



Earnings Call Presentation

Third Quarter 2023

October 18, 2023



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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. 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," "anticipate," "believe," "estimate," "guidance," "predict," "potential," "continue," "likely," "will," "would," "should," "illustrative" and variations of these terms and similar expressions, or the negative of these terms or similar expressions. Such forward-looking statements are necessarily based upon estimates and assumptions that, while considered reasonable by Stepan Company and its management based on their knowledge and understanding of the business and industry, are inherently uncertain. These statements are not guarantees of future performance, and stockholders should not place undue reliance on forward-looking statements.

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These forward-looking statements are made only as of the date hereof, and Stepan Company undertakes no obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.

Earnings Conference Call Agenda

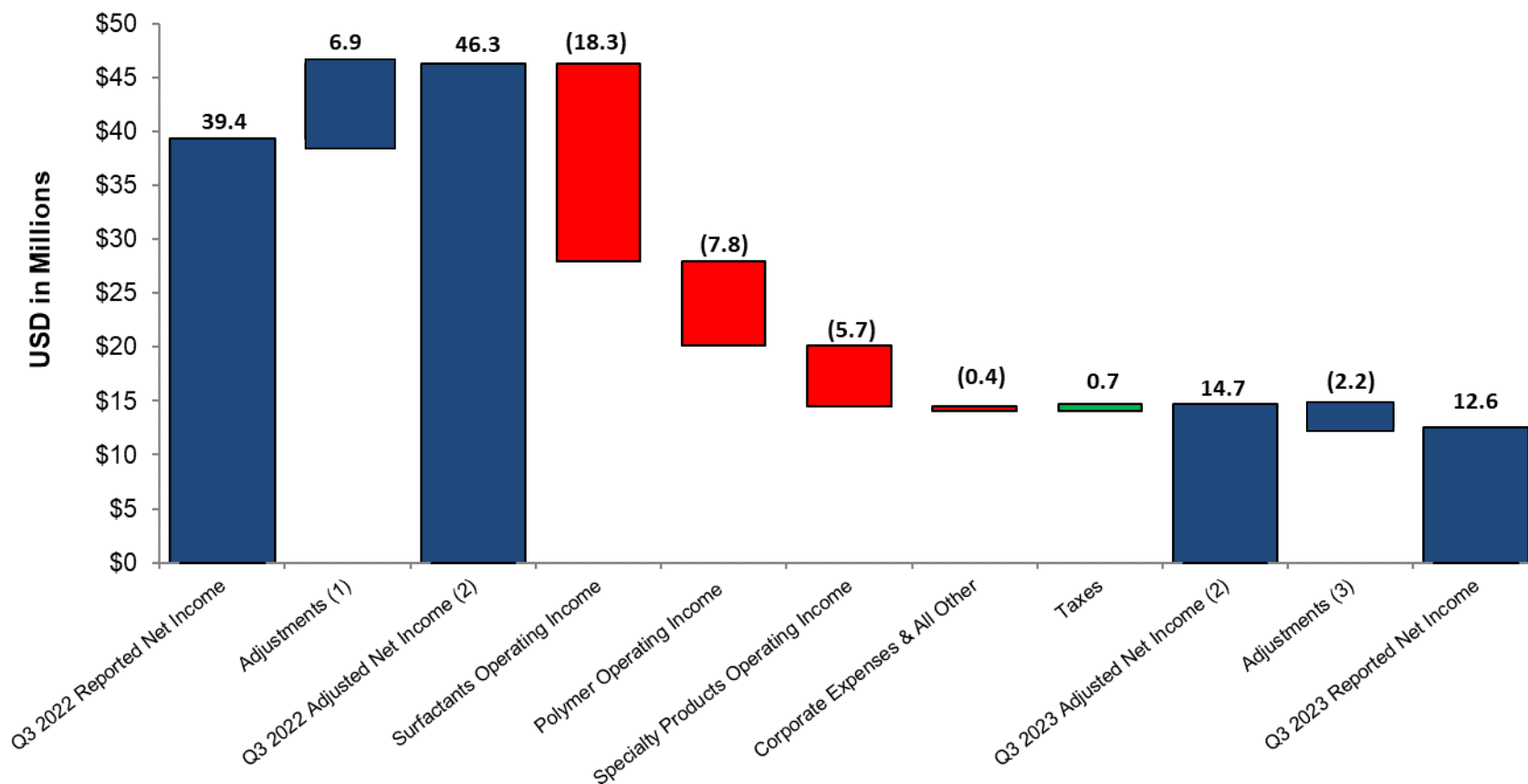
Third Quarter Highlights	Scott R. Behrens, <i>President and Chief Executive Officer</i>
Third Quarter Financial Results	Luis E. Rojo, <i>Vice President and Chief Financial Officer</i>
Strategic Outlook	Scott R. Behrens, <i>President and Chief Executive Officer</i>
Analyst / Shareholder Questions	
Closing Remarks	Scott R. Behrens, <i>President and Chief Executive Officer</i>

