

***Earnings Call
Presentation
First Quarter 2020***

April 21, 2020

Cautionary Statement

Certain information in this presentation consists of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These statements include statements about Stepan Company's plans, objectives, strategies, financial performance and outlook, trends, the amount and timing of future cash distributions, prospects or future events and involve known and unknown risks that are difficult to predict. As a result, Stepan Company's actual financial results, performance, achievements or prospects may differ materially from those expressed or implied by these forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "may," "could," "expect," "intend," "plan," "seek," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would," "should," "illustrative" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by Stepan Company and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements.

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These forward-looking statements are made only as of the date hereof, and Stepan Company undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Earnings Conference Call Agenda

First Quarter Financial Highlights	F. Quinn Stepan, Jr., <i>Chairman, President and Chief Executive Officer</i>
First Quarter Results	Luis Rojo, <i>Vice President and Chief Financial Officer</i>
Financial and Strategic Outlook	F. Quinn Stepan, Jr., <i>Chairman, President and Chief Executive Officer</i>
Analyst / Shareholder Questions	
Closing Remarks	F. Quinn Stepan, Jr., <i>Chairman, President and Chief Executive Officer</i>

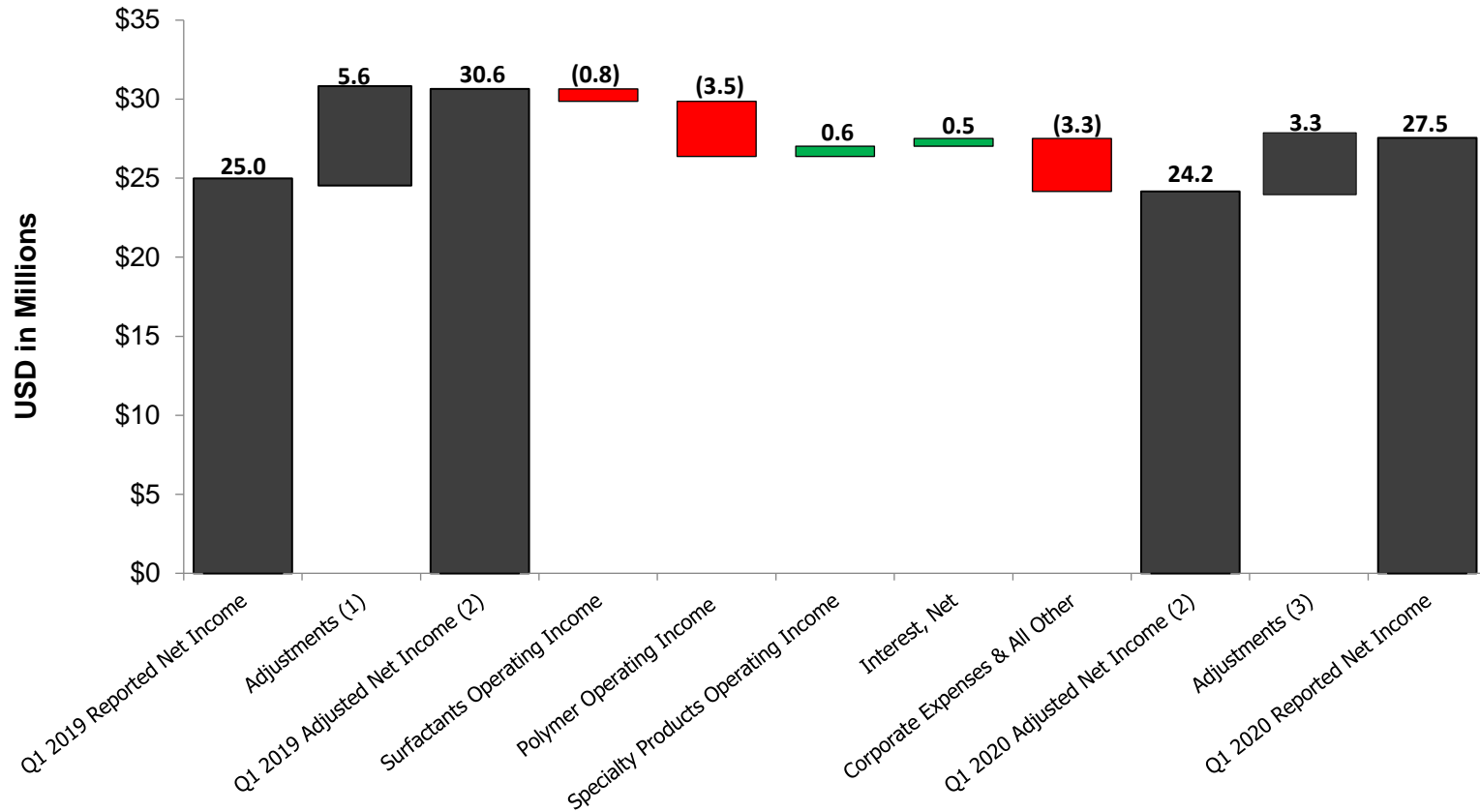
First Quarter 2020 Financial Recap

- Q1 Reported Net Income was \$27.5 million, or \$1.18 per diluted share, a 10% increase versus \$25.0 million, or \$1.07 per diluted share, in Q1 2019.
- Q1 Adjusted Net Income⁽¹⁾ was \$24.2 million, or \$1.04 per diluted share, a 21% decrease versus \$30.6 million, or \$1.31 per diluted share, in Q1 2019. Adjusted Net Income in Q1 2020 excludes the following non-operational items:
 - Deferred compensation and cash-settled SARs income of \$3.7 million, or \$0.15 per diluted share.
 - Restructuring expense of \$0.3 million, or \$0.01 per diluted share.
- Reported and Adjusted Net Income were negatively impacted by the previously disclosed Millsdale Plant power outage. All production lines were fully operational prior to the end of the first quarter. The Company's insurance provider has acknowledged this incident is a covered event and the Company is pursuing insurance recovery.
- Reported Surfactant Operating Income was \$36.2 million, a decrease of \$1.0 million, or 3%, versus Q1 2019. These results were attributable to strong volumes in the global consumer product end markets driven by increased demand for cleaning and disinfection products as a result of COVID-19 and a \$4.2 million operating income improvement in Mexico. This was fully offset by higher supply chain expenses and lost sales associated with the incident at the Company's Millsdale plant and lower demand in the Agricultural and Oilfield end markets. Global Surfactant sales volume decreased 1% versus the prior year.
- Reported Polymer Operating Income was \$7.5 million, a decrease of \$4.6 million, or 38%, versus Q1 2019. This decrease was primarily due to the negative impact of the power outage at our Millsdale plant. Global Polymer sales volume decreased 9% versus the prior year driven by a significant reduction in phthalic anhydride volume. Global rigid polyol sales volume was flat as growth in North America and China was offset by lower demand in Europe as a result of COVID-19.
- Reported Specialty Product Operating Income was \$4.0 million, an increase of \$0.9 million versus Q1 2019, primarily due to improved volume and margins within our medium chain triglycerides (MCT) product line driven by strong demand and pantry loading in the infant nutrition market, as a result of the COVID-19 outbreak.

(1) Adjusted Net Income is a non-GAAP measure that excludes certain significant, non-recurring items. See Appendix II for a GAAP reconciliation.

Net Income Bridge – Q1 2019 to Q1 2020

Note: All amounts are in millions of U.S. dollars and are reported after-tax.

