RESEARCH UPDATE

STEPAN COMPANY (NYSE: SCL)

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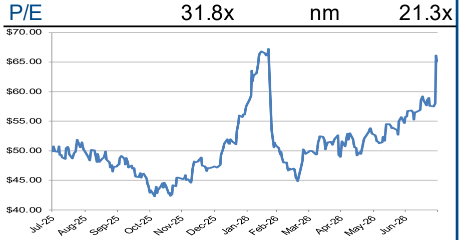
MARKET STATISTICS	
Price	$65.07
52-Week Range	$41.82 - $68.00
Daily Vol. (3 Month Avg.)	145,061
Market Cap ($M)	$ 1,478.0
Enterprise Value ($M)	$ 1,927.3
Shares Outstanding (M)	22.9
Float (M)	21.4

FINANCIAL SUMMARY	
Equity (M)	$1,212.0
BV/S	$ 52.93
Cash (M)	$ 113.7
Debt (M)	$ 647.4
Net Debt/Cap	31%

Valuation	
Valuation Range	$68.40 - $82.63
2027E Price Target	$ 76.95

FYE: Dec	2025	2026E	2027E
(in $M)			
Rev	$2,332.1	$2,504.7	$2,650.8
Chng%	7%	7%	6%
EBITDA	$ 208.0	$ 226.7	$ 260.4
EPS	$ 2.05	$ (0.16)	$ 3.06
EV/R	0.8x	0.8x	0.7x
EV/EBITDA	9.3x	8.5x	7.4x
P/E	31.8x	nm	21.3x



COMPANY DESCRIPTION

Stepan Company, together with its subsidiaries, produces and sells specialty and intermediate chemicals to other manufacturers for use in various end products in North America, Europe, Latin America, and Asia. The company operates through three segments: Surfactants, Polymers, and Specialty Products. Stepan Company was founded in 1932 and is headquartered in Northfield, Illinois.

Company Updates

Stepan's 2Q26 results were a clear improvement from 1Q, but adj. EBITDA results should not be viewed as the new quarterly run rate. Surfactants recovered from the production timing and lower absorption issues seen last quarter, while organic volume growth, pricing and Project Catalyst savings supported better margins. Management estimates that customer pre-buying added roughly $5M to $10M of EBITDA that may otherwise have fallen in 3Q. Management also expects a $4M to $5M Polymer turnaround cost in the second half. Overall, the quarter supports the earnings recovery story, but 3Q should be lower than 2Q.

Quarterly Results – Net sales increased 15% y/y to $684.1M, with organic volume up 6%. Adjusted net income increased 126% to $27.1M, or $1.18/share, while adjusted EBITDA increased 45% to $74.4M. The improvement was led by Surfactants and Polymers, partly offset by lower Specialty Products earnings and higher corporate costs. Free cash flow was $(15.0)M as the Company invested $58M in working capital to support higher sales and raw material costs. Net debt increased sequentially to $534M, although higher trailing EBITDA reduced leverage to 2.5x from 2.7x in 1Q.

Surfactants – Surfactants showed that much of the 1Q weakness was temporary. Net sales increased 18% y/y to $483.9M, organic volume rose 7%, and adjusted EBITDA increased 59% to $54.9M. North America and Asia benefited from the reversal of the production timing and absorption issues seen in 1Q. Growth was broad across regions and end markets, led by Industrial Cleaning, Laundry, Construction & Industrial, and Oilfield. Management also reported roughly 500 new customer and product combinations in the first half, along with double-digit growth in Tier 2/3 and Oilfield customers. This suggests the improvement was not only driven by pre-buying.

Polymers & Specialty Products – Polymers net sales increased 9% y/y to $178.0M, with volume up 5% and adjusted EBITDA increasing 22% to $31.2M. North American volumes grew at a double-digit rate in Rigid Polyols and Phthalic Anhydride, while Spray Foam volume increased more than threefold from a small base. Europe improved modestly as better margins offset weak construction demand, while China remained soft. Specialty Products adjusted EBITDA declined 3% due to weaker MCT mix. Pasadena is now operating at roughly 80% utilization, with tolling savings ahead of plan. The facility is starting to move past start-up costs and contribute to lower supply chain costs.

