



CHEMISTRY THAT CONNECTS US

2020 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.

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 the impact of the COVID-19 pandemic; 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 its 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.

Stepan Company Overview

NYSE: SCL

\$2.2B

MARKET CAP

~3X

versus 2009

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

Stepan Highlights:

\$1.9 billion in net sales

Three reportable segments

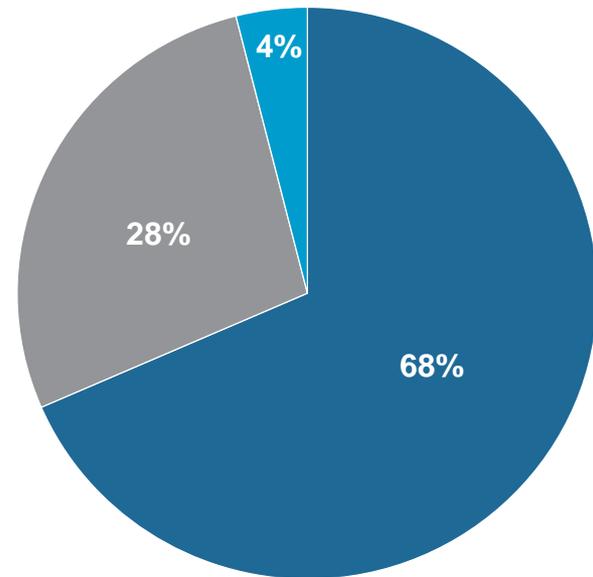
60% of annual net sales tied to non-cyclical markets

18 manufacturing sites with operations in 11 countries

Strong balance sheet

52 consecutive years of dividend increases

2019 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 consist of detergents, fabric softeners, shampoo, handwash, paints, and agricultural products



POLYMERS

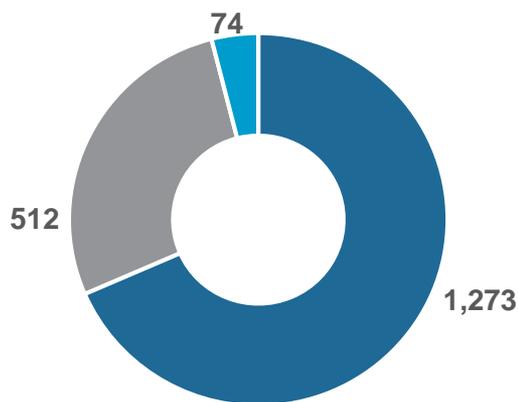
A leading manufacturer of polyester polyols, specialty polyols (CASE) and phthalic anhydride (P.A.). Polyester Polyols are used in insulation and offer impressive sustainability advantage and significant energy savings



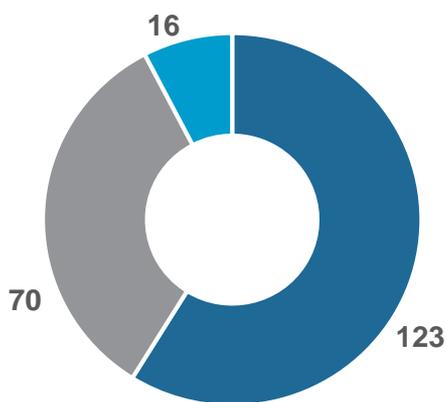
SPECIALTY PRODUCTS

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

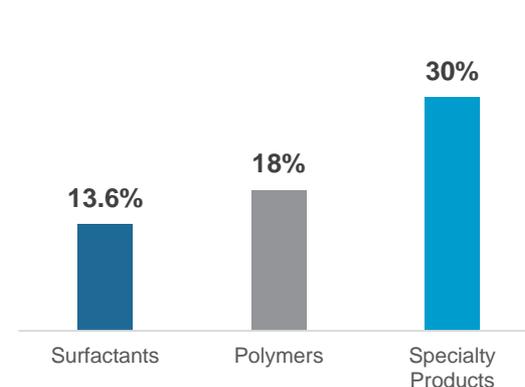
Net Sales (\$ MM)



Operating Income (\$ MM)

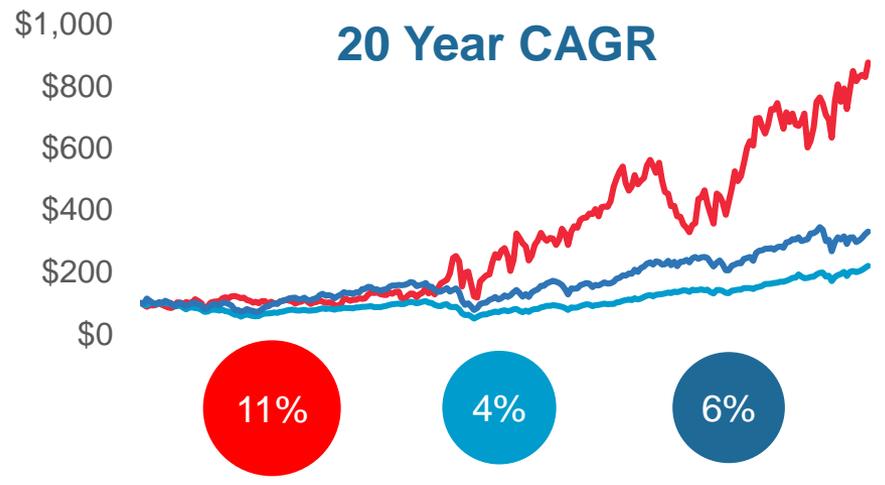
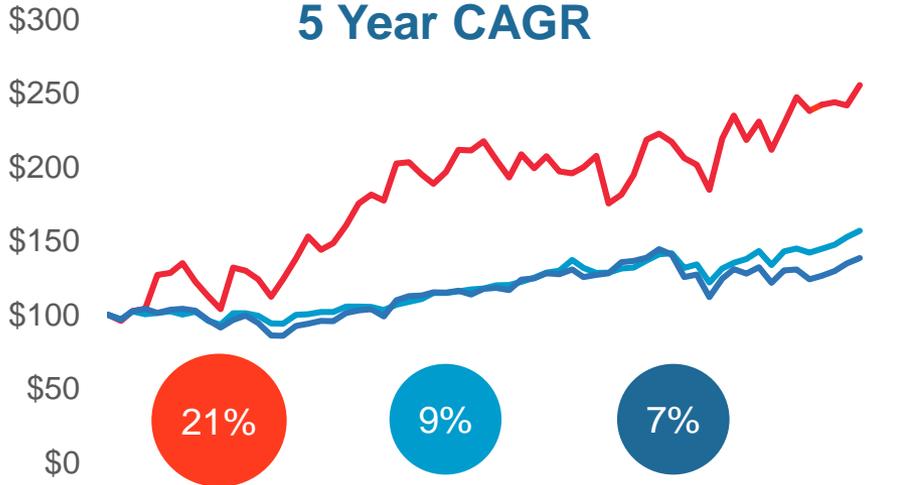