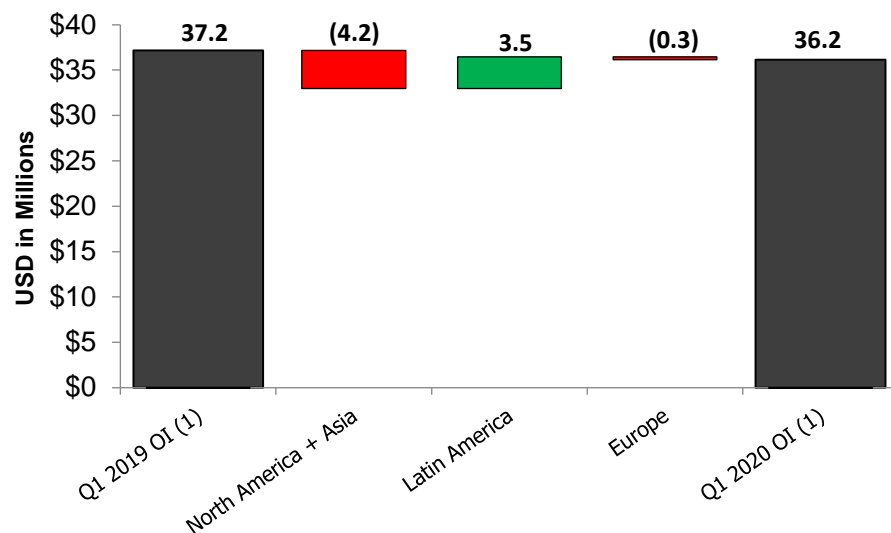


- (1) The adjustments to Reported Net Income in Q1 2019 consisted of deferred compensation expense and cash settled SARs expense of \$5.1 million and restructuring costs of \$0.5 million.
 (2) Adjusted Net Income is a Non-GAAP measure that excludes certain significant, non-recurring items. See Appendix II for a GAAP reconciliation.
 (3) The adjustments to Reported Net Income in Q1 2020 consisted of deferred compensation income and cash-settled SARs income of \$3.6 million and restructuring costs of \$0.3 million.

Surfactants

Strong demand for cleaning and disinfection products due to COVID-19 offset by Millsdale Plant incident.

<i>in millions \$</i>	Q1 2020	Q1 2019
Net Sales	\$ 327.1	\$ 349.7
Operating Income	\$ 36.2	\$ 37.2



- Reported Operating Income was \$36.2 million, a decrease of \$1.0 million, or 3%, compared to the prior year. Net sales decreased 6% driven by lower selling prices due to the pass-through of lower raw material cost. Foreign exchange negatively impacted Net Sales by 2%.
- North America results decreased primarily driven by higher costs and lost sales associated with our Millsdale plant power outage and lower demand in the Agricultural and Oilfield end markets. This was partially offset by strong demand in the consumer products (cleaning and disinfection) end market driven by COVID-19.
- Latin America results were up due to a \$4.2 million operating improvement in Mexico driven by 17% volume growth and margin improvements.
- Europe results were essentially flat as higher consumer products demand was offset by volume reductions by one important customer.

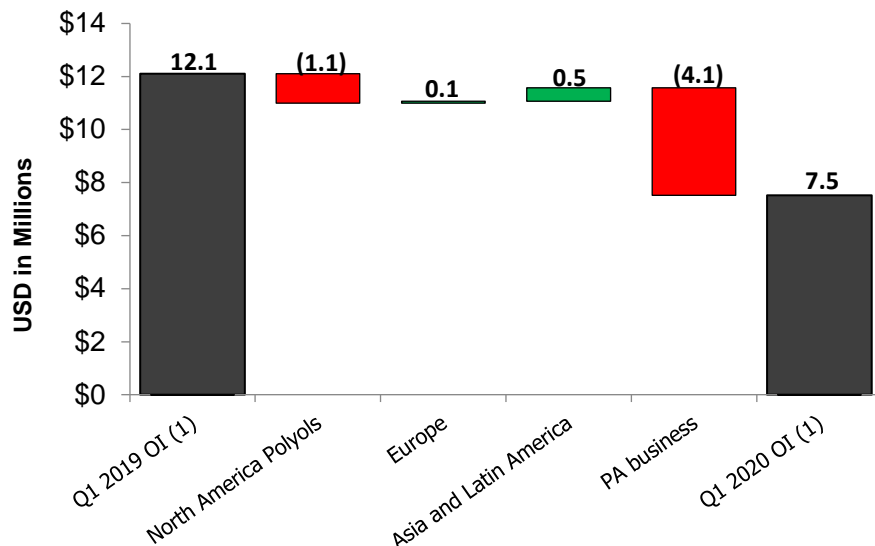
(1) OI = Operating Income

All amounts are shown on a pre-tax basis (unless noted differently)

Polymers

Lower results driven by reduction in phthalic anhydride volume due to the Millsdale Plant power outage.

