



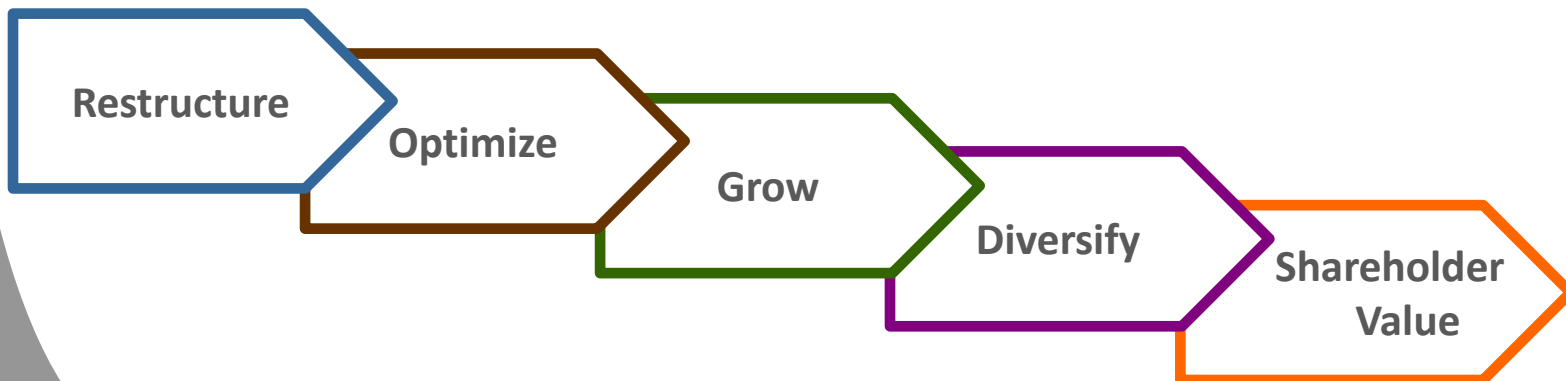
Stepan



KeyBanc Basic Materials & Packaging Conference

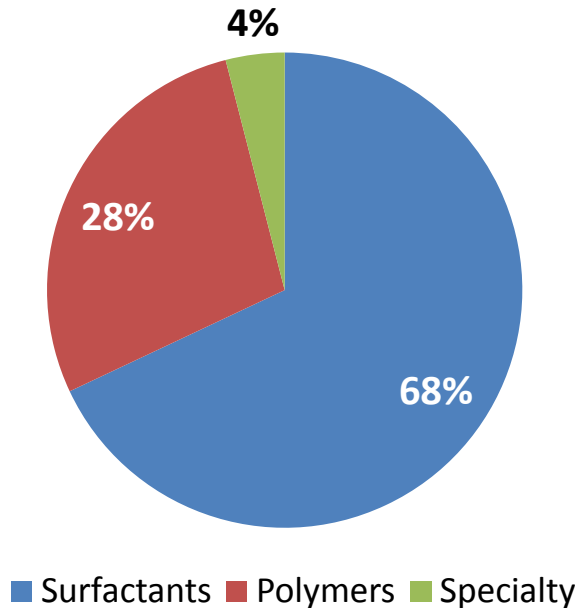
September 13, 2016

Core Components of Stepan's Strategy



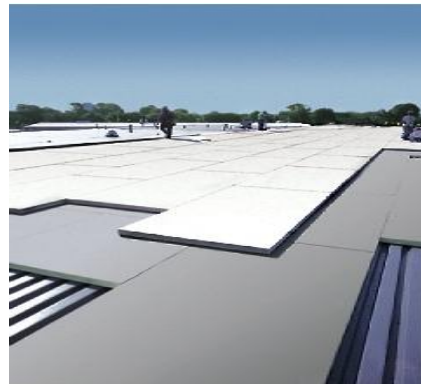
Stepan Company Profile

2015 Sales



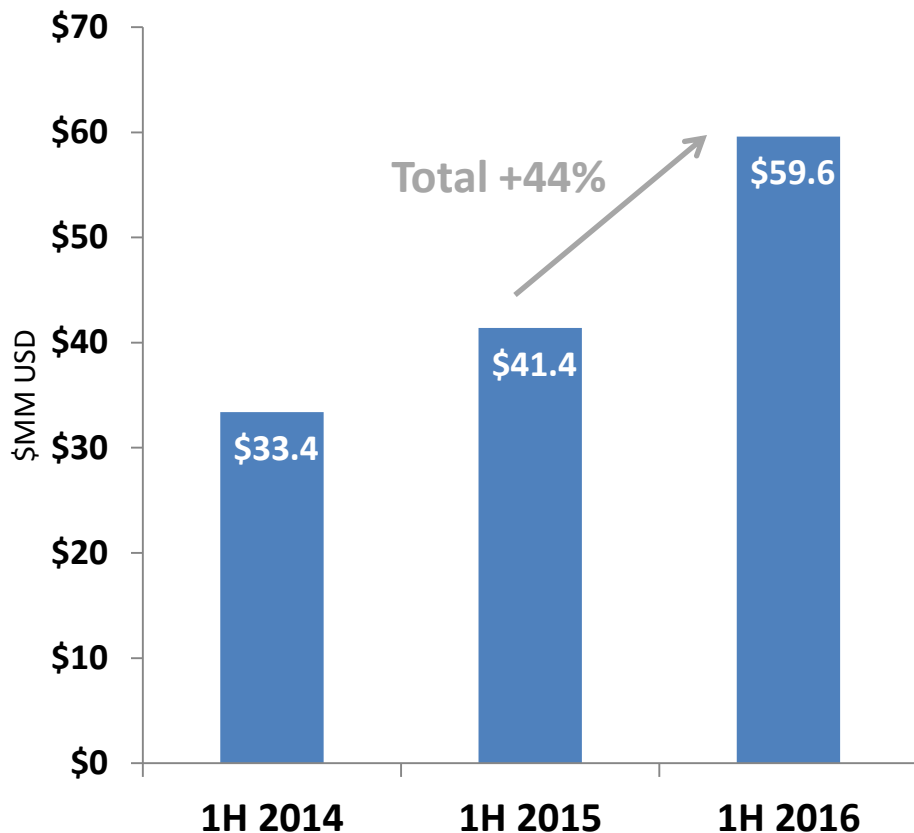
Overview

- \$1.8B in Sales in 2015
- \$76MM Net Income in 2015
- 10-Year Net Income CAGR is 27%
- 3 Reportable Segments
- 18 manufacturing sites with operations in 12 countries
- 60% of annual net sales tied to non-cyclical markets
- 48 consecutive years of increased dividends
- Traded on NYSE as “SCL”



