Stepan

Earnings Call Presentation

Third Quarter 2021

October 20, 2021

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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

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

Third Quarter 2021 Financial Recap

- Reported Q3 Net Income was $36.9 million, or $1.59 per diluted share a 11% increase versus $33.2 million, or $1.43 per diluted share, in Q3 2020.

- Q3 Adjusted Net Income[1] was $36.4 million, or $1.57 per diluted share, flat versus $36.4 million, or $1.56 per diluted share, in Q3 2020. Adjusted Net Income in Q3 2021 excludes the following non-operational items:
  - Deferred compensation and cash-settled SARs income of $1.3 million, or $0.05 per diluted share.
  - Environmental remediation expense of $0.7 million, or $0.03 per diluted share.
  - Restructuring expense of $0.1 million, or less than $0.01 per diluted share.

- Surfactant net sales were $387.7 million for the quarter, a 16% increase versus the prior year. Selling prices were up 20% primarily due to improved product and customer mix as well as the pass-through of higher raw material costs. The effect of foreign currency translation positively impacted net sales by 2%. Sales volume decreased 6% 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. Higher demand for products sold into the institutional cleaning and functional product end markets partially offset the above. Surfactant operating income for the quarter decreased $6.7 million, or 16%, versus the prior year quarter primarily due to supply chain disruptions, lower sales volume and the non-recurrence of a $2.2 million insurance recovery, related to the 2020 Millsdale, IL plant power outage, recognized in the third quarter of 2020.

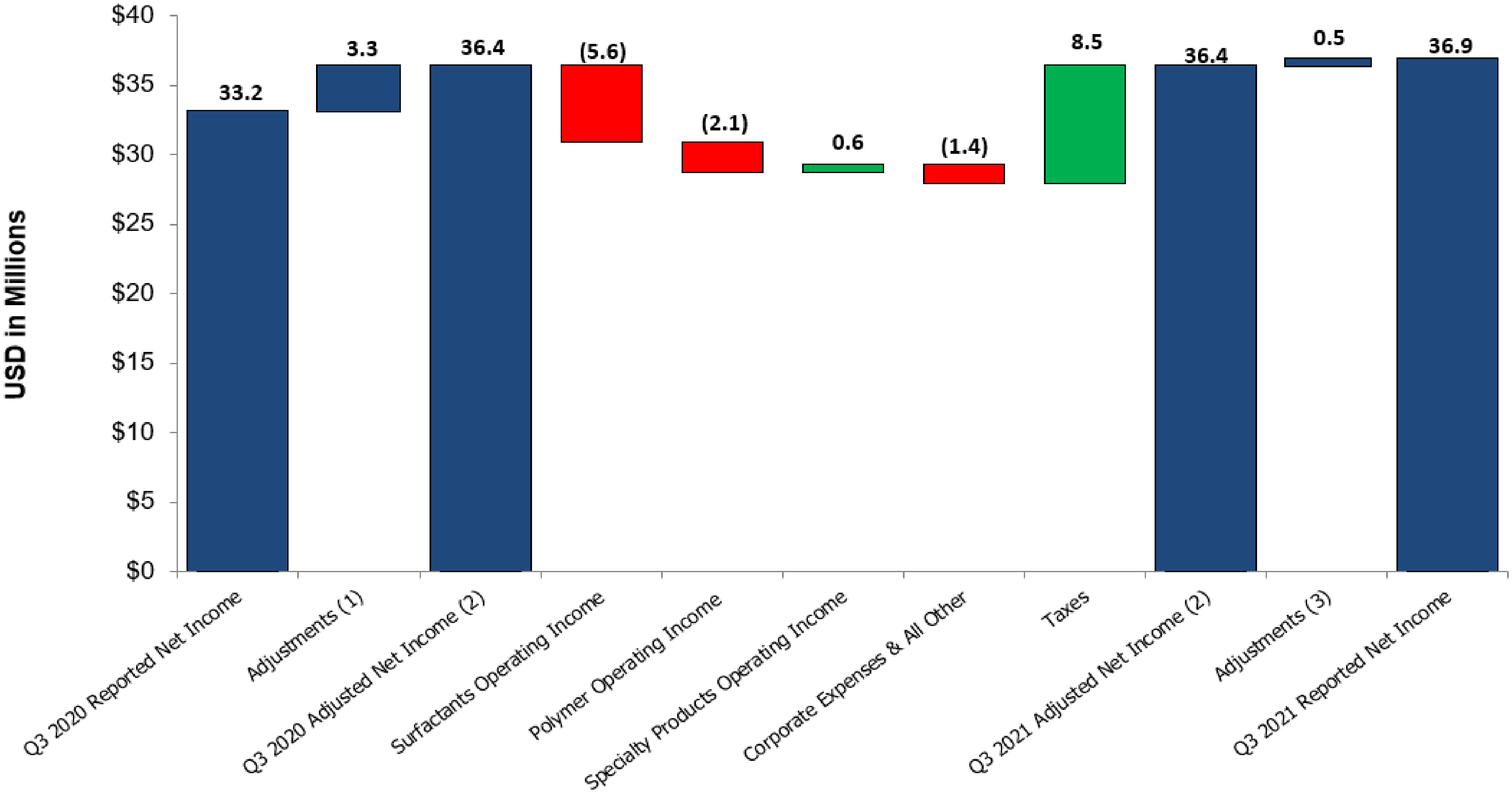
- Polymer net sales were $198.8 million for the quarter, a 70% increase versus the prior year. Selling prices increased 44% primarily due to the pass through of higher raw material costs. Sales volume increased 27% in the quarter primarily due to 33% growth in rigid polyol demand that was mostly attributable to the INVISTA acquisition. Higher demand within the specialty polyols business also contributed to the sales volume growth. The translation impact of a stronger U.S. dollar negatively impacted net sales by 1%. Polymer operating income decreased $2.6 million, or 12%, primarily due to supply chain disruptions and the non-recurrence of two third quarter 2020 events: (i) a $2.8 million insurance recovery related to the 2020 Millsdale, IL plant power outage, and (ii) a $1.2 million partial settlement received from the China government as compensation for the government-mandated China JV shutdown in 2012.

