



# WORKING TOGETHER FOR A SAFER, CLEANER WORLD

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

**\$3B**  
MARKET CAP

**~4X**  
versus 2009

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

## Stepan Highlights:

**\$1.9 billion in net sales**

Three reportable segments

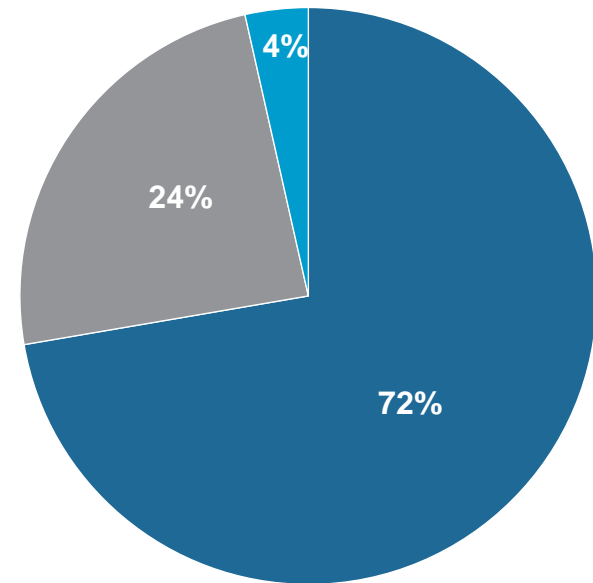
60% of annual net sales tied to non-cyclical markets

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

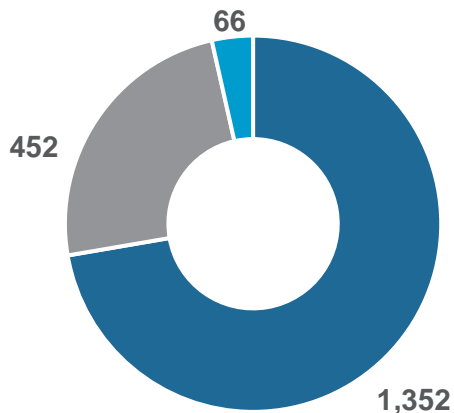
A leading manufacturer of polyester polyols, specialty polyols (CASE) and phthalic anhydride (P.A.). Polyester Polyols are used in insulation and offer sustainability advantages and significant energy savings



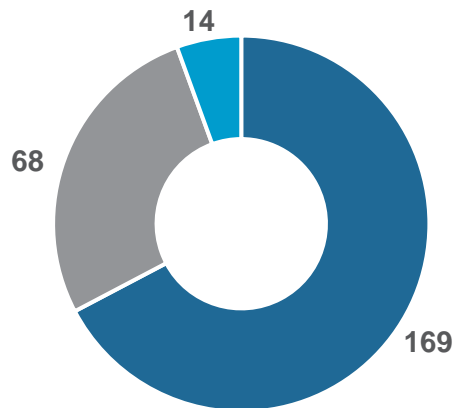
### SPECIALTY PRODUCTS

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

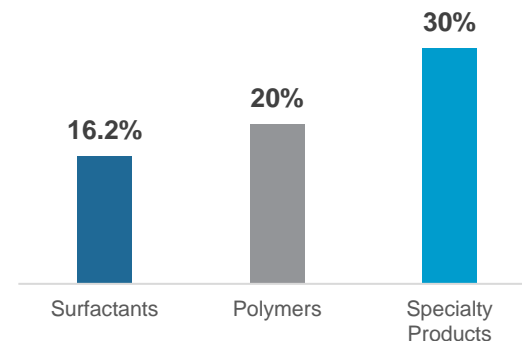
### Net Sales (\$ MM)



### Operating Income (\$ MM)

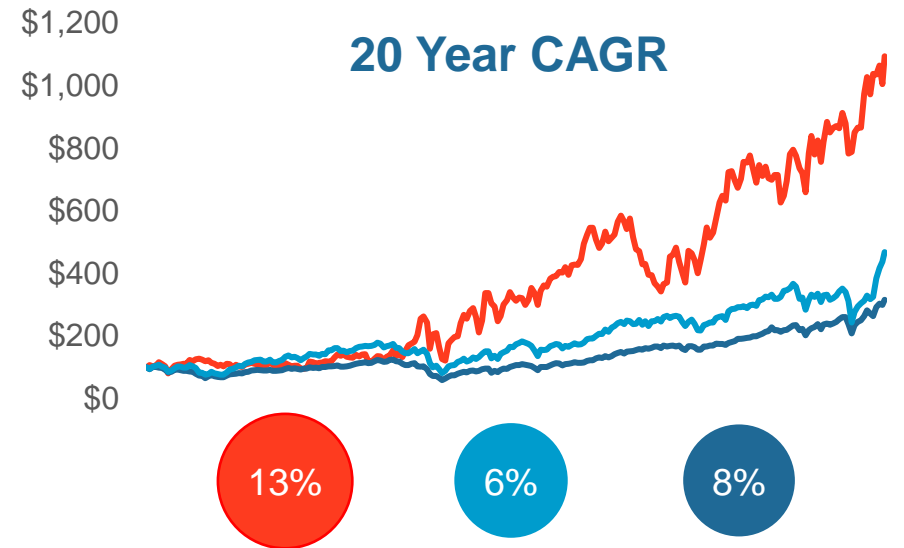
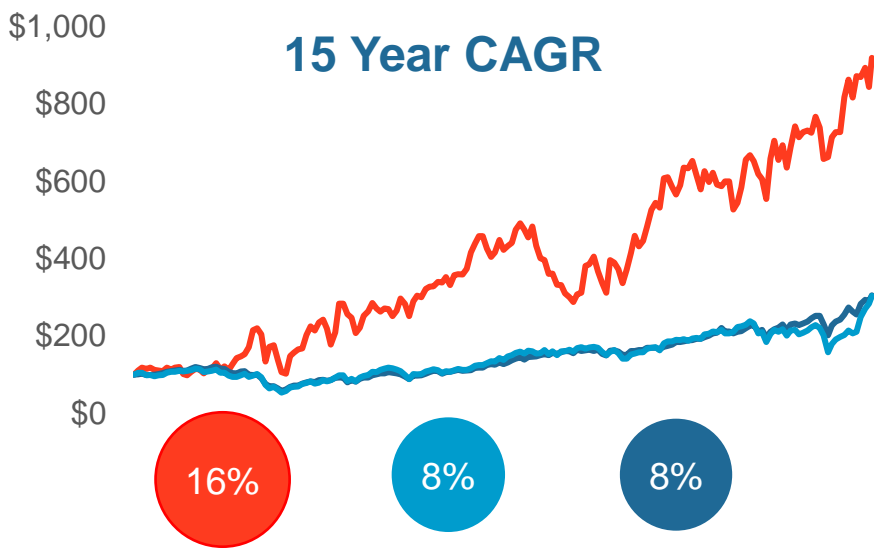
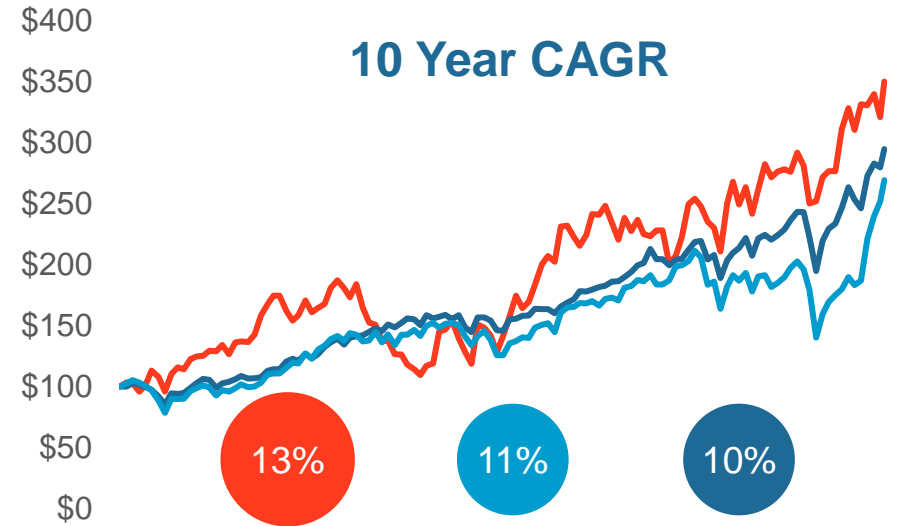
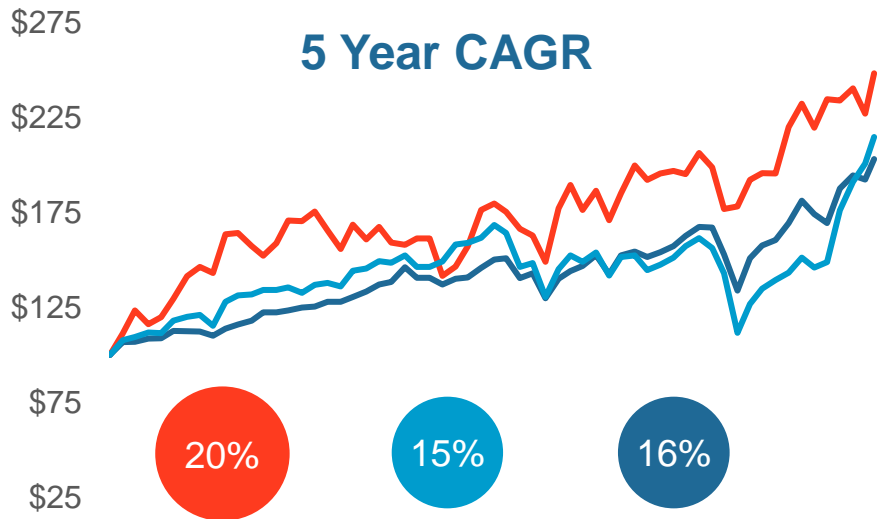