Third Quarter 2023 Financial Recap

- Q3 reported net income was \$12.6 million, or \$0.55 per diluted share, versus a record \$39.4 million, or \$1.71 per diluted share, in the prior year. Q3 adjusted net income⁽¹⁾ was \$14.7 million, or \$0.64 per diluted share, versus a record \$46.3 million, or \$2.01 per diluted share, in the prior year. The decline in both reported and adjusted net income was predominately due to a 9% reduction in sales volume versus the prior year.
- Adjusted Net Income in Q3 2023 excludes the following non-operational items: Deferred compensation and cash-settled SARs income of \$2.1 million, or \$0.09 per diluted share. Environmental remediation and business restructuring expense of \$4.3 million, or \$0.18 per diluted share.
- Surfactant operating income was \$15.4 million versus \$39.0 million in the prior year. This decrease was primarily due to a 7% decline in global sales volume and lower unit margins. Operating income improved slightly versus the \$15.1 million recognized in the second quarter of 2023 primarily due to new contracted volume for low 1,4 dioxane products. Demand within the agricultural end market remained low due to continued customer and channel inventory destocking.
- Polymer operating income was \$21.8 million versus \$31.9 million in the prior year. This decrease was primarily due to a 12% decline in global sales volume, including a 10% decline in Rigid Polyols. Operating income improved \$5.5 million or 34% from the second quarter of 2023, primarily due to 7% growth in global Rigid Polyols demand.
- Specialty Product operating income was \$2.4 million versus \$9.7 million in the prior year. This decrease was primarily attributable to lower unit margins and sales volume within the medium chain triglycerides (MCT) product line. Operating income was down \$1.4 million from the second quarter of 2023 due to order timing differences.
- EBITDA⁽²⁾ was \$45.1 million during the third quarter of 2023 versus \$76.4 million in the prior year. Adjusted EBITDA⁽²⁾ was \$48.0 million versus \$85.5 million in the prior year. The decline in both EBITDA and adjusted EBITDA⁽²⁾ was primarily due to the 9% reduction in sales volume versus the prior year.
- The Company recorded a \$4.1 million after-tax restructuring reserve, associated with the Company's previously announced voluntary early retirement program, in the third quarter of 2023. In addition, the Company is expanding its cost reduction activities and expects to realize \$50.0 million of pre-tax cost savings in 2024 to help offset inflation and increased expenses related to the Company's new Pasadena alkoxylation assets.
- The effect of foreign currency translation positively impacted net income by \$0.7 million, or \$0.03 per diluted share, versus the prior year.

Net Income Bridge – Q3 2022 to Q3 2023

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



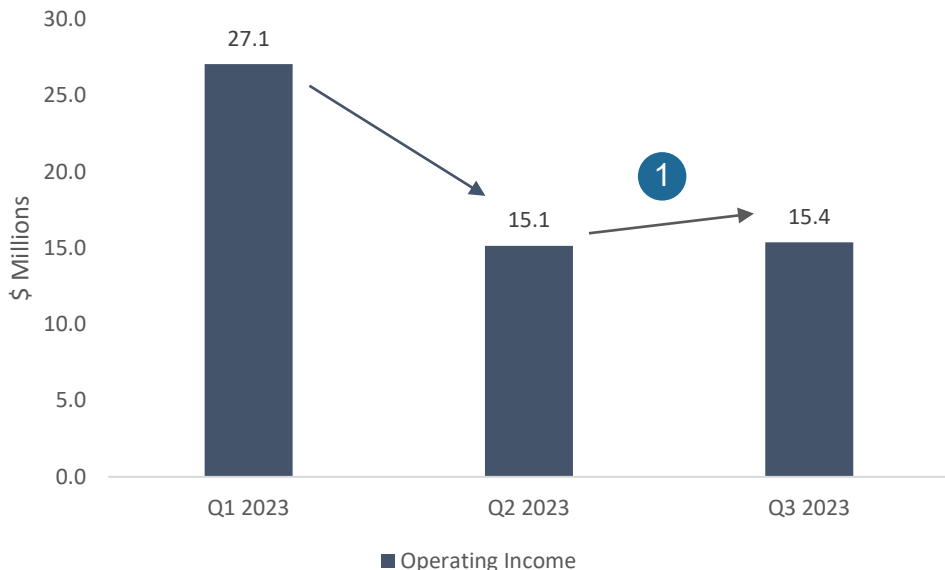
- (1) The adjustments to Reported Net Income in Q3 2022 consisted of environmental remediation expense and restructuring costs of \$8.0 million and deferred compensation income and cash-settled SARs income of \$1.1 million.
- (2) Adjusted Net Income is a Non-GAAP measure that excludes certain significant, non-recurring items. See Appendix II for a GAAP reconciliation.
- (3) The adjustments to Reported Net Income in Q3 2023 consisted of deferred compensation income and cash settled SARs income of \$2.1 million and environmental remediation expense and restructuring costs of \$4.3 million.