- Specialty Product net sales were $16.1 million for the quarter, a 15% increase versus the prior year. Sales volume was up 9% between quarters and operating income increased $0.8 million, or 53%. The operating income increase was primarily attributable to order timing differences with our food and flavor business and improved volume and margins within our medium chain triglycerides (MCT) product line.

- The Company’s net debt level increased $62.7 million versus the second quarter of 2021 while the net debt ratio increased from 10% to 14%. The increase in net debt reflects a $40.9 million increase in debt and a $21.8 million decrease in cash. Higher Working Capital needs are associated with higher material cost and higher Account Receivables due to Sales growth of 30%.

(1) *Adjusted Net Income is a non-GAAP measure that excludes certain significant, non-recurring items. See Appendix II for a GAAP reconciliation.*
(2) *Net debt and net debt ratio is a non-GAAP measure. See Appendix IV for a GAAP reconciliation.*

Net Income Bridge – Q3 2020 to Q3 2021



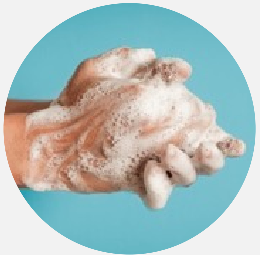
(1) *The adjustments to Reported Net Income in Q3 2020 consisted of deferred compensation expense of $2.6 million, cash-settled SARs expense of $0.6 million and restructuring costs of $0.1 million.*

(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 Q3 2021 consisted of deferred compensation income of $1.1 million, cash settled SARs income of $0.1 million, and restructuring costs of $0.1 million and Environmental remediation expense of $0.7 million.*

Surfactants

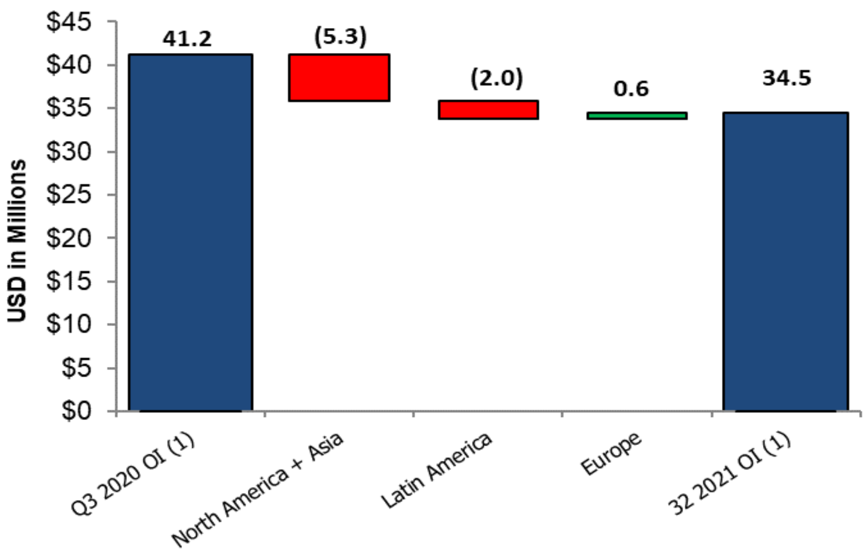
Lower results due to one-time benefits in base period and significant supply chain disruptions. Lower consumer product volumes from pandemic peak, were partially offset by strong growth in functional end markets, as well as industrial and institutional cleaning.



