Stepan

Earnings Call Presentation

Fourth Quarter 2021

February 17, 2022

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

There are a number of risks, uncertainties and other important factors, many of which are beyond Stepan Company's control, that could cause actual results to differ materially from the forward-looking statements contained in this presentation. Such risks, uncertainties and other important factors include, among other factors, the risks, uncertainties and factors described in Stepan Company's Form 10-K, Form 10-Q and Form 8-K reports and exhibits to those reports, and include (but are not limited to) risks and uncertainties related to the impact of the COVID-19 pandemic; disruptions in production or accidents at manufacturing facilities; reduced demand due to customer product reformulations or new technologies; our inability to successfully develop or introduce new products; compliance with laws; our ability to make acquisitions of suitable candidates and successfully integrate acquisitions; global competition; volatility of raw material and energy costs and supply; disruptions in transportation or significant changes in transportation costs; downturns in certain industries and general economic downturns; international business risks, including currency exchange rate fluctuations, legal restrictions and taxes; unfavorable resolution of litigation against us; maintaining and protecting intellectual property rights; our ability to access capital markets; global political, military, security or other instability; costs related to expansion or other capital projects; interruption or breaches of information technology systems; our ability to retain its executive management and key personnel; and our debt covenants.

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

Earnings Conference Call Agenda

Full Year Financial Highlights	F. Quinn Stepan, Jr., *Chairman and Chief Executive Officer*
Fourth Quarter and Full Year Results	Luis E. Rojo, *Vice President and Chief Financial Officer*
Financial and Strategic Outlook	Scott Behrens, *President and Chief Operating Officer*
Analyst / Shareholder Questions	
Closing Remarks	F. Quinn Stepan, Jr., *Chairman and Chief Executive Officer*

CEO Remarks – 2021 Highlights

- **RECORD** Reported Net Income in 2021.
- **RECORD** Adjusted Net Income(1) in 2021; fourth consecutive year of record Adjusted Net Income.
- Despite significant external supply chain challenges, the business was able to offset those and deliver another record year. Supply chain disruption had an estimated impact of approximately $21 million in operating income during 2021. Significant inflation in Raw Materials, Logistics and other items impacted 2021 results and we were able to fully offset that with pricing actions, mix improvements, productivity efforts and the INVISTA acquisition. Price/Mix was a strong +22% for 2021 with improvements each quarter (Q1 +13%, Q2 +16%, Q3 +28% and Q4 +29%).
- Surfactants operating income down was down slightly primarily due to significant supply chain disruptions with an estimated impact of $12 million on operating income. Global volume was down due to lower demand for cleaning products in the consumer products business versus the pandemic peak in 2020. Higher demand for products sold into the institutional cleaning and functional product end markets partially offset the decrease.
- Polymer results higher primarily due to the INVISTA polyol acquisition. Supply chain disruptions had an estimated impact of $8 million on operating income.
- Specialty Product results improved slightly versus 2020 and Supply chain disruptions prevented us from growing the business further and had an impact of $1 million on operating income.
- As previously announced, the Company acquired INVISTA's aromatic polyester polyol business and associated assets on January 29, 2021. The transaction included two manufacturing sites, one in Wilmington, NC (United States) and the other in Vlissingen (the Netherlands). The Company believes that INVISTA'S available spare capacity, combined with debottlenecking opportunities in both plants, will allow Stepan to support future market growth in a capital efficient way. The acquired business delivered strong results with more than $20 million in EBITDA and more than $120 million in Sales during 2021.

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

Fourth Quarter 2021 Financial Recap

- Q4 Reported Net Income was a $17.0 million, or $0.73 per diluted share, a 44% decrease versus $30.4 million, or $1.30 per diluted share, in Q4 2020.

- Q4 Adjusted Net Income[(1)] was $22.5 million, or $0.97 per diluted share, a 32% decrease versus $33.1 million, or $1.42 per diluted share, in Q4 2020. Adjusted Net Income in Q4 2021 excludes the following non-operational items:

    - Deferred compensation and cash-settled SARs expense of $2.4 million, or $0.10 per diluted share.
    - Restructuring and the loss on the sale (non-cash) of a corporate building of $2.3 million, or $0.10 per diluted share.
    - Environmental remediation expense of $0.8 million, or $0.04 per diluted share.

- Reported Surfactant Operating Income was $32.4 million, a decrease of $10.9 million, or 25%, versus Q4 2020. This decrease was primarily due to supply chain disruptions, lower sales volume and the non-recurrence of a $3.0 million insurance recovery related to the 2020 Millsdale, IL plant power outage recognized in the fourth quarter of 2020. Global Surfactant sales volume decreased 9% and primarily reflects lower demand for cleaning products in the consumer products business versus the pandemic peak in 2020. Higher demand for products sold into the institutional cleaning and functional product end markets partially offset the decrease.

