



Stepan



Investor Presentation

Current as of May 19, 2015

Key Banc Capital Markets

Core Components of Stepan's Strategy

Leverage Technical and Market Leadership

- Baseload Operations
- Economies of Scale

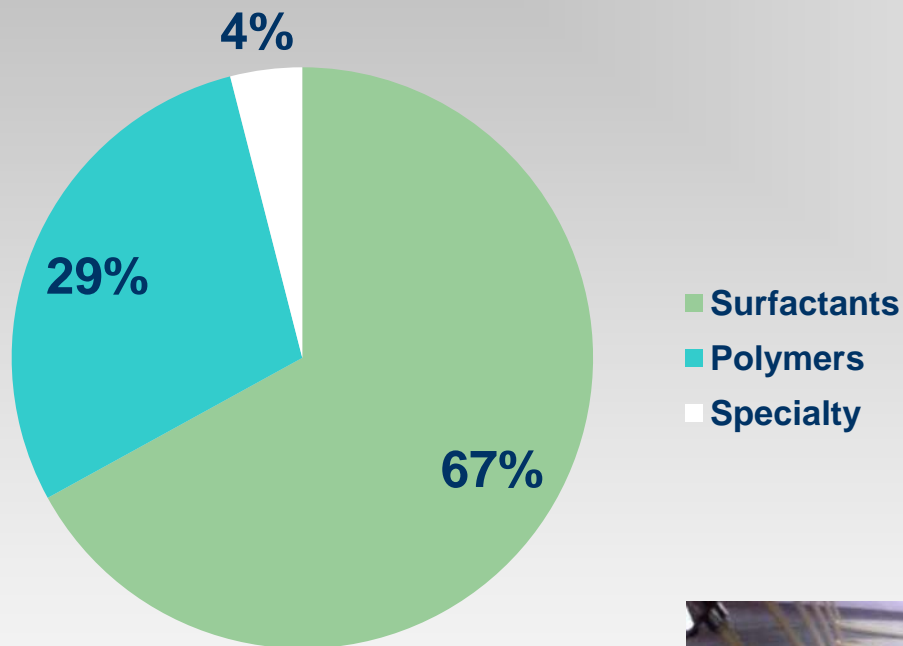
Improve Mix

Geographic expansion

Operational excellence

Stepan Company Profile

2014 Sales

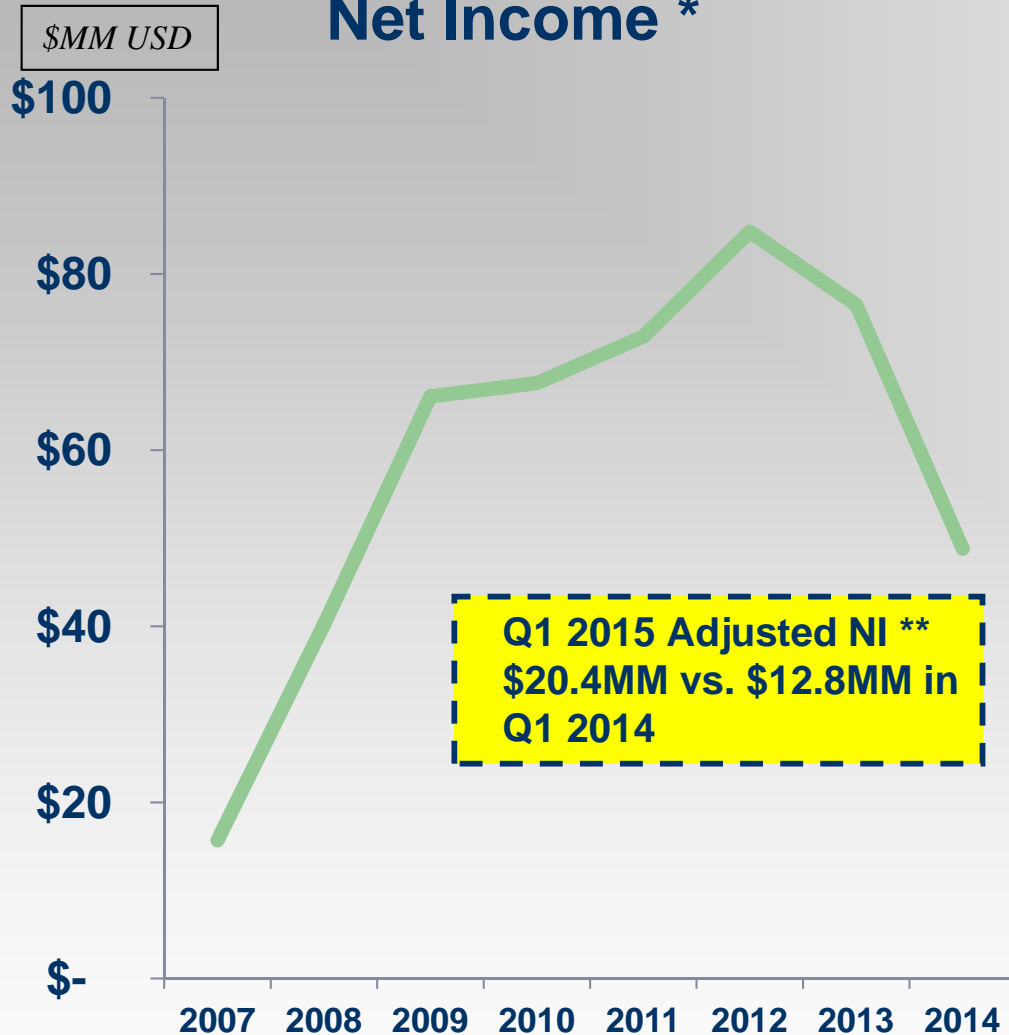


- \$1.9B in Sales
- 3 Reportable Segments
- 17 manufacturing sites with operations in 12 countries
- 2000 employees
- Traded on NYSE as “SCL”