EBITDA Margin*



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

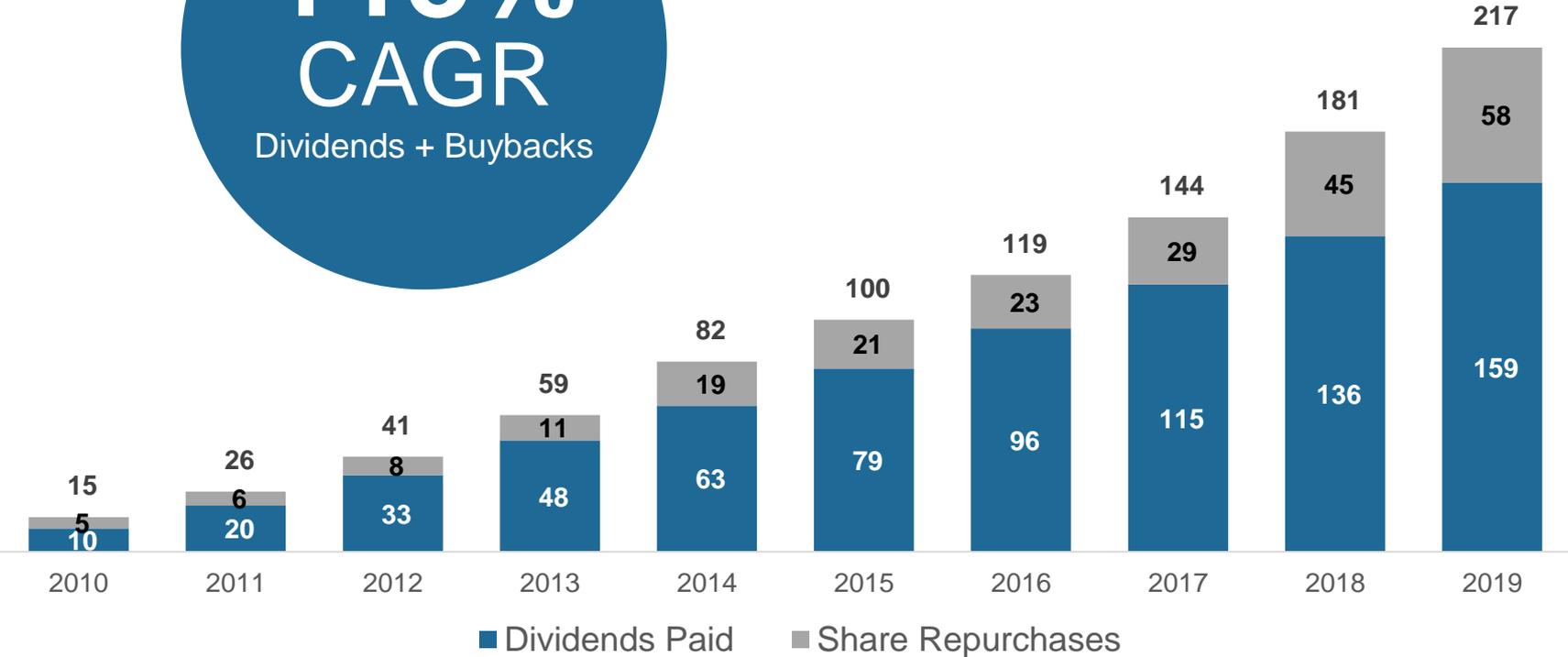
Superior Shareholder Returns



● Stepan Co. ● S&P 500 ● Russell 2000

Cash Returned to Shareholders

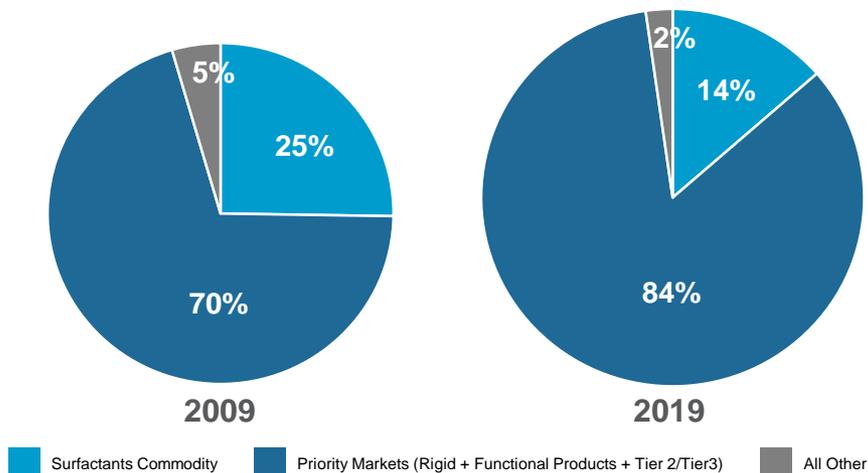
**+13%
CAGR**
Dividends + Buybacks



Cumulative Cash Returned to Shareholders (\$ Millions)

A Very Strong Decade

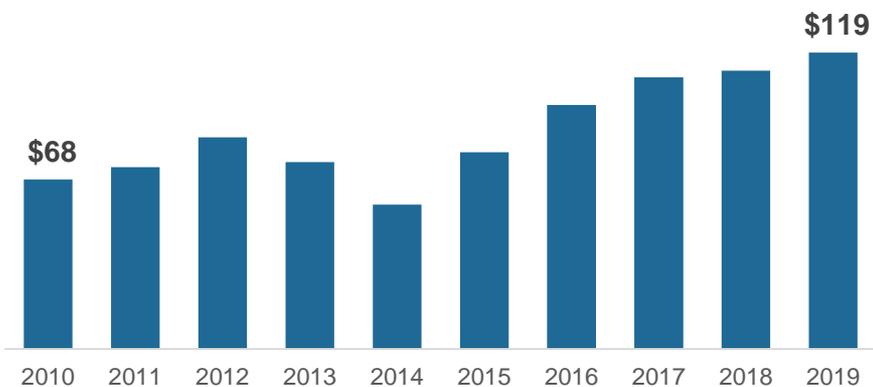
Diversification - Market Operating Income



Delivering Shareholder Value

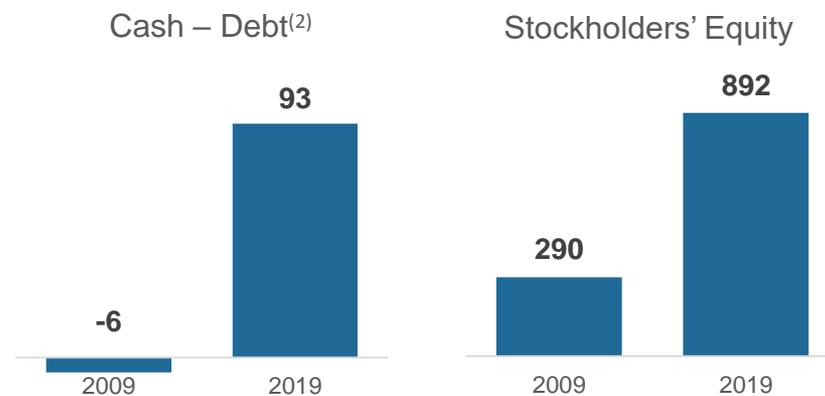


Adjusted Net Income (\$ MM) ⁽¹⁾



(1) Adjusted Net Income is a non-GAAP measure that excludes certain significant, non-recurring items. See Appendix GAAP reconciliations.

Strong Balance Sheet



(2) Cash minus debt is a non-GAAP measure. See Appendix for a GAAP reconciliation.

SURFACTANTS



Surfactants

One of the world's largest merchant producers of surfactants

\$1.3B

NET SALES

10%

OI MARGIN %



Strategic Priorities

Customer Intimacy: Capture growth in high margin product lines as consumer increase consumption for cleaning, disinfection and personal hygiene products

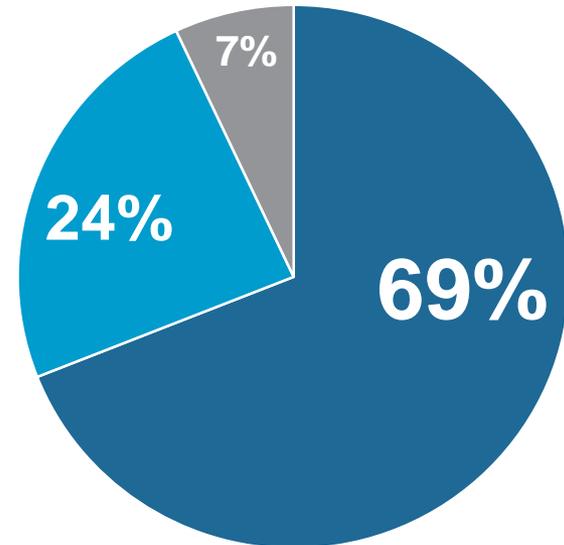
Market Diversification: Grow share in Agricultural and Oilfield Chemicals

Innovation: Collaborate with customers to provide new technologies that meet 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

Sales by Market



■ Consumer Products ■ Functional ■ Other Specialties

Key Market Needs and Stepan's Solutions

End Market	Market Needs	Stepan Solutions
 <p>Cleaning & Disinfection Market Size: \$40+Bn</p>	<ul style="list-style-type: none"> • Disinfection of hard surfaces • Powerful cleaning, with low film/streak • Bio-based primary and secondary surfactants • High concentrated liquid 	<ul style="list-style-type: none"> • STEPAN® BTC Biocidal Quaternaries • BIO-SOFT® LFS Technology* • NatSurFact® Rhamnolipids • Increasing capacity in Biocidal Quaternaries
 <p>Personal Hygiene Market Size: \$70+Bn</p>	<ul style="list-style-type: none"> • Improved skin feel • Environmentally-friendly hair conditioners • Concentrated ingredients 	<ul style="list-style-type: none"> • NINOL® GCC • STEPANQUAT® Helia* • NINOL® CAA/ STEPAN-MILD L3 • Increasing capacity in Biocidal Quaternaries
 <p>Agricultural Chemicals Market Size: \$60+Bn</p>	<ul style="list-style-type: none"> • Adjuvant and solvent technologies for key herbicide and fungicides • Compatibility of multi-active and high electrolyte systems • Crystal growth inhibition of active ingredients 	<ul style="list-style-type: none"> • Amines Oxides and High-Performance Natural Metathesis based solvents* • STEPFAC™ 8164 for in-can; • STEPGROW™ CT for tank mix adjuvants • Novel STEPSPERSE® Polymeric Dispersants
 <p>Oilfield Solutions Market Size: \$11+Bn</p>	<ul style="list-style-type: none"> • Polymer and lifting cost optimization • Reduced freshwater use in production and long-term asset protection • Yield improvements from mature producing wells • Demulsification 	<ul style="list-style-type: none"> • Friction Reduction Boosters (FRB) PETROSTEP® ME-2* • PETROSTEP® Registered Biocidal Quaternary End Use Products (EUP's) • PETROSTEP® PE-1* • KMCO demulsifier portfolio

* Stepan Patented or Patent Pending Technology

Consumer Products

Focusing on creating high quality disinfectants and surface cleaners for household and industrial cleaning

\$600+B

MARKET SIZE

Pre-COVID-19: GDP-

Post-COVID-19: GDP+?

