Stepan®

Earnings Call Presentation

Third Quarter 2019

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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.

Earnings Conference Call Agenda

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

Third Quarter 2019 Financial Recap

- Q3 Reported Net Income was $25.9 million, or $1.11 per diluted share, a 19% increase versus $21.8 million, or $0.93 per diluted share, in Q3 2018.

- Q3 Adjusted Net Income[1] was $27.9 million, or $1.20 per diluted share, a 6% increase versus $26.4 million, or $1.13 per diluted share, in Q3 2018. Adjusted Net Income in Q3 2019 excludes the following non-operational items:
  - Deferred compensation and cash-settled SARs expense of $1.7 million, or $0.07 per diluted share.
  - Restructuring expense of $0.3 million, or $0.02 per diluted share.

- Reported Surfactant Operating Income was $19.7 million, a decrease of $9.2 million, or 32%, versus Q3 2018. The decline in global sales volume was mostly due to the Company's exit from its sulfonation business in Germany, lower agricultural demand due to the wet weather in the U.S. farm belt and lower demand in the U.S. commodity consumer product end markets. The third quarter was also impacted by higher inventory-related costs associated with the Company's internal Asian-U.S. supply chain and the residual impact of the equipment failure in Ecatepec, Mexico.

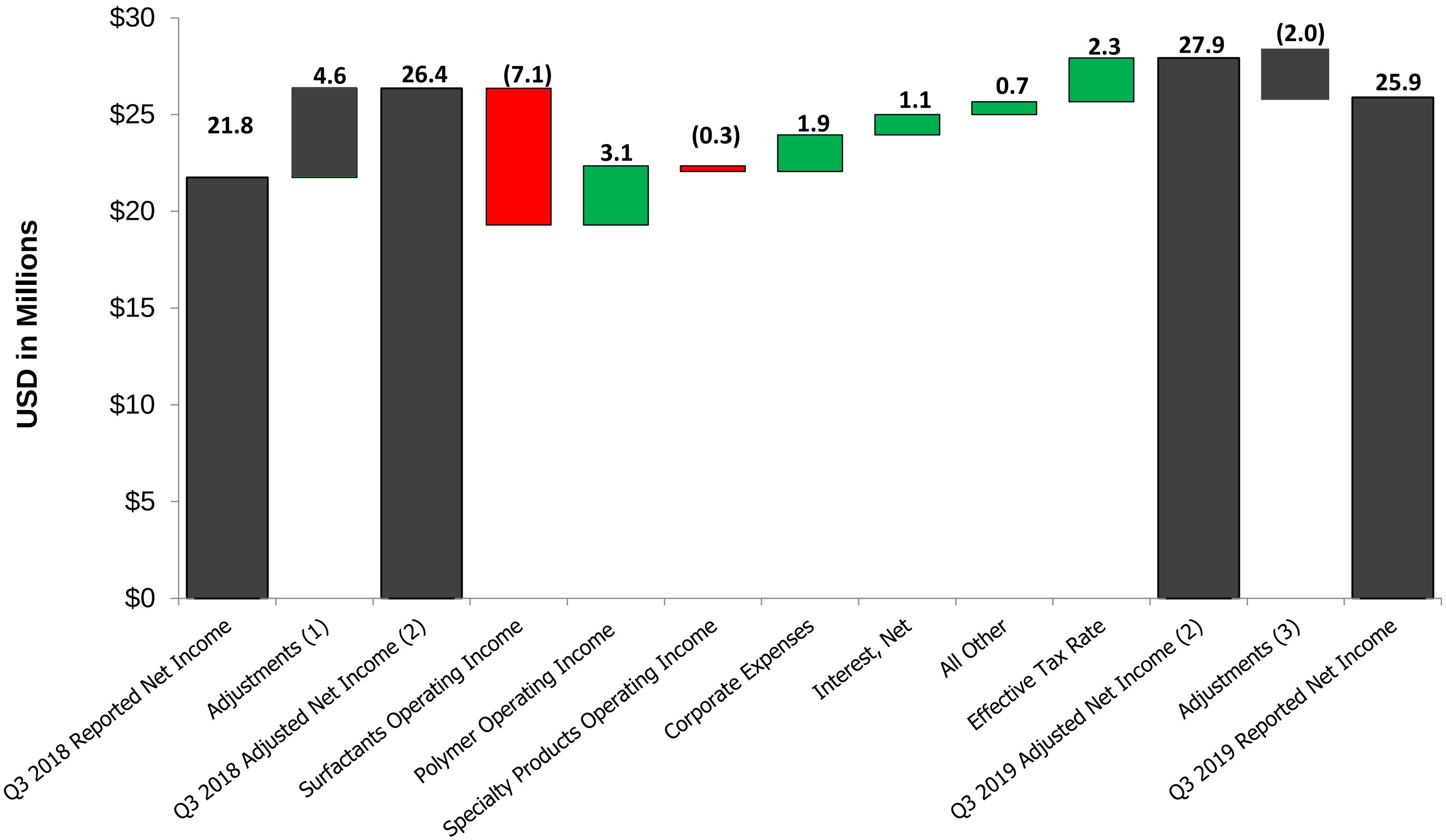
- Reported Polymer Operating Income was $23.3 million, an increase of $4.0 million, or 21%, versus Q3 2018. This increase was mostly attributable to higher volume and improved margins.