Outlook – Management maintained expectations for full-year adjusted EBITDA growth, positive free cash flow and continued deleveraging. Project Catalyst is currently producing roughly $18M to $20M of quarterly savings, with management targeting an exit rate of about $22M per quarter and more than $60M of savings in 2026. Second-half results should be lower than 2Q as pre-buying fades and the Polymer turnaround affects earnings, although higher Catalyst savings should offset some of the pressure.

Valuation – We use both a DCF and a comparable analysis for our valuation. Our DCF analysis relies on a range of discount rates between 9.5% and 10.5%. This arrives at a valuation range of $68.40 to $82.63 with a mid-point of $74.87. Currently SCL is trading at a 2027 E EV/EBITDA of 7.4x compared to comps at an average of 10.4x. Using our 2027 E expected EBITDA, and an EV/EBITDA range of 8.5x to 9.5x arrives at a valuation range of $73.35 to $84.72 with a mid-point of $79.03. Using a simple average this arrives at a 2027 E valuation range of $70.87 to $83.68 with a price target at the mid-point of $76.95.

Summary

Exhibit 1: Quarterly Results Comparison to Model

	2Q26 results		
	Reported	Modeled	Notes
Revenues	$ 684.1	$ 624.3	Revenues above expectations
Cost of sales	584.1	550.2	
Gross profit	**100.0**	**74.1**	
Gross margin	**14.6%**	**11.9%**	
Selling	14.9	12.6	
Administrative	24.2	22.0	
R&D and technical services	17.2	15.3	
Deferred compensations	1.4	0.6	
Total opex	62.8	54.2	
Operating inc	**37.2**	**19.9**	Operating margins avove our model despite restructuring costs
Operating margin	**5.4%**	**3.2%**	
EBITDA	**69.1**	**51.6**	
Margin	**10.1%**	**8.3%**	
EBITDA -adj	**74.4**	**56.1**	Adjusted margins remain healthy in the quarter
Margin	**10.9%**	**9.0%**	
Net income (loss)- adj	27.1	13.3	EPS beat due to strong GPM
EPS - adj	**$ 1.18**	**$0.58**	
EPS - GAAP	$ 1.00	$0.43	

Source: Company Reports; Stonegate Capital Markets, Inc.

INVESTMENT FACTORS

Stepan produces specialty and intermediate chemicals and is one of the world's largest producers of surfactants (cleaning agent in soaps, detergents, etc.). The Company has been in business for over 90 years and has a history of delivering EPS growth, strong cashflow generation, and delivering consistent return of cash to shareholders via dividends and share buybacks. We believe, Stepan is well positioned to show growth driven by (1) its leading position in the surfactants market that is seeing a resurgence in growth driven by the coronavirus pandemic, and its strategic initiatives to increase tier 2/3 customers; (2) its leading position in the rigid polymers market that has solid end market growth drivers due to global sustainability efforts; (3) M&A opportunities to accelerate growth; and (4) a solid balance sheet and cash flow generation to support its initiatives.

Investment Positives

Global leader in surfactants – Stepan is one of the world's largest producers of surfactants. While historically the segment has seen modest organic growth, the coronavirus pandemic has spurred an increased demand in cleaning and disinfecting. Additionally, Stepan is targeting specific strategic initiatives to drive organic growth and improve margins. While the Company has numerous sizable Tier 1 customer that have been doing business with Stepan for decades, Stepan is currently expanding its Tier 2 and Tier 3 customer base that typically need more support which creates a stickier customer and are less price sensitive leading to better margins. Next, market diversification efforts are targeted by growing its share in agriculture and oilfield chemicals. Both markets command higher growth rates than consumer products.

And its rigid polyol product segment has solid growth opportunities – Stepan is also a leader in the manufacturer of polyester polyols that are used in rigid foam insulation. Global energy conservation efforts and regulatory requirements are major drivers in the market. The global building insulation market is estimated at $28B with a 5-year CAGR of 4-5%. Stepan's rigid polymer products have a higher average R-value vs. other insulation materials, giving it an advantage in fulfilling both the US' and Europe's efforts of "greening" buildings. In China, cold storage (think increasing demand for fresh food and produce) is driving demand for Stepan's products. Growth rates are expected to exceed 10% per year over the next five+ years. Importantly, this segment has higher margins (mid-teens) than the surfactants business.

