include the Company's own financial data, such as internally developed pricing models, DCF methodologies, as well as instruments for which the fair value determination requires significant management judgment.Certain investments which measure fair value using the net asset value (â€œNAVâ€) per share practical expedient are not classified within the fair value hierarchy and are separately disclosed. Valvoline measures its financial assets and financial liabilities at fair value based on one or more of the following three valuation techniques:â€¢Market approach: Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities â€¢Cost approach: Amount that would be required to replace the service capacity of an asset (replacement cost)â€¢Income approach: Techniques to convert future amounts to a single present amount based upon market expectations (including present value techniques, option pricing and excess earnings models)The Company generally uses a market approach, when practicable, in valuing financial instruments. In certain instances, when observable market data is lacking, the Company uses valuation techniques consistent with the income approach whereby future cash flows are converted to a single discounted amount. The Company uses multiple sources of pricing as well as trading and other market data in its process of reporting fair values. The fair values of accounts receivables and accounts payable approximate their carrying values due to the relatively short-term nature of the instruments. Valvoline's notes receivable consist of fixed and variable-rate interest term loans extended to franchisees to provide financial assistance. These notes bear interest comparable with the market rates within Valvoline's variable rate borrowings, and accordingly, their carrying amounts approximate fair value. 66The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement.Currency translationOperations outside the United States are measured generally using the local currency as the functional currency.Â Upon consolidation, the results of operations of the subsidiaries and affiliates whose functional currency is other than the U.S. dollar are translated into U.S. dollars at the average exchange rates for the year while assets and liabilities are translated at year-end exchange rates.Â Adjustments to translate assets and liabilities into U.S. dollars are recorded in the Stockholdersâ€™ Equity section of the Consolidated Balance Sheets as a component of Accumulated other comprehensive income and are included in net earnings only upon sale or substantial liquidation of the underlying non-U.S. subsidiary or affiliated company.Earnings per shareBasic earnings per share (â€œEPSâ€) is calculated by dividing net income by the weighted-average number of common shares outstanding during the reported period. Diluted EPS is calculated similar to basic EPS, except that the weighted-average number of shares outstanding includes the number of shares that would have been outstanding had potentially dilutive common shares been issued. Potentially dilutive securities include stock appreciation rights and nonvested stock-based awards. Nonvested market and performance-based share awards are included in the weighted-average diluted shares outstanding each period if established market or performance criteria have been met at the end of the respective periods.Share repurchasesShares that are repurchased are retired and returned to the status of authorized, unissued shares. The excess of the repurchase price over the par value of shares acquired is recognized in Retained earnings. Recent accounting pronouncementsThe following standards relevant to Valvoline were either issued or are expected to have a meaningful impact on Valvoline in future periods.In November 2023, the Financial Accounting Standards Board (â€œFASBâ€) issued new guidance to enhance reportable segment disclosures. This guidance requires the disclosure of significant reportable segment expenses and other items regularly provided to the Chief Operating Decision Maker (â€œCODMâ€) that are included in a segmentâ€™s profit or loss measures, inclusive of entities that operate in a single reportable segment. While the guidance requires enhanced disclosures regarding the Companyâ€™s CODM and the information regularly provided to the CODM, including significant expenses, the adoption of this guidance will not impact the Companyâ€™s operating results, financial condition, or cash flows. The Company plans to adopt this guidance and conform the applicable disclosures retrospectively when it becomes effective for the Annual Report on Form 10-K for the year ending September 30, 2025. 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 continuing to assess the new guidance which is expected to result in enhanced income tax disclosures but does not expect there will be any impact to its results of operations, cash flows, or financial condition.In November 2024, the FASB issued new guidance which requires enhanced disclosure of specified categories of expenses (purchases of inventory, employee compensation, depreciation and amortization) included in certain expense captions presented on the face of the income statement. This guidance will be effective for Valvoline beginning with its fiscal 2028 Form 10-K and interim periods beginning in fiscal 2029, with early adoption permitted, in addition to either prospective or retrospective application. The Company is currently evaluating the new guidance 67to determine its adoption approach and the impact on the presentation and disclosure of its consolidated income statement and expenses. The Company anticipates its processes will be enhanced to address the disaggregation and disclosure requirements, though it does not expect adoption to impact its overall results from operations. NOTE 3 â€“ DISCONTINUED OPERATIONSSale of Global ProductsFinancial resultsOn March 1, 2023, Valvoline completed the sale of Global Products for a cash purchase price of $2.650Â 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 $1.572Â billion during the fiscal year ended September 30, 2023.The following table summarizes (Loss) income from discontinued operations, net of tax included in the Consolidated Statements of Comprehensive Income for the years ended September 30:(In millions) 202420232022Net revenues$â€”Â $1,174.4Â $2,695.2Â Cost of salesâ€”Â 924.2Â 2,134.7Â Gross profitâ€”Â 250.2Â 560.5Â Selling, general and administrative expensesâ€”Â 124.9Â 304.3Â Net legacy and separation-related expenses14.1Â 53.7Â 7.0Â Equity and other income, netâ€”Â (14.2)(33.4)Operating (loss) income from discontinued operations(14.1)85.8Â 282.6Â Net pension and other postretirement plan expense (income)â€”Â 0.1Â (3.4)Net interest and other financing expensesâ€”Â 4.4Â 4.6Â Gain on sale of discontinued operations (a)â€”Â (1,571.6)â€”Â (Loss) income before income taxes - discontinued operations(14.1)1,652.9Â 281.4Â Income tax (benefit) expense (b)(11.1)432.6Â (33.5)(Loss) income from discontinued operations, net of tax(3.0)1,220.3Â $314.9Â (a)The gain on sale realized in fiscal 2023 included 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 fiscal 2024, Valvoline recognized an adjustment to reduce income tax expense on the gain on sale by $5.2 million. During fiscal 2023, tax expense on the gain of $424.3 million was recognized, bringing total tax expense on the gain on sale to-date to $419.1 million.Post-closing arrangementsValvoline 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 and $218.1 million for fiscal 2023 and 2022, respectively. Valvoline also entered into a Transition Services Agreement with Global Products, effective MarchÂ 1, 2023, to provide and receive services including information technology, legal, finance, and human resources support. These transition services have lapsed periodically as business process transitions have occurred since the sale with limited IT transition services extending through early calendar year 2025. The income and costs associated with these services were not material during fiscal 2024 and 2023.68NOTE 4 â€“ FAIR VALUE MEASUREMENTSRecurring fair value measurementsThe Companyâ€™s financial assets and liabilities accounted for at fair value on a recurring basis are summarized below by level within the fair value hierarchy:As of SeptemberÂ 30, 2024(In millions)TotalLevel 1Level 2Level 3NAV (a)Cash and cash equivalentsMoney market funds$0.3Â $0.3Â $â€”Â $â€”Â Time deposits2.6Â â€”Â 2.6Â â€”Â Other noncurrent assetsNon-qualified trust funds1.9Â â€”Â â€”Â â€”Â 1.9Â Deferred compensation investments23.0Â 23.0Â â€”Â â€”Â â€”Â Total assets at fair value$27.8Â $23.3Â $2.6Â $â€”Â $1.9Â Other noncurrent liabilitiesDeferred compensation obligations22.3Â â€”Â â€”Â â€”Â 22.3Â Total liabilities at fair value$22.3Â $â€”Â $â€”Â $â€”Â $22.3Â As of SeptemberÂ 30, 2023(In millions)TotalLevel 1Level 2Level 3NAV (a)Cash and cash equivalentsMoney market funds$0.6Â $0.6Â $â€”Â $â€”Â Time deposits277.3Â â€”Â 277.3Â â€”Â Prepaid expenses and other current assetsCurrency derivatives0.1Â â€”Â 0.1Â â€”Â â€”Â Interest rate swap agreements7.8Â â€”Â 7.8Â â€”Â â€”Â Other noncurrent assetsNon-qualified trust funds2.1Â â€”Â â€”Â â€”Â 2.1Â Deferred compensation investments19.0Â 19.0Â â€”Â â€”Â â€”Â Total assets at fair value$306.9Â $19.6Â $285.2Â $â€”Â $2.1Â Accrued expenses and other liabilitiesCurrency derivatives$0.1Â $â€”Â $0.1Â $â€”Â $â€”Â Other noncurrent liabilitiesDeferred compensation obligations20.8Â â€”Â â€”Â â€”Â 20.8Â Total liabilities at fair value$20.9Â $â€”Â $0.1Â $â€”Â $20.8Â (a)Funds measured at fair value using the NAV per share practical expedient have not been classified in the fair value hierarchy.Money market fundsMoney market funds trade in an active market and are valued using quoted market prices, which are Level 1 inputs. Time depositsTime deposits are balances held with financial institutions at face value plus accrued interest, which approximates fair value and are categorized as Level 2. 69Currency derivativesThe Company has utilized currency derivatives to manage certain non-functional currency denominated balance sheet exposures. As of SeptemberÂ 30, 2024, no contracts were outstanding, while currency forward contracts with notional values of $29.7 million were outstanding as of September 30, 2023. The fair value of these outstanding contracts were recorded as assets and liabilities on a gross basis measured using readily observable market inputs to estimate the fair value for similar derivative instruments and are classified as Level 2. Gains and losses recognized related to these instruments were not material in any period presented herein.Non-qualified trust fundsThe Company maintains a non-qualified trust that is utilized to fund benefit payments for certain of its U.S. non-qualified pension plans. This trust is invested in mutual funds which are measured at fair value using the NAV per share practical expedient. There were no significant redemption restrictions or unfunded commitments on these mutual fund investments as of SeptemberÂ 30, 2024. Gains and losses related to these investments are immediately recognized within Selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income and were not material in any periods presented herein.Interest rate swap agreementsInterest rate swap agreements with a notional amount of $175.0Â million matured during fiscal 2024. The Company currently does not have any outstanding interest rate swap agreements. The fair value of interest rate swap agreements represent the difference in the present value of cash flows calculated at the contracted interest rates and at current market interest rates at the end of the period. The Company utilizes Level 2 observable inputs such as interest rate yield curves to estimate fair value for the interest rate swap agreements. Deferred compensation investmentsThe Company has an investment fund that is primarily comprised of mutual funds traded in active markets and valued using quoted (unadjusted) prices, which are Level 1 inputs. Gains and losses related to these investments are immediately recognized in the Consolidated Statement of Comprehensive Income within Selling, general and administrative expenses and were not material for the period ended SeptemberÂ 30, 2024.Deferred compensation obligationsThe Company has an unfunded deferred compensation plan that is valued based on the underlying participant-directed investments. The fair value of underlying investments in collective trust funds is determined using the NAV provided by the administrator of the fund as a practical expedient. The NAV is determined by each fundâ€™s trustee based upon the fair value of the underlying assets owned by the fund, less its liabilities, divided by outstanding units. There were no significant redemption restrictions or unfunded commitments on these investments as of September 30, 2024. Changes in the fair values are recognized in the Consolidated Statements of Comprehensive Income within Selling, general and administrative expenses and were not material for the periods presented herein. U.S. treasury securitiesThe Company had U.S. treasury securities which were fully matured as of March 31, 2024, and carried at amortized cost within the Consolidated Balance Sheet. They were classified as held-to-maturity based on the intent and ability of the Company to hold these investments to maturity. The fair value of these investments summarized below is determined utilizing quoted prices for identical securities from less active markets, which are considered Level 2 inputs within the fair value hierarchy.70September 30, 2023(In millions)Amortized costGross unrealized lossesFair valueCash and cash equivalentsU.S. treasuries (a)$2.2Â $â€”Â $2.2Â Short-term investmentsU.S. treasuries (b)$347.5Â (0.5)347.0Â (a)U.S. treasury securities with original maturity dates of three months or less.(b)U.S. treasury securities with original maturities greater than three months and less than 12 months.Â Â Â Â Fair value of long-term debtLong-term debt is reported in the Consolidated Balance Sheets at carrying value, rather than fair value, and is therefore excluded from the disclosure above of financial assets and liabilities measured at fair value within the consolidated financial statements on a recurring basis. The fair values of the Company's outstanding fixed rate senior notes shown in the table below are based on recent trading values, which are considered Level 2 inputs within the fair value hierarchy.September 30, 2024September 30, 2023(In millions)Fair valueCarrying value (a)Unamortized discounts and issuance costsFair valueCarrying value (a)Unamortized discounts and issuance costs2030 Notes$â€”Â $â€”Â $â€”Â $589.8Â $594.5Â $(5.5)2031 Notes478.5Â 530.4Â (4.6)416.6Â 529.9Â (5.2)Total$478.5Â $530.4Â (4.6)1,006.4Â $1,124.4Â $(10.7)(a)Carrying values shown are net of unamortized discounts and issuance costs. Refer to Note 8 for details of these notes as well as Valvoline's other debt instruments that have variable interest rates with carrying amounts that approximate fair value.NOTE 5 â€“ ACQUISITIONS AND DISPOSITIONSAcquisitionsFiscal 2024The Company acquired 36 service center stores in single and multi-store transactions, including five former franchise locations and two former Express Care locations that were converted to company-operated service center stores, for an aggregate purchase price of $53.3 million during the year ended SeptemberÂ 30, 2024. These acquisitions expand Valvolineâ€™s retail presence in key North American markets and contribute to growing the number of company-operated service center stores to 950 as of the year ended SeptemberÂ 30, 2024.Fiscal 2023The Company acquired 31 service center stores in single and multi-store transactions for an aggregate purchase price of $36.3 million during the year ended SeptemberÂ 30, 2023.Fiscal 2022The Company acquired 37 service center stores in single and multi-store transactions, including four former franchise locations and five former Express Care locations, which were converted to company-operated service stores, for an aggregate purchase price of $50.7 million during the year ended SeptemberÂ 30, 2022.71SummaryThe following table summarizes the aggregate cash consideration paid and the total assets acquired and liabilities assumed for the years ended September 30:(In millions)202420232022Inventories$0.2Â $0.4Â $â€”Â Other current assetsâ€”Â â€”Â 0.2Â Property, plant and equipment (a)5.0Â 6.4Â 10.0Â Operating lease assets23.2Â 9.7Â 9.6Â Goodwill (b)44.3Â 29.0Â 39.1Â Intangible assets (c)Reacquired franchise rights (d)6.4Â 4.0Â 2.8Â Other0.5Â 0.3Â 0.4Â Other current liabilities(0.1)(0.7)(0.8)Operating lease liabilities(23.2)(9.1)(8.9)Other noncurrent liabilities (a)(3.0)(3.7)(1.7)Total net assets acquired$53.3Â $36.3Â $50.7Â Non-cash consideration(0.6)â€"Â â€"Â Total cash consideration transferred$52.7Â $36.3Â $50.7Â (a)Includes finance lease assets in Property, plant and equipment and finance lease liabilities in Other current and noncurrent liabilities. During the years ended September 30, 2024, 2023 and 2022, finance lease assets acquired were $3.1Â million, $3.8Â million and $1.8Â million, respectively; finance lease liabilities in Other current liabilities were $0.1Â million, $0.2Â million and $0.1Â million, respectively; and finance lease liabilities in Other noncurrent liabilities were $3.0Â million, $3.7Â million and $1.7Â million, respectively. (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)Weighted average amortization period of intangible assets acquired is seven years for fiscal 2024, and nine years for fiscal 2023 and 2022. (d)Prior to the acquisition of former franchise service center stores, Valvoline licensed the right to operate franchised service centers, including use of the Companyâ€™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 approximatelyÂ seven years for fiscal 2024, nine years for fiscal 2023, and 10 years for fiscal 2022. The effective settlement of these arrangements resulted in no settlement gain or loss as the contractual terms were at market. The Company did not record any material measurement period adjustments and does not expect any material changes to the preliminary purchase price allocations summarized above for acquisitions completed during the last twelve months.DispositionsSale of company-operated service center storesDuring the fourth fiscal quarter of 2024, Valvoline entered into agreements and completed the sale of company-operated service center stores to franchisees. Upon completion of the transactions, Valvoline derecognized the net assets associated with the service center stores and recorded a gain of $41.8 million which was reported in Other income, net in the Consolidated Statements of Comprehensive Income during the year ended September 30, 2024. Sale of former Global Products businessDuring the first quarter of fiscal 2024, Valvoline completed the sale of a former Global Products business whose operations were suspended in fiscal 2022. This business was not included in the Global Products disposal group and was classified as held for sale as of SeptemberÂ 30, 2023. As a result, the Company evaluated the business for impairment and determined the carrying value of the disposal group was in excess of its fair value resulting in a pre-tax impairment loss of $8.1 million that was recognized within Other income, net in the Consolidated Statement of Comprehensive Income during the year ended SeptemberÂ 30, 2023. Upon completion of the sale in fiscal 2024, 72Valvoline derecognized the remaining net liabilities of $3.9 million inclusive of a cumulative translation loss attributable to the business.NOTE 6 â€" LEASE COMMITMENTS The following table presents the Company's lease balances as of September 30:(In millions)Location in Consolidated Balance Sheets20242023AssetsOperating lease assetsOperating lease assets$298.6Â $266.5Â Finance lease assetsÂ Property, plant and equipment, net261.7Â 240.0Â Amortization of finance lease assetsProperty, plant and equipment, net(67.4)(50.0)Total leased assets$492.9Â $456.5Â LiabilitiesCurrentOperating lease liabilitiesAccrued expenses and other liabilities$31.2Â $29.2Â Finance lease liabilitiesAccrued expenses and other liabilities13.4Â 12.3Â NoncurrentOperating lease liabilitiesOperating lease liabilities279.7Â 247.3Â Finance lease liabilitiesOther noncurrent liabilities207.3Â 198.9Â Total lease