



Stepan



Second Quarter 2025 Earnings Results

July 30, 2025

Safe Harbor

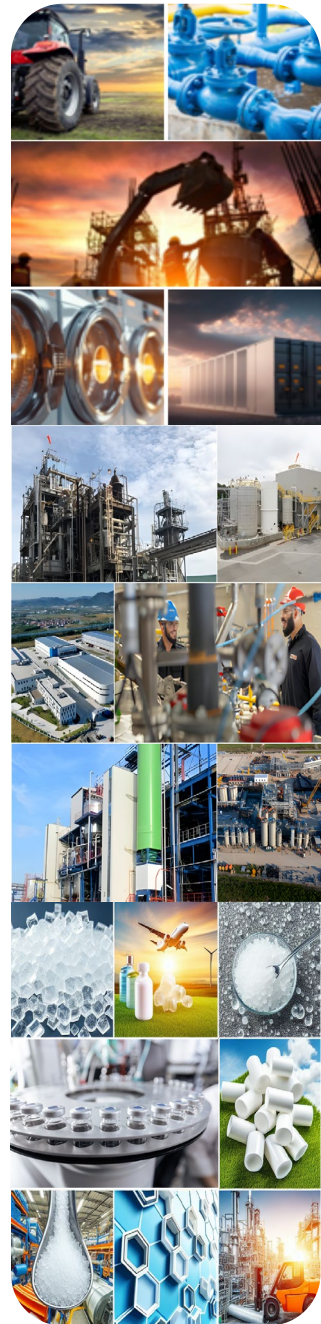
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There are a number of risks, uncertainties and other important factors, many of which are beyond Stepan Company's control, that could cause actual results to differ materially from the forward-looking statements contained in this presentation. Such 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 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 our 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.

AGENDA

- 1 | 2025 Second Quarter Highlights
- 2 | 2025 Second Quarter Financial Results
- 3 | Strategic Outlook
- 4 | Q&A
- 5 | Closing Remarks



Second Quarter - Highlights

NET INCOME and EBITDA GROWTH

- Earnings growth was driven by improved results within Polymers and our Crop Productivity businesses, as well as a lower tax rate.

VOLUME GROWTH

- Global sales volume grew 1% year-over-year. Strong growth across Polymers, Crop Productivity and our MCT business, was partially offset by decline in Global commodity Consumer Surfactants.

FREE CASH FLOW⁽³⁾ DOWN

- Free cash flow (FCF)⁽³⁾ was impacted by higher working capital to support business growth and by inventory builds.

STRATEGIC UPDATE

- Our Pasadena, Texas site, is now operational and expected to provide benefits in our specialty alkoxylation business over the second half of the year and beyond. We are on track to close on the sale of our Philippines assets during the fourth quarter, and we will continue to evaluate asset optimization opportunities.

Reported Net Income

\$11.3MM

+19% YoY

Adjusted Net Income⁽¹⁾

\$12.0MM

+27% YoY

EBITDA⁽²⁾

\$50.6MM

+6% YoY

Adjusted EBITDA⁽²⁾

\$51.4MM

+8% YoY

Cash From Operations

\$11.2MM

-62% YoY

Free Cash Flow⁽³⁾

(\$14.4MM)