Global Surfactants

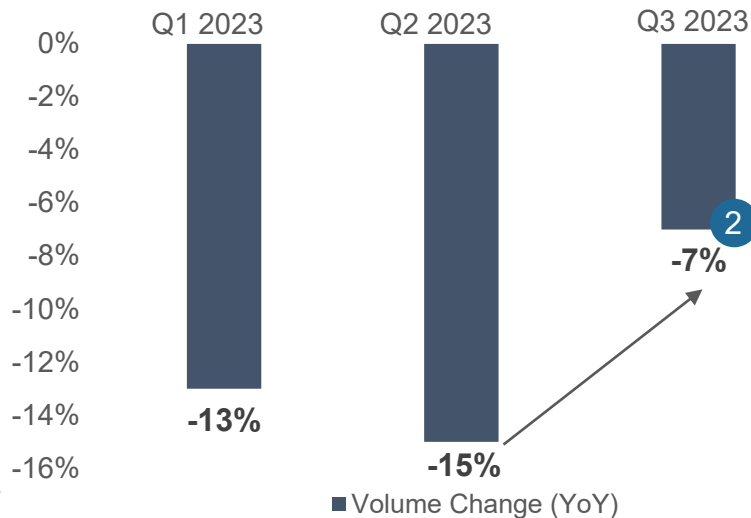
Quarter-over-Quarter Volume Change



Surfactants Operating Income



Surfactants Year-over-Year Volume Change



1

Third quarter Operating Income was \$15.4MM, an increase of \$0.3MM compared to the second quarter due to new contracted volume for low 1,4 dioxane products. Agricultural Chemicals volume remained depressed.

2

Third quarter Volume decreased 7% year-over-year primarily due to lower end-market demand in Laundry and continued customer and inventory destocking within the Agricultural Chemicals end-market.

3

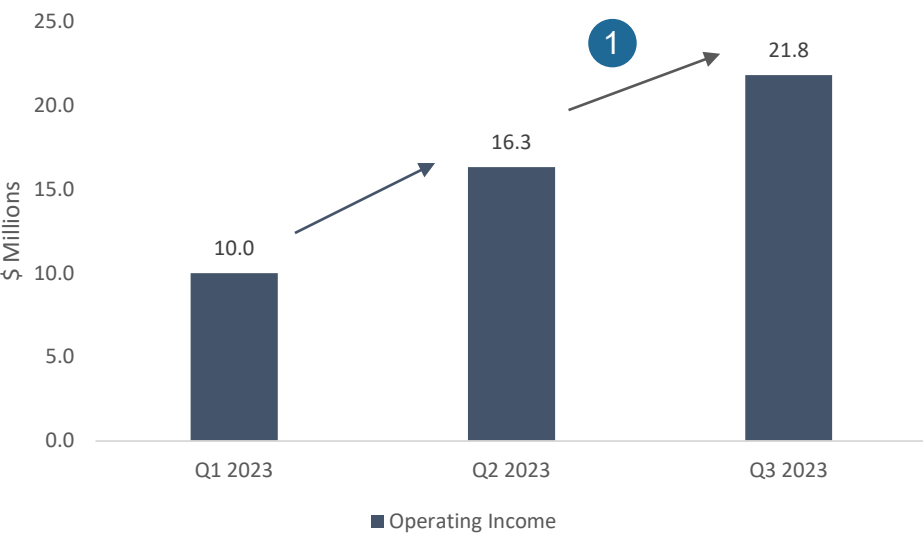
Third quarter Volume increased 2% compared to the second quarter primarily due to new contracted volume for low 1,4 dioxane products. Laundry and Cleaning was up mid single digits. This was partially offset by reduction in Agricultural Chemicals Volumes due to continued customer and channel destocking

Global Polymers

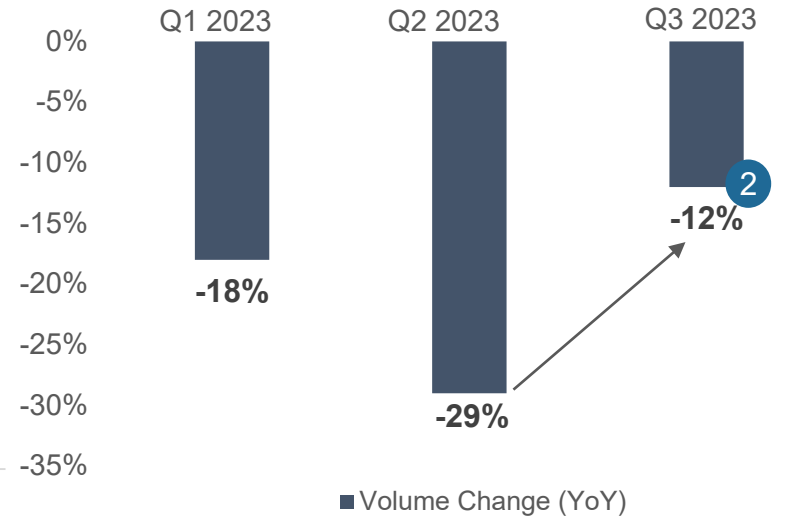
Quarter-over-Quarter Volume Change



Polymers Operating Income



Polymers Year-over-Year Volume Change



1

Third quarter Operating Income was \$21.8MM, an increase of \$5.5MM compared to the second quarter driven by continued Volume recovery in Global Rigid Polyols volume.

