

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

FORM 10-Q

(Mark one)

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

For the quarterly period ended December 31, 2021

OR

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

For the transition period from _____ to _____

Commission file number 001-37884



Valvoline™

VALVOLINE INC.

(Exact name of registrant as specified in its charter)

Kentucky

30-0939371

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

100 Valvoline Way
Lexington, Kentucky 40509

(Address of principal executive offices) (Zip Code)

Telephone Number (859) 357-7777

(Registrant's telephone number, including area code)

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

At January 31, 2022, there were 179,356,295 shares of the registrant's common stock outstanding.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(In millions, except per share amounts - unaudited)	Three Months Ended December 31	
	2021	2020
Sales	\$ 858	\$ 653
Cost of sales	614	425
Gross profit	244	228
Selling, general and administrative expenses	135	117
Legacy and separation-related expenses	3	1
Equity and other income, net	(15)	(14)
Operating income	121	124
Net pension and other postretirement plan income	(9)	(13)
Net interest and other financing expenses	17	20
Income before income taxes	113	117
Income tax expense	26	30
Net income	\$ 87	\$ 87
NET EARNINGS PER SHARE		
Basic	\$ 0.48	\$ 0.47
Diluted	\$ 0.48	\$ 0.47
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING		
Basic	181	185
Diluted	182	186
COMPREHENSIVE INCOME		
Net income	\$ 87	\$ 87
Other comprehensive income (loss), net of tax		
Currency translation adjustments	—	18
Amortization of pension and other postretirement plan prior service credits	—	(2)
Unrealized gain on cash flow hedges	1	—
Other comprehensive income	1	16
Comprehensive income	\$ 88	\$ 103

See Notes to Condensed Consolidated Financial Statements.

Valvoline Inc. and Consolidated Subsidiaries

Condensed Consolidated Balance Sheets

(In millions, except per share amounts - unaudited)	December 31 2021	September 30 2021
Assets		
Current assets		
Cash and cash equivalents	\$ 152	\$ 230
Receivables, net	530	496
Inventories, net	264	258
Prepaid expenses and other current assets	55	53
Total current assets	1,001	1,037
Noncurrent assets		
Property, plant and equipment, net	824	817
Operating lease assets	309	307
Goodwill and intangibles, net	782	775
Equity method investments	50	47
Deferred income taxes	13	14
Other noncurrent assets	204	194
Total noncurrent assets	2,182	2,154
Total assets	\$ 3,183	\$ 3,191
Liabilities and Stockholders' Equity		
Current liabilities		
Current portion of long-term debt	\$ 32	\$ 17
Trade and other payables	218	246
Accrued expenses and other liabilities	291	306
Total current liabilities	541	569
Noncurrent liabilities		
Long-term debt	1,662	1,677
Employee benefit obligations	248	258
Operating lease liabilities	276	274
Deferred income taxes	34	26
Other noncurrent liabilities	255	252
Total noncurrent liabilities	2,475	2,487
Commitments and contingencies		
Stockholders' equity		
Preferred stock, no par value, 40 shares authorized; no shares issued and outstanding	—	—
Common stock, par value \$0.01 per share, 400 shares authorized; 180 shares issued and outstanding at December 31, 2021 and September 30, 2021	2	2
Paid-in capital	33	35
Retained earnings	123	90
Accumulated other comprehensive income	9	8
Total stockholders' equity	167	135
Total liabilities and stockholders' equity	\$ 3,183	\$ 3,191

See Notes to Condensed Consolidated Financial Statements.

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

Three months ended December 31, 2021						
(In millions, except per share amounts - unaudited)	Common stock		Paid-in capital	Retained earnings	Accumulated other comprehensive income	Totals
	Shares	Amount				
Balance at September 30, 2021	180	\$ 2	\$ 35	\$ 90	\$ 8	\$ 135
Net income	—	—	—	87	—	87
Dividends paid, \$0.125 per common share	—	—	—	(23)	—	(23)
Stock-based compensation, net of issuances	—	—	(2)	—	—	(2)
Repurchases of common stock	—	—	—	(31)	—	(31)
Other comprehensive income, net of tax	—	—	—	—	1	1
Balance at December 31, 2021	<u>180</u>	<u>\$ 2</u>	<u>\$ 33</u>	<u>\$ 123</u>	<u>\$ 9</u>	<u>\$ 167</u>

Three months ended December 31, 2020						
(In millions, except per share amounts - unaudited)	Common stock		Paid-in capital	Retained deficit	Accumulated other comprehensive income	Totals
	Shares	Amount				
Balance at September 30, 2020	185	\$ 2	\$ 24	\$ (110)	\$ 8	\$ (76)
Net income	—	—	—	87	—	87
Dividends paid, \$0.125 per common share	—	—	—	(23)	—	(23)
Stock-based compensation, net of issuances	—	—	1	—	—	1
Repurchases of common stock	(2)	—	—	(58)	—	(58)
Cumulative effect of adoption of credit losses standard, net of tax	—	—	—	(2)	—	(2)
Other comprehensive income, net of tax	—	—	—	—	16	16
Balance at December 31, 2020	<u>183</u>	<u>\$ 2</u>	<u>\$ 25</u>	<u>\$ (106)</u>	<u>\$ 24</u>	<u>\$ (55)</u>

See Notes to Condensed Consolidated Financial Statements.

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

(In millions - unaudited)	Three months ended December 31	
	2021	2020
Cash flows from operating activities		
Net income	\$ 87	\$ 87
Adjustments to reconcile net income to cash flows from operating activities		
Depreciation and amortization	25	21
Deferred income taxes	8	—
Stock-based compensation expense	3	3
Other, net	(1)	(1)
Change in assets and liabilities		
Receivables	(37)	7
Inventories	(6)	(4)
Payables and accrued liabilities	(41)	(40)
Other assets and liabilities	(6)	6
Total cash provided by operating activities	32	79
Cash flows from investing activities		
Additions to property, plant and equipment	(35)	(35)
Repayments of notes receivable	3	9
Acquisitions of businesses	(14)	(218)
Other investing activities, net	—	(1)
Total cash used in investing activities	(46)	(245)
Cash flows from financing activities		
Proceeds from borrowings	30	11
Repayments on borrowings	(31)	—
Repurchases of common stock	(31)	(58)
Cash dividends paid	(23)	(23)
Other financing activities	(8)	(3)
Total cash used in financing activities	(63)	(73)
Effect of currency exchange rate changes on cash, cash equivalents and restricted cash	—	6
Decrease in cash, cash equivalents and restricted cash	(77)	(233)
Cash, cash equivalents and restricted cash - beginning of period	231	761
Cash, cash equivalents and restricted cash - end of period	\$ 154	\$ 528

See Notes to Condensed Consolidated Financial Statements.

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Valvoline Inc. and Consolidated Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The accompanying unaudited condensed consolidated financial statements have been prepared by Valvoline Inc. ("Valvoline" or the "Company") in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and Securities and Exchange Commission regulations for interim financial reporting, which do not include all information and footnote disclosures normally included in annual financial statements. Therefore, these condensed consolidated financial statements should be read in conjunction with Valvoline's Annual Report on Form 10-K for the fiscal year ended September 30, 2021. Certain prior period amounts disclosed herein have been reclassified to conform to the current presentation.

Use of estimates, risks and uncertainties

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make use of estimates and assumptions that affect the reported amounts and disclosures. Actual results may vary from these estimates. In the opinion of management, the assumptions underlying the condensed consolidated financial statements for these interim periods are reasonable, and all adjustments considered necessary for a fair presentation have been made and are of a normal recurring nature unless otherwise disclosed herein. The results for interim periods are not necessarily indicative of those to be expected for the entire year, particularly in light of the novel coronavirus ("COVID-19") global pandemic and its effects.

Valvoline has substantially maintained its operations throughout the COVID-19 pandemic to-date and has continued precautionary measures to protect the Company's employees and customers and manage through the currently known impacts on its business. Current and future impacts as a result of the pandemic cannot be reasonably quantified or estimated due to its unprecedented nature, breadth, and uncertainties, including the ultimate duration and severity of the pandemic.

Strategic separation

On October 12, 2021, Valvoline announced its intention to pursue a separation of its two reportable segments, Retail Services and Global Products. Valvoline is evaluating the alternatives to accomplish the separation of these two businesses, and consummation of the separation will be subject to final approval by Valvoline's Board of Directors (the "Board"). No timetable has currently been established for completion of the separation, which is expected to enable the two businesses to enhance focus on their distinct customer bases, strategies and operational needs.

Recent accounting pronouncements

The following accounting guidance relevant to Valvoline was either issued or adopted in the current year, or is expected to have a meaningful impact on Valvoline in future periods upon adoption. The Financial Accounting Standards Board ("FASB") issued other accounting guidance during the period that is not currently applicable or expected to have a material impact on Valvoline's condensed consolidated financial statements, and therefore, is not described below.

Issued but not yet adopted

In March 2020, the FASB issued guidance to simplify the accounting for arrangements modified as a result of reference rate reform as the market transitions from the London Interbank Offered Rate ("LIBOR") and other interbank reference rates to alternative reference rates. This guidance is available to be adopted on a prospective basis through the end of calendar 2022 for qualifying contract modifications and hedging arrangements. The Company has interest rate swap hedging arrangements and U.S.-based variable rate long-term debt for which existing payments are based on LIBOR tenors expected to cease in June 2023. As of December 31, 2021, 28% of Valvoline's outstanding total long-term debt and \$275 million of its interest rate swap agreements are under existing arrangements that mature following LIBOR cessation and do not contain fallback provisions to alternative reference rates. The Company is evaluating its options for these arrangements and expects to adopt this guidance to the

extent there are qualifying contractual modifications prior to the end of calendar 2022. Valvoline does not expect any modifications that may apply for this guidance to have a material impact on its condensed consolidated financial statements.

NOTE 2 - FAIR VALUE MEASUREMENTS

The following tables set forth the Company's financial assets and liabilities that were accounted for at fair value on a recurring basis by level within the fair value hierarchy:

(In millions)	As of December 31, 2021				
	Total	Level 1	Level 2	Level 3	NAV ^(a)
Cash and cash equivalents					
Money market funds	\$ 1	\$ 1	\$ —	\$ —	\$ —
Time deposits	36	—	36	—	—
Prepaid expenses and other current assets					
Currency derivatives ^(b)	2	—	2	—	—
Other noncurrent assets					
Non-qualified trust funds	10	—	2	—	8
Interest rate swap agreements	4	—	4	—	—
Total assets at fair value	\$ 53	\$ 1	\$ 44	\$ —	\$ 8
Accrued expenses and other liabilities					
Currency derivatives ^(b)	\$ 1	\$ —	\$ 1	\$ —	\$ —
Other noncurrent liabilities					
Deferred compensation obligations	27	—	—	—	27
Total liabilities at fair value	\$ 28	\$ —	\$ 1	\$ —	\$ 27

(In millions)	As of September 30, 2021				
	Total	Level 1	Level 2	Level 3	NAV ^(a)
Cash and cash equivalents					
Money market funds	\$ 13	\$ 13	\$ —	\$ —	\$ —
Time deposits	87	—	87	—	—
Prepaid expenses and other current assets					
Currency derivatives ^(b)	3	—	3	—	—
Other noncurrent assets					
Non-qualified trust funds	11	—	4	—	7
Interest rate swap agreements	2	—	2	—	—
Total assets at fair value	\$ 116	\$ 13	\$ 96	\$ —	\$ 7
Accrued expenses and other liabilities					
Currency derivatives ^(b)	\$ 3	\$ —	\$ 3	\$ —	\$ —
Interest rate swap agreements	1	—	1	—	—
Other noncurrent liabilities					
Deferred compensation obligations	24	—	—	—	24
Total liabilities at fair value	\$ 28	\$ —	\$ 4	\$ —	\$ 24

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

(b) The Company had outstanding contracts with notional values of \$143 million and \$137 million as of December 31, 2021 and September 30, 2021, respectively.

There were no material gains or losses recognized in earnings during the three months ended December 31, 2021 or 2020 related to these assets and liabilities.

Long-term debt

Long-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 condensed consolidated financial statements on a recurring basis. The fair values of the Company's outstanding fixed rate senior notes shown below are based on recent trading values, which are considered Level 2 inputs within the fair value hierarchy.

