



Stepan



First Quarter 2025 Earnings Results

April 29, 2025

Safe Harbor

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.

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.

First Quarter - Highlights

NET INCOME UP

- Reported net income was \$19.7 million, up 42% versus the prior year. Adjusted net income⁽¹⁾ was \$19.3 million, up 32% versus prior year, primarily due to volume growth in Surfactants, Polymers, and our MCT business, which was partially offset by higher pre-operating expenses at our Pasadena, Texas site.

EBITDA GROWTH

- EBITDA⁽²⁾ was \$58.0 million and Adjusted EBITDA⁽²⁾ was \$57.5 million, up 16% and 12% respectively, year-over-year.

VOLUME GROWTH

- Global sales volume grew 4% year-over-year. Growth was broad-based with Surfactants up 3%, Polymers +7%, and Medium-Chain Triglycerides (MCT) +4%.

FREE CASH FLOW⁽³⁾ UP

- Free cash flow (FCF)⁽³⁾ was (\$25.8) million compared to \$11.4 million in the prior year, due to higher working capital to support business growth and in anticipation of tariffs.

STRATEGIC UPDATE

- Our Pasadena, Texas site, is now operational and will be critical to grow our specialty alkoxylation business.

Reported Net Income

\$19.7MM

+42% YoY

Adjusted Net Income⁽¹⁾

\$19.3MM

+32% YoY

EBITDA⁽²⁾

\$58.0MM

+16% YoY

Adjusted EBITDA⁽²⁾

\$57.5MM

+12% YoY

Cash From Operations

\$6.9MM

-83% YoY

Free Cash Flow⁽³⁾

(\$25.8MM)

-326% YoY

Sales Volume

+4% YoY



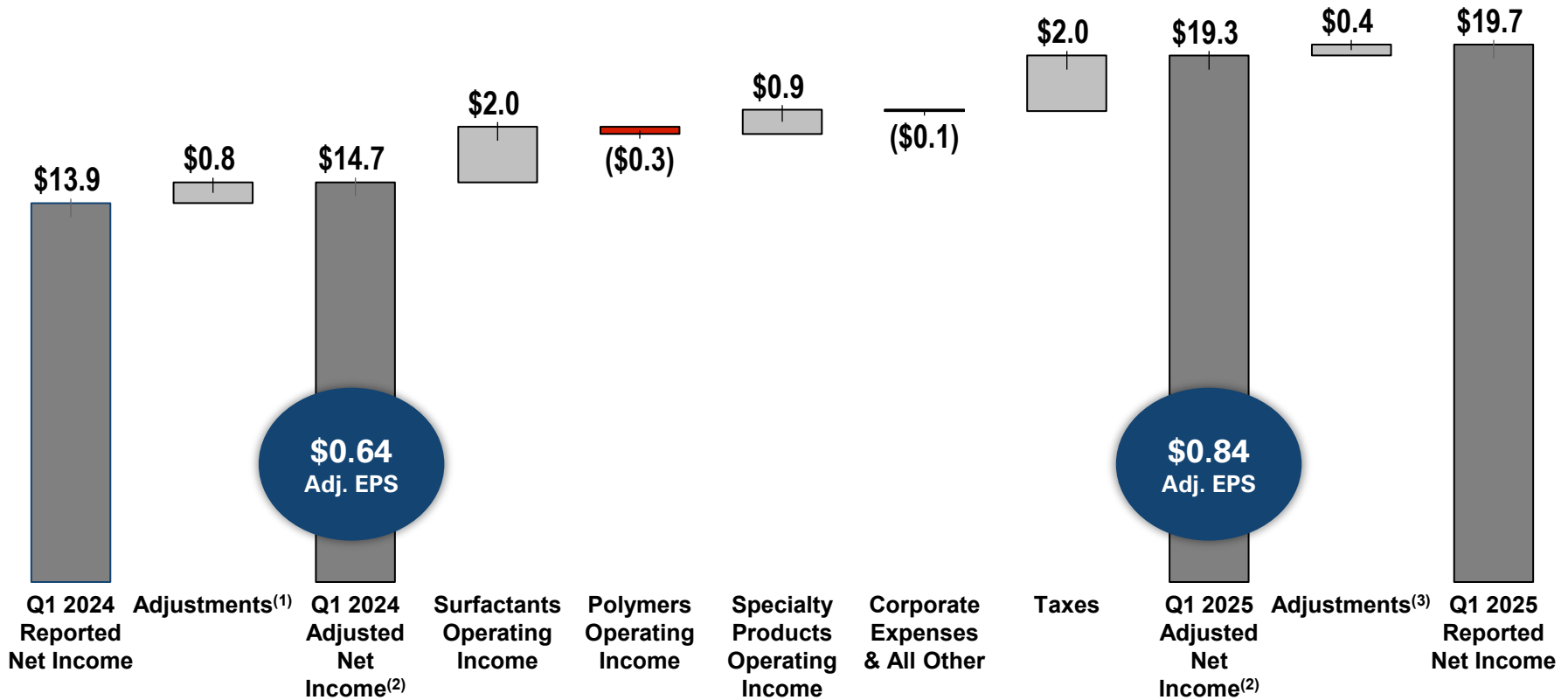
⁽¹⁾ Adjusted Net Income is a Non-GAAP measure. See Appendix II for a GAAP reconciliation.