<i>in millions \$</i>	Q1 2020	Q1 2019
Net Sales	\$ 106.5	\$ 120.2
Operating Income	\$ 7.5	\$ 12.1

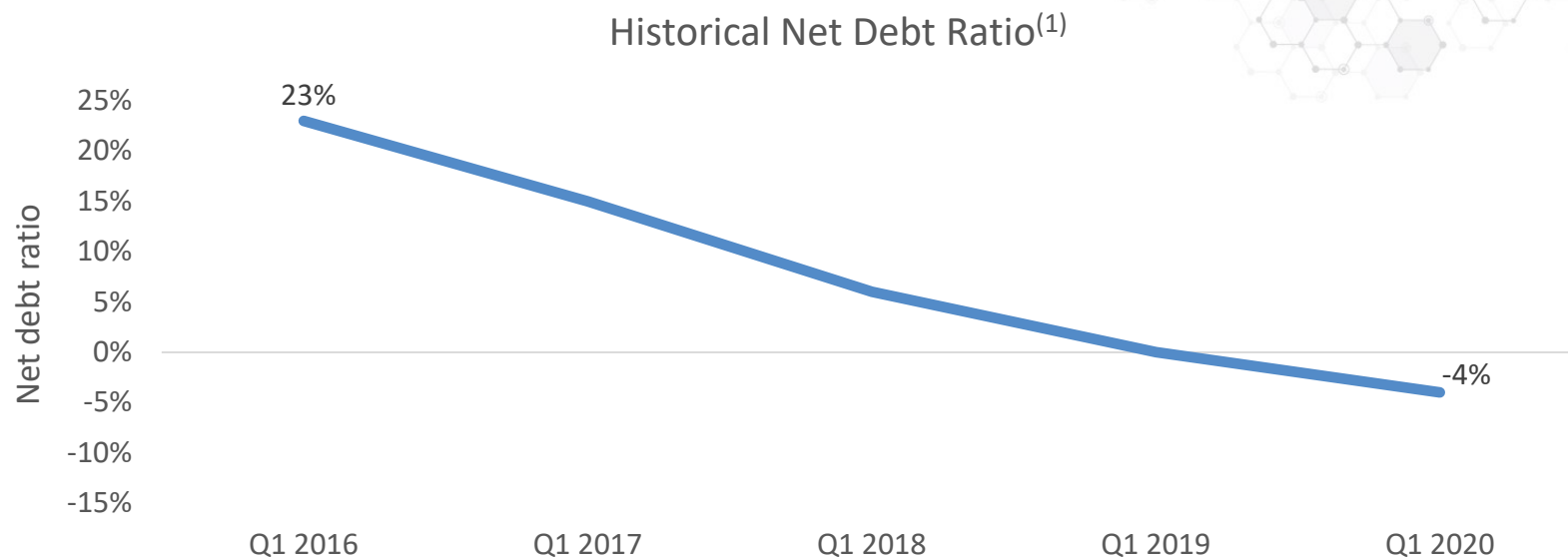


(1) OI = Operating Income

All amounts are shown on a pre-tax basis (unless noted differently)

- Reported Operating Income was \$7.5 million, a decrease of \$4.6 million, compared to the prior year. Net sales decreased 11% due to a significant reduction in phthalic anhydride volume due to the Millsdale power outage.
- North America Polyol results decreased due to higher costs and volume shortfalls associated with the Millsdale power outage. Rigid polyol volumes increased low single digits.
- Europe results were basically flat with lower Rigid demand at the end of the quarter due to COVID-19.
- China volume grew by 16% driven by strong demand in the growing cold storage market.
- Phthalic anhydride (PA) results decreased due to the Millsdale power outage.

Net Debt Ratio / Cash Flows



For the quarter:

- Cash flow from operations was a usage of \$6.5 million driven by higher working capital.
- Capital expenditures were \$33.2 million.
- We returned \$13.4 million to our shareholders via dividends and share repurchases.

