



Delivering Our Future Now

May 2023 Investor Presentation



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 (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.

Stepan Company Overview

NYSE: SCL

\$2.4B

MARKET CAP*

~2X

versus 2012

AT STEPAN COMPANY, WE CONNECT WITH THE WORLD THROUGH THE INNOVATIVE CHEMISTRY WE CREATE.

Stepan Highlights:

\$2.8 billion in net sales

Three reportable segments

60% of annual net sales tied to non-cyclical markets

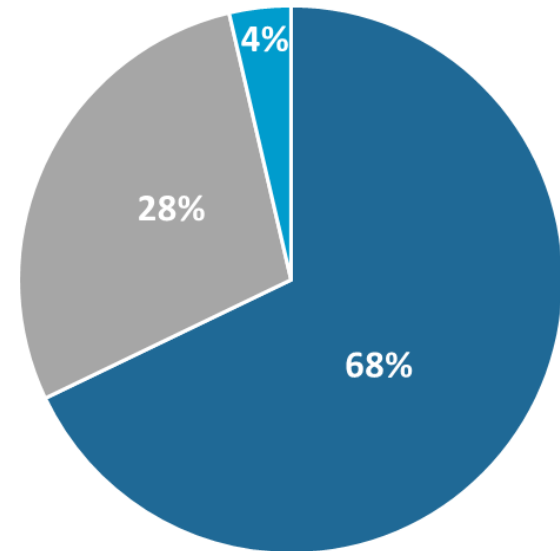
21 manufacturing sites with operations in 12 countries

Strong balance sheet

55 consecutive years of dividend increases

*market cap as of 12/31/2022

2022 Net Sales by Segment



■ Surfactants ■ Polymers ■ Specialty Products

Stepan Company

AT A GLANCE



SURFACTANTS

Compounds that reduce the surface tension between two liquids, between a gas and a liquid, or between a liquid and a solid. End products include disinfectants, detergents, fabric softeners, personal wash products, paints, and agricultural products



POLYMERS

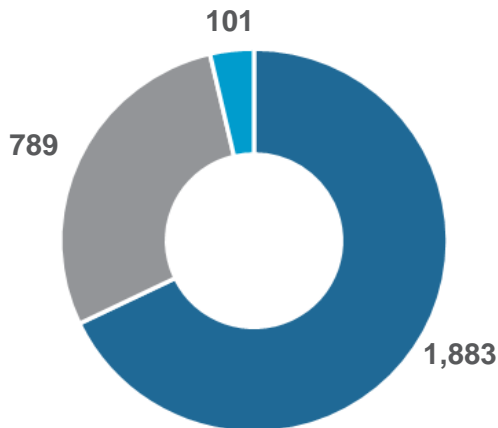
A leading manufacturer of polyester polyols, specialty polyols (CASE) and phthalic anhydride (P.A.). Polyester Polyols are used in insulation and offer sustainability advantages and significant energy savings



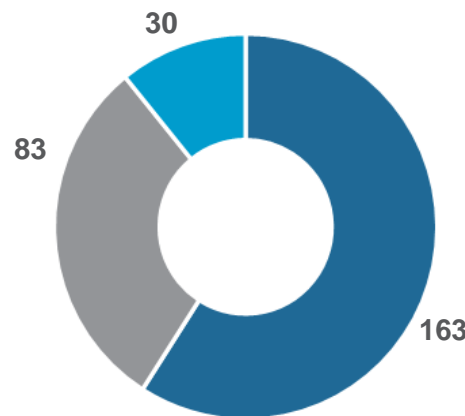
SPECIALTY PRODUCTS

Global producer of patented, science-based nutritional oils used in the food, nutrition and pharmaceutical industries

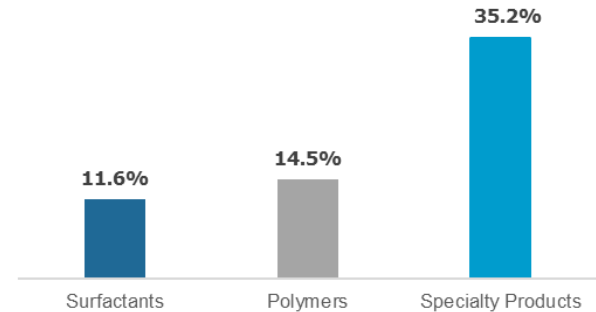
Net Sales (\$ MM)



Operating Income (\$ MM)



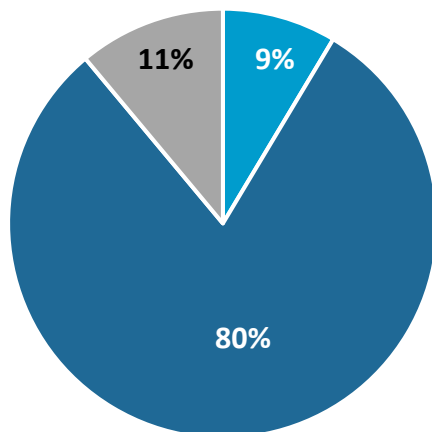
EBITDA Margin*



*Excludes Corporate Allocations;
EBITDA Margin is a non-GAAP measure
(See appendix for GAAP reconciliation)

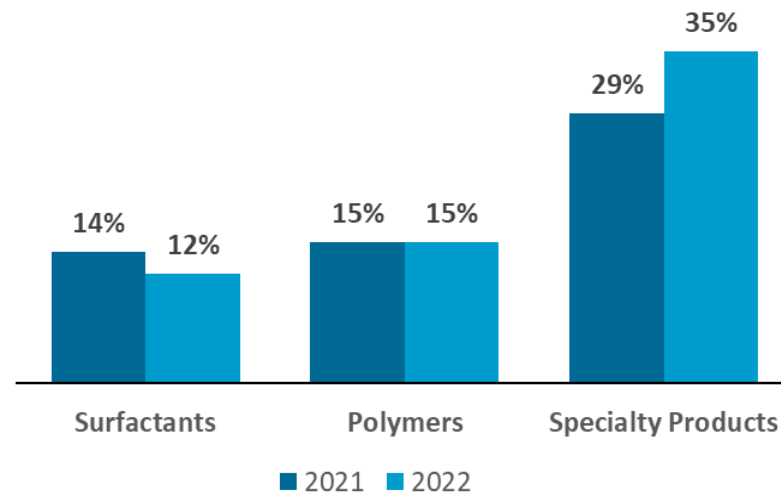
Journey to a Specialty Chemical Company

Diversification - Market Operating Income

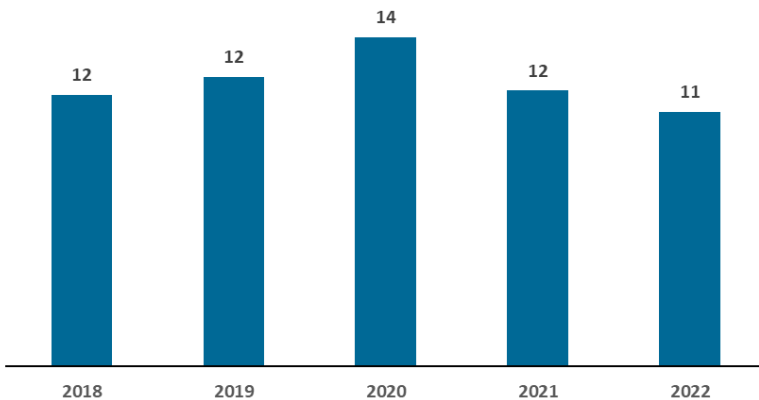


Surfactants Commodity Priority Markets (HI&I + Rigid + Functional Products + Tier 2/3) All Other

Segment EBITDA Margins*



Total Stepan Adjusted EBITDA Margins**



Percentage Change in Net Sales

Year	Volume	Selling Price & Mix	Foreign Translation	Total
2017	(1)%	9%	1%	9%
2018	3%	1%	—	4%
2019	(2)%	(3)%	(2)%	(7)%
2020	3%	—	(2)%	1%
2021	2%	22%	1%	25%
2022	(7)%	30%	(5)%	18%

*Excludes Corporate Allocations; EBITDA Margin is a non-GAAP measure (See appendix for GAAP reconciliation)

**EBITDA Margin is a non-GAAP measure (See appendix for GAAP reconciliation)

SURFACTANTS



Surfactants

One of the World's Largest Merchant Producers of Surfactants

\$1.8B

NET SALES

11.6%

Adj. EBITDA MARGIN %*



Strategic Priorities

Customer Intimacy: Capture growth and continue serving our Tier 1 multinational customers while expanding our customer and channel reach with Tier 2 and Tier 3 accounts.

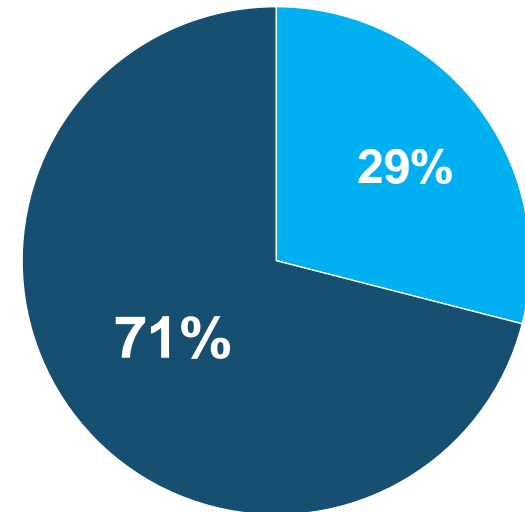
Innovation & Market Diversification: Grow share in Functional (Agricultural, Oilfield and C&I) and with our Specialty Alkoxylates platform. Invest in Low 1,4 Dioxane capabilities and develop Fermentation platform. Collaborate with customers to provide new technologies that meet evolving market needs.