⁽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

Q1 2024 to Q1 2025



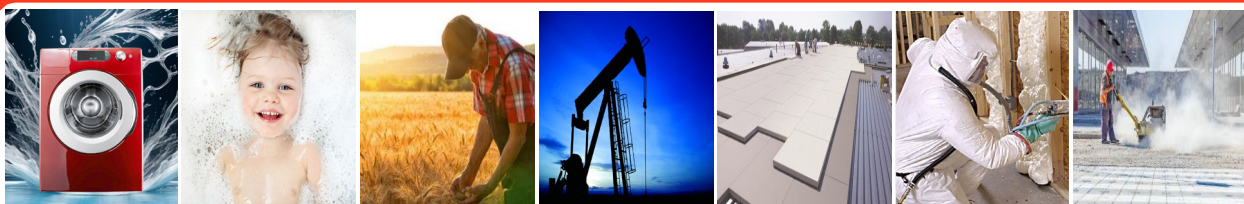
Note: All amounts are in millions of U.S. dollars and are reported after-tax.

(1) The adjustments to Reported Net Income in Q1 2024 consisted of deferred compensation income \$0.4 million and environmental remediation expense of \$1.2 million.

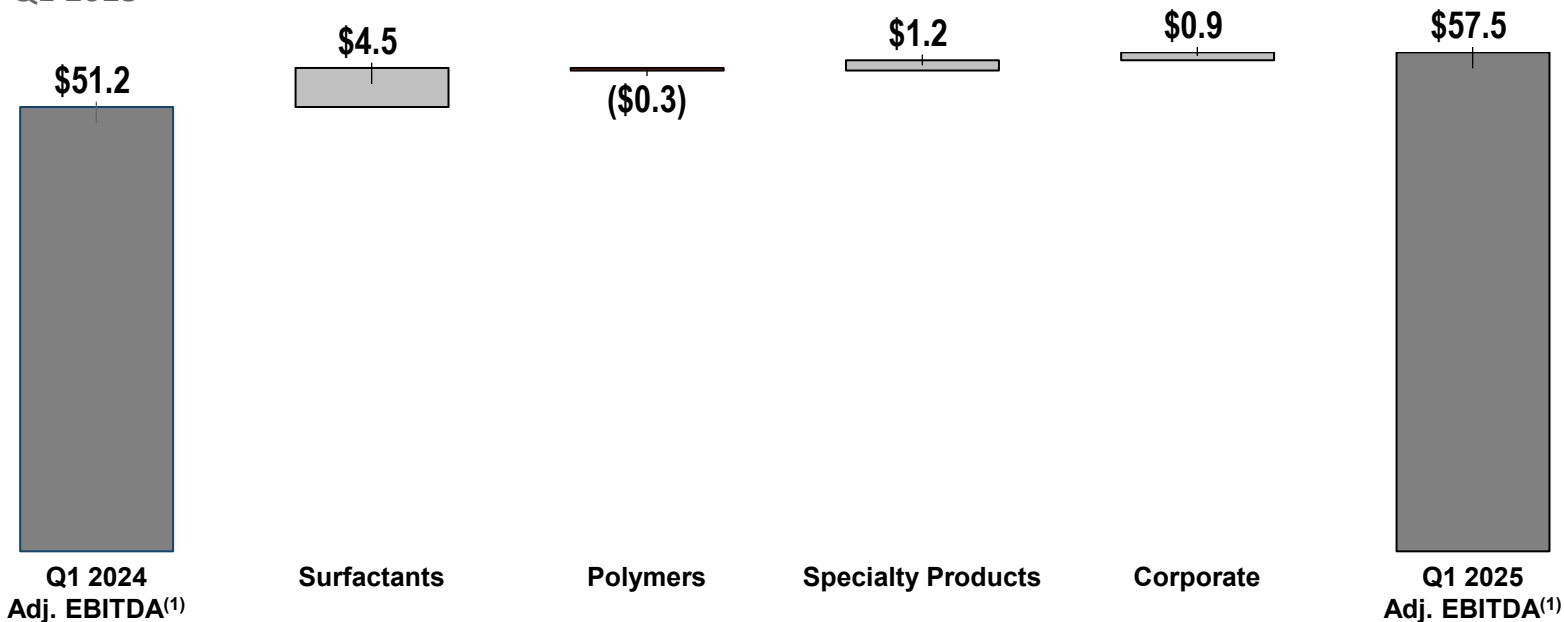
(2) Adjusted Net Income and Adjusted EPS are Non-GAAP measures that exclude certain significant, non-recurring items. See Appendix II for GAAP reconciliations.