(In millions)	December 31, 2021			September 30, 2021		
	Fair value	Carrying value ^(a)	Unamortized discounts and issuance costs	Fair value	Carrying value ^(a)	Unamortized discounts and issuance costs
2030 Notes	\$ 614	\$ 593	\$ (7)	\$ 622	\$ 593	\$ (7)
2031 Notes	523	529	(6)	531	529	(6)
Total	\$ 1,137	\$ 1,122	\$ (13)	\$ 1,153	\$ 1,122	\$ (13)

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

Refer to Note 4 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 3 - ACQUISITIONS

The Company acquired 12 service center stores in single and multi-store transactions for an aggregate purchase price of \$14 million during the three months ended December 31, 2021. These acquisitions expand Valvoline's retail

presence in key North American markets, increase the number of company-operated service center stores, and contributed to growing the Retail Services system to over 1,600 system-wide service center stores.

During the three months ended December 31, 2020, the Company acquired 81 service center stores in single and multi-store transactions, including 27 former franchise locations converted to company-owned service center stores and 12 franchise-operated service center stores, for an aggregate purchase price of \$218 million.

The Company's acquisitions are accounted for as business combinations. A summary follows of the aggregate cash consideration paid and the total assets acquired and liabilities assumed for the three months ended December 31:

(In millions)	2021	2020
Inventories	\$ —	\$ 2
Property, plant and equipment	3	79
Operating lease assets	4	23
Goodwill ^(a)	11	175
Intangible assets ^(b)		
Reacquired franchise rights ^(c)	—	33
Other	—	3
Other current liabilities	—	(6)
Operating lease liabilities	(4)	(21)
Other noncurrent liabilities	—	(70)
Net assets acquired	\$ 14	\$ 218

- (a) 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.
- (b) Intangible assets acquired during the three months ended December 31, 2020 have weighted average amortization periods of 11 years.
- (c) Prior to the acquisition of former franchise service center stores, the Company licensed the right to operate franchised service centers, including the use of Valvoline's trademarks and trade name. In connection with these acquisitions, Valvoline reacquired those rights and recognized separate definite-lived reacquired franchise rights intangible assets, which are being amortized on a straight-line basis over the weighted average remaining term of approximately 11 years for the rights reacquired in fiscal 2021. The effective settlement of these arrangements resulted in no settlement gain or loss as the contractual terms were at market.

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

NOTE 4 - DEBT

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

(In millions)	December 31	
	2021	September 30 2021
2031 Notes	\$ 535	\$ 535
2030 Notes	600	600
Term Loan	475	475
Revolver ^(a)	—	—
Trade Receivables Facility ^(b)	59	59
China Construction Facility ^(c)	39	39
China Working Capital Facility ^(d)	—	—
Debt issuance costs and discounts	(14)	(14)
Total debt	1,694	1,694
Current portion of long-term debt	32	17
Long-term debt	\$ 1,662	\$ 1,677

(a) As of December 31, 2021, the total borrowing capacity remaining under the \$475 million revolving credit facility was \$471 million due to a reduction of \$4 million for letters of credit outstanding.

(b) The Trade Receivables Facility had \$116 million of borrowing capacity remaining and the wholly-owned financing subsidiary owned \$304 million of outstanding accounts receivable as of December 31, 2021.

(c) The remaining borrowing capacity under the China Construction Facility was approximately \$4 million as of December 31, 2021.

(d) The China Working Capital Facility had a borrowing capacity remaining of approximately \$24 million as of December 31, 2021.

As of December 31, 2021, Valvoline was in compliance with all covenants under its long-term borrowings.

NOTE 5 – INCOME TAXES

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

(In millions)	Three months ended	
	December 31	
	2021	2020
Income tax expense	\$ 26	\$ 30
Effective tax rate percentage	23.0 %	25.6 %

The decreases in the effective tax rate and income tax expense were principally driven by discrete benefits in the current year compared to unfavorable discrete impacts in the prior year.

NOTE 6 – EMPLOYEE BENEFIT PLANS

The following table summarizes the components of pension and other postretirement benefit income:

(In millions)	Pension benefits		Other postretirement benefits	
	2021	2020	2021	2020
Three months ended December 31				
Service cost	\$ —	\$ 1	\$ —	\$ —
Interest cost	11	11	—	—
Expected return on plan assets	(20)	(22)	—	—
Amortization of prior service credits	—	—	—	(2)
Net periodic benefit income	<u>\$ (9)</u>	<u>\$ (10)</u>	<u>\$ —</u>	<u>\$ (2)</u>

NOTE 7 – LITIGATION, CLAIMS AND CONTINGENCIES

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

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

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

NOTE 8 - EARNINGS PER SHARE

The following table summarizes basic and diluted earnings per share:

(In millions, except per share amounts)	Three months ended December 31	
	2021	2020
Numerator		
Net income	\$ 87	\$ 87
Denominator		
Weighted average common shares outstanding	181	185
Effect of potentially dilutive securities ^(a)	1	1
Weighted average diluted shares outstanding	182	186
Earnings per share		
Basic	\$ 0.48	\$ 0.47
Diluted	\$ 0.48	\$ 0.47

(a) There were approximately 1 million outstanding stock appreciation rights not included in the computation of diluted earnings per share for the three months ended December 31, 2020, because the effect would have been antidilutive.

NOTE 9 - REPORTABLE SEGMENT INFORMATION

Valvoline manages its business through the following two reportable segments:

- **Retail Services** - services the passenger car and light truck quick lube market in the United States and Canada with a broad array of preventive maintenance services and capabilities performed through Valvoline's retail network of company-operated and independent franchised service center stores, in addition to independent Express Care stores that service vehicles with Valvoline products.
- **Global Products** - sells engine and automotive preventive maintenance products in more than 140 countries and territories to mass market and automotive parts retailers, installers, and commercial customers, including original equipment manufacturers ("OEM"), to service light- and heavy-duty vehicles and equipment.

These segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the chief operating decision maker in allocating resources and evaluating performance of the business. Adjusted EBITDA is the primary measure used in making these operating decisions, which Valvoline defines as segment operating income adjusted for depreciation and amortization and certain key items impacting comparability.

Certain indirect expenses are recognized within each segment based on the estimated utilization of indirect resources. Costs to support corporate functions and certain non-operational and corporate activity that is not directly attributable to a particular segment are not included in the segment operating results regularly utilized by the chief operating decision maker. This activity is separately delineated within Corporate to reconcile to consolidated results.

Segment financial results

The following presents sales and adjusted EBITDA for each reportable segment:

millions)	Three months ended December 31	
	2021	2020
Sales		
Retail Services	\$ 34	\$ 254
Global Products	512	399
Consolidated sales	\$ 85	\$ 653
Adjusted EBITDA		
Retail Services	\$ 9	\$ 70
Global Products	77	94
Total operating segments	175	164
Corporate	(19)	(15)
Consolidated Adjusted EBITDA	156	149
Reconciliation to income before income taxes:		
Net interest and other financing expenses	(17)	(20)
Depreciation and amortization	(25)	(21)
Key items: ^(a)		
Net pension and other postretirement plan income	9	13
Legacy and separation-related expenses	(3)	(1)
LIFO charge	(6)	(4)
Information technology transition costs	(1)	—
Business interruption recovery	—	1
Income before income taxes	\$ 11	\$ 117

(a) Key items represent adjustments to U.S. GAAP results and consist of non-operational matters, including pension and other postretirement plan non-service income and remeasurement adjustments, legacy and separation-related activity, changes in the last-in, first-out ("LIFO") inventory reserve, and certain other corporate matters excluded from operating results that management believes impacts the comparability of operational results between periods.

Disaggregation of revenue

Sales by primary customer channel for the Company's reportable segments are summarized below:

(In millions)	Three months ended December 31	
	2021	2020
Retail Services		
Company operations	\$ 243	\$ 178
Non-company operations	103	76
Total Retail Services	346	254
Global Products		
Do-It-Yourself	175	140
Installer and other	337	259
Total Global Products	512	399
Consolidated sales	\$ 858	\$ 653

Sales by reportable segment disaggregated by geographic market follows:

(In millions)	Retail Services		Global Products		Total	
	2021	2020	2021	2020	2021	2020
Three months ended December 31						
North America ^(a)	\$ 346	\$ 254	\$ 304	\$ 235	\$ 650	\$ 489
Europe, Middle East and Africa ("EMEA")	—	—	67	51	67	51
Asia Pacific	—	—	104	83	104	83
Latin America ^(a)	—	—	37	30	37	30
Totals	\$ 346	\$ 254	\$ 512	\$ 399	\$ 858	\$ 653

(a) Valvoline includes the United States and Canada in its North America region. Mexico is included within the Latin America region.

NOTE 10 - SUPPLEMENTAL FINANCIAL INFORMATION

Cash, cash equivalents and restricted cash

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

(In millions)	December 31 2021	September 30 2021	December 31 2020
Cash and cash equivalents	\$ 152	\$ 230	\$ 527
Restricted cash ^(a)	2	1	1
Total cash, cash equivalents and restricted cash	\$ 154	\$ 231	\$ 528

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

Accounts and other receivables

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

(In millions)	December 31 2021	September 30 2021
Trade	\$ 513	\$ 475
Other	15	16
Notes receivable from franchisees ^(a)	7	10
Receivables, gross	535	501
Allowance for credit losses	(5)	(5)
Receivables, net	\$ 530	\$ 496

(a) Notes receivable from franchisees were primarily issued in fiscal 2020 to provide financial assistance in response to the COVID-19 pandemic. There were no material balances past due as of December 31, 2021.

Inventories

The following summarizes Valvoline's inventories in the Condensed Consolidated Balance Sheets as of:

(In millions)	December 31 2021	September 30 2021
Finished products	\$ 277	\$ 276
Raw materials, supplies and work in process	60	49
Reserve for LIFO cost valuation	(73)	(67)
Total inventories, net	\$ 264	\$ 258

Revenue recognition

The following disaggregates the Company's sales by timing of recognition:

(In millions)	Three months ended December 31	
	2021	2020
Sales at a point in time	\$ 844	\$ 642
Franchised revenues transferred over time	14	11
Total consolidated sales	\$ 858	\$ 653

NOTE 11 – SUBSEQUENT EVENTS

Dividend declared

On January 24, 2022, the Board declared a quarterly cash dividend of \$0.125 per share of Valvoline common stock. The dividend is payable on March 15, 2022 to shareholders of record on February 28, 2022.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q, other than statements of historical fact, including estimates, projections, and statements related to the Company's business plans and operating results, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Valvoline has identified some of these forward-looking statements with words such as "anticipates," "believes," "expects," "estimates," "is likely," "predicts," "projects," "forecasts," "may," "will," "should," and "intends" and the negative of these words or other comparable terminology. These forward-looking statements are based on Valvoline's current expectations, estimates, projections, and assumptions as of the date such statements are made and are subject to risks and uncertainties that may cause results to differ materially from those expressed or implied in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed under the headings "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Quantitative and Qualitative Disclosures about Market Risk" in this Quarterly Report on Form 10-Q and Valvoline's most recently filed periodic 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.

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

The following discussion and analysis should be read in conjunction with the Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as well as the condensed consolidated financial statements and the accompanying Notes to Condensed Consolidated Financial Statements included in Item 1 of Part I in this Quarterly Report on Form 10-Q.

BUSINESS OVERVIEW AND PURPOSE

Valvoline Inc. is a global vehicle and engine care company that continuously powers the future of mobility through innovative services and products for electric, hybrid and internal combustion powertrains. Valvoline has consistently led the way innovating and reinventing its services and products for changing technologies and customer needs throughout its 155-year history. Valvoline operates a fast-growing, best-in-class network of service center stores, which are well positioned to serve evolving vehicle maintenance needs with Valvoline's iconic products. In addition to its quick, easy and trusted quick lube oil change services and the legendary Valvoline-branded passenger car motor oils, Valvoline provides a wide array of lubricants, chemicals, fluids, and other complementary products and services, including leading the world's supply of battery fluids to electric vehicle manufacturers, with each solution tailored to help extend vehicle and engine range and efficiency.