Operational Excellence: Focus on fixed cost reduction, asset utilization and plant optimization

M&A: Enter into new end markets and expand product portfolio through strategic acquisitions

*Excludes Corporate Allocations

Sales by Market



■ Functional

■ Consumer Products

Surfactants Overview

Serving Diversified Global Consumer and Functional Products End Markets

Consumer Products



Sales by End Market



Winder, Georgia, United States

Stepan investing in Low 1,4 dioxane capabilities at three North America sites

Functional Products



Agricultural Chemicals



Oilfield Solutions



Construction & Industrial Solutions (C&I)

POLYMERS



Polymers

A Leading Manufacturer of Polyester Polyols Used in Rigid Foam Insulation

\$0.7B

NET SALES

14.5%

Adj. EBITDA MARGIN %*



Strategic Priorities

Customer Intimacy: Provide best in class technical service to deliver value to our global customers

Innovation & Market Diversification : Offer superior technologies and performance through product leadership. Expand Polyester Polyol sales into Spray Foam products and increase penetration in Specialty Polyol.

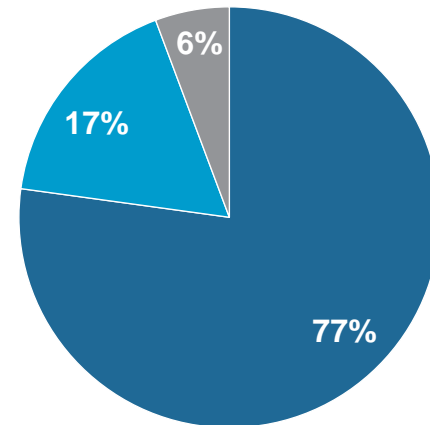
Operational Excellence: Complete strategic projects to increase capacity and manufacture at a lower cost

M&A: Explore options within the building envelope

Supply Assurance: Integration into PA, scale and global network provide low cost and business continuity

*Excludes Corporate Allocations

Sales by Market



■ Rigid ■ Specialty ■ Phthalic Anhydride

Global Building Insulation Market

Developing Next Generation Polyols to Meet Increasing Energy Conservation Efforts and Regulatory Requirements

\$31 B

MARKET SIZE

4-5%

MARKET CAGR (Next 5 Years)



Opportunity:

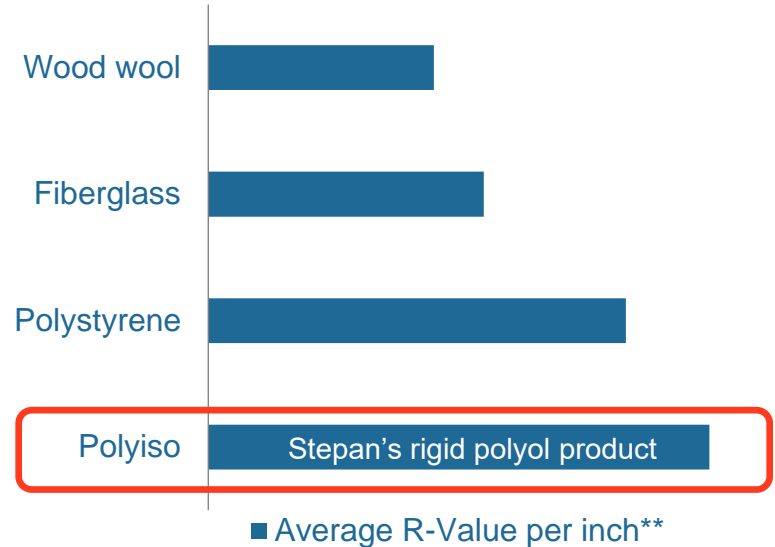
Global energy conservation efforts and growth in construction

Government mandated or recommended higher insulation levels in buildings

Relative to cost, our polyiso (PIR) polyols impart superior insulation performance and durability versus alternative insulations

Innovation in enhanced technical service offerings and multiple product technology initiatives

Stepan benefitting from strong growth of polyol-containing spray polyurethane foam (SPF) insulation against other materials in residential construction due to its superior thermal, sound dampening, and structural performance

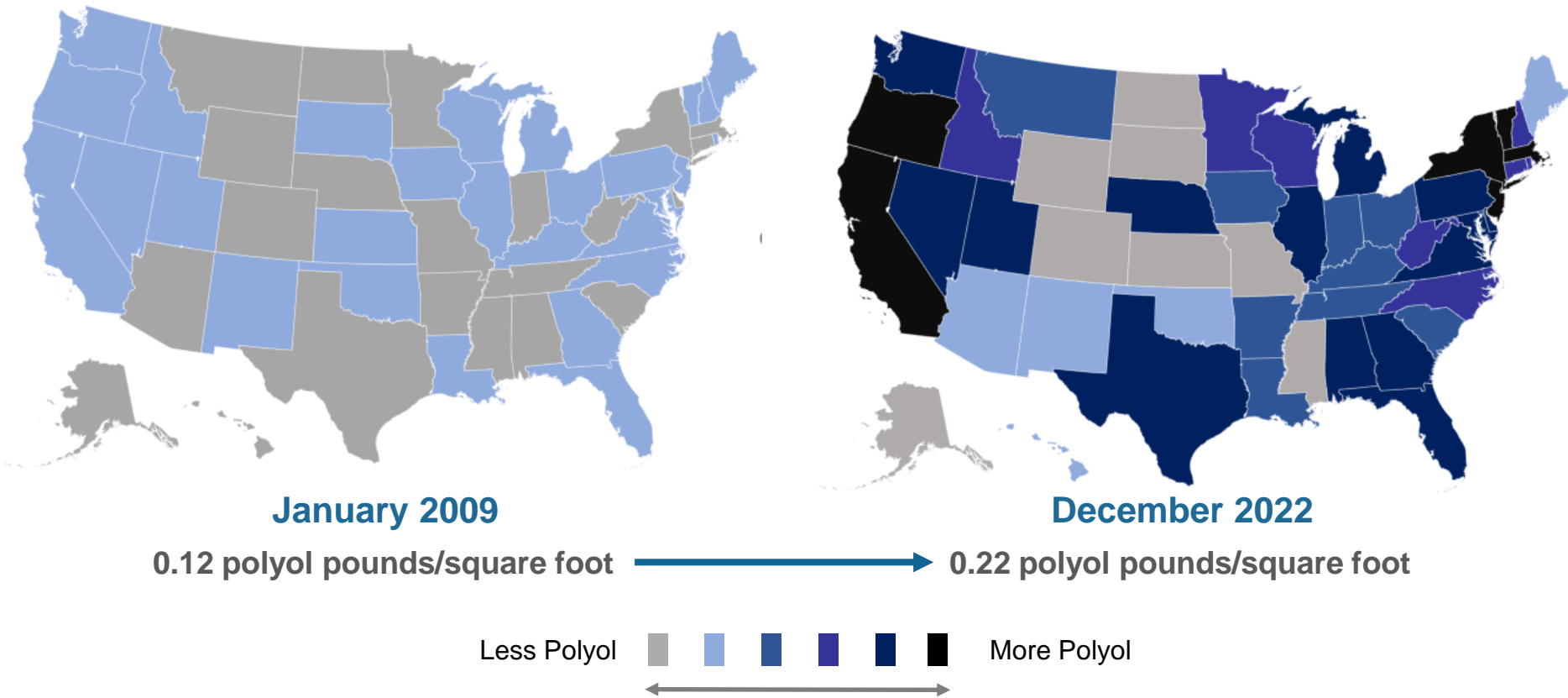


**R-Value = measures the effectiveness of insulating materials; a higher R-value represents greater insulation performance

Rigid Polyol U.S. Market Trend

Strong Market Growth in the Past Several Years and in the Next 5 Years (5-6%) for Commercial Roofing

Polyol Required Per Adopted State Building Code



US Infrastructure Investment and Jobs Act (IIJA)

IIJA Enhances Existing Demand Drivers in the Rigid Polyol Market



Building Energy Codes

- Building Energy Codes
- INSULATE Buildings Act
- Energy-Efficient Schools
- Federal
- Industrial Efficiency



Roof Retrofits/Replacements

- Energy Conservation Block Grants
- Increased Weatherization Assistance
- Retrofit Roofs for Old Schools/Government Facilities



New Construction

- Airports
- Port Infrastructure and Waterways

\$1.2 trillion government spending tailwind

Rigid Polyol European Market Trend

Strong Market Growth in the Past Several Years and in the Next 5 Years (3-4%)

EU Market Growth Highlights:

Current Energy Performance of Buildings Directive (EPBD) requirement is that EU countries had to **ensure** that **all new buildings** are nearly **zero-energy (NZEB)**

The revised EPBD (measure passed in March 2023) is expected to **accelerate building renovation rates and would require new buildings to be zero-emission from 2028 (2027 for new public buildings) with a target of achieving zero-emissions for all existing buildings by 2050.**

The annual building renovation rate across the EU **must increase from 1% to an average of 3%** to achieve the EU's energy efficiency ambitions