MARKET CAGR

Stepan Sales
by Consumer
Products End
Market



Laundry Care

Laundry

\$85B

Market Size



Shampoo

Personal Hygiene

Surface Care

Cleaning & Disinfecting

Cleaning & Disinfection

\$40B

Market Size



Conditioner

Personal Hygiene

Personal Hygiene

\$70B

Market Size



Dishwash

Cleaning & Sanitization

Body Wash & Liquid Soap

Personal Hygiene

Agricultural Chemicals

Provide environmentally-advantaged products to enable cost-effective solutions for our customers

\$60B

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: \$9B

Primary Uses:

- Animal Feed
- Ethanol



Soybean

Market Size: \$9B

Primary Uses:

- Animal Feed
- Food Oil
- Biodiesel



Cereal

Market Size: \$9B

Primary Uses:

- Food
- Animal Feed



Rice

Market Size: \$9B

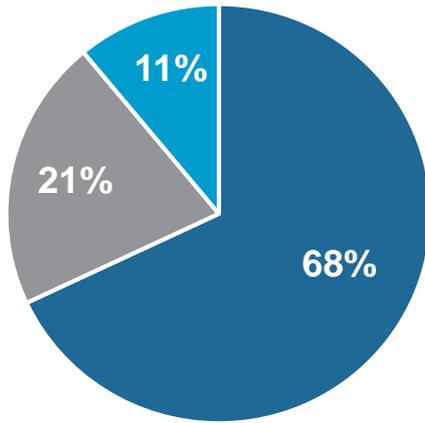
Primary Uses:

- Food

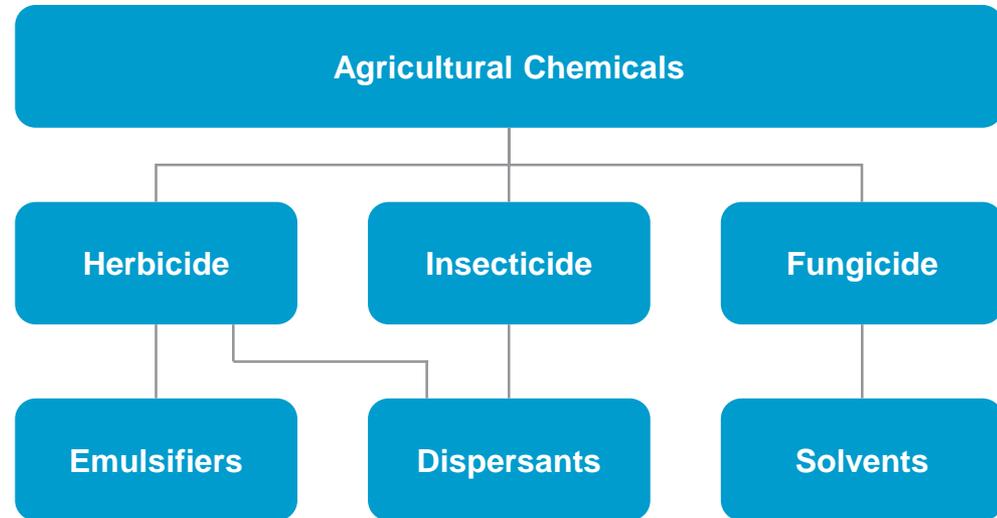
Agricultural Chemicals At Stepan

Provide environmentally-advantaged products to enable cost-effective solutions for our customers

Stepan Sales by Region



■ North America ■ Europe ■ Latin America



Winder, GA Greenhouse

Investment in Greenhouse and Customer Collaboration Center Will Enable:

- Additional Collaboration with Customers
- Real World Product Testing
- Improvement in Speed to Market



Oilfield Solutions

Our portfolio is diversified across the upstream market for use in both stimulation and production globally

\$11B

MARKET SIZE

GDP+

MARKET CAGR

Grow share with products that improve yield and reduce costs.

Stepan Strategy:

Increasing market share in base business despite significant near-term market volatility

Continue to expand our production chemicals portfolio globally, focusing on our 2019 demulsifier investment and expanding corrosion inhibitor offering

Enter production enhancement market segment 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



Expanded Oilfield Solutions Center of Excellence

in Houston, TX houses a dedicated team of industry experts who work with customers in designing optimal and economical surfactant solutions for their needs

Key Technologies for Oilfield

Stepan's key products in Oilfield specifically seek to reduce operator cost



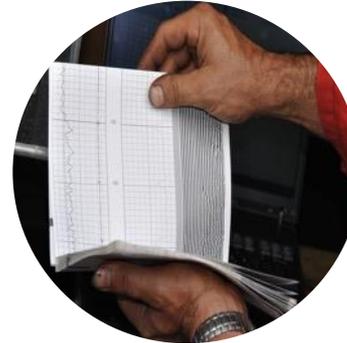
Registered Biocides

- Enable use of **up to 50%** recycled water for hydraulic fracturing – reduce dependency on freshwater resources
- Save **greater than \$50K** per well in freshwater costs
- Protect formation from souring and plugging
- Ensure personnel safety and long-term integrity of production assets
- One of only **3 EPA registered** quaternary technical active owners in US



Flowback Aids

- Reduce formation damage from hydraulic fracturing process **up to 60%**
- Faster initial and more sustained hydrocarbon production after completion



Friction Reducer Boosters

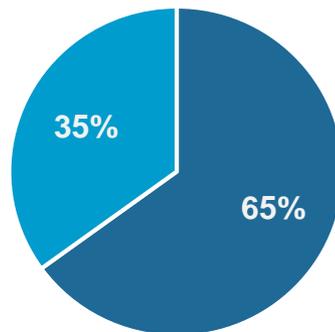
- Enables **50% freshwater reduction** by using recycled water
- **40% lower** cost of completion additives.
- Reduce reservoir damage by **lowering overall additive loading**



Production Enhancement

- **Improve hydrocarbon recovery** by remediating stimulation and production damage without requiring additional drilling or completion
- Reduce oil production swings by **up to 60%** post treatment
- **2-4x** improvement in oil production with one treatment

Stepan Sales Split



■ Production ■ Stimulation

A Strong Global Network of Customers

Collaborate with all our customers to drive global growth across all end markets

Partner with Global Tier 1 Customers



Surfactant Customer Mix:

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

Growth within Tier 2 and Tier 3 customer base continues to be a priority for our Surfactant group

We added
185+
new global surfactant
customers in 2019

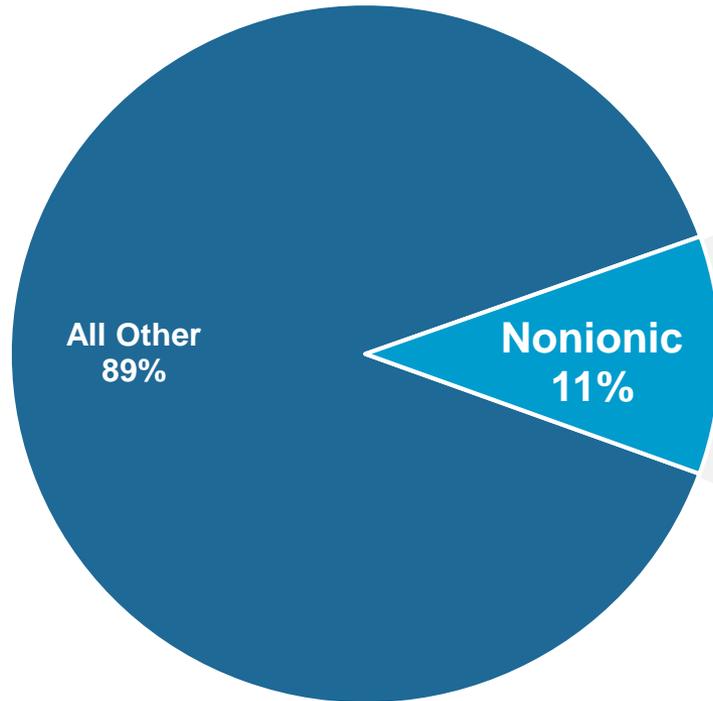
We sold
500+
new customer/product
combinations
in 2019

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

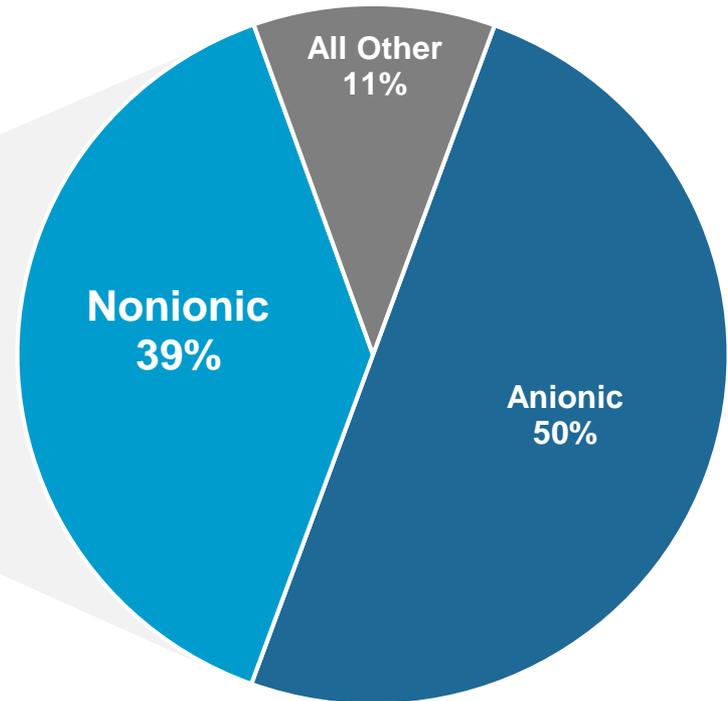
Surfactant Innovation: Room for Growth

Nonionics (alkoxylates) under-represented in Stepan's portfolio

2019 Stepan Global Surfactants



2019 Global Surfactant Market



Nonionic Surfactant Opportunity

Pursuing specialty alkoxyate expansion across all end markets with new technical resources



Portfolio Expansion Through M&A

Expanding Stepan's presence into additional application segments in oilfield



\$2B
MARKET SIZE

Technology: Largely alkoxyolate based nonionic technology used to separate oil and water before crude oil goes to the refinery.