- Reported Polymer Operating Income was $12.9 million, a decrease of $9.9 million, versus Q4 2020. This decrease was primarily due to supply chain disruptions and the non-recurrence of two fourth quarter 2020 events: (i) a $10.0 million insurance recovery related to the 2020 Millsdale, IL plant power outage, and; (ii) a $1.4 million partial settlement received from the Chinese government as compensation for the government-mandated shutdown of the Company's China JV in 2012. Global rigid polyol volume was up 13% versus the prior year due to the INVISTA polyester polyol acquisition.

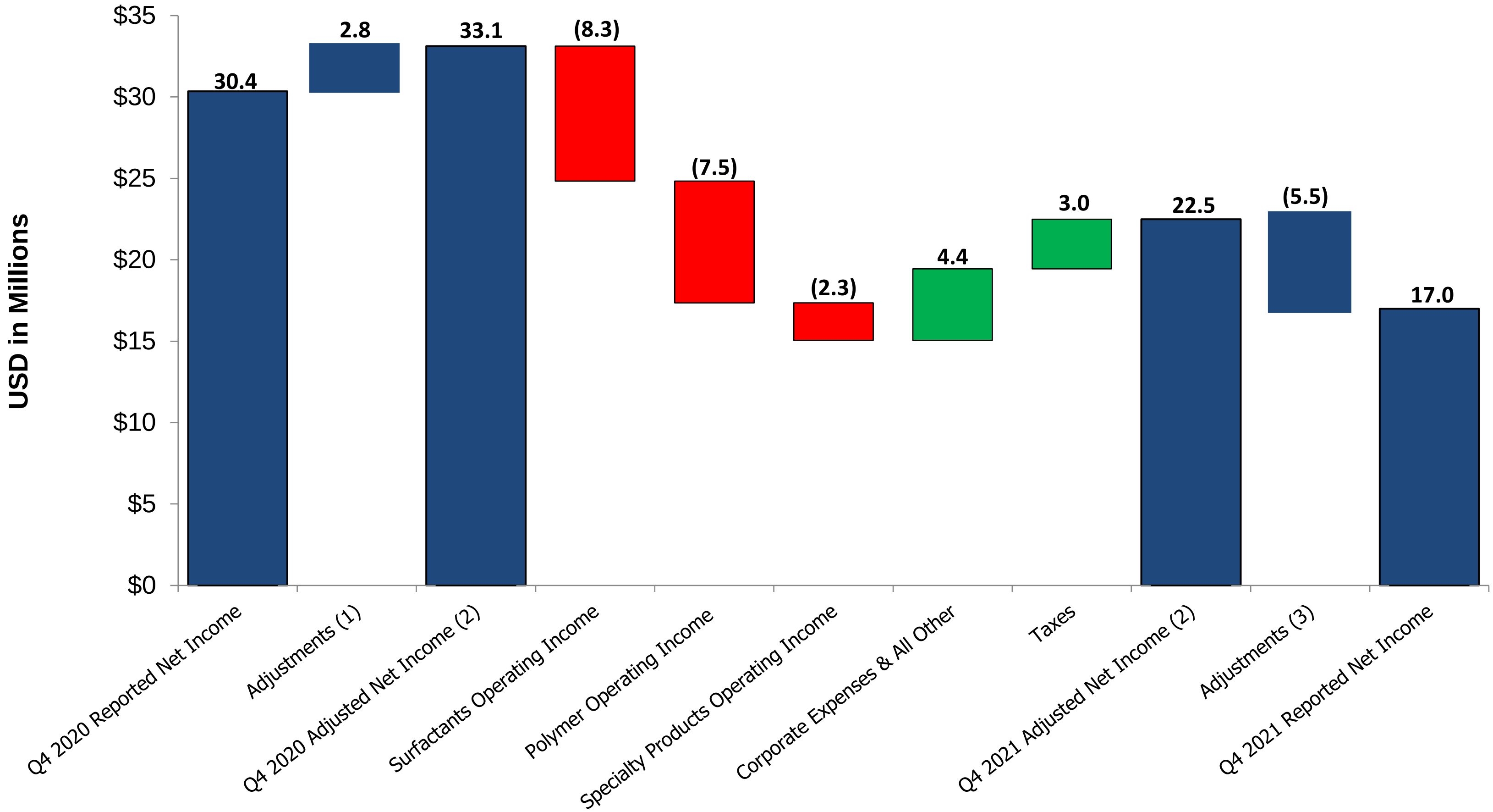
- Specialty Product operating income was $2.1 million versus $5.2 million in the prior year. This decrease was primarily attributable to order timing differences within our food and flavor business and lower volume within the medium chain triglycerides (MCT) product line.