liabilities$531.6Â $487.7Â The following table presents the components of total lease costs for the years ended September 30:(In millions)Location in Consolidated Statements of Comprehensive Income20242023Operating lease costCost of sales and Selling, general and administrative expenses$45.8Â $40.7Â Finance lease costsAmortization of lease assetsCost of sales17.4Â 15.8Â Interest on lease liabilitiesNet interest and other financing expenses11.1Â 10.2Â Variable lease costCost of sales and Selling, general and administrative expenses3.7Â 3.7Â Sublease incomeOther income, net(9.3)(7.6)Total lease cost$68.7Â $62.8Â 73Other information related to the Company's leases follows for the years ended September 30:(In millions)20242023Cash paid for amounts included in the measurement of lease liabilities:Operating cash flows from operating leases (a)$43.1Â $38.7Â Operating cash flows from finance leases$11.1Â $10.2Â Financing cash flows from finance leases$12.0Â $10.8Â Lease assets obtained in exchange for lease obligations:Operating leases$63.4Â $46.4Â Finance leases$22.4Â $21.3Â (a)Included within the change in Other assets and liabilities within the Consolidated Statements of Cash Flows offset by noncash operating lease asset amortization and liability accretion.The following table reconciles the undiscounted cash flows for the next five fiscal years ended September 30 and thereafter to the operating and finance lease liabilities recorded within the Consolidated Balance Sheet as of September 30, 2024:(In millions) Operating leasesFinance leases2025$45.9Â $24.1Â 202644.9Â 25.0Â 202742.6Â 25.1Â 202839.9Â 25.3Â 202937.2Â 25.1Â Thereafter193.1Â 171.5Â Total future lease payments403.6Â 296.1Â Imputed interest92.7Â 75.4Â Present value of lease liabilities$310.9Â $220.7Â As of September 30, 2024, Valvoline has additional leases primarily related to its retail service center stores that have not yet commenced with approximately $30.1Â million in undiscounted future lease payments that are not included in the table above. These leases are expected to commence over the next twelve months and generally have lease terms of 15 years.The weighted average remaining lease terms and interest rates as of September 30, 2024 were: Operating leasesFinance leasesWeighted average remaining lease term (in years)9.911.7Weighted average discount rate5.1Â %5.3Â %NOTE 7 â€" INTANGIBLE ASSETSGoodwillThe following summarizes the changes in the carrying amount of goodwill during fiscal 2024 and 2023:74(In millions)Balance at SeptemberÂ 30, 2022$548.2Â Acquisitions 29.0Â Currency translation0.8Â Balance at SeptemberÂ 30, 2023578.0Â Acquisitions44.3Â Currency translation(0.1)Dispositions(6.9)Balance at September 30, 2024$615.3Â Other intangible assetsValvolineâ€™s purchased intangible assets were specifically identified when acquired, have finite lives, and are reported inÂ Goodwill and intangibles, netÂ within the Consolidated Balance Sheets. The following summarizes the gross carrying amounts and accumulated amortization of the Companyâ€™s intangible assets as of September 30:(In millions)20242023Gross carrying amountAccumulated amortizationNet carrying amountGross carrying amountAccumulated amortizationNet carrying amountDefinite-lived intangible assets Trademarks and trade names $29.2Â (11.4)17.8Â $29.6Â (10.5)19.1Â Reacquired franchise rights122.2Â (58.7)63.5Â 122.1Â (49.4)72.7Â Customer relationships 15.1Â (7.9)7.2Â 16.8Â (8.3)8.5Â Other intangible assets7.0Â (5.2)1.8Â 6.9Â (4.6)2.3Â Total definite-lived intangible assets$173.5Â (83.2)90.3Â $175.4Â (72.8)102.6Â The table that follows summarizes amortization expense (actual and estimated) for the Company's current intangible assets for the years ended September 30: (In millions)ActualEstimated202420252026202720282029Amortization expense$16.7Â $15.3Â $12.3Â $11.7Â $11.6Â $11.3Â NOTE 8 â€" DEBTThe following table summarizes Valvolineâ€™s debt as ofÂ SeptemberÂ 30:(In millions)202420232031 Notes$535.0Â $535.0Â 2030 Notesâ€"Â 600.0Â Term Loan439.4Â 463.1Â Revolver125.0Â â€"Â Debt issuance costs and discounts(5.6)(12.0)Total debt1,093.8Â 1,586.1Â Current portion of long-term debt23.8Â 23.8Â Long-term debt$1,070.0Â $1,562.3Â 75Senior NotesThe Company's outstanding fixed rate senior notes as of SeptemberÂ 30, 2024 consist of 3.625% senior unsecured notes due 2031 with an aggregate principal amount of $535.0 million (the â€œ2031 Notesâ€). The 2031 Notes are subject to customary events of default for similar debt securities, which if triggered may accelerate payment of principal, premium, if any, and accrued but unpaid interest. If a change of control repurchase event occurs, Valvoline may be required to offer to purchase the 2031 Notes from the holders thereof. The 2031 Notes are not otherwise required to be repaid prior to maturity, although they may be redeemed at the option of Valvoline at any time prior to maturity in the manner specified in the governing indentures. In April 2024, the Company repurchased the 2030 Notes described in more detail below.2030 NotesOn April 16, 2024, Valvoline completed a tender offer (the â€œDebt Tender Offerâ€) with 99.7% of the outstanding principal amount tendered by the holders of 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 Valvolineâ€™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 purchase of the 2030 Notes at par, plus accrued and unpaid interest, and cancelled the 2030 Notes accepted for purchase. The Company elected to repurchase 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. In connection with the completion of the Debt Tender Offer, Valvoline recognized a loss on extinguishment of the 2030 Notes of $5.1 million within Net interest and other financing expenses in the Consolidated Statements of Comprehensive Income during the year ended September 30, 2024, comprised of the write-off of related unamortized debt issuance costs and discounts.Senior Credit AgreementKey terms and conditionsIn December 2022, Valvoline amended the Senior Credit Agreement, which became effective March 1, 2023 commensurate with the sale of Global Products. The Senior Credit Agreement provides an aggregate principal amount of $950.0 million in senior secured credit facilities comprised of (i) a five-year $475.0 million term loan facility (the â€œTerm Loanâ€) and (ii) a five-year $475.0 million revolving credit facility (the â€œRevolverâ€), including a $100.0 million letter of credit sublimit. The principal amount of the Term Loan under the Senior Credit Agreement is required to be repaid in quarterly installments of approximately $5.9 million beginning with the first fiscal quarter after the sale of Global Products, with the remainder due at maturity and prepayment required in the amount of the net cash proceeds from certain events. Amounts outstanding under the Senior Credit Agreement may be prepaid at any time, and from time to time, in whole or part, without premium or penalty. At Valvolineâ€™s option, amounts outstanding under the Senior Credit Agreement will bear interest at either the Secured Overnight Financing Rate (â€œSOFRâ€) or an alternate base rate, in each case plus the applicable interest rate margin. The interest rate will fluctuate between SOFR plus 1.375% per year and SOFR plus 2.250% per year (or between the alternate base rate plus 0.375% per year and the alternate base rate plus 1.250% per year), based upon Valvolineâ€™s consolidated total net leverage ratio.Summary of activityProceeds from the Term Loan, in addition to a portion of the proceeds from the sale of Global Products, were used to pay in full the outstanding borrowings under the prior Credit Agreement, including the principal balance of the term loan facility of $445.6 million and outstanding borrowings under the revolving credit facility of $290.0 million, as well as accrued and unpaid interest and fees and expenses related to the amendment. The Company recognized $1.1 million of expense within Net interest and other financing expenses in the Consolidated Statements of Comprehensive Income during the year ended September 30, 2023 associated with the modification of the Credit Agreement, which included accelerated amortization of previously capitalized debt issuance costs. As of SeptemberÂ 30, 2024 and 2023, the Term Loan had an outstanding balance of $439.4 million and $463.1 million, respectively, and $125.0 million outstanding under the Revolver as of SeptemberÂ 30, 2024 while there were no amounts outstanding under the Revolver as of SeptemberÂ 30, 2023. Excluding the refinancing of the Term Loan 76described above, Valvoline made payments on the Term Loan of $23.8 million and $11.9 million during fiscal 2024 and 2023, respectively. The total borrowing capacity remaining under the Revolver was $346.8 million as of SeptemberÂ 30, 2024 due to reductions of $125.0 million and $3.2 million for outstanding borrowings and letters of credit, respectively. Covenants and guaranteesThe Company is required to satisfy certain covenants pursuant to its long-term borrowings. These covenants contain customary limitations, including limitations on liens, additional indebtedness, investments, restricted payments, asset sales, mergers, and affiliate transactions. The maintenance of financial covenants as of the end of each fiscal quarter is required, as defined in the Senior Credit Agreement, including: i) a maximum net leverage ratio of 4.5, which is calculated as net debt divided by Adjusted EBITDA and ii) a minimum interest coverage ratio of 3.0, which is calculated as Adjusted EBITDA divided by net interest expense. Cross-default provisions also exist between certain debt instruments. As of SeptemberÂ 30, 2024 and 2023, the Company was in compliance with all debt covenants.Valvolineâ€™s existing and future subsidiaries (other than certain immaterial subsidiaries, joint ventures, special purpose financing subsidiaries, regulated subsidiaries, non-U.S. subsidiaries and certain other subsidiaries) guarantee obligations under the Senior Credit Agreement, which is also secured by a first-priority security interest in substantially all the personal property assets and certain real property assets of Valvoline and the guarantors, including all or a portion of the equity interests of certain of Valvolineâ€™s domestic subsidiaries and first-tier non-U.S. subsidiaries, and in certain cases, a portion of the equity interests of other non-U.S. subsidiaries. Valvoline's subsidiaries that guarantee obligations under its Senior Credit Agreement also guarantee the Senior Notes, which have not been and are not expected to be registered in exchange offers as debt securities.Long-term debt maturitiesThe future maturities of debt outstanding as of SeptemberÂ 30, 2024, excluding debt issuance costs and discounts, are as follows:(In millions)Years ending September 30 2025$23.8Â 202623.8Â 202723.7Â 2028493.1Â 2029â€"Â Thereafter535.0Â Total$1,099.4Â NOTE 9 â€" INCOME TAXESComponents of income tax expenseIncome tax expense consisted of the following for the years ended September 30:77(In millions)202420232022CurrentFederal $34.7Â $8.0Â $9.4Â State8.3Â (5.5)4.3Â Non-U.S. 2.6Â 1.0Â 3.0Â 45.6Â 3.5Â 16.7Â DeferredFederal20.8Â 36.8Â 16.2Â State2.7Â (3.2)1.3Â Non-U.S.â€"Â â€"Â 0.5Â 23.5Â 33.6Â 18.0Â Income tax expense$69.1Â $37.1Â $34.7Â The following presents pre-tax income and the principal components of the reconciliation between the effective tax rate and the U.S. federal statutory income tax rate in effect forÂ the years ended September 30:(In millions)202420232022Income before income taxesUnited States$286.5Â $242.7Â $119.1Â Non-U.S.(2.9)(6.2)25.0Â Total income before income taxes$283.6Â $236.5Â $144.1Â U.S. statutory tax rate 21Â %21Â %21Â %Income taxes computed at U.S. statutory tax rate$59.6Â $49.7Â $30.3Â (Decrease) increase in amount computed resulting from:Unrecognized tax benefits0.1Â 0.1Â 0.1Â State taxes, net of federal benefit9.2Â 11.2Â 5.2Â International rate differential(0.1)0.1Â (0.4)Permanent items1.7Â 0.1Â (1.0)Remeasurement of net deferred taxes (0.1)(1.1)(0.5)Return-to-provision adjustments(0.7)(0.9)(0.4)Change in valuation allowances(1.7)(27.7)1.8Â Tax Matters Agreement activityâ€"Â 5.4Â â€"Â Other1.1Â 0.2Â (0.4)Income tax expense$69.1Â $37.1Â $34.7Â Effective tax rate24.4Â %15.7Â %24.1Â %The higher effective tax rate in fiscal 2024 is primarily due to more normalized activity compared to the prior year period, which included a $29.0Â million income tax benefit. This benefit resulted from 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 Valvolineâ€™s former parent company. Higher pre-tax income in fiscal 2023 compared to fiscal 2022 led to increased tax expense, which was more than offset by the benefit from the valuation allowance release, driving a lower effective tax rate in fiscal 2023. 78Deferred taxesA summary of the deferred tax assets and liabilities included in the Consolidated Balance Sheets follows as of September 30:(In millions)20242023Deferred tax assetsNon-U.S. net operating loss carryforwards (a)$2.9Â $1.1Â State net operating loss carryforwards (b)6.9Â 8.2Â Employee benefit obligations33.9Â 34.6Â Compensation accruals15.8Â 17.9Â Credit carryforwards (c)0.3Â 0.3Â Operating lease liabilities107.9Â 95.2Â Other10.3Â 12.4Â Valuation allowances (d)(1.0)(3.0)Net deferred tax assets177.0Â 166.7Â Deferred tax liabilitiesGoodwill and other intangibles 25.9Â 19.1Â Property, plant and equipment154.1Â 134.7Â Operating lease assets75.4Â 68.1Â Other0.2Â 0.3Â Total deferred tax liabilities255.6Â 222.2Â Total net deferred tax liabilities (e)(78.6)(55.5)(a)Gross non-U.S. net operating loss carryforwards of $10.6 million expire in fiscal years 2039 to 2044.(b)Apportioned gross state net operating loss carryforwards of $130.2 million expire in fiscal years 2029 through 2037.(c)Credit carryforwards consist primarily of state tax credits that generally expire in fiscal years 2025 through 2032.(d)Valuation allowances at SeptemberÂ 30, 2024 primarily relate to nondeductible executive compensation and state net operating loss carryforwards that are not expected to be realized or realizable.(e)Balances are presented in the Consolidated Balance Sheets based on the net position of each tax jurisdiction. Tax Matters AgreementBackgroundPrior to its initial public offering (the "IPO") in September 2016, the Valvoline business operated as a wholly-owned subsidiary of Ashland Inc. (which together with its predecessors and consolidated subsidiaries is referred to herein as â€œAshlandâ€). In advance of the IPO, the Valvoline business and certain other legacy Ashland assets and liabilities were transferred from Ashland to Valvoline as a reorganization of entities under common Ashland control (the "Contribution"). In connection with the IPO, Ashland retained 83% of the total outstanding shares of Valvoline's common stock. On May 12, 2017, Ashland distributed its interest in Valvoline to Ashland stockholders through a pro rata dividend on shares of Ashland common stock outstanding (the "Distribution"), which marked the completion of Valvoline's separation from Ashland.For the periods prior to the Distribution, Valvoline was included in Ashlandâ€™s consolidated U.S. and state income tax returns and in the income tax returns of certain Ashland international subsidiaries (collectively, the â€œAshland Group Returnsâ€). For the taxable periods that began on and after the Distribution, Valvoline files tax returns that include only Valvoline and its subsidiaries. 79Key terms and conditionsAn agreement (the "Tax Matters Agreement") was entered into in September 2016 between Valvoline and Ashland, that generally provides that Valvoline indemnify Ashland for the following items:â€¢The utilization of certain legacy tax attributes transferred from Ashland as the result of the Contribution;â€¢Taxes for the pre-IPO period that arise on audit or examination and are directly attributable to the Valvoline business;â€¢Certain U.S. federal, state or local taxes for the pre-IPO period of Ashland and/or its subsidiaries that arise on audit or examination and are not directly attributable to either the Valvoline business or the Ashland chemicals business;â€¢Taxes of Valvoline for the period between the IPO and Distribution that are not attributable to Ashland Group Returns (as defined above);â€¢Taxes of Valvoline for all taxable periods that begin on or after the day after the date of the Distribution; andâ€¢Certain taxes and expenses resulting from the failure of the Contribution or Distribution to qualify for the intended tax-free treatment. Summary of activityAdjustments to the net obligations to Ashland under the Tax Matters Agreement are recorded within Net legacy and separation-related expenses (income), with any resulting impacts to Valvoline's stand-alone income tax provision recorded in Income tax expense within the Consolidated Statements of Comprehensive Income. During fiscal 2023, Valvoline recognized an income tax benefit of $29.0Â million in connection with releasing its valuation allowance. Additionally, Valvoline recognized $25.7Â million of expense within Net legacy and separation-related expenses in the Consolidated Statement of Comprehensive Income during fiscal 2023 to reflect its increased estimated indemnity obligation to its former parent as a result of the terms of the amended Tax Matters Agreement.Total liabilities related to obligations owed to Ashland under the Tax Matters Agreement are primarily recorded in Other noncurrent liabilities in the Consolidated Balance Sheets and were $9.0Â million and $10.8Â million as of September 30, 2024 and 2023, respectively. Given the indemnification of Ashland for periods in which Valvoline was included in Ashland Group Returns, a portion of the Company's liability for unrecognized tax benefits is included in the Tax Matters Agreement obligation. The periods under indemnity that currently remain open to examination include certain U.S. state jurisdictions from fiscal 2018. Unrecognized tax benefitsThe aggregate changes in the balance of gross unrecognized tax benefits were as follows for the years ended September 30: (In millions)202420232022Gross unrecognized tax benefits as of October 1$35.7Â $8.2Â $8.7Â Increases related to tax positions from prior years0.1Â 0.6Â 0.1Â Decreases related to tax positions from prior years(2.1)(0.6)(0.6)Increases related to tax positions taken during the current yearâ€"Â 27.7Â 0.8Â Lapses of statutes of limitation(0.6)(0.2)(0.8)Gross unrecognized tax benefits as of September 30 (a)$33.1Â $35.7Â $8.2Â (a)These unrecognized tax benefits would favorably impact the continuing operations and discontinued operations effective income tax rates, if recognized. Accruals for interest and penalties were $1.8Â million as of SeptemberÂ 30, 2024 and 2023, respectively.In connection with the sale of Global Products, Valvoline established reserves of $27.1 million for gross unrecognized tax benefits as of SeptemberÂ 30, 2024. If realized, these unrecognized tax benefits would favorably impact the discontinued operations effective income tax rate.80The Company's U.S. federal income tax returns remain open to examination from fiscal 2019 forward and Canada from fiscal 2020 and forward. Fiscal years including and after 2018 remain open to examination by certain U.S. state jurisdictions. Because Valvoline is routinely under examination by various taxing authorities, it is reasonably possible that the amount of unrecognized tax benefits will change during fiscal 2025. Due to the complexity and number of open years, it is not practical to estimate the amount or range of such change at this time. Based on current information available, management does not expect a material change to the Company's gross unrecognized tax benefits within fiscal 2025. NOTE 10 â€" EMPLOYEE BENEFIT PLANSPension and other postretirement plansThe components of pension and other postretirement plans net periodic benefit costs (income) and the assumptions used in this determination are summarized below for the years ended September 30:(In millions)Pension benefitsOther postretirement benefits202420232022202420232022Net periodic benefit costs (income)Interest cost$83.4Â $81.8Â $43.0Â $1.2Â $1.2Â $0.7Â Expected return on plan assets(68.4)(66.9)(78.6)â€"Â â€"Â â€"Â Amortization of prior service cost (credit)0.1Â 0.1Â 0.1Â (2.2)(2.2)(2.2)Actuarial (gain) loss(5.1)(35.0)49.5Â 2.7Â (6.6)(5.6)Net periodic benefit costs (income)$10.0Â (20.0)14.0Â $1.7Â (7.6)(7.1)Weighted-average plan assumptionsDiscount rate for interest cost5.92Â %5.45Â %2.10Â %5.92Â %5.41Â %1.92Â %Expected long-term rate of return on plan assets5.30Â %4.90Â %4.10Â %â€"Â â€"Â â€"Â Valvoline recognizes the change in the fair value of plan assets and net actuarial gains and losses annually in the fourth quarter of each fiscal year and whenever a plan is determined to qualify for remeasurement. These gains and losses are reported within Net pension and other postretirement plan expense (income) in the Consolidated Statements of Comprehensive Income and included a gain of $2.4Â million for the year ended SeptemberÂ 30, 2024, a gain of $41.6Â million for the year ended SeptemberÂ 30, 2023, and a loss of $43.9Â million for the year ended SeptemberÂ 30, 2022.The fiscal 2024 gain was primarily attributed to lower discounts rates, partially offset by higher-than-expected returns on plan assets. The fiscal 2023 gain was primarily attributed to an increase in discount rates, partially offset by lower-than-expected returns on plan assets. The fiscal 2022 loss was primarily attributed to lower-than-expected returns on plan assets, partially offset by higher discount rates.The following table summarizes the net periodic benefit loss (income) and the amortization of prior service credits recognized during the years ended September 30:(In millions)Pension benefitsOther postretirement benefits202420232022202420232022Amortization of prior service credits recognized in Accumulated other comprehensive income(0.1)(0.1)(0.1)2.2Â $2.2Â $2.2Â Net periodic benefit loss (income)10.0Â (20.0)14.0Â 1.7Â (7.6)(7.1)Total pre-tax amount recognized in comprehensive loss (income)$9.9Â (20.1)13.9Â $3.9Â (5.4)(4.9)81Obligations and funded statusChanges in benefit obligations and the fair value of plan assets, as well as key assumptions used to determine the benefit obligations, and the amounts in the Consolidated Balance Sheets for the Companyâ€™s pension and other postretirement benefit plans are summarized below as of September 30:(In millions)Pension benefitsOther postretirement benefits2024202320242023Change in benefit obligationsBenefit obligations as of October 1$1,478.1Â $1,585.2Â $22.3Â $30.7Â Interest cost83.4Â 81.8Â 1.2Â 1.2Â Benefits paid(130.6)(130.4)(2.4)(3.0)Actuarial loss (gain)140.0Â (52.7)2.7Â (6.6)Transfers in 1.6Â 4.4Â â€"Â â€"Â Settlements(6.8)(10.2)â€"Â â€"Â Benefit obligations as of September 30$1,565.7Â $1,478.1Â $23.8Â $22.3Â Change in plan assetsFair value of plan assets as of October 1$1,361.0Â $1,438.1Â $â€"Â $â€"Â Actual return on plan assets213.5Â 41.3Â â€"Â â€"Â Employer contributions14.2Â 17.8Â 2.4Â 3.0Â Benefits paid(130.6)(130.4)(2.4)(3.0)Settlements(6.8)(10.2)â€"Â â€"Â Transfers in1.6Â 4.4Â â€"Â â€"Â Fair value of plan assets as of September 30$1,452.9Â $1,361.0Â $â€"Â $â€"Â Unfunded status of the plans as of September 30$112.8Â $117.1Â $23.8Â $22.3Â (In millions)Pension benefitsOther postretirement benefits2024202320242023Amounts in the Consolidated Balance SheetsNoncurrent benefit assets (a)$49.0Â $38.6Â $â€"Â $â€"Â Current benefit liabilities (b)7.1Â 7.7Â 2.7Â 2.6Â Noncurrent benefit liabilities (c)154.7Â 148.0Â 21.1Â 19.7Â Total benefit liabilities161.8Â 155.7Â 23.8Â 22.3Â Net liabilities recognized$112.8Â $117.1Â $23.8Â $22.3Â Balance in Accumulated other comprehensive lossPrior service cost (credit)$1.1Â $1.1Â (14.4)(16.7)Weighted-average plan assumptionsDiscount rate4.94Â %5.98Â %4.89Â %5.98Â %Healthcare cost trend rate (d)â€"Â â€"Â 7.2Â %5.5Â %(a)Noncurrent benefit assets are recorded in Other noncurrent assets within the Consolidated Balance Sheets.(b)Current benefit liabilities are recorded in Accrued expenses and other liabilities within the Consolidated Balance Sheets.(c)Noncurrent benefit liabilities are recorded in Employee benefit obligations within the Consolidated Balance Sheets.(d)The assumed pre-65 health care cost trend rate continues to be reduced to 4.0% in 2049 and thereafter.82Accumulated benefit obligationThe accumulated benefit obligation for all pension plans was $1.6Â billion and $1.5Â billion as of SeptemberÂ 30, 2024 and 2023, respectively. Pension plans with projected and accumulated benefit obligations in excess of the fair value of plan assets follows for the Companyâ€™s plans as of September 30:(In millions)20242023Benefit obligationPlan assetsBenefit obligationPlan assetsPlans with projected and accumulated benefit obligations in excess of plan assets$1,146.0Â $984.1Â $1,101.7Â $946.0Â Plan assetsPension plan asset investments and their level within the fair value hierarchy is summarized below as of:(In millions)September 30, 2024Total fair valueLevel 1Level 2Level 3Assets measured at NAVCash and cash equivalents$25.4Â $25.4Â $â€"Â $â€"Â $â€"Â U.S. government securities and futures49.6Â â€"Â 49.6Â â€"Â â€"Â Other government securities42.1Â â€"Â 42.1Â â€"Â â€"Â Corporate debt instruments1,108.4Â â€"Â 1,108.4Â â€"Â â€"Â Private equity and hedge funds1.2Â â€"Â â€"Â â€"Â 1.2Â Collective trust funds216.0Â â€"Â â€"Â â€"Â 216.0Â Other investments10.2Â â€"Â 10.2Â â€"Â â€"Â Total assets at fair value$1,452.9Â $25.4Â $1,210.3Â $â€"Â $217.2Â (In millions)September 30, 2023Total fair valueLevel 1Level 2Level 3Assets measured at NAVCash and cash equivalents$21.5Â $21.5Â $â€"Â $â€"Â $â€"Â U.S. government securities and futures63.1Â â€"Â 63.1Â â€"Â â€"Â Other government securities33.1Â â€"Â 33.1Â â€"Â â€"Â Corporate debt instruments1,055.4Â â€"Â 1,055.4Â â€"Â â€"Â Private equity and hedge funds4.4Â â€"Â â€"Â â€"Â 4.4Â Collective trust funds176.9Â â€"Â â€"Â â€"Â 176.9Â Other investments6.6Â â€"Â 6.6Â â€"Â â€"Â Total assets at fair value$1,361.0Â $21.5Â $1,158.2Â $â€"Â $181.3Â Cash and cash equivalentsThe carrying value of cash and cash equivalents approximates fair value. Government securities Government securities are valued based on Level 2 inputs, which include yields available for comparable securities of issuers with similar credit ratings. 83Corporate debt instruments Corporate debt instruments are valued based on Level 2 inputs that are observable in the market or may be derived principally from, or corroborated by, recently executed transactions, observable market data such as pricing for similar securities, cash flow models with yield curves, counterparty credit ratings, and credit spreads applied using the maturity and coupon interest rate terms of the debt instrument. Private equity and hedge funds Private equity and hedge funds primarily represent alternative investments not traded on an active market which are valued at the NAV per share determined by the manager of the fund based on the fair value of the underlying net assets owned by the fund divided by the number of shares or units outstanding.Â Collective trust funds Collective trust funds are comprised of a diversified portfolio of investments across various asset classes, including U.S. and international equities, fixed-income securities, commodities and currencies. The collective trust funds are valued using a NAV provided by the manager of each fund, which is based on the underlying net assets owned by the fund, divided by the number of shares outstanding.Other investmentsOther investments are primarily comprised of swaps that are valued using closing market swap curves and market derived inputs.The following summarizes investments for which fair value is measured using the NAV per share practical expedient as of SeptemberÂ 30, 2024:(In millions)Fair value at NAVUnfunded commitmentsRedemption frequency (if currently eligible)Redemption notice periodRelative value hedge funds$0.1Â $â€"Â None (a)None (a)Event driven hedge funds0.3Â â€"Â None (a)None (a)Collective trust funds216.0Â â€"Â DailyUp to 3 daysPrivate equity0.8Â 1.6Â None (b)None (b)Total$217.2Â $1.6Â (a)These hedge funds are in the process of liquidation and the timing is unknown. (b)These private equity instruments are estimated to be liquidated over the next 1 to 5 years.Investments and strategyIn developing an investment strategy for its defined benefit plans, Valvoline considered the following factors:Â the nature of the liabilities of the plans; the allocation of liabilities between active, deferred and retired plan participants; the funded status of the plans; the applicable investment horizon; the respective size of the plans; and historical and expected investment returns.Â Valvolineâ€™s pension plan assets are managed by outside investment managers, which are monitored against investment benchmark returns and Valvoline's established investment strategy. Investment managers are selected based on an analysis of, among other things, their investment process, historical investment results, frequency of management turnover, cost structure, and assets under management.Â Assets are periodically reallocated between investment managers to optimize returns and maintain an appropriate asset mix and diversification of investments.The current target asset allocation for the plans is 90% fixed income securities and 10% equity-based securities. Fixed income securities are liability matching assets that primarily include long duration, high grade corporate debt obligations.Â Equity-based securities are return-seeking assets that include both traditional equities as well as a mix of non-traditional assets such as hedge and commingled funds and private equity. Investment managers may employ a limited use of futures or other derivatives to manage risk within the portfolio through efficient exposure to 84markets. Valvolineâ€™s pension plans hold a variety of investments designed to diversify risk and achieve an adequate net investment return to provide for future benefit payments to its participants. The weighted-average asset allocations for Valvolineâ€™s plans by asset category follow as of SeptemberÂ 30:Target20242023Plan assets allocationEquity securities3-10%7Â %7Â %Debt securities80-100%92Â %92Â %Other0-10%1Â %1Â %Total100Â %100Â %The basis for determining the expected long-term rate of return is a combination of future return assumptions for the various asset classes in Valvolineâ€™s investment portfolio based on active management, historical analysis of previous returns, market indices, and a projection of inflation, net of plan expenses.Funding and benefit paymentsValvoline contributed $14.2Â million and $17.8Â million to its pension plans during fiscal 2024 and 2023, respectively. Valvoline does not plan to contribute to its qualified pension plans in fiscal 2025 and expects to contribute approximately $7.1 million to its non-qualified pension plans.The following benefit payments, which reflect future service expectations, are projected to be paid in each of the next five fiscal years ended September 30 and the five fiscal years thereafter in aggregate:(In millions)Pension benefitsOther postretirement benefits2025$136.3Â $2.6Â 2026135.1Â 2.3Â 2027133.1Â 2.1Â 2028130.0Â 2.1Â 2029128.7Â 2.0Â 2028 - 2032592.5Â 8.7Â Total$1,255.7Â $19.8Â Other plansDefined contribution and other defined benefit plansValvoline sponsors certain defined contribution savings plans that provide matching contributions. Expense associated with these plans was $14.1Â million in fiscal 2024, $12.5Â million in fiscal 2023 and $15.9Â million in fiscal 2022. Valvoline also sponsors a long-term disability benefit plan. Total liabilities associated with this plan were $0.6Â million and $1.0Â million as of September 30, 2024 and 2023, respectively.Incentive plansReserves for incentive plans were $15.8 million and $16.4 million as of September 30, 2024 and 2023, respectively.85NOTE 11 â€" LITIGATION, CLAIMS AND CONTINGENCIESFrom 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 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, there are currently no matters for which 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 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 consolidated financial statements.NOTE 12 â€" STOCK-BASED COMPENSATION PLANS Valvoline has approved stock-based incentive plans that authorize 21.0Â million shares of common stock to be issued, with approximately 8.8Â million shares of common stock remaining available for issuance as of September 30, 2024. The Valvoline stock-based incentive plans authorize the grant of stock options, stock appreciation rights (â€œSARsâ€), and nonvested stock awards, principally in the form of restricted stock, restricted stock units, and performance share units. The following summarizes stock-based compensation expense recognized by the Company during the years ended September 30:(In millions)202420232022Stock appreciation rights$1.1Â $1.2Â $1.5Â Nonvested stock awards10.9Â 12.6Â 8.4Â Total stock-based compensation expense, pre-tax12.0Â 13.8Â 9.9Â Tax benefit(3.0)(3.5)(2.5)Total stock-based compensation expense, net of tax$9.0Â $10.3Â $7.4Â Stock appreciation rightsSARs are granted to certain Valvoline employees to provide vested award holders with the ability to profit from the appreciation in value of a set number of shares of common stock over a period of time by receiving the differential between the value of the Company's common stock price at the grant and exercise dates. SARs typically vest and become exercisable over a period of oneÂ toÂ three years and are subject to pre-vesting forfeiture upon service termination. Unexercised SARs generally lapse ten years after the grant date. Stock-based compensation expense for SARs is determined using the Black-Scholes option-pricing model to estimate the grant date fair value of new or modified awards.Nonvested stock awardsNonvested stock awards in the form of Restricted Stock Awards ("RSAs") and Restricted Stock Units ("RSUs") are granted to certain Valvoline employees and directors. These awards can have service-based or both service and performance-based vesting conditions. Nonvested stock awards generally vest over a one to three-year period and are subject to forfeiture upon termination of service prior to vesting. Nonvested stock awards are primarily granted as RSUs that settle in shares upon vesting, while RSAs result in share issuance at grant, entitling the award holders to voting rights, though the shares are restricted until vesting. Nonvested stock awards with service-only vesting conditions receive dividend equivalents in the form of additional units or shares, which are subject to vesting and forfeiture provisions.86Nonvested stock awards with both service and performance conditions vest through continued employee service and upon the achievement of specific financial targets subject to adjustment relative to performance among selected industry peer groups. These awards are granted annually and subject to aÂ three-year performance and vesting period. Each performance share unit is convertible toÂ oneÂ share of common stock, the actual number of which is dependent upon performance compared to financial and market performance targets at the end of each performance period. Compensation cost for performance-based nonvested stock awards is recognized at fair value over the requisite service period based on the probable achievement of the financial performance conditions. The following summarizes nonvested stock award activity during the year ended September 30, 2024:Number of shares(in thousands)Weighted average grant date fair value per shareUnvested shares as of SeptemberÂ 30, 20231,350.6Â $33.35Â Granted315.6Â $36.59Â Performance adjustments (a)22.0Â $38.32Â Vested(468.9)$35.53Â Forfeited(51.6)$35.95Â Unvested shares as of SeptemberÂ 30, 20241,167.7Â $32.74Â (a)Adjustments based on current attainment expectations of performance targets. The fair value of new or modified nonvested stock awards with service-only conditions was determined based on the closing market price of Valvoline common stock on the grant date, and the fair value of performance-based nonvested stock awards that include both financial and market performance conditions was determined using a Monte Carlo simulation valuation model with the following key assumptions:202420232022Weighted average grant date fair value per share$38.32Â $35.94Â $33.98Â Assumptions (weighted average)Risk-free interest rates (a)4.6Â %4.3Â %1.6Â %Expected dividend yieldâ€"Â %â€"Â %1.8Â %Expected volatility (b)28.5Â %43.0Â %41.5Â %Expected term (in years)3.03.03.0(a)Based on the U.S. Treasury yield curve in effect at the time of grant or modification for the expected term of the award. The range of risk-free interest rates used for performance awards was 4.54% to 4.83% in fiscal 2024, 4.24% to 4.78% in fiscal 2023, and 1.14% to 1.88% in fiscal 2022.(b)Expected volatility is based on historical volatilities over periods commensurate with the expected term. In recent years, Valvoline utilized its historical daily closing price over this period. The total grant date fair value of nonvested stock awards vested and the weighted average grant date fair value of nonvested stock awards granted follows for the years ended September 30:202420232022Total grant date fair value of shares vested$17.1Â $15.7Â $11.2Â Weighted average grant date fair value$36.59Â $33.98Â $35.32Â As of September 30, 2024, there was $6.9 million of total unrecognized compensation costs related to nonvested stock awards, which is expected to be recognized over a weighted average period of 1.9 years. The aggregate intrinsic value of nonvested stock awards as of September 30, 2024 is $38.2 million.87NOTE 13 - EARNINGS PER SHAREThe following summarizes basic and diluted EPS for the years ended September 30:(In millions, except per share data)202420232022NumeratorIncome from continuing operations$214.5Â $199.4Â $109.4Â (Loss) income from discontinued operations, net of tax(3.0)1,220.3Â 314.9Â Net income$211.5Â $1,419.7Â $424.3Â DenominatorWeighted average common shares outstanding130.1Â 161.6Â 179.1Â Effect of potentially dilutive securities (a)0.9Â 1.0Â 1.3Â Weighted average diluted shares outstanding 131.0Â 162.6Â 180.4Â Â Basic earnings per shareContinuing operations$1.65Â $1.24Â $0.61Â Discontinued operations(0.02)7.55Â 1.76Â Basic earnings per share$1.63Â $8.79Â $2.37Â Diluted earnings per shareContinuing operations$1.63Â $1.23Â $0.61Â Discontinued operations(0.02)7.50Â 1.74Â Diluted earnings per share$1.61Â $8.73Â $2.35Â (a)There were 0.1Â million outstanding securities, primarily SARs, not included in the computation of diluted earnings per share in the year ended SeptemberÂ 30, 2024 because the effect would have been antidilutive and 0.2Â million for each of the years ended SeptemberÂ 30, 2023 and 2022. NOTE 14 - STOCKHOLDERS' EQUITYModified â€œDutch auctionâ€ tender offerDuring fiscal 2023, Valvoline completed a modified â€œDutch auctionâ€ tender offer and accepted 27.0Â million shares for an aggregate purchase price of $1.024Â billion, excluding fees and related expenses. Valvoline incurred $16.4 million in fees and expenses, which included $10.2 million for excise taxes on share repurchases. These costs were recognized within Retained earnings during the year ended SeptemberÂ 30, 2023 as costs to repurchase the Companyâ€™s common stock. Shares repurchased were retired and returned to the status of authorized, unissued shares.88Accumulated other comprehensive income (loss)Changes in Accumulated other comprehensive income (loss) by component for fiscal years 2024 and 2023 were as follows:Â (In millions)Unamortized benefit plan creditsCurrency translation adjustmentsChanges in fair value of cash flow hedgesTotalBalance as of SeptemberÂ 30, 2022$15.1Â (49.7)13.3Â $(21.3)Other comprehensive income before reclassification (loss)â€”Â 13.1Â (22.8)(9.7)(Gain) loss reclassified out of accumulated other comprehensive income(2.2)30.7Â 12.7Â 41.2Â Tax benefit (expense)0.5Â (0.1)2.6Â 3.0Â Balance as of SeptemberÂ 30, 202313.4Â (6.0)5.8Â 13.2Â Other comprehensive income before reclassification (loss)â€”Â (0.4)(10.0)(10.4)(Gain) loss reclassified out of accumulated other comprehensive income(2.1)4.4Â 2.3Â 4.6Â Tax benefit0.4Â 0.2Â 1.9Â 2.5Â Balance as of SeptemberÂ 30, 2024$11.7Â (1.8)â€”Â $9.9Â Amounts reclassified from Accumulated other comprehensive income (loss) follow for the years ended September 30:(in millions)202420232022Amortization of pension and other postretirement plan prior service credits (a)(2.1)(2.1)$(2.1)Business disposal (b)4.4Â 30.6Â â€”Â Loss (gain) on cash flow hedges (c)2.3Â 12.7Â 1.4Â Tax effect of reclassifications2.5Â 3.0Â (3.4)Total amounts reclassified, net of tax$7.1Â $44.2Â $(4.1)(a)Amortization of unrecognized prior service credits included in net periodic benefit income for pension and other postretirement plans was reported in Net pension and other postretirement plan expense (income) within the Consolidated Statements of Comprehensive Income. The Company releases the income tax effects from Accumulated other comprehensive income as benefit plan credits are amortized into earnings.