



WORKING TOGETHER FOR A SAFER, CLEANER WORLD

August 2021 Investor Presentation



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 (the Exchange Act). 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," "aim," "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.

Stepan Company Overview

NYSE: SCL

\$2.8B

MARKET CAP

~4X

versus 2009

AT STEPAN COMPANY, WE CONNECT WITH THE WORLD THROUGH THE INNOVATIVE CHEMISTRY WE CREATE.

Stepan Highlights:

\$~2 billion in net sales

Three reportable segments

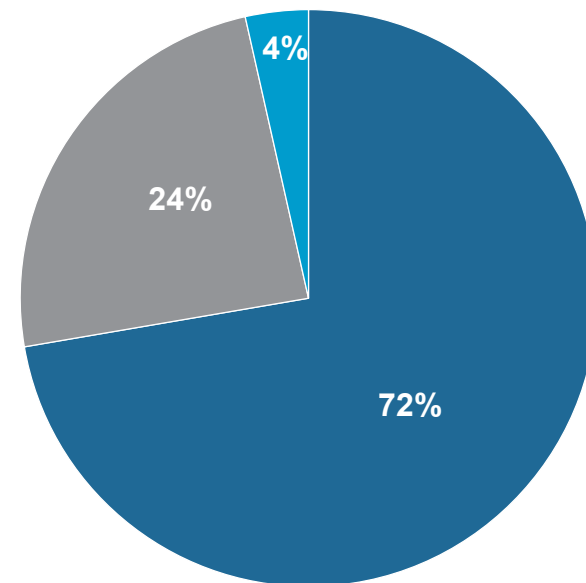
60% of annual net sales tied to non-cyclical markets

21 manufacturing sites with operations in 12 countries

Strong balance sheet

53 consecutive years of dividend increases

2020 Net Sales by Segment



■ Surfactants ■ Polymers ■ Specialty Products

Stepan Company

AT-A-GLANCE



SURFACTANTS

Compounds that reduce the surface tension between two liquids, between a gas and a liquid, or between a liquid and a solid. End products consist of disinfectants, detergents, fabric softeners, personal wash products, paints, and agricultural products



POLYMERS

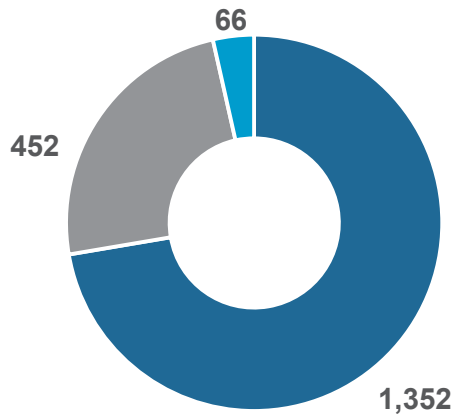
A leading manufacturer of polyester polyols, specialty polyols (CASE) and phthalic anhydride (P.A.). Polyester Polyols are used in insulation and offer sustainability advantages and significant energy savings



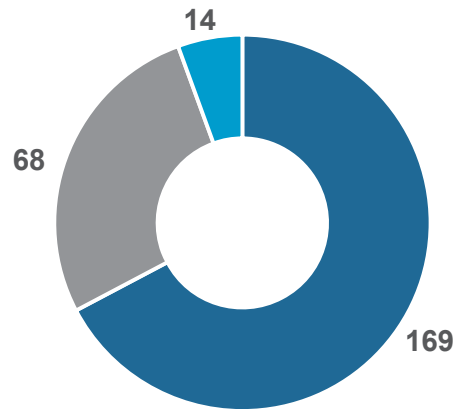
SPECIALTY PRODUCTS

Global producer of patented, science-based nutritional oils used in the food, nutrition and pharmaceutical industries

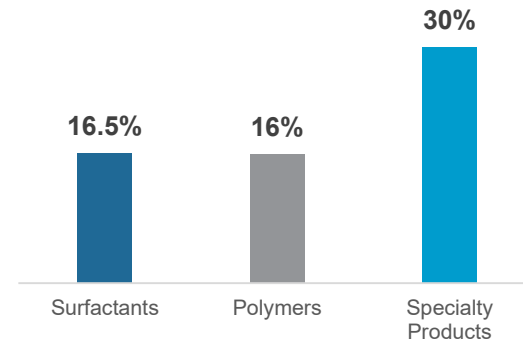
Net Sales (\$ MM)



Operating Income (\$ MM)

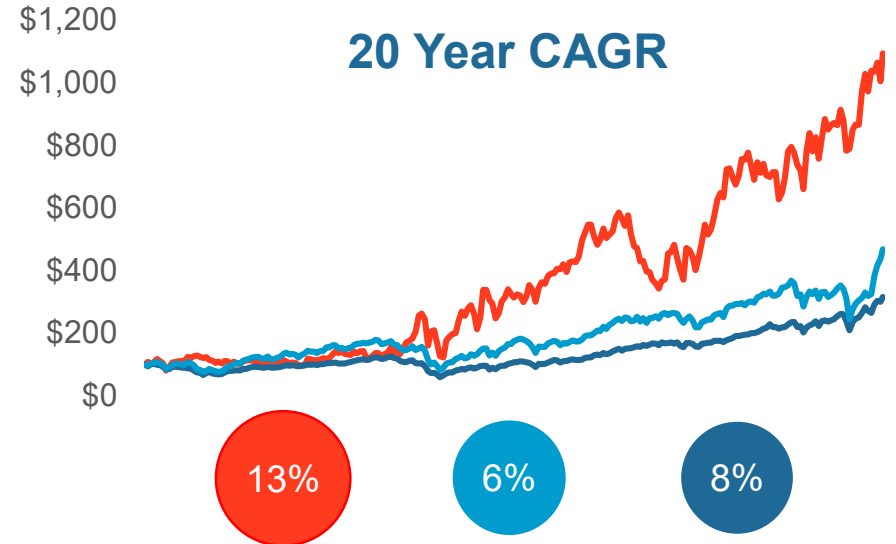
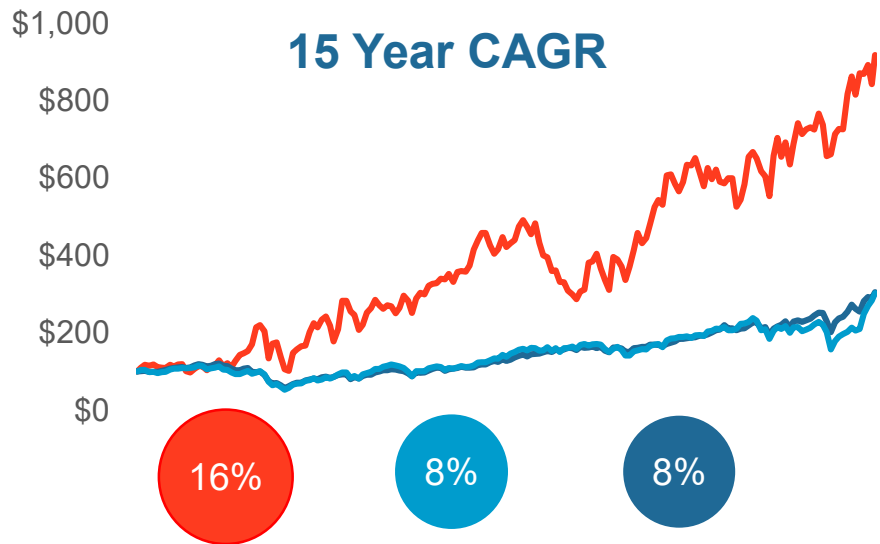
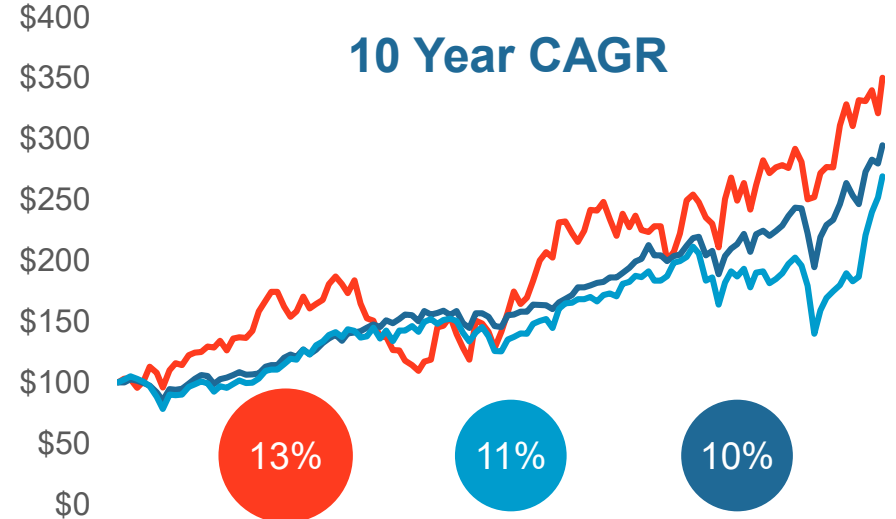
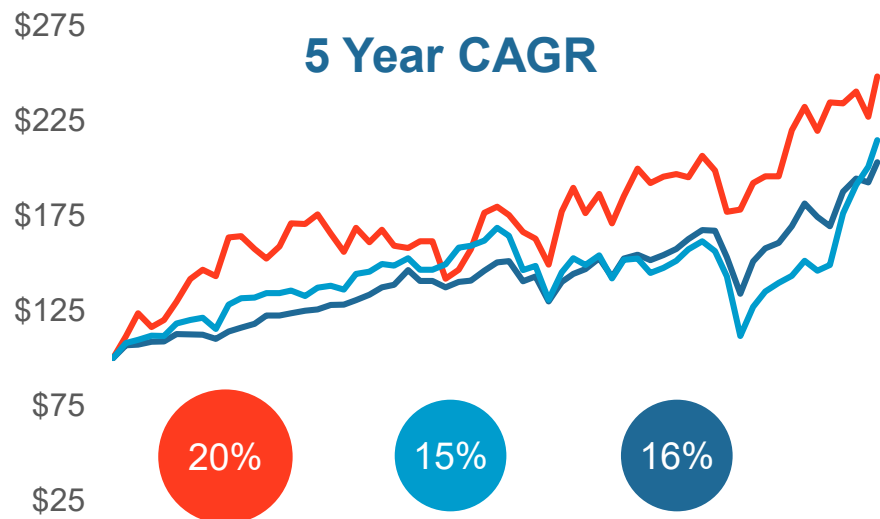


EBITDA Margin*



*Excludes Corporate Allocations; EBITDA Margin is a non-GAAP measure (See appendix for GAAP reconciliation)