2

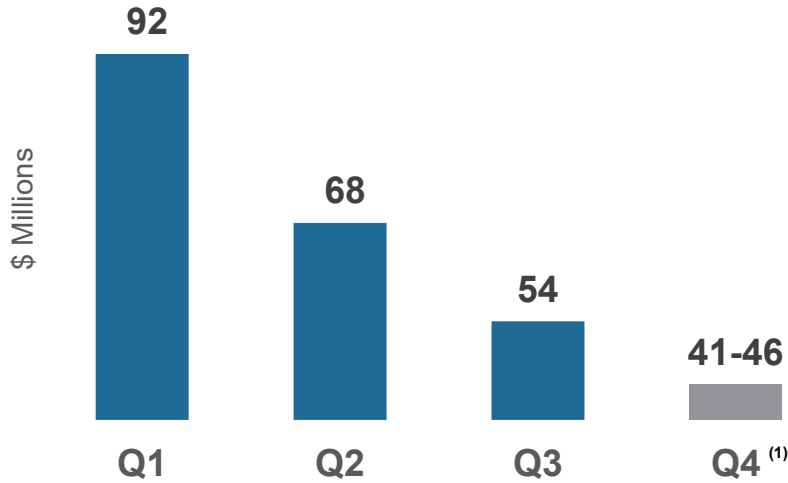
Third quarter Volume decreased 12% year-over-year primarily due to a decline in Global Rigid Polyols.

3

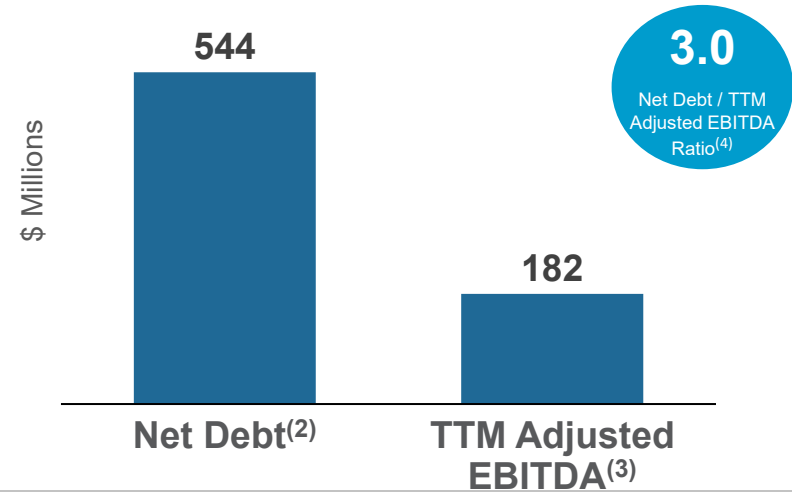
Third quarter Volume increased 6% compared to the second quarter primarily due to Volume recovery in Global Rigid Polyols. This was partially offset by Volume declines in our nonstrategic commodity PA Business

Cash Flow Improving with lower Capex and Inventories

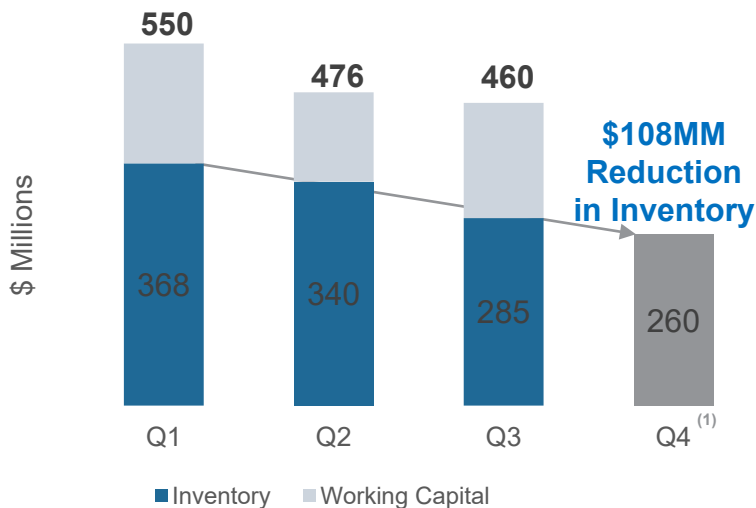
2023 Capital Expenditure⁽¹⁾



Net Debt / TTM Adjusted EBITDA



2023 Working Capital⁽⁵⁾



Scheduled Debt Principal Repayments

Year	Amount (\$MM)
2023	9
2024	54
2025	69
2026	67
2027	136
2028	45
2029	25
2030	25
2031	25
2032	11
Other (Revolver)	184
Total	649