M&A should add additional growth opportunities – Stepan has a long history of using M&A to expand its product portfolio and enter new markets. In fact, a significant portion of Stepan's historical growth comes through its M&A activities. Its strategy has typically focused on smaller tuck-in type acquisitions. However, the Company's $100M acquisition of INVISTA in January 2021 was its largest in its history. The $165M acquisition increased its polyester polyols business by adding $100M in annual revenue and was accretive to EPS and EBITDA in 2021. Most recently, in September of 2022, SCL acquired PerformanX's alkoxylates business. This was a strategic tuck in that was accretive to EPS and EBITDA margins.

Solid balance sheet and cash flows to support initiatives - As of year-end 2025, Stepan reported cash and debt of $132.7M and $626.7M, respectively leading to a net debt/TTM adj EBITDA ratio of 2.5x. Additionally, Stepan has a long history of reporting free cash flow attributed to a stable customer base. We believe this financial performance helps support Stepan's strategic initiatives along with continuing it track record of returning cash to shareholders via dividends and share repurchases.

Investment Challenges / Risks

Mature end-markets and economic sensitivity
Stepan's markets are impacted by macroeconomic activity. While many of its customer's personal home care products receive consistent demand, economic cyclicality remains. Additionally, construction, agriculture, and energy end markets are economically sensitive industries.

Intense competition
The Company faces several significant competitors both domestically and abroad, several with long operating histories as well as regional competitors. There is also the risk that Stepan's customers will expand its own capabilities and opt to internally manufacture its own product(s) in the future.

International business risk
Stepan operates multiple manufacturing sites with operations in numerous countries. International business risks include, among others, fluctuations in currency exchange rates, legal restrictions, taxes, transportation, logistics, regulations, access to labor, and government actions. Additionally, Stepan is exposed to emerging market risks as well.

Dependence on large customers
While the Company did not report any customers making up more than 10% of revenue in 2024, Stepan does have several sizable global companies that contribute significant amounts of revenue. Additionally, many of these customers are significantly larger and have higher bargaining power. Furthermore, the larger Tier 1 customers in the surfactants business typically have in-house capabilities. Should any of Stepan's customers decide to switch suppliers or move manufacturing in-house, financial results could be materially impacted.

Raw material exposures and supply chain disruptions
Principal raw materials used include petroleum or plant-based materials. The Company is also dependent on natural gas and electricity. Though the Company is not dependent on any one supplier, raw material volatility can be rapid and significant. While Stepan attempts to pass on these cost increases to customers, there is typically a lag and market pressures may not allow Stepan to pass on increased costs. Additionally, Stepan relies on third-party transportation to deliver raw materials and ship products to customers.

Access to capital
As part of its growth strategy, Stepan seeks M&A opportunities to expand into new markets or to further penetrate current ones. Historically the Company has used current cash as well as debt to fund these activities. As such, any change to Stepan's access to capital may negatively impact the Company's strategy.

VALUATION SUMMARY

We use a DCF and comparison analysis to frame valuation.

DCF Analysis

We are assuming Stepan can grow revenues in the mid-single digit range driven by its efforts to increase penetration with Tier 2/3 customers, increased efforts to drive growth in the agriculture and oilfield end markets for surfactants, along with increased demand and traction in the polymers segment. We also assume Stepan can drive additional manufacturing and operational efficiencies that increase margins over our analysis period. We make no assumptions for acquisition growth.

For our sensitivity analysis, we used discount rates between 9.5% and 10.5% and terminal growth rates between 1.0% and 3.0%. Given the company's historical cash flow performance, its strong balance sheet, and history of returning value to shareholders, we believe our discount rate range is appropriate. This arrives at a valuation range of $68.40 to $82.63 with a mid-point of $74.87.

Sensitivity Analysis:

Discount Rate	Terminal Growth Rates: 1.0%	1.5%	2.0%	2.5%	3.0%
9.50%	$74.46	$78.05	$82.12	$86.76	$92.12
9.75%	$71.32	$74.63	$78.37	$82.63	$87.52
10.00%	$68.35	$71.42	$74.87	$78.78	$83.25
10.25%	$65.55	$68.40	$71.59	$75.19	$79.28
10.50%	$62.90	$65.54	$68.50	$71.82	$75.58

Comparison Analysis

Based on our FY27 estimates, Stepan is trading at 7.4x EV/EBITDA multiple compared to comps at an average at 10.4x.