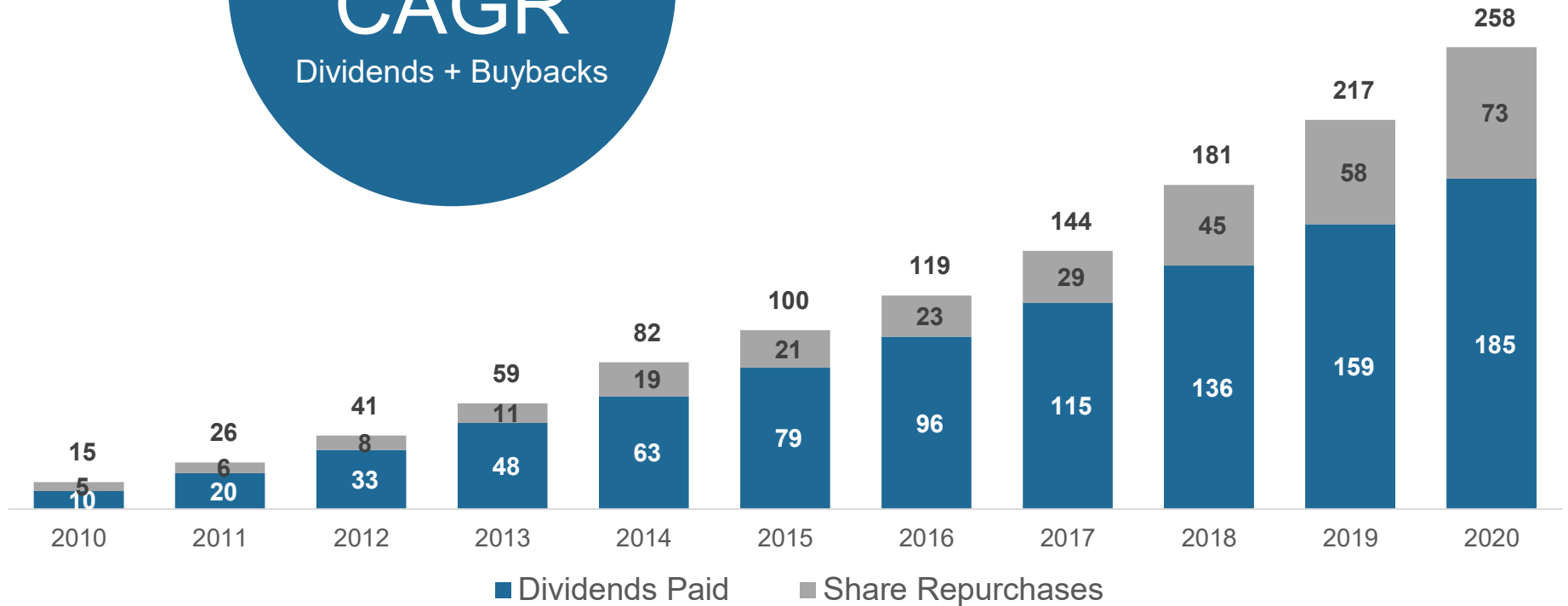
Superior Shareholder Returns



● Stepan Co. ● S&P 500 ● Russell 2000

Cash Returned to Shareholders

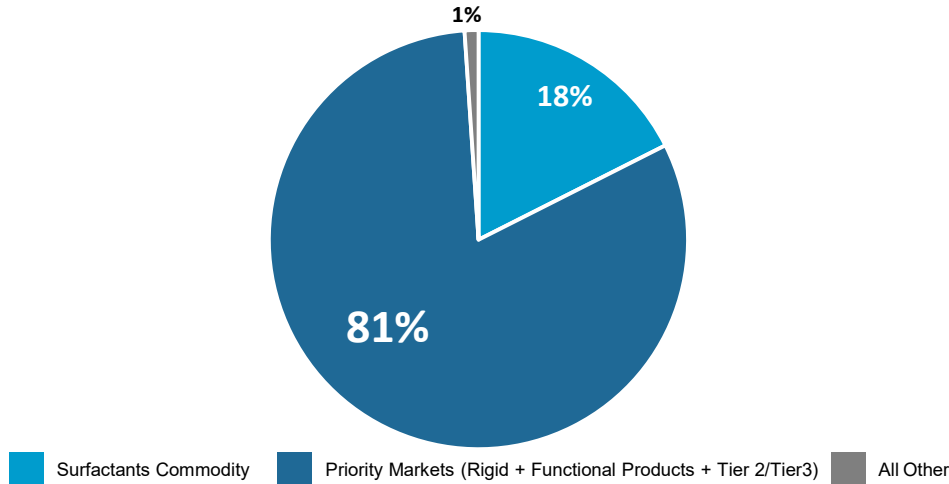
**+13%
CAGR**
Dividends + Buybacks



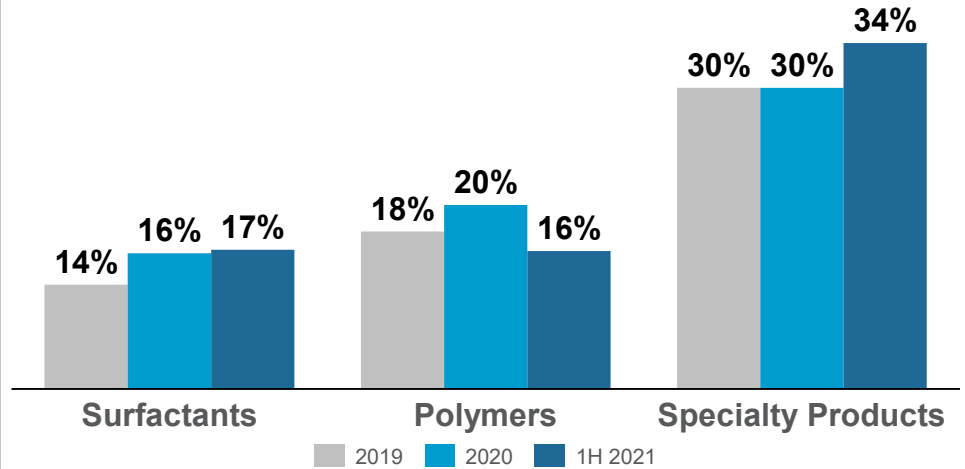
Cumulative Cash Returned to Shareholders (\$ Millions)

Journey to a Specialty Chemical Company

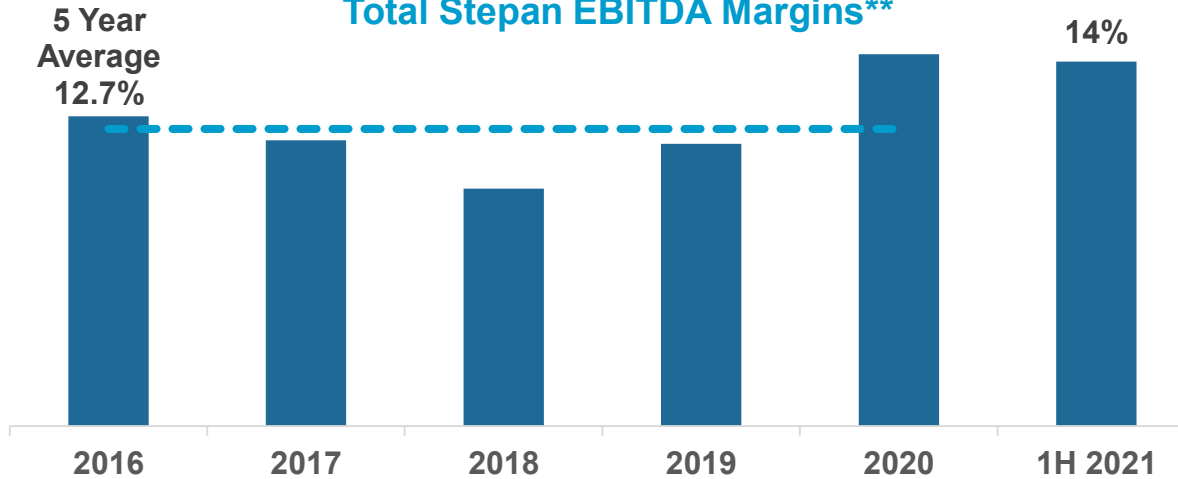
Diversification - Market Operating Income



Segment EBITDA Margins*



Total Stepan EBITDA Margins**



*Excludes Corporate Allocations; EBITDA Margin is a non-GAAP measure (See appendix for GAAP reconciliation)
 **EBITDA Margin is a non-GAAP measure (See appendix for GAAP reconciliation)

SURFACTANTS



Surfactants

One of the world's largest merchant producers of surfactants

\$1.4B

NET SALES

13%

OI MARGIN %



Strategic Priorities

Customer Intimacy: Capture growth in high margin product lines as consumers increase consumption of cleaning, disinfection and personal wash products

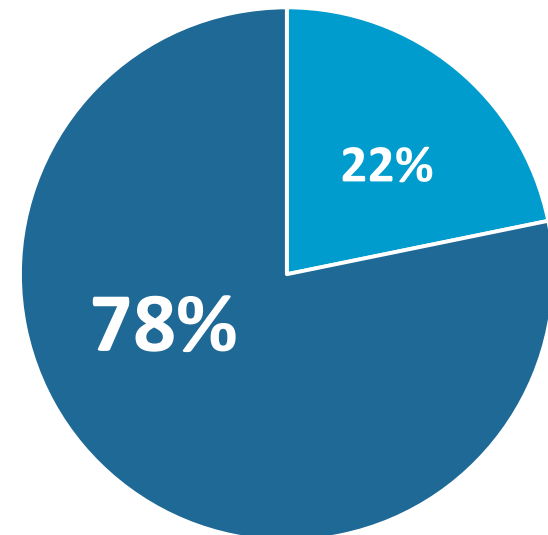
Market Diversification: Grow share in Agricultural and Oilfield Chemicals

Innovation: Collaborate with customers to provide new technologies that meet evolving market needs

Operational Excellence: Focus on fixed cost reduction, asset utilization and plant optimization





M&A: Enter into new end markets and expand product portfolio through strategic acquisitions

Sales by Market



■ Consumer Products ■ Functional

Key Market Needs and Stepan's Solutions

End Market	Market Needs	Stepan Solutions
 <p>Cleaning & Disinfection Market Size: \$45+Bn</p>	<ul style="list-style-type: none"> • Disinfection of hard surfaces • Powerful cleaning, with low film/streak • Bio-based primary and secondary surfactants • High concentrated liquid • Low 1,4 Dx Surfactants 	<ul style="list-style-type: none"> • STEPAN® BTC Biocidal Quaternaries • BIO-SOFT® LFS Technology* • NatSurFact® Rhamnolipids • Increasing capacity in Biocidal Quaternaries
 <p>Personal Hygiene Market Size: \$77+Bn</p>	<ul style="list-style-type: none"> • Improved skin feel • Environmentally-friendly hair conditioners • Concentrated ingredients • Anti-bacterial hand soaps 	<ul style="list-style-type: none"> • NINOL® GCC • STEPANQUAT® Helia* • NINOL® CAA/ STEPAN-MILD L3 • Increasing capacity in Biocidal Quaternaries
 <p>Agricultural Chemicals Market Size: \$60+Bn</p>	<ul style="list-style-type: none"> • Adjuvant and solvent technologies for key herbicide and fungicides • Compatibility of multi-active and high electrolyte systems • Crystal growth inhibition of active ingredients 	<ul style="list-style-type: none"> • Amines Oxides and High-Performance Natural Metathesis based solvents* • STEPFAC™ 8164 for in-can; • STEPGROW™ CT for tank mix adjuvants • Novel STEPSPERSE® Polymeric Dispersants
 <p>Oilfield Solutions Market Size: \$10+Bn</p>	<ul style="list-style-type: none"> • Polymer and lifting cost optimization • Reduced freshwater use in production and long-term asset protection • Yield improvements from mature producing wells • Demulsification 	<ul style="list-style-type: none"> • Friction Reduction Boosters (FRB) PETROSTEP® ME-2* • PETROSTEP® Registered Biocidal Quaternary End Use Products (EUP's) • PETROSTEP® PE-1* • KMCO demulsifier portfolio

* Stepan Patented or Patent Pending Technology

Consumer Products

Focusing on creating high quality disinfectants, surface cleaners and personal wash products for household, consumers and institutional cleaning.

\$650+B

MARKET SIZE

Pre-COVID: GDP-
Post-COVID: GDP+?

MARKET CAGR

Stepan Sales
by Consumer
Products End
Market



Laundry Care

Laundry

\$86B

Market Size



Shampoo

Personal Hygiene

Surface Care

Cleaning & Disinfecting

Cleaning & Disinfection

\$45B

Market Size



Conditioner

Personal Hygiene

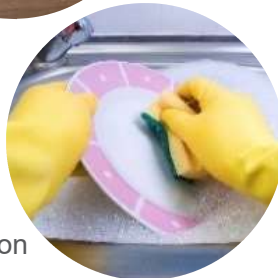
Personal Hygiene

\$77B

Market Size

Dishwash

Cleaning & Sanitization



Body Wash & Liquid Soap

Personal Hygiene

Agricultural Chemicals

Provide environmentally-advantaged products to enable cost-effective solutions for our customers

\$60B
MARKET SIZE

GDP
MARKET CAGR

Market and share growth in corn and soybean and expand product offerings in other crops where we are under-represented.



Corn

Market Size: \$7B

Primary Uses:

- Animal Feed
- Ethanol



Soybean

Market Size: \$9B

Primary Uses:

- Animal Feed
- Food Oil
- Biodiesel



Cereal

Market Size: \$9B

Primary Uses:

- Food
- Animal Feed



Rice

Market Size: \$6B

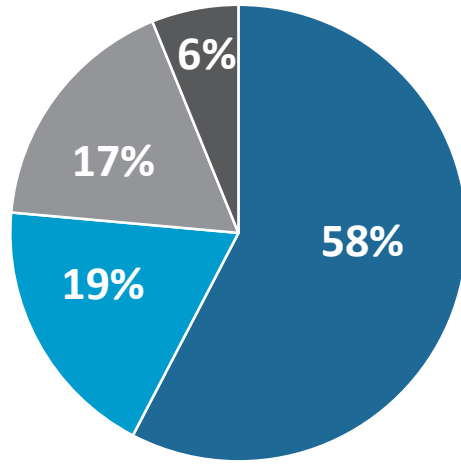
Primary Uses:

- Food

Agricultural Chemicals At Stepan

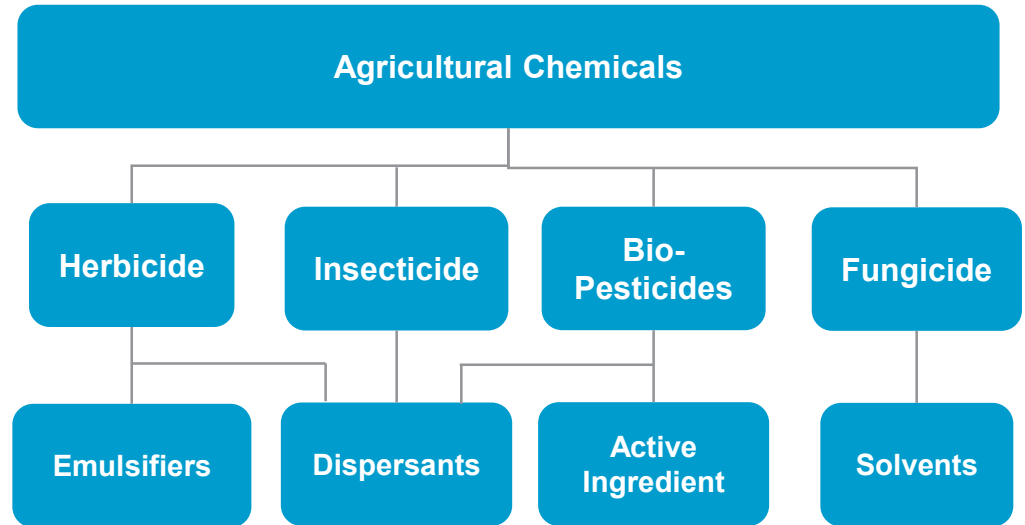
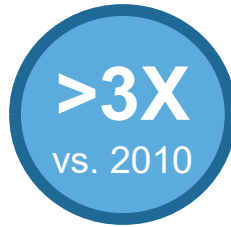
Provide environmentally-advantaged products to enable cost-effective solutions for our customers

Sales by Region



■ North America ■ Europe ■ Latin America ■ Asia

Sales Growth



Winder, GA Greenhouse

Investment in Greenhouse and Customer Collaboration Center Will Enable:

- Additional Collaboration with Customers
- Real World Product Testing
- Improvement in Speed to Market
- Enables improved predictive application performance in our customer's applications



Oilfield Solutions

Our portfolio is diversified across the upstream market for use in both stimulation and production globally

\$10B
MARKET SIZE

GDP+
MARKET CAGR

Grow share with products that improve yield and reduce costs.