Sales Volume

+1% YoY



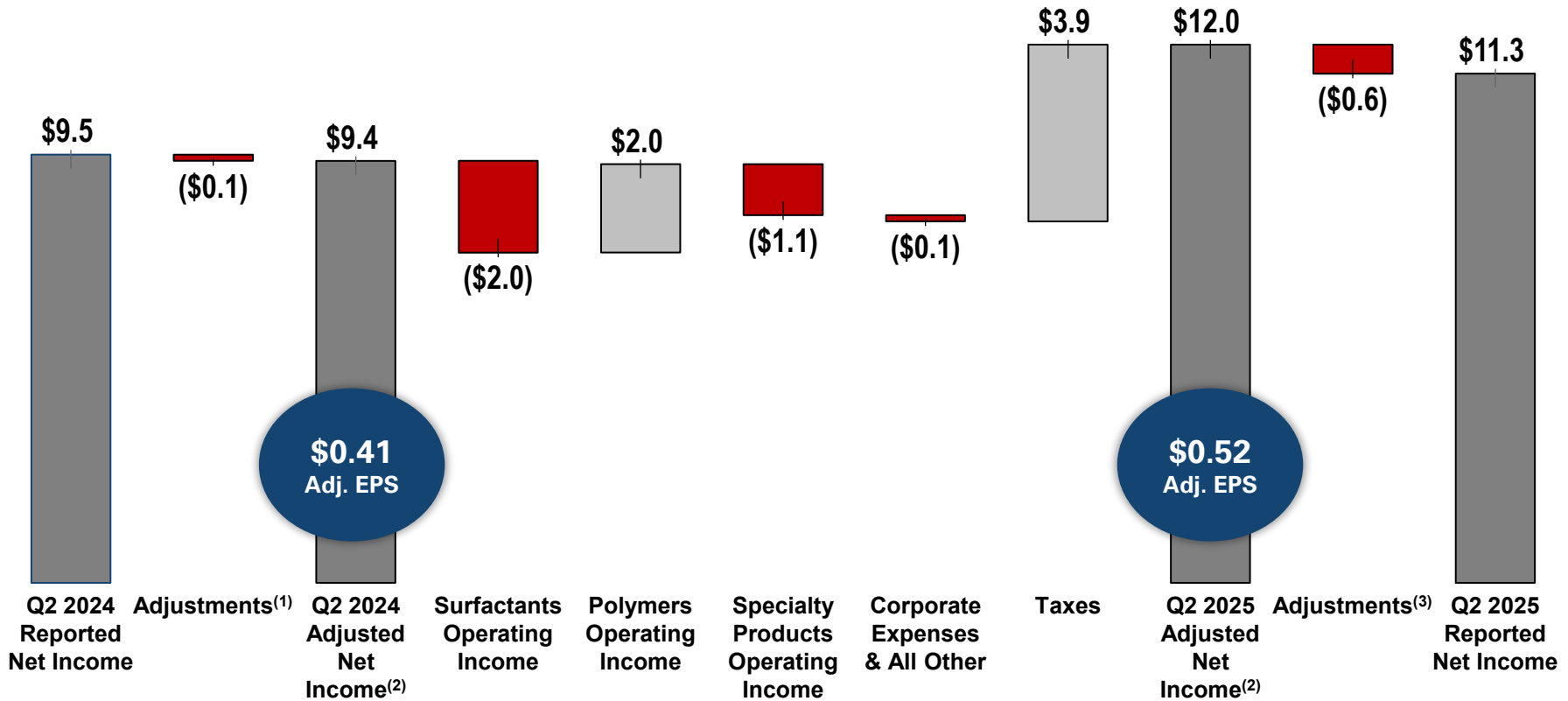
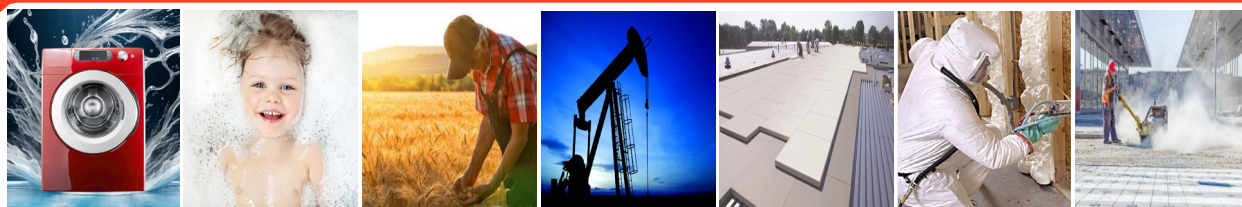
⁽¹⁾ Adjusted Net Income is a Non-GAAP measure. See Appendix II for a GAAP reconciliation.

⁽²⁾ EBITDA and Adjusted EBITDA are Non-GAAP measures. See Appendices III and VII for GAAP reconciliations.

⁽³⁾ Free Cash Flow is a Non-GAAP measure. See Appendix V for GAAP reconciliations.