### EBITDA Margin\*



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

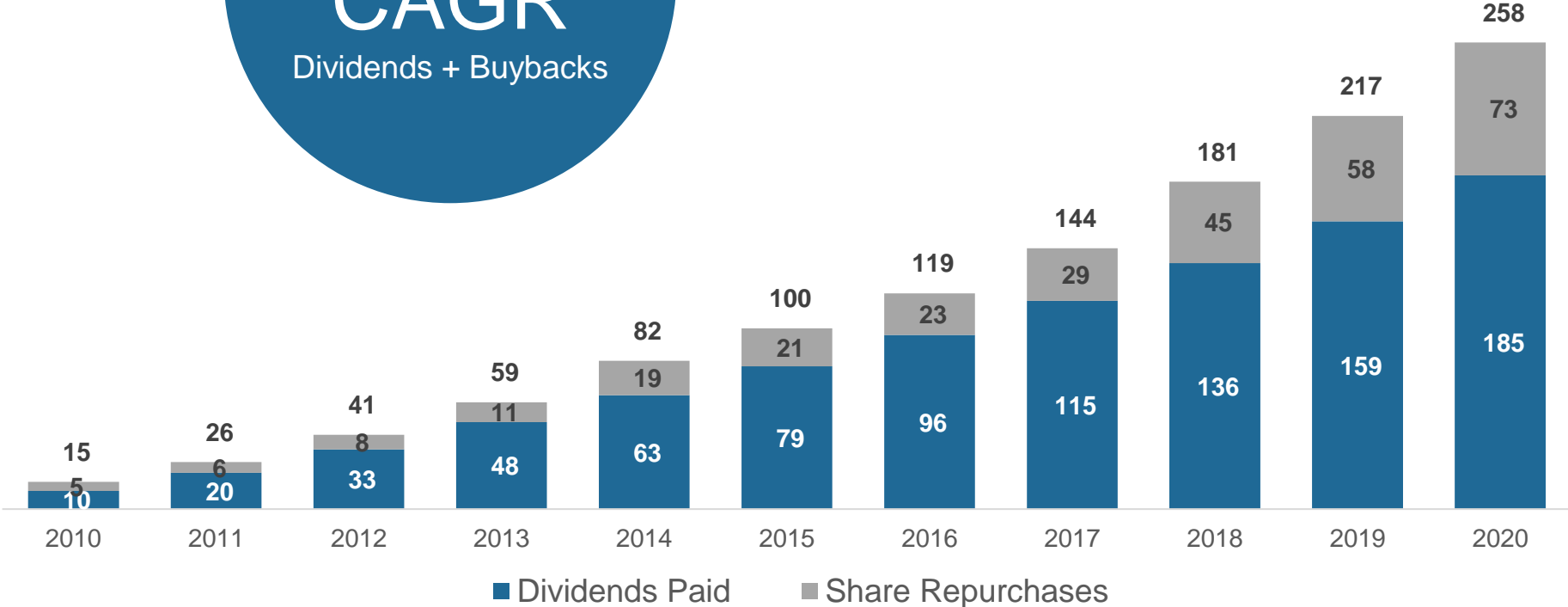
# Superior Shareholder Returns



● Stepan Co. ● S&P 500 ● Russell 2000

# Cash Returned to Shareholders

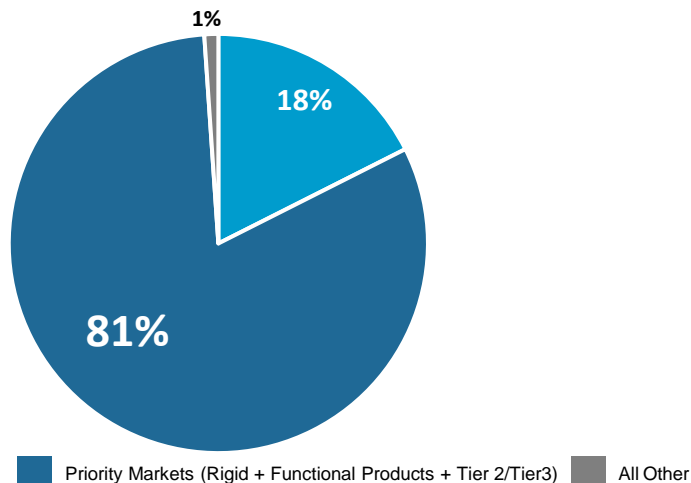
**+13%  
CAGR**  
Dividends + Buybacks



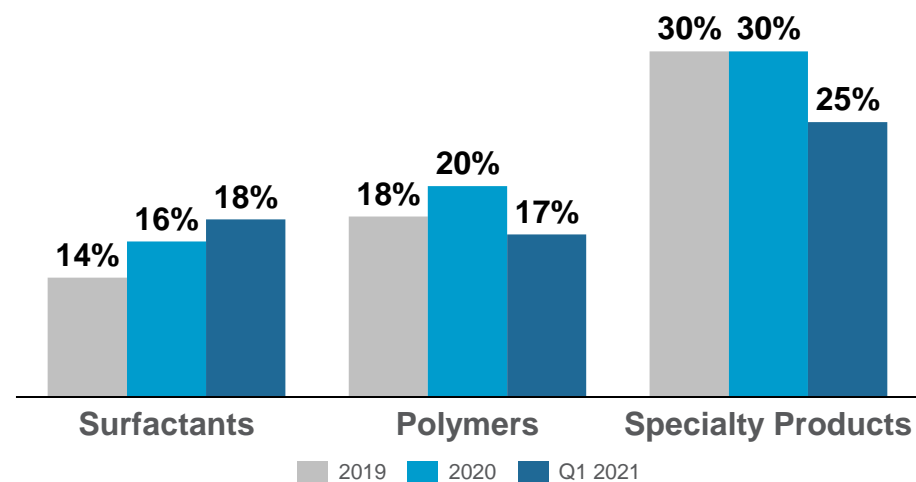
Cumulative Cash Returned to Shareholders (\$ Millions)