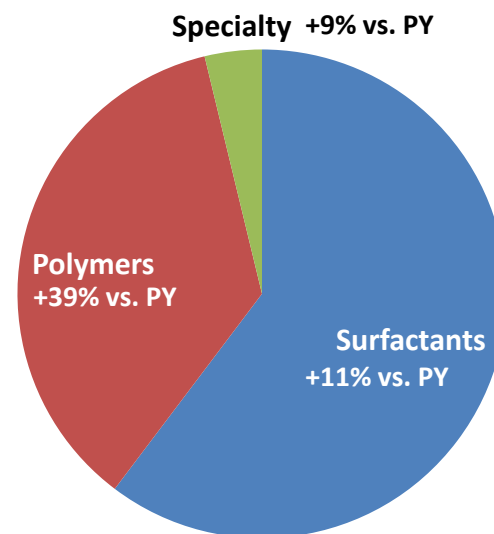
Stepan Company Profile

Adjusted Net Income*



Operating Income

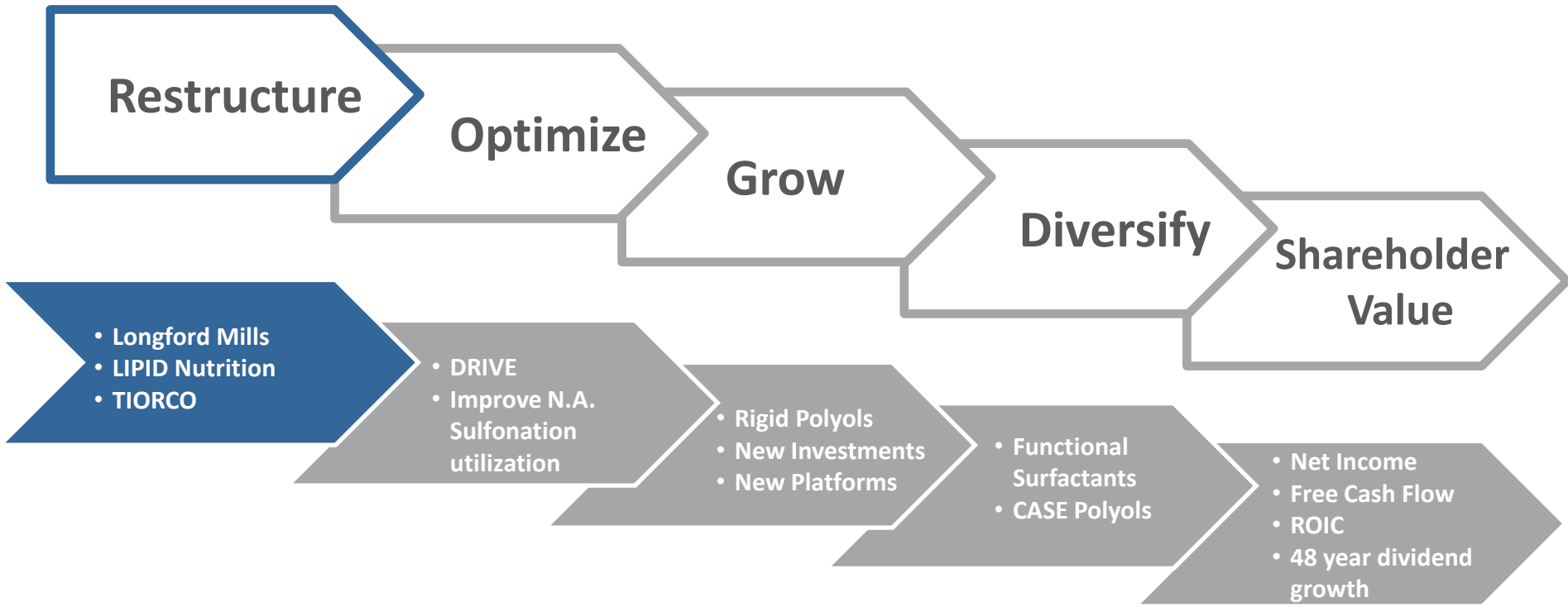
1H 2016 = \$87.5MM



Operating Income % of Sales	2015	YTD June 2016	Change
Surfactants	8.6%	10.6%	+196bps
Polymers	16.5%	21.4%	+495bps
Specialty	5.6%	9.5%	+388bps

*Adjusted Net Income is a Non-GAAP measure which excludes certain significant, non-recurring items. See Appendix I for Non-GAAP reconciliation.

Core Components of Stepan's Strategy



Longford Mills Plant Closure

Previously announced the closure of Ethoxylation production in Canada

- Recognized \$1.4MM of accelerated depreciation in each Q4 2015 and Q1 2016
- The related assets are now fully depreciated

In Q2 2016, announced full closure of Canadian plant

- Products manufactured at this facility will be moved to other production sites within Stepan's existing North American network