Stepan Company Profile

Net Income *

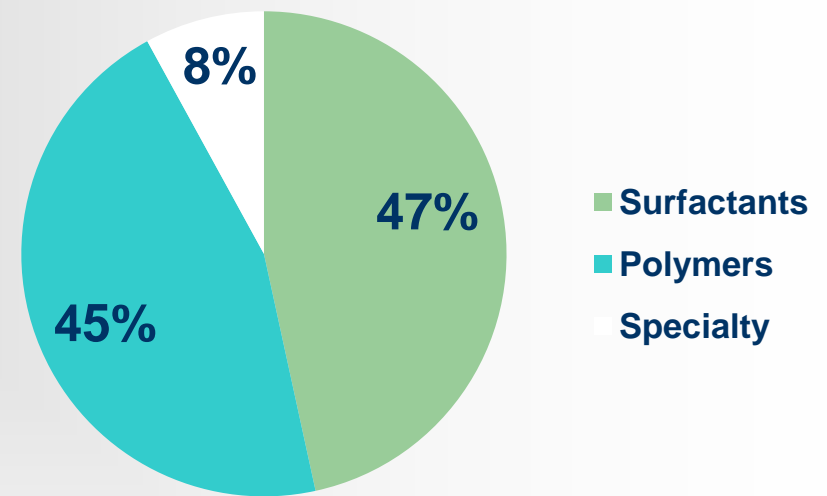


* = Net Income excluding deferred compensation income or expense is a Non-GAAP measure (see reconciliation in appendix I)

** = Adjusted Net Income is a Non-GAAP measure (see reconciliation in appendix II)

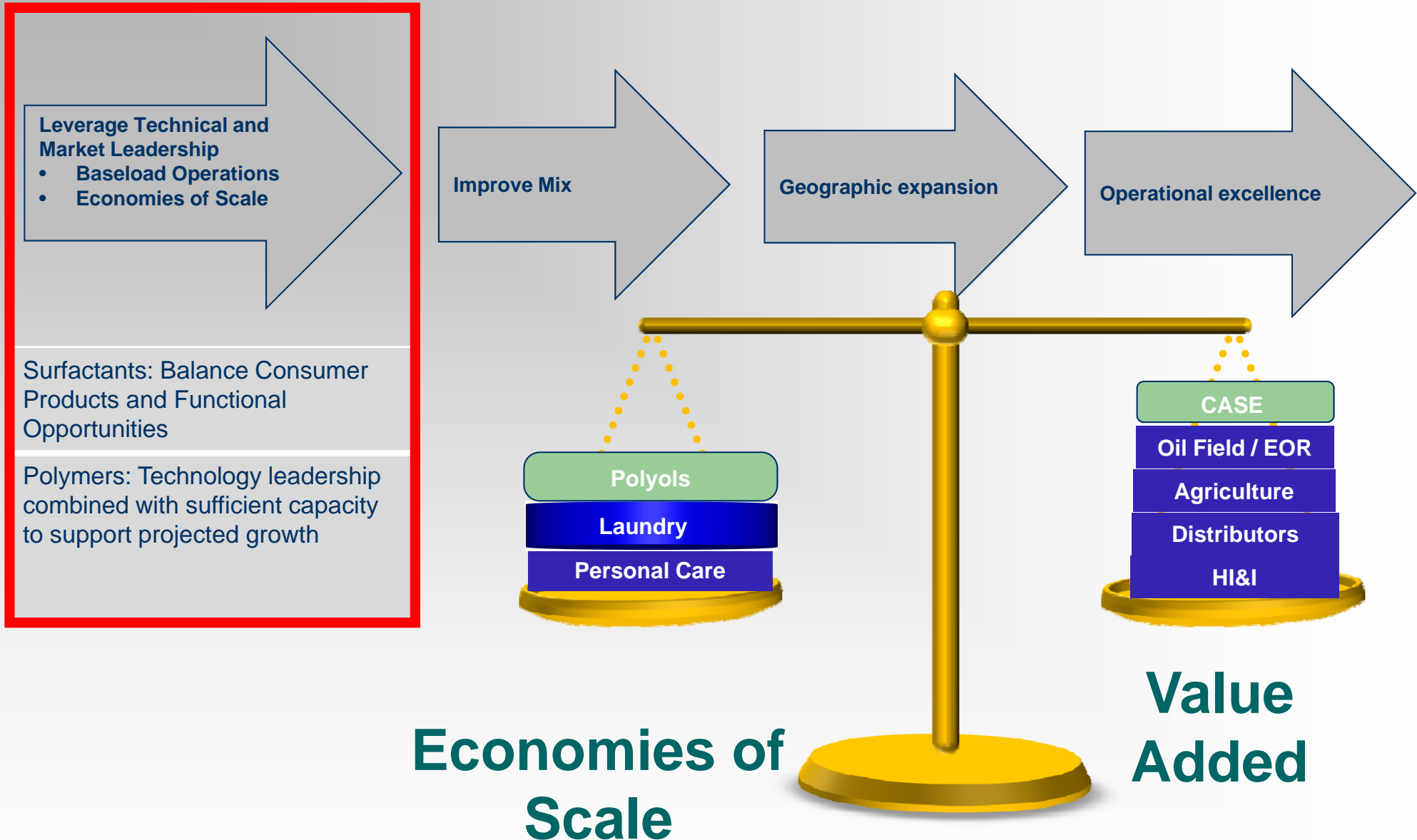
Operating Income

2014 = \$132MM



Operating Income % of Sales	2014	Q1 2015
Surfactants	5%	10%
Polymers	11%	11%
Specialty	13%	11%

Core Components of Stepan's strategy



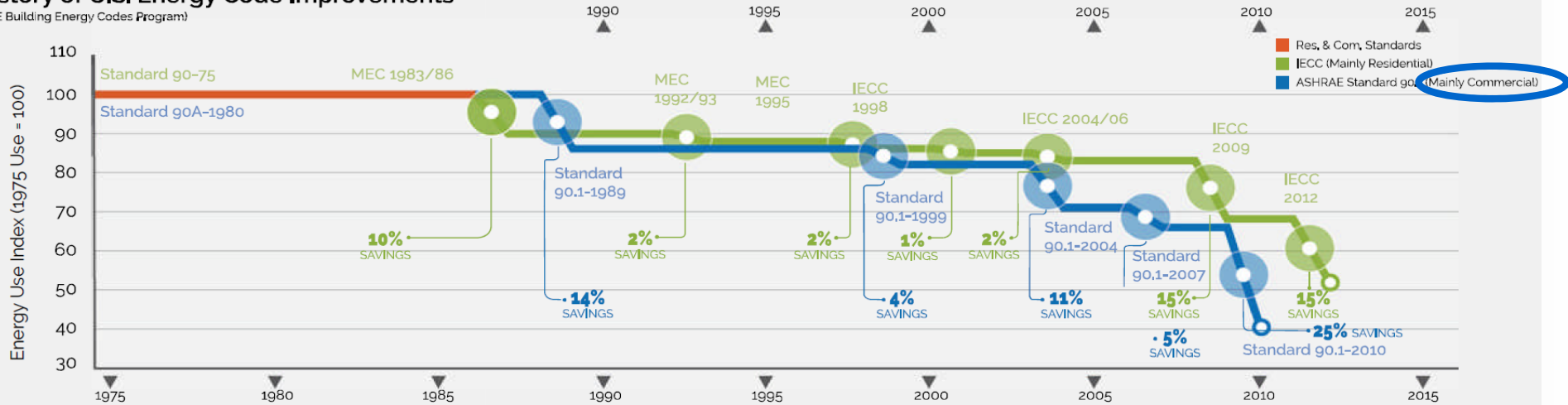
Excess Laundry capacity is an opportunity and a vulnerability which will be addressed in 2015

