



Earnings Call Presentation

First Quarter 2021

April 27, 2021



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. 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

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

First Quarter 2021 Financial Recap - RECORD

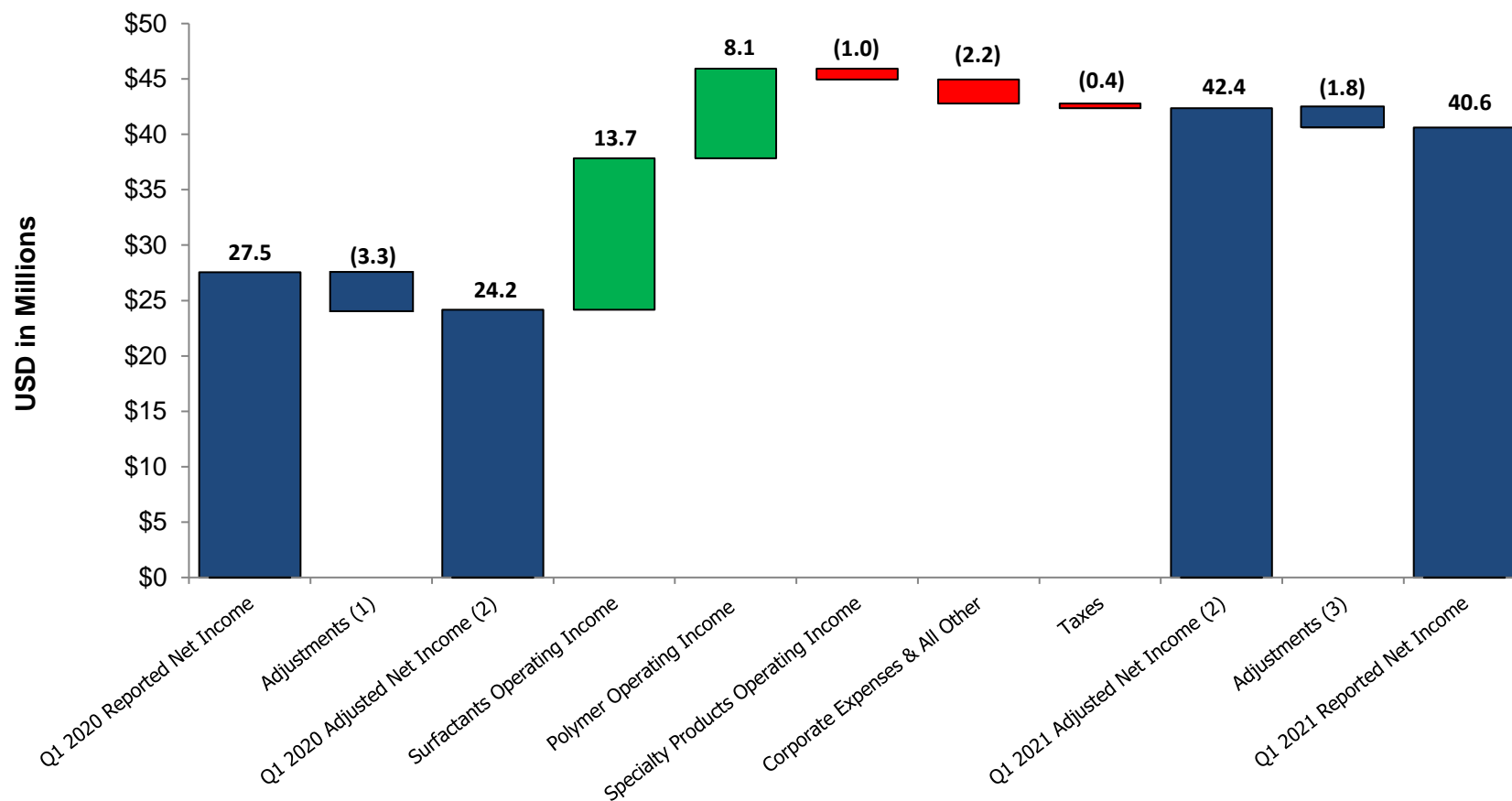
- **RECORD** Q1 Reported Net Income was \$40.6 million, or \$1.74 per diluted share, a 48% increase versus \$27.5 million, or \$1.18 per diluted share, in Q1 2020.
- **RECORD** Q1 Adjusted Net Income⁽¹⁾ was \$42.4 million, or \$1.82 per diluted share, a 75% increase versus \$24.2 million, or \$1.04 per 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%⁽²⁾. 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 II for a GAAP reconciliation.