Geography: Well established line of demulsifiers which perform in a wide range of end use conditions around the world.

In Q4 2019 Stepan acquired KMCO LLC's oilfield chemicals product line.

Solutions to Serve the Next Generation



Agriculture



Household



Personal Care



Oilfield

Rhamnolipids

Favorable Sustainability Profile

- Readily biodegradable
- Bio-renewable
- Natural ingredient (based on natural sugars)

Unique Performance

- Antifungal & antibacterial properties
- Good emulsification & foaming
- Mild to skin

“Bio-surfactants produced via fermentation offer synergies in several strategic end use markets including agriculture, oilfield, personal care and household, industrial and institutional.” – F. Quinn Stepan Jr.

NAT SURFACT®

In Q1 2020 Stepan acquired Logos Technologies LLC's NatSurFact® business, a rhamnolipid-based line of bio-surfactants derived from renewable sources.

POLYMERS



Polymers

A leading manufacturer of polyester polyols used in rigid foam insulation

\$0.5B

NET SALES

14%

OI MARGIN %



Strategic Priorities

Leadership: Maintain leadership position and expand Rigid Polyol use

Customer Intimacy: Offer collaborative technical service to meet the needs of our global customers

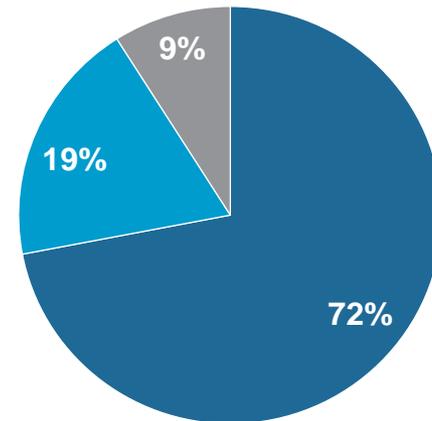
Innovation: Offer superior technologies and performance through NextGen Polyols

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

Market Diversification: Increase penetration in high margin Specialty Polyol (CASE)

M&A: Explore options within the building envelope

Sales by Market



■ Rigid ■ Specialty ■ Phthalic Anhydride

Global Building Insulation Market

Developing next generation polyols to meet increasing energy conservation efforts and regulatory requirements

\$29B

MARKET SIZE

5%+

MARKET CAGR



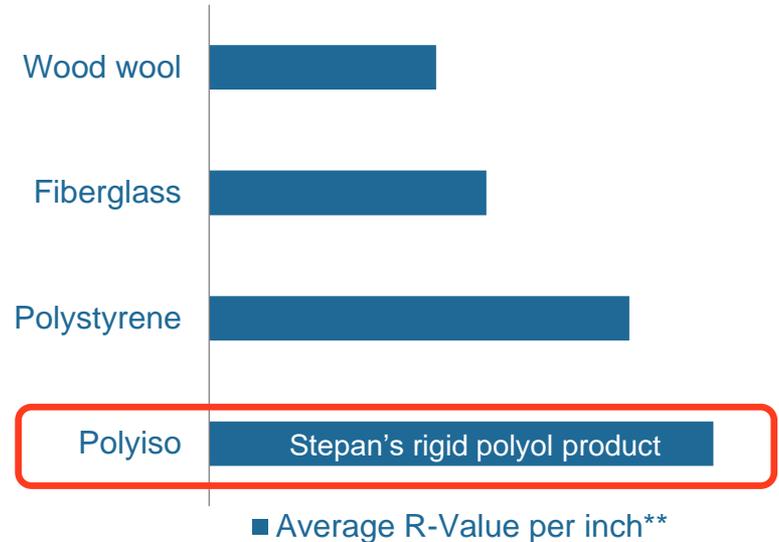
Opportunity:

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

Government mandated or recommended higher insulation levels in buildings

Global energy conservation efforts and growth in construction

Continued focus on technical support and developing next generation of value-added Rigid Polyol technologies

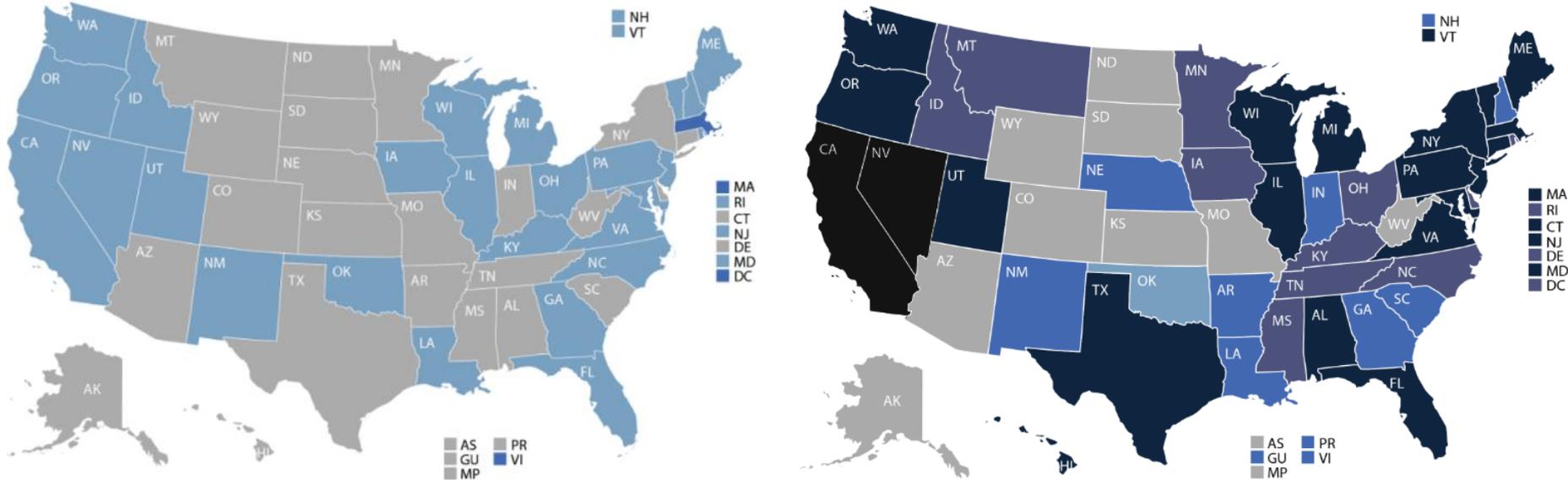


**R-Value = measures the effectiveness of insulating materials; a higher R-value represents greater insulation performance

Rigid Polyol U.S. Market Trend

Strong market growth in the past several years and in the next 5+ years (4-5%) for commercial roofing

Polyol Required Per Adopted State Building Code



January 2009

November 2018

0.12 polyol pounds/square foot → 0.20 polyol pounds/square foot

Less Polyol ← [Color Scale] → More Polyol

Rigid Polyol European Market Trend

Strong market growth in the past several years and in the next 5+ years (4-5%)

EU Market Growth Highlights:

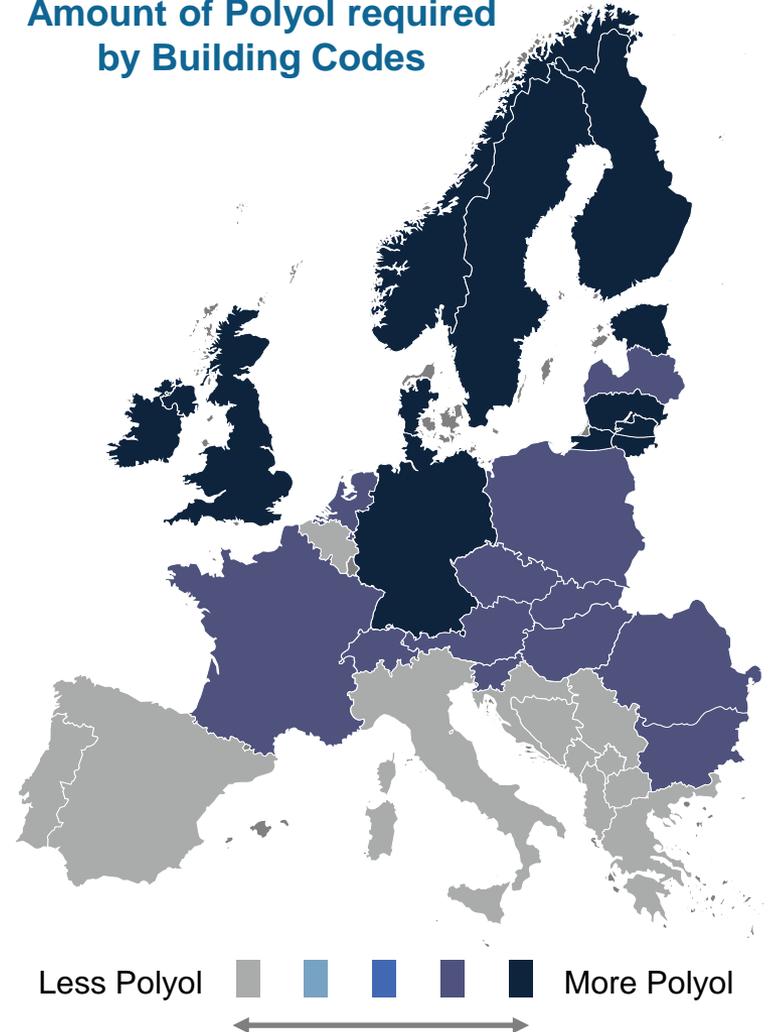
The revised Energy Performance of Buildings Directive means the EU is expected to set a path to **achieve nearly zero emission building stock by 2050**

This will include requirements for new buildings to be **zero energy by 2021**

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

Launched December 2019, the European Green Deal targets funding to **increase the current rates of renovation of public and private buildings by 2x**.
#EUGreenDeal

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 (>10%)

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 10%, attributing to the significantly increasing demand for fresh products

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

New emerging and growing demand for livestock housing (animal storage) requires more insulation panels.



