



Stepan



Fourth Quarter 2024 Earnings Results

February 19, 2025

Safe Harbor

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.

AGENDA

- 1 | 2024 Full Year Highlights
- 2 | 2024 Fourth Quarter and Full Year Financial Results
- 3 | Strategic Outlook
- 4 | Q&A
- 5 | Closing Remarks



CEO Remarks - 2024 Full Year Highlights

NET INCOME UP

- Reported net income was \$50.4 million, up 25% versus prior year. Adjusted net income⁽¹⁾ was \$50.5 million, flat versus prior year.

EBITDA GROWTH

- EBITDA⁽²⁾ was \$186.9 million and Adjusted EBITDA⁽²⁾ was \$187.0 million, up 13% and 4% respectively, year-over-year.

VOLUME UP

- Global sales volume was up 1% year-over-year.

FREE CASH FLOW⁽³⁾ UP

- Free cash flow (FCF)⁽³⁾ for the year was \$39.3 million versus a negative \$85.5 million in the prior year, up \$124.8 million.

COST OUT

- The Company delivered \$48.0 million in pre-tax cost out savings despite significant one-time extra costs, including higher operating costs at our Millsdale site, primarily related to the flood event during the first half of 2024, and higher costs related to a criminal fraud event in Asia.

Reported Net Income

\$50.4MM

+25% YoY

Adjusted Net Income⁽¹⁾

\$50.5MM

Flat YoY

EBITDA⁽²⁾

\$186.9MM

+13% YoY

Adjusted EBITDA⁽²⁾

\$187.0MM

+4% YoY

Cash From Operations

\$162.1MM

-7% YoY

Free Cash Flow⁽³⁾

\$39.3MM

+146% YoY

Sales Volume

+1% YoY



Fourth Quarter - Highlights

NET INCOME UP

- Reported net income was \$3.4 million versus a \$1.2 million net loss in the prior year. Adjusted net income⁽¹⁾ was \$2.8 million, down 63% versus prior year, mainly due to higher pre-operating expenses at our Pasadena, Texas site (\$4.4 million increase), a one-time tax proceeding reserve in Latin America (\$2.9 million), and expenses associated with the CEO transition.

EBITDA GROWTH

- EBITDA⁽²⁾ was \$35.8 million and Adjusted EBITDA⁽²⁾ was \$35.0 million, up 39% and down 7% respectively, year-over-year.

VOLUME DOWN

- Global sales volume was down 1% year-over-year. Double digit growth across several Surfactant end markets was offset by weaker demand in Polymers.

FREE CASH FLOW⁽³⁾ UP

- Free cash flow (FCF)⁽³⁾ was \$32.1 million compared to \$22.3 million in the prior year, up 44%.

COST OUT

- The Company delivered \$13.0 million in pre-tax cost out savings in the fourth quarter.