- Reported Specialty Product Operating Income was $2.3 million, a decrease of $0.4 million versus Q3 2018, primarily due to unfavorable order timing differences within our pharmaceutical business largely offset by improved margins within our medium chain triglyceride (MCTs) product line.

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

Net Income Bridge – Q3 2018 to Q3 2019

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

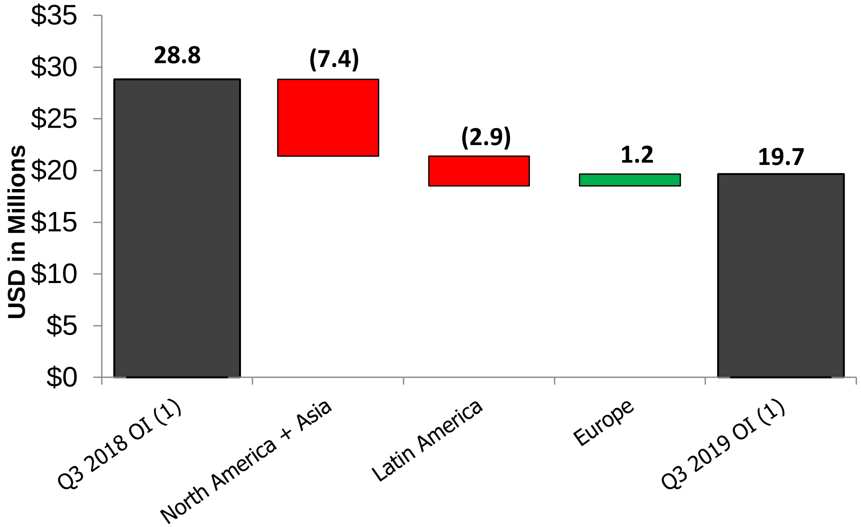


(1) The adjustments to Reported Net Income in Q3 2018 consisted of deferred compensation expense of $2.6 million and restructuring costs of $1.2 million.
(2) Adjusted Net Income is a Non-GAAP measure which excludes certain significant, non-recurring items. See Appendix II for a reconciliation of Adjusted Net Income to Reported Net Income.
(3) The adjustments to Reported Net Income in Q3 2019 consisted of deferred compensation of $1.4 million, cash-settled SARs expense of $0.3 million, and restructuring costs of $0.3 million.