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

Net Income Bridge – Q1 2020 to Q1 2021

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



(1) The adjustments to Reported Net Income in Q1 2020 consisted of deferred compensation income and cash-settled SARs income of \$3.6 million and restructuring costs of \$0.3 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 Q1 2021 consisted of deferred compensation expense and cash settled SARs expense of \$1.7 million and restructuring costs of \$0.1 million.

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%.

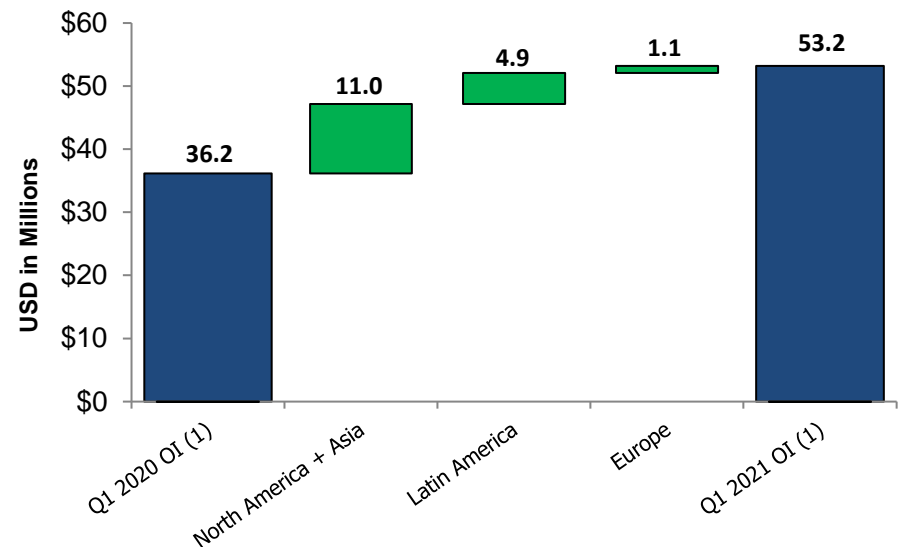
North America results increased primarily due to improved product and customer mix and higher demand for products sold into our functional product end markets. Supplier force majeure following the severe weather in Texas impacted consumer product volumes.

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.

in millions \$

	Q1 2021	Q1 2020
Net Sales	\$ 370.9	\$ 327.1
Operating Income	\$ 53.2	\$ 36.2



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.

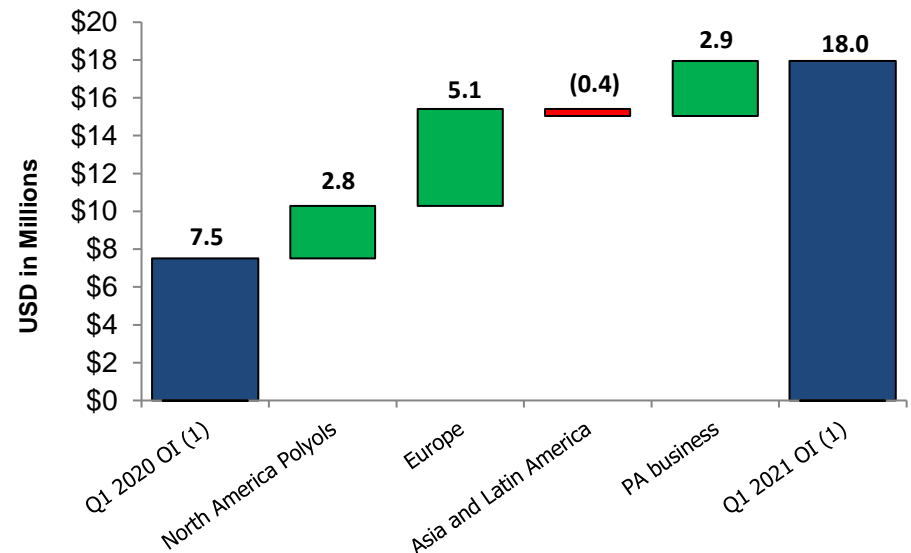
Europe results increased due to double digit volume growth in Rigid Polyol primarily due to the INVISTA acquisition.