Reported Net Income

\$3.4MM

+381% YoY

Adjusted Net Income⁽¹⁾

\$2.8MM

-63% YoY

EBITDA⁽²⁾

\$35.8MM

+39% YoY

Adjusted EBITDA⁽²⁾

\$35.0MM

-7% YoY

Cash From Operations

\$68.3MM

-1% YoY

Free Cash Flow⁽³⁾

\$32.1MM

+44% YoY

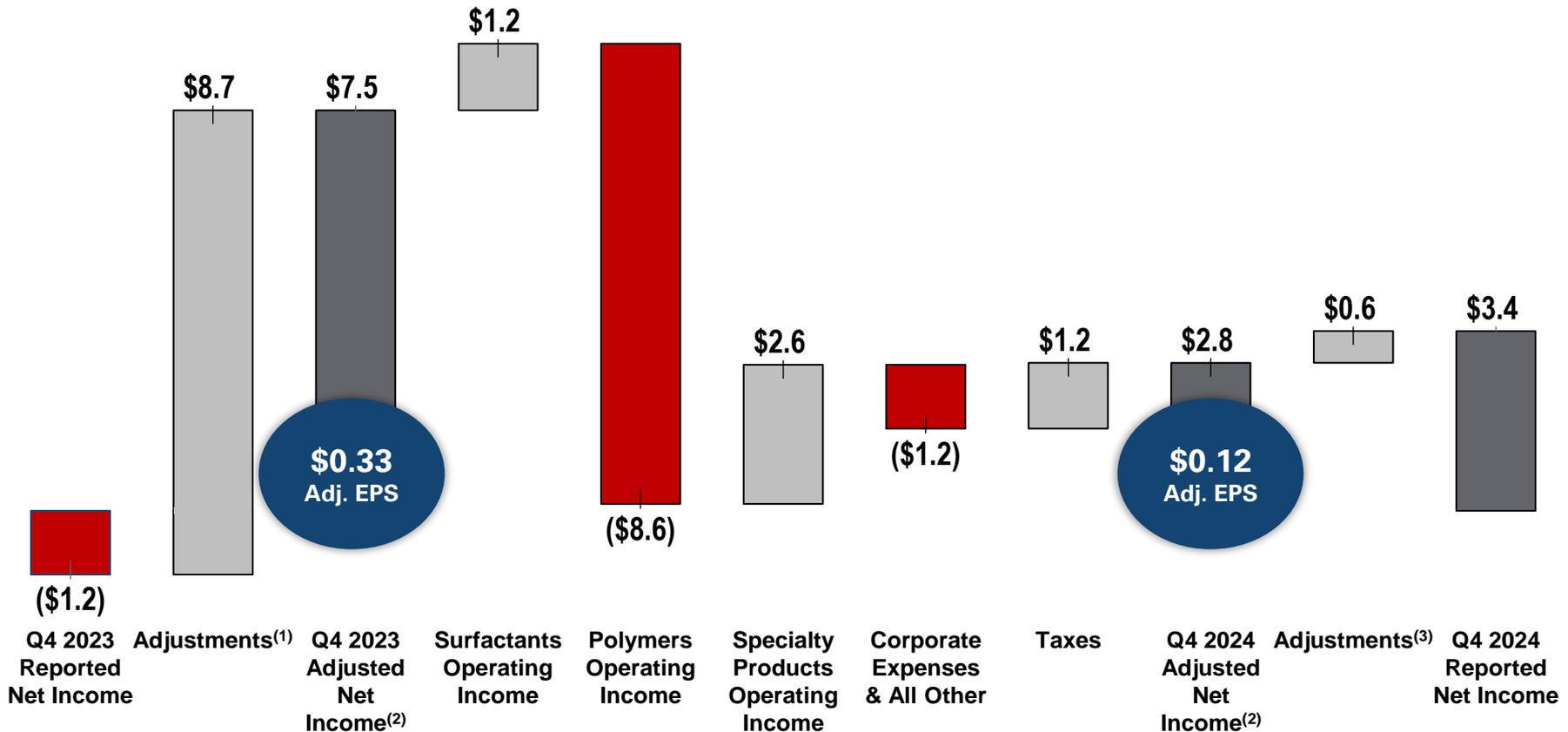
Sales Volume

-1% YoY



Net Income Bridge

Q4 2023 to Q4 2024



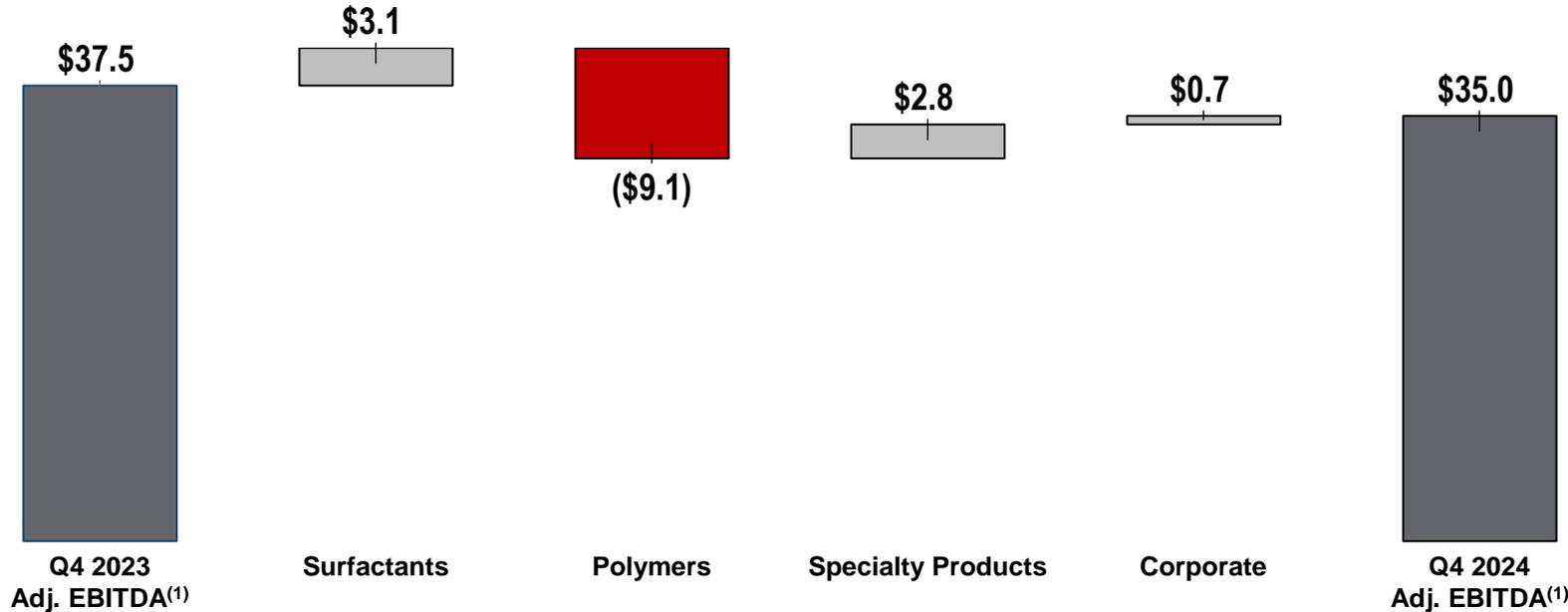
Note: All amounts are in millions of U.S. dollars and are reported after-tax.