Surfactants

Lower results primarily due to lower U.S. commodity and Agriculture Products volumes, higher inventory costs and the Mexico event.

in millions $	Q3 2019	Q3 2018
Net Sales	**$299.7**	**$346.9**
Operating Income	**$ 19.7**	**$ 28.8**



(1) OI = Operating Income

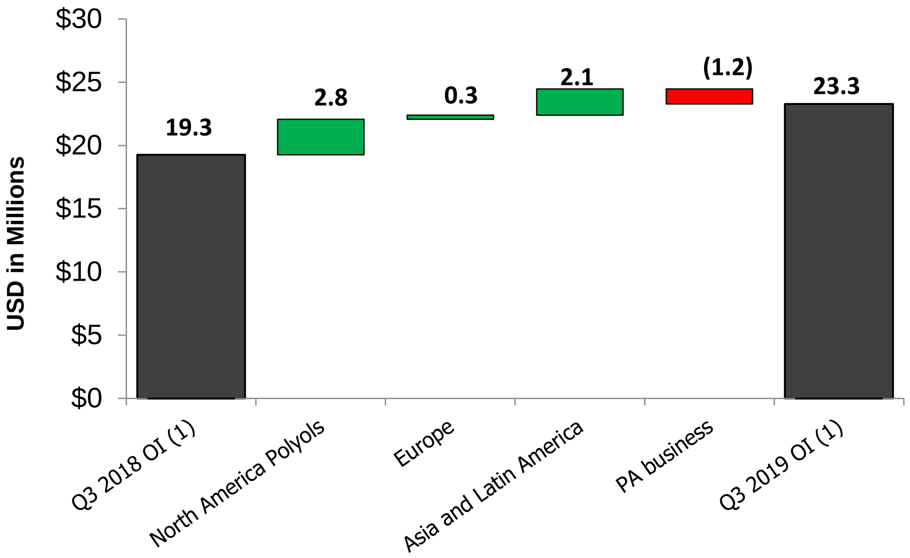
All amounts are shown on a pre-tax basis (unless noted differently)

- Reported Operating Income was $19.7 million, a decrease of $9.2 million, compared to the prior year. Net sales decreased 14% driven by an 8% decrease in global volume and lower selling prices due to the pass-through of lower raw material cost.
- North American decrease was primarily driven by lower commodity Consumer Products volumes, soft Agricultural demand due to wet weather in the United States Farm Belt, and higher one-time inventory costs related to the internal Asian-U.S. supply chain system.
- Latin American results were down due to the Ecatepec, Mexico sulfonation equipment failure, Brazil FX and one time items. The Ecatepec facility is now fully operational and the Company's insurance provider has acknowledged this incident is a covered event.
- European results increased, despite lost volume from the exit of the low margin sulfonation business in Germany, driven by strong growth in Agriculture Products.
- Foreign exchange negatively impacted Net Sales by $4.8 million and Operating Income by $0.3 million.

Polymers

Higher results primarily due to Global Rigid Polyol volume growth and slight margin improvement.

in millions $	Q3 2019	Q3 2018
Net Sales	**$135.0**	**$141.6**
Operating Income	**$ 23.3**	**$ 19.3**