- The Company estimates that supply chain disruptions negatively impacted Surfactants, Polymers and Specialty Products operating results by $3.0 million, $3.0 million and $1.0 million, respectively, during the fourth quarter of 2021. All three segments have implemented additional price increases to help offset inflationary pressures.

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

Net Income Bridge – Q4 2020 to Q4 2021

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



(1) The adjustments to Reported Net Income in Q4 2020 consisted of deferred compensation expense and cash settled SARs expense of $2.4 million and restructuring costs of $0.4 million.
(2) Adjusted Net Income is a Non-GAAP measure that excludes certain significant, non-recurring items. See Appendix II for a GAAP reconciliation.
(3) The adjustments to Reported Net Income in Q4 2021 consisted of deferred compensation expense and cash settled SARs expense of $2.4 million, restructuring and the loss on the sale (non-cash) of a corporate building costs of $2.3 million and environmental remediation of $0.8 million.

Surfactants

Lower results due to one-time benefits in base period and significant supply chain disruptions. Lower consumer product volumes from pandemic peak were partially offset by strong global demand for products sold into the institutional cleaning and functional product end markets.

Q4 2021 Business Results Highlights

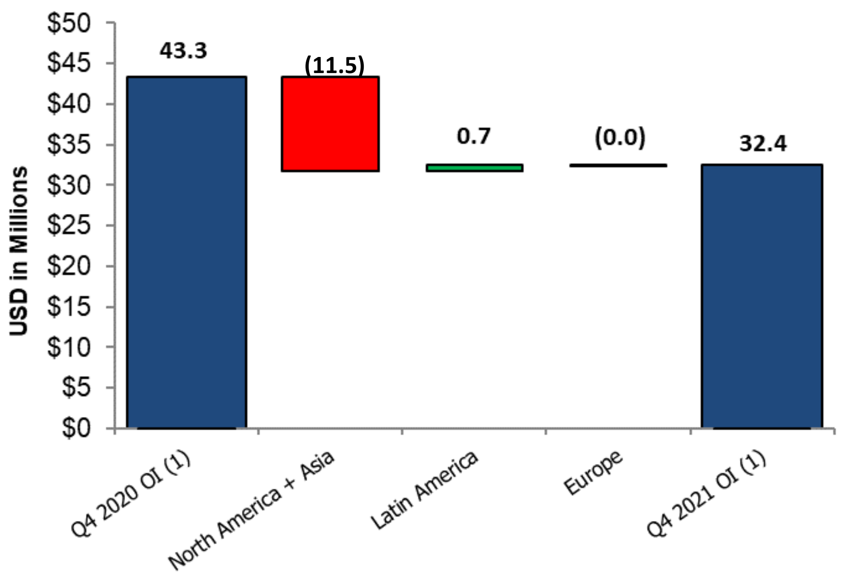
Operating Income was $32.4 million, a decrease of $10.9 million versus prior year due to inflationary pressures, supply chain disruptions and higher planned maintenance expenses. Sales volume decreased 9% quarter-over-quarter. Most of this decrease reflects lower sales volume into the North American consumer product end markets due to lower demand for consumer cleaning, disinfection and personal wash products versus the pandemic peak. Supply chain disruptions negatively impacted Surfactants by $3 million.

North America results decreased due to the insurance payment last year and the impact of supply chain disruptions.

Latin America results were up slightly from prior year due to strong volume growth in functional product end markets.

Europe results were flat from prior year due to decreased consumer product demand offset by increased demand in functional product end markets.

in millions $	Q4 2021	Q4 2020
Net Sales	**$ 420.1**	**$ 358.4**
Operating Income	**$ 32.4**	**$ 43.3**



Stepan

(1) OI = Operating Income

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

Polymers

Lower results due to one-time benefits in base period and significant supply chain disruptions.