- (1) The adjustments to Reported Net Income in Q4 2023 consisted of deferred compensation expense and cash-settled SARs expense of \$2.3 million and environmental remediation expense, restructuring costs, asset impairment, and goodwill and other intangibles impairment expenses of \$6.4 million.
- (2) Adjusted Net Income and Adjusted EPS are Non-GAAP measures that exclude certain significant, non-recurring items. See Appendix II for GAAP reconciliations.
- (3) The adjustments to Reported Net Income in Q4 2024 consisted of deferred compensation income of \$0.8 million and environmental remediation expense of \$0.2 million.

Adjusted EBITDA⁽¹⁾ Bridge



Q4 2023 to Q4 2024



Note: All amounts are in millions of U.S. dollars.

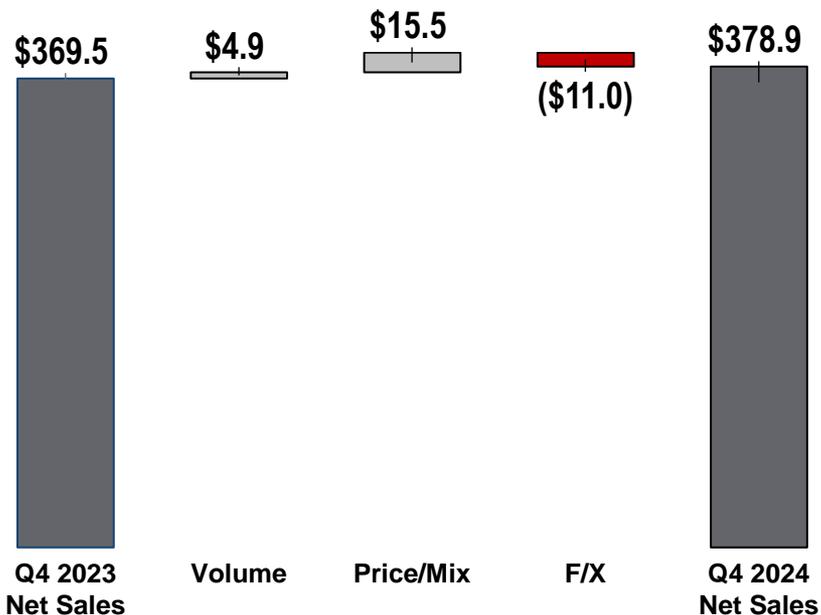
- **Surfactants** Adjusted EBITDA⁽¹⁾ growth was driven by double digit volume growth across Agricultural and Oilfield end markets, and sales through distribution combined with improved customer/product mix. Lower consumer products end market demand, higher pre-operating expenses associated with our Pasadena facility, and a tax proceeding reserve in Latin America partially offset these.
- **Polymers** results decreased mainly as a result of an 11% decrease in global Rigid Polyol demand, which was partially offset by volume growth in our Specialty Polyol business.
- **Specialty Products** results increased due to margin recovery and volume growth in our Medium-Chain Triglycerides (MCT) product line.
- **Corporate expenses** were down versus prior year due to workforce productivity efforts implemented at the end of 2023.

Surfactants

Q4 2023 to Q4 2024

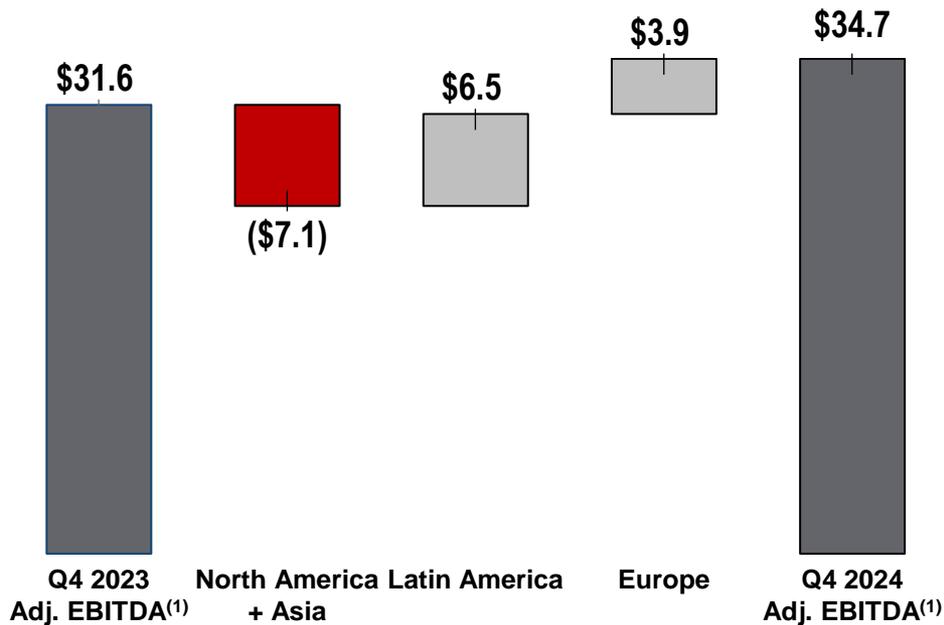


Net Sales Bridge



Note: All amounts are in millions of U.S. dollars.