(b)Reflects the realization of $4.4Â million of currency translation losses included in the net assets held for sale upon completing the sale of a former Global Products business in the first quarter of fiscal 2024. Additionally, includes the realization of $30.7 million in currency translation losses and $0.1 million in unamortized pension prior service credits both recognized within (Loss) income from discontinued operations, net of tax in the Consolidated Statement of Comprehensive Income for fiscal 2023.(c)Represents the realization of gains from cash flow hedges reported in Net interest and other financing expense within the Consolidated Statements of Comprehensive Income.89NOTE 15 â€“ SUPPLEMENTAL BALANCE SHEET INFORMATIONCash and cash equivalentsThe following table provides a reconciliation of cash, cash equivalents and restricted cash reported within the Consolidated Balance Sheets to the totals shown within the Consolidated Statements of Cash Flows for the years ended September 30: (In millions)202420232022Cash and cash equivalents - continuing operations$68.3Â $409.1Â $23.4Â Cash and cash equivalents - held for sale (a)â€”Â 4.0Â â€”Â Cash and cash equivalents - discontinued operationsâ€”Â â€”Â 59.0Â Restricted cash - continuing operations (b)0.4Â â€”Â â€”Â Restricted cash - discontinued operations (c)â€”Â â€”Â 1.5Â Total cash, cash equivalents and restricted cash$68.7Â $413.1Â $83.9Â (a)Refer to Note 3 for additional information regarding the asset group classified as held for sale at SeptemberÂ 30, 2023.(b)Included in Prepaid expenses and other current assets within the Consolidated Balance Sheets.(c)Included in Current assets held for sale with the Consolidated Balance Sheets.Accounts and other receivablesThe following summarizes Valvolineâ€™s accounts and other receivables in the Consolidated Balance Sheets as of September 30:(In millions)20242023CurrentTrade$73.2Â $64.0Â Other9.1Â 16.3Â Notes receivable from franchisees5.4Â 1.6Â Receivables, gross87.7Â 81.9Â Allowance for credit losses(1.3)(0.6)Receivables, net$86.4Â $81.3Â Non-current (a)Notes receivable$2.5Â $2.3Â Other4.4Â 7.5Â Noncurrent notes receivable, gross6.9Â 9.8Â Allowance for losses(2.6)(2.4)Noncurrent notes receivable, net$4.3Â $7.4Â (a) Included in Other noncurrent assets within the Consolidated Balance Sheets.90Property, plant and equipmentThe following table summarizes the various components of property, plant and equipment within the Consolidated Balance Sheets as of September 30:(In millions)20242023Land $160.1Â $148.5Â Buildings 869.5Â 725.1Â Machinery and equipment348.7Â 302.6Â Construction in progress72.1Â 57.6Â Total property, plant and equipment1,450.4Â 1,233.8Â Accumulated depreciation(491.7)(415.5)Net property, plant and equipment$958.7Â $818.3Â The following table summarizes finance lease assets included in net property, plant and equipment as of September 30:(In millions)20242023Land $96.1Â $85.4Â Buildings 165.6Â 154.6Â Total finance lease assets261.7Â 240.0Â Accumulated depreciation (67.4)(50.0)Net finance lease assets $194.3Â $190.0Â Non-cash transactions, including finance leases, recognized within total property, plant and equipment were $18.3 million and $17.5 million during the years ended September 30, 2024 and 2023, respectively.The following summarizes expense associated with property, plant and equipment recognized within the Consolidated Statements of Comprehensive Income for the years ended September 30:(In millions)202420232022Depreciation (includes finance leases)$89.2Â $72.0Â $54.7Â Long-lived assetsThe following presents long-lived assets comprised of net property, plant and equipment and operating lease assets by geographic area in which the assets physically reside forÂ the years ended September 30:Property, plant and equipment, netOperating lease assets(In millions)2024202320242023United States$909.1Â $774.4Â $281.6Â $247.2Â Non-U.S.49.6Â 43.9Â 17.0Â 19.3Â Total$958.7Â $818.3Â $298.6Â $266.5Â 91NOTE 16 â€“ SUBSEQUENT EVENTSAssets held for saleIn October 2024, the Company entered into a definitive agreement to sell 38 company-owned service center stores to a new franchise partner. The transaction is subject to standard closing conditions and is expected to close in early fiscal 2025. The underlying net assets associated with the transaction were classified as held for sale beginning in October 2024 and will be classified as such until the closing of the sale.ITEMÂ 9.Â CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURENone.ITEM 9A.Â Â CONTROLS AND PROCEDURESEvaluation of disclosure controls and proceduresValvolineâ€™s Chief Executive Officer (â€œCEOâ€) and Chief Financial Officer (â€œCFOâ€), with the assistance of management, conducted an evaluation of the effectiveness of the Companyâ€™s disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (â€œExchange Actâ€)) as of SeptemberÂ 30, 2024 (the â€œEvaluation Dateâ€). Although management believes that the consolidated financial statements included in this Annual Report on Form 10-K are fairly presented in all material respects, this evaluation concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were not effective based on a material weakness in internal control over financial reporting described below. These controls 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 (â€œSECâ€), and that such information is accumulated and communicated to Valvolineâ€™s management, including the CEO and CFO, to allow timely decisions regarding required disclosure.Notwithstanding the conclusion that disclosure controls and procedures were not effective as of SeptemberÂ 30, 2024 due to the material weakness described below, management performed additional analyses and other procedures, including implementing and enhancing certain manual procedures and controls intended to ensure the consolidated financial statements included in this Annual Report on Form 10-K are fairly presented in all material respects. The material weakness did not result in any identified material misstatements in the current or prior period consolidated financial statements. Accordingly, the Company believes there are no material inaccuracies or omissions of material fact in its consolidated financial statements included in this Annual Report on Form 10-K 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.Managementâ€™s report on internal control over financial reportingManagement is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act). Management assessed the effectiveness of the Companyâ€™s internal control over financial reporting as of SeptemberÂ 30, 2024 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (â€œCOSOâ€) in the 2013 Internal Control - Integrated Framework. Based on this assessment, management concluded that the Companyâ€™s internal control over financial reporting was not effective as of SeptemberÂ 30, 2024 due to the material weakness in internal control over financial reporting described below. A companyâ€™s internal control over financial reporting includes those policies and procedures that: (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and92(3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the companyâ€™s assets that could have a material effect on the financial statements. Valvolineâ€™s independent registered public accounting firm, Ernst & Young LLP, who audited the consolidated financial statements included in this Annual Report on Form 10-K, issued an adverse opinion on the effectiveness of the Companyâ€™s internal control over financial reporting as of SeptemberÂ 30, 2024, which appears in this Item 9A.Material weakness in internal control over financial reportingThe sale of the former Global Products reportable segment on March 1, 2023 resulted in material changes in the Companyâ€™s internal control over financial reporting, including the implementation of a new ERP system on January 1, 2024. A material weakness in internal control over financial reporting was initially reported during the quarter ended March 31, 2024 due to the ERP implementation and the related ineffective information technology general controls (â€œITGCsâ€) and the design of certain business process controls. 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 the annual or interim financial statements will not be prevented or detected on a timely basis. While significant progress has been made to address the control deficiencies, a material weakness continued to exist as of SeptemberÂ 30, 2024. Specifically, the Company did not ensure adequate (a) user access controls for certain applications to ensure segregation of duties risks were addressed and that user and privileged access reviews were completed timely and sufficiently evidenced, (b) change management controls for certain applications, including sufficient documentation of effectiveness of underlying tools and evaluation of all potential risks, (c) evidence of the effectiveness of controls at its third party IT service organization hosting the ERP application, and (d) design for certain business process controls (automated and manual), including those that are dependent on effective ITGCs. Although management has performed procedures to gain comfort that the consolidated financial statements are fairly stated in all material respects, these control deficiencies aggregate to allow for the possibility that material misstatements could impact most financial statement accounts and disclosures that may not be prevented or detected. Accordingly, these control deficiencies aggregate within the control activities component of the COSO framework and constitute a material weakness. The material weakness did not result in any identified material misstatements to the consolidated financial statements. Remedial measuresManagement has been actively developing, executing and enhancing its remedial efforts, which began during the quarter ended March 31, 2024 following the ERP implementation. The remedial efforts include the following: â€¢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, analyses and procedures to address the periods of time with systematic deficiencies;â€¢Enhanced the design of access controls, including reviews of ERP privileged access and segregation of duties in user provisioning to increase the rigor of review and centrally retain supporting evidence, while continuing to enhance the reviews and documentation retained to support reviews of segregation of duties conflicts and user access within certain other relevant applications; â€¢Implemented tools to directly oversee access and change management for a key application that was previously managed by a third party, and obtained direct evidence of effectiveness of the tools managed by the third party as of and for the fiscal year ended September 30, 2024;â€¢Increased the support of an outside consulting firm to advise regarding best practices for documentation, design and execution of IT general controls and related transactional-level controls;â€¢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, while continuing to enhance change management evidence and reviews for other relevant applications; â€¢Obtained and evaluated evidence of the continued operating effectiveness of controls for its ERP service organization as of and through fiscal year-end, which will be supplemented in future periods by periodic documented assessments; and93â€¢Conducted end-to-end business process walkthroughs to identify the points in the process for each significant class of transactions where risks of material misstatement exist to validate the design and operational effectiveness of responsive controls, including application controls, such as system configuration, reports, automated jobs and interfaces. Based on these procedures, management is supplementing its existing review controls with certain preventative transaction-level controls to align with each point in the process where a reasonable possibility of material misstatement exists. Management believes the foregoing efforts will remediate the material weakness, and these efforts are planned to be completed during fiscal 2025. In addition to the measures outlined above, remediation will be complete upon managementâ€™s consistent execution and validation through sufficient testing to support operational effectiveness. Changes in internal controlOther than with respect to the remediation efforts discussed above, there have been no significant changes in Valvolineâ€™s internal control over financial reporting that occurred during the fiscal quarter ended SeptemberÂ 30, 2024 that materially affected, or are reasonably likely to materially affect, Valvolineâ€™s internal control over financial reporting.94REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMTo the Stockholders and Board of Directors of Valvoline Inc. and Consolidated SubsidiariesOpinion on Internal Control Over Financial Reporting We have audited Valvoline Inc. and Consolidated Subsidiariesâ€™ internal control over financial reporting as of September 30, 2024, based on criteria established in Internal Controlâ€”Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weakness described below on the achievement of the objectives of the control criteria, Valvoline Inc. and Consolidated Subsidiaries (the Company) has not maintained effective internal control over financial reporting as of September 30, 2024, based on the COSO criteria.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 the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weakness has been identified and included in management's assessment. Management has identified a material weakness in controls related to the aggregated control deficiencies in IT general controls for certain IT applications and the design of certain controls dependent on those relevant IT applications, which could affect most consolidated significant accounts and disclosures.We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of September 30, 2024 and 2023, the related consolidated statements of comprehensive income, stockholdersâ€™ equity and cash flows for each of the three years in the period ended September 30, 2024, and the related notes and financial statement schedule listed in the Index at Item 15(a). This material weakness was considered in determining the nature, timing and extent of audit tests applied in our audit of the 2024 consolidated financial statements, and this report does not affect our report dated NovemberÂ 22, 2024, which expressed an unqualified opinion thereon.Basis for OpinionThe Companyâ€™s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Managementâ€™s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Companyâ€™s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.Definition and Limitations of Internal Control Over Financial Reporting A companyâ€™s internal control over financial reporting is a process designed 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. A companyâ€™s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the companyâ€™s assets that could have a material effect on the financial statements.95Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate./s/ Ernst & Young LLPLouisville, KentuckyNovemberÂ 22, 202496ITEM 9B.Â Â OTHER INFORMATIONRule 10b5-1 Trading PlansFrom time to time, the Companyâ€™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 â€œRule 10b5-1 Trading Planâ€). A Rule 10b5-1 Trading Plan is a written agreement between the officer or director and such personâ€™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 Companyâ€™s insider trading policy requires a 90-day cooling-off period before transactions may be executed pursuant an officerâ€™s or directorâ€™s Rule 10b5-1 Trading Plan.On August 27, 2024, Mr. R. Travis Dobbins, the Companyâ€™s Senior Vice President and Chief Technology Officer entered into a Rule 10b5-1 Trading Plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c). Mr. Dobbinsâ€™ plan covers the sale of 100% of the net shares (after withholding of applicable taxes) of Valvoline common stock received in settlement of any earned performance share units (2,080 at target) for the fiscal 2022 to fiscal 2024 performance period. Mr. Dobbinsâ€™ Rule 10b5-1 Trading Plan expires upon the earlier of January 31, 2025, or the date all transactions pursuant to such trading plan are executed. PART IIIITEM 10.Â Â DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCEA list of Valvolineâ€™s executive officers and related information appears under the caption â€œExecutive Officers of Valvolineâ€ in Item 1 of Part I of this Annual Report on Form 10-K. The other information required by this item will be included in the Proxy Statement, which will be filed with the SEC within 120 days of SeptemberÂ 30, 2024 and is incorporated herein by reference.Â Â ITEM 11.Â Â EXECUTIVE COMPENSATIONThe information required by this item will be included in the Proxy Statement, which will be filed with the SEC within 120 days of SeptemberÂ 30, 2024 and is incorporated herein by reference.Â Â ITEM 12.Â Â SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS The information required by this item will be included in the Proxy Statement, which will be filed with the SEC within 120 days of SeptemberÂ 30, 2024 and is incorporated herein by reference.Â Â ITEM 13.Â Â CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCEThe information required by this item will be included in the Proxy Statement, which will be filed with the SEC within 120 days of SeptemberÂ 30, 2024 and is incorporated herein by reference.Â Â ITEM 14.Â Â PRINCIPAL ACCOUNTANT FEES AND SERVICES97The information required by this item will be included in the Proxy Statement, which will be filed with the SEC within 120 days of SeptemberÂ 30, 2024 and is incorporated herein by reference.Â Â PART IVITEM 15.Â Â EXHIBITS AND FINANCIAL STATEMENT SCHEDULES(a) Documents filed as part of this Report(1) Financial statements The consolidated financial statements of Valvoline filed as part of this Annual Report on Form 10-K are included in Item 8 of Part II.Separate financial statements of unconsolidated affiliates are omitted because none of these companies constitute significant subsidiaries using the 20% tests when considered individually.(2) Financial statement schedulesFinancial Statement Schedule II - Valuation and Qualifying Accounts included within this Item 15 in this Annual Report on Form 10-K. All other schedules are not required under the related instructions or are not applicable. (3) ExhibitsRefer to Item 15(b) included in this Annual Report on Form 10-K.(b) Documents required by Item 601 of Regulation S-K 3.1-Amended and Restated Articles of Incorporation of Valvoline Inc. (incorporated by reference to Exhibit 3.1 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 17, 2017).3.2-Amended and Restated By-laws of Valvoline Inc. (incorporated by reference to Exhibit 3.2 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016). 4.1-Specimen Stock Certificate (incorporated by reference to Exhibit 4.1 to Valvolineâ€™s Registration Statement on Form S-1 (File No. 333-211720) filed on SeptemberÂ 12, 2016).4.2-Indenture, dated as of January 4, 2021, among Valvoline Inc. the guarantors party thereto and U.S. Bank National Association, as Trustee (incorporated by reference to Exhibit 4.1 to Valvoline's Current Report on Form 8-K (File No. 001-37884) filed on January 4, 2021.4.3-Description of Securities (incorporated by reference to Exhibit 4.5 to Valvolineâ€™s Annual Report on 10-K (File No. 001-37884) filed on November 19, 2021).The following Exhibits 10.1 through 10.20 are contracts, compensatory plans or arrangements, or management contracts required to be filed as exhibits pursuant to Items 601(b)(10)(ii)(A) and 601(b)(10)(iii)(A) and (B) of Regulations S-K.10.1-Valvoline Inc. 2016 Deferred Compensation Plan for Employees (incorporated by reference to Exhibit 10.1 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016). 