Polyols for insulation is a high volume, and high value business

Energy efficiency is a key growth driver (Government mandated and consumer preference)

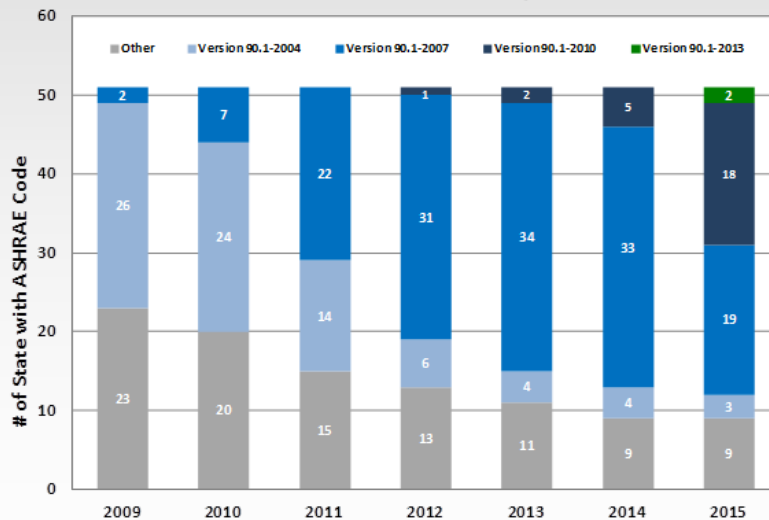
History of U.S. Energy Code Improvements

(DOE Building Energy Codes Program)



Since 1989, the energy use index has declined by 60% per the commercial codes

State Commercial Code Adoption Status



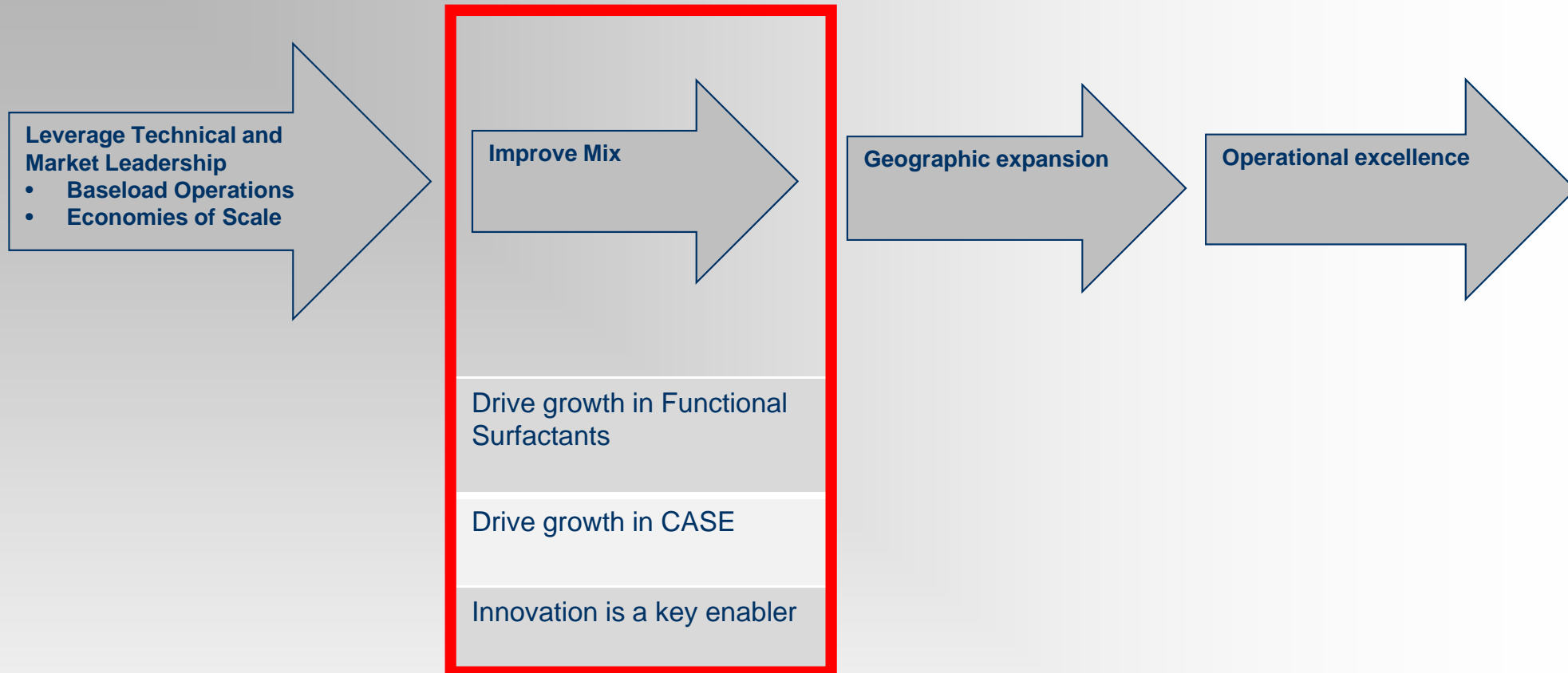
Sources: Building Codes Assistance Project; Polyisocyanurate Insulation Manufacturers Association; Dodge Data & Analytics
Note: State code status includes all 50 states and the District of Columbia

Source: ASHRAE = the foremost source of technical and educational information, and the primary provider of opportunity for professional growth in the arts and sciences of heating, ventilating, air conditioning and refrigerating