Amount of polyol required by cold storage space



Less Polyol  More Polyol



0.5 Kg Polyol / M²
(Year 2017)



1.5 Kg Polyol / M²
(Year 2019)

Specialty Polyol and Phthalic Anhydride

Specialty Polyol

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



Flexible Packaging Adhesive

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



Powder Coatings on Agriculture Equipment

Regional Powder Resins business brings additional diversification for North America

Phthalic Anhydride (P.A.)

Stepan is a mainstay of the U.S. P.A. industry, having been in the business for 55 years.



Boardstock Insulation

World scale P.A. manufacturing production site in Elwood, IL, U.S.



Paint and Coatings

Vertical integration for our market leading Polyol business going into Rigid foam insulation.

SPECIALTY PRODUCTS



Specialty Products

Producer of naturally derived ingredients used in the food, nutrition and pharmaceutical industries

\$70MM

NET SALES

22%

OI MARGIN



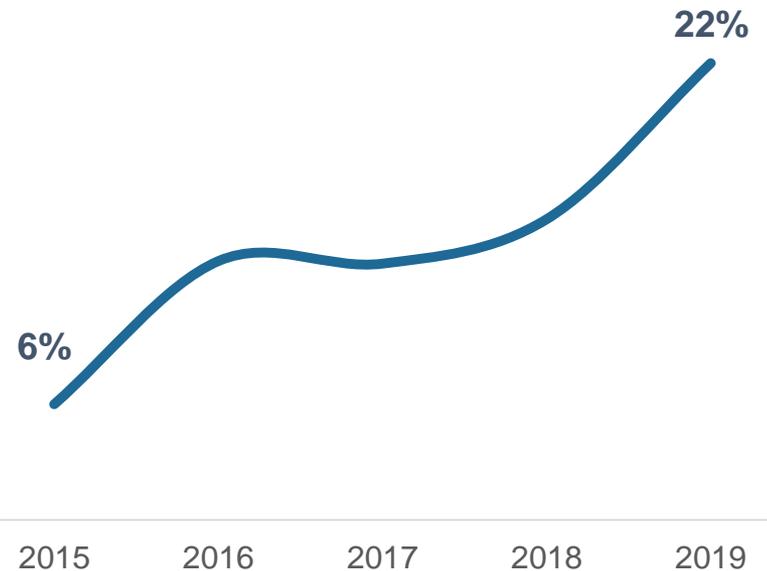
Strategic Priorities:

Customer Intimacy: Maintain service to existing business and expand customer base in food

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

Operational Excellence: Expand margin while optimizing supply chain

Operating Income Margin



Medium-Chain Triglycerides (MCTs)

Driving growth through focused excellence and providing our customers with value-added solutions

\$1B+

MARKET SIZE

6-9%

MARKET CAGR

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

Stepan Strategy:

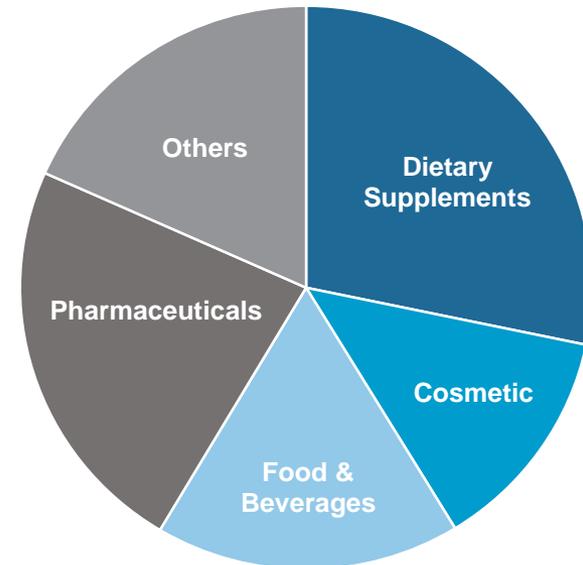
Partner with customers to drive mutual success and value-added solutions

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

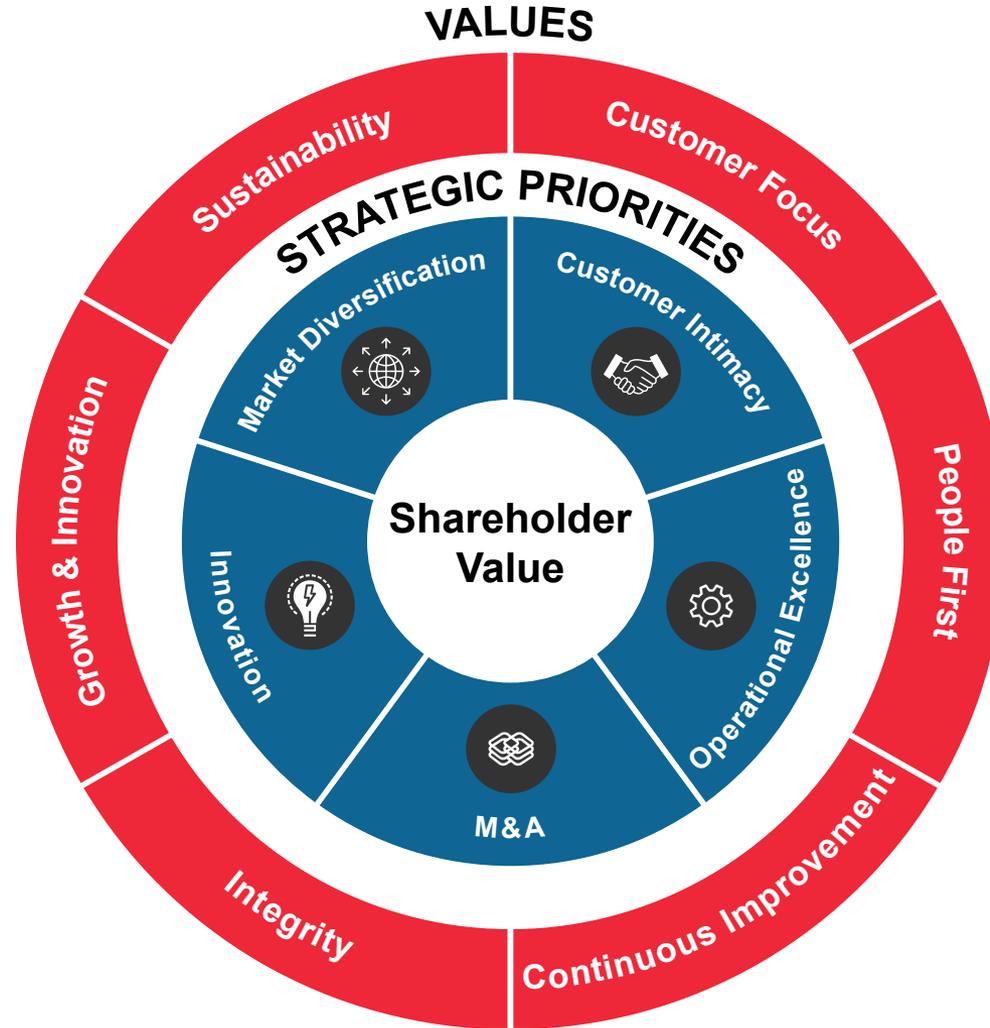
Global MCT Sales Volume



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

Stepan Strategic Priorities

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



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



Growth & Innovation

Shaping the Future Through Curiosity



Continuous Improvement

Improving Every Day



Sustainability

Reduce our environmental footprint
Partner with customers in pursuit of their sustainability goals



GROWTH, INNOVATION & SUSTAINABILITY

Responsible and Sustainable Company

Conducting business responsibly

Stepan Ranked #45 in the World by The Wall Street Journal's
(The 100 Most Sustainably Managed Companies in the World)



Considerations that contributed to Stepan's ranking

The scoring methodology takes a broad view of sustainability that assesses a company's **ability to create value over the long term**.

The ranking reflects a company's management of financially material issues related to the key areas, including the **environment, human capital, social capital and innovation**.

Increasing **transparency** and reporting on Sustainability

- Articulation of Stepan's commitment as a **signatory to the UNGC**
- Alignment of reporting to **SASB and GRI frameworks**
- Articulating **Sustainability priorities of People, Planet, Practices and Products**
- Setting **Sustainability targets** to achieve within a 2025 timeframe

Markets served contributing to sustainable impacts, including in **polyols for energy-saving insulation, cleaning and disinfecting products (especially important in 2020) and agriculture**.

Acquisitions such as that of **NatSurFact® biosurfactants** that positively reflect on Stepan's **commitment to sustainable technologies**.