Adjusted EBITDA⁽¹⁾ Bridge



Note: All amounts are in millions of U.S. dollars.

- **Volume** was up 1% year-over-year primarily due to double digit growth within the Agricultural and Oilfield end markets and sales with our distribution partners. This was partially offset by lower demand within the Consumer Products end markets.
- **Price/Mix** benefited from improved product and customer mix.
- **F/X** adversely impacted net sales by 3%.

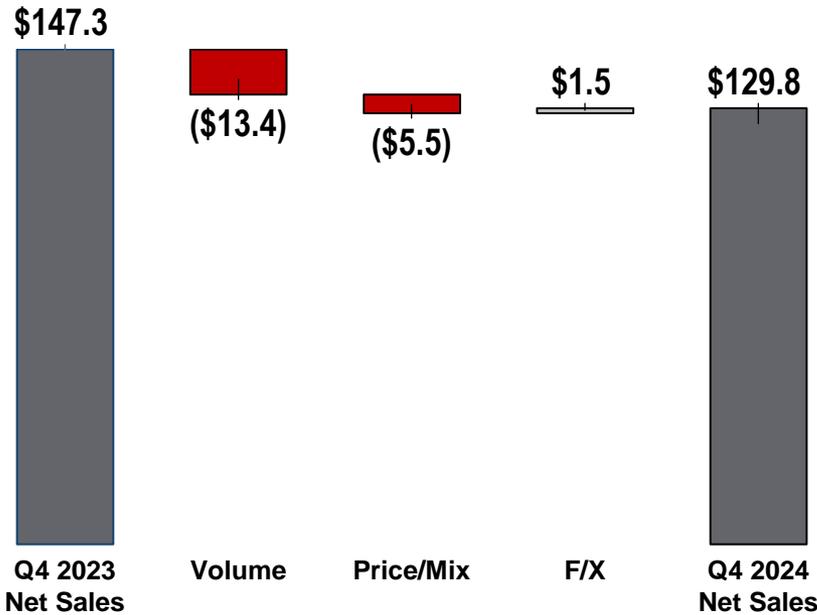
- **North America and Asia** was impacted by higher pre-operating expenses at our Pasadena site, partially offset by stronger end market demand across the Agricultural Chemicals, Oilfield, and Laundry end markets.
- **Latin America** results were driven by stronger Agricultural Chemicals demand in Brazil, continued business recovery in Mexico, new contracted Amphoteric business, and higher sales with our distribution partners.
- **Europe** results benefitted from margin recovery, stronger end-market demand across Agricultural Chemicals, Construction and Industrial Solutions, and higher sales with our distribution partners.

Polymers

Q4 2023 to Q4 2024

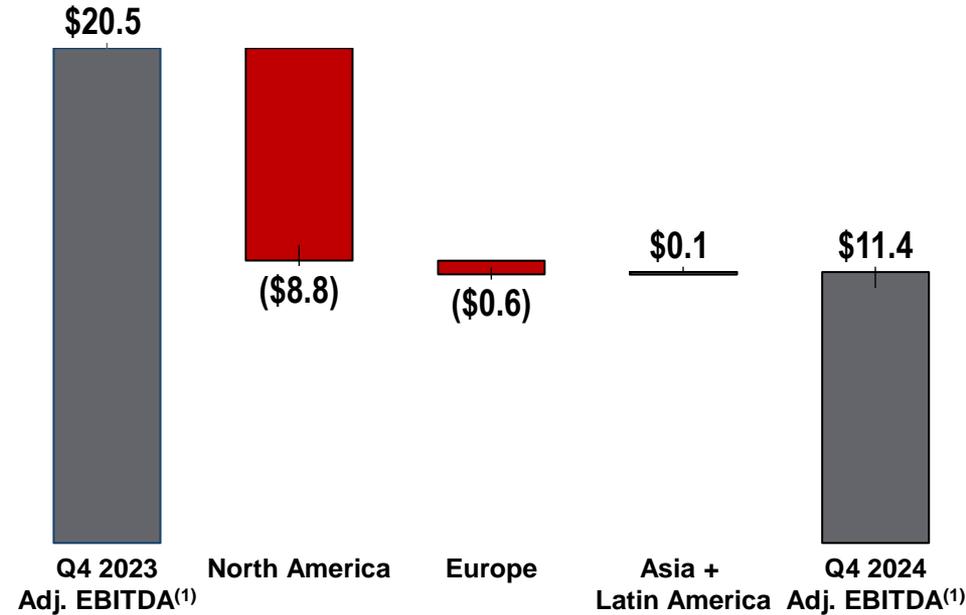


Net Sales Bridge



Note: All amounts are in millions of U.S. dollars.

Adjusted EBITDA⁽¹⁾ Bridge



Note: All amounts are in millions of U.S. dollars.