# Journey to a Specialty Chemical Company

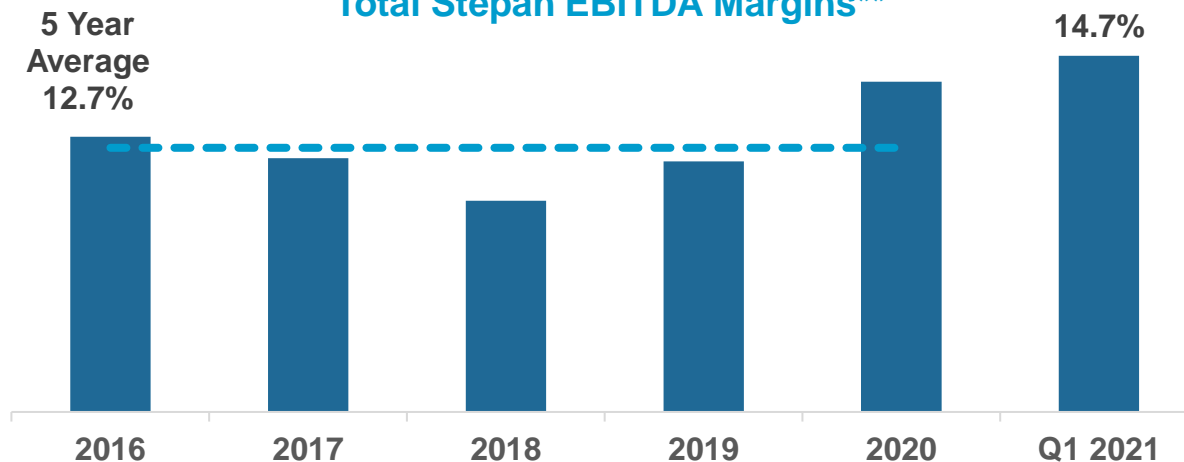
## Diversification - Market Operating Income



## 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

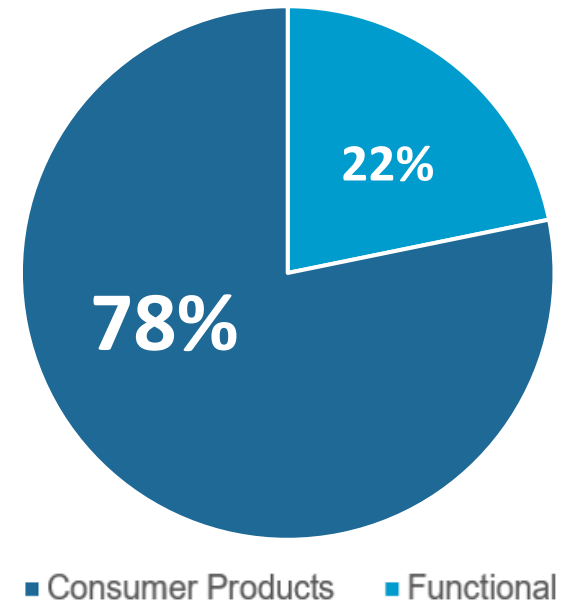
**Market Diversification:** Grow share in Agricultural and Oilfield Chemicals

**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



# Key Market Needs and Stepan's Solutions

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

\* 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

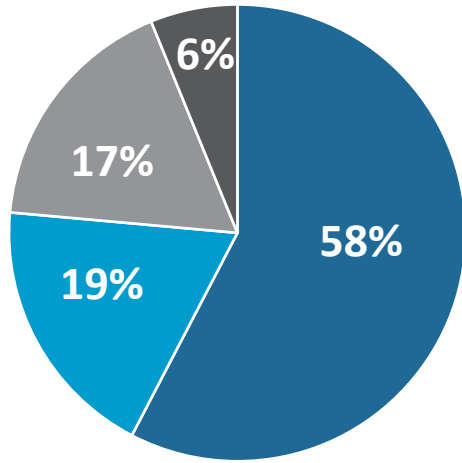
Primary Uses:

- Food

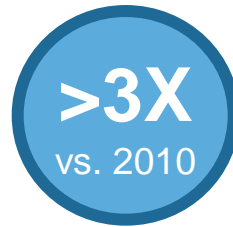
# Agricultural Chemicals At Stepan

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

Sales by Region

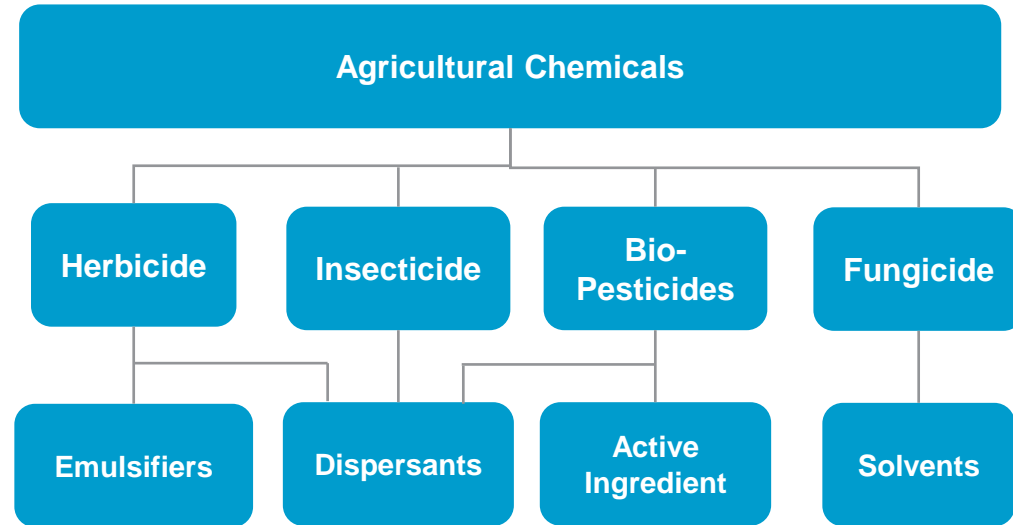


Sales Growth



■ North America ■ Europe ■ Latin America ■ Asia

## Agricultural Chemicals



## 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



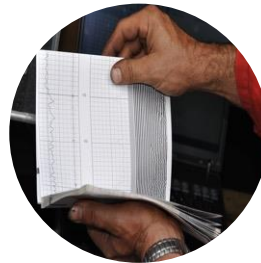
## Registered Biocides

- 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

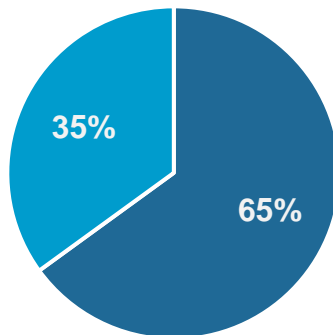
- We will begin to **reintroduce KMCO products in the market in H2 2021.**
- Demulsifier intermediates help service companies **deliver consistent field performance** with their formulated products
- Address the dehydration and desalting requirements of crude oils
- Continue to develop demulsifier field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