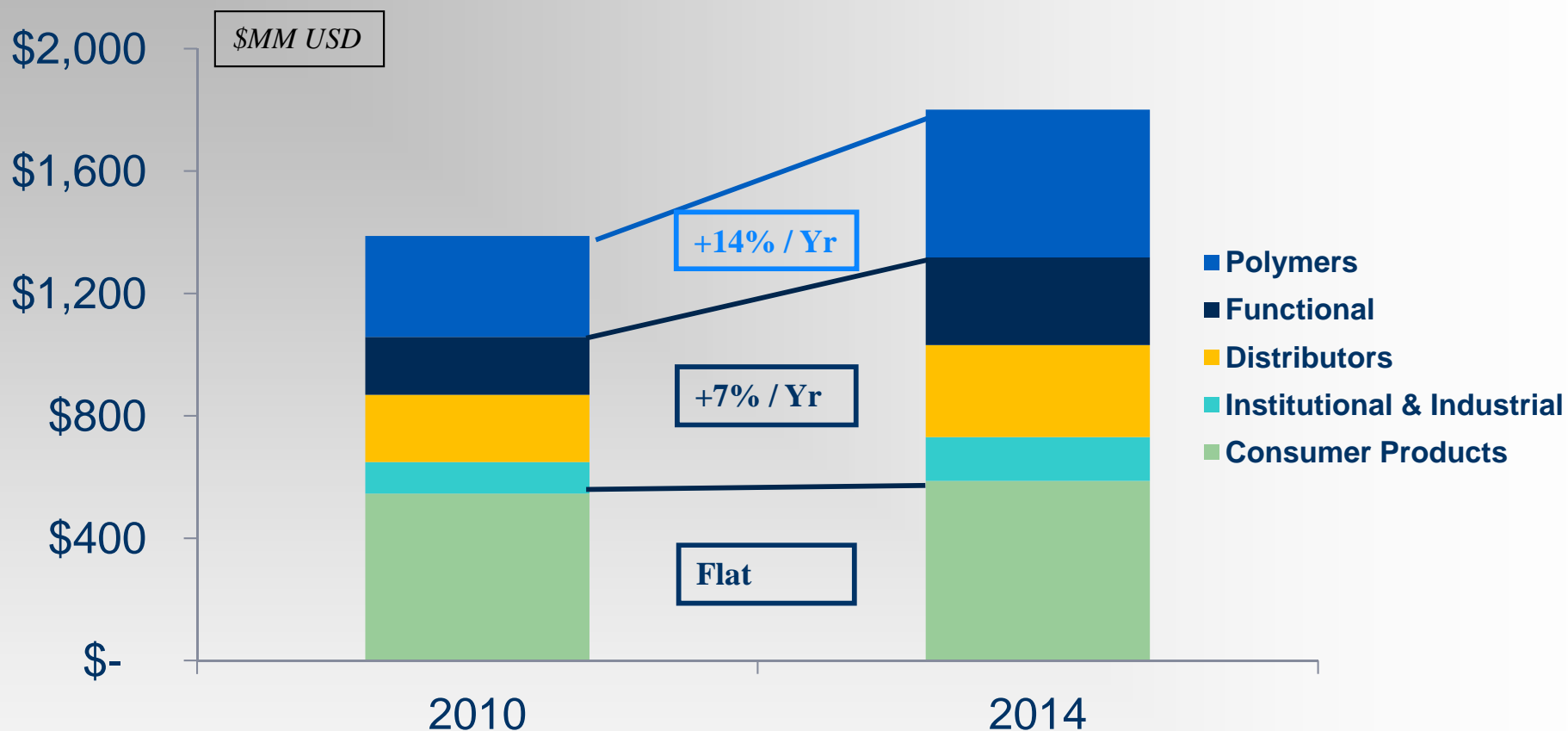
Currently only two states meet the most stringent standards

While Europe is in the lead, US states have been consistently increasing energy standards (and many are still catching up)

Core Components of Stepan's strategy



Recent History- Increasing sales in higher end products



Growth from

- **Functional Surfactants with focus on Agriculture and Oil Field**
- **Polymers through increased insulation use and CASE opportunities for specialty polyols**

* Percentages shown are Compound Annual Growth Rates (CAGR)

Global Agriculture presents an attractive opportunity for growth



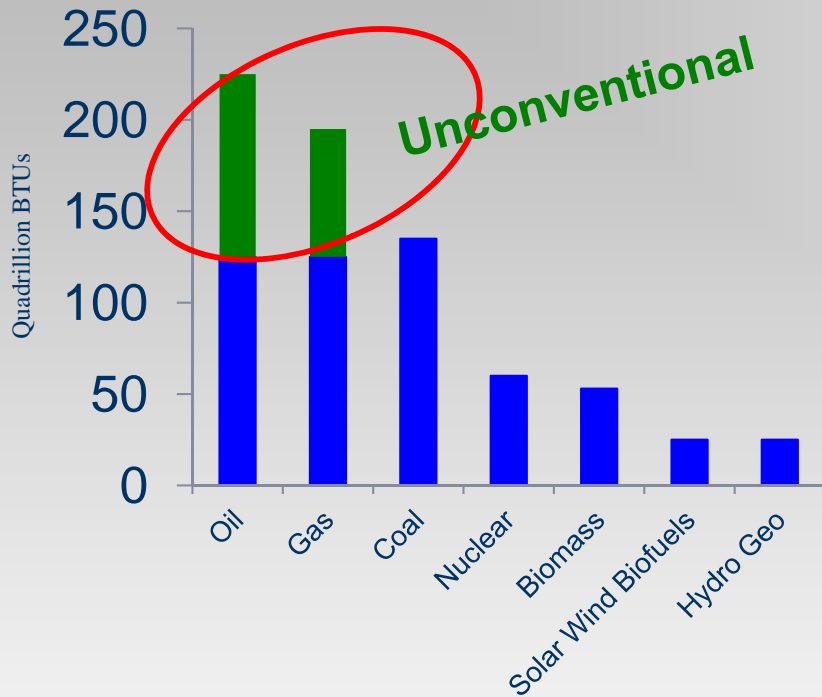
- Global Agriculture remains very attractive despite recent headwinds
 - 2014 was a difficult year industry-wide but not expected to repeat
-
- Global population growth expected from 7 to 9 billion by 2040 *
 - Income growth in emerging middle class expected to drive greater protein demand
 - 70% increase in crop production required

Chemistry will be part of the solution

* Source: United Nations Department of Economics and Social Affairs and Phillips McDougal Agrireference Report (Sales Performance in 2012) dated December 2013

Oilfield is the broader category - Enhanced Oil Recovery (EOR) is within Oil Field

2040 Projected Energy Mix



Projected Energy Mix: Adopted from ExxonMobil "The Outlook for Energy: A View to 2040" © 2013