National Energy Efficiency Renovation Targets Examples

Belgium – all houses/apartments purchased from 2023 with label E or F must be renovated to >label D, within 5 years of purchase, different finance schemes in place

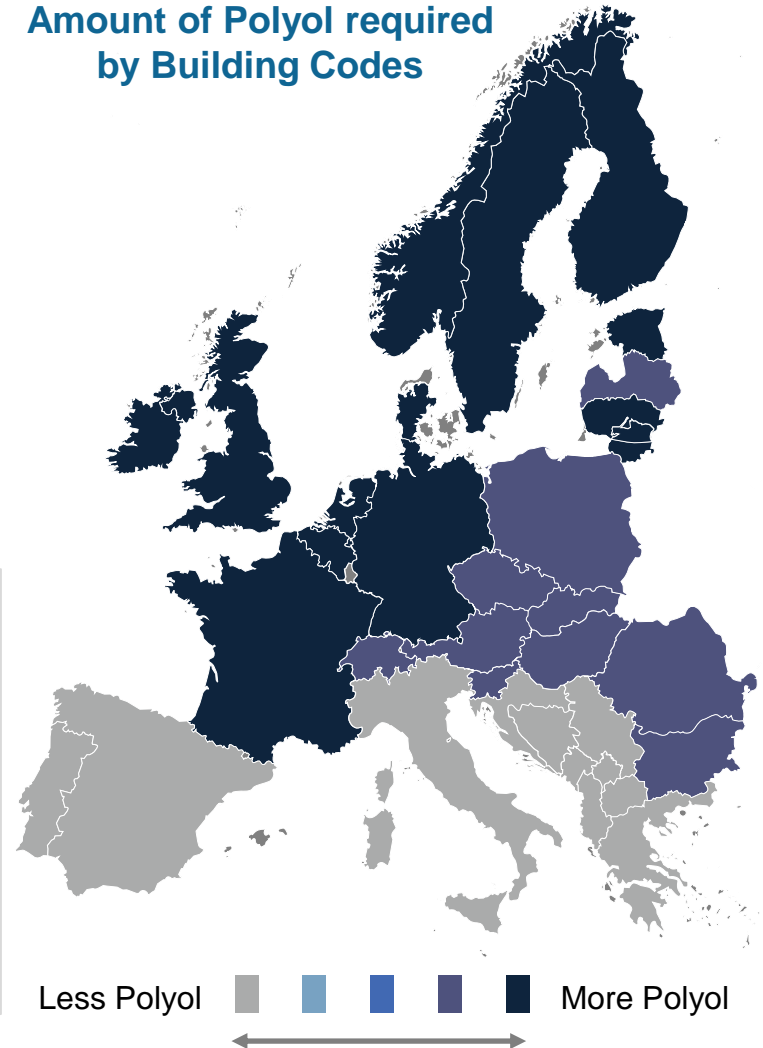
Netherlands – objective to renovate 200,000 homes per year by 2030

France – objective to renovate 370,000 residential buildings per year by 2030, MaPrimeRénov' grant renovation program

Germany – 16.9 billion euros for spending on more efficient buildings, with a focus on the renovation of existing buildings

UK – £6.6bn would be spent on energy efficiency in next 2-3 years, ECO+ program (Q2 2023 to 2026)

Amount of Polyol required by Building Codes



Rigid Polyol China Market Trend

Strong Market Growth in the Past Several Years and in the Next 5+ Years (> 8%)

China Market Growth Highlights:

China Rigid polyol growth is primarily driven by the dynamics of cold storage industry.

China cold storage capacity is expected to grow annually by 8%, attributing to the significantly increasing demand for fresh food and produce.

Higher energy efficiency requirements and new building code secure polyurethane panel as the predominate insulation solution (>90%) in cold storage industry.



Amount of polyol required by cold storage space



Less Polyol  More Polyol

0.5 Kg Polyol / M² (Year 2017)  1.6 Kg Polyol / M² (Year 2021)

Polymers Specialties

Key Component of Polymers Diversification Plans

Specialties include polyester polyols used to formulate polyurethane Coatings, Adhesives, Sealants and Elastomers (CASE)

CASE assets are positioned in major regions to allow supply to a global customer base

Regional Powder Resins business brings additional diversification for North America



Flexible Packaging Adhesive



Floor Coatings



Powder Coatings on Agriculture Equipment



Elastomers for Conveyor Belts

Trends

- Low VOC Coatings
- Functional adhesives to replace mechanical fasteners
- Circular economy leading to increased recycled content
- Non-Isocyanate/Non-Amine Curing



Customer Needs

- Polyurethane formulating experience
- Sustainable solutions with reduced carbon footprint



Stepan Focus

- Service excellence
- Technical service with targeted solutions
- Hybrid Technology (PEEPs)

SPECIALTY PRODUCTS



Specialty Products

Producer of Naturally Derived Ingredients Used in the Food, Nutrition and Pharmaceutical Industries

\$101MM

NET SALES

35.2%

Adj. EBITDA MARGIN %*



Strategic Priorities:

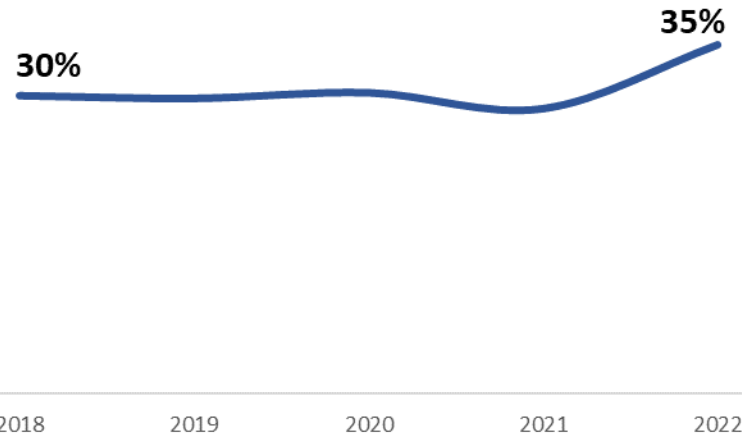
Customer Intimacy: Maintain service to existing business and evaluate long-term growth strategy in the food and nutrition segment

Innovation: Leverage patented technology to continue growth of NEOBEE® product line

Operational Excellence: Expand margin while optimizing supply chain

*Excludes Corporate Allocations

Adj. EBITDA Margin



Medium-Chain Triglycerides (MCTs)

Driving Growth Through Focused Excellence and Providing our Customers with Value-Added Solutions

\$1B+

MARKET SIZE

4-7%

MARKET CAGR

Market and Share Growth with our NEOBEE Product Line. White space expansion opportunities.

Stepan Strategy:

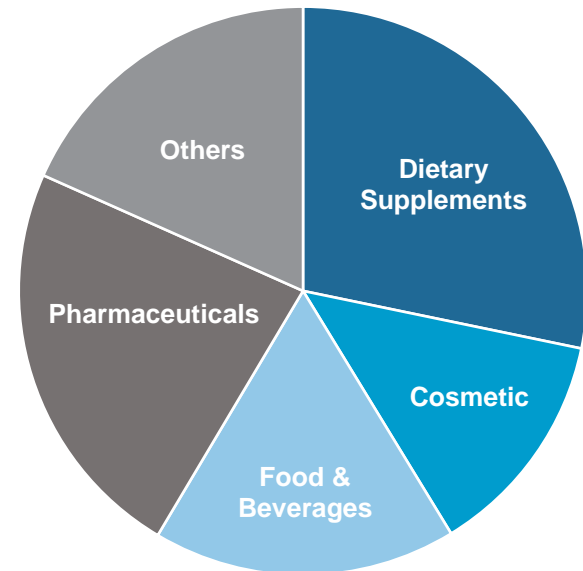
Partner with customers to drive mutual success and value-added solutions

Optimize product portfolio to align with long-term market trends

Focus on fundamental operations to reduced cost, accelerate growth and deliver best-in-class service

Expand reach into adjacent markets through low-risk innovation and strategic partnerships