Q4 2021 Business Results Highlights

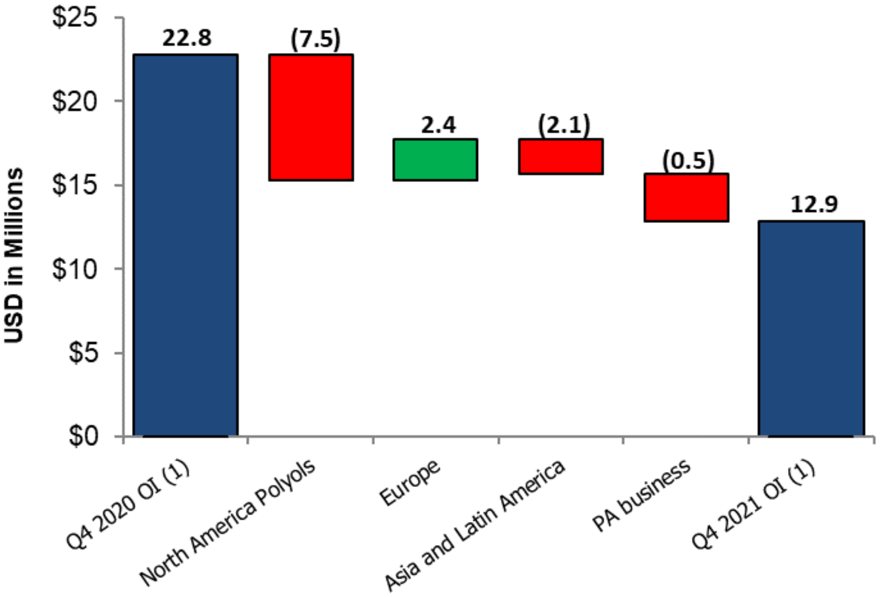
Polymer operating income was $12.9 million versus $22.8 million in the prior year. Sales volume increased 12% in the quarter primarily due to 13% growth in rigid polyol demand that was attributable to the INVISTA acquisition. Higher demand within the specialty polyol and phthalic anhydride businesses also contributed to the sales volume growth. The operating income decrease was due to the non-recurrence of a $10.0 million 2020 fourth quarter insurance recovery related to the Millsdale, IL plant power outage and supply chain disruptions of $3 million.

North America polyol results decreased due to the non-recurrence of the $10.0 million 2020 fourth quarter insurance recovery partially offset by price increases. Selling prices increased 30% primarily due to the pass through of higher raw material costs.

Europe results increased primarily driven by the INVISTA acquisition.

China results decreased mainly due to a one-time payment from the Chinese Government in the base period.

in millions $	Q4 2021	Q4 2020
Net Sales	$ 173.7	$ 116.7
Operating Income	$ 12.9	$ 22.8