Valvoline provides vehicle and engine care solutions to a range of customers, including end consumers, OEMs, mass market and automotive parts retailers, small to large installers, vehicle fleets, and distributors, among others. Valvoline operates and franchises more than 1,600 service center locations and is the second and third largest chain in the United States ("U.S.") and Canada, respectively, by number of stores. With sales in more than 140 countries and territories, Valvoline's solutions are available for every engine and powertrain, including high-mileage and heavy-duty applications, and are offered at more than 80,000 locations worldwide.

BUSINESS STRATEGY

Valvoline is focused on the following key business and growth strategies in fiscal 2022:

- Executing the strategic separation of Valvoline's two business segments, Retail Services and Global Products, to create sustainable value for the Company's stakeholders and best position the segments for continued long-term success by allowing Retail Services to continue its growth and focus on leveraging its world class service model and providing Global Products with the opportunity to focus and allocate capital to its own strategic priorities;
- Aggressively growing Retail Services through organic service center expansion, opportunistic acquisitions, and franchisee growth, while rapidly diversifying and expanding retail service offerings and capabilities through a quick, easy, and trusted customer experience delivered by hands-on experts;
- Accelerating Global Products market share growth through continued development of and investment in key global emerging and high value markets by fully leveraging brand equity and product platforms to drive speed, efficiency, and value across the business and customer interactions, while increasing penetration of Valvoline's full product portfolio;
- Expanding capabilities to serve future transport vehicles by continuing to develop relationships with electric vehicle OEMs and leveraging innovation in the delivery of future services and products in direct and adjacent markets; and
- Building a strong foundation enabled by data and technology to make Valvoline easy to do business with.

RECENT DEVELOPMENTS

Strategic separation

On October 12, 2021, Valvoline announced its intention to pursue a separation of its two reportable segments, Retail Services and Global Products. Valvoline is making progress and evaluating alternatives to accomplish the separation of these two strong businesses. Consummation of the separation will be subject to final approval by Valvoline's Board, and no timetable has currently been established for completion of the separation. Valvoline's results this quarter highlight the independent strengths of both of its reportable segments, and separation is expected to enable the two businesses to enhance focus on their distinct customer bases, strategies for continued growth, and operational needs.

COVID-19 update

Valvoline has been able to substantially maintain its operations, demonstrating growth and strong results, while managing through the effects of the COVID-19 global pandemic. Management is unable to reasonably quantify the impact of COVID-19 on its current year results. The continually evolving COVID-19 pandemic remains uncertain and its future impact on Valvoline will depend on a number of factors, including among others, the duration and severity of the spread of COVID-19, emerging variants, vaccine and booster effectiveness, public acceptance of safety protocols, and government measures, including vaccine mandates, implemented at the local and federal levels designed to slow and contain the spread of COVID-19, among others. While the Company cannot predict the duration or the scale of the COVID-19 pandemic, or the effect it may continue to have on Valvoline's business, results of operations, or liquidity, management continuously monitors the situation, the sufficiency of its responses, and makes adjustments as needed. For more information, refer to Risk Factors included in Item 1A of Part I in Valvoline's Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

FIRST FISCAL QUARTER 2022 OVERVIEW

The following were the significant events for the first fiscal quarter of 2022, each of which is discussed more fully in this Quarterly Report on Form 10-Q:

- Valvoline reported net income of \$87 million and diluted earnings per share of \$0.48 in the three months ended December 31, 2021. Net income was flat compared to the prior year period and diluted EPS grew 2%.
- Retail Services sales increased 36% over the prior year driven by system-wide same-store-sales ("SSS") growth of 24.7% and the addition of 102 net new stores to the system from the prior year. Operating income and adjusted EBITDA increased 45% and 40%, respectively, over the prior year primarily due to strong top-line growth and margin expansion.
- Global Products sales grew 28% over the prior year primarily attributable to expanded distribution in North America and higher volumes in China and EMEA. Operating income and adjusted EBITDA decreased 20% and 18%, respectively, from the prior year primarily due to transitory supply chain costs and lingering price-cost lag that compared to modestly favorable price-cost lag in the prior year.
- The Company returned \$54 million to its shareholders through payment of a cash dividend of \$0.125 per share during the quarter and repurchasing approximately 1 million shares of Valvoline common stock.

Use of Non-GAAP Measures

To supplement the financial measures prepared in accordance with U.S. GAAP, certain items within this document are presented on an adjusted basis. These non-GAAP measures, presented both on a consolidated and reportable segment basis, have limitations as analytical tools and should not be considered in isolation from, or as an alternative to, or more meaningful than, the financial statements presented in accordance with U.S. GAAP. The financial results presented in accordance with U.S. GAAP and reconciliations of non-GAAP measures included within this Quarterly Report on Form 10-Q should be carefully evaluated.

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

- **EBITDA** - defined as net income/loss, plus income tax expense/benefit, net interest and other financing expenses, and depreciation and amortization;
- **Adjusted EBITDA** - defined as EBITDA adjusted for 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);
- **Segment adjusted EBITDA** - defined as segment operating income adjusted for depreciation and amortization, in addition to key items impacting comparability;
- **Free cash flow** - defined as cash flows from operating activities less capital expenditures and certain other adjustments as applicable; and
- **Discretionary free cash flow** - defined as cash flows from operating activities less maintenance capital expenditures and certain other adjustments as applicable.

These measures are not prepared in accordance with U.S. GAAP and management believes the use of non-GAAP measures on a consolidated and reportable segment basis provides a useful supplemental presentation of Valvoline's operating performance, enables comparison of financial trends and results between periods where certain items may vary independent of business performance, and allows for transparency with respect to key metrics used by management in operating the business and measuring performance. The non-GAAP information used by management may not be comparable to similar measures disclosed by other companies, because of differing methods used in calculating such measures. For a reconciliation of the most comparable U.S. GAAP measures to the non-GAAP measures, refer to the "Results of Operations" and "Financial Position, Liquidity and Capital Resources" sections below.

Management believes EBITDA measures provide a meaningful supplemental presentation of Valvoline's operating performance due to the depreciable assets associated with the nature of the Company's operations and interest costs related to Valvoline's capital structure. Adjusted EBITDA measures exclude the impact of key items, which consist of income or expenses associated with certain unusual, infrequent or non-operational activity not directly

attributable to the underlying business that management believes impacts the comparability of operational results between periods. Adjusted EBITDA measures enable comparison of financial trends and results between periods where key items may vary independent of business performance. Key items are often related to legacy matters or market-driven events considered by management to be outside the comparable operational performance of the business.

Key items may consist of adjustments related to: legacy businesses, including the separation from Valvoline's former parent company and associated impacts of related indemnities; significant acquisitions or divestitures; restructuring-related matters; and other matters that are non-operational or unusual in nature. Key items also include the following:

- **Net pension and other postretirement plan expense/income** - includes several elements impacted by changes in plan assets and obligations that are primarily driven by changes in the debt and equity markets, as well as those that are predominantly legacy in nature and related to prior service to the Company from employees (e.g., retirees, former employees, current employees with frozen benefits). These elements include (i) interest cost, (ii) expected return on plan assets, (iii) actuarial gains/losses, and (iv) amortization of prior service cost/credit. Significant factors that can contribute to changes in these elements include changes in discount rates used to remeasure pension and other postretirement obligations on an annual basis or upon a qualifying remeasurement, differences between actual and expected returns on plan assets, and other changes in actuarial assumptions, such as the life expectancy of plan participants. Accordingly, management considers that these elements are more reflective of changes in current conditions in global financial markets (in particular, interest rates) and are outside the operational performance of the business and are also primarily legacy amounts that are not directly related to the underlying business and do not have an immediate, corresponding impact on the compensation and benefits provided to eligible employees for current service. Adjusted EBITDA includes the costs of benefits provided to employees for current service, including pension and other postretirement service costs.
- **Changes in the last-in, first-out ("LIFO") inventory reserve** - charges or credits recognized in Cost of sales to value certain lubricant inventories at the lower of cost or market using the LIFO method. During inflationary or deflationary pricing environments, the application of LIFO can result in variability of the cost of sales recognized each period as the most recent costs are matched against current sales, while preceding costs are retained in inventories. LIFO adjustments are determined based on published prices, which are difficult to predict and largely dependent on future events. The application of LIFO can impact comparability and enhance the lag period effects between changes in inventory costs and relating pricing adjustments.

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

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 the impact of maintenance capital expenditures, which are routine uses of cash that are necessary to maintain the Company's operations and provides a supplemental view of cash flow generation to maintain operations before discretionary investments in growth. Free cash flow and discretionary free cash flow have certain limitations, including that they do not reflect adjustments for certain non-discretionary cash flows, such as mandatory debt repayments. The amount of mandatory versus discretionary expenditures can vary significantly between periods.

Key Business Measures

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

Sales in the Retail Services reportable segment are influenced by the number of service center stores and the business performance of those stores. Stores are considered open upon acquisition or opening for business. Temporary store closings remain in the respective store counts with only permanent store closures reflected in the activity and end of period store counts. SSS is defined as sales by U.S. Retail Services service center stores (company-operated, franchised and the combination of these for system-wide SSS), with new stores including franchised conversions, excluded from the metric until the completion of their first full fiscal year in operation as this period is generally required for new store sales levels to begin to normalize. Differences in SSS are calculated to determine the percentage change between comparative periods. Retail Services sales are limited to sales at company-operated stores, sales of lubricants and other products to independent franchisees and Express Care operators and royalties and other fees from franchised stores. Although Valvoline does not recognize store-level sales from franchised stores as revenue in its Condensed Consolidated Statements of Comprehensive Income, management believes system-wide and franchised SSS comparisons and store counts are useful to assess market position relative to competitors and overall store and segment operating performance.

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

RESULTS OF OPERATIONS

Consolidated review

The following summarizes the results of the Company's operations for the three months ended December 31:

(In millions)	2021		2020		Variance	
	Amount	% of Sales	Amount	% of Sales	Amount	%
Sales	\$ 858	100.0 %	\$ 653	100.0 %	\$ 205	31.4 %
Gross profit	\$ 244	28.4 %	\$ 228	34.9 %	\$ 16	7.0 %
Net operating expenses	\$ 123	14.3 %	\$ 104	15.9 %	\$ 19	18.3 %
Operating income	\$ 121	14.1 %	\$ 124	19.0 %	\$ (3)	(2.4)%
Net income	\$ 87	10.1 %	\$ 87	13.3 %	\$ —	— %

Sales

The following provides a reconciliation of the increase in sales from the prior year:

(In millions)	Year-over-year change	
	Three months ended December 31, 2021	
Volume and mix	\$	104
Price		90
Acquisitions		11
Change in sales	\$	205

Volumes grew across the business and product mix improved, leading to top-line expansion, as demand for Valvoline's products and services remains robust and market share gains benefited both segments. Additionally, the Company made ongoing progress in the price pass-through of raw material cost increases, which further drove higher sales. Retail Services sales were 36% higher led by SSS that increased nearly 25% across the system, in addition to growth from unit additions and acquisitions. Global Products sales increased 28% with 13% volume growth and top-line expansion across all regions.

The changes to reportable segment sales and the drivers thereof are discussed in further detail in the "Reportable Segment Review" section below.

Gross profit

The table below provides a reconciliation of the increase in gross profit from the prior year:

(In millions)	Year-over-year change	
	Three months ended December 31, 2021	
Volume and mix	\$	50
Change in LIFO reserve		(2)
Price and cost		(33)
Acquisitions		1
Change in gross profit	\$	16

The increase in gross profit was primarily driven by higher volumes and mix improvements in both segments, partially offset by the lag in passing through raw material cost increases, transitory supply chain inefficiencies that included higher logistics and manufacturing costs, and to a lesser degree, the negative impact of LIFO adjustments in the rising cost environment. Acquisitions contributed a muted benefit to gross profit due to new store ramp up costs.

The declines in gross profit margin rates were primarily the result of higher raw material costs, supply chain challenges, and the dilutive impact from passing through cost increases, which more than offset mix improvements. Management continues to closely monitor the raw material cost environment and make progress in passing through the cost increases that began in fiscal 2021.

The changes to reportable segment gross profit and the drivers thereof are discussed in further detail in the "Reportable Segment Review" section below.

