Stepan Co. (SCL)

Updated August 12th, 2026, by Josh Arnold

Key Metrics

Current Price:	$65	**5 Year CAGR Estimate:**	18.4%	**Market Cap:**	$1.5 B
Fair Value Price:	$62	**5 Year Growth Estimate:**	18.0%	**Ex-Dividend Date:**	09/01/2026
% Fair Value:	105%	**5 Year Valuation Multiple Estimate:**	-0.9%	**Dividend Payment Date:**	09/15/2026
Dividend Yield:	2.4%	**5 Year Price Target**	$142	**Years Of Dividend Growth:**	59
Dividend Risk Score:	A	**Sector:**	Materials	**Rating:**	Hold

Overview & Current Events

Stepan Co. was founded in 1932 and at the outset, it sold only one product: a chemical to keep dust down on Illinois' country roads. Since that time, it has grown to manufacture basic and intermediate chemicals, with surfactants making up most of its revenue. It has a market capitalization of $1.5 billion and should do about $2.5 billion in revenue this year. Stepan is also a Dividend King, having increased its payout for 59 consecutive years.

Stepan posted second quarter earnings on July 29th, 2026, and results were better than expected on both the top and bottom lines, and by wide margins for both. Adjusted earnings-per-share came to $1.18, which was double what was expected. Revenue was up 15% year-over-year to $684 million, beating estimates by more than $48 million.

Global sales volume was up 3% year-over-year while organic sales volume rose 6%. EBITDA was $74 million on an adjusted basis, up 45% year-over-year. Cash from operations was $8.4 million, while free cash flow was negative $15 million for the quarter.

The management team said they continue to expect full-year adjusted EBITDA growth, positive free cash flow, and to continue to deleverage the balance sheet.

We now see $2.70 in adjusted earnings-per-share for this year after a terrific Q2 report.

Growth on a Per-Share Basis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
EPS	$3.73	$3.92	$4.88	$5.12	$5.68	$6.16	$6.65	$2.21	$2.20	$1.82	***$2.70***	***$6.18***
DPS	$0.78	$0.86	$0.93	$1.03	$1.13	$1.27	$1.37	$1.47	$1.51	$1.55	***$1.58***	***$2.02***
Shares[1]	22	23	23	23	23	23	23	22	23	23	***23***	***24***

Stepan's earnings have been somewhat inconsistent, but over time have grown at decent rates. The company is beholden to the world's manufacturers, so any sort of economic weakness can have severe consequences on earnings. It does boast a wide and deep array of customers, so concentration is not a problem, but as we've seen in the past, weakness in just one business line can cause Stepan's results to vary widely from one year to another. Stepan was in the right place at the right time with its surfactant business, capturing additional demand for 2020 and into 2021, although that tailwind dissipated in 2022. Global sales volumes have been weak continuously since 2022 and has not improved yet. Volume is showing signs of weakness, and one wonders how long raw material pass-throughs can persist. We note first-half 2026 results have shown some signs of volume improvement, and we'd want to see those persist.

We are forecasting a five-year average earnings-per-share growth rate of 18%, consisting of highly volatile sales growth and likely margin expansion. The company's cost-saving program has been in place for some time and has yielded operating margin gains. Margins were volatile on a year-over-year basis in 2023 given supply chain issues, which also caused margin problems in 2021 and 2022. So long as this condition persists, Stepan's margins are at risk. We have a high estimate of growth because of the low base for 2026, not because we think Stepan is better positioned than it was.

[1] Share count in millions

Disclosure: This analyst has no position in the security discussed in this research report, and no plans to initiate one in the next 72 hours.

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The company's dividend has grown steadily in the past decade, and the stock now yields 2.4%, which is roughly in line with its historical norms. We expect the payout will rise modestly as the company has used its extra cash to fund dividend increases.

Valuation Analysis

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	Now	2031
Avg. P/E	16.3	19.1	16.5	18.0	18.4	20.0	16.1	42.8	29.4	26.0	***24.1***	***23.0***
Avg. Yld.	1.3%	1.2%	1.1%	1.1%	1.1%	1.0%	1.3%	1.6%	2.3%	3.3%	***2.4%***	***1.4%***

Stepan's price-to-earnings multiple has normalized with the higher share price but lower earnings estimates. We peg fair value at 23 times earnings. We think the company is going to see easing of supply chain disruptions in the coming months, and sales volumes were positive for the most part in Q2. Cost savings should help support earnings, but we don't see cause to raise the fair value multiple further without big improvements in volume and margins.

We see the yield declining over time as the share price should grow much more quickly than the dividend.

Safety, Quality, Competitive Advantage, & Recession Resiliency

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2031
Payout	21%	22%	19%	20%	20%	21%	21%	67%	69%	85%	***59%***	***33%***