10.2-Valvoline Inc. 2016 Deferred Compensation Plan for Non-Employee Directors (incorporated by reference to Exhibit 10.6 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.3-2016 Valvoline Inc. Incentive Plan, as Amended (incorporated by reference to Exhibit 10.1 to Valvoline's Current Report on Form 8-K (File No. 001-37884) filed on February 5, 2019. 9810.4-Valvoline Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to Valvolineâ€™s Current Report on Form 8-K (File No. 001-37884) filed on February 5, 2018).10.5-Form of (Outside Directors) Restricted Stock Award Agreement pursuant to the 2016 Valvoline Inc. Incentive Plan (incorporated by reference to Exhibit 10.3 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.6-Form of Performance Stock Unit Award Agreement pursuant to the 2016 Valvoline Inc. Incentive Plan (incorporated by reference to Exhibit 10.5 to Valvoline's Current Report on Form 8-K (File No. 001-37884) filed on May 15, 2017).10.7-Form of Stock Appreciation Right Award Agreement pursuant to the 2016 Valvoline Inc. Incentive Plan (incorporated by reference to Exhibit 10.6 to Valvoline's Current Report on Form 8-K (File No. 001-37884) filed on May 15, 2017).10.8-Form of Stock Appreciation Right Award Agreement pursuant to the 2016 Valvoline Inc. Incentive Plan, as Amended, for awards granted after fiscal 2020 (incorporated by reference to Exhibit 10.8 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 24, 2020).10.9-Form of Restricted Stock Unit Agreement pursuant to the 2016 Valvoline Inc. Incentive Plan, as Amended, for awards granted after fiscal 2020 (incorporated by reference to Exhibit 10.11 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 24, 2020).10.10-Form of Outside Director Restricted Stock Unit Award Agreement pursuant to the 2016 Valvoline Inc. Incentive Plan (incorporated by reference to Exhibit 10.1 to Valvolineâ€™s Quarterly Report on Form 10-Q (File No. 001-37884) filed on February 9, 2022).10.11-Valvoline Inc. Nonqualified Defined Contribution Plan (incorporated by reference to Exhibit 10.4 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.12-Ashland Inc. Nonqualified Excess Benefit Pension Plan (incorporated by reference to Exhibit 10.12 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 17, 2017).10.13-Amendment to Ashland Inc. Nonqualified Excess Benefit Pension Plan, effective as of September 1, 2016 (incorporated by reference to Exhibit 10.7 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.14-Amendment to Ashland Inc. Nonqualified Excess Benefit Pension Plan, effective as of September 30, 2016 (incorporated by reference to Exhibit 10.9 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.15-Ashland Inc. Supplemental Early Retirement Plan for Certain Employees (â€œAshland SERPâ€) (incorporated by reference to Exhibit 10.15 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 17, 2017).10.16-Amendment to Ashland SERP, effective as of January 1, 2015 (incorporated by reference to Exhibit 10.16 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 17, 2017).10.17-Amendment to Ashland SERP, effective as of September 1, 2016 (incorporated by reference to Exhibit 10.17 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 17, 2017).10.18-Amendment to Ashland SERP, effective as of September 30, 2016 (incorporated by reference to Exhibit 10.8 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.19*-Valvoline Change in Control Severance Plan, as amended and restated, effective September 19, 2024.10.20-Valvoline Severance Pay Plan, as amended and restated, effective January 1, 2022 (incorporated by reference to Exhibit 10.4 to Valvoline's Quarterly Report on Form 10-Q (File No. 001-37884) filed on February 9, 2022).9910.21-Amendment and Restatement Agreement, dated as of December 12, 2022, among Valvoline Inc. (â€œValvolineâ€), certain subsidiaries of Valvoline party thereto, The Bank of Nova Scotia, as Administrative Agent, swing line lender and an L/C issuer, and the lenders party thereto (including Exhibit A â€“ Amended and Restated Credit Agreement, among Valvoline, The Bank of Nova Scotia, as Administrative Agent, swing line lender and an L/C issuer, and the lenders party thereto) (incorporated by reference to Exhibit 10.1 to Valvoline Current Report on Form 8-K (File No. 001-37884) filed on December 13, 2022. 10.22-Separation Agreement, dated as of September 22, 2016, by and between Ashland Inc. and Valvoline Inc. (incorporated by reference to Exhibit 10.15 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016). 10.23-Tax Matters Agreement, dated as of September 22, 2016, by and between Ashland Inc. and Valvoline Inc. (incorporated by reference to Exhibit 10.18 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.24-Amendment to Tax Matters Agreement, dated as of January 13, 2023, between Ashland Inc. and Valvoline Inc. (incorporated by reference to Exhibit 10.1 to Valvolineâ€™s Current Report on Form 8-K (File No. 001-37884) filed on January 20, 2023). 10.25-Employee Matters Agreement, dated as of September 22, 2016, by and between Ashland Inc. and Valvoline Inc. (incorporated by reference to Exhibit 10.19 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on December 19, 2016).10.26-Amended and Restated Equity Purchase Agreement (â€œEquity Purchase Agreementâ€), dated as of March 1, 2023, among Valvoline Inc., Gateway Velocity Holding Corp., and, solely for the purposes set forth therein, Aramco Overseas Company B.V. (incorporated by reference to Exhibit 10.1 to Valvoline Current Report on Form 8-K (File No. 001-37884) filed on March 1, 2023).10.27-Supply Agreement by and between VGP Holdings LLC, Valvoline Inc. and Valvoline LLC, effective as of March 1, 2023 (incorporated by reference to Exhibit 10.1 to Valvolineâ€™s Quarterly Report on Form 10-Q (File No. 001-37884) filed on May 10, 2023).10.28-Trademark Co-Existence Agreement by and between, on the one hand, Valvoline LLC, Valvoline Licensing and Intellectual Property LLC, and Valvoline Inc. and, on the other hand, VGP Holdings LLC and VGP IPCo LLC, dated as of March 1, 2023 (incorporated by reference to Exhibit 10.2 to Valvolineâ€™s Quarterly Report on Form 10-Q (File No. 001-37884) filed on May 10, 2023).10.29-Letter Agreement to Equity Purchase Agreement, dated as of September 25, 2023, by and among Valvoline Inc., Aramco Valvoline Global Holding Corp., and Aramco Overseas B.V. (incorporated by reference to Exhibit 10.31 to Valvoline's Annual Report on Form 10-K (File No. 001-37884) filed on November 20, 2023). 19*-Securities Laws and Insider Trading Policy.21*-List of Subsidiaries.23.1*-Consent of Ernst & Young LLP.24*-Power of Attorney.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. 97.1-Valvoline Inc. Executive Compensation Recovery (Clawback) Policy (incorporated by reference to Exhibit 97.1 to Valvolineâ€™s Annual Report on Form 10-K (File No. 001-37884) filed on November 20, 2023).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.100101.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).* Â Â Â Â Filed herewith.**Â Â Â Â Furnished herewith.SM Â Â Â Â Service mark, Valvoline Inc. or its subsidiaries, registered in various countries.â„¢ Â Â Â Â Trademark, Valvoline Inc. or its subsidiaries, registered in various countries.â€ Â Â Â Â Trademark owned by a third party.Upon written or oral request, a copy of the above exhibits will be furnished at cost.101VALVOLINE INC.SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTSFor the years ended September 30, 2024, 2023 and 2022(In millions)(A)(B)(C)(D)(E)AdditionsDescriptionBalance at beginning of periodCharged to expensesCharged to other accountsDeductionsBalance at end of periodCurrent allowance for credit lossesYear ended September 30, 2024$0.6Â $0.6Â $0.1Â $â€”Â $1.3Â Year ended September 30, 2023$4.6Â (0.6)(3.4)(a)$â€”Â $0.6Â Year ended September 30, 2022$0.3Â $4.5Â (0.2)â€”Â $4.6Â Allowances for loan lossesYear ended September 30, 2024$2.4Â $â€”Â $0.2Â $â€”Â $2.6Â Year ended September 30, 2023$2.2Â $â€”Â $0.2Â $â€”Â $2.4Â Year ended September 30, 2022$2.1Â $â€”Â $0.1Â $â€”Â $2.2Â Inventory excess and obsolete reservesYear ended September 30, 2024$1.1Â $0.2Â $â€”Â $â€”Â $1.3Â Year ended September 30, 2023$2.0Â (0.3)(0.6)(a)$â€”Â $1.1Â Year ended September 30, 2022$0.8Â $1.2Â $â€”Â $â€”Â $2.0Â Deferred tax asset valuation allowanceYear ended September 30, 2024$3.0Â (2.0)â€”Â $â€”Â $1.0Â Year ended September 30, 2023$33.3Â (30.3)â€”Â $â€”Â $3.0Â Year ended September 30, 2022$31.8Â $1.5Â $â€”Â $â€”Â $33.3Â (a) Includes currency translation and balances reclassified to held for sale within the Consolidated Balance Sheet.ITEM 16.Â Â Â Â Â Â FORM 10-K SUMMARY None.Â Â 102SIGNATURESPursuant to the requirements of Section 13 or 15(d) 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)By:/s/ Mary E. MeixelspergerMary E. MeixelspergerChief Financial OfficerDate: NovemberÂ 22, 2024Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant, in the capacities indicated, on NovemberÂ 22, 2024.SignaturesCapacity/s/ Lori A. FleesChief Executive Officer and DirectorLori A. Flees(Principal Executive Officer)/s/ Mary E. MeixelspergerChief Financial OfficerMary E. Meixelsperger(Principal Financial Officer)/s/ Dione R. SturgeonVice President, Chief Accounting Officer and ControllerDione R. Sturgeon(Principal Accounting Officer)*Chairman of the Board and DirectorRichard J. Freeland*DirectorGerald W. Evans, Jr.*DirectorCarol H. Kruse*DirectorVada O. Manager*DirectorPatrick S. Pacious*DirectorJennifer L. Slater*DirectorÂ Charles M. Sonsteby *DirectorMary J. Twinem *By:/s/ Julie M. Oâ€™DanielJulie M. Oâ€™DanielAttorney-in-FactDate:NovemberÂ 22, 2024103DocumentExhibit 10.19VALVOLINE CHANGE IN CONTROL SEVERANCE PLANAmended and RestatedEffective September 19, 2024TABLE OF CONTENTSÂ Â Â Â Â Â Â Â Â Â Valvoline Change in Control Severance PlanVALVOLINE CHANGE IN CONTROL SEVERANCE PLAN(Amended & Restated effective as of September 19, 2024)The Valvoline Change in Control Severance Plan (the â€œPlanâ€) is hereby amended and restated, effective as of September 19, 2024. Capitalized terms used but not otherwise defined herein have the meanings set forth in SectionÂ 4.The Plan is an employee benefit plan that provides participating employees of Valvoline Inc. (â€œValvolineâ€) and its majority-owned subsidiaries (collectively referred to herein as the â€œCompanyâ€) with certain severance payments and benefits if the individualâ€™s employment with the Company is terminated under defined circumstances prior to or following a Change in Control. The details and purpose of the Plan are more fully explained below.This Plan will govern in the event of a Change in Control, in lieu of the Non-CIC Severance Plan (as defined below), except as otherwise provided in Section 6 with respect to Participants whose Qualifying Termination occurs under circumstances described in clause (ii) of such defined term.SECTION 1. PURPOSEThe purpose of the Plan is to reduce participating employeesâ€™ concerns about the possibility of a Change in Control. It is important that each participating employee be able to focus his or her full attention and energy toward the goals and objectives of the Company. The Plan is also designed to permit the Company to retain its participating employees by increasing stability and improving morale and productivity. In addition, the Plan will allow the Company to attract and retain new qualified employees.SECTION 2. ADMINISTRATIONThe Plan shall be administered by the Plan Administrator. The Plan Administrator shall have full authority to select Participants, to construe and interpret the Plan, to establish, amend and rescind rules and regulations relating to the administration of the Plan, and to take all such actions and make all such determinations in connection with the administration of the Plan as it may deem necessary or desirable. All determinations made by the Plan Administrator shall be final and binding on all interested persons. Additionally, Valvoline shall be the named fiduciary for purposes of the Employee Retirement Income Security Act of 1974 (â€œERISAâ€).SECTION 3. ELIGIBILITYNo employee may participate in the Plan unless and until the Plan Administrator designates them a Participant and the Participant executes and returns to the Company a participation agreement prepared by appropriate Company legal counsel. The Plan Administrator reserves the right to amend the classes of employees who shall participate in the Plan in its discretion at any time prior to a Change in Control, subject to Section 10.Valvoline Change in Control Severance PlanSECTION 4. CERTAIN DEFINED TERMS(a)â€œAnnual Base Salaryâ€ means a Participantâ€™s annual base salary (as determined by the Plan Administrator in accordance with the Companyâ€™s customary procedures) as in effect as of the date of the Participantâ€™s Qualifying Termination or, if greater, as in effect as of the date of the Change in Control.(b)â€œBeneficial Ownerâ€ shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.(c)â€œBoardâ€ means the Board of Directors of Valvoline Inc. (d)â€œCauseâ€ for purposes of the CEO, has the meaning set forth in Appendix B, and for all other participants means (i) the willful and continued failure of the Participant to substantially perform his or her duties with the Company (other than any such failure resulting from the Participantâ€™s incapacity due to physical or mental illness), (ii) the willful engaging by the Participant in gross misconduct materially injurious to the Company or (iii)Â the Participantâ€™s conviction of or the entering of a plea of nolo contendere (or similar plea under the law of a jurisdiction outside the United States) to the commission of a felony (or a similar crime or offense under the law of a jurisdiction outside the United States).(e)â€œChange in Controlâ€ shall be deemed to have occurred if:(1)Â there shall be consummated (A) any consolidation or merger of the Company (a â€œBusiness Combinationâ€), other than a consolidation or merger of the Company into or with a direct or indirect wholly-owned Subsidiary, as a result of which the shareholders of the Company own (directly or indirectly), immediately after the Business Combination, less than 50% of the then outstanding shares of common stock that are entitled to vote generally for the election of directors of the corporation resulting from such Business Combination, or pursuant to which shares of the Companyâ€™s common stock would be converted into cash, securities or other property, other than a Business Combination in which the holders of the Companyâ€™s common stock immediately prior to the Business Combination have substantially the same proportionate ownership of common stock of the surviving corporation immediately after the Business Combination or (B) any sale, lease, exchange or transfer (in one transaction or a series of related transactions) of all or substantially all of the assets of the Company; provided, however, that no sale, lease, exchange or other transfer of all or substantially all of the assets of the Company shall be deemed to occur unless assets constituting at least 80% of the total assets of the Company are transferred pursuant to such sale, lease, exchange or other transfer;(2)Â the shareholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company;(3)Â any Person shall become the Beneficial Owner of securities of the Company representing 20% or more of the combined voting power of the Companyâ€™s then outstanding securities ordinarily (and apart from rights accruing in special circumstances) having the right to vote in the election of directors, as a result of a tender or exchange offer, open market purchases, privately-negotiated purchases or otherwise, without the approval of the Board; or(4)Â at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the Board shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Companyâ€™s shareholders of each new director during such two-year period was approved by a vote of at least two-thirds of the directors then still in office who were directors at the beginning of such two-year period.Notwithstanding the foregoing, a â€œChange in Controlâ€ shall not be deemed to have occurred by virtue of (i) the consummation of any transaction or series of integrated transactions immediately following which the record holders of the Companyâ€™s common stock immediately prior to such transaction or series of transactions continue to have substantially the same proportionate ownership in an entity which owns all or substantially all of the assets of the Company immediately following such transaction or series of transactions, or (ii) the repurchase by the Company of outstanding shares of the Companyâ€™s common stock or other securities pursuant to a tender or exchange offer.(f)â€œCodeâ€ means the Internal Revenue Code of 1986, as amended.(g)â€œExchange Actâ€ shall mean the Securities Exchange Act of 1934, as amended.(h)â€œGood Reasonâ€ for purposes of the CEO, has the meaning set forth in Appendix B, and for all other participants means:(1)Â a significant diminution of the Participantâ€™s positions, duties, responsibilities or status with the Company as in effect immediately prior to the Change in Control;(2)Â an aggregate reduction of fifteen percent or more of the sum of (A)Â the Participantâ€™s annual base salary as in effect as of immediately prior to the Change in Control plus (B)Â the Participantâ€™s target annual bonus opportunity as in effect as of immediately prior to the Change in Control;(3) a relocation following the Change in Control of the Participantâ€™s principal place of business to a location that is outside a 50-mile radius from the Participantâ€™s principal place of business immediately prior to the Change in Control, except for required travel on the Companyâ€™s business to an extent substantially consistent with the Participantâ€™s business travel obligations as of immediately prior to the Change in Control;(4) the failure by the Company to continue in effect any cash-based incentive plan or arrangement (including, without limitation, the Companyâ€™s incentive compensation plan, annual bonus and contingent bonus arrangements and credits and the right to receive cash-based performance awards and similar incentive compensation benefits) in which the Participant is participating as of immediately prior to the Change in Control (or to substitute and continue other plans or arrangements that provide the Participant with substantially similar benefits), except as otherwise required by the terms of such plans or arrangements as in effect as of immediately prior to the Change in Control, or the taking of any action by the Company which would adversely affect the Participantâ€™s participation in or materially reduce the Participantâ€™s benefits under any such plan or arrangement; provided that the acceleration of a payment under any such cash-based incentive plan or arrangement shall not by itself constitute a failure to continue such plan or arrangement or an action that affects the Participantâ€™s participation in such plan or arrangement; or(5) the failure by the Company to grant the Participant following the Change in Control new awards under any equity or equity-based compensation plan or arrangement of the Company (including, without limitation, any plan or arrangement to receive grants of stock options, stock appreciation rights, restricted stock, restricted stock units or similar awards) in which the Participant is participating as of immediately prior to the Change in Control (or under other plans or arrangements that provide the Participant with substantially similar benefits), except as otherwise required by the terms of such plans or arrangements as in effect as of immediately prior to the Change in Control, or the taking of any action by the Company which would adversely affect the Participantâ€™s participation in or materially reduce the Participantâ€™s benefits under any such plan or arrangement.However, Good Reason shall not exist unless and until the Participant provides the Company with written notice of the act(s) alleged to constitute Good Reason within 90 days of the Participantâ€™s knowledge of the occurrence of such acts(s), and the Company fails to cure such acts within 30 days of receipt of such notice. Further, if the Company fails to cure such act(s) within this 30-day period, then the Participant must exercise the right to terminate his or her employment for Good Reason within 60 days thereafter, in writing, in order for the termination to be for Good Reason.