Net operating expenses

The table below summarizes the components of net operating expenses for the three months ended December 31:

(In millions)	2021		2020		Variance	
	Amount	% of Sales	Amount	% of Sales	Amount	%
Selling, general and administrative expenses	\$ 135	15.7 %	\$ 117	17.9 %	\$ 18	15.4 %
Legacy and separation-related expenses	3	0.3 %	1	0.1 %	\$ 2	200.0 %
Equity and other income, net	(15)	(1.7)%	(14)	(2.1)%	(1)	7.1 %
Net operating expenses	\$ 123	14.3 %	\$ 104	15.9 %	\$ 19	18.3 %

Selling, general and administrative expenses increased primarily related to investments made to support future growth, including advertising and promotion, information technology, and acquisition-related costs.

Legacy and separation-related expenses increased primarily due to costs incurred in the current year in planning for the separation of the Retail Services and Global Products segments. The Company expects to incur incremental costs during fiscal 2022 associated with planning for the proposed separation, including legal, tax and accounting, and other professional advisory and consulting fees. These costs cannot currently reasonably be estimated given the uncertainties in the manner and timing of separation.

The increase in Equity and other income, net was primarily driven by income for research lab testing, which was partially offset by lower insurance recoveries in the current year.

Net pension and other postretirement plan income

Net pension and other postretirement plan income decreased \$4 million from the prior year. This decline was due to lower expected returns on plan assets as a result of the shift in asset allocation of the U.S. qualified plans toward a higher mix of fixed income securities, in addition to a reduction in the amortization of prior service credits into income from certain other postretirement plan amendments that ceased amortization beginning in fiscal 2022.

Net interest and other financing expenses

Net interest and other financing expenses decreased \$3 million related to lower outstanding borrowings compared to the prior year.

Income tax expense

The following table summarizes income tax expense and the effective tax rate:

(In millions)	Three months ended December 31	
	2021	2020
Income tax expense	\$ 26	\$ 30
Effective tax rate percentage	23.0 %	25.6 %

The decreases in the effective tax rate and income tax expense were principally driven by discrete benefits in the current year compared to unfavorable discrete impacts in the prior year.

EBITDA and Adjusted EBITDA

The following table reconciles net income to EBITDA and Adjusted EBITDA:

(In millions)	Three months ended December 31	
	2021	2020
Net income	\$ 87	\$ 87
Income tax expense	26	30
Net interest and other financing expenses	17	20
Depreciation and amortization	25	21
EBITDA	155	158
Net pension and other postretirement plan income ^(a)	(9)	(13)
Legacy and separation-related expenses	3	1
LIFO charge	6	4
Information technology transition costs	1	—
Business interruption recovery	—	(1)
Adjusted EBITDA	\$ 156	\$ 149

(a) Net pension and other postretirement plan income includes rereasurement gains and losses, when applicable, and recurring non-service pension and other postretirement net periodic income, which consists of interest cost, expected return on plan assets and amortization of prior service credits. Refer to Note 6 in the Notes to Condensed Consolidated Financial Statements in Item 1 of Part I in this Quarterly Report on Form 10-Q for further details.

Adjusted EBITDA improved \$7 million from the prior year driven by strong top-line growth across both segments from higher volumes and ongoing progress in passing through raw material cost increases. Top-line growth and profit expansion in Retail Services were partially offset by price-cost lag and supply chain inefficiencies, in addition to increased operating expenses.

Reportable segment review

The Company manages its business through the following two reportable segments:

- **Retail Services** - services the passenger car and light truck quick lube market in the United States and Canada with a broad array of preventive maintenance services and capabilities performed through Valvoline's retail network of company-operated and independent franchised service center stores, in addition to independent Express Care stores that service vehicles with Valvoline products.
- **Global Products** - sells engine and automotive preventive maintenance products in more than 140 countries to retailers, installers, and commercial customers, including OEMs, to service light- and heavy-duty vehicles and equipment.

These segments represent components of the Company for which separate financial information is available that is utilized on a regular basis by the chief operating decision maker in allocating resources and evaluating performance of the business. Adjusted EBITDA is the primary measure used in making these operating decisions, which Valvoline defines as segment operating income adjusted for depreciation and amortization and certain key items impacting comparability.

Costs to support corporate functions and certain non-operational and corporate activity that is not directly attributable to a particular segment are not included in the segment operating results regularly utilized by the chief operating decision maker. This activity is separately delineated within Corporate to reconcile to consolidated results.

Results of Valvoline's reportable segments are presented based on how operations are managed internally, including how the results are reviewed by the chief operating decision maker. The structure and practices are specific to Valvoline; therefore, the financial results of its reportable segments are not necessarily comparable with similar information for other comparable companies.

Retail Services

Management believes the number of company-operated and franchised service center stores as provided in the following tables is useful to assess the operating performance of the Retail Services reportable segment.

	System-wide stores ^(a)				
	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021
Beginning of period	1,594	1,569	1,548	1,533	1,462
Opened	32	21	17	13	18
Acquired	12	7	5	3	54
Closed	(3)	(3)	(1)	(1)	(1)
End of period	<u>1,635</u>	<u>1,594</u>	<u>1,569</u>	<u>1,548</u>	<u>1,533</u>

	Number of stores at end of period				
	First Quarter 2022	Fourth Quarter 2021	Third Quarter 2021	Second Quarter 2021	First Quarter 2021
Company-owned	738	719	698	673	663
Franchised	897	875	871	875	870

(a) System-wide store count includes franchised service center stores. Valvoline franchises are independent legal entities, and Valvoline does not consolidate the results of operations of its franchisees.

The year over year change of 102 net new company-operated and franchised stores was the result of 75 net openings and 27 acquired stores. Organic service center store growth was driven by 25 net company-operated

service center store openings and 50 net new franchisee store openings from expansion in key markets. In addition, 23 net stores converted within the system from franchise to company-operated.

The following summarizes the results of the Retail Services reportable segment:

(In millions)	Three months ended December 31		Favorable (Unfavorable)	
	2021	2020		
Financial information				
Retail Services segment sales	\$ 346	\$ 254	36	%
Operating income ^(b)	\$ 81	\$ 56	45	%
Key items	—	—		
Depreciation and amortization	17	14	21	%
Adjusted EBITDA	\$ 98	\$ 70	40	%
Operating margin ^(c)	23.4 %	22.0 %	140	bps
Adjusted EBITDA margin ^(c)	28.3 %	27.6 %	70	bps

	Three months ended December 31		
	2021	2020	
Same-store sales growth			
Company-operated ^(c)	22.1 %	6.1 %	
Franchised ^{(a) (d)}	26.8 %	6.0 %	
System-wide ^{(a) (d)}	24.7 %	6.0 %	

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

(b) Valvoline does not generally allocate activity below operating income to its operating segments; therefore, the table above reconciles operating income to adjusted EBITDA.

(c) Operating margin is calculated as operating income divided by sales, and adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales.

(d) Valvoline determines SSS growth as sales by U.S. Retail Services service center stores, with new stores, including franchise conversions, excluded from the metric until the completion of their first full fiscal year in operation.

Retail Services sales increased 36% for the first quarter compared to the prior year primarily due to strong SSS performance and unit additions. System-wide SSS grew 24.7% compared to the prior year led by increased transactions where leveraging data analytics capabilities drove customer base expansion. Solid contributions from growth in average ticket were largely due to pricing and premiumization that further contributed to system-wide SSS performance and highlighted in-store service delivery. The addition of 102 net new stores to the system through acquisitions and new service center store openings also contributed to sales growth from the prior year.

Operating income and adjusted EBITDA increased from the prior year outpacing sales growth and driving margin expansion. This growth was driven by the strong top-line performance and improved leverage from mature stores that have been open greater than three years and combined to more than offset the ramp up costs of new stores and challenges of the raw material cost environment.

Global Products

The following table summarizes the results of the Global Products reportable segment:

(In millions)	Three months ended December 31		Favorable (Unfavorable)
	2021	2020	
Financial information			
Sales by geographic region			
North America ^(a)	\$ 304	\$ 235	29 %
Europe, Middle East and Africa ("EMEA")	67	51	31 %
Asia Pacific	104	83	25 %
Latin America ^(a)	37	30	23 %
Global Products segment sales	<u>\$ 512</u>	<u>\$ 399</u>	<u>28 %</u>
Operating income ^(b)	\$ 70	\$ 88	(20) %
Key items	—	—	
Depreciation and amortization	7	6	17 %
Adjusted EBITDA	<u>\$ 77</u>	<u>\$ 94</u>	<u>(18) %</u>
Operating margin ^(c)	13.7 %	22.1 %	(840) bps
Adjusted EBITDA margin ^(c)	15.0 %	23.6 %	(860) bps
Volume information			
Lubricant sales (gallons)	43.1	38.0	13 %

(a) Valvoline includes the United States and Canada in its North America region. Mexico is included within the Latin America region.

(b) Valvoline does not generally allocate activity below operating income to its operating segments; therefore, the table above reconciles operating income to adjusted EBITDA.

(c) Operating margin is calculated as operating income divided by sales, and adjusted EBITDA margin is calculated as adjusted EBITDA divided by sales.

Global Products sales increased from the prior year due to growth across all regions. The ongoing progress in price pass-through of raw material cost increases drove sales growth that outpaced volumes, which were up 13% from the prior year. Volume increases were led by expanded distribution in North America and growth in Asia Pacific, notably China, in addition to higher volumes in EMEA. Favorable mix further contributed to the increase in sales over the prior year as a result of higher branded and premium product mix.

Operating income and adjusted EBITDA decreased primarily related to price-cost lag due to raw material cost increases and supply chain disruptions that were partially offset by higher volumes and product mix benefits. Valvoline expects to continue to passing through pricing to recover raw material cost increases.

FINANCIAL POSITION, LIQUIDITY AND CAPITAL RESOURCES

Overview

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

priorities that support Valvoline's business and growth strategies and returning capital to shareholders, while funding ongoing operations.

Cash flows

Cash flows as reflected in the Condensed Consolidated Statements of Cash Flows are summarized as follows for the three months ended December 31:

(In millions)	2021	2020
Cash, cash equivalents and restricted cash - beginning of period	\$ 231	\$ 761
Cash provided by (used in):		
Operating activities	32	79
Investing activities	(46)	(245)
Financing activities	(63)	(73)
Effect of currency exchange rate changes on cash, cash equivalents and restricted cash	—	6
Decrease increase in cash, cash equivalents and restricted cash	(77)	(233)
Cash, cash equivalents and restricted cash - end of period	\$ 154	\$ 528

Operating activities

The decrease in cash flows provided by operating activities of \$47 million from the prior year was primarily due to a timing-related unfavorable increase in net working capital, largely attributed to growth in accounts receivable from top-line expansion. In the current year period, net working capital (current assets, excluding cash and cash equivalents, minus current liabilities, excluding long-term debt due within one year) increased \$85 million compared to a \$35 million increase in the prior year.

Investing activities

The decrease in cash flows used in investing activities of \$199 million was primarily due to lower current year acquisition activity of \$204 million, which was partially offset by repayments of franchisee COVID relief loans that were \$6 million higher in the prior year.

Financing activities

The decrease in cash flows used in financing activities of \$10 million was primarily due to \$27 million of lower share repurchases in the current year, which were partially offset by net proceeds from borrowings that were \$12 million higher in the prior year. Lower share repurchases were the result of shifting to a consistent share buyback strategy in the second half of fiscal 2021, and higher net proceeds from borrowings in the prior year largely related to the China Construction Facility as the blending and packaging plant began production in December 2020.

Free cash flow

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

(In millions)	Three months ended December 31	
	2021	2020
Cash flows provided by operating activities	\$ 32	\$ 79
Less: Maintenance capital expenditures	(6)	(5)
Discretionary free cash flow	26	74
Less: Growth capital expenditures	(29)	(30)
Free cash flow	\$ (3)	\$ 44

The decrease in free cash flow over the prior year was driven by lower cash flows provided by operating activities as maintenance and growth capital expenditures were relatively flat. Management continues to expect strong free cash flow generation in fiscal 2022 of \$260 million to \$300 million.

Debt

Inclusive of the interest rate swap agreements, approximately 87% of Valvoline's outstanding borrowings at December 31, 2021 had fixed interest rates, with the remainder bearing variable rates. Valvoline was in compliance with all covenants of its debt obligations as of December 31, 2021 and had a combined total of \$587 million of remaining borrowing capacity under its Revolver and Trade Receivables Facility. Credit facilities in place in China had approximately \$28 million of combined borrowing capacity remaining, \$24 million under the China Working Capital Facility and \$4 million under the China Construction Facility. Refer to Note 4 of the Notes to Condensed Consolidated Financial Statements for additional details regarding the Company's debt instruments.