Global MCT Sales Volume



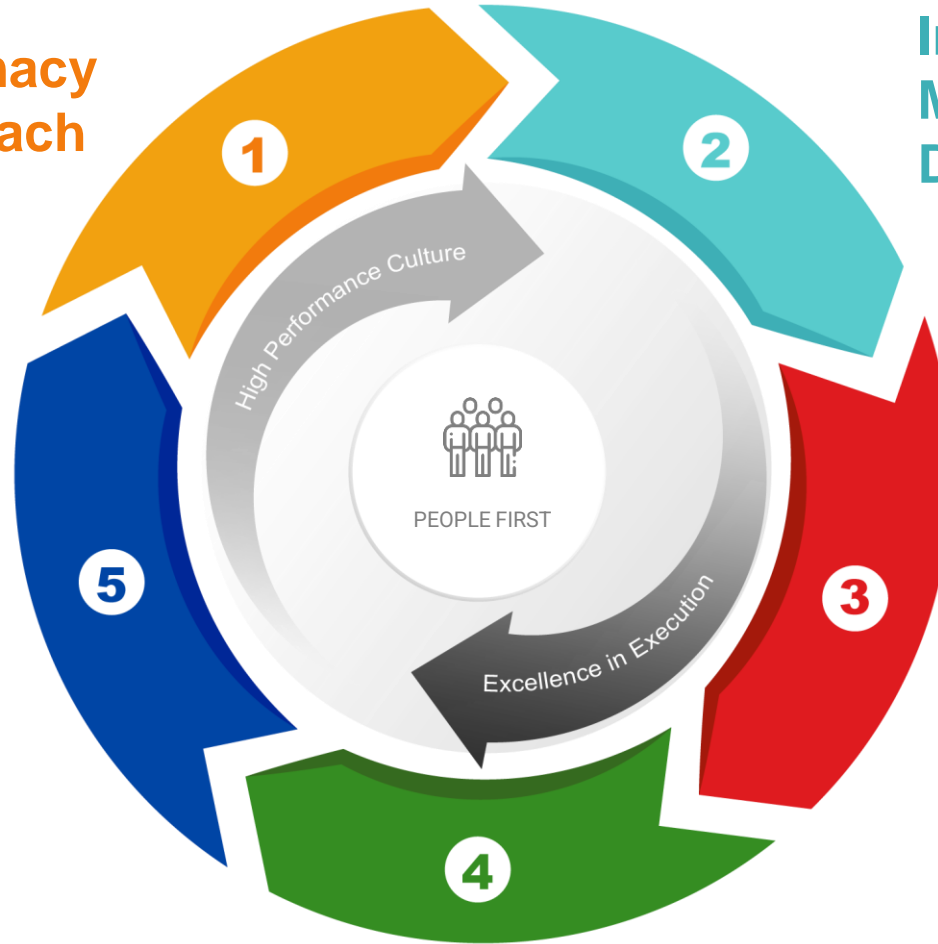
Medium-Chain Triglyceride market offers a unique opportunity for diversified growth and margin expansion

Stepan Strategic Priorities

Shareholder Value Creation

**Customer Intimacy
& Extended Reach**

**Innovation &
Market
Diversification**



**Cost &
Operational
Excellence**

**Efficient Capital
Allocation**

ESG

Stepan 2023 Strategic Priorities

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

1

Customer Intimacy & Extended Reach

- Diversify and grow our customer base by increasing our reach with Tier 2/3 customers through digitalization
- Continue collaboration and execution of growth programs with our strategic Global Tier 1 customers
- Deliver unmatched responsiveness to customers' technical and service needs
- Engaging with customers on sustainability transition (carbon reduction)

2

Innovation & Market Diversification

- Focus on growing our Surfactant Functional Business (Agriculture, Oilfield and Construction Additives)
- Drive growth in Specialty Nonionic Surfactants leveraging our Alkoxylation investment in Pasadena, TX
- Develop next generation advanced Rigid Polyol technologies and deliver growth in Spray Foam Market
- Continue to advance development of biobased Fermentation product offerings for core markets

3

Cost & Operational Excellence

- Control overhead growth to minimize impact of inflation
- Drive manufacturing excellence to achieve productivity gains while improving reliability and lowering costs
- Continue to invest in automation and data analytics to deliver greater efficiencies
- Strengthen and expand continuous improvement mindset/culture

ESG

- Safety remains our top priority: Achieved best safety performance year on record in 2022
- Partnering with customers, suppliers and green tech providers to innovate products and solutions which support a reduced carbon footprint value chain
- Managing our environmental impact by reducing water use, lowering emissions and diverting waste to useful products
- Committed to TCFD (2022) and intend to set new environmental targets

5

Efficient Capital Allocation

- Invest in infrastructure and EHS while executing strategic capex projects (Pasadena, Low-1,4 Dioxane)
- Continue returning cash to our shareholders via dividends and share buybacks
- Leverage balance sheet to execute M&A to complement and accelerate our growth strategy
- Allocate financial and human capital toward highest return end-markets and growth programs

A Strong Global Network of Customers

Collaborate With All Our Customers to Drive Global Growth Across All End Markets and Customer Tiers

1

Partner with Global Tier 1 Customers



Global Customer Intimacy

- Continue collaboration and **execution of growth programs** with our strategic Global Tier 1 customers
- Deliver **unmatched responsiveness** to customers' technical and service needs
- Engaging with customers on **sustainability transition** (carbon reduction)

Surfactant Customer Mix:

	# Active Global Customers	Average # Products Sold
Tier 1		
Tier 2		
Tier 3		

Grow Global Tier 2 and Tier 3 Customer Base

We added
500+
net new global
surfactant customers
in 2022

We sold
1,800+
new customer/product
combinations
in 2022

Looking to cross sell
our products to
20,000+
new and existing
customers

- Growing our Tier 2 and Tier 3 Customer Base is a **Key Priority for Surfactants**
- Increase reach through **digitalization**
- **Diversify** customer base

Agricultural Chemicals

Provide Environmentally-Advantaged Products to Enable Cost-Effective Solutions for our Customers

2

\$66B
MARKET SIZE

GDP+
MARKET CAGR

Market and share growth in corn and soybean and expand product offerings in other crops where we are under-represented.



Corn

Market Size: \$8B

Primary Uses:

- Animal Feed
- Ethanol



Soybean

Market Size: \$11B

Primary Uses:

- Animal Feed
- Food Oil
- Biodiesel



Cereal

Market Size: \$9B

Primary Uses:

- Food
- Animal Feed



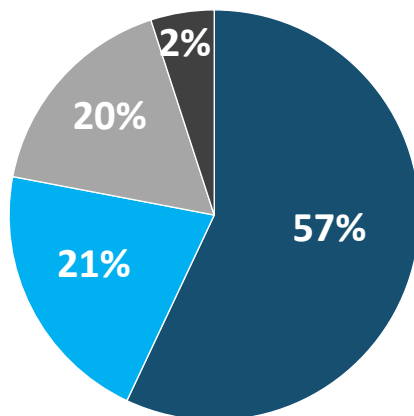
Rice

Market Size: \$6B

Primary Uses:

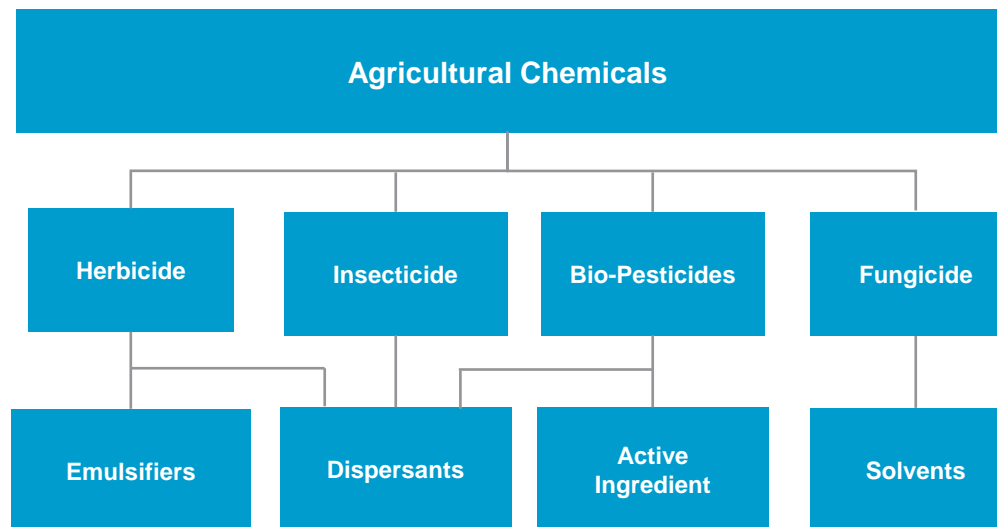
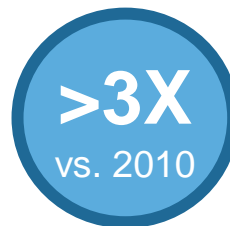
- Food

Sales by Region



■ North America ■ Europe ■ Latin America ■ Asia

Sales Growth

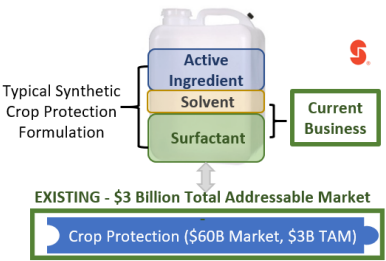
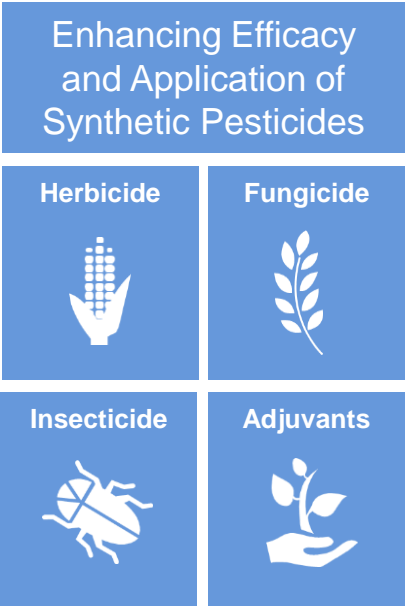


EXPAND TO CROP PRODUCTIVITY

Expansion of Core “Chemistry” and “Application Technology” to Include “Biology”