Stepan Strategy:

We are well positioned to bounce back in 2021 with the market recovery

Continue to expand our production chemicals portfolio globally, focusing on leveraging our 2019 demulsifier investment

Expand production enhancement market share with products that improve ultimate recovery with no capital investment and low operational cost

Increase our market share in cost saving stimulation technologies, including Friction Reducer Boosters and Advantaged Flowback Additives

Expand our portfolio to offer Biocide End Use Products (EUP) for stimulation and production applications



Oilfield Solutions validates its optimized product performance in field applications, enabling further product development efforts focused on the dynamic needs of the industry.

Key Technologies for Oilfield

Stepan's key products in Oilfield specifically seek to reduce operator cost



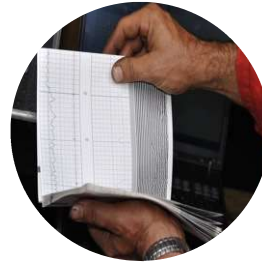
Registered Biocides

- Enable use of **up to 50%** recycled water for hydraulic fracturing – reduce dependency on freshwater resources
- Save **greater than \$50K** per well in freshwater costs
- Protect formation from souring and plugging
- Ensure personnel safety and long-term integrity of production assets
- One of only **3 EPA registered** quaternary technical active owners in US



Flowback Aids

- Reduce formation damage from hydraulic fracturing process **up to 60%**
- Faster initial and more sustained hydrocarbon production after completion



Friction Reducer Boosters

- Enables **50% freshwater reduction** by using recycled water
- **Up to 40% lower** cost of completion additives.
- Reduce reservoir damage by **lowering overall additive loading**



Demulsifiers

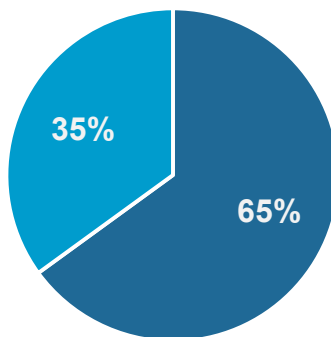
- We will begin to **reintroduce KMCO products in the market in H2 2021.**
- Demulsifier intermediates help service companies **deliver consistent field performance** with their formulated products
- Address the dehydration and desalting requirements of crude oils
- Continue to develop demulsifier field kits and next generation products



Production Enhancement

- **Improve hydrocarbon recovery** by remediating stimulation and production damage without requiring additional drilling or completion
- Reduce oil production swings by **up to 60%** post treatment
- **2-4x** improvement in oil production with one treatment
- Multiple field trials initiated with potential global end market reach.

Stepan Sales Split



■ Production ■ Stimulation

A Strong Global Network of Customers

Collaborate with all our customers to drive global growth across all end markets

Surfactant Customer Mix:

	# Active Global Customers	Average # Products Sold
Tier 1		
Tier 2		
Tier 3 – Distributors		

Partner with Global Tier 1 Customers



Growth within Tier 2 and Tier 3 customer base continues to be a priority for our Surfactant group

We added
1,000+
new global surfactant
customers in 2020

We sold
1,500+
new customer/product
combinations
in 2020

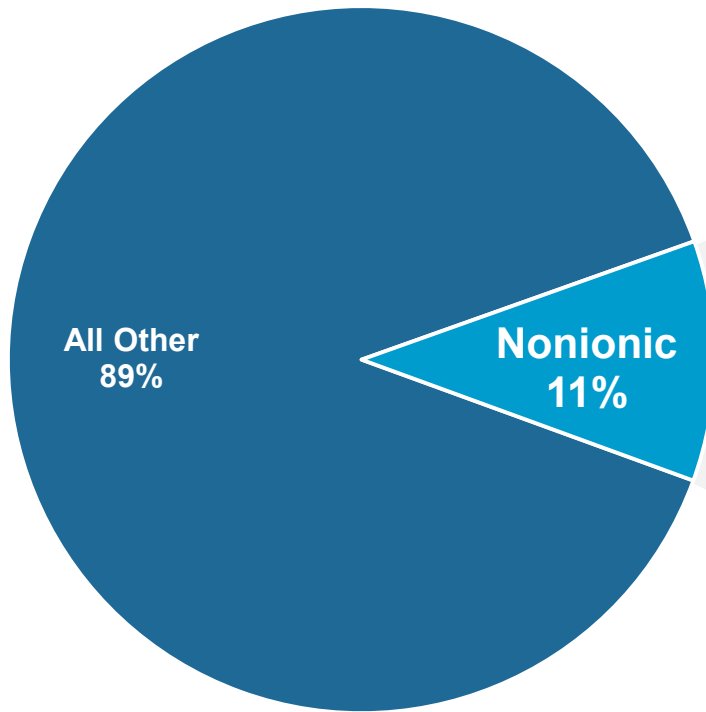
Looking to cross sell
our products to
20,000+
new and existing
customers

Tier 2 / Tier 3 Consumer Products Volume Grew 18% in 2020

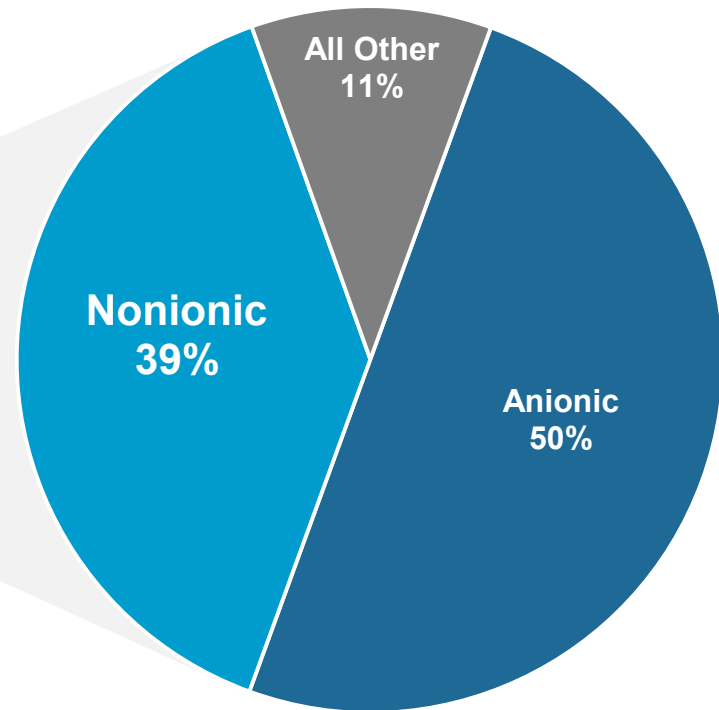
Surfactant Innovation: Room for Growth

Nonionic (alkoxylates) under-represented in Stepan's portfolio

2020 Stepan Global Surfactants

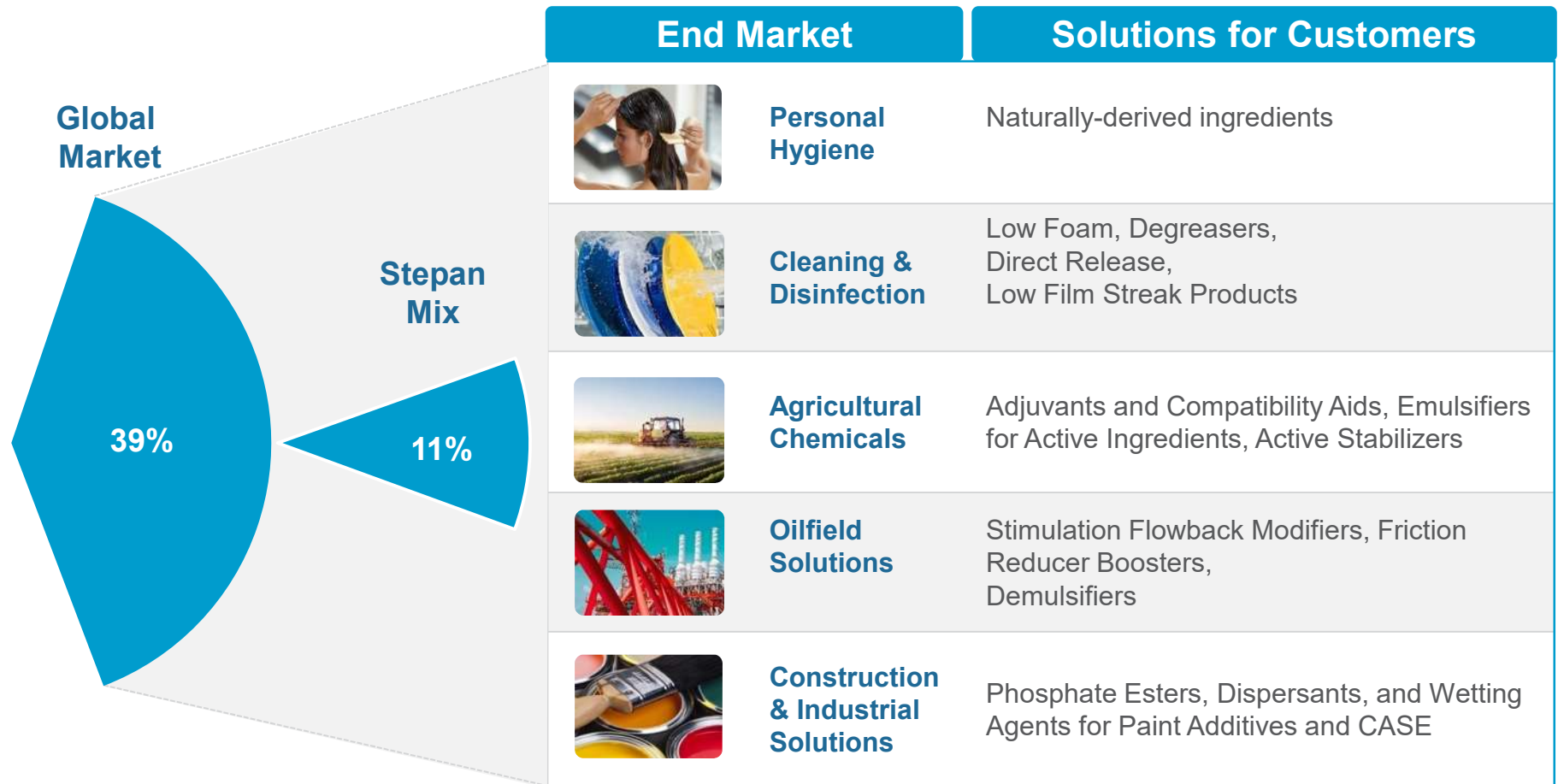


2020 Global Surfactant Market



Nonionic Surfactant Opportunity

Pursuing specialty alkoxyate expansion across all end markets with new technical resources



Portfolio Expansion Through M&A - Fermentation

Solutions to Serve the Next Generation

Fermentation – Bio-surfactants – Rhamnolipids

Ambitions for Stepan Rhamnolipids

- Sustainable surfactant
- 100% Bio-renewable
- Naturally-occurring
- Low toxicity
- Readily Biodegradable



Agriculture

Environmentally-friendly bio-fungicide for disease control and crop protection



Oilfield

Bioremediation of crude oil in contaminated soils



Personal Care

Emulsification for rinse-off and leave-on skin care



Home Care

Hard surface cleaning

Process Development

- NatSurFact® Acquisition (Q1 2020)
- Rhamnolipid Line of Bio-surfactants
- Process Patents
- Rhamnolipid Process Technology

Innovation / R&D

- Process Enhancement Partnerships: Validation, Optimization, Productivity

Product Supply

- US EPA Active Ingredient Registrations for Agriculture Applications in Progress

Plant Site

- Acquisition of World Scale Fermentation Plant in Lake Providence Louisiana USA (Q1 2021)
- With Capital Upgrades Capable of Producing 10 – 20KTPA of Rhamnolipids and other Glycolipids Depending on Product Mix



POLYMERS



Polymers

A leading manufacturer of polyester polyols used in rigid foam insulation

\$0.5B

NET SALES

15%

OI MARGIN %



Strategic Priorities

Leadership: Maintain leadership position and expand Rigid Polyol use

Customer Intimacy: Provide best in class technical service to deliver value to our global customers

Innovation: Offer superior technologies and performance through product leadership

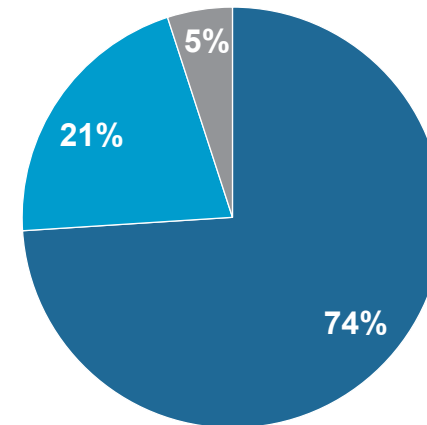
Operational Excellence: Complete strategic projects to increase capacity and manufacture at a lower cost

Market Diversification: Expand Rigid Polyol use in Spray Foam products and increased penetration in Specialty Polyol (CASE)

M&A: Explore options within the building envelope

Supply Assurance: Integration into PA, scale and global network provide low cost and business continuity

Sales by Market



■ Rigid ■ Specialty ■ Phthalic Anhydride

Global Building Insulation Market

Developing next generation polyols to meet increasing energy conservation efforts and regulatory requirements