Comparative Analysis
Stepan Company (NYSE:SCL)
(all figures in $M except per share information)

						EV/S (2)			EV/EBITDA (2)			P/E (2)		
Name	Ticker	Price (1)	Sh	Mrkt Cap	EV	TTM	2026 E	2027 E	TTM	2026 E	2027 E	TTM	2026 E	2027 E
DuPont de Nemours, Inc.	DD	$ 138.84	136.6	$ 18,971.0	$ 21,450.9	3.1x	3.0x	2.9x	13.8x	12.3x	11.5x	nm	20.2x	18.3x
LyondellBasell Industries N.V.	LYB	$ 60.44	322.8	$ 19,509.1	$ 31,331.1	1.1x	0.9x	1.0x	14.1x	6.2x	7.3x	nm	7.1x	9.3x
Croda International Plc	CRDA	$ 43.97	139.3	$ 1,183.8	$ 1,184.8	3.0x	2.9x	2.8x	28.4x	16.0x	14.6x	77.2x	27.6x	24.6x
Clariant AG	CLN	$ 11.04	328.9	$ 4,037.5	$ 6,204.7	1.1x	1.2x	1.1x	9.5x	8.5x	7.8x	nm	16.2x	13.7x
Huntsman Corporation	HUN	$ 12.07	173.0	$ 2,322.0	$ 4,553.5	0.7x	0.7x	0.7x	14.7x	10.5x	9.1x	nm	nm	62.1x
Sensient Technologies Corporation	SXT	$ 123.96	42.4	$ 5,837.7	$ 6,682.8	3.5x	3.3x	3.0x	19.3x	17.3x	14.6x	33.4x	30.1x	25.3x
Innospec Inc.	IOSP	$ 86.07	24.6	$ 2,357.4	$ 2,100.2	1.1x	1.0x	1.0x	10.1x	9.9x	8.1x	18.8x	17.9x	14.2x
					Average	**1.9x**	**1.9x**	**1.8x**	**15.7x**	**11.5x**	**10.4x**	**43.2x**	**19.9x**	**23.9x**
					Median	**1.1x**	**1.2x**	**1.1x**	**14.1x**	**10.5x**	**9.1x**	**33.4x**	**19.1x**	**18.3x**
Stepan Company	**SCL**	**$65.07**	**22.9**	**$ 1,478.0**	**$ 1,927.3**	**0.8x**	**0.8x**	**0.7x**	**9.1x**	**8.5x**	**7.4x**	**nm**	**nm**	**21.3x**

(1) Previous day's closing price
(2) Estimates are from Capital IQ except those for SCL which are Stonegate estimates
Source: Company Reports; CapitalIQ; Stonegate Capital Markets

For our EV/EBITDA range we are using a range of 8.5x to 9.5x with a midpoint of 9.00x. Given current and historical comp multiples, combined with the expectation that 2027 will be a more normal year for specialty chemical companies, we believe it is reasonable for the Company to trade closer to comps. As a result, we arrive at a valuation range of $73.35 to $84.72 with a mid-point of $79.03.

When we combine these two valuation methods using a simple average it arrives at a 2026 E valuation range of $70.87 to $83.68 with a price target at the mid-point of $76.95.

We see the following important catalysts for the stock:

- Continued penetration of Tier 2/3 customers …………...……………..………………… F26+
- New acquisitions announced ……………………………………….……...…………… F26+
- Full Impact of Pasadena Plant ……………………………………………………………F27

DCF Model

Stepan Company
Discounted Cash Flow Model (in millions $, except per share amounts)