- The plant closure is expected to improve asset utilization in North America and further reduce its fixed cost base

Current Expected Impact of Canadian plant closure:

**Total costs in 2016 = \$9MM
(of which \$4MM are cash costs)**

Total expected recurring benefits in 2018 = \$3MM

Lipid Nutrition

- Actions taken in the fourth quarter of 2015 to lower costs and enhance supply chain efficiencies, combined with increased demand, should deliver more than \$3 million improvement this year

TIORCO

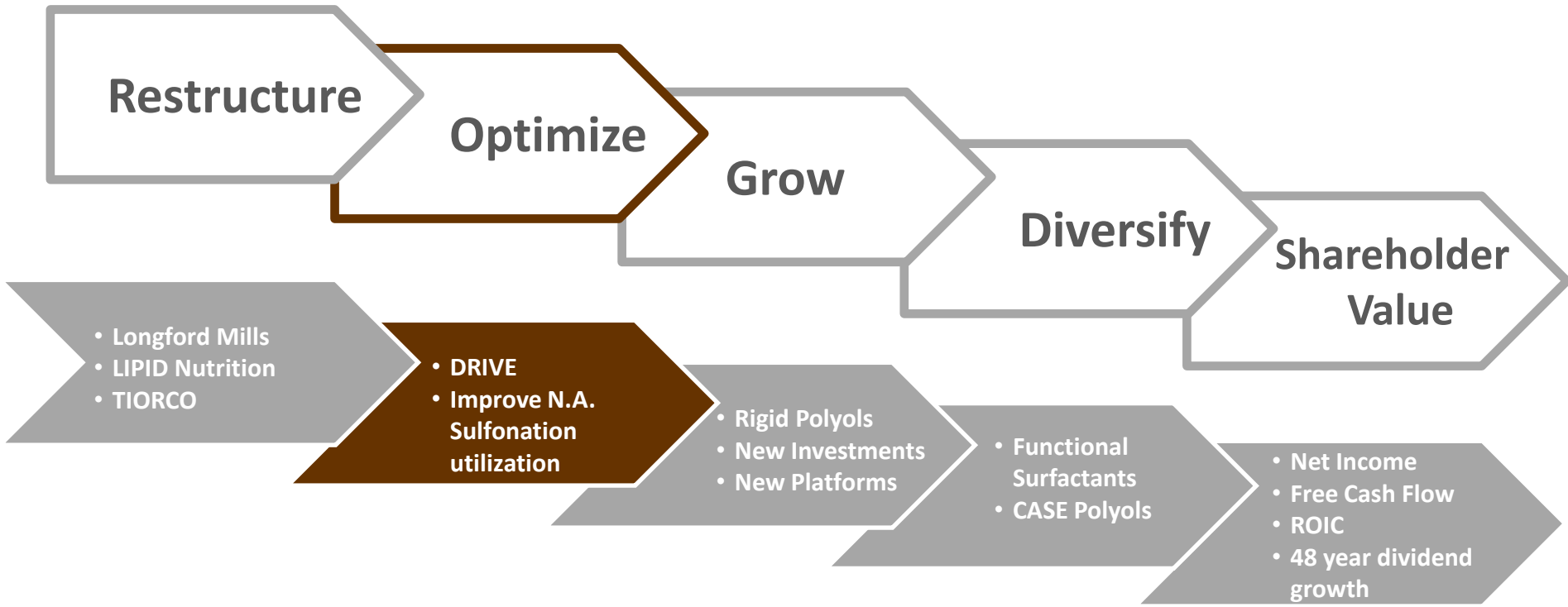
- Exited our TIORCO joint venture, which was focused on the enhanced oil recovery market and took a \$2.5 million charge in Q4 2015
- Stepan is still serving this market with resources more appropriately scaled to current opportunities and expects an annual pre-tax savings of \$3.0 million in 2016 and beyond