\$28B

MARKET SIZE

4-5%

MARKET CAGR



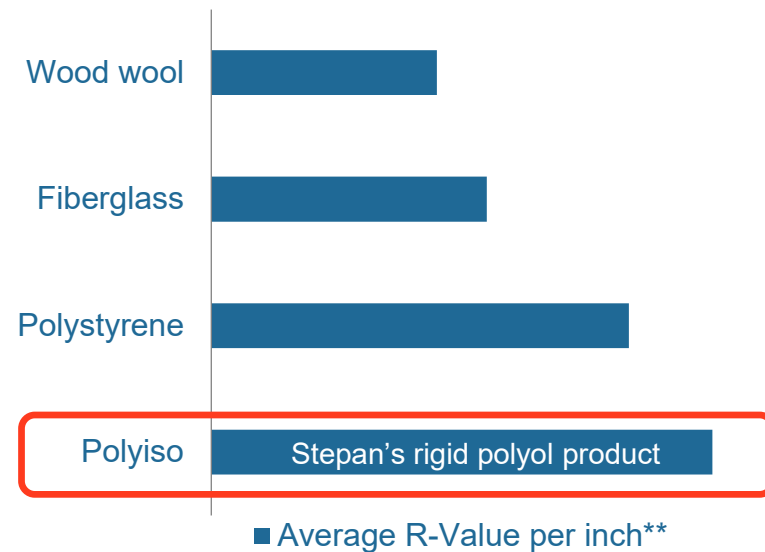
Opportunity:

Global energy conservation efforts and growth in construction

Government mandated or recommended higher insulation levels in buildings

Relative to cost, our polyiso (PIR) polyols impart superior insulation performance and durability versus alternative insulations

Innovation in enhanced technical service offerings and multiple product technology initiatives

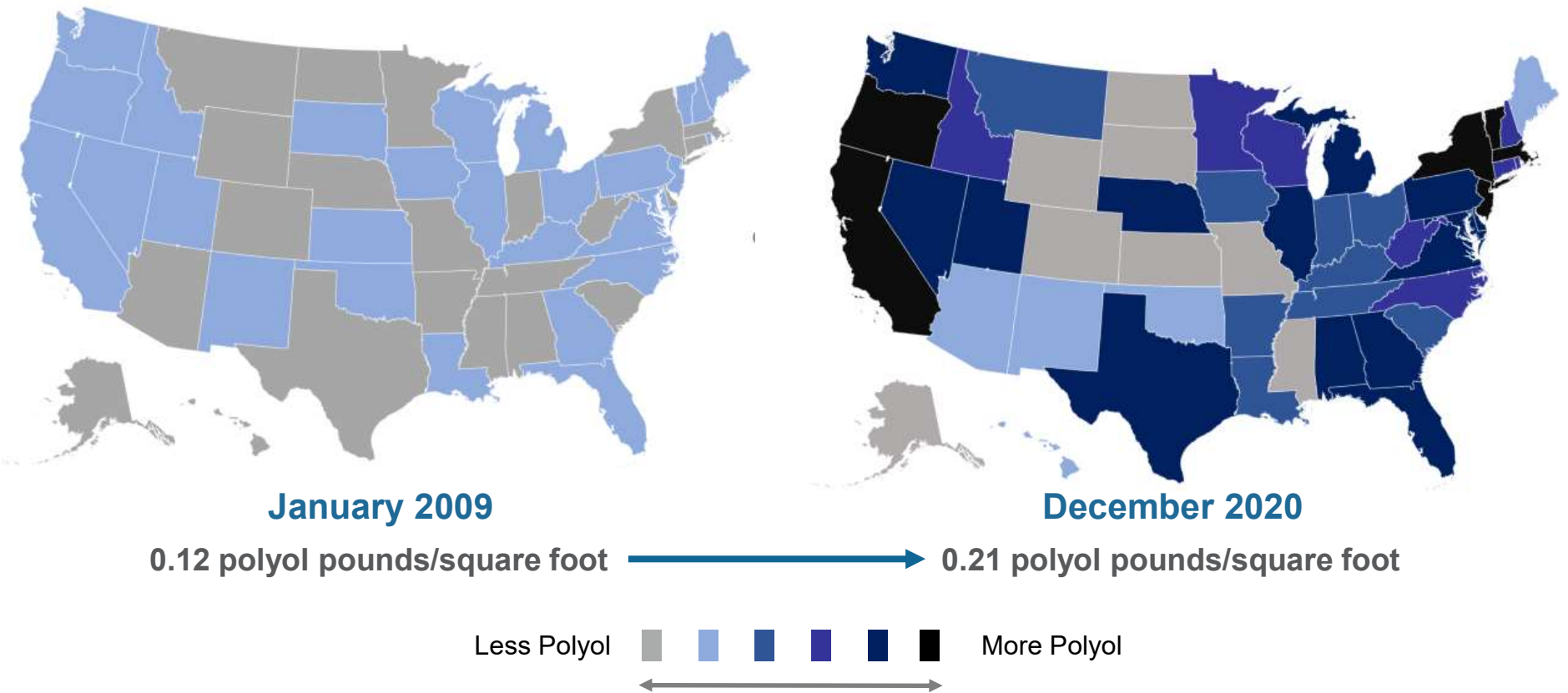


**R-Value = measures the effectiveness of insulating materials; a higher R-value represents greater insulation performance

Rigid Polyol U.S. Market Trend

Strong market growth in the past several years and in the next 5 years (4-5%) for commercial roofing

Polyol Required Per Adopted State Building Code



Rigid Polyol European Market Trend

Strong market growth in the past several years and in the next 5 years (4-5%)

EU Market Growth Highlights:

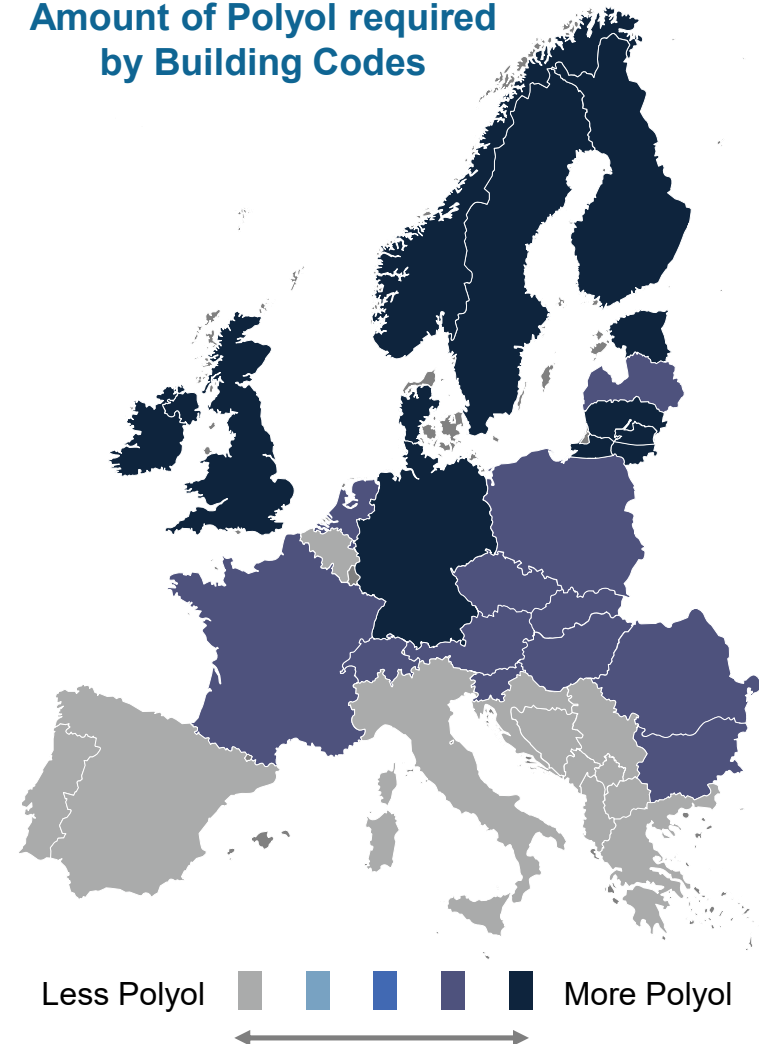
The revised Energy Performance of Buildings Directive requires **low and zero-emission building stock in the EU by 2050** underpinned by national roadmaps to decarbonize buildings

These plans include requirements for new buildings to be **NET zero energy by the end of 2021**

The annual building renovation rate across the EU **must increase from 1% to an average of 3%** to achieve the EU's energy efficiency ambitions

EU Commission published on 14 October 2020 a new strategy to boost renovation called "**A Renovation Wave for Europe – Greening our buildings, creating jobs, improving lives**" (COM(2020)662). It aims to double annual energy renovation rates in the next ten years. These renovations aim to enhance the quality of life for people living in and using the buildings, reduce Europe's greenhouse gas emissions, and create up to 160,000 additional green jobs in the construction sector.

Amount of Polyol required by Building Codes



Rigid Polyol China Market Trend

Strong market growth in the past several years and in the next 5+ years (>10%)

China Market Growth Highlights:

China Rigid polyol growth is primarily driven by the dynamics of cold storage industry.

China cold storage capacity is expected to grow annually by 10%, attributing to the significantly increasing demand for fresh food and produce.

Higher energy efficiency requirements and the need to meet the building code further secure polyurethane panel as the predominate insulation solution (>90%) in cold storage industry.

New emerging and growing demand for livestock housing (animal storage) requires more insulation panels.



Amount of polyol required by cold storage space



Less Polyol  More Polyol

0.5 Kg Polyol / M² (Year 2017)  1.6 Kg Polyol / M² (Year 2020)

Polymers Specialties

Key component of Polymers Diversification Plans

Specialties include polyester polyols used to formulate polyurethane Coatings, Adhesives, Sealants and Elastomers (CASE).



Flexible Packaging Adhesive



Floor Coatings

Trends

- Low VOC Coatings
- Functional adhesives to replace mechanical fasteners
- Circular economy leading to increased recycled content
- Non-Isocyanate/Non-Amine Curing



Customer Needs

- Polyurethane formulating experience
- Sustainable solutions with reduced carbon footprint



Stepan Focus

- Service excellence
- Technical service with targeted solutions
- Hybrid Technology (PEEPs)

CASE assets are positioned in major regions to allow supply to a global customer base



Powder Coatings on Agriculture Equipment



Elastomers for Conveyor Belts

Regional Powder Resins business brings additional diversification for North America

Growth through M&A

Q1 2021 Acquisition of Aromatic Polyester Polyol Business from INVISTA

\$100MM

Annual Revenue

Background: Stepan acquired INVISTA's aromatic polyester polyol business and associated assets on January 29, 2021. Included in the transaction were two manufacturing sites, intellectual property, customer relationships, inventory and working capital. The acquisition was financed through cash on-hand.



Wilmington, NC (United States)



Vlissingen (the Netherlands)

Benefits of Acquisition

Financial Performance

- Expected to be accretive to Stepan's EPS and EBITDA margins in 2021
- This transaction allows us to continue our journey to create a more specialized chemical company
- Expected multiple on a post synergy basis to be between 6.5 and 7.5 times (two years post-closing)

Improved Operations/Synergies

- Available spare capacity, plus debottlenecking opportunities in both plants, expected to allow Stepan to support market growth in a capital efficient way.
- New product capabilities
- These two additional locations significantly enhance business continuity for our customers

Sustainability

- Energy conservation will continue to be a priority for our world
- The long-term prospects for rigid polyol use in insulation remain strong as energy conservation efforts and more stringent building codes should continue to drive market growth

Stepan's Largest Acquisition

SPECIALTY PRODUCTS



Specialty Products

Producer of naturally derived ingredients used in the food, nutrition and pharmaceutical industries

\$65MM

NET SALES

22%

OI MARGIN



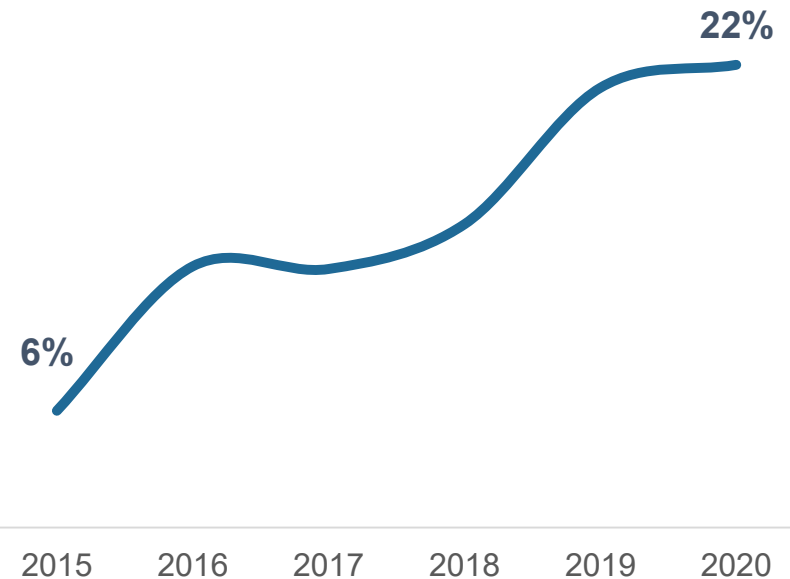
Strategic Priorities:

Customer Intimacy: Maintain service to existing business and expand customer base in food

Innovation: Leverage patented technology to continue growth of NEOBEE® product line

Operational Excellence: Expand margin while optimizing supply chain

Operating Income Margin



Medium-Chain Triglycerides (MCTs)

Driving growth through focused excellence and providing our customers with value-added solutions

\$1B+

MARKET SIZE

6-9%

MARKET CAGR

Market and Share Growth with our NEOBEE Product Line. White space expansion opportunities.