(1) OI = Operating Income

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

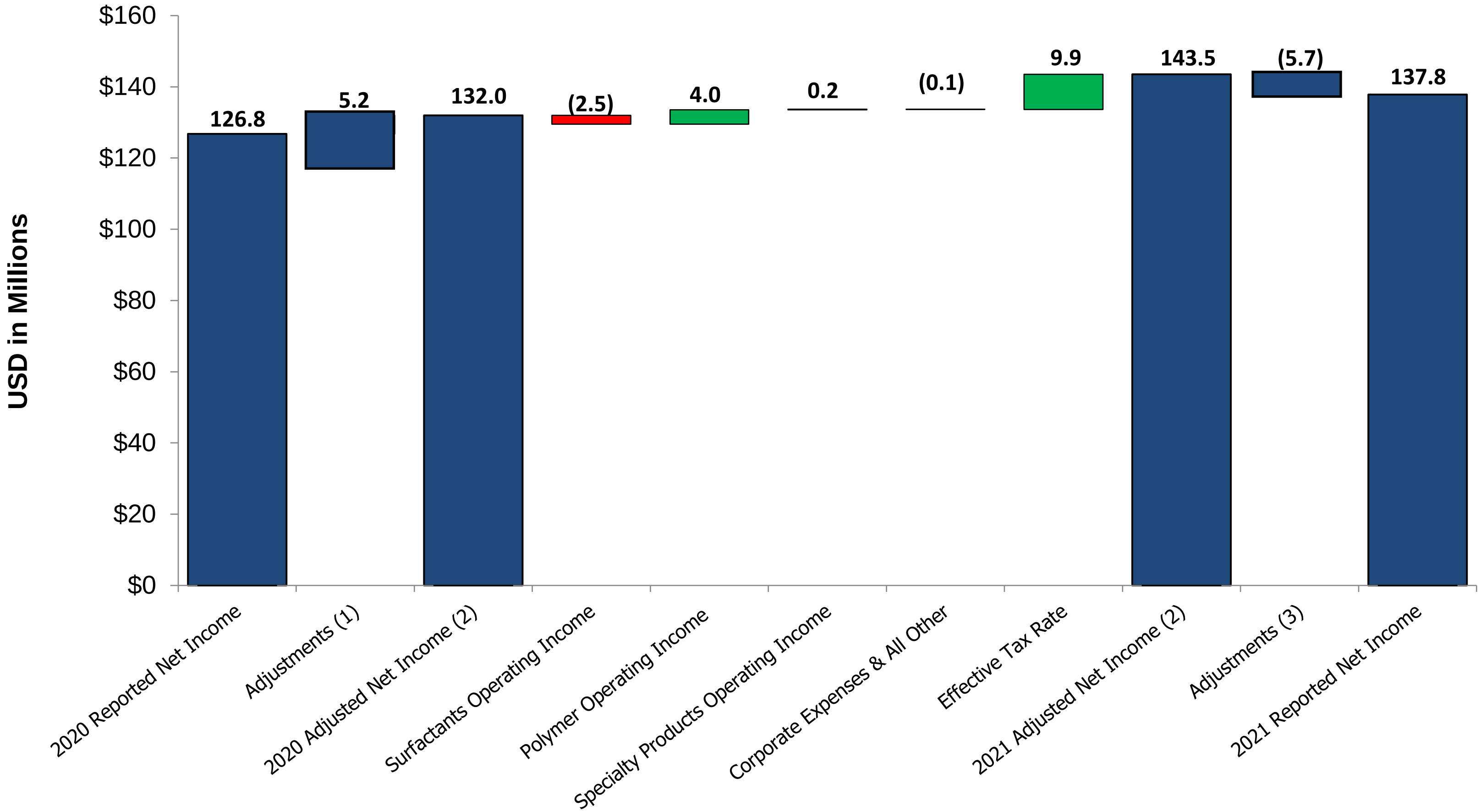
Full Year 2021 Financial Recap

- 2021 Reported Net Income was a **RECORD** \$137.8 million, or \$5.92 per diluted share, a 9% increase versus \$126.8 million, or \$5.45 per diluted share, in 2020. Reported Net Income for 2021 included the following non-operational and/or non-recurring items:
  - Deferred compensation and cash-settled SARS expense of \$1.6 million, or \$0.07 per diluted share.
  - Restructuring and the loss on the sale (non-cash) of a corporate building of \$2.5 million, or \$0.11 per diluted share.
  - Environmental remediation expense of \$1.5 million, or \$0.06 per diluted share.
- Adjusted Net Income(1) was a **RECORD** \$143.5 million, or \$6.16 per diluted share, a 9% increase versus \$132.0 million, or \$5.68 per diluted share, in 2020. Total Company sales volume reached a **RECORD** high, up 2% versus the prior year.
- The Surfactant segment delivered operating income of \$166.0 million, down 2% versus the prior year. Surfactant global sales volume was down 5% primarily due to lower demand for cleaning products in the consumer product business versus the pandemic peak in 2020. Higher demand for products sold into the institutional cleaning and functional product end markets partially offset the decrease.
- The Polymer segment delivered \$73.6 million of operating income, up 8% versus the prior year. Global Polymer sales volume was up 29% versus the prior year primarily due to the INVISTA polyol acquisition.
- Specialty Product operating income was \$14.2 million versus \$14.0 million in the prior year.
- The effect of foreign currency translation positively impacted net income by \$1.2 million, or \$0.05 per diluted share, versus the prior year.

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

Net Income Bridge – Full Year 2020 to 2021

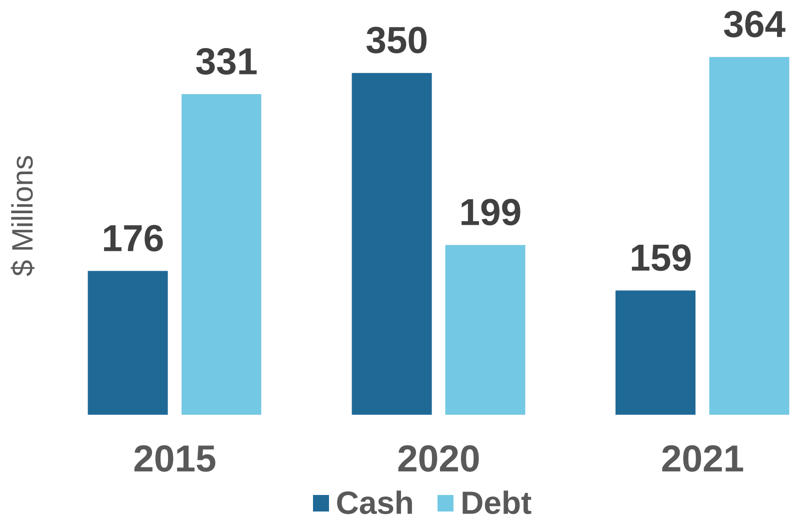
Note: All amounts are in millions of U.S. dollars and are reported after-tax.