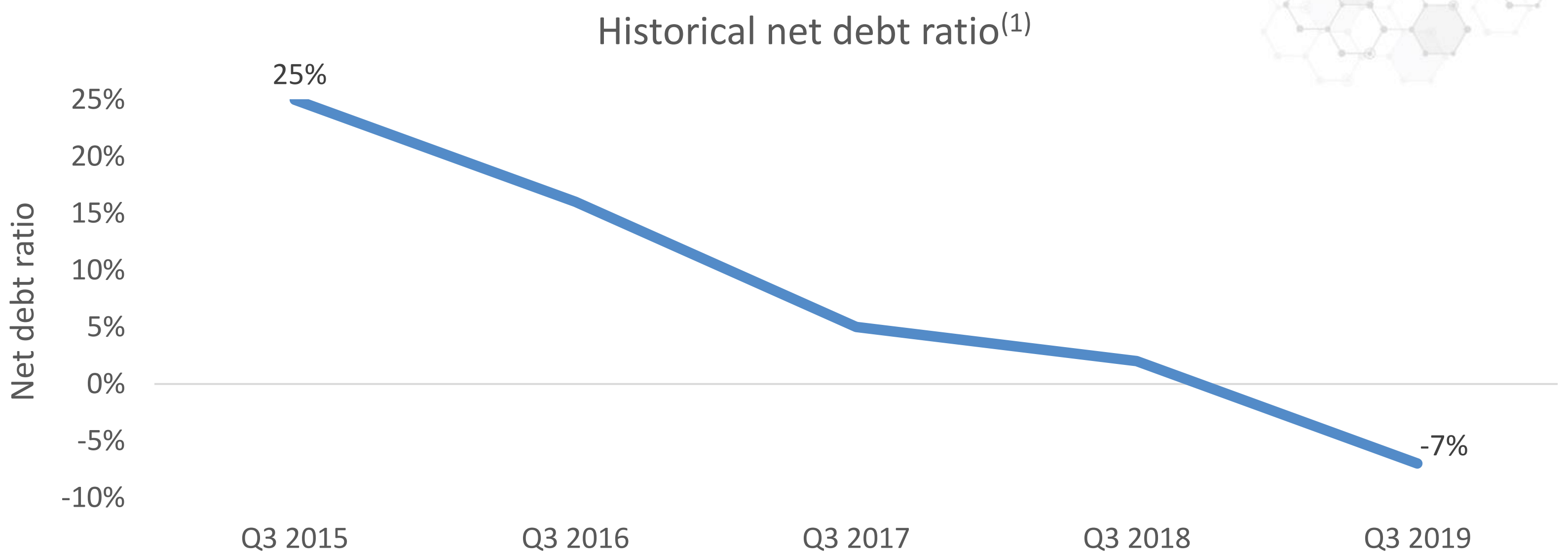


(1) OI = Operating Income

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

- Reported Operating Income was $23.3 million, an increase of $4.0 million, or 21%, compared to the prior year. Net sales decreased 5% due to lower selling prices and unfavorable foreign exchange translation of 2%, partially offset by a 3% increase in sales volume.
- Global Polyol volumes increased 3% due to Rigid Polyol growth in North America and Asia. Strong market demand driven by increased insulation standards and growth in construction was partially offset by lower Specialty Polyol volumes.
- North America Polyol results increased due to strong volume growth and slight margin improvement.
- European results increased due to slight margin improvement.
- China results improved on 54% volume growth driven by cold storage insulation demand.
- Phthalic Anhydride (PA) results decreased due to lower volume.
- Foreign exchange negatively impacted Net Sales by $2.3 million and Operating Income by $0.3 million.

Net Debt Ratio / Cash Flows



For the quarter

- Cash flow from operations was $53.9 million
- Capital expenditures were $25.7 million
- We returned $12.6 million to our shareholders via dividends and share repurchases

Financial strength to enable growth

(1) *The net debt to total capitalization ratio is defined as total debt minus cash (i.e., net debt) divided by net debt plus equity*

Stepan Strategic Priorities

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

2019 Strategic Update

Market Diversification

- Volume to the Functional Product end markets decreased 10% during the quarter, primarily due to soft Agricultural demand in North America related to recent flooding. Agricultural volume in Latin America increased 35%.
- Continuing to pursue opportunities to expand our presence in specialty alkoxylates.

Customer Intimacy

- Volume to Tier 2 and Tier 3 customers decreased 7% during the quarter primarily due to competitive pressure in North America and the exit of the sulfonation business in Germany.
- Global Rigid Polyol volume increased 6% due to strong market demand driven by increased insulation standards and growth in construction.