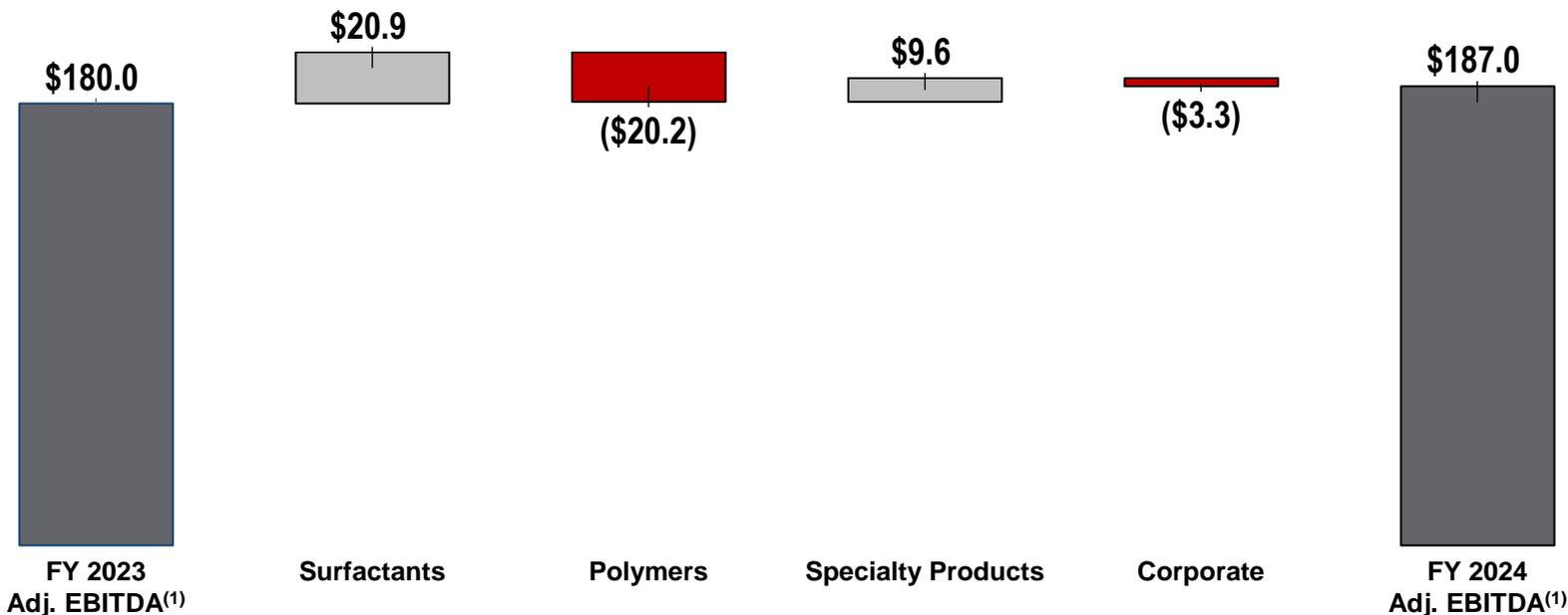
- **Volume** was impacted by an 11% decrease in global Rigid Polyols demand, which was partially offset by growth in our Specialty Polyols business.
- **Price/Mix** was impacted by lower Rigid Polyols volume, the contracted pass-through of lower raw material costs, and competitive pressures.
- **F/X** positively impacted net sales by 1%.

- **North America results** were impacted by lower Rigid Polyol volume.
- **Europe** results decreased due to lower volume in our Rigid Polyol and Specialty Polyol businesses.
- **Asia** results benefitted from higher margins and stronger demand across several end markets.

Adjusted EBITDA⁽¹⁾ Bridge



FY 2023 to FY 2024



Note: All amounts are in millions of U.S. dollars.

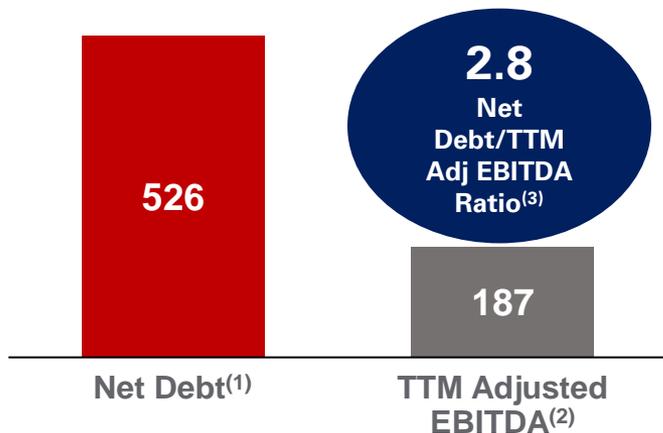
- **Surfactants** adjusted EBITDA⁽¹⁾ growth was driven by double digit volume growth across Oilfield, Construction & Industrial Solutions end market, and sales through distribution combined with margin recovery. Lower demand in Household, Institutional & Industrial and Personal Care end markets, higher pre-operating expenses associated with our Pasadena facility, and a tax proceeding reserve in Latin America partially offset these.
- **Polymers** results decreased mainly driven by a 5% decrease in global Rigid Polyol demand and competitive pressures, which was partially offset by growth in our Specialty Polyols business.
- **Specialty Products** results increased due to margin recovery and volume growth of our Medium-Chain Triglycerides (MCT) product line.
- **Corporate Expenses** were up mainly due to the Asia fraud event and expenses related to the CEO transition. Excluding this, Corporate expenses were down year-over-year due to workforce productivity efforts implemented at the end of 2023.