## Partner with Global Tier 1 Customers



### Surfactant Customer Mix:

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

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

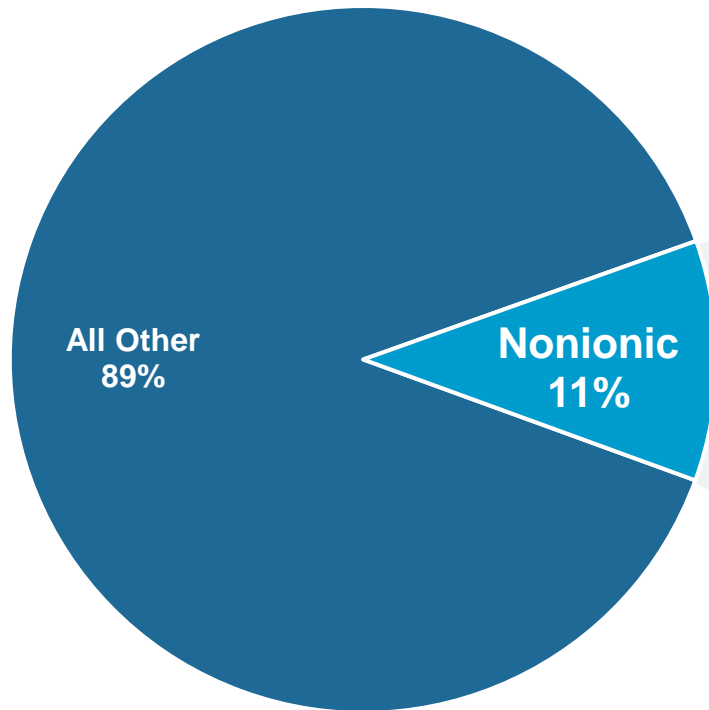
**Tier 2 / Tier 3 Consumer Products Volume Grew 18% in 2020**



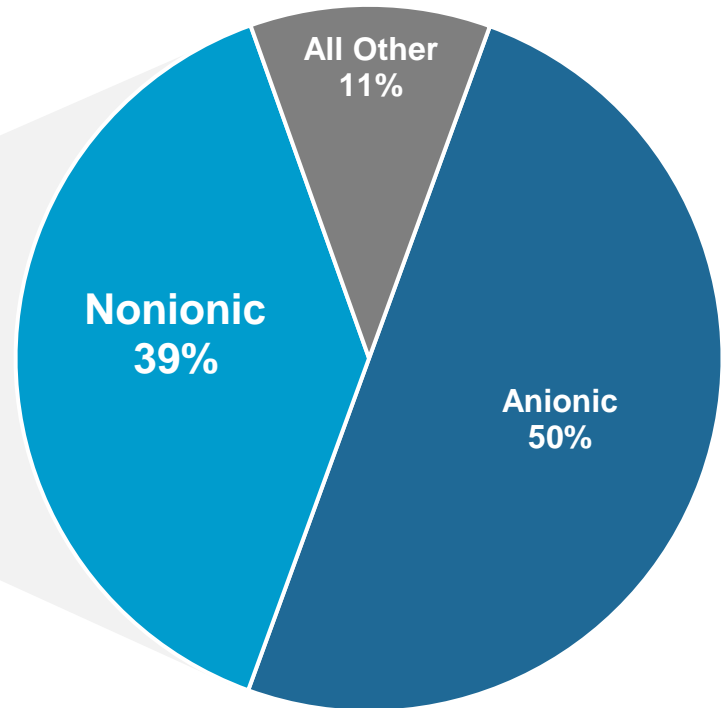
# Surfactant Innovation: Room for Growth

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

### 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

### Innovation / R&D

- Process Enhancement Partnerships: Validation, Optimization, Productivity

### Product Supply

- US EPA Active Ingredient Registrations for Agriculture Applications in Progress



# 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

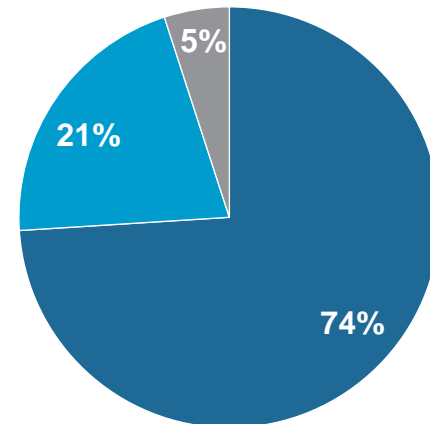
**Operational Excellence:** Complete strategic projects to increase capacity and manufacture at a lower cost

**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

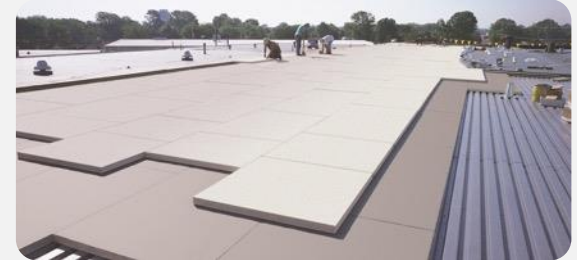
Developing next generation polyols to meet increasing energy conservation efforts and regulatory requirements

# \$28B

MARKET SIZE

# 4-5%

MARKET CAGR



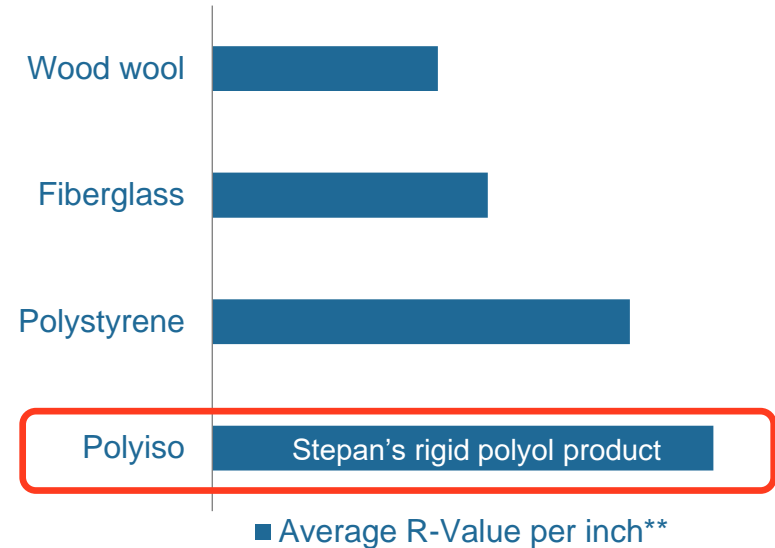
## Opportunity:

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

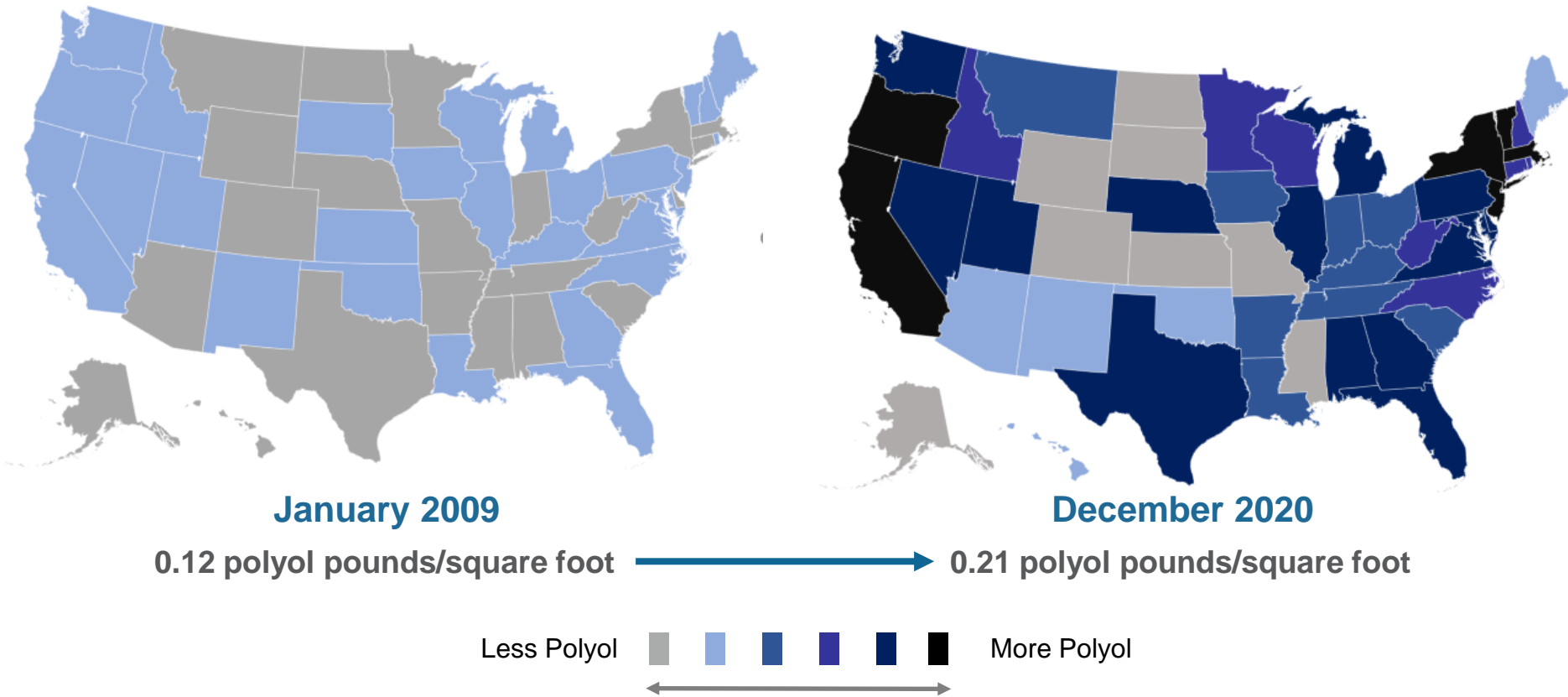


\*\*R-Value = measures the effectiveness of insulating materials; a higher R-value represents greater insulation performance

# 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:

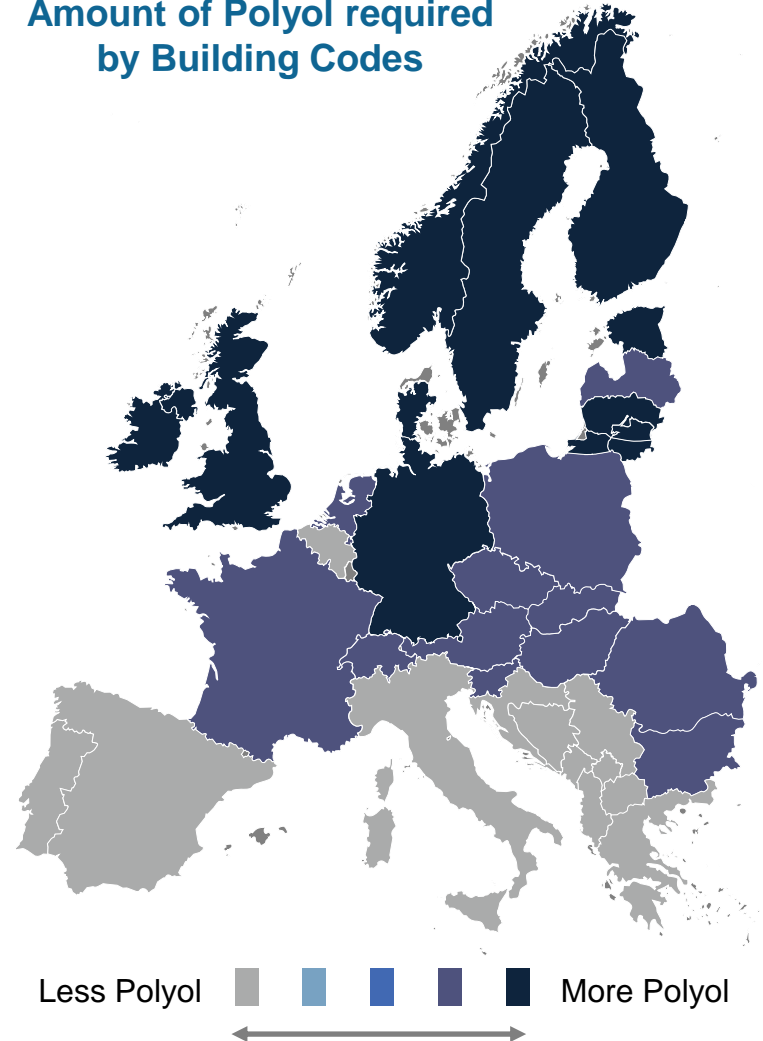
The revised Energy Performance of Buildings Directive requires **low and zero-emission building stock in the EU by 2050** underpinned by national roadmaps to decarbonize buildings

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 / M<sup>2</sup>  
( Year 2017 )



1.6 Kg Polyol / M<sup>2</sup>  
( 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

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

## 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)

# 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



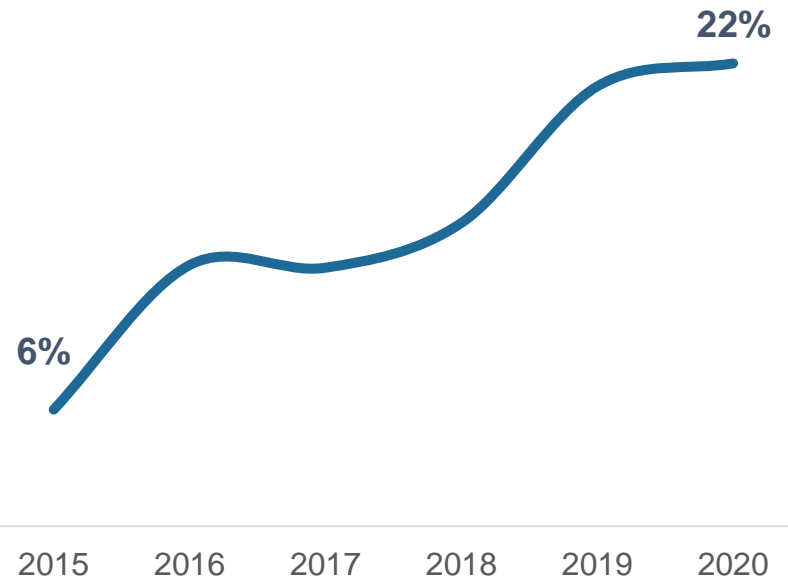
## Strategic Priorities:

**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:

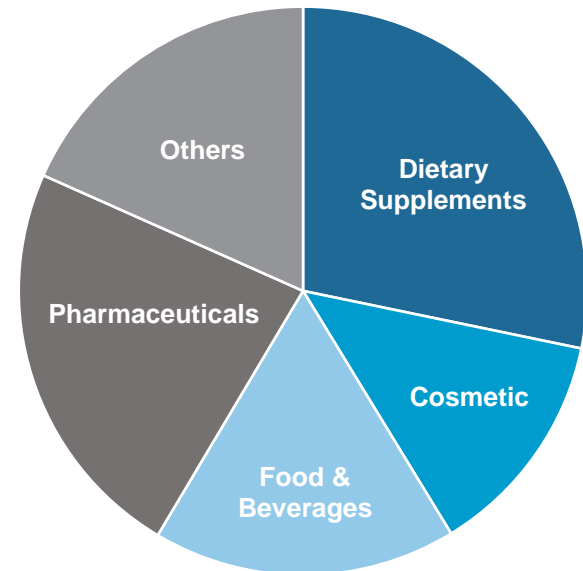
Partner with customers to drive mutual success and value-added solutions