Net Income Bridge

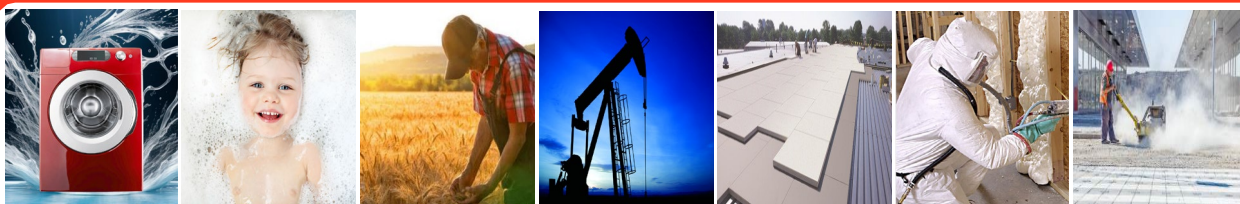
Q2 2024 to Q2 2025



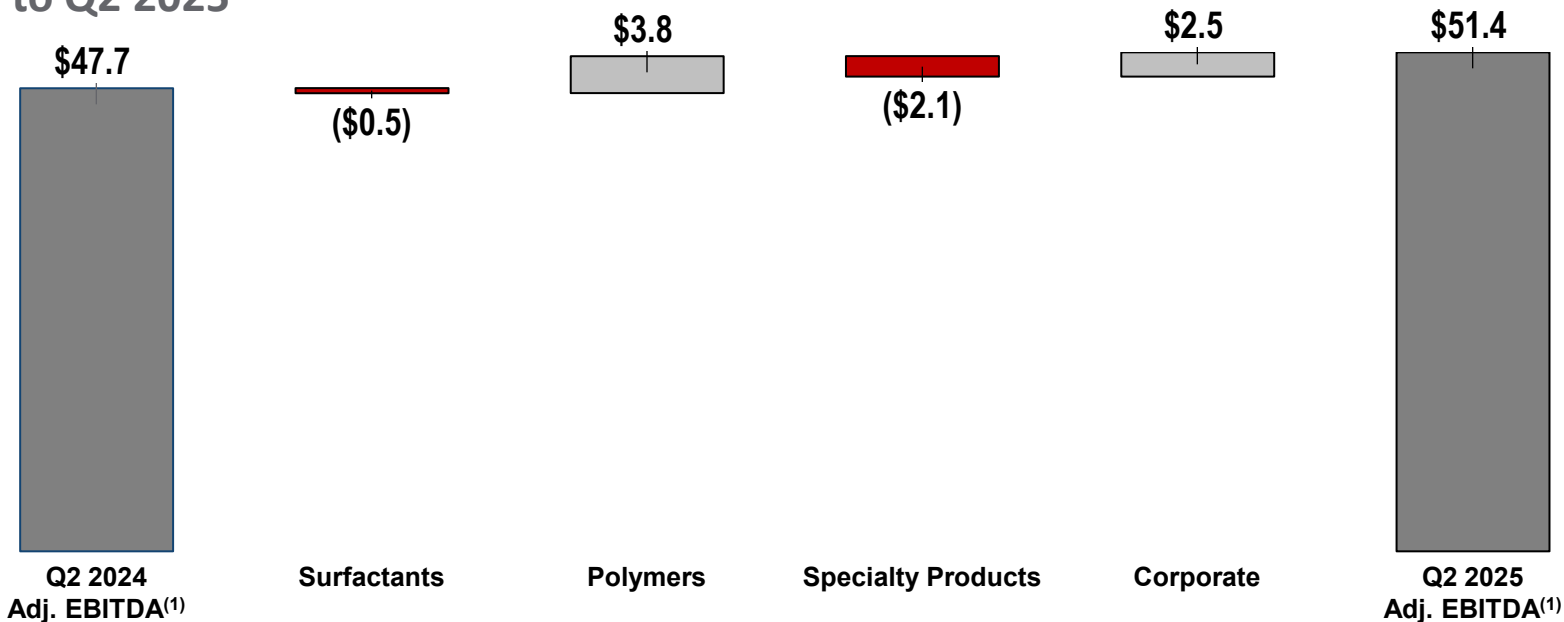
Note: All amounts are in millions of U.S. dollars and are reported after-tax.

- (1) The adjustments to Reported Net Income in Q2 2024 consisted of deferred compensation income \$0.3 million and environmental remediation expense of \$0.2 million.
- (2) Adjusted Net Income and Adjusted EPS are Non-GAAP measures that exclude certain significant, non-recurring items. See Appendix II for GAAP reconciliations.
- (3) The adjustments to Reported Net Income in Q2 2025 consisted of deferred compensation expense of \$0.1 million and environmental remediation expense of \$0.5 million.

Adjusted EBITDA⁽¹⁾ Bridge



Q2 2024 to Q2 2025

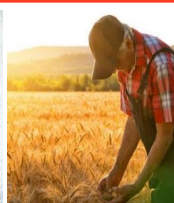


Note: All amounts are in millions of U.S. dollars.