Dividend payments and share repurchases

During the three months ended December 31, 2021, the Company paid cash dividends of \$0.125 per common share for \$23 million and repurchased nearly 1 million shares of its common stock for \$31 million pursuant to the May 2021 Board authorization to repurchase up to \$300 million of common stock through September 30, 2024 (the "2021 Share Repurchase Authorization").

On January 24, 2022, the Board declared a quarterly cash dividend of \$0.125 per share of Valvoline common stock. The dividend is payable on March 15, 2022 to shareholders of record on February 28, 2022. Additionally, the Company repurchased shares of Valvoline common stock for \$10 million during January 2022, leaving the Company with \$232 million in aggregate share repurchase authority remaining under the 2021 Share Repurchase Authorization as of February 1, 2022.

Future declarations of quarterly dividends are subject to approval by the Board and may be adjusted as business needs or market conditions change, while the timing and amount of any future share repurchases will be based on the level of Valvoline's liquidity, general business and market conditions and other factors, including alternative investment opportunities.

Summary

As of December 31, 2021, cash and cash equivalents totaled \$152 million, total debt was \$1.7 billion, and total remaining borrowing capacity under the Company's Revolver and Trade Receivables Facility was \$586 million. Valvoline'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 the Annual Report on Form 10-K for the year ended September 30, 2021. If the Company is unable to generate sufficient cash flows from operations, or otherwise comply with the terms of its credit facilities, Valvoline may be required to seek additional financing alternatives.

Management believes that the Company has sufficient liquidity based on its current cash and cash equivalents position, cash generated from business operations, and existing financing to meet its required pension and other

postretirement plan contributions, debt servicing obligations, tax-related and other material cash and operating requirements for the next twelve months.

NEW ACCOUNTING PRONOUNCEMENTS

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

CRITICAL ACCOUNTING ESTIMATES

The Company's critical accounting estimates are discussed in detail in Item 7 of Part II in Valvoline's Annual Report on Form 10-K for the fiscal year ended September 30, 2021. Management reassessed the critical accounting estimates as disclosed in the Annual Report on Form 10-K and determined there were no changes in the three months ended December 31, 2021.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's market risks are discussed in detail in Item 7A of Part II in Valvoline's Annual Report on Form 10-K for the fiscal year ended September 30, 2021. Management reassessed the quantitative and qualitative market risk disclosures as described in the Annual Report on Form 10-K and determined there were no material changes to market risks in the three months ended December 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Valvoline's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), with the assistance of management, have evaluated the effectiveness of the Company'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 (the "Exchange Act")), as of the end of the period covered by this Quarterly Report on Form 10-Q (the "Evaluation Date"), and based upon such evaluation, have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were effective. 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, and that such information is accumulated and communicated to Valvoline's management, including the CEO and CFO, to allow timely decisions regarding required disclosure.

Changes in Internal Control

There were no significant changes in Valvoline's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2021 that materially affected, or are reasonably likely to materially affect, Valvoline's internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time, Valvoline is party to lawsuits, claims and other legal proceedings that arise in the ordinary course of business. For a description of Valvoline's legal proceedings, refer to Note 7 of the Notes to Condensed Consolidated Financial Statements included in Item 1 of Part I of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

During the period covered by this report, there were no material changes from the risk factors previously disclosed Item 1A of Part I in Valvoline's Annual Report on Form 10-K for the fiscal year ended September 30, 2021.

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

The Company repurchased shares of its common stock for \$31 million during the three months ended December 31, 2021 pursuant to the 2021 Share Repurchase Authorization. Share repurchase activity during the three months ended December 31, 2021 follows:

Monthly Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Dollar value of shares that may yet be purchased under the plans or programs (in millions)
October 1, 2021 - October 31, 2021	325,186	\$ 33.55	325,186	\$ 262
November 1, 2021 - November 30, 2021	284,916	\$ 35.37	284,916	\$ 252
December 1, 2021 - December 31, 2021	294,475	\$ 35.55	294,475	\$ 242
Total	<u>904,577</u>	<u>\$ 34.78</u>	<u>904,577</u>	

ITEM 6. EXHIBITS

Exhibits 10.1 through 10.3 are management compensatory plans or arrangements.

10.1*	<u>Form of Outside Director Restricted Stock Unit Award Agreement pursuant to the 2016 Valvoline Inc. Incentive Plan.</u>
10.2*	<u>Valvoline Severance Pay Plan, as amended and restated, effective January 1, 2022.</u>
10.3*	<u>Valvoline Change in Control Severance Plan, as amended and restated, effective January 1, 2022.</u>
31.1*	<u>Certification of Samuel J. Mitchell, Jr., Chief Executive Officer of Valvoline, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
31.2*	<u>Certification of Mary E. Meixelsperger, Chief Financial Officer of Valvoline, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>
32**	<u>Certification of Samuel J. Mitchell, Jr., 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.</u>
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

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

SIGNATURE

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

VALVOLINE INC.
(Registrant)

February 9, 2022

By: /s/ Mary E. Meixelsperger

Mary E. Meixelsperger
Chief Financial Officer



**NON-EMPLOYEE DIRECTOR
RESTRICTED STOCK UNIT AWARD AGREEMENT**

Name of Non-Employee Director: _____

Name of Plan: **2016 Valvoline Inc. Incentive Plan**

Number of Restricted Stock Units: _____

Vesting Date: _____

Grant Date: _____

Valvoline Inc. ("Valvoline") hereby grants to the above-named Non-Employee Director (the "Participant") a Restricted Stock Unit ("RSU") award (this "Award") pursuant to the 2016 Valvoline Inc. Incentive Plan, as amended (the "Plan") and this agreement (this "Agreement"), in order to provide the Participant with an additional incentive to serve on Valvoline's Board of Directors (the Board") and to devote his or her best efforts to the performance of such services. Each RSU represents the contingent right (as set forth herein) of the Participant to receive one share of Valvoline Common Stock, par value \$0.01 per share, (i) on the applicable vesting date (as defined below) or (ii) to the extent the Participant has timely elected to defer delivery of such shares, on such date as specified in the Participant's RSU Deferral Election Agreement.

Valvoline confirms this Award to the Participant, as a matter of separate agreement and not in lieu of any fees or any other compensation for services, of the number of RSUs set forth above, subject to and upon all the terms, provisions and conditions contained herein and in the Plan. Capitalized terms used but not defined in this Agreement shall have the meanings given to such terms in the Plan.

Following acceptance of this Award by the Participant, as provided for hereunder, the applicable number of RSUs set forth above will become 100% vested on the vesting date set forth above (the "Vesting Date"); provided, however, if the Participant does not seek re-election as a member of the Board, the RSUs shall become 100% vested on the date that immediately precedes the date of the first Annual Meeting of Shareholders held after the Grant Date provided the Participant is a Director on such date. Except as provided otherwise in this Agreement, if the Participant's service as a member of the Board terminates for any reason other than on account of the Participant's death, Disability or Qualifying Termination prior to the Vesting Date, all RSUs that have not vested prior to the Participant's separation from service as a member of the Board will be forfeited.

In the event that the Participant's service as a member of the Board of Directors is terminated due to the Participant's death, Disability or a Qualifying Termination, the RSUs shall become 100% vested as of the date of the Participant's separation from service. In addition, in the event that the Participant's service as a member of the Board of Directors is terminated due to a change in the composition of the Board of Directors in connection with a divestiture or other sale or disposition of all or part of a business unit of Valvoline to an unaffiliated entity or the transfer of all or part of a business function of Valvoline to an unaffiliated entity, the RSUs shall become 100% vested as of the date of the Participant's separation from service.

The Award shall be governed by Section 12 of the Plan in the event of a Change in Control; provided that, without limiting Section 12(A)(3) of the Plan, the Award will not be considered to be assumed, continued, converted or replaced by the surviving or resulting entity in connection with a Change in Control unless, in each case as determined by the Compensation Committee in its sole discretion prior to such Change in Control, (1) the number and kind of shares or other securities underlying the Award are adjusted to prevent dilution of the Participant's rights hereunder and to preserve the intrinsic value and material terms and conditions of the Award as in effect prior to the Change in Control, and (2) immediately following the Change in Control the Award relates to shares of stock in the surviving or resulting entity which are publicly traded and listed on a national securities exchange.

On each date that cash dividends are paid to holders of Common Stock, the Participant will be credited with a number of additional RSUs equal to (1) the product of (A) the number of then-outstanding RSUs held by the Participant as of the date of record for such dividend multiplied by (B) the per share cash dividend amount, divided

by (2) the closing stock price of Common Stock on the NYSE Composite Tape on the date of record for such dividend. Such additional RSUs will be subject to the same vesting conditions and restrictions as the underlying RSUs to which they relate and shall be subject to all the terms and conditions of this Agreement and the Plan.

Participants may elect to defer the receipt of shares of Common Stock that would otherwise be distributed to the Participant on or as soon as practicable after the applicable vesting date, pursuant to rules and procedures established by the Compensation Committee.

The RSUs and the Participant's rights under this Agreement may not be sold, assigned, transferred, pledged or otherwise encumbered, other than by will or the laws of descent and distribution.

Nothing contained in this Agreement or in the Plan shall confer upon the Participant any right to remain in the service of Valvoline. Information about the Participant and the Participant's participation in the Plan may be collected, recorded and held, used and disclosed by and among Valvoline, its Subsidiaries and any third-party Plan administrators as necessary for the purpose of managing and administering the Plan. The Participant understands that such processing of this information may need to be carried out by Valvoline, its Subsidiaries and by third-party administrators whether such persons are located within the Participant's country or elsewhere, including the United States of America. By accepting this Award, the Participant consents to the processing of information relating to the Participant and the Participant's participation in the Plan in any one or more of the ways referred to above.

The Participant consents and agrees to electronic delivery of any documents that Valvoline may elect to deliver (including, but not limited to, prospectuses, prospectus supplements, grant or award notifications and agreements, account statements, annual and quarterly reports, and all other forms of communications) in connection with this and any other award made or offered under the Plan. The Participant understands that, unless earlier revoked by the Participant by giving written notice to Valvoline at 100 Valvoline Way; Lexington, KY 40509; Attention: Stock Plan Administrator, this consent shall be effective for the duration of the Award. The Participant also understands that the Participant shall have the right at any time to request that Valvoline deliver written copies of any and all materials referred to above at no charge.

This Award is granted under, and is subject to, all the terms and conditions of the Plan, including, but not limited to the forfeiture provision of Section 16(H) of the Plan.

Copies of the Plan and related Prospectus are available for the Participant's review on Fidelity's website.

This Award of RSUs is subject to the Participant's on-line acceptance of the terms and conditions of this Agreement through the Fidelity website.

By accepting the terms and conditions of this Agreement, the Participant acknowledges receipt of a copy of the Plan, Prospectus, and Valvoline's most recent Annual Report and Proxy Statement (the "Prospectus Information"). The Participant represents that he or she is familiar with the terms and provisions of the Prospectus Information and hereby accepts this Award on the terms and conditions set forth herein and in the Plan, and acknowledges that he or she had the opportunity to obtain independent legal advice at his or her expense prior to accepting this Award.

IN WITNESS WHEREOF, Valvoline has caused this instrument to be executed and delivered effective as of the day and year first above written.

Valvoline Inc.

By: _____
Name: _____
Acceptance Date: _____

VALVOLINE SEVERANCE PAY PLAN

Amended and Restated
Effective January 1, 2022

VALVOLINE SEVERANCE PAY PLAN
(Salary Grades 19, 20, 21, 22 and VLT)
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INTRODUCTION

This booklet describes the Valvoline Severance Pay Plan (the “Plan”) as applied to employees of Valvoline Inc. and its subsidiaries (“Valvoline” or the “company”) in salary grades 19, 20, 21,22 and the VLT (Valvoline Leadership Team) (the “Designated Groups”). The Plan may provide severance payments and benefits to you if your active employment is terminated under certain circumstances. This booklet describes the Plan as amended and restated, effective January 1, 2022.

If you have questions about the Plan, please contact your Human Resource Business Partner or Corporate Compensation.