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

## Stepan Products



- Agriculture productivity
- Spray drift reduction
- Cold storage



- Hygiene
- Wellness
- Sanitation



- Sanitation
- Biocides
- Algaecides



- Insulation
- Bio-based
- Lightweighting
- High active
- Renewable energy

## Stepan Operations & Sourcing



- Bio-based
- Bio-renewable
- Recycled content
- High active

**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 Paulo, Brazil

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

- Sustainability, Agriculture,  
Personal Care,  
Oilfield & Polyols

**\$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

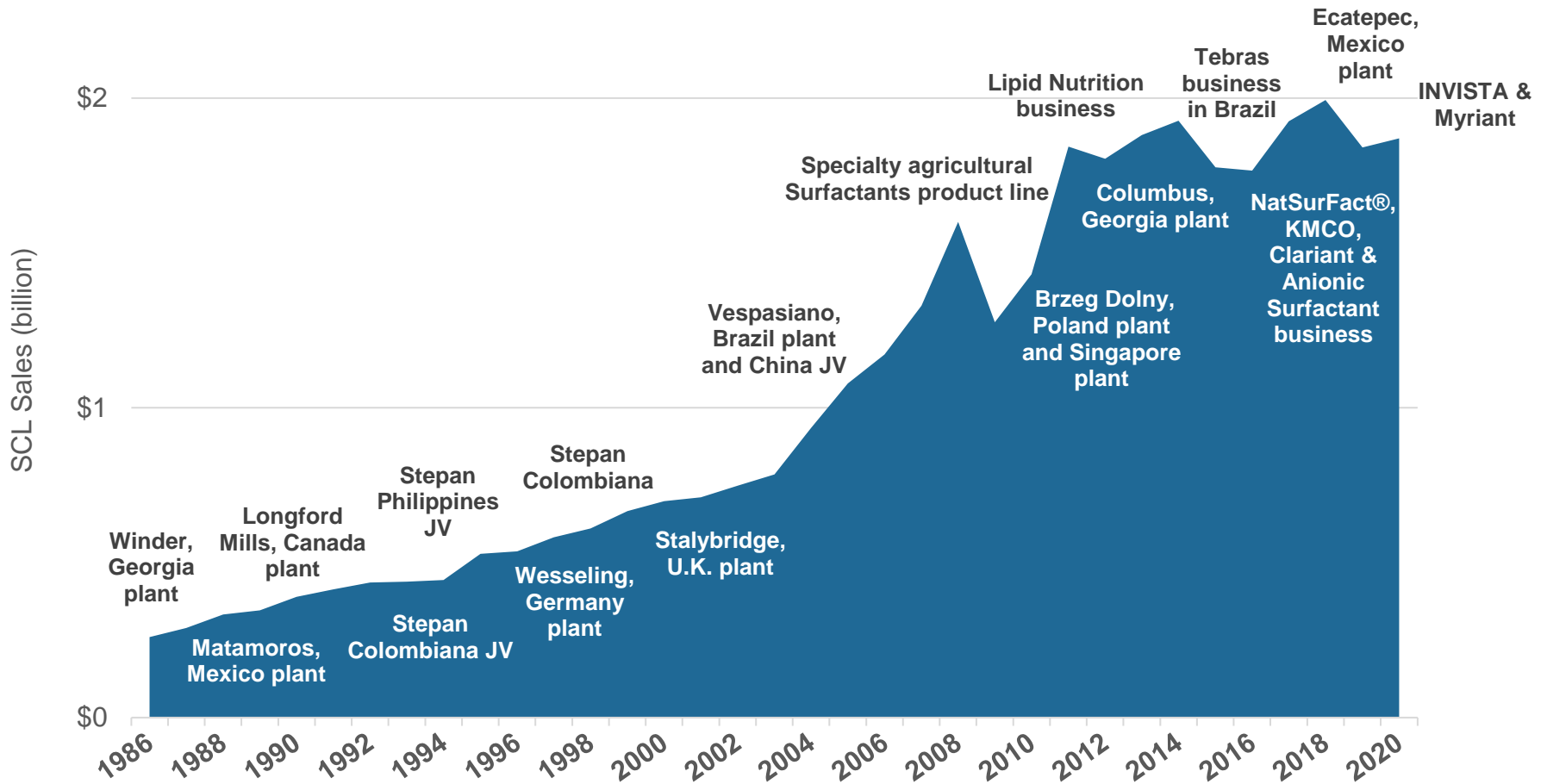
**Innovation Process  
Refined & Enhanced**