Stepan Strategy:

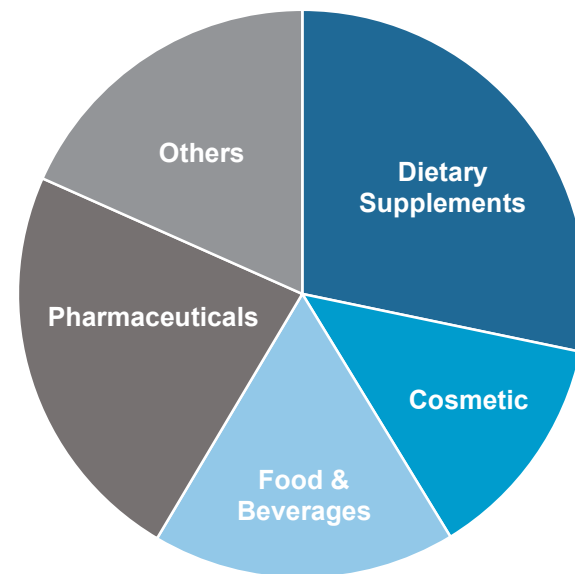
Partner with customers to drive mutual success and value-added solutions

Optimize product portfolio to align with long-term market trends

Focus on fundamental operations to reduced cost, accelerate growth and deliver best-in-class service

Expand reach into adjacent markets through low risk innovation and strategic partnerships

Global MCT Sales Volume



Medium-Chain Triglyceride market offers a unique opportunity for diversified growth and margin expansion

Stepan Strategic Priorities

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



Stepan Values

How we execute on our strategic priorities

Customer Focus

Partnering to Deliver Value



People First

Empowering Everyone to Make a Difference



Integrity

Doing the Right Thing



Stepan 

Growth, Innovation & Sustainability

Shaping the Future Through Curiosity



Continuous Improvement

Improving Every Day



GROWTH, INNOVATION & SUSTAINABILITY

Responsible and Sustainable Company

Conducting business responsibly

Stepan Ranked #84 in the World by The Wall Street Journal



Considerations that contributed to Stepan's ranking

The scoring methodology takes a broad view of sustainability that assesses a company's **ability to create value over the long term**.

The ranking reflects a company's management of financially material issues related to the key areas, including the **environment, human capital, social capital and innovation**.

Increasing **transparency** and reporting on sustainability

- Articulation of Stepan's commitment as a **signatory to the UN Global Compact**
- Alignment of reporting to **SASB and GRI frameworks**
- Articulating **sustainability priorities of People, Planet, Practices and Products**
- Setting **sustainability targets** to achieve within a 2025 timeframe

Markets served contributing to sustainable impacts, including in **polyols for energy-saving insulation, cleaning and disinfecting products and agriculture**.

Acquisitions such as that of **NatSurFact® biosurfactants** that positively reflect on Stepan's **commitment to sustainable technologies**.

"The Wall Street Journal ranking is truly a recognition of the hard work, integrity and leadership of Stepan's management and employees," says Jason Keiper, Ph.D., Stepan's Chief Technology and Sustainability Officer. "We are proud to provide essential and sustainable products that support our customers and society, including those for cleaning and disinfection, energy-saving insulation, agriculture and safe food supply. Stepan Company is strengthening its commitment to sustainability and creating long-term stakeholder value, and we are excited to develop new products and partnerships that will reflect the positive impact of what we do and how we do it."

Driving Progress Toward the Sustainable Development Goals (SDGs)

Stepan products deliver benefits for environmental and social responsibility



Over 75% of revenue aligned to five key UN SDGs*

*Through an internal evaluation of Stepan's product portfolio, over 75% of our revenue from products delivers benefit toward the United Nations Sustainable Development Goals (SDGs), with impacts related to zero hunger; responsible consumption of resources; driving action toward climate change mitigation; improved sanitation, health and hygiene; and protection of land and water resources.

Growth Through Innovation

Partner with customers in pursuit of their growth, innovation & sustainability goals

13 Application Centers
Around the world



State of the Art LEED Certified
Agronomy & Formulation Lab with Greenhouse
Winder, Georgia



MERC Collaboration Lab
Sao Paolo, Brazil

2,304 Intellectual Property
Portfolio Size Enabling
Competitive Advantages in
Strategic Growth Segments

- Sustainability, Agriculture,
Personal Care,
Oilfield & Polyoils

\$50+ MM
Annual Investment
in R&D



Stepan Fermentation Plant
Lake Providence, Louisiana

Stepan 



Oilfield Solutions Center of
Excellence Houston, Texas

\$125+ MM
Revenue Delivered
in 2020

230 Scientists with
110 Graduate Degrees



R&D Lab
Voreppe, France



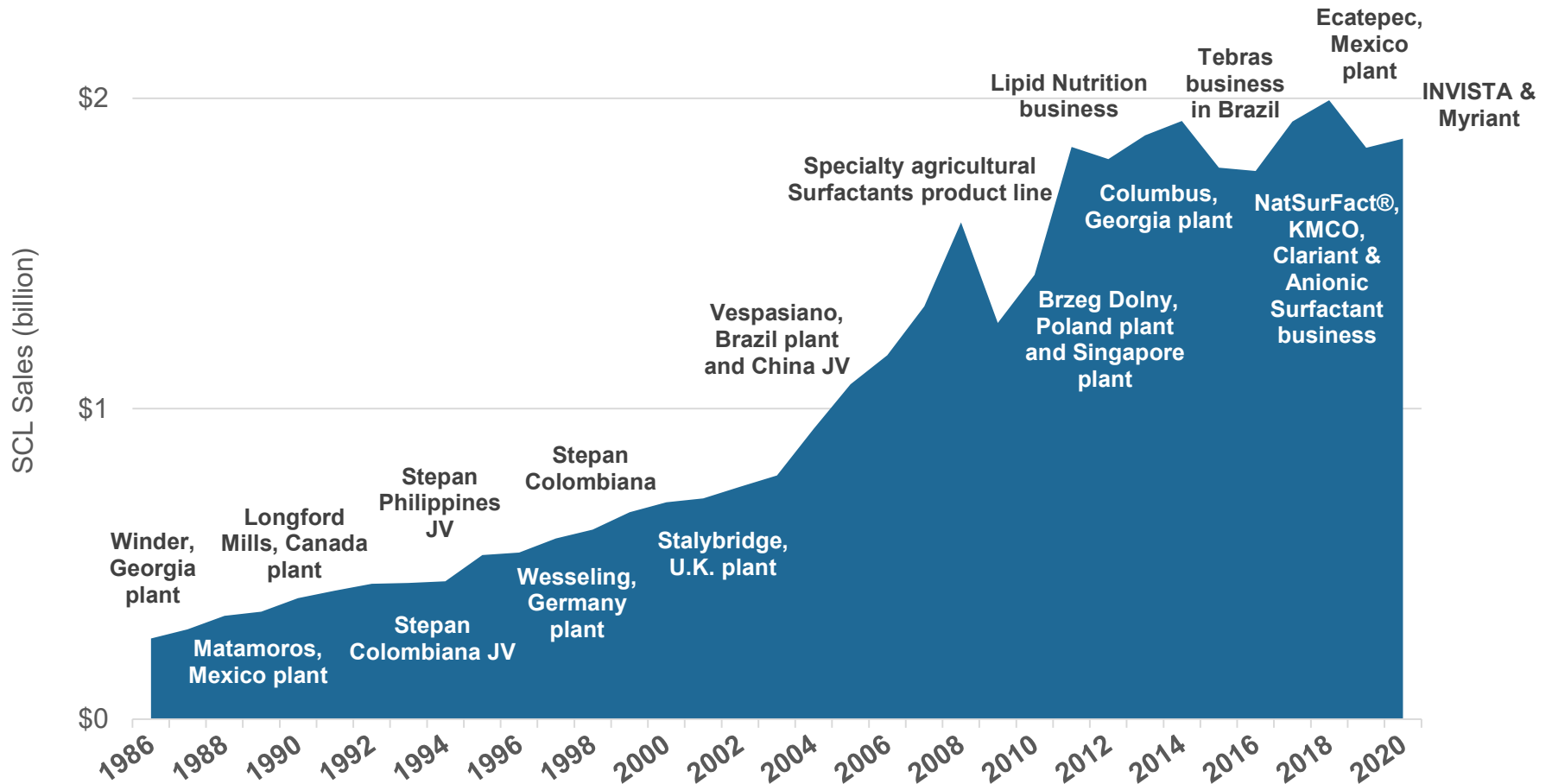
Poland Rigid Lamination
Applications Lab

**Innovation Process
Refined & Enhanced**
Since Inception in 2005

- Three Pillars: Chemistry,
Application & Customer
Focused Technical Service

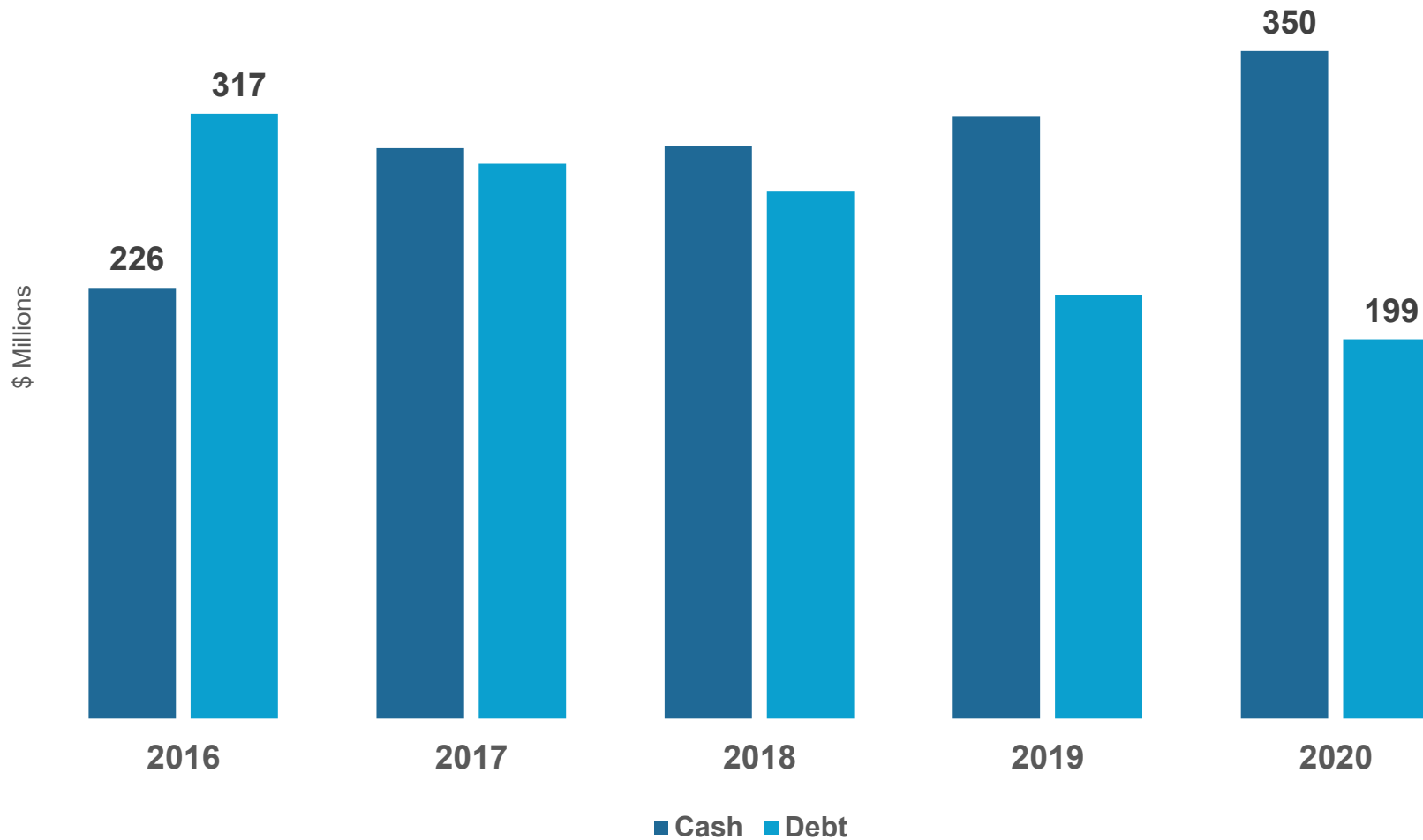
Growth Through M&A

Strong history of M&A to drive growth



Utilize M&A to Fill Gaps in Our Portfolio

Financial strength to enable growth



Growth Through Sustainability

Conducting business responsibly

Focus on Safety and Security



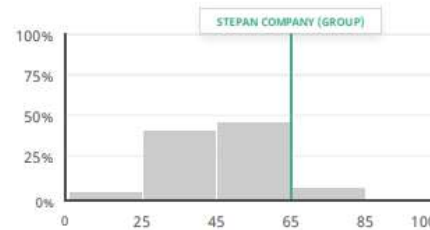
Focus on Responsible Chemistries



Commitment to Responsible Practices



2020 EcoVadis Overall Score Distribution- Improved from Top 12% in 2019 to Top 7% in 2020



● All companies rated by EcoVadis in this industry



Stepan's commitment toward responsible practices aligns with the principles outlined by the UN Global Compact, including commitments to ethical business practices, respect for human rights, and reduced environmental impact through our products and operations. Through external reporting to CDP, EcoVadis and other ESG frameworks, we strive to demonstrate continuous improvement in these areas.