No provision of the Plan: (1) gives any employee the right to continued employment; (2) affects the company’s right to terminate or discharge an employee at any time; (3) gives the company the right to require any employee to remain employed; or (4) affects any employee’s right to terminate employment.

References to the “plan sponsor” or “plan administrator” refer to Valvoline Inc.

PLAN INFORMATION

Eligibility

You are eligible to participate in the Plan if you are a regular, full-time employee of the company in a Designated Group immediately prior to your termination of employment.

Exclusions from Eligibility

Notwithstanding the foregoing, you are not eligible to participate in the Plan if:

- You are covered by a collective bargaining agreement, unless the collective bargaining agreement provides you are eligible for participation in the Plan;
- You are party to an employment agreement or other agreement with the company that provides severance payments or benefits, other than an employment agreement or other agreement with the company that provides severance payments or benefits solely in connection with a “Change in Control” of the Company;
- You are in a classification of one or more employees designated in advance by the plan sponsor as exempted from participating in the Plan (*e.g.*, you became employed with the company as part of a purchase of a business and the plan sponsor determines that the group of employees of which you are a part is not eligible to participate in the Plan);
- You are employed by a non-U.S. subsidiary of the company (unless you are a U.S. employee on expatriate assignment); or
- You reside and work outside of the United States and you are subject to a statutory severance or similar obligation required under the law of the foreign jurisdiction in which you work.

Conditions of Severance Payments and Benefits

If you are eligible to participate in the Plan, you will be entitled to receive severance payments and benefits under the Plan if the plan administrator determines that your termination occurs as a direct result of:

1. the permanent closing of a location or plant;
2. job elimination;
3. resignation for Good Reason (as defined below); or
4. any circumstances in which your active employment is terminated at the company's initiative for reasons not excluded under the Plan. (See the **Terminations Not Covered** section for limitations.)

However, for severance payments and benefits to become payable, you must satisfy the terms and conditions contained in the Plan, including the following:

1. If you are given advance notice, you must continue to work until you are officially released by the company; and
2. You must sign and execute a Severance Agreement and General Release prepared by appropriate company legal counsel, and the Severance Agreement and General Release must become effective and irrevocable in accordance with its terms by the later of (i) the 14th day following your termination of employment and (ii) 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 your termination of employment (the applicable "Review Period").

The Severance Agreement and General Release will include a general release of claims in favor of the company, its affiliates and their respective officers and directors, and may include provisions regarding non-competition, non-solicitation, non-interference, non-disparagement, confidentiality and further cooperation. The Severance Agreement and General Release may be changed for each termination covered by the Plan.

Your Human Resources Business Partner will coordinate the preparation and execution of the Severance Agreement and General Release and provide you with a copy for your file. You will be responsible for obtaining any legal advice you determine to be necessary.

Good Reason

"Good Reason" means the occurrence of any of the following without your consent:

- an aggregate reduction of 15 percent or more to the sum of (i) your annual base salary, plus (ii) your target annual bonus opportunity; or
- the relocation of your principal place of business (current place of residence if you are a 100% remote employee) by more than 50 miles.

Good Reason will not exist unless and until you provide the company with written notice of the act(s) alleged to constitute Good Reason within 90 days of your knowledge of the occurrence of such act(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 you must exercise the right to terminate your employment for Good Reason within 60 days thereafter, in order for the termination to be for Good Reason.

Amount of Severance Payments and Benefits

If you are eligible to participate in the Plan and you satisfy the conditions for severance payments and benefits, you will be entitled to receive the severance payments and benefits described below. See the **Duplication of Payments** and **Deferred Terminations** sections for limitations.

1. **Severance Payments.** You will be entitled to receive severance payments in an aggregate amount equal to the following number of weeks of your base rate of pay (such number of weeks, your “**Severance Period**”). See the **Method of Payment** section for payment procedures. Your base rate of pay will be determined by the plan administrator in accordance with the company’s customary procedures.

Position/Band	Severance Period
Chief Executive Officer	104 weeks of base rate of pay
VLT	78 weeks of base rate of pay
Salary Grade 22	52 weeks of base rate of pay
Salary Grades 20 and 21	2 weeks of base rate of pay for each completed year of Continuous Service (as described below), but in any case no less than 26 weeks and no more than 52 weeks.
Salary Grade 19	2 weeks of base rate of pay for each completed year of Continuous Service (as described below), but in any case no less than 13 weeks and no more than 52 weeks.

2. **Prorated Severance Bonus.** You will be entitled to receive a prorated severance bonus in lieu of any payment under an applicable annual cash bonus or annual incentive plan in which you participate at the time of your termination (if any). The amount of such pro-rata severance bonus will be based on the amount you would have received under a bonus plan had you remained employed through the date required to receive a payment for the fiscal year in which your termination date occurs, based on the company’s actual performance for the fiscal year as determined by the Compensation Committee of the company’s Board of Directors. This amount will be pro-rated based on a fraction, the numerator of which is the number of full months you worked during the applicable fiscal year prior to the date of your termination and the denominator of which is 12. The pro-rata severance bonus will be paid to you in cash at the time payments are otherwise made under the applicable annual cash bonus or annual incentive plan, but in no event later than the date required to qualify such payment as a “short-term deferral” for purposes of Section 409A of the Internal Revenue Code of 1986, as amended (the “**Code**” and “**Section 409A**”).
3. **Outplacement Services.** You will be entitled to receive outplacement (career transition) services with a firm selected by the company, for the number of consecutive months following your termination date as set forth below. The company will make such payment directly to the outplacement firm.

Position/Salary Grade	# of Consecutive Months
Chief Executive Officer	24 months
VLT	18 months
Salary Grades 21 and 22	12 months
Salary Grades 19 and 20	6 months

4. Continued Coverage Under Group Health Plans. Your then-existing coverage, if any, under the company’s group health plans (and, if applicable, the then-existing group health plan coverage for your eligible dependents) will end on the date on which your employment terminates. You and your eligible dependents may then be eligible to elect continuation coverage under the company’s group health plans in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”). If you elect COBRA continuation coverage, then you and your eligible dependents will continue to be covered under the company’s group health plans, and the company will pay the premiums for such coverage, during the duration of your Severance Period. After such period of company-paid coverage, you may continue COBRA coverage, to the extent it is available, at your own expense in accordance with COBRA. No provision of the Plan will affect or extend the required continuation coverage rules under COBRA or the length of time during which COBRA coverage will be made available to you, and all your other rights and obligations under COBRA will be applied in the same manner that such rules would apply in the absence of the 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 your termination date in accordance with the terms and provisions of its group health plans.
5. Long Term Incentive Plan Equity Awards. Your long-term incentive plan equity awards will be treated in accordance with the terms of the applicable plan and award agreements.

Method of Payment

Severance payments will be made in equal installments during your Severance Period in accordance with the company’s normal payroll practices (e.g., every two weeks), beginning with the first company payroll date that occurs after your termination of employment, so long as your Severance Agreement and General Release has become effective and irrevocable in accordance with its terms. Following your termination, any severance payments and other amounts (e.g., payments for outplacement services) that would otherwise be paid before your Severance Agreement and General Release has become effective and irrevocable in accordance with its terms, will be delayed and will be paid in a single lump sum on the first company payroll date that occurs after your Severance Agreement and General Release becomes effective and irrevocable in accordance with its terms, so long as your Severance Agreement and General Release becomes effective and irrevocable in accordance with its terms prior to the expiration of the applicable Review Period. If, however, (i) a portion of your benefits exceeds the threshold amount set forth below in the **Payments to Specified Employees** section (regardless of whether you qualify for Specified Employee status at the time of your termination), and (ii) the applicable Review Period (as defined herein) spans two calendar years, the first payment shall commence on the first company payroll date that occurs in the second calendar year and after the Severance Agreement and General Release has become effective and irrevocable in accordance with its terms (and such first installment shall include all installment payments that would otherwise have been paid prior to such date if this provision did not apply), except as otherwise provided in the

Payments to Specified Employees section. Payments to Specified Employees are subject to special limits and certain severance payments to Specified Employees may be delayed as described in the **Payments to Specified Employees** section. Notwithstanding anything contained herein to the contrary, the plan sponsor reserves the right to determine the method of payment of any severance payment or benefit, in its sole discretion, to the extent the payment or benefit does not constitute deferred compensation under Section 409A.

Severance payments under the Plan cannot be contingent upon your retirement and the amount thereof cannot exceed twice your annual compensation during the preceding year. For this purpose, “annual compensation” means the total amount that was paid or would have been paid to you if you had been employed with the company during all of the preceding calendar year, as determined by the plan sponsor.

Severance payments and benefits under the Plan are subject to all applicable federal, state and local tax withholdings, including FICA.

Any election before your termination to defer salary to the Valvoline Deferred Compensation Plan stops at your termination of active employment.

Clawback

The 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 you. In addition, if within 24 months following the termination of your employment, the company discovers that circumstances existed at the time of your termination such that your termination would be a termination in which you were not eligible to receive severance (refer to the section entitled **Terminations Not Covered**), or that you violated the terms of any agreement between you and the company, including any restrictive covenant contained in your Severance Agreement and General Release, then:

(i) your 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 you or on your behalf in an amount up to the total amount paid or payable to you 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 you to pay to the company an amount up to the total amount paid to you under the Plan;

in the case of each of clauses (ii) and (iii), together with the amount of the company’s court costs, attorney fees, and other costs and expenses incurred in connection therewith.

Payments to Specified Employees

“Specified Employee” status is determined by the plan sponsor as of December 31 of each year and is then effective for the 12-month period beginning on January 1 of the next calendar year.

Severance payments to a Specified Employee that exceed a specified threshold amount are subject to a six-month delay of payment. The threshold amount is equal to the sum of (i) the

amount of your severance that is considered a “short-term deferral” for purposes of Section 409A, plus (ii) the lesser of the following amounts (to the extent the amounts described in this clause (ii) are paid no later than the last day of the Specified Employee’s second tax year following the tax year in which his or her termination occurs):

- Two times your annual base pay for the prior calendar year (adjusted for any increase that occurred during that year and that was expected to last indefinitely, but for the termination); and
- Two times the maximum limit under Section 401(a)(17) of the Code for the year of the termination (\$610,000 in 2021, which is two times the 2022 limit of \$305,000).

The excess of the total amount of severance payments over the threshold amount is considered “deferred compensation” for purposes of Section 409A and, if that excess would otherwise be paid to a Specified Employee within six months of his or her termination, it cannot be paid until the first payroll date of the seventh month following the Specified Employee’s termination. The amount that must be delayed, as determined by the plan administrator, would be paid in a single lump sum in the seventh month following the Specified Employee’s termination, unadjusted for any earnings.

Duplication of Payments

There will be no duplication of severance payments or benefits for the same period of Continuous Service (as described below). For example, to the extent permitted by Section 409A, you will not receive severance payments or benefits under the Plan to the extent you previously received payments or benefits under the Plan, or you received or are entitled to receive any other payment in the nature of a severance payment or benefit, with respect to the same period of Continuous Service.

Continuous Service

“Continuous Service” is your period of employment, generally ending on the date of your termination and beginning with the latest of:

- your hire date;
- your rehire date; or
- your adjusted service date, as determined by the plan administrator in accordance with the company’s customary procedures.

Your period of employment with Ashland Global Holdings Inc. or any of its subsidiaries prior to the initial public offering of the company’s common stock will count towards your Continuous Service with Valvoline for purposes of the Plan.