(i)Non-CIC Severance Amountâ€ means the amount of severance (if any) that a Participant would have been entitled to receive under the Non-CIC Severance Plan had the Participantâ€™s termination of employment entitled the Participant to receive severance payments under such plan that would have been considered â€œdeferred compensationâ€ for purposes of SectionÂ 409A. For the avoidance of doubt, in the event the Participantâ€™s Qualifying Termination occurs under circumstances described in clause (ii)Â of such defined term, any severance that the Participant is entitled to receive under the Non-CIC Severance Plan in connection with such Qualifying Termination shall not be considered a â€œNon-CIC Severance Amountâ€ for purposes of this Plan.(j)â€œNon-CIC Severance Planâ€ means the Companyâ€™s Severance Pay Plan, as amended and restated effective January 1, 2022, and as amended from time to time.(k)â€œParticipantâ€ means an employee of the Company who has been designated as a participant by the Plan Administrator and has executed a participation agreement.(l)â€œPersonâ€ shall have the meaning set forth in Sections 13(d) and 14(d)(2) of the Exchange Act. (m)â€œPlan Administratorâ€ means the Compensation Committee of the Board.(n)â€œQualifying Terminationâ€ means (i)Â the termination of a Participantâ€™s employment during the two-year period immediately following a Change in Control either by the Company without Cause or by the Participant for Good Reason or (ii)Â the termination of a Participantâ€™s employment during the six-month period immediately preceding a Change in Control under circumstances that entitle the Participant to receive severance payments and benefits under the Non-CIC Severance Plan. A Qualifying Termination described in clause (ii) of the immediately preceding sentence shall be deemed to occur upon the occurrence of the Change in Control for purposes of the Plan.(o)â€œRelease Periodâ€ means the later of (i)Â the 14th day following the Participantâ€™s Qualifying Termination and (ii)Â the expiration of any applicable consideration and revocation periods under the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act, but in any event no later than the 55th day following the Participantâ€™s Qualifying Termination. (p)â€œSection 409AÂ€ means Section 409A of the Code.(q)â€œSeverance Agreement and General Releaseâ€ means a severance agreement prepared by appropriate Company legal counsel that includes, without limitation, (i) a general release of claims in favor of the Company, its affiliates and their respective officers and directors, (ii)Â non-competition, non-solicitation and non-interference, non-disparagement, confidentiality and further cooperation provisions substantially similar to those provided in Appendix A hereto. The Severance Agreement and General Release may also provide that the Participantâ€™s severance payments and benefits under the Plan will be reduced by any amounts the Participant owes to the Company, to the extent permitted under SectionÂ 409A. The Severance Agreement and General Release may encompass other matters in addition to addressing the severance payments and benefits payable under the Plan. Additionally, the Severance Agreement and General Release may be changed for each termination covered by the Plan.(r)â€œTarget Annual Bonusâ€ means the Participantâ€™s target annual cash bonus for the year in which the Participantâ€™s Qualifying Termination occurs or, if greater, for the year in which a Change in Control occurs.SECTION 5. CONDITIONS FOR SEVERANCE PAYMENTS AND BENEFITSA Participantâ€™s entitlement to any severance payments and benefits described in SectionÂ 6 shall be subject to:(a)the Participant experiencing a Qualifying Termination; and(b)the Participant executing and delivering to the Company a Severance Agreement and General Release and the Severance Agreement and General Release becoming effective and irrevocable by the expiration of the applicable Release Period.Valvoline Change in Control Severance Plan2SECTION 6. AMOUNT OF SEVERANCE PAYMENTS AND BENEFITS AND TIMING OF PAYMENTSIf a Participant has a Qualifying Termination, then, subject to SectionÂ 5, the Company will provide such Participant with the following:(a)Severance Payment. (1) In the case of the CEO, an amount equal to three times the sum of (A) the CEOâ€™s highest Annual Base Salary plus (B) the CEOâ€™s highest Target Annual Bonus in respect of the three fiscal years preceding the fiscal year in which the CEOâ€™s date of termination occurs.(2) For all other Participants, an amount equal to two times the sum of (A)Â the Participantâ€™s Annual Base Salary plus (B) the Participantâ€™s Target Annual Bonus.(b)Pro-Rata Severance Bonus. A pro-rata severance bonus (in lieu of any payment under the applicable annual cash bonus or annual incentive plan in which the Participant participates at the time of his or her termination (if any)) in an amount equal to (i)Â the Participantâ€™s Target Annual Bonus multiplied by (ii) a fraction, the numerator of which is the number of full months the Participant worked during the applicable fiscal year prior to the date of the Participantâ€™s Qualifying Termination and the denominator of which is 12. For the avoidance of doubt, any earned but unpaid annual bonus for any completed fiscal years prior to the date of the Qualifying Termination shall be paid to the Participant in accordance with the terms of the applicable annual cash bonus or annual incentive plan.(c)Continued Coverage Under Group Health Plans. In the case of the CEO, the continued coverage for group health plans as set forth in Appendix B. For all other Participantâ€™s, the Participantâ€™s then-existing coverage under the Companyâ€™s group health plans (and, if applicable, the then-existing group health plan coverage for the Participantâ€™s eligible dependents) will end on the date of the Participantâ€™s Qualifying Termination. The Participant and his or her eligible dependents may then be eligible to elect continuation coverage under the Companyâ€™s group health plans in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (â€œCOBRAâ€). If the Participant elects COBRA continuation coverage, then the Participant and his or her eligible dependents will continue to be covered under the Companyâ€™s group health plans, and the Company will pay the premiums for such coverage, to the extent it is available, during the 24-month period following the date of the Participantâ€™s Qualifying Termination. After such period of employer-paid coverage, the Participant may continue COBRA coverage, to the extent it has not been exhausted, at the Participantâ€™s own expense in accordance with COBRA. No provision of this Plan will affect the continuation coverage rules under COBRA or the length of time during which COBRA coverage will be made available to the Participant, and all of the Participantâ€™s other rights and obligations under COBRA will be applied in the same manner that such rules would apply in the absence of this Plan. Notwithstanding any of the foregoing, the Company, in its sole discretion, may amend or terminate any of its group health plans prior to or following a Participantâ€™s Qualifying Termination in accordance with the terms and provisions of its group health plans.(d)Legal Fees. Reimbursement of any reasonable legal fees or expenses incurred by the Participant during the Participantâ€™s lifetime to enforce the payment of amounts under this Plan, as soon as practicable following the Participantâ€™s presentation of reasonable documentation of such fees to the Company, and otherwise in accordance with the provisions of SectionÂ 14 paragraph (c) herein.(e)Outplacement Services. Outplacement services with a firm to be selected and approved by the Company, for a period of no more than 24 consecutive months (36 consecutive months for the CEO) following the date of the Participantâ€™s Qualifying Termination. The Company will make such payment directly to the outplacement firm.(f)Financial Planning. Financial planning services by a firm to be selected and approved by the Company and reasonably acceptable to the Participant, for a period of no more than 12 consecutive months following the date of the Participantâ€™s Qualifying Termination. The Company will make such payment directly to the financial planning firm. (g)Equity Awards. A Participantâ€™s long-term equity incentive awards shall be treated in accordance with the terms of the applicable plan and award agreement, except as otherwise set forth in Appendix B for the CEO.(h)Other Benefits. Participants shall be entitled to receive any pension, disability, workersâ€™ compensation, other Company benefit plan distributions, payment for paid-time off (PTO) accrued but not taken, statutory employment termination benefit, or any other compensation plan payment otherwise independently due; however, except as otherwise provided in this SectionÂ 6, in no event shall a Participant who receives benefits under the Plan be entitled to additional severance payment pursuant to any other existing severance policy or plan of the Company. Other than as provided herein, coverage under all other Company benefit plans or programs will end on the date of the Participantâ€™s Qualifying Termination.(i)Interest. A Participant shall be entitled to interest on the amount of any payments due under the Plan (but not timely paid) in an amount equivalent to the prime rate of interest (quoted by Citibank, N.A. as its prime commercial lending rate) on the latest date practicable prior to the date such payments should have been made, to and including the date it is made; provided, however, that such payment, including the applicable interest, shall be made no later than March 15 of the calendar year following the calendar year in which the Participantâ€™s Qualifying Termination occurs.(j) Payment Timing. The amounts described in SectionsÂ 6(a) and 6(b) (the aggregate amount of such payments, the â€œCIC Cash Severanceâ€) shall be paid to the Participant as follows:(1) a portion of the CIC Cash Severance equal to the Participantâ€™s Non-CIC Severance Amount shall be paid as follows:(A) if the Change in Control is not considered a â€œchange in control eventâ€ within the meaning of Section 409A, then such Non-CIC Severance Amount shall be paid in accordance with the same payment schedule that would have applied to such amount had such amount been payable under the Companyâ€™s Non-CIC Severance Plan (including any provisions relating to the timing of the Participantâ€™s release of claims); or(B) if the Change in Control is considered a â€œchange in control eventâ€ within the meaning of Section 409A, then such Non-CIC Severance Amount shall be paid in a single lump-sum cash payment within the 60-day period following the Participantâ€™s Qualifying Termination, so long as the Participantâ€™s Severance Agreement and General Release becomes effective and irrevocable in accordance with its terms prior to the expiration of the applicable Release Period; and(2) the remainder of the CIC Cash Severance shall be paid in a single lump-sum cash payment within the 60-day period following the Participantâ€™s Qualifying Termination, so long as the Participantâ€™s Severance Agreement and General Release becomes effective and irrevocable in accordance with its terms prior to the expiration of the applicable Release Period.Notwithstanding the foregoing, if the Participant is a â€œspecified employeeâ€ as determined under the Companyâ€™s policy for determining specified employees as of the date of the Participantâ€™s Qualifying Termination, then a portion of the CIC Cash Severance equal to the Participantâ€™s Non-CIC Severance Amount shall be subject to the six-month delay described in Section 14 herein.In addition, in the event the Participantâ€™s Qualifying Termination occurs under circumstances described in clause (ii) of such defined term, then any severance that the Participant is entitled to receive under the Non CIC Severance Plan in connection with such Qualifying Termination shall be paid in accordance with the Non CIC Severance Plan (including any provisions relating to the timing of the Participantâ€™s release of claims, and such payment shall be subject to the six month delay described in the Non-CIC Severance Plan to the extent required thereunder). Solely the remainder of the Participantâ€™s CIC Cash Severance shall be payable hereunder, and such amount shall be paid in a single lump-sum cash payment within the 60-day period following the Participantâ€™s Qualifying Termination, so long as the Participantâ€™s Severance Agreement and General Release becomes effective and irrevocable in accordance with its terms prior to the expiration of the applicable Release Period.SECTION 7. CLAWBACKThe severance payments and benefits under the Plan are subject to any policy (whether in existence as of the effective date of the Plan or later adopted) established by the Company providing for clawback or recovery of amounts that were paid to the Participant. In addition, if within 24 months following a Participantâ€™s Qualifying Termination, the Company discovers that circumstances existed at the time of the Participantâ€™s termination of employment such that the Participantâ€™s termination of employment would not have constituted a Qualifying Termination, or that the Participant violated a restrictive covenant agreement between the Participant and the Company or any restrictive covenant contained in the Participantâ€™s Severance Agreement and General Release, then:(i)the Participantâ€™s right to receive any further severance payments or benefits under the Plan shall be immediately forfeited;(ii)the Company may eliminate or reduce the amount of any compensation, benefit, or payment otherwise payable by the Company (either directly or under any employee benefit or compensation plan, agreement, or arrangement) to or on behalf of the Participant in an amount up to the total amount paid or payable to the Participant under the Plan (except to the extent such compensation, benefit or payment constitutes deferred compensation under Section 409A and such elimination or reduction would trigger a tax or penalty under Section 409A); and(iii) the Company may require the Participant to pay to the Company an amount up to the total amount paid to the Participant under the Plan; in the case of each of clauses (ii) and (iii), together with the amount of the Companyâ€™s and its Subsidiaryâ€™s court costs, attorney fees and other costs and expenses incurred in connection therewith.SECTION 8. SECTION 280GIn the event that a Participant becomes entitled to receive severance payments and benefits under the Plan, or a Participant becomes entitled to receive any other amounts in the â€œnature of compensationâ€ (within the meaning of Section 280G of the Code and the regulations promulgated thereunder (â€œSection 280Gâ€)) pursuant to any other plan, arrangement or agreement with the Company, with any person whose actions result in a change of ownership or effective control covered by Section 280G(b)(2) of the Code or with any person affiliated with the Company or such person, in each case as a result of such change in ownership or effective control (collectively, the â€œCompany Paymentsâ€), and such Company Payments will be subject to the tax imposed by Section 4999 of the Code (the â€œExcise Taxâ€), then the Company Payments will be reduced (such reduction, the â€œCutbackâ€) to one dollar less than the amount which would result in such Company Payments being subject to the Excise Tax, if, after taking into account the Excise Tax and all U.S. Federal, state, and local income and payroll tax upon the Company Payments, the net amount retained by the Participant would be greater in the event of such reduction in Company Payments than if such reduction in Company Payments did not occur, as determined by the Plan Administrator. To the extent the Cutback applies, the Company Payments will be reduced in the following order: first, the reduction of cash payments not attributable to long-term incentive awards which vest on an accelerated basis; second, the cancelation of accelerated vesting of long-term incentive awards, third, the reduction of employee benefits; and fourth, any other â€œparachute paymentsâ€ (as defined in Section 280G). The Participant will be solely liable for any Excise Tax.Valvoline Change in Control Severance Plan6SECTION 9. CLAIMS PROCEDURE(a)Â Â Â Â Following a Qualifying Termination, the severance payments and benefits described in Section 6 of the Plan shall be paid as described therein without any required action on the part of such Participant.(b)Â Â Â Â If any Participant believes that he or she is entitled to severance payments or benefits provided under the Plan and has not received such severance payments or benefits within the time prescribed by the Plan, such Participant may submit a written claim for payment of such severance payments and benefits to the Company. If such claim is wholly or partially denied, the Company shall, within 30 business days after receipt of the claim, notify the Participant of the denial of the claim. Such notice of denial (i) shall be in writing, (ii) shall be written in a manner calculated to be understood by the Participant, and (iii)Â shall contain (A) the specific reason or reasons for denial of the claim, (B) a specific reference to the pertinent Plan provisions upon which the denial is based, (C) a description of any additional material or information necessary to perfect the claim, along with an explanation of why such material or information is necessary, and (D) an explanation of the claim review procedure, in accordance with the provisions of this Section 9. It will also provide that the Participant may file a civil action under SectionÂ 502 of ERISA (Â§29 U.S.C. 1132). The Participant may complete the Planâ€™s appeal procedure before filing a civil action in court or the Participant may proceed directly with filing a civil action in a court of competent jurisdiction in Fayette County, Kentucky.(c)Â Â Â Â Within 60 business days after the receipt by the Participant of a written notice of denial of the claim, or such later time as shall be deemed reasonable taking into account the nature of the benefit subject to the claim and any other attendant circumstances, the Participant may file a written request with the Company that it conduct a full and fair review of the denial of the claim for benefits. As a part of such full and fair review, the Participant (or such Participantâ€™s duly authorized representative) may review and photocopy pertinent documents (including but not limited to the Participantâ€™s personal history file) and submit issues and comments to the Company in writing. The Participant may also submit materials supporting his or her appeal that will be considered by the Company, even if they were not part of the initial claim review. The Company shall make its determination in accordance with the documents governing the Plan insofar as such documents are consistent with the provisions of ERISA.