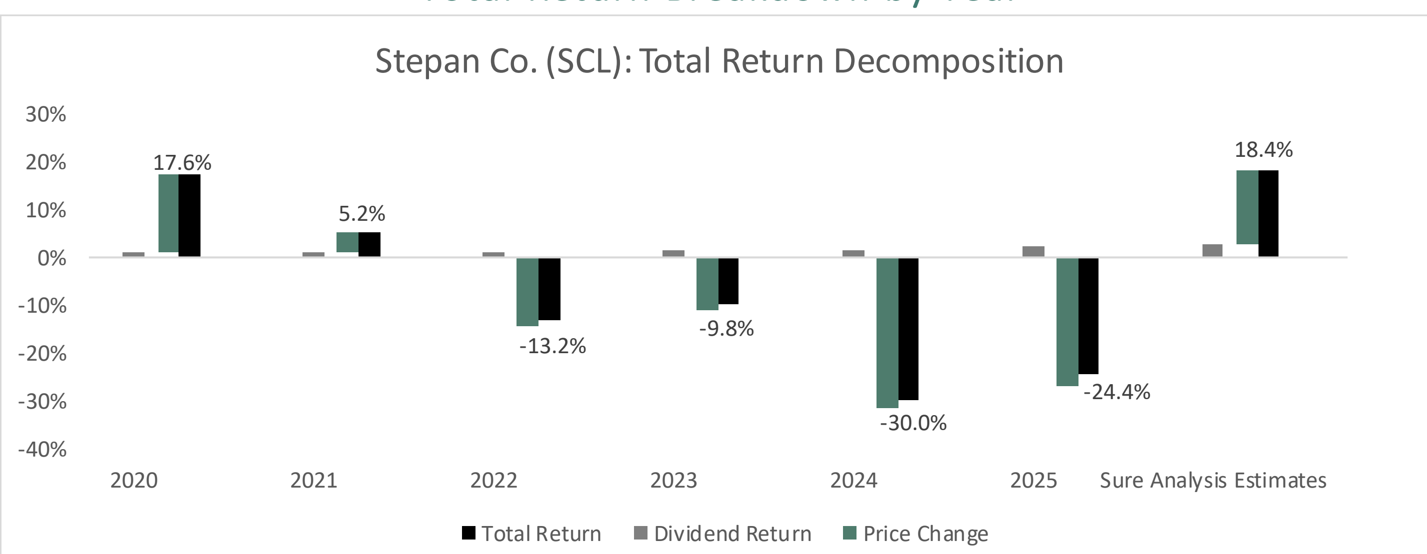
Stepan's payout ratio is about 59% of earnings, and we see it declining markedly should the forecast growth in earnings come to fruition. Recent struggles with earnings growth is likely to keep management slightly more cautious in the near term in raising the dividend.

The company's competitive advantage is in its diverse, global customer base and many decades of engineering experience. Stepan's competitors cannot easily supplant its position with existing customers given the often-custom nature of what Stepan engineers for them. However, Stepan is certainly not immune to economic weakness and as we've seen, its earnings-per-share history shows that results can bounce around from one year to another.

Final Thoughts & Recommendation

We are forecasting total annual returns for the next five years of 18.4%, comprised of the 2.4% current yield, 18% earnings-per-share growth and a fractional headwind from the valuation. Given this, we're reiterating the stock at a hold rating.

Total Return Breakdown by Year



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Income Statement Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	1,766	1,925	1,994	1,859	1,870	2,346	2,773	2,326	2,180	2,332
Gross Profit	339	346	339	340	384	396	427	278	272	270
Gross Margin	19.2%	18.0%	17.0%	18.3%	20.5%	16.9%	15.4%	12.0%	12.5%	11.6%
SG&A Exp.	149	135	133	155	143	159	152	146	144	140
D&A Exp.	75	79	81	79	82	91	95	105	112	126
Operating Profit	135	158	152	129	173	175	209	73	70	69
Operating Margin	7.6%	8.2%	7.6%	7.0%	9.2%	7.5%	7.5%	3.1%	3.2%	3.0%
Net Profit	86	101	111	103	127	138	147	40	50	47
Net Margin	4.9%	5.2%	5.6%	5.5%	6.8%	5.9%	5.3%	1.7%	2.3%	2.0%
Free Cash Flow	109	120	84	113	109	(122)	(141)	(85)	39	25
Income Tax	28	46	27	23	43	35	42	8	10	13

Balance Sheet Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total Assets	1,354	1,471	1,515	1,579	1,752	2,066	2,433	2,363	2,305	2,358
Cash & Equivalents	226	299	300	315	350	159	174	130	100	133
Accounts Receivable	263	294	280	277	301	420	437	422	388	388
Inventories	174	173	232	204	219	306	403	266	289	299
Goodwill & Int. Ass.	48	44	37	41	52	158	154	150	134	132
Total Liabilities	718	730	706	687	764	991	1,267	1,147	1,135	1,114
Accounts Payable	158	205	206	194	237	323	376	233	259	262
Long-Term Debt	317	291	276	222	199	364	455	654	333	676
Shareholder's Equity	635	740	807	892	987	1,074	1,166	1,216	1,170	1,244
LTD/E Ratio	0.50	0.39	0.34	0.25	0.20	0.34	0.39	0.54	0.28	0.56

Profitability & Per Share Metrics

Year	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Return on Assets	6.6%	7.1%	7.4%	6.7%	7.6%	7.2%	6.5%	1.7%	2.2%	2.0%
Return on Equity	14.5%	14.7%	14.4%	12.1%	13.5%	13.4%	13.1%	3.4%	4.2%	3.9%
ROIC	9.4%	10.2%	10.5%	9.4%	11.2%	10.5%	9.6%	2.2%	3.0%	2.5%
Shares Out.	22	23	23	23	23	23	23	23	23	23
Revenue/Share	76.48	82.35	85.48	79.72	80.40	100.74	120.24	101.36	95.08	101.88
FCF/Share	4.72	5.14	3.62	4.84	4.71	(5.25)	(6.10)	(3.72)	1.71	1.11

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.