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SCL - Q2 2017 Stepan Co Earnings Call

EVENT DATE/TIME: JULY 26, 2017 / 2:00PM GMT

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PRESENTATION

Operator

Ladies and gentlemen, thank you very much for standing by and welcome to the second quarter 2017 earnings conference call. (Operator Instructions) As a reminder, this conference is being recorded on Wednesday, July 26, 2017. I would now like to turn the conference over to Scott Beamer, Vice President and Chief Financial Officer. Please proceed, sir.

Scott D. Beamer - *Stepan Company - CFO and VP*

Hello, and thank you for joining Stepan Company's Second Quarter and First Half of 2017 Financial Review. Before we begin, please note that information in this conference call contains forward-looking statements which are not historical facts. These statements involve risk and uncertainties that could cause actual results to differ materially including, but not limited to prospects of our foreign operations, global and regional economic conditions and factors detailed in our Securities and Exchange Commission filing.

Whether you're joining us online or over the phone, we encourage you to review the investor slide presentation which we've made available at www.stepan.com under the Investor Relations section of our website. We make these slides available at approximately the same time as when the earnings release is issued, and we hope that you find the information and perspectives helpful.

Now with that, I'd like to turn the call over to F. Quinn Stepan Jr., our Chairman, President and Chief Executive Officer.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Thank you, Scott. Good morning, and thank you all for joining our call today.

The company had a good second quarter, delivering record adjusted net income and record first half of the year reported and adjusted net income. Specifically, adjusted net income was $30.9 million, up slightly from the same quarter last year. For the first half of the year, adjusted net income was $62.6 million, 4% higher than last year. The quarter benefited from an improving mix and the lower manufacturing costs within our Surfactant business. Stronger Surfactant and Specialty Products results were partially offset by a decrease in Polymer operating income. Global Rigid Polyol volume declined due to the pull-forward of North American volume into the first quarter of 2017, lost share at one customer in North America and MDI shortages in Europe. Specialty Product mix sales were up due to a combination of higher unit margins across the business and higher volumes due to the timing of orders in our flavor business. Despite some challenges, earnings were up slightly versus last year. The quarter benefited from our diversification strategy, increased productivity and improved margins within our Surfactant and Specialty businesses. Rising raw material costs and increased competitive pressure contributed to a disappointing quarter for our Polymer business.

The global market for rigid polyol continues to be strong. As announced in June, we reached an agreement with BASF to acquire its Surfactant production facility in Ecatepec, Mexico, and a portion of its associated Surfactant business. The facility is located close to Mexico City and has over 50,000 metric tons of capacity, warehouse space, a large laboratory and an office space to where we will relocate our regional leadership group. The definitive agreement is subject to closing conditions and the satisfaction of certain other requirement. The transaction is expected to close in the fourth quarter of 2017 and is expected to have minimal impact on our 2017 financial results. We believe this acquisition significantly enhances our market position and supply capabilities for Surfactants in Mexico and positions us to grow in both the consumer and functional markets for Surfactants.

Our balance sheet remains strong as our net debt to total capitalization ratio further declined to 10% at quarter-end. Our Board of Directors declared a quarterly cash dividend on Stepan's common stock of $0.205 per share payable on August 31, 2017.

At this point, I would like Scott to walk through a few more details about our second quarter results.

Scott D. Beamer - *Stepan Company - CFO and VP*

Thank you, Quinn. My comments will generally follow the slide presentation and let's start with Slide #4, which recaps the quarter.

As Quinn stated, adjusted net income for the second quarter was a record $30.9 million or $1.32 per diluted share. In addition, adjusted net income for the first half of 2017 was $62.6 million or $2.68 per diluted share. This was the highest-ever first half earnings for the company. Because adjusted net income is a non-GAAP measure, we provide full reconciliations for the comparable GAAP figures, and these can be found in Appendix 2 of the presentation and Table 2 of the press release.