Terminations Not Covered

Except as otherwise determined by the plan sponsor, the following are circumstances when termination of active employment with the company would not result in the payment of severance benefits under the Plan:

1. Refusal to sign, or revocation of, the Severance Agreement and General Release provided by the Company;

2. Discharge for unsatisfactory performance, absenteeism or misconduct;
3. Voluntary resignations without Good Reason (as defined herein);
4. Declining an offer by the company or a purchaser or successor of the company of equivalent employment as an alternative to termination, provided that a transfer to a new geographic location shall not be considered to be "equivalent employment";
5. Accepting an offer of employment by the company of non-equivalent employment;
6. The sale, exchange or transfer of company property to another employer who assumes the operations of a company facility or business, unless such sale, exchange or transfer results in unemployment caused by reasons other than the employee's refusal to accept or continue employment with the new employer, as determined by the plan sponsor;
7. The divestiture or other sale or disposition of all or part of a business unit or the transfer of all or part of a business function to an unaffiliated entity if the employee is offered a position with the unaffiliated entity;
8. Terminations following (but not prior to) a "Change in Control" of the Company if the employee is a party to an employment agreement or other agreement with the Company that provides for severance payments or benefits in connection with such event, or if the employee is a participant in the "Valvoline Change in Control Severance Plan";
9. Death;
10. Retirement;
11. Entitlement to severance payments or benefits under an employment agreement or other agreement with the company that provides for severance payments or benefits, other than an employment agreement or other agreement with the company that provides for severance payments or benefits solely in connection with a "Change in Control" of the Company;
12. Terminations while on a personal unpaid leave of absence when reinstatement attempts following the expiration of any leave guaranteed by law are unsuccessful; and
13. Subject to certain terminations (refer to the section entitled **Deferred Terminations**), when an employee is able but does not return to work following a period of disability.

Section 280G Cutback

In the event that you become entitled to receive severance payments and benefits under the Plan, or you become entitled to receive any other amounts in the "nature of compensation" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder ("Section 280G")) pursuant to any other plan, arrangement or agreement with the company, any person whose actions result in a change of ownership or effective control covered by Section 280G(b)(2) of the Code or 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 "Company Payments"), and such Company Payments will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company Payments will be reduced (such reduction, the "Cutback") 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 you 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 sponsor. 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 equity awards which vest on an accelerated basis; second, the cancelation of accelerated vesting of equity awards, third, the reduction of employee benefits;

and fourth, any other “parachute payments” (as defined in Section 280G). You will be solely liable for any Excise Tax.

Deferred Terminations

If, at the time of your scheduled termination for reasons covered under the Plan, you are absent from work and on an approved company-provided leave of absence due to your own illness or injury, then you may be eligible to file a claim for benefits under the company’s short-term disability (STD) or long-term disability plan (“LTD”). If you elect to file a claim for STD or LTD benefits, your scheduled termination will be deferred pending a decision on your STD or LTD claim(s). During this time, your eligibility to continue to receive paid and/or unpaid leave under the company’s regular plans and policies will not be impacted. If your STD or LTD claim is denied, your termination will then be processed retroactively and you will be eligible to receive benefits under the Plan. If your STD or LTD claim(s) is approved, you will be treated as any disabled individual in accordance with the applicable company policies and benefit plans; however, any severance payments and benefits you are eligible to receive under the Plan will be reduced by any pay you receive during your Severance Period pursuant to your STD or LTD claim(s).

CLAIM PROCEDURES

How to Apply for Benefits

If you believe you are entitled to severance payments and benefits under the Plan, contact the Corporate Compensation Department or your Human Resources Business Partner.

Notice of Claim Denial/Right of Appeal

Initial Claim - Notice of Denial

Written notification of a denied claim will be delivered to the claimant in a reasonable period, but not later than 90 days after the claim is received. The 90-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 90-day period after the claim was received. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 180 days after the claim is received.

The written decision will include:

- The reasons for the denial.
- Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- A description of additional materials or information needed to process the claim. It will also explain why those materials or information are needed.
- A description of the procedure to appeal the denial, including the time limits applicable to those procedures. It will also state that the claimant may file a civil action under Section 502 of the Employee Retirement Income Security Act of

1974 (“ERISA”) (§29 U.S.C. 1132). The claimant must complete the Plan’s appeal procedure before filing a civil action in court.

If the claimant does not receive notice of the decision on the claim within the prescribed time periods, the claim is deemed denied. In that event the claimant may proceed with the appeal procedure described below.

Appeal of Denied Claim

The claimant may file a written appeal of a denied claim with the plan administrator in Lexington, Kentucky. Valvoline Inc. is the named fiduciary under ERISA for purposes of the appeal of the denied claim. Valvoline Inc. has delegated its authority to the Valvoline Benefit Appeals Panel (the “Panel”). The Panel has authority to further delegate some of its authority. The appeal must be sent at least 60 days after the claimant received the denial of the initial claim. If the appeal is not sent within this time, then the right to appeal the denial is waived.

The claimant may submit materials and other information relating to the claim. The Panel (or its delegate) will appropriately consider these materials and other information, even if they were not part of the initial claim submission. The claimant will also be given reasonable and free access to, or copies of documents, records and other information relevant to the claim.

Written notification of the decision on the appeal will be delivered to the claimant in a reasonable period, but not later than 60 days after the appeal is received. The 60-day period can be extended under special circumstances. If special circumstances apply, the claimant will be notified before the end of the 60-day period after the appeal was received. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than 120 days after the appeal is received.

Special rules apply if the company or the Panel designates a committee as the appropriate named fiduciary for purposes of deciding appeals of denied claims. For the special rules to apply, the committee (or the Panel if it functions as such a committee) must meet regularly on at least a quarterly basis.

When the special rules for committee meetings apply, the decision on the appeal must be made not later than the date of the committee meeting immediately following the receipt of the appeal. If the appeal is received within 30 days of the next meeting, then the decision must be made not later than the date of the second committee meeting following the receipt of the appeal.

The period for making the decision on the appeal can be extended under special circumstances. If special circumstances apply, the claimant will be notified by the committee or its delegate before the end of the otherwise applicable period within which to make a decision. The notice will identify the special circumstances. It will also specify the expected date of the decision. When special circumstances apply, the claimant must be notified of the decision not later than the date of the third committee meeting after the appeal is received.

In any event, the claimant will be provided written notice of the decision within a reasonable period, but not later than five days, after the meeting at which the decision is made.

Whether the decision on the appeal is made by a committee or not, a denial of the appeal will include:

- The reasons for the denial.

- Reference to the Plan provisions on which the denial is based. The reference need not be to page numbers or to section headings or titles. The reference only needs to sufficiently describe the provisions so that the provisions could be identified based on that description.
- A statement that the claimant may receive free of charge reasonable access to, or copies of, documents, records and other information relevant to the claim.
- A description of any voluntary procedure for an additional appeal, if there is such a procedure. It will also state that the claimant may file a civil action under Section 502 of ERISA (§29 U.S.C. 1132).

If the claimant does not receive notice of the decision on the appeal within the prescribed time periods, the appeal is deemed denied. In that event, the claimant may file a civil action in court in Fayette County, Kentucky.

GENERAL INFORMATION

Plan Sponsor/Administrator

Valvoline Inc., 100 Valvoline Way, Lexington, Kentucky 40509 (telephone: 1-859-357-7777) is both the plan administrator and the plan sponsor. The plan sponsor is the named fiduciary under the Plan. The plan administrator has the overall responsibility for the operation of the Plan. Participants and beneficiaries may receive from the plan administrator, upon written request, information as to whether a particular employer maintains the Plan and, if so, the employer's address.

Plan Identification

The Valvoline Inc. Severance Pay Plan is an ERISA welfare benefit plan. It is identified by the following numbers under IRS rules:

- The Employer Identification Number assigned by the IRS to Valvoline Inc. is 30-0939371.
- The plan number assigned to the Plan is 501.

Plan Year

For recordkeeping purposes, the plan year is January 1 to December 31.

Legal Service

Service of legal process may be made upon the Corporate Secretary of Valvoline Inc., 100 Valvoline Way, Lexington, Kentucky 40509 (1-859-357-7777).

Method of Funding

The Plan is funded from the company's general assets, on a pay as you go basis. There is no trust from which benefits are paid and no assets are set aside in advance of the time plan benefits are paid.

Your Rights

As a participant in the Plan, you are entitled to certain rights and protections under ERISA. ERISA provides that all Plan participants shall be entitled to:

- Examine, without charge, at the plan administrator's office and at various work sites, all Plan documents, including insurance contracts, collective bargaining agreements, and copies of all documents filed by the Plan with the U.S. Department of Labor, such as annual reports and plan descriptions.
- Obtain copies, without charge, of all Plan documents and other plan information upon written request to the plan administrator.
- Receive a summary of the plan's annual financial report. The plan administrator is required by law to furnish each participant with a copy of this summary financial report.
- File suit in federal court, if any materials requested are not received within 30 days of your request, unless the materials were not sent because of matters beyond the control of the plan administrator. The court may require the plan administrator to pay you up to \$110 for each day's delay until the materials are received.

In addition to creating rights for plan participants, ERISA imposes obligations upon the persons who are responsible for the operation of the Plan. These persons are referred to as "fiduciaries" under the law. Fiduciaries must act solely in the interest of Plan participants, and they must exercise prudence in the performance of their Plan duties. Fiduciaries who violate ERISA may be removed and required to make good any losses they have caused the Plan.

Your employer may not fire you or discriminate against you to prevent you from obtaining benefits or exercising your rights under ERISA. If your claim for a benefit is denied in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have your claim reviewed and reconsidered.

If you are improperly denied a benefit in full or in part, you have a right to file suit in a federal or state court in Fayette County, Kentucky. If plan fiduciaries are misusing the Plan's money, you have a right to file suit in a federal court or request assistance from the U.S. Department of Labor. If you are successful in your lawsuit, the court may, if it so decides, require the other party to pay your legal costs, including attorney's fees.

If you have any questions about this statement or your rights under ERISA, you should contact the plan administrator or the nearest Office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue NW, Washington, DC 20210.

Plan Interpretations/Administration

The plan administrator and plan sponsor have all necessary, appropriate, discretionary and convenient power and authority to interpret, administer and apply the provisions of the plan with respect to all persons having or claiming to have any rights, benefits, entitlements or obligations under the Plan. This includes, without limitation, the ability to make factual determinations, construe and interpret provisions of the Plan, determine who is eligible and compute benefits, reconcile any inconsistencies between provisions in the Plan or between provisions of the Plan and any other statement concerning the Plan, whether oral or written, supply any omissions to the

Plan or any document associated with the Plan, and to correct any defect in the Plan or in any document associated with the Plan. All such factual determinations and interpretations of the Plan and documents associated with the Plan and questions concerning its administration and application as determined by the plan administrator or plan sponsor shall be binding on all persons having an interest under the Plan.

Plan Documents

This document constitutes the summary plan description and the Plan document of the Valvoline Severance Pay Plan. References to “Plan” herein include all amendments that have been made to it. The plan sponsor has the right to modify Plan provisions for a particular severance program for one or more eligible employees. In that event, the descriptions of that particular program produced by the plan sponsor control over the terms of this document to the extent they are inconsistent with each other.

Section 409A

It is intended that the severance payments and benefits provided under the Plan will be exempt from, or comply with, the requirements of Section 409A, and the Plan shall be construed, administered and governed in a manner that affects such intent. Each payment under the Plan will be treated as a separate payment under Section 409A of the Internal Revenue Code of 1986, as amended (the “Code” and “Section 409A”). 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 participant’s taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder. Any payments subject to Section 409A to be made under the Plan upon a termination of employment shall only be made upon a “separation from service” within the meaning of Section 409A.

Non-Assignments of Benefits

You may not anticipate, assign, pledge, alienate or encumber benefits to which you are entitled under the Plan. If you are entitled to Plan benefits paid as installments, then you may continue to have contributions deducted from them to pay for company benefits that you are still eligible to maintain, as determined by the plan sponsor. To the extent you have any right to receive plan benefits you are an unsecured creditor of the company. You have no other right, title or interest in the assets of the company because of the Plan.

Plan Amendment/Termination

The plan sponsor, by action of its board of directors or the board’s delegate (pursuant to resolution, by-law, or otherwise), reserves the right, in its sole discretion, to amend, suspend, modify, interpret, terminate or otherwise discontinue the Plan or change the funding method at any time without the requirement to give cause or consideration to any individual; provided, however, that no amendment, suspension, modification, interpretation, termination or other discontinuance that has the effect of adversely affecting any participant who becomes entitled to receive payments and benefits under the Plan prior to, or within six months after, the date of such action shall be effective without the written consent of such participant.

Successors

The company will 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 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.

Authority to Delegate

The plan administrator or plan sponsor may employ one or more persons to render advice with respect to its fiduciary responsibilities. The plan administrator or plan sponsor may also delegate fiduciary responsibilities to one or more persons who shall have the rights to employ one or more persons to render advice with respect to its fiduciary duties. There is no restriction on any person serving in more than one fiduciary capacity under the Plan.