Debt repayments include the term loan

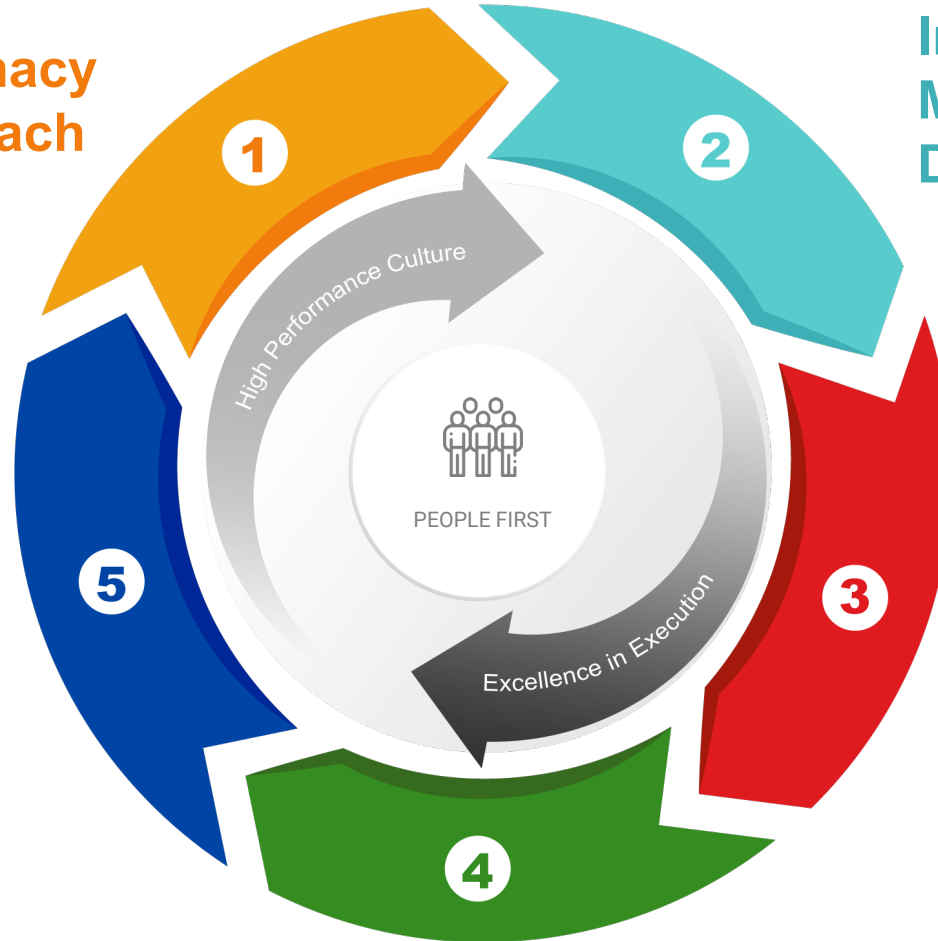
- (1) Represents expected amounts
- (2) Net debt is a non-GAAP measure. See Appendix IV for a GAAP reconciliation.
- (3) TTM Adjusted EBITDA is a non-GAAP measure. See Appendix VIII for a GAAP reconciliation.
- (4) Net Debt / TTM Adjusted EBITDA Ratio is a non-GAAP measure. See Appendix V for a GAAP reconciliation.
- (5) Includes major components of Working Capital

Stepan Strategic Priorities

Shareholder Value Creation

**Customer Intimacy
& Extended Reach**

**Innovation &
Market
Diversification**



**Cost &
Operational
Excellence**

**Efficient Capital
Allocation**

ESG

Strategic Capital Investments Update

Alkoxylation / Specialty Nonionics



Pasadena, Texas (United States)

Stepan investing in new alkoxylation capacity at existing Pasadena, Texas facility. **Estimated Capex \$265MM.**

Benefits of Investment

Strategic Drivers: Alkoxylates are a **core surfactant technology** consumed across Stepan's key agricultural, oilfield, construction and household end use markets. Business continued growing Volume double digits year-to-date in 2023.

Pasadena will become Stepan's third alkoxylation site, providing **strategically located redundancy and long-term capacity for growth** in ethoxylates and propoxylates.

Project Overview: State of the art, flexible, multi-reactor facility with approximately **75KTA of annual alkoxylation capacity.**

Expected Start-Up in mid-2024

Low 1,4 Dioxane Capability



Millsdale, Illinois (United States)

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

Benefits of Investment

Strategic Drivers: **Legislation** banning the sale of consumer products containing certain 1,4 dioxane levels is in effect in the State of New York. Customers have **made long-term commitments** to Low 1,4 Dioxane Ether Sulfates.

Investing in **1,4 dioxane removal technology** will enable Stepan to maintain and grow our North American Sulfonation business. Expecting to grow in second half of 2023 due to new contracted business.

Stepan will have the **largest installed Low 1,4 Dioxane production capacity** for supply to the North American Merchant Market.

Project Overview: Stepan's North America network will have **three facilities** with 1,4 dioxane removal capabilities.