Estimates:	2024	2025	2026 E	2027 E	2028 E	2029 E	2030 E	2031 E	2032 E	2033 E	2034 E	2035 E	Terminal Value
Revenues	2,180.3	2,332.1	2,504.7	2,650.8	2,770.1	2,889.2	3,007.7	3,128.0	3,246.8	3,360.5	3,471.4	3,579.0	
Operating Income	70.5	78.5	20.4	119.4	124.7	147.3	174.4	190.8	220.8	238.6	253.4	268.4	
Less: Taxes (benefit)	10.1	13.0	1.5	24.7	25.8	30.5	36.2	39.6	45.8	49.5	52.5	55.6	
NOPAT	60.4	65.5	18.9	94.6	98.8	116.8	138.3	151.3	175.0	189.1	200.9	212.8	
Plus: Depreciation & Amortization	112.2	126.0	127.8	130.0	130.2	130.0	132.3	133.6	134.7	134.4	131.9	132.4	
Plus: Changes in WC	(14.9)	66.4	12.5	13.3	2.8	(2.9)	(3.0)	(3.1)	(3.2)	(3.4)	(3.5)	(3.6)	
Less: Capex	(122.8)	(122.5)	(105.0)	(105.0)	(103.0)	(103.0)	(101.0)	(101.0)	(101.0)	(101.0)	(100.0)	(100.0)	
Free Cash Flow	35.0	135.4	54.2	132.9	128.8	140.9	166.6	180.7	205.5	219.2	229.3	241.6	3080.7
Discount period - months			6	18	30	42	54	66	78	90	102	114	
Discount period - years			0.5	1.5	2.5	3.5	4.5	5.5	6.5	7.5	8.5	9.5	
Discount factor			0.95	0.87	0.79	0.72	0.65	0.59	0.54	0.49	0.44	0.40	
PV of FCF			51.7	115.2	101.5	101.0	108.5	107.0	110.6	107.2	102.0	97.7	1,245.7
Growth rate assumptions:													
Revenue		7.0%	7.4%	5.8%	4.5%	4.3%	4.1%	4.0%	3.8%	3.5%	3.3%	3.1%	
Operating Income		11.4%	-74.1%	486.0%	4.4%	18.2%	18.4%	9.4%	15.7%	8.1%	6.2%	5.9%	
EBITDA		11.9%	-27.6%	68.3%	2.2%	8.8%	10.6%	5.7%	9.6%	4.9%	3.3%	4.0%	
Free Cash Flow		287.5%	-60.0%	145.2%	-3.1%	9.4%	18.2%	8.4%	13.7%	6.7%	4.6%	5.4%	
Margin assumptions:													
Operating margin	3.2%	3.4%	0.8%	4.5%	4.5%	5.1%	5.8%	6.1%	6.8%	7.1%	7.3%	7.5%	
Depr as a % of sales	5.1%	5.4%	5.1%	4.9%	4.7%	4.5%	4.4%	4.3%	4.2%	4.0%	3.8%	3.7%	
EBITDA	8.4%	8.8%	5.9%	9.4%	9.2%	9.6%	10.2%	10.4%	11.0%	11.1%	11.1%	11.2%	
Taxes	14.3%	16.6%	7.4%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	20.7%	
Changes in WC	-0.7%	2.8%	0.5%	0.5%	0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	-0.1%	
Capex as a % of sales	-5.6%	-5.3%	-4.2%	-4.0%	-3.7%	-3.6%	-3.4%	-3.2%	-3.1%	-3.0%	-2.9%	-2.8%	

Valuation:

Shares outstanding	22.9
PV of FCF	1,002.3
PV of Terminal Value	1,245.7
Enterprise Value	2248.0
less: Net Debt	533.7
Estimated Total Value:	1,714.3
Est Equity Value/share:	**$74.87**
Price	$65.07

Sensitivity Analysis:

		Terminal Growth Rates				
		1.0%	1.5%	2.0%	2.5%	3.0%
Discount Rate	9.50%	$74.46	$78.05	$82.12	$86.76	$92.12
	9.75%	$71.32	$74.63	$78.37	$82.63	$87.52
	10.00%	$68.35	$71.42	$74.87	$78.78	$83.25
	10.25%	$65.55	$68.40	$71.59	$75.19	$79.28
	10.50%	$62.90	$65.54	$68.50	$71.82	$75.58

Source: Company Reports, Stonegate Capital Markets estimates

INCOME STATEMENT

Stepan Company (NYSE:SCL)
Consolidated Statements of Income (in millions $, except per share amounts)
Fiscal Year: December