Innovation

- Continued focus on developing next generation of value-added Rigid Polyol technologies.
- Developed and commercialized ten new Agricultural chemical products over the last year, which are helping customers around the world to improve the performance and environmental profile of pesticide formulations. New product introductions are gaining traction as farmers start adopting improved technology to improve pest resistance and yields.
- Patent-pending Oilfield chemicals technology for fracturing, including flowback modifiers and friction reducer boosters, are helping customers meet their business needs.
- Product launch of STEPANQUAT® Helia, a brand-new hair conditioning agent for the global Personal Care Specialties end market. Customers are responding positively to this conditioner ingredient that is mild and safer for the environment.

Operational Excellence

- Restructuring of the Specialty Product office in the Netherlands is complete. Cost savings should be realized going forward as we absorb the site's supply chain, QA and R&D functions into other Stepan locations.
- Delivering savings on the shutdown of our Surfactant operations at the Wesseling, Germany plant.

Thank you for your interest in Stepan

<u>Contact Information:</u>

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Appendix I

Update on Certain Expectations

	2017 Actual	2018 Actual	2019 Expected
Capital expenditures →	**$79 million**	**$87 million**	**$110 to $130 million**
Debt repayments[(1)] →	**$21 million**	**$21 million**	**$46 million**
Interest expense →	**$11 million**	**$11 million**	**$7 million**
Effective Tax Rate →	**34%**	**19%**	**18% to 21%**

(1) Debt repayments are projected according to the normal repayment schedule, other than the prepayment of the 5.88% senior notes in Q3 2019.

Appendix II

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

	Three Months Ended September 30			
($ in thousands, except per share amounts)	2019	EPS	2018 As Adjusted	EPS As Adjusted
Net Income Reported	$ 25,889	$ 1.11	$ 21,754	$ 0.93
Deferred Compensation (Income) Expense	$ 1,392	$ 0.06	$ 2,610	$ 0.11
Business Restructuring	$ 334	$ 0.02	$ 1,187	$ 0.05
Cash-Settled SARs	$ 314	$ 0.01	$ 805	$ 0.04
Environmental Remediation	$ -	$ -	$ -	$ -
Voluntary Debt Prepayment	$ -	$ -	$ -	$ -
Adjusted Net Income	$ 27,929	$ 1.20	$ 26,356	$ 1.13

**Amounts are presented after-tax*

Reconciliation of Pre-Tax to After-Tax Adjustments

	Three Months Ended September 30			
($ in thousands, except per share amounts)	2019	EPS	2018	EPS
Pre-Tax Adjustments				
Deferred Compensation (Income) Expense	$ 1,831		$ 3,434	
Business Restructuring	$ 459		$ 1,715	
Cash-Settled SARs	$ 413		$ 1,059	
Environmental Remediation	$ -		$ -	
Voluntary Debt Prepayment	$ -		$ -	
Total Pre-Tax Adjustments	$ 2,703		$ 6,208	
Cumulative Tax Effect on Adjustments	$ (663)		$ (1,606)	
After-Tax Adjustments	$ 2,040	$ 0.09	$ 4,602	$ 0.20

Appendix III

Foreign Exchange Impact – Q3 2019

(millions USD)	Surfactants	Polymers	Specialty Products	Consolidated
Net Sales	(4.8)	(2.3)	(0.1)	(7.2)
Gross Profit	(0.6)	(0.4)	0.0	(1.0)
Operating Expenses	(0.3)	(0.1)	0.0	(0.4)
Operating Income	(0.2)	(0.3)	0.0	(0.5)

Appendix IV

2018 LIFO Adjustment

Amounts are shown on an after-tax basis

(millions USD)	Q1 2018	Q3 2018	Q3 2108	Q4 2018	FY 2018
LIFO expense (income)	1.2	0.5	(0.4)	(2.9)	(1.6)
Restated Adj. EPS	1.44	1.38	1.13	0.84	4.79