(3) The adjustments to Reported Net Income in Q1 2025 consisted of deferred compensation income of \$0.5 million and environmental remediation expense of \$0.1 million.

Adjusted EBITDA⁽¹⁾ Bridge



Q1 2024 to Q1 2025

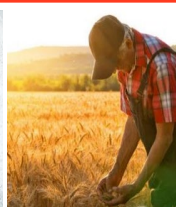


Note: All amounts are in millions of U.S. dollars.

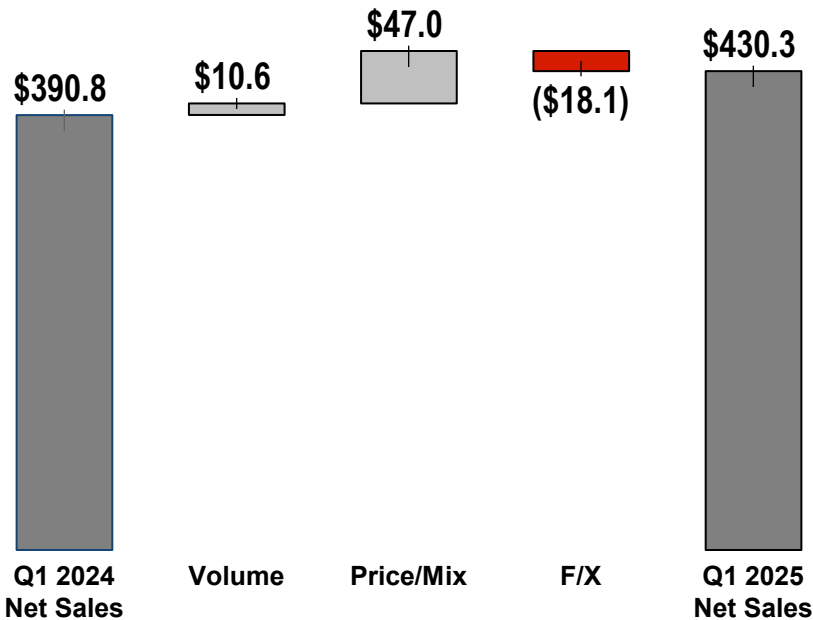
- **Surfactants** Adjusted EBITDA⁽¹⁾ growth was driven by volume growth of +3% combined with improved customer/product mix. This was partially offset by higher pre-operating expenses associated with our Pasadena site.
- **Polymers** results decreased mainly as a result of less favorable product mix and high-cost inventory carryover impact, which was partially offset by volume growth of +7%.
- **Specialty Products** results increased due to margin recovery and volume growth of 4% in our Medium-Chain Triglycerides (MCT) product line.
- **Corporate expenses** were down 6% year-over-year.