* US Department of Energy, April 2005

** Innovative Energy Technology Program (IETP), Average Husky field results

•*** US Department of Energy

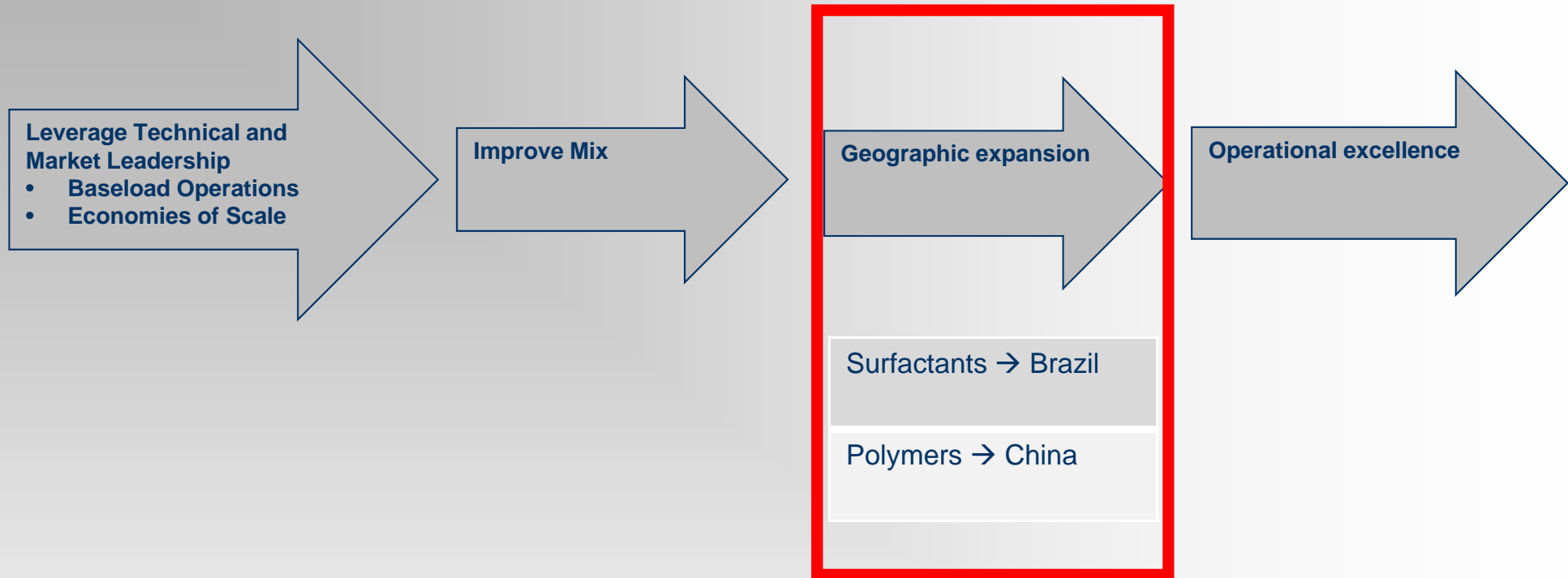
•**** Tiorco lab projects

Surfactant Applications

- Oil Sands
 - Bitumen Dilution
 - Rig/Equipment Cleaning
 - Tight/Shale Oil and Gas
 - Flow Back Modifier
 - Friction Reducer
 - Biocides
 - Enhanced Oil Recovery
 - Mobilize Trapped Crude
 - Estimated 1.33 Trillion barrels of "stranded" oil in the US *
 - Estimated 9.5% of oil recovered from EOR (126 Billion barrels) **
 - 20% eligible for Enhanced Oil Recovery techniques (25 billion barrels) ***
 - 4-7 pounds of surfactant used per barrel (100-175 billion pounds of EOR surfactants) ****
- Water Treatment
 - Emulsion Breakers
 - Gellants
 - Stimulation Foamer

Potentially big opportunity with capacity currently in place

Core Components of Stepan's strategy



“Winning in Brazil” is a core component of our strategy



- We believe Brazil provides the right combination of
 - Consumer surfactant drivers
 - Opportunities to grow in Agriculture and Oil Field

- Brazil is the 5th most populous country with a large and growing middle class *
- Consumer product market is evolving toward developed country standards (“Universal Consumer”)
 - Should drive growth in Powder and liquid detergents and liquid personal wash

Left side of the scale

- Brazil has the most farmable land in the world **
- Brazil can produce far more food than its population needs **
- The world will need a global food system ***
- Brazil will ship food to other parts of the world ***

Right side of the scale

Growing in Brazil is a core component of our strategy

* Source: World Population Review March 23, 2014

** Source: Phillips McDougall Agrireference Report (Sales Performance in 2012) dated December 2013

*** Source: BBC Podcast Aug 23, 2014 – “In the Balance: The future of food”

Growing Polymers in China is also key to our strategy

China is a large, growing market for insulation

- Chinese Government is mandating greater energy efficiency throughout economy and more use of insulation
- Significant MDI* investment in China which is reacted with Polyol to make insulation