Specifically regarding adjustments to reported net income, this quarter included deferred compensation expense of $2.5 million or $0.11 per diluted share compared to deferred compensation expense of $1.4 million or $0.06 per diluted share in the same period last year.

Naturally, all employee compensation expenses are reflected in our normal operating income. However, we allow employees the opportunity to defer their incentive payout until some future date and the future payment changes based on the company's stock price. When the stock price increases, expense is generated as we mark the liability to its market value. Because the future liability of employee compensation only changes consistently with the change in stock price, we exclude this item from our operational discussion.

The second quarter 2017 results also include business restructuring charges related to 2 of our plants. The current year quarter includes $300,000 of after-tax decommissioning expenses related to the Canadian plant closure which was announced in 2016, and $200,000 of after-tax severance payments attributable to cost reduction efforts at our Singapore plant.

The second quarter of 2016 included $800,000 of after-tax severance expense related to the Canadian plant close.

For decommissioning, we record the expenses as incurred and we expect an additional $450,000 of after-tax decommissioning expense in the second half of 2017.

Slide #5 shows the total company earnings bridge for the second quarter compared to last year's second quarter and breaks down the change in net -- adjusted net income. Because this is net income, the figures here are noted after the effective taxes. We'll cover each segment in more detail, but Surfactants and Specialty Products were up while Polymers was down versus the prior year.

The All Other category primarily represents a decrease in interest expense as a result of scheduled repayments on long-term debt and slightly lower corporate expenses as compared to the second quarter of 2016. The effective tax rate was 27% for the first half of 2017 compared to 29% for the first half of 2016. This decrease was primarily attributable to higher tax benefit derived from stock-based compensation awards exercised or distributed in the first half of 2017 versus 2016, as we had more of this activity in 2017. The results of an unfavorable foreign tax audit settlement recorded in 2016, that did not recur in 2017.

We believe that our 2017 full year effective tax rate will be between 26% and 28%, which is 200 basis points lower than previously expected. This is primarily due to the tax benefits from the stock-based compensation awards, just mentioned, which were exercised or distributed in the first half of 2017.

Our discussion on Slide #6 focuses solely on the results of the Surfactant segment for the second quarter. Surfactant net sales were $329.3 million, up 10% from the same quarter a year ago. Prices were 15% higher due to the pass-through of certain higher raw material costs. Sales volumes were down 3% mainly due to lower consumer product commodity demand. The negative translation impact of a stronger U.S. dollar lowered net sales by 2%. Conversely, volumes increase in higher-value, strategically-important areas such as agriculture, oilfield and household, industrial and institutional, or HI&I. The segment delivered $31.0 million of operating income, a 14% increase over the prior year quarter, mainly driven by the improved mix, which I just mentioned, and lower manufacturing costs, mostly from the prior plant closures in Canada and Brazil.

In the bridge, we show North America and Asia in the same category because our merchant Surfactant business in Asia is relatively small, and much of the Surfactant production in the region is used to support business in the U.S. North America was positively impacted by higher agriculture, oilfield and HI&I volumes as well as savings from the Canadian plant shutdown. The increase was partially offset by lower consumer product commodity sales volume compared to the same period last year. Latin America results were up slightly due to the Tebras/PBC acquisition as well as savings related to the shutdown of the Bahia site in Brazil. European results were slight -- were up slightly year-over-year due to the favorable product mix results and lower commodity demand in the region.

Now turning to Polymers on Slide 7. Net sales were $141.2 million, up 5% from the same quarter a year ago. A 12% increase in selling prices was associated with higher raw material costs. Volume was down 7%, primarily due to the Global Rigid Polyol and phthalic anhydride volumes, which was partially offset by higher specialty polyol volumes. Foreign exchange translation positively impacted net sales by $300,000.