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 \$

	Q1 2021	Q1 2020
Net Sales	\$ 150.4	\$ 106.5
Operating Income	\$ 18.0	\$ 7.5

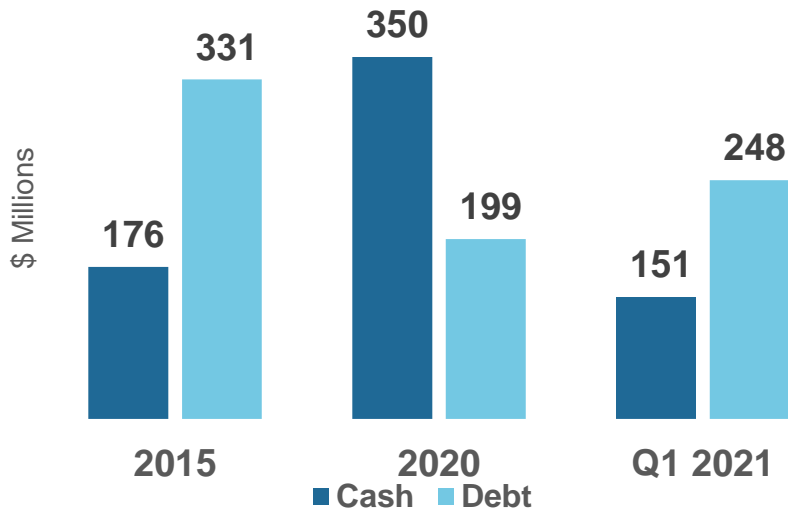


(1) OI = Operating Income

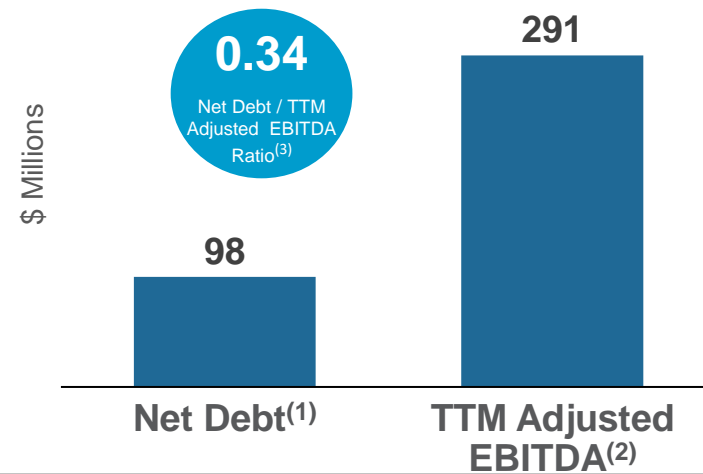
All amounts are shown on a pre-tax basis (unless noted differently)

Strong Balance Sheet and Ample Liquidity to Invest for Growth

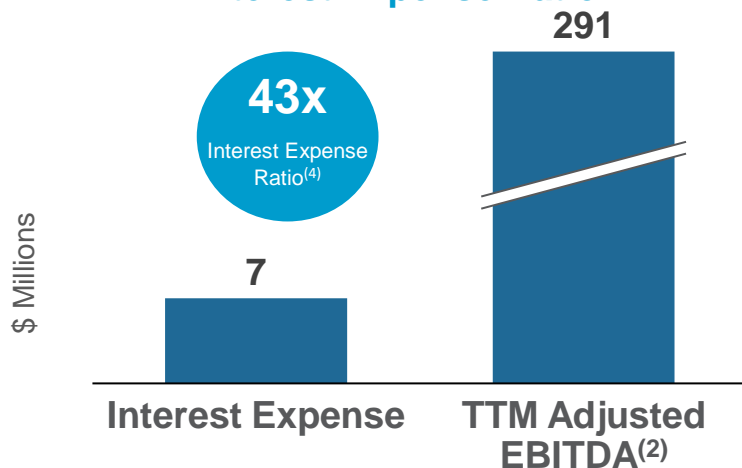
Cash vs. Debt



Net Debt / TTM Adjusted EBITDA



Interest Expense Ratio



Debt Principal Payments

Year	Amount (\$MM)
2021	42
2022	38
2023	38
2024	29
2025	29
2026	14
2027	14
Revolver	45
Total	248

- (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



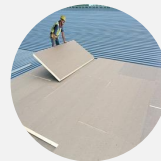
- Enable a healthier world through the supply of surfactants for cleaning, disinfection and personal wash applications.