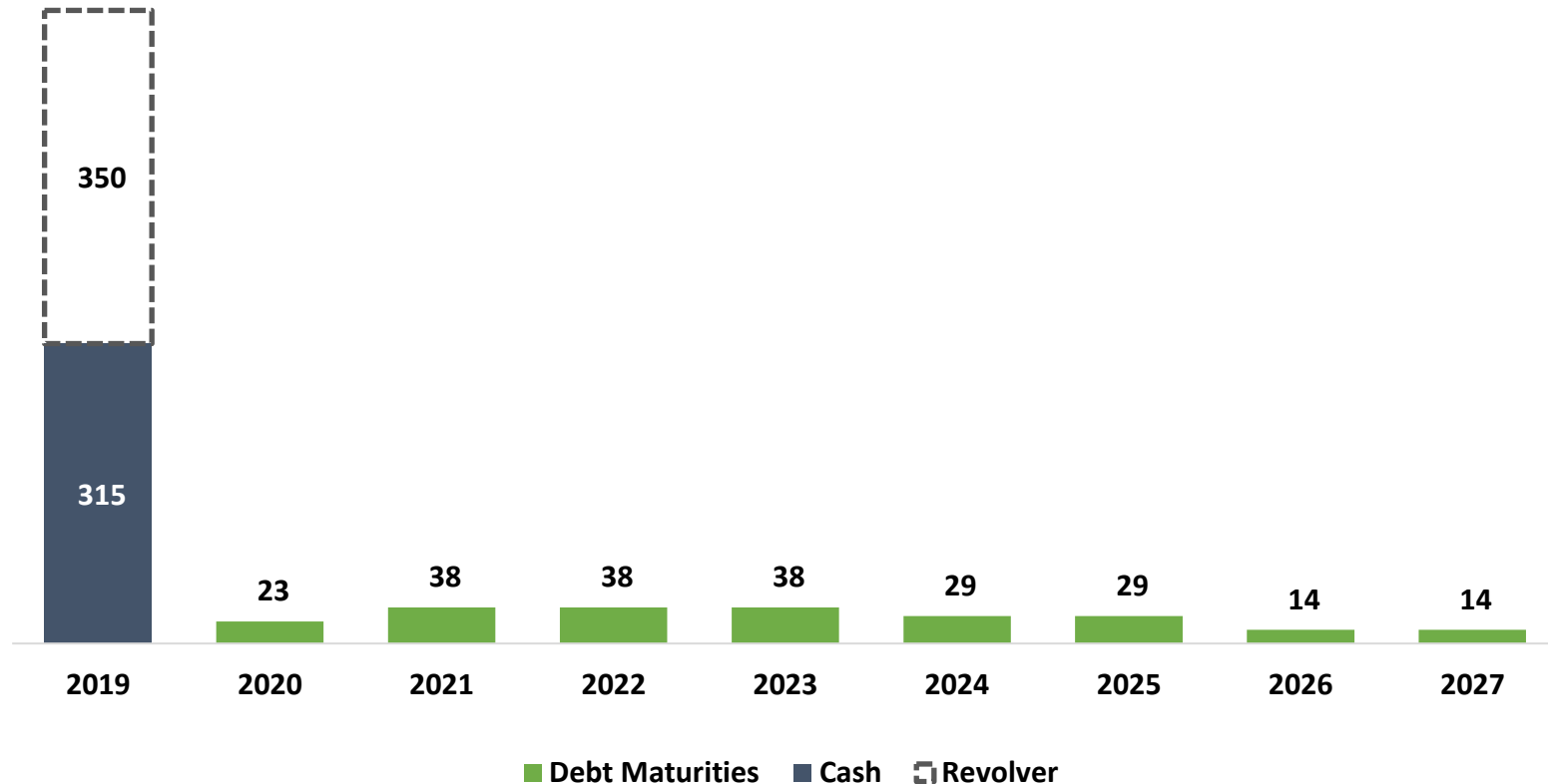
First quarter consumption of cash is typical

Financial strength to enable growth

(1) The net debt to total capitalization ratio is defined as total debt minus cash (i.e., net debt) divided by net debt plus equity. The net debt to total capitalization ratio is a non-GAAP measure. See Appendix IV for a GAAP reconciliation.