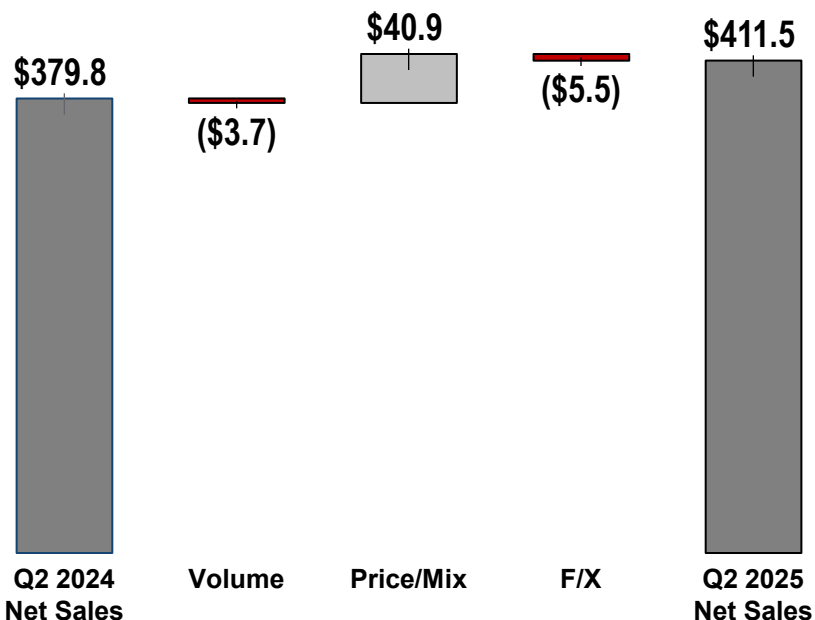
- Surfactants** Adjusted EBITDA⁽¹⁾ decreased \$0.5 million, or 1%, compared to prior year due to lower demand in Commodity Consumer end markets, largely offset by double digit sales volume growth within Agricultural and Oilfield end markets. Higher expenses associated with the start up of our Pasadena site and an increase in the environmental remediation reserve at Millsdale also impacted results.
- Polymers** Adjusted EBITDA⁽¹⁾ increased by \$3.8 million, or 17%, year-over-year mainly driven by sales volume growth across North American and European Rigid Polyols and Phthalic Anhydride, partially offset by less favorable product mix.
- Specialty Products** Adjusted EBITDA⁽¹⁾ decreased by \$2.1 million primarily due to order timing fluctuations between the second quarter and the remainder of the year within the pharmaceutical business, partially offset by volume growth in our Medium-Chain Triglycerides (MCT) product line.
- Corporate expenses** were down 14% year-over-year primarily driven by the non-recurrence of expenses associated with an externally generated criminal social engineering fraud event in 2024.

Surfactants

Q2 2024 to Q2 2025



Net Sales Bridge



Note: All amounts are in millions of U.S. dollars.

Adjusted EBITDA⁽¹⁾ Bridge



Note: All amounts are in millions of U.S. dollars.

- **Volume** was down 1% year-over-year primarily due to lower demand within the Commodity Consumer end markets, largely offset by double digit growth within the Agricultural and Oilfield end markets.
- **Price/Mix** benefited from improved product and customer mix and pass through of higher raw material costs.
- **F/X** adversely impacted net sales by 2%.

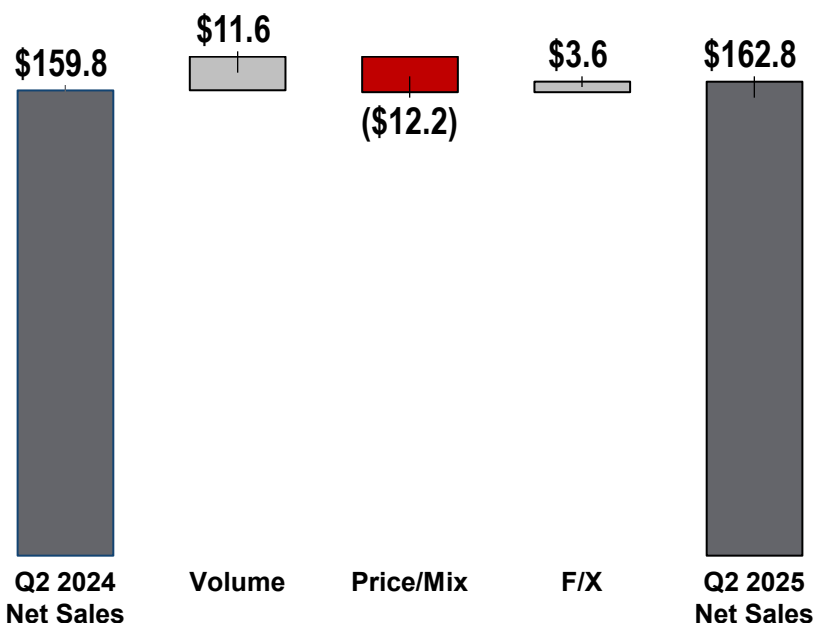
- **North America and Asia** benefited from double-digit growth across Agricultural Chemicals and Oilfield end markets, partially offset by lower demand within Commodity Consumer end markets, higher expenses associated with the start up of our Pasadena site, an environmental remediation reserve at Millsdale, and an EPA fine.
- **Latin America** results were impacted by softer demand in Commodity Consumer end markets, partially offset by strong Agricultural Chemicals demand in Brazil and continued business recovery in Mexico.
- **Europe** results benefitted from margin improvements and stronger end-market demand in Agricultural Chemicals.