- 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.




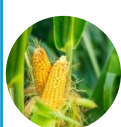






- Deliver productivity and efficiency across all of Stepan to improve margins.



- 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
 <p>COVID-19</p>	<ul style="list-style-type: none"> • 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. • 8 formulations approved by the EPA for on-label claims to kill SARS-CoV-2, the virus that causes COVID-19. 8 additional formulations are under review by the EPA for on-label claims to kill SARS-CoV-2. 3 formulations approved in Canada and one pending.
 <p>Cleaning & Disinfection and Personal Care</p>	<ul style="list-style-type: none"> • Core cleaning and disinfecting product lines drove volume growth in Europe and LatAm offset by lower volume in US Tier 1 due to raw material sourcing disruptions related to the Texas weather incidents. • 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.
 <p>Tier 2/3 Customers</p>	<ul style="list-style-type: none"> • Tier 2/3 volume grew by high single digits in Q1 2021. • Increased customer penetration with 362 new customers in Q1 2021.
 <p>Agricultural Chemicals</p>	<ul style="list-style-type: none"> • Global Agricultural volume increased by strong double digits in Q1. • Escalating corn and soybean prices are driving increased pre-season inventory build in North America across product segments. • Strong Q1 2021 in Asia due to the continued growth in the post-patent herbicide market. • Anticipated crop acreage increase in Brazil has resulted in a very strong pre-season inventory build during Q1 2021. Brazil is anticipating a 3rd crop season and a 6-8% overall increase in planted areas.
 <p>Oilfield Solutions</p>	<ul style="list-style-type: none"> • Volume up double digits driven by higher oil 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 2021 relaunch.
 <p>Rigid Polyols</p>	<ul style="list-style-type: none"> • 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 double-digit EBITDA Margin and high potential China business.
 <p>Productivity</p>	<ul style="list-style-type: none"> • Continued “cost-out” consulting work albeit somewhat delayed due to COVID-19. • Upgrading our IT platform and several automation projects to improve efficiency and productivity; enhance digital marketing.
 <p>M&A</p>	<ul style="list-style-type: none"> • 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 operations. • Acquired a fermentation plant located in Lake Province, Louisiana in Q1 2021. • Continue working a rich pipeline of potential projects.

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 after two years

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, which our products support, 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

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

	2019 Actual	2020 Actual	2021 Expected
Capital expenditures →	\$106 million	\$126 million	\$150-170 million
Debt repayments →	\$54 million	\$24 million	\$38 million
Interest expense →	\$6 million	\$5 million	\$7+ million
Effective tax rate →	18%	25%	23-26%

Appendix II

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	\$ 42,372	\$ 1.82	\$ 24,158	\$ 1.04

Reconciliation of Pre-Tax to After-Tax Adjustments

(\$ in thousands, except per share amounts)	Three Months Ended March 31			
	2021	EPS	2020	EPS
Pre-Tax Adjustments				
Deferred Compensation (Income) Expense	\$ 1,975		\$ (3,760)	
Business Restructuring	81		357	
Cash Settled Stock Appreciation Rights	261		(1,042)	
Total Pre-Tax Adjustments	\$ 2,317		\$ (4,445)	
Cumulative Tax Effect on Adjustments	\$ (556)		\$ 1,058	
After-Tax Adjustments	\$ 1,761	\$ 0.08	\$ (3,387)	\$ (0.14)

Appendix III

Foreign Exchange Impact – Q1 2021

(millions USD)	Surfactants	Polymers	Specialty Products	Consolidated
Net Sales	1.5	2.5	0.2	4.2
Gross Profit	(0.3)	0.5	0.0	0.2
Operating Expenses	0.1	0.1	0.0	0.2
Operating Income	(0.4)	0.4	0.0	0.0

Appendix IV

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%

Appendix V

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.

Interest Expense Ratio = TTM Adjusted EBITDA / Interest Expense = 291 / 6.8 = 43x

Net Debt/TTM Adjusted EBITDA Ratio = 291/98 = 0.34