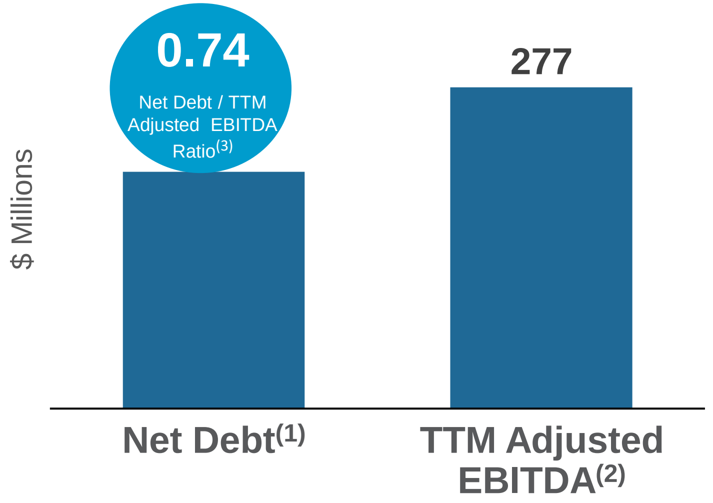
(1) The adjustments to Reported Net Income in 2020 were related to deferred compensation expense and cash-settled SARS expense of $4.3 million and restructuring costs of $0.9 million.
(2) Adjusted Net Income is a non-GAAP measure that excludes certain significant, non-recurring items. See Appendix II for a GAAP reconciliation.
(3) The adjustments to Reported Net Income in 2021 were related to deferred compensation expense and cash-settled SARS expense of $1.6 million, restructuring and the loss on the sale (non-cash) of a corporate building costs of $2.5 million and environmental remediation expense of $1.5 million.

Strong Balance Sheet and Ample Liquidity to Invest for Growth

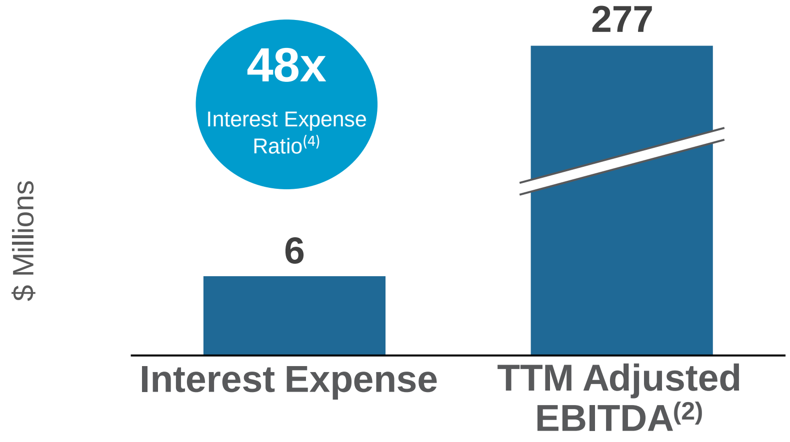
Cash vs. Debt



Net Debt / TTM Adjusted EBITDA



Interest Expense Ratio



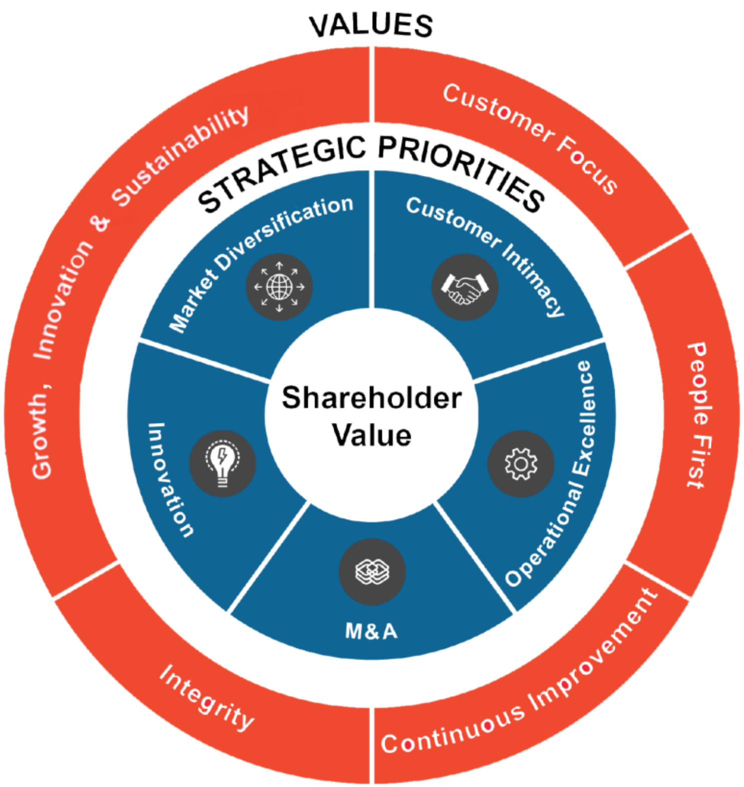
Debt Principal Payments

Year	Amount ($MM)
2022	38
2023	38
2024	49
2025	63
2026	49
2027	49
2028	34
2029	14
2030	14
2031	14
Other	3
Total	**364**

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

Stepan Strategic Priorities

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



GOLD 2022 ecovadis Sustainability Rating

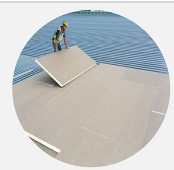
WSJ 100 MOST SUSTAINABLY MANAGED COMPANIES 2020

BUSINESS PRIORITIES

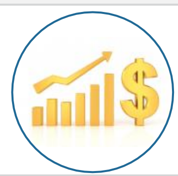
- Enable a healthier world through the supply of surfactants for cleaning, disinfection and personal wash applications.