	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	Q1 Mar-25	Q2 Jun-25	Q3 Sep-25	Q4 Dec-25	FY 2025	Q1 Mar-26	Q2 Jun-26	Q3 E Sep-26	Q4 E Dec-26	FY 2026E	Q1 E Mar-27	Q2 E Jun-27	Q3 E Sep-27	Q4 E Dec-27	FY 2027E
Revenues																				
Revenues	$ 1,869.8	$ 2,346.0	$ 2,773.3	$ 2,325.8	$ 2,180.3	$ 593.3	$ 594.7	$ 590.3	$ 553.9	$ 2,332.1	$ 604.5	$ 684.1	$ 626.6	$ 589.5	$ 2,504.7	$ 646.1	$ 732.2	$ 652.1	$ 620.4	$ 2,650.8
Total revenues	**1,869.8**	**2,346.0**	**2,773.3**	**2,325.8**	**2,180.3**	**593.3**	**594.7**	**590.3**	**553.9**	**2,332.1**	**604.5**	**684.1**	**626.6**	**589.5**	**2,504.7**	**646.1**	**732.2**	**652.1**	**620.4**	**2,650.8**
Cost of revenues																				
Cost of sales	1,486.1	1,950.2	2,346.2	2,048.2	1,908.1	517.8	522.8	519.3	502.4	2,062.2	539.7	584.1	552.6	527.8	2,204.1	559.5	636.0	570.2	550.7	2,316.4
Total cost of revenues	1,486.1	1,950.2	2,346.2	2,048.2	1,908.1	517.8	522.8	519.3	502.4	2,062.2	539.7	584.1	552.6	527.8	2,204.1	559.5	636.0	570.2	550.7	2,316.4
Gross (loss) profit	**383.6**	**395.8**	**427.1**	**277.6**	**272.2**	**75.5**	**71.9**	**71.0**	**51.5**	**269.9**	**64.9**	**100.0**	**74.0**	**61.8**	**300.6**	**86.7**	**96.2**	**81.9**	**69.7**	**334.4**
Operating expenses																				
Selling	55.5	59.2	59.0	48.4	45.6	12.1	14.7	11.3	10.7	48.8	12.2	14.9	13.2	12.4	52.6	12.6	14.3	12.7	12.1	51.7
Administrative	87.4	92.9	102.2	93.2	98.3	21.4	22.8	22.9	23.7	90.8	21.3	24.2	20.1	18.9	84.4	20.0	23.4	21.2	20.5	85.1
R&D and technical services	58.0	62.7	66.6	59.0	55.7	14.6	14.7	14.2	15.7	59.3	15.0	17.2	15.4	14.4	62.0	15.7	17.8	15.8	15.0	64.3
Deferred compensations	10.0	6.9	(9.4)	4.4	2.2	(1.0)	1.8	0.8	0.5	2.2	0.6	1.4	0.6	0.6	3.2	1.0	1.1	1.0	0.9	4.0
Business restructuring & asset impairme	1.2	3.4	1.3	14.0	-	-	-	-	6.2	6.2	65.4	5.1	3.8	3.8	78.0	2.5	2.5	2.5	2.5	10.0
Total operating expenses	212.1	225.0	219.7	219.0	201.7	47.2	53.9	49.2	41.0	191.3	114.5	62.8	52.9	50.0	280.2	51.8	59.1	53.2	51.0	215.1
Income (loss) from operations	**171.5**	**170.8**	**207.3**	**58.6**	**70.5**	**28.3**	**18.0**	**21.8**	**10.5**	**78.5**	**(49.6)**	**37.2**	**21.1**	**11.7**	**20.4**	**34.9**	**37.1**	**28.7**	**18.7**	**119.4**
Inc (loss) from operations - adjusted (1	**177.4**	**178.3**	**215.7**	**70.8**	**70.8**	**27.8**	**18.8**	**21.9**	**10.6**	**79.1**	**16.5**	**42.5**	**24.8**	**15.5**	**99.3**	**37.6**	**39.8**	**31.4**	**21.4**	**130.2**
Other income (expense):																				