Current expected full impact of all restructuring efforts:

Total costs in 2016 = \$8MM (of which Cash is \$3MM)

Total expected recurring savings in 2016 & 2017 is \$6MM; 2018 is \$10MM

Core Components of Stepan's Strategy



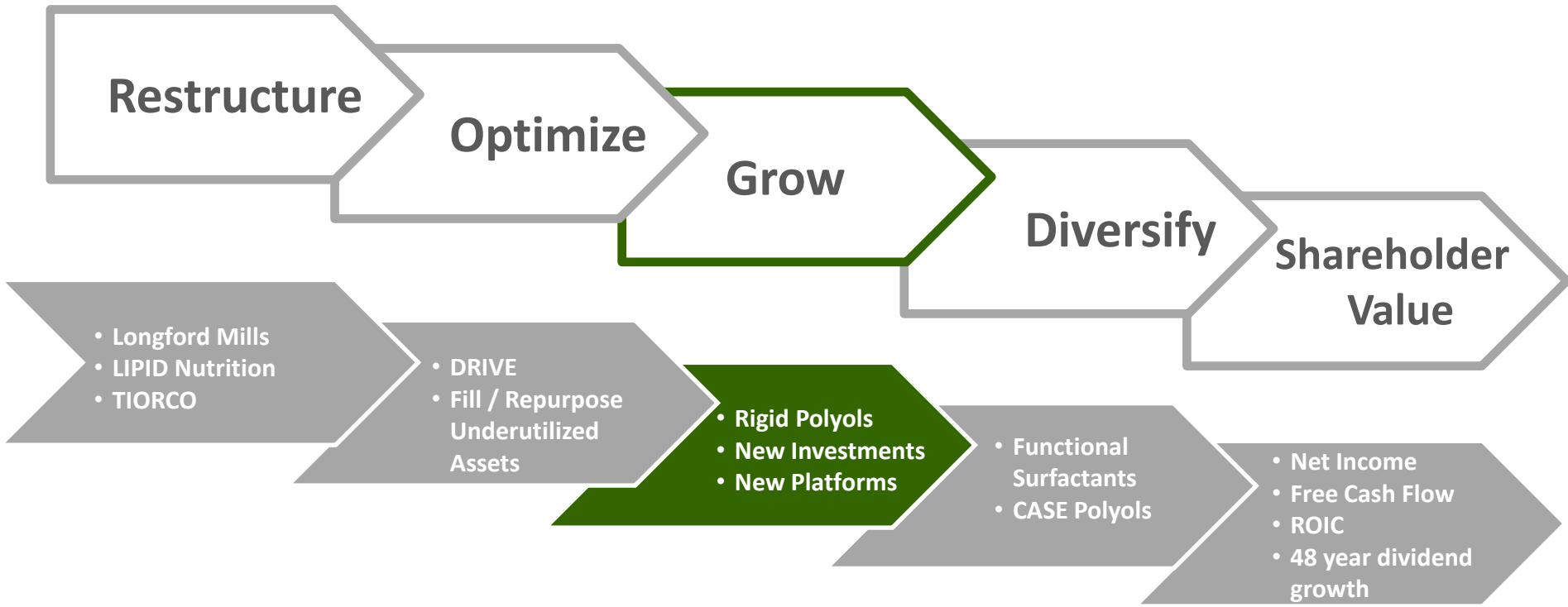
DRIVE (internal efficiency program)

- The benefits are captured within each segment's operating results
- Use of external resources was discontinued in Q4 2015
- Our DRIVE program is expected to deliver at least \$12 million in 2016 from carry over projects initiated in 2015, new 2016 projects and the elimination of consulting fees

Improve North America Sulfonation Utilization

- Significant new laundry business began in July 2015 and was absorbed into our existing network