Q3 2021 Business Results Highlights

- Operating Income was $34.5 million, a decrease of $6.6 million versus prior year due to inflationary pressures and higher planned maintenance costs along with $2.2 million insurance recovered in 2020 from Millsdale plant outage. Global Surfactant sales volume decreased 6% but the associated impact was more than offset by improved margins, product and customer mix.
- North America results decreased due to the insurance payment last year and the impact of supply chain disruptions. We estimate the supply chain disruptions had an impact of approximately $4 million on Operating Income.
- Latin America results were lower due to a planned maintenance turn around and capacity expansion related activities in Mexico and Brazil.
- Europe results increased due to higher demand in functional products, partially offset by decrease in consumer products.

in millions $	Q3 2021	Q3 2020
Net Sales	$ 387.7	$ 333.8
Operating Income	$ 34.5	$ 41.2

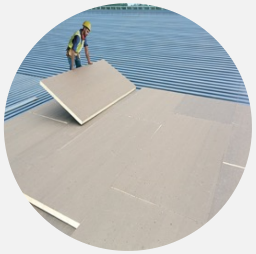


(1) OI = Operating Income

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.



Q3 2021 Business Results Highlights

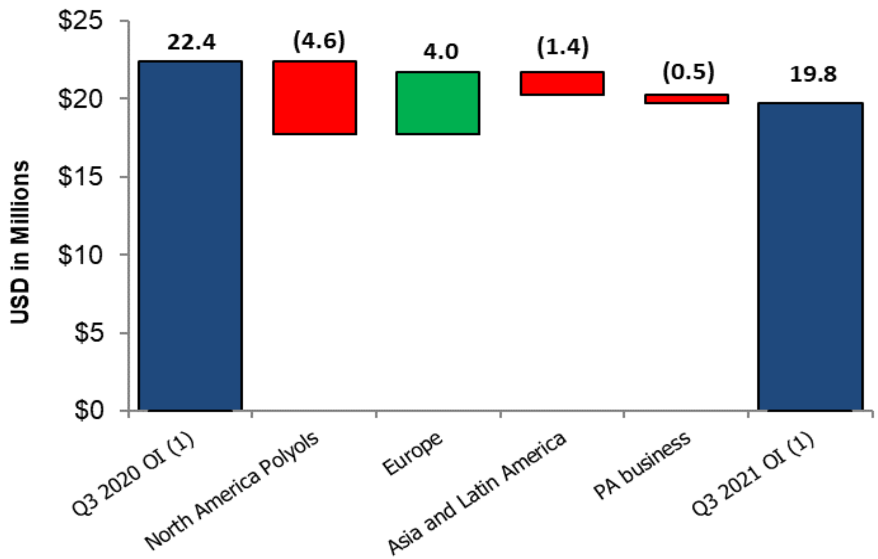
Polymer operating income was $19.8 million versus $22.4 million in the prior year. Global Polymer sales volume increased 27%. Global rigid polyol volume was up 33% versus the prior year largely due to the INVISTA polyester polyol acquisition. The operating income decrease primarily reflects the non-recurrence of $4 million one-time benefits recorded in Q3 2020 (Insurance and China Gov. payment). We estimate the supply chain disruption had an impact of approximately $3 million on Operating Income.

North America polyol results decreased due to rising raw material due to the supply chain disruptions and higher manufacturing costs, partially offset by higher volume. Price increases were announced for October.

Europe results increased primarily driven by the INVISTA acquisition.