Interest income (expense), net	(5.4)	(5.8)	(9.8)	(12.1)	(14.2)	(4.1)	(5.5)	(6.8)	(5.7)	(22.1)	(5.0)	(5.7)	(7.1)	(6.9)	(24.7)	(6.8)	(6.6)	(6.5)	(6.3)	(26.2)
Other, net	5.0	7.5	(8.8)	1.9	4.1	0.5	1.3	1.5	0.1	3.5	0.1	1.0	0.5	0.5	2.2	0.5	0.5	0.5	0.5	2.0
Total other income (expense):	(0.5)	1.8	(18.6)	(10.2)	(10.0)	(3.6)	(4.2)	(5.3)	(5.6)	(18.6)	(4.9)	(4.7)	(6.6)	(6.4)	(22.5)	(6.3)	(6.1)	(6.0)	(5.8)	(24.2)
Pre-tax income (loss)	**171.1**	**172.5**	**188.7**	**48.4**	**60.4**	**24.7**	**13.8**	**16.5**	**4.9**	**59.9**	**(54.5)**	**32.5**	**14.5**	**5.3**	**(2.2)**	**28.6**	**31.0**	**22.7**	**12.8**	**95.2**
Provision for taxes (benefit)	43.4	34.6	41.6	8.2	10.1	5.0	2.4	5.7	(0.1)	13.0	(13.1)	9.6	3.6	1.3	1.5	7.4	8.1	5.9	3.3	24.7
Net income (loss)	**$ 126.8**	**$ 137.8**	**$ 147.2**	**$ 40.2**	**$ 50.4**	**$ 19.7**	**$ 11.3**	**$ 10.8**	**$ 5.0**	**$ 46.9**	**$ (41.4)**	**$ 22.9**	**$ 10.8**	**$ 4.0**	**$ (3.7)**	**$ 21.2**	**$ 22.9**	**$ 16.8**	**$ 9.5**	**$ 70.4**
Wtd EPS (loss)	**$ 5.45**	**$ 5.92**	**$ 6.38**	**$ 1.75**	**$ 2.20**	**$ 0.86**	**$ 0.50**	**$ 0.47**	**$ 0.22**	**$ 2.05**	**$ (1.81)**	**$ 1.00**	**$ 0.47**	**$ 0.17**	**$ (0.16)**	**$ 0.92**	**$ 1.00**	**$ 0.73**	**$ 0.41**	**$ 3.06**
Net income (loss) - adjusted (1)	**132.0**	**143.5**	**153.5**	**50.7**	**50.5**	**19.3**	**12.0**	**10.9**	**(0.5)**	**41.7**	**10.3**	**27.1**	**13.7**	**6.8**	**57.8**	**23.2**	**24.9**	**18.8**	**11.5**	**78.4**
Wtd EPS (loss) - adjusted (1)	**$ 5.68**	**$ 6.16**	**$ 6.65**	**$ 2.21**	**$ 2.20**	**$ 0.84**	**$ 0.52**	**$ 0.48**	**$ (0.02)**	**$ 1.82**	**$ 0.45**	**$ 1.18**	**$ 0.60**	**$ 0.30**	**$ 2.52**	**$ 1.01**	**$ 1.08**	**$ 0.82**	**$ 0.50**	**$ 3.41**
Basic shares outstanding	22.9	22.9	22.8	22.8	22.8	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	23.0	23.0	23.0	23.0	23.0
Diluted shares outstanding	23.3	23.3	23.1	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	22.9	23.0	22.9	23.0	23.0	23.0	23.1	23.0
EBITDA (1) (2)	254.6	267.1	313.7	176.9	186.9	58.0	50.6	56.1	43.3	208.0	(16.6)	69.1	53.6	44.2	226.7	67.9	70.1	61.7	51.7	260.4
EBITDA - adjusted (1) (3)	259.3	269.3	310.3	176.1	187.0	57.5	51.4	56.2	33.8	198.9	49.6	74.4	57.3	48.0	227.1	70.6	72.8	64.4	54.4	260.2
Margin Analysis																				
Gross margin	20.5%	16.9%	15.4%	11.9%	12.5%	12.7%	12.1%	12.0%	9.3%	11.6%	10.7%	14.6%	11.8%	10.5%	12.0%	13.4%	13.1%	12.6%	11.2%	12.6%
Operating margin	9.2%	7.3%	7.5%	2.5%	3.2%	4.8%	3.0%	3.7%	1.9%	3.4%	-8.2%	5.4%	3.4%	2.0%	0.8%	5.4%	5.1%	4.4%	3.0%	4.5%
Operatin margin - adjusted	9.5%	7.6%	7.8%	3.0%	3.2%	4.7%	3.2%	3.7%	1.9%	3.4%	2.7%	6.2%	4.0%	2.6%	4.0%	5.8%	5.4%	4.8%	3.4%	4.9%