Balance Sheet & Cash Flow

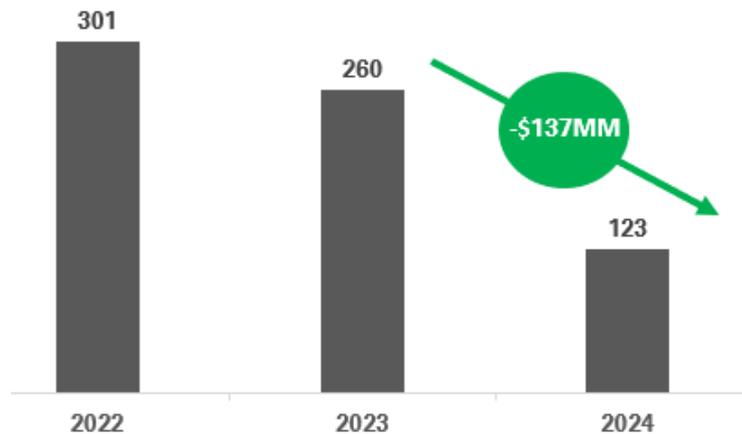
2023 to 2024



Net Debt⁽¹⁾ / TTM Adjusted EBITDA⁽²⁾ (\$MM)



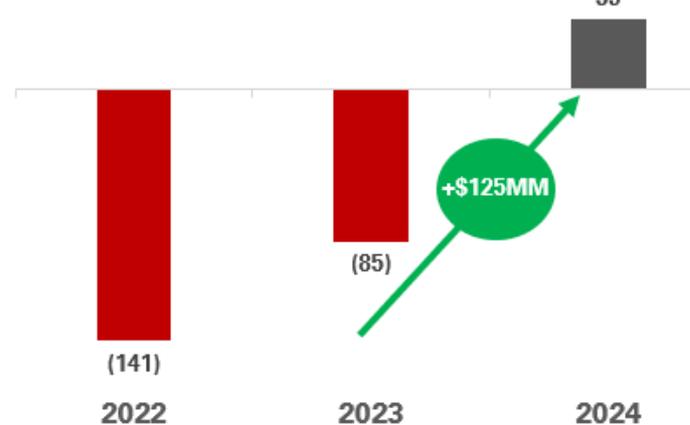
Capital Expenditures (\$MM)



2024 Working Capital⁽⁵⁾



Free Cash Flow⁽⁴⁾ (\$MM)



(1) Net Debt is a Non-GAAP measure. See Appendix VI for a GAAP reconciliation.
 (2) TTM Adjusted EBITDA is a Non-GAAP measure. See Appendix IV for a GAAP reconciliation.
 (3) Net Debt / TTM Adjusted EBITDA Ratio is a Non-GAAP measure. See Appendix VI for a GAAP reconciliation.
 (4) Free Cash Flow is a Non-GAAP measure. See Appendix V for GAAP reconciliations.
 (5) Includes the following components of Working Capital: accounts receivables, inventory, accounts payables

Strategic Priorities and Growth Drivers

Creating and Delivering Shareholder Value

- Greater Than GDP Growth
- Accretive Margins
- Limited Global Risk Exposure

High-Margin /
Growth Priority
Markets

- Customer Intimacy
- Expand Tier 2 & 3 Customer Base
- World Class R&D & Sustainability

Customer-Centric
Innovation &
Extended Reach

Key Strategic
Investments

- Investments in Organic Growth
- M&A Opportunities

Cost & Operational
Excellence

- Safe & Efficient Manufacturing
- Asset Reliability
- Cost Reduction & Productivity Gains

Strategic Capital Investments Update



New Alkoxylation Capacity: Pasadena, Texas

\$265MM

Estimated CapEx

75KTA

Annual Alkoxylation Capacity

Startup expected in
Q1 2025

Summary & Benefits

- Alkoxylates are a core surfactant technology consumed across Stepan's key agricultural, oilfield, construction, and household end use markets
- Business continued volume growth in 2024 across multiple end use markets and applications
- This will become Stepan's third alkoxylation site, providing strategically located capacity for growth in ethoxylates and propoxylates



Thank You

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Stepan 

Appendix

Additional Sources of Information and Definitions





Update on Certain Expectations

(millions USD)	2022 Actual	2023 Actual	2024 Actual	2025 Forecast
Capital Expenditures	301	260	123	125 - 135
Debt Repayments	38	38	49	69
Interest Net	10	12	14	23-25
Depreciation & Amortization	95	105	112	128 – 132
Effective Tax Rate (%)	22%	17%	17%	24 - 26%