Operating income was $21.3 million, down $31 million -- down from $31.0 million from the same quarter last year. This decrease was primarily due to higher raw material cost and lower volumes during the quarter. North America and rigid polyol volumes declined for the -- some specific reasons. These were pull-forward of North America volume into the first quarter of 2017, lost share at one customer in North America and MDI shortages in Europe. Our customers react to MDI made by other with our polyol to make insulation. In the long-term, we continue to expect growing demand due to increased insulation standards, energy conservation efforts globally and growth in construction. In fact, overall, this market grew approximately 6% to 8% during the quarter. Our specialty polyol volumes increased 18%, supported by our recent capacity addition in Poland.

North America and Europe polyol results were negatively impacted by higher raw material cost during the quarter, whereby the impact in North America was more significant. While 90% of our polymer's raw material cost are based on petroleum, there are individual markets for various petroleum derivatives. Diethylene glycol or DEG is a petroleum derivative and a key raw material for our polyol. For DEG, the market tightened in Q2, and our cost increased significantly. Margins in Europe improved sequentially from the first quarter of 2017. As mentioned last quarter, we expected some continued margin pressure during the second quarter, but we are optimistic that we'll make some progress on improving our margins in the second half of 2017 following peak margin levels in 2016.

In China, the results were negatively impacted by higher plant operating costs, which were partially offset by higher export shipments. Phthalic anhydride results decreased over prior year due to a 16% reduction in sales volume due to a second quarter 2016 sale to a coproducer, which did not recur.

Now Quinn will cover Slide 9 to update our path for further increasing shareholder value.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Thank you, Scott. After achieving record first half net income, we remain optimistic about the balance of the year. We believe that our diversification effort and enhanced internally efficiencies should continue to positively impact the remainder of 2017. During the quarter, we further increased asset utilization across several product lines. The transfer of production from our Canadian site to our Millsdale site is complete and on track to deliver $2.6 million during the second half of the year. We expect to save $800,000 as a result of the consolidation of Bahia sulfonation volumes into our Vespasiano plant, and $200,000 due to the restructuring actions taken at our Singapore plant in the second half of the year.

We will continue to examine our asset base for opportunities to further optimize and improve our production capacity and more efficiently serve our customers around the world. Despite the quarterly decline in our volume, the Global Rigid Polyol market remains strong, driven by increased insulation standards and growth in construction. Projects to enhance polyol production for the rigid insulation market at our Millsdale and Wesseling sites are underway. Production from our new specialty polyol reactor in Poland, which began production last fall, contributed to the 18% increase in global specialty polyol volume during the quarter. A new specialty polyol reactor in Columbus, Georgia, should start production later this year. For the full year, we expect company capital expenditures to be between $95 million and $105 million, which is slightly lower than our previous expectation.

We are committed to deliver profitable volume growth in new geographies, CASE polyol, functional Surfactants and Tier 2, Tier 3 consumer product customer. We continue to make inroads in hydraulic fracking with new Surfactant technologies as the oil market slowly recovers. Our acquisition of Tebras/PBC is ahead of plan. Our intention to acquire a Surfactant plant in Mexico later this year supports the company's growth strategy in Latin America.

Our operational efficiency program drive continues to help our company reduce costs, improve margins and increase the capacity of our production assets. We remain on track to achieve $15 million of pretax-cash cost out for the full year. Although competitive activity in North America will persist, our Polymer business should benefit from the partial recovery of higher raw material costs and lower manufacturing costs in the second half. Our path to increase shareholder value should continue to advance, and we believe earnings for the year should grow.

This concludes our prepared remarks. At this time, we would like to turn the call over for questions. Emma, please review the instructions for the question portion on today's call. Emma?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Our first question comes from the line of Mike Harrison from Seaport Global Securities.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