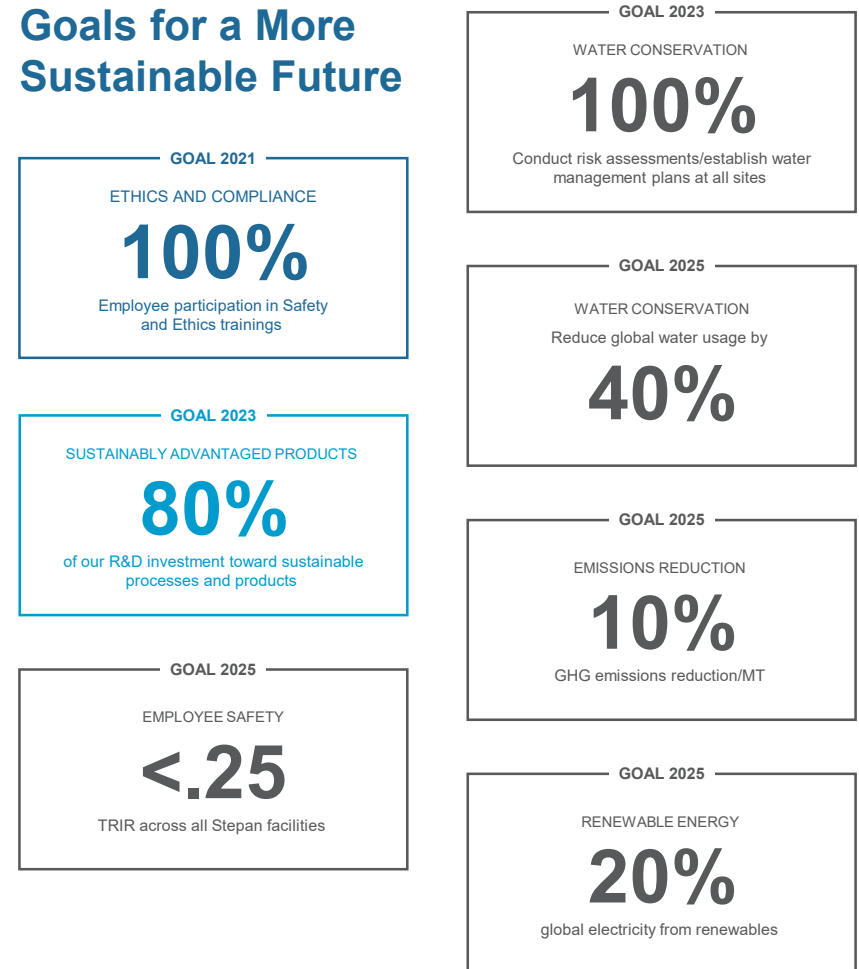
Responsible Performance & Our Goals

Driving Responsible Performance*

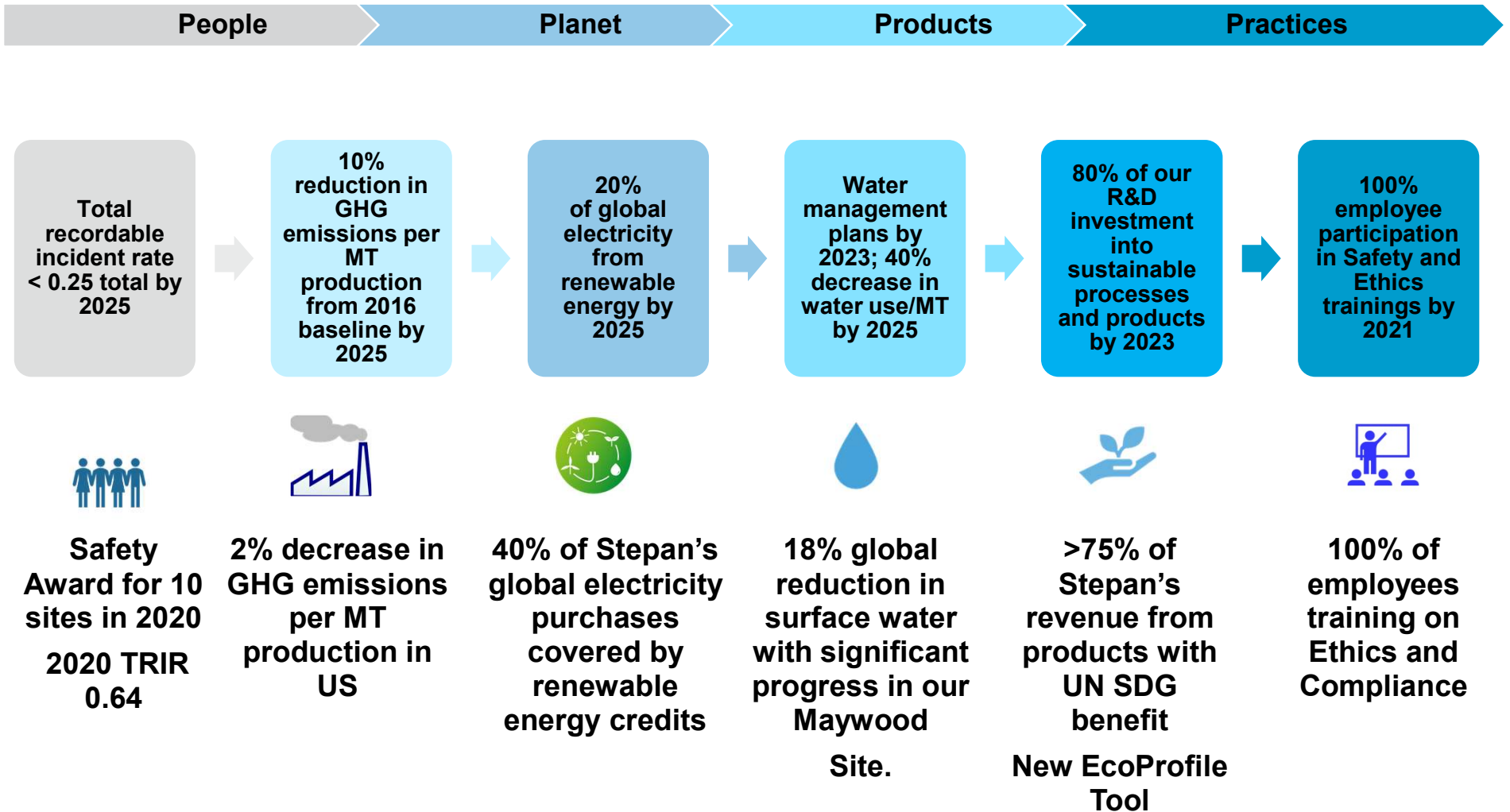


*Metrics for 2020 unless otherwise indicated

Goals for a More Sustainable Future



Progress Toward our Sustainability Goals



Why Invest in Stepan

Proven track record with an opportunity to diversify into attractive markets

Looking ahead, we have a great organization and three strong businesses with significant opportunities to grow. We have the financial flexibility (balance sheet, liquidity and cash flow generation) to invest for organic and inorganic (M&A) growth in order to deliver superior shareholder value.



Focus on profitable markets that are growing at rates higher than GDP



One of the world's largest merchant producers of surfactants and a leader in the rigid polyol end market



Longstanding business led by experienced management team



A strong balance sheet provides financial flexibility



Proven track record of delivering EPS growth, dividend payments and strong cash flow generation

1H 2021 Update

First Half 2021 Financial Recap – RECORD 1H

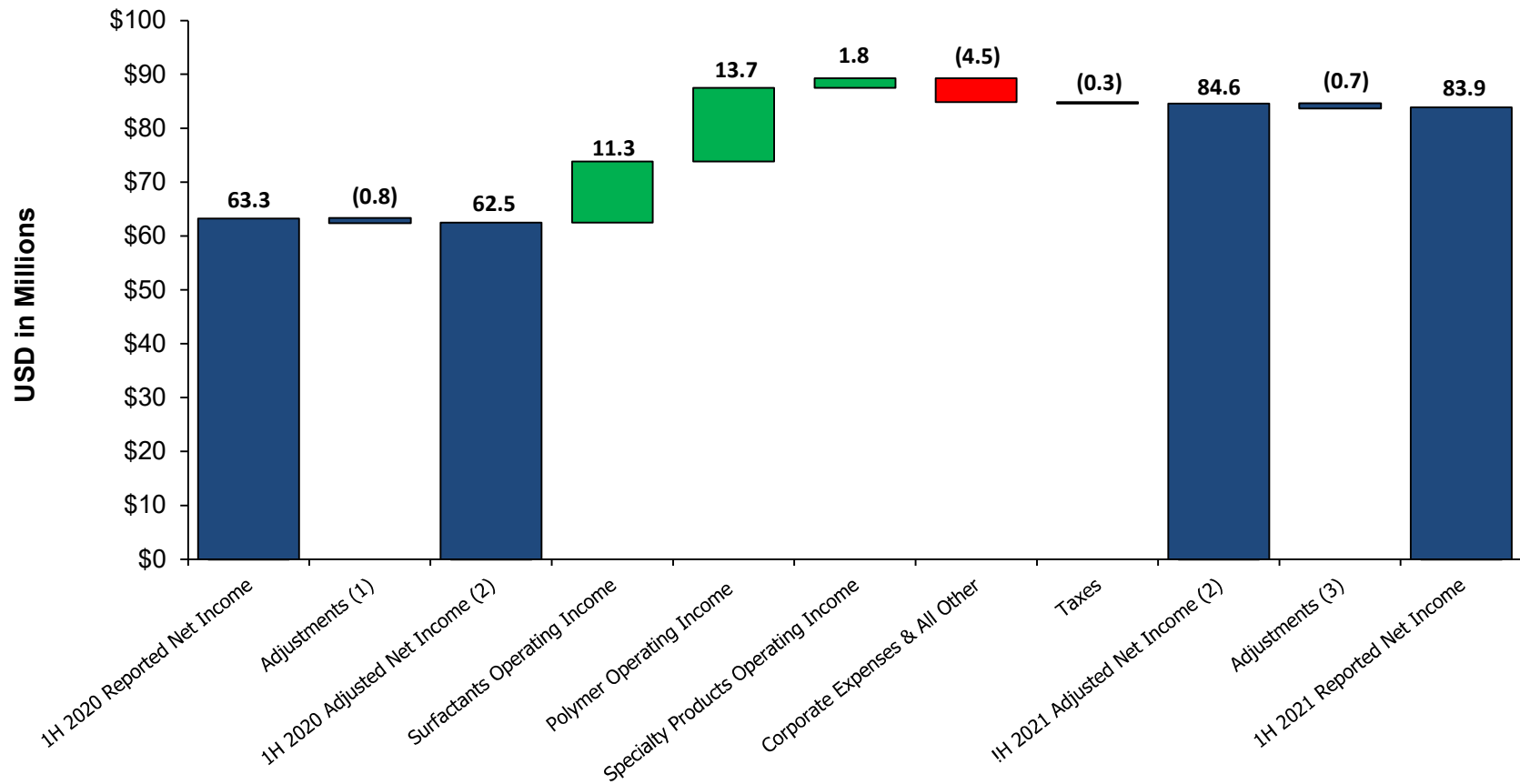
- Reported first half Net Income was a **RECORD** \$83.9 million, or \$3.59 per diluted share, versus \$63.3 million, or \$2.72 per diluted share, in the first half of 2020.
- Adjusted Net Income⁽¹⁾ was a first half **RECORD** \$84.6 million, or \$3.62 per diluted share, versus \$62.5 million, or \$2.69 per diluted share in the first half of 2020. Adjusted Net Income in the first half of 2021 excludes the following non-operational items:
 - Deferred compensation and cash-settled SARs expense of \$0.6 million, or \$0.02 per diluted share.
 - Restructuring expense of \$0.1 million, or less than \$0.01 per diluted share.
- Reported Surfactant Operating Income was \$99.1 million, an increase of \$14.4 million, or 17%, versus 1H of 2020. This increase was primarily driven by improved product and customer mix and higher global demand in the functional end markets, partially offset by higher North American supply chain costs due to inflationary pressures and planned higher maintenance costs. Global Surfactant sales volume decreased 3% but the associated impact was more than offset by improved margins, product and customer mix. Consumer product sales volume was negatively impacted by feedstock supply issues following the first quarter 2021 severe weather in Texas, customer inventory rebalancing efforts and lower demand for cleaning products versus the pandemic peak in 2020. Higher demand for products sold into our institutional cleaning and functional product (Agriculture and Oilfield) end markets partially offset the declines above.
- Reported Polymer Operating Income was \$41.0 million, an increase of \$18 million, or +77%, versus first half of 2020. This increase was primarily attributable to a 39% increase in global Polymer sales volume. Global rigid polyol volume was up 37% versus the prior year largely due to the INVISTA polyester polyol acquisition. Global rigid polyol volume, excluding the INVISTA acquisition, was up 7% versus the prior year. Higher demand within the phthalic anhydride and specialty polyols businesses also contributed to the sales volume growth.
- Specialty Product operating income was \$9.6 million versus \$7.2 million in the prior year. This increase was primarily attributable to order timing differences within our food and flavor business and improved margins within our medium chain triglycerides (MCT) product line, partially offset by raw material shortages and manufacturing challenges.

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

(2) Net debt and net debt ratio is a non-GAAP measure. See Appendix IV for a GAAP reconciliation.

Net Income Bridge – 1H 2020 to 1H 2021

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



- (1) The adjustments to Reported Net Income in 1H 2020 consisted of deferred compensation expense and cash-settled SARs expense of \$1.2 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 1H 2021 consisted of deferred compensation income and cash settled SARs income of \$0.6 million and restructuring costs of \$0.1 million.

Surfactants – RECORD half

Improved product and customer mix and higher global demand in the Agricultural and Oilfield end markets.