Elections and Notices

An election, designation, notice or other correspondence made regarding coverage or benefits under the Plan shall not be effective unless it is made both in writing and received by the plan administrator (or its delegate), except as otherwise provided under the terms of the Plan or by the plan administrator.

Applicable Law

The Plan shall be construed and enforced according to Kentucky state law, to the extent that Kentucky state law is not preempted by federal law.

*Valvoline Inc.
100 Valvoline Way
Lexington, Kentucky 40509*

VALVOLINE CHANGE IN CONTROL SEVERANCE PLAN

Amended and Restated
Effective January 1, 2022

Valvoline Change in Control Severance Plan
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VALVOLINE CHANGE IN CONTROL SEVERANCE PLAN
(Amended & Restated effective as of January 1, 2022)

The Valvoline Change in Control Severance Plan (the “Plan”) is hereby amended and restated, effective as of January 1, 2022. Capitalized terms used but not otherwise defined herein have the meanings set forth in Section 4.

The Plan is an employee benefit plan that provides participating employees of Valvoline Inc. (“Valvoline”) and its majority-owned subsidiaries (collectively referred to herein as the “Company”) with certain severance payments and benefits if the individual’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. PURPOSE

The purpose of the Plan is to reduce participating employees’ 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. ADMINISTRATION

The 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 (“ERISA”).

SECTION 3. ELIGIBILITY

No 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.

SECTION 4. CERTAIN DEFINED TERMS

(a) “Annual Base Salary” means a Participant’s annual base salary (as determined by the Plan Administrator in accordance with the Company’s customary procedures) as in effect as of the date of the Participant’s Qualifying Termination or, if greater, as in effect as of the date of the Change in Control.

(b) “Benefit Continuation Period” means (i) 36 months in the case of the Chief Executive Officer of the Company (the “CEO”), if the CEO is a Participant, and (ii) 24 months in the case of all other Participants.

(c) “Beneficial Owner” shall have the meaning set forth in Rule 13d-3 promulgated under the Exchange Act.

(d) “Cause” means (i) the willful and continued failure of an employee to substantially perform his or her duties with the Company (other than any such failure resulting from the Participant’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) the Participant’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) “Change in Control” shall be deemed to have occurred if:

(1) there shall be consummated (A) any consolidation or merger of the Company (a “Business Combination”), 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 Company’s common stock would be converted into cash, securities or other property, other than a Business Combination in which the holders of the Company’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) the shareholders of the Company shall approve any plan or proposal for the liquidation or dissolution of the Company;

(3) any Person shall become the Beneficial Owner of securities of the Company representing 20% or more of the combined voting power of the Company’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 of directors of Valvoline; or

(4) at any time during a period of two consecutive years, individuals who at the beginning of such period constituted the board of directors of Valvoline shall cease for any reason to constitute at least a majority thereof, unless the election or the nomination for election by the Company’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 “Change in Control” 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 Company'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 Company's common stock or other securities pursuant to a tender or exchange offer.

(f) "Code" means the Internal Revenue Code of 1986, as amended.

(g) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(h) "Good Reason" means

(1) a significant diminution of the Participant's positions, duties, responsibilities or status with the Company as in effect immediately prior to the Change in Control;

(2) an aggregate reduction of fifteen percent or more of the sum of (A) the Participant's annual base salary as in effect as of immediately prior to the Change in Control plus (B) the Participant'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 Participant's principal place of business to a location that is outside a 50-mile radius from the Participant's principal place of business immediately prior to the Change in Control, except for required travel on the Company's business to an extent substantially consistent with the Participant'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 Company'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 Participant's participation in or materially reduce the Participant'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 Participant'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 Participant's participation in or materially reduce the Participant'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 Participant's knowledge of the occurrence of such act(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 Amount means the amount of severance (if any) that a Participant would have been entitled to receive under the Non-CIC Severance Plan had the Participant's termination of employment entitled the Participant to receive severance payments under such plan that would have been considered "deferred compensation" for purposes of Section 409A. For the avoidance of doubt, in the event the Participant's Qualifying Termination occurs under circumstances described in clause (ii) 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 "Non-CIC Severance Amount" for purposes of this Plan.

(j) Non-CIC Severance Plan means the Company's Severance Pay Plan for base salary grades 19, 20, 21, 22 and VLT, as amended and restated effective January 1, 2022, and as amended from time to time.

(k) Plan Administrator means the board of directors of Valvoline or any committee thereof duly authorized by the board of directors of Valvoline to administer the Plan.

(l) Person shall have the meaning as set forth in Sections 13(d) and 14(d)(2) of the Exchange Act.

(m) Qualifying Termination means (i) the termination of a Participant'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) the termination of a Participant'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.

(n) Release Period means the later of (i) the 14th day following the Participant's Qualifying Termination and (ii) 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 Participant's Qualifying Termination.

(o) Section 409A means Section 409A of the Code.

(p) Severance Agreement and General Release 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) 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 Participant'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 Section 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.

(q) “Severance Multiplier” means (i) three in the case of the CEO, if the CEO is a Participant, and (ii) two in the case of all other Participants.

(r) “Target Annual Bonus” means the Participant’s target annual cash bonus for the year in which the Participant’s Qualifying Termination occurs or, if greater, for the year in which a Change in Control occurs.

SECTION 5. CONDITIONS FOR SEVERANCE PAYMENTS AND BENEFITS

A Participant’s entitlement to any severance payments and benefits described in Section 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.

SECTION 6. AMOUNT OF SEVERANCE PAYMENTS AND BENEFITS AND TIMING OF PAYMENTS

If a Participant has a Qualifying Termination, then, subject to Section 5, the Company will provide the Participant with the following:

(a) Severance Payment. An amount equal to the product of (i) the Participant’s Severance Multiplier multiplied by (ii) the sum of (A) the Participant’s Annual Base Salary plus (B) the Participant’s Target Annual Bonus; and

(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) the Participant’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 plan year prior to the date of the Participant’s Qualifying Termination and the denominator of which is 12.

(c) Continued Coverage Under Group Health Plans. Participant’s then-existing coverage under the Company’s group health plans (and, if applicable, the then-existing group health plan coverage for the Participant’s eligible dependents) will end on the date of the Participant’s Qualifying Termination. The Participant and his or her eligible dependents may then be eligible to elect temporary coverage under the Company’s group health plans in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“COBRA”). If the Participant elects COBRA continuation coverage, then the Participant and his or her eligible dependents will continue to be covered under the Company’s group health plans, and the Company will pay the premiums for such coverage, to the extent it is available, during the duration of the Participant’s Benefit Continuation Period. After such period of employer-paid coverage, the Participant may continue COBRA coverage, to the extent it is available, at the Participant’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 Participant'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 Participant'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 Participant's lifetime to enforce the payment of amounts under this Plan, as soon as practicable following the Participant's presentation of reasonable documentation of such fees to the Company, and otherwise in accordance with the provisions of Section 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 following the date of the Participant's Qualifying Termination. The Company will make such payment directly to the outplacement firm.

A Participant's long-term equity incentive awards shall be treated in accordance with the terms of the applicable plan and award agreement.

Participants shall be entitled to receive any pension, disability, workers' 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 Section 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.

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 Participant's Qualifying Termination occurs.

The amounts described in Sections 6(a) and 6(b) (the aggregate amount of such payments, the "CIC Cash Severance") shall be paid to the Participant as follows:

(1) a portion of the CIC Cash Severance equal to the Participant's Non-CIC Severance Amount shall be paid as follows:

(A) if the Change in Control is not considered a "change in control event" 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 Company's Non-CIC Severance Plan (including any provisions relating to the timing of the Participant's release of claims); or

(B) if the Change in Control is considered a "change in control event" 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 Participant's Qualifying Termination, so long as the Participant'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 Participant's Qualifying Termination, so long as the Participant'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 "specified employee" as determined under the Company's policy for determining specified employees as of the date of the Participant's Qualifying Termination, then a portion of the CIC Cash Severance equal to the Participant's Non-CIC Severance Amount shall be subject to the six-month delay described in Section 14 herein.

In addition, in the event the Participant'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 Participant'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 Participant'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 Participant's Qualifying Termination, so long as the Participant'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. CLAWBACK

The 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 Participant's Qualifying Termination, the Company discovers that circumstances existed at the time of the Participant's termination of employment such that the Participant'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 Participant's Severance Agreement and General Release, then:

(i) the Participant'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 Company's and its Subsidiary's court costs, attorney fees and other costs and expenses incurred in connection therewith.

SECTION 8. SECTION 280G

In 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 "nature of compensation" (within the meaning of Section 280G of the Code and the regulations promulgated thereunder ("Section 280G")) 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 "Company Payments"), and such Company Payments will be subject to the tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company Payments will be reduced (such reduction, the "Cutback") 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 cancellation of accelerated vesting of long-term incentive awards, third, the reduction of employee benefits; and fourth, any other "parachute payments" (as defined in Section 280G). The Participant will be solely liable for any Excise Tax.

SECTION 9. CLAIMS PROCEDURE

(a) 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) 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) 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 Section 502 of ERISA (§29 U.S.C. 1132). The Participant may complete the Plan'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) 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 Participant's duly authorized representative) may review and photocopy pertinent documents (including but not limited to the Participant'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) The Company shall promptly deliver to the Participant its written decision on the claim (in no event later than 30 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 (§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 TERMINATIONS

The 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 six-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 individual'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) 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, "Company" 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 Section 11 or which otherwise becomes bound by all the terms and provisions of the Plan by operation of law.

(b) The Plan shall inure to the benefit of and be enforceable by a Participant'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 Participant's devisee, legatee, or other designee or, if there be no such designee, to his or her estate.

SECTION 12. WITHHOLDING TAXES

The 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.

SECTION 13. GOVERNING LAW

The 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) 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 "short-term deferral" 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 Section 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 Section 409A, if a Participant is a "specified employee," as determined under the Company's policy for identifying specified employees on his or her date of termination, then all amounts due under the Plan that constitute a "deferral of compensation" within the meaning of Section 409A, that are provided as a result of a "separation from service" within the meaning of Section 409A, and that would otherwise be paid or provided during the first six months following the Participant'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 Participant's separation from service (or, if the Participant dies during such six-month period, within 30 calendar days after the Participant's death).

(b) 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 "separation from service" within the meaning of Section 409A and the Participant is no longer providing services (at a level that would preclude the occurrence of a "separation from service" 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 "termination," "termination of employment" or like terms shall mean "separation from service" within the meaning of Section 409A.

(c) 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 Participant's taxable year following the taxable year in which the expense occurred, or such earlier date as required hereunder.

SECTION 15. NO RIGHT TO CONTINUED EMPLOYMENT

Participation 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.

Post-Termination Obligations

1. **Competitive Activity.** During the [24]¹[36]²-month period immediately following the date of your Qualifying Termination (the “**Restricted Period**”), 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 Participant’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 1 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) the Company otherwise consents, (b) you are legally required to disclose such Confidential Information by a court of competent jurisdiction, (c) 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. “Confidential Information” shall mean information relating to the Company’s, its divisions’ and subsidiaries’ and their successors’ 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

¹ In the case of all Participants other than the CEO.

² In the case of the CEO.

its subsidiaries or affiliates, or any of their directors, officers or employees; provided, however, that nothing herein shall prevent you from (i) 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) 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) making any oral or written remarks, comments or statements to the extent required by law or legal process or permitted by Section 21F of the Exchange Act or (C) 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.

CERTIFICATION

I, Samuel J. Mitchell, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Valvoline Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2022

/s/ Samuel J. Mitchell Jr.

Samuel J. Mitchell Jr.

Chief Executive Officer and Director

(Principal Executive Officer)

CERTIFICATION

I, Mary E. Meixelsperger, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Valvoline Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's Board of Directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2022

/s/ Mary E. Meixelsperger

Mary E. Meixelsperger

Chief Financial Officer

(Principal Financial Officer)

VALVOLINE INC.

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

In connection with the Quarterly Report of Valvoline Inc. (the "Company") on Form 10-Q for the period ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned, Samuel J. Mitchell, Jr., 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/ Samuel J. Mitchell, Jr.

Samuel J. Mitchell, Jr.

Chief Executive Officer and Director

February 9, 2022

/s/ Mary E. Meixelsperger

Mary E. Meixelsperger

Chief Financial Officer

February 9, 2022