EBITDA margin	13.6%	11.4%	11.3%	7.6%	8.6%	9.8%	8.5%	9.5%	7.8%	8.9%	-2.7%	10.1%	8.5%	7.5%	9.1%	10.5%	9.6%	9.5%	8.3%	9.8%
EBITDA - adjusted margin	13.9%	11.5%	11.2%	7.6%	8.6%	9.7%	8.6%	9.5%	6.1%	8.5%	8.2%	10.9%	9.1%	8.1%	9.1%	10.9%	9.9%	9.9%	8.8%	9.8%
Pre-tax margin	9.1%	7.4%	6.8%	2.1%	2.8%	4.2%	2.3%	2.8%	0.9%	2.6%	-9.0%	4.8%	2.3%	0.9%	-0.1%	4.4%	4.2%	3.5%	2.1%	3.6%
Net income margin	6.8%	5.9%	5.3%	1.7%	2.3%	3.3%	1.9%	1.8%	0.9%	2.0%	-6.8%	3.3%	1.7%	0.7%	-0.1%	3.3%	3.1%	2.6%	1.5%	2.7%
Adjusted net income margin	7.1%	6.1%	5.5%	2.2%	2.3%	3.3%	2.0%	1.9%	-0.1%	1.8%	1.7%	4.0%	2.2%	1.2%	2.3%	3.6%	3.4%	2.9%	1.9%	3.0%
Tax rate	25.4%	20.1%	22.0%	16.9%	16.7%	20.1%	17.7%	34.4%	-1.3%	21.7%	24.0%	29.6%	25.0%	25.0%	-69.2%	26.0%	26.0%	26.0%	26.0%	26.0%
Growth Rate Analysis Y/Y																				
Total revenues	0.6%	25.5%	18.2%	-16.1%	-6.3%	7.6%	6.9%	7.9%	5.4%	7.0%	1.9%	15.0%	6.1%	6.4%	7.4%	6.9%	7.0%	4.1%	5.2%	5.8%
Total cost of revenues	-2.2%	31.2%	20.3%	-12.7%	-6.8%	7.6%	7.4%	10.2%	7.1%	8.1%	4.2%	11.7%	6.4%	5.1%	6.9%	3.7%	8.9%	3.2%	4.3%	5.1%
Operating income	34.8%	-0.4%	21.4%	-71.7%	20.2%	40.3%	-3.8%	-9.0%	36.5%	11.4%	-275.4%	107.1%	-3.4%	11.7%	-74.1%	170.4%	-0.2%	36.2%	59.0%	486.0%
Operating income - adjusted	20.2%	0.5%	21.0%	-67.2%	0.1%	31.0%	1.5%	-8.7%	49.9%	11.7%	-40.4%	126.3%	13.0%	45.5%	25.6%	127.4%	-6.3%	26.5%	37.9%	31.0%
EBITDA	19.5%	4.9%	17.5%	-43.6%	5.6%	15.7%	5.6%	5.8%	20.9%	11.3%	-128.6%	36.7%	-4.5%	2.2%	9.0%	509.7%	1.4%	15.2%	16.8%	14.9%
EBITDA - adjusted	14.6%	3.9%	15.2%	-43.2%	6.2%	12.3%	7.7%	5.9%	-3.5%	6.4%	-13.8%	44.8%	1.9%	42.1%	14.2%	42.4%	-2.2%	12.4%	13.3%	14.5%
Pre-tax income	35.9%	0.9%	9.4%	-74.4%	24.9%	26.7%	-19.9%	-22.5%	101.1%	-0.9%	-320.9%	136.1%	-12.4%	7.6%	-103.6%	152.6%	-4.8%	57.0%	141.5%	4494.9%
EPS	23.2%	8.6%	7.8%	-72.5%	25.4%	42.2%	19.4%	-54.0%	49.5%	-6.7%	-310.1%	101.6%	-0.2%	-20.6%	-107.8%	150.9%	-0.3%	54.3%	137.3%	2014.2%
EPS - adjusted	10.8%	8.5%	8.0%	-66.8%	-0.4%	32.1%	27.5%	-53.7%	-119.3%	-17.3%	-46.6%	125.9%	24.4%	1376.4%	38.5%	123.8%	-8.2%	37.2%	68.4%	35.1%
Share count - fully diluted	-0.3%	0.1%	-1.0%	-0.5%	-0.1%	-0.3%	-0.2%	-0.1%	-0.1%	-0.2%	0.0%	0.2%	0.2%	0.3%	0.2%	0.5%	0.4%	0.4%	0.4%	0.4%

(1) Adjusted numbers exclude 1x items as defined by SCL and deferred comp exp
(2) EBITDA adds back SCL defined SBC & deferred comp
(3) Adjusted EBITDA excludes 1x items as defined by SCL

Source: Company Reports, Stonegate Capital Markets estimates

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