Surfactants

Q1 2024 to Q1 2025

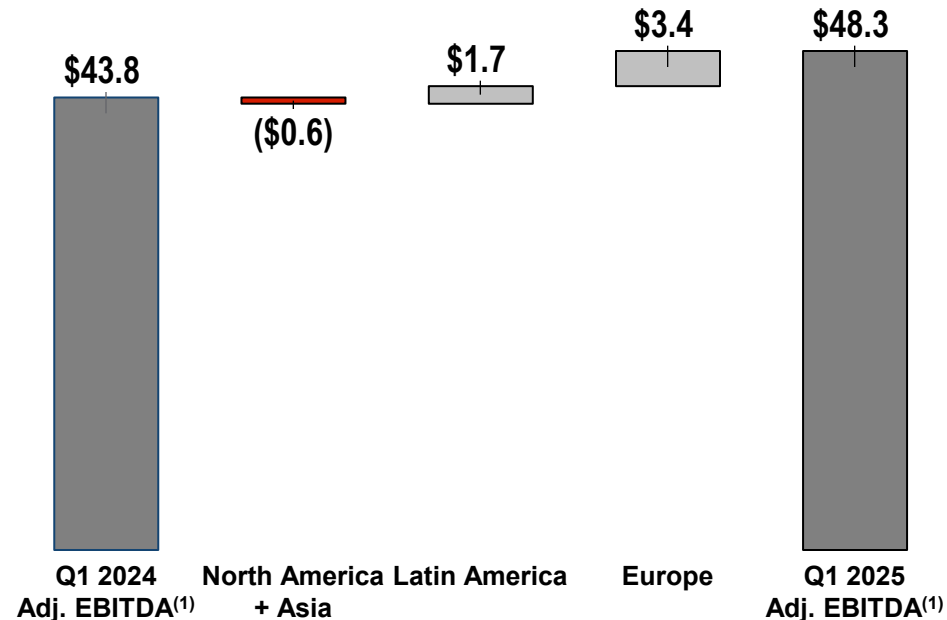


Net Sales Bridge



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 up 3% year-over-year primarily due to double digit growth within the Agricultural and Oilfield end markets and sales with our distribution partners. This was partially offset by lower demand within the Commodity Consumer Products end markets.
- **Price/Mix** benefited from improved product and customer mix.
- **F/X** adversely impacted net sales by 5%.

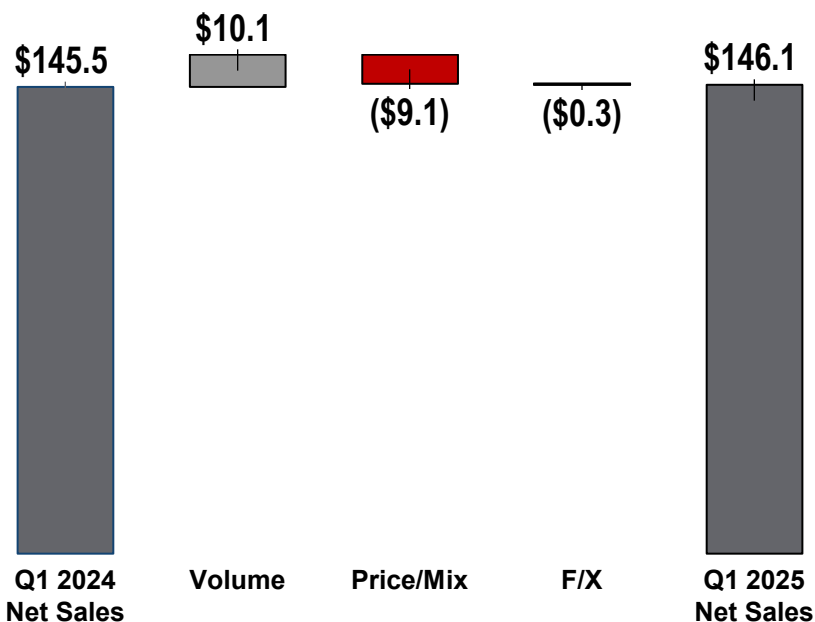
- **North America and Asia** were impacted by higher pre-operating expenses at our Pasadena site, partially offset by double-digit growth across the Agricultural Chemicals and Oilfield, and distribution sales.
- **Latin America** results benefitted from stronger Agricultural Chemicals demand in Brazil, and margin recovery.
- **Europe** results benefitted from stronger end-market demand in Agricultural Chemicals and higher sales with our distribution partners.