Network Construction Completed in 3rd Quarter 2023, Commissioning under way

Thank You

Luis E. Rojo

VP and CFO

847-446-7500

WORKING TOGETHER FOR A SAFER, CLEANER WORLD

APPENDIX

Financials and GAAP Reconciliations

Appendix I

Update on Certain Expectations

(millions USD)	2020 Actual	2021 Actual	2022 Actual	2023 Forecast
Capital Expenditures	126	195	301	255 - 260
Debt Repayments	24	38	38	42
Interest Net	5	6	10	14
Depreciation & Amortization⁽¹⁾	82	91	95	108
Effective Tax Rate (%)	25%	20%	22%	20-22%

⁽¹⁾ Preliminary Guidance for 2024 is \$130-132MM

Appendix II

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

(\$ in thousands, except per share amounts)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	EPS	2022	EPS	2023	EPS	2022	EPS
Net Income Reported	\$ 12,571	\$ 0.55	\$ 39,384	\$ 1.71	\$ 41,397	\$ 1.80	\$ 136,319	\$ 5.90
Deferred Compensation (Income) Expense	\$ (2,038)	\$ (0.09)	\$ (938)	\$ (0.04)	\$ (2,795)	\$ (0.12)	\$ (4,369)	\$ (0.19)
Business Restructuring Expense	\$ 4,219	\$ 0.18	\$ 69	\$ -	\$ 4,365	\$ 0.19	\$ 169	\$ 0.01
Cash-Settled SARs (Income) Expense	\$ (61)	\$ -	\$ (117)	\$ -	\$ (145)	\$ (0.01)	\$ (464)	\$ (0.02)
Environmental Remediation Expense	\$ 39	\$ -	\$ 7,003	\$ 0.34	\$ 304	\$ 0.02	\$ 8,362	\$ 0.36
Adjusted Net Income	\$ 14,730	\$ 0.64	\$ 46,281	\$ 2.01	\$ 43,206	\$ 1.88	\$ 140,017	\$ 6.06

(\$ in thousands, except per share amounts)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023	EPS	2022	EPS	2023	EPS	2022	EPS
Pre-Tax Adjustments								
Deferred Compensation (Income) Expense	\$ (2,717)		\$ (1,234)		\$ (3,726)		\$ (5,748)	
Business Restructuring Expense	\$ 5,628		\$ 92		\$ 5,827		\$ 225	
Cash-Settled SARs (Income) Expense	\$ (82)		\$ (154)		\$ (193)		\$ (609)	
Environmental Remediation Expense	\$ 52		\$ 10,372		\$ 513		\$ 11,002	
Total Pre-Tax Adjustments	\$ 2,881		\$ 9,076		\$ 2,421		\$ 4,870	
Cumulative Tax Effect on Adjustments	\$ (722)		\$ (2,179)		\$ (612)		\$ (1,172)	
After-Tax Adjustments	\$ 2,159	\$ 0.09	\$ 6,897	\$ 0.30	\$ 1,809	\$ 0.08	\$ 3,698	\$ 0.16

Appendix III

Foreign Exchange Impact – Q3 2023

(millions USD)	Surfactants	Polymers	Specialty Products	Consolidated
Net Sales	12.7	6.2	0.2	19.1
Gross Profit	0.9	0.9	(0.0)	1.8
Operating Expenses	0.7	0.2	0.0	0.9
Operating Income	0.2	0.7	(0.0)	0.9

Appendix IV

Net Debt to Total Capitalization Ratio

(millions USD)	September 30, 2023	September 30, 2022	September 30, 2021	September 30, 2020	September 30, 2019	September 30, 2018
Total Debt	649.4	564.9	279.8	207.9	231.9	286.2
Cash	105.5	165.7	105.3	310.4	286.0	274.0
Net Debt	543.9	399.2	174.5	(102.5)	(54.1)	12.2
Equity	1,202.8	1,130.2	1,057.3	938.2	854.2	777.7
Net Debt + Equity	1,746.7	1,529.4	1,231.8	835.7	800.1	789.9
Net Debt / (Net Debt + Equity)	31%	26%	14%	(12%)	(7%)	2%

Appendix V

Adjusted EBITDA and EBITDA Reconciliations Q3 2023

(millions USD)	Q3 2023 – Quarterly Adjusted EBITDA by Segment				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	374	170	18	-	562
Reported Operating Income	15	22	2	(20)	20
Adjustments	0	0	0	2	2
Adjusted Operating Income	15	22	2	(18)	22
Depreciation & Amortization	16	8	1	1	26
Adjusted EBITDA	32	30	4	(17)	48
Adjusted EBITDA Margin	8.6%	17.6%	22.2%	n/a	8.5%