Reconciliations



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

(\$ in thousands, except per share amounts)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2024	EPS	2023	EPS	2024	EPS	2023	EPS
Net Income Reported	\$ 3,350	\$ 0.15	\$ (1,193)	\$ (0.05)	\$ 50,370	\$ 2.20	\$ 40,204	\$ 1.75
Deferred Compensation (Income) Expense	\$ (762)	\$ (0.03)	\$ 2,243	\$ 0.10	\$ (1,805)	\$ (0.08)	\$ (551)	\$ (0.02)
Business Restructuring and Asset Impairment Expense	\$ -	\$ -	\$ 4,564	\$ 0.20	\$ -	\$ -	\$ 8,929	\$ 0.39
Goodwill and Other Intangibles Impairment Expense	\$ -	\$ -	\$ 1,422	\$ 0.06	\$ -	\$ -	\$ 1,422	\$ 0.06
Cash-Settled SARs (Income) Expense	\$ -	\$ -	\$ 71	\$ -	\$ -	\$ -	\$ (74)	\$ -
Environmental Remediation Expense	\$ 169	\$ -	\$ 378	\$ 0.02	\$ 1,905	\$ 0.08	\$ 762	\$ 0.03
Adjusted Net Income	<u>\$ 2,757</u>	<u>\$ 0.12</u>	<u>\$ 7,485</u>	<u>\$ 0.33</u>	<u>\$ 50,470</u>	<u>\$ 2.20</u>	<u>\$ 50,692</u>	<u>\$ 2.21</u>

Reconciliation of Pre-Tax to After-Tax Adjustments

(\$ in thousands, except per share amounts)	Three Months Ended December 31,				Twelve Months Ended December 31,			
	2024	EPS	2023	EPS	2024	EPS	2023	EPS
Pre-Tax Adjustments								
Deferred Compensation (Income) Expense	\$ (1,016)		\$ 2,991		\$ (2,406)		\$ (735)	
Business Restructuring and Asset Impairment Expense	\$ -		\$ 6,141		\$ -		\$ 11,968	
Goodwill and Other Intangibles Impairment Expense	\$ -		\$ 2,038		\$ -		\$ 2,038	
Cash-Settled SARs (Income) Expense	\$ -		\$ 95		\$ -		\$ (98)	
Environmental Remediation Expense	\$ 225		\$ 504		\$ 2,540		\$ 1,017	
Total Pre-Tax Adjustments	\$ (791)		\$ 11,769		\$ 134		\$ 14,190	
Cumulative Tax Effect on Adjustments	\$ 198		\$ (3,091)		\$ (34)		\$ (3,702)	
After-Tax Adjustments	<u>\$ (593)</u>	<u>\$ (0.03)</u>	<u>\$ 8,678</u>	<u>\$ 0.38</u>	<u>\$ 100</u>	<u>\$ 0.00</u>	<u>\$ 10,488</u>	<u>\$ 0.46</u>



Adjusted EBITDA and EBITDA

Reconciliations Q4 2024 and Q4 2023⁽¹⁾

Adjusted EBITDA and EBITDA Reconciliations Q4 2024 and Q4 2023⁽¹⁾

Three Months Ended December 31, 2024

(\$ in millions)	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 16.2	\$ 3.4	\$ 5.6	\$ (17.5)	\$ 7.7
Depreciation and Amortization	\$ 18.5	\$ 8.0	\$ 1.5	\$ 0.5	\$ 28.5
Other, Net Income	\$ -	\$ -	\$ -	\$ (0.4)	\$ (0.4)
EBITDA					\$ 35.8
Deferred Compensation	\$ -	\$ -	\$ -	\$ (1.0)	\$ (1.0)
Environmental Remediation	\$ -	\$ -	\$ -	\$ 0.2	\$ 0.2
Adjusted EBITDA	\$ 34.7	\$ 11.4	\$ 7.1	\$ (18.2)	\$ 35.0

Three Months Ended December 31, 2023

(\$ in millions)	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 14.8	\$ 12.6	\$ 2.8	\$ (30.0)	\$ 0.2
Depreciation and Amortization	\$ 16.7	\$ 7.9	\$ 1.5	\$ 1.0	\$ 27.1
Other, Net Income	\$ -	\$ -	\$ -	\$ (1.5)	\$ (1.5)
EBITDA					\$ 25.8
Deferred Compensation	\$ -	\$ -	\$ -	\$ 3.0	\$ 3.0
Cash Settled SARs	\$ 0.1	\$ -	\$ -	\$ -	\$ 0.1
Goodwill and Other Intangibles Impairment	\$ -	\$ -	\$ -	\$ 2.0	\$ 2.0
Business Restructuring/Asset Impairment	\$ -	\$ -	\$ -	\$ 6.1	\$ 6.1
Environmental Remediation	\$ -	\$ -	\$ -	\$ 0.5	\$ 0.5
Adjusted EBITDA	\$ 31.6	\$ 20.5	\$ 4.3	\$ (18.9)	\$ 37.5



Trailing Twelve Months

Adjusted EBITDA Reconciliation

12/31/2024 TTM – Adjusted EBITDA

Reported Operating Income	70.5
Depreciation & Amortization	112.3
Other Net Income (Expense)	4.1
Deferred Compensation	(2.4)
Cash Settled SARS	0.0
Goodwill and Other Intangibles Impairment Expense	0.0
Business Restructuring & Asset Impairment Expense	0.0
Environmental Remediation Expense	2.5
Adjusted EBITDA	187.0