SCL History in China

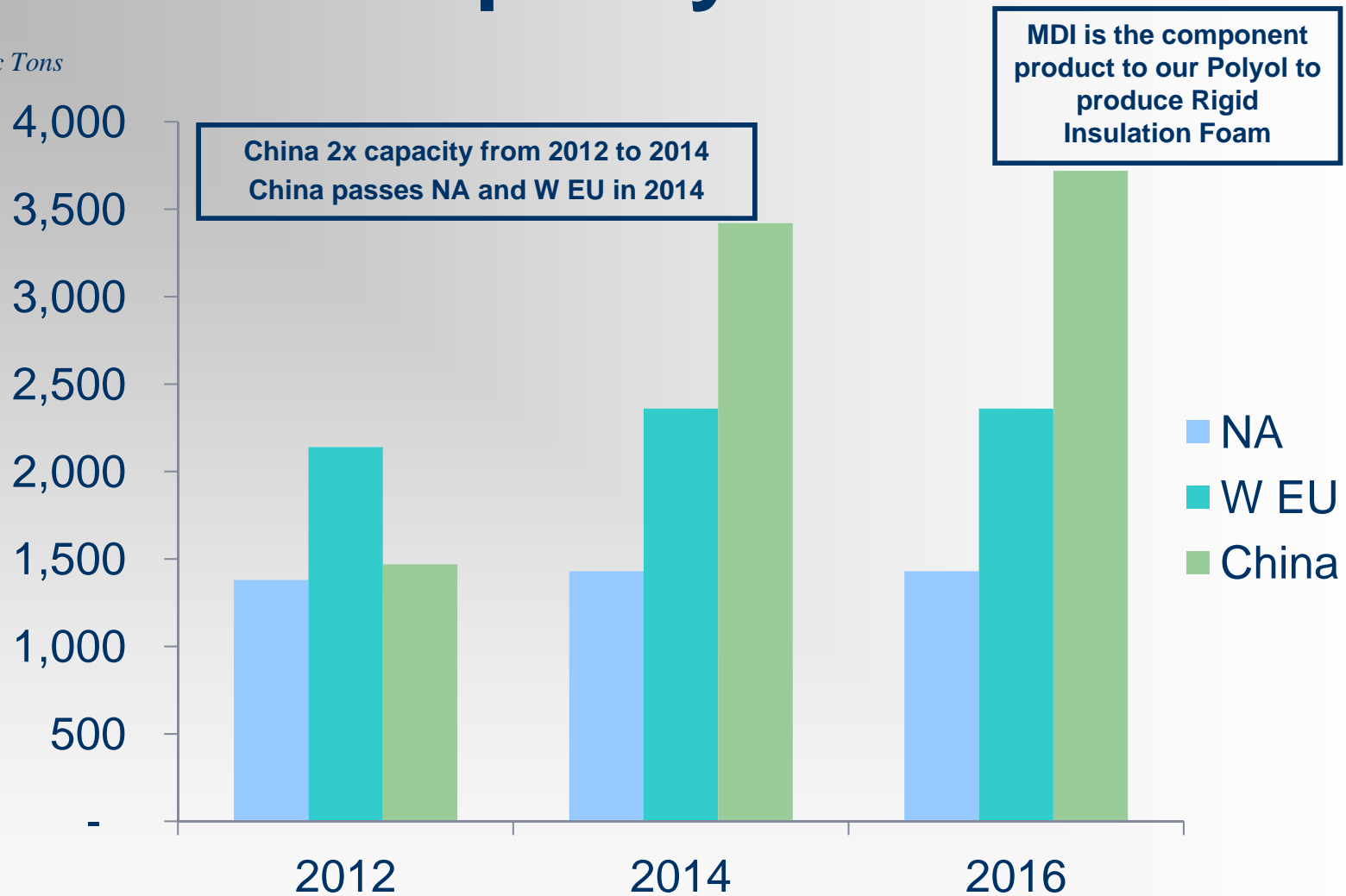
- 2005 start up of Polyol plant
- 2013 Government mandated plant shut-down
- 2013 SCL had \$2MM of additional costs to shut-down plant and establish interim supply chain
- Currently using a multi-national 3rd party toller
- On track to begin production in the 1st quarter of 2016

We plan to accelerate our participation in what we expect will be the largest Polyol market in the world

•MDI = Methylenebisphenylene Diisocyanate

Global MDI Capacity

Thousand Metric Tons

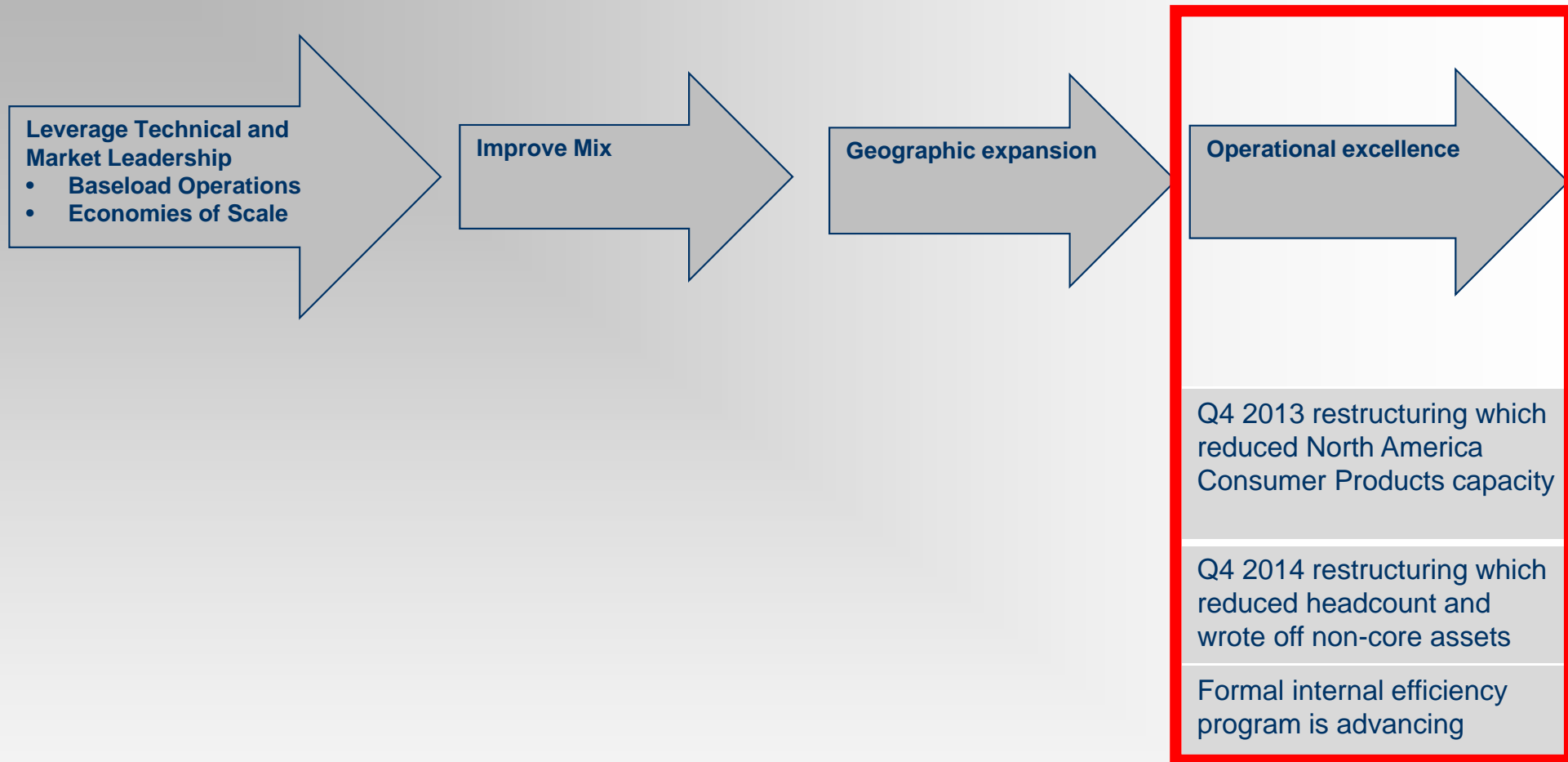


MDI Producers are making big investments in China with \$6B invested in capacity

Source: Tecnon Orbichem report - October 2013

Stepan is not an MDI producer

Core Components of Stepan's strategy



Operational Excellence

Q4 2013 Booked Restructuring Reserve

- Reduces capacity in North America Consumer Products
- On target to save \$2.5MM / year