1H 2021 Business Results Highlights

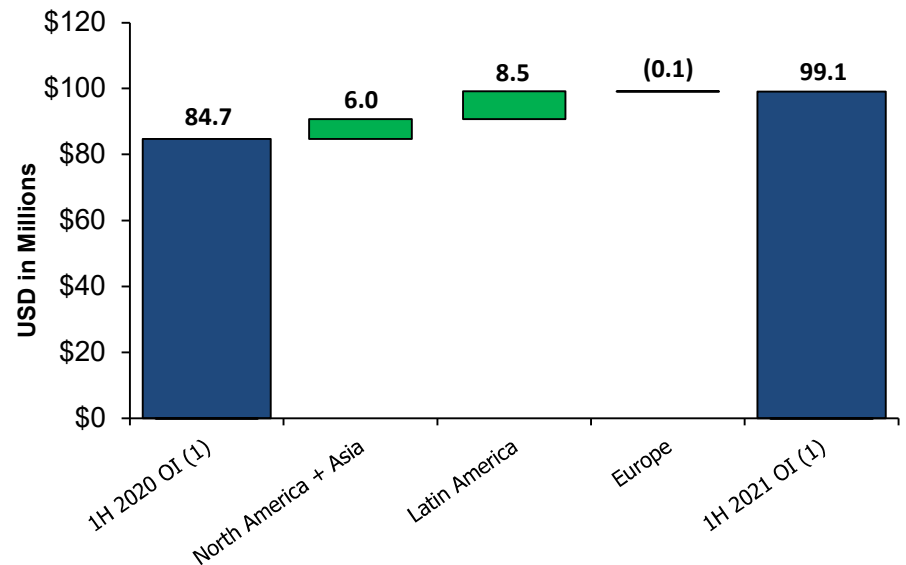
Operating Income was a record \$99 million, an increase of \$14 million, or 17%, compared to the prior year. This increase was primarily driven by improved product and customer mix and higher global demand in the Agricultural and Oilfield end markets, partially offset by inflationary pressures and planned higher maintenance costs.

North America results increased primarily due to improved product and customer mix and higher demand for products sold into our functional product end markets. Supplier force majeure following the severe weather in Texas and other supply chain challenges impacted consumer product volumes in 1H of 2021.

Latin American operating results benefited from volume growth and favorable product and customer mix.

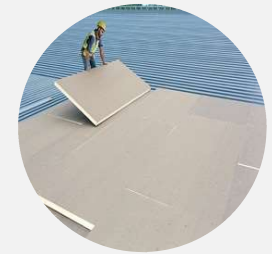
Europe results were flat with lower volumes from peak pandemic levels in 2020, offset by better product and customer mix.

<i>in millions \$</i>	1H 2021	1H 2020
Net Sales	\$ 754.9	\$ 659.4
Operating Income	\$ 99.1	\$ 84.7



Polymers

Higher results primarily driven by both the INVISTA acquisition and organic market growth.



1H 2021 Business Results Highlights

Operating Income was \$41 million, an increase of \$18 million, or 77%, compared to the prior year, due to a 39% increase in volume. Global rigid polyol volume was up 37% versus the prior year largely due to the INVISTA acquisition. Global rigid polyol volume, excluding the INVISTA acquisition, was up 7% versus the prior year. We also delivered double digit volume growth in PA and Specialty Polyols.

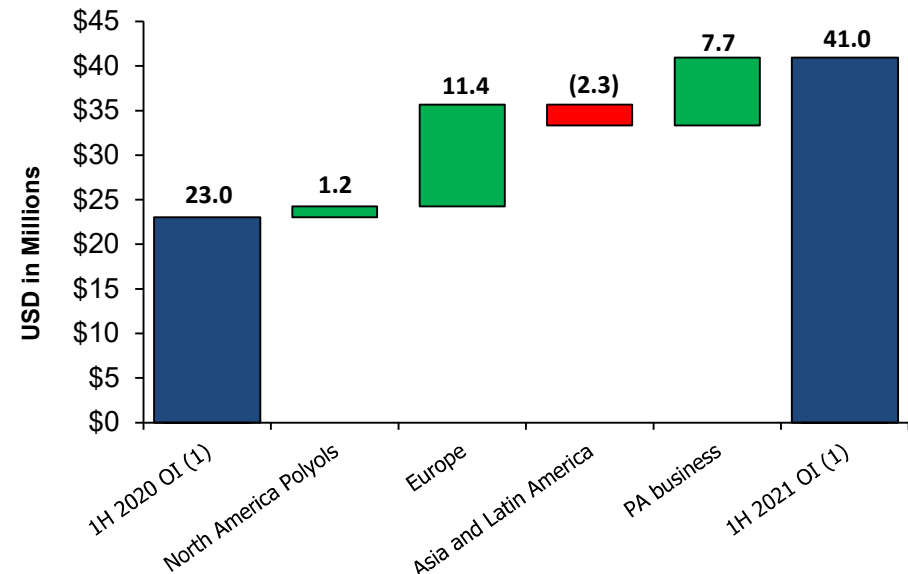
North America Polyol results increased due to higher volumes and the non-recurrence of the Q1 2020 Millsdale plant power outage, partially offset by rising raw material and manufacturing costs.

Europe results increased due to double digit volume growth in Rigid Polyol primarily due to the INVISTA acquisition.

China results decreased due to a one-time government shutdown reimbursement in 2020 and higher raw material cost. This was partially offset with first half volume up +5%.

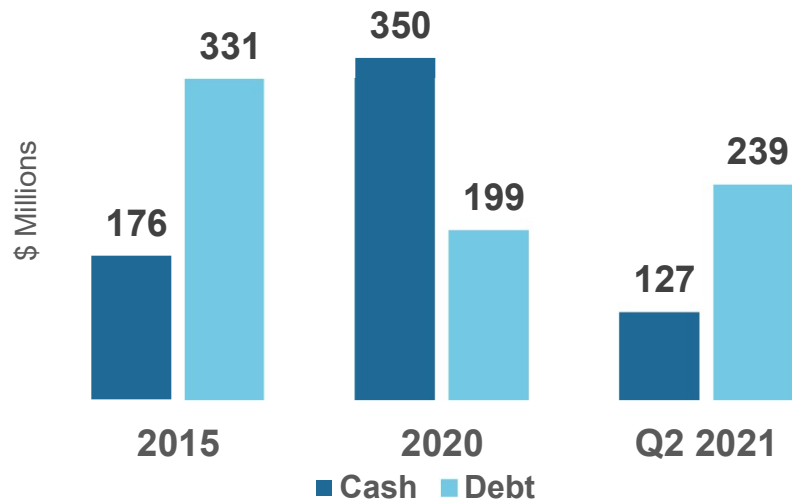
Phthalic anhydride (PA) results benefited from recovery of volume lost due to the Q1 2020 Millsdale plant power outage.

<i>in millions \$</i>	1H 2021	1H 2020
Net Sales	\$ 340.9	\$ 218.9
Operating Income	\$ 41.0	\$ 23.0

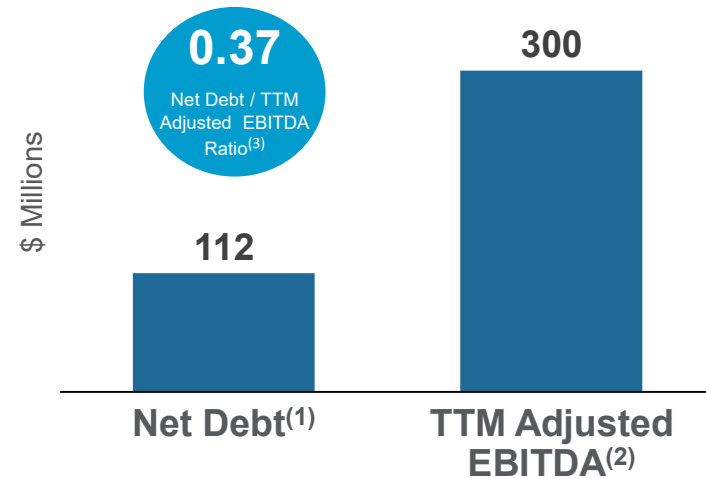


Strong Balance Sheet and Ample Liquidity to Invest for Growth

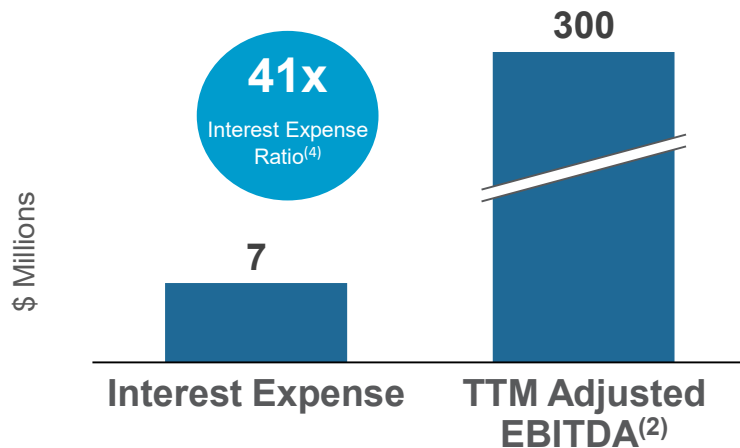
Cash vs. Debt



Net Debt / TTM Adjusted EBITDA



Interest Expense Ratio



Debt Principal Payments

Year	Amount (\$MM)
2021	28
2022	38
2023	38
2024	39
2025	39
2026	24
2027	24
2028	10
Total	239

(1) Net debt is a non-GAAP measure. See Appendix IV for a GAAP reconciliation.
 (2) TTM Adjusted EBITDA is a non-GAAP measure. See Appendix V for a GAAP reconciliation.
 (3) Net Debt / TTM Adjusted EBITDA Ratio is a non-GAAP measure. See Appendix V for a GAAP reconciliation.
 (4) Interest Expense Ratio is a non-GAAP measure. See Appendix V for a GAAP reconciliation.

Thank You

Luis E. Rojo

VP and CFO

847-446-7500

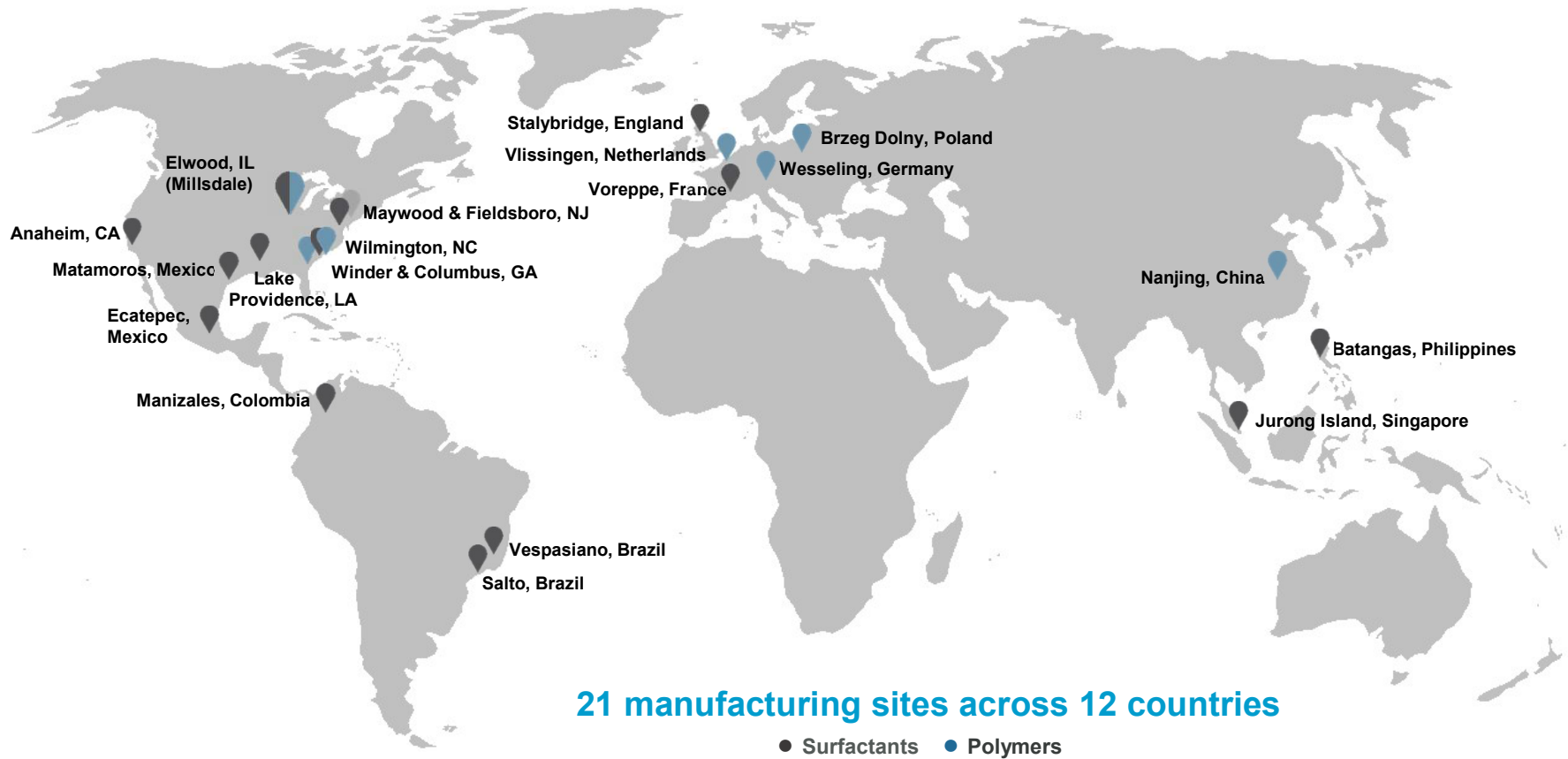
CHEMISTRY THAT CONNECTS US

APPENDIX

Financials, Sources of Information, and Definitions

Stepan Network

Strong global network to provide exceptional technical and sales support for our customers