Since Inception in 2005

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

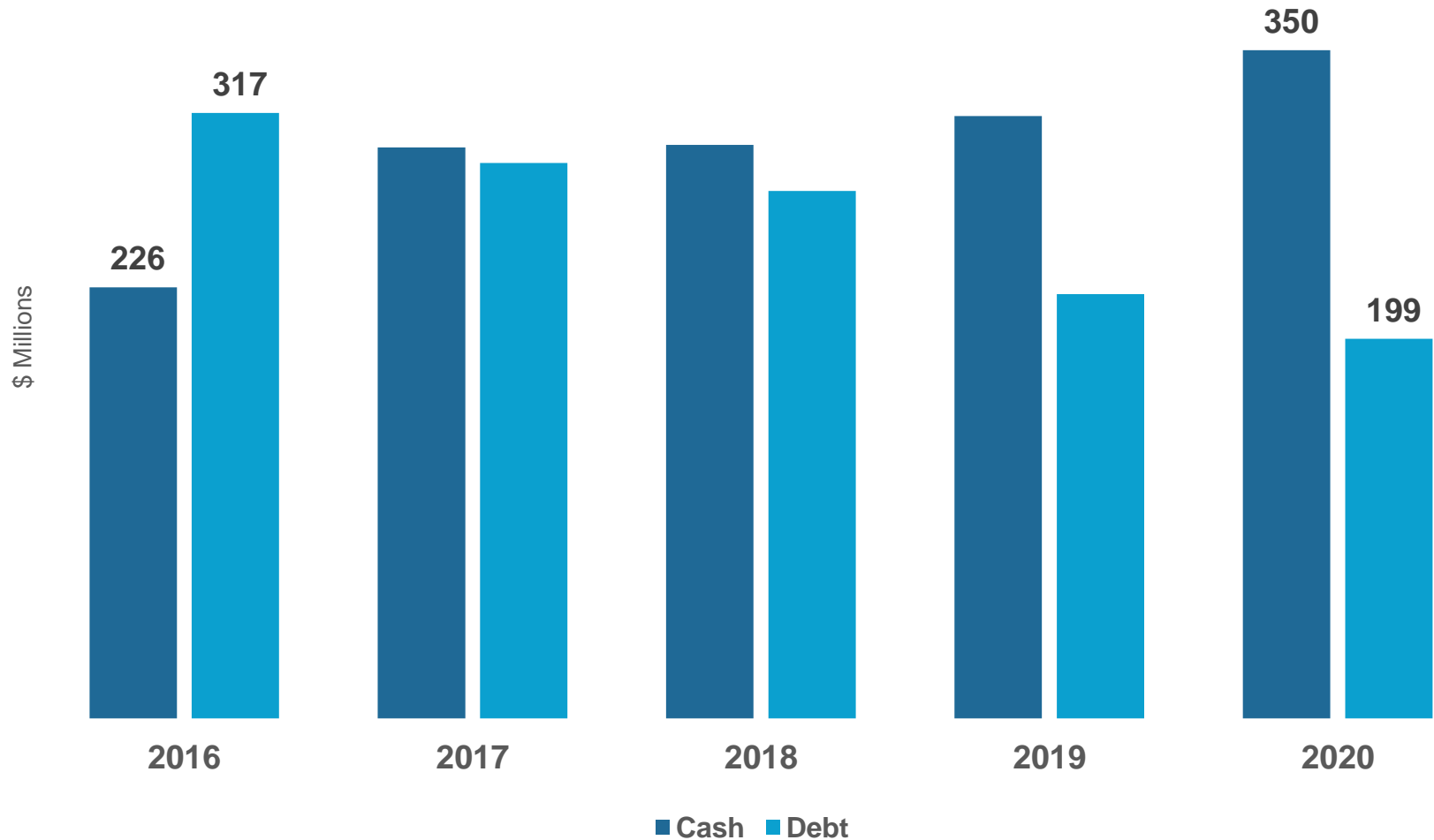
# Growth Through M&A

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



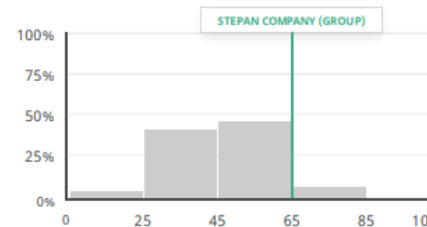
## Focus on Responsible Chemistries



## 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.

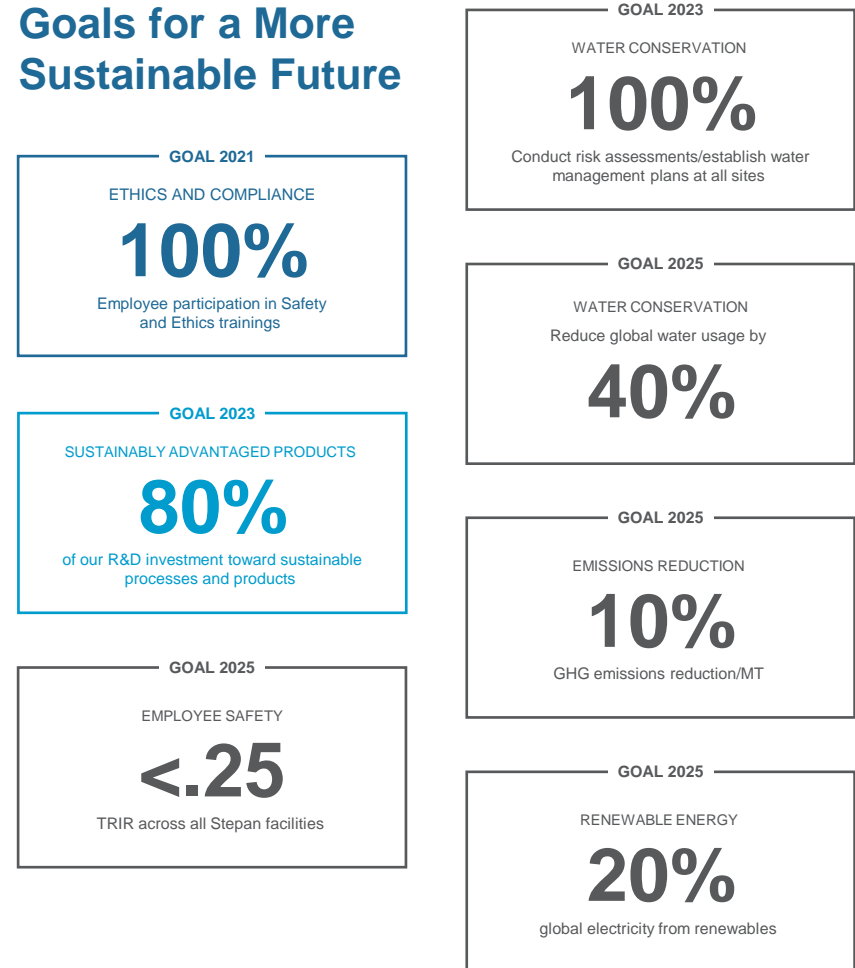
# Responsible Performance & Our Goals

## Driving Responsible Performance\*



\*Metrics for 2020 unless otherwise indicated

## Goals for a More Sustainable Future





# Progress Toward our Sustainability Goals

People

Planet

Products

Practices

Total recordable incident rate < 0.25 total by 2025

10% reduction in GHG emissions per MT production from 2016 baseline by 2025

20% of global electricity from renewable energy by 2025

Water management plans by 2023; 40% decrease in water use/MT by 2025

80% of our R&D investment into sustainable processes and products by 2023

100% employee participation in Safety and Ethics trainings by 2021



Safety Award for 10 sites in 2020  
2020 TRIR 0.64

2% decrease in GHG emissions per MT production in US

40% of Stepan's global electricity purchases covered by renewable energy credits

18% global reduction in surface water with significant progress in our Maywood Site.

>75% of Stepan's revenue from products with UN SDG benefit  
New EcoProfile Tool

100% of employees training on Ethics and Compliance

# 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

# Q1 2021 Update

# First Quarter 2021 Financial Recap - RECORD

- **RECORD** Q1 Reported Net Income was \$40.6 million, or \$1.74 per diluted share, a 48% increase versus \$27.5 million, or \$1.18 per diluted share, in Q1 2020.
- **RECORD** Q1 Adjusted Net Income<sup>(1)</sup> was \$42.4 million, or \$1.82 per diluted share, a 75% increase versus \$24.2 million, or \$1.04 per diluted share, in Q1 2020. Adjusted Net Income in Q1 2021 excludes the following non-operational items:
  - Deferred compensation and cash-settled SARs expense of \$1.7 million, or \$0.08 per diluted share.
  - Restructuring expense of \$0.1 million, or less than \$0.01 per diluted share.
- **RECORD** Reported Surfactant Operating Income was \$53.2 million, an increase of \$17.0 million, or 47%, versus Q1 2020. This increase was primarily driven by improved product and customer mix and higher global demand in the agricultural and oil field end markets, partially offset by lower North American sales volume into the consumer product end markets due to supplier force majeure following the severe weather in Texas. Total global Surfactant sales volume was flat versus the prior year.
- Reported Polymer Operating Income was \$18.0 million, an increase of \$10.5 million, versus Q1 2020. This increase was primarily attributable to a 32% increase in global sales volume. Global rigid polyol volume was up 32% versus the prior year largely due to the INVISTA acquisition. Global rigid polyol volume, excluding the INVISTA acquisition, was up 8% versus the prior year. The Company also experienced lower supply chain expenses due to the non-recurrence of the Q1 2020 Millsdale plant power outage.
- Specialty Product operating income was \$2.6 million versus \$4.0 million in the prior year. This decrease was primarily attributable to lower margins, due to raw material shortages and manufacturing challenges, within our MCTs product line.
- The Company's net debt level increased \$249 million versus prior year-end and the net debt ratio increased from -18% to 9%<sup>(2)</sup>. The increase in net debt was mostly due to a \$199 million cash reduction which primarily reflects cash paid to purchase INVISTA's aromatic polyester polyol business and associated assets in the first quarter of 2021.

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

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

# Surfactants – RECORD Quarter

Improved mix and higher global demand in the agricultural and oil field end markets.



## Q1 2021 Business Results Highlights

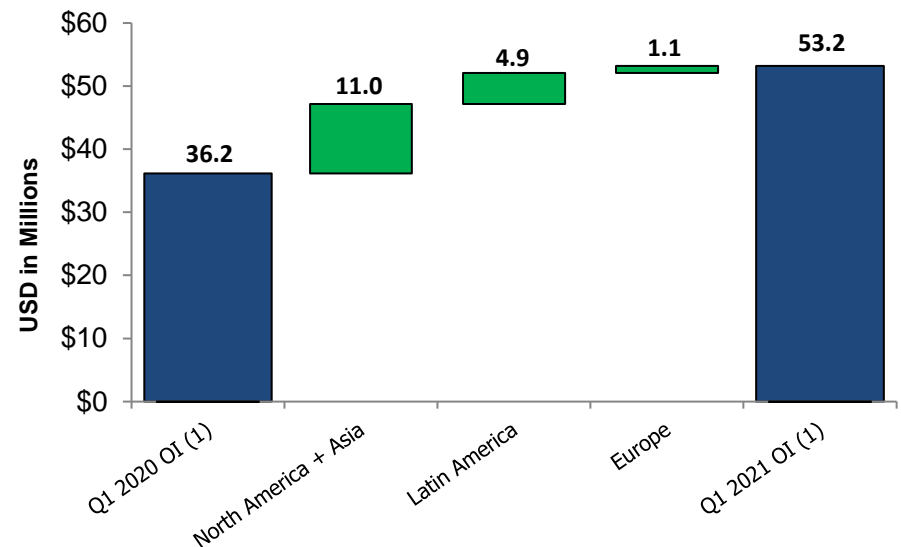
Operating Income was a record \$53.2 million, an increase of \$17.0 million, or 47%, compared to the prior year. Selling prices increased 13% due to improved product and customer mix and the pass-through of higher raw material costs. Foreign exchange positively impacted Net Sales by less than 1%.