(d)Â Â Â Â The Company shall promptly deliver to the Participant its written decision on the claim (in no event later than 30Â business days after the receipt of the aforesaid request for review, except that if there are special circumstances (such as a conference with the Participant or his or her representative) which require an extension of time, the aforesaid 30 business day period shall be extended to a reasonable period of time not to exceed 60 business days). Such decision shall (i) be written in a manner calculated to be understood by the Participant, (ii) include the specific reason or reasons for the decision, (iii) contain a specific reference to the pertinent Plan provisions upon which the decision is based, (iv) a statement that the Participant may receive free of charge reasonable access to or copies of documents, records and other information relevant to the claim, and (v) a statement that the Participant may file a civil action under Section 502 of ERISA (Â§29 U.S.C. 1132). If the decision on review is not furnished within the time prescribed by this Section 9(c), the claim shall be deemed granted on review.SECTION 10. AMENDMENTS AND TERMINATIONSThe Plan Administrator shall have plenary authority to amend, modify, or terminate the Plan in such respects as it shall deem advisable at any time prior to a Change in Control or following the second anniversary of a Change in Control. Notwithstanding the foregoing, no such amendment, modification or termination that has the effect of adversely affecting any Participant who experienced a Qualifying Termination prior to, or who experiences a Qualifying Termination within the 12-month period following, such amendment, modification or termination will be effective without the written consent of such Participant. For the avoidance of doubt, if an individualâ€™s employment is terminated under circumstances that entitle the individual to receive severance payments and benefits under the Non-CIC Severance Plan and the individual participated in the Plan as of immediately prior to such termination, then such individual shall continue to be treated as a Participant for no less than the six-month period immediately following such termination. No amendment, modification, or termination of the Plan at any time following a Change in Control and prior to the second anniversary thereof that has the effect of adversely affecting any Participant will be effective without the written consent of such Participant.SECTION 11. SUCCESSORS; BINDING AGREEMENT(a)Â Â Â Â The Company shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company, by agreement in form and substance reasonably satisfactory to Participants, expressly to assume and agree to provide severance payments and benefits pursuant to the Plan in the same manner and to the same extent that the Company would be required to perform its obligations under the Plan if no such succession had taken place. As used in the Plan, â€œCompanyâ€ shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which executes and delivers the agreement provided for in this SectionÂ 11 or which otherwise becomes bound by all the terms and provisions of the Plan by operation of law.(b)Â Â Â Â The Plan shall inure to the benefit of and be enforceable by a Participantâ€™s personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If a Participant should die while any amounts would still be payable to him or her hereunder if he or she had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of the Plan to such Participantâ€™s devisee, legatee, or other designee or, if there be no such designee, to his or her estate.SECTION 12. WITHHOLDING TAXESThe Company is authorized to withhold any tax required to be withheld from the amounts payable to a Participant pursuant to the Plan which are considered taxable compensation to the Participant.Valvoline Change in Control Severance Plan10SECTION 13. GOVERNING LAWThe Plan shall be governed by the laws of the Commonwealth of Kentucky, to the extent not preempted by federal law.SECTION 14. SECTION 409A(a)Â Â Â Â It is intended that the severance payments and benefits provided under Section 6 of the Plan shall be exempt from, or comply with, the requirements of Section 409A. The Plan shall be construed, administered and governed in a manner that affects such intent, and the Company shall not take any action that would be inconsistent with such intent. Specifically, any taxable benefits or payments provided under the Plan are intended to be separate payments that qualify for the â€œshort-term deferralâ€ exception to Section 409A to the maximum extent possible, and to the extent they do not so qualify, are intended to qualify for the separation pay exceptions to SectionÂ 409A, to the maximum extent possible. To the extent that none of these exceptions (or any other available exception) applies, then notwithstanding anything contained herein to the contrary, and to the extent required to comply with SectionÂ 409A, if a Participant is a â€œspecified employee,â€ as determined under the Companyâ€™s policy for identifying specified employees on his or her date of termination, then all amounts due under the Plan that constitute a â€œdeferral of compensationâ€ within the meaning of Section 409A, that are provided as a result of a â€œseparation from serviceâ€ within the meaning of Section 409A, and that would otherwise be paid or provided during the first six months following the Participantâ€™s separation from service, shall be accumulated through and paid or provided on the first business day that is more than six months after the date of the Participantâ€™s separation from service (or, if the Participant dies during such six-month period, within 30 calendar days after the Participantâ€™s death).(b)Â Â Â Â A termination of employment shall not be deemed to have occurred for purposes of any provision of the Plan providing for the payment of any amounts or benefits subject to Section 409A upon or following a termination of employment unless such termination is also a â€œseparation from serviceâ€ within the meaning of Section 409A and the Participant is no longer providing services (at a level that would preclude the occurrence of a â€œseparation from serviceâ€ within the meaning of Section 409A) to the Company as an employee or consultant, and for purposes of any such provision of the Plan, references to a â€œtermination,â€ â€œtermination of employmentâ€ or like terms shall mean â€œseparation from serviceâ€ within the meaning of SectionÂ 409A.(c)Â Â Â Â With regard to any provision herein that provides for reimbursement of costs and expenses or in-kind benefits, except as permitted by Section 409A: (i) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit; (ii) the amount of expenses eligible for reimbursement, or in-kind benefits, provided during any taxable year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other taxable year; and (iii) such payments shall be made on or before the last day of the Participantâ€™s taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder.Valvoline Change in Control Severance Plan12SECTION 15. NO RIGHT TO CONTINUED EMPLOYMENTParticipation in the Plan does not create a contract of employment between the Company and any Participant. The Company reserves the right to terminate Participants at any time for any reason, just as Participants have the right to terminate their employment at any time for any reason.Valvoline Change in Control Severance Plan13Appendix APost-Termination Obligations1.Competitive Activity. During the [24]1[36]2-month period immediately following the date of your Qualifying Termination (the â€œRestricted Periodâ€), you shall not, directly or indirectly:(a)participate in the management of any business operation of any enterprise that engages in direct competition with any business operation actively conducted by the Company or its divisions and Subsidiaries as of the date of the Participantâ€™s termination of employment.(b)solicit for employment (which shall include services as an employee, independent contractor or in any other like capacity) any person employed by the Company or its affiliated companies as of the date of such solicitation; (c)solicit any customer or other person with a business relationship with the Company or any of its affiliated companies to terminate, curtail or otherwise limit such business relationship; or(d)in any other manner interfere in the business relationship the Company or any of its affiliated companies have with any customer or any third-party service provider or other vendor.Notwithstanding the foregoing, this Section 1Â shall not be violated solely as a result of your mere ownership of securities in any enterprise.2.Confidentiality. All Confidential Information (as defined below) which you acquire or have acquired in connection with or as a result of the performance of services for the Company shall be kept secret and confidential by you for so long as the information you acquire or have acquired remains Confidential Information, unless (a)Â the Company otherwise consents, (b)Â you are legally required to disclose such Confidential Information by a court of competent jurisdiction, (c)Â you disclose such Confidential Information to the United States Securities and Exchange Commission, to the extent necessary to report suspected or actual violations of United States securities laws or (d) your disclosure of Confidential Information is protected under the whistleblower provisions of any other state or federal laws or regulations. You understand that if you make a disclosure of Confidential Information that is covered under subparagraph (c) or (d) above, you are not required to inform the Company, in advance or otherwise, that you have made such disclosure(s), and nothing herein shall prohibit you from maintaining the confidentiality of a claim with a governmental agency that is responsible for enforcing a law, or cooperating, participating or assisting in any governmental or regulatory entity investigation or proceeding. â€œConfidential Informationâ€ shall mean information relating to the Companyâ€™s, its divisionsâ€™ and 1 In the case of all Participants other than the CEO.2 In the case of the CEO.Valvoline Change in Control Severance PlanA-1subsidiariesâ€™ and their successorsâ€™ business practices and business interests, including, but not limited to, customer and supplier lists, business forecasts, business and strategic plans, financial and sales information, information relating to products, process, equipment, operations, marketing programs, research, or product development, engineering records, computer systems and software, personnel records or legal records.3.Non-disparagement. You agree that you will not at any time make any oral or written defamatory or disparaging remarks, comments or statements concerning the Company or any of its subsidiaries or affiliates, or any of their directors, officers or employees; provided, however, that nothing herein shall prevent you from (i)Â making truthful remarks, comments or statements in good faith in response to any governmental or regulatory inquiry or in any judicial, administrative or other proceeding or governmental investigation or (ii) providing any information that may be required by law). This paragraph is not intended to, and shall be interpreted in a manner that does not, limit or restrict you from exercising any legally protected whistleblower rights (including pursuant to Rule 21F under the Exchange Act). Specifically, nothing in this paragraph shall prohibit you from (A)Â filing and, as provided under Section 21F of the Exchange Act, maintaining the confidentiality of, a claim with any governmental agency that is responsible for enforcing a law, (B)Â making any oral or written remarks, comments or statements to the extent required by law or legal process or permitted by SectionÂ 21F of the Exchange Act or (C)Â cooperating, participating or assisting in any governmental or regulatory entity investigation or proceeding, 4.Cooperation. If reasonably requested by the Company, you shall cooperate with the Company in connection with any investigations, arbitrations, litigations or similar matters that may arise out of your service to the Company. The Company shall make reasonable efforts to minimize disruption to your other activities and will reimburse you for reasonable expenses incurred in connection with such cooperation.5.Injunctive Relief. In the event of a breach or threatened breach of any covenant contained herein, you agree that the Company shall be entitled to injunctive relief in a court of appropriate jurisdiction to remedy any such breach or threatened breach, and that damages would be inadequate and insufficient. You shall not, and hereby waive and release any rights or claims to, contest or challenge the reasonableness, validity or enforceability of the restrictions contained in this Plan, whether in court, arbitration or otherwise.Valvoline Change in Control Severance PlanA-2Appendix BChief Executive OfficerTerms and ConditionsSECTION 4. CERTAIN DEFINED TERMS(d)"Cause" means (i) the willful and continued failure of the CEO to substantially perform his or her duties with the Company (other than any such failure resulting from the CEOâ€™s incapacity due to physical or mental illness or injury) after a written demand for substantial performance is delivered to the CEO by the Board which specifically identifies the manner in which the Board believes that the CEO has not substantially performed his or her duties; (ii) the willful engaging by the CEO in gross misconduct materially and demonstrably injurious to the Company after a written demand to cease such misconduct is delivered to the CEO by the Board; or (iii) the CEOâ€™s conviction of or the entering of a plea of nolo contendre to the commission of a felony involving moral turpitude.For purposes of this Section 4(d), no act, or failure to act, on the CEOâ€™s part shall be considered "willful" unless done, or omitted to be done, by the CEO not in good faith and without reasonable belief that the CEOâ€™s action or omission was in the best interest of the Company. Notwithstanding the foregoing, the CEO shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the CEO a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose, alone or in conjunction with any other purpose, (after at least 20 days prior notice to the CEO and an opportunity for the CEO, together with the CEOâ€™s counsel, to be heard before the Board), finding that in the good faith opinion of the Board the CEO failed to perform his or her duties or engaged in misconduct as set forth above in subparagraph (i) or (ii) of this Section 4(d), and that the CEO did not correct such failure or cease such misconduct after being requested to do so by the Board, or as set forth in subparagraph (iii) of this Section 4(d), finding that the CEO has been convicted of or has entered a plea of nolo contendre to the commission of a felony involving moral turpitude.(h)Â Â Â Â "Good Reason" shall mean the occurrence of any of the following without your express written consent:(i)a significant diminution of your positions, duties, responsibilities or status with the Company as in effect immediately prior to a Change in Control of the Company, or a diminution in your titles or offices as in effect immediately prior to a Change in Control of the Company or any removal of you from, or any failure to reelect you to, any of such positions following a Change in Control of the Company;(ii)a reduction of fifteen (15) percent or more to your base salary in effect immediately prior to a Change in Control of the Company;Valvoline Change in Control Severance PlanB-1(iii)the failure by the Company to continue in effect any incentive plan or arrangement (including without limitation, the Company's Incentive Compensation plan, annual bonus and contingent bonus arrangements and credits and the right to receive performance awards and similar incentive compensation benefits) in which you are participating at the time of a Change in Control of the Company (or to substitute and continue other plans or arrangements providing you with substantially similar benefits), except as otherwise required by the terms of such plans as in effect at the time of any Change in Control of the Company, or the taking of any action by the Company which would adversely affect your participation in or materially reduce your benefits under any such plan;(iv)the failure by the Company to continue in effect any plan or arrangement to receive securities of the Company (including, without limitation, any plan or arrangement to receive and exercise stock options, stock appreciation rights, restricted stock or grants thereof or to acquire stock or other securities of the Company) in which you are participating at the time of a Change in Control of the Company (or to substitute and continue plans or arrangements providing you with substantially similar benefits), except as otherwise required by the terms of such plans as in effect at the time of any Change in Control of the Company; or the taking of any action by the

Company which would adversely affect your participation in or materially reduce your benefits under any such plan;(v)the relocation after a Change in Control of the Company of your principal place of business to a location that exceeds a 50-mile radius from your principal place of business before the Change in Control of the Company, except for required travel on the Company's business to an extent substantially consistent with your business travel obligations as of immediately prior to such Change in Control of the Company;(vi)any breach by the Company of any material provision of this Plan as it relates to the CEO; or(vii)any failure by the Company to obtain the assumption of this Plan by any successor or assign of the Company as described in Section 11 of the Plan.However, Good Reason shall not exist unless and until the CEO provides the Company with written notice of the act(s) alleged to constitute Good Reason within ninety (90) days of CEOâ€™s knowledge of the occurrence of such act(s), and the Company fails to cure such acts within thirty (30) days of receipt of such notice. Further, if the Company fails to cure such act(s) within this thirty (30) day period, then the CEO must exercise the right to terminate his or her employment for Good Reason within sixty (60) days thereafter, in order for the termination to be for Good Reason.Valvoline Change in Control Severance PlanB-2SECTION 6. AMOUNT OF SEVERANCE PAYMENTS AND BENEFITS AND TIMING OF PAYMENTS(c)Â Â Â Â Continued Coverage Under Medical, Dental and Group Life Plans. Provide for the continuation of (i) the CEOâ€™s and the CEOâ€™s eligible dependents' participation at regular employee rates, in effect from time to time, in all of the Company's medical (but excluding Company HSA contributions) and dental plans, and, (ii) the CEOâ€™s participation at regular employee rates in the Companyâ€™s group life insurance plans, to the extent in which the CEO and the CEOâ€™s eligible dependents were participating in such plans immediately prior to the date of the CEOâ€™s Qualifying Termination for a period ending on the December 31 of the third calendar year following the calendar year in which the CEOâ€™s Qualifying Termination occurred and any entitlement to COBRA continuation coverage under the medical and dental plans shall run concurrently with said period; provided, however, that said continuation of coverage in the medical and dental plans during all or part of such period shall be charged at the full cost for such coverage (meaning the active employee contribution and the Company's contribution) if the charging of active employee rates for such coverage during all or part of such period would result in a violation of Section 409A. In the event that the CEOâ€™s continued participation in any such plan is for whatever reason impossible, the Company shall at that time, or at the earliest time permitted that will not trigger a tax or penalty under Section 409A, arrange upon comparable terms to provide the CEO with benefits substantially equivalent on an after-tax basis to those which the CEO and the CEOâ€™s eligible dependents are, or become, entitled to receive under such plans.(g)Â Â Â Â Equity Awards.Â Â Â Â (i)Â Â Â Â Provide for payment in cash of any performance unit/share awards in existence on the CEOâ€™s date of Qualifying Termination, calculated at target performance, less any amounts paid to you under the applicable performance unit/share plan upon a Change in Control of the Company pursuant to the provisions of such plan. Â Â Â Â (ii)Â Â Â Â Provide for the immediate vesting of all stock options, stock appreciation rights, restricted stock and restricted stock units held by you, as of the date of your Qualifying Termination, under any Company incentive compensation plan or other stock option plan and stock appreciation rights plan, and all such stock options and stock appreciation rights shall be exercisable for the remaining terms of the said options and stock appreciation rights. In the event such immediate vesting is not permitted under law or the applicable benefit plan or award agreement, the Company shall provide a payment to you in cash of an amount equal to the value of the equity-based compensation awards that would otherwise be forfeited as a result of your Qualifying Termination, based on the closing price of the Companyâ€™s common stock on your Qualifying Termination. Valvoline Change in Control Severance PlanB-3DocumentExhibit 19Securities Laws and Insider TradingPolicy VL-POL-004.010 Securities Laws and Insider TradingDoc No: VL-POL-004.010 Rev: 0Uncontrolled Copy if PrintedPolicy StatementValvoline Inc., its commercial units and wholly-owned or controlled subsidiaries (â€œValvolineâ€) require strict compliance with all applicable securities laws, including prohibitions against the insider trading laws of the United States and other applicable non-U.S. jurisdictions.Prohibitions Against Trading While Aware of Material, Non- Public InformationThis policy applies to all directors, officers and employees of Valvoline (â€œCovered Personsâ€).