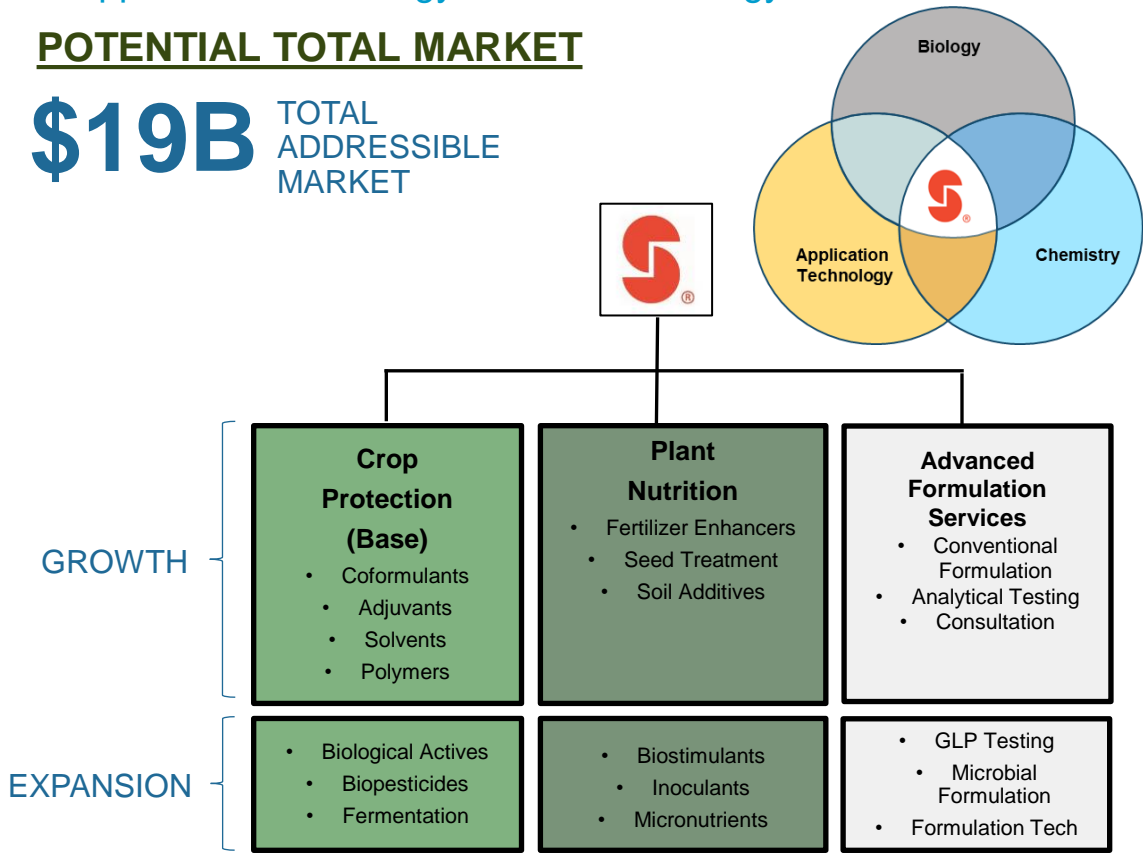
CURRENT MARKET

\$3B TOTAL ADDRESSABLE MARKET



POTENTIAL TOTAL MARKET

\$19B TOTAL ADDRESSABLE MARKET



Enhancing Plant and Soil Health Through Synergistic Benefits of Chemistry, Biology and Application Technology

NEW - \$16 Billion Total Addressable Market



Oilfield Solutions

Diversified Portfolio Across the Upstream Market for Use in Both Stimulation and Production Globally

2

\$13B

MARKET SIZE

GDP+

MARKET CAGR

Grow share with products that improve yield and reduce costs.

Stepan Strategy:

Positioned to support Oilfield market growth and needs post COVID with technology, innovation and capacity

Continue to expand our production chemicals portfolio globally, **focusing on leveraging our KMCO Demulsifier product line (\$1B+ addressable market)**

Expand production enhancement market share with products that improve ultimate recovery with no capital investment and low operational cost

Increase our market share in cost saving stimulation technologies, including Friction Reducer Boosters and Advantaged Flowback Additives

Expand our portfolio to offer Biocide End Use Products (EUP) for stimulation and production applications



Oilfield Solutions validates its optimized product performance in field applications, enabling further product development efforts focused on the dynamic needs of the industry.

Key Technologies



Demulsifiers



Production Enhancement



Registered Biocides



Flowback Aids



Friction Reducer Boosters

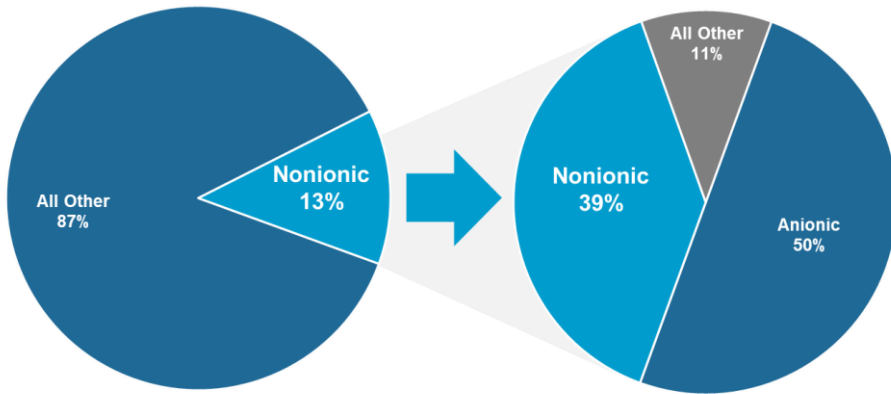
Specialty Alkoxylates Opportunity

Pursuing Specialty Alkoxylate Expansion Across All End Markets with New Technical Resources

2

2022 Stepan Global Surfactants

2022 Global Surfactant Market*



- Alkoxylates are a **core surfactant technology** consumed across Stepan's key end use markets
- Business continued growing volume double digits in 2022
- Pasadena will be Stepan's third alkoxylation site, providing **strategically located redundancy and long-term capacity for growth** in ethoxylates and propoxylates
- State of the art, flexible, multi-reactor facility with approximately **75KTA of annual alkoxylation capacity**



Pasadena, Texas, United States

Stepan investing in new alkoxylation capacity at existing Pasadena, Texas facility.

Expected Start-Up – First Half 2024



Stepan Sales by Consumer Products End Market

Focusing on Creating High Quality Disinfectants, Surface Cleaners and Personal Wash Products for Household, Consumers and Institutional Cleaning

Strategic Investment in Low 1,4 Dioxane Capabilities

- **Maintain and grow** the North American Sulfonation business
- Stepan will have the **largest installed Low 1,4 Dioxane production capacity**
- Support **customers' long-term commitments** to Low 1,4 Dioxane Ether Sulfates
- Enhance portfolio with **higher margin specialties**



Winder, Georgia, United States

Stepan investing in Low 1,4 dioxane capabilities at 3 North America sites

Laundry and Home Care



Cleaning and Disinfection



Personal Hygiene



Fermentation Growth & Innovation

2

Stepan's Fermentation Platform will Drive Innovative Bioproducts and Industrial Scale Biotechnology

The fermentation platform allows Stepan to align to macro trends and bring new functionality and performance throughout its customer Base

New Platform



New Products



New Manufacturing



Fermentation

Fermentation provides a new platform from which Stepan can offer innovative and sustainable molecules

Bioproducts

Biosurfactants and Biofungicides are Stepan's first fermented products derived from biological sources like bacteria and yeast

Industrial Scale Capacity

Stepan's Lake Providence Plant will be capable of producing bioproducts at an industrial scale

Polymers – Rigid Polyol Innovation

Advancing product and service leadership in the rigid polyurethane insulation market

2



Decarbonization of Building Materials

- Polyols derived from bio-based and recycled content to reduce Scope 3 emissions and product carbon footprint
- Developing advanced chemical recycling technology to enable circularity polyurethane/polyisocyanurate foam
- Progressing ISCC+ Certification in 2023 for mass-balanced low embodied carbon polyols commercialization



Next Generation Polyols

- Commercialized new polyol with enhanced thermal insulation performance across a wide range of temperatures
- New TERATE® polyols for North American spray foam market to improve formulation flexibility and performance
- New polyols under development to improve embodied and operational carbon along with performance enhancements by integrating STEPANPOL® and TERATE® technology know-how



Digitalization in the polyisocyanurate production process

- Introduction of patented 'Smart Laydown' technology utilizing computer vision hardware and software to optimize foam distribution in the polyisocyanurate foam production process
- Development of laydown and rapid quality control tools to enable an autonomous process through machine learning
- Data science based advanced technical service solutions to improve product quality and production economics

Manage Cost Structure



- Limit Overhead Growth
- Minimize Impact of Inflation

Manufacturing Excellence



- Drive Productivity Gains
- Increase Reliability
- Lower Cost

Deliver Greater Efficiencies



- Invest in Automation
- Drive Data Analytics Roadmap

Continuous Improvement



- Strengthen Mindset and Culture

ESG - Recognition & Engagement

4



Stepan maintained our Gold ranking from EcoVadis, placing Stepan in the top 5% of assessed chemical industry manufacturers



Stepan has become a formal supporter of TCFD



In 2022, Stepan ranked first in the U.S. Chemical-Specialty sector and eighth overall in Investor's Business Daily's 100 Best ESG Companies Report



Through CO₂ Value Europe, Stepan will engage and seek partnerships to convert CO₂ into new raw material options



Stepan joined ASD to support industry efforts to monitor and engage on emerging supply chain risks

ESG - Our Sustainability Goals

People

Planet

Products

Practices

Total recordable incident rate < 0.25 total by 2025

10% reduction in GHG emissions per MT production from 2016 baseline by 2025

20% of global electricity from renewable energy by 2025

Water management plans by 2023; 40% decrease in water use/MT by 2025

80% of our R&D investment into sustainable processes and products by 2023

100% employee participation in annual Code of Conduct training by 2021



Safety Award for 10 sites in 2020
2020 TRIR 0.64

2% decrease in GHG emissions per MT production in US

40% of Stepan's global electricity purchases covered by renewable energy credits

18% global reduction in surface water with significant progress in our Maywood site.