- Accelerate growth with Tier 2/3 customers, while continuing to support our Global Tier 1 customers.

- Continue Surfactant diversification strategy into functional markets, including agricultural and oilfield chemicals.



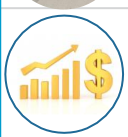
- Capture growth driven by energy conservation efforts in rigid polyols; accelerate growth in China.



- Deliver productivity and efficiency across all of Stepan to improve margins.

- Continue to integrate acquired Polymer assets and technology into the Stepan network.
- Continue bio-surfactant development project.
- Leverage our strong balance sheet to complement organic growth opportunities and add new chemistries and technologies.

Strategic Priorities:

Key Priorities	Stepan Opportunities / Actions
 **COVID-19**	• Ensure the health and safety of our employees and preserve the right to operate and compete during and after the COVID-19 pandemic. • Produce and deliver products that help fight the global pandemic. • 25 formulations approved by the EPA for on-label claims to kill SARS-CoV-2, the virus that causes COVID-19. • Consumer Products Biocides Volumes down versus pandemic peak.
 **Cleaning & Disinfection and Personal Care**	• Lower North American volume in Laundry and Personal Care driven by raw material sourcing disruptions and lower consumer demand was partially offset by volume growth in Institutional & Industrial Cleaning. • Debottleneck and increase capacity in key product lines. Secure critical raw materials for growth. • Increasing North America capability to make low 1,4 Dioxane Sulfates to meet upcoming regulatory requirements.
 **Tier 2/3 Customers**	• Tier 2/3 volume (including Functional Products) was slightly lower than last year due to pandemic peak consumption/demand in 2020 • Increased customer penetration with 320 new Tier 2/3 customers in Q4 2021 and approximately 1400 for the year
 **Agricultural Chemicals**	• Global agricultural volume increased strong double digits in Q4 2021. • High commodity prices for corn and soybeans, coupled with increased planted acreage for the 2021 growing season drove a strong season for crop protection sales in North America. • Strong 2021 results in Asia due to the continued growth in the post-patent herbicide market. • High commodity crop prices and favorable currency impact on exports are driving increased planted areas of major crops in Brazil.
 **Oilfield Solutions**	• Volume growing strong double digits due to higher oil prices and a depressed base in 2020 due to COVID-19. • Biocides volumes growing driven by higher commodity prices. • Patent-pending oilfield technologies (flowback modifiers and friction reducer boosters) can help customers to be more productive and cost efficient. • Continue the integration and supply chain planning of the KMCO demulsifier portfolio in anticipation of 2022 relaunch.
 **Rigid Polyols**	• Effectively integrating the newly acquired Polymer assets and business into the Stepan network. • Continue the development of next generation of value-added and sustainably advantaged Rigid Polyol Technologies. • Continue growing the Chinese business.
 **Productivity**	• Finished consulting work in Millsdale (ML) plant. Accelerated interventions and investments needed (e.g. maintenance and capex) in our ML plant to increase capacity (de-bottleneck projects) and improve productivity. • Upgrading our IT platform and several automation projects to improve efficiency and productivity; enhance digital marketing.
 **M&A**	• Leveraged our strong B/S and cash position to acquire aromatic polyester polyol business from INVISTA in Q1 2021- Stepan's largest acquisition in 89 years of operation. • Acquired a fermentation plant located in Lake Providence, Louisiana in Q1 2021. • Continue working on future potential projects.

Strategic Investments

Acquisition of INVISTA's Aromatic Polyester Polyol Business & US Gulf Coast Alkoxylation

$120+ million Annual Revenue

Wilmington, NC (United States)

Vlissingen (the Netherlands)

Stepan acquired INVISTA's aromatic polyester polyol business and associated assets in January 2021.

Benefits of Acquisition

Sustainability: 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

Operations: New product capabilities (**TERATE® flame retardant polyester polyol**), capital efficient expansion, enhanced business continuity

Financial Performance: **Accretive to Stepan's EPS and EBITDA margins** in 2021.

Integration is on track.

$220 million Capital Investment

Pasadena, Texas (United States)

Stepan to invest in alkoxylation capacity at existing Pasadena, Texas facility.

Benefits of Investment

Strategic Drivers: Alkoxylates are a **core surfactant technology** consumed across Stepan's key agricultural, oilfield, construction and household end use markets

Pasadena will become Stepan's third alkoxylation site, providing **strategically located redundancy and long-term capacity for growth** in ethoxylates and propoxylates

Project Overview: State of the art, flexible, multi-reactor facility with approximately **75KTA of annual alkoxylation capacity**

Expected Start-Up - Late 2023.