Q4 2014 Booked Restructuring Reserve

- Offered early retirement incentive which reduced headcount and wrote off certain non-core assets
- On target to save \$1.5MM / year

Formal Efficiency Program

- Our internal efficiency program, using internal and external resources, is advancing and should deliver meaningful results in 2015 and beyond

Strong Balance Sheet

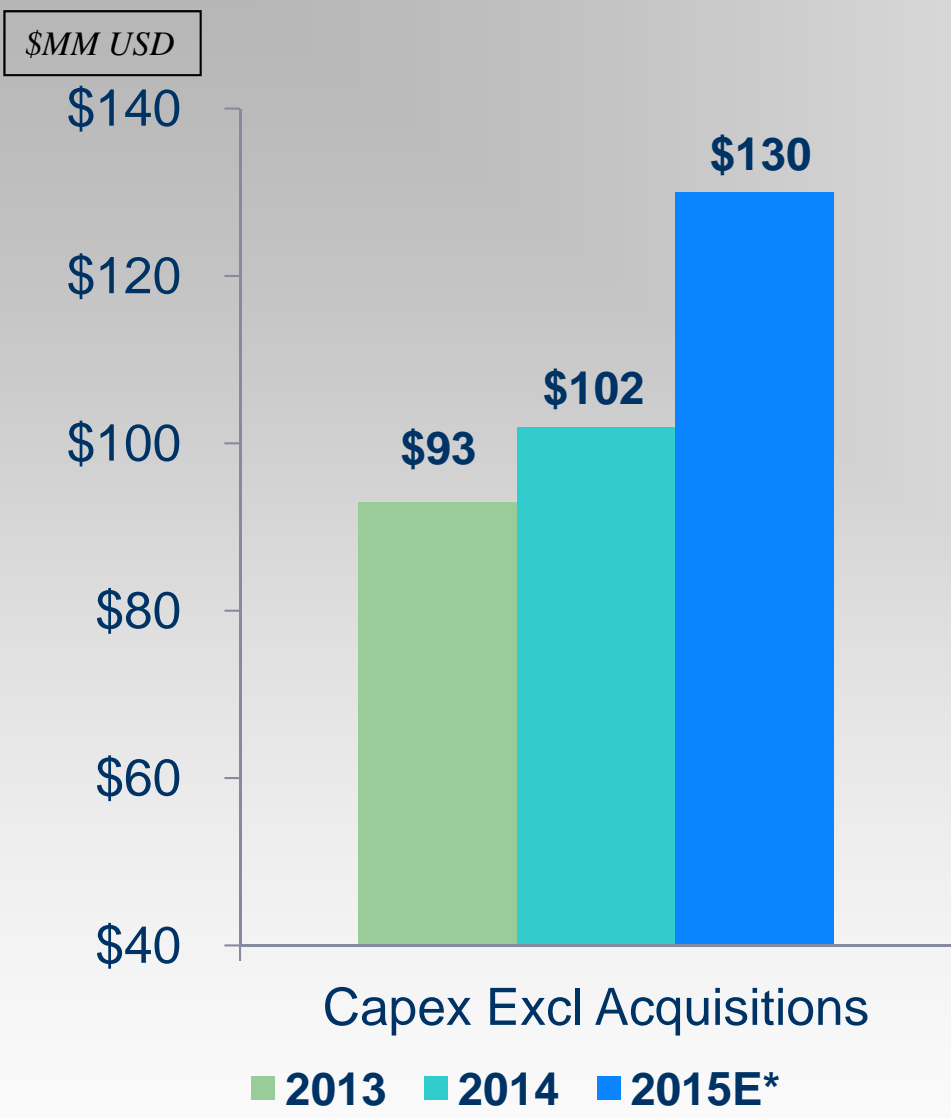
Key Covenant Metrics	Most restrictive	Calculations per 2014 10-K
Interest Coverage	2	5
Net Worth	\$325MM	\$537MM
Total Debt / Total Capital	Max is 55%	34%

A lot of room to use balance sheet to drive growth

Cash Priorities

- Drive earnings growth and geographic expansion through measured use of capital spending
- Spend to improve efficiencies
- Pursue further innovation through differentiated products
- Continue increasing the dividend

Leveraging the Balance Sheet to drive future earnings growth



Recent key investments

R&D facilities in Brazil, China, and France

Surfactants

US - Specialty surfactants

Brazil - Neutralization capacity

Polymers

Europe - Polyol for roof / metal panel

US - Specialty CASE Polyol

In progress investments

Surfactants

Brazil - 2nd neutralizer

Brazil (Bahia state) acquisition

Polymers

China - New plant for roof / CASE

* Midpoint of \$120MM to \$140MM 2015 estimate

Investment priorities aligned with strategy

Dividend legacy

Symbol	Company Name	Increased Since
DBD	Diebold, Inc.	1954
AWR	American States Water	1955
DOV	Dover Corp.	1956
NWN	Northwest Natural Gas	1956
EMR	Emerson Electric	1957
GPC	Genuine Parts	1957
PG	Procter & Gamble	1957
MMM	3M	1959
PH	Parker Hannifin Corp.	1960
VVC	Vectren Corporation	1960
CINF	Cincinnati Financial	1961
JNJ	Johnson & Johnson	1963
KO	Coca-Cola Co.	1963
LANC	Lancaster Colony Corp.	1963
LOW	Lowe's	1963
CL	Colgate-Palmolive	1964
ITW	Illinois Tool Works	1964
NDSN	Nordson Corp	1964
CLC	Clarcor Inc.	1965
CB	Chubb Corp	1966
HRL	Hormel Foods	1967
ABM	ABM Industries	1968
CWT	California Water Services Group	1968
FRT	Federal Realty Investment Trust	1968
SJW	SJW Corp	1968
TGT	Target	1968
SWK	Stanley Black & Decker, Inc.	1968
SCL	Stepan Co.	1968

Source: www.dividend.com – “25-Year Dividend Increasing Stocks”

The total group was sorted by the longest history of paying increased dividends and the companies with the longest histories are shown here.