Polymers

Q1 2024 to Q1 2025

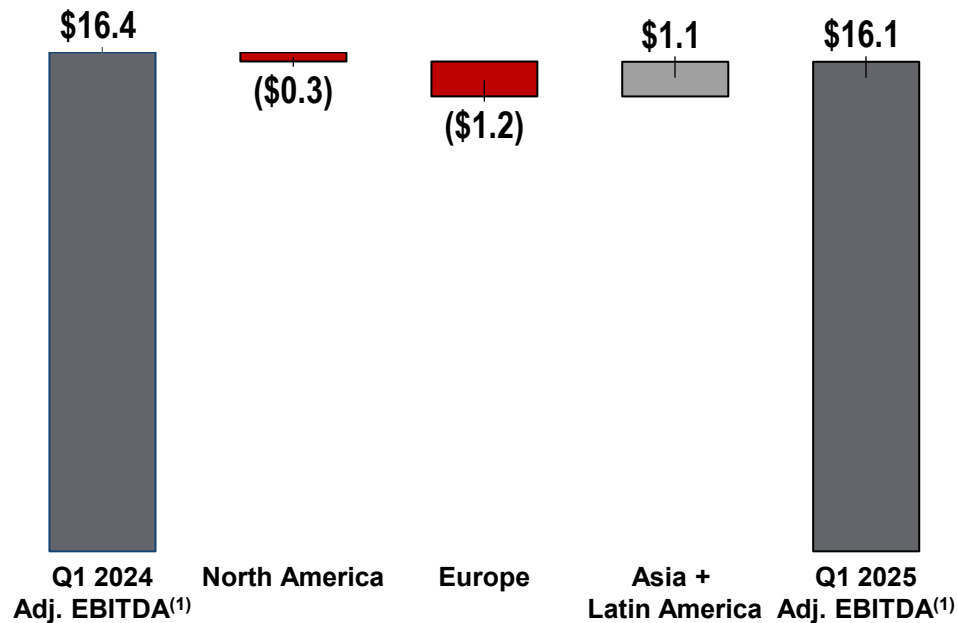


Net Sales Bridge



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

Adjusted EBITDA⁽¹⁾ Bridge

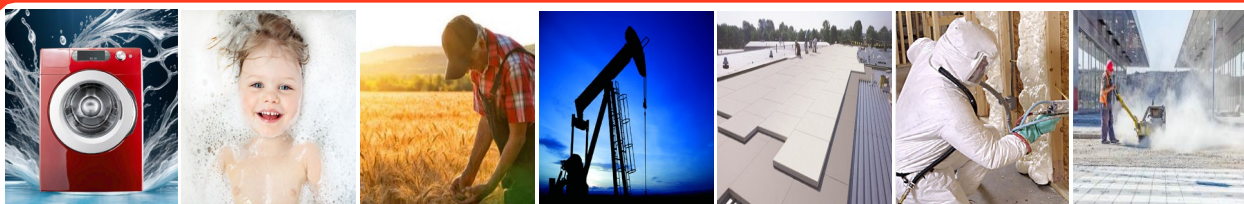


Note: All amounts are in millions of U.S. dollars.

- **Volume** was up 7% driven by growth across our North America and Europe Rigid Polyol, Specialty Polyols, 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** had a nominal impact on net sales.

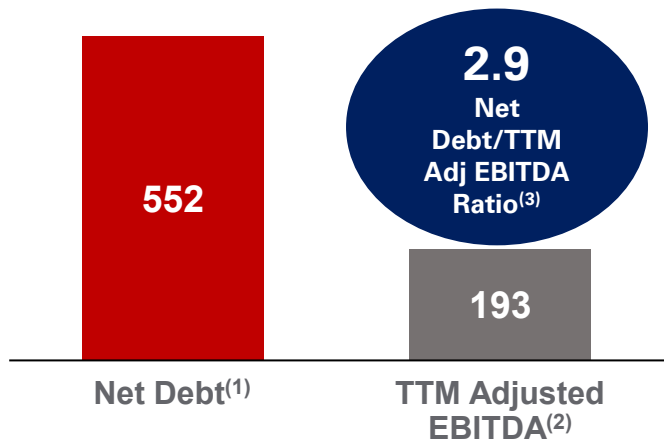
- **North America** results were impacted by less favorable product mix, high-cost inventory carryover, which was partially offset by Rigid Polyol and Commodity Phthalic Anhydride volume growth.
- **Europe** results decreased due to competitive pressures, which was partially offset by higher Rigid Polyol volume.
- **Asia** results benefitted from higher margins and stronger demand across several end markets.