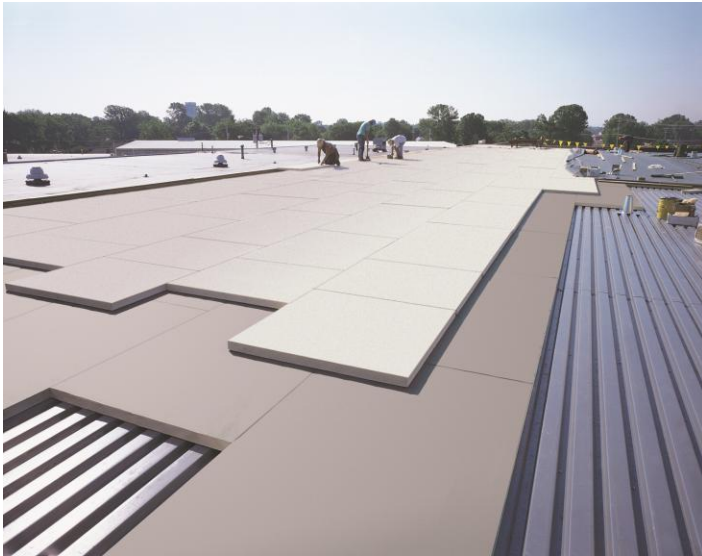
Core Components of Stepan's Strategy



Insulation solutions for enhanced energy efficiency driving growth

Macro Economic Trends

- Global Energy conservations efforts
- Government mandated or recommended higher insulation levels in buildings
- Cost effective solution vs. other insulation materials
- Metal panel adoption in Europe
- Energy efficiency adoption rates in Asia are slow, but large opportunity remains



Stepan Strategy in Action

- (2012) Expansion of Wessling (Germany)
- (2013) Added R&D center in Poland
- (2015) Debottlenecking at Wessling and Millsdale
- (2015) New R&D center in China
- (2016) New plant in China

Global Polyol volume has grown at 8% CAGR over the past 3 years

Growing Surfactant markets in Latin America provide opportunities for Stepan Growth



Stepan plant in Vespasiano, Brazil

Macro Economic Trends

- Brazil is the 5th most populous country with a large and growing population
- Consumer product market is evolving toward developed country standards (“Universal Consumer”)
 - Should drive growth in Powder and liquid detergents and liquid personal wash
- We believe Brazil provides the right combination of
 - Consumer surfactant drivers
 - Opportunities to grow in Agriculture and other functional markets

Stepan Strategy in Action

- Acquisition of plant in Bahia, Brazil and increased capacity in Vespasiano, Brazil for consumer and functional markets
- Expanded Colombia
- New lab capabilities in São Paulo, Brazil to enable a faster and direct approach with customers and deliver local support
- Implementing strategy to expand smaller tier two and tier three customer base

Latin America gross profit doubled from 2011 to 2015

China headwind in 2016 and 2017, but expected to offer long-term growth



Macro Economic Trends

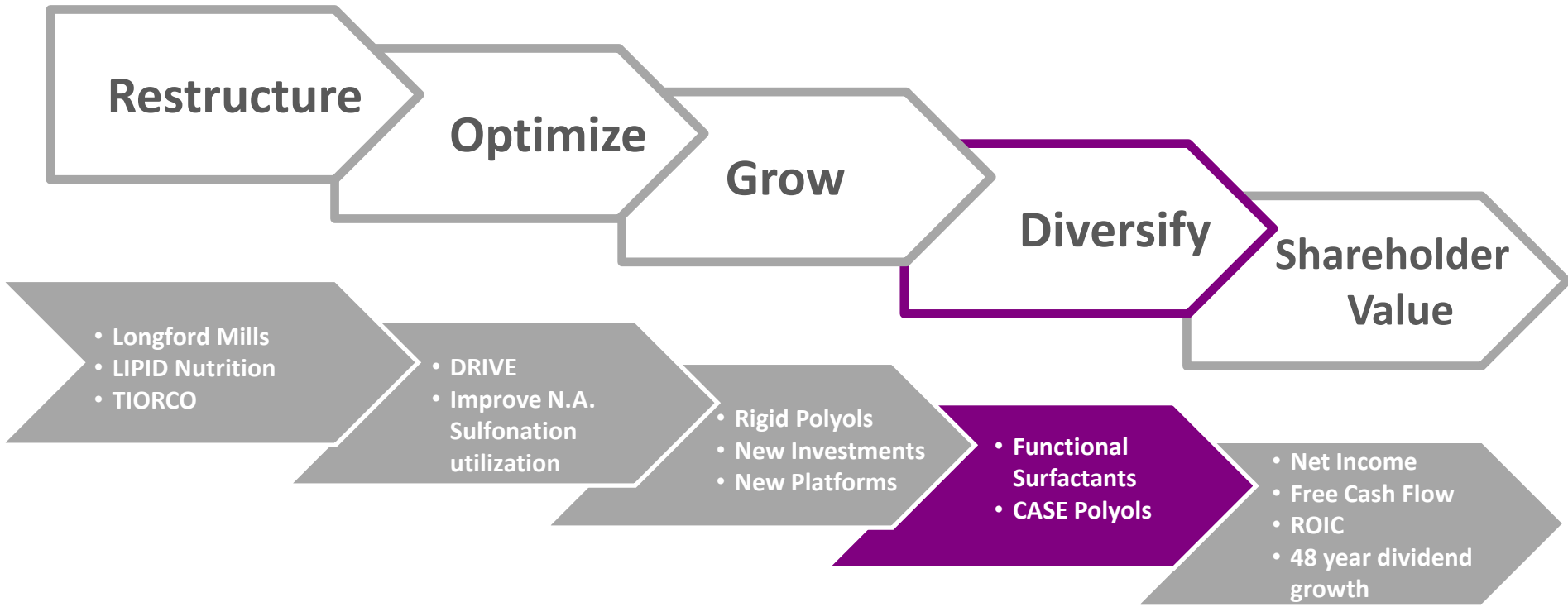
- Chinese Government is mandating greater energy efficiency throughout economy, which should increase use of insulation over time
- Adoption of new building standards in China has been slow
- Significant Methylene diphenyl diisocyanate (MDI) investment already made in China by major producers
 - MDI is reacted with Polyol to make insulation