Stepan is one of 28 companies which have paid increasing dividends for at least 46 consecutive years

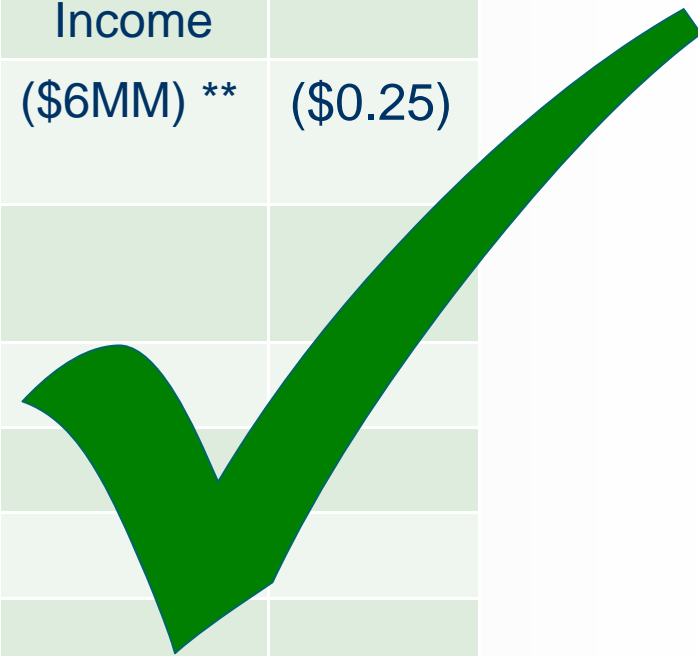
First Quarter 2015 Financial Recap

- **Q1 Reported Net Income of \$21.3 million or \$0.93 per diluted share included a few non-operational and non-recurring items.**
 - One-time gain from the sale of the Specialty Polyurethane Systems (“Systems”) business (\$1.8 million or \$0.08 per diluted share)
 - Deferred Compensation expense (\$0.6 million or \$0.03 per diluted share)
 - Increase in reserve for a previously recognized environmental expense (\$0.3 million or \$0.02 per diluted share)
- **Therefore Q1 2015 Adjusted Net Income increased 59% to \$20.4 million or \$0.90 per diluted share compared to \$12.8 million or \$0.56 per diluted share in Q1 2014.**
- **Surfactants had record Operating Income of \$33.8 million, representing an increase of \$15.4 million or 84% compared to prior year results.**
 - Operating Income increased due to improved operations, higher sales volumes and favorable margins compared to Q1 2014.
- **Polymer Operating Income, excluding the sale of the Systems business, increased \$1.1 million primarily due to volume and margin growth within the Rigid Polyol business.**

2014 versus 2015

(as shown in the Q1 2015 earnings call) **

	Potential Improvements		Potential Headwinds	
	Net Income	EPS *	Net Income	EPS *
Surf Vol/Mix Items			(\$6MM) **	(\$0.25)
Non-Recurring Maintenance and Shutdown costs	+\$6MM	+\$0.25		
Overall Efficiency Program	+\$8MM	+\$0.30		
Savings on 2013 Restructuring	+\$2MM	+\$0.10		
Savings on 2014 Restructuring	+\$1MM	+\$0.05		
Sale of Polyurethane Systems Business	+\$2MM	+\$0.10		
Weather	+\$2MM	+\$0.10		
Special Bad Debt Charges	+\$2MM	+\$0.10		



Additional \$17 million or \$0.75 EPS prior to growth and other initiatives

* EPS = Earnings Per Share (Diluted)

** Represents the general view as of April 28, 2015

Expectations for 2015 *

- Continued income growth in Polymers 
- Higher Functional Surfactant volumes 
- Improve asset utilization in North America 
- Improve Operations 
- Stronger US Dollar would negatively impact earnings 
- Benefits from falling raw material prices 

Pursuing actions to restore earnings growth

* Represents the general view as of April 28, 2015

Thank you for your interest in Stepan Company (NYSE: SCL)

Contact information:

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Appendix I

Reg G reconciliation: Net Income Excluding Deferred Compensation expense/income to Reported Net Income

Reconciliation of Net Income Excluding Deferred Compensation									
<i>(Amounts in Millions)</i>									
	Years Ended December 31								
	2007	2008	2009	2010	2011	2012	2013	2014	
Net Income Attributable to Stepan Company As Reported	\$ 15.1	\$ 37.2	\$ 63.0	\$ 65.4	\$ 72.0	\$ 79.4	\$ 72.8	\$ 57.1	
Deferred Compensation (Income)Expense, Net of Investment Income	0.6	3.0	3.1	2.2	0.9	5.4	3.7	(8.3)	
Net Income Excluding Deferred Compensation	\$ 15.7	\$ 40.2	\$ 66.1	\$ 67.6	\$ 72.9	\$ 84.8	\$ 76.5	\$ 48.8	

Reference: Slide #4 Stepan Company Profile

Appendix II

RECONCILIATIONS FOR ADJUSTED NET INCOME AND ADJUSTED DILUTED EARNINGS PER SHARE										
						Three Months Ended				
						March 31				
						2015		2014		
						Net Income	Diluted EPS	Net Income	Diluted EPS	
<i>(Amounts in Millions, Except per Share Amounts)</i>										
Net Income Attributable to Stepan Company As Reported					\$	21.3	\$	0.93	\$	13.0
Deferred Compensation (Income) Expense, Net of Investment Income						0.6		0.03		(0.2)
Gain on Sale of Specialty Polyurethane Systems Product Line						(1.8)		(0.08)		-
Environmental Remediation Expenses						0.3		0.02		-
Adjusted Net Income Attributable to Stepan Company					\$	20.4	\$	0.90	\$	12.8

Reference: Slide #4 Stepan Company Profile

Cautionary Statement

Except for historical information, all other information in this presentation may consist of forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected, anticipated or implied. The most significant of these uncertainties are described in Stepan Company's Form 10-K, Form 8-K and Form 10-Q reports and exhibits to those reports, and include (but are not limited to), prospects for our foreign operations, foreign currency fluctuations, certain global and regional economic conditions, the probability of future acquisitions and the uncertainties related to the integration of acquired businesses, the probability of new products, the loss of one or more key customer or supplier relationships, the costs and other effects of governmental regulation and legal and administrative proceedings, including the expenditures necessary to address and resolve environmental claims and proceedings, disruptions in production at manufacturing facilities, volatility of raw material and energy costs, maintaining and protecting intellectual property rights, interruption or breaches of information technology systems, disruptions in transportation or significant changes in transportation costs, and general economic conditions. These forward-looking statements are made only as of the date hereof, and Stepan Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.