â€¢No Covered Person who is aware of material, non-public information concerning Valvoline Inc. may purchase or sell (or recommend the purchase or sale of) the stock or other securities of Valvoline.â€¢No Covered Person who is aware of material, non-public information concerning another publicly-traded company (such as a customer or supplier of Valvoline), where the information is acquired in the course and scope of the Covered Personâ€™s duties with Valvoline, may purchase or sell (or recommend the purchase or sale of) the stock or other securities of such other company until the information becomes public or is no longer material.â€¢Unless authorized and for a lawful purpose, no Covered Person may communicate material, non-public information concerning Valvoline, or any other publicly-traded company, (i) to persons outside of Valvoline, including Family Members (defined below) and friends, or (ii) to other Covered Persons unless such other Covered Persons have a need to know such information in the course and scope of their duties with Valvoline.This policy applies to any and all transactions in Valvolineâ€™s securities, including common stock, options to purchase common stock, notes and any other type of securities that Valvoline may issue from time to time. In addition, this policy applies to derivative securities relating to Valvolineâ€™s securities, including put or call options, swaps, warrants and other derivative securities.This policy also applies (i) to family members who reside with a Covered Person, (ii) to any other person who lives in the same household as a Covered Person, (iii) to family members who do not live in the same household as a Covered Person but whose transactions in Valvoline securities are directed, influenced or controlled by a Covered Person (such as parents or adult children), and (iv) to family trusts, family partnerships or other similar entities controlled by or benefiting a person covered by this policy (each, â€œFamily Membersâ€).Material, Non- Public InformationInformation is â€œmaterialâ€ if there is a substantial likelihood that a reasonable investor would consider it important in making a decision to buy, hold, or sell securities of a company, or that significantly alters the total mix of information publicly available about a company. Any information that could be expected to affect a companyâ€™s stock price, whether it is positive or negative, should be considered material. Some examples of information that ordinarily would be regarded as material include:â€¢Undisclosed quarterly earnings or sales;â€¢Projections of future earnings or losses, or other earnings guidance;â€¢Other significant financial projections, strategic plans, forecasts or budgets;â€¢Acquisitions and divestures;â€¢Joint ventures;â€¢Financings;â€¢A change in control;â€¢Significant legal proceedings or government investigations;â€¢Liquidity problems;â€¢Major changes in management;â€¢Public offerings;â€¢Changes in debt ratings;â€¢Business matters concerning the companyâ€™s customers, suppliers or other companies with whom it has a business relationship; andâ€¢Significant new products.Information is considered to be â€œnon-publicâ€ if it has not been disclosed or available to the public for a reasonable period of time. Information is considered â€œpublicâ€ only after it has been broadly disseminated to the public (such as by a news release or a filing with the Securities and Exchange Commission (â€œSECâ€)) and the public has had sufficient time to fully absorb the information. Valvoline generally discloses information to the public via a news release and/or in its regular quarterly and annual reports that Valvoline files with the SEC.If you have any questions regarding whether information you possess regarding Valvoline or another company is â€œmaterialâ€ or â€œnon-public,â€ you should contact Valvolineâ€™s Chief Legal Officer.Civil and Criminal Penalties for Violations of Insider Trading LawsThe federal securities laws of the United States provide for severe civil and criminal penalties for violations of insider trading laws. A person who purchases or sells (or recommends to another person to purchase or sell) a companyâ€™s securities while aware of material, non-public information with respect to such company may be subject to, among other things, (i) a civil penalty of up to three times the amount of profit gained or loss avoided (in addition to disgorgement of profits), (ii) a criminal fine of up to $5,000,000, and (iii) imprisonment for up to 20 years. In addition, Valvoline and its directors, officers and supervisory personnel (â€œControl Personsâ€) could be subject to liability if the Control Person knew, or was reckless in notknowing, that an employee under their control was likely to engage in insider trading and the Control Person failed to take appropriate steps before the violation occurred.Additional Policies Applicable to Directors, Executive Officers and Other Designated Officers and EmployeesPre-clearance of Transactions (â€œSection Aâ€)Except as permitted under Section C below pursuant to a Rule 10b5-1 Trading Plan, the Covered Persons specified in this Section A shall obtain the prior approval of the Chief Legal Officer or his or her designee (â€œpre-clearanceâ€) before engaging in any purchase or sale of the stock or other securities of Valvoline Persons requesting pre- clearance should notify the Chief Legal Officer or his or her designee at least two (2) business days prior to the date of the requested transaction to allow sufficient time for pre-clearance procedures. Pre-clearance provided to a Covered Person shall expire at the close of business on the second business day following the date that pre-clearance is given, unless the Chief Legal Officer or his designee provides for a different expiration time.This Section A applies to the following Covered Persons:â€¢Section 16 Persons (defined below) and their respective Family Members; andâ€¢The officers and employees of Valvoline listed on Schedule A, as maintained by the Law Department, and their respective Family Members. Schedule A may be amended from time to time by the Chief Legal Officer or his or her designee. Each officer and employee listed on Schedule A will be notified by the Chief Legal Officer or his or her designee of the restrictions under this Section A.â€œSection 16 Personsâ€ means all members of Valvolineâ€™s Board of Directors (the â€œBoardâ€) and those executive officers designated by the Board as Section 16 Officers for purposes of SEC requirements under Section 16 of the Securities Exchange Act of 1934, as amended.Each Covered Person subject to this Section A, who engages in a purchase or sale of stock or other securities of Valvoline, shall notify the Chief Legal Officer or his or her designee of such transaction no later than the close of business on the business day following the date of such transaction.Prohibitions Against Trading During Blackout Periods (â€œSection Bâ€)Except as permitted under Section C below pursuant to a Rule 10b5-1 Trading Plan, the Covered Persons specified in this Section B shall not engage in any purchase or sale of the stock or other securities of Valvoline during any Blackout Period (defined below).This Section B applies to the following Covered Persons:â€¢Section 16 Persons and their respective Family Members; andâ€¢The officers and employees of Valvoline listed on Schedule B, as maintained by the Law Department, and their respective Family Members. Schedule B may be amended from time to time by the Chief Legal Officer or his or her designee. Each officer and employee listed on Schedule B will be notified by the Chief Legal Officer or his or her designee of the restrictions under this section.A â€œBlackout Periodâ€ is any period during which designated Covered Persons are prohibited from trading in the stock or other securities of Valvoline. Valvoline has four quarterly Blackout Periods which commence, respectively, when the New York Stock Exchange (â€œNYSEâ€) closes on March 1, June 1, September 1 and December 1 of each year. If any of the preceding dates fall on a weekend or a NYSE holiday, then the applicable Blackout Period shall commence when the NYSE closes on the last trading day prior to such weekend or NYSE holiday. Each Blackout Period shall end when the market opens on the third trading day after Valvoline publicly issues its earnings release for the preceding fiscal period. In very limited hardship circumstances and subject to the pre-clearance procedures in Section A, the Chief Legal Officer may in his or her discretion permit a Covered Person subject to this Section B to trade during a quarterly Blackout Period, but only if the Chief Legal Officer concludes that such person does not possess any material, non-public information concerning Valvoline.In addition to the quarterly Blackout Periods, Valvoline may from time to time designate other periods as special Blackout Periods that are applicable only to designated Covered Persons (which may include Covered Persons who are not subject to quarterly Blackout Periods). Such circumstances could arise, for example, if there is a significant event or development concerning Valvoline. that is material and nonpublic. The existence of a specially designated Blackout Period will not be announced to Valvoline as a whole, and no Covered Person may disclose the existence of such Blackout Period to any other person, including other employees of Valvoline, without the prior approval of the Chief Legal Officer.Rule 10b5-1 Pre-arranged Trading Plans (â€œSection Câ€)SEC Rule 10b5-1 provides a defense from insider trading liability if trades occur pursuant to a prearranged â€œtrading planâ€ that meets certain specified conditions (a â€œRule 10b5-1 Trading Planâ€). Under this rule, if a person enters into a binding contract or written plan that specifies the amount, price and date on which securities are to be purchased or sold, and these arrangements are established at a time when the person does not possess material, non-public information, then the person may claim a defense to insider trading liability if the transactions under the trading plan occur at a time when the person subsequently learned material, non-public information. The details of SEC Rule 10b5-1 are complex, and further information about the rule is available upon request from the Law Department.Absent special circumstances and approval by the Chief Legal Officer, Covered Persons subject to the pre-clearance requirements of this Policy set forth in Section A above, are required to establish a Rule 10b5-1 Trading Plan. The trading plan must be pre-cleared by the Chief Legal Officer or his or her designee, and (i) for Section 16 Persons it must provide for a "cooling-off" period of (A) 90 days following plan adoption or modification or, if later, (B) two business days following the disclosure of Valvoline's financial results in a Form 10-Q or 10-K for the fiscal period in which the trading plan was adopted or modified (but not to exceed 120 days following plan adoption or modification); or (ii) for all other persons, it must provide for a "cooling-off" period of 30 days, before trading under the plan may commence. Any amendments or modifications to an existing Rule 10b5-1 Trading Plan must also be pre-cleared by the Chief Legal Officer or his or her designee. Transactions that comply with a pre-cleared Rule 10b5-1 Trading Plan will not require further pre-clearance at the time of the transaction. Notwithstanding any pre-clearance of a Rule 10b5-1 Trading Plan, none of Valvoline, its officers, other employees or directors assumes any liability for the consequences of any transaction made pursuant to such plan.Certain Hedging Transactions (â€œSection Dâ€)No Covered Person (or his or her designee) may purchase any financial instruments (including prepaid variable forward contracts, equity swaps, collars, and exchange funds) that are designed to hedge or offset any decrease in the market value of equity securities of Valvoline: (i) granted to the Covered Person by Valvoline as part of the Covered Personâ€™s compensation or (ii) held, directly or indirectly, by the Covered Person.Certain Pledging Transactions (â€œSection Eâ€)All Board members and officers of Valvoline (as designated by the Board) are prohibited from, directly or indirectly, pledging equity securities of Valvoline. For these purposes, "pledging" includes the intentional creation of any form of pledge, security interest, deposit, lien or other hypothecation, including the holding of shares in a margin account, that entitles a third party to foreclose against, or otherwise sell, any equity securities, whether with or without notice, consent, default or otherwise, but does not include either the involuntary imposition of liens, such as tax liens or liens arising from legal proceedings, or customary purchase and sale agreements, such as Rule 10b5-1 Trading Plans. "Equity securities" include common stock, voting preferred stock and options and other securities exercisable for, or convertible into, settled in, or measured by reference to, any other equity security determined on an as-exercised and as-converted basis.The equity securities attributable to a Board member or officer for these purposes shall include equity securities attributable to the Board member or officer under either Section 13 or Section 16 of the Securities Exchange Act of 1934, as amended.ResponsiblePartyValvolineâ€™s Chief Legal Officer is responsible for implementation of, and amendmentsto, this policy.ScopeThis policy applies to Valvoline and all Covered Persons.Effective Date01 April 2023ReferencesThe following reference documents apply to this policy:Document NumberDocument TitleDocument TypeVL-POL-001.000Establishment and Application of Valvoline PoliciesPolicyVL-POL-002.012Public Disclosure of InformationPolicyVL-POL-004.000Legal CompliancePolicyVL-POL-007.004Reporting ObligationsPolicyE-5992Exhibit A â€“ Form of AcknowledgementFormREF-000088Code of ConductReferenceREF-000004GlossaryReferenceDocumentExhibit 21List of Subsidiaries of the RegistrantValvoline Inc. subsidiaries at SeptemberÂ 30, 2024, included the companies listed belowEntity NameJurisdictionFunding Corp. IDelawareDelawareOCH International, Inc.OregonValvoline Branded Finance, Inc.DelawareValvoline Canada Retail Services Corp.British Columbia, CanadaValvoline Canadian Franchising Corp.British Columbia, CanadaValvoline HD LLCDelawareValvoline Holdings B.V.NetherlandsValvoline Instant Oil Change Franchising, Inc.DelawareValvoline Licensing and Intellectual Property LLCDelawareValvoline LLCDelawareValvoline Quick Lube Corp.British Columbia, CanadaValvoline US LLCDelawareValvoline US Retail Services LLCDelawareVIOC Funding, Inc.DelawareVRS HoldCo LLCDelawareDocumentEXHIBIT 23.1CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRMWe consent to the incorporation by reference in the following Registration Statements:(1)Registration Statement (Form S-8 No. 333-225081) pertaining to the Valvoline Inc. Employee Stock Purchase Plan,(2)Registration Statement (Form S-8 No. 333-225079) pertaining to the Valvoline 401(k) Plan,(3)Registration Statement (Form S-8 No. 333-218580) pertaining to the Inducement Restricted Stock Award,(4)Registration Statement (Form S-8 No. 333-217887) pertaining to the Valvoline Inc. 2016 Deferred Compensation Plan for Employees and the Valvoline 401(k) Plan,(5)Registration Statement (Form S-8 No. 333-215230) pertaining to the 2016 Deferred Compensation Plan for Employees, and(6)Registration Statement (Form S-8 No. 333-213898) pertaining to the 2016 Valvoline Incentive Plan and the 2016 Deferred Compensation Plan for Non-Employee Directors;of our reports dated NovemberÂ 22, 2024, with respect to the consolidated financial statements and schedule of Valvoline Inc. and Consolidated Subsidiaries and the effectiveness of internal control over financial reporting of Valvoline Inc. and Consolidated Subsidiaries included in this Annual Report (Form 10-K) of Valvoline Inc. and Consolidated Subsidiaries for the year ended SeptemberÂ 30, 2024./s/ Ernst & Young LLPLouisville, KentuckyNovemberÂ 22, 2024DocumentEXHIBIT 24POWER OF ATTORNEYKNOW ALL MEN BY THESE PRESENTS, that each of the undersigned Directors of VALVOLINE INC., a Kentucky corporation, which is about to file an Annual Report on Form 10-K with the Securities and Exchange Commission under the provisions of the Securities Exchange Act of 1934, as amended, hereby constitutes and appoints LORI A. FLEES, MARY E. MEIXELSPERGER, and JULIE M. Oâ€™DANIEL, and each of them, his or her true and lawful attorneys-in-fact and agents, with full power to act without the others to sign and file such Annual Report and the exhibits thereto and any and all other documents in connection therewith, and any such amendments thereto, with the Securities and Exchange Commission, and to do and perform any and all acts and things requisite and necessary to be done in connection with the foregoing as fully as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, may lawfully do or cause to be done by virtue hereof.Dated: NovemberÂ 22, 2024/s/ Richard J. Freeland/s/

Patrick S. PaciousRichard J. FreelandPatrick S. PaciousChair of the Board and Director Director/s/ Gerald W. Evans, Jr./s/ Jennifer L. SlaterGerald W. Evans, Jr.Jennifer L. SlaterDirectorDirector/s/ Carol H. Kruse/s/ Charles M. SonstebyCarol H. KruseCharles M. SonstebyDirectorDirector/s/ Vada O. Manager/s/ Mary J. TwinemVada O. ManagerMary J. TwinemDirectorDirectorDocumentEXHIBIT 31.1CERTIFICATIONI, Lori A. Flees, certify that:1.I have reviewed this Annual Report on Form 10-K 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 registrantâ€™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 registrantâ€™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; andd.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the Audit Committee of the registrantâ€™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 registrantâ€™s ability to record, process, summarize and report financial information; andb.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting.Date:Â NovemberÂ 22, 2024Â /s/ Lori A. FleesÂ Lori A. FleesÂ Chief Executive Officer and DirectorÂ (Principal Executive Officer)DocumentEXHIBIT 31.2CERTIFICATIONI, Mary E. Meixelsperger, certify that:1.I have reviewed this Annual Report on Form 10-K 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 registrantâ€™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 registrantâ€™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; andd.Disclosed in this report any change in the registrantâ€™s internal control over financial reporting that occurred during the registrantâ€™s most recent fiscal quarter (the registrantâ€™s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrantâ€™s internal control over financial reporting; and 5.The registrantâ€™s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrantâ€™s auditors and the Audit Committee of the registrantâ€™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 registrantâ€™s ability to record, process, summarize and report financial information; andb.Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrantâ€™s internal control over financial reporting. Date:Â Â NovemberÂ 22, 2024Â /s/ Mary E. MeixelspergerÂ Mary E. MeixelspergerÂ Chief Financial OfficerÂ (Principal Financial Officer)DocumentEXHIBIT 32VALVOLINE INC.CERTIFICATION PURSUANT TO18 U.S.C. SECTION 1350,AS ADOPTED PURSUANT TOSECTION 906 OF THE SARBANES-OXLEY ACT OF 2002In connection with the Annual Report of Valvoline Inc. (the â€œCompanyâ€) on Form 10-K for the period ended SeptemberÂ 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the â€œReportâ€), 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. FleesÂ Lori A. FleesChief Executive OfficerÂ NovemberÂ 22, 2024/s/ Mary E. MeixelspergerMary E. MeixelspergerÂ Chief Financial OfficerNovemberÂ 22, 2024