Stepan Strategy in Action

- New R&D laboratory opened in China in 2015
- Pursuing expanded uses of Polyols, including insulation for cold storage
- Q1 2016 began operations of our new plant in China

Export shipments and lower operating costs should reduce anticipated headwinds

Core Components of Stepan's Strategy



Despite recent challenges for the global Agricultural market, the macro trends remain favorable



Macro Trends Supporting Global Ag Growth

- Global population growth expected to increase from 7 to 9 billion by 2040
- Income growth in emerging middle class expected to drive greater protein demand
- +70% crop production required from finite arable land

Chemistry will be part of the solution

Stepan Strategy in Action

- Expanding our product portfolio and providing environmentally advantaged products that enable cost effective solutions for our customers
- Cost effective formulations and improved label claims for our customers
- Large Agricultural market in Brazil supports Stepan strategy to have a balanced portfolio in targeted geographies

Small presence in large Oilfield market provides opportunity for diversification and growth



Oilfield Surfactant Applications

Tight/Shale Oil & Gas

- Flowback Modifiers
- Viscoelastic Surfactants
- Friction Reducers
- Biocides

Oil Sands

- Bitumen Dilution
- Water Treatment
- Rig/Equipment Cleaning
- Emulsion Breakers

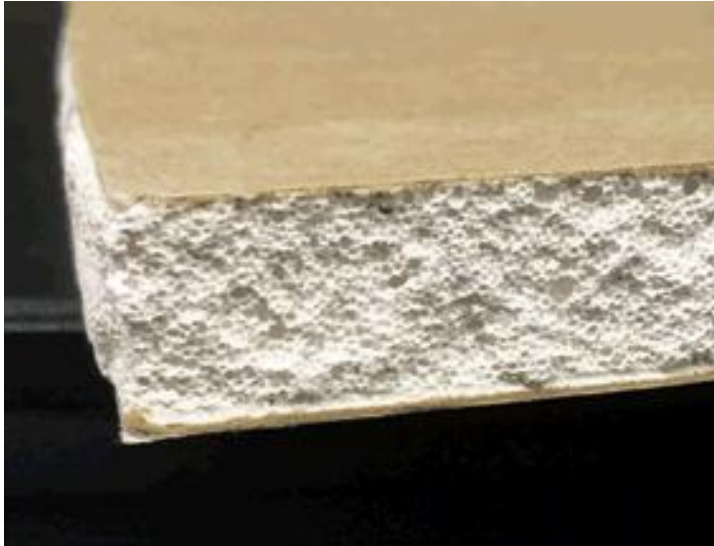
Macro Economic Trends

- Horizontal drilling and hydraulic fracturing technologies used to obtain oil and natural gas are becoming both more precise and efficient
- Currently lower crude oil prices and reduced industry activity, although signs of market optimism

Stepan Strategy in Action

- 70% of our chemicals are used in oil and gas production versus drilling and stimulation
- We are committed to broadening our Oilfield strategy, serving the business through local, application focused resources and testing capabilities
- We continue to support Stepan Enhanced Oil Recovery surfactants in the market
- New office and lab in Houston focused on diversifying product line in anticipation of market recovery

Unique Surfactants providing solutions to the Gypsum market



Macro Economic Trends

- Urbanization and global population growth will increase demand for construction products (Gypsum and Emulsion Polymers (EP))
- Universal Consumers driving demand for better construction materials and practices

Stepan Strategy in Action

- Focused global business unit drives immediate response, support and value
- Focus on high performance solutions that improve energy efficiency, sustainability and speed of construction
- Leverage molecular structure knowledge to improve product performance (lighter and stronger Gypsum board)

Small business, but will add \$2 to 3 million of operating income in 2016

The addition of Specialty Polyols to Stepan allows us to provide solutions for the CASE markets



Macro Economic Trends

- Increasing demand to replace mechanical fasteners with adhesives in transportation vehicles, driven by new Corporate Average Fuel Economy (CAFE) lightweighting standards
- Adoption of superior price-performance materials in automotive, construction, and high-value industrial machine industries
- Industry transition to waterborne and green-products, which increases demand for polyols used in Waterborne Polyurethane Dispersions (PUDs) and solid powder resins