China results decreased mainly due to a one-time benefit in 2020 and higher supply chain costs.

in millions $	Q3 2021	Q3 2020
Net Sales	$ 198.8	$ 116.7
Operating Income	$ 19.8	$ 22.4



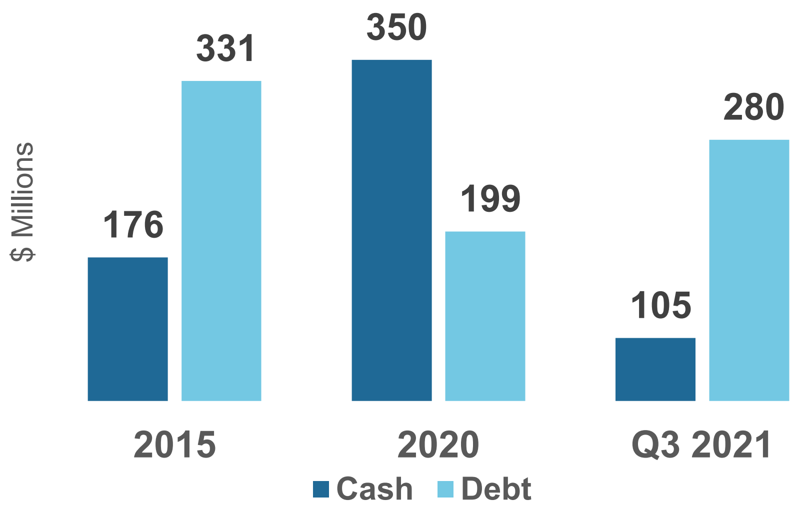
(1) OI = Operating Income

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

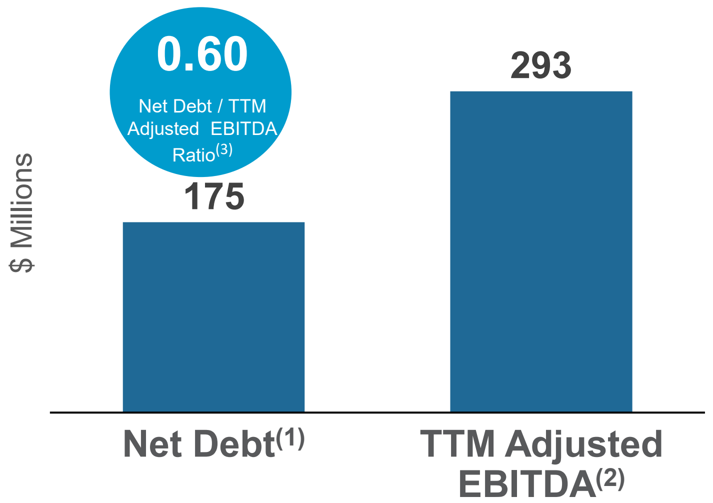
Stepan

Strong Balance Sheet and Ample Liquidity to Invest for Growth

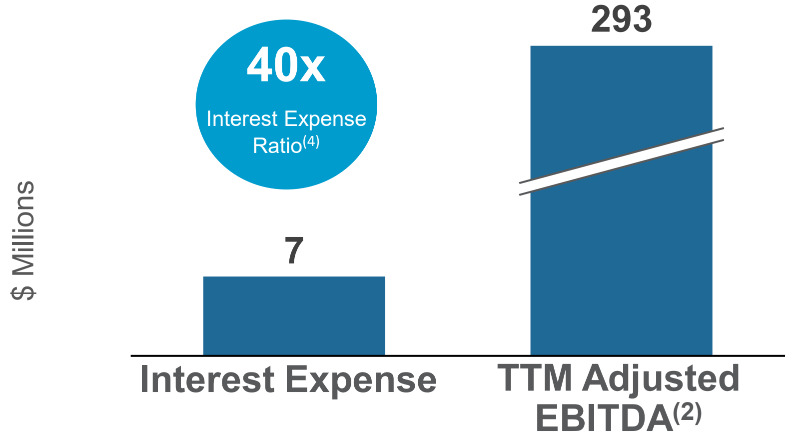
Cash vs. Debt



Net Debt / TTM Adjusted EBITDA



Interest Expense Ratio



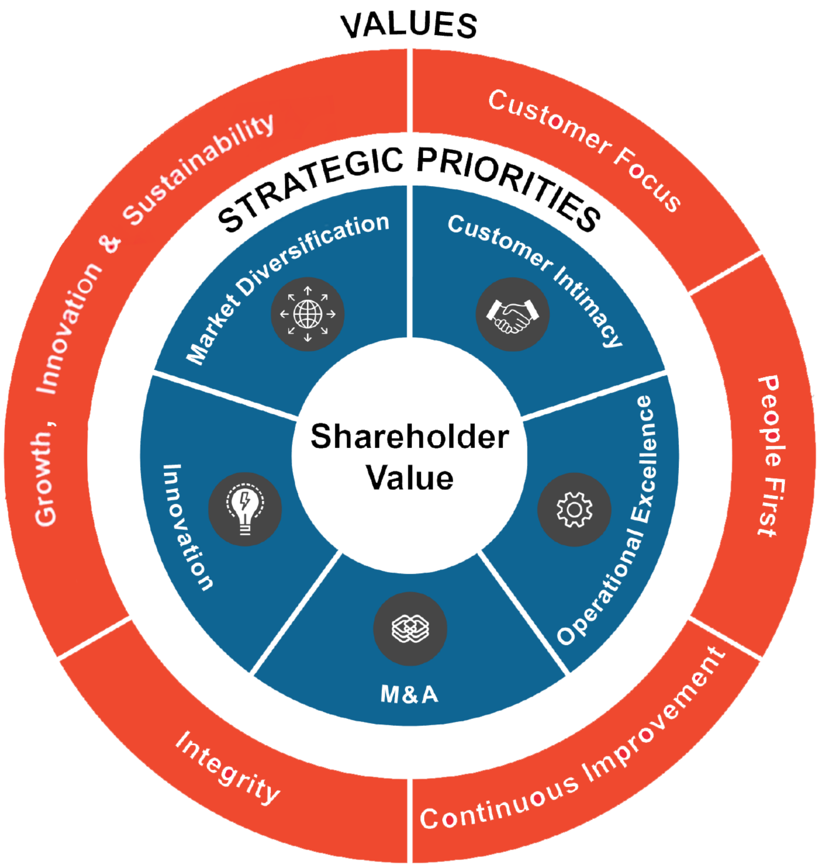
Debt Principal Payments

Year	Amount ($MM)
2021	9
2022	38
2023	38
2024	49
2025	49
2026	34
2027	34
2028	20
Other	9
Total	**280**

(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.

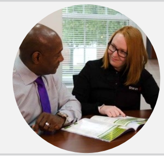
Stepan Strategic Priorities

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

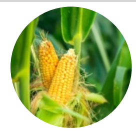


BUSINESS PRIORITIES

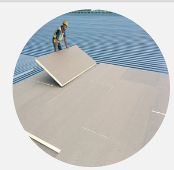

- Enable a healthier world through the supply of surfactants for cleaning, disinfection and personal wash applications.



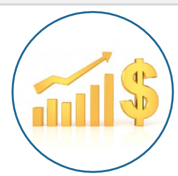
- Accelerate growth with Tier 2/3 customers, while continuing to support our Global Tier 1 customers.




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



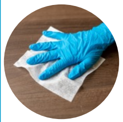
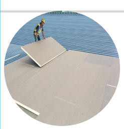
- Capture growth driven by energy conservation efforts in rigid polyols; accelerate growth in China.



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

- Integrate newly acquired Polymer assets and technology into the Stepan network.
- 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 crisis. • Produce and deliver products that help fight the global pandemic. • 13 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 emerging regulatory requirements.
 Tier 2/3 Customers	• Tier 2/3 volume (including Functional Products) increased low single digits. • Increased customer penetration with 300 new Tier 2/3 customers in Q3 2021 and approximately 800 for year to date.
 Agricultural Chemicals	• Global agricultural volume increased strong double digits in Q3 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 year to date 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 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

$100 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: Expected to be **accretive to Stepan's EPS EBITDA margins** in 2021

Acquisition 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, oil and gas, 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 Expectations
Capital Expenditures	106	126	200 - 220
Debt Repayments	54	24	38
Interest Net	6	5	7
Effective Tax Rate	18%	25%	20 - 22%

Capex Guidance up by $50MM due to long lead time equipment for Pasadena.