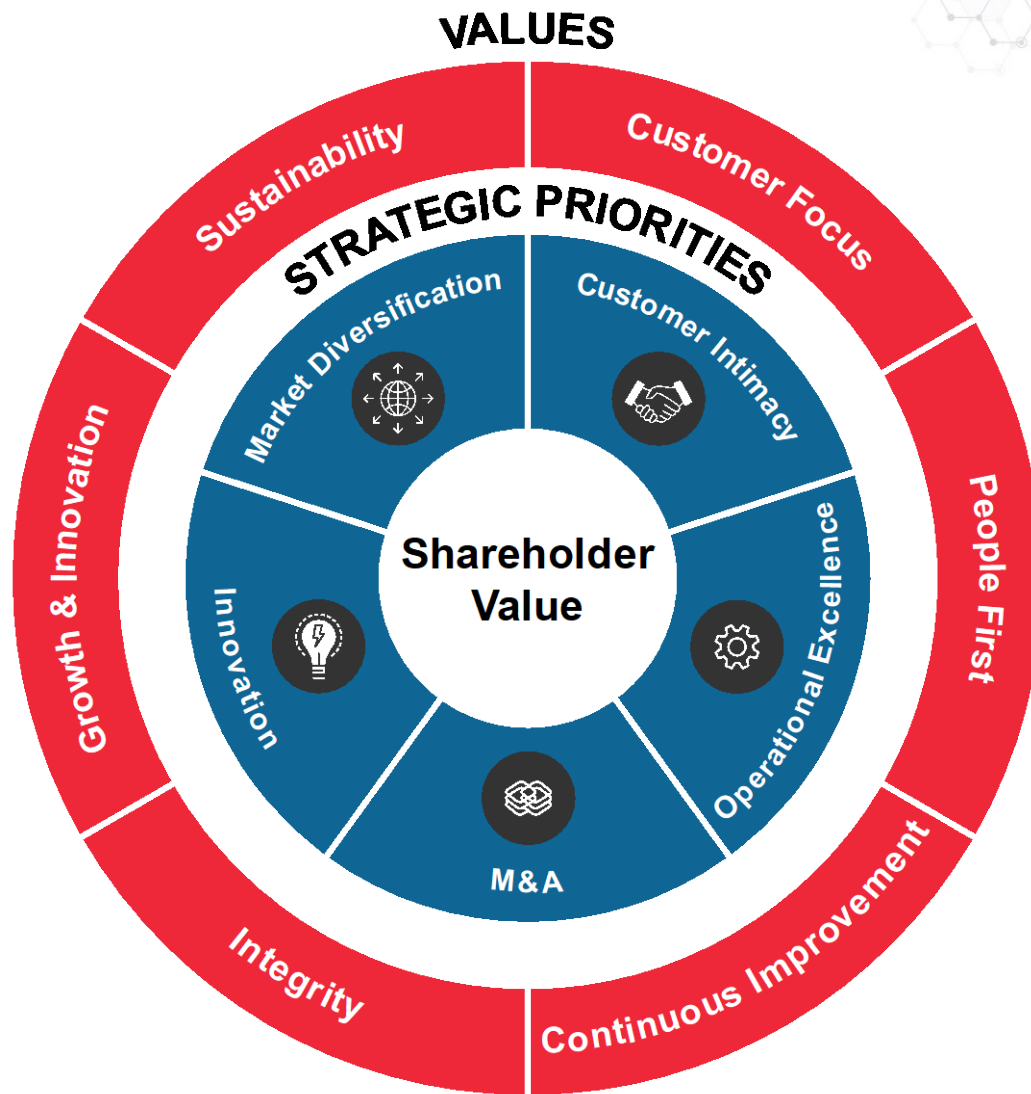
Ample Liquidity to Maneuver the 2020 Challenge

Debt Maturity Profile (in MMs USD)



Stepan Strategic Priorities

Our Vision: Innovative Chemical Solutions for a Cleaner, Healthier, More Energy Efficient World



2020 Strategic Update

Market Diversification

- We have a well diversified portfolio. Overall we believe our Surfactants business should remain relatively recession resistant. Volume to the Functional Product end markets will be a challenge in the short term, however we believe in the long term prospect of those end markets.

Customer Intimacy

- Volume to Tier 2/3 customers was up 5% driven by strong demand in cleaning and disinfection products across the globe.