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 impacted consumer product volumes.

Brazil results up driven by higher volumes and improved mix. Mexico volume was up high single digits.

Europe results increased slightly due to an improved product and customer mix.

<i>in millions \$</i>	Q1 2021	Q1 2020
<b>Net Sales</b>	<b>\$ 370.9</b>	<b>\$ 327.1</b>
<b>Operating Income</b>	<b>\$ 53.2</b>	<b>\$ 36.2</b>



# Polymers

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



## Q1 2021 Business Results Highlights

Operating Income was \$18.0 million, an increase of \$10.5 million, compared to the prior year, due to a 32% increase in global sales volume. Global rigid polyol volume was up 32% versus the prior year largely due to the INVISTA acquisition. Global rigid polyol volume, excluding the INVISTA acquisition, was up 8% versus the prior year. Net sales were \$150 million in the first quarter, a 41% increase versus prior year.

North America Polyol results increased due to higher volumes and lower supply chain expenses in the current year quarter due to the non-recurrence of the Q1 2020 Millsdale plant power outage.

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

Asia Rigid Polyol decreased slightly versus prior year, despite strong double digit volume performance, due to one-time costs in Q1 2021.

Phthalic anhydride (PA) results benefited from increased volume and lower supply chain expenses in the current year quarter due to the non-recurrence of the Q1 2020 Millsdale plant power outage.

*in millions \$*

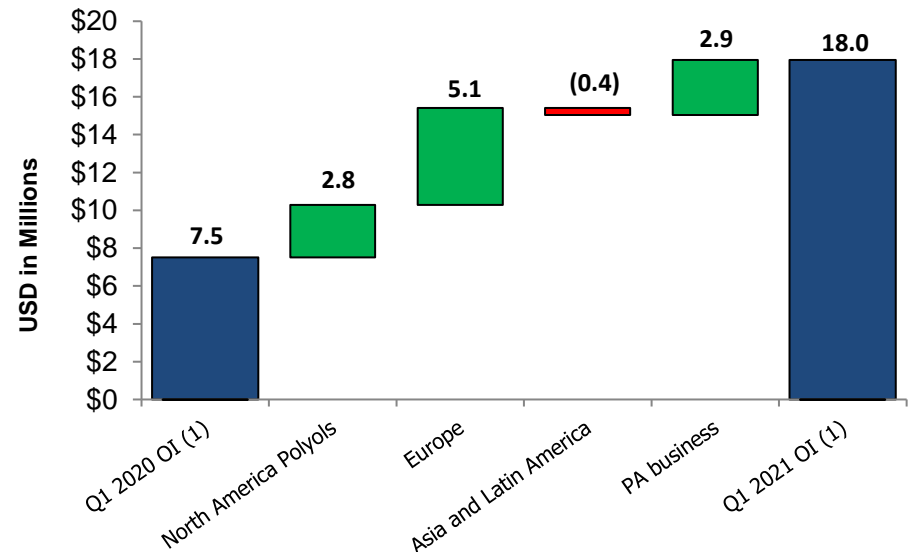
**Net Sales**

**Q1 2021**      **Q1 2020**

**\$ 150.4**      **\$ 106.5**

**Operating Income**

**\$ 18.0**      **\$ 7.5**



(1) OI = Operating Income

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

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

# Financials

Consolidated Balance Sheets, December 31, 2020 and 2019

	December 31, 2020	December 31, 2019
<b>ASSETS</b>		
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>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
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
<b>Adjusted Net Income</b>	<b>\$ 33,120</b>	<b>\$ 1.42</b>	<b>\$ 25,692</b>	<b>\$ 1.10</b>	<b>\$ 132,014</b>	<b>\$ 5.68</b>	<b>\$ 119,387</b>	<b>\$ 5.12</b>

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
<i>Adjusted EBITDA Margin</i>	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
<i>Adjusted EBITDA Margin</i>	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
<b>EBIT</b>	<b>175.6</b>	<b>131.9</b>	<b>148.6</b>	<b>158.4</b>	<b>134.7</b>	<b>101.2</b>
Depreciation & Amortization	81.9	78.7	81.1	79.0	75.0	67.0
<b>EBITDA</b>	<b>257.4</b>	<b>210.6</b>	<b>229.7</b>	<b>237.4</b>	<b>209.7</b>	<b>168.1</b>
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)				
<b>Adjusted EBITDA</b>	<b>264.4</b>	<b>230.8</b>	<b>230.5</b>	<b>240.4</b>	<b>228.7</b>	<b>172.9</b>
<b>Adjusted EBITDA Margin</b>	<b>14.1%</b>	<b>12.4%</b>	<b>11.6%</b>	<b>12.5%</b>	<b>12.9%</b>	<b>9.7%</b>

# Financials

## Reconciliation of Non-GAAP Cash minus Debt

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

# Financials

## Q1 2021 Reconciliation of Non-GAAP Adjusted Net Income and Earnings Per Diluted Share

(\$ in thousands, except per share amounts)	Three Months Ended March 31			
	2021	EPS	2020	EPS
Net Income Reported	\$ 40,611	\$ 1.74	\$ 27,545	\$ 1.18
Deferred Compensation (Income) Expense	\$ 1,501	\$ 0.07	\$ (2,858)	\$ (0.12)
Business Restructuring	61	\$ 0.00	263	\$ 0.01
Cash Settled Stock Appreciation Rights	199	\$ 0.01	(792)	\$ (0.03)
Adjusted Net Income	<u>\$ 42,372</u>	<u>\$ 1.82</u>	<u>\$ 24,158</u>	<u>\$ 1.04</u>

# Financials

## Net Debt to Total Capitalization Ratio

(millions USD)	March 31, 2021	December 31, 2020	March 31, 2020	March 31, 2019	March 31, 2018	March 31, 2017
Total Debt	248.4	198.7	222.1	271.9	290.8	316.7
Cash	150.7	349.9	254.3	269.5	244.6	197.8
Net Debt	97.7	(151.2)	(32.2)	2.4	46.2	118.9
Equity	1,002.3	986.7	866.8	831.4	774.6	673.2
Net Debt + Equity	1,100.0	835.5	834.6	833.8	820.8	792.1
Net Debt / (Net Debt + Equity)	9%	(18%)	(4%)	0%	6%	15%

# Financials

## Adjusted EBITDA Reconciliations

	Q1 2021 – Quarterly Adjusted EBITDA by Segment				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	371	150	16	-	538
Reported Operating Income	53	18	3	-20	54
Adjustments*	0	0	0	3	3
Adjusted Operating Income	53	18	3	-17	57
Depreciation & Amortization	13	7	1	1	22
Adjusted EBITDA	66	25	4	-16	79
Adjusted EBITDA Margin	17.8%	16.7%	24.8%	n/a	14.7%

\*Includes \$0.1 million in Restructuring, \$0.2 million in Cash SARs to Surfactants, and \$2.7 million in deferred compensation and Cash Settled SARs to Corporate

	Q1 2021 – Trailing Twelve Months Adjusted EBITDA Total Stepan
Net Sales	1,958
Subtotal Segment Reported Operating Income	277
Cash Settled SARS	2
Corporate Expenses	(71)
Consolidated Adjusted Operating Income	208
Depreciation & Amortization	84
Other*	(1)
Adjusted EBITDA	291
Adjusted EBITDA Margin	14.9%

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

# 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.