I wanted to start off by asking about the issues that you were talking about in the polymers business in Europe. In terms of this MDI shortage, did that potentially create some pent-up demand for polyols in Europe? Or are those just going to be lost sales? I guess, the way I'm thinking about it is, if there's no other material that can be used, maybe some of your customers were -- are working down inventories that they'll have to replenish, or is there a situation where they could use a substitute material and these sales aren't going to recover?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes. I think, Mike, there was some substitution but -- and some inventory reductions by our customers. At this point in time, we do anticipate growth in our European business Q3 of 2017 versus 2016, but not a large swing in volume due to the MDI shortfall.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right. And then looking at the North America side of the polymers business. You mentioned losing some share with a customer. Can you give us some color on what's going on there?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes. I think we've this -- the market is growing. It's an attractive market with some tailwinds associated with it. We've seen some increased competitive activity in the marketplace. Again -- most importantly, overall, the market continues to grow. We do believe that our business in the second half of this year will be equal or greater than our business in the second half of the year, benefiting from increased volumes, sequentially improved margins and lower manufacturing costs.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right. And then looking at the PA business and the decline there. If we normalized for what sounds like it was a onetime sale in the prior year, were volumes up in the PA business? And then I was also hoping if you could comment on the pricing environment for phthalic anhydride. I know if we go back a year or 2 that there were some interesting competitive dynamics going on in the pricing environment there.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes. I would say, if we normalize the business, our volumes would be down slightly. And as we look at the pricing environment, I would say it remains a good competitive environment. The margins are up slightly year-over-year, in part due to a changing customer mix.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right. And then just looking over at the Surfactant side of the business, I guess I was wondering if you could comment on the stronger household, industrial and institutional business. Is that new-product driven? Or can you give any other color on what's been driving the strength there?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

We've seen some strength at a couple of our large e-customers in that segment, and then we also have some increased penetration and expanding product portfolio at some of our smaller Tier 2 and Tier 3 accounts.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

So is that something you think would be sustainable into the second half and into 2018?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

You know -- yes. I believe that business is positioned for growth globally for us and will benefit from the Tebras acquisition as well down in the Brazil.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right, and then last question and I'll get back in queue. But just wondering if you could talk a little bit -- give us a little more of a window into pricing versus raw material dynamics in that Polymers segment. Is Q2 really going to be the worst of the year-on-year margin declines? And then we should think about it as Q3 maybe still lower year-on-year, but not quite as bad, and then maybe some improvement as we get into Q4? Can you just give us a sense of what the cadence might look like there?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes. And again, pricing is a dynamic issue and there is mix changes and there are always competitive activity in any marketplace. But from where we see it today, sequentially, Q2 versus Q3 the margin should improve. And we would anticipate diethylene glycol potentially decreasing in price in the fourth quarter and that may also provide some pricing relief in Q4 versus Q3. So generally we anticipate recapturing part of the margins that we've lost in Q2.

Operator

Our next question comes from the line of David Stratton from Great Lakes Review.

David Michael Stratton - *Great Lakes Review - Research Analyst*

To follow up on the last one. What -- we talked about the price increases that you were trying to squeeze in are taking effect in April. What are we seeing there as far as the ability and the competitive advantage -- competitive landscape that you just mentioned. What are you seeing from competitors? Are they still holding back on raising prices also? And -- just more color around that would be more helpful.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes. Generally speaking, it's a little bit of a mixed bag. We have seen price movement from a few competitors and others are not moving today. For the most part, given the magnitude of the raw material increase, we are seeing prices trend up in Q3 and would anticipate, again, raw material help in Q4.

David Michael Stratton - *Great Lakes Review - Research Analyst*

All right. And then when you look at your Tier 2 and Tier 3 customers that you're trying to pursue in the Brazil area, how is that shaping up? Are you making the progress you intended? Any information there would be helpful.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes, we're pretty excited about the acquisition and the progress that we're making today. Since the acquisition, we have increased the number of customers who are buying multiple products from that entity and we've increased the number of customers buying multiple products by 50% versus the total acquired customer base. So we're tracking that as a key metric in the acquisition, and we are selling a broader basket of products to those customers and are pleased with the progress.

Operator

(Operator Instructions) Our next question comes from the line of Curt Siegmeyer from KeyBanc Capital Markets.