Balance Sheet & Cash Flow

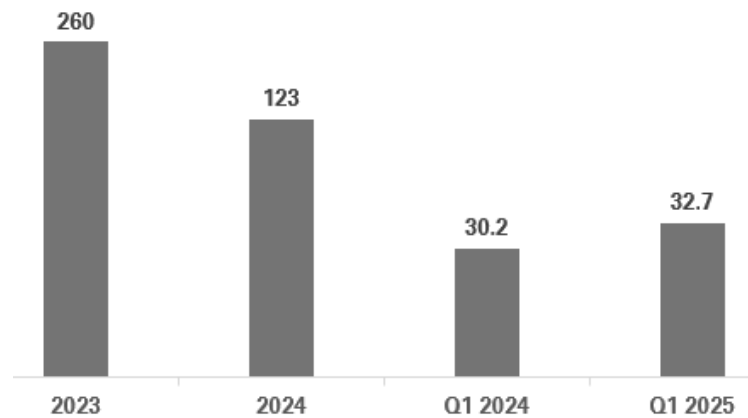


Q1 2024 to Q1 2025

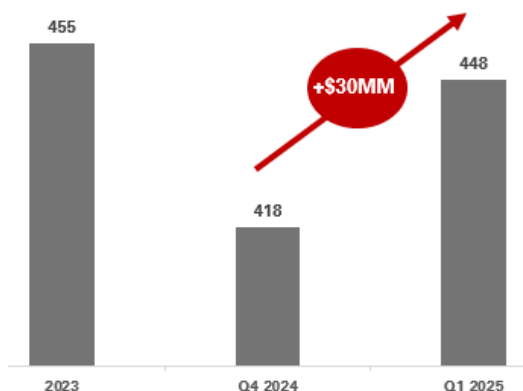
Net Debt⁽¹⁾ / TTM Adjusted EBITDA⁽²⁾ (\$MM)



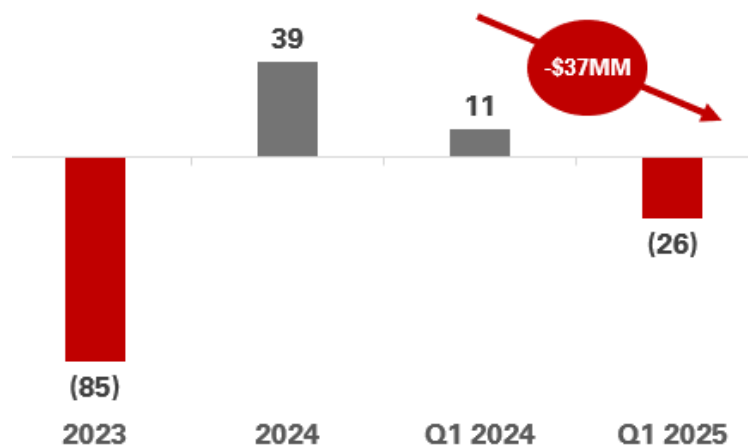
Capital Expenditures (\$MM)



2024 Working Capital⁽⁵⁾



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

Customer-Centric
Innovation &
Extended Reach

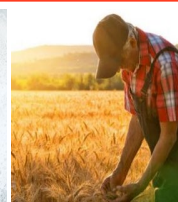
Key Strategic
Investments

- Investments in Organic Growth
- M&A Opportunities

Cost & Operational
Excellence

- Safe & Efficient Manufacturing
- Asset Reliability
- Cost Reduction & Productivity Gains

Strategic Capital Investments Update



New Alkoxylation Capacity: Pasadena, Texas

\$265MM
CapEx

75KTA
Annual Alkoxylation
Capacity

Operational

Summary & Benefits

- Alkoxylates are a core surfactant technology consumed across Stepan's key agricultural, oilfield, construction, and household end use markets
- Business continued volume growth during the first 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



SAFE START UP

Thank You

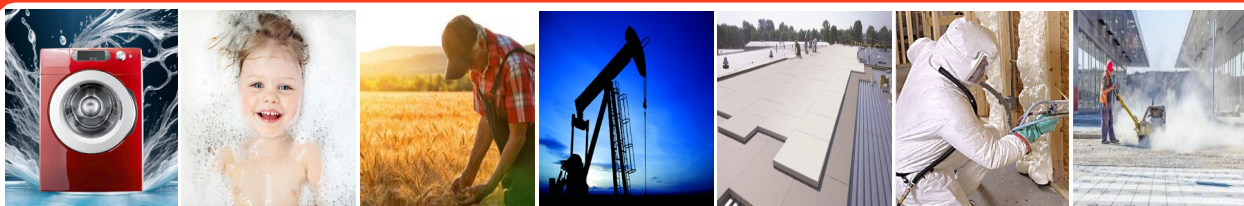
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Stepan 

Appendix

Additional Sources of Information and Definitions

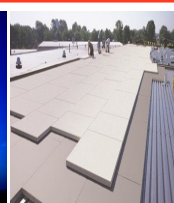
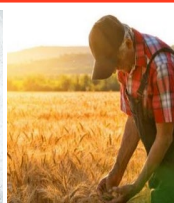




Update on Certain Expectations

(millions USD)	2022 Actual	2023 Actual	2024 Actual	2025 Forecast
Capital Expenditures	301	260	123	125 - 135
Debt Repayments	38	38	49	69
Interest Net	10	12	14	24-26
Depreciation & Amortization	95	105	112	125 – 130
Effective Tax Rate (%)	22%	17%	17%	23 - 25%