>75% of Stepan's revenue from products with UN SDG benefit
New EcoProfile Tool

100% of employees have participated in annual Code of Conduct training

ESG - Our Sustainability Progress

>20 % Reduction

Across our 2016 baseline sites



Scope 1 & 2 Emissions



Water Usage

30% Reduction

vs 2016 baseline

~9% Reduction

Across our expanding network

~ 50%

Electricity usage based on direct renewable sources or energy credits



Renewable Energy



Sustainable Growth & Innovation

Over 30 partnerships

Supporting development of new sustainable products and technologies



Solar array at Stepan's Salto Brazil site, supplying 100% of the energy for operations



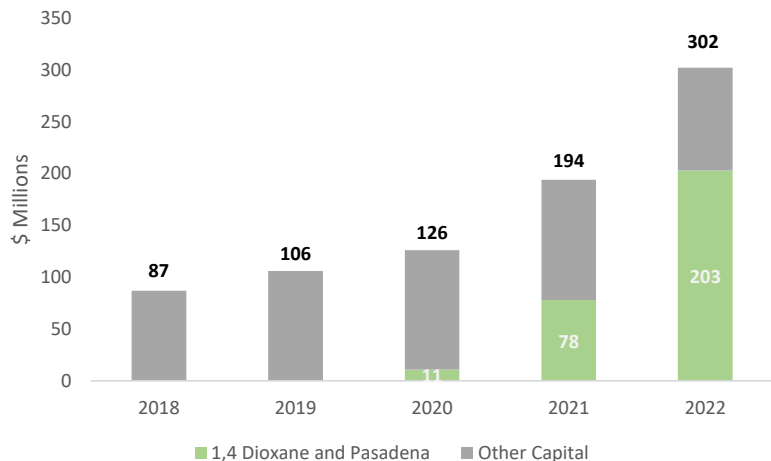
Water risks assessments and management plans developed for Stepan's sites globally



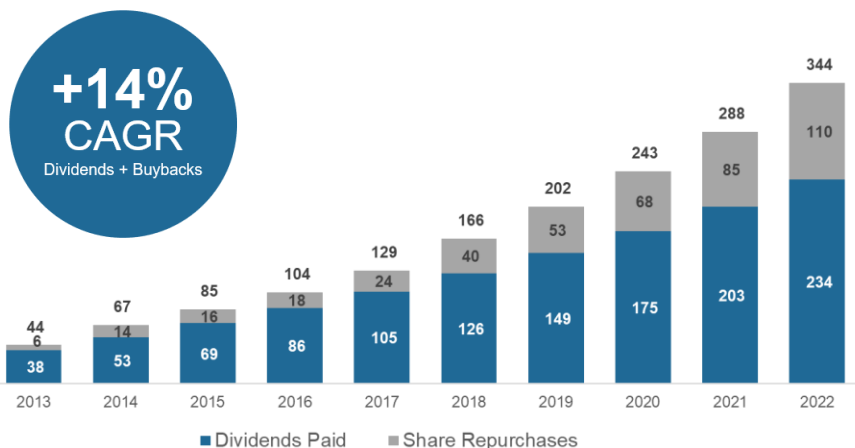
STEPAN-MILD® LUSTRA, a novel hair conditioner based on 100% bio-renewable carbon

Efficient Capital Allocation

Investment in Infrastructure, EHS and Strategic Growth Projects



Returning Cash to Shareholders



Cumulative Cash Returned to Shareholders (\$ Millions)

M&A to Complement and Accelerate Growth Strategy

2022

PerformanX Specialty Alkoxylates Surfactant Business

2021

INVISTA's Aromatic Polyester Polyol Business
Lake Providence, Louisiana Plant

2020

NatSurFact® Business

2019

KMCO Demulsifier Product Line

2018

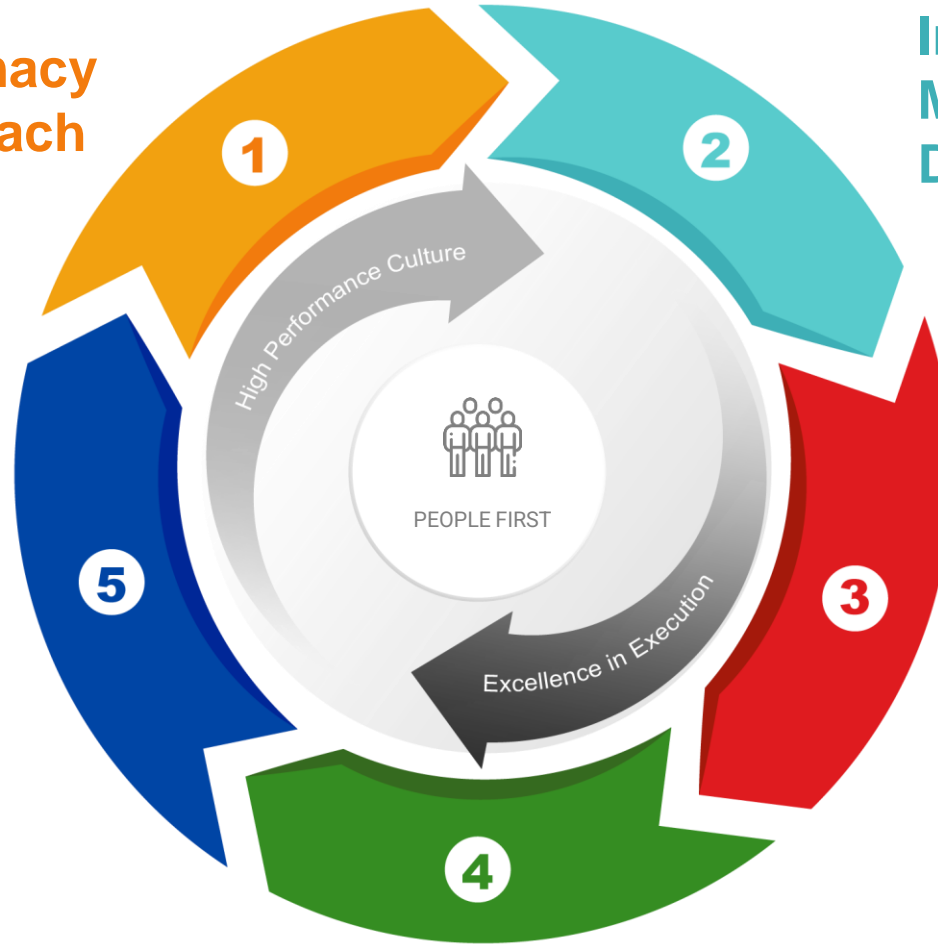
Ecatepec, Mexico Plant

Stepan Strategic Priorities

Shareholder Value Creation

**Customer Intimacy
& Extended Reach**

**Innovation &
Market
Diversification**



**Cost &
Operational
Excellence**

**Efficient Capital
Allocation**

ESG

Why Invest in Stepan

Proven Track Record with an Opportunity to Diversify into Attractive Markets

Looking ahead, we have a great organization and three strong businesses with significant opportunities to grow. We have the financial flexibility (balance sheet, liquidity and cash flow generation) to invest for organic and inorganic (M&A) growth in order to deliver superior shareholder value.



Macro Tailwinds in Polyol (energy efficiency) and Agriculture (“feed the world” and biofuel demand)



One of the world’s largest merchant producers of surfactants and a leader in the rigid polyol end market



Focus on profitable markets that are growing at rates higher than GDP



Strong progress on Sustainability



Longstanding business led by experienced management team



A strong balance sheet provides financial flexibility



Proven track record of delivering EPS growth, dividend payments and strong cash flow generation