Curtis Alan Siegmeyer - *KeyBanc Capital Markets Inc., Research Division - Associate*

Just a follow-up on the Polymer business. You talked about the raw material recovery that you expect. Probably more of a 4Q phenomenon than 3Q. Is what you saw in 2Q, in terms of the year-over-year decline in op income, has that kind of put you in too big of a hole to expect to be able to grow earnings in that business this year? Or do you think once the raw material kind of price cost stabilizes by 4Q, we should be able to maybe pencil in some growth once that balances out?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

You know what I said earlier is that we anticipate having our second half of the year be greater than 2016 in this business. At this point in time, we would not anticipate being able to make up this complete shortfall in the business.

Curtis Alan Siegmeyer - *KeyBanc Capital Markets Inc., Research Division - Associate*

Okay. So second half should be up year-over-year though from '16? That's what you said?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

On or around. Yes, that is -- Curt, that's our commitment.

Curtis Alan Siegmeyer - *KeyBanc Capital Markets Inc., Research Division - Associate*

Got it. Okay. And then just on Surfactants. Can you just provide a little more color of the $3.8 million in op income growth in that business that you saw in the quarter? How much of that was driven by the lower manufacturing costs?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Give me a second here. And I'm done looking at Scott. What was the number that we quoted for the bi-year. Was it -- I would say it's less than $1 million, I think is a good way to say that.

Scott D. Beamer - *Stepan Company - CFO and VP*

Yes, yes., I think of the total, Curt, yes, less than $1 million dollars. I'm talking about a $4 million improvement. Think of manufacturing as being $1 million, certainly less than $0.5 million.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes. Less than $1 million.

Curtis Alan Siegmeyer - *KeyBanc Capital Markets Inc., Research Division - Associate*

And that's a good run rate to assume by quarter going forward then?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

We may correct that.

Scott D. Beamer - *Stepan Company - CFO and VP*

It's less than $0.5 million. The 2 -- together with our Canadian consolidation and the Bahia Brazil plant closure, those 2 together are less than $2 million of the $4 million.

Operator

Our next question comes from the line of Chris Meeker from Franklin Templeton.

Christopher Morrison Meeker - *Franklin Advisory Services, LLC - Research Analyst*

I had 2 questions here. Can you just provide some color around what the Mexican Surfactant market looks like? What's the attractiveness of the BASF asset that you bought down there? What makes that a more kind of attractive Surfactant market than, say, North America?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Well, one, we have a relatively minor position in the Mexican market today. Our plant is located closer to the Mexican border in Matamoros versus the Ecatepec site, which is very near, just outside of Mexico City. So it's much closer to the Mexican customer base. So we believe that it's an attractive site from which we can call on and serve not only the large multinational customers that are in that region, but also the smaller Tier 2 and Tier 3 consumer product customers as well as some functional customers that are down in that area. But geographically, their location is more attractive than ours and being in Matamoros has been a barrier to us growing our business down in that region for some time. With a large growing middle-class in Mexico, the trend is favorable in terms of just the overall market growth versus that in The United States today. So a faster growing market and an opportunity to better serve the customers from preferred geographic region, are things that are attractive to us.

Christopher Morrison Meeker - *Franklin Advisory Services, LLC - Research Analyst*

Okay. So the Surfactants will skew more toward the consumer product, but because of that growing middle-class you don't have the same volume dynamics that you do here in North America?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes, the -- yes, that's correct. The business that we're acquiring I would say is probably more personal care-driven than laundry-driven at this point.

Scott D. Beamer - *Stepan Company - CFO and VP*

Which -- and both call within our consumer products.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes, and then we would look to -- and again, continue this diversification strategy and introduce some functional product capabilities at the site as well.

Christopher Morrison Meeker - *Franklin Advisory Services, LLC - Research Analyst*

Okay. And then you said 50,000 tons per year, What -- if you can remind me, what percentage of that is your total Surfactant global capacity?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

I mean it's the speck of sand on the -- in the ocean.

Scott D. Beamer - *Stepan Company - CFO and VP*

Acknowledging the result.