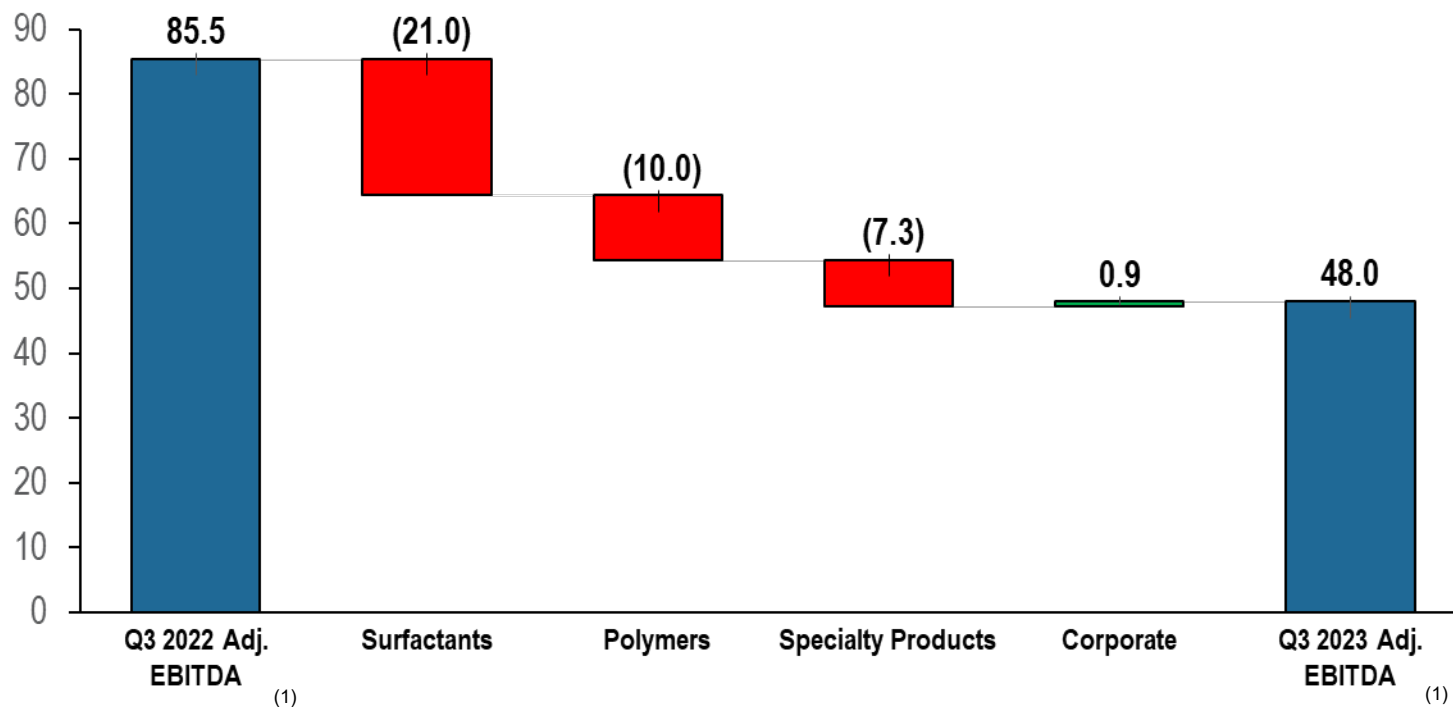
	Q3 2023 – Adjusted EBITDA Total Stepan
Net Sales	562
Subtotal Segment Reported Operating Income	40
Cash Settled SARS	(0)
Corporate Expenses	(18)
Consolidated Adjusted Operating Income	22
Depreciation & Amortization	26
Other	(0)
Adjusted EBITDA	48
<i>Adjusted EBITDA Margin</i>	8.5%

(millions USD)	Q3 2023 – Quarterly EBITDA by Segment				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Reported Operating Income	15	22	2	(20)	20
Depreciation & Amortization	16	8	1	1	26
Other Net Income (Expense)	0	0	0	(1)	(1)
EBITDA	32	30	4	(21)	45
EBITDA Margin	8.6%	17.6%	22.2%	n/a	8.5%

Appendix VI

Adjusted EBITDA Bridge⁽¹⁾

STEPAN CONSOLIDATED – Q3 Adj. EBITDA 2023 Actual vs PY



(1) Adjusted EBITDA is a non-GAAP measure. See Appendix V and Appendix VII for GAAP reconciliations.

Appendix VII

Adjusted EBITDA and EBITDA Reconciliations Q3 2022

(millions USD)	Q3 2022 – Quarterly Adjusted EBITDA by Segment				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Net Sales	475	215	30	-	719
Reported Operating Income	39	32	10	(26)	55
Adjustments*	0	0	0	8	8
Adjusted Operating Income	39	32	10	(18)	63
Depreciation & Amortization	14	8	1	1	24
Adjusted EBITDA	53	40	11	(18)	85
Adjusted EBITDA Margin	11.2%	18.6%	36.7%	n/a	11.9%

*Includes \$10.4 million in environmental remediation expense and \$2.3 million in deferred compensation and cash-settled SARs income to Corporate

	Q3 2022 – Adjusted EBITDA
Net Sales	719
Subtotal Segment Reported Operating Income	80
Cash-Settled SARS	(0)
Corporate Expenses	(18)
Consolidated Adjusted Operating Income	63
Depreciation & Amortization	24
Other	(1)
Adjusted EBITDA	85
Adjusted EBITDA Margin	11.9%