Free Cash Flow (FCF)



Reconciliations

(million USD)	Q4 2024	Q4 2023
Cash Flow from Operations	68.3	69.0
Capital Expenditures	(36.2)	(46.7)
Free Cash Flow	32.1	22.3

(million USD)	2024	2023	2022
Cash Flow from Operations	162.1	174.9	160.8
Capital Expenditures	(122.8)	(260.3)	(301.6)
Free Cash Flow	39.3	(85.5)	(140.8)

Net Debt to Total Capitalization Ratio



(millions USD)	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019
Total Debt	625.4	654.1	587.1	363.6	198.7	222.1
Cash	99.7	129.8	173.8	159.2	349.9	315.4
Net Debt	525.7	524.3	413.3	204.4	(151.2)	(93.3)
Equity	1,169.9	1,216.5	1,166.1	1,074.2	986.7	891.8
Net Debt + Equity	1,695.6	1,740.8	1,579.4	1,278.6	835.5	798.5
Net Debt / (Net Debt + Equity)	31%	30%	26%	16%	(18%)	(12%)

Net Debt/TTM Adjusted EBITDA Ratio = 526/187 = 2.8

Income Statement



	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2024	2023	2024	2023
Net Sales	\$ 525,609	\$ 532,131	\$2,180,274	\$2,325,768
Cost of Sales	468,913	465,726	1,908,060	2,048,170
Gross Profit	56,696	66,405	272,214	277,598
Operating Expenses:				
Selling	11,018	12,380	45,628	48,367
Administrative	24,764	25,070	98,277	93,202
Research, Development and Technical Services	13,793	15,319	55,674	59,039
Deferred Compensation Expense (Income)	(574)	5,227	2,155	4,371
	49,001	57,996	201,734	204,979
Goodwill and Other Intangibles Impairment	-	2,038	-	2,038
Business Restructuring and Asset Impairment	-	6,141	-	11,968
Operating Income	7,695	230	70,480	58,613
Other Income (Expense):				
Interest, Net	(4,829)	(2,429)	(14,182)	(12,103)
Other, Net	(410)	(1,467)	4,141	1,881
	(5,239)	(3,896)	(10,041)	(10,222)
Income Before Provision for Income Taxes	2,456	(3,666)	60,439	48,391
Provision for Income Taxes	(894)	(2,473)	10,069	8,187
Net Income	3,350	(1,193)	50,370	40,204
Net Income Per Common Share				
Basic	\$ 0.15	\$ (0.05)	\$ 2.21	\$ 1.77
Diluted	\$ 0.15	\$ (0.05)	\$ 2.20	\$ 1.75
Shares Used to Compute Net Income Per Common Share				
Basic	22,841	22,794	22,832	22,777
Diluted	22,912	22,912	22,931	22,946

Adjusted EBITDA and EBITDA

Reconciliations 2024 and 2023⁽¹⁾



**Twelve Months Ended
December 31, 2024**

<i>(\$ in millions)</i>	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 85.6	\$ 40.6	\$ 20.9	\$ (76.6)	\$ 70.5
Depreciation and Amortization	\$ 72.0	\$ 32.4	\$ 6.0	\$ 1.9	\$ 112.3
Other, Net Income	\$ -	\$ -	\$ -	\$ 4.1	\$ 4.1
EBITDA					\$ 186.9
Deferred Compensation	\$ -	\$ -	\$ -	\$ (2.4)	\$ (2.4)
Environmental Remediation	\$ -	\$ -	\$ -	\$ 2.5	\$ 2.5
Adjusted EBITDA	\$ 157.6	\$ 73.0	\$ 26.9	\$ (70.5)	\$ 187.0

**Twelve Months Ended
December 31, 2023**

<i>(\$ in millions)</i>	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 72.4	\$ 60.8	\$ 11.5	\$ (86.0)	\$ 58.6
Depreciation and Amortization	\$ 64.4	\$ 32.4	\$ 5.8	\$ 2.7	\$ 105.3
Other, Net Income (Expense)	\$ -	\$ -	\$ -	\$ 1.9	\$ 1.9
EBITDA					\$ 165.8
Deferred Compensation	\$ -	\$ -	\$ -	\$ (0.7)	\$ (0.7)
Cash Settled SARs	\$ (0.1)	\$ -	\$ -	\$ -	\$ (0.1)
Goodwill and Other					
Intangibles Impairment	\$ -	\$ -	\$ -	\$ 2.0	\$ 2.0
Business Restructuring/ Asset Impairment	\$ -	\$ -	\$ -	\$ 12.0	\$ 12.0
Environmental Remediation	\$ -	\$ -	\$ -	\$ 1.0	\$ 1.0
Adjusted EBITDA	\$ 136.7	\$ 93.2	\$ 17.3	\$ (67.2)	\$ 180.0

⁽¹⁾ Refer to Income Statement on appendix VII for an Operating Income to Net Income reconciliation.