Reconciliations

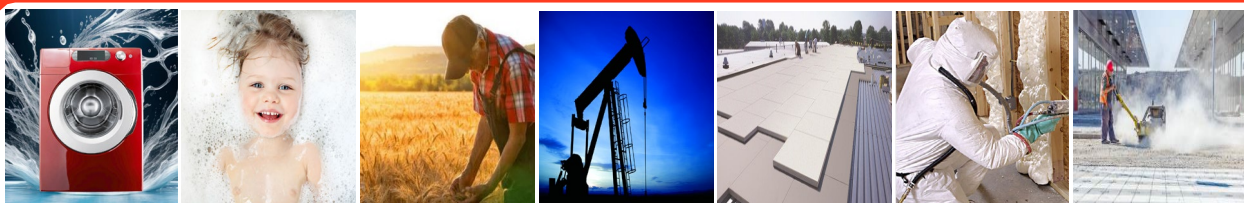


Reconciliation of Non-GAAP Adjusted Net Income and Earnings Per Diluted Share

(\$ in thousands, except per share amounts)	Three Months Ended March 31,			
	2025	EPS	2024	EPS
Net Income Reported	\$ 19,711	\$ 0.86	\$ 13,893	\$ 0.61
Deferred Compensation (Income) Expense	\$ (470)	\$ (0.02)	\$ (388)	\$ (0.02)
Environmental Remediation Expense	\$ 69	\$ 0.00	\$ 1,151	\$ 0.05
Adjusted Net Income	<u>\$ 19,310</u>	<u>\$ 0.84</u>	<u>\$ 14,656</u>	<u>\$ 0.64</u>

Reconciliation of Pre-Tax to After-Tax Adjustments

(\$ in thousands, except per share amounts)	Three Months Ended March 31,			
	2025	EPS	2024	EPS
Pre-Tax Adjustments				
Deferred Compensation (Income) Expense	\$ (626)		\$ (517)	
Environmental Remediation Expense	\$ 92		\$ 1,534	
Total Pre-Tax Adjustments	\$ (534)		\$ 1,017	
Cumulative Tax Effect on Adjustments	\$ 133		\$ (254)	
After-Tax Adjustments	<u>\$ (401)</u>	<u>\$ (0.02)</u>	<u>\$ 763</u>	<u>\$ 0.03</u>



Adjusted EBITDA and EBITDA

Reconciliations Q1 2025 and Q1 2024⁽¹⁾

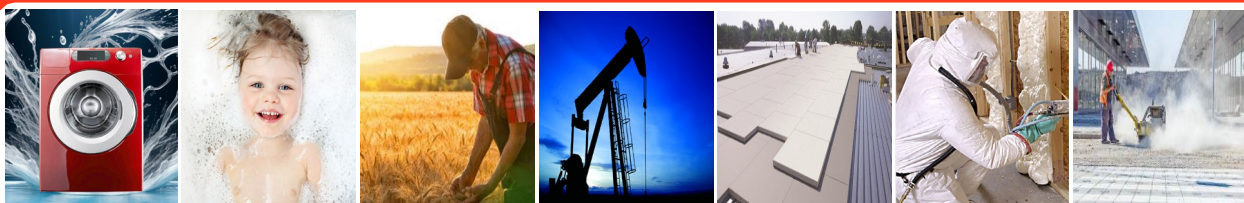
Adjusted EBITDA and EBITDA Reconciliations Q1 2025 and Q1 2024⁽¹⁾

Three Months Ended
March 31, 2025

(\$ in millions)	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 28.9	\$ 8.0	\$ 5.5	\$ (14.2)	\$ 28.2
Depreciation and Amortization	\$ 19.4	\$ 8.1	\$ 1.5	\$ 0.3	\$ 29.3
Other, Net Income	\$ -	\$ -	\$ -	\$ 0.5	\$ 0.5
EBITDA					\$ 58.0
Deferred Compensation	\$ -	\$ -	\$ -	\$ (0.6)	\$ (0.6)
Environmental Remediation	\$ -	\$ -	\$ -	\$ 0.1	\$ 0.1
Adjusted EBITDA	<u>\$ 48.3</u>	<u>\$ 16.1</u>	<u>\$ 7.0</u>	<u>\$ (13.9)</u>	<u>\$ 57.5</u>