(millions USD)	Q3 2022 – Quarterly EBITDA by Segment				
	Surfactants	Polymers	Specialty Products	Corporate	Total Stepan
Reported Operating Income	39	32	10	(26)	55
Depreciation & Amortization	14	8	1	1	24
Other Net Income (Expense)	0	0	0	(2)	(2)
EBITDA	53	40	11	(27)	76
EBITDA Margin	11.2%	18.6%	36.7%	n/a	11.9%

Appendix VIII

Trailing Twelve Months Adjusted EBITDA Reconciliation

	9/30/2023 TTM – Adjusted EBITDA
Reported Operating Income	70
Depreciation & Amortization	103
Other Net Income (Expense)	0
EBITDA	178
Deferred Compensation	(1)
Cash Settled SARS	0
Business Restructuring	6
Environmental Remediation	1
Adjusted EBITDA	182

Appendix IX

Free Cash Flow (FCF) Reconciliation

\$ Millions

	Q3		YTD	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Cash Flow from Operations	70.1	36.8	105.9	74.9
Capital Expenditures	(53.7)	(75.9)	(213.6)	(205.3)
Free Cash Flow	<u>16.4</u>	<u>(39.1)</u>	<u>(107.7)</u>	<u>(130.4)</u>

Appendix X - Surfactants

Operating Income impacted by lower Volumes and mix. Agricultural Chemicals impacted by continued customer and channel destocking.



Q3 2023 Business Results Highlights

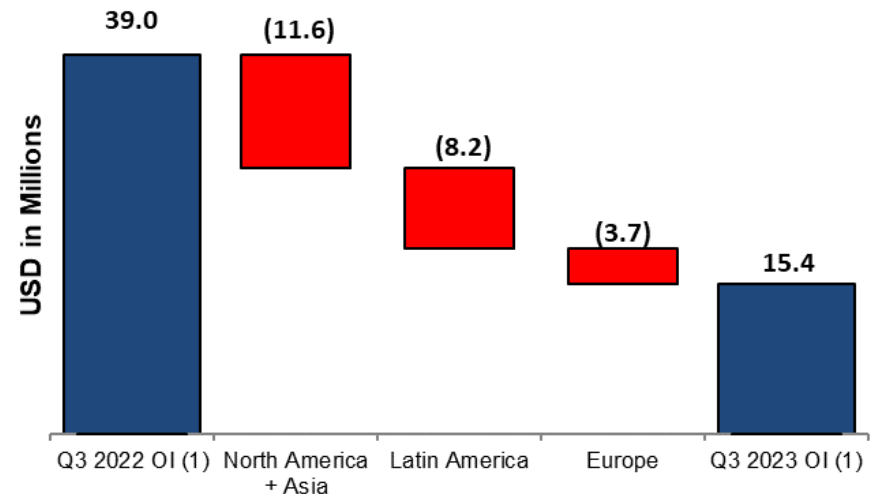
Operating income was \$15.4MM, a decrease of \$23.6MM compared to prior year driven by a volume decline of 7%. Selling prices were down 17% mainly due to the pass-through of lower raw material costs as well as less favorable product and customer mix.

North America results were impacted by overall lower demand in commodity Laundry end markets and the previously disclosed backward integration by one customer, associated with the low 1,4 Dx transition, in the third quarter of 2022. Agricultural Chemicals results were negatively impacted by continued customer and channel destocking. Higher expenses related to our low 1,4 Dx and Pasadena facility investments created additional headwinds.

Latin America results were down driven by lower overall demand and competitive pressure from imports.

Europe results decreased mainly as a result of lower overall end-market demand and competitive pressure, impacting both Consumer and Functional Products.

<i>in millions \$</i>	Q3 2023	Q3 2022
Net Sales	\$ 373.8	\$ 474.9
Operating Income	\$ 15.4	\$ 39.0

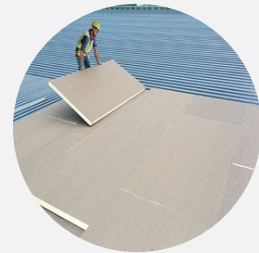


(1) OI = Operating Income

All amounts are shown on a pre-tax basis (unless noted differently)

Appendix XI - Polymers

Lower Operating Income attributable to volume driven by reduced construction-related activity and continued customer and channel destocking.



Q3 2023 Business Results Highlights

Operating income was \$21.8MM, a decrease of \$10.1MM compared to prior year. Selling prices decreased 12% mainly due to the pass-through of lower raw material costs. Global volume declined by 12%, primarily due to a 10% volume decline in Rigid Polyol. The decrease was driven by reduced construction industry activity as well as continued customer and channel inventory destocking. Growth in China partially offset these drivers.

North America results were impacted by lower volume in the Rigid Polyol, Specialty Polyol and Phthalic Anhydride businesses. Margins remained flat despite the challenging environment.

Europe results were down due to lower sales volume in the Rigid Polyol and Specialty Polyol businesses.

Asia results continued to improve on strong double digit volume growth following the easing of COVID lockdowns and restrictions in China.

in millions \$

	Q3 2023	Q3 2022
Net Sales	\$ 169.6	\$ 214.8
Operating Income	\$ 21.8	\$ 31.9