Polymers

Q2 2024 to Q2 2025



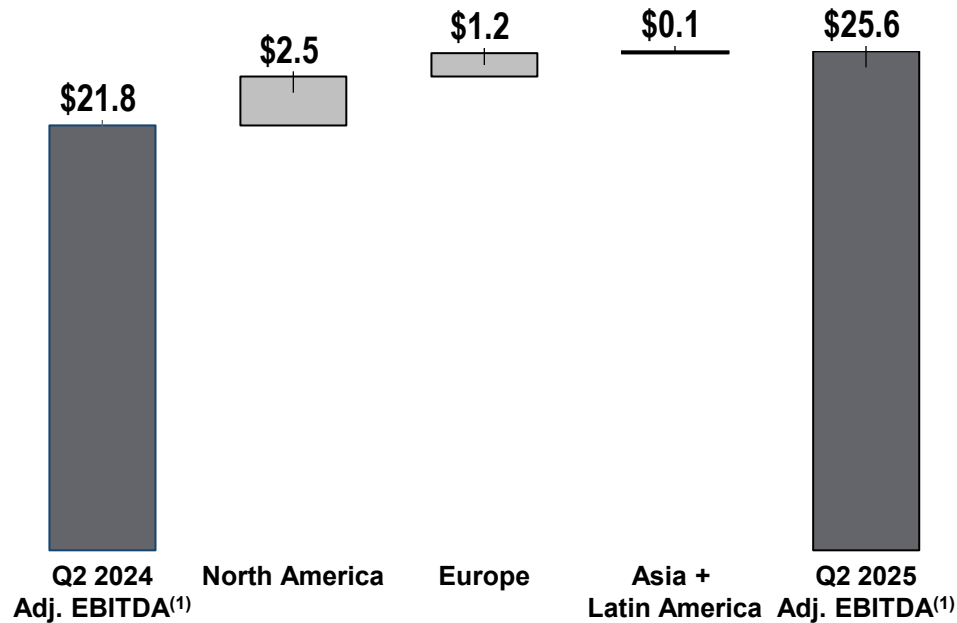
Net Sales Bridge



Note: All amounts are in millions of U.S. dollars.

- **Volume** was up 7% driven by growth across our North America and Europe Rigid Polyol, and Commodity Phthalic Anhydride businesses.
- **Price/Mix** was impacted by the contracted pass-through of lower raw material costs, competitive pressures, and less favorable product mix.
- **F/X** positively impacted net sales by 2%.

Adjusted EBITDA⁽¹⁾ Bridge

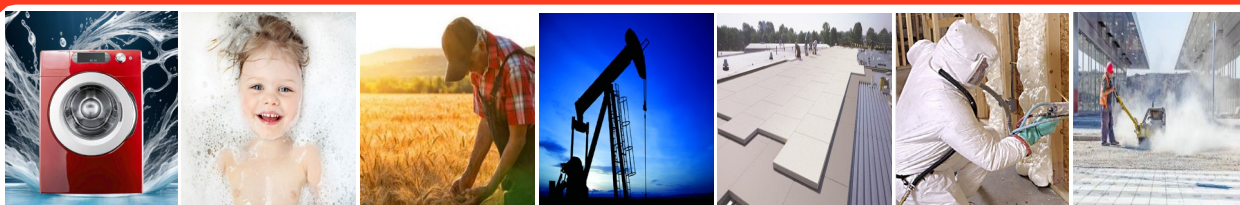


Note: All amounts are in millions of U.S. dollars.

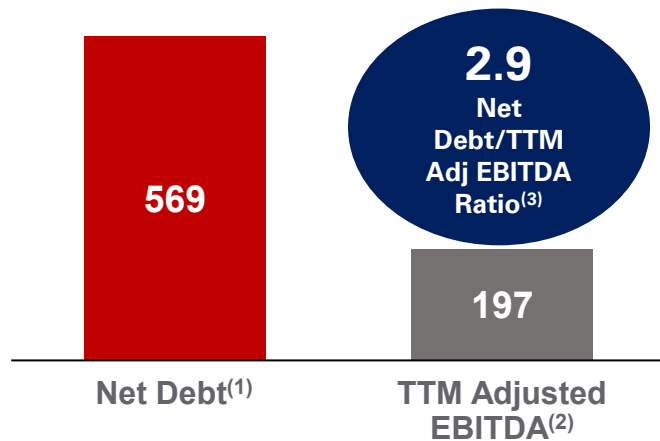
- **North America** results benefited from sales volume growth in the Rigid Polyols and Commodity Phthalic Anhydride businesses, which was partially offset by less favorable product mix.
- **Europe** results increased due to higher Rigid Polyol volume and margin recovery, partially offset by competitive pressures impacting the Specialties Polyols business.
- **Asia** results benefited from higher margins.