Financials

Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018

<i>(In thousands, except per share amounts)</i>	<i>2020</i>	<i>2019</i>	<i>2018</i>
Net Sales (Note 1)	\$ 1,869,750	\$ 1,858,745	\$ 1,993,857
Cost of Sales	<u>1,486,137</u>	<u>1,519,031</u>	<u>1,654,508</u>
Gross Profit	383,613	339,714	339,349
Operating Expenses:			
Selling (Note 1)	55,543	56,956	56,319
Administrative (Note 1)	87,362	82,577	79,243
Research, development and technical services (Note 1)	57,986	55,037	54,263
Deferred compensation expense (income)	9,988	15,140	(2,329)
	<u>210,879</u>	<u>209,710</u>	<u>187,496</u>
Business restructuring expenses (Note 22)	(1,212)	(2,744)	(2,588)
Operating Income	171,522	127,260	149,265
Other Income (Expense):			
Interest, net (Note 6)	(5,409)	(5,932)	(10,771)
Other, net (Note 8)	4,954	4,571	(725)
	<u>(455)</u>	<u>(1,361)</u>	<u>(11,496)</u>
Income Before Provision for Income Taxes	171,067	125,899	137,769
Provision for Income Taxes (Note 9) ¹	43,411	22,798	26,664
Net Income	127,656	103,101	111,105
Net (Gain) Loss Attributable to Noncontrolling Interest (Note 1)	(886)	28	12
Net Income Attributable to Stepan Company	<u>\$ 126,770</u>	<u>\$ 103,129</u>	<u>\$ 111,117</u>
Net Income Per Common Share Attributable to Stepan Company (Note 18):			
Basic	<u>\$ 5.52</u>	<u>\$ 4.47</u>	<u>\$ 4.83</u>
Diluted	<u>\$ 5.45</u>	<u>\$ 4.42</u>	<u>\$ 4.76</u>
Shares Used to Compute Net Income Per Common Share Attributable to Stepan Company (Note 18):			
Basic	<u>22,949</u>	<u>23,054</u>	<u>23,022</u>
Diluted	<u>23,256</u>	<u>23,316</u>	<u>23,325</u>

Financials

Consolidated Balance Sheets, December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
ASSETS		
Current Assets	\$ 905,651	\$ 818,789
Property, Plant & Equipment, Net	682,667	639,317
Other Assets	164,018	121,261
Total Assets	<u>\$ 1,752,336</u>	<u>\$ 1,579,367</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 416,554	\$ 339,114
Deferred Income Taxes	20,745	23,391
Long-term Debt	160,812	198,532
Other Non-current Liabilities	165,860	125,834
Total Stepan Company Stockholders' Equity	986,693	891,783
Noncontrolling Interest	1,672	713
Total Liabilities and Stockholders' Equity	<u>\$ 1,752,336</u>	<u>\$ 1,579,367</u>

Financials

2020 and 2019 Reconciliations of Non-GAAP Adjusted Net Income and Adjusted Diluted Earnings per Share

(\$ in thousands, except per share amounts)	Three Months Ended December 31				Twelve Months Ended December 31			
	2020	EPS	2019	EPS	2020	EPS	2019	EPS
Net Income Reported	\$ 30,350	\$ 1.30	\$ 22,038	\$ 0.95	\$ 126,770	\$ 5.45	\$ 103,129	\$ 4.42
Deferred Compensation (Income) Expense	\$ 2,312	\$ 0.10	\$ 1,465	\$ 0.06	\$ 4,004	\$ 0.17	\$ 7,947	\$ 0.34
Business Restructuring Expense	\$ 379	\$ 0.02	\$ 806	\$ 0.04	\$ 905	\$ 0.04	\$ 2,005	\$ 0.09
Cash-Settled SARs (Income) Expense	\$ 79	\$ 0.00	\$ 325	\$ 0.01	\$ 335	\$ 0.02	\$ 2,090	\$ 0.09
Environmental Remediation Expense	\$ -	\$ -	\$ 1,058	\$ 0.04	\$ -	\$ -	\$ 3,268	\$ 0.14
Voluntary Debt Prepayment Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 948	\$ 0.04
Adjusted Net Income	<u>\$ 33,120</u>	<u>\$ 1.42</u>	<u>\$ 25,692</u>	<u>\$ 1.10</u>	<u>\$ 132,014</u>	<u>\$ 5.68</u>	<u>\$ 119,387</u>	<u>\$ 5.12</u>

All amounts in this table are presented after-tax

The Company believes that certain measures that are not in accordance with generally accepted accounting principles (GAAP), when presented in conjunction with comparable GAAP measures, are useful for evaluating the Company's performance and financial condition and provide better clarity on the impact of non-operational items. Internally, the Company uses this non-GAAP information as an indicator of business performance and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, and are neither a substitute for, nor superior to, measures of financial performance prepared in accordance with GAAP. The Company's definitions of these measures may differ from similarly titled measures used by other entities.

Financials

Adjusted Operating Income to Adjusted EBITDA

	2020				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	1,352	452	66	-	1,870
Adjusted Operating Income*	169	68	14	(69)	183
Depreciation & Amortization	49	23	6	4	82
Other**	-	-	-	(1)	(1)
Adjusted EBITDA	219	91	20	-	264
Adjusted EBITDA Margin	16.2%	20.2%	29.9%	-	14.1%

	2019				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	1,273	512	74	-	1,859
Adjusted Operating Income*	124	70	17	(59)	152
Depreciation & Amortization	48	22	5	3	79
Adjusted EBITDA	173	92	22	-	231
Adjusted EBITDA Margin	13.6%	18.0%	29.9%	-	12.4%

*Adjusted Operating Income is a non-GAAP measure. See Reported Operating Income to Adjusted Operating Income in Appendix for a GAAP reconciliation.

**Includes \$0.2 million of Other Income and \$0.9 million Minority Interest.

Financials

Reported Operating Income to Adjusted Operating Income

	2020				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Reported Operating Income	169.1	68.2	14.0	-	251.3
Cash Settled SARS	0.3	0.1	-	-	0.4
Corporate Expenses	-	-	-	(68.5)	(68.5)
Adjusted Operating Income	169.4	68.3	14.0	(68.5)	183.2

	2019				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Reported Operating Income	122.8	69.6	16.4	-	208.8
Cash Settled SARS	1.5	0.5	0.1	-	2.2
Corporate Expenses	-	-	-	(58.8)	(58.8)
Adjusted Operating Income	124.3	70.1	16.5	(58.8)	152.2

Financials

Reconciliation of Historical Non-GAAP EBITDA and EBITDA Margin, 2020 - 2015

<i>(in millions)</i>	2020	2019	2018	2017	2016	2015
Net Sales	1,869.8	1,858.7	1,993.9	1,925.0	1,766.2	1,776.2
Net Income Attributable to Stepan Company	126.8	103.1	111.1	100.8	91.0	66.0
Provision for Income Taxes	43.4	22.8	26.7	46.1	30.5	20.7
Income Before Provision for Income taxes	170.2	125.9	137.8	146.9	121.5	86.6
Interest, Net	5.4	5.9	10.8	11.4	13.2	14.5
EBIT	175.6	131.9	148.6	158.4	134.7	101.2
Depreciation & Amortization	81.9	78.7	81.1	79.0	75.0	67.0
EBITDA	257.4	210.6	229.7	237.4	209.7	168.1
Pre-tax Adjustments						
Deferred Compensation	5.3	10.5	(1.0)	(0.1)	16.1	4.8
Cash Settled SARs	0.4	2.7	(0.7)			
Business Restructuring	1.2	2.7	2.6	3.1	2.9	(0.4)
Environmental Remediation		4.3				0.4
Early Debt Repayment		1.2				
Interest Adjustment		(1.2)				
Adjusted EBITDA	264.4	230.8	230.5	240.4	228.7	172.9
Adjusted EBITDA Margin	14.1%	12.4%	11.6%	12.5%	12.9%	9.7%

Financials

Reconciliation of Non-GAAP Cash minus Debt

<i>(in millions)</i>	December 31, 2010	December 31, 2020
Cash	\$ 111.2	\$ 349.9
Debt	191.6	198.7
Cash minus Debt	\$ (80.4)	\$ 151.2

Financials

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

(\$ in thousands, except per share amounts)	Three Months Ended June 30				Six Months Ended June 30			
	2021	EPS	2020	EPS	2021	EPS	2020	EPS
Net Income Reported	\$ 43,278	\$ 1.85	\$ 35,707	\$ 1.54	\$ 83,889	\$ 3.59	\$ 63,252	\$ 2.72
Deferred Compensation (Income) Expense	\$ (1,050)	\$ (0.04)	\$ 1,938	\$ 0.08	\$ 451	\$ 0.02	\$ (920)	\$ (0.04)
Business Restructuring Expense	\$ 85	\$ 0.00	\$ 168	\$ 0.01	\$ 146	\$ 0.01	\$ 431	\$ 0.02
Cash-Settled SARs (Income) Expense	\$ (95)	\$ (0.00)	\$ 502	\$ 0.02	\$ 103	\$ 0.00	\$ (290)	\$ (0.01)
Adjusted Net Income	<u>\$ 42,218</u>	<u>\$ 1.81</u>	<u>\$ 38,315</u>	<u>\$ 1.65</u>	<u>\$ 84,589</u>	<u>\$ 3.62</u>	<u>\$ 62,473</u>	<u>\$ 2.69</u>

Reconciliation of Pre-Tax to After-Tax Adjustments

(\$ in thousands, except per share amounts)	Three Months Ended June 30				Six Months Ended June 30			
	2021	EPS	2020	EPS	2021	EPS	2020	EPS
Pre-Tax Adjustments								
Deferred Compensation (Income) Expense	\$ (1,381)		\$ 2,550		\$ 594		\$ (1,210)	
Business Restructuring Expense	\$ 114		\$ 225		\$ 195		\$ 582	
Cash-Settled SARs (Income) Expense	\$ (125)		\$ 661		\$ 136		\$ (381)	
Total Pre-Tax Adjustments	<u>\$ (1,392)</u>		<u>\$ 3,436</u>		<u>\$ 925</u>		<u>\$ (1,009)</u>	
Cumulative Tax Effect on Adjustments	\$ 332		\$ (828)		\$ (225)		\$ 230	
After-Tax Adjustments	<u>\$ (1,060)</u>	<u>\$ (0.04)</u>	<u>\$ 2,608</u>	<u>\$ 0.11</u>	<u>\$ 700</u>	<u>\$ 0.03</u>	<u>\$ (779)</u>	<u>\$ (0.03)</u>

Financials

Net Debt to Total Capitalization Ratio

(millions USD)	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Total Debt	238.9	207.9	232.6	286.8	304.4	321.4
Cash	127.1	272.9	275.3	256.7	223.8	190.4
Net Debt	111.8	(65.0)	(42.7)	30.1	80.6	131.0
Equity	1,048.8	897.4	857.7	761.2	707.3	618.9
Net Debt + Equity	1,160.6	832.4	815.0	791.3	788.0	749.9
Net Debt / (Net Debt + Equity)	10%	(8%)	(5%)	4%	10%	17%

Financials

Adjusted EBITDA Reconciliations

(\$ in millions)	1H 2021 – Quarterly Adjusted EBITDA by Segment				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	755	341	37	-	1133
Reported Operating Income	99	41	10	-39	111
Adjustments*	0	0	0	4	4
Adjusted Operating Income	99	41	10	-35	115
Depreciation & Amortization	25	15	3	2	45
Adjusted EBITDA	125	56	13	-33	160
Adjusted EBITDA Margin	16.5%	16.4%	33.6%	n/a	14.1%

*Includes \$0.2 million in Restructuring, \$0.1 million in Cash SARs to Surfactants, and \$3.7 million in deferred compensation to Corporate.

(\$ in millions)	Q2 2021 – Trailing Twelve Months Adjusted EBITDA Total Stepan
Net Sales	2,092
Subtotal Segment Reported Operating Income	286
Cash Settled SARs	1
Corporate Expenses	(73)
Consolidated Adjusted Operating Income	214
Depreciation & Amortization	87
Other*	(1)
Adjusted EBITDA	300
Adjusted EBITDA Margin	14.3%

*Includes -\$0.1 million of Other Income and -\$0.8 million Minority Interest.

Interest Expense Ratio = TTM Adjusted EBITDA / Interest Expense = 300 / 7.3 = 41x
 Net Debt / TTM Adjusted EBITDA Ratio = 111.8 / 300 = 0.37

Sources of Information and Definitions

Slide 10 and 11 – Consumer Products markets CAGR and size

- Euromonitor, Kline & Company, MarketsandMarkets Research, Grand View Research

Slide 10 and 12 – Agricultural Chemical markets CAGR and size

- AgbioInvestor, Informa Agribusiness Intelligence, Phillips McDougall

Slide 10 and 14 – Oilfield Chemical market CAGR and size

- Spears & Associates January 2021

Slide 17 – Surfactants Market

- Stepan Projections, IHS Markit, Wood Mackenzie

Slide 19 –Market CAGR and size

- MarketsandMarkets Research

Slide 21, 22, 23, 24 and 25 – Market CAGR, size and maps

- The Freedonia Group, Global Insulation, 2019

Slide 23 – U.S. Commercial Energy Code Adoption maps

- US Department of Energy

Slide 24 – Rigid Polyol European Market Trends and Green Deal Information

- Document 2018/844/EU: Energy Performance of Buildings Directive as published by the European Commission
- Document ISBN 978-92-76-13831-0: The European Green Deal as published by the European Commission
- Document SWD(2020) 550 final: A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives

Slide 25 – Rigid Polyol China Market Trend

- Cold Chain Association of China Federation of Logistics & Purchasing

Slide 30 – MCT markets CAGR and size

- DataIntel

The information contained herein is provided for informational purposes only and is not intended to be all-inclusive. The information is based on Stepan Company's own knowledge at such time it is given and on the works of others and is subject to change without prior notice. STEPAN COMPANY MAKES NO WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO INFORMATION PROVIDED HEREIN REGARDING PERFORMANCE, SAFETY, SUITABILITY, STABILITY, ACCURACY, COMPLETENESS, OR ADEQUACY.