"The Wall Street Journal ranking is truly a recognition of the hard work, integrity and leadership of Stepan's management and employees," says Jason Keiper, Ph.D., Stepan's Chief Technology and Sustainability Officer. "We are proud to provide essential and sustainable products that support our customers and society, including those for cleaning and disinfection, energy-saving insulation, and agriculture and safe food supply. Stepan Company is strengthening its commitment to sustainability and creating long-term stakeholder value, and we are excited to develop new products and partnerships that will reflect the positive impact of what we do and how we do it."

Growth Through Innovation

Partner with customers in pursuit of their growth, innovation & sustainability goals

13 Application Centers
Around the world



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



MERC Collaboration Lab
Sao Paolo, Brazil

2,075 Intellectual Property
Portfolio Size Enabling
Competitive Advantages in
Strategic Growth Segments

- Sustainability, Agriculture,
Personal Care,
Oilfield & Polyoils

\$50+ MM
Annual Investment
in R&D



Singapore Customer
Collaboration Center



Oilfield Solutions Center of
Excellence Houston, Texas

\$100+ MM
Revenue Delivered
in 2019

230 Scientists with
110 Graduate Degrees



R&D Lab
Voreppe, France



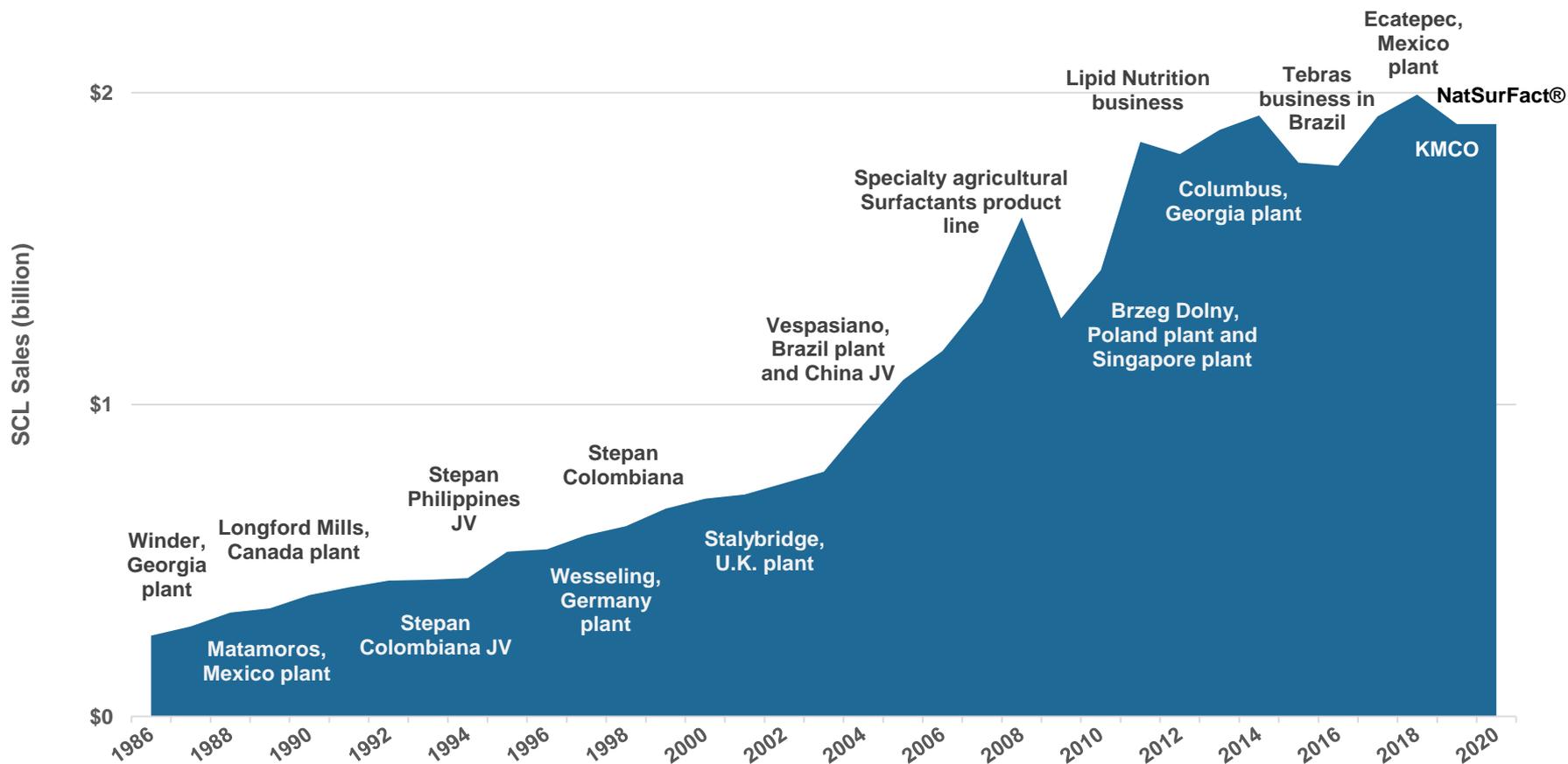
Poland Rigid Lamination
Applications Lab

**Innovation Process
Refined & Enhanced**
Since Inception in 2005

- Three Pillars: Chemistry,
Application & Customer
Focused Technical Service

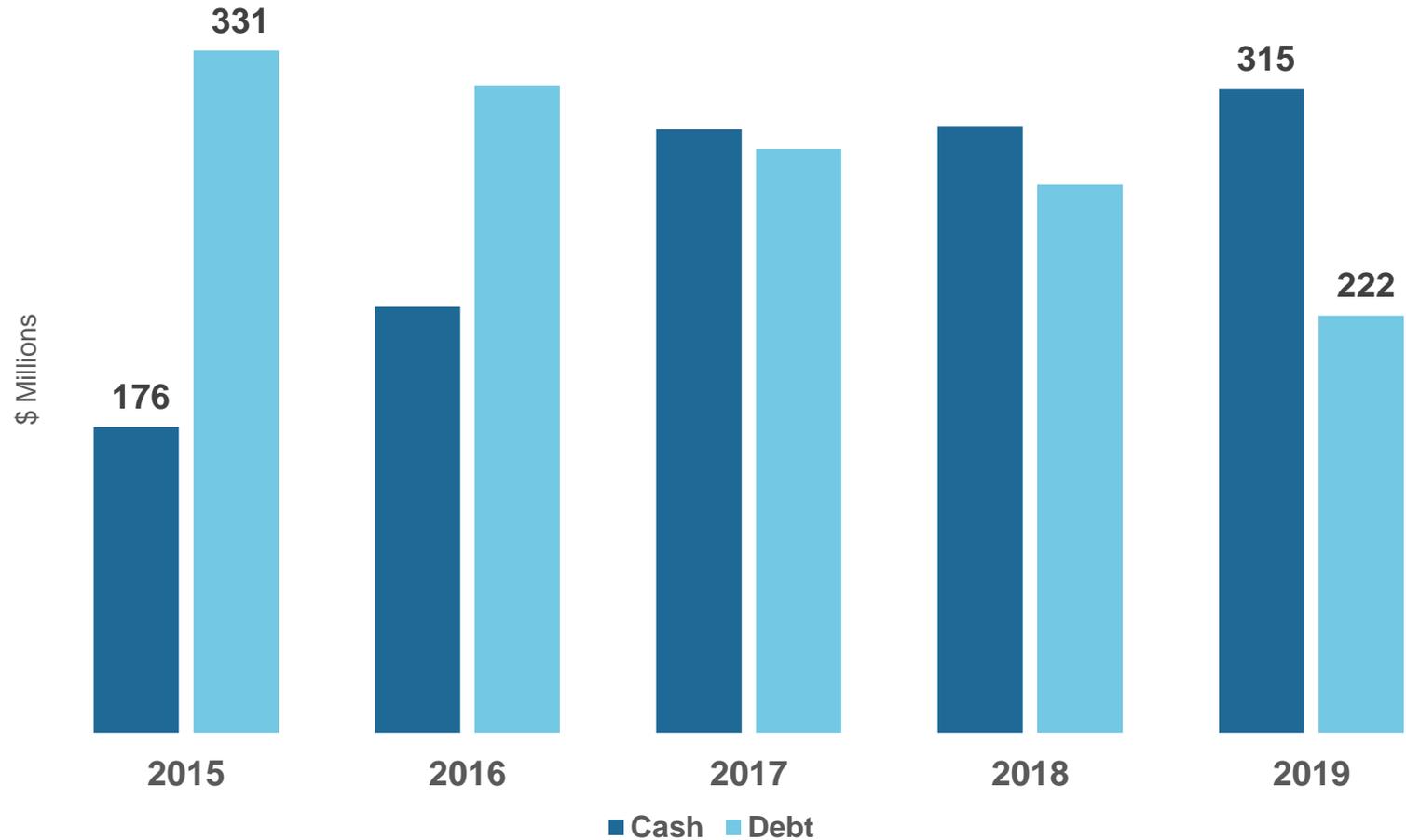
Growth Through M&A

Strong history of M&A to drive growth



Utilize M&A to Fill Gaps in Our Portfolio

Financial strength to enable growth



Growth Through Sustainability

Conducting business responsibly

Focus on Safety and Security



Focus on Responsible Chemistries



Commitment to Responsible Practices



Stepan's commitment toward responsible practices align with the principles outlined by the UN Global Compact, including commitments to ethical business practices, respect for human rights, and reduced environmental impact through our products and operations. Through external reporting to CDP, EcoVadis and other ESG frameworks, we strive to demonstrate continuous improvement in these areas.