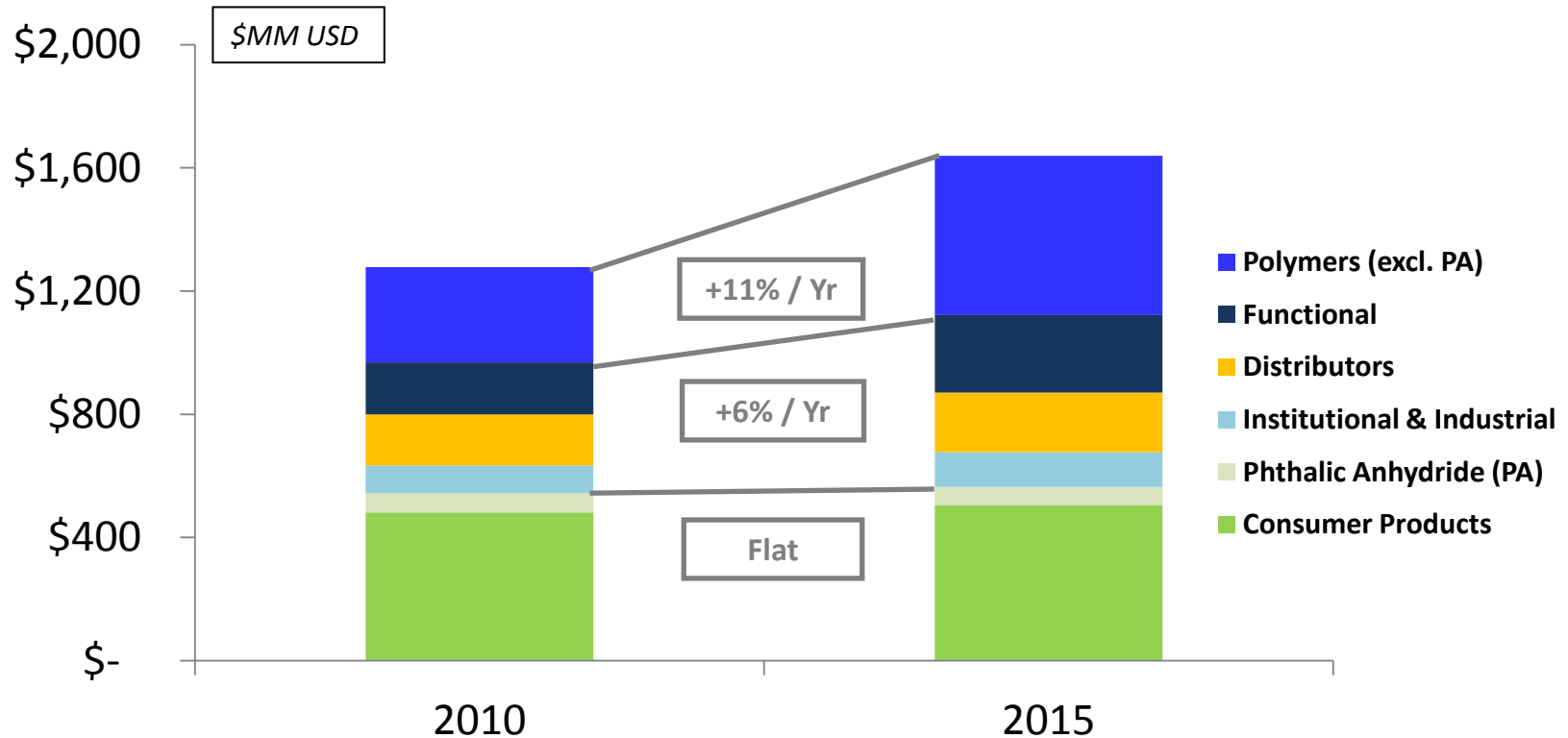
Stepan Strategy in Action

- Poland acquisition in 2010
- Columbus, Georgia acquisition in May 2013 diversified our polyol offering to accelerate our growth in CASE
- Adding reactors in both Poland and Columbus
- We bring unique know-how in specialty polyurethane applications