Thank You

Luis E. Rojo

VP and CFO

847-446-7500

CHEMISTRY THAT CONNECTS US

APPENDIX

Financials, Sources of Information, and Definitions

Stepan Values

How we Execute on our Strategic Priorities

Customer Focus

Partnering to Deliver Value



People First

Empowering Everyone to Make a Difference



Integrity

Doing the Right Thing



Stepan 

Growth, Innovation & Sustainability

Shaping the Future Through Curiosity



Continuous Improvement

Improving Every Day



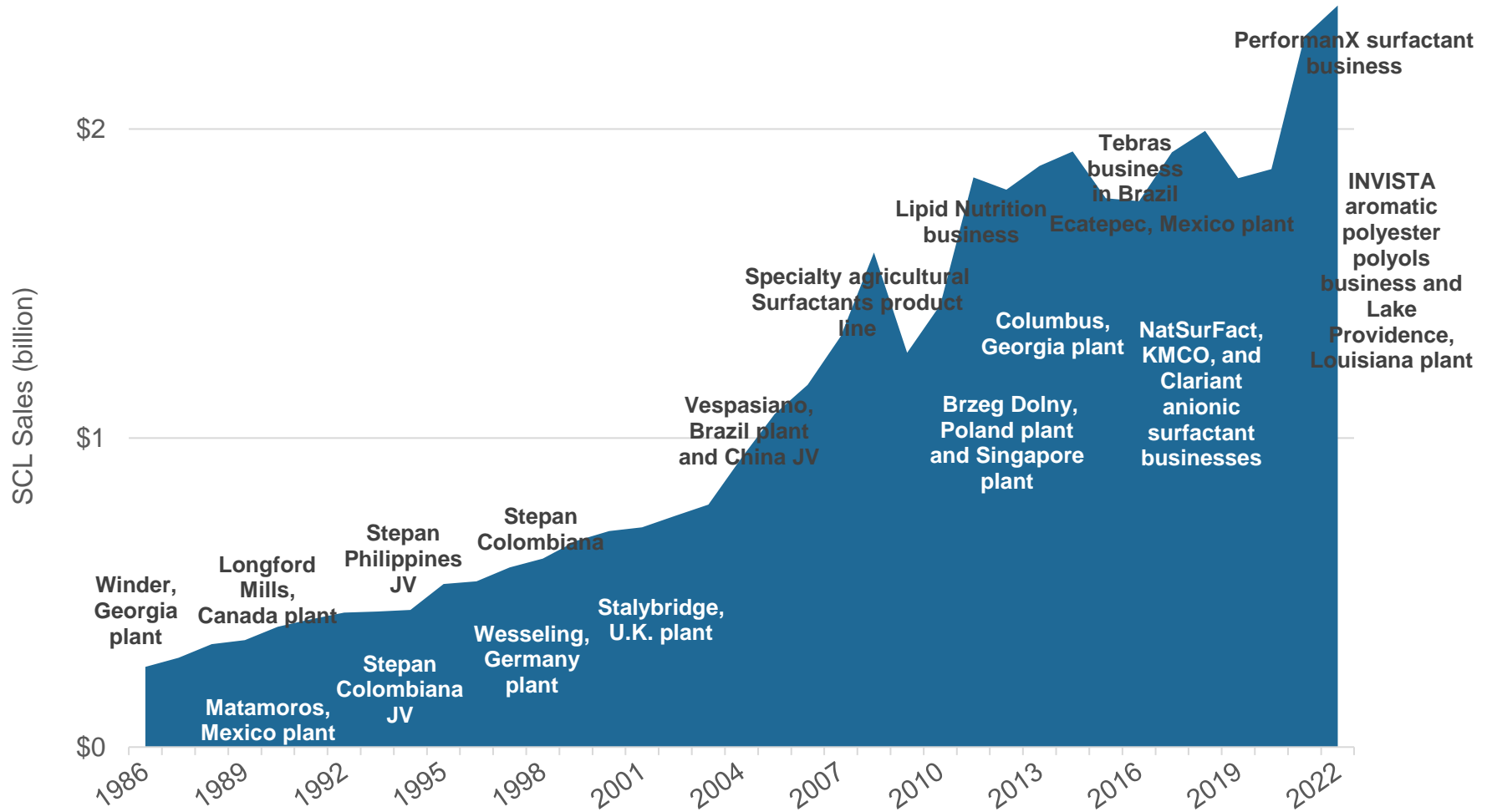
Stepan Network

Strong Global Network to Provide Exceptional Technical and Sales Support for our Customers



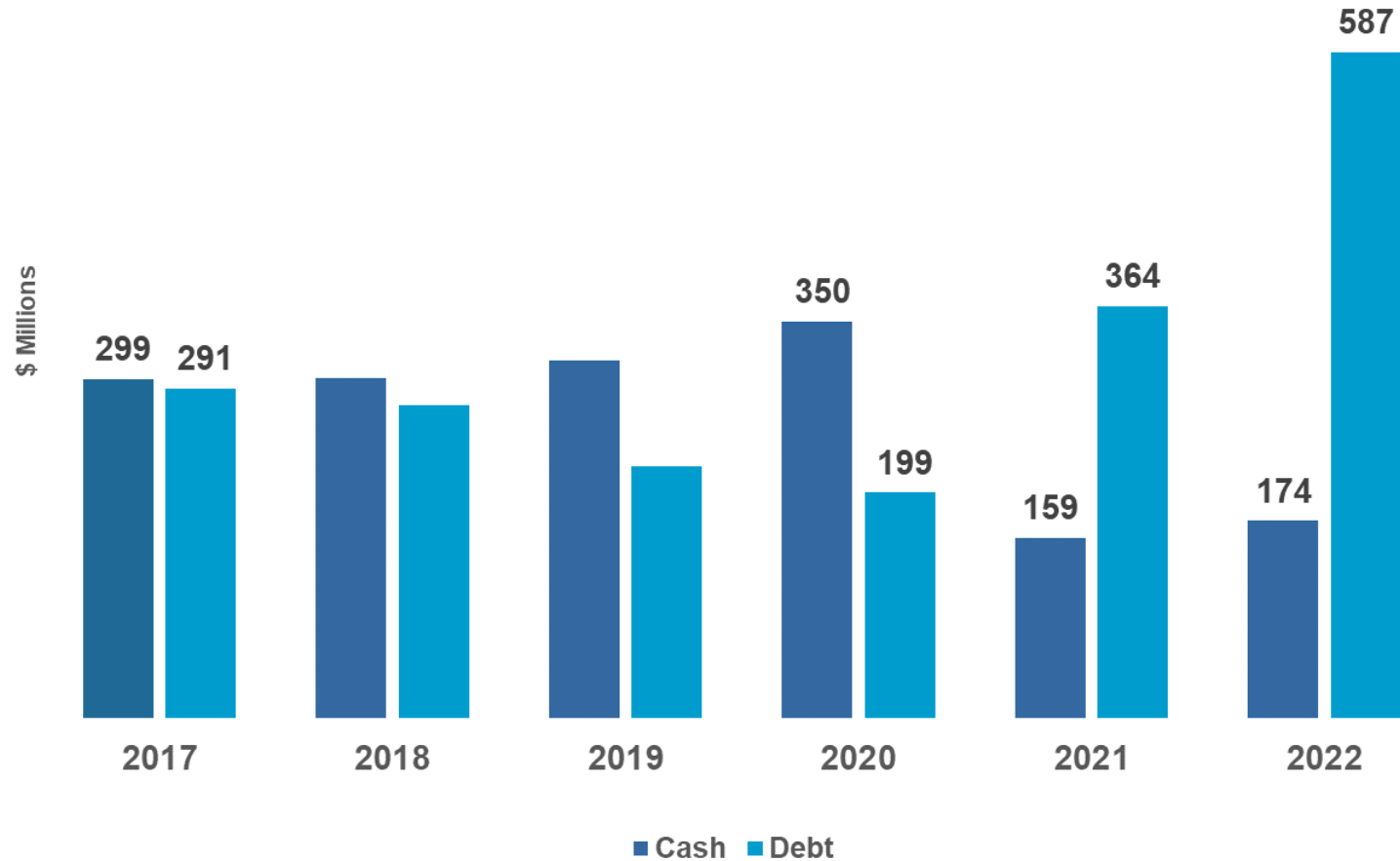
Growth Through M&A

Strong History of M&A to Drive Growth



Utilize M&A to Fill Gaps in Our Portfolio

Financial Strength to Enable Growth



CROP PRODUCTIVITY TERMINOLOGY

Focus on Deliver of Novel Solution for Application Below the Surface



Fertilizer Enhancers

NPK Base Nutrition for All Plant Growth; Significant Environmental Loss Problematic for Economic and Environmental Impacts

Micronutrients

(Boron, Sulfur, Zinc, Molybdenum, Copper) Necessary for Plant Function But at Lower Levels than Base Nutrition

Biostimulants

Biologically Derived Chemicals and Extracts That Stimulant Plant Growth, Vigor, Root Growth, and Maturity; Potential for Foliar or Soil Application

Inoculants

Microorganisms that Colonize Roots or Soil which Improve Nutrient Uptake and Transport; Commonly Applied to Seed

Biofertilizers

Microbes and microbial metabolites that are added to soil to improve fertility and promote plant growth

Growth Through Innovation

Partner with Customers in Pursuit of Their Growth, Innovation & Sustainability Goals

14 Application centers around the world



State of the Art LEED Certified
Agronomy & Formulation Lab with Greenhouse
Winder, Georgia



MERC Collaboration Lab
Sao Paulo, Brazil

2,145 Patents and Trademarks Enabling Competitive Advantages in Strategic Growth Segments

- Sustainability, Agriculture, Fermentation & Polyols

\$60+ MM

Annual investment in R&D



Stepan Fermentation Plant
Lake Providence, LA



Wilmington, NC Polyol Applications Lab



Polyol Foam Production Simulator
Global Technology Center

240 Scientists with
>110 Graduate Degrees



Fermentation Lab Installation
Global Technology Center



Poland Rigid Lamination Applications Lab

New focus and capabilities

Formulation Services
Data Science and Applications
Fermentation
Agronomy

R&D @ Stepan Company

2022 Highlights



4x increase in Innovation Portfolio top line growth since 2018



> 30 external partnerships with academic groups and technology providers on strategic projects



Technology development for major capital projects, including for 1,4-dioxane reduction



Pilot launched first digital processing solution for polyiso insulation

Financials

Consolidated Statements of Income for the Years Ended December 31, 2022, 2021 and 2020

(In thousands, except per share amounts)