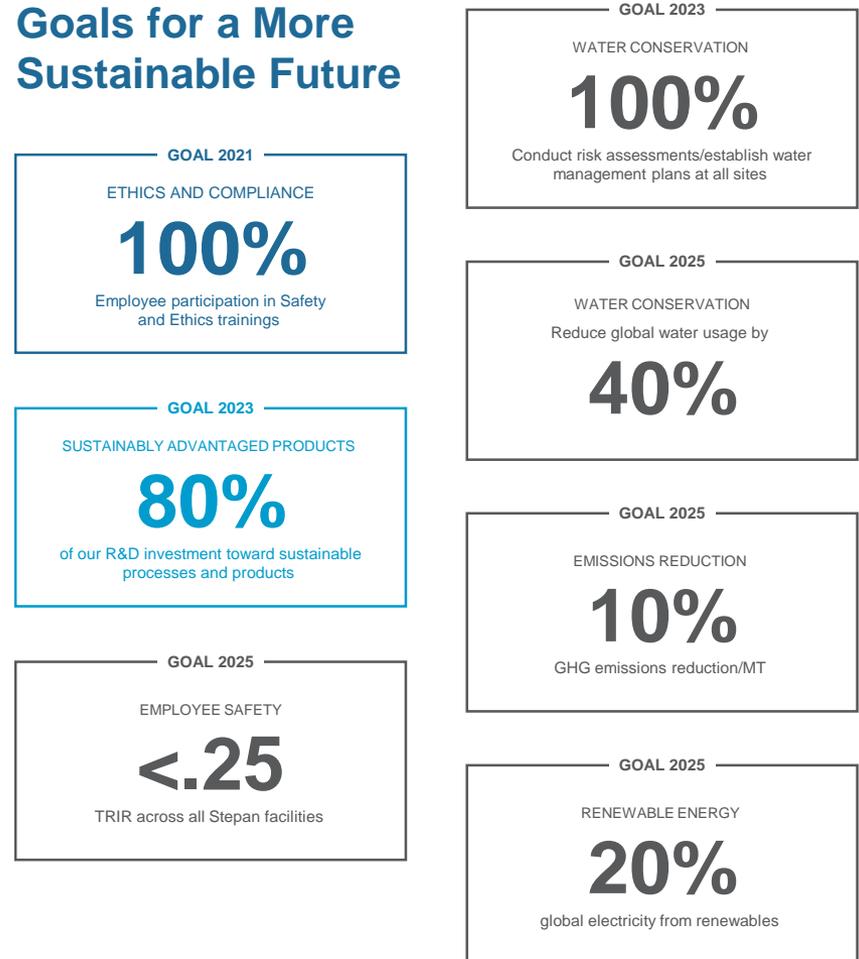
Responsible Performance & Goals

Driving Responsible Performance*



*Metrics for 2019 unless otherwise indicated

Goals for a More Sustainable Future



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.



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



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



Longstanding business led by experienced management team



A strong balance sheet with no net debt provides financial flexibility



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

Q3 YTD 2020 Update

Q3 YTD 2020 Financial Recap

- YTD Reported net income was \$96.4 million, or \$4.15 per diluted share, versus \$81.1 million, or \$3.48 per diluted share, in the prior year.
- YTD Adjusted Net Income was a \$98.9 million, or \$4.25 per diluted share, versus \$93.7 million, or \$4.02 per diluted share, in the prior year. YTD Adjusted Net Income excludes the following non-operational items:
 - Deferred compensation and cash-settled SARs expense of \$2.0 million.
 - Restructuring expense of \$0.5 million.
- Reported Surfactant Operating Income was a \$125.8 million, an increase of \$36.9 million, or 41%, versus the prior year. This increase was primarily attributable to a 5% increase in global Surfactant volume and an improved product and customer mix. The sales volume growth was principally due to higher demand in the global consumer product end markets driven by increased demand for cleaning and disinfection as well as personal wash products, all as a result of COVID-19. As previously announced, the Company closed on its agreement to acquire Clariant's anionic surfactant business and associated sulfonation equipment in Mexico.
- Reported Polymer Operating Income was \$45.4 million, a decrease of \$12.7 million, versus prior year. This decrease was mostly attributable to a 9% decline in sales volume versus prior year. Global rigid polyol sales volume declined 4% driven by Europe and North America, due to COVID-19 construction project delays and cancellations, partially offset by strong growth in China. Lower demand within the phthalic anhydride business also contributed to the sales volume decline.
- Reported Specialty Product Operating Income was \$8.8 million, a decrease of \$2.6 million versus prior year, primarily attributable to order timing differences within our food and flavor business and lower margins within our medium chain triglyceride (MCT) product line.
- The Company had negative net debt at quarter-end as cash balances of \$310.4 million exceeded total debt of \$207.9 million. The Company has access to a committed \$350.0 million revolving credit agreement and has only \$9.3 million of remaining debt maturing in 2020.

Q3 YTD 2020 Surfactants – RECORD Results

Strong demand for cleaning and disinfection, as well as, personal wash products, due to COVID-19.



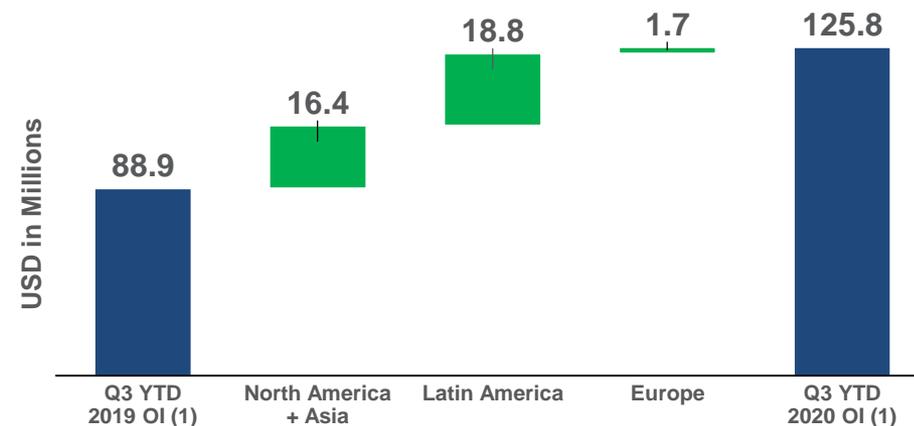
Business Results Highlights

Operating Income was \$125.8 million, an increase of \$36.9 million, or 41%, compared to prior year. This is due to higher demand in cleaning and disinfection and personal wash products as a result of COVID-19.

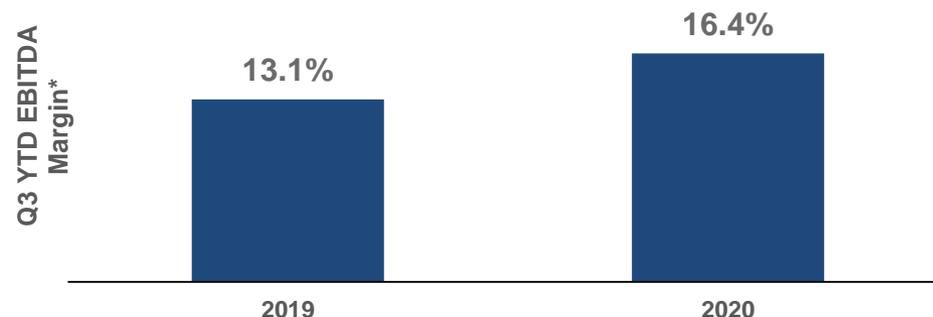
North American results increased due to strong demand in the Consumer Products end market driven by COVID-19.

Record YTD in Latin America driven by volume growth in Mexico and Brazil. This was enabled by our previous acquisitions (BASF's Ecatepec and Tebras in Brazil).

European results increased due to higher Consumer Products and strong growth in Agricultural demand.



(1) OI = Operating Income: All amounts are shown on a pre-tax basis (unless noted differently)



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

Q3 YTD 2020 Polymers

Lower results primarily driven by COVID-19 construction project delays and cancellations.



Business Results Highlights

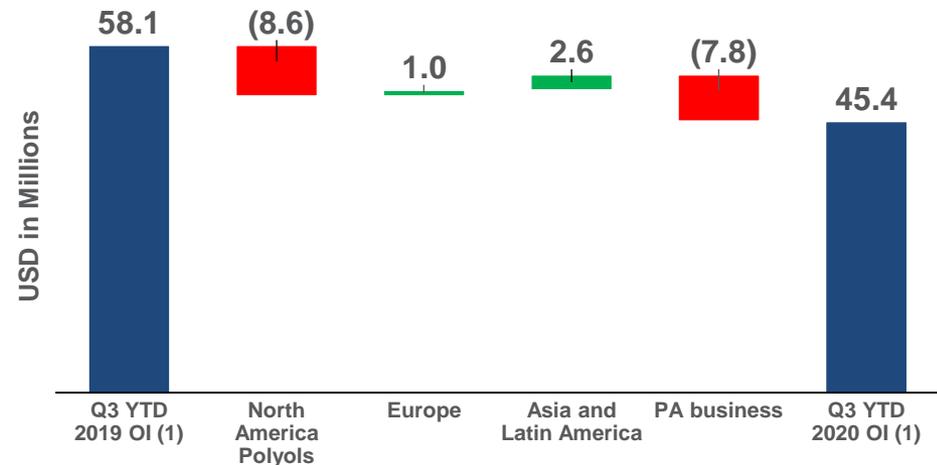
Operating Income was \$45.4 million, a decrease of \$12.7 million, compared to prior year. This reduction is due to lower North American and European demand for rigid polyols used in rigid foam insulation due to COVID-19 project delays and cancellations. Additionally the Illinois River Lock closure activities impacted the year.