Three Months Ended
March 31, 2024

(\$ in millions)	Surfactants	Polymers	Specialty Products	Unallocated Corporate	Consolidated
Operating Income	\$ 26.1	\$ 8.4	\$ 4.3	\$ (18.6)	\$ 20.2
Depreciation and Amortization	\$ 17.7	\$ 8.0	\$ 1.5	\$ 0.4	\$ 27.6
Other, Net Income	\$ -	\$ -	\$ -	\$ 2.4	\$ 2.4
EBITDA					\$ 50.2
Deferred Compensation	\$ -	\$ -	\$ -	\$ (0.5)	\$ (0.5)
Environmental Remediation	\$ -	\$ -	\$ -	\$ 1.5	\$ 1.5
Adjusted EBITDA	<u>\$ 43.8</u>	<u>\$ 16.4</u>	<u>\$ 5.8</u>	<u>\$ (14.8)</u>	<u>\$ 51.2</u>



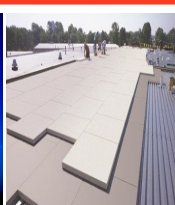
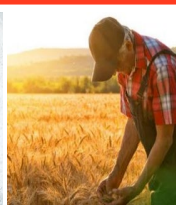
Trailing Twelve Months

Adjusted EBITDA Reconciliation

3/31/2025 TTM – Adjusted EBITDA

Reported Operating Income	78.6
Depreciation & Amortization	113.9
Other Net Income (Expense)	2.3
Deferred Compensation	(2.5)
Cash Settled SARS	0.0
Goodwill and Other Intangibles Impairment Expense	0.0
Business Restructuring & Asset Impairment Expense	0.0
Environmental Remediation Expense	1.1
Adjusted EBITDA	193.3

Free Cash Flow (FCF)

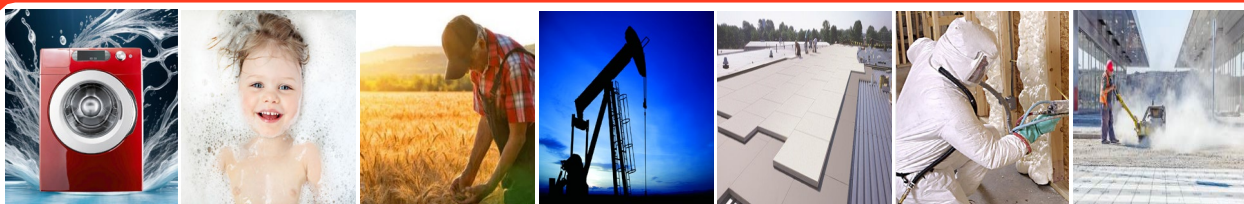


Reconciliations

(million USD)	Q1 2025	Q1 2024
Cash Flow from Operations	6.9	41.6
Capital Expenditures	(32.7)	(30.2)
Free Cash Flow	(25.8)	11.4

(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)

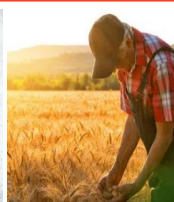
Net Debt to Total Capitalization Ratio



(millions USD)	March 31, 2025	December 31, 2024	March 31, 2023	March 31, 2022	March 31, 2021	March 31, 2020
Total Debt	659.3	625.4	711.0	537.1	248.4	222.1
Cash	107.5	99.7	127.0	236.0	150.7	254.3
Net Debt	551.8	525.7	584.0	301.1	97.7	(32.2)
Equity	1,200.5	1,169.9	1,189.9	1,116.7	1,002.3	866.8
Net Debt + Equity	1,752.3	1,695.6	1,773.9	1,417.8	1,100.0	834.6
Net Debt / (Net Debt + Equity)	31%	31%	33%	21%	9%	(4%)

Net Debt/TTM Adjusted EBITDA Ratio = 552/193 = 2.9

Income Statement



	Three Months Ended March 31,	
	2025	2024
Net Sales	\$ 593,255	\$ 551,418
Cost of Sales	517,792	481,137
Gross Profit	75,463	70,281
Operating Expenses:		
Selling	12,108	11,388
Administrative	21,414	22,690
Research, Development and Technical Services	14,649	14,256
Deferred Compensation Expense (Income)	(996)	1,778
	47,175	50,112
Operating Income	28,288	20,169
Other Income (Expense):		
Interest, Net	(4,126)	(3,071)
Other, Net	502	2,362
	(3,624)	(709)
Income Before Provision for Income Taxes	24,664	19,460
Provision for Income Taxes	4,953	5,567
Net Income	19,711	13,893
Net Income Per Common Share		
Basic	\$ 0.86	\$ 0.61
Diluted	\$ 0.86	\$ 0.61
Shares Used to Compute Net Income Per Common Share		
Basic	22,867	22,824
Diluted	22,890	22,948