Balance Sheet & Cash Flow

Q2 2024 to Q2 2025



Net Debt⁽¹⁾ / TTM Adjusted EBITDA⁽²⁾ (\$MM)



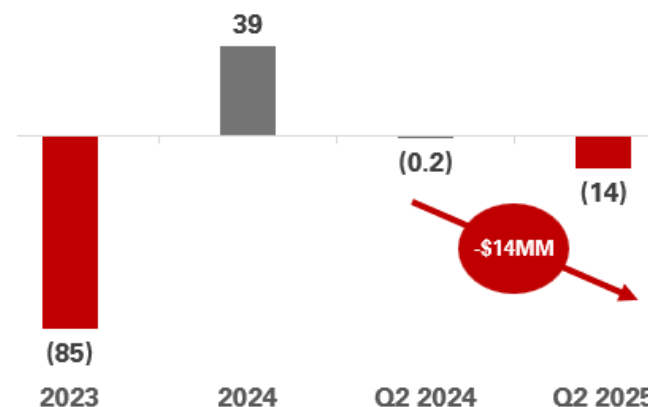
Capital Expenditures

	\$MM
2023	260
2024	123
Q2 2024	29.7
Q2 2025	25.6

2025 Working Capital⁽⁵⁾

	\$MM
2023	455
Q2 2024	452
Q2 2025	490

Free Cash Flow⁽⁴⁾ (\$MM)



⁽¹⁾ Net Debt is a Non-GAAP measure. See Appendix VI for a GAAP reconciliation.
⁽²⁾ TTM Adjusted EBITDA is a Non-GAAP measure. See Appendix IV for a GAAP reconciliation.
⁽³⁾ Net Debt / TTM Adjusted EBITDA Ratio is a Non-GAAP measure. See Appendix VI for a GAAP reconciliation.
⁽⁴⁾ Free Cash Flow is a Non-GAAP measure. See Appendix V for GAAP reconciliations.
⁽⁵⁾ Includes the following components of Working Capital: accounts receivable, inventory, accounts payable

Strategic Priorities and Growth Drivers

Creating and Delivering Shareholder Value

- Greater Than GDP Growth
- Accretive Margins
- Limited Global Risk Exposure

High-Margin /
Growth Priority
Markets

Customer-Centric
Innovation &
Extended Reach

- Customer Intimacy
- Expand Tier 2 & 3 Customer Base
- World Class R&D & Sustainability

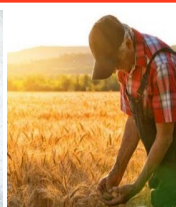
Key Strategic
Investments

Cost & Operational
Excellence

- Investments in Organic Growth
- M&A Opportunities

- Safe & Efficient Manufacturing
- Asset Reliability/Optimization
- Cost Reduction & Productivity Gains
- Cash Flow Management

Strategic Capital Investments Update



New Alkoxylation Capacity: Pasadena, Texas – Summary and Benefits

- Alkoxylates are a core surfactant technology consumed across Stepan's key agricultural, oilfield, construction, and household end markets
- Business continued volume growth during the second quarter of 2025 across multiple end use markets and applications
- Pasadena is Stepan's third alkoxylation site, providing strategically located capacity for growth in ethoxylates and propoxates



Site is operational and ramping up – THANK YOU TEAM !!!

Thank You

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Stepan 

Appendix

Additional Sources of Information and Definitions

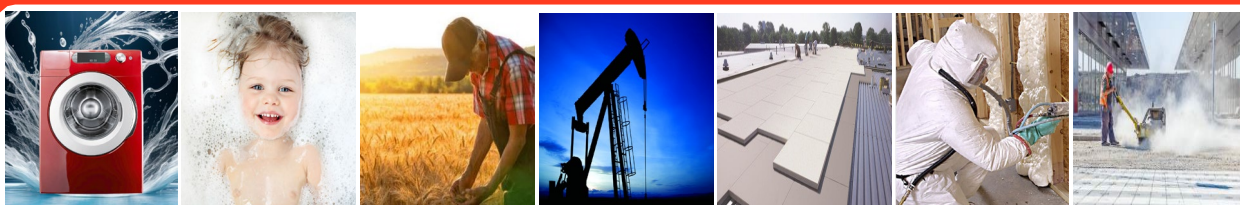




Update on Certain Expectations

(millions USD)	2022 Actual	2023 Actual	2024 Actual	2025 Forecast
Capital Expenditures	301	260	123	120 - 125
Debt Repayments	38	38	49	69
Interest Net	10	12	14	23-25
Depreciation & Amortization	95	105	112	125 – 130
Effective Tax Rate (%)	22%	17%	17%	22 - 24%