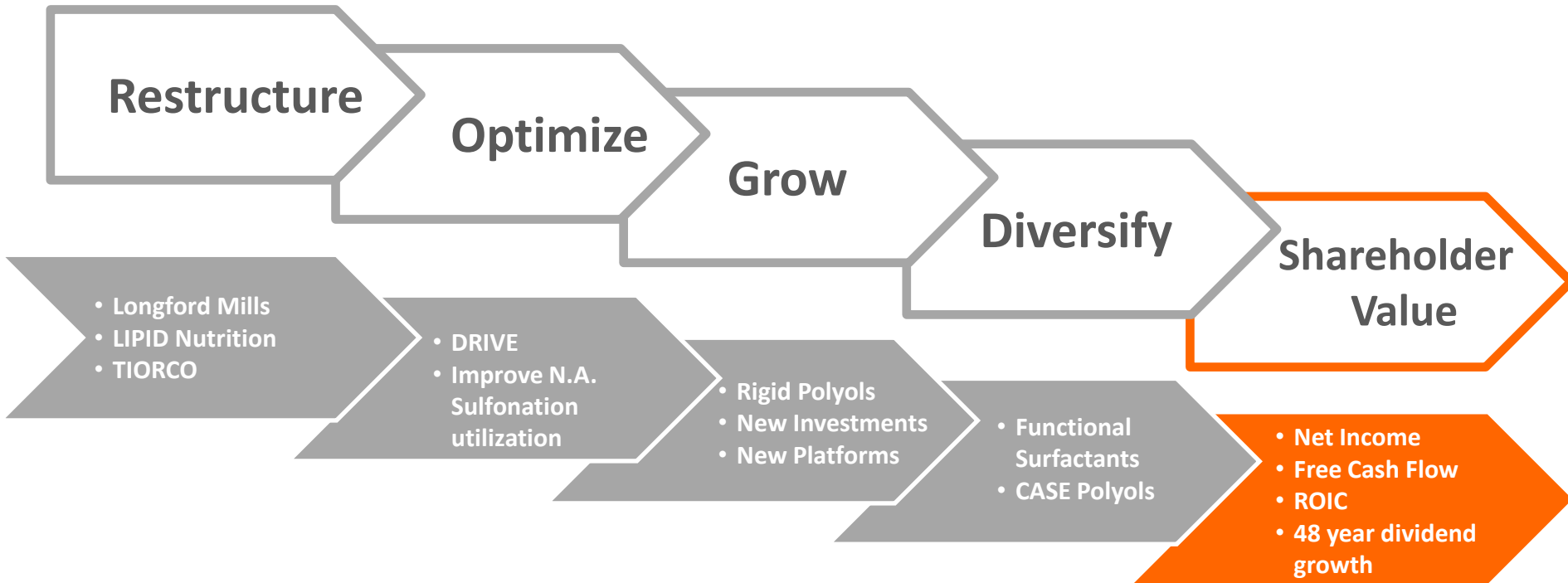
Columbus acquisition exceeding internal expectations to date

Recent History – Increasing sales in higher margin products



Higher margin end markets experiencing disproportionately faster growth

Core Components of Stepan's Strategy



- **2015 Adjusted Net Income was \$79MM, up 71% versus 2014**
- **2015 Free Cash Flow was a source of \$48MM versus a use of \$35MM in 2014**
- **2015 ROIC was 9.3% versus 6.7% in 2014**
- **Stepan is one of only 27 public companies in the United States, which has paid increasing dividends for at least 48 consecutive years**

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

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Appendix I

Adjusted Net Income Reconciliation

<i>(In millions)</i>	1H 2016	1H 2015	1H 2014
Net Income Reported	55.5	38.2	37.4
Deferred Compensation Expense / (Income)	3.2	4.6	(4.0)
Business Restructuring	0.8	-	-
Environmental Remediation Expense	-	0.3	-
Gain on Divestiture of Product Line	-	(1.8)	-
Adjusted Net Income	59.6	41.4	33.4

*Adjusted Net Income is a Non-GAAP measure which excludes certain significant, non-recurring items.

Appendix II

Balance Sheet Metrics

Key Covenant Metrics	Most restrictive	Actual Stepan at 12/31/15
Interest Coverage	1.75	7.04
Minimum Net Worth	\$325MM	\$376MM
Total Debt / Total Capital	Max is 60%	46%

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

Appendix III

Free Cash Flow Reconciliation

<i>(In millions)</i>	2015	2014
Cash Flows From Operating Activities	183.3	82.0
Expenditures for property, plant and equipment	(119.3)	(101.8)
Dividends paid	(16.3)	(15.4)
Free Cash Flow	47.6	(35.3)

Appendix IV

Dividend Legacy

SCL	Stepan Co.	1968
Symbol	Company Name	Increased Since
AWR	American States Water	1955
DOV	Dover Corp.	1956
NWN	Northwest Natural Gas	1956
PGPG	Procter & Gamble	1957
EMR	Emerson Electric	1957
GPC	Genuine Parts	1957
MMM	3M	1959
PHPH	Parker Hannifin Corp.	1960
VVC	Vectren Corporation	1960
CINF	Cincinnati Financial	1961
KO	Coca-Cola Co.	1963
JNJ	Johnson & Johnson	1963
LOW	Lowe's	1963
LANC	Lancaster Colony Corp.	1963
ITW	Illinois Tool Works	1964
CL	Colgate-Palmolive	1964
CLC	Clarcor Inc.	1965
CB	Chubb Corp	1966
TR	Tootsie Roll	1966
HRL	Hormel Foods	1967
SWK	Stanley Black & Decker, Inc.	1968
FRT	Federal Realty Investment Trust REIT	1968
TGT	Target	1968
ABM	ABM Industries	1968
CWT	California Water Services Group	1968
SJW	SJW Corp	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 27 companies which have paid increasing dividends for at least 48 consecutive years

Appendix V

References

- Tecnon Orbichem report - October 2013 (Slide 12)
- United Nations Department of Economics and Social Affairs and Phillips McDougal Agrireference Report (Sales Performance in 2012) dated December 2013 (Slide 14)
- World Population Review March 23, 2014 (Slide 14)
- Phillips McDougall Agrireference Report (Sales Performance in 2012) dated December 2013 (Slide 14)
- BBC Podcast Aug 23, 2014 – “In the Balance: The future of food” (Slide 14)

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.