North American Polyol results decreased due to lower volumes and margins as a result of COVID-19.

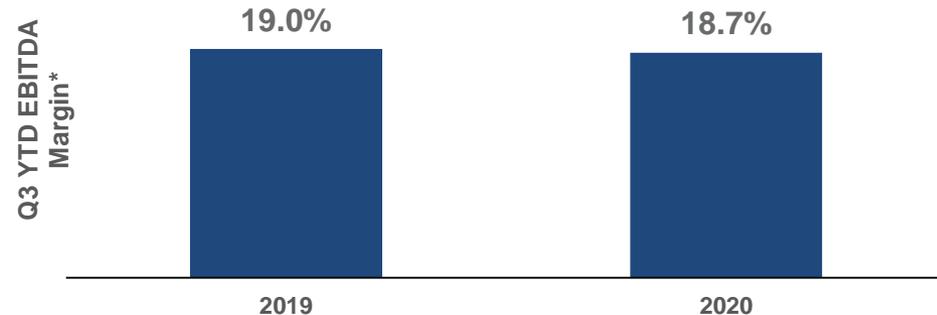
European results increased slightly with lower Rigid demand due to COVID-19 offset by Specialty Polyol volume growth.

China volume grew 15% driven by strong demand in the growing cold storage and livestock end markets.

Phthalic anhydride (PA) results decreased due to lower volumes and higher raw material cost driven by the Millsdale facility power failure in Q1 and the River Lock closure.



(1) OI = Operating Income: All amounts are shown on a pre-tax basis (unless noted differently)



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

Thank You

Luis E. Rojo

VP and CFO

847-446-7500

CHEMISTRY THAT CONNECTS US

APPENDIX

Financials, Sources of Information, and Definitions

Stepan Network

Strong global network to provide exceptional technical and sales support for our customers



Financials

Consolidated Statements of Income for the years ended December 31, 2019, 2018 and 2017

<i>(In thousands, except per share amounts)</i>	2019	<i>2018 As Adjusted</i>	<i>2017 As Adjusted</i>
Net Sales	\$ 1,858,745	\$ 1,993,857	\$ 1,925,007
Cost of Sales (1)	1,519,031	1,654,508	1,578,840
Gross Profit (1)	339,714	339,349	346,167
Operating Expenses:			
Selling	56,956	56,319	54,090
Administrative	82,577	79,243	75,615
Research, development and technical services	55,037	54,263	53,696
Deferred compensation expense (income)	15,140	(2,329)	4,857
	209,710	187,496	188,258
Business restructuring	(2,744)	(2,588)	(3,069)
Operating Income (1)	127,260	149,265	154,840
Other Income (Expense):			
Interest, net	(5,932)	(10,771)	(11,444)
Other, net	4,571	(725)	3,486
	(1,361)	(11,496)	(7,958)
Income Before Provision for Income Taxes (1)	125,899	137,769	146,882
Provision for Income Taxes (1)	22,798	26,664	46,139
Net Income (1)	103,101	111,105	100,743
Net Loss Attributable to Noncontrolling Interests	28	12	31
Net Income Attributable to Stepan Company (1)	\$ 103,129	\$ 111,117	\$ 100,774
Net Income Per Common Share Attributable to Stepan Company:			
Basic (1)	\$ 4.47	\$ 4.83	\$ 4.39
Diluted (1)	\$ 4.42	\$ 4.76	\$ 4.31
Shares Used to Compute Net Income Per Common Share Attributable to Stepan Company			
Basic	23,054	23,022	22,946
Diluted	23,316	23,325	23,377

(1) The 2018 and 2017 amounts for the noted line items have been retrospectively changed from the amounts originally reported as a result of the Company's first quarter 2019 change in method of accounting for U.S. inventory valuation from LIFO to FIFO.

Financials

Consolidated Balance Sheets, December 31, 2019 and 2018

	December 31, 2019	December 31, 2018 As Adjusted
ASSETS		
Current Assets *	\$ 818,789	\$ 833,893
Property, Plant & Equipment, Net	639,317	608,892
Other Assets	121,261	71,829
Total Assets *	<u>\$ 1,579,367</u>	<u>\$ 1,514,614</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities	\$ 339,114	\$ 338,582
Deferred Income Taxes *	23,391	24,961
Long-term Debt	198,532	239,022
Other Non-current Liabilities	125,834	103,864
Total Stepan Company Stockholders' Equity *	891,783	807,425
Noncontrolling Interest	713	760
Total Liabilities and Stockholders' Equity *	<u>\$ 1,579,367</u>	<u>\$ 1,514,614</u>

* The 2018 amounts for the noted line items have been retrospectively changed from the amounts originally reported as a result of the Company's first quarter 2019 change in method of accounting for U.S. inventory valuation from LIFO to FIFO.

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			
	2019	EPS	2018	EPS	2019	EPS	2018	EPS
			As Adjusted	As Adjusted			As Adjusted	As Adjusted
Net Income Reported	\$ 22,038	\$ 0.95	\$ 23,957	\$ 1.03	\$ 103,129	\$ 4.42	\$ 111,117	\$ 4.76
Deferred Compensation (Income) Expense	\$ 1,465	\$ 0.06	\$ (3,420)	\$ (0.15)	\$ 7,947	\$ 0.34	\$ (787)	\$ (0.03)
Business Restructuring Cash-Settled SARs (Income) Expense	\$ 806	\$ 0.04	\$ 182	\$ 0.01	\$ 2,005	\$ 0.09	\$ 1,842	\$ 0.08
Environmental Remediation	\$ 325	\$ 0.01	\$ (1,237)	\$ (0.05)	\$ 2,090	\$ 0.09	\$ (520)	\$ (0.02)
Voluntary Debt Prepayment	\$ 1,058	\$ 0.04	\$ -	\$ -	\$ 3,268	\$ 0.14	\$ -	\$ -
	\$ -	\$ -	\$ -	\$ -	\$ 948	\$ 0.04	\$ -	\$ -
Adjusted Net Income	\$ 25,692	\$ 1.10	\$ 19,482	\$ 0.84	\$ 119,387	\$ 5.12	\$ 111,652	\$ 4.79

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 operating performance 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.

Financials

Reconciliation of Non-GAAP EBITDA and EBITDA Margin – 2019

2019

<i>(in millions)</i>	<u>Surfactants</u>	<u>Polymers</u>	<u>Specialty Products</u>
Net Sales	\$ 1,258.0	\$ 510.0	\$ 73.0
Operating Income	122.8	69.6	16.4
Depreciation & Amortization	48.4	22.2	5.5
EBITDA	<u>\$ 171.2</u>	<u>\$ 91.8</u>	<u>\$ 21.9</u>
<i>EBITDA Margin</i>	13.6%	18.0%	30.0%

Financials

Reconciliation of Non-GAAP Cash minus Debt

<i>(in millions)</i>	December 31, 2009	December 31, 2019
Cash	\$ 98.5	\$ 315.4
Debt	104.1	222.1
Cash minus Debt	\$ (5.6)	\$ 93.3

Financials

Reconciliation of Non-GAAP EBITDA and EBITDA Margin – Q3 YTD

<i>(in \$MM's)</i>	Q3 YTD 2019		Q3 YTD 2020	
	Surfactants	Polymers	Surfactants	Polymers
Net Sales	962.7	395.9	993.2	335.6
Operating Income	90.2	58.6	126.0	45.5
Depreciation & Amortization	36.1	16.6	36.8	17.2
EBITDA	126.3	75.2	162.8	62.7
<i>EBITDA Margin</i>	13.1%	19.0%	16.4%	18.7%

Sources of Information and Definitions

Slide 10 and 11 – Consumer Products markets CAGR and size

- Euromonitor, Kline & Company, MarketsandMarkets Research, Grand View Research

Slide 10 and 12 – Agricultural Chemical markets CAGR and size

- AgbioInvestor, Informa Agribusiness Intelligence

Slide 10 and 14 – Oilfield Chemical market CAGR and size

- Spears & Associates

Slide 17 – Surfactants Market

- Stepan Projections, IHS Markit, Wood Mackenzie

Slide 19 –Market CAGR and size

- MarketsandMarkets Research

Slide 21, 22, 23, 24 and 25 – Market CAGR, size and maps

- The Freedonia Group, Global Insulation, 2018

Slide 23 – U.S. Commercial Energy Code Adoption maps

- Building Codes Assistance Project

Slide 24 – 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
- European Commission - Fact Sheet "Towards reaching the 20% energy efficiency target for 2020, and beyond" Brussels, 1 February 2017

Slide 25 – Rigid Polyol China Market Trend

- Cold Chain Association of China Federation of Logistics & Purchasing

Slide 29 – MCT markets CAGR and size

- DataIntel

The information contained herein is provided for informational purposes only and is not intended to be all-inclusive. The information is based on Stepan Company's own knowledge at such time it is given and on the works of others and is subject to change without prior notice. STEPAN COMPANY MAKES NO WARRANTY OR GUARANTY, EXPRESS OR IMPLIED, AS TO INFORMATION PROVIDED HEREIN REGARDING PERFORMANCE, SAFETY, SUITABILITY, STABILITY, ACCURACY, COMPLETENESS, OR ADEQUACY.