	2022	2021	2020
Net Sales (Note 1)	\$ 2,773,270	\$ 2,345,966	\$1,869,750
Cost of Sales	2,346,201	1,950,156	1,486,137
Gross Profit	427,069	395,810	383,613
Operating Expenses:			
Selling (Note 1)	59,030	59,186	55,543
Administrative (Note 1)	102,177	92,906	87,362
Research, development and technical services (Note 1)	66,633	62,689	57,986
Deferred compensation (income) expense (Note 12)	(9,393)	6,895	9,988
	218,447	221,676	210,879
Goodwill impairment (Note 4)	(978)	—	—
Business restructuring and loss on asset disposition (Note 22)	(308)	(3,353)	(1,212)
Operating Income	207,336	170,781	171,522
Other Income (Expense):			
Interest, net (Note 6)	(9,809)	(5,753)	(5,409)
Other, net (Note 8)	(8,824)	7,509	4,954
	(18,633)	1,756	(455)
Income Before Provision for Income Taxes	188,703	172,537	171,067
Provision for Income Taxes (Note 9) ¹	41,550	34,642	43,411
Net Income	147,153	137,895	127,656
Net Income Attributable to Noncontrolling Interest (Note 1)	—	(91)	(886)
Net Income Attributable to Stepan Company	\$ 147,153	\$ 137,804	\$ 126,770
Net Income Per Common Share Attributable to Stepan Company (Note 18):			
Basic	\$ 6.46	\$ 6.01	\$ 5.52
Diluted	\$ 6.38	\$ 5.92	\$ 5.45
Shares Used to Compute Net Income Per Common Share Attributable to Stepan Company (Note 18):			
Basic	22,781	22,922	22,949
Diluted	23,064	23,287	23,256

Financials

Consolidated Balance Sheets, December 31, 2022 and 2021

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
<u>ASSETS</u>		
Current Assets	\$ 1,044,802	\$ 913,368
Property, Plant & Equipment, Net	1,073,297	850,604
Other Assets	315,073	301,640
Total Assets	<u>\$ 2,433,172</u>	<u>\$ 2,065,612</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current Liabilities	\$ 670,649	\$ 500,476
Deferred Income Taxes	10,179	12,491
Long-term Debt	455,029	322,862
Other Non-current Liabilities	131,250	155,590
Total Stepan Company Stockholders' Equity	1,166,065	1,074,193
Noncontrolling Interest	-	-
Total Liabilities and Stockholders' Equity	<u>\$ 2,433,172</u>	<u>\$ 2,065,612</u>

Financials

Reconciliations of Non-GAAP Adjusted Net Income and Adjusted Diluted Earnings per Share

(\$ in thousands, except per share amounts)	Three Months Ended December 31				Twelve Months Ended December 31			
	2022	EPS	2021	EPS	2022	EPS	2021	EPS
Net Income Reported	\$ 10,834	\$ 0.47	\$ 16,995	\$ 0.73	\$ 147,153	\$ 6.38	\$ 137,804	\$ 5.92
Deferred Compensation (Income) Expense	\$ 2,000	\$ 0.09	\$ 2,168	\$ 0.09	\$ (2,369)	\$ (0.10)	\$ 1,484	\$ 0.06
Business Restructuring/Asset Disposition Exp.	\$ 62	\$ 0.00	\$ 2,343	\$ 0.10	\$ 231	\$ 0.01	\$ 2,543	\$ 0.11
Cash-Settled SARs (Income) Expense	\$ 194	\$ 0.01	\$ 203	\$ 0.01	\$ (270)	\$ (0.01)	\$ 165	\$ 0.01
Environmental Remediation Expense	\$ 366	\$ 0.02	\$ 784	\$ 0.04	\$ 8,728	\$ 0.37	\$ 1,503	\$ 0.06
Adjusted Net Income	\$ 13,456	\$ 0.59	\$ 22,493	\$ 0.97	\$ 153,473	\$ 6.65	\$ 143,499	\$ 6.16

All amounts in this table are presented after-tax

The Company believes that certain measures that are not in accordance with generally accepted accounting principles (GAAP), when presented in conjunction with comparable GAAP measures, are useful for evaluating the Company's performance and financial condition and provide better clarity on the impact of non-operational items. Internally, the Company uses this non-GAAP information as an indicator of business performance and evaluates management's effectiveness with specific reference to these indicators. These measures should be considered in addition to, and are neither a substitute for, nor superior to, measures of financial performance prepared in accordance with GAAP. The Company's definitions of these measures may differ from similarly titled measures used by other entities.

Financials

Adjusted Operating Income to Adjusted EBITDA

	2022				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	1,883	789	101	-	2,773
Adjusted Operating Income	163	83	30	(66)	209
Depreciation & Amortization	55	31	6	2	95
Other**	-	-	-	(3)	(2.5)
Adjusted EBITDA	218	114	36	-	302
<i>Adjusted EBITDA Margin</i>	11.6%	14.5%	35.2%	-	10.9%

	2021				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	1,563	713	70	-	2,346
Adjusted Operating Income	166	74	14	(71)	183
Depreciation & Amortization	51	31	6	3	91
Other**	-	-	-	3	2.5
Adjusted EBITDA	218	104	20	-	277
<i>Adjusted EBITDA Margin</i>	13.9%	14.6%	28.7%	-	11.8%

*Adjusted Operating Income is a non-GAAP measure. See Reported Operating Income to Adjusted Operating Income in Appendix for a GAAP reconciliation.

**Includes \$0.2 million of Other Income and \$0.9 million Minority Interest.

Financials

Reported Operating Income to Adjusted Operating Income

	2022				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Reported Operating Income	162.7	82.9	29.9	-	275.5
Cash Settled SARS	(0.2)	(0.1)	0.0	-	(0.3)
Corporate Expenses	-	-	-	(66)	(66)
Adjusted Operating Income	162.5	82.8	29.9	(66)	209.4

	2021				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Reported Operating Income	166.0	73.6	14.2	-	253.8
Cash Settled SARS	0.1	0.0	-	-	0.4
Corporate Expenses	-	-	-	(71)	(71)
Adjusted Operating Income	166.1	73.6	14.2	(71)	183.4

Financials

Reconciliation of Historical Non-GAAP EBITDA and EBITDA Margin, 2022 – 2018

<i>(in millions)</i>	2022	2021	2020	2019	2018
Net Sales	2,773.3	2,346.0	1,869.8	1,858.7	1,993.9
Net Income Attributable to Stepan Company	147.2	137.8	126.8	103.1	111.1
Provision for Income Taxes	41.6	34.6	43.4	22.8	26.7
Income Before Provision for Income taxes	188.7	172.4	170.2	125.9	137.8
Interest, Net	9.8	5.8	5.4	5.9	10.8
EBIT	198.5	178.2	175.6	131.9	148.6
Depreciation & Amortization	94.7	90.9	81.9	78.7	81.1
EBITDA	293.2	269.1	257.4	210.6	229.7
Pre-tax Adjustments					
Deferred Compensation	-2.4	2.0	5.3	10.5	-1.0
Cash Settled SARs	-0.3	0.2	0.4	2.7	-0.7
Business Restructuring	0.2	3.4	1.2	2.7	2.6
Environmental Remediation	8.7	2.0		4.3	
Early Debt Repayment				1.2	
Interest Adjustment				-1.2	
Adjusted EBITDA	302	277	264	231	231
Adjusted EBITDA Margin	10.9%	11.8%	14.1%	12.4%	11.6%

Financials

2020-2022 Reconciliation of Non-GAAP Adjusted EBITDA

Adjusted EBITDA Total Stepan	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Net Sales	450	461	464	495	538	596	603	610	675	752	719	627
Subtotal Segment Reported Operating Income	48	67	65	71	74	76	57	47	72	92	81	31
Cash Settled SARS	(1)	1	1	0	0	(0)	(0)	0	(1)	0	(0)	0
Corporate Expenses	(15)	(16)	(17)	(21)	(17)	(18)	(17)	(19)	(16)	(18)	(18)	(15)
Consolidated Adjusted Operating Income	32	52	49	50	57	58	40	29	56	75	63	16
Depreciation & Amortization	20	20	21	21	22	23	23	23	23	23	24	25
Other	(3)	4	3	1	1	3	1	3	(2)	(5)	(2)	0
Adjusted EBITDA	52	73	70	70	79	81	63	53	79	97	86	40
Adjusted EBITDA Margin	11.6%	15.8%	15.0%	14.1%	14.7%	13.6%	10.4%	8.8%	11.7%	12.9%	11.8%	6.4%

Sources of Information and Definitions

Slide 11 and 13 – Market CAGR, size and maps

- The Freedonia Group, Global Insulation, 2023

Slide 12 – U.S. Commercial Energy Code Adoption maps

- US Department of Energy

Slide 14 – Rigid Polyol European Market Trends and Green Deal Information

- Document 2018/844/EU: Energy Performance of Buildings Directive as published by the European Commission
- Document ISBN 978-92-76-13831-0: The European Green Deal as published by the European Commission
- Document SWD(2020) 550 final: A Renovation Wave for Europe - greening our buildings, creating jobs, improving lives

Slide 15 – Rigid Polyol China Market Trend

- Cold Chain Association of China Federation of Logistics & Purchasing

Slide 19 – MCT markets CAGR and size

- DataIntel

Slide 23 and 24 – Agricultural Chemical markets CAGR and size

- AgbiInvestor, Informa Agribusiness Intelligence, Phillips McDougall

Slide 25 – Oilfield Chemical market CAGR and size

- Spears & Associates January 2023

Slide 26 – Surfactants Market

- Stepan Projections, IHS Markit, Wood Mackenzie