Christopher Morrison Meeker - *Franklin Advisory Services, LLC - Research Analyst*

Okay. And then just my second question, just looking at the Surfactants business in total, what do we need to see for that volume to turn positive? Is it growing outside of the North American market, so you get away from the commodity laundry? Or what are we cheering for? What makes that volume go positive?

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Certainly there is growing demands in the developing and emerging regions of the world. And the -- as the market evolve from powders to -- from bars to powders to liquids, the market for commodity surfactants will grow. A big part of our strategy though is again to utilize that, where we have an existing asset, to help base load and provide economies of scale. But a key driver for us is the continued diversification of that customer base and not being as dependent on the commodity products as we were in the past.

Operator

(Operator Instructions) Our next question comes from the line of Mike Harrison from Seaport Global Securities.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

Just a couple more from me. It sounds like the specialty polymers business was doing quite well. You mentioned the Poland plant that's up and running now and was driving a lot of that volume growth, and then mentioned, also, the Georgia plant that's coming on in the remainder of this year. Can you just give us a better sense of kind of how that market is evolving and how your growth efforts are gaining traction relative to your expectations?

Scott D. Beamer - *Stepan Company - CFO and VP*

Sure. So I would say Stepan has a relatively small percentage of the global CASE marketplace today, and so we are getting pull-through effects from various customers on a global basis that is helping us to grow the volumes. We developed some -- we have new -- some technology we were -- are in the process of developing modifications in the next generation of those, which is getting a little bit of traction at this point in the marketplace, also helping us to grow. So I'd say, relatively small here today. You've got technical expertise that is similar to our rigid technical expertise, that's allowing us to have constructive conversations with customers in the marketplace. And we're growing off a relatively small base today as well. So the 18% growth rate, which we quoted is good, it's attractive and I would say, quite frankly, is a little bit below our plan in Poland today. And so we're looking for our -- towards our new reactor capabilities in Georgia to help kind of continue momentum in the area though.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right. Great. And then you mentioned within functional Surfactants that both Ag and oilfield were better. Clearly those markets have recovered a little bit from where we were last year. But can you just update us specific to the oilfield business? Give us an update on your efforts there following the dissolution of the TIORCO joint venture.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Yes. So the growth that we're experiencing today, I would say, none of that is in enhanced oil recovery. The price of oil is still, really, too low to have EOR Surfactant technology be attractive. So we would have to see sustained prices, probably north of $60 per barrel, for that market to be interesting again, and could be a slightly higher depending on the volatility of oil. So the growth that we're seeing today is in production chemicals and also in fracking. And again, good, good growth, profitable growth that we've seen in that phase today. Again from a relatively small base, but we're encouraged by the reception we're getting in the marketplace.

Michael Joseph Harrison - *Seaport Global Securities LLC, Research Division - MD & Senior Chemicals Analyst*

All right. And then the last one from me is on the Specialty segment. The margin improvement there, obviously, we've seen some very choppy performance out of that business. But is this margin that we saw this quarter a high watermark forever? Or should we kind of look at the weakness last quarter combined with the strength of this quarter? You know it nets out, call it a mid-teens operating margin. Is that sort of the sustainable rate going forward?

Scott D. Beamer - *Stepan Company - CFO and VP*

Yes. I would look at the average first half -- average between the 2 quarters is a more indicative opportunity going forward. Margins will probably be a little bit less in Q2. And so -- in the second half, I'm sorry. In the second half of the year. So I would average the two and then say, it's probably a little bit less based on the timing of orders that we've had in that space. Overall margins for the year will be up.

Operator

Mr. Quinn Stepan, Jr., there are no more questions at this time. I'll turn the call back to you, once again, to continue or for your closing remarks.

F. Quinn Stepan - *Stepan Company - Chairman, CEO and President*

Thank you very much for joining us on today's call. We appreciate your interest and ownership in Stepan Company. We look forward to reporting to you on our third quarter 2017 call. Thank you very much. Have a great day.

Operator

Thank you, sir. Ladies and gentlemen, that does conclude the conference call for today. We thank you all for your participation and ask that you please disconnect your lines. Thank you, once again. Have a great day.