Reconciliations



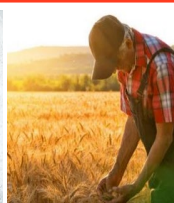
Reconciliation of Non-GAAP Adjusted Net Income and Earnings Per Diluted Share*

(\$ in thousands, except per share amounts)	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	EPS	2024	EPS	2025	EPS	2024	EPS
Net Income Reported	\$ 11,341	\$ 0.50	\$ 9,521	\$ 0.42	\$ 31,052	\$ 1.36	\$ 23,414	\$ 1.02
Deferred Compensation (Income) Expense	\$ 69	\$ 0.00	\$ (305)	\$ (0.01)	\$ (401)	\$ (0.02)	\$ (693)	\$ (0.03)
Environmental Remediation Expense	\$ 542	\$ 0.02	\$ 180	\$ -	\$ 611	\$ 0.03	\$ 1,331	\$ 0.06
Adjusted Net Income	<u>\$ 11,952</u>	<u>\$ 0.52</u>	<u>\$ 9,396</u>	<u>\$ 0.41</u>	<u>\$ 31,262</u>	<u>\$ 1.37</u>	<u>\$ 24,052</u>	<u>\$ 1.05</u>

* All amounts in this table are presented after-tax

Reconciliation of Pre-Tax to After-Tax Adjustments

(\$ in thousands, except per share amounts)	Three Months Ended June 30,				Six Months Ended June 30,			
	2025	EPS	2024	EPS	2025	EPS	2024	EPS
Pre-Tax Adjustments								
Deferred Compensation (Income) Expense	\$ 92		\$ (407)		\$ (534)		\$ (924)	
Environmental Remediation Expense	\$ 722		\$ 240		\$ 814		\$ 1,774	
Total Pre-Tax Adjustments	\$ 814		\$ (167)		\$ 280		\$ 850	
Cumulative Tax Effect on Adjustments	\$ (203)		\$ 42		\$ (70)		\$ (212)	
After-Tax Adjustments	<u>\$ 611</u>	<u>\$ 0.02</u>	<u>\$ (125)</u>	<u>\$ (0.01)</u>	<u>\$ 210</u>	<u>\$ 0.01</u>	<u>\$ 638</u>	<u>\$ 0.03</u>



Adjusted EBITDA and EBITDA

Reconciliations Q2 2025 and Q2 2024⁽¹⁾

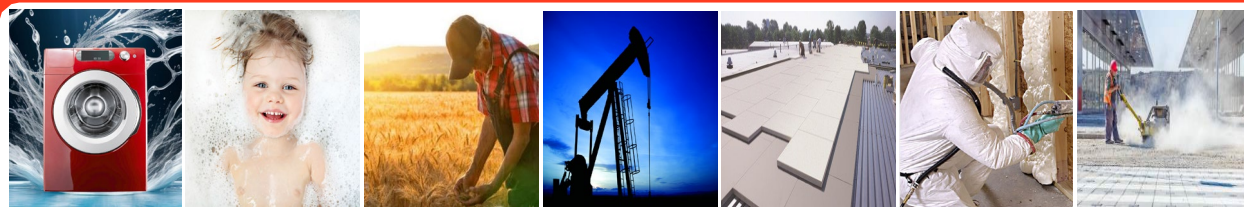
Adjusted EBITDA and EBITDA Reconciliations Q2 2025 and Q2 2024⁽¹⁾

Three Months Ended
June 30, 2025

(\$ in millions)	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 13.4	\$ 17.2	\$ 5.2	\$ (17.8)	\$ 18.0
Depreciation and Amortization	\$ 21.1	\$ 8.4	\$ 1.5	\$ 0.3	\$ 31.3
Other, Net Income	\$ -	\$ -	\$ -	\$ 1.3	\$ 1.3
EBITDA					\$ 50.6
Deferred Compensation	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1
Environmental Remediation	\$ -	\$ -	\$ -	\$ 0.7	\$ 0.7
Adjusted EBITDA	\$ 34.5	\$ 25.6	\$ 6.7	\$ (15.4)	\$ 51.4