Appendix II

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

($ in thousands, except per share amounts)	Three Months Ended September 30				Nine Months Ended September 30			
	2021	EPS	2020	EPS	2021	EPS	2020	EPS
Net Income Reported	$ 36,920	$ 1.59	$ 33,168	$ 1.43	$ 120,809	$ 5.19	$ 96,420	$ 4.15
Deferred Compensation (Income) Expense	$ (1,135)	$ (0.05)	$ 2,612	$ 0.11	$ (685)	$ (0.03)	$ 1,692	$ 0.07
Business Restructuring Expense	$ 54	$ -	$ 95	$ 0.00	$ 200	$ 0.01	$ 526	$ 0.02
Cash-Settled SARs (Income) Expense	$ (141)	$ -	$ 546	$ 0.02	$ (38)	$ (0.00)	$ 256	$ 0.01
Environmental Remediation Expense	$ 719	$ 0.03	$ -	$ -	$ 719	$ 0.03		$ -
Adjusted Net Income	$ 36,417	$ 1.57	$ 36,421	$ 1.56	$ 121,005	$ 5.20	$ 98,894	$ 4.25

Reconciliation of Pre-Tax to After-Tax Adjustments

($ in thousands, except per share amounts)	Three Months Ended September 30				Nine Months Ended September 30			
	2021	EPS	2020	EPS	2021	EPS	2020	EPS
Pre-Tax Adjustments								
Deferred Compensation (Income) Expense	$ (1,494)		$ 3,437		$ (901)		$ 2,227	
Business Restructuring Expense	$ 72		$ 126		$ 267		$ 708	
Cash-Settled SARs (Income) Expense	$ (186)		$ 718		$ (50)		$ 337	
Environmental Remediation Expense	$ 946		$ -		$ 946		$ -	
Total Pre-Tax Adjustments	$ (662)		$ 4,281		$ 262		$ 3,272	
Cumulative Tax Effect on Adjustments	$ 159		$ (1,028)		$ (66)		$ (798)	
After-Tax Adjustments	$ (503)	$ (0.02)	$ 3,253	$ 0.14	$ 196	$ 0.01	$ 2,474	$ 0.11

Appendix III

Foreign Exchange Impact – Q3 2021

(millions USD)	Surfactants	Polymers	Specialty Products	Consolidated
Net Sales	6.2	(0.3)	0.0	5.9
Gross Profit	0.8	0.0	0.0	0.8
Operating Expenses	0.3	(0.1)	0.0	0.2
Operating Income	0.5	0.0	0.0	0.5

Appendix IV

Net Debt to Total Capitalization Ratio

(millions USD)	September 30, 2021	June 30,2021	September 30, 2020	September 30, 2019	September 30, 2018	September 30, 2017	September 30, 2016
Total Debt	279.8	238.9	207.9	231.9	286.2	304.4	326.1
Cash	105.3	127.1	310.4	286.0	274.0	264.1	207.0
Net Debt	174.5	111.8	(102.5)	(54.1)	12.2	40.3	119.1
Equity	1,057.3	1,048.8	938.2	854.2	777.7	734.9	638.4
Net Debt + Equity	1,231.8	1,160.6	835.7	800.1	789.9	775.2	757.5
Net Debt / (Net Debt + Equity)	14%	10%	(12%)	(7%)	2%	5%	16%

Appendix V

Adjusted EBITDA Reconciliations

($ in millions)	Q3 2021 – Quarterly Adjusted EBITDA by Segment				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	388	199	16	-	603
Reported Operating Income	35	20	2	-16	40
Adjustments	0	0	0	0	0
Adjusted Operating Income	34	20	2	-16	40
Depreciation & Amortization	13	8	1	0	23
Adjusted EBITDA	47	27	4	-16	63
Adjusted EBITDA Margin	12.2%	13.8%	23.9%	n/a	10.4%

($ in millions)	Q3 2021 – Trailing Twelve Months Adjusted EBITDA Total Stepan
Net Sales	2,231
Subtotal Segment Reported Operating Income	278
Cash Settled SARS	0
Corporate Expenses	(73)
Consolidated Adjusted Operating Income	204
Depreciation & Amortization	87
Other*	2
Adjusted EBITDA	293
Adjusted EBITDA Margin	13.1%

**Includes -$1.0 million of Other Income and -$0.6 million Minority Interest.*

Interest Expense Ratio = TTM Adjusted EBITDA / Interest Expense = 293 / 7.3 = 40x
Net Debt / TTM Adjusted EBITDA Ratio = 174.5 / 293 = 0.60