Innovation

- Continued focus on developing next generation of value-added Rigid Polyol technologies.
- Developed and commercialized 17 new Agricultural chemical products over the last two years, which are helping customers around the world to improve the performance and environmental profile of pesticide formulations. New product introductions are gaining traction as farmers start adopting new technology to improve pest resistance and yields.
- Broke ground on new Agriculture R&D lab and Greenhouse in Winder, GA in December 2019.
- Patent-pending Oilfield chemicals technology (flowback modifiers and friction reducer boosters) are helping customers meet their business needs to be more productive and cost efficient by improving production yields.
- During Q1, we acquired the NatSurFact® business, a rhamnolipid-based line of bio-surfactants from Logos Technologies. Bio-surfactants produced via fermentation from renewable resources offer opportunities in several strategic end use markets including agriculture, personal care and household cleaning.
- Stepan is developing several high performing, sustainable products that we expect will be key contributors to our future growth including, NINOL® CAA, STEPANQUAT® Helia and STEPOSOL® MET 10-U.

Operational Excellence

- Restructuring of the Specialty Product office in the Netherlands is complete. Cost savings from this project exceeded expectations in 2019 and should bring small additional savings in 2020.
- Delivering savings on the shutdown of our Surfactant operations at the Wesseling, Germany plant.



Thank you for your interest in Stepan

Contact Information:

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Appendix I

Update on Certain Expectations

	2018 Actual	2019 Actual	2020 Expected
Capital expenditures →	\$87 million	\$106 million	\$100-120 million
Debt repayments →	\$21 million	\$54 million	\$23 million
Interest expense →	\$11 million	\$6 million	\$6 million
Effective tax rate →	19%	18%	22-25%

Appendix II

Reconciliation of Non-GAAP Adjusted Net Income and Earnings Per Diluted Share*

(\$ in thousands, except per share amounts)	Three Months Ended March 31			
	2020	EPS	2019	EPS
Net Income Reported	\$ 27,545	\$ 1.18	\$ 24,984	\$ 1.07
Deferred Compensation (Income) Expense	\$ (2,858)	\$ (0.12)	\$ 3,881	\$ 0.17
Business Restructuring	263	\$ 0.01	540	\$ 0.02
Cash Settled Stock Appreciation Rights	(792)	\$ (0.03)	1,231	\$ 0.05
Adjusted Net Income	<u>\$ 24,158</u>	<u>\$ 1.04</u>	<u>\$ 30,636</u>	<u>\$ 1.31</u>

*Amounts are presented after-tax

Reconciliation of Pre-Tax to After-Tax Adjustments

(\$ in thousands, except per share amounts)	Three Months Ended March 31			
	2020	EPS	2019	EPS
Pre-Tax Adjustments				
Deferred Compensation (Income) Expense	\$ (3,760)		\$ 5,106	
Business Restructuring	357		733	
Cash Settled Stock Appreciation Rights	(1,042)		1,620	
Total Pre-Tax Adjustments	\$ (4,445)		\$ 7,459	
Cumulative Tax Effect on Adjustments	\$ 1,058		\$ (1,807)	
After-Tax Adjustments	<u>\$ (3,387)</u>	<u>\$ (0.14)</u>	<u>\$ 5,652</u>	<u>\$ 0.24</u>



Foreign Exchange Impact – Q1 2020

(millions USD)	Surfactants	Polymers	Specialty Products	Consolidated
Net Sales	(6.4)	(1.7)	(0.1)	(8.2)
Gross Profit	(1.1)	(0.3)	0.0	(1.4)
Operating Expenses	(0.5)	(0.1)	0.0	(0.6)
Operating Income	(0.7)	(0.1)	0.0	(0.8)



Net Debt to Total Capitalization Ratio

(millions USD)	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017	March 31, 2016
Total Debt	222.1	271.9	290.8	316.7	327.9
Cash	254.3	269.5	244.6	197.8	145.7
Net Debt	(32.2)	2.4	46.2	118.9	182.2
Equity	866.8	831.4	774.6	673.2	594.8
Net Debt + Equity	834.6	833.8	820.8	792.1	777.0
Net Debt / (Net Debt + Equity)	(4%)	0%	6%	15%	23%