Three Months Ended
June 30, 2024

(\$ in millions)	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 17.1	\$ 13.6	\$ 7.3	\$ (19.3)	\$ 18.7
Depreciation and Amortization	\$ 17.9	\$ 8.2	\$ 1.5	\$ 0.4	\$ 28.0
Other, Net Income	\$ -	\$ -	\$ -	\$ 1.2	\$ 1.2
EBITDA					\$ 47.9
Deferred Compensation	\$ -	\$ -	\$ -	\$ (0.4)	\$ (0.4)
Environmental Remediation	\$ -	\$ -	\$ -	\$ 0.2	\$ 0.2
Adjusted EBITDA	\$ 35.0	\$ 21.8	\$ 8.8	\$ (17.9)	\$ 47.7



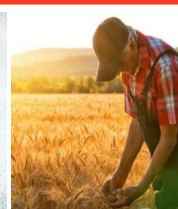
Trailing Twelve Months

Adjusted EBITDA Reconciliation

6/30/2025 TTM – Adjusted EBITDA

Reported Operating Income	77.9
Depreciation & Amortization	117.1
Other Net Income (Expense)	2.4
Deferred Compensation	(2.0)
Cash Settled SARS	0.0
Goodwill and Other Intangibles Impairment Expense	0.0
Business Restructuring & Asset Impairment Expense	0.0
Environmental Remediation Expense	1.6
Adjusted EBITDA	197.0

Free Cash Flow (FCF)

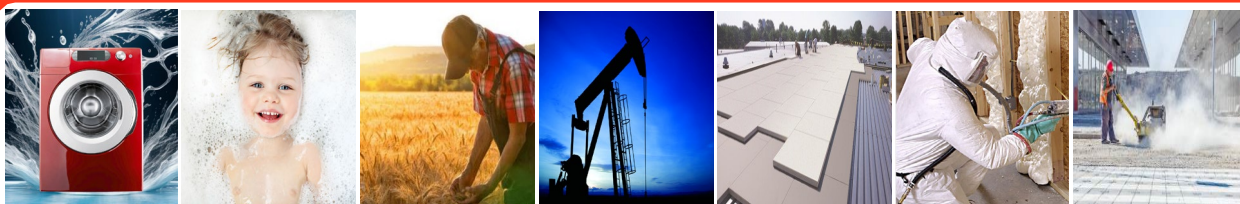


Reconciliations

(million USD)	Q2 2025	Q2 2024
Cash Flow from Operations	11.2	29.5
Capital Expenditures	(25.6)	(29.7)
Free Cash Flow	(14.4)	(0.2)

(million USD)	2024	2023
Cash Flow from Operations	162.1	174.9
Capital Expenditures	(122.8)	(260.3)
Free Cash Flow	39.3	(85.5)

Net Debt to Total Capitalization Ratio



(millions USD)	June 30, 2025	March 31, 2025	December 31, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020
Total Debt	658.0	659.3	625.4	682.6	526.0	238.9	207.9
Cash	88.9	107.5	99.7	133.9	194.6	127.1	272.9
Net Debt	569.1	551.8	525.7	548.7	331.4	111.8	(65.0)
Equity	1,241.7	1,200.5	1,169.9	1,215.1	1,125.7	1,048.8	897.4
Net Debt + Equity	1,810.8	1,752.3	1,695.6	1,763.8	1,457.1	1,160.6	832.4
Net Debt / (Net Debt + Equity)	31%	31%	31%	31%	23%	10%	(8%)

Net Debt/TTM Adjusted EBITDA Ratio = 569/197 = 2.9

Income Statement



	Three Months Ended June 30,		Six Months Ended June 30,	
	2025	2024	2025	2024
Net Sales	\$ 594,689	\$ 556,405	\$ 1,187,944	\$ 1,107,823
Cost of Sales	522,804	486,853	1,040,596	967,990
Gross Profit	71,885	69,552	147,348	139,833
Operating Expenses:				
Selling	14,657	11,828	26,765	23,216
Administrative	22,801	24,569	44,215	47,259
Research, Development and Technical Services	14,701	14,093	29,350	28,349
Deferred Compensation Expense (Income)	1,761	395	765	2,173
	53,920	50,885	101,095	100,997
Operating Income	17,965	18,667	46,253	38,836
Other Income (Expense):				
Interest, Net	(5,485)	(2,661)	(9,611)	(5,732)
Other, Net	1,306	1,200	1,808	3,562
	(4,179)	(1,461)	(7,803)	(2,170)
Income Before Provision for Income Taxes	13,786	17,206	38,450	36,666
Provision for Income Taxes	2,445	7,685	7,398	13,252
Net Income	11,341	9,521	31,052	23,414
Net Income Per Common Share				
Basic	\$ 0.50	\$ 0.42	\$ 1.36	\$ 1.03
Diluted	\$ 0.50	\$ 0.42	\$ 1.36	\$ 1.02
Shares Used to Compute Net Income Per Common Share				
Basic	22,865	22,827	22,866	22,825
Diluted	22,879	22,936	22,885	22,942