Stepan

NYSE: SCL

Thank You

Luis E. Rojo
VP and CFO

847-446-7500

WORKING TOGETHER FOR A SAFER, CLEANER WORLD

APPENDIX

Financials and GAAP Reconciliations

Appendix I

Update on Certain Expectations

(millions USD)	2019 Actual	2020 Actual	2021 Actual	2022 Expected
Capital Expenditures →	106	126	195	350-375
Debt Repayments →	54	24	38	38
Interest Net →	6	5	6	13
Effective Tax Rate →	18%	25%	20%	24-26%

Capex guidance includes $150-175MM for Pasadena project.

Appendix II

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			
	2021	EPS	2020	EPS	2021	EPS	2020	EPS
Net Income Reported	$ 16,995	$ 0.73	$ 30,350	$ 1.30	$137,804	$ 5.92	$126,770	$ 5.45
Deferred Compensation (Income) Expense	$ 2,168	$ 0.09	$ 2,312	$ 0.10	$ 1,484	$ 0.06	$ 4,004	$ 0.17
Business Restructuring/Asset Disposition Exp.	$ 2,343	$ 0.10	$ 379	$ 0.02	$ 2,543	$ 0.11	$ 905	$ 0.04
Cash-Settled SARs (Income) Expense	$ 203	$ 0.01	$ 79	$ 0.00	$ 165	$ 0.01	$ 335	$ 0.02
Environmental Remediation Expense	$ 784	$ 0.04	$ -	$ -	$ 1,503	$ 0.06		$ -
Adjusted Net Income	$ 22,493	$ 0.97	$ 33,120	$ 1.42	$143,499	$ 6.16	$132,014	$ 5.68

Reconciliation of Pre-Tax to After-Tax Adjustments

($ in thousands, except per share amounts)	Three Months Ended December 31				Twelve Months Ended December 31			
	2021	EPS	2020	EPS	2021	EPS	2020	EPS
Pre-Tax Adjustments								
Deferred Compensation (Income) Expense	$ 2,853		$ 3,041		$ 1,952		$ 5,268	
Business Restructuring/Asset Disposition Exp.	$ 3,086		$ 504		$ 3,353		$ 1,212	
Cash-Settled SARs (Income) Expense	$ 267		$ 104		$ 217		$ 441	
Environmental Remediation Expense	$ 1,031		$ -		$ 1,977		$ -	
Total Pre-Tax Adjustments	$ 7,237		$ 3,649		$ 7,499		$ 6,921	
Cumulative Tax Effect on Adjustments	$ (1,739)		$ (879)		$ (1,804)		$ (1,677)	
After-Tax Adjustments	$ 5,498	$ 0.24	$ 2,770	$ 0.12	$ 5,695	$ 0.24	$ 5,244	$ 0.23

Appendix III

Foreign Exchange Impact – Q4 2021

(millions USD)	Surfactants	Polymers	Specialty Products	Consolidated
Net Sales	(3.7)	(2.3)	0.0	(6.1)
Gross Profit	(0.8)	(0.3)	0.0	(1.1)
Operating Expenses	(0.2)	0.0	0.0	(0.2)
Operating Income	(0.6)	(0.3)	0.0	(0.9)

Appendix IV

Net Debt to Total Capitalization Ratio

(millions USD)	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
Total Debt	363.6	198.7	222.1	276.1	290.8	317.0
Cash	159.2	349.9	315.4	300.2	298.9	225.7
Net Debt	204.4	(151.2)	(93.3)	(24.1)	(8.1)	91.3
Equity	1,074.2	986.7	891.8	807.4	740.1	634.6
Net Debt + Equity	1,278.6	835.5	798.5	783.3	732.0	725.9
Net Debt / (Net Debt + Equity)	16%	(18%)	(12%)	(3%)	(1%)	13%

Appendix V

Adjusted EBITDA Reconciliations

($ in millions)	2021 Adjusted EBITDA by Segment		
	Surfactants	Polymers	Specialty Products
Net Sales	1563	713	70
Reported Operating Income	166	74	14
Adjustments	0	0	0
Adjusted Operating Income	166	74	14
Depreciation & Amortization	51	31	6
Adjusted EBITDA	217	104	20
Adjusted EBITDA Margin	13.9%	14.6%	28.7%

($ in millions)	2021 Adjusted EBITDA Total Stepan
Net Sales	2,346
Adjusted Net Income*	143
Depreciation & Amortization	91
Interest Expense	6
Income Tax Expense	36
Adjusted EBITDA	277
Adjusted EBITDA Margin	11.8%

Interest Expense Ratio = TTM Adjusted EBITDA / Interest Expense = 277 / 5.8 = 48x
Net Debt / TTM Adjusted EBITDA Ratio = 204.4 / 277 = 0.74

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